



## SHAKE UP START UPS

### What is marketing?

Marketing, more than any other business functions, deals with people – customers. Probably, the simplest definition of marketing could sound like this one – **marketing is about managing profitable customer relationships**. The double **aim of marketing** is:

1. Attract new customers, promising the best value,
2. Keep already existing customers – continue to deliver a satisfaction.

*In instance, McDonald's implements its moto ("I'm lovin' it") by being "their customers' favourable place and way to eat" all over the world, having three times greater market share<sup>1</sup> than its nearest competitor.*

Marketing is crucial for the success of every business, profit or non-profit enterprise. Marketing is all around us. However, it is not only selling and advertising, like many people think, today's marketing has a new sense of satisfying customer needs. Marketing deals with identifying and meeting human and social needs – customer and its needs is the core of marketing. Furthermore, we can see that nowadays more and more companies try to **solve social issues**, too. That indicates the new era of marketing – social marketing. Therefore, nowadays besides people, individuals, and their needs marketing also has a social context. One more of the shortest definitions of marketing from the marketing guru Philip Kotler is "meeting consumers' needs profitably". Like *IKEA*, which notices that people want good furniture at a substantially lower price and creates knockdown furniture, which demonstrates a drive to **turn a private or social need into a profitable business opportunity** through marketing. Furthermore, marketing can also be defined these ways:

- *From point of view of people and their wants* - marketing is a process by which individuals and groups of people (and firms) obtain what they need and want through creating, offering, and exchanging products and services;
- *A system of business actions* - marketing (management) is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals;
- *A sale* – marketing is about selling the right product to the right consumer, in the right place and for the right price, doing it the best of competitors;
- *The task of an organisation* – marketing is implemented in order to determine needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors do.
- *Knowledge about the market* – marketing is knowledge about the market, understanding it and ability to make respective actions regarding market position.

The new century has also introduced the new features of marketing for businesses:

- ensure high quality of product ("*Lāči*", "*Liepkalni*", "*Emils Gustavs Chocolate*" – examples from Latvia);
- provide the best service ("*Swedbank*");
- ensure the lowest prices ("*SuperNetto*");
- get a considerable market share ("*Tele2*");
- be able to adopt and adjust to the changing environment ("*Lattelecom*");

<sup>1</sup> <http://www.millwardbrown.com/brandz/top-global-brands/2015/brand-categories/fast-food>





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- make continuous improvement of the product ([www.draugiem.lv](http://www.draugiem.lv));
- use new technologies and innovations to develop a new product ([www.aerodium.lv](http://www.aerodium.lv));
- enter a fast growing market or even a niche ("Narvesen");
- make customers amaze and fascinate them ("Madara cosmetics", "Stenders").

### Marketing strategy and Marketing mix elements.

In order to perform on a market and be a successful company, it needs to develop a marketing strategy. There are two main questions:

1. Which customers a company is going to serve, and
2. How a company is going to create a value for its customers and make it be profitable, because customers and their needs is the core aspect of marketing.

To find the best marketing strategy and mix of core marketing elements, companies previously engages in marketing analysis, planning, implementation, and control.

Companies should understand that they are not able to serve all consumers in a market, at least not all consumers in the same way and time. There are too many different kinds of consumers with different kinds of their needs. Most companies operate in some segments better than in others. Therefore, in order to be efficient and profitable, ***every company must divide the whole market on segments, choose the segments with better opportunities, and develop a strategy how to serve particular segments.*** This process involves several stages:

1. **Market segmentation** – dividing a market into distinct groups of buyers, who have different needs, characteristics, or behaviour, and who might require separate products or marketing programs. Market might be divided into segments in different ways based on customers` income, geographic, demographic, psychographic, and behavioural factors. Thus, a market segment comprises those consumers, who respond in a similar way to a given set of marketing activities, these groups might require separate products or marketing mixes (see below about marketing mix elements).
2. **Market targeting** – the process of considering attractiveness of every market segment, in order to choose one segment, or even a market niche, if it has limited resources, or more segments to serve. A company should aim at segments, where it can generate the highest consumer value and sustain it over time.
3. **Positioning** - for every target market, the firm develops a *market offering* that it *positions* in the minds of the target consumers as delivering some key distinctive benefit(s). Consequently, marketers plan positions that distinguish their product from competitors` and ensure them the greatest advantage in the chosen target market. *For example, Volvo develops its cars for buyers to whom safety is a principal factor, positioning the vehicles as the safest on the market, a customer can find.*

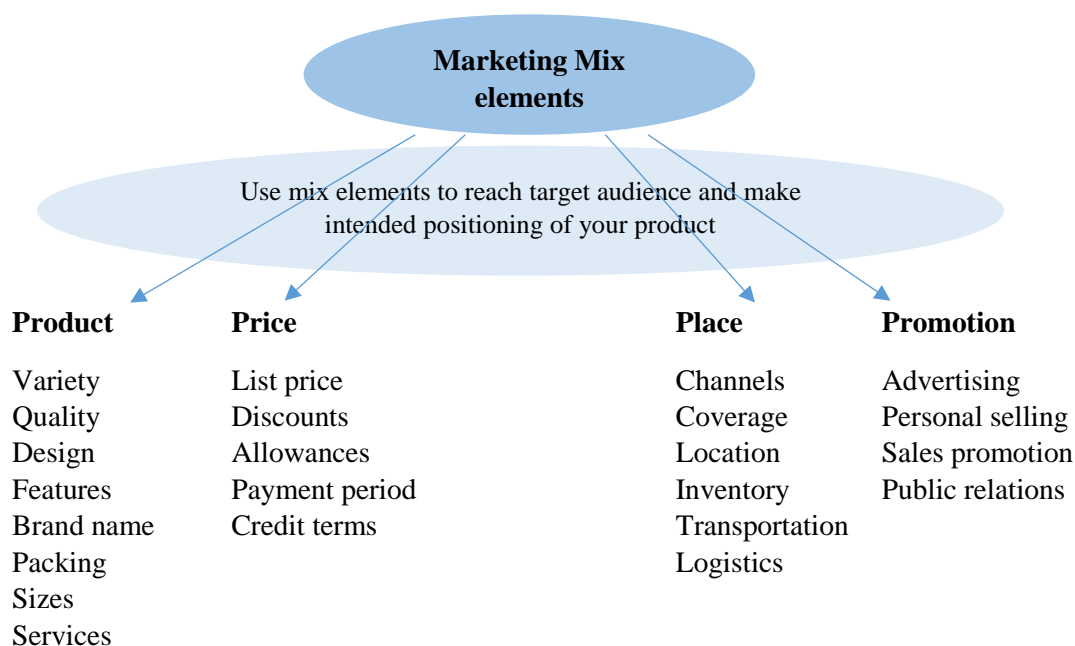
After developing a marketing strategy, companies should design a marketing program – to plan how to deliver the intended value to target audience. Furthermore, companies should assume the environment, where they operate. The marketing environment is divided into the task environment (the immediate actors in producing, distributing, and promoting the product offering) and the broad environment (forces in the demographic, economic, natural,



technological, political-legal, and social-cultural environment). To succeed in business, marketers must pay close attention to the present-day and possible future trends and developments in these environments and adjust their marketing strategies. Within these environments, marketers apply the marketing mix – the set of marketing tools used to pursue marketing objectives in the target market. The marketing mix consists of the four Ps that are considered as basic: product, price, place, and promotion. In order to be an efficient enterprise, entrepreneur should create an effective mix of these elements – mix of the:

- Right product – i.e., be appealing and work properly,
- Which is sold at the right price – nobody has abolished the law of market demand and supply,
- In the right place – where and when the product is in demand, and
- Using the most appropriate way of promotion – economies of scale works here as well.

Consequently, the marketing mix consists of everything the company can do in order to influence and increase the demand for its products. Figure 1 displays a summary of four marketing mix tools and their variables:



**Fig. 1. Marketing Mix: 4Ps**

### **Product.**

Product – the goods and services the company offers to the target customers. It is the key point on which marketing forces must focus. Regarding product, marketing defines the appearance of the product and the functions of the product – the product should correspond to the requirements and trends of the market, and should address needs of the target audience. Using this tool marketer defines distinctive features of the product, in order to meet



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customers' needs. Furthermore, marketers must ask themselves the question "what can I do to offer a better product to this segment of customers than my competitors do". To ***make the product different***, marketers may use:

- Physical difference
- Different accessibility
- Different and/or additional service
- Different price
- Work on image
- Find new ways to differentiate the product and maintain its price.

From the point of view of marketers, product consists of five ***levels of customer-value hierarchy***<sup>2</sup>:

- The basic level is the *core benefit*: the service or benefit the customer is really buying. In instance, a hotel guest is buying rest and sleep.
- At the second level, the marketer must turn the core benefit into a *basic product*. Thus, a hotel room includes a bed, bathroom, towels, desk, dresser, and closet.
- At the third level, the marketer prepares an *expected product*, a set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests minimally expect a clean bed, fresh towels, working lamps, and a relative degree of quiet.
- At the fourth level, the marketer prepares an *augmented product* that exceeds customer expectations.
- At the fifth level stands the *potential product*, which encompasses all the possible augmentations and transformations the product or offering might undergo in the future. Here is where companies search for new ways to satisfy customers and distinguish their offering.

These levels help to create a higher customer value and marketer may use them to differentiate its product and involve customers in purchase (using 2<sup>d</sup> –5<sup>th</sup> levels of value hierarchy).

*For training:*

1. *What is your business idea? What is your product?*
2. *Try to make customer-value hierarchy of you product.*

Considering the trends of economic development nowadays, the difference between goods and services in terms of marketing also makes the sense.

### **Products: Goods & Services. Service marketing.**

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<sup>2</sup> Kotler, Keller, Marketing Management 14th Ed., p.326.





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Nowadays the importance of service-producing sector becomes increasingly high – the service sector employs about 70-75% of employees in the developed economies. People use an array of services daily. Industrial giant General Electric gets about 40% of revenues<sup>3</sup> from services provided. While IBM, the company that associates with computer manufacturing, now designs IT infrastructure and business solutions, and provides support services<sup>4</sup>.

Furthermore, customers can easily say when products make them feel disappointed. The computer breaks down, the jumper has a whole, and the cake tastes awful. While to judge the technical quality of some services, that is to understand when services disappoint, is almost impossible, even after customers have received them.

Thus, let us have an insight in the distinctive difference of services marketing from products marketing.

Services are mostly **intangible**, not physical products. **Services cannot be tried out before buying** – cannot be seen, tasted, felt, smelled, etc. before customer agrees to buy them. Visiting hairdresser, a person cannot see the result before the purchase, nor will most restaurants allow customers to eat the meal before deciding whether to order it, while an insurance policy is more than the paper it is written on, tourism industry or education industry are good examples of intangible products, too. To diminish doubts, customers will look for evidence of quality by making conclusions from the place, people, equipment, communication material, symbols, and price. Therefore, the service provider's task is to "manage the evidence," try to "turn intangible products into tangible".

Often **services are produced and consumed at the same time**, while tangible goods are manufactured, inventoried, distributed, and later consumed. Services simply cannot be stored, saved, resold or returned at all. Furthermore, the supplier is part of the service, and the client often presents, too. Service is the **intensive co-work of staff and client**. In this case, capacity management becomes an important driver of the firm's profitability – the manager should also consider it when running the company.

**Services are very variable**, unique, even from the same provider, therefore it is difficult to standardise them, unlike physical products. The quality of services depends on who provides them, when and where, and to whom. Sometimes in the restaurant, the chef has a bad day, or the waiter is in a bad mood. In order to control the service process, suppliers can implement three steps: recruit the right employees and provide them with excellent training; make the project of service process with exact description of potential events, and possible issues and its solutions; apply suggestion and complaint systems, customer surveys in order to monitor customer satisfaction.

**Services are perishable.** Services cannot be produced in advance and stocked. Once the movie or show starts, the seats cannot be sold. In this case, in instance, service supplier can stimulate demand, providing discounts to sell the necessary amount of tickets / services, or make last-call offers, which is typical of tourism agencies and airlines.

*For example, in Latvia, in the end of 2010, on-line coupon resources<sup>5</sup> became extremely popular. During the restricted time, on this on-line platform is possible to buy a limited*

<sup>3</sup> GE strategy [http://www.ge.com/sites/default/files/Strategy\\_Page\\_121714.pdf](http://www.ge.com/sites/default/files/Strategy_Page_121714.pdf)

<sup>4</sup> IBM report 2014 [http://www.ibm.com/investor/att/pdf/IBM\\_Annual\\_Report\\_2014.pdf](http://www.ibm.com/investor/att/pdf/IBM_Annual_Report_2014.pdf)

<sup>5</sup> For example, [www.zizu.lv](http://www.zizu.lv), [www.perkamkopa.lv](http://www.perkamkopa.lv), [www.gudriem.lv](http://www.gudriem.lv), etc.





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*number of goods/services, which are, on the one hand, already available for delivery, as well as, which would be available after some time in the future (deferred delivery). This kind of business allows to predict demand and not to make stockpiles.*

*Another example of minimising service perishability in the sphere of art in Latvia – an hour before the start of performance, Riga Russian Theatre<sup>6</sup> provides discount of 50% for all remaining tickets. On the one hand, here is a possible way to increase income by filling in the hall, while on the other hand, social impact also appears – the art and cultural events become more available to different social groups of people.*

Taking into account development of services, the common marketing mix of 4Ps (product, pricing, promotion/market communications, place/distribution) are transformed according to the distinctive features of services. Therefore, there are three additional Ps of services marketing – people, physical evidence and process. These elements are integrated in the basic 4Ps.

### The product life cycle.

The product life cycle is an important marketing concept. It describes the stages a product passes through from the idea until it is removed from the market. These stages also display the direction of product's sales and profits during its lifetime. This concept is going to help. Commonly product life cycle has four distinct stages, but some marketing specialists distinguish five stages:

1. **Product development** starts with development of product idea. During this stage there is no sales, while the amount of company's investments increases. Sometimes this stage does not appear in a life cycle; therefore, some marketing specialists omit this part.
2. **Introduction** - a period of slow sales growth, after researching, developing and introducing the product in the market.
3. **Growth** – a period, when sales of the product are increasing at their highest pace. Profits also increase.
4. **Maturity** – sales are almost the highest, but the rate of growth starts to slow down as the market is already saturated. Level of profit may be the same or declines, because of necessity to defend the product against competitors. In order to prolong this period, marketers may modify the product or implement product line extension (explore new markets abroad, develop new uses for product, broaden product range, change packing and/or image, change ingredient of components, develop new advertising campaign, etc.).
5. **Decline** – is the final period of product life cycle, sales and profits decrease.

Figure 2 summarizes the characteristics, marketing objectives, and marketing strategies of the four stages of the product life cycle – introduction, growth, maturity and decline. The product life cycle concept helps entrepreneurs to interpret product and market dynamics, conduct planning and control, and forecast.

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<sup>6</sup> Riga Russian theatre <http://www.trd.lv/en/>







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	Introduction	Growth	Maturity	Decline
<i>Characteristics</i>				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
<i>Marketing Objectives</i>				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
<i>Strategies</i>				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and items models	Phase out weak products
Price	Charge cost-plus	Price to penetrate market	Price to match or best competitors'	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Communications	Build product awareness and trial among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits and encourage brand switching	Reduce to minimal level needed to retain hard-core loyals

**Fig. 2. Summary of Product Life Cycle<sup>7</sup>: Characteristics, Marketing Objectives, Strategies**

Product life cycle (see Fig. 2) also helps marketers to determine necessary changes in product, its price, place (distribution channels) and promotion according to the particular stage of the cycle.

### Promotion.

Promotion – is a very important component of marketing as it can raise brand and/or organization recognition and sales. It is the way of communication with customers. It provides information about product merits and assist target customers in making decision to purchase a product.

The cost associated with product promotion often makes a noticeable share of the overall cost of producing an item. Meanwhile, successfully implemented promotion campaign increases sales so that advertising and other costs are spread over a larger output (economies of scale). However, increased promotional activity is often a response to a problem such as competitive activity.

Promotion comprises such **tools** as advertising, personal selling, sales promotion, direct marketing, word-of-mouth, public relations, etc.:

- **Advertising** is any paid form of impersonal presentation and promotion of ideas, goods, or services by an identified sponsor<sup>8</sup>. Advertising typically covers communication

<sup>7</sup> Kotler, Keller, Marketing Management 14th Ed., p.317.

<sup>8</sup> Kotler, Keller, Marketing Management 14th Ed., p. 530





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methods like television advertisements, radio commercials, print media, and internet advertisements. Nowadays there is a shift in focus from offline to the online world.

- **Sales promotion** consists of short-term incentives to encourage the purchase or sale of a product or a service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy now.<sup>9</sup>
- **Personal selling** consists of interpersonal interactions with customers and prospects to make sales and maintain customer relationships. The people who do the selling go by many names, including salespeople, sales representatives, agents, district managers, account executives, sales consultants, and sales engineers.<sup>10</sup> While advertising consists mostly of impersonal communication with large groups of customers, personal selling involves interaction between two people. It can be more effective than advertising in more complex situations, because salespeople can adjust their marketing offer to the special needs of the particular customer. Personal selling, on the one hand, serves as an important link between a company and its customers, but, on the other hand, coordinates marketing and selling.
- **Direct and online marketing** (not a spam) – use of mail, telephone, fax, e-mail, or Internet to communicate directly with carefully targeted consumer, often on a one-to-one, interactive basis.
- **Public relations (PR) and publicity** – a variety of programs directed internally to employees of the company or externally to consumers, other firms, the government, and media to promote or protect a company's image or its individual product communications<sup>11</sup>. PR, on the contrary, are communications that are usually not paid for.

Figure 3 summarizes common communication platforms and displays tools that can be used for product promotion.

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<sup>9</sup> Kotler, Armstrong, p.505

<sup>10</sup> Idem, p. 488

<sup>11</sup> Kotler, Keller, Marketing Management 14th Ed., p. 478





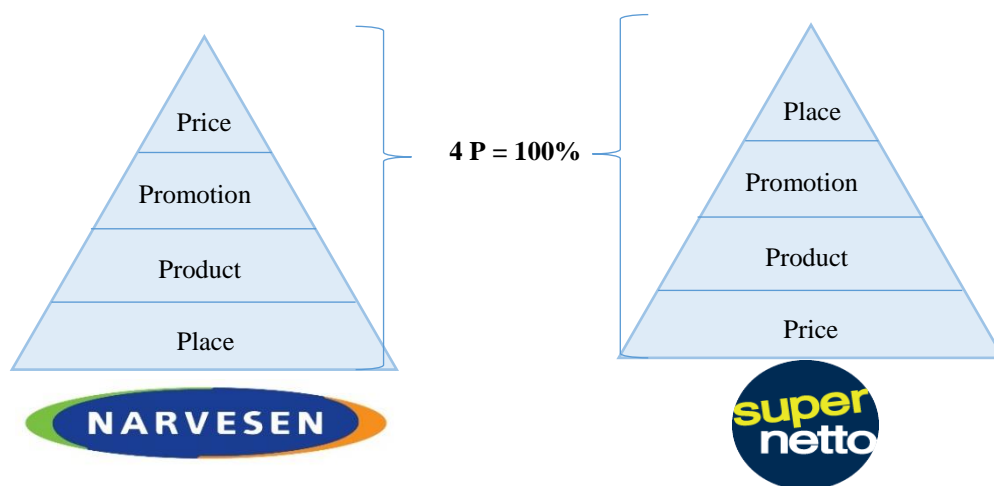


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Advertising	Sales Promotion	Events and Experiences	Public Relations and Publicity	Direct and Interactive Marketing	Word-of-Mouth Marketing	Personal Selling
Print and broadcast ads	Contests, games, sweepstakes, lotteries	Sports	Press kits	Catalogs	Person-to-person	Sales presentations
Packaging—outer	Premiums and gifts	Entertainment	Speeches	Mailings	Chat rooms	Sales meetings
Packaging inserts	Sampling	Festivals	Seminars	Telemarketing	Blogs	Incentive programs
Cinema	Fairs and trade shows	Arts	Annual reports	Electronic shopping		Samples
Brochures and booklets	Exhibits	Causes	Charitable donations	TV shopping		Fairs and trade shows
Posters and leaflets	Demonstrations	Factory tours	Publications	Fax		
Directories	Coupons	Company museums	Community relations	E-mail		
Reprints of ads	Rebates	Street activities	Lobbying	Voice mail		
Billboards	Low-interest financing		Identity media	Company blogs		
Display signs	Trade-in allowances		Company magazine	Web sites		
Point-of-purchase displays	Continuity programs					
DVDs	Tie-ins					

**Fig. 3. Common communication platforms & tools for product promotion<sup>12</sup>**

Considering basic marketing mix elements – product, price, place, promotion – marketers can mix them in order to achieve a preferred attitude from customers to the product/business. *For example:*



*"Narvesen" is a leading chain of convenience stores/news agents, which since 1997 is growing fast and expanding throughout Latvia. "Narvesen" main mix element is place - convenience stores/news agents are placed everywhere, especially in a places with a high people flow. "Narvesen" provides a large variety of products – from press to food-to-go and retailer services. The least "important" element is price – commonly prices are slightly higher than in a supermarket.*

<sup>12</sup> Kotler, Keller, Marketing Management 14th Ed., p. 479





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*An opposite example to "Narvesen" is "Supernetto" – chain of supermarkets – it is positioned as the first and only hard-discounter chain in the Baltics that provides its customers with the basic limited range of everyday food, household and seasonal products that are sold at very low prices. These supermarkets are mostly located in bedroom suburbs.*

### Public Relations (PR).

Some time ago, did not consider PR as an efficient marketing tool. Nevertheless, nowadays the situation has changed – the marketers more and more recognize brand-building power of public relations. Nowadays PR is used to promote not only products (goods & services), but also to promote people, places, ideas, activities, events, organizations and whole nations. Usually PR have a strong impact on public awareness at a much lower cost than advertising do, while results of PR campaigns may be more spectacular. PR mostly captures only a small share of the overall budget – it case of advertising a company pays for media space or time used, while in case of PR a company pays a staff to develop "news", circulate and manage them. If the company develops a fascinating story, it may publish it and translate through several different media and for lower cost, than launched advertising would manage to do it. Moreover, the Internet has also reduced expenditures on product promotion, and PR as well. The Internet has also become an important PR tool, as Web sites, blogs, and social networks provide the new way to reach more people.

The **appeal of PR** is based on three distinctive qualities<sup>13</sup>:

1. **High credibility** – news stories and features are more authentic and credible to readers than ads.
2. **Ability to reach hard-to-find buyers** – public relations can reach prospects that prefer to avoid mass media and targeted promotions.
3. **Dramatization** – PR can tell the story behind a company, brand, or product. Moreover, it can make as positive attitude, as well as the negative.

The **main tools of marketing PR** are:

- **Publications:** Companies rely extensively on published materials to reach and influence their target markets.
- **Events:** Companies can draw attention by arranging and publicizing special events.
- **Sponsorships:** Companies can promote their brands and corporate name by sponsoring and publicizing sports and cultural events and highly regarded causes.
- **News:** One of the major tasks of PR department is to find and/or create favourable news about the company, its products, and its people. Afterwards to get the media to accept the "news".
- **Speeches:** Increasingly, company executives must field questions from the media or give talks at trade associations or sales meetings, and these appearances can build the company's image.
- **Public Service Activities:** Companies can build goodwill by contributing money and time to good causes.
- **Media:** Companies need a visual identity that the public immediately recognizes.

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<sup>13</sup> Kotler, Keller, Marketing Management 14th Ed., p. 490





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Despite a wide range of tools for product promotion, which were previously discussed, sometimes they do not correspond to entrepreneur's financial possibilities. If entrepreneur's budget is not restricted, he can implement some or even all (but, whether it would be efficient?) ways of product promotion himself, or hire a marketing agency. On the contrary, in case of restricted budget entrepreneur should try to choose the best ways to persuade people to buy the product, either to look for other ways of promotion – thankfully, nowadays various ideas of low-cost marketing already exist.

*For training: Describe possible advantages and disadvantages/limitations of the main PR tools.*

### Low-cost marketing ideas for small businesses and start-ups.

#### The power of social networks.

Everyone admits that it is difficult for small businesses and start-ups to become visible on a market, to find and retain customers, and, finally, to stay in business. Meanwhile, the new century brings the necessity to choose another ways of promotion, as well as the 21<sup>st</sup> century provides various possibilities of product promotion. Nowadays nascent and small businesses, having restricted budget for marketing campaign, can use these opportunities. ***The most influential way to promote your product and reach a target audience is the power of social networks.*** Social media have become an important force in both business-to-consumer and business-to-business marketing. However, it should be understood that social media is not a magic itself, but when used strategically over time, it do is the most powerful kind of marketing and market research nowadays. Anyway, it is a platform for real work.

Nevertheless, marketer should choose the right network for particular product and target market. There is a vast amount of social networks: Instagram, Facebook, Twitter, Pinterest, LinkedIn, Google+, Tumblr, YouTube, etc., as well, there are local social networks, like Draugiem.lv in Latvia (until the year 2014 was No.1 in Latvia regarding number of users), or VK in Russia. Table 1 displays a short description of some social networks:

**Table 1**  
**Description of social networks**

Network	Description <sup>14</sup>	Good for
Facebook	<ul style="list-style-type: none"><li>• 1.5 billion monthly active users, mobile users ≈ 87%</li><li>• Mobile ad revenue makes up 76% of all ad revenue (\$2.9 billion in Q2 of 2015)</li><li>• Users share 1 million links every 20 minutes</li></ul>	<ul style="list-style-type: none"><li>• B2C</li><li>• Great opportunities for mobile engagement</li></ul>
Twitter	<ul style="list-style-type: none"><li>• Micro blogging social site with limited posts of 140 characters</li><li>• 289 million active users and 9,100 tweets happen every second; mobile phone users ≈ 86%</li></ul>	<ul style="list-style-type: none"><li>• B2B, B2C</li><li>• Real-time conversation with consumers.</li><li>• Opinion analysis</li></ul>

<sup>14</sup> Statistical data used from <https://leveragenewagemedia.com/blog/social-media-infographic/> and <http://blogs.wsj.com/digits/2014/04/03/data-point-social-networking-is-moving-on-from-the-desktop/>





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	<ul style="list-style-type: none"><li>• Is often powered by potential customers who respond well to links (blog links), user base is much more diverse and text oriented</li></ul>	
Instagram	<ul style="list-style-type: none"><li>• Social sharing site all around pictures and 15 second videos</li><li>• 300 million active users, almost 99% are mobile users</li><li>• Can participate through the use of hashtags, geotags and posting pictures consumers can relate to</li></ul>	<ul style="list-style-type: none"><li>• B2C</li><li>• Visual product</li><li>• Integration with Facebook</li></ul>
LinkedIn	<ul style="list-style-type: none"><li>• Environment appealing to the business community, job seekers, and corporate recruiters</li><li>• 380 million users worldwide</li><li>• 79% of users are 35 or older</li><li>• ≈26% use mobile version</li></ul>	<ul style="list-style-type: none"><li>• B2B</li><li>• Interaction with older generation</li><li>• Professional interaction</li></ul>
Pinterest	<ul style="list-style-type: none"><li>• Social site that is all about discovery concerning decor, crafts, cooking, health, and fashion</li><li>• 70 million users, more than 90% are mobile users</li><li>• 80% of users are female</li></ul>	<ul style="list-style-type: none"><li>• B2C</li><li>• Alternate for extremely visual products/services,</li><li>• Best for retail</li></ul>

Users of social networks in terms of product/service promotion should take into account some more limitations. Use of social networks demands a huge investment — not of money, as usually, but in time, which nowadays is worth much more than money. Of course, there is an alternative between time and money – either to spend own time, or to hire a social account manager, a person, who will do it for money. Furthermore, whether it is necessary to communicate all day, if a warehouse is full of goods and there is no one who sells the goods.

Social media does not bring distinctly different rules of marketing. Many essential principles of online communication have not changed much from the common face-to-face selling – it is the same communication and interaction, but in another place, pace and with lower costs.

It is probably obvious that social media in terms of marketing is **good**:

- For building relationships with fans and customers;
- As a platform, where to show your target audience that you are not a cheater;
- To earn and maintain the trust of customers, provided being a good company – to use high-value content (as well as *like* and *share*), have plain decency, put your customers first, keep promises, and everything else on the site or account that shows you can be trusted;
- For sharing results – nobody will know about, until you share;
- Selling and finding new ideas – social media is a tool for listening: what people buy and why; what are their problems and expectations, etc.

*For training:*



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1. *Mention popular social networks in your country.*
2. *Which social networks would be suitable for promotion of the products & services from different economic activities?*
3. *Please, describe your experience, if you have it, in using social networks for needs of your business. Otherwise, try to substantiate, which social networks you would prefer to promote your business.*

### Guerrilla marketing.

While some entrepreneurs optimize their marketing budget, others implement a kind of low-cost marketing – guerrilla marketing. In the words of the Father of Guerrilla marketing, Jay Conrad Levinson, achieving conventional goals, such as profits and joy, with unconventional methods, such as investing energy instead of money<sup>15</sup>. Accordingly, Guerrilla marketing emphasizes **creativity over budget**, and strategies are often cheap and easy to implement, especially when localized. Distinctive feature of Guerrilla marketing from any other type of advertising is close interaction with a target audience. Guerrilla marketing is the original form of advertising, that focuses on low-cost unconventional marketing activities, in order to draw people`s and media`s attention as much as possible. Guerrilla marketing relies on creative, unexpected and provocative campaigns.

*The aim of these campaigns is*

- to take the consumer by surprise (to have a psychological impact on the target audience),
- make an unforgettable impression and create extensive social buzz (among people and media),
- in many cases this kind of marketing have no ethical restrictions.

In case this form of unconventional marketing fails – a financial loss would not be large, while if a campaign is executed well – it reaches a highly targeted audience, but a marketer gains a wide publicity. It is also a good way to become visible on a market, noticed, to be distinguished from competitors and obtain reputation for being interesting and different. Originally, Guerrilla marketing was a concept aimed towards small businesses with restricted budget, implementing non-financial resources, like time, creative imagination and resolution. However, big businesses also use the same ideology.

Despite obvious benefits, Guerrilla marketing also has **drawbacks**:

- There is a possibility that the **message** of advertisement could be either **unclear**, or misunderstood.
- Some forms of this type of marketing, i.e. non-permissioned street graffiti, can result in **tensions with authorities**.
- **Unexpected obstacles** can affect an advertising campaign, too – weather conditions, choice of “the wrong time and the wrong place”, other street artists and people, who can turn the message of the ad into anti-advertising, etc.

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<sup>15</sup> <http://www.gmarketing.com/>





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- In addition, particular Guerrilla marketing action will **have an effect only once**. The further repetition of similar action as Guerrilla marketing activity for the same target audience would be inefficient.

Developments in technology and information made it possible to involve offline and online spaces for product promotion, and mentioned low-cost unconventional marketing strategy, Guerrilla marketing, is not an exception. It can be implemented in several ways:

- Making Guerrilla **performance** – information about company's products is passed around orally, or by creating vivid and memorable show with passing people's involvement, or by dealing products and samples. These performances may also encompass education and influencing people's opinions so that they can buy the product. For these events marketers usually choose crowded streets, where are other people with photo and video cameras, because this kind of information passed around through social network sites is also considered to be a form of Guerrilla marketing. *Examples: Sony's campaign in 2002; Nivea campaign; Christina Aguilera perfume promotion<sup>16</sup>, advertising campaign of Latvian journal "Ir"<sup>17</sup>*
- Making Guerrilla **flash mobs** – involve organizing group of individuals that perform a specific action or task at a previously determined location and time, and who disperse afterward. Sometimes participants are hired actors; other times they are members of the community who enjoy the randomness of such flash mobs.
- Using Guerrilla **direct mailing** – (but it is not about sending e-mail) is considered to be one of the most effective marketing tools, taking into account the direct contact with particular audience. Nowadays it is an efficient way of promotion, using Guerrilla marketing methods.
- Using **urban environment** (which does not belong to the company) for Guerrilla **installations** – this way includes different types of graffiti (graffiti, stencil & reverse graffiti) that use city streets and alleyways as a giant canvas. In advertising campaign, marketers can use walls, bus stops, benches, pedestrian crossings, trees, lights and other ordinary objects found around us and thus effectively attract people's attention. Unique things, which are located in the unimaginable places, where nothing of the sort kind has never been there, amaze and fascinate people.

*In example, Zelta Zivtiņas tunelis is a pedestrian tunnel under 13. Janvara street in Riga. Named after Zelta Zivtina (Gold Fish) mobile prepayment card, owned by TELE2. Got recognition of Golden Hammer in 2009<sup>18</sup>.*

- **Everything** else that can help **to attract** people's **attention** and make product or business visible and known.

*For training:*

1. *Are you going to use Guerrilla marketing activities for your product promotion? Which one?*

<sup>16</sup> <https://www.youtube.com/watch?v=5lj2WtHwBWM>

<sup>17</sup> <https://www.youtube.com/watch?v=7pS3NnOCvK0>

<sup>18</sup> <http://www.adforum.com/award-organization/6651095/showcase/2009/ad/34449201>







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2. *What potential risks entrepreneur should envisage implementing Guerrilla marketing activities?*

*Case study of "Meteorite" – advertising campaign of Swedish mobile phone operator Tele2, conducted in 2009 in Latvia. Watch several videos<sup>19 20 21</sup> about implemented campaign and answer the questions:*

1. *What is your attitude to the campaign? Positive/Negative/Why?*
2. *How do you think, was it an efficient campaign?*
3. *Was it a permissible way to promote a product? Why?*
4. *How the campaign affected publicity (PR) of the company?*

### A Relationship with a customer

Existing customers and prospects are directly associated with companies' profit. Therefore, nowadays an interest about possible ways to attract and maintain customers increases more and more. As a result, there is a specific term in marketing – customer relationship management. Some people define customer relationship management as the use of information technology. Others think it is connected with people and service – to show a sympathy and consideration to every customer. Anyway, from practical point of view relationship marketing involves a computer and a program. That gives company the possibility to obtain a detailed information about individuals. While the received information can help to develop more focused marketing strategy – to satisfy customer's needs and increase a profit. In order to use this technology and obtained information effectively, marketers admit that a company should become a customer oriented instead of being focused on sales. On the other hand, a strong and lasting relationship with a customer also means the chance to attract new customers owing to the recommendations of existing one.

In order to have a strong relationship with a customer, it is necessary to start with **building** a relationship, continue **communicating** with a customer, and do not forget to **maintain** a relationship.

### How to build up a relationship with a customer?

The key to building lasting customer relationships is to create

1. the best customer value – a customer will buy from the firm that offers the highest customer-perceived value – the customer's evaluation of the difference between all the benefits and all the costs comparing all market offers;
2. the highest satisfaction – it depends on the product's perceived performance relative to a buyers expectations. Accordingly, marketers can use five **levels of customer-value**

<sup>19</sup> <https://www.youtube.com/watch?v=5SMG5AaQyRk&feature=youtu.be>

<sup>20</sup> <https://www.youtube.com/watch?v=pvMF-InnJnQ&feature=youtu.be>

<sup>21</sup> <https://www.youtube.com/watch?v=bFPQe7Ne-14&feature=youtu.be>







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**hierarchy** (see previous pages regarding Product) in order to match customer's expectations and product's performance, or even make performance to exceed expectations.

Satisfied customers are more likely to be loyal customers and make a profit for a company.

Of course, the best way to build a relationship is to get to know your customer in person in order to manage customer "touchpoints" and maximize customer loyalty. These days development of technologies and extension of social networks facilitate the obtaining of personal information. However, a **meeting face-to-face** or a conversation, of course, gives information that is the most detailed and useful – interests, concerns, as well as what is working and not working for them with respect to your own business, etc. and other personal information. Nevertheless, face-to-face meetings or one-to-one marketing does not fit to every company. It works the best for companies that commonly make a great deal and have a considerable profit from individual customer.

**Purchase history** also is a major aspect for a company. Based on customer's preferences a company can provide him specially designed offers that meet his interests and needs the most.

Using this information, a company can create strong bonds with customers by individualizing and personalizing relationships. In essence, thoughtful companies turn their customers into clients. Here is the distinction:

*Customers may be nameless to the institution; clients cannot be nameless. Customers are served as part of the mass or as part of larger segments; clients are served on an individual basis. Customers are served by anyone who happens to be available; clients are served by the professional assigned to them.*<sup>22</sup>

Creation of **databases** will assist a company in keeping **personal information** about their customers. In order to be useful, this database should at least contain customer's name, phone numbers, mail and e-mail addresses. While extended version can also contain the information about age, gender, level of education, family and its members, income, etc. In order to replenish customer's profile (information), a company can use surveys, polls, and questionnaires to learn more about customer's preferences and needs. These tools will also help with understanding what customers like about your business and what can be improved. Furthermore, **analysis of database information** and results of company's performance will help to identify your customers, their needs and ways you can improve their relationship to your products and business. Business analytics software and other types of computer technology can help to collect and analyse the information (database marketing).

Nevertheless, some **issues** may prevent a company from implementation of database marketing:

- Considerable investments in database software, analytical tools, expenditures for employee training; business of products that are bought by customer only once in a lifetime; the unit sale is very small – these factors may promote expenditures over benefits and make .

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<sup>22</sup> Kotler, Keller, Marketing Management 14th Ed., p.136





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- Another issue may be caused by the necessity to be customer oriented, instead of keeping up traditional sales oriented approach – not all employees can do this.
- Not all customers agree to provide personal data and are willing to be in touch with a company.
- Time to time the information need to be replenished that causes extra expenditures, too.

### How to communicate with a customer?

When the linkages between customers and a company are established, it is vital to continue **communication**. In this case a company may use as many communication platforms as possible, because it is important to stay in customer`s mind. A company may inform a customer by e-mails newsletters, send brochures or even samples of some products. However, it is preferable to base communication not only on business, but also provide information about upcoming events, updates of product, or changes in service, etc.

Considering growing importance of **social media**, a company may also use these tools to interact with customers and engage them in business processes (for more information see previous pages regarding “social networks”).

Positive and negative customer`s **feedbacks** also are substantial for business development. Therefore, a company may encourage customers to leave feedbacks, suggestions, or words of gratitude. On the one hand, this makes customer to feel being connected with a company, while on the other hand, feedbacks provide useful information for a company.

### How to retain a relationship with a customer?

To keep relationships with existing customers also is an important thing, because it will cost much more to attract new customers rather than maintain relationships with current ones. In order to retain a relationship with a customer, marketer may do several steps:

- Keep a reputation of honesty and integrity;
- Meet commitments, but if a problem occurs – notify the customer immediately;
- Provide a complete answer in response to customer queries and concerns;
- Acknowledge mistakes, problems and delays, because lasting customer relationships are built on transparency and trust.
- Organize and make accessible a database of information on individual customer needs, preferences, contacts, purchase history, etc.
- Make it easy for customers to reach appropriate company staff and express their needs, perceptions, and complaints.
- Develop a reward programs for loyal clients – it might include loyalty points, cards, gift cards, and special sales.
- In addition, the last, but not least important thing is to show your appreciation for a customer's business and loyalty, which is a key to maintaining a good relationship with them.





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*For training:*

- 1. Have you ever been involved in customer relationship management as a customer? What methods has a company used?*
- 2. From your point of view, were these methods efficient? Would you use them in your business?*

