

Chapter 1: Marketing: creating customer value and engagement:

Amazon: amazon does much more than just sell goods online. It engages customers and creates satisfying customer experiences. “the thing that drives everything is creating genuine value for customers”.

- The value of the customers.

Define marketing and outline the steps in the marketing process:

What is marketing?

- Marketing is engaging customers and managing profitable customer relationships.

Goals of marketing:

- Attract new customers by promising superior value
- Keep and grow current customers by delivering value and satisfaction

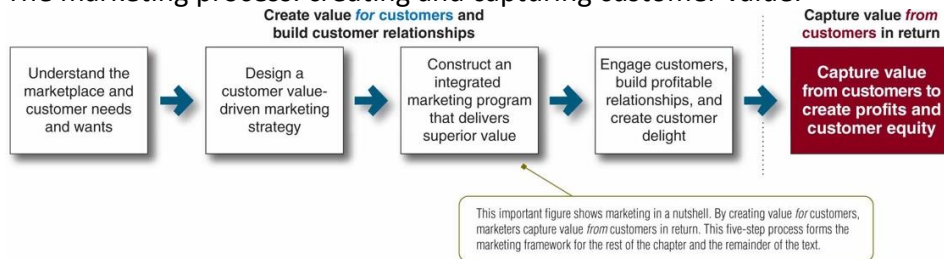
Marketing is all around you:

- You see it in the abundance of products at your nearby shopping mall and the ads in your tv screen, magazines or stuff in your mailbox.
- In recent years, marketers have assembled a host of new marketing approaches: imaginative websites and smartphone apps to blogs, online videos and social media.
- They reach you directly, personally and interactively.

Definition of marketing:

- The process by which companies engage customers, build strong customer relationships and create customer value in order to capture value from customers in return
- In other words, if the marketer engages consumers effectively, understand their needs, develops products that provide superior customer value and prices, distributes and promotes them well, these products will sell easily.

The marketing process: creating and capturing customer value:



Summary:

Marketing creates value for customers

- Understand marketplace and customers
- Design a customer value driven marketing strategy
- Construct a marketing program to deliver superior value
- Engage customers, build relationships and create customer delight

Objective outline 1.2

Explain the importance of understanding the marketplace and customers and identify the five core marketplace concepts.

Understanding the marketplace and customer needs:

Five core customer and marketplace concepts:

- Needs, wants and demands

- Market offerings: things you can offer and available in the market
- Customer value and satisfaction: why people are buying your product and if they will be satisfied with your product
- Exchanges and relationships:
- Markets:

Customer's needs, wants and demands:

Needs:

States of felt deprivation

- Physical needs- food, clothing, warmth and safety
- Social needs: belonging and affection
- Individual needs- knowledge and self-expression

Wants:

Form taken by human needs shaped by culture and individual personality

Demands:

When backed by buying power, wants become demands. This is when you have the buying power you can take the thing that you want. Example, I want a car, I don't have the buying power, I can't demand because I don't have the money for it.

- Saying close to the customers: targets energetic new CEO.

Marketing offerings:

Products, services information, or experiences

- Offered to satisfy a need or a want

Marketing myopia: paying more attention to the specific products than to the benefits and experiences produced by these products.

Customer value and satisfaction:

Customers form expectations about the value and satisfaction that market offering will deliver

- Satisfied customers buy again and tell others
- Dissatisfied customers switch to competitors and disparage the product to others

Setting the right level of expectations:

- Low expectations may fail to attract buyers
- High expectations may disappoint buyers

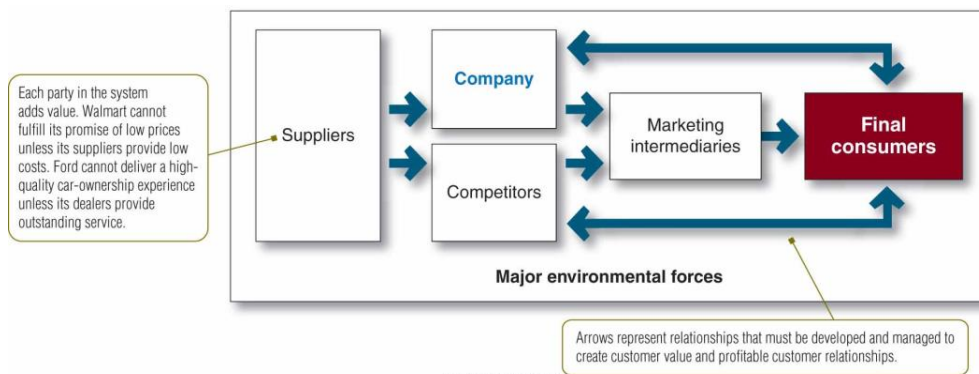
Exchanges and relationships:

- Exchange: is the act of obtaining a desired object from someone by offering something in return
- Marketing consists of actions to create, maintain, and grow desirable exchange relationships with target audiences. Strong relationships are built by consistently delivering superior customer value.

Markets:

- Set of actual and potential buyers of a product or service
- Sellers must search for and engage buyers, identify their needs, design good market offerings, set prices for them, promote them and store and deliver them.
- In addition to customer relationship management, today's marketers must also deal effectively with customer-managed relationships.

A modern marketing system:



Summary:

- Understand customer's needs, wants and demands
- Design market offerings with superior customer value
- Long term customer relationships

other marketplace concepts:

- Market offerings
- Customer value and satisfaction
- Exchange and relationships
- Markets

Objective outline 1.3:

Identify the key elements of a customer value-driven marketing strategy and discuss the marketing management orientations that guide marketing strategy

Designing a customer value-driven marketing strategy plan:

Customer value-driven marketing strategy:

- Once a company fully understands its consumers and the marketplace, marketing management can design a customer value-driven marketing strategy

Marketing management: The art and science of choosing target markets and building profitable relationships with them.

Designing a winning marketing strategy: 2 questions:

- what is our target market? (what customers)
- what is our value proposition? (how we can best serve them)

Target Market:

- selecting customers to serve
- **market segmentation:** refers to dividing the markets into segments of customers
- **target marketing:** refers to selecting which segments to go after
- the company wants to select only customers that it can serve well and profitably

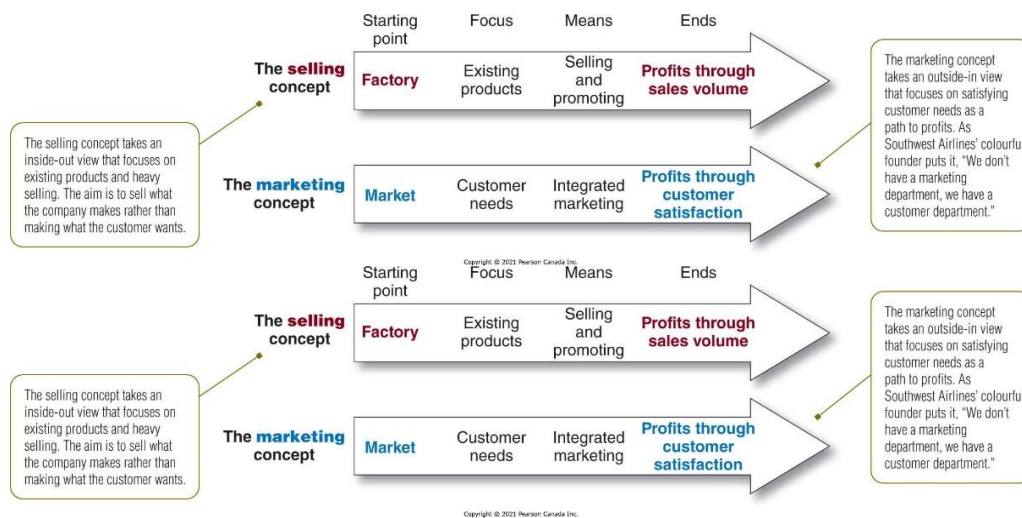
Value proposition:

- Choosing a **value proposition**- the company must decide how it will differentiate and position itself in the marketplace
- A brand's value proposition is the **set of benefits or values** it promises to deliver to consumers to satisfy their needs in a superior way

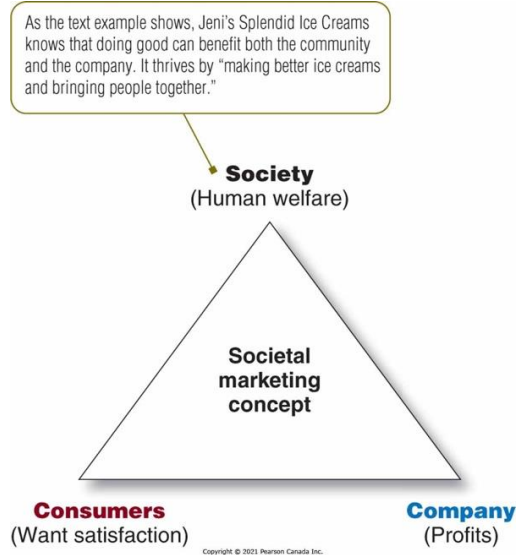
- Value proposition answer the customers question: **why should I buy your brand than a competitors?**

Marketing management orientations:

- Product concept
- Production concept
- Selling concept
- Marketing concept
- Societal marketing concept



Three considerations underlying the societal marketing concept:



Preparing an integrated marketing plan and program:

- The **integrated marketing program** will actually deliver the intended value to target customers
- Major marketing mix tools (Four Ps of marketing)
 1. Product

2. Price
3. Place
4. Promotion

- Marketing mix tools should be blended into a comprehensive **integrated marketing program**

Outline 1.3 summary:

- Marketing segmentation
- Target marketing
- Value proposition: differentiation and positioning
- Marketing management orientations
- Integrated marketing program and the 4 Ps

Objective outline 1.4

Discuss customer relationship management and identify strategies for creating value for customers and capturing value from customers in return

Managing customer relationships and capturing customer value:

Engaging customers and managing customer relationships

- Customer relationship management
- Customer-engagement marketing
- Consumer-generated marketing

Capturing value from customers

- Creating customer loyalty and retention
- Growing share of customer
- Building customer equity

Customer relationship management:

Delivering superior customer value and satisfaction to build and maintain profitable customer relationships

- **Customer-perceived value:** customers evaluation of the difference between all the benefits and all the costs of a market offering relative to those competing offers. . Importantly, customers often do not judge values and costs “accurately” or “objectively.” They act on *perceived* value. To some consumers, value might mean sensible products at affordable prices. To other consumers, however, value might mean paying more to get more. For example, a Steinway piano—any Steinway piano—costs a lot. But to those who own one, a Steinway is a great value
- **Customer satisfaction:** extent to which a produced perceived performance matches a buyer’s expectations. . If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Companies aim to delight customers by promising only what they can deliver and then delivering more than they promise. Delighted customers not only make repeat purchases but also become willing brand advocates and “customer evangelists” who spread the word about their good experiences to others.
- **Customer delight:** companies aim to delight customers by promising only what they can deliver and then delivering more than they promise

Customer relationship levels and tools:

Customer Relationship Levels and Tools Companies can build customer relationships at many levels, depending on the nature of the target market. At one extreme, a company with many low-margin customers may seek to develop basic relationships with them. For example, P&G's Tide detergent does not phone or call on all of its consumers to get to know them personally. Instead, Tide creates engagement and relationships through product experiences, brand-building advertising, websites, and social media. At the other extreme, in markets with few customers and high margins, sellers want to create full partnerships with key customers. For example, P&G sales representatives work closely with Walmart, Sobeys, and other large retailers that sell Tide. In between these two extremes, other levels of customer relationships are appropriate.

Beyond offering consistently high value and satisfaction, marketers can use specific marketing tools to develop stronger bonds with customers. For example, many companies offer frequency marketing programs that reward customers who buy frequently or in large amounts. Airlines offer frequent-flier programs, hotels give room upgrades to frequent guests, and supermarkets give patronage discounts to "very important customers."


Significant changes are occurring in the nature of customer–brand relationships. Today's digital technologies—the internet and the surge in online, mobile, and social media—have profoundly changed the ways that people on the planet relate to one another. In turn, these events have had a huge impact on how companies and brands connect with customers and how customers connect with and influence each other's brand behaviours.

Levels:

- Low- margin customers
- Full partnerships
- High-margin customers


Tools:

- Frequency marketing programs
- Loyalty rewards programs
- Club marketing programs

Customer-engagement marketing:  fostering direct and continuous customer involvement in shaping brand conversations, brand experiences, and brand community.

Customer-engagement marketing goes beyond just selling a brand to consumers. Its goal is to make the brand a meaningful part of consumers' conversations and lives


- Customer-engagement marketing makes the brand a meaningful part of consumers' conversations and lives.
- Customer-managed relationships and brand advocacy
- Marketers must find ways to enter consumers' conversations with engaging and relevant brand messages.
- Simply posting a humorous video, creating a social media page, or hosting a blog isn't enough.

Customer-generated marketing:  by which consumers themselves play roles in shaping their own brand experiences and those of others. This might happen through uninvited consumer-to-consumer exchanges in blogs, social media, and other digital forums. But

increasingly, companies themselves are inviting consumers to play a more active role in shaping products and brand content.

- Brand exchanges created by consumers
- Consumers play an increasing role in shaping their own brand experiences and those of other consumers.
- Uninvited and Invited
- Consumer-to-consumer exchanges
- Consumers invited by companies
 - New product and service ideas
 - Active role in shaping ads and social media content
 - Create buzz around reintroduction of products

Anticipate potential negative consequences

Partner relationship management:  working with others inside and outside the company to jointly engage and bring more value to customers.

- Working closely with others both inside and outside the company to jointly engage and bring more value to customers
- Partners inside the firm—cross-functional teams
- Partners outside the firm—suppliers, distributors, retailers

Creating customer loyalty and retention:

- Keeping customers loyal makes good economic sense.
- **Customer lifetime value is the value** of the entire stream of purchases a customer makes over a lifetime of patronage.
- Customer defections can be costly
- Can lose that customer's lifetime value
- May cause other customers to defect
- CLV of a Lexus customer = \$600,000
- CLV of a Starbucks customer = \$14,000

Growing share of customer:

- Portion of the customer's purchasing that a company gets in its product categories
- **Share of Customer (the share they get of the customers purchasing their product categories)** is increased by:
 - Great customer relationship management
 - Offering greater variety to current customers
 - Creating programs to cross-sell and up-sell to existing customers

Building customer equity:

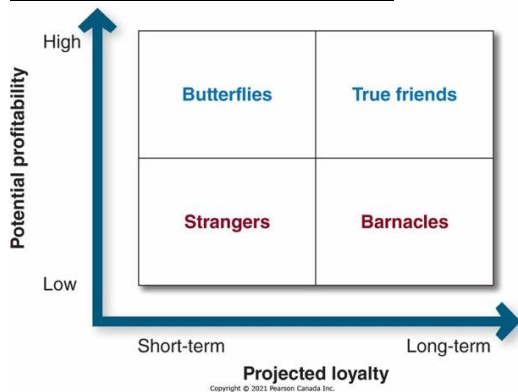
- Total combined customer lifetime values of all of the company's customers
- Measures the future value of the company's customer base
- Increases when the loyalty of the firm's profitable customers increases
- The value of a company comes from the value of its current and future customers.

Cadillac: managing customer equity

In recent years, Cadillac has struggled to make the Caddy cool again with edgier, high performance designs that target a younger generation of consumers. More recently, the brand

has billed itself as “The New Standard of the World” with marketing pitches based on “power, performance, and design,” attributes that position it more effectively against the likes of BMW and Audi. Recent ads feature young achievers and invite consumers to “Dare Greatly” and “Drive the world forward.” As a result, although it still lags other luxury brands, Cadillac’s share of the luxury car market has risen modestly in recent years. The moral: Marketers should care not just about current sales and market share. Customer lifetime value and customer equity are the name of the game.

Customer relationship groups:



Strangers:

- show low potential profitability and little projected loyalty. There is little fit between the company’s offerings and their needs. The relationship management strategy for these customers is simple: Don’t invest anything in them; make money on every transaction

Butterflies

- are potentially profitable but not loyal. There is a good fit between the company’s offerings and their needs. However, like real butterflies, we can enjoy them for only a short while and then they’re gone. An example is stock market investors who trade shares often and in large amounts but who enjoy hunting out the best deals without building a regular relationship with any single brokerage company. Efforts to convert butterflies into loyal customers are rarely successful. Instead, the company should enjoy the butterflies for the moment.

True friends

- are both profitable and loyal. There is a strong fit between their needs and the company’s offerings. The firm wants to make continuous relationship investments to delight these customers and engage, nurture, retain, and grow them. It wants to turn true friends into true believers, who come back regularly and tell others about their good experiences with the company.

Barnacles:

- are highly loyal but not very profitable. There is a limited fit between their needs and the company’s offerings. An example is smaller bank customers who bank regularly but do not generate enough returns to cover the costs of maintaining their accounts. Like barnacles on the hull of a ship, they create drag. Barnacles are perhaps the most problematic customers. The company might be able to improve their profitability by

selling them more, raising their fees, or reducing service to them. However, if they cannot be made profitable, they should be “fired.”

1.4 summary:

- Customer relationship management
- Broadly defined, customer relationship management is the process of engaging customers and building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

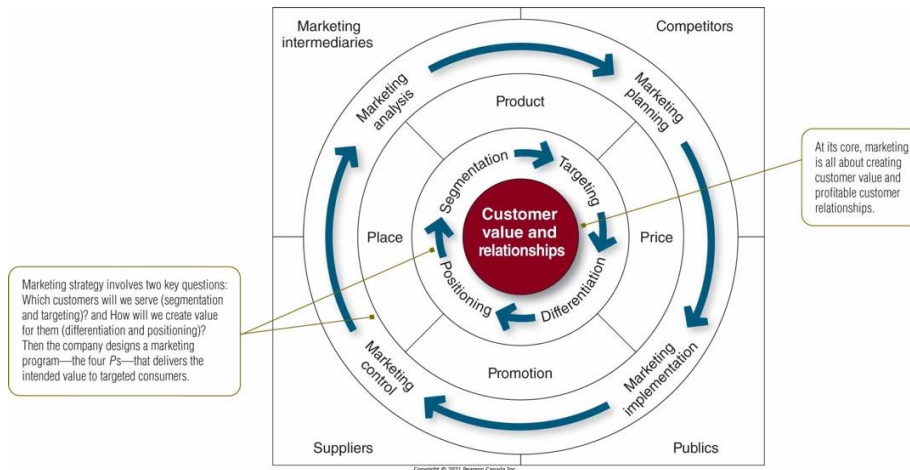
- Customer value and satisfaction
- Customer-engagement marketing
- Customer engagement marketing aims to make a brand a meaningful part of consumers’ conversations and lives through direct and continuous customer involvement in shaping brand conversations, experiences, and community. The aim of customer relationship management and customer engagement is to produce high customer equity, the total combined customer lifetime values of all the company’s customers
- Consumer-generated marketing
- Partner relationship management
- Customer lifetime value
- The key to building lasting relationships is the creation of superior customer value and satisfaction. In return for creating value for targeted customers, the company captures value from customers in the form of profits and customer equity
- Customer equity

Chapter 2: Company and marketing strategy: partnering to build customer engagement, value and relationships:

Objectives outline:

- Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence it.
- List the marketing management functions, including the elements of a marketing plan, and discuss the importance of measuring and managing marketing return on investment.
- Describe the elements of a customer value-driven marketing strategy and mix and the forces that influence it.

Managing marketing strategy and the marketing mix:



- Consumers are at the centre. The goal is to create value for customers and build profitable customer relationships. Next comes **marketing strategy**—the marketing logic by which the company hopes to create this customer value and achieve these profitable relationships. The company decides which customers it will serve (segmentation and targeting) and how (differentiation and positioning). It identifies the total market and then divides it into smaller segments, selects the most promising segments, and focuses on serving and satisfying the customers in these segments.
- Guided by marketing strategy, the company designs an integrated *marketing mix* made up of factors under its control—product, price, place, and promotion (the four Ps). To find the best marketing strategy and mix, the company engages in marketing analysis, planning, implementation, and control. Through these activities, the company watches and adapts to the actors and forces in the marketing environment. We will now look briefly at each activity. In later chapters, we will discuss each one in more depth.
- The first step is knowing who we are going to provide the products to and what is the positioning
- 4 ps of marketing
- Do the implementation

Customer value driven marketing strategy:

Companies must be customer centered

Process:

- Customer analysis: knowing what is going on in the market and the environment. Knowing what makes you more successful or worse. Can be internal or external factors. Go through the segmentations.
- Segmentation
- Market targeting
- Market differentiation
- Positioning

Marketing segmentation and market targeting:

Market segmentation

- Dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviors, and who might require separate products or marketing programs

Market targeting

- Evaluating each market segment's attractiveness and selecting one or more segments to enter

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Market differentiation and positioning:

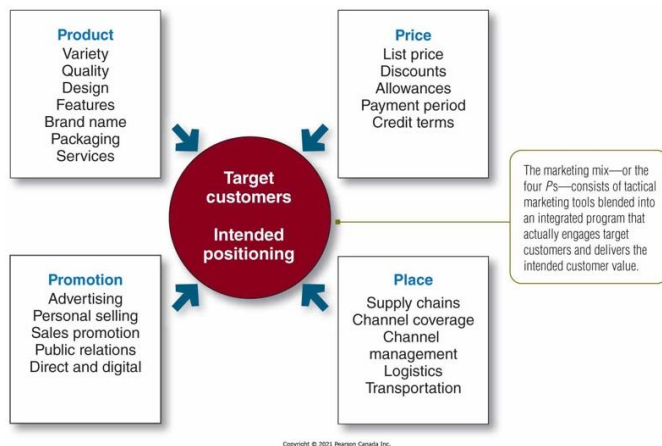
- **Positioning** the product to occupy a clear, distinctive, and desirable place relative to competing products is arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.
- In positioning its brand, a company first identifies possible customer value differences that provide competitive advantages on which to build the position. A company can offer greater customer value by either charging lower prices than competitors or offering more benefits to justify higher prices. But if the company *promises* greater value, it must then *deliver* that greater value. Thus, effective positioning begins with
- **Differentiating** the market offering to create superior customer value
- The entire marketing program should support the chosen positioning strategy.
- Car sharing service Uber positions itself as "Everyone's private driver." This simple statement provides the backbone for its marketing strategy. actually *differentiating* the company's market offering to create superior customer value.

Developing and integrated marketing mix:

- Planning the details of the Marketing Mix
- Marketing Mix: Set of tactical marketing tools the firm blends to produce the response it wants in the target market

Four Ps in Figure 2.5

After determining its overall marketing strategy, the company is ready to begin planning the details of the **marketing mix**, one of the major concepts in modern marketing. The marketing mix is the set of tactical marketing tools that the firm blends to produce the response it wants in the target market. The marketing mix consists of everything the firm can do to engage consumers and deliver customer value. The many possibilities can be collected into four groups of variables—the four Ps. **Figure 2.5** shows the marketing tools under each P.



Criticisms of the Four ps

- Omits or underemphasizes service products
- Needs to include packaging as a product decision
- Buyer's perspective would emphasize the four **A**s:
 - Acceptability: you are providing a product that is acceptable
 - Affordability: something people can afford
 - Accessibility: the place, having access to the place
 - Awareness: having people aware of the product

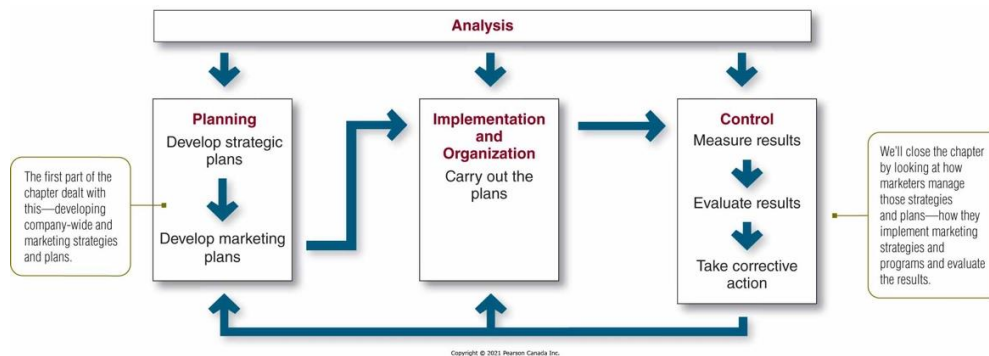
Objective outline 2.4 summary:

- Customer value-driven marketing strategy
- Market segmentation and market segment
- Market targeting
- Positioning and differentiating
- Integrated marketing and the Four Ps of the marketing mix

Managing the marketing effort:

- Analysis
- Planning
- Implementation
- Organization
- Control

In addition to being good at the marketing in marketing management, companies also need to pay attention to the management. Managing the marketing process requires the five marketing management functions shown in Figure 2.6—analysis, planning, implementation, organization, and control. The company first develops company-wide strategic plans and then translates them into marketing and other plans for each division, product, and brand. Through implementation and organization, the company turns the plans into actions. Control consists of measuring and evaluating the results of marketing activities and taking corrective action where needed. Finally, marketing analysis provides the information and evaluations needed for all the other marketing activities.



Analysis: figure 2.7 SWOT analysis: strengths, weaknesses, opportunities, and threats:



Planning: contents of a marketing plan:

Section	Purpose
Executive summary	Brief summary of the main goals and recommendations
Current marketing situation	Gives the market description and the product, competition, and distribution review
Threats and opportunities analysis	Helps management to anticipate important positive or negative developments
Objectives and issues	States and discusses marketing objectives and key issues

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Marketing implementation

- Turning marketing strategies and plans into marketing actions to accomplish strategic marketing objectives
- Addresses the who, where, when, and how of the marketing activities
- Many managers think that “doing things right” (implementation) is as important as, or even more important than, “doing the right things” (strategy). The fact is that both are critical to success

Marketing department organization:

- Functional organization: we divide the tasks based on the functions. Example, selling, finance.
- Geographic organization: people who are in Quebec, someone in the states. Different countries
- Product management organization: we have a market in department for TVs, cameras,
- Market or customer management organization: does end users, department for whole sellers.
- Combination organization: you are doing the business in a big company and you have just a branch for laptops in Canada and you have the locations.

Marketing control:

- Measuring and evaluating the results of marketing strategies and plans
- Operating control ensures that the company achieves its sales, profits, and other goals.
- Strategic control involves looking at whether the company’s basic strategies are well matched to its opportunities.
- **Marketing control** refers to measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure that the objectives are achieved. This may require changing the action programs or even changing the goals.
- **Operating control** ensures that the company achieves the sales, profits, and other goals set out in its annual plan. It also involves determining the profitability of different products, territories, markets, and channels.
- **Strategic control** involves looking at whether the company’s basic strategies are well matched to its opportunities

Objective outline 2.5 summary:

- Analysis, planning and implementation
- Contents of a marketing plan
- Operating and strategic marketing control
- Marketing department organization

Chapter 3: analyzing the market environment:

Objectives outline:

- Describe the environmental forces that affect the company’s ability to serve its customers.
- Explain how changes in the demographic and economic environments affect marketing decisions.
- Identify the major trends in the firm’s natural and technological environments.
- Explain the key changes in the political and cultural environments.

- Discuss how companies can react to the marketing environment.
- Describe the environmental forces that affect the company's ability to serve its customers.

Microsoft: adapting to the fast-changing marketing environment:

- Microsoft dominated the computer software world throughout the 1990s and much of the 2000s but struggled in the fast-changing technology environment.
- Microsoft has a new mission with a different focus.
- The new mission focuses not on devices and services but on outcomes. Rather than chasing competitors in mobile devices and operating systems, Microsoft now intends to lead them in productivity tools.

Marketing environment:

- Outside forces that affect marketing management's ability to build and maintain successful relationships with target customers
- **Microenvironment:** Actors close to the company that affect its ability to serve its customers
- **Macroenvironment:** Larger societal forces that affect the microenvironment
- **Marketing environment** refers to the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. The marketing environment consists of a microenvironment and a macroenvironment.
- The **microenvironment** consists of the actors close to the company that affect its ability to serve its customers.
- The **macroenvironment** consists of the larger societal forces that affect the microenvironment.

Actors in the microenvironment:



Objective outline 3.1 summary:

- Company's microenvironment
- Company, suppliers, marketing intermediaries
- Competitors, publics, customers
- Forces in the company's macroenvironment
- Demographic
- Economic

- Natural
- Technological
- Political and cultural
- The company's *microenvironment* consists of actors close to the company that combine to form its value delivery network or that affect its ability to serve customers. It includes the company's *internal environment*—its several departments and management levels—as it influences marketing decision making. *Marketing channel firms*—suppliers, marketing intermediaries, physical distribution firms, marketing services agencies, and financial intermediaries—cooperate to create customer value. *Competitors* vie with the company in an effort to serve customers better. Various *publics* have an actual or potential interest in or impact on the company's ability to meet its objectives. Finally, five types of customer *markets* exist: consumer, business, reseller, government, and international markets.
- The *macroenvironment* consists of larger societal forces that affect the entire microenvironment. The six forces making up the company's macroenvironment are demographic, economic, natural, technological, political/social, and cultural forces. These forces shape opportunities and pose threats to the company.

Objective outline 3.2

Explain how changes in the demographic and economic environments affect marketing decisions.

figure 3.2 major forces in the company's microenvironment:

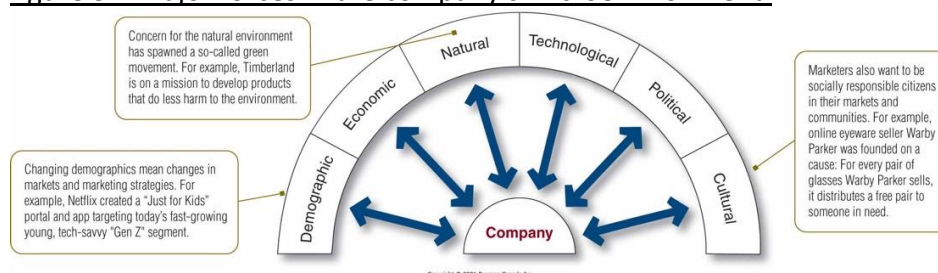


Figure 3.2 shows the six major forces in the company's macroenvironment. Even the most dominant companies can be vulnerable to the often turbulent and changing forces in the marketing environment. Some of these forces are unforeseeable and uncontrollable. Others can be predicted and handled through skillful management. Companies that understand and adapt well to their environments can thrive. Those that don't can face difficult times. One-time dominant market leaders such as Xerox, Sears, Sony, and Kodak have learned this lesson the hard way. In the remaining sections of this chapter, we examine these forces and show how they affect marketing plans.

The company:

- Interrelated groups in a company form the internal environment
- Departments share the responsibility for understanding customer needs and creating customer value.
- Top management sets the company's mission, objectives, broad strategies, and policies. Marketing managers make decisions within these broader strategies and plans.

- In designing marketing plans, marketing management takes other company groups into account—groups such as top management, finance, research and development (R&D), purchasing, operations, human resources, and accounting. All of these interrelated groups form the internal environment.
- With marketing taking the lead, all departments—from manufacturing and finance to legal and human resources—share the responsibility for understanding customer needs and creating customer value.

Suppliers:

- Provide the resources needed by the company to produce its goods and services
- Supplier problems seriously affect marketing
 - Supply shortages or delays
 - Labor strikes
 - Price trends of key inputs
- Suppliers form an important link in the company's overall customer value delivery network. They provide the resources needed by the company to produce its goods and services. Supplier problems can seriously affect marketing. Marketing managers must watch supply availability and costs. Supply shortages or delays, natural disasters, and other events can cost sales in the short run and damage customer satisfaction in the long run. Rising supply costs may force price increases that can harm the company's sales volume.
- Most marketers today treat their suppliers as partners in creating and delivering customer value. For example, home furnishings retailer IKEA knows the importance of building close relationships with its extensive network of suppliers.
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Example: IKEA's mission is to create a better everyday life for customers by offering trendy but simple and practical home furnishings at prices so low that as many people as possible can afford them. But before it can sell the billions of dollars' worth of products its customers covet, IKEA must first develop a robust and reliable network of supplier-partners who can help it design and make all those products.

Giant furniture retailer IKEA doesn't just buy from its suppliers. It involves them deeply in the process of delivering trendy but simple and affordable home furnishings to create a better everyday life for its customers

Marketing intermediaries:

- **Marketing intermediaries** help the company to promote, sell, and distribute its products to final buyers.
- **Resellers:** are distribution channel firms that help the company find customers or make sales to them. These include wholesalers and retailers
- **Physical distribution firms:** help the company stock and move goods from their points of origin to their destinations

- **Marketing services agencies:** are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets
- **Financial intermediaries:** include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods.

Example: Coca-Cola provides its retail partners with much more than just soft drinks. It also pledges powerful marketing support. Coca-Cola assigns cross-functional teams dedicated to understanding the finer points of each retail partner's business. It conducts a staggering amount of research on beverage consumers and shares these insights with its partners. It analyzes the demographics of geographic areas and helps partners determine which Coke brands are preferred in their areas. Coca-Cola has even studied the design of drive-through menu boards to better understand which layouts, fonts, letter sizes, colours, and visuals induce consumers to order more food and drink. Based on such insights, the Coca-Cola food service solutions group develops marketing programs and merchandising tools that help its retail partners improve their beverage sales and profits. Its website, www.CokeSolutions.com, provides retailers with a wealth of information, business solutions, merchandising tips, advice on digital and social media marketing, and techniques on how to go green. Such intense partnering has made Coca-Cola a runaway leader in the fountain-soft-drink market.

Competitors:

- Marketers must gain strategic advantage by positioning products strongly against competitors.
- No single strategy is best for all companies.
- The marketing concept states that, to be successful, a company must provide greater customer value and satisfaction than its competitors do. Thus, marketers must do more than simply adapt to the needs of target consumers. They also must gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers.
- No single competitive marketing strategy is best for all companies. Each firm should consider its own size and industry position compared with those of its competitors. Large firms with dominant positions in an industry can use certain strategies that smaller firms cannot afford. But being large is not enough. There are winning strategies for large firms, but there are also losing ones. And small firms can develop strategies that give them better rates of return than large firms enjoy.

Publics:

- **Publics:** any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives
- Financial: influences the company's ability to obtain funds
- Media: carry's news, features and editorial opinions
- Government: management must take government development into account

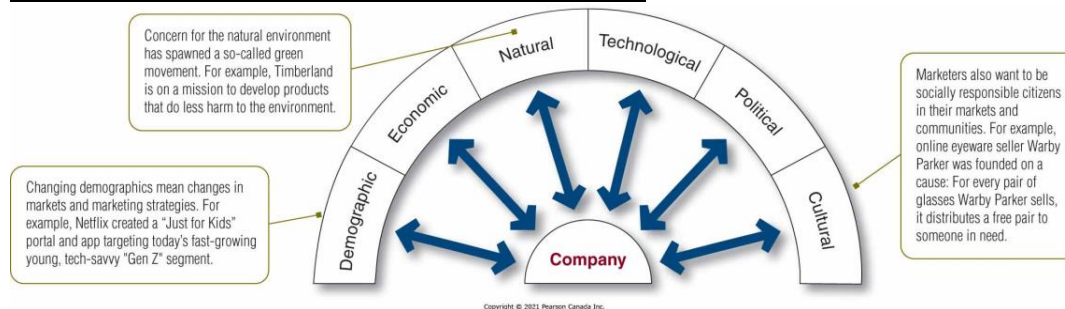
- Citizen action: a company's marketing decisions may be questioned by consumer organizations, environmental groups etc.
- Local: neighborhood residents and community organizations
- General: the general public's image of the company affects its buying
- Internal: workers, managers, volunteers and the board of directors.

Customers:

Five types of customer markets:

- **Consumer markets:** consists of individual and households that buy goods and services for personal consumption
- **Business markets:** buys goods and services for further processing or use in their production process
- **Reseller markets:** buys goods and services to resell at a profit
- **Government markets:** government agencies that buy goods and services to produce public services
- **International markets:** buyers in other countries including consumers, producers, resellers and governments

Major forces in the company's microenvironment:



Objective outline 31. Summary:

- Company's microenvironment
 - Company, suppliers, marketing intermediaries
 - Competitors, publics, customers
- Forces in the company's macroenvironment
 - Demographic
 - Economic
 - Natural
 - Technological
- Political and cultural
- The company's *microenvironment* consists of actors close to the company that combine to form its value delivery network or that affect its ability to serve customers. It includes the company's *internal environment*—its several departments and management levels—as it influences marketing decision making. *Marketing channel firms*—suppliers, marketing intermediaries, physical distribution firms, marketing services agencies, and financial intermediaries—cooperate to create customer value. *Competitors* vie with the company in an effort to serve customers better. Various *publics* have an actual or

potential interest in or impact on the company's ability to meet its objectives. Finally, five types of customer *markets* exist: consumer, business, reseller, government, and

- international markets.
- The *macroenvironment* consists of larger societal forces that affect the entire microenvironment. The six forces making up the company's macroenvironment are demographic, economic, natural, technological, political/social, and cultural forces. These forces shape opportunities and pose threats to the company.

Demographic environment:

- **Demography** is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics.
- Marketers analyze:
 - Changing age and family structures
 - Geographic population shifts
 - Educational characteristics
 - Population diversity
- **Demography** is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. The demographic environment is of major interest to marketers because it involves people, and people make up markets. The world population is growing at an explosive rate. It now exceeds 7.6 billion people and is expected to grow to more than 8.5 billion by the year 2030. The world's large and highly diverse population poses both opportunities and challenges.
- Changes in the world demographic environment have major implications for business. Therefore, marketers keep a close eye on demographic trends and developments in their markets. They analyse changing age and family structures, geographic population shifts, educational characteristics, and population diversity. Here, we discuss the most important demographic trends in Canada.
- The Canadian population contains several generational groups:
 - **Baby Boomers:** The 9.4 million people born during the years following World War II and lasting until 1965
 - **Generation X:** The 7.2 million people born between 1966 and 1980 in the "birth dearth" following the baby boom.
 - **Millennials (or Generation Y):** The 8.6 million children of the baby boomers born between 1981 and 1997.
 - **Generation Z:** : 8.6 million people born between 1997 and 2016 who make up the kids, tweens, and teens markets
 - **Generational Marketing:** Do brands need to create separate products and marketing programs for each generation? Some experts warn that marketers need to be careful about turning off one generation each time they craft a product or message that appeals effectively to another. Others caution that each generation spans decades of time and many socioeconomic levels. For example, Generation Z spans kids through tweens and teens to early 20s, each group with its own beliefs and behaviours.

Thus, marketers need to form more precise age-specific segments within each group. More important, defining people by their birth date may be less effective than segmenting them by

lifestyle, life stage, or the common values they seek in the products they buy. We will discuss many other ways to segment markets in Chapters 5 and 6.

Other demographic considerations:

- The Changing Canadian Family
- Geographic Shifts in Population
- A Better-Educated, More White-Collar, More Professional Population
- Increasing Diversity

Economic environment:

- Economic factors affect consumer purchasing power and spending
- Changes in consumer spending
- Differences in income distribution
- Economic factors can have a dramatic effect on consumer spending and buying behaviour. Consumers have now adopted a back-to-basics sensibility in their lifestyles and spending patterns that will likely persist for years to come. They are buying less and looking for greater value in the things they do buy. In turn, **value marketing** has become the watchword for many marketers. Marketers in all industries are looking for ways to offer today's frugal buyers greater value.
- Marketers should pay attention to **income distribution** as well as income levels. Over the past several decades, the rich have grown richer, the middle class has shrunk, and the poor have remained poor. This distribution of income has created a tiered market. Many companies aggressively target the affluent, while other firms target those with more modest means. Still other companies tailor their marketing offers across a range of markets, from the affluent to the less affluent

Objective outline 3.2 summary:

- Demographic environment
- Age and family structures
- Geographic population shifts
- Education characteristics
- Population diversity
- Economic environment
- Changes in consumer spending and income distribution
- *Demography* is the study of the characteristics of human populations. Today's *demographic environment* shows a changing age structure, shifting family profiles, geographic population shifts, a better-educated and more white-collar population, and increasing diversity. The *economic environment* consists of factors that affect buying power and patterns. The economic environment is characterized by more frugal consumers who are seeking greater value—the right combination of good quality and service at a fair price. In turn, many companies—from discounters such as Target to luxury brands such as Lexus—are focusing on value for the money, practicality, and durability in their product offerings and marketing pitches.

Natural environment:

Physical environment and natural resources needed as inputs by marketers or affected by marketing activities

- **Environmental sustainability** concerns have grown steadily over the past three decades.

- Trends:
 - Shortages of raw materials
 - Increased pollution
 - Increased government intervention

The **natural environment** involves the physical environment and the natural resources that are needed as inputs by marketers or that are affected by marketing activities. At the most basic level, unexpected happenings in the physical environment—anything from weather to natural disasters—can affect companies and their marketing strategies. For example, during a recent cold winter—in which the term *polar vortex* gusted into the North American vocabulary—sales suffered across a wide range of businesses, from florists and auto dealers to restaurants, airlines, and tourist destinations. In contrast, the severe weather boosted demand for products such as salt, snowblowers, winter clothing, and auto repair centres.

Concern for the natural environment has spawned an **environmental sustainability** movement. Today, enlightened companies go beyond what government regulations dictate. They are developing strategies and practices that create a world economy that the planet can support indefinitely. Environmental sustainability means meeting present needs without compromising the ability of future generations to meet their needs.

Technological environment:

New technologies create new markets and opportunities.

- Digital Technology
- Radio-frequency identification (RFID) is technology to track products through various points in the distribution channel.

Government agencies investigate and ban potentially unsafe products.

Outline 3.3 summary:

- Natural environment
 - Shortage of raw materials and high pollution levels
 - Government intervention
 - Environmental sustainability
- Technological environment
 - Digital Technology
 - Radio-frequency identification (RFID)
 - Government regulation
 - The *natural environment* shows three major trends: shortages of certain raw materials, higher pollution levels, and more government intervention in natural resource management. Environmental concerns create marketing opportunities for alert companies. The *technological environment* creates both opportunities and challenges. The barrage of digital advances affects every aspect of how consumers learn about, shop for, buy, and experience brands. In turn, the digital age gives marketers exciting opportunities for understanding consumers, creating new products, and engaging customers in more direct and meaningful ways. Companies that fail to keep up with technological change will miss out on new product and marketing opportunities.

Political environment:

- Forces that influence or limit various organizations and individuals in a society
 - Laws, government agencies, and pressure groups

The **political environment** consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society.

Major federal legislation affecting marketing:

The Competition Act:

Section 34: Pricing	Forbids suppliers from charging different prices to competitors purchasing like quantities of goods (price discrimination). Forbids price cutting that lessens competition (predatory pricing).
Section 36: Pricing and Advertising	Forbids advertising prices that misrepresent the "usual" selling price (misleading price advertising).
Section 38: Pricing	Forbids suppliers from requiring subsequent resellers to offer products at a stipulated price (resale price maintenance).
Section 33: Mergers	Forbids mergers by which competition is, or is likely to be, lessened to the detriment of the interests of the public.

Other Selected Acts:

National Trade Mark and True Labelling Act	Established the term Canada Standard, or CS, as a national trademark; requires certain commodities to be properly labelled or described in advertising for the purpose of indicating material content or quality.
Consumer Packaging and Labelling Act	Provides a set of rules to ensure that full information is disclosed by the manufacturer, packer, or distributor. Requires that all prepackaged products bear the quantity in French and English in metric as well as traditional Canadian standard units of weight, volume, or measure.
Motor Vehicle Safety Act	Establishes mandatory safety standards for motor vehicles.
Food and Drug Act	Prohibits the advertisement and sale of adulterated or misbranded foods, cosmetics, and drugs.
Personal Information Protection and Electronic Documents Act	Establishes rules to govern the collection, use, and disclosure of personal information that recognize the right of privacy of individuals. The law recognizes the needs of organizations to collect, use, or disclose personal information for appropriate purposes.

ethics and socially responsible behaviour:

- Socially responsible companies actively seek out ways to protect the long-run interests of consumers and the environment.
- Companies develop policies, guidelines, and other responses to complex social responsibility issues.

Cross-related marketing:

- Companies use cause-related marketing to
- Exercise their social responsibility
- Build more positive images
- Primary form of corporate giving
- Controversy—strategy for selling more rather than a strategy for giving

Cultural environment:

- Institutions and other forces that affect a society's basic values, perceptions, and behaviors
- Persistence of cultural values
 - **Core** beliefs and values have a high degree of persistence.

- **Secondary** beliefs and values are more open to change.
- The **cultural environment** consists of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviours. Society shapes basic beliefs and values. People grow up in a particular society that shapes their basic beliefs and values. They absorb a worldview that defines their relationships with others. **Cultural characteristics can affect marketing decision making.**
- People in a given society hold many beliefs and values. Their core beliefs and values have a high degree of persistence. For example, many Canadians believe in cultural diversity (versus assimilation), democracy, gender equality, sustainable development, universal healthcare, a love of nature, hard work, and being honest. These beliefs shape more specific attitudes and behaviours found in everyday life. **Core beliefs** and values are passed on from parents to children and are reinforced by schools, businesses, religious institutions, and government.
- **Secondary beliefs** and values are more open to change. Believing in marriage is a core belief; believing that people should get married early in life is a secondary belief. Marketers have some chance of changing secondary values but little chance of changing core values. For example, family-planning marketers could argue more effectively that people should get married later than not get married at all.

Shifts in secondary cultural values of peoples views about:

- Themselves: People vary in their emphasis on serving themselves versus serving others.
- Others: More “cocooning” – staying home, eating home-cooked meals
- Organizations: decline of loyalty toward companies
- Society: nationalists defend it, reformers want to change it and malcontents want to leave it
- Nature: some feel ruled by it, in harmony with it or seek to master it
- Universe: renewed interest in spirituality and develop of more permanent values- family, community, earth, faith

Outline 3.4 summary:

- Political environment
 - Laws, government agencies, and pressure groups
 - Legislation affecting marketing
 - Socially responsible behavior
- Cultural environment
 - Core and secondary beliefs
 - Shifts in secondary cultural values
 - The *political environment* consists of laws, agencies, and groups that influence or limit marketing actions. The political environment has undergone changes that affect marketing worldwide: increasing legislation regulating business, strong government agency enforcement, and greater emphasis on ethics and socially responsible actions. The *cultural environment* consists of institutions and forces that affect a society's values, perceptions, preferences, and behaviours. The environment shows trends toward new technology-enabled communication, a lessening

- trust of institutions, increasing patriotism, greater appreciation for nature, a changing spiritualism, and the search for more meaningful and enduring values.

Responding to the marketing environment:

- Reactive firms passively accept the marketing environment and do not try to change it.
- Proactive firms develop strategies to change the environment.
- They take aggressive actions to affect the publics and forces in their marketing environment.
- **smart marketing managers** take a proactive rather than reactive approach to the marketing environment.

Objective outline 3.5 summary:

- Companies can passively accept the marketing environment as an uncontrollable element to which they must adapt, avoiding threats and taking advantage of opportunities as they arise. Or they can take a *proactive* stance, working to change the environment rather than simply reacting to it. Whenever possible, companies should try to be proactive rather than reactive.

Chapter 4: managing marketing information to gain customer insights

Objective outline:

- 1. Explain the important of information in gaining insights about the marketplace and customers**

Marketing information:

- Customer needs and motives for buying are difficult to determine.
- Required by companies to obtain customer and market insights
- Generated in great quantities with the help of information technology and online sources

Today's big idea:

- **Big data** refers to the huge and complex data sets generated by today's sophisticated information generation, collection, storage, and analysis technologies.

Consumer insights:

Fresh marketing information-based understandings of customers and the marketplace

- Become the basis for creating customer value, engagement, and relationships
- Customer insights teams collect customer and market information from a wide variety of sources.

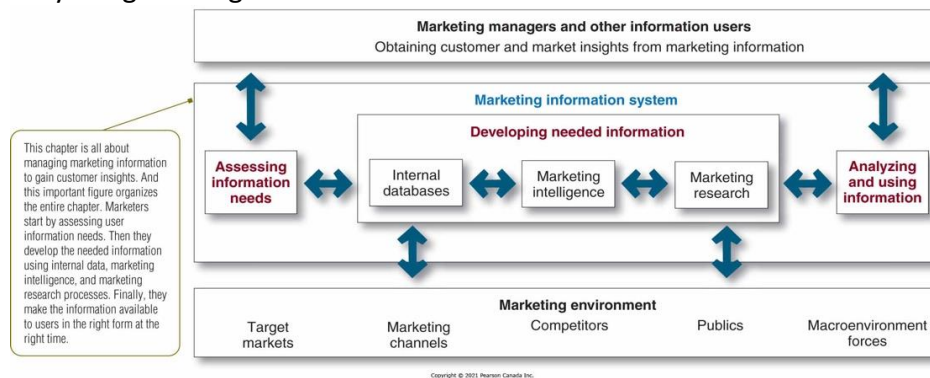
Many companies are now restructuring their marketing research and information functions. They are creating customer insights teams which collect customer and market information from a wide variety of sources, ranging from traditional marketing research studies to mingling with and observing consumers to monitoring consumer online conversations about the company and its products. This information is then used to develop important customer insights from which the company can create more value for its customers. Example: PepsiCo's various marketing research departments are integrated "customer insights teams".

Marketing information system (MIS)

- Consists of people and procedures to

- Assess information needs
- Develop the needed information
- Help decision makers use the information to generate and validate actionable customer and market insights

Companies must design effective marketing information systems that give managers the right information, in the right form, at the right time and help them to use this information to create customer value, engagement, and stronger customer relationships. A **marketing information system (MIS)** consists of people and procedures dedicated to assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights. They have to understand why they are gathering information.



This shows that the MIS begins and ends with information users—marketing managers, internal and external partners, and others who need marketing information and insights. First, it interacts with these information users to assess information needs. Next, it interacts with the marketing environment to develop needed information through internal company databases, marketing intelligence activities, and marketing research. Finally, the MIS helps users to analyze and use the information to develop customer insights, make marketing decisions, and manage customer engagement and relationships.

Summary:

- Marketing process starts with a complete understanding of the marketplace and consumer needs and wants
- Turn consumer information into customer insights
- Marketing Information System
- Big Data

The marketing process starts with a complete understanding of the marketplace and consumer needs and wants. Thus, the company needs to turn sound consumer information into meaningful *customer insights* by which it can produce superior value for its customers. The company also requires information on competitors, resellers, and other actors and forces in the marketplace. Increasingly, marketers are viewing information not only as an input for making better decisions but also as an important strategic asset and marketing tool.

2. Define the marketing information system and discuss its parts

Assessing marketing information:

- A good MIS balances the information users would like to have against
 - What they really need
 - What is feasible to offer
- Obtaining, analyzing, storing, and delivering information is costly.
 - Firms must decide whether the value of the insight is worth the cost.

The marketing information system primarily serves the company's marketing and other managers. However, it may also provide information to external partners, such as suppliers, resellers, or marketing services agencies. For example, Walmart's Retail Link system gives key suppliers access to information on everything from customers' buying patterns and store inventory levels to how many items they've sold in which stores in the past 24 hours.

- A good marketing information system balances the information users would like to have against what they really need and what is feasible to offer. Some managers will ask for whatever information they can get without thinking carefully about what they really need. And in this age of big data, some managers will want to collect and store vast amounts of digital data simply because technology lets them. But too much information can be as harmful as too little. In contrast, other managers may omit things they ought to know, or they may not know to ask for some types of information they should have. The MIS must monitor the marketing environment to provide decision makers with information and insights they should have to make key marketing decisions.
- Finally, the costs of obtaining, analyzing, storing, and delivering information can mount quickly. The company must decide whether the value of insights gained from additional information is worth the costs of providing it, and both value and cost are often hard to assess.

Developing marketing information:

- Information needed can be obtained from
 - Internal databases:** are collections of consumer and market information obtained from data sources within the company network. usually can be accessed more quickly and cheaply than other information sources, but they also present some problems. Because internal information is often collected for other purposes, it may be incomplete or in the wrong form for making marketing decisions. Data also ages quickly; keeping the database current requires a major effort. Finally, managing and mining the mountains of information that a large company produces requires highly sophisticated equipment and techniques.

Competitive marketing intelligence

Systematic monitoring, collection, and analysis of information

- About consumers, competitors, and developments in the marketing environment

Techniques

- Observing consumers first-hand
- Quizzing the company's own employees
- Benchmarking competitors' products
- Conducting online research
- Monitoring social media buzz
- Offers insights about consumer opinions and their association with the brand
- Provides early warnings of competitor strategies and potential competitive strengths and weaknesses

- Helps firms to protect their own information
- Raises ethical issues

Marketing research

Summary:

Marketing information system (MIS)

- Assess information needs
- Develop information

Internal databases, marketing intelligence, and market research

- Analyze and use the information
- The *marketing information system (MIS)* consists of people and procedures for assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights. A well-designed information system begins and ends with users.
- The MIS first *assesses information needs*. The MIS primarily serves the company's marketing and other managers, but it may also provide information to external partners. Then the MIS *develops information* from internal databases, marketing intelligence activities, and marketing research. *Internal databases* provide information on the company's own operations and departments. Such data can be obtained quickly and cheaply but often need to be adapted for marketing decisions. *Marketing intelligence* activities supply everyday information about developments in the external marketing environment, including listening and responding to the vast and complex digital environment. *Market research* consists of collecting information relevant to a specific marketing problem faced by the company. Last, the marketing information system helps users analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.

3. Outline the role of marketing research and the steps in the marketing research process

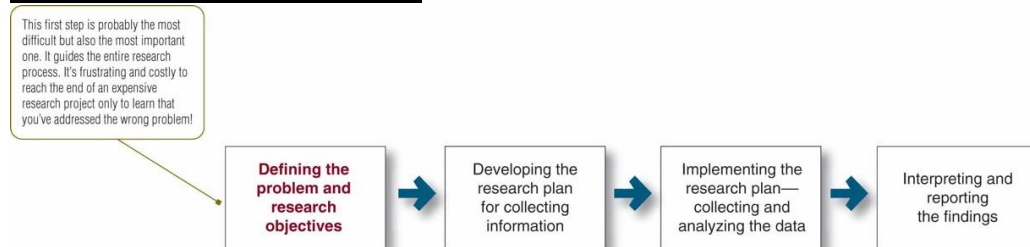
Marketing research:

Systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization

Approaches followed by firms:

- Use own research departments
- Hire outside research specialists
- Purchase data collected by outside firms

The marketing research process:



Defining the problem and research objectives:

Exploratory research

- Used to gather preliminary information
- Helps to define problems and suggest hypotheses

Descriptive research

- Used to better describe the market potential for a product or the demographics and attitudes of consumers

Causal research

- Used to test hypotheses about cause-and-effect relationships

Research Plan:

Outlines sources of existing data

Spells out

- Specific research approaches
- Contact methods
- Sampling plans
- Instruments that researchers will use to gather new data

Should be presented in a written proposal

- Topics covered in a research plan:
 - o Problems and research objectives
 - o Information to be obtained
 - o How results will help decision making
 - o Estimated research costs
 - o Type of data required

Secondary data:

- Information that already exists
- Collected for another purpose
- Sources:
 - Company's internal database
 - Purchased from outside suppliers
 - Commercial online databases
 - Internet search engines

Advantages

- Low cost
- Obtained quickly
- Cannot collect otherwise

Disadvantages

- Potentially Irrelevant
- Inaccurate
- Dated
- Biased

Planning primary data collection:

Research Approaches	Contact Methods	Sampling Plan	Research Instruments
Observation	Mail	Sampling unit	Questionnaire
Survey	Telephone	Sample size	Mechanical instruments
Experiment	Personal Online	Sampling procedure	

Secondary data provide a good starting point for research and often help to define research problems and objectives. In most cases, however, the company must also collect primary data. **Table 4.1** shows that designing a plan for primary data collection calls for decisions on *research approaches*, *contact methods*, the *sampling plan*, and *research instruments*.

Research approaches:

Observational research

- Gathering primary data by observing relevant people, actions, and situations
- **Ethnographic research:** Sending trained observers to watch and interact with consumers in their natural environments

Survey research

- Asking people questions about their knowledge, attitudes, preferences, and buying behaviour. is the approach best suited for gathering descriptive information. A company that wants to know about people’s knowledge, attitudes, preferences, or buying behaviour can often find out by asking them directly. The major advantage of survey research is its flexibility. Surveys addressing almost any marketing question or decision can be conducted by phone or mail, in person, or online. The disadvantages of survey research are that people may be unwilling to respond to unknown interviewers or answer questions about topics they consider private.
- Whereas observation is best suited for exploratory research and surveys for descriptive research, experimental research is best suited for gathering causal information

Experimental research

- Selecting matched groups of subjects, giving them different treatments, controlling related factors, and checking for differences in group responses. tries to explain cause-and-effect relationships. For example, before adding a new sandwich to its menu,

McDonald's might use experiments to test the effects on sales of two different prices it might charge.

Observational and ethnographic research yield the kinds of details that don't emerge from traditional research questionnaires or focus groups. . For example, Petro-Canada gas station might evaluate possible new store locations by checking traffic patterns, neighbourhood conditions, and the locations of competing Irving Oil, Esso, and other retail chains.

Mail, telephone, and personal interviewing:

Mail questionnaires are used to collect large amounts of information at a low cost per respondent. This is not very flexible

Telephone interviewing: gathers information quickly, while providing flexibility. This is one of the best methods for gathering information quick, has greater flexibility

Personal interviewing methods include

- **Individual interviewing:** involves talking with people in their homes or offices, on the street, or in shopping malls. Such interviewing is flexible
- **Group interviewing:** consists of inviting 6 to 10 people to meet with a trained moderator to talk about a product, service, or organization. Group interviewing is also referred to as focus group interviewing.
- **Immersion groups:** which are small groups of consumers who interact directly and informally with product designers without a focus group moderator present. For example, The Mom Complex uses "Mom Immersion Sessions" to help brand marketers understand and connect directly with their "mom customers" on important brand issues.

Online marketing research:

- Data is collected through
- Internet surveys
- Online focus groups
- Web-based experiments
- Tracking consumers' online behavior

Online behavioural and social tracking and targeting:

Online listening

- Provides valuable insights into what consumers are saying or feeling about a brand. provides the passion and spontaneity of unsolicited consumer opinions.

Behavioural targeting

- Uses online consumer tracking data to target advertisements and marketing offers to specific consumers

Social targeting

- Mines individual online social connections and conversations from social networking sites

Sampling plan:

- A **sample** is a segment of the population selected to represent the population as a whole.

Decisions required for sampling design:

- Sampling unit - People to be studied
- Sample size - Number of people to be studied
- Sampling procedure - Method of choosing the people to be studied

Table 4.2 Types of Samples	
Probability Sample	
Simple random sample	Every member of the population has a known and equal chance of selection.
Stratified random sample	The population is divided into mutually exclusive groups (such as age groups), and random samples are drawn from each group.
Cluster (area) sample	The population is divided into mutually exclusive groups (such as blocks), and the researcher draws a sample of the groups to interview.
Nonprobability Sample	
Convenience sample	The researcher selects the easiest population members from which to obtain information.
Judgment sample	The researcher uses his or her judgment to select population members who are good prospects for accurate information.
Quota sample	The researcher finds and interviews a prescribed number of people in each of several categories.

The different types of samples fall under two basic categories: probability samples and nonprobability samples.

Probability samples include the following.

Simple random sample: Every member of the population has a known and equal chance of selection.

Stratified random sample: The population is divided into mutually exclusive groups (such as age groups), and random samples are drawn from each group.

Cluster (area) sample: The population is divided into mutually exclusive groups (such as blocks), and the researcher draws a sample of the groups to interview.

Nonprobability samples include the following.

Convenience sample: The researcher selects the easiest population members from which to obtain information.

Judgment sample: The researcher uses his or her judgment to select population members who are good prospects for accurate information.

Quota sample: The researcher finds and interviews a prescribed number of people in each of several categories.

When probability sampling costs too much or takes too much time, marketing researchers take nonprobability samples, even though their sampling error cannot be measured. The best method to use depends on the needs of the research project.

Research instruments:

Questionnaires can be administered in person, by phone, by e-mail, or online.

- Closed-ended questions: choose among different choices that is already given to you
- Open-ended questions: provide more details.

Mechanical instruments include

- People meters: pay people and provide data about what they have purchased.
- Checkout scanners: scanning an item in the store. Inputs for the survey
- Neuromarketing: showing you something and providing and gaining insights on how your brain is working. What is the emotion you have?

Implementing the research plan:

Data collection

Researchers should guard against various problems.

- Techniques and technologies
- Data quality
- Timeliness

Processing the data

- Check for accuracy
- Code for analysis

Analysing the data

- Tabulate results
- Compute statistical measures

Interpreting and reporting findings:

Responsibilities of the market researcher:

- Interpret the findings
- Draw conclusions
- Report findings to management

Responsibilities of managers and researchers:

- Work together closely when interpreting research results
- Share responsibility for the research process and resulting decisions

Summary:

Marketing research process

- Define problem
- Set objectives
- Develop and implement a research plan
- Interpret and report findings

Secondary data – internal and external

Primary data collection

- Observational
- Survey
- Experimental

4. Explain how companies analyze and use marketing information

Customer relationship management (CRM)

- Managing detailed information about individual customers
- Carefully managing customer touch points to maximize customer loyalty

Consists of software and analysis tools that

- Integrate customer information from all sources

- Analyze data in depth
- Apply the results

Customer relationship management (CRM) is used to manage detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty. CRM consists of sophisticated software and analysis tools from companies such as Salesforce.com, Oracle, Microsoft, and SAS that integrate customer information from all sources, analyze it in depth, and apply the results to build stronger customer relationships.

- By using CRM to understand customers better, companies can provide higher levels of customer service and develop deeper customer relationships. CRM provides a 360-degree view of the customer relationship. Firms can use CRM to pinpoint high-value customers, target them more effectively, cross-sell the company's products, and create offers tailored to specific customer requirements

Big data and marketing analytics:

- **Marketing analytics** consists of the analysis tools, technologies, and processes by which marketers dig out meaningful patterns in big data to gain customer insights and gauge marketing performance.

Distributing and using marketing information:

- MIS must make information readily available for decision making.
 - Routine information for decision making
 - Non-routine information for special situations
- Intranets and extranets facilitate the information-sharing process.

Summary:

- Customer relationship management
 - Integrate, analyze, and apply individual customer data to build stronger relationships
- Marketing analytics
 - Analysis, tools, technologies, and processes to gain customer insights
- Information gathered in internal databases and through marketing intelligence and marketing research usually requires more analysis. To analyze individual customer data, many companies have now acquired or developed special software and analysis techniques—called *customer relationship management (CRM)*—that integrate, analyze, and apply the mountains of individual customer data to gain a 360-degree view of customers and build stronger the customer relationships. They apply *marketing analytics* to dig out meaningful patterns in big data and gain customer insights and gauge marketing performance.
- Marketing information has no value until it is used to make better marketing decisions. Thus, the MIS must make the information available to managers and others who make marketing decisions or deal with customers. In some cases, this means providing regular reports and updates; in other cases, it means making nonroutine information available for special situations and on-the-spot decisions. Many firms use company intranets and extranets to facilitate this process. Thanks to modern technology, today's marketing managers can gain direct access to marketing information at any time and from virtually any location.

Marketing research at P&G: Creating irresistibly superior experiences

- To gain deep consumer insights, P&G employs a wide range of marketing research approaches—from traditional large-scale surveys and small-scale focus groups to real-time social media listening, mobile surveys, and big data analytics.

Chapter 4: digital marketing and social media- living in the connected world:

E-business:

E-business describes the wide range of business activities that take place via Internet applications, such as email and virtual shopping carts.

- o Conducting online transactions with customers by collecting and analyzing business information, carrying out the exchanges, and maintaining online relationships with customers

Categories of E-Business:

E-business can be divided into five broad categories:

- E-tailing, or virtual storefronts on the websites
- Business-to-business transactions
- Electronic Data Interchanges (EDI), the business-to-business exchange of data
- Email, IM, blogs, podcasts, vlogs, and other Web-enabled communication tools—as media for reaching customers
- Web contacts that allow the gathering and use of demographic, product, and other information

Digital marketing:

- o **The strategic process of creating, distributing, promoting, and pricing goods and services to a target market over the Internet or through digital tools**

Opportunities of Digital Marketing

The benefits of digital marketing include:

- **Global reach**—The ability to reach anyone connected to the Internet anywhere in the world
- **Personalization**—Creating products to meet customer specifications
- **Interactive marketing**—Buyer–seller communications through such channels as the Internet and interactive kiosks
- **Right-time marketing**—The ability to provide a product at the exact time needed
- **Integrated marketing**—Coordination of all promotional activities to produce a unified, customer-focused promotional message

An effective online presence can improve the performance of traditional marketing operations.

Digital marketing capabilities:

table 4.1 Digital Marketing Capabilities

CAPABILITY	DESCRIPTION	EXAMPLE
Global reach	The ability to reach anyone connected to the Internet anywhere in the world	Independent filmmakers use the Internet to generate audiences and sales for their films.
Personalization	Creating products to meet customer specifications	Lululemon Athletica has a website feature that allows buyers to mix and match items to create complete outfits to suit their individual tastes.
Interactive marketing	Buyer–seller communications through such channels as the Internet and interactive kiosks	Dell maintains the IdeaStorm site where users trade ideas, information, and product feedback.
Right-time marketing	The ability to provide a product at the exact time needed	The WestJet website lets customers make advance reservations, check in online, check flight status, and sign up for the carrier’s rewards program.
Integrated marketing	Coordination of all promotional activities to produce a unified, customer-focused promotional message	Sony uses the slogan “Make. Believe” in both online and offline promotions.

B2C digital marketing:

- **Business-to-consumer digital marketing (B2C)** involves selling directly to consumers over the Internet
- Convenience and more secure credit card transactions have caused rapid growth in online retail sales (e-tailing)
- **Interactive marketing** involves buyer-seller communications in which the customer controls the amount and type of information received from a marketer through such channels as the Internet and virtual reality kiosks
- **Electronic storefronts** are company websites that offer items for sale to consumers
- Internet retailers generally offer an online catalogue where visitors click on items they wish to buy
- These items are placed in an **electronic shopping cart** or shopping bag
- Online shopping has been influenced by the increased availability of smartphones and their applications

Benefits of digital marketing:

- Competitive pricing
 - The comparison of features and prices across sites is facilitated
 - **Bots (shopbot)** are search programs that check hundreds of sites, gather and assemble information, and bring it back to the sender
- Access and convenience
 - Facilitates ordering of goods and services from around the world at any hour of the day or night
 - Customers are required to select a user name and password for security
 - Emails are used to confirm orders, to aid the delivery process
- Personalized service

- Customer satisfaction is greatly affected by the marketer’s ability to offer service tailored to many customers

Online buyers and sellers:

- The typical Internet user is now likely to be between 18 and 64 years of age
- A broader range of Internet users now purchase items online
- Today, more men shop online than women
- Early online sellers focused on products that consumers were familiar with such as books and music

Challenges in digital marketing:

table 4.2 Challenges in Digital Marketing

CHALLENGE	DESCRIPTION	SOLUTION
Safety of Online Payment	Consumers are concerned about the safety of sending credit card numbers over the Internet.	Internet browsers contain encryption systems. Encryption—the process of encoding data for security Secure Sockets Layer (SSL)—technology that secures a website by encrypting information and providing authentication (example VeriSign). Payment services—examples PayPal, Google Checkout
Privacy Issues	Collection and use of personal information through the use of cookies or spyware. Cookies and spyware are software programs that collect data. Hackers take information without the company’s permission.	Internet privacy organizations assure consumers their information won’t be used without their permission. Firewalls or electronic barriers between a company’s internal network and the Internet limit access into and out of a network. Firewalls won’t stop all hackers.
Frauds and Scams	Phishing is a high-tech scam that uses authentic-looking email or pop-up messages to get unsuspecting victims to reveal personal information. Vishing is a scam that collects information through voice response systems.	Most phishing and vishing scams ask the user to update or validate personal information usually for a bank account, Internet service provider, etc. The best solution to this problem is the users themselves. No organization like a bank would ask for personal information through the Internet.
Site Design and Customer Service	Well-designed websites draw more customers. Customers want quick deliveries and easy ways to return products.	Design sites so that products are easy to find and customer questions can be answered quickly. Use three-dimensional photos and videos. Allow customers to track a delivery or have products picked up from a retail store.
Channel Conflicts and Copyright Disputes	If manufacturers sell through their sites, they compete with the stores selling their products. This situation is called channel conflict. If material written or produced by a third party is placed on a site, copyright permission from the owner may be required.	Many manufacturers do not sell from their sites to avoid channel conflict. Obtaining permission from the owner of material to be placed on the site avoids any copyright issues.

Marketing and web communication:

- The Internet has four main functions:
 - Digital business
 - Entertainment
 - Information
 - Communication
- Communication is still the most popular Web function
- Companies have long used email to communicate with their customers, suppliers, and other partners
- Email is also used to inform customers about new products and special promotions, often considered spam or junk email

Online communities and social networks:

Many firms use Internet forums, newsgroups, electronic bulletin boards, and social networks to communicate

Blogs and podcast:

- **Blogs**, short for web logs, are web pages that serve as publicly accessible journals for individuals or organizations
- A blog may also incorporate a **wiki**, which is a Web page that any reader can edit and change
- **Podcasts** are audio or video recordings that are posted to a website and downloaded to a digital device that can play the file

Promotions on the web:

- **Banner ads** are typically small, strip messages placed in high-visibility areas of frequently visited websites
- **Pop-up ads** are separate windows that appear with an advertising message
- **Preroll video ads** are marketing messages that play before an online video
- **Widgets** are tiny applications that Internet users can copy and add to their own pages to play music, video, or slide shows
- **Search marketing** is an arrangement by which a firm pays a search engine—such as Google—a fee to make sure that the firm's listing appears toward the top of the search results
- Online coupons are used to promote products on the Web

Building an effective web presence:

- A website can serve many purposes in e-business and e-marketing
- It can broaden customer bases, provide immediate access to current catalogues, accept and process orders, and offer personalized customer service

Successful site development

- Most web experts agree that it is easier to build a bad website than a good one
- When judging websites, success means different things to different businesses
- Internet merchants need to attract customers who conduct business on the spot

Establishing goals:

- What is the company's goal for the website?
- Objectives for the website also determine the scope of the project
- Key decisions include whether to create and maintain a site in-house or to contract with outside designers
- A domain name should reflect the company and its products and be easy to remember

Implementation and interest:

Content is important at this stage

- Site design should make it easy for users
- Firms connect to the Internet by placing the required files on a server
 - This can be done through a company-dedicated web server or a contract with a host company
 - Most small businesses are better off outsourcing
 - They need to list with major search engines to draw visitors to the site

Content should be:

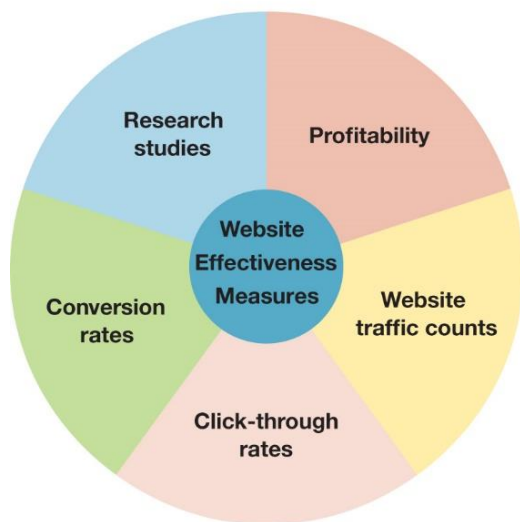
- Content determines whether people return to the site, so available resources should be:
 - Relevant to viewers
 - Easy to access and understand
 - Updated regularly
 - Written or displayed in a compelling, entertaining way

Pricing and maintenance:

- The cost of creating a site includes development expenses, cost of placing the site on a web server, maintenance, updating, and promotion of the site
 - Creating a site requires understanding how to link the site to other information systems of the company
 - While creation of a site can cost thousands of dollars, putting it online can cost as little as \$30 per month for a spot on the server of a Web host
- It's important that a site stay current, but updating design and content is a major expense

Assessing site effectiveness:
figure 4.4

Measures of Website Effectiveness



- Profitability is easy to measure in companies that generate revenues directly from online product orders, advertising, or subscription sales
- **Web-to-store shoppers** are consumers who use the Internet as a tool to aid their purchases made at stores
- Revenue is not the major objective of most websites—companies are looking for brand awareness and brand loyalty
- Advertisers typically measure the success of their ads in terms of **click-through rates**—the percentage of people presented with a banner ad who click on it
- Click-through rates are currently declining, because in earlier days viewers were clicking on just about anything online
- A **conversion rate**—a measure of the percentage of visitors to a website who make a purchase—of 3 to 5 percent is considered average
- **Engagement** measures how much time users spend on sites, rather than how many pages of a site they view

Activity:

Figure 4.4 Measures of Website Effectiveness. *Think of a popular site. Then choose one area for measuring its effectiveness and determine how it relates to this particular site.*

Social media:

What is social media?

- **Social media** is defined collectively as the different forms of electronic communication through which users can create online communities to exchange information, ideas, messages, and other content such as videos or music. Different forms of electronic communication through which users can create online communities to exchange:
 - Information

- Ideas
- Messages
- Other content
such as videos
or music

Categories of social media:

There are several basic forms of social media; these may be divided into two main categories:

- **Social media platform:** It is a type of software or technology that allows users to build, integrate, or facilitate a community, interaction among users, and user-generated content
- **Social media tool:** It enables users to communicate with each other online

Social media platforms:

table 4.3 Social Media Platforms

PLATFORM	DESCRIPTION	EXAMPLES	MARKETING USES
Social Networking Sites	A website that provides virtual communities through which people can share information, post opinions, and increase their circle of online friends	Facebook, Twitter, LinkedIn	Companies like Walmart and Target use Facebook to build relationships with customers. Not-for-profit organizations use Facebook to promote their events. Keywords are important for marketing campaigns that include Facebook so that network users can land in the right place.
Bookmarking Sites	A platform that gives users a place to save, organize, and manage links to websites and other Internet resources	StumbleUpon; Pinterest combines bookmarking with social networking	Pinterest allows the user to create a virtual scrapbook or bulletin board that can be shared with others. The virtual scrapbook created on Pinterest can be linked to other websites such as Facebook, a retail store, or a magazine.
Social News Sites	A platform where users can post news items to links to outside articles; then vote on which postings get the most prominent display	Digg, Reddit	Because viewers vote using whatever criteria they want, it is difficult for marketers to determine if their messages get through to the desired audience.
Blogging Sites and Forums	Blogging sites are platforms where a host or writer posts information or opinions on various topics and followers may respond. Online forums are platforms where users post messages and hold conversations on specific topics.	Blogging sites— Wordpress, Tumblr	Fashion brands use Tumblr to place pictures of their fashions.
Microblog	A blog posting that contains only a few words	Twitter	Tweets are short—140 characters. Companies pay celebrities huge sums to tweet about their goods and services to followers.

Sources: PC Magazine Encyclopedia, www.pcmag.com, accessed August 19, 2013; "10 Successful Social Media Campaign Tips," Nimble, April 9, 2012, www.nimble.com; Kristin Laird, "What You Need to Know About Pinterest," Marketing Magazine, March 23, 2013, www.marketingmag.ca; Tim Grahl, "The 6 Types of Social Media," Outthink, www.outthinkgroup.com, accessed May 8, 2012; Lauren Indvik, "Why Fashion's Top Brands Are Flocking to Tumblr," Mashable, <http://mashable.com>, accessed May 11, 2012; Alicia Androich, "YouTube Pulse event shows how brands can make most of the platform," Marketing Magazine, June 18, 2013, www.marketingmag.ca; Rebecca Harris, "Skip the hard sell and be more useful: Jay Baer Q & A," Marketing Magazine, May 29, 2013, www.marketingmag.ca.

Sharing media tools:

Social media tools:

- Social media tools make the conversation happen
- Blogs, comments, tags, photo and video shares, apps, and other technology items make up the social media toolkit

- Media sharing services like YouTube and Flickr allow people to upload and share media such as photos and video
- Blogging allows people to communicate in greater detail than microblogging does
- Microblogging offers short bursts of news
- Apps, short for *applications*, are paid or free software downloads that link users to a wide range of goods and services, media and text content, etc.
- QR codes, short for “quick response,” are two-dimensional bar codes that can be read by some mobile phones with cameras

Why should marketers turn to social media?

- Despite its relatively brief existence, social media has quickly grown to be an important tool for marketers to
 - Build relationships with customers
 - Strengthen brands
 - Launch new products
 - Enter new markets
 - Boost sales
- But not every effort at social media is successful

Social media marketing (SMM):

- Effective social media marketing (SMM) uses social media portals to create a positive influence on consumers or business customers toward an organization’s brands, goods, and services, public images, or websites
 - Marketers generally view the goal of social media marketing as developing a conversation with potential customers—resulting in a purchase, subscription to an email newsletter, and so forth
- Not-for-profit organizations also create social media marketing campaigns to expand their reach
- Social media marketing contains three essential features:
 - It creates a buzz
 - It creates ways for customers or fans to engage in conversations with each other and the organization
 - It allows customers to promote the firm’s messages themselves

How consumers use social media:

- For businesses to be successful at using social media to reach their customers, they need to understand how consumers use social media to decide whether to buy certain goods and services
- Studies show an overall link between social media and trends in consumer behaviour
- According to one recent report roughly half of online consumers use a combination of search engines and social media to make purchase decisions
- Shoppers who start with search engines do so because these provide the greatest amount of information about products and companies

Consumers rely on the communities created by social media for their buying decisions in the following ways:

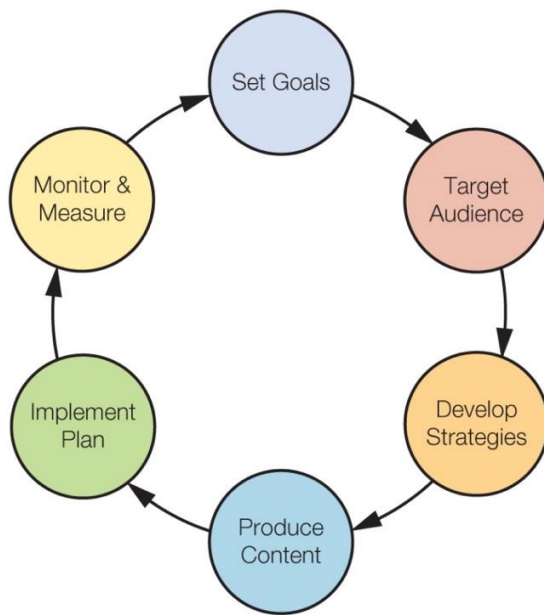
- To learn about new goods and services
- To conduct research and share information
- To make final purchase decisions

Some experts contend that social media can shift the way consumers behave within entire industries

Social media marketing plan:

figure 4.6

Cycle of Social Media Marketing



Source: Based on Ron Jones, "6 Steps in Developing a Social Media Strategy," Clickz, January 9, 2012, www.clickz.com.

Creating a Social Media Marketing Plan:

- Effective social media marketing requires setting goals and developing strategies to reach a target audience
- The social media marketing (SMM) plan identifies and describes all three of these variables:
 - The tactics required to implement the plan
 - The budget and expected returns
 - The methods for monitoring and measuring the campaign's effectiveness
- The formal plan is important because it documents in writing the firm's goals and strategies for the SMM initiative
- Most SMM plans contain the following information:
 - An executive summary
 - A brief overview
 - Analysis of the competition
 - The body of the plan

Strategies for social media marketing:

Strategies of a social media marketing plan:

- Two major distinctions between traditional marketing and SMM:
 - Traditional marketing seeks to control the content and message received by an audience; SMM actively solicits the audience's participation in the message
 - Successful SMM efforts require the audience's trust
- The process of developing a social media marketing campaign consists of the following phases:
 - Set goals
 - Target the audience
 - Develop strategies
 - Produce content
 - Implement the plan
 - Monitor
 - Measure
- Smart marketers use social media to listen to what is being said about their own company and its products, competitors, consumer likes and dislikes, consumer wish lists or problems they would like solved, even the overall hopes and fears of the general public
- Social media is also helpful for connecting with **influencers**—individuals with the capability of affecting the opinions and actions of others

Setting goals:

- Once clear goals are established, marketers are better able to develop strategies and choose the right platforms or outlets for their messages
- Goals should be flexible
 - Conditions in the marketing environment may change, and marketers should be able to adapt their goals without scrapping an entire plan

Targeting the audience:

- Social media efforts customize marketers' approach because they are interactive
- Social media marketers arrive at a target audience based on the goal of the marketing effort
- In order to pinpoint the audience for social media marketing, firms gather information on the following
 - Demographics
 - What the group (or organization) needs or wants
 - Which of the firm's products and social media will meet the needs and wants of particular groups of people

Developing strategies and choosing tactics:

- Once marketers have established goals and determined the target audience, they ask: “How do we engage the audience in a conversation?”
- Then they develop strategies for developing and delivering the content that will drive the interaction
- They decide
 - Which social media platforms to use, and how to combine them to reach and engage with the audience
 - Which social media tools should deliver the campaign’s content, and how best to link them with the selected social media platforms
 - Who will participate in the conversation on behalf of the company
 - How to make it easy for potential customers to locate and participate in the conversation
- Once strategic decisions are made, marketers zoom in on specific tactics

Creating content:

- The content of the messages must engage the target audience in the conversation
- **Content marketing** involves creating and distributing relevant and targeted material to attract and engage an audience, with the goal of driving them to a desired action
- Content for an effective SMM campaign has the following qualities:
 - A strong brand focus
 - A focus on the audience rather than the organization
 - Targeted keywords
 - Relevant information
 - Shareworthy text and images
 - Invitations to generate content via posts, shares, discussions, reviews, or other forms of dialogue with the organization as well as with fellow customers
 - Promotions that offer discounts, gifts, or other special deals in exchange for participation

Implementing the plan:

- The social media marketing plan requires a timeline for implementation
- As the marketing effort is launched, someone representing the firm must stand watch to respond to customers
- There are specialty apps available that can assist in managing various aspects of the marketing plan
- Experts recommend that marketers refrain from scheduling content more than a week away

Monitoring, measuring and managing the SMM campaign:

- The role of **social media monitoring** is to track, measure, and evaluate a firm's social media marketing initiatives
- Various **social media analytics** tools help marketers track, measure, and interpret data related to SMM initiatives
- Firms also calculate the **return on investment (ROI)** of their social media marketing initiatives, using:
 - Reach: The percentage of people in a target market who are exposed to the marketing effort at least once
 - Frequency: The number of times an individual is exposed to the marketing material during the campaign
- Measuring the success of a social media marketing plan includes such factors as
 - Share of voice
 - Awareness of the company or brand
 - Level of engagement by the targeted audience
 - Influence created
 - Popularity among target audience members
- Managing a social media marketing campaign—or a company's overall social media efforts—requires skill, expertise, and understanding of the company's brand, its competitors, and the social media environment

Ethical issues in social media marketing:

Ethical and legal issues:

- Social media marketers face ethical and legal issues, such as privacy and accountability, as part of their job
- As rapidly as the various social media evolve and expand, so will new ethical situations appear

Many companies are now drafting written policies for the use of social media in the workplace.

Well-written social media policies:

- Are consistent with a firm's organizational culture and values
- Explain why employees should take certain steps or actions (or avoid them)
- Are broad enough to cover the major points, but brief enough to fit onto two pages
- Are linked to other relevant company policies and guidelines

Be honest

- Social media messages travel at lightning speed
- This means that postings, ads, comments, and even images come under intense scrutiny—and must be checked for accuracy, fair and realistic claims or promises, balance and objectivity, and potential for misinterpretation

Respect privacy

- Marketers should not distribute any personal information without consent

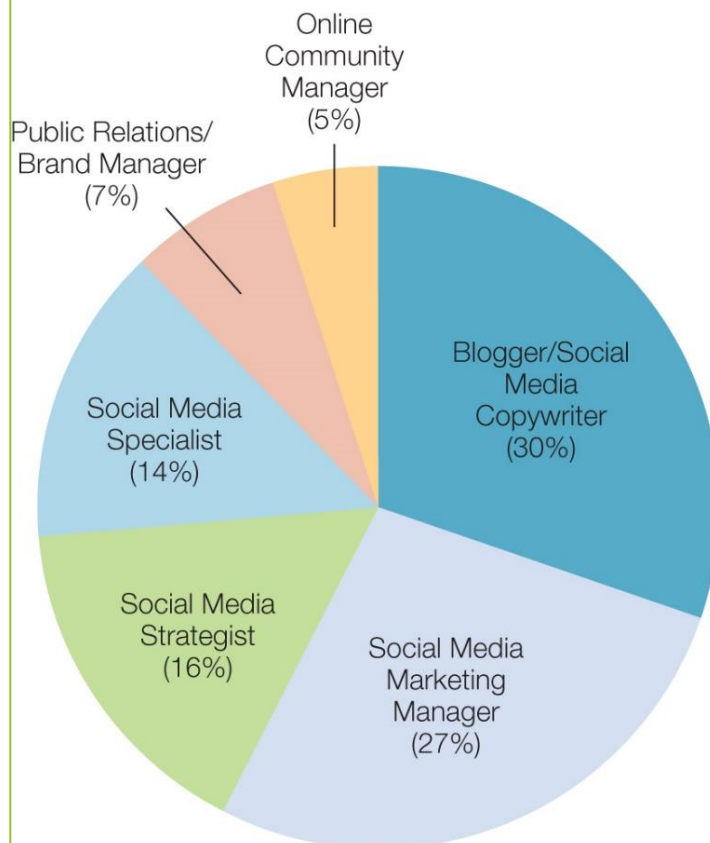
Be accountable

- When mistakes happen, smart social media marketers take action to solve the problem or resolve the issue

Careers in social media marketing:

figure 4.8

Job Titles in Social Media Marketing



Source: "Social Media Jobs Salary Guide," *Onward Search*, May 23, 2012, www.onwardsearch.com.

- As more and more businesses engage in social media marketing, many people are now seeking careers in the field
- Even if you aren't looking for a position specifically in social media marketing, it's likely that you will undertake at least some portion of your job hunt through social media
- Job titles vary from company to company, but here is a sampling of the different types of positions in social media marketing
 - Social media marketing manager (or digital marketing manager)
 - Social media strategist
 - Brand manager
 - Online community manager

Chapter 5: Understanding consumer and business buyer behaviour:

Objective outline:

Understand the consumer market and the major factors that influence consumer buyer behavior.

Consumer buyer behavior and consumer markets:

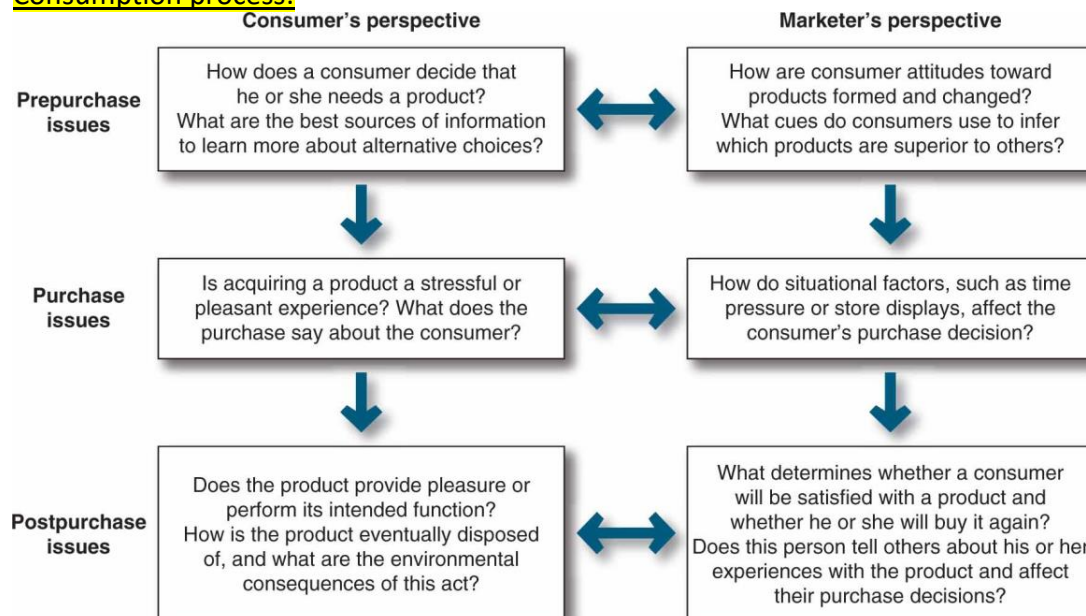
Consumer buyer behavior

- Buying behavior of final consumers. Consumer buyer behavior refers to the buying behavior of final consumers—individuals and households that buy goods and services for personal consumption. All of these final consumers combine to make up the consumer market

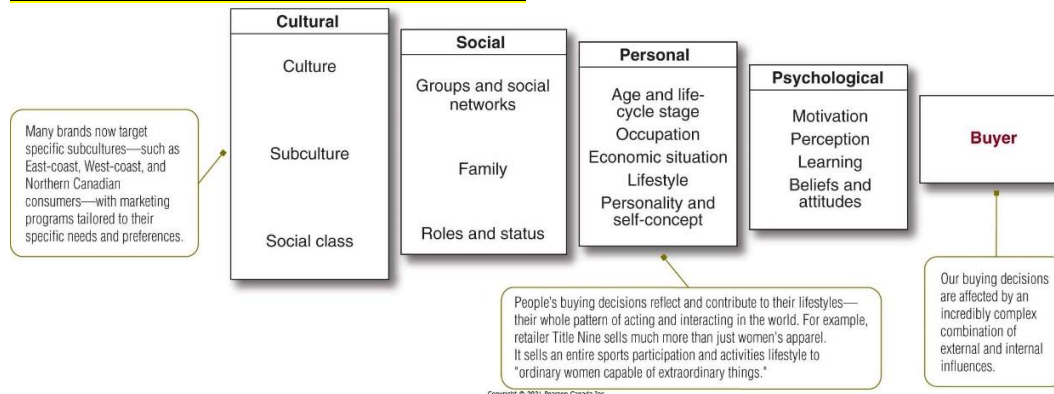
Consumer market

- All the individuals and households that buy or acquire goods and services for personal consumption

Consumption process:



Factors influencing consumer behaviour:



Cultural factors:

Culture

- Set of basic values, perceptions, wants, and behaviors learned by an individual from family and other important institutions. is the most basic cause of a person's wants and behaviour. Human behaviour is largely learned. Growing up in a society, a child learns basic values, perceptions, wants, and behaviours from his or her family and other important institutions. A child in the United States normally is exposed to the following values: achievement and success, freedom, individualism, hard work, activity and involvement, efficiency and practicality, material comfort, youthfulness, and fitness and health. In contrast, Canadians value freedom; the beauty of our natural landscape; our belief in respect, equality, and fair treatment; family life; and being Canadian. In fact, one public opinion poll found that 86 percent of Canadians agreed with the statement that their country was "the greatest in the world," and the 2019 Best Countries Report ranks Canada as the 3rd best country to live in worldwide. Despite our differences, both the United States and Canada are consumer cultures, and marketing practices reinforce this as a way of life. Every group or society has a culture, and cultural influences on buying behaviour may vary greatly from both county to county and country to country

Subculture

- Group of people with shared value systems based on common life experiences and situations
- Total market strategy integrates ethnic themes and cross-cultural perspectives within a brand's mainstream marketing.
- A **subculture** is a group of people with shared value systems based on common life experiences and situations. Examples of three such important subculture groups in Canada include regional subcultures, founding nations, and ethnic subcultures.

Total market strategy:

- integrates ethnic themes and cross-cultural perspectives within a brand's mainstream marketing, appealing to consumer similarities across subcultures rather than differences. An example is general-market commercials for brands such as Cheerios and IKEA that feature interracial and blended families and couples. A total market approach appeals to consumer similarities across subcultural segments rather than differences.

Social class

- Relatively permanent and ordered divisions in a society whose members share similar values, interests, and behaviours
- is the relatively permanent and ordered divisions in a society whose members share similar values, interests, and behaviours. It is measured as a combination of occupation, income, education, wealth, and other variables. However, social class in Canada is not well-defined as our neighbours to the south and most Canadians like to define themselves as middle-class. Social class is not determined by a single factor, such as income, but is measured as a combination of occupation, income, education, wealth, and other variables.

Social factors

Groups and social networks:

- Membership, reference, and aspirational groups
- Marketers attempt to reach opinion leaders
- Opinion leaders are recruited as brand ambassadors
- Interacting through online social networks
- **Groups** that have a direct influence and to which a person belongs are called **membership groups**. **Reference groups** serve as direct or indirect points of comparison or reference in forming a person's attitudes or behavior. An **aspirational group** is one to which the individual wishes to belong.

Word of mouth influence:

- refers to the impact of the personal words and recommendations of trusted friends, associates, and other consumers on buying behavior. Rather than leaving it to chance, marketers can help to create positive conversations about their brands.

Opinion leader:

- is a person within a reference group who, because of special skills, knowledge, personality, or other characteristics, exerts social influence on others. Opinion leaders are also referred to as **influentials** or **leading adopters**. **Buzz marketing** involves enlisting or even creating opinion leaders to serve as brand ambassadors who spread the word about a company's products. **Influencer marketing** involves enlisting established influencers or creating new influencers to spread the word about a company's brands. For example, giant cosmetics maker CoverGirl has built its "I Am What I Make Up" ad campaign around a new, diverse team of well-known "badass" brand influencers—barrier-breaking women who bring the brand slogan to life.

Online social networks:

- are online communities where people socialize or exchange information and opinions.

Family:

- Strongly influences buying behavior (wife/husband/children)
- Gender stereotypes for certain types of purchases change

Roles and status:

- Expected activities & Esteem given to role by society
- A person's position in each group can be defined in terms of both **role** and **status**.
People usually choose products appropriate to their roles and status.

Personal factors:

Occupation

- Occupation affects the goods bought

Age and family life-cycle

- People change the goods they buy over their lifetimes

Economic situation

- A person's economic situation affects product choices. will affect his or her store and product choices. Marketers watch trends in spending, personal income, savings, and interest rates.

Lifestyle

- Pattern of living as expressed in activities, interests. is a person's pattern of living as expressed in his or her psychographics. It involves measuring consumers' major **AIO dimensions - activities, interests, and opinions**. The lifestyle concept can help marketers understand changing consumer values and how they affect buyer behavior.

Personality

- refers to the unique psychological characteristics that distinguish a person or group. It can be useful in analyzing consumer behaviour for certain product or brand choices. A person's **self-concept** is also made use of by marketers. The idea is that people's possessions contribute to and reflect their identities.
- Personality and self-concept
 - o The unique psychological characteristics that distinguish
 - o Generally defined in terms of traits
 - o Self-concept theory suggests that people's possessions contribute to and reflect their identities
 - o Brands may also have personalities
 - Sincerity (down-to-earth, honest, wholesome, cheerful)
 - Excitement (daring, spirited, imaginative, up-to-date)
 - Competence (reliable, intelligent, successful)
 - Sophistication (upper class, charming)
 - Ruggedness (outdoorsy, tough)

A buyer's decisions also are influenced by personal characteristics of the buyer. A person's **occupation** affects the goods and services bought. Marketers try to identify the occupational groups that have an above-average interest in their products and services. A company can specialize in making products needed by a given occupational group. Tastes in food, clothes, furniture, and recreation are often **age** related. Buying is also shaped by the stage of the **family life cycle**. One of the leading life-stage segmentation systems is Environics Analytics PRIZM Segmentation system. PRIZM uses over 30,000 variables related to demographic, lifestyles, consumer behaviours and settlement patterns in Canada to classify Canadian neighbourhoods into 68 unique lifestyle types. The major PRIZM Lifestage groups carry some uniquely Canadian names such as "Lunch at Tims," "Jeunes D'Esprit," "Grads & Pads," "Aging & Active," "Metro Multiculturals," and "First Nations Families." The "Grads & Pads" group consists of young urban renters, usually living near universities. This segment is a mix of well-educated singles and couples, students and recent grads, white-collar professionals, and service workers. They tend to be new to the workforce and enjoy a healthy, active lifestyle..

A person's **economic situation** will affect his or her store and product choices. Marketers watch trends in spending, personal income, savings, and interest rates.

Psychological factors:

Motivation

- A motive (or drive) is a need that is sufficiently pressing to direct the person to seek satisfaction
- Maslow's hierarchy of needs explains why people are driven by needs at particular times
- A **motive** (or **drive**) is a need that is sufficiently pressing to direct a person to seek satisfaction. Many companies employ teams of psychologists, anthropologists, and other social scientists to carry out motivation research.
-

Perception

- Process by which people select, organize, and interpret information to form a meaningful picture of the world
- Perception can be influenced by:
 - Selective attention/ Selective distortion/ Selective retention

Selective distortion

- describes the tendency of people to interpret information in a way that will support what they already believe.

Selective retention

- means that consumers are likely to remember good points made about a brand they favor and forget good points made about competing brands . Some consumers worry that they will be affected by marketing messages without even knowing it—through subliminal advertising

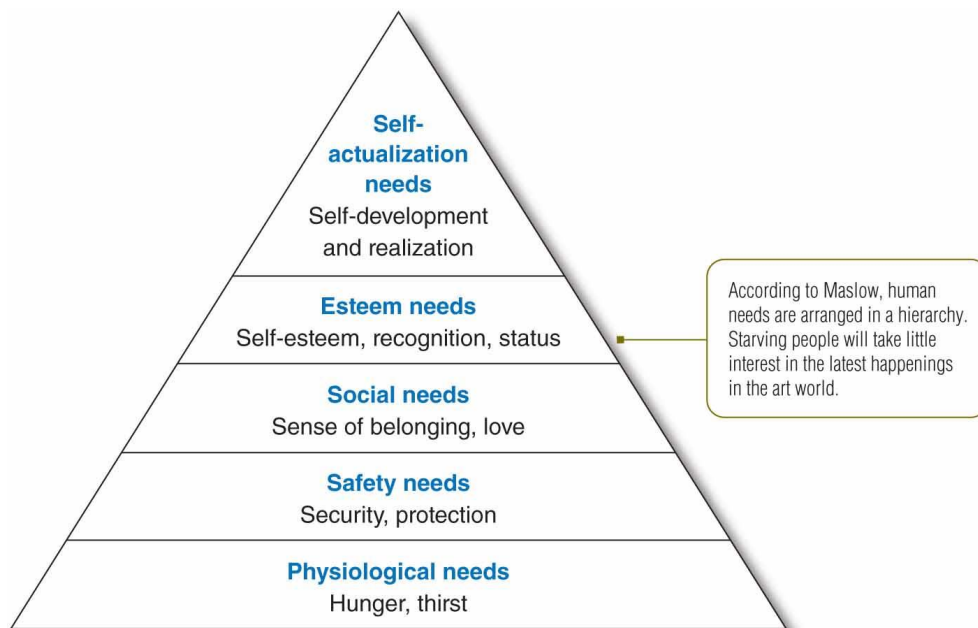
Learning

- describes changes in an individual's behaviour arising from experience. The practical significance of learning theory for marketers is that they can build up demand for a product by associating it with strong drives by using motivating cues and providing positive reinforcement.

Belief

- is a descriptive thought that a person holds about something. Marketers are interested in the beliefs that people formulate about specific products and services because these beliefs make up product and brand images that affect buying behaviour. **Attitudes** put people into a frame of mind of liking or disliking things, of moving toward or away from them.

Maslow's hierarchy:



Objective summary:

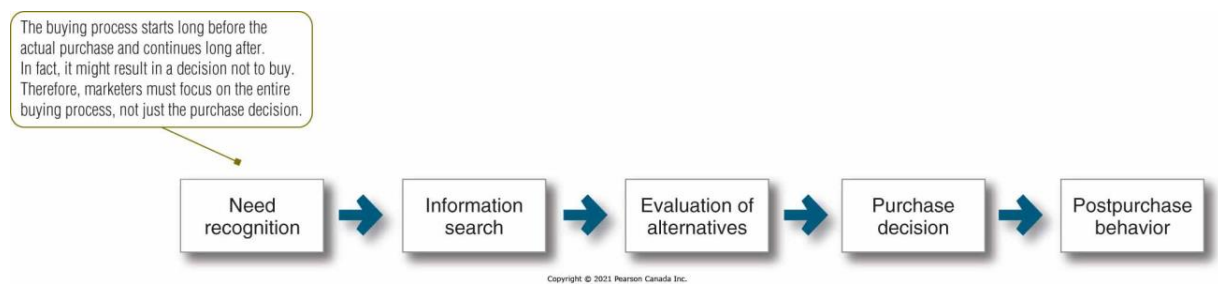
The *consumer market* consists of all the individuals and households that buy or acquire goods and services for personal consumption. Consumer behaviour should be viewed as an ongoing process that starts long before the consumer purchases a product or service and continues long after he or she consumes it. This extended definition of consumer behaviour means that marketers must be aware of a number of issues before, during, and after purchase in order to build brand loyalty and lasting relationships with their customers.

Consumer buyer behaviour is influenced by four key sets of buyer characteristics: cultural, social, personal, and psychological. Understanding these factors can help marketers to identify

interested buyers and to shape products and appeals to serve consumer needs better. *Culture* is the most basic determinant of a person's wants and behaviour. People in different cultural, subcultural, and social class groups have different product and brand preferences. *Social factors*—such as small group, social network, and family influences—strongly affect product and brand choices, as do *personal characteristics*, such as age, life stage, occupation, economic circumstances, lifestyle, and personality. Finally, consumer buying behaviour is influenced by four major sets of *psychological factors*—motivation, perception, learning, and beliefs and attitudes. Each of these factors provides a different perspective for understanding the workings of the buyer's

5.2 Identify and discuss the stages in the buyer decision process.

Buyer decision



This figure shows that the buyer decision process consists of five stages.

The first stage is **need recognition**. The need can be triggered by internal stimuli when one of the person's normal needs rises to a level high enough to become a drive. A need can also be triggered by external stimuli.

The second stage is **information search**. Consumers can obtain information from several sources like personal, commercial, public, and experiential sources.

The third stage is the **evaluation of alternatives**, that is, how consumers process information to choose among alternative brands.

The fourth stage is the **purchase decision**. Two factors can come between the purchase intention and the purchase decision: the attitudes of others and unexpected situational factors.

The last stage is **postpurchase behaviour**. Determining if the consumer is satisfied or dissatisfied with the purchase lies in the relationship between the consumer's expectations and the product's perceived performance. However, all major purchases result **in cognitive dissonance**, or discomfort caused by postpurchase conflict.

Postpurchase behaviour:

- Postpurchase customer satisfaction is a key to building profitable customer relationships

Objective summary:

- When making a purchase, the buyer goes through a decision process consisting of need recognition, information search, evaluation of alternatives, purchase decision, and

postpurchase behaviour. During need recognition, the consumer recognizes a problem or need that could be satisfied by a product or service. Once the need is recognized, the consumer moves into the information search stage. With information in hand, the consumer proceeds to alternative evaluation and assesses brands in the choice set. From there, the consumer makes a purchase decision and actually buys the product. In the final stage of the buyer decision process, postpurchase behaviour, the consumer takes action based on satisfaction or dissatisfaction. The marketer's job is to understand the buyer's behaviour at each stage and the influences that are operating.

5.3 Describe the adoption and diffusion process for new products.

Stages in adoption process:

- The **adoption process** is the mental process through which an individual passes from first learning about an innovation to final adoption. Consumers go through five stages in the process of adopting a new product, which is a good, service, or idea that is perceived by some potential customers as new.
- The first stage is **awareness**. In this stage the consumer becomes aware of the new product but lacks information about it.
- The second stage is **interest**, which involves the consumer seeking information about the new product.
- The third stage is **evaluation**, where the consumer considers whether trying the new product makes sense
- The fourth stage is **trial**. In this stage, the consumer tries the new product on a small scale to improve his or her estimate of its value.
- The final stage is **adoption** where the consumer decides to make full and regular use of the new product

Adopter categories based on relative time of adoption of innovations:

- The five adopter groups have differing values. **Innovators** try new ideas at some risk. **Early** adopters are opinion leaders in their communities and adopt new ideas early but carefully. **Early mainstream** adopters adopt new ideas before the average person. **Late mainstream** adopters adopt an innovation only after a majority of people have tried it. Finally, **lagging** adopters adopt the innovation only when it has become something of a tradition itself.

Characteristics influencing an innovation's rate of adoption:

Relative advantage is the degree to which the innovation appears superior to existing products. The second characteristic is **compatibility**, which is the degree to which the innovation fits the values and experiences of potential consumers. The third characteristic is **complexity**, which refers to the degree to which the innovation is difficult to understand or use. The fourth characteristic is **divisibility**, which is the degree to which the innovation may be tried on a limited basis.

The fifth characteristic is **communicability**. This refers to the degree to which the results of using the innovation can be observed or described to others.

Other characteristics that influence the rate of adoption include initial and ongoing costs, risk and uncertainty, and social approval.

Objective summary:

The product adoption process is made up of five stages: awareness, interest, evaluation, trial, and adoption. New product marketers must think about how to help consumers move through these stages.

With regard to the diffusion process for new products, consumers respond at different rates, depending on consumer and product characteristics. Consumers may be innovators, early adopters, early mainstream, late mainstream, or lagging adopters. Each group may require different marketing approaches. Marketers often try to bring their new products to the attention of potential early adopters, especially those who are opinion leaders.

5.4 Define the business market and identify the major factors that influence business buyer behaviour.

Business buyer behaviour:

Business buyer behavior:

- Purchasing goods and services are used in the production of other products and services. refers to the buying behaviour of the organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others.

Business-to-business (B-to-B) marketers :

- must understand business markets and business buyer behavior. Then, like businesses that sell to final buyers, they must engage business customers and build profitable relationships with them by creating superior customer value.

Business buying process:

- Determining which products and services to purchase
- Finding, evaluating, and choosing among alternative suppliers and brands

Business markets:

Business markets are huge and involve more money and items than consumer markets.

Differ from consumer markets in terms of

- Market structure and demand
- Nature of the buying unit
- Types of decisions and the decision process

Market structure and demand:

- The business marketer normally deals with far fewer but far larger buyers than the consumer marketer does. Even in large business markets, a few buyers often account for most of the purchasing. Further, business demand is **derived demand**. It ultimately derives from the demand for consumer goods. Finally, many business markets have inelastic and more fluctuating demand. The total demand for many business products is not much affected by price changes, especially in the short run.

Nature of the buying unit:

- Compared with consumer purchases, a business purchase usually involves more decision participants and a more professional purchasing effort. Business buying is done by trained purchasing agents who spend their working lives learning how to buy better. Buying committees composed of technical experts and top management are common in the buying of major goods. B-to-B marketers now face a new breed of higher-level, better-trained supply managers. Therefore, companies must have well-trained marketers and salespeople to deal with these well-trained buyers.

Types of decisions:

Business purchases:

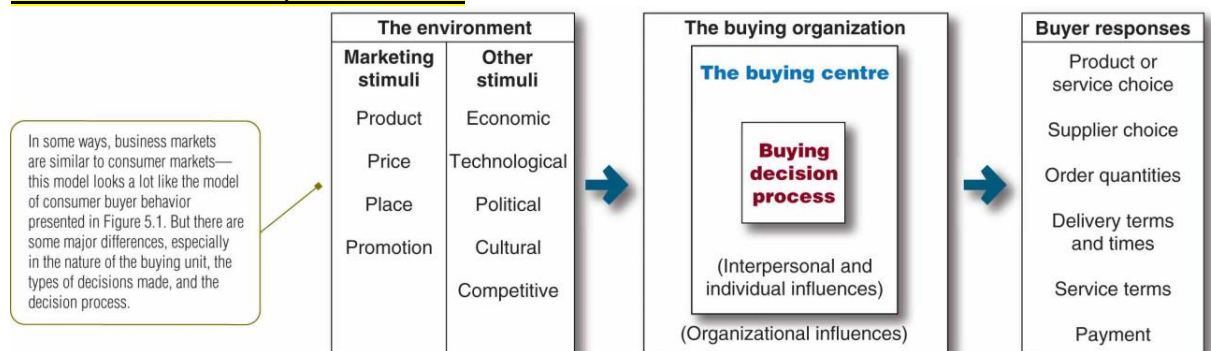
- More complex buying decisions
- Large sums of money
- Complex technical and economic considerations
- Interactions among people at many levels of the buyer's organization

Decision process:

- The business buying process tends to be longer and more formalized. Large business purchases usually call for detailed product specifications, written purchase orders, careful supplier searches, and formal approval. In the business buying process, the buyer and seller are often much more dependent on each other. In the short run, sales go to suppliers who meet buyers' immediate product and service needs. In the long run, however, business-to-business marketers keep customers by meeting current needs and by partnering with them to help solve their problems.

Supplier development refers to the systematic development of networks of supplier-partners to ensure an appropriate and dependable supply of products and materials for use in making products or reselling them to others.

Model of business buyer behaviour:



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Types of business situations:

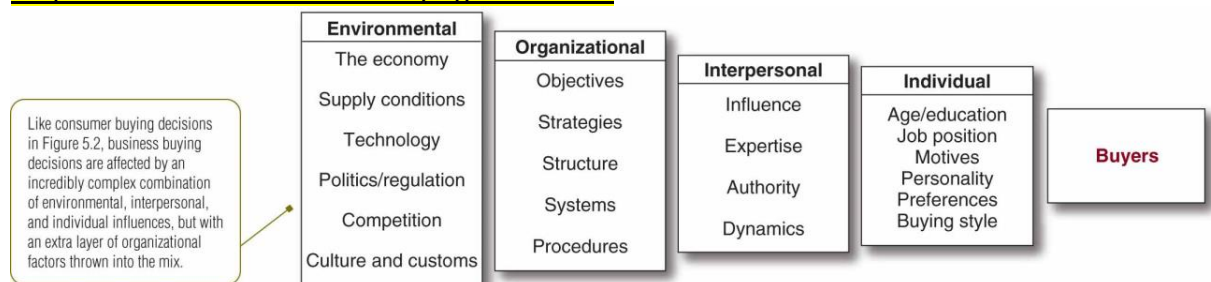
- In a **straight rebuy**, the buyer reorders something without any modifications. It is usually handled on a routine basis by the purchasing department. In a **modified rebuy**, the buyer wants to modify product specifications, prices, terms, or suppliers.

- A company buying a product or service for the first time faces a **new task** situation. The marketer not only tries to reach as many key buying influences as possible, but also provides help and information. The buyer makes the fewest decisions in the straight rebuy and the most in the new task situation.
- **Systems selling (or solutions selling)** refers to buying a packaged solution to a problem from a single seller, thus avoiding all the separate decisions involved in a complex buying situation.

Participants in the business process:

- The **buying center** consists of all the individuals and units that play a role in the purchase decision-making process. This group includes the actual users of the product or service, those who make the buying decision, those who influence the buying decision, those who do the actual buying, and those who control buying information.
- The buying center is not a fixed and formally identified unit within the buying organization. It is a set of buying roles assumed by different people for different purchases. Within the organization, the size and makeup of the buying center will vary for different products and for different buying situations.

Major influences on business buying behaviour:



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Objective summary:

- The business market is composed of all organizations that buy goods and services for use in the production of other products and services or for the purpose of reselling or renting them to others at a profit. Compared with consumer markets, business markets usually have fewer, larger buyers who are more geographically concentrated.
- Business demand is derived demand, and the business buying decision usually involves more and more professional buyers. Business buyers make decisions that vary with the three types of buying situations: straight rebuys, modified rebuys, and new tasks.
- The decision-making unit of a buying organization—the buying centre—can consist of many different persons playing many different roles. The business marketer needs to know the following: Who are the major buying centre participants? In what decisions do they exercise influence and to what degree? What evaluation criteria does each decision participant use? The business marketer also needs to understand the major environmental, organizational, interpersonal, and individual influences on the buying process.

5.5 List and define the steps in the business buyer decision process.

Stages of the business buyer decision process:

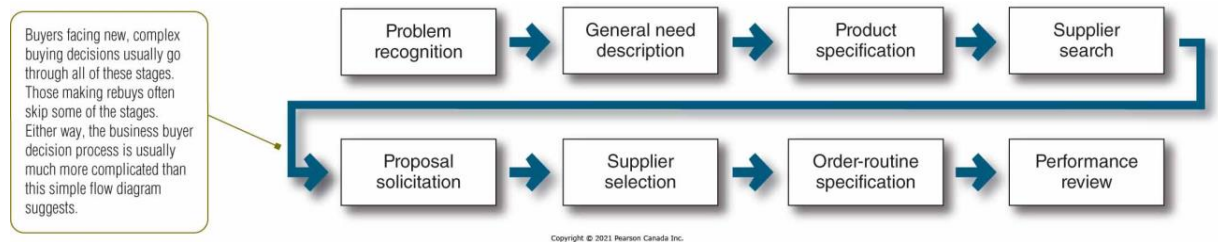


Figure 5.8 lists the eight stages of the business buying process. The buying process begins with **problem recognition**. Problem recognition can result from internal or external stimuli. Having recognized a need, the buyer next prepares a **general need description** that describes the characteristics and quantity of the needed items or solutions. Once the buying organization has defined the need, it develops the item's technical **product specifications**, often with the help of a value analysis engineering team. Product value analysis is an approach to cost reduction in which components are studied carefully to determine if they can be redesigned, standardized, or made by less costly methods of production.

In the next buying process step, the buyer conducts a **supplier search** to find the best vendors. In the **proposal solicitation** stage, the buyer invites qualified suppliers to submit proposals. The buyer next reviews the proposals and selects a supplier or suppliers. During **supplier selection**, the buyer will consider many supplier attributes and their relative importance. The buyer now prepares an **order-routine specification**. It includes the final order with the chosen supplier or suppliers. Many large buyers now practice vendor-managed inventory, in which they turn over ordering and inventory responsibilities to their suppliers. The final stage of the business buying process is the supplier **performance review**, in which the buyer reviews the supplier performance. The seller's job is to monitor the same factors used by the buyer to make sure that the seller is giving the expected satisfaction.

Objective summary:

The business buyer decision process itself can be quite involved, with eight basic stages: problem recognition, general need description, product specification, supplier search, proposal solicitation, supplier selection, order-routine specification, and performance review. Buyers who face a new task buying situation usually go through all stages of the buying process. Buyers making modified or straight rebuys may skip some of the stages. Companies must manage the overall customer relationship, which often includes many different buying decisions in various stages of the buying decision process.

5.6 Discuss how online, mobile, and social media have changed business-to-business marketing.

E-procurement and online purchasing:

- Advances in information technology have dramatically affected the face of the B-to-B buying process. Online purchasing, often called **e-procurement**, refers to purchasing through electronic connections between buyers and sellers—usually online.
- Companies can do e-procurement in any of several ways. They can conduct reverse auctions, in which they put their purchasing requests online and invite suppliers to bid for the business. They can engage in online trading exchanges, through which companies work collectively to facilitate the trading process. Companies also can conduct e-procurement by setting up their own company buying sites. Companies can also create extranet links with key suppliers.

Benefits and problems of e-procurement:

Benefits

- Cuts transaction costs
- Results in efficient purchasing for both buyers and suppliers
- Reduces the time between order and delivery
- Helps an organization keep better track of all purchases
- Frees buyers from a lot of paperwork

Problems

- Can affect the customer-supplier relationship
- Pits suppliers against one another

Business to business digital and social media marketing:

- B-to-B marketers are now using a wide range of digital and social media marketing approaches—from Web sites, blogs, mobile apps, e-newsletters, and proprietary online networks to mainstream social media such as Facebook, LinkedIn, YouTube, Google+, and Twitter—to engage customers and manage customer relationships anywhere, any time.
- Compared with traditional media and sales approaches, digital and social media can create greater customer engagement and interaction. B-to-B marketers know that they aren't really targeting *businesses*, they are targeting *individuals* in those businesses who affect buying decisions. Today's business buyers are always connected via their digital devices—whether it's PCs, tablets, or smartphones

Objective summary:

- Recent advances in information and digital technology have given birth to “e-procurement,” by which business buyers are purchasing all kinds of products and services online. Business marketers are increasingly connecting with customers online and through digital, mobile, and social media to engage customers, share marketing information, sell products and services, provide customer support services, and maintain ongoing customer relationships

Chapter 6: customer value-driven marketing strategy: creating value for target customers:

Objective outline:

6.1 Define the major steps in designing a customer value-driven marketing strategy: market segmentation, targeting, differentiation, and positioning.

Marketing strategy:

- **Market segmentation** involves dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes.
- **Market targeting (or targeting)** consists of evaluating each market segment's attractiveness and selecting one or more market segments to enter. The company decides on a value proposition.
- **Differentiation** involves actually differentiating the firm's market offering to create superior customer value.
- **Positioning** consists of arranging for a market offering to occupy a clear, distinctive, and desirable place, relative to competing products in the minds of target consumer

Designing a customer value-driven market strategy:



Objective summary

- A customer value-driven marketing strategy begins with selecting which customers to serve and determining a value proposition that best serves the targeted customers. It consists of four steps. **Market segmentation** is the act of dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviours and who might require separate marketing strategies or mixes. Once the groups have been identified, **market targeting** evaluates each market segment's attractiveness and selects one or more segments to serve. **Differentiation** involves actually differentiating the market offering to create superior customer value. **Positioning** consists of positioning the market offering in the minds of target customers. A customer value-driven marketing strategy seeks to build the right relationships with the right customers.

6.2 List and discuss the major bases for segmenting consumer and business markets

Major segmentation variable for consumer markets:

Segmentation Variable	Examples
Geographic	Nations, regions, provinces, cities, neighbourhoods, population density (urban, suburban, rural), climate
Demographic	Age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, generation
Psychographic	Social class, lifestyle, personality
Behavioural	Occasions, benefits, user status, usage rate, loyalty status

Geographic and demographic segmentation:

Geographic segmentation: Dividing a market into different geographical units

- Such as nations, states, regions, counties, cities, or neighbourhoods
- . For example, the craft beer industry in Canada continues to grow rapidly. The Liquor Control Board of Ontario reported an 18 percent increase in craft beer sales for 2017/18 and suggests that the popularity of local beers is tied to the idea of “shop local, eat local, drink local, and buy local.” Smaller, micro-breweries are now opening Canada-wide with the mindset of serving the people in the local community and not necessarily achieving mass distribution across the country. Nine Locks Brewing Company, a micro-brewery in Dartmouth, Nova Scotia, is making a reputation for itself for targeting the local market with products that speak directly to Nova Scotians. With seasonal beers that mimic local sayings like “Frig Off”, or using play on words like the “Sea Shells Summer Session Sour”, the company has built a very brand loyal local following. The company also captured a national brewing award for its “Dirty Blonde” wheat beer, a local favourite in the Halifax marketplace.

Demographic segmentation: Dividing a market into segments based on variables

- Such as age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, and generation

Demographic segmentation:

Age and life-cycle segmentation

- Dividing a market into different age and life-cycle groups

Gender segmentation

- Dividing a market into different segments based on gender

Income segmentation

- Dividing a market into different income segments

Psychographic segmentation:

Psychographic segmentation:

- divides buyers into different segments based on social class, lifestyle, or personality characteristics. People in the same demographic group can have very different psychographic characteristics.

Marketers segment their markets using variables such as

- Social class
- Lifestyle
- Personality characteristics

The products people buy reflect their lifestyles.

Behavioural segmentation:

Occasion segmentation: Segments divided according to occasions, when the buyers

- Get the idea to buy
- Make their purchase
- Use the purchased item

Benefit segmentation: Segments divided according to the different benefits that consumers seek from the product. For example, to meet varying benefit preferences, Fitbit makes health and fitness tracking devices aimed at buyers in three major benefit segments: Everyday Fitness, Active Fitness, and Performance Fitness

User status:

- Markets can be segmented into nonusers, ex-users, potential users, first-time users, and regular users.

Usage rate:

- Markets can be segmented into light, medium, and heavy product users.

Loyalty status:

- Consumers can be loyal to brands, stores, and companies.

Multiple segmentation bases:

Segmentation bases help companies to:

- Identify smaller, better-defined target groups
- Identify and understand key customer segments
- Reach customers more efficiently by tailoring market offerings and messages to customers' specific needs

Segmentation systems help marketers segment people and locations into marketable groups of like-minded consumers.

Segmentation business markets:

Consumer and business markets use many of the same variables for segmentation.

Variables used by business marketers for segmentation include

- Operating characteristics
- Purchasing approaches
- Situational factors
- Personal characteristics

Segmentation international markets:

Variables include:

- Geographic location
- Economic factors
- Political and legal factors
- Cultural factors

Intermarket (cross-market) segmentation: Grouping consumers with similar needs and buying behaviors irrespective of their location.

Requirements for effective segmentation:

Measurable:

- To be useful, the size, purchasing power, and profiles of market segments should be

Accessible:

- effectively reached and served.

Substantial:

- large or profitable enough to serve.

Differentiable:

- which means they are conceptually distinguishable and respond differently to different marketing mix elements and programs.

Actionable:

- which means that effective programs can be designed for attracting and serving the segments.

Objective summary:

There is no single way to segment a market. Therefore, the marketer tries different variables to see which give the best segmentation opportunities. For consumer marketing, the major segmentation variables are geographic, demographic, psychographic, and behavioural. In geographic segmentation, the market is divided into different geographical units, such as nations, regions, states, counties, cities, or even neighbourhoods. In demographic segmentation, the market is divided into groups based on demographic variables, including age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, and generation. In psychographic segmentation, the market is divided into different groups based on social class, lifestyle, or personality characteristics. In behavioural segmentation, the market is divided into groups based on consumers' knowledge, attitudes, uses, or responses concerning a product.

Business marketers use many of the same variables to segment their markets. But business markets also can be segmented by business demographics (industry, company size), operating characteristics, purchasing approaches, situational factors, and personal characteristics. The effectiveness of the segmentation analysis depends on finding segments that are measurable, accessible, substantial, differentiable, and actionable.

6.3 Explain how companies identify attractive market segments and choose a market-targeting strategy.**Market targeting:**

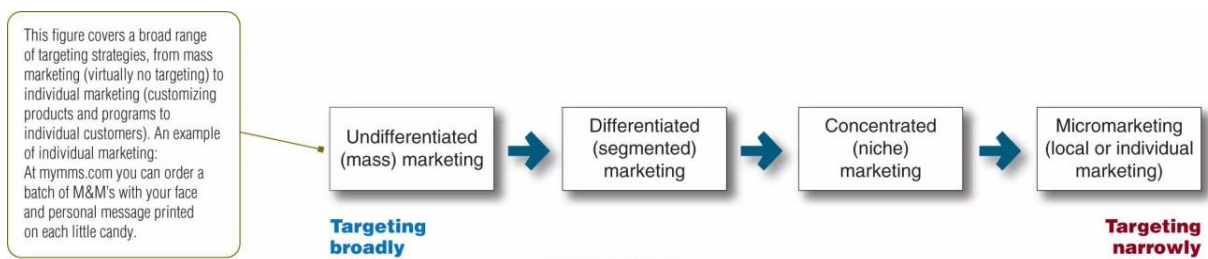
Evaluating the various segments based on

- Segment size and growth
- Segment structural attractiveness
- Company objectives and resources

Selecting target market segments

- **Target market:** Set of buyers sharing common needs or characteristics that the company decides to serve

Market targeting strategy:



Undifferentiated (or mass marketing):

- refers to a market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer.

Differentiated (or segmented marketing):

- refers to a market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each.

Concentrated (or niche marketing)

- refers to a market-coverage strategy in which a firm goes after a large share of one or a few smaller segments or niches.

Differentiated marketing:

- P&G markets multiple laundry detergent brands and then further segments each brand to service even narrower niches. As a result, it's really cleaning up in the laundry detergent market, with a 61 percent share of the U.S. market.

Micromarketing

- is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations. Rather than seeing a customer in every individual, micromarketers see the individual in every customer

Local marketing

- involves tailoring brands and marketing to the needs and wants of local customer segments like cities, neighbourhoods, and even specific stores.

Individual marketing

- involves tailoring products and marketing programs to the needs and preferences of individual customers.

Mass customization

- is the process by which firms interact one to one with masses of customers to design products, services, and marketing programs tailor-made to individual needs.

Factors to consider before choosing a targeting strategy:

Company resources

- When limited, concatenated marketing

Product variability

- Undifferentiated marketing for uniform

Product's life-cycle stage

- Practical to launch only one version at the beginning

Market variability

- All people are the same? So, undifferentiated marketing.

Competitors' marketing strategies

- Competitors use differentiated? Don't suicide! If they use undifferentiated, gain advantage!

Socially responsible:

Controversy and concern of target marketing

- Vulnerable or disadvantaged consumers are targeted with controversial or potentially harmful products.

Socially responsible target marketing should be done to serve both the interests of the company and the interests of those targeted.

Objective summary:

To target the best market segments, the company first evaluates each segment's size and growth characteristics, structural attractiveness, and compatibility with company objectives and resources. It then chooses one of four market-targeting strategies—ranging from very broad to very narrow targeting. The seller can ignore segment differences and target broadly using undifferentiated (or mass) marketing. This involves mass producing, mass distributing, and mass promoting the same product in about the same way to all consumers. Or the seller can adopt differentiated marketing—developing different market offers for several segments. Concentrated marketing (or niche marketing) involves focusing on one or a few market segments only. Finally, micromarketing is the practice of tailoring products and marketing programs to suit the tastes of specific individuals and locations.

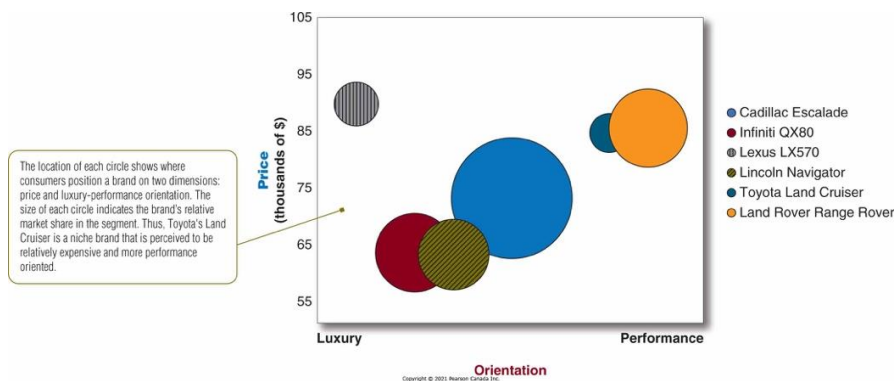
Micromarketing includes local marketing and individual marketing. Which targeting strategy is best depends on company resources, product variability, product life-cycle stage, market variability, and competitive marketing strategies.

6.4 Discuss how companies differentiate and position their products for maximum competitive advantage.

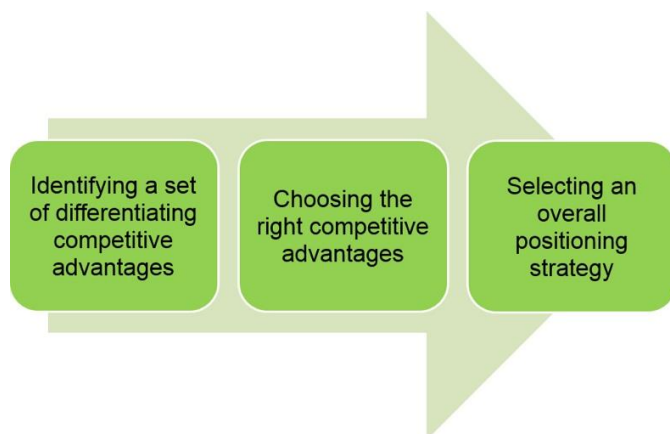
Differentiation and positioning:

- Firms must decide which segments to target and on the value proposition.
- **Product position** is the way a product is defined by consumers on important attributes.

Positioning map:



Choosing a differentiation and positioning strategy:



Identifying possible value differences and competitive advantages:

Competitive advantage: An advantage over competitors gained by offering greater customer value either by

- Having lower prices, or
- Providing more benefits that justify higher prices

Firms can differentiate in terms of product, services, channels, people, or image.

- To find points of differentiation, marketers must think through the customer's entire experience with the company's product or service. Through **product differentiation**, brands can be differentiated on features, performance, or style and design. Some companies gain **services differentiation** through speedy, convenient service. Some companies gain *services differentiation* through speedy, convenient service. QuickenLoans' Rocket Mortgage unit doesn't just offer mortgage loans; its online-only website or mobile app interface lets users easily upload financial details and get a loan decision in only minutes. Other firms promise high-quality customer service. For example, in an age where customer satisfaction with airline service is in constant decline, Singapore Airlines sets itself apart through extraordinary customer care and the grace of its flight attendants.
- Firms that practice **channel differentiation** gain competitive advantage through the way they design their channel's coverage, expertise, and performance. Companies can also gain a strong competitive advantage through **people differentiation** that is, hiring and training better people than their competitors
- Even when competing offers look the same, buyers may perceive a difference based on company or brand **image differentiation**. A company or brand image should convey a product's distinctive benefits and positioning.

Choosing the right competitive advantages:

Number of differences to promote

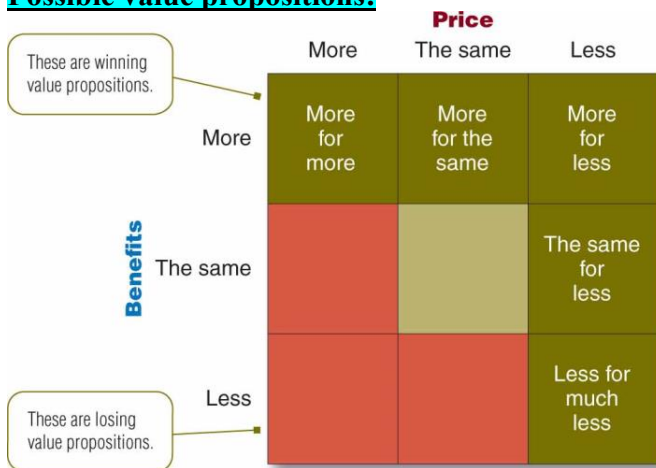
- Developing a unique selling proposition (USP) for each brand and sticking to it
- Positioning on more than one differentiator

What differences to promote:

- **Important:** The difference delivers a highly valued benefit to target buyers.
- **Distinctive.** Competitors do not offer the difference, or the company can offer it in a more distinctive way.
- **Superior.** The difference is superior to other ways that customers might obtain the same benefit.

- **Communicable.** The difference is communicable and visible to buyers.
- **Preemptive.** Competitors cannot easily copy the difference.
- **Affordable.** Buyers can afford to pay for the difference.
- **Profitable.** The company can introduce the difference profitably.

Possible value propositions:



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- The full positioning of a brand is called the brand's **value proposition**. It refers to the full mix of benefits on which a brand is differentiated and positioned. It is the answer to the customer's question "Why should I buy your brand?" BMW's "ultimate driving machine/designed for driving pleasure" value proposition hinges on performance but also includes luxury and styling, all for a price that is higher than average but seems fair for this mix of benefits.
- **Figure 6.4** shows possible value propositions on which a company might position its products. In the figure, the five green cells on the top and right represent winning value propositions—differentiation and positioning that give the company a competitive advantage. The red cells at the lower left, however, represent losing value propositions. The center cell represents at best a marginal proposition. In the following sections, we discuss the five winning value propositions: more for more, more for the same, the same for less, less for much less, and more for less.

Winning value propositions:

Value proposition	Description
More for more	• Provides the most upscale product or service
More for the same	• High quality at lower prices
More for less	• Best winning proposition
The same for less	• Gives a good deal
Less for much less	• Meeting consumers' lower performance or quality requirements at a lower price

- **More-for-more** positioning involves providing the most upscale product or service and charging a higher price to cover the higher costs.
- With a **more-for-the-same** value proposition, companies can attack a competitor's more-for-more positioning by introducing a brand offering comparable quality at a lower price.
- Offering **the same for less** can be a powerful value proposition, as it is a good deal. Discount stores offer many of the same brands as department stores and specialty stores but at deep discounts based on superior purchasing power and lower-cost operations.
- **Less-for-much-less** positioning involves meeting consumers' lower performance or quality requirements at a much lower price. For example, many travelers seeking lodgings prefer not to pay for what they consider unnecessary extras, such as a pool, an attached restaurant, or mints on the pillow. Hotel chains such as Ramada Limited, Holiday Inn Express, and Motel 6 suspend some of these amenities and charge less accordingly. Less-for-much-less positioning involves meeting consumers' lower performance or quality requirements at a much lower price. For example, Costco warehouse stores offer less merchandise selection and consistency and much lower levels of service; as a result, they charge rock-bottom prices.
- The winning value proposition would be to offer **more for less**. Companies find it very difficult to sustain such best-of-both positioning. Offering more usually costs more, making it difficult to deliver on the "for-less" promise. Companies that try to deliver both may lose out to more focused competitors. For example, when it first opened for business, Home Depot had arguably the best product selection, the best service, *and* the lowest prices compared with local hardware stores and other home-improvement chains.

Developing a positioning statement:

Positioning statement: Summarizes company or brand positioning

Format: To **(target segment and need)** our **(brand)** is **(concept)** that **(point of difference)**.

Evernote positioning statement:

- To **busy multitaskers who need help remembering things**, Evernote is a **digital content management application that makes it easy to capture and remember moments and ideas** from your everyday life using your computer, phone, tablet, and the Web."

Communicating and delivering the chosen position:

- All the company's marketing mix efforts must support the positioning strategy.
- Maintain the position obtained through consistent performance and communication.
- The product's position should be monitored and adapted over time.

Objective summary:

- Once a company has decided which segments to enter, it must decide on its differentiation and positioning strategy. The differentiation and positioning task consists of three steps: identifying a set of possible differentiations that create competitive advantage; choosing advantages on which to build a position; and selecting an overall positioning strategy.
- The brand's full positioning is called its value proposition—the full mix of benefits on which the brand is positioned. In general, companies can choose one of five winning value propositions on which to position their products: more for more, more for the same, the same for less, less for much less, or more for less. Company and brand positioning are summarized in positioning statements that state the target segment and need, the positioning concept, and specific points of difference. The company must then effectively communicate and deliver the chosen position to the market.

Chapter 7: products, services and brands: building customer value

Objectives outline:

7.1 Define product and describe the major classifications of products and services.

What is a product?

- A **product** is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.
- A **service** is an activity, benefit, or satisfaction offered for sale; it is intangible and does not result in ownership of anything.

Products, services, and experiences:

Market offerings include both tangible goods and services.

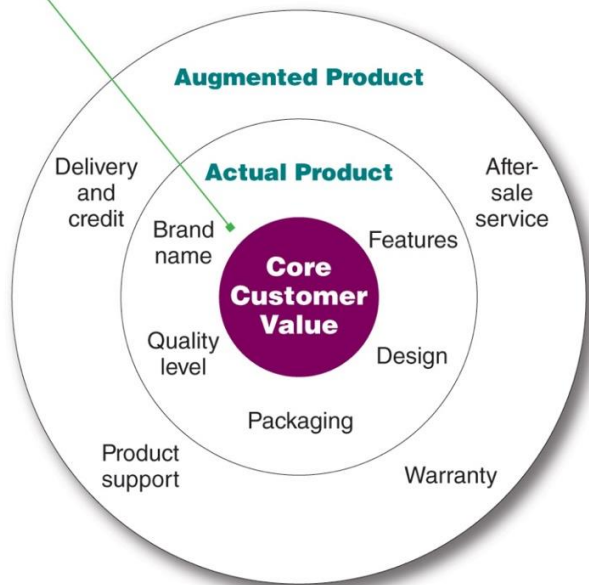
Companies create and manage customer experiences with their brands or companies.

- To differentiate their offers from that of the competitors

A company's market offering often includes both tangible goods and services. At one extreme, the market offering may consist of a pure tangible good and at the other extreme a pure service. Between these two extremes, however, many goods-and-services combinations are possible. Today, as products and services become more commoditized, many companies are moving to a new level in creating value for their customers. To differentiate their offers, beyond simply making products and delivering services, firms are creating and managing customer experiences with their brands or companies.

Three levels of product:

At the most basic level, the company asks, "What is the customer really buying?" For example, people who buy an Apple iPad are buying more than just a tablet computer. They are buying entertainment, self-expression, productivity, and connectivity—a mobile and personal window to the world.



- **Core customer value** deals with what is bought by the customer. For example, people who buy an Apple iPad are buying much more than just a tablet computer. They are buying entertainment, self-expression, productivity, and connectivity with friends and family—a mobile and personal window to the world.
- At the second level, product planners must turn the core benefit into an **actual product**. They need to develop product and service features, a design, a quality level, a brand name, and packaging. For example, the iPad is an actual product. Its name, parts, styling, operating system, features, packaging, and other attributes have all been carefully combined to deliver the core customer value of staying connected.
- Finally, product planners must build **an augmented product** around the core benefit and actual product by offering additional consumer services and benefits. For example, when consumers buy an iPad, Apple and its resellers also might give buyers a warranty on parts and workmanship, quick repair services when needed, and a Web site to use if they have problems or questions. Apple also provides access to a huge assortment of apps and accessories.

Product and service classifications

Consumer products are bought by final consumers for personal consumption.

Industrial products are bought by individuals and organizations for further processing or for use in conducting a business.

- **Materials and parts, capital items, and supplies and services**

Marketing considerations for convenience and shopping

Marketing Considerations	Convenience	Shopping
<u>Customer buying behaviour</u>	Frequent purchase; little planning, little comparison or shopping effort; low customer involvement	Less frequent purchase; much planning and shopping effort; comparison of brands on price, quality, and style
Price	Low price	Higher price
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing

Marketing considerations for specialty and unsought products:

Marketing Considerations	Specialty	Unsought
<u>Customer buying behaviour</u>	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness or knowledge (or, if aware, little or even negative interest)
Price	Highest price	Varies
Distribution	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Red Cross blood donations

Others market offerings:

- **Organization marketing** consists of activities undertaken to create, maintain, or change the attitudes and behaviour of target consumers toward an organization. Business firms sponsor public relations or corporate image marketing campaigns to market themselves and polish their images.
- **Place marketing** involves activities undertaken to create, maintain, or change attitudes or behaviour toward particular places. For example, Destination Canada is a crown corporation that markets Canada internationally. Its mission is “to unite and empower Canada’s tourism leaders through compelling research, strategy and storytelling to drive the visitor economy.” Destination Canada uses content marketing on a variety of social media channels and websites to encourage travellers to share their travel experiences. For example, its Instagram account (tagged as #ExploreCanada and @ExploreCanada) has 1.5 million followers and features the best photos and videos from around the country.
- **Ideas** can also be marketed. We will narrow our focus to the marketing of **social ideas**. This area has been called **social marketing**, which consists of using traditional business marketing concepts and tools to create behaviours that will create individual and societal well-being. Social marketing involves much more than just advertising. It involves a broad range of marketing strategies and marketing mix tools designed to bring about beneficial social change.

Objective summary:

- What is a product?—physical products, services, and experiences
- Actual and augmented product—core customer value
- Consumer products—convenience, shopping, specialty, and unsought
- Industrial products—materials and parts, capital items, and supplies and services
- Organization, person, place, and idea marketing
- Broadly defined, a product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Products include physical objects but also services, events, persons, places, organizations, ideas, or mixtures of these entities. Services are products that consist of activities, benefits, or satisfactions offered for sale that are essentially intangible, such as banking, hotels, tax preparation services, and home-repair services.
- Products and services fall into two broad classes based on the types of consumers who use them. Consumer products—those bought by final consumers—are usually classified according to consumer shopping habits (convenience products, shopping products, specialty products, and unsought products). Industrial products—those purchased for further processing or for use in conducting a business—include materials and parts, capital items, and supplies and services. Other marketable entities—such as organizations, persons, places, and ideas—can also be thought of as products.

7.2 Describe the decisions companies make regarding their individual products and services, product lines, and product mixes.

Products and service decisions:

- Individual Product Decisions:



- **Figure 7.2** shows the important decisions in the development and marketing of - individual products and services. We will focus on decisions about *product attributes*, *branding*, *packaging*, *labelling and logos*, and *product support services*.
- Developing a product or service involves defining the benefits that it will offer. The characteristics of a product or service that bear on its ability to satisfy stated or implied customer needs is known as **product quality**, one of the marketer's major positioning tools. Total quality management (TQM) is an approach in which all of the company's people are involved in constantly improving the quality of products, services, and business processes. A product can be offered with varying features. Another way to add customer value is through distinctive product style and design. Product quality is a serious matter for marketers, many of whom belong to the Society of Quality Assurance (SQA), an international professional membership organization that provides a forum for organizations to exchange information about research and regulations that govern quality assurance practices. Siemens defines quality this way: "Quality is when our customers come back and our products don't.
- **A brand** is a name, term, sign, symbol, or design or a combination of these that identifies the maker or seller of a product or service. Consumers view a brand as an important part of a product, and branding can add value to a consumer's purchase. Brand names help consumers identify products that might benefit them. Brands also say something about product quality and consistency.
- **Packaging** involves designing the container or wrapper for a product. Increased competition means that packages must now perform many sales tasks—from attracting buyers to communicating brand positioning to closing the sale.
- **Labels** help to identify and describe the product or brand as well as promote the brand, support its positioning and engage customers.
- The first step in designing **product support services** is to survey customers periodically. Once the company has assessed the quality of various support services, it can take steps to fix problems and add new services that will both delight customers and yield profits to the company.

Product Line Decisions:

- A product line is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges. For example, Nike produces several lines of athletic shoes and apparel.

The major product line decision involves product line length, which is the number of items in the product line. A company can expand its product line in two ways: line filling and line stretching.

- **Line filling** involves adding more items within the present range of the line. There are several reasons for product line filling. These reasons include reaching for extra profits, satisfying dealers, using excess capacity, being the leading full-line company, and plugging holes to keep out competitors.
- **Line stretching** occurs when a company lengthens its product line beyond its current range. The company can stretch its line downward, upward, or both ways. A reason for downward product line stretching is to plug a market hole that would attract a potential competitor. The reason for upward product line stretching is to add prestige to the current product.

Product Mix Decisions:

Width

- Number of different product lines the company carries

Length

- Total number of items a company carries within its product lines

Depth

- Number of versions offered for each product in the line

Consistency

- Relativity of the various product lines in end use, production requirements, distribution channels, or some other aspect

Objective summary:

Individual product decisions involve product attributes, branding, packaging, labelling, and product support services. *Product attribute* decisions involve product quality, features, and style and design. *Branding* decisions include selecting a brand name and developing a brand strategy. *Packaging* provides many key benefits, such as protection, economy, convenience, and promotion. Package decisions often include designing *labels and logos*, which identify, describe, and possibly promote the product. Companies also develop *product support services* that enhance customer service and satisfaction and safeguard against competitors.

Most companies produce a product line rather than a single product. A *product line* is a group of products that are related in function, customer-purchase needs, or distribution channels. All product lines and items offered to customers by a particular seller make up the *product mix*. The mix can be described by four dimensions: width, length, depth, and consistency. These dimensions are the tools for developing the company's product strategy.

7.3 Identify the four characteristics that affect the marketing of services and the additional marketing considerations that services require.

Four service characteristics:

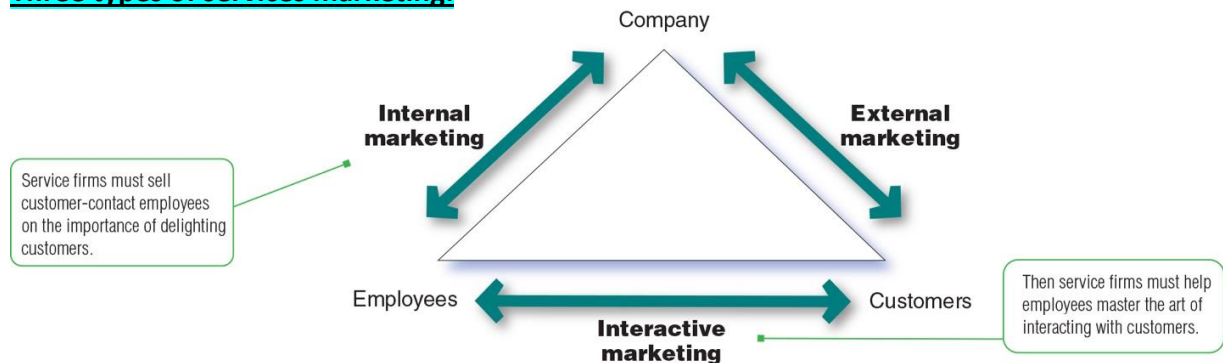


- **Service intangibility** means that services cannot be seen, tasted, felt, heard, or smelled before they are bought. To reduce uncertainty, buyers look for signals of service quality. They draw conclusions about quality from the place, people, price, equipment, and communications that they can see.
- **Service inseparability** means that services cannot be separated from their providers, whether the providers are people or machines. Customer coproduction makes provider–customer interaction a special feature of services marketing. Both the provider and the customer affect the service outcome.
- **Service variability** means that the quality of services depends on who provides them as well as when, where, and how they are provided. For example, within a Marriott hotel, one registration-counter employee may be cheerful and efficient, whereas another standing just a few feet away may be grumpy and slow.
- **Service perishability** means that services cannot be stored for later sale or use. Some doctors charge patients for missed appointments because the service value existed only at that point and disappeared when the patient did not show up. For example, because of rush-hour demand, public transportation companies must own much more equipment than they would if demand were even throughout the day. Thus, service firms often design strategies for producing a better match between demand and supply. Hotels and resorts charge lower prices in the off-season to attract more guests. And restaurants hire part-time employees to serve during peak periods.

Service profit chain:

- Successful service companies focus their attention on both their customers and their employees. They understand the **service profit chain**, which links service firm profits with employee and customer satisfaction. This chain consists of five links: internal service quality, satisfied and productive service employees, greater service value, satisfied and loyal customers, and healthy service profits and growth. For example, at Four Seasons Hotels and Resorts, creating delighted customers involves much more than just crafting a lofty customer-focused marketing strategy and handing it down from the top. At Four Seasons, satisfying customers is everybody's business. And it all starts with satisfied employees.

Three types of services marketing:



- **Interactive marketing** means that service quality depends heavily on the quality of the buyer–seller interaction during the service encounter. In product marketing, product quality often depends little on how the product is obtained. But in services marketing, service quality depends on both the service deliverer and the quality of delivery. Service marketers, therefore, have to master interactive marketing skills. Thus, Four Seasons hires only the people who fit the company’s culture and instructs them carefully any—complete three months of training on how to interact with customers and meet their needs.

Marketing tasks for service companies:

- In these days of intense price competition, service marketers often complain about the difficulty of **differentiating their services** from those of competitors. The solution to price competition is to develop a differentiated offer, delivery, and image. For example, Emirates offers first-class suites in its Boeing 777 airplanes featuring door-to-ceiling sliding doors, closets for hanging clothes, wireless tablets with 2,500 channels, 32-inch TV screens, personal minibars, and “inspiration kits” containing moisturizing pajamas and skincare kits. **(developing a differentiated offer, delivery and image)**
- A service firm can differentiate itself by delivering consistently higher **quality** than its competitors provide. Service providers need to identify what target customers expect in regard to service quality. As hard as they may try, even the best companies will have an occasional late delivery, burned steak, or grumpy employee. However, good service recovery can turn angry customers into loyal ones. Starbucks trains its employees to “LATTE” upset customers: Listen, Acknowledge, Take action, Thank them, and Explain what happened. **(delivering consistently higher quality than the competitors)**
- With their costs rising rapidly, service firms are under great pressure to increase **service productivity**. They can do so in several ways. They can train current employees better or hire new ones who will work harder or more skillfully. Or they can increase the quantity of their service by giving up some quality. Finally, a service provider can harness the power of technology. For example, some airlines have learned this lesson the hard way as they attempt to economize in the face of rising costs. Passengers on most airlines now encounter “time-saving” check-in kiosks rather than personal counter service. And most airlines have stopped offering even the little things for free—such as in-flight snacks—and now charge extra for everything from checked luggage to aisle seats. The result is a plane full of disgruntled customers. In their attempts to improve productivity,

many airlines have mangled customer service. (training current employees or hiring new ones, increasing the quantity of service by giving up some quality and harnessing the power of technology)

Objective summary:

- *Services* are characterized by four key aspects: they are *intangible, inseparable, variable, and perishable*. Each characteristic poses problems and marketing requirements. Marketers work to find ways to make the service more tangible, increase the productivity of providers who are inseparable from their products, standardize quality in the face of variability, and improve demand movements and supply capacities in the face of service perishability.
- Good service companies focus attention on *both* customers and employees. They understand the *service profit chain*, which links service firm profits with employee and customer satisfaction. Services marketing strategy calls not only for external marketing but also for *internal marketing* to motivate employees and *interactive marketing* to create service delivery skills among service providers. To succeed, service marketers must create *competitive differentiation*, offer high *service quality*, and find ways to increase *service productivity*

7.4 Discuss branding strategy—the decisions companies make in building and managing their brands

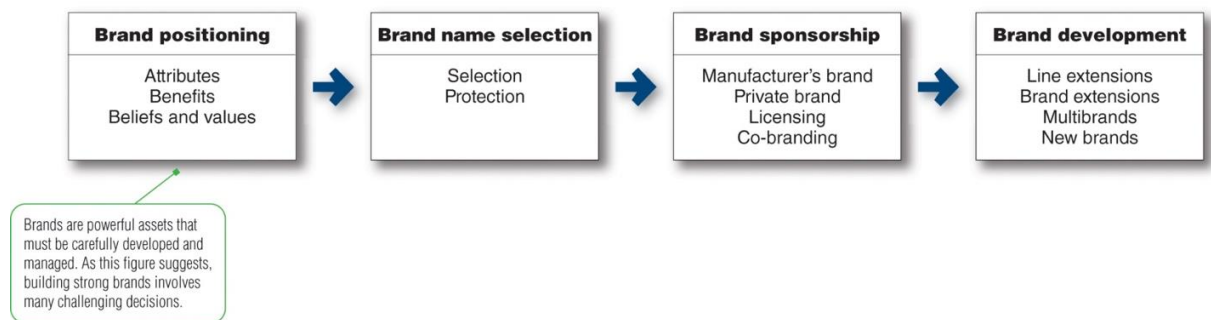
Brand equity:

- Brands are a key element in a company's relationships with consumers. Brands represent consumers' perceptions and feelings about a product and its performance. A powerful brand has high brand equity. **Brand equity** is the differential effect that knowing the brand name has on customer response to the product and its marketing.
- A brand has positive brand equity when consumers react more favourably to it than to a generic or unbranded version of the same product. It has negative brand equity if consumers react less favorably than to an unbranded version.
- Consumer perception dimensions:
 - o Differentiation
 - o Relevance
 - o Knowledge
 - o Esteem

Brand value is the total financial value of a brand.

- Customer equity is the value of customer relationships that the brand creates.

Major brand strategy decisions:



Brand positioning and brand name selection:

Marketers should establish a mission and vision for the brand when positioning it.

Desirable qualities for a brand name should be

- Based on the product's benefits and qualities
- Easy to pronounce, recognize, and remember
- Distinctive and extendable
- Easily translated into foreign languages
- Capable of registration and legal protection

Brand sponsorship:

- **National brands** or manufacturers' brands are marketed under the manufacturer's own name. The Samsung Galaxy tablet or Kellogg's Frosted Flakes are examples of national brands.
- An increasing numbers of retailers and wholesalers have created their own **store brands** or private brands To compete with store brands, national brands must sharpen their value propositions, especially when appealing to today's more frugal consumers.
- Some companies license names or symbols previously created by other manufacturers, the names of well-known celebrities, or characters from popular movies and books. For a fee, **licensing** any of these can provide an instant and proven brand name. For example, consider the Kodak brand with its familiar red and yellow colors, which has retained its value even after the company went bankrupt and discontinued its consumer products.
- **Co-branding** occurs when two established brand names of different companies are used on the same product. Because each brand dominates in a different category, the combined brands create broader consumer appeal and greater brand equity. For example, Taco Bell and Doritos teamed up to create the Doritos Locos Taco.

Brand development strategies:

This is a very handy framework for analyzing brand development opportunities. For example, what strategy did Toyota use when it introduced the Toyota Camry Hybrid? When it introduced the Toyota Prius? The Lexus?

		Product category	
		Existing	New
Brand name	Existing	Line extension	Brand extension
	New	Multibrands	New brands

- A **brand extension** extends an existing brand name to new or modified products in a new category. It gives a new product instant recognition and faster acceptance. But an extension may also confuse the image of the main brand.
- **Multibranding** offers a way to establish different features that appeal to different customer segments, lock up more reseller shelf space, and capture a larger market share. A major drawback of multibranding is that each brand might obtain only a small market share, and none may be very profitable.
- A company might believe that the power of its existing brand name is waning, so a **new brand** name is needed. Or, it may create a new brand name when it enters a new product category for which none of its current brand names are appropriate. For example, Toyota created the separate Lexus brand aimed at luxury car consumers and the Scion brand, targeted toward Millennial consumers.

Managing brands:

- Communicate the brand's positioning
- Manage all brand touch points
- Train employees to be customer centred
- Audit the brand's strengths and weaknesses

Objective summary:

- Some analysts see brands as *the* major enduring asset of a company. Brands are more than just names and symbols; they embody everything that the product or the service *means* to consumers. *Brand equity* is the positive differential effect that knowing the brand name has on customer response to the product or the service. A brand with strong brand equity is a very valuable asset.
- In building brands, companies need to make decisions about brand positioning, brand name selection, brand sponsorship, and brand development. The most powerful *brand positioning* builds around strong consumer beliefs and values. *Brand name selection* involves finding the best brand name based on a careful review of product benefits, the target market, and proposed marketing strategies. A manufacturer has four *brand sponsorship* options: It can launch a *national brand* (or manufacturer's brand), sell to

resellers that use a *private brand*, market *licensed brands*, or join forces with another company to *co-brand* a product. A company also has four choices when it comes to developing brands. It can introduce *line extensions*, *brand extensions*, *multibrands*, or *new brands*.

Companies must build and manage their brands carefully. The brand's positioning must be continuously communicated to consumers. Advertising can help. However, brands are not maintained by advertising but by customers' *brand experiences*. Customers come to know a brand through a wide range of contacts and interactions. The company must put as much care into managing these touch points as it does into producing its ads. Companies must periodically audit their brands' s

Chapter 8: Developing new products and managing the product life cycle:

8.1 Explain how companies find and develop new product ideas.

New product development strategy:

- Developing new products through the firm's own research and development efforts
Creating successful new products requires

- Understanding consumers, markets, and competitors
- Developing products that deliver superior value to customers
- A firm can obtain new products in two ways. **One is through acquisition**—by buying a whole company, a patent, or a license to produce someone else's product. The other is through the firm's own **new product development** efforts.
- New products are original products, product improvements, product modifications, and new brands that the firm develops through its own research and development efforts.
- To create successful new products, a company must understand its consumers, markets, and competitors and develop products that deliver superior value to customers.
- For example, 3M's CEO estimates that 40 percent of the company's revenues last year came from products that did not exist five years ago. And new products have almost completely transformed Apple in recent years. The iPhone and iPad—introduced little more than a decade ago—are now the company's two biggest-selling products, with the iPhone alone bringing in more than 70 percent of Apple's total global revenues and 93 percent of device unit sales.

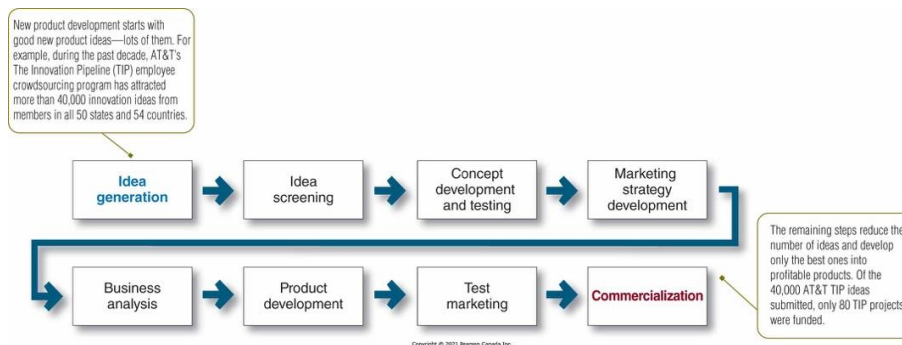
Summary:

- Companies find and develop new product ideas from a variety of sources. Many new product ideas stem from **internal sources**. Companies conduct formal R&D, or they pick the brains of their employees, urging them to think up and develop new product ideas. Other ideas come from *external sources*. Companies track *competitors' offerings* and obtain ideas from *distributors and suppliers* who are close to the market and can pass along information about consumer problems and new product possibilities.

- Perhaps the most important sources of new product ideas are *customers* themselves. Companies observe customers, invite them to submit their ideas and suggestions, or even involve customers in the new product development process. **Many companies are now developing crowdsourcing or open-innovation** new product idea programs, which invite broad communities of people—customers, employees, independent scientists and researchers, and even the general public—into the new product innovation process. Truly innovative companies do not rely only on one source for new product ideas.
- **Crowdsourcing** invites broad communities of people—customers, employees, independent scientists and researchers, and even the public at large—into the innovation process

8.2 List and define the steps in the new product development process and the major considerations in managing this process.

Major stages in the new product development



New product development starts with **idea generation**, which is the systematic search for new product ideas. Major sources of new product ideas include internal sources and external sources.

Beyond a company's internal R&D process, a company can pick the brains of its own people. Many companies have developed successful internal social networks and intrapreneurial programs that encourage employees to develop new product ideas.

Companies can also obtain good new product ideas from any of a number of external sources, such as distributors and suppliers, competitors, and customers themselves.

Systematic search for new product ideas

- **Internal idea sources:**
 - Internal social networks
 - Intrapreneurial programs
- **External idea sources:**
 - Distributors and suppliers
 - Competitors
 - Customers

Idea screening:

The purpose of idea generation is to create a large number of ideas. The purpose of the succeeding stages is to reduce that number.

- Many companies require their executives to write up new product ideas in a standard format that can be reviewed by a new product committee. The write-up describes the product, value proposition, the target market, and the competition. It also estimates market size, product price, development time and costs, manufacturing costs, and rate of return. The committee then evaluates the idea against a set of general criteria.
- **R-W-W**, that is, “**real, win, worth doing**,” refers to a new product screening framework that asks three questions:
 - First, **Is it real?** Is there a real need and desire for the product and will customers buy it? Is there a clear product concept and will such a product satisfy the market?
 - Second, **Can we win?** Does the product offer a sustainable competitive advantage? Does the company have the resources to make such a product a success?
 - Finally, **Is it worth doing?** Does the product fit the company’s overall growth strategy? Does it offer sufficient profit potential? The company should be able to answer yes to all three R-W-W questions before developing the new product idea further.

Product concept:

A **product idea** is an idea for a possible product that the company can see itself offering to the market. A **product concept** is a detailed version of the idea stated in meaningful consumer terms. A **product image** is the way consumers perceive an actual or potential product.

Concept development:

Developing a new product into alternative product concepts

- Find out how attractive each concept is to customers
- Choose the best one
- Suppose a car manufacturer has developed a battery-powered, all-electric car. Its initial prototype is a sleek, sporty roadster convertible that sells for more than \$100,000.
- The marketer’s task is to develop this new product into alternative product concepts, find out how attractive each concept is to customers, and choose the best one.
- It could introduce more affordable, mass-market versions, such as a family car, a sporty compact for young couples and singles, a “green” car that appeals to the environmentally conscious, and even a high-end midsize utility vehicle.

Concept testing:

- **Concept testing** calls for testing new product concepts with groups of target consumers. The concepts may be presented to consumers symbolically or physically. Many firms routinely test new product concepts with consumers before attempting to turn them into actual new products. For some concept tests, a word or picture description might be sufficient.
- A more concrete and physical presentation of the concept will increase the reliability of the concept test. After being exposed to the concept, consumers

then may be asked to react to it by answering questions. The answers to such questions will help the company decide which concept has the strongest appeal.

Marketing strategy development:

- **Marketing strategy development** involves designing an initial marketing strategy for introducing a new product to the market.

The marketing strategy statement consists of three parts:

- The first part describes the target market; the planned value proposition; and the sales, market-share, and profit goals for the first few years.
- The second part of the marketing strategy statement outlines the product's planned price, distribution, and marketing budget for the first year.
- The third part of the marketing strategy statement describes the planned long-run sales, profit goals, and marketing mix strategy.

Business analysis and product development:

- **Business analysis:** A review of the sales, costs, and profit projections for a new product
 - To find out whether these factors satisfy the company's objectives
- **Product development:** Developing the product concept into a physical product
 - To ensure that the product idea can be turned into a workable market offering

Testing marketing:

- If the product passes both the concept test and the product test, the next step is **test marketing**, the stage at which the product and its proposed marketing program are introduced into realistic market settings.
- Test marketing gives the marketer experience with marketing a product before going to the great expense of full introduction. It lets the company test the product and its entire marketing program—targeting and positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels.
- However, test marketing costs can be high, and testing takes time that may allow market opportunities to slip by or competitors to gain advantages.
- As an alternative to extensive and costly standard test markets, companies can use **controlled test markets** or **simulated test markets**. In controlled test markets, new products and tactics are tested among controlled panels of shoppers and stores. Using simulated test markets, researchers measure consumer responses to new products and marketing tactics in laboratory stores or simulated online shopping environments.
- Both controlled test markets and simulated test markets reduce the costs of test marketing and speed up the process.

Commercialization:

- **Commercialization** refers to introducing the new product into the market. If a company goes ahead with commercialization, it will face high costs.
- A company launching a new product must first decide on introduction timing. If the new product will eat into the sales of other company products, the introduction may be delayed. If the product can be improved further, or if the economy is down, the company may wait until the following year to

launch it. However, if competitors are ready to introduce their own competing products, the company may push to introduce its new product sooner.

- The company must also decide where to launch the new product, whether in a single location, a region, the national market, or the international market. Some companies may quickly introduce new models into the full national market. Companies with international distribution systems may introduce new products through swift global rollouts.
- For instance, Nintendo spent an estimated US\$18 million in a single month on TV advertising to introduce its Nintendo Switch console/hand-held hybrid game system. Tide spent US\$150 million on a campaign to launch Tide Pods in the highly competitive U.S. laundry detergent market. And to introduce the original Surface tablet, Microsoft spent close to US\$400 million on an advertising blitz that spanned TV, print, radio, outdoor, the internet, events, public relations, and sampling.

Managing new product development:

Requires a holistic approach:

- Customer-centered new product development
- Team-based new product development
- Systematic new product development

Customer-centre new product development:

Customer-centered new product development focuses on finding new ways to solve customer problems and create more customer-satisfying experiences.

Team-based and systematic new product development:

To get their new products to market more quickly, many companies use a **team-based** and **systematic new product development** approach.

Under this approach, company departments work closely together in **cross-functional teams**, overlapping the steps in the product development process to save time and increase effectiveness. In this approach, if one area hits snags, it works to resolve them while the team moves on. The team-based approach does have some limitations, however, for it sometimes creates more organizational tension and confusion than the more orderly sequential approach.

Finally, the **new product development process should be holistic and systematic** rather than compartmentalized and haphazard. Otherwise, few new ideas will surface, and many good ideas will sputter and die. To avoid these problems, a company can install an **innovation management system** to collect, review, evaluate, and manage new product ideas. The innovation management system approach yields two favorable outcomes. First, it helps create an innovation-oriented company culture. Second, it will yield a larger number of new product ideas, among which will be found some especially good ones. The good new ideas will be more systematically developed, producing more new product successes.

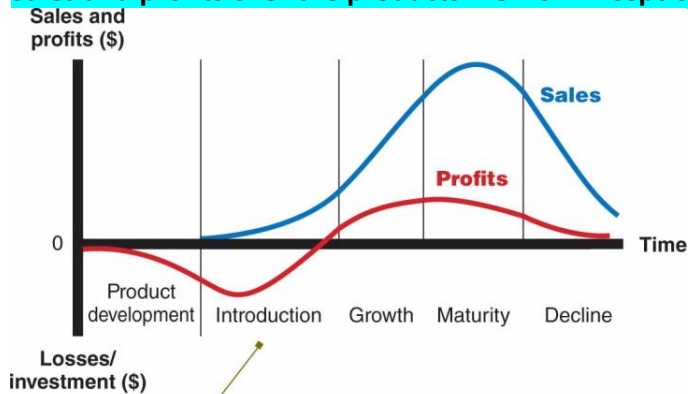
Google and parent company Alphabet are wildly innovative. The company's innovation machine is renowned for producing new product "moonshots," futuristic long shots that, if successful, will profoundly change how people live.

Summary:

- **New product development process includes**
 - **Idea generation, idea screening, product concept development and testing, and marketing strategy development**
 - **Business analysis, product development, test marketing, and commercialization**
- **New product development requires a customer-centred, team-based, systematic effort.**

8.3 Describe the stages of the product life cycle and how marketing strategies change during a product's life cycle.

Sales and profits over the products life from inception to decline



Some products die quickly; others stay in the mature stage for a long, long time. For example, Crayola Crayons have been around for more than 115 years. However, to keep the brand young, the company has added a continuous stream of contemporary new products, such as Colour Alive, which lets kids colour cartoons, scan them, and then watch as an app animates them.

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1. **Product development** begins when the company finds and develops a new product idea. During product development, sales are zero, and the company's investment costs mount.
2. **Introduction** is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction.
3. **Growth** is a period of rapid market acceptance and increasing profits.
4. **Maturity** is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits level off or decline because of increased marketing outlays to defend the product against competition.
5. **Decline** is the period when sales fall off and profits drop.

Styles, fashions and fads:

- A **style** is a basic and distinctive mode of expression. For example, styles appear in homes (colonial, ranch, transitional), clothing (formal, casual), and

art (realist, surrealist, abstract). A style may last for generations, passing in and out of vogue. A style has a cycle showing several periods of renewed interest.

- A **fashion** is a currently accepted or popular style in a given field. For example, the more formal “business attire” look of corporate dress of the 1980s and 1990s gave way to the “business casual” look of the 2000s and 2010s. Fashions tend to grow slowly, remain popular for a while, and then decline slowly.
- **Fads** are temporary periods of unusually high sales driven by consumer enthusiasm and immediate product or brand popularity. A fad may be part of an otherwise normal life cycle. Or the fad may comprise a brand’s or product’s entire life cycle.

Summary of product life-cycle characteristics, objective and strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
	Introduction	Growth	Maturity	Decline
Strategies				
Product	Offer a basic product	Offer product extensions, service, and warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Built selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets

	Introduction	Growth	Maturity	Decline
Strategies				
Advertising	Build product awareness among early adopters and dealers	Build engagement and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core <u>loyals</u>
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

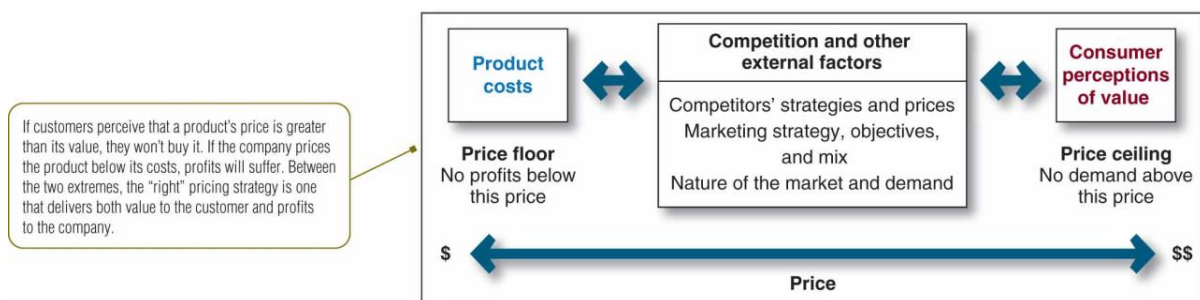
Chapter 9: Pricing- understanding and capturing customer value:

Objective 9.1 Define price, identify the three major pricing strategies, and discuss the importance of understanding customer value perceptions, company costs, and competitor strategies when setting prices.

Price:

- the amount of money charged for a product or a service. It is the sum of all the values that customers give up to gain the benefits of having or using a product or service. Price is one of the most important elements that determines a firm's market share and profitability. Price is the only element in the marketing mix that produces revenue; all other elements represent costs.
- Price remains one of the most important elements that determine a firm's market share and profitability.

Considerations in setting price:



If customers perceive that a product's price is greater than its value, they won't buy it. If the company prices the product below its costs, profits will suffer. Between the two extremes, the "right" pricing strategy is one that delivers both value to the customer and profits to the company.

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Customer value-based pricing:

- uses buyers' perceptions of value as the key to pricing. Price is considered along with all other marketing mix variables before the marketing program is set. The company first assesses customer needs and value perceptions. It then sets its target price based on customer perceptions of value. There are two types of value-based pricing: good-value pricing and value-added pricing.

2 types of value based pricing:

Good-value pricing

- offers just the right combination of quality and good service at a fair price. This pricing method involves introducing less expensive versions of established, brand name products or new lower-price lines. It also involves redesigning existing brands to offer more quality for a given price or the same quality for less. It's important to remember that "good value" is not the same as "low price." For example, some owners consider a luxurious Patek Philippe watch a real bargain, even at eye-popping prices ranging from US\$20,000 to US\$500,000

Value-added pricing

- involves attaching value-added features and services to differentiate a company's offers and then charging higher prices. For example, even as frugal consumer spending habits linger, some movie theater chains are adding amenities and charging more rather than cutting services to maintain lower admission prices. Rather than cutting prices to match competitors, they add quality, services, and value-added features to differentiate their offers and thus support their higher prices.

Value based pricing versus cost-based pricing:



Cost based pricing:

- involves setting prices based on the costs of producing, distributing, and selling the product plus a fair rate of return for the company's effort and risk. Companies with lower costs can set lower prices that result in smaller margins but greater sales and profits. Other companies pay higher costs so that they can add value and claim higher prices and margins.

A company's costs take two forms:

fixed and variable. **Fixed costs (also known as overhead)** are costs that do not vary with production or sales level.

- **Variable costs** vary directly with the level of production. Although these costs tend to be the same for each unit produced, they are called variable costs because the total varies with the number of units produced.
- **Total costs** are the sum of the fixed and variable costs for any given level of production. Management wants to charge a price that will at least cover the total production costs at a given level of production.

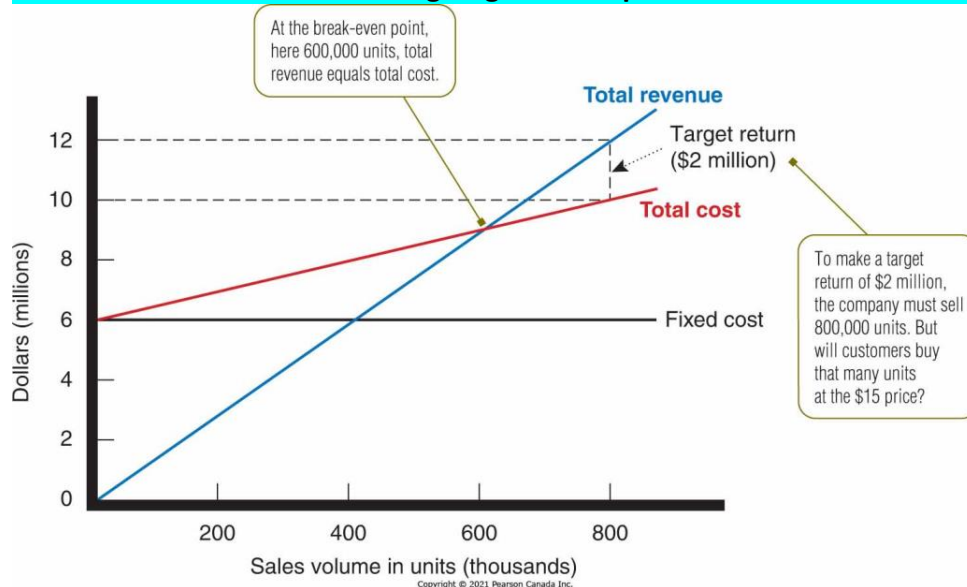
Types of cost based pricing:

- The simplest pricing method is **cost-plus pricing (or markup pricing)**—adding a standard markup to the cost of the product. Markup pricing remains popular for many reasons.

First, sellers are more certain about costs than about demand. By tying the price to cost, sellers simplify pricing. Second, when all firms in the industry use this pricing method, prices tend to be similar and price competition is minimized. For example, an electronics retailer might pay a manufacturer \$20 for a gaming controller and mark it up to sell at \$30, a 50 percent markup on cost. The retailer's gross margin is \$10. If the store's operating costs amount to \$8 per controller sold, the retailer's profit margin will be \$2. The manufacturer that made the controller probably used cost-plus pricing, too. If the manufacturer's standard cost of producing the gaming controller was \$16, it might have added a 25 percent markup, setting the price to the retailers at \$20.

- Another cost-oriented pricing approach is **break-even pricing**, or a variation called **target return pricing**. The firm tries to determine the price at which it will break even or make the target return it is seeking. Target return pricing uses the concept of a **break-even chart**, which shows the total cost and total revenue expected at different sales volume levels. At the \$15 price, the manufacturer must sell at least 600,000 units to *break even* (break-even volume = fixed costs ÷ (price - variable costs) = \$6,000,000 ÷ (\$15 - \$5) = 600,000). That is, at this level, total revenues will equal total costs of \$9 million, producing no profit. If the controller manufacturer wants a target return of \$2 million, it must sell at least 800,000 units to obtain the \$12 million of total revenue needed to cover the costs of \$10 million plus the \$2 million of target profits. In contrast, if the company charges a higher price, say \$20, it will not need to sell as many units to break even or to achieve its target profit. In fact, the higher the price, the lower the manufacturer's break-even point will be.

Break even chart for determining target return price and break even volume



Competition based pricing:

involves setting prices based on competitors' strategies, costs, prices, and market offerings. In assessing competitors' pricing strategies, the company should ask several questions.

- First, how does the company's market offering compare with competitors' offerings in terms of customer value?

- Next, how strong are current competitors and what are their current pricing strategies?

Summary:

- *Price* can be defined as the sum of all the values that customers give up in order to gain the benefits of having or using a product or service. The three major pricing strategies include customer value-based pricing, cost-based pricing, and competition-based pricing. Good pricing begins with a complete understanding of the value that a product or service creates for customers and setting a price that captures that value.
- Customer perceptions of the product's value set the ceiling for prices. If customers perceive that the price is greater than the product's value, they will not buy the product. At the other extreme, company and product costs set the floor for prices. If the company prices the product below its costs, its profits will suffer. Between these two extremes, consumers will base their judgments of a product's value on the prices that competitors charge for similar products. Thus, in setting prices, companies need to consider all three factors, customer perceived value, costs, and competitors pricing strategies.
- Costs are an important consideration in setting prices. However, cost-based pricing is often product driven. The company designs what it considers to be a good product and sets a price that covers costs plus a target profit. If the price turns out to be too high, the company must settle for lower markups or lower sales, both resulting in disappointing profits. Value-based pricing reverses this process. The company assesses customer needs and value perceptions and then sets a target price to match targeted value. The targeted value and price then drive decisions about product design and what costs can be incurred. As a result, price is set to match customers' perceived value

Objective 9.2 Identify and define the other important external and internal factors affecting a firm's pricing decisions.

Other internal and external considerations affecting price decisions:

Internal factors

- Overall marketing strategy, objectives, and mix
- Organizational considerations

External factors

- Market and demand
- Economy
- Impact on other parties in its environment

Overall marketing strategy, objectives, and mix

- Pricing may play an important role in helping to accomplish company objectives at many levels. Price decisions must be coordinated with product design, distribution, and promotion decisions to form a consistent and effective integrated marketing mix program. For example, a decision to position the product on high-performance quality will mean that the seller must charge a higher price to cover higher costs. And producers whose resellers are expected to support and promote their products may have to build larger reseller margins into their prices.
- Companies often position their products on price and then tailor other marketing mix decisions to the prices they want to charge. Many firms support price-positioning

strategies with a technique called **target costing**. Target pricing starts with an ideal selling price, then targets costs that will ensure that the price is met.

- Other companies deemphasize price and use other marketing mix tools to create **nonprice positions**. Often, the best strategy is not to charge the lowest price but rather to differentiate the marketing offer to make it worth a higher price. For example, Sleep Number beds cost more than traditional mattresses, but the brand's highly satisfied customers are willing to pay more to get more. After all, it's hard to put a price on a good night's sleep.

Organizational considerations:

Management decides who should set prices.

Varies depending on the size and type of company

- Small companies—Top management
- Large companies—Divisional or product managers
- Industries with price as the key factor—Pricing departments

Pricing in different types of markets:

- **pure competition**, the market consists of many buyers and sellers trading in a uniform commodity. No single buyer or seller has much effect on the going market price. Sellers in these markets do not spend much time on marketing strategy.
- Under **monopolistic competition**, the market consists of many buyers and sellers trading over a range of prices rather than a single market price. A range of prices occurs because sellers can differentiate their offers to buyers. Sellers try to develop differentiated offers for different customer segments and, in addition to price, freely use branding, advertising, and personal selling to set their offers apart. Pricing in monopolistic competition markets: Google attempts to set its Pixel smartphones apart not by price but by the power of its brand and the host of differentiating features. Pixel ads tell consumers to "Ask more of your phone."
- Under **oligopolistic competition**, the market consists of only a few large sellers. Because there are few sellers, each seller is alert and responsive to competitors' pricing strategies and marketing moves.
- In a **pure monopoly**, the market is dominated by one seller. The seller may be a government monopoly, a private regulated monopoly, or a private unregulated monopoly. Pricing is handled differently in each case.

Price elasticity of demand:

- **Price elasticity** refers to the measure of the sensitivity of demand to changes in price. If demand hardly changes with a small change in price, we say demand is **inelastic**. If demand changes greatly, we say the demand is **elastic**.

Economy:

Factors impacting pricing strategies

- Boom or recession
- Inflation
- Interest rates

Responses to the frugality of post recession consumers

- Cut prices and offer discounts
- Develop more affordable items

- Redefine value propositions

Other external factors:

- Beyond the market and the economy, the company must consider several other factors in its external environment when setting prices. It must know what impact its prices will have on other parties in its environment. How will **resellers** react to various prices? The company should set prices that give resellers a fair profit, encourage their support, and help them to sell the product effectively. The **government** is another important external influence on pricing decisions. Finally, **social concerns** may need to be taken into account. In setting prices, a company’s short-term sales, market share, and profit goals may need to be tempered by broader societal considerations.

Objective 9.3 describe the major strategies for pricing new products

New product pricing strategies:

Market-skimming pricing (price skimming)

- Setting a high price to skim maximum revenues from the segments willing to pay the high price
- Company makes fewer but more profitable sales

Market-penetration pricing

- Setting a low price to attract a large number of buyers and a large market share

Objective outline 9.4: explain how companies find a set of prices that maximizes the profits from the total product mix

Product mix pricing strategies

Pricing Situation	Description
Product line pricing	Setting prices across an entire product line
Optional-product pricing	Pricing optional or accessory products sold with the main product
Captive-product pricing	Pricing products that must be used with the main product
By-product pricing	Pricing low-value by-products to get rid of or make money on them

Chapter 10: marketing channels: Delivering customer value

Objective 10.1 explain why companies use marketing channels and discuss the functions these channels perform.

Supply chains:

- Producing a product or service and making it available to buyers requires building relationships not only with customers but also with key suppliers and resellers in the company's supply chain. This supply chain consists of upstream and downstream partners. Upstream from the company is the set of firms that supply the raw materials, components, parts, information, finances, and expertise needed to create a product or service. Downstream marketing channel partners, such as wholesalers and retailers, form a vital link between the firm and its customers.
- The term supply chain may be too limited, as it takes a make-and-sell view of the business. A better term would be demand chain because it suggests a sense-and-respond view of the market. Yet, even a demand chain view of a business may be too limited because it takes a step-by-step, linear view of purchase-production-consumption activities.

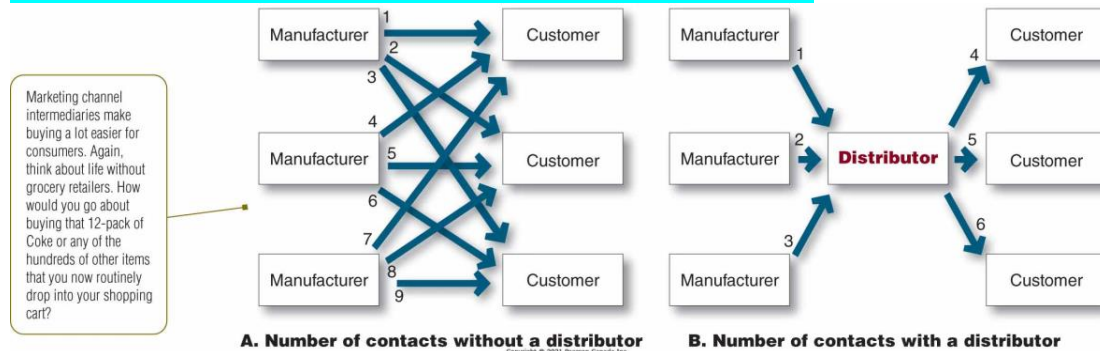
Value delivery network:

- A **value delivery network** is made up of the company, suppliers, distributors, and, ultimately, customers who partner with each other to improve the performance of the entire system in delivering customer value.

Marketing channels (distribution channels)

- A **marketing channel** or **distribution channel** is a set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business user.
- A company's channel decisions directly affect every other marketing decision. Pricing depends on whether the company works with national discount chains, uses high-quality specialty stores, or sells directly to consumers online. Whether a company develops or acquires certain new products may depend on how well those products fit the capabilities of its channel members. Companies often pay too little attention to their distribution channels. Distribution channel decisions often involve long-term commitments to other firms. Management must design its channels carefully, with an eye on both today's likely selling environment and tomorrow's as well.

How a distributor reduces the number of channel transactions



How channel members add value:

- Intermediaries create greater efficiency in making goods available to target markets.
- Marketing intermediaries transform the assortments of products made by producers into the assortments wanted by consumers.
- Intermediaries bridge the major time, place, and possession gaps that separate goods and services from users.

Key functions performed by channel members:

Members of the marketing channel perform many key functions. Some function help to complete transactions:

Information. Gathering and distributing information about consumers, producers, and other actors and forces in the marketing environment needed for planning and aiding exchange.

Promotion. Developing and spreading persuasive communications about an offer.

Contact. Finding and engaging customers and prospective buyers.

Matching. Shaping offers to meet the buyer's needs, including activities such as manufacturing, grading, assembling, and packaging.

Negotiation. Reaching an agreement on price and other terms so that ownership or possession can be transferred.

Other functions help to fulfill the completed transactions:

Physical distribution. Transporting and storing goods.

Financing. Acquiring and using funds to cover the costs of the channel work.

Risk taking. Assuming the risks of carrying out the channel

Number of channel levels:

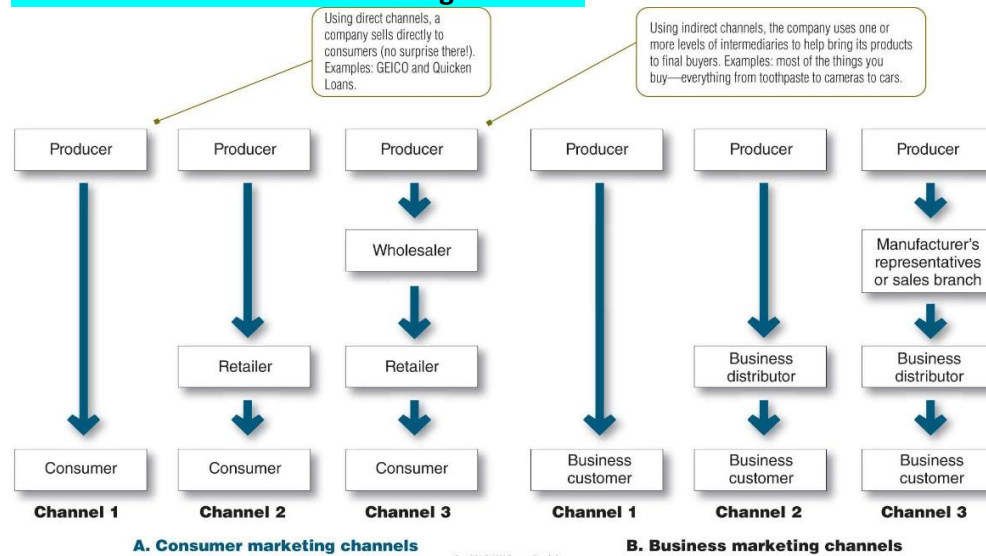
Each layer of marketing intermediaries that performs some work in bringing the product and its ownership closer to the final buyer is a **channel level**. Because both the producer and the final consumer perform some work, they are part of every channel.

The number of intermediary levels indicates the length of a channel. A **direct marketing channel** refers to a marketing channel that has no intermediary levels. Whereas **indirect marketing channels** contain one or more intermediary levels.

Types of flows that connect the institutions in the channel:

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

Consumer and business marketing channels:



Channel 1, a **direct marketing channel**, has no intermediary levels—the company sells directly to consumers. For example, Pampered Chef, Mary Kay Cosmetics, and Amway sell their products through home and office sales parties and online websites and social media; companies ranging from GEICO insurance to Quicken Loans to Omaha Steaks sell directly to customers via internet, mobile, and telephone channels. The remaining channels in Figure 10.2A are **indirect marketing channels**, containing one or more intermediaries.

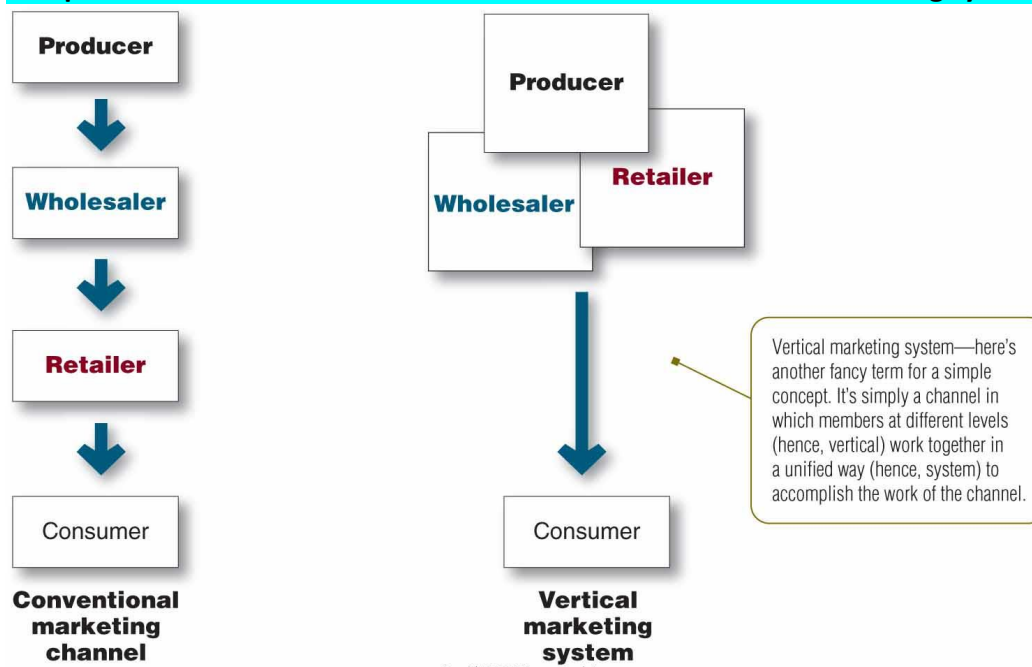
Figure 10.2B shows some common business distribution channels. The business marketer can use its own sales force to sell directly to business customers. Or it can sell to various types of intermediaries, which in turn sell to these customers. Although consumer and business marketing channels with even more levels can sometimes be found, these are less common. From the producer's point of view, a greater number of levels means less control and greater channel complexity. Moreover, all the institutions in the channel are connected by several types of *flows*. These include the *physical flow* of products, the *flow of ownership*, the *payment flow*, the *information flow*, and the *promotion flow*. These flows can make even channels with only one or a few levels very complex.

Objective 10.2 discuss how channel members interact and how they organize to perform the work of the channel

Channel behaviour:

- **Channel conflict** refers to disagreements among marketing channel members on goals, roles, and rewards.
- **Horizontal conflict** occurs among firms at the same level of the channel. For instance, Holiday Inn franchisees might complain about other Holiday Inn operators overcharging guests or giving poor service, which hurts the overall Holiday Inn image.
- **Vertical conflict**, which is conflict between different levels of the same channel, is more common. For example, McDonald's has recently faced growing conflict with its corps of almost 3,100 independent franchisees. Based on rising customer complaints that service isn't fast or friendly enough, McDonald's told its franchisees that their cashiers need to smile more. At the same time, franchise owners reflected growing franchisee discontent with the corporation. Much of the conflict stems from a recent slowdown in system wide sales that has both sides on edge. The most basic conflicts are financial. McDonald's makes its money from franchisee royalties based on total system sales. In contrast, franchisees make money on margins—what's left over after their costs.
- Some conflict in the channel takes the form of healthy competition. Such competition can be good for the channel because without it, the channel could become passive and noninnovative.

Comparison of conventional distribution channel with vertical marketing system



A **conventional distribution channel** consists of one or more independent producers, wholesalers, and retailers. Each is a separate business seeking to maximize its own profits, perhaps even at the expense of the system as a whole. No channel member has much control over the other members, and no formal means exists for assigning roles and resolving channel conflict.

In contrast, a **vertical marketing system (VMS)** consists of producers, wholesalers, and retailers acting as a unified system. One channel member owns the others, has contracts with them, or wields so much power that they must all cooperate.

Vertical marketing systems:

- First, a **corporate VMS** combines successive stages of production and distribution under single ownership.
- Second, a **contractual VMS** consists of independent firms at different levels of production and distribution that join together through contracts. The franchise organization is the most common type of contractual relationship. In franchise organizations, a channel member, called a franchisor, links several stages in the production-distribution process. There are three types of franchises: manufacturer-sponsored retailer franchise system, manufacturer-sponsored wholesaler franchise system, and service-firm-sponsored retailer franchise system.
- Third, an **administered VMS** coordinates successive stages of production and distribution through the size and power of one of the parties.

Horizontal marketing system:

- Another channel development is the **horizontal marketing system**, in which two or more companies at one level join together to follow a new marketing opportunity. By working together, companies can combine their financial, production, or marketing resources to accomplish more than any one company could alone.

Multichannel distribution systems:

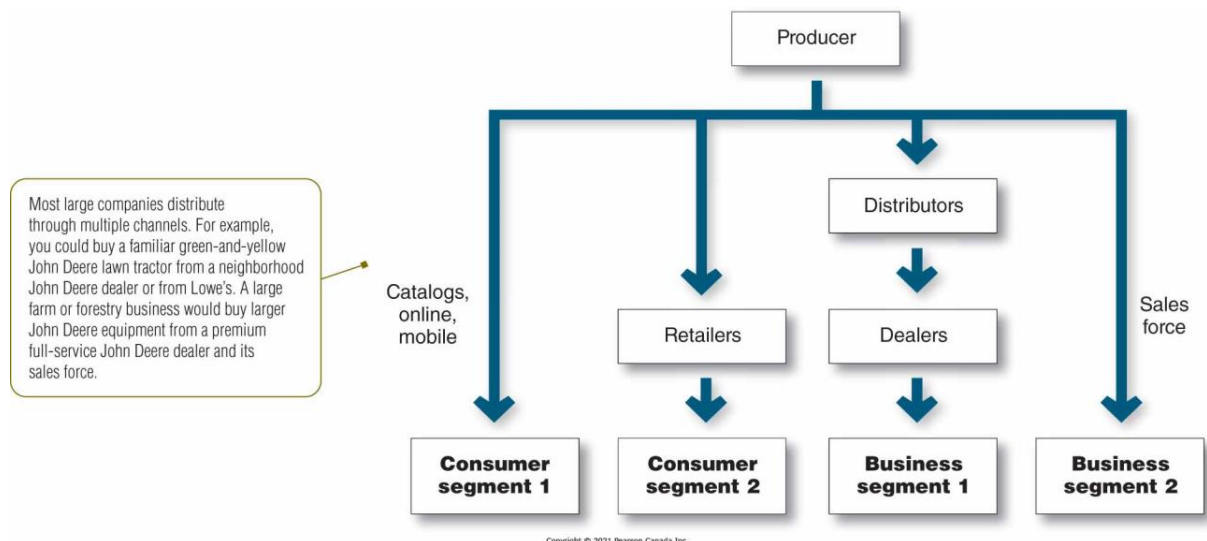
A single firm sets up two or more marketing channels to reach customer segments.

Advantages:

- Expansion of sales and marketing coverage
- Tailor-made products and services for the specific needs of customer segments

Disadvantages:

- Harder to control
- Generates conflict



Disintermediation:

- Occurs when product or service producers cut out marketing channel intermediaries or when radically new types of channel intermediaries displace traditional ones

objective outline 10.3: identify the major channel alternatives open to a company

channel design decisions:

Marketing channel design involves designing effective marketing channels by:

- Analyzing customer needs
- Setting channel objectives
- Identifying major channel alternatives
- Evaluating the alternatives

Major channel alternatives:

- The company should next identify its major channel alternatives in terms of the types of intermediaries, the number of intermediaries, and the responsibilities of each channel member. Companies must also determine the number of channel members to use at each level. Three strategies are available: intensive distribution, exclusive distribution, and selective distribution. Each alternative should then be evaluated against economic, control, and adaptability criteria.
- **Types of intermediaries** refers to channel members available to carry out channel work. Most companies face many channel member choices. A company may use many types of resellers in a channel.
- Companies must determine the **number of intermediaries** to use at each level. Three strategies are available:
- Producers of convenience products and common raw materials typically **seek intensive distribution**—a strategy in which they stock their products in as many outlets as possible.
- Some producers purposely limit the number of intermediaries through **exclusive distribution**, in which the producer gives only a limited number of dealers the exclusive right to distribute its products in their territories. Exclusive distribution is often found in the distribution of luxury brands.
- Between intensive and exclusive distribution lies **selective distribution**—the use of more than one but fewer than all of the intermediaries who are willing to carry a company's products. Most consumer electronics, furniture, and home appliance brands are distributed in this manner.
- The **responsibilities of each channel member** must be determined. The producer should establish a list price and a fair set of discounts for the intermediaries. It must define each channel member's territory, and it should be careful about where it places new resellers. Mutual services and duties need to be spelled out carefully, especially in franchise and exclusive distribution channels.

Designing international channels:

- Channel strategies should be adapted to the existing structures within each country.
- Distribution systems can have many layers and a large number of intermediaries.
- Customs and government regulations can restrict distribution in global markets.

Objective outline 10.4 explain how companies select, motivate and evaluate channel members

Marketing channel management:

- **Marketing channel management** calls for selecting, managing, and motivating individual channel members and evaluating their performance over time.
- When selecting intermediaries, the company should determine what characteristics distinguish the better ones. It will want to evaluate each channel member's years in

business, other lines carried, location, growth and profit record, cooperativeness, and reputation.

- Once selected, channel members must be continuously managed and motivated to do their best. Many companies practice strong *partner relationship management* to forge long-term partnerships with channel members. This creates a value delivery system that meets the needs of both the company *and* its marketing partners.
- The company must regularly check channel member performance against standards such as sales quotas, average inventory levels, customer delivery time, treatment of damaged and lost goods, cooperation in company promotion and training programs, and services to the customer. Companies need to be sensitive to the needs of their channel partners. Those that treat their partners poorly risk not only losing their support but also causing some legal problems.

Public policy and distribution decisions:

- Many producers and wholesalers like to develop exclusive channels for their products. When the seller allows only certain outlets to carry its products, this strategy is called *exclusive distribution*. When the seller requires that these dealers not handle competitors' products, the strategy is called *exclusive dealing*.
- *Exclusive arrangements* also exclude other producers from selling to these dealers. This situation brings exclusive dealing contracts under the scope of the Canadian Competition Act. They are legal as long as they do not substantially lessen competition or tend to create a monopoly and as long as both parties enter into the agreement voluntarily. Exclusive dealing often includes *exclusive territorial agreements*. The producer may agree not to sell to other dealers in a given area, or the buyer may agree to sell only in its own territory. Producers of a strong brand sometimes sell it to dealers only if the dealers will take some or all of the rest of its line. This is called *full-line forcing*. Such *tying agreements* are not necessarily illegal, but they violate the Competition Act if they tend to lessen competition substantially. Finally, producers are free to select their dealers, but their right to terminate dealers is somewhat restricted. In general, sellers can drop dealers "for cause." However, they cannot drop dealers if, for example, the dealers refuse to cooperate in a doubtful legal arrangement, such as exclusive dealing or tying agreements.

Chapter 12: engaging consumers and communicating customer value: advertising and public relations:

Objective 12.1 define the fine promotion mix tools for communicating customer value

Promotion mix:

A promotion mix, or marketing communications mix is a specific blend of promotion tools:

- **Advertising**—Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.
- **Sales promotion**—Short-term incentives to encourage the purchase or sale of a product or service.

- **Personal selling**—Personal customer interactions by the firm’s sales force for the purpose of engaging customers, making sales, and building customer relationships.
- **Public relations (PR)**—Building good relations with the company’s various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumors, stories, and events.
- **Direct and digital marketing**—Engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships.

Objective 12.2: discuss the changing communications landscape and the need for integrated marketing communication’s

New marketing communications model:

Several major factors are changing the face of today’s marketing communications.

- First, consumers are changing. In this digital, wireless world, consumers are better informed and more communications empowered. Rather than relying on marketer-supplied information, they can use the Internet, social media, and other technologies to find information on their own.
- Second, marketing strategies are changing. As mass markets have fragmented, marketers are shifting away from mass marketing. More and more, they are developing focused marketing programs designed to engage customers and build customer relationships in more narrowly defined micromarkets.
- Finally, sweeping advances in digital technology are causing remarkable changes in the ways companies and customers communicate with each other.
- More and more, large advertisers—from Nike and P&G to Unilever—are moving toward a “digital-first” approach to building their brands. For example, Unilever, one of the world’s largest advertisers, now spends as much as 30 percent of its more than US\$9 billion global marketing budget on digital media. In countries such as the United States and China, digital media account for closer to 50 percent of its marketing budget.⁴ Some marketers now rely almost entirely on digital and social media. For example, adidas has now abandoned TV altogether and uses only digital channels to reach younger consumers. “It’s clear that the younger consumer engages with us predominantly over the mobile device,” says adidas’s CEO.
- Marketers reach smaller consumer segments in interactive and engaging ways.
- Mix of traditional mass media and a wide array of online, mobile, and social media

Content marketing managers create, inspire and share brand messages and conversations

Integrated marketing communications:



Today's customers are bombarded by brand content from all directions. For example, think about all the ways you interact with companies such as Nike, Apple, or Coca-Cola. Integrated marketing communications means that companies must carefully coordinate all of these customer touch points to ensure clear brand messages.

Integrated marketing communications (IMC) refers to carefully integrating and coordinating the company's many communications channels to deliver a clear, consistent, and compelling message about the organization and its brands.

Thus, the explosion of online, mobile, and social media marketing presents tremendous opportunities but also big challenges. It gives marketers rich new tools for understanding and engaging customers. At the same time, it complicates and fragments overall marketing communications. The challenge is to bring it all together in an organized way. To that end, most companies practice the concept of **integrated marketing communications (IMC)**. Under this concept, as illustrated in **Figure 12.1**, the company carefully integrates its many communication channels to deliver a clear, consistent, and compelling message about the organization and its brands.

Nature of the promotion tool:

- **Advertising** can reach masses of geographically dispersed buyers at a low cost per exposure, and it enables the seller to repeat a message many times. Because of advertising's public nature, consumers tend to view advertised products as more legitimate. Advertising is also very expressive. On the one hand, advertising can be used to build up a long-term image for a product. On the other hand, advertising can trigger quick sales. Advertising also has some shortcomings. Although it reaches many people quickly, advertising is impersonal and lacks the direct persuasiveness of company salespeople.
- **Personal selling** involves personal interaction between two or more people, so each person can observe the other's needs and characteristics and make quick adjustments. Personal selling also allows all kinds of customer relationships to spring up, ranging from matter-of-fact selling relationships to personal friendships. Personal selling is also the company's most expensive promotion tool.
- **Sales promotion** includes a wide assortment of tools like coupons, contests, discounts, premiums, and others, all of which have many unique qualities. They attract consumer

attention, offer strong incentives to purchase, and can be used to dramatize product offers and boost sagging sales. Sales promotions invite and reward quick response. However, sales promotion effects are often short lived.

- **Public relations (PR)** involves news stories, features, sponsorships, and events that seem more real and believable to readers than ads. PR can also reach many prospects who avoid salespeople and advertisements. It can dramatize a company or product. A well-thought-out public relations campaign used with other promotion mix elements can be very effective and economical.
- The many forms of **direct and digital marketing**—from direct mail, catalogues, and telephone marketing to online, mobile, and social media—all share some distinctive characteristics. Direct marketing is more targeted: It's usually directed to a specific customer or customer community. Direct marketing is immediate and personalized. Direct marketing is interactive. Thus, direct and digital marketing are well suited to highly targeted marketing efforts, creating customer engagement, and building one-to-one customer relationships.

Push versus pull promotion strategy:



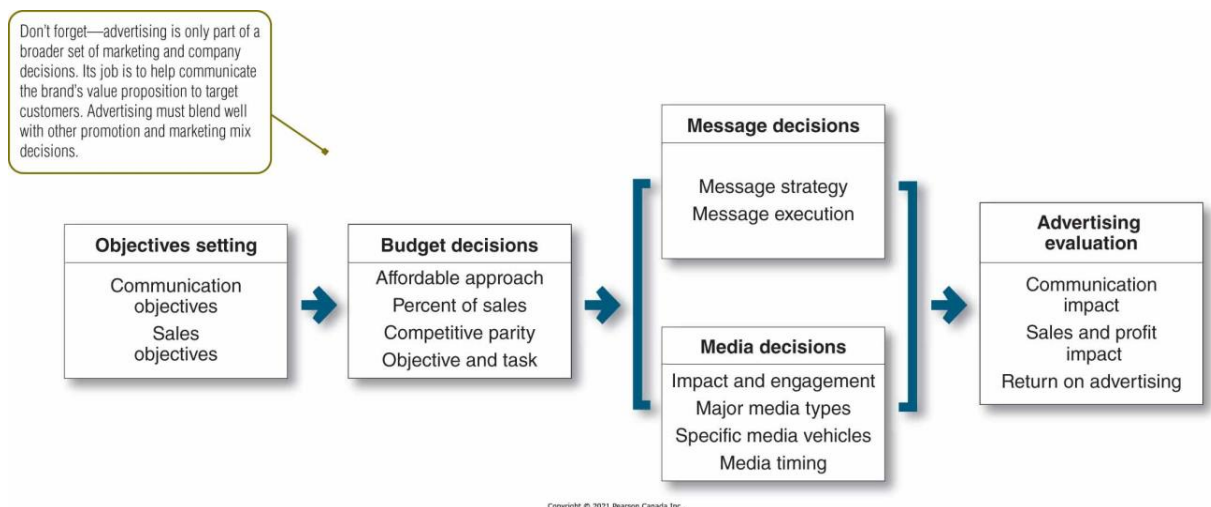
- A **push strategy** involves "pushing" the product through marketing channels to final consumers. The producer directs its marketing activities (primarily personal selling and trade promotion) toward channel members to induce them to carry the product and promote it to final consumers. For example, John Deere does very little promoting of its lawn mowers, garden tractors, and other residential consumer products to final consumers. Instead, John Deere's sales force works with Lowe's, Home Depot, independent dealers, and other channel members, who in turn push John Deere products to final consumers.
- Using a **pull strategy**, the producer directs its marketing activities (primarily advertising, consumer promotion, and direct and digital media) toward final consumers to induce them to buy the product. For example, P&G promotes its Tide laundry products directly to consumers using TV and print ads, web and social media brand sites, and other channels. If the pull strategy is effective, consumers will then demand the brand from retailers such as Walmart, Shoppers Drug Mart, or Amazon, which will in turn demand it

from P&G. Thus, under a pull strategy, consumer demand “pulls” the product through the channels.

- **Business-to-consumer** companies **pull more**, putting more of their funds into advertising, followed by sales promotion, personal selling, and then public relations. **Business-to-business** marketers tend to **push more**, putting more of their funds into personal selling, followed by sales promotion, advertising, and public relations.

Objective 12.3: describe and discuss the major decision involved in developing an advertising program

Major advertising decisions:



Possible advertising objectives:

- An **advertising objective** is a specific communication task to be accomplished with a specific target audience during a specific period of time. Advertising objectives can be classified by their primary purpose which is, to inform, persuade, or remind. This table lists the examples of each of these specific objectives.
- **Informative advertising** is used heavily when introducing a new product category. **Persuasive advertising** becomes more important as competition increases. And, **reminder advertising** is important for mature products; it helps to maintain customer relationships and keep consumers thinking about the product.

Advertisers should use comparative advertising with caution. All too often, such ads invite competitor responses, resulting in an advertising war that neither competitor can win. Upset competitors might also take more drastic action, such as filing complaints with the self-regulatory National Advertising Division of the Council of Better Business Bureaus or even filing false-advertising lawsuits.

Models of setting the advertising budget:

- An **advertising budget** refers to the dollars and other resources allocated to a product or a company advertising program. There are four common methods used to set the total budget for advertising.

- The **affordable method** sets the promotion budget at the level management thinks the company can afford.
- The **percentage-of-sales method** sets the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price.
- The **competitive-parity method** sets the promotion budget to match competitors' outlays.
- The **objective-and-task method** involves developing the promotion budget by defining specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

Advertising strategy:

- An **advertising strategy** is the strategy by which the company accomplishes its advertising objectives. It consists of two major elements: **creating advertising messages and selecting advertising media.**

Creating the advertising message and brand content:

Clutter in television and other ad media has created an increasingly hostile advertising environment.

- Many marketers have subscribed to a new merging of advertising and entertainment, called **Madison & Vine**. It represents the merging of advertising and entertainment to create new avenues for reaching customers with more engaging messages. **Advertainment** aims to make ads so entertaining that people want to watch them. **Brand integrations (or branded entertainment)** involve making the brand an inseparable part of some other form of entertainment or content.
- A related form of brand integration is so-called **native advertising** (also called *sponsored content*), advertising or other brand-produced online content that appears to be "native to" the web or social media site in which it is placed. The brand content looks in form and function like the other natural content surrounding it. It might be an article on a website such as *The Huffington Post*, *BuzzFeed*, *Mashable*, or even *The Globe and Mail* or *The Wall Street Journal* that is paid for, written by, and placed by an advertiser but uses the same format as articles written by the editorial staff.
- The first step in creating effective advertising messages is to plan **a message strategy**—the general message that will be communicated to consumers. The advertiser must next develop a compelling creative concept—or **big idea**—that will bring the message strategy to life in a distinctive and memorable way. The **creative concept** will guide the choice of specific appeals to be used in an advertising campaign.
- The message can be presented in various **execution styles**: slice of life, lifestyle, fantasy, mood or image, musical, personality symbol, technical expertise, scientific evidence, and testimonial evidence or endorsement.
- Consumer-generated content can incorporate the voice of the customer into brand messages and generate greater customer engagement

Selecting advertising media:

- **Advertising media**: Vehicles through which advertising messages are delivered to their intended audiences
- Steps in advertising media selection:

- Determining reach, frequency, impact and engagement
- Choosing among major media types
- Selecting specific media vehicles
- Choosing media timing

Profiles and major media types:

Medium	Advantages	Limitations
Television	Good mass-marketing coverage; low cost per exposure; combines sight, sound, and motion; appealing to the senses	High absolute costs; high clutter; fleeting exposure; less audience selectivity
Digital, mobile, and social media	High selectivity; low cost; immediacy; engagement Capabilities	Potentially low impact; high audience control of content and exposure
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptability; high believability	Short life; poor reproduction quality; small pass-along audience.
Direct mail	High audience selectivity; flexibility; no ad competition within the same medium; allows personalization	Relatively high cost per exposure; "junk mail" image.

Medium	Advantages	Limitations
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life and good pass-along readership	Long ad purchase lead time; high cost; no guarantee of position
Radio	Good local acceptance; high geographic and demographic selectivity; low cost.	Audio only; fleeting exposure; low attention ("the half-heard" medium); fragmented audiences
Outdoor	Flexibility; high repeat exposure; low cost; good positional selectivity	Little audience selectivity; creative limitations

Objective 12.4: explain how companies use public relations to communicate with their publics

Functions of public relations (PR) departments

- **Press relations or press agency**—Creating and placing newsworthy information in the news media to attract attention to a person, product, or service.
- **Product publicity**—Publicizing specific products.
- **Public affairs**—Building and maintaining national or local community relationships.
- **Lobbying**—Building and maintaining relationships with legislators and government officials to influence legislation and regulation.
- **Investor relations**—Maintaining relationships with shareholders and others in the financial community.
- **Development**—Working with donors or members of nonprofit organizations to gain financial or volunteer support.

Public relations:

- Promotes products, people, ideas, organizations, and nations
- Builds good relations with consumers, investors, the media, and communities
- Rebuilds interest in commodities for trade associations

Role and impact of PR:

- Strong impact on public awareness at a lower cost than advertising
- Power to engage consumers and make them part of the brand's story, inject them in daily conversations
- Limited and scattered use
- Powerful brand-building tool

Major public relations tools:

- PR professionals find or create favourable **news** about the company and its products or people.
- Another PR tool is **special events**, like news conferences and speeches, brand tours, and grand openings, laser light shows, multimedia presentations, or educational programs designed to reach and interest target publics.
- PR also involves the preparation of **written materials** like annual reports, brochures, and company newsletters and magazines to reach and influence target markets.
- **Audiovisual materials**, such as DVDs and online videos, are also being used increasingly as communication tools.
- **Corporate identity materials** can also help create a corporate identity that the public immediately recognizes. Logos, stationery, brochures, signs, business forms, business cards, buildings, uniforms, and company cars and trucks all become marketing tools when they are attractive, distinctive, and memorable.
- Finally, companies can improve public goodwill by contributing money and time to **public service activities**.

Chapter 13: personal selling and sales promotion:

13.1 discuss the role of a company's salespeople in engaging customers, creating customer value and building customer relationships

Personal selling:

- **Personal selling** involves personal presentations by the firm's sales force for the purpose of engaging customers, making sales, and building customer relationships. Most salespeople are well-educated and well-trained professionals who add value for customers and maintain long-term customer relationships. They listen to their customers, assess customer needs, and organize the company's efforts to solve customer problems.
- A **salesperson** is an individual who represents a company to customers by performing one or more activities: prospecting, communicating, selling, servicing, information gathering, and relationship building.

People hold many stereotypes of salespeople -including some unfavourable ones. *Salesman* may bring to mind the image of Dwight Schrute, the opinionated Dunder Mifflin paper salesman from the old TV show *The Office*, who lacks both common sense and social skills. Or you may think of the real-life "yell and sell" TV pitchmen, who hawk everything from the Flex Seal to the INSANITY Workout and the Power Air Fryer in infomercials. However, the majority of salespeople are a far cry from these unfortunate stereotypes.

The role of the sales force:

- The sales force serves as a critical link between a company and its customers. They represent the company to customers. At the same time, salespeople represent customers to the company. Salesperson-owned loyalty lends even more importance to the salesperson's customer-relationship-building abilities. Strong relationships with the salesperson will result in strong relationships with the company and its products. Poor salesperson relationships will probably result in poor company and product relationships.
- A company can take several actions to help bring its marketing and sales functions closer together. At the most basic level, it can increase communications between the two groups by arranging joint meetings and spelling out communications channels. A company can also create joint objectives and reward systems. Finally, it can appoint a high-level marketing executive to oversee both marketing and sales.

Objective 13.2: identify and explain the six major sales force management steps:

Sales force management:



Sales force management is defined as analyzing, planning, implementing, and controlling sales force activities. It includes designing sales force strategy and structure, as well as recruiting, selecting, training, compensating, supervising, and evaluating the firm's salespeople. These steps are presented in detail in the following slides and are also shown in **Figure 13.1**.

Designing the sales force strategy and structure:

- A **territorial sales force structure** refers to a sales force organization that assigns each salesperson to an exclusive geographic territory in which that salesperson sells the company's full line. In a **product sales force structure**, salespeople specialize in selling only a portion of the company's products or lines. A **customer (or market) sales force structure** refers to a sales force organization in which salespeople specialize in selling only to certain customers or industries.

Salespeople can be specialized by customer and territory, product and territory, product and customer, or territory, product, and customer. Each company should select a sales force structure that best serves the needs of its customers and fits its overall marketing strategy. If a company sells only one product line to one industry with customers in many locations, it would use a territorial sales force structure. If the company sells many products to many types of customers, it might need a product sales force structure, a customer sales force structure, or a combination of the two.

Sales force size:

- May range from only a few to thousands
- Companies may use the workload approach to set sales force size.
 - Accounts grouped into classes based on size, status, or the amount of effort required to maintain the account
 - Number of salespeople needed to call on each class of accounts is then determined

Other sales force strategy and structure issues:

- A company may have an **outside sales force (or field sales force)**, an **inside sales force**, or both.
- **Outside salespeople** travel to call on customers in the field. In contrast, inside salespeople conduct business from their offices via telephone, online and social media interactions, or visits from buyers. Technical sales support and sales assistants are other examples of inside salespeople. For example, technical sales support people provide technical information and answers to customers' questions. Sales assistants provide research and administrative backup for outside salespeople. Telemarketers and online sellers use the phone, Internet, and social media to find new leads, learn about customers and their businesses, or sell and service accounts directly.
- Most companies now use **team selling** to service large, complex accounts. Team selling does have some pitfalls, however. For example, salespeople who are used to having customers all to themselves may have trouble learning to work with and trust others on the team. In addition, selling teams can confuse or overwhelm customers who are used to working with only one salesperson. Finally, difficulties in evaluating individual contributions to the team-selling effort, can create some sticky compensation issues.

Inside sales force

- Conducts business from their offices via telephone, the Internet, or visits from prospective buyers
 - Technical sales support people
 - Sales assistants

- Telemarketers and online sellers

Recruiting and selecting salespeople:

- A company should analyze the sales job and the characteristics of its most successful salespeople.

Sources for the recruitment of salespeople:

- Referrals from current salespeople
- Employment agencies
- Internet and online social media
- Posting ads and notices
- College placement services
- Salespeople at other companies

Training salespeople:

- Goals of training are to teach salespeople
 - About different types of customers
 - How to sell effectively
 - About the company's objectives, organization, products, and the strategies of competitors
- Online training builds sales skills using videos, Internet-based exercises, or simulations.
 - Virtual instructor-led training (VILT)

Compensating salespeople:

- To attract good salespeople, a company must have an appealing compensation plan. Compensation consists of four elements.
- A fixed amount, usually a salary, gives the salesperson some stable income.
- The variable amount, which might be commissions or bonuses based on sales performance, rewards the salesperson for greater effort and success. Compensation should direct salespeople toward activities that are consistent with the overall sales force and marketing objectives.
- Salespeople's compensation also includes reimbursement of expenses and fringe benefits.

Supervising salespeople:

- The goal of supervision is to help salespeople work smart by doing the right things in the right ways. Many firms help salespeople identify target customers and set call objectives. Some may also specify how much time the sales force should spend prospecting for new accounts and set other time management priorities.
- One tool is the weekly, monthly, or annual **call plan** that shows which customers and prospects to call on and which activities to carry out. Another tool is a **time-and-duty analysis**. In addition to time spent selling, the salesperson spends time traveling, waiting, taking breaks, and doing administrative chores.
- Many firms have adopted **sales force automation systems**, which are computerized, digitized sales force operations that let salespeople work more effectively anytime, anywhere. Companies now routinely equip their salespeople with laptops or tablets, smartphones, wireless connections, videoconferencing technologies, and customer-contact and relationship management software. The result is better time management, improved customer service, lower sales costs, and higher sales performance.

Motivating salespeople:

Many companies motivate their salespeople by setting **sales quotas**—a standard that states the amount a salesperson should sell and how sales should be divided among the company's products. Compensation is often related to how well salespeople meet their quotas. Companies also use various **positive incentives** to increase the sales force effort. Sales meetings provide social occasions, breaks from the routine, chances to meet and talk with company brass, and opportunities to air feelings and identify with a larger group. Companies also sponsor sales contests to spur the sales force to make a selling effort above and beyond what is normally expected. Other incentives include honors, merchandise, cash awards, trips, and profit-sharing plans.

Evaluating salespeople and sales force performance:

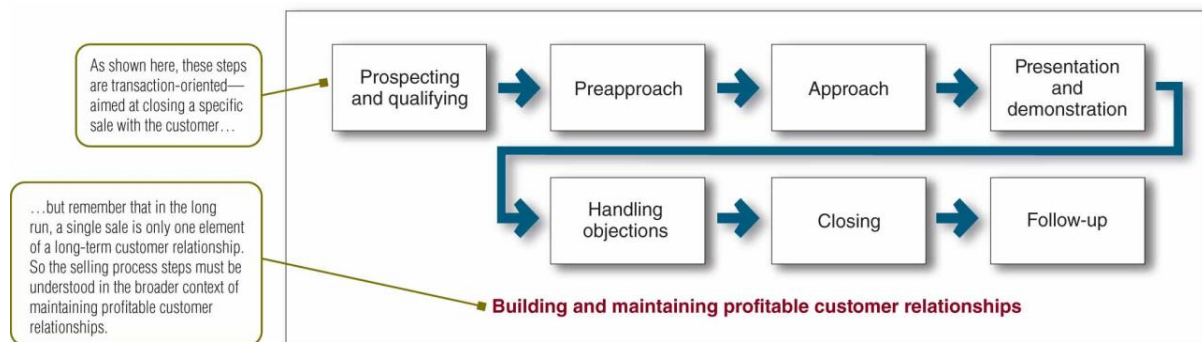
- Management gets information about its salespeople
 - From sales, call, and expense reports
 - By monitoring the sales and profit performance data in the salesperson's territory
 - Through personal observation, customer surveys, and talks with other salespeople
- Formal evaluations force management to develop standards for judging performance.

Social selling: online, mobile, and social media tools:

- Provide salespeople with powerful tools for
 - Identifying and learning about prospects
 - Engaging customers
 - Creating customer value
 - Closing sales
 - Nurturing customer relationships
- Help sales forces to be more efficient, cost-effective, and productive

Objective 13.3: discuss the personal selling process, distinguishing between transaction-oriented marketing and relationship marketing

Steps in the selling process:



- The first step in the selling process is **prospecting and qualifying**—identifying qualified potential customers. They want to call on those who are most likely to appreciate and respond to the company’s value proposition—those the company can serve well and profitably.
- **Preapproach** refers to a salesperson learning as much as possible about a prospective customer before making a sales call. During the **approach** step, the salesperson should know how to meet and greet the buyer and get the relationship off to a good start.
- During the **presentation and demonstration** step of the selling process, the salesperson tells the “value story” to the buyer, demonstrating how the company’s offer solves the customer’s problems. **In handling objections**, the salesperson should use a positive approach, seek out hidden objections, ask the buyer to clarify any objections, take objections as opportunities to provide more information, and turn the objections into reasons for buying.
- **Closing** refers to a salesperson asking the customer for an order. And finally, **follow-up** refers to a salesperson following up after the sale to ensure customer satisfaction and repeat business

Objective 13.4: explain how sales promotion campaigns are developed and implemented

Sales promotion:

- **Sales promotion** consists of short-term incentives to encourage the purchase or sale of a product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy now.
- Sales promotion tools are used by most organizations. They are targeted toward final buyers through consumer promotions, retailers and wholesalers through trade promotions, business customers through business promotions, and members of the sales force through sales force promotions.
- Examples of sales promotions are found everywhere. A freestanding insert in the Sunday newspaper contains a coupon offering \$2 off Seventh Generation laundry detergent. An online coupon at Smartcanucks.ca may offer a 2 for \$20 coupon for your favourite hand-made ice cream from Marble Slab Creamery. The end-of-the-aisle display in the local supermarket tempts impulse buyers with a wall of Coca-Cola cases—four 12-packs for \$12. Buy a new Samsung tablet and get a free memory upgrade. A hardware store chain receives a 10 percent discount on selected Stihl power lawn and garden tools if it agrees to advertise them in local newspapers. Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response.

- Many factors have contributed to the rapid growth of sales promotion.
 - o Product managers view promotion as an effective short-run sales tool.
 - o Competitors use sales promotion to differentiate their offers.
 - o Advertising efficiency has declined.
 - o Sales promotions help attract today's more thrift-oriented consumers.

Sales promotion objectives:

Consumer promotions

- To urge short-term customer buying or boost customer-brand engagement

Trade promotions

- To get retailers to carry new items and more inventory, buy ahead, or promote the company's products and give them more shelf space

Business promotions

- To generate business leads, stimulate purchases, reward customers, and motivate salespeople

Consumer promotion tools:

- Consumer promotions include a wide range of tools. This table shows the customer promotion tools of samples, coupons, rebates, price packs, and premiums.
- **Samples** are offers of a trial amount of a product. Sampling is the most effective, but most expensive way to introduce a new product or create new excitement for an existing one.
- **Coupons** are certificates that save buyers money when they purchase specified products.
- **Rebates**, or cash refunds, are like coupons except that the price reduction occurs after the purchase rather than at the retail outlet. The customer sends a proof of purchase to the manufacturer, which then refunds part of the purchase price by mail.
- **Price packs**, also called cents-off deals, offer consumers savings off the regular price of a product. The producer marks the reduced prices directly on the label or package.
- **Premiums** are goods offered either free or at low cost as an incentive to buy a product.
- **Advertising specialties**, also called promotional products, are useful articles imprinted with an advertiser's name, logo, or message that are given as gifts to consumers.
- **Point-of-purchase (POP)** promotions include displays and demonstrations that take place at the point of sale.
- **Contests, sweepstakes, and games** give consumers the chance to win something, such as cash, trips, or goods, by luck or through extra effort.
- Marketers promote brands through **event marketing** or event sponsorships. Firms can create their own brand-marketing events or serve as sole or participating sponsors of events created by others

Trade promotions:

Manufacturers direct more sales promotion dollars toward retailers and wholesalers than to final consumers. **Trade promotions** can persuade resellers to carry a brand, give it shelf space,

promote it in advertising, and push it to consumers. Manufacturers use several trade promotion tools.

- Many of the tools used for consumer promotions—**contests, premiums, displays**—can also be used as trade promotions.
- The manufacturer may offer a straight **discount** off the list price on each case purchased during a stated period of time (also called a price-off, off-invoice, or off-list).
- They may offer an **allowance** (so much off per case) in return for the retailer's agreement to feature the manufacturer's products in some way.
- Manufacturers may offer **free goods**, which are extra cases of merchandise, to resellers who buy a certain quantity or who feature a certain flavor or size.
- They may also offer **push money**—cash or gifts to dealers or their sales forces to “push” the manufacturer's goods.
- Finally, retailers may be given free **specialty advertising items** that carry the company's name, such as pens, calendars, memo pads, flashlights, and tote bags.

Business promotions:

- **Business promotions** are used to generate business leads, stimulate purchases, reward customers, and motivate salespeople. Business promotions include many of the same tools used for consumer or trade promotions. Additional major business promotion tools include conventions and trade shows and sales contests.
- Many companies and trade associations organize **conventions and trade shows** to promote their products. Firms selling to the industry exhibit their products at the trade show. Vendors at these shows receive many benefits, such as opportunities to find new sales leads, contact customers, introduce new products, meet new customers, sell more to present customers, and educate customers with publications and audiovisual materials.
- A **sales contest** is a contest for salespeople or dealers to motivate them to increase their sales performance over a given period. Sales contests motivate and recognize good company performers, who may receive trips, cash prizes, or other gifts.

Developing the sales promotion program:

- Sales promotion program design decisions:
 - Determine the size of the incentive
 - Set conditions for participation
 - Determine how to promote and distribute the promotion program
 - Set the length of the promotion
 - Evaluate the promotion

Chapter 15: the global marketplace:

Objective 15.1 discuss how the international trade system and the economic, political-legal and cultural environments affect a company's international marketing decisions

Global firm:

- A **global firm** is one that, by operating in more than one country, gains marketing, production, research and development (R&D), and financial advantages that are not available to purely domestic competitors. It minimizes the importance of national

boundaries and develops global brands. The global company raises capital, obtains materials and components, and manufactures and markets its goods wherever it can do the best job.

- Companies that go global may face highly unstable governments and currencies, restrictive government policies and regulations, and high trade barriers. The recently dampened global economic environment has also created big global challenges. In addition, corruption is an increasing problem.

Major international marketing decisions:



It's a big and beautiful but threatening world out there for marketers! Most large American firms have made the world their market. For example, once all-American McDonald's now captures two-thirds of its sales from outside the United States.

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Elements of the global marketing environment:

International trade system:

- Trade barriers
 - Tariffs or duties
 - Quotas and exchange controls
 - Nontariff trade barriers
 - Biases against the bids
 - Restrictive product standards
 - Excessive host-country regulations or enforcement

Economic environment:

- Two economic factors reflect a country's attractiveness as a market: industrial structure and income distribution. The country's industrial structure shapes its product and service needs, income levels, and employment levels.
- There are four types of industrial structures. In **subsistence economies**, the vast majority of people engage in simple agriculture. They consume most of their output and barter the rest for simple goods and services. These economies offer few market opportunities. Second, **raw material exporting economies** are rich in one or more natural resources but poor in other ways. Much of their revenue comes from exporting these resources. Third, in **emerging economies**, fast growth in manufacturing results in rapid overall economic growth. As manufacturing increases, the country needs more imports of raw materials and fewer imports of finished products. **Industrial economies** are major exporters of manufactured goods, services, and investment funds. They trade goods among themselves and export them to other types of economies for raw materials and semifinished goods.
- The second economic factor is the country's **income distribution**. Industrialized nations may have low-, medium-, and high-income households. Countries with subsistence

economies consist mostly of households with very low family incomes. Still other countries may have households with either very low or very high incomes.

Political-legal environment:

- Considerations for a company to do business in a country:
 - Country's attitude toward international buying
 - Government bureaucracy
 - Political stability
 - Monetary regulations
- International trade involves
 - Cash transactions
 - Bartering

Regional free trade zone:

- Certain countries have formed free trade zones or **economic communities**. These are groups of nations organized to work toward common goals in the regulation of international trade.
- The **European Union (EU)** is one such community that was formed in 1957. It was set out to create a single European market by reducing barriers to the free flow of products, services, finances, and labor among member countries and developing policies on trade with nonmember nations. Today, the EU represents one of the world's largest single markets. The EU offers tremendous trade opportunities for Canada and other non-European firms. In fact, the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), which came in to effect in September of 2017, has resulted in close to an 8 percent annual increase in trade from the pre-CETA time period.
- The **North American Free Trade Agreement (NAFTA)**, founded in 1994, established a free trade zone among the United States, Mexico, and Canada. The agreement created a single market of 487 million people who produce and consume US\$23.5 trillion worth of goods and services annually. Over the past 25 years, NAFTA has eliminated trade barriers and investment restrictions among the three countries. Total trade among the NAFTA countries nearly tripled from US\$288 billion in 1993 to more than US\$1.2 trillion a year. In November, 2019, Canada, the United States and Mexico signed the new Canada-United States-Mexico Agreement (CUSMA) at the G20 Leader's summit in Argentina. However, the deal has yet to be ratified by either the Canadian or U.S. governments and so NAFTA remains in place in early 2020.

- The **Central American Free Trade Agreement (CAFTA-DR)**, founded in 2005, established a free trade zone between the United States and Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.
- Other free trade areas have formed in Latin America and South America. For example, the **Union of South American Nations (UNASUR)**, modeled after the EU, was formed in 2004 and formalized by a constitutional treaty in 2008. UNASUR makes up the largest trading bloc after NAFTA and the EU. Similar to NAFTA and the EU, UNASUR aims to eliminate all tariffs between nations by 2019.

Impact of culture on marketing strategy:

- Companies that understand cultural nuances can
 - Avoid expensive and embarrassing mistakes
 - Take advantage of cross-cultural opportunities

Deciding whether to go global:

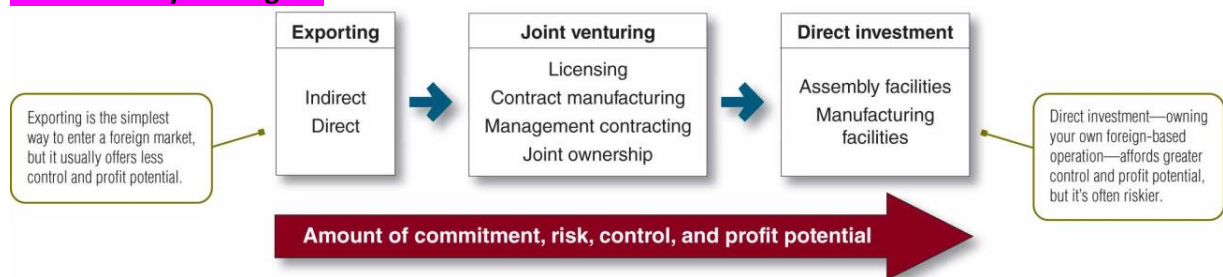
- Factors influencing the decision:
 - Attacks on a company's home market by global competitors
 - Expanding customer base in international markets
 - Better opportunities for growth

Deciding which markets to enter:

- A company should
 - Define its international marketing objectives and policies
 - Decide what volume of foreign sales it wants
 - Choose in how many countries it wants to market
 - Determine the types of countries to enter
 - Evaluate each market

Objective 15.2: describe three key approaches to entering international markets:

Market entry strategies:



- The simplest way to enter a foreign market is through **exporting**. **Indirect exporting** involves less investment because the firm does not require an overseas marketing organization or network. Sellers may eventually move into **direct exporting**, whereby they handle their own exports. Investment and risk are greater in this strategy, but so is the potential return.
- **Joint venturing** involves entering foreign markets by joining with foreign companies to produce or market a product or service. There are four types of joint ventures. **Licensing** involves entering foreign markets by developing an agreement with a licensee in the foreign market. **Contract manufacturing** occurs when a company contracts with

manufacturers in a foreign market to produce its product or provide its service. With **management contracting**, a domestic firm supplies know-how to a foreign company that supplies the capital. The final type of joint venture is known as **joint ownership**. This refers to a cooperative venture in which a company creates a local business with investors in a foreign market, who share ownership and control.

- **Direct investment** refers to entering a foreign market by developing foreign-based assembly or manufacturing facilities. If a company has gained experience in exporting and if the foreign market is large enough, foreign production facilities offer many advantages. However, the firm faces many risks, such as restricted or devalued currencies, falling markets, or government changes.

Objective outline 15.3: explain how companies adapt their marketing strategies and mixes for international markets

Deciding on the global marketing program:

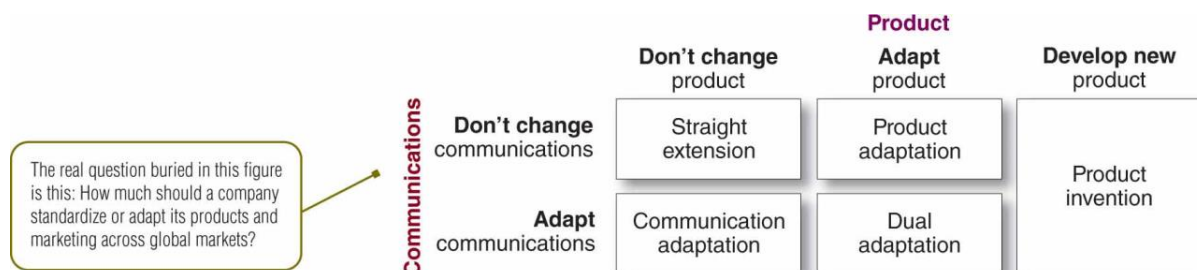
Standardized global marketing

- Using the same marketing strategy and mix in all of the company's international markets

Adapted global marketing

- Adjusting the marketing strategy and mix elements to each international target market
 - Creates more costs
 - Produces a larger market share and return

Five global product and communications strategies:



- **Straight product extension** involves marketing a product in a foreign market without making any changes to the product.
- **Product adaptation** involves adapting a product to meet local conditions or wants in foreign markets.
- **Communication adaptation** is a global communication strategy of fully adapting advertising messages to local markets. Media also need to be adapted internationally because media availability and regulations vary from country to country.
- **Product invention** consists of creating something new to meet the needs of consumers in a given country.

Promotion:

- Global companies often have difficulty crossing the language barrier.
- Communication adaptation
 - A global communication strategy of fully adapting advertising messages to local markets.

Price:

- Companies face many considerations in setting their international prices. The company could set a uniform price globally, but this amount would be too high of a price in poor countries and not high enough in rich ones. The company could charge what consumers in each country would bear, but this strategy ignores differences in the actual costs from country to country. Finally, the company could use a standard markup of its costs everywhere, but this approach might price the company out of the market in some countries where costs are high. Hence, regardless of how companies go about pricing their products, their foreign prices might be higher than their domestic prices for comparable products.
- Companies must add the cost of transportation, tariffs, importer margin, wholesaler margin, and retailer margin to their factory price. Depending on these added costs, the products may have to sell for two to five times as much in another country to make the same profit. To overcome this problem when selling to less affluent consumers in developing countries, many companies make simpler or smaller versions of their products that can be sold at lower prices. Others introduce new, more affordable brands in global markets.

Whole channel concept for international marketing:



- A **whole-channel view** refers to designing international channels that take into account the entire global supply chain and marketing channel, forging an effective global value delivery network.
- The figure shows the two major links between the seller and the final buyer.
- The first link, **channels between nations**, moves company products from points of production to the borders of countries within which they are sold.
- The second link, **channels within nations**, moves products from their market entry points to the final user or buyer.
- Channels of distribution within countries vary greatly from nation to nation. There are large differences in the numbers and types of intermediaries serving each country market and in the transportation infrastructure serving these intermediaries.

Objective 15.4: identify the three major forms of international marketing organization

Deciding on the global marketing organization:

- Companies manage their international marketing activities in at least three different ways. Most companies first organize an export department, then create an international division, and finally become a global organization.

- A firm gets into international marketing by simply shipping out its goods. If its international sales expand, the company will establish an **export department** with a sales manager and a few assistants.
- It will create **international divisions** or subsidiaries to handle all its international activity. International divisions are organized in a variety of ways. They can be **geographical organizations**, with country managers who are responsible for salespeople, sales branches, distributors, and licensees in their respective countries. The operating units can be **world product groups**, each responsible for worldwide sales of different product groups. And the operating units can be **international subsidiaries**, each responsible for their own sales and profits.
- Many firms have passed beyond the international division stage and are truly **global organizations**. As foreign companies successfully invade their domestic markets, companies must move more aggressively into foreign markets.

Chapter 16: sustainable marketing: social responsibility and ethics:

Objective outline 16.1: define sustainable marketing and discuss its importance

Sustainable marketing:



- The **marketing concept** recognizes that organizations thrive from day to day by determining the current needs and wants of target customers and fulfilling those needs and wants more effectively and efficiently than competitors do. It focuses on meeting the company's short-term sales, growth, and profit needs by engaging customers and giving customers what they want now.
- The **societal marketing concept** considers the future welfare of consumers.
- The **strategic planning concept** considers future company needs.
- The **sustainable marketing concept** calls for socially and environmentally responsible actions that meet both the immediate and future needs of customers and the company.

Objective outline 16.2: identify the major social criticisms of marketing

Social criticisms of marketing:

- Impact on Individual Consumers
- Impact on Society as a Whole
- Impact on Other Businesses

Marketing's impact on individual consumers:

- High prices
- Deceptive practices

- High-pressure selling
- Shoddy, harmful, or unsafe products
- Planned and perceived obsolescence
- Poor service to disadvantaged consumers

Marketing's impact on society:

- Critics do not view the interest in material things as a natural state of mind but rather as a matter of false wants created by marketing. Marketers, they claim, stimulate people's desires for goods and create materialistic models of the good life. In this view, marketing's purpose is to promote consumption, and the inevitable outcome of successful marketing is unsustainable overconsumption. Many observers predict a new age of more sensible consumption. As a result, instead of encouraging today's more sensible consumers to overspend their means, most marketers are working to help them find greater value with less.
- Business has been accused of overselling private goods at the expense of public goods. As private goods increase, they require more public services that are usually not forthcoming. A way must be found to restore a balance between private and public goods. One option is to make producers bear the full social costs of their operations. A second option is to make consumers pay the social costs. For example, many cities around the world are now charging congestion tolls in an effort to reduce traffic congestion.
- Critics charge the marketing system with creating cultural pollution. Marketers answer the charges of commercial noise with these arguments. First, they hope that their ads primarily reach the target audience. Second, because of ads, many television, radio, online, and social media sites are free to users. Thus, to hold consumer attention, advertisers are making their ads more entertaining and informative.

Marketing's impact of other businesses:

- Critics charge that a firm's marketing practices can harm other companies and reduce competition through acquisitions of competitors, marketing practices that create barriers to entry, and unfair competitive marketing practices. Firms are harmed and competition is reduced when companies expand by acquiring competitors rather than by developing their own new products. Acquisitions have caused concern that vigorous young competitors will be absorbed, thereby reducing competition. In some cases, acquisitions can be good for society. The acquiring company may gain economies of scale that lead to lower costs and lower prices. In addition, a well-managed company may take over a poorly managed company and improve its efficiency.
- Some marketing practices bar new companies from entering an industry. Large marketing companies can use patents and heavy promotion spending or tie up suppliers or dealers to keep out or drive out competitors. Those concerned with antitrust regulation recognize that some barriers are the natural result of the economic advantages of doing business on a large scale. Existing and new laws can challenge other barriers.
- Some firms have used unfair competitive marketing practices with the intention of hurting or destroying other firms. They may set their prices below costs, threaten to cut

off business with suppliers, discourage the buying of a competitor's products, or use their size and market dominance to unfairly damage rivals.

Objective outline 15.3: define consumerism and environmentalism and explain how they affect marketing strategies

Traditional rights:

Seller's rights	Buyer's rights
<ul style="list-style-type: none"> To introduce any product in any size and style with proper warnings and controls, if necessary 	<ul style="list-style-type: none"> To buy a product that is offered for sale
<ul style="list-style-type: none"> To charge any price for the product without any discrimination 	<ul style="list-style-type: none"> To expect the product to be safe
<ul style="list-style-type: none"> To spend any amount to promote the product if competing fairly 	<ul style="list-style-type: none"> To expect the product to perform as claimed
<ul style="list-style-type: none"> To use any product message that is not misleading or dishonest 	
<ul style="list-style-type: none"> To use buying incentive programs that are not unfair or misleading 	

- **Consumerism** is an organized movement of citizens and government agencies designed to improve the rights and power of buyers in relation to sellers.
- Traditional sellers' rights include the right to introduce any product in any size and style, provided it is not hazardous to personal health or safety, or, if it is, to include proper warnings and controls; the right to charge any price for the product, provided no

discrimination exists among similar kinds of buyers; the right to spend any amount to promote the product, provided it is not defined as unfair competition; the right to use any product message, provided it is not misleading or dishonest in content or execution; and the right to use buying incentive programs, provided they are not unfair or misleading.

- Traditional buyers' rights include the right not to buy a product that is offered for sale, the right to expect the product to be safe, and the right to expect the product to perform as claimed.

Proposed consumer rights:

- To be well informed
- To be protected against questionable products and marketing practices
- To influence products and marketing practices to improve "quality of life"
- To consume in a way to preserve the world for future generations of consumers

Environmentalism:

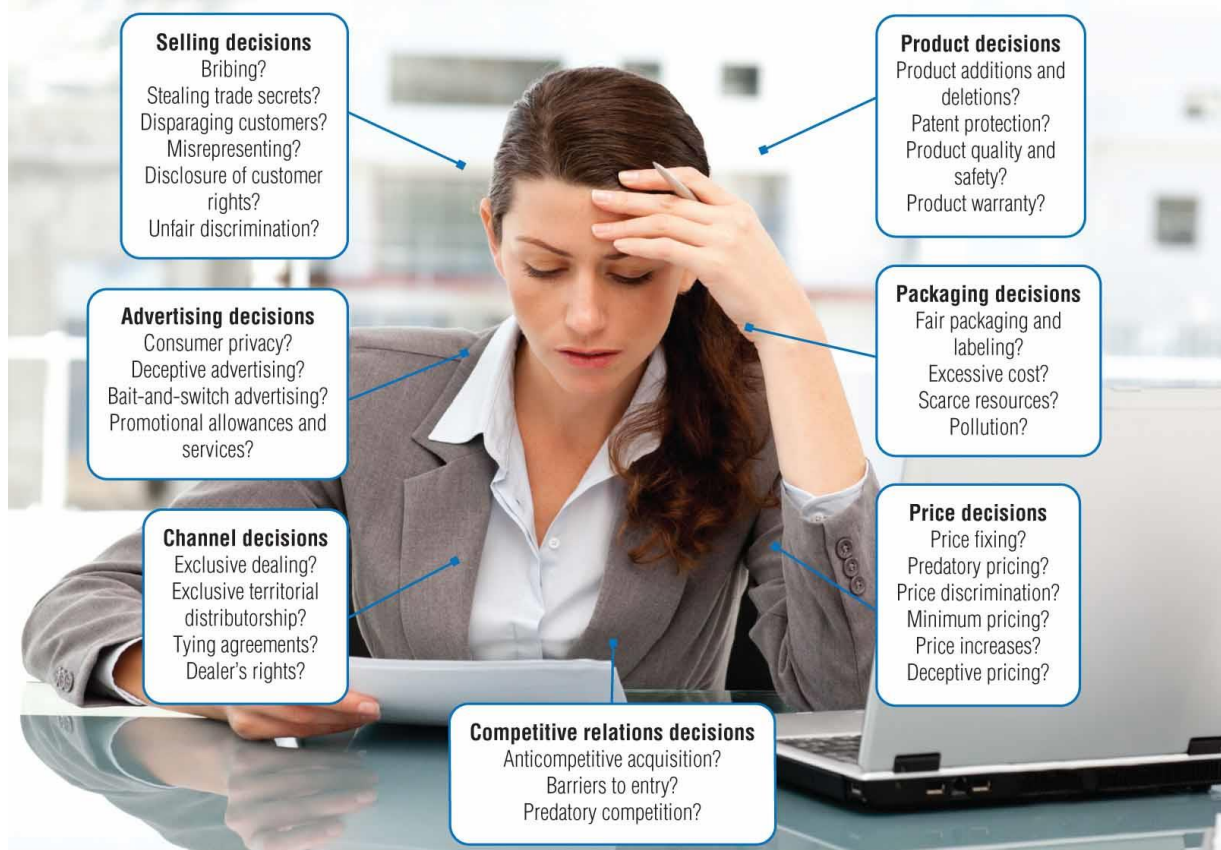
- **Environmentalism** is an organized movement of concerned citizens, businesses, and government agencies designed to protect and improve people's current and future living environment.
- Environmentalists are concerned with marketing's effects on the environment and the environmental costs of serving consumer needs and wants. They want people and organizations to operate with more care for the environment.
- Environmentalism is concerned with damage to the ecosystem caused by global warming, resource depletion, toxic and solid wastes, litter, the availability of fresh water, and other problems. Other issues include the loss of recreational areas and the increase in health problems caused by bad air, polluted water, and chemically treated food.
- Concerns related to the environment have resulted in federal and state laws and regulations governing industrial commercial practices impacting the environment.
- In recent years, most companies have accepted responsibility for doing no harm to the environment. More and more companies are now adopting policies of environmental sustainability. **Environmental sustainability** is a management approach that involves developing strategies that both sustain the environment and produce profits for the company.

Environmental sustainability and sustainable value

	Today: Greening	Tomorrow: Beyond Greening
Internal	Pollution prevention Eliminating or reducing waste before it is created	New clean technology Developing new sets of environmental skills and capabilities
External	Product stewardship Minimizing environmental impact throughout the entire product life cycle	Sustainability vision Developing a strategy framework for creating sustainable value

This framework addresses more than just natural environmental challenges. It also points to opportunities for creating sustainable value for markets and the firm through environmentally sustainable strategies and practices.

Major marketing decisions areas that may be called into question under the law



Objective outline 16.4: describe the principles of sustainable marketing

Sustainable marketing principles:

Consumer-oriented marketing

- Viewing and organizing a company's marketing activities from the consumer's point of view

Customer value marketing

- Putting most of a company's resources into customer value-building marketing investments

Innovative marketing

- Seeking real product and marketing improvements

Sense-of-mission marketing

Defining a company's mission in broad social terms

Societal marketing

- Making marketing decisions by considering
 - Consumers' wants
 - Company's requirements
 - Consumers' long-run interests

- Society's long-run interests

Societal classification of product:



- **Deficient products**, such as bad-tasting and ineffective medicine, have neither immediate appeal nor long-run benefits.
- **Pleasing products** give high immediate satisfaction but may hurt consumers in the long run. Examples include cigarettes and junk food.
- **Salutary products** have low immediate appeal but may benefit consumers in the long run. Bicycle helmets or some insurance products are examples.
- **Desirable products** give both high immediate satisfaction and high long-run benefits, such as a tasty and nutritious breakfast food.
- Companies should try to turn all of their products into desirable products. The challenge posed by pleasing products is that they sell very well but may end up hurting the consumer. The product opportunity, therefore, is to add long-run benefits without reducing the product's pleasing qualities. The challenge posed by salutary products is to add some pleasing qualities so that they will become more desirable in consumers' minds.

Objective outline 16.5: explain the role of ethics in marketing:

Some morally difficult situations in marketing

1. Your R&D department has changed one of your company's products slightly. It is not really “new and improved,” but you know that putting this statement on the package and in advertising will increase sales. What would you do?
2. You have been asked to add a stripped-down model to your line that could be advertised to pull customers into the store. The product won't be very good but salespeople will be able to switch buyers who come into the store up to higher-priced units. You are asked to give the green light for the stripped-down version. What would you do?
3. You are thinking of hiring a product manager who has just left a competitor's company. She would be more than happy to tell you all the competitor's plans for the coming year. What would you do?
4. One of your top dealers in an important territory recently has had family troubles and his sales have slipped. It looks like it will take him a while to straighten out his family problems.

Meanwhile, you are losing many sales. Legally, on performance grounds, you can terminate the dealer's franchise and replace him. What would you do?

5. You have a chance to win a big account in another country that will mean a lot to you and your company. The purchasing agent hints that a "gift" would influence the decision. Such gifts are common in that country and some of your competitors will probably make one. What would you do?

6. You have heard that a competitor has a new product feature that will make a big difference in sales. The competitor will demonstrate the feature in a private dealer meeting at the annual trade show. You can easily send a snoop to this meeting to learn about the new feature. What would you do?

7. You have to choose between three advertising and social media campaigns outlined by your agency. The first (a) is a soft-sell, honest, straight-information campaign. The second (b) uses emotion-loaded appeals then exaggerates the product's benefits. The third (c) involves a noisy, somewhat irritating commercial and pop-ups that are sure to gain audience attention. Pretests show that the campaigns are effective in the following order: c, b, and a. What would you do?

8. You are interviewing a capable female applicant for a job as salesperson. She is better qualified than the men who have been interviewed. Nevertheless, you know that in your industry some important customers prefer dealing with men and you will lose some sales if you hire her. What would you do?

Marketing ethics:

- Corporate marketing ethics policies should be developed by firms as guidelines for handling various issues and dilemmas.
 - Distributor relations
 - Advertising standards
 - Customer service
 - Pricing
 - Product development
 - General ethical standards
- Principles are needed to guide companies and marketing managers on issues of ethics and social responsibility.
 - The free market and the legal system should decide such issues.
 - Responsibility is in the hands of individual companies and managers.
- Addressing ethics helps build strong customer relationships based on honesty and trust.

Mission of the CMA:

To create an environment which fosters the responsible growth of marketing in Canada by:

1. Representing the interests of our members on key issues;
2. Taking a leadership role in identifying, planning for, and reacting to issues affecting marketing in Canada, and
3. Influencing and shaping policy initiatives which impact marketing, through education of government, media, special interest groups, and the public;
4. Establishing and promoting ethical standards of practice for marketing and taking an active role in ensuring compliance;
5. Promoting integrity and high standards of business conduct among our members in the interests of consumers and each other;

6. Being a major source of knowledge, marketing intelligence, and professional development; and
7. Providing opportunities for members to meet, network, exchange information, and do business together.

Ten privacy principles:

1. Accountability
2. Identifying Purposes
3. Consent
4. Limiting Collection
5. Limiting Use, Disclosure, and Retention
6. Accuracy
7. Safeguards
8. Openness
9. Individual Access
10. Challenging Compliance

The sustainable company

- Sustainable companies create value for customers through socially, environmentally, and ethically responsible actions.

Sustainable marketing provides the context in which companies can build profitable customer relationships