COMM 223 - Lecture notes 1-13

Marketing Management I (Concordia University)

CH1: CREATING AND CAPTURING CUSTOMER VALUE

Marketing is the process through which companies create value for their customers and build strong relationships to capture value from customers in return.

Marketplace and customer needs

- Customer needs, wants and demands
- Market products and services
- Value and satisfaction
- Exchanges and relationships
- Markets

Market offerings: combo of products, services, information or experiences offered to a market to satisfy a need or want.
Market myopia: focuses on existing wants and looses sight of underlying consumer needs.
Market management: the process of choosing target markets and building profitable relationships with them.
Market segmentation: dividing markets into segments of customers
Target marketing: which segments to go after.
Demarketing: marketing to reduce demand temporarily or permanently.

Value proposition: set of benefits or values a company promises to deliver to customers to satisfy their needs.

Marketing strategy:

- **Production concept**: consumer favor affordable products.
- **Product concept**: consumers favor quality products.
- **Selling concept**: idea that consumers wont buy unless the firm undertakes large-scale selling.
- **Marketing concept**: idea that organizational goals depend on knowing needs and wants of the target market and being better than the competition.
- **Societal concept**: good marketing decisions should consider consumers wants, company's requirements, consumer's long-term interests and society's long-run interests.

Marketing mix: tools used to implement the marketing strategy. (4P's)

- Product
- Price
- Promotion
- Place

Integrated marketing program: plant that communicates and delivers the intended value to customers.
Customer relationship management (CRM): process of creating and maintaining profitable customer relationships by delivering customer value and satisfaction.

- **Basic relationships**: used by low-margin customer companies.
- **Full partnerships**: used in markets with few customers and high margin.

Partner relationship management: working closely with partners in other company departments and outside the company to jointly bring greater value to customers. Interacting through:
- Cross-functional teams
- Electronically

Customer lifetime value: value of the totality of the purchases that the customer made over a lifetime of patronage.

Share of customer: portion of customer purchasing power that a company gets in its product categories.
Customer equity: total combined customer lifetime values of all of the company's customers.

TYPE OF CUSTOMERS	
HIGH PROFITABILITY	**LOW PROFITABILITY**
Butterflies: Good fit between company's offerings and customer's needs; high profit potential.	Strangers: Little fit between company's offerings and customer's needs; lowest profit potential
True friends: Good fit between company's offerings and customer's needs; highest profit potential.	Barnacles: Limited fit between company's offerings and customer's needs; low profit potential

The changing marketing landscape:
- Digital age
- Rapid globalization
- Ethics and social responsibility
- Not for profit marketing

CH 2: COMPANY AND MARKETING STRATEGY

Strategic planning: process of developing and maintaining a strategic fit between the organization's goals and the changing market.

Mission statement: the organization's purpose. A market-oriented mission statement defines the business in terms of satisfying basic customer needs. Should be:
- Not a myopic market
- Meaningful and specific
- Motivating
- Emphasize the company's strengths
- Contain specific guidelines
- Not be stated as making sales or profit

The business portfolio: collection of businesses and products that make up the company. Good portfolios fit the company's strength and weaknesses.
Portfolio analysis: management evaluates the products and businesses that make up the company.

Strategic business unit (SBU): unit of the company that has a different mission and objectives that can be planed separately from other company businesses.

- Company division
- Product line within a division
- Single product or brand

The BCG growth-share matrix:

- **Stars:** high growth, high share businesses or products requiring heavy investment to finance rapid growth. They will eventually turn into cash cows.
- **Cash cows:** low growth , high share businesses or product that are established and successful SBUs requiring less investment to maintain market share.
- **Question marks:** low share businesses units in high growth markets requiring a lot of cash to hold their share.
- **Dogs:** low growth, low share businesses and products that may generate enough cash to maintain themselves but do not promise to be large sources of cash.

Strategies for growth and downsizing:

- **Product/market expansion grid**: tool for identifying growth opportunities through market penetration, market development and diversification.

	Existing products	New products
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

- **Market penetration**: growth, increasing sales to current markets without changing the product.
- **Market development**: growth, develops new markets for current products.
- **Product development**: growth, offers new or modified products to existing markets.
- **Diversification**: growth, starting or acquiring businesses outside the company's market and products.
- **Downsizing**: reduction of business portfolio by eliminating products or business units not profitable/ that don't fit the company's profile.

Value chain: series of departments that create value-oriented activities to design, produce, market, deliver and support a firm's products.
Value delivery network: the company, suppliers, distributors and customers who work together to improve the performance of the system.

Marketing strategy and the marketing mix

Consumers stand in the center. The goal is to create value for customers and build profitable customer relationships. Next comes **marketing strategy** – the marketing logic by which the company hopes to create this value and achieve these profitable relationships. The company decides which customers it will serve (segmentations and targeting) and how (differentiations and positioning). It identifies the total market, then divides it into smaller segments, selects the most promising segments, and focuses on serving and satisfying the customers on these segments. Guided by marketing strategy, the company designs an **integrated marketing mix** made up of factors under its control- product, price, promotion and place. To find the best marketing strategy and mix, the company engages in **marketing analysis**, planning, implementation and control. Through these activities, the company watches and adapts to the actors and forces in the **marketing environment.**

Market segmentation: division of a market into groups of consumers with distinctive needs, characteristics or behaviors, who might require separate products.
Market segment: group of consumers who respond in a similar way to a given set of marketing efforts.
Market targeting: process of evaluating each market segment's attractiveness and selecting one or more to enter.
Market positioning: arranging for a product to occupy a clear, distinctive, and desirable place relative to competitors in the minds of target consumers.

Marketing mix: set of marketing tools- price, product, promotion and place- the firm uses to produce a response on the target market.

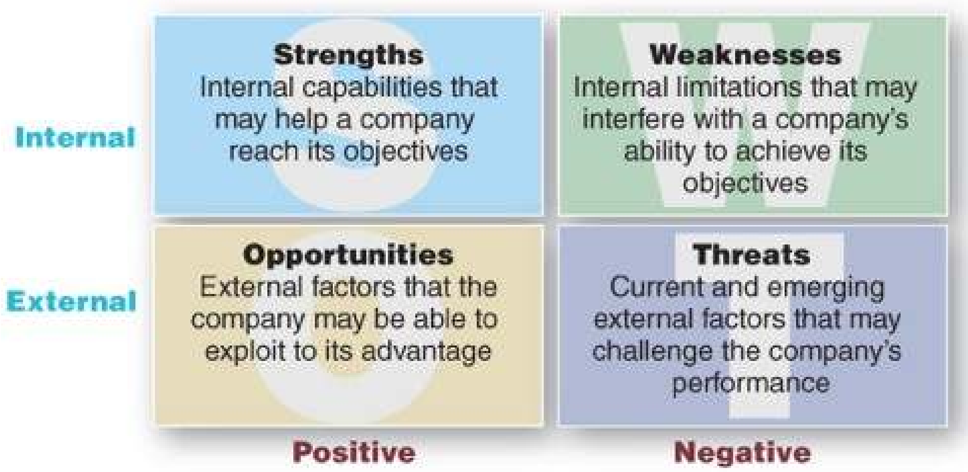
- Product- customer
- Price- customer cost
- Promotion- convenience
- Place- communication

solution

4P's convert to 4C's

Managing the marketing effort

Analysis SWOT: strengths, weaknesses, opportunities and threats



Planning: exec summary, analysis of current situation, objectives, target and positioning, marketing mix, budget, controls.
Implementation: turns strategies into marketing actions that accomplish objectives.
Control: measurement and evaluation of results and correcting as needed.

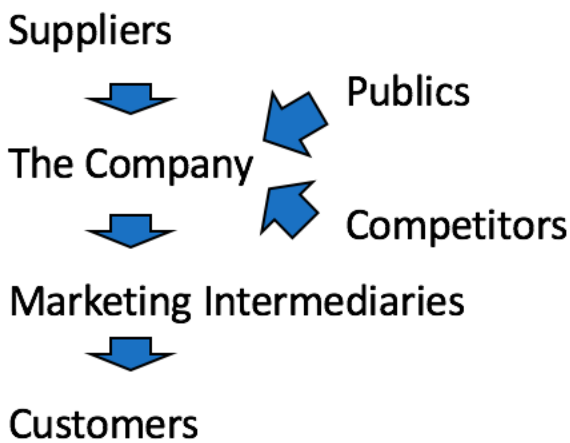
- **Operating control:** involves checking ongoing performance against an annual plan and taking corrective action as needed.
- **Strategic control:** involves looking at whether the company's basic strategies are well matched to its opportunities.

Return on marketing investment (RMI): net return from a marketing investment divided by the costs of the marketing investment. Measurement of the profits generated by investments in marketing activities.

CH 3: ANALYZING THE MARKETING ENVIRONMENT

The marketing environment: consists of actors and forces outside marketing that affect its ability to build and maintain successful relationships with customers.

- **Microenvironment:** actors close to the company that affects its ability to serve customers, suppliers, marketing intermediaries, customer markets, competitors and publics.
  The company, top management, finance, R&D, purchasing, operations and accounting.
  The suppliers, provide the resources to produce goods and services, treated as partners to provide customer value.
  The marketing intermediaries, helps the company promote, sell and distribute its products to buyers.
  [Types of mark intermediaries: resellers, physical distribution firms, marketing services agencies and financial intermediaries]
  [Five types of customer markets: consumer, business, reseller, government and international]
  The competitors, firms position their offerings against competitor's offerings.
  The publics, any group with a potential interest in the org ability to achieve its objectives



- **Macroenvironment:** actors outside the company that affect its ability to serve demographic, economic, natural, technological, political and cultural forces.
  Demographic forces, involves people that make up markets, includes age, familial structure, geography, education and population diversity.
  Natural forces, natural resources that are needed by marketer that affect marketing activities.
  Technological forces, as it evolves, it shapes the destiny of the market.
  Political & social forces, laws, gov that influence or limit the organization and individuals in a society. Socially, codes and ethic rules. **Socially responsible behavior,** "do the right thing".
  Cause-relate marketing, companies link themselves to worthwhile causes.
  Economic forces, forces affecting consumer purchasing power and spending patterns.
  Cultural forces, institutions and other forces that affect a society's values, perceptions and behaviors. Core beliefs are persistent and engraved into the person, secondary beliefs are open to change and influence from others.

Responding to the marketing environment

- **Uncontrollable**: react and adapt to forces in the environment.
- **Proactive**: aggressive actions to affect forces in the environment.
- **Reactive**: watching and reacting to forces in the environment.

CH 4: SOCIAL RESPONSIBILITY AND ETHICS: SUSTAINABLE MARKETING

Sustainable marketing, meets the need of consumers while preserving the ability of future generations to meet their needs.

Complaint: Companies use deceptive practices that lead customers to believe they will get more value than they actually do. These practices fall into three categories:

- Deceptive pricing
- Deceptive promotion
- Deceptive packaging

Response:

- Legislation to protect consumers from deceptive practices (Competition Act)
- Guidelines to prevent "green-washing" (Competition Bureau)
- Industry self-regulation through Advertising Standards Canada

Consumerism is the organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers

Environmentalism is an organized movement of concerned citizens, businesses, and government agencies to protect and improve people's living environment

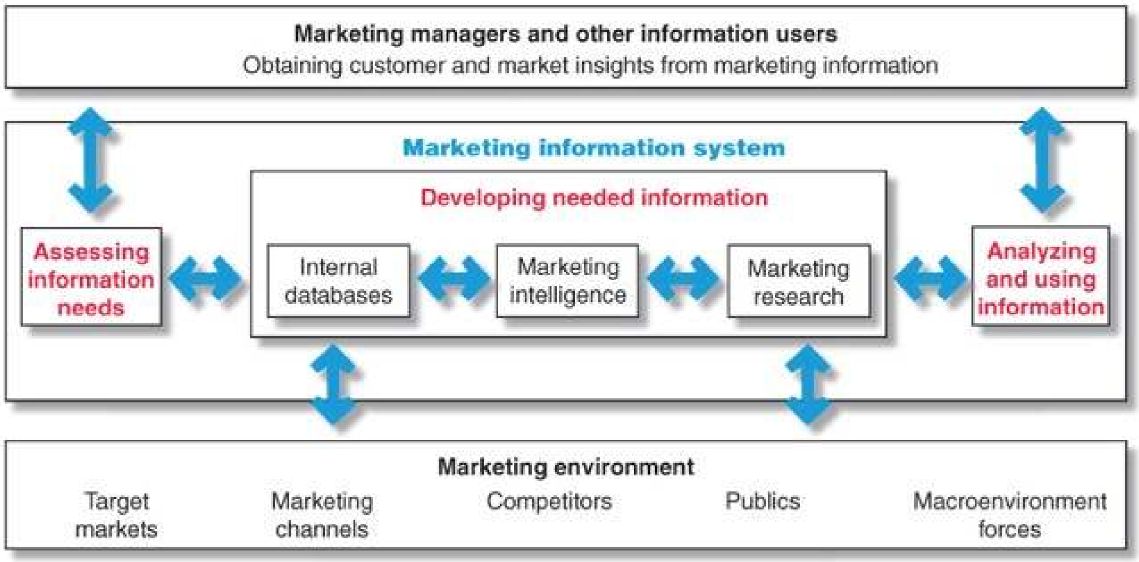
- **Pollution prevention** involves not just cleaning up waste but also eliminating or minimizing waste before it is created.
- **Product stewardship** involves minimizing the pollution from production and all environmental impact throughout the full product life cycle.
- **Design for environment (DFE)** involves thinking ahead to design products that are easier to recover, reuse, or recycle.
- **New clean technologies** involve looking ahead and planning new technologies for competitive advantage.
- **Sustainability vision** is a guide to the future that shows the company that the company's products, process, and policies must evolve and outlines what is needed to get there (Coca-Cola's vision).

Corporate marketing ethics are broad guidelines that everyone in the organization must follow and that cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards.

CH 5: MANAGING MARKETING INFORMATION TO GAIN CUSTOMER INSIGHTS

Customer insights: insight into the consumers needs and wants.
Marketing information system (MIS): provides information to the company's marketing and other managers and to the external partners, such as suppliers, resellers, and marketing service agents.

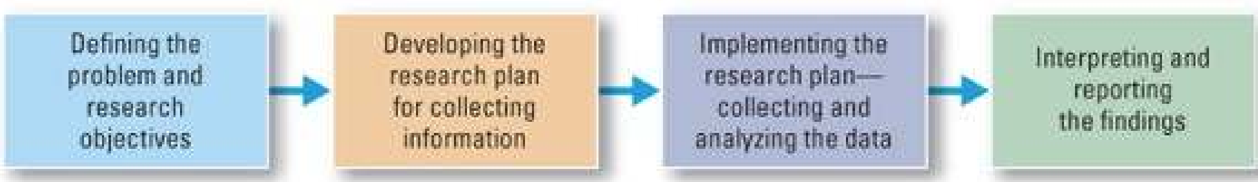
- Assessing the information needs
- Developing needed information
- Helping decision makers use the information for customers



Good MIS, balances information users would like to have against what they need and what is feasible to offer.

Developing marketing information:

- **Internal data:** internal databases collect consumer and market information from data sources within the company network. It's cheap, quick and easy.
- **Marketing intelligence:** systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketplace.
- **Marketing research:** systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.



- **Secondary data**: already existing information that was collected for another purpose
- **Primary data:** information gathered specifically for the research.
- **Observational research:** gathers primary data by observing people.
- **Ethnographic research:** using observers to watch and interact with consumers in their natural environment.
- **Sample:** segment of the population analyzed to represent it as a whole.

Analyzing and using marketing information:

- **Customer relationship management (CRM):** tool that integrate customer information and applies the results to build stronger customer relationships.

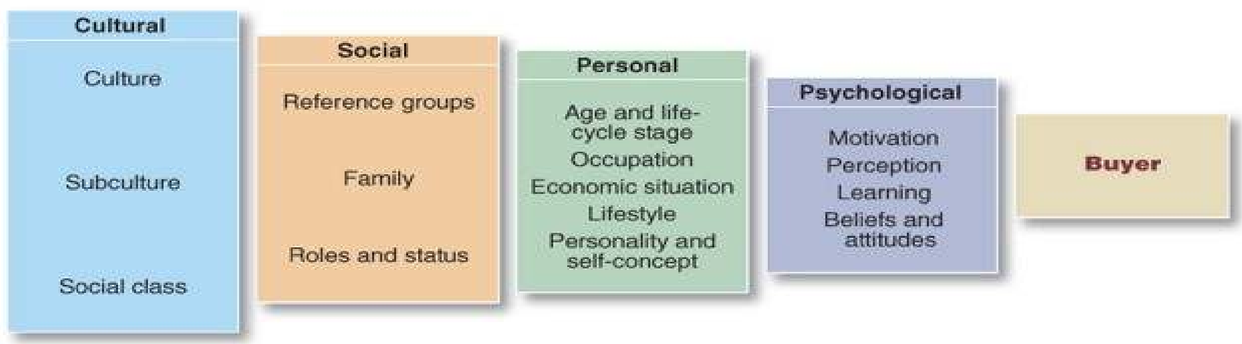
CH 6: CONSUMER MARKETS AND CONSUMER BUYER BEHAVIOR

Model of consumer behavior:

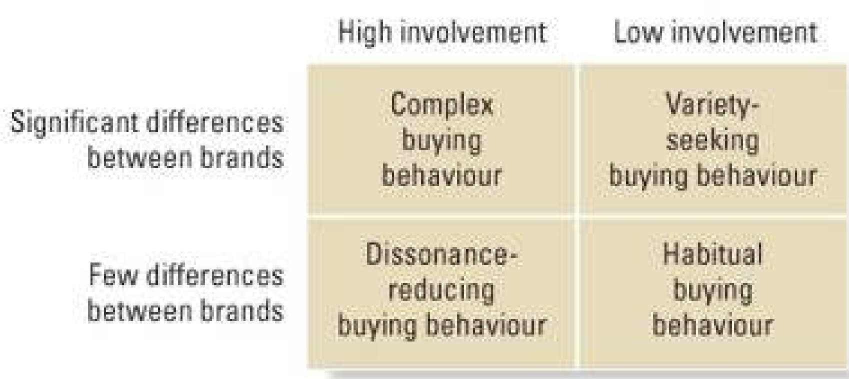
- **Consumer buyer behavior:** the buying behavior of final customers.
- **Consumer market:** all personal consumption of final consumers.

Consumer behavior affected by:

- **Culture:** basic set of values and perceptions learned from family or important institutions.
- **Subcultures:** groups of people within a culture with a shared value based on common experiences.
- **Social classes:** divisions whose members share similar values, interests, and behaviors.
- **Personal factors:** age and life cycle stage. Occupation and economic situation. Lifestyle. Personality and self-concept.
- **Psychological factors:** Motivations, perception-selective attention, distortion and retention-, learning and beliefs and attitudes.



Four types of buying behavior:



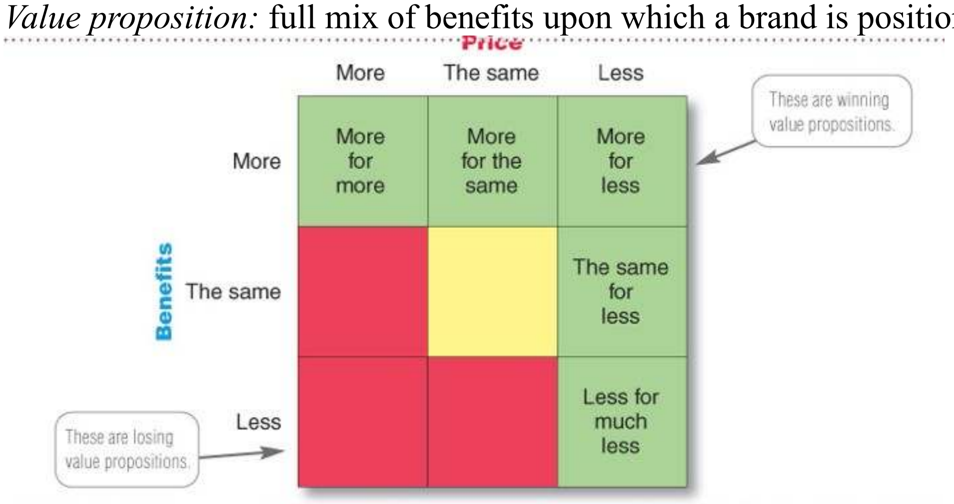
Buyer decision making process:

- **Need recognition:** internal or external stimuli.
- **Information search:** personal, commercial, public, experiential sources.
- **Evaluation of alternatives:** how the information is processed by the consumer to chose brands.
- **Purchase decision:** the purchase act
- **Post purchase behavior:** the aftermath of a purchase and feelings linked to the purchase.
- **Buyer decision process fro new products: awareness, interest, evaluation, trial and adoption.**

CH 8: CUSTOMER DRIVEN MARKETING STRATEGY/CREATING VALUE FOR TAEGET CUSTOMERS

Market segmentation: Division of market into smaller segments with distinct needs, characteristics that may require similar marketing strategies or mixes.

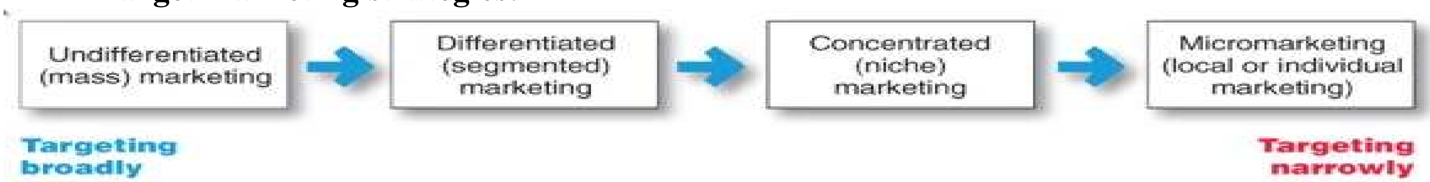
- **Differentiation:** differentiating market offerings to create superior customer value.
  Product diff: don features, performance, style
  Service diff: speedy, convenient or careful delivery.
  Channel diff: channel expertise and performance.
  People diff: hiring and training people better.
  Image diff: strong, distinctive image conveying the product's distinctive benefits and positioning.
- **Positioning:** arranging a product in a certain way to make it desirable in minds of target consumers.
  Positioning statement: summarizes the company or brand positioning. "To (target segment and need) our (brand) is (concept) that (point of difference)."
  Value proposition: full mix of benefits upon which a brand is positioned.



- **Geographic segmentation:** divides market into globalized units, nations, regions, counties, cities, etc.
- **Demographic segmentation:** divides market into variables such as age, gender, sexuality, religion, etc.
- **Age and life-cycle segmentation:** using different marketing approaches for different age and life-cycle groups.
- **Gender segmentation:** divides market based on gender.
- **Income segmentation**
- **Psychographic segmentation**
- **Behavioral segmentation**
- **Occasion segmentation**
- **Benefit segmentation**
- **User status**
- **User rate**

- **Loyalty status**
- **Multiple segmentation:** used to identify smaller, better-defined target groups.
- **Geo-demographic segmentation:** consumer lifestyle patterns.
- **Cross-market segmentation:** consumers with similar needs and buying behaviors are grouped together even if located in different countries.
- **Effective segmentation:** measurable, accessible, substantial, differentiable and actionable.

Market targeting: Consists of evaluating each market segment's attractiveness and selecting which one to enter.
- **Target market:** set of buyers who share common needs that the company wants to satisfy.
  Selected:
  Company resources
  Product variability
  Product life-cycle
  Market variability
  Competitor's marketing skills
- **Target marketing strategies:**



CH 9: PRODUCT, SERVICES, AND BRANDS: BUILDING CUSTOMER VALUE

Product, services and experiences
- **Product:** market offerings
- **Services:** activities or benefits that are intangible and no not result in ownership.
- **Experiences:** what the act of purchase will do for the customer.

Levels of product and services:

Product and service classifications:

- **Convenience products:** first hand products, frequent and immediate. Ex: newspaper.
- **Shopping products:** products that the consumer check the quality, price, suitability and style. Ex: cars
- **Specialty products:** consumer products and services with an identification that makes certain buyers willing to purchase. Ex: designer clothes.
- **Unsought products:** products the consumer doesn't know they want/need and purchase without thinking about it, has to be sold to you. Ex: life insurance.
- **Industrial products:** purchased for further processing or for conducting business. Classification:
  Material and parts, capital and raw material

What is product?

Table 9.1 Marketing Considerations for Consumer Products

	Type of Consumer Product			
Marketing Considerations	**Convenience**	**Shopping**	**Specialty**	**Unsought**
Customer buying behaviour	Frequent purchase; little planning, little comparison or shopping effort; low customer involvement	Less frequent purchase; much planning and shopping effort; comparison of brands on price, quality, and style	Strong brand preference and loyalty; special purchase effort; little comparison of brands; low price sensitivity	Little product awareness, knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution; convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both the producer and resellers	More carefully targeted promotion by both the producer and resellers	Aggressive advertising and personal selling by the producer and resellers
Examples	Toothpaste, magazines, and laundry detergent	Major appliances, televisions, furniture, and clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance and Canadian Blood Services donations

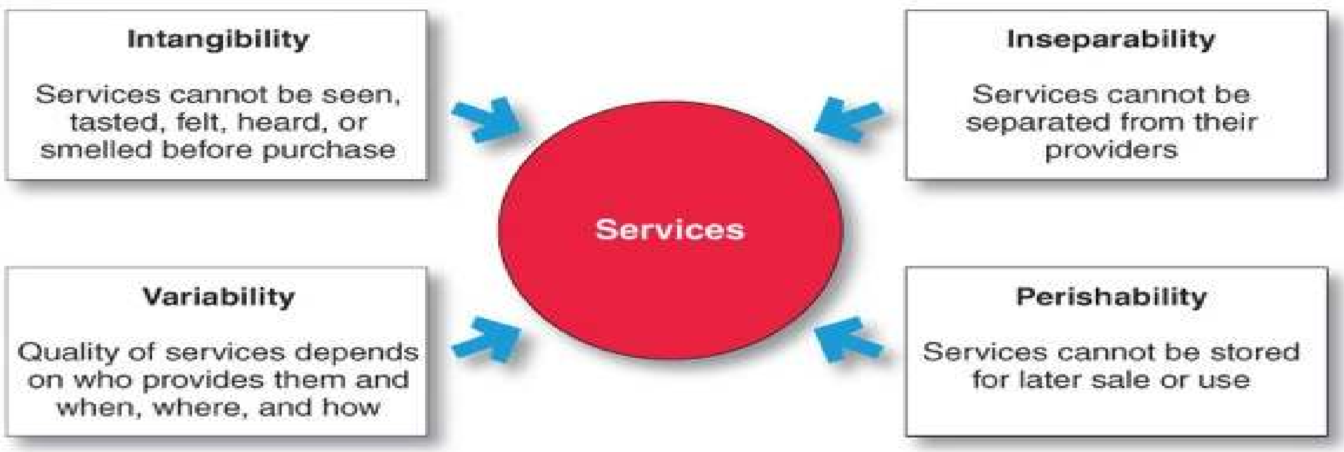
Organization marketing: activities undertaken to create, maintain or change attitudes and behavior of target consumers toward an organization.
Person marketing: activities undertaken to create, maintain or change attitudes and behavior of target consumers toward people.
Place marketing consists of activities undertaken to create, maintain, or change attitudes and behavior of target consumers toward particular places.
Social marketing is the use of commercial marketing concepts and tools in programs designed to influence individuals' behavior to improve their well-being and that of society.

Individual product and service decisions:

- Style
- Design
- Brand
- Brand equity
- Packaging
- Labels

Product line decisions: similar products with similar sues bought by similar customers, sold and marketed through the same types of outlets and fall within given price ranges.
Product mix decisions: consists of all the products and items that a particular seller offers for sale.
Types of service industries: government, non profit and business organizations.

Characteristics of service:



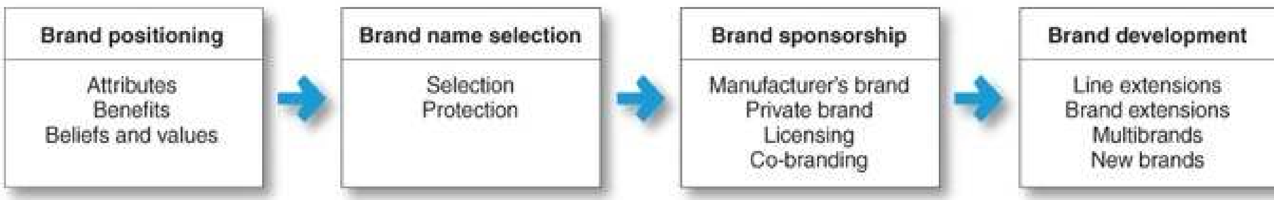
Marketing strategies for service firms:

- **Service-profit chain:** links service firm profits with employee and customer satisfaction.
- **Internal marketing:** the firm must orient and motivate its customer contact employees and supporting service people to work to provide customer satisfaction.
- **Interactive marketing:** service quality depends heavily on the quality of the buyer-seller interaction during the service encounter.
- **Managing service differentiation:** creates a competitive advantage from the offer, delivery, and image of the service:
  Offer can include distinctive features.
  Delivery can include abler and reliable customer contact people, environment, or process.
  Image can include symbols and branding
- **Managing service quality**: provides a competitive advantage by delivering consistently higher quality than its competitors

Branding strategy:

- **Brand** represents the consumer's perceptions and feelings about a product and its performance. It is the company's promise to deliver a specific set of features, benefits, services, and experiences consistently to the buyers.
- **National brands (manufacturer's brands)** are created by the manufacturer.

- **Store brands (private brands)** are brands created and owned by a reseller of a product or service.
- **Licensing** uses previously created names or symbols for a fee.
- **Co-branding** is the practice of using the established brand names of two different companies on the same product.
- **Line extension** involves extending an existing brand name to new forms, colours, sizes, ingredients, or flavours of an existing product category.
- **Brand extension** involves extending an existing brand name to new product categories.
- **Multi-brands** are additional brands introduced in the same product category.
- **New brands** are brands created when entering a new product category for which none of the current brand names are appropriate.

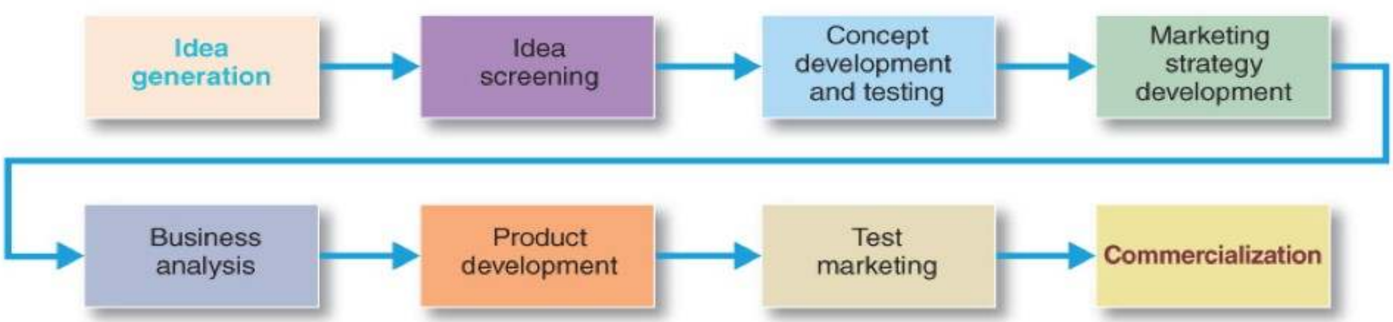


CH 10: NEW PRODUCT DEVELOPMENT AND PRODUCT LIFE- CYCLE STRATEGIES

How to obtain new products:
- **Acquisition:** buying a whole company, patent or a license to produce someone else's product.
- **New product development:** original products, product improvements, product modification, and new brands developed from the firm's own research and development.
- **Successful new-product development should be:** customer and team centered , systematic.

Reasons for new product failure:
- Overestimation of market size/ poor design/ incorrect positioning/ wrong timing/ priced too high/ ineffective promotion/ management influence/ high development costs/ competition.

Major stages in new- product development:



1) **Idea generation:** systematic search for new-product ideas. Internal sources: the company's own R&D, management and staff, and intrapreneurial programs. External sources: outside the company, such as customers, competitors, distributors, suppliers, and outside design firms.
2) **Idea screening:** is it real? Can we win? Is it worth doing?

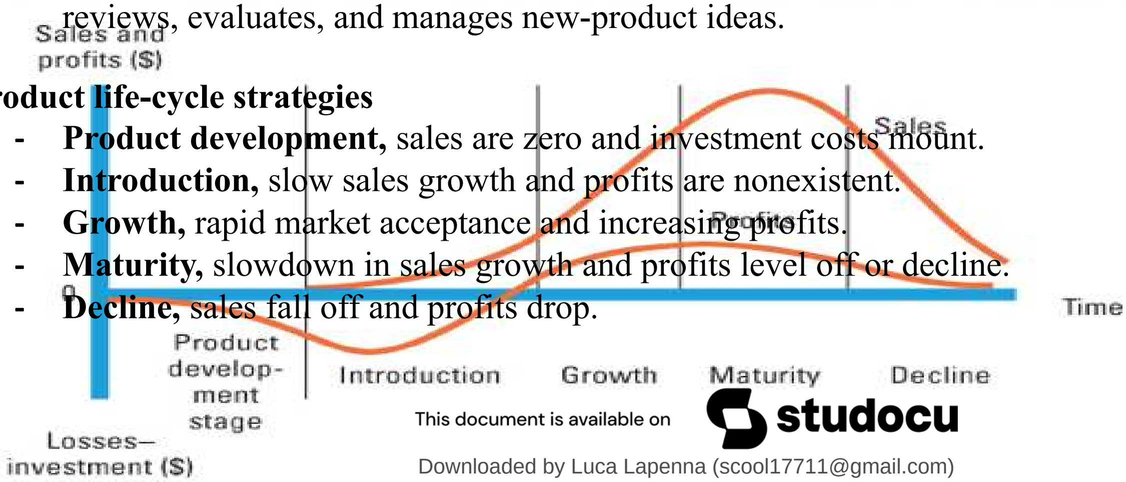
3) **Concept developing and testing:**
Product idea, idea for possible product that the company can see itself offering to the market.
Product concept, detailed version of the idea in meaningful consumer terms.
Product image, the way consumers perceive an actual or potential product.
Concept testing, testing new-product concepts with groups of target consumers.
4) **Marketing strategy development:** the initial marketing strategy for introducing the product to the market. It includes:
- description of the target market
- value proposition
- sales and profit goals
5) **Business analysis:** a review of the sales, costs, and profit projections to find out whether they satisfy the company's objectives.
6) **Product development:** creation and resting of one or more physical versions by the R&D or engineering departments. (Increase in investment)
7) **Test marketing:** stage at which the product and marketing program are introduced into more realistic marketing settings.
- standard test markets: small representative markets where the firm conducts a full marketing campaign and uses store audits, consumer and distributor surveys, and other measures to gauge product performance. Results are used to forecast national sales and profits, discover product problems, and fine-tune the marketing program.
- controlled test markets: are panels of stores that have agreed to carry new products for a fee. In general, they are less expensive and faster than standard test markets, but competitors gain access to the new product.
- simulated test markets: are events where the firm will create a shopping environment and note how many consumers buy the new product and competing products. They provide measures of trial and the effectiveness of promotion. Researchers can interview consumers.
8) **Commercialization:** introduction of the new product: when, where to launch.

New-product development strategies

1) **Customer-centered new product development,** focuses on finding new ways to solve customer problems and create more customer-satisfying experiences.
2) **Sequential new-product development,** is a development approach where company departments work closely together individually to complete each stage of the process before passing it along to the next department stage.
3) **Team-based new-product development,** development approach where company departments work closely together in cross-functional teams, overlapping in the product-development process to save time and increase effectiveness.
4) **Systematic new-product development,** innovative development approach that collects, reviews, evaluates, and manages new-product ideas.

Product life-cycle strategies

- **Product development,** sales are zero and investment costs mount.
- **Introduction,** slow sales growth and profits are nonexistent.
- **Growth,** rapid market acceptance and increasing profits.
- **Maturity,** slowdown in sales growth and profits level off or decline.
- **Decline,** sales fall off and profits drop.



introduction	growth	Maturity*	Decline#
• Low sales • High cost per customer • Negative profits • Innovator customers • Few competitors	• Rapidly rising sales • Average costs per customer • Rising profits • Customers as early adopters • Growing number of competitors • Promotion and manufacturing costs gain economies of scale	• Slowdown in sales as they peak • Low costs per customer • High profits • Customers are middle majority • Substitute products are introduced, stable competition beginning to decline • Increased promotion and R&D to support sales and profits	• Declining sales • Low costs per customer • Declining profits • Customers are laggards • Declining number of competitors
• Create product awareness and trial. • Offer a basic product. • Use cost-plus pricing. • Build selective distribution. • Build product awareness among early adopters and dealers. • Use heavy sales promotions to entice trial.	• Maximize market share. • Offer product extensions, service, warranty. • Price to penetrate market. • Build intensive distribution. • Build awareness and interest in the mass market. • Reduce sales promotion to take advantage of heavy consumer damage.	• Maximize profit while defending market share. • Diversify product brand and models. • Price to match or beat competitors. • Build more intensive distribution. • Stress brand differences and benefits. • Increase sales promotion to encourage brand switching.	• Reduce expenditures, and milk the brand. • Phase out weak items. • Cut prices. • Selective distribution—phase out unprofitable outlets. • Reduce advertising to level needed to retain hardcore loyalists. • Reduce sales promotion to minimal level.

* **Market modifying:** tries to increase consumption of the current product, looking for new users and market segments or inventing new uses for existing products.
* **Product modifying:** changes characteristics of products, such as quality, features, style, or packaging to attract new users and to inspire more usage.
* **Modifying the marketing mix:** involves improving sales by changing one or more of the marketing mix elements.
# **What to do with declining products:** maintain, harvest or drop the product.

International product and service marketing:

1) What products and services to introduce in which countries.
2) Standardization versus customization.
3) Packaging and labelling
4) Customs, values, laws

CH 11: PRICING

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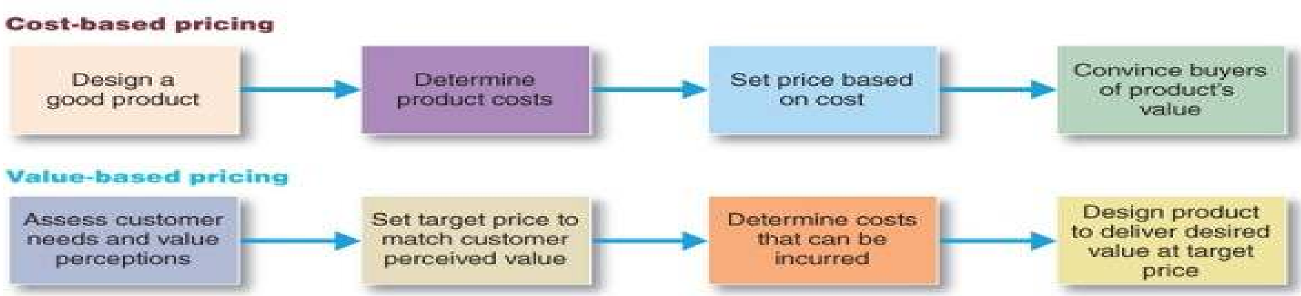
- *Value- based pricing,* uses buyers' perceptions of value, its customer driven.
- *Cost-based pricing*, product driven. Setting prices based on costs for producing, distributing, and selling the product plus a fair rate of return.

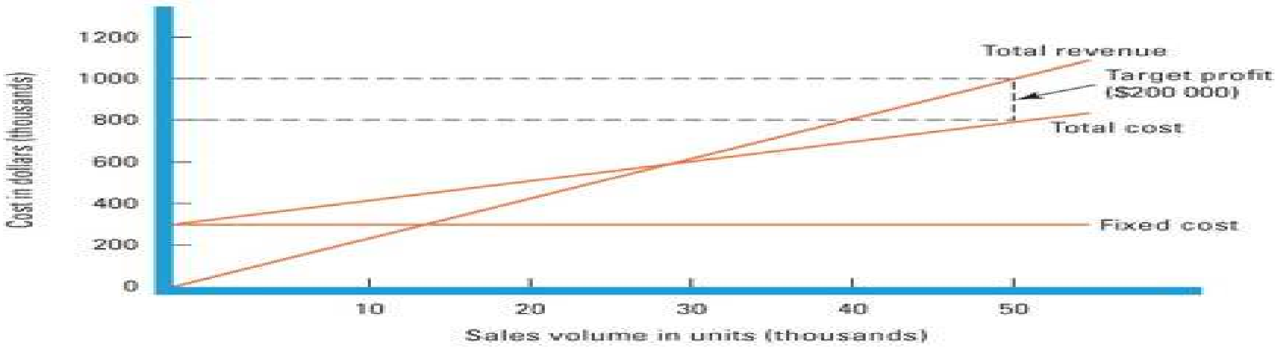


- *Good-value pricing,* combination of quality and good service to fair price. Good value ≠ low price. Everyday low pricing (EDLP), charging a constant everyday low price with no discounts. High-low pricing, charging higher prices on everyday basis but doing promotions to lower prices temporarily.
- *Value-added pricing,* attaches value-added features and services to differentiate offers and build pricing power. Pricing power, ability to escape price competition and to justify higher prices and margins without losing market share.

Company and product costs

- **Fixed costs,** costs that don't vary with production or sales level: rent, heat, interest and executive salaries.
- **Variable costs,** costs that vary with the level of production: packaging, raw materials.
- **Total costs,** sum of fixed and variable costs for any given level of production.
- **Average cost,** cost associated with a given level of output.

Costs as a function of production experience, experience or learning curve is when average cost falls as production increases because fixed costs are spread over more units.
Cost-plus pricing, adds a standard markup to the cost of the product. *Benefits,* sellers are certain about costs, prices are similar in industry and price competition is minimized, consumers feel it is fair. *Disadvantages,* ignores demand and competitor prices.
Break-even pricing, price at which total costs are equal to total revenue and there is no profit.
Target profit pricing*,* price at which the firm will break even or make the profit it's seeking.



Other internal and external considerations affecting price decisions, customer perceptions of value set the upper limit for prices, and costs set the lower limit. Companies must consider internal and external factors when setting prices.

- **Target costing,** ideal selling prices based on consumer value considerations and then target costs that ensure that the price is met.
- **The market and demand,** the marketer must understand the relationship between price and demand for its product. The demand curve, number of units the market will buy in a given period at different prices. High price= lower demand. Price elasticity of demand, respond of demand to price change. Its affected by: unique product, quality, prestige, substitute products and cost relative to income.

- **Competition,** under *pure competition,* market consists of many buyers and seller trading in a uniform commodity. *Monopolistic competition,* the market consists of many buyers and sellers who trade over a range of prices. *Oligopolistic competition,* market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. *Pure monopoly,* market consists of one seller.
- **Competitor's strategies,** comparison of offering in terms of customer value, strength competitors, competition pricing strategies and customer price sensitivity.
- **Economic conditions**
- **Reseller's response to price**
- **Government**
- **Social concerns**

Pricing strategies,

- **Market- skimming pricing,** high initial prices to skim maximum revenues from the segments willing to pay the high price.
- **Market-penetration pricing,** sets a low initial price in order to attract a large number of buyers and a large market share.
- **Pricing line pricing,** accounts for the differences between products in the line, customer evaluation of their features, and competitors' prices.

- **Optional-product pricing,** takes into account optional or accessory products along with the main product.
- **Captive-product pricing,** products that must be used with the main product.
- **Two-part pricing,** breaking the price into, fixed fee and variable usage fee.
- **By-product pricing,** products with little or no value produces as a result of the main product. Producers seek little or no profit other than the cost to cover storage and delivery.
- **Product bundle pricing,** combines several products at a reduced price.
- **Discount and allowance pricing,** reduces prices to reward customer responses such as paying early or promoting the product. *Discounts,* reductions in price on purchases during a period of time. *Allowances,* promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's product in some way.
- **Segmented pricing,** when a company sells a product at two or more process even though the difference is not based on cost. *Customer SP,* different customers pay different prices for the same product or service. *Product-for SP,* different versions of the product are priced differently but not according to differences in cost. *Location SP,* the product sold in different geographic areas is priced differently even though the cost is the same. *Time SP,* varies by the season, the month, the day, and the hour. For SP to be effective, the market bust be segmentable, segments must show different degrees of demand, watching the market cannot exceed the extra revenue obtained from the price, the market must be legal.
- **Psychological pricing,** when sellers consider the psychology of prices and not simply the economics.
- **Reference prices,** prices that buyers carry in their minds and refer to when looking at a given product: noting current prices, remembering past prices, assessing the buying situations.
- **Promotional pricing,** when prices are temporarily priced below list price or cost to increase demand. *Loss leaders,* products sold below cost to attract customers in the hope they will buy other items at normal markups. *Special event pricing,* used to attract customers during certain seasons or periods. *Cash rebates,* given to consumers who buy products within a specified time. *Low-interest financing, longer warrantees, free maintenance,* lower the consumer's "total price".
- **Geographical pricing,** used for customer in different parts of the country or the world. *Fob pricing,* the goods are delivered to the carrier and the title and responsibility passes to the customer. *Uniform-delivered pricing,* the company charges the same price plus freight to all customers, regardless of location. *Zone pricing***,** company sets up two or more zones within a given zone pay a single total price. *Basing-point pricing,* seller selects a given city as a basing point and charges all customers the freight cost associated from that city to the customer location, regardless of the city from which the goods are actually shipped. *Freight-absorption pricing,* means the seller absorbs all or part of the actual freight charge as an incentive to attract business in competitive markets.
- **Dynamic pricing,** prices adjusted continually to meet characteristics and needs of the individual customer and situations.
- **International pricing,** prices are set in a specific country based on country-specific factors.

Initiating pricing changes

Price cuts occur due to:

- **Excess capacity**
- **Increase market share**

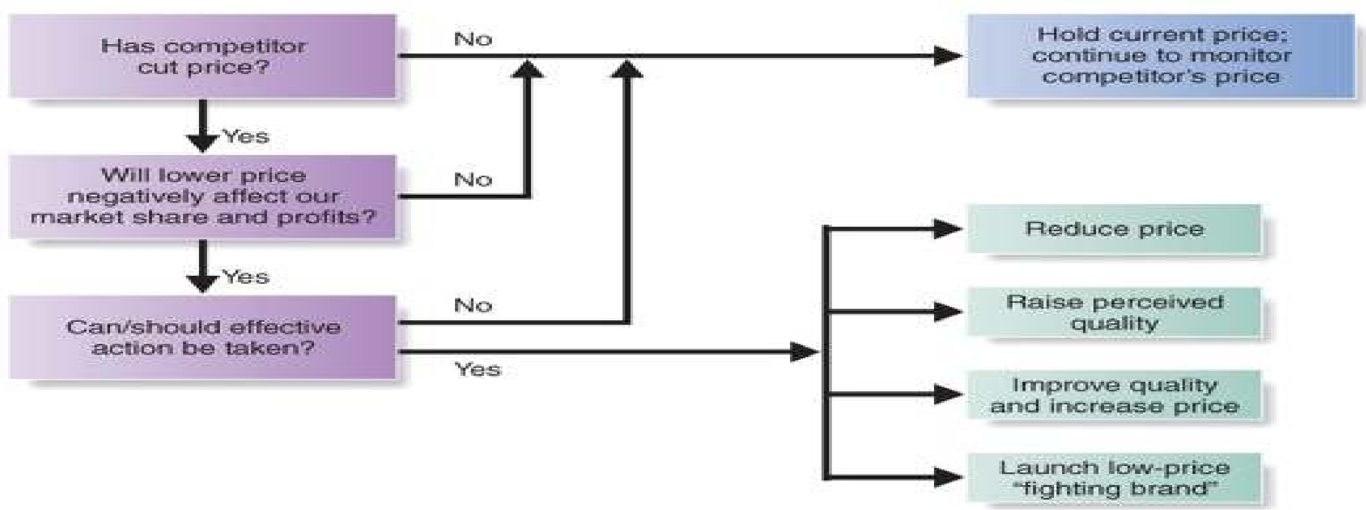
Price increase from:

- **Cost inflation**
- **Overdemand**
- **Lack of supply**

Buyer Reaction

Price increases	Price cuts
• Product is "hot" • Company greed	• New models will be available • Models are not selling well • Quality issues

Responding to pricing changes,

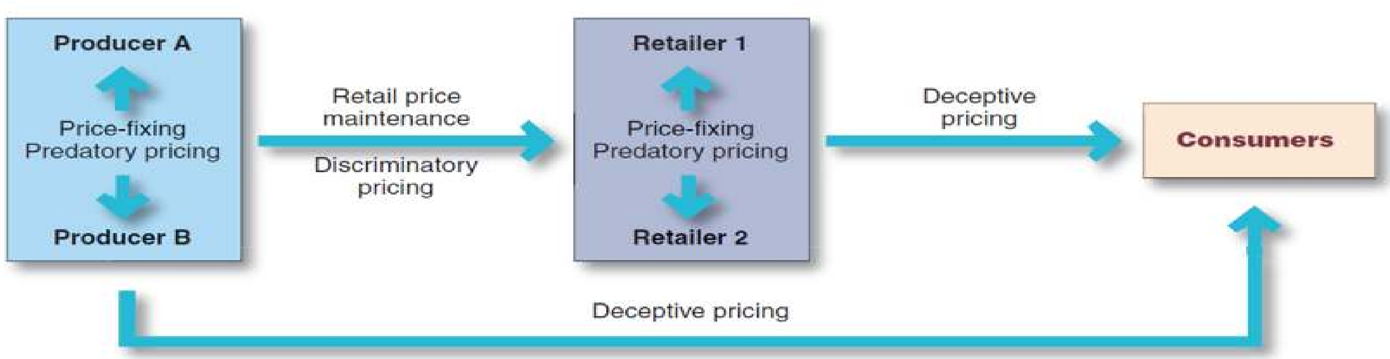


Pricing within channel levels,

- **Price fixing,** sellers must set prices without talking to competitors.
- **Predatory pricing,** selling below cost with the intention of punishing a competitor or gaining higher long-term profits by putting competitors out of the business.

Pricing across channel levels,

- **Retail price maintenance,** manufacturer requires a dealer to charge a specific retail price for its products,
- **Deceptive pricing,** seller states prices or price savings that mislead consumer or are not actually available to customers.



CH 12: MARKETING CHANNELS AND DELIVERING CUSTOMER VALUE

Supply chain views,

- *Supply chain "make and sell"* includes the firm's raw materials, productive inputs, and factory capacity.
- *Demand chain "sense and respond"* planning starts with the needs of the target customer, and the firm responds to these needs by organizing a chain of resources and activities with the goal of creating customer value.

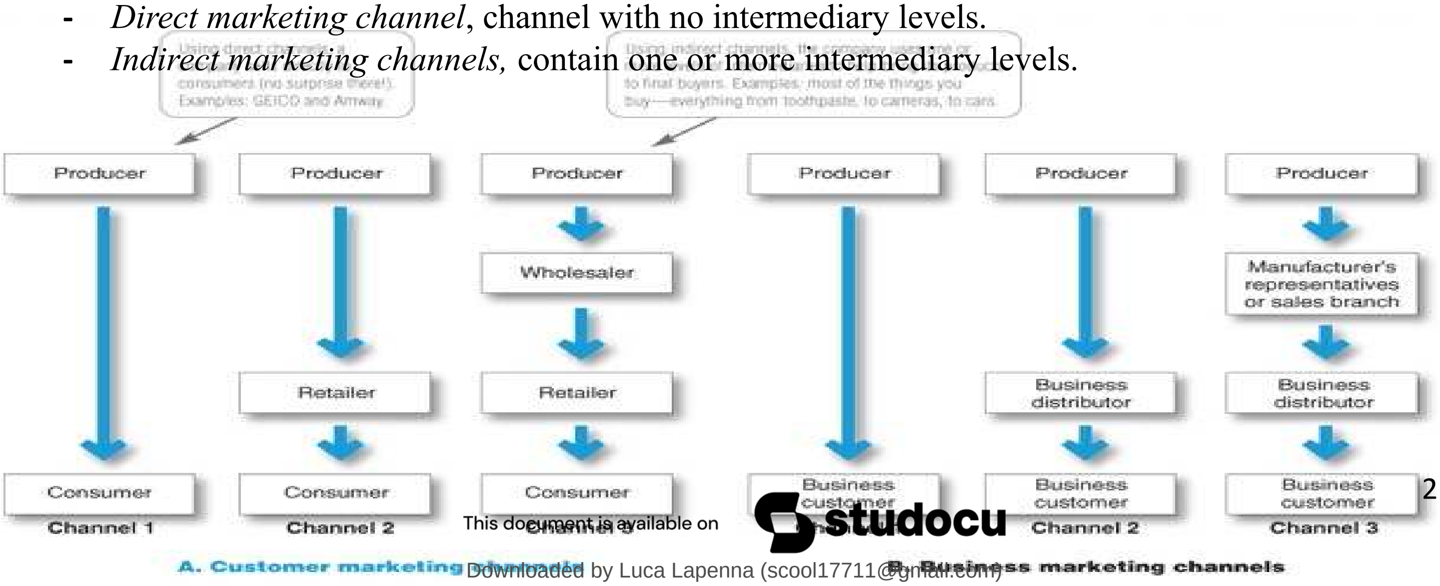
Value delivery network, the firm's suppliers, distributors and ultimately customers who partner with each other to improve the performance of the entire system.

How channel members add value,

- *Marketing distribution channels,* sets of independent organizations that help make a product or service available for sue or consumption by the consumer.
- *Intermediaries,* efficiency in making goods available to target markets. Through their contacts, experience, specialization, and scale of operations, intermediaries usually offer the firm more than it can achieve on its own.
- *Channels perform the following functions:*
  Information: Gathering and distributing marketing research and intelligence information about actors and forces in the marketing environment needed for planning and aiding exchange
  Promotion: Developing and spreading persuasive communications about an offer
  Contact: Finding and communicating with prospective buyers
  Matching: Shaping and fitting the offer to the buyer's needs, including activities such as manufacturing, grading, assembling, and packaging
  Negotiation: Reaching an agreement on price and other terms of the offer so that ownership or possession can be transferred
  Physical distribution: Transporting and storing goods
  Financing: Acquiring and using funds to cover the costs of the channel work
  Risk taking: Assuming the risks of carrying out the channel work

Number of channel levels

- *Channel levels*, layers of intermediaries that perform some work in bringing the product and its ownership closer to the final buyer.
- *Direct marketing channel*, channel with no intermediary levels.
- *Indirect marketing channels,* contain one or more intermediary levels.



Channel behavior,

- **Marketing channel**, firms that have partnered for their common good with each member playing a specified role.
- **Channel conflict**, disagreement over goals, roles, and rewards by channel members: Horizontal conflict, occurs among firms at the same level of the channel.
  Vertical conflict, between different levels of the same channel.

Conventional distributions systems, one or more independent producers, wholesalers, and retailers. Each business seeks to maximize its own profits. There is little control over the other members and no formal means for assigning roles and resolving conflict.

Vertical marketing systems, channel leadership and consist of producers, wholesalers, and retailers acting as a unified system. One channel member owns the others, has contracts with them, or they all have to co-operate.
Corporate vertical marketing systems, integrates successive stages of production and distribution under single ownership. Ex: Zara.
Contractual vertical marketing system, independent firms at different levels of production and distribution join together through contracts to obtain more economies or sales impact. Ex: franchise.
Administered vertical marketing systems, few dominant channel members without common ownership. Leadership comes from size and power.

Horizontal marketing systems, two companies join together to follow a new marketing opportunity. They combine financial, production or marketing resources to accomplish more than they could on their own.

Multichannel distribution systems (Hybrid marketing channels), when a single firm sets up to reach or or more customer segments.

CH 14: INTEGRATED MARKETING COMMUNICATIONS STRATEGY

Promotion mix, blend of advertising, PR, personal selling and direct marketing tools that companies use to create customer value and build customer relationships.

- **Advertising,** non-personal presentation and promotion ideas, goods, or services by an identified sponsor. Ex: broadcast, print, internet, outdoor.
- **Sales promotion,** short –term incentives to encourage purchase or sale of a product or service. Ex: discounts, coupons, displays, demonstrations.
- **Public relations,** building good relations with customers by obtaining favorable publicity, good corporate image and handling bad press. Ex: press releases, sponsorships, special events and webpages.
- **Personal selling,** personal presentation by sales associates to build customer relationships. Ex: sales presentations, trade shows and incentive programs. MOST effective at building buyer’s preferences.

- **Direct marketing,** non-public, it involves making direct connections to have immediate response and cultivate long lasting relationships using email, phone, internet, etc. Ex: catalogues, telemarketing and kiosks.

Integrated marketing communications, the company integrates its communication channels to deliver a clear, consistent and compelling message about the organization and its products.
AIDA: get Attention, hold Interest, arouse Desire, obtain Action.
Personal communication channels, two or more people communicating directly with each other, Ex: face-to-face, by phone, mail, email, internet.
Opinion leaders, people that because of their skills, knowledge and personality exert social influence on others.
Buzz marketing, cultivating opinion leaders and getting them to spread information about a product or service to others in their communities.
Non-personal communication, media that carry messages with no personal contact or feedback. Ex: major media, atmospheres.
Major media, print, broadcast, display and online media.
Atmospheres, designed environments that reinforce the buyer's leanings toward buying a product.
Events, occurrences staged to communicate messages to target audiences.
Competitive parity method, sets the budget to match competitor outlays.
Objective and task method, sets budget based on what the firm wants to accomplish with promotion.
Push strategy, uses sales associates and trade promotion to push the product through channels.
Pull strategy, spends a lot on advertising and consumer promotion to induce final consumers to buy the product, crating a vacuum that "pulls" the product through the channel.

CH 15: ADVERTISING AND PUBLIC RELATIONS

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Advertising objective, specific communication task to be accomplished with a specific target audience during a specific period of time.
- **Informative advertising** is used when introducing a new product category; the objective is to build primary demand.
- **Comparative advertising** directly or indirectly compares the brand with one or more other brands.
- **Persuasive advertising** is important with increased competition to build selective demand.
- **Reminder advertising** is important with mature products to help maintain customer relationships and keep customers thinking about the product.

Creating the message,
- Message strategy
- Creative concept
- Message execution

Return on advertising investment is the net return on advertising investment divided by the costs of the advertising investment.
Communication effects indicate whether the ad and media are communicating the ad message well and should be tested before or after the ad runs.
Sales and profit effects compare past sales and profits with past expenditures or through experiments.

Public relations involve building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling or heading off unfavorable rumors, stories, and events. Lower cost than advertising and stronger impact on public awareness.

CH 16: PERSONAL SELLING AND SALES PROMOTION

Personal selling is a personal presentation by the firm's sales force for the purpose of making sales and building the customer relationships.
Sales force management is the analysis, planning, implementation, and control of sales force activities.
Territorial sales force structure refers to a structure where each salesperson is assigned an exclusive geographic area and sells the company's full line of products and services to all customers in that territory.
Product sales force structure refers to a structure where each salesperson sells along product lines
Customer sales force structure refers to a structure where each salesperson sells along customer or industry lines.
Complex sales force structure refers to a structure where a wide variety of products is sold to many types of customers over a broad geographic area and combines several types of sales force structures.
Outside salespeople call on customers in the field.
Inside salespeople conduct business from their offices and often provide support for the outside salespeople.

- Technical sales support people
- Sales assistants

Team selling is used to service large, complex accounts
Steps in personal selling:

- Prospecting
- Qualifying
- Approach
- Presentation
- Handling objections
- Closing
- Follow-up

S**alesperson** is an individual representing a company to customers by performing one or more of the following activities: prospecting, communicating, selling, servicing, information gathering, or relationship building.
Sale promotion tools,

- **Consumer promotions** are sales promotion tools used to boost short-term customer buying and involvement or to enhance long-term customer relationships.
- **Samples** offer a trial amount of a product.
- **Coupons** are certificates that give buyers a saving when they purchase specified products.
- **Cash refunds** are similar to coupons except that the price reduction occurs after the purchase.
- **Price packs** offer consumers savings off the regular price of a product.
- **Premiums** are goods offered either for free or at a low price.
- **Advertising specialties** are useful articles imprinted with the advertiser's name, logo, or message that are given as gifts to consumers.
- **Point-of-purchase promotions** include displays and demonstrations that take place at the point of sales

- **Contests, sweepstakes, and games** give consumers the chance to win something—such as cash, trips, or goods—by luck or through extra effort.
- **Trade promotions** are sales promotion tools used to persuade resellers to carry a brand, give it shelf space, promote it in advertising, and push it to consumers
- **Business promotions** are sales promotion tools used to generate business leads, stimulate purchases, reward customers, and motivate salespeople.

CH 17: DIRECT AND ONLINE MARKETING

Direct marketing is:
- A marketing channel without intermediaries
- An element of the promotion mix
- The fastest-growing form of marketing

Customer database is an organized collection of comprehensive data about individual customers or prospects, including geographic, demographic, psychographic, and behavioral data.

Online marketing is a company's efforts to market products and services and build customer relationships over the Internet
Business to consumer (B2C) involves selling goods and services online to final consumers.
Business to business (B2B) involves selling goods and services, providing information online to businesses, and building customer relationships.
Consumer to consumer (C2C) occurs on the Web between interested parties over a wide range of products and subjects
Consumer to business (C2B) involves consumers communicating with companies to send suggestions and questions via company websites.

Effective websites, the seven C's
- **Context:** The site's layout and design
- **Content:** The text, pictures, sound, and video that the website contains
- **Community:** The ways in which the site enables user-to-user communication
- **Customization:** The site's ability to tailor itself to different users or to allow users to personalize the site
- **Communication:** The ways in which the site enables site-to-user, user-to-site, or two-way communication
- **Connection:** The degree to which the site is linked to other sites
- **Commerce:** The site's capability to enable commercial transactions

Online adds,
- **Online advertising** is advertising that appears while consumers are surfing the Web, including display ads, search-related ads, online classifieds, and other forms.
- **Banners** are banner-shaped ads found on a website**.**
- **Interstitials** are ads that appear between screen changes.
- **Pop-ups** are ads that suddenly appear in a new window in front of the window being viewed.
- **Rich media ads** incorporate animation, video, sound, and interactivity

PIPEDA—The Personal Information Protection and Electronic Documents Act—is based on four principles:

- Consumer knowledge and consent
- Limitations
- Accuracy
- Right to access

CH 19: THE GLOBAL MARKETPLACE

A global firm:

- Operates in more than one country
- Gains marketing, production, R&D, and financial advantages not available to purely domestic competitors
- Sees the world as one market
- Minimizes the importance of national boundaries and develops global brands
- Raises capital, obtains materials and components, and manufactures and markets its goods wherever it can do the best job

Restrictions on trade between nations include:

- **Tariffs**, taxes on imported products to raise revenue and protect domestic firms.
- **Quotas,** limits on amount of foreign imports a country will accept in certain product categories.
- **Exchange controls,** limit on amount of foreign exchange and the exchange rate against other currencies.
- **Nontariff trade barriers,** biases against bids, restrictive product standards or excessive regulations.

General Agreement on Tariffs and Trade (GATT):

- A 61-year-old treaty
- Designed to promote world trade
- Reduces tariffs and other international trade barriers
- Rules are enforced by the world trade organization.

Political-legal environment

- **Countertrade** is international trade involving the direct or indirect exchange of goods for other goods instead of cash.
- **Barter** involves the direct exchange of goods or services.
- **Compensation or buyback** is the sale of a plant, equipment, or technology and payment is in the resulting products.
- **Counter purchase** is when the seller receives payment in cash and agrees to spend some of the money in the other country.

Exporting is when the company produces its goods in the home country and sells them in a foreign market. It is the simplest means involving the least change in the company's product lines, organization, investments, or mission.

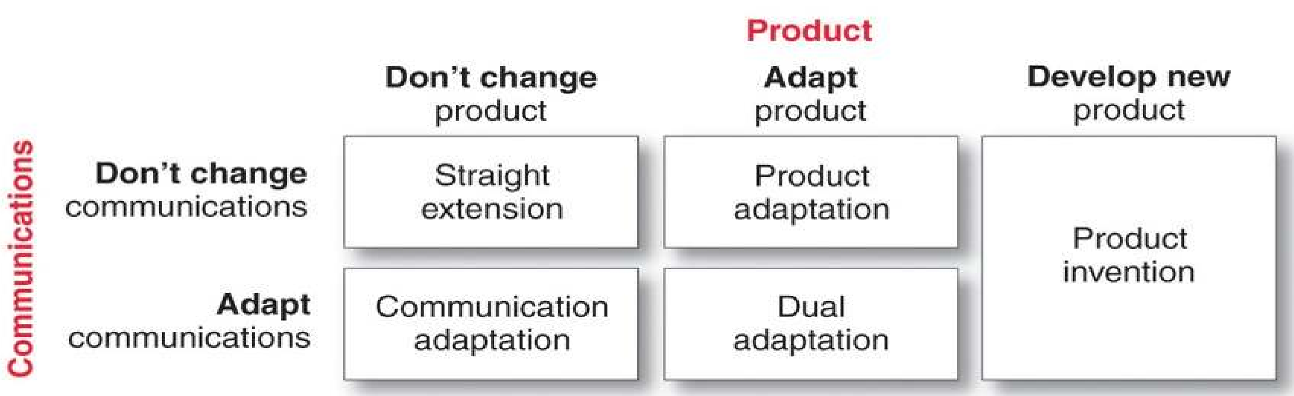
Indirect exporting is when the firm works through an independent international marketing intermediary. This requires less investment and risk since the firm does not require an overseas organization or network.
Direct exporting is when the firm handles its own exports. This requires a greater investment and risk.
Joint venturing is when a firm join with foreign companies to produce or market products or services.
Licensing is when a firm enters into an agreement with a licensee in a foreign market. For a fee or royalty, the licensee buys the right to use the company's process, trademark, patent, trade secret, or other item of value.

Contract manufacturing is when a firm contract with manufacturers in the foreign market to produce its product or provide its service. Benefits include faster startup, less risk, and the opportunity to form a partnership or to buy out the local manufacturer.
Management contracting is when the domestic firm supplies management skill to a foreign company that supplies capital. The domestic firm is exporting management services rather than products.
Joint ownership is when one company joins forces with foreign investors to create a local business in which they share joint ownership and control. Joint ownership is sometimes required for economic or political reasons.

Standardized global marketing is an international marketing strategy for using basically the same marketing strategy and mix in all of the company's international markets.
Adapted global marketing involves adjusting the marketing strategy and mix elements to each international target market, bearing more costs but hoping for a larger market share and return.

Product:
Straight product extension means marketing a product in a foreign market without any change.
Product adaptation involves adapting the product to meet local conditions or wants in foreign markets.

Promotion:
Product invention consists of creating something new for a specific foreign market
Communication adaptation is a global communication strategy of fully adapting advertising messages to local markets.
Dual adaptation involves adapting both the product and the advertising messages to the targeted foreign market.



Price:
Uniform pricing is the same price in all markets but does not consider income or wealth where the price may be too high in some or not high enough in other markets.
Market-based pricing is the price the market can pay but does not consider actual costs.
Standard markup pricing is a price based on a percentage of cost but can cause problems in countries with high costs.