

## Wharton – Introduction to Marketing

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**Remark:** These notes are primarily written after completing the “Introduction to Marketing” course offered by the university of Pennsylvania (Wharton) on Coursera. I have incorporated information from other sources in some sections to help me better understand the material. These notes are based on my understanding and they are intended to be used as a summary for me to go back to from time to time. Anyone reading this should not rely on my summary and should always revert back to the original sources.

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### Week 1

#### BRANDING: Marketing Strategy and Brand Positioning

- What is marketing? It is the study of a market, which is an exchange between two parties.
  
- The different types of market orientation:
  1. Product Orientation (i.e., sellers’ market)
    - Primary focus is on the product
    - Persuade the customer to want what the firm has
    - → you offer a generic product
    - → sustainable competitive advantage → lower cost (usually big companies win)
    - → profitability drivers → market share
  2. Marketing Orientation (i.e., buyers’ market)
    - Persuade the firm to offer what the customer wants (customer focused approach)
    - → you offer differentiated products / services
    - → sustainable competitive advantage
      - Quality and service
      - Customer knowledge
    - → profitability drivers
      - Customer share (share of a customer’s wallet)
      - Customer loyalty
  3. Experience Orientation
    - Manage the customer’s entire experience with the firm (before transaction, during transaction, and after transaction)
    - → you offer experiential value
    - → sustainable competitive advantage → transformation; customer as a co-creator of value
    - → profitability drivers → buzz / word of mouth / referrals

#### 4. Trust orientation

- Prioritize building a relationship of trust and discipline (be authentic)
- → you offer genuine value
- → sustainable competitive advantage → trust
- → profitability drivers
  - Discipline
  - Reducing cost

#### • The 3 principles of marketing

1. Principle of customer value (you need to provide genuine value to your customers)
2. Principle of differentiation (you need to provide customer value that is better than the competition)
3. Principle of segmentation, targeting, and positioning (you cannot deliver value to everybody, segment the market and choose a target segment)

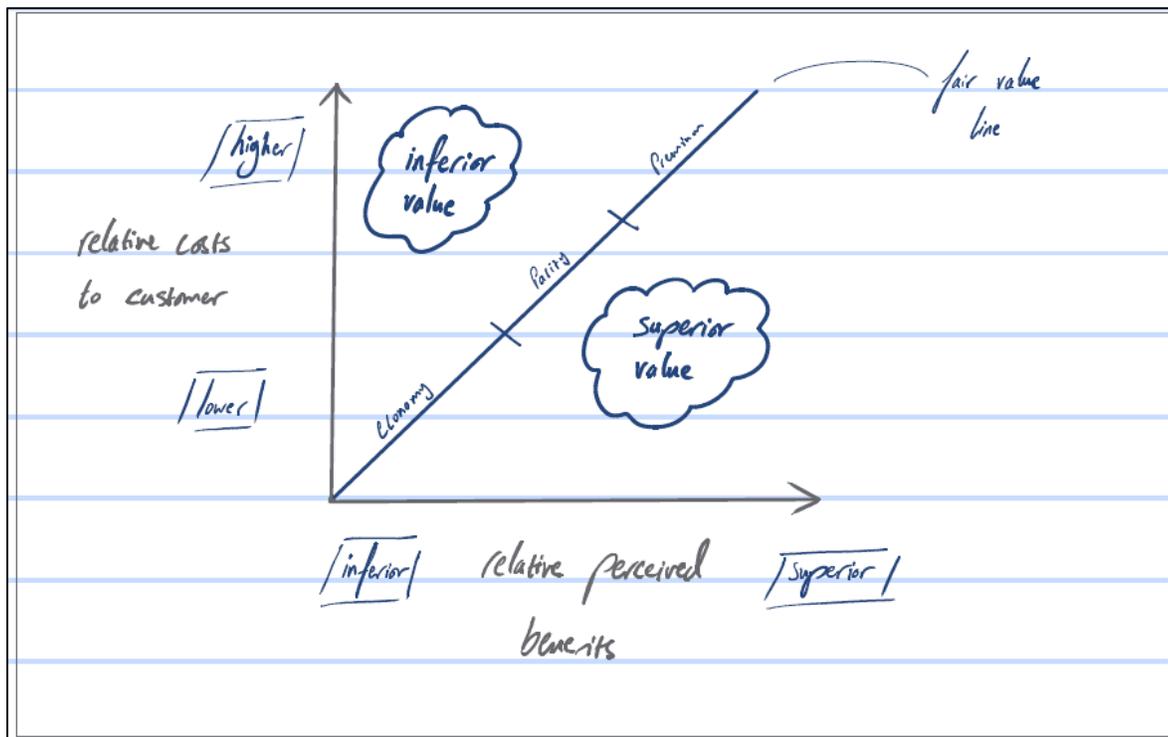
#### → Tools needed to deliver these marketing principles (also called the 4 P's of marketing)

- Product (this is the seller's input to a transaction)
- Place (the way the seller delivers the product to the customer)
- Promotion (the way that a seller communicates the benefits of a product to a buyer)
- Price (this is the buyer's input into a transaction)

#### • Market driven / Marketing orientation / Buyer's market principles

1. Know the market you are trying to serve (do market research, don't just assume)
2. Customers have the final say
3. Commit to being first in the market you serve (be the top in the dimension you are trying to excel at)
4. Deliver total quality to guarantee customer satisfaction

#### • Value map



- Strategies for leadership
  1. Operational excellence
  2. Performance superiority
  3. Customer intimacy

→ you need to offer the best in one of them and provide fair value in the other two

→ if you pursue all three, you will end up with an average product and the customer wouldn't know on which aspect does your product excels
  
- Positioning process (STP - this is an iterative process that you should perform from time to time)
  1. Segmentation → identify variables that allow you to segment the market
  2. Targeting → evaluate the attractiveness of each segment and choose a target market
  3. Positioning → identify positioning concepts for each target segment, select the best, and communicate it
  
- Market segmentation: the process of dividing a market into distinct subsets, where any subset may conceivably be selected as a marketing target to be reached with a distinct marketing mix.
  
- Segmentation methods:
  1. Characteristics of the customer (e.g., demographics)
  2. Benefit sought by the customer
  3. Systematic, product related behaviors (e.g., purchasing behavior, choice of channel)

- Cohort group: a cohort is a group of subjects who have shared a particular event together during a particular time span

EXAMPLES:

1. Generation Y

- a. Born 1977-1997
- b. Coming of age 1995-2015 (marketers usually focus on this period because choices made at this point in their lives tend to stick)
- c. Share of population 30%
- d. Likes
  - i. Free content
  - ii. Tele-commuting
  - iii. Everything social
  - iv. The “right fit”
- e. Dislikes
  - i. Anonymous mass marketing
  - ii. Beaten paths (mainstream / default choice)
  - iii. Restricted access

2. Millennials

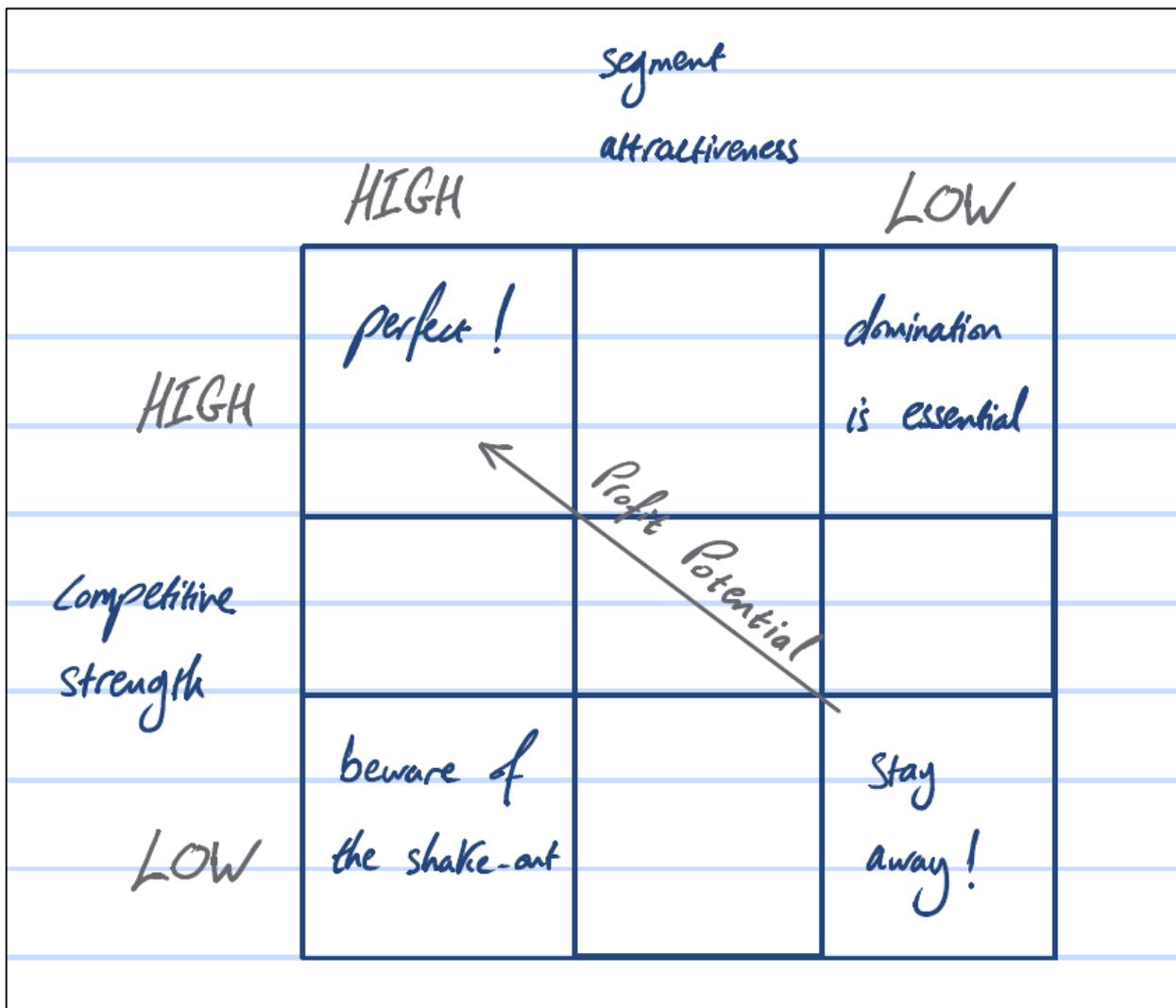
- a. Big shoppers
  - i. Co-purchase with parents
  - ii. Many live with or are supported by their parents
- b. All information is experienced electronically
- c. Multi-tasking
- d. Co-creators of content / product / media
- e. Connected
- f. Socially responsible

- Geographic segmentation: people living near each other tend to have similar behavior

- Segment selection criteria:
  1. Segment size
  2. Growth of segment
  3. Value of segment
  4. Stability
  5. Current company position within segment
  6. Ease of entry into segment
  7. Ease of competitive entry into segment
  8. Number and strength of competitors

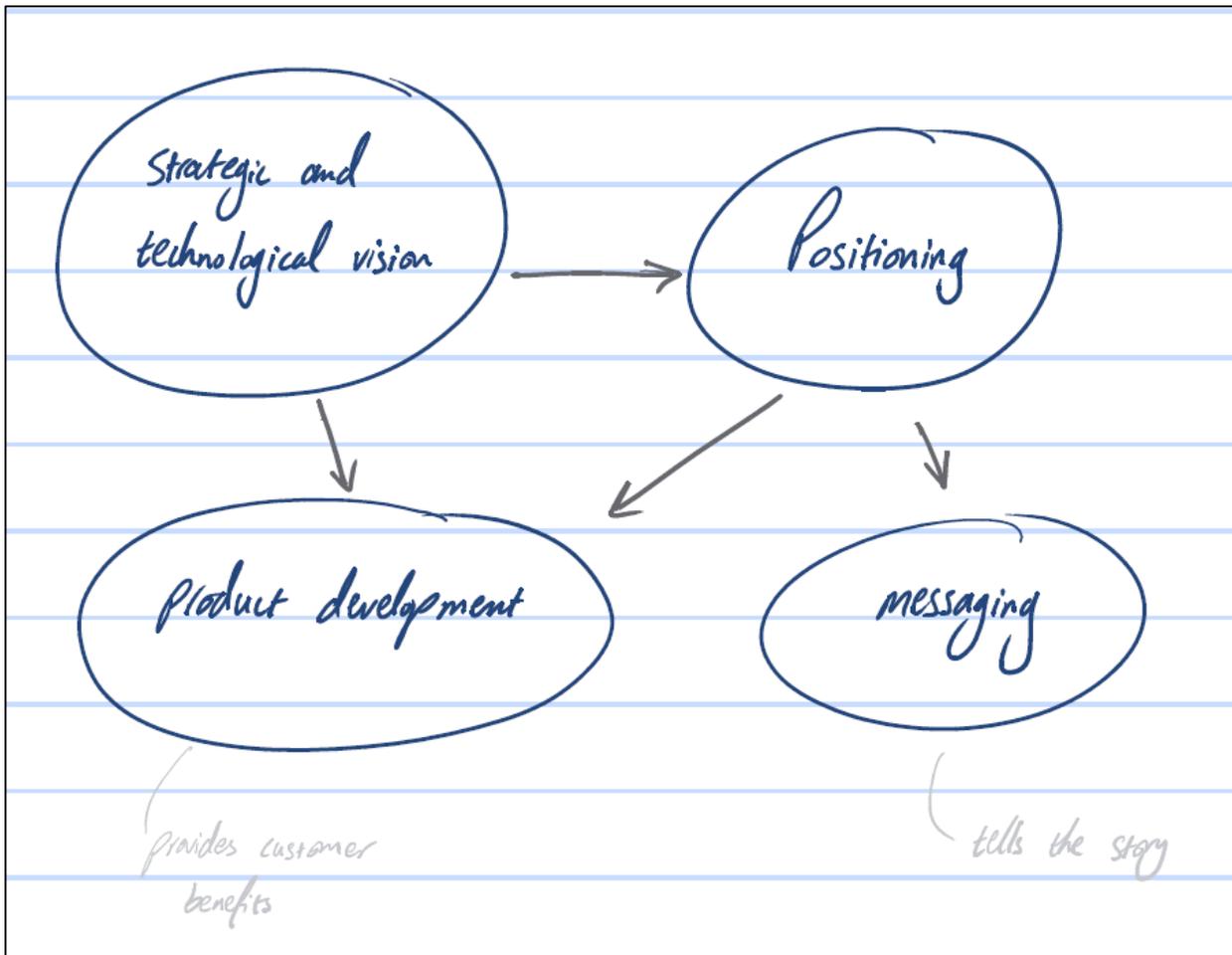
→ Select a target segment by balancing segment attractiveness with your capability

→ Continuously monitor whether the actual buyers match the target segment

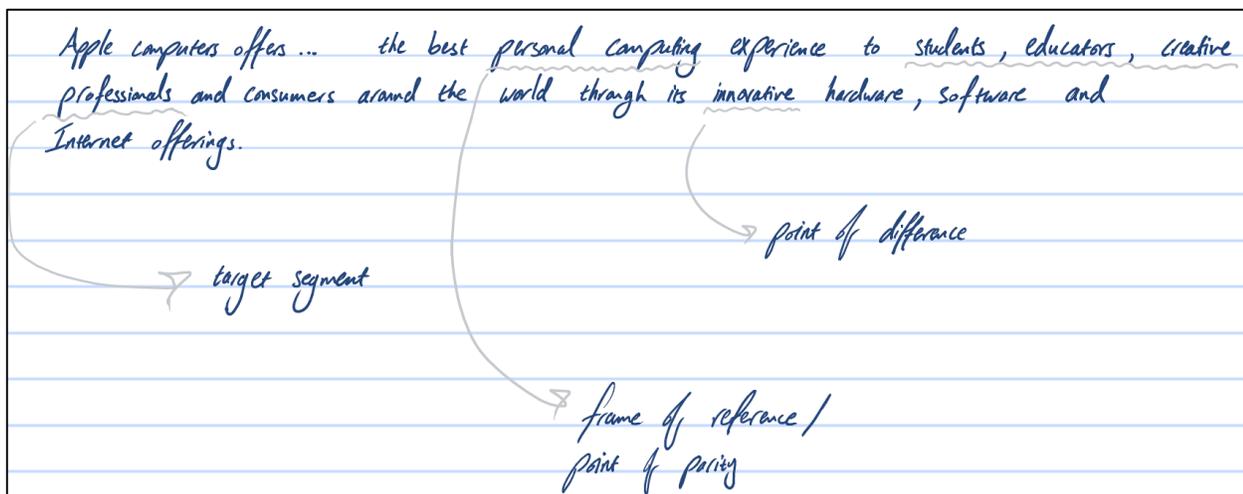


- A brand is no longer what we tell the customer it is – it is what customers tell each other it is
- Positioning: a positioning statement defines the value proposition of product to the target market
  1. It is implemented through all elements of the marketing mix (product, price, promotion and place)
  2. Should focus on a few key benefits (unique selling proposition)
  3. Position must be defensible
  4. Positioning requires making choices

- The role of positioning



- Example of a positioning statement:



- Mental map

1. Ask customers "what comes to mind when you think about...?"
2. Develop a mental map based on their answers
3. This mental map shows how the brand is actually perceived by customers
4. It should hold the core values of your brand (i.e., brand mantra)

- Brand mantra: an articulation of the “heart and soul” of the brand
  1. Used internally to guide decisions (what the brand should and should not be associated with)
  2. Considerations
    - Communicate → define the business and boundaries; classify what is unique about the brand
    - Simplify → memorable, short vivid and crisp
    - Inspire → have higher level meaning from employees and consumers
  
- What is an experience? It is a process that occur as a result of encountering, undergoing or living through situations
  
- Experiential components
  1. Five senses
  2. Cognitive
  3. Behavioral
  4. Social
  
- Characteristics of great brands
  1. Consistency in delivering on their promise
  2. Superior products and processes
  3. Distinctive positioning and customer experience
  4. Alignment of internal and external commitment to the brand
  5. An ability to stay relevant

## Week 2

### CUSTOMER CENTRICITY: The Limits of Product-Centric Thinking & The Opportunities and Challenges of Customer Centricity

- Customer Intimacy == Customer Centricity
- The product centric approach
  1. The goal of the firm is to maximize shareholder value
  2. Maximum profits can be realized through increasing volume and reducing cost
  3. Market share is a key performance indicator
    - it tells you how will you be doing relative to competitors
    - it gives an idea of how profitable will you become
  4. growth is mainly achieved by extending the product
    - to new markets
    - new applications for the same product
  5. companies are usually organized around their products (they have a product-oriented organizational structure)
  6. the competitive advantage for the company is product expertise
- Cracks in the product-centric approach
  1. commoditization
    - technology enabled product development
    - it has become much easier to develop a product similar to the competitor
  2. smart customers
    - technology enabled information flow
    - customers are more aware of what is out there
  3. retail saturation
    - technology-enabled delivery
    - it has become much easier to get your product in the hands of your customers
  4. globalization
    - customers are now looking for products in other areas, not just yours
  5. deregulation
    - decreases monopoly and increases competition
  6. customers want “end-to-end” solutions, which may require product/services from multiple vendors
  7. abundance of data, which enable customer level tracing
- There are many lessons that direct marketing can teach us to become more customer centric
  1. The individual customer is the unit of analysis
  2. Know who are your customers and what they buy
  3. Aim to determine marketing communication based on past purchases
  4. Constantly determine (and leverage) individual customer value

→ reading material → Being Direct: making advertising pay, by Lester Wunderman

- Customer centricity: a strategy that aligns a company's development / delivery of its products / services around the current and future needs of a select set of customers in order to maximize their long term financial value to the firm
  - it requires the company to be willing and able to change its organizational design, performance metrics, and employee / distributor incentive structures to focus on this long-term value creation / delivery process
- Living in a customer-centric world
  1. The goal of the firm is to maximize shareholder value (same as the product-centric approach)
  2. Celebrate customer heterogeneity → distinguish the profitable customers from the less profitable ones
  3. Focus on future profitability (customer life time value) rather than past profits
  4. Success arises through enhanced (and/or more efficient) customer acquisition, retention and development
  5. Organizational structure needs to change to become more customer-centric
  6. The competitive advantage – “relationship expertise” with respect to focal customers

**Table 1.1 Product-Centric versus Customer-Centric**

		<i>Product-Centric Company</i>	<i>Customer-Centric Company</i>
Strategy	Goal	Best product for customer	Best solution for customer
	Main offering	New products	Personalized packages of products, service, support, education, consulting
	Value creation route	Cutting-edge products, useful features, new applications	Customizing for best total solution
	Most important customer	Most advanced customer	Most profitable, loyal customer
	Priority-setting basis	Portfolio of products	Portfolio of customers—customer profitability
Pricing	Pricing	Price to market	Price for value, risk
	Organizational concept	Product profit centers, product reviews, product teams	Customer segments, customer teams, customer P&Ls
Processes	Most important process	New product development	Customer relationship management and solutions development
Rewards	Measures	<ul style="list-style-type: none"> <li>• Number of new products</li> <li>• Percentage of revenue from products less than two years old</li> <li>• Market share</li> </ul>	<ul style="list-style-type: none"> <li>• Customer share of most valuable customer</li> <li>• Customer satisfaction</li> <li>• Lifetime value of a customer</li> <li>• Customer retention</li> </ul>
People	Approach to personnel	Power to people who develop products <ul style="list-style-type: none"> <li>• Highest reward is working on next most challenging product</li> <li>• Manage creative people through challenges with a deadline</li> </ul>	Power to people with in-depth knowledge of customer's business <ul style="list-style-type: none"> <li>• Highest rewards to relationship managers who save the customer's business</li> </ul>
	Mental process	Divergent thinking: <i>How many possible uses of this product?</i>	Convergent thinking: <i>What combination of products is best for this customer?</i>
	Sales bias	On the side of the seller in a transaction	On the side of the buyer in a transaction
	Culture	New product culture: open to new ideas, experimentation	Relationship management culture: searching for more customer needs to satisfy

Source: This table is a composite of points describing product- and customer-centric companies taken from Peppers and Rogers (1993, 1997, 2001), Treacy and Wiersema (1995), Seybold (1998, 2001).

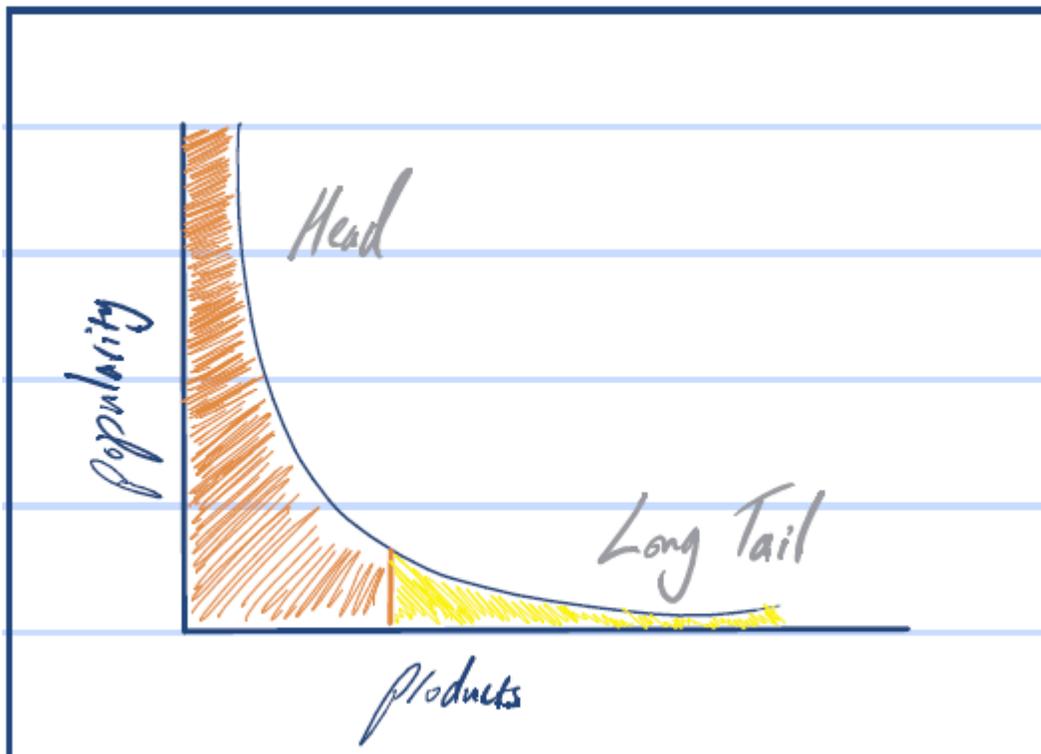
- Reflections on customer centricity
  1. Customer centricity does not suggest that “non-focal” customers should be ignored; to the contrary, it is important to have a healthy proportion of such customers to add a high degree of stability and robustness to the overall customer base (think of it as an investment portfolio, you need to balance risky and riskless assets)
  2. The more that a firm tightens its central focus on a select group of customers, the more it needs its “non-focal” customers to stabilize the overall mix
  
- Discussion questions
  1. Who is the customer? Can you come up with a single answer or at least reconcile the differences between different potential customers?
  2. What are the major barriers to account for? Come up with a list ranked by the importance / difficulty of each barrier
  3. Are my competitors becoming more customer centric?
  4. Does it make sense for you to become customer-centric? If so, what should be your immediate goals and medium-term goals?

## Week 3

### GO TO MARKET STRATEGIES: Online-Offline Interaction & How to Find Lead Users and Facilitate Influence and Contagion

- Offline is still important as 90% of what is sold to consumers is done offline. This is because of the following:
  1. Delivery times
  2. Uncertainty about the “fit and feel” of certain products
  3. Cost of returns (both time and money)

→ Moreover, competition is intense for popular products, but almost non-existent for niche product
- Types of frictions of online / offline
  1. Search friction
  2. Geographic friction
- The long tail: the theory of the long tail states that our culture and economy is changing from a focus on a relatively small number of “hits” (mainstream products and markets) at the head of the demand curve and towards a huge number of niches in the tail:
  1. The collective value of niches is becoming greater than the hits
  2. If the niche products are offered (made visible) online, then they will have enhanced sales
  3. Key variables to explain sales of niche products
    - Directed search
    - Non-directed search
    - Recommendation systems

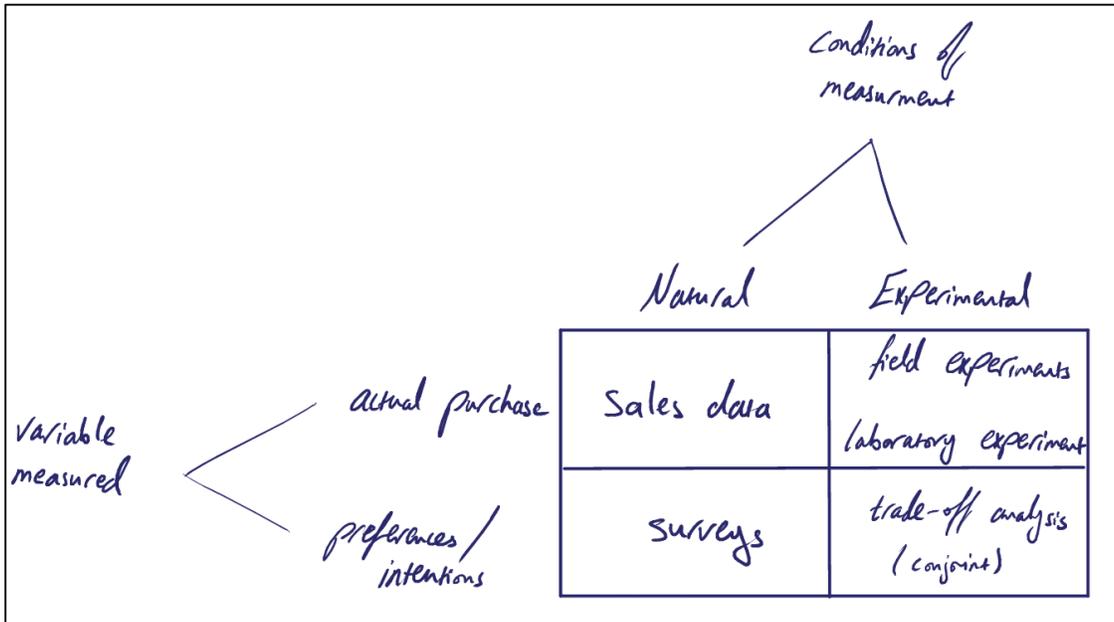


- Critique
  1. Law of natural monopoly → hits get disproportionate / higher share of light users
  2. Law of double jeopardy → unfamiliar things are less well liked
  
- Preference isolation: an extreme form of geographic friction where you can't get what you want locally offline because your preferences differ from the tastes of the local majority
 

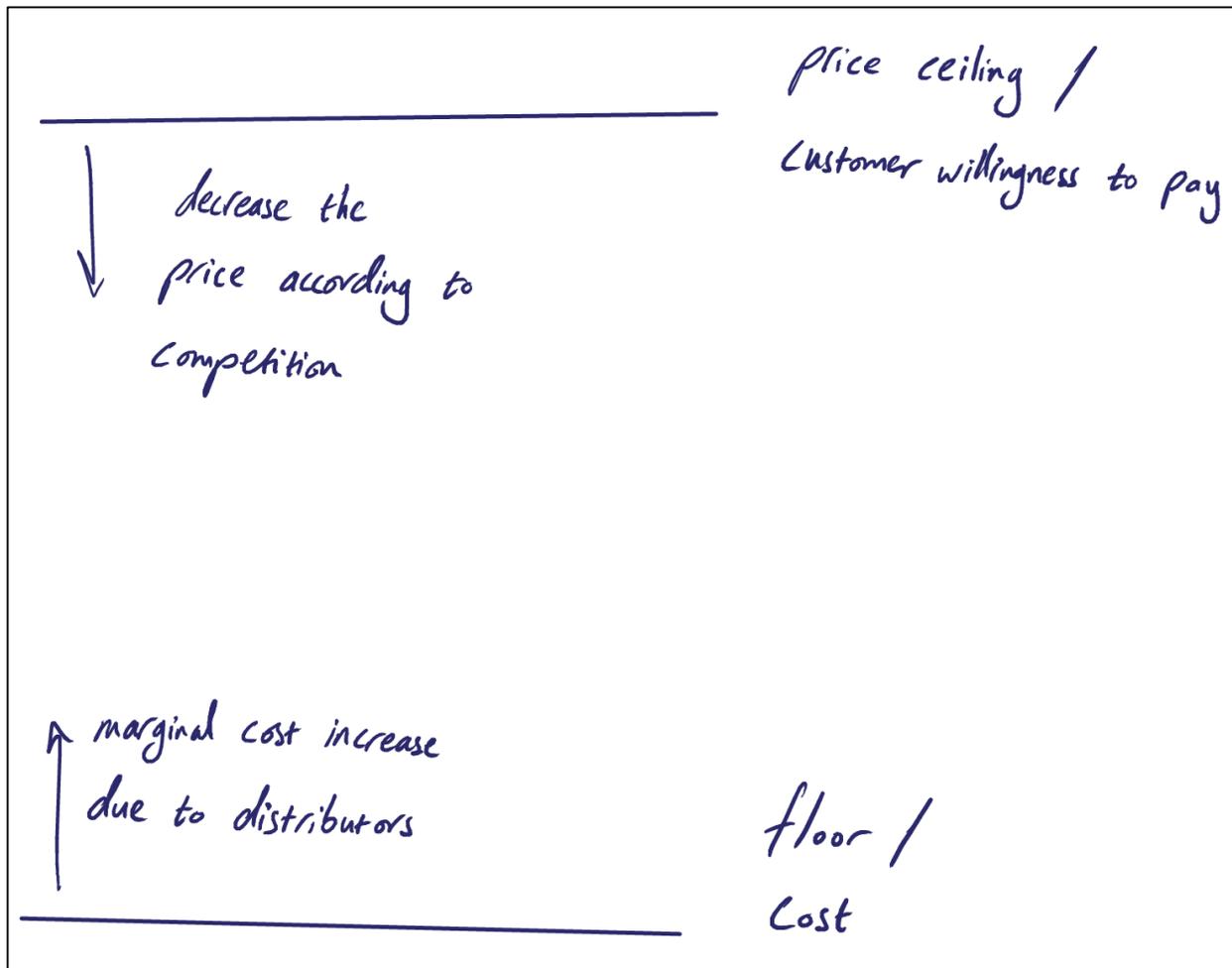
→ Isolated prospects are worth pursuing, if they can't find what they want offline then they will go find it online
  
- What matters most in Internet retailing?
  1. Customer acceptance of online retail depends on offline shopping costs
  2. Sales evolution is structured and predictable (e.g., social contagion)
  3. Migrating from "good" to "great" requires expansion to niche locations
  
- Spatial structure follows a pattern of proximity and similarity
  
- There are 2 ways to think about distance
  1. Geographic distance
  2. Social or demographic distance
  
- How do sales spread?
  1. In the beginning, sales start out in larger cities and spread by proximity from person to person
  2. Later on, sales pick up in smaller areas that are quite far apart, but contain similar kinds of people
  
- Customers and digital marketing
  1. Goals
    - Attract
    - Engage
    - Retain
  2. How
    - Never pay more to acquire than you will recoup (customer lifetime value > acquisition cost)
    - Customer life time value needs to incorporate referral lifetime value
  3. Don't think of (profit = revenue – marketing cost), because without marketing you will have decreased revenue
  4. Digital considerations
    - Attractive target customer
    - Monologue to conversation
    - Amplification through virtual and real world synergy
    - "long tail" leverage
    - Selection and treatment

- Networks:
  1. Usually exhibit homophily (the tendency of individuals to associate and bond with similar others), either in characteristics of participants, or in preference
  2. Entering a network
    - Participation in a network is a choice (often governed by some form of homophily)
    - We also decide how many people we want to connect to and how central we want to be
    - When our relationships are transitive (our friends know each other) then we are deeply embedded
  
- Six degrees of separation: the theory that everyone is six or fewer steps away, by way of introduction, from any other person in the world
  
- The 5C's and pricing
  1. Customers
    - Price sensitivity / elasticity, which is affected by
      - Price / quality inference
      - Method / how easy it is to pay
      - Ease of comparison
      - Overall expenditure (relative to other expenditures)
    - Psychological issues
  2. Company
    - Financial considerations (IRR)
    - Consistency in product line
    - Consistency in image
  3. Collaborators
    - i.e., margins and how willing are they to push for your product (ROA)
  4. Competitors
    - Aggressiveness
    - How will they respond to you changing price?
    - Market leaders set their own price (usually a high price)
  5. Context
    - To the price and decision

- Measuring price sensitivity



- Establishing a price



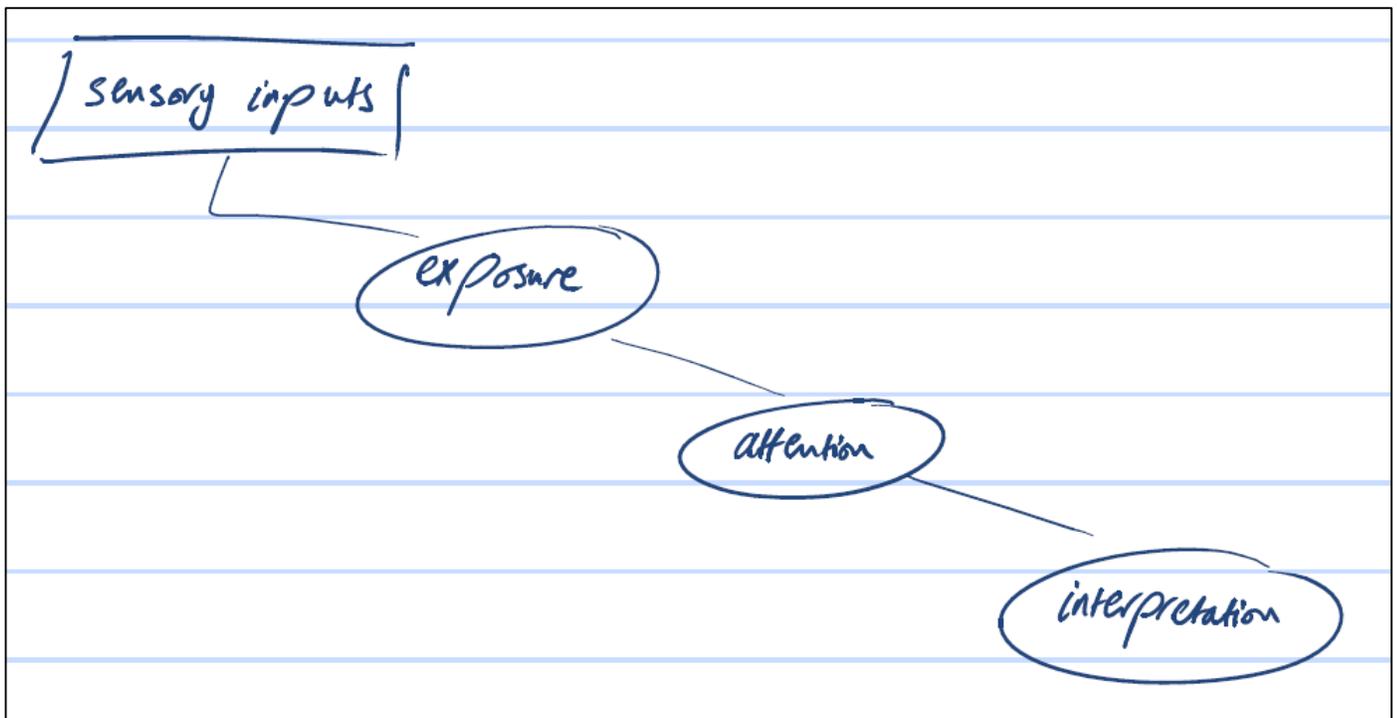
→ in western cultures, a price ending in '9' signifies a discount economic value to customer

- The 7 M's of campaign communication
  1. Market → who is your target segment
  2. Message content → what should you say? (key benefits / positioning)
  3. Mission → what is it that you are trying to accomplish? (awareness/knowledge/interest/trial)
  4. Message design → how should I say it? (your creative solution)
  5. Media strategy → how do you reach them? (digital/TV/Print)
  6. Money → how much are you willing to spend?
  7. Measurement:
    - Percentage of aided recall
    - Percentage of increased sales
    - Was it worth it?

## Week 4

### BRANDING: Effective Brand Communications Strategies and Repositioning Strategies

- Perception: the process of developing an interpretation of a stimuli
  1. Why is it important?
    - What customers perceive is what affects their actions
    - What is perceived is not necessarily what is true
  2. The interpretation / meanings are based upon two major factors
    - The “actual” stimulus or event
    - The prior expectations and what we know
  3. Some of the things in which we can affect perception
    - Proximity to other products
    - Similarity to other products
  4. Overview of perceptual process



- Brand elements: a variety of elements that can be chosen to enhance brand awareness or facilitate the formation of strong, favorable, and unique brand associations
- Brand elements choice criteria
  1. Memorable → easily recognized and recalled
  2. Meaningful → descriptive and persuasive
  3. Appealing → fun and interesting / visually appealing / rich visual and verbal imagery
  4. Protectable → legally / competitively
  5. Adaptable → flexible and updatable
  6. Transferable → across product categories / across different regions
- Each brand element plays a different role in creating the overall perception

- Brand elements should be used strategically to achieve balance and impact
- They need to be consistent and integrated

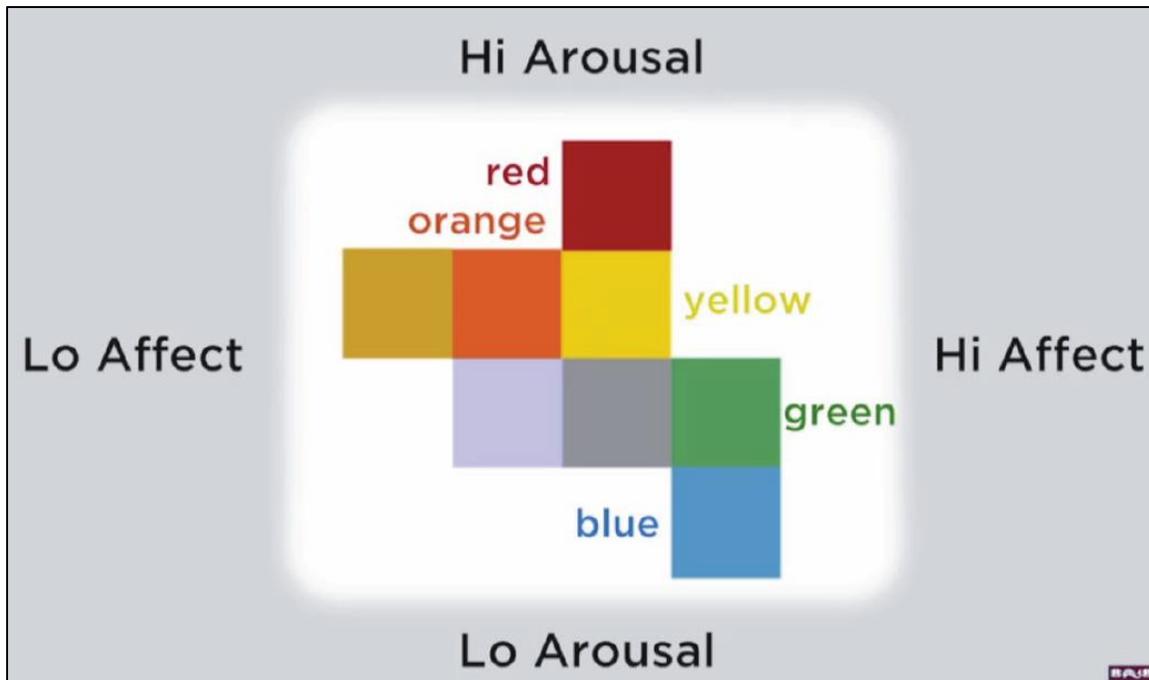
	advantages	disadvantages
names	the anchor quick, easy to process and recall	difficult to change globalization issues
logo and symbols	attention-getting can reinforce associations global transfer	can get outdated can be ambiguous can be misinterpreted
characters	rich meaning attention-getting	can get outdated global transfer
slogans and jingles	can be highly memorable catchy convey meaning	difficult to translate musical taste differences
packages	recognition convey into meaning	production issues channel concerns

- Effect of brand names on
  1. Consumers → likelihood of purchase
  2. Employees → morale and productivity
  3. Firm → can limit opportunities (e.g., to new products or new regions)
  4. Investors → can cause subconscious judgements about the company's merit / strength
- Types of names

type	Definition	Examples
descriptive	names or describes the product/service	Lean Cuisine
metaphor	represents attributes or symbolism	Nissan Infiniti
surname	a person's name	Ford Ralph Luren
arbitrary	real words with no obvious brand association	Apple Camel
altered	fictional words based on real words	Lucent Spotify
blended	two words merged	Facebook
invented	nonsense words, not based on real words	Exxon

- Roles about colors
  1. Ultimate goal is to own a color
  2. Different viewers experience color differently
  3. Color consistency is difficult (especially across different media)
  4. Can create very strong perceptions (e.g., luxury colors or gender colors)

- Two axes of colors



- Colors properties
  1. Red → thought to stimulate the appetite, also love (passion), excitement
  2. Blue → color most preferred by men; productive color; curbs appetite
  3. Green → tranquility and health; money, nature, fertility
  4. Brown → reliability, boredom, practicality, earth
  5. White → purity, innocence, empty, spacious
  6. Black → evil, death, mourning, slimming
  7. Yellow → bright, gives you energy; has been shown to make babies cry; causes eye fatigue
  8. Orange → excitement, enthusiasm, warmth, caution
  9. Lavender → calms the nerves, relaxation
  10. Purple → royalty, wealth, success, wisdom
  11. Pink → girls color, calming, warm

- Color emotional guide



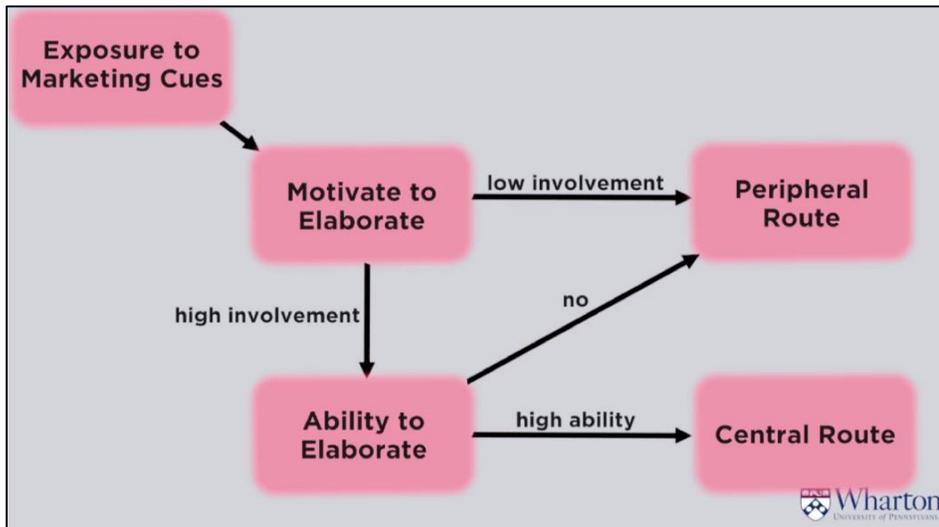
- Symbols can communicate associations / feelings
- Slogans / taglines
  1. Can be tailored to a positioning strategy
  2. Can remove some of the ambiguity associated with the brand / symbol
  3. Can generate its own equity / emotion
  4. Can reinforce the name or symbol
- Tagline basics
  1. Short
  2. Differentiated from competition
  3. Unique
  4. Easy to say and remember
  5. Cannot have any negative connotations
  6. Can be protected and trademarked

- Types of taglines
  1. Imperative
  2. Descriptive
  3. Superlative
  4. Provocative
  5. Clever
- Packaging
  1. Can influence at the point of purchase
  2. Can have a continuing influence at the point of consumption
- Objectives of packaging
  1. Identify the product
  2. Present information
  3. Protect and allow transportation
  4. Store
  5. Aid consumption

➔ you need to know your distribution channels and how they present your product

- Persuasion: an active attempt to share belief and attitude
- Elaboration likelihood method: describes the change of attitudes and aims to explain different ways of processing stimuli, why they are used and their outcomes on attitude change
- There are two routes to persuasion
  1. Systematic (central)
  2. Superficial (peripheral) processing

- Peripheral cues
  1. Classical conditioning (the default that has been going on for ages)
    - Example: a burger always comes with a side of fries and coke
  2. Reciprocity (you owe me)
    - Example: I give you a free gift, you will feel that you owe me
  3. Consistency (we've always done it that way)
  4. Social proof (everybody's doing it)
  5. Liking (if you love me then you will love my ideas)
  6. Authority (just because I say so)
  7. Scarcity (quick before they're all gone)



- What makes a good celebrity endorser?
  1. Celebrity / audience fit
  2. Celebrity / brand fit
  3. Celebrity attractiveness
  4. Practical considerations (cost, celebrity exposure, risk, ...)
  5. Social network followers and influence
- The 5 rationales for brand change
  1. The identity / execution was poorly conceived
  2. The target for the identity / execution is limited
  3. The identity / execution has become out of date
  4. The identity / execution lost its edge, became old fashioned
  5. The identity / execution has just become tired
- Consistency theories (summary): the basic idea is that there is a drive to maintain consistency within cognitive systems. Thus, cognitive structures may change in order to increase consistency among elements.
- Evolving brand associations: a brand can evolve more gradually to gain more contemporary associations while maintaining familiarity
  1. Symbols → can update without changing meaning
  2. Brand name → can change to reflect evolving identity
  3. Slogans → easier to change than the name
  4. New products → can be true to the core identity, but add a modern, innovative element

- Major points / takeaways
  1. Consistency over time is very valuable in building strong brands
  2. All brand elements should work in harmony to communicate brand identity
  3. Change is sometimes necessary, but be cautious
  4. Begin by understanding sources of equity and the current contributions to your “point of parity” and “point of difference”, strength, favorability and uniqueness