

COMM 223- Midterm

LECTURE 1

Marketing concept: the key to achieving organizational goals consists of determining the needs/wants of target markets + delivering the desired satisfactions more effectively/efficiently than competitors

Concentrate → needs of buyer, NOT needs of seller

Marketing: the process of maximizing company profits (short/long-term) through creation of superior value for customers relative to competition

The Core Marketing Concept:



Needs: state of feeling deprivation (e.g.: hunger)

Wants: needs shaped by culture/individual personality (e.g.: “I want a hamburger and fries”)

Demands: wants backed by buying power (e.g.: I have money to buy this meal → I’m buying it)

Meeting customer needs and wants:

Products: anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a need/want.

Customer’s Decision Criterion:

Customer value: benefits customer gains from using product compared to cost of getting product

Customer satisfaction: depends if product’s perceived performance in delivering value can meet buyer’s expectations

How Consumers Meet Needs and Wants:

Exchanges: obtaining a desired object from someone, offering something in return

Relationships: process of creating, maintaining and enhancing ongoing exchanges/transactions

The Market: the set of all actual/potential buyers of a product/service

LECTURE 2

Marketing Management Orientations:



Marketing Approaches

Classic Marketing Approach (stick to basics)	Alternative Marketing Approach (innovation)
<ul style="list-style-type: none">▫ Market-driven▫ “Give customer what they want.”▫ Matches well with markets containing products with high buyer familiarity▫ Assumes buyers evaluate choices based on fixed value concepts	<ul style="list-style-type: none">▫ Market-driven▫ “Help customers learn what they want”▫ Matches well with rapidly evolving markets with growing number of original products▫ Assumes buyers can learn/evolve with new value concepts

Customer Relationship Management (CRM):

- General process of building/maintaining profitable customer relationships by delivering superior customer value/satisfaction.
- It costs 5-10x more to attract a new customer than it does to keep current one satisfied
- Marketers → concerned with **lifetime value of the customer**
- Customer equity: total customer values of all of the company’s current/potential customers
- Ideal relationships with customers → treating customers as assets that need to be managed/maximized

- Different customers = different CRM strategies

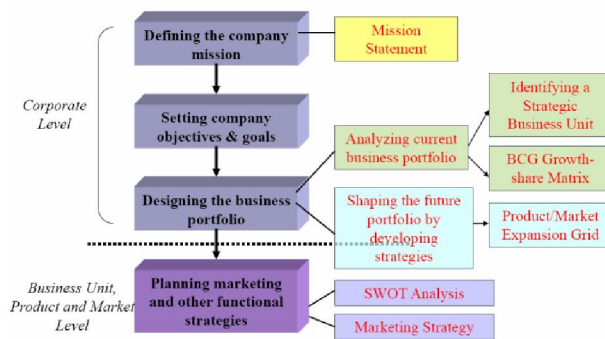
Customer Lifetime Value (CLV):

- The value of the entire stream of purchases that ONE customer would make over a lifetime of sponsorship
- E.g.: Lexus estimates one customer = \$1,170,000 in lifetime sales
- CLV can end up negative → e.g.: customer buys but does not pay

Strategic Planning: managerial process of developing/maintaining a strategic fit between organization's goals and resources in its changing market environment



Steps in Strategic Planning:



1) Mission statement:

- statement of organization's broad purpose; what it wants to accomplish in the big picture
- statement of the organization's scope, often identifying its customers, markets, products, technology and values

Evaluating a Mission Statement:

- Market oriented: focus on meeting consumer needs
- Realistic: don't be delusional
- Motivational: inspire employees
- Consistent with the market environment: be up to date

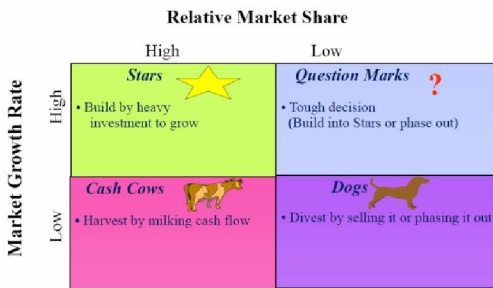
2) Corporate goals:

- Convert the mission into targeted levels of performance
- Measurable, achievable, unequivocal

3) Business Portfolio: P&G example



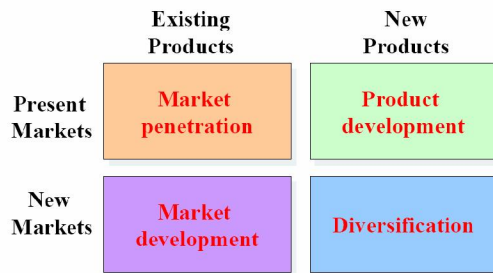
4) BCG Growth Share Matrix



Limitations of BCG analysis:

- Independence assumption
 - does not account for synergies
 - cannot explain cannibalization
- Not powerful for future planning
- Limited information used
 - market attractiveness= growth?
 - competitive position = market share?

Product/Market Expansion Grid:



Market Penetration:

- Making more sales to current customers without changing its products
- How? → Add new stores in current market areas, improve ads, prices, service/store design, suggest a new usage

Market Development:

- Develop new markets for its current products
- How? → Identify new demographic/geographic markets

Product Development:

- Offering new products to current markets
- How? → new styles, flavors, colors, modified products

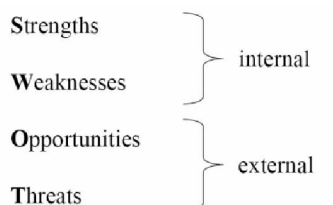
Diversification:

- New products for new markets
- How? → Start up/buy new businesses

Planning Phase:

- Situation analysis (SWOT): complete analysis of company's situation
- Customer-focused Marketing strategy (STP): targeting/positioning + managing marketing mix (4 P's)

SWOT analysis: formal framework for identifying/framing organizational growth opportunities



Marketing Environment:

I. Company's Microenvironment:

- Consists of the actors close to the company which affect its ability to serve customers
- The company, customers, competitors, suppliers, marketing intermediaries, publics

II. Company's Macroenvironment:

- Consists of the larger societal forces that affect the microenvironment
- Demographic, economic, natural, technological, political, cultural-environment.
- E.g.: more people are divorcing and separating

Age groups:

I. Children: (generally speaking)

- Increasing in developing countries
- Decreasing in developed countries → does NOT imply ↓ spending
- Expenditure on baby/kids products depends on culture

II. Teenagers

- Easily switch brand preferences
- Easily liable to peer influences

III. Young adults

- 18-25 have ↑ (gen Z)
- 26-36 have ↓ (gen Y)

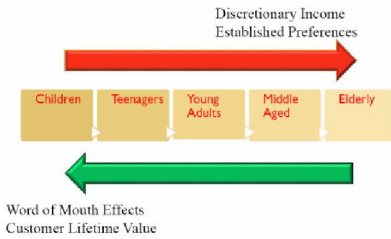
IV. Middle-aged segment

- Baby-boomers

V. Elderly

- Proportion growing strongly in industrialized nations
- Cognitive/perceived age often different from actual age
 - Want ads to appeal to them, but not too obvious
- Have a lot of discretionary income, but:
 - often don't need to spend
 - are often careful spenders
 - have more time (use coupons, buy during off-peak hours)
- Newspapers and AM radio
- Shop earlier
- Declining sensory abilities

Attractive Age groups:

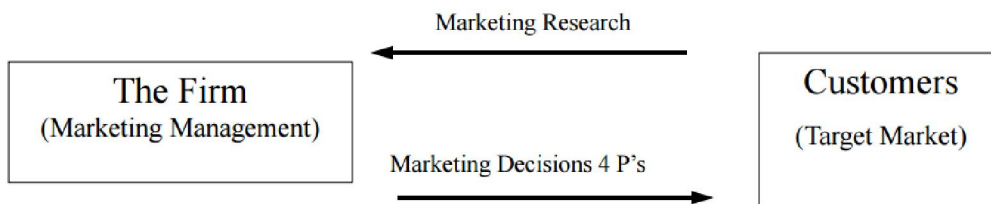


Technological environment: includes forces that create new technologies creating new product/market opportunities

Political environment: increase legislation and social responsibility emphasis

LECTURE 3

Marketing Research: the process of acquiring market information to improve marketing decisions



*4 P's = Product, pricing, placement, promotion

Marketing Information System: information needed by managers can be obtained from...

- I. Internal data
 - Computerized collection of consumer and market info from data sources (i.e.: accounting) within the company network
 - Gathered via customer databases, financial records and operations reports
 - PROS: quick, easy access to info
 - CONS: incompleteness, inappropriateness to a particular situation
- II. Marketing Intelligence
 - Collection/analysis of publicly available information about competitors/developments in the marketing environment (i.e.: technological)
 - Competitive intelligence gathering activities have grown
 - Many sources of competitive info exists

Procedure for Marketing Research:

1) Define purpose of the research

- Why should we do the research?
- What should the research tell us?

2) Plan the research

- How should the research be carried out?

3) Perform the research

- Collecting/analyzing data
- What should we do with the data?

4) Interpret and report the findings

- What do we do with the results?

Research plan: classification of research types

I. Exploratory:

- Gives insights into the general nature of a problem, possible decision alternatives, and the relevant variables to consider
- Used when little is known about the problem/situation → to develop initial hunches/insights and to provide direction for any further research needed
- Used to gain ideas and insight into the research problem
- Used to determine what factors/variables/constructs may potentially be influential
- **Research outcome:** a list of **potentially influential** factors/variables

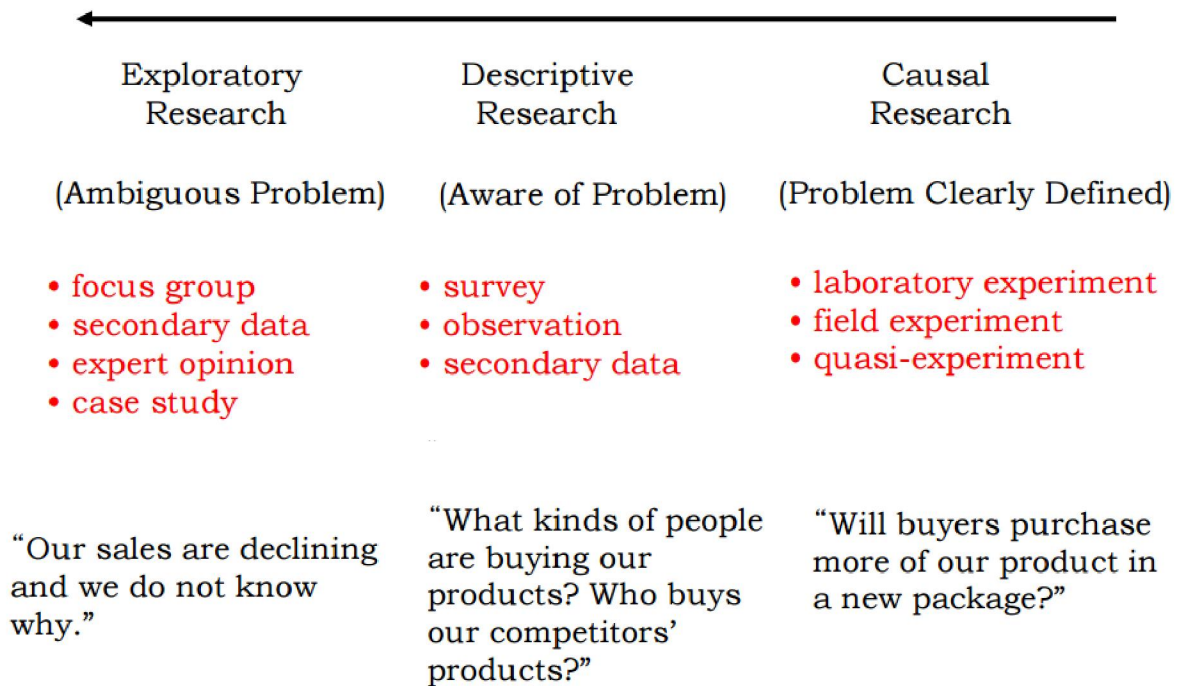
II. Descriptive:

- Provides an accurate snapshot of some aspect of the market environment
- Used when the research objectives/questions are clearly defined and summary measures are needed to address the research questions
- Used to describe the characteristics/composition of relevant groups or units
- **Research outcome:** summary measures (of characteristics)

III. Causal/Confirmatory/Experimental:

- Shows whether one variable causes or determines the values of other variables
- Used to identify/establish cause-and-effect among variables
- Used to understand tight connections between management actions and observed outcomes
- **Research outcome:** and X & Y relationship → if X occurs, Y happens

Increasing Uncertainty



Descriptive vs. Causal Studies: Correlation and Causality

- Correlation DOES NOT = Causality
- Reverse causation: the more firemen fighting a fire, the bigger the fire is going to be. Therefore, firemen cause fire
- A third common causal factor: does wearing a seatbelt reduce death risk in a car accident?
- Coincidence: since the 1950’s, both the atmospheric CO2 level and crime level have increased sharply. Hence CO2 = crime

Experiments for Causal Relationship:

- Goal: to determine causality
- Conditions necessary to establish causality
 - The cause must precede the effect (A before B)
 - No plausible explanation for B other than A
 - Ceteris Paribus (all things being equal)

Design Issue: Types of Data



Primary vs. Secondary Sources

Primary

- Collected by researcher
- Addresses a specific research objective (survey data, questionnaire, etc)

PROS of Primary:

- More reliable
- Better suited to specific research goals
- Used in exploratory, descriptive, and causal research designs

Secondary

- Typically collected by a 3rd party (not the researcher)
- Collected without specific research objective (census, store audits)

PROS of Secondary:

- Cheaper than primary data
- Easy to obtain
- Best for exploratory research

Qualitative Research:

- Involves: small samples + non-structured data collection procedures
- Provides: initial insights, ideas of understanding of the problem
- Should NOT be used to recommend final course of action
- Main methods
 - focus group: a group discussion, best for preliminary research

- in-depth interviews: one respondent, one researcher leads discussion, encourages uninhibited responses, laddering (follow-up question based on respondent's answer) as a technique
- observation: involves recording the behavioral patterns of people, objects and events in a systematic manner

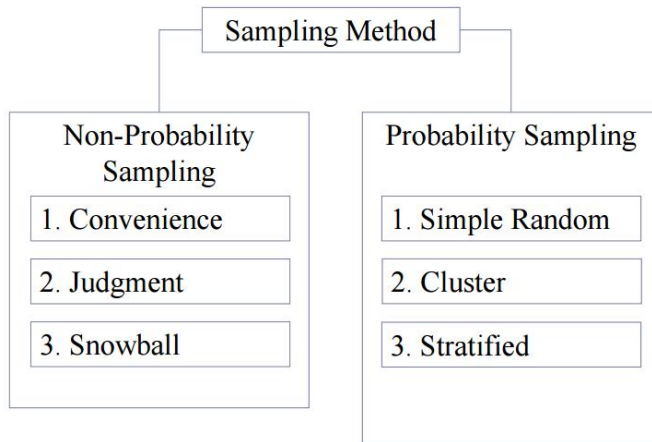
Projective Techniques:

- unstructured/indirect form of questioning which encourages the respondents to project their underlying motivations, beliefs, attitudes or feelings regarding the issues of concern
- Examples:
 - word association: respondent responds to a list of words, reacting to them with the 1st word that comes to mind
 - Measures: frequency, time limit, # of respondents who don't respond at all
 - sentence completion
 - picture response and drawings
 - ZMET: Zaltman Metaphor Elicitation Technique
 - elicitation of respondent's unconscious thoughts via non-literal or metaphoric expression
 - respondents are asked to collect a set of pictures that represent their thoughts and feelings about the topic of interest

Survey Data:

- Useful for descriptive research
- PROS:
 - Standardization/completeness
 - Ease of administration
 - Access to unobservable perceptions
 - Suitable for statistical analysis
- CONS:
 - "I don't care"
 - Easy to do wrong

Types of Sampling Methods:



Probability vs. Non-Probability Sampling

- Probability sampling: every element of the population has a known probability of inclusion in the sample
 - PRO: one can quantify the amount of error that is introduced because a sample is used instead of a census
 - Simple random sample: computer generated random numbers
 - Stratified sample:
 - Use it to increase precision and ensure different subgroups are represented
 - To use this method researchers must have knowledge on the size of each stratum in population
 - Two step procedure:
 - i. The target population is divided into subsets or strata
 - a) Mutually exclusive/exhaustive
 - b) Strata are based on one of more characteristics (e.g.: age, gender, state, store size)
 - ii. A simple random sample is chosen from each subset
 - Cluster sample:
 - cost friendly
 - require homogeneity across cluster and heterogeneity within cluster
 - Two step procedure:
 - i. Population is divided into mutually exclusive/collectively exhaustive subsets
 - ii. Random sample of subsets is selected
- Non-probability sampling: some elements have zero chance of being selected
 - Convenience sample: “person on the street” survey, popup window on website, mall intercept
 - cheap, convenient, but often opinionated
 - Judgement sample: expert opinion, “techy” consumers

- Snowball sample
- CONS of non-probability sampling:
 - sample may not be representative of target population
 - difficult to project sample results to target population
- Circumstances under which a non-probability sample may be used:
 - Exploratory research, e.g.: focus groups
 - When probability samples are too costly

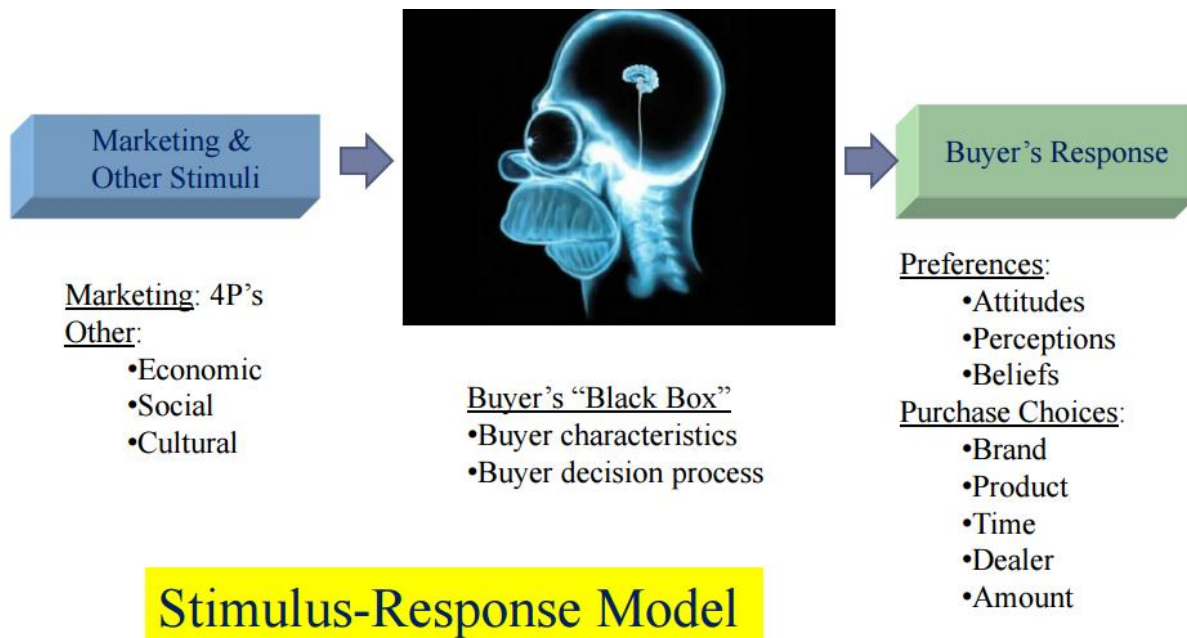
Why don't we just ask consumers what they want?

- People don't know what they want
- People don't always know their needs
- People don't want to tell you why they do what they do
- People don't know why they do what they do
- Sometimes asking them changes their behavior

LECTURE 4

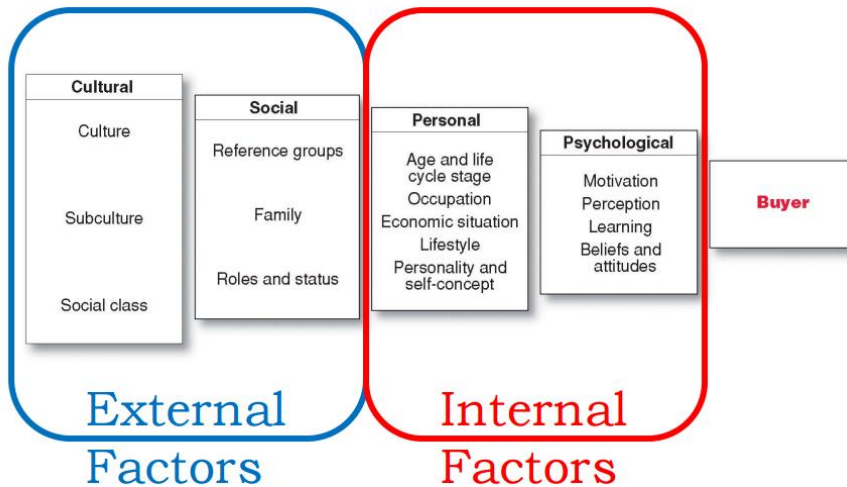
Consumer behavior: the activities of consumers in obtaining, using and disposing of goods/services, including the decision process that precede and follows these actions

Consumer behavior model:



Factors affecting consumer behavior:

Influences



Internal factors:

Personal factors

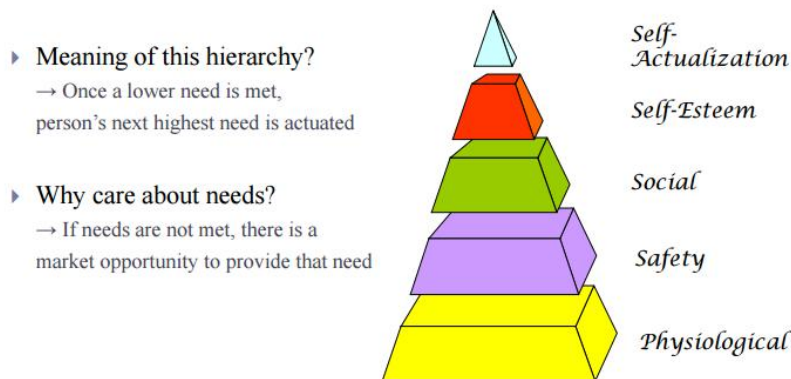
- Age and life cycle stage
- Occupation
- Economic situation
- Personality
 - Refers to the unique psychological characteristics that lead to consistent and lasting responses to the consumer's environment
 - Brands also have personalities → consumers are likely to choose brands with personalities that match their own
- Lifestyle
 - person's pattern of living as expressed in his/her psychographics
 - measures consumer's AIOs (activities, interests, opinions) → capture person's pattern of acting/interacting in the environment

Psychological Factors:

- Motivation: drives person to seek satisfaction of need
- Perception: process by which people select, organize and interpret info
- Learning: changes in individual's behavior arising from experience
- Belief: descriptive though that a person holds about something
- Attitude: person's consistently favorable or unfavorable evaluations, feelings and tendencies toward an object/idea

Psychological Influences Motivation

Maslow's Hierarchy of Needs:



- i. Physiological needs: generic foods, medication, special drinks, supplements for athletes
- ii. Safety needs: smoke detectors, preventative medicines, insurance, social insurance, retirement investments, seat belts, burglar alarms
- iii. Social needs: cosmetics, clothing, entertainment, house
- iv. Esteem needs: clothing, furniture, hobbies, automobiles, watches
- v. Self-actualization: education, hobbies, sports, adventure, vacations, books, gourmet foods, museums

Psychological Influences: Perception and How to reach consumers

- Exposure: e.g.: consumer must SEE your billboard
- Attention: e.g.: consumer must LOOK at Ad message
 - Selective attention: people screen out most of info to which they're exposed to
 - Selective distortion: people interpret info in a way that will support their beliefs
 - Selective retention: people will remember good points made about a brand they favor and forget good points about competing brands
- Perception: e.g.: consumer must TAKE IN message

Perception = Constructed Reality:

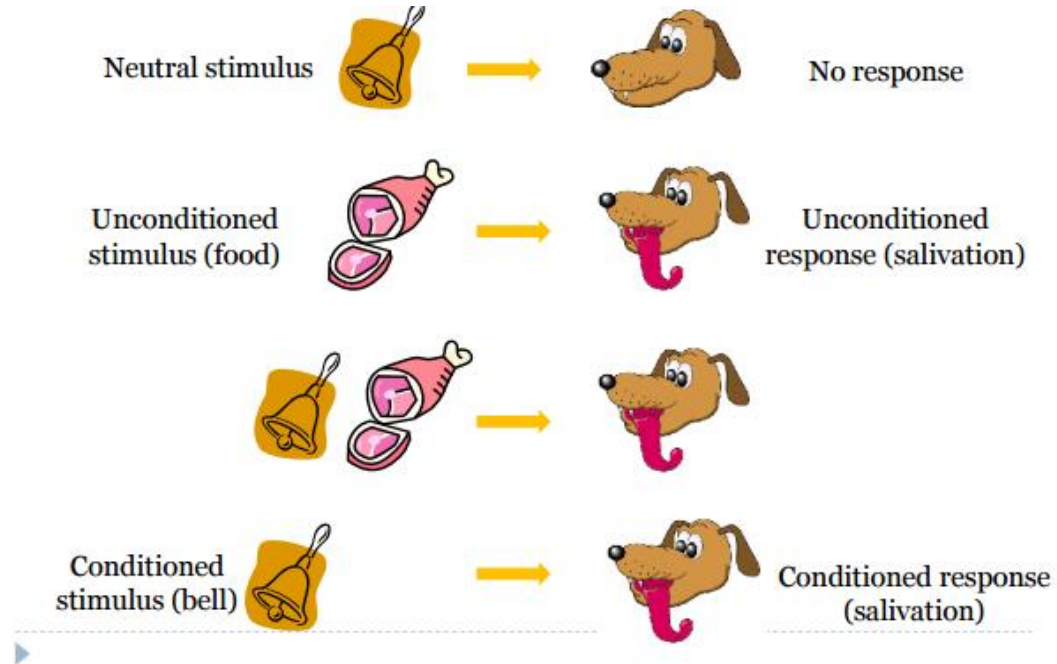
- Reality = perception

Perception is Crucial in Consumer Behavior:

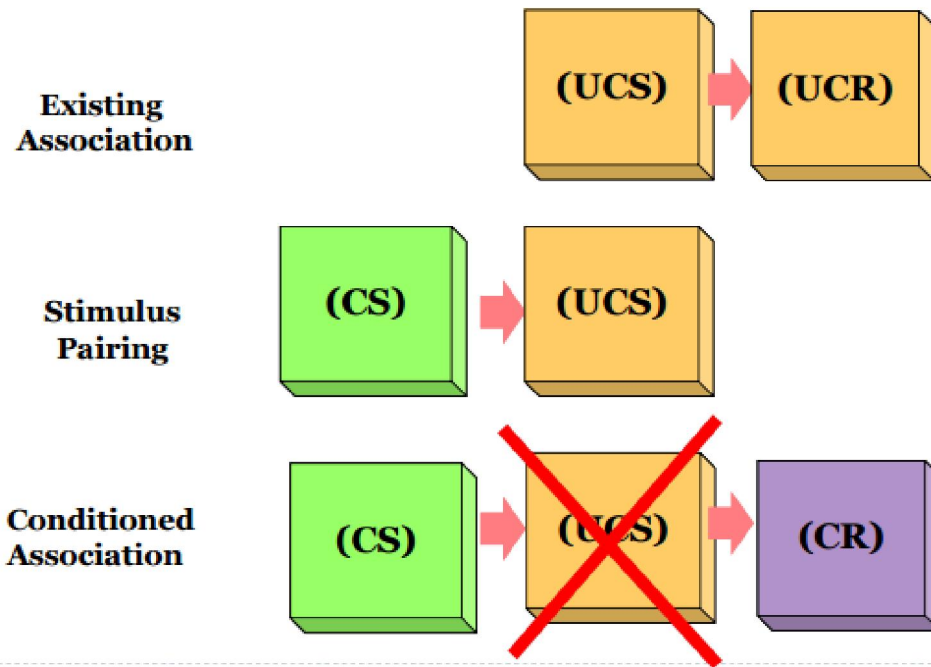
- What is perceived is not necessarily what is true

- What consumers perceive is what is reality for them; it affects their actions

Psychological Influences: Classical Conditioning



Classical Conditioning



Types of Buying Behavior

	High-involvement	Low-involvement
Significant differences between brands	Complex Buying Behavior	Variety seeking Buying Behavior
Few differences between brands	Dissonance reducing Buying Behavior	Habitual Buying Behavior

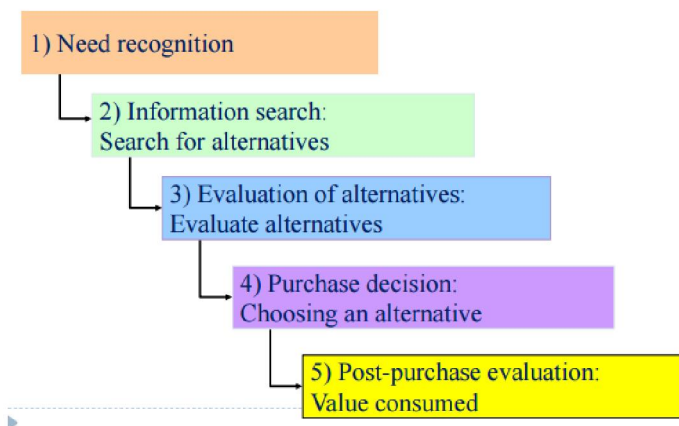
Types of Buying Behavior

Examples

	High-involvement	Low-involvement
Significant differences between brands	Computer	Chewing Gum; Snack
Few differences between brands	Carpet	Salt; donuts

Consumer Decision Making

Buyer Decision Process



- i. Need recognition
 - o Stimuli
 - internal: hunger, thirst
 - external: rain
 - o Need recognition does NOT equal need
 - o Consumers may not always identify their needs, marketers should help them recognize them
 - o Marketers must know why consumers need something, while consumer do not need to
- ii. Information search
 - o Personal sources: family + friends
 - o Commercial sources: ads, internet

- Public sources: mass media, consumer org.
- Experiential sources: handling, examining, using the product
- iii. Evaluation
 - Most buyers evaluate multiple attributes (i.e.: product characteristics), each of which is weighted differently
 - Marketer's perspective → highlight products strengths in info stage. If features = benefits consumer, product will stand out
- iv. Purchase decision
 - Consumer chooses the alternative the “best” solves the problem based on...
 - attributes of the alternative
 - other consumers' attitudes
 - value net of cost to acquire (e.g.: proximity to store)
- v. Post-purchase evaluation
 - Discrepancy between: consumer expectations vs. perceived performance
 - Cognitive dissonance: buyer discomfort cause by post-purchase conflict

External Factors:

Cultural Influence

- Culture: learned values, perceptions, wants and behavior from family and other important institutions
 - Cultural shifts can be good market opportunities
- Subculture
 - Smaller groups with shared value systems
 - E.g.: francophones vs. Anglophones
- Social class
 - Divisions based on social/economic status
 - Distinctions can be unclear in some cultures like Canada

Social Influence

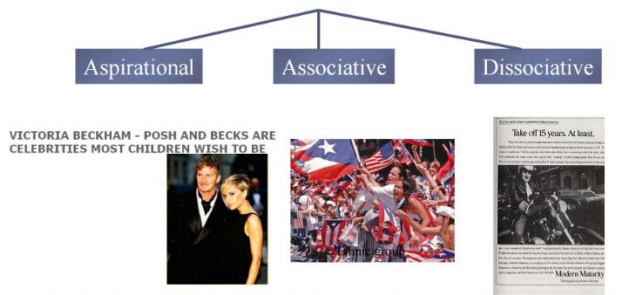
- Family
 - Wife/husband, parents/children
- Groups
 - Membership
 - Reference groups
 - Opinion leaders
 - Online social network

Sources of Socio-Cultural Influences

- Opinion leaders

- More likely to create WOM than others
- Characteristics of opinion leaders
 - Similar to receiver
 - Greater status
 - Involved with the product
 - Outgoing
 - Seek others' opinions themselves
- Market mavens
 - Have a lot of info about the marketplace in general
 - Initiate discussions with consumers and respond to requests from consumers for market info

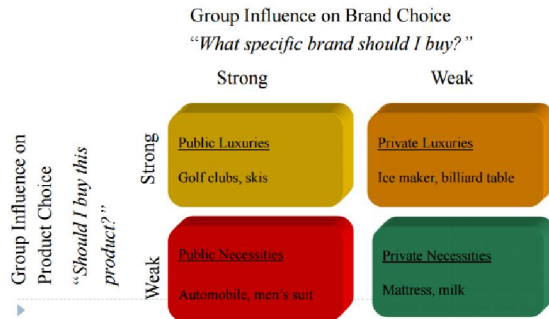
Types of Reference Groups: person/group that influences your behavior



Compliance

- Tendency to be influenced
- More likely to occur publicly than privately
- Can also occur in response to some trigger
 - Automatic
 - Efficient
- Compliance tactics
 - Authority
 - People defer to experts
 - Experts provide shortcuts to decisions requiring specialized info
 - Social Proof
 - We determine what is correct partially because of what others think is correct
 - E.g.: "most popular", "best selling"
 - Laugh tracks for TV comedy (makes you want to laugh)

Socio-Cultural Influences: Reference group – Influence on Product/Brand choice



LECTURE 5



Market segmentation:

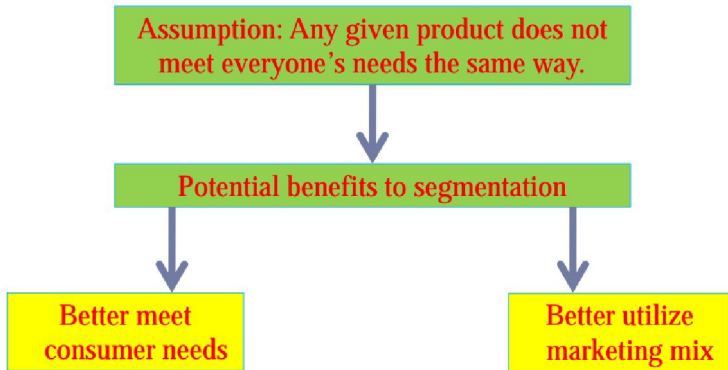
- Dividing the market into smaller groups with distinct needs, characteristics, or behaviors that might require separate marketing strategies/mixes.
- Bottom line: not everyone likes the same things and preferences vary

Targeting: evaluating each market segment’s attractiveness + choosing one or more segments to enter

Differentiation: differentiating the market offering to create superior customer value

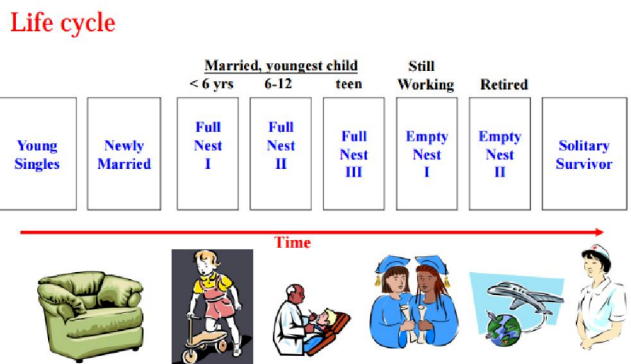
Positioning (Value proposition): arranging for a market offering to occupy a clear, distinctive, and desirable place in the minds of target consumers

Market Segmentation Benefits:



Bases of Segmentation:

- Geographic Segmentation
 - By region
 - Urban vs. rural
 - City size
 - Climate
- Demographic Segmentation:
 - Age
 - Income
 - Gender
 - Family size
 - Life cycle: The traditional family life cycle



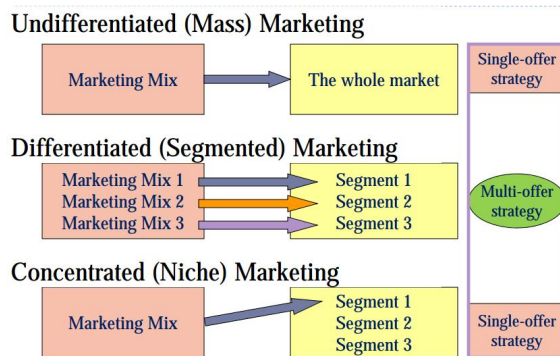
- Different stages of life cycle: why are they important?
 - “Sharpened” memory, loyalty (e.g.: newlyweds)
 - Open to changes (e.g.: Ford Freestyle)
 - Education
 - Religion
 - Nationality
- Demographic segmentation doesn't always work!
 - People from same demographic segment may exhibit very different preferences

- People from different demographic segment may exhibit very similar preferences
- Solution: add **Psychographics Segmentation**
- Psychographic Segmentation:
 - Social class
 - Lifestyle
 - Personality
 - Values
- Compared to geographic/demographic:
 - Usually difficult to identify
 - Often closer to “real” segmentation
- Consumer characteristics that are not evident:
 - Not overt (obvious), but **covert** (discrete) characteristics
 - Tells you why people consume, not just who consumers
 - Psychological and sociological variables. E.g.: consumer personalities, values and lifestyles
 - More determinant of consumer behavior, but harder to measure than demographics
 - Example:
 - Older people may be more likely to purchase insurance than younger people
 - Why?
 - Old people don't buy insurance just because they are old
 - Other 'hidden' factors
 - Older you get – the higher value you place on security
 - Insurance is a way to address this value
 - Old people → security → insurance
- Behavioral Segmentation:
 - Usage occasion (typecasting)
 - Particular holiday-specific product
 - “XXX chocolate for snowy winter”
 - Usage experience
 - “I haven't bought it”
 - “I had bought one”
 - “I currently own it”
 - Usage frequency
 - Loyalty
 - Benefit
- International Market Segmentation:
 - Political factors
 - Legal factors
 - Religions
 - Culture
 - Economic factors

Necessary conditions for good segments:

- Homogenous (consistent) within
- Heterogeneous (diverse) between
- Targetable
 - Measurable (identifiable based on observables)
 - Accessible (for marketing activity)
 - Substantial (large enough to make business sense)
 - Actionable (resources should be available)
 - Differentiable (distinctive behavior)
 - Stable (across time)

Targeting: Levels of Targeting



Target Marketing Strategies:

- Undifferentiated Marketing (Mass-marketing)
 - Economies of scale (produce large quantities and benefit from lower average costs)
 - Less investment
 - Vulnerable to competition focusing on segments
- Differentiated Marketing (Segmented)
 - Higher combined sales
 - Better/ stronger position
 - Potential problem with economies of scale
 - Cannibalization (a reduction in sales volume, sales revenue, or market share of one product as a result of the introduction of a new product by the same producer.)

Target Marketing Strategy

- Niche marketing
 - Narrowly defined group, typically a small market whose needs are not being well served
 - Good when company resources are limited
 - Achieve a strong position
 - Large market share of a small market

Selecting Segments to Target:

- Segment size + growth
 - Market + sales potential
 - Project growth rate
- Segment structural attractiveness
 - Competitors
 - Manufacturer-retailer relationship (bargaining power)
- Company objectives + resources
 - Consistent with the long-term objective
 - Feasible

Positioning (Value Proposition)

- Define the product/firm/brand's place relative to the market's
 - Needs
 - Consumer perceptions, beliefs and attitudes
 - Competitive offerings
- Segmentation + positioning
 - Segmentation: the market's view of the consumer
 - Position: the consumer's view of the firm
 - Positioning: using the 4P's to affect the firm's position

Choosing a Positioning Strategy

- Choosing the right competitive advantages
- How many differences to promote?
 - Unique selling proposition
 - Several benefits
- Which differences to promote?
 - Important: does it matter to consumers?
 - Distinctive: is it different?
 - Superior: is it better?
 - Communicable: can you explain?

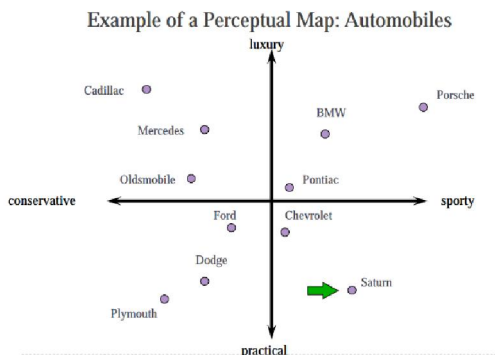
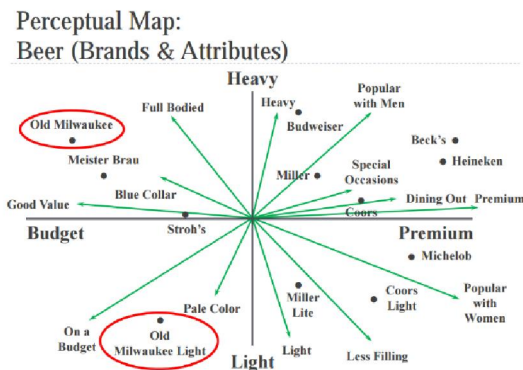
- Pre-emptive: can your competitors catch up?
- Affordable: does consumer benefit exceed cost?
- Profitable: does additional profit exceed additional cost?

Positioning Statement

- Components
 - Target segment and need
 - Brand
 - Concept
 - Point of difference
- Example
 - Too busy, mobile professionals who need to always be in the loop, Blackberry is a wireless connectivity solution that gives you an easier, more reliable way to stay connected to data, people, and resources while on the go.

Perceptions and Positioning

- Perceptual map
 - Spatial representation of several competing products/services
 - Conveys perceptual info in 2-3 key dimensions
 - Represents the position of the product... from consumer perspective
- Example:



Integrating Perceptions/Preferences

- The consumer's **ideal point** represents the trade-offs being made among key attributes
- Brand closest to the ideal point = highest consumer preference
- Consumers are most likely to choose the product for which they have the highest preferences

Perceptual maps help managers to:

- Investigate where unmet customer needs potentially exist
- Identify where competitors might be vulnerable
- Gain insights into how an under-performing product might be repositioned

Positioning: techniques

- The product/service can be positioned in many ways:
 - Product attribute(s)
 - Benefits sought by consumers
 - Competitors (towards or away)
 - Example: BMW, Avis

LECTURE 7

Why introduce new products?

- Market needs change
- If you don't someone else will
- Products under 5 years old contribute to 30% profit
- If you introduce a new product...98% fail
- If you don't introduce a new product... 100% fail

The NPD process: 8 steps

1. Idea generation
 - Internal sources:
 - Engineering and marketing
 - Other employees
 - Formal research and development
 - External sources:
 - Consultancy
 - Competitors
 - Customers
2. Idea screening

- Screen unrealistic ideas
- Write down your success criteria
- Separate tasks of sponsoring and evaluating the idea
- 3. Concept development and testing
- 4. Marketing strategy development
- 5. Business analysis
 - A review of the sales, costs, and profit projections for a new product to determine whether these factors satisfy the company's objectives
- 6. Product development
- 7. Test Marketing
 - Important when:
 - It is a very innovative product such that you cannot anticipate sales based on existing competitors' products
 - Cost of failure = HIGH because of high R&D cost
 - Competitors can hardly benefit from your test marketing
 - Different types:
 - Standard test markets
-e.g.: The New York Times using Canada as a giant guinea pig to test market its new pay wall
 - Controlled test markets
-e.g.:
 - Simulated test markets
-Decision insights –a product testing firm
-Applications: convenience store, restaurants
- 8. Commercialization

Six examples of new product failure

1. Impractical convenience
 - Example: microwavable, instant coffee → packaging was not microwavable
 - What do we learn from this mistake?
 - Deliver the goods as you said they would be delivered (“convenience”)
 - Know the market
 - Create the new trends
2. Inconsistent brand extensions
 - Example: Colgate (toothpaste company making meals)
3. Alienating loyal consumers
 - Example: “New” coke
4. Faulty packaging
 - Example: All-in-one cereal and milk → consumers didn't like the idea of warm milk and packaging wasn't kid-friendly

5. Network incompatibility and externality
 - Example: Sony Betamax → incompatible with VHS and VHS licenses its technology
6. Breaking regulations
 - Example: Cocaine energy drink → banned by the FDA for illegal marketing as a substitute for street drugs

CONSUMER ADOPTION

Visionaries

Innovators:

- First to adopt an innovation
- Venturesome, less risk averse
- Often younger, higher incomes, better educated
- Change enthusiasts
- Willing to tolerate glitches/problems
- Respond to straight information\
- Sometimes buy the product just because it's new

Early Adopters:

- Respected, opinion leaders
- Interested in “newness”, yet prudent

Pragmatists

Early majority:

- More deliberative decision makers
- Seldom stand out
- Prefer incremental, measurable and predictable progree
- Risk is a negative word

Late Majority:

- Skeptical, doubtful of the benefits of adoption
- Conservative and generally anti-innovation
- Believe more in tradition than progress

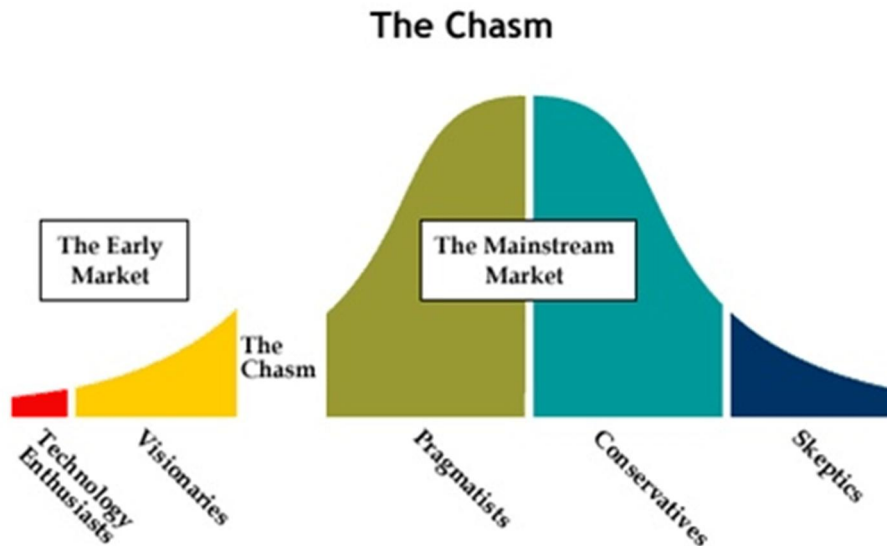
Laggards:

- Traditionalists, locally oriented in terms of social horizons
- Relatively strict in beliefs/values

Non-Adopters:

- Rejected in the first place
- Tried and rejected
- Resistant: preference for existing, familiar products and behaviors over new ones
- Hesitant to disrupt psychological equilibrium
- Rejectionists: those who actively/publicly oppose an innovation

Differences in Adoption: The Chasm Model



Drivers of adoption:

- Relative advantage: how much better is it than the existing product?
- Compatibility: how compatible is it with the consumer's values/lifestyle?
- Easiness: how easy is it to learn how to use it?
- Triability: can this new product be tried on a limited basis?
- Communicability: can the benefits of it be easily explained/demonstrated?

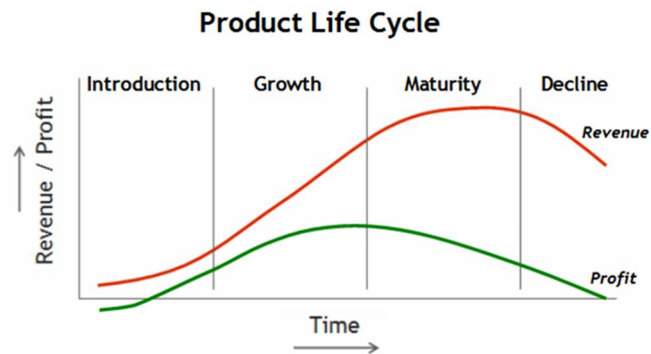
The buyer decision process for new products:

- Adoption process: mental process an individual goes through from first learning about an innovation to final regular use

Stages:

Awareness → Interest → Evaluation → Trial → Adoption

PRODUCT LIFE CYCLE



1. Development

- High failure rates
- High development costs
- Growing emphasis on speed to market

2. Introduction

- Characteristics:
 - Sales = low
 - Costs = high
 - Profits = negligible/negative due to high production/marketing costs
 - Customers = visionaries (innovators/early adoptors)
 - Competitors = few
- Follow the leader companies
- Me-too companies
- Pioneers
 - Advantages of being a pioneer:
 - Get to choose best target market
 - Product becomes prototype against which all others judged
 - Lock up necessary resources, distribution
 - Experience curve effects
 - Advantages of being a second mover:
 - Learn from pioneer actions
 - Benefit from pioneer marketing efforts
 - Customer preferences can evolve faster than pioneer
 - Different customer segments have different preferences

3. Growth

- Characteristics:
 - Sales = fast growth
 - Cost = moderate

- Profits = grow as a result of high prices and growing demand
- Customers = early adopters
- Competitors = growing number

4. Maturity

- Characteristics:

- Sales = peak
- Costs = low
- Profits = high and flat
- Customers = middle majorities
- Competitors = many but stable number of rivals

5. Decline

- Characteristics:

- Sales = declining
- Costs = low
- Profits = declining
- Customers = laggards
- Competitors = competitors exit the market

LECTURE 8

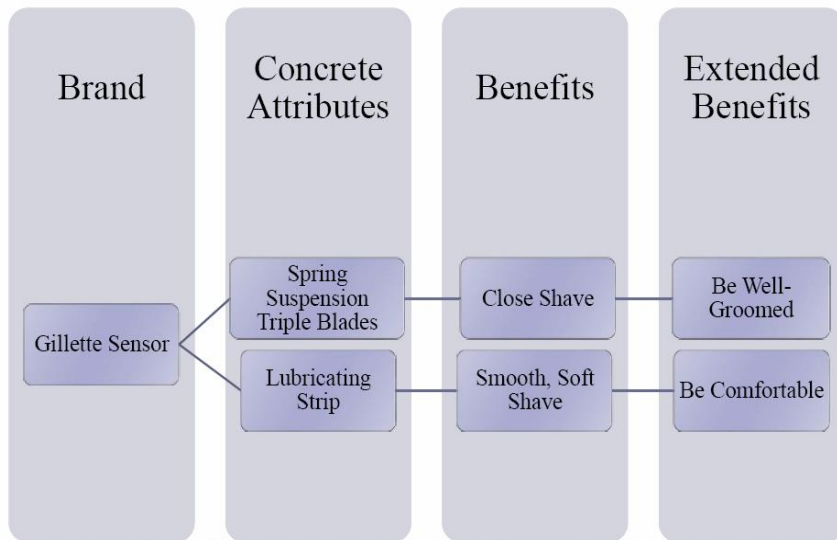
Marketing Planning Process



DEFINITION AND CLASSIFICATION OF CONSUMER PRODUCTS

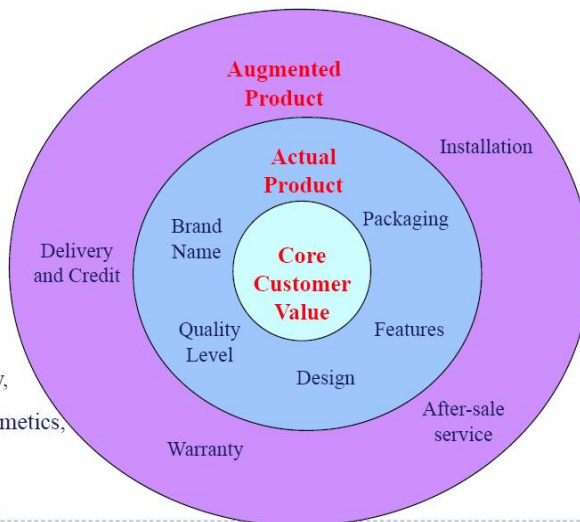
- A product is anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy want/need\

What is a product?



▶ 8

The total product concept



In the factory,
we make cosmetics,
in the store,
we sell hope.

▶ 10

Classifying products

- How many times it can be used? (durable, nondurable)
- Who can use it? (consumer or industrial product)

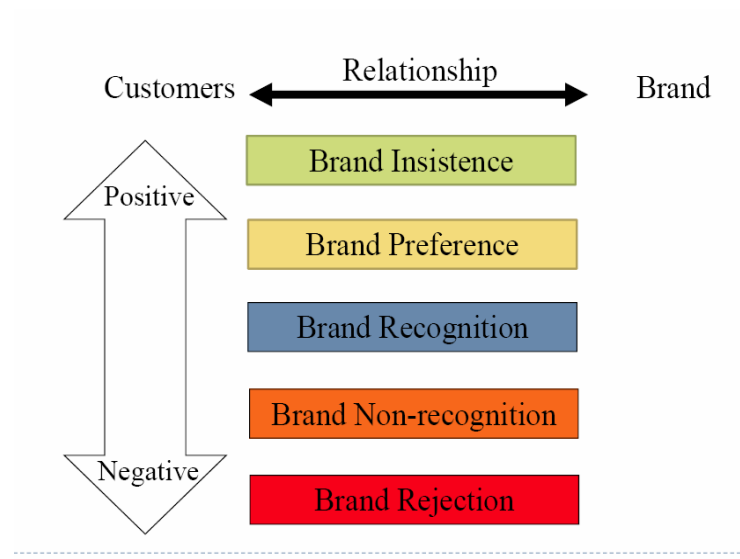
Consumer Products

- Convenience
 - Frequent purchases bought with minimal buying effort and little comparison shopping
 - Low price
 - Widespread distribution
 - Mass promotion by producer
 - Example: candy, toothpaste, laundry detergent
- Shopping
 - Less frequent purchases
 - More shopping effort for comparisons
 - Higher than convenience good pricing
 - Selective distribution in fewer outlets
 - Automobiles, furniture, clothing
- Specialty
 - Strong brand preference/loyalty/special purchase effort
 - Little brand comparisons and low price sensitivity
 - High price
 - Exclusive distribution
 - Carefully targeted promotions
 - Example: Mercedes car, Patec watch
- Unsought
 - Little product awareness and knowledge; sometimes aware but negative interest
 - Pricing varies
 - Distribution varies
 - Aggressive ads and personal selling by producers/sellers
 - Example: life insurance, blood donation

MAJOR PRODUCT DECISIONS

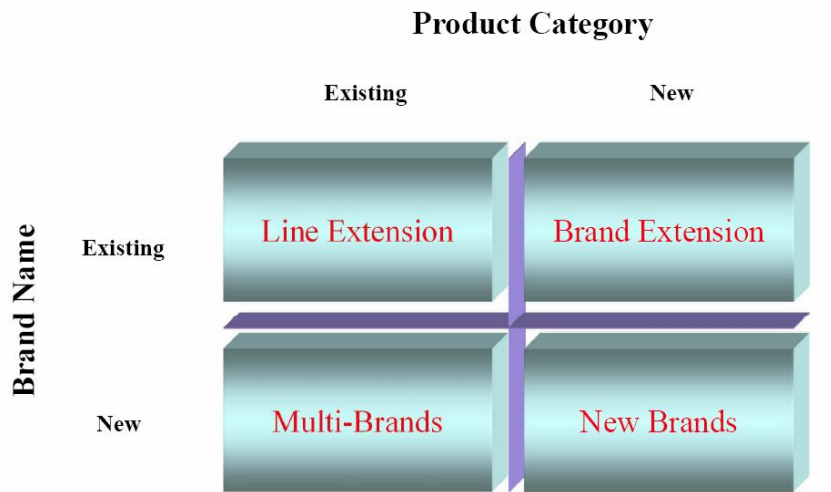
Individual product decisions:

- Product attributes
 - Features
 - Product quality
 - Style and design
- Branding
 - Brand: a name, term, sign, symbol or design or combination of them, intended to identify goods/services of one seller or group of sellers and to differentiate them to competitors
 - Helps buyers: quality assurance, easier to evaluate new products
 - Helps sellers: reduce selling effort, facilitate repeat purchase, assist market segmentation
 - Brand equity:
 - Added value that a given brand gives to a product beyond the functional benefits provided
 - Provides a competitive advantage
 - Higher willingness to pay
 - Relationship between customer and brand:



- Building a strong strategy:
 - **Brand positioning** (product attributes, benefits, beliefs and values)
 - **Brand name selection**

- good brand names suggest something about the product and its benefits
 - are easy to say, recognize and remember
 - are distinctive
 - are extendable
 - translate well into other languages
 - can be registered and legally protected
 - **Brand sponsorship**
 - Manufacturer brands
 - Private (store) brands → costly to establish and promote and higher profit margins
 - Licensed brands → name and character licensing has grown
 - Co-branding → pros and cons
 - **Brand development**
 - line extensions → minor changes to existing products
 - brand extensions → successful brand names help introduce new products
 - multi-brands → multiple products entries in a product category
 - new brands → new product category
- Brand strategy decision:



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- Line extensions:
 - **Pros:**
 - Low cost/low risk to address different consumer segments
 - Offer more variety to customers and thus increase brand loyalty
 - Expand company shelf space presence
 - Opportunity to offer a broader range of price points

- Retailers want it
- **Cons:**
- Confuses customers
- It may dilute the brand name
- Cannibalization if not enough differentiation
- Stagnant category demand (people don't eat more, drink more, brush their teeth more because they have more products to choose from)
- **How to extend a brand:**
 - Transferability of skills/assets
 - Complementarity of use
 - Functional attributes
 - Emotional attributes
 - Same users
- **Brand personalities:**
 - Products have "personalities" like consumers do.
 - Consumers are more likely to purchase a product whose brand personality matches their own
 - Marketers develop brand personalities that match with their target market and vice versa
 - Personified characteristics of brand
 - Human characteristics or traits are often associated with a specific brand
- Packaging
- Labeling
- Product-support services
 - To ensure satisfaction post purchase, firms use product support
 - Pros:
 - Repeat purchase
 - Word-of-mouth
 - Reputation
 - Quality signal
 - Cons:
 - Employ staff
 - Set up costs

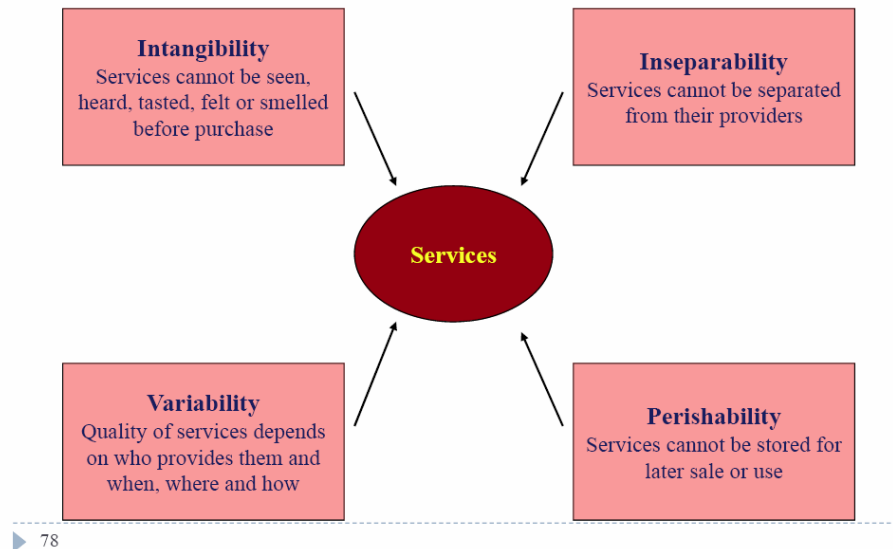
Product line vs. Product length/width

- Product line: a group of closely related products
- Product length: the number of product items in a product line
- Product width: the major product line categories

Service marketing: what is service?

- Service: a form of product that consist of activities, benefit or satisfactions offered for sale that are essentially intangible and don't result in the ownership of anything.

Four Service Characteristics:



LECTURE 9

Marketing Channels: Value Added

- Reduce transaction costs
- Transactional functions: buying/selling/risk taking
- Logistical functions: assortments/ warehousing/ transporting
- Facilitating functions: financing/ market information

Channel Design:

1. Analyze consumer needs
 - Do customers highly value location? (convenience factor)
 - What kind of transaction do customers prefer? (in person, phone, e-mail, online)
 - Do customers value assortment breadth? (Wal-mart, sears vs. Apple store)
 - How much add-on service do customers require? (instructions, professional assembly)
2. Setting channel objectives
 - Targeted levels of customer service

- What segments to serve
 - Best channels to use
 - Minimizing the cost of meeting customer service requirements
3. Channel structure
- Types of channel structures
 - Direct (without intermediaries)
 - Pros:
 - Greater control
 - Lower cost
 - Internet makes direct distribution easier
 - Direct contact with customer needs
 - Indirect (with intermediaries)
 - Hybrid/mixed
 - Degree of control/specialization
 - Direct channel gives more control
 - Indirect channel allows for better specialization of functions
 - Role of segmentation
 - Hybrid channel structure may be used for segmentation

Channel Design:

Direct Channel



Single-level Channel

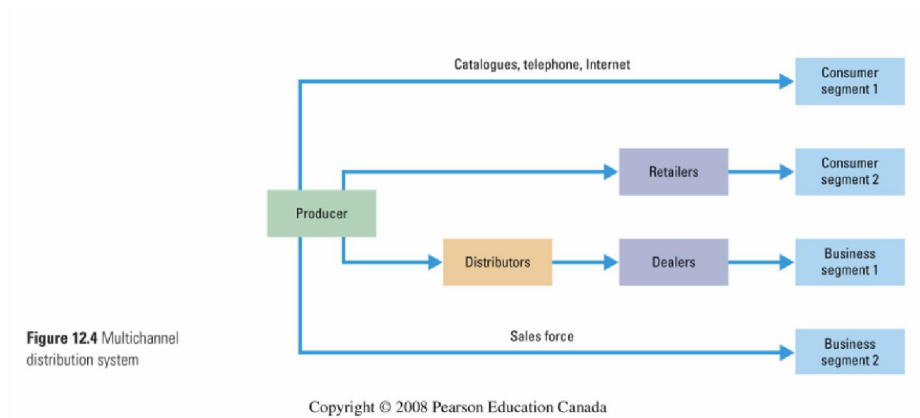


Two-level Channel



and so on ...

Multichannel Distribution System:



- Advantages:
 - Gain opportunities to tailor its products/services to specific needs of diverse customer segments
 - Expanded sales/marketing coverage
- Disadvantages:
 - (more) difficult to control
 - Generate more conflict as more channels compete for customers and sales
 - E.g. Manufacturer could see a product at a lower price online (direct channel) than retail price, due to the channel cost savings.

Channel intensity:



Channel Management:

- Independence of intermediaries?

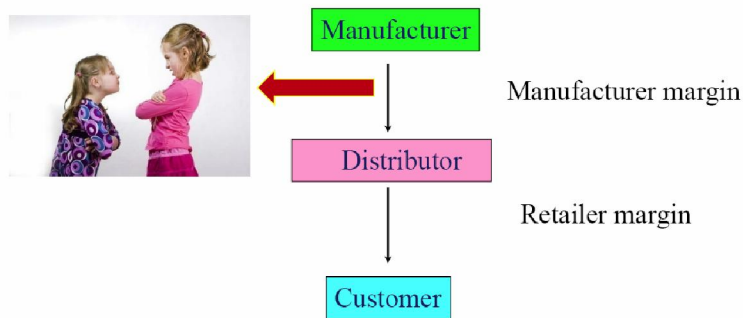
- Inevitable problems:
 - Coordination: decisions are mutually dependent
 - Incentive conflicts: goals are not aligned
- Role of channel management

Channel Partner Selection:

- Deciding what role your partners play
- What margins to give
- How much experiences do they have in carrying similar products and their reputation
- If they carry competing or complementary products
- Controlling cannibalization with other channel members or channels

Motivating channel members:

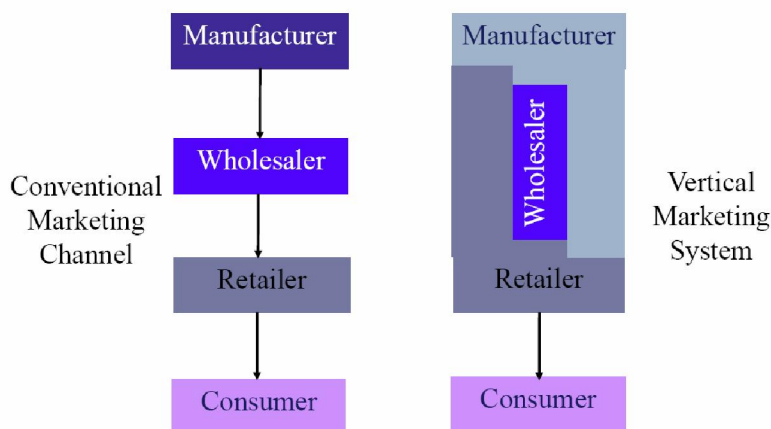
- Channel conflict: occurs when channel members disagree
- Types of conflict:
 - **Horizontal:** occurs among firms at the **same** channel level
 - Certain distributors offer pre-sale services → however, some other distributors who carry the same manufacturer's product don't provide pre-sale services → they often "free ride" on the services provided by other distributors + attract consumers by offering lower prices
 - Ensure fairness → cooperative promotion
 - Reduce competition → different models in different retailers, exclusive (geographic) territories
 - **Vertical:** occurs among firms at **different** channel levels
 - Quantity discount: the more the retailers sell → higher margins on all products
 - Two-part pricing
 - Increased competition among distributors
 - Vertical integration
 - Build relationship with distributors
 - Manufacturer's suggested retail price (MSRP)
 - Example:



e.g. The manufacturer lowered the wholesale price to boost the demand.
Does the distributor have incentive/motivation to lower the retail price proportionally?

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Vertical Marketing System: distribution channel in which the manufacturer, wholesaler and retailer act as one.



Different types of Vertical Marketing Systems (VMS):

- Corporate:
 - Combines successive stages of production/distribution under single ownership
 - Control over almost every aspect of supply chain
 - Forward or backward integration
- Contractual:
 - Independent firms at different levels of production/distribution, join together through contracts + obtain more economies or sales impact than they can achieve alone

Pricing Strategy:

- Price: the value that a buyer exchanges for a good/service

Factors affecting pricing decisions:

- Internal:
 - Marketing objective
 - Marketing mix strategy
 - Costs
 - Organizational considerations
- External:
 - Nature of the market and demand
 - Competition
 - Other environmental factors (economy, resellers, government)

General Pricing Approaches:

- Asses what value your consumers place on the product/service
- What should the appropriate process be?
 - From company → to market place
 - From marketplace → to company
 - Looking at competitors

Types of pricing

Cost-based pricing:

- Let's recover our costs and make a profit
- What it's called: cost-based, markup, cost plus, target profit, ROI...
- Adding a standard → MARKUP cost or sales → Break-even pricing

Pros:

- Simple → easy to use, manage and implement
- Easily justifiable to buyers/ sellers

Cons:

- Unit or average cost varies with price → price affects volume and volume changes average cost; model is "circular"
- Market/demand conditions never enter the model → what is your competitor's price? Are you customers willing to the pay the amount?

Value-based pricing

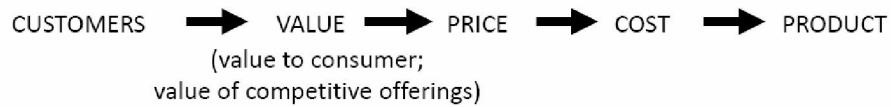
- Price is based on buyer's perceptions of value
- Quantify consumer benefits relative to existing products

Cost-based vs. Value-based

COST-BASED PRICING



VALUE-BASED PRICING



Market-based

- Make price at the same level, above or below competition
- When demand elasticity is difficult to measure

Cost-based vs. Value-based vs. Market-based

Approach	Based on	Ignores	Liked by
Cost-Based	Costs	Competition, Customers	Accounting & Finance
Value-Based	Customers	Costs, Competition	Marketing
Market-Based	Competition	Costs, Customers	Sales

Price adjustment strategies:

- Discounts and allowances
- Price segmentation
- Geographic pricing
- International pricing
- Psychological pricing
- Promotional pricing

Price segmentation:

- Two or more prices for the same product
- Also known as: price customization, price discrimination, segmented pricing
- Forget the following idea: “all customers are charged the same price”

Basis for segmentation:

- Customer, location , product form, time
- To be effective:
 - Market must be segment-able
 - Fences that ensure “high” types pay higher price
 - Imposed fences: divide and identify customer type
 - Induced fences: self-selection mechanism
 - No arbitrage
 - Incremental revenue is bigger than cost of segmentation
 - Must be legal
 - No customer resentment/antagonism

Price segmentation:

Group Pricing

- “Low” types identifiable
- Some examples:
 - Senior discounts
 - Student discounts

Location

- WTP depends on location
- Examples:
 - Income differences → gas price in high income area vs. low income area
 - Competitive differences → Starbucks at airport vs. non-airport

Transaction cost

- “Low” type has lower transaction (opp.) cost
- Examples:
 - Coupons
 - Haggling

Time Purchased

- Valuation relates to patience
- Examples:
 - Books
 - First runs
 - Fashion sales

Optimal pricing strategies:

- Option pricing: pricing optional or accessory products sold with the main product
- Product line pricing: different models have different prices
- Reference price
 - Order effect: For a given product, different sets of subjects were shown reference prices in varying order
 - The Attraction effect: given alternatives A and B, B dominates → add alternative C which A dominates
- Captive pricing: pricing captive products that are useless without their core product (e.g.: printer and ink)
- Bundle pricing: (e.g.: vacations –all inclusive)

Price Elasticity of Demand:

- Price elasticity: the extent to which the percentage change in quantity demanded (q) is affected by a percentage change in price (p)

$$\varepsilon = \frac{\% \Delta Q}{\% \Delta P} = \frac{\Delta Q / Q}{\Delta P / P}$$

Elastic demand : $|\% \Delta Q| > |\% \Delta P|$
Inelastic demand : $|\% \Delta Q| < |\% \Delta P|$
Unitary demand : $|\% \Delta Q| = |\% \Delta P|$

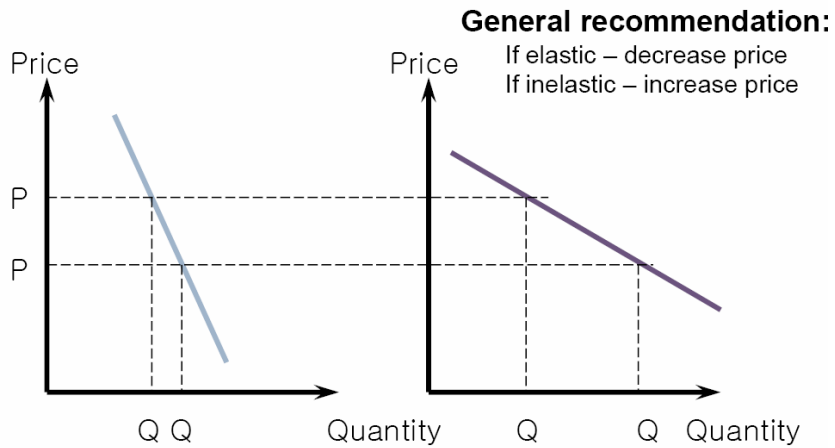
- Characteristics
 - It does not depend on the unit quantity → the ratio of “percentage” change
 - The sign matters → + elasticity = ↑ in one variable leads to ↑ in another ;(-) → an ↑ in one variable leads to a ↓ in another
 - The magnitude matters: elastic → if it is greater than 1 in absolute value; inelastic if it is smaller than 1 in absolute value

Inelastic vs. Elastic Demand

Less elastic if:

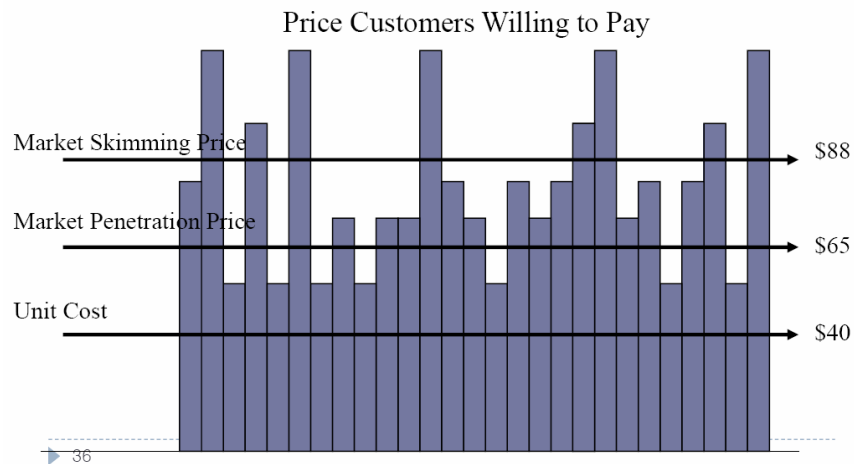
- Fewer substitutes
- Fewer competitors
- Difficult to compare prices
- Slow to change consumption rate/switch brand

Inelastic vs. Elastic Demand



New Product Pricing:

Market Skimming vs. Penetration



Skimming vs. Penetration Pricing:

Skimming:

- Enough early-adopters willing to buy at high price
- High price will not attract competition
- High price is a heuristic for high quality
- Lowering the price has only a minor effect on ↑ the sales volume (inelastic) and ↓ the unit cost

Penetration:

- Customers are high price sensitive
- Low price = lower competition
- Products costs ↓ when more volume

LECTURE 10

Marketing Communication Model

The Integrated Marketing Communications Mix

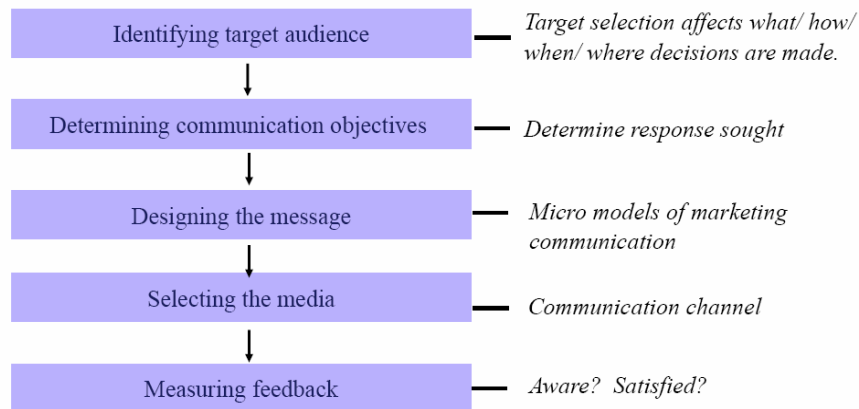
Integrate:

- **Advertising:** any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor
- **Sales promotion:** short-term incentives to encourage purchase or sale of a product/service
- **Public relations:** building good relations + corporate image with the company's publics using publicity/handling unfavorable events
- **Personal selling:** personal presentation by the firm's sales force for the purpose of making sales and building customer relationships
- **Direct marketing:** direct communications with targeted individuals to obtain an immediate response and lasting customer relationships

Integrated Marketing Communication:

- Integration/coordination of the firm's various communication channels or promotion mix elements
- Three points in integration/coordination
 - 1) Clarity
 - 2) Consistency
 - 3) Positive synergy

Developing Effective Communication



1. Identify target audience:

- Who are you targeting?
- Target selection effects → what, how, when and where message is communicated
- Target selection may include:
 - Potential buyers/current users
 - Deciders/influencers
 - Individuals/groups
 - Particular publics/general publics

2. Determining communication objectives:

- What do you want to get from communication?
- Consumer readiness stages model
 - Awareness → knowledge → liking → preference → conviction → buy
- Four possible objectives
 - Category need
 - Brand awareness
 - Brand attitude
 - Brand purchase intention

3. Designing the message:

- Message content contains appeals or themes designed to produce desired results
- Types of appeals:
 - Rational: relate to the audience's self-interest
 - Emotional: stir up negative/positive feelings using humor, fear, pride, joy or even disgust
 - Moral: relate the audience's sense of right vs. wrong

4. Selecting the media:

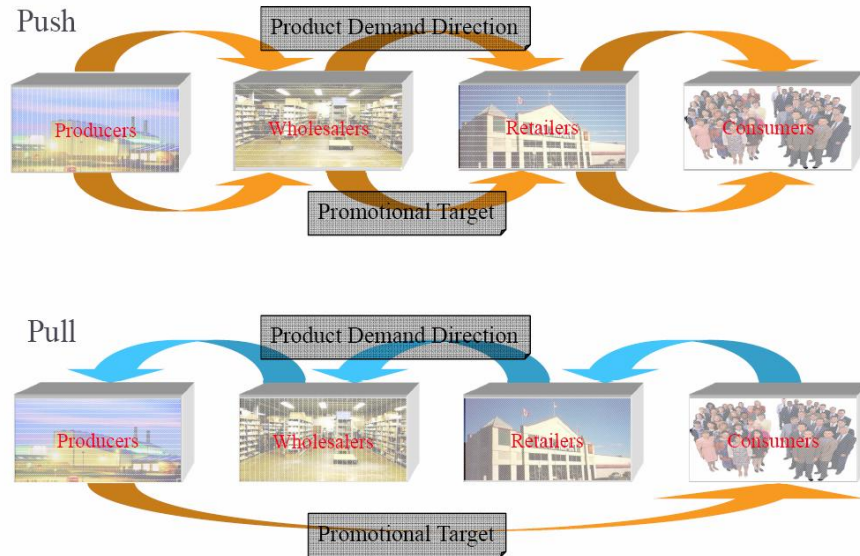
- Non-personal communication channel
 - Media
 - Sales promotion
 - Events/experiences
 - Public relations
 - Person communication channel
 - Face-to-face, phone, mail, internet
 - Word-of-mouth influence = critical
 - Buzz marketing leads to opinion leaders
 - Who should say it?
 - Expert for credibility
 - Testimonials for trust
 - Celebrities for likability
5. Measuring feedback:
- ROPI (return on promotion investment)
 - Sales, profit, financial gains, brand images
 - Difficult task
 - On average, negative return on advertising

Does advertising work?

- Many executives believe ads = only successful if produce sales
- Others believe ads should emphasize long-term brand building

Promotion Mix:

- Push strategy:
 - Marketing activities toward channel members
 - The channel members promote the product to final consumers
 - Personal selling, trade promotion
 - Good when → consumers will not deliberately seek your product (low brand loyalty, impulse item)
- Pull strategy:
 - Marketing activities toward end users
 - The end users demand the product from channel members
 - Advertising, consumer promotion
 - Good when → consumers will seek out your product (high brand loyalty, significant differentiation among brands)



Push vs. Pull strategy: Marketing trend

- Pull → push → pull
- Why “push” again?
 - Mass media = less effective due to ↑ amount of info and ↑ diversity in consumer preferences
 - Little meaning in product differences due to ↑ competition
 - Growing strength of mega-retailers

Promotion Mix: Tools of Promotion

1) Advertising

- Objectives:
 - Inform
 - Persuade → comparative ads “us vs. them”
 - Remind
- Message:
 - Meaningful yet simple → clear about benefits offered
 - Believable → customer convincement
 - Distinctive → be different
- Strategy (media):
 - Selection criteria
 - Reach
 - Frequency
 - Impact

- Modern media concerns
 - Clutter
 - Resistance
- New media forms
 - Product placement
 - Buzz marketing
 - Word-of-mouth
- Timing:
 - Frequency
 - Continuity:
 - Scheduling ads evenly within a given period
 - Once a week for one year (52 times)
 - Pulsing:
 - Scheduling ads unevenly over a given period
 - Intense ads during the holidays within a year
 - Some patterns:
 - Continuous (steady) schedule
 - Flighting (intermittent) schedule
 - Pulse (burst) schedule
- 2) Sales promotion
- 3) Personal selling
- 4) Public relations
- 5) Direct marketing

Public Relations

- Public relations → focuses on all the relationships organization has with various publics
- Publics → all the groups of people with which an organization interacts (employees, members, local communities, shareholders, etc.)
- Stakeholders → people who have a stake in a company/org.

PR vs. Ads

Control:

- With new stories, PR strategists are at mercy of media gatekeeper
- There is no guarantee your story will run → story may be rewritten/reorganized
- In contract → ads run exactly as the client who paid for it has approved and as scheduled

Credibility:

- The public tends to trust the media more than they do advertisers
- Consumers assume a story is legit if it appears in the media

LECTURE 11

Advertising: any paid form of non-personal presentation of ideas, goods or services

Advertising objectives:

- Inform
 - New products
 - New uses
 - Company image
 - How “it” works
 - Reduce risk/fears
- Persuade (comparative advertising)
 - Growth products
 - Brand preference
 - Perception of features
 - Change attitude
 - Buy NOW
 - Brand switching
- Reminder
 - Mature products
 - Top of mind
 - Brand equity

Comparative Advertising: competitors are directly/indirectly referred to in an ad, either on an attribute or an “overall” basis

Timing:

- Continuity
 - Scheduling ads evenly within a given period
 - Once a week for one year (52 times)
- Pulsing
 - Scheduling ads unevenly over a given period
 - Intense ads during the holidays within a year

Public relations: focuses on all relationships an organization has with various publics

Publics: groups of people with which org. interacts: employees, members, local communities, shareholders, customers, other institutions, etc.

Stakeholders: people who have stake in a company/organization

Sales Promotion: a varied collection of activities –other than personal selling, advertising and publicity –that stimulate interest, trial or purchase

Major Promotion tools:

- Consumer promotion
 - Contests, sweeps, games
 - Price packs
 - Premiums
 - Samples
 - Coupons
- Trade promotion
 - Co-operative advertising
 - Merchandising allowances
 - Free goods or discounts

Managing the Sales Force

- Designing sales force strategy and structure
 - Territorial sales force structure (e.g. Montreal, Toronto...)
 - Product sales force structure (e.g. car insurance, home insurance...)
 - Customer sales force structure (e.g. new customers, existing customers...)
 - Complex sales force structure (cumulative)
- Recruiting and selecting sales people
 - Increase overall sales force performance
 - Reduce turnover
 - Reduce recruiting and training costs
- Training programs
 - Identify with the company and its products
 - Know about customers and competitors
 - The basics of the selling process
- Compensating salespeople
 - Compensation elements: salary, bonuses, commissions, expenses and fringe benefits
 - Basic compensation plans: straight salary, straight commission, salary + commission
- Supervising salespeople
 - Sales quota
 - Sales meetings

- Positive incentives
- Evaluating salespeople
 - Sales reports
 - Call reports
 - Expense reports

Forms of Direct Marketing

Telephone marketing:	<ul style="list-style-type: none"> • outbound and inbound, suffers from consumer burnout, technology to block calls
Direct mail marketing:	<ul style="list-style-type: none"> • flexible, personalized, but suffers from junk mail image
Catalogue marketing:	<ul style="list-style-type: none"> • the big winners in the rise of the Internet • huge cost efficiencies by moving catalogue offering online
Direct-response television marketing:	<ul style="list-style-type: none"> • infomercials work, despite a poor reputation
Kiosk marketing:	<ul style="list-style-type: none"> • going where the customers are

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Benefits of direct marketing to buyers:

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

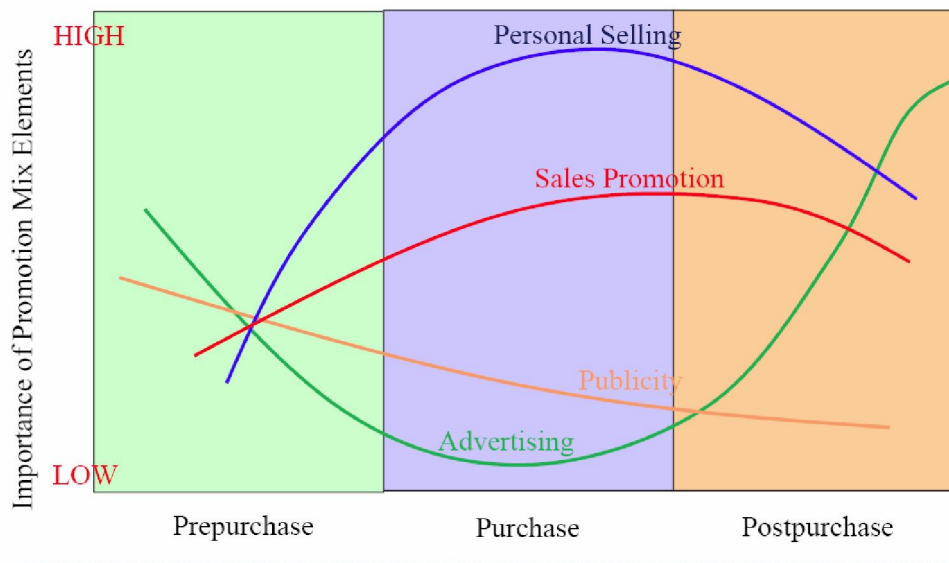
Benefits of direct marketing to sellers:

- Tool to build customer relationships
- Low-cost, efficient, fast alternative to reach markets
- Flexible
- Access to buyers not reachable through other channels (e.g. small firms going global)

Promotion Mix: PROS and CONS

	Advantages	Disadvantages
Advertising	<ul style="list-style-type: none"> • Good for building awareness • Effective at reaching a wide audience • Repetition of main brand and product positioning helps build customer trust 	<ul style="list-style-type: none"> • Impersonal - cannot answer all the questions • Not good at getting customers to make a final purchasing decision
Sales Promotion	<ul style="list-style-type: none"> • Can stimulate quick increases in sales • Good short term tactical tool 	<ul style="list-style-type: none"> • If used over the long-term, customers may get used to the effect • Too much promotion may damage the brand image
Public Relations	<ul style="list-style-type: none"> • Often seen as more "credible" - the message comes from a third party 	<ul style="list-style-type: none"> • Risk of losing control - cannot always control what other people write or say about your product
Personal Selling	<ul style="list-style-type: none"> • Highly interactive - lots of communication between the buyer and seller • Excellent for communicating detailed product information and features • Relationships can be built up 	<ul style="list-style-type: none"> • Costly - employing a sales force has many hidden costs in addition to wages • Not suitable if there are thousands of important buyers
Direct and Online Marketing	<ul style="list-style-type: none"> • Convenient and private to consumers • Low cost and high speed of access to consumers 	<ul style="list-style-type: none"> • Irritation, unfairness, and fraud • Invasion of privacy

Promotion Mix: stages in consumer decision process and promotion mix elements



Social and ethical criticisms of marketing:

The impact on individual consumers:

- Deceptive practices

- Pricing
- Promotion
- Packaging
- High-pressure selling

The impact on society as a whole:

- False wants and too much materialism
 - “Greed is good”, “Shop till you drop”
- Cultural pollution
 - Ads obscure magazine
 - Billboards mar beautiful scenery

Miscomprehension: misleading advertising → lead consumers to make incorrect inferences

- Literal vs. Figurative meanings
 - Brand X “may” relieve your pain
- Comparison omission
 - Brand X relieves pain better
 - 500 doctors recommend brand X

Examples of Miscomprehension

- Piecemeal comparisons → Brand X works faster than Y and longer than Z
- Wrongfully inferring causality → active people take Brand X
- Misleading visuals
- Unclear definitions → Ocean spray, more “food energy” than juice (instead of calories)

LECTURE 12

Global marketing

Major decisions

- Whether to go international or not
- Which market to enter
- How to enter the market
- Deciding the global marketing program and organization

Why internationalize?

- i. Resource seeking
 - Secure key supplies
 - Access low cost factors of production
- ii. Market seeking
 - Competitive advantages over local players
 - Small domestic markets
 - Saturated domestic markets
- iii. Industry economies changing
 - Increasing economies of scale
 - Ballooning R&D investments
 - Shortening product life cycle
- iv. Learning capabilities
 - Exposure to (better) alternative sources of supply
 - Exposure to new technologies or market needs
- v. Competitive positioning
 - Cross-subsidization of markets for risk-pooling
 - Attack domestic markets' competitors

Standardization vs. Adaptation

Globalization (Standardization)

- Developing standardized products marketed worldwide with a standardized marketing mix
- Essence of mass marketing

Global localization (Adaptation)

- Mixing standardization and customization in a way that minimizes costs while maximizing satisfaction
- Essence of segmentation
- Think globally, act locally

Key questions to ask:

- Where to standardize/localize (segmentation, targeting, positioning)
- What to standardize/localize (marketing mix, 4 P's)
- How much to standardize/localize

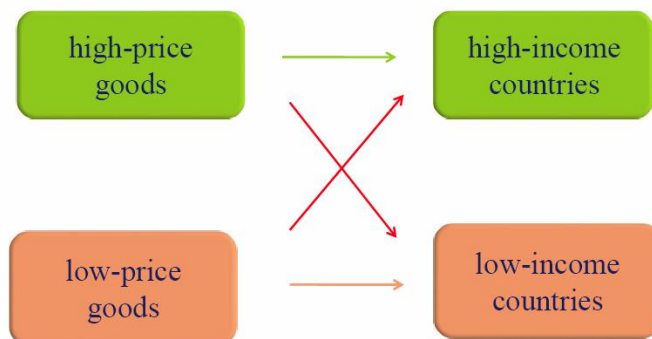
Political and Regulatory Environment

- Role of government in economy
 - Market vs. command economy
 - Taxation policy
 - Corruption
 - Foreign investment limitation
- International trade system
 - Tariffs
 - Quotas
 - Exchange controls

Economic environment

- Size and distribution of economy
 - Income level, region, urban vs. rural, age, gender
- Financial situation
 - Inflation, interest rates
- Private consumption by category
 - Food, clothing, transportation, housing, health care, education, leisure...

Marketing implication of income level:



Total number of consumers:

Not only is the number of people important, but also:

- Need to buy
- Ability to buy

- Willingness to buy

Evolution of total population depends on:

- Births
- Deaths
- Net migration

International Market Entry strategy

- Exporting → product
- Joint venture → licensing, contract manufacturing/management contracting, joint ownership
- Full ownership direct investment

Deciding on the Global Marketing Program

- Standardized marketing mix
 - Same basic product, advertising, distribution, and other elements of the marketing mix are used in all international markets
- Adapted marketing mix
 - The marketing mix elements are adjusted for each international target market

Five International Product and Promotion Strategies:

Strategies	Product	Promotion
i. Straight extension	Don't change	Don't change
ii. Communication adaptation	Don't change	Adapt promotion
iii. Product adaptation	Adapt product	Don't change
iv. Dual adaptation	Adapt product	Adapt promotion
v. Product invention	Develop new product	Adapt promotion