COMM 223 Final Notes

Marketing Management I (Concordia University)

Chapter 1: Marketing: Creating and Capturing Customer Value

Marketing: the process by which companies *create* *value for customers* and *build strong customer relationships* in order to capture value from customers in return.

- Satisfying customer needs

The Marketing Process

Step 1: Understanding the Marketplace and Customer Needs

There are 5 core customer and marketplace concepts:

1. **Needs, Wants, and Demands**
   - **Needs:** states of felt deprivation;
   - **Wants:** the form human needs take as they are shaped by culture and individual personality;
   - **Demands:** human wants that are backed by buying power
2. **Market Offerings - Products, Services, and Experiences**
   - **Market Offerings:** some combination of products, services, information, or experiences offered to a market to satisfy a need or a want.
   - **Marketing Myopia:** the mistake of paying more attention to the specific products a company offers than to the benefits and experiences produced by these products
3. **Customer Value and Satisfaction**
4. **Exchange:** the act of obtaining a desired object from someone by offering something in return. Exchange value to build strong relationships.
5. **Market:** the set of all actual and potential buyers of a product or service

Step 2: Designing a Customer-Driven Marketing Strategy

Marketing Management: the art and science of choosing target markets and building profitable relationships with them. The job of a marketing manager is to find, attract, keep, and grow target customers by creating, delivering, and communicating superior customer value

- **Selecting Customers to Serve:** company must decide whom it will serve by dividing the market into segments of customers **(Market Segmentation)** and selecting which segments it will go after **(Target Marketing).**
- **Choosing a Value Proposition:** the set of benefits or values it promises to deliver to consumers to satisfy their needs. It shows how the company differentiates and positions itself in the marketplace.
  - Example: BMW "the ultimate driving machine," Facebook "connect and share with the people in your life"

Marketing Management Orientations

There are 5 concepts under which organizations design and carry out their marketing strategies:

1. **Production Concept:** the idea that consumers will favour products that are available and highly affordable; therefore, the organization should focus on improving production and distribution efficiency. However, can lead to marketing myopia
2. **Product Concept:** the idea that consumers will favour products that offer the most quality, performance, and features; therefore the organization should devote its energy to making continual product improvements. May also lead to marketing myopia
3. **Selling Concept:** the idea that consumers will not buy enough of the firm's products unless the firm undertakes a large-scale selling and promotion effort (customer conquest)
   - usually practised on unsought goods (those that buyers don't normally think of buying)
   - Risks: focuses on sale transaction rather than creating long-term, profitable customer relationships; selling what the company has rather than making what the market wants
4. **Marketing Concept**: a philosophy in which achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do.

- ⭐ Henry Ford "If I had asked people what they wanted, they would have said faster horses"

5. **The Societal Marketing Concept**: the idea that a company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.

Step 3: Preparing an Integrated Marketing Plan and Program

Major marketing mix tools - 4P's: **Product, price, place, and promotion**

Step 4: Building Customer Relationships

- **Customer Relationship Management:** the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction
- **Customer-perceived value:** the customer's evaluation of the difference b/w all the benefits and all the costs of a marketing offer relative to those of competing offers. A customer buys from the firm with the highest customer-perceived value
- **Customer satisfaction:** the extent to which a product's perceived performance matches a buyer's expectations. The higher the level of satisfaction, the greater the customer loyalty

performance $<$ expectations = dissatisfied

performance = expectations = satisfied

performance $>$ expectations = highly satisfied

- **Customer-engagement marketing:** making the brand a meaningful part of consumers' conversations and lives by fostering direct and continual customer involvement in shaping brand conversations, experiences, and community. Its goal is to make the brand a meaningful part of consumers' conversations and lives. Example: posting coupons on FB page
- **Customer-generated marketing:** brand exchanges created by consumers themselves - both invited and uninvited - by which consumers are playing an increasing role in shaping their own brand experiences and those of other consumers. Example: Doritos super bowl ads

- **Partner-relationship management:** working closely with partners in other company departments and outside the company to jointly bring greater value to customers. Firms must link all departments in the cause of creating customer value.

Step 5: Capturing Value from Customers

Outcomes of creating customer value:

1. **Creating Customer Loyalty and Retention**

- **Customer lifetime value:** the value of the entire stream of purchases a customer makes over a lifetime of patronage. This is why its bad to lose a customer (if you see a dissatisfied customer leaving your store, you see $50K leaving)

2. **Growing Share of Customer**

- **Share of Customer:** the portion of the customer's purchasing that a company gets in its product categories. Example, grocery store wants "share of stomach"

3. **Building Customer Equity**

- **Customer Equity:** the total combined customer lifetime values of all the company's customers. It is a measure of the future value of the company's customer base. Whereas sales and market share reflect the past, customer equity suggest the future, so its a better measure of performance.

The Changing Marketing Landscape

There are 5 major developments:

1. The Digital Age: Online, Mobile, and Social Media Marketing

- Digital and social media marketing: the use of marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs, in order to engage consumers anywhere and at any time via their digital devices.
- Social Media Marketing: providing links to company's FB, Twitter, IG etc. and provides exciting opportunities to extend customer engagement and get people talking about a brand
- Mobile marketing: using apps to get promotions

2. The Changing Economic Environment: price conscious consumers, diy, coupons

3. Growth of Not-For-Profit Marketing

- universities, hospitals, museums, churches want to attract memberships, funds and support

4. Rapid Globalization

- you also want to market globally. Example Lululemon from BC is in 302 stores across many countries

5. Call for More Ethics and Social Responsibility

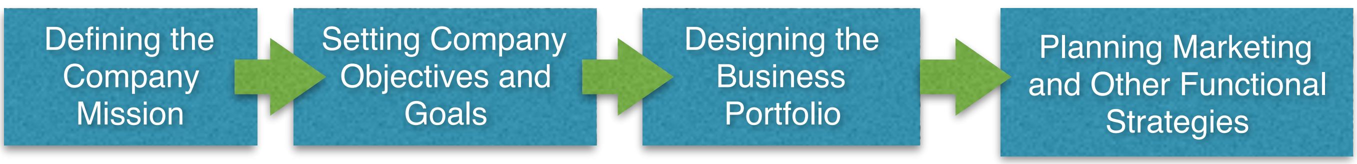
- some companies do the bare minimum, like follow the laws, while some make pledges such as for every item sold, 10 cents will go to Africa

Chapter 2: Company and Marketing Strategy: Partnership to Build Customer Relationships

Company-Wide Strategic Planning: Defining Marketing's Role

Strategic Planning: the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing market opportunities.

Steps in Strategic Planning



STEP 1: Defining a Market-Oriented Mission

Mission Statement: a statement of the organization's purpose - *what it wants to accomplish* in the larger environment.

- Acts as an invisible hand that guides people in the organization
- Meaningful, specific, motivating
- Market oriented (not about products, because things can change)
- Focus on customers and customer experience it seeks to create (not about $)
- Google's mission statement isn't to be the world's best search engine; its to organize the world's information and make it universally accessible and useful

STEP 2: Setting Company Objectives and Goals

- The mission is turned into detailed supporting objectives for each level of management
- Guides the hierarchy of business and marketing objectives

STEP 3: Designing the Business Portfolio

Business Portfolio: the collection of businesses and products that make up the company. For example, the size and scope of Rogers Communications: its a cell phone service provider, TV provider, and has many subsidies such as The Shopping Channel, Maclean's, Sportsbet etc.

FIRST, Analyze the Current Business Portfolio

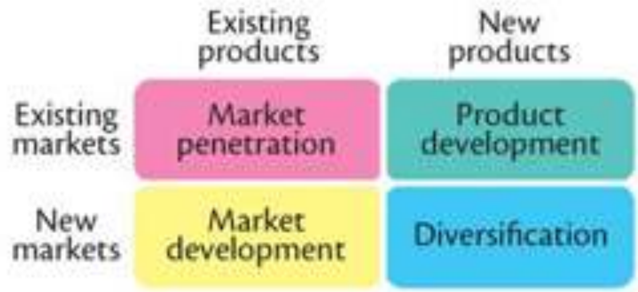
Portfolio Analysis: the process by which management evaluates the products and businesses that make up the company.

- Company will want to put strong resources into its more profitable business, and phase down or drop its weaker ones
- It must identify its key **Strategic Business Units (SBUs):** it can be a company division, a product line within a division, or a single products/brand
- Use the Boston Consulting Group Approach (BCG) by using the **growth-share matrix:** a portfolio-planning method that evaluates a company's strategic business units (SBUs) in terms of its market growth rate and relative market share. SBUs are classified as stars, cash cows, question marks or dogs.
- As time passes by, SBUs change their positions (for example they can start out as ? then move on to stars and then become cash cows before becoming dogs)

- **Problems:** time-consuming, costly, difficult to define SBUs

SECOND, Develop Strategies for Growth and Downsizing

Product-market Expansion Grid: a portfolio planning tool for identifying company growth opportunities through market penetration, market development, product development, or diversification



- **Market Penetration:** a strategy for company growth by increasing sales of current products to current market segments without changing the product
- **Market Development:** a strategy for company growth by identifying and developing new market segments for current company products
- **Product Development:** a strategy for company growth by offering modified or new products to current market segments
- **Diversification:** a strategy for company growth though starting up or acquiring businesses outside the company's current products and markets

A company may also have to **downsize.** It it better to focus on promising growth opportunities instead of frittering away energy trying to salvage fading ones.

STEP 4: Planning Marketing: Partnering to Build Customer Relationships

- Each department (finance, marketing, accounting, Information Systems etc) must work together to provide customer satisfaction. For example, marketing will help a company sell its products but IT will help to provide information on which items are selling in each store.
- **Value chain:** the series of internal departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's products.
- More companies today are partnering with other members of the supply chain - suppliers, distributors, and ultimately customers - to improve the performance of the customer **value delivery network**

Marketing Strategy and Marketing Mix

Marketing Strategy: the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships. The company decides which customers it will serve (segmentation and targeting) and how (differentiation and positioning)

1. **Market Segmentation:** dividing a market into distinct groups of buyers who have different needs, characteristics, or behaviours and who might require separate products or marketing programs
   - **Market segment:** a group of customers who respond in a similar way to a give set of marketing efforts (Example: Tylenol)
2. **Market Targeting:** the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
3. **Market Differentiation and Positioning**
   - **Positioning:** arranging for a product to occupy a clear, distinctive, and desirable place relative o competing products in the minds of consumers
   - **Differentiation:** actually differentiating the market offering to create superior value

Marketing Mix: the set of controllable, tactical marketing tools - product, price, place and promotion - that the firm blends to produce the response it wants in the target market.

4Ps (Seller's View)	4Cs (Customer's View)
Product	Customer Solution
Price	Customer Cost
Place	Convenience
Promotion	Communication

Managing the Marketing Effort

Managing the marketing process requires 4 marketing management functions

1. Marketing **Analysis**
   - **SWOT Analysis:** An overall analysis of the company's **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats

2. Marketing **Planning** (the WHAT and WHY)
   - Executive Summary
   - Current Marketing Situation
   - Threats and Opportunities Analysis
   - Objectives and Issues
   - Marketing Strategy: specific strategies for target markets etc
   - Action Programs
   - Budgets
3. Marketing **Implementation** (the WHO, WHEN, WHERE, HOW)
   - the process that turns marketing strategies and plans into marketing actions to accomplish strategic marketing objectives
   - **C-SUITE:** CEO, CFO, COO (chief operating officer), CCO (chief communications officer), CTO (chief technology officer), CMO (chief marketing officer)
4. Marketing **Control**
   - the process of measuring and evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are achieved

Marketing ROI: net return from a marketing investment divided by the costs of the marketing investment

Chapter 4: Analyzing the Marketing Environment

Marketing Environment: the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers.

- In order to collect information about the marketing environment, marketers use 2 disciplined methods: (1) marketing research (2) marketing intelligence
- Marketing environment consists of a microenvironment and a macroenvironment

The Microenvironment

- The actors close to the company that affect its ability to serve its customers - the company, suppliers, marketing intermediaries, customer markets, competitors, and publics (value delivery network)

- Company: Top management sets company's mission, objectives, broad strategies and policies. Then, with marketing taking the lead, all departments work together to understand customer needs and create customer value.
- Suppliers: Marketers must watch out for supply availability and costs as well as shortages, labour strikes, natural disasters and other events that can damage customer satisfaction in the long run.
- Marketing Intermediaries: firms that help the company promote, sell, and distribute its goods to final buyers. They include resellers, physical distribution firms, marketing services agencies, and financial intermediaries.
    - **Resellers:** help company find customers and sell to them. Wholesalers and retailers, such as Walmart, Target, Costco

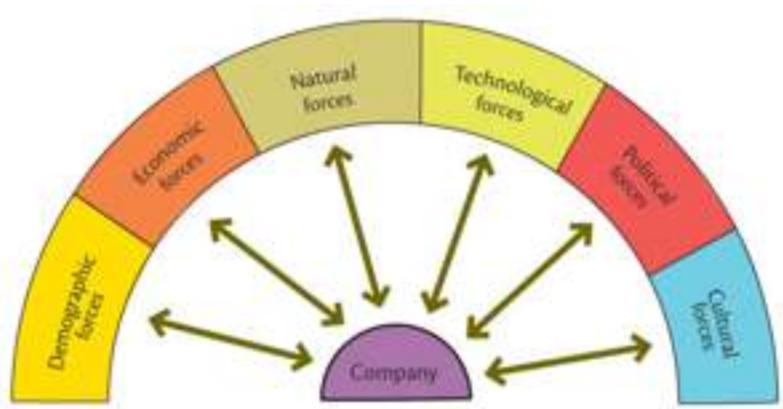
- **Physical Distribution Firms:** help company stock and move goods from point A-B
- **Marketing Services Agencies:** marketing research firms, advertising agencies, media firms
- **Financial Intermediaries:** help finance transactions. Includes banks, credit card companies, insurance companies

- Customers: Most important actors in company's microenvironment!! There 5 types of customer markets (or 5 types of customers):
  1. **Consumer Markets:** individuals/households that buy for personal consumption
  2. **Business Markets:** buy for further processing or to use in production process
  3. **Reseller Markets:** buy to resell at a profit
  4. **Government Markets:** buy to produce public services or transfer goods/services to public
  5. **International Markets:** buyers in other countries, including consumers, producers, reseller, governments
- Competitors: company must gain strategic advantage by positioning their offerings strongly against competitor's offerings. No single competitive marketing strategy is best for all companies, each firm needs its own.
- Publics: any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives. There are 7 types of publics:

1. Financial publics: influences the company's ability to obtain funds (banks, stockholders)
2. Media publics: carries news, features, editorial opinions (TV, magazine, social media)
3. Government publics: company must abide by laws such as product safety and truth in advertising
4. Citizen-action publics: marketing decisions may be questioned by environmental groups, minority groups
5. Local Publics: providing community support. Includes neighbourhood residents, community organizations
6. General public: the public's image of the company affects its buying behaviour
7. Internal publics: when employees feel good about the companies they work for, this positive attitude spills over to the external public (workers, managers, volunteers)

The Macroenvironment

- The larger societal forces that affect the microenvironment - demographic, economic, natural, technological, political, and socio-cultural forces



- The Demographic Environment:
  - **Demography:** the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics
  - Generational Marketing: Defining people by their birth date is less effective than segmenting them by lifestyle, life stage or the common values they seek in products

Baby Boomers	Generation X	Millennials (Gen Y)	Generation Z
Spend carefully	Research products before they consider a purchase (also spend carefully)	Faced with higher unemployment and debt	They not only spend their own money, but they influence their parent's spending
Wealthiest generation in Canadian history	Quality > Quantity	Technology is a way of life (they were born into a world filled with technology)	"Digital is in their DNA" they are even more computable with tech than millennials
They are taking pleasure in life's adventures	Less receptive to overt marketing pitches		They prefer online shopping
Targeted by companies such as ElderTreks, 50PlusExpeditions	They value family		Marketers must be careful to respect children's privacy

- The Changing Canadian Household: There is a growing "crowded nest" syndrome (people aged 20-29 still living with parents), there are significantly more women entering the workforce
- Geographic shifts in population: interprovincial migration is driven by differences in unemployment rates and wages
- Better Educated Population: the rising # of educated people will increase the demand for quality products
- Increased diversity: people from all different nations, LGBT community

- The Economic Environment:
  - economic factors that affect consumer purchasing power and spending patterns
  - Some countries have *industrial economies* (rich markets for many different kinds of goods), *subsistence economies* (consume most of their own agricultural/industrial input and offer few market opportunities) and *developing economies* (offer outstanding market opportunities for the right kind sou products)
  - Changes in consumer spending
  - Changes in income distribution
- The Natural Environment
  - Increased pollution
  - Growing shortage of raw materials
  - Increased government intervention
  - Environmental sustainability
- The Technological Environment
  - forces that create new technologies, creating new product and market opportunities
  - increased use of digital technology and nanotechnology
  - online data collection and behavioural targeting capabilities will grow dramatically
  - companies that do not keep up will soon find their products outdates (Example: CDs)
- Political/Regulatory Environment
  - The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society
  - Business legislations are in place to protect businesses from each other, to protect consumers, and tho protect the interest of society
  - Increased emphasis on ethics and socially responsible actions

- Cause-related marketing: companies linking themselves to worthwhile causes. However, companies must be careful to not practice “cause-exploitative” marketing

- Socio-Cultural Environment
    - Belief in cultural diversity (vs. assimilation), democracy, gender, universal healthcare, love of nature
    - Individualistic vs. collectivistic cultures
    - Culture dictates what is important
    - What social trends are happening?

The marketing environment is an uncontrollable element to which companies must react and adapt.

Chapter 5: Managing Marketing Information to Gain Customer Insights

Marketing Information and Customer Insights

Customer Insights: fresh understandings of customers and the marketplace derived from marketing information that became the basis for creating customer value and relationships

Marketing Information System (MIS): people and procedures dedicated to assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights

Assessing Marketing Information Needs

- Too much info is just as harmful as too little info
- Use info that you really need

Developing Marketing Information

Marketers can obtain the needed information from internal data, marketing intelligence, and marketing research

Internal Data

Internal Database: electronic collections of consumer and market information obtained from data sources within the company network.

- The marketing department has information on customer characteristics, sales transactions, website visit. The accounting department has details on the record of sales, costs and cash flows.
- Careful: it may be incomplete or in the wrong form. Data also ages quickly, so the database must remain current

Competitive Marketing Intelligence

- the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketing environment
- Goal: to improve strategic decision making by understanding consumer environment, assessing and tracking competitor's actions, and providing early warnings of opportunities and threats
- Example: Every time someone mentions Gatorade online, it will pop up on their Mission Control screens, this way they can use this information to improve strategic decision making
- Companies also need to actively monitor competitor's activities
- In order to protect themselves (from competitors), companies should also try to "vacuum up" their public information

Marketing Research

- the systematic design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization
- gives insights into customer motivations, purchase behaviour, and satisfaction
- it has 4 steps:
  1. **Defining the Problem and Research Objectives**: after defining the problem, the marketing research project might have 1 of 3 types of objectives
     - Exploratory research: macerating research to gather preliminary information that will help define problems and suggest hypotheses.
     - Descriptive research: marketing research to better describe marketing problems, situations, or markets, such as the marker potential for a product or the demographics and attitudes of consumers

- Causal research: marketing research to test hypotheses about cause-and-effect relationships.

2. **Developing the Research Plan**
   - **Gathering Secondary data:** information that already exists somewhere, having been collected for another purpose. Includes internet search engines, and commercial online databases (ProQuest, LexisNexis). It is *less costly*, however the company must make sure that its *relevant, accurate, current*, and *impartial*
   - **Primary data Collection:** information collected for the specific purpose at hand

Research Approaches	Contact Methods	Sampling Plan	Research Instruments
Observation/Ethnographic	Mail	Sampling Unit	Questionnaire
Survey	Telephone	Sample Size	Mechanical Instruments
Experiment	Personal	Sampling Procedure	
	Online		

- **Ethnographic research:** a form of observational research that involves sending trained observers to watch and interact with consumers in their "natural habitat"
- Observational is best for exploratory research
- Surveys are best for descriptive research
- Experimental is best for gathering causal information
- Types of interviewing: telephone, personal, individual, focus group
- Difference between behavioural and social targeting: "Instead of just having a sportchek.ca ad running shoes pop up because you've recently searched online for running shoes **(behavioural targeting),** an add for a specific pair of running shoe stops up because a friend you're connected with via Twitter just bought those shoes from sportchek.ca last week **(social targeting)**"

TABLE 5.2 Strengths and Weaknesses of Contact Methods

	Mail	Telephone	Personal	Online
Flexibility	Poor	Good	Excellent	Good
Quantity of data that can be collected	Good	Fair	Excellent	Good
Control of interviewer effects	Excellent	Fair	Poor	Fair
Control of sample	Fair	Excellent	Good	Excellent
Speed of data collection	Poor	Excellent	Good	Excellent
Response rate	Poor	Poor	Good	Good
Cost	Good	Fair	Poor	Excellent

3. **Implementing the Research Plan**
    - collecting the information
    - processing the information
    - analyzing the information
4. **Interpreting and Reporting the Findings**
    - interpret the finds and draw conclusion
    - report to management
    - must be useful in the major decisions faced by management

Analyzing and Using Marketing Information

- information gathered through internal databases, marketing intelligence, and marketing research usually require further analysis
- to analyze individual customer data, many companies have acquired or developed special software and analysis techniques called **Customer Relationship management (CRM)** that integrate, analyze, and apply the mountains of individual customer data contained in their databases

Issues Marketing Researchers Face

- all organizations need to act responsibly concerning major public policy and ethical issues surrounding market research
- includes issues of intrusion on consumer privacy and misuse of research findings

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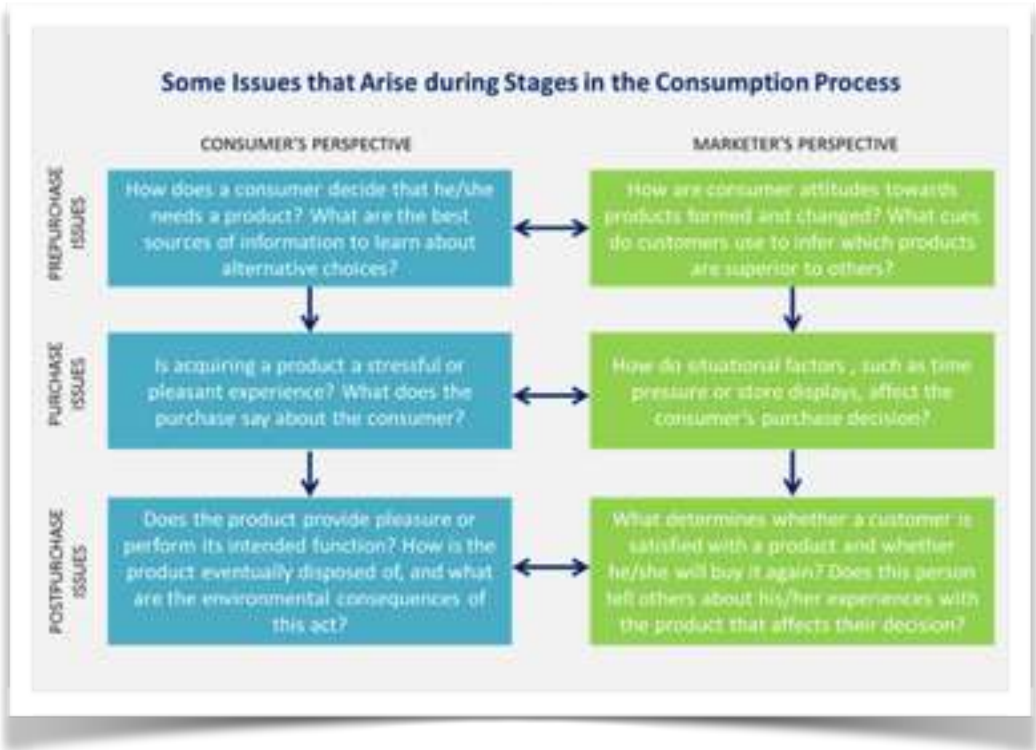
Chapter 6: Understanding Consumer and Business Buyer Behaviour

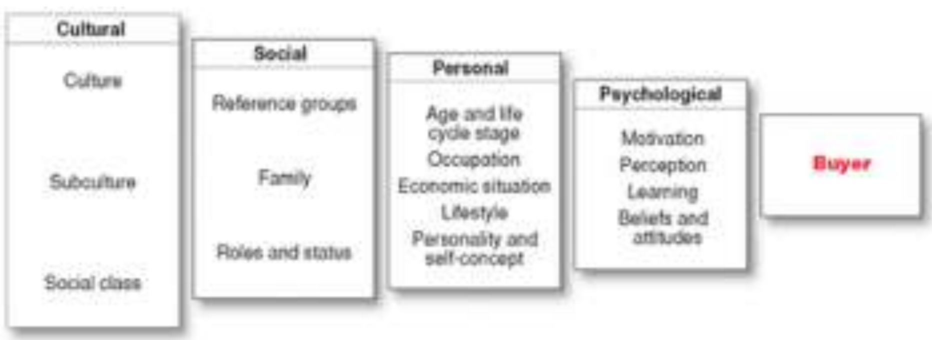
Consumer Markets and Consumer Buyer Behaviour

Consumer Buyer Behaviour: the buying behaviour of final consumers - individuals and households that buy goods and services for personal consumption. All these consumers combine to make up the **consumer market.**

Consumer Behaviour: in order to build brand loyalty and lasting relationships with their customers, marketers must be aware of a number of issues before, during, and after purchase.



Factors Influencing Consumer Behaviour



Cultural Factors

- **Culture:** the set if basic values, perceptions, wants, and behaviours learned by a member of society from family and other important institutions. Marketers are always on the lookout for *culture shifts* (example: shift toward greater concern about health)
- **Subculture:** a group of people with shared value systems based on common life experiences and situations (nationalities, religions, racial groups, geo regions)
- **Social Class:** relatively permanent and ordered divisions in a society whose members share similar value, interests, and behaviours. It isn't determined solely by income, but as a

combination of occupation, income, education, wealth and other variables. People from the same social class tend to have similar buying behaviours.

Social Factors

- **Reference groups:** serve as a direct (face-to-face interactions) or indirect points of comparison or reference in forming a person's attitudes or behaviour.
  - **Aspirational group:** reference group to which one does not belong but wishes to belong to (example: an NHL player)
  - **Word of Mouth (WOM):** the impact of the personal words and recommendations of trusted friends, associates, and other consumers on buying behaviour
  - Marketers must figure out how to reach **opinion leaders:** a person within a reference group who, because of special skills, knowledge, personality, or other characteristics, exerts social influence on others. When these influencers talk, consumers listen.
  - **Buzz Marketing:** enlisting or even creating opinion leaders to serve as "brand ambassadors" who spread the word about a company's products
  - **Online social networks:** online social communities - blogs, social networking websites, and other online communities - where people socialize or exchange information and opinions (Word-of-Web)
- **Family**
  - Buying roles change with evolving consumer lifestyles. Such shifting roles signal a new marketing reality.
  - Traditionally, women would be in charge of buying food and household products so marketers would target them. However, today with more women working, men are doing a lot of the shopping.
- **Roles and Status:** a person's position in each group they belong to (family, clubs, organizations)
  - For example, at work, a woman will wear clothes that reflect her position (professional clothing), whereas at her favourite sporting event she will wear clothes supporting her team.

Personal Factors

- **Age and Life-Cycle Stage:** Consumers experience many life-stage changes during their lifetimes. As their life stages change, so do their behaviours and purchasing preferences.

- **Occupation:** a person's occupation affects the goods and services bought. Blue-collar workers buy more rugged clothing, whereas executives buy more business suits. (Example: Moores specializes in men's suits).
- **Economic Situation:** Marketers watch trends in personal income, savings, and interest rates. For example, after the Great Recession, most companies took steps to redesign, reposition, and reprice their g/s.
- **Lifestyle**: a person's pattern of living as expressed in his or her activities, interests, and opinions.
  - Involves measuring consumers' major **AIO** dimensions **- A**ctivities (work, hobbies, shopping, sports, social events), **I**nterests (food, fashion, family, recreation), and **O**pinions (about themselves, social issues, business, products)
  - Consumers dont just buy products, they buy the values and lifestyles those products represent
- **Personality and Self-Concept**
  - **Personality:** the unique psychological characteristics that distinguish a person or group.
  - The idea is that brands also have personalities, and consumers are likely to choose brands with personalities that match their own
  - **Brand Personality:** the specific mix of human traits that may be attributed to a particular brand. There are 5 brand personality traits:
    1. Sincerity: down-to-earth, honest, wholesome, cheerful
    2. Excitement: daring, spirited, imaginative, and up to date
    3. Competence: reliable, intelligent, and successful
    4. Sophistication: glamorous, upper class, charming
    5. Ruggedness: outdoorsy and tough
  - For example: the Ford F150 is associated with *ruggedness*, and Apple is associated with *excitement*
  - **Self-concept/Self-image:** the idea that people's possessions contribute to and reflect their identities "we are what we consume"

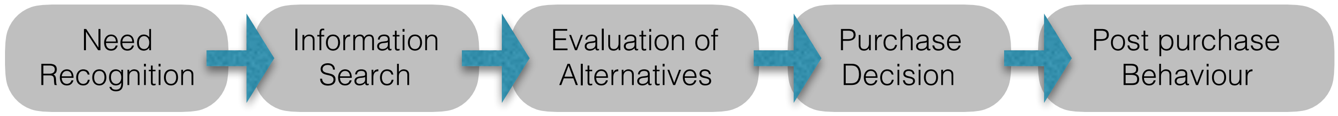
Psychological Factors

- **Motivation (drive):** a need that is sufficiently pressing to direct the person to seek satisfaction of the need.

- Sigmund Freud has a theory that suggests that a person's buying decisions are affected by subconscious motives that even the buyer may not fully understand.
- **Motivation research**: the qualitative research designed to probe consumers' hidden, subconscious motivations.
- **Maslow's Hierarchy of Needs**

- **Perception**: the process by which people elect, organize, and interpret information to form a meaningful picture of the world (how people interpret information)
  - Selective attention: the tendency for people to screen out most of the information to which they are exposed - means that marketers must work especially hard to attract the consumer's attention
  - Selective distortion: the tendency of people to interpret information in a way that will support what they already believe/retain only information that supports their beliefs
  - Selective retention: consumers are likely to remember good points made about a brand they favour and forget good points about competing brands
  - Some consumers are afraid of subliminal advertising which is being affected by marketing messages without even knowing it.
- **Learning:** changes in an individual's behaviour arising from experience
- **Beliefs and Attitudes**
  - **Belief:** a descriptive thought that a person holds about something
  - **Attitude:** a person's consistently favourable or unfavourable evaluations, feelings, and tendencies toward an object or idea. Attitudes are difficult to change, therefore marketers should try to fit its products into existing attitudes.

The Buyer Decision Process



STAGE 1: **Need Recognition**

- The buyer recognizes a need of problem
- *Internal stimuli:* when one of the person's needs rises to a level high enough to become a drive
- *External stimuli:* for example, as discussion with a friend might get you thinking about buying a **new car**

Most Effective!!

STAGE 2: **Information Search**

- Consumers can obtain information from any of several sources: **personal sources** (family, friends, neigh ours, acquaintances), **commercial sources** (advertising, salespeople, packaging, displays), **public sources** (mass media, social media, online searches, peer review), and **experiential sources** (examining and using the product)
- A company must design its marketing mix to to make prospects aware of and knowledgeable about its brand

STAGE 3: **Evaluation of Alternatives**

- Depends on consumer and buying situation (careful calculations vs. impulse buying)
- Most buyers consider several attributes, each with different importance (example: you want to buy a car and are primarily interested in 4 attributes: price, style, operating economy, and warranty… sometimes you must choose which one is most important to you and make compromises)

STAGE 4: **Purchase Decision**

- Two factors can come between the purchase intention and the purchase decision:
  1. Attitudes of others: buyers take into account what others think (your significant other might want you buy the least expensive car)
  2. Unexpected situational factors: for example, the economy might take a turn for the worst

STAGE 5: **Post purchase Behaviour**

- Satisfied or dissatisfied?
- Almost all major purchases result in **cognitive dissonance:** buyer discomfort caused by post purchase conflict. That is, although the customer is satisfied, he/she had to make compromises and is feeling uneasy about losing those benefits.
- It is important to satisfy customers to build profitable relationships
- Encourage customers to complain, in order to know where to improve

The Buyer Decisions Process for New Products

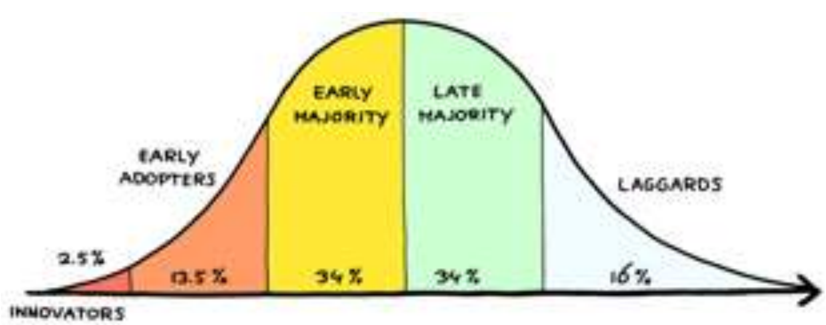
New product: a good, service, or idea that os perceived by some potential customers as new (it may have been around for a while, but the consumer has just been introduced to it)

Adoption Process: the mental process through which an individual passes form 1st hearing about an innovation to final adoption

Stages in the Adoption Process

1. **Awareness:** consumer knows existence but does not have info
2. **Interest:** consumer seeks out info about product
3. **Evaluation:** does trying the product make sense?
4. **Trial:** consumer tries the new product on small scale
5. **Adoption:** consumer decides to make full and regular use of product

Individual Differences in Innovativeness



- **Innovators:** are venturesome - they try new ideas at some risk
- **Early adopters:** they are opinion leaders in their communities and adopt new ideas early but carefully

- **Early majority/mainstream:** although they are rarely leaders, they adopt new ideas before the average person
- **Late majority/mainstream:** they adopt an innovation only after a majority of people have tried it
- **Laggards:** suspicious of changes and adopt innovations only when it has become something of a tradition itself

Five Product Characteristics Affecting Rate of Adoption

- **Relative advantage:** the degree to which the innovation appears superior or existing products
- **Compatibility:** the degree to which the innovation fits the values and experiences of potential consumers
- **Complexity:** the degree to which the innovation is difficult to understand or use
- **Divisibility:** the degree to which the innovation may be tried on a limited basis (triability)
- **Communicability:** the degree to which the results of using the innovation can be observed or described to others

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Chapter 7: Segmentation, Targeting, and Positioning

Most companies have moved away from mass marketing and toward market segmentation and targeting.

There are 4 major steps in designing a customer-driven marketing strategy

1. **Segmentation:** dividing a market into distinct groups with distinct needs, characteristics, or behaviours that might require separate marketing strategies or mixes
2. **Targeting:** the process of evaluating each market segment's attractiveness and selecting one or more segments to enter
3. **Differentiation:** actually differentiating the market offering to create superior customer value
4. **Positioning:** arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers

STEP 1: Market Segmentation

- **Segmenting Consumer Markets:** using segmentation variable
  - **Geographic segmentation:** dividing a market into different geographical units, such as *global regions, countries, region within a country, provinces, cities, or even neighbourhoods*
  - **Demographic segmentation:** dividing the market into segments based on variables such as *age, gender, family size, life cycle, household income (HHI), occupation, education, ethnic or cultural group, and generation*
    - Age and life-cycle segmentation: dividing a market into different age and life-cycle groups (Disney cruises targets families with children)
    - Gender segmentation: dividing a market into different segments based on gender ("Bic" for women)
    - Household Income (HHI) segmentation: dividing the market into different income segments (total income for the family)
    - Ethnic or cultural group: Hyundai Quebec created a french-only advertising with a well known Quebec actor
  - **Psychographic segmentation:** dividing a market into different segments based on *lifestyle, or personality characteristics*
  - **Behavioural segmentation:** dividing a market into segments based on *consumer knowledge, attitudes, uses, or responses to a product*
    - Occasion segmentation: dividing the market into segments according to occasions when buyers get the idea to buy, actually make their purchase, or use the purchased item (Christmas, Halloween, Canada Day)
    - Benefits Segmentation: dividing the market into segments according to the different benefits that consumers see from the product (town bikes are for people seeking recreation, fitness, and urban utility)
    - Markets can be segmented in non-users, ex-users, potential users, first-time users, and regular users of a product
    - They can also be segmented into usage rate: light, medium, and heavy product users
    - They can also be segmented by customer loyalty
  - **Using Multiple segmentation bases:** marketers rarely limit their segmentation analysis to only one or a few variables. They use multiple segmentation bases in an effort identify smaller, better-defined target groups. For example, the LGBT market is a large segment containing many sub-segments such as demographic and psychographic.

- **Segmenting Business Markets:** business buyers can be segmented geographically, demographically (industry, company size), or by benefits sought, user status, usage rate and loyalty status.
- **Segmenting International Markets:** can be segmented into *geographic locations, economic factors, political & legal factors, and cultural factors*
  - **Intermarket (cross-market) segmentation:** forming segments of consumers who have similar needs and buying behaviours even though they are located in different countries
- **Requirements for Effective Segmentation**
  - **Measurable:** are segment size, purchasing power, and segment profiles measurable?
  - **Accessible:** marketers must be able to effectively promote to and serve a market segment
  - **Substantial:** market segments must be sufficiently large to be profitable
  - **Differentiable:** segments should be conceptually different and respond differently to different marketing mix elements
  - **Actionable:** can marketing programs be designed effectively to attract and serve the segments?

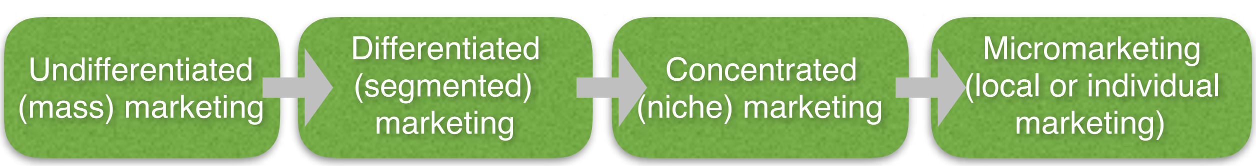
STEP 2: Market Targeting

Evaluating Market Segments

- Find right segment size and growth
- Determine long-run segment attractiveness by analyzing the 5 forces that most affect and influence a company's ability to compete in a particular area: (1) competitors (2) barriers to entry (3) substitute products (4) power of buyers and (5) power of suppliers
- Consider own objectives and resources

Selecting Target Markets

- **Target Market:** a set of buyers sharing common needs or characteristics that the company decides to serve
- Market targeting can be carried out at different levels:



Targeting broadly　　　　　　　　　　　　　　　　Targeting narrowly

- **Undifferentiated (mass) marketing:** a market-coverage strategy in which a firm decides to ignore market segment differences and go after the whole market with one offer. "All things to all people!"
- **Differentiated (segmented) marketing:** a market-coverage strategy in which a firm decides to target several market segments and designs separate offers for each. **its expensive
- **Concentrated (niche) marketing:** a market-coverage strategy in which a firm goes after a large share of one or a few segments or niches. It is more effectively and efficiently designed and there are few competitors.

- **Micromarketing:** the practice of tailoring products and marketing programs to the needs and wants of specific individuals and local customer segments - includes *local marketing* and *individual marketing*
  - Local marketing: a small group of people who live in the same city or neighbourhood or who shop at the same store
  - Individual marketing (mass customization): tailoring products and marketing programs to the needs and preferences of individual customers (Nike ID)

Factors for Choosing a Targeting Strategy

- company resources
- product variability (undifferentiated marketing is most suited for products such as fruits)
- product's life-cycle stage (if its a new product, launch only 1 version)
- market variability
- competitor's marketing strategies

Socially Responsible Target Marketing

- target marketing can sometimes generate controversy
- take care to not target vulnerable and disadvantaged consumers (example: provocative barbie)

STEP 3 AND 4: Differentiation and Positioning

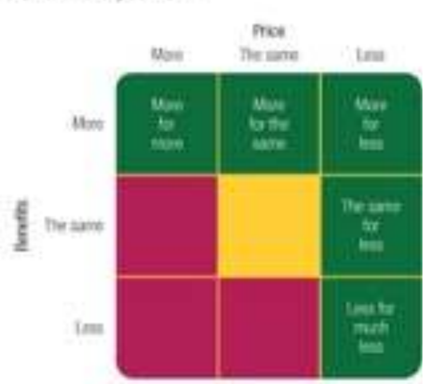
- **Product Proposition:** the way the product is defined by consumers on important attributes - the place the product occupies in consumers' minds relative to competing products
  - products are created in the factory, but brands are created in the mind
  - the less differentiated the product is, the more important positioning becomes

- **Positioning Maps**: show consumers' perceptions of their brands vs. competing products on important buying dimensions

- **Choosing a Differentiation and Positioning Strategy:** what are the competitive advantages you can build on? What in your product is superior/unique? (**competitive advantage:** an advantage over competitors gained by offering greater customer value, either through lower prices or by providing more benefits that justify higher prices)
  - **Product differentiation:** features, performance, or style and design
  - **Service differentiation:** speedy, convenient pr careful delivery
  - **Channel differentiation:** channel coverage, expertise, and performance
  - **People differentiation:** hiring and training people better
  - **Image differentiation:** strong, distinctive image conveying the product's distinctive benefits and positioning

- **Selecting an Overall Position Strategy**
  - **Value proposition:** the fun positioning of a brand - the full mix of benefits upon which it is positioned
    - <u>More for More:</u> involves providing the most upscale product or service and charging a higher price to cover the higher costs (Mercedes, Montblanc)
    - <u>More for the Same:</u> companies can attack a competitor's more-for-more positioning by introducing a brand

FIGURE 7.4 Possible Value Propositions



offering comparable quality but at a lower pice.

- ❑ <u>The Same for Less: </u>everyone likes a good deal (Wal-Mart, Payless Shoes)
- ❑ <u>Less for Much Less: </u>in many cases, consumers will gladly settle for less in exchange for a lower price
- ❑ <u>More for Less:</u> the winning proposition value. Many companies claim to do this, and in the short run some actually achieve this.

- **Developing a Positioning Statement:** a statement that summarizes a company or brand positioning - it takes this form:

  To (target segment and need) our (brand) is (concept) that (point of difference)

  For example: To <u>always online, socially connected Millennials,</u> the <u>Apple iWatch</u> is <u>a whole new kind of conversation</u> that <u>not only helps you send and receive messages, but lets you express yourself in new, fun, and more personal ways.</u>

Chapter 8: Developing and Managing Products and Services

Product: anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need (includes flights, BMO investments); tangible, ownership

Services: an activity, benefit, or satisfaction offered for sale that is essentially intangible and does not result in the ownership of anything

- Organizations, people, places, ideas, and experiences are also marketed

Levels of Products and Services

1. **Core customer value:** most basic and addresses the question “what is the customer really buying?”
2. **Actual Product:** the physical device with all its features and associated brand name and packaging
3. **Augmented Product:** the additional services and benefits that go with it.

<u>Example:</u> the core product is a smartphone, the actual product is the iPhone, and the augmented product is the iPhone PLUS a calling and data plan

FIGURE 8.1 Three Levels of Product: Core, Actual, and Augmented

Product and Service Classifications

Products and services fall into two broad categories: (I) consumer products (II) industrial products

I. **Consumer Products:** products purchased by consumers for their personal use.
   - **Convenience product:** a consumer product that customers usually buy frequently, immediately, and with a minimum of comparison and buying effort
   - **Shopping product:** less frequently purchased consumer products and services that shoppers compare carefully on suitability, quality, price, and style
   - **Specialty product:** a consumer product with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort
   - **Unsought product:** a consumer product that the consumer either does not know about or knows about but does not normally think of buying

II. **Industrial Products:** a product bought by individuals ad organizations for further processing or for use in conducting a business

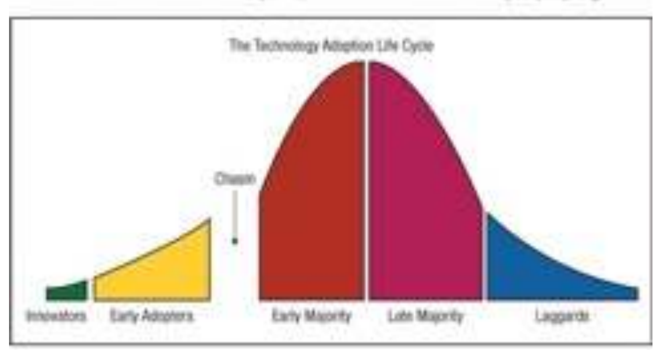
New Product Development

A **new product** is **(a)** an innovative product new to the world **(b)** product improvements **(c)** product developments **(d)** new brands coming up with a new product.

Why New Products Fail

- Lack of differentiation
- Poor match between features and customer desires
- Overestimation of market size
- Incorrect positioning
- Price too high or too low
- Inadequate distribution
- Poor promotion
- Inferior product
- Bad timing

FIGURE 8.2 Developed by Geoffrey Moore, the Technology Adoption Life Cycle shows five different market segments, each separated by a gap. The "chasm," or most significant gap, occurs between members of the early adopters and members of the early majority segments.



Diffusion of Innovations Theory: a social sciences theory that divides members of a social group into segments according to how likely they are to adopt a new idea. While there are always a few early adopters of any new idea, product, or technology, most people tend to wait until the idea is proven before they are willing to try it.

Technology Adoption Life Cycle: a marketing theory that proposes that when marketing a technology product, marketers must cross a chasm, or significant gap, between members of the early adopters segment and members of the early majority segment before a new product will become successful.

The New Product Development Process

FIGURE 8.3 Major Stages in New-Product Development

Idea Generation: the systematic search for new product ideas.

* Major sources of new-product ideas include internal/external sources such as *customers, competitors, distributors & suppliers, and others*
* A new approach to idea generation is **crowdsourcing:** inviting broad communities of people such as customers, employees, independent scientists and researchers, and even the public at large into the new-product innovation process.

Idea Screening: screening new-product ideas to spot good ideas and drop poor ones as soon as possible

Concept Development and Testing

- **Product Concept:** a detailed version of the new product idea stated in meaningful consumer terms.
- Description, drawing, prototype, NOT YET IN PRODUCTION
- Tested with a group of potential customers

Marketing Strategy Development: designing an initial marketing strategy for a new product based on the product concept.

- How, when, where, and to whom the product will be introduced

Business Analysis: a review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives

Product Development: developing the product concept into a physical product to ensure that the product idea can be turned into a workable market offering

Test Marketing: the stage of new-product development in which the product and marketing program are tested in realistic market settings

Commercialization: the full-scale introduction of the new product into the market

********FINAL********

The Product Life Cycle (PLC)

The course of a product's sales and profits over its lifetime. It involves five stages: product development, introduction, growth, maturity, and decline.

STAGE 1: **Product Development** (see above, **THE NEW PRODUCT DEVELOPMENT PROCESS**)

STAGE 2: Introduction

The product-life cycle stage in which the new product is first distributed and made available for purchase.

- Starts when new product is **launched**
- Many new products fail during this stage

STAGE 3: Growth

If a new product satisfies the market, it will ever a growth stage, in which **sales will start climbing quickly.**

- Want to stay in this phase as long as possible
- Do so by adding new features/models or targeting new market segments

STAGE 4: Maturity

Sales growth slows down or levels off

- Poses strong challenges to marketing management
- In this stage, prevent the product from declining!!
- Keep products consistently profitable by *modifying the market*, *modifying the product*, or *modifying the marketing mix*

STAGE 5: Decline

Many mature products that continue to be useful (laundry detergent, shampoos) stay in the maturity stage indefinitely, but other products (computers, TVs, phones) will eventually decline, die, and be replaced by different new products.

- Some marketers maintain their declining products without change in the hope that competitors will leave the industry
- OR reposition the product and try to appeal to a new market segment
- If decline is unpreventable, marketer's may **harvest** (reduce various costs such as advertising, R&D, maintenance etc.) the

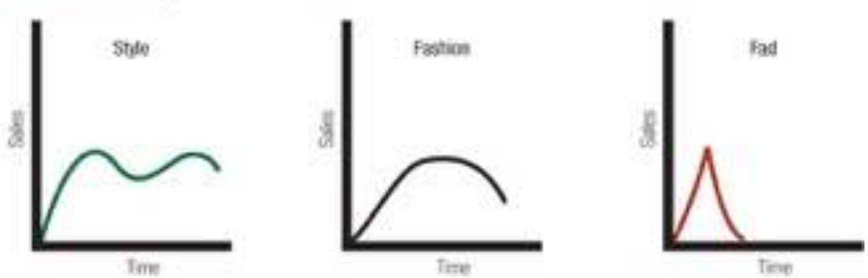
TABLE 8.2 Summary of Product Life-Cycle Characteristics, Objectives, and Strategies

	Introduction	Growth	Maturity	Decline
Characteristics				
Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
Costs	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
Profits	Negative	Rising profits	High profits	Declining profits
Customers	Innovators	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining number
Marketing Objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or beat competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyalists
Sales Promotion	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Source: Philip Kotler and Kevin Lane Keller, Marketing Management, 14th ed. (Upper Saddle River, NJ: Prentice Hall, 2012), p. 317. © 2012. Printed and electronically reproduced by permission of Pearson Education, Inc., Upper Saddle River, New Jersey.

Styles, Fashions, and Fads

FIGURE 8.5 Styles, Fashions, and Fads



Style: a basic and distinctive mode of expression

- Appears in homes (colonial, ranch, transitional), clothing (formal, casual), and art (realist, surrealist, abstract)
- Has a cycle with several periods of renewed interest (may last for generations)

Fashion: a **currently** accepted or popular style of **design**, **colour**, or **theme**

- Clothing, cars, furniture, music, sports
- They tend to grow slowly, remain popular for awhile, and the decline slowly

Fad: a **temporary period** of unusually **high sales** driven by consumer enthusiasm and immediate product or brand popularity

- new products that are extremely popular for a very short period of time, then disappear almost completely
- Not usually identified as fads until years later
- Just because something is a fashion or a fad doesn't mean it wasn't successful as a new product (Guitar Hero was very successful but eventually declined and no longer operates)

Product and Service Decisions

Marketers make product and service decisions at 3 levels: (1) individual product and service decisions (2) Product line decisions (3) Product mix decisions

1. **Individual Product and Service Decisions:** includes decisions about product attributes, packaging, labelling, and product support services

- **Product and Service Attributes**
  - **Quality:** has a direct impact on product or services performance; thus is closely linked to customer value and satisfaction. The level of quality a product has determines the type of marketing programs that will be created to promote it. Example: high-end sports cars focus on promoting quality, while smaller, less expensive cars focus on price promotions
  - **Features:** a competitive tool for differentiating the company's product from competitors' products. Being the first producer to introduce valued new features is one of the most

effective ways to compete. Example: Automobile marketers are always adding new features to their cars such as keyless dos, rearview cameras, cars that drive themselves

- **Style and Design:** Design - what features the product has, where they are located, and how they are used. Style - the way a product looks - eye-catching or yawn producing. They influence consumers in choosing one company's product over another

- Packaging and Labelling
  - **Packaging:** Not just "the container that holds the product" but also **protects** the product from breakage, tampering, and theft. It provides **information** about the product and can be used as a **promotional tool** describing the benefits.
  - **Sustainable Packaging:** packaging that meets the requirements of the product while minimizing the environmental, economic, and social impacts of the product and its package. "**Circular thinking**" is the idea that packaging can be recycled and refused over and over again.
  - **Labelling: identifies** the product/brand, **describes** several things about the product (who made it, where it was made, when it was made, its contents, how it is to be used…). What must and can be on the label are strictly regulated.

2. **Product Line Decisions:** a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given range prices.

- **Product Line Length:** the number of items in the product line. The line is **too short** if the manager can increase profits by **adding** items; the line is **too long** if the manager can increase profits by **dropping** items
- **Expanding Product Line**
  - **Line Filling/Stretching:** adding more items **within** the present range of the line. New items must be noticeably different from existing ones
  - **Product Line Stretching:** when a company lengthens its product line **beyond** its current range.
    - **Downward line stretch:** lower-priced line, creates more competition between brands

- **Upward line stretch:** entering the high end of a market to add prestige. Example: Toyota's Lexus

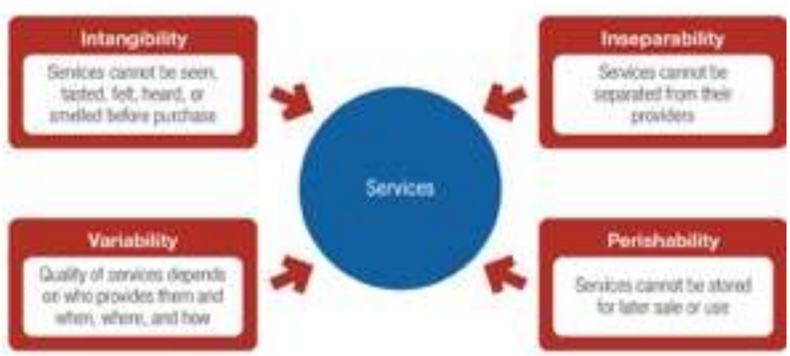
3. Product Mix Decisions

- **Product mix/portfolio:** the set of all product lines and items that a company markets. It has 4 important dimensions:
  - **Width**
  - **Length**
  - **Depth:** # of versions offered of each product
  - **Consistency:** how closely related the various product lines are in end use, production requirements, distribution channels, or some other way

Services Marketing

- Services are considered a type of product because they are a marketing offer, however they are intangible and so require special considerations

FIGURE 8.6 Special Characteristics of Services



Intangibility: services cannot be seen, tasted, felt, heard, or smelled before they are bought. *Evidence Management:* the service organization presents its customers with organized, honest evidence of its capabilities. Example: airline, cosmetic surgery

Inseparability: they are produced and consumed at the same times and cannot be separated from their providers. If a service provider provides the service, then the employee becomes part of the service.

Variability: their quality may vary greatly, depending on who provides them and when, where, and how. The quality of a single employee's service varies according to his/her energy frame of mind at the time of each customer encounter.

Perishability: service cannot be stored for later sale or use. The perishability of services is not a problem when demand is steady. Perishability can affect company performance as balancing supply and demand is very difficult. Example: some salons charge customers for missed appointments. Example: an airline, such as Delta Airlines shown in, can only sell seats on an airplane prior to departure. This service is only available for that definite time period. An empty seat on a plane never can be utilized and charged after departure. Once the plane has left for its scheduled flight, that service cannot be offered for that particular flight. Unsold seats lose their inherent value.

The Service Profit Chain

The chain that links service firm profits with employee and customer satisfactions. There are 5 links:

FIGURE 8.7 The Service-Profit Chain

1. **Internal Service Quality:** superior employee selection and training, a quality work environment, and strong support for those dealing with customers, which results in…
2. **Satisfied Service Employees:** more satisfied, loyal, and hardworking employees which results in…

3. **Greater Service Value:** more effective and efficient customer value creation and service delivery, which results in…
4. **Satisfied Customers:** satisfied customers who remain loyal, repeat purchase, and refer other customers, which results in…
5. **Profits:** superior service firm performance!!!

An important aspect of the service-profit chain is **internal marketing:** orienting and motivating contact employees and supporting service people to work as a team to provide customer satisfaction. *Internal marketing should come before external marketing!*

As competition and costs ⬆, and as productivity and quality ⬇, service companies face 3 major tasks:

1. **Increase Service Differentiation:** by establishing a clear positioning. Providing offers that set their company's offer apart from competitors' offers.
2. **Increase Service Quality:** service quality is harder to define/judge that product quality. Customer retention is perhaps the best measure of service quality - a service firm's ability to hang on to its customers depends on how consistently it delivers value to them.
3. **Increase Service Productivity:** train current employees better or hire new ones who will work harder/more skillfully, increase quantity of service by reducing *some* quality, industrialize the service, or by using technology. Careful! avoid pushing productivity so hard that doing so reduces quality.

Chapter 9: Brand Strategy and Management

What is a Brand?

Brand: a **name, symbol, icon, design**, or a combination of these, that identifies the maker or marketer of a product.

- A brand may identify a company, one of its products, or a product line. If used for a firm as a whole, then it is a **trade name**

- Brand have status and value
- It has a personality but it is nothing more than an idea

Trademarks ™

- Customers trust trademarks, because they reassure them that the product they are getting has the attributes they want and expect from the maker
- Trademarks can be **names, symbols, characters** (Pillsbury Doughboy), and even **shapes** (coca-cola bottle)
- Trademark names have monetary value, and there must be protected, and distinguished from regular or generic words with similar meaning
- Trademarked names are represented by: ™ and once the company has gone through the lengthy legal process of registering its trademark, it indicates it with this symbol: ®
- **Lost Trademarks:** marks which were originally legally protected trademarks, but have been genericized and have lost their legal status due to becoming generic terms
- Example: Kleenex is a trademarked name which means it should always be spelled with a capital and only be used to refer to the brand-name tissue.
- Example: Nestle cannot use purple to wrap their milk chocolates because Cadbury has a trademark on it.

Brand Relationships: with so many brands to choose from on every grocery store shelf, how do consumers make their decisions? For many products, the choice is based on what the consumer believes about the brand.

"PRODUCTS ARE CREATED IN THE FACTORY, BUT BRANDS ARE CREATED IN THE MIND"

People as brands: people become brands when, just as with products, their name takes on meanings that transcends the person. Examples: Gianni Versace, Kim Kardashian, Coco Chanel, Michael Jordan

Brand Characteristics

Logos: designs that represent the brand and what they may or may not incorporate the brand name.

- Sometimes brand managers feel that their logos need a change.
- Example: The Nike swoosh originally appeared in conjunction with the word Nike, but once the market has been "trained" to recognize the swoosh as a representation of the brand, the name was removed from the logo.
- Example: Pepsi changed its logo to look like a smile, Hudson's Bay rebranded its stores from "The Bay" to "Hudson's Bay"

Brand Personality: The sum total of all the attributes of a brand, and the emotions it inspired in the minds of consumers. Describe brands by using same kinds of adjectives you would use on people: Coca-Cola is traditional, Starbucks is sophisticated

Status: Rolls-Royce and Bentley are higher-status car brands than Ford and Toyota. *Status must not be confused with value or popularity!!*

Brand Equity: the dollar amount attributed to the value of a brand, based on all the intangible qualities that create that value. It is difficult to calcite, but one indicator is the extent to which people are willing to pay **more** for the brand. Brand strength is measured along 4 consumer perceptions:

- **Differentiation:** what makes the brand stand out
- **Relevance:** how consumers feel it meets their needs
- **Knowledge:** how much consumers know about the brand
- **Esteem:** how highly consumers regard and respect the brand

Company value ≠ brand value

Branding Strategy and Management

Main branding strategy decisions: brand name selection, brand positioning, & brand sponsorship

Brand Name Selection

- suggest something about the type of products it will brand
- easy to pronounce, recognize, and remember
- distinctive
- extendable; that is, not tied too closely to one product (Apple, Amazon, Nike)
- pronounceable in many languages
- capable of registration and protection as a trademark (made up names work best)

Brand Positioning

- can be positioned based on *product attributes:* Pampers focused on attributes such as fluid absorption, fit, and disposability. However, attributes are the least desirable quality for a brand because competitors can easily copy them.
- A better positioning is to associate the brand with a particular *benefit*: Pampers offer a dry baby bottom

Brand Sponsorship

- Branded products are either *national brand* or *private brands*
- **National Brand (Manufacturer's Brand):** a brand created and owned by the manufacturer of the product. They are well-known and well-established. <u>Example:</u> When Samsung and Kellogg sell their output under their own brand names (Samsung Galaxy or Kellogg's Frosted Flakes)
- **Private Brands (Store Brand, Private Label):** brand names applied by the marketer to products manufactured for them under contract. <u>Example:</u> Walmart's Great Value brand, Shopper Drugmart's Life brand, and President's Choice.

In the so-called battle of national vs. private brands, retailers have many advantages: they control what products they stock, where they go on the shelf, and the prices they charge. They usually charge their store brand lower than the comparable national brands.

Marketers may also choose *licensing* or *co-branding* as a method of branding new products

- **Licensing:** the buying and selling of the rights to use a brand name, logo, character, icon, or image. Example: if you ever bought an NHL team jersey or any other item bearing the logo of a professional sports team, you own an item made by a company that licensed the right to make the item (such as Reebok)

- **Co-Branding:** the practice of using the established brand names of two different companies on the same product. It allows a company to expand its existing brand into a category it might otherwise have difficulty entering alone. The 2 brands must be complementary! Example: Walmart and McDonalds, Apple and Nike, Target and Starbucks

Brand Development

A company has 4 options when it comes to developing brands:

1. **Line Extensions:** extending an existing brand name to new forms, colours, sizes, ingredients, or flavours of an existing product category. Example: Honey Nut Cheerios and MultiGrain Cheerios are extensions of the Cheerios product line. **A line extension works best when it takes sales away from competing brands, not when it "cannibalizes" the company's other items.**
2. **Brand Extensions:** extending an existing brand name into new product categories. It gives a new product instant recognition and faster acceptance. It also saves the high advertising costs. Example: Mr. Clean was extended to Mr. Clean Erasers. **Careful:** the extension may confuse the image of the main brand (Cheetos' lip balm met an early death)
3. **Multibrands:** a brand development strategy in which the same manufacturer produces many different brands in the same product category. Example: Whirlpool markets appliances under its corporate brand but also Maytag, KitchenAid, Jenn-Air, Amana, and Inglis. **Careful:** it is better to have a few highly profitable brands than many brands that produce low profits.
4. **New Brands:** established companies sometimes create new brands when it develops a new product or product line. Example: Toyota created Scion to appeal to millennials.

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

Brand Communications

Focusing on communicating brand positioning, or image, rather than on product features.

Brand Experience and Touchpoints

- **Touchpoints:** advertising, marketing communications, personal experience with the brand, WOM, social media, company and brand websites, store displays, and anything else that brings a consumer into contact with a brand.
- Brand experience is composed of 4 dimensions: (1) sensory (2) affective (3) behavioural (4) intellectual. These responses are evoked in consumers when they come into contact with touchpoints.

Brand Icons and Characters

- **Brand icons:** objects with distinct shapes, colours, or patterns that are associated with the brand (Disney's castle, Coca-Cola's red and white swoosh)
- **Brand characters:** lifelike brand icons, or mascots, that can move, speak, and interact, and that have personality traits (Pillsbury Doughboy, Tony the Tiger, Michelin Man, Betty Crocker)
- They are important tools for **brand engagement:** the interaction between consumers and brands, based on the emotional connection consumers feel toward the brand.

Brand Ambassadors

- A real person who, under contract with the brand's marketing organization acts as a spokesperson for the brand.
- Typically selected for their looks, and may be used for a limited amount of time.

Brand Stories

- Every brand has a history, and brand managers use elements of the history as well as fiction to create stories for their brands
- Bring brands to life and keeps them interesting
- Inspire loyalty from consumers

Branded Content: any form of information or story **written** and produced by a brand marketer, with the brand clearly and prominently featured. **"Using the power of storytelling to move consumers into action"**

Branded Entertainment: a form of entertainment, usually video, that is created with the cooperation or financial support of a marketer.

Brand Advocates

- customers, employees, and others who willingly and voluntarily promote their favourite brands
- **Not to be confused with brand ambassadors:** brand **ambassadors** are paid, whereas brand **advocates** are not
- Principles to keep in mind:
    - Advocacy begins with trust (nurture their recommendations and opinions)
    - Advocacy starts close to home (brand must first build a strong base)
    - Make customers and employees part of the brand story
    - Oliver an experience that gets them talking
    - Outperform where they care most

Chapter 10: Pricing: Understanding and Capturing Customer Value

Price: the amount of money charged for a product or a service, or the sum of the values that customers exchange for the benefits of having or using the product or service.

Major Pricing Strategies

- Customer perceptions of the product's value set the **ceiling** for prices; if customers perceive that the price is greater than the product's value, they will not buy the product.
- Product costs set the **floor** for prices; if the company prices the product below its costs, company products will suffer.

Customer Value-Based

- Setting price based on buyers' perceptions of value rather than on the seller's cost.
- Company first assesses customer needs and value perceptions, *then* sets a price based on customer perceptions of value. It is hard to measure the value customers will attach to its products because values are **subjective** and depend on the customer and situation.

There are 2 types of value-based pricing:

1. **Good-Value Pricing:** offering just the right combination of quality and good service at a fair price.
   - Often involves introducing less expensive versions of established brand-name products (such as McDonald's Dollar Menu, Armani's less-expensive/more-casual Armani Exchange)
   - Other times, it involves redesigning existing brands to offer more quality for a given price or the same quality for less.
   - At the retail level, Everyday Low Pricing (EDLP) involves charging a constant, everyday low price with few or no temporary price discounts (Walmart)
   - High-low pricing: charging higher prices on an everyday basis but running frequent promotions to lower prices temporarily on selected items (Sears, Hudson's Bay)
2. **Value-Added Pricing:** attaching value-added features and services to differentiate a company's offers and charging higher prices. Rather than cutting prices to match competitors, companies attach value-added features and services to differentiate their offers and justify higher prices.

Cost-Based Pricing

- Setting prices based on the cost for producing, distributing, and selling the product plus a fair rate of return for effort and risk.
- The company designs what it considers to be a good product, adds up the costs of making the product, and sets the price that covers costs plus target profit. Marketers must then convince buyers that the product's value at that price justifies its purchase.

Types of Costs

- **Fixed costs (Overhead):** costs that do not vary with production or sales level
- **Variable costs:** costs that vary directly with the level of production
- **Total costs:** the sum of ht fixed and variable costs for any given level of production

Cost-Plus Pricing (Mark-Up Pricing): adding a standard mark-up to the cost of the product.

- Example: An electronics retailer might pay a manufacturer $20 for an HDMI cable and mark it up to sell at $30, a 50% mark-up on cost. The retailer's gross margin is $10. If the store's operating costs amount to $8 per HDMI cable sold, the retailer's profit margin will be $2.
- It ignores consumer demand and competitor prices (which is why it will not likely lead to the best price) but by tying the price to the cost sellers (1) simplify pricing and (2) when all firms in the industry use this pricing method, prices tend to be similar, minimizing price competition.
- Another cost-oriented pricing approach is **Break-Even Pricing (Target Return Pricing):** setting price to break even on the costs of making and marketing a product, or setting price to make a target return (**At which point total revenue = total costs?**). Problem: fails to consider customer value and the relationship between price and demand.

Competition-Based Pricing

- Setting prices based on competitors' strategies, prices, costs, and market offerings.
- How does the company's market offerings compare with competitors' offerings, in terms of customer value? If consumers perceive that the company's product or service provides greater value, the company can charge a higher price. If consumers perceive less value relative to competing products, the company must either (1) charge less or (2) change customer perception to charge more.

Internal and External Factors

I. Internal Factors

1. Overall Marketing Strategy

- Before setting price, the company must decide on its overall marketing strategy
- Pricing strategy is largely determined by decisions on brand positioning (Honda developed its Acura brand to compete with European luxury-performance cars & so needed to to set prices in line with luxury performance cars)

2. Objectives

- A firm can set prices to **attract new customers** or to **profitably retain existing ones**
- It can **set prices low** to prevent competition form entering the market, or set prices at competitors' levels to stabilize the market

- It can price to **keep the loyalty and support of resellers** or to **avoid government intervention**
- Prices can be reduced temporarily to create excitement for a brand
- One product may be priced to help the sales of other products in the company's line

3. Marketing Mix

- Pricing decisions must be carefully coordinated with other marketing mix elements, because decisions made for other marketing mix variables may affect pricing decisions
- **Target Costing:** pricing that starts with an ideal selling price, and then targets costs that will ensure that the price is met. Example: When Honda set out to design the Fit, it began with a $13,950 starting point and 33-miles-per-gallon operating efficiency firmly in mind. THEN, it designed a stylish, peppy little car with costs that allowed it to give target customers those values.
- Often, the best strategy is not to charge the lowest price but rather to differentiate the marketing offer to make it worth a higher price.

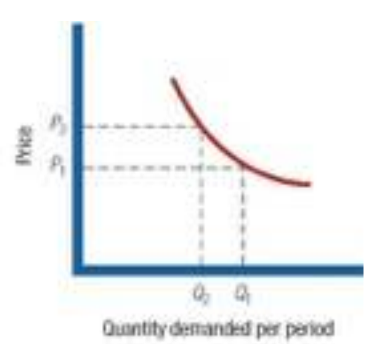
4. Organizational Considerations

- Who within the company should set prices?

II. External Factors

1. The Market and Demand

- **Pricing in Different Types of Markets**
  - **Pure Competition:** market consists of many buyers and sellers trading in a uniform commodity such as wheat, copper, or financial securities. No single buyer or seller has much effect on the going market price. (Not much time spent on marketing strategy)
  - **Monopolistic Competition:** market consists of many buyers and sellers who trade over a range of prices rather than a single market price. This way sellers can differentiate their offers to buyers. (Marketing matters!)
  - **Oligopolistic Competition:** market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. (Rogers, Bell, Fido, Telus)
  - **Pure Monopoly:** market consists of one seller. (Canada Post, Hydro Quebec)
- **Price-Demand Relationship:** each price the company might charge will lead to a different level of demand. (For prestige (luxury) goods, higher price = higher demand)



- **Price Elasticity of Demand:** If demand hardly changes with a small change in price → *inelastic* → sellers will consider lowering the price. If demand changes greatly → *elastic.*

2. **The Economy**
    - Economic factors such as a boom or a recession, and interest rates affect pricing decisions because they affect consumer spending, consumer perceptions of the product's price and value, and the company's costs of producing and selling a product.
3. **Other External Factors**
    - Resellers: how will they react? will they make a fair profit?
    - Government
    - Social concerns

New Product Pricing

There are 2 broad strategies:

1. **Market-Skimming Pricing:** setting a **high price** for a new product to skim maximum revenues layer by layer from the segments willing to pay the high price; the company makes fewer but more profitable sales. Enough buyers must want the product at that price. Example: every time Apple introduces a new iPhone or iPad model, the initial price is very high. After 6 months, the price comes down slightly, and after a year, the price is lowered even more.
2. **Market-Penetration Pricing:** setting a **low initial price** for a new product in order to attract a large number of buyers and a large market share. High volumes sales results in falling costs, which allows the company to lower their prices even further. The market must be highly price sensitive.

Product Mix Pricing

There are 5 product mix pricing situations:

1. **Product Line Pricing:** setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features, and competitors' prices. Example: A company offers some 20 different collections of bags from its laptop bags ranging from $20-$35, to it high-end luggage line, where a small suitcase retails at $500

2. **Optional-Product Pricing:** the pricing of optional accessory products along with a main product. <u>Example:</u> New cars offer sound systems, Bluetooth, GPS systems, and many other options
3. **Captive-Product Pricing:** setting a price for products that must be used along with a main product, such as blades for a razor, games for a video-game console, and ink for printers. Often, the main product is priced low while there are markups on the supplies.
4. **By-Product Pricing:** setting a pice for by-products to make the main product's price more competitive. ***Turning trash into cash***
5. **Product Bundle Pricing:** combining several products and offering the bundle at a reduced price. <u>Example:</u> fast food restaurants bundle a burger, fries and soft drink into a "combo" and Bell bundles TV, internet and phone services at a low combined price.

TABLE 10.1 Product Mix Pricing

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

Price Adjustment Strategies

There are 7 price adjustment strategies:

1. **Discount and Allowance Pricing**

- **Discount:** a straight reduction in price on purchases during the stated period of time or on larger quantities.
  - *Cash discount:* price reduction to buyers who pay their bills promptly (<u>Ex:</u> 2/10, n30)
  - Quantity discount: price reduction to buyers who buy large volumes
  - *Seasonal discount*: price reduction to buyers who buy merchandise or services out of season
- **Allowance:** promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's products in some way.
  - *Trade-In Allowance:* price reductions given for turning in an old item when buying a new one
  - *Promotional Allowance:* payments or price reductions to reward dealers for participating in advertising and sales support programs

2. **Segmented Pricing:** Selling a product or service at two or more prices, where the difference in prices is not based on differences in costs

- *Customer-segment pricing:* different customers pay different prices for the same product or service. Example: Museums charge a lower admission for students and seniors
- *Product-form pricing:* different versions of the product are priced differently but not according to differences in their costs. Example: 1st class and economy seating on a flight
- *Location-based pricing*: a company charges different prices for different locations, even though the cost of offering each location is the same. Example: seating in a sports arena
- *Time-based pricing:* a firm varies its different prices by the season, the month, the day, and even the hour. Example: Cheapy Tuesdays at the movie theatre
- **Caution!** Consumers in higher price tiers must fell that they're getting the extra money's worth for the higher price paid and consumers in lower price tiers must not be treated as second-class citizens!

3. **Psychological Pricing**: pricing that considers the psychology of prices and not simply the economics; the price is used to say something about the product. Example: a $100 bottle of perfume may contain only $3 worth of materials, but consumers are willing to pay the $100 because this price indicates something special. Example: who's the better lawyer? the one who charges $50/hour or the one who charges $500/hour? Example: consider a TV priced at $499.99 vs. $500

- **References prices:** prices that buyers carry in their minds and refer to when they look at a given product. Example: a company could display its products next to more expensive ones to imply that it belongs in the same class

4. **Promotional Pricing:** temporarily pricing products below the list price and sometimes even below cost to increase short-run sales.

- *Discounts*
- *Special-event pricing* such as promotional pricing during November/December to attract Christmas shoppers
- *Cash rebates:* manufacturer send rebate directly to the customer
- *Low-interest financing*
- *Longer warranties*
- *Free maintenance*
- **Caution!** Promotional pricing used too frequently can create “deal-prone” customers who wait until brands go on sale before buying them

5. **Geographical Pricing:** setting prices for customers located in different parts of the country or world

- *FOB-origin pricing:* goods are place free on board (FOB) = customers pays shipping
- *Uniform-delivered pricing:* company charges the same price plus freight to all customers, regardless of their location
- *Zone pricing:* all customers within a given zone pay a single total price, and more distant zone pay a higher price

6. **Dynamic Pricing:** adjusting prices continually to meet the characteristics and needs of individual customers and situations. Example: consumers control pricing by bidding on auction site such a eBay or Kijiji. Other examples include: Amazon, Ticketmaster
7. **International Pricing:** companies that market their products worldwide must decide what prices to charge in the different countries in which they operate. In some cases they set a uniform worldwide price. Pricing depends on the following factors: economic conditions, competitive situations, laws and regulations, and development of the wholesaling and retailing system

TABLE 10.2 Price Adjustments

Strategy	Description
Discount and allowance pricing	Reducing prices to reward customer responses such as paying early or promoting the product
Segmented pricing	Adjusting prices to allow for differences in customers, products, or locations
Psychological pricing	Adjusting prices for psychological effect
Promotional pricing	Temporarily reducing prices to increase short-run sales
Geographical pricing	Adjusting prices to account for the geographic location of customers
Dynamic pricing	Adjusting prices continually to meet the characteristics and needs of individual customers and situations
International pricing	Adjusting prices for international markets

Price Changes

Initiating price changes:

- **Price cuts** are needed because of (1) excess capacity (2) failing demand
- **Price increases** are needed to (1) improve profits and because of (2) cost inflation

Buyer Reactions to Price changes: a brand's price and its image are closely linked, and any price change can adversely affect how customer view the brand

Responding to Price Changes

Fighter brand: adding a lower-price item to the line or creating a separate lower-price brand. They are created explicitly to win back customers who have switched to a lower-priced rival

Public Policy and Pricing

Competition Act: its purpose is *"to maintain and encourage competition in Canada in order to promote the efficiency and adaptability of the Canadian economy, in order to expand opportunities for Canadian participation in world markets while at the same time recognizing the role of foreign competition in Canada, in order to ensure that small and medium sized enterprises have an equitable opportunity to participate in the Canadian economy and in order to provide consumers with competitive prices and product choices"*

It prohibits:

- **price fixing** meaning that sellers must set prices without talking to competitors
- **bid rigging:** where one party agrees not to submit a bit or tender in response to a call, or agrees to withdraw a bid or tender submitted at the request of another party.
- **Predatory pricing**: selling below cost with the intention of punishing a competitor, or gaining higher long-run profits by putting competitors out of business
- **Price discrimination** meaning sellers must offer the same price terms to customers at a given level of trade
- **Functional discounts:** offering a larger discount to wholesalers than to retailers
- **Retail price maintenance** meaning a manufacturer cannot require dealers to charge a specified retail price for its products
- **Deceptive pricing:** when a seller states prices that are not actually available to consumers

Chapter 11: Marketing Channels

Distribution Channels: The Value Delivery Network

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

- *Upstream relationships:* set of firms that supply the raw materials, components, part, information, finances, and expertise needed to create a product or service.
- *Downstream relationships:* the marketing/distribution channels that look toward the customers (wholesalers and retailers)

What is a Channel?

- Marketing channel (or Distribution channel): a set of interdependent organizations that help make a product or service available for use or consumption by the consumer or business customer *(they work as intermediaries)*
- A company's channel decisions directly affect every other marketing decision. Whether a company develops or acquires certain new products may depend on how well those products fit the capabilities of its channel members.

How Channels Add Value

- Through their contacts, experience, specialization, and scale of operation, intermediaries usually offer the firm more than it can achieve on its own.
- Reduce the amount of work that must be done by both producers and consumers.

FIGURE 11.1 How Adding a Distributor Reduces the Number of Channel Transactions

Direct Marketing Distribution Channel

- Intermediaries also play an important role in supply and demand
- *Information gathering and distribution:* channel partners, such as retailers that are closer to the final customer, have access to information the manufacturer might not have. Channel partners can collect market intelligence and communicate it back to the original producer.
- *Promotion at point of purchase*: such as locally advertised sales
- *Contact:* they can find new customers
- *Matching and arranging:* channel partners often play a role in adapting the product to fit the buyer's needs, such as customizing the installation of kitchen cabinets
- *Negotiation:* channel partners such as brokers negotiate price and terms so that the product can move from one channel member to another
- *Physical distribution*
- *Financing:* companies that sell cars may have finance organizations, as well as companies like Canadian Tire who offer store credit cards
- *Risk taking:* risk of handling, transporting and storing the products
- *After-sales support*

Types of Channel Partners

Channel partners: businesses that are owned and operated independently from the manufacturer, and that are contracted by the manufacturer to perform a specific function in the movement of the product

- **Retailers:** a business that primarily sells products and services to consumers.
- **Wholesalers:** companies whose primary business is selling goods and services to those buying for resale or business use (buy from producers and seek to retailers, business customers). Apple and Samsung are wholesalers. **Merchant wholesaler** is like Costco who purchases the product then physically distributes it to consumers.
- **Drop Shippers and Rack Jobbers**
  - **Drop shipper:** an intermediary that takes orders and payment from the customer, then arranges to have the merchandise shipped to the customer directly from the supplier (usually for items that are not in stock).

- **Rack Jobber:** a wholesaler that buys merchandise and resells it on "racks" inside the retail store, in partnership with the retailer. They retain ownership of the goods until they are sold, and once they are sold, the rack jobber bills the retailer for the items that were sold.

- **Brokers:** a wholesaler that does not take title to goods and whose function is to bring buyers and sellers together and assist in negotiation. (Think of a stockbroker, who buys stock on behalf of a client and earns a commission)
- **Agents:** a representative, either of a buyer or a seller, who performs only a few functions and does not take title to goods.
  - **Manufacturer's agents:** sells the manufacturer's goods to buyers and receives a commission from the manufacturer (usually small manufacturers that don't have their own sales staff)
  - **Advertising agencies:** provide marketing communications services such as designing and producing advertisements and buying the media in which to run them

Organization and Management of Channels

1. Select channel partners

- Marketers must evaluate each potential partners' year in business, other lines carried, location, growth and profit record, cooperativeness, and reputation

2. Decide how many channel levels to create

- **Channel level:** a layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer. (produces and find consumers are part of every channel)
- The number of channel members that function as intermediaries between the producer and the consumer, constitutes as the **length** of the channel
- **Direct marketing channel:** a marketing channel that has no intermediary levels
- **Indirect marketing channel:** a marketing channel containing one or more intermediary levels
- Very few companies use a direct marketing channel

FIGURE 11.2 Direct and Indirect Marketing Channels, for Bc

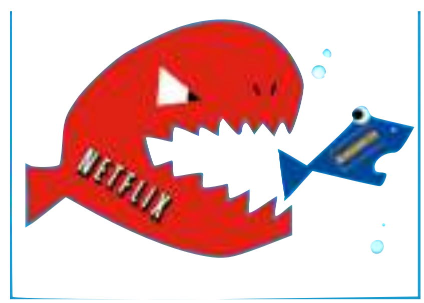
3. Decide between vertical and horizontal marketing systems

- **Vertical Marketing System (VMS):** a distribution channel structure in which producers, wholesalers, and retailers act as a **unified system**. One channel member owns the others, has contracts with them, or has so much power that they all cooperate.
  - **Corporate VMS:** combines successive stages of production and distribution under single ownership; channel leadership is established through common ownership. Example: Zara either owns or controls most of its distribution systems, from manufacturing through to retailing. Example: Loblaw Companies Limited owns, produces and distributes its brands President's Choide and Joe Fresh.
  - **Administered VMS:** coordinates successive stages of production and distribution, not through common ownership or contractual ties, but through the size and power of the parties. Example: General Electric, P&G, and Kraft can command unusual cooperation from retailers regarding displays, shelf space, promotions and price policies.
  - **Contractual VMS**: independent firms at different levels of production and distribution work together under contract. The most common type of contractual VMS is the **franchise organization**: a marketing system that links several stages in the production and distribution prices, and controls operations form a central head office
- **Horizontal Marketing System:** an arrangement in which two or more companies that operate at the same channel level going together to follow a new marketing opportunity.
  - Companies in a horizontal marketing system might join forces with competitors or non competitors. Example: Tim Hortons set up express versions of its stores at Esso gas stations so that commuters can fill up and get coffee on the way to work without making 2 stops.

- **Multichannel (Hybrid) Distribution System:** a distribution system in which a single firm sets up two or more marketing channels to reach one or more target segments. Example: Zara sells its merchandise both online and through its traditional retail distribution channel. **Caution!** Can be hard to control and may create channel conflict.

4. **On an ongoing basis, manage and motivate channel partners and AVOID channel conflict**

- Just as companies use CRM software systems to help manage customer relationships, companies now use Partnership Relationship Management (PRM) software to help recruit, train, organize, motivate, and evaluate relationships with channel partners.
- **Channel Conflict:** disagreement among marketing channel members over goals, roles and rewards. Example: Samsung wants its products distributed as widely as possible to end up in the hand sou as many consumers as possible. However, its distributors (TELUS, Bell, Rogers) see things differently: they want to distribute as many new devices as possible to their customers, but don't favour one manufacturer over the other.
    - **Horizontal conflict:** occurs among firms that perform the same function at the same level of the channel. Example: Toyota Laval feels that Toyota Montreal is stealing business by pricing too low. Example: a Holiday Inn franchise owner feels that another Holiday Inn franchise is giving poor service, hurting the brand image.
    - **Vertical conflict:** conflict between different levels of the same channel ***common*** Example: KFC came into conflict with its franchisees over the brand's decision to emphasize frilled chicken over the brand's traditional fried chicken.
- **Changing Channel Organization**
    - **Disintermediation:** the cutting out of marketing channel intermediaries by product or service producers or the displacement of traditional resellers by radical ew types of intermediaries.



Distribution (Channel) Strategy

- **Intensive distribution:** distribute products in as many locations as possible. ***not always the best strategy***
- **Selective Distribution:** marketer selects a set if retailers that specialize in their product category. Example: Sony and Bose are high-quality brands that would only be found in high-end electronic retailers and not at discount retailers.
- **Exclusive Distribution:** marketer gives the rights to distribute its products to only one retailer, or to only one retailer in a particular geographic territory (Usually associated with

luxury brands such as Rolex and Tiffany). Example: The Cindy Crawford line in home furnishing is available exclusively at The Brick.

Channel Design Decisions

Marketing Channel Design: designing effective marketing channels by analyzing customer needs, setting channel objectives, determining the types and responsibilities of channel members, and making decisions about international distribution channels

- **Analyzing customer needs:** Designing the marketing channel starts with finding out what customers want from that channel.
- **Setting channel objectives:** the company should decide which segments to serve and the best channels to use in each case. Influences by nature of the company, its competitors, its environment, its marketing intermediaries, and its products.
- **Types and responsibilities of channel members:** Each channel alternative should be evaluated against **economic** (what will be investment required by each channel alternative, and what returns will result?), **control** (how much control will the intermediary take?), and **adaptability** (will a channel involving long-term commitment be flexible?) **criteria**.
- **International distribution channels:** each country has its own unique distribution system, so rather than to change channel, international marketers usually adapt their channel strategies to the existing structures within each country.

Chapter 13: Communicating Customer Value: Advertising and Public Relations

The Promotion Mix (Marketing Communication Mix): the specific blend of promotion tools that the company uses to engage consumers, persuasively communicate customer value, and build customer relationships.

- **Advertising:** any paid form of non personal presentations and promotion of ideas, goods, or services by an identified sponsor.
  - **Tools**: broadcast, print, internet, mobile
  - **Advantages: (1)** consumers tend to view advertised products as more legitimate, **(2)** it is very expressive because you can use visuals, print, sound and colour **(3)** it can build a long term image for a product **(4)** it can trigger quick sales **(5)** reaches masses at low cost per exposure
  - **Disadvantages: (1)** its impersonal **(2)** it can become very expensive

- **Sales Promotion:** short-term incentives to encourage the purchase or sale of a product or service.
  - **Tools:** discounts, coupons, displays, demonstrations
  - **Advantages: (1)** includes a wide assortment of tools **(2)** attracts consumer attention **(3)** offer strong incentives to purchase **(4)** dramatizes product offers **(5)** invited quick consumer response
  - **Disadvantage:** effects are short-lived

- **Personal Selling:** personal customer interactions by the firm's sales force for the purpose of making sales and building customer relationships.
  - **Tools:** presentations, incentive programs
  - **Advantages: (1)** communicates personally 2 ways **(2)** builds preferences, convictions, and actions **(3)** allows relationship building
  - **Disadvantages: (1)** requires long-term commitment to sales force **(2)** most expensive promotion tool

- **Public Relations (PR):** building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumours, stories, and events.
  - **Tools:** press releases, sponsorships, events
  - **Advantages: (1)** legitimizes credibility, very believable (2) reaches people who resist advertising (3) dramatizes a company or product (4) saves money when used proactively
  - **Disadvantage:** tends to be used as an afterthought

- **Direct and Digital Marketing:** engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships.
    - **Tools:** direct mail, catalogues, online and social media, mobile marketing
    - **Advantages: (1)** communicates more directly with targeted customers **(2)** reaches customers with tailored messages **(3)** creates interactivity **(4)** build one-to-one relationships
    - **Disadvantage:** often perceived as junk/spam mail

Integrated Marketing Communications

The New Marketing Communications Model

Several major factors are changing in the face of today's marketing communications:

- **Consumers:** are better informed and more communications empowered. Rather than relying on marketer-supplied info, they have the internet, social media, and other technologies to find info
- **Marketing strategies:** as mass markets have fragmented, marketers are shifting away from mass marketing
- **Digital technology:** changes in digital technology are causing remarkable changes in the ways companies and customers communicate with each other. The new digital and social media have given birth to a more targeted, social, and engaging marketing communications model

In the new marketing communications world, rather than using old approaches that interrupt customers and force-feed them mass messages, new media formats let marketers reach smaller communities of consumers in more interactive, engaging ways.

Many marketers are now viewing themselves as **brand content managers:** creating, inspiring, and sharing brand messages and conversations with and among consumers across a fluid mix of paid, owned, earned, and shared channels.

Integrated Marketing Communications (IMC): carefully integrating and coordinating the company's many communications channels to deliver a clear, consistent, and compelling message about the organization and its products (blend promotion tools carefully into a coordinated promotion mix)

Push vs. Pull Promotional Strategies

FIGURE 13.2 Push versus Pull Promotion Strategy

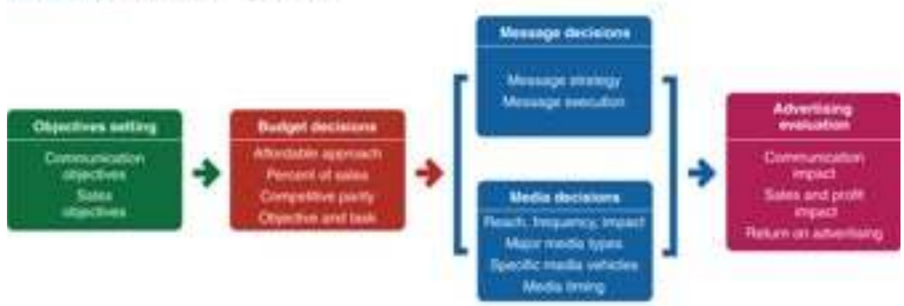
Push Strategy: a promotion strategy that calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to channel members, which in turn promotes it to final consumers. (B2B)

Pull Strategy: a promotion strategy that calls for spending a lot on consumer advertising and promotion to induce final consumers to buy the product, creating a demand vacuum that "pulls" the product through the channel. (B2C)

Advertising

4 important decisions must be made when developing an advertising strategy:

FIGURE 13.3 Major Advertising Decisions



1. **Setting Advertising Objectives:** a specific communication task to be accomplished with a specific target audience during a specific period of time. They must *inform, persuade, or remind.*

- *Informative advertising:* used heavily when introducing a new product category. The objective is to build primary demand
- *Persuasive advertising:* becomes more important as competition increases. The objective is to build selective demand.
- *Comparative (attack) advertising:* when a company directly or indirectly compares its brand with one or more other brands.

- *Reminder advertising:* important for mature products; helps maintain customer relationships and keep consumers thinking about the product

Usually, advertisings goal is to more people to immediate action.

2. Setting the Advertising Budget

There are 4 common methods used to set the total budget for advertising:

A. **Affordable Method:** setting the promotion budget at the level management thinks the company can afford
- **Con:** places promotion last among spending priorities

B. **Percentage-of-Sales Method:** setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price
- **Pros: (1)** simple to use **(2)** helps management think about the relationships between promotion spending, selling price, and profit per unit
- **Cons: (1)** wrongly views sales as cause of promotion rather than as the result **(2)** budget varied year to year, therefore long-term planning is difficult

C. **Competitive-Parity Method:** setting the promotion budget to match competitors' outlays.

D. **Objective-and-Task Method:** developing the promotion budget by **(1)** defining specific objectives, **(2)** determining the tasks that must be performed to achieve these objectives, and **(3)** estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.
- Can be difficult to figure out which specific task will achieve the state objectives

3. Developing Advertising Strategy

STEP 1: Creating advertisement *messages*

- Advertising clutter: today's consumers, armed with an arsenal of weapons, can choose what they watch and don't watch. Increasingly, they are choosing not to watch ads.
- **Madison & Vine:** a term that has come to represent the *merging of advertising and entertainment* in an effort to break through the clutter and create new avenues for reaching customers with more engaging messages.
  - The aim of **advertainment** is to make ads so entertaining, or so useful, that people will *want* to watch them
  - **Branded entertainment (brand integration):** making the brand an inseparable part of some other form of entertainment. Examples: the hosts of Breakfast Television Montreal

having a Tim Hortons mug, or a Modern Family episode when the family desperately searches for the latest iPad

- **Message Strategy**
  - People will engage only if they believe they will benefit from doing so
  - Develop a **creative concept (big idea):** will bring an advertisement message strategy to life in a distinctive and memorable way
  - Advertising appeals should be meaningful, believable, and distinctive
- **Message Execution**: "big" idea must turn into an actual ad execution using the following execution styles:
  - Slice of life: typical, "real" people
  - Lifestyle
  - Fantasy
  - Mood/image
  - Musical
  - Personality Symbol (Mr. Clean)
  - Technical Expertise: how good they are at their craft (how good they are at brewing beer)
  - Scientific Evidence: used to show that the brand is better than other brands
  - Testimonial evidence/endorsement
- You can also use consumer-generated content

STEP 2: Selecting advertising *media*

There are 4 major steps:

A. Determining reach, impact, frequency, and engagement

B. Choosing among major media types

TABLE 13.2 Profiles of Major Media Types

Medium	Advantages	Limitations
Television	Good mass-marketing coverage; low cost per exposure; combines sight, sound, and motion; appealing to the senses	High absolute costs; high clutter; fleeting exposure; less audience selectivity
Online, mobile, and social media	Focus on individuals and customer communities; immediacy; personalization, interaction, and engagement capabilities; social sharing power; low cost	Potentially narrow impact; difficult to administer and control; the audience often controls content and exposure
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptability; high believability	Short life; poor reproduction quality; small pass-along audience
Direct mail	High audience selectivity; flexibility; no ad competition within the same medium; allows personalization	Relatively high cost per exposure; "junk mail" image
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life and good pass-along readership	Long ad purchase lead time; high cost; no guarantee of position
Radio	Good local acceptance; high geographic and demographic selectivity; low cost	Audio only; fleeting exposure; low attention ("the half-heard" medium); fragmented audiences
Outdoor	Flexibility; high repeat exposure; low cost; low message competition; good positional selectivity	Little audience selectivity; creative limitations

C. Selecting specified media vehicles (specific media within each general media type): TV vehicles would include Modern Family, Hockey Night in Canada etc.

D. Deciding on media timing (scheduling advertisements). Can be continuous, seasonal, or pulsing (scheduling ass unevenly over a given time period

4. Evaluating Advertising Effectiveness

- **Measure the Return on Advertising Investment:** the net return on advertising investment divided by the costs of the advertisement investment
- **Measure pre and post communication effects**
- **Measure sales and profits effect**

Public Relations

Perform any or all of the following functions:

- **Press relations or press agency:** creating and placing newsworthy information in the news media to attract attention to a person, product, or service
- **Product publicity:** publicizing specific products
- **Public affairs:** building and maintaining national or local community relationships
- **Lobbying:** building and maintaining relationships with legislators and government officials to influence legislations and regulation
- **Investor Relations:** maintaining relationships with shareholders and other in the financial community
- **Development:** working with donors or members of nonprofit organizations to gain financial or volunteer support.

Why Use PR and How

-PR can have a strong impact on public awareness at a much lower cost than advertising can.

-Major PR tools:

- News
- Speeches
- Special events
- Written materials
- Audiovisual materials
- Corporate identity materials (stationary)
- WOM
- Company website

Personal Selling

- personal presentations by the firm’s sales force for the purpose of making sales and building customer relationships.
- The term **salesperson** covers a wide range of positions. They can be *order takers* (salesperson at department store) or *order getters* whose positions demand creative selling, social selling, and relationship building.

The Role of Salesforce

- Critical link between company and customers
  - **Salesperson-owned loyalty:** when customers are loyal to salespeople as well as to the companies and products they represent
- Coordinating marketing and sales

Managing the Sales Force

Sales force management: analyzing, planning, implementing, and controlling sales force activities

FIGURE 14.1 Major Steps in Sales Force Management

STEP 1: Designing the Sales Force Strategy and Structure

- **Territorial sales force structure:** a sales force organization that assigns each salesperson to an exclusive geographic territory in which that salesperson sells the company’s full line.

- **Product sales force structure:** a sales force organization in which salespeople specialize in selling only a portion of the company's products or lines.
- **Customer (or market) sales force structure:** a sales force organization in which salespeople specialize in selling only to certain customers and industries.
- Once the company has set its structure, its ready to consider its sales force size (ranging from only a few sales people to tens of thousands)
- Some companies use some form of *workload* approach, where they group accounts into classes, take notes on their size and the effort needed to keep them, which then determines how many salespeople are needed
- A company may have an **outside sales force (field sales force):** salespeople who travel to call on customers in the field or **inside sales force:** salespeople who conduct business from their offices via telephone, online and social media interactions, or visits from prospective buyers (some inside salespeople provide support to outside salespeople)
- **Team selling:** using teams of people from sales, marketing, engineering, finance, technical support, and even upper management to service large, complex accounts

STEP 2: Recruiting and Selecting Salespeople

Hire people with specific skills:

- Intrinsically motivated
- Discipline work style
- Relationship building
- Ability to close a sale

STEP 3: Training Salespeople

- Seminars, sales meetings, e-training form the basis of sales training programs
- Goal is to achieve understanding of company, product, customer, and marketing knowledge

STEP 4: Compensating Salespeople

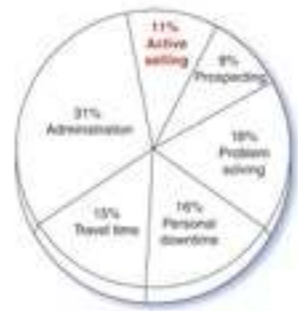
Compensation involves any combinations of:

- Fixed amount: salary
- Variable amount: commissions or bonuses
- Expenses and fringe benefits

STEP 5: Supervising and Motivating Salespeople

- **Supervision:** helps sales people “work smart” but doing the right things, the right way
- Motivate sales force morale and performance through: **organizational climate** (feelings people have about opportunities, values, and rewards), **sales quotas** (standards stating the amount they should sell & how sales should be divided among company products), and **positive incentives**

FIGURE 14.2 How Salespeople Spend Their Time



STEP 6: Evaluating Salespeople and Sales Force Performance

- Get feedback from regular sales, call and expense reports
- Give constructive feedback

Selling Digitally: Online, Mobile, and Social Media Tools

- Although some analysts say the internet will be the death of person-to-person selling, it isn't necessarily true
- Digital tools can be used to **supplement** sales force management by: allowing social networking, saving time and costs
- Sales forces are using a combination of proprietary systems and public portals such as Youtube and LinkedIn

The Personal Selling Process

STEP 1: **Prospecting and Qualifying**

- **Prospecting:** the sale step in which a salesperson or company identifies qualified potential customers.
- Ask other customers for referrals, ask noncompeting salespeople, use the web and social media
- **Qualifying:** identify good ones and screen out the poor ones

STEP 2: **Preapproach**

- the sales step in which a salesperson learns as much as possible about a prospective customer before making a sales call
- Set call objectives (qualify, gather info, make immediate sale)
- Determine best approach (personal visit, phone call, email, text, tweet)

STEP 3: **Approach**

- the sales step in which a salesperson meets the customer for the first time (in-person or online)
- Build goodwill (first impressions matter)

STEP 4: **Presentation and Demonstration**

- Listen to customer needs, develop customer solutions and then present customer solutions

STEP 5: **Handling Objections**

STEP 6: **Closing**

- Ask customer for an order

STEP 7: **Follow-up**

** These steps are *transaction oriented,* however they must also be understood in the context of building and maintaining profitable customer relationships

Sales Promotion

Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy it *now.* They are targeted towards:

- Final buyers **(consumer promotions)**
- Retailers and wholesalers **(trade promotions)**
- Business customers **(business promotions)**
- Members of the sales force **(sales force promotions)**

Sales Promotion Objectives

Promotion	Objectives
Consumers promotions	Urge short-term sales or enhance customer brand involvement
Trade promotions	Persuade retailers to carry new items and more inventory, buy ahead, promote the firm's brand, and provide more shelf space
Sales force promotions	Gain more sales force support for current or new products or getting salespeople to sign up new accounts
Business promotions	generate business leads, stimulate purchases, motivate salespeople

Major Sales Promotion Tools

I. Consumer Promotions

- **Samples:** trial amount of a product, such as a taste sample at the supermarket
- **Coupons:** certificates to save money, such as those dispensed on store shelves. There is an increasing use of digital coupons
- **Rebates:** price reduction after purchase, such as mail-in proof of purchase
- **Price packs:** offer discounts from regular price, such as "buy one, get one free"
- **Premiums:** extra goods offered for free with purchase, such as McDonal's happy meal toys
- **Advertising specialties/Promotional products:** articles imprinted with company names, such as t-shirts, hats, etc.

- **Point-Of-Purchase (POP) promotions:** in-store displays, such as life-sized celebrity cardboard cut-outs
- **Contests, games:** entices people to play, such as “Roll Up the Rim to Win”
- **Sweepstakes:** entices people to enter a draw, such as lotteries
- **Event Marketing:** creation or involvement in events, such as concerts

II. Trade Promotions

- Tools used to persuade resellers to carry a brand, give it shelf space, and promote it in advertising
- Many tools used for consumer promotions can also be used at trade promotions as well as: allowance and free goods

III. Business Promotions

- Conventions
- Trade shows
- Sales contests

Considerations in developing the sales promotion program

Chapter 15: Direct, Online, Social Media, and Mobile Marketing

Direct and Digital Marketing

- Engaging directly with carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationships
- A marketing channel without intermediaries
- Part of the promotion mix

- The fastest growing form of marketing
- **Benefits to buyers:** convenient, private, easy, lots of buying information, access to products
- **Benefits to sellers:** low-cost, efficient, speedy alternative for reaching their market, flexibility

Forms of Digital and Direct Marketing

Digital and social media marketing must be **blended** with traditional direct marketing into a fully **integrated** marketing communications program

FIGURE 15.1 Forms of Direct and Digital Marketing

I. Digital and Social Media Marketing

- uses digital marketing tools such as websites, social media, mobile apps and ads, online video, email, and blogs to engage customers anywhere, any time via their digital devices
- **Multichannel marketing:** marketing both through stores and other traditional offline channels and through digital, online, social media, and mobile channels
- **Online marketing:** marketing via the internet using company websites, online ads and promotions, email, online video, and blogs.
  - **Marketing websites:** a site that interacts with consumers to move them closer to a direct purchase or other marketing outcome.
  - **Branded community:** a site that present brand content that engages consumers and creates customer community around a brand (don't try to sell anything at all) - videos, blogs, activities. <u>Example:</u> ESPN.com does't sell anything, it just creates a vast branded sports community
  - **Online advertising:** advertising that appears while consumers are browsing online, including display ads, search-related ads, online classifieds, and other forms.
  - **Email marketing:** sending highly targeted, highly personalized, relationship-building marketing messages via email. However, marketers must be careful not to **spam** consumers: unsolicited, unwanted commercial email messages. This is why marketers now practise *permission-based email marketing* (subscribers).
  - **Online videos** include social media sites such as YouTube, Facebook and others

- They range from "how-to" instructional videos to PR pieces
- **Viral marketing:** digital version of WOM. *"You hope that the creative is at a high enough mark where the seeds will grow into mighty oaks. If they don't like it, it ain't gonna move. If they like it, it'll move a little bit; and if they love it, its gonna move like a fast-burning fire through the Hollywood hills."* Also, marketers often have little control over where their viral messages end up
- **Blogs:** online journals where people and companies post their thoughts and other content, usually related to narrowly defined topics. Example: The Netflix blog, members of the Netflix team tell about the latest Netflix features, share tricks for getting the most of out the Netflix experience, and collect feedback from subscribers

Social Media Marketing

- Use existing social media: Facebook, Twitter, Youtube, Instagram, Google+ etc.
- Advantages: (1) targeted and personal (2) interactive (3) immediate and timely (4) cost effective (5) engagement and social sharing capabilities
- Disadvantages: (1) still experimental - difficult to measure results (2) largely user controlled - campaigns can backfire
- **Niche online social networks** cater to the needs of of smaller communities of like-minded people (cafe-mom.com, dogster.com, farmersonly.com)
- **Integrate social media marketing!** Starbucks has 51 Facebook accounts, 22 Instagram accounts, Google+, Pinterest and Foursquare accounts. They all blend together and support other elements of the brand's marketing strategy

Mobile Marketing

- marketing messages, promotions, and other content delivered to on-the-go consumers through mobile phones, smartphones, tablets, and other mobile devices
- **Aims** to stimulate immediate buying, make shopping easier, enrich the brand experience
- **Caution!** must be used responsibly or risk angering already ad-weary consumers

II. Traditional Direct Marketing

Face-to-face/personal selling

Direct-mail marketing: marketing that occurs by sending an offer, announcement, reminder, or other item directly to a person at a particular address.

- permits high target-market selectivity, can be personalized, is flexible, and allows easy measurement of results
- **Caution!** direct mail may be resented as junk mail, therefore marketers must target their direct mail carefully (permission-based programs)

- **Catalogue Marketing:** direct marketing through print, video, or digital catalogues that are mailed to select customers, made available in stores, or presented online
- **Telemarketing:** using the telephone to sell directly to customers
- **Direct-Response Television Marketing (DRTV):** direct marketing via television, including direct-response television advertising (infomercials, home shopping channels) and interactive television (iTV) advertising.
- **Kiosk Marketing:** automated machines found in various locations

Public Policy Issues in Direct and Digital Marketing

- [ ] Irritation, unfairness, deception, fraud
- [ ] Invasion of privacy

In response to these concerns, the Canadian government passed the Personal Information Protection and Electronic Documents Act (**PIPEDA**), which has 4 principles:

- [x] Consumer knowledge and consent: consumers must know that information about them is being gathered and they must provide consent before firms can collect, use, or disclose consumers' personal info
- [x] Limitations: firms can only collect and use information appropriate to the transaction being undertaken. For example, if a firm needs to mail you something, it can ask for you home address, but it may not request additional information unrelated to this task
- [x] Accuracy: firms must be sure that the information they gather is recorded accurately. Firms must appoint a privacy officer to be responsible for this task
- [x] Right to access: individuals have the right to know what information is being held about them. They can also demand that error in there personal information be corrected, and they may request that their personal information be withdrawn form a firm's database

The ad industry has agreed on an **advertising option icon** that will tell consumers why they are seeing a particular ad and allow them to opt out.

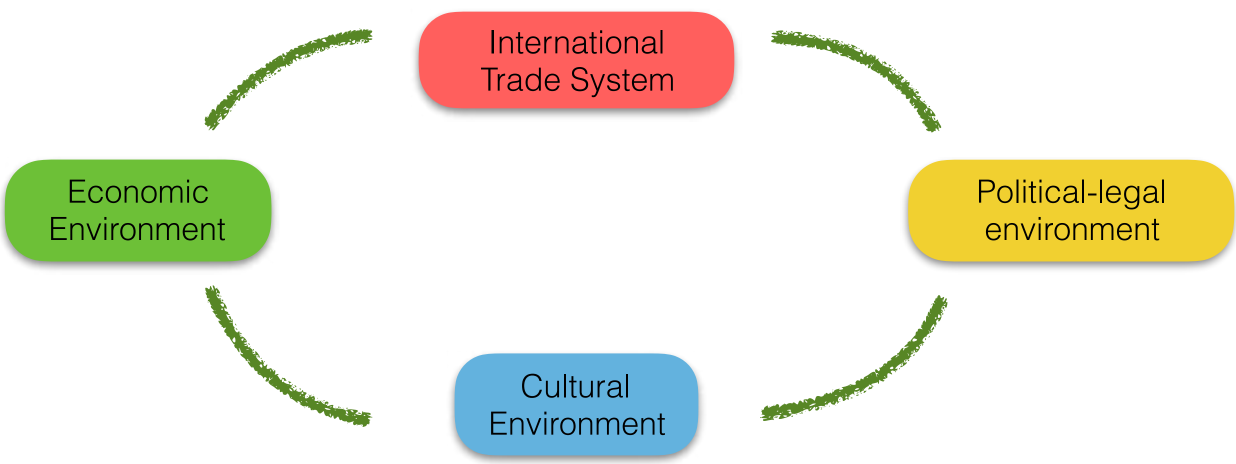
Chapter 16: The Global Marketplace

Global Marketing Today

Global firm: a firm that, by operating in more that one country, gains R&D, production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors

FIGURE 16.1 Major International Marketing Decisions

STEP 1: The Global Marketing Environment



The International Trade System

- When selling to another country, a firm may face restrictions on trade between nations. Government may charge:
- **Tariffs** or **duties:** taxes on certain imported products, designed to raise revenue or protect domestic firms.
- **Quotas:** limits on the amount of foreign imports they will accept in certain product categories
- **Exchange controls:** limit the amount of foreign exchange and the exchange rate against other currencies.
- **Nontariff trade barriers:** restrictive product standards, excessive host-country regulations or enforcement. Example: Walmart and other foreign businesses in China appear to receive

unusually close scrutiny and harsh treatment from Chinese authorities, aimed at boosting the fortunes of local Chinese competitors.

- **The World Trade Organization (WTO):** promotes trade by reducing tariffs and other international trade barriers. It also imposes international trade sanctions and mediates global trade dispute.
- **Regional Free Trade Zones (or economic communities):** a group of nations organized to work toward common goals in the regulation of international trade.
  - **European Union (EU):** represents one of the world's single largest markets
  - **North American Free Trade Agreement (NAFTA):** established a free trade zone among Canada, the USA, and Mexico
  - **Trans-Pacific Partnership:** include USA, Australia, Brunei, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, Vietnam, and Mexico

Economic Environment

The international marketer must study each country's economy. Two economic factors reflect the country's attractiveness as a market: industrial structure & its income distribution.

1. **Industrial Structure**

- Subsistence economies
- Raw material exporting economies
- Emerging economies (industrializing economies)
- Industrial economies

2. **Income Distribution**

- Industrialized countries have a wide range of income (low-, medium-, high-income households)
- Subsistence economies have households with mostly very low incomes
- Emerging economies may be attractive markets for all kinds of goods

Political-Legal Environment

- Country's attitude toward international buying (some countries may impose strict restrictions and limitations, while others shower foreign investors with incentives)
- Political stability (corruption, red tape, etc)
- Monetary regulations (accepted currencies, exchange rates)

Cultural Environment

- Each country has its own **folkways, norms,** and **taboos.**
- Companies need to adapt to local cultural values and traditions rather than imposing their own.
- Some marketer worry about the impact of marketing strategies on global cultures (i.e. Americanizing)
- Globalization is a 2-way street: “If globalization has Mickey mouse ears, its also talking on a Samsung phone, buying furniture at IKEA, driving a Toyota Camry, and watching a British-inspired show on a Panasonic plasma TV”

STEP 2: Deciding Whether to Go Global

- company must weigh several risks and answer many questions about its ability to operate globally
- Can the company learn to understand the preferences and buyer behaviour of consumers in other countries? Can it offer competitively attractive products? Will it be able to adapt to other countries’ business cultures and deal effectively with foreign nationals? Etc.

STEP 3: Deciding Which Markets to Enter

Decide on:

- Volume of foreign sales it wants
- In how many countries it wants to market
- Types of countries it wants to enter
- The goal is to determine the potential of each market using the following indicators:

TABLE 16.1 Indicators of Market Potential

Demographic Characteristics	**Sociocultural Factors**
Education	Consumer lifestyles, beliefs, and values
Population size and growth	Business norms and approaches
Population age composition	Cultural and social norms
	Languages
Geographic Characteristics	**Political and Legal Factors**
Climate	National priorities
Country size	Political stability
Population density—urban, rural	Government attitudes toward global trade
Transportation structure and market accessibility	Government bureaucracy
	Monetary and trade regulations
Economic Factors	
GDP size and growth	
Income distribution	
Industrial infrastructure	
Natural resources	
Financial and human resources	

STEP 4: **Deciding How to Enter the Market**

FIGURE 16.2 Market Entry Strategies

Exporting: simplest way to enter foreign market

- **Indirect:** working through independent international marketing intermediaries. Involves less investment because the firm does not require an overseas marketing organization or network. Also, involves less risk.
- **Direct:** they handle their own exports. The investment and risk are somewhat greater in this strategy, but so is the potential return.

Join Venturing: entering foreign markets by joining with foreign companies to produce or market a product or service. There are 4 types:

- **Licensing:** entering foreign markets through developing an agreement with a licensee in the foreign market.
- **Contract manufacturing:** a joint venture in which a company contracts with manufacturers in a foreign market to produce its product or provide its services
- **Management contracting:** a joint venture in which the domestic firm supplies the management firm supplies the capital; the domestic firm exports management services rather than products
- **Joint ownership:** a cooperative venture in which a company creates a local business with investors in a foreign market, who share ownership and control.

Direct Investment: entering a foreign market by developing foreign-based assembly or manufacturing facilities (labor logistics, control, government incentives, lower costs, raw materials)

STEP 5: **Deciding on the Global Marketing Program**

- **Standardized global marketing:** an international marketing strategy that basically uses the same marketing strategy and mix in all of the company's international markets.
- **Adapted global marketing:** an international marketing approach that adjusts the marketing strategy and mix elements to each international target market, which creates more costs but hopefully produces a larger market share and return

Product

- **Straight product extension:** marketing a product in a foreign market without making any changes to the product
- **Product adaptation:** adaptation a product to meet local conditions or wants in foreign markets
- **Product invention:** creating new products or services for foreign markets

Promotion

- **communication adaptation:** a global communication strategy of fully adapting advertising messages to local markets

Price: regardless of how many companies go about pricing their products, their foreign prices will probably be higher that their domestic prices for comparable products because of **price escalation** (adding costs of transportations, tariffs etc)

Distribution Channels

- An international company must take a **whole-channel view**: designing international channels that take into account the entire global supply chain and marketing channel, forging an effective global value delivery network.
- Distribution channels vary from nation to nation. Whereas consumer brands sold in Western superstores like Walmart or Target rely largely on self-service, these brands in China hire

armies of uniformed in-store promoters to dispense samples and pitch their products in person

Deciding on the Global Marketing Organization

Companies manage their international marketing activities in at least 3 different ways: **(1)** most companies first organize an export department **(2)** then create an international division and **(3)** finally become a global organization

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Chapter 3: Sustainable Marketing, Social Responsibility, and Ethics

Sustainable marketing: socially and environmentally responsible marketing that meets the present needs of consumers and businesses while also preserving or enhancing the ability of future generations to meet their needs. Example: under its "Plan to Win" strategy, McDonald's has created sustainable value for both customers and the company. Now 80% of the chain's menu is under 400 calories.

Marketing's Impact on Consumers

- **High Prices**
  - High costs of distribution
  - High advertising and promotion costs
  - Excessive markups
- **Deceptive Practices**
- **High-pressure selling**
- **Shoddy, harmful, or unsafe products**

- **Planned obsolescence:** a policy of planning or designing a product with an artificially limited useful life, so it will become obsolete (that is, unfashionable or no longer functional) after a certain period of time. It encourages earlier buying.

Marketing’s Impact on Society as a Whole

- **False wants and too much materialism**
- **Too few social goods**
- **Cultural pollution**

Marketing’s Impact on Other Businesses

- **Acquisitions of competitors**
- **Marketing practices that create barriers to entry**
- **Unfair competitive marketing practices**

Consumer Actions to Promote Sustainable Marketing

Consumer Activism: an organized movement of citizens and government agencies to improve the rights and power of buyers in relation to sellers

Traditional sellers’ rights:

- Introduce any product in any size and style
- Charge any price for the product
- Spend any amount to promote the product
- Use any product message
- Use any buying incentive schemes

Traditional buyers’ rights:

- Not buy a product that is offered for sale
- Expect the product to be safe
- Expect the product to perform as claimed

Consumer advocates call for more rights in order to:

- Be well informed about aspects of the product
- Be protected from bad products and practices
- Influence product to improve “quality of life”
- Preserve the world for future generations of consumers

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

- **Environmental sustainability:** a management approach that involves developing strategies that both sustain the environment and produce profits for the company

Sustainable Marketing Principles

Under the sustainable marketing concept, a company's marketing should support the best long-run performance of the marketing system. It should be guided by 5 sustainable marketing principles:

1. **Consumer Oriented Marketing:** the philosophy of sustainable marketing that holds that the company should view and organize its marketing activities from the customer's point of view.
2. **Customer-Value Marketing:** holds that a company should put most of its resources into customer-value-building marketing investments
3. **Innovative Marketing:** a principle of sustainable marketing that requires that a company seek real product and marketing improvements
4. **Sense-Of-Mission Marketing:** holds that a company should define its mission in broad social terms rather than narrow product terms
5. **Societal Marketing:** holds that a company should make marketing decisions by considering **consumers' wants**, the **company's requirements**, **consumers' long-run interests**, and **society's long-run interest**

FIGURE 3.3 Societal Classification of Products

- **Deficient products:** products that have neither immediate appeal nor long-run benefits
- **Pleasing products:** products that give high immediate satisfaction but may hurt consumers in the long-run
- **Salutary products:** products that have a low appeal but may benefit consumers in the long run
- **Desirable products:** products that give both high immediate satisfaction and high long-run benefits

Marketing Ethics

Companies need to develop **corporate marketing ethics policies**: broad guidelines that everyone in the organization must follow. They cover:

- Distributor relations
- Advertising standards
- Customer service
- Pricing
- Product development
- General ethical standards