

CHAPTER 1 Module 1: What Is Marketing?

What is marketing-is the organizational function and set of processes that subject to constraints, attempts to establish mutually satisfying product exchange relationships between any two interested parties.

THE 4 PS THE MARKETING MIX (covers chapters 8-16 basis of final exam)

The 4ps Are Changing

1. Product
 - content, context, infrastructure, branding
2. Pricing
 - perceived value, dynamic, auctions
3. Promotion
 - dialogue, buzz marketing, viral marketing, placements, PR, Co-Promotion
4. Place
 - networks, alliances, organic structures

Needs vs. Wants

Needs: difference between a customers actual and some ideal or desire

Wants: desire to satisfy needs in ways that are influenced by culture ad society

Marketing's Core Aspects

- Information gathering
- Profit
- Cresting value

Marketing shaped by internal and external forces

- Companies have control of internal factors within company but not outside
- CDSTEP (AKA : PEST OR STEPC) **chapter 3-the environment of marketing**
 - Culture, demographic, social, technology, economics, political/ legal

Value Driven and Value based Marketing

- Understand key benefits offered and what consumers want
- Must understand key benefits and focus of product
- Eliminate cost of less strategic benefits
- Take long term view of customer relationship
- Use marketing research and data to understand customer
- Must understand how product if of value to customer
- Distribution location and convenience to best reach consumer

MARKET RESEARCH

- Info should be distributed through out company
- Creating strong relationships as marketer with barriers that stop the consumer from leaving
- Social media used to create relationships with the customers

Negatives of Marketing

Can be viewed as being

- Deceptive (example designer burgers)
- Objectifying(example hooters)
- Stereotyping(ex. barbie and ken)

Marketing today/How to combat negatives(note this is not in slides)

- Building relationships with customer, suppliers, etc.
- Dialogue- conversations, community
- Engagement
- Innovation
- Info management: lots of info, real-time
- Immediate gratification
- Customization and globalization
- Consumer cynicism
- Brand switching rather than brand loyalty

technology

Marketing's Two Interest Parties

- -places
- -properties

Organization-Information

- -ideas
- -goods
- -services
- -experiences
- -events
- -persons

Product Exchange Relationships

- -Augmented Product
- -Actual Product
- -Core product

Kotler On Marketing-it is no longer enough to satisfy customers. You must delight them.

Evolution In Marketing Thought

-production concept > product concept > selling concept > marketing concept

Evolution Of Business:Pre-1945 To Today

Production (Pre-1945)[demand >supply] > **sales** (1945 to mid 1960s) [supply > demand] > **marketing orientation** (mid 1960s to early 1970s)[supply demand] > **marketing concept** (1970 to 1990s)

The Marketing Concept:identify and satisfy customer needs while making a profit

CURRENT STATE OF MARKETING

Marketing realities of today

- Information clutter
- Declining brand loyalty
- Consumer cynicism
- Need for knowledge
- Internet base customization
- Globalization

ATTRACTING AND RETAINING CUSTOMERS

Relationship Marketing

-what is driving RM

- Technology
- Need for real time MR(?)
- Need for integrating design and manufacturing
- Need for knowledge
- Need for dialogue and integrated communications

Marketing view of a product

- **Core product (core benefit of service)**
 - key unique benefits you get from buying the product
 - eg. furniture, book/the knowledge you get from it
- **Actual Product**
 - packaging
 - quality
 - brand name
 - features

- **Augmented product**
 - installation
 - delivery and credit
 - after-sale service
 - warranty

MODULE 2: MARKETING STRATEGIES AND MARKETING ETHICS AND SOCIAL RESPONSIBILITY

Strategic Marketing

Excellence strategies

-locational excellence

Marketing strategy

- **Note:**

-Cutting edge Companies focus on knowledge based rather than -information and they creat knowledge based product

-They have do not communicate with customers they have dialog with their customer

Two key aspects of Strategic Marketing

- **Corporate marketing strategy**
 1. Industrial outlook
 2. Corporate goals and values
 3. Corporate vision and mission
 4. Corporate positioning/image/branding
 5. Corporate growth strategies
 6. Portfolio analysis

1. Industrial outlook

-what it is: where is the industry headed the big picture

-key factors:

recent trends,
development,
forces

(read article on virtual lib on 5 trends of industry outlook)

Experience

Gut feeling

Inspiration and role

Presence of champions

2. Corporate goals and values

-define: a corporation's institutional standards of behaviour

-importance

-building corporate brand image

-reputation and credibility

-leadership

-public relations

-corporate

3. Corporate vision and mission

-what is it-within industry outlook, where are we going eg. "to be number one company in the world of office automation"

-the importance of a mission statement?

-marketing Myopia article by Ted Levitt popular article that talks about having a limited vision or "Myopia" eg. Companies that went down when music became available online

-Define the corporate mission

1. what is our business/perspective?(global, environmental safety)

2. what is of value to the customer, (consumer value focused)

3. What do we aspire to become (vision component)

4. Corporate positioning/image/branding

-corporate positioning: how a company wants to be seen by stakeholders in terms of what they do

-corporate image: how they want to be seen in terms of what kind, eg. Are they premium, value, or economy player, or cutting edge or trailing edge or ethical

-corporate branding: an active campaign to establish awareness of the corporation, its name, its desired position, and image, and to create positive affect for the corporation

-Common corporate positioning- trustworthy, popular, caring, innovative, traditional, environmental, efficient

5. Corporate growth strategies
-4 approaches to market extension

6. Portfolio analysis or General Electric's strategic Planning Grid

-strategic business unit is a single business entity that has its own collection of competing businesses, own top management, plans own operations independently, has own management that is responsible for strategic planning and profit making but it is part of a larger umbrella corporation. eg. Telfer (strategic business unit) and uOttawa (umbrella corporation) or PepsiCo(umbrella corporation) and Pepsi/Gatorade/Tropicana(strategic business unit)

- strategic business unit analysis- 2 APPROCHES idea of looking at different business units and deciding how resources should be allocated

2 approaches-marketing growth rate, relative market share

4 sections (

Dogs-business units with very low market share and low growth rate (urban and regional planning, or black and white film)

Question marks-low market share but high growth rate(unpredictable) close eye must be kept on these businesses as they could be dogs or cash cows

Stars- high growth rate, high growth rate must turn into cash cows as they burn through cash

Cash cow- high market share, market growth rate has stabilized (usually leader or second, third top company in field)

General Electric's strategic Planning Grid

Industry attractiveness-not attractive but lucrative business could be regulated, new technology could take over, environmentally unfriendly. As organization you are lacking strength control in his industry growth could be fluctuating

Business strengths-profitable at the moment

• **Levels of Planning**

-strategic planning: value oriented

Provide value and communicate value to customer

-Tactical planning: How your going to provide tis value product

• **PRODUCT LEVEL MARKETING PLAN**

1. Executive summary

2. Table of content

3. Situational analysis
4. Marketing strategy
5. Financial projections
6. Implementation controls

-critical aspects of product level marketing plan: situation analysis and marketing strategy

- **Elements of a product level marketing plan**

-target market/ Marketing mix > marketing strategy /time related details and control procedures >marketing plan/other marketing plans

- **The marketing mix(traditional)**
 1. **Product**
 2. **Price**
 3. **Promotion**
 4. **Place**

- **Marketing strategy questions-**

Who are the customers- Activities, interests, opinions, lifestyle, expectations, size

What does your target market want- needs, benefits sought, preferences

Can you provide what they want- define USP, constraints and limitations

Scan the environment -threats, opportunities and limitations

The right marketing mix-the 4Ps, packaging and positioning

Have you considered various risks/contingencies

- **Stakeholder Analysis: A common tool in public sector(gov)**

-this would be different view points from differing stake holders

- **SWOT analysis: A common Tool**

-Strengths

-Weaknesses

-Opportunities

-Threats

Note: swot can be used as a conclusion of your detailed environmental analysis

MODULE #3 Environmental Scanning

key take away from module 2

1. strategic marketing-

product placement,

price, promotions

segment targeting and positioning

a product is not just a product but a conglomeration of products

planning is a complicated thing

when a company mission is clearly myopic companies tend to disappear, the broader the

Environmental Scan

Environmental Analysis

External Environment

macro influences that affect all firms

-demographic

-cultural forces

-legal and regulatory

-technology

-economic conditions

-competition

MACROENVIRONMENTAL FACTORS

- SWAT ANALYSIS
- CDSTEP(ACRONYM)
 - Culture
 - Demographic

- Social
- Technology
- economic
- Political legal
- Culture and demographics
 - factors create and remove opportunities
 - Baby boomer increasing creating demand for health workers
 - Fewer children being born decreasing need for teachers
 - Immigration creating more job opportunities
 - Demographic changes create new marketing opportunities
- Social demographic trends
 - Connected-apps, mobile wallets, convenience in purchasing drive-thru, curbside pick up, delivery
 - Waiting longer to start family
 - More multi-cultural
 - Living in smaller spaces and enjoying bigger lifestyles/ in turn furniture companies creating products to accommodate smaller homes
- Technology changes
 - Internet, smartphones, wearables, internet of things
 - Online reviews and ability to be informed on products
 - Wearables-
 - Big data analytics-traffic data all information gathered via technology to mine consumer buying habits and patterns
- Economic Factors
 - Inflation ex. Rate, interest rates, recessions, growth, unemployment,
 - business and consumer confidence-effected by job security and income, if buyers have money and are confident in their financial situation they spend more and invest more
 - Political rules and regulation on taxation and interest rates overall effect things like housing costs and importation
 - Discussion Q: Regulations on NAFTA protection that governs sectors of Canadian economy are now open to US firms
- Political/ regulatory environment
 - Competition act
 - Consumer packaging and labelling act
 - Food drug act
 - Access to info act
 - Patent act
 - North American free trade agreement NAFTA

1. ENVIRONMENTAL (PEST) ANALYSIS

- ECONOMIC ANALYSIS
 - i. GROSS DEMESTIC PRODUCT (GDP)

READ PURCHASING POWERS PAGE 234 QUESTION WILL BE POSSESSED ON EXAM/MIDTERM

- evaluating real income-Firm can evaluate income needs of target area and adjust products to fit the income needs
- sociocultural factors how different marketing schemes are targeted to certain cultures
 - masculinity-south American culture targeted
 - individualism-canadian market target
 - power distance-cultures that are restrained eg middle east

1. Demographic

- -Of great importance to marketers
- -Includes trends

Demographic changes include

- -World wide population explosion
- -Canadian birthrate slowdown
- -aging of population
- -changing canadian family (rise in smaller families, single families, gay families, large group families)
- -rise in non-family households
- -ethnic makeup of canada
- -population explosion provides great opportunities for countries like Canada and canadian firms looking for opportunities else where. With decline in birth rates in Canada means baby food companies would have to change based on demographic changes

2. Cultural Forces

- The characteristics of society
- Changing demographics
- Consumers values and beliefs
- Culture is the personality of a society

Culture

- Adaptive
- Value laden

- Cumulative (always changing)
- Learned

Cultural dimensions

- Space
- Colour
- Values
- Symbols
- Time
- Norms
- Customs
- Concept of social distance is different dependent on the country

Module 4: Market Research

Traditional market research methods

Descriptive research

-surveys(most common)

-weakness :surveys lie and misrepresent, limited questions

Causal research

Would use independent variables and dependent variable to answer marketing research questions

Example would be to plot graph with dependant and independent variables and survey people based on this.

Independent variables could be

-Climate. Age . culture

-Multi variables that are interdependent

False causality

-fallacy in which an incorrect cause is assumed to be the reason for an outcome

Statistics analysis

-factor, cluster, regression analysis(all the same as statistics)

cluster-the larger the cluster the larger the market and competition

inter-group-discriminate analysis

Sample Issues in surveys

-what's a random sample: means that everyone in the population has an equal chance of being selected.

-Most survey claim to be random but in reality they tend to not be very random

-random sampling

-Stratified sampling-

-block sampling

-convenient sampling

-are findings of surveys generalizable/external validity

-is there bias, non-response bias, sampling error

-sample error: means wrong people where surveyed(example survey ment for women is answered by men)

-internal validity:measurement error(ex. Questions that cause confusion, do you go to church often? What type of church a temple, what is considered often)

Tremore panel:online panels used to spread or advertise new products through conversation. Method was used in the past no longer used as it was over priced

Data Mining

-looking for random patterns in data

Video and photography

-proxemics and kinesics: proxemics the space in a stores, kinesics is body language eg when people enter a store do they go clockwise or counter clockwise. How do children react when entering a store (these methods are used in marketing research)

Watch inviroisale

Projective techniques

-using life style advertising, first used by general foods in 1954. Sales of instant coffee went off the roof

Comprehensive model

Decision making model

Marketing myopia will be an exam question

MODULE 5: Consumer Behavior

Why is price important?

- Its not just the product it's consumer psychology

-Great slogans help push marketing. Ex. Raid "killes bugs dead" slogan is grammatically incorrect but slogan helps to push consumer desire and thnking

ALTERNATIVE EXPLANATION FOR CONSUMER BEHAVIOUR

1) Economic

-explanation of human behaviour (Simplestic explanation)

This model 3 critical assumptions

1. People have complete knowledge
2. Develop preferences independent of others
3. Consumers always maximize the benefit to cost ratio

Note: this explanation of consumer behaviour is not irrelevant it is just limited a very few products

2) Social Explanation

- -movie stars
- -friends

3) Psychoanalytic

- -fraudian theory the id, ego, super ego
- -needs can be at the sub conscious level as such consumers may not know why they purchase item
- -some advertising is implicit and not clear

4) Behavioural

-

COMPREHENSIVE BEHAVIOURAL MODELS

Note you don't have to have these names memorized

Commented [MW1]:

Engel-Blackwell-Kollart
Model (1995)

- Nicosia Model (1966)
- Howard-Sheth Model
(1969)

These highlighted model are the more well known models

• Kindra-Laroche-Muller
Model

1. External Variables
2. Internal Variables
3. Decision-Making Process

1) INTERNAL VARIABLES THAT INFLUENCE ARE BEHAVIOUR

- Motivation
 - Drives to satisfy needs-activate goes oriented behavior
 - MASLOW'S Hierarchy of Needs

MASLOW'S Hierarchy of Needs

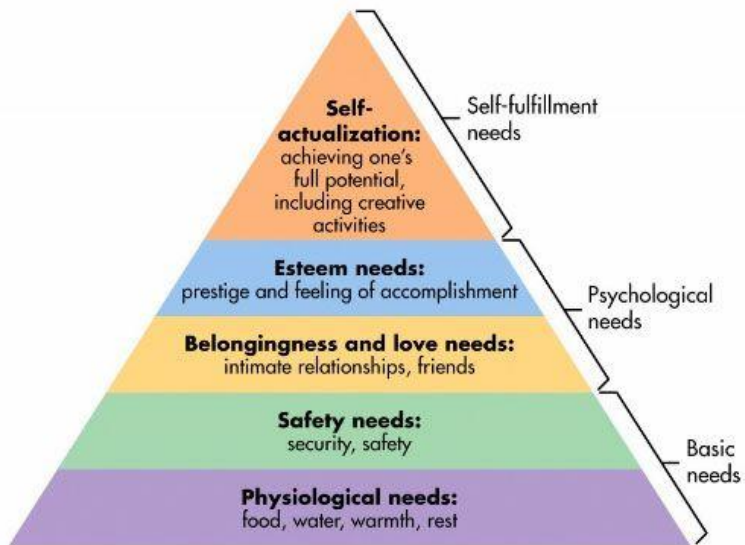
Self Actualization (self-fulfillment)

Personal (prestige, status, ego)

Social (love, friendship, belonging)

Safety (security, shelter)

Physiological (water, food, sleep, sex)



- personality
- perception
 - selective exposure
-hve you seen/heard it
 - selective perception
 - selective comprehensive/distortion
-what does it mean to you
 - selective retention
-do you remember it
- learning
 - -repetition
 - -reinforcement
- Values, beliefs, attitudes
 - Patterns and tastes, activities, interests and opinions
 - May show differences between consumers with identical demographic characteristics
- Lifestyle

2) EXTERNAL INFLUENCES-SOCIAL CULTURAL

- Personal Influence

- Opinion leadership
- Word of mouth
- Reference Groups
- Family Influence
- Social Class
- Subcultures
- Cultural differences: are taken into account when marketing

3) DECISION MAKING PROCESS

1. Activation
2. Search & Evaluation
3. Intention
4. Decision
5. Consumption
6. Outcome

LEVEL OF INVOLVEMENT

Key consideration:

- Financial risk (expensive)
- Personal risk (health)
- Social risk (image)

Consequences:

cognitive dissonance sort of like buyers regret

- Brand examined
- Seller considered
- Attributes evaluated
- Use of external info
- Time & effort spent

Important for advertisers so that consumer will stay engaged when it come to advertisement instead of just ignoring of leaving room during promotion

DECISION MAKING PROCESS

• Extensive Problem Solving

- Can be high risk: not always money could be risky like bright hair dye
- High involvement
- Much info needed infrequently purchased

• Limited Problem Solving

- Involves knowing key attributes to product
- Example would be repurchase of products like laptops, microwaves
- Levels of involvement is there but not as great as the involvement for purchasing new product
- Ex. Buying second third laptop familiarity with product so not much time spent making the decision
- There could be development in new products such as technology updates as such requiring more research for repurchase

• Routine Response Behaviour

- Low involvement, low risk, inexpensive, little info needed, frequently purchased

MODULE 6:.....

SEGMENTATION -TARGETING- POSITIONING

-Promotion seeks to shift demand curve

Product differentiation: To differentiate a product through marketing to make it more appealing than rivaling products in same market -ex salt can to differentiated if packaging is right

-commodity products like salt eggs are marketed through life style advertising

Market socialization-3 ways to differentiate a product

1. 3 products for 3 different markets
2. 3 products for one vertical(market)so one market ex soft for hospitals or all kinds cosmetic products
3. Concentrated marketing when one market and product is targeted

Segmentation Variables

Demographic -peoples activities, habits, likes

Psychographic -this segmentation reveals a lot about peoples buying habits

-study in 40,50s found that peoples income had little to do with the purchase of high end expensive product

-purchases where made based on personality vs. income

-most used method for understanding

Positioning and competition

Communicating and delivering chosen position

-all marketing mix efforts should support positioning statement

Brokerage Industry

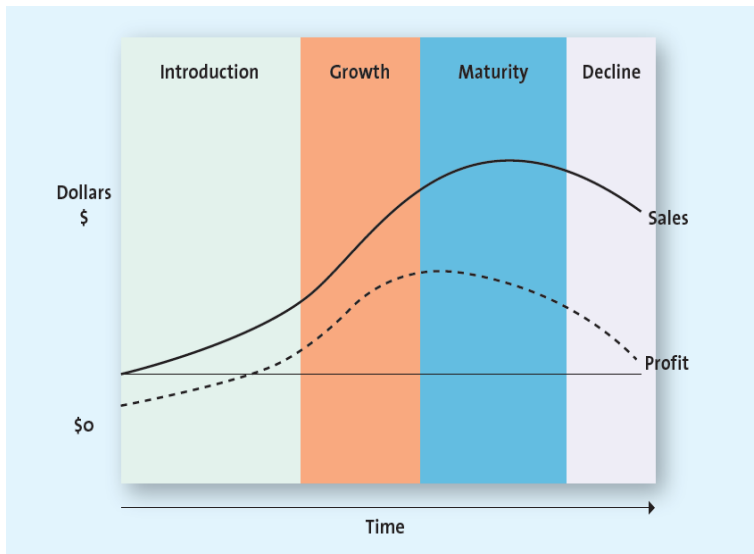
-example of segmentation, positioning and communication

-Perceptual Map

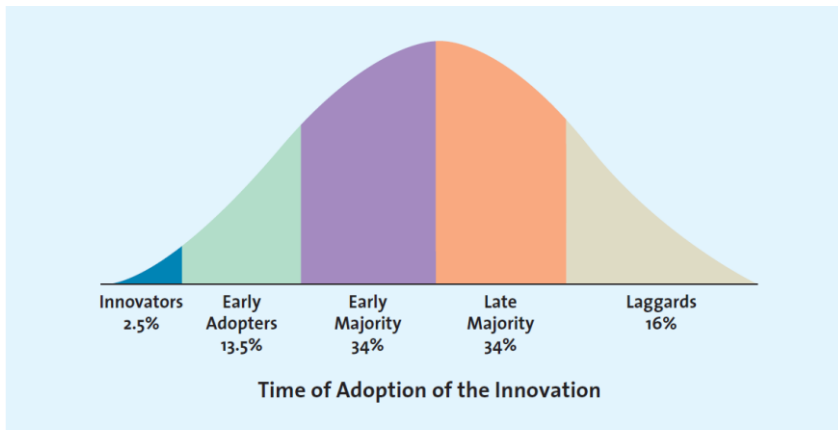
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CHAPTER 8: Developing New Products

Product life cycle



- Theory that can be applied in
- **Product life cycle (PLC) NOTE In exam prof will use acronym PLC**
 - Product launches can fail
 - First stage of product launch
 - 4 stages
 - introduction
 - Introduction-if many people buy the product then product moves to becoming a mature product example. iPhone are mature products
 - Products can decline after maturity
 - money is made after launching but most often brand cannot breakeven and make true profit until later stage
 - growth
 - growth stage is when profit is gained but at this point profit can also begin
- **diffusion of innovation or consumer adoption cycle**



Source: Adapted from Everett M. Rodgers, Diffusion of Innovation (New York: The Free Press, 1983).

- - Adoption of innovation is the process by which the use of an innovation whether a product or service, spreads throughout a market group, over time & over various categories of adopters.
 - This is referred to a diffusion of innovation or adoption of innovation.
 - This theory helps marketers to understand the rate at which consumers are likely to adopt a new product or service.
 - As Exhibit 8.2 shows, the number of users of an innovative product or service spreads throughout the population over time & generally follows a bell-shaped curve.
 - Purchasers are divided into five groups according to how soon they buy the product after it has been introduced as shown in the exhibit.
 - diffusion how many people purchase product in the market and how quickly the product is diffused/spread in the market
 - every consumer can be classified in these categories
 - what factors determine if product reaches main stream
 - example the microwave took 20 years to hit mainstream market
 - example the cell phone 80% of market got it after 10 years
 - example internet started 1993 hot major market 5 years
 - example washing machine took 80 years to hit mainstream market
- **Innovators**
 - **Innovators** are those buyers who want to be the first on the block to have the new product or service. These buyers enjoy taking risks and are regarded as highly
- **Early Adopters**
 - The second subgroup that begins to use a product or service innovation is **early**

adopters . They generally don't like to take as much risk as innovators do but instead wait and purchase the product after careful review. Thus, this market waits for the first reviews of the latest movie before purchasing a ticket, though they likely still go a week or two after it opens. They do not stand in line to grab the first Samsung LED Thin 3D televisions; only after reading the innovators' complaints and praises do they decide whether the new technology is worth the cost.³⁰ Most of them go ahead and purchase though, because early adopters tend to enjoy novelty and often are regarded as the opinion leaders for particular product categories

- **Early Majority**

- The **early majority** , which represents approximately 34 percent of the population, is crucial because few new products and services can be profitable until this large group buys them. If the group never becomes large enough, the product or service typically fails.

The early majority group differs in many ways from buyers in the first two stages. Its members don't like to take as much risk and therefore tend to wait until "the bugs" are worked out of a particular product or service.

- **Late Majority**

- At 34 percent of the market, the **late majority** is the last group of buyers to enter a new product market. When they do, the product has achieved its full market potential.

- **Laggards**

- **Laggards** make up roughly 16 percent of the market. These consumers like to avoid change and rely on traditional products until they are no longer available. In some cases, laggards may never adopt a certain product or service.

- **Using the Diffusion of Innovation Theory**

- **Relative advantage(RA)**- meaning that a product offers huge benefit, this prompts purchases because it is compatible with your life style
- **Compatibility**- A diffusion process may be faster or slower, depending on various consumer features, including international cultural differences.
- **Observability**-When products are easily observed, their benefits or uses are easily communicated to others, which enhances the diffusion process.
- **TP technical complexity**-product has to be easy to use

- **NOTE THIS WILL BE GIVEN BLANK IN THE EXAM, YOU WILL HAVE TO FILL IN ALL BLANKS SO MAKE SURE TO MEMORIZE**

	Introduction	Growth	Maturity	Decline
Sales	Low	Rising	Peak	Declining
Profits	Negative or low	Rapidly rising	Peak to declining	Declining
Typical consumers	Innovators	Early adopters and early majority	Late majority	Laggards
Competitors (number of firms and products)	One or few	Few but increasing	High number of competitors and competitive products	Low number of competitors and products

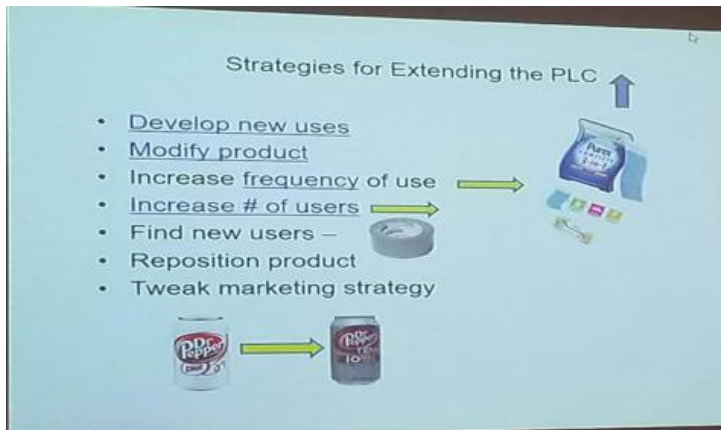
- Learn this chart Ajax said it said it important(memorize process so that it can be implemented with different products) NOTE image is only available in class

TABLE 9-3 Summary of Product Life Cycle Characteristics, Objectives, and Strategies

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

Source: Philip Kotler, Marketing Management: Analysis, Planning, Implementation, and Control, 8th ed., Englewood Cliffs, NJ: Prentice Hall, 1994, 365.

- Strategies for extending the PTC life
Note this is not in text or slides only class image

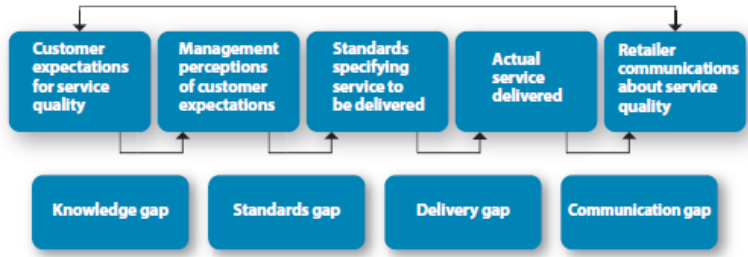


Chapter 8 continued....

Unique dimensions of service

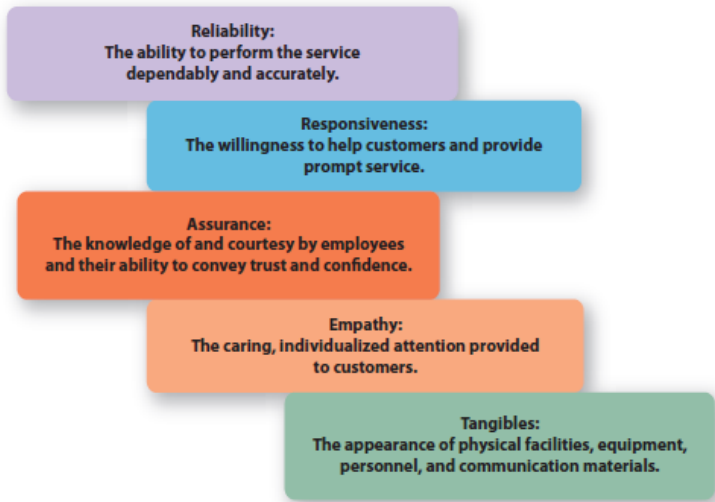
- **4 points to service**
 - **intangible**
 - Cues to good service
 - Cues, images, atmosphere
 - Physical cues can hint towards quality
 - **inseparability**
 - Two levels of inseparability
 - Level one: Service provider and consumer cannot be separated
 - Level two: you can't separate service provider from the service received
 - Service excess cannot be stowed away like products example plain that's not full cannot refuse to fly
 - Lower risk warranties and guarantees
 - **Inventory**
 - Understand demand trends capacity management
 - **Inconsistent**
 - Lack of knowledge can lead to inconsistency
 - Training standardization, customized services, bundled packages, use technology
- **Providing great service: the gaps model**

EXHIBIT 13.3 Service Gaps Model for Improving Service



- Evaluating service quality
 - Reliability
 - Responsiveness
 - Assurance
 - Empathy
 - Tangibles

EXHIBIT 13.4 Building Blocks of Service Quality



-
- Fixing the gaps
 - Market research, understanding consumers, employees + org cultures
 - Supporting incentives
 - Give public everything you like

- Disney as an example all Disney employees even janitors are educated on Disney
- Example 2 zappos its all about wow!
- Example 3 ritz carlton go to any lengths to make customer happy
- **Service recovery**
 - Listen to customer
 - Resolve problem quickly
 - Provide a fair solution

Chapter 11: Pricing

- **Why pricing is important**
 - Major component of firm revenue
 - Influence purchase decision
 - Signals value
 - Signals quality
 - Signals a firms competitive position
 - Use to create value in creation of marketing mix
- **The 5cs of pricing-firm level**
 - Company objective-business objectives or orientation
 - Profit orientation- maximize profit, target return pricing, target profit pricing
 - Sales orientation -focus on increasing sales and market share
 - Competitor orientation- focus on competitive position
 - Customer orientation focus on matching customer expectations
 - Customers-sensitivity to price changes
 - Costs- costs of inputs (factors of production)
 - Competitive-competitiveness of the industry
 - Channel members suppliers, distributors and retailers
- **2nd C: customers**
 - Demand and supply -key tool
 - Price elasticity of demand
 - Elastic price sensitive
 - Inelastic (price insensitive)

CHAPTER 13

The importance of pricing

- Pricing and its importance in marketing mix
- Pricing creates value
- Signals quality or lack of it
- Consumers judge the benefits a product delivers against the sacrifice necessary to obtain it, & then make a purchase decision based on this overall judgment of value.
- Consumers recognize price as a signal. If a marketer sets a price too high or too low, the wrong message gets sent to the market.
- Remind students that price refers not just to money but also other costs such as time.
- Price is the only element of the marketing mix that generates revenue. Every other element in the marketing mix may be perfect but, with the wrong price, sales simply will not occur.

Break even analysis

- **Concept of breaking eve will be on exam**

If given fixed cost calculate fixed cost

The Five C's of pricing

1st C company objectives

2nd C: Customers

4thc:competition

- Monopoly:single seller
- Oligopoly:few sellers
- Monopolistic competition-many sellers, intense price
- Competition-differentiation is key(example is apple vs. Samsung)

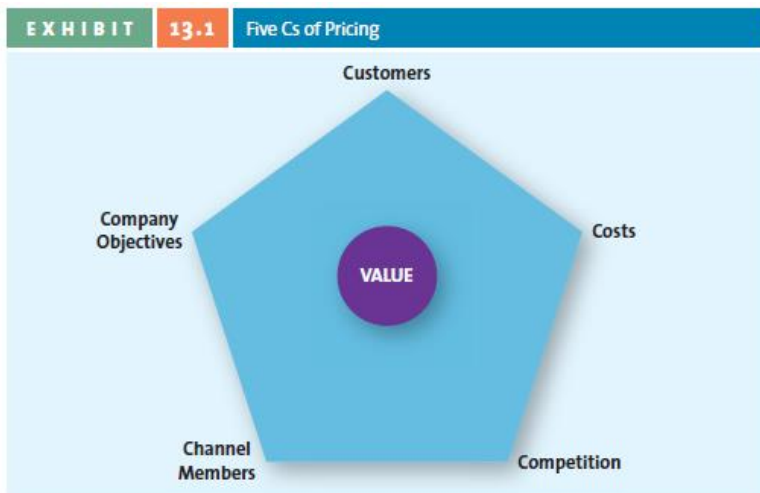
5th c:channel members

- Manufacturers, wholesales and retailers can have different objectives on pricing strategies
- Manufactures must protect against grey market transactions! Why?
- Msrp
- Grey market concept-not illegal, they are unauthorized-when a company like Samsung sells their and tech through best buy this is called authorized transaction. But if best buy buys over 500 tvs and is left with 50 tvs they will look for another channel unauthorized dealer to sell the product

Macro influences on pricing

- **Technological factors eg. The internet**
 - Increasing info, price comparisons; growth of online auctions; increased price sensitivity; ect
- **Economic factors**
 - Increased disposable income
 - Increased status consciousness
 - Increased globalization
 - Local economic conditions
 - Cross-shopping
- **Regular factors**
 - Cost of company with gov. regulations-eg. weed sales?
 - Trade policies-tariffs, quotes, non-tariff restrictions, etc

Pricing strategies



- **Cost based**
 - Cost-base pricing methods start with cost
 - All costs calculated on a per unit basis
 - Assumes costs don't vary for different levels of production

- These simple methods add a percentage amount to the unit cost to derive the price of the good.
 - **Ask students:** Its simplicity is the major benefit of this method; what are some of the potential problems associated with it?
 - It does not consider what the value the customer places on the product or service.
- **Value based**
 - setting prices that focus on the overall value of the product
 - consumer perception
 - **Sellers need to determine consumer value perceptions.**
 - **1. Improvement value method – Determine the price that could be charged for a new laptop. Suppose the key features were – weight of the laptop, processing speed, hard drive capacity and battery life. The improvement value of the new laptop on these four features can be calculated and the benefits weighted to determine a price.**
 - **2. Cost of ownership method - Installing solar panels on a home is costly, but the savings over the life of the panels make the cost much lower than traditional electric power. Governments offer incentives that lower the initial investment, in hopes that more homeowners will switch to using solar power. Ask students: What incentive would you need to do so? What method could you use to determine it?**
- **Competition-based**
 - Set pricing information of how product compares with competitors
 - Premium pricing
 - An approach that attempts to reflect how the firm wants consumers to interpret its products relative to the competitors offerings

New product pricing strategies(image only available in class)

LO

new product pricing strategies

Price skimming	Market penetration pricing
<ol style="list-style-type: none">1. Applied to new products, especially innovative, technology products OR products that provides significantly new benefits and value2. Customers: usually innovators & early adopters in PLC model3. Recoup R&D costs4. Signal quality5. Limit demand while ramping-up production6. Test consumers price sensitivity7. Profits through margins	<ol style="list-style-type: none">1. Set initial prices low to encourage customers to buy early & to discourage competitors2. Risk leaving money on the table3. Build sales, market share & profits quickly4. Costs tend to fall as volume increases (experience curve effect)5. Profits through volume

Psychological factors affecting pricing strategies

- Understanding the psychology underlying the way consumers arrive at their perceptions, make judgments, & finally invoke a choice is critical to effective pricing strategies, so marketers must examine some of the more important psychological processes that influence consumers' reactions to & use of price.
- This slide introduces the subsequent series of slides or can be used as a basis for a shortened lecture.



PSYCHOLOGICAL FACTORS AFFECTING VALUE-BASED PRICING STRATEGIES



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11 28

- **Reference pricing**
 - Internal
 - External
- **Everyday low price(EDLP)**
 - VS. High-Low Pricing
- **Odd prices**
 -
-

Consumers' use of reference prices

- The price against which buyers compare the actual selling price of the product and that facilitates their evaluation process
- The reference price is usually regular or original price

Consumer pricing tactics

- **Price lining**
 - Price floor and price ceiling-offer multiple versions of productst enable easy comparison
- **Price bundling-**
 - encourages stock up
 - Encourages sales slow moving items
 - Encourages trial of new brands
- **Leader pricing**
 - Leader pricing is a tactic that attempts to build store traffi c by aggressively pricing and advertising a regularly purchased item, often priced at or just above the store’s cost.

EXHIBIT	14.6	Pricing Tactics Aimed at Consumers
Tactic		
Price Lining		Establishing a price floor and a price ceiling for an entire line of similar products and then setting price points in between to represent distinct differences in quality.
Price Bundling		Pricing of more than one product for a single, lower price.
Leader Pricing		Building store traffic by aggressively pricing and advertising a regularly purchased item, often priced at or just above the store's cost.

B2B Pricing tactics and discounts

- **Seasonal discounts**
- **Cash discounts**
- **Allowences**
- **Quantity discounts**
- **Uniform delivered vs. Geographic pricing**

Legal and ethical aspects of pricing

- **Deceptive pricing**
- **Fixed pricing**
- **Predatory pricing**
- **Price discrimination**

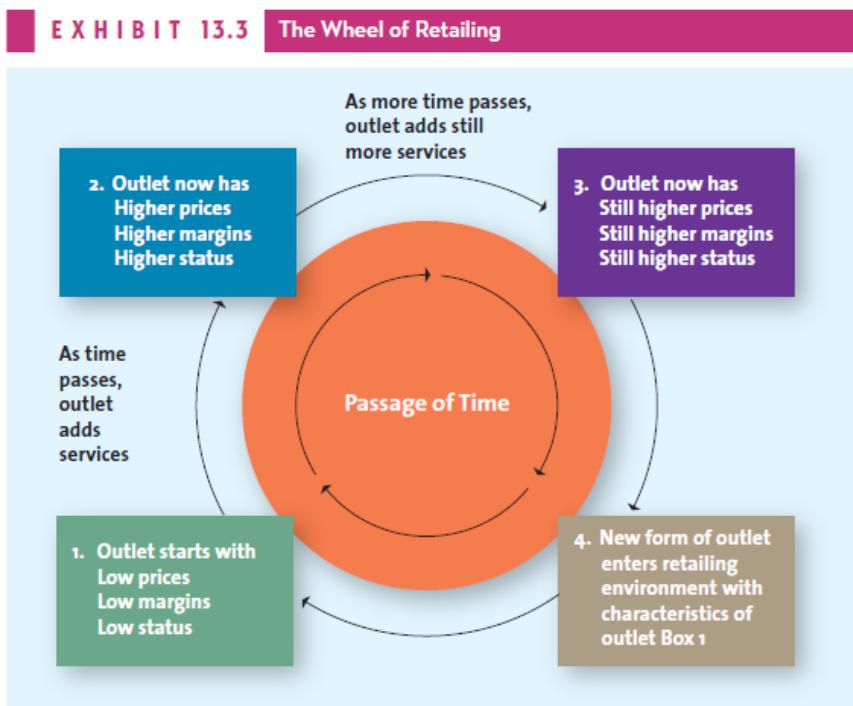
Retailing

General merchandise retailers

Note make sure you know the slide image provided as it may be used in multiples choice questions for exams

- Discount stores
- Specialty stores
- Category specialists
- Department stores
- Drugstores
- Off-price retailers
- Extreme-value retailers
- Many general merchandice retailers sell through multiple channels, such as internet and catalogues

The wheel of retailing



Overreaching retail strategies

- Put customer and centre of strategies

- Influence customer to carry your dialogue
- Present product as customer solution
- Align channels to customer shopping journey
- Established customer-focused, cost-effective operations

Benefits of the internet and multichannel retailing

- Deeper and broader selection
- Personalizing(eg. Stitch fix-site that send you a box of clothes and you pick the ones you like)

IMC channels and tools

- Imc is the promotion dimension of the four P's
- Uses a variety of communication methods
 - General advertising
 - Personal selling
 - Sales promo
 - Public relations
 - Direct marketing
 - Digital media



COMMUNICATING WITH CONSUMERS: THE COMMUNICATION PROCESS



7 steps in planning an imc aor ad campaign

Step 1 identify target

Step 2 set goal-what you want to achieve

Step 3 determine ur budget how much money to spend

Step 4 determine the message value position, moral, emotional, thinking

Step 5 choose media -compare and select appropriate media

1. Identify target audience

- a. Campaign success depends on how well the advertisers can identify the target audience
- b. Research is conducted
- c. Info gathered sets tone of the ad and media selected

2. Goals of campaign

- a. Examples-trials, increase sales
- b. Increase brand recall
- c. Introduce products, increase trials, increase sales

Group project 2 in class notes

Implementation plan-

Table showing activities that are needed to start business,

- **Activity**
 - finding location, and dates for doing this, who is responsible for this (write names), money resources needed for this activity
 - launch day-flyers to be sent out, food for launch, money for launch day, who is responsible list names

Financial

- revenue-year one to year five-how much money you expect to make-eg. First year open this many hours, this many people working, we will charge this amount per client (place details in appendix)

- estimate costs for items needed for the centre (note ajax said making up these prices would equal a D) so try to get accurate numbers by checking fitness websites for machine prices

Customer analysis

- why clients will come to our location customer analysis-do they come because of insurance
- data from other sources eg. Tables make sure you add citation under the table you may end up creating

Segment

Place

- Describing location, place (lots of parking, central area, nice bright store, spacious, relaxing , area for kids), is it in urban area?

Promotions –

- Compleitive analysis- cant be for of Ottawa, 90% of customers will be from within a certain radius of our store location

Positioning

- -how we are perceived relative to competition, how we differentiate and compare from our competition

Charts

Small and readable, add some as they will make project more interesting, make sure to add citations under graphs or in appendix