

Midterm Review

Chapter 1 | What is Marketing?

Marketing - an analysis of the current marketing situation, opportunities, and threats analysis, marketing objectives, marketing strategy, action programs, and projected or perform income (and other financial) statements

- “the activities had developed an offering in order to satisfy a customer’s needs”
- not just selling or advertising, it is building effective customer relationships

Who Markets? – **EVERYONE**

- for-profit business (manufacturers, service providers, ad agencies)
- not for profits (museums, ad agencies)
- government (CU, provincial tourism)
- professional associations, individuals (politicians, sales people, accountants)

Who get Marketed? – **EVERYONE**

- goods, services, ideas, people

Who Buys What Gets Marketed?

- **Ultimate Consumers (B2C)** - people who use the goods and services purchased for a household
- **Organizational Buyers (B2B)** - manufacturers, wholesalers, retailers, and government agencies that buy goods and services for their own use or resale

Marketing

- begins with understanding customers’ needs and wants, then developing products and services to help those needs and wants
 - **Need** - where we desire something that we do not possess but learn to acquire
 - **Want** - particular product or service the consumer believes could satisfy an unfulfilled need

How do we Go To Market

- **Production Orientation** - make it and they will buy it
- **Sales Orientation** - using sales techniques to convince the customer to buy it
- **Marketing Company Orientation** - coordination of marketing functions (sales, promo, product development) into one department
 - **Marketing Concept** - focus on linking needs of customers with the competencies of the organization
- **Societal Marketing Orientation** - looking not only at the customer but what society wants
 - triple bottom line: profit, people, planet
- **Relationship Marketing Orientation** - retain & improve relationships with current customers

Marketing Mix

- strategizing around the marketing mix is how we create customer value and ultimately customer satisfaction

Fundamental Goal: Exchange

- **Exchange** - people giving up one thing to receive another thing they would rather have

Conditions of Exchange

- an exchange can only take place if following conditions exist

 1. at least two parties involved
 2. each party has something of value to other party
 3. each party is capable of communication and delivery
 4. each party is free to accept or reject the exchange offer
 5. each party believes it is appropriate or desirable to deal with the other party

Customer Value & Satisfaction

- **Customer Value** - relationship between benefits and the sacrifice necessary to obtain those benefits
- **Customer Satisfaction** - customer's evaluation of a good or service in terms of whether the good or service has met their needs and expectations
 - Perceived performance (P) vs customer expectations (E)
 - $P = E \rightarrow$ satisfied
 - $P < E \rightarrow$ dissatisfied
 - $P > E \rightarrow$ delighted

Four Ps

- **Product** - tangible and intangible aspect of a company's offering (includes service offering)
- **Price** - involves quantifying the value being exchanged for the offering (\$, time)
- **Place** - channels and logistics - how we get product to market
- **Promotion** - advertising, PR, sales

Chapter 2 | The Marketing Environment

Environmental Management

social → *demographic* → *economic* → *technological* → *political/legal* → *competitive*

- changes in external management - when a company implements strategies that attempt to shape the external environment within which it operates

Social Factors

1. Attitudes

- a person's overall evaluation of a concept; an affective (emotional) response involving general feelings of liking or favourability
- can be something big; ex. attitude toward free enterprise or an attitude toward a specific ad

2. Values

- beliefs about important life goals that consumers are trying to achieve
- values that influence Canadians: *self sufficiency, upward mobility, work ethic, fairness*
- Canadian perceptions: *trustworthy, family-oriented, conservative, eco-conscious*
- Canadians tolerant and respectful of other cultures

3. Lifestyle

- a mood of living the way we decide to live our lives
- in past, a person's occupation might have defined his/her lifestyle (ex. farmer vs banker)
- today, consumers piecing together 'component' lifestyles (banker could be a gourmet cook)

Social Trends

- **Greener Consumers** - customers who appreciate the efforts of companies to supply them with environmentally friendly merchandise
- **Privacy Concerns** - loss of privacy, identity theft, do not call, do not email
- **Time-Poor Society** - in majority of families, both parents work
 - consumer have many more choices regarding lesser time, many consumers multi-task

Other Socio-Cultural Trends

- **Price Sensitivity** - frugal customers, recent economic conditions led customers to save more
- health and wellness concerns, and personal safety concerns

Demographic Factors

- strongly related to behaviour = age + race & ethnicity + location
- each generation enters a different life stage with its own tastes and biases; tailoring products to what customers value is key to sales
- each generational cohort group has its own needs, values, and consumption patterns

Generational Segments

- **Generation X (1966-1978)**
 - time poor, outsource day-to-day tasks, save and cynical consumers due to media exposure, may find career advancement blocked by Boomers
- **Baby Boomer (1947-1965)**
 - largest segment, active, affluent, staying in workforce longer than older cohorts
- **Generation Z (tweens and teens)**
 - high access to information, brand conscious and technologically sophisticated, fastest growing segment in cellphone industry
- **Generation Y (1979-1994)**
 - start to make major purchases (ex. homes), socially responsible, desire work-life balance, more likely to be entrepreneurial, impatient, family oriented, etc.

Population Shifts

- more than 50% of Canadian population lives in four major urban regions
 - Golden Horseshoe (ON), Montreal, BC, lower mainland & Calgary-Edmonton corridor
- 90% of new immigrants live in a large metropolitan market
- movement of new parents and those aged 25-44 from urban core areas to suburb or surrounding municipality

Multiculturalism

- more than 200 languages spoken in Canada, greatest evidence in large urban centres, impact on marketers is tremendous
- Gender - women control almost 80% of household spending

Economic Factors: Consumer Purchasing Behaviour = Consumer + Inflation + Recession

Consumer Incomes in Canada

- median total family income = \$76,000
- education is primary determinant of earning potential
- ¼ of all Canadians spend more than 30% of income on shelter; housing unaffordable
- many Canadians turned to credit, average Canadian in debt \$1.63 for every dollar earned

Purchasing Power

- **Purchasing Power** = income - cost of living
- cost of living measured in terms of the cost of a standard set of goods and services
- income might be rising, but if cost of living rises more, purchasing power is decreased
- **Discretionary Income** - when income is high relative to the cost of living
 - when income relative to cost of living, consumers have more 'discretionary income'
- can afford to spend money without jeopardizing basic necessities, can also purchase higher-priced necessities, an opportunity for marketers

Technological Factors

- top technological trends: wearable computing, "right-now" economy, the individual revolution, *deus ex machina* (god is in the machine; machines are learning), personalized medicine
- technology can be both internal and external environmental factors

Political & Legal Factors

- *Federal Legislation*: Competition Act, Consumer Packaging & Labelling Act, CRTC CASL
- *Provincial & Territorial Laws*: Quebec's Bill 101, Alberta Liquor Law vs LCBO
- *Self-Regulations*: ASC & CAB

Competitive Factors

- as population growth slows, costs rise, and resources tighten, firms must work harder to maintain their profits and market share
- innovative advertising, social media

Porter's Five Forces



Chapter 3 | Strategic Planning

Organization's Objectives & Resources + Evolving Market Opportunities = Strategic Planning

Corporate + Business + Marketing = Complex Set of Actives that Occur at 3 Levels

- can work top-down, most successful way is for marketers to communicate the information up

Three Levels

- **Corporate Planning** - decisions as to when, where, how, and against whom to compete
- guides business and marketing planning, is guided by input from other levels
 - ex. Museum of Civilization turned to Museum of History: industry target = entertainment
- **Business Planning** - formulate strategies to enhance competitiveness of businesses within Strategic Business Unit (SBU)
- **Marketing Planning** - identify target market through price, promotion, place, and product

Strategic vs Tactical Decisions

- **Strategic Decisions** - wider in scope and long-term orientation, made at all three levels
- **Tactical Decisions** - narrower in scope and short-term orientation, establishes boundaries (scope) for subsequent decisions

Business Mission

- **Marketing Myopia** - defining business by the goods and services offered vs the benefits consumers are seeking
- Too Broad - all things to all people with no focus

Environmental Scanning

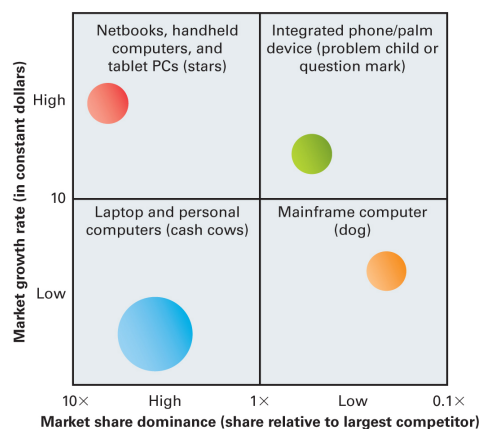
- objective of a SWOT analysis is to identify the strategic direction of the firm
- **Internal: Strengths & Weaknesses**
 - production costs, marketing skills, financial resources, image, technology
- **External: Opportunities & Threats**
 - social, demographic, economic, technological, political/legal, competitive

BCG Portfolio Matrix - can be used to compare SBUs or at the product/service level, underlying assumption: market share and profitability are linked

BCG Strategies

- build - grow business
- hold - bring safe, see whats going to happen
- harvest - take advantage of resources, getting as much value as we can
- divest - liquidate assets, get rid of a product

PORTFOLIO MATRIX FOR A LARGE COMPUTER MANUFACTURER



Strategic Marketing

ELEMENTS OF A STRATEGIC MARKETING PLAN



Developing Growth (Build) Strategies – MIDTERM QUESTION

ANSOFF'S STRATEGIC OPPORTUNITY MATRIX

	Present Product	New Product
Present Market	Market Penetration Starbucks sells more coffee to customers who register their reloadable Starbucks cards.	Product Development Starbucks develops new powdered coffee called Via.
New Market	Market Development Starbucks opens new stores in India.	Diversification Starbucks launches Hear Music and buys Ethos Water.

- **Loyalty Programs** - most popular = Shopper's DrugMart

- **Competitive Advantage** - set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition
 - cost, product/service, niche strategies
- *Experience/efficient labour/no-frills goods & services/government subsidies + product design/re-engineering/product innovations/new methods of service delivery = Cost Competitive Advantage*
- **Product/Service Competitive Advantage** - competitive advantage based on offering consumers unique benefits beyond simply a lower price tends to be longer-lasting and harder for competitors to copy; ex. customizable Oakley sunglasses
- **Niche Competitive Advantage** - advantage achieved when a firm seeks to target and effectively serve a single segment of the market
 - geographic niche and product niche (Booster Juice - healthy alternative fast food)
- **Building Sustainable Competitive Advantage** - an advantage that cannot be copied and can be sustained; source's of tomorrow's comp. advantages (skills and asset of organization)

Setting Marketing Objectives

S - specific, significant, stretching

M - measurable, meaningful, motivational

A - agreed upon, attainable, achievable, acceptable, action-oriented

R - realistic, relevant, reasonable, rewarding, result-oriented

T - time-based, time-bound, timely, tangible, trackable



Target Market Strategy

- being with Market Opportunity Analysis (MOA)
 - estimation of the size and sales potential of segments that are of interest
- then a decision regarding which/how many segments to target; single? multiple? full market?

Marketing Mix - once target segments have been identified, a marketing mix needs to be designed to produce mutually satisfying exchanges (Satisfaction = P = E)

Implementation - turning marketing plan into action, identifying who is responsible for doing what by when, can be a source of failure

Evaluation & Control

- **Evaluation** - involve gauging the extent where marketing objectives are achieved during the specified period
- **Control** - mechanisms for evaluating marketing results + correcting actions that don't help to achieve objectives
- *reasons for failing to achieve objections*: unrealistic objectives, inappropriate marketing strategies, poor implementation, changes in an environment after objective was set and implementation plan enacted

Effective Strategic Planning

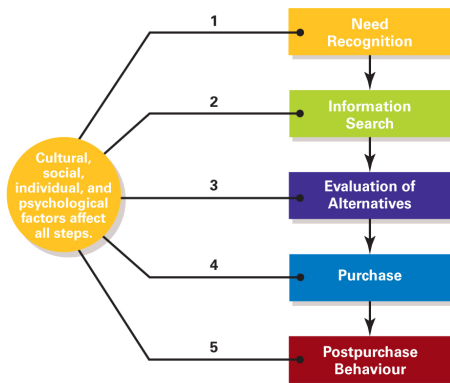
Strategic planning should not be an annual exercise, in which managers go through the motions and forget about it until next year. It should be an ongoing process because the environment is continually changing and the firm's resources and capabilities are continually evolving.



Chapter 6 | Consumer Decision Making

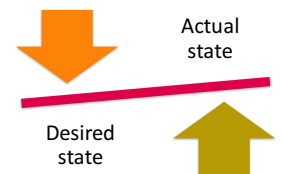
Consumer Decision Making Process

CONSUMER DECISION-MAKING PROCESS



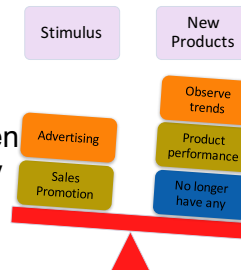
Step 1: Need Recognition

- **Need Recognition** - occurs when consumers are faced with an imbalance between actual and desired states
- imbalance triggered when a consumer is exposed to either an internal or external stimulus



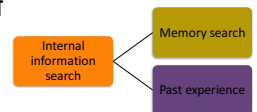
External Stimuli

- advertising and sales promotion can either trigger need recognition
- when we run out of products or when a product stops functioning properly we also recognize a need



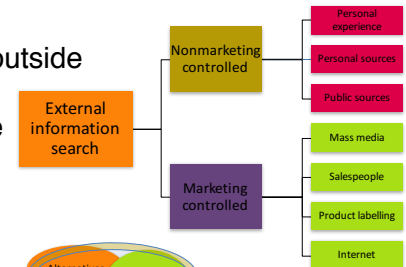
Step 2: Information Searches

- **Internal Information Searches** - the process of recalling information stored in one's memory



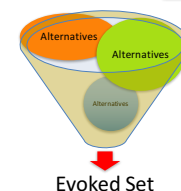
External Searches

- **External Information Search** - the process of seeking information in the outside environment, there are two basic types of external information sources
 - **non-marketing controlled information source** - an information source
 - **marketing controlled information source** - originates with marketers promoting the product



Information Search

- information search affected by perceived risk, knowledge, prior experience, and level of interest
- result is the creation of the evoked set or "the set of possible products or brands that the consumer may be considering in the decision process"



Step 3: Evaluation of Alternatives

- goal of marketing manager to determine which attributes have the most influence on the consumer's choice
- the consumer decides which product to buy or decides not to buy a product at all

- Using Cut-Off Points
 - cutoffs either minimum or maximum levels of an attribute that an alternative must pass to remain in the consideration set
- Using Rankings & Performance Evaluations
 - rank each attributes you consider to be important, then evaluate how each alternative performs on that attribute; do the math and you have the winner
- Market's job is to figure out which attributes are the most important to which consumers and to emphasize those attributes in their marketing communications

Step 4: Purchase

Step 5: Post-Purchase Behaviour

- **Decision Confirmation** - the reaffirmation of the wisdom of the consumer's decision
- **Cognitive Dissonance** - the inner tension that a consumer experiences after recognizing an inconsistency between behaviour and values or opinions → buyer's remorse

Consumer Involvement

- **Cognitive Definition**
 - **the degree of personal relevance a consumer perceives a product, brand, object, or behaviour to have**
 - *high involvement* products are seen as having important personal consequences or as useful for achieving important personal goals (ex. which university to attend)
 - *low involvement* products not linked to important consequences or goals (what gum to buy)
- **Behavioural Definition** - the amount of time and effort a buyer invest in the search, evaluation, and decision processes of consumer behaviour

CONTINUUM OF CONSUMER BUYING DECISIONS

	Routine	Limited	Extensive
Involvement	Low	Low to moderate	High
Time	Short	Short to moderate	Long
Cost	Low	Low to moderate	High
Information Search	Internal only	Mostly internal	Internal and external
Number of Alternatives	One	Few	Many

Factors Determining Level of Consumer Involvement

- previous experience, interest, perceived risk of negative consequences, situation, social visibility

Influence on Consumer Buying Decision

- **Social Factors** - reference groups, opinion leaders, family
- **Individual Factors** - gender, age, family life-cycle stage, personality, self-concept, and lifestyle
- **Cultural Factors** - culture and values, subculture, social class
- **Psychological Factors** - perception, motivation, learning, beliefs & attitudes

Culture & Values

- broadest and deepest influence - pervasive, functional, learned, dynamic
- most defining element: *values*
 - correspond to consumption patterns and give rise to beliefs which lead to attitudes
- when marketers understand core values that underline the attitudes that shape consumers' buying patterns, they can target their message more effectively

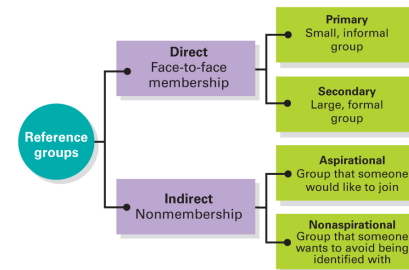
Subculture

- attitudes, values, and purchase decisions are even more similar within subcultures
- arise from division of a culture based on demographic characters, geographic regions, political beliefs and religious beliefs

Social Class

- measured as a combination of occupation, income, education, wealth, and other values
- **Educational Attainment** - most reliable indicator of social and economic status
- Social Influences on Consumer Buying Decisions
 - consumers interact socially with reference groups, opinion leaders, and family members to obtain product information and decision approval

TYPES OF REFERENCE GROUPS



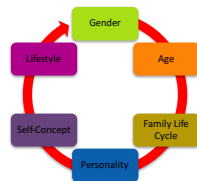
Opinion Leaders

- important to persuade opinion leaders to try a product due to their strong influence on others (first to try, self-indulgent, curious)
- after-identifying potential opinion leaders, marketers often engage these people to support their product
- companies seek out leaders to be spokespersons – become opinion leader for a product

Family

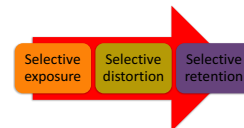
- most important social institution (influences values, attitudes, self-concept, buying behaviour)
 - family members play a variety of roles in purchase process, everyone influences each other, sometimes all members influence each other
 - initiator, influencer, decision maker, purchaser, consumer

Individual Influence on Consumer Buying Decisions



Psychological Influences on Buying Decision

- can be affected by a person’s environment as they are applied on specific occasions



- Perception

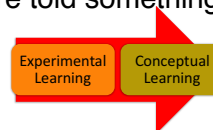
- must recognize the important cues, signals, and consumer’s perception of product
- target what consumers want in a product; price, social acceptance, or quantity, and then design signals to communicate these attributes

- Motivation

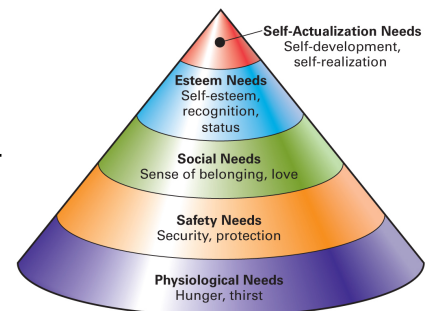
- by studying motivation, marketers can analyze the major forces influencing consumers to buy or not buy products

- Learning

- **Experimental Learning** - an experience that changes your behaviour
- **Conceptual Learning** - when you hear about/are told something that changes your behaviour
- reinforcement and reputation boost learning



MASLOW'S HIERARCHY OF NEEDS



Beliefs & Attitudes

- **Belief** - organized pattern of knowledge that an individual holds as true about their world
- **Attitudes** - learned tendency to respond consistently toward a given object
 - rest on a person’s value system, more enduring than beliefs
- change beliefs about brand’s attitudes, change relative importance of beliefs, add new beliefs

Consumer Behaviour Element

- effective marketers carefully study their target markets all the time to see the changes in their buying decisions

Chapter 7 | Business Marketing

B2B Marketing - process of matching capabilities between two non-consumer entities to create value for both organizations and the “customer’s customer”

Consumer Marketing - active seller, passive buyers

Business Marketing - active seller, active buyer

- producers, resellers, governments, institutions are major categories of business customers

Business Marketing

- B2B has a complex nature of relationships and interactions that form a buying process
- involves a network of individuals from buyer, seller, third-party partners who have different needs and interests

Relationships

- **Relationship Commitment** - a firm’s belief that an ongoing relationship with some other firms is so important that it warrants maximum efforts at maintaining it indefinitely
- trust exists when one part has confidence in an exchange partner’s reliability and integrity

Networks

- consideration of the forces and factors around a firm and other firms that will have an impact on their business
- research external marketplace and by doing so creates an idea of the forces and challenges facing them and the rest of the companies in their network

Fundamental Aspects of Business Marketing

- **Derived Demand** - demand in the business market comes from demand in the consumer market; ex. firms buy products to be used in the production of their own products
- business marketers can try to influence consumer preferences by demonstrating or packaging or other attributes (pull vs push)
- **Inelastic Demand** - an increase or decrease in the price of the product won’t significantly affect demand
- **Joint Demand** - demand for two or more items which are used together in the final product
- **Fluctuating Demand** - a small increase or decrease in consumer demand can produce a much larger change in business demand
- **Customers** - far few customers = easier to identify them, each one crucial to success
- **Location of Buyers** - more geographically concentrated, by industry
- **Use of Reciprocity** - trust results in buying from each other, not unethical or illegal provide no coercion
- **Use of Leasing** - common to reduce capital outlay, creates a relationship, builds network

Business Buying Behaviour

- buying centres - all people in an organization who become involved in a buying decision
 - membership and influence vary from company to company
 - number of people in the buying centre will vary from one purchase to another
 - can be a fluid centre in that people come and go depending on the length of the decision

Business Purchasing Roles

- initiation, influences/evaluation, gatekeepers, decider, purchaser, users

Buying Situation

- **New Task Buy** - a situation requiring the purchase of a product for the first time, more time consuming
- **Modified Re-Buy** - normally less critical and less time-consuming than a new buy
 - **modified-rebut situation** - purchaser wants some change in the original good or service
 - **straight rebut** - situations vendors prefer, purchaser not looking for new information or new suppliers
 - an order is placed and the product is provided in previous orders
 - routine transaction because the terms of the purchase have been agreed to in earlier negotiations (standing order)

Business Marketing Online

- B2B world still trying to figure out the best way
 - 9/10 use the internet but only 45% have a website
 - cost of creating and maintaining online presence, security – transnational and competitive intelligence

Trends in B2B Online Marketing

- growth of mobile - almost $\frac{1}{3}$ stated an intention to invest in mobile technology
 - understanding the power of online applications built for phones and tablets
- importance of content marketing
 - ensuring information about the company is out there; blogs, newsletters, etc.
- social media growth, part of online engagement strategy

Chapter 8 | Segmentation, Targeting & Positioning

Market Segmentation

- **Market** - people or organizations with needs or wants and the ability and willingness to buy
- **Market Segment** - a subgroup of the market sharing one or more characteristics that cause them to have similar product needs
- **Market Segmentation** - the process of dividing a market into meaningful, relatively similar, and identifiable segments or groups

Why Segment

- identify groups or customers with similar needs and study them
- information to design appropriate marketing mixes is uncovered
- consistent with the marketing concept

Marketing Concept

- focusing on customer wants and needs so that the organization can distinguish its offering from those of its competitors
- integrating all the organization's activities, including production, to satisfy customers' wants
- achieving long-term goals for the organization by satisfying customers' wants and needs legally and responsibly

Segmentation Bases

- key to effective segmentation is to identify bases that will produce substantial, measurable, and accessible segments that exhibit different responses to marketing mixes
- can we tell what size it is, can we tell what they're doing

- **Demographic** - age, gender, income, ethnicity, family life cycle stage
- **Geographic** - region of country, region of world, market size, market density, climate

Psychographic Segmentation

- segmentation on the basis of personality, motives, lifestyles, geodemographics
- Geodemographics = geographic + demographic + lifestyle
- PRIZM5 Lifestyle Segmentation System (produced by Environics Analytics)
 - divides Canadian population into 66 different clusters
 - clusters combine basic demographics with lifestyle information

Benefit Segmentation

- **Benefit Segmentation** - based on benefits consumers are seeking from a product or service
 - customer profiles can be created by combining demographic information associated with people seeking certain benefits
- **Usage Rate Segmentation** - based on the amount of the product or service used, bought or consumed; ex. heavy vs light

Criteria for Successful Segmentation

- Sustainable - large enough, profitable vs large
- Identifiable - measurable, identifiable
- Accessible - reach the consumer
- Responsive - must respond uniquely to be treated separately

Business to Business Markets

- business market consists of four segments: producers, resellers, government, institutions
- Basis for segmenting business markets
- **Company Characteristics** - geographic location, type of company, company size, product use

Target Market

- group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the needs of that group, resulting in mutually satisfying exchanges

Target Market Strategies

- **undifferentiated** - a mass-market philosophy, one marketing mix for the entire market
- **concentrated or niche** - a market niche to target – single segment, highly specialized, marketing mix
- **multi-segment** - serve two or more segments with distinct marketing mixes for each

ADVANTAGES AND DISADVANTAGES OF TARGET MARKETING STRATEGIES

Targeting Strategy	Advantages	Disadvantages
Undifferentiated targeting	<ul style="list-style-type: none"> • Potential savings on production/marketing costs 	<ul style="list-style-type: none"> • Unimaginative product offerings • Company more susceptible to competition
Concentrated targeting	<ul style="list-style-type: none"> • Concentrates resources • Can better meet the needs of a narrowly defined segment • Allows some small firms to better compete with larger firms • Provides strong positioning 	<ul style="list-style-type: none"> • Segments too small or changing • Large competitors may more effectively market to niche segment
Multisegment targeting	<ul style="list-style-type: none"> • Greater financial success • Economies of scale in producing/marketing 	<ul style="list-style-type: none"> • High costs • Cannibalization

Positioning

- **Position** - the place the product, the brand, service occupies in the consumer's mind
- effective positioning requires
 - assessing the positions occupied by competing products
 - determining the important dimensions underlying these positions
 - choosing a position in the market where the organization's marketing efforts will have the greatest impact

Product Differentiation

- form of position that distinguishes the firm's product from competition
- Apple's slogan for bringing the Macintosh to market: *the computer for the rest of us*

Position Based on Similarity

- create a distinct place by positioning as similar to competition or brands
- artificial sweetener (tastes like sugar), margarine (tastes like butter)

Perceptual Map

- a means of graphing or visual displaying, in two or more dimensions, the location of products, brands, or groups of products in customers' minds

Positioning Bases

- Attribute - a product features a product benefit
- Price & Quality - high price as a symbol of quality
- Use or Application - stress uses or application
- Product User - focus is on a personality type
- Product Class - associated with a particular category of products
- Competitor - against competition
- Emotion - how product makes you feel

Repositioning

- changing the consumer's **perception** of a brand in **relation** to **competing** brands

Developing a Positioning Statement

- elements to include
 - brief description of the large segment
 - **Frame of Reference** - consumption situations in which the brand/product is to be used
 - **Point of Difference** - why your brand/product is superior and along what dimensions/ attributes
 - **Reason to Believe** - provide evidence to support your claims

Marketing Strategy = Segmentation + Targeting + Positioning