MBA 625 – MARKETING & E-COMMERCE

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Course Outline

Course Description

This course allows students to explore various aspects of both traditional and e-commerce/digital marketing principles from both an academic and a practical applications perspective. Course topics include market-oriented strategic planning, marketing research and information systems, buyer behavior, target market selection, competitive positioning, pricing, distribution, and integrated marketing communications—including online/offline advertising, public relations, social media, direct marketing, and sales promotions.

Through a combination of interactive discussions, case study analyses, practical examples, and individual assignments, the course applies marketing topics to consumer and business-to-business products, services, and nonprofit organizations. Students gain significant experience in communicating and defending their marketing recommendations in both written and oral formats.

Course Learning Outcomes

Upon successful completion of this course, students will be able to:

1. Analyze and evaluate internal and external marketing forces that affect companies' success and understand the function of market research.
2. Analyze business to consumer (B2C) and business to business (B2B) buying behavior and the new product development process.
3. Evaluate retailing and wholesaling strategies and analyze methods companies use to promote their products and services.
4. Analyze unique marketing considerations for global companies.
5. Analyze and evaluate e-commerce/digital business models and marketing strategies.

Types of Assessment Planned

Discussions in class and online, written assignments, case studies, individual presentations and final exam.

Guidelines

Discussions:
Responses should rely upon at least three sources from professional literature. These may include library resources, relevant textbooks, peer-reviewed journal articles, and websites created by professional organizations. Discussions should be presented/posted in a clear, organized

manner—APA format with accurate spelling, grammar, and punctuation.

Assignments:

All written assignments should follow APA formatting guidelines. Assignments should include at least 4- 5 pages and have 3-4 scholarly sources. Assignments should be presented in a clear, organized manner with accurate spelling, grammar, and punctuation.

Core Competencies Planned

1- Critical Thinking

- Raise vital questions and problems, formulating them clearly.
- Gather and assess relevant information; using abstract ideas to interpret it effectively coming to well-reasoned conclusion and solution.
- Communicate effectively with others in solving complex problems.

2- Information Literacy

- Determine the nature and amount of information needed.
- Access the needed information effectively and efficiently.
- Evaluate information and its sources critically and incorporate selected information into knowledge base and value system.
- Understand many of the economic, legal and social issues surrounding the use of information; access and use information ethically and legally.

3- Writing

- Generate relevant and sufficient content.
- Organize his/her thoughts coherently.
- Adhere to the conventions of correct mechanics and sentence structure.
- Use correct terminology and vocabulary for fulfilment of graduate level standards.

4- Oral

- Analyze and critically evaluate arguments that are appropriate to the discipline or project.
- Provide and receive constructive criticism.
- Articulate and transmit information clearly between groups.

5- Quantitative

- Interpret mathematical formulas, graphs, tables and draw inferences from them.
- Present research information symbolically, visually, numerically, and verbally.

Term Project – Presentation

Prepare a 15-minute oral presentation on one of the following topics. Your presentation should include screen shots that illustrate your points and appropriate references to back up your position.

1. Choose an e-commerce company and assess it in terms of the e-commerce technology features listed below. Which of the features does the company implement well and which features need improvement? Make suggestions for areas where the company could improve.
    - Ubiquity – the e-commerce technology is available on all platforms including mobile.
    - Global reach – the technology reaches across national boundaries.
    - Richness – Video, audio, graphics are used.
    - Interactivity – Interaction by users is facilitated.
    - Information density – Content provides useful information to engage consumers and prospects.
    - Social technology – User-generated content is facilitated and social networks are appropriately used.

2. Research the internet for an example of each of the major types of e-commerce listed below. In your presentation, describe each company and explain why/how it fits into the category of e-commerce to which you have assigned it. Identify the target market for each company and briefly describe its strategy for engaging customers.

    - B2C – business to consumer
    - B2B – business to business
    - C2C – consumer to consumer
    - M-commerce – mobile e-commerce
    - Social e-commerce
    - Local e-commerce

3. Research the internet for an example of the major types of B2C business models listed below. In your presentation, describe each company, explain how it operates, and describe its revenue model (how it makes money), and how it fits into the category which you have assigned it. What factors make each company successful or not successful?

    - E-tailer – online retail stores
    - Community provider – sites where individuals with particular interests can meet online
    - Content provider – offers news, information, music, games, etc.
    - Portal – offers an integrated package of content, search, and social network services, news, email, chat, etc.
    - Market creator – brings buyers and sellers together
    - Service provider – sells services rather than products

Schedule of Lesson Topics

Week 1

Creating Customer Value and Engagement
Company and Marketing Strategy
Analyzing the Marketing Environment
Managing Marketing Information

Lesson Objective

Analyze and evaluate internal and external marketing forces that affect companies' success and understand the function of market research.

Homework

Discussion:

1. Go to a company, organization, or specific brand's website that has a link to Facebook, YouTube, Twitter, and/or Pinterest. Describe how that organization is using social media to market its products or services. Evaluate its effectiveness and make suggestions for other things that might be done.

2. Search the internet for information about careers in marketing. What are the different options and skills, education, and experience required. Which of these, if any, would be appealing to you?

3. Why is it important for all individuals in an organization to be aware of its marketing strategy? What role in marketing do different departments play—i.e. customer service, finance, human resources, etc.

4. Research a large company that has a significant brand portfolio. List its major brands and explain the rationale for the company's choices. What advantages does a company look for as it expands its brand portfolio?

Assignment:

1. Choose a company that you feel has a successful online and social media strategy. Describe in detail this company's target market and explain how they engage customers. Cite specific links and examples that illustrate your arguments.

2. Select three companies that compete in the same product or service category. How does each differentiate and position itself and how do they execute these strategies in their online and offline marketing mix? What suggestions would you have for each company?

3. Choose a company you are familiar with to research. Analyze that company's current strengths, weaknesses, opportunities and threats. Provide recommendations in each category.

Reading:

Chapters 1-4 – Armstrong & Kotler

Resources:

Pearson Video Library

Creating and Capturing Customer Value
Company and Marketing Strategy
Analyzing the Marketing Environment
Managing Marketing Information

Current Online Videos and Websites

See Supplemental Readings list and embedded links in PowerPoint presentations (to be updated as needed).

Section Review

Creating Customer Value and Engagement

What is marketing? Simply put, marketing is managing profitable customer relationships. The aim of marketing is to create value *for* customers and to capture value *from* customers in return. The five steps in the marketing process are:

1. Understanding the marketplace and customer needs
2. Designing customer value-driven marketing strategies
3. Constructing integrated marketing programs
4. Engaging customers, building profitable relationships and creating customer delight.
5. Capturing value for the organization.

Each company must decide how it will differentiate and position itself. A brand's ***value proposition*** is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

Companies vary greatly in their approach to marketing because of many factors including their product mix and company philosophy. The five major ***marketing management orientations*** are:

1. ***Production Concept:*** Company strives to create products that are available and highly affordable. Production and distribution efficiency are the focus.
2. ***Product Concept:*** Company creates products that offer the most quality, performance and features. Focus is on continuous product improvement.

3. ***Selling Concept:*** The idea that customers will not buy enough of the firm's products or services unless the firm takes a large scale selling and promotion effort.
4. ***Marketing Concept:*** Focuses on knowing the needs and wants of target markets and delivering products better than competitors.
5. ***Societal Marketing Concept:*** Belief that a company's marketing decisions should consider consumer' wants, the company's requirements, consumers' long-term interests, and society's long term interests.

Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value, service, and satisfaction. There are many tools that companies use to accomplish this including ***frequency marketing programs, customer-engagement marketing, digital and social media,*** and ***customer loyalty programs.***

Customer equity is the total combined customer lifetime values of all the company's current and potential customers. Companies work to maximize this by strategically building the right relationships with the right customers.

Digital and social media marketing using tools such as websites, mobile apps and ads, online video, email and blogs allow companies to engage consumers anywhere at any time. Marketing has shifted from pure promotion to ***content marketing*** which provides consumers with useful and wanted information.

Sustainable marketing is the ever-growing push for companies to develop ***environmental*** and ***social responsibility*** initiatives. Corporate ethics have become priorities for almost every business.

Company and Marketing Strategy

Marketing plays a major role in any company's ***strategic planning process.*** From developing a mission statement to designing and managing the business portfolio, marketing departments must partner with other departments as the company's ***strengths, weaknesses, opportunities and threats (SWOT)*** are identified and analyzed. In addition, consideration must be given to and input acquired from ***stakeholders*** such as ***suppliers, marketing intermediaries, and competitors.***
Share of customer refers to the portion of the market that a company has captured in a particular category.
Marketing segmentation is grouping consumers based on ***geographic, demographic, psychographic and behavioral factors. Target marketing*** is selecting which segments it will be the most profitable for a company to enter. ***Positioning*** is the clear, distinctive, and desirable place a company, product, or brand occupies in the minds of consumers.

The marketing mix, often referred to as the four Ps, consists of a company's ***product, price, place (where it is available), and promotion. A marketing plan*** consists of the following sections:

1. Executive summary
2. Current marketing situation
3. Threats and opportunities analysis
4. Objectives and issues
5. Marketing strategy
6. Action programs
7. Budgets
8. Controls

In order to justify expenditures of company resources and time, marketing must always deliver a ***return on investment.***

The Marketing Environment

Marketing does not operate in a vacuum but rather in a complex and changing environment. First there is the company's ***microenvironment***—all the stakeholders close to the company that affect its ability to create value for and relationships with customers. These include suppliers, intermediaries, customers, competitors, publics, and others that may work with or against the company.

The ***macro environment*** is the broader forces that affect the elements in the microenvironment. These major ***environmental forces—demographic, economic, natural, technological, political, and cultural***—shape marketing opportunities, pose threats, and affect the company's ability to build customer relationships. To develop effective marketing strategies, companies must understand the environment in which they are operating.

Demographic, geographic, and cultural shifts are rapidly changing the marketplace. The rise of younger generations such as the Millennials and Generation Z, the changing shape of the American family, increased diversity, and the trend of movement to southern and coastal areas all must be considered as companies develop new products and marketing strategies.

The economic environment also impacts all aspects of marketing as we saw in the recession of 2008. In addition, the ***natural environment*** and increasing natural disasters such as hurricanes, tornadoes, wildfires, and pollution must be considered. At the same time***, advances in technology*** challenge companies to stay on the cutting edge of these new developments. Marketing departments in particular must stay abreast of the fast-growing world of online, mobile, and social media marketing in all industries.

Shifts in ***political control*** bring more or fewer government regulations that affect companies' abilities to compete in the marketplace. ***Societal beliefs*** **and values** can also change (such as the trend to healthier eating and the more recent acceptance of gay marriage) All of these bring challenges but also opportunities for companies with products and services to sell.

With the rise of ***social media***, consumers have been empowered to voice their opinions about companies, products, and brands. No longer can a company with inferior customer service or shoddy products hide out. In addition, the ***sharing economy*** with the rise of companies like Uber and Airbnb are threatening competitors like traditional taxi services and hotels.

Managing Marketing Information

Marketing information is critical as companies attempt to compete in an ever-crowded global marketplace. ***Big data*** refers to the huge, complex data sets generated by today's very sophisticated information generation, collection, storage, and analysis technologies. Smart marketers now know more about their customers than ever before. Highly technical ***marketing information systems (MIS)*** consist of people and procedures dedicated to determining information needs, developing the needed information, and helping decision makers use the information to gain actionable marketing insights.

Marketing information consists of the following:

- ***Internal data***—resides within the company's proprietary networks and contains information such as customer contact information, purchase history, sales reports, customer service issues, etc. Customer relationship management systems (CRM) are internal databases that capture and track information at each possible customer touch point. Sophisticated software and analysis tools such as Salesforce.com, Oracle, and Microsoft integrate customer and marketplace information from all sources. This not only enables companies to have access to internal information on customers, but it also allows firms to serve consumers better.
- ***Competitive Marketing Intelligence***—monitoring, collecting, and analyzing publicly available information about consumers, competitors, and developments in the marketplace. The advent of social media has been a boon for marketers in this area.

Companies often need to initiate focused ***marketing research*** studies to gain customer insights in order to make specific marketing decisions in such areas as new product development, specific promotional strategies, discontinuing production of an older product, or entering a new target market or geographic area.

Market Research

Marketing research consists of these steps:

- Defining the problem and the research objectives
- Developing the plan for collecting the information
- Gathering the ***secondary data*** that already exists that is relevant to the objectives
- Collecting ***primary (new) data***
- Collecting and analyzing the data
- Interpreting and reporting the findings

Approaches to market research vary. Market research can be classed as ***quantitative*** (measurable by quantities or numbers) or ***qualitative*** (characterized by descriptors). The most widely used method is ***survey research*** which has been made much easier by the internet and websites like SurveyMonkey.com. Focus groups are personal interviews in which the facilitator focuses a carefully selected group of participants on specific issues related to the research objectives.

Marketing research is not just for large companies. Small firms and non-profit organizations are also implementing market research initiatives in order to know their customers/clients better and to assist them in meeting their objectives.

An issue in this era of big data is consumer privacy. With the advent of security breaches at major firms, this is sure to be a continuing area of concern.

Week 2

Understanding Consumer and Business Buyer Behavior
Customer Value-Driven Marketing Strategy
Products, Services, and Brands
New Product Development and the Product Life Cycle

Lesson Objective

Analyze business to consumer (B2C) and business to business (B2B) buying behavior and the new product development process.

Homework

Discussion:

1. The use of ***big data*** has become a major factor for today's successful companies. While some see big data as a holy grail, others are concerned about consumer privacy and security. Read this article on big data and formulate your opinions about its use. Is it being misused? If so where? As a consumer, are you troubled by the amount of information that is available about you on the internet or do you feel you are better served if companies know more about you?

2. The single most important demographic trend in the U.S. is the changing age structure of the population. Identify each of the four largest groups and give specific examples that demonstrate how companies are differentiating their products, services, and marketing efforts to capture customers in these four groups. In addition to these four groups, what subgroups can be targeted by companies that wish to address more specific ***niches?***

3. Imagine that you have an idea for a new product or service. Describe your product and your target market, and then outline the information you will need as you develop, launch, and market it. Outline the research steps you will go through, what relevant secondary data sources are available, what primary research you will need to do and what methods you will use.

Assignment:

1. The sharing economy has made it possible for newcomers to the market place to challenge. **Read this article on the sharing economy from Forbes**, and choose one company for your analysis. In your paper, answer the following questions:

   - What is the company's value proposition?
   - Which traditional companies/sectors are being disrupted by this company's existence?
   - What is the "barrier to entry" for potential competitors?

- How does the company you chose empower its customers?
- What must the company do if it is to stay competitive in the future?

2. ***Content marketing*** has become a way for companies to engage customers. Read this article on content marketing. Choose a company and create three examples of how that company might create content that consumers would find valuable. You will actually be creating the marketing copy. Explain the benefits for the company of doing this kind of online marketing.

3. ***Sustainable marketing*** and ***corporate social responsibility*** have become more and more important for companies as consumers embrace social values and want companies they do business not just to provide good products but also to be good corporate citizens. Choose two companies that exemplify this trend and explain how they are implementing these concepts in their marketing. Analyze the benefits the companies derive from these efforts. Provide specific examples and give recommendations about other initiatives these companies might take.

Reading:

Chapters 5-8 – Armstrong & Kotler

Resources:

Pearson Video Library

Consumer Behavior
Marketing Strategy
Products, Services, and Brands
New Product Development and Life Cycle Strategy

Current Online Videos and Websites

See Supplemental Readings list and embedded links in PowerPoint presentations (to be updated as needed).

Section Review

Understanding Consumer and Business Buyer Behavior

The goal of marketing is to affect how customers think about and behave toward the organization and its market offerings. To affect the *whats, whens,* and *hows* of buying behavior, marketers must first understand the *whys*.

These are the major factors that influence consumer behavior:

- Culture, subculture, and social class
- Social factors including groups and social networks, family, roles and status
- Personal factors including age and life-cycle stage, occupation, economic situation, lifestyle, personality and self-concept

- Psychological factors such as personal motivation, perception, desire for learning, and beliefs and attitudes

When it comes to consumer behavior, the science of marketing has been greatly influenced by the work of psychologists. Abraham Maslow created a theory that people have a ***hierarchy of needs***—physiological needs (hunger and thirst), safety needs (security and protection), social needs (love and a sense of belonging), esteem needs (recognition and status), and self-actualization needs (self-development and realization). Marketers consider these as they develop their marketing strategies and messages.

The ***buyer decision process*** consists of the following steps:

- Need recognition
- Interest
- Evaluation
- Trial
- Adoption (Purchase)

When it comes to ***adoption of new products***, these are the stages:

- Awareness
- Information search
- Evaluation of possible alternatives
- Purchase decision
- Post purchase buyer behavior

Marketing must consider these different stages and tailor their messages and strategies accordingly.

People adopt new products at different rates because of their willingness to try new things and take risks and their interest in the product or service. In general, adoption tendencies fall in a bell curve with a small percentage of ***innovators*** and ***early adopters*** purchasing first, followed by ***early and late mainstream adopters***, and finally the ***lagging adopters***.

Business Markets (B2B)

Business buyers and their suppliers are dependent upon each other, and many companies have ***supplier development*** efforts to help companies that supply them with raw materials to make their products or provide them with products to resell. The main differences between B2C markets and B2B markets are the B2B market structure and demand, the buying unit, and the decision processes involved.

The business market generally has far fewer buyers but they are larger. Business markets are driven by ***derived demand*** from the consumer market. Business purchases usually involve more decision makers and a more professional purchasing process. They are also more complex than B2C.

The B2B market is much larger than the consumer market both in dollars spent and in items purchased. As with the consumer market, B2B marketers mush engage business customers and build relationships with their customers.

Major companies have ***approved vendor lists*** which consist of suppliers of goods and services that meet specific criteria. The three types of business buying situations are:

- **Straight rebuy** – repurchase of the exact product that the business has bought before.
- **Modified rebuy** – purchase of a similar item that a company purchased before with some modification in product specifications, prices, terms, etc.
- **New task** – purchase of a product or service for the first time
- **Systems or solutions** – purchasing a complete solution to a problem from a single seller.

B2B buying centers are generally made up of many decision makers from different parts of the company. As an example, in a complex purchase for a new product that the company is developing, the team may involve people from the research & development team, the marketing department, the finance department, and the purchasing department.

B2B decision processes generally follow a sequential set of steps:

- Problem recognition
- Description of need
- Product specification dimensions
- Supplier search (often includes requests for information or RFI)
- Proposal solicitation (request for proposal or RFP)
- Supplier Selection
- Order Routine Specification
- Supplier Performance Review

Businesses no longer have to rely on mail, telephone and fax to purchase products. With the internet, it has become easy to submit and confirm orders through ***e-procurement.*** In addition, ***online auctions*** and ***trading exchanges*** have empowered companies to find suppliers more easily and efficiently. Some companies have created their own ***company buying sites*** where they post their needs and requirements. ***Vendor-managed inventory systems (VMI***) now allow suppliers access to their customers inventory systems so that restocking is automated and ***just-in-time inventory*** is assured.

B2B digital and social media marketing is exploding as marketers use blogs, mobile apps, e-newsletters, LinkedIn, and Google+ to engage customers and deliver their message. YouTube has become one of the largest search engines and enables marketers to introduce and deliver new products as well as provide demonstrations.

Segmentation

Major B2C segmentation variables include:

- ***Geographic*** – nations, regions, states, counties, cities, neighborhoods, population size, climate
- ***Demographic*** – age, life-cycle stage, gender, income, occupation, education, religion, ethnicity, generation
- ***Psychographic*** – social class, lifestyle, personality
- ***Behavioral*** – benefits, user status, loyalty status, purchase occasion

Companies further divide these segments into specific target markets for specific products and services and to accomplish the company's objectives.

B2B marketers use additional variables including company characteristics, purchasing approaches, and situational factors. Because B2B purchasing is ultimately between people, B2B marketers much also consider personal characteristics of their customers and prospects.

Whether it is a B2B, a B2C, or an international market, effective segmentation must be:

- Measurable
- Accessible
- Substantial
- Differentiable
- Actionable

Approaches to marketing include ***concentrated marketing or niche marketing*** in which a company goes after a large share of a small segment. ***Micromarketing*** attempts to tailor products and marketing for individuals and locations. E-commerce advances such as mobile marketing, apps, and e-newsletters have given companies extraordinary power to micro market.

Companies must be very clear on the ***value proposition*** it offers. Consumers essentially ask, "Why should I buy this, and why should I buy it from you?" ***Differentiation*** and ***positioning*** refer to the way the product or service is defined in the minds of customers and potential customers. By focusing on how they are different from competitors, companies create ***competitive advantage.*** Value proposition and competitive advantage are expressed in a brand's ***positioning statement.***

Products, Services and Brands

Products can be defined as anything offered to a market for attention, acquisition, use, or consumption. Using that definition, products also include services, experiences, events, persons, places, organizations, and even ideas. All of these categories need marketing.
Products consist of the actual product but also include things like after sales service and support, packaging, warranties, and even credit/financial terms.

There are two broad product categories—***consumer products and industrial products*** which are sold B2B. Consumer products fall into four broad categories:

- ***Convenience products*** – mass production, low cost products that are frequently purchased and involve little or no comparison or shopping effort by the consumer. Examples would be items like soap, paper products, toothpaste, etc.
- ***Shopping products*** – higher cost, selectively distributed products purchased less frequently which entail planning and shopping effort including comparison of brands. Examples would be cars, electronic items, major appliances, etc.
- ***Specialty products*** – expensive products purchased because of the consumer's strong brand preference. Price is generally not a big issue in the purchase of specialty products. Examples include Rolex watches, Coach handbags, Tiffany jewelry.
- ***Unsought products*** – products for which consumers have little awareness or knowledge so aggressive advertising and personal selling is necessary. Examples are life insurance.
- Organizations, persons, places, and ideas also need marketing. In recent years, marketing for non-profits has become extremely important in a crowded field where many entities compete for donations and volunteer time.

As companies develop new products, they consider several aspects:

- Product attributes
- Branding
- Packaging
- Labeling
- Product support and features

Product quality is one of the marketer's major positioning tools. ***Total quality management (TQM)*** is a company-wide effort to improve the quality of the company's products and services. ***Product features*** can differentiate a product from its competitors or its sister products. A company wishing to offer a lower cost version of one of its products can create a stripped down model for a slightly different target market. Another differentiator is ***product style and design.***

Product lines are a closely related group of products that are sold to the same customer groups and distributed through the same set of wholesalers and retailers. The ***product mix or product portfolio*** of a company consists of all of its product lines. Consider companies like Proctor and Gamble and Kraft.

Services differ from tangible products in several ways:

- ***Intangibility*** – services cannot be seen, tasted, felt, heard or smelled.
- ***Variability*** – the quality of the service depends of the person who is providing it
- ***Inseparability*** – services cannot be separated from their providers
- **Perishability** – services cannot be stored for later sale or use

Just as with tangible products, service providers must establish a value proposition and differentiate or position their offerings in the minds of consumers.

Branding

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. Brands have meaning that go beyond a product's physical characteristics, for example, Nike and Starbucks. ***Packaging and labelling*** also contribute to a company's brand image.

Brands must be carefully positioned in consumers' minds through strategic marketing activities. Strong brands are said to have ***brand equity*** which is value beyond the actual product—in essence, the brand alone is a valuable asset. Major brand strategy decisions include:

- ***Brand positioning*** – What attitudes, benefits, beliefs and values does the brand hold?
- ***Brand name selection*** – How will the name be chosen and protected?
- ***Brand sponsorship*** – Who will have the ability to sell the brand?
- ***Brand development*** – What new products and lines can be created from the original brand.

New Product Development and the Product Life Cycle

Companies obtain new products by new ***product development initiatives*** by their own research and development departments and/or by ***acquisition*** of products from other companies. These are the major stages in new product development:

- Idea generation
- Idea screening
- Concept development and testing
- Marketing strategy development
- Business analysis
- Product development
- Test marketing
- Commercialization

Ideas for new products can come from internal sources but more frequently are coming from outside the company through internet initiatives on company websites and social media sites. Distributors and retailers, because of their closer proximity to consumers, can be valuable sources of ideas. In addition, a company's suppliers can also contribute viable ideas.

Open innovation new product idea programs are gaining in importance as companies compete to create the latest and the greatest for the marketplace. Many third-party websites like have been created to accomplish ***crowdsourcing*** to tap into a wider community for creative ideas. Quirky, an online community of 600,000 members, invites people to submit ideas some of which are then actually developed and marketing by the company. No matter where the idea comes from, market research is key to the success of any new product.

The major stages of a product's life, called the ***product life cycle,*** consist of:

- ***Introduction*** – product launch
- ***Growth*** – sales climb quickly if the product is successful
- ***Maturity*** – sales slow because most of the target market has already purchased the product.
- ***Decline*** – sales drop to a low level and the company must determine whether it is economically practical to continue to manufacture and market the product. At this point, the product may be sold off to a third party or discontinued completely.

When a product is successful, a company may try to leverage that success by creating different versions of the product, designing similar products, or adjusting its pricing, distribution, or promotion strategies.

Week 3

Pricing
Marketing Channels
Retailing and Wholesaling
Advertising and Public Relations

Lesson Objective

Evaluate retailing and wholesaling strategies and analyze methods companies use to promote their products and services.

Homework

Discussion:

1. **Select a consumer product or brand that is widely distributed. Describe the channels being used to market this product and explain how the company's channel strategy is designed to reach different target markets.**

2. **Think about the stores and websites where you shop. List the top three and explain their positioning and target market(s). How would each of these stores be categorized? (Review the categories in chapter 11 of your text.)**

3. **Read this article on dynamic pricing from the Wharton School of Business. What has been your experience in purchasing products with dynamic pricing? What are the dangers for companies in using such pricing?**

Assignment:

1. **The retail sector has been drastically affected by online sales. Select and research three retailers. Analyze their current situation and evaluate their marketing strategies. Make recommendations that could help them compete with online retailers.**

2. **More and more companies are using event marketing to engage customers and create community. Find three companies that are using this strategy successfully and analyze why and how events are working for them.**

3. **Visit a local mall and evaluate three stores. What type of retailer is each of these stores? What is the target market for each and how is it positioned? How do the atmospherics of each store enhance its positioning? What suggestions would you make for each store?**

Reading:

Chapters 9-12 – Armstrong & Kotler

Resources

Pearson Video Library

Consumer Value
Supply Chain
Retailing and Wholesaling
Advertising and Public Relations

Current Online Videos and Websites

See embedded links in PowerPoint presentations (to be updated as needed)

Section Review

Pricing

The price of a product is the sum of all values that a consumer must give up in order to purchase the product. In the example of a new car purchase, a buyer may be expected to pay specific fees for financing, service agreements, extended warranties, etc. All this is considered part of the price of owning the car.

Major pricing strategies are:

- ***Customer value pricing*** – uses buyers' perception of the value of a product in order to determine its price. Taking into consideration buyers' perceptions and attitudes, companies must be able to produce and sell products for that price while making return on investment for the company. If they can't, the product is not viable. Marketing's job is to convince consumers of the value of the product.
- ***Good-Value Pricing*** – offering the right combination of quality and good service at fair prices. Good value pricing is often called ***everyday low pricing (EDLP)*** which uses a constant fixed priced with few or no discounts. This type of pricing has become very popular since the recession of 2008-09.
- ***Value-Added Pricing*** – a strategy companies use to compete without cutting prices. Using this strategy, companies increase a product's value by adding features and services which differentiate their products from lower priced competing products and justify the higher price.
- ***Cost-based or markup pricing*** – A company sets the price of the product by adding a fixed amount to the cost of the product. Prices are based on the cost of producing, distributing, and selling the product plus a fair rate of return for the company's efforts and risks.
- ***Competition-based pricing*** – setting prices based on competitors' strategies, costs, pricing, and offerings.

Before setting prices, a company must consider its overall objectives. For example, company may use specific pricing strategies in order to enter a new market or geographic area, to retain current customers, or to gain a greater ***market share.***

Prices are said to be ***elastic*** or ***inelastic*** depending on how price changes affect demand. Producers of new products can adopt one of two pricing strategies. ***Price-skimming*** is policy in which prices are kept high at the beginning in order to make as much revenue as possible from early adopters of exciting new products such as the original Tesla. ***Market penetration pricing*** is when companies set an initial low price to penetrate the market quickly and deeply, thus gaining a large market share and accomplishing economies of scale in production.

Other product mix pricing strategies include:

- ***Product line pricing*** – setting prices across an entire product line; used by companies with large product portfolios.
- ***Optional product pricing*** – offering optional or accessory products that are sold with the main product *for* an additional cost.
- **Captive product pricing** – additional charges for items that must be sold with the main product.
- ***By-product pricing*** – pricing low-value by-products to get rid of or make money on them.
- ***Product bundle pricing*** – pricing groups of related products together.

Price adjustment strategies include:

- ***Discount and allowance pricing*** - reducing prices to reward customers for volume buying, paying early, or promoting the product.
- ***Segmented pricing*** – *Adjusting* prices for different customers or locations.
- ***Psychological pricing*** – Adjusting prices for psychological effect
- ***Promotional pricing*** – Temporarily reducing prices to spur short-run sales.
- ***Geographical / international pricing*** – Different pricing for different locations.
- ***Dynamic pricing*** – Adjusting prices continually to meet characteristics and needs of individual customers and situations. The internet has made this a science.

Companies change pricing based on many factors including the state of the economy, excess capacity, and competitors' actions.

Federal laws prohibit ***price fixing*** by competing companies. Companies who distribute their products through resellers cannot dictate the prices those resellers charge. There are also specific laws that protect consumers from ***deceptive pricing*** that misleads consumers.

Marketing Channels

In order to be successful, companies must foster good relationships with both their ***supply chains*** and their ***value delivery networks.*** The supply chain consists of both ***upstream suppliers***, firms that supply raw materials, components, parts, financing, and expertise that enable the company to produce its products and ***downstream partners***, the distribution channels that make the products available for the customer to buy.

Members of the a company's ***marketing channel—wholesalers, distributors, retailers***, etc.—perform key functions in the process of getting the product to the end user.

- Providing information to consumers and back to the company about their products.
- Promoting products.
- Finding, contacting, and engaging customers and prospective buyers.
- Matching offers to meet buyers' needs.
- Negotiating prices and terms.

Others provide transportation and storing of products, financing, and risk taking.
The number of channels or ***marketing intermediaries*** that a company uses depends on its goals and objectives. When a company sells directly to the end user without going through middlemen, it is using a ***direct marketing channel. Indirect marketing channels*** use one or more intermediaries. Companies must be careful to avoid ***channel conflict*** when marketing intermediaries have conflicting roles, rewards, and goals.

A ***vertical marketing system (VMS)*** consists of producers, wholesalers, and retailers acting as a unified system. ***Horizontal marketing systems*** are developed when two or more companies at one level join to create a new marketing opportunity.

Most large companies today have adopted a ***multichannel distribution system*** in order to capture as much market share as possible. ***Intensive distribution*** is when companies stock their products with as many outlets as possible. In contrast, ***exclusive distribution*** is when a company gives only a limited number of dealers the exclusive rights to carry its products. Channel members must be carefully selected and motivated.

Logistics refers to the physical flow of goods, services, and related information from points or origin to points of consumption. Logistics is intended to provide maximum customer service at the least cost. This is always a balancing act.

Dramatic changes in technology have created new opportunities in the logistics area. Specific logistic functions are:

- Warehousing – storage of finished products
- Inventory management – now uses ***vendor-managed inventory*** systems and ***RFID*** to enable ***just-in-time inventory.***
- Transportation – movement of products
- ***Logistics Information Management*** – now uses ***electronic data interchange (EDI)*** which is the digital exchange of data between organizations using internet technology.

Retailing and Wholesaling

Retailing is all the activities involved in selling products and services directly to the final consumer. Today there are seven major types of retailers:

- ***Specialty stores*** – carry a very narrow product line
- ***Department stores*** – carry several different product lines
- ***Supermarkets*** – large, low-cost, low margin, high volume store
- ***Convenience stores*** – small stores located near residential areas carrying a limited number of commonly needed items.
- ***Discount stores*** – carry standard merchandise sold at lower prices with lower margins and higher volumes.
- ***Off-price retailers*** – sell merchandise at less than retail (factory outlets and warehouse stores)
- ***Superstores*** – very large stores that meet consumers' total needs for routinely purchased food and nonfood items.

Major types of retail organizations:

- ***Corporate chains*** – two or more outlets commonly owned and controlled.
- ***Voluntary chains*** – wholesaler-sponsored group of independent retailers engaged in group buying and merchandising.
- ***Retailer cooperatives*** – group of independent retailers who establish a central buying organization and engage in joint promotions.
- ***Franchise organizations*** – contractual association between a ***franchisor*** (a manufacturer, wholesaler, or service organization and ***franchisees*** (independent business people who buy the right to own/operate a unit in the franchise system.

Retailers must carefully consider their own target market which determines where they will locate their outlet, what ***product assortment*** they will need to carry, how they will design their store's atmosphere, and what ***customer experience*** they want buyers to have.
Retailers do their own promotion, often in cooperation with the manufacturer (***cooperative advertising***).

In recent years, retailers have experienced a great deal of pressure because of the economy but mainly because of the internet. Many chains have gone out of business and others are threatened by the increasing tendency of consumers to buy online. Retail life cycles have shortened as online, mobile, and social media retailing has surged.

Omni-channel consumers purchase both online and in stores forcing retailers who are capable of integrating their store and internet activities into a seamless consumer experience. Consumers are increasingly discovering products and making purchases via social networks. Referrals have become a major consideration for companies as consumers share their experiences.
There has been a global expansion of major retailers such as Walmart, but U.S.companies lag behind those in Europe and Asia.

Wholesaling includes all the activities involved in selling goods and services to those who buy them for resale or for business use. Wholesales provide many functions for manufacturers such as selling and promoting, warehousing, transporting, financing, and providing market information. Different categories of wholesalers specialize according to the set of services they provide. Wholesalers, like retailers, are under pressure to provide ever-greater efficiency.

Advertising and Public Relations

The ***promotion mix*** consists of:

- ***Advertising*** – any paid form of promotion
- ***Sales promotion*** – short-term incentives to encourage customers to buy during a specific timeframe
- ***Personal selling*** – personal interaction by a salesperson(s) with customers
- ***Public relations (PR)*** – building good relations for a company. Includes favorable publicity, building up corporate image, and holding off unfavorable rumors, stories, and events.
- ***Direct and digital marketing*** – engaging directly with carefully targeted individual consumers to obtain immediate responses and build relationships.

Because consumers are changing, companies have to change their marketing communications. Today's consumers are much better informed and empowered. Rather than relying solely on information supplied by companies, they can find out about products and services from the internet and social media, often reading reviews from and connecting directly with other consumers.

More and more companies are developing very targeted marketing programs to connect with consumers in micro markets. The internet has made this possible. Although network television and print media remain important, their dominance is declining. ***Digital advertising*** is by far the fastest-growing ad spending category.

Today's brand messages must be social, mobile, engaging, and multi-platformed. More than just product hype, consumers are looking for usable and relevant information which has led to the rise of ***content marketing*** which inspires, educates, and entertains them. When they find it, they will share it, causing messages to go ***viral*** increasing the company's exposure.

The four types of media are:

- ***Paid media*** – advertising paid for by the marketers, includes traditional media as well as online and digital media.
- ***Owned media*** – promotional channels owned and controlled by the company including websites, blogs, owned social media sites, etc.
- ***Earned media*** – public relations media channels not owned by the company which distribute unpaid for news and information about the company and its products on third party sites.

- ***Shared media*** – information shared by consumers with other consumers on social media sites, blogs, mobile media, viral channels, and traditional word of mouth.

Because today's consumers are bombarded by brand messages from a broad range of sources, companies must integrate their various communications channels and make sure they are delivering a consistent message through a process called ***integrated marketing communications (IMC).*** Conflicting content leads to confused customers, and confused customers don't buy.

As marketers develop their marketing mix, they must consider the costs and unique characteristics of each promotional tool. A ***push strategy*** is when the producer attempts to push the product down through distribution channels to the end user. In contrast, a ***pull strategy*** directs efforts toward the end user to create awareness of and desire for the product.

When setting any program, marketers must accomplish four tasks:

- Objectives setting, both communication and sales objectives
- Deciding on budget
- Creating the message and deciding which media to use
- Evaluating the success of the advertising

Today's crowded marketplace and the number of advertising messages consumers see each day has led to advertising clutter and a tendency for consumers to simply ignore advertising. This has led to a blurring of advertising and entertainment. The goal is to make brand messages a part of the broader flow of consumer content and conversation rather than annoying interruptions. Brand managers use techniques such as ***product placement*** in popular movies to gain exposure and brand recognition.

Once advertisers have determined their basic message, they must turn their ideas into an actual ad through a process of ***ad execution***. This involves finding the best approach, style, wording and format to reach their target audience. They choose from a range of approaches from showing typical users with the product, demonstrating how the product fits into a specific lifestyle, creating a fantasy, mood, or image about/of the product, demonstrating technical expertise or showing scientific evidence, or using testimonials or endorsements of the product.

Next marketers must evaluate potential advertisers with regard to their ***medium's reach, frequency, impact, and engagement*** of consumers. They then choose the major media type(s) (television, digital, print media, direct mail, radio, etc.) for their campaign, select specific advertising vehicles, and choose ***media timing***.

Public relations are designed to build good relations for the company and its offerings. Major PR activities include:

- ***Press relations*** – placing news stories with media to attract attention to a product, service, or person
- ***Product publicity*** – publicizing specific products (especially new products)

- ***Public affairs*** – activities designed to build and maintain national and community relationships
- ***Lobbying*** – building partnerships with legislators and government officials to foster favorable laws and regulations
- ***Investor relations*** – maintaining relationships with shareholders and others in the financial community.
- ***Development*** – Working with donors or member of non-profit organizations to gain volunteer or financial support.

Week 4

Personal Selling and Sales Promotion
Direct, Online, Social Media, and Mobile Marketing
The Global Marketplace
Sustainable Marketing and Social Responsibility

Lesson Objectives

Analyze unique marketing considerations for global companies.

Analyze and evaluate e-commerce/digital business models and marketing strategies.

Homework

Discussion:

1. The internet has expanded ways that ***word of mouth*** marketing can be fostered by companies seeking a greater market share. Choose a successful company that is using this strategy through social media. Visit its social media websites and identify examples of how it is creating online buzz with person-to-person interaction that spreads its marketing message. Which social media sites do you think are most successful in these efforts? Are there products that you have purchased after you have read comments from other consumers on social media?

2. Think back to the last three major purchases you have made. Which of the factors influencing consumer behavior were part of your decision to buy those particular products? Review Figure 5.3, ***Maslow's Hierarchy of Needs.*** For those three purchases, which categories would each fall into?

3. When considering a purchase today, consumers often pay more attention to what other consumers say about products than what companies say about their products. Identify three websites that post consumer reviews of products and services. How do they engage customers? What recourse do companies that receive negative reviews have? Some sites also offer companies paid advertising. Are these sites as trustworthy as sites that do not accept advertising? Give specific examples to support your conclusions.

Assignment:

1. Read this article on global consumer trends from Advertising Age. Choose a company or industry sector (automotive, specific consumer goods sector, etc.). How will it be impacted by these trends? What are the threats and the opportunities? Make recommendations for that company or sector regarding product development and marketing over the next two years.

2. Digital influencers are people with large numbers of followers on their social media sites (such as Instagram and Pinterest) and/or their blogs. These people are often paid by companies to write favorably about their products, but often readers are not aware of that paid sponsorship. Read this overview of FTC rules regarding endorsements on social media sites. Find examples of three blogs and/or social media sites on topics/products that interest you. Analyze their effectiveness in delivering messages. Is there actual advertising on the site? Is the writer transparent about whether he/she has been paid or given perks by a particular company? In your opinion, are the writers of your chosen sites acting ethically? What do marketers need to be concerned about when utilizing such sites as part of their strategy?

3. Millennials differ greatly from older generations in their consumer buying habits, especially when it comes to food. Read this article on Millennial purchasing habits, then select three food brands that you feel are successful in tapping into these tendencies. Analyze the strategy of each brand, provide illustrations, and give specific examples of how these companies demonstrate the sustainability and benefits of their products through social media, packaging, etc.

Reading:

Chapters 12-16 – Armstrong & Kotler

Resources:

Pearson Video Library

Personal Selling and Sales Promotion
Direct and Online Marketing
The Global Marketplace
Corporate Social Responsibility

Current Online Videos and Websites

See Supplemental Readings list and embedded links in PowerPoint presentations (to be updated as needed).

Section Review

Personal Selling

Unlike old stereotypes, most of today's salespeople are professionals who are well-educated and well-trained. As products have become more and more technical, salespeople perform valuable educating and consulting to help customers solve problems. Personal selling engages customers through person-to-person interaction, by phone, via email and social media, through online conferences and video, and other means.

The sales force serves as a critical link between the company and its customers. To customers, they are the "face" of the company. They find and develop new customers and communicate information about the company's products and services. At the same time, they represent their customers to the company, relaying firsthand knowledge about important concerns and customer needs. They provide input to marketing and research and development on new products and work with customer service to resolve issues.

Ideally, the sales team works closely with marketing, although this is not always the case. Some companies still treat the two functions as different entities. In a well-coordinated effort, brand managers and marketing personnel will even participate in sales calls with the goal of understanding the customer's needs.

Sales force management consists of the functions of analyzing, planning, implementing, and controlling sales force activities. The major steps include:

- Designing sales for strategy and structure.
- Recruiting and selecting salespeople
- Training salespeople
- Compensating salespeople
- Supervising salespeople
- Evaluating salespeople

Companies use different structures to divide sales activities depending on their offerings and goals.

- ***Territorial structure*** – salespeople are assigned to an exclusive geographic area
- ***Product structure*** – salespeople are assigned along product lines or industries, for example, GE has separate sales forces for its aviation, energy, and transportation products.
- ***Customer or Market Structure*** – Separate sales teams are set up for different industries or major accounts.

Often a large company with many different products and serving multiple industries will use a ***complex sales force structure*** or combination of these.

Companies may have an ***inside sales force*** where salespeople operate from company offices, an ***outside or field sales force*** which makes visits to customers at their locations, or a combination of both. Telemarketers and online sellers can reach many more customers than external salespeople, so this type of selling is much less costly. These people often do the groundwork necessary to identify and qualify customers for the outside sales team. Because today's customers are empowered by the internet to do their own research, phone and online selling can often be as effective as a personal sales call.

Team selling is used to service large, complex accounts. A team might consist of a sales person, a technical specialist, and an implementation manager who will be the point person for the installation of a sophisticated software system.

What makes a good salesperson? Gallup polling has identified four traits—intrinsic motivation, a disciplined work style, the ability to close sales, and the ability to build relationships with customers. The best salespeople are motivated from within. They are good listeners and excellent problem solvers. Companies typically give formal tests to potential hires to measure their sales aptitude, organizational skills, and personality traits.

Because the success of salespeople is so critical to a company's success, U.S. firms spend billions of dollars every year on salesforce training. Topics covered include everything from company goals and products to the company's different types of customers and their needs, buying motives, and buying habits. Such training has a very high return on investment.
While most sales training used to be done in person, companies now use ***e-learning*** and online training. Virtual instructor-led training (VILT) is live training facilitated by an instructor at a remote location. Training can also be on-demand as needed. These new methods have cut costs and saved time for busy salespeople.

Compensation programs for salespeople must be motivating and consistent with the company's overall goals. These plans are often complex. Typical are salary plus commission, new account and customer retention bonuses, and additional incentives for performance.

Sales force automation systems such as Salesforce.com have made it easier for salespeople to track customers and prospects as well as allowed sales managers to better supervise salespeople. Sales people are evaluated according to ***sales, expense, and call reports.*** Always the focus is on ***return on sales investment.***

The personal selling process consists of the following steps:

- ***Prospecting and qualifying*** – finding potential customers and determining their willingness and ability to buy.
- ***Preapproach*** – learning as much as possible about the customer (needs, contact information, etc.)
- ***Approach*** – the initial contact, opening lines, questions, listening
- ***Presentation and demonstration*** – telling the customer the "value story." Salespeople must have a solution in mind for the customer, must not be overly talkative. The presentation must be carefully prepared. Because today's presenters face distractions during their presentations, the message must be delivered in more engaging and compelling ways using multi-media technology that is appropriate for the situation.
- ***Handling objections*** – if the salesperson has listened well and taken note of questions his/her potential customer expressed during the presentation, there will be fewer objections to deal with as the closing process begins. All objections must be acknowledged and dealt with positively.
- ***Closing*** – Asking for the order. Here the buyer may be offered extra incentives to buy now rather than wait**.**
- ***Follow up after the sale*** – Completion of any details on delivery time, purchase terms, etc. This avoids any last minute misunderstandings and assures the buy or the salesperson's continued interest, thus helping ensure repeat business.

Sales promotions are short-term incentives to encourage the purchase or sales of a product or service. Examples of sales promotions can be seen everywhere from social media sites to e-newsletters to print newspapers. The internet has made it much more efficient and economical for even small businesses to quickly launch sales promotions.

Consumer promotions are aimed at the end consumer of a product which ***trade promotions*** are geared for businesses, such as a manufacturer offering a time-sensitive incentive to get a retailer to buy more product.
Companies must be careful with the use of discounts as they may tend to devalue a product in customers' minds. A better strategy is often to offer ***value-added*** as an incentive to buy.

Frequency marketing and loyalty programs are now being utilized in every sector to keep customers from straying to competitors. Obvious consumer promotions are coupons (both print and digital), samples, apps, rebates, premiums, point-of-purchase displays, and contests.

Companies such as Nike and Red Bull use events to promote their products. Sponsorships of events such as the Olympics and organizations like the NFL are also increasing in popularity. To use sales promotion to its best advantage, marketers must clearly define objectives, use the best tools, design the program well, implement it effectively, and evaluate the results. Sales promotions must be coordinated carefully with all other marketing efforts.

Direct, Online, Social Media, and Mobile Marketing

Companies today are increasingly switching from ***mass marketing***—targeting broad markets with standardized messages and offers—to narrower targeting. The internet has created an explosion of this type of ***direct marketing. Direct digital marketing*** is increasing at breakneck speed.

Total digital advertising spending, including ***online display and search advertising, social media, mobile, video, email,*** etc. is expected to surpass the amount spent on television by 2018. Direct digital marketing is low-cost, efficient, and can be highly targeted. Marketers have flexibility to adjust prices and programs quickly in response to market demands. This ***real-time marketing*** lets companies move customers through the buying process and create customer relationships in a way never possible before.

To be successful, companies must integrate their digital and social media marketing efforts with traditional direct marketing. Today's ***omni-channel*** consumers blend online and in-store shopping, and digital is consuming an ever-larger proportion of their purchases.

E-tailers operate only online, attracting customers through ***search engines and portals*** (Google, Bing), ***content sites*** (the New York Times on the web), and ***online social media sites (Facebook, YouTube, Twitter, etc.).*** Companies like Macy's and Staples have adopted an omni-channel strategy and sell both in stores and on the internet.

Online marketing refers to marking via the internet using company websites, online advertising and promotions, email marketing, online video and blogs. Social media and mobile marketing also take place online and must be closely coordinated with other digital marketing.

While some company websites are focused solely on selling, others are ***branded community websites*** such as ESPN.com that only present brand content to engage customers.

Two main forms of online advertising are ***online display ads*** and ***search-related ads*** such as the ones found at the top of the rankings during a Google search. ***Email marketing*** is an important and growing marketing tool. One survey found that email is 40 times more effective at capturing customers than Facebook and Twitter combined. With its affordability and ease of use, email marketing is available to even the smallest business. With the ubiquitous problem of spam, most legitimate marketers now use ***permission-based email marketing***, meaning that the intended recipient has given the company permission to send him or her emails.

Video has become more and more important to marketers, and YouTube has become one of the web's biggest search engines. Videos range from how-to or instructional videos to public relations pieces to branded entertainment that showcases products and services. The goal is always to have a video ***"go viral"*** or be spread by users. Marketers usually have little control over this. They must create compelling content that people are intrigued by and willing to share. ***Blogs or web logs*** are online forums where people and companies post content. Companies also use third-party bloggers to get their message out and often reward them with free products and other perks.

Marketers can use social media in two ways—they can use existing social media sites and/or set up their own. Social media can create substantial brand communities—consider Coca Cola's 90 million Facebook fans. Still, there is the problem of ***monetization.*** How can companies use their social media sites to make money without driving off loyal followers? Social media companies are becoming more savvy in the advertising options they offer companies.

Niche online social media sites have also sprung up such as CafeMom.com, a site where mothers share advice and Birdpost.com where birdwatchers share their experiences.

Social media marketing can be both ***targeted and personal.*** Because posts can be easily and quickly changed, it can also be both ***immediate and timely.*** Perhaps the biggest advantage is the way that social media has the capability to get customers involved with the brand and each other through shaping and sharing brand content, experiences, information, and ideas. Most large companies are now designing full-scale social media efforts and blend and support the other elements of a brand's marketing strategy and tactics.

Because many people own and use more than one mobile device, mobile phone penetration is now more than 100 % in the U.S. ***Mobile marketing*** features marketing messages, promotions, and other content to on-the-go consumers through their mobile devices. There are millions of ***apps,*** and the average smartphone has 26 apps installed on it. Mobile devices form a rich platform for consumers as they shop both in stores and online. Mobile ads can create substantial engagement and impact, and mobile ad spending is skyrocketing as companies take ads, coupons, and other traditional promotions to new levels.

Traditional direct mail marketing, while more costly, is still in wide use. By placing a promotional piece in consumers' mailboxes, companies give them something tangible to hold.

Samples can be sent, and the experience is very different from online marketing. Mail is a channel that allows companies to find consumers in a much targeted area with a very specific message. ***Print catalogs*** are still thriving and are being used to drive online sales.

While the government has attempted to put restrictions on telemarketing, it is still widely used, even though a national ***Do Not Call*** registry has been established.

With the rise of digital marketing have come many issues related to irritation, unfairness, deception, fraud, and invasion of privacy. Direct marketers know that if left unregulated, such direct marketing abuses will lead to increasingly negative consumer attitudes and lower response rates. The controversy and the discussion continue.

The Global Marketplace

Since 1990, the number of ***multinational corporations*** in the work has more than doubled. Of the largest 150 economies in the world, only 88 are countries. The remaining 62 are multinational corporations. Walmart has higher annual revenues than the ***gross domestic product (GDP)*** of all but the world's largest 27 countries.

As global trade grows, so does competition, and few industries are safe. Companies that go global may face highly unstable governments and currencies, restrictive government policies and regulations, and high trade barriers. Government corruption is an increasing problem.

Global firms that operate in more than one country gain marketing, production, research and development (R&D), and financial advantages over domestic competitors. Supply chains have also gone global as manufacturers obtain parts and raw materials from all corners of the globe.

In going global, companies must ask themselves these questions:

- What market position should we try to establish?
- Who will our ***global competitors*** be and what are their strategies and resources?
- Where should we produce or source our products?
- What ***strategic alliances*** should we make with other firms around the world?

The international trade system is complex. Governments may charge ***tariffs or duties***, taxes on imported products designed to raise revenue or protect domestic firms from competition. They may set ***quotas*** to limit the amount of foreign imports they will accept in certain product categories. There may also be ***exchange controls*** which regulate a country's exchange rate with foreign currency.

In an attempt to promote world trade, the ***General Agreement on Tariffs and Trade (GATT)*** was established in 1947 and replaced by the ***World Trade Organization (WTO)*** in 1995. The WTO holds negotiations on trade barriers and establishes rules for international trade. It also imposes international trade sanctions and mediates global trade disputes. While this body has succeeded in reducing tariffs, discussions go on for years. The WTO has also toughened international protection of ***copyrights, patents, trademarks,*** and other intellectual property.

Certain companies have formed ***free trade zones*** or ***economic*** **communities** for foster trade among their members. The ***European Union (EU)*** was formed in 1957, and a common currency, the euro, was created to reduce problems caused by currency fluctuations. The EU has recently come under attack by right wing politicians in its member states. Voters in Great Britain recently voted to leave the EU in part because of immigration policies that are part of the EU agreement.

The ***North American Free Trade Agreement (NAFTA)*** was established in 1994 by the U.S., Canada, and Mexico. Despite its success in eliminating trade barriers, it, like the EU, it has also come under attack by people who favor a more USA first approach to trade and commerce.

The Central American Free Trade Agreement (CAFTA) was established in 2005 between the U.S. and several Central and South American countries.

The Trans Pacific Partnership Agreement (TPPA), is a trade agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, and Singapore. While the U.S. was originally part of TPPA, in 2017 President Donald Trump signed a presidential memorandum to withdraw the United States from the agreement, making its ratification virtually impossible.

There are four types of industrial structures in the global marketplace:

- ***Subsistence economies*** – the vast majority of people in these countries engage in simple agriculture. These countries offer few market opportunities. Many African countries fall into this category.
- ***Raw material exporting economies*** – countries rich in natural resources but poor in other ways. Much of their revenue comes from exports. These countries are good markets for large equipment, tools, supplies, and trucks.
- ***Emerging economies (industrializing economies)*** – countries experiencing fast growth in manufacturing resulting in rapid economic growth. This industrialization typically creates a new upper class and a growing middle class. Examples are Brazil, Russia, India, and China.
- ***Industrial economies*** – major exporters of manufactured goods, services, and investment funds. Rich markets for all sorts of goods. Examples are the U.S., Japan, and Norway.

Industrialized nations may have low-, medium-, and high-income households. In contrast, subsistence economies may consist of mostly low family incomes. Many companies like Coca Cola are increasingly targeting middle-income or low-income consumers in emerging economies. This widespread ***income distribution*** is a major consideration for global companies. Nations differ greatly in their ***political-legal environments.*** Companies must consider the country's attitudes toward international buying, government bureaucracy, political stability, and monetary regulations.

Cultural factors are also major considerations for companies going global. Each country has its own folkways, norms, and taboos as well as its own language. Companies must be sensitive to cultural reactions to its product offerings and marketing strategies.

Before going global, a company must consider several questions:

- Can the company learn to understand the preferences and buyer behavior of consumers in other countries?
- Can it offer competitively attractive products?
- Will it be able to adapt to other countries' business cultures and deal with foreign nationals?
- Do the company's managers have international experience?
- Has the company considered the impact of regulations and the political environments of other countries?

Before going global, a company must define its international marketing objectives and policies. Possible global markets should be ranked on several factors including market size, market growth, the cost of doing business, competitive advantage, and risk level.

Once a company decides to sell in a foreign country, it has several choices about how to structure its business.

- ***Exporting*** – the simplest way to enter a foreign market, often using independent international marketing intermediaries.
- ***Joint Venturing*** – partnering with foreign companies to produce or market a product or service.
- ***Licensing*** – a foreign company buys the rights to use a company's manufacturing process, trademark, patent, trade secret, or other item of value. Licensing creates little risk for the licensor.
- ***Contract manufacturing*** – a company makes agreements with manufacturers in the foreign market to produce its products or provide its services.
- ***Management Contracting*** – a domestic firm provides the management expertise to a foreign company which supplies the capital, thus management services are exported rather than products.
- ***Joint Ownership*** – a company joins forces with foreign investors to create a local business and jointly share possession or control.
- ***Direct investment*** – development of foreign-based assembly or manufacturing facilities.

Developing a global marketing program requires understanding and adapting to the local market. Approaches range from using ***standardized global marketing***, which is essentially using the same strategies worldwide to ***adapted global marketing*** which adjusts the strategies and tactics to each international market—a much more costly approach.

Companies must also decide which of three product strategies to follow in their global efforts:

- ***Straight product extension*** – no major changes to existing product.

- ***Product adaptation*** – changing the product to meet local requirements, conditions, or wants.
- ***Product invention*** – creating a new product to meet the needs of consumers in a given country.

Promotion in international markets requires an understanding not just of the language of the foreign country but of the various marketing opportunities in that country. Marketing customs and government regulations regarding promotion can vary widely in different areas.

Price must be adapted to the local market considering the ability of consumers to buy, tariffs that may have to be paid, and importing costs. Companies will often create stripped-down versions of their products in order to offer them at a lower price in a foreign market.

The ***global value delivery network*** refers to the intermediaries involved in getting the product from the producer to the international customer. There are large differences in distribution channels both between countries and within foreign countries.

Sustainable Marketing and Social Responsibility

Sustainable marketing refers to socially and environmentally responsible actions that meet the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. The trade-off is that acting socially responsible does not always lead to companies meeting their revenue and sales goals. The aspects of sustainable marketing are:

- ***Societal marketing concept*** – considers the future welfare of consumers
- ***Strategic planning concept*** – considers future company needs
- ***Sustainable marketing concept*** – considers both

Social criticisms of marketing include marketing's impact on individual consumers:

- ***High prices*** – critics say that because of the costs of the American marketing system are so high, prices are higher than they need to be. Critics point to three factors—high costs of distribution, high advertising and promotion costs, and excessive markups.
- ***Deceptive marketing practices*** – misrepresenting the products features or performance or luring customers into a store for a bargain when that item is out of stock—false advertising.
- ***High-pressure selling*** **–** hard selling, products are sold, not bought
- ***Shoddy, harmful, or unsafe products*** – concerned with poor product quality or function. Increased scrutiny on food products such as sugary soft drinks and how they contribute to obesity.
- ***Planned obsolescence*** – products that are designed to become obsolete before they actually need replacement requiring consumers to replace them before it should be necessary.

- ***Poor service to disadvantaged customers*** – often consumers who live in low-income neighborhoods are underserved. For example, many poorer areas lack access to supermarkets.

Other criticisms of marketing are that it creates too much materialism, too few societal benefits, and a glut of cultural pollution. ***Consumerism*** is an organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers. The consumer protection movement and related laws have led to safer products and more honest advertising. A political football, these regulations often change when the political party in power changes.

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies designed to protect and improve people's current and future living environments. In recent years, more companies have accepted responsibility for doing no harm to the environment, adopting policies of ***environmental sustainability.*** These efforts include pollution prevention, minimizing environmental impact of products throughout the product life cycle, and embracing clean technology.

Sustainable marketing principles include:

- ***Consumer-oriented marketing*** – the idea that the company should view and organize its marketing activities from the consumer's point of view, not the company's.
- ***Customer value marketing*** – the notion that the company should put most of its resources into customer value-building marketing investments rather than projects that do not benefit consumers.
- ***Innovative marketing*** – requiring that the company continuously seek real product and marketing improvements.
- ***Sense-of-mission marketing*** – the idea that the company should define its mission in broad social terms rather than narrow product terms.
- ***Societal marketing*** – the company makes marketing decisions by considering the consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

Good ethics are a cornerstone of sustainable marketing, and conscientious marketers face many moral dilemmas. The bottom line is that companies that fulfill the needs and wants of customers will survive and thrive. Companies that fail to do so or that intentionally or unintentionally harm consumers will decline and die.

Week 5

E-Commerce in Practice
Student Presentations
Final Examination

Current Online Videos and Websites
See Supplemental Readings list and embedded links in PowerPoint presentations (to be updated as needed).

Lesson Objective

Analyze and evaluate e-commerce/digital business models and marketing strategies.

Homework

Discussion:

1. Read these two articles on the Internet of Things (IoT) from Forbes and Wired. In what ways do you think advances in the IoT will affect your life in the next five years? Is the IoT always a good thing?

2. The internet has leveled the playing field for small service businesses such as attorneys, doctors, psychologists, computer maintenance companies, etc. Find three local companies and provide examples of how they are using technology to find and engage customers. Give specific examples and provide recommendations for other ways they might market their services.

3. The internet has made it possible for freelancers (small service providers) to market themselves worldwide. Read this article on sites that offer to connect freelancers with individuals and companies seeking to find help. Would you ever use any of these sites either to find help or to seek projects or jobs for yourself? Which ones would you use and why? What are the upsides and downsides to this trend—for individuals? For companies?

Section Review

While e-commerce began with selling items online, as it enters its third decade, on-demand service e-commerce sites like Uber, Airbnb, and even Heal (a site that offers doctors who make house calls) are grabbing billions in investment dollars and claiming their share of online revenue. These service companies are the ***digital disrupters*** in the marketplace just as their retail counterparts have caused havoc for traditional brick and mortar stores.

Facebook and other social media sites have figured out their revenue models and gone public, but the jury is still out on which sites will be profitable. Most of these sites offer some kind of advertising options, thus creating competition with traditional advertising venues such as newspapers, television, and radio.

Technology continues to evolve at exponential rates and provides companies and entrepreneurs with opportunities to create new business models while disrupting and sometimes destroying existing business models and forms.

Analysts estimate that by 2020, consumers will purchase $933 billion and businesses will purchase $9.1 trillion through digital transactions. It seems likely that most commerce will be e-commerce by 2050 if not sooner.

E-Commerce vs. E-Business

E-business generally refers to digital platforms within a firm linking its systems and making it easier to conduct business. ***E-commerce*** consists of commercial transactions that involve an exchange of value across organizational boundaries, in other words, revenue generating activities.

The ***Internet*** is a worldwide network of computer networks that operate under common standards and make e-commerce and e-business possible. The ***Web***, or worldwide web, is a service of the Internet providing users access to billions of web pages. An ***app*** is a software application. It is generally thought of as mobile, but the term now refers to desktop software applications too.

Growth of Digital

The Internet has outpaced both radio and television in its adoption rate. For comparison, it took radio 38 years to capture 30% of U.S. households and television 10 years to capture that same percentage of households. In contrast, in 10 years, the Internet was being used by 53% of households, and 82% of the population now uses the Internet at least once a month. The advent of smartphones has accelerated this.

Current Digital Trends

By January 2014, more Americans were using mobile apps than desktops to access the Internet. Retail e-commerce has experienced double digit growth, and mobile e-commerce has exploded. Local e-commerce (using the Internet to access local services) has grown to $6.7 billion. Small businesses and entrepreneurs have flooded into the e-commerce marketplace facilitated by the ease of creating websites and platforms such as Facebook, Amazon, and eBay.

The Technology

Mobile computing and communication platforms based on smartphones, tablets, and even wearables create a convenient and cheap alternative to desktops for e-commerce.

Cloud computing stores consumer content making it accessible anywhere, anytime, and from any device. The ***Internet of Things (IoT)*** connects devices (such as Ring.com and Amazon's Echo) and is growing substantially.

As more and more consumers and businesses seek information and buy online, data collection companies record all transactions, resulting in ***big data*** which can be used by companies to track—some critics would say stalk—potential customers. Sophisticated ***analytics*** identifies purchase patterns and consumer interests and intentions.

User-generated content through posts, blogs, tweets, and pins provides a method of self-publishing that connects and energizes millions of people. Social networks encourage self-revelation but threaten privacy.

At the same time, ***online security*** continues to be an issue for all companies.

Eight Unique Features of E-Commerce

1. **It is ubiquitous.** E-commerce has created a marketspace which extends beyond traditional physical boundaries. It makes products, services, and information available just about anywhere, any time.

2. **It has a global reach.** Commerce is now possible across regional and global boundaries more conveniently and cost effectively than ever before. The potential market is limited only by the number of people that are connected.

3. **There are worldwide universal standards of technology.** These create lower market entry costs and facilitate e-commerce.

4. **There is information richness.** The Internet can offer far more information than traditional advertising. Complex products can be more easily sold using online videos and demonstrations.

5. **The Internet facilitates interactivity.** Unlike with television, radio, and other advertising mediums, two-way communication is possible between buyers and sellers through online chat, email, etc.

6. **Information density is increased.** The total amount and quality of information to all market participants allows information to be collected, shared, processed, and served up as needed to specific parties.

7. **Personalization and customization are possible.** Micro-targeting of marketing messages to specific individuals has become the norm with the existence of big data. Products and services can also be customized to meet individual needs.

8. **Users have the ability to create and share content and opinions.** Rather than the traditional model of one-to-many messaging, there is now a many-to-many model as consumers post reviews and share links with others.

Types of E-Commerce

1. ***B2C* –** business to consumer sales of goods, services, and information to the end user.

2. ***B2B* –** business to business sales, which makes up the largest segment of e-commerce.

3. ***C2C* –** consumer to consumer sales. Consumers sell to each other through online platforms like eBay, Etsy, Craigslist, or Airbnb. Ebay's revenues are $9 billion annually.

4. ***Mobile E-Commerce (M-Commerce)*** – Sales generated using mobile devices and apps

5. ***Social E-Commerce*** – Commerce enabled by social networks and online social relationships such as Yelp, virtual shops on Facebook, etc.

6. ***Local E-Commerce*** – Engages consumers at their geographic locations.

Key Elements of an E-Commerce Business Model

1. ***Value Proposition* –** just as with any other business, e-commerce initiatives must define how their company's product or service fills the needs of customers and why customers will buy from them rather than a competitor.

2. ***Revenue Model* –** also called a financial model, the revenue model describes how the company will earn revenue and generate profits, including a return on investments for investors. There are several types of revenue models:

    ***Advertising Revenue Model* –** companies that offer content and provide opportunities for other companies to advertise on their sites. Sometimes these companies also offer products and services of their own. Example: Yahoo.

    Subscription Revenue Model – a company offers content or services and charges a subscription fee for access to some or all of its offerings. In some cases, these companies entice consumers by offering a limited amount of their content free in a ***freemium strategy.*** Example: Consumer Reports.

    Transaction Fee Revenue Model – the company receives a fee for enabling or executing a transaction. Example: eBay.

    Sales Revenue Model – Revenue is derived by selling goods, content, or services to customers. Examples: Amazon, Lands End. A number of companies are combining the sales model with the subscription model and offering regular deliveries of items such as dog treats and toys (BarkBox) and beauty items (Birchbox) for an annual subscription fee.

Affiliate Revenue Model – companies direct potential customers to an ***affiliate*** (a company with which they have an agreement) in return for a referral fee or percentage of the sale if the customer buys.

The number of e-commerce models is limited only by the imagination of the founders of new e-commerce companies.

E-Commerce Enablers

Infrastructure players facilitate e-commerce activities. From **hardware web servers** like HP and Dell to ***hosting services*** like GoDaddy and HostGator, companies depend on these services and platforms. Payment systems such as Square and PayPal allow transfer of monies, and ***customer relationship management systems*** like Salesforce and Oracle store critical data. ***Live chat*** is facilitated by companies like LivePerson and ***e-mail marketing*** is made simple by firms like Constant Contact and MailChimp.

Web analytics are provided by services like Google Analytics and allow companies to monitor their websites and analyze the data of their visitors. Other companies facilitate ***order management, fulfillment, and security.*** Sites such as Yelp provide ***customer reviews and forums*** and YouTube and Vimeo create a place for companies and individuals to upload videos.

B2C Business Models

E-tailer – Virtual merchants like Amazon and Blue Nile that make 24/7 shopping possible.

Community Provider – Sites where individuals with similar interests come together online. Examples: Facebook, LinkedIn, Twitter and Pinterest

Content Provider – Offers news, books, film, and other online content. Examples: New York Times, CNN, ESPN

Portal – Offers an integrated package of content and search. Examples: Yahoo, Bing, Google

Transaction Broker – Processes online sales transactions. Expedia, Orbitz, E*Trade

Market Creator – Brings buyers and sellers together. eBay, Etsy, Amazon

Service Provider – Sells users a service rather than a product. LegalZoom, Google Maps, Dropbox

B2B Business Models

E-Distributors – Supply products and services to individual businesses.

E-Procurement – facilitate buying and selling for a firm. Firms like Ariba provide software to handle catalog creation, shipping, insurance, and finance.

Exchanges – Independent digital marketplace where hundreds of suppliers meet a smaller number of very large commercial purchasers.

Industry Buying Consortia – Owned by a particular industry segment, these supply products to a wide range of companies in that industry.

Private Industrial Networks – a digital network, sometimes called a ***private trading exchange or PTX***, which coordinates the flow of communication to firms engaged in doing business with each other.

Supplemental Readings for this Course

The Ultimate Marketing Machine (Harvard Business Review)
https://hbr.org/2014/07/the-ultimate-marketing-machine

Local Stores Go Digital
http://adage.com/article/digitalnext/local-stores-digital/311298/

Digital Media Woes
http://adage.com/article/news/wake-call-news-pepsico-comcast-verizon-tesla/311345/?CSAuthResp=1511115508572:0:2227354:0:24:success:3EBFBABAA90AAE032F19960155055EA2

Walmart's E-Commerce Strategy
http://www.businessinsider.com/walmart-strategy-to-compete-with-amazon-is-paying-off-2017-8

Leading Areas of Digital Marketing Spending
https://www.emarketer.com/Chart/Leading-Areas-of-Marketing-Spending-According-US-B2B-Marketing-Professionals-Oct-2017-of-respondents/213709

Podcast: Marketing to Millennials
https://www.emarketer.com/Article/Listen-In-Top-Marketers-Discuss-Challenges-of-Marketing-Millennials/1016746

The Future of Email Marketing
https://www.emarketer.com/Article/Listen-In-What-Future-Hold-Email-Marketing/1016569

Infographics on the Growth of Online Usage in 2017
https://www.marketingprofs.com/chirp/2017/32950/digital-and-social-stats-in-2017-a-snapshot-infographic

Video Marketing
https://www.mobilemarketer.com/news/study-interactive-video-ads-boost-viewing-time-47/506780/

Social Media Fact Sheet
http://www.pewinternet.org/fact-sheet/social-media/

See also embedded video links in the PowerPoint presentations for this course.