

**ADM1300 Final Study Notes**  
**Textbook**

**Motivation**

Motivation: Psychological forces that determine the direction of a person's behaviour in an organization, a person's level of effort, and a person's level of persistence.

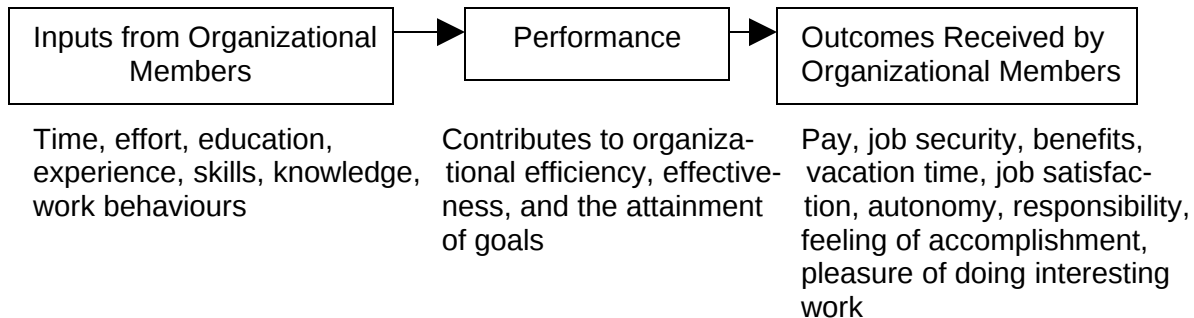
Intrinsically Motivated Behaviour: Behaviour that is performed for its own sake.

Extrinsically Motivated Behaviour: Behaviour that is performed to acquire material or social rewards or to avoid punishment.

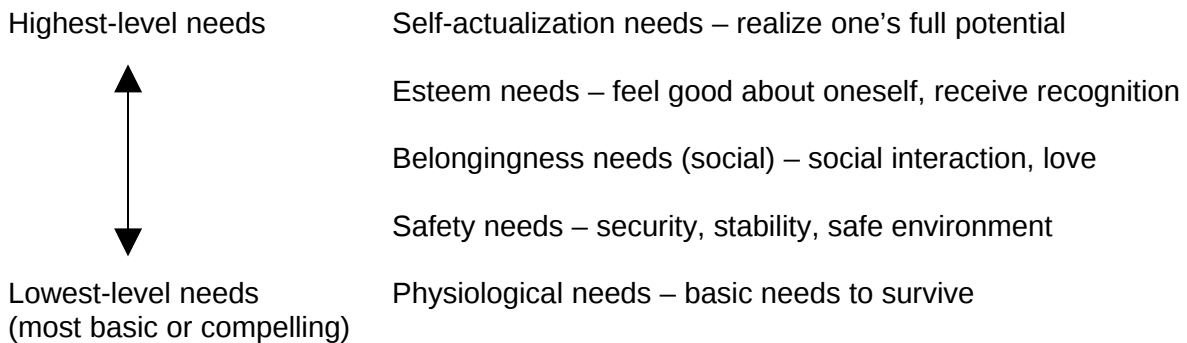
Need: A requirement or necessity for survival and well-being.

Needs Theories: Theories of motivation that focus on what needs people are trying to satisfy at work and what outcomes will satisfy those needs.

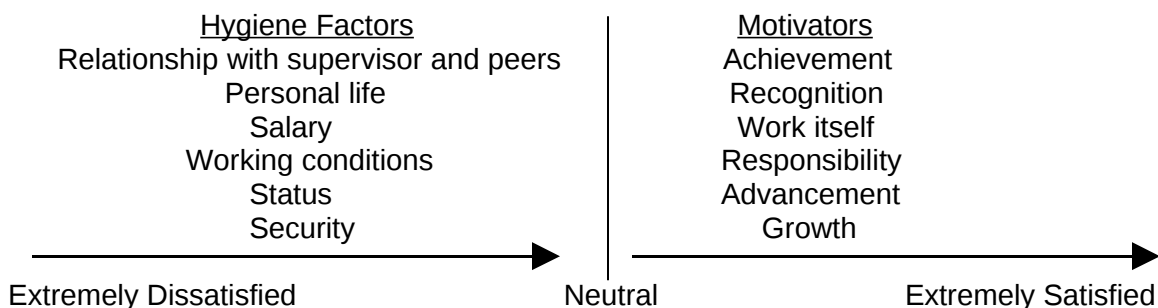
Motivation equation



Maslow's Hierarchy of Needs: An arrangement of five needs that, according to Maslow, motivate behaviour. Maslow proposed that the lowest level of unmet needs is the prime motivator and that only one level of needs is motivational at a time.



Herzberg's Motivatier-Hygiene Theory: A needs theory that distinguishes between motivator needs (related to the nature of the work itself) and hygiene needs (related to the physical and psychological context in which the work is performed). Herzberg proposed that motivator needs must be met in order for motivation and job satisfaction to be high.



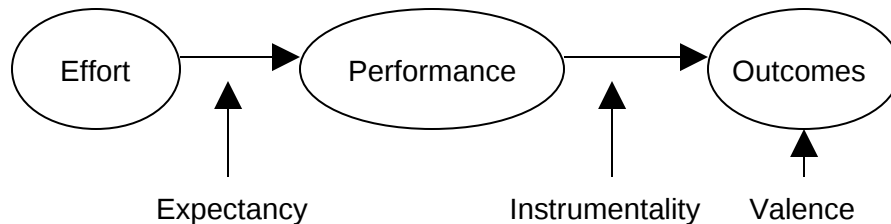
Process Theories: Theories of motivation that explore how one actually motivates someone.

Expectancy Theory: The theory that motivation will be high when employees believe that high levels of effort will lead to high performance, and high performance will lead to the attainment of desired outcomes.

Expectancy: In expectancy theory, a perception about the extent to which effort will result in a certain level of performance.

Instrumentality: In expectancy theory, a perception about the extent to which performance will result in the attainment of outcomes.

Valence: In expectancy theory, how desirable each of the outcomes available from a job or organization is to a person.



Expectancy is high

People perceive that if they try hard, they can perform at a high level.

Instrumentality is high

People perceive that high performance leads to the receipt of certain outcomes.

Valence is high

People desire the outcomes that result from high performance

High Motivation

Goal-Setting Theory: A theory that focuses on identifying the types of goals that are most effective in producing high levels of motivation and performance and explaining why goals have these effects.

Reinforcement Theory: A motivation theory based on the relationship between a given behaviour and its consequence.

Reinforcement: Anything that causes a given behaviour to be repeated or stopped.

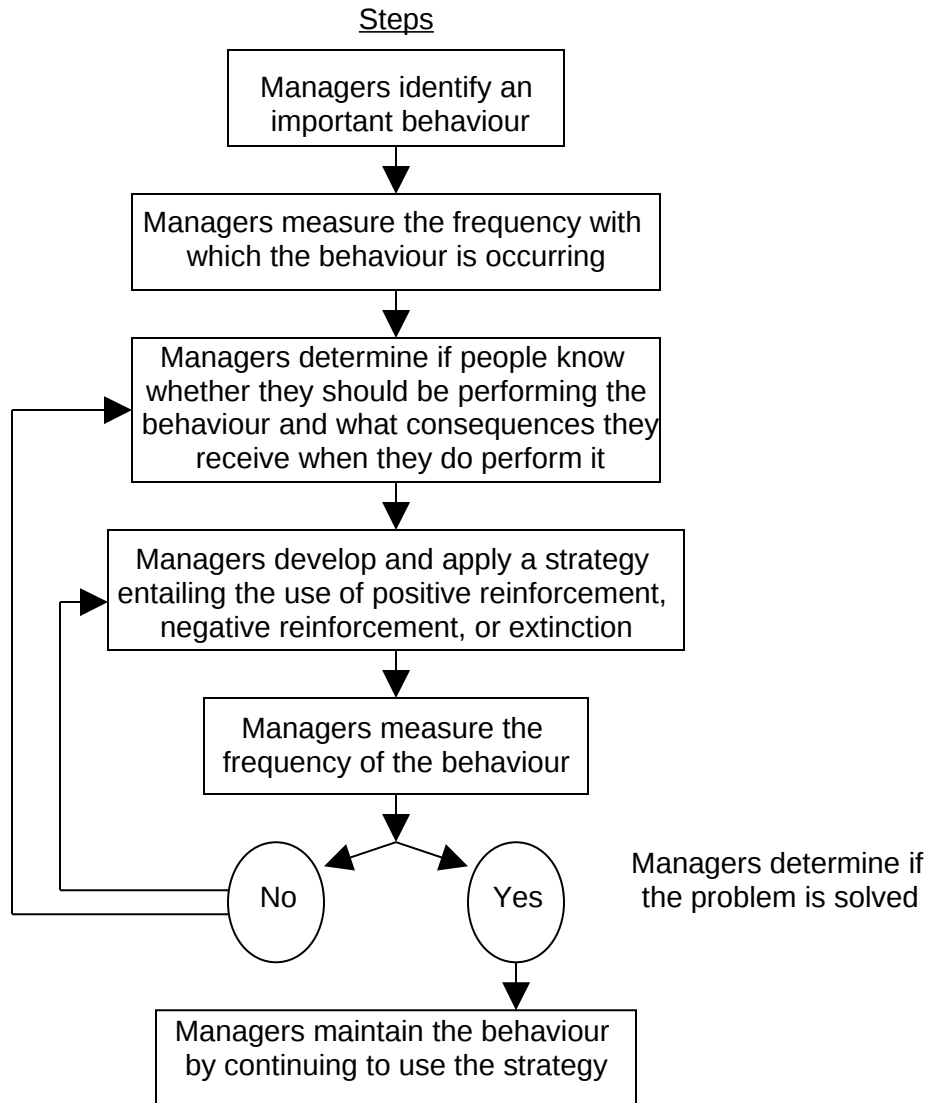
Positive Reinforcement: Giving people outcomes they desire when they perform organizationally functional behaviours well.

Negative Reinforcement: Eliminating or removing undesired outcomes once people have performed organizationally functional behaviour.

Extinction: Stopping the performance of dysfunctional behaviours by eliminating whatever is reinforcing them.

Punishment: Administering an undesired or negative consequence when dysfunctional behaviour occurs.

Organizational Behaviour Modification (OB MOD): The systematic application of operant conditioning techniques to promote the performance of organizationally functional behaviours and discourage the performance of dysfunctional behaviours.



Equity Theory: A theory of motivation that focuses on people's perceptions of the fairness of their work outcomes relative to their work inputs.

Equity: The justice, impartiality, and fairness to which all organizational members are entitled.

Inequity: Lack of fairness.

Underpayment Inequity: Inequity that exists when a person perceives that his or her own outcome/input ratio is less than the ratio of a referent.

Overpayment Inequity: Inequity that exists when a person perceives that his or her own outcome/input ratio is greater than the ratio of a referent.

How does pay motivate?

- o Needs theories. Pay can satisfy needs.
- o Expectancy theory. Pay can have high valence.
- o Goal-setting theory. Pay must be linked to achieving goals.
- o Reinforcement theory. Pay should be contingent on appropriate performance.
- o Equity theory. Pay should be related to inputs.

## Communication, Conflict, and Negotiation

Communication: The sharing of information between two or more individuals or groups to reach a common understanding.

Sender: The person or group wishing to share information.

Message: The information that a sender wants to share.

Encoding: Translating a message into understandable symbols or language.

Noise: Anything that hampers any stage of the communication process.

Receiver: The person or group for which a message is intended.

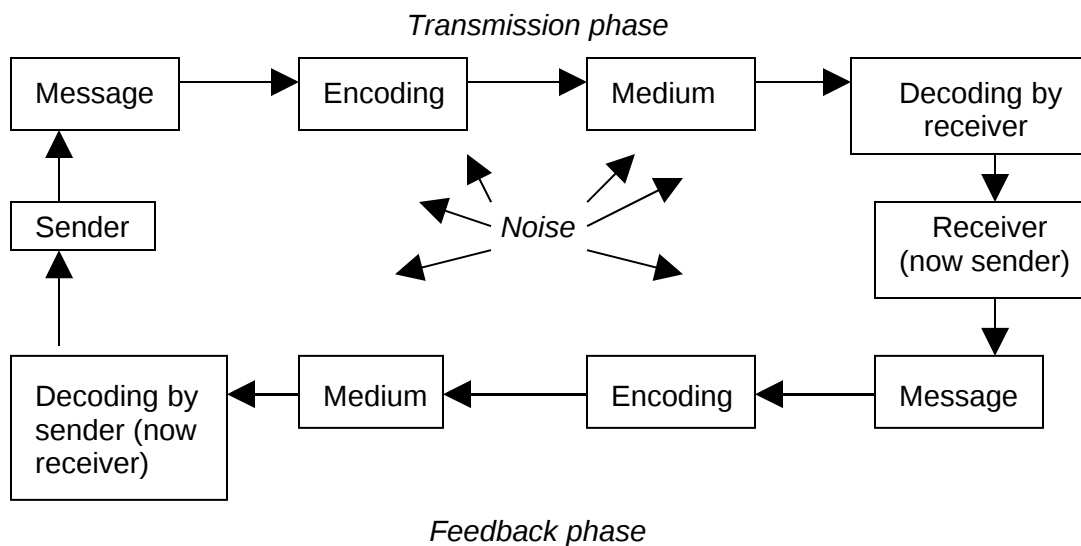
Medium: The pathway through which an encoded message is transmitted to a receiver.

Decoding: Interpreting and trying to make sense of a message.

Verbal Communication: The encoding of messages into words, either written or spoken.

Nonverbal Communicaton: The encoding of messages by means of facial expressions, body language, and the styles of dress.

Communication process

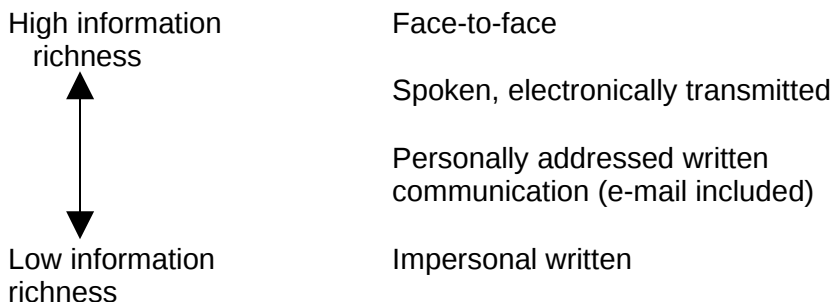


Perception: The process through which people select, organize, and interpret sensory input to give meaning and order to the world around them.

Information richness: The amount of information that a communication medium can carry and the extent to which the medium enables sender and receiver to reach a common understanding.

Factors in choosing a communication medium

1. The level of information richness needed
2. Time needed for communication
3. The need for a paper or electronic trail



### Improving the communication process

- o *Send clear and complete messages* – easy for the receiver to understand and interpret and contains all information that the sender and receiver needs to reach a common understanding. Managers must anticipate how receivers will interpret the message.
- o *Encode messages in symbols that the receiver understands* – use commonplace vocabulary and avoid clichés that, when translated, make little sense. Avoid jargon.
- o *Select a medium appropriate for the message* – take into account the level of info richness required, time constraints, and the need for an electronic or paper trail.
- o *Select a medium that the receiver monitors* – ensure the medium is one the receiver uses regularly. Consider whether receivers have disabilities or limited access.
- o *Avoid filtering and information distortion* – provide clear and complete information and do not hold anything back. The employee may require the information, whether the manager believes they do or not.
- o *Include a feedback mechanism in messages* – include a request for feedback or indicate how and when they will follow up on the message to ensure it was received and understood.
- o *Provide accurate information* – this can put a stop to rumours.

Jargon: Specialized language that members of an occupation, group, or organization develop to facilitate communication among themselves.

Filtering: Withholding part of a message out of the mistaken belief that the receiver does not need or will not want the information.

Information Distortion: Changes in the meaning of a message as the message passes through a series of senders and receivers.

Rumours: Unofficial pieces of information of interest to organizational members but with no identifiable source.

### Giving feedback

- o Focus on specific behaviours. Individuals should be told what they did well or poorly, rather than being told they did a good job.
- o Keep feedback impersonal. Describe the behaviour, rather than judge or evaluate the person.
- o Keep feedback goal-oriented. It should have a purpose or goal.
- o Make feedback well-timed. Should be given shortly after the behaviour occurs. Ensures they remember the event.
- o Direct negative feedback toward behaviour that the receiver can control. Consider which things the employee can fix, and which are out of their control.

### 3 communication skills for managers as receivers of messages

1. Pay attention
2. Be a good listener
3. Be empathetic

Linguistic Style: A person's characteristic way of speaking. Includes gender differences and cross-cultural differences.

Organizational Conflict: The discord that arises when the goals, interest, or values of different individuals or groups are incompatible and those individuals or groups block or thwart each other's attempts to achieve their objectives.

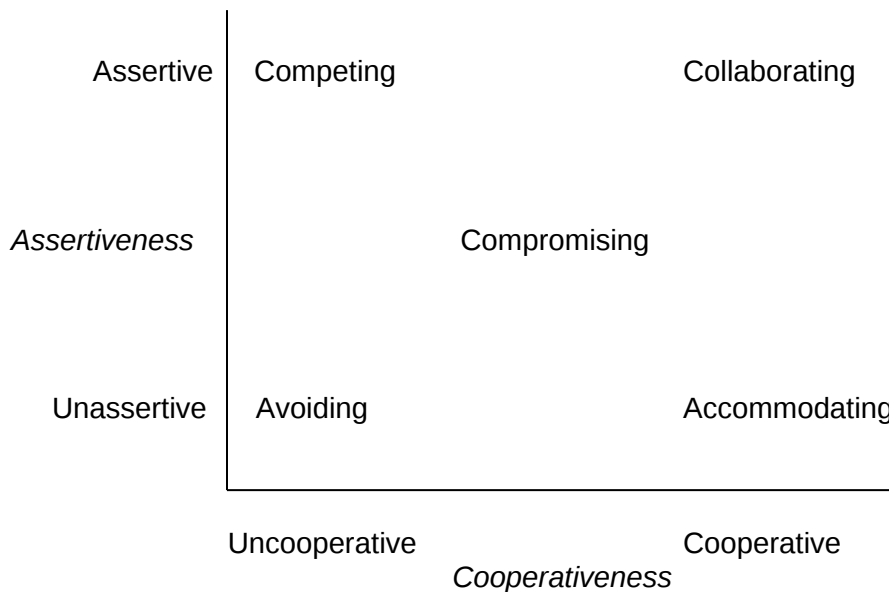
### Conflict management strategies

These fall under two dimensions: cooperativeness (degree to which one party tries to satisfy the other party's concerns) and assertiveness (degree to which one party tries to satisfy his or her own concerns)

Five conflict-handling behaviours:

1. Avoiding – withdrawing from conflict
2. Competing – one person tries to satisfy his or her own interests, without regard to the interests of the other party
3. Compromising – each party is concerned about its own goal accomplishment and the goal accomplishment of the other party, and is willing to engage in a give-and-take exchange
4. Accommodating – one person tries to please the other by putting the others interests ahead of his or her own
5. Collaborating – The parties try to satisfy their goals without making any concessions and instead come up with a way to resolve their differences that leaves them both better off

Dimensions of conflict-handling behaviour



Negotiation: A method of conflict resolution in which the parties in conflict consider various alternative ways to allocate resources to each other in order to come up with a solution acceptable to them all.

Distributive Negotiation: Adversarial negotiation in which the parties in conflict compete to win the most resources while conceding as little as possible.

Integrative Bargaining: Cooperative negotiation in which the parties in conflict work together to achieve a resolution that is good for them all.

Five strategies to increase the odds of a win-win situation

- o Emphasize on the big-picture goals. Reminds everyone they are working together toward a common goal, despite their disagreements.
- o Focus on the problem, not the people. Focus on the source of the conflict, not discrediting one another.
- o Focus on interests, not demands. Demands are what a person wants and interests are why the person wants them. It is unlikely demands can be met for both sides, however interests can be met.
- o Create new options for joint gain. Parties can come up with new alternatives, rather than sticking to a fixed set.
- o Focus on what is fair.

Collective Bargaining: Negotiation between labour unions and managers to resolve conflicts and disputes about issues such as working hours, wages, benefits, working conditions, and job security.

## **Organization, Teamwork, and Communication**

Specialization: The division of labour into small, specific tasks and the assignment to employees of a single task.

Departmentalization: The grouping of jobs into working units usually called departments, units, groups, or divisions.

Functional Departmentalization: The grouping of jobs that perform similar functional activities, such as finance, manufacturing, marketing, and human resources.

Product Departmentalization: The organization of jobs in relation to the products of the firm.

Geographical Departmentalization: The grouping of jobs according to geographic location, such as province, region, country, or continent.

Customer Departmentalization: The arrangement of jobs around the needs of various types of customers, such as commercial banking versus consumer banking services.

Group: Two or more individuals who communicate with one another, share a common identity, and have a common goal.

Team: A small group whose members have complementary skills; have a common purpose, goals, and approach; and hold themselves mutually accountable.

### Types of groups

Committee: A permanent, formal group that performs a specific task.

Task Force: A temporary group of employees responsible for bringing about a particular change.

Project Teams: Groups, similar to task forces, which normally run their operation and have total control over a specific work project.

Product-Development Teams: A special type of project team formed to devise, design, and implement a new product.

Quality-Assurance Teams (or quality circles): Small groups of workers brought together from throughout the organization to solve specific quality, productivity, or service problems.

Self-Directed Work Team (SDWT): A group of employees responsible for an entire work process or segment that delivers a product to an internal or external customer.

Delegation of Authority: Giving employees not only tasks, but also the power to make commitments, use resources, and take whatever actions are necessary to carry out those tasks.

Responsibility: The obligation, placed on employees through delegation, to perform assigned tasks satisfactorily and be held accountable for the proper execution of assigned work.

Accountability: The principle that employees who accept an assignment and the authority to carry it out are answerable to a superior for the outcome.

Organizational Chart: A visual display of the organizational structure, lines of authority (chain of command), staff relationships, permanent committee arrangements, and lines of communication.

Centralized Organization: An organization in which authority is concentrated at the top, and very little decision-making authority is delegated to lower levels.

Decentralized Organization: An organization in which decision-making authority is delegated as far down the chain of command as possible.

Span of Management: The number of subordinates who report to a particular manager.

Organizational Layers: The levels of management in an organization.

Line Structure: The simplest organizational structure in which direct lines of authority extend from the top manager to employees at the lowest level of the organization.

**Line-and-Staff Structure:** An organizational structure that has a traditional line relationship between superiors and subordinates and also specialized managers, called staff managers, who are available to assist line managers.

**Multidivisional Structure:** An organizational structure that organizes departments into larger groups called divisions.

**Matrix Structure:** A structure that sets up teams from different departments, thereby creating two or more intersecting lines of authority; also called project-management structure.

**Grapevine:** An informal channel of communication, separate from management's formal, official communication channels.

**Organizational Culture:** The firm's shared values, beliefs, traditions, philosophies, rules, and heroes.

## **Accounting and Financial Statements**

**Accounting:** The recording, measurement, and interpretation of financial information.

**Public Accountant:** An independent professional who provides accounting services ranging from the preparation and filing of individual tax returns to complex audits of corporate financial records.

**Chartered Accountant (CA):** A professional accountant who has passed the CICA Uniform Final Exams of the Institute of Chartered Accountants and satisfied all the other requirements for membership in the CICA.

**Private Accountants:** Accountants employed by large corporations, government agencies, and other organizations to prepare and analyze their financial statements.

**Certified General Accountant (CGA):** A professional accountant who has completed all CGA courses and satisfied all other requirements for membership in the Certified General Accountants Association of Canada

**Certified Management Accountant (CMA):** A professional accountant who has completed the Society of Management Accountants professional program and satisfied all other requirements for admission to the Society of Management Accountants.

**Managerial Accounting:** The internal use of accounting statements by managers in planning and directing the organization's activities.

**Cash Flow:** The movement of money through an organization over a daily, weekly, monthly, or yearly basis.

**Budget:** An internal financial plan that forecasts expenses and income over a set period of time.

**Assets:** A firm's economic resources, or items of value that it owns, such as cash, inventory, land, equipment, buildings, and other tangible and intangible things.

**Liabilities:** Debts that a firm owes to others.

**Owners' Equity:** Equals assets minus liabilities and reflects historical values.

**Accounting Equation:** Assets equals liabilities plus owners' equity.

**Double-Entry Bookkeeping:** A system of recording and classifying business transactions that maintains the balance of the accounting equation.

**Accounting Cycle:** A four-step procedure of an accounting system – examining source documents, recording transactions in an accounting journal, posting recorded transactions, and preparing financial statements.

**Journal:** A time-ordered list of account transactions.

**General Ledger:** A book or computer file with separate sections for each account.

**Income Statement:** A financial report that shows an organization's profitability over a period of time – month, quarter, or year.

**Revenue:** The total amount of money received from the sale of goods or service, as well as from related business activities.

**Cost of Goods Sold:** The amount of money a firm spent to buy or produce the products it sold during the period to which the income statement applies.

**Gross Margin:** Revenues minus the cost of goods sold required to generate the revenues.

Expenses: The costs incurred in the day-to-day operations of an organization.

Net Income: The total profit (or loss) after all expenses including taxes have been deducted from revenue; also called net earnings.

Balance Sheet: A "snapshot" of an organization's financial position at a given moment.

Accounts Receivable: Money owed to a company by its clients or customers.

Accounts Payable: The amount a company owes to suppliers for goods and services purchased with credit.

Accrued Expenses: All unpaid financial obligations incurred by an organization.

Ratio Analysis: Calculations that measure an organization's financial health.

## **Organizational Control**

The importance of organization control

- o Adapt to change and uncertainty. Anticipate changes and be prepared for them.
- o Discover irregularities and errors. Uncover problems before they become too serious.
- o Reduce costs, increase productivity, or add value. Make product more attractive to the customer.
- o Detect opportunities. Identify new markets, demographic changes, and new suppliers.
- o Deal with complexity. For example, if two companies merge.
- o Decentralize decision making and facilitate teamwork. Allows employees to make more decisions and work in teams.

Steps in the control process

1. Establish the standards of performance.  
Decide on goals or targets on which to evaluate performance. Should measure efficiency, quality, responsiveness to customers, and innovation.
2. Measure actual performance.  
Evaluate actual outputs that result from behaviour, and the behaviours themselves.
3. Compare actual performance against chosen standards of performance.  
Evaluate whether, and to what extent, performance deviates from the standards of performance chosen in step 1. If managers need to take corrective action, move to step 4.
4. Evaluate the result and initiate corrective action  
Try to solve the problem. Ex, lower standards.

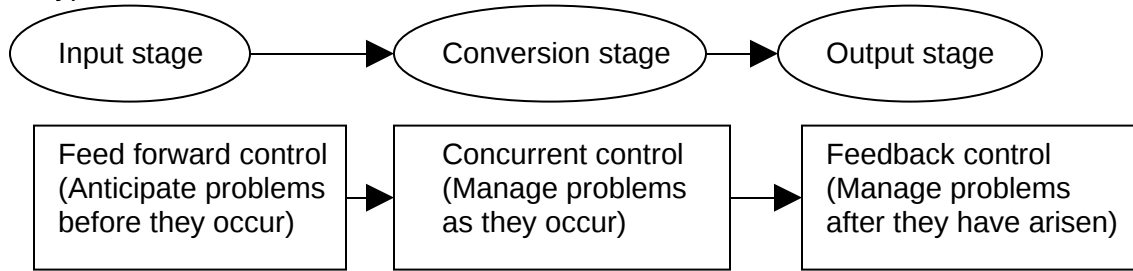
Control Systems: Formal target-setting, monitoring, evaluation, and feedback systems that provide managers with information about how well the organization's strategy and structure are working.

Feed forward Control: Control that allows managers to anticipate and deal with potential problems.

Concurrent Control: Control that gives managers immediate feedback on how efficiently inputs are being transformed into outputs so that managers can correct problems that arise.

Feedback Control: Control that gives managers information about customers' reactions to goods and services so that corrective action can be taken if necessary.

Three types of control



Three organizational control systems

<u>Type of control</u>	<u>Mechanism of control</u>
Output control	Financial measures of performance, organizational goals, operating budgets
Behaviour control	Direct supervision, management by objectives, rules and standard operating procedures
Clan control	Values, norms, socialization

Operating Budget: A budget that states how managers intend to use organizational resources to achieve organizational goals.

Pitfalls of output control:

- o Extremely difficult goals may not motivate
- o Unachievable goals can lead to unethical behaviour
- o Inappropriate goals can lead to short-term emphasis
- o May not be responsive enough if conditions change

Mechanisms of behaviour control: direct supervision, management by objectives, and rules and standard operating procedures.

Direct supervision – managers actively monitor and observe subordinate behaviour, teach behaviours, and intervene when necessary. Leading by example.

MBO – framework within which to evaluate behaviour and to monitor progress. Periodically review progress, and raises/promotions linked to the goal-setting process is involved.

SOP (Bureaucratic control) – guide behaviour. Behaviour is standardized and work is predictable.

Bureaucratic Control: Control of behaviour by means of a comprehensive system of rules and standard operating procedures

Clan Control: Control exerted on individuals and groups in an organization by shared values, norms, standards of behaviour, and expectations.

**Managing Human Resources**

Human Resource Management (HRM): Activities that managers engage in to attract and retain employees and to ensure that they perform at a high level and contribute to the accomplishment of organizational goals.

Strategic Human Resource Management: The process by which managers design the components of a human resource management system to be consistent with each other, with other elements of organizational architecture, and with the organization's strategy and goals.

Recruitment: Activities that managers use to develop a pool of qualified candidates for open positions.

Selection: The process that managers use to determine the relative qualifications of job applicant and the individuals' potential for performing well in a particular job.

Human Resource Planning: Activities that managers use to forecast their current and future needs for human resources.

#### Components of HRM

- o Recruitment and selection
- o Training and development
- o Performance appraisal and feedback
- o Pay and benefits
- o Labour relations

Each component influences the others, they must fit together

Outsourcing: Using outside suppliers and manufacturers to produce goods and services.

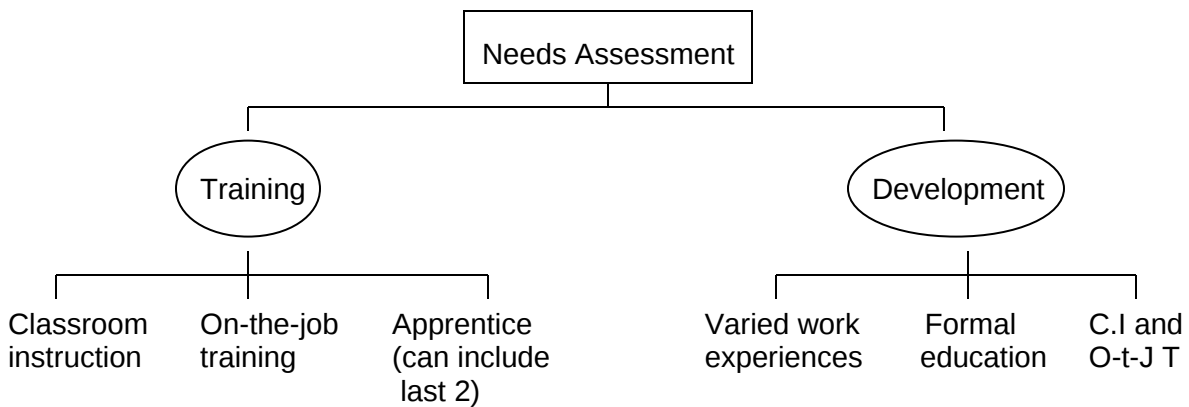
Job Analysis: Identifying the tasks, duties, and responsibilities that make up a job and the knowledge, skills, and abilities needed to perform them.

Lateral Move: A job change that entails no major changes in responsibility or authority levels.

Training: Teaching organizational members how to perform their current jobs and helping them acquire the knowledge and skills they need to be effective performers.

Development: Building the knowledge and skills of organizational members so that they will be prepared to take on new responsibilities and challenges.

Needs Assessment: An assessment of which employees need training or development and what type of skills or knowledge they need to acquire.



Performance Appraisal: The evaluation of employees' job performance and contributions to their organization.

Performance Feedback: The process through which managers share performance appraisal information with subordinates, give subordinates an opportunity to reflect on their own performance, and develop, with subordinates, plans for the future.

360-Degree Appraisal: A performance appraisal by peers, subordinates, superiors, and sometimes clients who are in a position to evaluate a manager's performance.

Formal Appraisal: An appraisal conducted at a set time during the year and based on performance dimensions and measures that were specified in advance.

Informal Appraisal: An unscheduled appraisal of ongoing progress and areas for improvement.

Pay Level: The relative position of an organization's pay incentives in comparison with those of other organizations in the same industry employing similar kinds of workers.

Pay Structure: The arrangement of jobs into categories that reflect their relative importance to the organization and its goals, levels of skill required, and other characteristics.

**Cafeteria-Style Benefit Plan:** A plan from which employees can choose the benefits that they want.

**Labour Relations:** The activities that managers engage in to ensure that they have effective working relationships with the labour unions that represent their employees' interests.

**Job Analysis:** The determination, through observation and study, of pertinent information about a job – including specific tasks and necessary abilities, knowledge, and skills.

**Job Description:** A formal, written explanation of a specific job that usually includes job title, tasks, relationship with other jobs, physical and mental skills required, duties, responsibilities, and working conditions.

**Job Specification:** A description of the qualifications necessary for a specific job, in terms of education, experience, and personal and physical characteristics.

**Recruiting:** Forming a pool of qualified applicants from which management can select employees.

**Selection:** The process of collecting information about applicants and using that information to make hiring decisions.

**Employment Equity Programs:** Programs developed by employers to undo past employment discrimination or to ensure equal employment opportunity in the future; similar to affirmative action programs in the US.

**Orientation:** Familiarizing newly hired employees with fellow workers, company procedures, and the physical properties of the company.

**Promotion:** An advancement to a higher-level job with increased authority, responsibility, and pay.

**Transfer:** A move to another job within the company at essentially the same level and wage.

**Separations:** Employment changes involving resignation, retirement, termination, or layoff.

**Wage/Salary Survey:** A study that tells a company how much compensation comparable firms are paying for specific jobs that the firms have in common.

**Wages:** Financial rewards based on the number of hours the employee works or the level of output achieved.

**Commission:** An incentive system that pays a fixed amount or a percentage of the employee's sales.

**Salary:** A financial reward calculated on a weekly, monthly, or annual basis.

**Bonuses:** Monetary rewards offered by companies for exceptional performance as incentives to further increase productivity.

**Profit Sharing:** A form of compensation whereby a percentage of company profits is distributed to the employees whose work helped to generate those profits.

**Benefits:** Nonfinancial forms of compensation provided to employees, such as pension plans, health insurance, paid vacation and holidays, and the like.

**Labour Unions:** Employee organizations formed to deal with employers for achieving better pay, hours, and working conditions.

**Collective Bargaining:** The negotiation process through which management and unions reach an agreement about compensation, working hours, and working conditions for the bargaining unit.

**Labour Contract:** The formal, written document that spells out the relationship between the union and management for a specified period of time – usually two or three years.

### Labour tactics

**Picketing:** A public protest against management practices that involves union members marking and carrying antimanagement signs at the employer's plant.

**Strikes:** Employee walkouts; one of the most effective weapons labour has.

**Boycott:** An attempt to keep people from purchasing the product of a company.

### Management tactics

**Lockout:** Management's version of a strike, wherein a work site is closed so that employees cannot go to work.

Strikebreakers: People hired by management to replace striking employees; called “scabs” by striking union members.

### Outside resolution

Conciliation: A method of outside resolution of labour and management differences in which a third party is brought in to keep the two sides talking.

Mediation: A method of outside resolution of labour in which the third party’s role is to suggest or propose a solution to the problem.

Arbitration: Settlement of a labour/management dispute by a third party whose solution is legally binding and enforceable.

Diversity: The participation of different ages, genders, races, ethnicities, nationalities, and abilities in the workplace.

### Characteristics of diversity

Primary characteristics – sexual orientation, age, gender, race, ethnicity, abilities. Inborn and cannot be changed.

Secondary characteristics – work background, income, marital status, religious beliefs, geographic location, parental status, education. Can be changed. We acquire, change, and discard them as we progress through our lives.

### Benefits of work force diversity

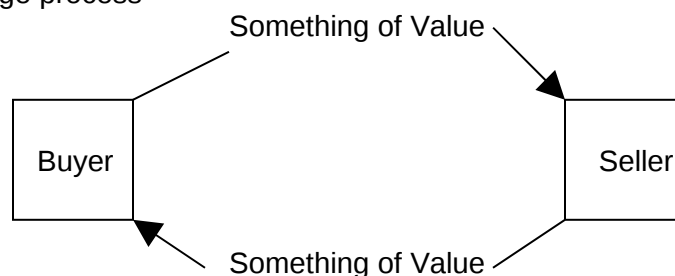
1. More productive use of company’s human resources
2. Reduced conflict as employees learn to respect each other’s differences
3. More productive working relationship as they learn to accept each other
4. Increased commitment to and sharing of organizational goals
5. Increased innovation and creativity as new, unique perspectives are brought in
6. Increased ability to serve the needs of an increasingly diverse customer base

## **Customer-Driven Marketing**

Marketing: A group of activities designed to expedite transactions by creating, distributing, pricing, and promoting goods, services, and ideas.

Exchange: The act of giving up on thing (money, credit, labour, goods) in return for something else (goods, services, ideas)

### The exchange process



Utility: A product’s ability to satisfy human needs and wants.

Place Utility: Making the product available where the buyer wishes to buy it.

Time Utility: Making the product available when customers wish to purchase it.

Ownership Utility: Transference of ownership of a product to the buyer.

Form Utility: Utility created through the production process rather than through marketing activities.

## Functions of marketing

- o Buying.  
Must understand buyers' needs and desires to determine what products to make available.
- o Selling.  
A persuasive activity that is accomplished through promotion.
- o Transporting.  
Process of moving products from the seller to the buyer. Marketers focus on transportation costs and services.
- o Storing.  
Part of physical distribution.
- o Grading.  
Refers to standardized products and displaying and labelling them so that consumers clearly understand their nature and quality.
- o Financing.  
Marketer provides credit to expedite the purchase.
- o Marketing Research.  
Ascertain the need for new goods and services. They can detect trends and changes in consumers tastes.
- o Risk Taking.  
The chance of loss with marketing decisions. The implication of a risk can result in either success or failure.

Marketing Concept: The idea that an organization should try to satisfy customers' needs through coordinated activities that also allow it to achieve its own goals.

E-Marketing: Electronic marketing which consists of buying and selling of goods and services over the internet. Availability to function 24/7.

Two major categories of e-commerce

1. Business-to-business (B2B)
2. Business-to-consumer (B2C) – ex. Amazon.com
3. Growing, customer-to-customer (C2C) – ex. eBay

Marketing Strategy: A plan of action for developing, pricing, distributing, and promoting products that meet the needs of specific customers.

Market: A group of people who have a need, purchasing power, and the desire and authority to spend money on goods, services, and ideas.

Target Market: A specific group of consumers on whose needs and wants a company focuses its marketing efforts.

Total-Market Approach: An approach whereby a firm tries to appeal to everyone and assumes that all buyers have similar needs.

Market Segmentation: A strategy whereby a firm divides the total market into groups of people who have relatively similar product needs.

Market Segment: A collection of individuals, groups, or organizations who share one or more characteristics and thus have relatively similar product needs and desires.

Concentration Approach: A market segmentation approach whereby a company develops one marketing strategy for a single market segment.

Multisegment Approach: A market segmentation approach whereby the marketer aims its marketing efforts at two or more segments, developing a marketing strategy for each.

Bases for segmenting market

1. Demographic – age, sex, income, education, etc. Characteristics are often closely related to a customer's product needs and purchasing behaviour.

2. Geographic – climate, terrain, population density, etc. These affect consumer's needs and product usage.
3. Psychographic – personality, motives, lifestyle.
4. Behaviouristic – some characteristic of the consumer's behaviour toward the product.

Marketing Mix: The four marketing activities – product, price, promotion, and distribution – the firm can control to achieve specific goals within a dynamic marketing environment.

Product: A good, service, or idea with tangible and intangible characteristics that provide satisfaction and benefits.

Price: A value placed on an object exchanged between a buyer and a seller.

Distribution: Making products available to customers in the quantities desired.

Promotion: A persuasive form of communication that attempts to expedite a marketing exchange by influencing individuals, groups, and organizations to accept goods, services, and ideas.

Marketing Research: A systematic, objective process of getting information about potential customers to guide market decisions.

Marketing Information System: A framework for accessing information about customers from sources both inside and outside the organization.

Primary Data: Marketing information that is observed, recorded, or collected directly from respondents.

Secondary Data: Information that is compiled inside or outside an organization for some purpose other than changing the current situation.

Buying Behaviour: The decision processes and actions of people who purchase and use products.

#### Buying-decision process

1. Need recognition – consumer moved to action by their need
2. Choice of an involvement level – consumer determines the level of energy and time to invest into satisfying the need
3. Identification of alternatives – consumer collects information
4. Evaluation of alternatives – weighs pros and cons
5. Purchase and related decisions – decides to purchase or not to purchase
6. Post purchase behaviour – consumer seeks reassurance that the choice was correct

Perception: The process by which a person selects, organizes, and interprets information received from his or her senses.

Motivation: An inner drive that directs a person's behaviour toward goals.

Learning: Changes in a person's behaviour based on information and experience.

Attitude: Knowledge and positive or negative feelings about something.

Personality: The organization of an individual's distinguishing character traits, attitudes, or habits.

Social Roles: A set of expectations for individuals based on some position they occupy.

Reference Groups: Groups with whom buyers identify and whose values or attitudes they adopt.

Social Classes: A ranking of people into higher or lower positions of respect.

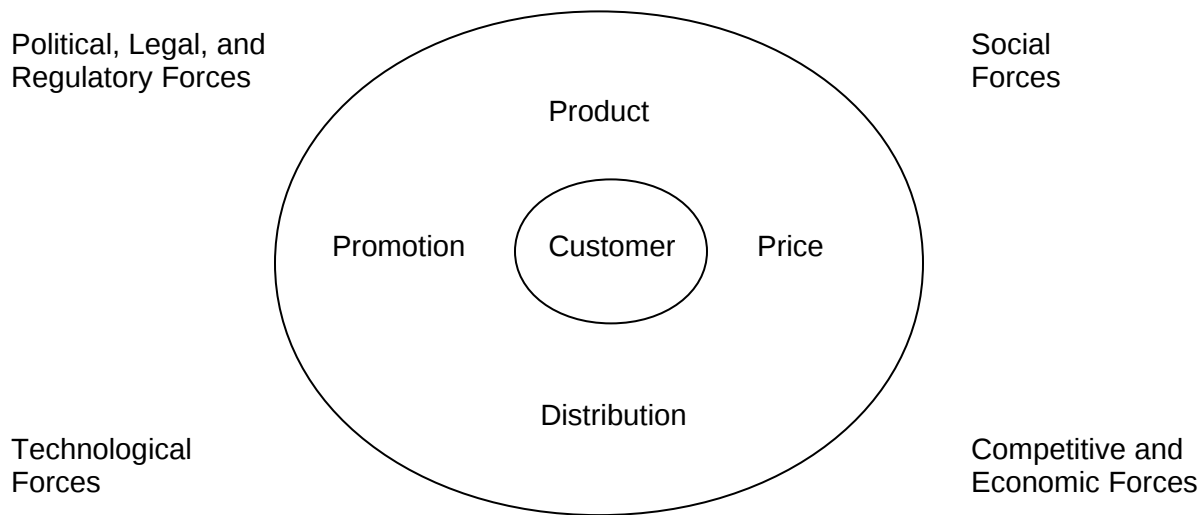
Culture: The integrated, accepted pattern of human behaviour, including thought, speech, beliefs, actions, and artifacts.

#### The marketing environment

External forces that directly or indirectly influence the development of marketing strategies

- o Political, legal, and regulatory forces – laws, interpretation of laws, regulatory activities, legislations, etc.
- o Social forces – public's opinions and attitudes towards issues such as living standards, ethics, the environment, lifestyles, and quality of life.

- o Competitive and economic forces – competitive relationships, unemployment, purchasing power, and general economic conditions.
- o Technological forces – technological advances that improve distribution, promotion, and new-product development.



### Dimensions of Marketing Strategy

#### Developing new products

- o Idea development. Come from marketing research, outside sources, engineers, etc.
- o Screening of new ideas. Look at resources available, objectives, consumer desires, competition, social trends, and other considerations. There are 2 reasons new products succeed: meet a need better than current products or add variety to current product selection.
- o Business analysis. Basic assessment of the product's compatibility in the marketplace and its potential profitability.
- o Product development. Make a prototype. This is expensive.
- o Test marketing. Trial minilaunch. Allows a complete test in a natural environment, and allows for the discovery of weaknesses and eliminates them.
- o Commercialization. Full introduction.

**Test Marketing:** A trial minilaunch of a product in limited areas that represent the potential market.

**Commercialization:** The full introduction of a complete marketing strategy and the launch of the product for commercial success.

**Consumer Products:** Products intended for household or family use.

**Industrial Products:** Products that are used directly or indirectly in the operation or manufacturing processes of business.

**Product Line:** A group of closely related products that are treated as a unit because of similar marketing strategy, production, or end-use considerations.

**Product Mix:** All the products offered by an organization.

#### Product life cycle

Introduction → Growth → Maturity → (Saturation) → Decline

**Branding:** The process of naming and identifying products.

**Trademark:** A brand that is registered with the Trade Marks Office and is thus legally protected from use by any other firm.

Manufacturer Brands: Brands initiated and owned by the manufacturer to identify products from the point of production to the point of purchase.

Private Distributor Brands: Brands, which may cost less than manufacturer brands, that are owned and controlled by a wholesaler or retailer.

Generic Products: Products with no brand name that often come in white packages and carry only their generic name.

Packaging: The external container that holds and describes the product.

Labeling: The presentation of important information on a package.

Quality: The degree to which a good, service, or idea meets the demands and requirements of customers.

Price Skimming: Charging the highest possible price that buyers who want the product will pay.

Penetration Price: A low price designed to help a product enter the market and gain market share rapidly.

Psychological Pricing: Encouraging purchases based on emotional rather than rational responses to the price.

Discounts: Temporary price reduction, often employed to boost sales.

Marketing Channel: A group of organizations that moves products from their producer to customers; also channel of distribution.

Retailers: Intermediaries who buy products from manufacturers (or other intermediaries) and sell them to consumers for home or household use rather than for resale or for use in producing other products.

#### Types of stores

- o Discount store – self-service, general merchandise store offering brand and private name products at low prices.
- o Department store – large organization offering wide product mix and organized into separate departments.
- o Supermarket – self-service store offering complete line of food products and some nonfood products.
- o Superstore – giant outlet offering all food and nonfood products found in supermarket, as well as most routinely purchased products.
- o Warehouse club – large-scale, members-only establishment combining cash-and-carry wholesaling with discount retailing.
- o Specialty store – Store offering substantial assortments in a few product lines.
- o Off-price store – Store that buys manufacturer's seconds, overruns, returns, and off-season merchandise for resale to consumers at deep discounts.
- o Category killers – very large specialty store concentrating on a single product line and competing on the basis of low prices and product availability.

Wholesalers: Intermediaries who buy from producers or from other wholesalers and sell to retailers.

Supply Chain Management: Long-term partnerships among marketing channel members working together to reduce costs, waste, and unnecessary movement in the entire marketing channel in order to satisfy customers.

Intensive Distribution: A form of market coverage whereby a product is made available in as many outlets as possible.

Selective Distribution: A form of market coverage whereby only a small number of all available outlets are used to expose the products.

Exclusive Distribution: The awarding by a manufacturer to an intermediary of the sole right to sell a product in a defined geographical territory.

Physical Distribution: All the activities necessary to move products from producers to consumers – inventory control, transportation, warehousing, and materials handling.

Transportation: The shipment of products to buyers.

Warehousing: The design and operation of facilities to receive, store, and ship products.

**Materials Handling:** The physical handling and movement of products in warehousing and transportation.

**Integrated Marketing Communications:** Coordinating the promotion mix elements and synchronizing promotion as a unified effort.

**Advertising:** A paid form of nonpersonal communication transmitted through a mass medium, such as television commercials or magazine advertisements.

**Personal Selling:** Direct, two-way communication with buyers and potential buyers.

**Publicity:** Nonpersonal communication transmitted through the mass media but not paid for directly by the firm.

**Sales Promotion:** Direct inducements offering added value or some other incentive for buyers to enter into an exchange.

**Push Strategy:** An attempt to motivate intermediaries to push the product down to their customers.

**Pull Strategy:** The use of promotion to create consumer demand for a product so that consumers exert pressure on marketing channel members to make it available.

**Promotional Positioning:** The use of promotion to create and maintain an image of a product in buyers' minds.