

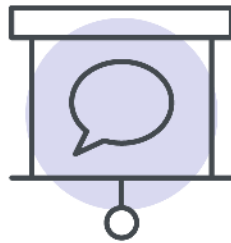
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Ryerson

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MKT 100  
**FINAL EXAM**  
STUDY GUIDE

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# Lecture Notes

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Sunday, February 15, 2015

## Chapter I - Principles of Marketing

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### Difference between Consumer, Client, and Customers

- Customer - The person who pays for the product
- Consumer - The person who uses the product
- Client - Long term relationship between the two parties
  - Lawyers, Accountant, Doctor = Services

### What is Marketing?

- "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." - American Marketing Association, 2007

- Creating

- The process of collaborating with suppliers and customers to create offerings that have value.

- Communicating

- Broadly, describing those offerings, as well as learning from customers

- Delivering

- Getting those offerings to the consumer in a way that optimizes value

- Exchanging

- Trading value for those offerings

- "Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others - Philip Kotler
- A set of business practices designed to plan for and present an organization's products or services in ways to build effective customer relationship

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- Marketing plan
  - A written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four p's, action programs, and projected or proforma income and other financial statements

### What is Marketed?

- Persons
- Services
- Goods
- Places
- Experiences
- Events
- Properties
- Organizations
- Information
- Ideas

### Who is Marketed?

- Marketers receive attention, purchase, donation, and vote from the prospect

### Key Customer Markets

- 1 Global Markets
  - a International Business - different countries
    - i Mexico, England
- 2 Business Markets
  - a B2B
- 3 Consumer Markets
  - a Eaton center
- 4 Government Markets

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## Core Marketing Concepts

- Marketing helps create value
- Marketing is about satisfying customer needs and wants
- Marketing entails an exchange
- Marketing require product, price, place, and promotion decisions
- Marketing can be performed by both individuals and organizations
- Marketing occurs in many settings

### 1 Needs, Wants, and Demands

#### a Need

- i A need is when a person feels deprived of the basic necessities of life (i.e. food, clothing, shelter, or safety)

l A person feeling physiologically deprived of basic necessities such as food, clothing, shelter and safety

#### b Want

- i A want is the particular way in which the person chooses to fulfill his or her need, which is shaped by a person's knowledge, culture, and personality

l The particular way in which a person chooses to satisfy a need, which is shaped by a person's knowledge, culture and personality

#### c Demands

- i Demands = customers + consumers = money = purchasing power

l A kid cannot be counted as a demand because he/she does not have an income to pay for their products

#### d

### 2 Target Markets, Positioning, and Segmentation

- a The company must first identify the customers or market for its product or service

#### i Market

l Refers to the groups of people who need or want a company's products or services and have the ability and willingness to buy them.

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b Marketers divide the market into subgroups or segments of people to whom they are interested in marketing their products, services, or ideas

c Marketers build marketing strategies to meet the needs and wants of target market  
i Target market

l The customer segment or group to whom the firm is interested in selling its products and services

### 3. Offerings and Brands

a Offerings  
i Everything - services

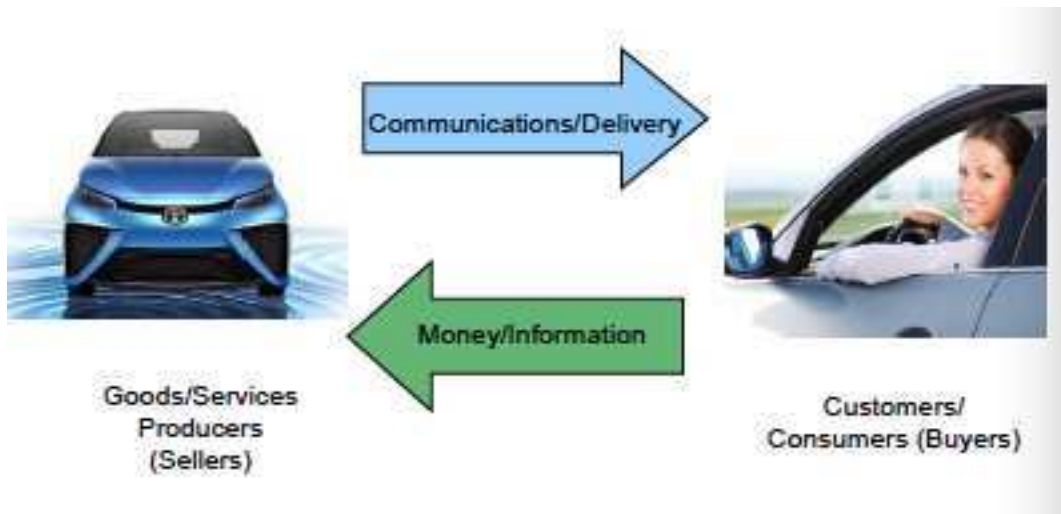
### 4 Value and Satisfaction

a Value is the benefits buyers receive to meet their needs. It is what the customer gets by purchasing and consuming a company's offering.  
i Offering is created by the company, but value is created by customers

- 1 Marketing Channels
- 2 Supply Chain
- 3 Marketing Environment
- 4 Competition

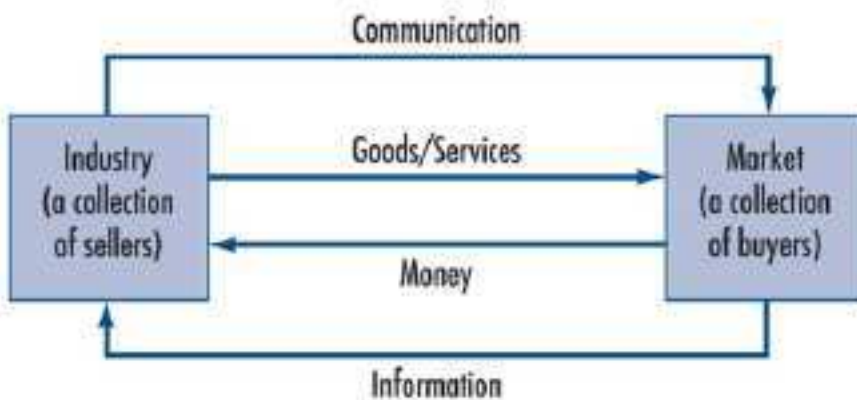
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Marketing Entails an exchange



- The trade of things of value between the buyer and the seller so that each is better off as a result.

A simple Marketing System



Marketing Requires Product, Price, Place, and Promotion Decisions (4Ps)

Marketing mix = Four Ps = product, price, place, and promotion

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The controllable set of activities that a firm uses to respond to the wants of its target markets

## 1 Product

a Product = creating value by developing a variety of offerings to satisfy customer needs

i Offerings = Good, services, and ideas

### 1 Good

a Items that can be physically touched

i Roots clothing, Molson Canadian beer, Kraft dinner

### 2 Services

a Intangible customer benefits that are produced by people or machines and cannot be separated from the producer

i ATM, hockey game

### 3 Ideas

a Include thoughts, opinions, philosophies, and intellectual concepts

i Bicycle safety to go to school = helmet

## 2. Price

a Price = transacting value

b The monetary amount charged for the product (exchange)

i The overall sacrifice a consumer is willing to make - money, time, energy - to acquire a specific product or service

## 3. Place

a Place = delivering value

b Getting the product to a point at which the customer can purchase it (delivering)

## 4. Promotion

a Communicating value

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### Marketing Environment

The consumer is the centre of all marketing activities, and offering the best value possible will attract customers to products and keep them loyal.

- Demographic
- Economic
- Political-legal
- Technological
- Natural environment
- Socio-cultural

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## Marketing Can Be Performed by both Individuals and Organizations

### B2B - Business-to-Business

- The process of selling merchandise or services from one business to another
  - Costco

### B2C - Business-to-Consumer

- The process in which businesses sell to consumers
- All retailing is business to consumer selling

### C2C - Consumer-to-Consumer

- The process in which consumers sell to other consumers
  - eBay, Kijiji, yard sales, etc..

The type of business does not depend, all of them use one powerful type of strategy to promote their products - social media

- Social media - the use of internet tools to easily and quickly create and share content to foster dialogue, social relationships, and personal identities

## Marketing helps create value

### Production- oriented era:

- Production - oriented era concentrate first on the products rather than concentrating on the customer's needs and the ways in which they could satisfy them.
- Most firms believed a good product would sell itself
  - Best way to compete was through product innovation and by reducing production costs

### Sales-oriented era:

- Focus on making a sale or on each transaction rather than building long-term relationships
- Firms found an answer to overproduction by focusing on sales

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- It was necessary to push their products by heavily emphasizing, advertising, and selling .

#### Market-oriented era:

- Goal is to understand and respond to the needs of the consumers and to do everything possible to satisfy them.
- The focus was on what customers wanted
  - Marketers seek to satisfy customer wants and needs

#### Value-based era:

##### Value

- Reflects the relationship of benefits to costs or what the consumer gets for what he or she gives.
- Maintains the market orientation but also included a focus on giving greater value than the competition
  - Value reflects the relationship of benefits to costs.
  - Value-based marketing means implementing a marketing strategy according to what customers value
  - Value-based marketing is not just about low price, but also about creating strong products and services.

A relational orientation is based on the philosophy that buyers and sellers should develop a long-term relationship for the benefit of both parties

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### Transactional orientation

- Regards the buyer-seller relationship as a series of individual transactions, so anything that happened before or after the transaction is of little importance
  - Selling a car - you will not do business with that person again

### Relational orientation

- A method of building a relationship with customers based on the philosophy that buyers and sellers should develop a long-term relationship

### How Firms compete on the Basis of Value

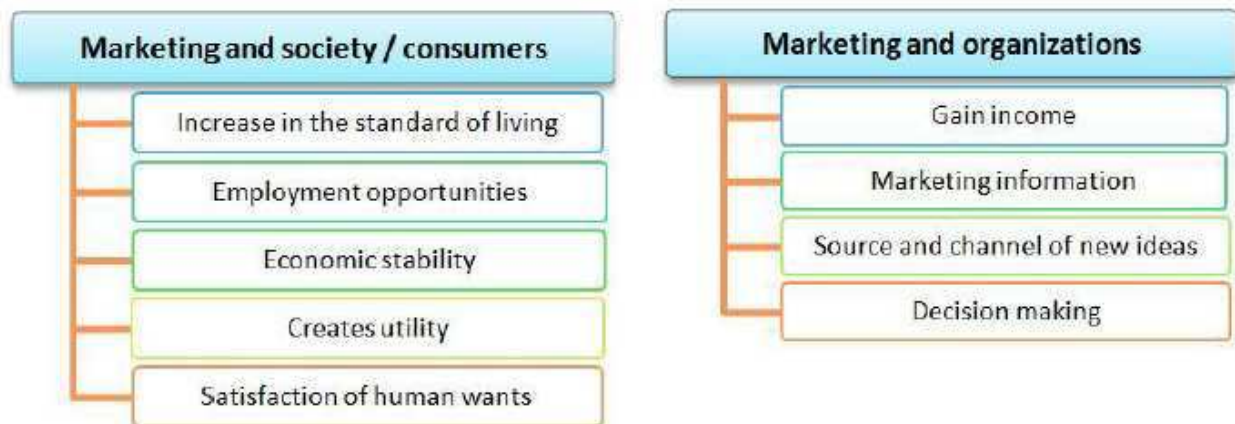
#### Value-based marketing

- Focuses on providing customers with the benefits that far exceed the cost (money, time, effort) of acquiring and using a product or service while providing a reasonable return to the firm
- Constantly changing consumer perceptions
- Firms must constantly monitor the marketplace in order to create value
- Technology has enabled the capture of information on your customer
  - Customer Relationship Management (CRM)
    - A business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty among the firm's most valued customers

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- - Who are the most valued customers?
  - What are the best programs to meet their needs?
  - How can we retain them?
    - Loyalty Program Data:
      - Shoppers Optimum Card
      - HBC Rewards
      - Air Miles
- Social Media

### Why is Marketing Important?



### Marketing Expands Firms Global Presence

Starbucks often promotes the same product in different countries. What products do you see in common?

Latte

Strawberry frap

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## Marketing As a Pervasive Across the Supply Chain

### Supply chain

- The group of firms and set of techniques and approaches firms use to make and deliver a given set of goods and services
- Each step in the supply chain involves marketing
- All members in the chain must ultimately focus on creating value for their customer and the end user consumer
  - Supplier - manufacturer-distributor-retailer-shopper

## Marketing Makes Life Easier and Provides Employment Opportunities

- Choices of products and services choices as well as information about those choices
- Employment in diverse field such as research, sales, promotions, global marketing

## Marketing Can Be Entrepreneurial

- Though important to large firms, marketing is equally important to the success of small ventures - especially new ventures
  - E.g: popchips

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## Chapter 2 - Marketing Strategy

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### Product Orientation vs. Market Orientation

Company

Product

Market

VIA Rail

We run a railroad

We are a people mover

Xerox

We make copying equipment

We improve office productivity

Imperial Oil (ESSO)

We sell gasoline

We supply energy

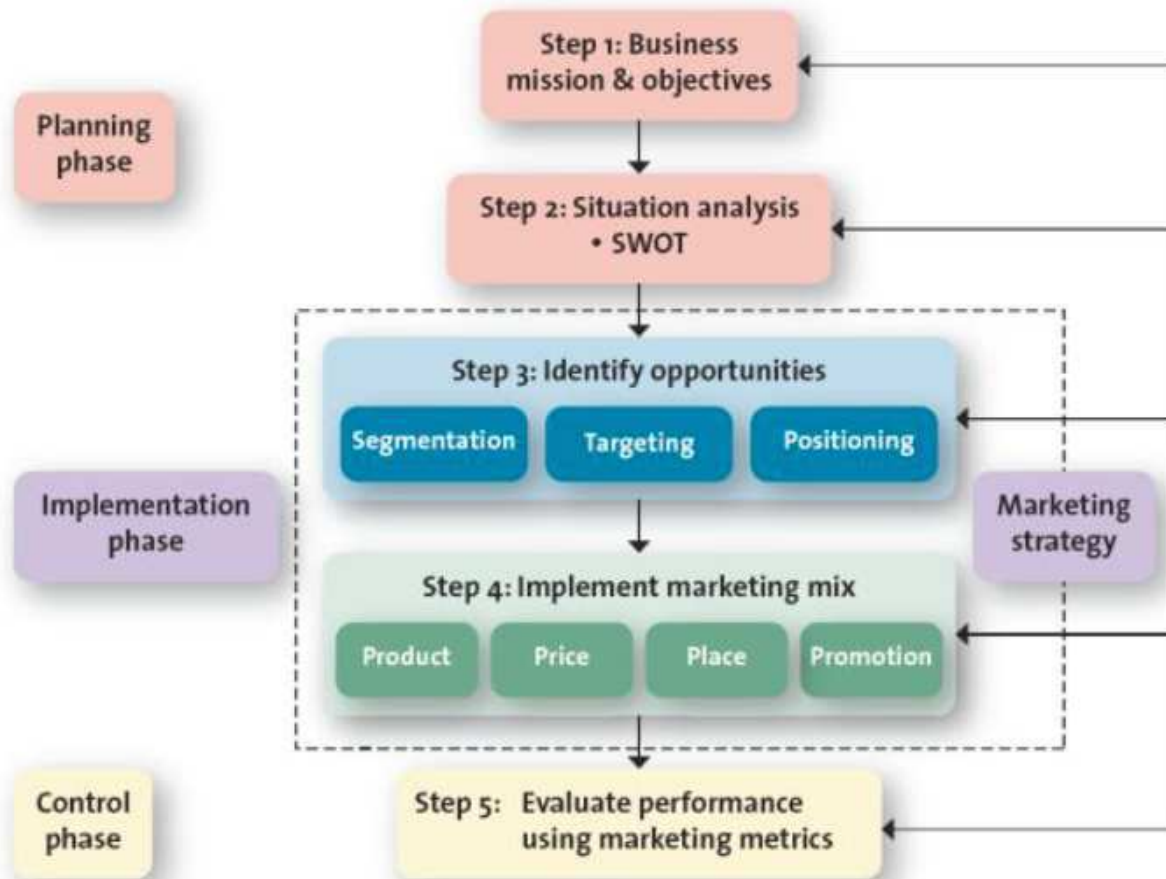
Columbia Pictures

We make movies

We entertain people

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## The strategic Marketing Planning Process



## Marketing planning process

- A set of steps a marketer goes through to develop a marketing plan

## Planning phase

- Where marketing executives and other top managers define the mission and objectives of the business, and evaluate the situation by assessing how various players, both inside and outside the organization, affect the firm's potential for success

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### Implementation phase

- Where marketing managers identify and evaluate different opportunities by engaging in a process known as segmentation, targeting, and positioning. They then develop and implement the marketing mix by using the four Ps

### Control phase

- The part of the strategic marketing planning process when managers evaluate the performance of the marketing strategy and take any necessary corrective actions.

Step 1: Defining the mission and/or Vision - Good Mission Statements

### Mission statement

A broad description of a firm's objectives and the scope of activities it plans to undertake; attempts to answer two main questions: what type of business is it? And what does it need to do to accomplish its goals and objectives.

- Focus on limited number of goals
- Stress major policies and values
- Define major competitive spheres
- Take a long-term view
- Short, memorable, meaningful

Step 2: Conduct a situation Analysis Using Swot

### Situation analysis

- The second step of a marketing plan
  - Uses SWOT analysis that assesses both the internal environment with regard to its strengths and weaknesses and the external environment in terms of its opportunities and threats

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Environment	Evaluation	
	Positive	Negative
<b>Internal</b>	<b>Strengths</b> <ul style="list-style-type: none"> <li>• Superior resources and capabilities</li> <li>• Superior management, marketing, technical talent</li> <li>• Strong brand</li> <li>• Superior product offerings</li> <li>• Extensive marketing reach</li> <li>• Wide distribution networks (national/global)</li> <li>• Strong financial resources</li> <li>• Excellent geographic location</li> <li>• Proprietary technologies/Intellectual property</li> <li>• Strong base of loyal customers</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Little or no brand recognition</li> <li>• Lack of financial resources</li> <li>• Lack of other resources and capabilities</li> <li>• Lack of marketing, management, and technical talent</li> <li>• Limited market reach or distribution network</li> <li>• No propriety technology</li> <li>• Poor location</li> <li>• Limited customer base or loyalty</li> <li>• Lack of credibility</li> </ul>
<b>External</b>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>• CDSTEP changes that offer opportunities for the firm to serve new markets with existing products and/or pursue completely new market opportunities</li> <li>• When existing firms exit the market because of financial or other difficulties (i.e., reduced competition)</li> <li>• When a firm acquires another firm, the acquiring firm gets market access, new customers, new technology and expertise, and financial resources</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Political or regulatory changes (e.g., new laws affecting business or products)</li> <li>• New entrants into the industry or market</li> <li>• New technology that could render existing technology or business practices obsolete</li> <li>• Natural or man-made disasters</li> <li>• Recession or economic downturn that affects consumers' purchasing power and confidence</li> <li>• Changes in socio-cultural or demographic trends</li> </ul>

Example: Ben & Jerry's SWOT analysis

Location of Factor	TYPE OF FACTOR	
	Favourable	Unfavourable
<b>Internal</b>	<b>Strengths</b> <ul style="list-style-type: none"> <li>• Prestigious, well-known brand name among North American consumers</li> <li>• Major share of the super premium ice cream market</li> <li>• Can complement Unilever's existing ice cream brands</li> <li>• Widely recognized for its social responsibility actions</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Danger that B&amp;J's social responsibility actions may add costs, reduce focus on core business</li> <li>• Need for experienced managers to help growth</li> <li>• Flat sales and profits in recent years</li> </ul>
<b>External</b>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Growing demand for quality ice cream in overseas markets</li> <li>• Increasing demand for frozen yogourt and other low-fat desserts</li> <li>• Success of many firms in extending successful brand in one product category to others</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Consumer concern with fatty desserts; B&amp;J customers are the type who read new government-ordered nutritional labels</li> <li>• Competes with Haagen-Dazs brand</li> <li>• Increased competition in international markets</li> </ul>

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### Step 3: Identifying and Evaluating Opportunities using STP

#### STP - Segmentation - targeting - positioning

- The process of segmentation, targeting, and positioning the firms use to identify and evaluate opportunities for increasing sales and profits

#### Market segment

- A group of consumers who respond similarly to a firm's marketing efforts

#### Market segmentation

- The process of dividing the market into distinct groups of customers where each individual group has similar needs, wants, or characteristics - who therefore might appreciate products or services geared especially for them in similar ways

#### Target marketing / targeting

- The process of evaluating the attractiveness of various segments and then deciding which to pursue as a market.

#### Market positioning

- Involves the process of defining the marketing mix variables so that target customers have a clear, distinct, desirable understanding of what the product does or represents in comparison with competing products.

Example: Hertz: Market Segmentation

### Step 4: Implement Marketing Mix and allocate Resources

Examples:

- Walmart
- IKEA
- Apple
- Dell

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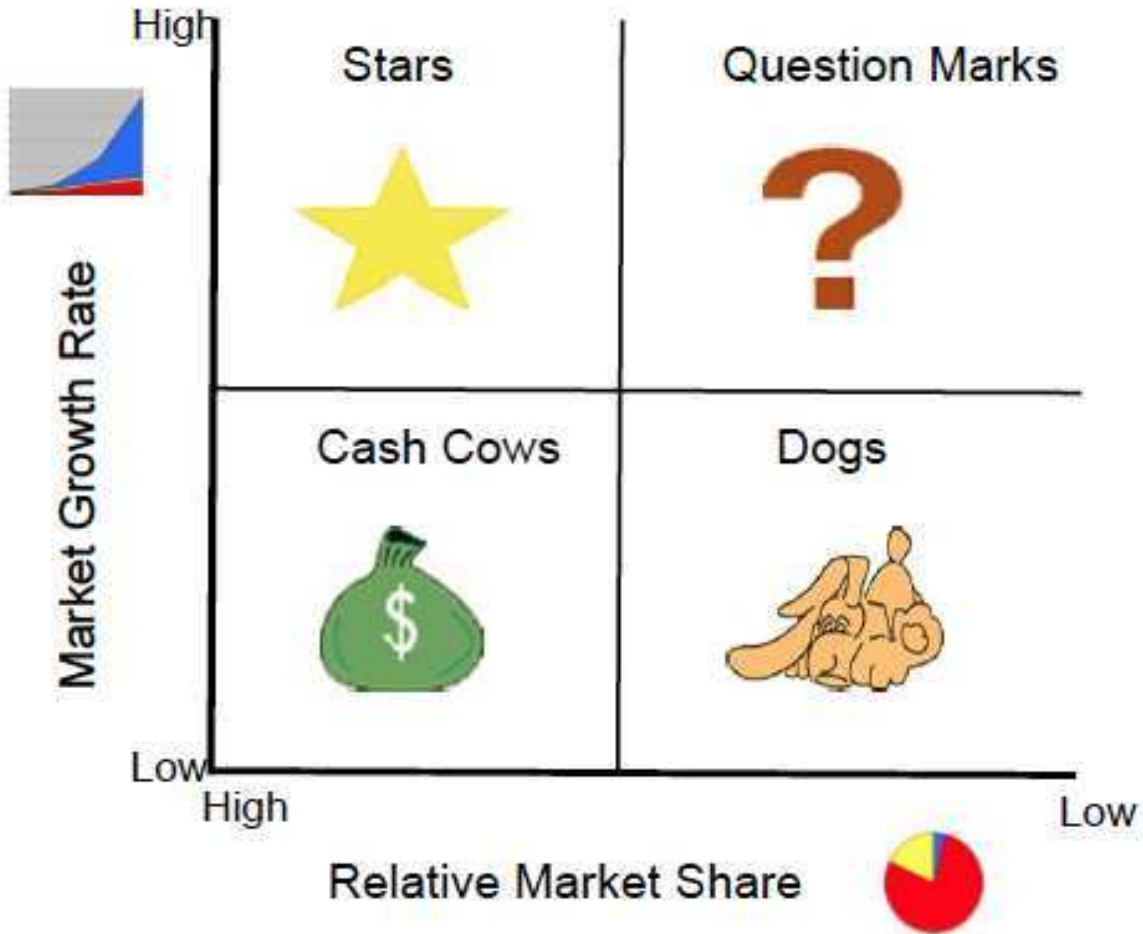


### Step 5: Evaluate Performance by Using Marketing Metrics

- A metric is a measuring system that quantifies a trend, dynamic, or characteristic.
- Performance objectives and metrics
  - Many factors contribute to a firm's overall performance
    - Compare a firm's performance over time or to competing firms
    - View the firm's products or services as a portfolio
- Financial performance metrics
  - Revenues, sales, and profits
  - Compare with competition
- Social responsibility performance metrics
  - Impact on environment, ability to diversify work force, energy conservation initiatives, human rights, etc.
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Boston Consulting Group's Portfolio Analysis



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Kodak Consumer-Related Products. What SBU type in the BCG growth-share matrix?



Kodak digital camera



Kodak digital photo printer



Kodak film



Kodak digital picture frame

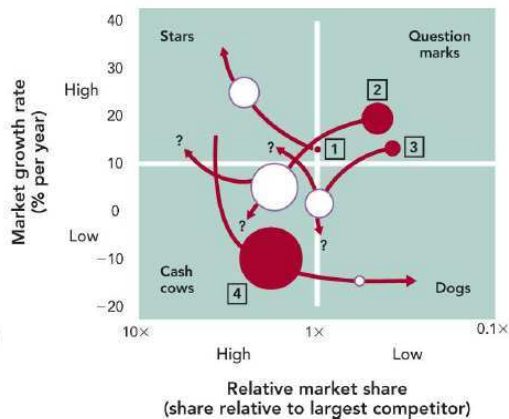
BCG business portfolio analysis for Kodak's consumer - SBUs for 2003 (red circle) and 2012 (white circle)



Kodak digital picture frame



Kodak digital camera



Kodak digital photo printer



Kodak film sales: US, Canada, & W. Europe

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**Strategic business unit (SBU)**

A division of the company that can be managed somewhat independently from other divisions since it markets a specific set of products to a clearly defined group of customers

**Product line**

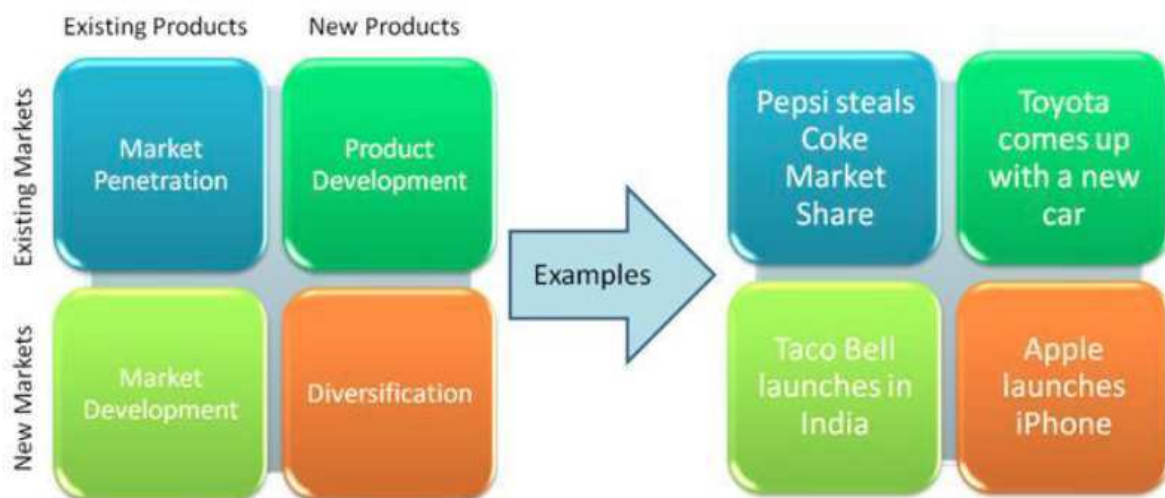
A group of products that consumers may use together or perceive as similar in some way

**Relative market share**

A measure of the product's strength in a particular market defined as the sales of the final product divided by the sales admired by the largest firm in the industry

**Market growth rate**

The annual rate of growth of the specific market in which the product competes

**Growth Strategies (Ansoff Product Market Matrix)**

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**Market penetration strategy**

A growth strategy that employs the existing marketing mix and focuses the firm's efforts on existing customers

**Market development strategy**

A growth strategy that employs the existing to reach new market segments, whether domestic or international or segments not currently served by the firm.

**Product development strategy**

A growth strategy that offers a new product or service to a firm's current target market

**Diversification strategy**

A growth strategy whereby a firm introduces a new product or service to a market segment that it does not currently serve.

**Downsizing**

Existing markets, reducing product, portfolios, or closing certain businesses or store or plant locations.

*Ben & Jerry's Growth Strategies*

Markets	PRODUCTS	
	Current	New
Current	<b>Market penetration</b> Selling more Ben & Jerry's super premium ice cream in North America	<b>Product development</b> Selling a new product such as frozen yogourt under the Ben & Jerry's brand in North America
New	<b>Market development</b> Selling Ben & Jerry's super premium ice cream in Brazil for the first time	<b>Diversification</b> Selling a new product such as breakfast cereal in China for the first time

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*Sustainable Competitive Advantage***Marketing strategy**

Identifies a firm's target market(s), a related marketing mix- the four ps and the bases upon which a sustainable competitive advantage.

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### Sustainable competitive advantage

Something the firm can persistently do better than the competitors that is not easily copied and thus can be maintained over a long period of time.

#### Customer Excellence

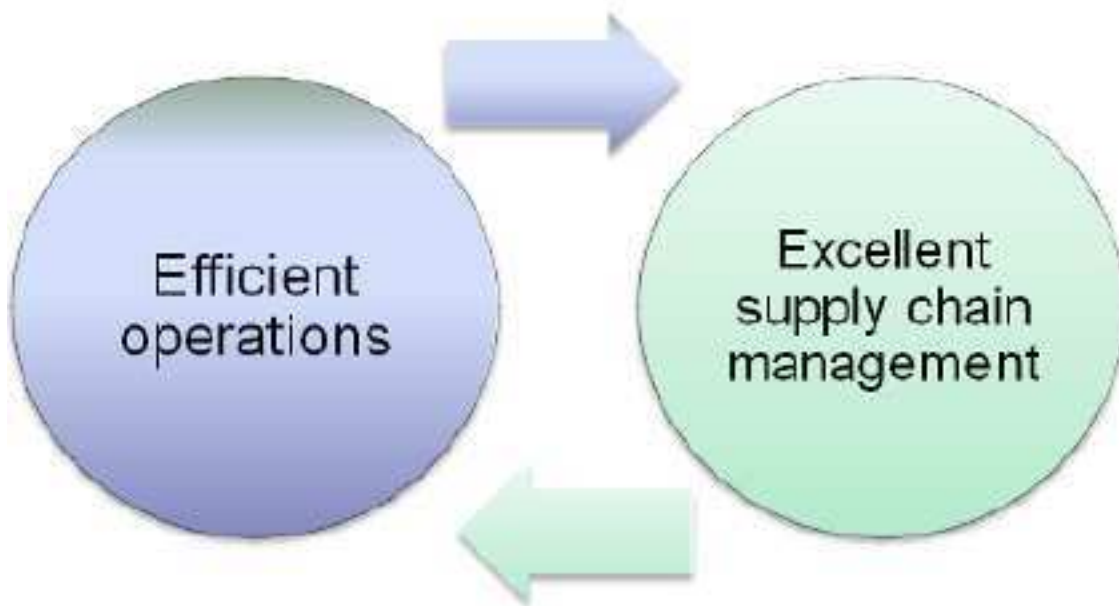
- Retaining loyal customers
- Customer service

Involves a focus on retaining loyal customers and excellent customer service

#### Operational Excellence

Wal-Mart have achieved competitive advantage by utilizing operational excellence (controlling price)

Involves a focus on efficient operations and excellent supply chain management



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### Product Excellence

Achieving effective branding and positioning

Involves a focus on achieving high-quality products and effective branding and positioning

### Location excellence

The three most important things in retailing are location, location, location

Involves focus on a good physical location and internet practice.

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## Chapter 3 - Analyzing the Marketing Environment

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- 1 Elements of the marketing environment
- 2 Macro and Micro environmental analysis
- 3 Understanding Consumer Buyer Behaviour
- 4 Identify and discuss important trends affecting marketing decisions today

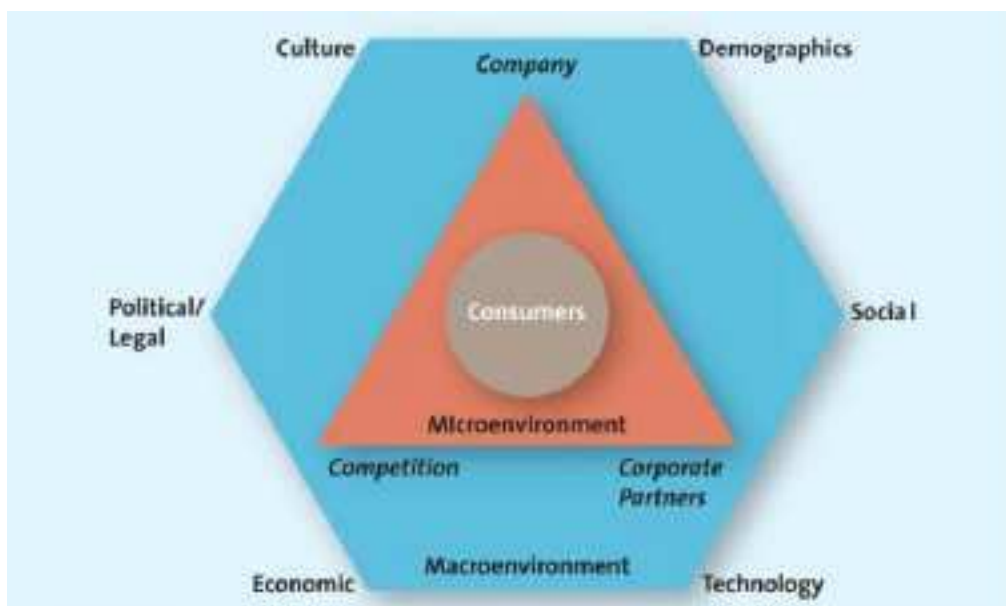
### The Marketing Environment

It includes the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customer.

### Types of Environmental Factors

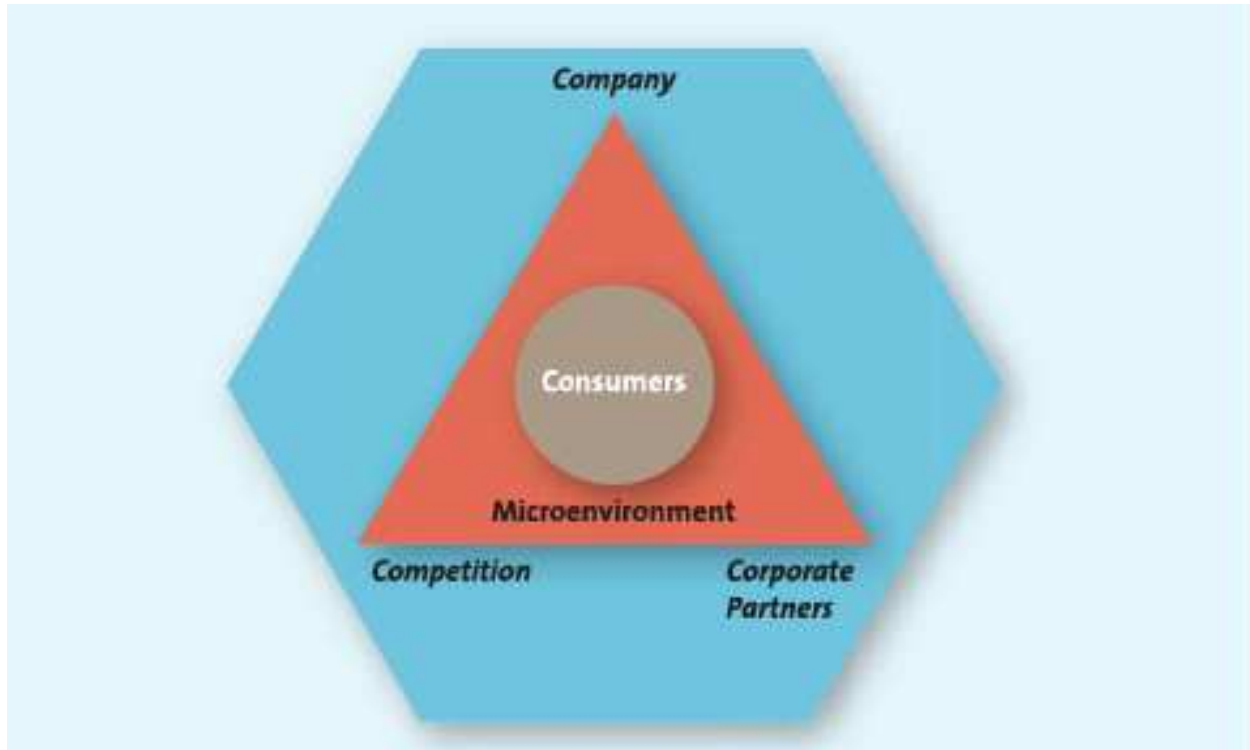
- 1 Macro
- 2 Micro

### A marketing Environment Analysis Framework



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The Microenvironment



Successfully leveraging company Capabilities



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## Competitors

Identify and analyze direct and indirect competitors

Know strengths and weaknesses

Competitive intelligence (CI) used to collect and synthesize information

- Competitive intelligence is the art of defining, gathering, analyzing, and distributing intelligence about products, customers, competitors, individuals, concepts, information, ideas or data needed to support executives and managers in making strategic decisions for an organization.
- Used by firms to collect and synthesize position within respect to their rivals, enables companies to articulate changes in the marketplace rather than merely react to them.

## Corporate Partners

- Firms are part of alliances
- Align with competitors, suppliers, etc.
- Just in Time Delivery Systems (JIT)

From factory to retailer

## Macro environmental Factors

Aspects of the external environment - culture, demographics, social trends, technological advances, economic situation, and political and legal environment. (CDSTEP)

## Culture

### Culture

- The shared meaning, beliefs, morals, values, and customs of a group of people

### Country Culture

- Entails easy-to-spot visible nuances that are particular to a country (i.e. dress, symbols, ceremonies, language, colours, and food preferences).

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### Regional Culture

- The region in a particular country affects the way they react to different cultural rituals , product category
  - i.e. Quebec residents less likely to buy prepared food and prefer IGA/Metro to NO Frills/Food basics

### Demographics

- Provides an easily understood snapshot of the typical consumer in a specific target market
- Characteristics of human populations and segments especially those used to identify consumer market, such as age, gender, income, race, ethnicity, and education

### Demographic Trends

More people are

- Divorcing or separating
- Choosing not to marry
- Choosing to marrying later
- Marrying without intending to have children
- Increased number of working women
- Stay-at-home dads

### Generational Cohorts

A group of people of the same generation - typically have similar purchase behaviours because they have shared experiences and are in the same stage of life

- **Tweens**

Generational cohort of people who are not quite teenagers but are not young children either (age 9 to12) they are in beTWEEN.

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- Who are not quite teenagers but are not young children either
  - 9-12 years old ( they are in be TWEEN)
  - Canadian Tweens buying power is estimated at \$2.9 billion and influence \$20 billion annually.
  - Food, drinks, electronic (gaming consoles, games, digital music players, cellphones, and computer) and clothing
  - Learn about new products from tv shows and friends
  - Speeders: First generation born after the emergence of internet, technology
  - Value conscious
  - Heinz's green ketchup, Build-A-Bear Workshop, Gap, Old Navy, American Eagle outfitters.
- **Gen Y ( Millennial)**

Generational cohort of people between the ages of 13 and 32 - the biggest cohort since the original postwar baby boom.

- This group represent the next baby boom (echo boom) between the age of 13 and 32
- 21% of Canadian population
- The older half of this group grew up in prosperous times but the recent downturn in the economy is likely to leave a mark
- Technology and the internet will impact this generation in much the same way as television affected the depression generation
- Respect for ethic and cultural diversity
- They like the ability to customize products to convey their personality

- **Gen X**

Generational cohort of people between the age of 36 and 47

- This smaller generation is consumers between the ages of 36 and 47
- 15% of Canadian population
- Reached adulthood during difficult economic times
- Was the first generation to be raised in dual-income household (Latch -Key kids
- View friends as family because they had to rely on them so much growing up

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- They are currently moving into the family stage of the household life cycle
- **Baby Boomers**

Correctional cohort of people born after world war 2, are between the age of 48 and 66

- This massive group of consumers between ages of 48 and 66 has shaped our society and economy throughout their lifetime
- 30% of Canadian population
- They prize holding on to youth more than the previous generation
  - SUVs represent a symbol of youth and vitality
  - Fitness revolution - want to enjoy their exercise
  - Vitamins, herbal remedies, fitness, H<sub>2</sub>O
- Bio Chemistry
  - Dye graying hair (men and women)
  - Use anti-age creams
  - Resort to tummy tucks, eye lifts, and botox
- 
- **Seniors**

North America's fastest growing generational cohort people aged 65 and older

- These mature consumers are aged 67 and older
- 13.7% of Canadian population and fastest-growing group
- They grew in traumatic times which strongly impacted their spending habits
- They like travel, second homes, luxury cars, electronic equipment, investments, home furnishings, and clothing
- Seniors tend to like "made in Canada" items and recognizable brand names, value, quality, and classic styles
- Quality conscious, hassle-free shopping

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### Education

- Education is related to income, which determines spending power
- College and university students tend to be engaged in playing sports and going to nightclubs
- High school graduates more likely watch sports and go to bars

### Gender

- Males/ females roles have been shifting
- Marketing has changed to reflect these shifts

### Ethnicity

- 1 out of 5 Canadians was not born in Canada
- Two fastest-growing groups:
  - Chinese ( Hong-Kong, Mainland China, and Taiwan)
  - South Asians (India, Pakistan, SriLanka, And Bangladesh)
- Challenge for marketers: to understand the culture, value, and spending patterns of various groups
- Marketing opportunity: Ethnic Canadians tend to spend more on big-ticket items (i.e. cars, clothing, and home furnishings)
  - FreshCo model: Value driven low price store with a focus on ethnic markets (i.e. halal meat, freshly baked breads)
  - Sobeys is following Freshco model
  - Loblaw acquired T&T supermarket

### Social Trends

- Greener consumers
  - Customers who appreciate the efforts of companies to supply them with environmentally friendly merchandise
  - Green consumers purchase products based on issues beyond the tangible product
  - These issues can include a variety of social causes such as environmental awareness, protection of animals, HIV/AIDS awareness and prevention, etc.

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- Consumers who purchase these products do so to support these causes.
- Greener marketing
  - Involves a strategic effort by firms to supply customers with environmentally friendly merchandise
- Privacy concerns
- Time-poor society
  - In the majority of families, most parents work
  - Consumers have many more choices regarding leisure time
  - Many consumers multitask
- Other social trends
  - Issues
    - Obesity in children
    - Negative body images
    - Video games
    - Healthy eating etc.
  -

### Technological advances

Technological changes that have contributed to the improvement of the value of both products and services in the past few decades

- Internet and search engines
- Email, text, and instant messaging
- Social networking sites
- Video sharing sites
- Media downloading
- Blogs
- Online TV
- Cellphones
- Tablets and eReaders
  
- New technologies are being introduced and consumers are accepting those new tools

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- 47% of consumers conduct an online search before buying (2013)
- 70% trust consumer opinions posted online (2013)
- Canadians lead the world in tablet computer use(2011)
- Only 10% of Canadians feel "lost" with technology (2010)
- 83% of people see high speed internet as a necessity
- 62% of Canadians are on a computer or smartphone while watching TV
- Technological trends:
  - Changes in how consumers use technology must be understood by marketers.

### Economic situation

Economic changes that affect the way consumers buy merchandise and spend money, see inflation, foreign currency, fluctuation, interest rates, and recession

- **Inflation**

- Refers to the persistent increase in the prices of goods and services

- Unemployment rate
- Economic growth
- Consumer confidence
- Recession
- Foreign currency fluctuations

- Changes in the value of a country's currency relative to the currency of another country can influence consumer spending

- 

### Interest rate

Represent the cost of borrowing money

### Political- Legal Environment

Companies political parties, government, organizations, and legislation and laws that promote or inhibit trade and marketing activities.

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- Increase in business legislation (E.g, unfair competition, protect society)
- Growth of special interest groups (E.g., consumerist movement)

## Chapter 4 - Marketing Research

Sunday, February 15, 2015

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### Marketing Research

Consists of a set of techniques and principles for systematically collecting, recording, analyzing and interpreting data that can aid decision makers involved in marketing goods, services or ideas.

### The Marketing Research Process

- 1 Define research problem and objectives
  - a What information is needed to answer specific research questions?
  - b How should that information be obtained?
  
- 2 Design the research project
  - a All data sources:
    - i Secondary data sources
      - 1 Inside company - company files, intranet, reports, marketing information system, people, sales, cost data
      - 2 Outside company - internet, libraries, governments, trade associations, universities, research organizations
    - ii Primary data source
      - 1 Observation - equipment(video, scanner, etc) , website analysis, personal approaches
      - 2 Questioning - in-depth and focus group interviews, online, mail, phone, personal surveys, panel
    - iii
  
- 3 Collect data
  - a Exploratory research - qualitative (projective techniques)
    - i Observation
      - 1 Ethnography
    - ii In-depth interview
    - iii Focus groups
    - iv Social media



## Chapter 4 - Marketing Research

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### Pros and Cons of Online Research

#### Advantages

- Inexpensive
- Fast
- Accuracy of data, even for sensitive question

#### Disadvantages

- Small samples
- Technological problems
- Inconsistencies

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## Chapter 5 - Consumer Behaviour

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MKT 100

### Consumer behaviour

- Use principles and theories from sociology, anthropology, and psychology
- Understand consumer actions
- Develop basic strategies to deal with those actions
- Understand why people buy products or services

### The consumer decision process

- 1 Need recognition
  - a Functional needs
  - b Psychological needs
  
- 2 Information search
  - a Internal search for information
  - b External search for information

### Factors affecting consumers' search process

- i Internal locus of control
  - 1 Control = more search
- ii External locus of control
  - 1 Fate, external factors = why bother
  
- iii Actual versus perceived risk
  - 1 Performance risk
  - 2 Financial risk
  - 3 Social risk
  - 4 Physiological risk

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## 5 Psychological risk

## Strategies to reduce perceived risk

- Obtain seal of approval
- Secure endorsements
- Provide free trials/ samples
- Give extensive instructions
- Provide warranties/guarantees

## vii Type of product or service

- 1 Specialty goods/services
- 2 Shopping goods/services
- 3 Convenience goods/services

## 5 Alternative evaluation

- a Compensatory decision rule
- b Non-compensatory decision rule

## 6 Purchase

- a Ritual consumption

## 7 Post-purchase evaluation

- a Dissonance
  - i Firm's attempt to reduce dissonance by reinforcing the decision
  - ii Thank you letters, congratulation letter, quality ratings

## Factors influencing the consumer decision process

- 1 Psychological factors
  - a Attitude

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- i Affective component - feeling (I love the movie)
    - ii Cognitive component - thoughts, believes ("\$14.99 for a movie? Why is it so expensive")
    - iii Behavioural component - action (going to the movie)
  - b Learning
    - i Affects both attitudes and perceptions
    - ii Affected by social experiences
  - c
- 2 Situational factors
  - a Purchase
  - b Shopping
  - c Temporal state
- 3 Social factors
  - a Family
    - i Decision makers
    - ii Influencers
  - b Reference groups
    - i Groups
      - 1 Family
      - 2 Friends
      - 3 Coworkers
      - 4 Famous people
    - ii Provide
      - 1 Information
      - 2 Rewards
      - 3 Self-image
  - c Culture
    - i Like reference groups ,culture influences consumer behavior.
    - ii Most weddings have four elements :gathering, ritual, vows, and celebration
      - 1 The expression of these elements, however, varies dramatically

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### Psychological Factors: motives

- 1 Self-actualization needs
- 2 Esteem needs
- 3 Social needs
- 4 Safety needs
- 5 Physiological needs

### Involvement and consumer buying decisions

- High involvement
  - Greater attention
  - Deeper processing
    - Develops strong attitudes and purchase intentions
  
- Low involvement
  - Less attention
  - Peripheral processing
    - Generates weak attitudes and increased use of cues

### Types of buying decisions

- Extended problem solving
- Limited problem solving
  - Impulse buying
  - Habitual decision making
-

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## Chapter 6 - Business - to - Business Marketing

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### B2B marketing

B2B - Business - to -Business

B2C- Business- to -consumers

### Characteristics of Organization Buying

- Market characteristics
  - demand for industrial products and services is derived.
  - the number of business customers is typically small, and their purchase orders are typically large
- Product or service characteristics
  - products or services are technical in nature and purchased on the basis of specifications
  - many goods purchased are raw and semifinished
  - heavy emphasis is placed on delivery time, technical assistance, and postal service
- Buying process characteristics
  - technically qualified and professional buyers follow established purchasing policies and procedures
  - buying objectives and criteria are typically spelled out, as are procedures for evaluating sellers and their products and services
  - there are multiple buying influences, and multiple parties participate in purchase decisions
  - there are reciprocal arrangements, and negotiation between buyers and sellers is commonplace
  - online buying over the internet is widespread
- Marketing mix characteristics
  - personal selling to organizational buyers is used extensively, and distribution is very important
  - advertising and other forms of promotion are technical in nature
  - price is often negotiated, evaluated as part of broader seller and product or service qualities, and frequently affected by quality discounts

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### B2B markets

- Resellers
- Manufacturers
- Institutions
  - Schools
  - Museums
  - religious organizations
- Government
  - Spends \$240B buying goods and services
  - Provincial and local governments also make significant purchase
  - firms specialize in selling to government
  - contracts are posted on Business Access Canada Website

### Business-to-business buying process

- 1 Need recognition
- 2 Product specification
- 3 RFP (request for proposals) process
- 4 Proposal analysis and supplier selection
- 5 Order specification
- 6 Vendor/performance assessment

### Factors affecting the buying process

- 1 The buying centre
  - a Organizational culture
    - i Democratic
    - ii Autocratic
    - iii Consultative
    - iv Consensus
- 2 Buying situations
  - a Straight rebuy: reorders, routine, established specifications, suppliers
  - b Modified rebuy - Experience

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## Chapter 7 - segmentation, positioning, and targeting

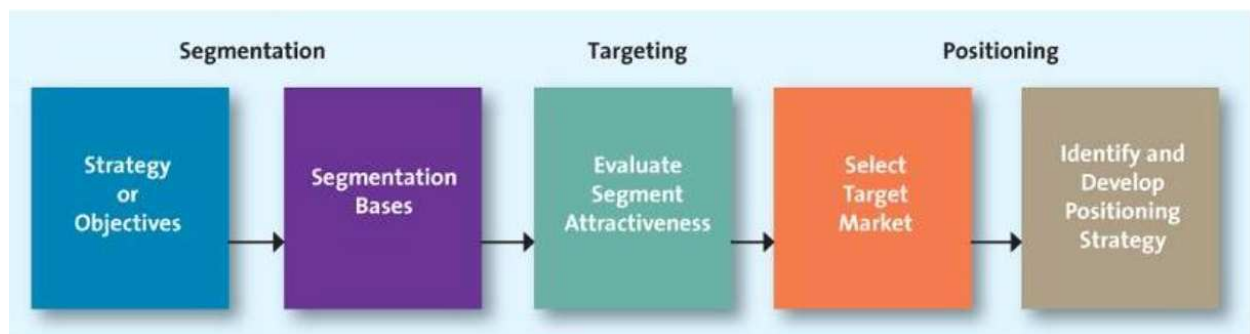
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### - Review Question - Chapter 5&6 - Week 6

- extended problem solving
- internal search
- temporal effects
- social

### - Chapter 7 - Segmentation, Targeting and Positioning



#### **Step 1 : Establish overall strategy or objectives**

consistent with mission statement

derived from mission and current state

#### **Step 2 : segmentation Bases**

-

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Segmentation Base	Sample Segments
Geographic	Country, province, city, urban, rural, climate Continent: North America, Asia, Europe, Africa Region: Atlantic, Central, Western Canada
Demographic	Age, gender, income, education, occupation, ethnic background, religion, family life cycle, etc.
Psychographic	Lifestyles, Values, Personality, Self Concept
Behavioural	Benefits sought, Usage rates, User status, Loyalty

- **Geographic Segmentation**

- divide market into separate geographic units
- countries (Canada, Germany, China), regions (Atlantic Canada, Western Canada), provinces, cities, neighbourhoods, climate(warm, cold),etc
- develop appropriate marketing programs
- i.e Sobeys or Loblaw's stores carry different products

- **Demographic Segmentation**

- most common method
- divide market into groups based on
  - gender (gillette uses different TV advertising time)
  - age (Kellogg's Froot loops, rice Krispies for kids and special K and all bran for adults)
  - ethnic group
  - family lifecycle stage

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- household type
- income (car makers)
- other
- census excellent source of segmentation, data

### **Demographic Segmentation**

- not always useful
- i.e jogging suits and athletic shoes
- nike assumed that active wear should be purchased exclusively by young and active people
- fitness and health trend and comfortable out fit appeal to all ages
- stereotyping could lead to poor STP strategies

### **Psychographic Segmentation**

- How consumers describe themselves
- self-values: life goal (self-respect, self-fulfillment, a sense of belonging)
- self- concept: the image people have of themselves (i.e Loreal uses the tagline "because i'm worth it)
- Lifestyles: how we live lives to achieve goals (i.e. Lululemon was quickly built on a healthy, balanced, fun-filled lifestyle)
- Vals identifies eight consumer segment
  - Innovators: sophisticated, change leading, active, take change
  - thinkers: information seeking, satisfies. reflective
  - believers: conservative, conventional, traditional
  - strivers: Trendy, approval, seeking, disenfranchised
  - survivors: Passive, risk averse, constrained
  - achievers: successful, career and family oriented, moderate
  - experiencers: Risk seeking, enthusiastic, impulsive
  - makers: Homegrown, self sufficient, macho, family oriented

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**Behavioural Segmentation**

- benefit segmentation
  - groups consumers based on the benefits they derive from products or services
  - RBC divides customers into five primary benefit groups: youth, nexus, borrowers/builders, wealth accumulators, wealth preserves.
- Loyalty segmentation
  - strategy of investing in retention and loyalty initiatives to retain the firm's most profitable customers
  - Air Canada Super Elite card
- usage rate: heavy users, regular users, light users, occasional users (i.e Rogers internet, cell phone plans)

**Step 3 : evaluate segment attractiveness**

- **identifiable**
  - who is in their market?
  - are the segments unique
  - does each segment require a unique marketing mix?
- **reachable**
  - know the product exists
  - understand what it can do
  - recognize how to buy
    - members of targeted segments must be reachable with marketing mix
- **responsive**
  - customers must
    - react positively to firm's offerings
    - move towards the firm's products/services
    - accept the firm's value proposition

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- **substantial and profitable**
  - size matters
  - too small and segment is insignificant, not profitable
  - growth potential equally important

- **Profitable Segments**

segment size = 60 million (<15 years)

segmentation adoption percentage = 35%

purchase behaviour = \$500\*1 time purchase

profit margin % = 10%

fixed cost = \$50M

segment profitability - (segment size\*segment adoption percentage\*purchase behaviour\*profit margin percentage) - fixed costs = \$1000 million

- **Step 4: selecting a target market**

- you are a marketing manager for a denim company and need to choose a target market for a new line of jeans
- both consumers pictured wear jeans
- how do you choose?

**Mass or undifferentiated segmentation strategy**

everyone might be considered as a potential user

not a common strategy

i.e. neighbourhood bakery

**Differentiated segmentation strategy**

- A firm targets several market segments with a different offering for each

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- i.e Adidas Reebok(athletic shoes), Rockport

### **Concentrated(Niche)segmentation strategy**

- a marketing strategy of selecting a single primary target market and focusing all energies on providing a product to fit that market's needs

### **Micromarketing**

1-1 marketing

an extreme form of segmentation that tailors a product or service to suit an individual customer's wants and needs

i.e nike's online make-your-own shoe

### **Step5 : Identify and develop positioning strategy**

- the place the product occupies in consumers' minds relative to competing products
- typically defined by consumers on the basis of important attributes
- Porsche is positioned on the basis of performance and freedom

### **Positioning Methods**

value

product attributes

benefits & symbolism

competition

market leadership

### **Benefits and Symbolism**

this type of positioning emphasizes the benefits of the brand as well as the psychological meaning of the brand to consumers

### **Competition**

position against a specific competitor

position against an entire product classification

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**Positioning steps**

determine consumers' perceptions and evaluations in relation to competitors'

identify competitors' positions

determine consumer preferences

select the position

monitor the positioning strategy

**Repositioning**

Whirlpool: New design

Elizabeth Arden: New faces

Oldsmobile: new audience, "not your father's Oldsmobile"

Hyundai: New image

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## Week 7 - Chapter 8

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MKT100

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Review Questions:

A National car rental firm targets 50 percent of its advertising to salespeople who rent a car over 40 weeks per year. Its market is likely segmented by

- usage
- benefits offered
- demographics
- geography
- lifestyle

People who live active outdoor lives are part of the target market for RE!, a retail outdoor outfitter. This suggests that RE! would most likely segment the market based on which consumer segmentation base?

- psychographic
- behavioural
- demographic
- socioeconomic
- geographic

College Prep Tutors is a business that tutors high-school students, who are preparing to take the ACT test as part of their college entrance requirements, because it possesses a unique offering that is desirable to a specific market. College prep tutors would most likely use what type of target market strategy?

- differentiated targeting
- lifestyle marketing
- undifferentiated marketing
- mass marketing

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Niche marketing ( concentrating marketing)

Today's health conscious society has caused cereal manufacturers to rethink their products. Now many cereals such as frosted flakes are being marketed as being they are made with whole grains and have less sugar. this is an example of:

repositioning

remarketing

manufacturing

segmenting

targeting

•

## **Chapter 8 - Developing New Products**

### **Innovation and value**

Why do firms create new products?

Changing customer needs

market saturation

fashion cycles

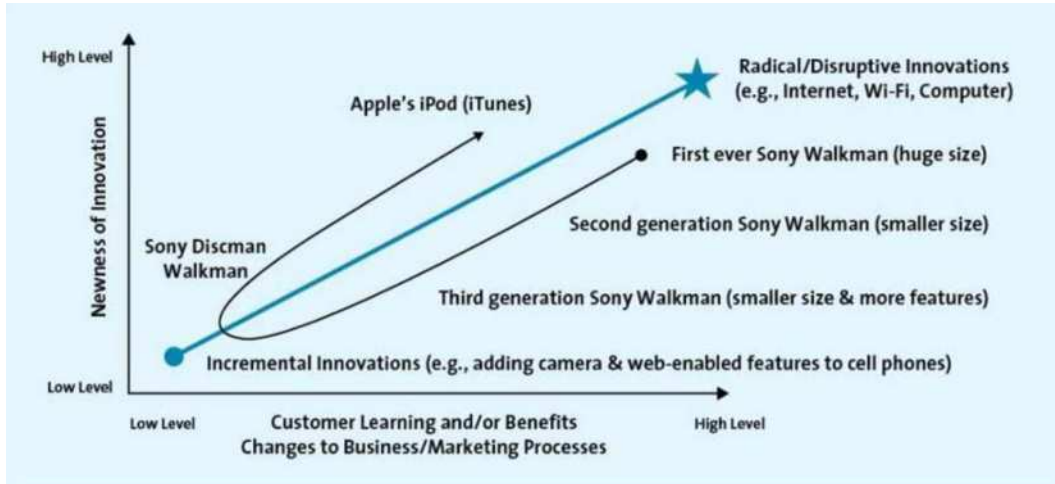
managing risk through diversity

### **New product introductions**

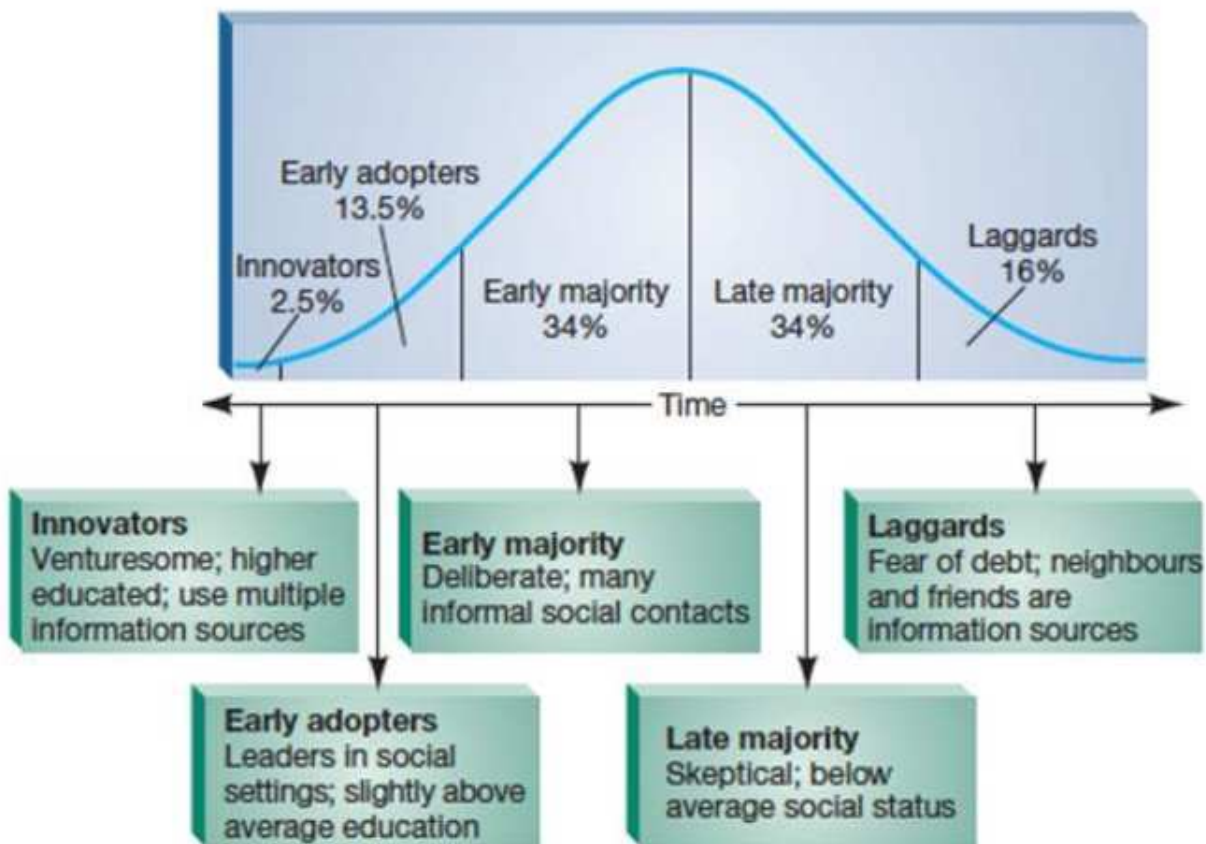
pioneers radically change competition and consumer preferences.

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**Impact of the innovation continuum**



**Diffusion of Innovation or consumer adoption cycle**



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Innovators: who want to be the first to have the new product or service

early adopters: generally do not like to take as much risk as innovators

Early majority: Trend to wait until bugs are worked out

Late Majority: the last group of buyers to enter a new product market

laggards: consumers who like to avoid

### **Using the diffusion of innovation theory**

Factors affecting product diffusion:

relative advantage

compatibility

observability

complexity and triability

### **Observability**

the easier the benefits are to communicate the faster the product will diffuse.

### **Complexity/ triability**

the more complex the product the longer it takes to diffuse

products that can be sampled will diffuse faster.

### **How firms develop new products**

Idea generation: development of viable new product ideas

#### **sources of ideas:**

internal R&D

High product development costs

often the source of technological products

Often the source of breakthrough products

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i.e. McDonalds's Angus burger

### **Licensing**

firms purchase the rights to technology or ideas from other research-intensive firms

university research centres also often provide such licenses.

i.e. pharmaceutical firms license products developed by biotechnology firms

### **Brainstorming**

groups work together to generate ideas

no idea can be immediately dismissed

### **competitors products**

reverse engineering

"me too" or copycat products

### **customer input**

as much as 85% of new business to business products come from customers

lead users modify existing products according to their own specific needs

i.e. Kraft, Frito lays

### **Concept testing: testing the new product idea among a set of potential customers**

concept is a brief written description of the product

customers' reactions determine whether or not it goes forward

triggers the marketing research process

### **product development: development of prototypes and/or the product**

prototype

alpha testing (internal)

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beta testing

**market testing; testing the actual products in a few test markets**

**premarket tests:**

- customer exposed
- customers surveyed
- firms makes decision

**test marketing:**

- mini product launch
- more expensive than premarket tests
- market demand is estimated

**product launch: full scale commercialization of the product**

**evaluation of results** : analysis of performance of the new product and making appropriate modifications.

- satisfaction of technical requirements
- customer acceptance
- satisfaction of the firm's financial requirements

New product marketing mix:

- new product - place, price, promotion,timing

**why do new products fail?**

- too small target market
- poor design
- low product quality
- incorrect positioning
- wrong price strategy
- poor marketing communication
- competition

Monday, March 16, 2015

## Week 8 - Chapter 9

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MKT 100

### ***Review questions:***

All electric-powered automobiles such as tesla motors model s shown in the photo above are in which stage of its product life cycle

growth

maturity

introduction

decline

accelerated development

stimulate primary demand

leggards

### ***Chapter 9 - Product, Branding, and Packaging Decisions***

#### **What is a product?**

a product is the item offered for sale. a product can be an item or service there is more to its physical shape or basic service function

What is product for marketer?

product is anything that can be offered to a market to satisfy a need or a want. for example, physical goods, services, experiences?

#### **Complexity of products**

what is the relationship between products and the notion of complexity?

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we as marketers must see ourselves as benefit providers when making products

i.e. a customer is staying in your hotel. what are they buying?

they are buying sleep and rest. this is called core benefit of a product

### **Types of products**

speciality

products or brands that consumers are willing to make a special purchasing effort. i.e. luxury cars, designer apparel, jewelry

shopping

shopping products are those that consumers characteristically compare on such bases as suitability, quality, price, and style. i.e. furniture, clothing, and major appliances.

convenience

consumers usually buy convenience goods frequently, immediately, and with minimal effort. i.e. soft drinks, soaps, and newspapers.

unsought

consumers don't know about or don't normally think of buying i.e. smoke detectors, web camera, etc

### **Change product mix breadth**

Increase breadth: true religion brand jeans now are a lifestyle brand with apparel, belts, swimwear, and fragrances

Decrease breadth: due to competitive changes, TCBY is now focusing on yogurt

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### **Change product mix depth**

Increase depth: Band-aid now has over 40 products to heal cuts

Decrease depth: McCormick spices eliminates dozens of products each year

### **Branding**

a brand can use: Name, logo symbols, characters, slogans, jingles, and even distinctive packages.

### **What is a brand?**

“name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate from those of competition

simply put, a brand is a promise. by identifying and authenticating a product or a service it delivers a pledge of satisfaction and quality. (Walter Landor, one of the greats of the advertising industry)

### **What makes a brand?**

Brand name

urls

logos and symbols

characters

slogans

jingles/sounds

Value of brands

identify the maker

establish loyalty

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reduce marketing cost

offer legal protection for unique features or aspects of product

signify quality

create barriers to entry

serve as a competitive advantage

secure price premium

## **Branding**

brand equity : brand awareness, perceived value, brand associations, brand loyalty

brand ownership strategies : manufacturer or national brand, store or private label, generic

brand name strategies: corporate or family strategy, corporate and product line brand, individual

## **What is brand equity?**

a set of brands assets and liabilities linked to the brand's name symbol that add or subtract form the value it provides

the positive differential effect that knowing the brand name has on customer response to the product or service (Armstrong and Kotler, 2011)

## **Brand equity: brand associations**

the mental links that consumers make between a brand and its key product attributes. i.e logo,slogan or famous personality

## **Brand equity : Brand loyalty**

consumers are often less sensitive to price

marketing costs are much lower

firms insulated from the competition

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**Brand ownership strategies**

National brands (manufacturers): owned and initiated by national manufacturers or by companies that provide services , such as Hershey, Ford, Whirlpool

private distributor brands (wholesalers and retailers ) - developed and owned by wholesalers and retailers

generic brands - products that do not carry a company identity. they are generally sold in supermarkets and discount stores.

**Brand extension**

benefits of brand extension

- well established name

- brand known for high quality

- lower marketing costs

- snerygy among products

- boost sales of the core brand

**Co branding**

cobranding benefits the participating brands by attracting the consumers of one brand to the others

**Brand licensing**

brand licensing involves a legal licensing agreement for which the licensing company receives a fee, such as a royalty, in return for allowing another company to use its brand/brand mark/ trade character

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### **Using packaging to create value**

how can firms use packaging to create value for the firm and excitement for customers?

### **Product labelling**

certain terms convey specific meanings such as “natural”, “organic”, “made in Canada”

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## Chapter 11 - Pricing Concepts and Strategies

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MKT100

### what is a price?

a complex issue

requiring analytical and strategic thinking

can be called tuition, rent, interest, a fee, dues, a fare, or a price

generally money is exchanged

sometimes not money (goods, services)

### Price is a signal

price can be both too high and too low

price too low may signal poor quality

price set too high might signal low value

### Role of price in the marketing mix

price is usually ranked as one of the most important factors in purchase decisions

price is the only element in the marketing mix that generates value

### The 5Cs of pricing

**competition**

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Less price competition

monopoly - one firm controls the market

monopolistic competition - many firms selling differentiated products  
at different prices

More price competition

oligopoly - a handful of firms control the market

pure competition - many firms selling commodities for the same  
prices

### **costs**

Variable costs - vary with production volume

Fixed Costs - unaffected by production volume

Total cost - sum of variable and fixed costs

### **company objectives**

profit orientation

maximize profits

target return pricing

target profit pricing

sales orientation

competitor orientation

customer orientation

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**customers**

prestige products or services - those that consumers purchase for status  
than functionality

price elasticity of demand

elastic (price sensitive) - i.e. restaurant, chocolate, jewelry, etc.

inelastic (price insensitive) - i.e. milk, eggs, gasoline, etc.

consumers less sensitive to price increases for necessities

Factors influencing price elasticity of Demand:

Substitution Effects

cross-price elasticity effect

complementary products: Blue-ray disc, printer cartridge

substitute products: Blu-ray vs DVD

**channel members**

Manufacturers, wholesalers, and retailers can have different perspectives  
on pricing strategies

manufacturers must protect against grey market transactions

**Other influences on pricing**

**the internet**

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increased price sensitivity

growth of online auctions

### **Economic Factors**

increasing disposable income

increasing status consciousness

cross-shopping

increasing globalization

local economic conditions

### **Competitor-based methods**

set prices to signal information of how product compares with competitors

premium pricing

### **Price Strategies**

#### **Value-Based**

setting prices that focus on the overall value of the product

consumer perceptions

#### **New product pricing strategies**

market penetration pricing

price skimming

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## Competitor-Based

## Cost-Based

cost-based pricing methods start with cost

all costs calculated on a per unit basis

assumes costs do not vary for different levels of production

## Psychological factors affecting pricing strategies

### reference pricing

internal reference pricing

external reference pricing

### everyday low pricing(EDLP)

value is created in different ways

EDLP saves search costs of finding lowest overall prices

High/low provides the thrill of the chase for the lowest price

### odd prices

odd prices may be so traditional that sellers are afraid to round them off

odd pricing send a psychological cue that the good is priced to the lowest possible

may suggest low quality

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**price-quantity relationship**

Most inexperienced consumers use price as an indicator of quality

price becomes more crucial when consumers have little knowledge  
about certain products brands

**Pricing Tactics**

Pricing strategy long term vs pricing tactics short term

**Consumer pricing tactics****price lining**

marketers establish a price floor and a price ceiling and set prices in  
between

allow for easy comparison

**price bundling**

Encourage sales of slow moving items

encourage stock up

encourage trial of new brand

incentive to purchase

**leader pricing**

enticing consumers into the store with the popular aggressively priced  
item and hoping they will pick up other items while shopping

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## Consumer Price Reductions

### **markdowns**

an integral component of high/low pricing strategy

enables retailers to get rid of slow moving or obsolete merchandise

used to generate store traffic

### **quantity discounts for consumers**

Size discount

the more you buy the cheaper the unit cost

### **seasonal discounts**

Encourage consumers to use services or purchase products year round

### **coupons and rebates**

coupons - retailer handles

rebate - manufacturer issues

## Legal and ethical aspects of pricing

deceptive price advertising

predatory pricing

price discrimination

price fixing

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## Week 10

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MKT100

Review Questions

The marketplace sets the price for wheat, so farmers who are trying to sell their wheat crops don't have to create a pricing strategy. the wheat is sold in a(n) \_\_\_\_\_ type of competitive market

oligopoly

pure monopoly

pure competition

monopolistic competition

monopolistic oligopoly

Several companies produce latex gloves that are used in a variety of different industries. If one of the glove manufacturers decreases its price by just a few percentage points, it will result in a significant increase in quantity demanded. the demand for latex gloves is

synergistic

inelastic

unitary

elastic

static

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The first Apple iPad was introduced 2010 at an initial price of \$650 for the 16GB version. People waited in line overnight so they could be the one of the first to own this unique tablet device. which pricing strategy did Apple use to help recoup its research and development costs for the Ipad?

price lining

penetration pricing

skimming pricing

customary pricing

target pricing

If you were to buy one peach tree and one apple tree from the stark bros. fruit trees and landscaping catalog in two separate orders, you would pay a total of \$109.99. however, if you order the peach and the apple tree, you pay only \$89.99. when purchasing the two trees together, what pricing strategy does stark bros. employ?

product line pricing

prestige pricing

price lining

discount pricing

bundle pricing

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## Chapter 12: Marketing Channels: Distribution Strategy

### Importance of marketing channels

channels choices affect other decisions in the marketing mix

a strong distribution system can be a competitive advantage

channel decisions involve long-term commitments to other firms

### Distribution Channels, Supply chain and logistics are related

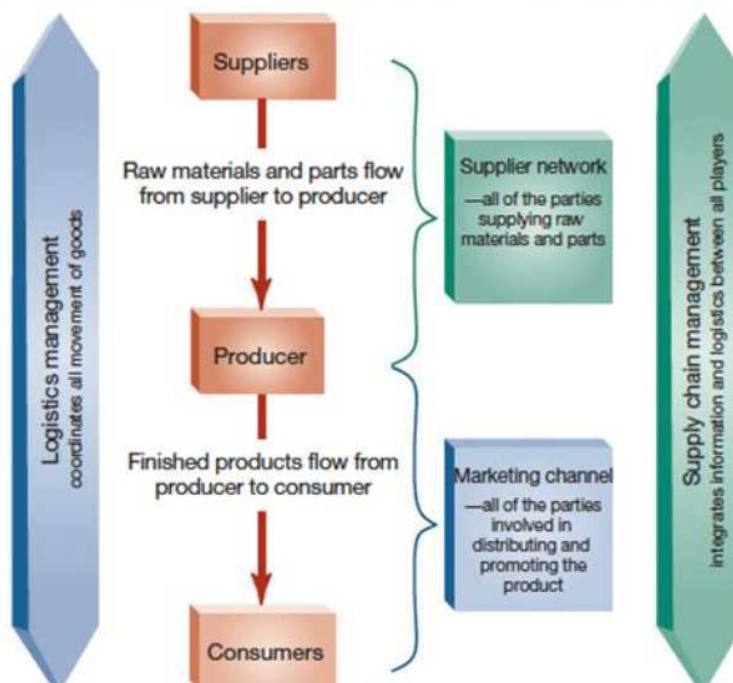
distribution channel

supply chain management

logistics management

similar but different

How distribution channels work: the relationships between supplier networks, marketing channels, logistics management, and supply chain management



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## Distribution Components

### Functions Performed by Intermediaries

#### Transactional Function

buying - purchase goods for resale to other intermediaries or consumers

risk taking - ownership of inventory that can become outdated

promotion - promote products to attract consumers

selling - transact with potential customers

#### Logistical function

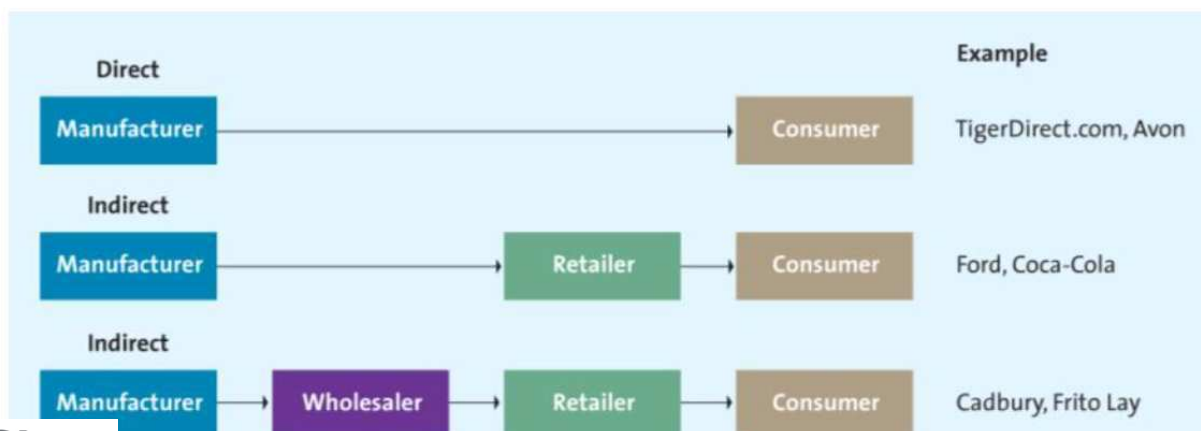
physical distribution - transport goods to point of purchase

storing - maintain inventory and protect goods

#### facilitating function

gather function - share competitive intelligence about customers and other channel members

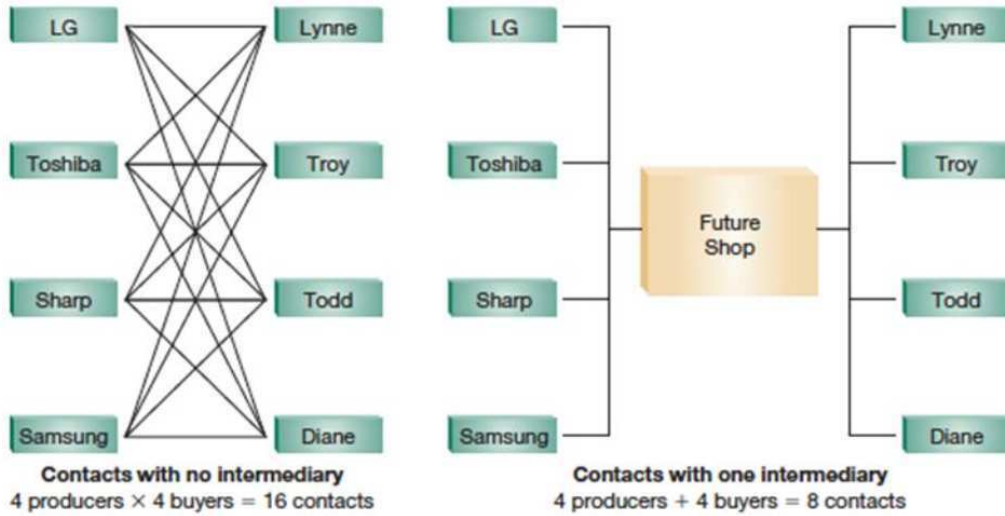
financing - extend credit and other financial services to consumers



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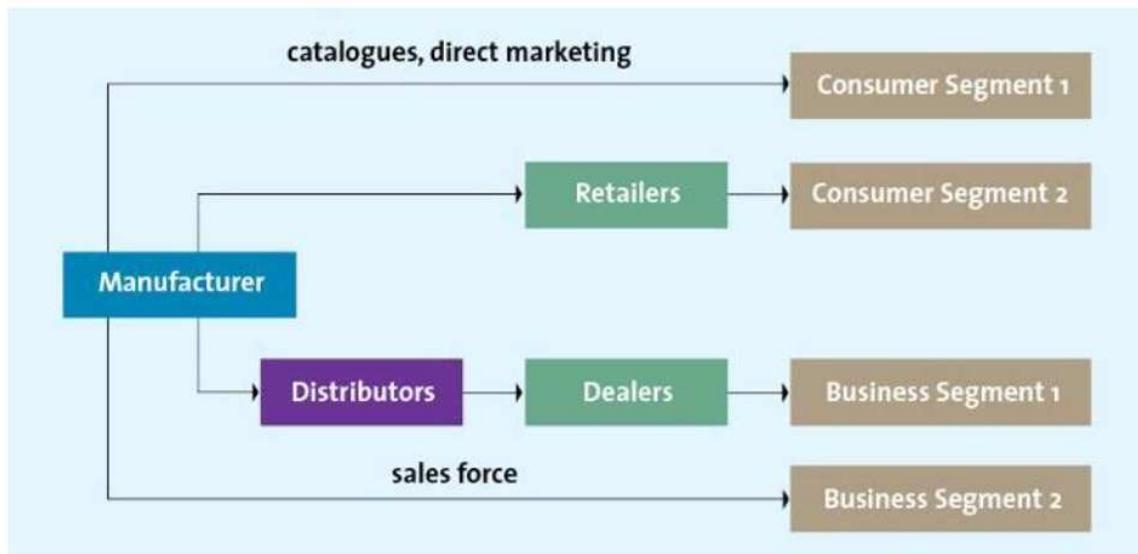
Distribution Channel Structure: Direct and Indirect

How intermediaries minimize transactions



Intermediaries

Distribution Channel Structure: Multichannel



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### Influences on distribution channel structure

Customer expectations

channel member characteristics

### Distribution Intensity

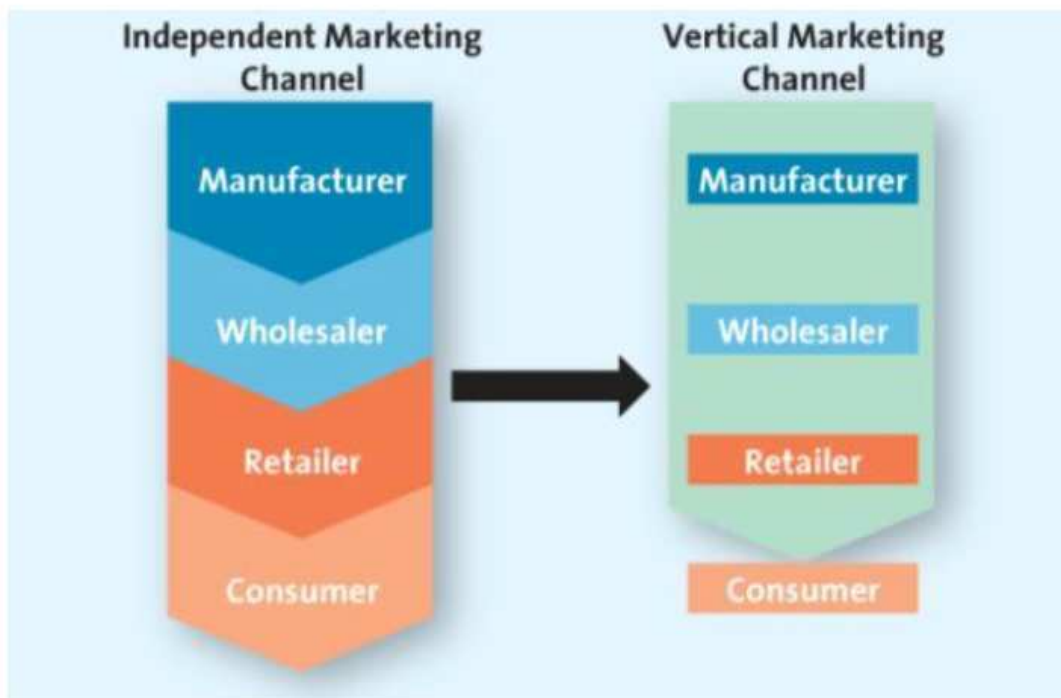
A strategy is designed to get products into as many outlets as possible

uses a few selected outlets in a territory

strategy of granting exclusive rights to sell to one or very few retail outlets

### Managing Distribution Channels: Vertical integration

Independent or Conventional Supply Chain



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### Types of vertical Marketing Systems

Independent or conventional supply chain

administered vertical marketing system

contractual vertical marketing system

corporate vertical marketing system

### Electronic Data Interchange

advanced shipping notice

intranet

extranet

### Managing Supply Chains Through Strategic Relationships

Mutual trust

open communications

common goals

credible commitment

### Making Merchandise Flow

**inbound transportation**

**receiving and checking**

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receive

check

radio frequency distribution (RFID) tags

**storing and cross-docking**

**Benefits of just in time systems**

reduced lead time

increased product availability and lower inventory investment

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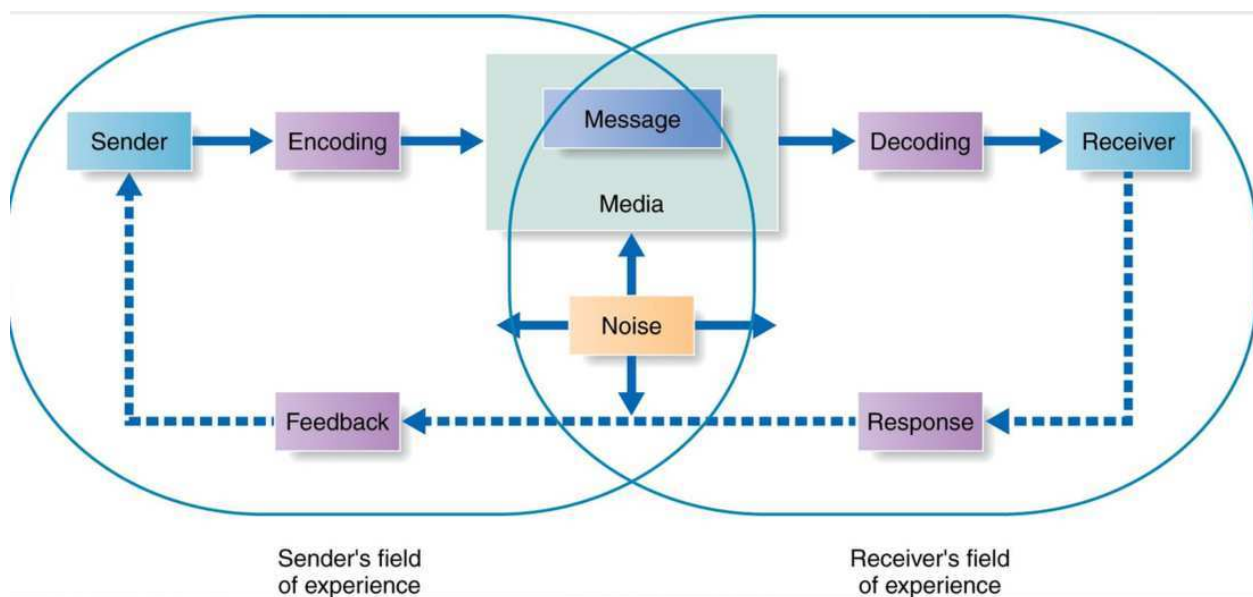
## Chapter 14 - Integrated Marketing Communications

MKT100

### How consumers perceive communication

receivers decode differently

senders adjust messages according to the medium receivers' traits



### Integrated Marketing Communication Tools

**advertising** - print (newspapers, magazines, television, radio outdoor)

**personal selling** - sales calls telemarketing

**sales promotion** - coupons, deals, premiums, samples, loyalty programs, POP displays, rebates

**public relations** - Media relations, new releases, press kits, annual reports

**direct marketing** - direct mail, catalogues, drtv, kiosks

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**electronic media** - internet blogs, text messages, social media

### Advertising

most visible element of IMC

Extremely effective at creating awareness and generating interest

### Personal selling

some products require the help of a salesperson

more expensive than other forms of promotion

salespeople can add significant value, which makes the expense worth it

### Sales Promotion

can be aimed at both end user consumers or channel members

used in conjunction with other forms of IMC

can be used for both short-term and long-term objectives

### Direct Marketing

personal selling

direct mail/email

catalogue

direct réponse tv

kiosk

### Direct Marketing Characteristics

annual growth rates outstrip retail sales

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one of the fastest- growing forms of retailing with \$51 billion in annual sales

four designing characteristics:

targeted

motivates an action

measurable

can provide information for a marketing database

### Online marketing

websites

blogs

social media

### Public Relations (PR)

“free” media attention

importance of PR has grown as cost of other media has increased

consumers becoming more skeptical about marketing, PR becoming more important

### Steps in Planning an IMC Campaign

#### **identify target audience**

tone of message

inform persuade remind

mass or niche media

tracking

generate awareness or trial

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appeal

### **set objectives**

pull strategy

focuses on consumers, media, public

uses advertising, public relations, consumer promotion, direct response, event marketing and sponsorship, and personal selling to get results

results in awareness, interest, engagement, trial, purchase, loyalty, and advocacy

push strategy

focuses on distributors, wholesalers, and retailers

uses direct response, personal selling and trade promotions (trade allowances, trade shows, merchandising allowances, and co-op advertising funds to get results

results in listing, sales, merchandising displays, feature pricing, and inclusion in flyers

nature of the market

nature of the product

stage in the product life cycle

### **determine the budget**

consideration -

role that advertising plays in their attempt to meet their overall promotional objectives

expenditures vary over the course of the product life cycle

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nature of the market and the product influence the size of the budget

### **convey the message**

Unique selling proposition

blackberry: build to keep you moving

Samsung : designed for humans

LG: life is good

Nokia: connecting people

Sony: like no other

HTC : Quietly brilliant

### **evaluate the message**

#### **evaluate and select media**

media planning

media mix

media buy

#### **mass and niche media**

mass media reach large anonymous audience

niche media reach a more smaller more targeted audience

### **create communication**

creativity plays a major role in the execution stage

creativity should not overshadow the message

the execution style must match the medium and objectives

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the type of medium determines the executive styles

### **assess impact**

pretesting

tracking

protesting

### **the appeal**

rational

emotional

### **Results: Measuring IMC success**

understand desired outcome at outset

short-term or long-term

should be explicitly defined and measured

frequency

reach

gross rating points

web tracking

Sunday, February 15, 2015

## Chapter 17 - Ethics and Socially Responsible Marketing

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MKT 100

### Examples

- 1 Consumers and advocacy groups want healthier foods
- 2 Kellogg's lowered the amount of salt used after coming under attack
- 3 Coke cuts sweetness in Canada to save calories

### Key Terms

#### Ethics

- Ethics are the moral principles and values that govern the actions and decisions of an individual or group

#### Social Responsibility

- Social responsibility is the idea that organizations are part of a larger society and are accountable to that society for their actions

#### Cause Marketing

- Cause marketing occurs when the charitable contributions of a firm are tied directly to the customer revenues produced through the promotion of one of its products

### The scope of marketing ethics

#### Business ethics

A branch of ethical study that examines ethical rules and principles within a commercial context, the various moral or ethical problems that might arise in a business setting, and any special duties or obligations that apply to persons engaged in commerce

#### Marketing Ethics

Refers to those ethical problems that are specific to the domain of marketing

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### The link between ethics and corporate social responsibility

- Firms should implement programs that are socially responsible
- Employees should act in an ethically responsible manner

### A framework for ethical decision making

- 1 Identify issues
- 2 Gather information and identify stakeholders
- 3 Brainstorm and evaluate alternatives
- 4 Choose a course of action

### Case in point : Ben and Jerry's

#### Challenge

To promote business practices that respect the earth and the environment

#### Answer

Ethical sourcing of production and suppliers

#### Results

The company only uses milk that does not contain growth hormones, and nor has transitioned to "certified Humane" cage free eggs, also using fair trade certified ingredients such as coffee and vanilla

### Ethical and social criticisms of marketing

- High prices
- Deceptive marketing
- High-pressure selling
- Exaggerated claims
- False wants/materialism
- Cultural pollution
- Bait-and-switch

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## Review Questions - Lecture 4 (Chapter 3)

More magazine is a publication designed to appeal to women aged 40 and over. Demand for such magazines is an example of how changing **demographics** characteristics impact the marketing environment.

- a Cultural
- b Behavioural

X- brand bikes, a manufacturer of off-road bicycles, carefully developed a strategy for moving into SA. The strategy had poor results after interest rates and inflation rose

- a Eco

Cloud computing such as apple's iCloud, enables businesses and consumers to share one's data or use a firm's software application like micro office directly from that firm's or a 3rd party server over the internet rather than having that data file or prog reside  
technological

The largest producer of "fuzz- busters" (radar detectors) see that many provinces are increasing the penalty for using them. Clearly, this firm's marketing strategy may have to adapt to these changes in **political and legal environments**

## 1 Marketing research

Red Carpet Baby! A children's accessory and toy store, uses us census bureau information to determine the number of families with children under age 5 in its market area. Data obtained from the source are called

- proprietary data
- primary data
- secondary data
- observational data

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experimental data

Marine Midland Bank sent market researchers door-to-door in the neighbourhoods surrounding its branch banks. Each research wanted to spend 15 minutes talking with a head of household about his/her savings accounts to discuss why he/she did not also have checking accounts and credit cards with the bank. Marine Midland researchers were using——— to collect the data

- individual interview
- secondary interview
- intercept interview
- observational data collection
- ethnographic

In 2007, Gap inc ended its relationship with 23 foreign production facilities due to code violations. several closings occurred because of the use of child labour. In response to these events, the gap created a large team whose purpose is to travel worldwide to ensure compliance with its code of vendor conduct. this is an example of

- cause marketing
- social responsibility
- utilitarianism
- moral idealism
- profit responsibility

Tuesday, April 7, 2015

## Chapter 15 - Advertising, Sales Promotion and Personal Selling

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MKT 100

### The AIDA Model

model that outlines the process for achieving promotional goals in terms of stages of consumer involvement with the message.

#### Attention

Senders first must gain the attention of the consumers

A multichannel approach increases the likelihood the message will be received

#### Interest

After the customer is aware, they must be persuaded

The customer must want to further investigate the product/service

#### Desire

#### Action

purchase is just one type of action

what other actions can consumers be asked to take?

#### Lagged Effect

Advertising does not always have an immediate impact

multiple exposures are often necessary

difficult to determine which exposure led to purchase

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## AIDA Model

where is this ad in the AIDA model?

Advertising - paid message, delivered through media, must have identifiable source, designed to persuade

## Advertising Objectives

inform

Early in the PLC, firms use informative advertising to educate consumers about the product/service

persuade

Generally occurs in the growth and early maturity stages of the PLC when competition is most intense

In the later stage of PLC may be used to reposition an established brand

remind

After the products have gained market acceptance

Top-of-the-mind-awareness

## PLC and promotion



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## Social Marketing

### Public Service Advertising (PSA)

under Canadian Radio-Television and telecommunications commission rules  
broadcasters must devote a specific amount of free airtime to PSAs

## Regulatory and Ethical Issues

message with an economic motivation

must be fact based

examples: advertising and direct marketing

message with no economic motivation

protected under the charter rights and freedoms

Example: PR

## Viral Marketing

a marketing phenomenon that encourages people to pass along a marketing message to other potential consumers

there are no current regulations on viral campaigns

## Ethical Dilemma: Product (RED)

> us\$100 million spent by companies advertising their RED collections

us \$18 million donated to the global fund

Value of PR generated for Global Fund?

is it ethical to profit from a not-for-profit cause?

## Sales Promotions

can be targeted at either the end user consumers or channel members

Tuesday, April 7, 2015

can be used in either push or pull strategies

### Types of Consumer Sales Promotion

PROMOTION	OBJECTIVE	ADVANTAGES	DISADVANTAGES
<b>Coupons</b>	Stimulate demand.	<ul style="list-style-type: none"> <li>Encourages retailer support.</li> <li>Allows for direct tracing of sales.</li> </ul>	<ul style="list-style-type: none"> <li>Has low redemption rates.</li> <li>Has high cost.</li> </ul>
<b>Deals</b>	Encourage trial.	<ul style="list-style-type: none"> <li>Reduces consumer risk.</li> <li>Retaliates against competitive action.</li> </ul>	<ul style="list-style-type: none"> <li>May reduce perception of value.</li> </ul>
<b>Premiums</b>	Build goodwill.	<ul style="list-style-type: none"> <li>Increases perception of value.</li> </ul>	<ul style="list-style-type: none"> <li>Results in consumers that buy for premium not the product.</li> <li>Has to be carefully managed.</li> </ul>
<b>Contests</b>	Increase consumer involvement.	<ul style="list-style-type: none"> <li>Generates excitement.</li> </ul>	<ul style="list-style-type: none"> <li>Requires creativity.</li> <li>Must be monitored.</li> </ul>
<b>Sweepstakes</b>	Encourage higher consumption.	<ul style="list-style-type: none"> <li>Minimizes brand switching among existing consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Sales often decline after.</li> </ul>

PROMOTION	OBJECTIVE	ADVANTAGES	DISADVANTAGES
<b>Samples</b>	Encourage trial.	<ul style="list-style-type: none"> <li>Offers direct involvement.</li> </ul>	<ul style="list-style-type: none"> <li>Has high cost to the firm.</li> </ul>
<b>Loyalty Programs</b>	Encourage repurchase.	<ul style="list-style-type: none"> <li>Creates loyalty.</li> </ul>	<ul style="list-style-type: none"> <li>Has high cost to the firm.</li> </ul>
<b>POP Displays</b>	Increase brand trial.	<ul style="list-style-type: none"> <li>Provides high visibility.</li> <li>Provides in-store support.</li> </ul>	<ul style="list-style-type: none"> <li>Is difficult to get a good location in the store.</li> <li>Can be costly to the firm.</li> </ul>
<b>Rebates</b>	Stimulate demand.	<ul style="list-style-type: none"> <li>Increases value perception.</li> </ul>	<ul style="list-style-type: none"> <li>Is easily copied by competitors.</li> <li>May just advance future sales.</li> </ul>
<b>Product Placement</b>	Demonstrate product uses.	<ul style="list-style-type: none"> <li>Displays products nontraditionally.</li> <li>Introduces new products.</li> </ul>	<ul style="list-style-type: none"> <li>May not provide firm with control over display.</li> <li>Can result in product being overshadowed.</li> </ul>

### Using Sales Promotion Tools

point-of-sale promotions

cross-promotion

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### Evaluating Sales promotion using Marketing Metrics

- Realized margin

- cost of additional inventory

- potential increase in sales

- long-term impact

- potential loss from switches from more profitable items

- additional sales by customers

### The scope and Nature of personal selling

- internet

- telephone

- face-to-face

- teleconference

### Personal Selling and Marketing Strategy

- can customize the message for a specific buyer

- assists in creating strong supply chain relationships

- increased customer loyalty through relationship selling

- gather research input from customers

- crucial to the success of CRM

### The Value Added by personal selling

- salespeople educate and provide advice

- salespeople save time and simplify buying

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## The Personal Selling Process



## Impact of Technology On personal selling

- instant access to their customers

- access to customer research and information

- training programs are more effective, easier to operate, less expensive

- less time on order tracking

## Managing the sales force

- sales force structure

  - company sales force vs. manufacturer's reps

  - recruiting and selecting salespeople

  - sales training

  - motivating and compensating salespeople

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evaluating salespeople