

|9| Product, Branding, and Packaging Decisions

Complexity of Products and Types of Products

Complexity of Products



- Core customer value
 - The basic problem solving benefits that consumers are seeking
- Associated services (augmented product)
 - Nonphysical attributes of the product, including product warranties, financing, product support and after-sale service

Types of Products

- Specialty Products/Services
 - Strong preferences
 - Searching for the best supplier
 - e.g. RoadBike enthusiasts => perfect bike store
- Shopping Products services
 - Consumer spend a fair amount of time comparing alternatives
 - e.g. furniture, apparel, fragrances, appliances
- Convenience Products/Services
 - Consumer is not willing to spend any effort to evaluate prior to purchase
 - e.g. beverages, bread, soap....
- Unsought Products/Services
 - Consumer do not think of buying or do not know about them
 - Require lots of marketing

Product Mix and Product Line Decisions

	Product Lines product line breadth				
	Oral Care	Personal Care	Household Care	Fabric Care	Pet Nutrition
Product Categories ↑ product line depth ↓	<i>Toothpaste</i> (Colgate Total) <i>Toothbrush</i> (Colgate Plus) <i>Kids' products</i> (Colgate Barbie Bubble Fruit toothpaste) <i>Whitening products</i> (Colgate Simply White) <i>Floss</i> (Colgate Total Dental Floss) <i>Oral first aid</i> (Colgate Orabase)	<i>Deodorants</i> (Speed Stick) <i>Bar soap</i> (Irish Spring) <i>Body wash</i> (Soft Soap) <i>Hand wash</i> (Soft Soap) <i>Men's toiletries</i> (Skin Bracer Aftershave)	<i>Dishwashing liquid</i> (Palmolive) <i>Automatic dishwashing liquid</i> (Palmolive) <i>Household cleaners</i> (Ajax) <i>Dish wipes</i> (Palmolive)	<i>Laundry detergents</i> (Fab) <i>Fabric softener</i> (Fleecy)	Hill's Pet Nutrition, Inc.–subsidiary <i>Dog food</i> (Science Diet) <i>Cat food</i> (Science Diet)

Product Mix

- The complete set of all products offered by a firm

Product lines

- Groups of associated items, such as those that consumers use together or think of as part of a group of similar products

Product category

- An assortment of items that the customer sees as reasonable substitutes

Brand

- The name, term, design, symbol or any other features that identify one seller's good or service as distinct from those of other sellers.

Product mix breadth

- The number of product lines, or variety, offered by the firm.

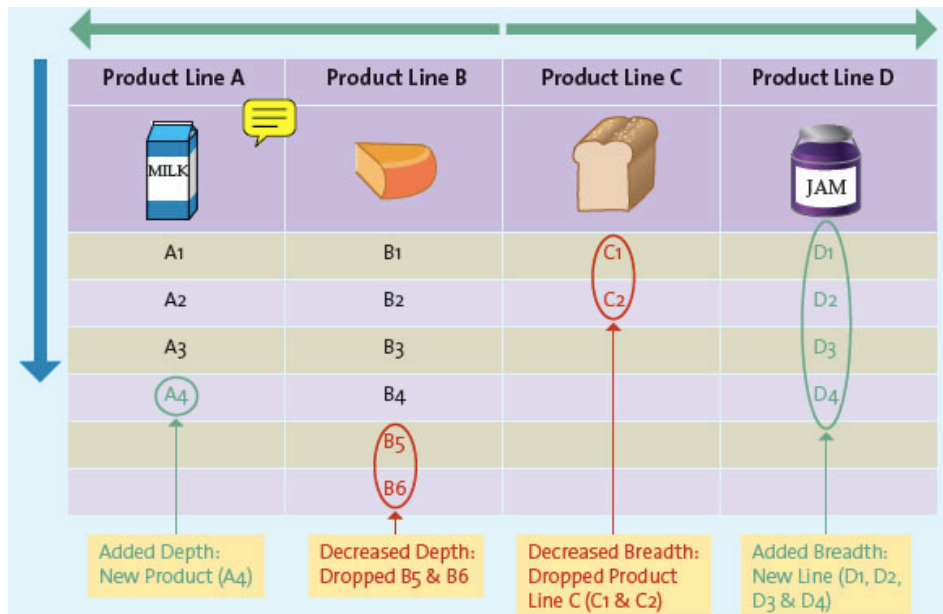
Product line depth

- The number of products within a product line

Stock keeping units (SKUs)

- Individual items within each product category; the smallest unit available for inventory control

Change Product Mix Breadth



Increase Breadth

- To capture new or evolving markets
- Increase sales
- Compete new venues

Decrease Breadth

- Sometimes necessary to delete entire product lines to address changing market conditions or meet internal strategic priorities

Change Product Line Depth

- Increases Breadth
 - Firms may add new products within a line to address changing consumer preferences
 - E.g. Levis => Walmart
- Decreases Breadth
 - From time to time it is necessary to delete product categories to realign resources

Change number of SKU (=stock keeping unit)

- Addition or deletion of SKUs in existing categories to stimulate sales or react to consumer demand.
- e.g. fashion manufacturer change SKUs every season

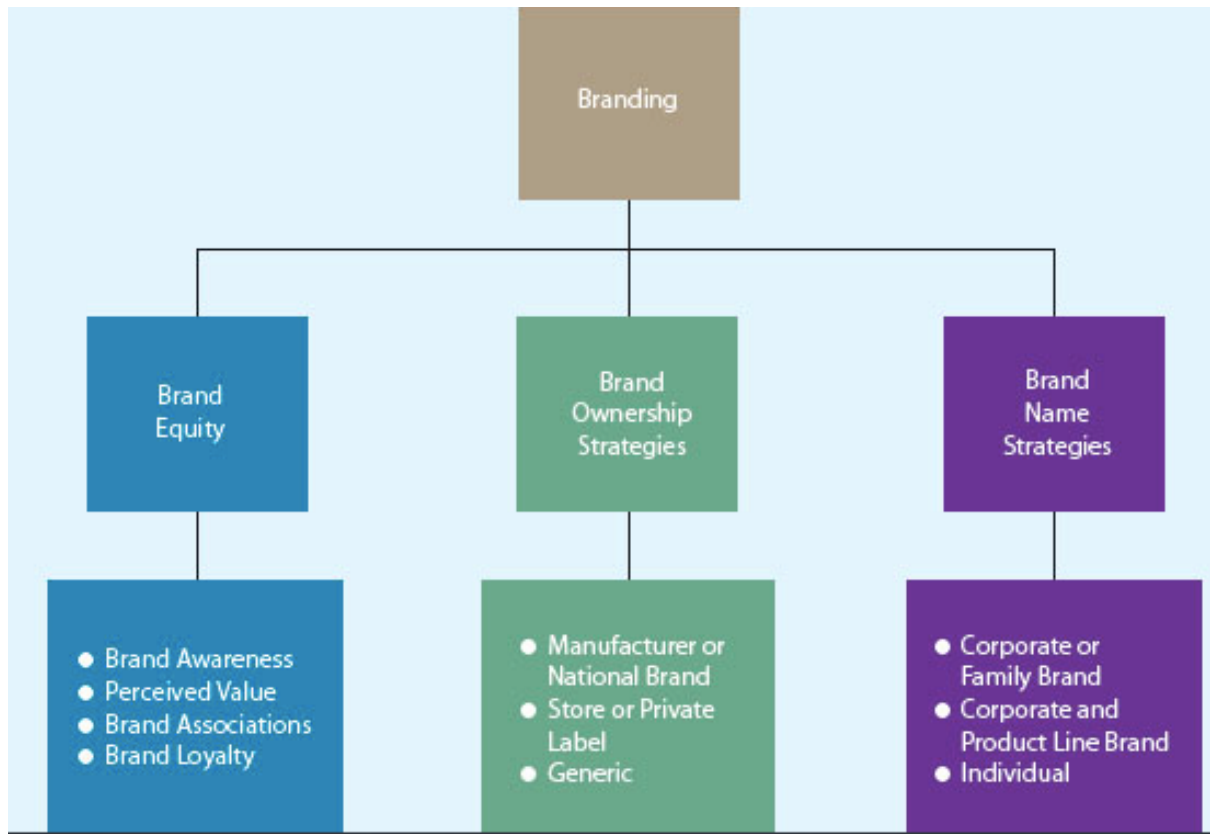
Branding



Value of Branding for the Customer and the Marketer

- Brands Facilitate Purchasing
 - Help consumers to make quick decisions
 - Signify a certain quality level and contain certain attributes
- Brands establish loyalty
 - Customer learn to trust certain brands
 - Become loyal => CocaCola drinker dont drink Pepsi
- Brand protect from competition and price competition
 - Strong brands are protected from competition and price competition
 - Such brands are more established in the market
- Brand reduce Marketing cost
 - Well-known brands can spend relatively less on marketing costs than firms with little-known brands
 - Product sell itself
- Brands are assets
 - Can be legally protected through brand marks and copyrights
 - Watchful to ensure that Counterfeit merchandise is not diluted
- Brands impact value
 - Well known brand can have a direct impact on the company`s bottom line

Brand Overview



Brand Equity

=> The set of assets and liabilities linked to a brand that add to or subtract from the value provided by the product or service

- Brand awareness
 - Measures how many consumers in a market are familiar with the brand and what it stands for; created through repeated exposures of the various brand elements (brand, name, logo, symbol, character, packaging, or slogan) in the firm's communication to consumer
- perceived value
 - the relationship between a product or service's benefits and cost.
- Brand association
 - The mental links that consumers make between a brand and its key product attributes; can involve a logo, slogan or famous personality.
 - Brand personality
 - Refers to set of human characteristics associated with a brand, which has symbolic or self-expressive meanings for consumers
- Brand loyalty
 - Occurs when a consumer buys the same brand's product or service repeatedly over time rather than buying from multiple suppliers within the same category

Brand Strategies



Brand Ownership

- Manufacturer brands
 - Brands owned and managed by the manufacturer
- Private label brands
 - Brands developed and marketed by a retailer and available only from that retailer
 - Generic
 - A product sold without a brand name, typically in commodities markets

Naming Brands and Product lines



- Corporate or family brand
 - The use of a firm's own corporate name to brand all of its product lines and products
- Corporate and Product line brands
 - The use of a combination of family brand name and individual brand name to distinguish a firm's products

- Individual Brands
 - The use of individual brand names for each of a firm's products
- Choosing a name

Brand Extension

=> *the use of the same brand name for new products being introduced to the same or new markets*

- e.g. Roots from Athletic clothes =>leather clothes
- e.g. CoCaCola using the same name in other countries
- brand dilution
 - occurs when a brand extension adversely affects consumer perceptions about the attributes the core brand is believed to hold.

Cobranding

- => *the practice of marketing two or more brands together, on the same package or promotion*

Brand Licensing

- a contractual arrangement between firms, whereby one firm allows another to use its brand name, logo, symbols, or character in exchange for a negotiated fee

Packaging

- => *important brand element with more tangible or physical benefits than the other brand elements because packages come in different types and offer a variety of benefits to consumers, manufacturer and retailers*
- protect product
- designed to make the product more ecological

examples Packaging:

- Stand-up, reclosable zipper pouches
 - Capri Sun
- Aluminium beverage cans
- Aseptic packaging
 - TetraPak | primarily used by juice marketers
- Child-resistant / senior friendly packages
- Green and biodegradable packaging

Labelling

- => *provide more information the consumer needs for his or her purchase decision and consumption of the product.*
- Identify product and brand
- Labels can be used for promotion

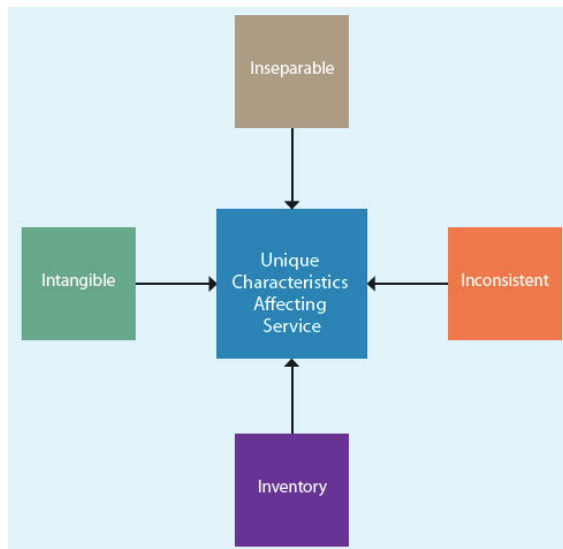
[10] Service: The intangible Product



customer service:

- specifically refers to human or mechanical activities firms undertake to help satisfy their customers needs and wants

Services Marketing differs from product marketing



Intangible

- A characteristic of a service; it cannot be touched, tasted, or seen like a pure product can.
- e.g. physical examination
- difficult to convey the benefits of service

Inseparable Production and Consumption

- Service are produced and consumed at the same time
- Production can not be separated from consumption

Inconsistent

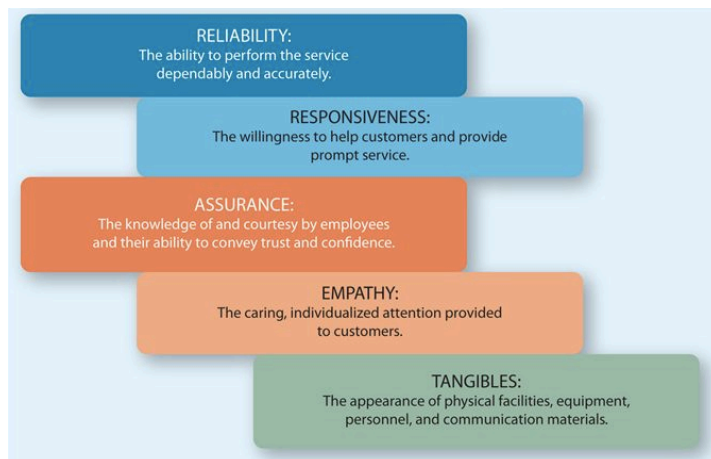
- its quality may vary because it is provided by humans

Inventory

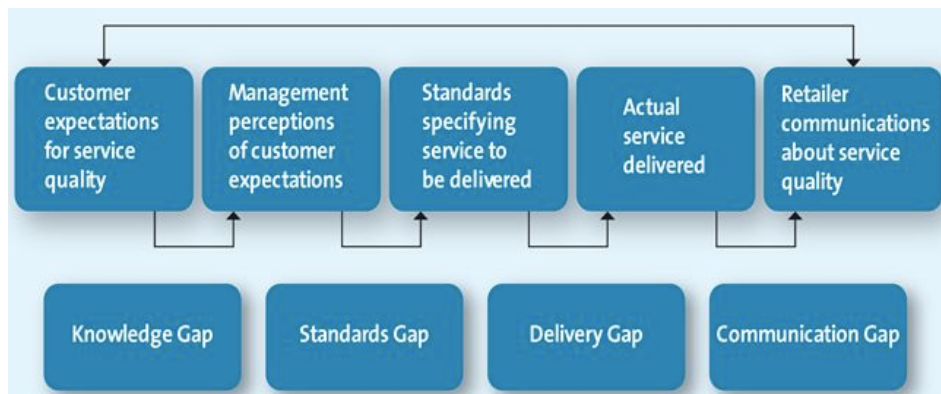
- It is perishable and cannot be stored for future use
- e.g. airlines offer less expensive tickets during off-peak period

Providing Great service: The gaps Model

Dimension Service Quality



Gaps Model



- Service gap:
 - Results when a service fails to meet the expectations that customer have about how it should be delivered

The knowledge gap: Kowing what customers want

=> reflects the difference between customers' expectations and the firms' perceptions or those expectations

- Understanding Customer expectation
 - Based on knowledge and experience
- Evaluating Service Quality by using well-established marketing metrics
 - To meet or exceed customers expectations, you have to dermine what are these expectations
 - Customer us 5 service dimensions
 - Reliability
 - Responsiveness
 - Assurance
 - Empathy
 - Tangibles

- Voice of customer program
 - an ongoing marketing research system that collects customer insights and intelligence to influence and drive business decisions
- zone of tolerance
 - the area between customers' expectation regarding their desired service and the minimum level of acceptable service – that is the difference between what the customer really wants and what he or she will accept before going elsewhere.

The standard Gap: Setting Service Standards

=> *pertains to the difference between the firm's perceptions of customers' expectation and the service standards it sets*

- Achieving Service Goals Through Training
 - set specific, measurable goals based on customers expectations
- Commitment to Service Quality

The delivery gap

=> *the difference between the firm's service standards and the actual service it provides to customer*

- Empowering Service Providers
 - Context of service delivery, means allowing employees to make decisions about how service is provided to customer
- Providing Support and Incentives
 - „service with a smile“
- Using Technology

The communication gap: Communicating the Service Promise

- Pertains to the difference to the service promised and the service actually delivered.

Service Recovery

=> *when a failure happens, the firm has a unique opportunity to demonstrate its customer commitment.*

Listening to the Customer

- Customer can become very emotional about a service failure

Finding a Fair Solution

- Distribute Fairness
 - Pertains to a customer's perception of the benefits he or she received compared with the costs that resulted from a service failure
- Procedural Fairness
 - Refers to the customer's perception of the fairness of the process used to resolve complaints about service

Resolving Problems Quickly

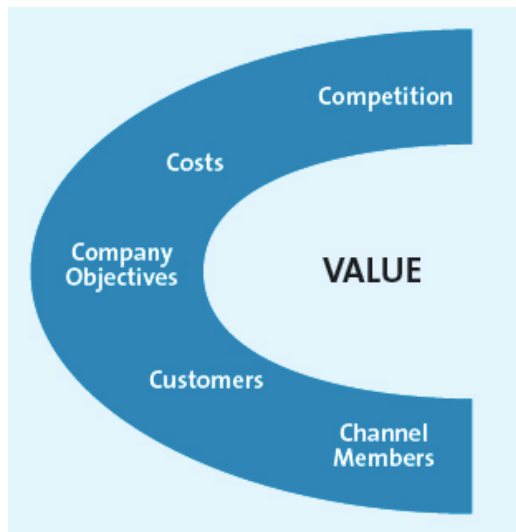
- The longer it takes to resolve a service failure, the more irritated the customer will become and the more people he or she is likely to tell about the problem.

[11] Pricing, Concepts and Strategies: Establishing value

Why it is important, how marketers set pricing objectives, and how various factors influence set pricing?

- Price is the most challenging of the 4 P to manage
- Price generates revenue
- Price can not be too low or to high
- Lower price => associated with lower quality

The Five C's of Pricing



Company Objectives

- Different goals
 - Walmart: value base company (**every day low pricing**)
- Profit orientation
 - A company objective that can be implemented by focusing on target profit pricing, maximizing profits, or target return pricing
 - Target profit pricing
 - a particular profit goal as their overriding concern; uses price to stimulate a certain level of sales at a certain profit per unit
 - maximizing profit strategy
 - mathematical model that captures all the factors required to explain and predict sales and profit which should be able to identify the price at which its profits are maximized
 - target return pricing
 - firms are less concerned with the absolute level or profits and more interested in the rate at which their profits are generated relative to their investments; designed to produce a specific return on investment, usually expressed as a percentage of sales

- Sales Orientation
 - => A company objective based on the belief that increasing sales will help the firm more than will increasing profit
 - e.g. health club low membership => unit sales, market share,
 - => Tiffany => dollar sales

Competitor Orientation

- => company objective based on the premise that the firm should measure itself primarily against its competition
- competitive parity
 - a strategy of setting prices that are similar to those of major competitors

Customer Orientation

- => pricing orientation that explicitly invokes the concept of customer value and setting prices to match consumer expectations

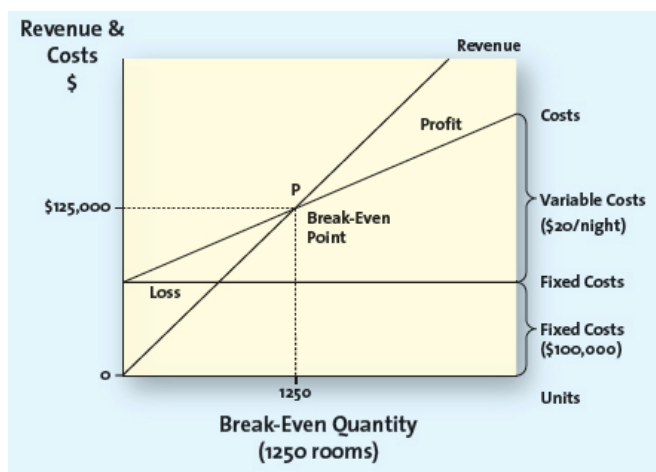
Customer

- Demand of curves and pricing
- Price elasticity of demand

Cost

- Variable costs
 - cost, primarily labour and materials, which vary with product volume
- Fixed costs
 - Costs that remain essentially at the same level, regardless of any changes in the volume of production
- Total costs
 - Sum of variable and fixed costs

Break-Even Analysis and Decision Making



- Break-even point
 - The point at which the number of units sold generates just enough revenue to equal the total costs; at this point, profits are zero.

$$\text{Break-even points (units)} = \frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

- contribution per unit
 - equals the price less the variable cost per unit; variable used to determine the break-even point in units

Competition

- Monopoly
 - Occurs when only one firm provides the product or service in a particular industry
- Oligopolistic competition
 - Occurs when only a few firms dominate a market
- Price war
 - Occurs when two or more firms compete primarily by lowering their prices
- Monopolistic competition
 - Occurs when many firms sell closely related but not homogeneous products; these products may be viewed as substitutes but are not perfect substitutes
- Pure competition
 - Occurs when different companies sell commodity products that consumers perceive as substitutable price usually is set according to the laws of supply and demand.

Channel Member

- => manufacturer, wholesalers, and retailers
- grey market
 - employs irregular but not necessarily illegal methods; generally, it legally circumvents authorized channels of distribution to sell goods at prices lower than those intended by the manufacturer

Other Influences on Pricing

The Internet

Economic Factors

- Cross shopping
 - The pattern of buying both premium and low priced merchandise or patronizing both expensive, status-oriented retailers and price-oriented retailers

Pricing Strategies

Cost-Based Methods

- Determines the final price to charge by starting with the cost, without recognizing the role that consumers or competitors' prices play in the marketplace

Competitor-Based Methods

- An approach that attempts to reflect how the firm wants consumers to interpret its products relative to the competitors' offerings
- Premium pricing
 - A competitor-based pricing method by which the firm deliberately prices a product above the prices set for competing products to capture those consumers who always shop for the best or for whom price does not matter
 -

Value-Based Methods

=> focuses on the overall value of the product offerin as perceived by consumers, who determine value by comparing the benefits they expect the product to deliver with the sacrifice they will need to mae to acquire the product

- Improvement Value Method
 - Estimate how much more or less consumers are willing to pay for a product relative to other comparable products
- Cost of Ownership Method
 - A value-based method for setting prices that determines the total cost of owning the product over its useful life

New Product Pricing

Price Skimming

- Strategy of selling a new product or service at a high price that innovators and early adopters are willing to pay to obtain it; after the high-price market segment becomes saturated and sales begin to slow down, the firm generally lowers the price to capture (or skim) the next most price sensitive segment.

Market Penetration Pricing

- A pricing strategy of setting the initial price low for the introduction of the new product or service, with the objectives of building sales, market share, and profits quickly
- Experienced curve effect
 - Refers to the drop in unit cost as the accumulated volume sold increases; as sales continue to grow, the costs continue to drop, allowing even further reductions in the price.

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Psychological Factors Affecting Value-Based Pricing Strategies

Consumers' Use of Reference Prices

- Buyers compare the actual selling price of the product and that facilitate their evaluation process

Everyday Low Pricing (EDLP) vs. High/Low Pricing

- Use to emphasize the continuity of their retail prices at a level somewhere between the regular, nonsale price and the deep-discount sale prices their competitors may offer
- Not every item will be priced low => average prices tend to be lower => Walmart
- High/low pricing
 - Relies on the promotion of sales during which prices are temporarily reduced to encourage purchases

Odd Prices

- Prices that end in odd numbers, usually 9, such as 3.99
- e.g. 2.99, 3.99, 4.77...

The quality-relationship

- High price => higher quality

Pricing Tactics

=> short term methods in contrast to long-term pricing strategies, used to focus on company objectives, customer, costs, competition or channel members; can be responses to competitive threats (lowering price temporarily) or broadly accepted methods of calculating a final price for the customer that is short in nature.

Business-to business pricing tactics and discounts

- Seasonal discounts
 - Offering an additional reduction as an incentive to retailers to order merchandise in advance of the normal buying season
- Cash discounts
 - Offerin a reduction in the invoice cost, if the buyer paysthe invoice prior to the end of the discount period.
- Allowances
 - Offering a price reduction to channel members if they agree to feature the manufacturer's product in their advertisement and promotional efforts
- Quantity discounts
 - Offering a reduced price according to the amount purchased; the more the buyer purchases, the higher the discount and, of course the greater the value
 - Cumulative quantitative discount

- Offers a discount based on the amount purchased over a specified period and usually involves several transactions
- Uniform delivered vs. geographic pricing
 - Uniform delivered
 - Shipper charges one rate, no matter where the buyer is located
 - Geographic pricing
 - The setting of different prices depending on a geographical division of the delivery areas

Pricing Tactics Aimed at Consumers

- Price Lining
 - Establishing a price floor and a price ceiling for an entire line of similar products and then setting a few other price points in between to represent distinct differences in quality
- Price Bundling
 - Selling more than one product for a single, lower price than what the items would cost sold separately; can be used to sell slow-moving items to encourage customers to stock up so they won't purchase competing brands to encourage trial of a new product
- Leader Pricing
 - Tactic that attempts to build store traffic by aggressively pricing and advertising a regularly purchased item, often priced at or just above the store's cost.

Consumer Price Reductions

- Markdowns
 - Reductions retailers take on the initial selling price of the product or service
- Quantity Discounts for consumers
 - Size discount
 - The larger the quantity bought, the less the cost per unit
- Seasonal discounts
 - Stimulate demand during off-peak season
- Coupons and rebates
 - Coupons
 - A stated discount to consumers on the final selling price of a specific item; the retailer handles the discount
 - Rebate
 - A portion of the purchase price is returned to the buyer in cash. The manufacturer, not the retailer, issues the refund.

Legal and Ethical Aspects of Pricing

Deceptive or illegal price advertising

- Deceptive references prices
- Loss leader pricing
 - Leader pricing one step further by lowering the price below the store's cost
- Bait and switch
 - Luring the customer into the store with a very low advertised price on an item (bait), only to aggressively pressure these customers into purchasing a higher price item.

Predatory Pricing

- Setting a very low price for one or more of its products with the intent of driving its competition out of business; illegal under the competition act.

Price Discrimination

- Selling the same product to different resellers (wholesalers, distributor...) or to the ultimate consumer at different prices; some but not all, forms of price discrimination are illegal

Price Fixing

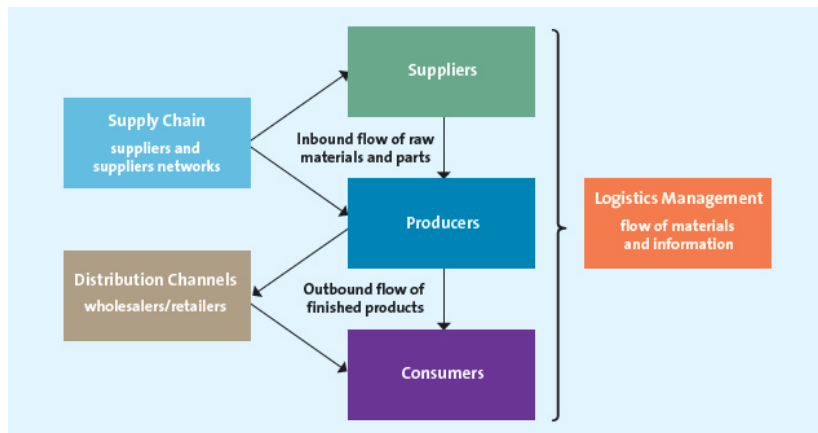
- Practice of colluding with other firms to control prices.

[12] Marketing Channels: Distribution Strategy

The Importance of Distribution

=> a good distribution strategy is key to the successful launch of new product.

Distribution Channels, Supply Chain and logistics are related



- Distribution channel:
 - The institutions that transfer the ownership of and move goods from the point of production to the point of consumption.
- Supply Chain Management:
 - Refers to a set of approaches and techniques firms employ to efficiently and effectively integrate their suppliers, manufacturer, warehouses, stores, and transportation
 - Right quantity to the right location, and at the right time.
- Logistic Management
 - The integration of two or more activities for the purpose of planning, implementing, and controlling the efficient flow of raw materials, in-process inventory, and finished goods from the point of origin to the point of consumption

Distribution Channels Add Value

- various transactional, logistical and facilitating functions
- e.g. buying: retailers, wholesalers; selling: manufacturer
- Each channel member perform a specialized role
- Members are replaceable

Transactional Function

Buying—purchase goods for resale to other intermediaries or consumers

Risk Taking—ownership of inventory that can become outdated

Promotion—promote products to attract consumers

Selling—transact with potential customers

Logistical Function

Physical Distribution—transport goods to point of purchase

Storing—maintain inventory and protect goods

Facilitating Function

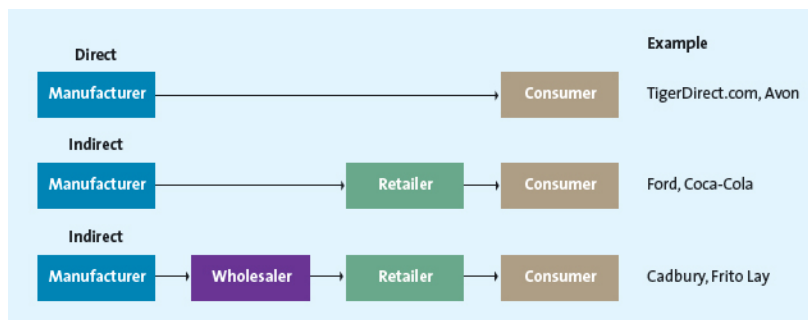
Gather Information—share competitive intelligence about customers or other channel members

Financing—extend credit and other financial services to consumers

Designing Distribution Channels

=> choosing from whom a company buys or to whom it sells

Channel Structure



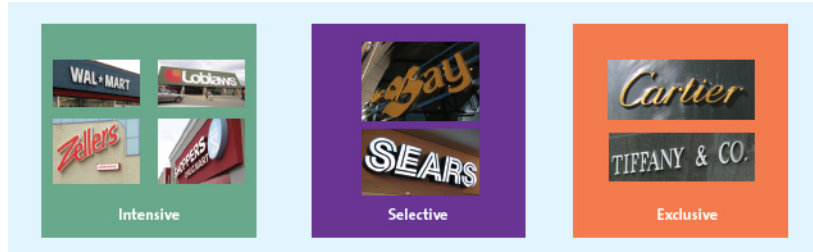
- **Direct Distribution**
 - Deal directly with consumers
 - e.g. Dell, TigerDirect.com, Avon, Tupperware
- **Indirect Distribution**
 - One or more intermediaries work with manufacturers to provide goods and services to customer
 - Dealers acting as retailers
 - Used by many automotive manufacturer such as Ford, GM, Daimler Chrysler...
- **Multichannel Distribution**
 - to reach consumers and business customers
 - e.g. Sony sell through stores and retailers (Apple as well)
- **Customer Expectations**
 - determine customer expectations
 - retailer have to know which manufacturer its customer want to buy
 - companies need to stay abreast of changes where customers buy products and what product they request and then change the strategy

- *Channel Member Characteristics*

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Distribution Intensity

=> *the number of channel members to use at each level of the supply*

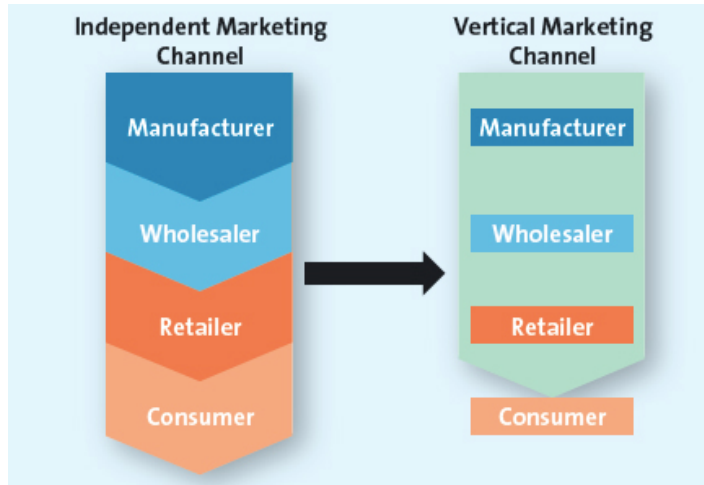


- *Intensive Distribution*
 - A strategy designed to get product into as many outlets as possible
 - e.g. Pepsi, P&G, Kraft
- *Exclusive Distribution*
 - Strategy of granting exclusive right to sell to one or very few retail customers so no other customer can sell a particular brand.
 - e.g. Rolex sold only by high-end jewelers
 - Exclusive geographic territories
 - Granted to one or very few retail customers by a manufacturer using an exclusive distribution strategy; no other customers can sell a particular brand in these territories.
- *Selective Distribution*
 - lies between the intensive and exclusive distribution strategies; uses a few selected customers in a territory
 - e.g. branded pots and pans, sheets and towels....

Managing Distribution Channels

Channel conflict:

- Results when supply chain members are not in agreement about their goals, roles or rewards



Managing Channels through Vertical Marketing Systems

- *Administered Vertical Marketing Systems*
 - A supply chain system in which there is no common ownership and no contractual relationships, but the dominant channel member controls the channel relationship
- *Contractual Vertical Marketing Systems*
 - A system in which independent firms at different levels of supply chain join together through contracts to obtain economies of scale and coordination and to reduce conflict.
 - Franchising:
 - A contractual agreement between two parties. Franchisee operate a retail outlet, using a name and format developed and supported by the franchisor
- *Corporate Vertical Marketing Systems*
 - => a system in which the parent company has complete control and can dictate the priorities and objectives of the supply chain. It may own facilities such as manufacturing plants, warehouse facilities, retail outlets, and design studios.
 - e.g. Zara: Zara controls the supply chain because of „fast fashion“ Zara manufactures these items itself.

Supply Chains Add Value

- Each participant add different value

Supply Chain Management Streamlines Distribution

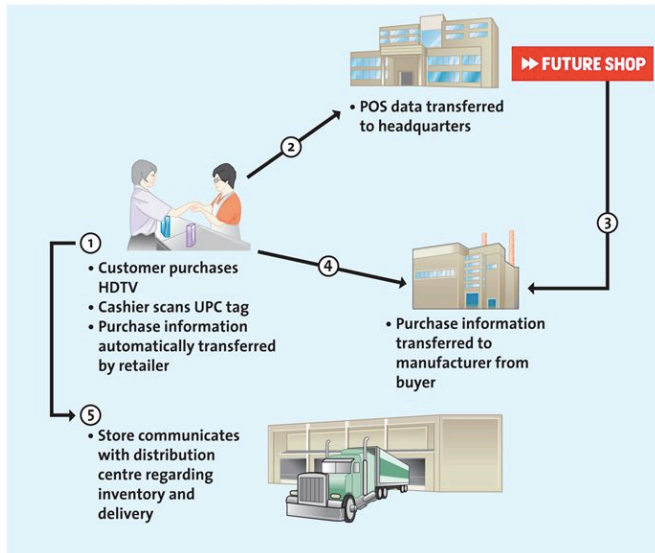
- Direct supply chain with no retailer
- Indirect supply Chain with retailer

Supply Chain Management Affects Marketing

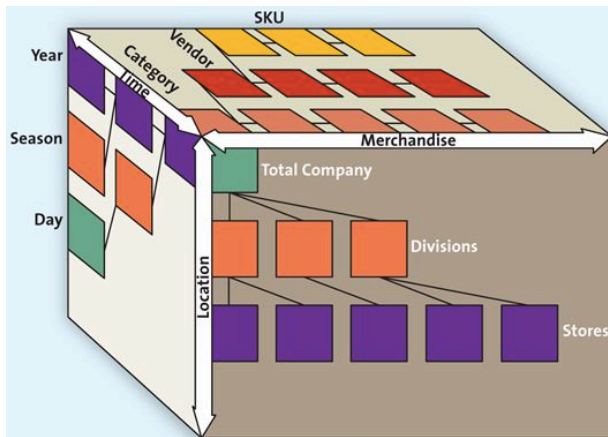
- Distribution centre

- => a facility for the receipt storage, and redistribution of goods to company stores or customer; may be operated by retailers, manufacturer, or distribution specialists.

Logistics Management: Marketing Information Flow



Data Warehouse



Electronic Data Interchange

=> the computer-to-computer exchange of business documents from a retailer to a vendor and back

- advanced shipping notice
 - an electronic document that the supplier send the retailer in advance of a shipment to tell the retailer exactly what to expect in the shipment.
-

Managing Supply Chains through strategic Relationships

=> a supply chain relationship, that the members are committed to maintaining long term, investing in opportunities that are mutually beneficial:

- Mutual Trust

- Holds strategic relationship together
- More willing to share ideas
- Less need for monitor the other members of the SC
- Open Communication
 - e.g. Harry Rosen => open communication about salesforecast...
- Common Goals
 - SC members must have common goals for a successful relationship.
- Credible Commitments
 - Spending money to improve the products or service provided to a customer
 - e.g. Harry Rosen makes a financial commitment to its supplier to help them to develop state-of-the art manufacturing facilities and computer systems for improved communication.

Logistics Management: Making Merchandise Flow

Inbound Transportation

Receiving and Checking

- Radio frequency identification (RFID) tags
 - Tiny computer chips that automatically transmit to a special scanner all the information about a container contents or individual products.

Storing and Cross Docking

Getting Merchandise Floor-Ready

Shipping Merchandise to Stores

Inventory Management through Just-In-Time Systems

- Just-In-Time
 - Deliver less merchandise on a more frequent basis than traditional inventory systems; the firm gets the merchandise „just in time“ for it to be used in the manufacture of another product; also known as quick response (QR) systems in retailing.
- Quick response (QR)
 - Merchandise is received just in time for sale when the customer wants it.
- Lead time
 - The amount of time between the recognition that an order needs to be placed and the arrival of the needed merchandise at the seller's store, ready for sale.

[13] Retailing

=> the set of business activities that add value to products and services sold to consumers for their personal or family use; includes products bought at stores, through catalogues, and over the internet, as well as services such as fast-food restaurants, airlines, and hotels



Choosing Retail Partners

- Retailer create value by putting all different selections of an product type together
- E.g. a suit, different models, different manufacturer

Channel Structure (P.425)

- Manufacturer determine by the degree of which the channel is vertically integrated, the degree of which the manufacturer has a strong brand or is otherwise desirable in the market.

Customer Expectations

- Retailer: It is important to know from which manufacturers its customer want to buy.
- Manufacturer: have to know where the target market customers expect to find their products and those of their competitors
- Customer expect to find certain products at some stores but not at others.

Channel Member Characteristics

- The larger and more sophisticated the channel member, the less likely that it will use supply chain intermediaries
- Walmart buys directly from the manufacturere (relationship)
- Small unknown brands will use a group of independent sales people
- Well known brands willl use the own sales force with already existing relationships in the industry

Identifying Types of Retailers

- Manufacturer need to understand the general characteristic of different types of retailers

Food Retailers

Category	Description	Examples
Conventional Supermarket	Offers groceries, meat, and produce with limited sales of nonfood items, such as health and beauty aids and general merchandise, in a self-service format.	Safeway is a popular supermarket in western Canada; Sobeys is common on the East Coast.
Big-Box Food Retailer	Comes in three types: supercentres, hypermarkets, and warehouse clubs. Larger than conventional supermarkets, they carry both food and nonfood items.	Supercentres and warehouse clubs are popular in Canada, whereas hypermarkets tend to flourish in Europe and South America. Hypermarkets (Carrefour) and warehouse clubs (Costco) generally carry a greater percentage of food.
Convenience Store	Provides a limited number of items at convenient locations in small stores with speedy checkout.	Stores such as 7-Eleven generally charge higher prices than most other types of food stores. Most convenience stores also sell gasoline, which accounts for more than 55 percent of their annual sales.

General Merchandise Retailers

=> may sell through multiple channels such as the internet and catalogues

- Discount Stores
 - Broad variety of merchandise, limited service, and low prices.
 - e.g. Walmart, Zellers
- Specialty Stores
 - Concentrates on a limited number of complementary merchandise categories in a relative small store
 - Tailor their retail strategy toward a specific market segments:
 - e.g. LVMH (Louis Vuitton – Meot Hennesey) => Luxury
- Category Specialists (=called: category killers)
 - Offers a narrow variety but a deep assortment of merchandise
 - Large specialty stores
 - Paderno (home and kitchen tools)
 - Chapter Indigo (books)
 - Future shop (electronics)
 - Rona (home improvement)
- Department Stores
 - Carry many different types of merchandise (broad variety) and lots of items within each type (deep assortment), offer some customer service, and are organized into several departments to display their merchandise.
 - Lost market share to category specialists, specialty stores, discount stores.
- Drugstores

- Specialty stores that concentrate on health and personal grooming merchandise, though pharmaceuticals often represent more than 60 percent of their sales.
- E.g. Shopper Drug Mart, Jean Coutu, PharmaSave, London Drugs
- Off-Price Retailers
 - => *a type of retailers that offers an inconsistent assortment of merchandise at relatively low price*

Creating a Retail Strategy

Extreme value retailer

- *A general merchandise discount store found in lower-income urban or rural areas*
- => once the target market is selected, retailers must develop product merchandising, pricing, promotion and place

Product

- Providing the right mix of products

Price

- Helps define the value of the merchandise and service
- Manufacturer must consider at what price they will sell the product to retailers so that both can make a reasonable profit

Promotion

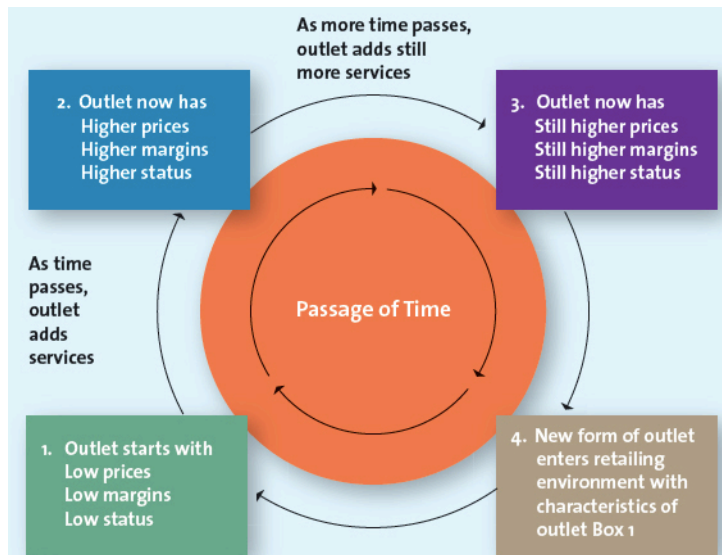
- Cooperative advertising
 - Agreement between a manufacturer and retailer in which the manufacturer agrees to defray some advertising costs
- Share of wallet
 - Percentage of the customer's purchase made from a particular retailer

Place

- Important aspect of success is convenient locations

The Changing Retail Landscape

- As the definition of quality changes, so does their definition of value
- Value retailers continue to improve their shopability => providing more convenient store layouts and shopping experience



Exploring Multichannel Options

=> e.g. ordering by phone, homepage, in-store

Channels for selling to customers

- Store Channel
 - Browsing:
 - go to the store and see what is there
 - Touching, Feelling:
 - greatest benefit from stores
 - Personal service:
 - provide meaningful personalized information
 - Cash and credit payment
 - Only channel that provides paying cash
 - Entertainment and social interaction:
 - stimulating experience, interact with friends
 - Instant gratification
 - Advantage of allowing customer to get the merchandise immediately after they buy it.
 - Risk reduction
 - It reduces customers perceived risk of buying and increase their confidence that any problems with the merchandise will be corrected
- Kiosk Channel
 - Broader selection
 - Access to item online that are out of stock in store
 - Access to wish lists and gift registries
 - Access to loyalty programm information
- Catalogue Channel
 - Convenience

- Easily accessible for a long period of time
 - Information
 - How the product can be used => IKEA
 - Safety
 - Safe environment, your home.
- Internet Channel
 - Broader selection
 - More information to evaluate merchandise
 - Personalization
 - Personalized Customer Service
 - Personalized Offering

Challenges in Selling Merchandise via the Internet

- Role of Brands
 - Consistent experience for customer (they don't have to touch and feel)
- Using Technology
 - Convert touch-and-feel into look-and-see
 - 3D imaging or zoom technology
- Services
 - Additional information such as recommendation

Perceived Risks in Electronic Shopping

- Security of credit card transaction
- Potential privacy violations

Evolution Toward Multichannel Marketing

Multi-channel retailers

- Retailers that sell merchandise in more than one retail channel (e.g. store, catalogue, and internet)

Overcoming the Limitations of an Existing Format

- The amount of product offered in a store is limited
- Inconsistent execution in a store
- Catalogue retailer can use e-channel to overcome the limitation of its catalogue

Expanding Market Presence

- Internet => low entry costs and constantly improving search engines

Increasing Share of Wallet

- Electronic channel may draw away some sales from other channels => more total purchase

Gaining Insights into Customers' Shopping Behaviour

- Gathering data about shopping behaviour => CRM

Will manufacturers Bypass Retailers and sell directly to consumers

- Manufacturer can create a own retail site on the internet

[14] Integrated Marketing Communication

Integrated Marketing Communication

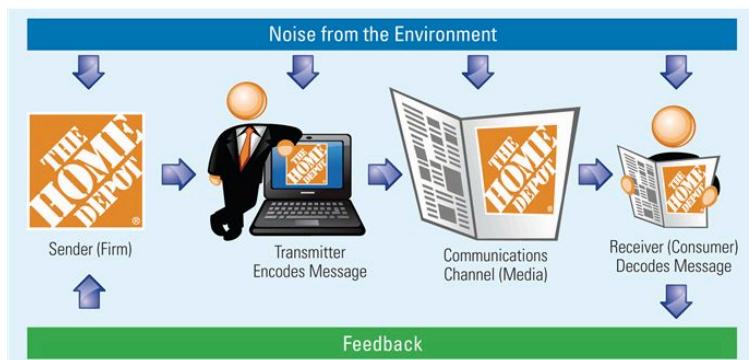
=> represents the promotion dimension of the four Ps; encompasses a variety of communication disciplines – general advertising, personal selling, sales promotion, public relations direct marketing, and electronic media – in combination to provide clarity, consistency and maximum communicative impact.

Communication with Consumers

How communications go from the firm to the consumer?

How marketing communications influence consumers?

The Communication Process



- The sender
 - The company from which an IMC message originates; the sender must be clearly identified to the intended audience.
 - Deceptive advertising:
 - A representation, omission act, or practice in an advertisement that is likely to mislead consumers acting reasonably under the circumstances.
- The Transmitter
 - An agent or intermediary with which the sender works to develop the marketing communications; for example a firm's creative department or an advertising agency
- Encoding
 - The process of converting the sender's ideas into a message, which could be verbal, visual, or both.
- The Communication Channel
 - the medium (print, broadcast, the internet) that carries the message.
- The Receiver
 - the person who reads, hears, or sees and processes the information contained in the message or advertisement
- Noise

- any inference that stems from competing messages, a lack of clarity in the message, or flaw in the medium a problem for all communication channels.
- Feedback Loop
 - Allows the receiver to communicate with the sender and thereby informs the sender whether the message was received and decoded properly.

How Consumers Perceive Communication

- Receivers Decode Message Differently
 - Each receiver decodes in his own way
 - Different people => different meanings
- Senders Adjust Messages According to the Medium and Receivers Traits
 - Different media communicate in different ways

Integrated Marketing Communication Tools



Advertising

- *a paid form of communication from an identifiable source delivered through a communication channel, and design to persuade the receiver to take some action, now or in the future*
- online / offline, passive / interactive
- nowadays online and interactive
- e.g. banner ads, web-based contests, or online coupons are all offered online
- remind consumers of existing brands
- advertising must break through the clutter the clutter of other messages to reach its intended audience

Personal Selling

- *the two-way flow of communication between a buyer and a seller that is designed to influence the buyers purchase decision*
- e.g. face to face, teleconferencing, on the telephone, or over the internet
- high costs

- the best and most efficient way to sell certain products

Sales promotion

- *Special incentives or excitement – building programs that encourage the purchase of a product or service, such as coupons, rebates, contests, free samples and point of purchase displays.*
- also online => e-coupons

Direct Marketing

=> *Marketing that communicates directly with target customers to generate a response or transaction.*

- Direct Mail/Email
 - *a targeted form of communication distributed to a prospective customer's mailbox or inbox*
 - mailing list necessary
- Catalogues
 - Typically mailed, sometimes download from the website e.g. IKEA, Business Depot,
 - Important for companies with no bricks and mortar locations.
 - Some Companies are without a store (e.g. Grand River Toys)
- Direct Response TV
 - *TV Commercial or infomercials with a strong call to action*
 - 60-100 sec. Format
 - 1-800 number, return mail adress or website
- Kiosks
 - Electronic kiosks can bes used to facilitate the way services companies deliver their service to customer
 - e.g. allowing passengers at airports to quickly print prebooked tickets,
 - can be used to sell service and products

Public Relations

=> *the organizational function that manages the firms communications to achieve a variety of objectives, including building and maintaining a positive image, handling or heading of unfavourable stories or events, and maintaining positive relationships with the media*

Electronic Media

Tools ranging from simple website content to far more interactive features such as corporate blogs, online games, text messaging, social media and mobile apps

- Websites
- Blogs

- Online Games
- Text Messaging
- Social Media
- Mobile Apps

Steps in Planning an IMC Campaign

1) Identify Target Audience

2) Set Objectives

- advertising plan
 - a section of the firm's overall marketing plan that explicitly outlines the objectives of the advertising campaign, how the campaign might accomplish those objectives and how the firm can determine whether the campaign was successful.
- pull strategy
 - designed to get consumers to pull the product into the supply chain by demanding retailers carry it.
- push strategy
 - designed to increase demand by focusing on wholesalers, distributors or salespeople, who push the product to consumers via distribution channels.

3) Determine Budget

Method	Definition	Limitations
Objective and Task	The communication budget is set based on the cost of specific tasks required to achieve stated communication objectives.	<ul style="list-style-type: none"> It can be difficult to identify the specific tasks that will achieve the objectives and, as a result, it is the most difficult method to use.
Competitive Parity	A method of determining a communications budget in which the firm's share of the communication expenses is in line with its market share.	<ul style="list-style-type: none"> Prevents firms from exploiting the unique opportunities or problems they confront in a market. If all competitors use this method to set communication budgets, their market shares will stay approximately the same over time.
Percentage-of-Sales	A method of determining a communications budget that is based on a fixed percentage of forecasted sales. For example, a company with \$2.5 million in projected sales that allocates 3.5% to advertising would have a budget of \$87,500.	<ul style="list-style-type: none"> Assumes the percentage used in the past, or by competitors, is still appropriate for the firm. Does not take into account new plans (e.g., to introduce a new line of products in the current year).
Affordable Budgeting	A method of determining a communications budget based on what is left over after other operating costs have been covered. That is, marketers forecast their sales and expenses, excluding communication, during the budgeting period. The difference between the forecast sales, minus expenses plus desired profit is applied to the communication budget (i.e., the budget is the money available after operating costs and profits).	<ul style="list-style-type: none"> Assumes communication expenses do not stimulate sales and profit.

4) Convey Message

- The Message
 - Provides the target audience with reasons to respond in the desired way.
 - Starting point: tout key benefits of the product or service
 - Communicate problem solving ability clearly
 - USP: unique selling proposition e.g. Nike => „Just do it“
- The Appeal
 - Rational appeal
 - Helps consumers make purchase decisions by offering factual information and strong arguments built around relevant issues that encourage consumer to evaluate the brand favourably on the basis of the key benefits it provides
 - Emotional appeal
 - Aims to satisfy consumers emotional desires rather than their utilitarian needs

5) Evaluate and Select Media

- Mass and Niche Media
 - Mass Media:

- e.g. national newspaper, magazines, radio and television
- reaching large number of anonymous audience members
- Niche media:
 - e.g. cable TV, direct mail, specialty magazines
 - more focused and generally used to reach narrower segments, often with unique demographic characteristics
- Choosing the right medium

Medium	Advantages	Disadvantages
Television	<ul style="list-style-type: none"> ● Has wide reach ● Incorporates sound and video 	<ul style="list-style-type: none"> ● Has high cost ● Has cluttered airways ● May increase awareness of competitor's products
Radio	<ul style="list-style-type: none"> ● Is relatively inexpensive ● Can be selectively targeted ● Has wide reach 	<ul style="list-style-type: none"> ● Is not limited by constraints of video ● Is not likely to attract consumers' focused attention as TV does ● Has short exposure periods
Magazines	<ul style="list-style-type: none"> ● Are very targeted ● Reach wider audience if subscribers pass them along to others 	<ul style="list-style-type: none"> ● Are relatively inflexible ● Have long lead times
Newspapers	<ul style="list-style-type: none"> ● Are flexible ● Are timely ● Can localize 	<ul style="list-style-type: none"> ● Can be expensive in some markets ● Can involve potential loss of control over placement ● Have short lifespans
Internet	<ul style="list-style-type: none"> ● Can be linked to detailed content ● Is highly flexible and interactive ● Allows for specific targeting 	<ul style="list-style-type: none"> ● Cannot easily compare costs to other media ● Is becoming cluttered ● Can be blocked by software prohibiting delivery
Out-of-Home	<ul style="list-style-type: none"> ● Is relatively inexpensive ● Offers opportunities for repeat exposure ● Is easy to change 	<ul style="list-style-type: none"> ● Is not easily targeted ● Has placement problems in some markets ● Has very short exposure time
Direct Mail	<ul style="list-style-type: none"> ● Is highly targeted ● Allows for personalization 	<ul style="list-style-type: none"> ● Is relatively expensive ● Is often considered "junk mail"

- Determining the Advertising Schedule
 - Specifies the timing and duration of advertising
 - Continuous schedule:
 - runs steadily throughout the year
 - Flighting schedule:
 - periods of heavy advertising and no advertising

- Pulsing
 - combines continuous and flighting schedules

6) Create Communication

- message and appeal are translated into words, pictures, colours and/or music

7) Assess Impact by Using Marketing Metrics

- pretesting:
 - assessments performed before an ad campaign is implemented to ensure that the various elements are working in an integrated fashion and doing what they are intended to do.
- tracking:
 - includes monitoring key indicators, such as daily or weekly sales volume, while the advertisement is running to shed light on any problems with the message or medium
- posttesting
 - the evaluation of an IMC campaign's impact after it has been implemented

Results: Measuring IMC Success

Frequency

- Measure of how often the target audience is exposed to a communication within a specific period of time

Reach

- Measure of consumers' exposure to marketing communications; the percentage of the target population exposed to a specific marketing communication, such as an advertisement, at least once.

Gross rating points (GRP)

- Measure used of various media advertising – print, radio or television
- $GRP = reach \times frequency$

Click-through tracking

- Measures how many times users click on banner advertising on websites

[15] Advertising, Sales Promotions, and Personal Selling

Advertising

- Marketing communication is not a straightforward process
- Not always a direct link between a particular marketing communication and a consumer purchase

The AIDA Model

=> a common model of the series of mental stages through which consumers move as a result of marketing communications:

THINK => FEEL => DO

- Attention
 - Strength of the link between the brand name and the type of merchandise in the minds of customers
 - Aided-recall:
 - Consumers recognize the brand when its name is presented to them.
 - Top-of-mind awareness:
 - a brand has a prominent place in people's memories that triggers a response => e.g. RIM
- Interest
 - Increase customer's interest level through communication
 - It is not enough that customer know the product exist
- Desire
 - Move from "I like it" (interest) to "I want it"
 - firms have to make the car seem unique
- Action
 - act on the interest to make an purchase
 - e.g. signing membership, subscription
- The Lagged Effect
 - => a delayed response to a marketing communication campaign
 - Sometimes consumers don't act immediately

Advertising Objectives

- advertising is not free
- must be carried by some medium
- source of the message must be known
- represents a persuasive form of communication, to get the consumer to get action
 - Informative Advertising

- => *communication used to create and build brand awareness, with the ultimate goal of moving the consumer through the buying cycle to a purchase*
- used by retailer to inform customers about an upcoming sale
- Persuasive Advertising
 - => *Communication used to motivate consumers to take action*
 - occurs in growth and early maturity stages of the PLC
 - used to reposition an established brand by persuading consumers to change their existing perceptions of the advertised product
 - e.g. action-oriented campaign (video clips)
- Reminder Advertising
 - Used to remind consumers of a product or to prompt repurchases
 - Especially for products that have gained market acceptance
 - e.g. ordered coke when you really wanted ice tea => you saw an Coca-Cola umbrella before
- Focus of Advertising
 - Focus the effort on attracting awareness
 - Product-focused
 - Used to inform, persuade, or remind consumers about a specific product
 - Institutional advertisement
 - Used to inform, persuade and remind consumers about issues related to places, politics, an industry or a particular corporation
 - Public service announcement (PSA)
 - Advertising that focuses on public welfare and generally is sponsored by nonprofit institutions, civic groups, religious organizations, trade associations, or political groups; a form of social marketing.
 - Social marketing
 - The application of marketing principles to a social issue to bring about attitudinal and behavioural change among the general public or a specific population segment.

Regulatory and Ethical Issues in Advertising

- Complex mix of formal laws and informal restrictions

Agency/Legislation	General Purpose	Specific Jurisdiction
Competition Bureau Canada The Competition Act (1986)	Enforces federal laws that ensure businesses in Canada operate in a fair and equitable manner.	Enforces laws relating to misleading advertising and deceptive marketing practices.
Canadian Radio-television and Telecommunications Commission (CRTC; 1968)	Regulates and supervises all aspects of the Canadian broadcasting system, and regulates telecommunications common carriers and service providers that fall under federal jurisdiction.	Enforces restrictions on broadcasting material. Also administers codes that have an impact on specific categories of advertising, for example, the Code for Broadcast Advertising of Alcoholic Beverages.
Health Canada Food and Drug Act (1954)	Regulates food, drugs, cosmetics, and medical devices.	Establishes standards and requirements for the safety and sanitation of products. Regulates the labelling of food products pertaining to nutrition labelling, nutrient content, and health claims.
Advertising Standards Canada (ASC; 1957)	Monitors voluntary advertising industry codes.	Administers the Canadian Code of Advertising Standards, the Gender Portrayal Guidelines, and the Broadcast Code for Advertising to Children.

Stealth Marketing

- A strategy used to attract consumers that employs tactics which deliver a sales message in unconventional ways, often without the target audience knowing that the message even has a selling intent
- Viral marketing
 - A marketing phenomenon that encourages people to pass along a marketing message to other potential consumers.

Sales Promotion

Consumer Sales Promotions

Promotion	Objective	Advantages	Disadvantages
Coupons	Stimulate demand.	<ul style="list-style-type: none"> Encourages retailer support. Allows for direct tracing of sales. 	<ul style="list-style-type: none"> Has low redemption rates. Has high cost.
Deals	Encourage trial.	<ul style="list-style-type: none"> Reduces consumer risk. Retaliates against competitive action. 	<ul style="list-style-type: none"> May reduce perception of value.
Premiums	Build goodwill.	<ul style="list-style-type: none"> Increases perception of value. 	<ul style="list-style-type: none"> Results in consumers that buy for premium not the product. Has to be carefully managed.
Contests	Increase consumer involvement.	<ul style="list-style-type: none"> Generates excitement. 	<ul style="list-style-type: none"> Requires creativity. Must be monitored.
Sweepstakes	Encourage higher consumption.	<ul style="list-style-type: none"> Minimizes brand switching among existing consumers. 	<ul style="list-style-type: none"> Sales often decline after.
Samples	Encourage trial.	<ul style="list-style-type: none"> Offers direct involvement. 	<ul style="list-style-type: none"> Has high cost to the firm.
Loyalty Programs	Encourage repurchase.	<ul style="list-style-type: none"> Creates loyalty. 	<ul style="list-style-type: none"> Has high cost to the firm.
POP Displays	Increase brand trial.	<ul style="list-style-type: none"> Provides high visibility. Provides in-store support. 	<ul style="list-style-type: none"> Is difficult to get a good location in the store. Can be costly to the firm.
Rebates	Stimulate demand.	<ul style="list-style-type: none"> Increases value perception. 	<ul style="list-style-type: none"> Is easily copied by competitors. May just advance future sales.
Product Placement	Demonstrate product uses.	<ul style="list-style-type: none"> Displays products nontraditionally. Introduces new products. 	<ul style="list-style-type: none"> May not provide firm with control over display. Can result in product being overshadowed.

- Coupons
- Deals
 - Short term price reductions
- Premiums
 - Offers an item for free or at a bargain price to reward some type of behaviour
- Contests
 - Brand sponsored competition that requires some form of skill or effort
- Sweepstakes
 - Form of sales promotion that offers prizes based on a chance drawing of entrants' names.
- Samples
 - Offers potential customers the opportunity to try a product or service before they make a buying decision.
- Loyalty Programs
 - Specifically designed to retain customers offering premiums or other incentives to customers who make multiple purchases over time.
- Point of Purchase Displays
 - A merchandise display located at the point of purchase, such as at the checkout counter in a grocery store.

- Product Placement
 - Inclusion of a product in nontraditional situations, such as in a scene in a movie or TV program.

Trade Channel Sales Promotion

=> *help convince retailers and wholesaler to stock a new brand, give it eye-level shelf space and promote it in their flyers*

- Discounts and Allowance
 - Effective incentives used to maintain or increase inventory levels in the distribution channel.
 - e.g. a discount or dollar amount taken off each case ordered during a specific time period
- Co-operative Advertising
 - Retailers perform promotion products to consumers
 - Helps to compensate trade channel member for money they spend promoting products and encourages them to feature products more often.
- Sales Force Training
 - Manufacturer may offer to train the retailer's sales staff
 - More in-depth product knowledge

Using Sales Promotion Tools

- Pop-up stores
 - Temporary storefronts that exist for only a limited time and generally focus on a new product or a limited group of products offered by a retailer, manufacturer, or service provider; give consumers a chance to interact with the brand and build brand awareness.
- Cross-promoting
 - Efforts of two or more firms joining together to reach a specific target market.

Evaluating Sales Promotion by using Marketing metrics

- The realized margin from the promotion
- The cost of additional inventory carried because of buying more than the normal amount of the product
- The potential increase in sales from the promoted merchandise
- The long-term impact on sales of the promotion
- The potential loss suffered when customers switch to the promoted merchandise from more profitable
- The additional sales made to customers attracted to the store by the promotion.

Personal Selling

The Scope and Nature of Personal Selling

- => *two way flow of communication between a buyer and a seller that is designed to influence the buyer's purchase decision.*

Personal Selling and Marketing Strategy

- Relationship selling
 - A sales philosophy that emphasizes a commitment to maintaining the relationship over the long term and investing in opportunities that are mutually beneficial to all parties.

The value added by personal selling

=> *are expensive*

=> *challenge to manage*

- Salespeople Educate and Provide Advice
 - e.g. buying a suit, traveling to an exotic country customers are looking for the advice from salespeople
- Salespeople save time and simplify buying
 - Customer perceive value in time and labour savings
 - E.g. grocery store

The personal selling process



- Step 1: Generate and Qualify Leads
 - Leads: list of potential customer
 - Trade show:
 - Major events attended by buyers who choose to be exposed to products and service offered by potential customers with out appointments
 - Cold calls:

- A method of prospecting in which salespeople telephone or go to see potential customers without appointments.
 - Telemarketing
 - A method of prospecting in which salespeople telephone telephone potential customer
- Step 2: Preapproach
 - => *occurs prior to meeting the customer for the first time and extends the qualification of leads procedure; in this step, the salesperson conducts additional research and develops plans for meeting with the customer.*
- Step 3: Sales Presentation and Overcoming Objections
 - The presentation
 - Get to know the customer
 - Get his/her attention
 - Create interest in the presentation to follow
 - Handling objections
 - Good salespeople know the objections buyers are likely to have
- Step 4: Closing the sale
 - => *obtaining a commitment from the customer to make a purchase*
- Step 5: Follow up

Managing the Sales Force

Sales management:

- Involves the planning, direction, and control of personal selling activities, including recruiting, selecting training, motivating, compensating, and evaluating, as they apply to the sales force.

Sales Force Structure

- Company Sales Force or Manufacturer's Representative
 - Salespeople who sell a manufacturer's products on an extended contract basis but are not employees of the manufacturer

Recruiting and Selection Salespeople

- Determine exactly what the salesperson will be doing and what personal traits and abilities a person should have to do the job well.

Sales Training

- On-the-job
 - Communication and negotiation selling
- Role play
 - Stimulate buying decisions
- Online training programs
 - Less expensive

- Access anytime anywhere to the virtual classroom

s

Motivating and Compensating Salespeople

- Financial Rewards
 - Fixed sum of money paid in intervals
 - money paid as a percentage of the sales volume or profitability
 - bonus (given periodically)
- Nonfinancial Rewards
 - Should have high symbolic value
 - e.g. plaques, pens, or rings, free trips....

Evaluating Salespeople

- Measures must be tied to performance
- Sales profit and the number of order
- Ratios:
 - Profit per customer
 - Orders per call
 - Sales per hour

[16] Global Marketing

Growth of the Global Economy: Globalization of Marketing and Production

Globalization of production (offshoring)

- Manufactureres' procurement of goods and services from around the globe to take advantage of national differences in the cost and quality of various factors of production (e.g. labour, energy, land, capital)
- Global hunt for talent (e.g. IBM)

General Agreement on Tariffs and Trade (GATT)

- Agreement established to lower trade barriers, such as high tariffs on imported goods and restrictions on the number and types of imported products that inhibited the free flow of goods across borders.

World Trade organizations (WTO)

- Replaced the TATT in 1994
- Differs in that the WTO is an established institution based in Geneva (Switzerland), instead of simply an agreement
- Represents the only international organization that deals with the global rules of trade among nations

International Monetary Fund (IMF)

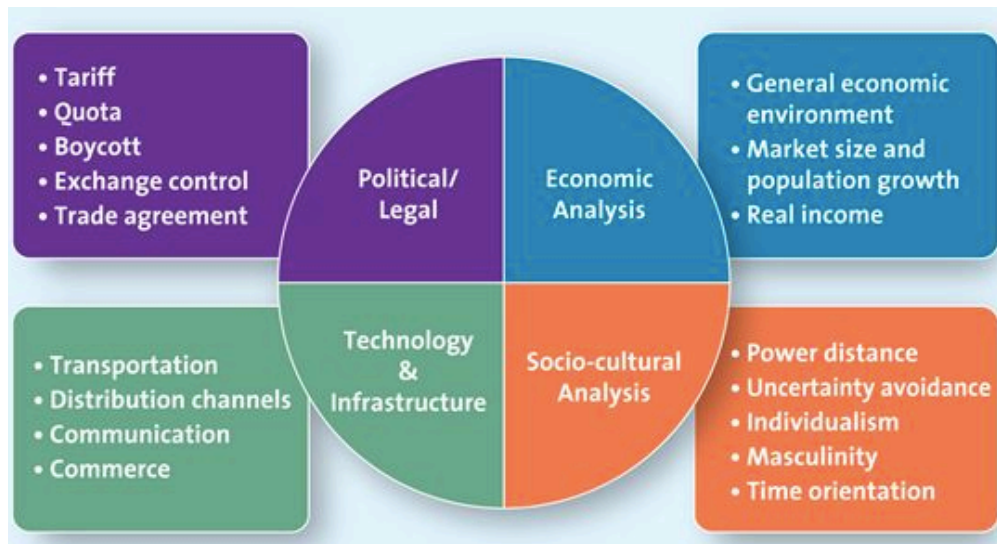
- Established as part of the original GATT
- Primary purpose is to promote the internation monetary cooperation and facilitate the expansion and growth of international trade.

World Bank Group

- A develoment bank that provides loans, policy advice, technical assistance, and knowledgesharing servicese to low and middle-income countries in an attempt to reduce poverty

Assessing Global Markets

Components of a Country Market Assessment:



Analyzing the political and legal Environment

- Trade Sanctions
 - Penalties or restrictions imposed by one country over another country for importing and exporting of goods, services and investments
- Tariffs (or duty)
 - A tax levied on a good imported into a country
 - Dumping:
 - The practice of selling a good in a foreign market at a price that is lower than its domestic price or below its cost.
- Quotas
 - Designates the maximum quantity of a product that may be brought into a country during a specified time period.
- Boycott
 - A group's refusal to deal commercially with some organization to protest against its policies
- Exchange Control
 - Refers to the regulation of a country's currency in relation to another
 - Exchange rate: how much one currency is worth to another
 - Countertrade:
 - trade between two countries where goods are traded for other goods and not for hard currency
- Trade Agreements
 - Intergovernmental agreement designed to manage and promote trade activities for specific regions.

Name	Countries
European Union	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom of Great Britain
NAFTA	Canada, Mexico, the United States
CAFTA	Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, the United States
Mercosur	Full members: Argentina, Brazil, Paraguay, Uruguay, Venezuela
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam

- Trading bloc: countries that have signed a particular trade agreement

Analyzing the Economic Environment

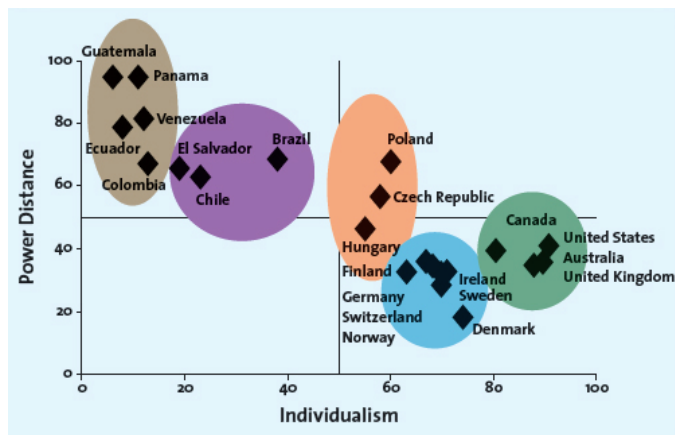
„The greater the wealth of a country, the better the opportunity a firm will have in a particular country“

- Evaluating the General Economic Environment
 - Healthy economies provide better opportunities for global marketing expansions
 - Trade deficit
 - When a country imports more goods than it exports
 - Trade surplus
 - Results when a country exports more goods than it imports
 - Gross domestic product (GDP)
 - Market value of the goods and services produced by a country in a year; the most widely used standardized measure of output.
 - Purchasing power parity (PPP)
 - A theory that states that if the exchange rates of two countries are in equilibrium, a product purchased in one will cost the same in the other, expressed in the same currency.
 - Human development Index
 - Three indicators of the quality of life in different countries
 - Life expectancy at birth
 - Educational attainment
 - Average incomes are sufficient to meet the basic needs of life in that country
- Evaluating Market size and population growth rate
 - Country growth rates
 - Region growth rates
- Evaluation Real income
 - Real income affects consumers buying power

- Companies have to modify the price to make the product in some regions affordable
- Different incomes => different prices (e.g. India vs. Canada)

Analyzing Socio-cultural Factors

- 1. Power Distance
- 2. Uncertainty Avoidance
- 3. Individualism
- 4. Masculinity
- 5. Time orientation



Analyzing Technology and Infrastructure Capabilities

- Infrastructure:
 - The basic facilities, services, and installations needed for a community or society to function, such as transportation and communications systems, water and power lines, and public institutions such as schools, post offices and prisons

Choosing a Global Entry Strategy

Exporting

- Producing goods in one country and selling them to another

Franchising

- E.g. Pizza Hut, KFC.
- Contract between a firm, the franchisor, and another firm or individual.
- Allows to operate a business by using a name and a format developed and supported by the franchisor

Strategic Alliance

- Collaborative relationship between independent firms, though the partnering firms do not create an equity partnership
- They do not invest in one another

Joint Venture

- When a firm entering a new market pools its resources with those of a local firm to form a new company in which ownership, control and profits are shared.

Direct Invest

- When a firm maintains 100% ownership of its plants, operation facilities, and offices in a foreign country, often through the formation of wholly owned subsidiaries.

Choosing a Global Marketing Strategy

- Includes two components:
 - Determining the target market to pursue
 - developing a marketing mix that will sustain a competitive advantage over time

GLOBAL Target Market: Segmentation, Targeting and Positioning

- more complicated because:

- you have to understand the different cultures and subculture
- consumers view products differently in different countries

The Global Marketing Mix

- Global Product or Service Strategies
 - Sell the same product in every country
 - Sell a similar product in the different countries
 - Sell totally new products or services
- Global Pricing Strategies
 - Extremely difficult task
 - Many countries have rules governing the competitive marketplace
 - In Europe promotional sell are only twice a year allowed
 - Market prices must be adjusted to reflect the local pricing structure
 - e.g. Zara has a very low price in the EU but a 65% higher price in north America to put it right in the middle of its priced competition
- Global Distribution Strategies
 - Global distribution networks form complex value chains
 - These add cost and ultimately increase the final selling price of a product
- Global Communication Strategies
 - Different countries different communication
 - Different culture
 - Based on the available technology

- E.g. KitKat promoted the product in Japan without technology, even though they are very technological people. They only want to find a new way.

Ethic Issues in Global Marketing

Environment Concerns

- Include, but are not limited to, the excessive use of natural resources and energy, refuse from manufacturing processes, excess trash created by consumer goods packages, and hard-to-dispose-of products such as tires, cellphones, and computer monitors

Global Labour Issues

- Includes concerns about working conditions and wages paid to factory workers in developing countries.

Impact on Host Country Culture

- Cultural imperialism
 - The belief that one's own culture is superior to that of other nations
 - Can take the form of an active, formal policy or a more subtle general attitude