

BU352 Fall 2022 Notes

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Chapter 1 - Overview of Marketing

Marketing is a set of business practices designed to plan for and present an organization's products or services in ways that build effective customer relationships.

Marketing Plan - A written document composed of an analysis of the current marketing situation, opportunities and threats for the firm, marketing objectives and strategy specified in terms of the four Ps, action programs, and projected or pro forma income (and other financial) statements.

Steps to make a marketing plan

1. The company's mission and objectives (mission is what you want to reach for which is more high level, whereas objectives are more specific, designed for a certain time span)
2. Situation analysis
 - a. PEST (external, macro)
 - b. SWOT (for both internal and external)
 - i. Outside in, always analyze SW before OT
 - c. porter's five forces (external but not as grounded as SWOT, industry level)
 - i. need to differentiate buyers (B2B or B2C)
 - ii. B2B - can spend less on marketing, lower number of customers, focus on long-term relationships, however there is reduced negotiation powers.
 - iii. B2C - bigger customer base, however customer preference is more unpredictable, and sometimes products cannot be customized, difficult to get feedbacks, switching cost is lower.
3. STP (competitive analysis)
 - a. Why segment? Customers have different needs and wants.
 - i. Segmentation bases: geo, demo, psycho, behavioural
 - b. Why target? Go with the most attractive segment (the one with unmet needs), identifiable and profitable and reachable.
 - c. Positioning? Use one phrase to describe the business. The mental image you want to grow in your customers' minds through marketing effort.
4. Marketing mix (4Ps)
 - a. Product - reconsider and refine your product to make a strategy to cater to your selected target in STP

Introduction to the case method in BU362 (IAAR)

1. Identify
2. Analyze
3. Alternatives
4. Recommendation

Core concepts of marketing

1. Marketing helps create value
2. Marketing occurs in many settings
3. Marketing can be performed by both individuals and organizations
4. Marketing is about satisfying customer needs and wants

5. Marketing entails an exchange
6. Marketing requires product, price, place, and promotion decisions



Need - basic necessities of life

Want - particular way in which the person chooses to fulfill his or her need, which is shaped by knowledge, culture, and personality

Market - The groups of people who need or want a company's products or services and have the ability and willingness to buy them.

Target market - the customer segment or group to whom the firm is interested in selling its products and services

The underpinning of seller-buyer relationships



Marketing mix

- Product (creating value)
- Price (transacting value)
- Place (delivering value)
- Promotion (communicating value)

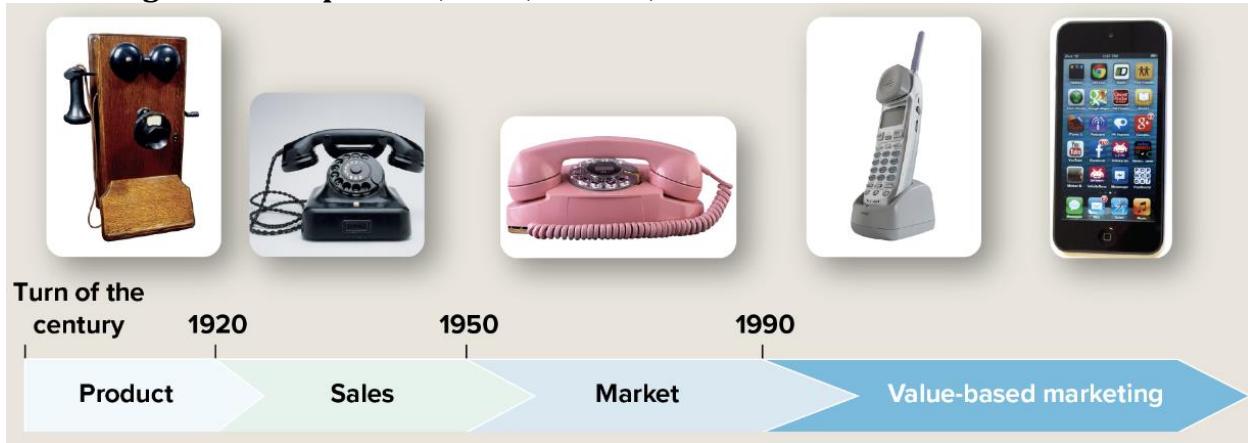


Services - intangible customer benefits that are produced by people or machines and cannot be separated from the producer.

Ideas including thoughts, opinions, philosophies, and intellectual concepts can also be marketed.

The four orientations of marketing

Marketing evolution: product, sales, market, and value-based



1. Product orientation

- Developing and distributing innovative products with little concern about whether the product best satisfy customer's needs
- A good product would sell itself, retail stores typically were considered places to hold the merchandise until a consumer wanted it

2. Sales orientation

- a. View marketing as a selling function where companies try to sell as many of their products as possible rather than focus on making products consumer really want
- b. Depend on heavy doses of personal selling and advertising to attract new customers
- c. Focus on marking a sale or on each transaction rather than building long term relationships

3. Market orientation

- a. Focusing on what customers want and need before they design, make, or attempt to sell their products and services
- b. The customer is king

4. Value-based orientation

- a. **Focus on triple bottom line: people, profit, and planet**

How do firms become more value-driven?

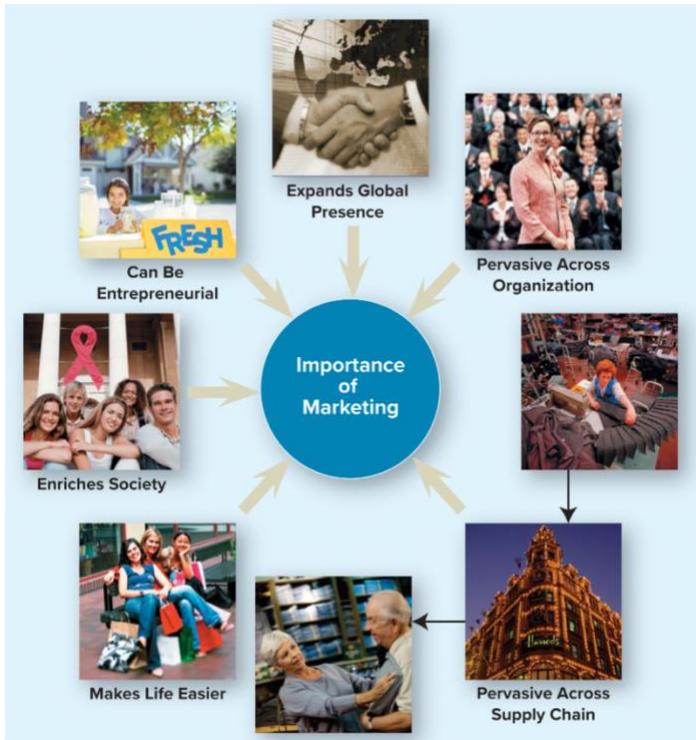
- **Gathering and sharing information**
- **Balancing benefits with costs**
- **Building relationships with customers**
- **Connecting with customers using social and mobile media**

relational orientation - A method of building a relationship with customers based on the philosophy that buyers and sellers should develop a long-term relationship.

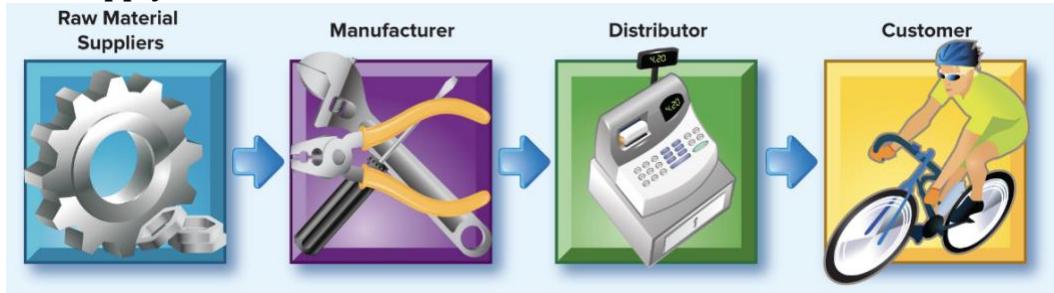
Customer relationship management (CRM) - A business philosophy and set of strategies, programs, and systems that focus on identifying and building loyalty among the firm's most valued customers, great tool to increase share of wallet.

Importance of marketing

- Expands global presence
- Pervasive across organization
- Pervasive across supply chain
- Makes life easier
- Enriches society
- Can be entrepreneurial



The supply chain



Chapter 2 - Developing Marketing Strategies and a Marketing Plan

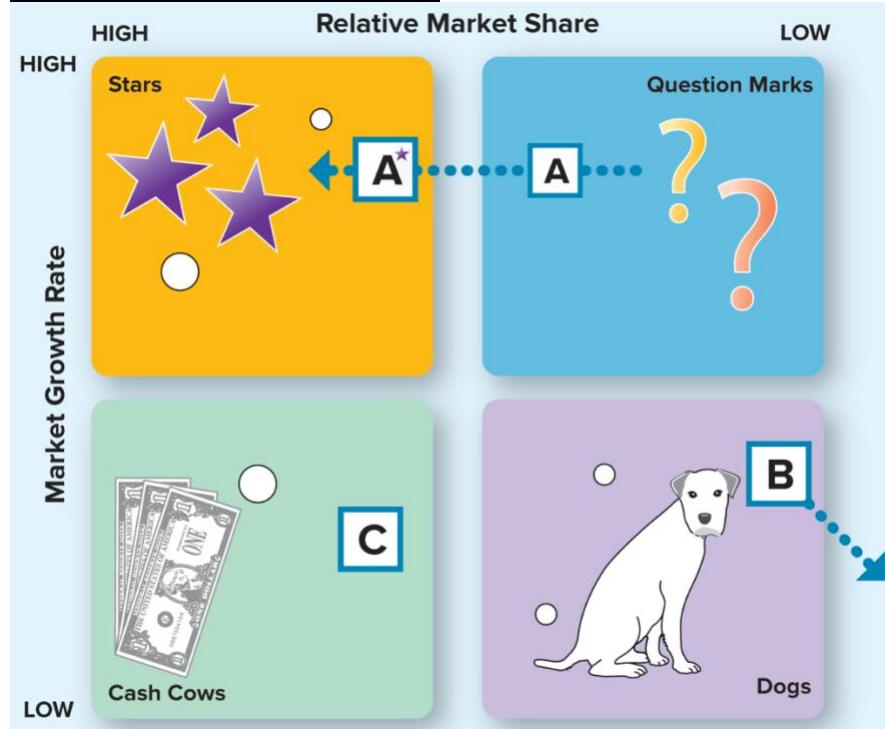
Marketing strategy - Identifies a firm's target market(s), a related marketing mix—the four Ps, and the bases upon which the firm plans to build a sustainable competitive advantage.

Sustainable competitive advantage - Something the firm can persistently do better than its competitors that is not easily copied and thus can be maintained over a long period of time.

Relative market share

Measures product's strength in a particular market.

BCG product portfolio analysis



Macro strategies for developing customer value

- **Customer excellence**
 - o Involves a focus on retaining loyal customers and excellent customer service.
 - o Develop value-based strategies to achieve this
 - o Loyalty can be achieved by creating an emotional attachment through loyal programs
- **Product excellence**
 - o Involves a focus on achieving high-quality products and effective branding and positioning.
- **Operational excellence**
 - o Involves a focus on efficient operations and excellent supply chain management.
 - o Firm with strong relationships may gain exclusive rights to
 - Sell merchandise in a particular region
 - Obtain special terms of purchases not available to competitors

- Receive popular merchandise that are in short supply
- **Locational excellence**
 - Involves a focus on a good physical location and Internet presence.



The marketing plan / developing marketing plan

- **Planning phase**
 - Where marketing executives and other top managers define the mission and objectives of the business, and evaluate the situation by assessing how various players, both inside and outside the organization, affect the firm's potential for success.
- **Implementation phase**
 - Where marketing managers identify and evaluate different opportunities by engaging in a process known as segmentation, targeting, and positioning. They then develop and implement the marketing mix by using the four Ps.
- **Control phase**

- The part of the strategic marketing planning process when managers evaluate the performance of the marketing strategy and take any necessary corrective actions.



mission statement - A broad description of a firm's objectives and the scope of activities it plans to undertake; attempts to answer two main questions: What type of business is it? and What does it need to do to accomplish its goals and objectives? (NPOs specify non-monetary objectives)

situation analysis (SWOT) - The second step in a marketing plan; uses a SWOT analysis that assesses both the internal environment with regard to its strengths and weaknesses and the external environment in terms of its opportunities and threats.

market segment - A group of consumers who respond similarly to a firm's marketing efforts.

market segmentation - The process of dividing the market into distinct groups of customers—where each individual group has similar needs, wants, or characteristics—who therefore might appreciate products or services geared especially for them in similar ways.

target marketing/targeting - The process of evaluating the attractiveness of various segments and then deciding which to pursue as a market.

Developing the marketing mix



** Strategic planning is not sequential, actual planning can move back and forth.

strategic business unit (SBU) - A division of the company that can be managed somewhat independently from other divisions since it markets a specific set of products to a clearly defined group of customers.

Market/product and services strategies (Growth strategies)

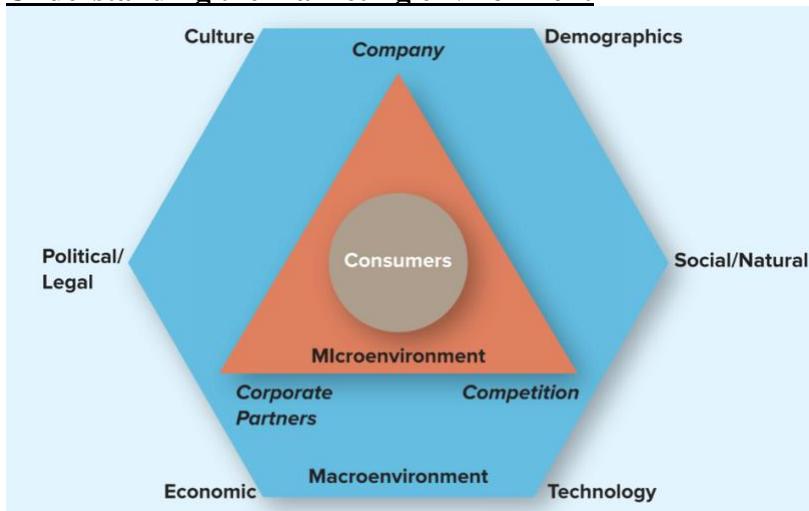
- **market penetration strategy** - A growth strategy that employs the existing marketing mix and focuses the firm's efforts on existing customers.
- **market development strategy** - A growth strategy that employs the existing marketing offering to reach new market segments, whether domestic or international or segments not currently served by the firm.
- **product development strategy** - A growth strategy that offers a new product or service to a firm's current target market.
- **diversification strategy** - A growth strategy whereby a firm introduces a new product or service to a market segment that it does not currently serve.
 - o **Related diversification opportunity**
 - o **Unrelated diversification**



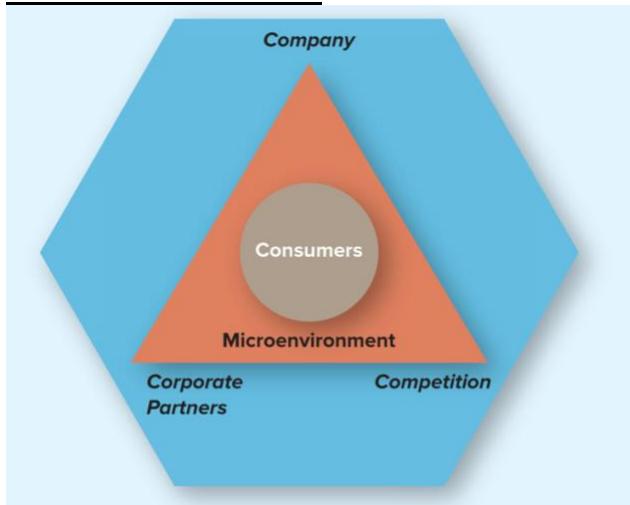
Downsizing - Exiting markets, reducing product portfolios, or closing certain businesses or store or plant locations.

Chapter 3 - Analyzing the Marketing Environment

Understanding the marketing environment



The microenvironment



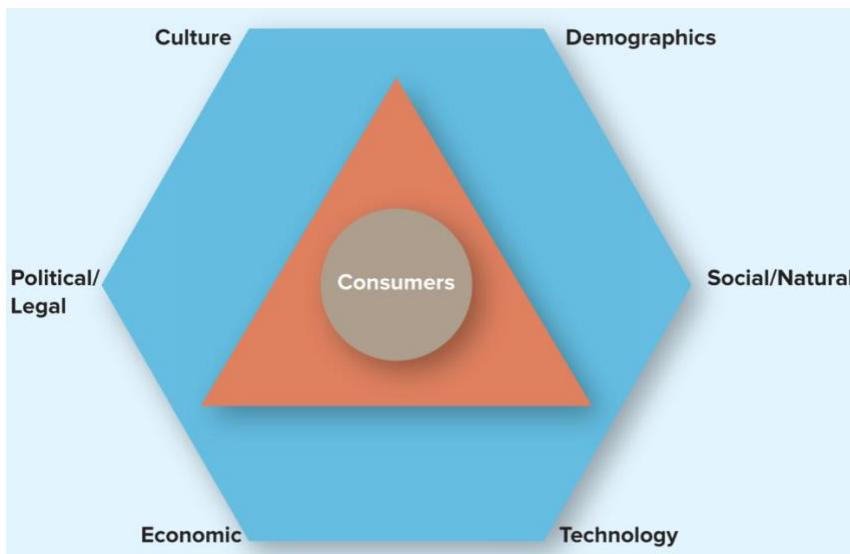
The macroenvironment (CDSTEP)

Culture - The shared meanings, beliefs, morals, values, and customs of a group of people.

country culture - Easy-to-spot visible nuances that are particular to a country, such as dress, symbols, ceremonies, language, colours, and food preferences, and more subtle aspects, which are trickier to identify.

Regional subcultures

Demographics - Characteristics of human populations and segments, especially those used to identify consumer markets, such as age, gender, income, race, ethnicity, and education.



Generational cohort

| Generation Z | Generation Y | Generation X | Baby Boomers |
|--|--|--|--|
|  |  |  |  |
| <i>Generational Cohort</i> Range of birth years | Born after 1991 1982 to 1991 | 1965 to 1981 | 1946 to 1964 |

Generation Z (1992-present)

- Digital natives

Generation Y (Millennials) (1982-1991) (echo boom)

- 13 percent of Canadian population
- More skeptical about what they hear in the media, marketing to this group is challenging
- Watch less TV, use internet at work for personal reasons
- Eat healthy at fast food restaurants
- Internet and technology savvy, love digital electronics

Generation X (1965-1981)

- More than 2.8M Canadians, about 8 percent of total population
- First generation of latchkey kids
- 50 percent of them have divorced parents
- Carry higher debt loads, travelling
- Considerable spending power
- Tend to wait to get married and buy houses later in life

- Less interested in shopping, more cynical, demand convenience
- Less likely to believe in advertising

Baby Boomer (1946-1964)

- 24 percent of the population
- Individualistic, make leisure time a high priority
- Obsession with maintaining their youth
- Provide a massive market for anti-aging product, cosmetics, pharmaceuticals, and biotechnology
- healthier options for meals

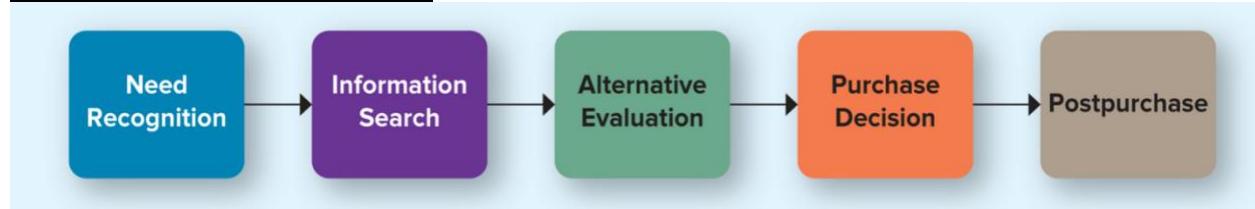
Internet of Things (IoT) - The IoT is reflected when multiple “smart devices” with Internet-connected sensors combine the data they have collected to help both consumers and companies consume more efficiently.

Green marketing - Involves a strategic effort by firms to supply customers with environmentally friendly merchandise.

Competitive intelligence (CI) is used by firms to collect and synthesize information about their position with respect to their rivals; it enables companies to anticipate changes in the marketplace rather than merely react to them.

Chapter 4 - Consumer Behaviour

The consumer decision process



1. Need recognition

need recognition - The beginning of the consumer decision process; occurs when consumers recognize they have an unsatisfied need and want to go from their needy state to a different, desired state.

functional needs - Pertain to the performance of a product or service.

psychological needs - Pertain to the personal gratification consumers associate with a product or service.

2. information search

internal search for information - Occurs when the buyer examines his or her own memory and knowledge about the product or service, gathered through past experiences.

external search for information - Occurs when the buyer seeks information outside his or her personal knowledge base to help make the buying decision.

Factors affecting the search process:

- the perceived benefit versus perceived cost of search

- the locus of control

internal locus of control - Refers to when consumers believe they have some control over the outcomes of their actions, in which case, they generally engage in more search activities.

external locus of control - Refers to when consumers believe that fate or other external factors control all outcomes.

- actual or perceived risk

performance risk - involves the perceived danger inherent in a poorly performing product or service.

financial risk - Risk associated with a monetary outlay; includes the initial cost of the purchase, as well as the costs of using the item or service.

social risk - Involves the fears that consumers suffer when they worry that others might not regard their purchases positively.

physiological risk - Risk associated with the fear of an actual harm should the product not perform properly.

psychological risk - Associated with the way people will feel if the product or service does not convey the right image.

3. alternative evaluation

retrieval sets

Consist of those brands or stores that can be readily brought forth from memory.

evoked set

Includes only the brands that consumers consider when making a purchase decision.

evaluative criteria

Consist of a set of salient, or important, attributes about a particular product that are used to compare alternative products.

determinant attributes

Product or service features that are important to the buyer and on which competing brands or stores are perceived to differ.

consumer decision rules

The set of criteria consumers use consciously or subconsciously to quickly and efficiently select from among several alternatives.

compensatory decision rule

Is at work when the consumer is evaluating alternatives and trades off one characteristic against another, such that good characteristics compensate for bad ones.

noncompensatory decision rule

Is at work when consumers choose a product or service on the basis of a subset of its characteristics, regardless of the values of its other attributes.

decision heuristics

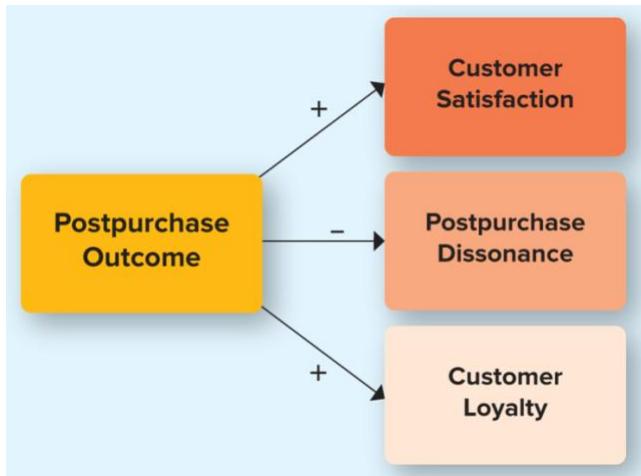
Mental shortcuts that help consumers narrow down choices; examples include price, brand, and product presentation. Mostly often used for convenience goods.

4. purchase decision

Need to convert positive evaluations into purchases, to reduce the number of abandoned carts

5. post purchase

Postpurchase outcomes



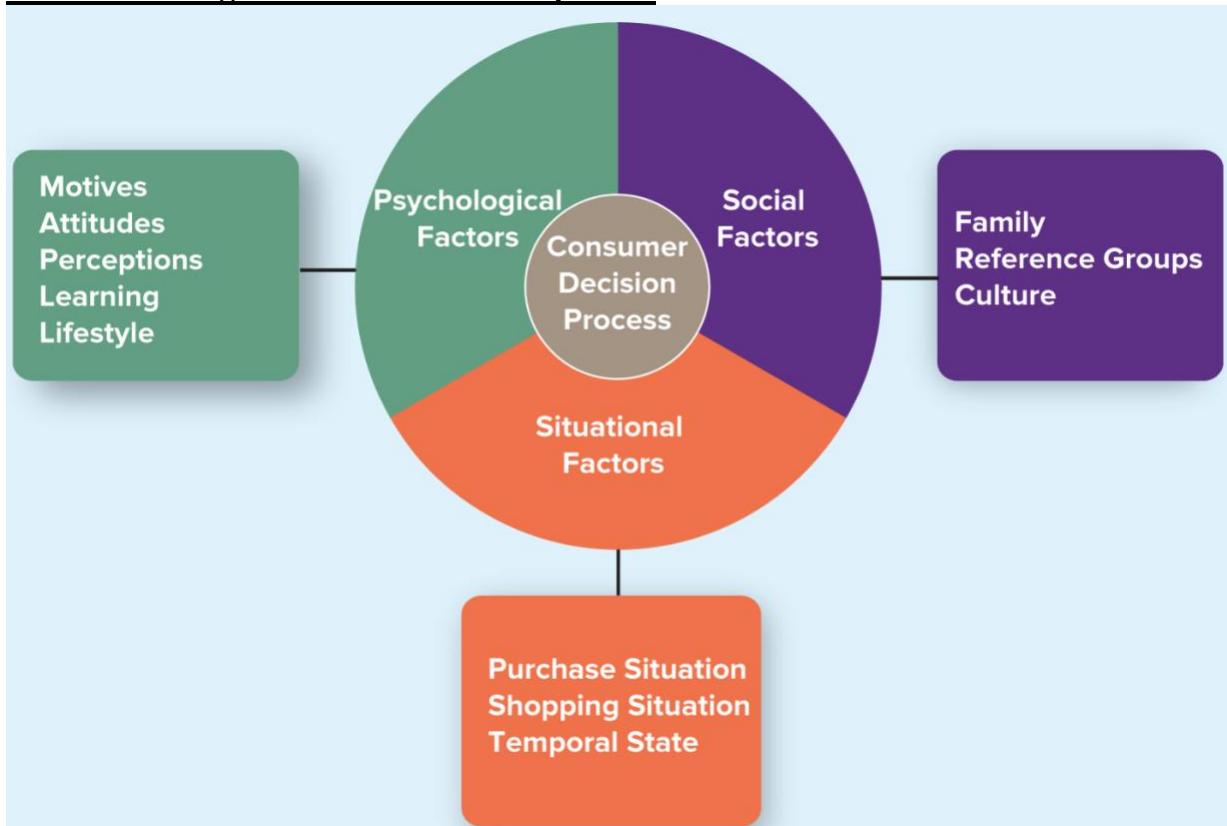
postpurchase dissonance

An internal conflict that arises from an inconsistency between two beliefs, or between beliefs and behaviour: buyer's remorse.

negative word-of-mouth

Occurs when consumers spread negative information about a product, service, or store to others.

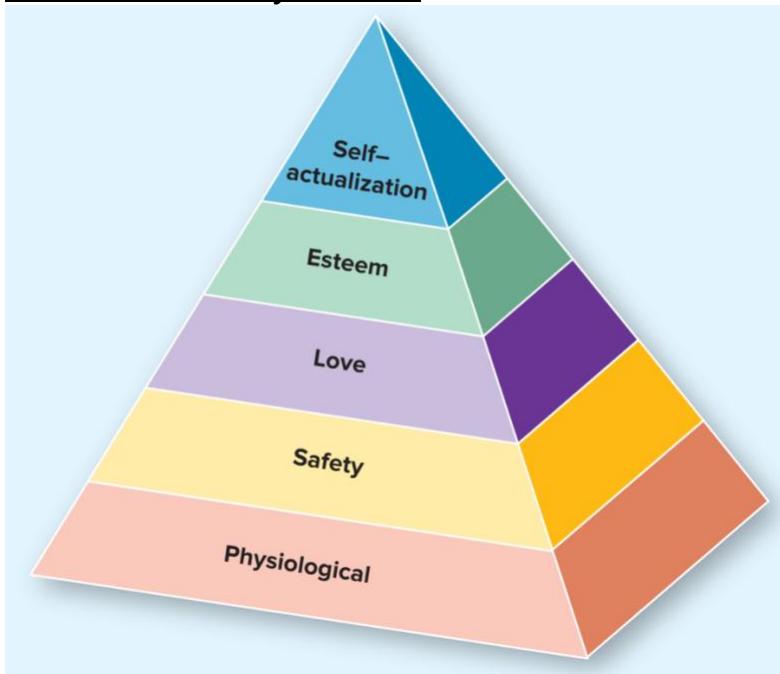
Factors affecting the consumer decision process



motive

A need or want that is strong enough to cause the person to seek satisfaction.

Maslow's hierarchy of needs



physiological needs

Relate to the basic biological necessities of life: food, drink, rest, and shelter.

safety needs

Pertain to protection and physical well-being.

love (social) needs

Relate to our interactions with others.

esteem needs

Allow people to satisfy their inner desires.

self-actualization

Occurs when you feel completely satisfied with your life and how you live.

attitude

A person's enduring evaluation of his or her feelings about and behavioural tendencies toward an object or idea; consists of three components: cognitive, affective, and behavioural.

1. cognitive component

A component of attitude that reflects what a person believes to be true.

2. affective component

A component of attitude that reflects what a person feels about the issue at hand—his or her like or dislike of something.

3. behavioural component

A component of attitude that comprises the actions a person takes with regard to the issue at hand.

perception

The process by which people select, organize, and interpret information to form a meaningful picture of the world.

learning

Refers to a change in a person's thought process or behaviour that arises from experience and takes place throughout the consumer decision process.

lifestyle

Refers to the way consumers spend their time and money.

reference group

One or more persons an individual uses as a basis for comparison regarding beliefs, feelings, and behaviours. They affect buying decisions by

- offering information
- providing rewards for specific purchasing behaviours
- enhancing a consumer's knowledge

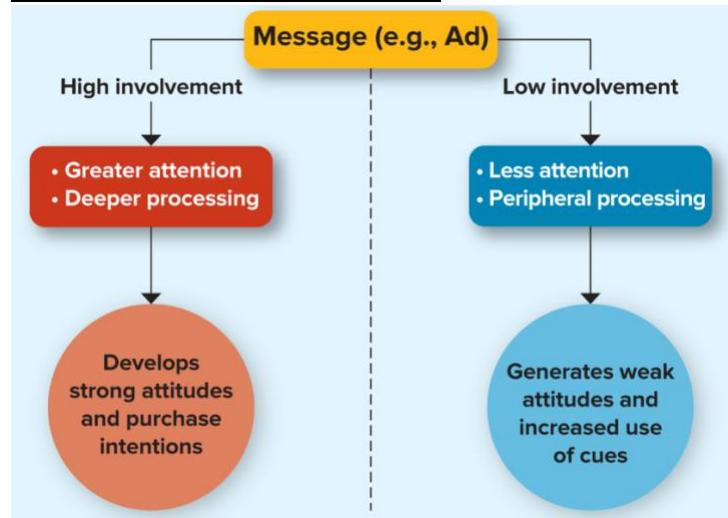
situational factors

Factors affecting the consumer decision process; those that are specific to the purchase and shopping situation and temporal state that may override, or at least influence, psychological and social issues.

Shopping situation

- store atmosphere
- salespeople
- crowding
- in-store demonstrations
- promotions
- packaging

elaboration likelihood model



extended problem solving

A purchase decision process during which the consumer devotes considerable time and effort to analyzing alternatives; often occurs when the consumer perceives that the purchase decision entails a great deal of risk.

limited problem solving

Occurs during a purchase decision that calls for, at most, a moderate amount of effort and time.

impulse buying

A buying decision made by customers on the spot when they see the merchandise.

habitual decision making

A purchase decision process in which consumers engage with little conscious effort.

*A special type of consumption is called **ritual consumption**, which refers to a pattern of behaviours tied to life events that affect what and how we consume.*

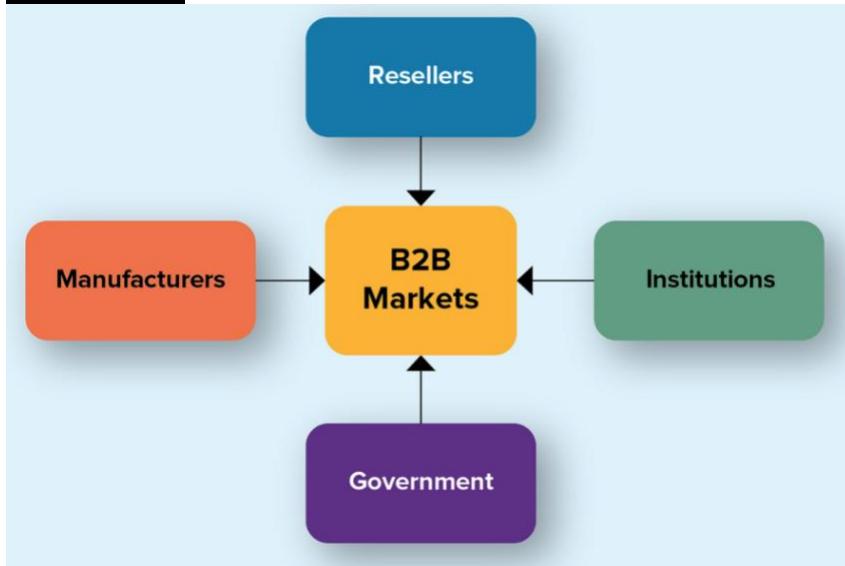
Involvement is the consumer's degree of interest or concern in a product or service. A **high-involvement** consumer usually scrutinizes all the information provided and process the key elements of a message of an advertisement.

Chapter 5 - Business-to-Business Marketing

business-to-business (B2B) marketing

The process of buying and selling goods or services to be used in the production of other goods and services, for consumption by the buying organization, or for resale by wholesalers and retailers.

B2B markets



resellers

Marketing intermediaries that resell manufactured products without significantly altering their form.

B2B B2C buying differences

Market Characteristics

- Demand for business products is derived, fluctuates more, and more frequently
- Fewer customers, more geographically concentrated, and orders are larger
- Demand is more inelastic

Product Characteristics

- Products are technical in nature and purchased based on specifications
- Mainly raw and semifinished goods are purchased
- Heavy emphasis is placed on delivery time, technical assistance, after-sale service, and financing assistance

Buying Process Characteristics

- Buying decision is more complex
- Buying may involve competitive bidding, negotiated pricing, and complex financial arrangements
- Buying involves qualified, professional buyers who follow a more formalized buying process
- Buying criteria and objective are specified, as are procedures for evaluating and selecting vendors and products
- Multiple people with varied interests participate in purchase decisions
- Reciprocal arrangements exist, and negotiations between buyers and sellers are common
- Buyers and sellers usually work closely to build close long-term relationships
- Online buying over the Internet is common

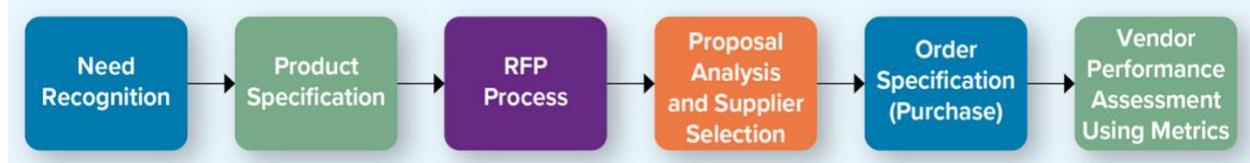
Marketing Mix Characteristics

- Direct selling is the primary form of selling and physical distribution is often essential
- Advertising is technical in nature, and promotions emphasize personal selling
- Price is often negotiated, inelastic, frequently affected by trade and quantity discounts; price usually includes a service or maintenance component

derived demand

The linkage between consumers' demand for a company's output and its purchase of necessary inputs to manufacture or assemble that particular output.

B2B buying process



request for proposals (RFP)

A process through which buying organizations invite alternative suppliers to bid on supplying their required components.

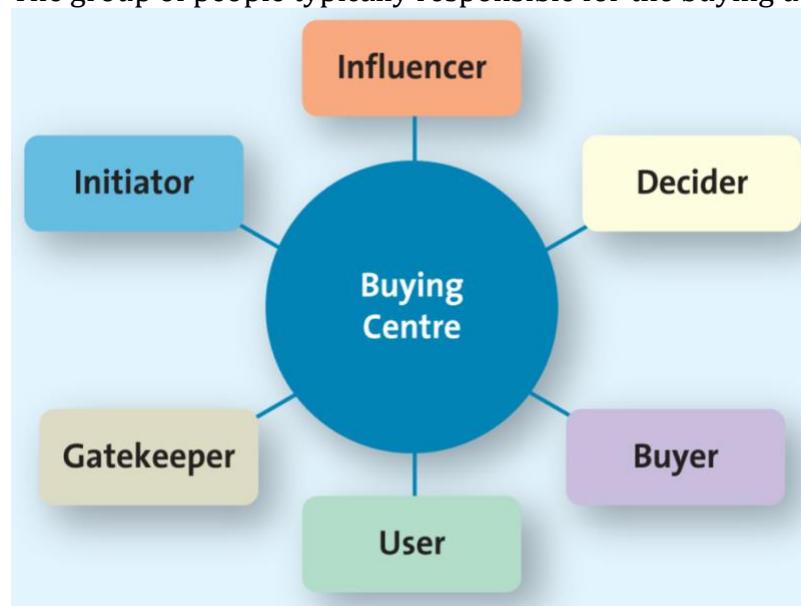
Vendor performance evaluation

| (1) Key Issues | (2) Importance Score | (3) Vendor's Performance | (4) Importance × Performance [(2) × (3)] |
|-------------------|-------------------------|-----------------------------|---|
| Customer Service | 0.4 | 5 | 2.0 |
| Issue Resolution | 0.2 | 4 | 0.8 |
| Delivery | 0.1 | 5 | 0.5 |
| Quality | 0.3 | 3 | 0.9 |
| Total | 1.0 | | 4.2 |

The buying centre

buying centre

The group of people typically responsible for the buying decisions in large organizations.

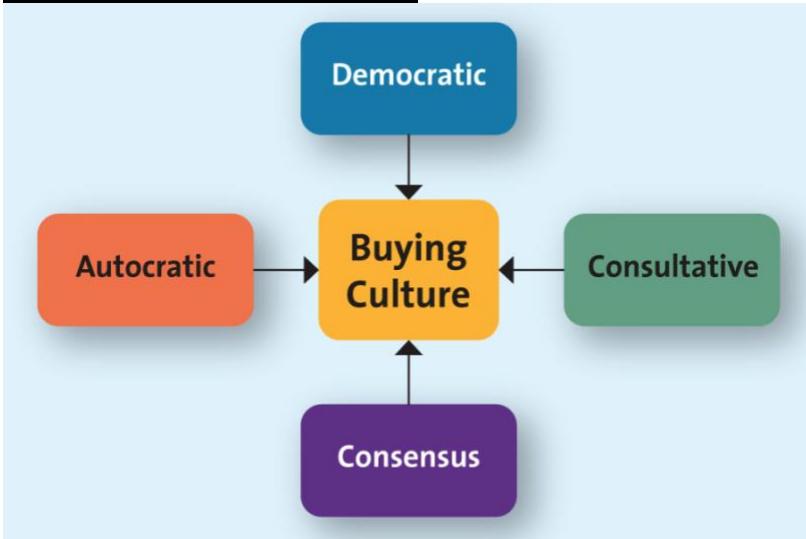


1. the initiator - your doctor
 - a. first suggests buying the particular product or service
2. the influencer - the medical device supplier
 - a. views influence other members of the buying centre in making the final decision
3. the decider - the hospital
 - a. ultimately determines any part of or the entire buying decision (5W)
4. the buyer - the hospital's materials manager
 - a. handles the paperwork of the actual purchase
5. the user - the patient
 - a. consumes or uses the product or service
6. the gatekeeper - the purchasing department
 - a. controls information or access, or both, to decision makers and influencers

organizational culture

Reflects the set of values, traditions, and customs that guides a firm's employees' behaviour.

Organizational buying culture



autocratic buying centre

A buying centre in which one person makes the decision alone, though there may be multiple participants.

democratic buying centre

A buying centre in which the majority rules in making decisions.

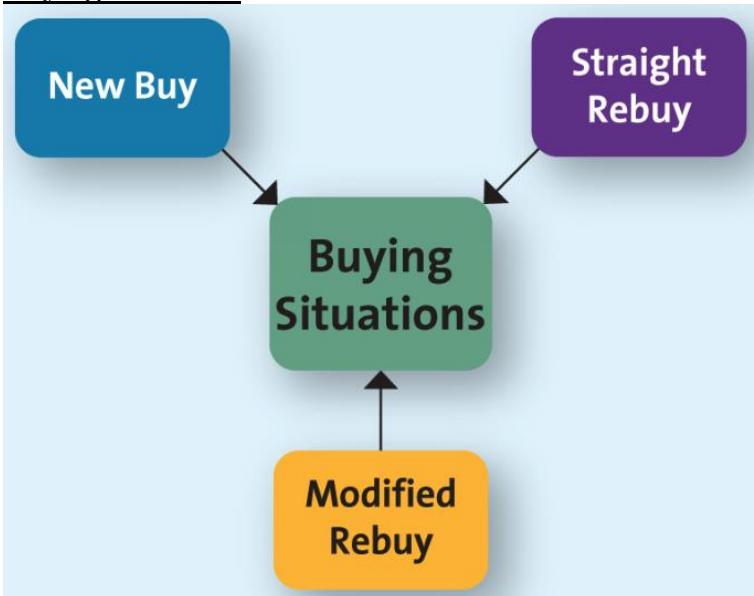
consensus buying centre

A buying centre in which all members of the team must reach a collective agreement through which they can support a particular purchase.

consultative buying centre

A buying centre in which one person makes the decision, but he or she solicits input from others before doing so.

Buying situations



new buy

In a B2B setting, a purchase of a good or service for the **first time**; the buying decision is likely to be quite involved because the buyer or the buying organization does not have any experience with the item.

modified rebuy

Refers to when the buyer has purchased a similar product in the past but has decided to **change some specifications**, such as the desired price, quality level, customer service level, and options.

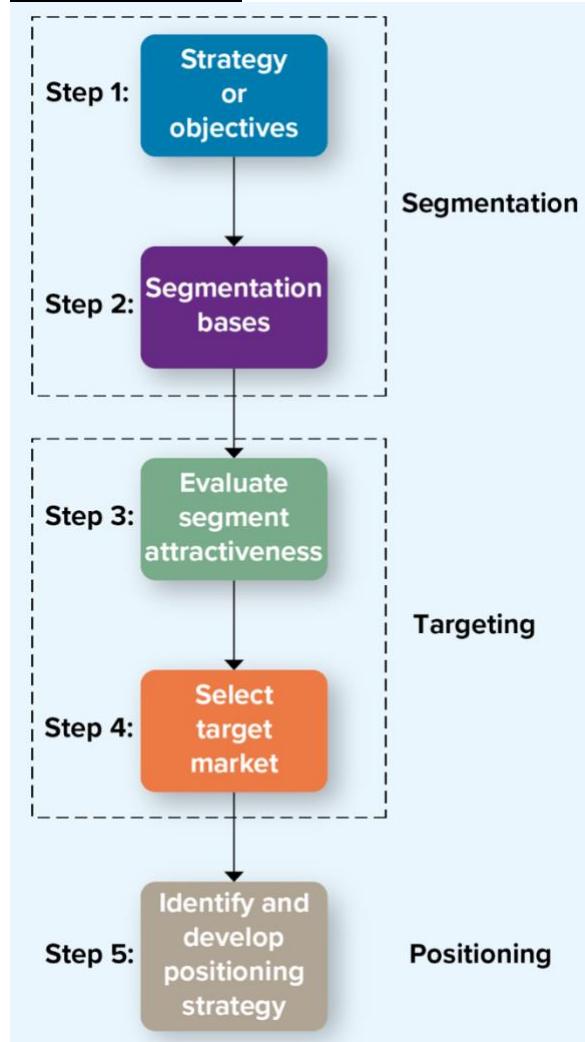
straight rebuy

Refers to when the buyer or buying organization simply buys additional units of products that had previously been purchased. Most common in B2B markets. Only buyer is involved.

reciprocal buying arrangements — *a practice where two firms agree to buy each other's products and services.*

Chapter 6 - Segmentation, Targeting, and Positioning

The STP Process



Segmentation bases

- **geographic segmentation**
The grouping of consumers on the basis of where they live.
- **demographic segmentation**
The grouping of consumers according to easily measured, objective characteristics such as age, gender, income, and education.

geodemographic segmentation

The grouping of consumers on the basis of a combination of geographic, demographic, and lifestyle characteristics.

Psychographics

This segmentation base delves into how consumers describe themselves; allows people to describe themselves by using those characteristics that help them choose

how they occupy their time (behaviour) and what underlying psychological reasons determine those choices.

self-values

Goals for life, not just the goals one wants to accomplish in a day; a component of psychographics that refers to overriding desires that drive how a person lives his or her life.

self-concept

The image a person has of himself or herself; a component of psychographics.

lifestyles

Lifestyles are how we live our lives to achieve goals.

VALS explores the intersection of psychology, demographics, and lifestyle.

Innovators, thinkers, believers, achievers, strivers, experiencers, makers, survivors.

| Innovators | Thinkers | Believers | Achievers |
|--|--|---|--|
| <ul style="list-style-type: none"> Successful, sophisticated, take-charge people High-esteem Change leaders, open to new ideas and technology Actively seek new information Experiment with confidence, future oriented Problem-solvers Active consumers, cultivated tastes | <ul style="list-style-type: none"> Old guard, respect authority Well-educated Mature, satisfied, comfortable Carefully research and plan before taking action Appreciate historical perspective Act in accordance with what's right Not influenced by latest trends | <ul style="list-style-type: none"> Hold conservative belief systems, deep-rooted moral codes Value family, religion, community Value stability Dislike ambiguity Not looking to change society Predictable, loyal consumers Choose familiar products, established brands | <ul style="list-style-type: none"> Goal-oriented professionals View money as source of authority Deep commitment to career, family Respect authority and the status quo Active consumers Favour prestige products, conscious of peers Embrace technology with productivity benefits |
| Strivers | Experiencers | Makers | Survivors |
| <ul style="list-style-type: none"> Live in the moment Trendy, fun-loving Money defines success Favour stylish products Revolving rates of temporary unemployment Looking for a better life, not easily achieved Active yet impulsive consumers | <ul style="list-style-type: none"> Seek variety, excitement Enthusiastic, impulsive consumers "Want it all" mentality Active in sports and social activities Heightened sense of visual stimulation Keep up with latest fashions Want to look good, have cool stuff | <ul style="list-style-type: none"> Practical people with constructive skills Strong mechanical and automotive interests Traditional views of family, work, gender roles Protect what they see as theirs Value self-sufficiency Suspicious of new ideas Unimpressed with material possessions | <ul style="list-style-type: none"> Oldest consumers Cautious, risk averse, feel world is changing too fast Concern for safety, security Comfortable with routine and the familiar Loyal to favourite brands Laggards in technology Focus on needs vs. wants |

behavioural segmentation

Groups consumers based on the benefits they derive from products or services, their usage rate, their loyalty, and the occasion.

occassion segmentation

Groups consumers based on when they purchase or consume a product or service.

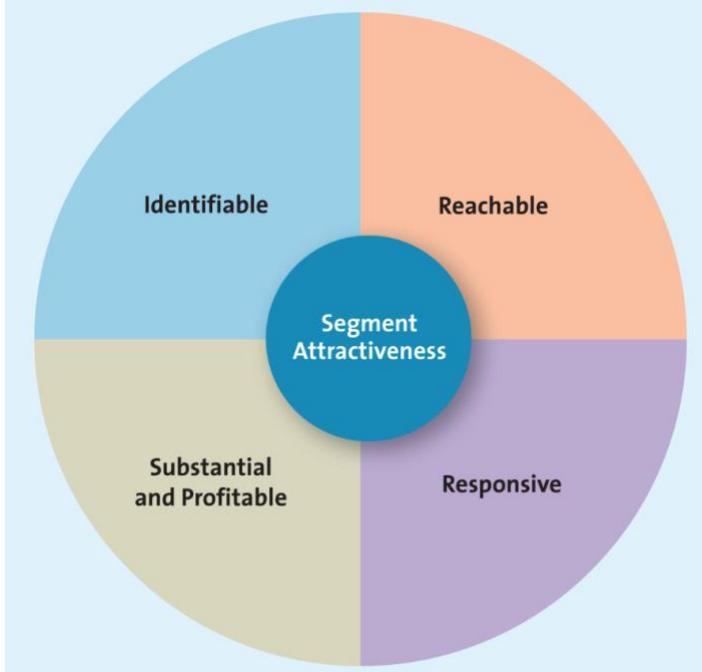
benefit segmentation

Groups consumers based on the benefits they derive from products or services.

Loyalty segmentation refers to the strategy of investing in retention and loyalty initiatives to retain a firm's most profitable customers.

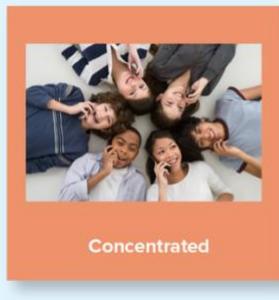
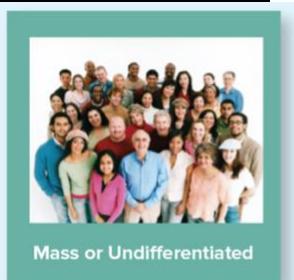
Evaluate segment attractiveness

- identifiable, reachable, substantial and profitable, and responsive



Segment profitability = (Segment size × Segment adoption percentage × Purchase behaviour × Profit margin percentage) – Fixed costs

Targeting strategies



undifferentiated targeting strategy (mass marketing)

A marketing strategy a firm can use if the product or service is perceived to provide the same benefits to everyone, with no need to develop separate strategies for different groups.

differentiated targeting strategy

A strategy through which a firm targets several market segments with a **different offering for each**.

concentrated (or niche) targeting strategy

A marketing strategy of selecting a single, primary target market and focusing all energies on providing a product to fit that market's needs.

micromarketing (one-to-one)

A form of segmentation that tailors a product or service to suit an individual customer's wants or needs.

mass customization

The practice of interacting on a one-to-one basis with many people to create custom-made products or services; providing one-to-one marketing to the masses.

positioning

The mental picture that people have about a company and its products or services relative to competitors.

value proposition

Communicates the customer benefits to be received from a product or service and the reason(s) for wanting to buy it.

Market positioning

Defining the marketing mix variables to give target customers a distinct and desirable understanding of what a product represents.

positioning statement

Expresses how a company wants to be perceived by consumers.

perceptual map

Displays, in two or more dimensions, the position of products or brands in the **consumer's mind**.

ideal point

The position at which a particular market segment's ideal product would lie on a perceptual map.

1. Determine consumers' perceptions and evaluations of the firm's product or service in relation to competitors

2. Identify the market's ideal points and size
3. Identify competitors' positions
4. Determine consumer preferences
5. Select the position
6. Monitor the positioning strategy

brand repositioning (rebranding)

A strategy in which marketers change a brand's focus to target new markets or realign the brand's core emphasis with changing market preferences.

Canada Post uses **PSYTE** cluster profiles for geodemographic segmentation in Canada. The PSYTE system groups all neighborhoods in Canada into 60 different lifestyles clusters with specific locations.

Segment profit = (segment size x segment adoption% x selling price x profit margin%) - Fixed costs

Striver

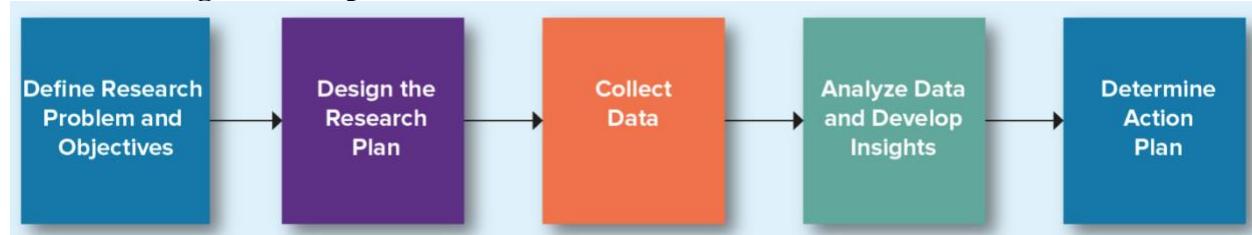
Someone who thinks that money defines success and spends as much money as possible.

Chapter 7 - Marketing Research

marketing research

A set of techniques and principles for systematically collecting, recording, analyzing, and interpreting data that can aid decision makers involved in marketing goods, services, or ideas.

The marketing research process



secondary data

Pieces of information that have been collected prior to the start of the focal project.

primary data

Data collected to address the specific research needs/questions currently under investigation. Some primary data collection methods include focus groups, in-depth interviews, and surveys.

data

Raw numbers or other factual information of limited value.

information

Data that has been organized, analyzed, interpreted, and converted into a useful form for decision makers.

Internal secondary data

1. data mining

The use of statistical analysis tools to search for patterns in data or relationships among variables.

2. big data

Refers to extremely large quantities of data that companies have access to but are unable to handle using conventional data management and data-mining software.

External secondary data

1. syndicated data

- a. Data available for a fee from commercial research firms such as Symphony IRI Group, National Diary Panel, Nielsen, and Léger Marketing.

2. scanner data

- a. A type of quantitative research that uses data obtained from scanner readings of UPC codes at checkout counters.

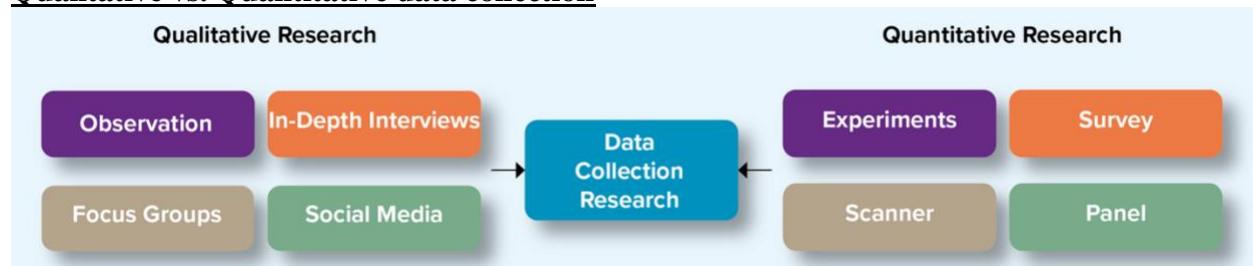
3. panel data

- a. A type of quantitative research that involves collecting information from a group of consumers (the panel) over time; data collected may be from a survey or a record of purchases.

Primary data collection techniques

| Type | Examples | Advantages | Disadvantages |
|--------------------|---|--|---|
| Secondary Research | <ul style="list-style-type: none"> • Census data • Sales invoices • Internet information • Books • Journal articles • Syndicated data | <ul style="list-style-type: none"> • Saves time in collecting data because they are readily available • Reduces data collection costs | <ul style="list-style-type: none"> • Information may not be precisely relevant to information needs • Information may not be as timely as needed • Sources may not be original; therefore, usefulness is an issue • Methodologies for collecting data may not be relevant or may contain bias in the subject matter |
| Primary Research | <ul style="list-style-type: none"> • Observed consumer behaviour • Focus groups • In-depth interviews • Surveys • Experiments | <ul style="list-style-type: none"> • Is specific to the immediate data needs and topic at hand • Offers behavioural insights generally not available from secondary research | <ul style="list-style-type: none"> • Information is usually more costly to collect • Data typically takes longer to collect • It often requires more sophisticated training and experience to design and collect unbiased, valid, and reliable data |

Qualitative vs. Quantitative data collection



reliability

The extent to which the same result is achieved when a study is repeated in identical situations.

validity

The extent to which a study measures what it is supposed to measure.

Qualitative observation

A qualitative research method that entails examining purchase and consumption behaviours through personal or video camera scrutiny.

ethnography

An observational method that studies people in their daily lives and activities in their homes, work, and communities.

in-depth interview

A research technique in which trained researchers ask questions, listen to and record the answers, and then pose additional questions to clarify or expand on a particular issue, require smaller samples compared to surveys.

focus group

A research technique in which a small group of persons (usually 8 to 12) comes together for an in-depth discussion about a particular topic, with the conversation guided by a trained moderator using an unstructured method of inquiry.

Quantitative survey

A systematic means of collecting information from people using a questionnaire.

questionnaire

A form that features a set of questions designed to gather information from respondents and thereby accomplish the researchers' objectives; questions can be either unstructured or structured.

experimental research

A type of quantitative research that systematically manipulates one or more variables to determine which variable has a causal effect on another variable.

Marketing Ethics

- Moral principles and values that govern the business practice in the domain of marketing.
- Respect the rights of the subjects

Customer lifetime value (CLV)

$$\bullet \text{ CLV} = \frac{\text{Profit} * (\text{Retention Rate})^0}{(1+\text{discount rate})^0} + \frac{\text{Profit} * (\text{Retention Rate})^1}{(1+\text{discount rate})^1} + \frac{\text{Profit} * (\text{Retention Rate})^2}{(1+\text{discount rate})^2} + \dots - \text{initial cost of acquiring the customer}$$

Market share decline is a symptom of a real problem.

Personal Information Protection and Electronic Documents Act (PIPEDA)

Governs the collection, use, disclosure, and retention of personal information by certain parts of the private sector.

Privacy Act

Governs the collection, use, disclosure, and retention of personal information by federal government institutions.

Chapter 8 - Developing New Products

Reasons for innovation

1. Changing customer needs
2. Market saturation
3. Managing risk through diversity
4. Improving business relationships

diffusion of innovation

The process by which the use of an innovation, whether a product or a service, spreads throughout a market group over time and over various categories of adopters.

pioneers

New product introductions that establish a completely new market or radically change both the rules of competition and consumer preferences in a market; also called breakthroughs.

disruptive innovations

New product introductions that are simpler, less sophisticated, and usually less expensive than existing products or services.

first movers

Product pioneers that are the first to create a market or product category, making them readily recognizable to consumers and thus establishing a commanding and early market share lead.

Consumer adoption cycle

innovators

Those buyers who want to be the first to have the new product or service.

early adopters

The second group of consumers in the diffusion of innovation model, after innovators, to use a product or service innovation; generally, don't like to take as much risk as innovators. They generally wait and purchase a product after careful review.

early majority

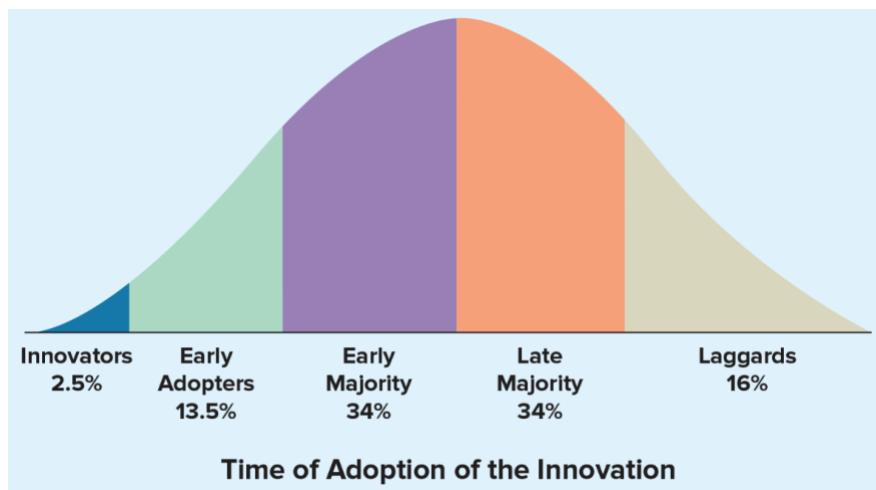
- A group of consumers in the diffusion of innovation model that represents approximately 34 percent of the population; members don't like to take much risk and therefore tend to wait until bugs are worked out.
- Rely on the reviews of innovators

late majority

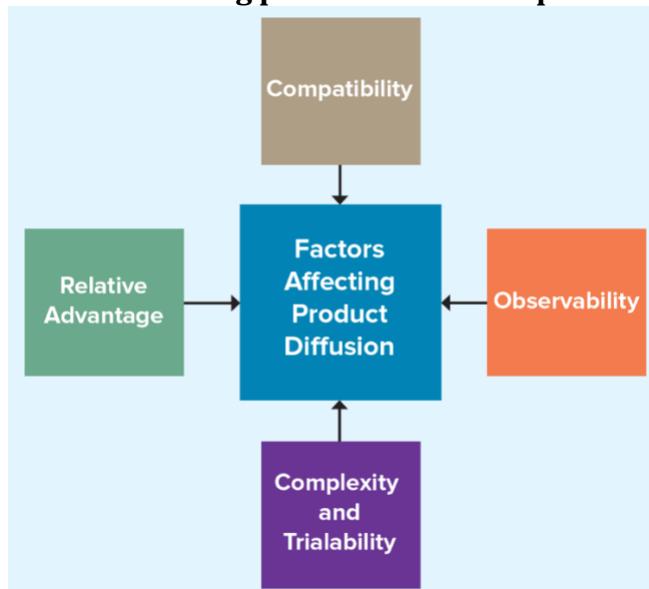
- The last group of buyers to enter a new product market, when they enter the market, sales tend to level off or may be in decline.

Laggards

- Consumers who like to avoid change and rely on traditional products until they are no longer available.



Factors affecting product diffusion speed



Product development process



IDEA GENERATION

reverse engineering

Involves taking apart a competitor's product, analyzing it, and creating an improved product that does not infringe on the competitor's patents, if any exist.

lead users

Innovative product users who modify existing products according to their own ideas to suit their specific needs.

CONCEPT TESTING

concepts

Brief written descriptions of a product or service; its technology, working principles, and forms; and what customer needs it would satisfy.

concept testing

The process in which a concept statement that describes a product or a service is presented to potential buyers or users to obtain their reactions.

PRODUCT DEVELOPMENT

product development

Entails a process of balancing various engineering, manufacturing, marketing, and economic considerations to develop a product.

prototype

The **first physical form** or service description of a new product, still in rough or tentative form, that has the same properties as a new product but is produced through different manufacturing processes, sometimes even crafted individually.

alpha testing

An attempt by the firm to determine whether a product will perform according to its design and whether it satisfies the need for which it was intended; occurs in the firm's R&D department.

beta testing

Having potential consumers examine a product prototype in a real use setting to determine its functionality, performance, potential problems, and other issues specific to its use.

MARKET TESTING

premarket tests

Conducted before a product or service is brought to market to determine how many customers will try and then continue to use it.

test marketing

Introduces a new product or service to a **limited geographical** area (usually a few cities) prior to a national launch.

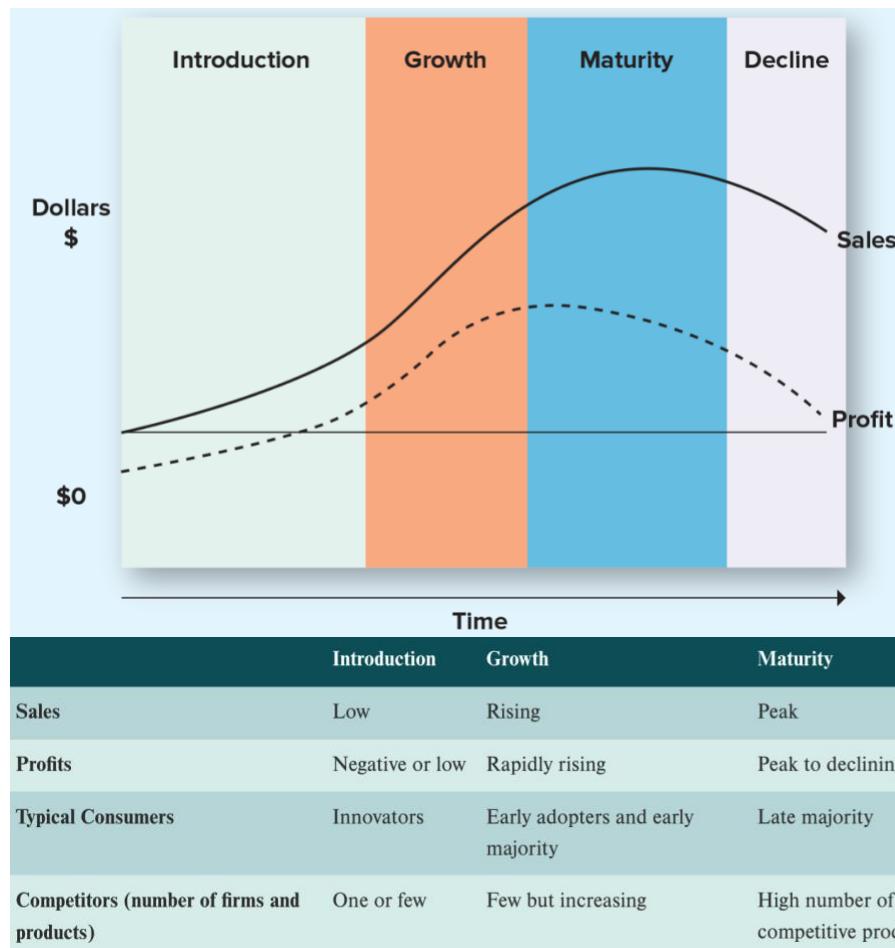
EVALUATION OF RESULTS

1. Satisfaction of technical requirements
2. Customer acceptance
3. Satisfaction of the firms' financial requirements

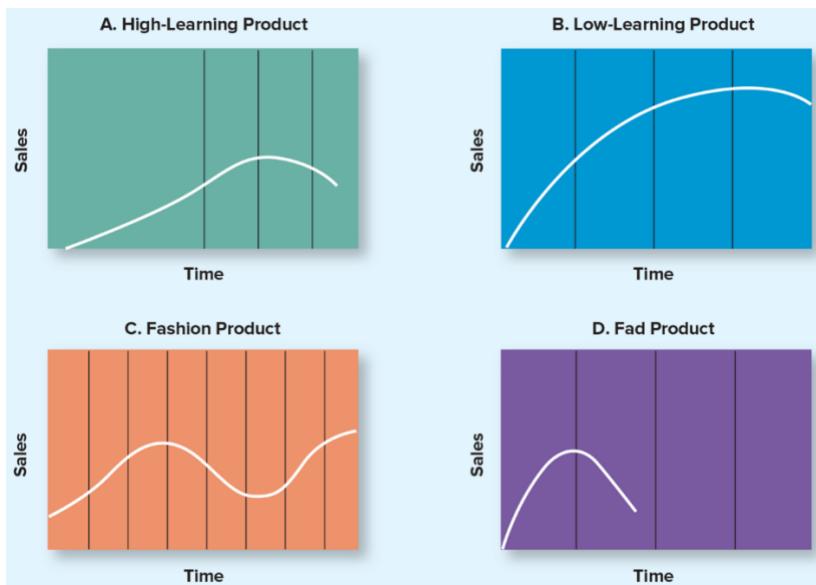
Product Life Cycle (PLC)

Defines the stages that new products move through as they enter, get established in, and ultimately leave the marketplace and thereby offers marketers a starting point for their strategy planning.

1. **introduction stage** - Stage of the product life cycle when **innovators** start buying the product.
2. **growth stage** - Stage of the product life cycle when the product gains acceptance, demand and sales increase, and competitors emerge in the product category.
3. **maturity stage** - Stage of the product life cycle when industry sales reach their peak, so firms try to rejuvenate their products by adding new features or repositioning them.
4. **decline stage** - Stage of the product life cycle when sales decline and the product eventually exits the market.



Variations on the product life cycle curve



Relative advantage signifies that if a product is perceived to be better than substitutes, then the diffusion will be relatively quick.

Compatibility exists when business professionals and executives make decisions in a timely fashion and can communicate their decisions in a timely manner. This makes the diffusion of a product easier.

Observability is primarily contributing to the popularity of products. When products are easily observed, their benefits or uses are easily communicated to others, which enhances the diffusion process.

Complexity and Trialability

Products that are relatively less complex are also relatively easy to try. These products will generally diffuse more quickly than those that are not.

One of the key characteristics of a **brainstorming** session is that no idea can be immediately accepted or rejected. At the end of the session the members vote on the best ideas or combinations of ideas.

Chapter 9 - Product, Branding, and Packaging Decisions

core customer value

The basic problem-solving benefits that consumers are seeking.

Product complexity



associated services (or augmented product)

The **nonphysical attributes** of the product, including product warranties, financing, product support, and after-sale service.

Type of products

- 1. specialty goods/services**
 - a. Products or services toward which the customer shows a strong preference and for which he or she will expend considerable effort to search for the best suppliers.
 - b. Key: assist customers in information search
- 2. shopping goods/services**
 - a. Products or services—such as apparel, fragrances, and appliances—for which consumers will spend time comparing alternatives.
 - b. Key: differentiation
- 3. convenience goods/services**
 - a. Products or services for which the consumer is not willing to spend any effort to evaluate prior to purchase.
 - b. Key: availability, convenience
 - c. Impulse buying might happen
- 4. Unsought products/services**
 - a. Products consumer either do not normally think of buying or do not know about

product mix

The complete set of all products offered by a firm.

product lines

Groups of associated items, such as those that consumers use together or think of as part of a group of similar products.

product category

An assortment of items that the customer sees as reasonable substitutes for one another.

product mix breadth

The number of product lines, or variety, offered by the firm.

product line depth

The number of products within a product line.

stock keeping units (SKUs)

Individual items within each product category; the **smallest unit available** for inventory control.

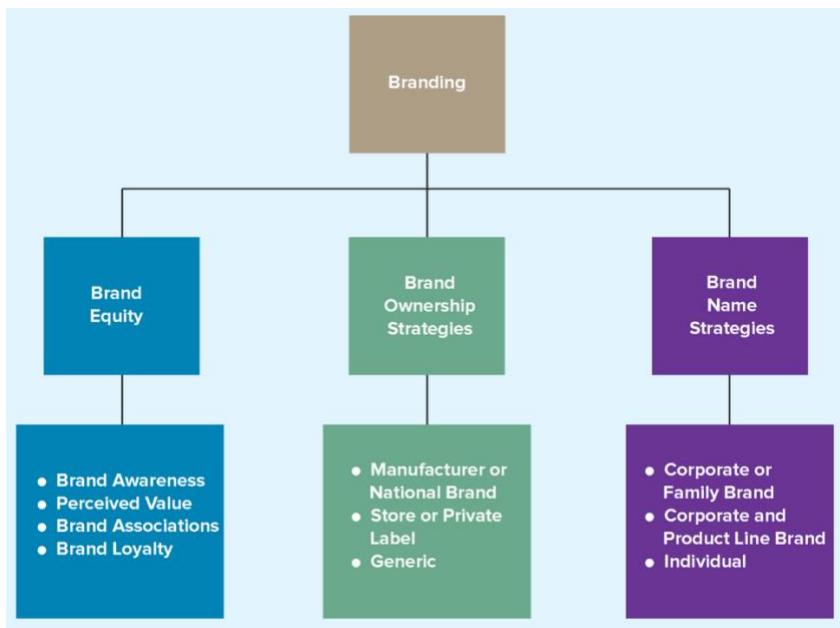
Value of branding



brand equity

The set of assets and liabilities linked to a brand that add to or subtract from the value provided by the product or service.

Brand overview



brand awareness

Measures how many consumers in a market are familiar with the brand and what it stands for; created through repeated exposures of the various brand elements (brand name, logo, symbol, character, packaging, or slogan) in the firm's communications to consumers.

perceived value

The relationship between a product or service's benefits and its cost.

brand associations

The **mental links** that consumers make between a brand and its key product attributes; can involve a logo, slogan, or famous personality.

brand personality

Refers to a set of **human characteristics** associated with a brand, which has symbolic or self-expressive meanings for consumers.

brand loyalty

Occurs when a consumer buys the same brand's product or service repeatedly over time rather than buying from multiple suppliers within the same category.

Brand ownership strategies



1. Private-label brands

- a. Brands developed and marketed by a retailer and available only from that retailer.

2. Manufacturer brands

- a. Brands owned and managed by the manufacturer.

3. Generic

- a. A product sold without a brand name, typically in commodities markets.

Brand name strategies

1. family brand

- a. The use of a combination of the company brand name and individual brand name to distinguish a firm's products.

2. individual brand

- a. The use of individual brand names for each of a firm's products.

brand extension

The use of the same brand name for new products being introduced to the same or new markets.

brand dilution

Occurs when a brand extension **adversely** affects consumer perceptions about the attributes the core brand is believed to hold.

cobranding

The practice of marketing two or more brands together, on the same package or promotion.

brand licensing

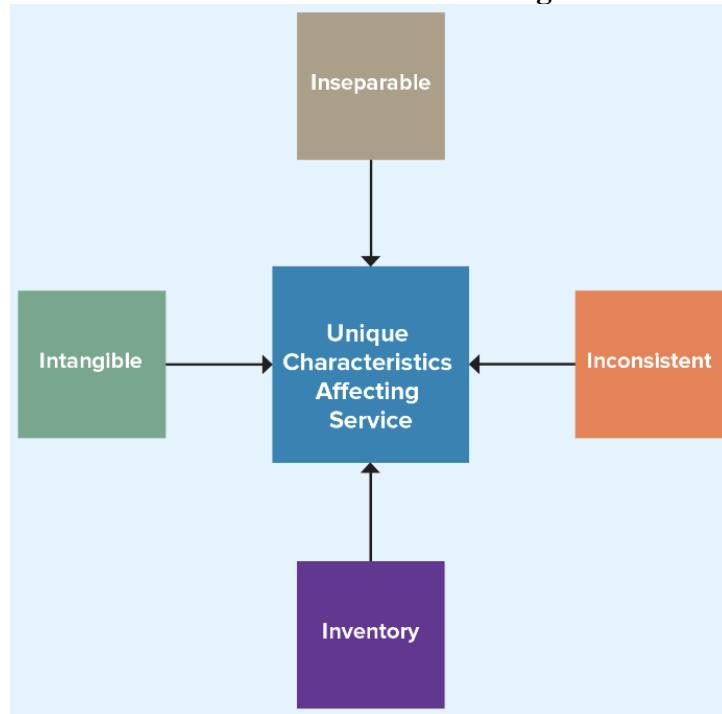
A **contractual arrangement** between firms, whereby one firm allows another to use its brand name, logo, symbols, or characters in exchange for a negotiated fee.

Chapter 10 - Services: The Intangible Product

Service-product continuum



Core differences between services and goods



intangible

A characteristic of a service; it cannot be touched, tasted, or seen like a pure product can.

inseparable

A characteristic of a service: it is produced and consumed **at the same time**—that is, service and consumption are inseparable.

inconsistent

A characteristic of a service: its quality may vary because it is provided by humans. There are some solutions to this

1. Training and standardization
2. Replace people with machines

3. Internet-enabled kiosks

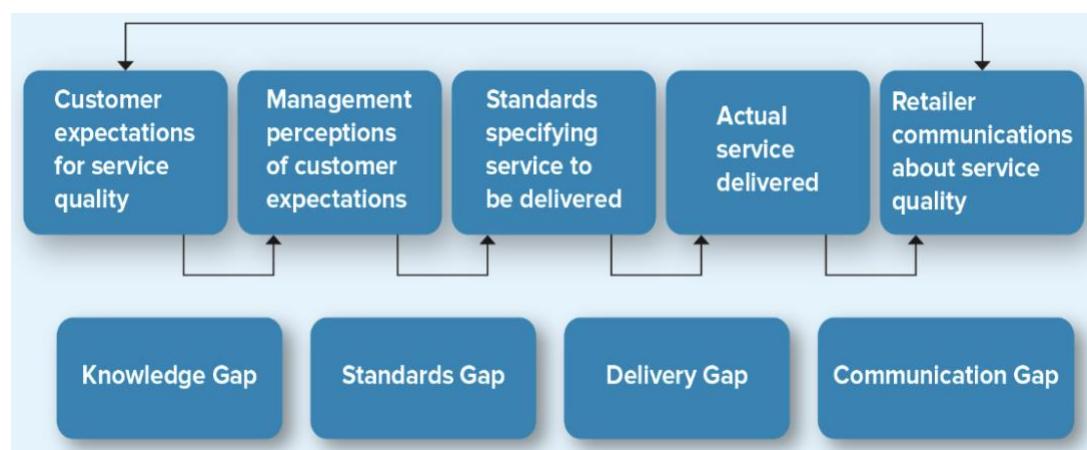
Inventory

A characteristic of a service: it is perishable and cannot be stored in inventory for future use.

service gap

Results when a service fails to meet the expectations that customers have about how it should be delivered.

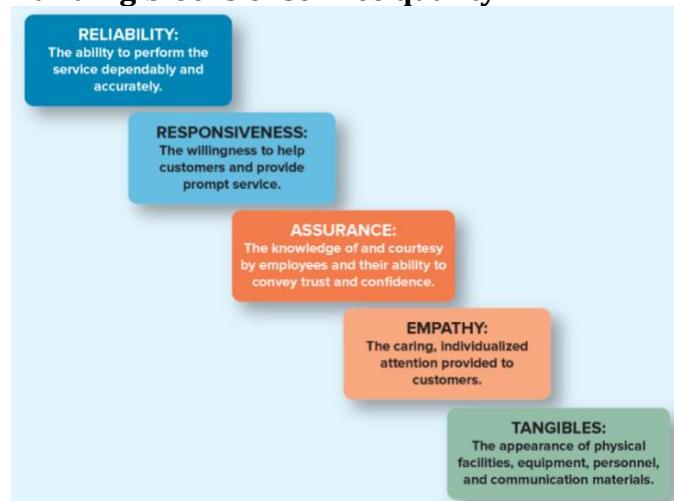
Gap model for improving service



knowledge gap

- Reflects the difference between customers' expectations and the firm's perception of those expectations.
- Can close this gap by matching customer expectations with actual service through research

Building blocks of service quality



- Reliability is the ability to perform the service dependably and accurately
- Responsiveness is the willingness to help customers and provide prompt service
- Assurance is the knowledge of and courtesy by employees and their ability to convey trust and confidence
- Empathy is the caring, individualized attention provided to customers
- Tangibles are the appearances of physical facilities, equipment, personnel, and communication materials.

voice-of-customer (VOC) program

An ongoing marketing research system that collects customer insights and intelligence to influence and drive business decisions.

zone of tolerance

The area between customers' expectations regarding their desired service and the minimum level of acceptable service—that is, the difference between what the customer really wants and what he or she will accept before going elsewhere.

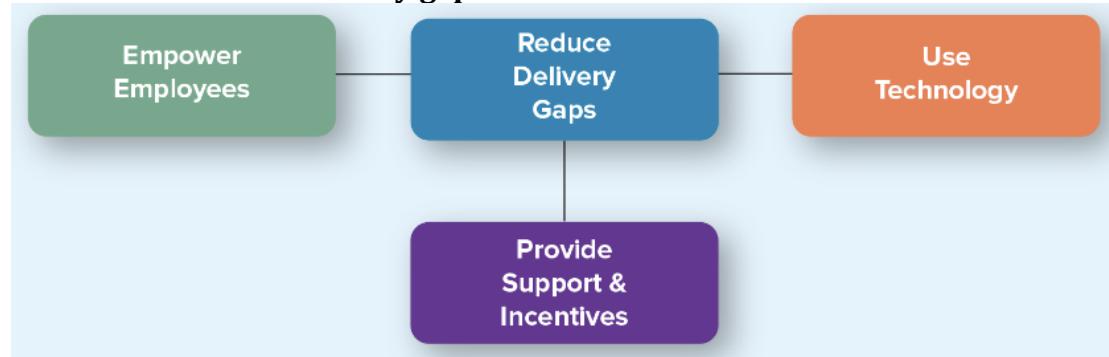
standards gap

- a. Pertains to the difference between the firm's perceptions of customers' expectations and the service standards it sets.
- b. Narrow this gap by setting appropriate service standards and measuring service performance
 - a. Achieve service goals through training
 - b. Commitment to service quality

delivery gap

- The difference between the firm's service standards and the actual service it provides to customers.
- Close this gap by getting employees to meet or exceed service standards

Methods to reduce delivery gaps

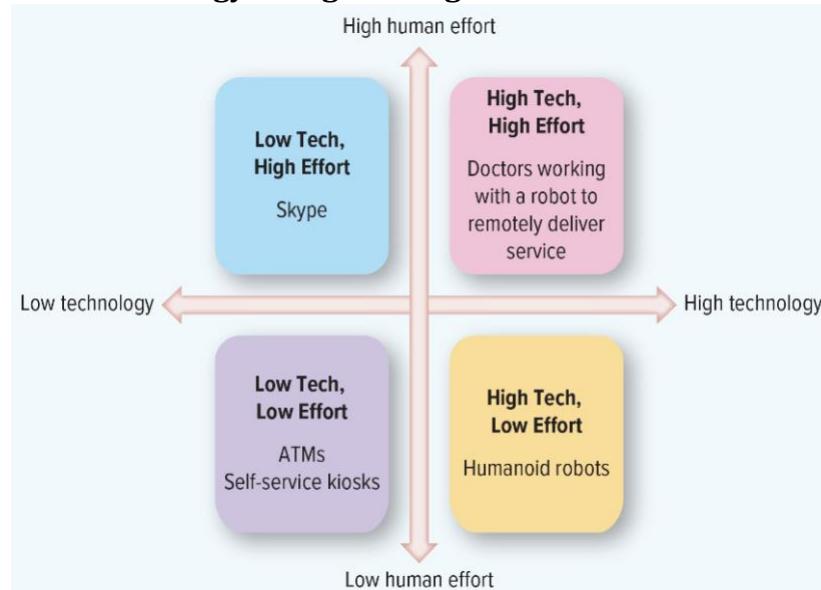


empowerment

In the context of service delivery, means allowing employees to make decisions about how service is provided to customers.

- It is costly, so in cases when service is repetitive, better still follow strict rules (like fast food restaurants)

How technology is augmenting the human effort



Low low - traditional service delivery technologies

Low high - defines situations in which humans have a strong preference

High low - technology is extremely prominent, deliberately communicates

High high - high tech meaningfully supplement people's abilities to provide services

communication gap

- Refers to the difference between the actual service provided to customers and the service that the firm's promotion program promises.
- Close this gap if they are more realistic about the services they can provide and manage customer expectations effectively

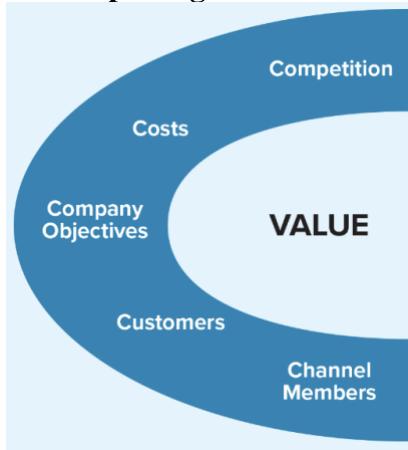
Service recovery

- Listening to the customer
- Finding a fair solution (perception of fair is based on their previous experience with other firms, how they have seen other customers treated)
- Resolving problems quickly

Customers' expectations are based on their **knowledge and experiences**.

Chapter 11 - Pricing Concepts and Strategies: Establishing Value

5 Cs of pricing



Company objective and pricing strategy implications

- profit orientation

- A company objective that can be implemented by focusing on target profit pricing, maximizing profits, or target return pricing.
- **target profit pricing**
 - A pricing strategy implemented by firms when they have a **particular profit** goal as their overriding concern; uses price to stimulate a certain level of sales at a certain profit per unit.
- **maximizing profits strategy**
 - A mathematical model that captures all the factors required to explain and predict sales and profits, which should be able to identify the price at which its profits are maximized.
- **target return pricing (ROE)**
 - A pricing strategy implemented by firms less concerned with the absolute level of profits and more interested in the rate at which their profits are generated **relative to their investments**; designed to produce a specific return on investment, usually expressed as a percentage of sales.

- sales orientation

- A company objective based on the belief that increasing sales will help the firm more than will increasing profits.

- competitor orientation

- A company objective based on the premise that the firm should measure itself primarily against its competition.
- **competitive parity**
 - A firm's strategy of setting prices that are similar to those of major competitors.

- customer orientation

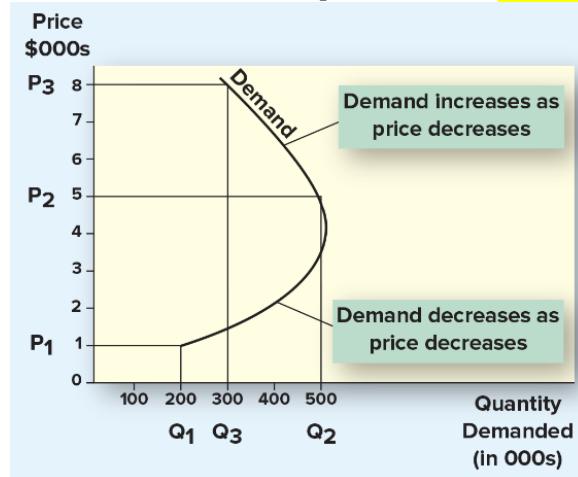
- Pricing orientation that explicitly invokes the concept of customer value and setting prices to match consumer expectations.

demand curve

Shows how many units of a product or service consumers will demand during a specific period at different prices.

prestige products or services

Those that consumers purchase for **status** rather than functionality.



price elasticity of demand

Measures how changes in a price affect the quantity of the product demanded; specifically, the ratio of the percentage change in quantity demanded to the percentage change in price.

- Less than 1 is inelastic
- Greater than one is elastic
- Equal to 1 is unit elastic

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

Factors influencing price elasticity of demand

- **income effect**
 - o Refers to the change in the quantity of a product demanded by consumers because of a change in their income.
- **substitution effect**
 - o Refers to consumers' ability to substitute other products for the focal brand, thus increasing the price elasticity of demand for the focal brand.
- **cross-price elasticity**
 - o The percentage change in demand for Product A that occurs in response to a percentage change in price of Product B.
 - o **complementary products**
 - Products whose demand curves are positively related, such that they rise or fall together; a percentage increase in demand for one results in a percentage increase in demand for the other.

- **substitute products**

- Products for which changes in demand are negatively related—that is, a percentage increase in the quantity demanded for Product A results in a percentage decrease in the quantity demanded for Product B.

variable costs

Those costs, primarily labour and materials, that vary with production volume.

fixed costs

Those costs that remain essentially at the same level, regardless of any changes in the volume of production.

break-even point

The point at which the number of units sold generates just enough revenue to equal the total costs; at this point, profits are zero.

$$\text{Break-even point (units)} = \frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

contribution per unit

Equals the price less the variable cost per unit; variable used to determine the break-even point in units.

Four levels of competition



monopoly

Occurs when only one firm provides the product or service in a particular industry.

- Less price competition

oligopoly

Occurs when only a few firms dominate a market.

- **price war**
 - Occurs when two or more firms compete primarily by lowering their prices.

monopolistic competition

Occurs when many firms sell closely related but not homogeneous products; these products may be viewed as substitutes but are not perfect substitutes.

pure competition

Occurs when different companies sell commodity products that consumers perceive as **substitutable**; price usually is set according to the **laws of supply and demand**.

Channel members

- Manufacturers, wholesalers, and retailers, Can be difficult to manage, and distribution outside normal channels does occur
- **grey market**
 - o Employs irregular but **not necessarily illegal** methods; generally, it legally circumvents authorized channels of distribution to sell goods at prices lower than those intended by the manufacturer.

Pricing Methods

cost-based pricing method

- Determines the final price to charge by starting with the cost, without recognizing the role that consumers or competitors' prices play in the marketplace.
- Requires cost to be identifiable on a per-unit basis

competitor-based pricing method

- An approach that attempts to reflect how the firm wants consumers to interpret its products relative to the competitors' offerings.

value-based pricing method

- Focuses on the overall value of the product offering as perceived by consumers, who determine value by comparing the benefits they expect the product to deliver with the sacrifice they will need to make to acquire the product.
- **improvement value**
 - o Represents an estimate of how much more (or less) consumers are willing to pay for a product relative to other comparable products.
- **cost of ownership method**
 - o A value-based method for setting prices that determines the total cost of owning the product **over its useful life**.

Pricing Strategies

everyday low pricing (EDLP)

A strategy companies use to emphasize the continuity of their retail prices at a level somewhere between the regular, nonsale price and the deep-discount sale prices their competitors may offer. (like Walmart)

high/low pricing

A pricing strategy that relies on the promotion of sales, during which prices are **temporarily reduced** to encourage purchases.

New product pricing

- **price skimming**

- A strategy of selling a new product or service at a high price that innovators and early adopters are willing to pay to obtain it; after the high-price market segment becomes saturated and sales begin to slow down, the firm generally lowers the price to capture (or skim) the next most price-sensitive segment.
- The product must be perceived as breaking new ground in some way, offering consumers new benefits currently unavailable in alternative products

market penetration pricing

A pricing strategy of setting the initial price low for the introduction of the new product or service, with the objective of building sales, market share, and profits quickly.

- **experience curve effect**

- Refers to the drop in unit cost as the accumulated volume sold increases; as sales continue to grow, the costs continue to drop, allowing even further reductions in the price.

Consumer pricing tactics

- **price lining**

- Consumer market pricing tactic of establishing a price floor and a price ceiling for an entire line of similar products and then setting a few other price points in between to represent distinct differences in quality.

- **price bundling**

- Consumer pricing tactic of selling more than one product for a single, lower price than the items would cost sold separately; can be used to sell slow-moving items, to encourage customers to stock up so they won't purchase competing brands, to encourage trial of a new product, or to provide an incentive to purchase a less desirable product or service to obtain a more desirable one in the same bundle.

- **leader pricing**

- Consumer pricing tactic that attempts to build store traffic by aggressively pricing and advertising a regularly purchased item, often priced at or just above the store's cost.

Consumer pricing reductions

- **markdowns**

- Reductions retailers take on the initial selling price of the product or service.
- An integral part of high\low pricing strategy, remove obsolete merchandises

- **size discount**

- The most common implementation of a quantity discount at the consumer level; the larger the quantity bought, the less the cost per unit (e.g., per gram).

- **coupon**

- Provides a stated discount to consumers on the final selling price of a specific item; the **retailer handles the discount**.

- **rebate**

- A consumer discount in which a portion of the purchase price is returned to the buyer in cash; **the manufacturer, not the retailer, issues the refund.**

Business-to-Business pricing tactics

- **seasonal discount**
 - Pricing tactic of offering an additional reduction as an incentive to retailers to order merchandise in advance of the normal buying season.
- **cash discount**
 - Tactic of offering a reduction in the invoice cost if the buyer pays the invoice prior to the end of the discount period.
- **advertising allowance**
 - Tactic of offering a price reduction to channel members if they agree to feature the manufacturer's product in their advertising and promotional efforts.
- **listing allowances**
 - Fees paid to retailers simply to get new products into stores or to gain more or better shelf space for their products.
- **quantity discount**
 - Pricing tactic of offering a reduced price according to the amount purchased; the more the buyer purchases, the higher the discount and, of course, the greater the value.
 - **cumulative quantity discount**
 - Pricing tactic that offers a discount based on the amount purchased over a specified period and usually involves several transactions.
 - **noncumulative quantity discount**
 - Pricing tactic that offers a discount based on only the amount purchased in a **single order**.
- **uniform delivered pricing**
 - The shipper charges one rate, no matter where the buyer is located.
- **geographic pricing**
 - The setting of different prices depending on a geographical division of the delivery areas.

Deceptive or illegal price advertising

- **Deceptive reference prices**
 - Create flawed reference points for the buyer against which to compare the selling price
- **loss leader pricing**
 - Loss leader pricing takes the tactic of leader pricing one step further by lowering the price below the store's cost.
- **bait and switch**
 - A deceptive practice of luring customers into the store with a very low advertised price on an item (the bait), only to aggressively pressure them into purchasing a higher-priced item (the switch) by disparaging the low-priced item, comparing it unfavourably with the higher-priced model, or professing an inadequate supply of the lower-priced item.

predatory pricing

A firm's practice of setting a very low price for one or more of its products with the intent of driving its competition out of business; illegal under the Competition Act.

price discrimination

The practice of selling the same product to different resellers (wholesalers, distributors, or retailers) or to the ultimate consumer at different prices; some, but not all, forms of price discrimination are illegal.

price fixing

The practice of colluding with other firms to control prices.

- **horizontal price fixing**
 - Occurs when competitors that produce and sell competing products collude, or work together, to control prices, effectively taking price out of the decision process for consumers.
- **vertical price fixing**
 - Occurs when parties at different levels of the same marketing channel (e.g., manufacturers and retailers) collude to control the prices passed on to consumers.
- **manufacturer's suggested retail price (MSRP)**
 - Manufacturers encourage retailers to sell their merchandise at a specific price.

Cross-shopping is the pattern of buying both premium and low-priced merchandise or patronizing both expensive, status-oriented retailers and price-oriented retailers. These stores offer fashionable merchandise at great values—values so good that if items last for only a few wearings, it doesn't matter to the customers.

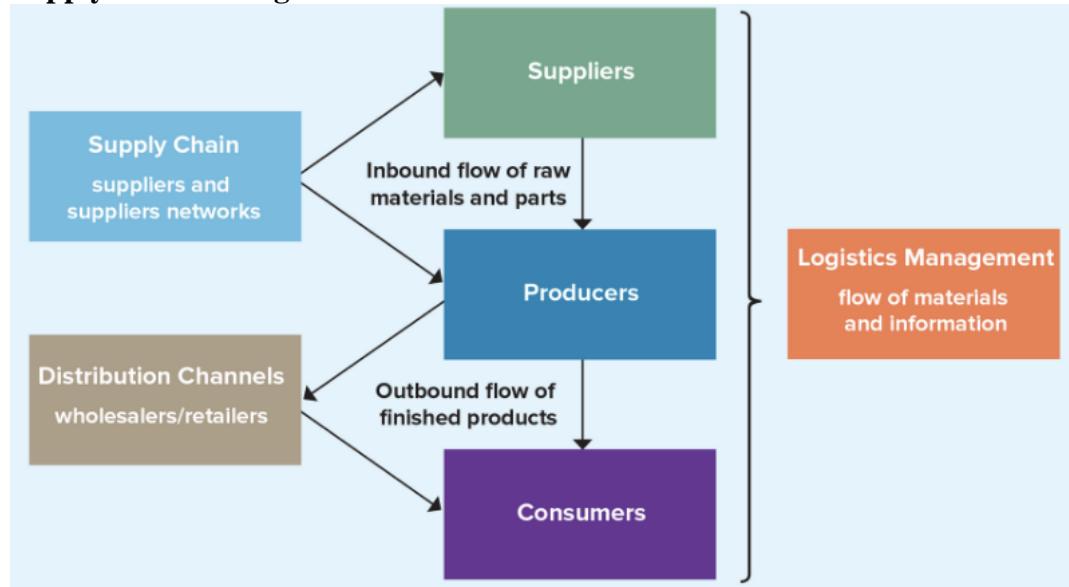
A **reference price** is the price against which buyers compare the actual selling price of the product and that facilitates their evaluation process.

Chapter 12 - Distribution Channels

distribution channel

The institutions that transfer the ownership of goods and move goods from the point of production to the point of consumption.

Supply chain management



supply chain management

Refers to a set of approaches and techniques firms employ to efficiently and effectively integrate their suppliers, manufacturers, warehouses, stores, and transportation intermediaries into a seamless value chain in which merchandise is produced and distributed in the right quantities, to the right locations, and at the right time.

wholesalers

Those firms engaged in buying, taking title to, often storing, and physically handling goods in **large quantities**, and then reselling the goods (usually in smaller quantities) to retailers or industrial or business users.

retailers

Sell products **directly** to consumers.

logistics management

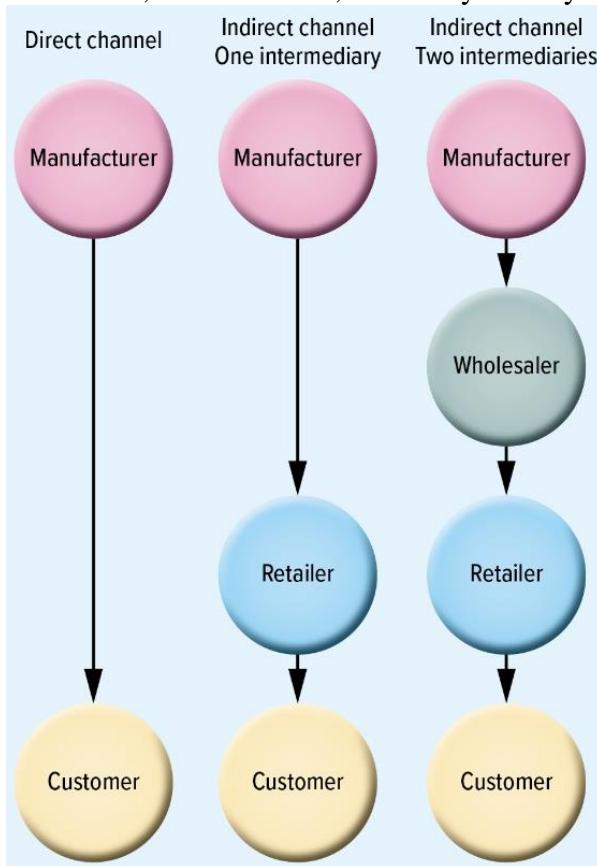
The integration of two or more activities for the purpose of planning, implementing, and controlling the efficient flow of raw materials, in-process inventory, and finished goods from the point of origin to the point of consumption.

Direct distribution

No intermediaries between the buyer and the seller. The seller is typically the manufacturer, can also be an individual. (Use of wholesalers is common for low-unit value products)

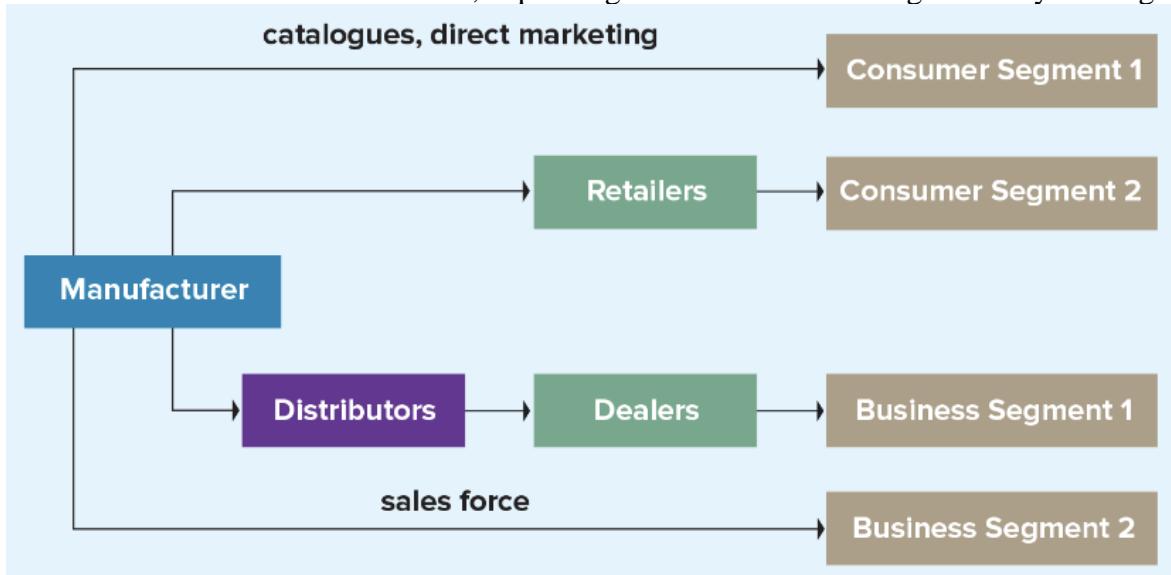
Indirect channel

One or more intermediaries work with manufacturers to provide goods and services to consumers, in some cases, there may be only one intermediary involved.



Multi-channel distribution

A combination of direct and indirect, depending on which customer segment they are targeting.



push marketing strategy

Designed to increase demand by focusing on wholesalers, distributors, or salespeople, who push the product to consumers via distribution channels.

- Personal selling is commonly used
- Frequently give volume discounts to retailers
- Manufacturer focuses on promotion efforts
 - May charge listing fees for products to be placed on a great position on shelf

pull marketing strategy

Designed to get consumers to pull the product into the supply chain by demanding that retailers carry it.

- Print advertising is commonly used

distribution intensity

The number of channel members to use at each level of the supply chain.

- **intensive distribution**
 - o A strategy designed to get products into as many outlets as possible.
 - o Convenience goods
- **exclusive distribution**
 - o Strategy of granting exclusive rights to sell to one or very few retail customers so no other customers can sell a particular brand.
 - o Luxury goods
- **selective distribution**
 - o Lies between the intensive and exclusive distribution strategies; uses a few selected customers in a territory.
 - o Shopping goods

distribution centre

A facility for the receipt, storage, and redistribution of goods to company stores or customers; may be operated by retailers, manufacturers, or distribution specialists.

- Reduce the total number of transactions

Functions performed by intermediaries (retailers especially)5

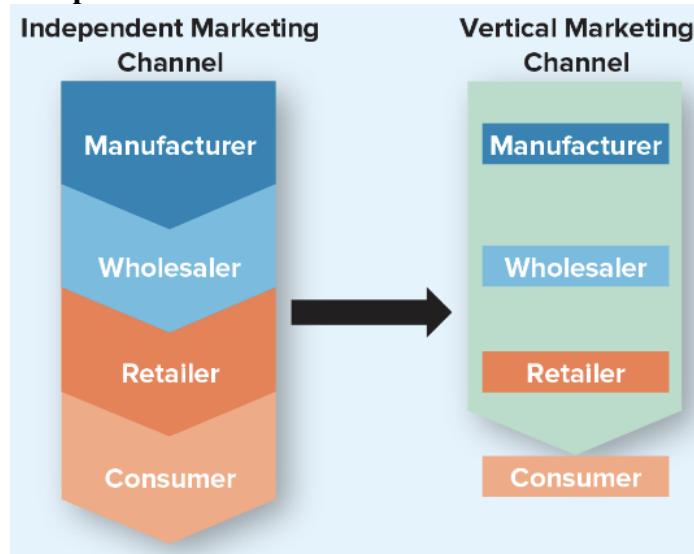
- **Transactional function**
 - o Buying
 - Purchase goods for resale to other intermediaries or customers
 - o Risk taking
 - Own inventory that can become outdated
 - o Promotion
 - Promote products to attract consumers
 - o Selling
 - Transact with potential customers
- **Logistical function**
 - o Physical distribution
 - Transport goods to point of purchase
 - o Risk taking

- Maintain inventory and protect goods
- **Facilitating function**
 - Gathering information
 - Share competitive intelligence about customers or other channel members
 - Financing
 - Extend credit and other financial services to consumers

channel conflict

Results when supply chain members are not in agreement about their goals, roles, or rewards.

Independent versus vertical distribution channel



vertical marketing system

A supply chain in which the members act as a unified system; there are three types: administrated, contractual, and corporate.

- **administered vertical marketing system**
 - A supply chain system in which there is no common ownership and no contractual relationship, but the dominant channel member controls the channel relationship.
- **contractual vertical marketing system**
 - A system in which independent firms at different levels of the supply chain join together through contracts to obtain economies of scale and coordination and to reduce conflict. (legal relationships)
 - **franchising**
 - A contractual agreement between a franchisor and a franchisee that allows the franchisee to operate a retail outlet, using a name and format developed and supported by the franchisor.
- **corporate vertical marketing system**

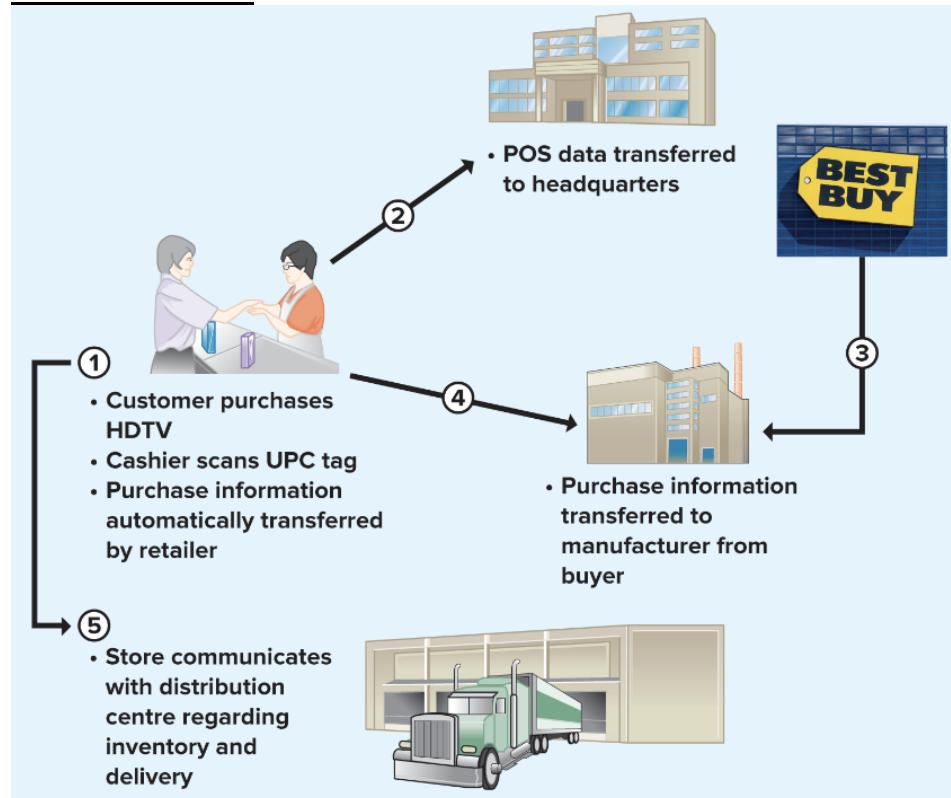
- A system in which the **parent company** has complete control and can dictate the priorities and objectives of the supply chain; it may own facilities such as manufacturing plants, warehouse facilities, retail outlets, and design studios.

strategic relationship (partnering relationship)

A supply chain relationship that the members are committed to maintaining long-term, investing in opportunities that are mutually beneficial; requires mutual trust, open communication, common goals, and credible commitments.

- Mutual trust
- Open communication
- Common goals
- Credible commitments

Information Flow



- Customer to store
 - **universal product code (UPC)**
 - The black and white bar code found on most merchandise.
- Store to buyer
- Buyer to manufacturer
- Store to manufacturer
- Store to distribution centre

electronic data interchange (EDI)

The computer-to-computer exchange of business documents from a retailer to a vendor and back.

- **advanced shipping notice**

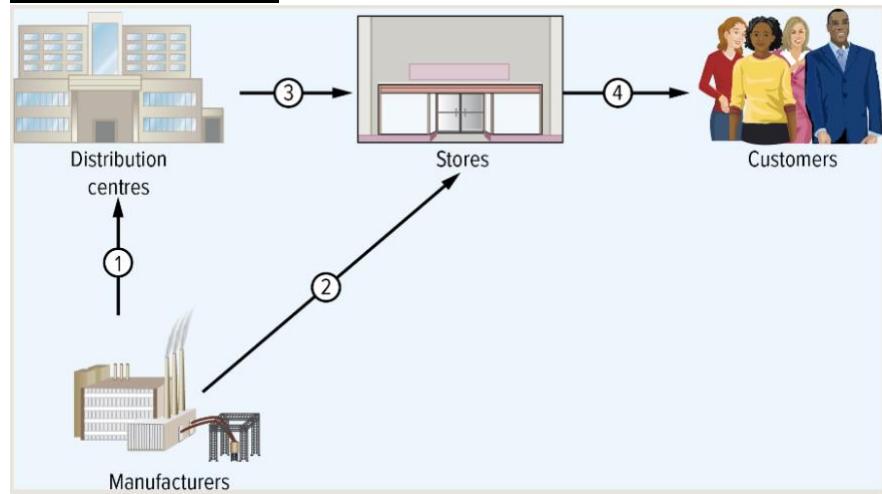
- o An electronic document that the supplier sends the retailer in advance of a shipment to tell the retailer exactly what to expect in the shipment.

vendor-managed inventory (VMI)

An approach in which the manufacturer is responsible for replenishing inventory to meet retailers' needs.

- Can reduce the vendor's and the retailer's costs
- Reducing stockouts with minimal inventory

Merchandise Flow



The distribution centre

- **Inbound transportation**
 - o **dispatcher**
 - The person who coordinates deliveries to distribution centres.
- **Receiving and checking using UPC or RFID**
 - o **radio frequency identification (RFID) tags**
 - Tiny computer chips that automatically transmit to a special scanner all the information about a container's contents or individual products.
- **Storing and cross-docking**
 - o **Cross-docking:** items are prepackaged for a specific store
- **Getting merchandise floor-ready**
- **Shipping merchandise to stores**

just-in-time (JIT) inventory systems / quick-response (QR)

Inventory management systems designed to deliver less merchandise on a more frequent basis than traditional inventory systems; the firm gets the merchandise "just in time" for it to be used in the manufacture of another product; also known as quick-response (QR) systems in retailing.

Benefits of JIR/QR

- **Reduce lead time**
 - o The amount of time between the recognition that an order needs to be placed and the arrival of the needed merchandise at the seller's store, ready for sale.
- Increase product availability
- Lower inventory investment

Chapter 13 - Retailing and Omnichannel Marketing

retailing

The set of business activities that add value to products and services sold to consumers for their personal or family use; includes products bought at stores, through catalogues, and over the Internet, as well as services such as fast-food restaurants, airlines, and hotels.

Food Retailers

- **conventional supermarket**
 - o Offers groceries, meat, and produce with limited sales of non-food items, such as health and beauty aids and general merchandise, in a self-service format.
- **big-box food retailer**
 - o Comes in three types: supercentre, hypermarket, and warehouse club; larger than a conventional supermarket; carries both food and non-food items.
- **Convenience store**
 - o Provides a limited number of items at convenient locations in small stores with speedy checkout

General Merchandise Retailers

May be discount stores, specialty stores, category specialists, department stores, drugstores, off-price retailers, or extreme-value retailers; may sell through multiple channels, such as the Internet and catalogues.

- **discount store**
 - o Offers a broad variety of merchandise, limited service, and low prices.
- **specialty stores**
 - o Concentrate on a limited number of complementary merchandise categories in a relatively small store.
- **category specialist**
 - o Offers a narrow variety but a deep assortment of merchandise.
 - o **category killer**
 - Offers an extensive assortment in a particular category, so overwhelming the category that other retailers have difficulty competing.
- **Department stores**
 - o Carry many different types of merchandise (broad variety) and lots of items within each type (deep assortment), offer some customer service
- **Drugstore (Shoppers)**
 - o A specialty store that concentrates on health and personal grooming merchandise, though pharmaceuticals may represent more than 60 percent of its sales.
- **off-price retailer**
 - o A type of retailer that offers an inconsistent assortment of merchandise at relatively low prices.
 - o **extreme-value retailer** (Dollarama)

- A general merchandise discount store found in lower-income urban or rural areas.
- **services retailers**
 - Firms that primarily sell services rather than merchandise.

| Characteristics of General Merchandise Retailers | | | | | | |
|--|-------------------|-------------------------------|-----------|------------------------------|------------|------------------------|
| Type | Variety | Assortment | Service | Prices | SKUs (000) | Example |
| Discount Stores | Broad | Average to Deep | Limited | Low EDLP | 30-50 | Walmart |
| Category Specialists | Narrow to Average | Deep | Extensive | Average | 20-40 | Best Buy (electronics) |
| Specialty Stores | Narrow | Very Deep | Extensive | High | 15 | Victoria's Secret |
| Department Stores | Broad | Average to Deep | Average | Varying high/low | 100 | Hudson's Bay |
| Drugstores | Narrow | Very deep | Average | Average to high Different | 10-20 | Shoppers Winners |
| Off-price stores | Average | Inconsistent Deep but varying | Limited | Low | 50 | Dollarama |
| - Extreme-value retailer | Average | Average and varying | Limited | Low | 5 | |

specialize in a specific category under the category there are multiple assortments expect to have some discounts on scarfs.

margin of drugs (and govt banned drugstores) from selling tobacco.

retail mix

Product (merchandise assortment), pricing, promotion, place, personnel, and presentation (store design and display) strategies to reach and serve consumers.

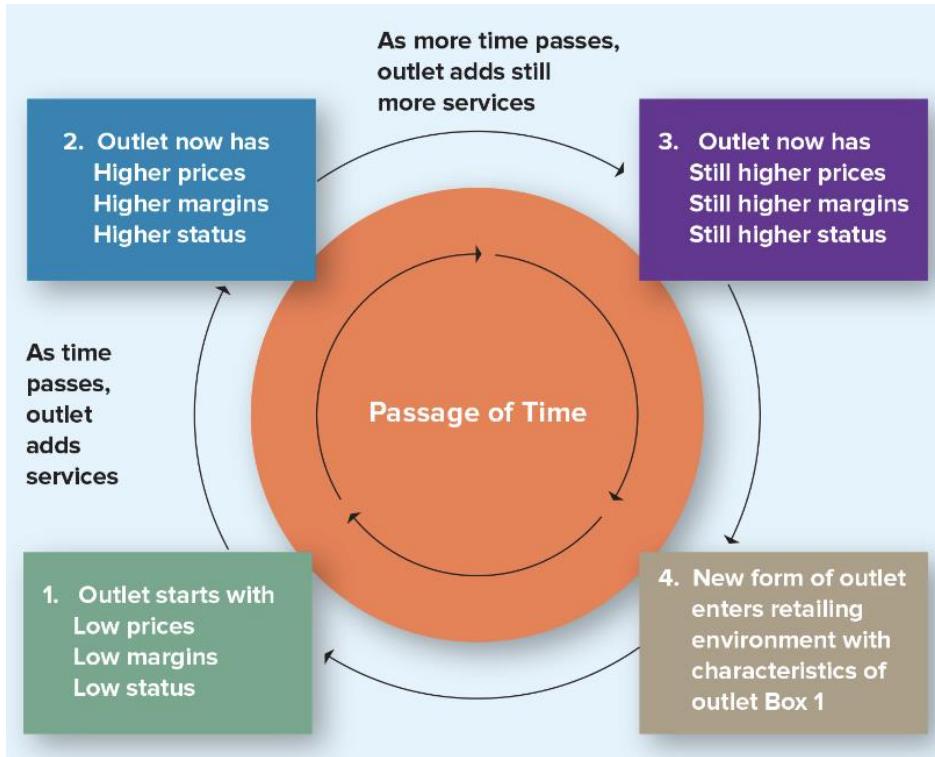
cooperative (co-op) advertising

An agreement between a manufacturer and retailer in which the manufacturer agrees to defray some advertising costs.

share of wallet

The percentage of the customer's purchases made from a particular retailer.

The wheel of retailing



omnichannel

A strategy that creates a **consistent experience** for consumers across all distribution channels.

How the internet has improved retailer's ability to serve their customers and build a competitive advantage

- Deeper and broader selection
- More information to evaluate merchandise
- Personalization
 - o Personalized customer service
 - o Personalized offering
- Expanded market presence

Effective omnichannel marketing

- Integrated CRM
- Brand image
- Pricing
- Supply chain
 - o Retailers tend to integrate all operations under one organization

When choosing **retail partners**, manufacturers must look at the basic channel structure, where their target customers expect to find the products, and channel member characteristics.

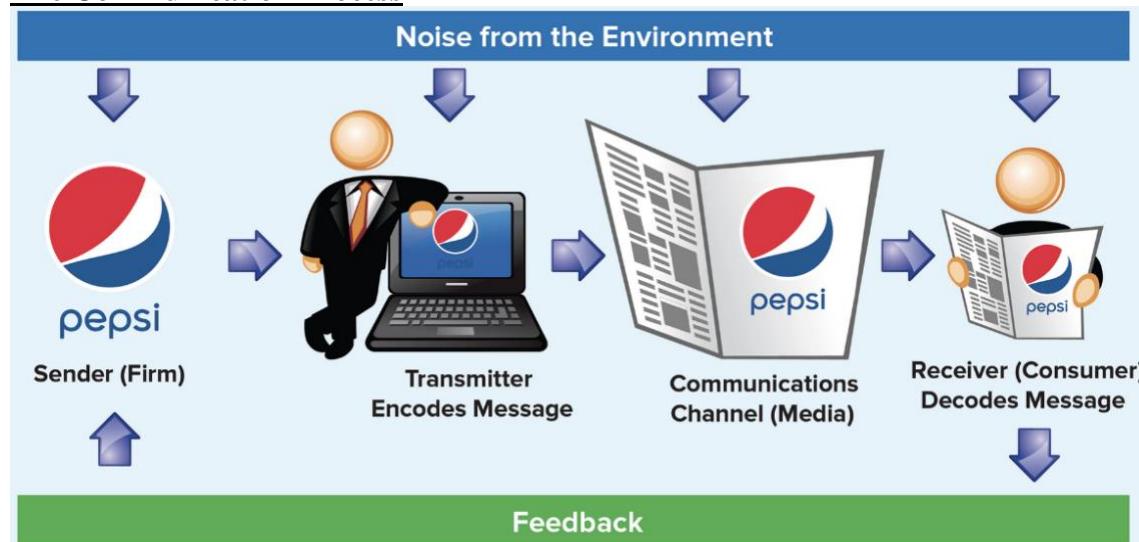
Chapter 14 - Integrated Marketing Communications (Including Appendix)

integrated marketing communications (IMC)

Represents the promotion dimension of the four Ps; encompasses a variety of communication disciplines—general advertising, personal selling, sales promotion, public relations, direct marketing, and digital media—in combination to provide clarity, consistency, and maximum communicative impact.

- The consumer or target market
- The channels or vehicles through which the message is communicated
- The evaluation of the results of the communication

The Communication Process



sender

The firm from which an IMC message originates; the sender must be clearly identified to the intended audience.

transmitter

An agent or intermediary with which the sender works to develop the marketing communications; for example, a firm's creative department or an advertising agency.

- **encoding**

- o The process of converting the sender's ideas into a message, which could be verbal, visual, or both.

communication channel

The medium—print, broadcast, the Internet—that carries the message.

receiver

The person who reads, hears, or sees and processes the information contained in the message or advertisement.

- **decoding**

- o The process by which the receiver interprets the sender's message.

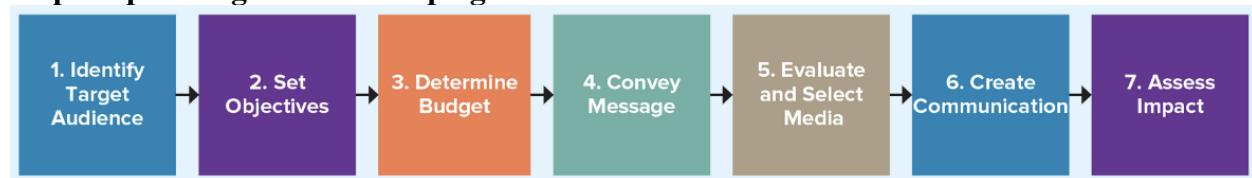
- noise**

Any interference that stems from competing messages, a lack of clarity in the message, or a flaw in the medium, a problem for all communication channels.

- feedback loop**

Allows the receiver to communicate with the sender and thereby informs the sender whether the message was received and decoded properly.

Steps in planning an IMC campaign



Set Objectives

- To inform, persuade, and remind customers

Determine Budget

- **objective-and-task method**

- o An IMC budgeting method that determines the cost required to undertake specific tasks to accomplish communication objectives; process entails setting objectives, choosing media, and determining costs.

- **competitive parity method**

- o A method of determining a communications budget in which the firm's share of the communication expenses is in line with its market share.

- **percentage-of-sales method**

- o A method of determining a communications budget that is based on a fixed percentage of forecasted sales.

- **affordable method / affordable budgeting method**

- o A method of determining a communications budget based on what is left over after other operating costs have been covered.

Convey Message

- **unique selling proposition (USP)**

- o A strategy of differentiating a product by communicating its unique attributes; often becomes the common theme or slogan in the entire advertising campaign.

- **rational appeal**

- o Helps consumers make purchase decisions by offering factual information and strong arguments built around relevant issues that encourage consumers to evaluate the brand favourably on the basis of the key benefits it provides.

- **emotional appeal**
 - Aims to satisfy consumers' emotional desires rather than their utilitarian needs.

Evaluate and select media

media planning

The process of evaluating and selecting the media mix that will deliver a clear, consistent, compelling message to the intended audience.

- **media mix**
 - The combination of the media used and the frequency of advertising in each medium.
- **media buy**
 - The purchase of airtime or print pages.

mass media

Channels, such as national newspapers, magazines, radio, and television, that are ideal for reaching large numbers of anonymous audience members.

niche media

Channels that are focused and generally used to reach narrow segments, often with unique demographic characteristics or interests.

paid media

Media such as TV, print, radio, or display ads used to **reach mass markets**.

owned media

Media **controlled by the advertiser**, such as its website, Facebook fan page, or YouTube channel.

earned media

Media that results from word-of-mouth, buzz, or publicity.

advertising schedule

Specifies the timing and duration of advertising.

- **continuous advertising schedule**
 - Runs steadily throughout the year and therefore is suited to products and services that are consumed continually at relatively steady rates and that require a steady level of persuasive or reminder advertising.
- **flighting advertising schedule**
 - Implemented in spurts, with periods of heavy advertising followed by periods of no advertising.
- **pulsing advertising schedule**
 - Combines the continuous and flighting schedules by maintaining a base level of advertising but increasing advertising intensity during certain periods.

Assess impact using marketing metrics

pretesting

Assessments performed before an ad campaign is implemented to ensure that the various elements are working in an integrated fashion and doing what they are intended to do.

tracking

Includes monitoring key indicators, such as daily or weekly sales volume, while the advertisement is running to shed light on any problems with the message or the medium.

post-testing

The evaluation of an IMC campaign's impact after it has been implemented.

gross rating points (GRP)

Measure used for various media advertising—print, radio, or television; GRP = Reach × Frequency.

click-through tracking (CTR)

Measures how many times users click on banner advertising on websites.

click-through rate (CTR)

The number of times a user clicks on an ad divided by the number of impressions.

Impression is the number of times an ad appears to users.

search engine marketing (SEM)

Uses tools such as Google AdWords to increase the visibility of websites in search engine results.

return on investment (ROI)

Used to measure the benefit of an investment, ROI is calculated by dividing the gain of an investment by its cost.

$$\text{ROI} = \frac{\text{Sales revenue} - \text{Advertising cost}}{\text{Advertising cost}}$$

Integrated marketing communications tools



advertising

A **paid form** of communication from an **identifiable** source, delivered through a communication channel, and designed to persuade the receiver to take some action, now or in the future.

personal selling

The two-way flow of communication between a buyer and a seller that is designed to influence the buyer's purchase decision. Often used in B2B settings.

sales promotions

Special **incentives** or excitement-building programs that encourage the purchase of a product or service, such as coupons, rebates, contests, free samples, and point-of-purchase displays.

direct marketing

Marketing that communicates directly with target customers to generate a response or transaction.

- **Selling to a commercial firm through salespeople**
- **direct mail/email**
 - o A targeted form of communication distributed to a prospective customer's mailbox or inbox.
- **direct response TV (DRTV)**
 - o TV commercials or infomercials with a strong call to action.

public relations (PR)

The organizational function that manages the firm's communications to achieve a variety of objectives, including building and maintaining a positive image, handling, or heading off unfavourable stories or events, and maintaining positive relationships with the media.
(Free placement)

- **event sponsorship**
 - o A popular PR tool; occurs when corporations support various activities, usually in the cultural or sports and entertainment sectors.

digital media

Tools ranging from simple website content to **far more interactive** features such as corporate blogs, online games, text messaging, social media, and mobile apps.

- **blog (weblog)**
 - o A web page that contains periodic posts; corporate blogs are a new form of marketing communications.
- **social media**
 - o Content distributed through online and mobile technologies to facilitate interpersonal interactions.
- **Mobile marketing**

Marketers have less control over professional bloggers than they do over their corporate blogs. Marketers often offer free products or provide modest remuneration to top-rated professional bloggers, in the hopes of getting a good product review.

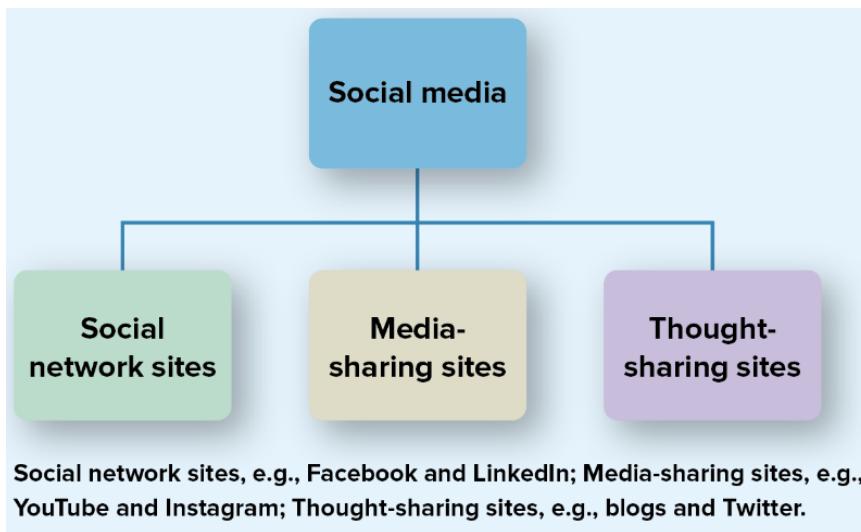
Personal blogs are useful for monitoring what is going on in the marketplace and for responding to customer complaints or compliments. These blogs are written by people who receive no products or remuneration for their efforts.

Corporate blogs provide firms the opportunity to educate their customers about their offerings. As they are created by the companies themselves, these blogs have the highest level of control over the content posted on them.

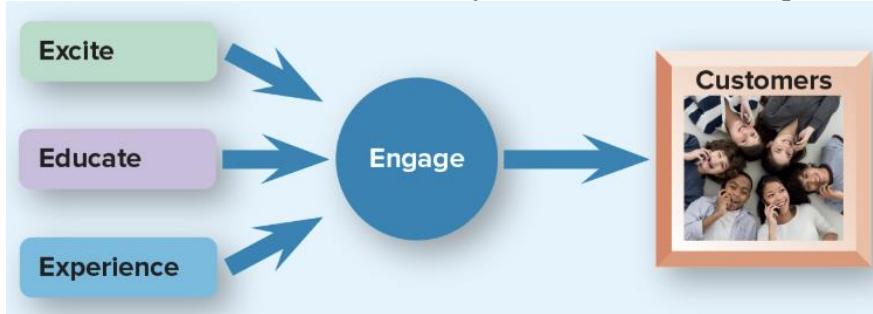
Facebook - quick visibility, excite customers. (max people in min time)

Types of social media

- Social networking sites (social network sites)
- Media-sharing sites
- Thought-sharing sites
 - o Educate customers the best



4E framework for social media (excite + educate + experience + engage)



Apps meet seven primary needs

- Need for me time
 - o Play mobile games
- Need to socialize
- Need to shop
- Need to accomplish
- Need to prepare
 - o Keep organized and make quick decisions
 - o Download google calendar
- Need to discover
- Need to self-express

** there is no term called “need for self-actualization”

Cause-related marketing refers to commercial activity in which businesses and charities form a partnership to market an image, product, or service for their mutual benefit. It is a type of promotional campaign.

Flexibility, timely, and localization are all advantages of **newspaper** medium.

App pricing model

- **Freemium apps** are apps that are free to download but include in-app purchases.
 - o May be the winner
- **Ad-supported apps** are free to download but placed ads on the screen.
- **Paid app**
- **Paid app** with in-app purchases

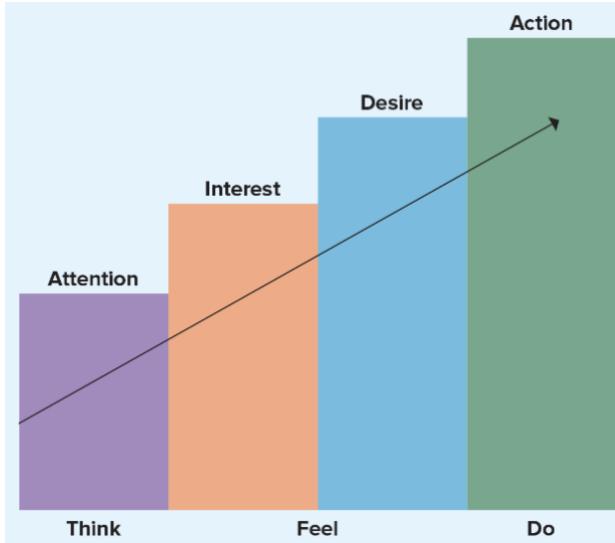
The total number of requests for a web page is referred to as **hits**. It helps in assessing customers' opinion about the firm and its competitors.

The number of people a person influences is called **social reach**. It is a metric used to measure individual social media effectiveness or equity.

Extended network is a metric used to measure individual social media effectiveness or equity.

Chapter 15 - Advertising, Sales Promotions, and Personal Selling

The AIDA Model



Attention

aided recall

Occurs when consumers recognize the brand when its name is presented to them.

top-of-mind awareness

A prominent place in people's memories that triggers a response without them having to put any thought into it. This is the highest level of awareness.

Interest

Consumers must be persuaded that it is a product worth investigating.

Desire

Move consumer from "I like it" to "I want it".

Emotional appeal is the most effective often times.

Action

Drive the receiver to action

lagged effect

A delayed response to a marketing communication campaign.

Advertising objectives

- **informative advertising**
 - Communication used to create and build brand awareness, with the ultimate goal of moving the consumer through the buying cycle to a purchase.
 - **Introduction** stage of PLC
- **persuasive advertising**
 - Communication used to motivate consumers to take action.

- **Growth and early maturity** stages of PLC
- **reminder advertising**
 - Communication used to remind consumers of a product or to prompt repurchases, especially for products that have gained market acceptance and are in the maturity stage of their life cycle.
 - **Maturity** stage of PLC

Focus of advertisements

- **product-focused advertisements**
 - Used to inform, persuade, or remind consumers about a specific product or service.
- **institutional advertisements**
 - Used to inform, persuade, and remind consumers about issues related to places, politics, an industry, or a particular corporation.

product placement

Inclusion of a product in non-traditional situations, such as in a scene in a movie or TV program.

public service announcement (PSA)

Advertising that focuses on **public welfare** and generally is sponsored by **non-profit** institutions, civic groups, religious organizations, trade associations, or political groups; a form of social marketing.

- **social marketing**
 - The application of marketing principles to a social issue to bring about attitudinal and behavioural change among the general public or a specific population segment.

Agencies that regulate advertising

- Canada's competition bureau
- CTRC (Canadian telecommunications commission)
- Health Canada / food and drugs act
- Advertising standards Canada

| Agency/Legislation | General Purpose | Specific Jurisdiction |
|--|--|---|
| Competition Bureau Canada/The Competition Act (1986) | Enforces federal laws that ensure businesses in Canada operate in a fair and equitable manner. | Enforces laws relating to misleading advertising and deceptive marketing practices. |
| Canadian Radio-television and Telecommunications Commission (CRTC; 1968) | Regulates and supervises all aspects of the Canadian broadcasting system, and regulates telecommunications common carriers and service providers that fall under federal jurisdiction. | Enforces restrictions on broadcasting material. Also administers codes that have an impact on specific categories of advertising; for example, the Code for Broadcast Advertising of Alcoholic Beverages. |
| Health Canada/Food and Drugs Act (1954) | Regulates food, drugs, cosmetics, and medical devices. | Establishes standards and requirements for the safety and sanitation of products. Regulates the labelling of food products pertaining to nutrition labelling, nutrient content, and health claims. |
| Advertising Standards Canada (ASC; 1957) | Monitors voluntary advertising industry codes. | Administers the Canadian Code of Advertising Standards, the Gender Portrayal Guidelines, and the Broadcast Code for Advertising to Children. |

deceptive advertising

A representation, omission, act, or practice in an advertisement that is likely to mislead consumers acting reasonably under the circumstances. Usually, **illegal**.

puffery

The **legal** exaggeration of praise, stopping just short of deception, lavished on a product.

Line is the majority rule. (Whether the majorities would believe your ads).

Types of consumer sales promotions

| Promotion | Objective | Advantages | Disadvantages |
|------------------|--------------------------------|---|--|
| Coupons | Stimulate demand. | <ul style="list-style-type: none"> • Encourage retailer support. • Allow for direct tracing of sales. | <ul style="list-style-type: none"> • Have low redemption rates. • Have high cost. |
| Deals | Encourage trial. | <ul style="list-style-type: none"> • Reduce consumer risk. • Retaliate against competitive action. | <ul style="list-style-type: none"> • May reduce perception of value. |
| Premiums | Build goodwill. | <ul style="list-style-type: none"> • Increase perception of value. | <ul style="list-style-type: none"> • Result in consumers who buy for the premium, not the product. • Have to be carefully managed. |
| Contests | Increase consumer involvement. | <ul style="list-style-type: none"> • Generate excitement. | <ul style="list-style-type: none"> • Require creativity. • Must be monitored. |
| Sweepstakes | Encourage higher consumption. | <ul style="list-style-type: none"> • Minimize brand switching among existing consumers. | <ul style="list-style-type: none"> • Sales often decline afterward. |
| Samples | Encourage trial. | <ul style="list-style-type: none"> • Offer direct involvement. | <ul style="list-style-type: none"> • Have high cost to the firm. |
| Loyalty Programs | Encourage repurchase. | <ul style="list-style-type: none"> • Create loyalty. | <ul style="list-style-type: none"> • Have high cost to the firm. |
| POP Displays | Increase brand trial. | <ul style="list-style-type: none"> • Provide high visibility. • Provide in-store support. | <ul style="list-style-type: none"> • Difficult to get a good location in the store. • Can be costly to the firm. |
| Rebates | Stimulate demand. | <ul style="list-style-type: none"> • Increase value perception. | <ul style="list-style-type: none"> • Are easily copied by competitors. • May just advance future sales. |

deal

A type of **short-term** price reduction that can take several forms, such as a “featured price” (a price lower than the regular price); a “buy one, get one free” offer; or a certain percentage “more free” offer contained in larger packaging.

premium

An item offered for free or at a bargain price to reward some type of behaviour, such as buying, sampling, or testing.

contest

A **brand-sponsored** competition that requires some form of skill or effort.

Sweepstakes

A form of sales promotion that offers prizes based on a chance drawing of entrants' names.

Sampling

Offers potential customers the opportunity to try a product or service before they make a buying decision.

loyalty program

Specifically designed to retain customers by offering premiums or other incentives to customers who make multiple purchases over time.

point-of-purchase (POP) display

A merchandise display located at the point of purchase, such as at the checkout counter in a grocery store.

Trade Channel Sales Promotions

- Discounts and allowances
- Cooperate advertising
- Sales force training

pop-up stores

Temporary storefronts that exist for only a limited time and generally focus on a new product or a limited group of products offered by a retailer, manufacturer, or service provider; give consumers a chance to interact with the brand and build brand awareness.

cross-promoting

Efforts of two or more firms joining together to reach a specific target market.

To evaluate a trade promotion, retailers consider

- The realized margin from the promotion
- The cost of the additional inventory carried because of buying more than the normal amount of the product
- The potential increase in sales from the promoted merchandise
- The long-term impact on sales of the promotion
- The potential loss suffered when customers switch to the promoted merchandise from more profitable TVs
- The additional sales made to customers attracted to the store by the promotion

Value added by personal selling

- Salespeople build relationships
 - o **relationship selling**

- A sales philosophy and process that emphasizes a commitment to maintaining the relationship over the long term and investing in opportunities that are mutually beneficial to all parties.
- Salespeople educate and provide advice
- Salespeople save time and simplifying buying

The personal selling process



Generate and qualify needs

qualify

The process of assessing the potential of sales leads.

leads

A list of potential customers.

Sources of leads

- **trade shows**
 - Major events attended by buyers who **choose to** be exposed to products and services offered by potential suppliers in an industry.
- **cold calls**
 - A method of prospecting in which salespeople telephone or go to see potential customers without appointments.
- **Telemarketing**
 - A method of prospecting in which salespeople telephone potential customers.

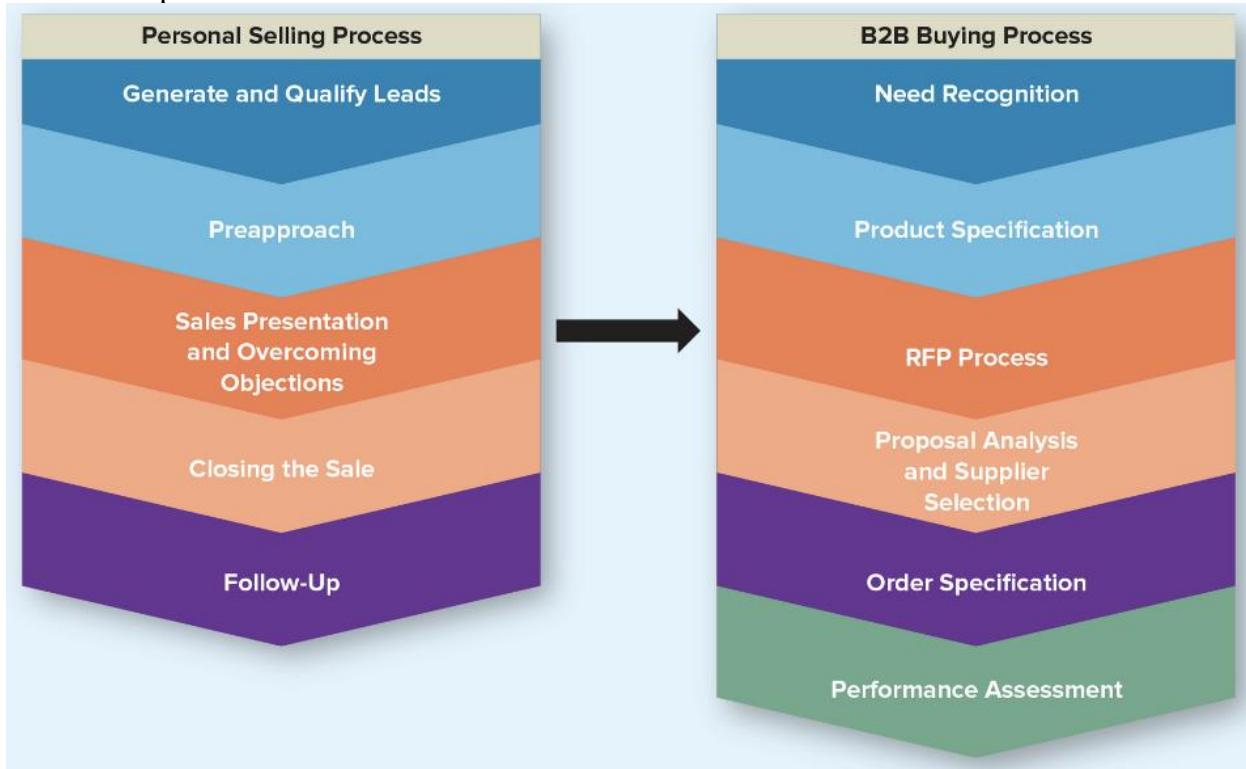
Preapproach

preapproach

In the personal selling process, occurs **prior to** meeting the customer for the first time and extends the qualification of leads procedure; in this step, the salesperson conducts additional research and develops plans for meeting with the customer.

Sales presentations and overcoming objections

- The presentation



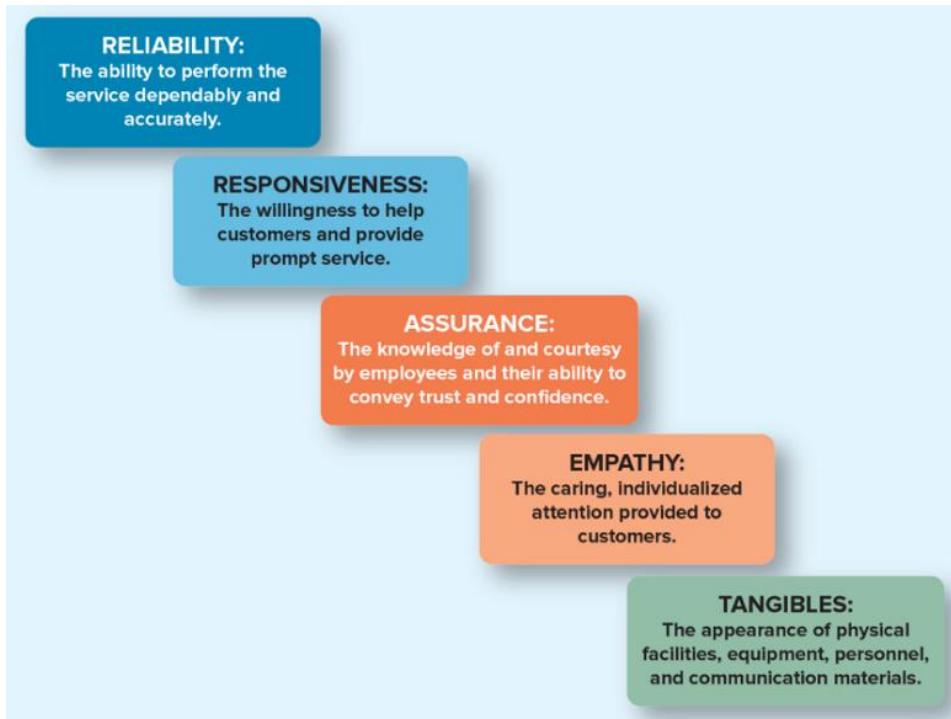
- Handling objections

Closing the sale

closing the sale

Obtaining a commitment from the customer to make a purchase.

Follow-up



Reliability

The salesperson and the supporting organization must deliver the right product or service on time.

Responsiveness

The salesperson and support group must be ready to deal quickly with any issue, questions, or problem that may arise.

Assurance

Customers must be assured through adequate that their purchase will perform as expected.

Empathy

The salesperson and support group must have a good understanding of the problems and issues faced by customers. Otherwise, they cannot give them what they want.

Tangibles

Still important for non-service businesses.

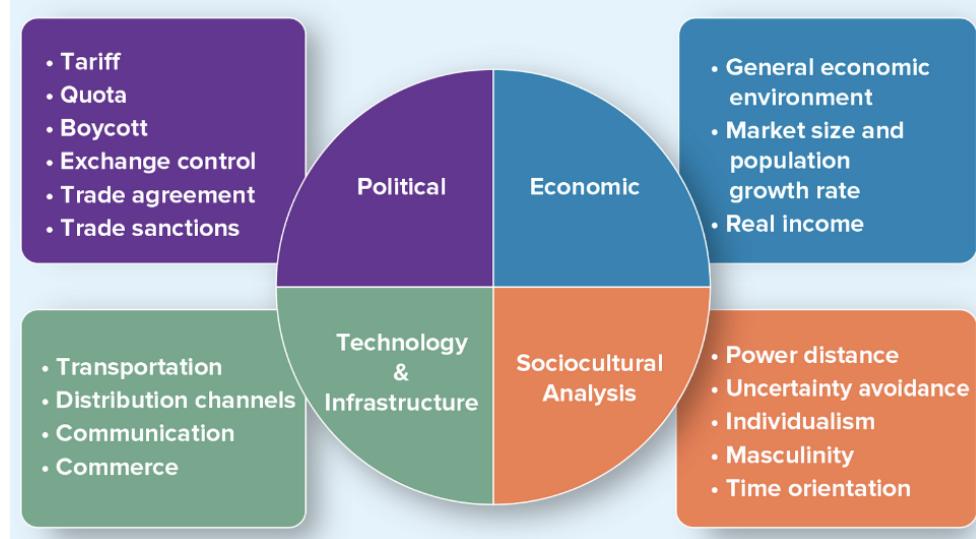
The **Competition Bureau** enforces the **Competition Act** (1986), the most comprehensive legislation affecting the marketing activities of companies in Canada. This act enforces federal laws that ensure businesses in Canada operate in a fair and equitable manner.

Chapter 16 - Global Marketing

globalization

Refers to the increased flow of goods, services, people, technology, capital, information, and ideas around the world; has economic, political, social, cultural, and environmental impacts.

Components of a country market assessment



Political

- **trade sanctions**
 - o Penalties or restrictions imposed by one country over another country for importing and exporting of goods, services, and investments.
 - o An **embargo** is a type of trade sanction that prohibits trading with a certain country on a certain good (oil embargo)
- **tariff (or duty)**
 - o A tax levied on a good imported into a country.
 - o **Dumping**
 - The practice of selling a good in a foreign market at a price that is **lower** than its domestic price or below its cost.
- **Quota**
 - o Designates the maximum quantity of a product that may be brought into a country during a specified time period.
- **Boycott**
 - o A group's refusal to deal commercially with some organization to protest against its policies.
- **exchange control**
 - o Refers to the regulation of a country's currency exchange rate.
- **trade agreement**
 - o **Intergovernmental agreement** designed to manage and promote trade activities for specific regions.
 - o **trading bloc**

- Consists of those countries that have signed a particular trade agreement.

Economical

Evaluating the general economic environment

trade deficit

Results when a country imports more goods than it exports.

trade surplus

Results when a country exports more goods than it imports.

gross domestic product (GDP)

The market value of the goods and services produced by a country in a year; the most widely used standardized measure of output.

purchasing power parity (PPP)

A theory that states that if the exchange rates of two countries are in equilibrium, a product purchased in one will cost the same in the other, expressed in the same currency.

human development index (HDI)

A composite measure of three indicators of the **quality of life** in different countries: life expectancy at birth, educational attainment, and whether the average incomes are sufficient to meet the basic needs of life in that country.

Evaluating market size and population growth rate

BRIC (Brazil, Russia, India, China)

Evaluating real income

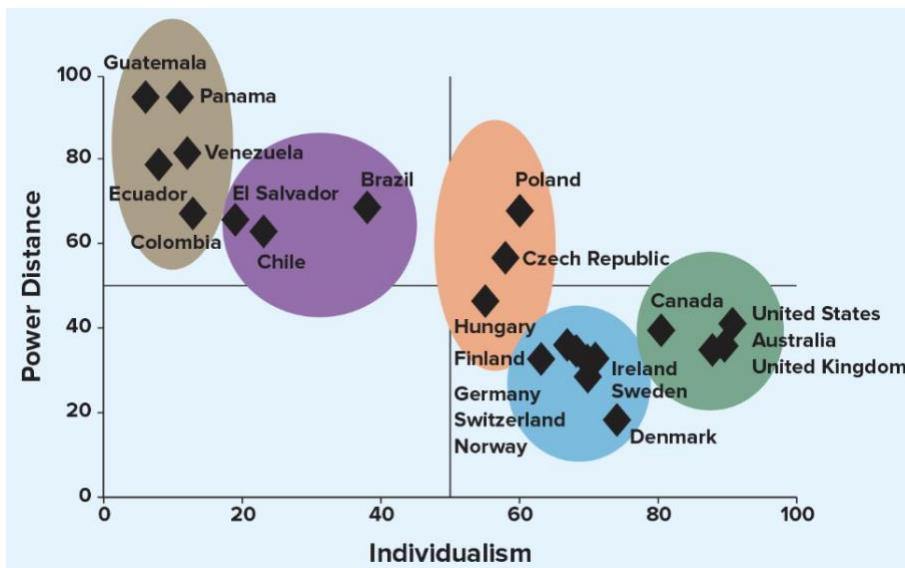
Real income is the purchasing power of money.

Sociocultural

Hofstede believes cultures differ on six dimensions

- Power distance (willingness to accept social inequality as natural)
- Uncertainty avoidance
- Individualism (obligation to and dependence on groups)
- Masculinity (the extent to which dominant values are male oriented)
- Time orientation (short vs long)
- Indulgence (allow for gratification of fun and enjoyment or suppresses)

Country clusters



Technological infrastructure

The basic facilities, services, and installations needed for a community or society to function, such as transportation and communications systems, water and power lines, and public institutions such as schools, post offices, and prisons.

Choosing a global entry strategy

Exporting

Producing goods in one country and selling them in another.

- **indirect exporting**
 - Indirect exporting occurs when the exporting firm sells its goods in the host country through an intermediary.
- **direct exporting**
 - when the exporting company sells its products in the host country directly **without the intermediaries.**

Franchising

A contractual agreement between a franchisor and a franchisee that allows the franchisee to operate a retail outlet, using a name and format developed and supported by the franchisor.

strategic alliance

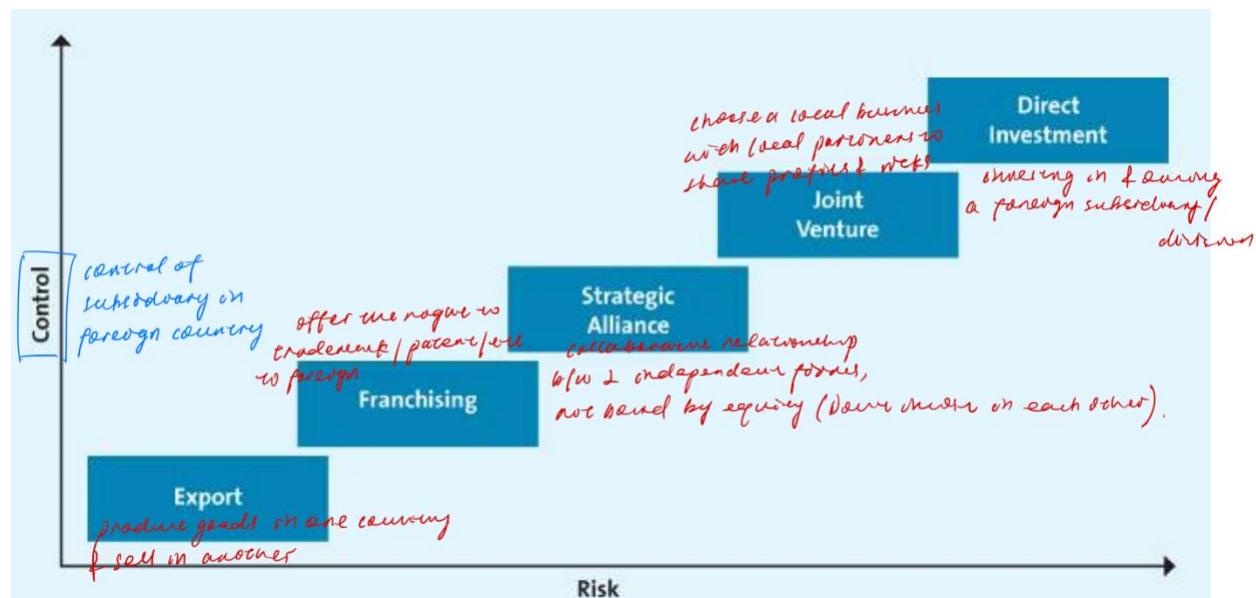
A collaborative relationship between independent firms, though the partnering firms do not create an equity partnership; that is, they do not invest in one another.

joint venture

Formed when a firm entering a new market pools its resources with those of a local firm to **form a new company** in which ownership, control, and profits are shared.

direct investment

When a firm maintains 100 percent ownership of its plants, operation facilities, and offices in a foreign country, often through the formation of wholly owned subsidiaries.



The global marketing mix

Global product or service strategies

- sell the same product or service in both the home country market and the host country
- sell a product or service similar to that sold in the home country but include minor adaptations
 - o **glocalization**
 - When firms offer standardized products globally and change promotional campaigns geared to local markets.
- sell totally new products or services

Global pricing strategies

- adjust to reflect real income of customers (as opposed to nominal income)

Global distribution strategies

Global communication strategies

- media availability
- language barriers
- regulatory actions

Ethical issues in global marketing

environmental concerns

Include, but are not limited to, the excessive use of natural resources and energy, refuse from manufacturing processes, excess trash created by consumer goods packages, and hard-to-dispose-of products such as tires, cellphones, and computer monitors.

global labour issues

Include concerns about working conditions and wages paid to factory workers in developing countries.

cultural imperialism

The belief that one's own culture is superior to that of other nations; can take the form of an active, formal policy or a more subtle general attitude.

Some major trade agreements cover two-thirds of the world's international trade: the European Union (EU), the North American Free Trade Agreement (NAFTA), the Central America Free Trade Agreement (CAFTA), Mercosur, and the Association of Southeast Asian Nations (ASEAN).

The **European Union** represents the highest level of integration across individual nations, whereas the other agreements vary in their integration levels.

Chapter 17 - Ethics and Socially Responsible Marketing

business ethics

Concerned with distinguishing between right and wrong actions and decisions that might arise in a **business setting**.

marketing ethics

Refers to those ethical problems that are specific to the **domain of marketing**.

Attitudes about ethical standards of various professionals

| High Approval (>60%) | Low Approval (<15%) |
|----------------------|---------------------------|
| Nurses | Stockbrokers |
| Pharmacists | Advertising Practitioners |
| Medical Doctors | Car Salespeople |
| High School Teachers | Telemarketers |

ethical climate

The set of values within a marketing firm, or in the marketing division of any firm, that guides decision making and behaviour.

corporate social responsibility (CSR)

Refers to the **voluntary** activities undertaken by a company to operate in an economically, socially, and environmentally sustainable manner. Has to **go above** and beyond the norms.

- Companies' adoption of CSR programs appeal to shareholders and stakeholders.

Ethics versus social responsibility



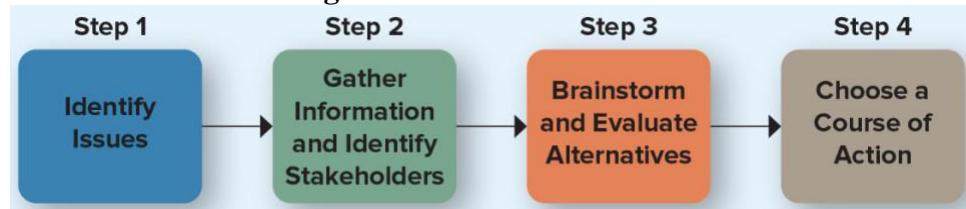
- **Unethical && socially responsible**

- Ethical & socially irresponsible

Consumerism

A social movement aimed at protecting consumers from business practices that infringe upon their rights.

Ethical decision-making framework



Ethical decision-making metric

1. The Publicity Test

Would I want to see this action that I'm about to take described on the front page of the local paper or in a national magazine?

2. The Moral Mentor Test

Would the person I admire the most engage in this activity?

3. The Admired Observer Test

Would I want the person I admire most to see me doing this?

4. The Transparency Test

Could I give a clear explanation for the action I'm contemplating, including an honest and transparent account of all my motives, that would satisfy a fair and dispassionate moral judge?

5. The Person in the Mirror Test

Will I be able to look at myself in the mirror and respect the person I see there?

6. The Golden Rule Test

Would I like to be on the receiving end of this action and all its potential consequences?

Integrating ethics into marketing strategy

- **Planning phase**
 - o Including ethical statements in mission statements
- **Implementation phase**
 - o A firm's choice of target market and how it pursues it can lead to charges of unethical behaviour
 - o Sourcing decisions
- **Control phase**
 - o Check whether each ethical issues raised in the planning process was successfully implemented, also react to change

