

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

1. New-Product Development Strategy

Why Do Some Products Fail?

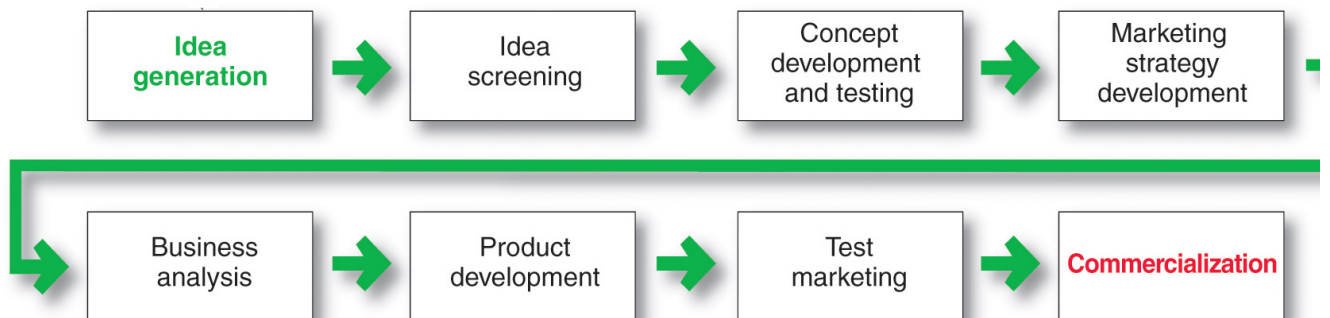
- No discernible benefits
- Poor match between features and customer desires
- Overestimation of market size
- Incorrect positioning
- Price too high or too low
- Inadequate distribution
- Poor promotion
- Inferior product
- Bad timing

New Product Development is really expensive and risky process

Example: Ford introduced Edsel model, to develop the car they spent 250\$ million, they only sold 110,000 units, their expectation was 200,000 units, and it was a huge failure.

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

2. The New-Product Development Process (8)



Stage 1: Idea Generation

Systematic search for new-product ideas

Sources of new-product ideas:

- Internal → R&D, heads of company sources, employees, sales forces, entrepreneurial programs
- External → Sources outside the company such as customers, competitors, distributors, suppliers, and outside design firms

Crowdsourcing (Open-Innovation): Inviting broad communities of people customers, employees, independent scientists and researchers, and even the public at large—into the new-product innovation process.

Stage 2: Idea Screening

- Identify good ideas and drop poor ideas
- Strengths and weakness, competitive advantages
- Fit with objectives –what do you want to achieve? (Ex: High profit with high quality)

R-W-W Screening Framework:

- Is it **real**?
- Can we **win**?
- Is it **worth** doing?

Stage 3: Concept Development and Testing

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

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

Example: To create powder to add to milk for nutrition (no information about potential users, usage occasions, some information about benefit), therefore it is a product idea not a product concept

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

- An attractive product idea must then be developed into a product concept

Product image: is the way consumers perceive an actual or potential product

Stage 4: Marketing Strategy Development

Marketing strategy development refers to the initial marketing strategy for introducing the product to the market

Marketing strategy statement includes:

- Description of the target market
 - Value proposition
 - Sales and profit goals
-

Stage 5: Business Analysis

Involves a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives

- Find out how projections satisfy the company's objectives
-

Stage 6: Product Development

- Involves the creation and testing of one or more physical versions by the R&D or engineering departments
 - Requires an increase in investment
 - Shows whether the product idea can be turned into a workable product.
 - Laboratory and consumer tests on product prototypes
-

Stage 7: Test Marketing

If the product passes both the concept test and the product test, the next step is **test marketing**.

The stage at which the product and marketing program are introduced into more realistic marketing settings

- Provides the marketer with experience in testing the product and entire marketing program before full introduction

When Is market testing required?

YES	NO
<ul style="list-style-type: none">• New product with large investment• Uncertainty about product or marketing program	<ul style="list-style-type: none">• Simple line extension• Copy of competitor product• Low costs• Management confidence

Types of test markets:

Standard test markets: small representative markets where the firm conducts a full marketing campaign

- Distribute the real product to real consumers in the marketplace, then they measure the customers responses

Controlled test markets: are panels of stores that have agreed to carry new products for a fee

Simulated test markets: firm will create a shopping environment to real customers with real products, in a fake market

- Before they start the studies, customers will be exposed to some kind of marketing stimuli (TV commercials, information related to product), marketers give them real money and a shopping list, then they enter the mock store to buy those products to observe what they do and what brands they choose

Stage 8: Commercialization

Commercialization is the introduction of the new product

- When to launch
- Where to launch
- Planned market rollout

You produce many units, objectives is to sell those products and introduce in marketplace with *mass production*

Stage of Process	Purpose of Stage	Marketing Information and Methods Used
1. Idea generation	Develop concepts for possible new products	Internal or external; ideas from employees and co-workers, consumers, R&D, and competitors; crowdsourcing
2. Idea screening	Separate good new product ideas from bad ones	Come up with screening criteria
3. Concept development and testing	Testing new-product concepts with groups of target consumers	Elaborate new product idea, concept, and image
4. Marketing strategy development	Initial marketing strategy for introducing product to the market	Description of target market, product value propositions, and sales and profit goals
5. Business analysis	Review of sales, costs, and profit projections	Find out how projections satisfy the company's objectives
6. Product development	Create the prototype product, and test it in the laboratory and on consumers	Laboratory and consumer tests on product prototypes
7. Test marketing	Test product and marketing strategy in the market place on a limited scale	Test markets, simulated test markets, and controlled test markets
8. Commercialization	Position and offer in the marketplace	Perceptual maps, product positioning, roll out product

New Product Development

Successful new-product development should be:

Customer centered: new ways to solve customer problems and create more customer satisfying experiences

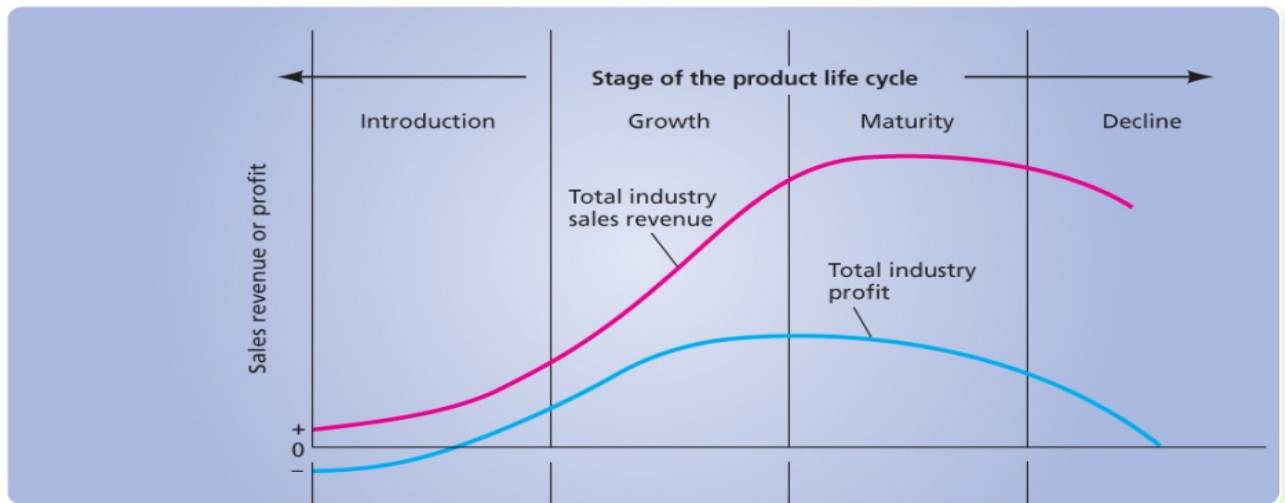
Team-based: company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness

Systematic: innovative development approach that collects, reviews, evaluates, and manages new-product ideas

- Creates an innovation-oriented culture
- Yields a large number of new-product ideas

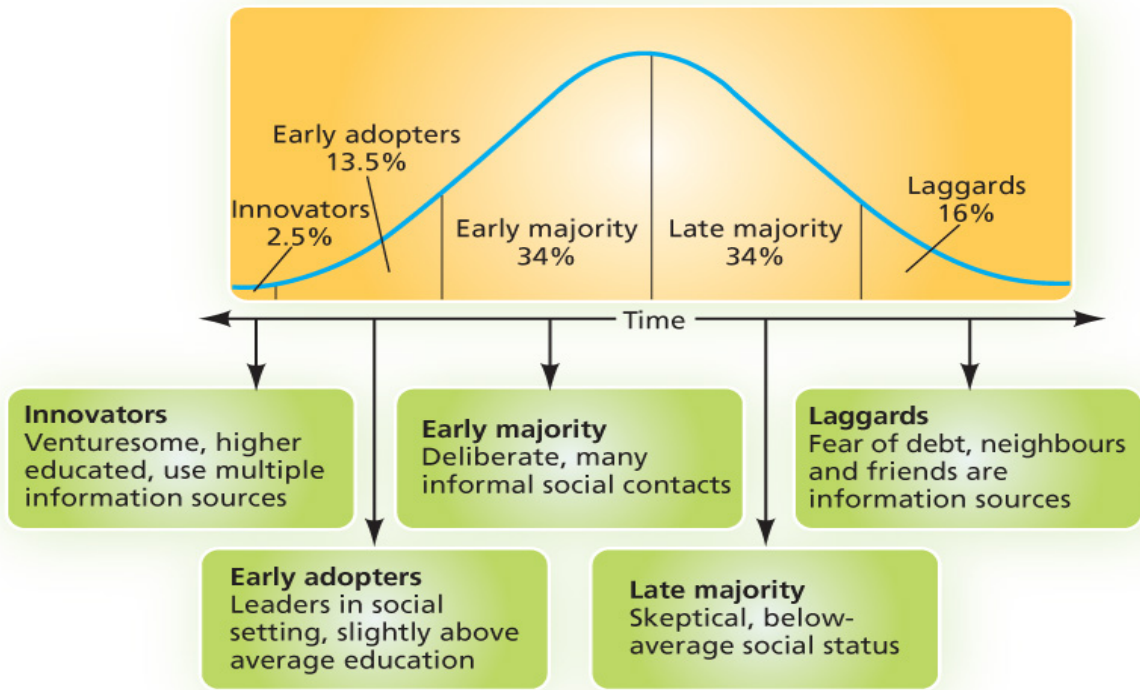
3. Product Life Cycle Strategies (PLC)

Describes the stages a new product goes through in the marketplace: *introduction*, *growth*, *maturity*, and *decline*.

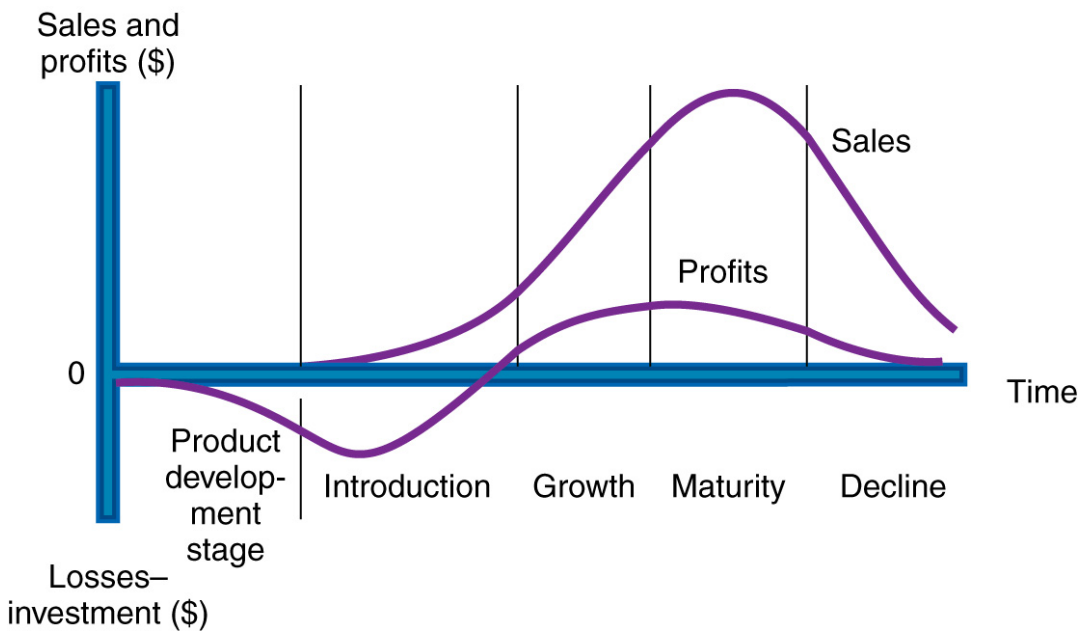


MARKETING OBJECTIVE	GAIN AWARENESS	STRESS DIFFERENTIATION	MAINTAIN BRAND LOYALTY	HARVESTING, DELETION
Competition	Few	More	Many	Reduced
Product	One	More versions	Full product line	Best sellers
Price	Skimming or penetration	Gain market share, deal	Defend market share, profit	Stay profitable
Promotion	Inform, educate	Stress competitive differences	Reminder-oriented	Minimal promotion
Place (distribution)	Limited	More outlets	Maximum outlets	Fewer outlets

Product Life Cycle and Consumers



Product Life Cycle (Including R&D Phase)



Profit curve:

- Break-even will be realized between introduction and growth stage
- The highest level of profit is between growth and maturity (normal price of product)

Product Development: When the company finds and develops a new-product idea. During product development, sales are zero and the company's investment costs mount.

PLC – Introduction Phase

PLC initial stage – a product's first appearance in the marketplace

- Starting from 0 there is no sales and then slowly increasing

PLC– Growth Phase

PLC stage where sales rise rapidly and profits reach a peak and then start to decline.

PLC – Maturity Phase

PLC stage when the sales curve peaks and starts to decline and profits fall.

- Weaker competitors lose interest and exit the market
- You want to modify many aspects of the product, attract new customers and increase customers
- Strategic objectives for maturity stage
 - Generate cash flow
 - Maintain market share
- At maturity stage, competition level is very high, you are going to have many competitors therefore you typically decrease price, so the profit will be actually lower.

PLC – Decline Phase

- The stage of a product's life cycle when sales fall rapidly
- Strategic choices
 - Harvesting the product's remaining value (still in the industry, minimize marketing cost, maintain current performance)
 - Divesting the product when losses are sustained and a return to profitability is unlikely (completely out of business)

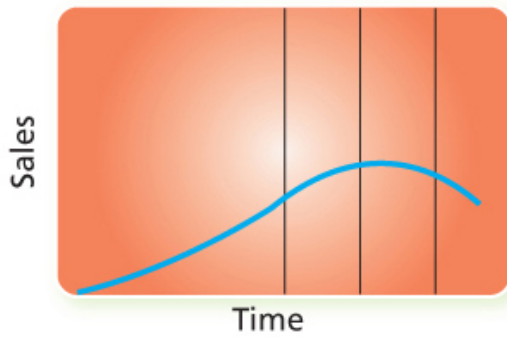
	Introduction	Growth	Maturity	Decline
MARKETING OBJECTIVE	GAIN AWARENESS	STRESS DIFFERENTIATION	MAINTAIN BRAND LOYALTY	HARVESTING/ DELETION
Competition	Few	Growing	Many	Reduced
Product	One	More versions	Full product line	Best sellers
Price	Skimming or penetration	Gain market share, deals	Defend market share	Stay profitable
Promotion	Inform, educate	Stress competitive differences	Reminder-oriented	Minimal promotion
Place (Distribution)	Limited	More outlets	Maximum outlets/global	Fewer outlets
Sales	Low	Rapidly rising	Peak	Declining
Cost per customer	High	Average	Low to average	Low
Profits	Negative or minimal	Raising until peaking	Declining	Declining
Customer	Innovators	Early adopters	Middle	Laggards

Problems of using PLC

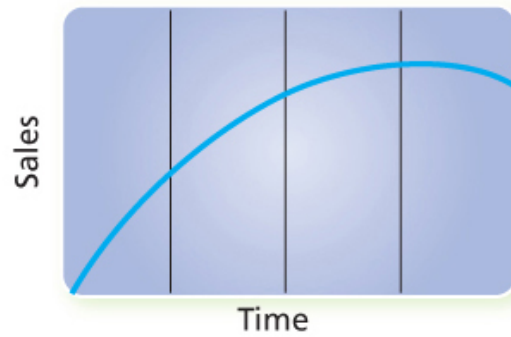
Trouble identifying which stage of the PLC the product is in (if we do not know the current stage how can we select the recommended strategy? – most serious problem of PLC)

Alternative Product Life Cycles

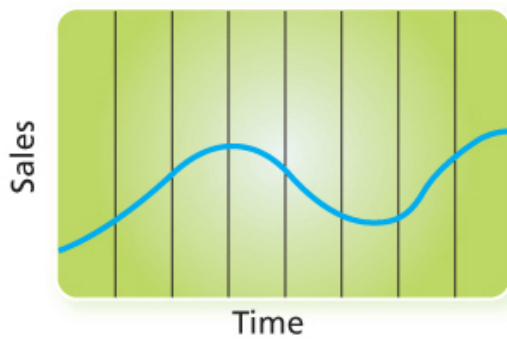
A. High-learning product



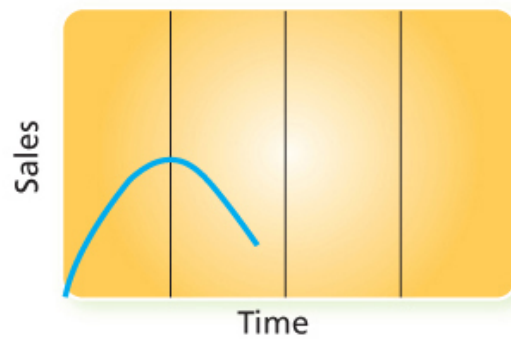
B. Low-learning product



C. Fashion product



D. Fad product



A) High-learning product: personal computer, convection ovens

B) Low-learning product: iPad

C) Fashion product: don't throw your clothes fashion comes back

D) Fad product: the latest craze to hit the scene

11) Pricing

1. What Is a Price?

Price: the amount of money charged for a product or service

- OR the sum of the values that consumers exchange for the benefits of having or using the product or service

Price and the Marketing Mix

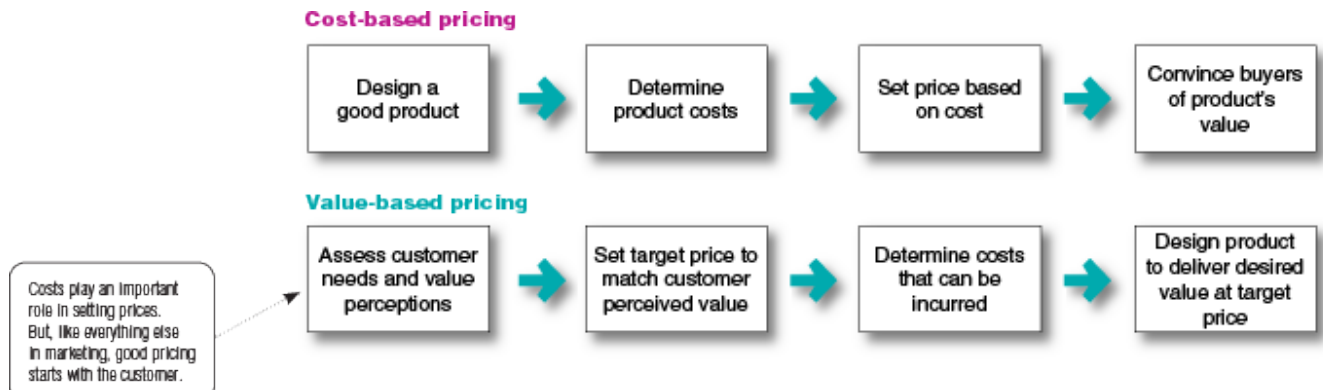
- Only element in the marketing mix that generates revenue
- Most flexible marketing mix elements
- Price can be changed more quickly than the other marketing mix variables.
- Reducing the prices unnecessarily to get sales can lead to price wars and profit loss
- Image of brand can be cheapened

Low Prices?

2. Three Major Pricing Strategies

- 1) _____ uses the buyers' perceptions of value, not the sellers' cost, as the key to pricing.
- 2) _____ **pricing** is customer driven.
- 3) _____ **pricing** is product driven.
 - Price is set to match perceived value.

Cost-Based Pricing vs. Value-Based Pricing



Cost-Based: Starting from lowest possible price

Value-Based: Start from highest possible price (lowered when not justified by value offered)

Problems with _____ pricing

- Measuring perceived value can be difficult
- Consumer attitudes towards price and quality have shifted over the last decade

1) Customer Value-Based Pricing

Setting price based on buyers' perceptions of value rather than on the seller's cost.

- Start with customer value, determine price, then design the product.
- Purpose: to price more profitably by capturing more value, not by making more sales

Two types of customer value-based pricing:

1. Good-value pricing: offers the right combination of quality and good service at a fair price

- EDLP (everyday low pricing): charging a constant everyday low price with few or no temporary price discounts.
- High-low pricing: Charging higher prices on an everyday basis but running frequent promotions to lower prices temporarily on selected items.

2. Value-added pricing: attaching value-added features and services to differentiate a company's offers and charging higher prices (opposed to cutting prices)

- Pricing power: the ability to escape price competition and to justify higher prices and margins without losing market share.

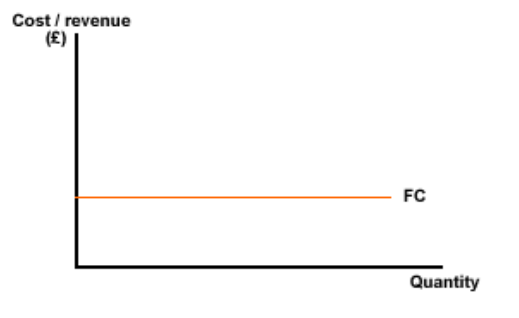
2) Cost-Based Pricing

Based on costs for producing, distributing, and marketing costs and selling the product plus a fair rate of return for its effort and risk

Three types of costs:

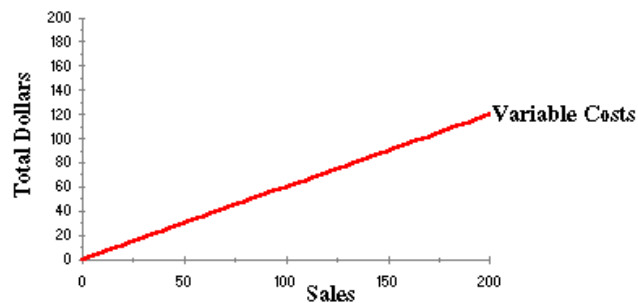
1. Fixed costs: do not vary with production or sales level

- Rent
- Heat
- Interest
- Executive salaries



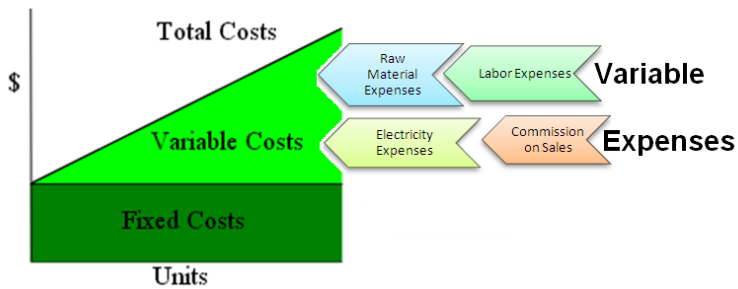
2. Variable costs: vary with the level of production

- Packaging
- Raw materials
- Transportation



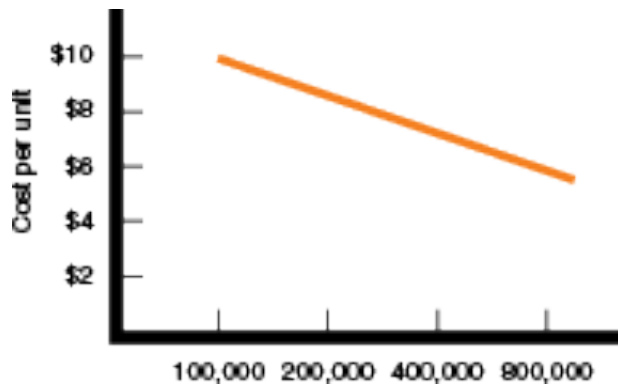
3. Total costs: are the sum of the fixed and variable costs for any given level of production

- In other words, _____ = FC + VC for 100,000 units



Costs as a Function of Production Experience

_____ : average cost falls as production increases because fixed costs are spread over more units



Cost-Plus Pricing

Cost-plus pricing (markup pricing): adds a standard markup to cost of product

Benefits:

- Sellers are sure about their price
- Price competition may be minimized
- Perceive as more fair to both buyers and sellers

Disadvantages:

- Ignores demand and competitor prices

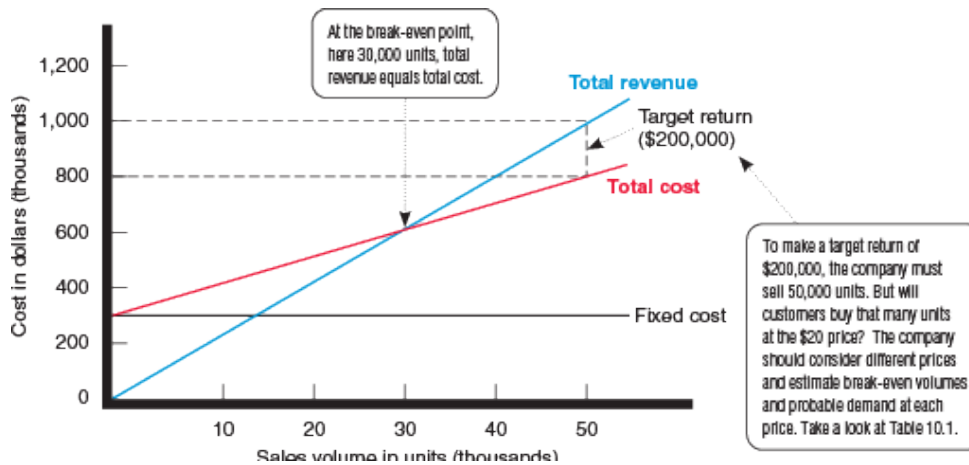
_____ : total cost x (1 + markup) = SP

EG: Cough medicine

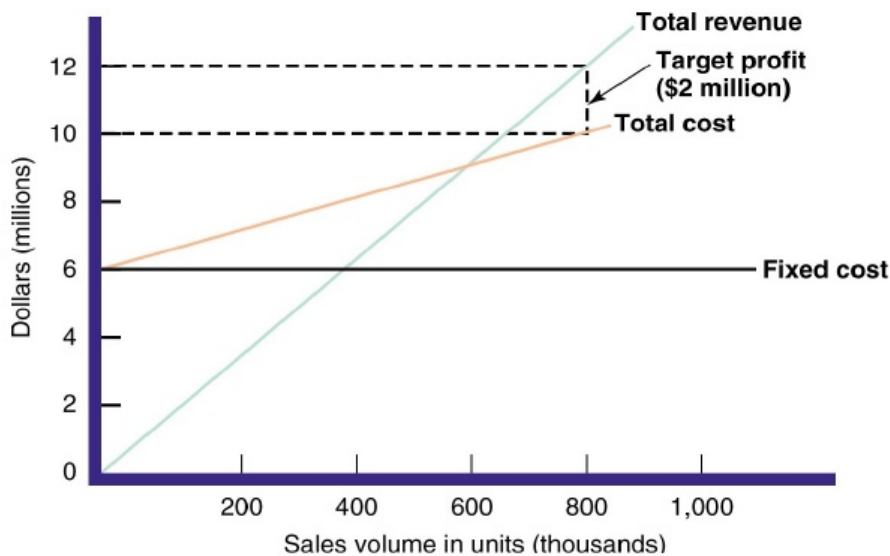
- Manufacturer price of cough syrup is \$4.50
- Health and Beauty Markup is 106%
- $\$4.50 \times (1 + 1.06) = \9.27

Break-Even Analysis and Target Profit Pricing

_____ is the price at which total costs are equal to total revenue and there is no profit.



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



3) Competition-Based Pricing:

Setting prices based on competitors' strategies, costs, prices, and market offerings.

- Put price at the same level, above, or below the competition
- Consumers will base their judgments of a product's value on the prices that competitors charge for similar products.

3. Other Internal and External Considerations Affecting Price Decisions

Internal Factors

- _____
- _____
- _____
- _____

External Factors

- _____
- _____
- _____



Internal Factors to Consider when Setting Prices

Overall Marketing Strategy, Objectives and Mix

Before setting prices, company must consider the firm/product objectives to select a marketing mix strategy

Pricing objectives include:

- Survival in the market
- Current profit maximization
- Market share leadership:
- Product quality leadership: charge higher price (leading in quality)
- Customer retention and relationship building
- Attracting new customers
- Opposing competitive threats
- Increasing product excitement

Pricing must be carefully coordinated with the other marketing mix elements

Target costing starts with an ideal selling price based on consumer value considerations and then targets costs that will ensure that the price is met.

Non-price strategies differentiate the marketing offer to make it worth a higher price

Organizational Considerations

- Who should set the price?
- Who can influence the prices?

- Small companies: CEO or top management
- Large companies: Divisional or product line managers
- Pricing departments may also be created

External Factors Affecting Price Decisions

The Market and Demand

_____ : good pricing starts with an understanding of how customer's perceptions of value affect the prices they are willing to pay

1. Different Types of Markets:

Pure competition

Monopolistic competition

Oligopolistic competition

Pure monopoly

Pure competition: many buyers and sellers trading in a **uniform commodity**

- Products sold are identical
- Are sellers are equal
- New companies can easily enter the market
- Product availability is what matters most

Monopolistic competition: many buyers and sellers trading over a range of prices

- Product differentiation (products can be substituted)
- Many competitors

Oligopolistic competition: market consists of only a few sellers who are highly sensitive to each other's pricing and marketing strategies

Pure monopoly: the market consists of one seller

2. Price-Demand Relationships

Demand curve: number of units the market will buy in a given period at different prices that might be charged

- Normally, demand and price are inversely related.
- Higher price = lower demand.
- For prestige (luxury) goods, higher price = higher demand

*Consumers must perceive higher prices as = higher quality

3. Price Elasticity of Demand

Measures the sensitivity of demand to changes in price.

Elastic vs. inelastic demand

_____ **demand** => Demand hardly changes when there is a small change in price.

_____ **demand** => Demand changes greatly for a small change in price.

Factors affecting price elasticity of demand:

- Unique product
- Quality
- Prestige
- Substitute products
- Cost relative to income

External Factors Affecting Price Decisions

Factors to consider:

- Comparison of offering in terms of customer value
- Strength of competitors
- Competition pricing strategies
 - Low-price/low margins strategies inhibit competition
 - High-price/high margins attract competitions
- Customer price sensitivity
- Economic conditions
 - Affect production costs
 - Affect buyers' perceptions of price and value
 - Solution: Adding more affordable lines
- How do **resellers** react to various prices?
- **Government** may restrict or limit pricing options
- **Social considerations** may be taken into account

4. New-Product Pricing Strategies

Market-Skimming Pricing: is a strategy with high initial prices to “skim” revenue layers from the market

Requirements:

- High product quality/image to support the price
- Buyers must want the product at the price
- Costs of producing the product in small volume should not cancel the advantage of higher prices
- High barrier of entry for competitors

Market-Penetration Pricing: sets a low initial price in order to penetrate the market quickly and deeply to attract a large number of buyers quickly to gain market share

Requirements:

- Price sensitive market
- Production and distribution costs decrease as sales volume increases
- Low prices must keep competition out of the market
- Penetration price must maintain its low-price position

5. Product Mix Pricing Strategies

Product line pricing: management must determine the price steps to set between the various products in the line

Optional product pricing: takes into account optional or accessory products along with the main product.

- Build your own computer by choosing hard drives, docking system, software options etc

Captive product pricing: involves products that must be used along with the main product.

- Pods used in Keurig
- Blades for a razor
 - . Two-part pricing: involves breaking the price into:
 - Fixed fee
 - Variable usage fee
 - EG: Cell-phone

Product bundle pricing: combines several products at a reduced price.

- Fast food restaurant bundle burger, fries and a soft drink at a “combo” price

6. Price Adjustment Strategies



Discount & Allowance pricing: reduces prices to reward customer responses such as paying early or promoting the product.

- **Discounts** are straight reductions in price on purchases during a stated period of time.
 - EG: Seasonal discount
- **Trade-in allowance** price reductions given for turning in an old item when buying a new one.

Segmented pricing: used when a company sells a product at two or more prices even though the difference is not based on cost.

- *Customer segment pricing* is when different customers pay different prices for the same product or service.
- *Product-form segment pricing* is when different versions of the product are priced differently but not according to differences in cost.
- *Location pricing* is when the product sold in different geographic areas is priced differently even though the cost is the same.
- *Time pricing* varies by the season, the month, the day, and even the hour.

Conditions for a successful segmented pricing strategy:

- Market must be segmentable
- Segments must show different degrees of demand

- Costs of reaching market cannot exceed extra revenue
- Segmented pricing must be legal
- Price must reflect real differences in customers' perception of value
- Lower-price tiers ≠ second class citizens

Psychological pricing: occurs when sellers consider the psychology of prices and not simply the economics.

- Heuristics of higher prices = better quality
- Reference prices: are prices that buyers carry in their minds and refer to when looking at a given product.
 - Noting current prices
 - Remembering past prices
 - Assessing the buying situations

Promotional pricing: is when prices are temporarily priced below list price or cost to increase demand.

- AIM: Make consumers act (increase sales and reduce inventory)

Geographic pricing: is used for customers in different parts of the country or the world

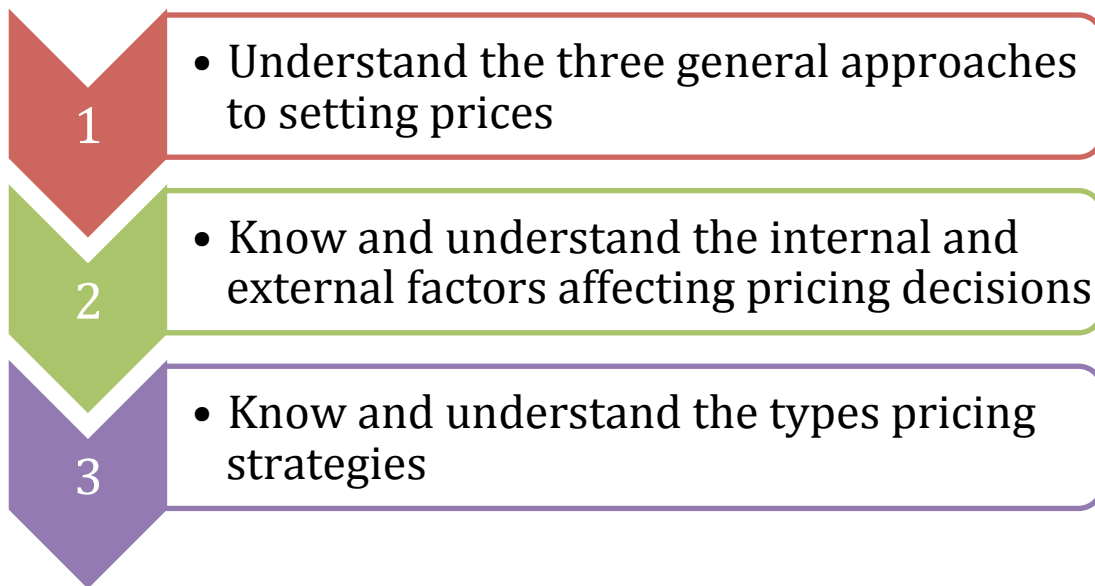
Dynamic pricing: is when prices are adjusted continually to meet the characteristics and needs of the individual customer and situations.

- Same product, the product price changes over time
- (Ex: Airline ticket prices)

Table 11.2 | Price Adjustments

Strategy	Description
Discount and allowance pricing	Reducing prices to reward customer responses such as volume purchases, paying early, or promoting the product
Segmented pricing	Adjusting prices to allow for differences in customers, products, or locations
Psychological pricing	Adjusting prices for psychological effect
Promotional pricing	Temporarily reducing prices to spur short-run sales
Geographical pricing	Adjusting prices to account for the geographic location of customers
Dynamic pricing	Adjusting prices continually to meet the characteristics and needs of individual customers and situations
International pricing	Adjusting prices for international markets

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12) Distribution Channels and Supply Chain Management

1. Supply Chains and the Value Delivery Network

What Are Marketing Distribution Channels?

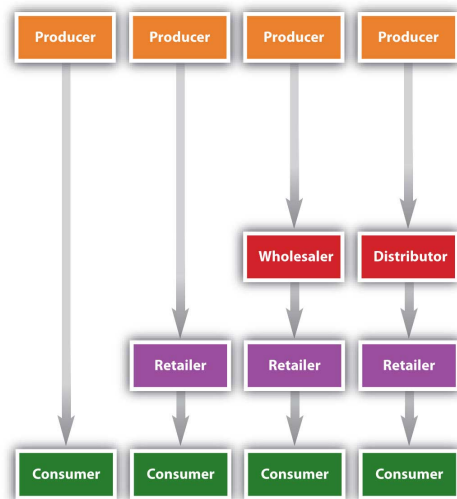
Marketing (distribution) channels are sets of independent organizations that help make a product or service available for use or consumption by the consumer or business user.

Who Are the Different Channel Members?

Producers/Manufacturer

Wholesaler

Retailer



Producers/Manufacturer: The organization (or entity) responsible for **designing** and **producing** a product.

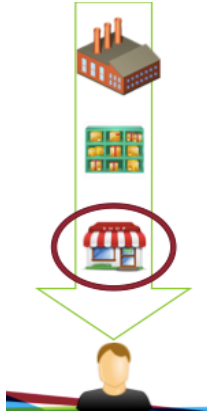
- Production is usually on a very large scale
- Production involves organizing and assembling raw materials/components to create a good.

Wholesaler:

- Intermediary which purchases products in large quantities (bulk).
- Then, generally sell products to other intermediaries (mostly retailers).
- Wholesalers break the bulk and create assortment.

Retailer:

- An intermediary organization that sells goods to the consumer.
- Takes ownership of the product



What Are the Supply Chain Views?

Supply chain

- Firm's raw materials, productive inputs, and factory capacity are the starting point for marketing planning

Demand chain

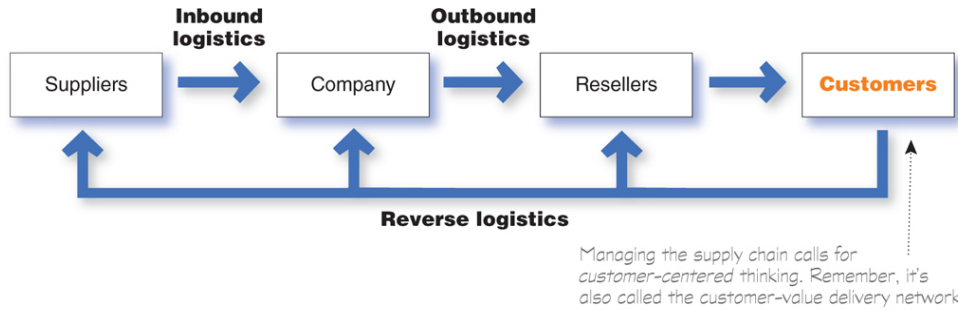
- Planning starts with the needs of the target customer
- Firm responds to these needs by organizing a chain of resources and activities with the goal of *creating customer value*.

Weakness of supply and demand chains:

- Based on a step-by-step linear view of purchase-production-consumption activities
- This does not allow for the flexibility made possible by the Internet and other technologies

What is the Supply Chain Management?

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

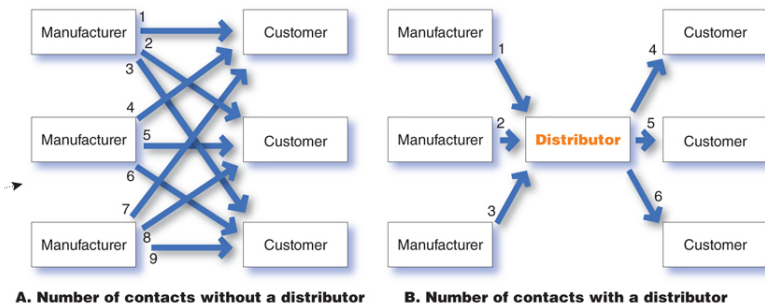


What Are Some Successful Companies with Great Distribution Channels?



How Do Channel Members Add Value?

- Higher efficiency in making goods available to target markets through their contacts, experience, specialization, and scale of operations.
- Transform the assortment of products into assortments wanted by consumers (economic reason);
- Bridge time, place, and possession gaps separating goods and services from users;



What Are the Key Functions of Channel Members?



Help to complete transactions:

Information: Gathering information about potential customers, competition, as well as tracking the environmental factors;

Promotion: developing and spreading persuasive communications about an offer;

Contact: Finding and engaging prospective buyers + regulatory bodies

Matching: Shaping offers to meet the buyer's needs, including activities such as manufacturing, grading, assembling, and packaging

Negotiation: Reaching an agreement on price and other terms of the offer which may be part of the transaction

Help to fulfill completed transactions:

Psychical Distribution: Transporting and storing goods

Financing: Acquiring funds to finance inventories

Risk Taking: Assuming the risks of carrying out the channel work

What Are Channel Levels?

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

Two types of channels:

Direct marketing channel: Marketing channel has no intermediary levels, the company sells directly to consumers

GEICO sells insurance direct via the telephone and internet

Indirect marketing channels: Contain one or more intermediary levels.

- Business marketer can sell to various types of intermediaries, who in turn sell to these customers

How Are Channel Members Connected?

By several types of flows:

- Physical flow of products
- Flow of ownership
- Payment flow
- Information flow
- Promotion flow

2. Channel Behaviour and Organization

What Are Channel Conflicts?

Within a marketing channel, each member plays a specialized role in their partnership.

Channel conflicts: refer to disagreements over goals, roles, and rewards by channel members.

Two types of channel conflicts:

Horizontal conflict: occurs among firms at the same level of the channel.

Examples:

- Advertising outside the agreed territory
- Example: two Chevrolet dealers in the St. Louis area that complain that each is being undercut by the other.

Vertical conflict: occurs between different levels of the same channel.

Examples:

- Disagreement over how profit margins are distributed
- Manufacturer believe that product is not given enough attention
- Example: conflict created by a manufacturer toward its dealers when deciding to open an online operation.



How Do You Manage Conflict and Regain Control in Channels?

- Specify each channel member's role
- Have a channel captain → leader that has power to assign roles and manage conflicts
- Cooperation
- _____

Type of Channels:

Conventional Distributions Systems

- One or more independent producers, wholesalers, and retailers
- Each separate business seeks to maximize its own profits
- No control over the other channel members
- No formal means for assigning roles and resolving conflict

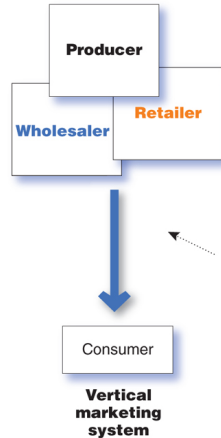


Vertical Marketing Systems (VMS)

- A channel in which producers, wholesalers, and retailers act as a unified system.
- Provides channel leadership
- One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate.

Example: Forzani Group operates a range of sporting goods stores including Hockey Experts, and National Sports.

Three types of VMS:



Corporate marketing systems:

- Combines successive stages of production and distribution under single ownership.
- Channel leadership is established through common ownership

Example:

Empire Company Limited is the parent company of IGA and Foodland and it also has real estate arm to support these and its other operations.

Contractual marketing systems:

Independent firms at different levels of production and distribution join together through contracts to obtain more economies or sales impact than each could achieve alone

Most common form is the franchise organization:

- Links several stages in the production distribution process
- Example: A&W

Administered marketing systems

Leadership is assumed not through common ownership or contractual ties, but through the size and power of one or a few dominant channel members

- Example: Walmart, Lobwlas (they can exert strong influence on the many manufacturers that supply the products they sell)

Horizontal Marketing Systems

Include two or more companies at one level that join together to follow a new marketing opportunity

Companies combine financial, production, or marketing resources to accomplish more than any one company could alone.

- Examples: Petro Canada and Tim Hortons and McDonalds in Walmart

Hybrid marketing channels: (multichannel distribution system): exist when a single firm sets up two or more marketing channels to reach one or more customer segments.

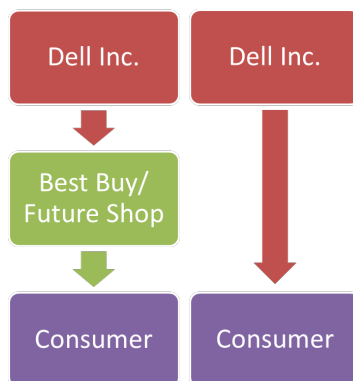
Example: Avon's door-to-door distribution and over-the-counter distribution options.

Advantages

- Increased sales and market coverage
- New opportunities to tailor products and services to specific needs of diverse
- customer segments

Challenges

- Harder to control and they generate conflict as more channels compete for customer sales

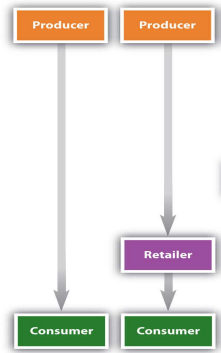


Changing Channel Organization

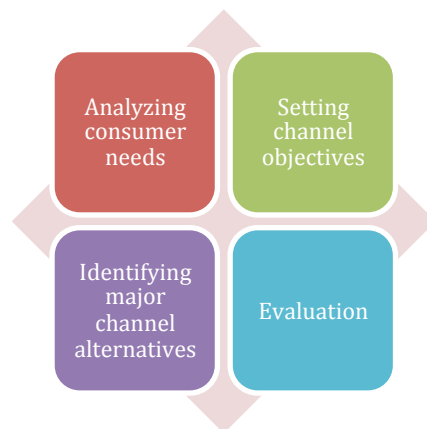
Disintermediation:

- Product or service producers cut out intermediaries and go directly to final buyers => compete with intermediaries

- Radically new types of channel intermediaries displace traditional ones
- Example: airlines sell tickets directly to final customers, cutting travel agents from their marketing channels all together



3. Channel Design Decisions



Analyzing consumer needs

Finding out what target consumers want from the channel by asking:

- Do consumers want to buy from nearby locations or are they willing to travel to more distant, centralized locations?
- Would they rather buy in person, by phone, or online?
- Do they value breadth of assortment or do they prefer specialization?
- Do they want many add-on services (installation) or will they obtain these elsewhere?

Setting channel objectives

Companies should state their marketing channel objectives in terms of targeted levels of customer service:

What segments will be served?

- What are the best channels to use?
- How will the total channel cost of meeting customer service requirements be minimized?

*Influenced by nature of company, its products, marketing intermediaries, competitors, and environment

Identifying major channel alternatives

When the company has defined its channel objectives, it should next identify its major channel alternatives in terms of:

Types of intermediaries:

- Identify the types of channel members available to carry out channel work.
- Examples: Dell now sells indirectly through retailers such as Walmart

Responsibilities of channel members:

The producer and intermediaries need to agree on the terms and responsibilities of each channel member.

Number of Marketing Intermediaries

Companies must determine the number of channel members to use at each level

Intensive distribution: stocks the product in as many outlets as possible.

- available when and where consumers want them such as toothpaste, candy

Exclusive distribution: gives a limited number of dealers exclusive rights to distribute the company's products in their territories.

- luxury brands (Bentley brands, sold only in a handful of dealers in any given market)

- enhances the brand image and allows for higher mark ups

Selective distribution: is the use of more than one but fewer than all of the intermediaries who are willing to carry the company's products.

- between intensive and exclusive distribution lies selective
- most television, furniture
- Whirlpool and GE sell their appliances through selected large retailers

Evaluation

Suppose that a company has identified several channel alternatives and wants to select the one that will best satisfy its long term objectives.

Each alternative should be evaluated against:

Economic criteria: Compares costs, sales, and profitability of different channel alternatives

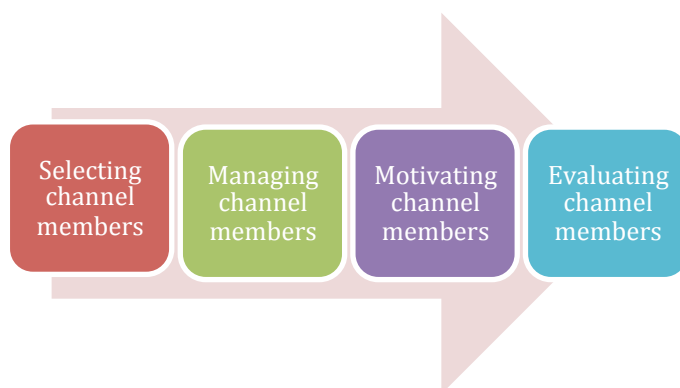
Control issues: Can arise from giving intermediaries control over marketing product

Adaptive criteria: Balancing long-term commitments with keeping the channel flexible so that it can adapt to environmental changes

Designing International Distribution Channels

- Channel systems can vary from country to country.
- Must be able to adapt channel strategies to the existing structures within each country

4. Channel Management Decisions



Selecting Channel Members

Once the company has reviewed its channel alternatives and determined the best channel design,

it must implement and manage the chosen channel

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

- Years in business
- Other lines carried
- Growth and profit record
- Co-operativeness
- Reputation

Managing and Motivating Channel Members

Once selected, channel members must be continuously managed and motivated to do their best

Partner relationship management (PRM): companies practice strong PRM to forge long time partnerships with channel members (create value delivery system)

Supply chain management software (SCM): companies use SCM to help recruit, train, manage and motivate relationships with channel partners

Evaluating Channel Members

The company must regularly check channel member performance against standard such as: Sales quotas, average inventory levels, customer delivery time, treatment of damage and lost goods, co-operation, and customer service, etc...

14) Integrated Marketing Communications (IMC)

1. What Is the Promotion Mix?

- Also named integrated marketing communications mix
- Specific blend of advertising, public relations, personal selling, and direct-marketing tools
- Used to communicate customer value and build customer relationships.

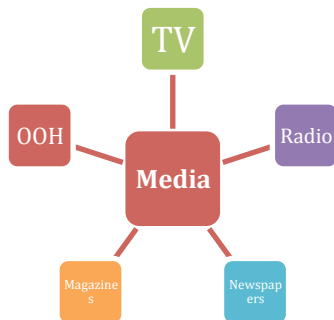


What Are the (5) Major Promotion Mix Tools?

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

Benefits:

- _____ of geographically dispersed buyers
- _____ per exposure
- Seller can repeat message many times



Sales promotion: are the short-term incentives to encourage the purchase or sale of a

product or service.

Examples:

- Discounts, coupons, displays, premiums, and demonstrations

Benefits:

- Strong incentive to _____
- Stimulates sales



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

Examples:

- Press releases
- Sponsorships
- Special events
- Webpages

Benefits:

Very _____ form of promotion

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

Examples:

- Sales presentations

- Trade shows
- Incentive programs

Benefits:

- Effective in building buyer's
- Important to develop customer relationships.

Direct marketing: involves making direct connections with carefully targeted individual consumers

Examples: Catalogues, Telemarketing, Kiosks

Benefits:

- Non-public, customized, immediate, and interactive
- Uses direct mail, telephone, direct-response television, email, and the Internet

2. Integrated Marketing Communications (IMC)

From the Promotional Mix to an IMC

Changing:

Consumers: in this digital age, they are better informed

Communication: rather than relying on marketer-supplied information, they can use the internet and other technologies to find info on their own

Marketing strategies: marketers are shifting away from mass marketing and developing focused marketing programs to build closer relationships (micro market)

Technology: changes in the ways in which companies and customers communicate due to smartphones and internet

The Need for Integrated Marketing Communications

What is an IMC?

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

- IMC ties together all of the company's messages and images

AIM: Clear and consistent message at each touchpoint

WHY:



3. A View of the Communication Process

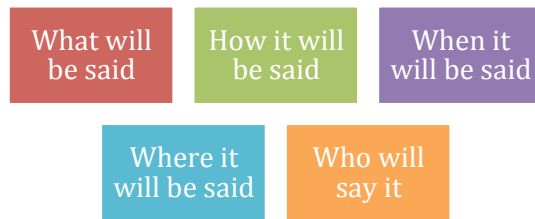
Steps in Developing Effective Marketing Communication

Step 1: Identifying the Target Audience

Audience may be:

- Current users or potential buyers
- Those who make the buying decision or those who influence it
- Individuals, groups, special publics, or the general public

Target audience will heavily affect the communicators decision on:



Step 2: Determining the Communication Objective

Once the target audience has been defined, marketers must determine the desired response

Buyer-readiness stages: Six stages consumers normally pass through on their way to a purchase

- GOAL: Move target customer through the...



Step 3: Designing the Message

Having defined the desired audience response, the communicator then turns to developing an effective message:

AIDA Model

- Get **A**ttention
- Hold **I**nterest
- Arouse **D**esire
- Obtain **A**ction

Message content: marketers must figure an *appeal or theme* that will produce the desired response

Three types of appeals:

Rational appeal: relates to the audience's self-interest, they show that the product will produce the desired benefits

Emotional appeal: is an attempt to stir up positive or negative emotions to motivate a purchase (love, humour, guilt)

Moral appeal: directed at the audience's sense of right and proper, used to support social causes (cleaner environment)

How Will the Message be Put Across?

Message structure:

- Draw a conclusion, or leave it to the audience?
- Put forth the strongest arguments first or last?
- Present a one- or two-sided argument?

Message creative:

- Every detail of the ad, from the colour of the print ad to the body language of a TV commercial, requires planning to communicate the right message.

Step 4: Choosing Media

The communicator must now select the channels of communication

There are two broad types of communication channels: person and non personal

Personal communication channels : Involve two or more people communicating directly with each other.

- Face-to-face
- By phone
- By mail
- By email
- Through Internet chat

Effective because they allow personal addressing and feedback.

Difficult for the company to control WOM (experts, family, friends, etc...)

Word-of-mouth influence (WOM): personal communication about a product between target buyers and neighbours, friends, family members, and associates.

- . Reviews on Amazon

Non-Personal Personal Communication Channels

Non-personal communication refers to media that carry messages without personal contact or feedback.

Major media include print (magazines), broadcast (television), display (billboards), and online media (social networks).

Atmospheres are designed environments that create or reinforce the buyer's leanings toward buying a product

- . Banks are designed to communicate confidence that might be valued by clients

Events are staged occurrences that communicate messages to target audiences.

- . Press conferences
- . Grand openings
- . Exhibits
- . Public tours

Step 5: Select the Message Source

In either personal or non-personal communication, the messages impact also depend on how the target audience views the communicator

The message's impact depends on how the target audience views the communicator.

Celebrities:

- . Athletes
- . Entertainers

Professionals:

- . Health-care providers

Collecting Feedback

After sending the message, the communicator must research its effect on the target audience.

Also measures the behaviour resulting from the message by asking:

- How many people bought a product?
- How many people talked about it with others?
- How many people visited the store?

4. Setting the Total Promotion Budget and Mix

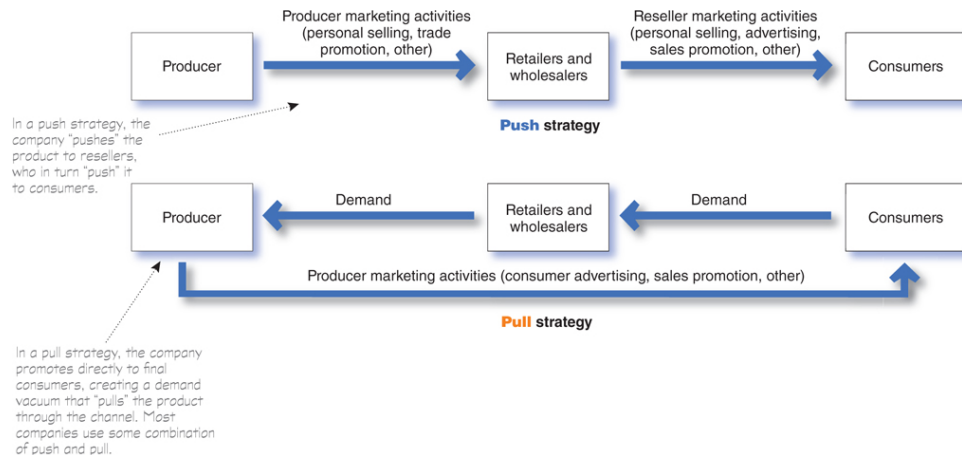
Looked at the 5 steps in planning and sending communications to a target audience.

Now look at how the company determines its total *promotion budget* and the division among the promotional tools to create the *promotional mix*.

Setting the Promotional Budget

?Use various methods to determine total budget for promotional mix
(4 methods in book)

Promotion Mix Strategies



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Push strategy: uses the sales force and trade promotion to push the product through channels.

- The producer promotes the product to channel members, who in turn promote it to final consumers.
- John Deere sales force works with Lowe's and Home Depot who push their products to final consumers

Pull strategy: is a 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.

- Unilever promotes axe products directly to young male target using YouTube or other channels. If the pull is effective, consumers will then demand the brand from retailers such as Target, who will in turn demand it from Unilever.

Integrating the Promotion Mix Checklist

1. Identify customer touch points

2. Analyze trends—internal and external

3. Audit the pockets of communication spending throughout the organization

4. Team up in communications planning

5. Create compatible themes, tones, and quality across all communications media

6. Create performance measures that are shared by all communications elements

7. Appoint a director responsible for the company's persuasive communications efforts

Socially Responsible Marketing Communication

For Advertising and Sales Promotions:

- Communicate openly and honestly with consumers and resellers.
- Avoid deceptive or false advertising.
- Avoid bait-and-switch advertising.
- Conform to all federal, state, and local regulations.

For Personal Selling:

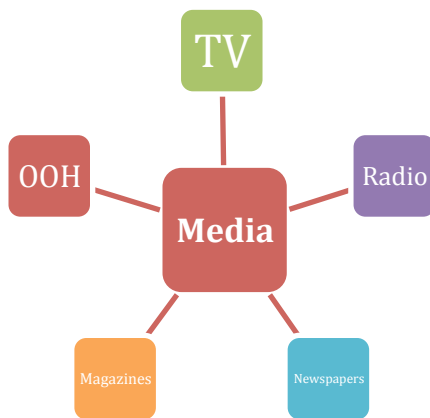
- Follow rules of “fair competition.”
- Do not offer bribes.
- Do not attempt to obtain competitors’ trade secrets.
- Do not disparage competitors or their products.

15) Advertising and Public Relations

Advertising

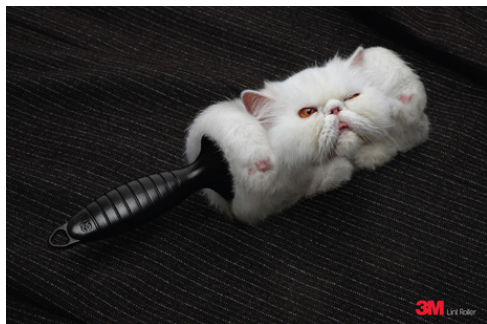
What Is Advertising

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



What Are Pros and Cons of Advertising?

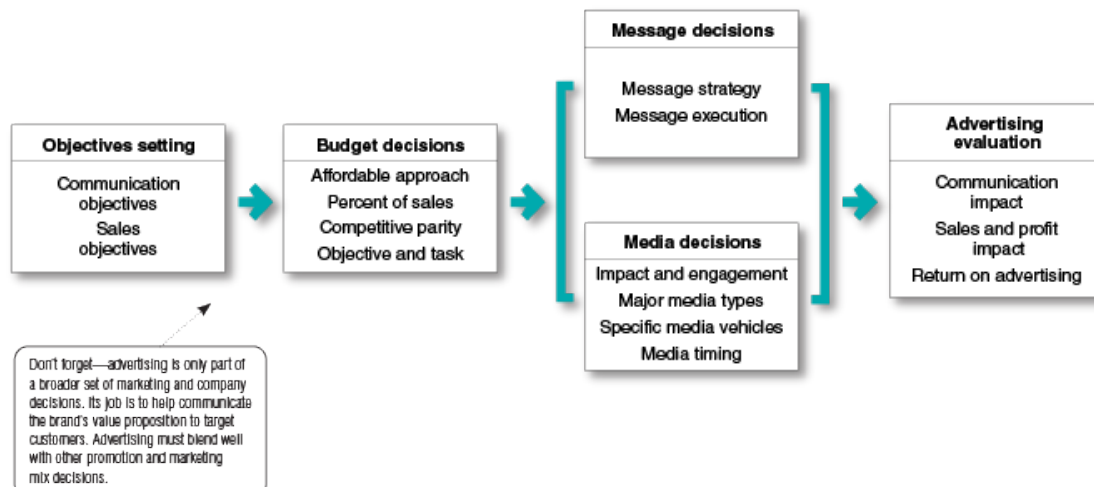
Advantages	Disadvantages
<ul style="list-style-type: none">• Attention getting• Communicates specific product benefits• Control (what it says to whom, when)• Reaches a lot of people	<ul style="list-style-type: none">• Impersonal• Lacks direct persuasiveness• Costly• Does not necessarily reach the audience



3M LOL

What Are the (5) Major Decisions in Advertising?

1. Setting Advertising Objectives
2. Setting the Advertising Budget
3. Developing Advertising Strategy
4. Evaluating Advertising Effectiveness and Return on Advertisement Investment
5. Other Advertising Considerations



1. Setting Advertising Objectives

What is the communication task to be accomplished for a **specific target audience** during a **specific period of time**:

- . Inform
- . Persuade
- . Remind

● **Table 15.1** | **Possible Advertising Objectives**

Informative Advertising

Communicating customer value	Suggesting new uses for a product
Building a brand and company image	Informing the market of a price change
Telling the market about a new product	Describing available services and support
Explaining how a product works	Correcting false impressions

Persuasive Advertising

Building brand preference	Persuading customers to purchase now
Encouraging switching to a brand	Persuading customers to receive a sales call
Changing customer perceptions of product value	Convincing customers to tell others about the brand

Reminder Advertising

Maintaining customer relationships	Reminding consumers where to buy the product
Reminding consumers that the product may be needed in the near future	Keeping the brand in a customer's mind during off-seasons

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Informative advertising: is used when introducing a new product category; the objective is to build primary demand.

- Early producers of DVD players first had to inform consumers of the image quality and benefits of the new product

Comparative advertising: directly or indirectly compares the brand with one or more other brands.

- Unilever running ads comparing its products to “overpriced competitors”

Persuasive advertising: is important with increased competition to build selective demand.

Once DVD players became established, Sony began trying to persuade consumers that its brand offered the best quality for their money

Reminder advertisement: is important with mature products to help maintain customer relationships and keep customers thinking about the product

Coca cola ads primarily build and maintain the brand relationship rather than inform or persuade customers to buy it in the short run

2. Setting the Advertisement Budget

The **advertising budget** is the dollars and other resources allocated to a product or company advertising program.

Factors to consider when setting the budget:

Product life-cycle stage => new vs. mature products (new products need larger advertisement budget to build awareness as oppose to mature brands that require lower budget as a ratio to sales)

Market share => high vs. low market share

Competition => high vs. low competition

3. Developing Advertising Strategy

Strategy by which the company accomplishes its advertising objectives. It consist of **two** major elements:

1. Creating advertising messages

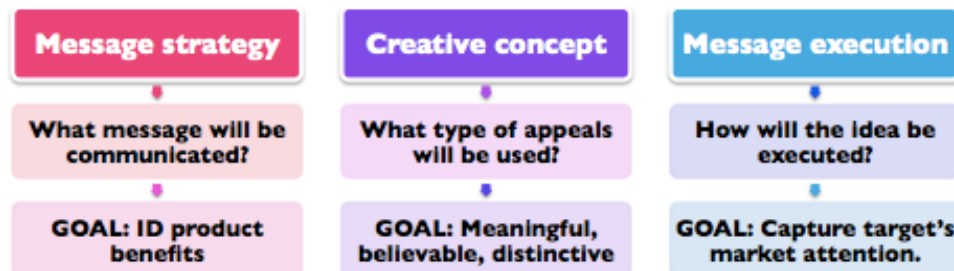
Advertisements need to break through the clutter:

- . Gain attention
- . Communicate well

Need to be better planned, more imaginative, more entertaining, and more rewarding to consumers.

How Can We be Creative with Advertising?

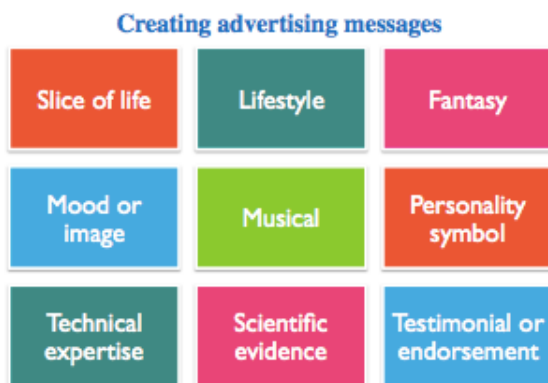
What Are Major Decisions in Advertising?



Creative concept: the compelling “bit idea” that will bring the advertising message strategy to life in a distinctive and memorable way

Message Execution

The advertiser must turn the big idea into an actual ad execution that will capture the target markets attention and interest, using the best approach, style, tone, words (do you Yahoo?). They can be presented in **execution styles** such as the following:



Slice of life: This style shows one or more typical people using the product in a normal setting (ad showing a young professional starting the day with a healthier breakfast and high hopes)

Lifestyle: This style shows how a product fits in with a particular lifestyle

Fantasy: This style creates a fantasy around the product or its use

Mood or image: This style builds a mood or image around the product or service, such as beauty, love or serenity (ad showing daughter hugging mother after surprising her “so I baked her the cookies she loved since she was little”)

Musical: This style shows people or cartoon characters singing about the product

Personality symbol: This style creates a character that represents the product (Mr. Clean, Tony the Tiger, Geico Gecko, Ronald McDonald)

_____ : This style presents survey or scientific evidence that the brand is better or better liked than one or more other brands (crest using scientific evidence to convince buyers that crest is better than other brands)

Testimonial evidence or endorsement: This style features a highly believable or likable source endorsing the product (Jared from Subway (lol), Micheal Phelps speaking for Subway as well)

Option to have:

- . Consumer generated messages
- . Brand website contests

Benefits include:

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

2. Selecting Advertising Media

The (4) major steps in advertising media selection are:

1. Deciding on reach-frequency-impact

Reach is a measure of the percentage of people in the target market who are exposed to the ad campaign during a given period of time (advertiser may try to reach 70% of the target market during the first 3 months of the campaign)

_____ is a measure of how many times the average person in the target market is exposed to the message (the advertiser may want an average exposure frequency of three)

Impact is the qualitative value of a message exposure through a given medium (the same message in one magazine may be more believable than in another)

*The advertiser wants to choose media that will *engage* consumers rather than simply *reaching* them

2. Choosing among major media types (which media will you use?)

Media planners have to know how to the reach, frequency, and impact of each major media type

● **Table 15.2 | Profiles of Major Media Types**

Medium	Advantages	Limitations
Television	Good mass-marketing coverage; low cost per exposure; combines sight, sound, and motion; appealing to the senses	High absolute costs; high clutter; fleeting exposure; less audience selectivity
The Internet	High selectivity; low cost; immediacy; interactive capabilities	Potentially low impact; the audience controls exposure
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptability; high believability	Short life; poor reproduction quality; small pass-along audience
Direct mail	High audience selectivity; flexibility; no ad competition within the same medium; allows personalization	Relatively high cost per exposure; "junk mail" image
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life and good pass-along readership	Long ad purchase lead time; high cost; no guarantee of position
Radio	Good local acceptance; high geographic and demographic selectivity; low cost	Audio only; fleeting exposure; low attention ("the half-heard" medium); fragmented audiences
Outdoor	Flexibility; high repeat exposure; low cost; low message competition; good positional selectivity	Little audience selectivity; creative limitations

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3. Selecting media vehicles

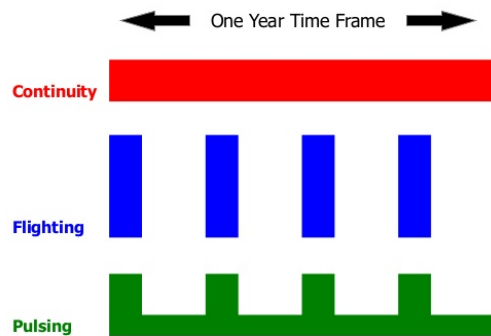
- . Specific media within a given type, i.e. Business Week vs. Economist (Magazines)
 - . Must balance media cost against media factors
 - . Media factors: Audience characteristics, attention, and editorial quality
- Editorial quality → Believability

4. Deciding on media timing

When deciding on media timing, the planner must consider:

- . **Seasonality** (M&Ms special ads for Halloween, Christmas, Easter)
- . **Pattern of the advertising**
 - . Continuity: scheduling evenly within a given period
 - . Pushing: scheduling unevenly within a given period (advertise heavily for a short period to build awareness that carries over the next advertisement period)

What Are the Different Types of Media Schedules?



4. Evaluating Advertising Effectiveness and Return on Advertising Investment

Return on advertising investment: the net return on advertising investment divided by the costs of the advertising investment.

Communication effects: indicate whether the ad and media are communicating the ad message well and should be tested before or after the ad runs

Sales and profit effects: compare past sales and profits with past expenditures or through experiment

Affected by factors other than advertisement --- product features, price and availability

Public Relations

What are Public Relations?

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

Public relations is used to promote products, people, ideas, and activities.

What Are Public Relations Pros and Cons?

Advantages	Disadvantages
<ul style="list-style-type: none">• Lower cost than advertising• Stronger impact on public awareness than advertising• Has power to engage consumers and make them part of the brand story	<ul style="list-style-type: none">• Lack of user control over it (no saying, where or how your brand is communicated/shared)

What Are Public Relations Functions?

PR departments may perform any or all of the following functions:

Press relations or press agency involves the creation and placing of newsworthy information to attract attention to a person, product, or service (story about your company)

Product publicity involves publicizing specific products (story about your specific product)

Public affairs involves building and maintaining national or local community relations.

Lobbying involves building and maintaining relations with legislators and government officials to influence legislation and regulation.

Investor relations involves maintaining relationships with shareholders and others in the financial community.

Development involves public relations with donors or members of nonprofit organizations to gain financial or volunteer support.

Major Public Relations Tools



What Does a PR Crisis Look Like?

16) Personal Selling

1. Personal Selling

What Is Personal Selling?

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

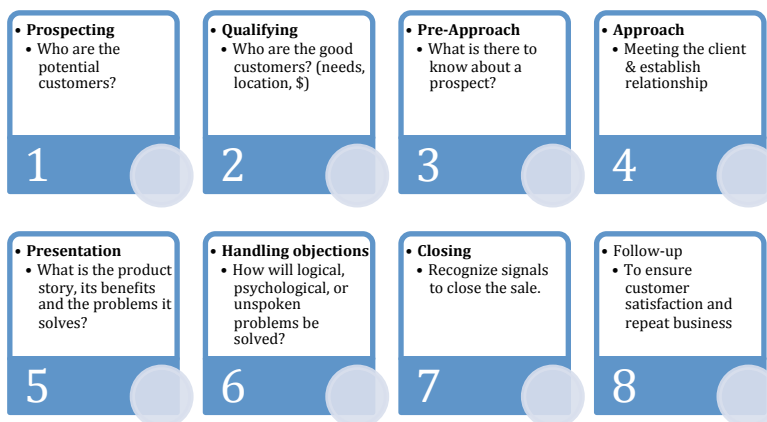
- **Sales Force:** main role is to maintain long term relationship with customers (role is NOT to sell product)

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

What Are Personal Selling Pros and Cons?

Advantages	Disadvantages
<ul style="list-style-type: none">• Less costly than personal selling• Superior to advertising in terms of customization• Measurement/tracking	<ul style="list-style-type: none">• People get annoyed• Privacy concerns• Expensive in terms of handling the data

3. The Personal Selling Process



What Are the (7) Steps in the Personal Selling Process?

1. Prospecting identifies qualified potential customers through referrals from:

- . Customers
- . Suppliers
- . Dealers
- . Internet

Qualifying: identifying good customers and screening out poor ones by looking at:

- . Financial ability
- . Volume of business
- . Needs
- . Location
- . Growth potential

2. Pre-approach: the process of learning as much as possible about a prospect, including needs, who is involved in the buying, and the characteristics and styles of the buyers.

Objectives	Approaches
<ul style="list-style-type: none">▪ Qualify the prospect▪ Gather information▪ Make an immediate sale	<ul style="list-style-type: none">▪ Personal visit▪ Phone call▪ Letter

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

- . Appearance
- . Opening lines
- . Follow-up remarks

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

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



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

- . Use a positive approach
- . Seek out hidden objections
- . Clarify objections
- . Take objections as opportunities to provide more information
- . Turn objections into reasons for buying

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

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

How Do Salespeople Create Value and Build Relationships?

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

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

16) Sales Promotion

4. What Are Sales Promotions?



The short-term incentives to encourage purchases or sales of a product or service now.

- . Sales promotions tell you to buy *now*!
- . Used by most organizations
- . Generate a consumer response
- . Focus on behavioural objectives
- . Stimulate some specific action from the consumer

The Rapid Growth of Sales Promotions

- . Product managers are under pressure to increase current sales.
- . Companies face more competition.
- . Competing brands offer less differentiation.
- . Advertising efficiency has declined due to rising costs, clutter, and legal constraints.
- . Consumers have become more deal-oriented

What Are Sales Promotions Pros and Cons?

- | | |
|---|--|
| <ul style="list-style-type: none">• Helps for trials• Stimulates sales• You can track precisely its effect (the coupons given out, etc...)• Loss-leader principle – to get people into the store | <ul style="list-style-type: none">• Can affect brand image if it happens too often• Short-term strategy• Need to combine it with Advertising or PR to convert the short-term customer into a long-term one |
|---|--|

Various Uses of Sales Promotions

1. Consumer promotions:

- . Urge short-term customer buying.
- . Enhance long-term customer relationships.

2. Trade promotions: retailers and wholesalers

- . Carry new items or more inventory
- . Buy in advance
- . Advertise company products
- . Get more shelf space

3. Business promotions: business customers

Sales force promotions: members of sales force

- . Marketing manager tend to use sales force promotion (increases performance in short-term)

What Are the (3) Major Types of Sales Promotion for Consumers?

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



Samples	Coupons	Cash refunds	Price packs
Premiums	Advertising specialties	Patronage rewards	Point-of-purchase displays
Demonstrations	Contests	Sweepstakes	Games

Sample: Most effective & most expensive way to introduce a new product or create new excitement for an existing one (offer a trial amount of a product)

- Tide samples

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

- Digital coupons

Cash refunds (rebates): are similar to coupons except that the price reduction occurs after the purchase.

Price packs: offer consumers savings off the regular price of a product. => two for one

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

- . Premiums are prizes, gifts, or other special offers consumers receive when purchasing products and services.
- . Consumer pays full price for the product

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

Point of purchase (POP) activities: include displays and demonstrations that take place at the point of sale.

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

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

_____ : Based on merit or skill

_____ : Based on random draw

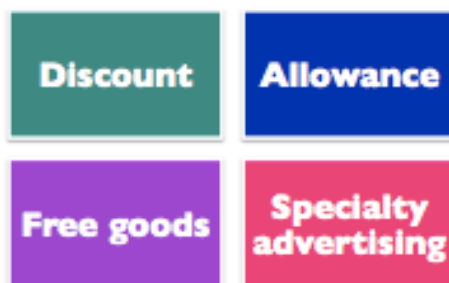
How Can Contests be Used as the Foundation of an IMC Campaign?



Event marketing (event sponsorship): creating a brand-marketing event or serving as a sole or participating sponsor of events created by others.

- Include anything from mobile brand tours to festivals, reunions, marathons, concerts

2. Trade promotions: are sales promotion tools used to persuade resellers to carry a brand, give it shelf space, promote it in advertising, and push it to consumers.



Discount off-list price for a stated period of time

Allowance (so much off per case) in return for retailer's agreement to feature the product

Free goods for featuring or buying a certain amount

Free **specialty advertising items**, such as pens, calendars, memo pads

3. Business promotions: are sales promotion tools used to generate business leads, stimulate purchases, reward customers, and motivate salespeople.

. Conventions and trade shows are effective to reach many customers not reached with the regular sales force.

- . Sales contests are effective in motivating salespeople or dealers to increase performance over a given period.

How Do you Design Effective Sales Promotions?

- . Size of the incentive
- . Conditions for participation
- . Promoting and distributing the program
- . Length of the program
- . Evaluation of the program

17) Direct, Online, Social Media, and Direct Marketing

1. The New Direct Marketing Model

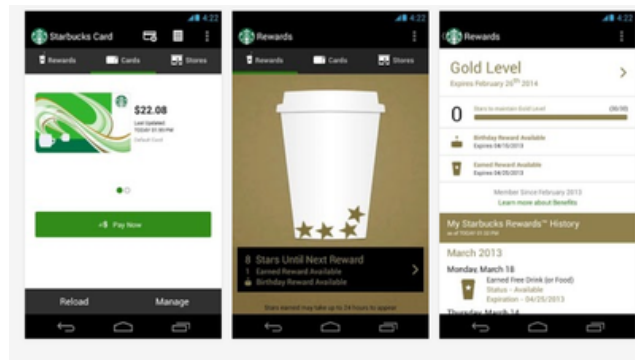
What Is Direct Marketing/Digital Media?

Involve engaging directly with carefully targeted individual consumers and customer communities

_____ of offers and content to the needs of narrowly defined segments and individual buyers.

- . A marketing channel without intermediaries
- . Part of the promotion mix
- . The fastest-growing form of marketing

What Does Direct Marketing Look Like?



What Are the Benefits of Direct Marketing?

- Convenience
- Ready access to many products
- Access to comparative information about companies, products, and competitors
- Interactive and immediate
- Tool to build customer relationships
- Low-cost, efficient, fast alternative to reach markets
- Flexible
- Access to buyers not reachable through other channels

- . People get annoyed
- . Privacy concerns
- . Expensive in terms of handling the data

2. Forms of Direct Marketing

What Are the Forms of Direct and Digital Marketing?



What Are the Traditional Forms of Direct Marketing?

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

- . Is personalized
- . Gives easy-to-measure results
- . Costs more than mass media
- . Provides better results than mass media
- . Fax mail, e-mail, voice mail are now popular
- . Disadvantages: Can annoy customers (Importance of maintaining “Do Not Call” List)
- . Can take the form of

Are Catalogues Dead?

Catalogue Marketing: involves printed and web-based catalogues.

- . Printed catalogs remain the primary medium, but many are now electronic.
- . Web-based catalogue should be used with other means to drive traffic (e.g., advertising)
- . IKEA, Canadian Tire

Benefits of Web-based	Challenges of Web-based
<ul style="list-style-type: none"> • Lower cost than printed catalogues • Unlimited amount of merchandise • Real-time merchandising • Interactive content • Promotional features 	<ul style="list-style-type: none"> • Require marketing • Difficulties in attracting new customers

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

- . Outbound telephone marketing sells directly to consumers and businesses.
- . Inbound telephone marketing uses toll-free numbers to receive orders from television and print ads, direct mail, and catalogues.
- . Advantages: Convenience and increased product and service information

Direct-response television (DRTV): Marketing includes the following:

- . 60- to 120-second advertisements that describe products and give customers a toll-free number or website to make a purchase
- . 30-minute infomercials, such as home shopping channels
- . Less expensive than other forms of promotion and easy to track results
- . Home shopping channels – entire programs or channels dedicated to selling goods and services.

Kiosk marketing: involves placing information on machines in public areas, such as in stores, airports, and other locations.

Digital & Multichannel marketing: involves marketing both through stores and other traditional offline channels and through digital, online, social media, and mobile channels.

What Are Forms of Digital Marketing?

Digital direct marketing technologies:

- . Mobile phone marketing
- . Podcasts

- . Vodcasts
- . Interactive TV

Mobile phone marketing includes:

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

Podcasts and vodcasts involve the downloading of audio and video files via the Internet to a handheld device and listening to them at the consumer's convenience.

Interactive TV (ITV): lets viewers interact with television programming and advertising using their remote controls and provides marketers with an interactive and involving means to reach targeted audiences.

4. What Are Some Forms of Online Marketing?

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

- . Banners
- . Pop-ups
- . Rich media ads

Search-related: ads are ads in which text-based ads and links appear alongside search engine results on sites such as Google and Yahoo! and are effective in linking consumers to other forms of online promotion.

Viral marketing: is the Internet version of word-of-mouth marketing and involves the creation of a website, email message, or other marketing event that customers pass along to friends.

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

- . Facebook
- . Twitter

- . YouTube
- . Flickr
- . Pinterest

Email: Marketers are developing “enriched” messages that include animation, interactivity, and personal messages with streaming audio and video to compete with the cluttered email environment.

Spam: unsolicited, unwanted commercial email messages.

Permission-based marketing: allows users to opt in or opt out of email marketing.

Why Use Online Marketing

Online marketing will remain an important approach in the marketing mix to:

- . Build customer relationships
- . Improve sales
- . Communicate company and product information
- . Deliver products and services more effectively and efficiently

5. Public Policy Issues in Direct Marketing

Irritation: includes annoying and offending customers.

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

Deception: includes “heat merchants” who design mailers and write copy designed to mislead consumers.

Fraud: includes identity theft and financial scams.

The concern is that marketers may know too much about consumers and use this information to take unfair advantage

19) The Global Marketplace

1. Global Marketing Today

A global firm

- . Operates in more than one country
- . Gains marketing, production, R&D, and financial advantages not available to purely domestic competitors
- . Sees the world as one market

What Are the Major Marketing Decisions?



What is the Global Marketing Environment (4 of them)?



1. International Trade System

When selling to another country, a firm may face restrictions on trade between nations.

Tariffs from governments => taxes on certain imported products designed to raise revenue or to protect domestic firms

Quotas are limits on the amount of foreign imports a country will accept in certain product categories

AIM: Protect domestic industry and employment

Nontariff trade barriers: product bans, restrictive regulations, unreasonable unjustified product packaging and labeling

Economic communities are free trade zones

- . European Union (EU)
- . North American Free Trade Agreement (NAFTA)
- . Central American Free Trade Association (CAFTA)

2. International Economic Environment

Two economic factors reflect the country's attractiveness as a market: its *industrial structure* and its *income distribution*

1. Industrial structure: shapes its product and service needs, income levels and employment levels. (4 types):

Subsistence economies: majority of people engaged in simple agriculture

- . Offer limited market opportunities

Raw material exporting economies: rich in one or more natural resources but poor in other ways

- . Chile (tine and copper)

Emerging economies (Industrializing economies): in an emerging economy, fast growth in manufacturing results in rapid overall economic growth

- . Brazil, Russia, India, and China

Industrial economies: major exporters of manufactured goods, services and investment funds

- . United states, Japan and Norway

2. Income distribution

- . Low-income households
- . Middle-income households
- . High-income households

3. International Political-Legal Environment

- . Country's attitude toward international buying
- . Government bureaucracy
- . Political stability
- . Monetary regulations => money or barter

4. International Cultural Environment

The need to adapt to local cultural values and traditions rather than imposing their own.

What Are the Indicators of Market Potential?

● **Table 19.1** | Indicators of Market Potential

Demographic Characteristics	Sociocultural Factors
Education Population size and growth Population age composition	Consumer lifestyles, beliefs, and values Business norms and approaches Cultural and social norms Languages
Geographic Characteristics	Political and Legal Factors
Climate Country size Population density—urban, rural Transportation structure and market accessibility	National priorities Political stability Government attitudes toward global trade Government bureaucracy Monetary and trade regulations
Economic Factors	
GDP size and growth Income distribution Industrial infrastructure Natural resources Financial and human resources	

4) Social Responsibility and Ethics

2. Social Criticisms of Marketing

What Are the (6) Major Social and Ethical Criticism of Marketing?

- . High Prices
- . Deceptive Practices
- . High-Pressure Selling
- . Shoddy, Harmful, or Unsafe Products
- . Planned Obsolescence
- . Poor Service to Disadvantaged Consumers

1. High Pricing or High Cost of Distribution?

Complaint:	Response:
<ul style="list-style-type: none">• Prices are too high due to high costs of:<ul style="list-style-type: none">• distribution• Advertising and promotion• Excessive mark-ups	<ul style="list-style-type: none">• Intermediaries are important and offer value• Advertising informs buyers of availability and merits of a brand• Consumer's don't understand the cost of doing business

2. Deceptive practices

Complaint: Companies use deceptive practices that lead customers to believe they will get more value than they actually do.

Response:

- . Legislation to protect consumers from deceptive practices (Competition Act)
- . Guidelines to prevent “greenwashing” (Competition Bureau)
- . Industry self-regulation through Advertising Standards Canada

3. High pressure selling

Complaint:	Response:
<ul style="list-style-type: none">• Salespeople use high-pressure selling that persuade people to buy goods they had no intention of buying.	<ul style="list-style-type: none">• Most selling involves building long-term relationships and valued customers. High-pressure or deceptive selling can damage these relationships.

4. Shoddy, Harmful, or Unsafe Products

Complaint:	Response:
<ul style="list-style-type: none">• Products have poor quality, provide little benefit, and can be harmful.	<ul style="list-style-type: none">• Good marketers realize there is no value in marketing shoddy, harmful, or unsafe products.

5. Planned Obsolescence

Complaint:	Response:
<ul style="list-style-type: none">• Producers cause their products to become obsolete and change consumers' concepts of acceptable styles to encourage more and earlier buying.	<ul style="list-style-type: none">• Planned obsolescence is really the result of competitive market forces leading to ever-improving goods and services.• Customer customers like style changes and want the latest innovations

6. Poor Service to Disadvantaged Consumers

Complaint:	Response:
<ul style="list-style-type: none">• Marketers serve disadvantaged customers poorly. Some retail companies "redline" poor neighborhoods and avoid placing stores there.	<ul style="list-style-type: none">• Some marketers profitably target these customers and when marketers do not, in some cases the government will likely step in to fill the void.• Further the government has <u>privacy legislation</u> to protect individuals personal information

Marketing's Impact on Society as a Whole

- . False wants and too much materialism
- . Too few social goods
- . Cultural pollution

3. Consumer Actions to Promote Sustainable Marketing

What Is Consumerism?

Consumerism is the organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers.

- Both marketers and consumers have rights that need to be protected

What Is Environmentalism?

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people’s living environment.

- AIM: Generating profits while helping to save the planet.

	Today: Greening	Tomorrow: Beyond Greening
Internal	Pollution prevention Eliminating or reducing waste before it is created	New clean technology Developing new sets of environmental skills and capabilities
External	Product stewardship Minimizing environmental impact throughout the entire product life cycle	Sustainability vision Creating a strategic framework for future sustainability

How does "environmental sustainability" relate to "marketing sustainability"? Environmental sustainability involves preserving the natural environment, whereas marketing sustainability is a broader concept that involves both the natural and social environments—pretty much everything in this chapter.

Source: Stuart L. Hart, "Innovation, Creative Destruction, and Sustainability," Research Technology Management, September–October 2005, pp. 21–27.

4. Business Actions Towards Sustainable Marketing

Under the sustainable marketing concept, a company’s marketing should support the best long-run performance of the marketing system.

Guided by the (5) sustainable marketing principles:

What Are the Enlightened Marketing Principles?



1. Consumer-Oriented Marketing

- View marketing activities from the consumer's point of view
- Deliver superior value

2. Customer-Value Marketing

- . Invest in customer-value-building marketing
- . Create value for customers (4 Ps)

3. Innovative Marketing

Company seeks real product and marketing improvements (innovations).

4. Sense of Mission Marketing

Define *mission* in broad social terms rather than narrow product terms.

5. Social Marketing

5. Marketing Ethics

Corporate marketing ethics are broad guidelines that everyone in the organization must follow and that cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards.

