
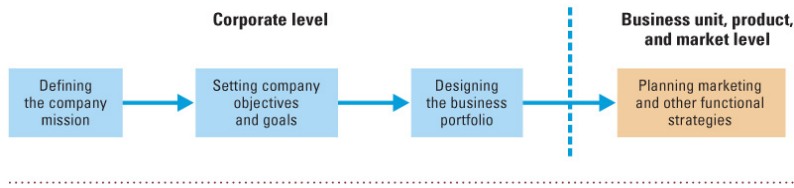


CHAPTER CONTENT GUIDELINE
JOHN MOLSON SCHOOL OF BUSINESS- WINTER 2016
COMM223: MARKETING MANAGEMENT I / INTRODUCTION TO MARKETING
 BY THITIRATANA

Topics	Chap	'Central' Topics for Examination
Intro	1	<p>Model of the marketing process</p>  <p>Figure 1.1 A Simple Model of the Marketing Process</p> <p>Copyright © 2014 Pearson Canada Inc.</p> <ol style="list-style-type: none"> Understand marketplace & customer needs and wants <ul style="list-style-type: none"> Needs/ wants Segment/target Design customer-driven marketing strategy <p>Key elements of a customer-driven strategy (Production/ product/selling/ marketing/ societal concept)</p> <ul style="list-style-type: none"> Production concept: mass/ affordable price Ex. Computer Lenovo Product concept: Quality/performance Selling concept: Focus on selling product in mass/ product you don't usually think of buying unless it undertake a large-scale of promoting and selling Ex. Insurance Marketing concept: Focus on customer needs/ wants/ customer satisfaction and offer customer values more than other competitor. Societal concept: Company should make good decisions considering customer wants/needs. Company long-term interest/ society long-term interest. <ol style="list-style-type: none"> Construct marketing program that deliver customer values <p>Customer Relationship Management (N.B. To be complemented by coverage in subsequent chapters.) → Marketing MIX (4 P's)</p> <ol style="list-style-type: none"> Build profitable relationship and create customer delight Capture value from customers to create profits and customer equity (Butterflies/ true friends/ strangers/ Barnacles)
Company & Marketing Strategy	2	<p>The 4 steps in strategic planning</p> <p>Figure 2.1 Steps in Strategic Planning</p>  <p>1. Defining company's mission: Org's purpose (mission statement/ what they want to accomplish- Marketing oriented mission statement</p> <p>2. Setting objectives and goals: Business objectives (build profitable relationship)/ marketing objectives (↑ shares, ↑ local partnership)</p> <p>Copyright © 2014 Pearson Canada Inc.</p>

Company & Marketing Strategy	2	<p>3. Designing business portfolio</p> <p>Analyze current portfolio/ shape future portfolio (growth share matrix: Cash cow/ star/ ?/ dog)</p> <ul style="list-style-type: none"> • Stars: High in marketing growth rate/ ↑ in relative market share in business/ heavy investment to finance fast growth. Eventually slow down and turn to star • Cash cow: Core of business/ low growth rate/ ↑ market share/ produce a lot of cash that company uses to pay its bills and support other SBU • Question marks: Require a lot of cash to hold shares. Low share business units in high relative market share. Manager needs to think which ? to turn into star • Dog: Low in growth rate/ low relative market share businesses and products. Might generate enough cash to maintain themselves <p>4. Planning marketing and other functional strategies</p> <p>Value chain/ Mission statement + marketing strategy → it's all about profitable customer relationship</p> <p>Marketing strategy & the marketing mix</p> <div data-bbox="325 381 882 690"> <p style="font-size: small;">Copyright © 2014 Pearson Canada Inc. Chapter 2 – Slide 41</p> </div> <p>Two types of marketing control: (1) Operating control: Checking ongoing performance against the annual plan and taking corrective actions when necessary. Purpose to ensure company achieves the sales, profits and other goals. (2) Strategy control: Looking whether strategies are well matched to its opportunities. Reassess outdated strategies</p>
The Marketing Environment	3	<p>The company's macro-environment</p> <ul style="list-style-type: none"> • Demographic forces: study of human population (size, density, location, age, gender, race, occupation) • Economic forces: changes in income of consumers/ recession/ boom) • Natural forces: environment factors that could affect marketing activities. (limit activities that could be harmful to the environment) • Technological forces: Technological environment change rapidly although it created all new products/ market. • Political forces: laws, government agencies, pressure groups that may influence or limit your behavior/ decisions. • Cultural forces: core belief/ values. Secondary beliefs and values (more open to change- people's view of themselves, org, nature, society, others, universe) <p>The company's micro-environment</p> <ul style="list-style-type: none"> • Company: Top managers and all departments that contributes to the organization's goal (all decisions taken, strategies, etc.) • Suppliers: Important in providing resources needed in producing company's goods. ↑ supply cost might change a lot for company) • Marketing intermediaries: (1) Resellers (Costco, Target, and Home depot) Distribution channel firms that help company find customers. (2) Physical distributions: helps company stock and move goods from their points of origin to their destinations. (3) Marketing services agencies: marketing research firms, advertising agencies that help company promote their products. • Competitors: Company should gain strategic advantage by positioning their products against competitors. • Public: Any groups that have actual interest for the company's ability to achieve its goals. (Media, government, general and local public, financial public.) • Customers: Customer having interest in your company/ products based on their values and lifestyle.
Managing Marketing Information	5	<p>Components of a marketing information system</p> <p>Marketing information system (MIS): consists of people and procedures for assessing information needs, help the makers use the information to generate and validate actionable customer and market insights.</p>



Figure 5.1 The Marketing Information System

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Steps in the Marketing Research process (gives insights about customer's motivations, purchase behavior and satisfaction)

Figure 5.2

The Marketing Research Process



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(1) Assessing information needs: information gathered could be useful to company but also to suppliers and retailers. (2) Developing needed information: internal databases (Accounting system/ operations) largest company network → Government.

(1) Gathering of primary information that will help define problems/ suggests and make hypothesis. Involve study of the market (attitude of consumers/ behavior). (2) Primary data: Information collected for the specific purpose at hand (observation, survey, experiment, mail, and telephone). Secondary data: information that already exists somewhere, having been collected for another purpose. (3) Collect data/ process information/ analyze info/ interpret findings (4) researchers must interpret findings, draw conclusions and report

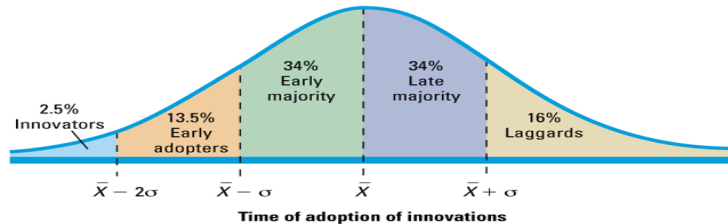
Consumer Markets & Consumer Buying Behaviour

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Major factors that influence consumer buyer behavior

- **Culture factors:** subculture (regional subculture, founding nations, ethnic subculture, mature consumers →remains highly attractive for industries such as pharmaceuticals, furniture, clothing, grocery, travel.)/ Social class.
- **Social factors:** 2+ people interacting (word of mouth/ opinion leader/online social networking). More women in the workforce, families have women doing most of purchase/ activities people want to perform based on people around them that does it.
- **Personal factors:** People change good/services they buy over their lifetime. Taste changes (cloth, food, furniture) resulted from changes in their lifestyle (babies)/occupation/ different lifestyle/ personality and self-concept (sincerity, excitement, competence, sophistication, ruggedness)
- **Psychological factors:** motivation/ perception/ learning/ belief and attitude.

Stages in the buyer decision process & major types of decisions



(1) Innovators: represent 2.5% buy during introduction stage (2) Early adopters: represent 13.5% buy at growth stage (3) Early majority represent 34% buy during maturity stage (4) late majority: represent 34% buy during decline stage and (5) Laggards represent 16% buy when the company bankrupt

Segmentation, Targeting & Positioning

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3 steps of target marketing (segmentation, targeting, positioning) (To create value for targeted customers)

- **Market segmentation** (demographic, geographic, psychographic, behavioral) involves dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that may require separate marketing strategies or mixes.
- **Market targeting (targeting)** consists of evaluating each market segment's attractiveness and selecting one or more segments to enter.
- **Differentiation** involves actually differentiating the market offering to create superior customer value.
- **Positioning** consists of arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

Major bases for segmenting consumer markets (4)

- **Geographic:** nations, regions, provinces, countries (climate, city size, density), cities and neighborhoods
- **Demographic:** divide market into groups based on → age, gender, family size, family lifestyle, occupation, education, religion, race, generation and income
- **Psychographic:** lifestyle and personality traits- lower class: lower, upper, middle class, working class) lifestyle (achievers, strivers, survivors), personality
- **Behavioral:** divide consumer based on their attitude, knowledge, uses and response to product.

Major target marketing & positioning strategies

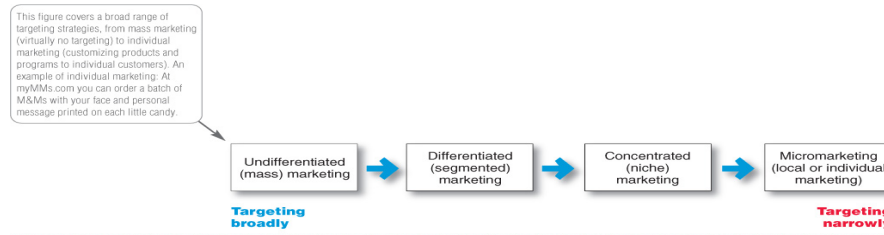


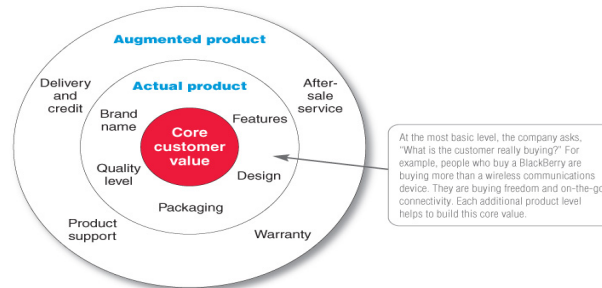
Figure 8.2 Market Targeting Strategies

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- (1) **Undifferentiated mass marketing:** target the whole market with one offer
- (2) **Differentiated segmented marketing:** target different market segments and designs separate offers for each
- (3) **Concentrated marketing (niche):** target a large share of one or a few segments or niches.
- (4) **Micromarketing:** tailoring products and marketing programs to suit the tastes of specific individuals and local customer groups.

Major classifications of products & services

Figure 9.1 Three Levels of Product



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- The core: it's the benefits of the products that make it valuable to you. **Ex.** Car → speed/convenience (the ease you can go anywhere you want to)
- Actual product: it's the physical product that you can get some use out of it. **Ex.** The vehicle, test, drive and collect (physical)
- Augmented product: non-physical part of the product (consists of lots of added value, which you may/not pay the premium. **Example of car:** warranty, customer service support and after sale service.)

Consumer products: (1) **convenience** (buy frequently, immediately, min comparison/ newspapers, candy fast food), (2) **shopping** (consumer compare carefully based on quality/ price), **specialty** (unique characteristics / consumer willing to make purchase efforts ex. Medical, Rolex watch, designer cloth) and **unsought** is what consumers usually don't know about or don't think of buying it (life insurance, funeral services)

Concepts of product/services lines & mixes

Product line decisions

- **Product line** is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.
- **Product line length** is the number of items in the product line (line stretching, line filling)

Product mix decisions

- **Product mix** consists of the total product line within a company. Ex. HUL has numerous product lines like Shampoos, detergents, Soaps etc.

Branding strategies

- Line extension: extending an existing brand name to new forms, colors, size, ingredients of an existing product category.
- Brand extension: extending an existing brand name to new product.
- Multi brands: introduce in the same product category.
- New brands

Services marketing

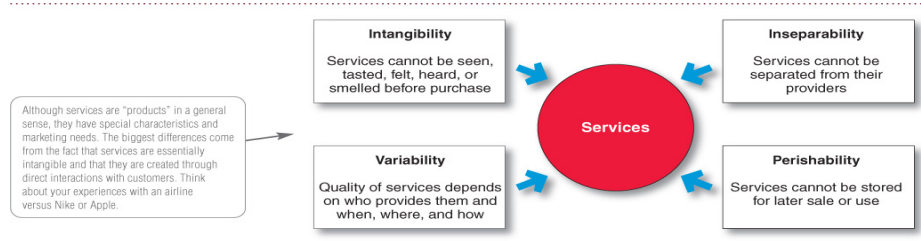


Figure 9.3 Four Service Characteristics

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MIDTERM EXAMINATION → ← ↑ ↓

8 Steps in the new product development process

- Idea generation:** brainstorming
- Idea screening:** select an idea
- Concept development and testing:** design concept that company can see itself offering to customers/ testing concept with target customers → customer appeal
- Marketing strategy development:** design marketing strategy/ describe target market (planned value proposition, sales, market shares and profit goal)/outline product's planned, price, distribution and marketing budget/ describe the planned long run sales, profit goals and marketing mix strategy
- Business analysis:** review sales, costs, profit projections whether to see if it satisfy company's goal.
- Product development:** creation and testing product concept into physical version → R&D, engineering dept.
- Test marketing:** test of the product in a realistic market setting/ gives experience to marketers before launching product/ test cost ↑/ takes time/ allow competitors to gain advantages/ big investment in launching new product (Standard/ controlled test market/ simulated test market) Firms test product when it needs large investment/ uncertainty about new product
- Commercialization:** customer centered (new ways to solve customer problems), team centered (team work closely together) and systematic (collect, review, evaluate and manages new-product ideas)-innovation oriented.

Product life cycle

- Product development:** sales zero/ investment cost ↑
- Introduction:** few competitors/ slow sales growth/ profit nonexistent (- profit)/ build a lot (innovator customers)/ high cost per cust. Recommendation: offer basic product/ use cost-plus pricing/ build selective distribution/heavy promotions
- Growth:** rapid market acceptance/ increase profit/ customer early adopters/growing number of competitors. Recommendation: maximize market share/ price to penetrate market/ build intensive distribution/ offer product extension (service, warranty)
- Maturity:** slowdown in sales growth (as they peak), profit level off or decline, stable, low cost per customer, high profit, customer are middle majority, introduction of substitute product, stable competitions. SHOULD: increase promotion in R&D, promotion to support sales/ profit.
- Decline:** sales fall off/ profit drop/ customers are laggards. SHOULD: reduce expenditure, cut prices, phase out weak items, and reduce sales promotions.

Internal & external factors that affect pricing decisions

- Customer perception of value set upper limit for prices
- Costs set lower limit

Major strategies for setting and modifying prices

New product pricing strategies:

Market skimming price (high initial price → target those willing to buy at higher price ex. Brand name clothing line) || Market penetration: low initial price (attract larger number of buyers ex. Econofitness)

Psychological pricing: sellers consider the psychology of prices not only the economy factors.

Reference pricing: prices that buyers carry in their minds and refer to when looking to the given product. Ex. Milk, coffee and pizza

Dynamic pricing: prices are adjusted continually to meet the characteristics of the ind. Consumer/ situation

New Product Development & Product Life-Cycle Strategies


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Pricing

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		<p><u>Geographical pricing</u>: target customer in different parts of the country or the World</p> <ul style="list-style-type: none"> • FOB- origin (free on board) pricing • Uniform-delivered pricing: company charges the same price + freight to all the customers regardless of their location • Zone pricing: company setup zones where customer within that zone get free delivery. <p>Product mix pricing strategies:</p> <ul style="list-style-type: none"> • Product line pricing: <i>take into account the cost differences between products in the line, customer evaluation of features and competitors prices.</i> • Optional pricing: <i>optional or accessory product along with the main product.</i> Ex. Option of getting an installed GPS in your car • Captive pricing: <i>product that must be used along with the main product</i> Ex. Games with PS4 • By product pricing: product with little or no value that producer will try to make profit and get rid of it. Ex. Zoo+ excrement • Product bundles: combine several products at a reduced price Ex. High speed internet+ TV+ telephone (Videotron) • Two part pricing: breaking price into 2 parts → fixed fee → variable usage fee (Fido) <p><u>General approaches to setting prices</u></p> <ul style="list-style-type: none"> • Value-based pricing: customer needs and value perception/ set price to match customer perceived value/ determine cost that can be occurred/ design product • Cost-based pricing: design good product/ determine cost/ set price based on cost/ convince buyers • Good value pricing: offer good quality/ service at fair price. <u>Everyday low pricing</u> (EDLP): few/no discount. <u>High-low pricing</u>: High price- frequent promotion • Value-added pricing: attached value features and service to differentiate offers to higher price and build price power. (Ex. Warranty)
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Distribution Channels & Supply Chain Management	12	<p><u>Functions of channel members</u></p> <p><u>Managing conflict & regaining control in the channels</u></p> <p><u>Channel design & management decisions</u></p>
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Integrated Marketing Communications (IMC) Strategy	14	<p><u>Role & importance of the tools in the marketing communications mix</u></p> <p>Figure 14.1 Integrated Marketing Communications</p>  <p>Copyright © 2014 Pearson Canada Inc.</p> <p><u>5 Steps in developing effective IMC</u></p> <ol style="list-style-type: none"> 1. Identify target audience: who, what, when, where, how 2. Determine communication objectives: buyer stage: Awareness → knowledge → liking → preference → conviction → buying 3. Design message: AIDA 4. Chose media: personal communication/ word-of-mouth/ opinion leaders/ buzz marketing 5. Select the message source: celebrities/ professionals in domains <ul style="list-style-type: none"> • Advertising: any paid form of promotion/ presentation of ideas, goods or services by identified sponsors. Ex. Broadcast, print, Internet • Sales promotions: short term incentive to encourage customer purchase ex. Discount • Public relations: building good relationship, image to head off unfavorable story, rumors. Ex. Press release • Personal selling: personal presentation by the firm's sale force/ build customer relationship • Direct marketing: making direct connections with targeted customers to obtain immediate responses (Catalogues, telemarketing, and kiosks).
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The 5 major advertising decisions

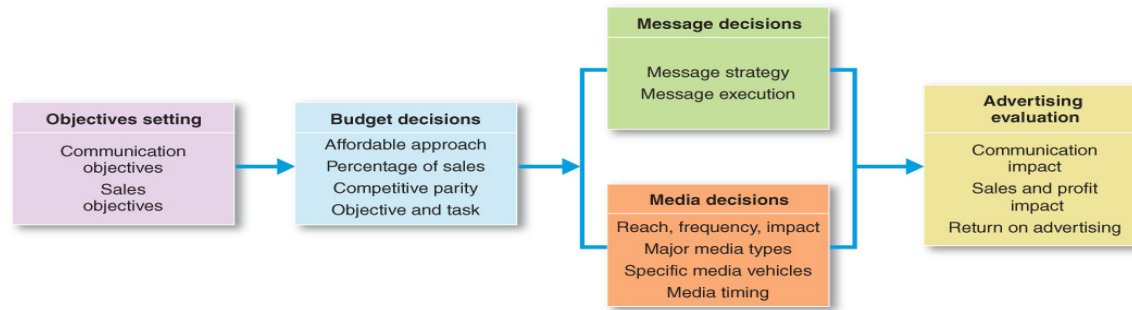


Figure 15.1 Major Advertising Decisions

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Functions & tools of public relations

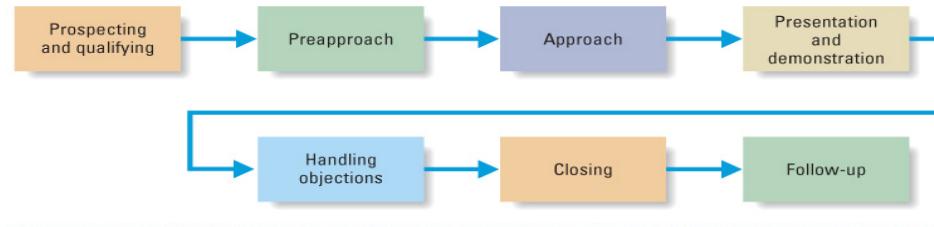
PUBLIC RELATIONS

- **Public relations** involve building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events.
- **Public relations** are used to promote products, people, ideas, and activities.

Public relations department functions include: press relations or press agency, product publicity, public affairs, lobbying, investor relations and development

Steps in the personal selling process

Figure 16.3 Steps in the Selling Process



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1. **Prospecting:** qualified potential customers through referrals from customers, suppliers, dealers and Internet
2. **Qualifying:** identify good customers and screening out poor ones by looking at financial ability, volume of business, needs, location
3. **Pre-approach:** learning as much as possible about the customer needs → phone call, letter, personal visit
4. **Approach:** salesperson meet and greets the buyer and gets relationship off to a good start
5. **Presentation and demonstration:** salesperson tell the product story to customers
6. **Handling objections:** salesperson resolve problems that are logical, psychological or unspoken
7. **Closing:** salesperson should recognize the signals from buyer (physical actions, comments and questions)
8. **Follow up:** follow up after the sale to ensure the customer satisfaction

The major sales promotion categories and tools

Samples, coupons, cash refunds, price packs, premiums, advertising specialties, Patronage rewards, Point-of-purchase displays, Demonstrations, Contests, Sweepstakes, Games

How salespeople create value & build relationships

Personal selling is transaction oriented to close a specific sale with a specific customer/ long term is to develop a mutually profitable relationship

Design & use of sales promotion campaigns

Sale promotion:

- Consumer promotions: short term consumer buying/ enhance long term customer relationship
- Trade promotions: carry new items or more inventory/ buy in advance/ advertise company product
- Sales force promotions: more sales force support for new/ current product

Forms & benefits of direct marketing

Figure 17.1 Forms of Direct Marketing



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Growth and benefit of direct marketing

Benefits to buyers

- Convenience
- Ready access to many products
- Access to comparative information about companies, products, and competitors
- Interactive and immediate

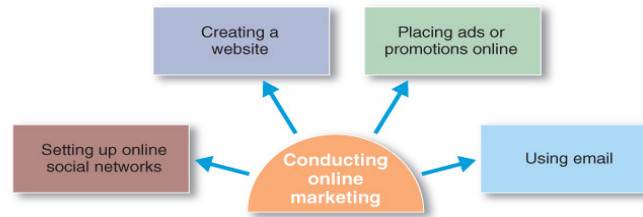
Benefits to sellers

- Tool to build customer relationships
- Low-cost, efficient, fast alternative to reach markets
- Flexible
- Access to buyers not reachable through other channels

- **Direct-mail marketing:** offer, announcement, and reminder about product at a particular address. →personalize ex. Voice mail, email
- **Catalogue direct marketing:** printed and web based catalogues →cheaper, unlimited amount of merchandize, real life merchandizing, real time merchandising but require marketing and difficult to attract new clients.
- **Telephone direct marketing:** sell directly to customers →fast purchase, increase product service and info BUT: client avoid
- **Direct response television:** 60-120s marketing that allows customer to interact by calling to the number. Ex. Home purchase channel
- **Kiosk marketing:** placing info person or machine in public areas
- **Digital direct marketing technology:** phone, podcast, vodcast, interactive TV
- **Mobile phone marketing:** ringtone, mobile games, ads, contests
- **Podcast, vodcast:** downloading video or audio from Internet and listen to it at consumer's convenience.
- **Interactive TV:** let consumers interact with TV advertising from their remote control.

Evolving use of online & Internet technologies in direct marketing

Figure 17.3 Setting up for Online Marketing



Designing effective websites: (1) promote offline promotion and online links, (2) update often the site, (3) create value and excitement and (4) make the site useful

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Global Market Place

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The global marketing environment



Major decisions in international marketing (Focusing on adopting the communication to local markets and change/ adopt products to foreigners)

- Adjusting marketing strategy and mix elements to each international target market.
- Marketing a product in a foreign market without change
- Adopting the product to meet the local conditions or wants or foreign markets
- Creating something new for specific foreign market (create new product or maintain earlier product forms)
- Communication advertising adopted to local markets

Major social & ethical criticisms of marketing

SOCIAL CRITICISMS OF MARKETING

Marketing's Impact on Individual Consumers

Marketing & Society

4

High Cost of Distribution

Complaint:

- Prices are too high due to high costs of distribution, advertising and promotion and excessive mark-ups

Response:

- Intermediaries are important and offer value
- Advertising informs buyers of availability and merits of a brand
- Consumer's don't understand the cost of doing business

EX. A heavily promoted brand of mouthwash sells for much more than a virtually identical no branded or store-branded product.

Consumerism & environmentalism

Traditional sellers' rights: right to introduce the product in any size, style (not dangerous), provide any prices (no discrimination), promote the product (no unfair competition), product message (no misleading or dishonest) and the right to use any incentive programs.

Traditional buyers' rights: buy product considered safe, on sales and buy the product as claimed

Environment: pollution, clean technologies not harmful to environment

Enlightened marketing & ethics

Customer oriented market: view marketing activities from consumer's point of view

Customer oriented market: create value with marketing mix

Innovative marketing: company seek real product and marketing improvements

