



Introduction

- I. Savvy Companies
 - a. Limited Brands
 - i. Retailer; about \$9 billion in revenues
 - ii. Extremely customer oriented
 - iii. Done a good job of segmenting market
 - iv. Original Idea: Cater to young, fashion-oriented women. Reasonable price points.
 - v. As The Limited's crowd aged, created Express for the younger crowd
 - b. Coach, Inc
 - i. Management uses research (qualitative, quantitative) to make better decisions
 - ii. Daily sales reports
 - iii. "When something doesn't sell, I never say, 'Well people didn't get it.' If people don't understand it, it doesn't belong in our store."
 - c. Dell
 - i. Alternative Distribution Channel
 - ii. Wanted to eliminate salesmen in stores who knew less than he (Michael Dell) did
 - d. What do they have in common?
 - i. Identify customer needs; create value for customers
 - ii. The theme: Profitability is based on identifying, attracting, retaining customers
- II. Why do we Need Marketing?
 - a. Perfect Competition
 - i. Buyers / sellers cannot set price (price-taking)
 - ii. Homogenous products, no entry fees
 - iii. Perfect information
 - iv. No transaction costs – no lawyers, contract costs, ...
 - b. Reality
 - i. Few players = More power (oligopoly theory)
 - ii. Not quite homogenous products
 - iii. Definitely have entry / exit barriers
 - iv. Perfect information? Getting better with the Internet, but information is still asymmetric and incomplete
 - c. So there are "gaps" between producers and consumers
 - d. Marketing
 - i. Bridge the gap!
 - ii. Advertising, physical distribution
 - iii. Retailing, market research
 - e. "Discrepancy of Assortments"
 - i. Think of all the things you want / need
 - ii. Companies make all those things, but you need a way to get together
 - iii. Heterogeneous products / demands
 - f. Example
 - i. Want to make a generator
 - ii. How powerful (in kilowatts) should it be? How big? How heavy?
 - iii. RVs have special compartments for generators – how big are they?
 - iv. Single-side access? Yes for RVers. No for building owners.
- III. Marketing Management
 - a. How is this different from just "marketing?"
 - b. As a manager I want to control demand, not just create equilibrium.
 - c. May want to "smooth out" demand if it's too heavy on weekends.
 - d. Some marketing is designed to destroy demand (e.g. for cigarettes)
 - e. Want to turn demand from a function of price (pure microeconomics) to a function of (product, price, promotion, place) – don't just like at P vs. Q ceteris paribus.
 - f. Unanswered Question – are consumers manipulated by marketing?
- IV. Context

- a. We want to study product, price, promotion, place
- b. Factors affecting those (which are controllable):
 - i. Legal / Political
 - ii. Technological
 - iii. Cultural / Social
 - iv. Competitive
 - v. Economic
- c. Marketing Plan
 - i. Big part of the business plan
 - ii. Customer analysis, competitor analysis, organizational analysis