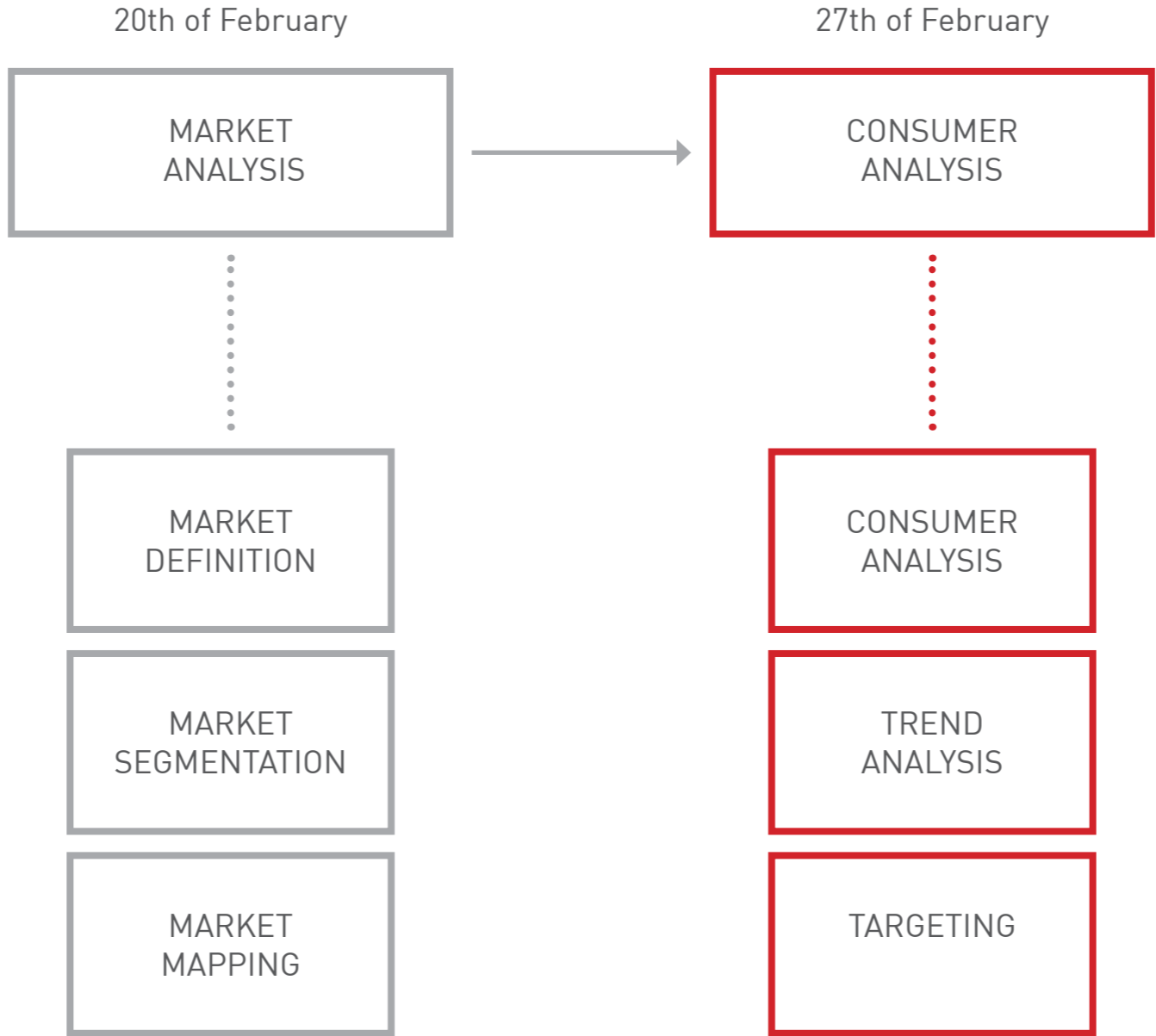CORSO DI LAUREA MAGISTRALE IN
ECONOMIA AZIENDALE E MANAGEMENT

DESIGN MANAGEMENT

Lesson 2 – Part 1

DESIGN MANAGEMENT

20th of February

27th of February

```
┌─────────────┐              ┌─────────────┐
│   MARKET    │  ──────────► │  CONSUMER   │
│  ANALYSIS   │              │  ANALYSIS   │
└─────────────┘              └─────────────┘
       ⋮                            ⋮
┌─────────────┐              ┌─────────────┐
│   MARKET    │              │  CONSUMER   │
│ DEFINITION  │              │  ANALYSIS   │
└─────────────┘              └─────────────┘

┌─────────────┐              ┌─────────────┐
│   MARKET    │              │    TREND    │
│SEGMENTATION │              │  ANALYSIS   │
└─────────────┘              └─────────────┘

┌─────────────┐              ┌─────────────┐
│   MARKET    │              │  TARGETING  │
│   MAPPING   │              │             │
└─────────────┘              └─────────────┘
```
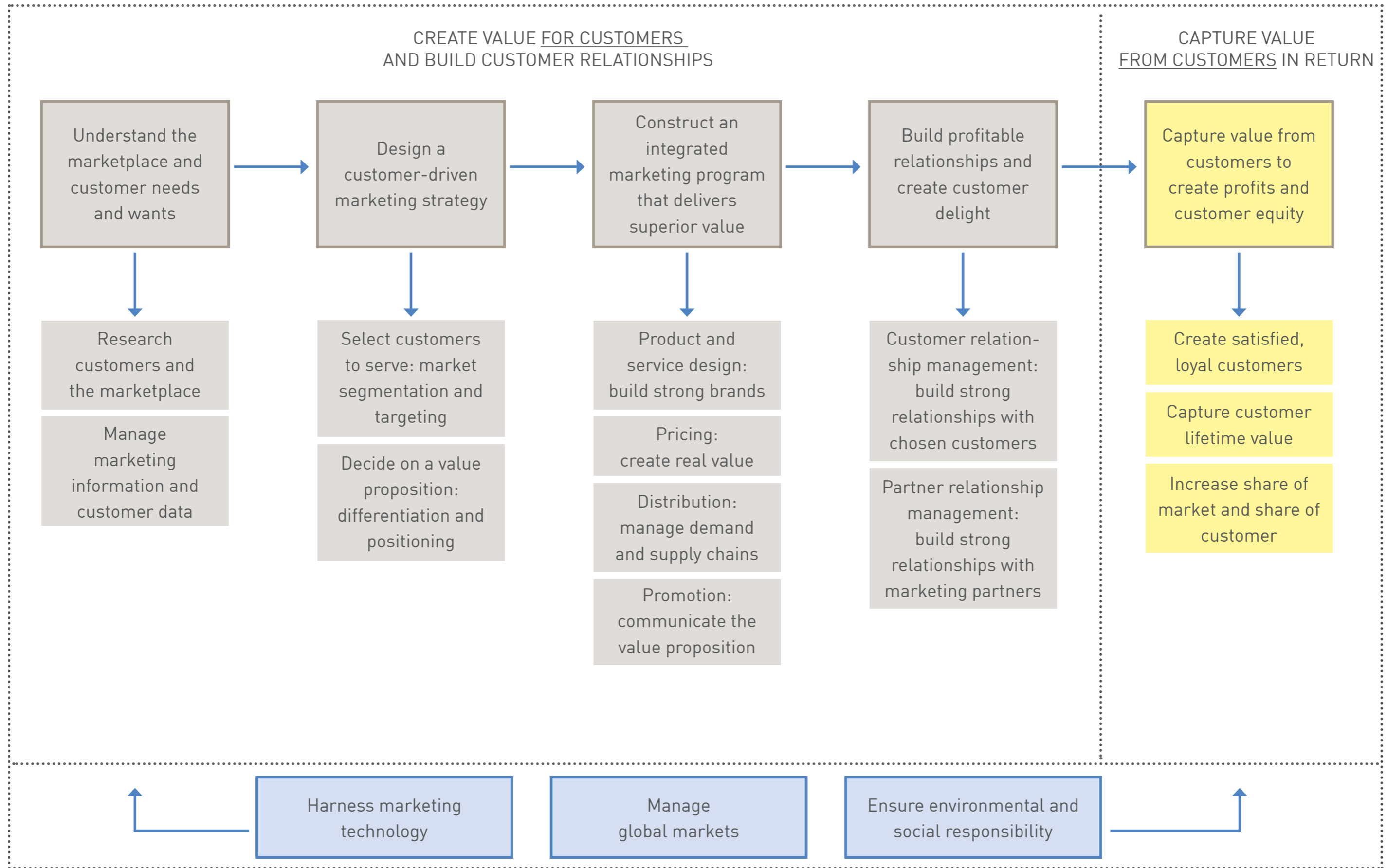
KOTLER
PRINCIPLES OF MARKETING

CHAPTER 5
p. 155-180

CHAPTER 6
p. 189-201

CHAPTER 7
p. 213-227

1. YOU DO NOT DESIGN PRODUCTS IN A VACUUM.

2. YOU DESIGN AROUND PEOPLE'S NEEDS.

CREATE VALUE **FOR CUSTOMERS**
AND BUILD CUSTOMER RELATIONSHIPS

CAPTURE VALUE
FROM CUSTOMERS IN RETURN

Understand the marketplace and customer needs and wants	Design a customer-driven marketing strategy	Construct an integrated marketing program that delivers superior value	Build profitable relationships and create customer delight	Capture value from customers to create profits and customer equity

Research customers and the marketplace	Select customers to serve: market segmentation and targeting	Product and service design: build strong brands	Customer relation-ship management: build strong relationships with chosen customers	Create satisfied, loyal customers
Manage marketing information and customer data	Decide on a value proposition: differentiation and positioning	Pricing: create real value	Partner relationship management: build strong relationships with marketing partners	Capture customer lifetime value
		Distribution: manage demand and supply chains		Increase share of market and share of customer
		Promotion: communicate the value proposition		

Harness marketing technology	Manage global markets	Ensure environmental and social responsibility

Source: PRINCIPLES OF MARKETING (15th edition) by Philip Kotler & Gary Armstrong, p. 50, Fig. 1.6 An Expanded Model of the Marketing Process

CREATE VALUE <u>FOR CUSTOMERS</u>
AND BUILD CUSTOMER RELATIONSHIPS

Understand the marketplace and customer needs and wants

Research customers and the marketplace

Manage marketing information and customer data

- Customer Needs (physical, social, individual)

- Customer Wants (shaped by culture and personality)

- Customer Demands (wants backed by buying power)
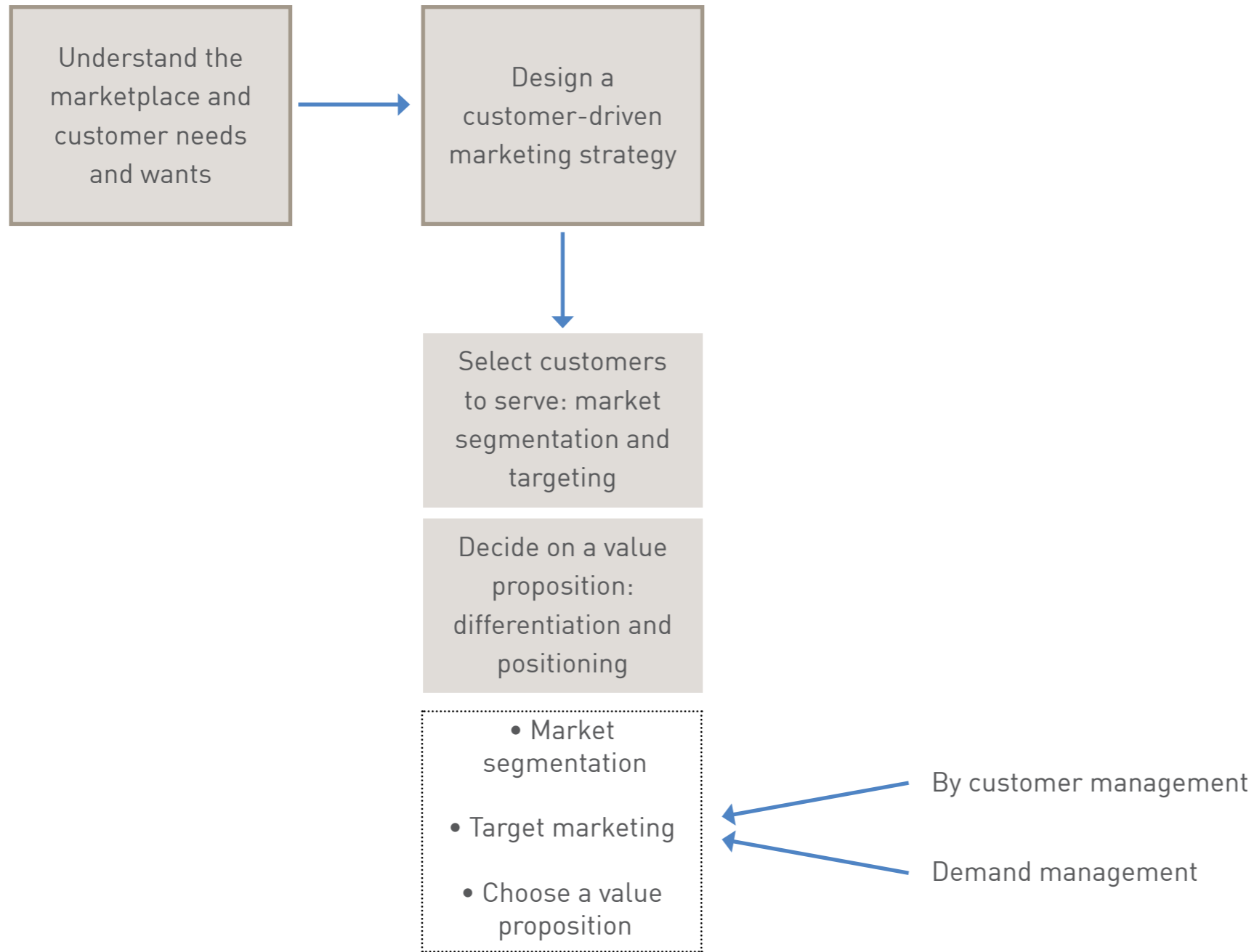
Based on exchanges and relationship

Selected on the basis of customer value and satisfaction

Satisfied by market offerings: Product services, expenses
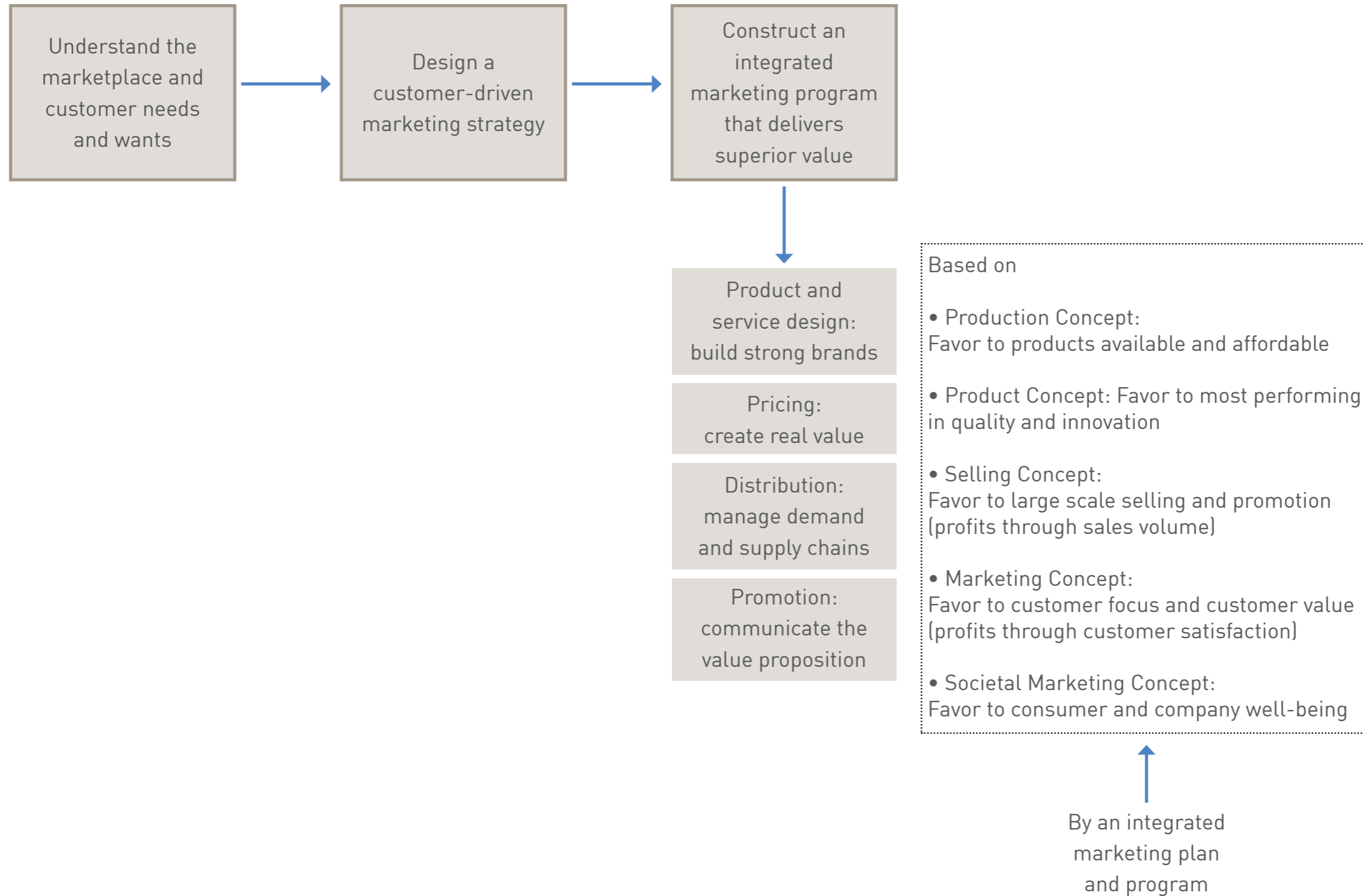
Risk: Market myopia

CREATE VALUE <u>FOR CUSTOMERS</u>
AND BUILD CUSTOMER RELATIONSHIPS

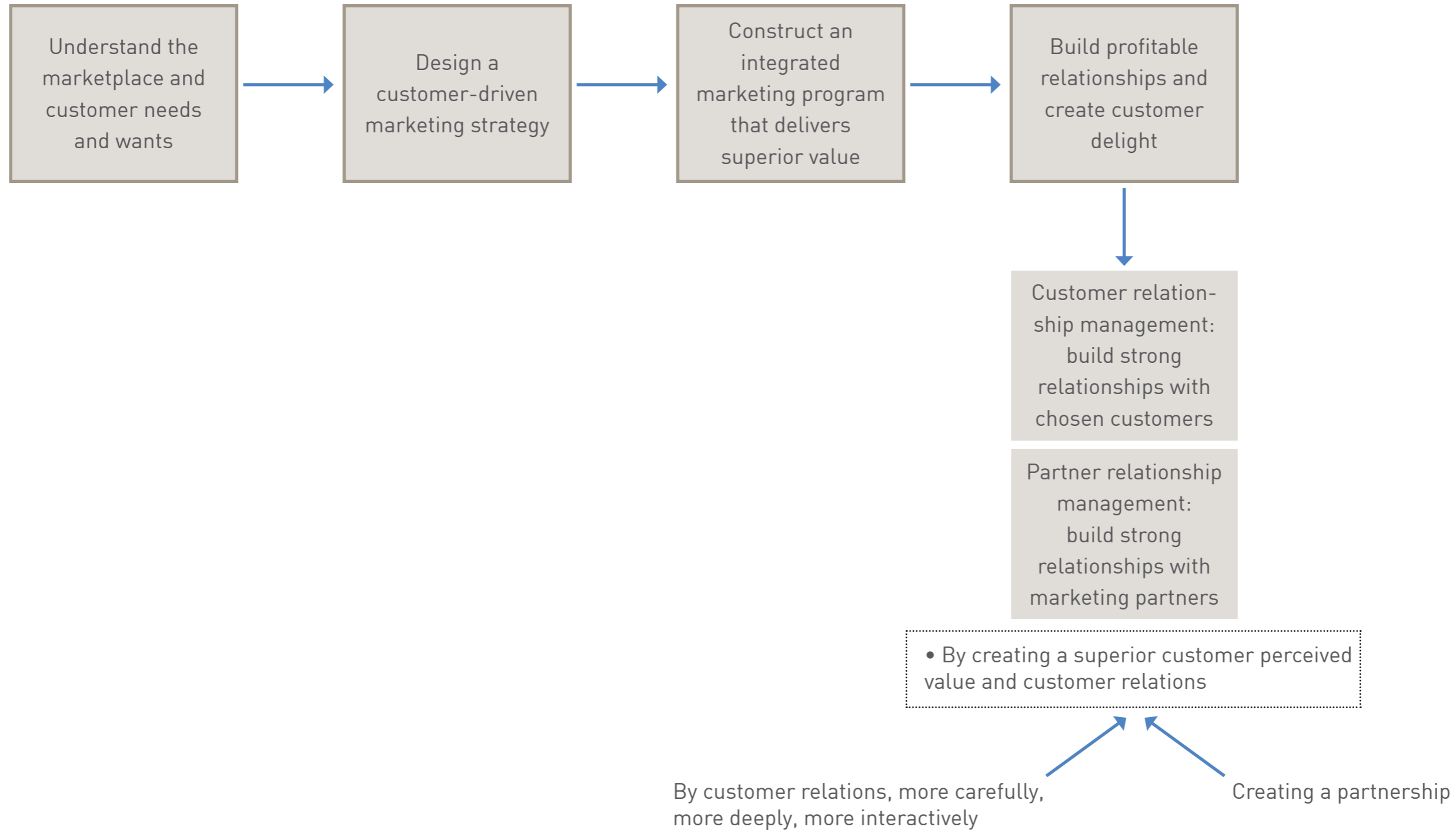Understand the marketplace and customer needs and wants →

Design a customer-driven marketing strategy

↓

Select customers to serve: market segmentation and targeting

Decide on a value proposition: differentiation and positioning

- Market segmentation
- Target marketing
- Choose a value proposition

← By customer management

← Demand management

Source: PRINCIPLES OF MARKETING (15th edition) by Philip Kotler & Gary Armstrong, p. 50, Fig. 1.6 An Expanded Model of the Marketing Process

CREATE VALUE FOR CUSTOMERS
AND BUILD CUSTOMER RELATIONSHIPS

Understand the marketplace and customer needs and wants → Design a customer-driven marketing strategy → Construct an integrated marketing program that delivers superior value

Product and service design: build strong brands

Pricing: create real value

Distribution: manage demand and supply chains

Promotion: communicate the value proposition

Based on

• Production Concept:
Favor to products available and affordable

• Product Concept: Favor to most performing in quality and innovation

• Selling Concept:
Favor to large scale selling and promotion (profits through sales volume)

• Marketing Concept:
Favor to customer focus and customer value (profits through customer satisfaction)

• Societal Marketing Concept:
Favor to consumer and company well-being

By an integrated marketing plan and program

Source: PRINCIPLES OF MARKETING (15th edition) by Philip Kotler & Gary Armstrong, p. 50, Fig. 1.6 An Expanded Model of the Marketing Process

CREATE VALUE <u>FOR CUSTOMERS</u>
AND BUILD CUSTOMER RELATIONSHIPS

Understand the marketplace and customer needs and wants → Design a customer-driven marketing strategy → Construct an integrated marketing program that delivers superior value → Build profitable relationships and create customer delight

Customer relation-ship management: build strong relationships with chosen customers

Partner relationship management: build strong relationships with marketing partners

• By creating a superior customer perceived value and customer relations

By customer relations, more carefully, more deeply, more interactively

Creating a partnership

Source: PRINCIPLES OF MARKETING (15th edition) by Philip Kotler & Gary Armstrong, p. 50, Fig. 1.6 An Expanded Model of the Marketing Process

CONSUMER ANALYSIS

CREATE VALUE <u>FOR CUSTOMERS</u>
AND BUILD CUSTOMER RELATIONSHIPS

CAPTURE VALUE
<u>FROM CUSTOMERS</u> IN RETURN

| Understand the marketplace and customer needs and wants | → | Design a customer-driven marketing strategy | → | Construct an integrated marketing program that delivers superior value | → | Build profitable relationships and create customer delight | → | Capture value from customers to create profits and customer equity |

Create satisfied, loyal customers

Capture customer lifetime value

Increase share of market and share of customer

• To favor customer loyality and retenation

• To capture customer lifetime value

•To capture share of customer

By building customer equity

(Customer Relationship Groups chart: Potential profitability [high/low] vs Projected loyalty [Short-term/Long-term]; quadrants: Butterflies, True Friends, Strangers, Barnacles)

SELECT CUSTOMERS TO SERVE

SEGMENTATION
Divide the total market into smaller segments

TARGETING
Select the segment or segments to enter

CREATE VALUE FOR TARGETED CUSTOMERS

DECIDE ON A VALUE PROPOSITION

DIFFERENTIATION
Differentiate the market offering to create superior customer value

POSITIONING
Position the market offering in the minds of target customers

THE ENVIRONMENT

Market stimuli
Product
Price
Place
Promotion

Other
Economic
Technological
Social
Cultural

BUYER'S BLACK BOX

Buyer's characteristics
Buyer decision process

COMPETITIVE ADVANTAGE

Buying attitudes and preferences

Purchase behavior: what the buyer buys, when, where, and how much

Brand and company relationship behavior

THE FOUR PS OF THE MARKETING MIX

PRODUCT
Variety
Quality
Design
Features
Brand name
Packeging
Services

PRICE
List price
Discounts
Allowances
Payment period
Credit terms

TARGET
CUSTOMERS

INTENDED
POSITIONING

PROMOTIN
Advertising
Personal selling
Sales promotion
Public relations

PLACE
Channels
Coverage
Locations
Inventory
Transportation
Logistics

Source: PRINCIPLES OF MARKETING by KOTLER, p. 76, Part 1, Defining Marketing and the Marketing Process

	POSITIVE	NEGATIVE
INTERNAL	STRENGHTS Internal capabilities that may help a company reach its objective	WEAKNESSES Internal limitations that may interfere with a company's ability to achieve its objectives
EXTERNAL	OPPORTUNITIES External factors that the company may be able to exploit to its advantage	THREATS Current and emerging external factors that may challenge the company's performance

CONSUMER ANALYSIS

A BASIC MODEL

WHO: DETERMINE THE CUSTOMER TO SERVE

CONSUMER MARKET SEGMENTATION: Cluster people with similar needs into individual and identifyable groups.

DEMOGRAPHIC SEGMENT	• Age • Income • Sex • Ethnic Mix
SOCIO-ECONOMIC SEGMENT	• Social Class • Family Cycle • Income
CULTURAL FACTORS	• Education • Values
PSYCHOLOGICAL FACTORS	• Lifestyle • Personality Traits
CONSUMPTION FACTORS	• Heavy/Moderate/Light vs. Fidelity/Locality
PERCEPTUAL FACTORS	• Benefit Segmentation • Perceptual Maping
GEOGRAPHIC FACTORS	• Countries • Regions • Area
BEHAVIOUR FACTORS	• Occasions • Benefits Sought • User Status • Usage Rate •Loyalty Status

WHO: DETERMINE THE CUSTOMER TO SERVE

INDUSTRIAL MARKET SEGMENTATION: Cluster people with similar needs into individual and identifyable groups.

END-USE SEGMENT	• Industrial Classification
PRODUCT SEGMENT	• Technology or Production Classification
GEOGRAPHIC SEGMENT	• Area Classification
BUYING FACTOR SEGMENT	• Order Classification

WHO: DETERMINE THE LINK AND CONNECTION TO CUSTOMER

INDUSTRIAL MARKET SEGMENTATION: Cluster people with similar needs into individual and identifyable groups.

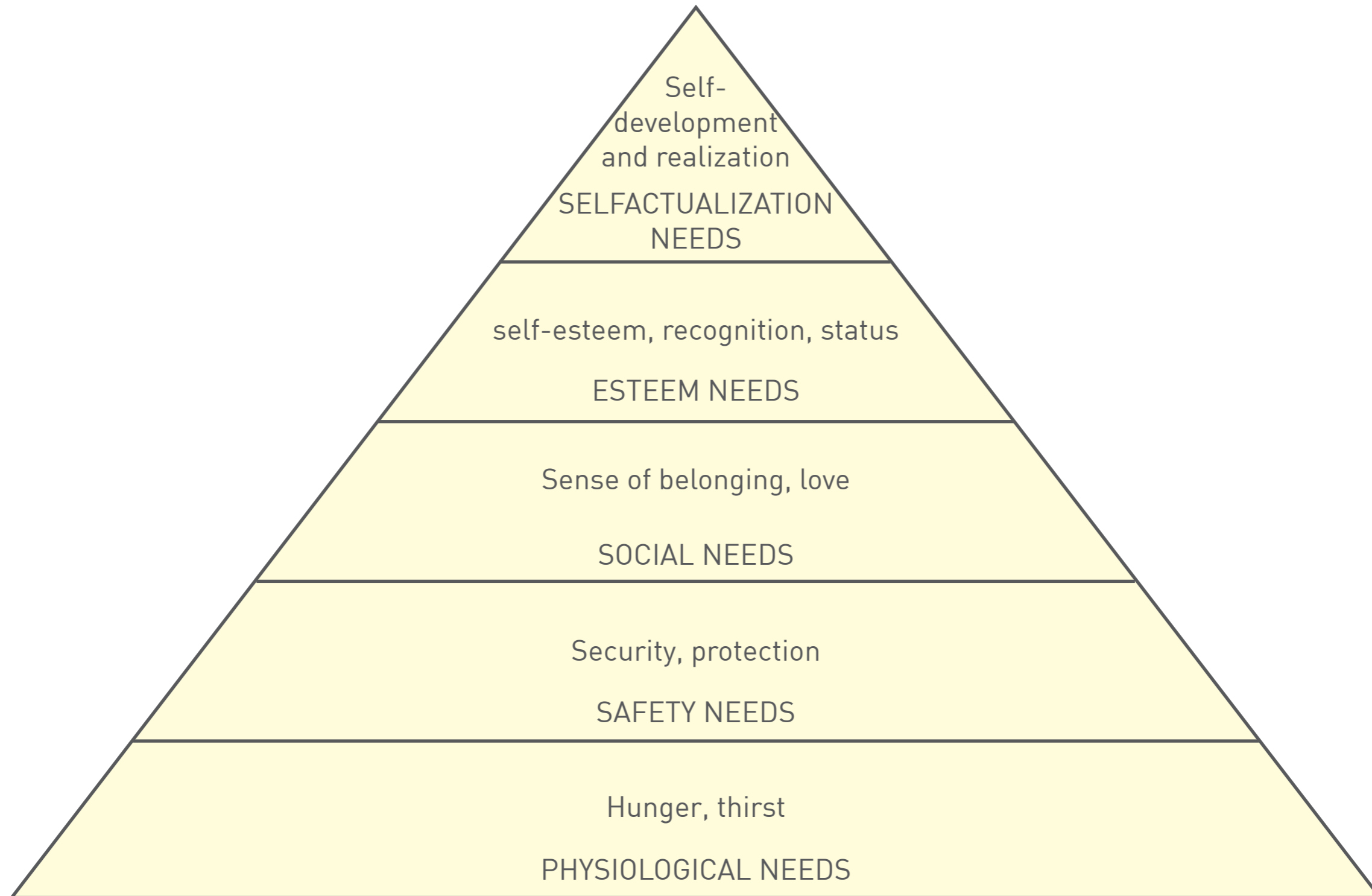|	
REACH	• Depth of the information
RICHNESS	• Detail of the two-way flow of information Company + Customers
AFFILIATION	• Level of Interaction Company + Customers

WHAT: DETERMINE THE PRODUCT'S BENEFITS AND FEATURES

THE ENVIRONMENT

Market stimuli
Product
Price
Place
Promotion

Other
Economic
Technological
Social
Cultural

BUYER'S BLACK BOX

Buyer's characteristics
Buyer decision process

COMPETITIVE ADVANTAGE

Buying attitudes and preferences

Purchase behavior: what the buyer buys, when, where, and how much

Brand and company relationship behavior

Source: PRINCIPLES OF MARKETING by KOTLER, p. 159, Chapter 5, Consumer Markets and Consumer Buyer Behavior
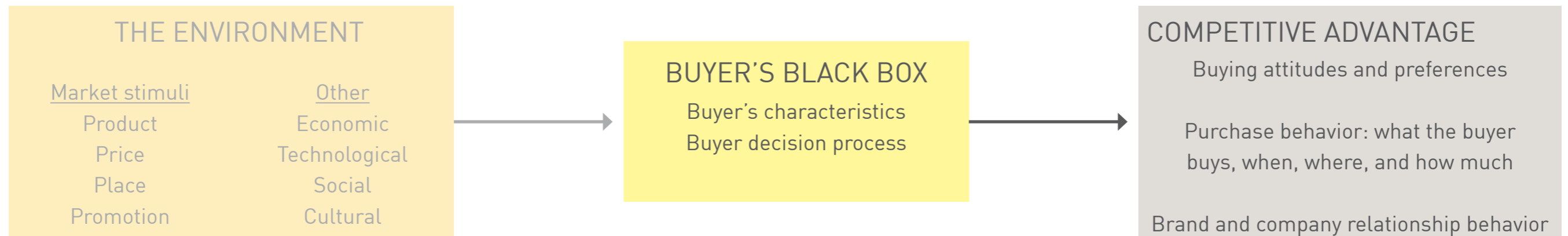
MASLOW'S HIERARCHY OF NEEDS

Self-
development
and realization
SELFACTUALIZATION
NEEDS

self-esteem, recognition, status
ESTEEM NEEDS

Sense of belonging, love
SOCIAL NEEDS

Security, protection
SAFETY NEEDS

Hunger, thirst
PHYSIOLOGICAL NEEDS

BUYER DECISION PROCESS

| NEED RECOGNITION | → | INFORMATION SEARCH | → | EVALUATION OF ALTERNATIVES | → | PURCHASE DECISION | → | POSTPURCHASE BEHAVIOR |

CONSUMER ANALYSIS

TIME OF ADOPTION OF INNOVATION

% SHARE OF ALL ADOPTERS

100

75

50

25

LAGGING ADOPTERS
16%

LATE MAINSTREAM
34%

EARLY MAINSTREAM
34%

EARLY ADOPTERS
13.5%

INNOVATORS
2.5%

TIME OF ADOPTION OF INNOVATION
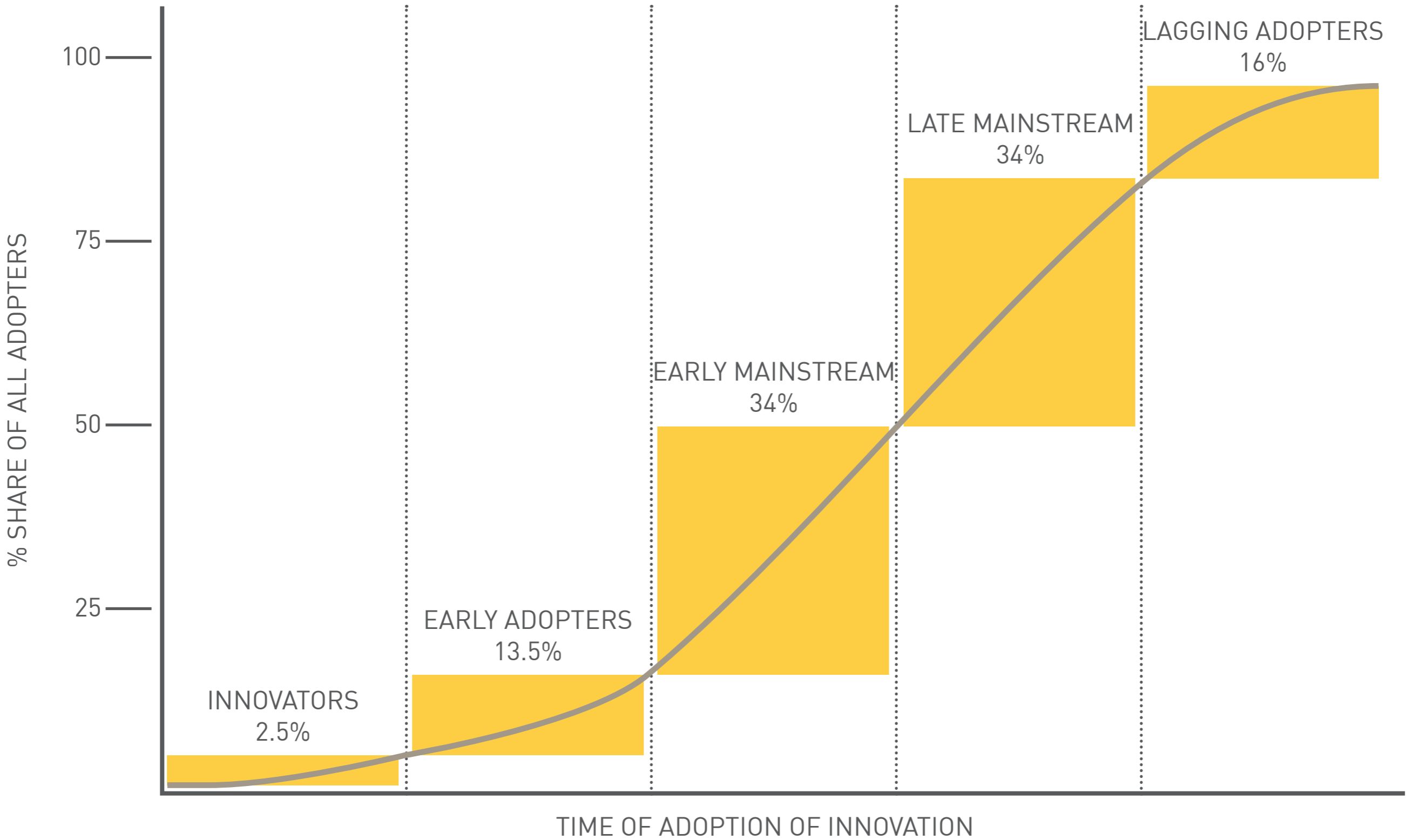
Source: STRATEGIC MANAGEMENT: COMPETITIVENESS AND GLOBALIZATION by Volberda, Henk W. and others, p.180, Fig. 5.7 Adopter Categories Based on Relative Time of Adoption of Innovations