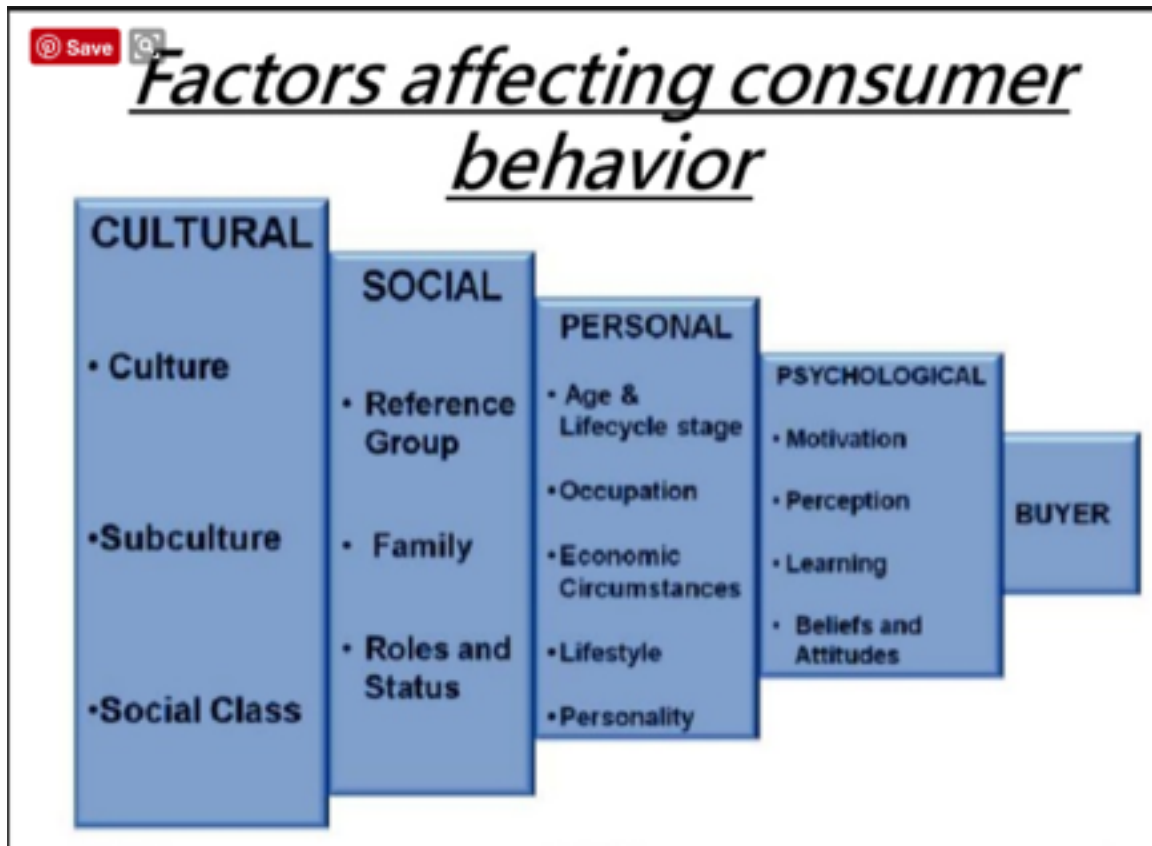


What Professor Saks Said we need to know!
Chapter 6:



Cultural Factors- exert a broad and deep influence on consumer behavior.

Culture- the set of basic values, perceptions, wants and behaviors learned by a member of society from family and other important institutions.

SubCulture- a group of people with shared value systems based on common life experiences and situations.

Cross cultural marketing- including ethnic themes and cross cultural perspectives within a brands mainstream marketing appealing to consumer similarities across subcultures rather than difference.

Social Class- relatively permanent and ordered divisions in a society whose members share similar values, interests and behaviors.

Social

Opinion leader- a person within a reference group who because of special skills, knowledge, personality or other characteristics exerts social influence on others.

Buzz Marketing- enlisting or even creating opinion leaders to serve as brand ambassadors who spread the word about a company's products.

Family Members- can strongly influence the buyer behavior. It is the most important consumer buying organization in society.

Roles & Status- a person belongs to any groups(family, clubs, organizations, online communities). Defines the position a person plays in a group. a role consists of the activities people are expected to perform according to the people around them.

Reference groups-

Age and Life cycle Stage- people change the goods and services they buy over their lifetime. Life stage changes usually result from demographic and life changing events— Marriage, having children, purchasing a home, divorce, children.

Occupation- a person's occupation affects the goods and services bought. Blue collar workers buy more work clothes and white collar buy more business suits.

Economic Situation- affects goods bought depending on income level.

Lifestyle- a person's patterns of living as expressed in his or her activities, interests, and opinions.

Personality- the unique psychological characteristics that distinguish a person or group.

Motive- a need that is sufficiently pressing to direct the person to seek satisfaction of the need.

Perception- the process by which people select, organize, and interpret information to form a meaningful picture of the world.

Learning- Changes in a individuals behavior arising from experience.

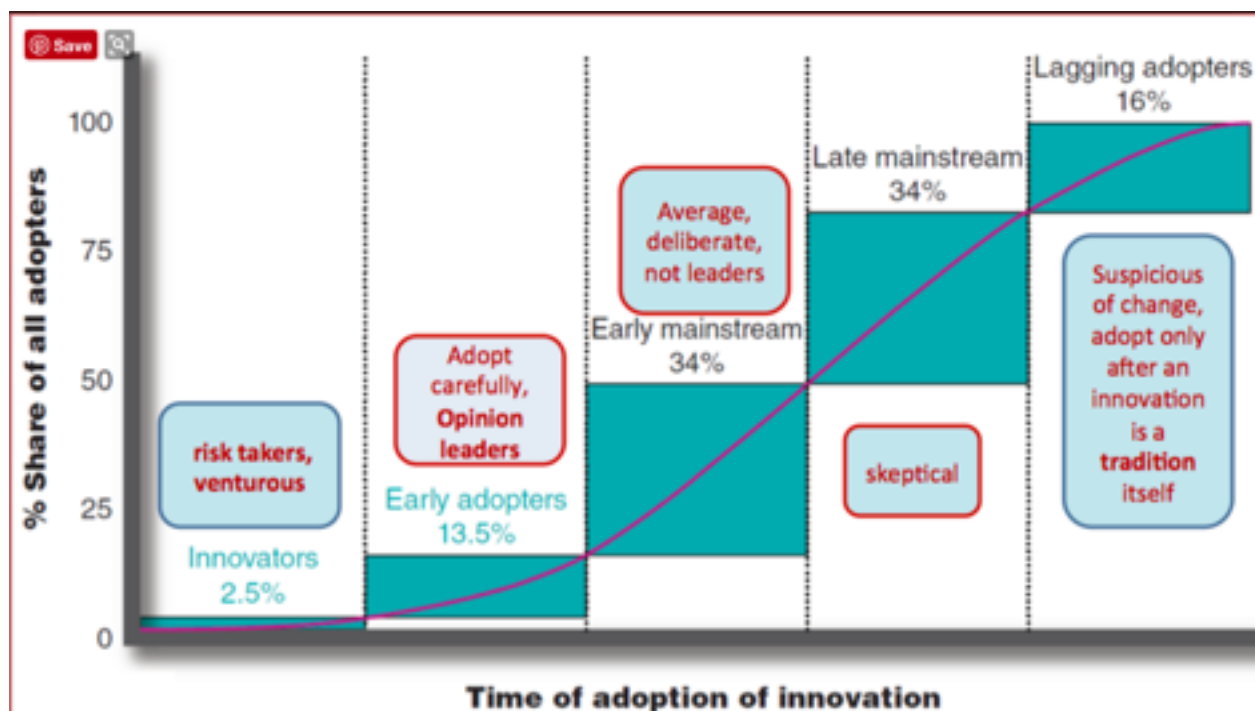
The Buying decision process:



Cognitive dissonance- Buyers discomfort caused by post purchase conflict.

Stages of the Adoption Process:

1. Awareness: the consumer becomes aware of the new product.
2. Interest: the consumer seeks information about the new product.
3. Evaluation: The consumer considers whether trying the new product makes sense.
4. Trial: The consumer tries the new product on a small scale to improve his estimate of its value.
5. Adoption: the consumer decides to make regular use of the new product.



5 Product Characteristics that influence Rate of Adoption:

Relative Advantage- the degree to which the innovation appears superior to existing products.

Compatibility- the degree to which the innovation fits the values and experiences of potential customers.

Complexity: the degree to which the innovation is difficult to understand or use.

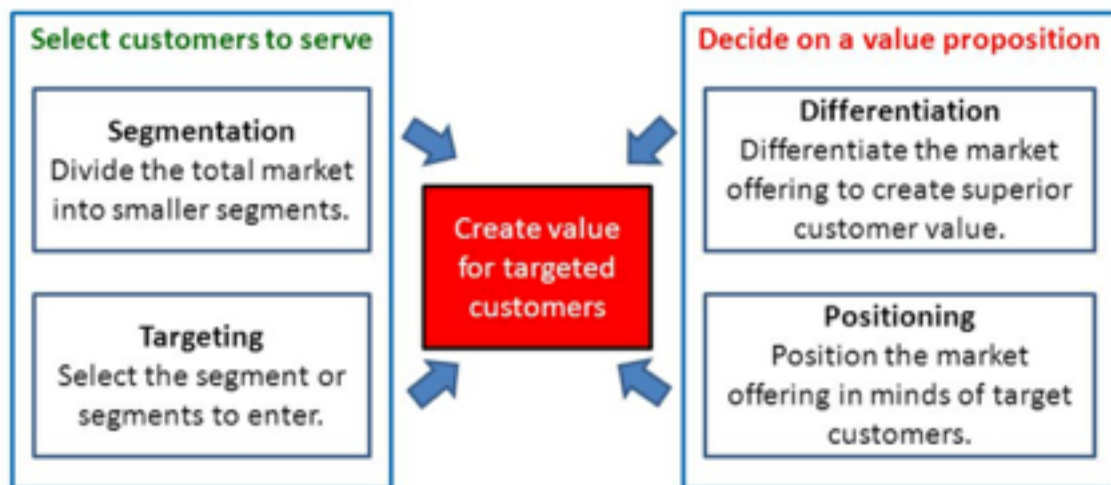
Divisibility: the degree to which the innovation may be tried on a limited basis.

Communicability: the degree to which the results of using the innovation can be observed or described to others.

Chapter 7:



Designing a Customer-Driven Marketing Strategy



Segmentation: Dividing a market into distinct groups with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes.

Targeting: the process of evaluating each market segments attractiveness and selecting one or more segments to enter.

Differentiation: actually differentiating the market offering to create superior customer value.

Positioning: arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target customers.

Table 7.1- Major segmentation variables for consumer markets

Geographic Segmentation:

- World Region
- Country
- Region
- Population Size
- Type of region (urban, suburban, rural)

Demographic Segmentation:

- Age
- Gender
- Family Size
- Life cycle
- Income
- Occupation

- Education
- Ethnic or cultural group
- Generation

Behavioral Segmentation:

- Occasions
- benefits
- user status (non user, ex-user, potential)
- User Rates
- Loyalty Status
- readiness stage
- attitude toward product

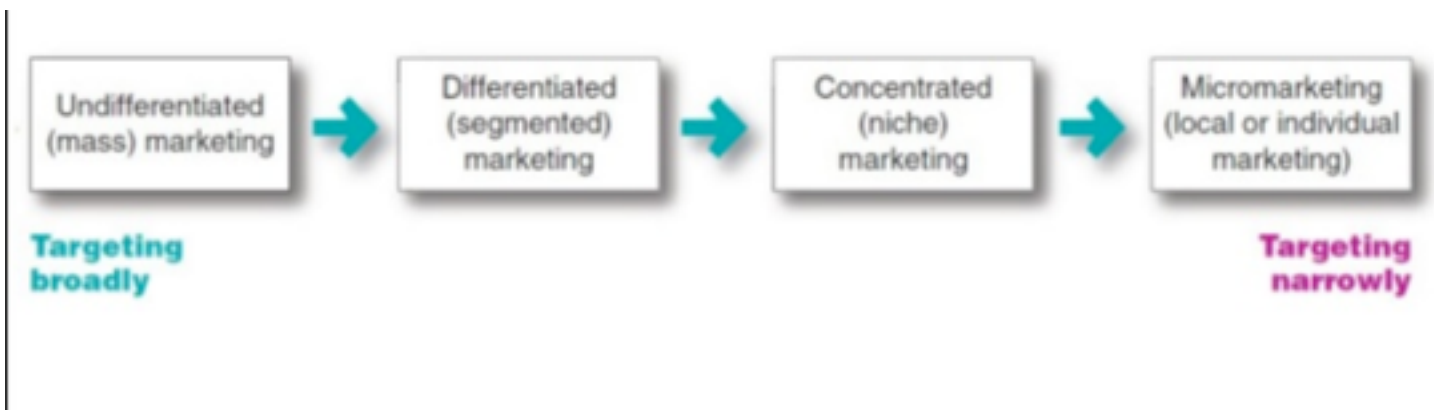
Target Market: a set of buyers sharing common needs or characteristics that the company decides to serve.

Undifferentiated (Mass) marketing: a market coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.

Differentiated (Segmented) Marketing: a market coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

Concentrated (Niche) Marketing: a market coverage strategy in which a firm goes after a large share of one or a few segments or niches.

Micro (Individual) (Local): the practice of tailoring products and marketing programs to the needs and wants of specific individuals and local customer segments.



Market segments must be the following:

Measurable: the size, purchasing power, and profiles of the segments can be measured, certain segmentation variables are difficult to measure.

Accessible: the market segments can be effectively reached and served.

Substantial: the market segments are large or profitable enough to serve. a segments should be the larger possible homogeneous group worth pursuing with a tailored marketing program.

For example: an automobile manufacturer to develop car especially for people who are taller than 7 feet.

Differentiable: the segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.

For example: If married and unmarried women respond similarly to sale on perfume they do not constitute separate segments.

Actionable: Effective programs can be designed for attracting and serving the segments.

For example: although one small airline identified seven market segments, its staff was too small to develop separate marketing programs for each segment.

How to choose a targeting strategy?

1. **The degree of product variability**: (undifferentiated marketing is better for more uniform products such as grapefruit or steel) (Products that vary in design such as cameras and cars are more suited to differentiation or concentrated marketing)

If most buyers have the same tastes, buy the same amounts and react the same way to marketing efforts then undifferentiated marketing makes the most sense.

2. **Company resources** (when resources are limited concentrated marketing makes the most sense)

3. **Product Life cycle stage**

When a firm launches a new product it may be practical to launch only one version and undifferentiated marketing or concentrated marketing may make the most sense.

In the mature stage of the product life cycle differentiated marketing makes more sense.

4. **Competitors Marketing Strategies:**

When competitors use differentiated or concentrated marketing — —> Undifferentiated marketing = suicide

When competitors use undifferentiated marketing — —> using differentiated or concentrated marketing = advantage for firm by focusing on the needs or buyers in specific segments.

Smart Marketing = efficiency and effectiveness by focusing on the segments they can satisfy best and most profitably.

Value Proposition: How it will create differentiated value for targeted segments and what position does it want to occupy in those segments.

Product Position: The way the product is defined by consumers on important attributes. — the place the product occupies in the consumers mind relative to the competing products.

“ Products are created in factories but Brands are created in the mind”

A Products position: is a complex set of perceptions, impressions, and feelings that consumers have for the product.

Less differentiated the product = the more important positioning becomes.

Competitive Advantage: an advantage over competitors gain by offering greater customer value, either through lower prices or by providing more benefits that justify higher prices.

* if a company positions its products as offering the best quality and service — —> It must differentiate the product so it delivers that quality.

They must live there slogan

In what ways can a company differentiate its product?

- product
- services
- channels
- people
- image

* through differentiation brands can be differentiated on features, performance, or style.

How many differences to promote?

some marketers believe they should only promote one benefit the product is selling.

The unique selling proposition

Which Difference to Promote?

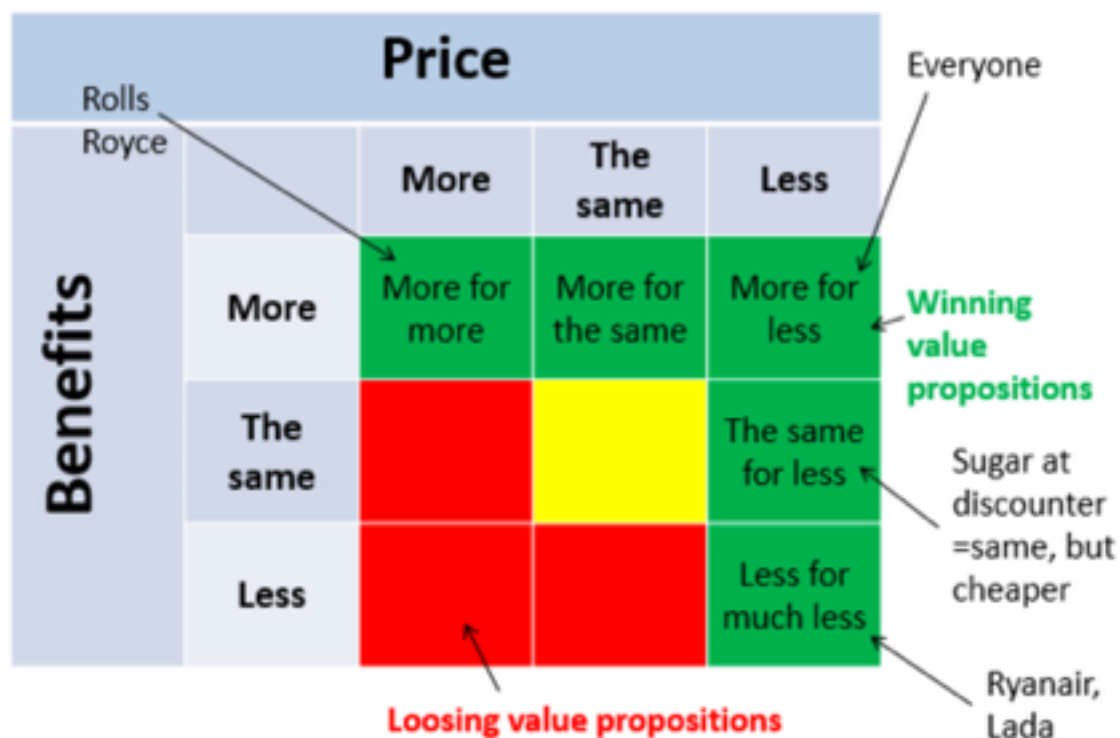
A difference is worth establishing

1. **Important:** the difference delivers a highly valued benefit to target buyers
2. **Distinctive:** competitors do not offer the difference or the company can offer it in a more distinctive way
3. **Superior:** the difference is superior to other ways customers might obtain the same benefit

4. **Communicable:** the difference is communicable and visible to buyers.
5. **Pre-emptive:** competitors cannot easily copy the difference.
6. **Affordable:** buyers can afford to pay the difference.
7. **Profitable:** the company can introduce the difference profitably.

Value Proposition: the full positioning of a brand the full mix of benefits upon which it is positioned.

Possible Value Propositions:



More for More: providing the most upscale product or service for a higher price.

Example: Mercedes, LG electronics, Four seasons hotel, Ritz Carlton

More for the Same: Companies can attack a companies more for more proposition by introducing a comparable product for a lower price.

Example: Toyota's Lexus Line, versus Mercedes And BMW.

The Same for Less: Offer many of the same brands as department and specialty stores but at deep discounts.

Example: Best Buy, Walmart, Payless, PetSmart

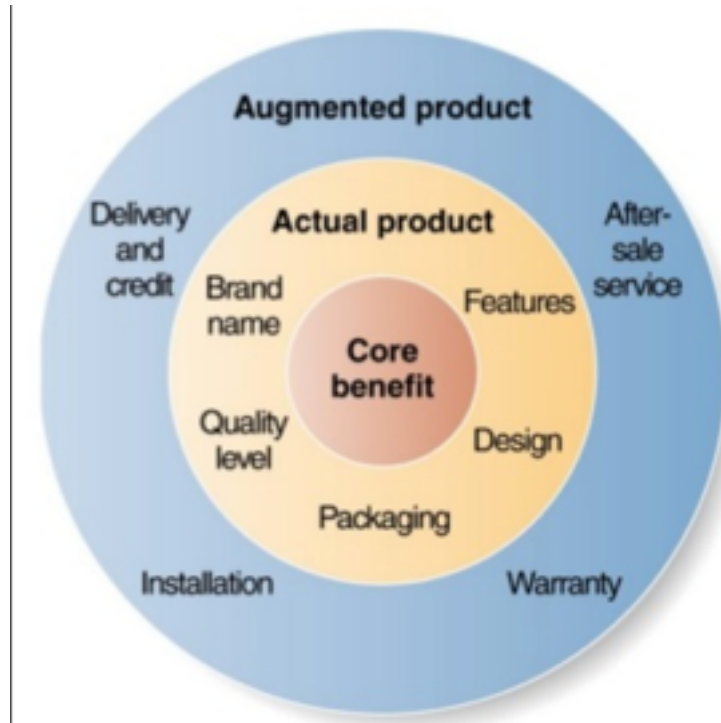
Less for Much Less: people give up the bells and whistles for a lot lower price.

More for less: the best product selection, the best service, and lowest prices.

Positioning Statement: A statement that summarizes company or brand positioning;

To (target segment and need) our (brand) is (concept) that (point of difference).

The Three Levels of Product: Core, Actual, Augmented



Consumer Products: products purchased by consumers for their personal use.

Convenience product: a consumer product that customers usually buy frequently, immediately, and with a minimum of comparison or buying effort.

Example: Laundry detergent, candy, magazines, fast food

Shopping Product: Less frequently purchased products that shoppers compare carefully on suitability, quality, price and style.

Example: furniture, clothing, used cars, major appliances, hotel and airline services.

Specialty product: a consumer product with unique characteristics or brand identification for which significant group of buyers is willing to make a special purchase effort.

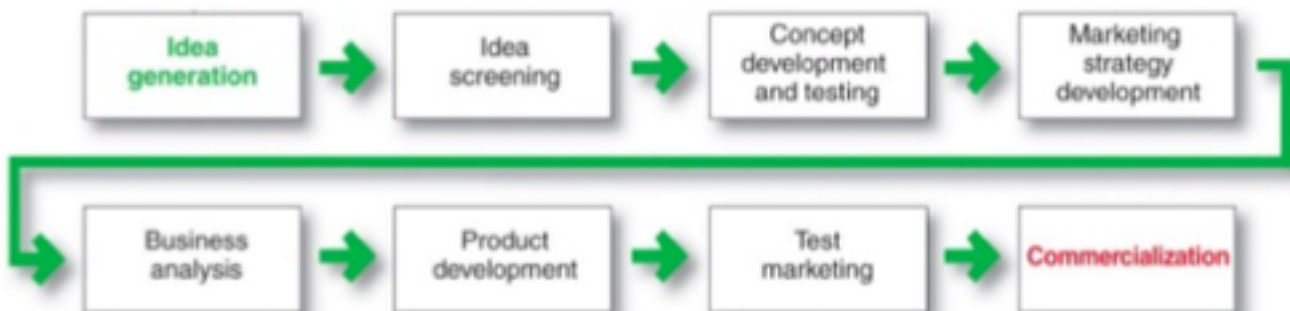
Example: Specific brands of cars, high price photography equipment, designer clothes, services of legal or medical specialists.

Unsought Products: consumer products that the consumer either does not know about or knows about but does not normally think of buying.

Example: Funeral services, cemetery plots

Marketing Considerations	Convenience	Shopping	Specialty	Unsought
Customer buying behavior	Frequent purchase; little planning, little comparison or shopping effort; low customer involvement	Less frequent purchase; much planning and shopping effort; comparison of brands on price, quality, and style	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness or knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Red Cross blood donations

Major stages in new product development:



	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and innovators	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain most loyal customers
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Product Line: a group of product that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets or fall within the same price range.

The product mix: the set of all products line sand items that a company markets.

Product Line length: the number of items in the product line.

If line is short --> increase profits by adding items

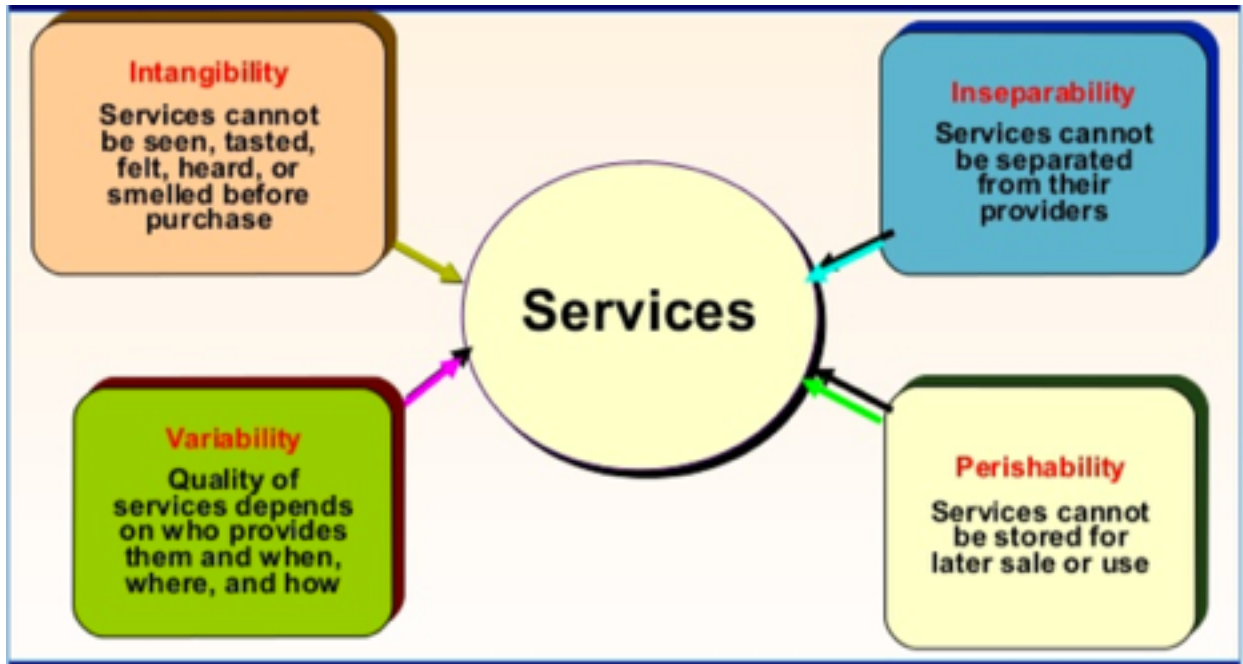
If line is too long --> increase profits by dropping items

A company can expand its product line in two ways:

1. Product line filling: adding more items within the present range of the line

Reasons: Reaching for extra profits, satisfying dealers, using excess capacity, being the leading full line company, plugging holes to keep out competitors.

2. Product line stretching: lengthening its product line beyond its current range. companies located at the upper end of the market can stretch their lines downward to plug a market hole that would otherwise attract a new competitor or to respond to a competitors attack on the upper end.



Brand Personality: the sum total of all the attributes of a brand, and the emotions it inspires in the mind of the consumers.

Brand Equity: The dollar amount attributed to the value of the brand, based on all the intangible qualities that create that value. Also a measure of consumers preference and loyalty.

National Brand: a brand created and owned by the manufacturer of the product.

Co-branding: the practice of using the established brand names of two different companies on the same product. Creates greater brand equity

Line Extensions: extending an existing brand name to new forms, colors, sizes, ingredients or flavors of an existing product category.

Example: honey nut Cheerios are extensions of original Cheerios

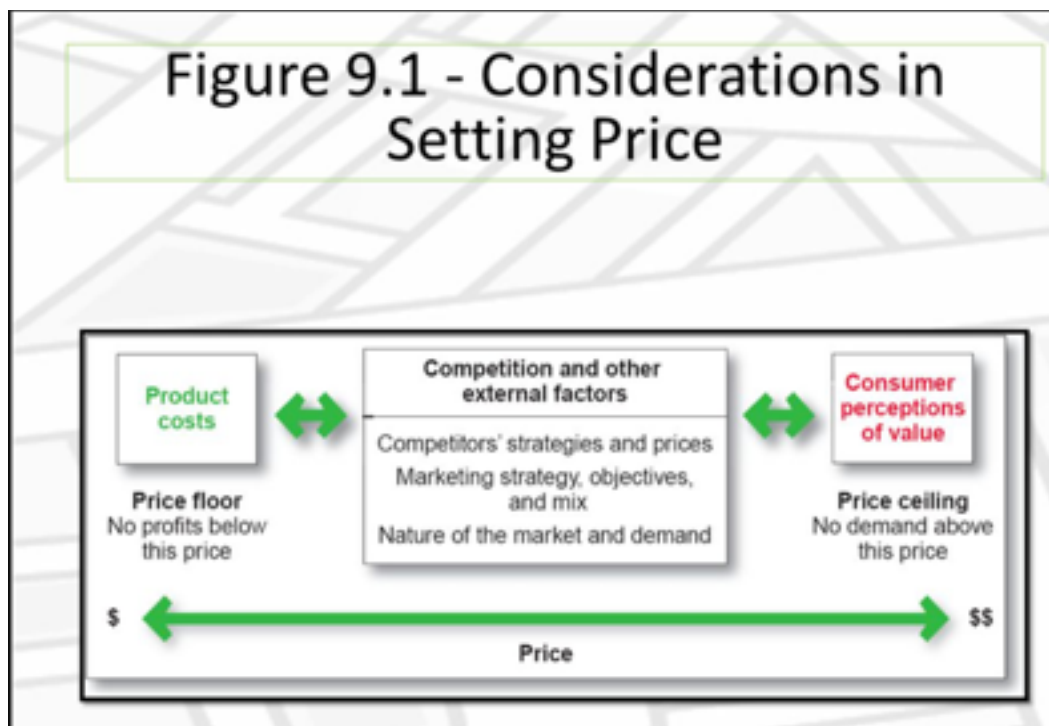
		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands

Brand Extensions: Extending and existing brand names to new product categories. Gives a product instant recognition and faster acceptance. Saves advertising costs since they are not building a new brand just extending it.

Example: Campbell's Soups extending to V8 juice

MultiBranding: brand development strategy in which the same manufacturer produces many different brands in the same product category.

Example: tide and gain



Customer Value Based Pricing: Setting price based on buyers; perceptions of value rather than on the sellers cost.

Good Value Pricing: offering just the right combo of quality and good service at a fair price.

Cost-based pricing



Value-based pricing



Value Added pricing: attaching value added features and services to differentiate a company's offers and charging higher prices.

Example: movie theaters are adding features and charging more money. since they added value to it

Cost-based pricing: setting prices based on the costs for producing, distributing, and selling the product plus a fair rate of return for effort and risk.

Example: Walmart, Ryanair, Dell

Cost-plus pricing: adding a standard mark up to the cost of the product.

Break even return pricing: setting price to break even on the costs of making and marketing a product or setting price to make a target return.

Competition Based Pricing: setting prices based on competitors strategies, prices, costs, and market offerings.

New Product Pricing

Market-skimming pricing: setting a high price for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales.

Example: whenever apple introduces a new iPhone the initial price is very high because there are customers that will purchase it no matter what.

When use price skimming?

1. the product quality and image must support its higher price
2. enough buyers must want the product
3. costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more.
4. competitors should not be able to enter the market easily and undercut the high price.

Market-penetration pricing: setting a low initial price for a new product in order to attract a large number of buyers and a large market share.

Example: Ikea

Product Mix Pricing

Product Mix Pricing Strategy / Situation	Description
Product Line Pricing	Setting prices across an entire product line
Optional Product Pricing	Pricing optional or accessory products sold with the main product
Captive Product Pricing	Pricing products that must be used with the main product
By-product Pricing	Pricing low-value-by-products to get rid of them
Product Bundle Pricing	Pricing bundles of products sold together

2 days ago

Product line pricing: setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features and competitors prices.

Optional Product Pricing: the pricing of optional or accessory products along with a main product.

By-product Pricing: setting a price for by products to make the main products price more competitive.

Product bundle Pricing: combining several products and offering the bundle at a reduced price.

Example: wifi and cable and phone usage

Segmented Pricing: selling a product or service at two or more prices, where the difference in prices is not based on differences in costs.

Example: lower admission for students and seniors

Reference Prices: prices that buyers carry in their minds and refer to when they look at a given product.

Promotional Pricing: temporarily pricing products below the list price and sometimes even below cost to increase short run sales.

Geographical pricing: setting prices for customers located in different parts of the world.

Specific Functions channel partners can perform:

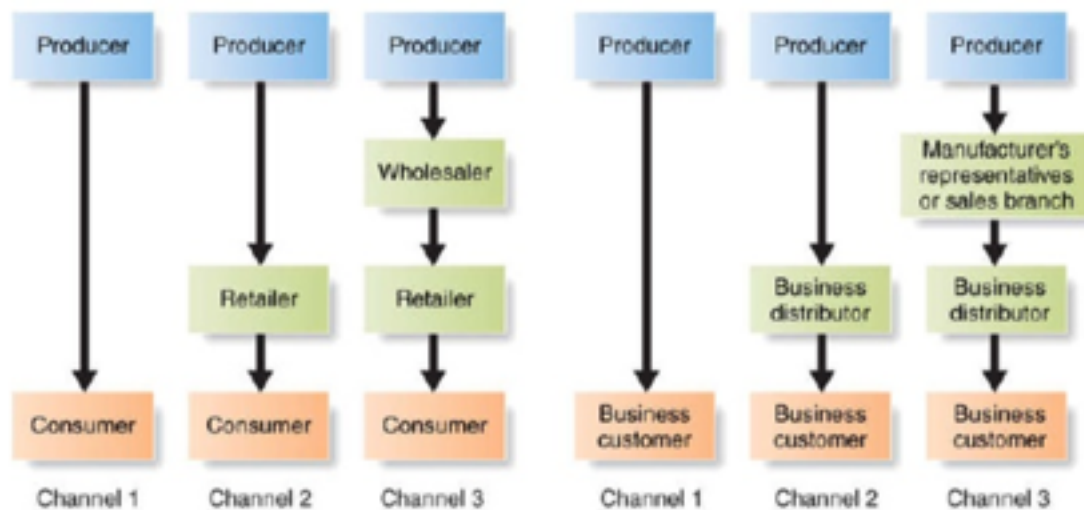
1. information gathering and distribution
2. promotion at point of purchase
3. contact
4. negotiation
5. matching and arranging
6. physical distribution
7. Financing
8. risk taking
9. after sale support

Direct marketing channel: a marketing channel that has no intermediary levels.

Indirect marketing channels: a marketing channel containing one or more intermediary levels.

Customer and Business Marketing Channels

Figure 12.2



Vertical Marketing System: a distribution channel structure in which producers, wholesalers and retailers act as a unified system. One channel owns the others or has so much power they all cooperate.

Corporate VMS: a VMS that combines successive stages of production and distribution under single ownership; channel leadership is established through common ownership.

Administered VMS: a VMS that coordinates successive stages of production and distribution, not through common ownership or contractual ties but through the size and power of one of the parties.

Contractual VMS: a VMS in which independent firms at different levels of production and distribution work together under contract.

Horizontal marketing System: an arrangement in which two or more companies that operate at the same channel level join together to follow a new marketing opportunity.

Multi Channel(Hybrid) distribution system: a distribution system in which a single firm sets up two or more channels to reach one or more segments.

Disintermediation: the cutting out of marketing channel intermediaries by a product producer or the displacement of traditional resellers by radical new types of intermediaries.

Intensive Distribution: a marketing strategy in which the product is stocked in as many outlets as possible.

Selective Distribution: a distribution strategy in which the marketer selects a set of retailers that specialize in their product category.

Exclusive Distribution: a distribution strategy in which the marketer give the rights to distribute its products to only one one retailer or to only one retailer in a particular geographic territory.

Marketing Channel Design: designing effective marketing channels by analyzing customer needs, setting channel objective determining the types and responsibilities of channel members and making decision about international distribution channels.

The Promotional Mix:

1. Advertising
2. Sales Promotion
3. Personal Selling
4. Public Relations
5. Direct and digital marketing

Advertising: any paid form of non personal presentation and promotion of ideas goods or services by an identified sponsor.

(quick sales, Mass audiences, makes it look official)

(Impersonal, One way communication)

Sales promotion: short term incentives to encourage the purchase or sale of a product or service.

(Coupons, discounts, contests)

(Short lived)

Personal Selling: personal customer interactions by the firms sales force for the purpose of making sales and building customer relationships.

(Long Term) (Expensive)

Public Relations: Building good relations with the company various publics by obtaining favorable publicity, building a good image, and handling or heading off unfavorable rumors and stories.

Direct and digital marketing: engaging and interacting directly with carefully targeted individual consumers and communities to both obtain an immediate response and cultivation lasting customer relationships.

(interactive)

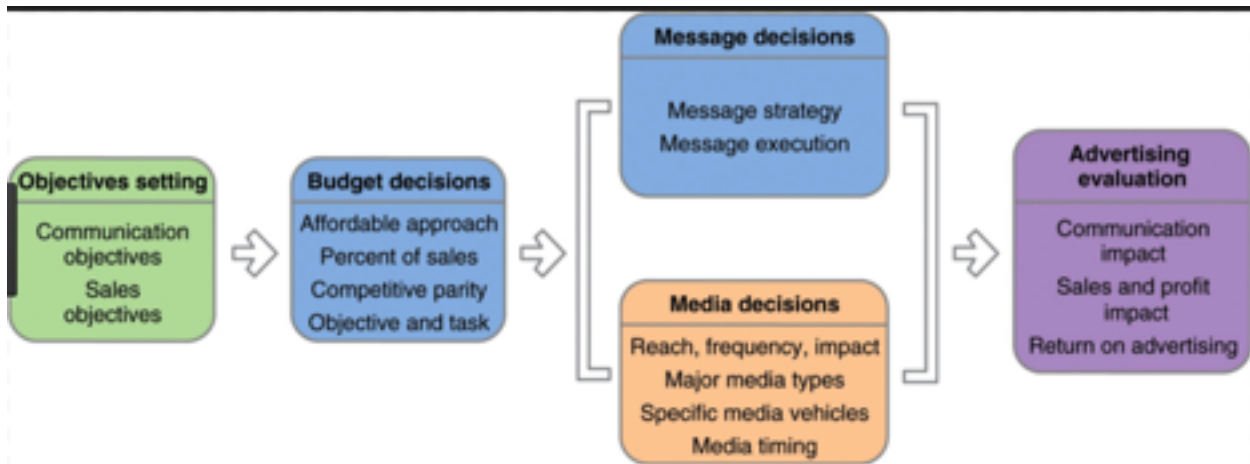
Push vs. Pull Promotion Strategy



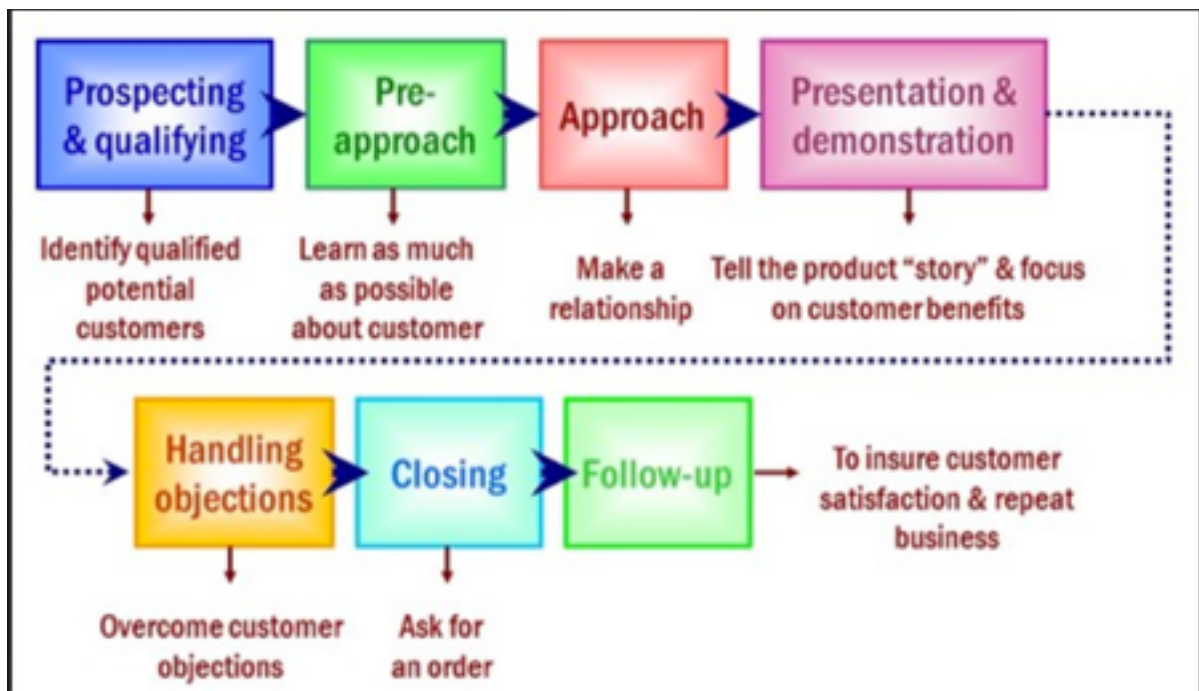
Push Strategy: a promotion strategy that calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to channel members, which in turn promote it to final consumers.

Pull Strategy: a promotion strategy that calls for spending a lot on consumer advertising and promotion to induce final consumers to buy the product, creating demand vacuum that pulls the product through the channel.

Major Advertising decisions:

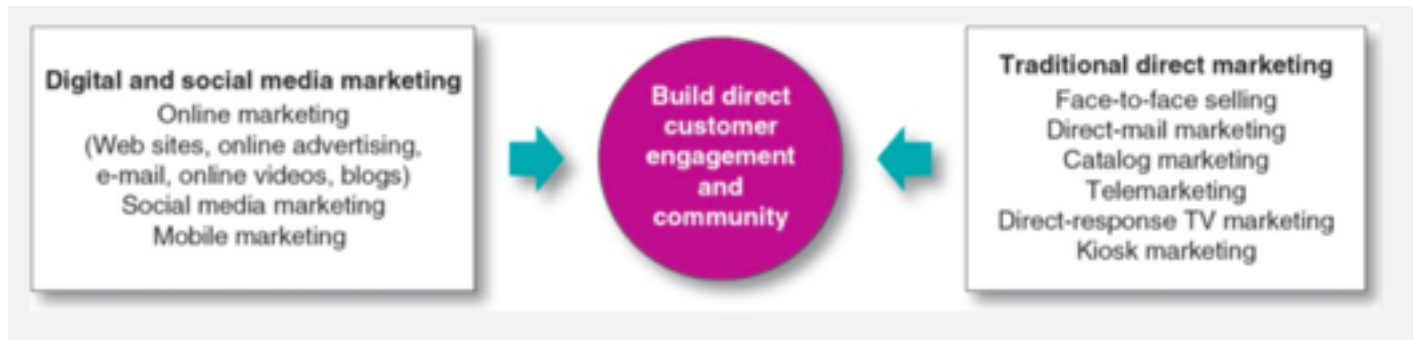


Steps in the selling Process:



Sales Promotion: short term incentives to encourage the purchase or sale of a product or service.

Forms of Digital Marketing:



MultiChannel Marketing: Marketing body through stores and other traditional offline channels and through digital, online, social media, and mobile channels.

Question for chapter 16:

We want to take our company overseas, Why? How:

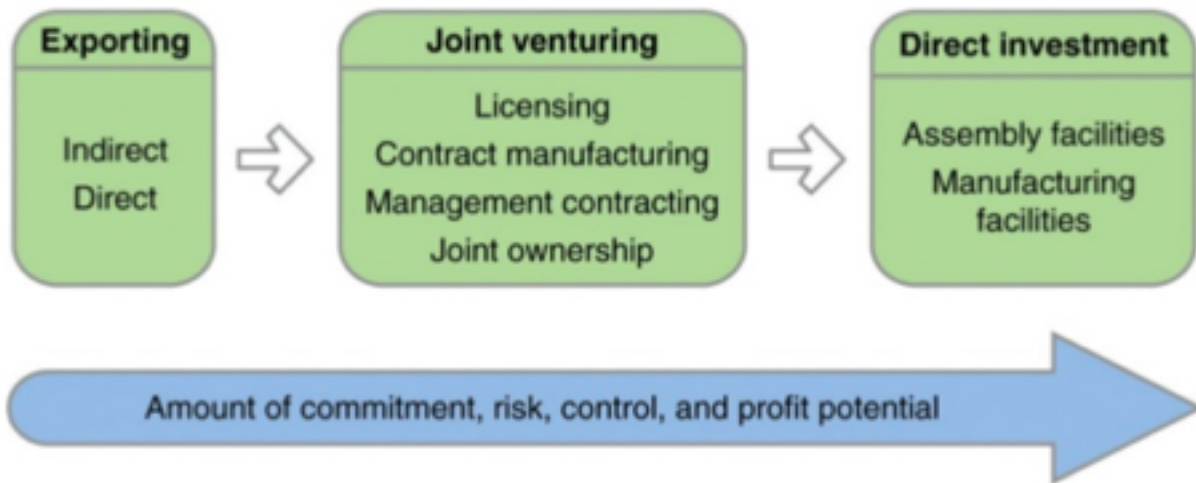
Major International Marketing Decisions



Macros environment s of the global world:

1. Demographic
2. Geographic
3. Economic
4. SocioCultural
5. Political Legal Factors

Market Entry Strategies



Joint Venturing: Entering foreign markets by joining with foreign companies to produce or market a product or service.

Licensing: entering foreign markets through developing an agreement with a licensee in the foreign market.

Contract Manufacturing: a joint venture in which a company contracts with manufacturers in a foreign market to produce its product or provides its service.

Management contracting: a joint venture in which the domestic firm supplies the management know how to a foreign company that supplies the capital; the domestic firm exports management services rather than products.

Joint ownership: a cooperative venture in which a local business with investors in a foreign market, who share ownership and control.

Direct Investment: entering a foreign market by developing foreign based assembly or manufacturing facilities.

Standardized Global marketing: an international marketing strategy that basically used the same marketing strategy and mix in all of the companies international markets.

Adapted global Marketing: An international approach that adjusts the marketing strategy to each international target market which is more expensive but hopefully produces a larger market share and return.

Straight Product extension: marketing a product in a foreign market without making any changes to the product.

Product adaptation: adapting a product to meet local condition or wants in foreign markets.

Product Invention: Creating new products or services for foreign markets.

Communication Addaption: a global communication strategy of fully adapting advertising messages to local markets.

Figure 13.3: Five International Product and Promotion Strategies

		Product		
		Do Not Change Product	Adapt Product	Develop New Product
Promotion	Do Not Change Promotion	Straight extension	Product adaptation	Product invention
	Adapt Promotion	Communication adaptation	Dual adaptation	