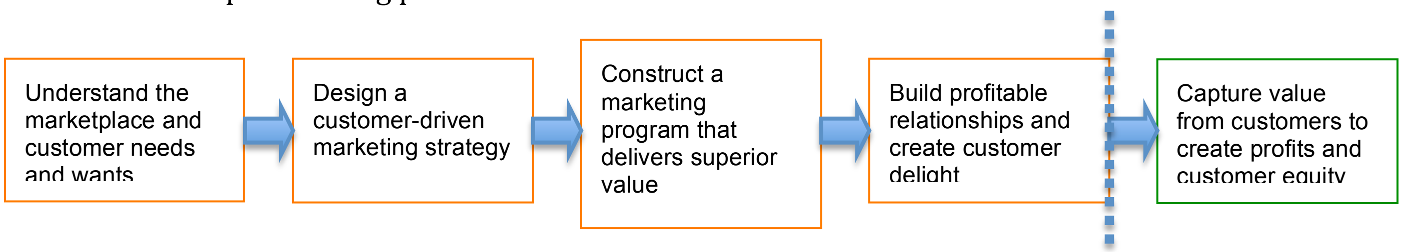
Mark 201 – Final Notes

Chapter 1-

What is marketing?
- Managing profitable customer relationships
- Marketing goal: attract new customers and grow current customers

The 5 step marketing process



- Needs: states of felt deprivation. Can be physical (clothing, food, shelter), social (belonging, affection), individual (knowledge and self-expression)
- Wants: needs that are shaped by culture and individual personality. Shaped by society and marketing programs
- Demands: wants that are backed by buying power

Marketing offering: product, service, information and experience
- Marketing myopia: when sellers make the mistake of paying too much attention to the specific product and not enough to the benefits and experiences produced by these products
- Customer value: comparison between what's gotten and what's given
- Customer satisfaction: a comparison between what the customer expected to get and what they actual got (see class notes for satisfied, dissatisfied and delighted)
- Marketing management: the art and science of choosing target markets and building profitable relationships with them
- Market segmentation: dividing the market into segments of customers
- Target marketing: choosing which segments to go after
- Value proposition: set of benefits a company promises to deliver

There are 5 alternative concepts organizations use to carry out their marketing strategies:
- Production concept: Focus on improving production and efficiency
- Product concept: Focuses on the product and making continuous product improvements
- Selling concept: Typically aims to sell what company makes rather than making what the market wants

- Marketing concept: knowing the needs and wants of target market and delivering desired value and satisfaction better than the competition
- Societal marketing concept: Questions if marketing concept overlooks possible conflicts between customer short-run wants and long-term welfare

- Customer lifetime value: the entire stream of purchases a customer makes from one company over a lifetime of patronage
- Share of customer: the share a company gets of customer's purchasing in their product categories
- Customer equity: the total combined lifetime values of all the company's current and potential customers

Companies can classify customers according to their potential profitability and manage relationships accordingly:

- True friends: long term customers and highest profitability
- Butterflies: short term customers yet high profit potential
- Barnacles: long term customers yet low profitability
- Strangers: short term customers and very little profitability

Chapter 2 & 3 – company and marketing strategy & the marketing environment

4 steps in strategic planning

Strategic planning – is the managerial process of developing and maintaining a strategic fit between the organization and its changing marketing opportunities. It relies on

1. Company mission – an organization exists to accomplish something in the larger environment, and its specific purpose is usually stated clearly at the beginning but over time factors change. In order to keep all employees working towards one-goal companies form mission statements, which provide the employees with opportunity, direction significance and achievement.
2. Company objectives and goals – each manager should know their responsibilities and objectives for accomplishment. You must develop strategies to support these objectives, and by doing so can broaden the marketing strategies. The objectives and goals must also be quantitative and specific.
3. Company Growth strategy – the want to grow in sales and profits give companies an opportunity to establish a growth rate to which they will pursue. Three different growth strategies are a) intensive b) integrative c) diversification

4. Company portfolio plan – the business must evaluate so that it can decide to build, maintain, phase out or down. The portfolios withdraw from poor companies and add to the promising.

Marketing in Strategic Planning

1. Executive summary - permits higher management to quickly grasp the major thrust of the plan and then read further in search of the information that is critical in evaluating the plan.
2. Situation analysis – the manager describes the major features affecting his or her operation. They comprise of strengths and weaknesses and opportunities and threats.
3. Objectives and goals – the goal is to set relatively specific goals and objectives and present them to higher management. They must be seen as attainable and attractive to the higher management.
4. Marketing strategy – outline a marketing strategy for attaining its objectives. This is seen as the "game plan" for the business to follow. It has three major aspects: target markets, marketing mix and marketing expenditure level.
5. Action program – the strategy must be turned into specific set actions for accomplishing the marketing goal.
6. Budgets – the goals, strategies, and planned actions allow the manager to formulate a supporting budget statement for the operation.
7. Controls – this is applied to monitor the plans progress after the fact.

Marketing strategy – the fundamental marketing logic by which the business unit intends to achieve its marketing objectives. Marketing strategies consist of:

1. Target markets – calls for giving different degrees of emphasis to various market segments. These segments differ in preferences, responses to market effort and profitability.
2. Marketing mix – the company should attempt to develop a cost effective marketing mix for each target it pursues. The mix consists of the four p's: price, product, place and promotion.
3. Marketing expenditure level – this calls for deciding on the dollar value of marketing expenditures. Even if the mix is optimal, it may be spending too much or too little on marketing.

Marketing Mix – is the particular blend of controllable marketing variables that firms use to achieve objectives in the target market.

1. Product – qualities, features, options, styles, brand name, packaging, sizes, services, warranties, and returns
2. Price – list price, discounts, allowances, payment period and credit terms
3. Promotion – advertising, personal selling, sales promotion, and publicity

4. Place – channels, coverage, locations, inventory and transport.

Macro environment - the company and its marketing channel members, customers, competitors and publics all operate in a larger environment called the macro environment. It includes these factors

1. Demographic forces – main trends and developments in size and character of population, age, marriage etc.
2. Economic forces – main trends in income and disposable income, cost of living etc.
3. Ecological forces – main trends in supply and cost of natural resources and energy, pollution and environment deterioration.
4. Technological forces – main trends in development of technology, materials and products that will be impacting
5. Political forces – main trends in legislation, government enforcement and public interest groups
6. Cultural forces – major developments in values and lifestyles such as physical activity and outdoor exercise.

Microenvironment - The micro-environment e.g. our external customers, agents and distributors, suppliers, our competitors, etc

1. The first force is the company itself and the role it plays in the microenvironment. This could be deemed the internal environment.
2. Suppliers are firms and individuals that provide the resources needed by the company and its competitors to produce goods and services. They are an important link in the company's overall customer "value delivery system."
3. Marketing intermediaries are firms that help the company to promote, sell, and distribute its goods to final buyers.

Chapter 5 – Managing Marketing Information to Gain Customer Insights

Marketing Information and Customer Insights:

- To create value for customers and to build meaningful relationships with them marketers must first gain sight into what they need and want in order to develop a competitive advantage

Other Marketing Information Considerations:

- A company's marketing research and information system must do more that simply generate information
- The real value lies in how it is used to provide customer insights

- Companies must be careful not to go too far and become **customer controlled** – key is not to give customers everything they ask for but to understand them to the core and give them what they need
- **A marketing information system** (MIS) consists of people and procedures for assessing informational needs, developing the needed information and helping decision makers to use the information to generate and validate actionable customer and market insights

<u>Assessing Marketing Information Needs</u>:

- May also provide information to external partners (suppliers, resellers…)
- A good MIS balances the information users would like to have against what is feasible to offer
- MIS must monitor the marketing environment to provide decision makers with information they should have to make marketing decisions
- Company must decide if value of insights gained is worth the costs of providing it

Developing Marketing Information: obtain needed information from internal data, marketing intelligence and marketing research

Internal Data:
- Electronic collections of consumer and market information obtained from data sources within the company's network

Marketing Intelligence:
- The systematic collection and analysis of publicly available information about consumers, competitors, and developments in the market place
- **Marketing research** is the systematic design, collection, analysis and reporting of data relevant to a specific marketing situation facing an organization
- Marketing research process has 4 steps:

1. Defining the Problem and Research Objectives
- After the problem has been defined the research objectives must be set
- 3 types of objectives:
    a. Exploratory research – gather preliminary information
    b. Descriptive research – to describe things such as market potential
    c. Causal research – to test hypotheses (cause and effect relationships)
2. Developing the Research Plan
- Objectives must be translated into specific information needs
- Written proposal: problems, objectives, needed information and helpfulness
- Could call for primary data, secondary data or both
3. Implementing the Research Plan
- Put marketing research into a plan of action
- Involves collecting, processing and analyzing the information

- Isolate important findings
4. Interpreting and Reporting Findings
- Market researcher must now interpret the findings, draw conclusions and report them to management

Analyzing and Using Marketing Information:

Customer Relationship Management:

- Many companies are now turning to CRM to manage detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty
- Using CRM companies can provider high levels of customer service and develop better customer relationships
- Most common CRM mistake – to view CTM as a technology solution – CRM is only one part of the overall customer relationship management strategy

Other Marketing Information Considerations:

International Marketing Research:
- International marketing researchers follow the same steps as domestic researchers defined above but often face more and different problems
- Deal with diverse markets in many different countries
- These markets often vary greatly in level of economic development, cultures, customs and buying behavior
- Difficulty finding relevant secondary data
- Language is the most obvious obstacle
- Different cultures vary in their attitudes toward marketing research

Misuse of Research Findings:
- Few advertisers openly rig their research designs or misrepresent the findings, most abuses tend to be subtle "stretches"
- Recognizing that surveys can be abused several associations have developed codes of research ethics and standards of conduct

Chapter 6 – Consumer Markets and Consumer Buying Behavior

What is Consumer Behavior?

- **Consumer buyer behavior** refers to the buying behavior of final customers
- All of these final consumers make up the **consumer market**
- Central question for marketers is: given all the characteristics (cultural, social and psychological) affecting consumer behavior, how do we best design our marketing efforts to reach our customers most effectively
- Focus is on the individual

Factors Affecting Consumer Behavior

Cultural Factors: (culture, subculture and social class)

- Culture: Most basic cause of a person's wants and behavior
- Subculture: groups with shared value systems based on experiences
- Social Class: society's relatively permanent and ordered divisions whose members share similar values, interests and behaviors

Social Factors:

Groups and Social Networks:

- Reference groups: external influences that serve as direct or indirect references in forming a person's attitudes or behavior
- Membership groups: have a direct influence (family, friends…)
- Aspirational group: the individual wishes to belong to
- Word of mouth influence and buzz marketing
- Online social networks

Personal Factors:

- Age and Life-Cycle Stage: People change the goods and services they buy over lifetimes
- Occupation: A person's occupation affects the goods and services bought
- Economic Situation: Marketers of income-sensitive goods watch trends in income, savings and interest rates
- Lifestyle: A person's pattern of living as expressed in his or her psychographics (AOI- activities, opinions, interests)
- Personality and Self- Concept:

a) Refers to the unique psychological characteristics that lead to relatively consistent and lasting responses to one's own environment
b) Brands also have personalities (humanistic attributes):
c) Premise is that people's possessions contribute to and reflect their identity

- Psychological Factors:
    a) Motivation: A motive is a need that is sufficiently pressing to direct the person to seek satisfaction
    b) Freud: Theory suggests that a person's buying habits are affected by subconscious motives that even the buyer may not fully understand
    c) Maslow: Human needs are arranged in a hierarchy (Physiological needs → safety needs → social needs → esteem needs → self-actualization needs)
- Perception: Perception is the process by which people select, organize and interpret information to form a meaningful picture of the world

a) People can form different perceptions of the same stimulus because of 3 perceptual processes:
    - Selective attention – the tendency for people to screen out most of the information to which they are exposed
    - Selective distortion –tendency of people to interpret information in a way that will support what they already believe
    - Selective retention – remember good points made about a brand they favor and forget good points about competing brands

Learning: changes in an individual's behavior arising from experience

- Occurs through drives, stimuli, cues, responses and reinforcement

Beliefs and Attitudes:

- Belief – descriptive thought that a person has about something
- Marketers interested in the beliefs that people formulate about specific products and services that make up product and brand images and affect buying behavior
- Attitude – describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea
- Company should try to fit into existing attitudes rather than trying to change them

<u>Types of Buying Decision Behavior</u>

Complex Buying Behavior:

- Customers highly involved in a purchase and perceive significant differences among brands (expensive, risky, purchased infrequently)
- Marketers need to help buyers learn about product-class attributes and their relative importance

Dissonance- Reducing Buying Behavior:

- Occurs when consumers are highly involved with an expensive, risky or infrequent purchase but see little difference among brands
- After purchase customers might feel post purchase dissonance

Habitual Buying Behavior:

- Low customer involvement and little significant brand difference
- Brand familiarity – select a brand because its familiar but do not have strong attitudes towards a brand (that would be brand conviction)
- Price and sales promotions often stimulate product trial

Variety – Seeking Buying Behavior:

- Low involvement but significant perceived brand differences
- Consumers often do a lot of brand switching
- Market leaders should encourage habitual buying by dominating shelf space and running frequent reminder ads

- Challenger firms should offer lower prices, special deals, free samples and advertising that presents reasons for trying something new

The Buyer Decision Process

1. Need Recognition
- Buyer recognizes a problem or need
- Can be triggered by internal stimuli or external stimuli
2. Information Search
- Amount of searching depends on the strength of your drive
- Most effective source is personal
3. Evaluation of Alternatives
- How the consumer processes information to arrive at brand choices
4. Purchase Decision
- To buy the most preferred brand
- Two factors can come between purchase intention and purchase decision
- First – attitude of others
- Second – unexpected situational factors
5. Post-purchase Behavior
- After purchasing the product the consumer will be satisfied or dissatisfied and will engage in post-purchase behavior of interest to the marketer
- Almost all major purchases result in cognitive dissonance or discomfort caused by post-purchase conflict

The Buyer Decision Process For New Products

- A new product is a good, service or idea that is perceived by some potential customer as new
- Adoption process – mental process through which an individual passes form first learning about an innovation to final adopting

Stages in Adoption Process: Awareness, Interest, Evaluation, Trial, and Adoption.

Individual Differences in Innovativeness:

- Innovators are adventurous – try new ideas at some risk
- Early adopters are are opinion leaders in their communities and adopt new ideas early but carefully
- Early majority deliberate – rarely leaders but adopt new ideas before the average person
- Late majority are skeptical – they adopt an innovation only after a majority of people have tried it
- Laggers are tradition bound –suspicious of changes and adopt the innovation only after it has become some what of a tradition

Influence of Product Characteristics on Rate of Adoption:

    - Relative advantage: the degree to which the innovation appears superior to existing products

- Compatibility: the degree to which the innovation fits the values and experiences of potential customers
- Complexity: the degree to which the innovation is difficult to understand or use
- Divisibility: the degree to which the innovation may be tried on a limited basis
- Communicability: the degree to which the results of using the innovation can be observed or described to others

Chapter 8 – Creating Value for Target Customers

- Market Segmentation – dividing a market into smaller groups with distinct needs, characteristics or behaviors that might require separate marketing strategies or mixes
- Market targeting – the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
- Differentiation – actually differentiating the market offering to create superior customer value
- Positioning – arranging for a market offering to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers

Market Segmentation

- **Geographic segmentation** – dividing a market into different geographical units such as nations, regions, provinces, countries, cities or neighborhoods
- **Age and life-cycle segmentation** – dividing a market into different age and life cycle groups
- **Gender segmentation** – dividing a market into gender groups
- **Income segmentation –** dividing a market into different income groups
- **Psychographic segmentation** – dividing a market into different groups based on social class, lifestyle or personality characteristics
- **Behavioral segmentation** - dividing a market into groups based on consumer knowledge, attitudes, uses or responses to a product
- Multiple segmentation bases – marketers rarely limit their segmentation analysis to only one or few variables. They often use multiple segmentation bases in an effort to identify smaller, better-defined target groups

Segmenting business markets: many of the same variables to segment business'

Segmenting international markets:

- Few companies have resources to operate in all or even most countries
- Operating in man companies presents challenges – different economic, cultural and political makeup's
- Variables:
  - Geographic location

- Economic factors
- Political and legal factors
- Intermarket segmentation – forming segments of consumers with similar needs and buying behavior located in different countries

Requirements for effective segmentation:

- Measurable: size, purchasing power and profiles can be measured
- Accessible: the market segments can be effectively reached and served
- Substantial: segments large or profitable enough to serve
- Differentiable: segments conceptually distinguishable and respond differently to different marketing mix elements and programs
- Actionable: effective programs designed to attract and serve the segments

Evaluating market segments:

- 3 factors: segment size and growth, structural attractiveness and company objectives and resources
  - Segment less attractive if it already contains many strong and aggressive competitors
  - Existence of many actual or potential substitute products may limit prices and profits
  - Relative power of buyers

Selecting Target Market Segments:

- Target market – segments that the company decides to serve
- Undifferentiated marketing (mass marketing): sell to everyone
- Differentiated marketing (segmented marketing)
- Concentrated marketing (niche marketing) – firm goes after a large share of one or a few segments or niches
- Micromarketing – customizing products and programs for individuals

Choosing a Targeting Strategy depends on resources, product variability, cycle stage

<u>Differentiation and Positioning</u>

- Product position – way the product is defined by consumers in relation to competing brands
- Positioning Maps – prepared by marketers to show consumer perceptions of their brands versus competing products on important buying dimensions

Choosing a Differentiation and Positioning Strategy:

Indentifying Possible Value Differences and Competitive advantages:

- Competitive advantage – an advantage over competitors gained by offering greater customer value through lower prices or by justifying high prices

- Product differentiation brands can be differentiated on features, performance or style and design
- Channel differentiation grain competitive advantage through the way they design their channel's coverage, expertise and performance

Choosing the Right Competitive Advantages:
- How many differences to promote? Many marketers think one benefit
- Which differences to promote? Important, distinctive, superior, communicable, preemptive, affordable, profitable.

Selecting an overall positioning strategy:
- Value proposition – the full positioning of a brand – its full mix of benefits
- More for more – providing the most upscale product or service and charging a higher price to cover the higher cost
- More for less – companies can attack companies "more for less" with a brand offering at comparable quality but at a lower price
- Same for less – powerful proposition – everybody loves a good deal
- Less for much less – a market almost always exists for products that offer less and therefore cost less
- More for less – winning value proposition – many companies claim to do this but in the short run only some actually can

Positioning Statement – a statement that summarizes the company or brand positioning – it takes this form: to (target segment and need) our (brand) is (concept) that (point the difference)

Chapter 9 – Products, Services and Brands – Building Customer Value

Product – anything that can be offered to a market for attention, acquisition use or consumption that might satisfy a want or need
Service – any 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 product and services:
Three levels:
- Core customer value – most basic level that addresses the question "what is the buyer really buying?"
- Actual product – second level where product planners turn the core benefit into a product (Features, deign, quality, brand, package)
- Augmented product – final level where planners build an augmented product around the core benefit and actual product by offering additional consumer services and benefits (After sale service, warranty, installation, delivery and credit

Product and Service Classifications:

- Consumer product – bought by final consumers for personal consumption
    - Convenience product –buy frequently, immediately, with a minimum of comparison and buying effort
    - Shopping product – customer usually compares on such bases as suitability, quality, price and style
    - Specialty product – unique characteristics or brand identification for which a significant group is willing to make a special purchase effort
    - Unsought products
- Business product – a product bought by individuals and organizations for further processing or for use in conducting a business
- Organizations, persons, places and ideas
    - Organization marketing – activities to create, maintain, or change the attitudes and behavior of target consumers toward an organization
    - Person marketing – consists of activities undertaken to create, maintain or change attitudes or behavior toward particular people
    - Place marketing- involves activities undertaken to create, maintain or change attitudes or behavior toward particular places
    - Social marketing – the use of commercial marketing concepts and tools in programs designed to influence individuals' behavior to improve their well being and that of society

Individual product and Service Decisions:

Branding: a name, sign, symbol, design or a combination of these that identifies the products or services of one seller and differentiates them from competitors
Packaging: designing and producing the container or wrapper for the product
Labeling: The label *identifies* the product or brand **(***describe*s product attributes)
Product Support Services: Customer service is an element of product strategy

Product Line Decisions:

- Product line – a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges
- Product line length – the number of items in the product line
  Can expand product line in two ways:
    - Line filling: adding more items within the present range of the line
    - Line stretching: lengthening product line beyond its current range

Product Mix Decisions:

- Product mix (product portfolio) – the set of all product lines and items that a particular seller offers
- Has 4 important dimensions
    - Width – number of different product lines the company carries
    - Length –number of items a company carries within its product lines

    - Depth – number of versions offered of each product in the line
    - Consistency –refers to how closely related the various product lines are in end use, in production requirements, in distribution channels

Brand Equity – the differential effect that knowing the brand name has on customer response to the product or its marketing

Building Strong Brands:

Brand Positioning:=
- 3 levels
    - Lowest level – can position the brand on *product attributes*
    - Better positioned by associating its name with a desirable *benefit*
    - Strongest brands are positioned on strong *beliefs and values*

Brand Name Selection: descriptive, easy to pronounce/remember, distinctive
Brand Sponsorship:
- Store brand – a brand created and owned by a reseller of a product or service
- Licensing:
    - Most manufacturers take years and spend millions to create their own brand names
    - However some companies license names or symbols previously created by other manufacturers, names of well-known celebrities or characters from popular movies and books (costs money)

Brand Development:
- Line extension – extending an existing brand name to new forms, colors, sizes, ingredients, or flavors of an existing product category
- Brand extension – extending existing brand name to new product categories
    - Gives a new product instant recognition and faster acceptance
    - Involves some risk
    - May confuse the image of the main brand
    - If a brand extension fails it may harm consumer attitudes toward other products carrying the name brand name
- Multibrands – Companies often introduce more brands in the same category
    - Offers a new way to establish different features and appeal to different buying motives
    - Drawback – each brand may obtain only a small market share and none may be very profitable
- New brands – A company might believe that the power of its existing brand name is weakening and a new brand name is needed

Managing Brands:
- Brands positioning must be continuously communicated
- Brands are not maintained by advertising but by *brand experience*
- Companies need to periodically audit their brands strengths and weaknesses

Service Marketing:

- Service industries include government (courts, hospitals, police, postal service…), private not-for-profit organizations (museums, charities, churches…) business organizations (airlines, banks, insurance companies, hotels…)

Nature and Characteristics of a Service:

- 4 characteristics:
- **Service intangibility** – they cannot be seen, tasted, felt, heard or smelled before they are bought
- **Service inseparability** – they are produced and consumed at the same time and cannot be separated from their providers
- **Service variability** – their quality may vary greatly, depending on who provides them and when, where, and how
- **Service Perishability –** they cannot be stored for later sale or use

Marketing Strategies for Service Firms:

The service-profit chain:

- Five links:
    - Internal service quality – superior employee selection and training
    - Satisfied and productive service employees – loyal, hardworking
    - Greater service value – more effective and efficient customer-value
    - Satisfied and loyal customers – remain loyal, repeat purchase and refer others
    - Healthy service profits and growth – superior service firm performance
- Internal marketing – orienting and motivating customer-contact employees
- Interactive marketing – training service employees in the art of interaction

Main Service Differentiation:

- Solution to price competition is developing a different *offer, delivery and image*
- Offer can include innovative features that set one company's offer apart from competitors' offers
- Companies can differentiate their service *delivery* by having more able and reliable customer-contact people, by developing a superior physical environment in which the service product is delivered, or by designing a superior delivery process
- Images through symbols and branding

Managing service quality:

- Can differentiate itself by delivering consistently high quality than its competitor
- First step is to empower front line service employees

Managing Service Productivity:

- Train current employees better or hire new ones
- Increase the quantity of their service by giving up some quality
- Add equipment and standardize production
- Harness the power of technology

CHAPTER 10 – NEW PRODUCT DEVELOPMENT AND PRODUCT LIFE-CYCLE STRATEGIES

New product development strategy:

- New product development – the development of original products, product improvements, product modifications, and new brands through the firms own product-development efforts
- Why do so many new products fail?
    - Though an idea may be good, companies tend to misjudge market size
    - Product may be poorly designed or incorrectly position, launched at the wrong time, priced too high or poorly advertised

New product development process:

- Idea generation - the systematic search for new product ideas
    - Internal idea sources – the company can find new ideas through formal research and development
    - Companies can also obtain good new-product ideas from external sources i.e. suppliers and distributors
- Idea screening – screening new product ideas
- Concept development and testing:
    - Product concept – a detailed version of the new product idea stated in meaningful consumer terms
    - Concept testing – testing new product concepts with a group of target consumers to find out if the concepts have strong consumer appeal
- Marketing strategy development – designing an initial marketing strategy for a new product based on the product concept
    - Marketing strategy statement – consists of 3 parts
        - 1. Describe the target market, the planned value proposition and the sales, market share and profit goals for the first years
        - 2. Outline the products planned price, distribution, and marketing budget for the first year
        - 3. Describes the planned long-run sales, profit goals and marketing mix strategy
- Business Analysis – a review of sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives
- Product development – developing the product concept into a physical product to ensure that the product idea can be turned into feasible one
- Test marketing – the stage of new product development in which the product and marketing program and tested in realistic market setting

- Standard test markets - a small number of representative test cities, to conduct a full marketing campaign in, using store audits, consumer and distributor surveys and other means to test product performance
- Controlled test markets – usually cost less than standard test markets

- Commercialization – introducing a new product into the market
- Customer-centered new-product development – development that focuses on finding new ways to solve customer problems
- Team based new product development – an approach to developing new products in which various company departments work closely together, overlapping the steps in the product-development process to save time and increase effectiveness
  - Under the *sequential product development approach* one company department works individually to complete its stage of the process before passing the new product on to the next department and stage
- **Product life cycle –** the course of a product's sales and profits over its lifetime. It involves 5 distinct stages:
  1. Product development – begins when the company finds and develops a new-product idea. During this stage sales are zero and the company's investment costs mount
  2. Introduction – 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 – is a period of rapid market acceptance and increasing profits
  4. Maturity – is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition
  5. Decline – the period when sales fall off and profits drop

CHAPTER 11 –PRICE

- Price – the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service
- Product costs (price floor=no profits below this price)
- Consumer perception of value (price ceiling=no demand above this price)
- Value based pricing – setting price based on buyers' perceptions of value rather than on the seller's cost
  - Good-value pricing – offering just the right combination of quality and good service at a fair price
  - Value-added pricing – attaching value-added features and services to differentiate a company's offers and charging higher prices
- Cost-based pricing – setting prices based on costs of production, distributing, and selling the product plus a fair rate of return for effort and risk
  - Fixed costs (overhead) – costs that do not vary with production or sales level

- Variable costs – costs that vary directly with the level of production
    - Total costs – the sum of the fixed and variable costs for any given level of production
- Experience curve (learning curve) – the drop in the average per-unit production cost that comes with accumulated production experience
- Cost-plus pricing – adding a standard markup to the cost of the product
- Break-even pricing (target profit pricing) – setting price to break even on the costs of making and marketing a product, or setting price to make a target profit
- Target costing – pricing that starts with an ideal selling price, then targets costs that will ensure that the price is met
- The market and demand
    - Pure competition – many buyers and sellers trading in a uniform commodity such as wheat. No seller has much effect on the going market price. A seller cannot charge more than the going price
    - Monopolistic competition – many sellers who trade over a range of prices rather than a single market price. A range of prices occurs because the sellers can differentiate their offers to buyers
    - Oligopolistic competition –a few sellers who are highly sensitive to each other's pricing and marketing strategies. The product can be uniform or not. There are few sellers due to high entry barriers
    - Pure monopoly – the market consists of one seller
- Demand curve – a curve that shows the number of units the market will buy in a given time period, at different prices that might be charged
- Price elasticity – a measure of the sensitivity of demand to changes in price

New product pricing strategies:

- Market-skimming pricing – setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales
- Market-penetration pricing – setting a low price for a new product to attract a large number of buyers and a large market share

Product mix pricing strategies:

- Product line pricing – setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features and competitors prices
- Optional-product pricing – the pricing of optional or accessory products along with a main product
- Captive product pricing – setting a price for products that must be used along with a main product, such as blades for a razor and ink for a printer
- By-product pricing – setting a price for by-products to make the main product's price more competitive
- Product bundle pricing – combining several products and offering the bundle at a reduced price

Price adjustment strategies:

- Discount – a straight reduction in price on purchases during a stated period of time
- Allowance – promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's products in some way
- Segmented pricing – selling a product or service at two or more prices, where the difference in prices in not based on differences in costs
- Psychological pricing – a pricing approach that consider the psychology of prices and not simply the economics; the price is used to say something about the product (LV)
- Reference prices – prices that buyers carry in their minds and refer to when they look at a given product
- Promotional pricing – temporarily pricing products below the list prices and sometimes even below cost, to increase short run sales
- Geographical pricing – setting prices for different geographical locations
    - FOB-origin pricing – a geographical pricing strategy in which goods are placed free on board a carrier; the customer pays the freight from the factory to the destination
    - Uniform-delivery pricing – a geographical pricing strategy in which the company charges the same price plus freight to all customers regardless of their location
    - Zone pricing – a geographical pricing strategy in which the company sets up two or more zones. All customers within a zone pay the same total price; the more distant the one, the higher the price
- Dynamic pricing – adjusting prices continually to meet the characteristics and needs of individual customers and situations

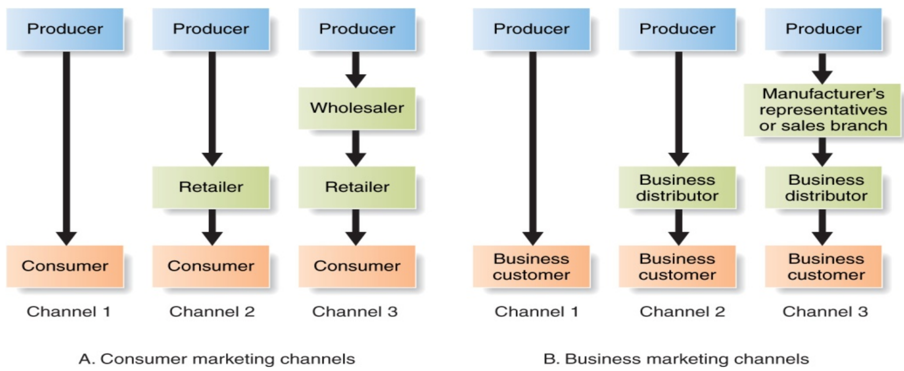
CHAPTER 12 – CUSTOMER VALUE

Supply chains and the value delivery network:

- Value delivery network – the network made up of the company suppliers, distributors, and ultimately customers who "partner" with each other to improve the performance of the entire system in delivering customer value

Marketing Channels:

- Marketing channel (distribution channel) – a set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user
- Channel level – a layer of intermediaries that perform some work in bringing the product and its ownership closer to the final buyer
- Direct marketing channel – a marketing channel with no intermediary levels
- Indirect marketing channel – a marketing channel containing one or more intermediary levels



- Channel conflict – disagreements among marketing channel members on goals and roles – who should do what and for what rewards
- Conventional distribution channel – consists of one or more independent producers, wholesalers and retailers, each a separate business seeking to maximize its own profits, even at the expense of the system as a whole
- Vertical marketing system (VMS) – producers, wholesalers, and retailers act as a unified system. One channel member owns the others, has contracts with them, or has so much power that they must all cooperate
- Corporate VMS – combines successive stages of production and distribution under single ownership- leadership is established through common ownership
- Contractual VMS – independent firms at different levels of production and distribution join together through contracts to obtain more economies or sales impact then they could achieve alone
    - Franchise organization – a contractual vertical marketing system in which a channel member, called a franchisor, links several stages in the production-distribution process
- Administered VMS – coordinates successive stages of production and distribution through the size and power of one of the parties
- Horizontal marketing system- a channel arrangement in which two or more companies at one level join together to follow a new marketing opportunity
- Multichannel distribution system – a distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments
- Disintermediation - the cutting out of marketing channel intermediaries by product or service producers, or the displacement of traditional resellers by radical new types of intermediaries

Marketing channel design decisions:

- Marketing channel design – designing effective marketing channels by analyzing consumer needs, setting channel objectives, identifying major channel alternatives, and evaluating them
- Identifying alternatives involves deciding on the number of marketing intermediaries:

    - Intensive distribution – stocking product in as many outlets as possible
    - Exclusive distribution – giving a limited number of dealers the exclusive right to distribute the product in their territories
    - Selective distribution – the use of more than one but fewer than all the intermediaries who are willing to carry the company's products
- Evaluating alternatives involves:
    - Economic criteria – compares the likely sales, costs, and profitability of different channel alternatives
    - Control issues – using intermediaries usually means giving them some control over marketing. Some take more control than others – company generally prefers to keep as much control as possible
    - Adaptive criteria – channels usually involve long term commitments, yet the company wants to keep the channel flexible so that it can adapt to environmental changes

Channel management decisions:

- Marketing channel management – selecting, managing and motivating individual channel members and evaluating their performance over time

Public policy and distribution decisions:

- American Marketing Association (AMA) code puts into question practices around these issues:
    1. Exclusive dealing – when the seller allows only certain outlets to carry its products – legal as long as they do not substantially lessen competition or tend to create a monopoly
    2. Exclusive territories – illegal when a producer tries to keep a dealer from selling outside its territory
    3. Trying agreements – producer sells to dealer only if dealer will take some or all of the rest of the line – legal but causes channel conflict
    4. Dealers' rights – the right of producers to drop dealers is somewhat restricted
    5. Sources of supply – cheaper oversees labor – ethical issues

Marketing Logistics and supply chain management:

- Marketing logistics (physical distribution) – planning, implementing and controlling the physical flow of materials, final goods, and related information from points of origin to points of consumption to meet customer requirements at a profit
- Supply chain management – managing upstream and downstream value-added flows of materials, final goods and related information among suppliers, the company, resellers and final consumers
- Distribution center – a large, highly automated warehouse designed to receive goods from various plants and suppliers, take orders, fill them efficiently, and deliver goods to customers as quickly as possible
- Intermodal transportation – combining two or more modes of transportation

CHAPTER 14 – COMMUNICATIONS STRATEGY

The promotion mix:

- Promotion mix (marketing communications mix) – the specific blend of promotion tools that the company uses to persuasively communicate customer value and build customer relationships
    - Advertising – any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor
    - Sales promotion – short-term incentives to encourage the purchase of sale of a product or service
    - Personal selling – personal presentation by the firm's sales force for the purpose of making sales and building customer relationships
    - Public relations – building good relations with the company's various publics by obtaining favorable publicity. Building up a good corporate image, and handling unfavorable rumors, stories and events
    - Direct marketing – direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships

Integrated marketing communications:

- Integrated marketing communications (IMC) – carefully integrating and coordinating the company's communications channels to deliver a clear, consistent and compelling message about the organization and its products

Steps in developing effective marketing communications:

- Identify the target audience
- Determining the communication objectives
    - Buyer-readiness stages – stages consumers usually pass through on their way to purchase:
        - Awareness, Knowledge, Liking, Preference, Conviction, Purchase
- Design a message
- Choose media
    - Personal communication channels – channels through which two or more people communicate directly with each other; face to face, on the phone, through mail or email or even through an internet chat
    - Word of mouth influence – personal communication about a product between target buyers and neighbors, friends, family or associates
    - Buzz marketing – cultivating opinion leaders who spread information about a product or service to others in their communities
    - Nonpersonal communication channels – media that carry messages without personal contact or feedback, including major media atmosphere and events
- Select the message source
- Collect feedback

Setting the total promotion budget and mix:

- Affordable method – setting the promotion budget at the level management thinks the company can afford
- Percentage of sales method – setting promotion budget at a certain percentage of current or forecasted sales or a percentage of the unit sales price
- Competitive- parity method – setting the promotion budget to match the competitor's outlays
- Objective and task method – developing the promotion budget by
    - Defining specific objectives
    - Determining the tasks that must be performed to achieve them
    - Estimating the costs of performing these tasks
    - The sum of these costs is the proposed promotion budget

- Advertising
    - Reach geographically dispersed masses at a low cost per exposure
    - For companies who want to reach a mass audience – T.V is essential
    - Large scale advertising portrays a certain idea about seller's success
    - Consumers tend to view advertised products as more legit
    - Helps build a long term, impersonal, image at a high cost
    - One-way communication
- Personal selling
    - Most effective tool at certain stages of buying process – particularly in building buyer preferences and actions
    - Builds customer relationships and solves their problems
    - Sales force requires longer term commitment
    - Most expensive promotion tool
- Sales promotion
    - Coupons, contests, deals…(strong incentive to purchase)
    - Invite and reward quick response (effects are short lived)
    - Not effective in building long term brand preference or customer relationships
- Public relations
    - Believable – news stories, features, sponsorships, events…
    - Can reach people who avoid sales people and ads
- Direct marketing
    - Direct mail, catalogues, telephone marketing, online marketing …
    - Less public
    - Immediate and customized (interactive)

Promotion mix strategies:

- Push strategy – promotion strategy that calls for using the sales force and trade promotion to push the product through channels. Producer promotes the product to channel members who in turn promote it to final customers

- Pull strategy – promotion strategy that calls for spending a lot on advertising and consumer promotion to induce final consumers to buy the product, creating a demand vacuum that "pulls" the product through the channel

Integrating the promotion mix:
- Start with customers
- Analyze trends- internal and external
- Audit the pockets of communications spending throughout the organization
- Team up in communications planning
- Create compatible themes, and quality across all communications media
- Create performance measures shared by all communications elements
- Appoint a director responsible for the company's persuasive communications efforts

CHAPTER 15 – ADVERTISING AND PUBLIC RELATIONS

Advertising:
- Advertising – any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor
- Advertising objective – a specific communication task to be accomplished with a specific target audience during a specific period of time
    - Informative advertising – used heavily when introducing a new product category
    - Persuasive advertising – more important as competition increases
    - Reminder advertising – important for mature products to maintain customer relationships and keep reminding customers
- Advertising budget – the dollars and other resources allocated to a product or company advertising program
- Advertising strategy – the strategy by which the company accomplishes its advertising objectives. It consists of two major elements: creating advertising messages and selecting advertising media
- Madison and vine – a term that has come to represent the merging of advertising and entertainment in an effort to break through the clutter and create new avenues for reaching consumers with more engaging messages
- Creative concept – the compelling "big idea" that will bring the advertising message strategy to life in a distinctive and memorable way

- Execution style – the approach, style, tone, words, and format used for executing an advertising message
- Advertising media – the vehicles through which advertising messages are delivered to their intended audiences
- Return on advertising investment – the net return on advertising investment divided by the costs of the advertising investment
- Advertising agency – a marketing services firm that assists companies in planning, preparing, implementing, and evaluating all or portions of their advertising programs

Public relations:
- Public relations - 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

CHAPTER 16 – PERSONAL SELLING AND SALES PROMOTION

Personal Selling:
- Personal selling – personal presentation by the firm's sales force for the purpose of making sales and building customer relationships
- Sales person – an individual representing a company to customers by performing one or more of the following activities: prospecting, selling, communicating, servicing, information gathering or relationship building

Managing the Sales force:
- Sales force management – the analysis, planning, implementation, and control of sales force activities. It includes designing sales force strategy and structure, and recruiting, selecting, training, supervising, compensating and evaluating the firm's salespeople
- Territorial sales force structure – a sales force organization that assigns each salesperson to an exclusive geographic territory in which that salesperson sells the company's full line
- Product sales force structure – a sales force organization where salespeople specialize in selling only a portion of the company's products or lines
- Customer sales force structure – a sales force organization under which salespeople specialize in selling only to certain customers or industries
- Outside sales force (field sales force) – outside salespeople who travel to call on customers in the field
- Inside sales force – inside salespeople who conduct business from their offices via telephone, the internet, or visits from prospective buyers
- Team selling – teams of people from sales, marketing, engineering, finance, and even upper management to service large complex accounts

The personal selling process:

- Selling process – the steps that the salesperson follows when selling, which include prospecting and qualifying, pre-approach, approach, presentation and demonstration, handling objections, closing and follow up
- Prospecting – step in which the salesperson or company identifies qualified potential customers
- Pre-approach – step in which the salesperson learns as much as possible about a prospective customer before making a sales call
- Approach- the salesperson meets the customer for the first time
- Presentation – step in which the salesperson tells the "value story" to the buyer, showing how the company's offer solves the customer's problems
- Handling objections – step in which the salesperson seeks out, clarifies, and overcomes customer objections to buying
- Closing – step in which the salesperson asks the customer for an order
- Follow up – final step – salesperson follows up after the sale to ensure customer satisfaction and repeat business

Sales Promotion:
- Sales promotion – incentives to encourage purchase or sale of a product
- Consumer promotions – promotion tools used to boost short-term customer buying and involvement or to enhance long-term customer relationships
- Event marketing – creating a brand-marketing event or serving as a sole or participating sponsor of events created by others
- Trade promotions – promotion tools used to persuade resellers to carry a brand, give it shelf space, promote it in advertising, and push it to consumers
- Business promotions – sales promotion tools used to generate business leads stimulate purchases, reward customers, and motivate salespeople
-

CHAPTER 17 - DIRECT AND ONLINE MARKETING

Direct marketing:
- Direct marketing – connecting directly with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships
- Customer database – an organized collection of comprehensive data about individual customers or prospects, including geographic demographic, psychographic, and behavioral data
- Direct-mail marketing – direct marketing by sending an offer, announcement, reminder or other item to a person at a particular physical or virtual address
- Catalogue marketing – direct marketing through print, video, or digital catalogues that are mailed to selected customers, or made available in stores
- Telephone marketing – using the telephone to sell directly to customers
- Direct response television marketing – including direct-response television advertising (infomercials) and home shopping channels

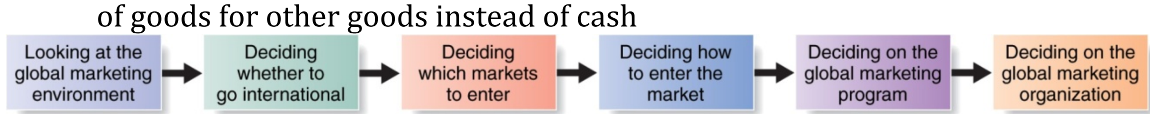
Online marketing:

- Online marketing – company efforts to market products and services and build customer relationships over the internet
- Internet – a public web of computer networks that connects users of all types all around the world to reach other and to a large information repository
- Online companies – the so-called dot-coms, which operate only online
- Hybrid or click-and-mortar companies – traditional companies that have added online marketing to their operations
- Business-to-consumer (B2C) online marketing – businesses selling goods and services online to final customers
- Business-to-business (B2B) online marketing – businesses using B2B websites, email, online catalogues, online trading networks, and other online resources to reach new business customers, serve current customers more effectively, and obtain buying efficiencies and better prices
- Consumer-to-consumer (C2C) online marketing – online exchanges of goods and information between final consumers
- Consumer-to-business (C2B) online marketing – online exchanges in which consumers search out sellers, learn about their offers, and initiate purchases, sometimes even driving transaction terms
- Corporate (or brand) website – a website designed to build customer goodwill, collect customer feedback, and supplement other sales channels, rather than to sell the company's products directly
- Marketing website – a website that engages consumers in interactions that will move them closer to a direct purchase or other marketing outcome
- Online advertising – advertising that appears while consumers are surfing the web; display ads, search-related ads, online classifieds, and other forms
- Viral marketing – internet version of word-of-mouth marketing – websites, videos, email messages or other marketing events that are so infectious that customers will want to pass them along to friends
- Online social networks – online social communities – blogs, social networking websites, or even virtual worlds- where people socialize or exchange information and opinions
- Spam – unsolicited, unwanted commercial email messages

CHAPTER 19 – THE GLOBAL MARKETPLACE

Global marketing:

- Global firm –by operating in more than one country, gains R&D, production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors
- Economic community – a group of nations organized to work toward common goals in the regulation of international trade
- Countertrade – international trade involving the direct or indirect exchange of goods for other goods instead of cash



Deciding how to enter the market:

- Exporting – entering a foreign market by selling goods produced in the company's home country, often with little modification
- Joint venturing – entering foreign markets by joining with foreign companies to produce or market a product or service
  - Licensing – a method of entering a foreign market in which the company is in agreement with a licensee in the foreign market
  - Contract manufacturing – a joint venture in which a company contracts with manufacturers in a foreign market to produce its product or provide its service
  - Management contracting – a joint venture where the domestic firm supplies the management know-how to a foreign company that supplies the capital; the domestic firm exports management services rather than products
  - Joint ownership – a joint venture in which a company joins investors in a foreign market to create a local business in which the company shares joint ownership and control
- Direct investment – entering a foreign market by developing foreign-based assembly or manufacturing facilities

Deciding on the global marketing project:

- Standardized global marketing – an international marketing strategy for using basically the same marketing strategy and mix in all the company's international markets
- Adapted global marketing – an international marketing strategy for adjusting the marketing strategy and mix elements to each international target market, bearing more costs but hoping for a larger market share and return
- Product:
  - Straight product extension – marketing a product in a foreign market without any change
  - Product adaptation – adapting a product to meet local conditions or wants in foreign markets
  - Product invention – creating new products for foreign markets
- Promotion:
  - Communication adaptation – a global communication strategy of fully adapting advertising messages to local markets
- Distribution channels:
  - Whole-channel view – designing international channels that take into account the entire global supply chain and marketing channel, forging an effective global value delivery network

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