

Mark 201

Chapter 1: CREATING AND CAPTURING CUSTOMER VALUE

- Marketing is not selling
- Marketing is the relationship between partners or customers
- What is the need or problem? –Loyalty or Stratification of customer (come back to you)
- Extend the value of customer and get something back

***What is Marketing? ***

Marketing is a process by which companies create value for customer and build strong customer relationship to capture value from customers in return.

-Banding and position the logos

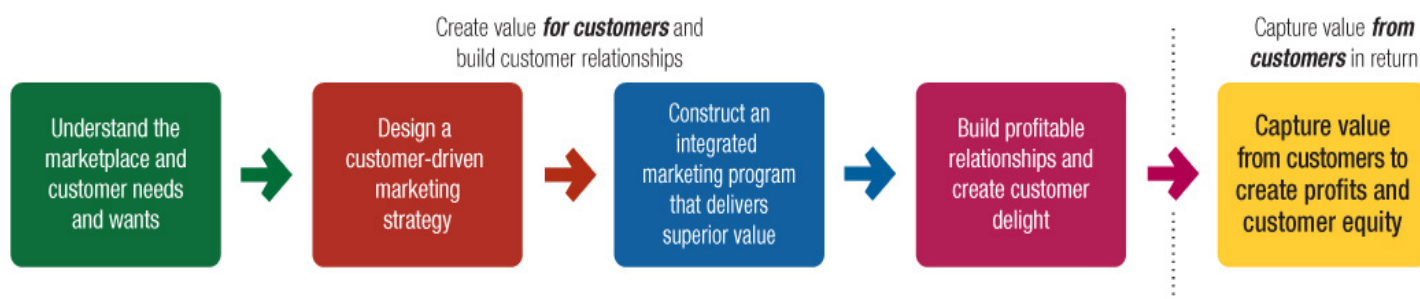
-Ex: M from Mcds or Apple logo

- 1) Discovering and Satisfying: customer needs
- 2) Socially responsible manner
- 3) Ethical manner

-If markets understand consumer needs and develop product or service that will is superior for customer value, price, distribute and promote them effectively, ethically

**Marketing Process: 5 STEPS

FIGURE 1.1 A Simple Model of the Marketing Process



1st step: Understand customer *needs and wants and demand*

2nd step: Who will we serve? How are we different?

3rd step: 4P'S = Product, Price, Place, Promotion :MARKET MIX

4th step: CRM: Are we creating value? Customers Satisfied

5th step: Customer lifetime value, Share of customer, customer equity

FIVE CORE CONCEPTS:

1. Needs, wants, and demands
2. Market offering
3. Value and satisfaction
4. Exchanges and relationship
5. Market

Step 1: Understanding the Marketplace and Customer Needs:

1. Needs, Wants and Demands:

Needs: state of felt deprivation

(physical (food), social (affection), individual basics (knowledge))

Wants: Humans needs influenced by personality and culture

Demands: wants that are back with buying power

2. Market Offering

Market Offering: combination of *products, service, information or experiences* offered by market to satisfy a need or want

Ex: Going to the Apple Store, and experience the product

Market Myopia: focusing on existing wants and losing sight of underlying customer needs

Ex: Trying to create a product but will it solve, satisfy the customer needs

3. Value and Satisfaction:

Markets: set the right level of expectation, not too high or low

Customers: building a relationship of value and satisfaction

4. Exchange and Relationship:

Exchange: act of obtaining a desired object from someone by offering something in return

Relationship: exchange value to build strong relationship

5. Market:

Market: are the set of actual and potential buyers of a product

Step 2: Designing a Customer-Driven Marketing Strategy

Market Management: art and science of choosing target market and building profitable relationship with them

- Who are we serving our products or service? Target Market
- How will be serving our products or service? Value Proposition

Manager job to find, attract, keep and grow target customers by creating, delivering and communicating superior customer value

Market Segmentation: dividing the markets into groups of customers

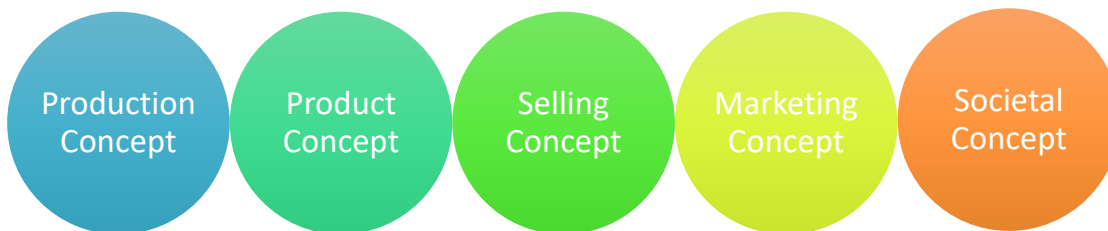
Ex: Offering a product for girls and a certain age in a class (not boys or certain age)

Target Market: which segments to go after, selecting one or more group to serve

Value Proposition: benefits or values a company promises to deliver to satisfy customer needs. Differentiates brands within the marketplace

Ex: “Facebook” =connect and share with the people with your life

Marketing Management Orientations



Production Concept: consumers will favor products that are available or highly affordable (market myopia)

Product Concept: consumers favor products that offer most *quality, performance and features*. Organization should devote its energy in continuous making product improvement (market myopia)

Selling Concept: customer will not buy enough of firm’s product unless large-scale selling or promotion

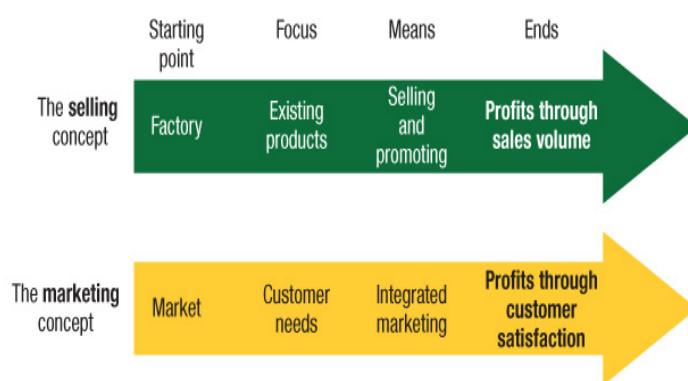
Marketing Concept: achieving organization goal depend on knowing the needs and wants of target markets and delivering desired satisfaction better than competitors

Societal Marketing Concept: company makes good market decisions considering consumers wants, requirements, **consumers long-term interest and society long run interest**

Sustainable market: responsible marketing that presents needs while considering the future interest

DIFFERENCES BETWEEN SELLING AND MARKETING

FIGURE 1.3 The Selling and Marketing Concepts Contrasted



Example: Tim Hortons offer other things with fries

-Unsought good: buyers don't normally think of buying

Selling: focus on sale transaction, company profits, what the company has

Market: focus on building relationship with customers, long term, what the customer wants

Step 3: Preparing an Integrated Market Plan and Program

Market Mix: tool used to implement the market strategy

- 4P's = 1) Product
2) Price
3) Promotion
4) Price

Integrated Market Plan: analyses firm's current situation and transform the market strategy to an action

Step 4: Building Customer Relationship

- **CRM: Customer Relationship Management:** building and maintaining profitable relationships by delivering customer value and satisfaction

Customer perceived (supposed) value: customer evaluation the difference between all the benefits and all market offering cost relative to the competing offers

Customer satisfaction: extent the product perceived (suppose) performance match the buyer's expectation

Meets Expectations = Loyalty

-Higher level of satisfaction, greater customer loyalty

Exceeds Expectations = Advocacy

-Lower level of satisfaction, lesser customer loyalty

The changing nature of customer relationship:

-interactively by incorporating; two-way relationship through blog, websites, online and social networks

-selecting customers using selective relationship management to target fewer and more profitable customer

Partner Relationship management: working closely with partners in other company departments and outside company to bring greater value to customer

- Partners inside the company (interacting with customers)
 - Electronically
 - Cross functional teams
- Partners outside the company (markets connect/partnership)
 - supplies
 - channel partners
 - competitors

Step 5: Capturing Value from Customer

Creating Customer Loyalty and Retention:

- **Customer lifetime value:** entire stream of purchase that the customer would make over lifetime of period
 - ex: purchasing all the apple products iPhone 4, 5, 6,7,8...

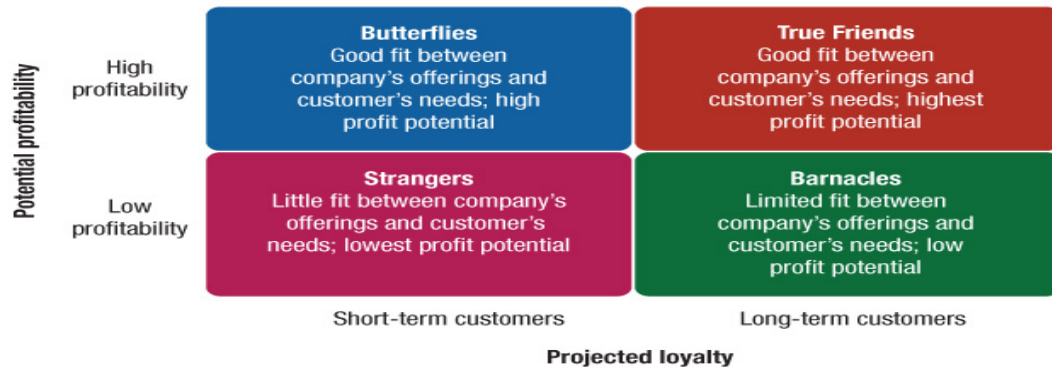
Growing Share of Customer:

- **Share of customer:** portion of customers purchase that company gets in product categories
 - ex: RBC do you want this? Increase your worth, buying a service from bank means you will be more loyal with the

Building Customer Equity:

- **Customer equity:** total combination customer lifetime values of all of the company customer

FIGURE 1.5 Customer Relationship Groups



Source: Adapted from "Mismanagement of Customer Loyalty" by Werner Reinartz and V. Kumar, July 2002, p. 93. Copyright © by the president and fellows of Harvard College; all rights reserved.

The Changing Marketing Landscape:



1. Digital Age: Online Mobile and Social Media Marketing

- advance in computer, telecommunication, information, transportation
- customer research and tracking
- production development
- distribution
- new advertising tools
- 24/7 marketing through Internet

2. Rapid Globalization: Geographical and cultural distance have shrunk

- greater market coverage
- more options for purchasing and manufacturing
- increase competition for foreign competitors

3. Ethics and Social Responsibility: markets take greater responsibility for the impact of their action

- capitalism differentiate your company

4. Not-for-profit marketing: importance of strategic marketing

- performing acts

- government agencies
- colleges
- hospitals
- churches

5. Uncertain economic environment

Chapter 2: COMPANY AND MARKETING STRATEGY: PARTNERING TO BUILD CUSTOMER RELATIONSHIP

Strategic Planning: is the process of developing and maintaining a strategic fit between the organization goal and capabilities and its changing marketing opportunities

- Flexibles: taking account changes and act as a DAILY guide to running business
- Strategy for the long-run survival and growth

Corporate Level:

- Defining the company mission
- Setting company objectives and goals
- Designing the business portfolio

Business Unit, Product, and Market Level:

- Planning marketing strategy as well as other functional strategies

Steps in Strategic Planning



STEP 1: Defining a Market-Oriented Mission:

Mission Statement: organization purpose, value *offers* and for *whom*, what it wants to accomplish in the large environment

- Meaningful, specific, motivating
- Market oriented (not about products since products can change-address customer needs)
- Focus on customers and customers experience (not profit)

Example: Nike’s mission “to bring inspiration and innovation to every athlete in the world (if you have a body, you are an athlete)”

Example: Google “We help you organize the world’s information and make it universally accessible and useful”

STEP 2: Setting Company Objective and Goals:

- Translate the mission statement into supporting objective for each level of management

Example: Business objective → increase profits

Marketing objective → increase market shares of domestic and international markets

STEP 3: Designing Business Portfolio

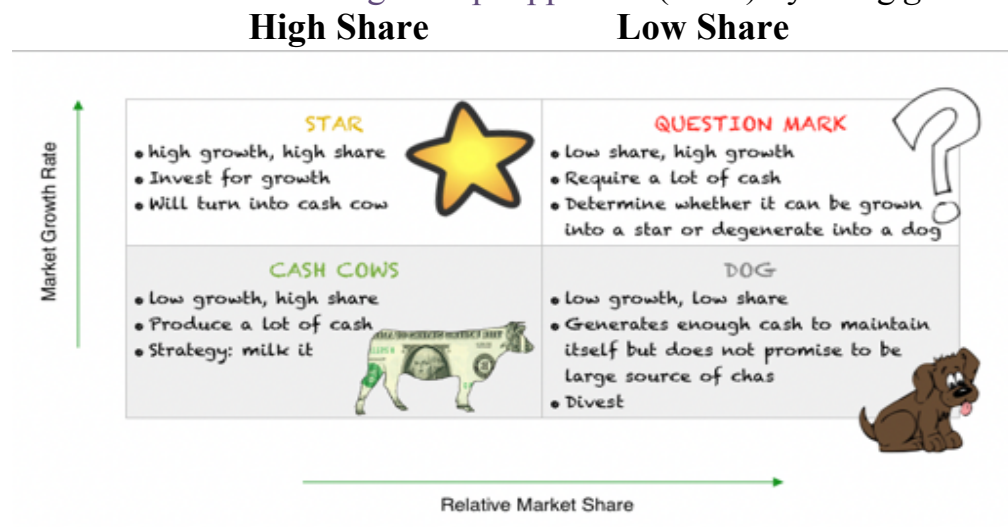
Business Portfolio: evaluate the firm’s current businesses and products and decide which should receive more, less or no investment

-it’s a collection of products and service that make a company

Example: Roger Communications has cell phones, TV, dish providers and etc...

1) Portfolio Analysis:

- management evaluates the products and business that make up the company
- **Strategic Business Units (SBUs):** company division, product division, single product or brand (classified as star, cash cow, question mark or dog)
- **Boston Consulting Group Approach (BCG)** by using *growth share matrix*:



Challenges:

- Time consuming, costly
- Measuring market share and growth rate
- Future planning de-emphasized

High growth
Low growth

2) Develop Strategies for Growth and Downsizing

- Product Market Expansion Grid: portfolio planning identifying company growth through:



Market Penetration: an increasing sales of current products in the same (current) market without changing the product

Market Development: identifying and developing new market segments for current company products

Product Development: company growth by offering modified or new products to the same (current) market

Diversification: starting up or acquiring businesses outside the company's current products and markets

Downsizing: eliminates the products or business units that are not profitable or no long fit that company's overall strategy

STEP 4: Planning Marketing: Partnering to Build Customer Relationship

- I. Provides a guiding philosophy: marketing concept
- II. Input to strategic planners: identifies opportunities
- III. Suggests strategies to each objective

Partner Relationship Management:

- Working with *internal partners* can create an effective = **value chain**
- Working with *external partner* helps to form a superior = **value delivery network**
 - Company's value chain
 - Suppliers
 - Distributors
 - Customers

Goal: improve performance in delivery value to customers

MARKETING STRATEGY

Goal: build profitable customer relationship through value creation

Market segmentation: division of the market into distinct groups of buyers who distinct needs, characteristics or behavior and who might require separate products or market mixes

Market Segment: group of customers who respond in a similar way to a given set of marketing efforts

Example: gender or income are common in one group and have the same behavior in the group from other groups

Market Targeting: process of evaluating each market segment's attractiveness and select one or more segments to other

-evaluate the groups which are placed in the same common group

Positioning: attempting to occupy a desirable place in the minds of target consumers

-arranging products in a clear, distinctive and desirable place in mind of customers

Differentiation: creating unique and superior customer value

Example: Tim Hortons vs. Starbucks =prices, customer way they make drinks,

MARKET MIX: set of controllable tactical marketing tools (product, price, place and promotion) that firm blends to product the response it wants in the target market

Marketing Mix:

1. **Product:** Brand, Packing, Service
2. **Price:** Discount, List Price, Credit Terms
3. **Place:** Channel, Distribution, Inventory
4. **Promotion:** Sales Force, Sales Promotion, Advertising

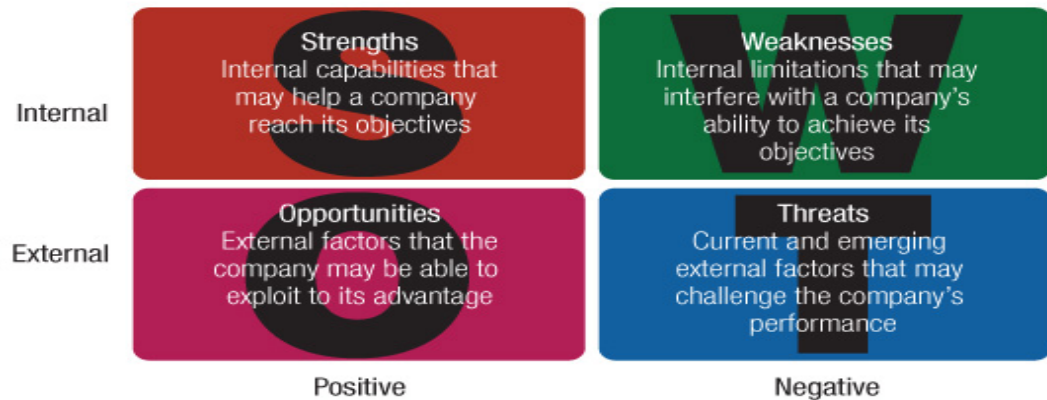
4P's (SELLER)	4C's (BUYER)
Place	Customer Solution
Price	Customer Cost
Place	Convenience
Promotion	Communication

Managing the Market Efforts

1. Analysis (SWOT) = Strengths, Weakness, Opportunities, Threats

- Finding opportunities
- Avoiding threats (the market)
- Understand strengths
- Analyzing the weakness

FIGURE 2.8 SWOT Analysis: Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T)



Source: Roland T. Rust, Katherine N. Lemon, and Valerie A. Zeithaml, "Return on Marketing: Using Consumer Equity to Focus Marketing Strategy," *Journal of Marketing*, January 2004, p. 112.

2. Planning: (what and why)

- Executive Summary
- Current Marketing Situation
- SWOT
- Objectives and Issues
- Marketing Strategy
- Action Programs
- Budgets
- Controls

-Develop strategic planning and market planning

3. Implementation:

- Plans converted to actions by assigning:
 - ✓ Who
 - ✓ Where
 - ✓ When
 - ✓ How
- **C-SUITE:** CMO (Chief Marketing Officer), CCO (Chief Communication officer), CTO (chief technology officer), VP Marketing
 - ✓ Functional organization
 - ✓ Geographic organization
 - ✓ Product management
 - ✓ Market or customer
 - ✓ Combination

Ex: All the employees in the company to convince the customers that "the right tire changes everything"

-Carry out the plan

4. Control: evaluate the result of market strategies and plans and take corrective actions. Check for differences between goals and performance

- **Operating Control:** evaluate performance against the annual plan and takes corrective action
- **Strategic Control:** evaluate whether strategies match opportunities

Return on the market investment (Marketing ROI): net return from the marketing investment dividing by the cost of the marketing investment. Marketing ROI *measurement* of the profits by investments in market activities

Chapter 4: ANALYZING THE MARKET ENVIRONMENT

Market environment: factors and forces “*outside marketing*” that affect marketing management ability to build and maintain successful relationship with the target customer

Micro-environment:

- ❖ Forces with direct impact to the company
- ❖ Internal and External
- ❖ “Close to the company” affect ability to serve customers, *company, supplies, marketing, intermediaries, customer markets, competitors and public*

Macro-environment:

- ❖ External forces with direct impact across industries

MICO-ENVIRONMENT (Marketing)

FIGURE 4.1 Actors in the Microenvironment



Company: management set mission, objective, broad strategies and polices. Marketing taking lead, all department work together to understand customer needs

and create value

Suppliers: supply availability and cost, shortage, labor strikes, natural disaster, other event damaging customer satisfaction in long run

Intermediaries: help the company to promote or sell or distribute the product to final buyers

- ✓ **Resellers:** find customers and sell, wholesalers and retailers (ex: Walmart, Target, Costco)
- ✓ **Physical distribution firms:** stock and move goods from point A to B
- ✓ **Marketing Service agencies:** market research firms, advertising agencies, media firms
- ✓ **Financial Intermediaries:** finance transaction (include, banks, credit cards companies, insurance companies)

Competitors:

- Firm gains strategic advantage by positioning their offering against competitors offering
Example: Apple vs. Samsung = the features, the markets (what they sell)
- Marketers should offer greater value than what their competitors offer

Publics:

Any group that has an actual or interest or impact the organization to achieve its objection

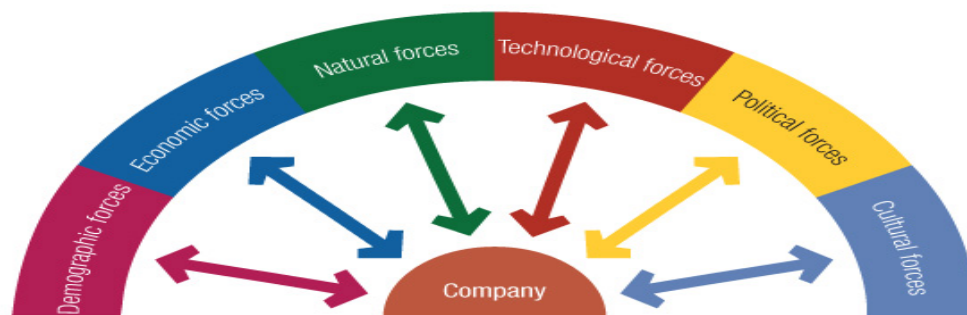
- ✓ **Financial publics:** influence the company ability to obtain funds (banks, stockholders)
- ✓ **Media publics:** news, features, editorial opinions (TV, magazine, social media)
- ✓ **Government publics:** company must follow laws such as product safety and truth in advertising
- ✓ **Citizen-action publics:** marketing decisions may be questioned by environment groups, minority groups
- ✓ **Local publics:** provide community support (neighborhoods resident, community organization)
- ✓ **General public:** public image of company affect its buying behavior
- ✓ **Internal publics:** employee treated well by the company, positive attitude over to the external public (works, managers, volunteers)

Customers Market:

- 1) **Customer:** individual or household that buy for personal needs/wants
- 2) **Business:** buy for further processing or use in production process
- 3) **Reseller:** buy to resell at a profit
- 4) **Government:** buy to produce public service or transfer into goods or service for public
- 5) **International:** buyers in other countries such as consumers, producers, reseller or government

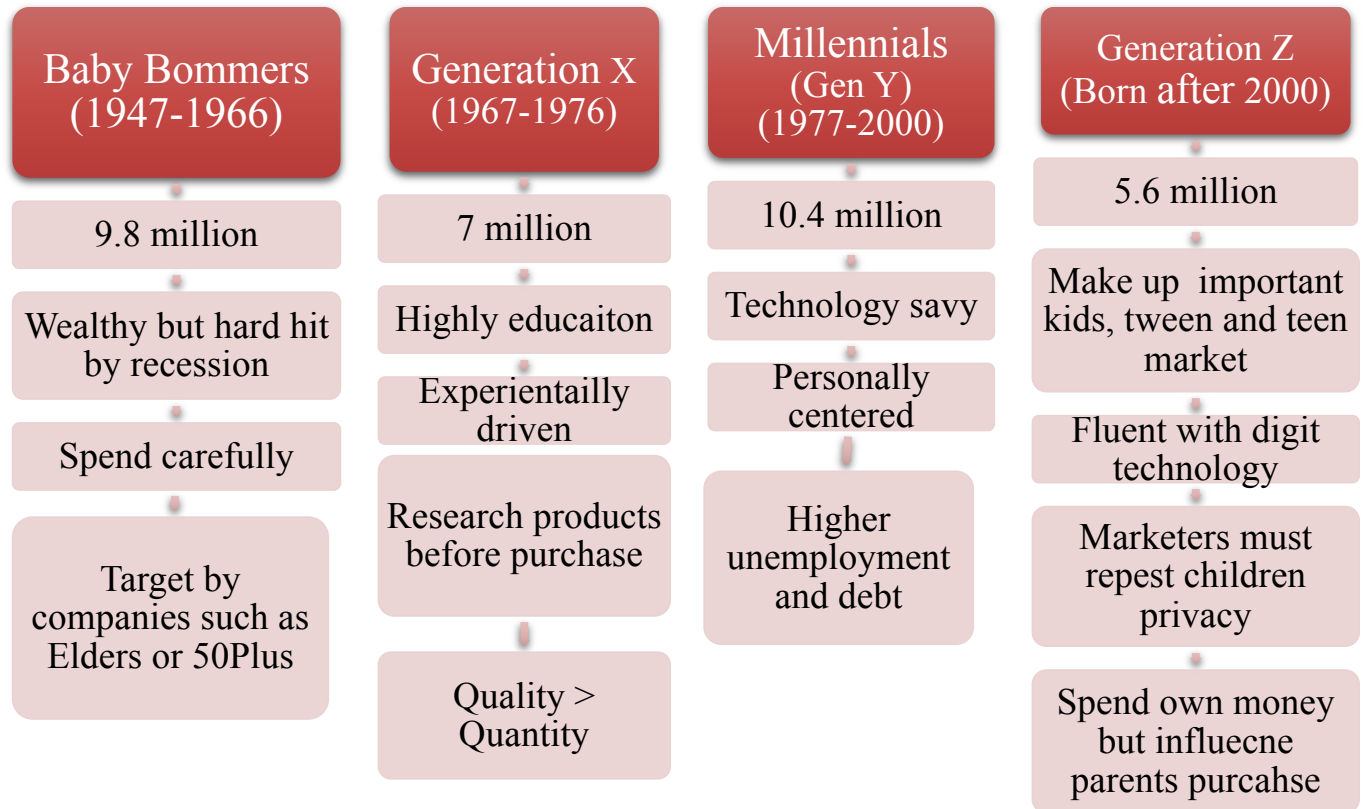
MARCO-ENVIRONMENT: (Company)

FIGURE 4.2 Major Forces in the Company's Macroenvironment



Demography:

- ❖ Study of human population: size, gender, age, race, occupation, location, etc
- ❖ Demography environment is important because it involves people, and people make up the market
- ❖ Demography trends age, family structure, education, population diversity ...
- ❖ Changing age demographics of the Canadian population is both an opportunity or a threat



- ❖ **Generational Marketing:** important in segmenting people by lifestyle or life state rather than age
- ❖ **Canadian family/household are changing:**
 - Growing market of “non-traditional” household
 - Growing “crowded nest” syndrome
 - Fewer families have children
 - More dual income families
- ❖ **Geographic Shifts in Population**
 - Growth rates across Canada are not uniform
 - Rural to urban migration continues
 - Buying habits differ by region
 - Growth in telecommuting market
- ❖ **Better Educated, White-Collar Population:**
 - Increased demand for higher quality
 - Increased understanding of value
 - Creates demand in different products

❖ **Increased Diversity:**

- Markets are becoming more diverse: International and National
- Large and growing visible minority market
- Acceptance of LGBT and gay marriage
- Growth in recognized disabilities

Economic: factors that affect consumers purchasing power and spending patterns:

- ❖ **Industrials economies:** richer market for different kinds of goods or service
- ❖ **Subsistence economies:** consume most of own agriculture and industrial input/output
- ❖ **Developing economies:** countries are in between offering outstanding market opportunities for the right product or service

Factors that affect spending

1. Changes in income

- Consumption frenzy, record personal debt
- Economic crisis leading to consumer frugality
- Value marketing is key to success

2. Changes in spending patterns

- **Engel's laws** note that consumers at different income levels have different spending patterns

Natural environment: natural resources that are needed as input by markets or are affected by marketing activities

- ❖ Shortage of raw materials
- ❖ Increase in pollution
- ❖ Increase government intervention
- ❖ Environmentally sustainable strategies

Technological Environment: most dramatic force shaping our destiny.

Technology has released such wonders as antibiotics, robotic surgery, smartphones, Internet etc...

- ❖ Create new products and opportunities (technologies, market opportunities)
- ❖ Increasing obsolesces (use of digital technology)
- ❖ Accelerating customer needs (collect data, target behavior, capability of growth)

- ❖ Resulting in constantly evolving regulation (company not updated will outdates –Example: CDs)

Political and Social Environment:

- ❖ **Political environment:** law, government, agencies and pressure groups that influence or limit various organization and individual in society
- ❖ **Social environment:** social codes and rules of professional ethics beyond written laws and regulation
- ❖ **Business legislation:** protect companies from each other, protect consumers from unfair business practices and protect the interest of society
- ❖ Increase emphasis on ethics and socially responsible behavior and cause related marketing

Cultural Environment:

- ❖ **Core beliefs and values:** persistent and passed on from parents to children. Reinforced by school, churches, business and government
- ❖ **Secondary beliefs and values:** open to change and include **peoples view of themselves, other, organization, society, nature, universe**

Reactive	Proactive
• Wait for change; then react	• Anticipate change; act now
• Missed opportunities	• Seized opportunities
• Damage from threats	• Mitigate impact of threats

Examples of Proactive Responses:

- ❖ Hiring lobbyists
- ❖ Initiating lawsuits
- ❖ Filing complaints with regulators
- ❖ Forming agreements to control channels

MIRCO-ENVIRONMENT: (C.S.I.C.P.C)	MARCO-ENVIRONMENT: (D.E.P.E.S.T)
Company	Demographic
Supplier	Environment (Natural)
Intermediaries	Political
Competitors	Economic
Publics	Social/Cultural
Customers	Technological

Chapter 5: MANAGING MARKETING INFORMATION TO GAIN CUSTOMER INSIGHTS

Customer Insights:

- Understanding of customers and marketplace
- Basis for creating customer value and relationship
 - **Develop competitive advantage:** deep insight into customers' needs and wants, difficult to obtain not always obvious, customer unsure of their behavior, more information but *better information and more effective* use of existing information

Data has no meaning by itself but if you analyze the data and put it together, it becomes a shape or information means knowledge or insights

- Too much information is not useful
 - Better information and useful information is the goal
 - Right information at place and time
- **Insight stem from many sources:** all company functional areas, use insight to *create more value* for their customer (ex: give manager the right information, right time and useful)

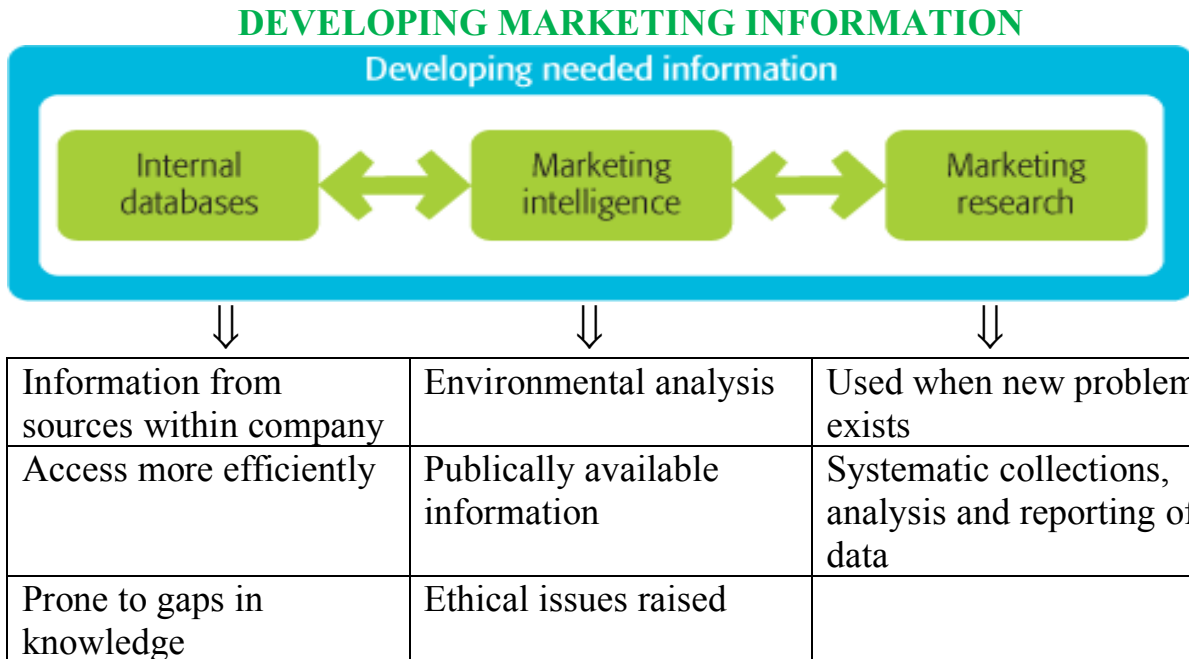
Marketing Information System (MIS):

- what is the information that's "needed"
- develop the "needed" information
- use and analyzes the information for the "need"

Help the decision makers use information for customer to generate consumer and market insight

Balance information wants, needs and feasibility:

- Too much information = harmful as too little information
- Use information that you really need



Internal databases

- All the data collect from different sources within your company and stored within organization ex: your trans, emails, account system, sales report
- Cheap, Quick and Easy but not useful information to make decision, and not enough (need data from outside)
-

Marketing intelligence

- Systematic collection and analysis public available information about customer, competitors and developments in marketplace
- Firm use competitive intelligence to gain warning of competitors moves and strategies
- Marketers can gain insight into how consumers talk about and connect with their bands
- Organization know about what customer are saying or action about them

Market Research Process

- Systematic design, collection, analysis and reporting data in a *specific marketing situation facing an organization*

STEP 1: Defining the problem and Research Objective:

Exploratory Research: gather information to help define the problem

Descriptive Research: Describe marketing situation or markets (what is the research problem describe)

Causal Research: Test hypotheses about the cause and effect relationship

STEP 2: Develop the Research Plan (how we will collect the data)

-How to collect data? What is the sampling plan?

1) Primary Data: first time your collecting the data for a special research plan

- Information collected by specific problem
- Relevant, accurate, current and unbiased

Types of Primary Data:

Research Approaches: Observation, Survey, Experiment

Contact Methods: Mails, Telephone, Personal Online

Sampling Plan: Sampling Unit, Sample Size, Sampling Procedure

Research Instruments: Questionnaire, Mechanical Instruments

2) Secondary (Existing) Data: information that already exist in the market, you can access the data somewhere

Advantage: quicker and cheaper

Disadvantages: relevance, currency, rarely provides all necessary information

Ethnographic Research:

- To send people to watch and understand the lifestyle of the people
- Going to the *natural environment* to get a deeper understanding

Observational: gather information by observing people, action, situation; impossible to observe feeling (**exploratory research**)

Survey: gather data by asking question (**descriptive research**)

Experimental: match groups of people or looks for difference in responses explain the cause and effect relationship (**causal information**)

Contact Methods: Mails, Telephones, and Personal Interviewing

1) Personal Interview vs. group interview

2) Focus group interviewing:

- 6 to 10 people with trained moderator to talk about a product and service
Challenges: Expensive, Difficult to generalize from small group, Consumer not always open and honest

- **Online** (Marketing Research/ Panels/Groups/Experiments):
Advantage: low cost, speed, higher response rate, good for hard to reach group
Disadvantage: restricted internet access, not aware of who is answering

Sampling Plan: segment (group) the population represent the whole

- 1) Who to survey
- 2) How many to survey
- 3) How to choose

Questionnaire:

question to ask, open or closed ended, wording and ordering of questions

Mechanical Instrument:

monitor customer behavior, people meters, checkout scanner

Step 3: Implement the plan:

- Collect
- Process
- Analyze

Step 4: Interpreting and report the finding

- Draw conclusions
- Interpret the finding
- Report to the management: present finding and conclusions that will be most helpful to decision making

CRM: Customer Relationship Management

- managing detailed information about customers to maximize *customer loyalty*
- capture and analyzes information about customer sources
- finding = new market opportunities

Information distribution: information into databases and making it available in time-useable manner

- Intranet: provides information to employees and other stakeholders
- Extranet: provides information to key customers and suppliers

CRM develop data warehouses and use sophisticated data mining techniques to unearth the riches in customer data

Marketing Research in Small Business and Non-Profit Organization:

Secondary Data

Observation

Informal Survey and Experiments

International Market Research:

Cultural difference (Language)

Secondary Data

Many countries not having research services

Public Policy and Ethics:

Customer privacy

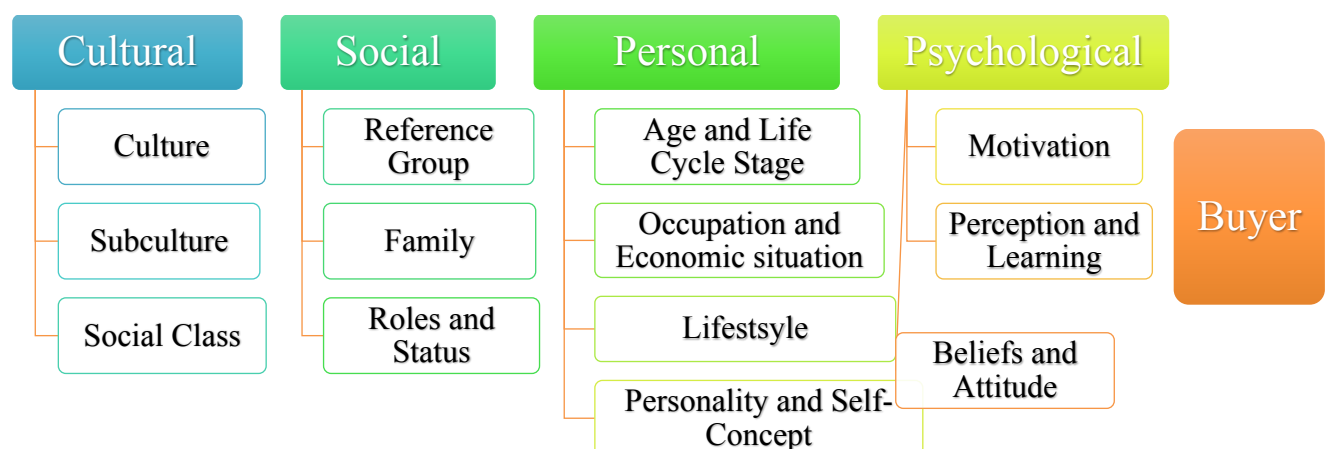
Misuse of research finding

Chapter 6: UNDERSTANDING CONSUMER AND BUSINESS BUYER BEHAVIOUR

- Why the person is buying the product?
- Two markets: consumer and business

Consumer Buyer Behavior: individuals and households buying goods and services for personal consumption

Goal: create marketing programs which trigger desired behavior



Cultural

Culture: set of basic values, perceptions, wants and behaviors learned from family or other important institution in society

Subculture: group of people within a culture shared value system on common life experience and situation (regional, demographic, cultural marketing)

Social Class: division based on primarily on socio-economic status sharing similar values, interest and behaviors (ex: occupation, income, education, wealth)

Social

Reference group:

Membership group: groups with direct influence and to which a person belongs

Aspirational group: groups of individual wishes to belong to

Reference group: groups that form comparison or reference in forming attitudes or behavior

Word-of-mouth influence (WOM): impact of personal words or recommendation of friends, associates and other consumers on buying behavior

Buzz marketing:

Opinion leaders: people within reference group who (special skills, knowledge, personality and other characteristics) exerts social influence on others (*influential or leading adopters*) –*influence talk = consumer listen*

Brand ambassadors: marketers identify themselves

Online social networks: online communities where people socialize or exchange information and opinions (blogs, social network sites –Facebook)

Family: buying roles changes with evolve consumer lifestyle

(ex: shift roles, traditional =women buy food, now market =men shopping)

Roles and status: group, family, club, or organizations that person belong to that define roles and social status

(ex: work= wear professional clothes, sport team=sport clothes)

Personal Factors

Age and life-cycle stage: customer experience changes during their lifetime, along their behaviors and purchasing preferences

Occupation: jobs affects the good and service brought by consumers

(ex: layers buy suits, worker buy more ragging clothes)

Economic: personal finance affect buying choices (personal income, saving, interest rate)

Lifestyle: people buy products or service to suit their lifestyle

AIO: Activities (work, shopping, sports)

Interest (food, fashion, family)

Opinion (social issues, business products, about themselves)

-capture data about person pattern of act and interacting in the environment

-consumer buy values and lifestyle not products

Personality psychological characteristic lead to distinguish a person or group.

Self-concept/Self Image: people possession contributes to and reflect their identities

Brands: consumer choose brands to suit and match their own personalities

1. **Sincerity:** down-to-earth, honest, cheerful
2. **Excitement:** daring, spirited, imaginative and up to date (Apple)
3. **Competence:** intelligent, reliable and successful
4. **Sophisticated:** upper class, charming, glamorous
5. **Ruggedness:** outdoorsy and tough (Ford F150)

Psychological

Motivation: need that is sufficiently pressing to direct the person to seek satisfaction

Motivation research: qualitative research design to probe consumer hidden, subconscious motivation

Perception: process by which people **select, organize and interpret** information to form meaningful picture of the world from **perceptual processes:**

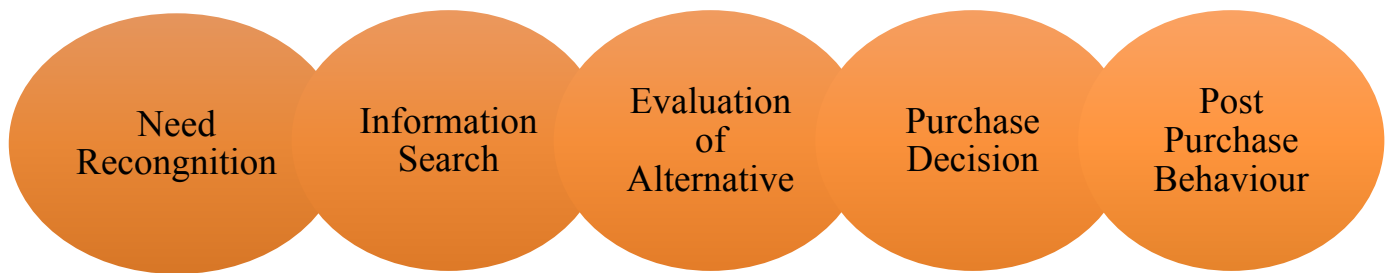
1. **Selective attention:** screen out information from which they are exposed (marketers work hard to attract consumer attention)
2. **Selective distortion:** interpret information that support what they already believe
3. **Selective retention:** remember good points about the brand and forget about competing brands

Learning: change in an individual behavior arising from experience

Beliefs: descriptive thought a person hold about something based on: *knowledge, opinion, faith*

Attitudes: person's consistent *evaluation, feeling and tendencies* towards an object or idea

The Buyer Decision Process



Need Recognition: buyer recognizes a problem

- **Internal stimuli:** when needs rises to high level to become a drive
- **External stimuli:** when someone influence to you to make a purchase

Information Search: consumer obtain information

- **Personal sources:** Families or friends, neighbors
- **Commercial sources:** advertising, Internet, salesperson, packing, display
- **Public sources:** mass media, consumer organization, social media, peer reviews
- **Experiential sources:** examining and using the product

Evaluation of Alternative: Marketers perspective: highlight **features** that are the *products strengths, benefits consumers*

(ex: purchasing a car, consider: price, style, operating, economy, warranty)

Purchase Decision: consumer by the most preferred brand based on

- **Attitudes of others:** buyer consider what others think about it
- **Unexpected situational factors:** ex: economy might turn for the worse

Post Purchase Behavior:

Satisfaction or dissatisfaction consumer feels about the purchase

- Larger gap between expectation and performance = greater dissatisfaction
- Smaller gap between expectation and performance = greater satisfaction

Cognitive dissonance: discomfort cause by post-purchase conflict, consumer is satisfied but had to make compromises and feels uneasy about losing the benefits

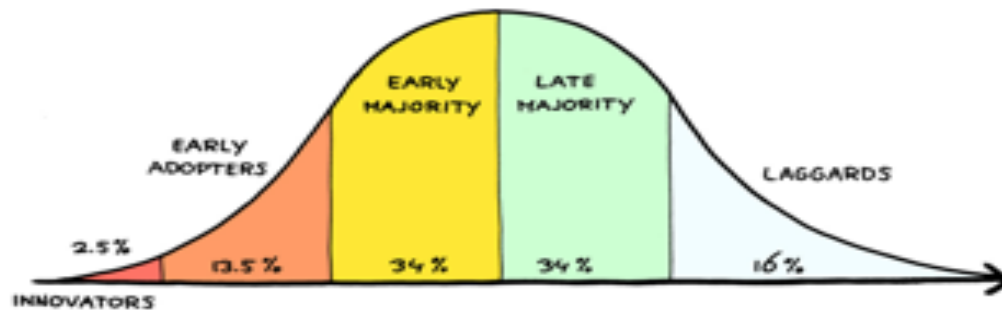
The Buyer Decision Process for **New Products**

New Product: good, service or idea perceived by potential customers as new (maybe already existing but for the consumer, its new)

Adoption process: mental process an individual pass from the 1st hearing about an innovation to final adoption

Stages of Adoption Process:

1. **Awareness:** become aware but lack information
2. **Interest:** seek information about product
3. **Evaluation:** consider whether to try the product
3. **Trial:** tries the new product in small sample
4. **Adoption:** Decides to use product regularly



Individual adopt: new products at vary rates, categorized:

Innovator: try new ideas at some risk

Early adopter: opinion leader in communities, adopt new ideas earlier but carefully

Early majority: rarely leader, adopt new ideas before an average person

Late majority: only adopt to the new idea after majority of people have tired it

Laggards: suspicious of change and adopt innovation only when it becomes a tradition

Influence of Product Characteristics on Rate of Adoption:

Relative Advantage: innovation appears superior to existing products

(ex: CD players vs. MP3 Players)

Compatibility: innovation fits values and experience of potential consumers

(ex: telephones vs cellphones –how we communicate now and before)

Complexity: innovation is difficult to understand or use

(ex: how to upload songs onto MP3)

Divisibility: innovation may be trial for limited basis

(ex: trying MP3 before purchasing a cellphone)

Communicability: results of using the innovation can be observed or describe to others

(did you enjoy the cellphone or MP3)

Business to Business (B2B):

- Firm buys products to produce other products or to resell to others
- B2B: huge market, involves more dollars and items than consumer market

Business Market:

1) Market Structure and Demand: fewer but larger buyer, demand is *derived* from consumers

2) Nature of the Buying Unit: more decision participants, professional buying efforts

3) Types of Decisions: more complex and formal decisions

Major Types of Buying Situation:

1) Straight Rebuy: order without any modification

2) Modified Rebuy: order with modification

3) New Task: first time order of a product

4) Systems (Solution) Selling: order including multiple elements

Buying center: all individuals that participate in purchase decision (not a fixed or formally identified unit / size and makeup varies)

E-Procurement and Online Purchase: online purchased (several benefits and problems)

1) Reverse auctions: put purchase request online and invite supplier to bid for business

2) Trading exchange: companies work collectively facilitate the trading process

3) Company buying sites: companies set up own sites

4) Extranet links with key suppliers: create direct accounts with suppliers

Chapter 7: SEGMENTATION, TARGETING AND POSITIONING

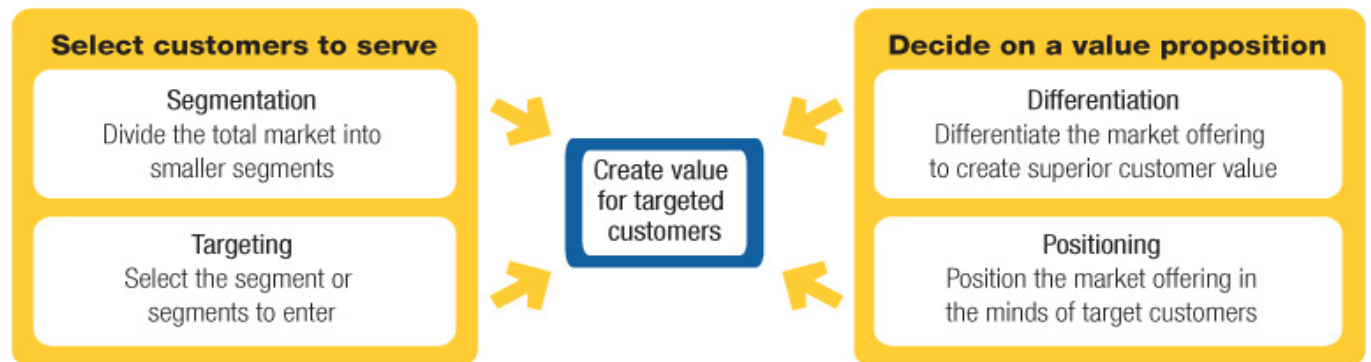
Segmentation: divide the total market into smaller segments of buyers with distinct needs, characteristics, or behavior that may require separate marketing strategies or mix

Targeting: evaluating each market segment's segments attractiveness and selecting one or more segments to enter

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

Positioning: arrange for a market offering to occupy a clear, distinctive and desirable place relative to competing products in the minds or target consumers

FIGURE 7.1 Designing a Customer-Driven Marketing Strategy



Market Segmentation:

Segmenting: consumer markets, business markets, international markets, requirements for effective segmentation

- 1. Geographic Segmentation:** divides markets into different geographical units. Example: *nations, regions, provinces, counties, cities or neighborhoods*
- 2. Demographic Segmentation:** divides markets into groups based on variables such as *age, gender, family size, family life cycle, income, occupation, education, religions, race, generation, and nationality*
 - **Age and life cycle stage segmentation:** process of offering different products or using different marketing approaches for different age and life cycle groups
 - **Gender segmentation:** divides the market based on gender
 - **Income segmentation:** divides the market into different income groups
- 3. Psychographics Segmentation:** divides buyers into different groups based on *social class, lifestyle or personality traits*
- 4. Behavioral Segmentation:** divides buyers into groups based on consumer knowledge, attitudes, uses, or responses to a product:
 - **Occasion segmentation:** divides into groups according to occasions when buyers get the idea to buy or actually makes their purchases or use the purchased item
 - **Benefit segmentation:** divides into groups of different benefits that consumers seeks from the product
 - **User status:** divides into nonusers, ex-users, potential users, first time users, and regular users of a product
 - **Usage rate:** divides into light, medium and heavy product users
 - **Loyalty status:** divides the market by consumer loyalty to brands, to stores, to companies

Multiple segmentation: used to identify smaller, better defined target groups
 For example: LGBT market is a large segment containing many sub-segments such as demographic and psychographic

Geodemographic segmentation: example: multivariable segmentation that divides groups into consumer lifestyle patterns.

Business markets: segmented into the same variable as consumer markets:

- Operating Characteristics
- Purchasing approaches
- Situational factors
- Personal characteristic

Example: market buyers can segment geographically, demographically (industry, company, size) or by benefits sought, user status, usage rate, and loyalty status

International Markets segmented into **Geographic location**, **Economic factors**, **Political-legal factors** and **Cultural factors**

Intermarket (cross-market) segmentation: divides consumers into groups with similar needs and buying behaviors even though they are located in different countries

Example: IKEA found in Montreal and London

Requirements for Effective Segmentation:

Measurable: size, purchasing power, and profiles of segments can be measured

Accessible: market segments can be effectively reached (promote) and served

Substantial: market seems large or profitable enough to serve

Differentiable: segment should be conceptually distinguishable and respond differently to different marketing mix elect and program

Actionable: effective programs can be designed for attracting and serving the segment

Target Market:

MARKET TARGETING	TARGET MARKETING
Evaluation segments:	Undifferentiated marketing
▪ Profitability	Differentiated marketing
▪ Growth	Niche marketing
▪ Corporate objective	Micromarketing
Selecting segments	

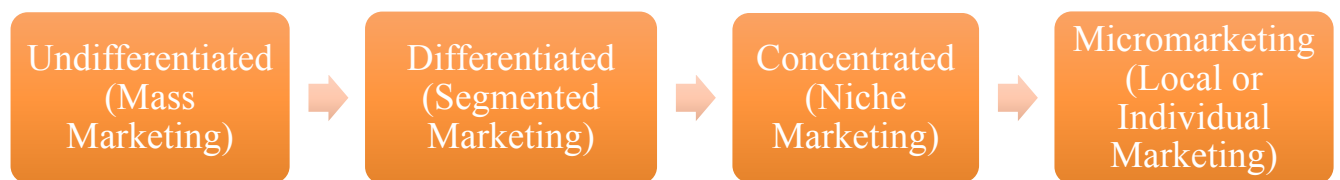
MARKET TARGETING

Evaluating Market Segments *by size, growth, structural attractiveness, company objective and resources*

Determine long-run segment attractiveness by analyzing the “FIVE FORCES”

- (1) Competitors
- (2) New Entrants (“barriers”)
- (3) Substitute products
- (4) Relative power of buyers
- (5) Power of suppliers

TARGET MARKETING



Undifferentiated Market (Mass Marketing):

- Firm ignores market segments differences
- Focuses on common **needs** rather than on “what is different”
- Targets the whole market with one offer “All things to all people”

Differentiated (Segmented Marketing):

- Firm targets several market segments and design separate offers for each
- Goal to achieve higher sales and stronger position
- More expensive than undifferentiated market

Concentrated Market (Niche Marketing):

- Firms goes after a large share of one or few segments or niches
- Limited company resources
- Knowledge of the market
- More effective and efficient, fewer competitors

Micromarketing:

- Firms tailor’s products and marketing programs to the needs of specific segments (to suit the taste of specific individuals and local customer groups)
- **Local Marketing:** tailor brands and promotions to the need and wants of local customer groups Example: cities, neighborhoods, stores
- **Individual Marketing:** tailor products and markets programs to the needs and preferences of individual customer (MASS CUSTOMIZATION)

Choosing a Target Market depends on:

- Company resources
- Product variability (undifferentiated marketing is most suits for product such as fruits)
- Product life cycle stage (new product, launched only 1 version)
- Market variability
- Competitor's market strategies

Socially Responsible Target Market:

- Concern for vulnerable segments
- Children: alcohol, cigarettes, internet abuses
- Serve not just the interest of the company but also interests of those targeted
- Social responsibility: trumps profitability if efforts are seen as exploitative or irresponsible

Differentiation and Positioning:

Product Position: consumer perception of products.

-Place the product occupies in minds of consumers relative to competitors

-products created in factories but brands created in mind

-less differentiated product is more important positioning becomes

Perceptual Maps: firms determine how they would like to be perceived relative to competitors based on two variables (*price and quality*)

-consumer perceptions of their brands vs. products on important buying dimensions

Choosing a Differentiation and Positioning Strategy:

- Identify a set of differentiate competitive advantage upon which to build a position
- Choosing the right competitive advantage
- Selecting an overall positioning strategy
- Effectively communicating and delivering the chosen position to the market

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

- Understand customer needs better than deliver more value
- Point differentiation can occur anywhere in the entire customer experience

Product: features, performance, style, design

Service: expedient, convenient, cautious, speedy, careful delivery

Channels: coverage, expertise, performance

People: training, culture, morale

Image: distinctive intangible benefits, strong, image convey the product benefits and positioning

Unique Selling Proposition (USP): choosing a competitive advantage based on position, multiple differences:

Important: difference delivers a highly valued benefited to target buyers

- *Distinctive:* competitors don't offer the difference, or the company can offer in a more distinctive way
- *Superior:* the way that customers obtain the same benefits
- *Communicable:* difference is communicable and visible to buyers
- *Preemptive:* competitors can't easily copy the difference
- *Affordable:* buyers can afford to pay for the difference
- *Profitable:* company can introduce the difference profitably

Value Proposition: full mix of benefits upon which a brand is positioned

- *More for More:* involves providing the most upscale product or service and charging a higher price to cover the higher costs (Mercedes, Montblanc)
- *More for the Same:* companies can attack a competitor's more-for-more positioning by introducing a brand offering comparable quality but at a lower price.
- *The Same for Less:* everyone likes a good deal (Wal-Mart, Payless Shoes)
- *Less for Much Less:* in many cases, consumers will gladly settle for less in exchange for a lower price
- *More for Less:* the winning proposition value. Many companies claim to do this, and in the short run some actually achieve this.

FIGURE 7.4 Possible Value Propositions

		Price		
		More	The same	Less
Benefits	More	More for more	More for the same	More for less
	The same			The same for less
	Less			Less for much less

Positioning Statement: statements summarize a company or brand positions

Format: “To (target segment and need)

(our brand) is (a concept) that (point of difference).”

Example: “To busy, mobile professionals who need to always be in the loop, BlackBerry is a wireless connectivity solution that gives you an easier, more reliable way to stay connected to data, people, and resources while on the go.”

Marketing-Mix: supports positioning strategy, position is monitored and adapted to match customer *needs, values, and attitudes* as well *competitive fluctuation*

Example: The Gatorade G series “fuels your body before, during and after” exercise.

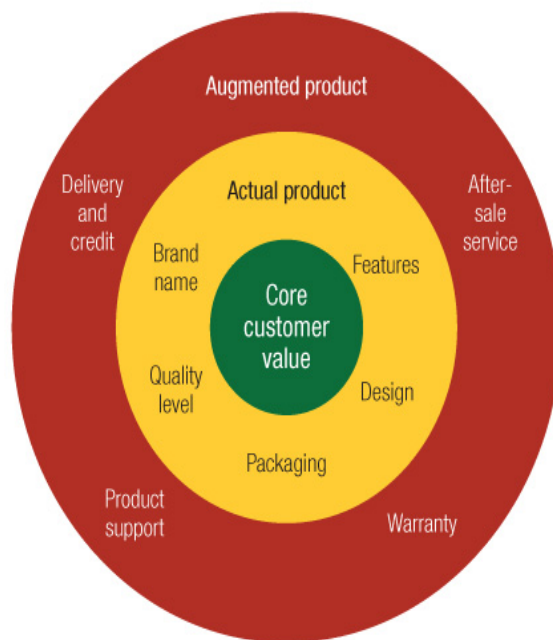
Chapter 8: DEVELOPING AND MANAGING PRODUCTS AND SERVICES

Service: intangible activities, benefits, or satisfaction that do not result in the ownership of anything

Product: anything offered to a market for attention, acquisition, use or consumption that may satisfy a want or need (*including flights, BMO investments*)

Experiences: represent what buying that product or service will do for the customer

FIGURE 8.1 Three Levels of Product: Core, Actual, and Augmented



Augmented Product: offering additional consumer service and benefits

Ex: iPhone PLUS a calling and data plan

Actual Product: physical device with all its features and associated brand name and packaging

Ex: product is iphone

Core Customer Value: “what is the buyer really buying?”

Ex: smartphone

Consumers see products as complex bundles of benefits that satisfy their needs

Product and Service Classification:

Consumer	Industrial/Business
Convenience	Materials and Parts
Shopping	Capital Items
Specialty	Supplies and Service
Unsought	

Consumer products: products and services for *personal consumption*

- **Convenience Products:** consumer product and service that customer usually buys frequently, immediately, and with minimum comparison and buying efforts: *Newspapers, Candy, Fast Food*
- **Shopping Products:** consumer products and service that customer compares carefully on suitability, quality, price, and style: *Furniture, Cars, Appliances*
- **Specialty Products:** with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effect: *Medical service, Designer clothes, Rolex watches*
- **Unsought Products:** does not know about or know about but does not normally think of buying: *Life Insurance, Funeral Service, Blood Donations*

Business products: products purchase for further processing or for use in conducting a business.

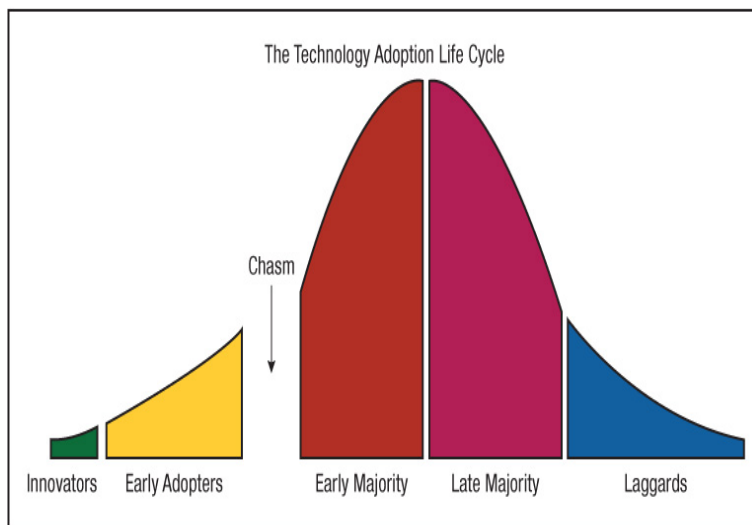
- **Capital items** are industrial products that *aid in the buyer's production or operations.*
- **Materials and parts** include raw materials and manufactured materials and parts usually *sold directly* to industrial users.
- **Supplies and services** include *operating* supplies, *repair* and *maintenance* items, and *business* services.

New Product Development Strategy

1) **Acquisition:** buying a whole company, a patent, or a license to produce someone else's product

2) **New product development:** original product, product improvements, product modification, and new brand developed from firm's own research and development

FIGURE 8.2 Developed by Geoffrey Moore, the Technology Adoption Life Cycle shows five different market segments, each separated by a gap. The "chasm," or most significant gap, occurs between members of the early adopters and members of the early majority segments.



Failures for New Product:

- 1) Overestimation of market size
- 2) Poor Design
- 3) Incorrect positioning
- 4) Wrong timing
- 5) Priced too high
- 6) Ineffective promotion
- 7) Management influence
- 8) High development costs
- 9) Competition

a) **Individual adopt:** new products at vary rates, categorized:

Innovator: try new ideas at some risk

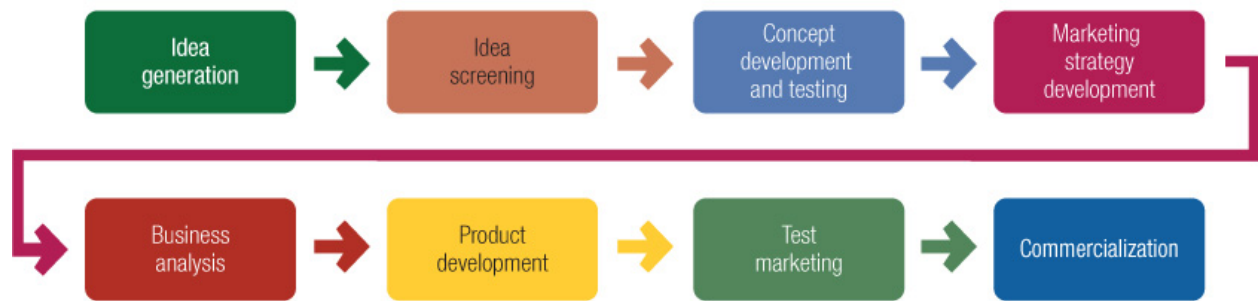
b) **Early adopter:** opinion leader in communities, adopt new ideas earlier but carefully

c) **Early majority:** rarely leader, adopt new ideas before an average person

d) **Late majority:** only adopt to the new idea after majority of people have tired it

e) **Laggards:** suspicious of change and adopt innovation only when it becomes a tradition

FIGURE 8.3 Major Stages in New-Product Development



Idea Generation: systematic search for new product ideas

- Internal/External sources: company employees at all level/ customers, competitors, distribution and suppliers, others
- Crowdsourcing: inviting broad communities of people such as customers, employees, independent scientists and researchers and even public at large into new product innovation

Idea Screening: keep good ideas and drop poor ones

- Describe product, target market, and competition
- Estimate market size, price, development time and costs, manufacturing cost and rate of return
- Evaluate new product ideas against a set of company criteria

Concept Development and Test:

Product concept: new product idea stated in meaningful consumer terms, description, drawing, prototype, NOT YET IN PRODUCTION

Concept testing: testing new product concept with groups of potential consumers

Marketing strategy development: initial marketing strategy and 3part marketing strategy statement

- Describe target market, plan value proposition, sales, market share, profit goals
- Outline the product plan price, distribution and market budget
- Describe the plan long-run sales and profit goals, market mix strategy

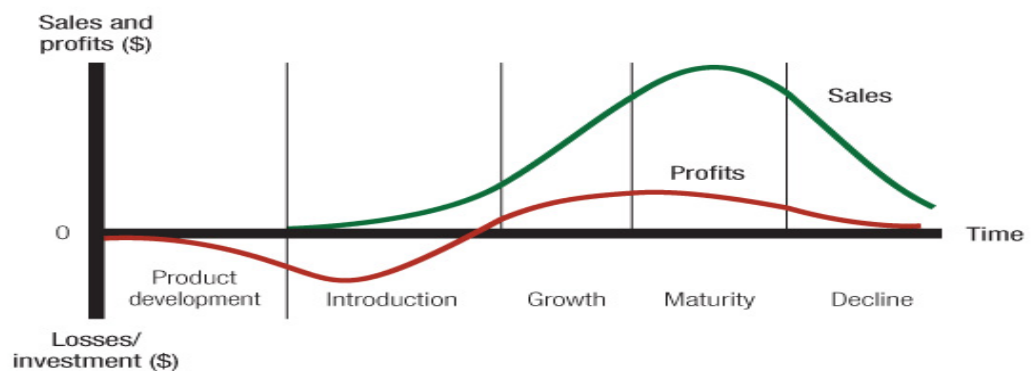
Business Analysis: review the sales, cost and profits projection, positive review trigger product development

Product development: develop concept into a prototype; prototypes are developed and tested (involves the creation and testing of one or more physical version)

Test Marketing: product introduced into a realistic market, gain experience prior to full introduction

Commercialization: full-scale introduction into the market (when to launch, where to launch, planned market rollout)

FIGURE 8.4 Representation of Sales and Profits Over a Typical New Product's Life Cycle



Product Life Cycle (PLC)

Product development: sales are zero and investment cost amount

Introduction: slow sales growth and profits are non-existent

Growth: rapid market acceptance and increasing profit

Maturity: slowdown in sales growth and profits level off or decline

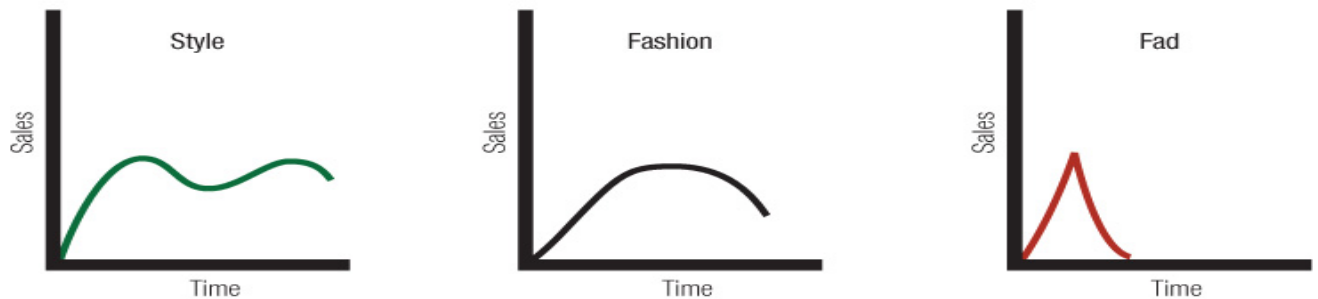
- **Market Modifying:** increase consumption of current product –look for new users and market segments or inventing new uses for existing product
- **Product modifying:** changes characteristic of product (ex: quality, features, style, or packaging to attract new users and to inspire more usage)
- **Modifying the market mix:** involves improving sales by changing one or more of market mix:
 - Offer new or improved service to buyer
 - Cut prices to attract new users and competitor customers
 - Launch better advertising campaign or aggressive sales promotion
 - Move into new marketing channels

Decline: sales fall off and profit drop

Carrying a weak product can be costly to a firm. Companies must decide what to do with declining product:

- **Maintain:** brand without change in hope competitors will leave the industry
- **Harvest:** product by reducing various costs and hope sales hold up
- **Drop** that product from line

FIGURE 8.5 Styles, Fashions, and Fads



Style: basic and distinctive mode of expression

Appears in homes (colonial, ranch, transitional), clothes (formal, casual) and art (realist, surrealist, abstract)

Fashion: currently accepted or popular style of **design, color or theme** (clothing, cars, furniture, music, sports). Tends grows slowly, remain popular for awhile and decline slowly

Fad: temporary period of usually **high sales** driven by consumer enthusiasm and immediate product or brand popularity – not usually identified as fads until years later

Marketers make product and service decisions based on:

(1) Individual Product Decisions

(2) Product Line Decisions

(3) Product Mix Decisions

(1) Individual Product Decisions

Product decisions: physical attributes such as Quality and Design, Packaging, Labeling, Sustainable Packaging, Product Support Service

Product Attributes: are the benefits of the product or service: *Quality, Features, Style and Design*

Quality level: level of quality that supports the product positioning

- **Total Quality Management (TQM):** approach of all company's people is involved in constantly improving quality of products, service, and business process
- **Conformance quality:** product freedom from defect and consistency in delivering a targeted level of performance
- Example: high-end sports cars focus on promoting quality (smaller, less expensive cars focus on price promotion)

Product Features: competitive tools for differentiating a product from competitor product, based on value to the customer vs. cost to the company

Example: automobile marketers add new features to cars, such as keyless doors, rearview cameras...

Style: *appearance* of the product (eye-catching)

Design: product's *usefulness* as well as its *looks* (what features the product has, located and used)

Packaging: involves designing and producing the container or wrapper for a product. **Protects** the product from breakage, tampering and theft. **Information** about the product can be used as a **Promotional tool**

Labels: *identify* the product or brand, *describe, attributes, and provide promotion*

(2) Product Line Decisions

Product line: *group of products* that are closely *related* because they *function* in a similar manner, are *sold* to the same customer groups, are *marketed* through the same types of outlets, or fall within given price ranges

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

Line too short, if the manager increase profits by adding items

Line too long, if the manager increase profit by dropping items

Line Stretching/ Line Filling: adding items within present range of the line. New items must be noticeably different from existing ones

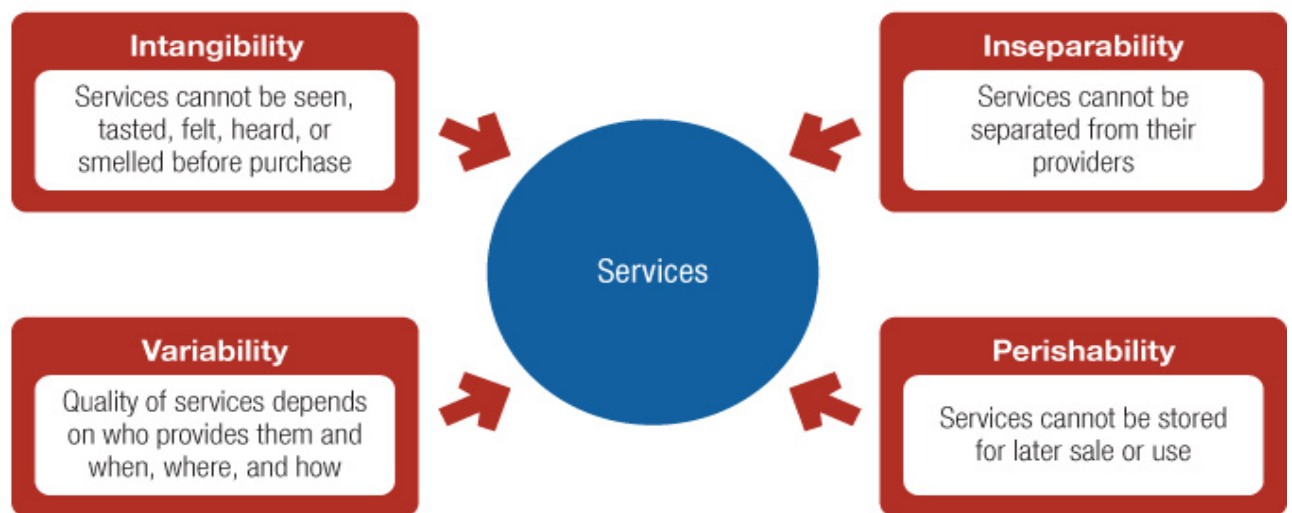
(3) Product Mix Decisions

Product Mix: all products and items that a particular seller offers for sale:

- **Width:** # of different product lines
- **Length:** total # of items that company carries within its product line
- **Depth:** # of versions offered for each product
- **Consistency:** how closely related various product line are in end use, production, requirements, distribution channels:

Special Characteristics of Services:

FIGURE 8.6 Special Characteristics of Services



- **Intangibility:** service cannot be seen, tasted, felt, heard, or smelled before purchase.

Evidence Management: service organization present its customer with organized, honest evidence of its capability. Example: airline, cosmetic surgery

- **Inseparability:** service cannot be separated from their providers. If a service provider provides the service, employee becomes part of the service
Example: Hotel and the service provided for living like housekeeping
- **Variability:** Quality of service depends on who provides them and when, where and how. Quality of employee service varies according to frame of mind at the time of customer encounter
- **Perishability:** Service cannot be stored for later sale or use.

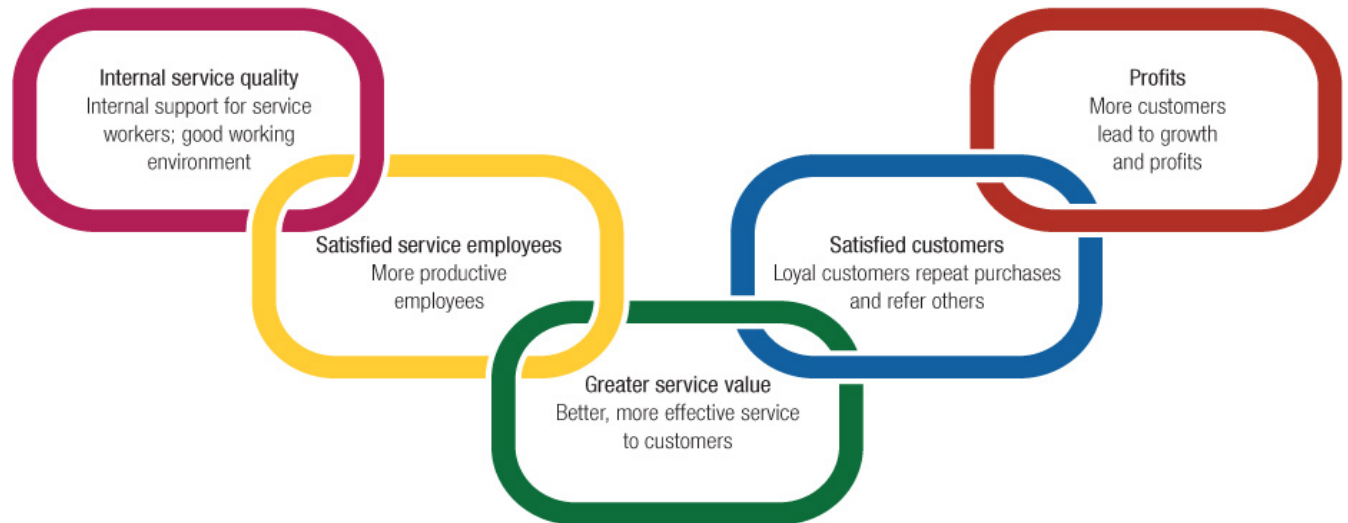
-Perishability can affect company performance as balancing supply and demand is difficult.

Example: salon charge customer for missing an appointment.

Airlines can only sell seats on airplane prior to departure

1. The Service-Profit Chain

FIGURE 8.7 The Service-Profit Chain



1. Internal service quality: superior employee selection and training, a quality work environment, and strong support for those dealing with customer

2. Satisfied Service Employee: more satisfied, loyal and hardworking employee

3. Greater Service Value: more effective and efficient customer value creation and service delivery

4. Satisfied Customers: satisfied customers who remain loyal, repeat purchase and refer other customers

5. Profits: superior service firm performance (more customer leads to growth and profits)

2. Internal Marketing: orienting and motivating contact employees and supports service people to work as a team to provide customer satisfaction.

Distinctive Characteristics of Service:

(1) Managing Service Differentiation: creates competitive advantage from:

- **Offer:** distinctive features
- **Delivery:** reliable customer contact people, environment or process
- **Image:** symbols and branding

(2) Managing Service Quality: competitive advantage by delivering consistently higher quality than its competitors. Depends on interactions between employees and customers. Example: Air Canada vs. West Jet experience

(3) Managing Service Productivity: cost side of marketing strategies for service firms:

- employee recruiting, hiring, training strategies
- service quantity quality strategies
- harness the power of technologies

Chapter 9: **BRAND STRATEGY AND MANAGEMENT**

What is a Brand?

Brand: name, symbol, icon, design, or combination of these to identify that maker or marketer of product

- Have status, value, personality
- Involves emotion
- Signify quality
- Provides legal protection

Trademarks: *name, symbols, characters, shapes*

- **Has monetary value:** protected and distinguished from regular or generic words or meaning
- Indicated with a superscript “TM” once it goes through legal process, it is indicated as a symbol
- **Lost Trademark:** marks that are originally legally protect trademarks but have been genericized and lost their legal status due to becoming a generic terms
- *Example:* Kleenex is a trademarked name which means it should always be spelled with a capital and only be used to refer to the brand-name tissue.
- *Example:* Nestle cannot use purple to wrap their milk chocolates because Cadbury has a trademark on it.

GENERIC	TRADEMARK	GENERIC	TRADEMARK
FABRIC HOOP & LOOP FASTENER	 VELCRO™	TRANSPARENT ADHESIVE	 Scotch
FROZEN TREAT ON A STICK	 Popsicle	SEALED AIR PACKAGING	 BubbleWrap™
RIGID FOAM INSULATION	 Styrofoam	STUN GUN	 TASER
INLINE SKIS	 ROLLERBLADE	WHIRLPOOL BATH TUB	 Jacuzzi
INFANT BODYSUIT	 onesies™	PERSONAL WATERCRAFT	 JETSKI

Brand Meaning: consumers associate your brand with just one word, so that your brand “owns” that word in terms of brand position

Company	Word
Volvo	Safety
Coors Light	Cold
Red Bull	Extreme

Brand Relationship: consumers perceptions and feeling about a product and its performance. Consumer relationship with brands is what they believe about them.

“PRODUCTS ARE CREATED IN THE FACTORY, BUT BRANDS ARE CREATED IN THE MIND”

People as Brands: People are also Brands

- Celebrities and Politicians aim to achieve brand power in their name
- Personal brands (like corporate brands) can be damage as quickly as created
- *Example:* Kim Kardashian, Coco Chanel

Brand Equity and Personality

Brand Equity: Financial value attributed to brand based largely on intangible qualities, people are willing to pay **more** for the brand.

Customer perceptions:

- **Differentiation:** what makes the brand stand out
- **Relevance:** how consumers feel when needs are met
- **Knowledge:** how much consumers know about the brand
- **Esteem:** how highly consumers regard and respect the brand

Company value ≠ brand value

Brand Personality: Human attributes and emotion they inspire toward customers. Describe brands by using same kind of adjectives.

Example: Coca-Cola is traditional, Starbucks is sophisticated

- **Status:** Roll Royce and Bentley are higher status cars brands than Ford and Toyota. Status shouldn't be confused with value or popularity

Brands Elements:

- **Name**
- **Icon** (Shapes, Colours, etc.)

- **Logo:** design that represent brand and what they may or may not incorporate in the brand name. Sometimes, brand managers feel that logo needs a change
Example: Pepsi changed its logo to look like a smile. Hudson Bay rebranded its stores from “The Bay” to “Hudson Bay”

Brand Strategy

Brand Name Selection:

- **Distinctive**
- **Pronounceable** easy to pronounce, recognize and remember
- **Extendable:** not tied to closely to one product (Apple, Amazon, Nike)
- **Legally Clear** capable of registration and protect as a trademark (made up names work best)
- **Product Related**

Brand Positioning:

- **Product Attributes:** Pampers focus on attributes such as fluid, absorption and fit but attributes are least desirable quality since competitors can easily copy it (least strong)
- **Desirable Benefits:** Pampers offer a dry baby bottom (strong)
- **Beliefs and Values:** (strongest)

Brand Sponsorship:

- **National Brand:** brand create and owned by producer/ manufacturer of product:

Example: Samsung Galaxy/ Kellogg’s Frosted Flakes (sell their output under their own names)

- **Private Brand:** brand owned by the reseller of product under contract

Example: Shopper’s Life Brand/Superstore Joe Fresh

Advantage: control what products they stock, where they go on the shelf and price change. Lower prices than comparable national brands.

Licensing: uses previously created names or symbols for a fee

Example: NHL team jersey or any item bearing logo of a professional sport team
=company licensed right to make own items

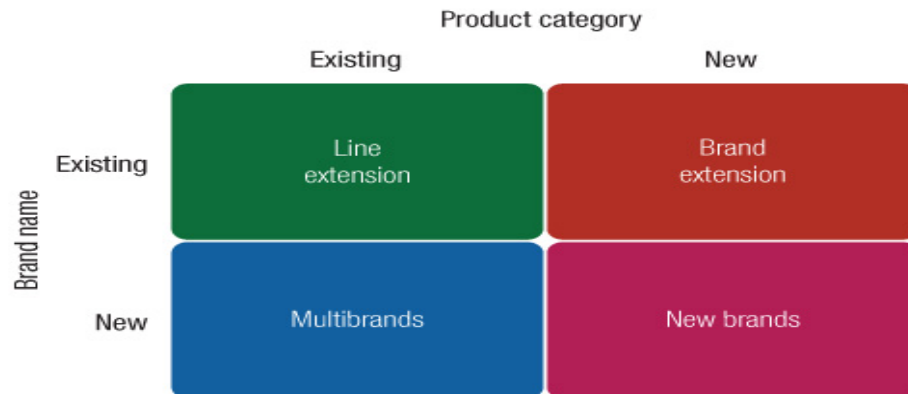
Co-Branding: practice of using the established brand names of two different companies on the same product –two brands must be **complementary**

Example: Walmart and McDonalds, Apple and Nike, Target and Starbuck

Brand Development and Management

❖ Brand Development:

FIGURE 9.1 Brand Development Strategies



- Line Extensions:** extending an existing brand name to new forms, colors, sizes, ingredients, or flavors of an existing product category.
Example: Honey Nut Cheerios and MultiGrain Cheerios are extensions of the Cheerios product line. A line extension works best when it takes sales away from competing brands, not when it “cannibalizes” the company’s other items.
- Brand Extensions:** extending an existing brand name into new product categories. It gives a new product instant recognition and faster acceptance. It also saves the high advertising costs.
Example: Mr. Clean was extended to Mr. Clean Erasers.
Careful: the extension may confuse the image of the main brand (Cheetos’ lip balm met an early death)
- Multibrands:** a brand development strategy in which the same manufacturer produces many different brands in the same product category.
Example: Whirlpool markets appliances under its corporate brand but also Maytag, KitchenAid, Jenn-Air, Amana, and Ingles.
Careful: it is better to have a few highly profitable brands than many brands that produce low profits.
- New Brands:** established companies sometimes create new brands when it develops a new product or product line.
Example: Toyota created Scion to appeal to millennials.

Strategy	Line Extensions	Brand Extensions	Multibrands	New Brands
Description	Extend a brand name to new forms	Extend to new product categories	Different brands by the same producer	New brand names assigned to new products in new category
Advantages	Low cost, low risk, familiarity	Instant Recognition for new product	Appeal to different segments	Best when new product does not fit within any existing brand name
Risks	Over exposure of brand name	May confuse brand image or meaning	Separate brand may be weak individually	New brands require significant resources to launch and maintain

❖ **Brand Communication:** focus on communicating brand positioning, or image, then product features.

Brand Experience and Touchpoints

- **Brand Experience:** composed of (1) sensory (2) affective (3) behavioral (4) intellectual =these responses are evoked in consumers when they come into contact with touchpoints.
- **Touchpoints:** advertising, marketing communications, personal experience with the brand, social media, company and brand websites, store displays, and anything else that brings a consumer into contact with a brand.

Brand Icons and Characters

- **Brand icons:** objects with distinct shapes, colors, or patterns that are associated with the brand (Disney's castle, Coca-Cola's red and white swoosh)
- **Brand Characters:** lifelike brand icons, or mascots, that can move, speak, and interact, and that have personality traits (Pillsbury Doughboy, Tony the Tiger, Michelin Man, Betty Crocker)

Brand Engagement: the interaction between consumers and brands, based on the emotional connection consumers feel toward the brand.

Brand Ambassadors:

- A real person who, under contract with the brand's marketing organization acts as a spokesperson for the brand.
- Typically selected for their looks, and may be used for a limited amount of time.

Brand Stories:

- Brands has a history/storytelling
- Brand managers use detail of character, place and action basic "information maps" to keep in our head (refers as "schemas")
- Bring brands to life and keeps them interesting
- Inspire loyalty from consumers

Branded Content (Content Marketing): any form of information or story **written** and produced by a brand marketer, with the brand clearly and prominently featured. **"Using the power of storytelling to move consumers into action"**

Branded Entertainment: a form of entertainment, usually video, that is created with the cooperation or financial support of a marketer. Example: BMW

Brand Advocates:

- customers, employees, and others who willingly and voluntarily promote their favorite brands
- Brand **Ambassadors** are paid, whereas Brand **Advocates** are not
- Advocacy begins with trust (nurture their recommendations and opinions)

- Advocacy starts close to home (brand must first build a strong base)
- Make customers and employees part of the brand story
- Offer an experience that gets them talking
- Outperform where they care most

Chapter 10: Pricing: Understanding and Capturing Customer Value

What is Price?

Total value customer exchange for benefits of having or using products or service

Price: amount of money charged for product or service (only Marketing Mix element)

- Produces revenue, other elements represent cost
- Most flexible one, changed quickly

Major Pricing Strategies

FIGURE 10.1 Considerations in Setting Price



- **Price Ceiling:** If customers perceived that price is greater than product value, they will not buy the product
- **Price Floor:** If the company prices that product below its cost, company will suffer

Value based pricing is customer driven

Cost based pricing is product driven

First Strategy:

Customer Value Based:

- Setting price based on buyer perception of value than on the seller cost
- Company assess customer needs and value perception after set price based on customer perception of value

1. Good-Value Price: offering the right combination of quality and good service at a fair price.

- Offer less expensive version of established brand name product
Example: McDonalds Dollar Menu
- Redesigning existing brands for more quality for given price or same quality for less price
- **Everyday low price (EDLP):** involves charging a constant everyday low price with few or no temporary price discounts. (Walmart)
- **High-Low Price:** charging higher price on everyday basis but frequent promotion to lower price temporarily of selected items (Sears, Hudson's Bay)

Value-Added Price: features and service to differentiate company offer, support higher prices, and build pricing power.

- **Price Power:** is the ability to **escape price competition** and to **justify higher price** and margin without losing market share.

Second Strategy:

Cost-Based Price:

- Setting prices based on seller costs for **producing, distributing, and selling** product **plus** a fair rate of return for effort and risk
- Company design a product they consider is good, add the cost of making the product, sets up a price to the cost price and target profit. Markers have to prove to the buyer that the product justifies the price.

Types of Costs:

1. **Fixed costs:** are the cost that **do not vary** with product or sale level
Example: Rent, Heat, Interest, Executive salaries
2. **Variable cost:** are cost that **vary** with level of product
Example: Packaging, Raw materials, wires
3. **Total cost:** sum of fix and variable cost for any given level of product
4. **Average cost:** cost associated with a given level of output

A. Cost Plus Pricing: adds a standard **markup** to the cost of the product

Advantage:

- Sellers are certain about the cost than about demand
- Prices are similar in industry and price competition is minimized
- Consumers feel it is fair

Disadvantage:

- Ignores demand and competitor prices

B. Break-Even Pricing: price at which total cost are equal to total revenue and there is no profit

C. Target Profit Pricing: price at which the firm will break even or make profit its seeking.

-Problem: fails to consider customer value and relationship between price and demand

Third Strategy:

Competition Based Price: set price based on **competitor's strategies, cost, price and market offering**

- Customers based their judgements of a products value on the price that competitors charge for similar product.
- If consumer perceive that the company product or service provides greater value, company can charger higher price
- If consumer perceive less value relative to competing product, company must **(1) charge less or (2) change customer perception to charge more**

Factors Affecting Price

Additional Considerations of Pricing:

Internal Factors

- Corporate strategy and objectives
- Other marketing mix elements
- Desired position
- Brand

External Factors

- Market and demand
- Price elasticity
- Economic conditions
- Regulations
- Social awareness and concerns

Other Internal and External Consideration Affecting Price Decision:

- Customer perception of value set the **Upper Limit** for prices and cost set the **Lower Limit**
- Companies must consider internal and external factors when setting prices

INTERNAL

Target Cost: starts with **ideal selling price** based on consumer value considerations and **targets costs** that will ensure that the price in met

Example: Honda set out to design the Fit, it began with \$13, 950 starting point and 33 miles per gallon operating efficiency firmly in mind, THEN, it designed a stylish, peppy little car with costs that allow it to give target customers those value.

Organizational Consideration: WHO SHOULD GET THE PRICE?
WHO CAN INFLUENCE THE PRICES?

EXTERNAL

Market and Demand: before setting prices, the markets must understand the relationship between price and demand for its products

Types of Markets:

1. **Pure Competition:** market consist of **many** buyers and sellers trading in a **uniform** commodity such as wheat, copper, financial securities.
2. **Monopolistic Competition:** market consist of **many** buyers and selling who trade over a **range of prices** than a single market price. (Best way to differentiate their offers to buyers)
3. **Oligopolistic Competition:** market consists of **few sellers** who are highly **sensitive** to each other's pricing and marketing strategies (Rogers, Bell, Fido, Telus)
4. **Pure Monopoly:** market consists of **one seller** (Canada Post, Hydro Quebec)

Demand Curve: shows the number of units the market will buy in a given period at different price

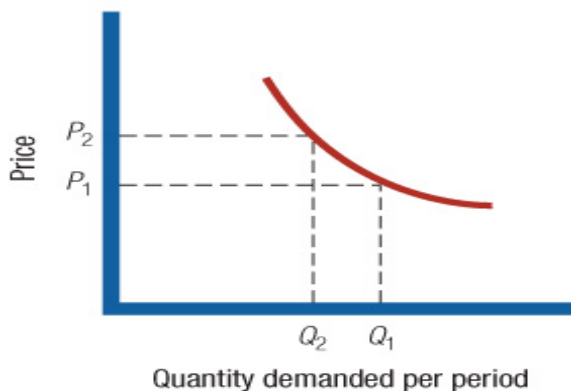
- Demand and price are inversely related
- Higher price = lower demand
- For prestige (luxury) goods, higher price = higher demand = when consumer perceived higher prices as higher quality

Price Elasticity of Demand

Inelastic demand: when demand hardly changes when there is a small change in price

Elastic demand: when demand changes greatly for a small change in price

$$\text{Price elasticity of demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$



- Demand Curve
- Inverse relationship price and quantity
- Price Elasticity

Economy: Recession, Inflation, Interest Rates = affect consumer spending and consumer perception of the product price

Other Consideration:

- Economic Condition
- Reseller Response to price
- Governments
- Social Concerns

New Product Pricing Strategies

Market Skimming Price: strategy with **high initial** price to skim maximum revenue from segments willing to pay the high price

- Product quality and image must support high price
- Buyers must want the product at the price
- Cost of producing the product in small volume should not cancel the advantage of higher price
- Competitors **cannot** easily enter the market and undercut price
- Example: every time Apple introduces a new iPhone or iPad model; the

initial price is very high. After 6 months, the price comes down slightly, and after a year, the price is lowered even more.

Market Penetration Price: set a **low initial price** in order to **attract** the number of buyers and large market share

- Price sensitive market
- Cost fall as volume increase: inverse relationship of production and distribution cost to sale growth
- Low price must keep competition out of the market

STRATEGY	DESCRIPTION
Product line pricing	Setting prices across an entire product line
Optional-product pricing	Pricing optional products sold with main product
Captive-product pricing	Pricing products which must be used with main product
By-product pricing	Pricing by-products to make a main product's price more attractive
Product bundle pricing	Pricing a bundle of individual products at a price lower than if purchased separately

Product Mix Pricing

- **Product Line Pricing:** takes into account the cost differences between the products in the line, customer evaluation of their features, and competitor price
Example: A company offers some 20 different collections of bags from its laptop bags ranging from \$20-\$35, to it high-end luggage line, where a small suitcase retails at \$500
- **Optional-Product Pricing:** takes into account optional accessory products along with a main product (Cars and GPS)
Example: New cars offer sound systems, Bluetooth, GPS systems, and many other options

- **Captive-Product Pricing:** involves products that must be used along with the main product
Example: PS3 video games, regular and premium version, blades for a razor, ink for printer
- **By-Product Pricing:** product with little or no value produce as a result of the main product. Producers will seek little or no profit other than the cost to cover storage and delivery
- **Product Bundle Pricing:** combining several products and offering the bundle at a reduced price. Example: fast food restaurants bundle a burger, fries and soft drink into a “combo” and Bell bundles TV, internet and phone services at a low combined price.

Price Adjustment Strategies:

1. Discount and Allowance Price: reduce price to reward customer response such as paying early or promoting the product, off-season buying

- **Discount:** straight reduction in price on purchase during a stated period time
 - *Cash:* price reduction to buyers who pay their bill promptly
 - *Quantity:* price reduction to buyers who buy large volumes
 - *Functional*
 - *Seasonal:* price reeducation to buyer who buy merchandise or service out of the seacon
- **Allowance:** promotional money paid by manufactures to retailer in return for an agreement to feature the manufacturer product in some way
Example: Trade-in, Promotional

2. Segmented Price: used when company sells a product at two or more prices even though the difference is not based on cost

- **Customer segment price:** when different customer pay different price for the same product or service (**Museums**)
- **Product form segment price:** when different versions of the product are priced differently but not according to difference in cost (**Airline tickets**)
- **Location price:** when the product sold in different geographic areas is priced differently even though the cost is the same (**Theatre seats**)
- **Time price:** varies by the season, month, day, even hours (**Resorts**)

3. Psychological Price: occurs when sellers consider the psychology price and not simply the economics

Reference Price: price that buyers carry in their minds and refer to when looking at given product:

- Noting current prices
- Remembering past prices
- Assessing the buying situation

4. Promotional Price: when price is temporarily price below list price or cos to increase demand

- **Loss leaders:** products sold below cost to attract customer in hope they will buy other items at normal markups
- **Special event price:** attract customers during certain seasons or periods
- **Cash rebates:** given to consumers who buy products within a specified time
- **Low-interest financing, longer warrantee and free maintenance** lower consumer “total price”

5. Geographical Price: used for customers in different parts of the country or the world

- **FOB-origin (free on board) Price:** means the goods are delivered to carrier and title and responsibility passed to customer
- **Uniform delivered Price:** company charges the same price plus freight to all customers, regardless of location
- **Zone Price:** company sets up two or more zones where customers within a given zone pay a single total price

6. Dynamic Price: price is adjusting continually to meet the characteristics and needs of individual customer and situations

7. International Price: price is set in a specific country based on country specific factors

Strategy	Description
Discount and allowance pricing	Reducing prices to reward customer responses such as paying early or promoting the product
Segmented pricing	Adjusting prices to allow for differences in customers, products, or locations
Psychological pricing	Adjusting prices for psychological effect
Promotional pricing	Temporarily reducing prices to increase short-run sales
Geographical pricing	Adjusting prices to account for the geographic location of customers
Dynamic pricing	Adjusting prices continually to meet the characteristics and needs of individual customers and situations
International pricing	Adjusting prices for international markets

Price Changes

Price Cut: (1) Excess Capacity, (2) Falling Demand (3) Drive to dominate Market

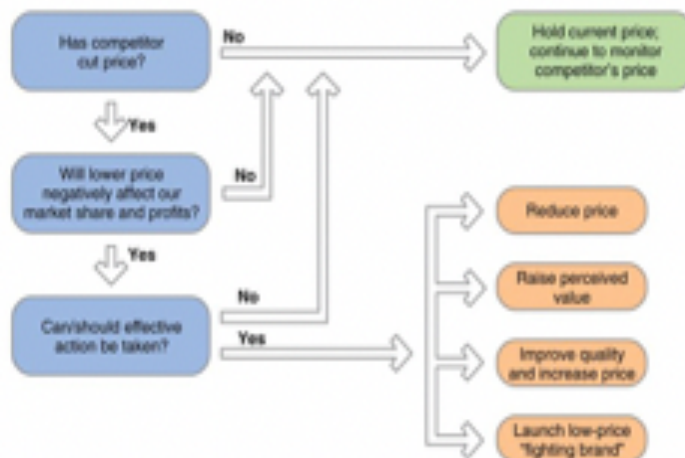
Price Increase: (1) Cost inflation (2) Overdemand (3) Lack of supply

Buyer Reaction:

Price Increase: (1) Product is “hot” (2) Company greed

Price Cut: (1) New models will be available (2) Models are not selling well (3) Quality issues

Assessing and Responding to Competitor Price Changes



Fighter Brand:

Adding a lower price item to the line or creating a separate lower price brand. They create explicitly to win back customer who have switched to a lower priced rival

Competition Act:

- Reduce price to match competition
- Raise the perceived value of its offer
- Improve quality and increase price
- Launch a low-price “fighting brand”

It prohibits:

- **Price Fixing** sellers must set prices without talking to competitors
- **Bid Rigging:** where one party agrees not to submit a bid or tender in response to a call, or agrees to withdraw a bid or tender submitted at the request of another party.
- **Predatory Pricing:** selling below cost with the intention of punishing a competitor, or gaining higher long-run profits by putting competitors out of business
- **Price Discrimination:** sellers must offer the same price terms to customers at a given level of trade
- **Functional Discounts:** offering a larger discount to wholesalers than to retailers
- **Retail Price Maintenance:** a manufacturer cannot require dealers to charge a specified retail price for its products
- **Deceptive Pricing:** when a seller states prices that are not actually available to consumers
 - Scanner fraud failure of the seller to enter current or sale price into the computer system
 - Price confusion when firm employ price method that make it difficult for consumers to understand what price they are really paying

Chapter 11: MARKETING CHANNELS DELIVERING CUSTOMER VALUE

Value delivery network: is the firm's supplier distributors, and ultimately customers who partner with each other to improve the performance of the entire system

- **Up Steam:** firms that supply raw materials, components, information needed to create a product or service
- **Downstream:** Market Channels (or distribution channels) that look forward toward the customers, link producers to the customers

Supply Chain: “**make and sell**” view includes the firm's raw materials, productive inputs, and factory capacity as starting point for market planning

Demand chain: “**sense and respond**” view suggest that planning starts with the needs of the target customers, and the firms responds to these needs by organizing a chain of resources and activities with the goal of creating customer value

What is a Channel?

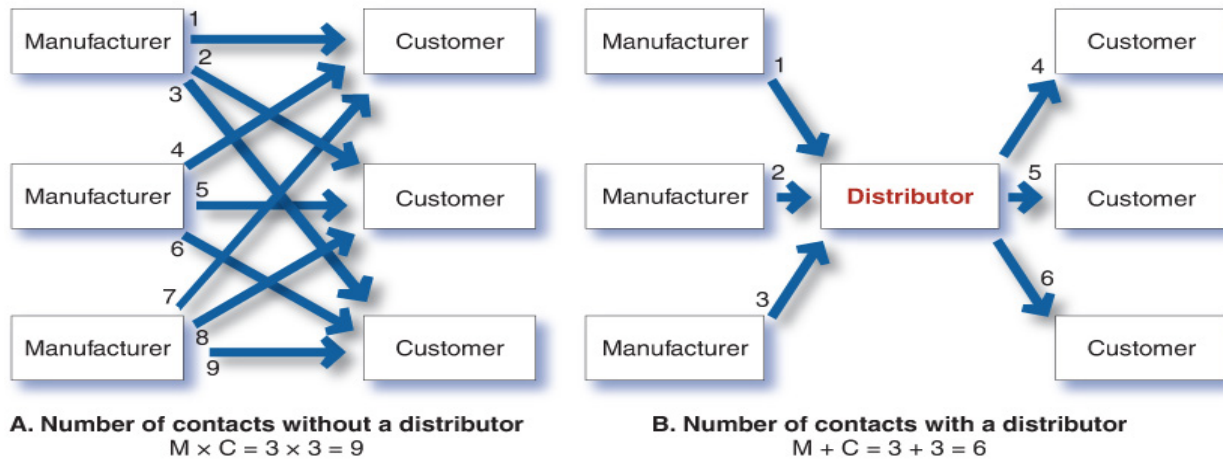
- ❖ **Marketing (Distribution) Channels:** sets of independent organization that help make a product or service available for use or consumption by the consumer or business user (*they work as intermediaries*)

Intermediaries: are producer's greater efficiency in making goods available to target markets. Through their *contacts, experience, specialization, and scale of operations*, intermediaries usually offer the firm more than it can achieve on its own

- ❖ Channel decisions can lead to competitive advantage
- ❖ Channel decisions affect other marketing decisions

Channel members add value by bridging the major *time, place and possession gap* that separate goods and service from those who would use them

FIGURE 11.1 How Adding a Distributor Reduces the Number of Channel Transactions



Direct Marketing

Distribution Channel



- **Information:** gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange
- **Promotion:** developing and spreading persuasive communication about an offer
- **Contact:** finding and communicating with prospective buyer
- **Matching:** shaping and fitting the offer to the buyer needs, including activities such as manufacturing, grading, assembling and packaging
- **Negotiating:** reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred
- **Physical Distribution:** transporting and storing goods
- **Financing:** acquiring and using funds to cover the costs of the channel work
- **Risk Taking:** assuming the risks of carrying out the channel work

Types of Intermediaries

Wholesalers: primary business is selling products to those buyers for resale or business use (ex: Apple and Samsung are wholesaler)

- **Merchant wholesalers:** Costco: who purchases the product then physically distributes it to consumers

Agents: representative, a buyer or seller who perform only a few functions and do not take title goods

- **Manufacturers agents:** sells the manufacturer's goods to buyers and receives a commission from the manufacturer (usually small manufacturers that don't have their own sales staff)
- **Advertising agencies:** provide marketing communication service such as designing and producing advertisements and buyers the media in which run them

Retailers: sell products directly to consumers

Drop Shipper and Rack Jobbers: Intermediaries that do not take possession of merchandise. Perform specific function in the distribution channel

- **Drop Shipper:** intermediary takes order and payments from customers, then arranges to have the merchandise shipped to the customer directly from supplier
- **Rack Jobbers:** wholesales buyer merchandise and resells it "racks" inside retail store, partnership with retailer. The ownership of goods until they are sold and once sold, rack jobber bills the retailer for the item that were sold

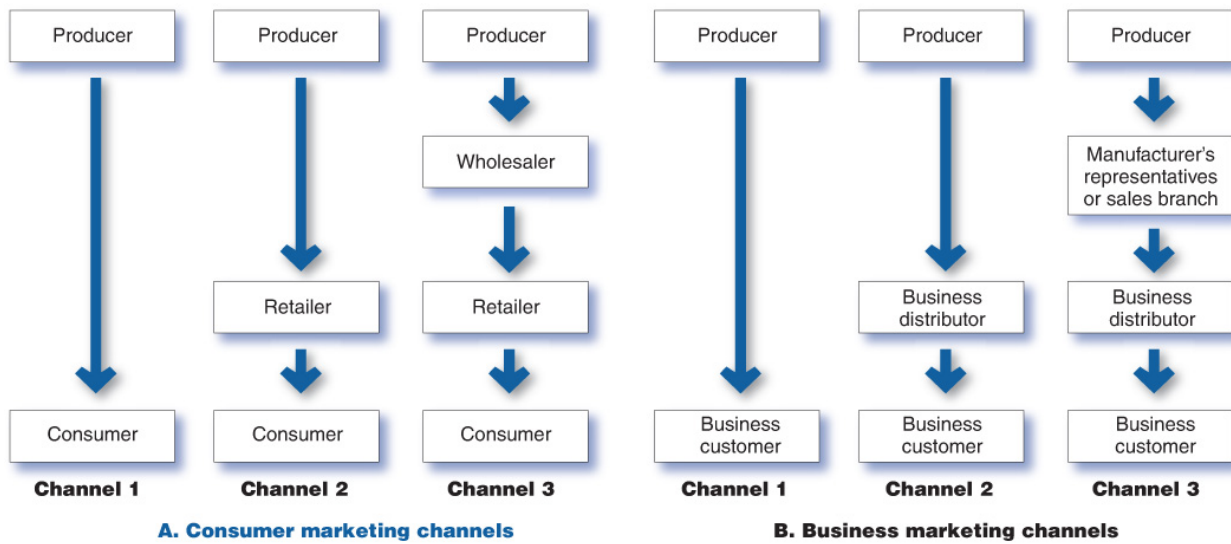
Broker: specialize by product line or customer type, do not take title to goods, they perform only a few functions (stockbroker who buys stock on behalf of a client and earns commissions)

How Many Channel Levels?

Channel levels: are layers of intermediaries that perform some work in bringing the product and its ownership closer to the final buyer

- **Direct Market Channel:** market channel that has no intermediary levels (deliver products to consumer directly from a producer)
- **Indirect Market Channel:** one or more intermediary level between the producer and consumer

FIGURE 11.2 Direct and Indirect Marketing Channels, for Both Business-to-Consumer and Business-to-Business



Connected by several types of flow:

- Physical flow of products
- Flow of ownership
- Payment flow
- Information flow
- Promotion flow

Vertical Market Systems (VMSs): provide channel leadership and consist of producers, wholesalers, and retailers acting as a unified system

- One channel member owns the others: contracts with them, or has so much power that they all co-operate

VMS SYSTEM	DESCRIPTION
Corporate	<p>Combines successive stages of production and distribution <u>under single ownership</u></p> <p><u>Example:</u> Zara owns or control most of its distribution systems from manufacturing through retailing</p> <p><u>Example:</u> Loblaw Companies Limited owns produces and distributes its brand Joe Fresh</p>
Contractual	<p>Independent firms at different levels of production/distribution contract with each other to obtain more economies of scale than each could alone</p>

Franchise *most common form of contractual	Links several stages in the production and distribution process, and control operation from a central head office
Administered	Coordinates successive stage of production and distribution, not through common ownership or contractual ties but through the size and power of the parties <ul style="list-style-type: none"> ○ <u>Few dominant channel members</u> without common ownership ○ Leadership comes from size and power <p><u>Example:</u> General Electric, P& G and Kraft can command usual operation from retailers regarding displays, shelf space, promotions and price policies</p>

Franchise organization: are contractual vertical marketing system in which channel members called “franchisor”, links several stages in the production distribution process

- Manufacturer sponsored retailer franchise system
- Manufacturer sponsored wholesales franchise system
- Service firm sponsored retailer franchise system

Horizontal Market System: two or more companies at one level join together to follow a new marketing opportunity

- Companies in a horizontal market system might join forces with competitors or non-competitors.

Example: Tim Hortons set up express versions of its stores at Esso Gas Station so that commuters can fill up and get coffee on the way to work without marking 2 stops

Multichannel Market System: single firm set up two or more marketing channels to reach one or more customer groups (called **Hybrid Market Channel System**)

- Example: Zara sells its merchandise both online and traditional retail distribution channel. **Caution!!** Can be hard to control and may create channel conflict

Channel Conflict

Horizontal Conflict: occurs among firms that perform the same function at the same level of the channel

Example: Holiday Inn franchise owners feels that another Holiday Inn franchise is giving poor service, hurting the brand image

Vertical Conflict: occurs between different levels of the same channel is even more common

Example: KFC came into conflict with its franchise over the brand decision to emphasize frilled chicken over the brand traditional fried chicken

Disintermediation Market System: cutting out of channel intermediaries by product or service producers and go directly to final buyer or the displacement of traditional resellers by radical new types of intermediaries.

Example: Travelocity, Netflix, Uber, Electronic books, bookseller developed e-book reader like Kindle and Kobo

Distribution (Channel) Strategy

Intensive distribution: distribute products in as many locations as possible. ***not always the best strategy***

Selective Distribution: marketer selects a set if retailers that specialize in their product category.

Example: Sony and Bose are high-quality brands that would only be found in high-end electronic retailers and not at discount retailers.

Exclusive Distribution: marketer gives the rights to distribute its products to only one retailer, or to only one retailer in a particular geographic territory (Usually associated with luxury brands such as Rolex and Tiffany).

Example: The Cindy Crawford line in home furnishing is available exclusively at The Brick.

Marketing Channel Design

Analyzing the consumer needs: designing the market channel starts with finding out what the customers wants from the channel

Setting channel objective: company decides on which segments to service and the best channels to use, influence by nature of the company, its competitors, its environment, its market intermediaries, its products

Identifying major channel alternative:

Type of intermediaries: identify the type of channel members available to carry out the channel work

Responsibilities: producers and intermediaries need to agree on the terms and responsibilities of each channel member

Three Strategies:

1) Intensive Distribution: stocks the products in **as many outlets** as possible (*convenience products and common raw material*)

2) Exclusive Distribution: gives **limited number** of dealers exclusive rights to distribute the company products in their territories (*luxury brands*)

3) Selective Distribution: use of **more than one but fewer** than all of the intermediaries who are willing to carry the company products (*TV, furniture and home appliances*)

Evaluation: economic criteria (what will be investment enquire by each channel alternative and what returns will return), **control** (how much control will the intermediary take), **adaptive criteria** (will a channel involve long term commitment be flexible)

International Distribution Channel: channel system can vary from country to country. Must be able to adapt channel strategies to the existing structures within each country

Example: In cities like Beijing, Seoul, and Cairo, armies of motorbike delivery drivers outfitted in colorful uniforms and bearing food in specially designed boxes strapped to their backs make their way through bustling traffic to deliver Big Macs

Marketing Logistic (Physical Distribution): involves planning, implementing and controlling the physical flow of goods and service and related information from point of origin to point of consumption to meet consumer requirements at a profit

Task of coordinating and controlling the physical flow of all those supplies and products – logistics – is called **logistics management** or **supply chain management**

- Outbound distribution (warehouse and distribution centers)
- Inbound distribution (Logistics technology)
- Reverse distribution (Third party logistics)
- Just in time logistics (Environment impact)

Goal: deliver a targeted level of customer service at the least cost

- Warehouse
- Inventory management
- Transportation
- Logistics information management

Third Party Logistics (3PL)

- Rarely a business core competency
- Many companies choose to outsource their logistic management to **3PL providers**
- Other 3PLs: among the Canadian Pacific, UPS, Penske Logistic, BAX Global
 - More efficiently
 - Lower cost
 - Focus on its core business
 - Increase knowledgeability of complex logistics

Chapter 13: COMMUNICATING CUSTOMER VALUE: ADVERTISING AND PUBLIC RELATIONS

Promotion Mix (Marketing Communication Mix): specific blend of advertising, public relations, personal selling, and direct market tools that company uses to persuasively communicate customer value and build customer relationship

Advertising: is any paid form of non-personal presentation and promotion of ideas, goods, or service by an identified sponsor

- Broadcast
- Print
- Internet
- Outdoor

Sale promotions: are the short-term incentives to encourage the purchase or sale of a product or service

- Discounts
- Coupons
- Displays
- Demonstrations

Public relations (PR): involves building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumours, stories, and events.

- Press releases
- Sponsorships
- Special events
- webpages

Personal selling: is the personal presentation by the firm's sales force for the purpose of making sales and building customer relationships.

- Sales presentations
- Trade shows
- Incentive programs

Direct marketing: involves making direct connections with carefully targeted individual consumers to both obtain an *immediate response and cultivate lasting customer relationships*—through the use of direct mail, telephone, direct-response television, email, and the Internet to communicate directly with specific consumers.

- Catalogues
- Telemarketing
- Kiosks

The New Marketing Communications Landscape

- Better informed consumers
- More communication
- Less mass marketing
- Changing communications technology

Integrated Marketing Communications (IMC): integrating and coordinating the company's many communications channels to deliver a clear, consistent, and compelling message about the organization and its products

- Communication with/to customer is changing:
 - consumers see “single” message from companies
 - communication technology is richer, faster
 - marketing strategies must be integrated

Advertising reaches masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times.

Pros:

- Reaches masses at low cost per exposure
- Repeats message many times
- Creates consumer trust (view of advertised products as more legitimate)

Cons:

- Promotes impersonally,
- one-way communication
- Costs are high for some media types

Personal selling is the most effective method at certain stages of the buying process, particularly in building buyers' preferences, convictions, actions, and developing customer relationships

Pros

- Communicates personally two-ways
- Builds preferences, convictions, and actions
- Allows relationship building

Cons

- Requires long-term commitment to sales force
- Most expensive promotion tool

Sales promotion attract consumer attention and offer strong incentives to purchase, and can be used to dramatize product offers and to boost sagging sales.

Pros

- Invites quick consumer response

Cons

- Effects are short-lived
- Includes a wide assortment of tools
- Attracts consumer attention

- Offers strong incentives to purchase
- Dramatizes product offers

Public relations a **very believable** form of promotion that includes news stories, features, sponsorships, and events.

Pros

- Legitimizes credibility, very believable
- Reaches people who resist advertising
- Dramatizes a company or product
- Saves money when used proactively

Cons

- Tends to be used as an afterthought

Direct marketing is a **non-public, immediate, customized, and interactive** promotional tool that includes direct mail, catalogues, telemarketing, and online marketing.

Pros

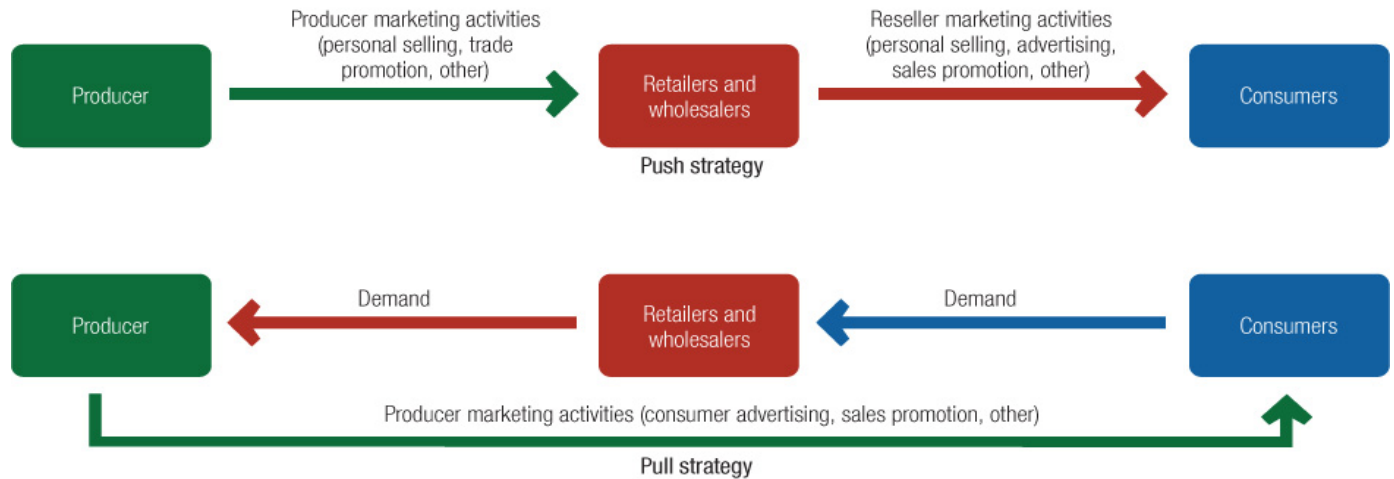
- Communicates more directly with targeted customers
- Reaches customers with tailored message
- Creates interactivity
- Builds one-to-one relationships

Cons

- Often perceived as junk-mail/spam

Promotion Mix Strategies

FIGURE 13.2 Push versus Pull Promotion Strategy



• Push strategy :

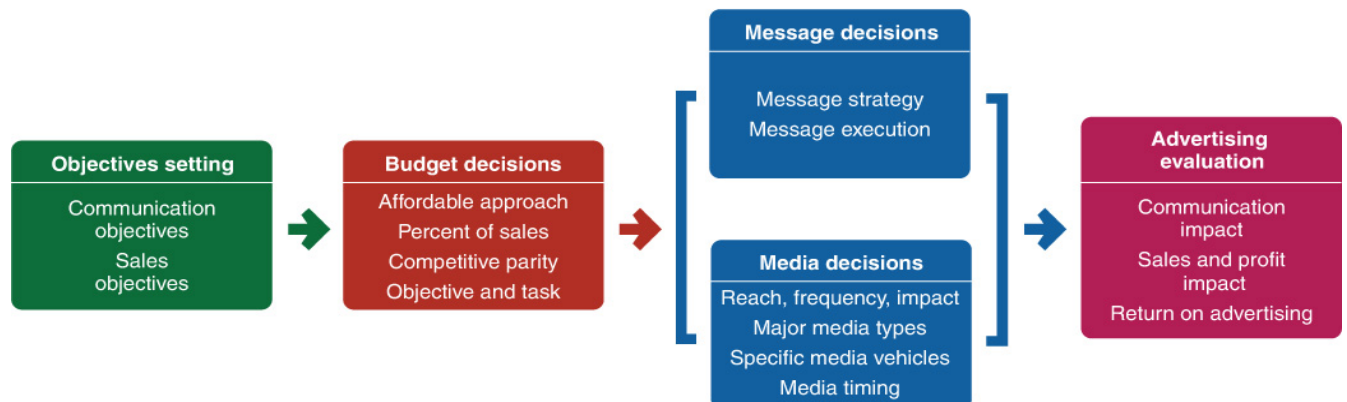
- using the **sales force and trade promotion** to “*push*” the product through channels.
- The producer promotes the product to channel members, who in turn promote it to final consumers.

• Pull strategy :

- spending a lot on **advertising and consumer promotion** to induce final consumers to buy the product,
- creating a **demand vacuum** that “*pulls*” the product through the channel.

Advertising Objective: a specific communication task to be accomplished with a specific target audience during a specific period of time

FIGURE 13.3 Major Advertising Decisions



First-Setting Advertising Objective

(Build relationship by communication value):

- **Informative advertising** is used when introducing a new product category; the objective is to build primary demand.
- **Persuasive advertising** is important with increased competition to build selective demand.
 - **Comparative advertising** directly or indirectly compares the brand with one or more other brands.
- **Reminder advertising** is important with mature products to help maintain customer relationships and keep customers thinking about the product

Second-Setting the Advertising Budget

Advertising budget: is the dollar and other resources allocated to a product or company advertising program

Affordable method: setting the promotion budget at the level management thinks the company can afford

CON: place promotion last among spending priorities

(2) *Percentage of sales method:* setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price

PRO:

(1) simple to use

(2) helps management think about the relationship between promotion spending, selling price and profit per unit

CON:

(1) wrongly views sales as cause of promotion rather than as the result

(2) budget varied year to year, long-term planning is difficult

(3) *Competitive parity method:* setting the promotion budget to match competitors outlays

(4) *Objective and task method:* develop the promotion budget (1) specific objective (2) determine the tasks the must perform to achieve these object (3) estimate the cost of perform these tasks. The sum of these costs is proposed promotion budget

- Can be difficult to figure out which specific task will achieve the state objective

Third Developing Advertising Strategy

Advertising Strategy: strategy by which the company accomplishes its advertising objective and consist of:

- Creating advertising **messages**
- Selecting advertising **media**

Creating advertisement *messages*

Advertising clutter: today's consumers, armed with an arsenal of weapons, can choose what they watch and don't watch. Increasingly, they are choosing not to watch ads.

Madison & Vine: a term that has come to represent the *merging of advertising and entertainment* in an effort to break through the clutter and create new avenues for reaching customers with more engaging messages.

The aim of **advertisement** is to make ads so entertaining, or so useful, that people will *want* to watch them

Branded entertainment (brand integration): making the brand an inseparable part of some other form of entertainment. Examples: the hosts of Breakfast Television Montreal having a Tim Hortons mug, or a Modern Family episode when the family desperately searches for the latest iPad

Message Strategy

People will engage only if they believe they will benefit from doing so

Develop a **creative concept (big idea):** will bring an advertisement message strategy to life in a distinctive and memorable way

Advertising appeals should be meaningful, believable, and distinctive

Message Execution: “big” idea must turn into an actual ad execution using the following execution styles:

- ✓ Slice of life: typical, “real” people
- ✓ Lifestyle
- ✓ Fantasy
- ✓ Mood/image
- ✓ Musical
- ✓ Personality
- ✓ Symbol (Mr. Clean)
- ✓ Technical Expertise: how good they are at their craft (how good they are at brewing beer)
- ✓ Scientific Evidence: used to show that the brand is better than other brands
- ✓ Testimonial evidence/endorsement

You can also use consumer-generated content

Selecting advertising media

A. Determining reach, impact, frequency, and engagement

B. Choosing among major media types

C. Selecting specified media vehicles (specific media within each general media type): TV vehicles would include Modern Family, Hockey Night in Canada etc.

D. Deciding on media timing (scheduling advertisements). Can be continuous, seasonal, or pulsing (scheduling ass unevenly over a given time period)

Reach: measure of the percentage of people in the target market who are exposed to the ad campaign during a given period of time

Frequency: measure of how many times the average person in the target market is exposed to the message

Impact: is the qualitative value of a message exposure through a given medium

TABLE 13.2 Profiles of Major Media Types

Medium	Advantages	Limitations
Television	Good mass-marketing coverage; low cost per exposure; combines sight, sound, and motion; appealing to the senses	High absolute costs; high clutter; fleeting exposure; less audience selectivity
Online, mobile, and social media	Focus on individuals and customer communities; immediacy; personalization, interaction, and engagement capabilities; social sharing power; low cost	Potentially narrow impact; difficult to administer and control; the audience often controls content and exposure
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptability; high believability	Short life; poor reproduction quality; small pass-along audience
Direct mail	High audience selectivity; flexibility; no ad competition within the same medium; allows personalization	Relatively high cost per exposure; "junk mail" image
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life and good pass-along readership	Long ad purchase lead time; high cost; no guarantee of position
Radio	Good local acceptance; high geographic and demographic selectivity; low cost	Audio only; fleeting exposure; low attention ("the half-heard" medium); fragmented audiences
Outdoor	Flexibility; high repeat exposure; low cost; low message competition; good positional selectivity	Little audience selectivity; creative limitations

Forth Evaluating the Effectiveness and Return on Advertising Investment

- **Return on advertising investment:** net return on advertising investment divided by the cost of the advertising investment
 - **Communication effect** indicate whether the ad and media are communicating the ad message well and should be tested before or after ads runs
 - **Sales and profit effects** compare past sales and profits with past expenditures or through experiments

Public Relations: involves building good relations with the company’s various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events.

Public relations used to promote products, people, ideas and activities

FUNCTION	DESCRIPTION
Press Relations	Creating and placing newsworthy information in the news media to attract attention
Product Publicity	Publicizing specific products
Public Affairs	Building and maintaining national or local community relations
Lobbying	Building and maintaining relations with legislators and government officials to influence legislation and regulative

Investor Relations	Maintaining relationship with shareholders and others in the financial community
Development	Working with donors or members of not for profit organizations to gain financial or volunteer support

The Role and Impact of Public Relations:

- ✓ Lower cost than advertising
- ✓ Stronger impact on public awareness than advertising

News	Corporate identity materials
Speeches	Public service activates
Special events	Buzz Marketing
Written materials	Social networking
Audiovisual materials	Mobile tour marketing
	Internet

Chapter 14: PERSONAL SELLING AND SALE PROMOTION

Personal Selling: personal presentation by the firm's sale force for the purpose of making sales and building the customer relationships

Salesperson: an individual representing a company to customer by performing one or more of the following activities:

- Prospecting, communicating, creative selling, social selling service, information gathering, or relationship building
- Range of positions:
 - *Order taker:* Department store clerk
 - *Order getter:* Demands creative selling and relationship building

The Role of The Sales Forces



Critical effective link between company and customers to produce customer value and company profits

(*Salesperson-owned loyalty:* when customers are loyal to salespeople as well as to the companies and products they represent)

Coordinating marketing and sales

Sales force management: analysis, planning, implementation, and control of sales force activities



1. Designing a sale force structure:

Orientation	Size	Personal
Territorial	Large force, large sale and cost	Outside sales
Product	Workload approach	Inside sales
Customer		Team selling
Complex		

- Salespeople are one of the company's most productive and expensive assets
- Increase in sales force size can increase sales and costs
- Workload approach to sales force size refers to grouping accounts into different classes to determine the number of salespeople needed

2. Recruiting and Selecting Salespeople –hire people with specific skills

(Careful selection and training increases sales performance)

- Intrinsically motivated
- Disciplined work style
- Relationship building
- Ability to close a sale

Poor selection increases recruiting and training costs

- Lost sales
- Disrupts customer relationship

3. Training Salespeople

- Seminars, sales meetings, and e-training form the basis of sales training programs
- Goal is to achieve understanding of company, product, customer and market knowledge

4. Compensating Salespeople

- Fixed amount: Salary
Variable amount: commissions or bonuses
- Expenses
- Fringe Benefits

5. Managing the Sales Force

- Analyzing and developing time efficiencies in all aspects of selling from prospecting to closing
- Create a positive organizational culture

FIGURE 14.2 How Salespeople Spend Their Time



Supervision: is to help salespeople work smart by doing the right things in the right ways

Motivation: is to encourage salesperson to work hard and energetically toward sales force goals

Source: "2014 Sales Performance Optimization Study," CSO Insights, www.csoinsights.com. Used with permission.

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be increased through:

Organizational climate: feeling people have about opportunities, value and rewards

Sales quotas: standards that state the amount salesperson should sell and how sales should be divided among the company's products

Positive incentives

6. Evaluating salespeople and sales force performance requires:

- Regular sales, call, and expense reports
- Clear standards for judging performance
- Constructive feedback

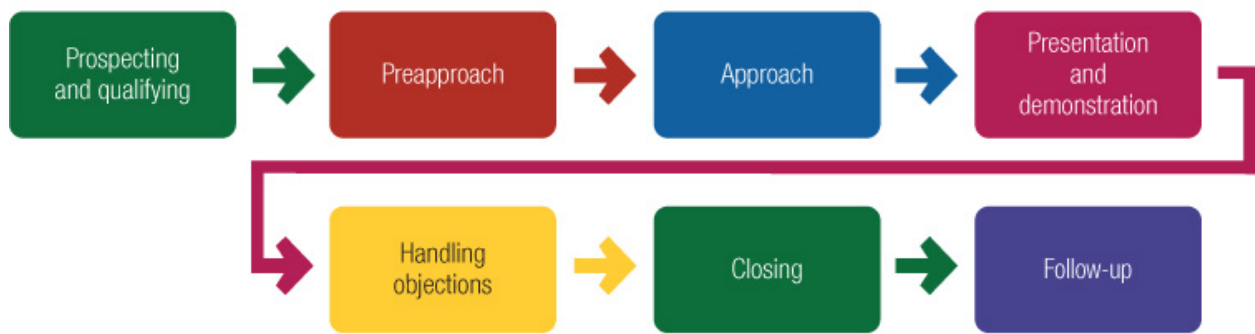
Sales morale and performance can

Selling Digitally: Online, Mobile, and Social Media Tools

- Social networking
- Time and costs saving
- Combination of proprietary systems and public portals such as Youtube and LinkedIn
- Technology is supplement

The **goal** of the personal **selling process** is to get new customers and obtain order from them

FIGURE 14.3 Steps in the Selling Process



Steps in the Personal Selling Process

Prospecting and qualifying: identify qualified potential customers

Preapproach: **Learn** as much as possible about a prospective customer before a sales call

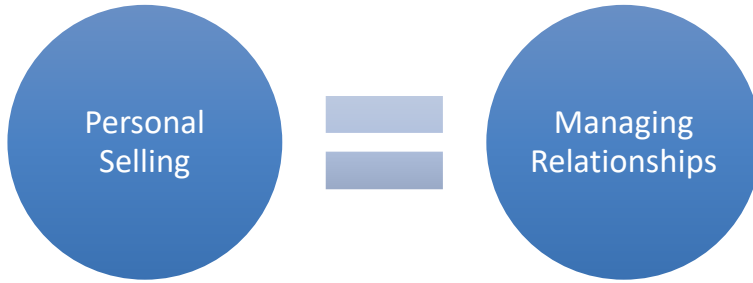
Approach: meet the customer for the first time

Presentation: tell the “*value story*” to the buyer

Handling objections: seek out, clarify, and overcome customer objections to buying

Closing: ask the customer for an order

Follow-up: follow up after the sale to ensure customer satisfaction and repeat business



Selling process reviewed is transaction-oriented

- Long-term goal is to develop a mutually profitable relationship
- ✓ Listening to customers
 - ✓ Understanding their needs
 - ✓ Coordination entire company efforts to create value

Sales Promotion

Advertising offers reasons to buy product or service, sales promotion offers reasons to buy it “NOW”

- Short-term incentives to encourage purchase
- Targeted toward:
 - Final buyers (consumer promotions)
 - Retailers and wholesalers (trade promotions)
 - Business customers (business promotions)
 - Sales force (sales force promotion)

Sales Promotion Objectives

Target Audience	Objective
Consumers	<ul style="list-style-type: none"> • Urge short-term sales or • Enhance customer brand involvement
Trade partners	<p>Persuade retailers to carry new items and more inventory, buy ahead, promote the firm’s brand, and provide more shelf space</p> <ul style="list-style-type: none"> ○ Discount: price-off, off-invoice, or off-list ○ Allowance ○ Free goods ○ Push Money ○ Specialty Advertising Items
Sale people	<ul style="list-style-type: none"> • Gain more sales force support for current or new products or • Getting salespeople to signs up new accounts
Business Promotion	<ul style="list-style-type: none"> • Sale promotion tools used to generate business leads, stimulate purchase, reward customers, and motivate salespeople <ul style="list-style-type: none"> ○ Conventions ○ Trade shows ○ Sales contest

Major Sales Promotion Tools

Promo Tools	Description and Example
Samples	Trial amount of a product, such as taste sample at supermarket
Coupons	Certificates to save money, such as those dispensed on store shelves. Increasing use of digital coupons
Rebates	Price reduction after purchase, such as mail-in proof of purchase
Price Packs	Offer discounts from regular price, such as “buy one, get one”
Premiums	Extra goods offered for free with purchases, such as kid’s meal prize
Promo Products	Articles imprinted with company name, such as t-shirts, hats, etc.
Point-of-purchase (POP)	In store displays, such as life-sized celebrity cardboard cut-outs
Contests/Games	Entice people to play, such as “Roll Up the Rim to Win”
Sweepstakes	Entices people to enter a draw, such as Home Lotteries
Event Marketing	Creation or involvement in events, such as concerts

Consideration in developing the sales promotion program



Chapter 15: DIRECT, ONLINE, SOCIAL MEDIA, AND MOBLIE MARKETING

Direct and Digital Marketing: connecting directly with carefully target individual consumers to both obtain an immediate response and cultivate lasting customer relationship

- ❖ Market Channel without intermediaries
- ❖ Part of the promotion mix
- ❖ Fastest growing form of market
- ❖ **Benefits to Buyers:** convenient, easy to use, private, immediate, comparative information
- ❖ **Benefits to Sellers:** builds customers relationship, low cost, quick to reach markets handle, channel/logistics functions, flexibility, access to all buyers

Form of Digital and Direct Marketing:

Digital and social media marketing must be **blended** with traditional direct marketing into a fully **integrated** marketing communications programs

FIGURE 15.1 Forms of Direct and Digital Marketing



I. Digital and Social Media Marketing

uses digital marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs to engage customers anywhere, anytime via their digital devices

Multichannel marketing: marketing both through stores and other traditional offline channels and through digital, online, social media, and mobile channels

Online marketing: marketing via the internet using company websites, online ads and promotions, email, online video, and blogs.

Marketing websites: a site that interacts with consumers to move them closer to a direct purchase or other marketing outcome.

Branded community: a site that present brand content that engages consumers and creates customer community around a brand (don't try to sell anything at all) - videos, blogs, activities. Example: ESPN.com doesn't sell anything, it just creates a vast branded sports community

Online advertising: advertising that appears while consumers are browsing online, including display ads, search-related ads, online classifieds, and other forms.

Email marketing: sending highly targeted, highly personalized, relationship-building marketing messages via email. However, marketers must be careful not to **spam** consumers: unsolicited, unwanted commercial email messages. This is why marketers now practice *permission-based email marketing* (subscribers).

Online videos include social media sites such as YouTube, Facebook and others. They range from “how-to” instructional videos to PR pieces

Viral marketing: digital version of WOM. *“You hope that the creative is at a high enough mark where the seeds will grow into mighty oaks. If they don't like it, it ain't gonna move. If they like it, it'll move a little bit; and if they love it, its gonna move like a fast-burning fire through the Hollywood hills.”* Also, marketers often have little control over where their viral messages end up

Blogs: online journals where people and companies post their thoughts and other content, usually related to narrowly defined topics. Example: The Netflix blog, members of the Netflix team tell about the latest Netflix features, share tricks for getting the most of out the Netflix experience, and collect feedback from subscribers

Social Media Marketing

Use existing social media: Facebook, Twitter, Youtube, Instagram, Google+ etc.

Advantages: (1) targeted and personal (2) interactive (3) immediate and timely (4) cost effective (5) engagement and social sharing capabilities

Disadvantages: (1) still experimental - difficult to measure results (2) largely user controlled - campaigns can backfire

Niche online social networks cater to the needs of smaller communities of like-minded people (cafe-mom.com, dogster.com, farmersonly.com)

Integrate social media marketing! Starbucks has 51 Facebook accounts, 22 Instagram accounts, Google+, Pinterest and Foursquare accounts. They all blend together and support other elements of the brand's marketing strategy

Mobile Marketing

marketing messages, promotions, and other content delivered to on-the-go consumers through mobile phones, smartphones, tablets, and other mobile devices

Aims to stimulate immediate buying, make shopping easier, enrich the brand experience **Caution!** must be used responsibly or risk angering already ad-weary consumers

II. Traditional Direct Marketing

Face-to-face/personal selling

Direct-mail marketing: marketing that occurs by sending an offer, announcement, reminder, or other item directly to a person at a particular address.

- permits high target-market selectivity, can be personalized, is flexible, and allows easy measurement of results
- **Caution!** direct mail may be resented as junk mail, therefore marketers must target their direct mail carefully (permission-based programs)

Catalogue Marketing: direct marketing through print, video, or digital catalogues that are mailed to select customers, made available in stores, or presented online

Telemarketing: using the telephone to sell directly to customers

Direct-Response Television Marketing (DRTV): direct marketing via television, including direct-response television advertising (infomercials, home shopping channels) and interactive television (iTV) advertising.

Kiosk Marketing: automated machines found in various locations

Public Policy Issues in Direct and Digital Marketing

- Irritation, unfairness, deception, fraud
- Invasion of privacy In response to these concerns, the Canadian government passed the Personal Information Protection and Electronic Documents Act (**PIPEDA**), which has 4 principles:

Consumer knowledge and consent: consumers must know that information about them is being gathered and they must provide consent before firms can collect, use, or disclose consumers' personal info

Limitations: firms can only collect and use information appropriate to the transaction being undertaken. For example, if a firm needs to mail you something, it can ask for your home address, but it may not request additional information unrelated to this task

Accuracy: firms must be sure that the information they gather is recorded accurately. Firms must appoint a privacy officer to be responsible for this task

Right to access: individuals have the right to know what information is being held about them. They can also demand that error in their personal information be corrected, and they may request that their personal information be withdrawn from a firm's database

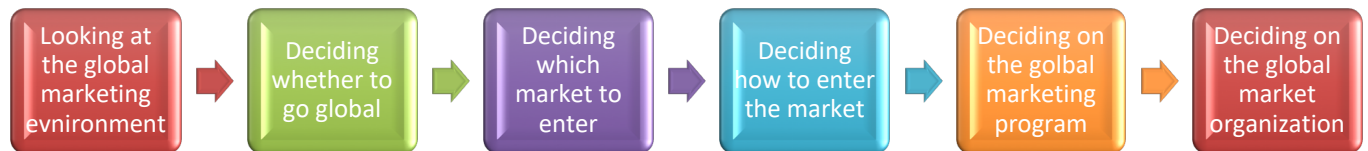
The ad industry has agreed on an **advertising option icon** that will tell consumers why they are seeing a particular ad and allow them to opt out.

Chapter 16: THE GLOBAL MARKETPLACE

Global firm:

- Operates in more than one country
- Gains Marketing, production, R&B and financial advantages not available to purely domestic competitors
- Sees the world as one market
- Minimizes the importance of national boundaries and develops global brands
- Raises capital, obtains materials and components, and manufactures and markets its goods whenever it can do the best job

Decisions in International Marketing



Step 1: Looking at the Global Marketing Environment



International Trade System: restriction on trade between national include:

- **Tariffs:** are *taxes* on certain imported products designed to raise revenue or to protect domestic firms
- **Quotes** are *limits* on the *amount* of foreign *imports* a country will accept in certain product categories to conserve on foreign exchange and protect domestic industry and employment
- **Exchange controls** are a *limit* on the *amount* of foreign exchange and the *exchange* rate against other currencies
- **Non-tariff trade barriers** are *biases* against bids, restrictive product standard or excessive regulation

General Agreement on Tariffs and Trade (GATT): 61 years old treaty, designed to promote world trade, reduce tariffs and other international trade barriers

World Trade Organization (WTO): promotes trade by reducing tariffs and other international trade barriers (world trade, enforces GATT rules, replace GATT, impose trade sanction) . It also imposes international trade sanctions and mediates global trade dispute

Regional Free Trade Zone (economic communities are free trade zone): group of nations organization to work towards common goals in the regulation of international trade

- **European Union (EU):** represent one of the world's single largest markets
- **North America Free Trade Agreement (NAFTA):** established a free trade zone among Canada, USA, and Mexico
- **European Free Trade Association (EFTA)**
- **Trans-Pacific Partnership:** include USA, Australia, Brunel, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, Vietnam and Mexico

Economic Environment: factors reflect a country's attractiveness as a market

(1) Industrial Structure	(2) Income Distribution
Subsistence economics	Industrialized nations may a wide range of income
Raw material exporting economic	Subsistence economies –mostly households with very low family incomes
Emerging economics (industrializing economics)	Emerging economies may be attractive markets for all kinds of goods
Industrial economies	

Political Legal Environment:

- country's attitude towards international buying (some countries may impose strict restrictions and limited, while other shower foreign investors with incentives)
- Government bureaucracy
- Political stability (corruption, red tape, etc.)
- Monetary regulations (accepted currencies, exchange rates)

Countertrade: international trade involving the direct or indirect exchange of goods for other good instead of cash

Barter: involves the direct exchange of goods or service

Compensation or buyback: is the sale of a plant, equipment, or technology and payment is in the resulting products

Counter-purchase: is when the seller receives payment in cash and agrees to spend some of the money in the other country

Cultural Environment: each country has its own **folkway, norms and taboos**

- Business norms
- Cultural preferences, traditions, behaviors
- North American companies have learned that to succeed abroad they must adapt to local cultural values and traditions rather than trying to force their own

Step 2: Deciding Whether to go Global

- Company must weigh several risks and answer many questions about its ability to operate globally
 - Can the company learn to understand the preference and buyer behavior of consumers in other countries?
 - Can it offer competitively attractive products?
 - Will it be able to adapt to other countries business cultures and deal effectively with foreign nationals?
 - Do the company manager have the necessary international experience?
 - Has management consider the impact of regulation and the political environments of other countries

Step 3: Deciding which Markets to Enter

- Define international marketing objective and policies
- Determine foreign sales volume
- Decide how many countries to market to
- Determine types of countries to market to base on:
 - Geography
 - Income and Population
 - Political Climate
- Rank potential global marked based on: Market size, growth, cost of doing business, competitive advantage, risk level

TABLE 16.1 Indicators of Market Potential

Demographic Characteristics

Education
Population size and growth
Population age composition

Geographic Characteristics

Climate
Country size
Population density—urban, rural
Transportation structure and market accessibility

Economic Factors

GDP size and growth
Income distribution
Industrial infrastructure
Natural resources
Financial and human resources

Sociocultural Factors

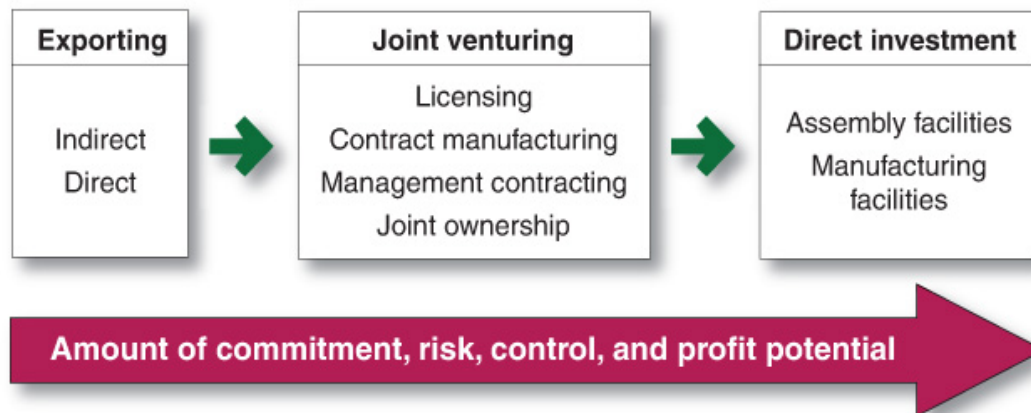
Consumer lifestyles, beliefs, and values
Business norms and approaches
Cultural and social norms
Languages

Political and Legal Factors

National priorities
Political stability
Government attitudes toward global trade
Government bureaucracy
Monetary and trade regulations

Step 4: Deciding How to Enter the Market

FIGURE 16.2 Market Entry Strategies



Exporting: when the company produces its goods in the home country and sells them in foreign market

- It is the simplest means involving the least change in the company's product lines, organization, investment, or mission

Indirect exporting involves working through independent international marketing intermediaries –less involvement, less risk

Direct exporting is when the firm handles its own exports -greater involvement, great risk, great potential return

- Setting up domestic export department
- Setting up an overseas sales branch
- Sending home based sales people abroad
- Exporting through foreign based distributors or agents

Joint venturing is when a firm joins with foreign companies to produce or market products or service.

Joint venturing differs from exporting in the company joins with a host country partner to sell or market abroad

- ❖ **Licensing:** firm enters into an agreement with a licensee in a foreign market. For a fee or royalty, the licensee buys the right to use company's process trademark, patent, trade secret, or other items of value

- ❖ **Contract manufacturing:** firm contracts with manufacturers in the foreign market to produce its product or provide its service. Benefits include faster startup, less risk and opportunity to form a partnership or to buy out the local manufacturer
- ❖ **Management contracting:** when domestic firm supplies management skill to a foreign company that supplies capital. The domestic firm is exporting management service than product
- ❖ **Joint ownership:** when one company joins forces with foreign investors to create a local business in which they share joint ownership and control. Joint ownership is sometimes required for economic or political reasons

Direct investment: is the development of foreign based assembly or manufacturing facilities and offers a number of advantage including:

- Labour
- Logistic
- Control
- Lower costs
- Raw materials
- Government incentives

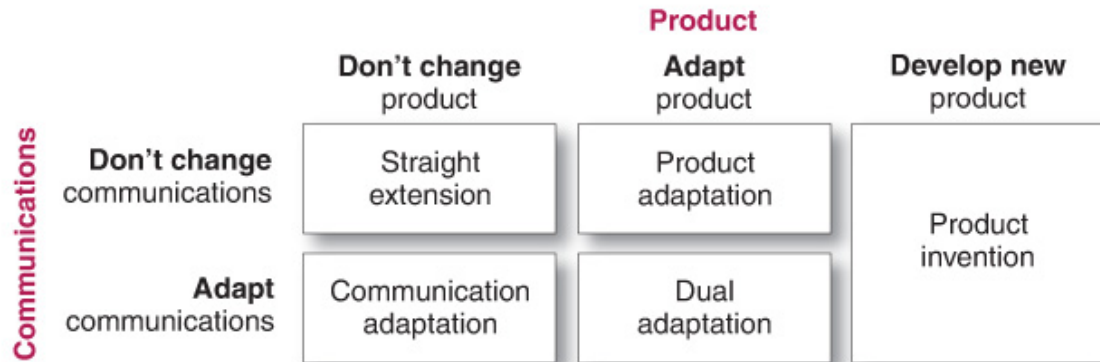
Example: Ford has made major direct investment in several countries, such as India, China and Thailand to help satisfy Ford burgeoning demand in Asian market

Step 5: Deciding on the Global Marketing Program

Standardized global marketing: is an international marketing strategy for using basically the same marketing strategy and mix in all of the company's international markets

Adapted global marketing: involves adjusting the marketing strategy and mix elements to each international target market, bearing more cost but hoping for a larger market share and return

FIGURE 16.3 Five Global Product and Communications Strategies



Product:

- **Straight product extension:** marketing a product in a foreign market without any change
- **Product adaptation:** adapting the product to meet local conditions or wants in foreign market
- **Product invention:** consists of creating something new for a specific foreign market: (1) Maintain or reintroduce earlier product forms
(2) Create new products

Promotion:

- **Communication adaptation:** global communication strategy of fully adapting advertising messages to local markets
- **Dual adaptation:** adapting both the product and advertising messages to the targeted foreign market

Price:

- **Uniform price:** same price in all market but does not consider income or wealth where the price may be too high in some or not high enough in other market
- **Market base price:** price the market can pay but does not consider actual cost
- **Standard markup price:** price based on percentage of cost but can cause problems in countries with high cost

Distribution Channels

- **Whole Channel View:** involves designing international channels that take into account the entire global supply chain and marketing channel, forging an effective global value delivery network
- **Channels between nations:** move company products from points of production to the borders to countries within which they sold
- **Channels within nations:** move the product from their market entry points to the final consumers

Step 6: Deciding on the Global Marketing Organization

- ❖ Organizing an exporting department with a sales manager and a few assistants
- ❖ Creating an international division organized by geography, products, or operating units
- ❖ Becoming a complete global organization

Chapter 3: SUSTAINABLE MARKETING, SOCIAL RESPONSIBILITY AND ETHICS

Sustainable Marketing: socially and environmentally responsible marketing (business) meeting needs of consumers while preserving the ability of future generations to meet their needs

Example: under its “Plan to Win” strategy, McDonald’s has created sustainable value for both customers and company. Now 80% of the chain’s menu is under 400 calories

FIGURE 3.1 Sustainable Marketing



Marketing's Impact on Individual Consumers

❖ High Prices

Complaint: Price are too high due to high cost of: Distribution, Advertising and Promotion, Excessive Mark-Up

Response:

- Intermediaries are important and offer value
- Advertising informs buyers of availability and merits of a brand
- Consumer's don't understand the cost of doing business

❖ Deceptive Practices

Complaint: companies use deceptive practice that lead customers to believe they will get more value than they actually do. The practice fall into: Price, Promotion, Packaging

Response:

Competition Act: legislation to protect consumer from deceptive practice

Competition Bureau: Guidelines to prevent "Greenwashing"

Advertising Standards Canada: Industry self-regulation

❖ High Pressure Selling (Phonebusters):

Complaint: salespeople use high-pressure selling that persuade people to buy goods they had no intention of buying

Response: most selling involves building long-term relationship and valued customers. High pressure or deceptive selling can damage these relationships

❖ Shoddy, Harmful or Unsafe products

Complaint: product have poor quality, provide little benefits and can be harmful

Response: good marketers realize there is no value in marketing shoddy, harmful or unsafe products

❖ Planned Obsolescence

Complaint: producers cause product to become obsolete and change consumer concept of acceptable style to encourage more and earlier buying

Response: plan obsolescence is result of competitive market leading to improve good and service. Customers style change and want the latest innovations

❖ **Poor Service to Disadvantaged Consumers**

Complaint: markets serve customers poorly,

Response: marketers profitably target these customers, and marketers do not, some cases the government will step in to fill the void. The government has privacy legislation to protect individual personal information

Marketing Impact on Society as a Whole

- False wants and too much materialism
- Too few social goods
- Cultural pollution

Marketing Impact on Other Businesses:

Market practice reduce competition by:

- Acquisition and shrinking of competitors (Fido)
- Unfair competitive marketing practice
- Creating barriers to entry
- Unfair practices such as predatory pricing

Consumerism: organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers

Traditional sellers' rights:

- Introduce any product in any size and style
- Charge any price for the product
- Spend any amount to promote the product
- Use any product message
- Use any buying incentive schemes

Traditional buyers' rights:

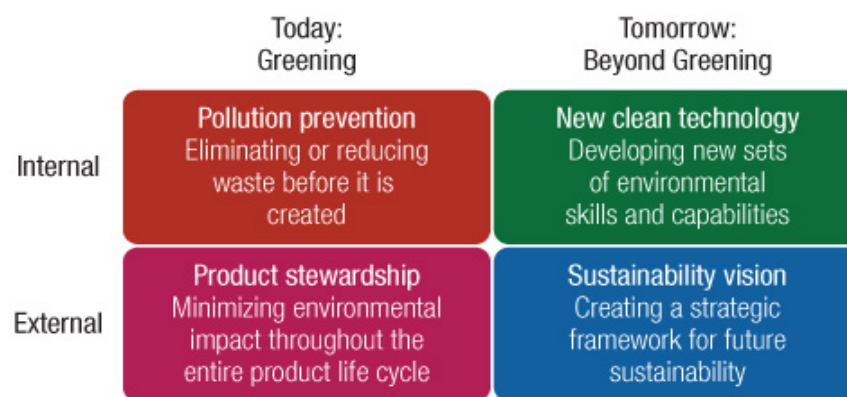
- Not buy a product that is offered for sale
- Expect the product to be safe
- Expect the product to perform as claimed

Consumer advocates call for more rights in order to:

- Be well informed about aspects of the product
- Be protected from bad products and practices
- Influence product to improve “quality of life”
- Preserve the world for future generations of consumers

Environmentalism: organized movement of concerned citizen, businesses, and government agencies to protect and improve people’s living environment

FIGURE 3.2 The Environmental Sustainability Portfolio



Source: Stuart L. Hart, “Innovation, Creative Destruction, and Sustainability,” *Research Technology Management*, September–October 2005, pp. 21–27.

Pollution prevention: involves not just cleaning up waste but eliminating or minimizing waste before it is created

Product stewardship: minimizing the pollution from production and all environment impact throughout the full product life cycle

Design for environment (DFE): involves thinking ahead to design product that are design products that are easier to recover, reuse, or recycle

New clean technologies: involve looking ahead and planning new technologies for competitive advantage

Sustainability vision: guide to the future that show company the company products process, and policies must evolves and outlines what is needed to get there (Coca-Cola vision)

Business Actions Toward Sustainable Marketing



(1) Consumer Oriented Marketing: marketing activities are viewed and organized from the consumer's point of view (*deliver superior value*)

(2) Customer Value Marketing: company resources go towards customer value building marketing investments (*create value for customers APs*)

(3) Innovative Marketing: principle of sustainable marketing that requires that a company *seek real product and marketing improvements*

(4) Sense of Mission Marketing: define its *mission in broad social* terms rather than narrow product terms

(5) Societal Marketing: consumers wants and interest, company requirements, society long-term interest

FIGURE 3.3 Societal Classification of Products



- **Deficient products:** products that have neither immediate appeal nor long-run benefits
- **Pleasing products:** products that give high immediate satisfaction but may hurt consumers in the long-run
- **Salutary products:** products that have a low appeal but may benefit consumers in the long run
- **Desirable products:** products that give both high immediate satisfaction and high long-run benefits
-

Marketing Ethics: guide their staff, firms develop *corporate marketing ethics policies* which cover:

- Distributor relations
- Advertising standards
- Customer service
- Pricing
- Product development
- General ethical standards

Principles: (1) Free market and legal system

(2) Individual companies and managers to develop a “social conscience”

