

5 CHAPTER REVIEW

Consumer Decision Making



aspirational reference groups groups that an individual would like to join

attitude a learned tendency to respond consistently toward a given object

belief an organized pattern of knowledge that an individual holds as true about his or her world

cognitive dissonance inner tension that a consumer experiences after recognizing an inconsistency between behaviour and values or opinions

consumer behaviour how consumers make purchase decisions and how they use and dispose of purchased goods or services; also includes the factors that influence purchase decisions and product use

consumer decision-making process a five-step process used by consumers when buying goods or services

culture the set of values, norms, attitudes, and other meaningful symbols that shape human behaviour and the artifacts, or products, of that behaviour as they are transmitted from one generation to the next

evoked set (consideration set) a group of the most preferred alternatives resulting from an information search, which a buyer can further evaluate to make a final choice

extensive decision making the most complex type of consumer decision making, used when considering the purchase of an unfamiliar, expensive product or an infrequently purchased item; requires the use of several criteria for evaluating options and much time for seeking information

external information search the process of seeking information in the outside environment

ideal self-image the way an individual would like to be

internal information search the process of recalling information stored in one's memory

involvement the amount of time and effort a buyer invests in the search, evaluation, and decision processes of consumer behaviour

learning a process that creates changes in behaviour, immediate or expected, through experience and practice

lifestyle a mode of living as identified by a person's activities, interests, and opinions

limited decision making the type of decision making that requires a moderate amount of time for gathering information and deliberating about an unfamiliar brand in a familiar product category

Maslow's hierarchy of needs a method of classifying human needs and motivations into five categories in ascending order of importance: physiological, safety, social, esteem, and self-actualization

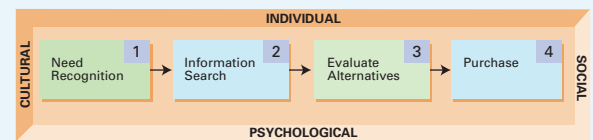
marketing-controlled information source a product information source that originates with marketers promoting the product

motive a driving force that causes a person to take action to satisfy specific needs

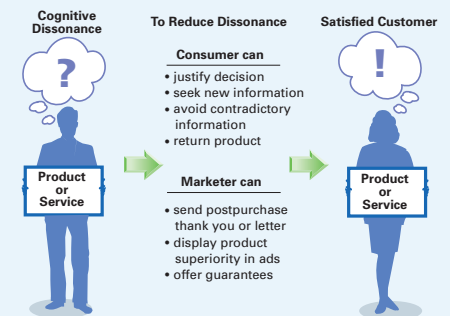
LO 1 Explain why marketing managers should understand consumer behaviour. Consumer behaviour describes how consumers make purchase decisions and how they use and dispose of the products they buy. An understanding of consumer behaviour reduces marketing managers' uncertainty when they are defining a target market and designing a marketing mix.

LO 2 Analyze the components of the consumer decision-making process. The consumer decision-making process begins with need recognition, when stimuli trigger awareness of an unfulfilled want. If additional information is required to make a purchase decision, the consumer may engage in an internal or external information search. The consumer then evaluates the additional information and establishes purchase guidelines. Finally, a purchase decision is made.

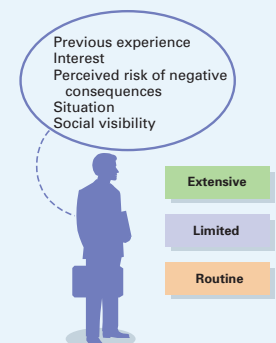
Consumer postpurchase evaluation is influenced by prepurchase expectations, the prepurchase information search, and the consumer's general level of self-confidence. Cognitive dissonance is the inner tension that a consumer experiences after recognizing a purchased product's disadvantages. When a purchase creates cognitive dissonance, consumers tend to react by seeking positive reinforcement for the purchase decision, avoiding negative information about the purchase decision, or revoking the purchase decision by returning the product.



LO 3 Identify the types of consumer buying decisions and discuss the significance of consumer involvement. Consumer decision making falls into three broad categories. First, consumers exhibit routine response behaviour for frequently purchased, low-cost items that require very little decision effort; routine response behaviour is typically characterized by brand loyalty. Second, consumers engage in limited decision making for occasional purchases or for unfamiliar brands in familiar product categories. Third, consumers practise extensive decision making when making unfamiliar, expensive, or infrequent purchases. High-involvement decisions usually include an extensive information search and a thorough evaluation of alternatives. In contrast, low-involvement decisions are characterized by brand loyalty and a lack of personal identification with the product. The main factors affecting the level of consumer involvement are previous experience, interest, perceived risk of negative consequences (financial, social, and psychological), situation, and social visibility.



LO 4 Identify and understand the cultural factors that affect consumer buying decisions. Cultural influences on consumer buying decisions include culture and values, subculture, and social class. Culture is the essential character of a society that distinguishes it from other cultural groups. The underlying elements of every culture are the values, language, myths, customs, rituals, laws, and the artifacts, or products, transmitted from one generation to the next. The



need recognition result of an imbalance between actual and desired states

nonaspirational reference groups (dissociative groups) groups that influence our behaviour because we try to maintain distance from them

nonmarketing-controlled information source a product information source not associated with advertising or promotion.

norms the values and attitudes deemed acceptable by a group

opinion leader an individual who influences the opinions of others

perception the process by which people select, organize, and interpret stimuli into a meaningful and coherent picture

personality a way of organizing and grouping the consistency of an individual's reactions to situations

primary membership groups groups with which individuals interact regularly in an informal, face-to-face manner

psychological influences tools that consumers use to recognize, gather, analyze, and self-organize to aid in decision making

real self-image the way an individual actually perceives himself or herself

reference group a group in society that influences an individual's purchasing behaviour

routine response behaviour the type of decision making exhibited by consumers buying frequently purchased, low-cost goods and services; requires little search and decision time

secondary membership groups groups with which individuals interact less consistently and more formally than with primary membership groups

selective distortion a process whereby consumers change or distort information that conflicts with their feelings or beliefs

selective exposure the process whereby a consumer decides which stimuli to notice and which to ignore

selective retention a process whereby consumers remember only information that supports their personal beliefs

self-concept how consumers perceive themselves in terms of attitudes, perceptions, beliefs, and self-evaluations

social class a group of people who are considered nearly equal in status or community esteem, who regularly socialize among themselves both formally and informally, and who share behavioural norms

socialization process the passing down of cultural values and norms to children

sociometric leader a low-profile, well-respected collaborative professional who is socially and professionally well connected

stimulus any unit of input affecting one or more of the five senses: sight, smell, taste, touch, hearing

subculture a homogeneous group of people who share elements of the overall culture and also have their own unique cultural elements

value the enduring belief shared by a society that a specific mode of conduct is personally or socially preferable to another mode of conduct

want a particular product or service that the customer believes could satisfy an unfulfilled need

most defining element of a culture is its values—the enduring beliefs shared by a society that a specific mode of conduct is personally or socially preferable to another mode of conduct. A culture can be divided into subcultures on the basis of demographic characteristics, geographic regions, national and ethnic background, political beliefs, and religious beliefs. Subcultures share elements of the overall culture as well as cultural elements unique to their own group. A social class is a group of people who are considered nearly equal in status or community esteem, who regularly socialize among themselves both formally and informally, and who share behavioural norms.

LO 5 Identify and understand the social factors that affect consumer buying decisions.

Social factors include such external influences as reference groups, opinion leaders, and family. Consumers seek out others' opinions for guidance on new products or services and products with image-related attributes or because attribute information is lacking or uninformative. Consumers may use products or brands to identify with or become a member of a reference group. Opinion leaders are members of reference groups who influence others' purchase decisions. Family members also influence purchase decisions; children tend to shop in similar patterns as their parents.

Reference Groups	Direct		Indirect	
	Primary	Secondary	Aspirational	Nonaspirational

Opinion Leaders	People you know	Celebrities
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Family	Socialization Process		
	Initiators Influencers	Decision Makers	Consumers Purchasers



LO 6 Identify and understand the individual factors that affect consumer buying decisions.

Individual factors that affect consumer buying decisions include gender; age and family life-cycle stage; and personality, self-concept, and lifestyle. Beyond obvious physiological differences, men and women differ in their social and economic roles, which affects their consumer buying decisions. How old a consumer is generally indicates what products he or she may be interested in purchasing. Marketers often define their target markets in terms of consumers' life-cycle stage, following changes in consumers' attitudes and behavioural tendencies as they mature. Finally, certain products and brands reflect consumers' personality, self-concept, and lifestyle.

LO 7 Identify and understand the psychological factors that affect consumer buying decisions.

Psychological factors include perception, motivation, learning, values, beliefs, and attitudes. These factors allow consumers to interact with

the world around them, recognize their feelings, gather and analyze information, formulate thoughts and opinions, and take action. Perception allows consumers to recognize their consumption problems. Motivation is what drives consumers to take action to satisfy specific consumption needs. Almost all consumer behaviour results from learning, which is the process that creates changes in behaviour through experience. Consumers with similar beliefs and attitudes tend to react alike to marketing-related inducements.

Perception	Selective Exposure	
	Selective Retention	Selective Distortion

Motivation	Needs				
	Physiological	Safety	Social	Esteem	Self-Actualization

Learning	Stimulus Generalization	Stimulus Discrimination
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Beliefs & Attitudes	Changing Beliefs about Attributes	Changing Importance of Beliefs	Adding New Beliefs
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7 CHAPTER REVIEW

Segmenting, Targeting, and Positioning



benefit segmentation the process of grouping customers into market segments according to the benefits they seek from the product

cannibalization situation that occurs when sales of a new product cut into sales of a firm's existing products

concentrated targeting strategy strategy used to select one segment a market for targeting marketing efforts

demographic segmentation segmenting markets by age, gender, income, ethnic background, and family life cycle

80/20 principle a principle holding that 20 percent of all customers generate 80 percent of the demand

family life cycle (FLC) a series of stages determined by a combination of age, marital status, and the presence or absence of children

geodemographic segmentation segmenting potential customers into neighbourhood lifestyle categories

geographic segmentation segmenting markets by region of a country or the world, market size, market density, or climate

market people or organizations with needs or wants and the ability and willingness to buy

market segment a subgroup of people or organizations 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

multisegment targeting strategy strategy that chooses two or more well-defined market segments and develops a distinct marketing mix for each

niche one segment of a market

one-to-one marketing an individualized marketing method that utilizes customer information to build long-term, personalized, and profitable relationships with each customer

optimizers business customers who consider numerous suppliers, both familiar and unfamiliar, solicit bids, and study all proposals carefully before selecting one

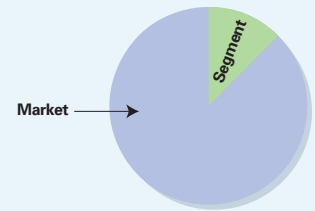
perceptual mapping a means of displaying or graphing, in two or more dimensions, the location of products, brands, or groups of products in customers' minds

position the place a product, brand, or group of products occupies in consumers' minds relative to competing offerings

positioning a process that influences potential customers' overall perception of a brand, product line, or organization in general

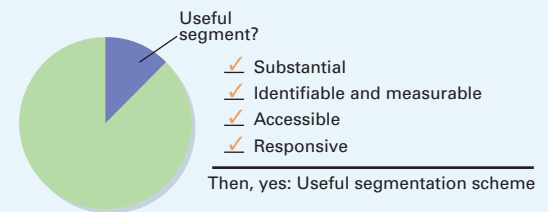
product differentiation a positioning strategy that some firms use to distinguish their products from those of competitors

LO 1 Describe the characteristics of markets and market segments. A market is composed of individuals or organizations that have both the ability and willingness to make purchases to fulfill their needs or wants. A market segment is a group of individuals or organizations with similar product needs as a result of one or more common characteristics.



LO 2 Explain the importance of market segmentation. Before the 1960s, few businesses targeted specific market segments. Today, segmentation is a crucial marketing strategy for nearly all successful organizations. Market segmentation enables marketers to tailor marketing mixes to meet the needs of particular population segments. Segmentation helps marketers identify consumer needs and preferences, areas of declining demand, and new marketing opportunities.

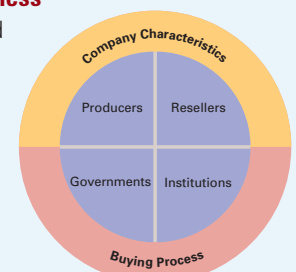
LO 3 Discuss criteria for successful market segmentation. Successful market segmentation depends on four basic criteria: (1) a market segment must be substantial and have enough potential customers to be viable; (2) a market segment must be identifiable and measurable; (3) members of a market segment must be accessible to marketing efforts; and (4) a market segment must respond to particular marketing efforts in a way that distinguishes it from other segments.



LO 4 Describe the bases commonly used to segment consumer markets. Five bases are commonly used for segmenting consumer markets. Geographic segmentation is based on region, size, density, and climate characteristics. Demographic segmentation is based on age, gender, income level, ethnicity, and family life-cycle characteristics. Psychographic segmentation includes personality, motives, and lifestyle characteristics. Benefits sought is a type of segmentation that identifies customers according to the benefits they seek in a product. Finally, usage segmentation divides a market by the amount of product purchased or consumed.

Geography	Demographics	Psychographics	Benefits	Usage Rate
<ul style="list-style-type: none"> Region Market size Market density Climate 	<ul style="list-style-type: none"> Age Gender Income Race/ethnicity Family life cycle 	<ul style="list-style-type: none"> Personality Motives Lifestyle Geodemographics 	<ul style="list-style-type: none"> Benefits sought 	<ul style="list-style-type: none"> Former Potential 1st time Light or irregular Medium Heavy

LO 5 Describe the bases for segmenting business markets. Business markets can be segmented on two general bases. First, businesses segment markets on the basis of company characteristics, such as customers' geographic location, type of company, company size, and product use. Second, companies may segment customers on the basis of the buying processes those customers use.



psychographic segmentation market segmentation on the basis of personality, motives, lifestyles, and geodemographics categories

repositioning changing consumers' perceptions of a brand in relation to competing brands

satisficers business customers who place their order with the first familiar supplier to satisfy their product and delivery requirements

segmentation bases (variables) characteristics of individuals, groups, or organizations

target market a 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

undifferentiated targeting strategy marketing approach that views the market as one big market with no individual segments and thus uses a single marketing mix

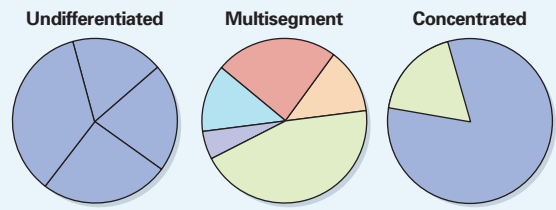
usage-rate segmentation dividing a market by the amount of product bought or consumed

LO 6 List the steps involved in segmenting markets. Six steps are involved when segmenting markets: (1) selecting a market or product category for study; (2) choosing a basis or bases for segmenting the market; (3) selecting segmentation descriptors; (4) profiling and evaluating segments; (5) selecting target markets; and (6) designing, implementing, and maintaining appropriate marketing mixes.



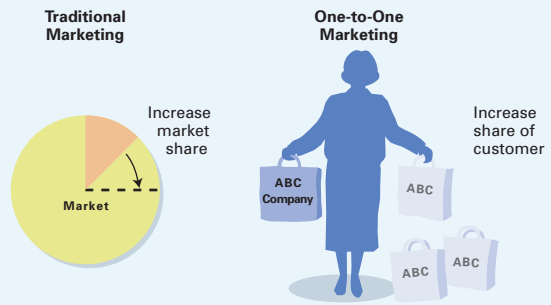
Note that steps 5 and 6 are actually marketing activities that follow market segmentation (steps 1 through 4).

LO 7 Discuss alternative strategies for selecting target markets. Marketers select target markets using three different strategies: undifferentiated targeting, concentrated targeting, and multisegment targeting. An undifferentiated targeting strategy assumes that all members of a market have similar needs that can be met by using a single marketing mix. A concentrated targeting strategy focuses all marketing efforts on a single market segment. Multisegment targeting is a strategy that uses two or more marketing mixes to target two or more market segments.



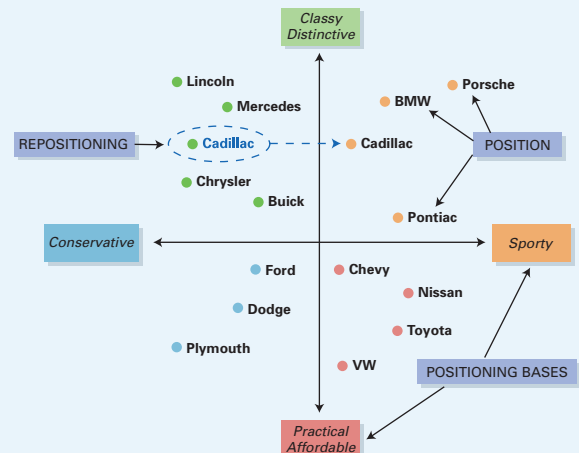
LO 8 Explain one-to-one marketing.

One-to-one marketing is an individualized marketing method that utilizes customer information to build long-term, personalized, and profitable relationships with each customer. Successful one-to-one marketing comes from understanding customers and collaborating with them, rather than using them as targets for generic messages. Database technology makes it possible for companies to interact with customers on a personal, one-to-one basis.



LO 9 Explain how and why firms implement positioning strategies and how product differentiation plays a role. Positioning is used to influence consumer perceptions of a particular brand, product line, or organization in relation to competitors. The term position refers to the place that the offering occupies in consumers' minds. To establish a unique position, many firms use product differentiation, emphasizing the real or perceived differences between competing offerings. Products may be differentiated on the basis of attribute, price and quality, use or application, product user, product class, or competitor.

Each car occupies a position in consumers' minds. Cars can be positioned according to attribute (sporty, conservative, etc.), to price/quality (affordable, classy, etc.), or other bases. With edgier ads, Cadillac has repositioned itself as a car for younger drivers.





brand a name, term, symbol, design, or combination thereof that identifies a seller's products and differentiates them from competitors' products

brand equity the value of company and brand names

brand loyalty a consistent preference for one brand over all others

brand mark the elements of a brand that cannot be spoken

brand name that part of a brand that can be spoken, including letters, words, and numbers

business product (industrial product) a product used to manufacture other goods or services, to facilitate an organization's operations, or to resell to other customers

cobranding placing two or more brand names on a product or its package

consumer product a product bought to satisfy an individual's personal wants

convenience product a relatively inexpensive item that merits little shopping effort

express warranty a written guarantee

family brand marketing several different products under the same brand name

generic product a no-frills, no-brand-name, low-cost product that is simply identified by its product category

generic product name a term that identifies a product by class or type and cannot be trademarked

global brand a brand where at least 20 percent of the product is sold outside its home country or region

implied warranty an unwritten guarantee that the good or service is fit for the purpose for which it was sold

individual branding using different brand names for different products

informational labelling package labelling designed to help consumers make proper product selections and to lower their cognitive dissonance after the purchase

manufacturer's brand the brand name of a manufacturer

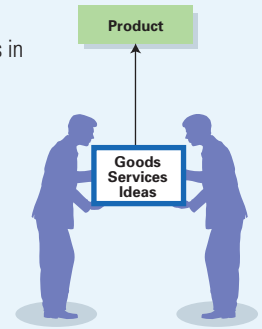
persuasive labelling package labelling that focuses on a promotional theme or logo, and consumer information is secondary

planned obsolescence the practice of modifying products so those that have already been sold become obsolete before they actually need replacement

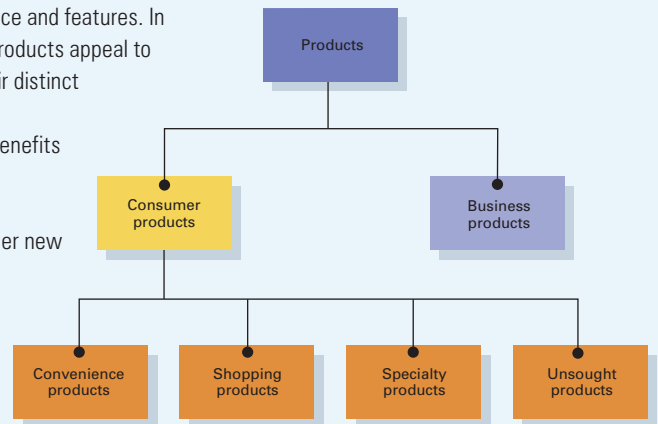
private brand a brand name owned by a wholesaler or a retailer

product everything, both favourable and unfavourable, received in an exchange

LO 1 Define the term product. A product is anything, desired or not, that a person or organization receives in an exchange. The basic goal of purchasing decisions is to receive the tangible and intangible benefits associated with a product. Tangible aspects include packaging, style, colour, size, and features. Intangible qualities include service, the retailer's image, the manufacturer's reputation, and the social status associated with a product. An organization's product offering is the crucial element in any marketing mix.



LO 2 Classify consumer products. Consumer products are classified into four categories: convenience products, shopping products, specialty products, and unsought products. Convenience products are relatively inexpensive and require limited shopping effort. Shopping products are of two types: homogeneous and heterogeneous. Because of the similarity of homogeneous products, they are differentiated mainly by price and features. In contrast, heterogeneous products appeal to consumers because of their distinct characteristics. Specialty products possess unique benefits that are highly desirable to certain customers. Finally, unsought products are either new products or products that require aggressive selling because they are generally avoided or overlooked by consumers.



LO 3 Define the terms product item, product line, and product mix. A product item is a specific version of a product that can be designated as a distinct offering among an organization's products. A product line is a group of closely related products offered by an organization. An organization's product mix includes all the products it sells. Product mix width refers to the number of product lines an organization offers. Product line depth is the number of product items in a product line. Firms modify existing products by changing their quality, functional characteristics, or style. Product line extension occurs when a firm adds new products to existing product lines.

PRODUCT LINES	PRODUCT MIX WIDTH (6 wide)					
	STUDIO ENTERTAINMENT	PARKS & RESORTS	MEDIA CABLE	MEDIA BROADCAST	MEDIA INTERNET	CONSUMER PRODUCTS
DEPTH	Walt Disney Pictures Walt Disney Feature Animation Disney Toon Studio Touchstone Miramax Buena Vista Pixar (7 deep)	Disneyland Disney World Epcot Disneyland Tokyo Disneyland Cruiseline Disney Vacation Club Euro Disney ↓ Repositioned as Disneyland Paris	Disney ESPN ABC Family E! Lifetime SOAPNET A&E The History Channel	ABC Touchstone TV	"Go" portal ↓ Product line contraction	Movie merchandise Disney Publishing Toys Apparel Games 'Baby Einstein' ↓ Product line extension

product item a specific version of a product that can be designated as a distinct offering among an organization's products

product line a group of closely related product items

product line depth the number of product items in a product line

product line extension adding additional products to an existing product line to compete more broadly in the industry

product mix all products that an organization sells

product mix width the number of product lines an organization offers

product modification changing one or more of a product's characteristics

service mark a trademark for a service

shopping product a product that requires comparison shopping because it is usually more expensive than a convenience product and is found in fewer stores

specialty product a particular item that consumers search extensively for and are very reluctant to accept substitutes for

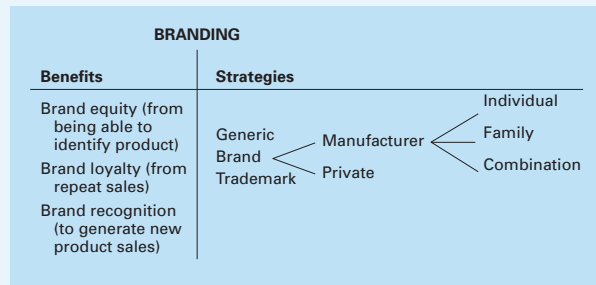
trademark the exclusive right to use a brand or part of a brand

universal product codes (UPCs) a series of thick and thin vertical lines (bar codes), readable by computerized optical scanners that match the codes to brand names, package sizes, and prices

unsought product a product unknown to the potential buyer or a known product that the buyer does not actively seek

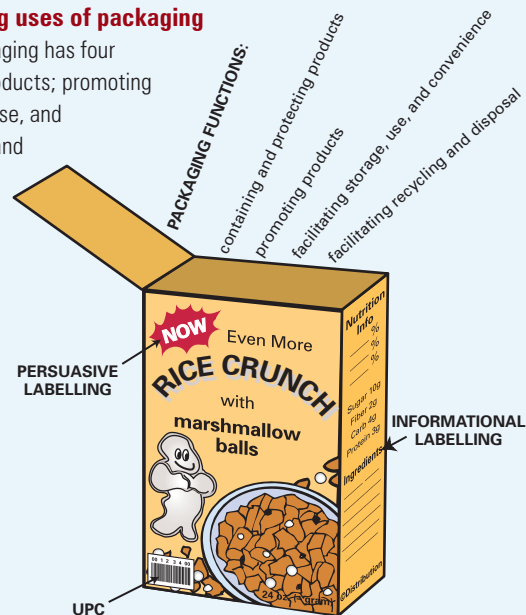
warranty a confirmation of the quality or performance of a good or service

LO 4 Describe marketing uses of branding. A brand is a name, term, or symbol that identifies and differentiates a firm's products. Established brands encourage customer loyalty and help new products succeed. Branding strategies require decisions about individual, family, manufacturers', and private brands.



LO 5 Describe marketing uses of packaging and labelling. Packaging has four

functions: containing and protecting products; promoting products; facilitating product storage, use, and convenience; and facilitating recycling and reducing environmental damage. As a tool for promotion, packaging identifies the brand and its features. It also serves the critical function of differentiating a product from competing products and linking it with related products from the same manufacturer. The label is an integral part of the package and has persuasive and informational functions. In essence, the package is the marketer's last chance to influence buyers before they make a purchase decision.



LO 6 Discuss global issues in branding and packaging. In addition to brand piracy, international marketers must address a variety of concerns regarding branding and packaging, including choosing a brand-name policy, translating labels and meeting host-country labelling requirements, making packages aesthetically compatible with host-country cultures, and offering the sizes of packages preferred in host countries.



Branding choices:

- 1 name
- Modify or adapt 1 name
- Different names in different markets

Packaging considerations:

- Labelling
- Aesthetics
- Climate

LO 7 Describe how and why product warranties are important marketing tools. Product warranties are important tools because they offer consumers protection and help them gauge product quality.

Express warranty = written guarantee
 Implied warranty = unwritten guarantee



adopter a consumer who was happy enough with his or her trial experience with a product to use it again

brainstorming the process of getting a group to think of unlimited ways to vary a product or solve a problem

business analysis the second stage of the screening process, where preliminary figures for demand, cost, sales, and profitability are calculated

commercialization the decision to market a product

concept test evaluation of a new-product idea, usually before any prototype has been created

decline stage a long-run drop in sales

development the stage in the product development process in which a prototype is developed and a marketing strategy is outlined

diffusion the process by which the adoption of an innovation spreads

growth stage the second stage of the product life cycle when sales typically grow at an increasing rate, many competitors enter the market, large companies may start acquiring small pioneering firms, and profits are healthy

innovation a product perceived as new by a potential adopter

introductory stage the full-scale launch of a new product into the marketplace

maturity stage a period during which sales increase at a decreasing rate

new product a product new to the world, new to the market, new to the producer, new to the seller, or new to some combination of these

new-product strategy a plan that links the new-product development process with the objectives of the marketing department, the business unit, and the corporation

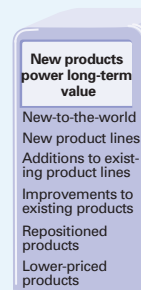
product category all brands that satisfy a particular type of need

product development a marketing strategy that involves the creation of marketable new products; the process of converting applications for new technologies into marketable products

product life cycle (PLC) a concept that traces the stages of a product's acceptance, from its introduction (birth) to its decline (death)

screening the first filter in the product development process, which eliminates ideas that are inconsistent with the organization's new-product strategy or are obviously inappropriate for some other reason

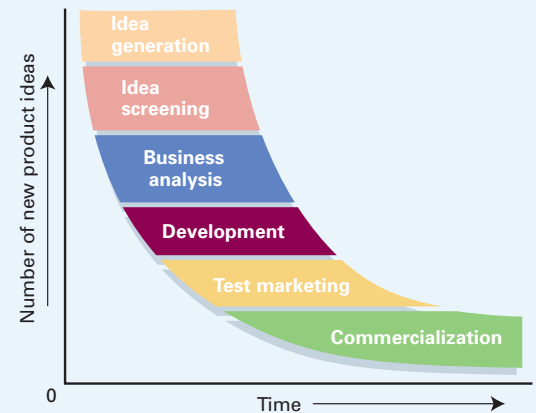
LO 1 Explain the importance of developing new products and describe the six categories of new products.



New products are important to sustain growth and profits and to replace obsolete items. New products can be classified as new-to-the-world products (discontinuous innovations), new product lines, additions to existing product lines, improvements or revisions of existing products, repositioned products, or lower-priced products. To sustain or increase profits, a firm must innovate.

LO 2 Explain the steps in the new-product development process.

First, a firm forms a new-product strategy by outlining the characteristics and roles of future products. Then new-product ideas are generated by customers, employees, distributors, competitors, vendors, and internal R&D personnel. Once a product idea has survived initial screening by an appointed screening group, it undergoes business analysis to determine its potential profitability. If a product concept seems viable, it progresses into the development phase, in which the technical and economic feasibility of the manufacturing process is evaluated. The development phase also includes laboratory and use testing of a product for performance and safety. Following initial testing and refinement, most products are introduced in a test market to evaluate consumer response and marketing strategies. Finally, test market successes are propelled into full commercialization. The commercialization process involves starting up production, building inventories, shipping to distributors, training a sales force, announcing the product to the trade, and advertising to consumers.



LO 3 Discuss global issues in new-product development.

A marketer with global vision seeks to develop products that can easily be adapted to suit local needs. The goal is not simply to develop a standard product that can be sold worldwide. Smart global marketers also look for good product ideas worldwide.



Single product worldwide

Modification of products

Multiple products in multiple countries

LO 4 Explain the diffusion process through which new products are adopted.

The diffusion process is the spread of a new product from its producer to ultimate adopters. Adopters in the diffusion process belong to five categories: innovators, early adopters, the early majority, the late majority, and laggards. Product characteristics that affect the rate of adoption include product complexity, compatibility with existing social values, relative

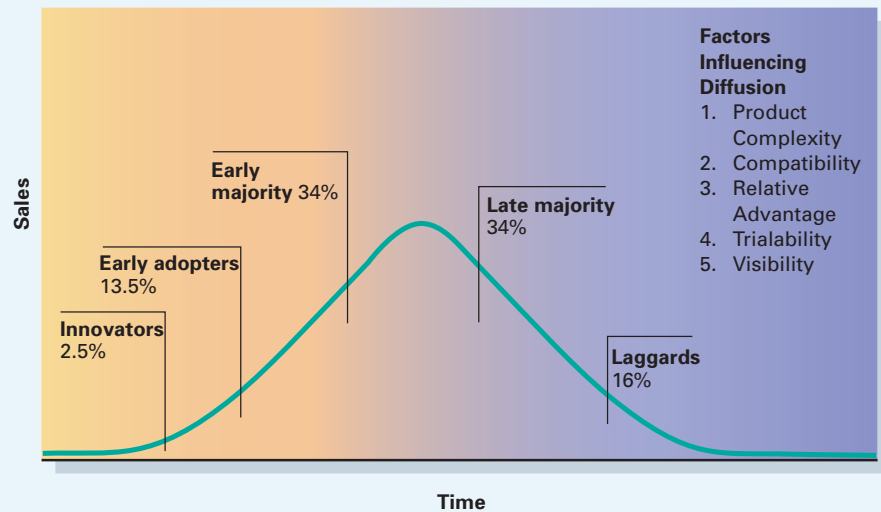
simulated (laboratory) market testing the presentation of advertising and other promotion materials for several products, including a test product, to members of the product's target market

simultaneous product development a team-oriented approach to new-product development

test marketing the limited introduction of a product and a marketing program to determine the reactions of potential customers in a market situation

advantage over existing substitutes, visibility, and "trialability." The diffusion process is facilitated by word-of-mouth communication and communication from marketers to consumers.

Diffusion of Innovations—Adopter Categories



- Factors Influencing Diffusion**
1. Product Complexity
 2. Compatibility
 3. Relative Advantage
 4. Trialability
 5. Visibility

LO 5 Explain the concept of product life cycles. All brands and product categories undergo a life cycle with four stages: introduction, growth, maturity, and decline. The rate at which products move through these stages varies dramatically. Marketing managers use the product life cycle concept as an analytical tool to forecast a product's future and devise effective marketing strategies.

Marketing Mix Strategy	Product Life Cycle Stage			
	Introductory	Growth	Maturity	Decline
Product Strategy	Limited number of models; frequent product modifications	Expanded number of models; frequent product modifications	Large number of models	Elimination of unprofitable models and brands
Distribution Strategy	Distribution usually limited, depending on product; intensive efforts and high margins often needed to attract wholesalers and retailers	Expanded number of dealers; intensive efforts to establish long-term relationships with wholesalers and retailers	Extensive number of dealers; margins declining; intensive efforts to retain distributors and shelf space	Unprofitable outlets phased out
Promotion Strategy	Develop product awareness; stimulate primary demand; use intensive personal selling to distributors; use sampling and couponing for consumers	Stimulate selective demand; advertise brand aggressively	Stimulate selective demand; advertise brand aggressively; promote heavily to retain dealers and customers	Phase out all promotion
Pricing Strategy	Prices are usually high to recover development costs (see Chapter 18)	Prices begin to fall toward end of growth stage as result of competitive pressure	Prices continue to fall	Prices stabilize at relatively low level; small price rises are possible if competition is negligible



bait pricing a price tactic that tries to get consumers into a store through false or misleading price advertising and then uses high-pressure selling to persuade consumers to buy more expensive merchandise

base price the general price level at which the company expects to sell the good or service

basing-point pricing charging freight from a given (basing) point, regardless of the city from which the goods are shipped

cash discount a price reduction offered to a consumer, an industrial user, or a marketing intermediary in return for prompt payment of a bill

consumer penalty an extra fee paid by the consumer for violating the terms of the purchase agreement

cumulative quantity discount a deduction from list price that applies to the buyer's total purchases made during a specific period

deceptive pricing promoting a price or price saving that is not actually available

delayed-quotation pricing pricing that is not set until the item is either finished or delivered; used for industrial installations and many accessory items

escalator pricing pricing that reflects cost increases incurred between the time the order is placed and the time delivery is made

flexible pricing (variable pricing) different customers pay different prices for essentially the same merchandise bought in equal quantities

FOB origin pricing the buyer absorbs the freight costs from the shipping point ("free on board")

freight absorption pricing the seller pays all or part of the actual freight charges and does not pass them on to the buyer

functional discount (trade discount) a discount to wholesalers and retailers for performing channel functions

joint costs costs that are shared in the manufacturing and marketing of several products in a product line

leader pricing (loss-leader pricing) a product is sold near or even below cost in the hope that shoppers will buy other items once they are in the store

noncumulative quantity discount a deduction from list price that applies to a single order rather than to the total volume of orders placed during a certain period

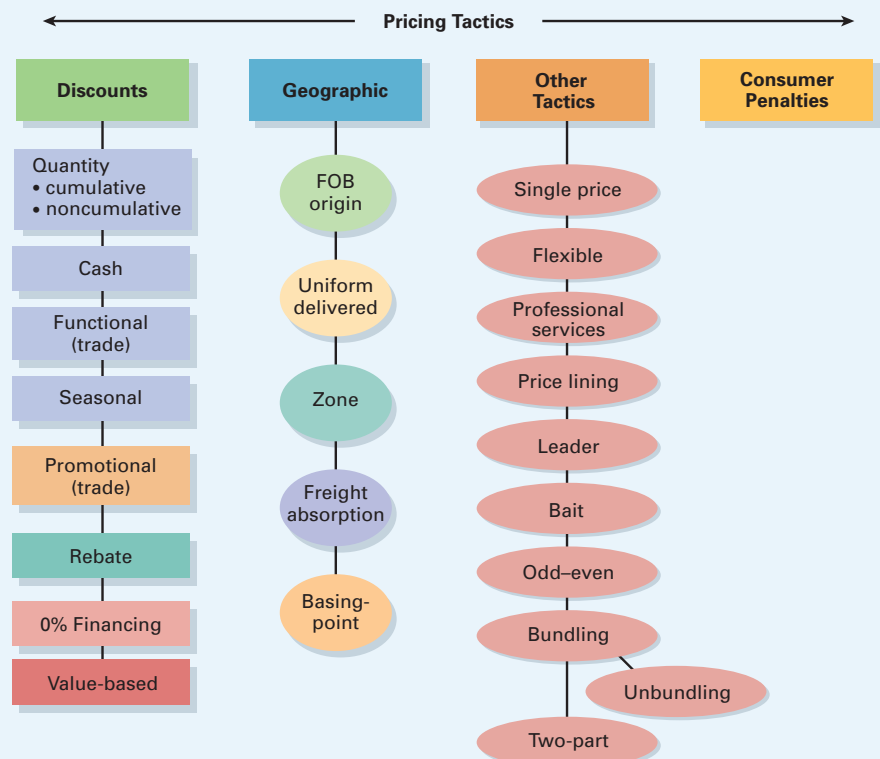
odd-even pricing (psychological pricing) odd-numbered prices to connote bargains and even-numbered prices to imply quality

penetration pricing a relatively low price for a product initially as a way to reach the mass market

LO 1 Describe the procedure for setting the right price. The process of setting the right price on a product involves four major steps: (1) establishing pricing goals; (2) estimating demand, costs, and profits; (3) choosing a price policy to help determine a base price; and (4) fine-tuning the base price with pricing tactics. A price strategy establishes a long-term pricing framework for a good or service. The three main types of price policies are price skimming, penetration pricing, and status quo pricing. A price-skimming policy charges a high introductory price, often followed by a gradual reduction. Penetration pricing offers a low introductory price to capture a large market share and attain economies of scale. Finally, status quo pricing strives to match competitors' price.

LO 2 Identify the legal and ethical constraints on pricing decisions. Government regulation helps monitor four major areas of pricing: unfair trade practices, price fixing, predatory pricing, and price discrimination. Some provinces have enacted unfair trade practice regulations that protect small businesses from large firms that operate efficiently on extremely thin profit margins; the acts prohibit charging below-cost prices. The federal government's Competition Act prohibits both price fixing, which is an agreement between two or more firms on a particular price, and predatory pricing, in which a firm undercuts its competitors with extremely low prices to drive them out of business, and makes it illegal for firms to discriminate between two or more buyers in terms of price.

LO 3 Explain how discounts, geographic pricing, and other pricing tactics can be used to fine-tune the base price. Several techniques enable marketing managers to adjust prices within a general range in response to changes in competition, government regulation, consumer demand, and promotional and positioning goals. Techniques for fine-tuning price are: discounts, allowances, rebates, value-based pricing, geographic pricing, and a variety of other specific pricing tactics such as single pricing, flexible pricing, professional services pricing, etc.



predatory pricing the practice of charging a very low price for a product with the intent of driving competitors out of business or out of a market

price bundling marketing two or more products in a single package for a special price

price fixing an agreement between two or more firms on the price they will charge for a product

price lining offering a product line with several items at specific price points

price shading the use of discounts by salespeople to increase demand for one or more products in a line

price skimming a high introductory price, often coupled with heavy promotion

price strategy a basic, long-term pricing framework that establishes the initial price for a product and the intended direction for price movements over the product life cycle

product line pricing setting prices for an entire line of products

promotional allowance (trade allowance) a payment to a dealer for promoting the manufacturer's products

quantity discount a unit price reduction offered to buyers buying either in multiple units or more than a specified dollar amount

rebate a cash refund given for the purchase of a product during a specific period

resale price maintenance attempts by a producer to control a store's retail price for the product

seasonal discount a price reduction for buying merchandise out of season

single-price tactic offering all goods and services at the same price (or perhaps two or three prices)

two-part pricing charging two separate amounts to consume a single good or service

unbundling reducing the bundle of services that comes with the basic product

uniform delivered pricing the seller pays the actual freight charges and bills every purchaser an identical, flat freight charge

value-based pricing setting the price at a level that seems to the customer to be a good price compared with the prices of other options

zone pricing a modification of uniform delivered pricing that divides the total market into segments or zones and charges a flat freight rate to all customers in a given zone

The first type of tactic gives lower prices to those that pay promptly, order a large quantity, or perform some function for the manufacturer. Value-based pricing starts with the customer, considers the competition and costs, and then determines a price. Additional tactics in this category include seasonal discounts, promotion allowances, and rebates (cash refunds).

Geographic pricing tactics—such as FOB origin pricing, uniform delivered pricing, zone pricing, freight absorption pricing, and basing-point pricing—are ways of moderating the impact of shipping costs on distant customers.

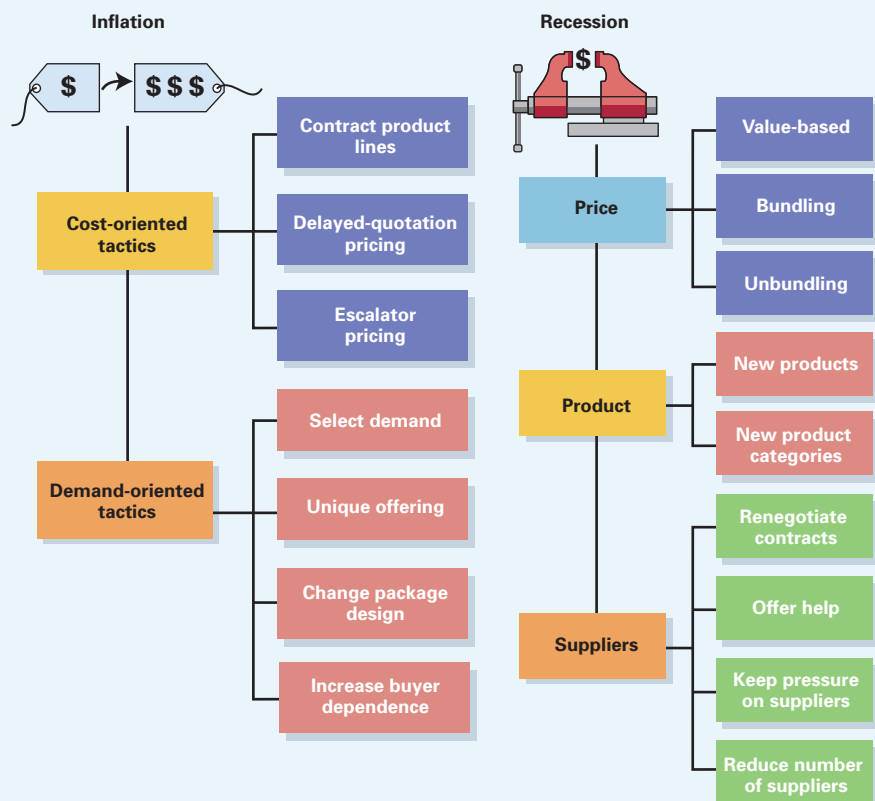
A variety of other pricing tactics stimulate demand for certain products, increase store patronage, and offer more merchandise at specific prices.

More and more customers are paying price penalties, which are extra fees for violating the terms of a purchase contract. The perceived fairness or unfairness of a penalty may affect some consumers' willingness to patronize a business in the future.

LO 4 Discuss product line pricing. Product line pricing maximizes profits for an entire product line. When setting product line prices, marketing managers determine which type of relationship exists among the products in the line: complementary, substitute, or neutral. Managers also consider joint (shared) costs among products in the same line.

LO 5 Describe the role of pricing during periods of inflation and recession. Marketing managers employ cost-oriented and demand-oriented tactics during periods of economic inflation. Cost-oriented tactics include dropping products with a low profit margin, using delayed-quotation pricing and escalator pricing, and adding fees. Demand-oriented pricing methods include price shading and increasing demand through cultivating selected customers, creating unique offerings, changing the package size, and heightening buyer dependence.

To stimulate demand during a recession, marketers use value-based pricing, bundling, and unbundling. Recessions are also a good time to prune unprofitable items from product lines. Managers strive to cut costs during recessions in order to maintain profits as revenues decline. Implementing new technology, cutting payrolls, and pressuring suppliers for reduced prices are common techniques used to cut costs. Companies also create new value-added products.





channel conflict a clash of goals and methods among distribution channel members

channel control a situation in which when one marketing channel member intentionally affects another member's behaviour

channel leader (channel captain) a member of a marketing channel who exercises authority and power over the activities of other channel members

channel members all parties in the marketing channel that negotiate with one another, buy and sell products, and facilitate the change of ownership between buyer and seller in the course of moving the product from the manufacturer into the hands of the final consumer

channel partnering (channel cooperation) the joint effort of all channel members to create a supply chain that serves customers and creates a competitive advantage

channel power a marketing channel member's capacity to control or influence the behaviour of other channel members

coverage ensuring product availability in every outlet where potential customers might want to buy it

direct channel a distribution channel in which producers sell directly to consumers

discrepancy of assortment the lack of all the items a customer needs to receive full satisfaction from a product or products

discrepancy of quantity the difference between the amount of product produced and the amount an end user wants to buy

distribution resource planning (DRP) an inventory control system that manages the replenishment of goods from the manufacturer to the final consumer

dual distribution (multiple distribution) the use of two or more channels to distribute the same product to target markets

electronic data interchange (EDI) information technology that replaces the paper documents that usually accompany business transactions, such as purchase orders and invoices, with electronic transmission of the needed information to reduce inventory levels, improve cash flow, streamline operations, and increase the speed and accuracy of information transmission

electronic distribution a distribution technique that includes any kind of product or service that can be distributed electronically, whether over traditional forms such as fibre-optic cable or through satellite transmission of electronic signals

exclusive distribution a form of distribution that involves only one or a few dealers within a given area

horizontal conflict a channel conflict that occurs among channel members on the same level

intensive distribution a form of distribution aimed at having a product available in every outlet where target customers might want to buy it

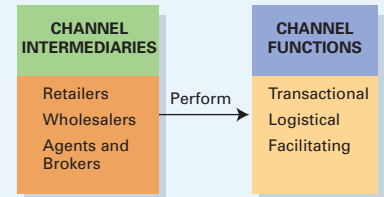
inventory control system a method of developing and maintaining an adequate

LO 1 Explain what a marketing channel is and why intermediaries are needed.

A marketing channel is a business structure of interdependent organizations that reach from the point of product origin to the consumer with the purpose of physically moving products to their final consumption destination, representing place or distribution in the marketing mix and encompassing the processes involved in getting the right product to the right place at the right time. Members of a marketing channel create a continuous and seamless supply chain that performs or supports the marketing channel functions. Channel members provide economies to the distribution process in the form of specialization and division of labour; overcoming discrepancies in quantity, assortment, time, and space; and providing contact efficiency.

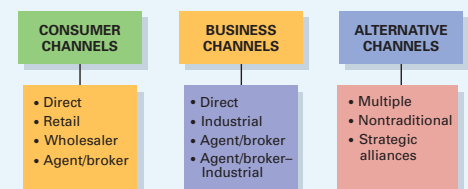
LO 2 Define the types of channel intermediaries and describe their functions and activities.

The most prominent difference separating intermediaries is whether they take title to the product. Retailers and merchant wholesalers take title, but agents and brokers do not. Retailers are firms that sell mainly to consumers. Merchant wholesalers are those organizations that facilitate the movement of products and services from the manufacturer to producers, resellers, governments, institutions, and retailers. Agents and brokers facilitate the exchange of ownership between sellers and buyers. Channel intermediaries perform three basic types of functions. Transactional functions include contacting and promoting, negotiating, and risk taking. Logistical functions performed by channel members include physical distribution, storing, and sorting functions. Finally, channel members may perform facilitating functions, such as researching and financing.



LO 3 Describe the channel structures for consumer and business products and discuss alternative channel arrangements.

Marketing channels for consumer and business products vary in degree of complexity.



LO 4 Define supply chain management and discuss its benefits.

Supply chain management coordinates and integrates all of the activities performed by supply chain members into a seamless process from the source to the point of consumption. The responsibilities of a supply chain manager include developing channel design strategies, managing the relationships of supply chain members, sourcing and procurement of raw materials, scheduling production, processing orders, managing inventory and storing product, and selecting transportation modes. The supply chain manager is also responsible for managing customer service and the information that flows through the supply chain. The benefits of supply chain management include reduced costs in inventory management, transportation, warehousing, and packaging; improved service through such techniques as time-based and make-to-order deliveries; and enhanced revenues, which result from such supply chain-related achievements as higher product availability and more customized products.

LO 5 Discuss the issues that influence channel strategy.

When determining marketing channel strategy, the supply chain manager must first decide on the market, product, and producer factors, which will influence the choice of channel. In making these decisions and to ensure success, the manager must consider the 3C distribution objectives of coverage, cost, and control. These objectives will enable the manager to select the appropriate level of distribution intensity. Intensive distribution is distribution aimed at maximum market coverage. Selective distribution is achieved by screening dealers to eliminate all but a few in any single area. The most restrictive form of market coverage is exclusive distribution, which involves only one or a few dealers within a given area.

assortment of materials or products to meet a manufacturer's or a customer's demand
just-in-time production (JIT) a process that redefines and simplifies manufacturing by reducing inventory levels and delivering raw materials just when they are needed on the production line

logistics the process of strategically managing the efficient flow and storage of raw materials, in-process inventory, and finished goods from point of origin to point of consumption

logistics information system the link that connects all of the logistics functions of the supply chain

marketing channel (channel of distribution) a set of interdependent organizations that ease the transfer of ownership as products move from producer to business user or consumer

mass customization (build-to-order) a production method whereby products are not made until an order is placed by the customer; products are made according to customer specifications

materials-handling system a method of moving inventory into, within, and out of the warehouse

materials requirement planning (MRP) (materials management) an inventory control system that manages the replenishment of raw materials, supplies, and components from the supplier to the manufacturer

order processing system a system whereby orders are entered into the supply chain and filled

outsourcing (contract logistics) a manufacturer's or supplier's use of an independent third party to manage an entire function of the logistics system, such as transportation, warehousing, or order processing

retailer a channel intermediary that sells mainly to end-using consumers

selective distribution a form of distribution achieved by screening dealers to eliminate all but a few in any single area

spatial discrepancy the difference between the location of a producer and the location of widely scattered markets where the product is desired

strategic channel alliance a cooperative agreement between business firms to use one of the manufacturer's already established distribution channels

supply chain the connected chain of all of the business entities, both internal and external to the company, that perform or support the logistics function

supply chain management a management system that coordinates and integrates all of the activities performed by supply chain members into a seamless process, from the source to the point of consumption, resulting in enhanced customer and economic value

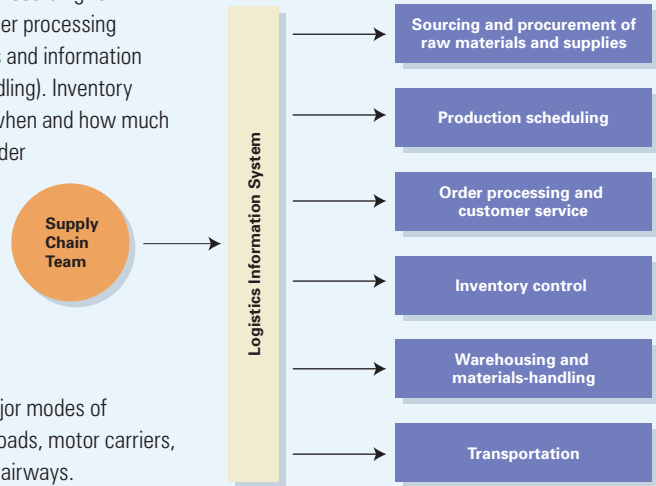
supply chain team an entire group of individuals who orchestrate the movement of goods, services, and information from the source to the consumer

temporal discrepancy a situation in which a product is produced but a customer at that time is not ready to buy it

vertical conflict a channel conflict that occurs between different levels in a marketing channel, most typically between the manufacturer and wholesaler or between the manufacturer and retailer

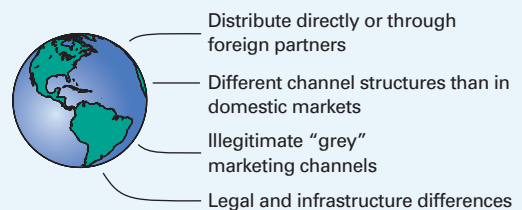
LO 6 Explain channel leadership, conflict, and partnering. Power, control, leadership, conflict, and partnering are the main social dimensions of marketing channel relationships. Channel power refers to the capacity of one channel member to control or influence other channel members. Channel control occurs when one channel member intentionally affects another member's behaviour. Channel leadership is the exercise of authority and power. Channel conflict occurs when a clash of goals and methods occurs among the members of a distribution channel. Channel conflict can be either horizontal, such as between channel members at the same level, or vertical, such as between channel members at different levels of the channel. Channel partnering is the joint effort of all channel members to create a supply chain that serves customers and creates a competitive advantage. Collaborating channel partners meet the needs of consumers more effectively by ensuring that the right products reach shelves at the right time and at a lower cost, boosting sales and profits.

LO 7 Describe the logistical components of the supply chain. The logistics supply chain consists of several interrelated and integrated logistical components: (1) sourcing and procurement of raw materials and supplies, (2) production scheduling, (3) order processing, (4) inventory control, (5) warehousing and materials handling, and (6) transportation. Integrating and linking all of the logistics functions of the supply chain is the logistics information system. Information technology connects the various components and partners of the supply chain into an integrated whole. The supply chain team, in concert with the logistics information system, orchestrates the movement of goods, services, and information from the source to the consumer. Supply chain teams typically cut across organizational boundaries, embracing all parties who participate in moving product to market. Procurement deals with the purchase of raw materials, supplies, and components according to production scheduling. Order processing monitors the flow of goods and information (order entry and order handling). Inventory control systems regulate when and how much to buy (order timing and order quantity). Warehousing provides storage of goods until needed by the customer while the materials-handling system moves inventory into, within, and out of the warehouse. Finally, the major modes of transportation include railroads, motor carriers, pipelines, waterways, and airways.



LO 8 Discuss new technology and emerging trends in supply chain management. Several emerging trends are changing the job of today's supply chain manager. Technology and automation are bringing up-to-date distribution information to the decision maker's desk. Technology is also linking suppliers, buyers, and carriers for joint decision making, and it has created a new electronic distribution channel. Many companies are saving money and time by outsourcing to third-party carriers to handle some or all aspects of the distribution process.

LO 9 Discuss channels and distribution decisions in global markets. Global marketing channels are becoming more important to Canadian companies seeking growth abroad. Manufacturers that introduce products in foreign countries must consider these issues. Global distribution expertise is also emerging as an important skill for supply chain managers as many countries are removing trade barriers.





atmosphere the overall impression conveyed by a store's physical layout, décor, and surroundings

automatic vending the use of machines to offer goods for sale

buyer a department head who selects the merchandise for his or her department and may also be responsible for promotion and for personnel

category killers specialty discount stores that heavily dominate their narrow merchandise segment

chain stores stores owned and operated as a group by a single organization.

convenience store a miniature supermarket, carrying only a limited line of high-turnover convenience goods

department store a store housing several departments under one roof

destination stores stores that consumers purposely plan to visit

direct marketing (direct-response marketing) techniques used to get consumers to make a purchase from their home, office, or another nonretail setting

direct retailing the selling of products by representatives who work door-to-door, office-to-office, or at home parties

discount store a retailer that competes on the basis of low prices, high turnover, and high volume

drugstore a retail store that stocks pharmacy-related products and services as its main draw

factory outlet an off-price retailer that is owned and operated by a manufacturer

franchise the right to operate a business or to sell a product

franchisee an individual or business that is granted the right to sell a franchisor's product

franchisor the originator of a trade name, product, methods of operation, and so on that grants operating rights to another party to sell its product

full-line discount stores a retailer that offers consumers very limited service and carries a broad assortment of well-known, nationally branded "hard goods"

gross margin the amount of money the retailer makes as a percentage of sales after the cost of goods sold is subtracted

independent retailers retailers owned by a single person or partnership and not operated as part of a larger retail institution

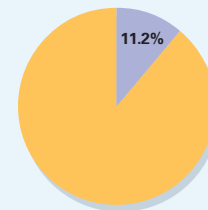
mass merchandising a retailing strategy using moderate to low prices on large quantities of merchandise and lower levels of service to stimulate high turnover of products

nonstore retailing shopping without visiting a store

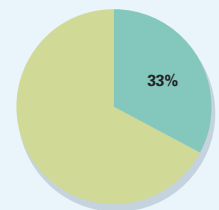
LO 1 Discuss the importance of retailing in the

Canadian economy. Retailing plays a vital role in the Canadian economy for two main reasons. First, retail businesses contribute to our high standard of living by providing a vast number and diversity of goods and services. Second, retailing employs a large portion of the Canadian working population.

Retailing as a % of Canadian employment



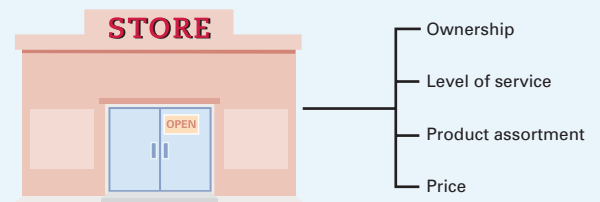
Retailing as a % of GDP



LO 2 Explain the dimensions by which retailers can be classified.

Many different kinds of retailers exist. A retail establishment can be classified according to its ownership, level of service, product assortment, and price. On the basis of ownership, retailers can be broadly differentiated as independent retailers, chain stores, or franchise outlets. The level of service retailers provide can be classified along a continuum of high to low. Retailers also classify themselves by the breadth and depth of their product assortments; some retailers have concentrated product assortments, whereas others have extensive product assortments. Last, general price levels also classify a store, from discounters offering low prices to exclusive specialty stores

where high prices are the norm. Retailers use the three variables of level of service, product assortment, and price to position themselves in the marketplace.

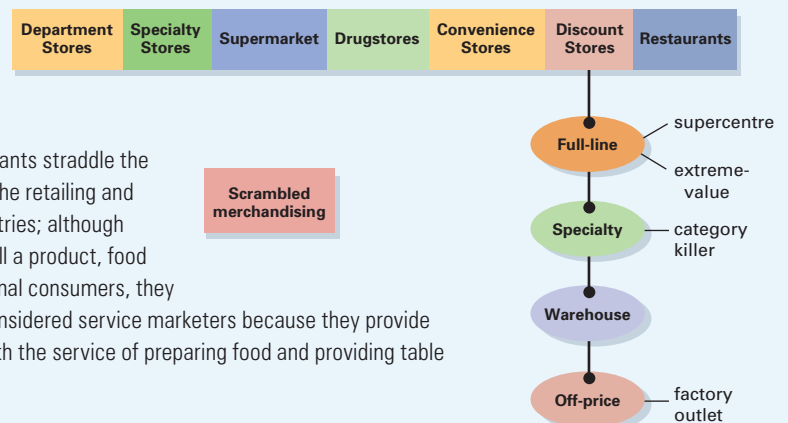


LO 3 Describe the major types of retail operations.

The major types of retail stores are department stores, specialty retailers, supermarkets, drugstores, convenience stores, discount stores, and restaurants. Department stores carry a wide assortment of shopping and specialty goods, are organized into relatively independent departments, and offset higher prices by emphasizing customer service and décor. Specialty retailers typically carry a narrower but deeper assortment of merchandise, emphasizing distinctive products and a high level of customer service. Supermarkets are large self-service retailers that offer a wide variety of food products and some nonfood items. Drugstores are retail formats that sell mostly prescription and over-the-counter medications, health and beauty aids, cosmetics, and specialty items. Convenience stores carry a limited line of high-turnover convenience goods. Discount stores offer low-priced general merchandise and consist of four types: full-line discounters, specialty discount retailers,

warehouse clubs, and off-price retailers.

Finally, restaurants straddle the line between the retailing and services industries; although restaurants sell a product, food and drink, to final consumers, they can also be considered service marketers because they provide consumers with the service of preparing food and providing table service.



off-price retailer a retailer that sells at prices 25 percent or more below traditional department store prices because it pays cash for its stock and usually doesn't ask for return privileges

online retailing a type of shopping available to consumers who have personal computers and access to the Internet

product offering the mix of products offered to the consumer by the retailer; also called the product assortment or merchandise mix

retailing all the activities directly related to the sale of goods and services to the ultimate consumer for personal, nonbusiness use

retailing mix a combination of the six Ps—product, place, promotion, price, presentation, and personnel—to sell goods and services to the ultimate consumer

scrambled merchandising the tendency to offer a wide variety of nontraditional goods and services under one roof

specialty discount store a retail store that offers a nearly complete selection of single-line merchandise and uses self-service, discount prices, high volume, and high turnover

specialty store a retail store specializing in a given type of merchandise

supercentre a retail store that combines groceries and general merchandise goods with a wide range of services

supermarket a large, departmentalized, self-service retailer that specializes in food and some nonfood items

telemarketing the use of the telephone to sell directly to consumers

warehouse membership clubs limited-service merchant wholesalers that sell a limited selection of brand-name appliances, household items, and groceries on a cash-and-carry basis to members, small businesses, and groups

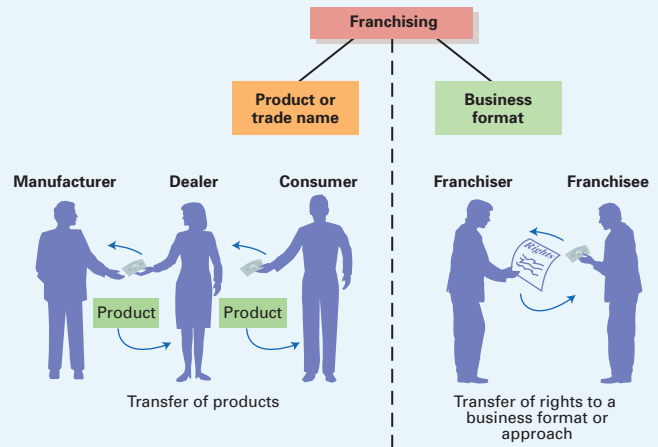
LO 4 Discuss nonstore retailing techniques.

Nonstore retailing, which is shopping outside a store setting, has three major categories. Automatic vending uses machines to offer products for sale. In direct retailing, the sales transaction occurs in a home setting, typically through door-to-door sales or party plan selling. Direct marketing refers to the techniques used to get consumers to buy from their homes or place of business. Those techniques include direct mail, catalogues and mail order, telemarketing, and electronic retailing, such as home shopping channels and online retailing using the Internet.



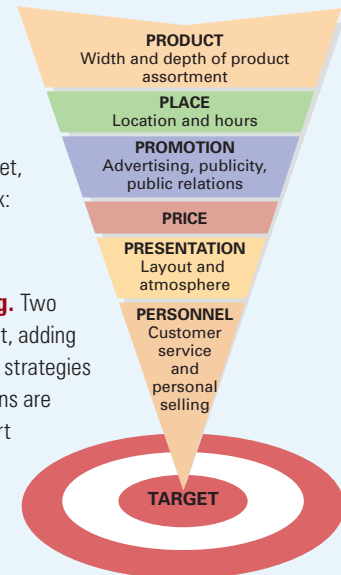
LO 5 Define franchising and describe its two basic forms.

Franchising is a continuing relationship in which a franchiser grants to a franchisee the business rights to operate or to sell a product. Modern franchising takes two basic forms. In product and trade name franchising, a dealer agrees to buy or sell certain products or product lines from a particular manufacturer or wholesaler. Business format franchising is an ongoing business relationship in which a franchisee uses a franchiser's name, format, or method of business in return for several types of fees.



LO 6 List the major tasks involved in developing a retail marketing strategy.

Retail management begins with defining the target market, typically on the basis of demographic, geographic, or psychographic characteristics. After determining the target market, retail managers must develop the six variables of the retailing mix: product, promotion, place, price, presentation, and personnel.



LO 7 Describe new developments in retailing.

Two major trends are evident in retailing today. First, adding interactivity to the retail environment is one of the most popular strategies in retailing in recent years. Both small retailers and national chains are using interactivity to involve customers and set themselves apart from the competition. Second, m-commerce (mobile e-commerce) is gaining in popularity. M-commerce enables consumers to purchase goods and services using wireless mobile devices, such as smartphones, pagers, personal digital assistants (PDAs), and handheld computers.



Interactivity gets consumers involved in retail experience.



M-commerce is purchasing goods through mobile devices.



advertising impersonal, one-way mass communication about a product or organization that is paid for by a marketer

AIDA concept a model that outlines the process for achieving promotional goals in terms of stages of consumer involvement with the message; the acronym stands for *attention, interest, desire, and action*

channel a medium of communication—such as a voice, radio, or newspaper—used for transmitting a message

communication the process by which we exchange or share meanings through a common set of symbols

competitive advantage the set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition

crowdsourcing channelling the power of online crowds to gather feedback on marketing programs for almost immediate improvements and changes

decoding interpretation of the language and symbols sent by the source through a channel

direct-response communication communication of a message directly from a marketing company and directly to an intended individual target audience

encoding the conversion of a sender's ideas and thoughts into a message, usually in the form of words or signs

feedback the receiver's response to a message

integrated marketing communications (IMC) the careful coordination of all promotional messages for a product or a service to assure the consistency of messages at every contact point where a company meets the consumer

interpersonal communication direct, fact-to-face communication between two or more people

mass communication the communication of a concept or message to large audiences

noise anything that interferes with, distorts, or slows down the transmission of information

online marketing two-way communication of a message delivered through the Internet to the consumer

personal selling a purchase situation involving a personal paid-for communication between two people in an attempt to influence each other

promotion communication by marketers that informs, persuades, and reminds potential buyers of a product for the purpose of influencing an opinion or eliciting a response

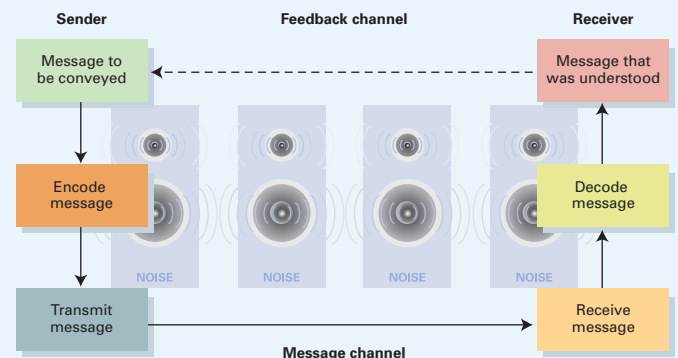
LO 1 Discuss the role of promotion in the marketing mix. Promotion is communication by marketers that informs, persuades, and reminds potential buyers of a product for the purpose of influencing an opinion or eliciting a response. Promotional strategy is the plan for using the elements of promotion—advertising, direct-response communication, public relations, sales promotion, personal selling, and online marketing—to meet the firm's overall objectives and marketing goals. Using these objectives, marketers combine the elements of the promotional strategy to form a

coordinated promotion plan. The promotion plan then becomes an integral part of the total marketing strategy for reaching the target market, in addition to product, distribution, and price.



LO 2 Discuss the elements of the promotional mix. The elements of the promotional mix include advertising, public relations, sales promotion, personal selling, direct-response communication, and online marketing. Advertising is a form of impersonal, one-way mass communication paid for by the source. Public relations is the function of promotion concerned with a firm's public image. Firms can't buy good publicity, but they can take steps to create a positive company image. Sales promotion is typically used to back up other components of the promotional mix by stimulating immediate demand. Personal selling typically involves direct communication, in person or by telephone; the seller tries to initiate a purchase by informing and persuading one or more potential buyers. Direct-response communication is designed to generate profitable business results through targeted communications to a specific audience. Direct-response communication uses a combination of relevant messaging and offers that can be tracked, measured, analyzed, stored, and leveraged to drive future marketing initiatives. Online marketing is communication delivered through the Internet.

LO 3 Describe the communication process. The communication process has several steps. When an individual or organization has a message to convey to a target audience, it encodes that message using language and symbols familiar to the intended receiver and sends the message through a channel of communication. Noise in the transmission channel distorts the source's intended message. Reception occurs if the message falls within the receiver's frame of reference. The receiver decodes the message and usually provides feedback to the source. Normally, feedback is direct for interpersonal communication and indirect for mass communication.



LO 4 Outline the goals and tasks of promotion. The fundamental goals of promotion are to induce, modify, or reinforce behaviour by informing, persuading, and reminding. Informative promotion explains a good's or service's purpose and benefits. Promotion that informs the consumer is typically used to increase demand for a general product

promotional mix the combination of promotional tools—including advertising, public relations, sales promotion, personal selling, direct-response communication, and online marketing—used to reach the target market and fulfill the organization’s overall goals

promotional strategy a plan for the optimal use of the elements of promotion: advertising, direct marketing, public relations, personal selling, sales promotion, and online marketing

publicity public information about a company, product, service, or issue appearing in the mass media as a news item

public relations the marketing function that evaluates public attitudes, identifies areas within the organization the public may be interested in, and executes a program of action to earn public understanding and acceptance

pull strategy a marketing strategy that stimulates consumer demand to obtain product distribution

push strategy a marketing strategy that uses aggressive personal selling and trade advertising to convince a wholesaler or a retailer to carry and sell particular merchandise

receiver the person who decodes a message

sales promotion marketing activities—other than personal selling, advertising, and public relations—that stimulate consumer buying and dealer effectiveness

sender the originator of the message in the communication process

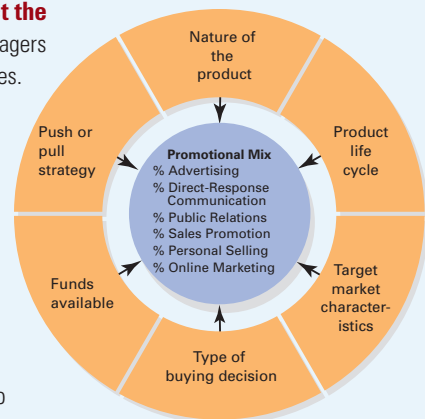
social networking sites (social media sites) websites where users create and share information about themselves, brands, and other mutual interests

category or to introduce a new good or service. Persuasive promotion is designed to stimulate a purchase or an action. Promotion that persuades the consumer to buy is essential during the growth stage of the product life cycle, when competition becomes fierce. Reminder promotion is used to keep the product and brand name in the public’s mind. Promotions that remind are generally used during the maturity stage of the product life cycle.

LO 5 Discuss the AIDA concept and its relationship to the promotional mix. The AIDA model outlines the four basic stages in the purchase decision-making process, which are initiated and propelled by promotional activities: (1) attention, (2) interest, (3) desire, and (4) action. The components of the promotional mix have varying levels of influence at each stage of the AIDA model. Advertising is a good tool for increasing awareness and knowledge of a good or service. Sales promotion is effective when consumers are at the purchase stage of the decision-making process. Personal selling is most effective in developing customer interest and desire.

	Attention	Interest	Desire	Action
Advertising	✓+		✓	✓-
Direct-Response Communication	✓+	✓	✓	✓+
Public Relations	✓+	✓+	✓+	✓-
Sales Promotion	✓	✓	✓+	✓
Personal Selling	✓	✓+	✓+	✓+
Online Marketing	✓+	✓+	✓	✓-

LO 6 Examine the factors that affect the promotional mix. Promotion managers consider many factors when creating promotional mixes. These factors include the nature of the product, product life-cycle stage, target market characteristics, the type of buying decision involved, availability of funds, and feasibility of push or pull strategies. Because most business products tend to be custom-tailored to the buyer’s exact specifications, the marketing manager may choose a promotional mix that relies more heavily on personal selling. On the other hand, consumer products are generally mass-produced and lend themselves more to mass promotional efforts, such as advertising and sales promotion. As products move through different stages of the product life cycle, marketers will choose to use different promotional elements. For example, advertising is emphasized more in the introductory stage of the product life cycle than in the decline stage. Characteristics of the target market, such as geographic location of potential buyers and brand loyalty, influence the promotional mix as does whether the buying decision is complex or routine. The amount of funds a firm has to allocate to promotion may also help determine the promotional mix. Small firms with limited funds may rely more heavily on public relations, whereas larger firms may be able to afford broadcast or print advertising. Last, if a firm uses a push strategy to promote the product or service, the marketing manager may choose to use aggressive advertising and personal selling to wholesalers and retailers. If a pull strategy is chosen, then the manager often relies on aggressive mass promotion, such as advertising and sales promotion, to stimulate consumer demand.



LO 7 Discuss the concept of integrated marketing communications. Integrated marketing communications is the careful coordination of all promotional messages for a product or service to ensure the consistency of messages at every contact point where a company meets the consumer—advertising, sales promotion, personal selling, public relations, as well as direct marketing, packaging, and other forms of communication. Marketing managers carefully coordinate all promotional activities to ensure that consumers see and hear one message. Integrated marketing communications has received more attention in recent years due to the proliferation of media choices, the fragmentation of mass markets into more segmented niches, and the decrease in advertising spending in favour of promotional techniques that generate an immediate sales response.



advergaming placing advertising messages in Web-based or video games to advertise or promote a product, service, organization, or issue

advertising appeal a reason for a person to buy a product

advertising campaign a series of related advertisements focusing on a common theme, slogan, and set of advertising appeals

advertising objective a specific communication task that a campaign should accomplish for a specified target audience during a specified period

advertising response function a phenomenon in which spending for advertising and sales promotion increases sales or market share up to a certain level but then produces diminishing returns

advocacy advertising a form of advertising in which an organization expresses its views on a particular issue or cause

audience selectivity the ability of an advertising medium to reach a precisely defined market

blog a publicly accessible Web page that functions as an interactive journal, whereby readers can post comments on the author's entries

cause-related marketing a type of sponsorship involving the association of a for-profit company with a nonprofit organization; through the sponsorship the company's product or service is promoted, and money is raised for the nonprofit

comparative advertising a form of advertising that compares two or more competing brands on one or more specific attributes

competitive advertising a form of advertising designed to influence demand for a specific brand

continuous media schedule a media scheduling strategy in which advertising is run steadily throughout the advertising period; used for products in the latter stages of the product life cycle

cooperative advertising an arrangement in which the manufacturer and the retailer split the costs of advertising the manufacturer's brand

corporate blogs blogs that are sponsored by a company or one of its brands and maintained by one or more of the company's employees

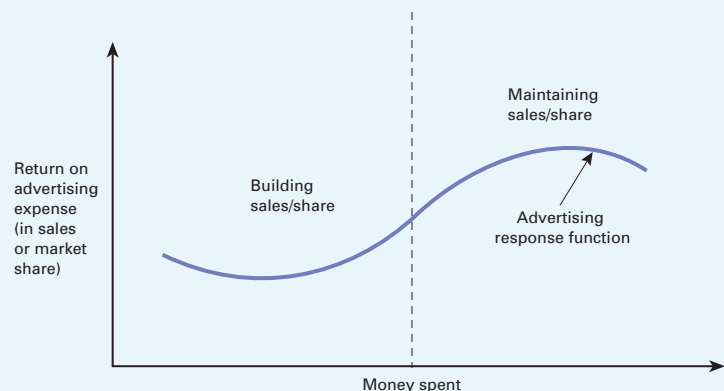
cost per contact the cost of reaching one member of the target market

crisis management a coordinated effort to handle all the effects of either unfavourable publicity or an unexpected unfavourable event

direct mail a printed form of direct-response communication that is delivered directly to consumers' homes

direct-response broadcast advertising that uses television or radio and includes a direct call to action asking the consumer to respond immediately

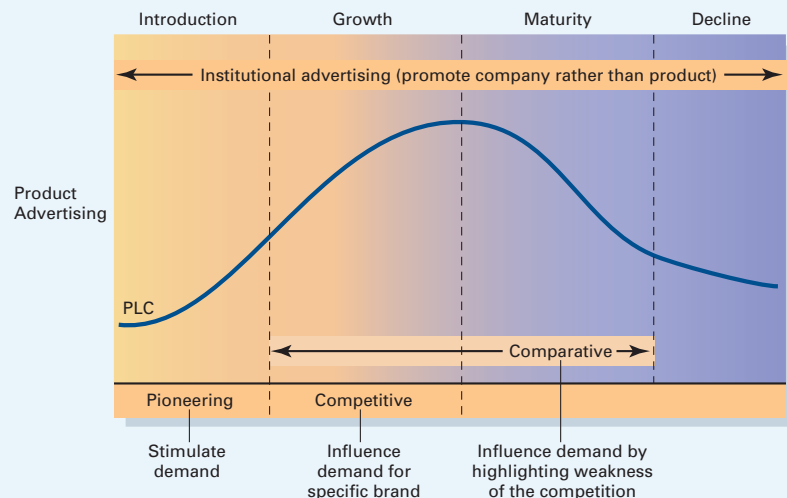
LO 1 Discuss the effects of advertising on market share and consumers. Advertising helps marketers increase or maintain brand awareness and, subsequently, market share. Typically, more is spent to advertise new brands that have a small market share than to advertise older brands. Brands with a large market share use advertising mainly to maintain their share of the market. Advertising affects consumers' daily lives and their purchases. Although advertising can seldom change strongly held consumer attitudes and values, it may transform a consumer's negative attitude toward a product into a positive one. Additionally, when consumers are highly loyal to a brand, they may buy more of that brand when advertising is increased. Last, advertising can also change the importance of a brand's attributes to consumers. By emphasizing different brand attributes, advertisers can change their appeal in response to consumers' changing needs or try to achieve an advantage over competing brands.



Advertising can:

- ✓ change negative attitude to positive
- ✓ reinforce positive attitude
- ✓ affect how consumers rank brand attributes

LO 2 Identify the major types of advertising. Advertising is any form of nonpersonal, paid communication in which the sponsor or company is identified. The two major types of advertising are institutional advertising and product advertising. Institutional advertising is not product oriented; rather, its purpose is to foster a positive company image among the general public, investment community, customers, and employees. Product advertising is designed mainly to promote goods and services, and it is classified into three main categories: pioneering, competitive, and comparative. A product's place in the product life cycle is a major determinant of the type of advertising used to promote it.



direct-response print advertising in a print medium that includes a direct call to action
direct-response television (DRTV) advertising that appears on television and encourages viewers to respond immediately

Do Not Call List (DNCL) a free service whereby Canadians register their telephone number to reduce or eliminate phone calls from telemarketers

flighted media schedule a media scheduling strategy in which ads are run heavily every other month or every two weeks, to achieve a greater impact with an increased frequency and reach at those times

frequency the number of times an individual is exposed to a given message during a specific period

infomercial a 30-minute or longer advertisement that looks more like a TV talk show than a sales pitch

institutional advertising a form of advertising designed to enhance a company's image rather than promote a particular product

media mix the combination of media to be used for a promotional campaign

media planning the series of decisions advertisers make regarding the selection and use of media, allowing the marketer to optimally and cost-effectively communicate the message to the target audience

media schedule designation of the media, the specific publications or programs, and the insertion dates of advertising

medium the channel used to convey a message to a target market

noncorporate blogs independent blogs that are not associated with the marketing efforts of any particular company or brand
pioneering advertising a form of advertising designed to stimulate primary demand for a new product or product category

product advertising a form of advertising that promotes the benefits of a specific good or service

product placement a public relations strategy that involves getting a product, service, or company name to appear in a movie, television show, radio program, magazine, newspaper, video game, video or audio clip, book, or commercial for another product; on the Internet; or at special events

pulsing media schedule a media scheduling strategy that uses continuous scheduling throughout the year coupled with a flighted schedule during the best sales periods

reach the number of target consumers exposed to a commercial at least once during a specific period, usually four weeks

seasonal media schedule a media scheduling strategy that runs advertising only during times of the year when the product is most likely to be used

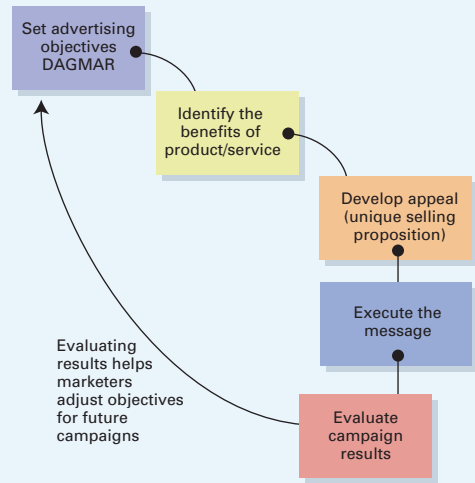
sponsorship a public relations strategy in which a company spends money to support an issue, cause, or event that is consistent with corporate objectives, such as improving brand awareness or enhancing corporate image

telemarketing the use of telecommunications to sell a product or service; involves both outbound calls and inbound calls

unique selling proposition a desirable, exclusive, and believable advertising appeal selected as the theme for a campaign

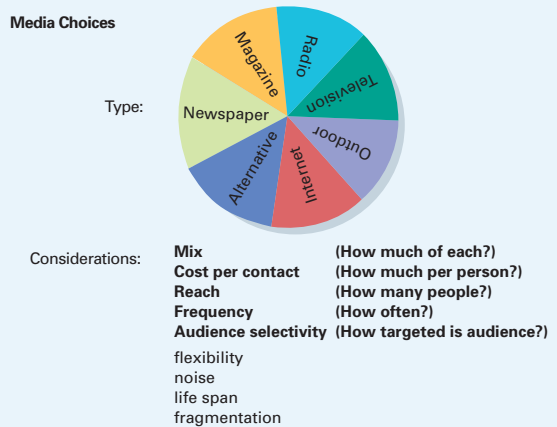
LO 3 Discuss the creative decisions in developing an advertising campaign.

Before any creative work can begin on an advertising campaign, marketers need to determine the goals or objectives the advertising should achieve. The objectives of a specific advertising campaign often depend on the overall corporate objectives and the product being advertised. Once objectives are defined, creative work can begin on the advertising campaign. Creative decisions include identifying the product's benefits, developing possible advertising appeals, evaluating and selecting the advertising appeals, executing the advertising message, and evaluating the effectiveness of the campaign.



LO 4 Describe media evaluation and selection techniques.

Media evaluation and selection comprise a crucial step in the advertising campaign process. Major types of advertising media include newspapers, magazines, radio, television, outdoor advertising such as billboards and bus panels, and the Internet. Promotion managers choose the advertising campaign's media mix on the basis of the following variables: cost per contact, reach, frequency, characteristics of the target audience, flexibility of the medium, noise level, and the lifespan of the medium. After choosing the media mix, a media schedule designates when the advertisement will appear and the specific vehicles it will appear in.

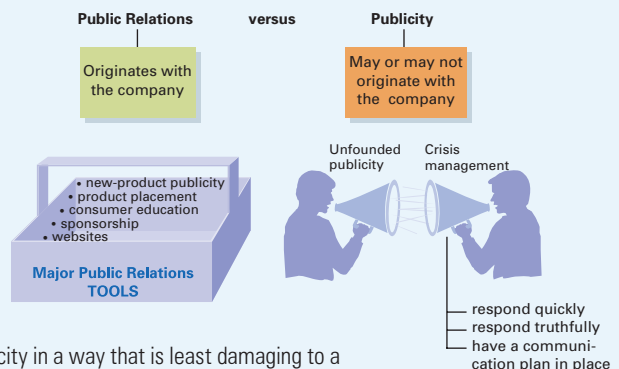


LO 5 Discuss the role of direct-response communication in the promotional mix.

Direct-response communication is often referred to as direct marketing. It involves the development of relevant messages and offers that can be tracked, measured, analyzed, stored, and leveraged. Popular direct-marketing tools include direct-response broadcast, direct-response print, telemarketing, and direct mail. Direct-response communication is designed to generate an immediate response from the consumer through the inclusion of a key element—the offer.

LO 6 Discuss the role of public relations in the promotional mix.

Public relations is a vital part of a firm's promotional mix. A company fosters good publicity to enhance its image and promote its products. Popular public relations tools include new-product publicity, product placement, consumer education, event sponsorship, issue sponsorship, and websites. An equally important aspect of public relations is managing unfavourable publicity in a way that is least damaging to a firm's image.





cold calling a form of lead generation in which the salesperson approaches potential buyers without any prior knowledge of the prospects' needs or financial status

consumer sales promotion sales promotion activities targeting the ultimate consumer

coupon a certificate that entitles consumers to an immediate price reduction when they buy the product

follow-up the final step of the selling process, in which the salesperson ensures that delivery schedules are met, that the goods or services perform as promised, and that the buyers' employees are properly trained to use the products

frequent buyer program a loyalty program in which loyal consumers are rewarded for making multiple purchases of a particular good or service

lead generation (prospecting) identification of those firms and people most likely to buy the seller's offerings

lead qualification determination of a sales prospect's (1) recognized need, (2) buying power, and (3) receptivity and accessibility

loyalty marketing program a promotional program designed to build long-term, mutually beneficial relationships between a company and its key customers

needs assessment a determination of the customer's specific needs and wants and the range of options the customer has for satisfying them

negotiation the process during which both the salesperson and the prospect offer special concessions in an attempt to arrive at a sales agreement

networking the use of friends, business contacts, coworkers, acquaintances, and fellow members in professional and civic organizations to identify potential clients

point-of-purchase display (P-O-P) a promotional display set up at the retailer's location to build traffic, advertise the product, or induce impulse buying

preapproach a process that describes the research a salesperson must do before contacting a prospect

premium an extra item offered to the consumer, usually in exchange for some proof of purchase of the promoted product

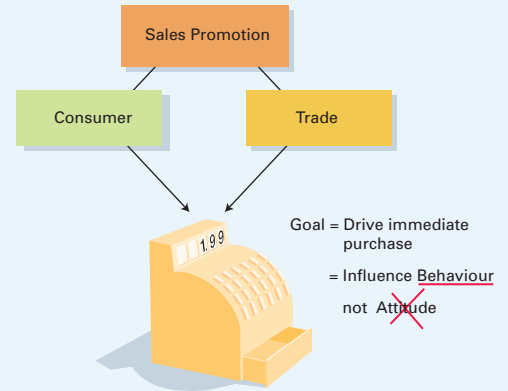
push money money offered to channel intermediaries to encourage them to push products—that is, to encourage other members of the channel to sell the products

rebate a cash refund given for the purchase of a product during a specific period

referral a recommendation to a salesperson from a customer or business associate

LO 1 Define and state the objectives of sales promotion.

Sales promotion consists of those marketing communication activities, other than advertising, personal selling, and public relations, in which a short-term incentive motivates consumers or members of the distribution channel to purchase a good or service immediately, either by lowering the price or by adding value. The main objectives of sales promotion are to increase trial purchases, consumer inventories, and repeat purchases. Sales promotion is also used to encourage brand switching and to build brand loyalty. Sales promotion supports advertising activities.



LO 2 Discuss the most common forms of consumer sales promotion.

Consumer forms of sales promotion include coupons and rebates, premiums, loyalty marketing programs, contests and sweepstakes, sampling, and point-of-purchase displays. Coupons are certificates entitling consumers to an immediate price reduction when they purchase a product or service. Coupons are a particularly good way to encourage product trial and brand switching. Similar to coupons, rebates provide purchasers with a price reduction, although it is not immediate. To receive a rebate, consumers generally must mail in a rebate form with a proof of purchase. Premiums offer an extra item or incentive to the consumer for buying a product or service. Premiums reinforce the consumer's purchase decision, increase consumption, and persuade nonusers to switch brands. Rewarding loyal customers is the basis of loyalty marketing programs. Loyalty programs are extremely effective at building long-term, mutually beneficial relationships between a company and its key customers. Contests and sweepstakes are generally designed to create interest, often to encourage brand switching. Because consumers perceive risk in trying new products, sampling is an effective method for gaining new customers. Finally, point-of-purchase displays set up at the retailer's location build traffic, advertise the product, and induce impulse buying.

CONSUMER SALES PROMOTION

-  **Coupons and rebates** 
-  **Premiums** 
-  **Loyalty marketing program** 
-  **Contests and sweepstakes** 
-  **Sampling** 
-  **P-O-P** 
-  **Online** 

relationship selling (consultative selling) a multistage sales process that involves building, maintaining, and enhancing interactions with customers for the purpose of developing long-term satisfaction through mutually beneficial partnerships

sales presentation a formal meeting in which the salesperson presents a sales proposal to a prospective buyer

sales process (sales cycle) the set of steps a salesperson goes through to sell a particular product or service

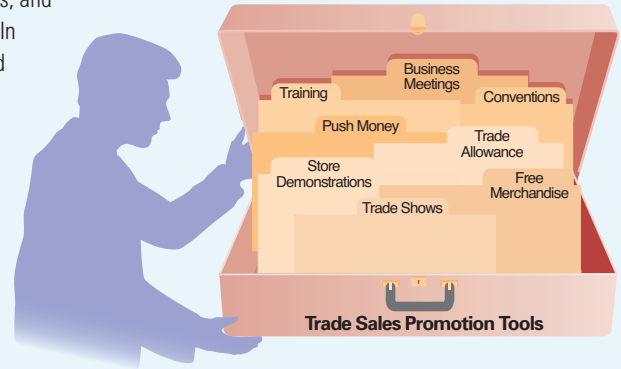
sales proposal a formal written document or professional presentation that outlines how the salesperson's product or service will meet or exceed the prospect's needs

sampling a promotional program that allows the consumer the opportunity to try a product or service for free

trade allowance a price reduction offered by manufacturers to intermediaries, such as wholesalers and retailers

trade sales promotion sales promotion activities targeting a marketing channel member, such as a wholesaler or retailer

LO 3 List the most common forms of trade sales promotion. Manufacturers use many of the same sales promotion tools used in consumer promotions, such as sales contests, premiums, and point-of-purchase displays. In addition, manufacturers and channel intermediaries use several unique promotional strategies: trade allowances, push money, training programs, free merchandise, store demonstrations, and meetings, conventions, and trade shows.



LO 4 Describe personal selling.

Personal selling is direct communication between a sales representative and one or more prospective buyers in an attempt to influence each other in a purchase situation. Broadly speaking, all business people use personal selling to promote themselves and their ideas. Personal selling offers several advantages over other forms of promotion. Personal selling allows salespeople to thoroughly explain and demonstrate a

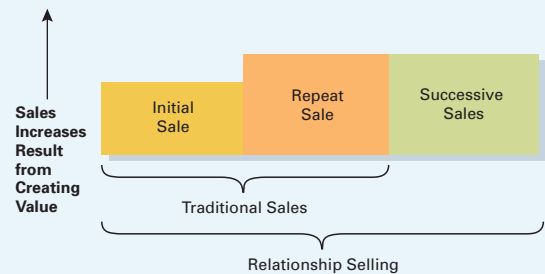


- ✓ Detailed explanation or demonstration
- ✓ Variable sales message
- ✓ Directed at qualified prospects
- ✓ Controllable adjustable selling costs
- ✓ Effective at obtaining sale and gaining customer satisfaction

product. Salespeople have the flexibility to tailor a sales proposal to the needs and preferences of individual customers. Personal selling can be more efficient than other forms of promotion because salespeople target qualified prospects and avoid wasting efforts on unlikely buyers. Personal selling affords greater managerial control over promotion costs. Finally, personal selling is the most effective method of closing a sale and producing satisfied customers.

LO 5 Discuss the key differences between relationship selling and traditional selling. Relationship selling is the practice of building, maintaining,

and enhancing interactions with customers for the purpose of developing long-term satisfaction through mutually beneficial partnerships. Traditional selling, on the other hand, is transaction focused. That is, the salesperson is most concerned with making one-time sales and moving on to the next prospect. In contrast, salespeople who practise relationship selling typically spend more time understanding a prospect's needs and developing solutions to meet those needs.



LO 6 List the steps in the selling process.

The selling process is composed of seven basic steps: (1) generating leads, (2) qualifying leads, (3) approaching the customer and probing needs, (4) developing and proposing solutions, (5) handling objections, (6) closing the sale, and (7) following up.

