

Central topics in Chapter 1

1.1 Marketing for beginners

A brief introduction for those new to marketing, and a useful refresher for those with marketing knowledge. An outline of the basics of marketing.

- Defining marketing
- Essential marketing principles
- Marketing strategies and tactics
- Marketing strategy: segmentation, targeting, and positioning
- Marketing tactics: the marketing mix
- Marketing models: funnels and customer journeys
- Marketing language

1.2 Introduction to consumer behaviour

This discipline studies more than just purchases. Consumer behaviour is closely connected to the fields of behavioural economics, psychology, sociology, neuromarketing, and marketing.

- Defining consumer behaviour
- The meaning of consuming
- Disciplines related to consumer behaviour
- Importance of consumer behaviour for marketers

1.3 Psychology for beginners

A brief introduction to psychology and its relevance to consumer behaviour.

- Core concepts of psychology



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1 Marketing and consumer behaviour

This book does not throw you in at the deep end. This chapter also serves as an introduction to marketing. Readers already familiar with the principles of marketing, may proceed to Section 1.2, which focuses on consumer behaviour. For those less familiar with marketing, this chapter begins with a definition of marketing, followed by a discussion of its core concepts, such as the broad interpretation of the term 'product'. The strategic and tactical marketing choices are explored. Furthermore, marketing models such as funnels and customer journeys are explained. The section concludes with an explanation of important marketing terminology.

Having established an understanding of marketing and the marketing jargon, the chapter moves on to consumer behaviour, a field aiming to explore the reasons behind consumer actions. As effective marketing responds to consumer behaviour, it is crucial for marketers to understand this area. The section discusses the broad definition of consumer behaviour and outlines the key questions explored by researchers in this field. Given that much of consumer research draws upon psychological research, the third part of the chapter delves into key psychological terms that marketers may encounter when analysing consumer psychology and consumer behaviour.

In summary, this chapter provides the basics, covering core concepts in both marketing and psychology.

1.1 Marketing for beginners

Readers who have already taken a basic marketing course and have an understanding of the foundations of marketing, may proceed directly to Section 1.2 on consumer behaviour. For those new to the field, this section provides an introduction, outlining what marketing entails and explaining the key terminology frequently used by marketers.

1.1.1 Defining marketing

Marketing encompasses a wide range of activities that companies and organisations use to promote, sell, and distribute their products. It requires a deep understanding of the market and of the needs and desires of the consumer. Marketers aim to create value and establish profitable relationships with customers through a combination of strategies and tactics.

A commonly used definition of marketing is:

Marketing is the set of strategies by which companies acquire and engage customers, build strong customer relationships, and create superior customer value in order to capture value from customers in return.¹



Marketing techniques are used not only for physical products but also for services such as podcasts, streaming platforms, and insurances.

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At its core, marketing is about finding a market and creating a demand, by successfully creating *value*. This concept of value creation is central in just about every description of marketing. It means developing products or services that are valuable to customers, thereby adding value for consumers. This value can take various forms. For instance:

- This washed, cut, and wrapped lettuce is convenient.
- With sneakers from this brand, I look fashion-conscious.
- With this software, I work faster.

In essence, value creation is about offering products that meet the needs and expectations of a specific target group.

1.1.2 Essential marketing principles

In what follows, some essential marketing principles are explained.

Marketing is not limited to products

Marketing applies not only to tangible, physical products (also known as ‘goods’). Marketing principles can also be applied to services, people, and ideas. In this book, therefore, the word ‘product’ is given a broad meaning; it encompasses everything that can be put on the market, any bundles of benefits that can be sold. Whenever the term **product** is mentioned here, it should be interpreted in the broadest sense, as illustrated in Table 1.1.

TABLE 1.1 The broad definition of the term ‘product’

TYPE OF PRODUCT MARKETED	EXAMPLES
Products	Physical goods, such as laptops, cars, apartments, pasta, bottled water, curtains, radios, houses, or sugar.
Services	Non-tangible offerings, such as banking, concerts, repair services, communication advice, hair salons, museums, accounting, streaming services, insurance, or hotels. Some services are completely intangible; other services have many tangible elements. In a restaurant, for example, there are intangible elements, such as the atmosphere and the taste experience, as well as tangible elements, such as the furniture and the dish served.
Ideas	Fire safety, anti-smoking campaigns, climate action, or safe driving initiatives.
People	Celebrities, music artists, presenters, or political figures.
Place	Holiday destinations such as the country Türkiye, cities such as Antwerp, cultural sites such as the Louvre in Paris.
Organisations	Non-profits or non-governmental organisations, such as Greenpeace, Doctors without borders, the Red Cross, or WWF.

Two specific product types are worth highlighting:

- *Ideas as products.* Marketing and consumer behaviour also extend to ideas, such as political views or public safety campaigns. In the same way that people can buy a product, they can also adopt ideas and adjust their behaviour accordingly.
- *Services as products.* As more and more services are sold, service marketing is gaining importance. Many examples in this book will highlight the marketing of services.

Many companies now seek to differentiate themselves from the competition by providing additional services, also known as *value-added services*. Examples include offering three years of free maintenance with a car purchase, pairing a smartphone app with an electric toothbrush., free Wi-Fi on buses, offering free installation with a dishwasher purchase, or providing 24/7 customer service.

Indeed, an increasing number of companies are transforming their products into services. This is an emerging business model, referred to as *servitisation* or *Product-as-a-Service (PaaS)*. Under this model, consumers do not purchase a product outright but instead pay for its use or outcome through a subscription.² This model offers companies more predictable, guaranteed, revenue stream. Some examples of *PaaS* include leasing a car instead of buying one, consuming music and media through streaming subscriptions instead of CDs and DVDs, and using software through a monthly subscription to access the latest version (instead of a one-time set up).

Needs are the starting point

Good marketers understand their customers and their real needs and aim to enrich the lives of those customers by providing benefits they value.

A thorough understanding of customer needs is the foundation of good marketing decisions. Only when a company has a deep understanding of what people really want and need, can they develop products that closely match that. Only solutions that meet a need have value in the eyes of the customer. Understanding needs also helps to identify new opportunities, new products, and new market segments.

Understanding needs is essential for both marketing and consumer behaviour, and Chapter 3 explores this concept in detail.



Marketing involves more than selling. Selecting the sales channels and setting the pricing strategies are also part of the discipline.

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Marketing is more than just selling

When people think of marketing, they often think of sales or advertising. While these are indeed components of marketing, the discipline encompasses much more. Marketing starts with understanding consumer needs. It involves market research, monitoring social trends, selecting a target audience, and developing products that meet their needs. A pricing strategy is set, distribution channels are chosen, and the best way to communicate with the audience is determined. All these elements form part of the broader scope of marketing.

1.1.3 Marketing strategies and tactics

Marketers in companies and organisations must make both strategic and tactical decisions. A marketing strategy involves determining how marketing can contribute to broader business objectives, identifying the target groups, and positioning the company in the market. Marketing tactics refer to the specific actions taken to implement the strategy. Table 1.2 illustrates some examples of strategy and tactics in the context of marketing.

TABLE 1.2 Examples of marketing strategies and tactics

OFFERING	SNEAKERS	SOFT DRINK	ELECTRIC SCOOTER
Strategy	Build an image among a new target group of semi-professional runners as a top choice for sporting performance	Strengthen the image with the existing target group as an iconic and recognisable brand, strengthen the loyalty among these existing customers	Launch a premium scooter aimed at environmentally conscious consumers willing to pay more for sustainability
Tactic	<ul style="list-style-type: none">• Partner with professional athletes who promote the shoes via social media videos• Sponsor local and international sprinting and jogging events, and be present with pop-up shops• Collaborate with running coaches to create training programmes together• Limit distribution to premium sports shops and pop-up stores to create an exclusive image	<ul style="list-style-type: none">• Run nostalgic TV and online ads highlighting the brand's long heritage• Launch limited edition retro packaging• Offer a loyalty card for the for branded apparel and merchandise	<ul style="list-style-type: none">• Use a premium pricing strategy with bundle discounts for those who also buy a helmet• Organise test events in city parks• Launch an online campaign focused on the environmental benefits of scooters• Set up a trade-in programme, offering discounts on new scooters in exchange for old bikes• Collaborate with major e-commerce platforms for a broad distribution

1.1.4 Marketing strategy: segmentation, targeting, and positioning

This section discusses the strategic choices with regard to the target groups and positioning. This is a consumer-centric approach that helps deliver more relevant products and messages to target audiences.

STP process

A key concept in strategic marketing is the STP principle: segmentation, targeting, and positioning (see Table 1.3 for examples). This principle states that companies should identify the most promising market segments and then craft a unique position in those segments.

Segmentation involves dividing the total market of potential customers into groups of similar customers with similar needs. Segmentation can be geographic (based on country, region or city) or demographic (based on age, gender or life stage). It may also be psychographic (based on lifestyle and preferences) or behavioural (based on elements such as frequency of use, degree of use, or time of use).

Targeting refers to selecting one or more of these segments that the company will focus on, based on their attractiveness.

Positioning is creating a distinct image for the brand or product or company in the mind of the consumers. It focuses on creating the desired perception and showing how the product offer stands apart from competing products or brands. Essentially, it defines how customers should view the product in comparison to the competition.

TABLE 1.3 Examples of the STP approach

OFFER	SMARTWATCH	COFFEE	PHOTOGRAPHY TRAINING
Segments	Segment 1: Tech-savvy youth interested in sports Segment 2: Seniors who want to monitor their health and stay active	Segment 1: Young professionals who love luxury and taste variety in coffee Segment 2: Freelancers seeking a coffee machine for their office Segment 3: Students looking for an energy boost Segment 4: Remote workers seeking high-quality coffee at home	Segment 1: Beginning amateur photographers Segment 2: Advanced amateur photographers Segment 3: Working adults who want a career change Segment 4: Content creators and influencers wanting to improve their social media content
Targeting	Segment 2	Segments 1 and 4	Segment 4
Positioning	An effortless way to monitor health	High-quality coffee beans for those seeking a unique experience	Photography and photo editing training for high-impact social media content



Both attracting new customers and providing excellent service to retain existing customers are key elements of marketing.

Photo: Stella_E / Shutterstock

Segmentation: recognising consumer differences

Segmentation is an essential aspect of the STP principle and of marketing, and for this reason, it is discussed in greater detail here.

Most companies do not attempt to target the entire market of all potential buyers, as consumers differ in many ways and respond differently to marketing strategies. They purchase products for various reasons. Therefore, marketers will divide the entire market of potential consumers into subgroups or segments. This is called market segmentation. Consumers in a single segment have similar needs or characteristics.



Different customer segments have different characteristics.

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Marketers find it useful to describe, compare, and categorise those subgroups within the market. The categorisation into subgroups is done by applying *segmentation criteria*. The term ‘segmentation criteria’ refers to the various characteristics or methods used to divide the market. The classic types of segmentation include:

- *Demographic segmentation*: A division of consumers based on descriptive characteristics such as their age, income, gender, occupation, or family composition. Demographics are observable data about a population. Examples include food for babies, magazines for women, deodorant for men, houses for people with higher incomes, and insurance for doctors.
- *Psychographic segmentation*: A division of the market based on elements such as lifestyle, hobbies, personality, or taste. Examples include a web shop for people who love second-hand fashion, a festival for those who love hip-hop music, an app for novice basketball players, or an interior design store for those who love designer furniture.
- *Geographic segmentation*: Targeting consumers based on location such as a country, region, or city. Examples include warm socks for those who live in a cold climate, a newspaper for Belgian readers, a website for Brussels residents, a fast-food chain that only operates in Europe.

- *Behavioural segmentation*: A division of the market based on behavioural characteristics, usage patterns, or loyalty. Examples include focusing on frequent coffee drinkers, a subscription with more phone minutes than data, or discounts for repeat customers. Another example is benefit segmentation, where customers are grouped on the basis of the specific benefit they seek, such as whiter teeth or better breath in relation to toothpaste.

In reality, marketers often combine several of these segmentation criteria. For instance, a company might target adventurous Belgian women aged 30-40 with high incomes who frequently purchase city trips. This combination of criteria is often summarised in a **buyer persona**. This is a stereotypical personification of the chosen target group, which brings this typical customer to life. It is a detailed description of a fictitious person listing their characteristics, preferences, needs, and buying motivations.

To effectively engage with the right audiences, marketers must understand these types of consumer characteristics and traits. They will be discussed in depth in the following chapters of this book.

While traditional segmentation criteria remain relevant, there is a growing trend towards data-driven segmentation through artificial intelligence (AI). Through AI, computers are trained to process vast amounts of data and discover patterns in that data. The algorithms of artificial intelligence can process this data very quickly, and can detect patterns and trends that are difficult for humans to spot.



Artificial intelligence helps marketers combine data sets and segment efficiently.

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Segmentation is primarily used to choose and define the target groups, but it can also be used to personalise. With personalisation, even smaller groups of customers receive tailor-made offers or are approached differently through communication. Companies can combine and analyse multiple criteria, such as demographics, purchase history, website visits, and social media interactions. This way, the marketer understands customers even better and, thanks to the data, can segment them better or even create highly personalised experiences.^{3, 4}

Personalisation in practice can be illustrated by several examples. A telecom company can analyse historical customer data, including call patterns, data usage, and interactions with customer service. This may enable the company to predict which customers are likely to cancel their subscriptions, and reach out to them proactively. Supermarkets can use loyalty cards to combine customers' purchase history with characteristics

such as age and location, allowing them to make personalised offers. A bookstore can ensure that customers who previously purchased many thrillers receive an email when a new thriller is released. Similarly, social media platforms analyse user behaviour, such as likes, comments, and viewing duration. For example, someone who frequently watches cooking videos will be recommended content from popular chefs and new cooking techniques.

1.1.5 Marketing tactics: the marketing mix

Once a company has selected the target audience and established its positioning, the marketing mix must be defined. The marketing mix is a framework used to describe the tactical marketing decisions a company should implement. This mix is typically divided into four categories, known as the 4 Ps of marketing: Product, Price, Place, and Promotion.

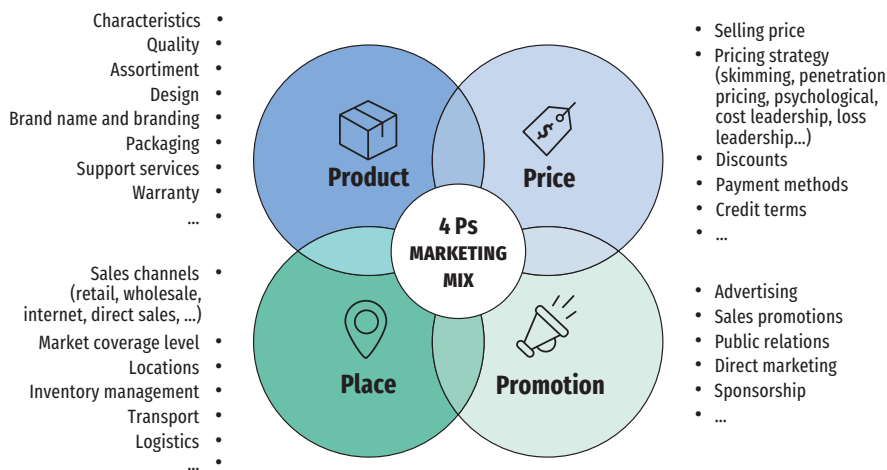


FIGURE 1.1 The marketing mix comprises the tools that marketers can use to meet customer needs.

In certain industries, particularly in service industries where customer interaction is key, marketers may use an expanded version known as the 7 Ps. The extra Ps are designed to create trust about the service because of its intangible nature.

- **Product:** Refers to what is being marketed, which can include a physical object, service, person, place, organisation, idea, or a combination of these.
- **Price:** The amount charged for the product and the pricing strategies chosen.
- **Place:** The distribution method; how and where the product is made available to customers.
- **Promotion:** Communicating about the offer and persuading customers to buy.
- **Physical evidence:** The sales environment, including buildings, furniture, and visual elements.
- **People:** The staff providing the service, including how they are selected and trained.
- **Process:** The systems used to deliver the service, such as subscription processes or customer service approaches.

This marketing framework with 4 Ps or more has both critics and supporters. Critics argue that the model focuses too much on the provider and not enough on the customer. They also state that marketers often do not have decision-making authority