

REVIEW NOTES: CHAPTER 1, 2 AND 3

Chapter 1: The Art AND Science of Satisfying Customers

Define *marketing*, explain how it creates utility, and describe its role in the global marketplace.

1. What is marketing?
 - a. Producing and marketing goods and services are the essence of economic life in any society, creating a benefit called utility.
 - b. Utility is the want-satisfying power of a good or service.
2. The four basic kinds of utility:
 - a. Form utility—created when raw materials and components are converted into finished goods and services
 - b. Time utility—created when goods or services are available when consumers want them
 - c. Place utility—created when goods or services are available where consumers want them
 - d. Ownership utility—created when title to goods or services is transferred
3. All organizations must create utility to survive. Designing and marketing want-satisfying goods, services, and ideas are the foundation for the creation of utility.
4. Marketing specialists are responsible for most of the activities necessary to create the customers the organization wants, including:
 - a. Identifying customer needs
 - b. Designing goods and services that meet those needs
 - c. Communicating information about those goods and services to prospective buyers
 - d. Making the goods or services available at times and places that meet customers' needs
 - e. Pricing merchandise and services to reflect costs, competition, and customers' ability to buy
 - f. Providing the necessary service and follow-up to ensure customer satisfaction
5. A definition of marketing
 - a. The word marketing encompasses a broad scope of activities and ideas.
 - b. Today's definition of marketing: An organizational function and a set of processes for creating, communicating, and delivering value to customers, and for managing customer relationships in ways that benefit the organization and its stakeholders.
6. Today's global marketplace
 - a. Factors that have forced countries to extend their economic views
 - i. International agreements designed to increase trade
 - ii. Rise of electronic commerce
 - iii. Interdependence of the world's economies
 - b. Expanding operations beyond Canada gives companies access to about 6.5 billion new consumers.
 - c. Service firms also play a major role in today's global marketplace.
 - d. Canada is an attractive market for foreign companies.
 - e. Marketing strategies are increasingly being tailored to suit the needs and preferences of consumers in foreign markets.

Contrast marketing activities during the five eras in the history of marketing.

1. The five eras in the history of marketing: production, sales, marketing, relationship, and social.
2. The production era
 - a. Characterized by a production orientation—a business philosophy stressing efficiency in producing a quality product
 - b. Attitude toward marketing is "a good product will sell itself"
 - c. Characteristic of a shortage economy and intense consumer demand
3. The sales era
 - a. Characterized by a sales orientation—a business philosophy assuming that consumers will resist purchasing nonessential goods and services
 - b. Attitude toward marketing is that creative advertising and personal selling are required to overcome consumer resistance and convince them to buy
 - c. Marketing departments began to emerge from the shadows of production and engineering

4. The marketing era
 - a. Began to emerge during the Great Depression of the 1930s when both personal incomes and consumer demand for goods and services declined
 - b. Emergence of the marketing concept
 - i. Attitude toward marketing changed from production orientation to consumer orientation as society changed from a seller's market (one in which there were more buyers for fewer goods and services) to a buyer's market (one in which there were more goods and services than people willing to buy them)
 - ii. Consumer orientation is a business philosophy incorporating the marketing concept of first determining unmet consumer needs and then designing a system for satisfying them
 - iii. The marketing concept is a company-wide consumer orientation with the objective of achieving long-run success
 - iv. All facets of the organization must be involved with assessing and then satisfying consumer wants and needs
 - v. A strong marketing orientation—the extent to which a company adopts the marketing concept—improves market success and overall performance
5. The relationship era
 - a. Relationship marketing involves developing long-term, value-added relationships over time with customers and suppliers
 - b. Strategic alliances and partnerships with vendors and retailers play a major role in relationship marketing
 - c. Prevailing attitude is that long-term relationships with customers and partners will benefit everyone
6. The social era
 - a. As the second decade of the new century gets underway, the social era of marketing is in full swing, thanks to consumers' accessibility to the Internet and the creation of social media sites such as Facebook and Twitter
 - b. Building on the relationship era, companies now routinely use the Web and social networking sites to connect to consumers as a way to market goods and services

Explain the importance of avoiding marketing myopia.

1. Avoiding marketing myopia
 - a. Marketing myopia is the failure of managers to recognize the scope of their business
 - b. Future growth is endangered when management is product-oriented rather than customer-oriented
 - c. Marketing myopia is often characteristic of organizations that are too narrowly defined
2. A broader focus on customer need satisfaction rather than on the products themselves aids in avoiding marketing myopia

Describe the characteristics of not-for-profit marketing.

1. Marketing in not-for-profit organizations
 - a. More than two million Canadians work in one or more of the 165,000 not-for-profit organizations
 - b. Operate in both the public and private sectors
 - c. Adopting a marketing concept helps to meet service objectives
 - d. Generally, partnerships formed between not-for-profit firms and businesses benefit both parties
2. Characteristics of not-for-profit marketing
 - a. The financial bottom line (the overall profitability and financial performance of the organization) is not the major objective of not-for-profit organizations
 - b. However, not-for-profit organizations still need to generate sufficient revenues, often from donors, to accomplish their objectives, and marketing can help them accomplish these objectives
 - c. Like profit-seeking firms, not-for-profit organizations may market tangible goods or intangible services
 - d. Unlike profit-seeking businesses, not-for-profit organizations must market to multiple publics

Identify and briefly explain each of the five types of nontraditional marketing.

1. Five major types of nontraditional marketing are person, place, cause, event, and organization marketing
2. Person marketing
 - a. Person marketing refers to efforts designed to cultivate the attention, interest, and preferences of a target market toward a celebrity or authority figure
 - b. Examples

- i. Sports figures (Steve Nash, P. K. Subban)
- ii. Fictional characters (Snoopy, Popeye)
- iii. Political candidates (prime minister, provincial premiers)

c. An extension of person marketing is celebrity endorsements

3. Place marketing

- a. Place marketing attempts to attract customers to particular areas
- b. Cities, provinces, regions, and countries publicize their tourist attractions to lure vacation travellers
- c. They also promote themselves as good locations for businesses
- d. Examples include casinos and resorts in Las Vegas, skiing in British Columbia, beaches in Prince Edward Island, and whale watching in Newfoundland and Labrador

4. Cause marketing

- a. Cause marketing refers to the identification and marketing of a social issue, cause, or idea to selected target markets
- b. Examples include campaigns promoting literacy, physical fitness, awareness of childhood obesity, environmental protection, elimination of birth defects, child-abuse prevention, and preventing drunk driving
- c. Many profit-seeking firms link their products to social causes
- d. There is strong support among both customers and company employees for cause-related marketing
- e. Cause marketing can help build relationships with customers

5. Event marketing

- a. Event marketing refers to the marketing of sporting, cultural, and charitable activities to selected target markets
- b. It includes sponsorships of events by firms seeking to increase public awareness and bolster their images
 - i. One example is sports sponsorships
 - ii. Many professional sports arenas carry corporate names
- c. Companies now also feed their commercials to websites and make them available for downloading to personal computers, tablets, iPods, and smartphones

6. Organization marketing

- a. Organization marketing attempts to persuade people to accept the goals of, receive the services of, or contribute in some way to an organization
- b. It includes mutual-benefit organizations (labour unions, conservation groups), service and cultural organizations (universities, hospitals, museums), and government agencies (postal service, liquor control boards)
- c. Organizations use organization marketing to raise funds by selling licensed merchandise

Shift from transaction-based marketing to relationship and social marketing.

From transaction-based marketing to relationship marketing

1. Traditional view of marketing is a simple exchange process (transaction-based marketing)
2. New view of marketing stresses the importance of establishing and maintaining long-term relationships with customers and new customers so they become loyal repeat customers
3. Efforts to maintain relationships should include suppliers and employees as well
4. The lifetime value of a customer consists of the revenues and intangible benefits that a customer brings to an organization over an average lifetime minus the investment the firm has made to attract and keep the customer
5. Relationship marketing gives a company the opportunity to move customers from new customers to regular purchasers, then to loyal supporters of the firm and its goods and services, and finally to advocates who not only buy its products but recommend them to others

Identify the universal functions of marketing.

1. The costs of marketing (what the firm needs to spend to market a product)
 - a. Firms must spend money to create time, place, and ownership utilities
 - b. Most estimates of marketing costs, in relation to overall product costs, range from 40 to 60 percent
2. The functions of marketing (what the consumer receives in return for the cost of marketing a product) are buying, selling, transporting, storing, standardizing and grading, financing, risk taking, and securing marketing information
 - a. The eight universal functions are performed by manufacturers, retailers, and other marketing intermediaries called wholesalers.

- b. Two exchange functions
 - i. Buying: marketers must determine how and why consumers buy certain products (goods and services),
 - ii. Selling: involves advertising, personal selling, and sales promotion to match the firm's products to consumer needs
- c. Two physical distribution functions
 - i. Transporting: physically moving goods from the seller to the purchaser
 - ii. Storing: warehousing goods until they are needed for sale
- d. Four facilitating functions help marketers perform the exchange and physical distribution functions
 - i. Standardizing and grading: quality and quantity control standards and grades reduce the need for buyers to inspect each item
 - ii. Financing: this is a marketing function because buyers often need access to funds to finance inventories prior to sale
 - iii. Risk taking: manufacturers create goods and services based on research and their belief that consumers need them; wholesalers and retailers acquire inventory based on similar expectations
 - iv. Securing marketing information: marketers gather information to determine and satisfy consumer needs, as well as information regarding potential customers

Chapter 2: Strategic Planning in Contemporary Marketing

Distinguish between strategic planning and tactical planning.

1. Marketing planning: the basis for strategy and tactics
 - a. Marketing planning
 - i. Marketing planning refers to implementing planning activities devoted to achieving marketing objectives
 - ii. An important trend in marketing planning centres on relationship marketing
 - b. Many companies now include relationship-building goals and strategies in their marketing plans, maintaining databases to track customer preferences
2. Strategic planning versus tactical planning
 - a. Strategic planning is defined as the process of determining an organization's primary objectives and adopting courses of action that will achieve these objectives
 - b. Strategic planning includes allocation of resources, and provides long-term directions for the decision makers
 - c. Tactical planning, a complementary approach to strategic planning, guides the implementation of activities specified in the strategic plan
 - d. It addresses shorter-term actions, focusing on activities that need to be completed so that larger strategies can be implemented

Explain how marketing plans differ at various levels in an organization.

1. Planning at different organizational levels
 - a. Managers at all organizational levels devote some of their attention to planning activities
 - b. The amount of time spent on planning activities and the types of planning vary by organizational level
2. Top management (CEO and functional vice-presidents)
 - a. Spend more of their time on planning than do lower-level managers
 - b. Usually focus more on long-range strategic issues
3. Middle management
 - a. Tend to focus on operational planning, which includes creating and implementing tactical plans for their own departments
 - b. Supervisors often develop specific programs to meet goals in their areas of responsibility
 - c. To be most effective, the planning process includes input from a wide range of sources, including employees, suppliers and customers

Identify the steps in the marketing planning process.

1. Steps in the marketing planning process
 - a. Define the mission
 - b. Determine objectives

- c. Assess resources
 - d. Evaluate environmental risks and opportunities
 - e. Formulate a marketing strategy
 - f. Implement the strategy through operating plans
 - g. Gather feedback to monitor and adapt strategies when necessary
2. Defining the organization's mission and objectives
 - a. The organizational mission
 - i. The mission is the essential purpose that differentiates the organization from others
 - ii. The mission statement specifies the organization's overall goals and operational scope and provides general guidelines for future management actions
 - iii. Adjustments made to mission statement reflects changing business environments and management philosophies
 - b. The organizational objectives
 - i. The basic objectives, or goals, in a firm's mission statement guide the development of supporting marketing goals and plans
 - ii. Objectives should state specific intentions and specify a time period for specific achievements
 3. Assessing organizational resources and evaluating environmental risks and opportunities
 - a. This consists of an assessment of an organization's strengths, weaknesses, and available opportunities
 - b. Organizational resources include capabilities of the firm's production, marketing, finance, technology, and employees
 - c. Environmental effects can emerge both from within the organization and from the external environment
 4. Formulating, implementing, and monitoring a marketing strategy
 - a. A good marketing plan revolves around an efficient, flexible, and adaptable marketing strategy
 - b. A marketing strategy is an overall, companywide program for selecting a target market and satisfying customers in that market through the elements in the marketing mix—product, distribution, promotion, and price
 - c. The strategy must be monitored to ensure that objectives are being met
 5. In the two final steps of the planning process, marketers put the marketing strategy into action; then they monitor performance to ensure that objectives are achieved
 6. Sometimes strategies need to be modified if the product's or company's actual performance is not in line with expected results

Describe successful planning tools and techniques, including Porter's Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window.

1. Successful strategies: tools and techniques
 - a. Four tools for marketing planning include Porter's Five Forces model, first and second mover strategies, SWOT analysis, and the strategic window
 - b. All these planning strategies have the goal of creating a sustainable competitive advantage for a firm, meaning that other companies cannot provide the same value
2. Porter's Five Forces
 - a. Porter's Five Forces is a model that identifies five competitive forces that influence planning strategies. Porter later updated his model to include the impact of the Internet on the strategies that businesses use
 - b. They are:
 - i. The threat of new entrants—is influenced by the cost and difficulty of entering a market. The Internet has reduced the barriers to market entry in many industries
 - ii. Bargaining power of buyers—can influence the firm's strategy as customers can easily find alternate suppliers and do price comparisons and switch to a better supplier
 - iii. Bargaining power of suppliers—is influenced by the number and size of suppliers
 - iv. The threat of substitute products—can be either products from a competing firm or industry
 - v. Rivalry among competitors—all the above four factors influence rivalry
 - c. Issues such as cost and differentiation or lack of differentiation of products—along with the Internet—influence the strategies that companies use to stand out from their competitors
3. First mover and second mover strategies
 - a. A first mover strategy advocates that a company that is first to offer a product will be the long-term market

winner. Being first may also refer to entering new markets with existing products or creating significant innovations that effectively turn an old product into a new one

- b. A second mover strategy advocates close observation of the innovations of first movers and then improving on them to gain market advantage

4. SWOT analysis

- a. SWOT analysis helps planners compare internal organizational strengths and weaknesses with external opportunities and threats
- b. “SWOT” is an acronym for *strengths, weaknesses, opportunities, and threats*
- c. This is an important strategic planning tool
- d. SWOT – strengths
 - i. A set of core competencies—what the organization does well
 - ii. Core competencies are capabilities that customers value and competitors find difficult to duplicate
 - iii. Matching an internal strength with an external opportunity produces a situation known as leverage
- e. SWOT – weaknesses
 - i. Environmental threats can attack an organization’s weaknesses
 - ii. Planners must anticipate constraints when internal weaknesses or limitations prevent their organization from taking advantage of opportunities

5. Strategic window

- a. The strategic window refers to the limited periods when key requirements of a market and the particular competencies of a firm best fit together
- b. The view through a strategic window shows planners a way to relate potential opportunities to a firm’s capabilities
- c. It requires a thorough analysis of three elements:
 - i. Current and projected external environmental conditions
 - ii. Current and projected internal company capabilities
 - iii. How, whether, and when the firm can reconcile environmental conditions and company capabilities in order to implement one of the strategies

Identify the basic elements of a marketing strategy.

7. Elements of a marketing strategy

- a. An effective marketing strategy does several things:
 - i. It reaches the right buyers at the right time
 - ii. It persuades them to buy the product
 - iii. It develops a strong relationship with them over time
- b. The basic elements of a marketing strategy consist of two concepts:
 - i. the target market
 - ii. the marketing mix variables that combine to satisfy the needs of the target market

8. The target market: The target market is a group of consumers toward whom the firm aims its marketing efforts, and ultimately its goods and services

9. Marketing mix variables

- a. Marketing decisions can be divided into several variables or strategies that form the total package, called the marketing mix
- b. The four marketing mix variables are **product, distribution, promotion, and pricing strategies**

10. Product strategy

- a. The term product means more than a good, service, or idea—it refers to a broad concept that also encompasses the satisfaction of all consumer needs in relation to a good, service, or idea
- b. So product strategy involves more than just deciding what goods or services the firm should offer to consumer groups
- c. It also includes decisions concerning customer service, package design, brand names, trademarks, patents, warranties, the life cycle of a product, product positioning, and new-product development

11. Distribution strategy

- a. The concept of distribution strategy refers to the ways marketers ensure that consumers find products in the proper quantities at the right times and places

- b. Distribution decisions involve:
 - i. Modes of transportation
 - ii. Warehousing
 - iii. Inventory control
 - iv. Order processing
 - v. Selection of marketing channels including intermediaries
- c. Technology has opened up new channels of distribution in many industries (an example is online selling). The Internet has caused the biggest revolution in distribution since the mail-order catalogue

12. Promotion strategy

- a. Promotion strategy refers to the communications link between sellers and buyers
- b. In developing a promotion strategy, marketers blend the various elements of promotion to communicate most effectively with their target markets
- c. Integrated marketing communication (IMC) coordinates all promotional activities so that the consumer receives a unified and consistent message

13. Pricing strategy

- a. Pricing strategy deals with the methods of setting profitable and justifiable prices
- b. It is closely regulated and subject to considerable public scrutiny
- c. One factor that influences a marketer's pricing strategy is competition
- d. A good pricing strategy should create value for customers, building and strengthening their relationship with a firm and its product

Describe the environmental characteristics that influence strategic decisions.

1. The marketing environment

- a. Marketing decisions are not made in a vacuum

2. Marketers make decisions about target markets and marketing mix variables by taking into account the dynamic nature of these five dimensions of the marketing environment:

- a. Competitive
- b. Political-legal
- c. Economic
- d. Technological
- e. Social-cultural factors

3. Some recent trends in the marketing environment:

- a. Expanding into foreign markets
- b. Technology—especially the Internet; Social media
- c. The rule of three means that in any industry, the three strongest, most efficient companies dominate between 70 and 90 percent of the market

Describe the methods for marketing planning, including business portfolio analysis, the BCG market share/market growth matrix, and the strategic growth opportunity matrix.

1. Methods for marketing planning

- a. Many firms have developed planning methods to help with marketing decisions
- b. Three of these types of methods: **the strategic business unit concept, the market share/market growth matrix, and the strategic growth opportunity matrix**

2. Business portfolio analysis

- a. Top managers at large firms need a method for spotting product lines that deserve more investment as well as lines that aren't living up to expectations
- b. Portfolio analysis attempts to evaluate products and determine the strongest and weakest
- c. Strategic business units
 - i. A strategic business unit (SBU) is a key business element within a diversified firm
 - ii. Each SBU has its own managers, resources, objectives, and competitors
 - iii. Divisions, products lines, or even a single product may constitute a strategic business unit
 - iv. An SBU, also called a category, focuses attention of company managers so that they can respond effectively to changes within limited markets

3. Market share/market growth matrix (BCG matrix)

- a. The market share/market growth matrix places SBUs in a four-quadrant chart that plots market share—the percentage of a market that a firm controls—against market growth potential
 - b. The quadrants are labelled *stars*, *cash cows*, *question marks*, and *dogs*
 - c. Each of the four quadrants requires a unique marketing strategy
 - d. Stars:
 - i. Stars represent units with high market shares in high-growth markets
 - ii. They generate considerable income, but require even more cash to finance further growth
 - e. Cash cows:
 - i. Cash cows have high market shares in low-growth markets
 - ii. Focus is to maintain this status for as long as possible
 - iii. The business produces strong cash flows, which could be used to finance growth of other SBUs with high potential
 - f. Question marks:
 - i. Question marks achieve low market shares in high-growth markets
 - ii. Marketers must decide whether to continue supporting these products or businesses
 - iii. They require more investment than they generate in cash
 - iv. If a question mark cannot become a star, the firm should pull out of the market and target other markets with greater potential
 - g. Dogs:
 - i. Dogs manage low market shares in low-growth markets
 - ii. Since they promise poor future, marketers should consider withdrawing from these markets as quickly as possible
4. Strategic growth opportunity matrix
- i. Companies have four strategic growth opportunities, which involve some combination of present or new products and present or new markets
 - Market penetration involves present products and present markets
 - ii. Market development involves present products but new markets
 - iii. Product development involves new products but present markets
 - iv. Diversification involves new products and new markets

Chapter 3: THE MARKETING ENVIRONMENT, ETHICS, AND SOCIAL RESPONSIBILITY

Identify the five components of the marketing environment.

1. The five components of the marketing environment:
 - a. The competitive environment
 - b. The political-legal environment
 - c. The economic environment
 - d. The technological environment
 - e. The social-cultural environment
2. Environmental scanning and environmental management
 - a. Environmental scanning is the process of collecting information about the external marketing environment to identify and interpret potential trends
 - i. The goal is to analyze the information and decide whether these trends represent opportunities or threats to the company
 - ii. The firm can then determine the best response to a particular environmental change
 - b. Environmental management is the attainment of organizational objectives by predicting and influencing the five components of the marketing environment
 - c. Environmental scanning is a vital component of effective environmental management
 - d. Strategic alliances—partnerships with other firms in which resources and capital are combined—are often used to create competitive advantages in a new market
3. The competitive environment
 - a. The interactive exchange between organizations and customers creates the competitive environment
 - b. Marketing decisions by each firm influence consumer responses and also affect the marketing strategies of competitors
 - c. All firms must continually monitor the marketing activities of competitors (products, distribution channels, prices, and promotional efforts)
4. Monopolies
 - a. Monopoly: market structure in which a single seller dominates trade in a good or service for which buyers can find no close substitutes
 - i. Monopolies are rare today—government regulators carefully monitor monopolies
 - ii. The deregulation movement has ended total monopoly protection for most public utilities (such as long-distance telephone companies, cell phone providers, and even electric utilities)
 - b. Some firms still can achieve temporary monopolies
 - i. Drug firms enjoy monopoly protection, during the life of a patent
 - ii. This provides the manufacturer with a chance to recoup the millions it invested to develop and launch the product
 - c. An oligopoly is an industry in which there are only a limited number of sellers and where entry costs deter newcomers from entering the industry. Such a structure ensures that the corporations remain innovative

Explain the types of competition marketers face and the steps necessary for developing a competitive strategy.

1. Types of competition: marketers face three types of competition
 - a. Direct competition occurs among marketers of similar products
 - b. Indirect competition involves products that are easily substituted
 - c. The final type of competition occurs among all organizations that compete for consumers' purchases
2. Developing a competitive strategy
 - a. Developing a competitive strategy involves answering three questions:
 - i. Should the firm compete?
 - ii. If so, in what markets should it compete?
 - iii. How should it compete?
 - b. The answer to the first question depends on the firm's resources, objectives, and expected

profit potential

- c. The answer to the third question requires that marketers make product, pricing, distribution, and promotional decisions that give the firm a competitive advantage in the marketplace

3. Time-based competition

- a. Time-based competition is the strategy of developing and distributing products more quickly than competitors
- b. The flexibility and responsiveness of time-based competitors enables them to improve product quality, reduce costs, and expand product offerings

How marketing activities are regulated and how marketers can influence the political-legal environment.

1. The political-legal environment

- a. The political-legal environment includes the laws and their interpretations that require firms to operate under competitive conditions and to protect consumer rights
- b. Ignorance of the political-legal environment can result in fines, negative publicity, and expensive civil damage suits
- c. Numerous laws and regulations—at the federal, provincial and territorial, and municipal—exist, some of which are vaguely stated and inconsistently enforced by different authorities

2. Government regulation

- a. The Competition Act is the most comprehensive legislation in Canada
 - i. It has two primary objectives: foster healthy competition and protect consumers
 - ii. Many of its laws and regulations can be roughly categorized within three specific marketing areas: pricing, promotion, and distribution
- b. Provincial and territorial governments have laws and regulations designed to protect consumers
 - i. These are often called the Consumer Protection Act or the Direct Seller's Act, or simply "cooling off laws"
 - ii. These laws give consumers the right to reconsider purchase decisions that may have been made under the persuasive influence of a salesperson

3. Government regulatory agencies

- a. The National Energy Board
 - i. Regulates many aspects relating to the buying or selling of natural gas, oil, and electricity
- b. Canadian Radio-television and Telecommunications Commission (CRTC)
 - i. Regulates companies that supply industry-related technology: cable television, mobile telephones, satellite radio and television, etc.
 - ii. Helps establish standards relating to television violence, gender portrayal, ethnic and minority representation, advertising to children, quality and accessibility of service, and billing practices

4. Other regulatory forces

- a. Public and private consumer interest groups that seek to protect consumers in many areas of health and safety—such as MADD
- b. Special interest groups that advance the rights of minorities, senior citizens, and others—such as PETA
- c. Self-regulatory groups—such as Advertising Standards Canada and Canadian Marketing Association

5. Controlling the political-legal environment

- a. Most marketers comply with laws and regulations
- b. However, many marketers fight regulations that they consider to be unjust

Outline the economic factors that affect marketing decisions and consumer buying power.

3. The economic environment

- a. The overall health of the economy influences how much consumers spend and what they buy
- b. This works the other way also—what consumers spend and buy affects the status of the economy

- c. The gross domestic product (GDP) is the sum of all goods and services produced by a nation in a year
 - d. Consumer spending in Canada accounts for nearly 70 percent of the country's total GDP
 - e. Marketing's economic environment is made up of factors that influence consumer buying power and marketing strategies, including the stage of the business cycle, the global economic crisis, inflation and deflation, unemployment, income, and resource availability
4. Stages in the business cycle:
- a. The business cycle refers to periodic times of expansion and contraction in economic activity that has occurred historically
 - b. The four stages are:
 - i. Prosperity
 - ii. Recession
 - iii. Depression
 - iv. Recovery
 - v. No depression has occurred since the 1930s due to the use of monetary and fiscal policies of the federal government as it attempts to control extreme fluctuations that lead to depression
 - c. Consumer buying differs in each stage of the business cycle
 - i. During periods of prosperity, consumer spending maintains a brisk pace and buyers are willing to spend more for premium versions of well-known brands
 - ii. During times of recession, consumer spending patterns emphasize basic, functional products with low price tags
 - iii. Consumer spending sinks to its lowest level during a depression
 - iv. In periods of recovery, purchasing power increases, but consumers remain cautious—businesses have to earn profits while trying to gauge uncertain consumer demand. Many cope by trying to reduce costs
5. The global economic crisis
- a. Sometimes business cycles affect consumers and businesses across the globe
 - b. The recent recession is the worst economic downturn since the Great Depression, with predictions such as the world economy shrinking for the first time in 60 years
 - c. Marketers' response varied from emphasizing value and affordability, slashing prices, offering big sales, assuring customers with various options in case of job loss
6. Inflation and deflation
- a. Inflation refers to rise in prices and devaluation of money, making products less affordable
 - b. Deflation means a fall in prices, making products more affordable. Deflation causes a freefall in business profits, lower returns on most investments, and widespread job layoffs
7. Unemployment
- a. Unemployment refers to the proportion of people in the economy who are actively seeking work but do not have jobs
 - b. Unemployment rises during recessions and declines in the recovery and prosperity stage
 - c. As with inflation, unemployment tends to alter consumer behaviour (example: when people are worried about losing their jobs, they tend to postpone "large" purchases such as new cars)
8. Income
- a. Income is an important determinant of marketing's economic environment because it influences consumer buying power. Marketers are most interested in discretionary income—the amount of money that people have available to spend after buying necessities
9. Resource availability
- a. Resources are not unlimited and shortages require marketers to reorient their thinking
 - b. Demarketing is the process of reducing consumer demand for a product to a level that the firm can reasonably supply (utilities often advertise methods for conserving energy)
10. The international economic environment
- a. Marketers must monitor the economic environment of other nations

- b. Economic factors affecting marketing decisions
 - i. Changes in foreign currency rates compared with the Canadian dollar also affect marketing decisions
 - ii. Lower labour costs in foreign nations—result in cutbacks in Canadian jobs due to offshoring
 - iii. Politics in other countries affects the international economic environment as well

Impact of the technological environment on a firm's marketing activities.

- 1. The technological environment
 - a. The technological environment represents the application to marketing of knowledge based on discoveries in science, inventions, and innovations
 - b. Some impacts of technology:
 - i. Technology can lead to new goods and services
 - ii. It can improve existing products and customer service
 - iii. It can reduce prices through new production and distribution methods
 - iv. It can rapidly make existing products obsolete and open new opportunities in entirely new industries (example: pets wearing radio-frequency identification tags)
 - v. It can help address social concerns (example: the development of more fuel-efficient cars)
 - c. Industry, government, colleges and universities, and other not-for-profit institutions all play roles in the development of new technology
 - d. Government is often involved in the development of technology—air bags, digital computers, the microwave, even the Internet were initially created for military use

Explain how the social-cultural environment influences marketing.

- 1. The social-cultural environment
 - a. As a nation, Canada is becoming older, more affluent, and more culturally diverse
- 2. The social-cultural environment refers to the relationship between marketing, society, and culture
 - a. To remain competitive, marketers must be sensitive to society's demographic shifts and changing values
- 3. An important social-cultural consideration is cultural diversity
 - a. Canada is a diverse society composed of various micromarkets, each with its unique values, cultural characteristics, consumer preferences, and purchasing behaviours
 - b. Many firms specifically target these micromarkets
- 4. Consumerism
 - a. Consumerism is defined as a social force within the environment that aids and protects the consumer by exerting legal, moral, and economic pressures on business and government
 - b. In recent years, marketers have witnessed increasing consumer activism
 - c. The choice between pleasing all consumers and remaining profitable—thus surviving—defines one of the most difficult dilemmas facing business
- 5. President John F. Kennedy offered some rules of thumb that explain basic consumer rights. These rights have formed the conceptual framework of much of the legislation passed in the first 40 years of the consumer rights movement:
 - a. The right to choose freely
 - b. The right to be informed
 - c. The right to be heard
 - d. The right to be safe

Describe the ethical issues in marketing.

- 1. Ethical issues in marketing
 - a. As marketing is closely connected with various public issues, it invites constant scrutiny by the public
 - b. Marketing acts as an interface between an organization and the society in which it operates, so marketers carry much of the responsibility for dealing with social issues that affect their firms
 - c. Marketing operates outside the firm—it reacts to that environment and, in turn, is acted on

by environmental influences

- d. The diverse social issues faced by marketers can be divided into two major categories:
 - i. Marketing ethics
 - ii. Social responsibility

2. Marketing ethics

- a. Ethics refers to matters of right and wrong: the responsibility of the individual and the firm to do what is morally right
- b. Marketing ethics refers specifically to marketers' standards of conduct and moral values
 - i. Some firms have ethics officers who establish and enforce ethical protocols
 - ii. Ensuring ethical practices means promising customers and business partners not to sacrifice quality and fairness for profit
- c. People develop standards of ethical behaviour based on their own systems of values
 - i. Values help people deal with ethical questions in their personal lives
 - ii. However, the workplace may generate conflicts between individual ethics and the employer's ethical standards
 - iii. Individuals may be influenced by a third basis of ethical authority—a professional code of ethics that transcends both organizational and individual value systems

3. Ethics in marketing research

- a. Invasion of personal privacy is a critical issue in marketing research
- b. A particularly problematic ethical issue is the promise of cash rewards or gifts in return for information that can then be sold to direct marketers

4. Ethics in product strategy

- a. Issues include product quality, planned obsolescence, brand similarity, and packaging
- b. Competitive pressures have often forced some marketers into packaging practices that may be considered misleading, deceptive, or unethical

5. Ethics in distribution

- a. There are two ethical issues concerning a firm's distribution strategy:
 - i. What is the appropriate degree of control over the distribution channel? (This typically arises in relationships between manufacturers and franchise dealers.)
 - ii. Should a company distribute its products in marginally profitable outlets that have no alternative source of supply? (This concerns marketers' responsibility to serve unsatisfied segments even if profit potential is slight.)
- b. Although resolving such issues is difficult as they involve individuals rather than the public, firms should consistently enforce their channel policies

6. Ethics in promotion

- a. Promotion raises many ethical questions because it is the most direct link between a firm and its customers
- b. Truth in advertising is the bedrock of ethics in promotion
- c. Marketing to certain groups has led to some concerns
 - i. Marketing to children has been under close scrutiny
 - ii. Promoting certain products to college students can also raise ethical questions

7. Ethics in pricing

- a. Pricing is probably the most regulated aspect of a firm's marketing strategy
- b. Unethical pricing behaviour is often illegal
- c. Other ethical issues concerning pricing:
 - i. Should some consumers pay more if distribution costs are higher?
 - ii. Do marketers have an obligation to warn consumers of impending price changes?
- d. Certain laws allow companies to levy charges that consumers are unaware of
 - i. Few acts curb abuses in the credit-card industry and end many questionable practices of credit card companies regarding interest rates, billing cycles, finance charges, etc.

Identify the four levels of the social responsibility pyramid.

1. Social responsibility in marketing
 - a. Companies can do business in a way that everyone benefits—the customers, the company, and society as a whole
 - b. Ethics are important, but social responsibility takes a company's behaviour a step further
2. Social responsibility consists of marketing philosophies, policies, procedures, and actions that have the enhancement of society's welfare as a primary objective:
 - a. The four dimensions of social responsibility:
 - i. Economic
 - ii. Legal
 - iii. Ethical
 - iv. Philanthropic
 - b. The first two dimensions have long been recognized, but ethical obligations and the need for marketers to be good corporate citizens have increased in recent years
3. Marketing and ecology
 - a. Ecology
 - i. Ecology—the relationship between organisms and their natural environments—has become a driving force in influencing how businesses operate
 - ii. One concern relates to products that incorporate planned obsolescence—the practice of intentionally designing products with limited life and durability
 - b. Green marketing
 - i. Green marketing deals with the production, promotion, and reclamation of environmentally sensitive products
 - ii. This movement has grown since the early 1990s and consumers have responded by buying these goods