

# MARKETING100

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## CHAPTER 1: AN INTRODUCTION TO MARKETING

Marketing: Understanding the needs of the customer

### Marketing Concept

- Focus on customer wants and needs so the organization can distinguish its offerings from competitors
- Integrate organizations activities including production to satisfy customer wants
- Achieve long term goals for organization by satisfying customers wants and needs legally & responsibly

The Evolution of Marketing

Product Orientation - Sales Orientation - Marketing Company Orientation - Societal Marketing Orientation - Relationship Marketing Orientation

Product Orientation: Marketing as messenger - seen as a way to let customers know about products and assumes that those customers will beat a path to producers door

“if you build it, they will come”

Sales Orientation: Highlighted by increase of customer choice & ensuring companies focused on creating market share & building sales volume in highly competitive market - hard selling to customer, who has greater choice due to competition

Marketing Company Orientation: Highlighted by coordination of marketing activities (advertising, sales, public relations) into one department in organization. Uses **marketing concept** to better understand customer rather than just trying to sell to them.

Societal Marketing Orientation: Looking at not only what customer wants but what society wants. Examines the longer-term impacts on customer and environment when customers seek to satisfy needs. Leads to movements: recycling, reduced waste, safety issues.

Relationship Marketing Orientation: Developing real and sustainable relationship with customer. Engagement is focus on this orientation

*Customer Satisfaction:* Customers evaluation of a good or service whether it has met their needs and expectations

- Focuses on delighting the customer rather than on selling products
- Retention

*Relationship Marketing:* focuses on keeping and improving relationships with current customers. assumes that customers prefer to keep ongoing relationship with one organization rather than switching continually among providers

Customer Relationship Marketing (CRM): Best serves ultimate goal of meeting the needs of customers and building relationships.

- Build trust with customers: share stories and listen

Exchange: people giving up one thing to receive another thing they would rather have - usually money

Customer Value: relationship between benefits and the sacrifice necessary to obtain those benefits.

- High quality at high price does not mean good value
- Customers value good services for quality expected & prices they are willing to pay

Market Segments: groups of individuals, families, or companies that are placed together as they are believed that they share similar needs

- Core of marketing efforts - represent source of customer needs
- How to increase market share: building relationships - attract new customers, increasing existing business, retain current customers

### **The Marketing Mix: 4 P's of Marketing**

Product: tangible and intangible aspects of a company offering. Companies look at what needs are being satisfied and how to best package all aspects for customer satisfaction

Price: quantifying of value in exchange for a companies offerings. Competition is significant use - customers perception and economic factors. Setting right price considers and makes best decisions that satisfies customers

Place: "behind the scenes" activities of making an offering available to customer. Decisions made on how to get a companies product to market can be more important than product itself

Promotion: what people believe marketing to be about, Most visible actives customer sees. Must find right balance of techniques (advertising) and keeping consistent feel/look

### **Why Marketing Matters?**

Marketing is part of every company; all companies must be consumer focused to sell products to create revenue. Successful companies have stronger understanding of customers

Marketing is a Rewarding Career; Marketing can prove financial and personal rewards. Careers in marketing are varied and offer many opportunities in constantly evolving and changing marketplace.

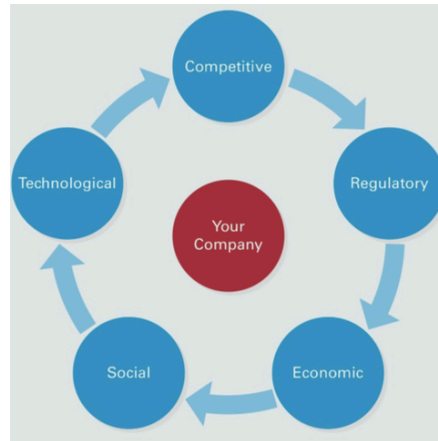
Marketing Provides an Important Skill Set: Skills are developed when learning marketing - how to understand needs, research trends, create an offering, communicate benefits

CHAPTER 2: MARKETING ENVIRONMENT, SOCIAL RESPONSIBILITY, & ETHICS

External Marketing Environment

The CREST Model: Factors within external environment that are important to marketing managers: Competitive, Regulatory, Economic, Social, Technological

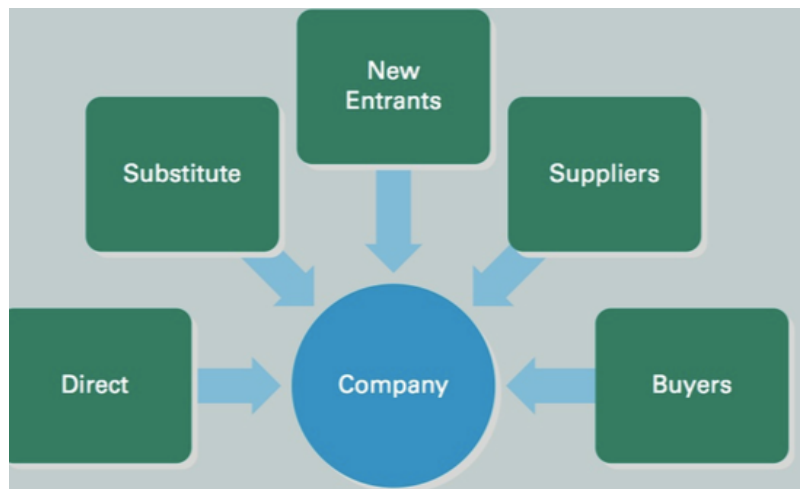
- Changes in external environment cause new customers to come / current goes



**Competitive Factors**

- Companies face competitive firm, both directly and indirectly
- Firms are turning more innovative in marketing - creates double edged sword for companies gathering info on any form of competition

<b>Direct Competition:</b> competitors most closely matching a firms product offering	<b>Substitutes:</b> Competitors whose products can satisfy same need, but different ways	<b>New Entrants:</b> Competitors who might emerge due to entry barriers present in industry
<b>Suppliers:</b> business partners (material producers) competing for profit margins from firm, thus motivated to charge highest price g+s provided	<b>Buyers:</b> Business partners (retailers) competing for profit margins from firm thus motivated to pay less fro g+s purchases from firm	



Regulatory Factors

- Decrease caution, increase risk - saying no to innovation entails little risk

Federal Legislation: affects how business is conducted administered by **competition bureau**: enforcing laws covering bankruptcy, trade, competition, credit, labeling, and packaging

Provincial and Territorial Laws: allows each level of government to legislate areas where given responsibility. Ex: Quebec bill 101:rescripts use of English language in certain advertising and promotion material

Self-Regulation: Programs voluntarily adopted by business groups to regulate the activities of their members. Established honesty and fairness in advertising

Consumer Privacy :

**Economic Factors** 3 areas of greatest concern to marketers are consumer incomes, inflation, and recession

Consumer Incomes: as incomes rise, for families/ individual can afford 'good life'

- Along w/ willingness to buy, ability to buy, income is key determinant of target makes
- Lower income / middle class families rely on credit
  - Purchasing Power: measured by comparing income to relative cost of a set standard goods in different geographic areas (cost of living)
  - Income - cost of living (expenses)
  - Discretionary Income: amount of money people have to spend on nonessential items (wants)

Inflation: measure of decrease in value of money, expressed as % reduction in value since previous year (rate of inflation)

- Inflation pressures consumers to make more economical purchases and still maintain standard of living

Recession: period of economic activity characterized by negative growth - occurs when GDP falls for 2 consecutive quarters. Reduces demand for goods

- In recession, consumers consider price-value relationship deliberately before making purchases

**Social Factors:** though to forecast, influence, or integrate into marketing plans. Influence other environmental forces

#### *Market Oriented Values*

What influences consumers:

- Self-sufficiency
- Upward mobility
- Work ethic
- Fairness

#### **Demographic Factors**

Demography: study of people's vital statistics; age, race, ethnicity, location

- Strongly related to consumer behaviour in marketplace
  - Generation Z: born: 1995-2009
    - "snowflakes" attitudes to access info, brand consciousness, technical sophistication, *purchasing power*
  - Generation Y: born 1979-2000 Millennials
    - Impatient, family oriented, good time managers
  - Generation X: Born 1966-1978

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- Time poor- service dependent, Boomers working longer impacts careers of Gen X, funding retirement of boomers

Baby Boomers: Born 1947-1965

- Some have been hurt by recession, worry about retirement

Demographic Factors - Ethic and Cultural Diversity

Multiculturalism: peaceful and equitable coexistence of different cultures. Rather than one national culture in a country

- Since many citizens don't speak English, companies have major implications for marketing programs

Technological Factors

External Technology: important to managers (1) acquiring technology, firm can operate more efficiently or create better product (2) new technology may render existing products obsolete

- Technology creates new industries & new ways to develop products, compete and meet consumer needs

**Corporate Social Responsibility (CSR):** a businesses concern for social and environmental welfare - culmination of decades of accused forces of collective external environment (CREST)

- Triple Bottom Line (cost of doing business today) - profitability, care for the planet, care for people
- Process of **social acceleration** resulted in need to implement heightened regulations of business practices regionally, federally, and internationally to protect people and plant from pursuit of business

## **Ethical Behaviour in Business**

Ethics: moral principals or values that generally govern the conduct of an individual or a group

*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 decisions and onset of consequences
- Number of people to be affected

## CHAPTER 3: STRATEGIC PLANNING FOR COMPETITIVE ADVANTAGE

### Importance of Strategic Planning

Strategic Planning: leadership and management process of establishing the (1) organizations objectives and determining how to achieve them given internal resources and (2) evolving market environment

- Goal: long-run profitability and growth
- 3 levels: (1) Corporate (2) Business (3) Marketing
  - Corporate Planning: leads to objectives for businesses and market level planning that dress issues related to who, where, how, and against who to compete
  - Business planning undertaken at **strategic business unit (SBU) level**: subgroup of single business or collection of related businesses within larger organization - formulate strategies dealing with competitive advantage
  - Marketing planning: activities aimed at target market and marketing mix considerations
- Strategic decisions (*decision made w/ wider scope and long term in orientation*) are made at all 3 levels, whereas tactical decisions (*narrower in scope and short term*) are limited to implementation of marketing plans at lowest operational level

### Corporate Planning - Defining Business Mission

- Foundation of strategic decision: *mission statement*
  - Establishes boundaries for all subsequent decisions, objectives, and strategies
- To set organizations strategic direction, business must understand current environment where they will be operating

**SWOT Analysis:** used to examine internal strengths & weaknesses, and external opportunities & threats

- When examining External forces: marketers analyze aspects of marketing environment (environmental scanning) - collection and interpreting of information about forces, events, and relationships in external environment that may effect future of company



		Strengths	Weaknesses
Internal	Financial		
	Management Marketing		
		Opportunities	Threats
External	Competitive		
	Regulatory		
	Economic		
	Social Technological		

**Strategic Alternatives**

Ansnoff’s strategic Opportunity Matrix: Matches product w/ market

	Current Product	New Product
Current Market	Market Penetration	Product Development
New Market	Market Development	Diversification

Market Penetration: firm tries to increase market share among existing customers by selling more current products (ex: Tim hortans roll up the rim)

Market Development: attracting new customers to existing products (ex: Tim horns provides catering services)

Product Development: creation of new products for current markets

Diversification: Increasing sales by introducing new products into new markets (riskiest)

**Business Planning for Competitive Advantage:** implementing and executing strategy

- More detailed planning is required at SBU level on how business will achieve a sustainable competitive advantage

Competitive Advantage: set of unique features of a company and its products that are perceived by target market as significant and superior than competition (ex: cost, product differentiation, or niche strategies)

Cost Competitive Advantage: low-cost competition in an industry while maintaining satisfactory profit margins

- Experience curves: curves that show costs declining at a predictable rate as experience with a product increases
- Product/service differentiation competitive advantage: firm provides a unique benefit that is valuable to buyers beyond simple offering a low price

Niche Competitive Advantage: seeks to target and effectively serve a single segment of the market

- Small companies with limited resources potentially face giant competitors must have good niche strategy that has good growth potential

Building Sustainable Competitive Advantage

Sustainable Competitive Advantage: advantage that cannot be copied by competition

Ex: Rolex: high quality watches @ very high price



## **Marketing Planning - *Setting objectives and identifying target market***

- Activities of selecting describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target market

Setting Marketing Plan Objectives: Marketing objective (statement of what is to be accomplished through marketing activities - 5 criteria SMART (1) specific (2) measurable (3) attainable (4) relevant (5) time-bound

**Target Market Strategy:** Market segment (group of individuals or organizations that share one or more characteristics

- Begins with **Market Opportunity Analysis (MOA)** description and estimation of the size and sales potential of market segments that are of interest to firm and key competitors
- Decision regarding which /how many segments to target

**The Marketing Mix:** unique blend of product, price, place (distribution), and promotion strategies - 4 P's, designed to produce mutually satisfying exchanges with a target market

Product Strategies:

- Product offerings / product strategy, physical product or a service
- Ex: physical unit, package, warranty, brand name, value, image

Pricing Strategy: what buyer gives up in exchange

- "value" in mind of consumer
- Quickest element to change, can be important competitive weapon

Place Strategy: Makingg products available when customer wants them

- Physical distribution: storing / transportation

Promotion Strategy: Introduce, facilitate, or sustain conversation/ relationship between company + customer

- Integrated marketing communications
- Ex: advertising, direct making, public relations, sales promotion, digital marketing

## **Marketing Plan - implementation, evaluation, and control**

Implementation: process that turns marking plan into action assignment, and ensures assignments are executed according to plan

- "Do what you said you were gonna do" - many companies experience failures when plans not properly implemented

## **Evaluation and Control**

*Evaluation:* (involves gauging the extent to which marking objectives have been achieved during the specified time

*Control:* provides mechanisms both for evaluating marketing results in light of plans objectives within budget

*Marketing Audit:* through systematic, periodic evaluation of objectives, strategies, structures, and performance of marketing organization

## CHAPTER 4: DEVELOPING A GLOBAL VERSION

### Rewards of Global Marketing

#### *Global Vision*

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

#### Global Marketing - who

- Once was the domain of large multinationals
- Today - tech has enabled large, med, small businesses to see world as large opportunity



#### *Outsourcing*

- Sending Canadian jobs abroad
- Corporate growth, productivity, revenue growth
- Job loss to local economy/ loss of intellectual capital
- Returning production jobs to Canada
- Increases



### Benefits of Globalization

Developed Countries	Less Developed Countries
<ul style="list-style-type: none"> <li>• Expands economic freedom</li> <li>• Spurs competition</li> <li>• Raises productivity and living standards</li> </ul>	<ul style="list-style-type: none"> <li>• Access to foreign capital</li> <li>• Access to export markets</li> <li>• Access to advanced technology</li> <li>• Braking monopoly of inefficient labor</li> </ul>

### Multinational Firms

**Multinational Corporations:** companies that are heavily engaged in int trade beyond exporting & importing

- In developing countries: multinational benefits are controversial
  - Can tap into financial physical and H.R resources
  - Can transfer up-to-date technologies

**Global Marketing Standardization:** Production of uniform products (ex: iPhone)

- As the world ‘shrinks’ due to communication tech, consumers want all the same things
- Global marketing standardization improving profits through lower costs
- In reality, combo of standardization and variation
  - Determine which products need to be changed and change only them

**External Environment - Economic and Technological**

- GNI - one measure of the ability of citizens to buy g+s
  - Average fam income is higher in more developed counties = more purchasing power & demand
- Marketers use this info to measure market potential
- Market potential must also consider cost of doing business

**Global Economy**

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

**Political Structure & Actions**

- Less regulations fosters the strongest economies
  - Least regulated and most efficient economies are concentrated amongst those counties with well established common-law traditions (Canada)

**Legal Considerations**

<b>Tariff:</b> a tax levied on the goods entering a country	<b>Quota:</b> limit on amount of a specific product that can enter a country	<b>Boycott:</b> exclusion of all products from certain counties or companies
<b>Exchange control:</b> law compelling a company foreign exchange from exports to sell it to a control agency (usually a bank)	<b>Market group (AKA: common trade alliance):</b> occurs. When several counties agree to work together to form common trade area to enhance trade .	<b>Trade agreement:</b> agreement to stimulate international trade

**Trade Agreements**

<p><b>Uruguay Round and Doha Round:</b> agreement created by WTO to lower trade barriers worldwide</p>	<p><b>WTO:</b> Trade organization that replaced the old (GATT) (agreement that had loopholes that enabled countries to avoid trade barrier reduction agreements)</p>	<p><b>NAFTA:</b> Canada, USA, Mexico freezone trade</p>
<p><b>EU:</b> (most of Europe) free trade zone, political &amp; economic community with a common currency - guarantees freedom on movement of people, g+s between member states</p>	<p><b>Canada &amp; Free Trade Agreements</b></p>	<p><b>World Bank &amp; International Monetary Fund</b></p>

**Demographic Makeup**

Two primary determinants of consumer market: *Wealth & Age*

- World wealth is not evenly distributed
  - Asia-pacific: 2/5 of the HNWI wealth
  - 60%+ of HNWI are concentrated in four countries
- Age: age gap in industrialized counties

*Natural Resources*

- Shortage of natural resources more evident today
- Petroleum-rich nations have experienced huge amounts of wealth as industrial counties have sought the resource

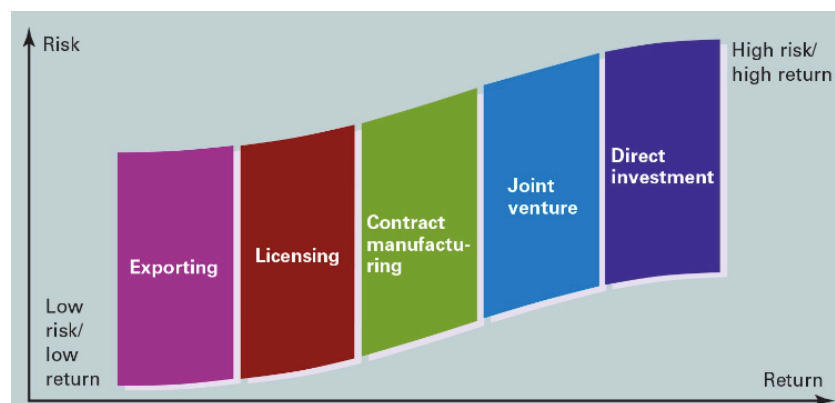
*Differences Create:*

- international dependencies
- Huge shifts of wealth
- Inflation and recession
- Export opportunities for counties w/ abundant resources
- Stimulants for military intervention

### Global Marketing by the Firm



### Methods of Entering the Global Market



### Methods of Entering the Global Market

**Exporting:** selling domestically produced products to buyers in another country

**Licensing & Franchising:** A legal process

**Contract Manufacturing:** A private-label manufacturing by a foreign company

**Joint Venture:** Domestic-firm joins with a foreign firm to create a new entity

**Direct Investment:** Active ownership - majority of controlling interest in a foreign firm

### The Global Marketing Mix



#### Product & Promotion Strategy Options

*One Product Message:* Global marketing standardization / Uniform branding

*Product Invention:* Create a new product or drastically change an existing one

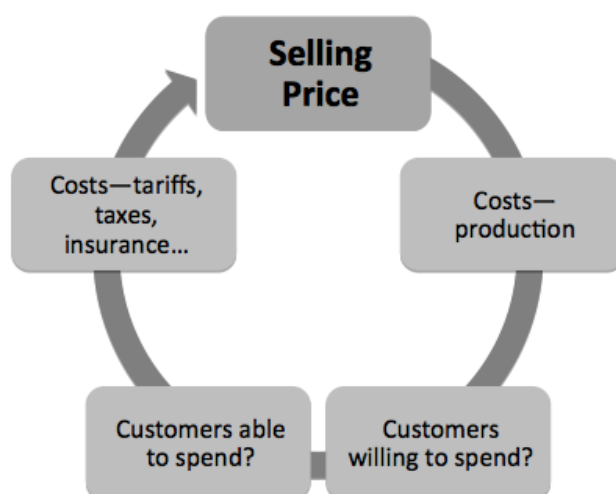
*Product Adaptation:* Slightly alter to meet local conditions

*Message Adaptation:* Maintain the same product but alter the message

#### Place Options

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

#### Pricing Options



*Other pricing considerations*

*Exchange Rates*

- Appreciation
- Depreciation
- Floating exchange rate

*Dumping*

- Form of price discrimination

- Creates serious problems w/ trade

### Countertrade

- Fast growing way to conduct global business - all or part of payment is in form of other products & services
- A form of barter

### Impact of The Internet

- Has made 'going global' 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

## CHAPTER 5: MARKETING RESEARCH

**Role of Marketing Research:** gathering info about customers, their needs, and marketplace in which they operate

- Brings clarity to unknown aspects of marketplace, used to help make decisions: it is not the only basis for a decision - 3 functional roles marketing research can play in organization
  1. Descriptive Role: presenting factual statements
  2. Diagnostic: Explaining relationship within data
  3. Predictive: Predicting results of a marketing decision

### Marketing Research Process

**Step 1: Identify the Problem:** must differentiate between management decisions and research problem

- Management Decision: big picture dilemma - what do they need to do?
- Research Problem: What info needs to be gathered - what they need to know?

Market Research Objective: specific info needed to solve marketing issue

- Series of question that decision makers need to know

**Step 2: Designing the Research:** research design specifies how to go about answering the questions and achieving the objectives

- Exploratory Research: Informal discovery, looking for key relationships, not yet about solving problem, focus groups, expert interviews, case studies
- Conclusive Research: Developing conclusions and courses of actions
  - Descriptive Research: attempts to describe marketing phenomena
  - Casual Research: focuses on the cause and effect of 2 variables and attempts to find some correlation between them

**Step 3: Collect the Data**

Secondary Data	Primary Data
+ <ul style="list-style-type: none"> <li>• Inexpensive</li> <li>• Clarifys problem</li> <li>• Fast to collect</li> </ul>	+ <ul style="list-style-type: none"> <li>• Focuses on specific problem</li> <li>• Sources are known</li> <li>• Accurate results</li> </ul>
- <ul style="list-style-type: none"> <li>• Collected for another purpose</li> <li>• Questionable sources</li> <li>• Quickly outdated</li> </ul>	- <ul style="list-style-type: none"> <li>• Expensive</li> <li>• Time consuming</li> <li>• Requires specific skills</li> </ul>
Inside Organization <ul style="list-style-type: none"> <li>• Annual reports</li> <li>• Report to shareholders</li> <li>• Product testing data</li> <li>• Company's own marketing data</li> </ul>	Qualitative: best used when researcher still needs to clear up aspects of research or requires better understanding of situation <ul style="list-style-type: none"> <li>• Depth Interviews</li> <li>• Focus groups</li> </ul>
Outside Organization <ul style="list-style-type: none"> <li>• Statistics Canada</li> <li>• Online Journals</li> </ul>	Quantitative: best used when researcher wants specific numbers and ability to analyze data to provide statistical conclusions <ul style="list-style-type: none"> <li>• Surveys</li> <li>• In-home personal interviews/ phone interviews</li> </ul>

Questionnaire Design: all forms of surveys require questionnaire

- Open ended questions
- Close ended questions
- Scale response

Observation Research: watching people or phenomena in controlled manner through humans or machine methods

Ethnographic Research: Watching people in natural setting to gain deeper understanding of what makes people do what they do

Experiments: casual method researcher can use to gather primary data

- One or more variable altered, observe impact of altered variable, lab or field

### **Types of errors**

Measurement error: occurs when info from researcher differs from info from measurement process

Sampling error: when sample does not represent the target population

Frame error: arises when sample drawn from population differs from target population

Random error: when selected sample is an imperfect representation of overall population

### **Step 4: Analyze Data**

- Draw conclusions from the mass of collected data

### **Step 4: Present the Report**

- Prepare report and communicate conclusions and recommendations to management
- (1) clear concise statement of research objectives (2) description of methodology (3) Summary of major findings (4) conclusions (5) recommendations

### **Step 6: Provide Follow - Up**

### **Impact of Technology on Market Research**

- Two main areas where technology and marketing research have combined (1) online (2) mobile devices
- Publics reduced use of and reliance on traditional research tools (ex: telephone interviews & mailing surveys)
- Online surveys
- Online research panels
- Online focus groups
- Mobile marketing research
- Social media marketing research
- Rise of big data

### **When to conduct market research?**

- First step in the process is key to success
  - Understand the problem
- Be willing to admit you don't have answers
- Competitive intelligence can create more efficient and effective company

## CHAPTER 6: CONSUMER DECISION MAKING

### Importance of Understanding Consumer Decision Making

- Without an understanding, development of an effective marketing mix is highly compromised
- Consumer preference are continually changing
  - Study how consumers make purchase decisions
  - How they use the purchase
  - How they dispose
  - What factors influence the purchase, use, and disposing

### Consumer Decision-Making Process

1. **Need Recognition:** Occurs when consumers are faced with imbalance between actual & desired states - triggered when consumer is exposed to internal or external **stimulants** (unit of input affecting 1 or more of 5 senses)

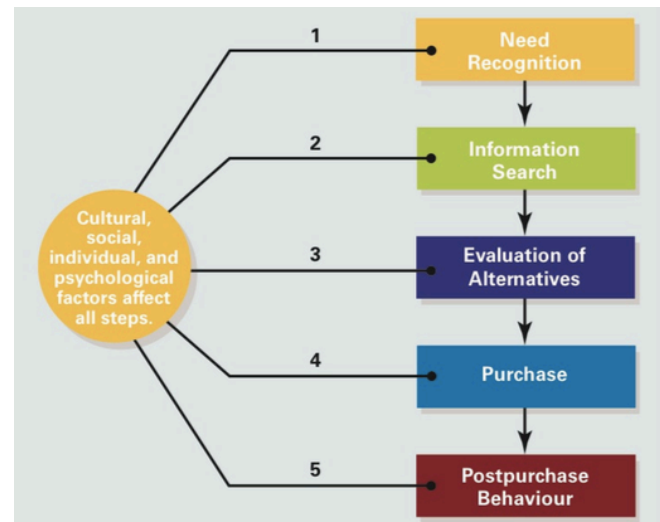
#### 2. Information Search:

*Internal Information Search:* process of recalling into stored in ones memory

- *Memory search*
- *Past experience*

*External Information Search:* process of seeing info in the outside environment

- *Non-marketing controlled*
  - Personal experience
  - Personal sources
  - Public sources
- *Marketing controlled*
  - Mass media
  - Salespeople
  - Product labelling
  - Social media
- *Consumer-to-consumer*
  - Perhaps more valuable - online reviews - willingly posted



**Factors Affecting Information Search**

- Perceived risk
- Knowledge
- Prior ex
- Level of interest in the good or service
- Confidence in decision making ability
- Interest in the product

**Post-purchase behaviour**

- Provide **decision confirmation** from evaluation of alternatives through to purchase to post purchase or may result in **cognitive dissonance**

**Factors Determining the Level of Consumer Involvement**

Previous Experience: when consumers have had previous experience with g+s, level of involvement decreases	Interest: areas of interest vary from person to person depending on how much they enjoy g+s	Perceived Risk of Negative Consequences: as perceived risk in purchasing product increases, so will consumers level on involvement (types of risks: financial, social)
Situation: circumstances of a purchase may temporarily transform a low-involvement decision into high involvement one	Social Visibility: involvement increases as social visibility increases - designer label make statement about purchaser (social risk)	

**Factors Influencing Consumers 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**

Culture and Values: culture comprises set of values, norms, attitudes, and other meaningful symbols that share human behaviour

- *Pervasive:* culture encompasses things consumers do without consciousness
- *Functional:* human interaction creates values and prescribes acceptable behaviour for each culture
- *Learned:* Consumers must learn what is acceptable from fame and fiends
- *Dynamic:* adapts to changing needs and evolving environment

Subculture: attitudes, values, and purchase decisions are more similar within subcultures

- Subcultures arise from division of culture based on demographic characteristics, geographical regions, political beliefs, and religious beliefs

Social Class: typically measured as combination of occupation, income, education, wealth, and other variables

- Education attainment - most reliable indicator of social class and economic status

Family

- Most important social institution
  - Influences values, attitudes, and self-concept, hence buying behaviour
  - Family members play roles in purchase process: initiator, influence, decision maker, purchaser, consumer

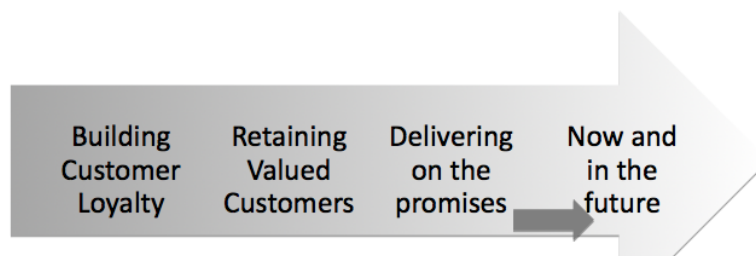
Individual Influences of Consumer Buying Behaviour: Gender, age, family life cycle, personality, self concept, lifecycle

Psychological Influences on Consumers buying behaviour: perception, motivation, learning, beliefs, attitudes

## CHAPTER 9: CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

What is CRM?

- Identifying profitable customers
- Finding ways to interact with them
- Goal: maximize value that is attributes to that customer relationship
- Seen simultaneously as a process to help improve relationships
- A system involving working with employees and external customer
- Use of technology to manage the people and the process



To develop a customer who will invest in maintaining a mutually beneficial interaction

The Other CRM

- Customer relationship *MARKETING*
  - Acquiring the hardware and software to create a database or system to gather and track customer information
- Customer relationship *MANAGEMENT*

- Overall company strategy
  - Understand customer needs
  - Keep updated as to needs
  - Long-term customer satisfaction

## The CRM Cycle

### Stage 1: Marketing Research

- Creating of the offering
  - based on market research
  - collect as much info as possible
  - then the development of the most effective marketing mix
- Creating of an offering that reflects and satisfies the customer ensures that the company will develop a holistic CRM

### Stage 2: Business Development

Identify Customer Relationships: who are they, where are they located, what they are buying



*Understand the Interaction:* by collecting data on all types of communication the customer has with the company

*Capture Relevant Data on the Interaction:* Dependent on what company wants - last interaction, when, how much

*Store and Integrate the Data:* the value of the data in building relationships depends on the system - *key element: high quality, actionable data*

### Stage 3: Customer Support

- An over reliance on technology & data can result in a loss of sight as to the real goal - *maintaining long-term relationships w/ customers*
- Cycle must be complete by implementing *measures of customer satisfaction*

### How CRM May Be Failing Companies

1. CRM programs focus too much on transactions and not on other aspects of customers life
2. Relationships cannot be solely about achieving loyalty, and companies need to find multiple ways to retain customers
3. A relationship is dynamic & 2 sided. Not enough to get a list of customers and their spending habits - relationship will evolve with transaction, and RCM systems must as well

### Leveraging Customer Information

- Data mining identifies most profitable customers and prospects

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- Managers can design tailored marketing strategies to best appeal to the identifies segments
  - leverage the customer information to facilitate enhanced relationship w/ customers

#### Privacy Concerns

- Consumers reactions to the growing use of data bases
  - Concern in regards to invasion of privacy
  - Marketers relationships with customers built on trust
    - If the customer feels knowledge gained from database information is being used inappropriately test is diminished
    - Internet - driven data collection has increased alarm in privacy minded customers
- Global issues

#### Future of CRM

- Continues use of the newest and best technologies will be vital to CRM maintaining its relevance
  - Much technological innovation has not been evident
- Time needed to input data and manage information provided is a growing concern
- Movement in CRM o automating customer relationship, predictive modelling advances, relation databases

## CHAPTER 8: SEGMENTING, TARGETING, AND POSITIONING

**Market Segment:** subgroup of ppl or organizations sharing one + characteristics that cause them to have similar products needs

**Market Segmentation:** process of dividing a market into meaningful relatively similar, and identifiable segments or groups

*Purpose:* enable the marketer to tailor marketing mixes to meet the needs of one or more specific segments

### *Importance of Market Segmentation*

1. Identify groups of customers w/ similar needs and study them
2. Information to design appropriate marketing mixes is uncovered
3. More accuracy defining marketing objectives and allocating resources
4. Consistent w/ marketing concept

### **Bases for Segmenting Consumer Markets**

Segmentation Bases (variables): characteristics of individuals, groups, or organizations

- Use bases that will create segments that are:
  - Substantial
  - Measurable
  - Accessible
  - Respond uniquely

### **Geographic Segmentation**

Refers to segmenting markets by a region of a country or region of the world, market size, market density, or climate

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

## Demographic Segmentation

Oftenly used by marketers because information is widely available and often related to consumer buying / consumer behaviour

<p><b>Age</b></p> <ul style="list-style-type: none"> <li>• <b>Tweens:</b> 2.5M; direct spending power of \$2B &amp; \$20B+ in family spending</li> <li>• <b>Teens:</b> 2.1M; substantial purchasing power, early adopters w/o strong brand preferences, social media</li> <li>• <b>Generation Y/Millennials:</b> 9M, tech save, high online media consumption, educated/ diverse, ethical</li> <li>• <b>Baby Boom:</b> 27% of pop, retirement age, 19% seniors w/: time &amp; money</li> </ul>	<p><b>Gender</b></p> <ul style="list-style-type: none"> <li>• Many products continue to segment by gender                     <ul style="list-style-type: none"> <li>- clothing, perfume, jewellery</li> </ul> </li> <li>• Males becoming increasingly targeted as traditional roles continue to change - makes fewer impulse purchases, less price sensitive, and are focused on getting in &amp; out of store</li> <li>• Marketers targeting women for mens products</li> <li>• Women buy on behalf of the people living in their homes as well as extended family</li> </ul>	<p><b>Income</b></p> <ul style="list-style-type: none"> <li>• Income levels influence consumer' wants and determine buying power</li> <li>• Many markets are segmented by income (housing, clothing, automobiles, food)</li> </ul>
<p><b>Ethnic Background</b></p> <ul style="list-style-type: none"> <li>• Canadas ethnic communities growing and evolving for a variety of reasons                     <ul style="list-style-type: none"> <li>- English vs. French Canada</li> <li>- Other ethnic communities becoming increasingly important</li> <li>- Ethnic segmentation often not precise enough</li> </ul> </li> </ul>	<p><b>Family Life Cycle</b></p> <ul style="list-style-type: none"> <li>• Series of stages determined by a combo of age, marital status, and precedes or absent of children</li> <li>• 9.4M families in Canada, 1/4 are 'traditional families': husband, wife, kids.</li> </ul>	

## Psychographic Segmentation

<p><b>Personality:</b> persons traits, attitudes, and habits. ex: persons clothing or clothes. People buy clothing that represents their personalities and give other idea of who they are</p>	<p><b>Motives:</b> usually appeals to economy, reliability, and dependability. Ex: carmakers target customers by appealing to their rational motives</p>
<p><b>Lifestyles:</b> divides people according to the way they spend their time, the importance of the things around them, beliefs, and socioeconomic characteristics (I.e income &amp; education)</p>	<p><b>Geodemographics:</b> clusters potential customers into neighbourhood lifestyle categories. Combines geographic, demographic, and lifestyle segmentations. Helps marketers develop marketing programs tailored to prospective buyers who live in small geographic neighbourhoods who have very specific lifestyle and demographic characteristics</p>

- Prizm C5: Lifestyle Segmentation
  - Psychographic variables can be used
  - Divides Canadian population into 68 clusters

- Satellite Burbs- average family income of \$143,173 - global consciousness, family-centric, active in religions community and enthusiastic purchasers

### Benefit Segmentation

- Process of grouping customers into market segments according to the benefits they seek from the product
- Group potential customers on basis of needs or wants rather than characteristics such as age or gender
- Customer profiles can be created by combining demographic information associated with people seeking certain benefits
  - ex: PowerBar designed for athletes looking for long lasting fuel, while PowerBar Protein Plus is aimed at those who want extra protein after strength training

### Usage Rate Segmentation

- Divides market by the amount of product bought or consumed
  - First time users, light or irregular users, medium users, heavy users
  - Segmenting by usage rate enables marketers to focus on their efforts on heavy users or to develop multiple marketing mixes aimed at different segments. Heavy users account for large portion on product sales (marketers often focus on heavy users)
  - *Pareto principal*: holds 20% of all customers generate 80% of the demand
    - Ex: fast food industry: heavy users account for 1/5 fast food portions but represent 60% of all visits to fast food restaurants

### Criteria for Effective Segmentation

<p><b>1. Substantially</b> Segment must be <b>large enough</b> to warrant developing and maintaining a special marketing mix ex:</p>	<p><b>2. Identifiability</b> Segments must be identifiable with their size <b>measurable</b>. Data on population within geographic boundaries, number of people in various age categories, and other social and demographic characteristics are easy to get</p>
<p><b>3. Accessible</b> Firm must be able to <b>reach members of targeted segments</b> with customized marketing mixes. Some market segments are more difficult to reach ex: senior citizens who don't speak English or are illiterate</p>	<p><b>4. Responsiveness</b> Marketers can be segmented by using any criteria that seem logical. Unless one market segment responds to a marketing mix differently from other segments. Ex: if all customers are equally price conscious about product, marketers have no need to offer high, medium, and low priced versions to different segments</p>

### Bases for Segmenting Business Markets

Business Markets, 4 Broad Segments

1. Producers
2. Resellers

3. Government
4. Institutions

Company Characteristics	Buying process
<ul style="list-style-type: none"> <li>• Geographic location</li> <li>• Type &amp; size of company</li> <li>• Product use</li> <li>• Type of customer</li> <li>• Usage rate</li> <li>• Buying organizations structure</li> <li>• How product is used</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase criterion</li> <li>• Purchasing strategies                             <ul style="list-style-type: none"> <li>- satisfies</li> <li>- optimizers</li> </ul> </li> <li>• Buyers personal characteristics</li> <li>• Satisfiers: business customers who place their order w/ the first familiar supplier to satisfy their product and delivery requirements</li> <li>• Optimizers: business customers who consider numerous suppliers; study all proposals before purchasing</li> </ul>

### Steps in Segmenting a Market

1. **Select a market or product category to study.** Define the overall market or product category to be studied
2. **Choose a basis or bases for segmenting the market.** The step requires marginal insight, creativity, and market knowledge. A successful managerial scheme must produce segments that meet the 4 basic criteria discussed earlier in this chapter
3. **Select segment descriptors.** After choosing one or more bases, the marketer must select the segmentation descriptors. Descriptors identify the specific segmentation variables to use
4. **Profile and analyze segments.** The profile should include the segment sizes, expected growth, purchase frequency, current brand usage, brand loyalty, and longterm sales and profit potential. This information can then be used to rank potential market segments
5. **Select target markets.** Selecting target markets is not a part of the segmentation process but is a natural outcome. It is a major decision that influences the firms marketing mix.
6. **Design implement, and maintain appropriate marketing mixes**

### Strategies for Selecting Target Markets

**Target Market:** Group of people or organizations for which an organization designs, implements, and maintains a marketing mix intended to meet the needs of that group, resulting in mutually satisfying exchanges

#### Three General Strategies for Selecting Target Markets

##### 1. Undifferentiated Targeting

- A mass marketing philosophy, viewing market as one big one w/ no individual segments
- One marketing mix for the entire market, assumes that individual customers have similar needs that can be met through common marketing mix

- + : savings on production / marketing costs
- : unimaginative product offerings, more competition

## 2. Concentrated Targeting

- A market niche (one segment of a market) to target - simple segment, firm can concentrate on understanding needs, motives, and satisfactions of that segments consumers
- Highly specialized marketing mix
  - + : concentrates resources, allows small firms to better compete w/ bigger firms, better meet needs of narrowly defied segment
  - : segments too small or changing, large competitors may more effectively market to niche segment

## 3. Multisegment

- Serve 2 or more segments w/ distinct marketing mixes for each
- Used for stores and shopping platforms, not just brands
- Cannibalization: sales of new product cut into sales of a firms existing products
  - + : greater financial success, economies of scale in producing/marketing
  - : high costs, cannibalization

## One to One Marketing

- Uses data gathered through interactions between carefully defined groups of customers and company to build long tern profitable relations with each customer
- **Goal: (1)** reduce costs through retention **(2)** Increase revenue through loyalty
  - + : delivers highly customized service, high customer engagement, increase revenue through loyalty
  - : high costs
- One to One Trends
  - **Personalization:** has own unique set of needs and wants
  - **Time Savings:** consumers have less time shopping / making decisions
  - **Loyalty:** works on finding firms best customers, rewarding them for their loyalty and thanking them for their business
  - **Technology:** allows markets to collect detailed information on customers

## Positioning

- **Position:** The place the product, brand, service occupies in the consumers minds relative to competing offerings, assumes consumers compare products on basis of important features
- Effective positioning requires:
  - Assessing the positions occupied by competing products, determining the important dimensions underlying these positions

- Choosing a position in the market where the organizations marketing efforts will have the greatest impact

### Product Differentiation

- Positioning based on what distinguishes the product from the competition

Ex: Toyota: safety

Positioning based on Similarity

- Create a distinct place by positioning as similar to competition or brands
  - Artificial sweetener- tastes like sugar
  - Margarine- tastes like butter

### Repositioning

- Changing the consumers perception of a brand in relation to competing brands
  - Ex: Hyundai: Before; cheap, low quality Now; redesigned to be more contemporary looking - caused consumer perceptions to change

### Developing a Positioning Statement

Process of Developing a Positioning Statement

- Critical for consumers to understand what specific benefits will they obtain from a product

<p><b>Target Consumers</b></p> <ul style="list-style-type: none"> <li>• Develop a brief statement of the target in terms of their segment descriptors</li> </ul>	<p><b>Frame of Reference</b></p> <ul style="list-style-type: none"> <li>• Develop statement of goal for target market about product benefit</li> </ul>
<p><b>Point of Difference</b></p> <ul style="list-style-type: none"> <li>• Develop statement asserting why product/ brand being offered is superior</li> </ul>	<p><b>Reason to Believe</b></p> <ul style="list-style-type: none"> <li>• Provide evidence to support claim provided in frame of reference</li> </ul>

## CHAPTER 10: PRODUCT CONCEPTS

What is a Product?

- *Anything both favourable and unfavourable received by a person in an exchange for possession, consumption, attention, or short term use*
- Starting point in creating a marketing mix
- Not all products can be owned

Product - Augmented Reality

- Augmented reality is and will continue to affect the way products are defined, identified and sold
- To be effective it should be used in real-world environments
  - In store to learn more about a product, enhance a product, design a product

Types of Consumer Products

<p style="text-align: center;"><b>Convenience Goods</b></p> <ul style="list-style-type: none"> <li>• Inexpensive items</li> <li>• Takes little effort to shop for</li> <li>• Unwilling to shop extensively for it</li> <li>• Require wide distribution</li> <li>• Impulse goods</li> </ul>	<p style="text-align: center;"><b>Shopping Goods</b></p> <ul style="list-style-type: none"> <li>• Require comparison shopping</li> <li>• Consumers are willing to put time and effort into shopping</li> </ul> <p><b>Homogeneous</b></p> <ul style="list-style-type: none"> <li>• Product is perceived as similar</li> <li>• Look for lowest prices brand that has desired features</li> </ul> <p><b>Heterogeneous</b></p> <ul style="list-style-type: none"> <li>• Product is perceived as different in terms of features, quality, and performance</li> <li>• Consumers shop around but have a hard time because features, prices, and benefits vary</li> </ul>
<p style="text-align: center;"><b>Specialty Goods</b></p> <ul style="list-style-type: none"> <li>• Consumers search extensively for a particular item</li> <li>• Unwilling to accept substitutes</li> <li>• Unique characteristics</li> </ul>	<p style="text-align: center;"><b>Unsought Goods</b></p> <ul style="list-style-type: none"> <li>• Unknown to the consumers</li> <li>• Known product but not actively sought after             <ul style="list-style-type: none"> <li>- insurance, burial plots - require personal selling and aggressive advertising</li> </ul> </li> <li>• New products- until consumer becomes aware of them</li> </ul>

**Product Items, Lines, Mixes**

**Product Item:** Distinct Offering

**Product Line:** Group of closely related product items

**Product Mix:** All products that a company sells

- *Product Mix Width:* Breadth, Number of product lines offered
- *Product Line Length:* Number of product items in a product line
- *Product Line Depth:* Number of types and sizes offered for each product in the line

**Adjustments to Product Items, Lines, and Mixes**

**Product Modification:** changing one or more of a products characteristics

- **Quality Modification:** change in a products dependability or durability
- **Functional Modification:** change in a products versatility, effectiveness, convenience, or safety
- **Style Modification:** an aesthetic product change, rather than a quality or functional change

**Planned Obsolescence:** the process of modifying products so those products have already been sold become obsolete before they actually need replacement

**Repositioning:** Changing consumer' perceptions of a brand. Motivations to reposition are many and include changing demographics, declining sales, competition intensification, etc

- Changing demographics, declining sales, or changes in social environment motivates firms to reposition

**Product Line Extensions:** Adding products to an existing product line to compete more broadly

*Ex: Dare Foods; Bear Paws: soft cookie w/ main flavours banana bread & apple. Now added new flavours; birthday cake and molasses*

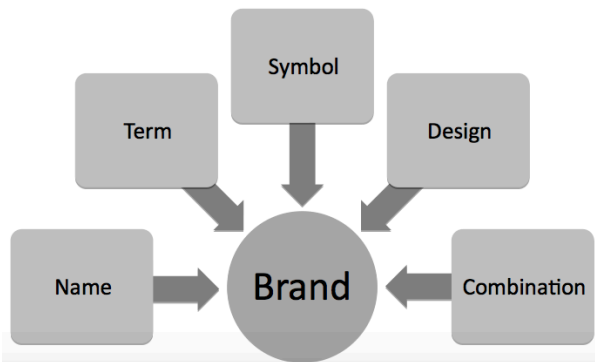
### Product Line Contraction

- To reduce the 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 remaining products as. Financial and human resources are available

### Branding



**Brand:** a name, term, symbol, design, or combination thereof that identifies a seller's products and differentiates them from competitors' products

- Consumer actions
- Consumer expectations
- Consumer feelings
- Consumer thoughts

**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

<b>Product Identification</b> <ul style="list-style-type: none"><li>• Distinguish a product from competition</li><li>• Brand equity</li><li>• Global brand</li></ul>	<b>Repeat Sales</b> <ul style="list-style-type: none"><li>• Identify brands the consumers wants to buy again</li><li>• Brand loyalty</li></ul>	<b>New-Product Sales</b> <ul style="list-style-type: none"><li>• Well-known brands, light recognized brand name, respected company makes new product introductions easier</li></ul>
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#### Generic vs. Branded

- Generic: no frills, no brand name, low-cost products
- Main appeal: low price

#### Manufacturers vs. Private Brands

Manufacturers Brand: the brand name of a manufacturer

Ex: samsung

Private brand:

#### Individual vs. Family Brands

- Different brand names for different products
  - When the products vary greatly in use or performance
  - Procter & gamble - bold, cheer, tide, etc
- Several different products under the same brand name

Ex: Sony

Cobranding: placing two or more brand names on a product or its package

- Ingredient branding
- Cooperative branding
- Complementary branding
- Useful strategy when a combination of brand name enhances the prestige or perceived value of a product or when it benefits brand owners and users

#### Trademarks

- The exclusive right to use a brand or part of a brand
- Service mark - same for devices

#### Trademark Protection

- Aggressively enforce their trademark
- Serve penalties exist, however infringement not uncommon
- Fake or unauthorized brands - "knockoffs"
- EU - can 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

#### Information Labelling

- Designed to help the consumer make proper product selections and to lower cognitive dissonance after purchase
- Consumer packaging and labelling act

#### Universal Product Code (UPC)

- Introduced in 1974
- Code is matched to brand names, package sizes, and prices
- Source of excellent data for retailers

#### Global Issues in Branding

- One brand name everywhere
  - Ex: Coca Cola: 200 countries, 1 brand name
- Adaptions and modifications; language issues or being used by someone else
- Different brand names in different markets; local brand names when translation or pronunciation an issue

#### Global Issues in Packaging

Proper labelling, properly

## CHAPTER 11: Developing and Managing Products

### The Importance of New Products

- Sustain growth
- Increase revenue and profits
- Replace obsolete items
- Meet ever-changing new customer wants
  - New technologies
  - Shrinking PLC

### Categories of New Products

New Product: product new to the world, new to market, new to the producer or seller, or new to some combination of these

<p><b>New to the World</b></p> <ul style="list-style-type: none"> <li>• Discontinuous innovation</li> <li>• Creation of entirely new market</li> </ul>	<p><b>New Product Lines</b></p> <ul style="list-style-type: none"> <li>• Not previously offered by the firm</li> <li>• Allows a firm to enter an established market</li> </ul>	<p><b>Additions to Product Lines</b></p> <ul style="list-style-type: none"> <li>• New product to supplement existing product lines</li> <li>• Capitalize on brand equity</li> </ul>
<p><b>Improvements or Revisions to Existing Products</b></p> <ul style="list-style-type: none"> <li>• New and improved</li> <li>• Significantly or slightly changed</li> <li>• Package improvement</li> </ul>	<p><b>Repositioned Products</b></p> <ul style="list-style-type: none"> <li>• Existing products targeted at new markets or new segments</li> </ul>	<p><b>Lower Priced Products</b></p> <ul style="list-style-type: none"> <li>• Provide performance similar to competing brands at a lower price</li> </ul>

The Process

**1. New Product Strategy**

- Plan that links the new produce development process with objectives of marketing department, business unit, and corporation
- Part of organizations overall marketing strategy
- Sharpens focus and provides guidelines for generating, screenings and evaluating new product ideas
- Specifies roles that new products must plan in the organizations plan and characteristics of new products it will offer and market it wants to serve

**2. Idea Generation**

- Comes from many sources; customers, employees, distributors, competitors, vendors, research and development (R&D), and consultants (8)

<p>Customers</p> <ul style="list-style-type: none"> <li>• Begin &amp; end with development with customer</li> <li>• Use common techniques for gathering product ideas: surveys, focus groups, observation</li> </ul>	<p>Employees</p> <ul style="list-style-type: none"> <li>• Marketing personnel, advising and marketing reach employees, as well as sales people often create new product ideas because they analyze and are involved in market place</li> <li>• Encouraging employees from different divisions to exchange ideas is useful strategy</li> </ul>
<p>Distributors</p> <ul style="list-style-type: none"> <li>• Sales force asks distributors about needs that are not being met</li> <li>• Distributors are closer to end users; more aware of customer needs than manufacturers</li> </ul>	<p>Competitors</p> <ul style="list-style-type: none"> <li>• Competitive monitoring: Monitoring performance of competitors products to determine which competitor product should be copied</li> <li>• Many companies form alliances w/ competitors to market new and existing products</li> </ul>

<p>Vendors</p> <ul style="list-style-type: none"> <li>• Companies forgoes partnership with vendors to create proprietary products</li> </ul>	<p>Research and Development</p> <ul style="list-style-type: none"> <li>• Product Development: converting applications to marketable products</li> <li>• Product modificationL cosmetic or functional changes in existing products</li> <li>• Balancing R&amp;D new products with need to lower costs creates dilemma</li> <li>• Most new products stem from strong R&amp;D initiatives in a company</li> </ul>
<p>Consultants</p> <ul style="list-style-type: none"> <li>• Examine a business and recommend product ideas</li> <li>• Considers whether company has a balanced portfolio and if not which new products need to be developed to offset imbalance</li> <li>• Creativity             <ul style="list-style-type: none"> <li>- brain storming</li> <li>- focus group exercises</li> <li>- enhance creativity</li> </ul> </li> </ul>	

### 3. Idea Screening

- Eliminates ideas that are inconsistent with organizations new product strategy or are inappropriate for some other reason
- With new-product ideas, companies need to have a certain degree of tolerance for risk and uncertainty
- **Concept Tests:** evaluation of a new product idea, usually before any prototype has been created
  - Researchers survey consumer reactions to descriptions and visual representations of proposed products
  - Fairly good predictors of success for line extensions
  - Relatively precise predicts of success for new products that are not copy cat items
  - Predicting success of new products that create new consumption patterns and require major changes in consumption behaviour

### 4. Business Analysis

- Second stage of screening process, where preliminary figures for *demand, cost, sales, and profitability are calculate*. - cost and revenues are estimated and compared
- Newness of the product, size of market, and nature of competition all affect the accuracy of revenue projections
- Analyzing overall economic trends an their impact on estimated sales is important in proc categories that are sensitive to fluctuations in the business cycle

### 5. Development

- R&D or engineering department develops prototype of product

- Firm should start setting marketing strategy: marketing department decides product packaging, branding labelling, etc. & map out strategies for products preliminary promotion, price, and distribution.
- Lab tests occur, user safety: Canada Consumer Product Safety Act requires manufactures to conduct testing program to ensure safety standards

## 6. Test Marketing

- Limited introduction of a product and associated marketing program to determine the reactions of potential customers in market situation
- Test allows management to evaluate alternatives strategies and to asses how well various aspects of marketing mix fits together
- *High Costs of Test Marketing*
  - Takes one year or longer, costs can exceed \$1M, firms believe it is much better to fail test market than in national introduction
  - Due to high costs, some companies do not test line extensions of well known brands
  - Unavoidable problem: exposes new product and its marketing mix to competition before introduction - element of surprise is lost
- *Alternatives to Test Marketing:*
  - **Simulated (lab) market testing:** involves presentation of advertising and other promotional materials for several products - testers taken to mock store shopping behaviour monitored
  - **Computer Simulation:** conduct test market experiments to examine effectiveness of various marketing programs
  - **Internet:** fast, cost effective way to conduct test marketing. Gauging customer demand for potential new products

## 7. Commercialization

- Decision to market a product. Decision sets several tasks in motion: ordering production materials and equipment, starting production, building inventories, shipping the product to field distribution points, training, announcing the new product to the trade, and advertising
- Time from initial decision to product introduction varies. Can range from weeks (simple products) to years (technical products) that require custom manufacturing equipment
- Most important factor for successful new product introduction: match between product and market needs

Keys to Success	Failures
<ul style="list-style-type: none"> <li>• History of listening</li> <li>• Vision of future</li> <li>• Strong leadership</li> <li>• Commitment to new product development</li> <li>• Project based approach</li> <li>• Perfection at each stage</li> </ul>	<ul style="list-style-type: none"> <li>• Incongruity - product and market</li> <li>• Take too long</li> <li>• Lac of company resources</li> <li>• Poor initial product reviews and few changes made</li> <li>• Poor execution of the marketing mix</li> </ul>

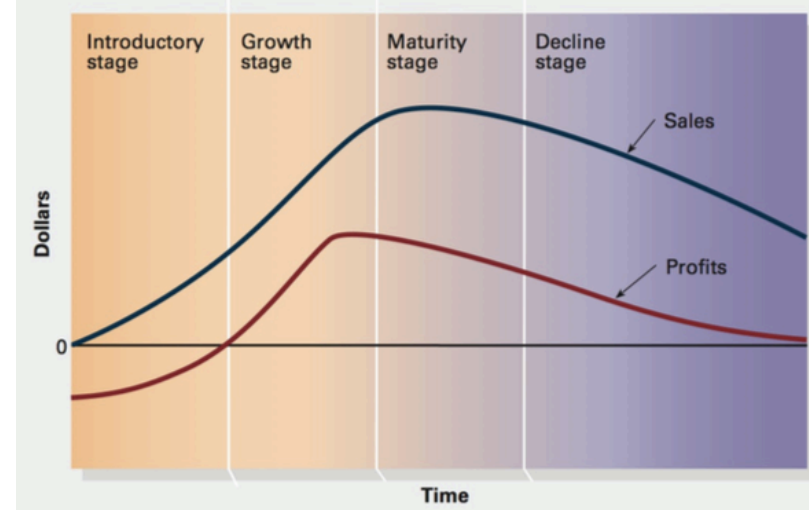
## 8. New Product

### Product Life Cycle

- Traces stages of a products acceptance, from its introduction to its decline
- Use to analyze a brand, a products form, or a product category
- Product category: includes all brands that satisfy a particular type of need (ex: shaving products, passenger automobiles)

#### 1. Introductory Stage

- Represents full scale launch of new product into market. High failure rate, little competition, frequent product modification, and limited distribution typify introductory stage
- Marketing costs normally high; high dealer margins and incentives are needed to convince consumers to try new product, advertising expenses, production cost
- Sales increase slowly, profits usually negative because R&D costs. Intensive personal selling is often required to gain acceptance for the predict among wholesalers and retailers



#### 2. Growth Stage

- Sales typically grow at increasing rate, many competitors enter market, large companies start to acquire small pioneering firms, and profits are healthy
- Profits rise rapidly in growth stage; reach their peak, and begin declining as competition increases.
- Aggressive brand advertising and communication of the differences between brands
- Distribution becomes major key to success during growth stage and later stages
- Manufacturers find dealers and distributors to build long term relationships

#### 3. Maturity Stage

- Beginning: sales increase at decreasing rate signals
- Usually longest stage. Product lines lengthen to appeal to additional market segments
- Prices and profits continue to fall, marginal competitors start dropping out the market. Dealer margins shrink resulting in less shelf space for mature items, lower deals inventories, and general reluctance to promote product
- Promotion to dealers intensifies stage to retain loyalty
- Heavy consumer promotion by manufacturers required to maintain market share

- Emergence of niche markets that target narrow, well defined underserved segments of market

#### 4. Decline Stage

- Rate of decline is governed by how rapidly consumer tastes change or substitute products are adopted
- Many convince products and trends items lose market overnight
- Some firms developed successful strategies for marketing product in decline stage of the PLC - eliminate all nonessential marketing expenses and let sales decline as more customers discontinue purchasing the products, eventually product is withdrawn from market
- Requires a determined strategy

#### Implications for Marketing Management

- PLC encourages marketers to plan versus react to past events
- Useful for predicting or forecasting; products pass through distinctive stages and often possible to estimate products location on curve by using historical data
- Profits like sales follow predictable path over a PLC

## Chapter 12: Service and Nonprofit Organization Marketing

Service: result of applying human or mechanical efforts to people or objects

*How services differ from goods:* Intangibility, inseparability, inconsistency, inventory

### Intangibility

- Services are intangible products have no physical attributes cannot be touched, seen or tasted
- Services have fewer search qualities (characteristic that can be easily assessed before purchase; ex colour of car or size of smart phone).
- Services exhibit more experience qualities; can only be assessed after use ex: quality of meal

### Inseparability

- Inability of the production and consumption of a service to be separated; consumers must be present during the production
- Simultaneous production and consumption = lack of centralization of production
- Service is inseparable from service provider
  - Quality of service depended of quality of employee

### Inconsistency

- Service depends on service provider, quality of service can be inconsistent

- Services are labour intensive and production & consumption inseparable, consistency control hard to achieve
- Standardization and training is required to increase consistency and reliability

**Inventory**

- Inability of services to be stored, warehoused, or inventoried for further use
  - Produced and consumed at the same time
  - If not consumed, services perish
- Most important challenge: synchronize demand and supply

**Service Quality**

<p><b>Reliability</b></p> <ul style="list-style-type: none"> <li>• Ability to preform serve dependably, accurately, and consistently</li> <li>• Preforming service right the first time and every time</li> <li>• Creates brand loyalty</li> </ul>	<p><b>Responsiveness</b></p> <ul style="list-style-type: none"> <li>• Ability to prompt service</li> <li>• Ultimate responsiveness: assistance 24/7</li> <li>• Ex: returning customers calls quickly</li> </ul>	<p><b>Assurance</b></p> <ul style="list-style-type: none"> <li>• Knowledge and courtesy of employees and their ability to convey trust.</li> <li>• Skilled employees exemplify assurance when they treat customers with respect and make customers feel like they can trust firm</li> </ul>
<p><b>Empathy</b></p> <ul style="list-style-type: none"> <li>• Caring, individual attention paid to customers</li> </ul>	<p><b>Tangibles</b></p> <ul style="list-style-type: none"> <li>• Physical evidence of service</li> <li>• Tangibles parts of a service include physical facilities, tools, and equipment used to provide service, and appearance of personnel</li> </ul>	

**Gap Model of Service Quality**

Gap Model: model identifying five gaps that can cause problems in service delivery and influence customer evaluations of service quality

**GAP 1: Knowledge of GAP** - gap between what customers want and what management thinks customers want.

- Gap results from lack of understanding or misinterpretation of customers needs, wants or desires
- To close GAP: firms must stay attuned to customer wants by researching customer needs and satisfaction; increasing interaction / communication

**GAP 2: Standards GAP** - gap between what management thinks customers want and quality specifications that management develops to provide service

- Result of management not having provided the appropriate service designs and standards



- Reduction in GAP: creation of policies and procedures related to the delivery of the service, establishment of metrics to measure performance on ongoing basis and training of employees

**GAP 3: Delivery GAP** - gap between service quality specifications and the service actually provided.

- If both gap 1 & 2 is closed, gap 3 results formidability of management and employees to do what should be done
- Management needs to ensure the employees have skills and proper tools to preform their jobs, including effective training programs

**GAP 4: Communication GAP** - gap between what company provides and what customer is told it provides

- To close: companies need to create realistic consumer expectations through honest, accurate communications regarding what they can provide

**GAP 5: Expectation GAP** - gap between service that customers expect they should receive and perceived service after the service has been provided

- Can be positive or negative and influences consumers perception of service quality.
- Research necessary to understand consumers perceptions and to manage their expectations

#### Marketing Mixes for Services

- Services unique characteristics - intangibility, inseparability of production and consumption, inconsistency and inventory - make marketing services challenging
- Marketing mix elements need to be adjusted to meet special needs created by characteristics

#### 1. Product (Service) Strategy

- Make the intangible tangible
  - Logos, tag lines, promotional materials = tangible evidence
- Service processes can be placed into 1 of 4 categories:

<b>People Processing:</b> Service is directed at customer. Ex: Uber	<b>Possession Processing:</b> Service is directed at customers physical possessions Ex: lawn care
<b>Mental Stimulus Processing:</b> services directed at peoples minds Ex: concerts & education	<b>Information Processing:</b> Services that use technology or brainpower directed at a customers assets Ex: insurance or consulting

- Core and supplementary Service Products
  - Core Service: most basic benefit the customer is buying and a group of supplementary series that support or enhance core service
- Customization or Standardization
  - Mass customization: strategy that set technology to deliver customized services on a mass basis - results in giving each customer whatever he/she asks for

- Customized = flexibility / Standardization = efficiency
- Service Mix: knowledge gap must be reduced through market research that seeks to understand consumer expectations

**2. Process Strategy**

- Process refers to establishing standards to ensure the service delivery is consistent and compatible with service positioning
  - To establish process, knowledge gap must be reduced though market research
  - Process is fluid; customer satisfaction should evaluated on ongoing basis

**3. People Strategy**

- Standards gap and delivery gap must be managed to improve service
- Providing incentives, training, and recognition programs that management consistently supports

**4. Place (Distribution Strategy)**

- Strategies must focus on issues such as; **convince**, number of outlets, direct versus, indirect distribution, location, and scheduling
- 

**5. Physical Evidence Strategy**

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

**6. Promotion Strategy**

<p>Stressing Tangible Cues</p> <ul style="list-style-type: none"> <li>• Creating symbol of the service offering.</li> </ul> <p>Ex: To make service more tangible, hotels will leave mint on pillow or offer free newspapers</p>	<p>Using Personal Information Sources</p> <ul style="list-style-type: none"> <li>• Someone consumers are familiar with (celebrity) or someone they can relate to.</li> <li>• Stimulate consumer interaction to generate positive word of mouth</li> </ul>
<p>Creating a Strong Organizational Image</p> <ul style="list-style-type: none"> <li>• Manage evidence; physical environment of service facility, appearance of service employees, tangible items associated w/ service: brochure</li> </ul>	<p>Engaging in Post Purchase Communication</p> <ul style="list-style-type: none"> <li>• Follow up activities that a service firm might engage in after a customer transaction</li> <li>• Ex: emails for feedback</li> </ul>

**7. Price Strategy**

- Important to define the unit of service consumption *Ex: should price be based on specific task (washing the car) or be time based (amount of time it takes to wash car)*

- Bundle price or if product should be prices separately
- Pricing Objectives
  - Revenue-oriented pricing: maximizing surplus of income over costs.
  - Operations oriented pricing: seeks to match supply and demand by varying prices
  - Patronage oriented pricing: maximizes the number of customers using services

### 8. Productive Strategy

- Service firm must work to manage the supply or availability of services with ought affecting the service quality
- Decrease supply
- Increase quality

### Relationship Marketing in Services

*Can be practised at 4 levels:*

- **Level 1: Financial:** Pricing incentives are used to encourage customers to continue doing business with a firm. Least effective in long term due to price-based advantage is easily imitated by other firms *Ex: flyer program*
- **Level 2: Social:** Uses pricing incentives but seeks to build social bonds with customers. Firm stays in touch w/ customers, learns about needs and designs services to meet needs
- **Level 3: Customization:** Intimate knowledge of individual customers and development of one to one solutions to fit customer needs
- **Level 4: Structural:** Offering value-added services that are not available by other firms. Has strongest potential for sustaining long-term relationships with customers

### Internal Marketing in Service Firms

Internal Marketing: treating employees as customers and developing systems and benefits that satisfy their needs.

- Develop systems and benefits that encourage employee engagement and satisfaction

### Non Profit Organization Marketing

- Organization that tries to achieve some goal other than the usual business goals of profit, marketing share, or ROI

- **Objectives: Expectations:** to provide equitable, effective, and efficient services that are responsive to multiple stakeholders
  - Building and maintaining relationship are critical to success
- **Target Markets:** Can be apathetic or strongly opposed
  - Pressure to utilize undifferentiated segmentation, but data mining is proving valuable to aid in cost effective differentiated strategies
- Positioning Decisions: critical for success, mission, vision, values should be clearly evident in the positioning statements that is single-minded
- Product: Benefit complexity - difficult to communicate
  - Benefit strength - not immediately evident
  - Involvement - varies
- Place Decisions: the capacity for distributing the service to potential customer groups when and where they want it is a key variable for success
  - Mobility of the offering
- Promotion: ability of affordability limits and promotional opportunities

## Chapter 13: Setting the Right Price

**Price:** that which is given up in exchange to acquire a good or service

- Included the time lost while waiting for the good or service
- *Reasonable price = perceived value at the time of transaction*

### Importance of Price to Marketing Managers

Revenue: price per unit charged to customers multiplied by the number of units sold

- **Revenue = price per unit x units sold**
- **Profit + revenue - costs ( fixed + variable )**
- Manager must chose profit that is not too high nor too low, a price that equals the perceived value of product

### Trends

- Potential buyers carefully evaluate price of a product against the value of existing products
- Increased availability of bargain-price 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) Establish pricing objectives

###### **Profit Oriented Pricing Objectives**

###### Profit Maximization

- Price so that total revenue is as large as possible relative to total costs
- Does not necessarily = high prices

###### Satisfactory Profits

- Reasonable level of profit
- Often connects to CSR

###### Target Return on Investment

- Most common
- Price to achieve a particular ROI

###### **Sales Oriented Pricing**

###### Market Share

- Many believe market shares indicates effectiveness -not always the case
- Extreme competition may result in limited share growth

###### Sales Maximization

- Ignores profits, competition, and the marketing environment as long as sales are rising
- Short term focus

###### **Status Quo Pricing Objective**

###### Status Quo

- Maintain existing prices
- Meet competition prices
- Require little planning - passive policy

##### (2) Estimate Demand, Cost, and Profits

###### *Cost Estimation*

- Variable costs
- Fixed costs

Introductory Stage	Growth Stage	Maturity Stage	Decline Stage
<ul style="list-style-type: none"> <li>• High price</li> <li>• Recover development costs</li> <li>• Demand relatively inelastic</li> <li>• Price-sensitive market—then at or below market</li> </ul>	<ul style="list-style-type: none"> <li>• Prices stabilize</li> <li>• Competition enters increasing supply</li> <li>• Product appeal has widened</li> <li>• Economies of scale lower costs so can pass savings on</li> <li>• Demand rises</li> </ul>	<ul style="list-style-type: none"> <li>• Price decreases as competition increases</li> <li>• Distribution channels are a cost factor as need to intensify</li> <li>• Prices across competitors stabilize and price reductions do little as competition just follows</li> <li>• Demand is limited</li> </ul>	<ul style="list-style-type: none"> <li>• Further price reductions as the few remaining competitors try to recoup as much as possible</li> <li>• Prices could even go up if the remaining product becomes a specialty good</li> </ul>

*Demand Estimation*

- Tricker: historical data in the industry, life cycle
- Starts with price sensitive and price elasticity of demand

**Price Elasticity of Demand**

- The degree of change in demand relative to changes in price

**(3) Choose a Price Strategy**

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

	Characteristics	Product Examples
<b>Elastic</b>	<ul style="list-style-type: none"> <li>• Non-essential</li> <li>• Many alternatives</li> <li>• Maslow's Social, Esteem Needs</li> </ul>	<ul style="list-style-type: none"> <li>• Smartphones</li> <li>• Fashion</li> <li>• Automobiles</li> </ul>
<b>Inelastic</b>	<ul style="list-style-type: none"> <li>• Essential</li> <li>• Few alternatives</li> <li>• Maslow's Physiological Needs</li> </ul>	<ul style="list-style-type: none"> <li>• Home heating and electricity</li> <li>• Basic food staples</li> <li>• Winter boots</li> </ul>

**Pricing Strategy Decisions**

- Start with current product positioning
- Then a consideration of product costs and demand and PLC stage
- Then select from 3 basic approaches
  - **1. Price skimming:** *high introductory price, often coupled with heavy promotion*
    - Used with new products that perceived to have unique advantages
    - Price high to start then lower prices over time
    - Works best when market is willing to buy product even though it carries above average price & is well protected legally
    - Enables management to recover development costs quickly
  - **2. Penetration pricing:** *a relatively low price for a product initially as a way to reach the mass market*
    - Low price is meant to capture large share of market resulting in low production costs
    - To reach break even point, company requires a higher volume of sales than needed under a skimming policy
    - Discourage competition. Can boosts sales only if theres a large increase in market size
    - Effective in price sensitive market & in experience curve (costs declining at predictable rate as experience with a product increases)
  - **3. Status quo pricing:** *charging a price identical or very close to competitive price*
    - Advantage of simplicity
    - disadvantage that strategy may ignore demand or cost or both. If firm is comparatively small, meeting competition may be the safest route to long term survival

**(4) Use a Price Tactic**

- Set a **base price:** *general price level at which the company expects to sell good or service*

- Fine tuning techniques are short-run approaches that do not chase general price, but result in changes within a general price level

**Markup**

- Pervades all 3 pricing strategies discussed
- Profit producing device of price and this must be a component of each pricing tactic

**Discounts and Allowances**

<p><i>Quantity Discounts:</i> when buyers are charged a lower unit price when buying multiple units or more than a specified dollar amount</p> <ul style="list-style-type: none"> <li>• <i>Cumulative quality discount:</i> decision from list price that applies to buyers total purchases made during specific period: intended to encourage customer loyalty</li> <li>• Non cumulative quantity discount: deduction from list price. That applies to a single order rather than single volume or orders placed during a certain period; intended to encourage orders in large quantities</li> </ul>	<p>Cash Discounts</p> <ul style="list-style-type: none"> <li>• Price reduction offered to a consumer, an industrial user, or a marketing intermediary in return from prompt payment of a bill</li> <li>• Saves seller carrying charges and billing expenses and allowed seller to avoid bad debt</li> </ul>
<p>Functional Discounts aka: trade discount</p> <ul style="list-style-type: none"> <li>• When distribution channels intermediaries; wholesalers or retailers perform a service or function for the manufacturer</li> <li>• % discount from base price</li> </ul>	<p>Seasonal Discount</p> <ul style="list-style-type: none"> <li>• Price reduction for buying merchandise out of season</li> <li>• Shifts the storage function to purchaser</li> <li>• Enable manufacturers to maintain steady production schedule year round</li> </ul>

**Value based Pricing**

- Strategy that has grown out of quality movement, instead of determining prices on the basis or costs or competitors prices, value based pricing starts with consumer, considers competition, and then determines the appropriate price
- Basic assumption that firm is customer driven, seeking to understand attributes customers want in the g+s
- Price of product is set at level that seems to the consumer to be a good price compared with other price options

**Geographic Pricing**

<p>Fob Origin Pricing</p> <ul style="list-style-type: none"> <li>• price tactic that requires buyer to absorb freight costs from shipping point; farther buyers are from sellers, the more they pay to transportation costs</li> </ul>	<p>Uniform Delivered Pricing</p> <ul style="list-style-type: none"> <li>• seller pays actual freight charges and bills every purchaser an identical flat freight charge</li> </ul>
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<p><b>Zone Pricing</b></p> <ul style="list-style-type: none"> <li>• Modification or uniform delivered pricing that divides the total freight into segments or zones and charges a flat freight rate to all consumers in given zone</li> </ul>	<p><b>Freight Absorption Pricing</b></p> <ul style="list-style-type: none"> <li>• Seller pays all or part of the actual freight charges and does not pass them on to the buyer</li> </ul>
<p><b>Basing Point Pricing</b></p> <ul style="list-style-type: none"> <li>• Charging freight from given base point, regardless of the city from which the goods are shipped</li> </ul>	

**Other Pricing Tactics**

<p><b>Single Price Tactic: offering all goods and services at the same price</b></p> <ul style="list-style-type: none"> <li>• Removes price comparisons from the buyers decision making process</li> </ul>	<p><b>Flexible Pricing: difference customers pay different prices for essentially the same merchandise bought in equal quantities</b></p> <ul style="list-style-type: none"> <li>• Disadvantage: lack of consistent profit margins</li> </ul>
<p><b>Professional Service Pricing</b></p> <ul style="list-style-type: none"> <li>• Used by people with experience training and certification, fees charged hourly but be based on solution of a problem or performance of an act</li> </ul>	<p><b>Price Lining</b></p> <ul style="list-style-type: none"> <li>• Offering a product line with several items at specify price points</li> </ul>
<p><b>Loss Leader Pricing</b></p> <ul style="list-style-type: none"> <li>• Product is sold near or below cost in the hope that shoppers will buy other items once they are in store</li> </ul>	<p><b>Odd-even pricing (psychological pricing)</b></p> <ul style="list-style-type: none"> <li>• Odd numbered prices connote bargains and even numbered prices imply quality</li> </ul>
<p><b>Price Bundling</b></p> <ul style="list-style-type: none"> <li>• Marketing 2 or more products in single package for a special price</li> <li>• Unbundling: reducing the bundle of services that come with basic product</li> </ul>	<p><b>2 Part Pricing</b></p> <ul style="list-style-type: none"> <li>• Charging 2 separate amounts to consumer a single good or service</li> </ul>

**Legality and Ethics of Setting A Price**

<p><b>Baiting Price</b></p> <ul style="list-style-type: none"> <li>• Price tactic that tries to get consumer into a store though false or misleading price advertising and then uses high pressure selling to persuade consumers to buy more expensive merchandise instead</li> </ul>	<p><b>Deceptive Pricing</b></p> <ul style="list-style-type: none"> <li>• Promoting a price or price saving that is not actually available</li> </ul>
<p><b>Pricing Fixing</b></p> <ul style="list-style-type: none"> <li>• An agreement between 2 or more firms on the price they will charge for a product</li> </ul>	<p><b>Predatory Pricing</b></p> <ul style="list-style-type: none"> <li>• The practice of charging a very low price for a product with the intent of driving competitors the business or market</li> </ul>
<p><b>Resale Price Maintenance</b></p> <ul style="list-style-type: none"> <li>• Attempts by a producer to control a stores retail price for the product</li> </ul>	<p><b>Price Discrimination</b></p> <ul style="list-style-type: none"> <li>• Practice of charging different prices to different buyers for goods</li> </ul>

## Chapter 14: Marketing Channels and Supply Chain Management

### Nature of Marketing Channels

- 4 P's of marketing: product, price, promote (place, distribution)

### The Marketing Channel and Intermediaries Defined

- **A marketing channel:** (aka: channel of distribution) *is a business structure of inter-dependent organizations that ease the transfer of ownership as products move from producer to business user or consumer*
- Marketing channels represent place or distribution function in marketing mix
- Joint effort of all change members to create continuous and seamless **supply chain** (*connected chain of all business entities, both internal and external to the company, that perform or support marketing channel functions*)

### How Intermediaries Help Supply Chain

#### ***Providing Specialization and Division of Labour***

- Breaking down complex task into smaller, sillier tasks and then allocating them to specialists will both create greater efficiency and lower average production costs
- Manufacturers gain efficiencies and lower production costs by concentrating on production
- Intermediaries do what producers aren't equipped to do
  - Relationships with customers result in enhanced supply chain performance

#### ***Overcome Discrepancies***

- Quantity produced to achieve low unit cost creates **discrepancy of quantity** (difference between the amount of product produced and amount an end user wants to buy)
- Marketing channels overcome quantity discrepancies by making product available in quantities consumers desire
- Mass production also creates **discrepancy of assortment:** occurs when a consumer does not have all the items needed to receive full satisfaction from a product
- Temporal discrepancy is created when product is produced but consumer is not ready to buy it - overcome this by maintaining inventories in anticipation of demand
- Mass production requires many potential buyers, markets usually scatter over different regions creating spatial discrepancy (difference between location of a producer and location of widely scattered markets)

#### ***Providing Contact Efficiency***

- Provided by reducing the number of stores customers must shop in to complete their purchases
- Each producer sells to one retailer rather than 4 customers, in return customers buy from 1 retailer instead of 5

- ex: big box retailers

#### Channel Intermediaries and Their Functions

- Taking title - owning the merchandise and control the terms of the sale
  - Retailers and merchant wholesalers take title

#### How to Decide What Type of Channel to Use

##### *Type of Intermediary:*

*Product Considerations:* require certain wholesaling intermediary, product is standardized or customized, complexity of product, and gross margins of product

*Buyer Considerations:* how often product is purchased and how long buyer is willing to wait to receive the product

*Market Characteristics:* number of buyers in market and whether they are concentrated in general location or widely dispersed

#### 3 Types of Marketing Channels

##### **(1) Consumer Product Channels**

- Producers use direct channel to sell directly to customers (telemarketing, online shopping)
- Agents bring manufacturers/wholesalers together for negotiations, ownership passes directly to one+ wholesalers and then to retailers, retailers sell to intimate consumer of product
- Sold through distribution channels

##### **(2) Business Product Channels**

##### **(3) Alternative Channel Arrangements**

**Multiple Channels:** when producer selects 2+ channels to distribute same product (dual distribution or multiple distribution)

**Non traditional Channels:** internet, mail order channels and infomercials.

- Limit brands coverage but provide gain market access and customer attention without having to establish channel intermediaries

**Strategic Channel Alliances:** cooperative agreements between business firms to use one of the manufacturers already established channels

## Making Channel Strategy Decisions

### Factors Affecting Channel Choice:

- *Market Factors:* Among the most important market factors affecting the choice of distribution channel are target customer considerations.

- *Product Factors*

**Complexity:** complex, customized and expensive use more of. Direct change;

**PLC:** choice of channel may change over the life cycle, as product gains acceptance channel may become more complex

**Delicacy of the product:** perishables require shorter channels

### Producer Factors

-Direct Channel

- More resources: financial, managerial, marketing
- More control: more control desired w/ pricing, positioning, image
- Customer Support: manufacturer wishes to provide more

### Levels of Distribution Intensity

*Intensive Distribution:* form of distribution aimed at having a product available in every outlet where target customers might want to buy it

- coverage: ensuring product availability in every outlet where potential customers might want to buy it

*Selective Distribution:* form of distribution achieved by screening dealers to eliminate all but few in a single area

*Exclusive Distribution:* a form of distribution that involves only one or a few dealers within a given area

**Channel Relationships:** critical function is managing the social relationships amongst channel members with the goal of retaining and promoting synergy

### Channel Power, Control, and Leadership

**Channel Power:** channel members capacity to control or influence the behaviour of other channel members

**Channel Control:** when one channel member internationally affects another members behaviour

- Control is achieved when one member assumes leadership

**Channel Leadership:** channel captain, varies by channel

**Channel Conflict:** Inequitable channel relationships can lead to channel conflict

- Clash of goals and methods amongst distribution members
- Not always bad

Types of Conflict

<p><b>Horizontal</b></p> <ul style="list-style-type: none"> <li>• Among channel members at the same level</li> <li>• When manufacturers practise dual distribution</li> </ul>	<p><b>Vertical</b></p> <ul style="list-style-type: none"> <li>• More serious</li> <li>• Between different levels in marketing channel</li> <li>• Most typically between manufacturers and wholesaler or manufacturer and retailer</li> </ul>
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**Channel Partnering or Cooperation**

- Joint effort of channel members to create a supply chain that serves customers and creates a competitive advantage
- Channel alliances and partnerships help supply chain managers to create channels that work

**Managing the Supply Chain**

- Supply chain management
- Customer driven focus, GOAL: coordinate and integrate all activities performed by supply chain members into a seamless process from the source to point of consumption
- PHILOSOPHY: by visualizing the entire chain, supply chain managers can maximize strength and efficiencies at each level in the process

**Benefits**

Lower costs - greater flexibility - improved consumer service - higher revenues

**Managing Logistics**

Sourcing and Procurement	Production Scheduling
Order Processing	Inventory control

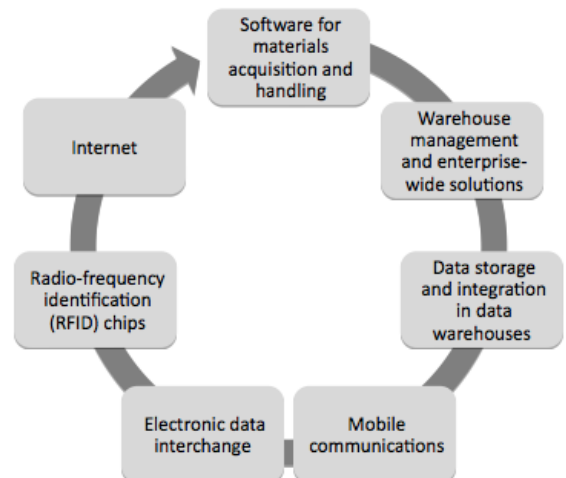
Logistics information system:

**Supply Chain Team**

- Together with logistics information system, orchestrates the movement of goods, services, and information from source to consumer
- Should include the external participants in the chain

**Inventory Control**

- Inventory control system develops and maintains an adequate assortment of materials or products to meet a manufacturer's or consumer's demands



- Goal: 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 channel and management of the supply chain
- Global manufacturing demands decisions on:
  - Channel structure, channel personnel, channel type
- Channel structures vary by country

### Global Logistics and Supply Chain Management

- Key issues that impact logistics:
  - Legalities
  - Transportation infrastructure
  - Boarder crossing issues
  - The reason why smaller companies resist globe expansion

## Chapter 16: Marketing Communications

### Role of Promotion in the Mix

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



### Marketing Communication

- Promotional strategy is closely related to communication; process by which we exchange or share meanings through common set of symbols
- Can be divided into 2 major categories
  - (1) Interpersonal Communication: direct face to face communication between 2+ people, each person can see each others reactions and respond immediately

- (2) Mass Communication: involves communicating a concept or message to large audiences

### The Communication Process

<p><b>The Sender and Encoding</b></p> <ul style="list-style-type: none"> <li>• Originator of message</li> <li>• Sender: originator of message in communication process</li> <li>• Encoding: conversion of the senders ideas and thoughts into a message, usually in the form of words or signs</li> <li>• Basic principal of encoding: what is important is not what sender says, but what receiver hears</li> </ul>	<p><b>Message Transmission</b></p> <ul style="list-style-type: none"> <li>• Transmission of message requires <b>channel</b> - a voice, radio, newspaper, e.t.c</li> <li>• Facial expression or gesture can also serve as a channel</li> <li>• Reception: when message is detected by receiver and enters his/her frame of reference</li> </ul>
<p><b>The Receiver and Decoding</b></p> <ul style="list-style-type: none"> <li>• Marketers message through a channel to customers, or <b>receivers</b> who will decode message</li> <li>• Multiple receivers as consumers share experiences and their name recommendations online through social networks</li> <li>• Decoding: interpretation of language and symbols sent by source through a channel</li> </ul>	<p><b>Feedback</b></p> <ul style="list-style-type: none"> <li>• Interpersonal communication, receivers response to message is direct <b>feedback</b> to source</li> <li>• Provides analytic necessary to determine if the message is achieving objectives</li> </ul>

### The Goals of Promotion

- Modify behaviour or thoughts in some way
- Promotion strives to reinforce existing behaviour - ex: encouraging consumers to complement their summer bbq w/ opal craft beers vs. National brand
- *Promotion can preform 1 or more of 4 tasks:*
  - **Informing:** seeks to convert an existing need into a want or to stimulate interest in a new product. More prevalent during early PLC
  - **Persuading:** designed to stimulate a purchase or an action. Persuasion normally becomes main promotional goal when the product enters the growth stage PLC
  - **Reminding:** used to keep product and brand name in publics mind. Prevails during maturity stage of PLC. Assumes target market has already been persuaded of the merits of good or service
  - **Connecting:** Increasing acceptance and use of social media are beneficial in helping companies develop relationships if nurtured properly, can result in increase consumer loyalty which is highly coveted in later stages of PLC

### The Promotional Mix

#### Advertising

- Any form of impersonal, one way mass communication
- Paid for a marketer
- Traditional advertising media
  - Television, radio, newspaper, magazines, etc
- Benefit - ability to communicate with a large number of people at one time

#### Publicity

- Mass communication tool
- Not paid for by marketers
- Can be used to earn public understanding and acceptance
- Often achieved by the execution of public relations strategies
  - **Public relations** evaluate public attitudes, identifies areas within the organization the public may be interested in, and executes a program of action
- Helps an organization communicate with its customers, suppliers, shareholders, government official, employees, community

#### Sales Promotion

- Tools that stimulate consumer purchasing, dealer effectiveness, and sales force antiserum
- Generally a short-run tool used to stimulate immediate increases in demand
- Can be targeted at nd consumers, trade customers, or a company employees
- Benefit
  - Add VALUE to the brand

#### Personal Selling

- Personal, paid for communication between 2 people in an attempt to influence each other
- Both the buyer and seller have specific objectives they want to accomplish - persuasion
- Traditional: Planned presentation - sale
- Today: Relationship, Increasingly dependent on the internet - websites are being used too attract customers to physical locations

#### Direct Response

- Often referred to as 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
- *Objective*: Generate profitable business results through targeted communications to a specific audience
- Results can be measured

## **Online, Content, and Social media**

### *Online Marketing*

- Communication delivered through the internet
- Real time, two way communication
- Consumers can immediately respond and share with family and friends

### *Content Marketing*

- New level of engagement that adds value to a brand
- Reinforce a brands positioning
- Typically delivered through social media

### *Social Media*

- Promotion tools use to facilitate conversation

## **How the Internet Has Changed Communication**

- Consumer- Generated Content
  - The marketer and the consumer, with the consumer often in control, are sharing the communication space
    - Consumer can pass judgement
    - They can alter the message immediately
    - They can create their own message
- Result: highly engaging and highly successful communications campaigns

## Categorization of Media Types Based on Social media

### Promotional Goals and AIDA

Attention - Interest - Desire - Action

### Integrated Marketing Communications:

- *The careful coordination of all messages for a product or service to ensure the consistency of messages*
- At every point of contact

## **IMC - Reasons for Growth**

- So many choices

- Market fragmentation
- Budget cuts
- Accountability
- Measurability

**Factors Affecting the Promotional Mix**

<p><b>Nature of the Product</b></p> <ul style="list-style-type: none"> <li>• Characteristics of products itself can influence promotional mix</li> <li>• Product can be business product (custom tailored to buyers exact specifications; not will suited for mass promotion) or consumer product (mainly promoted through advertising or social media)</li> <li>• Costs/ risks of buying and using a product increase, persuasive personal selling becomes important</li> </ul>	<p><b>Stage in PLC</b></p> <ul style="list-style-type: none"> <li>• <i>Intro</i>: goal is to inform target audience about product, intensive marketing and public relations</li> <li>• <i>Growth Stage</i>: sales promotion reduced because consumers need fewer incentives to purchase, emphasize products differential advantage over competition, social media, personal selling has usually succeeded</li> <li>• <i>Maturity stage</i>: sales promotion increased due to competition and increase market share</li> <li>• <i>Decline stage</i>: ads reduced</li> </ul>
<p><b>Target Market Factors</b></p> <p>Promotion Mix varies with:</p> <ul style="list-style-type: none"> <li>• Geographic concentration</li> <li>• Level of knowledge</li> <li>• Loyalty</li> <li>• Easy to find</li> </ul>	<p><b>Type of Buying Decision</b></p> <ul style="list-style-type: none"> <li>• <i>Routine customer decisions</i>: most effective promotion is attention to brand. Ads, social media, and sales promotion are effective</li> <li>• <i>Nor routine or complex</i>: ads, social media, and public relations can help establish awareness for company</li> <li>• <i>Complex buying decisions</i>: rely on large amounts of information to help reach ouches decision, personal selling is effective</li> </ul>
<p>Promotional Funds Available</p> <ul style="list-style-type: none"> <li>• Small under capitalized manufacturer may heavily rely on social media that makes company well known and created demand</li> <li>• When funds are available: optimize return on investment while minimizing the cost per contact</li> </ul>	<p>Push or Pull Strategy</p> <ul style="list-style-type: none"> <li>• <i>Push strategy</i>: marketing strategy that uses aggressive personal selling and trade ads to convince wholesaler or retailer to carry and sell particular merchandise</li> <li>• <i>Pull strategy</i>: marketing strategy that stimulated consumer demand to obtain product distribution</li> </ul>

**Chapter 17: Advertising, Public Relations, and Direct Response**

What is Advertising?

- Entertainment?
- Persuasive tool?
- International

- Digital is the disrupter

### Advertising and Market Share

- Advertising 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

### The Effect 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

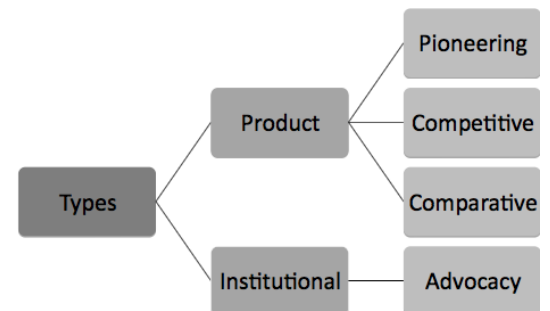
### Major Types of Advertising

#### Institutional

- Goal: Improve the image of the company or industry  
Maintain a favourable attitude about the company
- **Advocacy** - expressing views on a cause

#### Product

- **Pioneering**: Stimulate primary demand for a new product or product category
  - Heavily used during the introductory stage of PLC
  - 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 PLC
  - Competition exists
  - Appeals more to emotions
  - Advertisements 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 2+ competing brands on one or more specific attributes



- Products experiencing 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
  - Advertising Campaign:
    - Series of related advertisements focusing on a 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

### **Creative Decisions in Advertising**

- Advertising campaign: series of related advertisements focusing on a common theme, slogan, and set of advertising appeals
- Advertising Objective: specific communication task that a campaign should accomplish for a specified target audience during specific period
- **(1) Identifying Product Benefits:** advertising goal is to sell the benefits of the product, not its attributes. Attributes: feature of product
- **(2) Developing and Evaluating Advertising Appeals**
- **(3) Executing the Message**
- **(4) Post-campaign Evaluation**
  - The challenge: how do you measure the impact on image creation?
  - Many variables impact the success of a brand including the media used, that measuring advertising influence is hard
  - Programmatic buying - real time evaluation

### **Media Decisions in Advertising**

Media planning: the series of decisions advertisers make regarding the selection and use of media, to efficiently and cost-effectively communicate the message to the market audience

- Which types of media will best communicate the benefits of their product or service to the target audience
- When and how long the advertisement will run

Media Selection

- Target Market

- Promotional objectives
- Appeal and execution decisions

**Media Share**

**Media Types**

Media Selection Considerations

<p>Cost Per Contact</p> <ul style="list-style-type: none"> <li>• Enables evaluation of alternative media</li> </ul>	<p>Cost per Click</p> <ul style="list-style-type: none"> <li>• Cost associated with clicking on a display or banner ad</li> </ul>
<p>Reach</p> <ul style="list-style-type: none"> <li>• Number of target who are exposed to a commercial at least once in 4-week period</li> </ul>	<p>Frequency</p> <ul style="list-style-type: none"> <li>• Number of times an individual is exposed to a message during a specified time period</li> </ul>
<p>Target Audience</p> <ul style="list-style-type: none"> <li>• Audience selectively - ability to reach a precisely defined target</li> </ul>	<p>Flexibility</p> <ul style="list-style-type: none"> <li>• Lead times</li> </ul>
<p>Noise Level</p> <ul style="list-style-type: none"> <li>• Level of distraction - within the medium</li> </ul>	<p>Lifespan</p> <ul style="list-style-type: none"> <li>• Longevity of the message</li> </ul>

**Public Relations**

- Evaluates public attitudes, identifies issues that may elicit public concern, and executes programs to gain public understanding and acceptance
- PR campaigns strive to maintain a positive image of the corporation in the eyes of the public
- Canadian public relations society

**Publicity**

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

Major Public Relations Tools

Product Publicity	Product Placements
Sponsorship	Experimental
Websites	

### Managing Unfavourable Publicity

- **Crisis Management:** the coordination effort to handle the effects of unfavourable publicity or an unexpected unfavourable event, ensuring fast and accurate communication in times of emergency

### Direct Response Communication

- Direct Marketing
  - Profitable results through targeted communications to a specified audience
  - One to one communication resulting in: more targeted messaging & more targeted relationship building
  - Non profits rely on it

## Chapter 18: Sales Promotion and Personal Selling

### What is Sales Promotion?

- Key element in IMC program
- When used strategically it can:
  - Make the product available where the consumer wants it to be
  - Close the sale
  - Provide measurable results
- Social media and the internet

### The Objectives

- Has more affect on behaviour than on attitudes
- Immediate purchase is the goal
- Objectives are driven by
  - General behaviour of the consumer
  - Stage in PLC

Tools

<p><b>Cupons</b></p> <ul style="list-style-type: none"> <li>• Immediate price reduction</li> <li>• Product trial, repurchase, increase amount purchased</li> </ul>	<p><b>Rebates</b></p> <ul style="list-style-type: none"> <li>• Cash refund provided for purchase</li> <li>• Price reduction but not immediate</li> <li>• Preferred by manufacturers</li> <li>• More control, direct to consumer, build database, high slippage</li> </ul>
<p><b>Premiums</b></p> <ul style="list-style-type: none"> <li>• Add value to product to differentiate it</li> <li>• Reinforce purchase decisions, increase consumption, switch</li> </ul>	<p><b>Loyalty Programs</b></p> <ul style="list-style-type: none"> <li>• Frequent buyer programs</li> <li>• Reward loyal buyers</li> <li>• Build long term mutually beneficial relationships</li> <li>• Can enhance profitability by reducing switching</li> <li>• Should support brand promise, be personalized, encourage redemption and be mobile enhanced</li> </ul>
<p><b>Contests and Sweepstakes</b></p> <ul style="list-style-type: none"> <li>• Create interest in a product or service</li> <li>• Encourage brand switching</li> <li>• Not so effective for long term loyalty</li> </ul>	<p><b>Sampling</b></p> <ul style="list-style-type: none"> <li>• Try for free, increase sales as minimizes risk</li> <li>• Online sampling became more popular</li> </ul>
<p><b>Shopper Marketing</b></p> <ul style="list-style-type: none"> <li>• Point of purchase (POI)</li> <li>• Engaging the consumer in store</li> </ul>	

**Trades Promotion**

- Consumer promotions pushes the product through the channel
- Trade promotion pulls the product through the channel

**Tools**

- Free Merchandise
- Store Demo
- Meetings, Conventions, Trade Shows

**Personal Selling**

- Direct communication between a sales rep and one or more prospective buyers
  - Influence each other in a purchase situation
- Work Better than other forms of promotion given certain customer and product characteristics

**Relationship Selling**

- Build long term branded relationships with customers and buyers

Tuesday, October 1, 2019

- Focus on building trust between buyer and seller
  - Delivery of anticipated, long term, value added benefits
- Sales people are consultants, partners, problem solvers
- Build relationships over time by providing solutions

### **Key Issues in Steps**

- Lead generation - life blood of an effective sales team
- Leveraging your network to find right prospect, build trusted relationships to achieve sales targets
- Can lead to better leads, enhancements to the prospecting process and elimination of the need for cold calling
- Build and better maintain relationships with larger networks more efficiently
- Lead Qualification: determining the recognized need, buying power, receptivity
- Pre-approach: needs assessment before sales call to enhance effectiveness of the sales call
  - Enough knowledge to engage and keep engaged

### **Canadian Professional Sales Association (CPSA)**

- Offers the certified sales professional CSP designation
  - Recognize standard of excellence
- CPS designation means: honest, committed, knowledgeable sales expert, trained in consultative method
- Validates a sales persons training and experience
- Offers competitive advantage and reported increase in success upon completion of training

### **Global Issues**

- Tailor to the market
- Understand culture, customer, languages business practises, religion