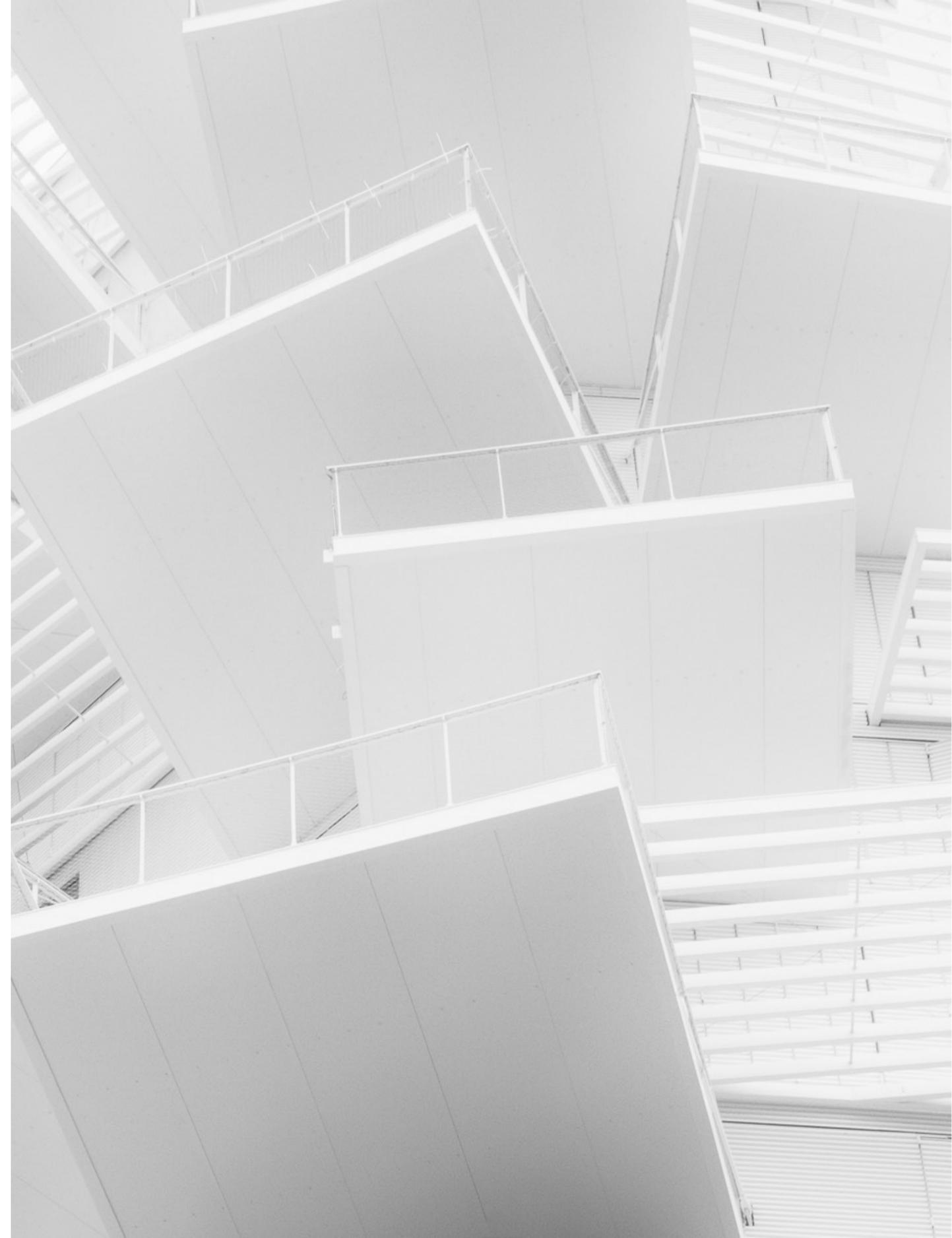


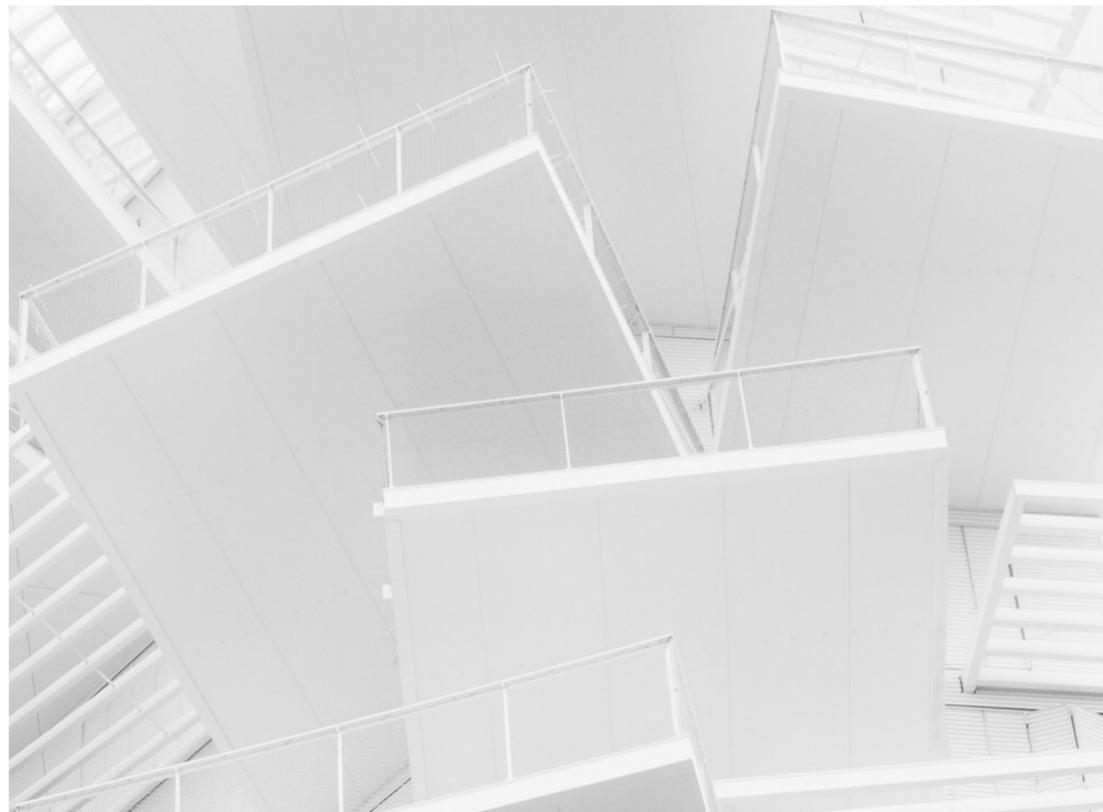
MARKETING **STRATEGIES**

ANDREAS MUNZEL



OVERVIEW

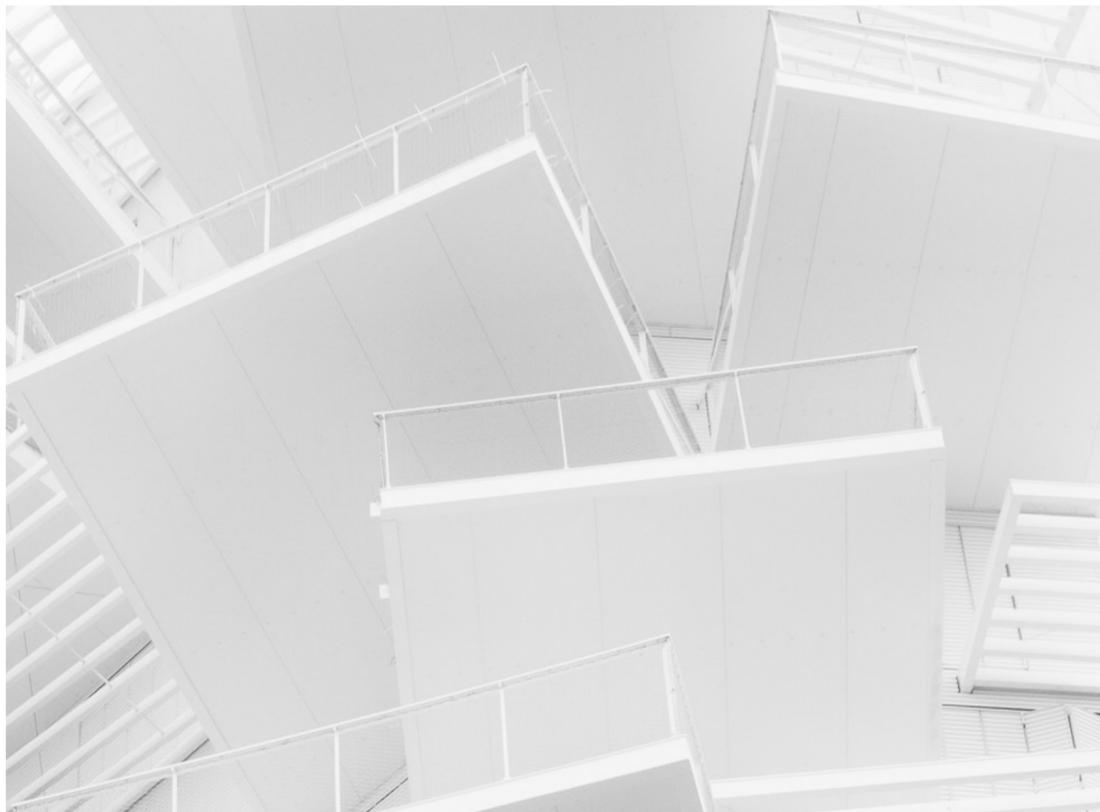
Marketing Strategy and Data Analytics



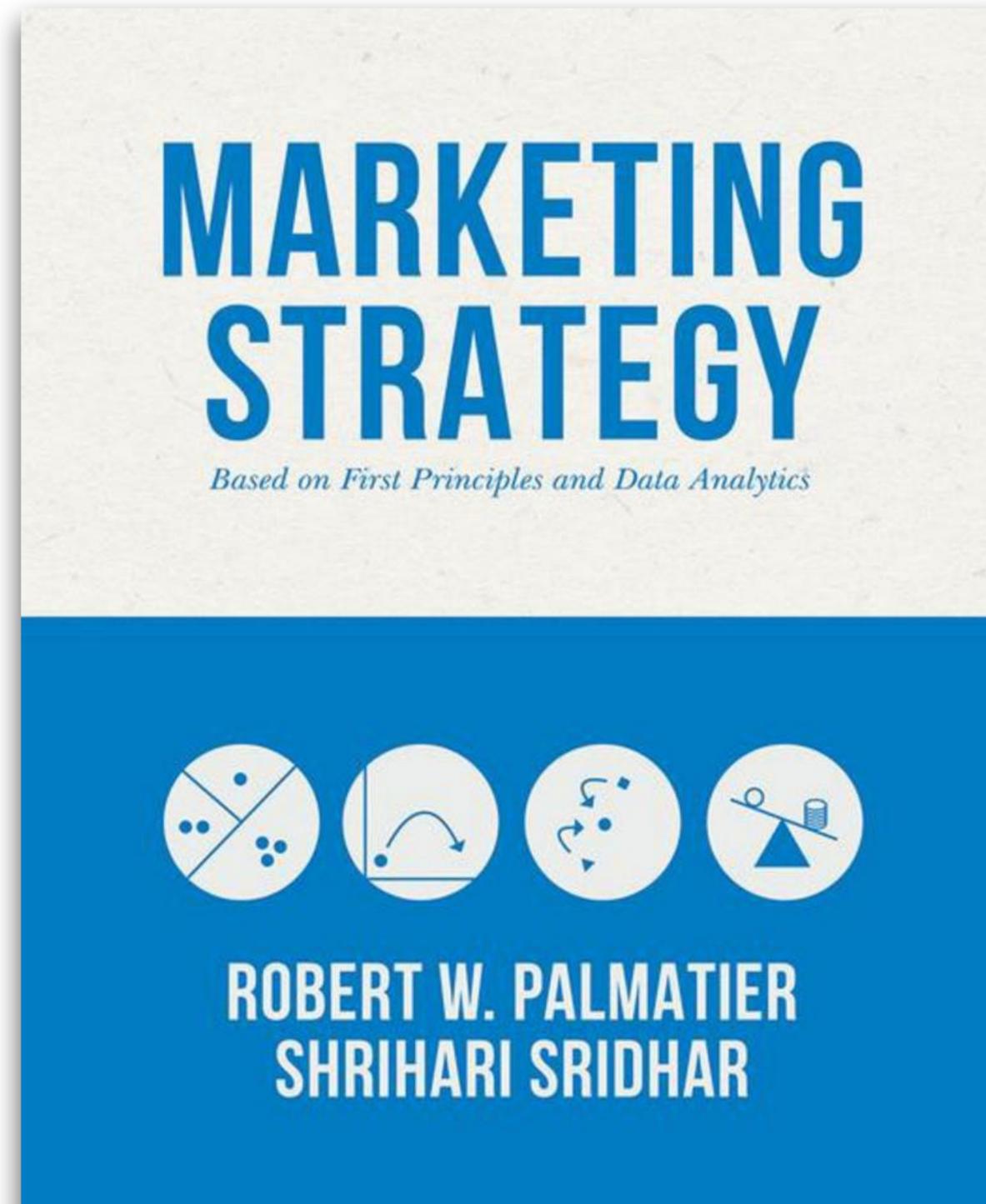
- 1. INTRODUCTION:**
A First Principles Approach to Marketing Strategy
- 2. ALL CUSTOMERS DIFFER:**
Managing Customer Heterogeneity
- 3. ALL CUSTOMERS CHANGE:**
Managing Customer Dynamics
- 4. ALL COMPETITORS REACT:**
Managing Sustainable Competitive Advantage
- 5. ALL RESOURCES ARE LIMITED:**
Managing Resource Trade-Offs
- 6. CONCLUSION:**
Implementing Marketing Principles and Data Analytics

MAIN REFERENCE

Marketing Strategy and Analytics



Palmatier, R.W. & Sridhar, S. (2017): **Marketing Strategy - Based on First Principles and Data Analytics**, Palgrave, London.



ADDITIONAL MATERIAL

Data Analytics Techniques and Key Takeaways



DATA ANALYTICS CARDS

DATA ANALYTICS CARD 1: FACTOR ANALYSIS

Source: Palmster, R.W. & Sridhar, S. (2017). Marketing Strategy - Based on First Principles and Data Analytics. Palgrave, London, p. 46.

DESCRIPTION

Factor analysis is a data reduction technique that can be used to identify a small number of latent "factors" that explain the variation in a large number of observed variables.

WHEN TO USE IT

- ▶ To condense a large pool of potential customer needs, wants, and preferences into a short set of similar characteristics.
- ▶ To reduce high correlation among predictors.

HOW IT WORKS

We begin with a large number of measured variables (e.g., 30) of customer survey measures. The factor analysis algorithm synthesizes the large number of measured variables into smaller sets (e.g., 3-4) of latent "factors" that capture the essence of the meaning in the larger number of measures. To choose the total number of factors to retain, we observe how many factors have an Eigenvalue greater than 1. The strength of the association between a measure variable and its factor is called the "factor loading." When a measured variable has a factor loading greater than 0.3, it is generally associated with a factor. We categorize the measured variable with a factor where it has the highest loading (e.g., if a measured variable has factor loadings of 0.01 and 0.8 with Factors 1 and 2, we would associate the measured variable with Factor 2). Finally, we interpret what each latent factor represents, by surmising the conceptual commonality underlying the measured variables' loading on the factor.

EXAMPLE

The manager of an online website collected customer satisfaction data from a survey of 1,000 customers on eight aspects of the company's focal product. The table shows the factor loadings of a few variables after conducting a factor analysis with three factors. Factor 1 is highly associated with product diversity, specialty, and price; thus, it can be interpreted as the "product" factor. Factor 2 is associated with cash back and discounts, and is thus labeled the "promotion" factor. For Factor 3, the "service" factor, delivery service and customer service have the highest factor loadings. The factors can be used as data input for segmentation analyses. The figure shows the focal attributes associated with each factor.

Attribute	Factor 1	Factor 2	Factor 3	Focal attributes associated with factors
Product diversity	0.665	-0.016	0.017	Diversity
Product specialty	0.681	-0.056	0.006	Specialty
Product price	0.638	0.284	0.173	Price
Cash back	-0.042	0.712	0.051	Cash back
Discount	0.216	0.781	0.103	Discount
Delivery service	-0.007	0.178	0.752	Delivery service
Customer service	0.155	0.199	0.739	Customer service

Factor 1 (Product)
 Factor 2 (Promotion)
 Factor 3 (Service)

TAKEAWAYS

TAKEAWAYS: MARKETING PRINCIPLE #1

Source: Palmster, R.W. & Sridhar, S. (2017). Marketing Strategy - Based on First Principles and Data Analytics. Palgrave, London, pp. 64-65.

ALL CUSTOMERS DIFFER → MANAGING CUSTOMER HETEROGENEITY

- ▶ A foundational assumption in marketing strategy is that all customers differ in their needs and preferences. A successful marketing strategy must manage and exploit customer heterogeneity, because if competitors identify niches of customers whose needs are poorly served and target them with a better offering, the incumbent firm risks losing its best customers.
- ▶ Sources of customer heterogeneity include customers' individual differences, life experiences, functional needs, and self-identity or image, as well as persuasion through marketing. These factors work together to create divergent preferences.
- ▶ The STP approach allows a firm to manage customer heterogeneity by segmenting potential customers into relatively homogenous groups, based on individual preferences and needs. Then the firm selects attractive segment(s) in which it can build a strong position. Finally, the firm develops and executes a positioning strategy that aligns all marketing activities to move the offering such that it can match customers' preferences.
- ▶ The evolution of approaches to managing customer heterogeneity indicates that firms have targeted smaller and smaller customer segments over time (mass marketing → niche marketing → one-to-one marketing).
- ▶ Company and competitor strengths and weaknesses are collected in conjunction with opportunities and threats in a classic SWOT analysis; all four factors can inform a firm's targeting and positioning efforts.
- ▶ A customer-centric approach to managing customer heterogeneity is more continuous and ongoing. This approach implies a company-wide philosophy that places customers' needs at the center of an organization's strategic process and uses the related insights to make decisions. The customer-centric approach promotes internal alignment; an STP approach promotes external alignment. Firms with customer-centric organizations develop richer customer knowledge and greater commitment to each targeted customer segment.
- ▶ Factor analysis groups similar questions (purchase attributes) together to avoid biasing further analyses; cluster analysis groups similar customers together into segments; and classification analysis used discriminate models to predict segment membership using only demographic variables.
- ▶ There are three key inputs and three key outputs of the framework for managing customer heterogeneity. The three inputs reflect the 3Cs of a situation analysis: customers (needs and desires), company, and competitors (strengths and weaknesses). The outputs are industry segmentation, target segments, and a positioning statement.

LEARNING GOALS

Linking Marketing Strategy and Data Analytics

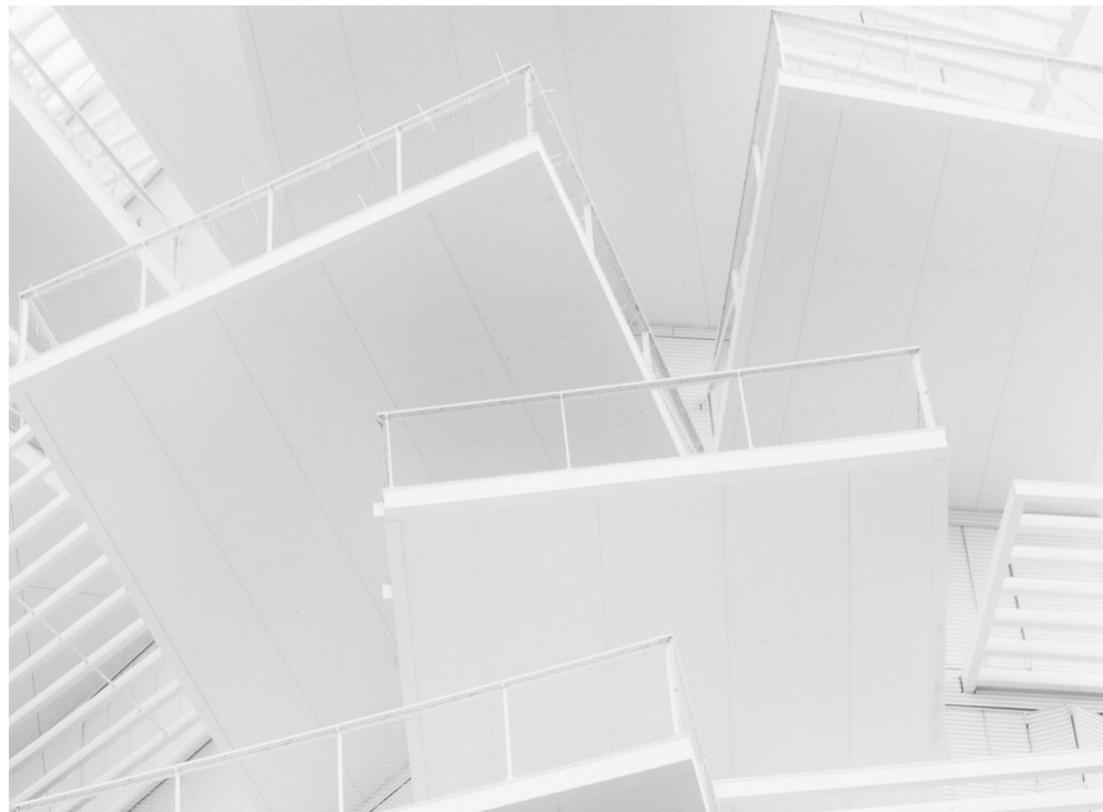


By the end of this course, you will be able to:

- Embrace marketing strategy by strategically analysing and solving marketing problems from a decision maker's perspective;
- Understand and effectively use the fundamental frameworks, processes, and analysis tools of marketing strategy;
- Using a “first principles” approach of marketing strategy to solve business problems;
- Embrace how the “first principles” approach of marketing strategy helps firms organize the analytics opportunity and challenge in today's data era;
- Link data analytics techniques to understand how to solve marketing analytics problems;
- Apply concepts and principles through real-life case examples.

EVALUATION ASSESSMENT

Exercices and a Simulation



- Online courses lessons of are accompanied by exercises and - in some cases - by assignments.
- Individually completing those exercises and assignments and - in some cases - submitting associated work, is mandatory.



**ENJOY THE
COURSE!**