

Chapter 6: Training and developing employees

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Employee's commitment depends on how managers treat them, managers should:

- identify high-potential employees, make sure org uses their talents
- reassure them of their value so they remain satisfied and stay with the org
- be able to listen→ although new employees need direction, they also need to be able to think independently and be treated with respect

Employee development= combination of formal education, job experiences, relationships, and assessment of personality and abilities to help employees prepare for the future of their careers

Traditional differences between training and development

	Training	Development
Focus	Current	Future
Use of work experiences	Low	High
Goal	Preparation for current job	Preparation for changes
Participation	Required	Voluntary

Training, learning, and development linked to org needs and strategy

Training should be effective→ teaches what it is designed to teach, and skills/behavior learned should help the org achieve its goals

- may prepare employees for future positions in the org, enable the org to respond to change, reduce turnover, increase worker safety, improve customer service etc.

- to achieve these goals→**Instructional design**= process of systematically developing training to meet specified needs

- 1) assess needs for training (what the org requires that its ppl learn)
- 2) Ensure readiness for training (ensure that employees are ready for training in terms of attitudes, motivation, basic skills and work environment)
- 3) Plan training program (plan program's objectives, instructors and methods etc.)
- 4) Implement training program

5) Evaluate results of training (provides feedback for planning future training programs)

- process carried out using a **learning management system (LAS)**= computer application that automates the admin, development and delivery of a company's training programs

make learning more widely available

help org reduce travel and other costs by providing online training

allow managers to track course enrollments and program completion

·can be linked to org's performance management system to plan for and manage training needs, training outcomes and associated rewards

Needs assessment= process of evaluating the org, individual employees, and employees' tasks to determine what kinds of training, if any, are necessary

- answers questions in 3 broad areas:

1. *Organization*: What is the context in which training will occur?

2. *Person*: Who needs training?

3. *Task*: What topics should the training cover?

- outcome not necessarily include a training program ∴ some issues should be resolved through other methods e.g.

Better rewards to improve motivation

- needs assessment begins with **organization analysis**= process for determining the appropriateness of training by evaluating the characteristics of the organization

· training needs vary depending on whether org's strategy is based on growing or shrinking workforce/ whether it's seeking to serve a broad customer base or focusing on narrow market segment etc.

·should consider whether the org has the budget, time and expertise for training

- **person analysis**= process for determining individuals' needs and readiness for training

1) do performance deficiencies result from a competency gap (lack of knowledge, skill or ability)? (If yes, training is appropriate; if not, other solutions are more relevant)

2) who needs training?

3) are these employees ready for training?

- **task analysis**= process of identifying the tasks and competencies (knowledge, skills and behavior) that training should emphasize

·usually conducted along with person analysis

look at conditions (equipment, environment, time constraints, performance standards, safety considerations)in which tasks are performed

·analyst interviews employees and their supervisors to prepare a list of tasks performed in that job→ validates the list by showing it to employees/supervisors/other subject-matter experts and asking them to complete a questionnaire about the *importance, frequency, and difficulty* of the tasks→ determines which tasks will be the focus of training

Readiness for training= a combination of employee characteristics (including ability to learn the subject matter and favorable attitudes toward the training) and positive work environment that permit training (one that encourages learning and avoids interfering with the training program)

- Employee readiness characteristics

to be ready to learn, employees need basic learning skills especially cognitive ability (ability to use written, spoken language/ solve math problems/ use logic to solve problems

·many companies had to work with employees who lack basic skills→ provide literacy training before some employees will be ready to participate in job-related training

employees learn more from training if they are highly motivated to learn (i.e. When they really want to learn the content of the training program)

they tend to feel this way if they believe they are able to learn, see potential benefits from the training program, are aware of the need to learn, see a fit between the training and their career goals, and have the basic skills needed for participating in the program

- Work environment

situational constraints= limits on training's effectiveness that arise from the situation or the conditions within the org (e.g. Lack of money/time for training)

social support= ways the org's ppl encourage training, including giving trainees positive feedback and encouragement, sharing info about participating in training programs, and expressing positive attitudes toward the org's training programs

support can come from employee's peers as well as from supervisors and managers

org can formally provide peer support by establishing groups of employees who meet regularly to discuss their progress, or assign mentors to trainees, providing advice and support

Planning and designing the training program

- planning begins with establishing objectives for training program; based on objectives, planner decides who will provide the training/ what topics the training will cover/ what training methods to use/ and how to evaluate the training

- objectives of the program

benefits of formally establishing objectives:

- 1) clear objectives make training programs more focused and more likely to succeed
- 2) Employees learn best when they know what the training is supposed to accomplish
- 3) A basis can be set for measuring whether the program succeeded

three components of effective training objectives

- 1) Statement of what employee is expected to do/ quality or level of performance that is acceptable/ conditions under which employee is to apply what he or she learned
- 2) Measurable performance standards
- 3) Resources needed to carry out desired performance or outcome

· a related issue→ who will participate in the training program (has to avoid illegal discrimination i.e. Excluding someone due to a prohibited ground of discrimination)

- In-house or contracted out

an org can provide effective training programs even if it lacks expertise in training→ send to vendors **request for proposal (RFP)**= document outlining the type of service needed, type and number of references needed, number of employees to be trained, date by which proposal should be received, funding for the project, and process by which org will determine its level of satisfaction

time-consuming but helps org clarify objectives, compare vendors and measure results

vendors that believe they are qualified submit proposals that provide the types of info requested, and org selects a candidate

· cost of purchasing training can vary a lot→ generally costlier to purchase specialized training tailored to the org's requirements than to participate in a seminar or training course that teaches general skills/ knowledge

training administration= even if employees are trained outside, someone in org may still be responsible for coordinating the overall training program

What training methods are available

- after deciding on goals and content of the training program, should decide how the training will be conducted

- **Classroom instruction**= an instructor leading a group; use slides, discussions, case studies, question-and sessions, and role playing

more effective if trainees are actively involved, i.e. trainers enhance lectures with job-related examples and opp. for hands-on-learning

when course objectives call for presenting info on a specific topic to many trainees, it is one of the least expensive and least time-consuming ways to accomplish the goal

distance learning= trainees at different locations attend programs online

- **Audiovisual training**= trainees work independently using course material prepared in presentations, pod-casts, videos, or workbooks

can supplement classroom instruction

Advantages:

- 1) Users of audiovisual training have some control over presentation→ can review material and may be able to slow down or speed up the lesson
- 2) Videos can show situations/equipment that can't be easily demonstrated in a classroom
- 3) Trainees receive consistent presentation i.e. Not affected by individual trainer's goals and skills

Challenges:

- 1) Have to ensure employees know when and how to use the relevant learning tools
- 2) Have to ensure employees can download all necessary material at their location using their mobile device
- 3) Have to encourage interaction/collaboration among employees

Possible problems: trying to present too much material, poorly written dialogue, overuse of features such as humor or music, drama that distracts from the key points

- **Computer-based training**= participants receive course materials and instruction distributed over the internet or on a storage device such as a USB memory stick or CD-ROM

·material is usually interactive→ participants can answer questions and try out techniques w/ course material adjusted

according to participant responses

generally less-expensive than classroom-based training

E-learning= receiving training via the Internet or the org's intranet, typically through combination of web-based training modules, distance learning, and virtual classrooms

Electronic performance support system (EPSS)= provide access to skills training, info, and expert advice when a problem occurs on the job (can provide employees w/ detailed info about how to perform an unfamiliar task)

faster and more relevant than attending classes or classes online

- **On-the-job training (OJT)**= training methods in which a person with job experience and skill guides trainees in practicing job skills at the workplace

apprenticeship= work-study training method that teaches job skills through a combination of OJT and technical training

·OJT component→ apprentice assisting a certified journey-person in the workplace

·technical training→ provided by local trade schools, high schools, community colleges and technical institutes

·on average, 85% of apprentice's 2~5-year training is spent in workplace, 15% in training inst.

some sponsored by individual companies and others by employee unions

usually admin.ed by provincial and territorial government departments, with support from advisory bodies e.g. apprenticeship and certification boards

apprentices who have completed their training and certified journey-persons are able to obtain a "Red Seal" endorsement after completing an inter-provincial standards exam that allow them to practice their trade anywhere in Canada

major benefit for trainee→ can earn income while learning, and learning is usually effective ∴ it involves hands-on learning and extensive practice

internship= OJT learning sponsored by an educational institution as a component of an academic program

sponsoring school works with local employers to place students in positions where they can gain exp. related to their area of study

cooperative education= a plan of higher education that incorporates paid work experience as a integral part of academic studies (co-op programs)

To be effective, OJT should include the following characteristics:

- 1) org should issue a policy statement describing purpose of OJT and emphasizing org's support for it
- 2) Org should specify who is accountable for conducting OJT
- 3) Org should review OJT practices at companies in similar industries
- 4) Managers and peers should be trained in OJT principles
- 5) Employees who conduct OJT should have access to lesson plans, checklists, procedure manuals, training manuals, learning contracts and progress report forms
- 6) Before conducting OJT, org should assess employees' level of basic skills

- **Simulations**= training method that represents a real-life situation, with trainees making decisions resulting in outcomes that mirror what would happen on the job

enable trainees to see the impact of their decisions in a staged, risk-free environment

used to teach production and process skills as well as management and interpersonal skills

expensive to develop and need constant updating as new info about work environment becomes available

excellent method when risks of a mistake on the job are great

·trainees do not have to be afraid of mistakes using the simulator, and they tend to be enthusiastic to learn quickly→

lessons generally related very closely to job performance

·when conducted online, trainees often participate by creating **avatars**= computer depictions of trainees, which the trainees manipulate in an online role-play (in a job-related situation)

·e.g. British Petroleum's use of Second Life: trainees can "see" underground and observe effect of using safety devices to control flow of gasoline

virtual reality= computer based technology that provides an interactive, 3D learning experience

using specialized equipment of viewing the virtual model on a computer screen, trainees move through the simulated environment and interact with its components

·devices relay info from env. to trainees' senses and trainee's movement to a computer

- **Business games and case studies**

case study= detailed description of a situation that trainees study and discuss

designed to develop higher-order thinking skills, e.g. Ability to analyze and evaluate info

also a safe way to encourage trainees to take appropriate risks, by giving them practice in weighing and acting on

uncertain outcomes

business games= trainees gather info, analyze it and make decisions that influence the outcome of the game

both requires face-to-face or virtual meetings. Participants must be willing to be actively involved in analyzing the situation and defending their decisions

- **Behavior modeling**= training sessions in which participants observe other people demonstrating the desired behavior, then have opp.s to practice the behavior themselves

- **Experiential programs**= training programs in which participants learn concepts and apply them by simulating behaviors involved and analyzing the activity, connecting it with real-life situations

should follow several guidelines:

- 1) program should be related to a specific business problem
- 2) Participants should feel challenged and move outside their comfort zones
- 3) but within limits that keep their motivation strong and help them understand the purpose of the program

adventure learning= a teamwork and leadership training program based on the use of challenging, structured outdoor activities

e.g. Difficult sports including dog-sledding/mountain-climbing; structured tasks like climbing walls/completing rope courses/making “trust falls”

participants report gaining a greater understanding of themselves and was that the org insist that entire work groups participate together

encourages ppl to see, discuss, and correct the kinds of behavior that keep the group from performing well

·drawbacks: physically demanding and often require participants to touch each other→ injuries, some may feel being sexually harassed; requiring employees with disabilities to participate?

- **Team Training**= coordinates the performance of individuals who work together to achieve a common goal

good choice when group members must share info and group performance depends on the performance of individual group members

success depends on individuals coordinating activities to make decisions (perhaps in dangerous situations e.g. Military, airline)

cross training= team members understand and practice each other's skills so that they are prepared to step in and take another member's place

coordination training= teaches team how to share info and make decisions to obtain best team performance (important for commercial aviation and surgical teams)

- **Action learning**= training in which teams get an actual problem, work on solving it, commit to an action plan, and are accountable for carrying it out

ideally, efforts and results will be visible not only to participants but also to others in the org→ visibility tended to make participation exciting/relevant/ engaging

effectiveness not been formally measured, yet seem to result in a lot of learning , and employees are able to apply what they learn

Implementing and evaluating training program

Effective training:

1) *communicates learning objectives clearly*

2) *Presents info in distinctive and memorable ways*

employees need chance to demonstrate/practice (physically carrying out desired behaviors rather than just describing) learned material

trainers should provide ways to active involve employees, have them practice repeatedly and complete tasks within a time that is appropriate in light of learning objective

·several sessions→ more effective than one long practice session

break info into chunks (no more than 4~5 items at one time)

present info with visual images and practicing some tasks enough that they become automatic

3) *Helps trainees link subject matter to jobs*

present material using familiar concepts, terms and examples

physical setting or images presented on a comp should mirror work environment

emotional realism

4) *Offer feedback so trainees understand whether or not they succeed*

should focus on specific behaviors and be delivered as soon as possible

5) *Written material should have appropriate reading level*

readability= the difficulty level of written materials (words being used and length of sentences)

can add checklists/illustrations. And substitute simple/concrete words for abstract or unfamiliar words

Measuring results of training

- identify how to measure achievement of objectives while developing program

1) *Reaction* (satisfaction with the program)

2) *Learning* (knowledge and skills gained)

3) *Behavior* (behavior changes)

4) *Results* (improvements in individual and org. Performance)

89% of org admin. Reaction-level training evaluations; an increasing number of org conduct other levels. (reported by Conference Board of Canada)

- usual way to measure whether participants acquired info → admin. test on paper/electronically

- evaluation methods: look for **transfer of training**= OTJ use of knowledge/skills/behaviors learned in training

ask three Qs to measure:

1) Do you perform the task?

2) How many times do you perform the task?

3) To what extent do you perform difficult and challenging learned tasks?

also should evaluate training outcomes= what(if anything) has changed as result of training, possible outcomes include:

1) trainee and supervisor satisfaction with training program (reaction)

2) Skills that trainee can demonstrate in tests or OTJ (behavior)

3) Change in behavior related to content of training e.g. Concern for safety/ support of diversity (behavior)

4) Improvements in individual/group/company performance e.g. greater customer satisfaction/ more sales (results)

· most accurate yet most costly way to evaluate training program → evaluate KSB for all employees, then to train only some of the employees. After training, measure KSB for trained group and compare to untrained group

simpler but less accurate way → pre-test and post-test on all employees

possibility that change result from something other than training

· simplest way → only use post-test

· doesn't enable accurate comparisons but may be sufficient depending on cost and purpose of training

- purpose of evaluating training → help org make future decisions about training programs

Applications of training

- **orientation**= training designed to prepare employees to perform their jobs effectively, learn about their org, and establish work relationships

provided ∴ no matter how realistic the info provided during employment interviews and site visits, ppl feel shock and surprise when they start a new job

also ∴ employees need to become familiar with job tasks and learn details of the org

first impression important → 90% of new employees decide whether to stay during first 6 months → orientation referred to as **onboarding**

may combine various training methods

- **diversity training**= training designed to change employee attitudes about diversity and/or develop skills needed to work with a diverse workforce

can focus on attitude awareness/change or behavior change

Chapter 7: Managing employees' performance

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Performance management= process through which managers ensure that employees' activities and outputs contribute to the org's goals

- requires knowing what activities and outputs are desired, observing whether they occur, and providing feedback to help employees meet expectations

Process of performance management

- effective performance management can:

- 1) tell top performers that they are valued
- 2) Encourage communication between managers and employees
- 3) Establish uniform standards for evaluating employees
- 4) Help the org identify its strongest performers

- "ethical obligation of leadership" → proved info that all members of an org want to know so they can succeed

- PM includes several activities:

- 1) defining performance (specify relevant aspects)

based on job analysis

- 2) Measuring performance by conducting performance appraisals
- 3) Providing performance feedback

so that employees can maintain/adjust their behavior to meet the org's goals

identify/resolve performance gaps

- PM process can be helped by computer software and internet-based PM systems

· software → can help customize PM forms

Employees rated according to predetermined standards and software provides a report that compares the employee's performance to standards and identifies strengths and weakness

· some software help with diagnosing performance gaps: e.g. "Does the employee work under time pressure" → suggest reasons for performance issues and ways the manager can help employee enhance performance

Purposes of performance management

- three broad purposes:

1) **Strategic purpose**= effective PM helps org achieve its biz objectives

achieved when PM measurements are truly aligned with org's goals and when goals and feedback about performance are communicated to employees

2) **Administrative purpose**= how organizations use the system to provide info for day-to-day decisions about salary, benefits, and recognition programs

·because PM supports admin decision like employee retention, termination for poor performance, hiring and layoff→ info in a performance appraisal can have great impact on future of individual employees→ managers may feel uncomfortable when appraisal info is negative

3) **Developmental purpose**= developing employees' knowledge and skills

even employees who meet expectations can become more valuable when they receive/discuss performance feedback (they can be aware of their strengths and weaknesses)

Criteria for effective performance management

1) **Fit with strategy**: a PM system should aim at achieving employee behavior and attitudes that support the org's strategy, goals and culture

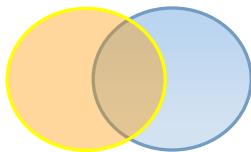
2) **Validity**: whether appraisal measures all the relevant aspects of performance and omits irrelevant aspects of performance

contamination= info that is gathered but irrelevant

e.g. Comparing salespl on the basis of how many calls they make to customers

deficiency= info not gathered but relevant

e.g. A company measures whether employees have good attendance records but not whether they work efficiently→ not likely to provide full picture of employees' contribution to org



3) **Reliability**: consistency of the results that performance measure will deliver

interrater reliability= consistency of results when more than one person measures performance

test-retest reliability= consistency of results over time

4) **Acceptability**: meet the practical standard of being acceptable to ppl who use it

5) **Specific feedback**: specifically tell employees what is expected of them and how they can meet those expectations
may also mean the performance measure can be defined in quantitative terms

How is performance measured

- **Making comparisons**: involves some form of ranking, in which some are the highest performers, some are average, and others are not meeting expectations

counteracts the tendency to avoid controversy by rating everyone favorably or near the center of scale

counteracts the tendency for some managers to evaluate behavior strictly/leniently

helpful for pay rises/layoffs decisions

·major drawback→ not linked to the org's goals; simple ranking system leaves basis of ranking open to interpretation

1) **Simple ranking**= requires managers to rank employees in their group from the highest to the lowest performer

·a variation→ **alternation ranking**=manager works from a list of employees

·manager first decides which employee is the highest performer and crosses his/her name off the list→ from the remaining names, selects the lowest performer and cross out his/her name→ select second-highest, second-lowest, third highest etc.

·downside: validity→ to state a performance measure as broadly as “highest” or “lowest” doesn't define what exactly is effective or ineffective about the person's contribution to the org.

raises question of fairness

2) **Forced-distribution method**= assigns a certain percentage of employees to each category in a set of categories

e.g. Exceptional:5%; Exceeds expectations:2%; Meets Expectations: 55%; Below expectations: 10%; Significantly below expectations: 5%

works best if members of a group really do vary this much in terms of their performance

overcomes temptation to rate everyone high in order to avoid conflicts

improve performance when combined with goals and rewards, especially in the first 2 years, when the system eliminates lowest performers

downside: managers who do well at selecting/motivating/training will have a group of high performers, and there would be difficulty assigning employees to lower categories→ saying that some employees are “below expectations” or “significantly BE” would be inaccurate and would hurt morale

3) **Paired-comparison method**= compares each employee with each other employee to establish rankings

·after comparing every pair of employees, manager counts # of points each get→ most points, top-ranked employee etc.

downside: time-consuming if large # of employee

- **Rating individuals**: look at each employee's performance relative to a uniform set of standards

1) **Rating attributes**= characteristics, traits or competencies

typically includes a rating scale e.g. From 1~5

most popular, easy to develop and can be applied to variety of job/org

reliable and valid if org is careful to identify attributes associated with high performance, and to define the carefully on appraisal form→ yet appraisal forms often fail to meet standard

may not be clearly linked to orgs strategy

employees tend to be defensive about receiving a mere numerical rating e.. Receive 2 out of 5 does not tell you how to improve

·most widely used method→ **graphic rating scale**= lists attributes and provides a rating scale for each attribute; the employer uses the scale to indicate the extent to which an employee displays each attribute

may provide points to circle (as on a scale going from 1 for poor to 5 for distinguished); or a line representing a range of scores, with manager marking a place along the line

·drawback: leaves to the particular manager decisions about what is excellent and what is not→ low reliability

mixed-standard scales= uses several statements describing each attribute to produce a final score for that attribute

use (+) (0) (-) to indicate how employee performs relative to statement given

2) **Rating behaviors**= whether behaved in desirable ways

begins by defining which behaviors are associated with success of the job

can be very effective ∴

① methods can link org's goals to specific behavior required to achieve those goals;

② can generate specific feedback, along with guidance in areas requiring improvements→ methods tend to be valid

③ people to be measured often help in developing the measures, so acceptance tends to be high

drawback: do not work as well for complex jobs in which it is difficult to see a link between behavior and results, or

when there is more than one good way to achieve success

critical incident method=based on managers' records of specific examples of the employee behaving in ways that are either effective or ineffective

drawback: requires significant effort and managers may resist this requirement; critical incidents may be unique and may not support comparisons among employees

Behaviorally anchored rating scale (BARS)= a scale showing specific statements of behavior that describe different levels of performance

org gathers many critical incidents representing effective and ineffective performance, then classifies them from most to least effective

when experts about the job agree the statements clearly represent levels of performance, they are used as anchors to guide the rater

·can improve interrater reliability, but can bias the manager's memory (statements used as anchors can help managers remember similar behaviors but at the expense of other CI)

Behavioral observation scale (BOS)= variation of BARS, which uses all behaviors necessary for effective performance to rate performance at a task

asks manager to rate frequency with which the employee has exhibited the behavior during the period (e.g. 1=almost never; 5=almost always)

ratings are average to compute an overall performance rating

drawback: the amount of info required (a BOS can have 80 or more behaviors, and manager must remember how often employee exhibited each behavior in a 6~12 month rating period)

however managers and employees still have said they prefer BOS for ease of use, providing feedback, maintaining objectivity, and suggesting training needs

Organizational behavior modification (OBM)= a plan for managing behavior of employees through a formal system of feedback and reinforcement

based on *behaviorism*= individual's future behavior is determined by their past experiences

most OBM have four components although specific techniques vary:

1. Define a set of key behaviors necessary for job performance
2. Use a measurement system to assess whether employee exhibits the key behaviors
3. Inform employees of the key behaviors, perhaps in terms of goals for how often to exhibit the behaviors

4. Provide feedback and reinforcement based on employees' behavior

can increase rates and timeliness of critical job behaviors by showing employees connection between job behaviors and org's accomplishment

3) **Measuring results**= including sales, costs or productivity; two of the most popular methods→ measuring productivity and management by objectives

·evaluation can be less subjective than other measures→ makes results highly acceptable

·relatively easy to link to org's goals

drawback:

①problem with validity ∴ results may be affected by circumstances

②if only measure final results, may fail to measure significant aspects of performance that are not directly related to those results (e.g. If measure only productivity, employees may not focus enough on customer service)

Measurement of productivity

①org identifies the products (set of activities or objectives) it expects a group/individual to accomplish. (e.g. At a repair shop, product can be "quality of repair")

②define how to measure production of these products (for quality of repair, repair shop can track % of items returned ∴ they still don't work after the repair and % of quality-control inspections passed)

③for each measure, org decides what level of performance is desired

④org sets up a system for tracking these measures and giving employees feedback about their performance in terms of these measures

can be time-consuming but research suggests it can improve productivity

Management by objectives (MBO)= system in which ppl at each level of the org set goals in a process that flows from top to bottom, so employees at all levels are contributing to the org's overall goals; these goals become the standards for evaluating each each employee's performance

three components:

①goals are specific/difficult and objective (e.g. Increase portfolio value by 10% over next 12 months)

②managers and employees work together to set the goals

③manager gives objective feedback through the rating period to monitor progress toward the goals (e.g. 90% complete, increase portfolio value by 9% over the past 12 months)

·MBO can have a very positive effect on org's performance: increase productivity; individual employee's performance linked with org's overall goals

4) **Balanced scorecard**= organizational approach to performance management that integrates strategic perspectives including financial, customer, internal business processes, and learning and growth

managers are encouraged to not just meet traditional financial targets, but to recognize and simultaneously monitor the progress of other important goals e.g. Customer/employee satisfaction

·a means to align strategy at all levels of the org and serves as “an excellent guide to measure and manage performance of all employees”

·widely used in both public and private sector

Sources of performance information

- to get as complete an assessment as possible, orgs combine information from most or all of the possible sources→ *multi-rater* or **360-degree performance appraisal**= PM that combines info from the employee's managers, peers, direct reports, self, and customers

- *Managers*

advantages

1) most used source, possess the basic qualifications for the responsibility→ have extensive knowledge of the job requirements and have enough opportunity to observe their employees

2) have an incentive to provide accurate and helpful feedback:· own success depends very much on employee's performance

3) manager's feedback can improve employees' performance and are perceived by employees as accurate

·drawback: some supervisors doesn't have enough opp. To observe employee perform job duties

- *Peers*

advantages

1) excellent source of info in a job where supervisor doesn't often observe employee

2) Expert knowledge of job requirements

3) Bring a different perspective to the evaluation and can provide extremely valid assessment

drawbacks

1) Friendship/rivalry→bias

2) Uncomfortable with rating when decisions (admin.) may affect themselves (more willing to participate in reviews used for employee development)

- *Direct reports*

advantage: excellent source for evaluating managers

drawbacks:

1) Direct reports are reluctant to say negative things (prefer anonymity); managers however have a more positive reaction to this type of feedback when employees are identified→ when direct reports are required to identify themselves, they tend to give higher ratings

2) Employees have more power, so managers tend to emphasize employee satisfaction even at the expense of productivity

most appropriate for developmental purposes

·to protect employees, process should be anonymous, and use employees ≥ 3 to rate each manager

- *Self*

common approach=let employees evaluate themselves before feedback session

advantage: offers a way to balance power in a process that tends to be manager-dominated→ areas of disagreement between self-rating and manager's rating should be used to create dialogue and reach mutual agreement during feedback session

drawbacks

1) individuals tend to inflate assessments of their performance, esp. If ratings will be used for admin. Decisions

2) Individuals tend to blame outside circumstances for their failures while taking a large part of credit for their successes

→ self appraisals not appropriate for basis for admin decisions

- *Customers*

advantage: customer is often the only person who directly observes the service performance and may be the best source of performance info

appropriate in two situations:

1) when an employee's job requires direct service to customer or linking customer to other services within the org

2) When org is interested in gathering info to determine what products/services customer wants→ customer evaluations

contribute to the org's goals by enabling HRM to support org's marketing activities

drawback: high expense

Errors in performance measurement

- Types of rating errors

1) **Similar to me**= giving a higher evaluation to ppl who seem similar to oneself

may result in discrimination if similarity is based on race, sex etc.

2) **Contrast**= comparing employee's performance to co-workers rather than to objective standard

3) Errors in distribution

leniency error= assigning inaccurately high ratings to all employees

strictness error= giving low ratings to all employees, holding them to unreasonably high standards

central tendency= incorrectly rating all employees at or near the middle of a rating scale

make it difficult to distinguish among employees rated by the same person→ decisions about promotions/job assignments etc. are more difficult

create problems in comparing performance of individuals rated by different raters e.g. One rater is strict and another is lenient

4) **Recency emphasis**= an annual rating is based only on most recent work performed

5) **Focus on activities**= employees are assessed on how busy they appear rather than how effective they are in achieving results

6) Halo and horns

halo error= rater reacts to one positive performance aspect by rating the employee positively in all areas of performance

horns error=rater reacts to one negative aspect by rating an employee low in other aspects

- how to reduce errors

usually, errors are made unintentionally

raters can be trained how to avoid rating errors

① watch video segments with story line designed to lead them to make specific rating errors→ after rating fictional employees in videos, raters discuss their rating decisions and how such errors affected their rating decisions

②raters learn to focus not on errors in rating, but on the complex nature of employee performance→look at many aspects of performance that deserve their attention

- political behavior in performance appraisals

ppl sometimes also distort evaluation on purpose for personal goals

appraisal politics are most likely to occur when:

- 1) raters are accountable to the employee being rated
- 2) the goals of rating are not compatible with one another
- 3) performance appraisal is directly linked to highly desirable rewards
- 4) top executives tolerate or ignore distorted ratings
- 5) senior employees tell newcomers company “folklore” that includes stories about distorted ratings

to minimize appraisal politics→**calibration session**= meeting at which managers discuss employee performance ratings and provide evidence supporting their ratings with the goal of eliminating the influence of rating errors

Performance feedback

- scheduling performance feedback: should be a regular, expected management activity

one feedback per year is not enough∴ managers are responsible for dealing with performance gaps as soon as they occur

also, feedback is the most effective when the info does not surprise the employee

- preparing for a feedback session

location should be neutral

in announcing the meeting to employee, manager should describe it as a chance to discuss the role of the employee, the role of the manager, and the relationship between them

manager should also say/believe that they’d like the meeting to be an open dialogue

·employee should be enabled to be well prepared→complete a self-assessment ahead of time

- conducting the feedback session: three approaches

- 1) *Tell-and-sell*= tell employees their ratings and the justify those ratings
- 2) *Tell-and-listen*= tell employees their ratings and then let employees explain their side of the story
- 3) *Problem solving*= managers and employees work together to solve performance problems in an atmosphere of

respect and encouragement

problem solving proved to be superior, but most use tell-and-sell

·feedback should include a balanced and accurate assessment of how the employee is doing→ include specific discussion of areas in which employee's performance met, exceeded and fell short of expectations

content of feedback should emphasize behavior, not personality

Performance improvement

- most effective way to improve performance varies according to employee's ability and motivation

1)*Lack of ability*= manager may offer training and more detailed feedback; sometimes job restructuring is appropriate

2)*Lack of motivation*= manager can explore ways to demonstrate that employee is being treated fairly and rewarded adequately (give more positive feedback)

3)*Lack of both*= employee may not be a good fit for the position; performance may improve if manager directs their attention to significance of the problem by withholding rewards or by providing specific feedback

- **performance improvement plan**= summary of performance gaps and includes an action plan mutually agreed to by the employee and supervisor with specific dates to review progress

if employees do not respond by improving performance, may have to be disciplined or terminated

Legal and ethical issues

- discrimination and privacy

GPS may create a geofence=an invisible boundary based on GPS tracking software that alerts the boss by email or instant messaging if any employee strays outside his or her designated work area

Marketing Chapter 1: Marketing fundamentals

Pg 200-217

The essence of marketing

- Focusing on **Customer needs**= the essence of successful marketing

challenge=clearly determine these needs and understand how they can best be met

consumers do not always know what they want and may not want (or be able) to articulate feelings/opinions

in certain categories e.g. Fragrances/luxury cars, choices are not entirely rational but partly based on self-image and emotional attachment to a brand→ difficult to articulate

·child can't express feelings; professionals may not have time to participate in research

marketers may not be asking the right questions

the digital world facilitates online gathering of info, while at the same time challenge marketers to understand the biases that may exist in this new environment

1) initial point of contact for consumers with a brand is often online on a company website

marketers must thus ensure they have top-quality websites that accurately reflect products and quickly engage customers

2) consumers must be able to quickly find a website through search engines such as Google or Bing

websites must therefore be written so that search engines find them when consumers conduct online searches

3) consumers are impatient in the online environment

websites must thus load quickly and be designed to provide content within 2~3 clicks

4) Consumers are widening their online search to include social networks/blogs/product review sites and personal contacts

important to have positive presence on social media sites

- Creating **customer value**= unique combination of benefits received by targeted buyers that includes quality, price, convenience, delivery and both before-sale and after-sale service

provided in two ways:

1) companies create products that provide customers with goods and services that have added value vs. Competitive offerings

achieved through a combination of:

- ① product design
- ② pricing strategies
- ③ service elements

2) Companies reward customers for loyalty through marketing programs that focus on repeat purchases and incentives to encourage future purchases

- Appealing to **target markets**= specific group of existing and potential consumers to which marketers direct their marketing efforts

·in a competitive marketplace, companies cannot satisfy everyone's needs with a single product, and so products are designed to appeal to specific groups of consumer

- Coordinating the **marketing mix**= the 4Ps- product, price, place, and promotion

1) **Product**= all attributes that make up a good/service/idea, including product design/features/color/packaging/warranty and service levels

2) **Price**= the expected regular retail/sale price for a product

3) **Place**= distribution channels, retail formats, and merchandising used to sell a product

4) **Promotion**= communication tools needed to inform consumers about a product, including advertising, public relations, sales promotion, public relations, direct response, event marketing and sponsorship, and personal selling

over time, marketers gather extensive info on their target markets, being able to identify purchase motivation that goes beyond age and gender into behavior and psychological motivation; markets thus defined in more-complex terms, including likes, dislikes, motivation, interests, concerns

The marketing process

1) identifying consumer needs

2) Managing the marketing mix to meet these needs

3) Realizing profits (or in the case of non-profits, secure revenues or provide services to those in need)

- marketing≠advertising/selling, =managing all the elements of the marketing mix and using research to help generate profits r revenues and support for an org

- **marketing**= process of planning and managing goods, services or ideas to meet consumer needs and org objectives.

includes the conception of these products and the pricing, promotion, and distribution programs designed to make a profit and generate revenue or support for an org

objectives of both buyers and sellers must be met for exchanges to occur and profits to be realized

exchange= trade of things of value between buyers and sellers so that each benefits

not always \$

- What can be marketed

product= goods, services and ideas → all can be marketed to encourage people to buy sth, or in case of ideas, encourage support

good=product you can touch and own

service= intangible product you can't touch

idea= concept that typically looks for support

many successful marketers launch products with layers of goods, service, and ideas to connect with consumers

- What is a **market**= potential consumers with both the *willingness* and *ability* to buy a product

sometimes market, target market and consumers are different groups of ppl, and marketers need to decide on a balance of who should be targeted with their programs

·e.g. A children leaning tablet→ market= parents with young children; target market= both children and parents; consumers=children

Evolution of business philosophies

- marketing was not always the driving force in biz philosophy

·before 1930s→**production orientation**= focusing org efforts on manufacture of goods

manufactured goods tended to sell regardless of quality ∴ short in supply

·1930~1960→**sales orientation**= focusing org efforts on selling as many products as possible

market became more competitive, production more efficient, products were in abundance

companies started to hard-sell to make profit, consumer needs still not major consideration

biz developed more-sophisticated approaches as market becomes competitive→ basic marketing stage evolved around 1960s, consumer needs became paramount→ **marketing orientation**= focusing org efforts to collect and use info

about customers' needs to create customer value

marketing concept= org should strive to satisfy the needs of consumers while also trying to achieve an org's goals

in the last decade, **relationship marketing**= when org create LT links with customers, employees, suppliers, and other partners to increase loyalty and customer retention

orgs consider the lifetime value of their customers and strive to offer better services, products and LT relationships, rather than just focus on ST transactions

involves a personal, ongoing relationship between an org and its customers that often starts before a sale occurs and lasts well beyond the point when a sale has concluded

internet fuels growth of RM

1) **social media**= form of online media that allows members to create their own network of friends and contacts to share comments, video, and images as a form of self-expression

can be used in four ways:

- 1) to engage and connect with consumers
- 2) To monitor real-time consumer engagement and brand buzz to provide customer service
- 3) To measure the impact of specific promotional programs
- 4) To identify informal brand advocates that can spread positive messages about a brand

2) Database technology= surface as a tool that facilitates relationship marketing by focusing on **customer relationship management (CRM)**= overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction

rooted in the knowledge that it is less expensive to service and maintain current customers than to obtain new ones

·CRM identifies firm's most-valued customers and builds loyalty programs to appeal to their needs

simplest form e.g. Occasional phone call on upcoming events such as an open house at a fitness club; more advanced state e.g. Sophisticated customer loyalty programs that reward continued purchases and usage

retailers use CRM loyalty programs to help secure a greater *share-of-wallet* (dollar purchased) from their customers

3) **Corporate social responsibility**= when org voluntarily consider the well-being of society by taking responsibility for how their businesses impact consumers, customers, suppliers, employees, shareholders, communities,

the environment and society in general

became important when companies realize that consumers want to be associated with companies that share their values and interests

·part of a brand's fabric, helps to build LT relationships and solidify brand connections with consumers

typically includes one of three approaches

1) sponsorship and/or spearheading of community programs (simplest form)

2) Sponsorship and/or involvement in fund-raising initiatives for charitable org (simplest form)

3) As a business philosophy that permeates an org that implements socially responsible biz practices to positively impact the community at large (most advanced form)

at the most sophisticated level executive compensation is linked in part to CSR results

societal marketing concept= marketing programs that focus on the consumer and well-being of society

New and evolving marketing practices

1) **digital marketing**

- drives how consumers gather info, want to be entertained, and purchase products

- most important trend impacting how marketers go to biz

- used mostly by consumers 18~34

- Canada ranked 1st in internet usage hours

- increased internet usage prompts marketers to use digital marketing to engage and communicate with consumers

etc. Display advertising, affiliate marketing, search engine marketing, search engine optimizations, pay-per-click advertising, mobile marketing, email marketing, social media

2) **Experiential marketing**= creating opp. For consumers to directly interact with brands (and then spread the word to others)

- builds awareness and generates word-of-mouth buzz and other forms of publicity for the brand; brand goes from being passive to actively interacting with target market

- often through a combination of public relations, event marketing , and promotions

3) **Partnership marketing**= creation of formal associations between brands that will result in incremental biz for both

brands that could not have been achieved separately

- rooted in the idea that brands with similar customers but different distribution channels can combine marketing expertise and use each other's strengths to build brand awareness and incremental revenue streams

- challenge→ finding appropriate partners, setting realistic goals, tracking results, and aligning partnership goals with biz objectives

- takes many forms, permeates different platforms, and exists online or offline

promotion partnerships= simple short-term promotional offers between brands

strategic alliance= long-term strategic alliances between companies with similar values and marketing objectives that extend beyond ST promotional offers into LT formal biz agreements

4) **Metrics**= measures and monitors biz performance through the collection and usage of data used to evaluate marketing programs

- take many forms, generally classified as ***routine metrics***= measured against marketing plan targets and look at elements such as sales, market share, profit margins, and profit levels

Or ***program-specific metrics***= analyze specific marketing programs and measure performance against benchmarks and targets (can include elements e.g. ROI (return on investment), awareness levels, ad recall, sales conversions, coupon redemption rates, media mentions etc.)

- digital marketing increased emphasis on metrics, which are quick, easy and affordable in the online environment

- allows marketers to measure online sales and drill down to the origin of the sale and when consumers may have opted in or out of the purchase funnel

- also allows marketers to measure website interactions e.g. Unique visitors, time on site, page views, returning visitors, newsletter signup, digital downloads, online purchases etc

- data collected can be meshed with cost info to deliver analyses on costs/click, costs/conversion and program-specific goals→ changes to website design and other forms of online communications e.g. Display ads and landing ages can then be made to optimize programs

A focus on ethics

- not all orgs and marketers are interested in CSR or the societal marketing concept→ regulations are put in place to safeguard ppl, communities and the environment from businesses that may not have their well-being in mind

regulations can take many forms, e.g. Pollution-emission thresholds, food and safety regulations, advertising standards, water safety guidelines etc.

Copyright Moderation Act- consumers are permitted to make one copy per device of a digital download e.g. Music track, movie, TV program, making it illegal to DL copyrighted materials that have been digitally locked by the owner

consumer groups also exert pressure on government bodies to protect society

many companies, industries, and professional associations have guidelines and codes of ethic that provide direction to employees and members on areas that are considered unacceptable

e.g. CMS (Canadian Marketing Association)

Marketing careers

- be analytical, able to work with others, capable of working in teams, and to have strong communication skills in both written and verbal contexts

- stay current, be intellectually curious, and to be involved in the conversation of life

- stay in contact with media e.g. Newspaper, tv, internet

Chapter 2: The marketing environment

Pg 226-246

- marketers constantly monitor the marketing environment with a view to capitalizing on new opp. And curtailing potential threats that may challenge their business

six key areas of focus

- 1) Demographic forces
- 2) Socio-cultural forces
- 3) Economic forces
- 4) Technological forces
- 5) Competitive forces
- 6) Regulatory forces

Marketing environmental scan= process of continually acquiring info on event occurring outside an org to identify trends, opp, and threats to a business

- used as steppingstone to conduct a more extensive **SWOT analysis** (Strengths, Weakness, Opportunities, and Threats)= assessing how well a company is servicing its biz and target consumers by assessing an org's internal strengths and weaknesses, as well as its external opp.s and threats

info is then used to set future direction for biz

Demographic forces

- **demographics**= statistical data on a population according to characteristics such as gender, age, ethnicity, income, education, and occupation

can be assessed through Statistics Canada or own surveys/databases

important for marketers:: help ensure marketing efforts are well placed and opp. are not over-looked

- an aging population:

11.7% btwn 55~64, 13.7% over 64, increasing due to low birth rates and better health care

ppl over the age of 50 control 75% of net worth of Canadian households

marketers address this graying market with new products and services geared to this target group, e.g. Cosmetics and

hair-care

research indicates the graying population in Canada is more likely to spend on travel and electronics and health-related products

- diverse generations: 4 main generational groups of consumers

1) **Baby boomers**= generation of people born between 1946 and 1964

main reason for the graying of N. America

during the baby boom (1946~1964), families have an average of 4 children (current:1.54)

accounts about 60% of expenditures on consumer goods and services, and will continue to be a key force as it moves into its senior years

redefining concept of aging with a keen interest in health/self-image/retirement→ marketers noted these interests and are developing products to address these needs

increasingly using digital tech. To communicate, social media usage

2) **Generation X**= people born between 1965 and 1974

12% of population, 3.9 million

not as brand loyal and tend to be more self-reliant, entrepreneurial, and better educated

less prone to materialism and extravagance

3) **Generation Y** (millennials/echo boom)= people born between 1975 and 1991

mostly children of baby boomers

27.5% of population, 8.7 million

music/video games/sports/computer purchases are key products developed to meet their needs

4) **Generation Z** (net generation) = people born between 1992 and 2010

avid users of social media

objective in purchases, and not very brand loyal

discoverers and creators of content that they readily critique and share with others

- each generations have very different tastes, consumption patterns, and attitudes→ marketers develop distinct marketing programs, products, and services for each generation

- big city dwelling= >80% Canadians live in urban areas or their suburbs; cities are growing much faster than rural

areas

only six urban areas in Canada have populations over 1 million: Toronto, Montreal, Vancouver, Ottawa-Gatineau, Calgary and Edmonton

for these biggest cities, city centers are growing more slowly than the suburbs

- ethnic diversity= Canada is a multicultural country

2/3 of nation growth between 2001~2006 was due to immigration, with most from Asia (58%)

visible minorities make up 50% of population in large urban areas

specific ethnic groups have own particular interests and habits→ opp for marketers

- world markets= population sizes in underdeveloped areas such as Africa, Asia and India present an opp. To sell products and services, which is becoming increasingly easy due to the global appeal of the internet

- non-traditional families

family size has decreased with families having one or two children vs. Three or four (or more) in previous generations

structure change: more common-law relationships, single-parent families, and blended families. Over the last few years, same-sex marriages also surfaced

Social-cultural forces= cultural values, ideas, and attitudes, as well as society's morals and beliefs

- Media usage

·how consumers interact and communicate with each other and orgs has changed→ marketing communications become more complex and challenging

internet and portable devices allow media to be accessible at all times and all places

results in socio-cultural changes that see consumers in control of a diverse set of tools to access the media and communicate with each other→ a fragmented media landscape for marketers ∴ consumers, spread across multiple platforms, are more elusive and difficult to reach

marketers respond with integrated marketing communications approaches that use a wider array of communications tools to engage target markets

social media gives consumers an easy-to-use public voice that keeps org on alert

·creativity→prime ingredient in social media space used by marketer to captivate individuals

- Food consumption

ppl will continue to demand high-quality foods that balance good taste with nutrition and convenience

ethnic foods will continue to infiltrate the Canada with Asian and S. American influences→ rise of blended cuisines, new dishes, novel ingredients, and unexpected food presentations

aging population, shrinking household size and high incidence of dual-income parents that balance work and family is impacting food consumption patterns

- shift from raw ingredients to pre-prepared foods
- replacement of traditional mealtimes with snacking occasions, more on-the-go meal

a growing trend with meatless meals, organic offerings, local produce, and small indulgent gourmet brands

food safety and health-related food problems= focus

- Health and fitness

·increased focus on healthy living→ companies recognize this shift in socio-cultural focus and respond with healthier products and new ideas that address concerns around obesity and its associated medical conditions (diabetes and cardiovascular disease)

Canadian Children's Food and Beverage Advertising Initiative (CAI)

·voluntarily created by 19 of Canada's largest food and beverage companies to restrict children's advertising messages to healthy choices

in 2010, all participants agreed to either eliminate ad. To children under 12, or to restrict it to better-to-you products

- Environmental awareness

companies are genuinely managing biz practices to reduce waste and provide customers with environmentally friendly products

from a consumer perspective, attitudes to green products waver over time and can vary from being highly engaged to being moderately interested

while ppl may support actions against global warming, paying extra for products that are green is not always the case

marketers monitor consumers' attitudes to this green trend and carefully measure reactions to green initiatives

consumers often balance green living with more wasteful purchases and buy high-profile green products such as hybrid or electric cars to make public statements about their beliefs, purchasing less environmental friendly products in less public circumstances

while many org have a genuine interest and concern for the environment, others are criticized for *green-washing*= paint themselves and products as eco friendly only for profits

- Evolving gender roles

women are increasingly working full-time and men are becoming more involved in household duties→ result in dual-income families that are time-starved

marketers and companies address this issue with more convenient products and better services to help busy families

flexible hours for employees and home-office opp

prepared foods

day-care centers and before/after school programs to assist working parents

Economic forces

- **Economy**= collective income, expenditures, and resources that affect the cost of running a biz or a household

economic ability of a consumer to purchase a product= what interests marketers

marketers need to recognize how economy affects the purchase behavior of their specific target groups

- **Macroeconomic forces**= state of a country's economy as a whole, as indicated by its growth rates, inflation rates, unemployment rates, and consumer confidence indexes

inflation= a period when cost to produce and buy products and services gets higher as price rise

recession= a time of slow economic activity with two consecutive periods of negative growth

- **Microeconomic forces**= the supply and demand of goods and services and how this is impacted by individual, household and company decisions to purchase

Gross income= total amount of money made in one year by a person, household, or family unit, including taxes

Disposable income= balance of income left after paying taxes; income that is used for spending and savings

Discretionary income= money that consumers have left after paying taxes and buying necessities

Technological forces= inventions from science or engineering research

- marketers need to know not only what new inventions are coming on the scene, but also how consumers are integrating tech. into their daily lives

- latest research on Canadian's use of tech. Show the following:

1) Canadians are very comfortable with the latest communication technology

2) Computers and the Internet are essential tools today

3) Computers are the screen of choice for going online

- increased popularity of cloud computing raise issues related to website reliability, security, privacy and content ownership

- some of the most recent tech advances that have changed how consumers conduct their daily lives:

1) the internet and search engines are replacing bricks-and mortar libraries as instant sources of info

2) Email, text messaging, and instant messaging are reducing the need for traditional mail delivery systems

3) Social networking sites e.g. Facebook are surfacing as new virtual meeting places

4) Video-sharing sites e.g. Youtube are allowing ppl to create and share their own video content

5) Music and video download sites such as iTunes are replacing traditional music and DVD retailers

6) Blogs are allowing ppl to create their own content and voice opinions

7) High-speed Internet connections are facilitating the viewing of TV/video online

8) Cellphones are replacing land-line phones

9) Computer tablets and eReaders e.g. iPads and Kindles are encouraging consumers to read books, magazines, and newspapers online rather than in hard copy

Competitive forces= alternative products that can satisfy a specific market's needs

- **direct competitors**= similar products sold in the same category

e.g. Coke vs. Pepsi

- **indirect competitors**= products competing for the same buying dollar in a slightly different, but related category

e.g. Pizza Hut vs. Other fast food and food found in supermarket freezers

- marketers need to be intimately familiar with competitive products and try to anticipate competitive moves in the marketplace→ help avoid pitfalls that can surface from underestimating the competition

- also need to have a clear understanding of the competitive nature of the industry in which they function and factor his

into a marketing environmental scan

if very few competitors, changes among competitors=significant

if numerous competitors and undifferentiated products exist, changes may be viewed differently

- **monopoly**= when only one company sells in a particular market

e.g. Regional electricity companies

legal in Canada

monitored by the Competition Bureau to ensure consumers are not charged excessive prices

- **oligopoly**= when a few companies control a market

e.g. Oil companies

companies easily control prices and are often criticized for price collusion

- **monopolistic competition**= where a large number of sellers compete with each other, offering customers similar or substitute products

e.g. jeans

branding plays an important role, as does product differentiation and added-value activities to draw consumers to the product

being in touch with consumer needs and adjusting the marketing mix to meet these needs is crucial for LT survival

- **perfect competition**= where there are many sellers with nearly identical products and little differentiation

e.g. Commodities (grains, vegetables, coal)

marketers need to know that pricing plays a key role in securing biz

focus on cost reduction in every element of the biz

Regulatory forces

- **regulations**= restrictions placed on marketing practices by government

- put in place to protect consumers from unscrupulous biz practices, to set acceptable standards of practice, and to encourage fair competition

- marketers need to clearly understand all legal and ethical guidelines that affect their biz practices and ensure that its practices are legal; ethical practices should also be followed to avoid consumer backlash and negative publicity

- key groups that regulate marketing practices in Canada

1) **Competition Bureau**= promotes and maintains fair competition and curtails false and misleading representations to

sell products

responsible for the admin and enforcement of the Competition Act, Textile Labeling Act Precious Metals Marking Act etc.

prohibited: bait-and-switch ad. , predatory pricing by large competitors to run small companies out of business, ad bid-rigging among competitors to inflate prices on gov. Contracts

bait-and-switch advertising= practice of advertising a low-priced product (bait) to lure consumers into a store and then, ∴ the product is not made available in large quantities, selling these consumers higher-priced products (switch)

failure to follow CB rules can result in fines and jail time

2) **Advertising Standards Canada(ASC)**= self-regulatory non-government association run by advertising, media and marketing professionals with the purpose of setting and regulating standards of professional practice in the advertising industry

rules monitored through a consumer complaint process

single complaint triggers a review of ad. Placed in the Canadian media

provides advice and pre-clearance services to advertisers

does not levy fines or engage in legal proceedings if rules (*Canadian Code of Advertising Standards*, or the *Code*) not followed

relies on industry compliance

deceptive ad. also scrutinized by Competition Bureau

3) **Canadian Radio-television and Telecommunications Commission (CRTC)**= government agency that sets guidelines and enforces a clear set of regulations on Canadian businesses about broadcast standards

admin. the *Broadcasting Act* and *Telecommunications Act*

ensures that monopolies do not exist among media companies and approves broadcast licenses for TV/radio stations

sets guidelines on the broadcast of Canadian content and sets the # of minutes of ad. Permitted hourly on TV

·doesn't directly regulate content of ads but oversees the ad of alcohol beverages and works with ASC on issues related to ad. To children

jurisdiction over the **Do Not Call List (DNCL)**= gives customers the ability to not receive telemarketing calls on cellphones, landline phones, and fax machines by registering the number of their communication devices

five year per register

telemarketers are required by law to subscribe to the DNCL

five exemptions:

- 1) registered charities
- 2) newspaper subscriptions
- 3) political parties/candidates
- 4) Market research companies
- 5) Companies with which business has been conducted in the last 18 months

failure to comply may result in fines

in terms of the amount of ad. That can be broadcast, CRT restricts:

- ① 12 min/hour on specialty channels
 - ② no ad. On pay-tv, pay-per-view, and video-on-demand channels
 - ③ No limits on AM and FM radio stations
 - ④ No limits on regular TC stations
 - ⑤ No ad on CBC radio networks except for programs that are available only on a sponsored basis
- 4) **Better Business Bureau (BBB)**= voluntary alliance of businesses whose members are committed to being fair and honest in their dealings, to promote self-regulatory practices, and to collecting and dispensing info to help businesses and consumers make sound decisions

advises org to establish a positive reputation in the market by honestly representing products

5) **Canadian Marketing Association (CMA)**= backbone of marketing industry in Canada

provides guideline for members through *Code of Ethics* and *Standards of Practice*

3 regulatory areas highlighted by CMA

① privacy

Personal Information Protection and Electronic Documents Act (PIPEDA)

② **spam**= dissemination of unsolicited electronic message to recipients

legislation requires sender to identify themselves and the org they represent and to send info only to those who have requested it

recipients need to be able to easily unsubscribe from email-updates and be sent only accurate info

revised legislation expected to make electronic spam software illegal

③ **contests**= promotional contests widely used in Canada to encourage consumers to purchase products

governed by laws to protect consumers from unscrupulous marketing practices

marketers obtain legal advice and often use professional contest administrators to ensure they comply with the law

· laws fall under the criminal code → *Competition Act*

· Quebec's Consumer Protection Act = prohibits ad. To children under age of 13 in Quebec, other than on in-store displays, packaging or in child-specific magazines

· Criminal Code = "illegal lotteries" where winnings are based purely on chance are prohibited unless for a government lottery or conducted under charitable gaming license

contests that require a mix of chance and skill are legal, as well as pure skill-based contests

penalties for contests contravening the Criminal Code include imprisonment for up to 2 years and a fine of up to \$25,000

· The Competition Act prohibits lotteries, contests and games of chance unless there is adequate and fair disclosure of the rules, prizes, odds of winning, and allocation of prizes. All contest terms and conditions must be clear, visible, easy to read, find and understand

the online environment complicates the admin of contests with the need to abide by privacy laws, security issues and the possibility of technical glitches

Chapter 3: Consumer behavior

Pg 251-257

- **Consumer behavior**= actions a person takes when purchasing and using products and services

- **purchase decision process**= stages that a buyer passes through when making choices about which products or services to buy

five stages:

1) **problem recognition**= perceiving a need

- occurs when a person realizes that a difference between what he/she has and what he/she would like to have is big enough to actually do sth about it

e.g. Finding an empty milk carton in the refrigerator

- in marketing, advertisements or sales ppl can activate a consumer's decision process by showing e.g. the shortcomings of a consumer's cellphone and the advantages of owning a smartphone

2) **Information search**= seeking value

- after recognizing a problem, consumer search for info about what product/service might satisfy the newly discovered need

internal search= scan memory for knowledge of/ previous exp. with products or brands

may be enough if searching for frequently purchased products e.g. Shampoo

external search→ needed when not much past exp./knowledge, risk of making bad decision is high, and the level of interest in the product is high

primary sources:

① *personal sources*= e.g. Relatives and friends who the consumer trusts

② *public sources*= e.g. Google, product-rating org such as *Consumer Reports*

③ *marketer-dominated sources*= such as info fro sellers that include ad., company websites etc.

- suggests criteria and points to consider for the purchase

- providing brand names that might meet criteria

- develop consumer value perceptions

3) **Evaluation of Alternatives**: assessing value

- **evaluative criteria**= factors you may consider when evaluating a product

represent both the objective attributes of a brand (e.g. Number of apps available on iPhone vs. Android) and subjective ones (e.g. Status of a biz executive owning an iPhone)

criteria often emphasized in ads, firms try to identify and make the most of both types

- **evoked set**= group of brands that a consumer would consider acceptable from among all the brands in the product class of which he/she is aware

4) **Purchase decision**= buying value

- three choices: ①the chosen brand ②from whom to buy ③when to buy

② depends on provider's location, past exp. buying from the provider, return policy etc.

- frequently determined by a number of factors

- effects of technology on purchase behavior:

internet makes purchase more convenient

advances in tech. Changes behavior

5) Post-purchase behavior= value in consumption of use

- after buying a product, consumer compares it with his/her expectations and is either satisfied or dissatisfied

· company's sensitivity to a customer's consumption experience strongly affects the value a customer perceives after the purchase

satisfaction/dissatisfaction affects consumer communications and repeat-purchase behavior

satisfied consumers tell three other ppl their exp.; dissatisfied consumers complain to nine ppl

internet allows buyers to complain and be heard by 000s of ppl

some companies monitor online complaints and use it as opp. To link up with the customers and solve their problems

employees are hired to exclusively monitor sites such as Twitter and respond to complaints immediately on the site

- cognitive dissonance= often, consumer is faced with two or more highly attractive alternatives, and thus feel post-purchase anxiety

to alleviate it, consumers often attempt to applaud themselves for making the right choice

·e.g. Asking a friend “what do you think of my new XXX” or reading negative info about brands didn’t buy

firms often use ads or follow-up calls from salespl in this post-purchase stage to assure buyers that they made the right decision

Involvement and problem-solving variations

- sometimes consumers don’t engage in the five-step purchase decision process but skip one or more steps depending on the level of involvement

- **Involvement**= personal, social, and economic significance of a purchase to the consumer

high-involvement purchase have at least one of three characteristics:

- 1) Item to be purchased is expensive
- 2) Item is bought infrequently
- 3) Item could reflect on one’s social image

marketers who sell high-involvement products must understand the info-gathering and evaluation process of consumers

- **Routine problem solving**: for products such as table salt and milk, consumers recognize a problem, make a decision, and spend little effort seeking external info and evaluating alternatives

purchase process is a habit and low-involvement

- **Limited problem solving**: low consumer involvement but significant perceived differences among brands

moderate time evaluating available brands, rely on past experience more than external info but may pay attention to new varieties shown in ads and point-of-purchase displays

marketers of leading brands should focus on getting consumers to shift to routine PS by dominating shelf space and running ads that remind consumers of the benefits of their brands

- **Extended problem solving**: each of the five stages of purchase decision process is used, including considerable time and effort on external info search and identifying and evaluating alternatives

several brands are in evoked set and evaluated on many attributes