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CHAPTER 1

Marketing: Managing profitable customer relationships

Marketing is managing profitable customer relationships. The goal of marketing is to attract new customers, to grow current customers by delivering satisfaction and to provide goods and services at profit.
Marketing specialists must satisfy their customers' need in a socially responsible and ethical manner

The marketing process

1. Understand the marketplace and customer needs and wants

Humans have 3 **needs**

- Physical needs (food, clothing)
- Social needs (the need to belong)
- Individual needs (need for knowledge, self expression)

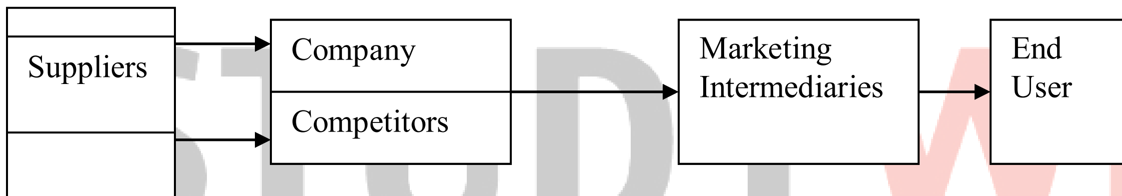
Based on their needs, human have **wants** that are shaped by culture and individual personality. However, when backed by buying power, wants become **demands**

Marketing offers: As a marketer, we offer the **product** (the physical need) and the **service** (that provides a benefit)

A **market** is the set of actual and potential buyers of a product. These buyers share a particular need or want.

Marketers are not the only doing marketing- even consumers do marketing when they search for the goods they need at a price they can afford.

Elements of a modern marketing system:



2. Designing a customer-driven marketing strategy

Marketing management is the art and science of choosing target markets and building profitable relationships with them
To have a good marketing strategy we need to be able to answer two questions:

- What customers will we serve? (**what's our target market**)
- How can we serve these customers best? (**what's our value proposition**)

*To decide who we will serve we need to divide the market into segments (market segmentation)

*To serve the customer best, the marketer needs the show how the product is better than any other product on the market. A company's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs.
Since the consumer is always at the center of our worlds, you need to find a product concept –you need to work on a **new** and **better** product for the consumer

There are 5 philosophies under which organizations design and carry out their marketing strategies

- **The production concept**- the idea that consumers will favour products that are available and highly affordable
- **The product concept**- the idea that consumers will favour products that offer the most in quality, performance, and feature and that the organization should therefore devote its energy to making continuous product improvements
- **The selling concept** – the idea that the consumers will not buy enough of the firm's products unless it undertakes a large-scale selling and promotion effort
- **The marketing concept**- it's the idea that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do
- **Societal marketing concept**- it's the ideal of making good marketing decisions by being good to the society and the environment

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3. Preparing a marketing plan and program

Those are the basic marketing decisions that we are going to make (**the marketing mix**)

The 4 marketing mix tools are:

- Product, Price, Place ,Promotion

4. Building customer relationship (producing what the consumer wants and needs)

- **Customer relationship management**- it's the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction
- Satisfied customers are more likely to be loyal customers and to give the company a larger share of their business

→ Relationship building blocks: customer value and customer satisfaction

- Customer perceived value- it's the difference between total customer value and total customer cost
- Customer satisfaction- it's the extent to which a product's perceived performance matches a buyer's expectations

5. Capturing value from customers

- creating customer loyalty and retention: by producing good products, customer remain loyal and talk favourably to others about the company and it's product
- **Customer lifetime value**: the value of the entire stream of purchases that the customer would make over a lifetime of patronage
- **Customer equity**- the total combined customer lifetime values of all the company's customers

The new marketing landscape

There are 4 major trends and forces that are changing the marketing landscape

- The new digital age
- Rapid globalization
- The call for more ethical and social responsibilities
- The growth of non-for-profit marketing

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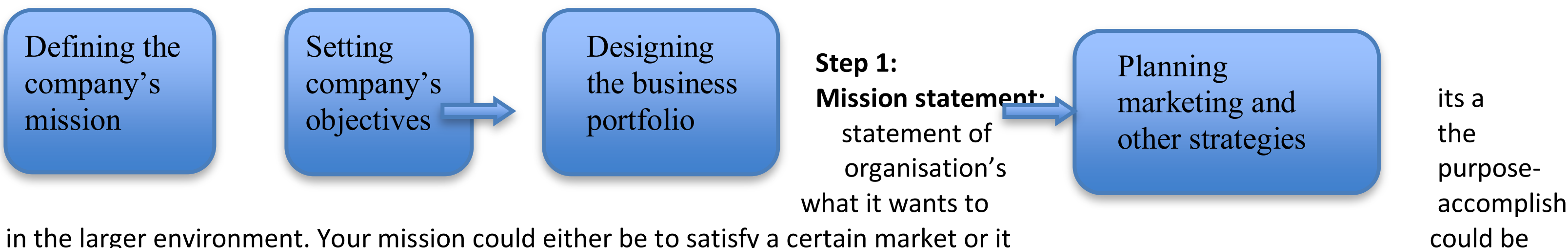
CHAPTER 2

Companywide strategic planning: defining marketing's role

Strategic planning : it's the process of developing and maintaining a strategic fit between the organization's goals and capabilities, and it's changing marketing opportunities. It involves defining a clear company mission, setting supporting objectives, designing a sound business portfolio and coordinating functional strategies.



Step 1:

Mission statement: its a statement of the organisation's purpose- what it wants to accomplish in the larger environment. Your mission could either be to satisfy a certain market or it could be product driven. However the mission has to be realistic. For example Singapore airline cannot have as a mission to become the world's largest airline. For example, more realistically, Johnsons and Johnsons' mission could be to provide services to satisfy the medical profession and make the stakeholders happy at the same time

its very global, you can almost add anything in here

Step 2:

Setting company objectives and goals: the company's mission needs to be turned into detailed supporting objectives for each level of management. Most of the time, setting goals has to do with either sales or market shares. Your objective could be sales, profit, or market share oriented.

Step 3

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Designing the business portfolio: it's the collection of businesses and products that make up the company. For example the producers of tide, arctic power and ABC. They have one company but they have many products under the same company- that's their portfolio. The best business portfolio is the one that best fits the company's strength and weaknesses. Business portfolio planning involves two steps:

- Analysing the current business portfolio
- Shape to future portfolio by developing strategies for growth

1. **Analysing the current business portfolio:** it's the process by which management evaluates the products and businesses making up the company.
   First, the company needs to identify the key businesses making up the company- strategic business units (**SBU**). The other component of the SBU is that you may or may not want to divide the portfolio which is part of your strategic business unit. Like for example, if we take the example of Tide and Arctic Power, they probably don't work with each other or listen to each other- this is SBU
   The best known portfolio planning methods was developed by the **Boston Consulting Group**
   Using the Boston Consulting Group approach, a company classifies all its SBUs according to the growth-share matrix
   Growth-Share Matrix- it's a portfolio-planning method that evaluates a company's strategic business units in terms of its market growth rate and relative market share

Some markets are dynamic markets that keep spending money in order to be number 1 and some markets are static markets that already established themselves are aren't really making money because they are not spending money to get up there.(the automobile industry)

There are 4 possibilities:

1. If you have a high share market and a high growth industry- you are considered a **Star**. In order to remain that way you need to keep pumping money- you are basically a high share player in a very dynamic market
2. If you have a high share market and a low growth industry- you are considered a **cash cow**, meaning that you are theoretically making money but you have to get money out of it- you have to "milk the cow"
3. If you have a low share market and a high growth industry- you are considered a **problem child**. You basically have incredible potential but you are a fuck up; you need to spend more time, effort and money or else you will fall apart
4. If you have a low share market and a low growth industry- you are considered a dog, meaning that you generate enough cash to maintain yourself but its no enough cash for you to be able to live.

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Developing strategies for growth:

Companies need growth if they are to compete more effectively satisfy their stakeholders and attract top talent however they cannot make that their primary objective, the company's objective must be "profitable growth"

One useful device to identify profitable growth is the **product/market expansion grid:** a portfolio-planning tool for indentifying company growth opportunities through **market penetration**, **market development, product development, or diversification.**

Market penetration: it's a strategy for company growth by increasing sales of current products to current market segment without changing the product

Market development: it's a strategy for company growth by identifying and developing new market segments for current company product. Its like if, for example, I take poutine (product) and decide to sell it to America (market)

Product development: it's a strategy for company growth by offering modified or new products to current market segment

Diversification: it's a strategy for company growth through starting up or acquiring businesses outside the company's current product and markets.

Every time you see a new product or market, there are **risks** because you are going into a situation that you are not familiar with and going to a new market that you are not familiar with

Companies must not only develop strategies for growing their business portfolios but also strategies for **downsizing** them. In other words, its to reduce the business portfolio by eliminating products or business units that are not profitable or that no longer fir the company's overall strategy.

The first thing you need to do is to make sure that you are partners with important groups- you do this to not be isolated , you need to partner up with the good people who have connections- you basically have to have to good relationships with the good people

- Each company department can be thought of as a link in the company's **value chain** (the series of departments that carry out value-creating activities to design, produce, market, deliver and support a firm's products)

Step 4:
The marketing planning:
It's the marketing logic by which the business unit hopes to achieve its marketing objectives- its when the marketer decides which customer is will serve and how.

You have to make some basic decisions:
Guided by marketing strategy, the company designs a marketing mix made up of factors that they can control: **product, price, place, promotion**
The 4 Ps led to the 4 Cs: customer solution, customer cost, convenience, and communication.

- The center of our worlds as a marketer is the **consumer** so you need to find out what the consumer needs and wants so you can provide him with a product. **Its more than the physical product though, it's the entire package. (product)**
- Then we have to decide upon the price- the price has to consider everybody, from the consumer to the retailer to the wholesaler etc. generally, the price has to be appealing to the consumer and profitable to us. (**price)**
- In order for the product to get to the consumer, we have to make a decision on a place. Distribution is how it gets from us to the final consumer. We have to make it in such a way that is it appealing to the final consumer. You have to be able to sell to the retailer, sell to the wholesaler who will sell to the consumer- we have to decide what works best for us and the final consumer (**place)**
- Finally there is promotion- promotion is really marketing communication. It's the activities that communicate the merits of the procduct and persuade target customers to buy it. **(promotion)**

Customer-centered marketing strategy
Companies know that they cannot profitably serve all consumers in a given market- at least not all consumers in the same way because there a different kinds of consumer with different kinds of needs. Therefore each company must divide up the total market; its involves **3 steps**
Market segmentation: it's the process of dividing a market into distinct groups of buyers who have distinct needs, characteristics, or behaviours and who might require separate products or **marketing mixes.** A **market segment** consists of consumers who respond in a similar way to given set of marketing efforts

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After a company has defines market segments, it can enter one of many segments of a given market: **target marketing**
Target marketing: is the process of evaluating each market segment's attractiveness and selecting one or more segments to enter- its basically evaluating all those segments, or all the groups who act in a similar way and sell the product to them (*for example, don't try to sell game boy to an older person*)

Once you know what group or segment you want to serve, you want to decide what position you want to occupy in those segments.
Market positioning: its arranging for a product to occupy a clear, distinctive, and desirable place relative to other competing products in the mind of the target consumer. In other words it's the products position it holds in the consumer's mind. Basically, my position needs to be different and better than my competitor's position. For example people who buy Tide, buy it because its position in the market is that they see detergent that cleans well, however, people who buy ABC, buy it because its position in the market is that they see cheap detergent.

Marketing management functions
In addition to being good at the marketing management, companies also need to pay attention to the management. Managing the marketing process requires the four marketing management functions: **analysis, planning, implementation and control.**

→ The first thing we do is **marketing analysis**- it's when the company analyses the markets and marketing environments to find attractive opportunities and avoid environmental threats. We basically look at the potential and then we see what we can do with it. For example if you want to get in to wall mart- you see the potential and then you see if your able to match what they are asking for.
→ The second thing you need to do is the **marketing planning**- it's when the company decides what it wants to do with each business units – its sort of detailing the objective basically saying: this is HOW we are going to get there.

→ The third thing is **marketing implementation-** it's the process that turns marketing strategies into marketing actions in order to accomplish strategic marketing objectives. In other words, it's getting every thing done- from making the ads, to finalizing the details etc.
→ The fourth and final thing is that you need to have is a **marketing organization**. There are two types of organization: there is a **functional organization** where at the top there is a president and then there is a VP of finance, a VP of accounting etc, or you can have a geographic organization where for example in China there is a head for the office in the country but he reports directly to the head office in Canada.

Because many surprises occur during the implementation of marketing plans, the marketing department must practice constant **marketing control.** It's the process of the measuring the results of marketing strategies and see where the company went wrong to be able to fix it. It's also there to make sure that the company's objective are achieved. For example if we plan to sell 100 million $ of something and we only sold for 90 million$ we probably need to compare our budget to reality and fix is ASAP

CHAPTER3

The marketing environment

The marketing environment is the things that affect marketing management's ability to build and maintain a good relationship with their customers
There are two things we look at: the **macro environment** (things that we cannot control) and the **microenvironment** (things that we can control)

Let's start with the **microenvironment:**
1. The first thing that we can control is the **company** itself. In the company we can control all the departments by having meetings, reunion etc. All the departments should work in harmony to provide superior customer value and satisfaction
2. The second thing we can control is the **suppliers** since we have an effect on them. Suppliers have to be considered like partners because without them, the company is in real trouble
3. The third thing we can control is the **marketing intermediaries**. They are the people between us and the final consumer- in other words they are the retailers, the wholesalers, physical distribution firms, marketing service agencies and the bank
4. The forth thing we can control is the **customer and the consumer markets.** There are 5 types of markets that the company needs to study closely: the consumer market (need to deal with them), the business markets, the government markets (need to kiss their ass), the reseller markets (need to make them happy) and the international markets. (Need to have international markets because its hard to make a living in Canada)
5. The fifth thing we can control is our **competitors**- we are constantly trying to compete with other firms
6. The sixth and final thing we can control is the **public-** in other words, if the public rates us poorly, we won't have any consumers buying our products. For example, if the media sees that the president of the company is a jerk and reports it, then the public wont like the company and won't buy the company's products

There are things we can control but there are others that we cannot, for instance, the **macro environment** is incontrollable

There are 6 major forces:
1. **The demographic environment**: demography is the study of human population in terms of size, density, location, age, gender, race, occupation and other statistics
   - We look at the size of the market
   - In terms of density- Canada is a very attractive market- so when people sell their products in Canada, they have to make the package bilingual
   - In terms of location- it can be very narrow or very broad
   - In terms of age- older people don't want what younger people want
   - In terms of gender- men and women won't buy the same things
   - In terms of race- there a differences in terms of what product every race purchases
   - Lastly, in terms of occupation- lawyers, for example, don't buy the same things as plumbers

2. **The economic environment**- it consists of factors that affect the consumer's buying power and spending patterns. Income, wealth, occupation, and education all affect the consumers buying power and spending patterns because for example if we consider wealth- people who have "new" money spend relatively more than people who have had money for a long time. Same thing for education- people with education spend differently and different things than people without an education. **Engel's law-** it's the difference noted in how people shift their spending patterns as their family income rises.

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3. **The natural environment** – we don't have control over the weather, the shortage of raw material or over pollution

4. **The technological environment** – with the new technological advancements like the internet, computer etc we need to understand that unlike before, the shelf life of a product expired very quickly. So even thought we have no control over the technological advancements, we have to be aware of them so they don't influence us negatively.

5. **The political environment**- we have a competition add- it is made to protect other companies and to protect the consumers from unfair business ads. Everything is made to protect the consumers

6. **The cultural environment** – it is made up of institutions and other forces that affect the society's basic values, perceptions, preferences and behaviours. For example, I am influenced by the way my parents brought me up which marketers cannot control.

CHAPTER 5

Managing marketing information

To produce superior value ad satisfaction for customers companies need information at almost every turn. Good products and marketing programs begin with solid information on consumer's needs and wants, competitors and resellers. The more information we have, the more effective we are.

The marketing information system (MIS) – it's the people, equipment, and procedure to gather, sort, analyse, evaluate, and distribute needed information to marketing decision makers.

Assessing marketing information needs
When you are looking for information, you can start by asking managers. You can go to any department and ask for the information you are looking for about competitors, consumers wants and needs etc. you have to be well informed in order to make the good marketing decisions.

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Developing marketing information
Marketers can get the needed information from *internal data, marketing intelligence, and marketing research*
Internal data: it's a collection of electronic information obtained from data sources within the company. This kinds of information gives us some insight about our marketing opportunities and problems- it basically lets us know if we did things successfully or not.
Marketing intelligence: it's the systematic collection and analysis of publicly available information about competitors and developments in the marketing environment. The goal of marketing intelligence is to improve strategic decision making, assess the competitor's actions and provide early warning of opportunities and threats. We are basically getting information from supplier, retailers, wholesalers and competitors which will help us provide better service to the consumers.

Marketing research: it's the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.
It's a 4 step process:

STEP 1:
Define the problem and research objectives
Its is the hardest part of the process because we might know that there is a problem in the marketing strategy but we cannot pin point the exact cause of the problem. After defining the problem, the manager and researcher must set the research objectives- they have to formulate a hypothesis- **it is the key**
There are 3 ways of making research:

1. **exploratory research**: this will help us define the problem- you can do it by basically asking the people around you
2. **descriptive research**: it defines things, it defines the market potential for certain customers
3. **causal research**: its all about testing the hypothesis on a cause and effect relationship- its an experiment. For example you tell yourselves that if you higher the price of a BMW of 5000 will it have an effect on the buyers- so you test your hypothesis

Once the research problems are defined you are going to develop the **research plan**

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The research plan outlines the source of existing data so you can spell out the specific research plan
There are 2 kinds of data that you can analyse:
Secondary data: it's the data that already exists that has been collected for another purpose, which we can access. You can go to the Montréal census, check on statistic Canada, government agencies, business publications etc. It is good and useful because we can get it cheaply and quickly but we don't know how current it is.

Primary data: it's the data that you collect for a specific purpose, if you need to know something very specific

There are three possible ways to gather primary data

Observational research: you can do it by simply going to a public place and analysing what you are looking for through observation. For example if you want to know what kind of diapers mothers buy, you go to a drugstore without having anyone know about it and you observe what mothers buy for their kids. There is no bias in this situation because no one know that you are doing a research

Experimental research: we use this type of research if we are gathering causal information. We will basically make an experiment by changing a variable. We make certain suppositions to come up with the best result possible.

Survey research: it's the most widely used way to gather data because its good for collecting descriptive information. You do it by asking people questions about their knowledge, attitudes, preferences, and buying behaviors. Their might be bias in this situation- it will be discussed later

There are a couple of ways of doing surveys:

- you can mail questionnaires to houses and wait for their response- the response may be somewhat bias because people may answer certain questions in a certain way to make you happy- their might be a low response rate
- you can do a survey over the phone- more people will answer because they don't want to throw you off on the phone whereas by mail they can just throw the survey away. This response may be very bias because you might not want to tell the truth to the person on the phone
- you can do a survey by doing personal interviews- in this case the response is really high, however is extremely expensive and could be very bias because the person might want to impress the interviewer
- you can do a survey by online marketing research- its basically collecting primary data through internet surveys and online focus groups. For example Concordia university might want to do a survey so they will send a questionnaire through the Concordia website.

When you are looking for quantitative data to know how many people answered at the survey a certain way, you do something called a **focus group**. Its personally interviewing 6 to 10 people by a trained interviewer to talk about a product, a service, or an organization. The interviewer focuses the group discussion on important issues.

When we know how we are going to contact the group we put together a **sampling plan.**
you basically choose a segment of the population you want to analyse (**sample**) who will represent the entire population

when you have a sample you need to make 3 decisions

- who is going to be surveyed- the group you will survey could be for example the people in the class or the people shopping at IGA etc.
- how many people we will survey- it's the sample size for example 10% of the class or 20% of all the people shopping at IGA
- how I'm going to choose the sample- there is **probability sample** meaning that everyone has an equal chance of being chosen (10%) for example I can take the list of all the people in the class and choose every 10 student or you can do a **non probability** sample meaning that I will choose the first 5 people coming in the class etc.

When you decided your research method, contact method and sample, you are going to make a **questionnaire**
You can have 2 types of questionnaires
You can have a **closed ended questionnaire** where the researcher include all the possible answers. If can be based on Yes and No question or/and question that have answers on a scale from very good to very bad which is easy to analyse. Or you can also have an **open ended questionnaire** where people can write whatever is on their minds concerning the question- the analysing process for this type on questionnaire is harder because you have to interpret what the person is trying to say

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Step 3
Its when we are going to implement the research plan. It's when the researcher collects, processes, and analyses the information- in this step the researcher tabulate the results in a computer using averages

Step 4
it's the step where you interpret the findings, draw conclusions and report them to management. You basically take the tabulate and the cross tabulate and you determine if your hypothesis was true

information gathered in internal databases and through marketing intelligence and marketing research usually requires more analysis. Managers may need help in applying the information to their marketing problems and decisions.

Customer relationship management
It's the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction

CHAPTER 6
Consumer markets and consumer buyer behaviour

Consumer buying behaviour: it refers to the buying behaviour of final consumers, individuals and households who buy goods and services for personal consumption. All these final consumers combine to make up the **consumer market**
Consumer market- all the individuals and households who buy or acquire goods and services for personal consumption

We need to understand how the consumer function, and we need to acknowledge that there are a number of factors that influence that.
The central question for marketers is how do consumers respond to various marketing efforts the company might use?
The starting point is the stimulus response model of buyers behaviour. This figure shows the marketing and other stimuli enter the consumers "black box" and produce certain responses. Marketers must figure out what is in the consumer's black box.
The marketing stimuli consists of the 4Ps: **product, price, place and promotion**. Other stimuli include major forces and events in the buyer environment: **economic, technological , political and cultural.** All these inputs enter the consumer's black box, where they are turned into a set of observable buyer responses: **product choice, brand choice, dealer choice, purchase timing, and purchase amount.**

Characteristics affecting consumer behaviour
Consumer purchases are influenced strongly by cultural, social, personal, and psychological characteristics. For the most part, marketers cant control those factors but they must take them into account.

Cultural- it's a characteristic affecting consumer behavior. Culture is the most basic cause of a persons wants and behaviour. We grow up in a society where culture is a behaviour. Culture is the set of basic values, perceptions, ants and behaviours learned by a member of society from family and other important institutions
Each culture contain smaller **subcultures** which are groups of people with shared value systems based on common life experiences and situations.
Many subcultures make up important market segments and marketers often design products tailored to their needs. In Canada we have people from different race, nationalities, regions and ethnic.
Part of all cultures there's **social class. Social classes** are society's relatively permanent and ordered division. In Canada, social class is occupation, income, education and wealth which is differentiated by new and old money

The second factor taken into account are social factors. Consumers are influence by the people around them: t**heir groups, family and their social roles and statuses**
A persons behaviour is influenced by many small group.
Groups are two or ore people who interact to accomplish individual or mutual goals
You can belong to a membership group or to a reference group. A **reference groups** serves as a direct point of comparison- in other words you refer to these people, you want to be like them. You can also have an **aspirational group** which is group you wish to belong to- they are groups that we are not part of but we want to be there.

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An **opinion leader** is a person within a reference group who has an influence on other people in the group.

Family members can strongly influence buyer's behaviour. The family is the most important consumer buying organization. Our family members are the people that have the most influence on our buying habits.

A buyer's decision are also influenced by personal characteristics such as the buyer's age and life cycle stage, occupation, economic situation, lifestyle, personality and self concept.

Age and life-cycle stage
At different ages, people buy different things. Tastes in food, furniture, clothes, and recreation are **age related**. Buying is also shaped by the family **life cycle.** For example when a child is born, he is completely dependent of his parent; he has not role is purchase decisions. As the child gets older he gets more dependent and starts to ask what he wants. When they get even older, they have a job and start making money. As you finish school, you get a more stable job and buy things for yourself, you don't need to get anyone's advice to get whatever you want to get. But then, you meet your wife, get married and move in with her. You are living with two salaries in the same house. You now become depenednd once again because your wife has to want the same thing as you so you make a **compromise** which is a situation where two people loose simultaneously

** As we go through different stages of our lives, our capacity and willingness to buy changes.
Our **occupation** also has an influence on what we buy. For example if you are a lawyer you will have to buy suits but if you are a blue collar you will get more rugged work clothes.
Our **economic** situation is also important. For example if you have more money you will get more expensive clothes and buy at Ogilivy but if you have less money you tend to buy at cheaper stores
Our **lifestyles** are important too – two people with the same occupation doesn't necessarily have the same life style.

When marketers look to divide the market, they look at the demographics. They look at the people of the same sex, background, etc- so they can have a pretty consistent market.

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The Psychological Factor

A person's buying choices are further influence by four major psychological factors: **motivation, perception, learning, beliefs and attitudes.**
Motivation: a person has many needs at a given time. There is an ordering of the things we need (Maslow)
First you have psychological needs which are food, clothes, shelter and sex. Once you have those things you look for safety- safety is not only security but also knowing that you have enough of your psychological needs.
A need becomes a motive when it is aroused to a sufficient level of intensity. A motive is a need that is sufficiently pressing to direct the person to seek satisfaction.
A person constantly tries to satisfy his needs; once is it done, the need will top being a motivator.
Abraham Maslow tried to explain why people are driven by particular needs at particular times. Maslow explained that needs are arranged in a hierarchy from most important need to least important ones. They include(in order) **physiological needs**(starving people,sex**), safety needs**(breathing clean air), **social needs**(having friends someone to love, someone who loves us), **esteem needs**(we need someone to look up to us), and **self actualization needs**(the latest happening in the world of art-when you get to be yourself),

Perception: it's the process by which people select, organize and interpret information to form meaningful picture of the world.
Learning: it's the changes in an individual's behaviour arising from experience.
Belief: it's a descriptive thought that a person holds about something
Attitude: it's a persons consistently favourable or unfavourable evaluation, feeling, and tendencies toward and object or idea.

All this to say that the buying process is a 4 step process

Step 1- need recognition: at this point the buyer recognises he has needs. That stage is no fulfilled unless that buyer gets up and does something about it.

Step 2- information search: there are two thing the buyer has to decide upon: the **retailer** I want to buy the product from and the **brand** of the product

Step 3- the evaluation of alternatives: the buyer evaluates the alternatives of brands and retailers. Different things are important to different people; the evaluation criterion is not the same for everyone.

Step 4- the purchase decision: the decision is only made once I bought the product not when I decided to buy it.
Cognitive dissonance: it's when we try to convince ourselves that what we bought what the right thing to buy. – What happens in this situation is that we exaggerate the good things about the product and minimise the bad things.

The buyer decision process for new products
When we talk about new things there is an adoption process where the buyer adopts things in sequences. The adoption process is the mental process through which a individual passes from first hearing about an innovation to final adoption.
*if you like a woman:
Attention- you want to get her attention to make sure she knows your alive
Intersted- you have to make her know that you are interested
Desire- you want her to want you
Action- you have to have her so you take action.

If you are interested in a new product you go through the same process. You first get interested, then you really want it and lastly – you buy it

32-35% of the population react strongly to advertising and to public opinion. (Early majority)
Another **35%** usually buy the innovation for the first time when the early majority is already buying it for the second time (Late majority)
Then there is **15%** of the population that are lagers- they resist to change- they basically don't buy new products.

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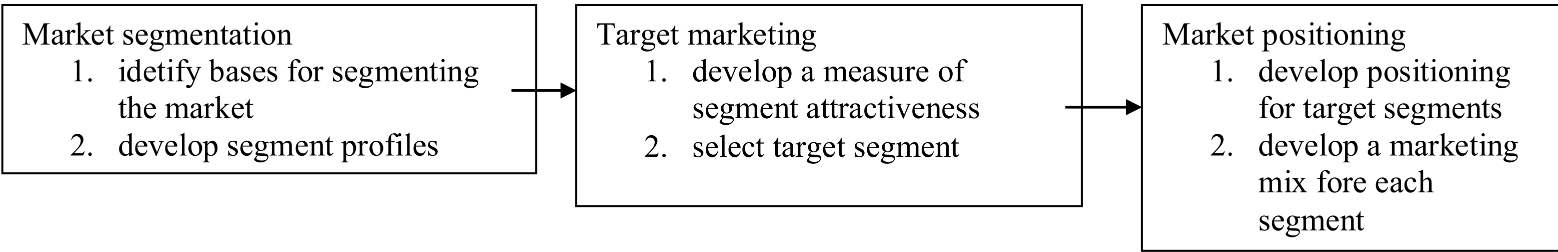
CHAPTER 8

Segmentation, targeting, and positioning: building the right relationships with the right customers

Organizations today recognise that they cannot appeal to all people in the market place, or at least not to all buyers or donors in the same way. People are too varied in their needs, buying and support practices. Moreover, the organization themselves vary widely in their abilities to serve different segments of the market.
Most organizations have moved away from mass marketing and toward **market segmentation** and **targeting**



Market segmentation- it's the process of diving a market into smaller groups of buyers' distinct needs, characteristics, or behaviour that might require separate products or marketing mixes so that the product as a common appeal to everyone.

Target marketing- it's the process of evaluating each market segment's attractiveness and selecting one of more segments to enter. You basically target the market and you select one or more segments. For example you want to sell computers; you select your market and then you will choose 1 or more segments for example, all business people, all college students etc.

Market positioning- it's the process of arranging a product in such a way so that it occupies a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. In other words you set a competitive position for the product. It's a comparison from our product to the products of the competition- we have to be different from everyone else.

There is no single way to **segment a market**. A marketer has to try different segmentation variables to find the best way to view the market structure. There are **geographic**, **demographic**, **psychographic** and **behavioural** variables.

Geographic segmentation- it's the process of cutting up markets into different geographical units. You could be narrowing it down to different cities, states, nations, provinces, regions etc. For example the game monopoly is sold in many countries and states around the world however the game is changes according the specific regions. For instance, the one sold in Las Vegas has "the strip" instead of "boardwalk", it has hotels, casinos and a red Vegas dice.

Demographic segmentation- it's the process of dividing the market into groups based on demographic variables such as age(crest will sell Dora tooth brushes to attract the younger populations), sex(Procter & Gamble made Secret deodorant for woman), family size, family life cycle, occupation, education, income(holt Renfrew focuses on expensive apparel, Dollarama targets lower income groups) etc.

Psychographic segmentation- it's the process of dividing a market into different groups based on social class, lifestyle, or personality characteristics.(2 lawyers example)

Behavioural segmentation – it's the process of dividing a market into groups based on consumer knowledge, attitude, use or response to a product. In other words we look at how people behave- if we take the example of alcohol use, an older person likes to have a glass of wine while eating whereas an adolescents just drinks anything to get shit faced.

Benefit segmentation- it's the process of dividing the market into groups according to the different benefits that consumers seek from the product.. for example procter & gamble has identified several different laundry detergent segments. Each segments seek a unique combination of benefits (cheap, to clean, to fresh etc)

(**3 following lines are not important for exam**)
Clearly there are many ways to segment a market- but not all segmentations are effective.
To be useful, market segments must be:
Measurable, accessible, substantial, differentiable and actionable

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Selecting target market segments
After evaluation different segments, the company must now decide which and how many segments it will target. A **target market** consists of a set of buyers who share common needs or characteristics that the company decides to serve.
There are 4 ways of approaching the market

1. **Undifferentiated marketing**- it's a market coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer- in other words they are mass marketing- they are going to sell the same product and message to everyone
2. **Differentiated marketing** – it's a market coverage strategy in which a firm decides to target several market segments and design separate offers for each. In other words, we decide on several different markets and we approach each one of them differently. For example general motors makes cars but makes different ones for different needs like someone who will buy a Pontiac wont buy a Cadillac- they want to appeal to different markets. Another example is GAP- it has created different retail store formats that serve the different needs of different fashion segments – Gap, Banana republic, and Old navy
3. **Concentrated marketing**- it's a market coverage strategy in which a firm goes after a large share of one or a few segments – in other words, we are going to choose one segment are we are going to be experts at it- we are going to own that piece of market. For example there are many motor cycles company out there but when you think of getting a motor cycle you automatically think of Harley Davidson
4. **Micro marketing**- it's the process of tailoring products and marketing programs to the needs and wants of specific individuals and local customer groups – in other words you focus your marketing to individuals and not to segments.

Positioning for a competitive advantage
Product position- it's the way to product is defined by consumers on important attributes- the place the product occupies in the consumer's minds relative to competing products. – in other words it's the way the product is defined by consumers as being different from others; it's the position the product holds in comparison to its competitors.

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Not all brand differences are meaningful or worthwhile, not every difference makes a good differentiator. Therefore the company must carefully select the easy in which it will distinguish itself from competitors. The differences have to satisfy the following criteria.

- Important- the difference must deliver a highly valued benefit to the target buyer.
- Distinctive – we have to make sure that the competitor does not offer the same thing or that your company can offer it in a more distinctive way- it has to stand out
- Superior- the difference must be superior to other ways that customers might obtain the same benefit
- Communicable- the difference must be communicable and visible to buyers- have to be able to communicate it so you can understand it
- Pre-emptive- the competitors must not easily copy the difference
- Affordable- buyers must be able to afford to pay the difference
- Profitable- the company must be able to introduce the difference profitably.

We can create many differences-
Difference in quality, feature, performance, style, design and durability

CHAPTER 9
Product, services, and branding strategies.

A **product** is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need

A **service** is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Levels of products and services:
Product planners need to think about products and services on three levels- each level adds more customer value.

Level 1- **core benefit**- it's when we ask ourselves what does the consumer really needs? What problem is the consumer trying to solve? When designing a product, marketers must first define the core, problem solving benefit or services that consumers seek. For example Revlon makes cosmetics but in the store it "sells hope for woman to be prettier"- Mr Revson from Revlon realised that the problem is that women wanted to feel beautiful and lipstick is the answer to the problem

Level 2- **actual product**- it's the specific product features, design and brand name. for example the Ipod Nano is an actual product; its name, parts, styling, features, packaging, and other attributes have all been combined carefully to deliver the core benefit: a convenient, high quality and impossibly small way to store and listen to your favourite music.

Level 3- **augmented product**- it's the additional services and benefits that the company offers. For example, apple must offer more than a MP3 player; it must provide the customer with a complete solution to their music listening problems (warranty, access to Itunes, quick repair services etc)

Product and service classification
Products fall into two broad classes based on the types of consumers that use them: **consumer products** and **industrial products**

Consumer products – they are products and services bought by final consumers for personal consumption
Consumer products include **convenience products, shopping products, speciality products,** and **unsought products**. These products differ in the ways consumers buy them and therefore in how they are marketed.

Convenience product- it's a consumer product that the consumer usually buys frequently, immediately, and with a minimum of comparison and buying effort- in other words the convenience products fall into the category of milk, eggs etc- you just don't think about buying it and don't think about buying it at Metro or IGA, you just buy it because you need it. Convenience products are also impulse goods- when you walk into a store and you see a magazine, you're not going to think if you should buy it or not- you just buy it.

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Shopping products- it's a consumer good that the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price, and style. They are the goods that you don't buy every day. For example when you want to buy a Toyota you will shop at different retailers to find the one with the best service, price and then you will choose a car that has a nice style etc. there are two kinds of shopping goods: **Heterogeneous goods(**in the mind of the consumer, products from different competitors are different**) and Homogeneous goods(**in the minds of the consumers, all products from competitors are the same**)**

Speciality products – it's a consumer product that has unique characteristics on brand identification for which a significant group of buyers is willing to make a special purchase effort- its when the buyer is willing to go out of his way to buy that specific product. These products include expensive cars and designer clothes

Unsought products- it's a consumer product that the consumer wither does not know about or knows about but does not normally thinks of buying it. For example pre-planned funeral services- you don't think of getting those until you actually need them.

Business products- they are products that are bought by individuals and organizations for further processing or for use in conducting a business
The three groups of business products and services include **materials and parts**, **capital items**, and **supplies and services**
Materials and parts include raw materials and manufactured materials and parts. Raw materials consist of farm products and natural products. Manufactured materials and parts consist of components material (tires small motors etc). Basically you take iron out of the ground, and from that you make steel- you melt the steel, put it in a mould and make a part.
Capital items- they are business products that help us make the product- machines, trucks, tools etc. They help us make what we sell. We divide capital items in many ways
Supplies and services- they are operating supplies like paper clips, paper, pens etc

Organizations, persons, places and ideas
Other than marketing products, we can **market organizations** like red cross or "fight for cancer"
We can also have **person marketing**- it consists of activities undertaken to create, maintain, or change attitudes or behaviours towards particular people (president, prime ministers, sport figures etc)
We also have **place marketing**- you can promote Montréal with its nightlife, old port etc
Lastly we can also promote **ideas** like "don't drink and drive"

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Product and service decisions

Individual product and service decisions
Marketers make decisions on *product attributes, branding, packaging, labelling, and product support services.*

Product and service attributes
Developing a product or service involves defining the benefits that it will offer- these benefits are communicated and delivered by product attributes, such as **quality, features, and style and design.**
Product quality- it's the ability of a product to perform its functions; it includes the product's overall durability, reliability, precision, ease of operation and repair, and other valued attributes.- the product but be free from defects. "Quality is when our customers come back, not our products"
Product features – features are a competitive tool for differentiating the company's product from competitor's product. Features could be for example to add a GPS to all BMWs.
Product Style and Design- style and design are two different concepts: style describes the appearance of a product however good design contributes to a product's usefulness as well as to its looks. In other words style is just the appearance of the product but design takes the customer into account (what does the customer wants)

All these concepts are important however, at the end of the day when we want to promote our product we have to establish a **brand.** A **brand** is a name, a term, sign, symbol, or design intended to identify the goods or services of a seller and to differentiate them from those of competitors. Branding adds value to a product- for example, most consumer perceive a bottle of Chanel No 5 perfume as a high- quality expensive product- but the same product in an unmarked bottle would likely be viewed as lower in quality

Brand names help consumers identify products that might benefit them. Brands also tell the buyer about the products quality. Buyers who always buy the same brand know that they will get the same features, benefits and quality every time they buy the product. You buy a product from a certain brand because you have expectations.

The way to know if we buy the same brand is by identifying it through its **packaging**
Packaging is the activity of designing and producing the container or wrapper for a product.
The package includes a products primary contained (the tube holding Colgate total toothpaste). It may also include a secondary package that is thrown away when the product is about to be used (the cardboard box containing the tube of Colgate). Finally, it can include a shipping package necessary to store, identify, and ship the product (the box carrying six dozen boxes of Colgate)

The printed information on the package **(the label**) is also a part of the packaging process and it's very important. The label identifies the product and may describe the product. Most companies offer unit pricing- on their labels they tell you what the cost per gram or per 10grams is. They also offer open dating- they tell you the "best before" date. Also, it is now required to put a nutritional labelling on the products label- it must include the ingredients, the percent of daily requirement and what kind of fat or fibre there is in the product "high fibre" , "low fat" etc

Branding strategy: building strong brands
Brand equity- brands are more than just names and symbols- they represent consumers' perception and feeling about a product and its performance- its basically the value of our rank- its what the brand is worth. – if you have assets, you have equity.

Branding poses challenging decisions to the marketers. The major brand strategy decisions involve brand positioning, brand name selection, brand sponsorship, and brand development.
Brand positioning- there are three ways to position a brand. You can position the brand on the **product's attributes** (crest's marketers can talk about the product's innovative ingredients and good taste). You can position the brand by associating its name with a desirable **benefit** (crest's marketers can talk about not only the ingredients and good taste but also about how crest could prevent cavity and make your teeth brighter). Lastly you can position your brand on **strong belief and value** (crests marketers can talk about how the toothpaste gives "healthy beautiful smiles for life")

Brand name selection- the name should suggest something about the product's benefits and quality (Beauty rest mattresses), it should be easy to pronounce and remember, it should be distinctive and it should translate easily into other languages.

Brand sponsorship- the manufacturer has 4 sponsorship options- the product may be launched as a manufactured brand (Kellogg's- it's a brand sponsored by the people who make it), a private brand (its when a part of the price you pay goes to the marketing – nos compliments), a licensed brand, and a co-brand product (when two companies join forces- Wal-Mart and McDonalds)

Brand development-
Line extension- it's the process of using a successful brand name to introduce additional items in a given product category under the same brand name, such as new flavours, forms, colours, added ingredients or package size. For example juicy fruits came out with a strawberry flavour or Revlon lipstick came out with a new color.

Brand extension- it's the process of using a successful brand name to launch a new or modified product in a new category. For example roots extended its brand beyond making clothing- it now makes bath linen and accessories, eyewear, fragrance etc.

Multibrands- it's when you introduce additional brands in the same category- it offers a way to establish different features and appeal to different buying motives. The problem with multibranding is that each brand might only get small market shares and none may be very profitable.

New brands- for example Honda created the Acura brand to differentiate its car from the established Honda line.

*offering too many brands can result in a company spreading its resources too thin. They way to work things out is to do **mega branding**- it's the processes of forgetting about the weaker brands and focusing on the ones that work.

Services

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Service intangibility- it's a major characteristic of a service- it cannot be seen, tasted, felt, or smelled before the are bought.- you don't end up with a product, you end up with a benefit.
Service inseparability- it's the idea that services are produces and consumed at the same time and cannot be separated from their providers. For example if you buy a Sony camera at future shop and its shit- you will blame Sony for the shitty camera they produced.- there is a direct contact between the service provider and the consumer
Service variability- it's the idea that the quality of the services may vary depending on who provides it, when, where and how. For example, Fairmont hotels have the reputation for providing better service than others. However within a given Fairmont hotel- one registration desk employee might be nice and cheerful but the other one isn't.
Service perishability- it's the idea that a service cannot be stored for later sale or use. For example if you call someone to pick up the snow because you heard there will be a snow storm and there isn't one in the end- you still need to pay the service provider. Another example could be that a doctor charges you for a missed appointment beacasue the service value existed only at that point and disappeared when the patient didn't show up

CHAPTER 10

New product development and life cycle strategy

- Every product seems to go through a life cycle- it is born, goes through several phases, and eventually dies as newer products come along that better serve consumer needs

New product development strategy:

A firm can obtain a new product in two ways:

1. Through acquisition (by buying a whole company, a patent or a liscence)
2. Through **new product development** (the development of original products, product improvement, product modification, and new brands through the firm's own R&D efforts)

New products continue to fail at a disturbing rate. One source estimates that more than 90% of all new products fail within two years.
So many products fail because the market size might have been overestimated, the product might have not been designed well, maybe it was not well positioned in the market, or the price was too high.

Companies must develop new products to grow but the chances of success might be very low. **To create successful new products, a company must understand its consumers, markets, and competitors and develop products that deliver superior value to consumers.**

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It's an 8 step process:

Step 1:

Idea Generation- it's the systematic search for new product ideas. Idea generation differs depending on whether it is an **incremental new product** (it's a product that is similar to other products that already exist or existed) or a **discontinuous new product** (it's a completely new product that never existed before). A company usually needs to generate many ideas in order to find a few good ones.
Many sources of new product ideas include **internal sources** and **external sources** such as customers, competitors, distributors, suppliers and others.

Internal idea sources:
For internal idea sources, the company can find information through formal **research and development**
External idea sources:
Good new product idea come from watching and listening to **customers** (by watching customers, conducting surveys and focus groups)- for example Heinz Ketchup wanted to know how they could increase their sales so they asked kids what would make them like ketchup more and they answered that it would be more appealing if they would change the color- after the first year- the company had a 5% increase in sales.
Companies who build strong relationships with users can use this relationship to get ideas for new products or for product improvement (for example the moisturizing cream that was also a repellent for bugs- Avon created a cream that doesn't only moisturize but also makes bugs get away).
Companies cannot rely on customers only to create or improve a product. Very often, customers want to be surprised so they can learn from them but they have to make sure that the go beyond their expectation in order for the product to work in their target market.

Good new product ideas also come from watching **competitors**. Companies look at competitors' ads to get clues about their new products. They buy new products from competitors, take them apart, analyze their sales and decide whether they should bring out a new product of their own or base themselves on the competitors' product.
Distributors and suppliers can also contribute many good new products ideas. Resellers are very close to the market and can pass along information about consumers' problems and new product possibilities
The search for new ideas shouldn't be done once in a while randomly because then you miss opportunities for getting a good idea. Therefore within your company you should have an **idea management system** that directs the flow of new ideas to a central point where the ideas could be collected and analyzed.

Step 2:
Idea screening- it's the process of screening nee-product ideas in order to spot good ideas and drop poor ones as soon as possible. Basically in the idea generation process you want to get as many new ideas as possible but in the idea screening process you want to get rid of the bad ideas and keep the good ones. Ideas are written in a standard form so that a committee can talk about the idea for the new product and decide if it is a good product to market. The written part describes the product, the target market, and the competition. It makes some rough estimates of the market size, product price, development time and cost, manufacturing costs and rate of return.

Step 3:
Concept development and testing-
An attractive idea must be developed into a product concept.
There are three terms that we need to distinguish:
- Product Image- the way the consumer perceives an actual or potential product
- Product idea- it's an idea for a possible product that the company can see itself offering to the market
- Product Concept- it's a detailed version of the new product idea

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Concept Development: it's the process of developing your idea into a product. For example you can start by distributing your product in a small region and see how it works in that region. If you see that your product worked you can develop your product into alternative product concepts, find out how attractive each concept is to consumers and choose the best one.

Concept Testing- it's the process of testing your concept and see if your target market likes it- if it has a strong consumer appeal. You can also ask the consumers a set of question that will help you access whether the product had a strong consumer appeal or not.

Step 4:
Marketing strategy development- it's the process of designing initial marketing strategy for a new product based on the product concept.
The marketing strategy statement consists of three parts.
Part 1- it describes the target market, the planned product positioning, and the sales, market shares, and profit goes for the first few years. For example if you chose a concept that says the car will be an inexpensive subcompact "green" car appealing to the environmentally conscious people who want practical transportation and low pollution then your target market is younger, well educated, moderate to high income individuals, seeking practical, environmentally responsible transportation. The car will be positioned as more economical to operate, more fun to drive, and less polluting than today's internal combustion engine or hybrid cars. It is also less restrictive than battery- powered electric cars, which must be recharged regularly. The company will aim to sell 100 000 cars in the first year at a loss of not more than 15 million dollars. In the second year, the company will aim for sales of 120 000 cars with a profit of 25 million dollars **(this is just an example)**
Part 2- it outlines the products planned price, distribution and marketing budget for the first year.
Part 3- it describes the planned long run sales, profit goals, and marketing mix strategy

Step 5
Business Analysis- it's the process of reviewing the sales, costs, and profit projections for a new product to find out whether these factors satisfy the companies objectives. If they do, the product can go in the product development stage.

Step 6
Product Development- it's the process of developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable product. This process can take days, weeks, months or even years

Step 7
Test Marketing- it's the stage of the new product development in which the product and marketing program are tested in more realistic market settings. Test marketing gives the marketers experience with marketing the product before going into the great expense of full introduction.
Test marketing costs can be very high and it takes time that may allow competitors to gain advantages.
Sometimes, companies don't go through the test marketing stage when it's a simple line extension or a copy of a product that is already working. However when it's a new product, even though its expensive to go through test marketing its worth it because it's better than having a product that doesn't work in the market and having to deal with it.

There are three different approaches to test marketing- three different ways to go about doing it.

Standard Test Markets- it's when the company finds a small number of representative test cities, conducts a full marketing campaign in these cities and uses consumers and distributors surveys to evaluate the product's performance. However standard test markets have some inconveniences: (1) they take very long,(2) during that time, competitors can use the idea and bring it out before the initial company does and(3) competitors can interfere with the testing.

Controlled Test Markets- it's when you control what the consumer buys by monitoring their purchases. This way it is much faster to get the information needed, it costs much less than standard test markets however competitors can be aware of the product before it gets distributed to the public.

Simulated Test Markets- its when the company shows ads and promotions for a variety of products, including the new product being tested. This way the company can note how many consumers buy the new product and the competing brands. A week or so after the purchase, the company calls the buyers of the product to ask them if they liked it, if they are satisfied and if they would be willing to re-purchase this item. Simulated test markets costs much less, can be run in less than 8 weeks and can keep the product out of reach of the competitors

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Step 8
Commercialization- it's when you introduce a new product into the market. At this point, the company is going to be spending a lot of money on advertising, sales promotion and other marketing efforts. The company must choose a good timing to launch the product and decide where they will be selling the product.

Organizing for New-Product Development

There are **two** way of developing a product

1. Sequential product development- it's an approach in which one company department works to complete it stage of the process before passing the new product along to the next department and stage- *Drawbacks* very slow, easy for competitors to copy the product before it gets out to the public. In this case, if one person from one department screws up- you have to wait for that person to fix the problem before you can continue working on the product development.
2. Simultaneous product development- it's a approach in which various company department work closely together, overlapping the steps in the product development process to save time and increase effectiveness- *Drawbacks*- you have bigger chances of making mistakes because you are going too fast and it increases organizational tension and confusion.

Product life cycle strategies

The product life cycle- it's the course of a product's sales and profits over a lifetime. It involves five distinct stages: product development, introduction, growth, maturity, and decline.

1. Product development- it begins when the company finds and develops a new product idea. During product development, sales are zero and the company's investment costs get bigger and bigger
2. Introduction- it's a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction.
3. Growth- it's a period of rapid market acceptance and increasing profits
4. Maturity- it's a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profit level off or decline because of increased marketing outlays to defend the product against competition
5. Decline- it's the period when sales fall off and profit drops.

Some products are introduced and die quickly and others stay at the maturity stage for a very long time.

Introduction stage It's the product's lifecycle stage in which the new product is first distributed and made available for purchase. It's a stage that takes time where sales growth is usually very slow. In this stage, as compared with other stages, profits are negative or low because of the low sales and high distribution and promotion expenses. Promotion spending is very high because we need to inform consumers of the new product and get them to try it.

Growth Stage

It's the stage when the sales start to climb quickly. In this stage the early adopters with buy the product and later buyers will start following their lead. New competitors will enter the market because they see how successful the product is. Profits increase during this stage as promotion costs are spread over a large volume and as unit manufacturing costs fall.

Maturity stage

At that point, the product's sales growth starts to slow down. The maturity stage usually lasts longer than the previous stages. This slowdown in sales results in many producers with many products to sell. At this stage, competitors begin to mark down prices, increase their advertising and sales promotion, and upping their research and development budgets to find better versions of the product. instead of going with the flow at this stage, product managers should consider modifying the market, the product and the marketing mix in order for the product to not die.

- If we try modifying the market, the company will have to try to increase the consumption of the current product or the company can reposition the brand to appeal to a larger or faster-growing segment.
- If they consider modifying the product, they could change certain characteristics of the product such as quality, features, or style, to attract new users and to inspire more usage.
- If they are thinking of modifying the marketing mix, the company can improve sales by changing one or more marketing mix elements. It can cut prices to attract new users and possibly take the competitions' consumers

Decline Stage

It's the period in the life cycle when the product's sales decline. In this case, sales may drop slowly or very fast; they can plunge to zero or they may drop to a very low level where they continue for many years. Sales decline for many reasons: (1) technological advancements, (2) increased competition.

Carrying a weak product can be very costly to a firm because you have to deal with a product that you cannot sell

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CHAPTER 11

Pricing

What is a **price**?

A **price** is the amount of money changed for a product or service. Pricing has to do with exchange- the exchange of money for a good or a service- its what one person is willing to give up for something else.

Today's new pricing environment

In the past, we used to employ a fixed price policy where you set one price for all buyers. However now, there is something called dynamic pricing- it's when you charge different prices depending on individual customers and situations. For example priceline.com- they make their prices go up and down according to the demand. So from a day to another, the price could be different because the demand is higher or lower.

Pricing: An important but difficult decision

Price is the only element in the marketing mix that produces revenue- all the other elements represents costs. Pricing and price competition is the number one problem facing many marketing executive because many companies don't handle pricing well. Companies are often too quick to reduce prices in order to sell their products instead of working on convincing their customers that their product is worth it

Factors to consider with setting prices

A company's pricing decisions are affected by both **internal company** and **external environmental** factors.

- **Internal factors affecting pricing decisions:** there are many internal factors that affect pricing decisions- the company's marketing objective, the company's marketing mix, the company's costs, product consideration and organizational factors

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1. **Marketing Objective-** before setting a price, the company must decide on its strategy for the product. At the same time, the company must set general objectives that include survival, current profit maximization, market share leadership, and product quality leadership. Prices can be reduced temporarily to create excitement for a product or to draw more customers into a store. Pricing plays an important role in helping to accomplish the company's objectives at many levels. **(1)** Many companies use ***current profit maximization***, as their pricing goal. They estimate what demand and costs will be at different prices and choose the price that will product the maximum current profit and cash flow. Its when you want to make as much money you can make and as soon as possible so you basically put a price and then try to figure out what will create the most profit for the company in the short term. **(2)** Other companies want to obtain ***market share leadership***. To become the market share leader, these firms set prices as low as possible. You basically want to be number one so you will price in such a way to minimize your volume (low prices). That maximization may not bring you profit this year but at the end of the day, if you have volume you will have higher shares and if you have higher shares it will be maintained and continued. **(3)** A company might also want to achieve ***product quality leadership.*** This is when you charge a high price in order to cover higher performance quality and the high costs of research and development. So basically if you want to be able to say that your product is the best around then you have to price it accordingly. For example Ferrari is the fastest and Volvo the safest- that cannot price their car at a low price- they have to price it according to value and quality because you cannot claim that you are better and charge a lower price- it would make no sense. **(4)** Nonprofit organization may adopt other pricing objectives like **partial cost recovery** or **full cost recovery**
2. **Marketing mix strategy-** price is only one of the mix tools that a company uses to achieve its marketing objectives. Pricing decisions must be coordinated with product design, distribution and promotion decisions to form an effective marketing program. Decisions made for other marketing mix variables can affect pricing decisions. For example, a decision to position the product on high performance quality will mean that the seller must charge a higher price to cover the costs. Companies often choose a pricing strategy called Target pricing where pricing starts with an ideal selling price, then targets costs that will ensure that the price is met. For example Procter and Gamble wanted to make a new tooth brush with an attractive low price and then they found a way to make profit at that price. Marketers must therefore consider the entire marketing mix when setting prices
3. **Costs-** Costs set the floor for the price the company can charge for its product. The company want to charge a price that both covers all its costs for producing, distributing, and selling the product and deliver a good rate of return for its efforts and risks. Companies with lower costs can set lower prices that result in greater sales and profit. -There are **2 Types of costs: (1) fixed costs (overhead costs)** are costs that do not vary with production or sales level. For example if I have a factory and I have employees, electricity, an accountant and a lawyer; whether I make 100 units a year or 500 units a year I will stay have these costs no matter what. The basically don't change as volume increases or decreases. **(2) Variable costs** depend on the level of production. If for example I make pens and I buy raw material like plastic, rubber and ink that cost me 1 dollar. If I make 100 units a year, it's going to cost me less than if I make 500 units a year. **(3)** Lastly you have **total costs.** It's the sum of the fixed costs and variable costs for any level of production. It is useful when we want to know what the total cost per unit is. If for example our variable cost is 1$ and we are going to produce 200 units and we know that our fixed costs are 2000$. Knowing all this we can calculate our total cost to be 20$. – The company wants to charge a price that will **at least** cover the total production costs
4. **Product Consideration-** Pricing and product line consideration are closely interrelated, especially when new products are being introduced or when marketers are working with a line of related products. **New product pricing-** when companies bring a new product to the market, the face the challenge of setting prices for the first time. They can choose between two strategies: ***Market skimming pricing*** and ***market penetration pricing***.
   -Market Skimming Pricing- it's when you set a very high price when you first launch the product so that you can skim maximum revenues from the segment willing to pay the price and then slowly, the price is going to go down. For example when CD players just came out they used to cost up to 800$ whereas now we can purchase it for 10$. Therefore the CD player Company made as much profit as they could in the beginning. In this case, the market assumes that there are people out there who will be willing to pay the high price of the product. Market skimming is best when we have a patent on the product so no one else can copy the product
   -Market Penetration pricing- it's when you set a very low price for a new product to attract as many customers as you can to get a large market share. They basically set a low initial price in order to penetrate the market quickly and deeply. You want to get as much of the market as possible. It works when the market you targeted is price sensitive. In that way, you get the customers loyalty from the beginning and they will remember your brand when they will want to get the product a second time.

Then we have external factors that affect price

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External factors that affect pricing decisions include the nature of the market and the demand, competition, and other environmental elements.

The Market and Demand
Before setting a price, the marketer must understand the relationship between price and demand for its product.
Pricing in different kinds of markets
The sellers pricing freedom depends on the type of market the company operates in.

1. **Pure competition:** it's when the market consists of many buyers selling about the same things. In pure competition, no single buyer or seller has an effect on the market price. Basically, there are many buyers and seller and they are selling a uniform commodity (the all sell the same things like milk, eggs, bread etc). The only way these people can compete is through price and distribution.
2. **Monopolistic Competition** it's when the market consists of many buyers and sellers who trade over a range of prices rather than a single market price. For example in the pure competition, the price of eggs or milk is the same everywhere however in this case, one company was the monopoly over certain features. For example, Volvo has the monopoly for quality and Ferrari for speed however they are still competing against one another. In this case, buyers see differences in sellers' products and will pay different prices for them. Therefore, if you can differentiate yourself in a way that is believed by the consumers, than you are in a monopolistic competition.
3. **Oligopolistic competition** it's when the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. In this case the product can be uniform or non uniform. Also there are a few sellers in an oligopolistic competition because it is very difficult for new sellers to enter the market. In Canada, for example, we have banks, insurance companies and oil companies whose prices are more or less the same, the products or services they offer are more or less the same and few companies control the industry (Shell, Petro Canada, Esso, Ultramar- there are only a few)
4. **Pure monopoly:** it consists of only one seller. The seller may be a government monopoly like hydro Quebec and Canada post. If there were no government involvement then these companies could charge you whatever they wanted and you couldn't do anything about it. The government makes sure that the company dosent take advantage of the consumer.

Consumer perceptions of price and value (important)
After facing all the possible choices between, pure competition, monopolistic competition, oligopolistic competition and pure monopoly, the consumer will decide if the product's price is right. When consumers buy a product, they exchange something of value (the price, money) to get something of value (the benefits of having or using the product). The key word here is not **Cheap** but the **right** price. As a seller, you need to set a price that matches the products value. For example if you work at a very fancy restaurant, it could cost you 5$ to make 1 bowl of pasta but you are going to sell it for 25$ because mixed to the ingredients there is taste, value, prestige etc. It's the same thing when you sell a low quality product- you don't want to put a price too high because it doesn't match the value of the product. If the customers see that the price is greater than the product's value, they won't buy the product and vice versa.

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Analyzing the Price-Demand Relationship: Each price the company might charge will lead to a different level of demand- The higher the price, the lower the demand. Therefore the company will sell less if they higher their prices.
Price Elasticity- it has to do with how responsive the demand will be to the change of price. It's basically the effect of price on the consumers. If demand hardly changes with a small change in price, we say that the demand is inelastic (for example the price of pens are inelastic- if the price of pen gets higher by 25 cents I will switch brands). If demand changes greatly, we say the demand is elastic (for example the price of cigarettes, if the price gets higher by 1 dollar people will keep on buying the same brand of cigarettes). The price elasticity of demand is given by:

$$= \frac{\%\ \text{Changes in Quantity Demanded}}{\%\ \text{Change in Price}}$$

If demand is elastic rather than inelastic, sellers should consider lowering their price. A lower price produces more total revenue. Marketers need to work harder than ever to differentiate their offerings when a many other competitors are selling the same product at a lower price.

General Pricing Approaches

The price the company charges will be somewhere between on that is too low to produce a profit and one that is too high to produce demand. Product costs set a floor to the price and consumers perception of the products' value set the ceiling. The company must consider competitors; prices and other external and internal factors to find the best price between these two extremes. There are two general pricing approaches: the **cost based approach** and the **value based approach**

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Cost Based Pricing-
It's when the cost per unit = variable cost + fixed cost. You basically design a good product, you then determine the cost of making the product and then you set a price that covers the costs plus a target profit. The simplest pricing method is **cost- plus pricing**- it's when you add a standard markup to the cost of the product (you basically ad to the cost of the product)
Break even analysis and target profit pricing- it's when you set the price so you can break even on the costs of making and marketing a product; or setting a price to make a target profit.

- ➔ Total revenue = Total Costs
- ➔ Price per unit * volume = cost per unit + fixed cost

If you sell peanuts and you sell them for 90 cents and they cost you 50 cents per unit. In order to have the right to sell these peanuts- It costs you 16 dollars (fixed costs).
What can happen?

Volume	revenue	variable cost	fixed cost	total cost
0	0	0	16	16
10	9	5	16	21
20	18	10	16	26
30	27	15	16	31
40	**36**	20	16	**36**
50	45	25	16	41

We break even

.90x=.50x+16
.4x= 16
x= 40 units

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We have another way of pricing:
Value based Pricing-it's when you set a price based on perception of value rather than on the seller's cost. It basically considers a price that is good to the consumers- not cheap but good. Value based pricing means that the marketer cannot design a product and marketing program and THEN set the price. Price needs to be considered before the marketing program is set. In other words, the company sets its target price based on customer perception of the products value. The targeted value price the allows the company to make a decision about the product's designs and what costs will be incurred

Cost based pricing:
Product → Cost → Price → Value → Customers
Value based pricing:
Customers→ Value → Price → Cost → Product

Value Pricing
It's when the company offers the right combination of quality and good service at a fair price. There are two types of value pricing: **Everyday low pricing** and **high low pricing**

Everyday low pricing- its when you charge a constant everyday low prices with a few or no low price discounts (Wal Mart is a good example of everyday low pricing because it promises low prices everyday on everything they sell)
High low pricing- it's when you charge a higher price and then have price discounts once in a while (it's bad because constant sales and promotion are costly and customers don't buy when the price is at regular price)

Price adjustment strategies

There are 5 types of price adjustment strategies: Discount and allowance pricing, segmented pricing, psychological pricing, promotional pricing, geographical and international pricing

Discount and allowance pricing- A **Discount** is a straight reduction in price during a stated period of time. There are many forms of discounts:

- **Cash discount**- it's when the buyer pays the bill in advance. For example if I sell tables to Mobilia, and they usually pay me within 30 days, I can tell them that ill give them a 2% discount on the price of the table if they pay me within 10 days- this type of policy improves cash flow and reduces the risk of bad depts. it's also a way of encouraging fast payment.
- **Quantity discount** – it's when you give a discount because the buyer buys a large volume of products. For example if you sell toilet paper to WalMart, if they buy 100 pack they pay 3$ per pack but if they buy more than 100 packs they get to pay 2$ per pack. In this case, with the competition act, discounts must be offered equally to all customers. This type of discount provides an incentive to the customer to buy more from one given seller.
- **Seasonal discount**- it's when you give a price reduction to buyers because they buy the product out of season. For example a ski manufacturer will sell skis to a retailer at a lower price if the retailer buys it during the summer. Seasonal discounts allow the seller to keep production steady during an entire year.

When you offer a discount there are **three** kinds of way to go about doing it.:

1. **Non- Cumulative discount**- it's when you want to make a big sale ASAP so you go to the buyer and you tell him if you buy 10 thousand units I will give you 10% off. However, this kind of discount only happens when you decide, not every time that buyer wants to buy things from you.
2. **Cumulative discount**- it's when you add up what that buyer bought during the year and if it adds up to 10 thousand units then ill give you a reduction. In this case you want to get a long term relationship with the consumer.
3. **Functional discount-** its when the buyer does something for you in exchange for a discount. If for example I sell toilet paper to IGA. There are usually at the end of the aisle but I can give IGA a discount if they put my toilet paper in the beginning of the aisle so that everyone can see it. It's basically a discount made to perform a function.

Then we have **Allowances**- it's another form of price reduction

- **Promotional allowances**- they are payment or price reduction to reward dealers for participating in advertising and sales support programs.

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Segmented pricing- it's when you sell a product or service a two or more different prices however the price is not based on cost. There are three types of segmented pricing:

1. **Customer segment pricing**- it's when different customers pay different prices for the same thing. For example when you go to the movies, a ticket for kids and people of 65 years and older is less expensive than the regular price
2. **Product form pricing**- if you buy a blackberry pearl, it's going to be cheaper than the blackberry curve because it doesn't have the extra feature of the curve.
3. **Location pricing**- its when you charge the customer a different price for a different location. When you go to the bell center, you pay more money to have floor tickets than if you were somewhere else. It doesn't mean that it costs more money for the bell center and that's why they charge you more. They charge you more because they know people will pay more to get better seats.

Psychological pricing- its when the price is used to say something about the price- for example when you buy Burberry perfume. It might cost channel 5$ to make it but you pay 100$ for it because it's Burberry. Customers usually perceived higher priced products as having higher quality. **Reference prices** is the price that consumer keep in mind when they buy a product. for example if you go to Winners and get a pair of BCBG shoes and see that the initial price was 200 and now its 150, the consumers will consider it a bargain because of the "initial price" of the product. Also, a company could display a product next to more expensive ones in a store so that the consumer will perceive them as being from the same class.

There is also something called **Odd even Pricing**- it's when you see a stereo for 300$ and another one right next to it for 299.95$, you might perceive the one for 299,95$ as a bargain because it's in the 200s and not in the 300s. It's stupid but effective.

Promotional pricing- it's when you temporarily lower the price of a product.

There are **two** kinds of promotional pricing:

1. Loss leaders- it's when you lower the price of a few products in the store so you can attract customers and hope that they will buy other things in the store that are at regular price. They might sell the product at loss or break even but they are counting on the sale of other products to make money.
2. Special event pricing- it's when you lower the price of your product in certain seasons to attract customers. For example, best buy as better prices for electronic things during Christmas period to attract customers.

We also have something called **Price lining-** it's when you have a lot of stock and you want to get rid of it so you lower your prices,

Prestige pricing- it's when you sell prestigious things like Mercedes cars, you have to price them accordingly- they can't be sold at a

cheap price- Mercedes has to put their price very high for prestige, and lastly, **Cash rebate**- its when you for example buy a box of Kellogg's and there's a 1$ off coupon inside.

Geographic and international pricing
A company must also decide how to price its products to customers located in different parts of the world. There are **three** kinds of geographic and international pricing:

1. **FOB origin pricing**- it's when for example you sell pens to two region in Canada. Its costs 50$ for 100 pens but someone needs to pay the shipping from the manufactory in BC to Quebec and Ontario. For FOB pricing (free on board) means that once the product is out of the manufactory it belong to the buyer meaning that the buyer pays for the shipping and is responsible if anything happens to the shipment. At the end of the day, Quebec and Ontario will pay a different price for the same product because of the difference in the price of shipping
2. **Uniform delivered pricing**- it's when the company charges everyone the same price, regardless of their location. In this case, if the shipping from bc to Ontario is 15$, they might charge 45$ and if the shipping to Quebec is 50$ they will still charge 45$
3. **Zone Pricing**-it's when a company charges a certain price according to how close you are to a certain zone. So if you are close to Zone A, you will pay 15$ for shipping but if you are closer to Zone B, you will pay 25$ for shipping.

(Read pages 440 to 445- not writing notes on those pages)

CHAPTER 12

Distribution Channels and Supply Chain Management

Producing a product or service and making it available to buyers requires building relationships with customers and also key suppliers and resellers in the company's supply chain. You basically have to have a good relationship with the people working around you (suppliers, distributers etc) in order for the company to work smoothly. Companies today are increasingly taking a full-value-delivery-network view of their business. A **Value-delivery network** is made up of the company, suppliers, distributors, and ultimately customers. Members of this network are considered "partners"

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The nature and importance of distribution channels

A distribution channel is a set of interdependent organizations involved in the process of making a product or service available for use by the consumer or business user

How channel members add values
The use of intermediaries results from their greater efficiency in making goods available to target markets. They usually offer the firm more than it can achieve on its own. Intermediaries reduce the amount of work that must be done by both producers and consumers. In the distribution channels, intermediaries buy large quantities from many producers and break them down into the smaller quantities and broader assortments wanted by consumers. In other words instead of having a consumer buying 2 pens and 4 rulers from the manufactory, the manufactory sells a big quantity of pens and rulers to bureau en gros and then bureau sells to the customers.

Members of the distribution channel help manage different two-way flows that are essential to building customer relationships and delivering products and services. These flows include:

- Information- since the wholesalers and retailers often have more direct contacts with buyers and end users, they help manage the flow of information. The information flow may include the gathering and distributing of marketing research.
- Negotiation- the wholesaler reaches an agreement on price and other terms of the offer so that ownership or possession can be transferred from the manufacturer to the new owner.- here we are talking about a deal.
- Financing- the distribution channel helps the company acquire funds to cover costs of the channel work
- Risk Taking- the distribution channel assumes the risks of carrying out the channel work

Number of Channel levels
A **channel level** is a layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer. Because the producer and the final consumer both perform some work, they are part of every channel.

There are two kinds on channels:

- Direct marketing channel- it's a marketing channel that has no intermediary levels
- Indirect marketing channel- it's a marketing channel containing one or more intermediary levels (business distributors, manufacturer representatives)

Channel behaviour and Organization

A marketing channel consists of firms that have partnered for their common goods. Each channel member depends on the other. Each channel member plays a specialised role in the channel- therefore the channel is most effective when each member is assigned the task it can do best.

Because the success of individual channel members depends on overall channel success, all channel firms should work together smoothly. They should understand and accept their roles, coordinate their activities and cooperate to attain overall channel goals. However, they often disagree on who should do what and for what rewards. Such disagreements over goals, roles and reward generate **Channel conflict (**disagreement among marketing channel members on goals and roles- who should do what and for what reward**)**

We have **two** types of channel conflict:

- **Horizontal Conflict**- it happens among firms at the same level of the channel. For example, some Ford dealers in Quebec might complain about the other Ford dealers in the city because their prices are too low or they are advertising too aggressively.
- **Vertical conflict**- it happens between different levels of the same channel. For example, office furniture market Herman Miller created conflict with its dealer when it started selling online- and sold the products directly to customers.

Some conflict in the channel takes the form of healthy competition. Without these occasional conflict, the channel could become passive and non innovative.

Vertical marketing systems

For the channels to work well as a whole each channel member's role must be specified and channel conflict must be managed. A channel performs better if it has someone that has the power to assign roles and manage conflicts (it could be a firm or an agency)

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There are two types of channel arrangements:

- **Conventional distribution channel-** it's a channel that consists of one or more independent producers, wholesalers, and retailers. Each one of them has a **separate** business seeking to maximize its **own** profits- sometimes **at the expense of the system** as a whole. In this type of distribution channel, no member has much control over the other members and there is no formal way to assign roles and resolving conflict.
- **Vertical marketing system (VMS)-** it consists of producers, wholesaler and retailers working together as a unified system. Each channel member own the others, has contract with them and all have the power so they all need to cooperate with each other.

There are **three major types of VMS**

1. **Corporate VMS-** it's when everything belong to the corporation. Basically, the corporation control the entire distribution chain. Zara, for example, makes 40% of its own fabric and produces more than half of its clothes instead of relying on a supplier than might take his time in providing the fabric. In other words, almost everything that Zara does is managed by Zara. This type of VMS makes Zara faster, more flexible, and more efficient than international competitors.
2. **Contractual VMS-** it consist of independent firms at different levels of production and distribution who join together through contracts to obtain more sales. The **franchise organisation (**a contractual vertical marketing system in which a channel member, called a franchiser, links several stages in the production and distribution process) is the most common type of Contractual VMS. There are three types of franchises
    - **Manufacturer- sponsored retailer franchise system**(Ford, Acura, GM)
    - **Manufacturer sponsored wholesaler franchise system** (Coca-Cola licenses bottles in various markets who buy coca-cola syrup concentrate and then bottles and sells the finished product to the retailer)
    - **Service firm sponsored retailer** (Herz, Avis, Holliday Inn, Ramada)
3. **Administered VMS-** its when the channel that has the most power makes the rules. For example if Canadian tires were to buy shovels from a manufacturer- Canadian tire makes the rules because he has more power than the manufacturer.

Horizontal Marketing System- it's when two or more companies at one level work together to follow a new marketing opportunity. For example McDonald now has "express" versions of its restaurants in Wal-Mart stores. McDonald benefits from Wal-Mart's considerable store traffic, while Wal-Mart keep hungry shoppers from having to go elsewhere to eat.

Channel Design Decisions- Designing a channel system calls for analysing consumer needs, setting channel objectives, identifying major channel alternatives and evaluating them.

- ➔ **Analysing consumers' needs**- to add value to the customer, we need the design the marketing channel by finding out what target customers want from the channel. Then, we need to ask ourselves a series of questions: do consumers want to buy from nearby locations or are they willing to travel more distant centralised locations? Would they buy in person, over the phone, or via the internet? Providing higher levels of service results in higher costs for the channel and higher prices for the consumers. Therefore the company must be careful because if they higher their prices because of higher costs- the customers won't buy from them anymore.
- ➔ **Setting Channel Objectives**- the company should state their marketing channel objectives in terms of targeted levels of customer service. Usually the company can identify several segments wanting different levels of service.
- ➔ **Identifying major alternatives**- when the company has defines its channels objectives, it should next identify its major channel alternatives in terms of **types** of intermediaries, the **number** of intermediaries, and the **responsibilities** of each channels.
    - **Types of intermediaries**- a firm should identify the types of channel members available to carry out its channel work. There are **three** different types of intermediaries: (1) **Company sales force**, it's when you expand the company's sales force by assigning outside salespeople to territories so that they can generate sales. (2) **Manufacturer's agency**, it's when you hire an agent in different regions or industries to sell the new product. (3) **Industrial Distributor,** it's when you find distributors in different regions or industries who will buy and carry out the new product
    - **Number of marketing intermediaries**- companies must also determine the number of channel members to use at each level. There are **three** different strategies to go about it: (1) **Intensive distribution**- its a strategy in which the company stocks their product in as many outlets as possible. These products need to be available when the consumer needs them. This strategy is usually used for convenience products like toothpaste, soap, gum, milk, bread etc.(2) **Exclusive distribution**- it's the complete opposite of intensive distribution- it's when the producer gives only a limited number of dealers the exclusive right to distribute the product. For example Gucci isn't sold everywhere, the same way Ferrari cars aren't sold at many dealers. Only some dealers have the right to sell Ferrari cars. (3) **Selective Distribution**- it's in the middle of exclusive and intensive distribution. It has more than one intermediaries but less than for intensive distribution. For example you won't find Kitchen Aid or Maytag at every appliance store- they are in a few stores but not all stores.
    - **Responsibility of channel members**- the producers and intermediaries need to agree on the terms and responsibilities of each channel members. They should agree on price policies, conditions of sales, territorial rights and specific services to be performed by each party.

Evaluating the major alternatives- now that the company has decides which channel alternative he wants, they have to select the one that will best satisfy its long run objectives

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Channel management decisions

The company must now implement and manage the chosen channel. Channel management calls for selecting, managing, and motivating individual channel members and evaluating their performance over time.

Selecting channel members- for some producers its easy to sign with a channel member and for others its very difficult and it requires a lot of work. When selecting intermediaries, the company should determine what characteristics distinguish the better ones. It will want to evaluate each channel member's years in business, growth and profit record and reputation.

Motivating and managing Channel members- once selected, channel members must be continuously managed and motivated to their best. In managing it's channels, a company must convince distributors that they can succeed better by working together as a part of a cohesive value delivery system

Evaluating Channel Members- the producers must regularly check channel member performance against standards such as sales quota, average inventory level, customer delivery time etc. The company should recognize and reward intermediaries who are performing well and replace the ones that aren't.

Marketing logistics and supply chain management (read pages 481-485)

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Teachers notes on Marketing Logistics and Supply Chain Management
we have to physically distribute stuff- supply chain management
there are people who spend their whole lives dealing with supply chain management

we have inbound distribution and we have outbound distribution. were are these goods distributed from and where they go to? Warehouses
we have two kinds of warehouses- storage warehouses (they store thing things over a period of time
then we have distribution centers-
we have something called inventor management- you want enough inventory so u can satisfy all your orders- because if your are out of stock, you are in shit but you don't want more inventory than you really need . if you have a lot of excess inventory, its going to cost you alot of money for it to just sit there

now we have to get goods from place to place- we have to use modes of transportation- we have trucks(its fast, very efficient for short distance deliveries and reasonably expensive for the amount your shipping), railroads (it's the most cost effective method- you can load a lot of stuff in a railroad, not that fast but the problem is that it only goes to those places that has track-can go straight to a store), pipelines (gaz), airplanes(very quick, very dependable, very expensive) boats (its slow, low value merchandise, long distances that has water in between- you ship it by boat)

CHAPTER 14

Integrated Marketing Communication Strategies- the company must communicate with current and prospective customers
The marketing Communication mix- it's a mix of communication strategies- it includes **Advertising** (any paid presentation and promotion of ideas, goods, or services by an identified sponsor), **Sales promotion** (short term reduction in price to encourage the purchase or sale of a product or service), **Public relations** (building good relations with the company's public- it has to do with the employees, shareholders and local citizens), **Personal selling** (personal presentation by the firm's sales force for the purpose of making sales and building customer relationships) and **direct marketing** (direct connection with carefully targeted individual consumers to cultivate lasting customer relationships) tools that the company uses to pursue its advertising and marketing objectives.

Integrated marketing communications- it's a concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.

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Steps in developing effective communication
The marketing communicator must do the following: (1) indentify the target audience, (2) determine the communication objectives, (3) design a message, (4) choose a media through which to send the message, (5) select the message source, (6) collect feedback.

1. **Identifying the target market-** a marketing communicator starts with a clear target audience in mind. The target audience will heavily affect the communicator's decisions on what to say, how to say it and who to say it to. It will basically help us identify who we are talking to and what we are going to say. It also tells us when we are going to say it- for example Procter and Gamble saw an opportunity years ago when they thought of stay at home mother who had nothing to do during the day. They came up with the idea of creating soap operas where there will be stories about people getting married, breaking up, dying etc. Procter and Gamble did this to be able to sell their soap and it worked- women were addicted to these shows. This shows that timing is very important
2. **Determining the communication objectives-** this has to do with asking ourselves and deciding what we are going to accomplish with this communication. The objectives could be to create awareness, or knowledge about the product or simply sales.
3. **Designing a message-** ideally, the message should get attention, hold interest, arouse desire, and obtain Action (AIDA). In putting the message together, the marketing communicator must decide what to say (message *content*) and how to say it (message *structure and format*)
   - **Content**- the communicator has to figure out an appeal or theme that will produce the desired response. We basically want to catch the customers' attention and there are ways to make the consumer like our product. There are **three** types of appeals: (1) **Rational appeal –** it shows that the product will produce the desired benefits. When you see a message that shows the product's quality, value or performance- they are using rational appeal. (2) **Emotional appeal –** it's when you attempt to stir up either negative(fear, guilt, shame , Michelin when they put a baby in the car and said they wouldn't be safe with any other tires) or positive (love, pride, humour – sports cars with 3 women) emotional that can motivate purchase. (3) **Moral appeal –** it's when you give the audience a

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sense of what is right and wrong. Those are often used to support social causes (Salvation Army, donations for a cause)
   - **Structure**- we have some options as to how we want to structure the message. The first is whether to draw conclusions or leave it to the audience. The second is whether to present the strongest arguments first or last. The third issue is whether to present a one sided argument(only say the good things about the product) or two sided argument (say both good and bad things about the product)
   - Format- in a print ad, the communicator has to decide on the headline, illustration, and colour. If the message is carried out over the radio, the communicator has to choose words, sounds and voices. If the message is carried out on television, then all the elements and body language need to be planned
4. **Choosing the media-** the communicator must now select channels of communication. There are two types of communication channels- **personal** (when two or more people are talking to one another. They are effective because they allow for personal feedback) and **non personal** communication channels (they are media that carry messages without personal contact or feedback). There are many types of non personal communication
   - **TV-** it gives you visual and audio at the same time, you can demonstrate something by a moving visual. *Expensive*
   - **Radio-** there is no visual but its inexpensive, very flexible and it has a benefit because people who listen to the radio don't keep switching the channel like the people who watch TV
   - **Magazines-** it's very upscale and creates a nice image, quite expensive, but you can say a lot on an image. *inflexible because you need to plan many months in advance*
   - **News paper-** it's live information, very flexible, very inexpensive but you cannot create a nice image because it doesn't look good.
   - **Billboards-** it is good when you want to tease the public- they only get a glimpse, it doesn't convey a lot of information- it makes you want to know more about the store/product
5. **Selecting Message Source** - there are many ways to deliver the message. You can ask doctors to make an ad about your product to say how good it is. You can ask a celebrity to make the ad (endorsement). For example Jessica Simpson talks for Proactive and Ashton Kutcher makes ads for the New Nixon Camera.
6. **Collecting feedback**- the best way to collect feedback is to measure behaviours that results from the message- the easiest measurement is sales. You can also ask the target audience whether they remember the message, how many times they saw it, what points they recall and how they felt after seeing the message.

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Setting the total promotion budget (pages 548- 557)
Teacher's notes

→We have to decide how much money we want to spend. The total promotional budget-one method is the affordable method- what can we afford- we have 100000 $ available we are not going to thing if its too much or not enough to create what we want to create- its what we can afford and use what we have. We have to know the percentage of sales- we have to create a budget- we start it with our estimated sales- we have to estimate our sales- if we spend 10% of sales in promotion we forecast 100000$ of sales in the next year- it's the most often used method. . The next method is competitive parod- we are going to set our promotional budget to match our competitors. Cott cola won't spend the same as coca cola- we are going to follow the same trends as the competition. Last method is the most scientifically correct- the objective and task method- ou determine your objective- what u want to accomplish from the promotion- you define the task required to get u there- you find ou what these things cost- you add them up and that's your budget but your estimate of the task and my estimate of the task might be different- it takes a bunch of subjective decisions and makes u believe they are subjective.

→Promotion Set off deals, premiums,(little prices we will give you)part of sales promotion can be n tore demonstration or in store display(like Costco that make u taste food so u ca buy)

→Public relations- its believable . –we cannot control it-

We have 2 extreme philosophies

→If we promote to the wholesaler , he will push it to the retailer- he didn't buy stuff to fill up his shelf- what he is going to do what has has to do to sell it to the consumer- push strategy- selling hard, promoting hard to the next level of the marketing system

→the opposite approach is to promote to the consumer- we pull to the consumer

CHAPTER 15

Advertising, sales promotion and public relations

Advertising is any form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertising is a good way to inform and persuade customers. Marketing management must make four important decisions when developing an advertising program:

1. **Setting advertising objectives-** it's basically what we want to accomplish with the advertisement. There are four different kinds of advertisements: (1) **informative advertising**- it is used when introducing a new product category. You inform the public about the benefits and the quality of the product. It's basically to create primary demand. (2) **Persuasive advertising** – it becomes more important as competition increases. You basically want to persuade the public to buy your product. (3) **Comparative Advertising**- I'ts when you compare your product to one from another brand. For example when Bounty or Charmin have their ads- they show how their product is more water resistant and you can have "more with less". (4) **Reminder Advertising**- it's when you remind the public that you still exist- for example coca-cola have ads, not to persuade you to buy their product, not to tell you how they are better than other soft drinks but you remind you that they are still here.
2. **Setting the advertising budget-** A brand's advertising budget often depend n the stage in the product's life cycle. For example, new product require large advertising budget to build awareness and gain consumer trial. In contrast, mature brands usually require lower budget. We have to come up with a number- how much we are going to spend over a certain period of time.
3. **Develop advertising strategy-** it consists of two elements- creating advertising **messages** and selecting advertising **media**
   3A→ Advertising messages- the first step in creating effective advertising messages is to plan a (1) **Message Strategy** – to decide what general message will be communicated to the consumers. The purpose of advertising is to get consumers to think about the product or company in a certain way. Developing an effective message strategy begins with identifying the customer's benefits that can be used as advertising appeal- in other words we are going to show the benefits of the product and show how our product is better than any other product in the same category. (2) **Creative Concept** – we have to come up with THE idea. This idea will bring the message strategy to life. At this stage we have to be creative and imaginative. This idea has to have certain characteristics. It should be meaningful in the way that it points out the benefits that makes the product more desirable (for example if BMW holds a sale of 100$ off for all cars, it won't meaningful because it doesn't really make a difference) , it should be believable in the sense that consumers need to be able to believe that the product will deliver the benefits it promised (for example if you show in the ad that if you buy a BMW, you will have two naked women with you- it's not believable because this only happens in movies), lastly it should be distinctive in the sense that they should tell how the product is better than the one from the competing brands (3) the third step is **Message execution-** the advertiser now has to turn the big idea into an actual ad execution that will capture the market's attention. We are now doing to decide in what style we are going to write our ad in. Some of the styles are *Slice of Life*- it's when you see someone normal using the product, *Fantasy*- if you buy this product, you will have the perfect mate or the perfect life, *Personality Symbol*- This style creates a character that represents the product- someone the target market will relate to, *Endorsement*- It's when you use someone famous to sell the product- like Rihanna sells Cover girl etc.
   Finally, **format** makes a difference in an ad's impact as well as in its cost. In print ads, the *illustration* is very important because it's the first thing people see in an ad- it must be able to draw people's attention. The *headline* must be effective and must make people want to read it. The company needs to write something that will automatically catch my attention
   3B→ Selecting advertising media- there are 4 steps in selecting the advertising media. (1) **Deciding on reach, frequency and impact-** we need to decide the reach meaning how many people do we want to reach with our advertisement. For example the advertiser might try to reach 75% of the target market during the first three months of the ad campaign. Next we want to decide on the frequency meaning that we want to decide how many times the target market will see the advertisement. Lastly we want to decide on the impact of the advertisement. For example we could want the ad to have huge impact on the target market. The more reach, frequency, and impact the advertiser seeks, the higher the advertising budget will have to be. (2) **Choosing among Major Media Types-** the major media types are newspaper, television, direct mail, radio, magazines, outdoor and the internet.
   →Television provides visual and sound, it moves so you can demonstrate things. BMW puts a car on a road and shows the feeling of speed. Television

is expansive and you cannot say much because you only have a few seconds to communicate your message.

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→Radio has no visual, you also only have a few seconds but its inexpensive, its very flexible and unlike with TV, people who listen to the radio don't flip through the channel when a ad comes on.
→Magazines- could be very upscale- we could create a great image, we could provide you with a fair amount of information, but magazines are not flexible- you have to reserve in advance
→News papers- like magazines we ca provide a lot of information- very flexible and inexpensive but the image you convey in a news paper is not very nice- it looks like garbage it's not upscale printing.
→Billboards- quite inexpensive- you really cannot say very much- you pass it very quickly- billboards are teaser campaign- if you are interested- look elsewhere
When **selecting media vehicles**, we must consider the cost per thousand. For example if a full page ad in People's magazine costs 32 600$ and reaches 400 029 people, it's more worth it than putting that same ad in another Magazine. It would in fact cost less but since less people are going to be reached then in the end, it's not worth it. The next thing we have to consider is the cost of producing the ad

4. **Evaluating the advertisement-** very often you can evaluate the ad by looking at sales, but sales alone wouldn't work because sales are often influenced by product availability, product quality, features etc. The way to measure it looking at sales is by comparing the sales with the previous ad campaign to the sales to the most recent ad campaign. There are also other way to evaluate the advertisement. You can do so by asking customers what they think about the ad, if it was effective, if they remember it, what do they remember about it etc
5. **Other Advertising considerations (read pages 584- 586)**

Sales promotion

It's a short term incentive to encourage the purchase of sale of a product or a service. It makes you want to buy a product NOW. An example of sales promotion could be a coupon in a cereal box, a rebate offer for Victoria's secret (20% off or free shipping)etc
There are a wide variety of promotion tools designed to stimulate earlier or stronger market response. Before being able to select the best tools, we need to set objectives as to what we want to accomplish with those tools. The objectives could range from wanting retailers to carry more inventory to getting more sales force support for current or new products. Sales promotion should help reinforce the product's position and build long term customer relationship.

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There are 3 different sales promotion categories: Consumer promotion tools, Trade promotion tools, business promotion tools.
Major sales promotion tools- many tools can be used to accomplish sales promotion objectives:

Consumer promotion tools

1. **Sample-** they are an offer of a trial amount of the product. It's one of the best tools but the most expansive because you give out free samples for people to try in the hopes that they will like it and buy the actual product. The sample could be free or it could be charged at a very low price. The sample could be delivered door to door, sent by mail, attached to another product or featured in an ad (perfumes in magazines)
2. **Coupons-** they are certificates that gives the buyer a saving when they purchase a specified product. Coupons can promote early trials of a new brand or stimulate sales of a mature brand (saves.ca, cereal box)
3. **Cash Refund-** it's an offer to refund part of the purchase price of a product to consumers who send a proof of purchase to the manufacturer. For example when you buy a camera they could tell you it costs 150$ but you will get 50$ back by mail if you send us a proof of purchase. the company does that to be in control of the promotion
4. **Price pack-** it when you reduce de price of the product directly on the label of the product so you can see the initial price and the new price. Those are very effective in stimulating short term sales.
5. **Premium-** a good offered free if you buy another product. for example when you buy shampoo, they might add an extra hair cream for free in the package.
6. **Advertising specialty-** it's useful articles like pens and mugs with the name of the advertiser on it. For example pens with "Activia" on it to promote the yogurt.
7. **Patronage-** its when you get a reward or a rebate when you are a "regular user" for example if you travel with Air France often, you can accumulate points and then travel for free using your points. Or for example at Java U you can make a card stamped every time you buy coffee so that by the 8th time, you can get a free one.
8. **Point of purchase-** it has to do with display and demonstration- for example when you go to Club Price, there are people making you try out a new product for free so that if you like it, you are going to buy it

9. **Contests, sweepstakes, games-** it's promotional events that give the consumer a chance to win something such as cash, trips or goods.

Trade promotion tools

Trade promotion can persuade resellers to carry a brand, give it shelf space, promote it in advertising and push it to customers. Manufacturer use several trade promotion tools

1. **Discount-** it's a straight reduction in price on purchases during a certain period of time. For example 10% of the order for the month
2. **Allowance-** it's when the manufacturer pays the store so that they would display their product in a certain way and in a certain place in the store.
3. **Display allowance-** the manufacturer will give the store something free or compensate them if they put the product in a strategic place in the store.
4. **Advertising allowance-** if Canadian makes fliers I will pay them to display my shovels in the flier.
5. **Free goods-** the manufacturer could offer free goods to the store like for example they can give them extra cases of the product for free.
6. **Specialty advertising items-** they could offer the store product that carry the company's name like pens, pencils, calendars etc.

Business Promotion tools- they use the same as consumer and trade promotion tools but there are 2 that belong to them only

1. **Convention and trade show-** they are made to promote and show the products. In these shows, vendors find opportunities for new sales, contacts with customers, introduction of new products etc.
2. **Sales contest-** it's a contest for salespeople or dealers to motivate them to increase their sales performance over a given period. These contests motivate and recognize good company performers who could receive trips, cash, or gifts in return for their good work.

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We have this thing called **Listing Allowance-** it's when you bribe the buyer to be able to get in.

Developing the Sales promotion Program (pages 592-593)

When we develop the sales promotion program, we need to look at the size of the incentive, the condition of participation, how to promote and distribute the promotion, the length of the promotion and then see if we have achieved our objectives.

Public relations

Another mass promotion tool is **Public relations-** it's the action of building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image and handling or heading off unfavorable rumors, stories and events. You basically want to monitor what people think of you so you can try and create yourself a good impression.

Function of Public relation- Public relations department may perform any or all of the following functions

- **Press relations or press agency-** Creating and placing information about the company in the news media to attract attention to a person, product, or service.
- **Product publicity-** publicizing specific products
- **Public Affairs-** building or an maintaining national or local community relations
- **Lobbying-** building and maintaining relation with legislator and government officials to influence legislation and regulation
- **Investor relations-** Maintaining relationships with shareholders and others in the financial community.
- **Development-** Public relations with donors or members of non-profit organizations to gain financial or volunteer support.

Major Public relations tools

One of the major tools is **news**, PR professionals find or create favorable news about the company and its products. **Speeches** can also create product and company publicity. Another common PR tool is **special events** which could be news conferences, and grand openings. Marketers are now designing **Buzz marketing** campaigns that create excitement and generate word of mouth. PR people also prepare **written materials** to reach and influence their target market

CHAPTER 16

Personal selling and direct marketing

Managing the sales force

Sales force management is the analysis, planning, implementation and control of sales force activities. There are 6 sales force decisions to make:

1. **Designing sales force strategy and structure-** we have four kids of sales force structures: (1) **Territorial sales force structure-** it's a sales force organization that assigns each salesperson to an exclusive geographic territory in which that salesperson sells the company's full line. Basically we are dividing the sales force geographically; we divide in terms of who is responsible of what territory. (2) **Product sales force structure-** it's a sales force organization under which salespeople specialize in selling only a portion of the company's products or lines. For example Kodak sells films and cameras so in this case the force structure would only sell the camera or only the films not both. (3) **Customer sales force structure-** it's a sales force organization under which salespeople specialize in selling only to certain customers or industries. (4) **Complex sales force structure-**It's when a company sells a wide variety of products to many types of customers over a big geographic area. It's basically a mix of all the structures. **Once the company has set its structure, it is ready to consider sales force size- how many people do they want in the sales force.**
2. **Recruiting and Selecting Salespeople-** to recruit sales people we can put an ad, ask around, ask people from other companies, go to agencies. Salespeople must have a disciplined work style, and have to be able to close a sale.
3. **Training salespeople-** New salespeople may spend anywhere from a few weeks or months to a year or more in training. Salespeople need to know and identify with the company and its products. They also need to know about customers and competitors
4. **Compensating Salespeople-** we have some choices as to how we can compensate the salespeople. We can give them a fixed salary meaning that you have a fixed amount that you get every year. We can also give variable amounts through commission (you get extra money if you close a sale) and promotion (you get an extra 2000$ this year for your good performance)
5. **Supervising Salespeople-** you need to supervise the salespeople to make sure everything runs smoothly.
6. **Evaluating salespeople-** by analyzing sales report you can evaluate how the salespeople have been doing their job

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The Personal Selling Process (7 steps)

The selling process consists of several steps that the salesperson must master. These steps focus on the goal of getting new customers and obtaining orders from them.

1. **Prospect-** It's the step in the selling process where the salesperson identifies qualified potential customers. If for example you sell 70$ Jeans, you are not going to go to Style Exchange to sell your jeans to them because they only sell brand jeans. So you have to start by making a list of your potential customers who are going to be willing to buy your jeans.
2. **Pre approach-** it's the step in the selling process where the salesperson learn as much as possible about a prospective customer before making the sales call. You have to figure out what the company likes so you know what to tell them so that they will accept to buy your product. you have to tell them what they want to hear
3. **The approach-** it's the step in the selling process where the salesperson meets the customer for the first time. This step involves the salesperson's appearance, opening lines, and the follow up remark- the meeting could be through a phone call.
4. **Presentation and demonstration-** it's the step in the selling process where the salesperson tells the buyer the "story" about the benefits the buyer can have from this product. he is going to highlight the way in which the product will meet the buyers expectations. It's all about solving the company's problem.
5. **Handling objections-** it's the step in the selling process where the salesperson overcomes the customers objections to buying the product. the salesperson should use a positive approach and take the objections as opportunities to provide more information, and turn the objectives into reasons for buying.
6. **Closing-** it's the step in the selling process where the salesperson asks the customer for an order. It's when you finalize the agreement.

7. **Follow-up-** it's the step in the selling process where the salesperson follows up after the sale to make sure the customer is satisfied. He wants to make you the delivery time was good, the product was right.

Direct marketing

Direct marketing consists of direct connection with targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships.

Customer Databases and Direct Marketing

A **Customer Database** is an organised collection of comprehensive data about individual customer prospects including geographic, demographic, psychographic, and behavioural data. The database can be used to locate good potential customers, tailor products and services to the special needs of targeted consumers and maintain long term customer relationships. A customer database includes the products and services the consumer has bought, past volumes and prices etc. Companies use their databases in many ways. They can use a database to identify prospects and generate sales leads by advertising product or offers. Companies can use the database to deepen customer loyalty.

Forms of Direct Marketing

There are 6 forms of direct marketing:

1. **Telephone marketing-** You basically use the phone to sell directly to customers. Marketers use outbound telephone marketing to sell directly to consumers and businesses. They also have inbound telephone marketing where people could call 1800 numbers that are toll free- they are used to receive orders from television and print ads.
2. **Direct mail Marketing-** It when you send an offer, an announcement, or a reminder to a person at a particular address. For example when Browns send us their brochure- it's because they know that we have bought there before so they send us their brochure so we can know about their new styles and maybe buy from them again.
3. **Catalogue Marketing-** it's when the company send you their catalogue. Basically you don't have to come all the way to the store to see what we have, all you do is look through the catalogue and come see us if there is something you want to buy. We also have online catalogue- you can see what we have an you can order it online
4. **Direct – response television marketing –** it's when you get a direct response from an ad on television – channel 12 for example- you can buy stuff from TV. You basically call the 1800 number and the person directly deals with the manufacturer- not a retailer from a store or anything like that.
5. **Kiosk Marketing -** it's when you have a kiosk and place information about your product on that kiosk. For example credit card companies have kiosks in shopping malls and try to inform you about their services.

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CHAPTER 18

The Global marketplace

Looking at the global marketing environment (read 698- 707)

The major decisions in international marketing

A company faces six major decisions in international marketing

1. **Looking at the global marketing environment-** when selling to another country, we have certain restrictions. For first one is **tariff,** it's a tax taken by the government against certain imported products designed to raise revenue or to protect domestic products (government want domestic companies to remain competitive so we make it hard for products from other countries to come in). The second restriction is **quota,** it's a limit on the amount of goods that an importing country will accept in certain product categories. For example, if some companies were suffering in the country, the government would place a quota of how many items can come in from another country so that the domestic company will remain in business and be competitive. The third is **exchange control;** it's when the government limits the amount of foreign exchange with other countries and on the exchange rate against other currencies. The fourth is **embargo;** it's when the government bans the import of a certain product (for example the us embargo on CUBA).
   Certain countries have form free trade zones where groups or nations work toward common goals in the regulation of international trade. One of them is the **European Union-** people in Europe can trade goods amongst themselves with no barriers at all. In Canada, Mexico and the United States, we have **NAFTA** where we have little or no barriers between the

three countries. Within the global marketing environment we have the **Economic Environment-** the international marketers must study each countries economy. There are **4** types of economies: (1) **Subsistence economy-** in this kind of economy, people engage in simple agriculture. They consume what they cultivate so they offer few market opportunities. They basically make enough to feed themselves so they don't have any surplus to sell. (2) **Raw material exporting economies-** these economies are rich in one or more natural resources but poor in other ways. Much of their revenues come from exporting these resources. (3) **Industrializing economies-** the country is industrialized when 10 -20% of the countries' economies is manufactured. Industrialization typically created a new rich class and a small but growing middle class, both demanding new types of imported goods. (4) **Industrial economies**- they are major exporters of manufactured goods, services and investment funds. They trade goods among themselves and also export them to other types of economies. They are major exporters of industrial goods and services. With these economic environments, we want to look at income distribution. We take a general look at the economies of the world, at the legal environment of the countries and we look at people's attitudes towards international buying. Next we look at the government bureaucracy, the political stability of the country, monetary regulations, and the cultural environment. We basically have to be aware and take a global look at the country.

2. **Then we decide if we should go international-** operating domestically is safer and easier because you know the distribution system, the cultural and political environment etc. If however, you still feel that it's safe to go international then go to step three.
3. **Then we decide which market to enter-** First thing we need to do is decide what volume of foreign sales the business wants. Most companies start small and then they go abroad. The company then needs to choose how many countries it wants to market in. Companies must be careful not to spread themselves around the world too soon. However generally the bigger the risk the higher the return. Then we have to determine the potential for each market
4. **Then we decide how to enter the market-** there are 3 ways to enter the market: (1) **Exporting-** exporting is the simplest way to enter a foreign market. You basically enter a foreign market by selling goods produced in the company's home country. There are two kinds of exporting: the first one is **indirect exporting-** its when there is someone between us and the customer. Basically there is someone that will arrange the deal and make sure we get our money- he is actively involved in the selling process. The second kind is **direct exporting-** it's when we, ourselves, find the customer, make the negotiations and make sure we get paid. (2) Then we have **Joint Venture-** it's when you enter a foreign market by joining with foreign companies to produce or market a product or service- it's a level of partnership. There are many types of joint ventures: the first one is **licensing;** it's when the company enters into an agreement with a licensee in the foreign market. In other words, the licensee living in the foreign country buys the right to use the company's manufacturing process, trademark, patent, trade secret or other items of value. For example if Coca cola wants to sell abroad, they are going to sell the trademark, manufacturing process etc to someone in Japan for example so that Coca Cola could be sold in Japan. Therefore the company gains entry into the market at low risks and the licensee doesn't have to start a new name from scratch, the use a name that already works and exists. In return, the licensee gives a percentage of its earnings to Coca cola. The second type of joint venture is **Contract Manufacturing;** it's when a company makes a contract with a manufacturer in a foreign country to produce the product or provide its services. For example, Sears used this method when they opened department store in Mexico and Spain, where they found qualified local manufacturer to produce many of the product sears sells. The third one is **Management Contracting;** it's when the company supplies management know how to the company in the foreign country and in return, the company supplies the capital. In other words the domestic firm exports management services rather than products. The fourth one is **Joint Ownership;** it's when a company joins forces with a foreign investor to create a local business in which they share joint ownership. This sometimes happens when the firm lacks the financial, physical or managerial resources to undertake the venture alone. Basically the company can't run the business in a foreign country alone so they pair up with investors from the country to run the business together. (3) **Direct Investment;** It's when you enter a foreign market by developing a foreign based assembly or manufacturing facilities.
5. **Deciding upon the global marketing program-** when a company operates in one or more foreign markets- they must decide how much if not at all to adapt their marketing mixes to local conditions. We have two extremes: (1) **Standardized marketing mix-** it's a marketing strategy where the company uses the same product, same advertising, same distribution channels, and other elements of the marketing mix in all the company's international markets. Basically they are going to sell the same product and they are going to use the same marketing approaches worldwide. For example coca cola is the same no matter where it is. Their message is the same and their product is the same no matter where they sell the product.(2) The other extreme is **Adapted marketing Mix;** it's when the company adapts the marketing mix elements to each international target market. This brings more costs but it could bring a higher market share and return. McDonald's uses this strategy- for example in Mexico, they use chilli sauce instead of Ketchup on their hamburgers and in Quebec,

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they have Poutine on their menus. When we go to another country we have some choices in terms of product: we can do a **Straight product extension** where we market the product in a foreign market without any changes. For example Gillette razors and Heineken beer. (**same promotion, same product**)The other choice could be **product adaptation** where you adapt the product to meet local condition or wants in foreign markets. (**adapt product but same promotion**)For example Gerber (baby foods) adapt their foods to Japanese babies' needs. The next choice could be **product invention** where you create a new product or service for foreign markets. You can also make choices in terms of promotion. The first is **Standardized advertising** where you don't change your advertising strategy no matter where you promote the product but you can do some minor changes. Or you can have **Communication adaptation strategy** where you fully adapt advertising messages to local markets. (**same product but adapt the promotion)**

6. **Deciding on the global marketing organisation-** there are ways to manage international marketing activities. The first is simply by shipping the goods from the company's headquarters to the international market. The second is to become a **truly global organization-** they basically stop thinking of themselves as national marketers who sell abroad and start thinking of themselves as global marketer

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