

MKT 100

Lecture 1: Chapter 1 - An Introduction to Marketing

What is Marketing?

- Understanding needs of the consumer

Marketing concept

- Customer wants and needs need to be focused on so the organization that can distinguish offerings from those of its competitors
- Put together organization's activities including production to satisfy customer wants
- Long term goals for the organization by satisfying customer wants and needs legally and responsibly

Marketing is becoming...

- Conversation with the customer rather than a distraction
- Lead into innovative ways
 - Allow the consumer to talk back

Evolution of Marketing

- Investigate other perspectives to have a better understanding of how marketing is perceived today

Product orientation

- "If you build it they will come"
- Focuses on marketing as a messenger
- Can be described as a "field of dreams" orientation
- Focuses on products due to lack of products in the marketplace
- Companies create whatever they want and customers have to accept what is offered

Sales orientation

- Customer choice exists

- Convincing consumers to buy
- Focus is on the hard to sell
- Majority of companies and marketers do not subscribe to a marketing approach heavy on selling

Marketing company orientation

- Highlighted by the coordination of marketing activities (advertising, sales, public relations)
- Society evolves and consumers become more sophisticated
- Marketing concept: focuses on the needs of customers with competencies of an organization
- Customers are grouped into segments
- Must understand segments, became targets
- Marketing and persuasion are intermixed

Societal marketing orientation

- Where looking at not only what the customer wants, but also what society wants
- What if consumer wants is not actually good for the consumer or environment
- Leads to new movements such as...
 - Recycling
 - Reduced waste
 - Greater awareness of dietary and safety issues with products
- Health issues are becoming more relevant to society
- Ex. McDonald's offering the happy meal with healthier options

Relationship marketing orientation

- "Interruption to interaction"
- Real and sustainable relationship with the customer
- Engagement is the focus of the orientation (customer satisfaction and relationship marketing)

Engagement

Customer satisfaction

- Focus on delighting the customer
- Must meet their needs and expectations

- When firms understand the link between how they perform their job and customer satisfaction, they benefit
- Retention
 - Great ROI → 2% increase in retention is equal to a 10% decrease in costs

Relationship marketing

- Keeping and improving relationships with customer
- Long standing relationships (customer preference)
- Ex. Disney (creating memories from childhood)

Customer Relationship Management

- Serves the ultimate goal of meeting customer needs and building relationships
- Trust
 - Listen to the customer
 - Act upon customer desires
 - Share stories

Key Marketing Terms

- Exchange
 - Give up one thing for another
 - **Conditions of Exchange**
- 1. At least two parties are involved
- 2. Each party may have something that is of value to another party
- 3. Each party is capable of communication and delivery
- 4. Each party is free to accept or reject the exchange offer
- 5. Each party believes it is appropriate or desirable to deal with the other party
- Customer value
 - Marketers interested in customer value
 - Offer products that perform
 - Trust through loyalty programs
 - Unrealistic pricing avoided
 - Facts and opportunity is given to consumers with an opportunity to learn more
 - Organization-wide commitment to service and after-sales support
 - Partner with consumers to co-create experiences that consumers want

- Market segments
 - Companies → families → individuals
- Building relationships
 - Increase market share: attract new customers → increase existing business → retain current
- Marketing mix: Price, Product, Place, Promotion

Why Marketing Matters

- Part of every company
- Companies have a strong understanding of marketing
- Ex. Apple
- Rewarding career
- Important skill set

Marketing As a Career

- Work in both profit and non profit sectors
- Many opportunities for growth, advancement, and variety
- Work in a variety of industries

Skills Needed

- Communication
- Analytical
- Collaborative
- Decision maker

Skills learned

- Understand needs
- Research trends

Lecture 2: Chapter 2 - The Marketing Environment

The Marketing Mix

- Product, price, place, promotion

The External Marketing Environment

- New consumers come and old ones leave due to external changes in the environment
- Target market: defined group of potential customers that managers feel is most likely to buy a firm's product
- SWOT → strengths, weakness, opportunities and threats
- CREST Model
 - Competitive, Regulatory, Economic, Social, Technological

Competitive Environment

- Forces of Competition (Porter)
 - Direct: competitors closely monitor a firm's product offering
 - Substitute: products satisfy the same need in different ways
 - New entrants: competitors emerging due to entry barriers in the industry
 - Suppliers: producers compete for profit margins from the firm, motivated to charge highest price
 - Buyers: retailers compete for profit margins from the firm and are motivated to pay less for the goods and services

Regulatory Factors

- Higher risk, lower caution
- Possible consequences should the rules not be followed

Regulatory Forces - Legislation

- Federal legislation → competition act
- Provincial and territorial laws → Quebec's Bill 101
- Self-Regulation → ASA

Regulatory Forces - Consumer Privacy

- PA
- PIPEDA
- Canada's Anti-Spam Legislation

Economic Factors

- Consumer purchasing behaviour
 - Consumer income/purchasing power
 - Inflation
 - Recession

Economic Factors - Consumer Incomes

- Median total family income = \$78,870
- Education is the primary determinant of earning potential
- ¼ of Canadians spend more than 30% of income on shelter, exceeding affordable housing
- People use credit cards

Economic Factors - Purchasing Power

- Income in comparison to cost of living
- Discretionary income
 - High income relative to cost of living
 - More money to spend

Economic Factors - Inflation

- Consumer's purchasing power if salary increases don't keep up with inflation
- Pressures consumers to make more economical purchases and still maintain standard of living
- Marketers must be very cognizant of inflation on consumer's ability to purchase

Economic Factors - Recession

- Geographically isolated:
 - Decline in oil prices
 - Alberta GDP down by 6.5%
 - Fort McMurray wildfires
 - Environmental influence

Social Factors

- Tough to forecast, influence, or integrate into marketing plans

- Influence other environmental forces
- Include demographics, attitudes, values and lifestyles

Social Factors - Marketing Oriented Values

- Influence consumers
 - Attitudes
 - Values
 - Lifestyles

Social Factors - Marketing Values

- 4 values that strongly influence attitudes/lifestyle
 - Self-sufficiency: every person should stand on their own feet
 - Upward mobility: success comes to those who get an education, work hard and play by the rules
 - Work ethic: hard work, dedication to family and are moral and right
 - Fairness: should not be expected to be treated differently than anyone else
- Perception of Canadians by others
 - Trustworthy
 - Family oriented
 - Conservative
 - Eco-conscious
- Characteristics of product quality
 - Reliability
 - Durability
 - Easy maintenance
 - Easy to use
 - Trusted brand name
 - Low price

Social Factors - Family

- Component lifestyles: the way we decide to live our lives
- The role of the family hasn't changed but the makeup of Canadian Families has - diversity
- Two key resources required for families (time and money) in short supply
 - Creating challenges for families

- Opportunities for marketers

Demographic Factors

- Strongly related to behaviour
- Age
- Race and ethnicity
- Location

Gen-Z - Snowflakes - Tweens (1995-2009)

- Attitudes
- Access to information
- Brand consciousness
- Technical sophistication

Gen-Y - Millennials (1979-2000)

- Struggling
- Entrepreneurial
- Heightened social responsibility
- High expectations and entitlement = work life balance
- Impatient
- Family orientated
- Good time managers
- Savvy and connected
- Life-balance seekers
- Diverse
- Inquisitive yet opinionated

Gen-X (1966-1978)

- Time poor-service dependent
- Boomers working longer impacts the career of Gen-X
- Funding retirement of baby boomers
- Tend to be forgotten

Baby Boomers (1947-1965)

- Active and affluent
- Hurt by recession, worry about retirement so they work longer

- Financially stretched because they have to take care of their parents and kids

Demographic Factors - Population Shifts

- 50% of the population of Canadians live in 4 major urban regions
- Most growth from immigration
- 90% of new immigrants live in a large metropolitan market
- Movement to suburbs or surrounding urban municipality

Demographic Factors - Ethnic and Cultural Diversity

- Multiculturalism
 - More than 200 languages spoken
 - Greatest evidence in large urban centers
 - Impact on marketers is tremendous

Technological Factors

- External technology is important
 - Operate more efficiently and build a better product
 - Make current products obsolete and create disruptive innovations
- Technology and the Future of Businesses
 - Smart building materials
 - Synthetic food and cellular agriculture
 - Virtual reality vs live performance
 - Autonomous driving
 - Spaces and participants

Corporate Social Responsibility

- Cost of doing business today → Care for the planet, care for people, profitability
- 4 components of total CSR
 - Philanthropic responsibilities
 - Ethical responsibilities
 - Legal responsibilities
 - Economic performance
- Bottom line: profitability, care for the planet and care for the people
- Social acceleration: fuelled by the business cycle, which results in the need to implement regulations of regional business practice

Ethical Behaviour in Business

- Ethics → standard of behaviour by which conduct is judged
 - Laws are values and standards enforced by courts
 - Ethics are moral principles and values
- Morals → rules developed as a result of cultural norms and values
- Code of Ethics
 - Guideline of rules

Morality and Business Ethics

- Preconventional morality: basic level, calculating self centered and selfish, based on what will be immediately punished or rewarded
- Conventional morality: from egocentric viewpoint to expectations of society
- Postconventional morality: represents the morality of the mature adult

Ethical Decision-making

- Extent of ethical problems within the organization
- Top-management actions on ethics
- Potential magnitude of the consequences
- Social consensus
- Probability of a harmful outcome
- Length of time between the decision and the onset of consequences
- Number of people to be affected

Ethical Guidelines

- Code of ethics
 - Help employees identify the business practices their firm recognizes as being acceptable
 - Effective internal control on behaviour, which is more desirable than external controls, such government regulation
 - Written code helps employees avoid confusion when determining whether decisions are ethical
 - Process of formulating the code of ethics facilitates discussion among employees about what is right and wrong

- Hand sanitizer kills good and bad bacteria
- Nice smelling odour
- Work harder and longer to clean your hands
- Obstacles because hand sanitizers could be seen as bad
 - Allergies, etc

Metrics Video

$x = \frac{\text{new amount} - \text{old amount}}{\text{old amount}}$

Examples 1: % change in revenue

$x = \frac{400,000 - 300,000}{300,000}$

$x = 33.3\%$

$X = \frac{1}{3}$

Example 2:

$x = \frac{150000 - 300000}{300000}$

$x = \frac{-150000}{300000}$

$x = -\frac{1}{2}$

Changes in Size of Market

Lecture 3: Chapter 3 - Strategic Planning for Competitive Advantage

Strategic Planning

- Corporate planning
 - Sets the direction and scope- mission statement, business opportunities, and resource allocation
- Business
 - Takes place at SBU level
 - Strategic business unit: subgroup of a single business or collection of related business within the larger organization

- Goal is to obtain competitive advantage
- Marketing
 - Target market and marketing mix activities

Decisions

Strategic

- Made at all three levels
- Wider in scope
- Longer in orientation
- Affect long run course, allocation of resources, financial success

Tactical

- Made at operational or marketing level
- Narrow in scope
- Short term
- Limited impact of long-run profitability
- Directed from strategic decisions made at corporate level

Corporate Planning

- Defining a business mission
 - Foundation
 - Establishes boundaries for all decisions
 - Mission statement → answers “what value do we provide for customers?”

Business Mission

- Goods and services offered does not equal focus = markets to serve

Designing the Business Portfolio

- Starts with an understanding of the current environment and potential environment
- Environmental scanning: collection and interpretation of data about forces, events and relationships in the external environment, affecting the future of the organization

SWOT Analysis

Internal → financial, management, marketing (strengths, weaknesses)

External → competitive, regulatory, economic, social, technological (opportunities, threats)

Strategic Alternatives

- SWOT analysis will result in themes that can take the form of alternative growth strategies
- **Ansoff's Strategic Opportunity Mix**
- Current market → current product (market penetration) new product (product development)
- New market → current product (market development) new product (diversification)

Business Planning for Competitive Advantage

- How to go about implementing and executing the strategy
 - More detailed planning at the SBU level
 - Goal is to achieve and competitive advantage that is sustainable
 - Complete a SWOT at the SBU level
- Core competencies: unique strengths that are hard to initiate and underlie the functioning of an organization

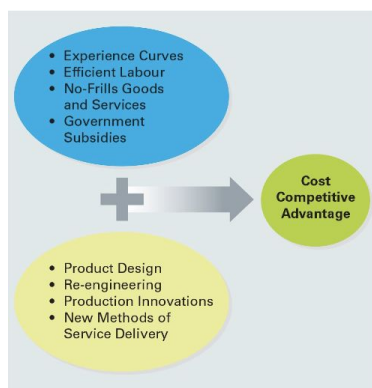
Competitive Advantage

- Set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition
 - Cost
 - production/service differentiation
 - Niche strategies

Cost Competitive Advantage

- Low cost competitor in an industry while maintaining satisfactory profit margins
- Enables a firm to give superior customer value
- Ex. Walmart (products at a low price)
- Experience curves: demonstrate costs declining at a predictable rate as experience with a product increases

- Allow management to forecast cost and set prices based on anticipated costs as opposed to current costs
 - Efficient labour
 - No-frills goods and services
 - Government subsidies
 - Product design
 - Re-engineering
 - Production innovations
 - New methods of service delivery



Product/Service Differentiation Competitive Advantage

- Exists when a company provides a unique benefit to buyers beyond offering a low price
- Apple - competitive differentiation built around innovation
- Microsoft tries to follow their example

Niche Competitive Advantage

- Serving the needs of a segment that has a good growth potential but is not crucial to the success of the major competitors
 - Geographical niche
 - Product niche

Building a Sustainable Competitive Advantage

- An advantage that
 - Can't be copied by the competition

- Can be sustained
- Sources of tomorrow's competitive advantages
 - Skills and assets of the organization
 - Marketing leader need to continually focus on these skills and assets to create and sustain the competitive advantage

Setting Marketing Objectives

- A statement of what is to be accomplished
- Realistic → measurable → time specific

Target Market Strategy

- Begins with MOA
 - Estimation of size and sales potential of segments that are of interest
- A decision regarding which/how many segment to target
- Target markets
 - Single segment
 - Entire market
 - Multiple segments

Product Strategies

- Heart of the marketing mix
 - Product offering and product strategy
 - Physical product or a service
 - Physical unit
 - Package
 - Warranty
 - After sale service
 - Brand name
 - Image
 - Value

Pricing Strategies

- What a buyer must give up in the exchange
 - "Value" in the mind of the consumer
 - Quickest element to change
 - Can be an important competitive weapon

Place Strategies

- Making the products available when and where the customer wants them
 - Physical distribution
 - Storing
 - Transportation

Promotion Strategies

- Introduce, facilitate or sustain conversation and community between company and customer
 - Integrated marketing communications
 - Advertising
 - Direct marketing
 - Public relations
 - Sales promotion
 - Personal selling
 - Digital marketing

IEC

Implementation

- Process that turns the plan into action - “doing what you said were going to do”
- Can be a source of failure

Evaluation and Control

- Evaluation - gauging achievement of objectives
- Control - informal and formal control will create efficiency

Effective Strategic Planning

- Creativity → continual attention → management commitment

Lecture 3: Chapter 4 - Developing a Global Vision

Rewards of Global Marketing

- Marketing must target markets around the world in order to be imperative for business today

- Global vision
 - Recognizing and reacting to international marketing opportunities
 - Using effective global marketing strategies
 - Awareness of threats from foreign competitors

Global Marketing - Who

- Once was the domain of large multinationals
- Technology has enabled large, medium and small businesses to see the world as a large opportunity... still in their infancy
- Outsourcing
 - Sending Canadian jobs abroad
 - Cost savings
- Inshoring
 - Returning production jobs to Canada

Benefits of Globalization

- Developed countries
 - Expands economic freedom
 - Spurs competition
 - Raises productivity and living standards
- Less developed countries
 - Access to foreign capital
 - Access to export markets
 - Access to advanced technology
 - Breaking monopoly of inefficient labour

Multinational Firms

- Operate in one country and sell in another → establish foreign subsidiaries → operate entire line of business out of the country → virtual executive suite

Multinational - Benefit?

- Developing countries: benefits are controversial
 - Can tap into financial physical and HR resources
 - Can transfer up-to-date technologies

Global Marketing Standardization

- The world “shrinks” due to communication technologies, consumers want all the same things
- Global marketing standardization improving profits through lower costs
- In reality combination of standardization and variation
 - Determine which products need to be changed and change only them

External Environment - Culture

- Common set of values that are shared and establish what is socially acceptable
- Language - take care when translating product names
- Customs and traditions - be aware for negotiations

External Environment - Economic and Technological

- GNI: one measure of the ability of citizens to buy goods and services
 - Average family income is higher in more developed countries which means more purchasing power and demand
- Marketers use this information to measure market potential
- Must also consider the cost of doing business

Global Economy

- Intertwined
- Forecasting global demand and economic growth requires an understanding of what is happening economically around the globe

Political Structure and Actions

- Less regulation fosters the strongest economies
 - Least regulated and most efficient economies are concentrated amongst those countries with well-established common law traditions

Demographic Makeup

- Two primary determinants of consumer market - wealth and age
- World health is not evenly distributed
- Age gap in industrialized countries

Natural Resources

- Shortage of natural resources is evident today

- Differences create
 - International dependencies
 - Huge shifts of wealth
 - Inflation and recession
 - Export opportunities for countries with abundant resources
 - Stimulus for military intervention

Global Marketing by the Firm

- Reasons to go global
 - Additional profits
 - Unique advantage
 - Exclusive market information to exploit
 - To achieve economies of scale

Methods of Entering the Global Market

- Exporting: selling domestically produced products to buyer in another country
- Licensing and franchising: a legal process
- Contract manufacturing: private label manufacturing by a foreign company
- Joint venture: domestic firm joints with a foreign firm to create a new entity
- Direct investment: active ownership - majority or controlling interest in a foreign firm

Product and Promotion Strategy Options

One product, one message

- Global marketing standardization
- Uniform branding

Product invention

- Create a new product or drastically change an existing one

Product adaptation

- Slightly alter to meet local conditions

Message adaptation

- Maintain the same product but alter the message

Promotion Adaptation

- Maintain the same product but alter messaging based on the way the product is used, how the culture internalizes messages, language barriers, other cultural differences

Place options

- Channel members vary globally
- Shopping behaviour varies globally
- Innovation is often the key to success

Pricing options

- Selling price: costs (tariffs), costs (production), customers able to spend, customers willing to spend
- Exchange rates
 - Appreciation
 - Depreciation
 - Floating exchange rates
- Dumping
 - A form of price discrimination
 - Creates serious problems in trade
- Countertrade
 - Fast growing way to conduct global business
 - Form of barter

The Impact of the Internet

- “Going global” is easier than ever
- Opening an e-commerce site on the internet creates a global business
- Still being restrained by cultural issues, old rules and regulations

Lecture 4: Chapter 5

Three functional roles

Descriptive

- Presenting factual statements
- Historical sales trends

Diagnostic

- Explaining relationships within data

Predictive

- Predicting the results of a marketing decision

Marketing Research Process

1. Identify the problem

- Most important step in the process
- Must differentiate between management decision and research problem
- Marketing research objective
 - Determine objective
 - Specific info needed to make a marketing decision

2. Design the research

- Exploratory
 - Informal discovery
 - Looking for key relationships
 - Not about solving the problem
 - Focus groups, expert interviews
- Conclusive
 - Developing conclusions and courses of action
 - Insights from exploratory research
 - Primary research methods

3. Collect the data

- Secondary vs Primary Data
- Advantages of SD
 - Inexpensive, clarifies problem, fast to collect
- Disadvantage of SD
 - Collected for another purpose
 - Questionable sources
 - Quickly outdated
- Advantages of PD

- Focus on specific problem
 - Sources are known
 - Results are more accurate
- Disadvantages of PD
 - Expensive
 - Time consuming
 - Requires specific skills set
- Secondary Data collection
 - Inside the organization
 - Annual reports
 - Product testing data
 - Outside the organization
 - Statistics Canada
 - Online journals
- Primary Data collection
 - Qualitative
 - Depth interviews: one to one, costly, time consuming
 - Focus groups: small groups of people with different characteristics, guided discussions
 - Quantitative
 - Survey research
 - Telephone interviews
- Questionnaire design
 - All surveys require this
 - Open ended
 - Close ended
 - Scaled response
- Ethnographic: Jane Goodall following the monkeys
- Experiments
 - Casual method of research to collect primary data
 - One or more variables altered
 - Observe the altered variables
- Specifying sample procedure
 - Sample- subset of larger population
 - Population of interest
 - Representation

- Probability sample
 - Simple random sample
 - Stratified sample
 - Classic sample
 - Systematic sample
 - Non probability sample
 - Convenience sample
 - Judgement sample
 - Quota sample
 - Snowball sample
4. Analyze the data
 - Use a chart to represent the data
 5. Present the report
 - Clear and concise
 - Methodology
 - Summary of findings
 - Conclusions
 - Recommendations
 6. Provide follow-up
 - Online panels
 - Polled on a regular basis over longer periods of time
 - Respond quickly
 - Numbers are high
 - Online focus groups
 - Less expensive
 - Mobile marketing research
 - Privacy and security issue

The rise of big data

- Volume, velocity, variety

When to conduct market research?

- First step is key to success
- Willing to admit you don't have the answers
- Competitive intelligence can create efficiency and effectiveness

Lecture 4: Chapter 6

Importance of understanding consumer decision making

- Develop an effective marketing mix is highly compromised
- Consumer preferences are changing
 - Study how consumers make purchase decisions
 - How they use the purchase
 - How they dispose
 - Factors influence purchase, use and disposing

Consumer Decision-Making Process

1. Need recognition
 - New products
 - Advertising
2. Information search
 - External information search
 - Non-marketing controlled
 - Personal experience
 - Personal sources
 - Public sources
 - Marketing controlled
 - Mass media
 - Sales people
 - Product labelling
 - Social media
 - Factors affecting information search
 - Perceived risk
 - Knowledge
 - Prior experience
 - Interest in the product
 - Level of interest in the good or service
3. Evaluation of alternatives
 - Consideration set
 - criteria/product attribute
4. Purchase

5. Post Purchase behaviour

- Decision confirmation from evaluation of alternatives through post purchase or may result in cognitive dissonance

Cognitive Dissonance

- Variety of ways to reduce it
 - Effective communication
 - Dissonance reducing statements in instruction booklets
 - Advertising that speaks to superiority
 - Guarantees

Types of Consumer Buying Decisions

- Involvement
- Time
- Ost
- Information search
- Number of alternatives

Factors determining level of consumer involvement

- Previous experience
- Interest
- Perceived risk of negative consequences
- Situation
- Social visibility

Factors affecting consumer buying decisions

- Social factors
 - Reference groups
 - Opinion leaders
 - Family
- Cultural factors
 - Culture and values
 - Subculture
 - Social class
- Individual factors
 - Gender

- Age and family (life cycle stage)
- personality
- Psychological factors
 - Perception
 - Motivation
 - Learning
 - Beliefs and attitudes

Cultural Influences on Consumer Buying Decisions

- Broadest and deepest influence
 - Functional, learned, dynamic
- Values are the most defining element
 - Corresponding to consumption patterns
 - Give rise to beliefs, which lead to attitudes
- Subculture
 - Attitudes, values and purchase decisions are more similar within subculture
 - Based on many characteristics
- Social class
 - Combination of occupation, income, education, wealth
 - Educational attainment

Social influences on consumer buying behaviour

- Family
 - Most important, influence values, attitudes and self concepts
 - Play a variety of roles such as influencer, purchaser, decision maker etc
- Perception
 - Selective exposure → distortion → retention
- Motivation
 - Maslow's Hierarchy of needs
 - Self-actualization
 - Esteem needs
 - Social needs
 - Safety needs
 - Physiological needs
- Learning

- Experiential learning → conceptual learning
- Beliefs and attitudes
 - Belief: organized pattern of knowledge that an individual hold as true
 - Attitudes: learned tendency to respond consistently toward and object

Changing beliefs

- Consumers attitudes can be changed about a product
 - Brands and attributes
 - Relative importance of these beliefs
 - Adding new beliefs

Consumer behaviour elements- working together

- Effective marketers study target markets to see changes in buying decisions
- Adjustments are made to the marketing mix to change consumer needs and help move the consumer through the buying process

Lecture 4: Chapter 7

What is business marketing?

- Active connection between businesses to ensure needs are met
 - Trust, mutual respect
- Relationships are critical

Business vs consumer marketing

- Consumer marketing → active seller, passive buyer
- Business marketing → active seller, active buyer

The network and relationships

- Cooperation → relationships, trust, commitment

Relationships

- Relationship commitment
 - Belief that the relationship is important to maximize effort and maintain what is demonstrated by both parties
 - Breakdown in commitment- reduction in relationship

- Trust
 - Goal congruence
 - Compatible business = shared vision reached
- Interaction
- Networks
 - Business marketing: buyers, sellers and other third parties
 - Sales approach: generate leads and new business through persuasion
 - Marketing management approach: develop a product and market it (passive consumer)
 - Network approach: research factors and forces around the firm
- Network approach
 - Leads to development of relationships through interactions over time
 - Cooperation happens organically as a value of relationship and cooperation is clearly evident

Fundamental aspects of business marketing

- Highlight importance of relationship between buyer and seller
 - Demand
 - Types of buyers
 - Buying situations
 - Products and services
- Demand
 - Derived demand
 - Monitor consumer preferences
 - Influence final consumer preferences
 - Inelastic demand
 - Price
 - Joint demand
 - Demand for parts tied to each other
 - Fluctuating demand
 - Less stable than demand for consumer
- Customers
 - Far few
 - Easier to identify
 - One crucial success
- Location of buyers

- Geographically concentrated
- By industry
- Use of reciprocity
 - Trust results in buying from each other
 - Not unethical nor illegal
- Use of leasing
 - Common to reduce capital outlay
 - Creates a relationship
 - Builds network

Types of business products

- Services
 - Not necessarily part of the final product, but have an impact on the customer's willingness to buy and maintain a relationship

Business customers

Lecture 5: Chapter 9

Customer Relationship Management

- Identifying profitable customers
- Ways to interact
- Goal- Maximize value attributed to the customer relationship
- Simultaneously as a process to help improve relationships
- System involves working with employees and the external customer
- Use of technology to manage the people and the process
- Want customers to maintain a mutually beneficial interaction

The CRM cycle

Marketing research → customer support → business development

CRM Cycle - Stage 1

- Creation of the offering
 - Based on market research
 - Collect as much information as possible
 - Development of most effective marketing mix

- Reflects and satisfies the customer ensures that the company will develop a holistic CRM

CRM - Stage 2

- Identify customer relationships
- Understand the interaction
- Capture relevant data on the interactions
- Store and integrate the data

Data Mining

- Analytical process that compiles actionable data on the purchase habits of a firm's current and potential customers
- Transforms data into customer information a company can use to make managerial decisions
- Once data is collected, it must be leveraged- shared with all areas of business and used to build strategies

Identify customer relationships

- Customer-centric
 - Internal management philosophy
 - Customize products and services based on data gathered through interactions
 - All decisions and actions are a direct result of customer information
 - Builds long lasting relationships
- Learning: informal process of collecting customer information
- Knowledge management: process centralizes and shares learned information
- Empowerment: ensuring company employees have the authority to negotiate mutually satisfying commitments with customers
- Interaction: customer defines the interaction and then organization responds-customer focused

Touch points

- Registration
- Customer service call
- QR code
- Email

- Web-based
- Point-of-scale

Identify the best customers

- Yield high profits
- High potential
- Analyze and interpret the data

Data analysis

- Customer segmentation
- RFM analysis
- LTV analysis
- Predictive modeling

CRM Cycle - Stage 3

- Overreliance on technology and data can result in a loss of sight as the real goal
 - Maintain long-term relationships with customers
- Implements measures of customer satisfaction

CRM may be failing companies

- Crm focuses too much on transactions and not on other aspects of the customer's life
- Relationships cannot only be about achieving loyalty, need to find multiple ways to retain customers
- Dynamic and two sided
- Not enough to get a list of customers and their spending habits
- Evolves with each transaction, and CRM systems must as well

Leveraging Customer Information

- Data mining identifies most profitable customers and prospects
- Managers can design tailored marketing strategies to best appeal to identified segments
 - Enhanced relationships with customers

Common CRM Database Applications

- Campaign management
- Retaining loyal customers
- Cross-selling products and services
- Designing targeted marketing communications
- Reinforcing customer purchase decisions
- Induce product trial by new customers
- Increasing effectiveness of distribution channel marketing
- Improving customer service

Privacy Concerns

- Consumers' reactions to the growing use of databases
 - Concerns in privacy
 - Built on trust
 - PIPEDA
 - Global issues

Future of CRM

- Continued the newest and best technologies will be vital to CRM maintaining relevance
- Time needs to be input into data and manage the information provided is a growing concern
- Movement in CRM to automating customer-relationship-predictive modelling advances, relational databases

Lecture 6: Chapter 8

Importance of market segmentation

- Groups of customers with similar needs and study them
- Designed to appropriate marketing mixes is uncovered
- Accuracy in defining marketing objectives and allocating resources
- Consistent with marketing concept

Bases of segmenting consumer markets

- Substantial
- Measurable

- Accessible
- Respond uniquely

Geographic Segmentation

- Region of the world
- Region of the country
- Market size
- Market density
- Climate

Demographic segmentation

- Age
- Gender
 - Products segmented by gender
 - Males are increasingly targeted because traditional roles change
 - Women targeted for men's products
- Income
 - Influences consumers' wants and buying power
- Ethnic background
- Family life cycle

Ethnic segmentation

- Communities growing and evolving for a variety of reasons
 - English vs french canada
 - Ethnic communities become increasingly important
 - Often not precise enough

Psychographic

- Personality
- Motives
- Lifestyles
- Geodemographic

Benefit

- According to the benefits that consumers are seeking from a product or service
- Based on needs and wants

- Customer profiles are created

Usage rate

- First time, light, irregular and heavy users

Criterion for effective segmentation

- Substantiality
 - Large enough
 - Profitable vs large
- Identifiable
 - Measurable
 - Identifiable
- Accessible
 - Reach the consumer
- Responsiveness
 - Respond uniquely to be treated separately

Business Markets

- Producers
- Resellers
- Government
- Institutions

Bases for Segmenting Business Markets

- Company characteristics
 - Geographic location
 - Type and size of company
 - Product use
 - Type of customer
 - Usage rate
 - Buying organization's structure
 - How product is used
- Buying process
 - Purchase criterion
 - Purchasing strategies
 - Satisfiers

- Optimizers

- Buyers personal characteristics

Steps in segmenting a market

- Select a market or product category
- Choose basis or bases
- Segment descriptors
- Profile and analyze the segments
- Select targets
- design , implement, maintain appropriate a mix
 - More steps

Target Market

- Group of people or organizations for which an organization, design, impokemnts and maintains a marketing mix intended to meet the needs of that group resulting in mutually satisfying exchanges

3 general strategies for selecting target markets

- Undifferentiated
 - Mass market philosophy
- Concentrated
 - Market to niche to target
 - Highly specialized marketing mix
- Multi Segment
 - 2+ segment with distinct marketing mixes for each

One to one targeting

- Personalization
- Time savings
- Loyalty
- Technology

Positioning

- The place, product, brand, service occupies in the consumer's mind
- Effective positioning requires
 - Assessing the position occupied by competing products

- Determining the important dimensions underlying these positions
- Choosing a position in the market where the organization's marketing efforts will have the greatest impact

Product differentiation

- Positioning based on what distinguishes the product from the competition
 - toyota → safety

Positioning based on similarity

- Distinct place by positioning as similar to competition or brands
- Artificial sweetener → tastes like sugar

Perceptual mapping

- Displaying in 2 or more dimensions, the location, brands, for groups of products in customers' minds

Positioning bases

- Attribute → product feature, a product benefit
- Price and quality → high price as a symbol of quality
- Use or application → stress uses or applications
- Product user → focus on a personality type
- Product class → associated with a particular category of products
- Competitor → against competition
- Emotion → how the product makes you feel

Repositioning

- Changing the consumer's perception of a brand in relation to competing brands

Developing a positioning statement

- Targeted consumers
 - Develop a brief statement of the target
 - Use segment descriptors
- Frame of reference
 - Goal for the target market about the product benefit - consumption situation in which brand is to be used

- Point of difference
 - A statement as to why the product is superior
- Reason to believe
 - Provide evidence to support the claim

Lecture 8: Chapter 10

What is a Product?

- Starting point in marketing mix
- Definition: anything both favorable and unfavorable, received by a person in an exchange for possession, consumption, attention or short-term use

Types of consumer products

- Convenience goods
 - Inexpensive goods
 - Takes little effort to shop for
 - Unwilling to shop extensively for it
 - Require wide distribution - gas stations, Walmart, Shoppers Drug Mart
 - Impulse goods - stocked near checkout and
 - Bought regularly without planning
- Shopping goods
 - Require comparison shopping
 - Consumers are willing to put the time and effort into shopping
 - Homogenous - products similar in function and features
 - Heterogeneous - products different in features, quality and performance
- Specialty goods
 - Consumers search extensively for a particular item
 - Unwilling to accept substitutes
 - Unique characteristics
 - Sometimes are expensive
 - Limited distribution within a geographic area
- Unsought goods
 - Unknown to the consumer
 - Awareness achieved through advertising and distribution
 - Known product but not actively sought after
 - Insurance, burial plots: personal selling and aggressive advertising

- New products - until consumer becomes aware of them

Product Mix

- Product mix width
 - Breadth
 - Number of product lines offered
- Product line length
 - Number of product items in a product line
- Product depth
 - Number of types and sizes offered for each product in the line

Adjustments

- Product modification: changing one or more of a product's characteristics
 - Quality modification
 - Dependability or durability changed
 - Function modification
 - Change in versatility, effectiveness, convenience, or safety
 - Style modification
- Repositioning: changing a consumers' perceptions of a brand. Motivations to reposition are many and include changing demographics, declining scales, competition intensification
- Product line extensions: adding products to an existing product line to compete more broadly
- Product line contraction: reduce number of items in a line
 - Benefits
 - Resources can be allocated to more important products
 - Less waste of management time and strategic energy
 - Greater opportunity for remaking products as financial and human resources are available

Planned Obsolescence

- Process of modifying products so that those products have already been sold become obsolete before they actually need a replacement

Branding

- Name, term, symbol, design, combination

- Consumer actions, thoughts, expectations and feelings
- Brand name - the part of a brand that can be spoken, such as letters, words, numbers
- Brand mark - the elements of a brand that cannot be spoken

Benefits of Branding

- Product identification
 - Distinguish a product from competition
 - Brand equity
 - Global brand
- Repeat sales
 - Identify brands the consumer wants to buy again
 - Brand loyalty
- New product

Branding strategies

- Generic products vs branded products
- Manufacturers' brands vs private brands
- Individual brands vs family brands
- Cobranding

Trademarks

- Exclusive right to use a brand or part of a brand
- Service mark - same for services
 - shapes - coca-cola
 - Ornamental colour and design - Levi's tag
 - Catchy phrase
 - Abbreviations
 - Sounds

Trademark protection

- Aggressively enforce their trademarks
- Severe penalties exist, however
 - Infringement not uncommon

- Fake or unauthorized brands - “knockoffs”
- EU - can now file just one application to register a trademark

Packaging

- Containing and protecting
- Promoting
- Facilitating storage, use, convenience
- Facilitating recycling

Labelling

- Persuasive labelling
 - Focuses on a promotional theme or logo and consumer information is secondary
- Informational labelling
 - Designed to help the consumer make proper product selections and to lower cognitive dissonance after purchase
 - Consumer Packaging and Labelling Act

Global issues in branding

- One brand name everywhere
 - Coca-cola (200 countries)
- Adaptations and modifications
 - Language issues or being used by someone else
- Different brand names in different markets
 - Local brand names when translation or pronunciation is an issue

Global issues in packaging

- Proper labelling
 - Properly translating ingredients and promotional and instructional information
- Package aesthetics
 - Cultural traits
- Extreme climates
 - Distribution issues

Product warranties

- Warranty protects the buyer and provides essential information about the product
 - Express warranty
 - Written guarantee
 - Implied warranty
 - Unwritten guarantee that the good is fit for the purpose for a which it is sold

Lecture 8: Chapter 11

Categories of new products

- New to the world
- New product lines
- Additions to product lines

The Process

- New product strategies
- Idea generation
 - Customers - begin and end with the customer, marketing customer
 - Surveys, focus groups, observations, analysis of social media
 - Employees - marketing personnel, advertising, marketing research employees
 - Distributors - well trained salespeople routinely ask distributors about needs that are not being met
- Idea screening
 - Eliminations of ideas that are inconsistent with the organization;s new-product strategy
 - Good screening requires
 - Management having a clear understanding of what their business is all about
 - Understanding business objectives
 - Concept test
 - Evaluation of new idea before the prototype is made
 - Fairly good predictors if a line extension

- Not so if a new consumption pattern or other major change in behaviour is required by the consumer
- Business analysis
 - Second stage of screening considers
 - Demand, costs, sales, profitability
- Development
 - Prototype
 - Marketing strategy
 - Packaging, branding, labelling
 - Preliminary promotion
 - Manufacturing
 - Laboratory tests
 - In-home tests
- Test marketing
 - Limited introduction of a product with an associated marketing program to determine reaction
 - High costs → financial, exposure to competition
 - Alternatives → simulated laboratory test, computer simulation, internet
- Commercialization
 - Decision to market the product
- New Product

Keys to Success

- History of learning
- Vision of the future
- Strong leadership
- Commitment to the new product development
- Project based approach
- Perfection at each stage

Failures

- Incongruity
- Took too long
- Lack of company resources
- Poor initial product reviews and few changes made
- Poor execution of the marketing mix

Global issues in new product development

- Increasing globalization
 - Every product is developed for potential worldwide distribution, and unique market requirements are built in whenever possible
 - Global marketers design their products to meet regulations in their major markets and then, if necessary, meet smaller markets' requirements country by country

Spread of new products

- Diffusion of innovation

Categories of adopters

- Innovators → eager to try, higher income
- Early adopters → rely on group norms and values, adopt early
- Early majority → weigh pros and cons, rely on group for information
- Late majority → adopt because their friends have, pressure to conform
- Laggards → do not rely on group norms, traditional

Product characteristics and the rate of adoption

- Complexity
 - Degree of difficulty in understanding and using
 - More complex the slower the adoptions
- Compatibility
 - Degree of consistency with existing values, product knowledge, past experiences, and current needs
- Relative advantage
 - Perceived superiority to competition
- Observability
 - Benefits can be observed by others
- Trialability
 - Product can be tried on a limited basis

Marketing implications

- Communication aids diffusion
 - Word-of-mouth

- Direct from marketer to adopter

Product life cycles

- Introductory stage
 - High failure
 - Little competition
 - Limited distribution
 - Costs
 - Sales
 - Promotion
- Growth stage
 - Sales - increasing
 - Competition - intensifies
 - Profits - rise rapidly, peak, and fall off
 - Promotion - aggressive brand advertising and communication of key differences
 - Distribution - major key to success
- Maturity stage
 - Sales - increase at decreasing rate
 - Profits - fall
 - Product - modifications and product lines extended
 - Prices - fall
 - Promotion - consumer promotion investment to maintain market share
- Decline stage
 - Sales - significant and long decline, requires a determined strategy

Lecture 8: Chapter 12

The importance of services

- Intangibility
 - No physical attributes
 - Requires tangible cues to communicate the nature of the service and the service quality
- Inseparability
 - Consumers are present during the production of the service
 - Service is inseparable from the service provider

- Quality dependent on quality of employee
- Inconsistency
 - Services depend on the service deliverer
 - Standardization and training are required
- Inventory
 - Services cannot be stored, warehoused, or inventoried
 - Key challenge → to synchronize demand and supply

Service quality

- Reliability
 - Performing the service right every time
 - Very important to customers
- Responsiveness
 - Performing the service promptly
- Assurance
 - Providing the service with knowledge and courtesy
- Empathy
 - Paying caring individualized attention to the customer
- Tangibles
 - Providing physical evidence of the service → physical facility, tools, equipment used

Close the Gaps

- Knowledge
 - What customer want and what management thinks customers want
- Standards
 - What management thinks customers want and the specifications management develops to provide the service
- Delivery
 - Service specifications and how it is actually delivered
- Communication
 - What the company provides and what the customer is told it provides
- Expectation
 - What customers expect they should receive and the perceived service that has been provided

Marketing Mix for Services

1. Product
2. Price
3. Place
4. Promotion
5. People
6. Process
7. Productivity
8. Physical environment

Service as a process

1. People → service is directed at the customer
2. Possession → directed at a customer's physical possessions
3. Mental stimulus → directed at customer's minds
4. Information → uses technology directed to customer's assets

Customization/Standardization

- Strategic issue
 - Customized = flexibility
 - Standardized = efficiency
- Mass customization = technology and customization to the masses

Process Strategy

- Market research
- Update processes
- Standardize (repeat)

People strategy

- Standards gap and delivery gap
- Managing the employee
 - Incentives
 - Training
 - Recognition programs

Place

- Issues such as convenience, number of outlets, direct versus indirect, location, scheduling

Physical evidence

- Attention paid to the physical evidence benefits all 4 categories of service processes
 - Physical surroundings, quality of the equipment
 - Visual cues that communicate a message

Promotion strategy

- Stress tangible cues
 - Concrete symbol that communicates a message
- Use personal information source
 - Someone the consumer can relate to
 - Use social media sites to create conversations
- Create strong organizational image
 - Manage evidence
 - Physical space, the staff, website, stationary, marketing materials
- Engage in postpurchase communication
 - Follow up after the purchase/consumption - email, letters

Pricing strategy

- Unit of service consumption
 - Specific task
 - Time based
 - Goods consumed with service
- Multiple elements
 - Bundle price
 - Separate price
- Set pricing objectives
 - Revenue, operations, or patronage price objectives, or a combination

Productivity strategy

- Supply down, quality up

Relationship marketing in services

- Membership services - relationship marketing is natural
- Discrete transaction services - more difficult
 - Use marketing tools
 - Sell in bulk
 - Loyalty programs
 - Targeted communications

4 levels of Relationship marketing

- Financial → pricing incentives like frequent flyer programs
- Social → pricing incentives with social bonds
- Customization → creation of one-to-one solutions through intimate knowledge
- Structural → offering the above with the addition of value-added services

Internal marketing

- Service provider is the service
- Treat employees such that they deliver quality service
- Develop systems and benefits that encourage employee engagement and satisfaction

Non Profit organization marketing

- Objectives
 - Multiple, diverse, often intangible
- Target markets
 - Can be apathetic or strongly opposed
- Positioning decisions
 - Critical for success
- Product
 - Benefit complexity
 - Benefit strength
 - Involvement
- Place decisions
 - Mobility of the offering
- Promotion decisions
 - Social media, public relations, volunteers
- Pricing decisions

- Points of difference
 - Objectives
 - Nonfinancial prices
 - Indirect payments
 - Separation between payers and users
 - Below-cost pricing

Lecture 9: Chapter 13

The importance of price

- Price means one thing to the consumer - cost of something they want
- Price means another thing to the seller - revenue
- Internal pricing and external pricing must be balanced to meet bottom line and customer needs

What is price?

- Price - given up in exchange to acquire a good or service
 - Includes the time lost while waiting for the good or service
- Reasonable price = perceived value at the time of transaction

The importance of price to marketing managers

- Price creates perception of quality to consumers

Trends

- Potential buyers carefully evaluate price of a product against the value of existing products
- Increased availability of bargain-priced private and generic brands
 - Downward pressure on overall prices
- Market share pressure
 - Using price cuts to gain share
- Internet and mobile make comparison shopping seamless
 - Downward pressure on pricing

4 Step Pricing Process

1. Establishing pricing objectives
 - Status quo

- Maintain existing prices
- Meet competition prices
- Requires little planning-passive policy
- Sales oriented
 - Market share
 - Many believe market share indicated effectiveness - not always the case
 - Extreme competition may result in limited share growth
 - Sales maximization
 - Ignore profits, competition, and the marketing environment as long as the sales are rising
 - Short term focus
- Profit oriented
 - Profit maximization
 - Total revenue as large as possible relative to total costs
 - Doesn't necessarily = high prices
 - Satisfactory
 - Reasonable level of profit
 - Connected to CSR
 - Target return investment
 - Most common
 - Price to achieve a particular ROI

Step 2 - Estimate Demand, costs, and Profits

- Cost estimation
 - Variable costs
 - Fixed costs
- Demand estimation
 - Trickier
 - Historical data in the industry
 - Life cycle
 - Starts with price sensitivity and price elasticity of demand

Price change through PLC

- Introductory
 - High price

- Recover development costs
- Demand relatively inelastic
- Price sensitive market- then at or below market
- Growth
 - Prices stabilize
 - Competition enters increasing supply
 - Product appeal widens
 - Economies of scales lower costs so you can pass savings on
 - Demand rises
- Maturity
 - Price decreases as competition increases
 - Distribution channels are a cost factor as a need to intensify
 - Prices across competitors stabilize and price reductions do little as competition just follows
 - Demand is limited
- Decline
 - Further price reductions as the few remaining competitors try to recoup as much as possible
 - Prices could even go up if the product become a specialty good

Price elasticity of demand

- Degree of change in demand relative to changes in price
- Elastic
 - Characteristics
 - Non-essential
 - Many alternatives
 - Maslow's Social, Esteem Needs
 - Product examples
 - Smartphones
 - Fashion
 - Automobiles
- Inelastic
 - Characteristics
 - Essential
 - Few alternatives
 - Maslow's Physiological needs

- Product examples
 - Home heating and electricity
 - Basic food staples
 - Winter boots

Break-even analysis

- $BEP = \text{fixed cost} / \text{variable price per unit}$

Step 3 - choose a price strategy

- Chosen price strategy defines the initial price and the intended direction of price movements over the PLC

Pricing strategy decisions

- Start with current product positioning
- Consideration of product costs and demand and PLC stage
- Select from 3 basic approaches
 - Price skimming
 - Penetration
 - Status quo pricing

Price Skimming

- When?
 - New products
 - Perceived to have unique advantages
- How?
 - High to start and then lower over time
- When?
 - Market is willing to buy at a premium
 - Product is protected legally
 - Cannot expand production rapidly due to technology issues
- Why?
 - Recover production costs quickly
 - Test the market at a high price and then lower if sales are too slow
 - Better to go in high and reduce, than go in low and increase

Penetration pricing

- What?
 - Charging a relatively low price for a product initially
- Why?
 - To capture a large share of the market-reduce production costs
 - Market share objective
 - Lower profit per unit sold so volume of sales is critical
 - Low price can discourage competition from entering
- When?
 - Price sensitive market
 - Demand is elastic
 - Competitive market, relatively homogeneous products, potentially large market
 - Low fixed-cost structure; each sale contributes large amount to fixed costs

Status Quo pricing

- What?
 - Meeting the competition of going-rate pricing
 - Charging a price identical or very close to competition
- Why?
 - Simple
 - Ignores demand and costs

Step 4 - use price tactic

- Set a base price: general price level that the company plans to sell at
- Fine tune the base price using a variety of pricing tactics
 - Provides the opportunity to adjust for unforeseen events in the marketplace

Markup

- Profit producing device of price
- A component of each pricing tactic

Discounts and Analysis

- Quantity discounts

- Cash discounts
- Functional discounts
- Seasonal discounts

Value based pricing

- Value price = competition + consumer

Geographic pricing

- FOB origin pricing
 - Buyer absorbs the freight costs from the shipping point
 - Farther buyers are from sellers the more they pay, because transportation costs generally increase with distance merchandise is shipped
- Uniform delivered pricing
 - Seller pays the actual freight charges and bills every purchaser an identical, flat freight charge
- Zone pricing
 - Modification of uniform delivered pricing
 - Rather than using a uniform freight rate for its total market, the firm divides it into segments or zones and charges a flat rate per zone
- Freight absorption pricing
 - Seller pays all the freight-used in intensely competitive markets as a way to break in or be more competitive
- Basing-point pricing
 - Designate a location as a basing point and charges all buyers the freight cost from that point regardless of the city from which the goods are shipped
 - This is not very popular any longer

Other pricing tactics

- Single price
 - All goods and services at the same price
 - Removes price comparison from the buying process
- Flexible price
 - Different customers pay different prices
 - Allows the seller flexibility with respect to competition
 - Good when dealing with price-conscious consumers

- Lack of consistent profit (car dealerships)
- Professional services
 - Used by people who have specialized training
 - Price sensitivity is limited so consumer will bear the price given
 - Must be ethical
- Price lining
 - A line of products with prices set at several price points within
 - Reduces confusion for both seller and buyer
 - Does limit flexibility as prices rise and fall for the seller
- Loss leader
 - Selling a product near or even below cost in the hopes that shoppers will buy other items from the store
- Odd-even
 - Using odd numbers in the price to connote a bargain
- Price bundling
 - Two or more products in a single package for a special price
 - Many issues related to consumer behaviour to consider
- Two-part pricing
 - Charging two separate amounts to consume a single good or service
 - Membership fee and then a flat fee for use
 - Can attract consumers who will not pay a high upfront fee for limited use

Legality and Ethics

- Bait pricing
 - Luring customers in through false or misleading advertising
 - Use of high pressure in-store to sell up
- Deceptive pricing
 - Promoting a product or price saving that is not actually available or a low price on a limited number of products
 - Promoting a discount from regular price that has not been the regular price
 - Selling a product above the advertised price
 - Double ticketing
- Price fixing

- When two or more companies conspire to set a price, establishing a floor in a bidding situation or setting the market price that consumers will pay
- Predatory pricing
 - Setting a price very low with the intent of driving competition out
 - Difficult to prove as must show willful intent
- Resale price maintenance
 - Cannot dictate the price that retailer sells at or the retailer's price minimum
 - Manufacturers can provide an MSR but cannot discriminate against retailers that do not adhere to the MSR
- Price discrimination
 - Charging different prices for different buyers of goods like quality and grade within the same time period to reduce competition
 - Promotional money can be offered to channel members to stimulate support but it must be offered proportionally

Lecture 9: Chapter 14

The nature of marketing channels

- Source of competitive advantage that is unravelled by the other 3 P's

Proof

- Amazon spent \$3.88 billion on distribution network
- 35% increase
- 14% of total operations spent on fulfillment

Definitions

- Channel members
 - All parties in the marketing channel that negotiate with one another
 - Buy and sell products
 - Facilitate the change of ownership between buyer and seller as they move products from the manufacturer into the hands of the final consumer
- Supply chain
 - Connected chain of all the business entities
 - Internal and external to the company
 - Perform or support the marketing channel functions

Intermediaries

- Provide specialization and division of labour → overcome discrepancies → provide contact efficiency

Provide Specialization and Division of Labour

- Manufacturers gain efficiencies and lower production costs by concentration on production
- Intermediaries do what producers aren't equipped to do
 - Relationships with customers result in enhanced supply chain performance

Overcome Discrepancies

- Quantity: difference between the amount of product produced, and the amount an end user wants to buy
- Assortment: when the consumer does not have all the items needed to receive full satisfaction-marketing channels assemble all products in one location
- Temporal: when the product is produced but consumer is not ready to buy
 - Inventories are maintained in anticipation of demand
- Spatial: buyers all over but producers are concentrated-making products available in convenient locations

Provide contact efficiency

CHART

How to decide what type of channel to use - characteristics

- Type of intermediary
 - Product - customized product (insurance), standardized (chocolate)
 - Buyer - buying a school book directly online-discount
 - Market - home sale in one location

Channel functions performed

- Transactional functions
 - Contacting and promoting - potential customers, promoting products and soliciting orders

- Negotiating - determining how many goods and services to buy and sell, type of transportation to use, when to deliver, and method and timing of payment
- Risk taking - assuming the risk of owning inventory
- Logistical functions
 - Physically distributing - transporting and sorting goods to overcome temporal and spatial discrepancies
 - Storing - maintaining inventories and protecting goods
 - Sorting - overcoming discrepancies of quantity and assortment
 - Sorting out - breaking down a heterogeneous supply into separate homogeneous stocks
 - Accumulating - combining similar stocks into a larger homogeneous stocks
 - Allocating - breaking a homogeneous supply into smaller and smaller lots
 - Assorting - combining products in collections or assortments that buyers want available at one place
- Facilitating functions
 - Researching - gathering information about other channel members and customers
 - Financing - extending credit and other financial services to facilitate the flow of goods through the channel to the final consumer

3 types of marketing channels

- Consumer products channels
 - Direct
 - Retailer
 - Wholesalers
 - Agent/broker channel
- Business products channels (not covering)
- Alternative channel arrangements
 - Multiple channels
 - Dual distribution - more than one channel used
 - Non traditional channels
 - Help to differentiate a product
 - Internet, mail-order, infomercials
 - Vending machines

- Strategic channel alliances
 - Cooperative agreements between firms to use one of the manufacturer's already established channels
 - Particularly useful in global markets

Factors affecting channel choice

- Market
 - Who: consumers or industrial buyers
 - What: product quantity
 - Where: geographic location
 - When: seasonal or not
 - How: large or small quantities
- Product
 - Complexity: complex, customized and expensive use more of a direct channel
 - Product life cycle: choice of channel may change over the life cycle. As the product gains acceptance channel may become more complex
 - Delicacy of the product: perishables require shorter channels
- Producer
 - Direct channel
 - More resources - financial, managerial, marketing
 - More control - desired with pricing, positioning, image
 - Customer support - manufacturer wishes to provide more

Levels of distribution intensity

- Intensive - maximum market coverage
- Selective - eliminate all but a few in any single area
- Exclusive - one or few dealers in a given area

Types of conflict

- Horizontal
 - Among channel members at the same level
- Vertical

Channel partnering or cooperation

Benefits

- Lower costs
- Greater flexibility
- Improved customer service
- Higher revenues

Managing logistics

Logistics information system

- Software for materials acquisition and handling
- Warehouse management and enterprise-wide solutions
- Data storage and integration in data warehouses
- Mobile communications
- Electronic data interchange
- Radio-frequency identification chips
- Internet

Inventory control

- Develops and maintains an adequate assortment of materials or products to meet a manufacturer's or a customer's demands
- Goal is to keep inventory as low as possible while maintaining an adequate supply

Distribution challenges in world markets

- Spread of free-trade agreements and treaties = global marketing channels and management of the supply chain

Global logistics and supply chain management

- Key issues that impact logistics
 - Legalities
 - Transportation infrastructure
 - Border crossing issues
 - The reason why smaller companies resist global expansion

Lecture 10: Chapter 17

Advertising and Market Share

- Helps build brands
- Marketers need to measure the incremental value of spending additional money on advertising vs sales increase to ensure the greatest return on investment
- ROMI

Effects of advertising on consumers

- Informs consumers about products and services
- Influences attitudes and beliefs
 - Transform a negative to a positive
 - Reinforce positive
 - Affect the way the consumer ranks brand attributes
- Ultimately affects purchase decisions

Major types of advertising

Institutional

- Goal
 - Improve the image of the company or the industry
 - Maintain a favorable attitude about the company
 - Roots 150 campaign
- Advocacy - expressing views on a cause

Product

- Pioneering
 - Stimulate primary demand for a new product or product category
 - Heavily used in the introductory stage of the product life style
 - Provides in depth information about the benefits of the product class
 - Seeks to create interest
- Competitive
 - Goal: influence demand for a specific brand
 - Generally in the growth phase of the product life cycle
 - Competition exists
 - Less informative
 - Appeals to emotions
 - Ads stress subtle differences between brands

- Heavy emphasis on building recall of a brand name
- Creating a favourable attitude toward the brand
- Comparative
 - Directly or indirectly compare two or more competing brands on one or more specific attributes
 - Products experiences sluggish growth or those entering the marketplace against strong competitors are more likely to employ comparative claims in their advertising

Creative decisions in Advertising

- Advertising strategies are organized around an advertising campaign
- Common theme, slogan and set of advertising appeals
- Advertising objectives
 - Needed before any creative can begin
 - The specific communication task that a campaign should accomplish
 - For a specified target audience
 - During a specified time period

Developing and Evaluating Advertising Appeals

- Advertising appeal becomes the unique selling proposition
 - Profit
 - Health
 - Love or romance
 - Fear
 - Admiration
 - Convenience
 - Fun and pleasure
 - Environmental consciousness
 - Emotion
 - Vanity and egotism

Executing the Message

- The way the advertisement portrays its information
- AIDA is a good blueprint
 - Slice of life
 - Lifestyle

- Spokesperson/testimonial
- Fantasy
- Humorous
- Real/animated product symbols
- Mood or image
- Demonstration
- Musical
- Scientific

Humour appeal

- Popular and effective technique
- Canadian Tire - use humour and emotion

Media decisions in Advertising

- Media planning - series of decisions advertisers make regarding the selection and use of media, to efficiently and cost-effectively communicate the message to the target audience
 - Which types of media will best communicate the benefits of their product or service to the target audience
 - When and for how long the advertisement will run

Media Types

- Newspapers
- Magazines
- Radio
- Television
- Outdoor media
- Direct response
- Digital and mobile

Media selection considerations

- Cost per contact - enables evaluation of alternative media
- Cost per click - cost associated with clicking on a display or banner ad
- Reach - number of target who are response
- Frequency
- Target audience

- Flexibility
- Noise level
- Lifespan

Media Scheduling

- Continuous media schedule - run steadily throughout the advertising period
- Flighted media schedule - run heavily every other month or every two weeks
- Pulsing media schedule - combines continuous scheduling through the year, with a flighted schedule during the best sales periods
- Seasonal media schedule - run only during the times when the product is most likely to be purchased

Media Buying

- Negotiation process with media-buying agency earning a commission on media dollars spent
- Challenge - build media plans that achieve the client's' objectives at the lowest possible cost

Public relations

Publicity

- The effort to capture media attention
 - Articles or editorials in publications
 - Human-interest stories on radio or television programs
- Corporations usually initiate publicity by issuing a media release
- Savvy publicity can often create overnight sensations or build up a reserve of goodwill with consumers

PR Department functions

- Media relations
- Product publicity
- Corporate communications
- Public affairs
- Lobbying
- Employee and investor relations

- Crisis management

Major Public Relations Tools

- Product publicity
- Product placement
- Sponsorship
- Experiential
- Websites

Managing Unfavourable Publicity

- Crisis management

Lecture 10: Chapter 18

What is sales promotion?

The objectives

Coupons

Rebates and premiums

Loyalty, contests and sweepstakes

Sampling and shopper marketing

Personal selling

Comparison

Relationship selling

Steps in the Selling Process

- Generate leads - identify buyers
- Qualify leads - need to be satisfied
- Approach - gather information
- Develop and propose solutions - create solution and prepare presentation
- Handle objections - be prepared
- Close the sale - the commitment
- Follow up - ensure customer satisfaction

Key issues

More key issues

Global issues

Lecture 11: Chapter 16

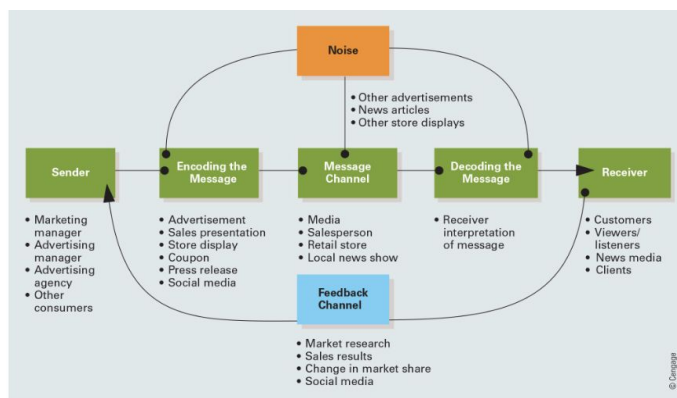
The Role of Promotion in the Mix

- Communication that informs, persuades, reminds and connects
- Promotional strategy
 - The plan for the optimal use of the promotional mix elements
- Main function
 - Convince target consumers
 - Competitive advantage
 - Position the product in the marketplace

Role of Promotion

- Marketing mix
- Target market
- Promotional mix
- Promotional plan

The Communication Process



- Sender: originator of the message, conversion of the sender's ideas into words and signs

- Message transformation: requires a channel, reception - when the message is detected and enters frame of reference
- Receiver and Decoding: intended target - can be many - social media, interpretation of the signs and words, selective process affect decoding
- Feedback: provides the analytics necessary to determine if the message is achieving objectives

Goals of Promotion

- Modify behaviour or thoughts in some way
- Reinforce existing behaviour

The Promotion Mix

- Advertising
 - Impersonal, one way mass communication
 - Paid for by a marketer
 - Benefit - ability to communicate with a large number of people at one time
- Publicity
 - Mass communication tool not paid for by marketers
 - Earn public understanding and acceptance
 - Achieved by execution of public relations strategies
 - Helps organization communicate with its customers, suppliers, shareholders, government officials, employees, community
- Sales promotion
 - Stimulates consumer purchasing, dealer effectiveness, and sales force enthusiasm
 - Short-run tool used to stimulate immediate increases in demand
 - Can be targeted at end consumers, trade consumers or a company's employees
 - Benefit - adds value to the brand
- Personal selling
 - Personal, paid for communication between two people in an attempt to influence each other
 - Both buyer and the seller have specific objectives they want to accomplish
 - Traditional - planned presentation
 - Today - relationship, increasingly independent on the internet
- Direct response

- Direct marketing
- Communication of a message directly from a marketing company to an intended individual target audience
- Uses a variety of media to deliver the personalized message
- Results can be measures
- Social media
 - Online marketing
 - Communication through the internet
 - Real time, two way communication with consumers
 - Consumers can respond and share to family and friends
 - Content marketing
 - New level of engagement that adds value
 - Reinforce brand's positioning
 - Typically delivered through social media
 - Social media
 - Promotion tools used to facilitate conversation

Type of buying decision

- Routine vs complex
- Neither - important decision

Lecture 11: Chapter 19

Social media's role in IMC

- Eyeballs have moved from one large screen to many smaller screens
- Communications has changed

Social media

- Experiential
 - One way content

How Canadians use social media

- 63% had at least one social network
- Implication

- Marketers must create campaigns using a variety of media platforms

Social E-commerce

- Subset of e-commerce
- User-generated commerce relies on user-generated content on websites to help consumer with purchases
- Often include ratings and recommendations
- Designed to help consumers make more informed purchase decisions

Guidelines

- Maximize inbound media
 - Create portfolios of digital touch points
- Recognize the aptitude does not translate into earned media
 - Learn to listen and respond
- Paid media can serve as a catalyst for consumer online engagement

Listening System

Step 1:

Social media strategies

- Listen, learn, respond

Evaluation and Measurement

- $ROI = (\text{Profit} / \text{Social Media Investment}) \times 100$
- But not all revenue can be attributed to the message - but it is a start \

Metrics

Consumer behaviour on social media

Social network sites

- Allow for connections

Media sharing sites

- Allow for multimedia content to be shared
 - Adds to an interactive channel

- More compelling stories to be shared
- Snapchat, Youtube, Pinterest
- Podcasts