



Course Learning Outcomes for Unit III

Upon completion of this unit, students should be able to:

2. Synthesize the use of marketing research and demand forecasting to predict business outcomes, and contrast the influence of micro and macro environmental factors on marketing strategies.
 - 2.1 Explain the impact of environmental factors with a company using the political, economic, social, and technological (PEST) analysis tool.
 - 2.2 Describe a company's marketing history and its evolution to current practices.
3. Compare new product development and competitive product strategies.
 - 3.1 Compare competitors within an industry.
4. Analyze consumer relationships and buying processes by outlining the development and cultivation of customer relationships considering value, satisfaction, and loyalty.
 - 4.1 Summarize a business's next step for growth and potential with a focus on customer value, satisfaction, and loyalty.

Reading Assignment

Chapter 5:

Creating Long-Term Loyalty Relationships, pp. 127–146

Chapter 6:

Analyzing Consumer Markets, pp. 157–179

Chapter 7:

Analyzing Business Markets, pp. 189–210

Unit Lesson

Chapter 5: Creating Long-Term Loyalty Relationships

What is a brand that you purchase frequently and will go out of your way to find? What brand you will not only shop around for but will also travel a distance to find? This practice means that you have created a relationship with this brand; in the marketing world, this means that you have developed brand loyalty.

Kotler and Keller (2016) discuss customer value through the concept of *customer perceived value* (CPV), which is defined as the difference between the customer's perception of the product/service and the direct and indirect competitors. A *direct competitor* is a company that provides the same products/services while an *indirect competitor* is one that provides products/services that do not necessarily provide the same products/services but provide an alternative that the customer might choose if he or she did not purchase your product/service. For instance, a direct competitor of the Disney World might be Universal Studios, whereas both provide similarly themed entertainment. An indirect competitor might be Six Flags amusement parks, which focus on thrill rides and provide the consumer with an alternative to the Disney World experience.

Marketers are always looking for methods by which they can create trust and commitment with the consumer. Many times, this leads to a system of brand strategy planning with the ultimate goal of brand insistence. *Brand insistence* suggests that the consumer insists on the brand and is willing to search for it. A step back from that is *brand preference* where the customer chooses the brand over others but might not be willing to

search for it. Other levels of brand familiarity include brand recognition (where a customer recognizes the brand), brand preference (where a customer prefers the brand but will not put out the extra effort), and, finally, *brand rejection* (where the customer will not buy the brand unless the brand changes). As companies look to reach brand insistence, the products that contain the following characteristics are the most likely to reach brand insistence:

- high-quality product/service as deemed by the consumer;
- high-value proposition in the mind of the consumer; and
- dependability and widespread availability of the product/service.

Companies such as Nike, Apple, Coca-Cola, and Google are perceived as having a high level of brand loyalty amongst consumers. Take a look at the Interbrand website by clicking the link below:

Interbrand. (n.d.). Best brands. Retrieved from <http://interbrand.com/best-brands/>

This website ranks the top global brands each year based upon three overarching areas including brand management, strategy/business case development, and financial performance. Brand management includes resource allocation, return on investment analysis, sponsorship evaluations, and senior management key performance indicators (KPIs). Strategy/business case development looks at brand positioning and architectures, brand extensions, brand investment, and co-branding ventures. The financial section reviews a series of algorithms including investor relations, mergers and acquisitions, licensing/royalty rate setting, tax planning, and balance sheet valuations. Are you surprised by any of the results? There are a few that continuously make it to the top including Apple, Google, Coca-Cola, Microsoft, Toyota, IBM, Samsung, and Amazon. Up until just this last year, Coca-Cola had maintained the number one position for many years. Think about why Apple and Google may have taken over the top two positions.

Chapter 6: Analyzing Consumer Markets

Think of your personal buying habits as a consumer. While you have developed certain brand loyalties, are your buying habits always consistent? Think of the variables in your life that may create inconsistencies. It could be a significant other being sick, a child's soccer game being rescheduled, or an addition of another baby into your household. These and many other life events change a consumer's buying habits significantly.

Understanding the customer is one of the most important roles of the marketing manager within an organization. Whether the customer is a consumer who is reflecting a business-to-consumer (B2C) relationship or whether the customer is another business reflecting a business-to-business (B2B) scenario, understanding the needs of the customer could impact the bottom line in so many ways.

In looking at the B2C consumer, economic theory states that consumers decide what to buy based on economic needs. This suggests that consumers make buying decisions based upon what is the most efficient use of their time and money. This could include an economy of purchase or use, efficiencies in operations, dependability, lower prices, or simply convenience, which saves time. Another area of relevance is that of perception. Consumers select their needs based upon their perception of the situation and/or product/service being offered. There are three distinct selective processes to apply as defined below.

- *Selective exposure*: This process suggests that the consumer only notices information that interests them.
- *Selective perception*: This process suggests that the consumer screens out or modifies messages that conflict with previously learned attitudes and beliefs.
- *Selective retention*: This process suggests that the consumer remembers only the messages they want to remember.

Another factor that impacts consumer buying is that of attitude, which consists of a person's point of view about something. This could be opinions formulated earlier in their lives as well as brand equity that could form over time. There are a number of things that impact a consumer's attitude to include a belief that is basically an opinion or point-of-view that a person has about something. Since research has proven that attitudes have a tremendous impact on consumer buying, marketers conduct a significant amount of attitude research. Related to attitude is psychographics or lifestyle analysis. This suggests that not only the opinions referred to earlier affect consumer buying but also the preferred activities and interests. For example, if a consumer participates in the sport of pole-vaulting and is interested in collegiate level Division I track and field

sports as a whole, his or her consumer buying will be impacted by these interests. Since this is a competitive sport and a high level of athleticism, his or her food-buying habits would include a host of protein-rich and healthy foods and his or her clothing purchases might be centered around sports-related gear.

Social influences have also been attributed to influencing consumer spending. This might include the family life cycle in which the consumer falls into, social class, reference group, and even the consumer's ethnic culture. Beginning with a family life cycle, think about purchases you made at the age of 13 versus purchases you made when you were 18 years old. Taking this one step further, think about those purchases you made or will make at the age of 30, 50, or even 70 years old. A consumer's needs continue to change as he or she moves through the different stages of life such as young and single, married without children, married with children, and then into the empty-nester stage. Consumer buying based upon social class is obvious with the more affluent having the economic means to purchase costlier items than those in a lower social class. Reference groups or opinion leaders are important in that they can influence a consumer as they look toward the opinions of these folks. For a host of different reasons, these reference groups and opinion leaders provide valued insight on products/services of companies. An example of this might be Tiger Woods being an opinion leader when a consumer is purchasing a new set of golf clubs. A reference group might be a consumer's peer group who advises about a restaurant that they believe has incredible food and service. Finally, ethnic, religious, and cultural influences have a significant impact as these strong beliefs are embedded into certain cultures and drive not only behavioral but also buying habits.

Another important factor to consider with respect to consumer buying is that of the purchase situation. In other words, what is going on around the consumer at the time of the purchase? Beginning with the purchase reason, this suggests that the reason for the purchase will impact the purchase itself. For instance, if you wake up with a headache and have no Tylenol in your house, your temperament when visiting the store will be to purchase the Tylenol no matter the cost or size of the bottle. There is a sense of urgency in your purchase behavior, which may not otherwise be the case with a normal weekly trip to the grocery store. Another factor involved with purchase situation is time available. An example of this might be shopping for a prom dress for yourself or a daughter the week before prom versus 6 weeks before prom where you have time to compare styles, prices, and other factors. The final purchase situation factor to be discussed here is that of the physical surroundings. Studies have shown that stores, restaurants, or other organizations that provide a comfortable atmosphere for their targeted customer reap benefits in longer and/or repeated visits to the store. Examples of this might be the famous Bass Pro Shop, which engages in atmospherics within the store by depicting outdoor scenes comfortable to folks that purchase items in this store. Another example might be Hollister (clothing store), which targets teenagers with its California type of ambiance, loud music, and trendy atmosphere. Think about the stores you frequent and the atmospheres they create for you. Also, think about restaurants that you frequent. Look at the atmosphere in a McDonalds versus that of a high-end restaurant such as Wildfire or even that of Cheesecake Factory. All provide different atmospherics to appeal to different target markets.

In conclusion, let us look at the case of Dave Carroll and United Airlines, which clearly demonstrates the power of the consumer. The story begins with Dave Carroll and his band traveling to Nebraska via O'Hare on United Airlines. Dave's \$3,500 guitar was damaged. While United did not deny the damage, after 9 months, they stated they could do nothing to compensate Dave for his loss. Dave stated that he would write and produce three songs/videos about United's poor customer service for everyone to view online. Within a year, the viewer response was so high that United offered Dave \$1,200 in flight vouchers. Since then, the *Times of London* wrote that this incident caused United's stock price to plunge 10%, costing shareholders \$180 million. Take a look at the first of his three videos by clicking the link below.

Sonsofmaxwell. (2009, July 6). *United breaks guitars* [Video file]. Retrieved from
<https://www.youtube.com/watch?v=5YGc4zOqozo>

Click [here](#) to view a transcript of the video

Chapter 7: Analyzing Business Markets

B2B is very different than that of B2C previously discussed. The B2B market is concerned about purchasing products/materials that will be used to produce the product(s) that will be sold to the consumer. While these transactions take on an entirely different focus, Kotler and Keller (2016) point out that some of the most valuable brands are included in this B2B classification. These include Caterpillar, DuPont, Federal Express, and Intel to name a few.

One of the things that differentiate the B2B purchase is the quantity purchased. When you, as a consumer, make a major purchase, many times, you are actually purchasing just one item. Conversely, in the B2B purchase, tens of thousands of items might be purchased. This, of course, suggests a high-dollar value of the order being placed.

This lends itself to the second differentiating factor of the B2B purchase, which is the fact that there are usually multiple influences in the buying process. Think about when you purchase a new laptop. The influence of people (e.g., significant other, another family member) may impact your decision.

Click [here](#) to access more information on this topic.

Click [here](#) to access the transcript for the presentation.

While the involvement of all of these individuals may seem a bit overboard, remember that the quantities purchased tend to be extremely high and represent a significant dollar investment on the part of the company. Also, the timely delivery of exactly the right component is important to ensure the designated delivery of the final product to the customer.

Conclusion

This unit provided insight into how the consumer “ticks,” with the value of this understanding being underscored as significantly important both within the B2C- and B2B-buying scenarios. The development of a working relationship with the customer can best be seen by those companies that have nurtured a high level of brand equity amongst its target market customers. Finally, the expansion into global markets was reviewed as more companies look for opportunities abroad.

References

Kotler, P. T., & Keller, K. L. (2016). *Marketing management* (15th ed.). Upper Saddle River, NJ: Pearson.

Suggested Reading

In order to access the following resources, click on the links below:

In the following article, the author explains how change impacts consumer spending.

Aarts, D., Braga, M., Castaldo, J., Counter, R., Klingbeil, C., Hemmadi, M., . . . Scott, G. F. (2016, November). 2016 change agents. *Canadian Business*, 89(13), 29–44. Retrieved from <http://search.proquest.com.libraryresources.columbiasouthern.edu/docview/1826913436?accountid=33337>

In the article below, the author discusses consumer buying of automobiles.

Accenture; car-buyers hindered by online-dealer showroom disconnect, accenture finds. (2016, October 22). *Journal of Transportation*, 146. Retrieved from <http://search.proquest.com.libraryresources.columbiasouthern.edu/docview/1828209917?accountid=33337>

In the following article, the process of purchasing a home is evaluated by past home buyers.

Five notable nuggets from NAR's home buyer and seller survey's 35-year history. (2016, October 18). *PR Newswire*. Retrieved from <http://search.proquest.com.libraryresources.columbiasouthern.edu/docview/1829758616?accountid=33337>

The following resource offers students the opportunity to view Interbrand's ratings of the top global brands for 2016. This site is interactive and can provide you with a host of unique learning opportunities.

Interbrand. (n.d.). *Best brands*. Retrieved from <http://interbrand.com/best-brands/>

In the article below, the role of advertisements in the consumer buying process is reviewed.

Shateri, F., Nayebzadeh, S., & Roknabadi, A. D. (2016). Evaluating advertisement: The role of customer's decision-making style, innovativeness, and ideology. *International Journal of Information, Business and Management*, 8(4), 159–177. Retrieved from <http://search.proquest.com.libraryresources.columbiasouthern.edu/docview/1814292332?accountid=33337>