

CHAPTER 1

- 1. Marketing:** activity for creating, communicating, delivering, and exchanging offerings that benefit the organization, stakeholders, and society.
- 2. Requirements for marketing:**
 - A.** Two or more parties with unsatisfied needs - student needs info, bookstore has magazines
 - B.** Desire and ability to satisfy these needs - student has money, store has books
 - C.** A way of communication - student has to know store is selling, store has to know student is buying
 - D.** Something to exchange - student gets info, store gets profit once book is sold
- 3. What is a market?** People with desire/ability to buy a product
Who markets? profit/non-profit orgs
What is marketed? Evthg. Product, service, idea, experience
Who buys and uses this? Consumers and organizations
Who benefits? Consumers who buy, orgs that sell, society as whole
- 4. Effective marketing turns needs into wants.**
Need - a state of deprivation, physiological needs - Food
Want - a need shaped by society - Wanting an apple to satisfy hunger
Satisfy both needs and wants to be successful
- 5. How to discover needs?**
Consumers may not be able to describe their own needs. For new products, they might not have any idea of how they can benefit from the new product. They will always ask for a better version of what already exists. So not really helping you when you trying to create a brand new product.
- 6. How marketing satisfies Needs?**
 - A. Identify Target market** - certain needs of a specific group of potential consumers
 - B. Develop marketing program** - right combination of 4 ps (Controllable factors) , Environmental forces (Uncontrollable factors)
- 7. History of Marketing**
 - 1. Production Era (1800-1930)** - a good product will sell itself
 - 2. Sales Era (1920-1965)** - salespeople identify buyers
 - 3. MArketing Concept Era (1955-1998)** - Consumer rules
 - 4. Market Orientation Era (1990-2020)** -
Create customer value (combo of quality, price, convenience, timely delivery, service)
Satisfaction (customer's expectations and product's actual performance)
long term relations (developing a relationship by delivering value and satisfaction).
 - 5. Customer Experience MAnagement Era (2005-2010)** - Managing customer interaction at all points of contact so they have a positive impression of the org and remain loyal.

8. Different Orientations

A. Market Orientation : Offer products that have what customers want.

Customer Value, Satisfaction, CRM, Customer Lifetime Value (profit from lifetime purchases)

B. Product Orientation: persuade customers to want what the company has

CHAPTER 2 - STRATEGY

1. Organizational Structure: Three Levels of Strategy

A. Corporate Level : Overall strategy for the entire org. (Gap)

B. Business Unit Level: strategy for a set of related products to sell to a defined group (Baby Gap, Gap girl)

C. Functional Level: More specific and focused strategy for departments like accounting, marketing,

2. Mission Statement: Statement of org's function in society that identifies its customers, markets, products, values

Ex. Tims: to deliver superior quality products through innovation, partnerships

Important because provides reason to exist, foundation of a marketing plan.

3. Goal: statement of what is to be accomplished through marketing. Realistic, Measurable, time specific, Consistent with the mission and priorities.

Ex. Can have profit, sales, market share, quality, customer satisfaction related goals.

Ex. Our objective is to increase market share from 30% to 40% in 2009 by adding 3 new products.

Important because basis of measuring/evaluating success.

4. Three key phases of Strategic Marketing

1. PLANNING PHASE

Step 1 - Situational Analysis -

A. SWOT - (industry trends, competition, researching customers, company itself)

S/W - costs, skills, resources, firm's tech, company and brand image

O/T - Social, Economic , Technological , Competitive, Regulatory

B. Product Portfolio and Product Market Analysis

Business Portfolio Analysis : Using performance measures and growth targets to analyze a firm's business units as if they were separate investments. It is used to determine the appeal (how much growth rate and market share) of products to decide how much should be invested in each.



Cash cows - Low growth, high share **BUT** generate strong cash flows for the org to cover costs.

Dogs - Low growth, low share **not very helpful**

Stars - high growth, high share **Large profits, but need a lot of cash to finance growth**

Question marks - high growth, low share **Need a lot of cash to hold the share, even more to grow**

Market Product Analysis: Alternative to the business analysis approach. The logic is that for any market, there is a current product and a new potential product. For any product there is a current consumer and a new potential consumer.

Markets	PRODUCTS	
	Current	New
Current	Market Penetration Selling more products in existing markets	Product Development Selling new products in existing markets
New	Market Development Selling existing products in new markets (either geographic or new segments)	Diversification Selling a new product in new markets

Step 2 - Market Product Focus

Select target market.

Find points of difference that make it superior to competitors/substitutes.

Position the product by giving it an image in the consumer's mind.

Step 3 - Marketing Program

Develop strategy for the 4 Ps

2. IMPLEMENTATION PHASE: Obtain the resources, design marketing organization, develop schedules, execute the marketing program

3. CONTROL PHASE: Compare results with the marketing plan, exploit the positives, act on negatives

CHAPTER 3 - ENVIRONMENT

- ENVIRONMENTAL SCANNING** : continually getting info on events occurring outside the org to identify trends. Needed to see how your business might be influenced and take action to respond to trends.

A. Social Forces -

- Demographics** - characteristics of a population, age, ethnicity, marital status
- Culture** - set of values, religious beliefs, attitudes shared by a group that influence buying pattern

B. Economic Forces -

- Macroeconomic conditions** - Unemployment, currency rate, economic growth, state of economy (inflation/recession). If price too high income too low, sales will decrease.
- Microeconomic conditions** - Consumer income, savings, debt. Ability to buy depends on this.

C. Technological Forces -

E-Commerce - buying/selling on internet
E-marketing - marketing on internet
Internet of Things, social networks, speed of innovation, user generated content

D. Competitive Forces -

Alternative Forms of Competition:

- Pure competition** - every % has similar product. Distribution is important
- Monopolistic Comp** - products are substitutes of each other. Tea/Coffee. Promotion is impo - coupons/sale
- Oligopoly** - few sellers. Competition based on product/place/promotion only. Prices are high for all to keep profits up, so they differentiate based on other 3 Ps
- Monopoly** - Marketing is less important cuz only one seller.

Components of competition:

- Barriers to entry** - if low, prices are lower. Ex. Capital requirements, advertising expenses
- Bargaining Power** - Power for seller when switching costs are high and product is critical to buyer.
- Competition/Substitutes** - High fixed costs create competitive pressures to fill production capacity. Ex. airlines charge fee for cancellation, discounts for early reservations

E. Regulatory Forces -

i) [Consumer and competition protection](#) - Regulations regarding the two by the government.

ii) [Self regulation](#) - alternative to government control, where an industry polices itself so you have to maintain certain industry standards.

iii) [Consumerism](#) - basic consumer rights by consumer associations to increase its influence, power, and rights.

CHAPTER 9 - MARKET SEGMENTATION

1. WHAT IS MARKET SEGMENTATION?

Grouping potential buyers into groups that have common needs.

Market - people with needs/wants and ability/willingness to buy

Market Segment - subgroup of people with similar characteristics therefore similar needs

Ex. By age, by gender, by both

Why segment markets? To get a precise definition of customer needs/wants to have more accurate marketing objectives and improve resource allocation to get better marketing results.

WHEN TO SEGMENT MARKETS? When we expect it to increase sales and profit.

When there is

A. [One product and multiple segments](#) - just finding multiple segments for the same product avoids you the cost of developing a new product for each segment. Ex. Movies are targeted to kids & adults

B. [Multiple product and multiple segments](#) - it's costly to produce many products but its effective if it meets needs better, doesn't reduce quality and adds to sales/profits.

Ex. Ford having a car for all types of consumers.

C. [Segment of One](#) - Mass customization - tailoring goods/services to needs of each individual on a high-volume scale. Ex. You can customize your M&Ms.

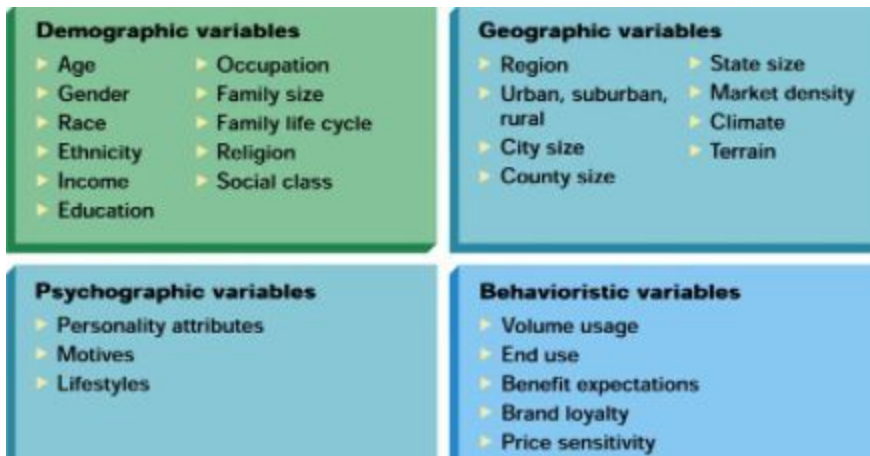
2. STEPS IN SEGMENTING AND TARGETING

Step 1 - Group potential buyers into segments

Do this if there is a potential for increased profit, a similarity of needs within the segment, difference of needs among segments, you have a marketing action to reach the segments

Segmentation bases - characteristics of people used to divide a market into segments. Best to use multiple bases to identify smaller/defined target groups. Start with a single base, then add others.

Ex. Millennials that live in cities and have a fast lifestyle and are price sensitive.



Step 2 - Group Products into Categories

This is important when you have many products. Group them into product lines so buyers can relate to them. Ex. Household and commercial. Breakfast, lunch, dinner by restaurants.

Step 3 - Develop Market-Product Grid and Assess Market Size

- Label the **market** on **horizontal rows**. Ex. Students, Faculty, Visitors
- Label the **products** on **vertical rows**. Ex. Breakfast, Lunch, Dinner
- Size of the market is in each cell** in terms of # of customers, Sales amount etc.

Step 4 - Select Target Markets

When selecting target market, choose based on:

- Market Size** - should be large enough
- Expected Growth** - If size is small now, should be expected to grow
- Competitive Position** - Is there a lot of competition now or will be in future? Don't if too high
- Cost of reaching the segment** - Students may not be accessible through newspapers.
- Match firm's capabilities** - If you don't have machines to make breakfast, don't reach for that segment

Step 5 - Take Marketing Actions - develop marketing mix based on chosen target markets.

- Mass marketing** - No segments so single marketing mix
- Differentiated marketing** - large segments so specific mixes
- Niche Marketing** - One segment with a specialized mix
- Micromarketing** - Customized marketing to individuals. Ex. Facebook

3. **Product Positioning** - refers to what place the product has in the consumer's mind based on its attributes compared to its competitors. How should a consumer see your product. Important to design marketing strategy and to identify competition.

Differentiation - what you do to the product to make it actually different

Positioning - what you do to the mind of the consumer to create a different image in their mind

Two types of positioning:

A. Head-to-head positioning - competing directly with competitors on similar product in same market.

Ex. Liquid lipsticks

B. Differentiation positioning - less competitive because targeting a specific market by stressing unique aspects of product. Ex. Apple

Perceptual Maps - locating brands/products on two dimensions to allow a manager to see how consumers see competing products. You can reposition a product. Ex. Chocolate milk for Adults

4. **Sales Forecasting** - important when choosing a target segment and when scheduling production

i) **Direct Forecast** - straight-up estimating a value without considering anything else

ii) **Lost-Horse Forecast** - Using last known value and modifying it by evaluating the positive/negative factors

iii) **Survey of Buyers'** - asking customers if they would buy a product in future. Good for planes.

iv) **Salesforce Survey** - asking salespeople to estimate sales because they are most in contact with customers

v) **Extrapolation** - extending a pattern of past data to the future. Assuming that past conditions will remain the same in the future. If they don't, this is bad idea.

CHAPTER 5 - CONSUMER BEHAVIOR

1. **5 STEP CONSUMER PURCHASE DECISION PROCESS**

A. Problem/Need Recognition - Person has an actual situation. An external/internal stimuli happens and person would like to be in an ideal situation. That triggers a decision.

Ex. Person sees empty carton of milk.

In marketing, we can give external stimuli by showing shortcomings of competitors or current products and activate their decision process.

B. Information Search - After the consumer recognizes a problem, consumer begins to search for info. Internally, he may scan his memory to recall info. Externally it has personal sources (friends), public sources (consumer reports), Marketing controlled sources (advertising, displays), and experiential sources (using the product).

During info search we have all brands the consumer becomes aware of, the criteria that it must use to judge the brands, and developing consumer value perceptions. These brands are now part of **A-Set**

C. Evaluate Alternatives - The problem is clarified in the info search stage as we get an **awareness set**. Now, we analyze/compare those brands using **evaluative criteria** (based on objective things like price, size, speed, material; and subjective criteria like brand image, value, perception).

The brands that meet our criteria become a part of **Consideration set** (group of brands that we would consider acceptable among all the brands we're aware of).

Companies are aware of what characteristics that are most important during evaluation and often advertise those to create an image in the consumer's mind that it's the best brand they want. Need to show them that your brand meets their criterias better than others.

And finally they choose a brand.

D. Purchase Decision - when you have to choose who to buy from and when to buy. The choice of which seller to buy from will depend on terms of sale, past experience, and return policy. Sometimes you may buy your second-preferred brand just because their return policy is better.

When to buy depends on time of sales promotions, store atmosphere, time pressure and financial situation.

E. Postpurchase Behavior - After buying the product, the consumer compares his expectations with the actual performance and is either satisfied or dissatisfied or delighted. If dissatisfied, was the product deficient or expectations were too high or the brand overhyped the product. Fix that.

Consumer may experience **Cognitive Dissonance** which is discomfort caused by post-purchase conflict. "Should have i bought another brand". Anxiety of not knowing if right choice was made. They may return product.

Solution: make follow-up calls to assure them that they made the right choice. Offer guarantees. Display product superiority in adds to reassure them.

2. INFLUENCES ON CONSUMER PURCHASE DECISION -

A. Situational Influences

- i) **Purchase Task** - is it for you or someone else
- ii) **Social surroundings** - Are others present when purchase is made
- iii) **Physical Surroundings** - atmosphere during purchase
- iv) **Temporal Effects** - when do you usually purchase
- v) **Antecedent States** - what was your mood right before your purchase

B. Psychological Influences

Motivation (what are your needs that drive you), Personality (influences buying), Perception, Learning, values, beliefs, and attitudes, Lifestyle.

C. Sociocultural Influences

Personal influence - purchases are often influenced by views, opinions of others.

i) **Opinion leaders**: those who're knowledgeable about something so they influence behavior of others. Using celebrities or sports figures to market products to represent products so consumers believe their opinion. Or target opinion leaders when advertising and they'll spread the message forward.

ii) **Word of Mouth** - influencing people during conversations. It is the most powerful and authentic source of info because it involves fam/friends viewed as trustworthy. Have the most influence on purchases. Using **buzz marketing** or **viral marketing** to spread word of mouth is beneficial.

iii) **Reference groups** - what a consumer refers to as a base of personal standards. Have important influence when purchasing luxury products or when a brand's use will be highly visible.

iv) **Family** - is important because it causes **consumer socialization** (where children learn how to be a buyer), Consumers act and purchase differently as they go through the **Family Life Cycle**. At each stage you'd be purchasing different things and evaluating things based on different criteria.

Family decision making - role of each member of the family is different for different products. Roles like infor gatherer, influencer, decision maker, and purchaser. Wives are usually influencers and purchasers so advertisements target them. Teens are becoming all of this since both parents are working.

v) **Social class** (people have similar attitudes, lifestyles, behaviors). Companies use social class to reach good prospects for their product. Upper class would be targeted for financial investment, expensive cars etc. Middle class would be targeted for home improvement, personal hygiene.

vi) Culture/Subculture

Culture influences person's values, perception, wants and behaviors. Subcultures often identified by geographies, age, ethnicity. So have to be mindful of cultures and subcultures when advertising.

CHAPTER 10 - NEW PRODUCTS

1. **Product Item** - specific version of a product. Ex. Red 8gb Iphone
2. **Product Line** - Group of closely related product items viewed as a unit because of marketing. Group of products that satisfy a class of needs, are used together, sold to the same customer group, distributed through same type of outlets, fall in same price range. Ex. Nike - shoes and clothing ; Hospital - in patient care and research

3. **PRODUCT MIX** - Total group of products offered by company. Ex. iphone, ipod, mac,
Width - # of product lines **Depth** - # of products in each line

4. CLASSIFICATION OF PRODUCTS

- i) **Consumer product** - purchased by ultimate consumer.
- ii) **Business product** - products that assist in providing products for resale.
Ex. An Apple computer is both.

5. CLASSIFYING CONSUMER GOODS

- i) **Convenience good** - frequently purchased, inexpensive, little effort. (toiletries, snacks)
- ii) **Shopping Good** - expensive, need comparison (appliances, phones) (prefer specific brands but accept substitutes)
- iii) **Specialty good** - something you search a lot for (luxury car, rare painting). Substitutes won't be accepted
- iv) **Unsought good** - unknown to potential buyer or known but not actively trying to buy it. (Insurance)

6. TYPES OF NEW PRODUCT

- i) **Low learning product** - requires no new learning. "New and improved" version of things. Continuous innovation. Marketing emphasis on generating awareness and obtaining widespread distribution.
- ii) **High learning product** - establishes new consumption patterns. Ex a new computer. Marketing emphasis on education consumers through **product trials** and **personal selling**.
Ex. Nespresso. Try our new coffee machine.

7. STEPS IN PRODUCT DEVELOPMENT PROCESS

1. **New product strategy development** - guidelines to innovate are developed. Does it wish to only inch out with **incremental innovation** or make a breakthrough with **radical innovation?**
2. **Ideas are generated** and concepts are developed. R&D. Take suggestions. Analyze competition
3. **Screening and Evaluation** - evaluate ideas from the pool that have no future hope

Internal Evaluation - Technical feasibility, fit with new product strategy?

External Evaluation - Test the concept before building a prototype and testing the actual product. Good for new products with minor modifications.

4. **Business Analysis** - involves specifying product features and marketing strategy and making financial projections. It's the last checkpoint before a prototype is created.

Ask questions like will it require lot of new machines to produce? Will it cannibalize existing products? Will it need a patent?

5. Development - turning the idea into a prototype. Usually requires a large investment. Have to test the safety and durability of the product. For services, it involves screening the entire delivery process.

6. Market Testing - Exposing the product and marketing program to consumer in real setting. At this stage, product can be modified and tested multiple times. For products, offering a product for sale in specific areas Ex. McDonald's.

i) Standard Test marketing - product is tried to sell through normal distribution channels in select cities.

ii) Simulated Test markets - replicating a market in a distribution place

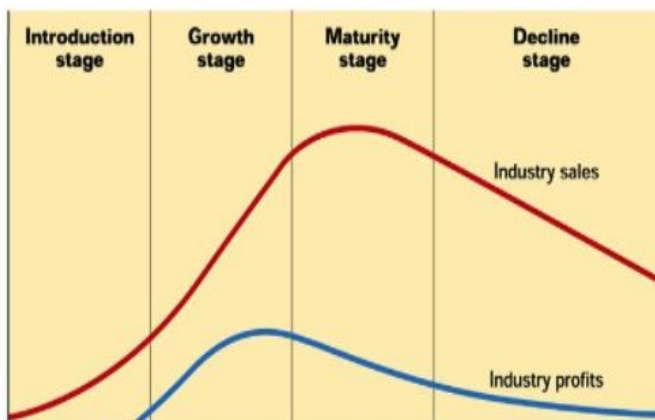
iii) Virtual Reality - creating markets on internet

7. Commercialization - positioning and launching the product in market on a full scale. Large investment required. Roll out in the market.

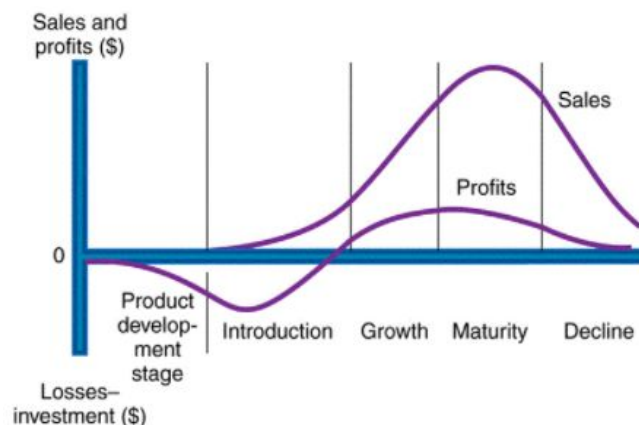
CHAPTER 11 - PRODUCT MANAGEMENT

1. PRODUCT LIFE CYCLE

Traditionally, it looks like this :



With **Research n Development**, it's this



2. PRODUCT LIFE CYCLE - STAGES

1. Introduction Phase - first appearance in market

- Sales grow slowly. Profit can be minimal or negative
- Penetration/Low price or Skimming/High pricing is used
- Few competitors
- Promotion strategy generates awareness
- There's a small product line

Products sometimes fail - due to lack of resources, knowledge, and marketing skills to successfully launch the product
Or due to high pricing to make up for R&D costs.

2. Growth phase - Sales rise rapidly and profits reach peak, followed by a decline

- More competitors enter market
- Pricing is aggressive
- Gaps in market coverage are filled - As much distribution as possible to capture market share
- New people try the product, repeat purchases
- Product line is expanded as improved versions or new features are added

3. Maturity phase - Sales curve peaks and starts to decline, profits start to fall

- Intense competition
- Weaker competitors lose interest and exit market
- Promotion is focused on reminding customers to buy, Focus on holding the market share
- Distribution may become global

Strategy - to reduce overall marketing costs by improving promotional/distributional efficiency

4. Decline phase - Sales Fall rapidly due to changes in environment like technological improvement

- Cut items from product line
- Reducing promotion expenditures
- Eliminating marginal distributors
- Planning to phase out the product

Have two strategic choices now

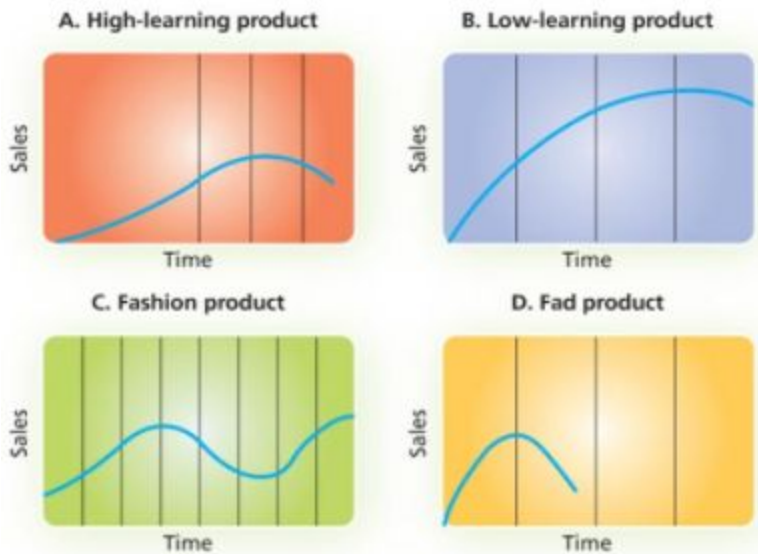
A. Deleting the product when losses keep occurring, and profitability is unlikely.

B. Harvesting the product by retaining it but reducing marketing support costs. It continues to be offered but no advertising, only to meet consumer requests.

3. SUMMARY

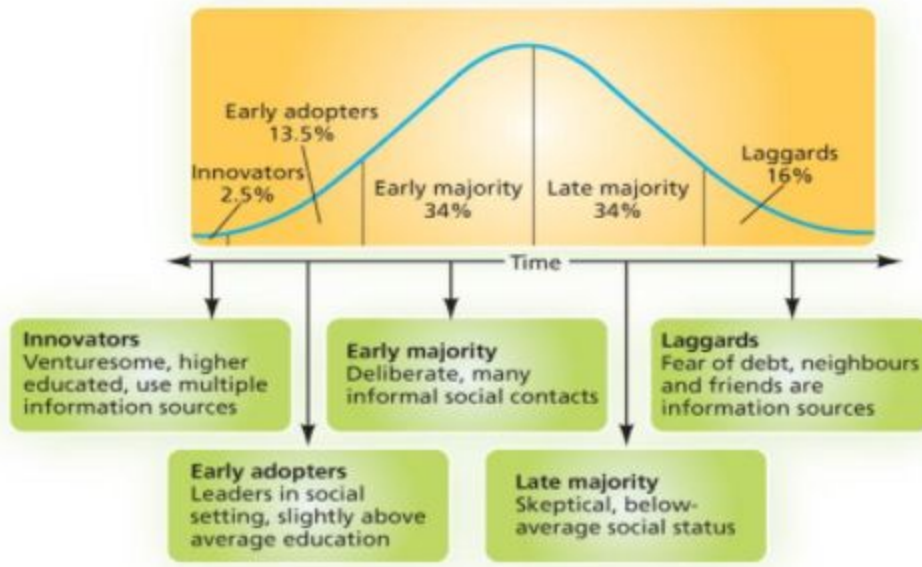
	Introduction	Growth	Maturity	Decline
Sales	Low	Rapidly rising	Peak	Declining
Costs	High per customer	Average per customer	Low to Average per customer	Low per customer
Profits	Negative or minimal	Rising until they reach peak	Declining	Declining
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Maximum number but beginning to decline	Declining number
Marketing Objectives	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditures and milk the brand
Promotion	Inform, educate, often high expenditures	Stress competitive differences, moderate expenditures	Reminder-oriented	Minimal promotion
Place (Distribution)	Limited	Increasing	Maximum number of outlets (e.g., globally)	Fewer outlets
Product	Small product line	More versions	Full product line	Best sellers
Price	Skimming or penetration	Aggressive (gain market share)	Defend market share	Stay profitable

4. ALTERNATIVE CYCLES



- 1. HIGH LEARNING** - Significant education is required, so introductory stage lasts long.
- 2. LOW LEARNING** - Sales begin immediately because low learning needed, benefits of product are understood instantly. Can be easily imitated so have to broaden distribution quickly
- 3. FASHION** - Introduced, declines, then returns
- 4. FAD** - Rapid sales on introduction and an equally rapid decline. Ex. Hoola Hoop

5. TYPES OF CONSUMERS



6. Managing the PLC - 2 choices

- A. Modifying the product** - change characteristics/features to boost sales. Show as a revised product.
- B. Modifying the market** - Find new users, attract a new target market or find NEW USES for existing users.
- C. Repositioning the product** - Change the place a product occupies in the consumer's mind. React to a competitor by differentiating yourself, reach a new market, react to trends (evth is low fat), Change the value offered by adding new features.

7. What is a Brand ?

- Brand** - name/term/design that identifies a seller's products and differentiates from competitor products
- BRand name** - elements of a brand that can be spoken (word, device, sound, colour)
- BRand mark** - Elements that can't be spoken
- Branding** - activity in which a % uses a brand to identify its products and distinguish them from competition

- 8. Trademarks** - The exclusive right to use a brand or a part of a brand. Others are prohibited from using it. Need permission
- 9. Brand Equity** - added value that a brand name gives to a product beyond the functional benefits.
 - How to measure equity?** See the extent to which customers are willing to pay more for a brand name. Ex. No name vs. Coca Cola
 - Why is it important?** Brand with strong equity have competitive advantages like High consumer awareness, High brand loyalty, Dampened price competition, and an advantage when launching new products.

10. **Brand Licensing** - a contract agreement where a company allows another to use its brand/trademark for a fee. That fee is indicator of the brand's value. Ex. Disney

11. **A good brand name should be** : easy to pronounce/recognize/remember. Short/Unique/Suggests Benefits/Positive.

12. **Branding Strategies**

<p>Private Branding - private labelling, Reseller or store's branding. Products are sold under name of wholesaler/retailer. Ex. Kirkland for Costco High profits for manufacturer/reseller. People think it's good value for money so buy regularly.</p>	<p>Multi Branding - using a different brand name for different products, even if it's the same company. Ex. Conde Nast has Vogue, etc. Each brand is unique to each market segment. No risk that one's failure will affect other</p>
<p>Multi Product Branding - Family/corporate branding. One name for all products. Ex Google Benefit from brand equity Helps fo product line extension, using current brand, enter a new market. People will have favorable attitude.</p>	<p>Mixed Branding - when products are marketed both under own name and reseller's name. Ex. Michelin makes own tires and Sears tires. Happens when market attracted by reseller is different from market attracted to %.</p>

CHAPTER 11 - BRANDING

1. **Branding** - activity in which a % uses a name, phrase, design, to identify its products and distinguish them from competitors. Ex. Apple and simple ads.
2. **Brand Equity** - brand equity is the added value that a given brand name gives to a product beyond the functional benefits provided. So Ex. Rubbermaid giving equity to EZ.
 Consumers are willing to pay a higher price for something that has brand equity as opposed to something that doesn't.. Ex. Apple products vs. chinese copies.

Having brand equity gives :

- high consumer awareness
- high brand loyalty
- less price competition
- advantages when launching new products

3. **Steps to creating Brand Equity** - has to be created through marketing programs. Equity resides in the consumer's mind and results from what they have seen, felt, heard about the brand over time.

A. Salience (identity) - Develop positive brand awareness and say who are you. Ex. Kleenex - tissues.

B. Performance/Imagery - create a meaning in their mind. A functional dimension and an abstract dimension. Ex. Nike peak athletic performance

C. Judgement/Feelings - elicit proper consumer responses/emotional reaction towards the brand's identity and meaning. How consumer thinks based on quality, credibility, superiority.

Ex. Michelin is superior quality and elicits feeling of warmth and safety and comfort.

D. Resonance - most difficult step. Creating a bond between consumer and brand. Consumers have personal identification with brand. Ex. Ferrari, Apple

4. **Packaging and Labelling** - create value through packaging and labelling.

They have:

i) **Communication benefits** : The label info that is conveyed to the consumer. Ex how to use, ingredients etc. Promotes use of product

ii) **Functional benefits** : keep product safe. Good for storage, convenience in transportation. Ex. Coke packaged in a light bottle

iii) **Perceptual benefit** : to create a perception in the consumer's mind. Label shape, color, graphics, distinguish one brand from other, convey its positioning, enhance brand recognition, and facilitate brand association.

Ex. Coke's bottle shape is universally recognized because it differentiates them.

5. **Packaging Challenges**

They must be continuously updated, attractive, have functional value to **connect with customers**

They must consider environmental concerns

They must consider health, safety, security issues

They must be cost effective to minimize costs while delivering value to consumers.

6. **Product Warranties**

Warranty - statement indicating liability of the manufacturer for product deficiencies. Important because protection from negative consequences must be given, and has implications on consumer product evaluation. Ex. Costco products - change with no questions asked.

CHAPTER 13 - PRICING

1. **Price** - what you give up to acquire a good/service. It is an indicator of value when compared with benefits of the product. As benefits increase, value increases. Low price might indicate low quality. It has direct implications on both revenue and profit.
2. **Marketing Mix** - Product, Place, and Promotion are all **costs**. Price is where **revenue** comes from.
3. **Fundamentals of pricing** - Cost, Price, and Value in increasing order. Customer will buy only if value is more than price. And firms will sell only if price is more than cost.
4. **Price Ceiling** - There is no demand above this price. **Price floor** - There are no profits below this price
5. **Steps to Setting Prices**

A. Identifying pricing constraints and objectives.

Pricing Constraints (factors that limit how flexible firms are in setting a price)	Pricing objectives (role of price in marketing and strategic plans)
<ol style="list-style-type: none">1. Demand - # of potential buyers and whether the item is a luxury or a necessity2. Product Life Cycle Stage - Newer the product, it's in early stage of cycle, high price can be charged.3. Cost of Product - Price must cover all costs so that sets a price floor for firm to be successful.4. Type of Market - Depends on type of market the product is competing in. Pure monopoly - seller sets price Pure competition - market sets price5. Competitor's Price - firm must respond to competitor's current or expected prices and adjust its own marketing strategy accordingly.	<ol style="list-style-type: none">1. Profit - Profit maximization - setting price to make largest total revenue possible compared to total costs Target profit - aiming for a predetermined return on investment (ROI)2. Sales - To increase market share. Market Share - set price to maximize unit volume or set price to maximize sales volume and capture more market share.3. Social responsibility - sometimes you may forego high profits based on obligations to society4. Market positioning - on which end do you want to place yourself, high end or low end.

B. Estimating Demand and Revenue

Estimate demand from the demand curve which shows max products a customer will buy at a given price. Demand depends on tastes, price of substitutes, and consumer income.

Movement along the curve - When the 3 factors remain unchanged, price moves on the curve, but if the factors change, demand curve will shift.

To estimate Revenue = Price X Quantity Sold

C. Estimating Cost, Volume, and Product Relationships

BE Point = $FC / (P - VC)$ per unit

BE (\$) = $FC / [(P - VC) / P]$

D. SELECTING APPROXIMATE PRICE LEVEL

1. Demand oriented approach - (focusing on consumer tastes)

- a. Skimming pricing - start with high to catch customers that don't care about pricing and then lower the price
- b. Penetration pricing - start with low pricing to attract large # of customers (Mass market)
- c. Prestige pricing - starting high so status conscious customers will be attracted
- d. Price lining - When firms are selling a line of products, they may price them at specific pricing points. Ex. Forever 21
Things could be all bought at some cost but marked up differently
- e. Bundle pricing - when customers might value the bundle more than individual items
- f. Yield Management Pricing - charging different prices over time to maximize revenue for a set amount of capacity. It continuously matches demand and supply to maximize revenue if you vary pricing by time, day, week, season etc.

2. Cost oriented approach - (focusing on production and marketing costs when estimating demand is very hard. Markups must cover all costs and get some profit too)

- a. Standard Markup pricing - adding a fixed percentage to cost
- b. Cost-Plus pricing - adding a specific amount to cost

3. Profit oriented approach - (focusing on balancing both revenue and cost)

- a. Target profit pricing - when a specific dollar amount of profit is set, and price must be set accordingly.
- b. Target Return on Investment pricing - When specific % of ROI is set

4. Competition Oriented approach -

- a. Above, at, or below market pricing - setting price based on similar products in the market. Above - we're an expensive brand. At - we sell at market prices. Below - come to us for low prices Ex. Walmart.
- b. Loss Leader pricing - setting very low price for one product to catch customer's attention in the hope that they will buy other products for higher prices.

E. Setting the List or Quoted Price

One price vs. Flexible Price Policy (seller must decide which policy to follow)

Fixed pricing - same for everyone

Flexible pricing - different prices for different buyers depending on situation/circumstance

Effects on %, customer and competition must be assessed.

% Effects - Effect of price within product line when there can be substitutes or complements in line.

Customer effects - price is an indicator of quality. Influences perception of the product.

Competitive effects - competitors may retaliate with their own price changes, try to avoid price wars.

F. Making Special Adjustments to List/Quotes Price

1. Discounts - reductions from list price given to buyer as a reward.

Quantity discount - to encourage to buy larger quantities, give reduction in unit cost for a large order

Seasonal discount - to encourage buyer to stock inventory earlier than normal demand, this helps smooth out peak and troughs in demand

Cash discount - to encourage retailers to pay bills quickly

2. Allowances - reductions from list price for performing some activity beneficial to seller

Promotional allowance - actual cash payment or extra amount of free goods given to intermediary and a portion of these savings is then passed on the consumer.

3. Geographical adjustments - adjustment made to price to reflect cost of transportation from seller to buyer.

CHAPTER 14 - MARKETING CHANNELS

- 1. Marketing Channels** - individual/firms involved in process of selling a product to consumers. Products flow from producer to intermediary to consumer
- 2. Intermediaries** - make selling products more efficient by minimizing # of sales contacts necessary to reach the target. Examples:

Agent/Broker - has legal authority to represent retailers, wholesales, or manufacturers but NO OWNERSHIP OF PRODUCT.

Wholesaler - who sells to other intermediaries. TAKES OWNERSHIP

Retailer - who sells to consumers. TAKES OWNERSHIP

3. Intermediaries necessary for:

i) **Transactional function** - buying (purchase your product), selling (sell it forward to potential consumer, promote it, get orders), risk taking (ownership of inventory is risky because it can become obsolete)

ii) **Logistical function** - assorting (creating assortments from several sources to serve customers), storing (assembling and protecting the products at a convenient location to offer good customer service), Sorting (purchasing in large quantities and grouping into smaller as designed by consumer).

iii) **Facilitating function** - financing (giving credit to customers), Grading (testing products and giving them grades), Marketing info and research (providing info to both consumers/suppliers including competitive conditions and trends).

4. Channel choice

i) **Direct channel** - producer sells directly to consumer. Has to perform all functions.

ii) **Indirect Channel** - Intermediaries are inserted.

5. **Conventional Distribution Channel** - one or more independent channel members. Often results in poor performance because each is seeking to maximize its own profits.

6. **Vertical Marketing Systems** - channel members act as a system. One member owns, has contracts or has so much power that they all cooperate.

Benefits: greater control, less conflict, economies of scale because large system.

A. **Corporate VMS** - successive stages of production/distribution under a single ownership.

Forward integration - when producer owns the intermediary that is next level down.

Backward integration - a retailer owns a manufacturer. Ex Tims owns coffee roasters.

B. **Contractual VMS** - independent production/distribution firms come together on contracts to obtain economies of scale. Ex. Franchising (McDonald's)

C. **Administered VMS** - coordination of stages based on power of one channel member rather than through ownership. Walmart can obtain cooperation from manufacturers in terms of product specs and price levels given it's the largest retailer.

7. Factors affecting Channel choice

Environmental (social, economic, regulatory), **Consumer characteristics**, **Type of product**, and **type of company**.

8. **Levels of Distribution Intensity** - Intensive (everywhere), Selective (few outlets), Exclusive (one outlet).

9. Channel Conflicts

i) **Vertical** - happens between different levels in a marketing channel. Ex. Producer and retailer.

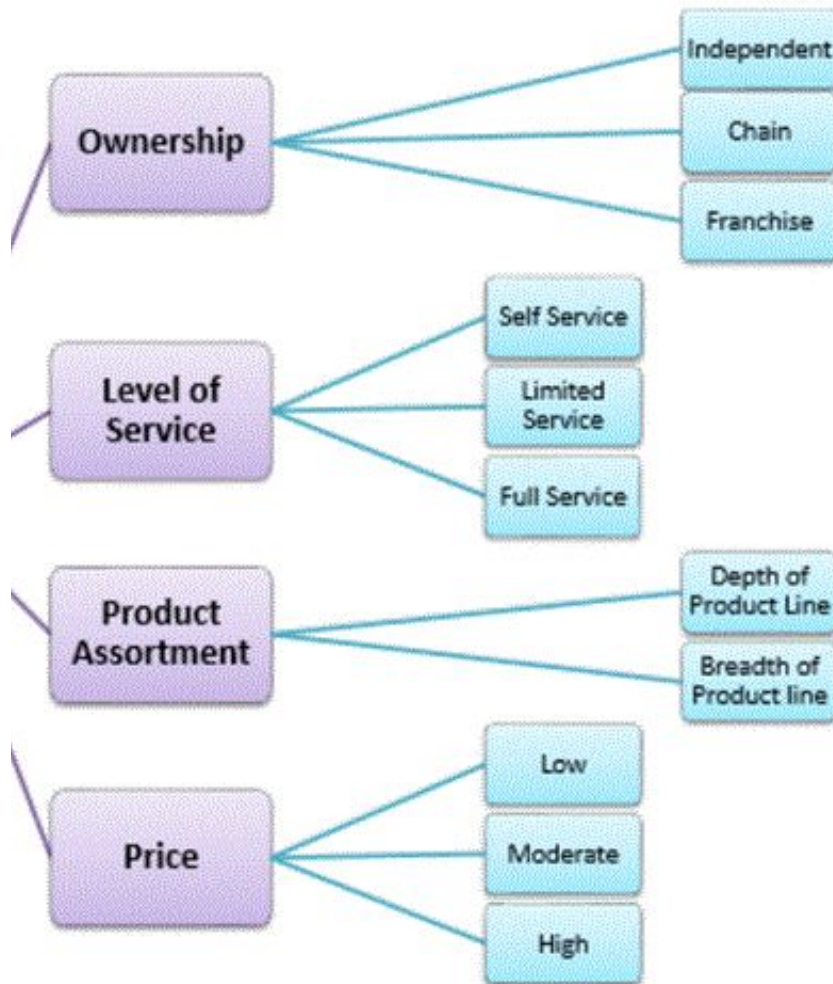
ii) **Horizontal** - happens between same levels. Ex. Among the retailers

How to avoid? Offer diverse product offerings. Have a Vertical Marketing System, or ensure channel cooperation.

CHAPTER 15 - RETAILING

1. **Retailing** - all activities involved in selling, renting, providing goods/services to end consumer for wtv use.

2. CLASSIFICATION OF RETAIL OPERATIONS



3. Non-store Retailing

1. Automatic Vending - vending machines to serve customers where stores cannot. Maintenance/operation costs are high so prices are higher than those in stores.

2. Direct mail and catalogues - Store that comes to the door and it eliminates cost of a store. Improves marketing efficiency through segmentation and targeting and creates value by making purchasing fast and convenient

3. Television Home Shopping

4. Online Retailing - Allows consumers to search for, evaluate and order products through the Internet.

5. Telemarketing - Allows you to cut costs but still maintain contact with customers

6. Direct Selling - Personalized service and convenience

4. Recent/Future Developments in Retailing

1. Interactivity - getting customers more involved (Ex. Build a Bear)

2. Technology - Use of magic mirrors in store

3. Mobile Commerce - shopping through mobile phones

4. Retail stores as communities - Ex. LuLu Lemon

CHAPTER 16 - INTEGRATED MARKETING COMMUNICATIONS

- 1. Integrated Marketing Communications (IMC)** - careful coordination of all promo messages for a product to assure consistency at every contact point where company meets its audience. **Clear and consistent message throughout the promotional mix.**

2. DIFFERENT TYPES OF PROMOTION

Type	Advantages	Disadvantages
<p>1. Advertising One way mass communication paid for by an identified sponsor</p>	<p>i) Efficient for reaching large # of people. ii) Can control the message and the target audience. iii) Consistency.</p>	<p>i) High absolute costs. ii) Difficult to receive good feedback to see if it worked.</p>
<p>2. Public Relations seeks to influence feelings/opinions held by public about a % and its products. Seeks understanding and acceptance.</p>	<p>i) Often most credible source in consumer's mind Ex Event sponsorships, press con, social media</p>	<p>i) Difficult to get media cooperation</p>
<p>3. Sales Promotion - short term inducement of value to arouse interest in buying (Samples, coupon, contest premiums)</p>	<p>i) Effective at stimulating sales in the short run, even by customers who are not loyal. iv) Customers begin to delay purchase until promotion is offered.</p>	<p>i) Gains are temporary. Sales drop when deals end. ii) Advertising support needed to convert non-loyals into loyals. iii) If conducted continuously, they'll lose effectiveness.</p>
<p>4. Direct Marketing - direct communication with consumers to generate a response in form of an order, request, further info, or a visit to retail outlet. (Ex Mail, Catalogues, Calls)</p>	<p>i) Customized to match needs of specific target market. ii) Messages can be developed/adapted quickly to facilitate relationship.</p>	<p>i) Expensive to maintain database. ii) Growing concern of privacy leading to decline in response rate.</p>
<p>4. Personal Selling - two way communication between buyer/seller designed to influence purchase decision. Usually face-to-face.</p>	<p>i) Can control to who the presentation is made. Immediate feedback. ii) Very persuasive. iii) Can give complex info. Can modify the message if see that feedback is bad</p>	<p>i) Message may differ with different salespeople. ii) No consistent communication. iii) High cost, most expensive</p>

3. FACTORS AFFECTING PROMOTIONAL MIX

A. j) PUSH STRATEGY - Using promo efforts to push product through distribution channel, directing the promo mix to channel members to gain their cooperation in ordering and stocking the product. Mainly personal selling directed to intermediaries.

ii) Pull Strategy - Directing promo mix/consumer advertising to the end consumer to encourage them to buy the product from retailers. And then retailers will ask for it from wholesalers, and wholesaler will ask %.

B. PRODUCT CHARACTERISTICS

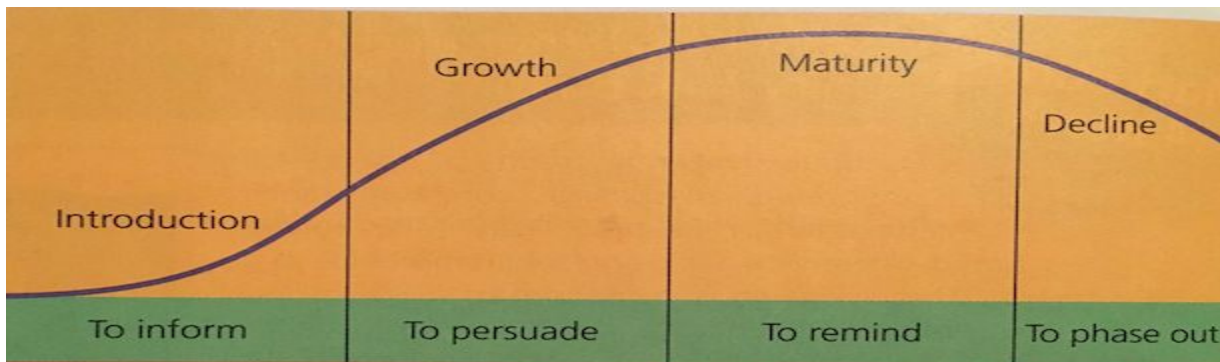
i) Complexity - technical sophistication of the product, and how much understanding is needed to use it will influence the type of promotion. The more complicated the product, more use of personal selling. Advertising is enough for simple products.

ii) Perceived risk - If the perceived financial/personal risk of purchasing the product is high, more personal selling is required. Ex. for Jets

iii) Business products often need maintenance. Advertising is needed to establish seller's reputation of who will provide maintenance. Direct marketing must be used to show how product can be customized.

iv) Consumer products are much simpler.

C. PRODUCT LIFE CYCLE



Time					
Preintroduction	Heavy advertising and public relations to build awareness; sales promotion to induce trial; personal selling to obtain distribution	Heavy advertising and public relations to build brand loyalty; decreasing use of sales promotion; personal selling to maintain distribution	Advertising slightly decreased — more persuasive and reminder in nature; increased use of sales promotion to build market share; personal selling to maintain distribution	Advertising and public relations drastically decreased; sales promotion and personal selling maintained at low levels	

D. Stage of Buying decision

- i) **Pre-purchase** - advertising is more helpful because it informs customer of existence of product and seller. Sales promo are also good to gain low-risk trial.
- ii) **Purchase** - Personal Selling is more important. Sales promo like coupons can encourage demand.
- iii) **Post-purchase** - Personal contact is important after the sale to keep the buyer satisfied. Advertising is important to ensure them they made the right choice. Sales promo can help encourage repeat purchase.

E. Target Audience

Varies if you're targeting consumer or an intermediary. Promotions directed to buyers of :

- i) **consumer products** :use mass media because # of potential buyers is large. Personal selling is used at place of purchase the retail store.
- ii) **For business products**, personal selling is most important, as salesperson can provide support. Salespeople assist intermediaries in making a profit by coordinating promo campaigns sponsored by producer.

F. Available Funds - influence how much can be spent on promotional mix

6. **Caution regarding IMC**

- Coordination across promotional mix is not easy, and if not done properly can lead to:
- Customer confusion
- Loss of customers
- Loss of brand equity
- Conflicts within company
- Can be very costly to pursue.

CHAPTER 17-18 - ADVERTISING, SALES PROMOTION, PERSONAL SELLING

1. **DIFFERENT FORMS OF ADVERTISING**

A. Product Advertising - promotes benefits of specific good/service

- i) **Pioneer advertising** - Intended to stimulate primary demand. Heavily used during intro stage of PLC.
Tell people what it is, what it does, and where to find it
- ii) **Competitive advertising** - Promote brand's features and benefits to influence demand for it. Goal is to persuade the target market to select them instead of the competitor. Used in Growth stage of PLC.
Can also use comparative advertising where direct/indirect comparison of two or more competitors done.

iii) **Reminder Advertising** - Used to reinforce previous knowledge. Focuses on drawing attention to the brand. Used in **Mature phase** of PLC. To remind them they made the right choice.

B. Institutional Advertising - promotes the % as a whole. Designed to change or maintain a corporate identity. To build goodwill or an image for a brand.

2. STEPS IN DESIGNING ADVERTISING CAMPAIGN

Development	Execution	Evaluation
<ul style="list-style-type: none"> - Identify target audience - Specify advertising objective - Set Budget - Design ad - Select media 	<ul style="list-style-type: none"> - Pretest ad - Implement ad 	<ul style="list-style-type: none"> - Post-test ad - Make adjustments

3. Designing the advertisement

Goal - sell the benefits of the product, not the attributes

Benefits like convenience, pleasure, health, profit, protection, beauty, relaxation.

Benefits are communicated with different appeals.

4. COMMON ADVERTISING APPEALS

- **Fear appeal**
 - Very powerful, requires care in execution (e.g., fear of social embarrassment, growing old, losing one's health)
- **Sex appeal**
 - Product increases attractiveness, romance, love (e.g., cars, perfume)
- **Convenience appeal**
 - Advertisements for fast-food restaurants or microwave foods
- **Profit appeal**
 - Product can save money, avoid loss of money, make money
- **Humorous/fun appeal**
 - Product or company is more fun and exciting than competitors
- **Environmental appeal**
 - Centers around protecting environment (e.g., social responsibility)

5. Selecting The right Media is important

Medium	Advantages	Disadvantages
Newspapers	Geographic selectivity and flexibility; year-round readership, low cost	Little demographic selectivity, low pass-along rate (short life span), poor colour, ads compete for attention with other features
Magazines	Good reproduction; demographic selectivity; geographic selectivity, high pass-along rate	Limited demonstration capabilities, lack of urgency, long time needed to place ad
Radio	Low cost; immediacy of message; can use sound; can target specific audiences; can be scheduled on short notice	No visual elements; short advertising life of message; high frequency required;
Television	Reaches extremely large audiences; low cost per contact; video and audio possible; demographic selectivity with cable station	High cost to prepare and run ads; short life of message; little demographic selectivity with network stations; long lead time required
Outdoor Media	Low cost; geographic selectivity; high visibility; repeat exposure	Only short and simple messages; no demographic selectivity; criticized as traffic hazard
Internet	Fastest growing medium; ability to reach narrow target audience; short lead time; ads can be interactive and link to advertiser; video and audio capabilities	Tracking effectiveness; animation and interactivity requires time and resources

6. EXECUTING AND EVALUATING THE ADVERTISING CAMPAIGN

i) Executing :

Pretest the ad - before they are placed in any mediums. To see if the ad is communicating the intended message or to choose between multiple alternatives of an ad.

Can test through portfolio, jury, theatre test.

Implement the ad

ii) Evaluating -

Post testing - should be done to see if the ad accomplished its intended purpose. And then make adjustments.

7. SALES PROMOTION - Sales promo are important because effective tool to measure results from promotional efforts.

i) **Consumer oriented sales promotion** - sales tools to support a company's advertising directed to end consumer. Ex. coupons, samples, rebates, contests, premiums

ii) **Trade oriented sales promotion** - advertising directed to intermediaries. Ex. Discounts if buying large quantities. Cooperative advertising where % pays part of retailer's local advertising expense

8. PROS AND CONS

Personal selling advantageous if...

- Product has high value
- It is custom-made
- Few customers
- Product is complex
- Customers are concentrated
- Examples: insurance, airplane engines, custom windows

Advertising and sales promotion advantageous if...

- Product has low value
- Standardized product
- Many customers
- Product is easy to understand
- Customers are geographically dispersed
- Examples: soap, cereal, T-shirts

CHAPTER 7 - REACHING GLOBAL MARKETS

1. Factors driving Globalization

- Demand
 - Do foreign customers need the product?
- Competitive environment
 - Number of competitors in the country?
- Industry environment
 - Are there enough suppliers/distributors?
- Economic environment
 - What is the state of the country's economy?
- Social-cultural environment
 - How do cultural factors affect business?
- Political-legal environment
 - Do any legal restrictions complicate entering the market?
- Technological environment
 - To What degree are technological innovations used by consumers in the market?

2. **International Marketing Environment** - International marketing mix is influenced by the international economic, technological, competitive, regulatory, and socio-cultural environment.

3. NEED TO DECIDE WHETHER TO CUSTOMIZE OR STANDARDIZE THE PRODUCT.

- Customization
 - Adjusting marketing mixes according to cultural, regional, and national differences
- Standardization
 - The development of marketing strategies that treat the entire world (or its major regions) as a single entity
 - Includes standardization of products, promotion campaigns, prices, and distribution channels
 - “Think globally, act locally”

Customize	Standardize
Lower economies of scale	Economies of scale
Closer to customer needs and wants	Lower R&D expense
More difficult to management and design appropriate mix	Lower advertising expense
Increased complexity of operations	Can lead to lower customer satisfaction

4. International Market Entry Strategies

Type	Advantages	Disadvantages
1. Exporting - producing in one country and selling to another. Can sell directly through own distribution or indirectly by using intermediaries.	<ul style="list-style-type: none"> i) Fast way to enter ii) Low risk iii) Low financial commitment 	<ul style="list-style-type: none"> i) Less control ii) Lower profit potential
2. Licensing - offering the right to trademark, patent for free. Can have contract manufacturing, contract assemble or franchising.	<ul style="list-style-type: none"> i) Fairly low risk. Relatively fast way to enter. ii) Can be used for services. iii) Creates employment for host country 	<ul style="list-style-type: none"> i) Have to let go of control. ii) May create competition. iii) Brand image can be jeopardized.
3. Joint Venture - agreements between 2 or more firms to invest together to create a local business while sharing ownership, control, and profits of new company.	<ul style="list-style-type: none"> i) More control. ii) Good way to acquire knowledge. iii) Access to local borrowing agencies. 	<ul style="list-style-type: none"> i) Greater financial commitment, ii) Greater risk iii) potential of conflict.
4. Foreign Direct Investment - firm invests in or owns a foreign division	<ul style="list-style-type: none"> i) Most control. ii) Cost savings. Better understanding of local market conditions. iii) Less affected by exchange rate 	<ul style="list-style-type: none"> i) Highest Risk. ii) Highest financial commitment. iii) Most sensitive to local environmental factors.

