

Chapter 1

Marketing : a **process** by which companies **create value** for customers and build **strong customer relationships** to capture **value** from customers in return

Step 1 – Marketplace and Customer Needs

Concept 1 – Needs, Wants, Demands

Needs: State of felt deprivation

Wants: The form human needs take as shaped by culture and Individual personality.

Demands: Wants which are backed by buying power

Concept 2 – Market Offerings

Market offerings : some combination of products, services, information, or experiences offered to a market to satisfy a need or want

Marketing myopia : is focusing only on existing wants and losing sight of underlying consumer needs

Concept 3 – Customer Value, Satisfaction and Expectations

Marketers

- Set the right level of expectations
- Not too high or low

Customers

- Value and satisfaction

Step 2: Marketing Management

Marketing management : is the art of choosing target markets and building profitable relationships with them

- What customers will we serve?
- How can we best serve these customers?

Selecting Customers to Serve

Market segmentation : refers to dividing the markets into segments of customers

Target marketing : refers to which segments to go after

Choosing a Value Proposition

The value proposition : the set of benefits or values a company promises to deliver to customers to satisfy their needs

Marketing Management Orientations

Production concept : the idea that consumers will favor products that are available or highly affordable

Product concept : is the idea that consumers will favor products that offer the most quality, performance, and features.

Selling concept : the idea that consumers will not buy enough of the firm's products unless it undertakes a large scale selling and promotion effort

Marketing concept : the idea that achieving organizational goals depends on knowing the needs and wants of the target markets and delivering the desired satisfactions better than competitors do

Societal marketing : is the idea that a company should make good marketing decisions by considering consumers' wants, the

company's requirements, consumers' long-term interests, and society's long-run interests

Step 3: Marketing Plan and Program

The marketing mix : the set of tools (four Ps) the firm uses to implement its marketing strategy.

Integrated marketing program : is a comprehensive plan that communicates and delivers the intended value to chosen customers.

Step 4: Customer Relationship Management (CRM) : The overall process of building and maintaining profitable customer **relationships** by delivering superior **customer value** and **satisfaction**

Relationship Building Blocks

Customer perceived value : The difference between total customer value and total customer cost

Customer satisfaction : The extent to which a product's perceived performance matches a buyer's expectations

Exceeding Expectations

Customer Relationship Level and Tools

Basic relationship : Used by a company with many low-margin customers

Full partnership : Used by a company with few customers and high margins

The Changing Nature of Customer Relationships

Trends

–Relating with more carefully selected customers uses selective relationship management to **target fewer**, more profitable customers

–Relating **more deeply** and **interactively** by incorporating more interactive two way relationships through blogs, Websites, online communities and social networks

Partner Relationship Management : involves working closely with partners in other company departments and outside the company to jointly bring greater value to customers

Step 5: Capturing Value from Customers : The outcomes of creating customer value: customer loyalty and retention, share of market and share of customer, customer equity.

Creating Customer Loyalty and Retention

Customer lifetime value : the value of the entire stream of purchases that the customer would make over a lifetime of patronage.

Growing Share of Consumers

Share of customer : the portion of the customer's purchasing that a company gets in its product categories

Customer Equity : the total combined customer lifetime values of all of the company's customers

Building Customer Equity

- Building the right relationships with the right customers involves **treating customers as assets** that need to be managed and maximized

- Different types of customers require different relationship management strategies

–Build the right relationship with the right customers

The new marketing landscape

Challenges

The digital age

- Advances in computers, telecommunications information, transportation
 - Customer research and tracking
 - Product development
 - Distribution
 - New advertising tools
 - 24/7 marketing through the Internet

Rapid globalization

- Geographical and cultural distances have shrunk
 - Greater market coverage
 - More options for purchasing and manufacturing
 - Increased competition from foreign competitors

Ethics and social responsibility

- Marketers need to take great responsibility for the impact of their actions
 - Caring capitalism is a way to differentiate your company

Not-for-profit marketing

- Many non-profit organizations are realizing the importance of strategic marketing
 - Performing arts
 - Government agencies
 - Colleges
 - Hospitals
 - Churches

Chapter 2 - Company and Marketing Strategy: Partnering to Build Customer Relationships

Companywide Strategic Planning

Strategic planning : the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities

Defining a Market-Oriented Mission

- The mission statement is the organization's purpose, what it wants to accomplish in the larger environment
- Market-oriented mission statement defines the business in terms of satisfying basic customer needs

Setting Company Objectives and Goals

Business objectives

- Invest in research
- Improve profits

Marketing objectives

- Create local partnerships
- Increase promotion

Designing the Business Portfolio

The business portfolio : the collection of businesses and products that make up the company

Portfolio analysis : a major activity in strategic planning whereby management evaluates the products and businesses that make up the company

Analyzing the Current Business Portfolio

Strategic business unit : unit of the company that has a separate mission and objectives that can be planned separately from other company businesses –Company division –Product line within a division –Single product or brand

Identify key businesses (SBUs) that make up the company

Assess the attractiveness of its various SBUs

Decide how much support each SBU deserves

Matrix

Problems with Matrix Approaches

- Difficulty in defining SBUs and measuring market share and growth
- Time consuming
- Expensive
- Focus on current businesses, not future planning

Developing Strategies for Growth and Downsizing

Product/market expansion grid : a tool for identifying company growth opportunities through market penetration, market development, product development, or diversification

Market penetration : is a growth strategy increasing sales to current market segments without changing the product

Existing product/Existing market

Market development : a growth strategy that identifies and develops new market segments for current products

Product development : a growth strategy that offers new or modified products to existing market segments

Diversification : a growth strategy through starting up or acquiring businesses outside the company's current products and markets

Downsizing : the reduction of the business portfolio by eliminating products or business units that are not profitable or that no longer fit the company's overall strategy

Planning Marketing

Partnering to Build Customer Relationships

Value chain : a series of departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products

Value delivery network : made up of the company, suppliers, distributors, and ultimately customers who partner with each other to improve performance of the entire system

Marketing Strategy and the Marketing Mix

Customer-Driven Marketing Strategy

Market segmentation : the division of a market into distinct groups of buyers who have distinct needs, characteristics, or behaviour and who might require separate products or marketing mixes

Market targeting : the process of evaluating each market segment's attractiveness and selecting one or more segments to enter

Customer-Centered Marketing Strategy

Market positioning : the arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of the target consumer

Developing an Integrated Marketing Mix

Marketing Mix : the set of controllable tactical marketing tools—**product, price, place, and promotion**—that the firm blends to produce the response it wants in the target market

| | |
|-----------|-------------------|
| Product | Customer Solution |
| Price | Customer Cost |
| Place | Convenience |
| Promotion | Communication |

Managing the Marketing Effort

Analysis

Planning

Implementation

Control

- Involves Evaluating the results of marketing strategies and plans and taking corrective action
- Checks for differences between goals and performance
- Operating control vs. strategic control

Measuring and Managing

Return on Marketing Investment (Marketing ROI) is the net return from a marketing investment divided by the costs of the marketing investment.

Chapter 3: Analyzing the Marketing Environment

The Marketing Environment : includes the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with customers

SWOT Analysis : Understanding how we can best serve our customers usually begins with a complete analysis of the company's situation.

Strengths
weaknesses
opportunities
threats

Microenvironment : consists of the actors close to the company that affect its ability to serve its customers.

The Company

- Top management
- Finance
- R&D
- Purchasing
- Operations
- Accounting

Suppliers

- Provide the resources to produce goods and services
- Treated as partners to provide customer value

Marketing Intermediaries : Help the company to promote, sell and distribute its products to final buyers

Resellers
Physical distribution firms
Marketing services agencies
Financial intermediaries

Competitors

- Firms must gain strategic advantage by positioning their offerings against competitors' offerings

Publics

- Any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives
 - Financial publics
 - Media publics
 - Government publics
 - Citizen-action publics
 - Local publics
 - General public
 - Internal publics

Customers

Macroenvironment

Demographic Environment : the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics

Baby boomers : people born between 1946 and 1964

Generation X : people born between 1965 and 1976

- High parental divorce rates
- Cautious economic outlook
- Less materialistic
- Family comes first
- Experiential products
- Environmental-friendly
- Pleasure

Millennials : those born between 1977 and 2000

Includes

Tweens (ages 8–12)

Teens (13–19)

Young adults (20's)

More people are:

- Divorcing or separating
- Choosing not to marry
- Choosing to marry later
- Marrying without intending to have children
- Increased number of working women
- Stay-at-home dads

Increased diversity

Natural Environment : involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities

•Trends

- Shortages of raw materials
- Increased pollution
- Increase government intervention
- Environmentally sustainable strategies

Political environment : consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society

Economic environment : consists of factors that affect consumer purchasing power and spending patterns

- Industrial economies
- Subsistence economies

Cultural environment : consists of institutions and other forces that affect a society's basic values, perceptions, and behaviors

Persistence of Cultural Values

Core beliefs and values : persistent and are passed on from parents to children and are reinforced by schools, churches, businesses, and government

Secondary beliefs and values : more open to change and include people's views of themselves, others, organization, society, nature, and the universe

Shifts in Secondary Cultural Values

- People's view of themselves
- People's view of others
- People's view of organizations
- People's view of society
- People's view of nature

People's view of the universe

Technological Environment

- Most dramatic force in changing the marketplace
- Creates new products and opportunities
- Safety of new product always a concern

Responding to the Marketing Environment

Uncontrollable : React and adapt to forces in the environment

Proactive : Aggressive actions to affect forces in the environment

Reactive : Watching and reacting to forces in the environment

Chapter 5: Managing Marketing Information to Gain Customer Insights

Marketing Information and Customer Insights

Customer Insights

- Fresh and deep insights into customers needs and wants
- Difficult to obtain
- Not derived from more information....
- Real value of a MIS (marketing information system)....
- Companies are forming customer insights teams
 - Include all company functional areas
 - Use insights to create more value for their customers
 - Customer controlled could be a problem

Marketing Information Systems (MIS): consists of people and procedures for:

- Assessing the information needs
- Developing needed information
- Helping decision makers use the information for customers

Assessing Marketing Information Needs

MIS provides : information to the company's marketing and other managers and external partners such as suppliers, resellers, and marketing service agencies

Characteristics of a Good MIS : • Balancing what the information users would like to have against what they need and what is feasible to offer

Developing Marketing Information

Internal Data

Information collected from different sources within the company, and stored within the organization's information system

- Accounting system
- Operations/production
- Sales reporting system
- Past research studies

Advantages of internal data?

- May not be in a usable form for the decision to be made
- May be incomplete or inappropriate to a particular situation

Internal databases : electronic collections of consumer and market information obtained from data sources **within the company network**

Marketing Intelligence: the systematic collection and analysis of publicly available information about consumers, competitors and developments in the marketplace

Marketing Research : the systematic design, collection, analysis, and reporting of data relevant to a **specific marketing situation facing an organization**

Marketing Research Process

Defining the Problem and Research Objectives

- Exploratory research
- Descriptive research
- Causal research

Developing the Research Plan : Spells out the specific research approaches, contact methods, sampling plans, and instruments to gather data (**what type of research and how you will get it**)

Primary data : consists of information gathered for the special research plan

Secondary data : consists of information that already exists somewhere, having been collected for another

Research Approaches

Observational research : involves gathering primary data by observing relevant people, actions, and situations

Ethnographic research : involves sending trained observers to watch and interact with consumers in their natural environment

Survey research : the most widely used method and is best for descriptive information—knowledge, attitudes, preferences, and buying behaviour (**Most common**)(**primary research**)

- Flexible
- People can be unable or unwilling to answer
- Gives misleading or pleasing answers
- Privacy concerns

Experimental research : best for gathering causal information—cause-and-effect relationships (**primary research**)

Contact Methods

Focus Groups

–Six to 10 people with a trained moderator

–Challenges

- Expensive
- Difficult to generalize from small group
- Consumers not always open and honest

Online Research

Pro

- Low cost
- Speed
- Higher response rates
- Good for hard to reach groups

Cons

- Restricted internet access
- Not sure who is answering

Research Instruments

Questionnaires

- Most common
- Administered in person, by phone, or online
- Flexible
- Research must be careful with wording and ordering of questions
- Closed-end questions include all possible answers, and subjects make choices among them
 - Provide answers that are easier to interpret and tabulate
- Open-end questions allow respondents to answer in their own words
 - Useful in exploratory research

Implementing the Research Plan

Collecting the information

Processing the information

Analyzing the information

Interpret findings

Interpreting and Reporting the Findings

- Draw conclusions

- Report to management

Analyzing and Using Marketing Information

Customer Relationship Management (CRM): consists of sophisticated software and analytical tools that integrate customer information from all sources, analyze it in depth, and apply the results to build stronger customer relationships

Other Marketing Information Considerations

- Public Policy and Ethics

- Customer privacy
- Misuse of research findings

Chapter 6 - Consumer Markets and Consumer Buyer Behavior

Model of Consumer Behaviour

Consumer buyer behaviour : refers to the buying behaviour of final consumers—individuals and households who buy goods and services for personal consumption

Consumer market : refers to all of the personal consumption of final consumers

Characteristics Affecting Consumer behaviour

Factors Influencing Consumer behaviour

Cultural

Culture : the learned values, perceptions, wants, and behaviour from family and other important institutions

- Influenced society
- Many culture and subculture share values

Subculture : groups of people within a culture with shared value systems based on common life experiences and situations

- Cultural shift towards wellness and health

Social classes : society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviours

–Measured by a combination of occupation, income, education, wealth, and other variables

- Ex. Cars, leisure activities

Social

Reference groups: Groups that form a comparison or reference in forming attitudes or behaviour

Aspirational Groups : Groups an individual wishes to belong to

- What you see the most in the ads (Gatorade example)

Membership Groups : Groups with direct influence and to which a person belongs

Family : the most important consumer-buying organization in society

- Mothers – strong influence
- Kids have a strong influence, remember brands and know what they want
- Brands because parents use
 - In the kitchen to wash things
 - Influence across generations
 - Sometimes you don't even think about it (not high involvement – not super expensive)
 - In the home especially

Roles and status

Personal

Age and life cycle stage

- Age will influence what you will buy and decisions you will make
- Many companies segment according to age (eg. Banks)

Occupation affects the goods and services bought by consumers

- where you work can influence what you wear AKA what you buy
- Influence on your income therefore what you have to spend

Economic situation includes trends in

Personal income

Savings

Interest rates

Lifestyle : a person's pattern of living as expressed in his or her psychographics

Measures a consumer's AIOs (activities, interests, opinions) to capture information about a person's pattern of acting and interacting in the environment

how they live, what essentially makes you different

Personality : refers to the unique psychological characteristics that lead to consistent and lasting responses to the consumer's environment

Doesn't change a lot, who you are/going to be

Big Five of personality (Five dominant dimensions)

Openness

Conscientiousness

Extraversion

Agreeableness

Neuroticism

Big Five of brand personality?

Sincerity

Excitement

Ruggedness

Competence

Sophistication

Self-concept: the mental image or perception that you have of yourself

Actual self-concept: who you are, ideal self-concept: who you want to be, public self-concept: how you are perceived.

Can be used to express yourself

- Actual
- Ideal
- Public

Psychological

Motivation

Motive: a need that is sufficiently pressing to direct the person to seek satisfaction

Motivation Research: refers to qualitative research designed to probe consumers' hidden, subconscious motivations

- we all have needs (the same needs to start)
- needs become intense → must satisfy → motive
- Not always conscious
 - He wants the car
 - How others perceive him
 - He wants to feel young

Perception : the process by which people select, organize, and interpret information to form a meaningful picture of the world from three perceptual processes

- we cannot be attentive/remember everything

- we will all be exposed to the same thing but perceive things differently because of our perceptions
- The example: was different, you would be overwhelmed and this would be the only one to give you a break

Learning

Selective attention : the tendency for people to screen out most of the information to which they are exposed

- some things just wont get our attention

Selective distortion : the tendency for people to interpret information in a way that will support what they already believe

- if you dont like a politician you will notice that he is lying more, change the info, to confirm what you believe.

Selective retention : the tendency to remember good points made about a brand they favor and forget good points about competing brands

- what you remember
- ex. brand that i dont like (i see that this brand is involved in a scandal I will remember it more)

Beliefs : is a descriptive thought that a person has about something based on Knowledge, opinion, faith

- Belief is more objective than an attitude

Attitudes : describe a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea

- Attitude is more about the product

Types of Buying Decision Behaviour

- Complex buying behaviour
- Dissonance-reducing buying behaviour
- Habitual buying behaviour
- Variety-seeking buying behaviour

The Buyer Decision Process

Need Recognition: Occurs when the buyer recognizes a problem or need triggered by:

- internal stimuli : hungry thirsty
- External stimuli : a friend...

Information Search

- Personal sources—family and friends **
- Commercial sources—advertising, Internet **
- Public sources—mass media, consumer organizations
- Experiential sources —handling, examining, using the product

Evaluation of Alternatives

- How the consumer processes information to arrive at brand choices
 - Sometimes logical, sometimes not...
 - Intuition, emotion,...
- Marketers perspective: highlight the features that are your products strengths in the information stage.

Purchase Decision

- The act by the consumer to buy the most preferred brand
- The purchase decision can be affected by:
 - Attitudes of others

–Unexpected situational factors

- Once you have made your choice someone can change it
- if the product is available or not

Postpurchase behaviour

- The satisfaction or dissatisfaction that the consumer feels about the purchase
- Relationship between:
 - Consumer's expectations
 - Product's perceived performance
- Cognitive dissonance is the discomfort caused by a post-purchase conflict

Dissatisfaction : uncomfort after purchase

Adoption process : the mental process an individual goes through from first learning about an innovation to final regular use

Awareness

Interest

Evaluation

Trial

Adoption

Influence of Product Characteristics on Rate of Adoption

Relative advantage: **does it offer something that others don't (does anyone else have HD)**

CD player vs MP3

Compatibility : **it is compatible technically (not all programs offer HD)**

Were cell phones compatible with how we communicated before they were invented, what were we using?

Complexity : **if it is too complex people wont want it**

Was it difficult to learn how to load music onto your MP3 player? Was it difficult to use?

Divisibility: **can I go to france and be exposed to HD**

Were you able to try a mp3 player or cellular phone before buying it?

Communicability : **can it be understood easier**

Did you see people enjoying the benefits from a cellular phone or mp3 player before you bought on?

Chapter 8 – Segmentation/Targeting

Market Segmentation : involves dividing the market into smaller groups with distinct needs, characteristics, or behaviours that might require separate marketing strategies or mixes

Segmenting consumer markets

Geographic segmentation: divides the market into different geographical units such as nations, regions, provinces, counties, cities, or neighbourhoods

Rural vs. city

Demographic segmentation : divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality (**most popular**)

Age and life cycle segmentation : is the process of offering different products or using different marketing approaches for different age and life-cycle groups

Gender segmentation : divides the market groups based on gender

Psychological segmentation : divides buyers into different groups based on social class, lifestyle, or personality traits

Behavioral segmentation : divides buyers into groups based on consumer knowledge, attitudes, uses, or responses to a product (**Closer to the product How the consumer uses the product**)

Occasion segmentation : divides the market into groups according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item

Benefit segmentation : divides the market into groups according to the different benefits that consumers seek from the product

User status : segments the market into nonusers, ex-users, potential users, first-time users, and regular users of a product

Usage rate : divides the market into light, medium, and heavy product users

Loyalty status : divides the market by consumer loyalty

–Loyalty to brands

–Loyalty to stores

–Loyalty to companies

Segmenting business markets

Geographic segmentation

Demographic segmentation

Age and life cycle segmentation

Gender segmentation

Psychological segmentation

Behavioral segmentation

Occasion segmentation

Benefit segmentation

User status

Usage rate

Loyalty status

Purchasing Approaches

Personal Characteristics

Segmenting international markets

Geographic location: into places

Economic factors : level of economic developed (industrialized? 3rd world?)

Political-legal factors : stability of the govnt, rarely used

Cultural factors : religions, customs, values, languages

Intermarket (cross market) segmentation: divides consumers into groups with similar needs and buying behaviours even though they are located in different countries

Requirements for effective segmentation

Measurable: you have to be able to measure segments/ use segments that have variables that are measurable

Accessible : they have to be able to be reached

Substantial : large, profitable

Differentiable : distinguish the segment, it will react differently than other..

Actionable : related to the last one. Once decided you would target these people you can target them

Multiple segmentation : used to identify smaller, better-defined target groups

Will rarely use just one → often a combo

Market Targeting: the process of evaluating each market segment's attractiveness and selecting one or more segments to enter (looking at their attractiveness to that market)

Target marketing : consists of a set of buyers who share common needs or characteristics that the company decides to serve

Evaluating Market Segments

Segment size and growth

Segment structural attractiveness

Company objectives and resources

Strategies

Undifferentiated marketing : targets the whole market with one offer

–Focuses on common needs rather than on what is different

THE BROADEST

Mass marketing

Does not segment → talks to everyone the same way

You do not differentiate the market

You focus on what is the same in the markets, not different

Not efficient

Differentiated marketing: targets several different market segments and designs separate offers for each

–Goal: achieve higher sales and stronger position

–More expensive than undifferentiated marketing

Defined and separate

What segmentation is all about

More costly than the previous one

Can be more effective (talk to the segments in more relative way)

Concentrated marketing : targets a large share of one or a few segments or niches

–Knowledge of the market

–More effective and efficient

Large share of a small market (specialized market)

Choose how you will communicate

More effective and efficient

Micromarketing : the practice of tailoring products and marketing programs to suit the tastes of specific individuals and local customer groups (Talking to 1 customer or a local group)

Local marketing: involves tailoring brands and promotion to the needs and wants of local customer groups

- Cities
- Neighborhoods
- Stores

Drawbacks

it will cost you more

dilute your brand (if adapted too much)

Individual marketing: involves tailoring products and marketing programs to the needs and preferences of individual customers

- Also known as:
 - One-to-one marketing
 - Mass customization
 - Markets-of-one marketing

Choosing a target market

- Company resources (if resources limited?)
- Product variability (if product always the same?)
- Product life-cycle stage (at introductory stages?)
- Market variability (all consumers the same?)
- Competitor's marketing strategies

Socially Responsible Target Marketing

- Benefits customers with specific needs
- But... concern for vulnerable segments
 - Children
 - Alcohol
 - Cigarettes
 - Internet abuses

Differentiation (actually differentiating the market offering to create superior customer value, **what do you give me that no one else gives me?**) and Positioning (arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers , **delivering this differentiation → want to know what your brand is all about**)

Product position: is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products

The unique advantage/value you are giving to your customers that noone else is giving

- Perceptions
- Impressions
- Feelings

Perceptual positioning maps: show consumer perceptions of their brands versus competing products on important buying dimensions

Price vs Orientation

**How consumers perceive your brand and if you have a unique positioning
Way to represent your brand in relation to variable that are imp to you**

Choosing a D/P strategy

Steps

Identifying a set of differentiating competitive advantages upon which to build a position

Choosing the right competitive advantages

Selecting an overall positioning strategy

Effectively communicate and deliver the chosen position to the market

Competitive advantage: an advantage over competitors gained by offering greater customer value, either through lower prices or by providing more benefits that

Product differentiation: differentiated on features, performance, or style and design

Service differentiation: differentiated on speedy, convenient or careful delivery

Channel differentiation: differentiation through the way they design their channel's coverage, expertise, and performance

People differentiation: hiring and training people better

Image differentiation: perceived difference based on a strong, distinctive image conveying the product's distinctive benefits and positioning

Choosing the Right Competitive Advantage

Important

Distinctive

Superior

Communicable

Preemptive

Affordable

Profitable

Selecting overall positioning strategy

Value proposition : the full mix of benefits upon which a brand is positioned

Developing a positioning statement

Positioning statement: summarizes the company or brand positioning

•To (target segment and need) our (brand) is (concept) that (point of difference)

Chapter 9 - Product, Services, and Brands: Building Customer Value

What is a Product?

Product : is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want

Services : are any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything

Experiences : represent what buying the product or service will do for the customer

Eg. Disney

Levels of Product Services (lulu lemon example)

Core Benefit

Healthy lifestyle

Actual product

Clothing

Yoga accessories

Augmented Product

Discounts → personal training

Tailor → free fixing everything

Yoga Classes

Customer Service

Product and Service Classifications

Consumer Products : products and services for personal consumption

•Classified by how consumers buy them

–Convenience products : consumer products and services that the customer usually buys frequently, immediately, and with a minimum comparison and buying effort

- Newspapers
- Candy
- Fast food

–Shopping products: consumer products and services that the customer compares carefully on suitability, quality, price, and style

- Furniture
- Cars
- Appliances

–Specialty products : consumer products and services with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort (strong identification with the brand)

- Medical services
- Designer clothes
- Rolex watches

–Unsought products: consumer products that the consumer does not know about or knows about but does not normally think of buying

- Life insurance
- Funeral services
- Blood donations

One product, different categories - Depends on:

Context

Consumer

Personal involvement

Business Products (not the focus on the exam)

Industrial products : are products purchased for further processing or for use in conducting a business

Classified by the purpose for which the product is purchased

Materials and parts

Capital

Raw materials

Organizations, Persons, Places, and Ideas

Organization marketing : consists of activities undertaken to create, maintain, or change attitudes and behaviour of target consumers toward an organization

AT&T Commercial – selling the company

Person marketing : consists of activities undertaken to create, maintain, or change attitudes and behaviour of target consumers toward particular people

OPRAH

Ricardo (in QC)

Place marketing : consists of activities undertaken to create, maintain, or change attitudes and behaviour of target consumers toward particular places

Social marketing : is the use of commercial marketing concepts and tools in programs designed to influence individuals' behaviour to improve their well-being and that of society

Campaigns to reduce smoking, drug abuse

Want to influence behavior to increase well being

Product and Service Decisions

Individual Product and Service Decisions

Product and Service attributes

Product attributes are the benefits of the product or service

- Quality: the level of quality that supports the product's positioning

Total Quality Management (TQM) : is an approach in which all the company's people are involved in constantly improving the quality of products, services, and business processes.

- Product features : are a competitive tool for differentiating a product from competitors' products. Product features are assessed based on the value to the customer versus the cost to the company

- Style and design

Style : describes the appearance of the product

Surface level, how it looks

Design : contributes to a product's usefulness as well as to its looks

Quality mainly

Good design starts with consumer feedback and responding to the feedback by implementing it

Branding

Brand :is the name, term, sign, or design—or a combination of these—that identifies the maker or seller of a product or service

Brand equity : the differential effect that the brand name has on customer response to the product and its marketing

Branded version vs Non Branded version if it has equity

Packaging : involves designing and producing the container or wrapper for a product.

Also acts as a promotional tool.

Concerns with Packaging

Product safety

Environmental concerns

Labeling

Labels : identify the product or brand, describe attributes, and provide promotion

Attributes: who made it, where, ect

Information required: label price, nutrition facts

Product support services

- Need to assess the value of current services
- Need to obtain ideas for new ones
- Product support services augment actual products

Different views

Some want ideas (Dell)

Some are totally against getting ideas (Apple)

Product Line Decisions

Product line : a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges

Product line length : the number of items in the product line

- Line filling: more items to present range

Doesn't change the product line, just adds

Eg. LULU : Add new style of yoga pants

- Line stretching: lengthening product line beyond current range (*upward or downward*)

Extend products by adding products beyond the current range

Upward : low end products, cheap

By deciding to add product of quality

Downward: currently offering high quality products

By deciding to lower quality

Eg. New pair of yoga pants that doesn't have the same quality.

120\$ down to 30\$

Branding Strategy: Building Strong Brands

Brand Positioning

Brand strategy decisions include:

Product attributes: high percentage of lycra

Product benefits: skin health benefits

Product beliefs and values: happiness, self-confidence,...

Brand Name Selection

Desirable qualities

- 1.Suggest benefits and qualities
- 2.Easy to pronounce, recognize, and remember
- 3.Distinctive

4. Extendable
5. Translatable for the global economy
6. Capable of registration and legal protection

Brand Sponsorship

National brands (manufacturer's brands): are created by the manufacturer *Examples? Sony, Kellogg's*

Store brands (private brands): are brands created and owned by a reseller of a product or service

Co-branding : the practice of using the established brand names of two different companies on the same products

Services Marketing

Types of Service Industries

- Government
- Private not-for-profit organizations
- Business organizations

Nature and Characteristics of a Service

Intangibility

Inseparability

Variability

Perishability

Marketing Strategies for Service Firms

Interactive marketing: means that service quality depends heavily on the quality of the buyer-seller interaction during the service encounter

Managing service differentiation: creates a competitive advantage from the offer, delivery, and image of the service (*think of Ritz Carleton as an example*)

Offer: can include distinctive features

Delivery: can include more able and reliable customer contact people, environment, or process

Image: can include symbols and branding

MIDTERM

Chapter 10 - New-Product Development and Product Life-Cycle Strategies

New-Product Development and Product Life-Cycle Strategies

WOW Example

"New product development at WOW is a kind of controlled process and we've developed a planning system for that, that is quite straightforward to follow for all of the people in the company"

- New product development is a process
- Team-based product development

"When we start considering new product development, there are three things that we need to look at. One is the trends in the marketplace. Two - we need to look at what's missing from our own product range, against our competitors. And three, also what the public, i.e. the end consumer are asking from us."

- Idea generation
- To have ideas, you need to look at many internal and external sources: competition, consumers, company, etc....

"Through our process, we get a pretty clear idea early on if a new product is going to be successful, because we show the prototypes of the designs to our key customers, both in the UK and abroad.

- Prototypes
- Test markets

"When we have successful new products at WOW, the impact is quite tremendous; it really pushes the company along financially, and also in terms of relationships with our customer base. "

- Product development and growth

"New product development is absolutely vital. WOW Toys would not exist for more than one year as a business if we didn't have new product development. "

- Product life cycles

New-Product Development Strategy

Two ways to obtain new products

Acquisition: refers to the buying of a whole company, a patent, or a license to produce someone else's product

New product development: refers to original products, product improvements, product modifications, and new brands developed from the firm's own research and development (important and risky)

EX. Tide Pods

If it's a hit, the three-chambered (cleaning, stain-fighting, brightening) laundry detergent, which comes tucked in a smooth, dissolvable shell, could lift the declining Tide brand and change the way Americans do laundry.

Tide Pods are designed for folks who don't like the mess of pouring laundry detergent into a measuring cup. You simply toss these pods (\$15.99 for 57 pods) into the wash

New-Product Development Reasons for New Product Failure

Overstimation of market size

Poor Design

Incorrect positioning

Wrong Timing
Priced too high
Ineffective promotion
Management influence
High development costs
Competition

New-Product Development Process

1. Idea generation : is the systematic search for new-product ideas

Sources of new-product ideas

Internal sources refer to the company's own formal research and development, management and staff, and intrapreneurial programs

External sources refer to sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms

2. Idea Screening: Identify good ideas and drop poor ideas

•R-W-W Screening Framework:

–Is it real?

–Can we win?

–Is it worth doing?

3. Concept Development and Testing

Product idea: is an idea for a possible product that the company can see itself offering to the market

Product concept: is a detailed version of the idea stated in meaningful consumer terms

Concept testing: refers to testing new-product concepts with groups of target consumers

EX: "An efficient, fun-to-drive, battery-powered compact car that seats four. This 100 percent electric wonder provides practical and reliable transportation with no pollution. It goes more than 400 kilometers on a single charge and costs pennies per kilometer to operate. It's a sensible, responsible alternative to today's pollution-producing gas-guzzlers. It's priced, fully equipped, at \$25 000."

4. Marketing Strategy Development: refers to the initial marketing strategy for introducing the product to the market

Marketing strategy statement includes:

–Description of the target market

–Value proposition

–Sales and profit goals

–Planned price, distribution, marketing budget

Marketing strategy statement :

The target market is younger, well educated, moderate- to high-income individuals, couples, or small families seeking practical, environmental responsible transportation...

The battery-powered electric car will be offered in three colors and will have a full set of accessories. It will sell at a retail price of \$US25 000. A marketing budget of US\$50 million...

We intend to capture a 3% long-run share of the total auto market. To achieve this, product quality will start high and be improved over time. Price will be raised on the second and third years if competition permits...

5. Business analysis: involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives

6. Product development : involves the creation and testing of one or more physical versions by the R&D or engineering departments (prototypes)

- Requires an increase in investment

- Feedback from employees?*

 - Cheap feedback

 - Give feedback, prototypes

 - Internal

 - Ex. Food industry

7. Test marketing : is the stage at which the product and marketing program are introduced into more realistic marketing settings. Provides the marketer with experience in testing the product and entire marketing program before full introduction

Disadvantages

- Costly

- Long time to have results

- Since you are going to launch it, competitors can copy

When to do test marketing

- If management is not sure or doubts about potential

- If investments are high/costly

Types of Test Marketing:

Standard

- launch product in small representative market

- decide to launch where (ex Toronto or Montréal)

- if it works, decide to distribute for the whole country

- Expensive, competitors can see the product therefore copy

Control

- Company has more control

- has agreement with specific stores (accept to carry the product for a bit)

- Can test many things (shelf position, pricing, in store promotion, ect)

 - if agreement with 2 stores → can try 2 different shelf

 - positioning and see if that has an influence

- The company has an agreement with a panel of stores that will carry its new products for a fee.

- The company with the new product specifies the number of stores and geographic locations it wants to test.

- The company delivers the new product to the participating stores and control shelf positions, and point-of-purchase promotions and pricing.

- Sales results can be measured through electronic scanners at the checkout points.

- The company can also evaluate the impact of local advertising and promotions during the test.

Simulated

- Online, usually

- Not really launched, virtual retail environment (where are your eyes looking, ect?)

- Gives idea about interests of consumers without real market

- Advantages of simulated test markets
 - Less expensive than other test methods
 - Faster
 - Restricts access by competitors
- Disadvantages
 - Not considered as reliable and accurate due to the controlled setting

When to test market?

- New product with large investment
- Uncertainty about product or marketing program

When not to test market?

- Simple line extension
- Copy of competitor product
- Low costs
- Management confidence

8. Commercialization: is the introduction of the new product

- When to launch
 - Economy (recession)
 - Product itself (wait a year, would it be better)
 - Characteristics
- Where to launch
 - Single location?
 - Regional?
 - International Market?

Managing New-Product Development

Successful new-product development should be:

- Customer centered: focuses on finding new ways to solve customer problems and create more customer satisfying experiences
 - Begins/Ends with finding solutions
- Team-based: is a development approach where company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness
 - Team-based vs. Sequential
 - Team based
 - More popular
 - One team in charge of all steps (many people from many departments)
 - Sequential
 - 1 department per step
 - Good if company wants to have control over the process
 - But can be slow
- Systematic: is an innovative development approach that collects, reviews, evaluates, and manages new-product ideas
 - Creates an innovation-oriented culture
 - Yields a large number of new-product ideas

Product Life-Cycle Strategies

Product Life Cycle

1. Product development

–Sales are zero and investment costs mount

2. Introduction

–Slow sales growth and profits are nonexistent

- Low sales
- High cost per customer
- Negative profits
- Innovator customers
- Few competitors

Objective

raise awareness
product trials

Product

simple, not complex
not many characteristics

Distribution

selective (stores, retailers)

Control

3. Growth

–Rapid market acceptance and increasing profits.

- Rapidly rising sales
- Average costs by customer
- Rising profits
- Customers are early adopters
- Growing number of competitors
- Promotion and manufacturing costs gain economies of scale

Objectives

gain market share

Product

a little bit more detailed, complex
added characteristics/services/warrants

Distribution

more distribution

4. Maturity

–Slowdown in sales growth and profits level off or decline

- Slowdown in sales as they peak
- Increased competition
- Substitute products are introduced
- Increased promotion and R&D to support sales and profits

Objective

maintain market share

Product

more complex
more adapted to customer value

Distribution

many stores

Maturity Stage Modifying Strategies

1. Market modifying : tries to increase consumption of the current product – looking for new users and market segments or inventing new uses for existing products
2. Product modifying: changes characteristics of products such as quality, features, style, or packaging to attract new users and to inspire more usage.
3. Modifying the Marketing Mix : involves improving sales by changing one or more of the marketing mix elements
 - Offer new or improved services to buyers
 - Cut prices to attract new users and competitor’s customers
 - Launch a better advertising campaign or aggressive sales promotion
 - Move into new marketing channels

5. Decline

–Sales fall off and profits drop

- Declining sales
- Low costs per customer
- Declining profits
- Customers are laggards
- Declining number of competitors

Carrying a weak product can be costly to a firm. Companies must decide what to do with declining products.

- Maintain: the brand without change in the hope that competitors will leave the industry
- Harvest: the product by reducing various costs and hoping that sales hold up
- Drop: the product from the line

Chapter 11 – Pricing

Pricing: Understanding and Capturing Customer Value

What to remember from the video

- Many perceptions associated with price
- Relationship between price and quality
- Relationship between price and offer
- Many factors to consider in setting prices:
 - Costs, value perceived by consumers, specificities of your business, competitors, etc...

What Is a Price?

Price : is the amount of money charged for a product or service. It is the sum of all the values that consumers exchange for the benefits of having or using a product or service

How does price differ from the other marketing mix elements:

Brings in revenue
ect

“Low prices” strategies:

Many companies will use low price to differentiate themselves (Walmart, Dollarama)

Value:

Some companies may not want to sell a price but to sell value
Tim Hortons vs Starbucks (perceptions of value)

Factors to Consider When Setting Prices

1. Customer Perceptions of Value

Value-based pricing: uses the buyers’ perceptions of value, not the sellers’ cost, as the key to pricing.

- Value-based pricing is customer driven (not easy to price an experience)

Steps

1. Assess customer and value perceptions
2. Set target price to match customer perceived value
3. Determine costs that can be incurred
4. Design product to deliver desired value at target price

- Cost-based pricing is product driven

Steps

1. Design a good product
2. Determine product costs
3. Set price based on cost
4. Convince buyers of products values

Good-value pricing: offers the right combination of quality and good service to fair price
Existing brands are being redesigned to offer more quality for a given price or the same quality for less price.

Everyday low pricing (EDLP): involves charging a constant everyday low price with few or no temporary price discounts (ex. Walmart)

High-low pricing: involves charging higher prices on an everyday basis but running frequent promotions to lower prices temporarily on selected items. (ex The Bay)

Value-added pricing: attaches value-added features and services to differentiate offers, support higher prices, and build pricing power.

Pricing power: is the ability to escape price competition and to justify higher prices and margins without losing market share (customers are loyal to your brand)

2. Company and Product Costs

Cost-based pricing: involves setting prices based on the costs for producing, distributing, and selling the product plus a fair rate of return for its effort and risk

Total costs : are the sum of the fixed and variable costs for any given level of production

Fixed costs : are the costs that do not vary with production or sales level

Rent
Heat
Interest
Executive salaries

Variable costs : are the costs that vary with the level of production

Packaging
Raw materials

Average cost: is the cost associated with a given level of output

3. Costs at Different Levels of Production

4. Costs as a Function of Production Experience

Experience or learning curve: is when average cost falls as production increases

5. Cost-Plus Pricing: adds a standard markup to the cost of the product

•Examples

- Construction company
- Lawyers

•Benefits

- Sellers are certain about costs
- Prices are similar in industry and price competition is minimized
- Consumer's feel it is fair

•Disadvantages

- Ignores demand (don't look at consumers at all, look at only production)

6. Break-Even Analysis and Target Profit Pricing

Break-even pricing: is the price at which total costs are equal to total revenue and there is no profit

Target profit pricing: is the price at which the firm will break even or make the profit it's seeking

7. Other Internal and External Considerations Affecting Price Decisions

Customer perceptions of value set the upper limit for prices, and costs set the lower limit

Companies must consider internal and external factors when setting prices

Overall Marketing Strategy, Objectives and Mix:

- Price is not the only decision (Acura)
- Importance of positioning (Honda Fit)

Organizational considerations include:

Who should set the price, who can influence the prices (size, ect)

- In small companies? Not as complex
- In large companies? Product manager can be in charge of product line/pricing

- In industrial markets? More negotiation
- In industries in which pricing is a key factor? Departments that are ONLY pricing (gas and airlines)

The Market and Demand

Before setting prices, the marketer must understand the relationship between price and demand for its products

The demand curve: shows the number of units the market will buy in a given period at different prices

- "Normal" relation between demand and price?
- For prestige (luxury) goods, higher price can equal higher demand when consumers perceive higher prices as higher quality

Concept of the Elasticity of Demand: how much the demand will change according to variation in price

Inelastic Demand: even if you increase your price, the market will not really be changed (ex gas increases, people still buy in). Quantity demand per period

Elastic Demand: if the price changes, people will buy less

What determines elasticity of demand?

Buyers less price sensitive when they don't have any other option. Prestige/Luxury goods.

People will buy goods with an inelastic demand no matter the price. Examples? Gas

Examples of an elastic demand? Chocolate bar

New-Product Pricing Strategies

Market-skimming pricing: a strategy with high initial prices to skim maximum revenues from the segments willing to pay the high price

Required conditions?

- Product quality and image must support the price
- Buyers must want the product at the price
- Costs of producing the product in small volume should not cancel the advantage of higher prices
- Competitors should not be able to enter the market easily

Market-penetration pricing: sets a low initial price in order to attract a large number of buyers and a large market share

Required conditions?

- Price sensitive market
- Inverse relationship of production and distribution cost to sales growth
- Low prices must keep competition out of the market

Chapter 12 - Marketing Channels Delivering Customer Value

Enterprise

Enterprise differentiated itself with its distribution strategy

Serving travelers at airports

New distribution to a large and untapped segment

Different relationships

Picking the customer where he wants

Car-sharing program

Good distribution strategy → customer value

Supply Chains and the Value Delivery Network

Supply Chain Partners

Upstream partners: include suppliers of raw material, components, parts, information, finances, and expertise to create a product or service

Downstream partners : include the marketing channels or distribution channels that look toward the customer

Value Delivery Network: the firm's suppliers, distributors, and ultimately customers who partner with each other to improve the performance of the entire system

Focus on the downstream partners (in this class)

The Nature and Importance of Marketing Channels

How Channel Members Add Value

Marketing (distribution) channels: are sets of independent organizations that help make a product or service available for use or consumption by the consumer or business user.

Intermediaries : offer producers greater efficiency in making goods available to target markets.

1. Information: Gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange
2. Promotion: developing and speaking persuasive communication about an offer
3. Contact: Finding and communication with prospective buyers
4. Matching: Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing, grading, assembling and packaging
5. Negotiation: Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred
6. Physical Distribution: Transporting and storing goods
7. Financing: Acquiring and using funds to cover the costs of the channel work
8. Risk Taking: Assuming the risks of carrying out the channel of work

Number of Channel Levels

In every marketing channel... (btwn producer and consumer)

Channel levels: are layers of intermediaries that perform some work in bringing the product and its ownership closer to the final buyer

Direct marketing channel: refers to a marketing channel that has no intermediary levels

Indirect marketing channels : contain one or more intermediary levels

Channel Behaviour and Organization

Channel Behaviour

Marketing channel: consists of firms that have partnered for their common good with each member playing a specialized role

Channel conflict: refers to disagreement over goals, roles, and rewards by channel members

- Horizontal conflict(2 members of the same level) vs. vertical conflict (between ford dealer and company ford)

Two types of Marketing System

Conventional marketing channel

Conventional Distributions Systems : consist of one or more independent producers, wholesalers, and retailers.

Drawbacks:

Vertical marketing channel

Vertical marketing systems (VMSs) : provide channel leadership and consist of producers, wholesalers, and retailers acting as a unified system.

1. Corporate vertical marketing system: integrates successive stages of production and distribution **under single ownership**

Ex. Zara controls: design, production, distribution,...

Advantages? More control, less costly, less complex, most faster to respond in changing needs in the market

2. Contractual vertical marketing system : consists of independent firms at different levels of production and distribution who join together through contracts to obtain more economies or sales impact than each could achieve alone.

Franchise organizations: are contractual vertical marketing systems in which a channel member, called a franchisor, links several stages in the production-distribution process

Many types of industries...

Business relationship where a franchisor grants a license to a franchisee that gives him the right to use the brand and the operation system for a fee

Advantages of franchise?

Formula that works

Disadvantages of franchise?

No room for creativity

Horizontal Marketing System: when two or more companies at one level join together to follow a new marketing opportunity.

Advantages

Examples: Walmart with McDonalds inside

Multichannel Distribution Systems Hybrid Marketing Channels

Multichannel distribution systems (hybrid marketing channels): are when a single firm sets up two or more marketing channels to reach one or more customer segments

Changing Channel Organization

Disintermediation: occurs when product or service producers cut out intermediaries and go directly to final buyers, or when radically new types of channel intermediaries displace traditional ones

Examples

Travel industry

Book industry

Computers

Channel Design Decisions

Marketing Channel Design

Analyzing consumer needs (look at consumer market → what do consumers want?

What needs aren't being served by competitors?)

Distance to travel? (willing to take time to reach the customer, or immediate)

In person versus online? (physical contact or business online with minimal level of service)

Customer service?

Setting channel objectives

Targeted levels of customer service

What segments to serve

Best channels to use

Identifying major channel alternatives

Number of marketing intermediaries

1. Intensive distribution: stocks the product in as many outlets as possible
2. Exclusive distribution: gives a limited number of dealers exclusive rights to distribute the company's products in their territories
3. Selective distribution: is the use of more than one but fewer than all of the intermediaries who are willing to carry the company's products

Evaluation

Channel Management Decisions

Select channel members based on a number of factors, evaluating:

Years in business

Other lines carried

Growth and profit record

Cooperativeness

Reputation

Not always easy....

Managing and motivating

In order to manage and motivate channel members use **partner relationship management** and **supply chain management** software to help recruit, train, organize, manage, motivate, and evaluate relationships with channel partners and forge long-term partnerships

Marketing Logistics and Supply Chain Management

Nature and Importance of Marketing Logistics

Marketing logistics: involves planning, implementing, and controlling the physical flow of goods, services, and related information from points of origin to points of consumption to meet consumer requirements at a profit

(Right product at the right time to the right place)

Inbound Logistics

Outbound Logistics

Reverse Logistics

Major Logistics Functions

Warehousing

A company must decide *how many* and *what type* of warehouses it needs and *where* they will be located

Distribution centres: are large, highly automated warehouses designed to receive goods from various plants and suppliers, take orders, fill them efficiently, and deliver goods to customers as quickly as possible

Ex. Walmart

Inventory management

Just-in-time systems

Producers and retailers carry only small inventories of parts or merchandise, often only enough for a few days of operations.

Transportation

affects the pricing of products, delivery performance, and condition of the goods when they arrive

Examples

Truck, Rail, Water, Pipeline, Air, Internet

Logistics information management

Chapter 14: Integrated Marketing Communications Strategy

Marketing Integrated Campaign

Addidas is All in

Integrated marketing campaign (one message communicated to many in many way)

Shift in the marketing communications model (digital marketing, and integrated it)

The importance of a story (

Superdistribution (when the web programs are picked up by other media) (eg. Dove revolution)

20 million views (dove)

But...

TV news, talk shows, classrooms, word-of-mouth....

400 million views!

That level of distribution equates to some \$150 million

The Promotion Mix (marketing communications mix): is the specific blend of advertising, public relations, personal selling, sales promotion and direct-marketing tools that the company uses to persuasively communicate customer value and build customer relationships

Major Promotion Tools (effective depend on more information)(Different tools better for different targets, products, stages in the product life cycle, goals of the marketer.)

Advertising : any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor

Broadcast

Print

Internet

Outdoor

Personal Selling: the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships

Sales presentations

Trade shows

Incentive programs

PR: involves building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events

Press releases

Sponsorships

Special events

Web pages

Direct Marketing: involves making direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships

Telemarketing

Direct-response television

Internet

Sales Promotion : the short-term incentives to encourage the purchase or sale of a product or service

Discounts

Coupons

Displays

Demonstrations

Integrated Marketing Communications

The New Marketing Communications Landscape

Before? Mass marketing (standard product to mass consumer)

Consumers are changing (knowledge, can influence coms, purchasing power)

Marketing strategies are changing (eg ask consumer to develop content)

The Need for Integrated Marketing Communications

Integrated marketing communications: is the integration by the company of its communication channels to deliver a clear, consistent, and compelling message about the organization and its products

Advertising + Personal selling + PR + Direct marketing + Sales promotions...

A View of the Communication Process

The Communication Process

Elements of The Communication Process

1. Sender: is the party sending the message to another party.
2. Encoding : is the process of putting thought into symbolic form.
3. Message: is the set of symbols the sender transmits.
4. Media: is the communications channels through which the message moves from sender to receiver.
5. Decoding: is the process by which the receiver assigns meaning to the symbols.
6. Receiver : is the party receiving the message sent by another party.
7. Response: is the reaction of the receiver after being exposed to the message.
8. Feedback : is the part of the receiver's response communicated back to the sender
9. Noise: is the unplanned static or distortion during the communication process, which results in the receiver's getting a different message than the one the sender sent.

Steps in Developing Effective Marketing Communication

1. Identify the target audience
 - a. What will be said
 - b. How it will be said
 - c. When it will be said
 - d. Where it will be said
 - e. Who will say it
2. Determine the coms objective
 - a. Marketers seek a purchase response that results from a consumer decision-making process that includes the buyer-readiness stages:
 - i. Awareness,
 - ii. Knowledge
 - iii. Liking
 - iv. Preference
 - v. Conviction
 - vi. Purchase
3. Design the message
 - a. Message content : is an appeal or theme that will produce the desired response
 - i. Rational appeal (more facts, product – benefits, why, what will they gain)
 - ii. Emotional appeal (emotions – positive and negative to get them)
 - iii. Moral appeal (give a voice to those who don't have one)
 - b. Message structure and message format both deal with how the message is put across:
 - i. Message Structure:

1. Draw a conclusion, or leave it to the audience?
 2. Put forth the strongest arguments first or last?
 3. Present a one or two-sided argument? (one – only good)(two – good but flawed or disadvantaged, being honest. Taste awful but it works – Buckleys)
 - ii. Message Format
4. Choose the media
 - a. Two types of communication channels :
 - i. Personal: involves two or more people communicating directly with each other. Personal communication is effective because it allows personal addressing and feedback
 1. Word-of-mouth influence: is personal communication about a product between target buyers and neighbours, friends, family members, and associates
 2. Opinion leaders: are people within a reference group who, because of their special skills, knowledge, personality, or other characteristics; exerts social influence on others
 3. Buzz marketing: involves cultivating opinion leaders and getting them to spread information about a product or service to others in their communities
 4. Example
 - a. Face to face
 - b. Phone
 - c. Mail
 - d. E-mail
 - e. Internet chat
 - ii. Nonpersonal: media that carry messages without personal contact or feedback, including major media, atmospheres, and events that affect the buyer directly
 1. Major media : include print, broadcast, display, and online media
5. Select the message source
 - a. The message's impact on the target audience is affected by how the audience views the communicator
 - i. Celebrities
 1. Athletes
 2. Entertainers
 - ii. Professionals
 1. Health care providers
6. Collecting Feedback: Involves the communicator understanding the effect on the target audience by measuring behaviour resulting from the message
 - a. How many people bought a product?
 - b. How many people talked about it with others?
 - c. How many people visited the store?

Setting the Total Promotion Budget and Mix

Setting the Total Promotion Budget

Four methods to set the total promotion budget

1. Affordable budget method: sets the budget at an affordable level

2. Percentage of sales method: sets the budget at a certain percentage of current or forecasted sales or unit sales price
3. Competitive-parity method: sets the budget to match competitor outlays
4. Objective-and-task method: sets the budget based on what the firm wants to accomplish with promotion and includes:
 - a. Defining specific objectives
 - b. Determining tasks to achieve the objectives
 - c. Estimating costs of performing tasks

Shaping the Overall Promotion Mix

The Nature of Each Promotion Tool

1. Advertising: reaches masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times
2. Personal selling: is the most effective method at certain stages of the buying process, particularly in building buyers' preferences, convictions, actions, and developing customer relationships
3. Sales promotion: includes coupons, contests, cents-off deals, and premiums that attract consumer attention and offer strong incentives to purchase, and can be used to dramatize product offers and to boost sagging sales
4. Public relations: is a very believable form of promotion that includes news stories, features, sponsorships, and events
5. Direct marketing: is a non-public, immediate, customized, and interactive promotional tool that includes direct mail, catalogs, telemarketing, and online marketing

Chapter 15: Advertising and Public Relations

Advertising: is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor

Developing Advertising Programs (see chart)

Setting Advertising Objectives

Advertising objective: is a specific communication task to be accomplished with a specific target audience during a specific period of time (what you want to do/accomplish over time) (link with product life cycle = important)

Objectives are classified by primary purpose

1. Informative advertising: is used when introducing a new product category; the objective is to build primary demand (related to product life cycle, ex production stage is mainly informative)
2. Persuasive advertising : is important with increased competition to build selective demand (relation product life cycle, ex growth stage – increase market share)
3. Comparative advertising: directly or indirectly compares the brand with one or more other brands (better than)
4. Reminder advertising: is important with mature products to help maintain customer relationships and keep customers thinking about the product (maturity stage)(want consumers to think about the brand/not too forget you)

Setting the Advertising Budget

Product life-cycle stage

New products require larger budgets (massive advertising)

Mature brands require lower budgets (specific environment – invest less in maturity)

Market share

Building or taking market share requires larger budgets

Markets with heavy competition require larger budgets

Undifferentiated brands require larger budgets

Developing Advertising Strategy

Advertising strategy: is the strategy by which the company accomplishes its advertising objectives and consists of:

Creating advertising messages

Selecting advertising media

Creating the Advertising Message

1. Message strategy: general message that will be communicated to consumers
2. Creative Concept: Characteristics of the appeals include Meaningful – Believable - Distinctive
3. Message execution: is when the advertiser turns the big idea into an actual ad execution to capture the attention and interest.

**** LOOK AT CHART

Creating the Advertising Message: Consumer Generated Messages

YouTube videos

Brand website contests

Positives

Low expense
New creative ideas
Fresh perspective on brand
Boost consumer involvement

Selecting Advertising Media

Major steps include:

1. Deciding on reach-frequency-impact
2. Choosing among major media types
3. Selecting media vehicles
4. Deciding on media timing

Reach: is a measure of the percentage of people in the target market who are exposed to the ad campaign during a given period of time

Frequency: is a measure of how many times the average person in the target market is exposed to the message

Impact: is the qualitative value of a message exposure through a given medium

Alternative Media

- Ads are everywhere!
- Public space
- Mercedes in Germany

Selecting Advertising Media: Narrowcasting Versus Shotgun Approaches

Narrowcasting: focuses the message on selected market segments

Lowers cost

Targets more effectively

Engages customers better

Public Relations: involves building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumors, stories, and events

Department functions include:

- Press relations or press agency
- Public affairs
- Lobbying
- Investor relations
- Development

The Role and Impact of PR

- Lower cost than advertising
- Stronger impact on public awareness than advertising
- **DOVE** : good story, picked up by different media
- Press relations or press agency: involves the creation and placing of newsworthy information to attract attention to a person, product, or service
- Public affairs: involves building and maintaining national or local community relations
- Lobbying: involves building and maintaining relations with legislators and government officials to influence legislation and regulation
- Investor relations: involves maintaining relationships with shareholders and others in the financial community
- Development: involves public relations with donors or members of nonprofit organizations to gain financial or volunteer support

Major PR tools

1. News

2. Speeches
3. Special Events
4. Written Materials
5. Audiovisual Materials
6. Corporate identify materials
7. Public service activities
8. Buzz marketing
9. Social Networking
10. Mobile tour marketing
11. Internet

Chapter 16: Personal Selling and Sales Promotion

Personal Selling

The Nature of Personal Selling

Personal selling: is a personal presentation by the firm's sales force for the purpose of making sales and building the customer relationships.

–Interpersonal arm of promotion mix (face to face or on the phone)

Salesperson: is an individual representing a company to customers by performing one or more of the following activities: prospecting, communicating, selling, servicing, information gathering, or relationship building.

Salespeople are an effective **link** between the company and its customers to produce customer value and company profit by:

–Representing the company to customers (present the products, services)

–Representing customers to the company (they know the customers, they are close to them)

–Working closely with marketing

Managing the Sales Force

Sales force management: is the analysis, planning, implementation, and control of sales force activities

1. Designing Sales Force Structure

Territorial sales force structure refers to a structure where each salesperson is assigned an exclusive geographic area and sells the company's full line of products and services to all customers in that territory

- Defines salesperson's job
- Fixes accountability
- Lowers sales expenses
- Improves relationship building and selling effectiveness

Product sales force structure : refers to a structure where each salesperson sells along product lines

Improves product knowledge

Ex. GE

Customer sales force structure: refers to a structure where each salesperson sells along customer lines

Improves customer relationship

Ex. Private Banking of Laurentian Bank

Complex sales force : structure refers to a structure where a wide variety of products is sold to many types of customers over a broad geographic area and combines several types of sales force structures

Other Sales Force Strategy and Structure Issues

Outside salespeople: call on customers in the field

Inside salespeople :conduct business from their offices and often provide support for the outside salespeople

–Technical sales support people

–Sales assistants

Recruiting and Selecting Salespeople Issues in Recruiting and Selecting

Companies have to **recruit** good salespeople
Careful selection increases sales performance
30/60 rule

LOOK IN BOOK

The key talents of the bests?
Built customer relationships
Be able to close a deal

Importance of training

Salesperson compensation based on: (good source of motivation)

Fixed amounts

Variable amounts

Expenses

Fringe Benefits

Supervising and Motivating Salespeople

- The goal of supervision is to help salespeople work smart by doing the right things in the right ways
- The goal of motivation is to encourage salespeople to work hard and energetically toward sales force goals

Selling and the Internet

Major tools to support sales people

Training

Sales meetings

Live sales presentations

Servicing accounts

Evaluating Salespeople and Sales Force Performance

Sales reports

Call reports (filled by the sales person) (detailed reports of activities)

Expense reports

The Personal Selling Process

Goal of the Selling Process: The goal of the personal selling process is to get new customers and obtain orders from them

Steps:

1. Prospecting: identifies qualified potential customers through referrals from:
 - Customers
 - Suppliers
 - Dealers
 - Internet
2. Qualifying: is identifying good customers and screening out poor ones by looking at:
 - Financial ability
 - Volume of business
 - Needs
 - Location
 - Growth potential
3. Pre-approach: is the process of learning as much as possible about a prospect, including needs, who is involved in the buying, and the characteristics and styles of the buyers

Objectives:

- Qualify the prospect

- Gather information
- Make an immediate sale

Approaches

- Personal visit
- Phone call
- Letter

4. Approach: is the process where the salesperson meets and greets the buyer and gets the relationship off to a good start and involves the salesperson's:

Appearance

Opening lines

Follow-up remarks

5. Presentation: is when the salesperson tells the product story to the buyer, presenting customer benefits and showing how the product solves the customer's problems

- Need-satisfaction approach: Buyers want solutions and salespeople should listen and respond with the right products and services to solve customer problems

6. Handling objections: is the process where salespeople resolve problems that are logical, psychological, or unspoken

7. Closing: is the process where salespeople should recognize signals from the buyer—including physical actions, comments, and questions—to close the sale

8. Follow-up: is the last step in which the salesperson follows up after the sale to ensure customer satisfaction and repeat business

Personal Selling and Managing Customer Relationships

Personal selling is transaction-oriented to close a specific sale with a specific customer

- The long-term goal is to develop a mutually profitable relationship

Sales Promotion: refers to the short-term incentives to encourage purchases or sales of a product or service

Can Target

- Final buyers (*consumer promotions*)
- Retailers and wholesalers (*trade promotions*)
- Business customers (*business promotions*)
- Members of the sales force (*sales force promotions*)

Factors in the Growth of Sales Promotions

- Companies face more competition
- Competing brands offer less differentiation
- Advertising efficiency has declined due to rising costs, clutter, and legal constraints
- Consumers have become more deal-oriented
- Majority of decisions taken in-store
- Promotions influence brain activity

Ethical Issues?

Major Sales Promotion Tools : Consumer Promotion Tools

Consumer promotions: are sales promotion tools used to boost short-term customer buying and involvement or to enhance long-term customer relationships

Samples offer: a trial amount of a product

Coupons: are certificates that give buyers a saving when they purchase specified products

Cash refunds :are similar to coupons except that the price reduction occurs after the purchase

Price packs :offer consumers savings off the regular price of a product

Premiums: are goods offered either for free or at low price

Advertising specialties: are useful articles imprinted with the advertiser's name, logo, or message that are given as gifts to consumers

Point-of-purchase promotions: include displays and demonstrations that take place at the point of sales

Contests, sweepstakes, and games: give consumers the chance to win something—such as cash, trips, or goods—by luck or through extra effort

- Contests require an entry by a consumer
- Sweepstakes require consumers to submit their names for a drawing
- Games present consumers with something that may or may not help them win a prize
- Event marketing

Developing the Sales Promotion Program

- Size of the incentive
- Conditions for participation
- Promote and distribute the program
- Length of the program
- Evaluation of the program

Chapter 17: Direct and Online Marketing

Online Marketing: Gü Chocolate Puds Example

“Digital plays a huge part in how we connect with consumers”

“As a small company, you don’t have a lot of budget, it’s one of the few tools that you can afford”

“The first tip is to have really good website”

“Don’t see digital marketing as a totally different part of marketing”

“We put some dedicated resources behind digital marketing”

The New Direct Marketing Model

Direct Marketing: Direct marketing consists of connecting directly with targeted individual consumers to obtain an immediate response and cultivate long-lasting relationship.

- Not mass marketing
- A marketing channel without intermediaries
- Fastest-growing form of marketing

Growth and Benefits of Direct Marketing

Benefits to Buyers

- Convenience
- Access to many products
- Access to comparative information about companies, products, and competitors
- Interactive and immediate

Benefits to Sellers

- Tool to build customer relationships
- Low-cost, efficient, fast alternative to reach markets
- Flexible
- Access to buyers not reachable through other channels

Customer Databases and Direct Marketing

Customer database: is an organized collection of comprehensive data about individual customers or prospects, including geographic, demographic, psychographic, and behavioural data

Forms of Direct Marketing

Direct-mail marketing: involves an offer, announcement, reminder, or other item to a person at a particular address

- Personalized
- Easy-to-measure results
- Costs more than mass media
- Provides better results than mass media
- Can take the form of voice mail, text messaging, e-mail.

Catalogue direct marketing : involves printed and Web-based catalogues

Benefits of Web-based catalogues

- Lower cost than printed catalogues
- Unlimited amount of merchandise
- Real-time merchandising
- Interactive content
- Promotional features

Challenges of Web-based catalogues

- Require marketing

- Difficulties in attracting new customers

Telephone direct marketing: involves using the telephone to sell directly to consumers and business customers

- Outbound telephone marketing sells directly to consumers and businesses
- Inbound telephone marketing uses toll-free numbers to receive orders from television and print ads, direct mail, and catalogues

Direct-response television (DRTV): marketing can take two forms:

- 1) 60- to 120-second advertisements that describe products and give customers a toll-free number or Web site to purchase
 - 2) 30-minute infomercials such as home shopping channels
- Less expensive than other forms of promotion

Mobile phone marketing includes:

- Ring-tone giveaways
- Mobile games
- Ad-supported content
- Contests and sweepstakes

Online Marketing

1. Online marketing: is a company's efforts to market products and services and build customer relationships over the internet

2. Online companies: are the so-called dot-coms, which operate only online without any brick-and-mortar market presence

3. Hybrid (Click-and-Mortar) Companies :are traditional companies that have added online marketing to their operations

Online Marketing Domains

Business to consumer (B2C): involves selling goods and services online to final consumers

Business to business (B2B): involves selling goods and services, providing information online to businesses, and building customer relationships

Consumer to consumer (C2C): occurs on the Web between interested parties over a wide range of products and subjects

- Kijiji
- Ebay
- Craigslist
- Blogs
- Social Networks

Consumer to business (C2B): involves consumers communicating with companies to send suggestions and questions via company Web sites

Setting Up an Online Presence

Marketing websites: are designed to engage consumers in interaction that will move them closer to a direct purchase or other marketing outcome

Designing Effective Web Sites

To attract visitors, companies must:

- Promote an offline promotion and online links
- Create value and excitement
- Constantly update the site
- Make the site useful

The 7 Cs

Context: the site's layout and design

Content: the text, pictures, sound, and video that the website contains

Community: the ways in which the site enables user-to-user communication

Customization: the site's ability to tailor itself to different users or to allow users to personalize the site

Communication: the ways in which the site enables site-to-user, user-to-site, or two-way communication

Connection: the degree to which the site is linked to other sites

Commerce: the site's capability to enable commercial transactions

Placing Ads and Promotions Online

Online advertising: is advertising that appears while consumers are surfing the Web, including display ads, search-related ads, online classifieds, and other forms

–Banners: are banner-shaped ads found on a Web site

–Interstitials: are ads that appear between screen changes

–Pop-ups: are ads that suddenly appear in a new window in front of the window being viewed

–Rich media ads: incorporate animation, video, sound, and interactivity

Viral marketing: is the Internet version of word-of-mouth marketing and involves the creation of a Web site, e-mail message, or other marketing event that customers pass along to friends

Creating or Participating in Social Networks (Web Communities)

Social Networks (Web communities): allow members to congregate online and exchange views on issues of common interest

–Facebook

–Twitter

–MySpace

Public Policy Issues in Direct Marketing

Irritation, Unfairness, Deception, and Fraud

•Irritation: includes annoying and offending customers

•Unfairness: includes taking unfair advantage of impulsive or less-sophisticated buyers

•Internet fraud: includes identity theft and financial scams

Invasion of Privacy

•Companies keep extensive databases about online customers demographics and behaviours

•Privacy concerns

•Principles to follow