

Section A: Human Resource Management

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Chapter 1 Strategies, Trends, and Challenges in Human Resource Management

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1. Introduction
 - a. **Human Resource Management (HRM)**, centers on the practices, policies, and systems that influence employees' behaviours, attitudes, and performance.
2. Why are people so valuable?
 - a. As a type of resource, **human capital** means the organization's employees, described in terms of their training, experience, judgement, intelligence, relationships, and insight -- the employee characteristics that can add economic value to the organization.
 - b. Qualities of human resources
 - i. Human resources are **valuable**.
 - ii. Human resources are **rare** in the sense that a person with high levels of the needed skills and knowledge is not common.
 - iii. Human resources **cannot be imitated**.
 - iv. Human resources have **no good substitutes**.
 - c. Effective management of human resources can form the foundation of a **high-performance work system** - an organization in which technology, organizational structure, people, and processes all work together to give an organization an advantage in the competitive environment.
3. What are the responsibilities of HR Departments?
 - a. One way is to think of HR as a business within the organization with three product lines:
 - i. **Administrative services and transactions** - handling administrative tasks efficiently and with a commitment to quality.
 - ii. **Business partner services** - developing effective HR systems that help the organization meet its goals for attracting, keeping, and developing people with the skills it needs.
 - iii. **Strategic partner** - contributing to the company's strategy through an understanding of its existing and needed human resources and ways HR practices can give the company a competitive advantage.
 - b. Another way to think of HR responsibilities is in terms of specific activities.
 - i. **Analysis and design of work**: workflow analysis; job analysis; job design; job descriptions; job specifications.
 - ii. **Workforce planning**: labour demand and supply forecast; labour surplus and shortage projections; succession planning
 - iii. **Recruitment and selection**: recruiting; testing; screening; interviewing; background checking
 - iv. **Training, learning, and development**: Needs assessment; learning methodologies; program design, delivery, and evaluation; career management systems; orientation/onboarding
 - v. **Performance management**: organizational framework and criteria; goal-setting, appraisal, feedback, and performance improvement tools and processes
 - vi. **Total rewards**: compensation plans; incentive programs; employee benefits and services; pension plans; payroll
 - vii. **Employee and labour relations**: satisfaction and engagement surveys; communications; labour relations
 - viii. **HR policies, compliance, and systems**: policy development and implementation; health and safety; reporting; record keeping; HR information systems
 - ix. **Strategy**: adviser to senior management/board; change management; talent management; human capital metrics and analytics
 - c. Analyzing and Designing Jobs
 - i. **Job analysis** is the process of getting detailed information about jobs.
 - ii. **Job design** is the process of defining the way work will be performed and the tasks that a given job requires.

- d. Recruiting and Hiring Employees
 - i. **Recruitment** is the process through which the organization seeks applicants for potential employment.
 - ii. **Selection** refers to the process by which the organization attempts to identify applicants with the necessary knowledge, skills, abilities, and other characteristics that will help the organization achieve its goals.
 - 1) An organization makes selection decisions in order to add employees to its workforce, as well as to transfer existing employees to new positions.
 - e. Training, Learning, and Development
 - i. **Training** is a planned effort to enable employees to learn job-related knowledge, skills, and behaviours.
 - ii. **Development** involves acquiring knowledge, skills, and behaviour that improve employees' ability to meet the challenges of a variety of new or existing jobs, including preparing employees to work in diverse work teams.
 - 1) Development programs often focus on preparing employees for management responsibilities.
 - f. Performance Management
 - i. **Performance management** is the process of ensuring that employees' activities and outputs match the organization's goal.
 - g. Total Rewards
 - i. Administering pay and benefits is another responsibility of HR.
 - 1) Organizations need systems for keeping track of each employee's earnings and benefits.
 - 2) Employees need information about their health plans, retirement plan, and other benefits.
 - h. Maintaining Positive Employee and Labour Relations
 - i. HR professionals help organizations to provide satisfying and engaging work environments and maintain positive relationships with employees.
 - ii. This function often includes providing for communications to employees.
 - iii. HR department help the organization periodically conduct collective bargaining to negotiate an employment contract with union members.
 - i. Establishing and Administering Human Resource Policies
 - i. Organizations depend on their HR department to help establish policies related to hiring, discipline, promotions, benefits, and the other activities of human resource management.
 - ii. Developing fair and effective policies requires strong decision-making skills, the ability to think ethically, and a broad understanding of business activities that will be covered by the policies.
 - j. Managing and Using Human Resource Data
 - i. **Human capital analytics** is the use of quantitative tools and scientific methods to analyze data from human resource databases and other sources to make evidence based decisions that support business goals.
 - k. Ensuring Compliance with Federal and Provincial/Territorial Legislation
 - i. Most managers depend on HR professionals to help them keep up to date and on track with the requirements of human rights, employment equity, employee safety and health, employee compensation and benefits, and employee privacy.
4. Why Focus on Strategy?
- a. As more organizations have come to appreciate the significance of highly skilled human resources, more HR departments have taken on a more active role in supporting the organization's strategy, so they need to understand the organization's business operations, project how business trends might affect the business, reinforce positive aspects of the organization's culture, develop talent for present and future needs, craft effective HR strategies, and make a case for them to top management.
 - b. **Workforce planning** is to identify the number and types of employees the organization will require in order to meet its objectives.
 - c. Workforce planning provides important information for **talent management** - a systematic, planned effort to train, develop, and engage the performance of highly

- skilled employees and managers.
- d. **Evidence-based HR** refers to collecting and using data to show that human resource practices have a positive influence on the company's bottom line or key shareholders.
 - e. Skilled human resources professionals can apply knowledge of human behaviour, along with performance management tools, to help the organization manage change constructively and to avoid or cope with common negative reactions like fear, anger and confusion.
 - f. **Sustainability** is an organization's ability to profit without depleting its resources, including employees, natural resources, and the support of the surrounding community.
 - i. Success at sustainability comes from meeting the needs of the organization's **stakeholders**, all the parties that have an interest in the company's success (typically, shareholders, the community, customers, and employees).
 - ii. Sustainable organizations meet their needs by minimizing their environmental impact, providing high-quality products and services, ensuring workplace health and safety, offering fair compensation, and delivering an adequate return to investors.
 - iii. In an organization with sustainable strategy, HR departments focus on employee development and empowerment rather than short-term costs, on long term planning rather than smooth turnover and outsourcing, and on justice and fairness over short-term profits.
 - g. Productivity Improvement
 - i. **Productivity** refers to the relationship between an organization's outputs (products, service, or information) and its inputs (e.g., people, facilities, equipment, data, and materials).
 - h. Expanding into Global Markets
 - i. To meet these challenges, Canadian businesses must develop global markets, keep up with competition from overseas, hire from an international labour pool, and prepare employees for global assignments.
 - ii. The Global Workforce
 - 1) For an organization to operate in other countries, its HR practices must take into consideration differences in culture and business practices.
 - iii. International Assignments
 - 1) Besides hiring an international workforce, organizations must be prepared to send employees to other countries.
 - 2) This requires HR expertise in selecting employees for international assignments and preparing them for those assignments.
 - 3) Employees who take assignments in other countries are called **expatriates**.
 - i. Outsourcing
 - i. **Outsourcing** refers to the practice of having another company (a vendor, third-party provider, or consultant) provide services.
 - 1) Outsourcing gives the company access to in-depth expertise and is often more economical as well.
 - ii. **Offshoring** refers to setting up a business enterprise in another country.
 - iii. Increasingly, organizations are **offshore outsourcing**, that is, the company providing outsourced services is located in another country.
 - iv. Not only do HR departments help with a transition to outsourcing, but many HR functions are being outsourced.
 - j. Mergers and Acquisitions
 - i. Often, organizations join forces through **mergers** (two companies becoming one) and **acquisitions** (one company buying another).
 - ii. Differences between the businesses involved in the deal make conflict inevitable.
 - 1) Training efforts should therefore include development of skills in conflict resolution.
 - 2) Also, HR professionals have to sort out differences in the two companies' practices with regard to rewards, performance management, and other HR systems.

5. What Competencies Do HR Professionals Need?

- a. **Relationships**
 - i. **Credible Activist**
 - 1) Deliver results with integrity
 - 2) Share information
 - 3) Build trusting relationships
 - 4) Influence others, provide candid observation, take appropriate risks
 - b. **Organizational Capabilities**
 - i. **Business Ally**
 - 1) Understand how the business makes money
 - 2) Understand the language of business
 - ii. **Talent Management/Organizational Designer**
 - 1) Develop talent
 - 2) Design reward systems
 - 3) Shape the organization
 - iii. **Strategic Architect**
 - 1) Recognize business trends and their impacts on business
 - 2) Evidence-based HR
 - 3) Develop people strategies that contribute to the business strategy
 - c. **Systems & Processes**
 - i. **Cultural and Change Steward**
 - 1) Facilitates change
 - 2) Developing and valuing the culture
 - 3) Helping employees navigate the culture (find meaning in their work, manage work/life balance, encourage innovation)
 - ii. **Operational Executor**
 - 1) Implement workplace policies
 - 2) Advance HR technology
 - 3) Administer day-to-day work of managing people
6. Ethics in Human Resource Management
- a. **Ethics** refers to fundamental principles of right and wrong; **ethical behaviour** is behaviour that is consistent with those principles.
 - b. For human resources practices to be considered ethical, they must satisfy the three basic standards:
 - i. HRM practices must result in the greatest good for the greatest number of people.
 - ii. HRM must respect legal requirements including human rights and privacy.
 - iii. Managers must treat employees and customers equitably and fairly.
7. What are the HR responsibilities of Supervisors and Managers?
- a. Typical Areas of Involvement of Supervisors and Managers in HRM
 - i. Provide motivational environment
 - ii. Help define jobs
 - iii. Forecast HR needs
 - iv. Communicate policies and comply with legal requirements
 - v. Train, coach, and develop employees
 - vi. Interview (and select) candidates
 - vii. Set goals, provide feedback, and appraise performance
 - viii. Recommend pay increases and promotions
8. Careers in Human Resource Management
- a. Ranking of Salaries of HR positions
 - i. Human Resource Director
 - ii. Health & Safety Manager
 - iii. HRIS Manager
 - iv. HR Manager
 - v. Senior HR generalist
 - vi. Technical Recruiter
 - vii. Senior Compensation Analyst
 - viii. Intermediate-level Training Specialist
 - ix. Entry-level HR Generalist

- x. Entry Level Benefits Administrator
 - xi. Entry-level HR Assistant
 - b. **CHRP Designation**
 - i. The **CHRP (Certified Human Resources Professional)** designation is the national designation that recognizes achievement and capability.
 - ii. In Canada, the CHRP designation is guided by the Canadian Council of Human Resources Associations, a national federation with representatives from human resources associations across Canada.
9. How Is the Labour Force Changing?
- a. **Introduction**
 - i. The **labour force** is a general way to refer to all the people willing and able to work.
 - ii. For an organization, the **internal labour force** consists of the organization's workers - its employees and the people who work at the organization.
 - iii. This internal labour force is drawn from the organization's **external labour market**, that is, individuals who are actively seeking employment.
 - iv. The number and kinds of people in the external labour market determine the kinds of human resources available to an organization (and their costs).
 - v. Human resources professionals need to be aware of trends in the composition of the external labour market, because these trends affect the organization's options for creating a well-skilled, motivated internal labour force.
 - b. **An Aging Workforce**
 - i. Canada's population and its labour force are aging.
 - ii. Human resource managers will therefore spend much of their time on concerns related to creating a work environment that supports the needs of a multigenerational workforce, planning retirement, and reskilling workers.
 - iii. Organizations will struggle to with ways to control the rising cost of health-related and other benefits, and many of tomorrow's managers will supervise employees much older than themselves.
 - iv. At the same time, organizations will have to find ways to attract, retain, and prepare the younger generations in the workforce.
 - v. With older workers continuing to hold jobs at least part-time, today's workplaces often bring together employees representing three or even four generations.
 - 1) This creates a need for understanding the values and work habits that tend to characterise each generation.
 - 2) Some generational differences can be addressed through effective human resource management.
 - c. **A Diverse Workforce**
 - i. Another change affecting the Canadian population and labour force is that it is growing more (ethically) diverse.
 - ii. Employment equity is now recognized as an effective Canadian tool for efficient use of skilled human resources, and is increasingly borrowed by many industrialized countries.
 - 1) The four designated groups under the federal Employment Equity Act (women, Aboriginal peoples, persons with disabilities, and members of visible minorities).
 - d. **Skill Deficiencies of the Workforce**
 - i. More employers are looking for mathematical, verbal, and interpersonal skills.
 - ii. To find such employees, many organizations are looking for educational achievements.
 - iii. Some companies are unable to find qualified employees and instead rely on training to correct skill deficiencies.
10. What Is a High-Performance Work System?
- a. **Introduction**
 - i. Organizations with **high-performance work systems** are these that have the best possible fit between their social system (people and how they interact) and technical system (equipment and processes).

- ii. Customers are demanding high quality and customized products, employees are seeking flexible work arrangements, and employers are looking for ways to tap people's creativity and interpersonal skills.
 - iii. Among the trends that are occurring in today's high-performance work systems are reliance on knowledge workers, employee engagement, the use of teamwork, and the increasing levels of education of the workforce.
- b. Knowledge Workers
 - i. **Knowledge workers** are employees whose main contribution to the organization is specialized knowledge, such as knowledge of customers, a process, or a profession.
 - ii. Knowledge workers are in a position of power, because they own the knowledge that the company needs in order to produce its products and services, and they must share their knowledge and collaborate with others in order for their employer to succeed.
 - iii. Successful organizations treat all their workers as knowledge workers; They let employees know how well the organization is performing, and they invite ideas about how the organization can do better.
- c. Employee Engagement
 - i. **Employee engagement** refers to the extent that an employee experiences full involvement in one's work and commitment to one's job and organization.
 - ii. Engagement is associated with higher productivity, better customer service, and lower turnover.
 - iii. How to encourage engagement
 - 1) Jobs must be designed to give employees the necessary latitude for making a variety of decisions.
 - 2) Employees must be properly trained to exert their wider authority and use information resources, as well as tools for communicating information.
 - 3) Employees also need feedback to help them evaluate their success.
 - 4) Pay and other rewards should reflect employees' accountabilities and accomplishment.
 - 5) Managers must be trained to link employees to resources within and outside the organization, such as customers, co-workers in other departments, and websites with needed information.
 - 6) Managers must also encourage employees to interact throughout the organization, ensure that employees receive the information they need, and reward collaboration.
 - iv. As with the need for knowledge workers, employee engagement shifts the recruiting focus away from technical skills and toward general cognitive and interpersonal skills.
- d. Teamwork
 - i. **Teamwork** is the assignment of work to groups of employees with various skills who interact to assemble a product or provide a service.
 - ii. Technology is enabling teamwork even when workers are at different locations at different times.
 - 1) These organizations use **virtual teams**, teams that rely on communications technologies to keep in touch and coordinate activities.
- e. Increasing Level of Education
 - i. The educational attainment of Canada's population is increasing.
- 11. How Is Technological Change Impacting HRM?
 - a. Introduction
 - i. **Human Resource Information System** refers to a computer system used to acquire, store, manipulate, analyze, retrieve, and distribute information related to an organization's human resources.
 - ii. An HRIS can support talent management by integrating data on recruiting, performance management, and training.
 - b. Electronic Human Resource Management(E-HRM)
 - i. **Electronic Human Resource Management (E-HRM)** refers to the processing and

transmission of digitized HR information, especially using computer networking and the Internet.

- ii. E-HRM has the potential to change all traditional HRM functions.
- iii. Privacy is an important issue in E-HRM. E-HRM typically set up an **intranet**, which is a network that uses Internet tools but limits access to authorized users in the organization.
- iv. Employees now get information through **self-service**, which means employees have online access to information about HR issues such as training, benefits, rewards, and contracts; go online to enrol themselves in programs and services; and provide feedback through online surveys.
- v. A growing number of companies are combining self-service with **management self-service**, such as the ability to go online to authorize pay increases, approve expenses, and transfer employees to new positions.

12. How Is the Employment Relationship Changing?

a. A New Psychological Contract

- i. **Psychological contract** means a description of what an employee expects to contribute in an employment relationship and what the employer will provide the employee in exchange for those contributions.
- ii. In the traditional version of this psychological contract, organizations expect their employees to contribute time, effort, skills, abilities, and loyalty. In return, the organization would provide job security and opportunities for promotion.
- iii. In the new psychological contract, companies expect employees to take more responsibility for their own careers, from seeking training to balancing work and family. These expectations result in less job security for employees, who can count on working for several companies over the course of a career. In exchange for top performance and working longer hours without job security, employees want companies to provide flexible work schedules, comfortable working conditions, more control over how they accomplish work, training and development opportunities, and financial incentives based on how the organization performs.

b. Flexibility

i. Introduction

- 1) Organizations want to be able to change as fast as customer needs and economic conditions change.
- 2) Flexibility in human resource management includes flexible staffing and flexible work schedules.

ii. Flexible Staffing Levels

- 1) To be able to quickly reshape and resize a workforce, organizations are using more **alternative work arrangements**, which are methods of staffing other than the traditional hiring of full-time employees.
- 2) Methods often used for alternative work arrangement
 - a) **Independent contractors** are self-employed individuals with multiple clients.
 - b) **On-call workers** are persons who work for an organization only when they are needed.
 - c) **Temporary workers** are employed by a temporary agency; client organizations pay the agency for the services of these workers.
 - d) **Contract company workers** are employed directly by a company for a specific time specified in a written contract.
- 3) Benefits of alternative work arrangements
 - a) Continuing adjusting staffing levels

iii. Flexible Work Schedules

- 1) The globalization of the work economy and the development of e-commerce have made the notion of a 40-hour workweek obsolete.
 - a) As a result, companies need to be staffed 24 hours a day, seven days a week.
- 2) Many organizations are taking steps to provide more flexible work schedules, to protect employees' free time, and to more productively use

employees' work time.`

Chapter 1 Summary

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1. **Define human resource management, identify the roles and responsibilities of human resource departments, and explain how human resource management contributes to an organization's performance.**

Human resource management consists of an organization's "people practices" -- the policies, practices, and systems that influence employees' behaviours, attitudes, and performance. HRM influences who works for the organization and how those people work. These human resources, if well-managed, have the potential to be a source of sustainable competitive advantage, contributing to basic objectives such as quality, profits, and customer satisfaction.

2. **Summarize areas in which human resource management can support organizational strategies.**

HR professionals need a solid understanding of the organizational strategy and may even play a role in developing the strategy. Specific HR practices vary according to the type of strategy. Workforce planning informs talent management - an important way HR professionals are making the link to organizational strategy. As part of its strategic role, HR can demonstrate the impact of human resource practices on company results, by engaging in evidence based HR. Strategic challenges of sustainability by meeting the needs of diverse stakeholders is another strategic challenge. When organizations with international operations hire employees in other countries where they operate, they need to be mindful of the differences in culture and business practices. Outsourcing and offshoring require effective job design, planning, recruitment and selection, and rewards practices to realize the potential benefits. Mergers and acquisitions also demand HRM to take a significant role.

3. **Summarize the types of competencies needed for human resource management.**

Human resource management requires substantial and varied competencies. Human resources professionals are required to uphold high ethical stands. Some areas in which ethical issues arise include adherence to legislation, protecting confidentiality, and maintaining professional competence.

4. **Explain the role of supervisors and managers in human resource management.**

Although many organizations have human resource departments, supervisors and managers must be familiar with HRM and their own role with regard to managing human resources and implementing HR processes. Supervisors and managers typically have responsibilities related to all the HR functions. Supervisors help analyze work, interview job candidates, participate in selection decisions, provide training, set goals, provide feedback, conduct performance appraisals, and recommend pay increases. On a day-to-day basis, supervisors and line managers represent the company to their employees, so they also play an important role in employee and labour relations.

5. **Describe typical careers in human resource management.**

Careers in HRM may involve specialized work in fields such as recruiting, training, or labour relations. HR professionals may also be generalists, performing the full range of HR activities described in this chapter. People in these positions usually have a university degree or college diploma in business or the social sciences. Many human resources professionals have achieved the national designation, Certified Human Resources Professional (CHRP).

6. **Describe trends in the labour force composition and how they affect human resource management.**

An organization's internal labour force comes from its external labour market - individuals who are actively seeking employment. In Canada, this labour market is aging and becoming more

diverse. To compete for talent, organizations must be flexible enough to meet the varying needs of workers, must recruit from a diverse population, establish bias-free HR systems, and help employees understand and appreciate cultural differences. Organizations also need employees with skills in decision making, customer service, and team work, as well as technical skills. The competition for such talent is intense. Organizations facing a skills shortage often hire employees who lack certain skills, then train them for their jobs.

7. Describe the roles of high-performance work systems and how technological developments are affecting human resource management.

HRM can help organizations find and keep the best possible fit between their social system and technical system. Recruiting and selection decisions are especially important for organizations that rely on knowledge workers. Job design and appropriate systems for assessment and rewards have a central role in supporting employee engagement and team work. Information systems have become an important tool for HR professionals, and often these systems are provided through the Internet. The widespread use of the Internet includes HRM applications. Organizations search for talent globally using online job postings and screening candidates online. Organizations' websites feature information directed toward potential employees. Employees may receive training online. At many companies, online information sharing enables employee self-service for many HR needs.

8. Explain how the nature of the employment relationship is changing and how the need flexibility affects human resource management.

The employment relationship takes the form of a "psychological contract" that describes what employees and employers expect from the employment relationship. Traditionally, organizations expected employees to contribute their skills and loyalty in exchange for job security and opportunities for promotion. Today, organizations are requiring top performance and longer work hours but often cannot provide job security. Organizations seek flexibility in staffing through non-standard work arrangements. They may use outsourcing as well as temporary and contract workers. The use of such workers can affect job design, as well as the motivation of the organization's permanent employees

Chapter 2 The Legal Context for HRM and Creating Safe and Healthy Workplaces

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1. Creating a Culture of Health and Safety

- a. The protection of employee health and safety is regulated by the government, however, the effective management of health and safety in the workplace includes more than legal compliance.
- b. Increasingly, organizations are taking a strategic approach to occupational health and safety by adopting a values-based commitment to safe operations as a way to protect people.
- c. Benefits to business include cost savings by reducing worker injuries, fatalities, occupational disease, and property damage as well as improved employee relations, reliability, and productivity improvement.
- d. Employer-employee partnerships are put in place to create a climate and culture of safety in the organization in addition to ensuring compliance.
- e. Ultimately, however, employers have a legal duty to provide their employees with a physically and psychologically safe work environment.

2. The Legal Framework for Human Resource Management

- a. Approximately 94 percent of Canadian employers and their employees are covered by provincial and territorial legislation. The remaining 6 percent are covered by federal legislation.
- b. Federal, provincial, and territorial employment-related laws tend to mirror one another; however, some differences exist.

3. Protecting Human Rights

a. Introduction

- i. **Discrimination** means treating someone differently, negatively, or adversely because of their race, age, religion, sex, or other prohibited ground.
- ii. **Direct discrimination** involves policies or practices that clearly make a distinction on the basis of a prohibited ground
- iii. **Indirect discrimination** involves policies or practices that appear to be neutral but have an **adverse effect** on the basis of a prohibited ground.

b. How Would You Know You Had Been Discriminated Against?

i. Differential Treatment

- 1) One sign of discrimination is **Differential treatment** - differing treatment of individuals, where the differences are based on a prohibited ground such as the individuals' race, colour, religion, sex, national origin, age, or disability.
- 2) To avoid complaints of a differential treatment, companies can evaluate the questions and investigations they use in making employment decisions.
 - a) They should be applied consistently: investigate them for all applicants not just for applicants from certain groups.
 - b) Companies may want to avoid some types of questions altogether: questions about marriage
- 3) Differential treatment is legal when it comes to a **bona fide occupational requirement (BFOR)**, that is, a necessary (not merely preferred) qualification for performing a job.
- 4) It is the employer's responsibility to prove the existence of a BFOR if any complaint of discrimination should arise.

ii. Mandatory Retirement

- 1) All jurisdictions in Canada have legislation that makes mandatory retirement discriminatory unless there is a bona fide occupational requirement due to a specific employment requirement.

c. What Is the Employer's Duty to Accommodate?

- i. An employer has a duty to consider how an employee's characteristic such as

disability, religion, or sex can be accommodated and to take action so that the employee can perform the job, and this duty is referred to as the **duty to accommodate**.

- ii. Although the employee is generally considered responsible for requesting accommodation, there may be circumstances where the employer has responsibility to initiate the action to provide accommodation.
- iii. Accommodation may even require that the employee perform another job within their capabilities.
 - 1) Employers' duty to accommodate extends to the point of **undue hardship** - "undue" meaning only if it is so high that the very survival of the organization or business would be threatened or essentially changed.
 - 2) In the context of religion, this principle recognizes that for some individuals, religious observations and practices may present a conflict with work duties, dress codes, or company practices.
 - 3) For employees with disabilities, accommodations also vary according to the individual's needs.
 - a) Employers may restructure jobs, make facilities in the workplace more accessible, modify equipment, or reassign an employee to a job that the person can perform.
 - b) In some situations, an individual may provide his or her own accommodation, which the employer permits, as in the case of a blind worker who brings a service dog to work.

d. What About Harassment?

- i. **Harassment** is a form of discrimination that involves any unwanted physical or verbal behaviour that offends or humiliates someone.
- ii. **Sexual harassment** refers to unwelcome behaviour that is of a sexual nature or is related to a person's sex (gender or gender identity)
 - 1) The most obvious examples of sexual harassment involve **quid pro quo harassment**, meaning that a person makes a benefit (or punishment) contingent on an employee's submitting to (or rejecting) sexual advances.
 - 2) A more subtle but more common form of sexual harassment is to create or permit a **hostile (or poisoned) work environment**.
- iii. Methods to avoid harassment
 - 1) Federally regulated employees are required to develop an anti-harassment policy making it very clear that harassment will not be tolerated in the workplace.
 - 2) All employees need to be made aware of the policy and receive training.
 - 3) The organization can develop a mechanism for reporting harassment in a way that encourages people to speak out.
 - 4) Management can prepare to act promptly to discipline those who engage in harassment, as well as to protect the victims of harassment.

4. Employment Equity

- a. Employment equity legislation focuses on eliminating employment barriers to the four designated groups who are viewed to have been historically disadvantaged in their employment relationships.
- b. The four designated groups are:
 - i. **Women**
 - ii. **Aboriginal people**
 - iii. **Members of visible minorities**
 - iv. **Person with disabilities**
- c. Employment equity promotes equitable workforce representation for each of the designated groups.
 - i. Reporting progress examines **representation** - the share of designated groups in a given labour market, relative to **labour market availability (LMA)** - the share of designated group members in the workforce from which the employers could hire.

5. Protecting of Privacy

- a. Personal Information Protection and Electronic Documents Act (PIPEDA)

- i. The **Personal Information Protection and Electronic Documents Act (PIPEDA)** is a federal law that sets out ground rules for how private sector organizations may collect, use, or disclose personal information in the course of commercial activities.
 - ii. This law also gives individuals the right to access and request correction of the personal information these organizations may have collected about them.
 - iii. PIPEDA applies to personal information of employees who work in the federally regulated private sector.
 - b. How HR can protect Employees' Personal Information
 1. **Accountability**: the employer is responsible for personal information it controls.
 2. **Identifying purpose**: before collecting information, the organization needs to identify why they are collecting the information and how it will be used.
 3. **Consent**: the organization is responsible for ensuring that employees know and consent to the collection, use, and/or disclosure of personal information.
 4. **Limiting collection**: care must be taken to make sure that the collection of personal information is limited to what is needed for the stated purpose.
 5. **Limiting use, disclosure, and retention**: personal information cannot be used or disclosed to others without consent and information can only be retained to meet the stated purposes for which it was collected.
 6. **Accuracy**: information of employees must be current and correct.
 7. **Safeguards**: security protection needs to be put in place.
 8. **Openness**: Communicate privacy policies and practices
 9. **Individual access**: be responsive to employees when they request access to information the organization holds about them.
 10. **Compliance challenges**: individuals have the power to challenge what the organization does to comply with the principles just described.
6. Employment/Labour Standards
- a. Introduction
 1. Federal, provincial, and territorial laws are in place to provide minimum standards for employees.
 2. Some of the areas covered typically include:
 - 1) Minimum wage
 - 2) Overtime pay
 - 3) Hours of work and work scheduling
 - 4) General holidays
 - 5) Annual vacations
 - 6) Benefits for part-time workers
 - 7) Parental leave
 - 8) Layoff procedures
 - 9) Terminations and severance pay
 3. A variety of changes to employment/labour standards laws have been recently been made in several jurisdictions.
 - 1) Ontario has amended its Employment Standard Act to create three new job-protected leaves to provide care or support to a family member with a serious medical condition, to provide care to a critically ill child, and for parents whose child is missing or has died as a result of a crime.
 - b. Controversies
 1. A current controversy with respect to employment/labour standards relates to the use **unpaid interns**.
 2. Another area of employment/labour standards controversy emerged in the form of class-action lawsuits over **unpaid overtime**.
7. Pay Equity
- a. Pay equity legislation requires that employers are responsible to provide equal pay for work of equal value.
 - b. **Pay equity** is a principle of non-discrimination in wages that requires men and women doing work of equal value to the employer to be paid the same.
 - c. Pay equity legislation is intended to address the **pay gap** - the difference between the

- earnings of women working full-time versus the earnings of men working full-time.
8. How Are the Laws Enforced?
- a. Human Rights Commissions
 - 1. To provide oversight and enforce these laws, the federal government, provinces, and territories have Human Rights Commissions.
 - 2. The **Canadian Human Rights Commission (CHRC)** provides individuals under federal jurisdiction a means to resolve complaints of discrimination.
 - 1) It tries to resolve complaints using mediation and conciliation. However, sometimes cases can only get resolved with a **tribunal**, or ultimately appealed all the way to the **Supreme Court of Canada** for final resolution.
 - 2) It is also responsible for auditing federally regulated employers to ensure compliance with the federal Employment Equity Act.
 - 3) The CHRC enforces pay equity requirements.
 - b. Privacy Commissioners
 - 1. The **Office of the Privacy Commissioner of Canada** is responsible for ensuring compliance with federal privacy legislation including the Personal Information Protection and Electronic Documents Act and the Privacy Act.
 - 2. The Office of the Privacy Commissioner of Canada has the power to investigate complaints and recommend solutions to employers.
 - 3. One Area of interest and concern for both individuals and organizations is the growing use of social media and specifically the growing practice of HR professionals conducting social media background checks on both current and prospective employees.
9. Workplace Health and Safety
- a. Internal Responsibility System
 - 1. The **internal responsibility system** is a philosophy of occupational health and safety in which employers and employees share responsibility for creating and maintaining safe and healthy work environments.
 - b. Health and Safety Committees
 - 1. **Health and safety committees**, a key feature of the internal responsibility system, are jointly appointed by the employer and employees at large (or union) to address health and safety issues in a workplace.
 - c. What Are the Responsibilities of Employers and Managers or Supervisors?
 - 1. Establish and maintain a health and safety committee, or cause workers to select at least one health and safety representative.
 - 2. Take every reasonable precaution to ensure the workplace is safe.
 - 3. Train employees about any potential hazards and in how to safely use, handle, store, and dispose of hazardous substances and how to handle emergencies
 - 4. Supply personal protective equipment and ensure workers know how to use the equipment safely and properly
 - 5. Immediately report all critical injuries to government department responsible for OH&S
 - 6. Appoint a competent supervisor who sets the standards for performance, and who ensures safe working conditions are always observed
 - d. Employee Rights and Responsibilities
 - 1. All Canadian workers have three fundamental rights that are protected by occupational health and safety legislation:
 - 1) **The right to refuse** unsafe work
 - 2) **The right to participate** in the workplace health and safety activities through a health and safety committee or as a worker health and safety representative.
 - 3) **The right to know**, or the right to be informed about, actual and potential dangers in the workplace.
 - 2. Although employers and their managers and supervisors are responsible for protecting workers from health and safety hazards, employees have responsibilities as well.
 - 1) Working in compliance with OH&S acts and regulations

- 2) Using personal protective equipment and clothing as directed by the employer
- 3) Reporting workplace hazards and dangers
- 4) Working in a manner as required by the employer and using the prescribed safety equipment
3. WHMIS
 - 1) The **Workplace Hazardous Materials Information System** or **WHMIS** is related to the worker's "right to know", as Canada's national hazard communication program consisting of symbols and warning labels for consumers and material-specific **safety data sheets** that guide the handling of dangerous substances in the workplace, as well as related worker education and training.
 - 2) Organizations must have **safety data sheets (SDSs)** for hazardous products that employees are exposed to.
- e. Enforcement of Occupational Health and Safety Regulations
 1. Occupational health and safety officers/inspectors have the authority to inspect workplace and issue orders to employers and workers.
 2. In some serious cases, charges may also be laid by law enforcement under a section of the Canada Criminal Code, the amendment **Bill C-45 (Westray Bill)** making organizations and anyone who directs the work of others criminally liable.
- f. Psychological Safety
 1. **Workplace violence** is a broad problem, particularly for certain occupational groups including health care workers, correctional officers, social service employees, teachers, and retail employees.
 2. Workplace safety include harassment, threatening behaviour, verbal or written threats, verbal abuse, physical attacks.
- g. Impact of Occupational Health and Safety Legislation
 1. Legislation has unquestionably succeeded in raising the level of awareness of occupational safety, and there has been a relatively significant reduction in time-loss injuries experienced in recent years relative to 1996-2008 levels.
 2. Yet many workplace accidents are a product of unsafe behaviours, not unsafe working conditions, so for this little change can be expected unless employees are convinced of the standards' importance.
10. Employer-Sponsored Health and Safety Programs
 - a. Introduction
 1. A safety awareness program has three primary components: **identifying and communicating hazards, reinforcing safe practices, and promoting safety internationally.**
 - b. Identifying and Communicating Job Hazards
 1. **Job hazard analysis technique** is the safety promotion technique that involves breaking down a job into basic elements, then rating each element for its potential for harm or injury.
 2. The **technic of operations review (TOR)** is an analysis method for determining which specific element of a job led to a past accident.
 - c. Reinforcing Safe Practices
 1. To ensure safe behaviours, employers should not only define how to work safely but also reinforce the desired behaviour.
 - 1) Implement a safety incentive program to reward workers for their support of and commitment to safety goals.
 - 2) Target particular types of injuries or disabilities, especially those for which employees may be at risk.
 - 3) Industries and occupational groups also provide organizational safety awards.
 - d. Employee Health and Wellness Programs
 1. Another way to improve the well-being and overall health of employees is to offer an **employee health and wellness program**, a set of communications, activities, and facilities designed to change health-related behaviours in ways that reduce

- health risks.
- 2. Organizations that place a strategic emphasis on corporate wellness achieve economic benefits including reduced injury and disability insurance costs, enhanced productivity and service, and reduced costs due to a reduction in employee absenteeism and turnover.
- 3. Wellness programs are either **passive** or **active**.
 - 1) Passive programs provide information and services but no formal support or motivation to use the program,
 - 2) Active wellness programs assume that behaviour change requires support and reinforcement along with awareness and opportunity.
- e. Employee Assistance Program (EAP)
 - 1. An **employee assistance program (EAP)** is a confidential, short term, counselling service for employees with personal problems that affect their work performance.
- f. Promoting Safety Internationally
 - 1. Given the increasing focus on international management, organizations also need to consider how to ensure the safety of their employees regardless of the nation in which they operate.
 - 2. Cultural differences may make this more difficult than it seems.
 - 3. Another challenge in promoting safety internationally is that laws, enforcement practices, and political climate vary from country to country.

Chapter 2 Summary

September 10, 2017 8:48 PM

1. Discuss the importance of valuing diversity and safety

Although the practice of valuing diversity has no single form, organizations that value diversity are likely to be mindful of the benefits of diversity and work actively to create a work environment in which individuals feel valued and able to perform to their potential. Increasingly, organizations are taking a strategic approach to occupational health and safety by adopting a values-based commitment to safe and healthy operations.

2. Describe the legal framework for human resource management in Canada

Approximately 94 percent of Canadian employees are covered by provincial and territorial legislation. The remaining 6 percent are covered by federal legislation. Although jurisdictional differences exist, laws tend to mirror one another.

3. Explain the importance of human rights and the implications for HRM

Employers can avoid discrimination by avoiding differential treatment of job applicants and employees. Organizations can develop and enforce practices and policies that demonstrate a high value placed on diversity. To provide accommodation, companies should reorganize individuals' needs. Employers may need to make such accommodations as adjusting schedules or dress codes, making the workplace more accessible, or restructuring jobs. Organizations can prevent harassment by developing policies, training employees to recognize and avoid this behaviour, and providing the means for employees to be protected. Employment equity initiatives may remove employment barriers to the designated groups.

4. Discuss privacy, employment/labour standards, and pay equity and their relevance for HRM

The Personal Information Protection and Electronic Documents Act provides rules about how organizations can collect, use, and disclose information about you. Employment/labour standards legislation deals with the minimum standards an employee will receive. Pay equity provisions help assure equal pay for work of equal value. Human Rights Commissions are responsible for enforcing human rights legislation in their respective jurisdictions. Privacy Commissioners are responsible for enforcing privacy legislation in their jurisdictions.

5. Explain the context for workplace health and safety

All jurisdictions in Canada have occupational health and safety legislation. Canada's approach to safety in the workplace is based on the internal responsibility system whereby both employers and employees are responsible for safety.

6. Identify the responsibilities of employers, and managers or supervisors, as well as employee's rights and responsibilities related to workplace health and safety.

Employers and managers and supervisors have a duty to provide a safe workplace. Canada's workers have three fundamental rights that are protected by occupational health and safety legislation as well as specific responsibilities. Bill C-45, an amendment to the Criminal Code, has created a legal duty on employers to ensure the safety of workers. Employees also have responsibilities including following safety rules and reporting hazardous conditions. Psychological safety has also become a significant workplace health and safety issue.

7. Discuss the ways employers promote worker health and safety

Besides complying with occupational health and safety regulations, employers often establish safety awareness programs designed to instill an emphasis on safety. Employers may identify and communicate hazards through the job hazard analysis technique or the technique of operations review. They may adapt communications and training to the needs of different employees, such as differences in experience levels or cultural differences from one country to another. Employers may also establish incentive programs to reward safe behaviour.

Chapter 3 Analyzing Work and Designing Jobs

September 17, 2017 12:09 PM

1. Introduction

- a. **Work flow design** is the process of analyzing the tasks necessary for the production of a product or a service.
- b. A **job** is a set of related duties.
- c. A **position** is the set of duties performed by one person.
- d. Basing these decisions on work flow design can lead to better results than the more traditional practice of looking at jobs individually.

2. What Is Work Flow Analysis

a. Introduction

- i. Before designing its work flow, the organization's planners need to analyze what work needs to be done.
- ii. For each type of work, such as produce a product or providing a support service, the analysis identifies the output of the process, the activities involved, and three categories of input: raw inputs, equipment, and human resources.
- iii. **Outputs** are the products of any work unit, say department or team.
 - 1) Outputs may be tangible or intangible.
 - 2) In identifying the outputs of particular work units, work flow analysis considers both quantity and quality.
- iv. **Work processes** are the activities that a work unit's members engage in to produce a given output.
 - 1) They are described in terms of operating procedures for every task performed by each employee at each stage of the process.
 - 2) Specifying the processes helps HRM professionals design efficient work systems by clarifying which tasks are necessary.
 - 3) Knowledge of work processes also can guide staffing changes when working is automated, outsourced, or restructured.
- v. **Inputs** fall into three categories: raw inputs (materials and information), equipment, and human resources (knowledge, skills, and abilities.)

b. How Does the Work Fit with the Organization's Structure?

- i. Work requires the cooperation of individuals and groups.
- ii. Ideally, the organization's structure brings together the people who must collaborate to produce the desired outputs efficiently.
 - 1) The structure may do this in a way that is highly **centralized** (i.e., with authority concentrated in a few people at the top of the organization) or **decentralized** (with authority spread among many people).
 - 2) The organization may group jobs according to functions, or it may set up divisions to focus on products or customer groups.
- iii. General Observation of Structures
 - 1) If the structure is strongly based on function, workers tend to have low authority and to work alone at highly specialized jobs.
 - 2) Jobs that involve teamwork or broad responsibility tend to require a structure based on divisions other than functions.
 - 3) Managing a division responsible for a product or customer group tend to require more experience and cognitive (thinking) ability than managing a department that handles a specific function.
- iv. To use the techniques of work design effectively, human resources professional should also understand their organization as a whole.

3. Job Analysis

a. Introduction

- i. Analyzing jobs and understanding what is required to carry out a job provide essential knowledge for staffing, training, performance management, and many

other HR activities.

b. Importance of Job Analysis

i. Almost every human resource management process requires some type of information gleaned from job analysis:

- 1) **Work redesign:** often an organization seeks to redesign work to make it more efficient or to improve quality. The redesign requires detailed information about the existing job(s). In addition, preparing the redesign is similar to analyzing a job that does not yet exist.
- 2) **Workforce planning:** as planners analyze human resource needs and how to meet those needs, they must have accurate information about the levels of skill required in various jobs, so that they can tell what kinds of human resources will be needed.
- 3) **Selection:** to identify the applicants most likely to be the highest performers in various positions, decision makers need to know what tasks the individuals must perform, as well as the necessary knowledge, skills, and abilities.
- 4) **Training, learning, and development:** almost every employee hired by an organization will require training and/or development. Any learning initiative requires knowledge of the tasks performed in a job, so that the learning is related to the necessary knowledge and skills.
- 5) **Performance management:** performance management requires information about how well each employee is performing in order to reward employees who perform well and to improve their performance. Job analysis helps in identifying the behaviours and the results associated with effective performance.
- 6) **Career planning:** matching an individual's skills and aspirations with career opportunities requires that those responsible for developing career planning processes know the skill requirements of the various jobs. This facilitates matching of individuals to jobs in which they will succeed and be satisfied.
- 7) **Job evaluation:** the process of job evaluation involves assessing the relative value of each job to the organization in order to set up fair pay structures. If employees do not believe pay structures are fair, they will become dissatisfied and may quit, or they will not see much benefit in striving for advancement. To put values on jobs, it is necessary to get information about different jobs and compare them.

ii. Job analysis is also important from a legal standpoint.

- 1) Employers have a legal obligation to eliminate discrimination against employees and prospective employees with disabilities.
- 2) Job redesign may be required to consider the needs of the job applicant to ensure that accommodation is provided.

iii. Job analysis helps supervisors and managers carry out their duties.

- 1) Data from job analysis can help managers identify the types of work in their units, as well as provide information about the work flow process, so that managers can evaluate whether work is done in the most efficient way.
- 2) Job analysis information also supports managers as they make hiring decisions, review performance, and recommend rewards.

c. Trends in Job Analysis

i. Those who occupy or manage jobs often make minor adjustments to match personal preferences or changing conditions.

- 1) Although errors in job analysis can have many sources, most of the inaccuracy is likely to result from job descriptions being outdated.
- 2) For this reason, job analysis must not only define jobs when they are created, but also detect changes in jobs as time passes.

ii. With global competitive pressure and economic downturns, one corporate change that has affected many organizations is downsizing.

- 1) Research suggests that successful downsizing efforts almost always entail changes in the nature of jobs, not just their number.

- iii. The Challenge between flexibility and the need for legal documentation
 - 1) Because the work can change rapidly and it is impossible to rewrite job descriptions every week, job descriptions and specifications need to be flexible.
 - 2) At the same time, legal requirements may discourage organizations from writing flexible job descriptions.
- d. Outcome of Job Analysis: Job Descriptions
 - i. A **job description** is a list of the tasks, duties, and responsibilities (**TDR**) that a job entails. And TDRs are observable actions.
 - ii. A job description typically includes the job title, and overview of the job, and a list of the main duties.
 - iii. Although organizations may modify this format according to their needs, all job descriptions within an organization should follow the same format.
 - 1) This helps the organization make consistent decisions about such matters as pay and promotions.
 - 2) It also helps the organization show that it makes human resource decisions fairly.
 - iv. The process of creating a job description:
 - 1) Gathering information from sources who can identify the details of performing a task, or, if the job is new, managers who are creating the new position.
 - a) Other sources of information may include the company's human resource files, such as past job advertisements and job descriptions, as well as general sources of information about similar jobs, such as Human Resources and Skills Development Canada's National Occupational Classification (NOC) system.
 - 2) Based on the information gathered, the next step is to identify which activities are essential duties of the job.
 - a) These include mental and physical tasks, as well as any particular methods or equipment to be used in carrying out those tasks.
 - b) When possible, these should be stated in terms that are broad and goal oriented enough for the person in the position to innovate and improve.
 - v. When organizations prepare many job descriptions, the process can become repetitive and time-consuming. To address this challenge, a number of companies have developed software that provides forms into which the job analyst can insert details about the specific job.
 - vi. Organizations should provide each newly hired employee his or her job description.
 - 1) This helps the employee to understand what is expected
 - 2) but it shouldn't be presented as limiting the employee's commitment to quality and customer satisfaction
 - 3) Many job descriptions include the phrase **and other duties as required**.
- e. Outcome of Job Analysis: Job Specifications
 - i. **Job specification** is a list of the competencies an individual must have to perform a particular job.
 - ii. **Competencies** refer to knowledge, skills, abilities, and other characteristics associated with effective performance.
 - iii. These competencies many also become part of a **competency model** or **competency framework** that describes competencies for success in a particular occupation, or set of jobs.
 - iv. Competency models help HR professionals ensure that all aspects of talent management are aligned with the organization's strategy.
 - 1) Not only can the organization select those who can carry out a particular job today, but it can spot those with competencies they can develop further to assume greater responsibility in the future.
 - 2) And competency models identify the important capabilities to measure in

- performance evaluations and to reward
- v. Definitions of terms used in job specification
 - 1) **Knowledge** refers to factual or procedural information necessary for successfully performing a task.
 - 2) A **skill** is an individual's level of proficiency at performing a particular task - the capability to perform it well.
 - 3) **Ability**, in contrast to skill, refers to a more general enduring capability that an individual possesses.
 - 4) **Other characteristics** might be personality traits such as persistence or motivation to achieve.
 - 5) Some jobs also have **legal requirements**, such as licensing or certification.
- vi. When a job entails working night shifts, job specifications should reflect this requirement.
- vii. Competency requirement of a job may be more stable and long-lasting than the tasks, duties, and responsibilities associated with that job.
- f. Source of Job Information
 - i. Information for analyzing an existing job often comes from **incumbents**, that is, people who currently hold that position in the organization.
 - 1) They are a logical source of information because they are most acquainted with the details of the job. Incumbents should be able to provide very accurate information.
 - 2) A drawback of relying solely on incumbents' information is that they may have an incentive to exaggerate what they do, to appear more valuable to the organization.
 - ii. Research suggests that supervisors may provide the most accurate estimates of the importance of job duties, while incumbents may be more accurate in reporting information about the actual time spent performing job tasks and safety-related risk factors.
 - iii. For analyzing skill levels, the best source may be external job analysts who have more experience rating a wide range of jobs.
 - iv. The federal government also provide information for analyzing jobs.
 - 1) Employment and Social Development Canada working with Statistics Canada maintains the **National Occupational Classification (NOC)** to provide standardized sources of information about jobs in Canada's labour market.
- g. Position Analysis Questionnaire
 - i. One of the broadest and best-researched instruments for analyzing jobs is the **Position Analysis Questionnaire (PAQ)**, a standardized tool containing 194 questions about work behaviours, work conditions, and job characteristics that apply to a wide variety of jobs.
 - ii. All the questions are organized into six sections concerning different aspects of the job:
 - 1) **Information input**: where and how a worker gets information needed to perform a job
 - 2) **Mental processes**: the reasoning, decision making, planning, and information processing activities involved in performing the job
 - 3) **Work output**: the physical activities, tools, and devices used by the worker to perform the job.
 - 4) **Relationships with other persons**: the relationships with other people required in performing the job
 - 5) **Job context**: the physical and social contexts where the work is performed
 - 6) **Other characteristics**: the activities, conditions, and characteristics other than those previously described that are relevant to the job
 - iii. All the items are rated on six scales: extent of use, amount of time, importance to the job, possibility of occurrence, applicability, and special code (special rating scales used with a particular item)
 - iv. Advantages and disadvantages
 - 1) Advantages

- a) Using the PAQ provides an organization with information that helps in comparing jobs, even when they are dissimilar.
 - b) It considers the whole work process, from inputs through outputs.
 - 2) Disadvantages
 - a) The person who fills out the questionnaire must have postsecondary-level reading skills, and the PAQ is meant to be completed only by job analysts trained in this method.
 - b) The description in the PQA reports are rather abstract, so the reports may not be useful for writing job descriptions or redesigning jobs.
 - h. Fleishman Job Analysis System
 - i. To gather information about worker requirements, the **Fleishman Job Analysis System** asks subject-matter expert (typically job incumbents) to evaluate a job in terms of the abilities required to perform the job.
4. Job Design
- a. Definitions
 - i. **Job design** is the process of defining the way work will be performed and the tasks that a given job requires.
 - ii. **Job redesign** is the process that involves changing an existing job design.
 - iii. To design jobs effectively, a person must thoroughly understand the job itself through job analysis and its place in the larger work unit's work flow process through work flow analysis.
 - b. Designing Efficient Jobs
 - i. **Industrial engineering** looks for the simplest way to structure work in order to maximize efficiency.
 - ii. If workers perform tasks as efficiently as possible, not only does the organization benefit from lower costs and greater output per worker, but workers should be less fatigued.
 - iii. Typically, applying industrial engineering to a job reduces the complexity of the work, making it so simple that almost anyone can be trained quickly and easily to perform the job.
 - 1) Such jobs tend to be highly specialized and repetitive.
 - iv. However, a focus on efficiency alone can create jobs that are so simple and repetitive that workers get bored.
 - 1) Hence, most organizations combine industrial engineering with other approaches to job design.
 - c. Designing Jobs that Motivate
 - i. Especially when organizations have to compete for employees, depend on skilled knowledge workers, or need a workforce that cares about customer satisfaction, a pure focus on efficiency will not achieve human resource objectives.
 - ii. Developed by Richard Hackman and Greg Oldham, the Job Characteristic Model shows how to make jobs more motivating by describing jobs in terms of five characteristics:
 - 1) **Skill variety**: the extent to which a job requires a variety of skills to carry out the tasks involved.
 - 2) **Tasks identity**: the degree to which a job requires a variety of completing a "whole" piece of work from beginning to end.
 - 3) **Tasks significance**: the extent to which the job has an important impact on the lives of other people.
 - 4) **Autonomy**: the degree to which the job allows an individual to make decisions about the way the work will be carried out.
 - 5) **Feedback**: the extent to which a person receives clear information about performance effectiveness from the work itself.
 - iii. Applications of the job characteristics approach to a job design include job enlargement, job enrichment, self-managing work teams, flexible work schedules, and telework.
 - 1) Job Enlargement:
 - a) In a job design, **job enlargement** refers to broadening the types of

tasks performed.

- i) The objective of job enlargement is to make jobs less repetitive and more interesting.
- b) Methods of job enlargement include job extension and job rotation:
 - i) **Job extension** is enlarging jobs by combining several relatively simple jobs to form a job with a wider range of tasks.
One. This approach to job enlargement is relatively simple, but if all the tasks are dull, workers will not necessarily be come motivated by the redesigned job.
 - ii) **Job rotation** does not actually redesign the jobs themselves, but moves employees among several different jobs.

2) Job Enrichment:

- a) **Job enrichment** engages workers by adding more decision-making authority to their jobs.
- b) According to Frederick Herzberg's two-factor theory, individuals are motivated more by the intrinsic aspects of work than by extrinsic rewards such as pay.
 - i) Herzberg identified five factors he associated with motivating jobs: achievement, recognition, growth, responsibility, and performance of the entire job.
- c) However, it is important to note that not every worker responds positively to enriched jobs.
 - i) These jobs are best suited to employees who are flexible and responsive to others. And for these employees, enriched jobs can dramatically improve motivation.

3) Self-Managing Work Teams:

- a) Team members typically have authority to schedule work, hire team members, resolve problems related to the team's performance, and perform other duties traditionally handled by management.
- b) Teamwork can give a job such motivating characteristics as autonomy, skill variety, and task identity.
- c) Teams are more productive when self-managed, team members highly involved in decision-making, each member performing a variety of tasks and viewing their effort as significant.

4) Flexible Work Schedules:

- a) **Flextime** is a scheduling policy in which full-time employees may choose starting and ending times within guidelines specified by the organization.
 - i) The flextime may require that employees be at work between certain hours, and they need to work additional hours before or after this period in order to work the full day.
 - ii) A work schedule that allows time for personal, community, and family interests can be extremely motivating for some employees.
- b) **Job sharing** is a work option in which two part-time employees carry out the tasks associated with a single job.
 - i) Such arrangements can enable organization to attract or retain valued employees who want more time to attend school, care for family member, or allocate time to personal interests.
 - ii) The job requirements in such arrangement include the ability to work cooperatively and coordinate the details of one's job with another person.
- c) A **compressed workweek** is a schedule in which full-time workers complete their weekly hours in fewer than five days.
 - i) This type of schedule has a couple of drawbacks
One. Employees may become exhausted on the longer workdays.

Two. If the arrangement involves working more than a specific number of hours during a week, employment/labour standards legislation may require the payment of overtime wages to nonsupervisory employees.

5) Remote Work Arrangements:

- a) **Remote work, telework, or telecommuting** is the broad term for doing one's work away from a centrally located office.
 - b) **Distributed work** is a combination of work options, including work from the corporate office, work from home, work from a satellite office or work from another remote location.
 - i) Distributed work programs might require employees to give up a dedicated office space.
 - c) Advantages of Distributed Work
 - i) For employers, they have less need for office space and the ability to greater flexibility to employees.
 - ii) The employee using telework arrangement may have less absences from work than employees with similar demands who must commute to work.
 - iii) Telecommuting can also support a strategy of sustainability because these employees do not produce the greenhouse gas emissions that result from commuting by vehicle.
 - d) Telework is easiest to implement for people in managerial, professional, or sales jobs, especially those that involve working and communicating on a computer.
- d. Designing Ergonomically Correct Jobs
- i. The study of the interface between individuals' physiology and the characteristics of the physical work environment is called **ergonomics**.
 - 1) The goal of ergonomics is to minimize physical strain on the worker by structuring the physical work environment around the way the human body works.
 - ii. Ergonomic job design has been applied in redesigning equipment used in jobs that are physically demanding.
- e. Designing Jobs that Meet Mental Capabilities and Limitations
- i. As more and more work activities become information processing activities, the need to consider **cognitive ergonomics** is likely to be an emerging trend.
 - ii. It can be most beneficial to simplify jobs where employees will most appreciate having the mental demands reduced or where the costs of errors are severe.
 - iii. Methods to simplify a job's mental demands
 - 1) Limit the amount of information and memorization the job requires.
 - 2) Provide adequate lighting, easy-to-understand gauges and displays, simple - to-operate equipment, and clear instruction.
 - 3) Create checklist, charts, or other aids.

Chapter 3 Summary

September 17, 2017 12:09 PM

1. Summarize the elements of work flow analysis and how work flow relates to an organization's structure

The analysis identifies the amount and quality of a work unit's outputs (products, parts of products, or services). Next, the analysis determines the work processes required to produce the outputs, breaking down tasks into those performed by each person. Finally, the work flow analysis identifies the inputs used to carry out the processes and produce the outputs. Within an organization, units and individuals must cooperate to create outputs and the organization's structure brings people together for this purpose. The structure may be centralized or decentralized, and people may be grouped according to function or into divisions focusing on particular products or customer groups.

2. Discuss the significance, recent trends, and outcomes of job analysis

Job analysis is the process of getting detailed information about jobs. Job analysis provides a foundation for carrying out many HRM responsibilities. To broaden traditional approaches to job analysis in support of talent management, organizations develop competency models. Because today's workplace requires a high degree of adaptability, job tasks and requirements are subject to constant change. Organizations are also adopting project-based structures and teamwork, which also require flexibility and the ability to handle broad responsibilities. Outcomes of job analysis include job descriptions and job specifications.

3. Tell how to obtain information for a job analysis

Information for analyzing an existing job often comes from incumbents and their supervisors. The federal government provides background information about jobs in the National Occupational Classification. Job analysts, employees, and managers may complete a Position Analysis Questionnaire or fill out a survey for the Fleishman Job Analysis System.

4. Describe methods for designing a job so that it can be done efficiently

The basic technique for designing efficient jobs is industrial engineering, which looks for the simplest way to structure work in order to maximize efficiency. Through methods such as time-and-motion studies, the industrial engineer creates jobs that are relatively simple and typically repetitive. These jobs may bore workers because they are so simple.

5. Identify approaches to designing a job to make it motivating

According to the Job Characteristics Model, jobs are more motivating if they have greater skill variety, task identity, task significance, autonomy, and feedback about performance effectiveness. Ways to create such jobs include job enlargement (through job extension or job rotation) and job enrichment. Self-managing work teams offer greater skill variety and task identity. Flexible work schedules and remote work arrangements offer greater autonomy.

6. Explain how organizations apply ergonomics to design safe jobs

The goal of ergonomics is to minimize physical strain on the worker by structuring the physical work environment around the way the human body works. Ergonomic design may involve modifying equipment to reduce the physical demands of performing certain jobs or redesigning the jobs themselves to reduce strain. Ergonomic design may target working conditions associated with injuries.

7. Discuss how organizations can plan for the mental demands of a job

Employers may seek to reduce mental as well as physical strain. The job design may limit the amount of information and memorization involved. Adequate lighting, easy-to-read gauges and displays, simple-to-operate equipment, and clear instructions can also minimize mental

strain. Although technology may be used to reduce job demands and errors, technology may also distract employees from primary tasks, e.g., as they retrieve and generate text messages and emails. Finally, organizations can select employees with the necessary abilities to handle a job's mental demands.

Chapter 4 Planning for and Recruiting Human Resources

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1. What Is Workforce Planning?

a. Introduction

- i. Organizations should carry out **workforce planning** so as to meet business objectives and gain an advantage over competitors.
- ii. The overall goal of workforce planning is to ensure the organization has the right people with the right skills in the right places at the right time.
- iii. The process consists of three stages: forecasting, goal setting and strategic planning, and program implementation and evaluation.

b. Forecasting

i. Definitions of Forecasting

- 1) **Forecasting** is the attempts to determine the supply of and demand for various types of human resources.
- 2) The primary goal is to predict which areas of the organization will experience labour shortages or surplus.
- 3) Forecasting supply and demand can use statistical methods or judgement.
 - a) Statistical methods capture historic trends in a company's demand for labour.
 - i) These methods predict demand and supply more precisely than a human forecaster can using subjective judgement.
 - b) But many important events in the labour market have no precedent. When such events occur, the organization must rely on the subjective judgement of experts.

ii. Forecasting the Demand for Labour

- 1) Usually, an organization forecasts demand for specific job categories or skill areas.
- 2) **Trend analysis** refers to constructing and applying statistical models that predict labour demand for the next year, given relatively objective statistics from the previous year.
 - a) These statistics are called **leading indicators**, objective measures that accurately predict future labour demand.
 - b) They might include measures of the economy, actions of competitors, changes in technology, and trends in the composition of the workforce and overall population.
 - c) Statistical planning models are useful when there is a long, stable history that can be used to reliably detect relationships among variables.
 - d) However, there are simply too many "once in a lifetime" changes to consider, and statistical models cannot capture them.
- 3) These models almost always have to be complemented with subjective judgement of experts.

iii. Forecasting the Available Supply of Labour

- 1) Once a company has forecast the demand for labour, it needs an indication of the firm's available labour supply.
 - a) Determining the internal labour supply calls for a detailed analysis of how many people are currently in various job categories or have specific skills within the organization.
 - b) The planner then modifies this analysis to reflect changes expected in the near future as a result of retirements, promotions, transfers, voluntary turnover, and terminations.
- 2) **Transitional matrix** is a chart that lists job categories held in one period and shows the proportion of employees in each of those job categories in a

- future period.
- 3) The planner should keep abreast of labour market forecasts, including the size of the labour market, the unemployment rate, and the kinds of people who will be in the labour market.
- iv. Determining Labour Surplus or Shortage
 - 1) Based on the forecasts for labour demand and supply, the planner can compare the figures to determine whether there will be a shortage or surplus of labour for each job category.
- c. Goal Setting and Strategic Planning
 - i. Introduction
 - 1) The goals should include a specific figure indicating what should happen with the job category or skill area and a specific timetable for when the results should be achieved.
 - 2) For each goal, the organization must choose one or more human resource strategies.
 - 3) The options differ widely in their expense, speed, and effectiveness.
 - a) The options for avoiding a labour shortage differ in terms of how easily the organization can undo the change if it no longer faces a labour shortage.
 - b) Another consideration in choosing an HR strategy is whether the employees needed will contribute directly to the organization's success. Organizations are most likely to benefit from hiring and retaining as employees who have competencies that are part of the organization's competency framework..
 - ii. Downsizing
 - 1) **Downsizing** is the planned elimination of large numbers of employees with the goal of enhancing the organization's competitiveness.
 - 2) The primary reason organizations engage in downsizing is to promote future competitiveness, and they do this by meeting four objectives:
 - a) Reducing costs: labour is a large part of a company's total costs, so downsizing is an attractive place to start cutting costs.
 - b) Replacing labour with technology: closing outdated factories, automating or introducing other technological changes reduces the need for labour. Often, the labour savings outweigh the cost of the new technology.
 - c) Mergers and acquisitions: when organizations combine, they often need less bureaucratic overhead, so they lay off managers and some professional staff members.
 - d) Moving to more economical locations: in recent years, many Canadian firms have shifted jobs to other countries, including Mexico, India, and China, where wages are lower.
 - 3) Although downsizing has an immediate effect on costs, much of the evidence suggests that it hurts long-term organizational effectiveness.
 - a) For companies that emphasize research and development
 - b) Companies where employees have extensive contract with customer
 - c) Companies that engaged in high-involvement work practices like the use of team and performance-related incentives.
 - 4) Reasons that downsizing fails to meet expectations
 - a) Although the initial cost saving gives a temporary boost to profits, the long-term effects of an improperly managed downsizing effort can be negative.
 - i) Downsizing leads to a loss of talent, and it often disrupts the social networks through which people are creative and flexible.
 - b) Unless the downsizing is managed well, employees feel confused, demoralized, and even less willing to stay with the organization.
 - i) Organization can demonstrate how they are treating employees fairly, building confidence in the company's plan for a stronger

- future, and showing the organization's commitment to behaving responsibly with regard to all its stakeholders, including employees, customers, and the community.
- ii) Many companies wind up rehiring, because downsizing campaigns often eliminate people who turn out to be irreplaceable. However, companies may not rehire employees for many of the jobs eliminated when they restructured, introduced automation, or moved work to lower-cost regions.
 - c) Downsizing efforts often fail, because employees who survive the purge become self-absorbed and afraid to take risks. Many employees start looking for other employment opportunities.
 - d) The negative publicity associated with a downsizing can also hurt the company's image in the labour market, so it is harder to recruit employees later.
- iii. Reducing Hours
- 1) One alternative for downsizing to spread the burden more fairly is cutting work hours, generally with a corresponding reduction in pay.
 - 2) Beside the thought that this is a more equitable way to weather a slump in demand, companies choose a reduction in work hours because it is less costly than layoffs requiring severance pay, and it is easier to restore the work hours than to hire new employees after a downsizing effort.
- iv. Early-Retirement Programs
- 1) Reason people do not retire
 - a) The improved health of older people in general, combined with the decreased physical labour required by many jobs, has made working longer a viable option.
 - b) Many workers fear their retirement savings and pension plans supplemented by the Canada/Quebec Pension Plan and Old Age Security pension will not be enough to cover their expenses.
 - c) Protection from discrimination and eliminating mandatory retirement has limited organizations' ability to force older workers to retire.
 - 2) However, under the pressures associated with an aging labour force, many employers try to encourage older workers to leave voluntarily by offering a variety of early-retirement incentives.
 - 3) Many organizations are moving from early-retirement programs to **phased-retirement programs**.
 - a) The organization can continue to enjoy the experience of older workers while reducing the number of hours these employees work, as well as the cost of those employees.
 - b) This option also can give older employees the psychological benefits of easing into retirement, rather than being thrust entirely into a new way of life.
- v. Employing Temporary and Contract Workers
- 1) Staffing Agency
 - a) Employers may arrange to hire a temporary worker through an agency that specializes in linking employers with people who have the necessary skills.
 - b) The employer pays the agency, whom in turn pays the temporary worker.
 - c) Agencies that provide temporary employees also may handle some of the tasks associated with hiring.
 - i) Small companies that cannot afford their own testing programs often get employees who have been tested by the staffing agency.
 - ii) Many staffing agencies also train employees before sending them to employers. This reduces employers' training costs and eases the transition for the temporary worker and employer.

- 2) Contract Workers
 - a) A company can obtain workers for limited assignments by entering into contracts with them.
 - b) If the person providing the services is an independent contractor, rather than an employee, the company does not pay employee benefits, such as health insurance and vacations.
 - 3) Benefits
 - a) Temporary and contract employment is popular with employers, because it gives them the flexibility they need to operate efficiently when demand for their products changes rapidly.
 - b) Temporary employment often offers lower costs.
 - i) Using temporary workers freed the employer from many administrative tasks and financial burdens associated with being the "employer of record".
 - ii) The cost of employee benefits, including vacations, pension, life insurance, workers' compensation, and employment insurance, may account for 40 percent of payroll expenses for permanent employees.
 - 4) Limits
 - a) If the person providing the service is a contractor and not an employee, the company is not supposed to directly supervise the worker.
 - i) The company can tell the contractor what criteria the finished assignment should meet, but not, for example, where or what hours to work.
 - ii) This distinction is significant, because if the company treats the contractor as an employee, the company has certain legal obligations, related to overtime pay and withholding income taxes.
 - 5) When an organization wants to consider using independent contractors as a way to expand its labour force temporarily, human resources professionals can help by altering the company to the need to verify that the arrangement will meet legal requirements.
- vi. Outsourcing
- 1) Contracting with another organization to perform a broad set of services is called **outsourcing**.
 - 2) Why Use Outsourcing
 - a) Organizations use outsourcing as a way to operate more efficiently and save money by choosing outsourcing firms that can promise to deliver the same or better quality at a lower cost.
 - b) One reason they can do this is that the outside company specializes in the services and can benefit from economies of scale.
 - c) Costs are also lower when the outsourcing is located in a part of the world where wages are relatively down.
 - 3) The first uses of outsourcing emphasized manufacturing and routine tasks. However, technological advances in computer networks and transmission have speeded up the outsourcing process and have helped it spread beyond manufacturing areas and low-skilled jobs.
 - 4) Limits of Outsourcing
 - a) Quality-control problems, security violations, and poor customer service have sometimes wiped out the costs savings attributed to lower wages.
 - 5) Guidelines
 - a) Learn about what the provider can do for the company, not just the costs.
 - i) Make sure the company has the necessary skills, including an environment that can meet standards for clear communication,

- on-time shipping, contract enforcement, fair labour practices, and environmental problems.
 - b) Do not offshore any work that is proprietary or requires tight security.
 - c) Start small and monitor the work closely, especially in the beginning, when problems are most likely.
 - d) Look for opportunities to outsource work in areas that promote growth, for example, by partnering with experts who can help the organization tap new markets.
- vii. Overtime and Expanded Hours
 - 1) Under some conditions, organizations may try to garner more hours from the existing labour force, asking them to go from part-time to full-time or to work overtime.
 - 2) A major downside of overtime is that the employer must pay nonmanagement employees additional pay above and beyond their normal wages for work done overtime.
 - 3) Overtime is best suited for short-term labour shortage.
 - a) For a short time, many workers appreciate the added compensation for working overtime.
 - b) Over extended periods, however, employees feel stress and frustration from working long hours.
- d. Implementing and Evaluating the Workforce Plan
 - i. Implementation
 - 1) When implementing the HR strategy, the organization must hold some individual accountable for achieving the goals.
 - 2) That person must have the authority and resources needed to accomplish those goals.
 - 3) It is also important that this person issue regular progress reports, so the organization can be sure that all activities occur on schedule and that the early results are as expected.
 - ii. Talent Management
 - 1) Implementation that ties planning and recruiting to the organization's strategy and to its efforts to develop employees becomes a complete program of **talent management**.
 - 2) Today's computer has made talent management more practical.
 - iii. Evaluation
 - 1) In evaluating the results, the most obvious step is checking whether the organization has succeeded in avoiding labour shortages or surpluses.
 - 2) Along with measuring these numbers, the evaluation should identify which parts of the planning process contributed to success or failure.
- e. Applying Workforce Planning to Employment Equity
 - i. Employment equity plans forecast and monitor the proportion of employees who are members of various protected groups (women, Aboriginal peoples, people with disabilities, and member of a visible minority group).
 - ii. Workforce Utilization Review
 - 1) **Workforce utilization review** is a comparison of the proportion of employees who are in each group with the proportion each group represents in the labour market.
 - 2) The organization can use this process to determine whether there is any specific group whose proportion in the relevant labour market differs substantially from the proportion in the job category.
 - 3) Processes of WUR
 - a) The steps in WUR are identical to the steps in the workforce planning process.
 - b) The organization must assess current utilization patterns, then forecast how these are likely to change in the near future.
 - c) If these analyses suggest the organization is underutilizing certain groups and if forecasts suggest this pattern is likely to continue, the

- organization may need to set goals and timetables for changing.
- d) The planning process may identify new strategies for recruitment and selection.
- e) The organization carries these HR strategies and evaluate their success.
- iii. Underutilization
 - 1) If the workforce utilization review indicates that some group's proportion in the organization is lower than in the market, this is evidence of **underutilization**.
 - 2) That situation could result from problems in selection or from problems in **internal movement** (promotions or other movement along a career path).
 - 3) One way to diagnose the situation would be to use transitional matrices.
- 2. What is Succession Planning?
 - a. **Succession planning** is the process of identifying and tracking high-potential employees who will be able to fill top management positions or other key positions when they become vacant.
 - b. Benefits of Succession Planning
 - i. It forces senior management to regularly and thoughtfully review the company's leadership talent.
 - ii. It assures that top-level management talent is available.
 - iii. It provides a set of development experiences that managers must complete to be considered for top management positions, so the organization does not promote managers before they are ready.
 - iv. Succession planning system also help attract and retain ambitious employees by providing development opportunities.
 - c. Succession planning focuses on **high-potential employees**, that is, employees the organization believes can succeed in high-level positions such as general manager of a business unit, director of a function (such as marketing or finance), or chief executive officer.
 - i. A typical approach to development of high-potential employees is to have them complete an individual development program including education, executive mentoring and coaching, and rotation through job assignment.
 - ii. High potential employees may also receive special assignments, such as making presentations and serving on committees and task forces.
 - d. Three stages for developing high-potential employees
 - i. Selection of high-potential employees: select outstanding performers, those with elite academic education, or by the results of psychological tests from assessment centers.
 - ii. Developmental experiences:
 - 1) as employees participate in developmental experiences, the organization identifies those who succeed in the experiences.
 - 2) The organization looks for employees who continue to show qualities associated with success in top jobs, such as communication skills, leadership talent, and willingness to make sacrifices for the organization.
 - iii. Active involvement with the CEO:
 - 1) The CEO exposes these employees to the organization's key people and gives them a greater understanding of the organization's culture.
 - 2) The development of high-potential employee may be a lengthy process.
 - e. Eight Steps For Developing a Succession Plan
 - i. Identify Positions to Plan For
 - ii. Identify Employees to Include
 - iii. Define Job Requirements
 - iv. Measure Employee Potential
 - v. Review and Plan to Meet Development Needs
 - vi. Link Succession Planning with Other HR Systems
 - vii. Provide Feedback to Employees
 - viii. Measure the Plan's Effectiveness

3. Recruiting Human Resources

- a. **Recruiting** consists of any practice or activity carried out by the organization with the primary purpose of identifying and attracting potential employees.
 - i. It thus creates a buffer between workforce planning and the actual selection of new employees.
 - ii. The goals of recruiting (encouraging qualified people to apply for job) and selection (deciding which candidates would be the best fit) are different enough that they are most effective when performed separately, rather than combined as in a job interview that also involves selling candidates on the company.
 - iii. Three areas of recruiting:
 - 1) **Human resource policies**: human resource policies influence the characteristics of the positions to be filled.
 - 2) **Recruitment sources**: recruitment sources influence the kinds of job applicants an organization reaches.
 - 3) **The characteristics and behaviour of the recruiter**: the nature and behaviour of the recruiter affect the characteristic of both the vacancies and the applicants.
 - iv. Ultimately, an applicant's decision to accept a job offer - and the organization's decision to make the offer - depend on the fit between vacancy characteristics and applicant characteristics.

4. Human Resource Policies

- a. An organization's **human resource policies** are its decisions about how it will carry out human resource management, including how it will fill job openings.
- b. Characteristics of the vacancy are more important than recruiters or recruiting sources for predicting job choice.
- c. Three More Relevant Policies
 - i. **Internal versus external recruiting**:
 - 1) organizations with policies to "promote from within" try to fill vacancies by recruiting candidates internally - that is finding candidates who already work for the organization.
 - 2) Opportunities for advancement makes a job more attractive to applicants and employees.
 - ii. **Lead-the-market pay strategies**:
 - 1) Organizations have a recruiting advantage if their policy is to take a "lead the market" approach to pay - that is, pay more than the current market rate for a job.
 - 2) Higher pay can also make up for a job's less desirable features, such as working on a night shift or outdoors in extreme weather conditions.
 - 3) Organizations that compete for applicants based on pay may use bonuses, stock options, and other forms of pay besides wages and salaries.
 - iii. **Employer branding**:
 - 1) **Employer branding**, or **employment branding**, or **recruitment branding** is a strategic approach of attaching a visual, emotional, or cultural brand to an organization.
 - 2) Employer branding uses marketing techniques to attract, engage, and retain employees in the effort to become an **employer of choice**.
 - 3) An **employment branding** is the impression the company makes on employees and job seekers.
 - 4) The secret to an effective employment branding is differentiating an organization from the competition, targeting key benefits of the job to the right labour segments, and using multiple platforms to reach the right and paint audience.

5. Recruitment Sources

- a. Introduction
 - i. The methods the organization chooses for communicating its labour needs and the audiences it targets will determine the size and nature of the labour market the organization taps to fill its vacant positions.

b. Internal Sources

- i. **Internal sources** are employees who currently hold their positions in the organization.
- ii. How Organizations Recruit from Internal Sources
 - 1) Organizations recruit existing employees through **job posting**, or communicating information about the vacancy on company bulletin boards, in employee publications, on corporate intranets, and anywhere else the organization communicates with employees.
 - 2) Managers also may identify candidates to recommend for vacancies.
 - 3) Policies that emphasize promotions and even lateral moves to achieve broader career experience can give applicants a favourable impression of the organization's jobs.
- iii. Advantages of Internal Sources
 - 1) It generates applicants who are well known to the organization.
 - 2) These applicants are relatively knowledgeable about the organization's vacancies, which minimizes the possibility they will have unrealistic expectations about the job.
 - 3) Filling vacancies through internal recruiting is generally cheaper and faster than looking outside the organization.

c. External Sources

- i. Reasons To Use External Sources
 - 1) For entry-level positions and perhaps for specialized upper-level positions, the organization has no internal recruits from which to draw.
 - 2) Also, bring in outsiders may expose the organization to new ideas or new ways of doing business.
 - 3) Companies that are able to grow during a slow economy can gain a competitive edge when other organizations are forced to avoid hiring, freeze pay increases, or even lay off talented people.
- ii. Direct Applicants and Referrals
 - 1) **Direct applicant** are people who apply for a vacancy without prompting from the organization.
 - 2) **Referrals** are people who apply because someone in the organization prompted them to do so.
 - 3) The talent of an organization's recruitment may also involve recruiter-initiated contacts including identifying and contacting **passive job seekers** - individuals who are not actively seeking a job, but represent a significant source of top talent.
 - 4) Advantages
 - a) Self-selection
 - i) Most direct applicants have done some research and concluded there is enough fit between themselves and the vacant position to warrant submitting an application, a process called **self-selection**, which, when it works, eases the pressure on the organization's recruiting and selection systems.
 - ii) A form of aided self-selection occurs with referrals.
 - b) Lower cost and high quality
 - 5) Encouragement for Direct Applicants and Referrals
 - a) Some employees offer current employees financial incentives for referring applicants who are hired and perform acceptably on the job.
 - b) Other companies play off their good reputation in the labour market to generate direct applications.
 - 6) Disadvantages of Referrals
 - a) They limit the likelihood of exposing the organization to fresh viewpoints because people tend to refer others who are like themselves.
 - b) Sometimes referrals contribute to hiring practices that are or that appear unfair, like **nepotism**, or the hiring of relatives.

iii. Online Recruiting

- 1) Online recruiting generally involves posting career information at company websites to address people who are interested in the particular company and posting paid advertisement at career sites to attract people who are searching for jobs.
- 2) However, LinkedIn, Facebook, and Twitter have fundamentally changed the way companies recruit by giving them a way to identify and connect with passive job seekers who they never had access to before.
- 3) Organization Websites
 - a) To be an effective recruiting tool, corporate career information should move beyond generalities, offering descriptions of open positions and an easy way to submit a resume.
 - b) One of the best features of this kind of online recruiting is the ability to target and attract job candidates whose values match the organization's values and whose skills match the job requirements.
 - c) Candidates also appreciate a response that the company has received their resume - especially a response that gives a timetable about further communications from the company,
- 4) Job Board Websites
 - a) Accepting applications at the company website is not so successful for smaller and less well-known organizations, because fewer people are likely to visit the website.
 - i) The organization might get better results by going to the national job board websites, such as Monster and CareerBuilder, which attract a vast array of applicants.
 - b) However, a drawback is that the big websites can provide too many leads of inferior quality, because they are so huge and serve all jobs seekers and employers, not a select segment.
 - i) Because of this limitation of the large websites, smaller, more tailored websites called "niche boards" focus on certain industries, occupations, or geographic areas.

iv. Ads in Newspapers and Magazines

- 1) What do we need to say
 - a) An ad should give readers enough information to evaluate the job and its requirements, so they can make a well informed judgement about their qualifications. Providing enough information may require long ads, which cost more.
 - b) Vague ads generate a large number of applicants, including many who are not reasonably qualified.
 - c) In practice, the people who write job ads tend to overstate the skills and experience required, perhaps generating too few qualified candidates.
- 2) To whom do we need to say it
 - a) Specifying whom to reach with the message helps the advertiser decide where to place the ad.
 - b) Classified Section of Local Newspaper
 - i) Ads placed in the classified section of local newspapers are relatively inexpensive, yet reach many people in a specific geographic area who are currently looking for work.
 - ii) On the downside, this medium offers little ability to target skill levels.
 - iii) Typically, many of the people reading classified ads are either over-or under-qualified for the position.
 - iv) Also, people not looking for work rarely read the classifieds.
 - c) Professional or Industry Journals
 - i) For reaching a specific part of the labour market, including certain skill levels and more people who are employed, the

organization may get better results from advertising in professional or industry journals.

v. Public Employment Agencies

- 1) Employers can register job vacancies at the federal government's Service Canada website, "Job Bank" (www.jobbank.gc.ca)
- 2) In addition to the posting job openings, employers can access information and links to government forms, services, and programs.
- 3) Prospective employees can narrow their job search by province and are also provided access to a variety of resources and career navigation tools.

vi. Private Staffing Companies

- 1) In addition to providing temporary employees, private staffing companies provide assistance to employers in attracting temporary and permanent applicants.
- 2) Job seekers apply to the private staffing company and are usually screened for suitability.
- 3) Those companies differ significantly in the types of services provided.
- 4) It is important for both job seekers and employers to research and thoroughly assess private staffing firms so as to work with the company that will best meet their needs and expectations.
- 5) These companies provide their services for a fee, and usually these fees are paid by the employer, for the service of receiving employee referrals.
- 6) For executives, managers, or professionals, an employer may use the service of a type of private staffing company called an **executive search firm (ESF)**.

vii. Universities and Colleges

- 1) Most universities and colleges have placement services that seek to help their students and graduates obtain employment.
- 2) On-campus interview is the most important source of recruits for entry-level professional and managerial vacancies.
- 3) Organizations tend to focus especially on universities and colleges that have strong reputations in areas for which they have critical needs.
- 4) How to increase presence on a campus
 - a) One of the best way to establish a strong presence on a campus is with a cooperative education or internship program.
 - i) These programs give an organization early access to potential applicants and let the organization assess their capabilities directly.
 - b) Another way of increasing the employer's presence on campus is to participate in university and college job fairs.
 - i) In general, a job fair is an event where many employers gather for a short time to meet large numbers of potential job applicants.
 - ii) Although job fairs can be held anywhere, campuses are ideal because of the many well-educated, not-yet-employed individuals there.
 - iii) Job fairs are an inexpensive means of generating an on-campus presence.
 - iv) They can provide one-on-one dialogue with students, however it is also important to go mobile, like to provide tablets and apps that allow them to apply for jobs with as few clicks as possible.

d. Evaluating the Quality of a Source

i. Yield Ratios

- 1) A **yield ratio** expresses the percentage of applicants who successfully move from one stage of the recruitment and selection process to the next.
- 2) A high yield ratio (large percentage) means the source is an effective way to find candidates to interview.

ii. Cost Per Hire

- 1) To compute the **cost per hire**, find the cost of using a particular recruitment

source for a particular type of vacancy. They divide that cost by the number of people hired to fill that type of vacancy.

2) A low cost per hire means that the recruitment source is efficient; it delivers qualified candidates at minimal cost.

iii. As recruiting software and social sharing applications evolve, the distinction between use of the various recruiting is becoming increasingly blurred.

6. Recruiter Traits and Behaviours

a. Introduction

i. The ideal recruiter is a **talent magnet** - top recruiters are able to attract talent.

ii. The recruiter affects the nature of both the job vacancy and the applicants generated.

1) However, the recruiter often gets involved late in the recruitment process.

In many cases, by the time a recruiter meets some applicants, they have already made up their minds about what they desire in job, what the vacant job has to offer, and their likelihood of receiving a job offer.

iii. Many applicants approach the recruiter with some skepticism.

iv. When candidates are already familiar with the company through knowing about its products, the recruiter's impact is especially weak.

b. Characteristics of the Recruiter

i. Most organizations have to choose whether their recruiters are specialists in human resources or experts at particular jobs.

1) According to some studies, applicants perceive HR specialists as less credible and are less attracted to jobs when recruiters are HR specialists.

2) It indicates that these specialists need to take extra steps to ensure that applicants perceive them as knowledgeable and credible.

ii. In general, applicants respond positively to recruiters whom they perceive as warm and informative.

1) "Warm" means the recruiter seems to care about the applicant and to be enthusiastic about the applicant about the applicant's potential to contribute to the organization.

2) "Informative" means the recruiter provides the kind of information the applicant is seeking.

iii. The evidence of impact of other characteristics of recruiters - including their age, sex, and race - is complex and inconsistent.

c. Behaviour of the Recruiter

i. Dilemma of the Recruiter

1) Because the recruiter's job is to attract candidates, recruiters may feel pressure to exaggerate the positive qualities of the vacancy and to downplay its negative qualities.

2) Applicants, especially the highest-quality applicants, are highly sensitive to negative information.

3) But if the recruiter goes too far in a positive direction, the candidate can be misled and lured into taking a job that has been misrepresented. Then unmet expectations can contribute to a high turnover rate.

ii. Realistic Job Previews

1) **Realistic job previews** refers to the background information about a job's positive and negative qualities.

2) On the whole, the research suggests that realistic job previews have a weak and inconsistent effect on turnover.

iii. For affecting whether people choose to take a job, but even more so, the whether they stick with a job, the recruiter seems less important than an organization's human resource policies that directly affect the job's features (pay, security, advancement opportunities, and so on).

d. Enhancing the Recruiter's Impact

i. Recruiters should provide timely feedback: applicants dislike delays in feedback, and they may draw negative conclusions about the organization.

ii. Recruiters should avoid offensive behaviour: they should avoid behaving in ways

that might convey the wrong impression about the organization.

- iii. The organization can recruit with teams rather than individual recruiters:
applicants view job experts as more credible than HR specialists, and a team can include both kinds of recruiters. HR specialists on the team provide knowledge about company policies and procedures and ensure the integrity of the process, consistency, and compliance with human rights legislation.

Chapter 4 Summary

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1. Discuss how to plan for the human resources needed to carry out the organization's strategy.

The first step in workforce planning is forecasting. Through trend analysis and good judgement, the planner tries to determine the supply of and demand for various human resources. Based on whether a surplus or a shortage is expected, the planner sets goals and creates a strategy for achieving those goals. The organization then implements its HR strategy and evaluates the results.

2. Determine the demand for and supply of workers in various job categories.

The planner can look at leading indicators, assuming trends will continue in the future. Multiple regression can convert several leading indicators into a single prediction of labour needs and supply available. Analysis of a transitional matrix can help the planner identify which job categories can be filled internally and where high turnover is likely.

3. Summarize the advantages and disadvantages of ways to eliminate a labour surplus and avoid a labour shortage.

To reduce a surplus, downsizing, pay reductions, and demotions delivers fast result but at a high cost in human suffering that may hurt surviving employees' motivation and future recruiting. Also, the organization may lose some of its best employees. Transferring employees, requiring them to share work, a hiring freeze, early - retirement packages, and retraining also have various advantages and disadvantages.

To avoid a labour shortage, requiring overtime is the easiest and fastest strategy, which can easily be changed if conditions change. However, overtime may exhaust workers and can hurt morale. Similarly, using temporary employees, outsourcing, transferring, retraining, hiring new employees, and using technology offer advantages and disadvantages requiring careful consideration.

4. Discuss the steps in the succession planning process.

Succession planning ensures that the organization identifies qualified employees to fill organizational roles that are anticipated to become available in the future. Succession planning focuses on high -potential employees.

5. Discuss aspects of recruiting including employment branding and other recruitment policies organizations use to make job vacancies more attractive.

Internal recruiting (hiring from within) generally makes job vacancies more attractive, because candidates see opportunities for growth and advancement. Lead-the-market pay strategies make jobs economically desirable. Employer branding projects an image of the organization, including its culture and key benefits.

6. Lists and compare sources of job applicants.

Internal sources, promoted through job postings, generate applicants who are familiar to the organization and motivate other employees by demonstrating opportunities for advancement. However, internal sources are usually insufficient for all of an organization's labour needs. Direct applicants and referrals, newspaper and magazine advertising, staffing agencies, and universities and colleges offer advantages and issues to be addressed. Online recruiting gives organizations access to a global labour market, tends to be inexpensive, and allows convenient searching of databases; however, organizations may receive many applications from unqualified applicants. Online recruiting has become increasingly targeted, sophisticated, and likely to incorporate applications of social media.

7. Describe the recruiter's role in the recruitment process, including limits and opportunities.

Through their behaviour and other characteristics, recruiters influence the nature of the job vacancy and the kinds of applicants generated. Applicants tend to perceive job experts as more credible than recruiters how are HR specialists.

Recruiters can improve their impact by providing timely feedback, avoiding behaviour that contributes to a negative impression of the organization, and teaming up with job experts.



Chapter 4 Summary - Spreadsheet

Options for Reducing a Surplus				
Option	Speed of Results	Amount of Suffering Caused		

Options for Reducing a Surplus						
Option	Speed of Results	Amount of Suffering Caused				
Downsizing	Fast	High				
Pay Reduction	Fast	High				
Demotions	Fast	High				
Transfers	Fast	Moderate				
Reducing Hours	Fast	Moderate				
Hiring Freeze	Fast	Moderate				
Natural Attrition	Slow	Low				
Early Retirement	Slow	Low				
Retraining	Slow	Low				
Options for Avoiding a Shortage						
Option Later	Speed of Results	Ability to Change Later				
Overtime	Fast	High				
Temporary Employees	Fast	High				
Outsourcing	Fast	High				
Retrained Transfers	Slow	High				
Turnover reductions	Slow	Moderate				
New External Hires	Slow	Low				
Technological Innovation	Slow	Low				

Chapter 5 Selecting Employees

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1. Data-Driven Hiring
 - a. Hiring by algorithm has been described as the "self check-out of HR" and arguably is not perfect.
 - b. One concern is that some qualified people may be screened out.
2. Importance of Selection
 - a. The organization's decisions about selecting people are central to its ability to survive, adapt, and grow.
 - b. Selection decisions become especially critical when organizations face tight labour markets or must compete for talent with other organizations in the same industry.
3. What Are the Steps in the Selection Process
 - a. The process of selecting employees varies considerably from organization to organization and from job to job.
 - b. At most organizations, however, selection includes the following steps:
 - i. Screening applications and resumes
 - ii. Testing and reviewing work samples
 - iii. Interviewing candidates
 - iv. Checking references and background
 - v. Making a selection
 - c. Automated Selection
 - i. A simple job posting online could generate hundreds of responses in one day, and many employers are coping by automating much of the selection process with an applicant-tracking system.
 - ii. Typically, the system starts by receiving the data provided and matching it against the company's selection criteria, sometimes by keyword.
 - iii. The manager reviews these applications that are left and selects candidates to contact for a telephone or face-to-face interview and/or testing.
 - iv. Critics point out that these automated systems may arbitrarily reject highly qualified people who submit a creatively worded application and/or resume rather than simply mimicking the wording of the job posting.
 - v. Nevertheless, automated systems can make the application process more efficient by speeding up the steps and perhaps allowing applicants to check the status of their applications.
 - d. What organizations should do is to create a selection process in support of its job descriptions and specifications.
 - e. Basic standards for strategic selection approach
 - i. The selection method provides **reliable** information.
 - ii. The method provides **valid** information.
 - iii. The information can be **generalized** to apply to the candidates.
 - iv. The method offers **high utility** (practical value).
 - v. The selection criteria are **legal**.
4. What Are the Criteria for Evaluating Selection Methods
 - a. Reliability
 - i. The **reliability** of a type of measurement indicates how free that measurement is from random error.
 - 1) A reliable measurement therefore generates consistent results.
 - ii. Usually, this information involves statistics such as **correlation coefficients**.
 - 1) These statistics measure the degree to which two sets of numbers are related.
 - 2) A higher correlation coefficient signifies a stronger relationship.
 - b. Validity
 - i. Introduction

- 1) **Validity** describes the extent to which performance on the measure (such as a test score) is related to what the measure is designed to assess (such as job performance).
 - 2) One way to determine whether a measure is valid and is to compare many people's scores on that measure with their job performance.
 - 3) As with reliability, information about the validity of selection methods often uses correlation coefficients.
 - 4) This information is important not only because it helps organization identify the best employees, but also because organizations can ensure that their selection process is fair and objective.
 - 5) Three ways of measuring validity are criterion-related, content, and construct validity.
- ii. Criterion-Related Validity
 - 1) **Criterion-related validity** is a measure of validity based on showing a substantial correlation between test scores and job performance scores.
 - 2) Two kinds of research are possible for arrive at criterion-related validity:
 - a) **Predictive validation**: research that uses the test scores of all applicants and looks for a relationship between the score and future performance of the applicants who were hired.
 - b) **Concurrent validation**: research that consists of administering a test to people who currently hold a job, then comparing their scores to existing measures of job performance.
 - c) Predictive validation is more time-consuming and difficult, but it is the best measure of validity.
 - i) Job applicants tend to be more motivated to do well on the tests, and their performance on the tests is not influenced by their firsthand experience with the job.
 - ii) Also, the group studied is more likely to include people who perform poorly on the test - a necessary ingredient to accurately validate a test.
 - iii. Content Validity
 - 1) **Content validity** is the consistency between the test items or problems and the kinds of situations or problems that occur on the job.
 - 2) The usual basis for deciding that a test has content validity is through expert judgement.
 - a) Experts can rate the test items according to whether they mirror essential functions of the job.
 - b) Because establishing validity is based on the expert's subjective judgement, content validity is most suitable for measuring behaviour that is concrete and observable.
 - iv. Construct Validity
 - 1) **Construct validity** is the consistency between a high score on a test and a high level of a construct such as intelligence or leadership ability, as well as between mastery of this construct and successful performance on the job.
 - 2) Tests that measure a construct usually measure a combination of behaviours thought to be associated with the construct.
 - c. Ability to Generalize
 - i. A test is generalizable if it is also valid in other contexts beyond the context in which the selection method was developed.
 - ii. **Cognitive ability** test, or the test of intelligence and thinking skills, are generalizable across many jobs. However, they are most valid for complex jobs
 - d. Practical Value
 - i. **Utility** is the extent to which the selection method provides economic value greater than its cost.
5. What Are the Legal Standards for Selection?
 - a. The interview needs to be conducted in a way that candidates can be assessed without drawing out information that is not relevant to the job being filled.

- i. The organization may not ask questions on an application form or in an interview that gathers information about prohibited grounds of discrimination, even indirectly.
- ii. Interview notes are made by interviewers to help distinguish among candidates. Even if these notes are only used by the interviewers, they cannot include references to prohibited grounds of discrimination.
- iii. Candidates must provide their consent before a background or reference check can be conducted.
 - 1) Because background and reference checks may unearth information about protected grounds such as age or religious affiliation, or other personal information, human rights commissions recommend that the applicant should first receive a conditional offer.

6. Job Applications and Resumes

a. Applications

- i. Asking each applicant to fill out an employment application is a low-cost way to gather basic data from many applicants.
- ii. It also ensures that the organization has certain standard categories of information, such as mailing address and employment history, for each.
- iii. Areas Included in Applications
 - 1) Contact information: the employee's name, address, phone number, and email address.
 - 2) Work experience: companies the applicant worked for, job titles, and dates of employment
 - 3) Educational background: high school, college, or university attended and diploma(s) or degree(s)
 - 4) Applicant's signature: signature or verification following a statement that the applicant has provided true and complete information.
 - 5) Other areas: the additional information such as specific work experiences, technical skills, certifications, or memberships in professional or trade associations.
 - 6) Date
- iv. The application form should not request information that might violate human rights legislation (like an applicant's birthplace, marital status, or number of children).
- v. By reviewing application forms, HR staff can identify which candidates meet minimum requirements for education and experience. In this way, the applications enable the organization to narrow the pool of candidates to a number it is prepared to test and interview.

b. Resumes

- i. The usual way applicants introduce themselves to a potential employer is by submitting a resume.
- ii. Advantages and Disadvantages
 - 1) Applicants control the content of the information and this type of information is therefore biased in favour of the applicant and may not even be accurate (although this is unethical)
 - a) Some employers today see social media as an alternative source of information that is more relevant or more accurate.
 - 2) However, this inexpensive way to gather information does provide employers with a starting point.
 - a) Organizations typically use resumes as a basis for decide which candidates to investigate further.
- iii. Review of the resume is most valid when the content of the resume is assessed in terms of the elements of a job description and job specification.
- iv. An **applicant tracking system (ATS)** is a software application that streamlines the flow of information between job seekers, HR staff, and hiring managers.
 - 1) As organizations expand their corporate website into interactive career centres, applicant tracking systems provide capabilities including

multilingual support for global locations, generating applicant confirmation letters, pre-screening applications and resumes for education, specific competencies, and experience.

- 2) Applicant tracking systems also support various data handling and report generation requirements associated with hiring employees, for example, storing resumes, tracking candidate sources, and connecting applications to specific hiring manager or job openings.
- 3) Organizations can streamline the process, build relationships with candidates, cut hiring cycle-time, and increase the probability of hiring an available and interested candidate.

c. References

- i. Application forms often ask that applicants provide the names of several references.
 - 1) Applicants provide the names and contact information of former employers or others who can vouch for their abilities and past job performance.
 - 2) In some situations, the applicant may provide letters of reference written by those people.
 - 3) It is then up to the organization to have someone contact the references to gather information or verify the accuracy of the information provided by the applicant.
- ii. References can be a biased source of information.
 - 1) Most applicants are careful to choose references who will say something positive.
 - 2) In addition, former employers and others may be afraid that if they express negative opinions, they will be sued.
- iii. Usually the organization checks references after it has determined that the applicant is a finalist for the job.
 - 1) Questions asked in reference checks need to adhere to the same requirements as applications and interviews.
- iv. **Negligent hiring** refers to a situation where an employer may be found liable for harm an employee causes to others, the employer may be found to have known or should have known that an employee might cause harm to others in the workplace.
- v. If the person who is a reference gives negative information, there is chance the candidate will claim **defamation**, meaning the person damaged the applicant's reputation by making statement about a candidate, and the new employer later learns of misdeeds such as sexual misconduct or workplace violence, the new employer might sue the former employer for **misrepresentation**.
 - 1) Because such situations occasionally arise, often with much publicity, people who give references tend to give as little information as possible.
 - 2) Most organizations have policies that the human resource department will handle all requests for references and that they will only verify employment dates and sometimes the employee's final salary.
 - 3) In organizations without such a policy, HR professionals should be careful - and train managers to be careful - to stick to observable, job-related behaviours and to avoid broad opinions that may be misinterpreted.
 - 4) A no recommending employees on LinkedIn' clause in a social media policy is helpful. It provides an ideal excuse when denying an employee that request and, hopefully, avoids causing offence.
- vi. An HR manager may be in the interesting position of declining to give an elaborate reference for any employee who intends to leave her organization, yet demand one for a person she wishes to hire.

d. Background Check

- i. A background check is a way to verify that applicants are as they represent themselves to be.
- ii. Companies like BackCheck specialize in pre-employment background checks such as criminal record checks, credit inquiries, education verifications, employment

verifications, identity cross-checks, and reference checks.

- iii. Applicants using complex and high-tech means to fraudulently impress employers also fuels this the growing use of background checks.
- iv. Before performing a background check, employers need to keep in mind they need to get consent from the candidate.
 - 1) Conducting a background check after extending a contingent job offer can help to protect the potential employer from a discrimination claim if the applicant is not hired.
 - 2) Consent is also needed to comply with privacy legislation.
 - 3) Employers also need to tread carefully when it comes to social media checks or random background using search engines and/or social media.

7. Employment Tests and Work Samples

a. Introduction

- i. When the organization has identified candidates whose applications or resume indicate that they meet basic requirements, the organization continues the selection process with this narrower pool of candidates. The next step is to gather objective data through one or more employment tests.
- ii. All employment tests fall into two broad categories:
 - 1) **Aptitude tests** assess how well a person can learn or acquire skills and abilities.
 - a) General Aptitude Test Battery (GATB) is the best known aptitude test.
 - b) The Public Service Commission of Canada also provides other employment-related tests such as the Administrative Support: the Office Skills Test (OST), which assess the individual's aptitude for following directions, filing, arithmetic, checking, and vocabulary.
 - 2) **Achievement tests** measure a person's existing knowledge and skills.
- iii. Before using any test, organizations should investigate the test's validity and reliability.

b. Physical Ability Tests

- i. Physical strength and endurance play less of a role in the modern workplace than in the past, thanks to the use of automation and current technology.
 - 1) Even so, many jobs still require certain physical abilities or psychomotor abilities (those connecting brain and body, as in the case of eye-hand coordination).
 - 2) When these abilities are essential to job performance or avoidance of injury, the organization may use physical ability tests.
 - 3) These evaluate one or more of the following areas of physical ability: muscular tension, muscular power, muscular endurance, cardiovascular endurance, flexibility, balance, and coordination.
- ii. Although these tests can accurately predict success at certain kinds of jobs, they also tend to exclude women and people with disabilities.
 - 1) As a result, use of physical ability test can make the organization vulnerable to human rights complaints.
 - 2) It is therefore important to be certain that the abilities tested for really are essential to job performance or that the absence of these abilities does create a safety hazard.

c. Cognitive Ability Tests

- i. **Cognitive ability test** - sometimes called intelligence tests - are designed to measure such mental abilities as verbal skills (skills in using written and spoken language), quantitative skills (skills in working with numbers), and reasoning ability (skills in thinking through the answer to a problem).
- ii. The Public Service Commission of Canada uses the General Competency Test Level 1 to measure thinking skills (understanding written material, solving numerical problems, and drawing logical conclusions) for administrative support position selection decisions.
 - 1) The GCT2 is used to assess general cognitive abilities required for officer-level positions.

- iii. Many reliable tests are commercially available.
- iv. The tests are especially valid for complex jobs and for those requiring adaptability in changing circumstances.
- d. Job Performance Tests and Work Samples
 - i. To evaluate candidates for jobs that require candidates who excel at performing specialized tasks, the organization may administer tests of the necessary skills.
 - 1) Sometimes the candidates take tests that involve a sample of work, or they may show existing samples of their work.
 - ii. An **in-basket test** measures the ability to juggle a variety of demands, as in a manager's job.
 - 1) The candidate is presented with simulated emails and messages describing the kinds of problems that confront a person in the job.
 - 2) The candidate has to decide how to respond to these messages, and in what order.
 - iii. Tests for selecting managers may take the form of an **assessment center** - a wide variety of specific selection programs that use multiple selection methods to rate applicants or job incumbents on their management potential.
 - 1) An assessment centre typically includes in-basket tests, tests of more general abilities, and personality tests.
 - 2) Combining several assessment methods increases the validity of this approach.
 - iv. Advantages
 - 1) Job performance tests have the advantage of giving applicants a chance to show what they can do, which leads them to feel that the evaluation was fair.
 - 2) The tests are also job-specific - that is, tailored to the kind of work done in a specific job. So they have a high level of validity, especially when combined with cognitive ability tests and highly structured interview.
 - v. Disadvantages
 - 1) The tests are more appropriate for identifying candidates who are generally able to solve the problems associated with a job, rather than for identifying which specific skills or traits the individual possesses.
 - 2) Developing different tests for different jobs can become expensive.
 - a) One way to save money is to prepare computerized tests that can be delivered online to various locations.
- e. Personality Inventories
 - i. Five Major Personality Dimensions Measured by Personality Inventories
 - 1) Extroversion: sociable, gregarious, assertive, talkative, expressive
 - 2) Adjustment: emotionally stable, non-depressed, secure, content
 - 3) Agreeableness: courteous, trusting, good-natured, tolerant, cooperative, forgiving
 - 4) Conscientiousness: dependable, organized, persevering, thorough, achievement-oriented
 - 5) Inquisitiveness: curious, imaginative, artistically sensitive, broadminded, playful
 - ii. The usual way to identify a candidate's personality traits is to administer one of the personality tests that are commercially available.
 - 1) Administering commercially available personality tests is simple, and these tests should be able to demonstrate they do not violate human rights requirements.
 - 2) On the downside, compared with intelligence tests, people are better at "faking" their answers to a personality test to score higher on desirable traits.
 - iii. Why Use Personality Tests
 - 1) One reason is organizations' greater use of teamwork, where personality conflicts can be a significant problem. Traits such as agreeableness and conscientiousness have been associated with effective teamwork.

- 2) In addition, an organization might try to select team members with similar traits and values in order to promote a strong culture where people work together harmoniously, or they instead might look for a diversity of personalities and values as a way to promote debate and creativity.
- f. Honesty Test
- i. Some organizations are satisfied to assess employees' honesty and safe behaviour on the basis of judgements from reference checks and interviews. Others investigate these characteristics more directly through the use of tests.
 - ii. The most famous kind of honesty test is the polygraph, the so-called "lie detector" test.
 - iii. As a result of controversies associated with the use of polygraph tests, testing services has developed paper- and-pencil honesty (or integrity) tests.
 - 1) Generally these tests ask applicants directly about their attitudes toward honesty and integrity and their own experiences in situations inside and outside work.
- g. Alcohol, and Drug Tests
- i. As concern about substance abuse and the harmful impact of alcohol and drugs on employee safety and performance have grown, so has the use of alcohol and drug testing.
 - 1) As a measure of a person's past exposure to drugs, chemical testing has high reliability and validity.
 - ii. However, these tests are controversial for several reasons.
 - 1) Some people are concerned that they invade individuals' privacy.
 - 2) Others object from a legal perspective.
 - 3) Although breath analyzer tests can measure how much alcohol has been consumed and the person's level of impairment, current drug tests cannot measure impairment or assess if an employee is capable of performing the job.
 - iii. Employers considering the use of drug or alcohol tests should ensure that their testing programs conform to the drug and alcohol testing policy outlined in their relevant human rights legislation.
 - 1) The Canadian Human Rights Act prohibits discrimination related to a disability, and dependence on drugs or alcohol is considered a disability that must be accommodated to the point of undue hardship.
 - 2) Testing for alcohol or drugs as a form of medical examination and pre-employment drug or alcohol testing is permitted only in limited circumstances.
- h. Medical Examinations
- i. Reasons to Use Medical Examinations
 - 1) Especially for physically demanding jobs, organizations may wish to conduct medical examinations to see that the applicant can meet the job's requirements.
 - 2) Employers may also wish to establish an employee's physical condition at the beginning of employment, so that there is a basis for measuring whether the employee has suffered a work-related disability later on.
 - ii. Restrictions
 - 1) Organizations may not discriminate against individuals with disabilities who could perform a job with reasonable accommodations.
 - 2) And they may not use a measure of physical ability that discriminates against women, older workers, etc., unless those requirements are valid in predicting the ability to perform a job.
 - 3) Medical exams must be related to job requirements and may not be given until the candidate has received a conditional job offer.
 - iii. Organizations make selection decisions first, then conduct the exams to confirm that the employee can handle the job, with any reasonable accommodations required.
 - 1) Limiting the use of medical exams in this way also holds down the cost of

what tends to be an expensive process.

8. Interviews

a. Interviewing Techniques

i. Nondirective Interview:

- 1) **Nondirective interview** is a selection interview in which the interviewer has great discretion in choosing questions to ask each candidate.
- 2) Non-directive interviews typically include open-ended questions about the candidates' strengths, weaknesses, career goals, and work experience.
- 3) Because these interviews give the interviewer wide latitude, their reliability is not great and some interviewers ask questions that are not valid or even legal.

ii. Structured Interview:

- 1) **Structured interview** is a selection interview that consists of a predetermined set of questions for the interview to ask.
- 2) The questions are related to job requirements and cover relevant knowledge, skills, and experiences.
- 3) Although interviewers may object to being restricted, the results may be more valid and reliable than with a nondirective interview.

iii. Situational Interview:

- 1) **Situational interview** is a structured interview in which the interviewer describes a situation likely to arise on the job, then asks the candidate what he or she would do in that situation.
- 2) This type of interview may have high validity in predicting job performance.

iv. Behavioural Interview:

- 1) **Behavioural interview** is a situational interview in which the interviewers asks the candidates to describe how he or she handled a type of situation in the past.
- 2) Questions about the candidates' actual experiences tend to have the highest validity.

v. Panel Interview:

- 1) **Panel interview** is a selection interview in which several members of the organization meet to interview each candidate.
- 2) Benefits
 - a) A panel interview gives the candidate a chance to meet more people and see how people interact in that organization.
 - b) It provides the organization with the judgements of more than one person, to reduce the effects of personal biases in selection decisions.
- 3) Panel interviews can be especially appropriate in organizations that use teamwork.

vi. Computerised Interview:

- 1) The candidate enters replies to the questions interactively and results are submitted electronically.
- 2) Such a format eliminates a lot of personal bias - along with the opportunity to see how people interact.
- 3) Therefore, electronic interviews are useful for gathering objective data, rather than assessing people skills.

b. Advantages and Disadvantages of Interviewing

i. Advantages

- 1) Talking face to face can provide evidence of communication skills and interpersonal skills.
- 2) Interviews can give insights into candidates' personalities and interpersonal styles.
- 3) They are more valid, however, when they focus on job knowledge and skill.
- 4) Interviews also provide a means to check the accuracy of information on the applicant's resume or job application.

ii. Disadvantages

- 1) Interviews can be unreliable, low in validity, and biased against a number of

- different groups.
- 2) Interviews are also costly, because they require that at least one person devote time to interviewing each candidate, and the applicants typically have to be brought to one geographic location.
- 3) Interviews are also subjective, so they place the organization at greater risk of discrimination complaints by applicants who were not hired, especially if those individuals were asked questions not entirely related to the job.
- iii. How to Avoid Pitfalls
 - 1) Human resources staff should keep the interviews focused, structured, and standardized.
 - 2) The interview should focus on accomplishing a few goals, so that at the end of the interview, the organization has ratings on several observable measures, such as ability to express ideas.
 - a) The situational and behavioural interviews are especially effective for doing this.
 - b) The interview should not try to measure abilities and skills - for example intelligence - that tests can measure better.
 - 3) Organizations can prevent problems related to subjectivity by training interviewers and using more than one person to conduct interviews.
 - a) Training typically includes focusing on the recording of observable facts, rather than on making subjective judgements, as well as developing interviewers' awareness of their biases.
 - 4) To address costs of interviewing, some organizations videotape interviews or use applications with video chat capabilities e.g., Skype.
- c. Preparing to Interview
 - i. A well-planned interview should be standardized, comfortable for the participants, and focused on the job and the organization.
 - 1) The interviewers should have a quiet place in which to conduct interviews without interruption.
 - 2) This person should be trained in how to ask objective questions, what subject matter to avoid, and how to detect and handle his or her own personal biases or other distractions in order to fairly evaluate candidates.
 - ii. The interviewer should have enough documents to conduct a complete interview.
 - 1) These should include a list of the questions to be asked in a structured interview, with plenty of space for recording the responses.
 - a) When the questions are prepared, it is also helpful to determine how the answers will be assessed.
 - 2) The interviewees also should have a copy of the interviewee's employment application and resume, to review before the interview and refer to during the interview.
 - 3) If possible, the interviewer should also have information on-hand about the organization and the job.
 - iii. The interviewer should schedule enough time to review the job requirements, discuss the interview questions, and give the interviewee a chance to ask questions.
 - 1) To close, the interviewer should thank the candidate for coming and providing information about what to expect.
- 9. Selection Decisions
 - a. How Organizations Select Employees
 - i. The people making the selection decision should look for the best fit between candidate and position.
 - 1) In general, the person's performance will result from a combination of ability and motivation.
 - 2) The decision makers therefore have to decide which of those people have the best combination of ability and motivation to fit in the position and in the organization.
 - ii. **Multiple-hurdle model** is the process of arriving at a selection decision by

- eliminating some candidates at each stage of the selection process.
- iii. **Compensatory model** is the process of arriving at a selection decision in which a very high score on one type of assessment can make up for a low score on another.
 - 1) This is more expensive because they take most applicants through all steps of the process and then to review all the scores to find the most desirable candidates.
 - iv. Criteria for Choosing Among Qualified Candidates
 - 1) A obvious strategy is to select the candidates who score highest on tests and interviews.
 - a) However, employee performance depends on motivation as well as ability. It is possible that a candidate who score very high on an ability test might be "overqualified", that is, the employee might be bored by the job the organization needs to fill, and a less-able employee might be a better fit.
 - 2) A highly motivated person might learn some kinds of jobs very quickly, potentially outperforming someone who has the necessary skills.
 - 3) Some organizations have policies of developing employees for career paths in the organization.
 - a) Such organizations might put less emphasis on the skills needed for a particular job and more emphasis on hiring candidates who share the organization's values, show that they have the people skills to work with others in the organization, and are able to learn the skills needed for advancement.
 - v. Who to make the Decision
 - 1) Sometimes the immediate supervisor or manager makes the final decision, often alone.
 - a) This person may couple knowledge of the of the job with judgement about who fill fit in best with others in the department.
 - 2) The decision could also be made by a human resource professional using standardized, objective criteria.
 - 3) Especially in organization that value teamwork, selection decisions may be made by a work team or other panel of decision makers.
 - 4) A **hiring algorithm** is a mathematical model that predicts which job candidates are most likely to be high-performers after being hired.
 - a) The use of this type of predictive model is intended to improve the quality of hiring decisions by reducing the human errors associated with biases and other perceptual distortions.
 - vi. Timing of the Decision
 - 1) Often the best candidate is lost in the process if the hiring manager takes too long to make a decision or if there is too much back-and-forth between the hiring manager and HR.
- b. Communicating the Decision
- i. When a candidate has been selected, the organization should communicate the offer to the candidate.
 - 1) The offer should include the job responsibilities, work schedule, rate of pay, starting date, and other relevant details.
 - 2) If placement in a job requires that the applicant complete a medical examination, the offer should state that contingency.
 - 3) The person communicating the offer should also indicate a date by which the candidate should reply with an acceptance or rejection of the offer.
 - 4) For some jobs, such as management and professional positions, the candidate and organization may negotiate pay, benefits, and work arrangement before they arrive at a final employment agreement.
 - ii. The person who communicates this decision should keep accurate records of who was contacted, when, and for which position, as well as of the candidate's reply.
 - 1) When an applicant accepts a job offer, the HR department must notify the

supervisor, so that he or she can be prepared for the new employee's arrival.

Chapter 5 Summary

September 29, 2017 8:41 PM

1. Identify the elements of the selection process

Selection typically begins with a review of candidates' employment applications and resumes. The organization administers tests to candidates who meet requirements, and qualified candidates undergo one or more interviews. Organizations check references and conduct background checks to verify the accuracy of information provided by candidates. A candidate is selected to fill each vacant position. Candidates who accept offers are placed in the positions for which they were selected.

2. Define ways to measure the success of a selection method.

One criterion is reliability, which indicates the method is free from random error, so that measurements are consistent. A selection method should also be valid, meaning that performance on the measure (such as test score) is related to what the measure is designed to assess (such as job performance). A selection method also should be generalizable, so that it applies to more than one specific situation. Each selection method should have utility, meaning it provides economic value greater than its cost. Finally, selection methods should meet the legal requirements for employment decisions.

3. Summarize the legal requirements for employee selection.

The selection process must comply with human rights and privacy legislation and be conducted in a fair and consistent manner. Selection method must be valid for job performance. Questions may not gather information about prohibited grounds. Employers must respect employees' privacy rights and obtain consent before conducting background checks.

4. Compare the common methods used for selecting human resource.

Nearly all organizations gather information through employment applications and resumes. These methods are inexpensive, and job applications standardize basic information received from all applicants. The information is not necessarily reliable, because each applicant provides the information. References and background checks help to verify the accuracy of the information. Employment tests and work samples are more objective. To be legal, a test must measure abilities that actually are associated with successful job performance. Tests should be selected to be related to successful job performance and avoid human rights violations.

Interviews are widely used to obtain information about a candidate's interpersonal and communication skills and to gather more detailed information about a candidate's background. Structured interviews are more valid than unstructured ones. Situational and behavioural interviews provide greater validity than general questions. Interviews are costly and may introduce bias into the selection process. Organizations can minimize the drawbacks through preparation and training.

5. Describe the major types of employment tests.

Physical ability tests measure strength, endurance, psychomotor abilities, and other physical abilities. They can be accurate but can discriminate and are not always job-related.

Cognitive ability tests, or intelligence tests, tend to be valid, especially for complex jobs and those requiring adaptability.

Job performance tests tend to be valid but are not always generalizable.

Personality tests measure personality traits such as extroversion and adjustment.

Organizations may use honesty tests as well as pre-employment drug tests in some circumstances, e.g., for safety-sensitive jobs.

A medical examination may be a condition of employment, but to avoid discrimination against persons with disabilities, organizations usually administer a medical exam only after making a conditional job offer.

6. Describe how to conduct effective interviews

Interviews should be focused, structured, and standardized. Interviewers should identify job requirements and create a list of questions related to the requirements. Interviewers should be trained to recognize their own personal bias and conduct objective interviews. Panel interviews can reduce problems related to interviewer bias. Interviewers also should be prepared to provide the information about the job and the organization.

7. Explain how employers carry out the process of making a selection decisions

The organization should focus on the objective of finding the person who will be the best fit with the job and organization. Decision makers may use a multiple-hurdle model, in which each stage of the selection process eliminates some of the candidates from consideration at the following stages. An alternative is a compensatory model, in which all candidates are evaluated with all methods. A candidate who score poorly with one method may be selected if he or she scores very high on another measure.

Chapter 6 Training, Learning, and Development

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1. Introduction

- a. **Learning** refers to "an activity or process of gaining knowledge or skills by studying, practising, being taught, or experiencing something" and is enabled through an organization's training and development efforts.
- b. **Training** consists of an organization's planned efforts to help employees acquire job-related knowledge, skills, abilities, and behaviours, with the goal of applying these on the job.
 - i. A training program may range from formal classes to one-on-one mentoring, and it may take place on the job or at remote locations.
 - ii. No matter what its form, training can benefit the organization when it is linked to organizational needs and when it motivates employees.
- c. **Employee development** is the combination of formal education, job experiences, relationships, and assessment of personality and abilities to help employee prepare for the future of their careers.
 - i. Human resource management establishes a process for employee development that prepares employees to help the organization meet its goals.

2. Training, Learning, and Development Linked to Organizational Needs and Strategy

- a. **Instructional design** is a process of systematically developing training to meet specified needs.
- b. Steps in a Complete Instructional Design Process
 - i. Assess needs for training (what the organization requires that its people learn)
 - ii. Ensure readiness for training
 - 1) Attitudes
 - 2) Motivation
 - 3) Basic skills
 - 4) Work environment
 - iii. Plan training program
 - 1) Objectives
 - 2) Trainers
 - 3) Methods
 - iv. Implement training program
 - 1) Principle of learning
 - 2) Transfer of training
 - v. Evaluate results of training
- c. To carry out the instructional design process more effectively and efficiently, a growing number of organizations are using a **learning management system (LMS)**, a computer application that automates the administration, development, and delivery of a company's training programs.
- d. Benefits of LMS
 - i. Managers and employees can use the LMS to identify training and development needs and enrol in courses.
 - ii. LMS can make learning programs more widely available and help companies reduce travel and other costs by providing online training.
 - iii. Administrative tools let managers track course enrolments and program completion.
 - iv. The system can be linked to the organization's performance management system, competency models, and other talent development resources in order to plan for and manage training needs, training outcomes, and associated rewards.

3. What Is Needs Assessment

- a. Definitions
 - i. **Needs assessment** is the process of evaluating the organization, individual employees, and employees' tasks to determine what kinds of training, if any, are necessary.

- ii. Questions to answer in the assessment
 - 1) Organization - what is the context in which training will occur
 - 2) Person - who needs training
 - 3) Task - what topics should the training cover
 - iii. What issues can prompt needs assessment
 - 1) Employees are performing below expectations or lack basic skills.
 - 2) Decisions to produce new products, apply new technology, or design new jobs.
 - 3) Outside forces such as customer request or legal requirements
 - iv. The outcome of the needs assessment is a set of decisions about how to address the issues that prompted the needs assessment.
 - 1) These decisions do not necessarily include a training program, because some issues should be resolved through methods other than training - for example, plans for better rewards to improve motivation, better hiring decisions, and better safety precautions.
- b. Organization Analysis
- i. The **organization analysis** is a process for determining the appropriateness of training by evaluating the characteristics of the organization.
 - ii. The organization analysis looks at training needs in light of the organization's strategy, resources available for training, and management's support for training activities.
 - 1) Strategy - Training needs will vary depending on whether the organization's strategy is based on growing or shrinking its workforce, whether it is seeking to serve a broad customer base or focusing on the specific needs of a narrow market segment, and various other strategic scenarios.
 - 2) Resources available for training - Anyone planning a training program must consider whether the organization has the budget, time, and expertise for training.
 - 3) Management's support for training activities - Managers increase the success of training when they support it through such actions as helping trainees see how they can use their newly learned knowledge, skills, and behaviours on the job.
 - a) Conversely, the managers will be most likely to support training if the people planning it can show that it will solve a significant problem or result in a significant improvement, relative to its cost.
 - b) Managers appreciate training proposals with specific goals, timetables, budgets, and methods for measuring success.
- c. Person Analysis
- i. The **person analysis** is a process for determining individuals' needs and readiness for learning.
 - ii. Questions to answer in the analysis
 - 1) Do performance deficiencies result from a lack of knowledge, skill, or ability? (if so, training is appropriate; if not, other solutions are more relevant)
 - 2) Who needs training?
 - 3) Are these employees ready?
 - iii. The person analysis is therefore critical when training is considered in response to a performance issue.
 - 1) In assessing the need for training, the manager should identify all the variables that can influence performance.
 - 2) The primary variables are the person's ability and skills, his or her mindset and motivation, the organization's input (including clear directions, necessary resources, and freedom from interference and distractions), performance feedback, and positive consequences to motivate good performance.
 - iv. The person analysis also should determine whether employees are ready to undergo training.

- 1) The employees to receive training not only should require additional knowledge and skill, but must be willing and able to learn.
- d. Tasks Analysis
 - i. **Tasks analysis** is the process of identifying the tasks, knowledge, skills, and behaviours that training should emphasize.
 - 1) Usually task analysis is conducted along with person analysis.
 - 2) Understanding shortcomings in performance usually requires knowledge about the tasks and work environment as well as the employee.
 - ii. To carry out the task analysis, the HR professional looks at the conditions in which tasks are performed.
 - 1) These conditions include the equipment and environment of the job, time constraints (e.g., deadlines), safety considerations, and performance standards.
 - iii. How to determine which tasks to focus
 - 1) For a selected job, the analyst interviews employees and their supervisors to prepare a list of tasks performed in that job.
 - 2) Then the analyst validates the list by showing it to employees, supervisors, and other subject-matter experts and asking them to complete a questionnaire about the importance, frequency, and difficulty of the tasks.
4. Readiness for Learning
 - a. Definitions
 - i. **Readiness for learning** is a combination of employee characteristics and positive work environment that permit learning.
 - ii. It exists when employees are able and eager to learn and their organizations encourage learning.
 - b. Employee Readiness Characteristics
 - i. To be ready to learn, employees need basic learning skills.
 - 1) The often most important learning skill, cognitive ability includes being able to use written and spoken languages, solve math problems, and use logic to solve problems.
 - 2) However, recent forecasts of the skill levels of the workforce indicate that many companies will have to work with employees who lack basic skills.
 - ii. Employees learn more from training programs when they are highly motivated to learn - that is, when they really want to learn the content of the training program.
 - 1) Employees tend to feel this way if they believe they are able to learn, see potential benefits from the training program, are aware of their need to learn, see a fit between the training and their career goals, and have the basic skills needed for participating in the program.
 - 2) Managers can influence a ready attitude in a variety of ways.
 - a) Provide feedback that encourages employees
 - b) Establish rewards for learning
 - c) Communicate with employees about the organization's career paths and future needs.
 - c. Work Environment
 - i. Readiness also depends on two broad characteristics of the work environment: situational constraints and social support.
 - ii. **Situational constraints** are the limits on training's effectiveness that arise from the situation or the conditions within the organization.
 - 1) Constraints can include a lack of money for training, lack of time for training or practising, and failure to provide proper tools and materials for learning or applying the lessons of training.
 - iii. **Social support** refers to the ways the organization's people encourage training, including giving trainees positive feedback and encouragement, sharing information about participating in training programs, and expressing positive attitudes toward the organization's training programs.
 - 1) Support can come from employees' peers.
 - a) Readiness for learning is greater in an organization where employees

share knowledge, encourage one another to learn, and have a positive attitude about carrying the extra load when co-workers are attending classes.

- 2) The organization can also formally provide peer support by establishing **communities of practice** - groups of employees who work together, learn from each other, and develop a common understanding of how to get work accomplished.
- 3) Organizations can also assign experienced employees as mentor to trainees, providing advice and support.

5. How to Plan and Design the Training Program

a. Introduction

- i. Planning begins with establishing objectives for the training program.
- ii. Based on those objectives, the planner (usually a specialist in the HR department) decides who will provide the training, what topics the training will cover, what training methods to use, and how to evaluate the training.

b. Objectives of the Program

- i. Benefits of formally establishing objectives
 - 1) A training program based on a clear objectives will be more focused and more likely to succeed.
 - 2) Employees learn best when they know what the training is supposed to accomplish.
 - 3) Establishing objectives provide a basis for measuring whether the program succeeded.
- ii. Components of effective training objectives
 - 1) They include a statement of what the employee is expected to do, the quality or level of performance that is acceptable, and the condition under which the employee is to apply what he or she learned (for instance, physical conditions, mental stresses, or equipment failures)
 - 2) They include performance standards that are measurable.
 - 3) They identify the resources needed to carry out the desired performance or outcome. Successful training requires employees to learn and also employers to provide the necessary resources.

iii. Who to participate in the training

- 1) Some training programs are developed for all employees of the organization or all members of a team.
- 2) Other training programs identify individuals who lack required skills or have potential to be promoted, then provide training in the areas of need that are identified for the particular employees.
- 3) When deciding whom to include in training, the organization has to avoid illegal discrimination.
- 4) In addition, the training program should provide accommodation for trainees with disabilities.

c. In-house or Contracted Out

i. Process of contracting out

- 1) To select a training service, an organization can send several vendors a **request for proposal (RFP)**, a document outlining the type of service needed, the type and number of references needed, the number of employees to be trained, the date by which the training is to be completed, and the date by which the proposal should be received.
 - a) A complete RFP also indicates funding for the project and the process by which the organization will determine its level of satisfaction.
 - b) Putting together a request for proposal is time-consuming, but worthwhile because it helps the organization clarify its objectives, compare vendors, and measure results.
- 2) Vendors that believe they are able to provide the services outlined in the RFP submit proposals that provide the types of information requested.
- 3) The organization reviews the proposals to eliminate any vendors that do not

- meet requirements and to compare the vendors that do qualify.
 - a) They check references and select a candidate, based on the proposal and the vendor's answer to questions about its experience, work samples, and evidence that its training programs meet objectives.
 - ii. The cost of purchasing training from a contractor can vary substantially.
 - 1) In general, it is much costlier to purchase specialized training tailored to the organization's requirements than to participate in a seminar or training course that teaches general skills or knowledge.
 - iii. Even in organizations that send employees to outside training programs, someone in the organization may be responsible for coordinating the overall training programs.
 - 1) Called **training administration**, this is typically the responsibility of a human resources professional.
 - 2) Training administration includes activities before, during, and after training sessions.
- 6. What Training Methods Are Available
 - a. Introduction
 - i. Training methods fall into three broad categories of presentation, hands-on, and group-building methods.
 - 1) Presentation methods - learners receive information provided by others
 - a) Techniques: lectures, workbooks, video clips, podcasts, websites
 - b) Applications: conveying facts or comparing alternatives
 - 2) Hands-on methods - learners are actively involved in trying out skills
 - a) Techniques: lectures, workbooks, video clips, podcasts, websites
 - b) Applications: teaching specific skills; showing how skills are related to job or how to handle interpersonal issues.
 - 3) Group-building methods - learners share ideas and experiences, build group identities, learn about interpersonal relationships and the group
 - a) Techniques: group discussions, experiential programs, team training
 - b) Applications: establishing teams or work groups; managing performance of teams or work groups
 - ii. Training programs may use these methods alone or in combination.
 - iii. In general, the methods used should be suitable for the course content and the learning abilities of the participants.
 - b. Classroom Instruction
 - i. Class instruction typically involves an instructor leading a group.
 - 1) Instructors often use slides, discussions, case studies, question-and-answer sessions, and role playing.
 - 2) Actively involving trainees enhances learning.
 - ii. When the course objectives call for presenting information on a specific topic to many trainees, classroom instruction is one of the least expensive and least time-consuming ways to accomplish that goal.
 - 1) Learning will be more effective if trainers enhance lectures with job-related examples and opportunities for hands-on learning.
 - iii. With **distance learning**, learners at different locations attend programs online, using their computers to view lectures, participate in discussions, and share documents.
 - 1) Technology applications in distance learning may include videoconferencing, email, instant messaging, document-sharing software, and web cameras.
 - 2) Distance learning provides many of the benefits of classroom training without the cost and time of travel to a shared location.
 - 3) The major disadvantage of distance learning is that interaction between the instructor and audience may be limited.
 - c. Audiovisual Training
 - i. Learners can also work independently, using course material in workbooks, on DVDs, or on the Internet.
 - ii. Audiovisual techniques such as PowerPoint, Prezi, or other presentation software,

and video or audio clips can also supplement classroom instructions.

iii. Advantages of Audiovisual Training

- 1) Users of audiovisual training often have some control over the presentation. They can review material and may be able to slow down or speed up the lesson.
- 2) Videos can show situations and equipment that cannot be easily demonstrated in a classroom.
- 3) They give learners a consistent presentation, not affected by an individual trainer's goals and skills.

iv. Disadvantages of Audiovisual Training

- 1) The problem associated with these methods may include trying to present too much material, poorly written dialogue, overuse of features such as humour or music, and drama that distracts the key points.

v. A well-written and carefully produced video can overcome such problems.

d. Computer-based Training

i. With computer-based training, participants receive course materials and instruction distributed over the Internet or on a storage device such as a USB memory stick.

- 1) Often, these materials are interactive, so participants can answer questions and try out techniques, with course materials adjusted according to participants' responses.
- 2) Online training programs may allow trainees to submit questions and to participate in online discussions.

ii. Multimedia capabilities enable computers to provide sounds, images, and video presentations, along with text.

- 1) Computer-based training is generally less expensive than putting an instructor in a classroom of trainees.

iii. **E-learning** involves receiving training via the Internet or the organization's intranet, typically through some combination of web-based training modules, distance learning, and virtual classrooms.

- 1) The best e-learning combines the advantages of the Internet with the principles of a good learning environment.
- 2) It takes advantage of the Web's dynamic nature and ability to use many positive learning features, including hyperlinks to other training sites and content, control by the learner, and ability for learners to collaborate.

iv. **Electronic performance support systems (EPSSs)** are computer applications that provide access to skills training, information, and expert advice when a problem occurs on the job.

- 1) Employees needing guidance can use the EPSS to look up the particular information they need, such as detailed instructions on how to perform an unfamiliar task.
- 2) Using an EPSS is faster and more relevant than attending classes, even classes offered online.

e. On-The-Job Training

i. Definition

- 1) **On-the-job training (OJT)** refers to training methods in which a person with job experience and skill guides trainees in practising job skills at the workplace.

ii. Types of OJT

1) Apprenticeship

- a) An **apprenticeship** is a work-study training method that teaches job skills through a combination of on-the-job training and classroom training.
- b) The OJT component of an apprenticeship involves the apprentice assisting a certified journeyman in the work place.
- c) Typically, the technical training is provided by polytechnics, local trade schools, high schools, community colleges, or other technical

institutes.

- i) On average, 85 percent of the apprentice's two-to-five year training is spent in the workplace, the rest is spent at a training institution.
 - d) Some apprenticeship programs are sponsored by individual companies, others by employee unions.
 - e) Apprenticeship programs are usually administered by provincial and territorial government departments with support from advisory bodies such as apprenticeship and certification boards.
 - i) To provide greater mobility across Canada for skilled workers, apprentices who have completed their training and certified journeypersons are able to obtain a "Red Seal" endorsement after completing an interprovincial standards exam that allows them to practise their trade anywhere in Canada.
 - f) Benefits
 - i) For trainees, a major advantage of apprenticeship is the ability to earn an income while learning a trade.
 - ii) Training through an apprenticeship is usually effective because it involves hands-on learning and extensive practise.
- 2) Internship
 - a) An **internship** is on-the-job learning sponsored by an educational institution as a component of an academic program.
 - b) The sponsoring school works with local employers to place students in positions where they can gain experience related to their area of study.
- 3) Cooperative Education
 - a) **Cooperative education** is a plan of higher education that incorporates paid work experience as an important component of academic studies.
 - b) Cooperative education is being readily accepted by government, business, and industry in Canada and throughout the world.
- iii. Characteristics of an effective OJT program
 - 1) The organization should issue a policy statement describing the purpose of OJT and emphasizing the organization's support for it.
 - 2) The organization should specify who is accountable for conducting OJT. This accountability should be included in the relevant job descriptions.
 - 3) The organization should review OJT practices at companies in similar industries.
 - 4) Managers and peers should be trained in OJT principles.
 - 5) Employees who conduct OJT should have access to lesson plans, checklists, procedure manuals, training manuals, learning contracts, and progress report forms.
 - 6) Before conducting OJT with an employee, the organization should assess the employees' level of basic skills.
- f. Simulations
 - i. Definitions
 - 1) A **simulation** is a training method that represents a real-life situation, with learners making decisions resulting in outcomes that mirror what would happen on the job.
 - 2) Simulations enable learners to see the impact of their decisions in an artificial, risk-free environment.
 - ii. Advantages and Disadvantages
 - 1) Disadvantage:
 - a) Simulators are expensive to develop and need constant updating as new information about the work environment becomes available, because simulators must have elements identical to those found in the work environment and need to respond exactly as equipment

would under the conditions and response given by the learner.

2) Advantages

- a) They are excellent training method when the risks of a mistake on the job are great. Learners do not have to be afraid of the impact of bad decisions when using the simulator, as they would be with on-the-job training.
- b) Learners tend to be enthusiastic about this type of training and to learn quickly because the lessons are generally related very closely to job performance.

iii. Two methods to enhance

- 1) When simulators are conducted online, trainees often participate by creating **avatars**, or computer depiction of themselves, which they manipulate on screen to play roles as workers or other participants in a job-related situation.
- 2) Another way to enhance the simulation experience is to use **virtual reality**, a computer-based technology that provides an interactive, three-dimensional learning experience.

g. Business Games and Case Studies

i. A **case study** is a detailed description of a situation that trainees study and discuss.

- 1) Cases are designed to develop higher-order thinking skills, such as the ability to analyze and evaluate information.
- 2) They also can be a safe way to encourage learners to take appropriate risks, by giving them practice in weighing and acting on uncertain outcomes.
- 3) One dilemma associated with the use of case studies is that they often require more time than the audience has available time (or attention span) for.
- 4) The **mini case study** is intended to be delivered with less time, e.g., 30 minutes, but still offers a powerful and engaging learning tool, albeit with less detail.

ii. With **business games**, learners gather information, analyze it, and make decisions that influence the outcome of the game.

- 1) Games stimulate learning because they actively involve participants and mirror the competitive nature of business.
- 2) A realistic game may be more meaningful to trainees than techniques such as classroom instruction.

iii. Requirements

- 1) Learning with case studies and games requires that participants come together to discuss the cases or the progress of the game. This requires face-to-face or virtual meetings.
- 2) Also, participants must be willing to be actively involved in analyzing the situation and defending their decisions.

h. Behaviour Modelling

i. **Behaviour** modelling, One of the most effective ways to teach interpersonal skills, involves training sessions in which participants observe other people demonstrating the desired behaviour, then have opportunities to practise the behaviour themselves.

i. Experiential Programs

ii. To develop teamwork and leadership skills, some organizations enrol their employees in a form of training called **experiential programs**, in which participants learn concepts and then apply them by simulating the behaviours involved and analyzing the activity, connecting it with real-life situations.

ii. Guidelines for Experiential Programs

- 1) A program should be related to a specific business problem.
- 2) Participants should feel challenged and move outside their comfort zones but within limits that keep their motivation strong and help them understand the purpose of the program.

iii. Adventure Learning

- 1) **Adventure learning** is a teamwork and leadership program based on the use of challenging, structured physical activities.
- 2) The impact of adventure learning programs has not been rigorously tested, but participants report they gain a greater understanding of themselves and the ways the organization insist that entire work groups participate together.
 - a) This encourages people to see, discuss, and change the kinds of behaviour that keep the group from performing well.
- 3) Before requiring employees to participate in experiential programs, the organization should consider the possible drawbacks.
 - a) Because these programs are usually physically demanding and often require participants to touch each other, companies face certain risks.
 - b) Some employees may be injured or may feel that they were sexually harassed or that their privacy was invaded.
 - c) Also, human rights and employment equity legislation raises questions about requiring employees with disabilities to participate in physically demanding training experiences.

j. Team Training

- i. **Team training** coordinates the performance of individuals who work together to achieve a common goal.
- ii. An organization may benefit from providing such training to groups when group members must share information and group performance depends on the performance of the individual group members.
 - 1) Success depends on individuals coordinating their activities to make decisions, perhaps in dangerous work situations performed in crews or teams - for example, the airline industry or in the military.
- iii. Two Ways to Conduct Team Training
 - 1) Cross Training
 - a) In **cross training**, team members understand and practise each other's skills so they are prepared to step in and take another member's place.
 - b) Benefits
 - i) This enhances their skills.
 - ii) It's a great retention strategy.
 - iii) It gives them more variety and makes their job more meaningful.
 - 2) Coordination Training
 - a) **Coordination training** trains the team in how to share information and decisions to obtain the best team performance.
 - b) When to use
 - i) This type of training is especially important for commercial aviation and surgical teams.
 - ii) Both of these kinds of teams must monitor different aspects of equipment and the environment at the same time sharing information to make the most effective decisions regarding patient care of aircraft safety and performance.
- iv. Training may also target the skills needed by the team's leaders.
 - 1) **Team leader training** refers to training people in the skills necessary for team leadership.

k. Action Learning

- i. **Action learning** is the training in which teams or work groups get an actual problem, work on solving it, commit to an action plan, and are accountable for carrying it out.
- ii. How to conduct
 - 1) Ideally, the project is one for which the efforts and results will be visible not only to participants but also to others in the organization.
 - 2) The visibility and impact of the tasks are intended to make participation

exciting, relevant, and engaging.

- 3) To heighten the learning, organizations can get their best leaders involved as mentors and coaches to the participants.

iii. Effects

- 1) The effectiveness of action learning has not been formally evaluated.
- 2) This type of training seems to result in a great deal of learning.
- 3) Employees are able to apply what they learn, because it involves actual problems the organization is facing.
- 4) The group approach also helps teams identify behaviours that interfere with problem solving.

7. Implementing and Evaluating the Training Program

a. Principles of Learning

- i. In general, effective training communicates learning objectives clearly, presents information in distinctive and memorable ways, and helps trainees link the subject matter to their jobs.
- ii. Employees are most likely to learn when training is linked to their current job experiences and tasks.
 - 1) Training sessions should present material using familiar concepts, terms, and examples.
 - 2) As far as possible, the training context - such as the physical setting or the images presented on a computer - should mirror the work environment.
 - 3) Along with physical elements, the context should include emotional elements.
- iii. To fully understand and remember the content of the training, employees need a chance to demonstrate and practise what they have learned.
 - 1) Trainers should provide ways to actively involve the trainees, have them practise repeatedly, and have them complete tasks within a time that is appropriate in light of the learning objectives.
 - 2) Practise requires physically carrying out the desired behaviours, not just describing them.
 - 3) People tend to benefit most from practise that occurs over several sessions, rather than one long practise session.
- iv. Training sessions should offer feedback so that trainees understand whether or not they are succeeding.
 - 1) Effective feedback focuses on specific behaviours and is delivered as soon as possible after the learners practise or demonstrate what they have learned.
- v. Well-designed training helps people remember the content.
 - 1) Training programs need to break information into chunks that people can remember.
 - a) Research suggests that people can attend to no more than four to five items at a time.
 - b) If a concept or procedure involves more than five items, the training program should deliver information in shorter sessions or chunks.
 - 2) Other ways to make information more memorable include presenting it with visual images and practising some tasks enough that they become automatic.
- vi. Written materials should have an appropriate reading level.
 - 1) A simple way to assess **readability**, the difficulty level of written materials, is to look at the words being used and at the length of sentences.
 - 2) How to simplify this method
 - a) Basic Approaches to Simplify Reading Materials
 - i) Substitute simple, concrete words for unfamiliar or abstract words.
 - ii) Divide long sentences into two or more short sentences.
 - iii) Divide long paragraphs into two or more short paragraphs.
 - iv) Add checklists and illustrations to clarify the text.
 - b) Substitute video, hands-on learning or other non-written methods for

some of the written material.

- c) A long-term solution is to use tests to identify employees who need training to improve their reading levels and to provide that training first.

b. Measuring Results of Training

i. Introduction

- 1) The stage to prepare for evaluating a training program is when the program is being developed. Along with designing course objectives and content, the planner should identify how to measure achievement of objectives.
- 2) Kirkpatrick's evaluation levels:
 - a) Level 1: Learner Reactions
 - b) Level 2: Demonstration of Learning
 - c) Level 3: Behaviour Change
 - d) Level 4: Business Results
 - e) Level 5: Cost-benefit Analysis

ii. Evaluation Methods

1) Transfer of Learning

- a) Definition - Ultimately, the goal of implementation is **transfer of learning**, or on-the-job use of knowledge, skills, and behaviours learned in training.
- b) Requirements

- i) Transfer of learning requires that employees actually learn the content of the training program.

- ii) Then, for employees to apply what they learned, certain conditions must be in place: social support, technical support, and self-management.

One. Social support includes support from the organization and from learners' peers. Before, during, and after the implementation, the organization's managers need to emphasize the importance of training, encourage their employees to attend training programs, and point out connections between training content and employees' job requirements.

Two. Technical support may come from an electronic performance support system (EPSS). Knowledge management systems including online and database tools also make it easy for employees to look up information they want to review or consult later.

Three. **Social learning** refers to applying social learning to promote informal learning aligned with organizational strategy, like setting up social media applications that promote learning.

2) Outcomes

- a) Evaluation of training also should evaluate training **outcomes**, that is, what (if anything) has changed as a result of the training.
- b) The relevant training outcomes are the ones related to the organization's goals for the training and its overall performance.
- c) Possible Outcomes
 - i) Reaction - learner satisfaction with the training program
 - ii) Learning - information such as facts, techniques, and procedures that learners can recall after the training
 - iii) Behaviour - Changes in behaviour related to the content of the training, for example, concern for safety or support of diversity
 - iv) Business Result - improvements in individual, group, or company performance, for example, higher customer satisfaction, more sales, fewer defects
 - v) Cost Benefit Analysis - calculation to determine if the monetary

benefits of the training program outweigh the costs.

One. **Return on investment (ROI)** refers to the monetary benefits of the investment compared to the amount invested, expressed as a percentage.

iii. Measurement Methods

1) Contrast between different groups

- a) For any of these methods, the most accurate but most costly way to evaluate the training program is to assess performance, knowledge, or behaviours among all employees before the training, then to train only some of the employees.
- b) After the training is complete, the performance, knowledge, or behaviour are again assessed, and the trained group is compared to the untrained group.

2) Contrast between pre-test and post-test

- a) A simpler but less accurate way to assess the training is to conduct a **pre-test** and **post-test** on all trainees, comparing their performance, knowledge, or behaviours before and after the training.
- b) This form of measurement does not rule out the possibility that change resulted from something other than training.

3) Use of only post-test

- a) The simplest approach is to use only a post-test.
- b) This type of measurement does not enable accurate comparisons, but it may be sufficient, depending on the cost and purpose of the training.

iv. The purpose of evaluating training is to help with future decisions about the organization's training programs.

- 1) Using the evaluation, the organization may identify a need to modify the training and gain information about the kinds of changes needed.
- 2) The organization may decide to expand on successful areas of training and cut back on training that has not delivered significant benefits.

8. Applications of Training

a. Orientation of New Employees - Onboarding

i. Definition

- 1) **Orientation** is the training designed to prepare employees to perform their jobs effectively, learn about their organization, and establish work relationships.
- 2) Increasingly, employee orientation is referred to as **onboarding**, reflecting the critical role these programs play.

ii. Reasons to provide orientation

- 1) No matter how realistic the information provided during employment interviews and site visits, people feel shock and surprise when they start a new job.
- 2) Employees need to become familiar with job tasks and learn the details of the organization's practices, policies, and procedures.
- 3) To maximize early productivity and engagement by creating a positive first impression.

iii. Objectives

- 1) The objectives of orientation program include making new employees familiar with the organization's rules, policies, and procedures.
- 2) Such a program provides information about the overall company and about the department in which the new employee will be working.
- 3) The topics include social as well as technical aspects of the job.

iv. Training Methods in Orientation

- 1) Orientation process may combine various training methods such as printed and audiovisual materials, classroom instruction, on-the-job training, and e-learning.
- 2) Decisions about how to conduct the orientation depend on the type of material to be covered and the number of new employees, among other

factors.

b. Diversity Training

- i. **Diversity training** refers to the training designed to change employee attitudes about diversity and/or develop skills needed to work with a diverse workforce.
- ii. These programs generally emphasize either attitude awareness and change or behaviour change.
 - 1) Programs that focus on attitudes have objectives to increase participants' awareness of cultural and ethnic differences, as well as differences in personal characteristics and physical characteristics (such as disabilities).
 - 2) Programs that focus on behaviour aim at changing the organizational policies and individual behaviours that inhibit employees' personal growth and productivity.
- iii. Characteristics that Make the Behaviour Training Effective
 - 1) The training should be tied to business objectives, such as understanding customers.
 - 2) The support and involvement of top management, and the involvement of managers at all levels, also are important.
 - 3) Diversity training should emphasize learning behaviours and skills, not blaming employees.
 - 4) The program should be well structured, connected to the organization's rewards for performance, and include a way to measure the success of the training.

9. Approaches to Employee Development

a. Development for Careers

- i. Traditional View of Careers - in the traditional view, a career consists of a sequence of positions within an occupation or organization.
- ii. Modern View of Career - today's employees are more likely to have a **protean career**, one that frequently changes based on changes in the person's interests, abilities, and values and in the work environment.
- iii. To remain marketable, employees must continually develop new skills.
 - 1) Beyond knowing job requirements, employees need to understand the business in which they are working and be able to cultivate valuable relationships with co-workers, managers, suppliers, and customers.
 - 2) They also need to follow trends in their field and industry, so they can apply technology and knowledge that will match emerging programs.
- iv. As organization provide for employee development (and as employees take control of their own careers), they will need to
 - 1) Determine their interests, skills, and areas of needed development
 - 2) Seek development experiences involving jobs, relationships, and formal courses.
- v. Organizations can meet these needs through a system for **career management or development planning**.
 - 1) Career management helps employees select development activities to meet their development goals.
 - 2) It helps employers select development activities in line with their human resource needs.
- vi. Four Categories of Employee Development
 - 1) Formal education
 - 2) Assessment
 - 3) Job experiences
 - 4) Interpersonal relationships

b. Formal Education

- i. Organizations may support employee development through a variety of formal educational programs, either at the workplace or off-site.
- ii. These may include workshops designed specifically for the organization's employees, short courses offered by consultants, colleges, or universities, and MBA and executive MBA programs.

- 1) These programs may involve methods including lectures by business experts, business games and simulations, and experiential programs.
- iii. Trends in Formal Education
 - 1) A growing number of companies and educational institutions are also using distance learning and other e-learning options to reach their audience.
 - 2) Another trend in executive education is for employers and the education provider to create short courses with content designed specifically for the audience.
- c. Assessment
 - i. Introduction
 - 1) **Assessment** refers to collecting information and providing feedback to employees about their behaviour, communication style, or skills.
 - 2) Information for assessment may come from the employees, their peers, managers, and customers.
 - 3) When to use assessment
 - a) The most frequent use of assessment are to identify employees with managerial potential to measure current managers' strengths and weaknesses.
 - b) Organizations also use assessment to identify managers with potential to move into higher-level executive positions.
 - c) Organizations that assign work to teams may use assessment to identify the strengths and weaknesses of individual team members and the effects of the team members' decision-making and communication styles on the team's productivity.
 - 4) Requirements
 - a) The information must be shared with the employee being assessed.
 - b) The employee needs suggestions for correcting skill weaknesses and for using skills already learned.
 - c) Based on the assessment information and available developmental opportunities, employees should develop action plans to guide their efforts at self-improvement.
 - 5) Various Methods and Sources of Information in Developmental Assessment
 - a) Many organizations appraise performance.
 - b) Organizations with sophisticated development systems may use psychological tests to measure employees' skills, personality types, and communication styles.
 - c) Assessment of emotional intelligence increases employees' self-awareness and facilitates their development with respect to intrapersonal and interpersonal skills, adaptability, and handling of stress.
 - ii. Assessment Methods
 - 1) Myers-Briggs Type Indicator
 - a) Definition
 - i) **Myers-Briggs Type Indicator (MBTI)**, the most popular psychological inventory for employee development, is a psychological test that identifies individuals' preferences for source of energy, means of information gathering, way of decision making, and lifestyle.
 - ii) The assessment consists of more than 100 questions about how the person feels or prefers to behave in different situations.
 - b) Four Areas of Assessment
 - i) The **energy** dichotomy indicates where individuals gain interpersonal strength and vitality, measured as their degree of introversion or extroversion.
One. Extroversion types (E) gain energy through interpersonal relationships.

- Two. Introversion types (I) gain energy by focusing on inner thoughts and feelings.
 - ii) The **information-gathering** dichotomy relates to the preparation individuals make before making decisions.
 - One. Individuals with a Sensing (S) preference tend to gather the facts and details to prepare for a decision.
 - Two. Intuitive types (N) tend to focus less on the facts and more on possibilities and relationships among them.
 - iii) In **decision making**, individuals differ in the amount of consideration they give to their own and other's values and feelings, as opposed to the hard facts of a situation.
 - One. Individuals with a Thinking (T) preference try always to be objective in making.
 - Two. Individuals with a Feeling (F) preference tend to evaluate the impact of the alternatives on others, as well as their own feelings; they are more subjective.
 - iv) The **lifestyle** dichotomy describes an individual's tendency to be either flexible or structured.
 - One. Individuals with a Judging (J) preference focus on goals, establish deadlines, and prefer to be conclusive.
 - Two. Individuals with a Perceiving (P) preference enjoy surprises, are comfortable with changing a decision, and dislike deadlines.
 - c) Application
 - i) The alternatives for each of the four dichotomies result in 16 possible combinations.
 - ii) Applying this kind of information about employees' preferences or tendencies helps organizations understand the communication, motivation, teamwork, work styles, and leadership of the people in their groups.
 - d) Comments
 - i) Research on the validity, reliability, and effectiveness of the MBTI is inconclusive.
 - ii) People who take the MBTI find it a positive experience and say it helps them change their behaviour.
 - iii) However, MBTI scores are not necessarily stable over time.
 - iv) Still, the MBTI is a valuable tool for understanding communication styles and the ways people prefer to interact with others.
 - v) It is not appropriate for measuring job performance, however, or as the only means of evaluating promotion potential.
- 2) Assessment Centers
- a) Definition - In addition to their use as a type of employment test to screen candidates, **assessment centers** may engage multiple evaluators (assessors) to evaluate current employees' performance on a number of exercises.
 - b) How to use - Usually an off-site location such as conference center is used and 6 to 12 employees participate at one time.
 - c) Why use
 - i) The primary use of assessment centers for development is to identify whether employees have the personality characteristics, administrative skills, and interpersonal skills needed for managerial jobs.
 - ii) Organizations also use them to determine whether employees have the skills needed for working in teams.
 - d) What to include in assessment centers
 - i) Leaderless group discussion - in a **leaderless group discussion**, a

team of five to seven employees is assigned a problem and must work together to solve it within a certain time period.

- ii) Interview - interview questions typically cover each employee's work and personal experiences, skill strengths and weaknesses, and career plans.
 - iii) In-basket exercises - in-basket exercises simulate the administrative tasks of a manager's job, using a pile of documents for the employee in a situation involving the skills to be assessed.
 - iv) Role-plays - in role-plays, the participant takes the part of a manager or employee in a situation involving the skills to be assessed.
 - v) Personality test - personality tests may be used to determine employee's ability to get along with others, tolerance for uncertainty, and other traits related to success as a manager or team member.
 - vi) Other exercises in assessment centers might include interest and aptitude tests to evaluate an employee's vocabulary, general mental ability, and reasoning skills.
- e) Role of Assessors
- i) The assessors are usually managers who have been trained to look for employee behaviours that are related to the skills being assessed.
- f) Where to use
- i) Assessment centers ratings are valid for predicting performance, salary level, and career advancement.
 - ii) Assessment centers may also be useful for development because of the feedback that participants receive about their attitudes and skill strengths.

3) Benchmarks

- a) **Benchmarks** is a measurement tool that gathers ratings of a manager's use of skills associated with success in managing.
- b) The 16 items (skills and perspectives) measured by Benchmarks are based on research into the lessons that executives learn in critical events of their careers.
 - i) Research has found that managers who have these skills are more likely to receive positive performance evaluations, be considered promotable, and be promoted.
- c) To provide a complete pictures of the managers' skills, the managers' supervisors, their peers, and the managers themselves all complete the instrument.
 - i) The results include a summary report, which the organization provides to the manager so he or she can see the self-ratings in comparison to the ratings by others.
 - ii) Also available with this method is a development guide containing examples of experiences that enhance each skill and ways successful managers use the skill.

4) 360-Degree Feedback

- a) **360-degree feedback** is the performance measurement by the employee's supervisor, peers, direct report, and customers.
- b) Benefits of 360-Degree Feedback
 - i) Organizations collect multiple perspectives of performance, allowing employees to compare their own personal evaluations with the views of others.
 - ii) This method also establishes formal communications about behaviours and skill ratings between employees and their internal and external customers.

- iii) Several studies have shown that performance improves and behaviour changes as a result of participating in upward feedback and 360-degree feedback system.
 - c) Potential Limits of 360-Degree Feedback
 - i) The significant amount of time for raters to complete the evaluations.
 - ii) If raters, especially peers or direct reports, provide negative feedback, some managers might try to identify and punish them.
 - iii) A facilitator is needed to help interpret results.
 - iv) Simply delivering ratings to a manager does not provide ways to act on the feedback (for example, development planning, meeting with raters, or taking courses).
 - d) Any form of assessment should be accompanied by suggestions for improvement of an action plan.
- d. Job Experiences
 - i. Introduction
 - 1) **Job experiences** is the combination of relationships, problems, demands, tasks, and other features of an employee's job.
 - a) Using job experiences for employee development assumes that development is most likely to occur when the employee's skills and experiences do not entirely match the skills required for the employee's current job.
 - 2) The usefulness of job experiences for employee development varies depending on whether the employee views the experiences as positive or negative sources of stress.
 - a) When employees view job experiences as positive stressors, the experiences challenge them and stimulate learning.
 - b) When they view job experiences as negative stressors, employees may suffer from high level of harmful stress.
 - c) Of the job demands studied, managers were most likely to experience negative stress from creating change and overcoming obstacles (adverse business conditions, lack of management support, lack of personal support, or a difficult boss).
 - d) Research suggests that all job demands except obstacles are related to learning.
 - e) Organizations should offer job experiences that are most likely to increase learning, and they should consider the consequences of situations that involve negative stress.
 - 3) Although the research on development through job experiences has focused on managers, line employees also can learn through job experiences, e.g., use job experiences to develop skills needed for teamwork, including conflict resolution, data analysis, and customer service.
 - ii. Job Enlargement
 - 1) **Job enlargement** involves adding challenges or new responsibilities to employees' current jobs. Examples include completing a special project, switching roles within a work team, or researching new ways to serve customers.
 - iii. Job Rotation
 - 1) **Job rotation** refers to moving employees through a series of job assignments in one or more functional areas.
 - 2) Benefits - job rotation helps employees gain an appreciation for the company's goals, increases their understanding of different company functions, develops a network of contacts, and improves problem-solving and decision-making skills.
 - 3) Limits - however, the rotation of employees through a department may hurt productivity and increase the workload of those who remain after

employees are rotated out.

4) How to make job rotation succeed

- a) The organization establishes and communicates clear policies about which positions are eligible for job rotation. Job rotation for nonmanagement employees as well as managers can be beneficial depending on the program's objectives.
- b) Employees and their managers understand and agree on the expectations for the job rotation, including which skills are to be developed.
- c) Goals for the program support business goals. These might include exposing high-potential employees to a variety of business units, customers, or geographic areas in preparation for management positions or rotating experienced, talented employees through several business units to mentor or coach them.
- d) The rotation schedule is realistic, taking into account how long employees will need to become familiar with their new position, as well as how much time is needed for employees to complete the assignments.
- e) Top management is committed to the program's success.
- f) Someone is responsible for measuring whether the program is meeting its goals.

iv. Transfers, Promotions, and Downward Moves

1) Transfer

- a) In a **transfer**, the organization assigns an employee to a position in a different area of the company.
- b) Transfers do not necessarily increase job responsibilities or compensation.
 - i) They usually lateral moves, that is, moves to a job with a similar level of responsibilities.
 - ii) They may involve relocation to another department, location, or even to another country.
- c) Because transfers can provoke anxiety, many companies have difficulty getting employees to accept them.
 - i) Employees most willing to accept transfers tend to be those with high career ambitions, a belief that the organization offers a promising future, and a belief that accepting the transfer will help the company succeed.

2) Downward Move

- a) A **downward move** occurs when an employee is given less responsibility and authority.
- b) The organization may demote an employee because of poor performance or move the employee to a lower-level position in another function so that the employee can develop different skills.
- c) The temporary cross-functional move is the most common way to use downward moves for employee development.

3) Limits and How to Avoid Limits

- a) Many employees have difficulty associating transfers and downward moves with development. These changes may feel more like forms of punishment.
- b) Employees will be more likely to accept transfers and downward moves as development opportunities if the organization provides information about the change and its possible benefits and involves the employee in planning the change.
- c) Employees are also more likely to be positive about such a recommendation if the organization provides clear performance objectives and frequent feedback.

4) Promotion

- a) A **promotion** involves moving an employee into a position with greater challenges, more responsibility, and more authority than in the previous job.
 - i) Usually promotions include pay increases.
 - b) Because promotion improves the person's pay, status, and feelings of accomplishment, employees are more willing to accept promotion than lateral or downward moves.
 - i) Even so, employers can increase the likelihood that employees will accept promotions by providing the same kind of information and assistance that are used to support transfers and downward moves.
 - c) Organizations can more easily offer promotions if they are profitable and growing.
 - i) In other conditions, opportunities for promoting employees may be limited.
 - v. Temporary Assignments with Other Organizations
 - 1) The employer may encourage the employee to participate in an **externship** - a full-time temporary position at another organization.
 - 2) Temporary assignments can include a **sabbatical** - a leave of absence from an organization to renew or develop skills.
 - a) Employees on sabbatical often receive full pay and benefits.
 - b) Sabbatical let employees get away from the day-to-day stress of their jobs and acquire new skills and perspectives.
 - c) Sabbaticals also allow employees more time for personal pursuit such as writing a book or spending more time with family members.
- e. Interpersonal Relationships
 - i. Mentors
 - 1) A **mentor** is an experienced, productive senior employee who helps develop a less experienced employee, called the **protégé** or **mentee**.
 - 2) How Mentor Relationship is Developed
 - a) Most mentoring relationship develop informally as a result of interests or values shared by the mentor and protégé.
 - i) The employees most likely to seek and attract a mentor have certain personality characteristics: emotional stability, ability to adapt their behaviour to the situation, and high needs for power and achievement.
 - b) Mentoring relationships also can develop as part of the organization's planned effort to bring together successful senior employees with less experienced employees.
 - 3) Benefits of Mentoring
 - a) They ensure access to mentors for all employees, regardless of gender or other background.
 - b) A mentoring program also ensure that high-potential employees are matched with wise, experienced mentors in key areas.
 - c) Mentors are hearing the challenges facing employees who have less authority, work directly with customers, or hold positions in other parts of the organization.
 - 4) Limit and How to Avoid
 - a) Limit - In an artificially created relationship, mentors may have difficulty providing counselling and coaching.
 - b) How to Avoid
 - i) One practical way employees can address this shortcoming is to look for more than one mentor, including informal relationships with interested people outside the organization.
 - ii) Employees also should accept the limits of mentoring relationships.
 - 5) How to Make Mentoring Program Succeed

- a) Mentoring programs tend to be most successful when they are voluntary and participants understand the details of the program.
 - b) Rewarding managers for employee development is also important because it signals that mentoring and other development activities are worthwhile.
 - c) The organization should carefully select mentors based on their interpersonal and technical skills, train them for the role, and evaluate whether the program has met its objectives.
- 6) Advantages of Mentoring Programs
 - a) For Protégé/ Mentees
 - i) Breaks down "silos" though out the organization
 - ii) Increases communication
 - iii) Supports continuous learning throughout all levels of the organization
 - iv) Enhances career development and growth
 - v) Improves employee satisfaction and engagement
 - vi) Foster a culture where employees support and help one another
 - b) For Mentors
 - i) Maintains a pulse on the organization by keeping regular contact and communication with employees
 - ii) Enhances interpersonal leadership competencies
- 7) Group Mentoring Program
 - a) **Group mentoring programs** assign four to six proteges to a successful senior employee.
 - i) The leader helps protégés understand the organization, guide them in analyzing their experiences, and helps them clarify career directions.
 - ii) Each member of the group may complete specific assignments, or the group may work together on a problem or issue.
 - b) Advantage - protégés can learn from each other as well as from the mentor.
- 8) Reverse Mentoring
 - a) **Reverse mentoring** involves paring of a younger, junior employee acting as mentor to share expertise with an older senior colleague, the mentee.
 - b) Advantage
 - i) Millennial employees acquire skills in guiding older employees, which contributes to their development as effective cross-generational leader
 - ii) Older employees acquire specific skills and insights in addition to building relationships across generations.
 - c) Limits and How to Address
 - i) A potential issue associated with reverse mentoring relates to the role-reversal implications, which can be challenging to both mentors and mentees.
 - ii) Careful time management and a shared commitment to building this type of non-traditional relationship is needed.
- ii. Coaching
 - 1) Definition - a **coach** is a peer or manager who works with an employee to provide a source of motivation, help him or her develop skills, and provide reinforcement and feedback.
 - a) Mentoring is to develop the "whole person", and coaching involves developing a specific skill set.
 - 2) Three Roles of Coaches
 - a) Working one-on-one with an employee, as when giving feedback
 - b) Helping employees learn for themselves - for example, helping them find experts and teaching them to obtain feedback from others.

- c) Providing resources such as mentors, courses, or job experiences
- 3) Coaches may be internal to the organization, external resources, or a combination.
 - a) Internal
 - i) Internal coaches allow the organization to "start small" and may allow more people to access coaching resources.
 - ii) Use of internal coaching resources may also enhance affordability, availability, and provide the context for the use of specific workplace examples.
 - b) External
 - i) External coaches because they are removed from the client's organization, may be less likely to hold any biases as they support their clients, may offer more experience and proficiency, as well as confidentiality, particularly if performance issues have promoted the coaching relationship.
- 4) Research suggests that coaching helps manager improve by identifying areas for improvement and setting goals.
- 5) How to Coach
 - a) Getting results from a coaching relationship can take at least six months of weekly or monthly meetings.
 - b) To be effective, a coach generally conducts an assessment, asks questions that challenge the employee to think deeply about his or her goals and motives, helps them employee create an action plan, and follows up regularly to help the employee stay on track.
 - c) Employees contribute to the success of coaching when they persevere in practising the behaviours identified in the action plan.

10. Career Management System

a. Introduction

- i. Four Steps and Criteria
- ii. Data gathering
 - 1) Focus on competencies needed for career success
 - 2) Include a variety of measures
- iii. Feedback
 - 1) Maintain confidentiality
 - 2) Focus on specific success factors, strengths, and improvement areas
- iv. Goal setting
 - 1) Involve management and coaches/mentors
 - 2) Specify competencies and knowledge to be developed
 - 3) Specify development methods
- v. Action Planning and Follow-Up.
 - 1) Involve management and coaches/mentors
 - 2) Measure success and adjust plans as needed
 - 3) Verify that pace of development is realistic

b. Data Gathering

- i. Several assessment tools may be applied to the first stage of career development.
- ii. **Self-assessment** refers to the use of information by employees to determine their career interests, values, aptitudes, and behavioural tendencies.
- iii. Examples of Self-Assessment
 - 1) The Strong-Campbell Inventory helps employees identify their occupational and job interests.
 - 2) The Self-Directed Search identifies employees' preferences for working in different kinds of environments.
 - 3) Some organizations provide counsellors to help employees in the self-assessment process and to interpret the results of psychological tests.
- iv. Benefits
 - 1) Test may help employees identify the relative value they place on work and leisure activities.

- 2) Self-assessment tools can help an employee consider his or her current career status, future plans, and the fit between the career and current situation and resources.
 - 3) Completing a self-assessment can help employees identify a development need.
 - a) This need can result from gaps between current skills or interests and the type of work or position the employee has or wants.
- c. Feedback
- i. **Feedback** refers to the information employers give employees about their skills and knowledge and where these assets fit into the organization's plans.
 - ii. Responsibilities of Both Sides
 - 1) The employee's responsibility is to identify what skills she or he could realistically develop in light of the opportunities available.
 - 2) The organization's responsibility is to communicate the performance evaluation and the opportunities available.
 - a) Opportunities might include promotion or transfers.
 - iii. **Career paths** refers to the identified pattern or progression of jobs or roles within an organization.
 - 1) Career paths may include a wide variety of jobs or may provide specific information related to cumulative responsibilities for a managerial, technical, or professional career.
 - 2) Career-path information can also enhance the discussion of opportunities between employees and their managers by providing consistent language related to how jobs and roles are defined in the organization.
 - iv. Usually the employer supports the reality check as part of a performance appraisal or as the feed-back stage of performance management.
 - v. In well-developed career management systems, the manager may hold separate discussion for performance feedback and career development.
- d. Goal Setting
- i. On the basis of the information from the self-assessment and feedback, the employee sets short- and long-term career objectives.
 - ii. These goals usually involve one or more of the following categories:
 - 1) Desired roles, such as becoming a team leader within three years
 - 2) Level of competency - for example, to apply one's budgeting skills to improve the unit's cash flow problems.
 - 3) Work setting - for example, to move to corporate marketing within two years.
 - 4) Skill acquisition, such as learning how to use the company's human resource information system.
 - iii. The goals should be specific and include a date by which the goal is to be achieved.
 - iv. Responsibilities of Both Sides
 - 1) Employee - it is the employee's responsibility to identify the goal and the method of determining her or his progress toward each goal.
 - a) Usually the employee discusses the goals with his or her manager.
 - 2) Organization - the organization's responsibilities are to ensure that the goal is specific, challenging, and achievable, and to help the employee reach the goal.
- e. Action Planning and Follow-Up
- i. In the final step, employees prepare an action plan for how they will achieve their short- and long-term career goals.
 - 1) The employee is responsible for identifying the steps and timetable to reach the goals.
 - 2) The employer should identify resources needed, including courses, work experiences, and relationships.
 - 3) The employee and the manager should meet in the future to discuss progress toward career goals.
 - ii. Action plans may involve any one or combination of the development methods -

training, assessment, job experiences, or the help of a mentor or coach.

- 1) The approach used depends on the particular developmental needs and career objectives.
- iii. The outcome of action planning often takes the form of **development plan**.
 - 1) Development plans usually include descriptions of strengths and areas for development, career goals, and development activities for reaching each goal.

11. Development-Related Challenges

a. The Glass Ceiling

- i. The **glass ceiling** refers to the circumstances resembling an invisible barrier that keeps most women and other members of the employment equity groups from attaining the top jobs in organizations.
- ii. The glass ceiling is likely caused by a lack of access to training programs, appropriate developmental job experiences, and developmental relationships such as mentoring.
 - 1) Women and other members of the employment equity groups often have trouble finding mentors.
 - 2) Recent evidence finds differences in how women and men pursue advancement and in how executives perceive women's and men's qualifications and ambitions.
 - a) Female managers tend to find more mentors who give advice; their male counterparts find mentors who are more senior and will sponsor them for key positions.
 - b) Companies are more willing to select men from outside the organization based on their potential, while women do better when they stay with the same company where they can demonstrate a track record of accomplishments.
- iii. A better metaphor in place of the glass ceiling may be a **labyrinth**, connoting a complex journey with many twists and turns and puzzles to solve along the way to the top job.
- iv. How to break the glass ceiling
 - 1) Organizations can use development systems.
 - 2) Managers making developmental assignments need to carefully consider whether stereotypes are influencing the types of assignments men and women receive.
 - 3) A formal process for regularly identifying development needs and creating actions can make these decisions more objective.

b. Dysfunctional Managers

- i. A manager who is otherwise competency may engage in some behaviours that make him or her ineffective or even toxic.
 - 1) These dysfunctional behaviours include insensitivity to others, inability to be a team player, arrogance, poor conflict-management skills, inability to meet business objectives, and inability to adapt to change.
- ii. When a manager is an otherwise valuable employee and is willing to improve, the organization may try to help him or her change the dysfunctional behaviour.
 - 1) The usual ways to provide this type of development include assessment, training, and counselling.
 - 2) Development programs for managers with dysfunctional behaviour may also include specialized programs such as one called Individual Coaching for Effectiveness.
- iii. Organizations can benefit from offering development opportunities to all valuable employees, not just to top performers.

Chapter 6 Summary

October 8, 2017 10:29 AM

1. **Discuss how to link training, learning, and development to organizational needs and strategy.**

Organizations need to establish training programs that are effective. Organizations create such programs through instructional design. This process begins with a needs assessment, then ensures readiness for training, plans a training program, implements the program, and evaluates the results.

2. **Explain how to assess training needs and determine employees' readiness.**

Needs assessment consists of an organization analysis, person analysis, and task analysis. The organization analysis determines the appropriateness of training by evaluating the characteristics of the organization, including its strategy, resources, and management support. The person analysis determines individuals' needs and readiness for learning. Task analysis identifies the tasks, knowledge, skills, and behaviours that training should emphasize.

Readiness for learning is a combination of employee characteristics and positive work environment that permit learning. Necessary employee characteristics include ability to learn the subject matter, favourable attitudes toward the training, and motivation to learn. In a positive work environment, both peers and management support training.

3. **Describe how to plan and design an effective training program.**

Planning begins with establishing objectives for the training program. These should define an expected performance or outcome, the desired level of performance, and the conditions under which the performance should occur. On the basis of the objectives, the planning decides who will provide the training, what topics the training will cover, what training methods to use, and how to evaluate the training.

Even when organizations purchase outside training, someone in the organization, usually a member of the HR department, often is responsible for training administration. The training methods selected should be related to the objectives and content of the training program. Methods may include presentation methods, hands-on methods, or group-building methods.

4. **Summarize how to implement and evaluate a successful training program.**

Implementation should apply principles of learning and seek transfer. In general, effective training communicates learning objectives, presents information in distinctive and memorable ways, and helps participants link the subject matter to their jobs. Consideration should also be given to ensuring employees have the required workplace literacy skills to succeed and perform well in their jobs.

Training can be evaluated at five levels - learner reactions, demonstration of learning, behaviour change, business results, and cost-benefit analysis. Evaluation should look for transfer by measuring whether employees are performing the tasks taught in the training program. Assessment of training also should evaluate training outcomes.

5. **Describe methods for employee orientation and diversity management.**

Employee orientation (onboarding) is designed to prepare new employees to perform their job effectively, learn about the organization, and establish work relationships. A typical orientation program includes information about the overall company and the department in which the new employee will be working, covering social as well as technical aspects of the job. Orientation programs may combine several training methods, from printed materials to on-the-job training to e-learning.

6. Discuss the approaches organizations use for employee development

Organizations may use formal educational programs at the workplace or offsite such as workshops, college and university programs, company-sponsored training, or programs offered by independent institutions. Organizations may use the assessment process to help employees identify strengths and areas requiring further development.

Job experiences contribute to development through a combination of relationships, problems, demands, tasks, and other features of an employee's job. Job experiences that support employee development may include job enlargement, job rotation, transfers, promotions, downward moves, and temporary assignments with other organizations.

Interpersonal relationships with a more experienced member of the organization - often in the role of mentor or coach can help employees develop their understanding of the organization and its customers.

7. Explain how managers and peers develop employees through mentoring and coaching.

A mentor is an experienced, productive senior employee who helps develop a less experienced employee. Although most mentoring relationships develop informally, organizations can link mentoring to development goals by establishing a formal mentoring program. Reverse mentoring pairs younger junior employees who share expertise with older, senior colleagues.

A coach is a peer or manager who works with an employee to motivate the employee, help him or her develop skills, and provide reinforcement and feedback. Coaches should be prepared to take on one or more of three roles: working one-on-one with an employee, helping employees learn for themselves, and providing resources, such as mentors, courses, or job experiences.

8. Identify the steps in the career management process and how managers are dealing with some critical development-related challenges.

In the first step of the career management process - data gathering, employees determine their career interests, values, aptitudes, and behavioural tendencies. The second step is feedback, during which the organization communicates information about the employee's skills and knowledge and how these fit into the organization's plan. The employee then sets goals and discusses them with his or her manager, who ensures that the goals are specific, challenging, and attainable. Finally, the employee works with his or her manager to create an action plan for development activities that will help the employee achieve the goals.

The "glass ceiling" is a barrier that has been observed preventing women and other members of the employment equity target groups from achieving top jobs in an organization. Development programs can ensure that these employees receive access to development resources. For dysfunctional managers who have the potential to contribute to development resources. For dysfunctional managers who have the potential to contribute to the organization, the organization may offer development targeted at correcting the areas of dysfunction.

Training Versus Development

	Training	Development
Focus	Current	Future
Use of Work Experiences	Low	High
Goal	Preparation for current job	Preparation for changes
Participation	Required	Voluntary

i. Ways That Training Helps Employees Learn

- 1) Communicate the learning objective
 - a) Demonstrate the performance to be expected
 - b) Give examples of questions to be answered
- 2) Use distinctive, attention-getting messages
 - a) Emphasize key points
 - b) Use pictures, not just words
- 3) Limit the content of training
 - a) Group lengthy material into chunks
 - b) Provide a visual image of the course material
 - c) Provide opportunities to repeat and practise material
- 4) Guide trainees as they learn
 - a) Use words as reminders about sequence of activities
 - b) Use words and pictures to relate concepts to one another and to their context
 - c) Prompt trainees to evaluate whether they understand and are using effective tactics to learn the material.
- 5) Elaborate on the subject
 - a) Present the material in different contexts and settings
 - b) Relate new ideas to previously learned concepts.
 - c) Practise in a variety of contexts and settings
- 6) Provide memory cues
 - a) Suggest memory aids
 - b) Use familiar sounds or thymes as memory cues
- 7) Transfer course content to the workplace
 - a) Design the learning environment so that it has elements in common with the workplace.
 - b) Require learners to develop action plans that apply training content to their jobs
 - c) Use words that link the course to the workplace.
- 8) Provide feedback about performance
 - a) Tell trainees how accurately and quickly they are performing their new skill.
 - b) Show how trainees have met the objectives of the training.

Resourcefulness	Can think strategically, engage in flexible problem solving, and work effectively with higher management
Doing whatever it takes	Has perseverance and focus in the face of obstacles
Being a quick study	Quickly masters new technical and business knowledge
Building and mending relationships	Knows how to build and maintain working relationships with co-workers and external parties
Leading employees	Delegates to employees effectively, broadens their opportunities, and acts with fairness toward them
Compassion and sensitivity	Shows genuine interest in others and sensitivity to employees' needs
Straightforwardness and composure	Is honourable and steadfast
Setting a developmental climate	Provides a challenging climate to encourage employees' development
Confronting difficult employee situations	Acts decisively and fairly when dealing with difficult employee situations
Team orientation	Accomplishes tasks through managing others
Balance between personal life and work	Balance work priorities with personal life so that neither is neglected

Decisiveness	Prefers quick and approximate actions to slow and precise ones in many management
Self-awareness	Has an accurate picture of strengths and weaknesses and is willing to improve
Hiring talented staff	Hires talented people for the team
Putting people at ease	Displays warmth and a good sense of humour
Acting with flexibility	Can behave in ways that are often seen as opposite

Chapter 7 Managing Employee's Performance

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1. Introduction

- a. **Performance management** is the process through which managers ensure that employees' activities and outputs contribute to the organization's goals.
- b. This process requires knowing what activities and outputs are desired, observing whether they occur, and providing feedback to help employees meet expectations.
- c. In the course of providing feedback, managers and employees may identify performance issues and establish ways to resolve those issues.

2. Relevance of Performance Management to Organizational Strategy and Performance

- a. In high-performance organizations, performance management is considered a dynamic business process that enables performance and drives organizational and individual success - not as a static yearly process.
- b. Relevance of this dynamic approach to the performance management process gains value through integration with other human resource management practices including workforce and succession planning, hiring and promotion decisions, learning, development planning, and rewards.

3. The Process of Performance Management

- a. Benefits of Effective Performance Management
 - i. Tell top performers that they are valued
 - ii. Encourage communication between managers and their employees
 - iii. Establish uniform standards for evaluating employees
 - iv. Help the organization identify its strongest performers
- b. CEO and other senior managers' support ensures that the process is consistently used across the company, appraisals are completed on time, and giving and receiving ongoing performance feedback is recognized as an accepted part of the company's culture.
- c. 6 Steps of Performance Management
 - i. Step 1 - define performance outcomes for company division and department
 - ii. Step 2 - develop employee goals, behaviour, and actions to achieve outcomes
 - iii. Step 3 - provide support and ongoing performance discussions
 - iv. Step 4 - Evaluate performance
 - v. Step 5 - Identify improvements needed
 - vi. Step 6 - Provide consequences for performance results

4. What Are the Purpose of Performance Management

- a. Strategic purpose
 - i. **Strategic purpose** means effective performance management helps the organization achieve its business objectives.
 - ii. It does this by helping to link employees' behaviour with the organization's goals.
 - iii. Performance management starts with defining what the organization expects from each employee.
 - 1) It measures each employee's performance to identify where those expectations are and are not being met.
 - 2) This enables the organization to take corrective action, such as training, incentives, or discipline.
 - iv. Performance management can only achieve its strategic purpose only when measurements are truly aligned with the organization's goals and when the goals and feedback are communicated with the employees.
- b. Administrative Purpose
 - i. The **administrative purpose** of a performance management system refers to how organizations use the system to provide information for day-to-day decisions about salary, benefits, and recognition programs.
 - ii. Performance management can also support decision making related to employee retentions, termination for poor performance, and hiring or layoffs.

- iii. Because performance management supports these administrative decisions, the information in a performance appraisal can have a great impact on the future of individual employees.
 - 1) Managers recognize this, which is the reason they may feel uncomfortable conducting performance appraisals when the appraisal information is negative and, therefore, likely to lead to a layoff, disappointing pay increase, or other negative outcome.
 - c. Developmental Purpose
 - i. Performance management has a **developmental purpose**, meaning that it serves as a basis for developing employees' knowledge and skills.
 - ii. Even employees who are meeting expectations can become more valuable and high-performing when they receive and discuss performance feedback.
 - iii. Effective performance feedback makes employees aware of their strengths and of the areas in which they can improve.
 - iv. Discussing areas in which employees fall short can help the employees and their managers uncover the source of problems and identify steps for improvement.
 - v. Although discussing shortcomings may feel uncomfortable, it is necessary when performance management has a developmental purpose.
- 5. What Are the Criteria for Effective Performance Management
 - a. Fit with strategy:
 - i. A performance management system should aim at achieving employee behaviour and mindset that support the organization's strategy, goals, and culture.
 - ii. When an organization's strategy changes, human resources professionals should help managers assess how the performance management system should change to serve the new strategy.
 - b. Validity:
 - i. In the case of performance appraisal, validity refers to whether the appraisal measures all the relevant aspects of performance and omits irrelevant aspects of performance.
 - ii. Information that are both gathered and relevant is **valid information**.
 - iii. Information that is gathered but irrelevant is **contamination**.
 - iv. Information that is relevant but not gathered represents a **deficiency** of the performance measure.
 - v. Performance measures should minimize both contamination and deficiency.
 - c. Reliability:
 - i. With regard to a performance measure, **reliability** describes the consistency of the results that the performance measure will deliver.
 - ii. **Interrater reliability** is consistency of results when more than one person measures performance.
 - 1) Simply asking a supervisor to rate an employee's performance on a scale of 1 to 5 would likely have low interrater reliability.
 - iii. **Test-retest reliability** refers to consistency of results over time.
 - 1) If a performance measure lacks test-retest reliability, determining whether an employee's performance has truly changed over time will be impossible.
 - d. Acceptability:
 - i. Whether or not a measure is valid and reliable, it must meet the practical standard of being acceptable to the people who use it (e.g., time cost, fairness).
 - e. Specificity:
 - i. A performance measure should specifically tell employees what is expected of them and how they can meet those expectations.
 - ii. Being specific helps performance management meet the goals of supporting strategy and developing employees.
 - iii. Being specific may also mean the performance measure can be defined in quantitative terms.
- 6. How is Performance Measured
 - a. Making Comparisons
 - i. Simple ranking

- 1) **Simple ranking** requires managers to rank employees in their group from the highest performer to the lowest performer.
- 2) **Alternation Ranking**
 - a) In **alternation ranking**, the manager works from a list of employees.
 - b) First, the manager decides which employee is the highest performer and crosses that person's name off the list.
 - c) From the remaining names, the manager selects the lowest performing employee and crosses off that name.
 - d) The process continues with the manager selecting the second-highest, second-lowest, third-highest, and so on until all the employees have been ranked.
- 3) The major downside of ranking involves validity.
 - a) To state a performance measure as broadly as "highest" or "lowest" doesn't define what exactly is effective or ineffective about the person's contribution to the organization.
 - b) Ranking therefore raises questions about fairness.
- ii. **Forced-distribution method**
 - 1) **Forced-distribution method** assigns a certain percentage of employees to each category in a set of categories.
 - 2) It overcomes the temptation to rate everyone high in order to avoid conflict.
 - 3) A forced-distribution approach works best if the members of a group do vary this much in terms of their performance.
 - 4) In situations where all employees are high-performers, saying that some employees are "below expectations" may not only be inaccurate, but will hurt morale.
- iii. **Paired-comparison method**
 - 1) **Paired-comparison** involves comparing each employee with each other (every other single employee) to establish rankings.
 - 2) When the manager has compared every pair of employees, the manager counts the number of points for each employee.
 - a) The employee with the most points is considered the top-ranked employee.
 - 3) Limit - this method is time-consuming if a group has more than a handful of employees.
- iv. **Benefits and Drawbacks of Ranking**
 - 1) **Benefits**
 - a) It counteracts the tendency to avoid controversy by rating everyone favourably or near the centre of the scale.
 - b) If some managers tend to evaluate behaviour more strictly (or more leniently) than others, a ranking system can erase that tendency from performance scores.
 - c) Ranking system can be useful for supporting decisions about how to distribute pay raises or layoffs.
 - d) Some ranking systems are easy to use, which makes them acceptable to the managers who use them.
 - 2) **Drawbacks**
 - a) Often they are not linked to the organization's goals.
 - b) A simple ranking system leaves the basis for ranking open to interpretation. Therefore in that case the rankings are not helpful for employee development and may hurt morale or result in legal challenges.
- b. **Rating Individuals**
 - i. **Rating Attributes**
 - 1) **Rating attributes** is when the measurement evaluates employees in terms of attributes (characteristics, traits, or competencies) believed necessary for success in the job or in the organization.
 - 2) **Methods**

- a) Graphic Rating Scale
 - i) The method of **graphic rating scale** lists attributes and provides a rating scale for each.
 - ii) The rating scale may provide points to circle (as on a scale going from 1 for "significantly below expectations" to 5 for "exceptional"), or it may provide a line representing a range of scores, with the manager marking a place along the line.
 - iii) A drawback of this approach is that it leaves to the particular manager the decisions about what is "outstanding teamwork" or "exceeds expectations" and the result is low reliability because managers are likely to arrive at different assessments.
 - b) Mixed-Standard Scales
 - i) **Mixed-standard scales** use several statements describing each attribute to produce a final score for that attribute.
 - ii) The manager scores the employee in terms of how the employee compares to each statement.
- 3) Pros and Cons
 - a) Rating attributes is the most popular way to measure performance in organizations.
 - i) In general, attribute-based performance methods are easy to develop and can be applied to a wide variety of jobs and organizations.
 - ii) If the organization is careful to identify which attributes are associated with high-performance, and to define them carefully on the appraisal form, these methods can be reliable and valid.
 - b) However, appraisal forms often fail to meet this standard.
 - i) Measurement of attributes may not be clearly linked to the organization's strategy.
 - ii) Employees tend perhaps rightly to be defensive about receiving a more numerical rating on some attribute because the number might seem arbitrary and it doesn't tell you how to improve.
- ii. Rating Behaviours
 - 1) Introduction
 - a) **Rating behaviours** is when the measurements identify whether employees have behaved in desirable ways, such as helping co-workers or working safely.
 - b) To rate behaviours, the organization begins by defining which behaviours are associated with success on the job and which kinds of employee behaviours help the organization achieve its goals.
 - c) The appraisal form asks the manager to rate an employee in terms of each of the identified behaviours.
 - 2) Critical-Incident Method
 - a) **Critical-incident method** requires managers to keep a record of specific examples of the employee behaving in ways that are either effective or ineffective.
 - b) Evaluating performance in this specific way gives employees feedback about what they do well and what requires improvement.
 - c) The manager can also relate the incidents to how the employee is helping the company achieve its goals.
 - d) However, keeping a daily or weekly log of critical incidents requires significant effort, and managers may resist this requirement.
 - e) Also, critical incidents may be unique, so they may not support comparisons among employees.
 - 3) Behaviourally Anchored Rating Scale (BARS)
 - a) A **behaviourally anchored rating scale (BARS)** builds on the critical incident approach.
 - b) The BARS method is intended to define performance dimensions

specifically, using statements of behaviour that describe different levels of performance.

- c) The organization gathers many critical incidents representing effective and ineffective performance, then classifies them from most to least effective.
 - i) When experts about the job agree the statements clearly represent levels of performance, they are used as anchors to guide the rater.
- 4) Behavioural Observation Scale (BOS)
 - a) **Behaviour observation scale (BOS)**: based on critical incidents, raters rate employees on the frequency of critical incidents
 - b) A BOS asks the manager to rate the frequency with which the employee has exhibited the behaviour during the rating period.
 - c) A major drawback of this method is the amount of information required.
 - i) Even so, compared to BARS and graphic rating scales, managers and employees have said they prefer BOS for ease of use, providing feedback, maintaining objectivity, and suggesting training needs.
- 5) Organizational Behaviour Modification (OBM)
 - a) **Behaviourism** holds that individuals' future behaviour is determined by their past experiences - specifically, the ways in which past behaviours have been reinforced.
 - b) **Organization behaviour modification (OBM)** is a plan for managing the behaviour of employees through a formal system of feedback and reinforcement.
 - c) Specific OBM techniques vary, but most have four components:
 - i) Define a set of key behaviours necessary for job performance.
 - ii) Use a measurement system to assess whether the employee exhibits the key behaviours.
 - iii) Inform employees of the key behaviours, perhaps in terms of goals for how often to exhibit the behaviours.
 - iv) Provide feedback and reinforcement based on employees' behaviour.
 - d) OBM techniques have been used in a variety of settings.
- 6) Observation
 - a) Behavioural approaches such as organizational behaviour modification and rating scales can be very effective.
 - i) These methods can link the company's goals to the specific behaviour required to achieve those goals.
 - ii) Behavioural methods also can generate specific feedback, along with guidance in areas requiring improvements.
 - b) These methods tend to be valid.
 - c) The people to be measured often help in developing the measures, so acceptance tends to be high as well.
 - d) When raters are well trained, reliability also tends to be high.
 - e) However, behavioural methods do not work as well for complex jobs in which it is difficult to see a link between behaviour and results or there is more than one good way to achieve success.

iii. Measuring Results

1) Introduction

- a) Performance measurement can focus on managing the objectives, measurable results of a job or work group.
- b) Results might include sales, costs, or productivity (output per worker or per dollar spent on production), among many possible measures.
- c) Two of the most popular methods for measuring results are measurement of productivity and management by objectives.

- 2) Measurement of Productivity
 - a) Productivity is an important measure of success, because getting more done with a smaller amount of resources (money or people) increases the company's profits.
 - b) Productivity usually refers to the output of production workers, but it can be used more generally as a performance measure.
 - i) To do this, the organization identifies the outcomes it expects a group or individual to accomplish.
 - ii) For each measure, the organization decides what level of performance is desired.
 - iii) Finally, the organization sets up a system for tracking these measures and giving employees feedback about their performance in terms of these measures.
 - c) This type of performance measurement can be time-consuming to set up, but research suggests it can improve productivity and performance.
- 3) Management by Objectives
 - a) **Management by objectives (MBO)** is a system in which people at each level of the organization set goals in a process that flows from top to bottom, so employees at all levels are contributing to the organization's overall goals.
 - b) These goals become the standards for evaluating each employee's performance.
 - c) An MBO system has three components:
 - i) Goals are specific, difficult, and objective.
 - ii) Managers and their employees work together to set the goal.
 - iii) The manager gives objective feedback through the rating period to monitor progress toward the goals.
 - d) Advantages
 - i) MBO can have a very positive effect on an organization's performance.
 - One. The productivity gains tend to be greatest when top management was highly committed to MBO.
 - Two. Also, because staff members are involved in setting goals. It is likely that MBO systems effectively link individual employees' performance with the organization's overall goals.
 - ii) In general, evaluation of results can be less subjective than any other kinds of performance measurement.
 - One. This makes measuring results highly acceptable to employees and managers alike.
 - Two. Results-oriented performance measurement is also relatively easy to link to the organization's goals.
 - e) Disadvantages
 - i) However, measuring results has problems with validity, because results may be affected by circumstances beyond each employee's performance.
 - ii) Also, if the organization measures only final results, it may fail to measure significant aspects of performance that are not directly related to those results.
 - One. If individuals focus only on aspects of performance that are measured, they may not be concerned enough with customer service.
 - Two. The outcome may be high efficiency (costs are low) but low effectiveness (sales are low, too).
 - iii) Focusing strictly on results does not provide guidance on how to improve.

- f) To increase the accuracy and amount of data and to obtain more frequent employee evaluations, mobile technology offers a promising application, referred to as **event capturing**, which would enable managers to make short descriptive entries to capture behaviours, outcomes, or performance on an ongoing basis throughout the year..
 - i) Alternatively, a less sophisticated variation would require managers to send themselves emails with employee observations they save for later retrieval.
 - ii) These frequent, technology-enabled observations not only increase the accuracy and amount of data but also reduce the effect of the recency emphasis error.
 - iv. **Balanced Scorecard**
 - 1) The **balanced scorecard** is an organizational approach to performance management that integrates strategic perspectives including financial, customer, internal business processes, and learning and growth.
 - 2) The basic idea is that managers are encouraged to go beyond meeting just traditional financial targets, and recognize and simultaneously monitor the progress of other important goals such as customer and employee satisfaction.
 - 3) Use of a balanced scoreboard provides the means to align strategy at all levels of the organization and serves as "an excellent guide to measure and manage the performance of all employees."
7. What Are the Sources of Performance Information
- a. **360-Degree Performance Appraisal**
 - i. Using just one person as a source of information poses certain problems.
 - 1) People tend to like some people more than others, and those feelings can bias how an employee's efforts are perceived.
 - 2) Also, one person is likely to see an employee in a limited number of situations.
 - ii. To get as complete an assessment as possible, some organizations use **multi-rater** or **360-degree performance appraisal**, performance measurement that combines information from the employee's managers, peers, direct reports, self.
 - iii. Initially, an anonymous software system was used, but later that shifted to the use of signed feedback, and now many teams hold their 360-degree reviews face-to-face.
 - b. **Managers**
 - i. The most-used source of performance information is the employee's manager.
 - ii. **Advantages**
 - 1) Managers possess the basic qualifications for this responsibility.
 - a) Supervisors have extensive knowledge of the job requirements
 - b) They have enough opportunity to observe their employees.
 - 2) They have an incentive to provide accurate and helpful feedback, because their own success depends so much on their employee's performance.
 - 3) When managers try to observe employee behaviour or discuss performance issues in the feedback session, their feedback can improve performance, and employees tend to perceive the appraisal as accurate.
 - c. **Peers**
 - i. **Advantages**
 - 1) Peers are an excellent source of information about performance in a job where the supervisor does not often observe the employee (like law enforcement and sales).
 - 2) Peers have expert knowledge of job requirements.
 - 3) They also bring a different perspective to the evaluation and can provide extremely valid assessments of performance.
 - ii. **Disadvantages**
 - 1) Friendship or rivalries have the potential to bias ratings.
 - a) Research, however, has provided little evidence that this is a problem.

- 2) When the evaluations are done to support administrative decisions, peers are uncomfortable with rating employees for decisions that may affect themselves.
 - a) Generally, peers are more willing to participate in reviews to be used for employee development.
- d. Direct Reports
 - i. Advantages
 - 1) Direct reports - the people reporting to the manager - often have the best chance to see how well a manager treats employees.
 - ii. Disadvantages
 - 1) Direct reports are reluctant to say negative things about the person to whom they report.
 - a) They prefer to provide feedback anonymously.
 - b) Managers, however, have a more positive reaction to this type of feedback when employees are identified.
 - c) When feedback requires that the reports identify themselves, they tend to give the manager higher ratings.
 - 2) When managers receive rating from direct reports, the employees have more power, so managers tend to emphasize employee satisfaction, even at the expense of productivity.
 - a) This issue arises primarily when the evaluations are most used for administrative decisions.
 - 3) Therefore, as with peer evaluations, direct report evaluations are most appropriate for developmental purposes.
 - a) To protect employees, the process should be anonymous and use at least three employees to rate each manager.
 - iii. Despite these challenges, direct report ratings of managers could become even more widespread for the simple reason that individuals are growing used to the experience of using social media to publish online ratings of everything from movies and restaurants to professors and doctors.
- e. Self
 - i. Self-ratings are rarely used alone, but they can contribute valuable information.
 - 1) A common approach is to have employees evaluate their own performance before the feedback session.
 - 2) This activity gets employees thinking about their accomplishments and performance.
 - 3) Areas of disagreement between the self-appraisal and other evaluations can be fruitful topics for the feedback session.
 - ii. Disadvantages
 - 1) Individuals have a tendency to inflate assessments of their performance.
 - a) Especially if the ratings will be used for administrative decisions, exaggerating one's contributions has practical benefits.
 - 2) In general, people tend to blame outside circumstances for their failures while taking a large part of the credit for their success.
 - a) Supervisors can reduce this tendency by providing frequent feedback, but, because people tend to perceive situations this way, self-appraisals are not appropriate as the basis for administrative decisions.
- f. Customers
 - i. Services are often produced and consumed on the spot, so the customer is often the only person who directly observes the service performance and may be the best source of performance information.
 - ii. Using customer evaluations of employee performance is appropriate in two situations.
 - 1) The first is when an employee's job requires direct service to the customer or linking the customer to other services within the organization.
 - 2) Second, customer evaluations are appropriate when the organization is

interested in gathering information to determine what products and services the customer wants.

a) That is, customer evaluations contribute to the organization's goals by enabling HRM to support the organization's marketing activities.

3) In this regard, customer evaluations are useful both for evaluating an employee's performance and for helping to determine whether the organization can improve customer service by making changes in HRM activities such as training or compensation.

iii. The weakness of using customer feedback for performance measurement is their expense.

1) The expense of a traditional survey can add up to hundreds of dollars to evaluate one individual.

2) Many organizations therefore limit the information gathering to short periods once a year.

8. Errors in Performance Measurement

a. Types of Rating Errors

i. Similar to Me

1) **Similar-to-me error** is the rating error of giving a higher evaluation to people who seem similar to oneself.

2) One unfortunate result (besides inaccuracy) is that when similarity is based on characteristics such as race or sex, the decisions may be discriminatory.

ii. Contrast

1) **Contrast** is the rating error caused by comparing employee's performance to co-workers rather than to an objective standard.

2) The reduced rating does not accurately reflect what the employee is accomplishing.

iii. Errors in Distribution

1) **Leniency error** is the rating error of assigning inaccurately high ratings to all employees.

2) **Strictness error** is the rating error of giving low ratings to all employees, holding them to unreasonably high standards.

3) **Central tendency** is incorrectly rating all employees at or near the middle of a rating scale.

4) These errors pose two problems.

a) First, they make it difficult to distinguish among employees rated by the same person.

i) Decisions about promotions, job assignments, and so on are more difficult if employees all seem to be performing at the same level.

b) Second, these errors create problems in comparing the performance of individuals rated by different raters.

i) If one rater is lenient and the other is strict, employees of the strict will receive significantly fewer rewards than employees of the lenient rater.

ii) The rewards are not tied to actual performance but are to some degree erroneous.

iv. Recency Emphasis

1) **Recency emphasis** is the rating error that occurs when an annual rating is based only on most recent work performed.

2) This recency emphasis can also occur when the supervisor is rushing the evaluation process because of heavy workload or lack of time.

v. Focus on Activities

1) **Focus on activities** is the rating error when employees are assessed on how busy they appear rather than how effective they are in achieving results.

vi. Halo and Horns

1) **Halo error** is the rating error that occurs when the rater reacts to one positive performance aspect by rating the employee positively in all areas of

- performance.
- 2) **Horn error** is the rating error that occurs when the rater responds to one negative aspect by rating an employee low in other aspects.
- 3) When raters make halo and horn errors, the performance measurements cannot provide the specific information needed for useful feedback.
 - a) Halo error signals that no aspects of an employee's performance need improvement, possibly missing opportunities for employee development.
 - b) Horn error can cause the employees to feel defensive and frustrated, rather than motivated to improve.
- b. What Can be Done to Reduce Errors
 - i. Usually people make these errors unintentionally, especially when the criteria for measuring performance are not very specific.
 - ii. Raters can be trained how to avoid rating errors.
 - 1) For example, prospective raters watch video segments with story lines designed to lead them to make specific rating errors. After rating the fictional employees in the video, raters discuss their rating decisions and how errors affected their rating decision.
 - 2) Training programs offer tips for avoiding the errors in the future.
 - 3) After the training, it is helpful to use surveys to determine how confident managers are about their learning back on the job and what, if any barriers to implementation may exist.
 - 4) Training participants may also identify an "accountability partner", a peer to stay in touch with to share progress and challenges faced in applying these skills, and making behaviour changes,
 - iii. Another training method for raters focuses not on errors in rating, but on the complex nature of employee performance.
 - 1) Raters learn to look at many aspects of performance that deserve their attention.
 - 2) Actual examples of performance are studied to bring out various performance dimensions and the standards for those dimensions.
 - 3) The objectives of this training is to help raters evaluate the employees' performance more thoroughly and accurately.
- c. Political Behaviour in Performance Appraisals
 - i. Unintentional errors are not the only cause of inaccurate performance measurement. Some times the people rating performance distort an evaluation on purpose, to advance their personal goals.
 - ii. This kind of appraisal politics is unhealthy, especially because the resulting feedback does not focus on helping employees contribute to the organization's goals.
 - 1) High performing employees who are rated unfairly will become frustrated, and low-performing employees who are overrated will be rewarded rather than encouraged to improve.
 - 2) Therefore, organizations try to identify and discourage appraisal politics.
 - iii. Several characteristics of appraisal systems and company culture tend to encourage appraisal politics.
 - 1) Appraisal politics are most likely to occur when raters are accountable to the employee being rated, the goals of rating are not compatible with one another, performance appraisal is directly linked to highly desirable rewards, top executives tolerate or ignore distorted ratings, and senior employees tell newcomers company "folklore" that includes stories about distorted ratings.
 - iv. Organizations can minimize appraisal politics by establishing an appraisal system that is fair.
 - 1) One technique is to hold a **calibration session**, a meeting at which managers discuss employee performance ratings and provide evidence supporting their ratings with the goal of eliminating the influence of rating errors.
 - 2) As they discuss ratings and the ways they arrive at ratings, managers may

identify undervalued employees, notice whether they are much harsher or more lenient than other managers, and help each other focus on how well ratings are associated with relevant performance outcomes.

9. Performance Feedback

a. Scheduling Performance Feedback

- i. Performance feedback should be a regular, expected management activity.
- ii. The practice or policy at many organizations is to give formal performance feedback once a year. But annual feedback is not enough.
 - 1) One reason is that managers are responsible for dealing with performance gaps as soon as they occur.
 - 2) Another reason for frequent performance feedback is that feedback is most effective when the information does not surprise the employee.
 - a) If an employee has to wait for up to a year to learn what the manager thinks of their work, the employee will wonder whether they are meeting expectations.
 - b) Employees should instead receive feedback so often that they know what the manager will say during their annual performance review.
 - 3) Generational differences also contribute to different perspectives about what is timely feedback.
 - a) Millennials may expect immediate feedback because their reference points are often built around short-time frames and accomplishments.

b. Preparing for a Feedback Session

- i. The manager should create the right context for the meeting.
 - 1) The location should be neutral.
 - a) If the manager's office is perceived to be distracting or too formal, a conference room may be more appropriate.
 - 2) In announcing the meeting to an employee, the manager should describe it as a chance to discuss the role of the employee, the role of the manager, and the relationship between them.
 - 3) Managers should also say and believe that they would like the meeting to be an open dialogue.
- ii. Managers should also enable the employee to be well prepared.
 - 1) The manager should ask the employee to complete a self-assessment ahead of time.
 - a) The self-assessment requires employees to think about their performance over the past rating period and to be aware of their strengths and areas for improvement, so they can participate more fully in the discussion.
 - 2) Even though employees may tend to overstate their accomplishments, the self-assessment can help the manager and employee identify areas for discussion.
 - a) When the purpose of the assessment is to define areas for development, employees may actually underestimate their performance.
 - b) Also, difference between the manager's and the employee's rating may be fruitful areas for discussion.
 - 3) This approach to performance feedback is consistent with creating a coaching culture to manage, assess, and develop employees and requires managers to have well-developed coaching skills, and employees apparently appreciate the importance of performance reviews.

c. Conducting the Feedback Session

- i. Introduction
 - 1) During the feedback session, managers can take any of three general approaches, however, some feedback techniques and approaches work better than others.
- ii. Classification
 - 1) In the "tell-and-sell" approach, managers tell the employees their ratings

- and then justify those ratings.
- 2) In the "tell-and-listen" approach, managers tell employees their ratings and then let the employees explain their side of the story.
- 3) In the "problem-solving" approach, managers and employees work together to solve performance problems in an atmosphere of respect and encouragement.
- iii. Observation
 - 1) Research demonstrates that the problem-solving approach is superior.
 - 2) Most managers rely on the tell-and-sell approach.
- iv. Improvement
- v. How to talk about employee performance
 - 1) Prevent surprise
 - 2) Use specific, concrete examples
 - 3) Focus on goals
 - 4) Listen as well as talk
 - 5) Be honest
 - 6) Treat employees with respect
- 10. Performance Improvement
 - a. The final feedback stage of performance management involves identifying areas for improvement and ways to improve performance in those areas.
 - i. When performance evaluation indicates that an employee's performance is below expectations, the feedback process should launch an effort to address the performance gap.
 - ii. Even when the employee is meeting current standards, the feedback session may identify areas in which the employee can improve in order to contribute more to the organization in a current or future job.
 - b. The most effective way to improve performance varies according to the employee's ability and motivation.
 - i. Lack of ability - when a motivate employee lacks knowledge, skills, or abilities in some area, the manager may offer training, and more detailed feedback. Sometimes it is appropriate to restructure the job so the employee can meet the job demands.
 - ii. Lack of motivation - managers with an unmotivated employee can explore ways to demonstrate that the employee is being treated fairly and rewarded adequately. The solution may be as simple as delivering more positive feedback. Employees may also benefit from a referral for counselling or help with stress management.
 - iii. Lack of both - employees whose performance is below expectations because they have neither the motivation nor the ability to perform the job may not be a good fit for the position. Performance may improve if the manager directs their attention to the significance of the problem by withholding rewards or by providing specific feedback. If the employee does not respond, the manager may have to demote or terminate the employee.
 - iv. Have both - As a role, employees who combine high ability wit a high motivation are solid performers. Managers should by no means ignore these employees on the grounds of leaving well enough alone. Rather, such employees are likely to appreciate opportunities for further development. Rewards and direct feedback help to maintain these employees' high levels of motivation and performance.
 - c. **Performance improvement plan** is a summary of performance gaps and includes an action plan mutually agreed to by the employee and supervisor with specific dates to review progress.
- 11. What Are the Legal and Ethical Issues
 - a. Legal Requirements for Performance Management
 - i. Introduction
 - 1) Legal challenges related to performance management usually involve charges of illegal discrimination, and unjust or constructive dismissal.
 - ii. Two kinds of Legal Challenges
 - 1) Claims often allege that the performance management system discriminated

against employees on the basis of one of the protected grounds identified in human rights legislation such as age or sex.

- a) Many performance measures are subjective, and measurement errors can easily occur.
- 2) With regard to lawsuits filed on the grounds of unjust constructive dismissal, the usual claim is that the person was dismissed for reasons besides the ones employer states.
 - a) In this type of situation, courts generally focus on the employer's performance management system, looking to see whether the dismissal could have been based on poor performance.
 - b) To defend itself, the employer would need a performance management system that provides evidence to support its employment decisions.

iii. How to Avoid Legal Challenges

- 1) To protect against both kinds of legal challenges, it is important to have a performance management system based on valid job analyses, with the requirements for job success clearly communicated to employees.
- 2) Performance measurement should evaluate behaviours or results, on the basis of objective criteria.
- 3) The organization should provide for a review of all performance ratings by upper-level managers and set up a system for employees to appeal when they believe they were evaluated unfairly.
- 4) Along with feedback, the system should include a process for coaching or training employees to help them improve, rather than simply dismissing poor performers.
- 5) Supervisors must also be careful to ensure performance feedback does not go beyond "reasonable criticism".
 - a) The Ontario Court of Appeal provided guidance to what a supervisor can and cannot do in the context of performance appraisal and performance improvement.

b. Employee Monitoring and Employee Privacy

i. Current Situation

- 1) Computer technology and other types of employee monitoring now support many performance management systems.
- 2) Organizations often store records of employees' performance ratings, disciplinary actions, and work-rule violations in electronic databases.
- 3) Many companies use personal computers or other technology-enabled devices to monitor productivity and other performance measures.

ii. Privacy Concerns

- 1) Critics point out that an employer should not monitor employees when it has no reason to believe that anything is wrong.
- 2) Some notes that employees' performance should be measured by accomplishments, not just time spent at a desk or workbench.
- 3) Electronic systems should not be a substitute for careful management.
- 4) Monitoring may be used more positively to gather information for coaching employees and helping them develop their skills.

iii. How to Use Monitoring

- 1) When monitoring is necessary, managers should communicate the reasons for using it.
- 2) The federal Personal Information Protection and Electronic Documents Act (PIPEDA) has additional implications for performance management.

Chapter 7 Summary

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1. Identify the relevance of performance management and the steps in the process.

In high-performing organizations, performance management is a dynamic process that enables performance and drives organizational and individual success and is integrated with other human resources functions. Performance management is the process through which managers ensure that employees' activities and outputs contribute to the organization's goals. The organization begins by specifying which aspects of performance are relevant; the relevant aspects of performance are measured through performance appraisal; and finally, in performance feedback sessions, managers provide employees with information about their performance so that can modify their behaviour to meet the organization's goals.

2. Discuss the purposes of performance management systems.

Organizations establish performance management systems to meet three broad purposes. Effective performance management helps the organization with strategic purposes, that is, meeting business objectives. It does this by helping to link employees' behaviour with the organization's goals. The administrative purpose of performance management is to provide information for day-to-day decisions about salary, benefits, recognition, and retention or termination. The developmental purpose of performance management is using the system as a basis for developing employees' knowledge and skills.

3. Define five criteria for measuring the effectiveness of a performance management system.

Performance measures should fit with the organization's strategy by supporting its goals and culture. Performance measures should be valid, that is, measure all the relevant aspects of performance and do not measure irrelevant aspects of performance. These measures should also provide interrater and test-retest reliability, so that appraisals are consistent among raters and over time. Performance measurement systems should be acceptable to the people who use them or receive feedback from them. Finally, a performance measure should specifically tell the employees what is expected of them and how they can meet those expectations.

4. Compare the major methods for measuring performance.

Performance measurement may use ranking systems such as simple ranking, forced distribution, or paired comparisons to compare one individual's performance with that of other employees. Although time-consuming, and may be seen as unfair under some circumstances, ranking counteracts some forms of rater bias and helps distinguish employees for administrative decisions. Other approaches involve rating employees' attributes, behaviours, or outcomes. Rating attributes is relatively simple but not always valid and requires a great deal of information, but these methods can be very effective. Rating results, such as productivity or achievement of objectives, tends to be less subjective than other kinds of rating; however, validity may be a problem because of factors outside the employee's control. A balanced scorecard is a widely used strategic approach.

5. Describe major sources of performance information in terms of their advantages and disadvantages.

Performance information may come from an employee's self-appraisal and from appraisals by the employee's manager, employees, peers, and customers. Organizations may combine many sources into a 360-degree performance appraisal. Employees' supervisor may produce accurate information, and peers are an excellent source of information about performance in job where the supervisor does not often observe the employee. Disadvantages are that friendship or rivalries may bias ratings and peers may be uncomfortable with the role of rating a friend. Direct reports often have the best chance to see how a manager treats employees; however, employees may be reluctant to contribute candid opinions about supervisors unless they can provide information anonymously.

Self-appraisals may be biased, but they do come from the person with the most knowledge of the employee's behaviour on the job, and they provide a basis for discussion in feedback sessions, opening up fruitful comparisons and areas of disagreement between the self-appraisal and other appraisals. Customers may be an excellent source of performance information, although obtaining customer feedback tends to be expensive.

6. Define types of rating errors and explain how to minimize them.

A common tendency is to give higher evaluation to people we consider similar to ourselves. Other errors involve using only part of the rating scale or contrasting an employee unfavourably with very high performers. Giving all

employees ratings at the high end of the scale is called leniency error. Rating everyone at the low end of the scale is called strictness error. Rating at or near the middle is called central tendency. Basing an employee's rating only on the most recent work performed is called recency emphasis; and focusing on activities - for example, how busy the employee looks, rather than results - is also problematic. Halo/horns error refers to rating employees positively/negatively in all areas because of strong/weak performance observed in one area.

Ways to reduce rater error are training raters to be aware of their tendencies to make rating errors and training them to be sensitive to the complex nature of employee performance so they will consider many aspects of performance in greater depth. Politics also may influence ratings. Organizations can minimize appraisal politics by establishing a fair appraisal system, and bringing managers together to discuss ratings in calibration sessions.

7. Explain how to effectively provide performance feedback.

Performance feedback should be a regular, scheduled management activity, carried out in a way that both parties feel heard, understood, and respected. Managers should prepare by establishing a neutral location, emphasizing that the feedback session will be a chance for discussion and asking the employee to prepare a self-assessment. During the feedback session, managers should strive for a problem-solving approach and encourage employees to voice their opinions and discuss performance goals. The manager should look for opportunities to reinforce desired behaviour and should limit criticism. The discussion should focus on behaviour and results rather than on personalities.

8. Summarize ways to achieve performance improvement.

If an employee is motivated but lack ability, give detailed feedback about performance, and consider restructuring the job. For an employee with ability but lacking motivation, investigate whether outside problems are a distraction, and if so refer the employee for help. If the problem has to do with the employee not feeling appreciated or rewarded, try to meet the employee's needs and evaluate whether additional rewards are appropriate. For an employee lacking both ability and motivation, consider whether the employee is a good fit for the position. Specific feedback or withholding rewards may spur improvement, or the employee may have to be demoted or terminated. Solid employees who are high in ability and motivation will continue so and may be able to contribute even more if the manager provides appropriate direct feedback, rewards, and opportunities for development.

9. Discuss legal and ethical issues that affect performance management.

Lawsuits related to performance management usually involve charges of discrimination, psychological harassment, and constructive or unjust dismissal. Managers must make sure that performance management systems and decisions treat employees properly, without regard to their age, sex, or other protected grounds. A system is more likely to be legally defensible if it is based on behaviours and results, and if multiple raters evaluate each person's performance. The system should also include a process for coaching and training employees. An ethical issue of performance management is the use of employee monitoring. This type of performance measurement provides detailed, accurate information, but employees may find it unwelcome.

Misdirected Effort - Low in ability high in motivation	Underutilized - low in motivation high in ability	Solid performer - high in both	Underperformer - low in both
1. Frequent performance feedback 2. Goal setting 3. Training or temporary assignment for skill development 4. Restructured job assignment	1. Give candid feedback 2. Provide counselling 3. Use team building and conflict resolution 4. Link rewards to performance outcomes 5. Offer training for needed competencies 6. Manage stress levels	1. Reward good performance 2. Identify development opportunities 3. Provide direct feedback	1. Withhold pay increases 2. Demotion 3. Outplacement 4. Discipline 5. Specific, direct feedback on performance problems

Section B: Marketing: The Core

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1. Chapter 1: Marketing Fundamentals
2. Chapter 2: The Marketing Environment
3. Chapter 3: Consumer Behaviour
4. Chapter 4: Market Research, Metrics, and Analytics
5. Chapter 5: B2B Marketing
6. Chapter 6: Segmentation, Targeting, and Positioning
7. Chapter 7: Products and Brands
8. Chapter 8: New Products Development
9. Chapter 9: Pricing
10. Chapter 11: Retailing and Wholesaling
11. Chapter 12: Marketing Communications
12. Chapter 13: Mobile Marketing and Social Marketing
13. Chapter 14: Customer Relationship Management
14. Chapter 15: Strategic Marketing Planning
15. Appendix: Building an Effective Marketing Plan

Chapter 1 Marketing Fundamentals

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1. The Essence of Marketing

a. Focusing on Customer Needs

- i. The essence of successful marketing is focusing on customer needs and developing programs that delight consumers and encourage customer loyalty.
- ii. Frequently, the challenge is to clearly determine these needs and to understand how they can best be met.
 - 1) Marketers often turn to research to provide clarity; however, consumers do not always know what they want and may not want (or be able) to articulate feelings and opinions.
 - 2) In certain categories, such as fragrances or luxury cars, choices are not entirely rational, but partly based on self-image and emotional attachment to a brand, which are difficult to articulate.
 - 3) In other situations where children or professionals are involved, a child may be unable to express ideas while professionals may not have the time to participate in research.
 - 4) Sometimes, marketers may not be asking the right questions.

iii. The digital world adds another level of complexity to market research.

- 1) On the one hand, it facilitates the online gathering of information, while on the other hand, it introduced new communication platforms that challenge marketers to understand the biases that may exist in this new environment.
- 2) There are some general insights about how consumers navigate the online environment that marketers need to consider when developing marketing programs.
 - a) First, the initial point of contact for consumers with a brand is often online on a corporate website, on a promotional microsite, on a company blog, on one of its social media sites, perhaps on a product review site, or even on a Wikipedia page.
 - i) Marketers must therefore understand the role of the online environment in the consumer path-to-purchase and the need to have a solid presence on all these online destinations with information that engages, informs, and motivates.
 - b) Second, consumers must be able to quickly find a company's online site through search engines such as Google or Bing.
 - i) Websites must therefore be written so that they are highly ranked by the search engines and consumers can find them quickly during online searches.
 - c) Third, consumers are impatient in the online environment - website must therefore load quickly within a few short seconds and have simple and pleasing designs that deliver content within two to three clicks.

b. Creating Customer Value

- i. Harnessing customer loyalty to secure ongoing customer support is encouraging firms to provide value to its customers in two ways.
 - 1) First, companies create products that provide goods and services with added value versus competitive offerings.
 - 2) Second, they reward customers for their loyalty through marketing programs that focus on repeat purchases and incentives that encourage future purchases.
- ii. **Customer value** is the unique combination of benefits received by targeted consumers that includes quality, price, convenience, delivery, and both before-sale and after-sale services.

- 1) Marketers work diligently to deliver this value by carefully managing each element of the marketing mix (product, price, place, and promotion) so that this value is evident to consumers who in turn purchases or use the products.
 - 2) Ongoing marketing programs then come into play, encouraging these consumers to become long-term loyal customers and spread the word to others.
 - iii. Creating products with added value is often achieved through a combination of 1) product design, 2) pricing strategies, and 3) service elements.
- c. Appealing to Target Market
- i. In a competitive marketplace, companies cannot satisfy everyone's needs with a single product, and so products are designed to appeal to specific groups of consumers.
 - ii. Marketing follows the principle that, with limited funds, it is better to channel resources toward consumers who are most interested in purchasing a product, rather than target everyone and squander funds on those who have little interest.
 - 1) This approach results in marketers tailoring products to meet the specific needs of different target markets.
 - iii. A **target market** can be formally defined as the specific group of existing and potential consumers to which marketers direct their marketing efforts.
 - iv. Marketing efforts are geared to appeal to a product's specific target market, ensuring that each element of the marketing mix appeals to the characteristics of the target group.
- d. Coordinating the Marketing Mix
- i. The elements of the **marketing mix** - known as the 4 Ps: product, price, place, and promotion - need to be carefully managed by marketers to ensure they are well coordinated and that each appeals to the distinct characteristics of the target market.
 - ii. In all instances, marketers need to understand what makes their consumers tick: what delights them, what does not, and how to best send communications.
 - 1) This information is often clarified by market research and metrics on consumer behaviour to help determine how marketing efforts can be designed or modified to meet consumer needs and deliver profits or support for marketing programs and coordinate each element of the marketing mix to meet specific target market needs.
 - 2) These elements are all included in a brand's annual marketing plan where details for each element of the marketing mix are outlined, together with the required budgets and profit and loss statements for the brand.
 - iii. The elements of the marketing mix in either an online or offline environment can be simply described as follows:
 - 1) **Product**: all the attributes that make up a good, a service, or an idea, including product design, features, colour, packaging, warranty, and service levels.
 - 2) **Price**: the expected regular retail or sale price for a product.
 - 3) **Place**: the distribution channels, retail formats, and merchandising used to sell a product.
 - 4) **Promotion**: the communication tools needed to inform consumers about a product, including advertising, public relations, sales promotion, direct response, event marketing and sponsorship, and personal selling.
 - iv. It is important to note that, over time, marketers gather extensive information on their target markets, being able to identify purchase motivation that goes beyond age and gender into behavioural and psychological motivation, which is an important determinant in many purchases.
 - 1) In this way, marketers define their target markets in more-complex terms, including elements such as likes, dislikes, motivation, interests, and concerns.
 - v. The digital reality has prompted many new marketing approaches that make the

marketing mix more complex.

- 1) A product, for example, now has many faces: offline in stores and online on corporate websites, on blogs, on promotional microsites, on apps, and on social media sites where marketers carefully monitor and join conversation to engage consumers.
- 2) This is made even more complex by the different technical requirements needed for websites to render appropriately on different mobile devices.

2. The Marketing Process

a. Introduction

- i. The **marketing process** is a continuous one that requires marketers to pay attention to detail and apply strategic, analytical, and creative-thinking skills.
 - 1) In short, the **marketing process** involves the followings:
 - a) Identifying consumer needs
 - b) Managing the marketing mix to meet these needs
 - c) Realizing profits, or in the case of non-profits, securing revenue support or providing services to those in need.
 - 2) Through the cycle, marketers constantly evaluate program success, implementing and recommending future changes to strengthen efforts.
- ii. **Marketing** is described as the process of planning and managing goods, services, or ideas to meet consumer needs and organizational objectives.
 - 1) It includes the conception of these products, and the pricing, promotion, and distribution programs designed to make a profit and generate revenue or support for an organization.
- iii. The objectives of both buyers and sellers must be met for exchanges to occur and for profits to be realized.
 - 1) **Exchange** is the trade of things of value between buyers and sellers so that each benefits.
 - a) In simple terms, the trade is money for a product or service.
 - b) However, there is more to exchange than just money.
 - i) Customers may provide referrals to a tutoring service or to a fitness club in return for discounts or additional services.
 - ii) A consumer may volunteer time with a non-profit organization.
 - c) In the online environment, exchange is often more complex.
 - i) In many instances, websites may not be selling a product at all but instead providing free information or a service that drives traffic to their website where advertising is served to help pay for the service.
 - ii) The number of page views on the website and data on its demographics is used to sell this advertising space and generate revenue for the website.

b. What Can Be Marketed

- i. In marketing, the term **product** encompasses goods, services, and ideas.
 - 1) These can all be marketed to encourage people to buy something, or as in the case of ideas, to encourage support.
- ii. A **good** is a product you can touch and own.
- iii. A **service** is an intangible product you cannot touch.
- iv. An **idea** is a concept that typically looks for support.
- v. Many successful marketers today launch products with layers of goods, services, and ideas to connect to consumers.

c. What Is a Market

- i. The term **market** is used in marketing to describe potential consumers who have both the willingness and ability to buy a product.
- ii. Importantly, just being willing to buy a product does not constitute a market.
 - 1) Sometimes the market, target market, and consumers are different groups of people, and marketers need to decide on a balance of who should be targeted with their programs.

3. The Evolution of Business Philosophies

- a. Marketing was not always the driving force in business philosophy.
- b. Four Stages of Business Philosophies
 - i. Production Orientation Stage
 - 1) Up until the 1930s, businesses were in the **production orientation** stage.
 - 2) This stage focused on manufacturing, which until the industrial revolution was not a widespread phenomenon.
 - 3) Manufactured goods tended to sell, regardless of their quality, because they were in short supply.
 - 4) Consumer needs were not a priority.
 - ii. Sales Orientation Stage
 - 1) The second stage, from the 1930s to the 1960s, was the **sales orientation** stage.
 - 2) This stage focused on selling as many products as possible.
 - 3) The market had become more competitive, production had become more efficient, and products were in abundance.
 - 4) Companies started to hard-sell to make a profit, and consumer needs were still not a major consideration.
 - iii. Marketing Orientation Stage
 - 1) As the marketplace became more competitive, businesses developed more-sophisticated approaches, and the basic marketing stage evolved in the 1960s.
 - 2) At this point, consumer needs became paramount, and the marketing concept became the focus of businesses.
 - 3) The **marketing concept** stage focuses on the idea that an organization should strive to satisfy the needs of consumers while also trying to achieve an organization's goals.
 - 4) The **marketing orientation** stage follows this idea.
 - 5) An organization that has a marketing orientation focuses its efforts on continuously collecting information about customers' needs, sharing this information across departments, and using it to create customer value.
 - iv. Relationship Marketing Stage
 - 1) In the last decade, marketing has evolved from a discipline with a short-term focus on transactions to one that now also focuses on building long-term customer relationships.
 - 2) This **relationship marketing** stage sees organizations considering the lifetime value of their customers and striving to offer better services, higher-quality products, and meaningful long-term relationships.
 - 3) Over the last few years, relationship marketing has included a greater use of social media, and an increased focus on customer relationship management and corporate social responsibility to create meaningful relationships.
 - a) These approaches emphasize customer retention and ongoing customer satisfaction rather than short-term transactions.
 - b) It carefully uses information on customer interests to develop relationships with customers and retain their loyalty.
 - 4) Businesses recognize that improved customer relationships can result in increased customer loyalty, improved customer retention levels, and greater profits for an organization.
 - 5) Formally, the concept of **relationship marketing** is when organizations create long-term links with their customers, employees, suppliers, and other partners to increase loyalty and customer retention.
- c. Three Elements of Relationship Marketing
 - i. Introduction
 - 1) Internet technology is fuelling the growth of relationship marketing as a business approach.
 - 2) Social media, database technology, and the increased importance of corporate social responsibility are all pointing toward creating meaningful relationships with customers to drive business success.

ii. Social Media

1) Introduction

- a) First, social media, with its ability to interact with consumers, often in real time, through social networks, has added a new dimension to relationship marketing, making it more immediate and interactive.
- b) Social media provides consumers with the ability to interact with marketing messages by posing comments that are visible to all.
 - i) This open environment encourages companies to be more transparent and interactive in their communications.
- c) **Social media** is formally defined as a form of online media that allows members to create their own network of friends and contacts to share comments, articles, opinions, videos, and images as a form of self-expression.

2) Four Approaches to Use Social Media

- a) First, marketers use social media to engage and connect with customers.
 - i) Special offers such as coupons may be sent out through Twitter or Facebook, and interesting images can be shared on all social media sites but particularly on Pinterest and Instagram.
 - ii) YouTube can be used to share how-to videos or entertaining and informative brand-related videos, while promotional microsites can provide further details on all promotional elements and link to social media.
- b) Second, marketers use social media to provide customer service.
 - i) Social media monitoring tools can be purchased from analytics companies to monitor social media engagement and flag comments requires responses.
 - ii) This allows marketers to quickly respond to customer queries in real time and to resolve potential issues.
- c) Third, marketers use social media analytics platforms to monitor real-time consumer engagement and brand buzz so that social media programs can be measured and evaluated.
- d) Fourth, marketers can use social media to identify brand advocates that can spread positive messages about a brand.
 - i) Typically, marketers seek brand fans with influential social networks and send them brand updates and information they may find useful, sometimes appointing brand ambassadors that are paid a small sum to support the brand with positive messaging.

iii. Database Technology

1) Introduction

- a) Database technology has surfaced as a tool that facilitates relationship marketing by putting a focus on **customer relationship management (CRM)** for the marketing industry.
- b) Formally, **CRM** is defined as the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

2) This approach is rooted in the knowledge that it is less expensive to service and maintain current customers than to obtain new ones.

- a) CRM identifies a firm's most-valued customers and builds loyalty programs to appeal to their needs.
- b) It systematically identifies what leads to customer satisfaction and profitable brand loyalty.
- c) It is often facilitated by CRM software.

3) Applications of CRM

- a) In its simplest form, CRM involves the occasional customer phone call about upcoming events such as open house.

- b) In a more advanced state, it includes sophisticated customer loyalty programs that reward continued purchases and usage.
- c) Advanced CRM considers the value of specific customers over their lifetime and what offers are most suited to their stage in life.
- d) Another simple example of how CRM can be applied at retail is in the area of store design.
 - i) Retailers can use customer purchase data to analyze department purchases to improve store design and maximize profitability.

iv. Corporate Social Responsibility

- 1) **Corporate social responsibility (CSR)** has become an important part of the relationship marketing stage with companies realizing that consumers want to be associated with companies that share their values and interests.
- 2) CSR is a concept where organizations voluntarily consider the well-being of society and the environment by taking responsibility for how their businesses impact consumers, customers, suppliers, employees, shareholders, communities, the environment, and society in general.
- 3) In this manner, CSR programs become part of a brand's fabric and help to build long-term relationships and solidify brand connections with consumers.
- 4) Many organizations now include CSR components in their business plans, issuing annual CSR reports and CSR plans to ensure they live up to their directives.
- 5) **Business Sustainability** is a term linked to CSR programs.
 - a) It refers to the long-term viability of a business based on its financial results, its social performance, and its impact on the environment.
 - b) The three pillars of a sustainable business are healthy profits, healthy people, and a healthy planets.
 - c) Sustainable businesses do not compromise the future of society and the environment to meet short-term financial gain.
- 6) Unfortunately, a few companies have taken advantage of the environmental movement by deceptively positioning products as being green, when in fact they do little to help the environment.
 - a) **Greenwashing** refers to the deceptive use of marketing practices to imply that a good, service, or organization is environmentally friendly.
- 7) CSR initiatives can range from the simple to the complex, and typically include one of three approaches.
 - a) In its simplest forms, CSR can involve 1) the sponsorship and/or spearheading of community program, 2) the sponsorship and/or involvement in fundraising initiatives for charitable organizations, and in its most advanced form, 3) as a business philosophy that permeates an organization that implements socially responsible business practices to positively impact the communicatee at large.
 - b) At its most sophisticated level, executive compensation is linked in part to CSR results.
- 8) The marketing community is also putting an increased focus on the well-being of society and the environment in its marketing programs.
 - a) It is common place to now see charitable components in marketing initiatives, an approach described as the **societal marketing concept**.

4. New and Evolving Marketing Practices

a. Introduction

- i. The backdrop to new and evolving marketing approaches is the rapid adoption of Internet technology by our society, with consumers and businesses having access to lower-priced computers, multiple mobile devices, high-speed Internet connections, and cloud computing. In addition, many free online services are available, such as email, online search, cloud file storage, and social media platforms.

- 1) The widespread use of digital technology in Canada is the most important trend impacting marketers go to business.
- 2) Digital technology has changed the path-to-purchase and drives how consumers gather information, connect with each other and businesses, and purchase products.
- 3) The amount of time consumers spend on the Internet has changed significantly over the last few years, prompting marketers to increasingly use digital marketing approaches to reach consumer.
- ii. **Digital marketing** is an approach that uses electronic means to reach consumers, whether this be through computers, gaming, devices, out-of-home electronic screens, or mobile devices such as smartphones, tablets, MP3 players, and e-readers.
 - 1) Digital marketing includes many stellar online tools, such as display advertising, affiliate marketing, search engine marketing, search engine optimization, pay-per-click advertising, mobile marketing, e-mail marketing, and social media marketing.
- b. Real-Time Marketing
 - i. **Real-time marketing** is when brands make themselves relevant online during events or newsworthy occurrences by creating or joining conversations as they occur to create buzz that is shared by others on social media.
 - ii. Sophisticated approaches use large-scale media events such as the Super Bowl, the Olympic Games, or the Academy Awards as pivotal points, and real-time marketing experts creatively engage in online conversations related to the event to take advantage of the buzz and reach a wide audience.
 - iii. Real-time marketing is planned with teams of real-time marketing experts ready during the selected events to create an post engaging marketing messages.
 - 1) The team often include brand specialists and advertising experts, as well as senior executives and lawyers that may be needed to approve messaging.
 - iv. On a smaller scale, real-time marketing is used by many companies on a daily basis through empowered frontline social media managers who continuously monitor social media conversations and respond to issues, questions, and conversations as they occur.
- c. Content Marketing
 - i. **Content marketing** is when brands or companies reach out by creating and sharing expertise and/or brand information that is designed to inform and engage with tools such as research papers, e-books, infographics, how-to videos, blogs, webinars, e-newsletters, case studies, and events.
 - 1) This information can be readily found with search engines.
 - ii. Many business-to-business marketers use this approach to attract new customers by providing valuable tools and expertise to help companies manage their businesses.
- d. Mobile Marketing
 - i. **Mobile marketing** is when marketers communicate with audiences through a mobile device or network using elements such as cellphones, tablets, e-readers, handheld gaming devices, or portable MP3 players.
 - ii. Mobile marketing uses specific marketing tools that render appropriately on mobile devices.
 - 1) These tools include mobile web, apps, mobile advertising, and various mobile sales promotional tools.
 - iii. Marketers understand the popularity of mobile devices in Canada and increasingly use mobile marketing approaches to reach consumers both in and out of the home or work environment.
 - 1) Common approaches include short-code messaging to donate charities or texting to vote for winners of TV reality shows.
 - 2) Mobile apps are also created to facilitate interactions.
 - iv. Mobile marketing may also include branded games that can be played on mobile devices to encourage brand loyalty.

- v. Other marketing tools include e-mail marketing approaches that render correctly on mobile devices; 2D barcodes, such as QR codes that can be scanned by a mobile device for further information, and local **proximity marketing** approaches that allow consumers to opt in to receiving marketing information in a restricted geo-location, such as a shopping mall, local business district, or event.
- e. Social Media Marketing
 - i. **Social media marketing** is when brands reach out to consumers online through social networks where people connect with friends and contacts to share comments, articles, opinions, videos, and images as a form of self-expression.
 - ii. Brands can take various approaches with social media.
 - 1) A brand can place ads on social networks that accept advertising to increase awareness and can hire social media community managers to deploy social media programs and to monitor, measure, and respond to questions, comments, and inquiries.
 - iii. While the popularity of social networks can rapidly change due to the ease with which consumers gravitate to other platforms, the most popular social networks in Canada today are Facebook, YouTube, Google+, Twitter, LinkedIn, Instagram, Tumblr, and Pinterest, with numerous other niche social networks.
 - iv. Experiential Marketing
 - 1) Marketers often embed experiential marketing approaches within their social media marketing programs to create buzz and a focal point for social media programs.
 - 2) **Experiential** marketing is an approach where marketers create opportunities for consumers to directly interact face-to-face with a brand.
 - 3) Instead of relying on mass media, a brand may create an occasion for a few consumers to interact personally with it and then spread the word to others, often through social media.
 - 4) This approach can build awareness and generate word-of-mouth buzz and other forms of publicity for the brand.
 - 5) The brand goes from being passive to actively interacting with the target market.
 - 6) A brand can follow a number of approaches with experiential marketing, often using a combination of public relations, event marketing, and promotions to break through the clutter of competing market messages.
 - v. Social networking is not only a consumer marketing approach but also has morphed into a platform that is used by organizations to connect internally with employees and suppliers.
 - 1) Closed-access company social platforms are used to more quickly connect employees together on projects and for organizations to more quickly and directly interact with and update employees.
 - 2) Instead of relying on e-mail updates and meetings that are time-consuming to write and attend, closed-access social networks with interfaces similar to Facebook are used by companies to provide timely and quickly notifications.
- f. Partnership Marketing
 - i. The intent of **partner marketing** is to create formal associations between brands that will result in incremental business for both brands that could not have been achieved separately.
 - 1) The purpose of partnership marketing is to drive incremental business and a strong return on investment (ROI).
 - 2) It is rooted in the idea that brands with similar customers but different distribution channels can combine marketing expertise and use each other's strengths to build brand awareness and incremental revenue streams.
 - ii. The challenge lies in finding appropriate partners, setting realistic goals, tracking results, and aligning partnership goals with business objectives.
 - iii. Partnership marketing take many forms, permeate different platforms, and exists online or offline.
 - 1) Partnership can be simple **promotional partnerships** and involve short-term

- offers between brands.
- 2) Another form of partnership marketing, with longer-term focus, is the **strategic alliance**. This involves long-term arrangements between companies with similar values and objectives that extend beyond short-term promotional offers into long-term business agreements.
- g. Metrics and Analytics
 - i. Introduction
 - 1) **Metrics** refers to numeric data that is collected and grouped to track performance.
 - a) It is often presented in spreadsheets and dashboards, so it is easy to understand and interpret.
 - b) **Dashboards** visualize data using graphs, charts, and numbers so that the data is easy to use and understand.
 - 2) **Analytics** refers to the process of taking metrics data and applying smart thinking and technology to gain actionable insights that can help make better business decisions.
 - a) An analytic platform helps answer questions and provides customer insights, and predicts patterns that can improve marketing performance.
 - b) Analytics can help segment customers, plan and forecast, manage risk, and take corrective action.
 - ii. Online
 - 1) Digital technology is prompting an influx of data due to its ability to measure interactions on the Internet.
 - a) Metrics and analytics software can measure and track online sales and drill down into the origin of each sale.
 - b) It can also measure website interactions such as unique visitors, time on site, page views, returning visitors, newsletters signups, and digital downloads.
 - c) It can measure the effectiveness of e-mails blasts and online advertising campaigns, as well as the impact of social media programs.
 - 2) Importantly, this data can be meshed with a marketer's costing information so that financial insights can determine metrics such as costs per click, costs per conversion, costs per interaction, and the ROI of specific programs.
 - iii. Offline
 - 1) Routine metrics are measured against marketing plan targets and look at elements such as sales, market share, profit margins, and profit levels.
 - 2) Program-specific metrics analyze specific marketing program and measure performance against benchmarks and targets.
 - a) These metrics can include elements such as return on investment (ROI), awareness levels, ad recall, sales conversions, coupon redemption rates, contest entries, or media mentions, depending on the task at hand.
- h. Marketing Regulations and Ethical Considerations
 - i. In Canada, regulations are put in place to safeguard people, communities, and the environment from businesses that may not have their well-being in mind.
 - 1) These regulations can take many forms, such as pollution-emission thresholds, water safety guidelines, food and safety regulations, advertising standards, competitive guidelines, and telemarketing regulations.
 - 2) In some instances, consumer groups exert pressure on government bodies to protect society.
 - ii. The changes in marketing practices over the last few years due to digital technology has forced marketing associations and government bodies to revise and update legislation and implement new guidelines.
 - 1) New laws now protect consumers' rights to privacy and provide strict guidelines that marketers need to follow.
 - 2) New anti-spam legislation has also been put in place to regulate e-mail

marketing practices, while do-not-track policies have been created for online behavioural advertisement to use.

- iii. In addition to government regulations, many companies, industries, and professional associations have guidelines and codes of ethics that provide direction to employees and members on areas that are considered unacceptable.
 - 1) The Canadian Marketing Association (CMA) is the professional body for the marketing industry, and its guidelines, codes of ethics, and educational programs help shape the future of marketing in Canada.
 - a) It responds and provides input on legislative issues such as Canada's anti-spam legislation (CASL) and digital advertising do-not-track guidelines.
 - b) The CMA has dealt with policy issues concerning telemarketing fraud, electronic commerce, and consumers' right to privacy.
 - c) It has over 800 corporate members from major financial institutions, insurance companies, manufacturers, publishers, retailers, charitable organizations, agencies, relationship marketers, and those involved in e-business and Internet marketing.
 - 2) The CMA has a code of ethics by which all members must comply.
 - a) Its purpose is to encourage high marketing standards that are honest, truthful, accurate, fair, and professional.
 - b) Marketing programs are expected to be both ethical and legal and give consumers, businesses, and the government confidence in the industry.
 - c) The code of ethics covers topics such as accurate representations, truthfulness in marketing communications, price claims, fulfilment practices, privacy, marketing to children, and marketing to teenagers.
 - d) It also provides direction on direct marketing practices, sales promotion, public relations, and media usage.

5. Marketing Careers

- a. Entry-level positions exist in sales, marketing, and promotions in a variety of fields.
- b. Job titles vary from company to company, but typical jobs include marketing analysts, marketing coordinators, marketing assistants, sales representatives, and account coordinators.
 - i. These entry-level jobs usually include on-the-job training, the creation of analytical reports, liaison with other departments within the company, exposure to marketing program development, and the potential to move up in within the organization.
- c. Areas of growth are in promotions and digital marketing services.
 - i. Opportunities exist in creating your own business, as well as working in small, medium, and large organizations in the private sector, in the non-profit sector, or in the government.
- d. Students
 - i. For students who have the advantage of fluency in a foreign language, this language can be leveraged with companies dealing in foreign markets, or in Canada with multicultural target groups.
 - ii. Students wanting to get into the marketing field need to be analytical, be able to work with others, be capable of working in teams, and have strong communication skills in both written and verbal contexts.
 - iii. They must be competent with technology, be able to problem-solve, and not hesitate to drill down into data analysis.
- e. Marketers
 - i. As a marketer, you need to keep your finger on the pulses of the consumer.
 - ii. This requires you to stay current, to be intellectually curious, and to be involved in the conversation of life.

Summary

1. Part 1

- a. The essence of marketing is to focus on consumer needs and to generate revenue, profits, or support for an organization.
- b. Marketers are responsible for bringing profits and revenues into an organization.
- c. The marketing process follows three main steps: 1) identifying consumer needs, 2) managing the marketing mix to meet consumer needs, and 3) realizing revenues or profits.

2. Part 2

- a. The marketing mix, also known as the 4 Ps, consist of product, price, place, and promotion.
- b. Product refers to all the attributes that make up a good, a service, or an idea. Product elements include areas such as product design, product features, colour, packaging, warranty, and service levels.
- c. Price refers to the retail shelf price and sale price of a product.
- d. Promotion refers to the communication tools needed to communicate to the consumers, such as advertising, sales promotion, public relations, direct marketing, and personal selling.

3. Part 3

- a. A product in marketing can be a good, a service, or an idea. A good is a product you can touch and own. A service is a product that is intangible, that you cannot touch. An idea is a concept that typically looks for support.

4. Part 4

- a. The evolution of marketing has progressed from a production orientation stage, to a sales orientation stage, to a marketing orientation stage, and finally to a relationship marketing stage.
- b. Important areas of the relationship marketing stage are customer relationship management (CRM) and corporate social responsibility.

5. Part 5

- a. New and evolving marketing practices have surfaced in the areas of real-time marketing, content marketing, mobile marketing, partnership marketing, mobile marketing, partnership marketing, social media marketing, and metrics and analytics, with new associations and legislation surfacing to control digital marketing practices.
- b. The Canadian Marketing Association (CMA) is the professional body for the marketing industry that responds to legislative issues and sets guidelines on responsible marketing practices.

6. Part 6

- a. The starting point to a marketing career is to get an education and, while studying, to create a network of business professionals to contact upon graduation. Careers exist in sales, market research, advertising, promotions, marketing analytics, and brand management.

Chapter 2 The Marketing Environment

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1. The Marketing Environment

- a. Marketers constantly monitor the marketing environment with a view to capitalizing on new opportunities and curtailing potential threats that may challenge their businesses.
- b. In short, marketers scan the marketing environment and review six key areas:
 - i. Demographic forces
 - ii. Socio-cultural forces
 - iii. Economic forces
 - iv. Technological forces
 - v. Competitive forces
 - vi. Regulatory forces

2. A Marketing Environment Scan

- a. Introduction
 - i. A **marketing environment scan** is the process of continually acquiring information on events occurring outside an organization to identify trends and pinpoint opportunities and threats to a business.
 - 1) Marketers use this knowledge to ensure that goods, services, and ideas are relevant and meaningful, often using a marketing environment scan as a stepping stone to conducting a more extensive SWOT analysis.
 - ii. A **SWOT analysis** involves assessing how well a company is servicing its businesses and/or customers by assessing an organization's internal strengths and weaknesses, as well as its external opportunities and threats.
 - 1) This information is then used to set the future direction for a business and to lay the groundwork for competitive marketing program that can bring revenue into an organization.

b. Demographic Forces

- i. Introduction
 - 1) The statistical study of population is referred to as **demographics**.
 - 2) It looks at characteristics of a group of people, such as gender, age, ethnicity, income, education, and occupation.
 - 3) Marketers can access demographic information through Statistics Canada and through their own surveys and databases of information.
 - 4) It is important for marketers to clearly understand changes that are occurring in the demographic arena to ensure that marketing efforts are well placed and opportunities are not overlooked.
- ii. An Aging Population
 - 1) Facts
 - a) The 2011 Census of Canada shows that Canada is populated by approximately 33.5 million people.
 - b) The fastest growth rate is in the 60-to-64 age range with an increase of 29 percent versus the previous census.
 - c) In addition, 5 million people are over the age of 65, an increase of 14.1 percent over the 2006 Census, setting seniors at 14.8 percent of the population.
 - i) Although this representation of seniors is high, it is in fact among the lowest in the G8 countries.
 - ii) The G8 countries are the world's most industrialized nations and consist of Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States.
 - d) By 2031, more than 17,000 centenarians are projected to be living in Canada, mainly due to a combination of good living conditions and

strong health care services that exist in a politically and geographically stable society.

- e) For people born in 2008, the life expectancy of women is expected to be 105 years and for men 97 years.
- f) An anomaly in this aging population trend is the increased growth of children under 5 years of age by 11 percent, due to more women of child-bearing age and a slight increase in fertility levels.

2) Actions

- a) Government agencies and marketers are taking note of these demographic changes and determining the needs of a greying market.

iii. Diverse Generations

1) Baby Boomers (1946 - 1965)

- a) **Baby boomers** are the main reason for the greying of North America.
- b) During the baby boom years (1946 - 1965), families had an average of 4 children, versus the current average of 1.9, creating a surge in the population.
 - i) There are 9.6 million baby boomers in Canada, accounting for 29 percent of the population and approximately 70 percent of the wealth in Canada.
- c) Baby boomers increasingly use digital technology to communicate with others and conduct research.
 - i) 89 percent of baby boomers use the Internet, 29 percent embrace smartphone (an increase of in smartphone usage of 11 percentage points versus 2011), and when it comes to tablet computers, baby boomers are keeping pace with younger Canadians with ownership running at 16 percent versus 18 percent for younger consumers.
- d) Baby boomers are redefining the concept of aging with a keen interest in health and an active self-image.
 - i) Marketers have noted these attitudes and are developing products that address these needs.

2) Generation X (1966 - 1971)

- a) **Generation X** is the group of people born after the baby boomers, between 1966 and 1971.
- b) In Canada, this generation number 2.8 million, accounting for 8 percent of the population.
- c) These consumers differ from baby boomers in that they are not as brand loyal and tend to be more self-reliant, entrepreneurial, and better educated.
- d) They are less prone to materialism and extravagance than the baby boomers.
- e) Generation X is becoming a key influence in the market.

3) Generation Y (1972 - 1992)

- a) **Generation Y** is the group of people born between 1972 and 1992.
- b) These are mostly children of baby boomers.
- c) They number 9.1 million and account for 27 percent of the Canadian population.
- d) Music, video games, sports, and computer purchases are key products developed to meet the needs of this demographic group.
- e) Generation Y is often casually referred to as the **millennials**. However, the **millennials** are the core group of people born between 1980 and 2000, a subset of generation Y and generation Z who became or are becoming adults during the Internet Age.
 - i) The millennials are highly influenced by Internet technology and are moulding society with their effortless integration of

digital technology in all aspects of their lives.

4) Generation Z (1993 -)

- a) **Generation Z** is the group of people born in 1993 and beyond.
- b) They number 7.3 million and account for 22 percent of the population.
- c) They have grown up with the Internet, and as pioneers of social media are considered the most disruptive of the generations.
- d) Otherwise known as the **Net Generation**, they are avid users of social media, very objective in their purchases, and not very brand loyal.
- e) They are discoverers and creators of content that they readily critique and share with others.

iv. Big City Growth

- 1) The population growth rate of 5.9 percent sets Canada as the fastest-growing country in the G8, followed by the U.S at 4.4 percent, the U.K at 3.5 percent, and Italy at 3.2 percent.
- 2) Each province and territory experienced growth, with Saskatchewan leading the way at 6.7 percent.
- 3) Boosted by immigration, big cities continue to grow faster than rural areas, with the cities in Western Canada growing more rapidly.
 - a) Calgary grew by 12.6 percent, Edmonton increased 12.1 percent, and Saskatoon and Kelowna saw growth rates of 11.4 percent and 10.8, respectively.
 - b) Seven in 10 Canadians live in one of Canada's 33 large cities, with 35 percent of the population living in Toronto, Montreal, and Vancouver.

v. Ethnic Diversity

- 1) For the immigration category of permanent residents, 47 percent are from Asia and Pacific, 25 percent are from Africa and the Middle East, 14 percent are from Europe, 11 percent are from South and Central America, and 5 percent are from the U.S.
- 2) Canada is linguistically diverse with over 200 languages reported by the 2011 census as either a home language or mother tongue.
 - a) 22 languages are spoken by more than 100,000 people in Canada, with the main immigrant languages (other than English, French, and the Aboriginal languages) being the Chinese languages, Punjabi, Spanish, Tagalog, Arabic, Italian, Urdu, and German.
- 3) This multicultural mix creates an interesting array of opportunities for marketers.
 - a) Specific groups have their own particular interests and habits, which can be addressed in unique ways.

vi. World Markets

- 1) The world's population has reached over 7 billion people, with African and Asia accounting for over 75 percent of the population.
 - a) China is home to almost 1.4 billion people, 19.2 percent of the world's population.
 - b) India is home to 1.3 billion people, or 17.8 percent of the population.
- 2) These areas represent future opportunities for companies that wish to expand into foreign markets.
 - a) The sheer size of these countries presents an enormous opportunity for growth.

vii. Non-Traditional Families

- 1) In Canada, the traditional nuclear family of two parents and two children has changed over time.
- 2) Family size has decreased with families now having one or two children versus three or four (or more) in previous generations.

- 3) While traditional married couples are the dominant family structure, there is an increase in the number of common-law relationships, single-parent families, blended families, and same-sex couples.
- c. Socio-Cultural Forces
- i. Introduction
 - 1) Difficulty to Pinpoint
 - a) Socio-cultural changes tend to be gradual, over a prolonged period of time, and are sometimes very subtle.
 - b) Statistical data is not as readily available in these areas, but marketers observe changes in society and conduct research to identify evolving trends and opportunities.
 - c) Sometimes, identifying these trends involves consumer research; other times, it involves a keen eye and good intuition.
 - 2) Definition of Socio-cultural Force
 - a) When we discuss **socio-cultural forces**, we are referring to cultural values, ideas, and attitudes that are learned and shared among a group of people.
 - b) It also includes society's morals and beliefs that are demonstrated through behaviour common among a socio-cultural group.
 - c) Canadians are known to be trustworthy, family oriented, worldly, organized, reliable, socially conscious, and conservative.
 - d) Canadian society is tolerant of different cultural beliefs and religions; welcomes new ideas and perspectives; and values honesty, integrity, fairness, and hard work.
 - e) Marketers monitor changes in these areas in order to capitalize on new opportunities with their marketing programs.
 - ii. Media
 - 1) Evolving Media Habits
 - a) Marketers note that consumers have taken the reins of the communication channel, choosing if, how, and when to listen to marketing messages.
 - b) The media landscape is blurring, making marketing communications more complex and challenging.
 - c) Marketers find that consumers are spread across multiple devices (tablets, smartphones, laptops, and TVs) and various media outlets that use websites, blogs, mobile apps, YouTube channels, Facebook pages, Twitter feeds, Pinterest boards, and Instagram accounts to communicate with audiences.
 - d) Marketers integrate marketing communications approaches across these platforms to engage target markets across different devices and platforms.
 - 2) Multiple Devices
 - a) Consumer's widespread use of the Internet, and their ability and desire to access it numerous times throughout the day and on multiple devices, is changing the way marketers relate and communicate with consumers, and how people communicate and interact with each other - impacting socio-cultural norms within our society.
 - b) In Canada today, we find a society that increasingly relies on electronic communication rather than face-to-face interaction, and one that is more sedentary than in previous generations.
 - c) At all times throughout the day, a smartphone is close at hand for personal communication.
 - 3) Social Media
 - a) People's delight with social media to stay in touch with friends and loved ones challenges marketers to use this communication hub to speak to consumers in their online destination of choice.

- b) It is now common place for brands to have Facebook pages, Twitter accounts, Pinterest boards, and YouTube channels.
 - i) Facebook engages consumer with offers, Twitter connects with newsworthy updates and by responding to customer queries, Pinterest is used for inspirational images and contests, and YouTube is used for storytelling, how-to content, and engaging videos.
 - c) Numerous **social media monitoring** tools have surfaced to help markets measure success in this new environment.
 - i) These tools use software to identify online brand mentions and monitor consumer sentiment, buzz, and engagement.
 - ii) They help marketers respond in real time to customer questions and complaints, and often identify brand advocates with strong influences scores that can amplify and spread positive brand messages.
 - 4) TV and Video Viewing
 - a) Canadians are highly engaged with TV and video viewing.
 - b) While this data is changing rapidly, when it comes to TV, Canadians current spend 80 percent of their TV viewing time on a TV console.
 - i) However, increasingly popular online streaming services such s Netflix are changing consumer TV viewing habits.
 - c) When it comes to online video, Canadians rank second in the world in time spent and videos watched (U.K. as #1).
 - i) On average, Canadians spend 24.8 hours each month watching videos online, equating on average to 291 videos.
 - ii) 80 percent of Canadians turn to YouTube to watch these videos, making it the online video destination of choice.
 - iii) 15 million Canadians access it daily.
 - d) Increasingly, online videos are watched on large screens (19 percent) rather than smartphones, a trend that is expected to increase with Internet-enabled TVs and well-priced viewing platforms such as Netflix.
 - i) Netflix ability to provide entire seasons for viewing on demand is promoting a new form of viewing, **binge viewing** (popular among the 18 - to - 34 - year- old demographics), where consumers watch episodes of complete or partial seasons over a few days.
 - ii) The **social TV** trend is also surfacing, an industry term that refers to viewers watching live TV while adding comments on social networks - a practice enjoyed by 27 percent of online Canadians, mainly females between the age of 12 and 49.
 - iii. Food Consumption
 - 1) The government study **Canadian Food Trends to 2020** outlines food-consumption trends over the next few years, highlighting that people will continue to demand high-quality foods that balance good taste with nutrition and convenience.
 - a) Consumer will also demand fresh and nutritious foods that offer good value and choice.
 - 2) Ethic food will continue to infiltrate the Canadian palate, with Asian and South American influences giving rise to blended cuisines, new dishes, novel ingredients, and unexpected food presentations.
 - a) When it comes to ethic foods, consumers in Canada are exposed to a wide variety of international meals from friends, families, restaurants, and multicultural communities.
 - b) This variety trickles down to the food people enjoy and purchase, and marketers note these trends and develop products geared to evolving palates.

- 3) Canada's aging population, shrinking household size, and high incidence of dual-income parents that balance work and family are impacting food-consumption patterns.
 - a) People are shifting food expenditures away from raw ingredients toward pre-prepared foods that are purchased at supermarkets or food-service establishments.
 - b) People are also replacing traditional mealtimes with snacking occasions and consuming more and more meals on the go.
 - c) As the millennials become a more influential force within society, their food-consumption patterns will become more mainstream.
 - i) The millennials want cheap, convenient food, but they also desire fresh, healthy offerings with recognizable ingredients, as well as sourcing information.
 - ii) While the baby boomers are loyal grocery store shoppers, the millennials will go to great lengths to find ingredients and unusual foods by visiting supermarkets and then going online, and visiting farmer's markets and specialty stores to purchase organic, local, ethic, or specialty products.
- 4) These shopping and eating trends are prompting innovative marketing practices.
 - a) We see convenient shopping sites surfacing.
- 5) A growing trend also lies with meatless meals, gluten-free products, and small indulgent gourmet brands that are expected to exhibit slight increases over the next few years.
 - a) Food safety and health-reared food issues are expected to pepper the media from time to time, focusing consumers on this all-important area.
 - b) The study, Canadian Food Trends to 2020, points food marketers toward a continued interest in no trans fats, low-sodium/sugar products, healthy carbohydrates, high-fiber offerings, allergy identification, and foods that help prevent disease.

iv. Health and Fitness

1) Facts

- a) There is an increased focus on healthy living, with Canadian government agencies, the medical profession, the media, and educational institutions all encouraging people to be active and fit and to make healthier choices in their lives.
- b) Statistics Canada advises that since 1970, Canadian children are increasingly overweight and obese, a condition linked to insulin resistance, type 2 diabetes, hypertension, poor emotional health, diminished social well-being, and ultimately poor adult health.
 - i) Its data show 31.5 percent of children between the age of 5 and 17 are overweight or obese, with 15.1 percent of boys being obese and 8 percent of girls.
 - ii) This stems from a variety of issues including poor eating habits, low physical activity, social influence, and biological factors.
- c) In addition, Statistics Canada highlights that 34 percent of people over 65 years of age who live in private households are at a high nutritional risk they frequently skip meals (15 percent of seniors every day) and eat less than two servings of fruit and vegetables daily (18 percent).

2) Changes

- a) Companies recognize this shift in the socio-cultural environment and are responding with healthier products and new ideas that address concerns related to health, nutrition, obesity, and associated medical conditions.

- i) This interest in healthy living extends into a variety of sectors, such as technology, food, pharmaceuticals, fitness, entertainment, toys, and schools.
 - ii) These sectors are developing products and applications that address these trends.
 - b) One of the most significant changes stemming from the socio-cultural interest in health, fitness, and nutrition is the **Canadian Children's Food and Beverage Advertising Initiatives (CAI)**.
 - i) Introduced in 2007, this directive was voluntarily created by 16 of Canada's largest food and beverage companies to restrict children's advertising messages to healthy choices.
 - ii) Today, CAI consists of 19 members that promote healthier dietary choices for children under 12 years of age by shifting advertising dollars away from unhealthy products and toward more nutritious choices that meet governmental nutrition guidelines.
 - iii) This initiative is monitored by **Advertising Standards Canada**, which publishes an annual compliance report that reviews the advertising of these companies and any relevant product reformulations.
- v. Environmental Awareness
 - 1) Global warming has received enormous attention in the press, rallying Canadians around the cause to reduce pollution and save the environment.
 - a) Canadians show a keen interest in being less wasteful, recycling, and making choices that do not negatively impact the environment.
 - 2) However, with over 200 environmental certifications and numerous products marking green claims, Canadians are confused and skeptical at point of purchase.
 - a) Many companies rally around the cause and carefully manage business practices to reduce waste and provide customers with environmentally friendly products with trustworthy claims.
 - b) Others are accused of **greenwashing**, a term that refers to products making inaccurate environmentally friendly claims or minimal green improvement to mislead consumers and increase sales.
 - 3) From a consumer perspective, attitudes about green products waver over time and can vary from being highly engaged to being moderately interested.
 - a) While people may support actions against global warming, pay extra for product that are green is not always the outcome.
 - b) Recent research shows that Canadians are making changes to positive impact the environment by drinking less bottled water at home, using low-flow shower heads, installing low-volume toilets, programing thermostats to conserve energy.
 - c) Canadians rate tops in the world for recycling, with 88 percent of people recycling waste at home.
- vi. Evolving Gender Roles
 - 1) Increasingly, there is a convergence of roles, with more women working outside the home and more men involved in household duties and child care.
 - 2) This results in dual-income families that are time-starved.
 - 3) Marketers identify opportunities to address this issue with more convenience products and better services to help busy families.
- d. Economic Forces
 - i. Introduction
 - 1) The **economy** is another area in a marketing environment scan that marketers need to note.

- 2) The economic ability of a consumer to purchase a product is what interests marketers, and with the world's economic engine being interconnected, this area has become more difficult for businesses to forecast.
 - 3) Marketers need to recognize how the economy affects the purchase behaviour of their target markets.
- ii. Macroeconomic Forces
- 1) **Macroeconomic forces** refer to the state of a country's economy as a whole.
 - 2) Indicators of strength and weakness of a country's economy as a should be one a marketer's radar screen so that they can react quickly to change that affects their consumers.
 - a) A country's key economic indicators are its inflation rate, its unemployment rate, and its economic growth rate.
 - b) Consumer confidence is also an important indicator of the economy's health, showing how people feel about their long-term economic prospects.
 - 3) **Inflation** is a period when the cost to produce and buy products and services gets higher as price rise.
 - a) From a marketing standpoint, if the prices rise faster than consumer income, consumer purchasing power decreases.
 - 4) A **recession** is a time of slow economic activity with two consecutive periods of negative growth,
 - a) During recessions, production levels decline, unemployment levels rise, and many consumers have less money to spend.
 - b) At these times, consumers tend to focus their spending on life's necessities.
 - 5) A country's business cycle fluctuates between different levels of growth depending on the state of the economy, international economic factors, and global pressures.
 - a) Canada's growth is described by the Organization for Economic Co-operation and Development (OECD) as relatively strong and its economy is expected to grow at a steady pace, leading the G8 over the next 50 years.
 - b) The strength is rooted in Canada's well-educated labour force, continued immigration, and natural resources, as well as technological advances and a well-regulated banking sector.
 - 6) Marketers keep apprised of a country's key economic indicators - inflation rate, unemployment rate, and economic growth rate - to understand whether to expect a downturn or upswing in the economy.
 - a) Marketers then couple this information with anticipated business performance during the expected economic climate and adjust marketing programs to maximize business results - no easy task given the uncertainty of economic forecasts and the unpredictability of consumer reaction.
- iii. Microeconomic Forces
- 1) **Microeconomic forces** directly refer to the supply and demand of goods and services and how this is impacted by individual, household, and company decisions to purchase.
 - 2) **Gross income**: this is the total amount of money made in one year by a person, household, or family unit, including taxes.
 - 3) **Disposable income**: this is the after-tax income that consumers have left for spending and savings. Typical purchases are for rent, clothing, and transportation. If taxes rise at a faster rate than income, consumers have less disposable income with which to pay the bill.
 - 4) **Discretionary income**: this is the after-tax income a consumer has left after paying for necessities such as food, shelter, and clothing. This income

is used for discretionary purchases that are not deemed a necessity. Examples include going to a movie, eating at a restaurant, or going on vacation.

e. Technological Forces

i. Introduction

- 1) **Technological forces** refer to inventions or innovations that stem from scientific or engineering research.
 - a) Each new wave of technology can replace existing products, and companies need to be aware of technological changes to ensure that products do not become obsolete.
 - b) Marketers must find how consumers use technology.

ii. Facts

- 1) Research find that Canadians are comfortable with communications technology and view computers as essential tools.
- 2) In recent years, with the influx of new devices such as smaller tablets and larger smartphones, research from comScore shows that Canadians have become **platform agnostic** in their use of technology, meaning that they seamlessly move from one device to another during the day, changing devices depending on where they are and what they need.

f. Competitive Forces

i. Introduction

- 1) **Competitive forces** refer to the alternative products that can satisfy a specific market's need.
- 2) There are various types of competition, and each company must consider its present and potential competitors when designing its marketing strategy.
- 3) Determining a product's main competition can be done in a number of ways, and this varied depending upon the product and category, and whether the product exists online, offline, or in both environments.
 - a) Larger organizations often purchase research data from other companies to obtain competitive market share data and to identify general industry trends and market growth patterns.
 - b) Smaller companies may prefer to reduce their expenditures in this area, instead relying on competitive information gleaned from salespeople, suppliers, retailers, and available public research.
 - c) Gathering consumer insights on new competitive product is also a useful tool to add to the mix.

ii. Competitors

1) Direct Competitors

- a) One of a marketer's primary concerns is to monitor the competitive activity of products that compete head-to-head with its brands.
 - i) Any changes made by a major competitor in areas in product, price, place, and promotion are routinely noted and detailed analyses are conducted to determine the impact on business results.
- b) These head-to-head competitors are called **direct competitors** and refer to very similar products sold in the same category.

2) Indirect Competitors

- a) Marketers also understand that consumers do not function in vacuum and often make choices between products that do not directly compete in the same category.
- b) Marketers therefore also look at **indirect competitors**, those products that compete for the same buying dollar but in a slightly different category.

3) Competitive Products

- a) Marketers need to be intimately familiar with competitive products and try to anticipate competitive moves in the marketplace.

- b) This will help avoid the pitfalls that can surface from underestimating the competition.
- c) When analyzing the competitive environment, a marketer needs to review all major competitors, taking its direction from the choices consumers make between brands and products in the category.
- d) More attention is given to those that can directly impact a marketer's business.

iii. Competition Spectrum

- 1) **Monopoly** exists when there is only one company selling in the market.
 - a) Monopolies are legal in Canada but they are carefully monitored by the Competition Bureau to ensure that consumers are not charged excessive prices.
 - b) The government of Canada does not like to see unregulated monopolies and actively seeks to reduce their control of the market through regulations and by encouraging competition.
 - c) Examples of monopolies in Canada are regional electricity companies.
- 2) **Oligopoly** occurs when a few companies control a market.
 - a) In Canada, this situation exists with oil companies that control the gasoline industry.
 - b) Because there is limited competition, these companies can easily control prices and are often criticized for **price collusion** (fixing prices among competitors).
 - c) Marketers who function in an oligopoly need to be acutely aware of competitive moves and particularly changes in price.
 - d) An unnecessary price cut that is followed by the entire industry may result in profits being taken out of the category for everyone.
- 3) **Monopolistic competition** is when a large number of sellers compete with each other, offering customers similar or substitute products.
 - a) Marketers need to know that in this instance branding plays an important role, as does product differentiation and added-value activities to draw consumers to the product.
 - b) Being in touch with consumer needs and adjusting the marketing mix to meet those needs is crucial for long-term survival.
 - c) Marketers in this category need to keep the competitive nature of this market top-of-mind when marketing products.
- 4) **Perfect competition** is when there are many sellers with nearly identical products and little differentiation.
 - a) Companies that deal in commodities - that is, products such as grains, vegetables, or coal - often function in an environment where perfect competition exists.
 - b) In this instance, marketers need to know that pricing plays a key role in securing business, and that the focus will be on cost reduction in every element of the business.

g. Regulatory Forces

i. Introduction

- 1) **Regulations** are restrictions placed on marketing practices by different levels of government and industry associations.
 - a) These regulations are put in place to protect consumers from unscrupulous business practices, to set acceptable standards of practice, and to encourage fair competition.
 - b) Marketers need to clearly understand all the legal and ethical guidance as needed to ensure that their practices are legal.
 - c) Ethical business practices should also be followed to avoid consumer backlash and negative publicity.
- 2) Key Regulatory Groups
 - a) Introduction

- i) It is worth noting that regulations are updated to meet changing business practices. Marketers are strongly advised to check these associations regularly for updates and changes, and to consult with a marketing lawyer to ensure practices are both legal and ethical.
 - ii) The key groups that regulate marketing practices in Canada are the Competition Bureau, Advertising Standards Canada (ASC), the Canadian Radio-Television and Telecommunication Commission (CRTC), and the Canadian Marketing Association.
 - iii) In addition to these general regulatory bodies, the Canadian Wireless Telecommunications Association (CWTA) and the Mobile Marketing Association (MMA) provide specific guidance on mobile marketing practices.
 - iv) Health Canada has jurisdiction over the **Consumer Product Safety Act**.
 - v) Marketers also need to review other regulatory bodies and associations specific to their industry, as well as those that have jurisdiction in other countries, provinces, or states where they conduct business.
- b) Competition Bureau
 - i) The **Competition Bureau** is an independent law-enforcement agency tasked to ensure that the market in Canada is competitive and innovative.
 - One. It is responsible for the administration and enforcement of the Competition Act, the Consumer Packaging and Labelling Act, the Textile Labelling Act, and the Precious Metals Marking Act.
 - Two. The bureau's role is to promote and maintain fair competition and to curtail false and misleading representations to sell products.
 - Three. In this manner, people in Canada can benefit from lower prices, increased product choice, high-quality services, and a reduction in fraudulent business practices.
 - ii) Anti-Fraud Centre
 - One. **Canadian Anti-Fraud Centre** is managed jointly by the RCMP, the Ontario Provincial Police (OPP), and the Competition Bureau to reduce marketing fraud.
 - Two. The centre notes more than 25,000 victims per year and maintains a website, www.antifraudcentre.ca, with up-to-date data on fraudulent marketing schemes and an area for consumers to report scams.
 - Three. In 2012, the Competition Bureau released its first edition of The Little Black Book of Scams, which highlights the wide range of scams that exist.
 - iii) The Competition Bureau also review mergers and acquisitions and prohibits deceptive business practices that include, among others, price fixing among competitors, predatory pricing by large competitors to run small companies out of business, and bid rigging among competitors to inflate prices on government contracts.
 - One. Prohibited practices to lure consumers include bait-and-switch advertising, fraudulent advertising claims, and misleading pricing practices such as double ticketing.
 - iv) Failure to abide by Competition Bureau rules can result in fines and jail time.
 - One. False and/or misleading representations to sell products can result in orders by the Competition Bureau for

- companies to publish corrective notices, stop the prohibited practice, pay administrative costs, and pay restitution to purchase.
- Two. In addition, the Competition Bureau has the legal clout to levy hefty fines on individuals and/or companies.
- c) Advertising Standards Canada
- i) **Advertising Standards Canada (ASC)** is a self-regulatory non-government association run by advertising, media, and marketing professionals with the purpose of setting and regulating standards of professional practice in the advertising industry.
 - One. The industry has agreed to abide by its leadership, code, process, and ruling.
 - Two. Advertising Standards Canada sets and regulates advertising guidelines, monitored through a consumer complaint process.
 - Three. The ASC also provide advice and pre-clearance services for advertisers.
 - ii) ASC's jurisdiction does not carry over into the legal arena.
 - One. It does not levy fines or engage in legal proceedings.
 - Two. Instead, It relies on industry compliance to ensure that ads contravening its guidelines, the **Canadian Code of Advertising Standards**, cease to air.
- d) The Canadian Radio-television and Tele-communications Commission
- i) The **Canadian Radio-television and Tele-communications Commission (CRTC)** is another government agency that sets guidelines and enforces a clear set of regulations on Canadian businesses.
 - One. It administers a number of areas, with those most relevant to marketers rooted in the Broadcasting Act, the Telecommunications Act, the Wireless Code, the Do Not Call List, and particular areas of Canada's anti-spam policy.
 - ii) The Broad Casting Act and the Telecommunications Act set guidelines for broadcast standards, and in 2013, the CRTC created the Wireless Code, and mandatory code of conduct for all wireless service providers.
 - One. The CRTC adjudicates on the cross-media ownership of media companies to ensure that a single media organization or conglomerate does not overpower local markets.
 - iii) The CRTC also has jurisdiction over the telemarketing national **Do Not Call List (DNCL)**.
 - One. The DNCL gives consumers the ability to elect to not receive telemarketing calls on cellphones, landline phones, and fax machines by registering their phone and fax numbers.
 - iv) In 2013, the CRTC introduced the Wireless Code as a mandatory code of conduct for all wireless service providers.
 - One. It sets industry standards for wireless contracts, cancellation fees, the unlocking of mobile devices, the notification of roaming charges, and ceilings for overage in data plans and roaming fees.
- e) The Canadian Wireless Telecommunications Association
- i) The **Canadian Wireless Telecommunications Association (CWTA)** provides resources on wireless industry in Canada.

- ii) It deals with the government on issues related to cellular phones, personal communication devices, text messaging, and wireless and mobile satellite carriers, and represents companies working in that space.
 - iii) The CMTA introduced **common short code (CSC) guidelines** to regulate the industry's use of text messaging.
- f) The Mobile Marketing Association
 - i) The **Mobile Marketing Association (MMA)**, headquartered in the U.S., is a global association that sets standards and guidelines, and shares best practices on mobile marketing.
 - ii) The MMA has over 700 members and is represented in over 20 countries.
 - iii) It has a resource centre for marketers; publishes a code of conduct, a best practices guide, and privacy policy templates; and sets standards for mobile messaging, mobile advertising, and mobile promotions.
- g) The Canadian Marketing Association
 - i) The **Canadian Marketing Association (CMA)** is the best backbone of the marketing industry in Canada.
 - ii) It provides guidelines for its members through its Code of Ethics and Standards of Practice.
 - iii) It is mandatory for all members to abide by these policies, which are clearly outlined on the CMA website.
- ii. Privacy
 - 1) Introduction
 - a) Two federal laws protect individuals' rights to privacy in Canada:
 - i) The **Privacy Act** relates to the government collection of personal information
 - ii) The **Personal Information Protection and Electronic Documents Act (PIPEDA)** refers to the private-sector collection of personal data.
 - b) Personal information includes age, name, social status, ID numbers, income, ethnicity, opinions, comments, evaluations, purchase habits and disputes, credit records, loans, medical information, employee files, and disciplinary actions.
 - i) It does not include employee information such as name, title, address and telephone number.
 - 2) The Privacy Act
 - a) The **Privacy Act** for government agencies limits federal government departments and agencies from collecting personal information unless it relates directly to the task at hand and discloses the purpose of this collection; exemptions exist for legal and police issues.
 - b) Personal information cannot be shared without consent, and individuals have the right to access this information and request corrections to the data.
 - 3) PIPEDA
 - a) Federal legislation for the private sector falls under PIPEDA and is reviewed by the government every five years to ensure that it remains current and actionable in the light of new technologies.
 - i) Many provinces and territories have their own privacy legislation similar to PIPEDA and have specific requirements pertaining to health care as well as the banking and credit sectors.
 - b) PIPEDA provides organizations with guidelines on data privacy, taking into consideration an organization's legitimate need to collect data with an individual's right to privacy. Some exceptions exist for

legal and policing situations.

- i) PIPEDA requires organizations to obtain consent from individuals for the collection, use, and disclosure of information, including video surveillance.
- ii) It also stipulates that information must be safely stored and security breaches must be communicated to consumers.
- c) PIPEDA and the Canadian Marketing Association require business to regularly review their privacy policies, to appoint in a privacy policy officer, and to collect only necessary information.
- d) Individuals can table complaints on privacy issues directly to an organization's privacy officer as well as to the Office of the Privacy Commissioner of Canada.

iii. Spam

- 1) **Canada's anti-spam legislation (CASL)** came into effect in July 2014 to protect consumers and businesses from unwanted commercial electronic messages (CEMs) whether this be through email, instant messaging, text messaging, social media, telephone, or other such communication approaches.
- 2) **Spam** refers to the dissemination of unsolicited electronic messages to recipients.
- 3) The intent of CASL is to make online business interactions and e-commerce more secure.
- 4) CASL includes the following guidelines
 - a) Businesses must have opt-in consent to send electronic messages.
 - b) CEMs must include accurate sender information, subject line information, and content.
 - c) CEMs must not be altered and sent to another destination without consent.
 - d) Every electronic message must include a unsubscribe mechanism.
 - e) Online promotions must not be false or misleading.
 - f) Automated computer programs should not harvest the unauthorized collection of e-mail addresses.
 - g) Computer software cannot be installed on an electronic device without explicit consent.
 - h) Personal information cannot be collected by unlawfully accessing a computer.

iv. Online Behavioural Advertising

- 1) **Online behavioural advertising (OBA)** refers to the use of web-based programs that track consumers' online browsing activities in order to serve online ads that correspond to their browsing interests.
- 2) The **Digital Advertising Alliance of Canada (DAAC)** was formed to ensure that consumers were aware if OBA and could opt in or out of having cookies placed on their machines.

v. Contests

- 1) Promotional contests are widely used in Canada to encourage consumers to purchase products.
 - a) They are governed by laws that protect consumers from unscrupulous marketing practices.
- 2) Important Areas
 - a) Quebec's Consumer Protection Act prohibits advertising to children under the age of 13 in Quebec, other than on in-store displays, on packaging, or in child-specific magazines.
 - b) The Criminal Code states that "illegal lotteries", where the winnings are based purely on chance, are prohibited unless for a government lottery or conducted under a charitable gaming license.
 - c) Contests that require a mix of chance and skill are legal, as well as pure skill-based contests.

- d) Penalties for contests contravening the Criminal Code include imprisonment for up to two years and a fine of up to \$25,000.
 - e) The Competition Act prohibits lotteries, contests, and games of chance unless there is adequate and fair disclosure of the rules, prizes, odds of winning, and allocation of prizes.
 - f) The online environment complicates the administration of contest with the need to abide by privacy laws, security issues, and the possibility of technical glitches.
- 3. Steps in a Marketing Environment Scan
 - a. Step 1 Collect the facts and identify trends
 - i. Gather data and information
 - ii. Conduct competitive reviews
 - iii. Cluster information into facts and trends
 - b. Step 2 Brainstorm on marketing ideas to build the business
 - i. Brainstorm
 - c. Step 3 Assess, evaluate, and implement ideas
 - i. Assess ideas
 - ii. Evaluate alternatives

Summary

1. A marketing environment scan is the process of continually acquiring information on events outside an organization to identify trends, opportunities, and threats.
2. Elements in a marketing environment scan include demographic factors, socio-cultural factors, technological factors, competitive factors, and regulatory factors.
3. Demographics are the statistical study of populations, looking at characteristics such as gender, age, ethnicity, income, education, and occupation.
4. Socio-cultural forces look at cultural values, ideas, and attitudes as they relate to society's trends and beliefs.
5. Economic forces are important in terms of a target market's disposable income and the general health of the economy, including consumer confidence.
6. Technological forces relate to scientific inventions and innovations that may impact the running of a business and influence consumer behaviour and interactions.
7. Competitive forces refer to direct and indirect competitors as well as the competitive nature of the market in which they function.
8. Regulatory forces are the restrictions placed on businesses, products, or services by the government or industry associations.
9. Steps in a marketing environment scan involve 1) collecting the facts and identifying trends, 2) brainstorming on marketing ideas to build the business, and 3) assessing, evaluating, and implementing ideas.

Chapter 3 Consumer Behaviour

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1. Introduction
 - a. **Consumer behaviour** refers to the actions a person takes in purchasing and using products and services.
 - b. **Purchase decision process** refers to the stages that a consumer passes through when making choices about which products and services to buy.
 - i. The process has five stages: problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behaviour.
 - ii. The introduction of online and mobile technology has allowed consumers to make faster and more informed decisions.
 - iii. A consumer's involvement in the purchase decision process varies based on the complexity of the decision.
2. Consumer Purchase Decision Process
 - a. Problem Recognition: Perceiving a Need
 - i. **Problem recognition**, the initial step in the purchase decision, occurs when a person realizes that the difference between what he or she has and what he or she would like to have is big enough to actually do something about it.
 - ii. In marketing, advertisements, salespeople, or peers activate the consumer purchase decision by highlighting the need.
 - b. Information Search: Seeking Value
 - i. After recognizing a problem, consumers begin to search for information about what product or service might satisfy the newly discovered need.
 - ii. First, they take do an **internal search**: scan their memory for knowledge of or previous experiences with products or brands.
 - 1) For frequently purchased products, an internal search may be all a consumer needs.
 - iii. If the decision is more complex, a consumer may undertake an **external search** for information.
 - 1) An external search is beneficial when a consumer lacks experience with or knowledge about a product, the risk of making a bad decision is high, and the cost of gathering information is low.
 - 2) The primary sources of external information are **personal sources**, such as relatives and friends who the consumer trusts; **public sources**, including various product-rating organization or government agencies; **marketer-dominated sources**, such as information from sellers that includes advertising, company websites, salespeople, and point-of-purchase displays in stores.
 - iv. **Showrooming** refers to using mobile devices in-store to check online competitive product reviews and prices, resulting in the online purchase of a cheaper product.
 - c. Evaluation of Alternatives: Assessing Value
 - i. A consumer's **evaluative criteria** represent both the objective attributes of a brand and the subjective ones consumer uses to compare different products and brands.
 - 1) Firms try to identify and make the most of both types of evaluative criteria to create the best value for consumers, and these criteria are often emphasized in advertisements.
 - ii. Consumers often have several criteria for comparing products, and these criteria determine the brands in which your **evoked set** - the group of brands that a consumer would consider acceptable from among all the brands in the product class of which he or she is aware.
 - d. Purchase Decision: Buying Value

- i. After examining the alternatives in the evoked set, a consumer is ready to make a purchase but three choices remain: the chosen brand, from whom to buy, and when to buy.
 - 1) Determining when to buy is frequently determined by a number of factors: sales, store atmosphere, pleasantness of the shopping experience, salesperson persuasiveness, time pressure, and financial circumstances.
 - ii. Mobile devices have allowed the purchase decision to evolve by making the information-search and purchase-decision stages easier.
- e. Post-Purchase Behaviour: Value in Consumption or Use
 - i. After buying a product, the consumer compares it with his or her expectations and is either satisfied or dissatisfied.
 - 1) A company's sensitivity to a customer's consumption experience strongly affects the value a customer perceives after the purchase.
 - 2) Satisfaction or dissatisfaction affects consumer communications and repeat-purchase behaviour.
 - 3) The Internet has allowed buyers to complain and be heard by potentially thousands of people.
 - ii. **Cognitive dissonance** refers to the feeling of post-purchase psychological tension or anxiety.
 - 1) To alleviate it, consumers often attempt to applaud themselves for making the right choice.
 - 2) It is important for firms to address consumer feelings of dissonance as it impacts their satisfaction and loyalty levels.
- f. Involvement and Problem-Solving Variations
 - i. Involvement
 - 1) The level of **involvement** that a consumer has in a particular purchase depends on the personal, social, and economic consequences of that purchase to the consumer.
 - 2) High involvement purchase occasions typically have at least one of the three characteristics: the item to be purchased is expensive; it is bought infrequently; or it could reflect on one's social image.
 - a) For these occasions, consumers engage in extensive information search, consider many product attributes and brands, form attitudes, and participate in word-of-mouth communication.
 - b) Marketers who sell high-involvement products must understand the information-gathering and evaluation process of consumers.
 - ii. Routine Problem Solving
 - 1) Routine problem solving is typically the case for low-priced, frequently purchased products.
 - 2) Marketers strive to attract and maintain habitual buying behaviour by creating strong brand relationships with the consumer.
 - iii. Limited Problem-Solving
 - 1) Limited problem-solving is characterized by low consumer involvement but significant perceived differences among brands.
 - 2) With limited problem-solving behaviour, consumers rely on past experience more than external information but they may pay attention to new varieties shown in advertising and point-of-purchase displays.
 - 3) Marketers of leading brands should focus on getting consumers to shift to routine problem-solving behaviour by dominating shelf space and running advertisements that remind consumers of the benefits of their brands.
 - 4) Consumers may use limited problem-solving in purchase situations in which they have little time or effort to spend research options.
 - iv. Extended Problem-Solving
 - 1) In extended problem-solving, each of the five stages of the consumer purchase decision process is used in the purchase, including

- considerable time and effort on external information search and identifying and evaluating alternatives.
- 2) Several brands are in evoked set, and these are evaluated on many attributes.
 - 3) Extended problem-solving exists in high-involvement purchase situations for items such as automobiles, houses, and financial investments.
3. Situational Influences on Consumer Decisions
 - a. **The purchase task** is the reason for engaging in the decision in the first place.
 - i. Information searching and evaluating alternatives may differ depending on whether the purchase is a gift, which often involves social visibility, or for the buyer's own use.
 - b. **Social surroundings**, including the other people present when a purchase decision is made, may also affect what is purchased.
 - c. **Physical surroundings** such as décor, music, and crowding in retail stores may alter how purchase decisions are made.
 - d. **Temporal effects**, such as time of day or the amount of time available, will influence where consumers have breakfast and lunch and what is ordered.
 - e. **Antecedent states**, which include the consumer's mood or the amount of cash on hand, can influence purchase behaviour and choice.
 4. Psychological Influences on Consumer Behaviour
 - a. Motivation and Personality
 - i. Motivation
 - 1) **Motivation** is the energizing force that stimulates behaviour to satisfy a need.
 - 2) Maslow's hierarchy of needs.
 - a) **Physiological needs** are basic to survival and must be satisfied first.
 - b) **Safety needs** involve self-preservation and physical well-being.
 - c) **Social needs** are concerned with love and friendship.
 - d) **Esteem needs** are represented by the need for achievement, status, prestige, and self-respect.
 - e) **Self-actualization needs** involve personal fulfillment.
 - 3) While Maslow believed that needs were innate, studies have found that social culture contributes to our identification of these needs.
 - ii. Personality
 - 1) **Personality** refers to a person's character traits that influence behavioural responses.
 - a) Although numerous personality theories exist, most identify key traits such as assertiveness, extraversion, compliance, dominance, and aggression, among others.
 - 2) Personality characteristics are often revealed in a person's **self-concept**, which is the way people see themselves and the way they believe others see them.
 - a) The **actual self** refers to how people actually see themselves.
 - b) The **ideal self** describes how people would like to see themselves.
 - c) Marketers appeal to these two self-images in the products and brands a person buys, and in stores where a person shops.
 - b. Perception
 - i. Definition
 - 1) **Perception** refers to the process by which an individual selects, organizes, and interprets information to create a meaningful picture of the world.
 - ii. Selective Perception
 - 1) **Selective perception** filters the information so that only some of it is understood or remembered or even available to the conscious mind.
 - 2) **Selective exposure** occurs when people pay attention to messages that

are consistent with their attitudes and beliefs and ignore messages that are inconsistent.

- a) Selective exposure often occurs in the post-purchase stage of the consumer decision process.
- b) It also occurs when a need exists.
- 3) **Selective comprehension** involves interpreting information so that it is consistent with your attitudes and beliefs.
 - a) A market's failure to understand this can have disastrous results.
- 4) **Selective retention** means that consumers do not remember all the information they see, read, or hear, even minutes after exposure to it.
 - a) This affects the internal and external information-search stage of the purchase decision process.

iii. Perceived Risk

- 1) **Perceived risk** represents the anxieties felt because the consumer cannot anticipate the outcomes of a purchase but believes that there may be negative consequences.
 - a) Perceived risk affects the information-search step of the purchase decision process: the greater the perceived risk, the more extensive the external search is likely to be.
- 2) Recognizing the importance of perceived risk, smart marketers develop strategies to make consumers feel more at ease about their purchase:
 - a) **Obtaining seals of approval**
 - b) **Securing endorsements from influential people**
 - c) **Providing free trials of the product**
 - d) **Providing illustration**
 - e) **Providing warranties and guarantees**

c. Learning

i. Definition

- 1) **Learning** refers to those behaviours that result from repeated experience and reasoning.

ii. Behavioural Learning

- 1) **Behavioural learning** is the process of developing automatic responses to a type of situation built up through repeated exposure to it.
- 2) Four variables are central to how one learns from repeated experience: drive, cue, response, and reinforcement.
 - a) A **drive** is a need that moves an individual to action.
 - b) A **cue** is a stimulus or symbol that one perceives.
 - c) A **response** is the action taken to satisfy the drive.
 - d) A **reinforcement** is the reward.
- 3) Marketers use two concepts from behavioural learning theory.
 - a) **Stimulus generalization** occurs when a response brought about by one stimulus (cue) is generalized to another stimulus.
 - i) Consumers familiar with one product will often transfer their feelings to others that seem similar - whether the similarity is in a brand name or in the shape and colour of the packaging.
 - b) **Stimulus discrimination** refers to one's ability to perceive differences among similar products.
 - i) Consumers may do this easily with some groups of products, such as automobiles; but in many cases, such as low-investment purchases, advertisers work to point out the differences.

iii. Cognitive Learning

- 1) **Cognitive learning** involves making connections between two or more ideas or simply observing the outcomes of others' behaviours and adjusting your own accordingly.
- 2) Firms also influence this type of learning through repetition in

advertising, attempting to link a brand and an idea by showing someone using the brand and finding relief.

iv. Brand Loyalty

- 1) **Developing habits** means that a consumer is solving problems routinely and consistently, without much thought.
- 2) There is a close link between habits and **brand loyalty**, which is a favourable attitude toward and consistent purchase of a single brand over time.
 - a) Brand loyalty results from positive reinforcement.

d. Values, Beliefs, and Attitudes

i. Attitudes Formation

- 1) An **attitude** is the leaned predisposition to respond to something in a consistently favourable or unfavourable way.
- 2) Attitudes are shaped by our values and beliefs, which we develop in the process of growing up.
 - a) Marketers are concerned with both the core values (including material well-being and humanitarianism) and personal values (such as thriftiness and ambition), but focus mostly on personal values.
 - i) Personal values affect attitudes by influencing the importance assigned to specific product attributes, or features.
 - b) In consumer terms, **beliefs** are one's perception of how a product or brand performs on different attributes.
 - i) Beliefs are based on personal experience, advertising, and discussions with other people.
 - ii) Beliefs are about product attributes are important because, along with personal values, they create the favourable or unfavourable attitude the consumer has toward certain products and services.

ii. Attitude Change

- 1) Marketers use three approaches to try to change consumer attitudes toward products and brands:
 - a) Changing beliefs about the extent to which a brand has certain attributes.
 - b) Changing the perceived importance of attributes.
 - c) Adding new attributes to the product.

e. Lifestyle

- i. Lifestyle is a way of living that is identified by how people spend their time and resources (activities), what they consider important in their environment (interests), and what they think of themselves and the world around them (opinions).
- ii. The analysis of consumer lifestyles, called **psychographics**, has produced many insights into consumer behaviour, like in segmenting and targeting consumers for new and existing products and services.
 - 1) VALS System from Strategic Business Insights: eight interconnected categories of adult lifestyles based on a person's self-orientation and resources.
 - 2) Environics Analytics: 66 clusters of the Canadian population

5. Socio-Cultural Influences on Consumer Behaviour

a. Personal Influence

i. Opinion Leadership

- 1) Individuals who have social influence over others are called **opinion leaders**.
- 2) Opinion leaders are more likely to be important for products that provide a form of self-expression.
- 3) Identifying, reaching, and influencing opinion leaders is a major

challenge for companies.

ii. Word of Mouth

- 1) People influencing each other during conversations is called **word of mouth**.
- 2) Word of mouth is perhaps the most powerful information source for consumers, because it typically involves friends or family who are viewed as trustworthy.
 - a) The power of personal influence has promoted firms to make efforts to increase positive and decrease negative word of mouth: "teaser" advertising campaigns, advertising slogans, music, and humour heighten positive word of mouth.
 - b) Overcoming negative word of mouth is difficult and costly. Firms have found that supplying factual information, providing toll-free numbers for consumers to call the company, and giving appropriate product demonstrations also have been helpful.
- 3) The term **buzz marketing** refers to a brand becoming popular as a result of people talking about it to friends and neighbours.
 - a) Another way that a company can create buzz is by hiring an outside word-of-mouth agencies to do product-seeding programs, which consist of hiring people to talk up a brand to others.
 - b) The Word of Mouth Marketing Association (WOMMA) has issued ethical guidelines on product seeding, including the guideline that brand representatives must always disclose their relationship to the brand when prompting it to others.
- 4) The power of word of mouth has been magnified through online marketing.
 - a) The online version of word of mouth is called **viral marketing**, including the use of messages that consumers pass along to others through online forums, social networks such as Facebook and Twitter, chat rooms, bulletin boards, blogs, and e-mails.
 - b) These messages can be positive or negative.
 - c) Companies are now recognizing the value of social media platforms and are monitoring messages so that they can respond to consumers quickly.

b. Reference Groups

- i. A **reference group** is a group of people who influence a person's attitudes, values, and behaviours.
 - 1) Reference groups affect consumer purchase because they influence the information, attitudes, and aspiration levels that help set a consumer's standards.
 - 2) Reference groups have an important influence on the purchase of luxury products but not of necessities - reference groups exert a strong influence on the brand chosen when its use or consumption is highly visible to others.
- ii. Consumers have many reference groups, but three groups have clear marketing implications.
 - 1) **Membership group**: one to which a person actually belongs, including fraternities and sororities, social clubs, and family.
 - 2) **Aspiration group**: one that a person wishes to be a member of wishes to be identified with.
 - 3) **Dissociative group**: one that a person wishes to maintain a distance from because of differences in values of behaviours.

c. Family Influence

i. Consumer Socialization

- 1) The process by which people acquire the skills, knowledge, and attitudes necessary to function as consumers is **consumer socialization**.
- 2) Children learn how to purchase by interacting with adults in purchase

situations and through their own experiences.

ii. Family Life Cycle

- 1) The **family life cycle** concept describes the distinct phases that a family progresses through from formation to retirement, each phase bringing with it identifiable purchasing behaviours.
- 2) Young single consumers:
 - a) Young single consumers' buying preferences are for nondurable items, including prepared foods, clothing, personal care products, and entertainment.
 - b) They represent a significant target market for recreational travel, automobile, and consumer electronics firms.
- 3) Young married couples without children:
 - a) Young married couples without children are typically better off than young singles because usually both spouses are employed.
 - b) These couples exhibit preferences for furniture, housewares, and gift items for each other.
- 4) Young married with children:
 - a) Young married with children are driven by the needs of their children.
 - b) These families make up a sizable market for life insurance, various children's products, and home furnishings.
- 5) Single parents with children:
 - a) Single parents with children are the least financially secure type of households.
 - b) Their buying preferences are usually affected by a limited economic status and tend toward convenience foods, child care services, and personal care items.
- 6) Middle-aged married couples with children:
 - a) Middle-aged married couples with children are typically better off financially than their younger counterparts.
 - b) They are a significant market for leisure products and home improvement items.
- 7) Middle-aged couples without children:
 - a) Middle-aged couples without children typically have large amount of discretionary income.
 - b) These couples buy better home furnishings, status automobiles, and financial services.

iii. Family Decision-Making

- 1) Two Decision Making Styles
 - a) Spouse-dominant Decision-making Style
 - i) **Spouse-dominant decision-making styles** are those for which either the husband or the wife has more influence in the purchase decision.
 - ii) Wives tend to have the most say when purchasing groceries, children's toys, clothing, and medicines.
 - iii) Husbands tend to be more influential in home and car maintenance purchases.
 - b) Joint Decision-making Style
 - i) With a **joint decision-making style**, most decisions are made by both husband and wife.
 - ii) Joint decision making increases with the education of the spouses.
- 2) Roles of individual family members in the purchase process
 - a) Five roles exist: information gatherer, influencer, decision maker, purchaser, and user.
 - b) Family members assume different roles for different products and services.

- d. Culture and Subculture
 - i. **Culture** refers to the set of values, ideas, and attitudes that are learned and shared among the members of a group.
 - 1) Describing Canadian culture may be difficult due to the diversity in the nation, but many could agree that Canadians are individuals who are polite and fair.
 - ii. Subgroups within the larger, or national, culture with unique values, ideas, and attitudes are referred to as **subcultures**.
 - 1) Subcultures can be defined by regions, by demographic groups, or by values.
 - 2) French-Speaking Quebecers
 - 3) Chinese-Canadians
- e. Global Culture Diversity
 - i. A necessary step in targeting people in a culture or subculture is **cross-cultural analysis**, which involves the study of similarities and differences among consumers in two or more nations or societies.
 - ii. A thorough cross-cultural analysis involves an understanding of and an appreciation for the values, customs, symbols, and language of other societies.
 - 1) Values
 - a) A society's **values** represent socially preferable modes of conduct or states of existence that tend to persist over time.
 - 2) Customs
 - a) **Customs** are what is considered normal and expected about the way people do things in a specific country or culture.
 - b) The custom of giving token business gifts is popular in many countries where they are expected and accepted, but bribes, kickbacks, and pay-offs offered to entice someone to commit an illegal or improper act on behalf of the giver for economic gain is considered corrupt in most cultures.
 - 3) Cultural Symbols
 - a) **Cultural symbols** are objects, ideas, or processes that represent a particular group of people or society.
 - b) Symbol and symbolism play an important role in cross-cultural analysis because different cultures attach different meanings to things.
 - 4) Language
 - a) Global marketers should know not only the basics of the native tongues of countries in which they market their products and services but also the subtleties and unique expressions of the language.
 - b) Experienced global marketers use **back translation**, where a translated word or phrase is retranslated back into the original language by a different interpreter to catch errors.

Summary

1. Part 1

- a. The first stage of the purchase decision process is problem recognition where the consumer perceives a need.
- b. The second stage is the information search where the consumer seeks value in the potential purchase options.
- c. The third stage is the evaluation of alternatives where the consumer assesses the value of each option.
- d. In the fourth stage, the consumer executes the purchase decision.
- e. In the fifth stage, the consumer determines the value of the purchase in post-purchase behaviour.

2. Part 2

- a. Consumer purchase decisions range in complexity. This creates three variations of

- the consumer purchase decisions.
- b. Routine problem-solving, such as purchasing tissues when you have a cold, requires little effort.
 - c. Limited problem-solving may occur when consumers compare and decide upon different brands, such as for refreshments.
 - d. Extended problem-solving routinely involves time and consideration in each of the five distinct stages of the consumer purchase decision process. Purchasing electronics usually requires extended problem-solving.
3. Part 3
- a. There are five situational influences that impact the consumer purchase decision process.
 - b. The reason for engaging in the decision in the first place is called the purchase task. Why you are making the purchase may determine how much you plan on spending.
 - c. Social surroundings, including who else is present in the process, also have an impact on the decision process.
 - d. Another situational influence is the physical surroundings during the process. A store that is busy may have a positive or negative effect on the consumer.
 - e. When the purchase is being made is a temporal effect, and the momentary mood or antecedent state of the consumer also affects the process.
4. Part 4
- a. The main psychological influences affecting consumer behaviour are motivation and personality, perception, learning, values, beliefs and attitudes, and lifestyle.
 - b. Motivation is the energizing force that causes consumers to satisfy a need, while personality and character traits influence behavioural responses.
 - c. Perception is important to marketers because of the selectivity of what a consumer sees or hears, comprehends, and retains.
 - d. Consumers learn from repeated experience, and brand loyalty is a result of learning.
 - e. The value and beliefs of a consumer create their learned predisposition or attitudes toward a product.
 - f. The consumers' lifestyle identifies how they plan to spend their time and resources.
5. Part 5
- a. The consumer purchase decision process can be affected by personal influence, reference groups, and family influences.
 - b. Personal influences can be seen in opinion leadership and word-of-mouth activity. These are normally created by individuals with social influence. Personal influence can also take the form of reference groups.
 - c. Family influences on consumer behaviour include where the family is in its family life cycle and how decisions are made within the household.
6. Part 6
- a. Culture is the set of values, ideas, and attitudes that are learned and shared among the members of a group.
 - b. There are subgroups within larger cultures that have unique values, ideas, and attitudes. These subgroups are called subcultures.
 - c. Both culture and subculture influence consumer behaviour as these values permeate through situational, psychological, and socio-cultural influences.

Chapter 4 Market Research, Metrics, and Analytics

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1. Market Research, Metrics, and Analytics

a. Introduction

- i. **Market research** is formally defined as the process of planning, collecting, and analyzing information in order to recommend actions to improve marketing activities.
 - 1) Although market research is not perfect at explaining consumer behaviour, it can reduce the risk and uncertainty of making poor business choices.
 - 2) It provides managers with insights to help make sound decisions.
 - 3) Solid market assessment are often the result of managers using vision, knowledge, and experience, together with clear market research insights.
- ii. **Marketing information system (MIS)** is a set of procedures and processes for collecting, sorting, analyzing, and summarizing marketing information on an ongoing basis to help manage the data.
 - 1) This data can become an important competitive advantage and a key marketing input for program development and assessment.
 - 2) It can help marketers understand how elements impact its business, anticipate competitive moves, and predict consumer behaviour and preferences.

b. Metrics

- i. **Metrics** refers to numeric data that is collected and grouped to track performance.
 - 1) It is often presented in spreadsheets and dashboards to make it easy to understand.
 - a) **Dashboards** visualize data and key performance indicators (KPIs) using graphs, charts, and numbers so that numerical information tells a story that is insightful, easy to use, and understand.
 - 2) Metrics data can come from a variety of sources, such as tracking data from websites, social media pages, call center interactions, online ads, app downloads, webinars, downloads, and subscribers, as well as sales, costs, profits, and competitive and market growth data.
 - 3) It can measure elements such as revenue, market share, profit margins, buzz, sentiment, amplification, engagement, response rates, and brand development index.
 - 4) It can point to ROI, customer lifetime value, brand advocates, and sales conversion rates.
- ii. Importantly, companies frequently identify their specific metrics requirements and routinely identify key performance indicators to track and evaluate business results.
 - 1) Metrics are selected based on company protocols, program KPIs, and any issues and opportunities that require analysis.
 - 2) Marketers are often advised to use no more than five to seven key metrics for a task to make the data focused, clear, and actionable.
- iii. The key metrics for **brand health metrics** are sales, market growth rates, market share percentages, brand awareness levels, brand loyalty data, brand trial rates, repeat purchase rates, brand development indexes, category development indexes, profitability trends, and return on investment.
 - 1) Two key drivers are market share and brand development index.
 - 2) **Market share** is the percentage of sales volume for a product, relative to the entire sales volume of the category in which it competes.
 - 3) **Brand development index (BDI)** shows how well a brand's sales are developed in a region relative to the region's population size.

c. Analytics

i. Introduction

- 1) **Analytics** refers to the process of taking metrics data and applying smart thinking and technology to gain actionable insights that can help make better business decisions.
 - a) An analytics platform helps answer questions, provides customer insights, and predicts patterns that can improve marketing performance.
 - b) Analytics can help segment customers, plan and forecast, manage risk, and take corrective action.
- 2) A robust analytics system processes a steady stream of real-time data to make faster and better decisions.
 - a) It may start by mining data, analyzing and scoring the information, modelling the data to predict outcomes, and visualizing data with dashboards that appear in reports.
- 3) Best practices use analytics platforms that are customer focused, uncomplicated, easy to access, and in real time.
 - a) The platforms need to be reliable, accurate, private, and secure, and be able to manage multiple channels at scale.
- 4) Organizations use analytics in varying degrees of sophistication.
 - a) Some organizations, for example, use very basic analytics platforms to manage social media, while others use complex analytics tools to model data and predict outcome.

ii. Analytics Examples

1) Web Analytics

- a) **Web analytics** is the measurement and analysis of website data, looking at elements such as page views, time on site, bounce rate, new visitors, returning visitors, and referral traffic.
- b) Google analytics is an example of an excellent, free web-analytics tool.

2) Social Media Analytics

- a) **Social media analytics** uses social listening platforms to pay attention to real-time public conversations on social networks to discover trends as well as common themes, attitudes, topics, areas of interest, and how marketing programs are performing on social platforms.
- b) Social media analytics can measure social media campaign performance, assess message resonance and amplification, determine a brand's buzz level, and gauge sentiment toward a brand.
- c) It can identify key influencers, brand advocates, and opinion leaders, and it can interact in real time with consumers.

3) Predictive Analytics

- a) **Predictive analytics** combines data from varied sources to reveal patterns that are modelled to predict outcomes.
 - i) Data can be combined from CRM databases, social media analytics, marketing program metrics, customer service databases, and purchase data to reveal groupings of customers with common attitudes and purchase patterns.
 - ii) This information can then be used to predict future consume behaviour and to customize offers for specific groupings.

2. Big Data

a. Introduction

- i. **Big data** refers to the massive amounts of data that is high in **volume, velocity, and variety (three Vs)**.

- 1) Big data can come from a variety of sources such as promotions, social media interactions, e-mail programs, customer service communications, mobile downloads, e-commerce purchases, and website metrics that measure elements such as unique visitors, time on site, page views, and traffic source, and so on.
- 2) This huge volume of data is constantly changing, often in real time, making it

- difficult for marketers to manage and use.
 - ii. Data is now seen as one of an organization's most valuable assets, showing how customers behave on the path-to-purchase.
 - 1) Combining data sources can reveal new insights that allow marketers to ask important questions, discover opportunities, segment the market, review program performance, and make recommendations that improve return on investment.
 - 2) Marketers establish key performance indicators and then analyze data using data analytics software to help provide insights.
 - iii. Various companies provide data management and analytics services.
 - iv. An example of how big data analytics is used can be seen with **RFM analysis** (recency, frequency, and monetary value).
 - 1) This approach can use automated software to rate customers on the basis of how recently products were purchased (recency), how often products were purchased (frequency), and the dollar value of the transactions (monetary value).
 - 2) Consumers are scored using these RFM approaches and then automatically ranked so that organizations can segment the market and tailor offers to different categories of consumers.
 - v. CRM loyalty programs use RFM analysis to segment customers.
 - 1) Loyalty programs use loyalty cards to collect ongoing customer purchase data, and then use data-mining techniques to customize offers based on past purchases.
 - 2) **Data mining** refers the processing of large amounts of data using software to find insightful correlations and patterns that lead to better business decisions.
- b. Best Practices in Big Data
- i. Ten Best Practices for Managing Big Data
 - 1) Ingrain a culture of collaboration, measurement, analytics, and continuous improvement.
 - 2) Invest in people, technology, training, and partnerships, and hire analytically inclined individuals.
 - 3) Encourage a culture of analytics and experimentation.
 - 4) Create data governance policies that set standards, procedures, rules, calculation guidelines, and universal terminology.
 - 5) Formalize consistent rules on data collection, data hygiene, analyses, and reporting formats.
 - 6) Set universal privacy policies for data collection and usage.
 - 7) Assign responsibility and accountability for analytics.
 - 8) Insist that key metrics are built into all programs and recommendations.
 - 9) Measure things that matter, not those that are just easy to measure.
 - 10) Share best practices.
 - ii. It is important to remember that regardless of data collection practices and approaches, big data will not automatically deliver results and is not a substitute for creative ideas and smart thinking.
- c. Types of Data
- i. **Structured data** can be easily tagged, stored, and searched in a database using consistently identifiable terms that can be systematically organized into columns, rows, and tables.
 - 1) Examples are numbers, statistics, and dates related to purchase data, inventory levels, financial information, age, fixed survey responses, and website analytics.
 - ii. **Unstructured data** comes from word-processed documents, presentations, audio files, images, videos, and e-mail or social media messages that cannot be easily categorized and tagged in a database using fixed terms and definitions.
 - iii. **Semi-structured data** is a hybrid data format that consists of structured and unstructured data, typically containing data that can be captured in a database as

well as information that is free flowing and more difficult to categorize.

- iv. Today, organizations are challenged to manage unstructured data and structured data in real time so that it is easily accessible and actionable.
 - 1) This has led to an increased demand for data scientists and analysts who are well versed in computer programming and statistics and use mathematical modelling and visualizations to analyze structured and unstructured data.
 - 2) These specialists also help companies deal with legacy data and convert it into meaningful and useful formats.
 - 3) **Legacy data** is data that is difficult to use as it has been collected and stored in an obsolete format or in a system that is no longer compatible with current computer systems and databases.

3. Types of Market Research

a. Introduction

- i. Market research is not an easy undertaking, as gleaning accurate information from consumers can be difficult.
 - 1) If a researcher asks the wrong questions, or fails to investigate an important insight, the research will be inaccurate.
- ii. The task of a market researcher is to overcome these challenges and to reveal actionable and accurate insights for marketers.
 - 1) Methodical approaches are used to plan the research, and marketers and researchers work together to carefully plan areas of inquiry and to script questions.
 - 2) This all occurs within mathematical framework to certify that the data is accurate and reliable.

b. Exploratory Research

- i. Preliminary research that clarifies the scope and nature of a marketing problem or opportunity is referred to as **exploratory research**.
 - 1) It generally provides researchers with a better understanding of the dimensions of the marketing problem or opportunity before focusing on areas that require further research.
- ii. Marketers who are well versed in their businesses may be quick to assume general conclusions about their research needs and prone to avoiding the exploratory research step.
 - 1) However, exploratory research provides research projects with direction and identifies where business problems and opportunities may lie.
- iii. Exploratory research is often conducted with the expectation that subsequent and more-conclusive research will follow.

c. Descriptive Market Research

- i. Research designed to describe the basic characteristics of a given population or to clarify its usage and attitudes is known as descriptive research.
 - 1) Examples of descriptive research include providing more detailed profiles of product purchasers, describing the size and characteristics of markets, detailing product usage patterns, or outlining consumer attitudes toward particular brands.
- ii. Unlike exploratory research, with descriptive research the researcher has a general understanding of the marketing problem and is seeking more conclusive data that answers particular questions.

d. Causal Research

- i. Research designed to identify cause-and-effect relationships among variables is termed **causal research**.
 - 1) In general, exploratory and descriptive researches precede causal research.
 - 2) With causal research, there is usually an expectation about the relationship to be explained, such as predicting the influence of a price change on product demand.
- ii. Typical causal research studies examine elements such as the effect of advertising on sales, the relationship between price and perceived product quality, and the impact of package design on sales.

4. The Six-Step Market Research Approach

a. Step 1: Define the Problem/Issue/Opportunity

- i. The first step in the market research process is to clearly define the problem, issue, or opportunity, and to clarify the objectives.
 - 1) This is often posed as a question that needs to be answered.
- ii. Most market research issues stem from poorly defined problems and objectives that are vague and unclear
 - 1) If objectives are too broad, the problem may not be tangible;
 - 2) If objectives are too narrow, the value of the research may be questionable.
- iii. Market researchers spend considerable time precisely defining marketing problems and clarifying research objectives in formal proposals that clearly describe the research task and its approach.
 - 1) **Objectives** are specific, measurable goals that the decision maker seeks to achieve.
 - 2) Common research objectives are to discover consumer needs and wants, and to determine why a product is not selling.

b. Step 2: Design the Research Plan

- i. Introduction
 - 1) The second step in the market research process is to identify which approach will be taken to complete the project.
 - 2) This includes identifying what information is needed, how it will be collected, and whether a sampling plan is needed.
- ii. Information Requirements
 - 1) Often, market research studies collect data that is interesting but not relevant to the task at hand.
 - a) Marketers need to avoid this situation because it is time-consuming, confusing, and costly.
 - 2) One of the research study's first tasks was to determine how to best collect this information affordably.
- iii. Collection Methods
 - 1) There are mathematical considerations and operational issues that the researcher must consider in the designing of a data collection plan.
 - a) Determining how to collect the data is often as important as actually collecting the data.
 - 2) Researchers can purchase data from a pre-existing study, or conduct their own research using a variety of data-collection methods such as in-depth personal interviews, focus groups, telephone surveys, central location surveys, personal questionnaires, or mail surveys.
 - a) The Internet also provides numerous online tools that facilitate the gathering of information.
 - b) Survey can be easily completed online, and online communities can and online bulletin boards can also be used to provide additional data.
 - 3) To ensure that accurate answers are obtained, researchers carefully select research methodologies that encourage honesty.
 - a) The method chosen is critical to obtaining accurate results.
 - 4) Canadian market researchers rely on their training, expertise, and judgement to make appropriate methodology decisions.
 - a) They can also turn to their professional association, the Professional Marketing Research Society, for resources and training.
- iv. Sampling
 - 1) A researcher's sampling plan identifies who is to be sampled, how large the sample should be, and how the sample will be selected.
 - a) **Sampling** is the process of gathering data from a subset of the total population, rather than from all members of that particular group.
 - 2) Currently, a number of market researchers are debating the validity of online market research studies, questioning whether online samples are valid because they exclude respondents who are not online.

- a) Each methodology has its limitations.
 - b) While online market research may overlook certain respondents, it is not unlike telephone or mail surveys, which also exclude certain groups.
 - 3) **Probability sampling** involves precise rules to select the sample so that each element of the population has a specific known chance of being selected.
 - a) The chance of being selected is known in advance, and all members in that group have an equal chance of being selected.
 - b) This procedure helps to select a sample that should be representative of the entire population and allows conclusions to be drawn about the population being researched.
 - 4) **Non-probability sampling** involves the use of arbitrary judgement by the market researcher to select a sample so that the chance of selecting a particular element of the population is either unknown or zero.
 - a) This would introduce a bias, tainting the representativeness of the sample and its ability to draw accurate conclusions.
 - b) In fact, non-probability samples are often used when time and budgets are limited, or for exploratory research purposes when conclusions are mostly directional and may require further research.
 - c) In general, market researchers use data from such non-probability samples with caution.
 - d) The data can provide valuable information, but the results need to be viewed carefully as they may not accurately represent the population being researched.
- c. Step 3: Conduct Exploratory and Qualitative Research
 - i. Introduction
 - 1) If researchers decide to conduct exploratory research, they have two avenues from which to glean data.
 - a) The first avenue is to collect exploratory **secondary data**, which is already available through big data analytics, company reports, or external online and offline published reports.
 - b) A second avenue involves researchers creating their own data, exploratory **primary data**, through options such as focus groups, in-depth interviews, online communities, online bulletin boards, and social listening research.
 - 2) Focus group research, in-depth interviews, online communities, online bulletin boards, and social listening are forms of research called **qualitative research**.
 - a) Qualitative research provides insightful and directional information to the researcher, with the understanding that although the data is not gleaned from a large consumer base, it provides useful direction to the research study and may in fact thoroughly answer the questions at hand.
 - b) In other instances, qualitative research may not be enough to draw firm conclusions and will be used instead to provide insights and directions for a more detailed quantitative research study.
 - 3) **Quantitative research** is statistically reliable information that uses observational techniques and/or questioning methods such as surveys or experiments to deliver statistically significant results.
 - ii. Secondary Data
 - 1) **Secondary data** comes in two forms: external data and internal data.
 - a) **Internal data** exists within a company and can include data derived from big data analytics, or simpler approaches that review basic sales reports, profitability data, and costing information.
 - b) **External data** comes from published sources outside the organization, which can track what consumers watch on television, on mobile devices, or online, as well as what they buy from online or offline

retailers.

- 2) As a form of self-promotion, many research companies, service experts, and media companies now publish top-line research data on their websites free for public viewing, with full report access requiring either a subscription or payment.
- 3) Statistics Canada, the federal government's statistical agency, publishes a wide variety of useful reports, including information on the following:
 - a) Economic Indicators
 - b) International Trade
 - c) Culture and Leisure
 - d) Agriculture
 - e) Tourism and travel
 - f) Manufacturing
 - g) Government
 - h) Environment
 - i) Justice and Crime
 - j) Health

iii. Primary Data

- 1) **Primary data** is data that is original and specifically collected for the project at hand.
 - a) In a research project, a general rule is to first obtain secondary data followed by detailed, proprietary primary data.
 - b) This sequencing is because secondary data is lower in cost and easier to obtain than primary data.
 - c) Secondary data can also help illuminate further data requirements.
 - d) These advantages of secondary must be weighed against its disadvantages, namely 1) the secondary data may be out of date, 2) the definitions or categories may not be right for the project, and 3) the data may not be accurate or specific enough for the study.
- 2) A **focus group** is an informal interview session in which six to ten people are brought together in a room with a moderator to discuss topics surrounding the market research problem.
 - a) The moderator poses questions and encourages individuals to discuss the issue.
 - b) Often, focus-group sessions are watched by observers and are videotaped.
 - c) Participants are always informed that they are being observed and/or taped and asked for permission to do so.
- 3) **In-depth interviews** are detailed individual interviews where a researcher discusses topics with an individual at length in a free-flowing conversation in order to discover information that may help solve a marketing problem.
 - a) Sometimes, these interviews can take a few hours, and they are often recorded with respondents' consent.
- 4) **Online research communities** involve the use of consumer groups, brought together privately in an online environment, to answer questions, respond to ideas, and collaborate with researchers in real time.
 - a) This approach uses vocal consumers, often in high-involvement categories such as sports and entertainment, or other areas where consumers are passionate about their products, such as chocolate and baby food.
 - b) These consumers provide feedback to researchers in a private online environment where only the marketers, researchers, and respondents are privy to the conversations.
 - c) Typically, this approach invites 200 to 300 consumers depending on its need, to join an online community on a specific topic, in return for interesting and lively debate, thought-provoking ideas, and a small stipend for their time.

- d) An online community is managed by a research company to ensure that the community is engaged and continues to be interested in the topic.
 - e) Participants can be gathered from a variety of sources, such as website visitors, consumer lists, or company databases.
 - 5) **Online research bulletin boards** are private online forums where respondents can post their responses to questions.
 - a) Unlike online communities, online research bulletin boards do not engage respondents through dialogue, and instead, they are static websites locations where questions are posted online, and respondents are asked to comment on ideas.
 - b) Only those with access to the bulletin board are privy to the posted questions and responses.
 - c) While online bulletin boards may not provide researchers with the depth of information available through an online community, they are easier to manage and administer.
 - 6) **Social listening** monitors public online consumer conversations on social media sites such as social networks, blogs, and public forums.
 - a) The metrics derived from social listening can measure positive and negative sentiments, popularity scores, and message reach, as well as the levels of conversation and buzz.
 - b) Social listening research can take the form of qualitative or quantitative information depending on the parameters of the study.
 - c) Social listening raises an important ethical issue: while participants in social networks realize many of their comments are publicly posted, they may not be aware that their conversations may be monitored and used for research purposes.
 - d) Social networks are required to have privacy policies that protect consumer data from being kept and misused by third parties, and marketers need to abide by these laws.
 - e) **Netnography** refers to the all the online market research tools.
- d. Step 4: Conduct Quantitative Primary Research
 - i. Introduction
 - 1) The main advantage of **quantitative research** is that it is designed to be statistically accurate and it is less open to interpretation.
 - 2) The main disadvantage of quantitative research is that it is far mar costly and time-consuming to collect than exploratory research.
 - 3) The primary quantitative research techniques include 1) observations, 2) surveys, and 3) experiments.
 - ii. Observational Research
 - 1) **Observational research** is obtained by watching how people behave, either in person or by using a machine to record events.
 - 2) Observational research tools are both useful and flexible, but they can be costly and unreliable when dependent upon human observation, which can at times report different conclusions after watching the same event.
 - iii. Surveys
 - 1) Survey questions can be standardized in the form of **questionnaire** and asked to a large representative sample to obtain accurate data.
 - 2) These surveys can be conducted in person, though the mail, on the telephone, or through the Internet, with each method having limitations.
 - a) In choosing from these alternatives, market researchers have to make important trade-offs to balance costs against the expected quality of information.
 - b) **Personal interviews** have the major advantage of enabling interviewers to ask probing questions and get reactions to visual materials. However, this approach is very costly.
 - c) **Mail surveys** are less costly but have low response rates and are

usually biased because those most likely to respond have had positive or negative experiences.

- d) **Telephone interviews** allow respondents to be probed but they are increasingly difficult to complete due to call-display features and respondent's reluctance to participate.
 - e) **Internet surveys** are restricted to respondents that have the technology, but this approach is becoming an increasingly popular method of gathering information.
- 3) **Syndicated studies** are hybrid of primary and secondary research conducted by a research company, spreading the cost across many clients to reduce the price.
- a) These studies are conducted routinely with extensive panels of consumers to determine trends.
- 4) A **survey panel** includes a large sample of respondents that voluntarily complete questionnaires on a regular basis so that researchers can assess changes in behaviour and attitudes.
- 5) An **omnibus survey** also includes the voluntary participation of respondents in routine surveys, allowing individual marketers to add a small number of questions to an existing survey to receive cost-effective data on their questions.

iv. Experiments

- 1) **Experiment** involves measuring changes in consumer behaviour over time to determine reactions to new-product introductions or new promotional offers.
- 2) A **marketing experiment** involves changing a variable involved in a purchase to find out what happens.
 - a) Ideally, the researcher changes just one element, usually one of the factors in the marketing mix, and keeps the other variable constant.
- 3) Experiments can be conducted either in contrived environments that mimic real-life situations, known as **simulated test markets**, or **in-market** through real-time field tests where the product/promotion is actually sold in a limited location and monitored for success during a specific time period.
 - a) Contrived, simulate experiments use computers simulations to predict consumer behaviour, and marketers typically input marketing mix variables and rely on complex forecasting programs to determine potential success levels.
- 4) A **test market** is an in-market localized regional approach, or short-term online destination, used to test the success of promotional offers, new services, or new-product launches.
 - a) Test markets can provide a more realistic evaluation of product or promotional success than other research options.
 - b) However, test markets are time-consuming, costly, and visible to the competition.

e. Step 5: Compile, Analyze, and Interpret Data

- i. After data has been collected, it has to be compiled, analyzed, and summarized so that it can be turned into actionable information.
- ii. The researcher must know how to analyze the data and what tools to use.
 - 1) There are many statistical packages that can make this task easier.
- iii. Market researchers face the challenge of synthesizing and simplifying pages of data into dashboards as well as individual charts with relevant observations and conclusions that can help marketers address business problems, challenges, and opportunities.

f. Step 6: Generate Reports and Recommendations

- i. Once the data has been analyzed, the researcher will discuss the results with a marketing manager and prepare a report to communicate the research findings.
 - 1) The report will include recommendations that address the marketing problem and research objectives.

- ii. It is important to understand that marketing data and information have little value unless translated into findings and recommendations that lead to marketing action.
 - 1) Managers generally prefer clear, concise reports where key findings are highlighted within dashboards and individual charts, graphs, and tables of data.
- 5. The Future of Market Research
 - a. The future of market research sees a continued growth in online market research approaches as well as the increased use of analytics platforms to help manage big data and glean insights.
 - b. Ethically and legally, marketers and market research practitioners will need to keep consumers' privacy top-of-mind.

Summary

1. Market Research, Metrics, and Analytics
 - a. Market research, metrics, and analytics are used by marketers to help gather data and glean insights. Metrics use numeric data to track performance. Analytics applies smart thinking and technology to metrics data to gain actionable insights.
 - b. Market research is the process of defining a marketing problem or opportunity, systematically collecting and analyzing information, and recommending actions to improve an organization's marketing activities.
 - c. Some of the main uses of metrics are for measuring and monitoring website traffic, e-commerce interactions, and campaigns, brand health, financial performance, and public relations activities.
 - d. There are numerous types of analytics. Common types are web analytics, social media analytics, and predictive analytics.
2. Big Data
 - a. Data can be categorized as structured data, unstructured data, semi-structured data, and legacy data.
 - b. Structured data can be easily tagged, stored, and searched in a database.
 - c. Unstructured data cannot be easily tagged and categorized in a database and comes from word-processed documents, presentations, audio files, images, video, and e-mail or social media interactions.
 - d. Semi-structured data is a hybrid data format that consists of structured and unstructured data.
 - e. Legacy data is difficult to use as it has been collected and stored in an obsolete format or system that is no longer compatible with current systems.
3. Types of Market Research
 - a. Market research can be classified as exploratory, descriptive, or causal research.
 - b. Exploratory research is preliminary research that clarifies the scope and nature of a marketing problem.
 - c. Descriptive research clarifies usage and attitudes toward a product or theme.
 - d. Causal research identifies cause-and-effect relationships.
4. The Six-Step Market Research Approach
 - a. The market research process follows six steps:
 - i. Describe the problem, issue, or opportunity and establish the research objectives
 - ii. Design the research plan and identify the methodology required to gather the information.
 - iii. Conduct exploratory and qualitative research
 - iv. Collect quantitative research
 - v. Analyze and interpret the data
 - vi. Create research reports and recommendations
5. Classifications of Research
 - a. Primary research data consists of qualitative or quantitative research.
 - b. Qualitative studies include focus groups, in-depth interviews, online communities/bulletin boards, and social listening

c. Quantitative studies include surveys, observations, and experiments.

Survey Technique	Advantages	Disadvantages
Personal Interview	<ol style="list-style-type: none"> 1. Can probe for detailed responses 2. Can demonstrate marketing programs 3. Can result in high levels of accuracy 	<ol style="list-style-type: none"> 1. Time-consuming 2. Expensive 3. Interviewers can bias responses
Telephone Survey	<ol style="list-style-type: none"> 1. Can be conducted quickly and cheaply 2. Computerized techniques allow for randomized calling 3. Appropriate when data is needed quickly 	<ol style="list-style-type: none"> 1. People are reluctant to participate 2. Low response rates 3. Call-display features screen-out calls 4. Increasingly number of people with no home phone 5. Interviews are limited to 5-10 minutes 6. Interviewers can bias responses 7. Questionable representativeness of samples
Mail Survey	<ol style="list-style-type: none"> 1. No interviewer bias 2. Useful for national surveys 3. If using a panel, can track changes over time 4. Can be affordable if part of a syndicated or omnibus survey 	<ol style="list-style-type: none"> 1. Lengthy time-lag for data collection 2. Low response rates 3. Questionable data accuracy 4. Inability to probe respondents
Internet Survey	<ol style="list-style-type: none"> 1. No interviewer bias 2. Can be conducted quickly and cheaply 3. Efficient for electronic data collection 4. High Internet penetration can lead to good sampling 5. Can easily target customer databases 6. Useful for national surveys 7. If using a panel, can track changes over time 8. Can be affordable if part of a syndicated or omnibus survey 	<ol style="list-style-type: none"> 1. Difficulty to verify respondents' identity 2. Questionable data accuracy due to anonymity 3. Inability to probe respondents 4. Difficult to provide incentives for completion 5. Some debate over sample representativeness

Chapter 6 Segmentation, Targeting, and Positioning

November 26, 2017 1:18 PM

1. Market Segmentation

a. Introduction

- i. The essence of market segmentation, target market, and product positioning is based on three important facts.
 - 1) First, consumers have diverse needs , and a single product cannot satisfy everyone.
 - 2) Second, companies have finite amounts of money, and it needs to be spent efficiently and effectively on consumers who are most likely to purchase the product.
 - 3) Third, marketers need to have clear consumer insights on their target markets in terms of product needs, price expectations, purchase habits, and the communication tools used to gather information, stay informed, and be entertained.
- ii. There are two main market segments: the consumer market and the business market.
 - 1) The **consumer market** consists of goods, services, and ideas that a person can purchase or support for this or her own personal use.
 - 2) The **business market** involves products that are purchased either to run a business or to be used as a component in another good or service.
 - 3) How a product is classified depends on its usage.
 - a) It is important to understand that many products are tailored specifically for one market or the other, and not necessarily both.
- iii. **Market segmentation** involves aggregating prospective buyers into groups that have common needs and respond similarly to marketing programs.
 - 1) These groups are relatively homogenous and consist of people who are fairly similar in terms of their consumption behaviour, attitudes, and target market profiles.
- iv. There is normally more than one firm vying for the attention of prospective buyers in a market.
 - 1) This results in marketers following a strategy of **product differentiation** to position their products apart from the competition in the eyes of consumers so that they appear distinct from competitive offerings.
 - 2) It is important to note that product differentiation does not mean a product has to be better than the competition.
 - a) Marketers position their products as best they can to meet the needs of their target consumers.
 - b) Sometimes, this may mean adding a unique feature; other times, it may mean minimizing all costs to provide a cheaper alternative to the market.

b. Forms of Market Segmentation

i. Mass Marketing Strategy

- 1) A **mass marketing** strategy is when a product with broad appeal is widely marketed to the entire market with no product or marketing differentiation at all.
- 2) This approach exists in a limited capacity today due to the competitiveness of the market and the need for marketers to specifically address consumer needs with their offerings.
 - a) Examples can be found in the utilities area, with items such as tap water or natural gas being marketed to all consumer groups with no variation from either a product or marketing perspective.
 - b) Other examples can be found in the fruits and vegetables market with

products such as broccoli, radishes, and spring onions also being sold indiscriminately to all target groups.

ii. Segment Marketing Strategy

- 1) **Segment marketing** involves the marketing of a wide range of different products and brands to specifically meet the needs of an organization's varied target markets.
- 2) This form of market segmentation is the most common form of segmentation followed by large companies.
- 3) Each product not only caters to the specific product needs of distinct target markets but also has its own marketing program to ensure that each target group's needs are properly met.
- 4) A segment marketing strategy is also followed by companies in the business-to-business market.
 - a) The business-to-business market is often segmented by the needs of key accounts.

iii. Niche Marketing Strategy

- 1) The market segmentation strategy where a company restricts its efforts to marketing a limited product line to a narrow but profitable segment of the market is called **niche marketing**.
- 2) New or smaller firms often adopt niche marketing approaches to compete with large corporations that dominate categories.

iv. Individualized Marketing Strategy

- 1) **Individualized marketing** can also be called **personalized marketing** or **one-to-one marketing** and it involves customizing offers and, in some cases, products to fit individual needs.
 - a) The Internet allows marketers to use database technology to track consumer purchases and predict interests and future purchases, enabling marketers to customize offers and, in some cases, products to fit individual needs.
 - b) Today's internet ordering and flexible manufacturing and database marketing techniques have facilitated individualized market segmentation by making it easier to tailor goods and services to suit individual customer needs.
- 2) The key to successful product differentiation and market segmentation strategies lies in finding the ideal balance between satisfying a customer's individual wants and being able to do this profitably.

2. Target Market Profiles and Personas

a. Target Market Profiles

i. Introductions

- 1) A **target market** is the specific group of existing and potential consumers to which marketers direct their marketing efforts.
- 2) Developing an accurate target market profile is crucial to the success of all marketing initiatives as it drives decisions about the product's marketing mix and the product's positioning in the market.
- 3) This **target market profile** contains specific information about the target group in four areas: 1) geographics, 2) demographics, 3) psychographics, and 4) behaviouristics.
 - a) It is updated periodically as new information surfaces and is included in key strategic documents such as annual marketing plans.
- 4) In fact, usually only a few elements in a target market profile are the main determinants in why a consumer purchases a product - we generally find these in the behaviouristics area.
 - a) Nonetheless, all variables need to be included in the target market profile as this profile is used other marketing areas.
 - b) If elements are missing, crucial errors can be made.

ii. Geographics

- 1) A **geographics** descriptor of target market looks at where a target market

lives, using variables such as country, region, province, city size, and type of location, such as urban, suburban, or rural.

- 2) Marketers often find that Canadians differ in terms of needs or preferences based on where they live.

iii. Demographics

- 1) **Demographics** profile includes identifying ranges for age, gender, family composition, income, occupation, education, ethnic background, and home ownership for the main target market.
- 2) This information can be identified through a company's market research information and other secondary data sources, such as Statistics Canada.

iv. Psychographics

- 1) **Psychographics** profile involves understanding consumers' attitudes to life, values, personalities, general interests, opinions, media usage, technology preferences, and activities.
- 2) This information is generally based on the primary research that marketers conduct to gather insights on their consumers.
- 3) Psychographics variables are central to understanding the delight points of consumers and what gives them that extra spark.
 - a) Image-based products and fragrance industry rely heavily on psychographics.

v. Behaviouristics

- 1) **Behaviouristics** directly refers to how and why consumers buy and use products.
 - a) Behaviouristics looks at why consumers buy a product, the expected product benefits, how a product is used, how often it is purchased, how frequently it is used, and whether consumers are brand loyal in their purchase behaviour.
- 2) It is one of the most important target market variables as it directs the product's positioning in the market and drives the main marketing communication messages of the brand, as well as promotional ideas and areas for new product development.
- 3) **Brand loyalty** refers to the favourable attitudes that a consumer has over time toward a brand that results in varying levels of purchase insistence and commitment to the brand.
 - a) Brand loyalty varies by product and from person to person.
 - b) Marketers strive toward having highly committed, brand-loyal consumers as this helps insulate their brands from competitive marketing practices.
 - c) In reality, consumer brand loyalty will range from very little to consumers that insist on your product in all circumstances.
 - d) Marketers often use analytics to measure the varying degrees of brand loyalty and may use a rating system to help guide interactions with these different user groups.
- 4) On a more strategic level, companies such as those in the cellphone carrier industry often use behaviouristics to market to different customer groups with completely separate companies and brands.

b. Personas

- i. **Personas** are character descriptions of a brand's typical customers.

- 1) Personas started in online marketing to help marketers consistently focus on target market needs, and are now widely used in other areas of marketing.
- 2) Personas bring target market data alive by creating fictional character narratives, complete with images, in one-page descriptions or snapshots that capture the personalities, values, attitudes, beliefs, demographics, and expected interactions of a typical user with a brand.
- 3) Personas take target market research data and simplify and synthesize it, adding a few fictional details, such as name and image, so that human traits and characteristics become memorable for marketers.

- ii. Well-defined personas usually include information on gender, age, interests, hobbies, education, goals, jobs, influencers, media usage, technology preferences, fears, concerns, drives, and delights and interactions with a brand.
 - 1) They may capture a day in the life of a typical user.
 - iii. A branded product may have more than one persona: a primary persona on the typical main consumer, and a secondary persona that captures the profile of other, less important groups who should not be overlooked.
- 3. Segmentation Analytics
 - a. Marketers need to be aware that research companies can provide general data on the size and growth of markets to assist in segmentation analysis.
 - b. Data can be purchased from companies such as Nielsen Euromonitor that shows trends, market size, competitive products, market share, and future prospects for industries.
 - c. Marketing service companies also conduct specific, confidential research projects for its clients that provide useful data on its market segments.
 - d. Separately, these companies may conduct segmentation studies for public consumption as a way to showcase its expertise.
 - e. Other segmentation analytics companies provide segmentation data on a more granular basis to pinpoint information on population clusters that assists marketers.
- 4. Product Positioning
 - a. Introduction
 - i. **Product positioning** refers to the impression of the branded product you want to establish in consumers' minds relative to their needs and also in contrast to the competition.
 - ii. Companies generally use a combination of factors to position their products, always leading with the elements that are real; to differentiate the products; and to create long-term, memorable impressions with consumers.
 - 1) **Image:** products are often positioned as leaders, contenders, or rebels in the market, also taking on characteristics such as trusted, prestigious, or thrifty.
 - 2) **Product attributes:** products with features that differentiate them from the competition are often positioned on this platform, bringing product claims to the forefront.
 - 3) **Price:** products with brand parity and little product differentiation may position themselves on a price platform.
 - iii. A **positioning statement** is a formalized statement that identifies the image a branded product represents in the market and what sets it apart from the competition.
 - 1) A positioning statement is generally included in a brand's annual marketing plan and its relevant strategic documents.
 - 2) These statements are used to crystallize the image for marketers so that they can design a marketing mix that aligns with the product's positioning.
 - 3) This is very important, otherwise, the product may present a confusing image to consumers who will refrain from buying it.
 - iv. Positioning statements are simple, clear, and focused.
 - 1) They identify the main reasons a target market buys the branded product and what sets it apart in the market.
 - 2) It is important to understand that a blended product's positioning is reflected in all areas of its marketing mix, and one needs to look at each element of the marketing mix to accurately determine its positioning in the market.
 - 3) Positioning statements identify two key areas
 - a) How the branded product meets consumer needs
 - b) How the branded product is differentiated in the market versus the competition.
 - v. Positioning statements are simple, clear, and focused.
 - 1) They average a short paragraph and identify four elements: the branded product name, the category in which the product competes, one or two main reasons why the target market buys the branded product, and what

sets the product apart from the competition.

- b. Repositioning
 - i. **Repositioning** is often implemented in stages over time with a refresh of a brand and the elements of its marketing mix.
 - ii. Companies rarely change a product's positioning but do so when long-term changes in consumer attitudes or opinions of the brand require a shift in the brand's image to more accurately meet consumer needs and to reflect how it fits their lifestyle and needs.
 - c. Positioning Maps
 - i. **Positioning map**, also known as **perceptual maps**, are visual representations of how products or product groups are positioned within a category to consumers/customers.
 - 1) Positioning maps can visually represent categories within a market, or more specifically, product and brand offerings within a segment.
 - 2) Positioning maps are useful tools for marketers as they can reveal gaps in the market where consumers may be underserved, while also highlighting the competitive nature of the category.
 - ii. Positioning maps need to clearly identify the two most important attributes that drive purchases in a category, whether this is in the business-to-business or the consumer market.
 - 1) One must be able to assess these attributes objectively from a consumer perspective.
 - 2) One might rush to immediately identify price as a key variable, but often, this is a less important feature, evaluated by consumers once a short list of attributes on which they initially evaluate a purchase are identified.
5. Steps in Market Segmentation
- a. Review strategic company objectives
 - i. Objectives need to be clear and quantifiable.
 - ii. They should include sales, revenue, and profit, but also qualitative elements such as corporate social responsibility initiatives and new business direction for its divisions.
 - b. Identify specific business unit objectives
 - i. These objectives need to be in line with a company's strategic direction and outline the specific sales, market share, and profit targets for the business unit.
 - c. Identify consumer/customer needs and common characteristics in the market
 - i. This should be done from a consumer/customer perspective, looking at what drives the category and what future trends are evolving.
 - 1) Marketers should be able to easily identify common interests and evolving trends by analyzing what products currently exist in the category, which areas of the market are expanding and shrinking, and where consumer/customer interests lie.
 - 2) Looking to other countries sometimes provides interesting ideas on where potential future interests may lie.
 - ii. At this point, marketers will turn to market research studies and analytics data to see what the facts reveal.
 - 1) Database analyses may reveal some interesting facts about purchase patterns and point to finite segments that had not been considered.
 - 2) Sometimes, marketers may need to conduct further market research to clarify questions.
 - d. Cluster common consumer/customer variables to create meaningful market segments
 - i. A marketer needs to stand back from the market and look for clusters of products and gaps in the market that point to common consumer/customer interests, usage patterns, and prevailing attitudes.
 - 1) New areas of interest should not be overlooked as these may point to evolving segments.
 - 2) These clusters will identify the segments that exist in the market.
 - 3) Sometimes, there is overlap between segments, and other times, the

- segments are not well-defined, but this is generally a reflection of the consumers/customers, who can be fickle and non-committal.
- ii. Segmentation analytics companies can provide marketers with data on market clusters, which combined with marketing analytics can help reveal profitable new approaches and opportunities.
 - 1) Companies may use its own data from CRM databases that groups consumers by purchase behaviour and monetary value to a company.
 - 2) Software can run a FRM analysis to rate customers on how recently products were purchased, how often products were purchased, and the dollar value of the transactions. Customers are then scored and rated to create segments that organizations use to tailor offers and marketing messages.
 - iii. It is very important during this step to review the market from a consumer/customer perspective and not from a product perspective.
 - e. Conduct SWOT analyses on the segments to determine strengths, weaknesses, opportunities, and threats.
 - i. A **SWOT analysis** can be conducted on many different areas in marketing.
 - ii. It is very useful when analyzing a market as it can identify opportunities and whether a company has the strength to compete in a segment that may already be well-served by the competition.
 - iii. The strengths and weaknesses refer to the internal areas of a company or a product/brand; the opportunities and threats look to areas outside the company, product, or brand, such as the competition, consumer trends, or technology.
 - iv. It is important to involve a number of people when conducting a SWOT analysis so that different perspectives and ideas are captured.
 - f. Identify the segment that best meets strategic company objectives
 - i. At this point in the process, a marketer sifts through the facts and ideas that have surfaced during the SWOT analysis and generally assesses the opportunities and threats in relation to a company's strategic direction.
 - ii. A market segment may surface as particularly interesting at this point.
 - g. Identify marketing programs and budget requirements needed for this segment
 - i. If a particular segment has surfaced as an area of interest, it will require further investigation.
 - ii. This will include a full financial evaluation of the opportunity to assess the costs of doing business and identify what programs are required to support an initiative.
 - iii. It also highlights what resources are needed to adequately compete in this segment.
 - h. Create a sales forecast for this segment
 - i. Once a thorough market assessment has been conducted, a market is tasked with forecasting the sales potential for this segment, which should also consider anticipated competitive reactions.
 - i. Conduct a profit-and-loss financial analysis for this segment
 - i. The marketing programs, budget requirements, and sales forecasts are put together with projected costs to determine what levels of profits can be achieved in this market segment.
 - ii. A projected profit-and-loss statement is created to assess the financial viability of doing business in this market segment.
 - iii. Marketers often work with financial analysts to determine these costs.
 - j. Check financial forecasts against specific unit objectives.
 - i. Once the financial analysis is complete, marketers have the information needed to objectively assess whether they can achieve their business unit objectives for this segment.
 - ii. Specific data on projected sales, market share, and profit target are analyzed against targets and evaluated in terms of meeting the company's overall strategic direction.

Summary

1. Market Segmentation

- a. Market segmentation involves aggregating prospective buyers into groups that have common needs and respond similarly to marketing programs.
- b. In the marketing world, there are two main market segments: 1) the consumer market, and 2) the business market.
- c. There are four different market segmentation strategies: mass marketing, segment marketing, niche marketing, and individualized marketing.

2. Target Market Profiles and Personas

- a. Marketers define their target markets by looking at four main variables: 1) geographics, 2) demographics, 3) psychographics, and 4) behaviouristics.
- b. Geographics looks at where a target market lives, such as country, region, province, city size, and type of location, such as urban, suburban, or rural.
- c. Demographics includes identifying ranges for age, gender, family composition, income, occupation, education, ethnic background, and home ownership.
- d. Psychographics involves understanding consumer attitudes to life, values, personalities, general interests, opinions, and activities.
- e. Behaviouristics looks at why consumers buy a product, the product benefit, how and when the product is used, and whether consumers are brand loyal in their purchase behaviour. Usage rate also plays a role in this information.
- f. Personas are character descriptions of a product's typical customers in the forms of fictional character narratives, complete with images that capture the personalities, values, attitudes, beliefs, demographics, and expected interactions of a typical user with a brand.

3. Segmentation Analytics

- a. Segmentation analytics analyzes market segments and provides data to help target specific groups with high levels of accuracy.
- b. Segmentation analytics data clusters consumers into lifestyle segments and provides information that details geographics, demographics, psychographics, and behaviouristic data by postal code, defined shopping areas, or neighbourhood.

4. Product Positioning

- a. Product positioning refers to the image of a branded product relative to the competition.
- b. Marketers create positioning statements to clearly and simply outline the positioning of a product.
- c. Repositioning includes a shifting of the product image and adjusting its marketing mix to more accurately meet consumer needs.
- d. Positioning maps are otherwise known as perceptual maps. They visually represent how products or product groups are positioned within a category to consumers.

5. Steps in Market Segmentation

- a. Segmenting the market involves 10 steps that require analytical skills, strategic thinking, an understanding of the consumer, a vision of where the market is heading, and how this fits with company objectives.
- b. The 10 market segmentation steps start with a review of company and business unit objectives and continues by clustering consumer needs, conducting a SWOT analysis, and finally identifying the segment and product potential by analyzing its forecasted sales, and pinpointing marketing and profit projections.

Chapter 7 Products and Brands

November 27, 2017 11:01 AM

1. Types of Products

a. Introduction

- i. In marketing, a **product** is a good, a service, or an idea, consisting of a bundle of tangible and intangible attributes.
 - 1) Tangible attributes include physical characteristics such as colour or sweetness, and intangible attributes include those aspects of a product that can't be touched, such as how cooking with a PC black label product may make you feel.
 - ii. Products can include a variety of things in either the online or offline environment.
 - 1) It is important to realize that with the widespread use of the Internet today, even offline products develop a strong web presence, realizing that the first point of contact for consumers with a brand is often online at a company website or on its Facebook page.
 - iii. Products are divided into three main categories: 1) non-durable goods, 2) durable goods, and 3) services.
 - 1) A **non-durable good** is an item that does not last and that is consumed only once, or for a limited number of times, like food products and fuel.
 - 2) A **durable good** is a product that lasts for an extended period of time and encompasses items such as appliances, automobiles, and stereo equipment.
 - 3) A **service** is an intangible activity, benefit, or satisfaction, such as banking, conducting an online search, and using cloud-based software to create websites or blogs.
 - a) Canada has a strong service-based economy with services accounting for approximately 72 to 75 percent of its gross domestic product.
 - iv. In the service industry, it is useful to distinguish between a company's primary service and its supplementary services.
 - 1) Supplementary services often allow products to differentiate their offerings from the competition while also adding value to consumers.
 - 2) Common supplementary services for products can include product updates, free delivery, and payment terms as well as complimentary consultations, order-taking, and sales assistance.
 - v. It is important to note that consumers rate customer service as highly relevant to their purchases.
 - 1) Ranking of Factors for Consideration before Purchase: product quality, value, durability, necessity, convenience, customer service, brand name, environmental factors, ethical approaches, and being made in Canada.
 - vi. Many products cannot be defined as pure good or pure service but are in fact hybrids - a combination of goods and services to offer a more competitive product to consumers.
 - 1) Many goods are augmented with intangible services such as warranties, websites, and online support.
 - 2) Services also use goods to ensure a more complete offering to consumers.
 - vii. The online environment is giving rise to new **virtual services** that exist only online and have no form of physical person-to-person interaction or tangible component, like social media sites, online gaming sites, and online analytics.
 - viii. **Service continuum** refers to that when companies look at what they bring to market, there is a range from the tangible to the intangible, or goods-dominant to service-dominant.
- ### b. The Uniqueness of Services: Four Is of Services
- i. Intangibility
 - 1) Services are intangible; that is, for the most part, they cannot be held,

- touched, or seen before a purchase.
- 2) Services tend to be more performance-oriented and, as experience, cannot generally be tried before purchase.
 - a) Free trials are often provided to overcome this drawback.
- 3) To help consumers assess and compare services, it is important for marketers to demonstrate the benefits of using the service.
 - a) Techniques that are frequently used are online video testimonials or demonstrations that show the quality of a service.
 - b) A successful approach that is prompting consumers to try new services and goods are the local "deal-of-the-day" email campaigns from email discount marketers.
- ii. Inconsistency
 - 1) Developing, pricing, promoting, and delivering services is challenging because the quality of a service is dependent on the people who provide it, and it can therefore differ in consistency.
 - a) Quality can vary with each person's capabilities, experience, motivation, and even personality.
 - b) Companies try to overcome the inconsistent delivery of services by training employees on how to deliver a consistent quality experience.
 - 2) Online products are often able to overcome issues of inconsistency through standardized software, consistent website interfaces, and reliable Internet servers that limit service disruptions.
 - a) However, when new online services are launched, they often cannot keep up with demand and therefore provide subpar services to users.
- iii. Inseparability
 - 1) In most cases, the consumer cannot and does not separate the deliverer of the service from the service itself.
- iv. Inventory
 - 1) Inventory problems exist because services cannot necessarily be stored and accessed when in demand.
 - 2) This is complicated by the fact that sales forecasts may be inaccurate, warehousing of related items can be expensive, and some services may be perishable.
 - a) **Perishability** arises when products cannot be stored for long periods of time for use at a later date.
 - i) Online services can often be stored and accessed at a later date.
 - b) **Idle production** is formally defined as a situation where the supply of a service exceeds its demand.
 - i) To deal with this issue, the service industry often uses part-time employees who are paid an hourly wage and are scheduled to work shifts.

2. Products Elements

a. The Total Product Concept

- i. Marketers view products as having three different layers: the core product layer, the actual product layer, and the augmented product layer.
 - 1) The more complex and expensive the product, the more intricate the layers used to differentiate the product from the competition.
- ii. The **core product** refers to the fundamental benefit that a consumer derives from having the product.
- iii. The **actual product** is the physical good or the service that a consumer purchases when buying a product.
 - 1) It includes the product's branding, design, and features.
- iv. The **augmented product** refers to the additional features and attributes that accompany a product, such as a warranty, a service contract, delivery options, installation assistance, or a website used to distinguish the product from competitive offerings.

- 1) Generally, augmented product layers exist for more expensive purchases and are not part of a simple purchase.
 - v. It is important to note that for online products it is more difficult to differentiate the core, actual, and augmented components of the product.
 - b. Packaging and Labelling
 - i. Importance of Packages and Labels
 - 1) Packages and labels provide many functional benefits, such as protection or facilitating product usage.
 - 2) In addition, they serve as platforms from which to communicate brand imagery, establish brand logos, and provide detailed product information and offers.
 - 3) Packaging and labelling decisions are of paramount important to a product's success, and marketers work hard to ensure that designs clearly reflect a product's positioning, its brand equity, and its image, which have all been nurtured over time.
 - ii. Changes to existing packaging and label designs need to be approached with caution to ensure that consumers are not confused and do not feel that their favourite brands have been altered.
 - iii. Many products only exist online, such as many only publications, online software, and cloud-based services.
 - 1) For these products, their websites become a form of packaging and are used to provide functionality and to communicate the brand's positioning and relevance.
 - 2) Similar to packaging, marketers must work to ensure websites are always up-to-date, appeal to their consumers, and contain the latest product and company information.
 - 3) In this manner, website designs are refreshed every few years to ensure that they are current, reflect the brand's positioning, and take advantage of the latest technology and design trends.
 - c. Product Lines and Product Mixes
 - i. A **product line** is a group of similar products with the same product and brand name.
 - 1) It is directed to the same general target market and is marketed together as one line to retailers and consumers.
 - 2) A product line can be identified though its common product name, brand name, and package decision.
 - ii. **Product mix** refers to the array of product lines marketed by a company.
 - 1) While one can slice and analyze a company's product line in many different ways depending on the depth of analysis required, it is often helpful to drill down into the product mix by looking at the product categories and product lines within these categories.
 - 2) The **product width** of a company's product mix refers to the number of different categories offered by the company.
 - 3) The **product depth** of a company's product mix refers to the variety of product lines and products sold within its produce categories, groups, and lines.
3. Consumer and Business Products
- a. Introduction
 - i. Products are classified as either consumer or business products depending on their usage.
 - 1) **Consumer products** are purchased by the ultimate consumer for their personal use.
 - 2) **Business products** (also called **industrial goods** or **organizational products**) are purchased either to run a business or to be used as a component in another product or service.
 - ii. In many instances, the differences are obvious.
 - 1) Some products, however, are both consumer and business products

depending on their usage.

b. Consumer Products

- i. Convenience, shopping, specialty, and unsought products are the four different types of consumer products that exist in the market.
 - 1) These items differ in terms of the amount of effort that a consumer puts into making a purchase, and how often the items are purchased.
 - 2) The manner in which a consumer product is classified depends on the individual.
 - 3) It is important to understand that although many products are clearly separated into one category or another, people in varying stages of life will classify products differently.
- ii. **Convenience products** are inexpensive items that a consumer purchases frequently with minimal shopping effort.
 - 1) If the product does not meet expectations, there is little risk because the product is inexpensive and easy to purchase.
- iii. **Shopping products** are items for which the consumer comparison-shops, assessing the attributes and prices of different products and brands.
 - 1) These types of products require a greater investment of shopping time, are more expensive than convenience products, and require a greater assurance of purchase satisfaction.
- iv. **Specialty products** are items that require considerable time and effort to purchase.
 - 1) They tend to be more expensive branded products in a category that are needed for special occasions.
 - 2) They include specialty brands and require high purchase satisfaction.
- v. **Unsought products** are items that the consumer either does not know about or is not interested in purchasing.

c. Business Products

- i. Characteristics
 - 1) A major characteristic of business products is that their sales are often directly related to the sales of products with which they are associated.
- ii. Classification
 - 1) Production Goods and Services
 - a) **production goods and services** are items used in the manufacturing process that become part of the final product.
 - b) These can include raw materials or component parts.
 - 2) Support Goods and Services
 - a) **Support goods and services** are items used to assist in producing other goods and services.
 - b) Support goods and services can include installation, accessory equipment, supplies, and the provision of services such as the delivery of component parts or the provision of training programs for new components.
 - i) **Installations** consists of buildings are fixed equipment. Industrial buyers purchase these assets through sales representatives who often submit competitive bids.
 - ii) **Accessory equipment** includes tools and office equipment and is usually purchased in small-order sizes by buyers. As a result, sellers of industrial accessories use distributors to contact and deal directly with a large number of buyers.
 - iii) **Supplies** are the business equivalent of consumer convenience goods and consist of products that are used continually, such as stationery, paper clips, and brooms. These are purchased with little effort, as price and delivery are the key considerations.
 - iv) **Services** are intangible activities needed to assist a business in its operations and in producing its goods and services. This category can include transportation services, maintenance and

repair services, and advisory services such as tax or legal counsel. This may also include online analytics to monitor website traffic, the creation of a website to support a business, or the use of an e-mail database to send out newsletters.

4. Branding

a. Introduction

i. A **brand** is a name or phrase uniquely given by a company to identify its products and distinguish the products from the competition.

- 1) These names are often created in tandem with associated brand-marks or logos, designed to visually represent the brand to consumers and to build brand recognition.
- 2) **Brand equity** is formally described as the value of a brand that results from the favourable exposure, interactions, associations, and experiences that consumers have with a brand over time.

ii. Developing and nurturing a brand is an important factor in the marketing of a product.

- 1) This involves creating a new brand name or selecting a name that already exists in a company's arsenal.
- 2) A brand also needs to be supported with marketing activity, starting with creating its logo and well as designing its packaging and website, and developing new products and promotions to engage users and bring revenues and profits into the company.
- 3) Research needs to be conducted periodically to help determine trends and requirements while metrics and analytics are needed to determine success and areas of improvement.

iii. Brand Elements

1) Trustworthiness

- a) This is considered the most important element for a brand.
- b) It encompasses the consistently dependable image that consumers have for a brand and fosters their ongoing confidence in recommending it to others.

2) Engagement

- a) Brands that engage consumers encourage brand loyalty by creating interactions, so consumers can learn more about a brand and ultimately share it with others.

3) Leading Edge

- a) Brands that stand out are often unique, innovative, and forward thinking.
- b) Their approach tends to be edgy and somewhat different and stands as a benchmark for other brands.

4) Corporate Citizenship

- a) Brands that are caring have the ability to connect with consumers by instilling pride.
- b) These brands are involved in community initiatives that focus on the environment and the social well-being of society.

5) Presence

- a) Brands need to have a high profile with consumers and stand out from the crowd.
- b) Through their marketing, they are often top-of-mind with consumers' daily lives.
- c) These brands make a statement about themselves and the people that use them.

iv. Classification of Brands

- 1) An **individual brand** is when a company uses a brand name solely for a specific product category.
- 2) A **family brand** is when a company uses a brand name to cover a number of different product categories.

- a) **Brand extension** is when a brand is used to market other products.
 - b) A **sub-brand** uses the family brand name as well as its own brand name and identify so that it can take on the strengths of the parent brand but also differentiate itself.
 - c) The advantage of using an establish family brand name for new goods is that brand equity is quickly transferred from the flagship brand to the new product, thus saving the company the marketing funds needed to build up this brand equity from scratch.
 - d) A disadvantage of using a family branding approach is that if the new product does not live up to the image of the flagship brand, or does not share in its value, then the brand equity built upon ever time can be eroded for all products under this family brand name.
- b. Protecting Brands - Patents, Trademarks, and Copyrights
 - i. **Patents** are used to legally protect new technologies, unique processes, or specific formulations from other companies that may wish to benefit from their use.
 - 1) A patent is a right, granted by government, to exclude others from making, using, or selling an invention.
 - 2) In Canada, patents currently protect owners for a period of 20 years after the patent was filed, providing that maintenance fees are paid during this time and after 20 years, this patent then becomes available to the market.
 - ii. **Copyrights** are used to legally protect the written word, a sound-recording, or a form of communication from being copied by others.
 - 1) It covers music, literature, and performances, and can include slogans.
 - iii. **Trademarks** are used by people or organizations to protect brand images, names, and designs from usage by others.
 - 1) Trademarks are limited to a period of 15 years from the date of registration, but can be renewed by their owners to maintain their investment.
 - 2) A trademark legally protects a brand name and its related logo, colours, fonts, and various combinations that exist for use in a particular category and in a part of the world.
 - 3) If trademarks are to be used in foreign countries, the owner is wise to register an international application.
 - 4) Companies hold separate trademarks for each version of a brand name and its associated graphics and logo.
 - a) For a brand to be trademarked, a company first conducts a trademark search to ensure that the trademark is not already owned by another company.
 - b) If the trademark is available and not challenged, then the brand and its associated design and logos can be legally registered in the company name.
 - c) Care must be taken to renew these trademarks as required to ensure that they do not expire.
- c. Brand Loyalty
 - i. **Brand loyalty** refers to the favourable attitudes that a consumer has over time toward a brand that results in varying levels of purchase insistence and commitment to the brand.
 - 1) Brand loyalty varies by product and from person to person.
 - 2) Marketers strive to have highly committed, brand-loyal consumers as this helps insulate their brand from competitive marketing practices.
 - ii. Degrees of Brand Loyalty
 - 1) Consumers that readily switch brands depending on price generally have very little brand loyalty.
 - 2) Consumers with a strong brand attachment may have some brand loyalty but may easily brand-switch if the brand is not available.
 - iii. Many large, well-entrenched brands are often marketed around the world and have become **global brands**.
 - 1) Global brands tend to enjoy strong brand equity due to their hefty

marketing budgets and well recognized trademarks.

- d. Brand Personality
 - i. **Brand personality** refers to a set of human characteristics associated with the brand.
 - 1) Research shows that consumers often associate particular personality traits with certain brands and prefer those whose personalities are most appealing.
 - ii. Through marketing practices, and particularly advertising campaigns, marketers work to associate brands with specific personality traits and to help consumers make emotional connections with their brands.
 - 1) Often, marketers of highly recognized brands, realizing that consumers screen out advertising messages, turn to product placement agencies to help integrate products and brands into movies and TV shows with similar associations.
 - e. Brand Names - Key Points to Consider when Determining a Brand Name
 - i. The name should suggest the product benefits
 - ii. The name should be memorable, distinctive, and positive.
 - iii. The name should fit the company or product image.
 - iv. The name should have the ability to be legally protected.
 - v. The name should be simple.
 - f. Types of Brand
 - i. A **manufacturer's brand** is one that is owned and produced by the manufacturer (of highest price).
 - ii. A **private label brand**, otherwise known as **store brand**, is owned by a retailer that contracts its manufacturing out to major suppliers and then sells the product at its own retail stores, under its own store-brand name.
 - 1) A private label brand provides a retailer with the opportunity to offer its customers a less expensive alternative to a manufacturer's brand.
 - 2) Private label brands are generally sold at lower prices because these store brands do not have to pay high listing fees and they have lower marketing costs.
 - iii. A **generic brand** has no branding at all and is sometimes produced as a cheap alternative to a manufacturer's brand and to a private label branded product.
 - 1) A generic brand typically highlights the main product ingredient as a means of selling the product, with its main point of difference being price.
 - 2) Although a less expensive alternative to other branded products, a generic product lacks the brand equity and product recognition that is enjoyed by both a manufacturer's brand and branded private label products.
5. A Practical Look at Marketing Products and Brands
- a. A marketers is responsible for marketing products and brands in order to bring revenues or profits into an organization.
 - b. Marketers create annual marketing plans for the upcoming year to formally identify marketing activities and to establish funding requirements and budgets that will help generate profits and revenue streams for the company.
 - i. These marketing plans review each element of the marketing mix and itemize when marketing programs will be in place, as well as their expected impact on sales, revenues, and profits.
 - ii. Any changes that relate to the product, its branding, and its product positioning will be clearly identified in the marketing plan, including elements such as new product launches, package changes, website redesigns, new sizes, and market research requirements.
 - c. Despite the existence of a marketing plan, the world of marketing is dynamic and everchanging, and therefore, throughout the year, marketers constantly evaluate and assess product needs in light of competitive and market changes and against marketing plan expectations.
 - i. Marketers then recommend changes that are needed to help reach planned revenue and profit targets.

- d. Three Main Categories of Surfacing Interests
 - i. First: Marketers in Canada and around the world investing in sustainable and environmentally friendly initiatives that meet company goals and consumer expectations in these areas.
 - ii. Second: Marketers look upon the multicultural composition of our society to ensure that their products are relevant to these cultural groups and constantly examine the need to communicate their programs in a variety of languages.
 - iii. Third: Because of the impact of digital technology on consumer interactions and how this is changing the path-to-purchase, marketers conduct research in this area and create new marketing programs that reach consumers on digital platforms.

Summary

1. Types of Production
 - a. A product is a term used in marketing to designate non-durable goods, durable goods, and services that are marketed. Some products are a combination of both goods and services.
 - b. There are four unique elements to services: intangibility, inconsistency, inseparability, and inventory. These four elements are referred to as the four Is of services.
2. Products Elements
 - a. The total product concept includes the core product, the actual product, and the augmented product.
 - b. Product mix is the combination of product lines managed by a company. The width of the product mix refers to the number of different categories offered by the company. The depth of the product mix refers to the number of product groups and product lines offered by a company within each category.
3. Consumer and Business Products
 - a. Consumer products are classified into convenience products, shopping products, specialty products, and unsought products.
 - b. Business products are classified into production or support goods. Production goods include raw materials and components parts, while support goods include installation, accessory equipment, supplies, and services.
4. Branding
 - a. A brand is a name or phrase used to identify a product and to distinguish it from the competition. Brand equity is the result of the positive experiences consumers have with the brand over time and results in brand loyalty.
 - b. Trademarks are used to legally protect brands, patents are used to protect unique processes, and copyrights are used to protect the written or spoken word.
 - c. Brands are categorized as manufacturer's brands, private label brands, and generic brands.
 - d. Companies may restrict a brand name for use with a single product line, thus using an individual brand, or may extend a brand name to encompass a number of different product categories, resulting in the creation of a family brand, and, in some instances, sub-brands.
5. A Practical Look at Marketing Products and Brands
 - a. A marketers is responsible for marketing products and brands in order to bring revenues or profits into an organization.
 - b. Marketers create annual marketing plans to formally identify marketing programs, budget requirements, and forecasted revenues and profits for the brands and products they manage.
 - c. Throughout the year, marketers constantly evaluate and assess product and brand performance against marketing plan benchmarks and recommend changes to programs that may be needed to help reach targets.

	Convenience	Shopping	Specialty	Unsought
Purchase behaviour of consumers	1. Frequent purchases 2. Little time and effort spent shopping	1. Occasional purchases 2. Needs to comparison-shop	1. Infrequent purchases 2. Needs extensive time to search and purchase	1. Very infrequent purchases 2. Some comparison-shopping
Brand loyalty of consumers	Aware of brand, but will accept substitutes	Prefers specific brands, but will accept substitutes	Very brand loyal and will not accept substitutes	Will accept substitutes
Product Examples	Newspapers, chocolate bars, soft drinks, and bread	Cameras, TVs, briefcases, and clothing	Wedding dresses, luxury items	Insurance products, such as life and disability insurance
Price	Inexpensive	Fairly expensive	Usually very expensive	Varies
Place (distribution)	Widespread; many outlets	Large number of outlets	Very limited distribution	Often limited distribution
Promotion (communication)	Emphasis on price, availability, and awareness	Emphasis on differentiation from competitors	Emphasis on uniqueness of brand and status	Emphasis on awareness

Chapter 9 Pricing

November 27, 2017 6:30 PM

1. Nature and Importance of Price

a. What Is a Price?

- i. From a marketing viewpoint, **price** is the money or other considerations, including other goods and services, exchanged for the ownership or use of a product.
- ii. The practice of exchanging goods and services for other goods and services rather than for money is called **barter**.
 - 1) Barter transactions account for billions of dollars annually in domestic and international trade.
- iii. For most products, money is exchanged.
 - 1) How much money is paid is not always consistent with the list, or quoted, price because of discounts, allowances, and extra fees.
 - 2) While discounts, allowances, and rebates make the effective price lower, other market tactics like "special fees" and "surcharges" raise the real price.
 - 3) The different factors that increase or decrease the price are put together in a price equation.

b. Price as an Indication of Value

- i. From a consumer's standpoint, price is often used to indicate value when it is compared with the perceived benefits such as quality, durability, and so on of a product or service.
- ii. Specifically, **value** is the ratio of perceived benefits to price, or $value = \frac{\text{Perceived Benefits}}{\text{Price}}$
- iii. Marketers must be careful when using price as an indicator of value.
 - 1) For example, for many consumers, a low price would imply poor quality, and ultimately, poor perceived value.
 - 2) This is particularly true for services.

c. Price in the Marketing Mix

- i. Pricing is a critical decision made by a marketing executive because price has a direct effect on a firm's profits.
 - 1) $Profits = Total Revenue - Total Cost$
 $= (Unit Price \times Quantity Sold) - Total Cost$
 - 2) What makes this relationship even more complicated is that price affects the quantity sold, and because the quantity sold sometimes affect a firm's costs because of efficiency of product, price also indirectly influence Costs.
 - 3) Thus, pricing decisions influence both total revenue (sales) and total cost, which makes pricing one of the most important decisions marketing executives face.

2. General Pricing Approaches

a. Introduction

- i. Although these approaches are discussed separately below, some of them overlap, and an effective marketing manager will consider several in searching for an approximate price level.

b. Demand-Oriented Approaches

i. Skimming Pricing

- 1) A firm introducing a new product can use **skimming pricing**, setting the highest initial price that those customers really desiring the product are willing to pay.
 - a) These customers are not very price-sensitive because they weigh the new product's price, quality, and ability to satisfy their needs against the same characteristics of substitutes.
- 2) As the demand of these customers is satisfied, the firm lowers the price to attract a more price-sensitive segment.

- 3) Thus, skimming pricing gets its name from skimming successive layers of "cream", or customer segments, as prices are lowered in a series of steps.
- ii. Penetration Pricing
 - 1) Setting a low initial price on a new product to appeal immediately to the mass market is **penetration pricing**, the exact opposite of skimming pricing.
 - a) This strategy makes sense when consumers are price-sensitive.
 - 2) In addition to offering the potential to build sales, market share, and profits, penetration pricing discourages competitors from entering the market because of the profit margin is relatively low.
 - a) Further more, if the costs to produce drop because of the accumulated volume, competitors that enter the market will face higher unit costs, at least until their volume catches up with the early entrant.
 - 3) In some situations, penetration pricing may follow skimming pricing.
 - a) A company might price a product high in the early stages of the product life cycle to attract price-insensitive consumers.
 - b) After the company has earned back the money spent on research and development and introductory promotions, it uses penetration pricing in the later stages of the product life cycle to appeal to a broader segment of the population and increase market share.
- iii. Prestige Pricing
 - 1) If consumers are using price as a measure of the quality of an item, a company runs the risk of appearing to offer a low-quality product if it sets the price below a certain point.
 - 2) **Prestige pricing** involves setting a high price so that quality- or status-conscious consumers are attracted to the product and buy it.
 - 3) The higher the price of a prestige product, the greater the status associated with it and the greater its exclusivity, because fewer people can afford to buy it.
- iv. Price Lining
 - 1) Often, a firm that is selling not just a single product but a line of products may price them at a number of different specific pricing points, which is called **price lining**.
 - 2) In some instances, all the items may be purchased at the same cost and then marked up to different percentages to achieve these price points, based on colour, style, and expected demand.
 - 3) In other instances, manufacturers design products for different price points, and retailers apply approximately the same markup percentages to achieve the three price points offered to consumers.
- v. Odd-Even Pricing
 - 1) **Odd-even pricing** involves setting prices as a few dollars or cents under an even number.
 - 2) The presumption is that consumers see the miter saw as priced at "something over \$300" rather than "about \$400".
 - a) There is some evidence to suggest this does work.
 - b) However, research suggests that overuse of odd-ending prices tends to mute its effect on demand.
- vi. Target Pricing
 - 1) Manufacturers will sometimes estimate the price that the ultimate consumer would be willing to pay for a product. They then work backward through markups taken by retailers and wholesalers to determine what price they can charge for the product.
 - 2) This practice, called **target pricing**, results in the manufacturer deliberately adjusting the composition and features of a product to achieve the target price to consumers.
- vii. Bundle Pricing
 - 1) **Bundle pricing** is the marketing of two or more products in a single package

- price.
- 2) Bundle pricing is based on the idea that consumers value the package more than the individual items.
 - a) This is due to benefits received from not having to make separate purchases as well as increased satisfaction from one item in the presence of another.
- 3) Bundle pricing often provides a lower total cost to buyers and lower marketing costs to sellers.
- viii. Yield Management Pricing
 - 1) **Yield management pricing** refers to the charging of different prices to maximize revenue for a set amount of capacity at any given time.
 - 2) Airlines, hotels, and car rental firms engage in capacity management by varying prices based on time, day, week, or season to match demand and supply.
- c. Cost-Oriented Approaches
 - i. Standard Markup Pricing
 - 1) Conventionally, the difference between the selling price of an item and its cost is referred to as the **markup** and this is normally expressed as a percentage.
 - a) Markup is also often referred to as gross margin.
 - 2) It is important to remember that markup is necessary at each stage so that companies involved can cover their costs of purchasing the item, can pay to market it to the next stage in the distribution channel, and can generate some profit.
 - 3) This percentage markup varies depending on the type of retail store and on the product involved.
 - a) High-volume products usually have smaller markups than do low-volume products.
 - ii. Cost-Plus Pricing
 - 1) **Cost-plus pricing** involves summing the total unit cost of providing a product or service and adding a specific amount to the cost to arrive at a price.
 - 2) Cost-plus pricing is the most commonly used method to set prices for business products.
 - a) Increasingly, however, this method is finding favour among business-to-business marketers in the service sector.
 - b) Many advertising agencies now use this approach.
 - c) Here, the client agrees to pay the agency a fee based on the cost of its work plus some agreed-on profit.
- d. Profit Oriented Approaches
 - i. Target Profit Pricing
 - 1) **Target profit pricing** refers to when a firm sets an annual target of a specific dollar amount of profit.
 - 2) This pricing method depends on an accurate estimate of demand.
 - a) Because demand is often difficult to predict, this method has the potential for disaster if the estimate is too high.
 - 3) Generally, a target profit pricing strategy is best for firms offering new or unique products, without a lot of competition.
 - a) Otherwise, the company would have to offer increased customer value with its more expensive products, lower its costs, or settle for less profit.
 - ii. Target Return-On-Sales Pricing
 - 1) Firms such as supermarket often use **target return-on-sales pricing** to set prices that will give them a profit that is a specified percentage of the sales volume.
 - 2) This pricing method is often used because of the difficulty in establishing a benchmark of sales or investment to show how much of a firm's effort is needed to achieve this target.

- iii. Target Return-On-Investment Pricing
 - 1) Firms such as General Motors and many public utilities use **target return-on-investment pricing** to set prices to achieve a return-on-investment (ROI) target, such as a percentage that is mandated by its board of directors to seek 10 percent ROI.
 - e. Competition-Oriented Approaches
 - i. Customary Pricing
 - 1) **Customary pricing** is the strategy of basing prices on historical price points that customers expect. Customers may strongly resist a price above what they expect and may be attracted to prices below expectations.
 - 2) From some products where tradition, a standardized channel of distribution, or other competitive factors dictate the price, **customary pricing** is used.
 - ii. Above- At-, or Below- Market Pricing
 - 1) The market price of a product is what customers are generally willing to pay, not necessarily the price that the firm sets.
 - a) For most products, it is difficult to identify a specific market price for a product or product class.
 - b) Still, marketing managers often have a subjective feel for the competitor's price or the market price.
 - 2) Using this benchmark, then they may deliberately choose a strategy of **above-, at-, or below-market pricing**.
 - iii. Loss-Leader Pricing
 - 1) Retailers sometimes deliberately sell commonly used products, such as paper towels, soft drinks, and facial tissues, at very low prices to attract consumers who, the retailer hopes, will also buy other, regularly priced merchandise.
 - 2) The downside to loss-leader pricing is that some consumers move from store to store, making purchases only on those products that are loss leaders.
 - a) This purchasing pattern, called **cherry-picking**, effectively foils the strategy underlying loss-leader pricing - to attract customers who will also buy products with healthier profit margins.
- 3. Estimating Demand and Revenue
 - a. The Importance of Accurate Forecasting
 - i. Forecasting Methods
 - 1) **Qualitative methods** involve market experts coming to consensus using non-quantitative means to achieve to achieve projection.
 - 2) **Regression models** link the forecast to a number of other variables through an equation.
 - 3) **Multiple equations** related to one another can also be used to forecast.
 - 4) **Time-series methods** assume that the variable being forecast is affected by time.
 - ii. Profit and Loss
 - 1) Accurate profit and loss statements help organizations measure financial performance.
 - 2) The statement summarizes the revenues, costs, and expenditures outlined in a particular time frame and helps organizations project their ability for achieving future cash flow.
 - 3) For marketers, it is one of the best tools to gauge the success of a given marketing campaign or initiative.
 - iii. Return on Investment (ROI)
 - 1) Return on investment (ROI), or return on marketing investment (ROMI), evaluates the dollars invested in the initiative.
 - 2) *Return on investment*

$$= \frac{(\text{gain attributable to investment} - \text{cost of investment})}{\text{cost of investment}}$$
 - 3) Since this model assumes that an infinite number of customers are available

to the firm, additional measures such as return on customer (ROC) are being explored to help marketing departments measure campaigns more accurately.

- b. Fundamentals of Estimating Demand
 - i. How to Estimate Demand for a Product or Service
 - 1) An organization can study the marketplace by reviewing historical results from its sales and its competitors' sales.
 - 2) An organization can also conduct tests to gauge the demand of its product.
 - ii. The Demand Curve
 - 1) A **demand curve** shows the number of products that will be sold at a given price.
 - 2) Key Factors for Demand
 - a) Consumer Taste
 - b) Price and Availability of Similar Products
 - c) Consumer Income
 - iii. Movement Along versus Shift of a Demand
 - iv. Price Elasticity of Demand
 - c. Fundamentals of Estimating Revenue
 - i. **Total revenue** equals the unit price times the quantity sold.
 - ii. $TR = P \times Q$
4. Determining Cost, Volume, and Profit Relationships
- a. The Importance of Controlling Costs
 - i. Many firms go bankrupt because their costs get out of control, causing their total costs to exceed their total revenues over an extended period of time.
 - 1) This is why sophisticated marketing managers make pricing decisions that balance both their revenues and costs.
 - ii. Three cost concepts are important in pricing decision: **total cost**, **fixed cost**, and **variable cost**.
 - b. Break-Even Analysis
 - i. **Break-even analysis** is a technique that analyzes the relationship between total revenue and total cost to determine profitability at various levels of output.
 - ii. The **break-even point (BEP)** is the quantity at which total revenue and total cost are equal.
 - 1) Profit comes from any units sold after the BEP has been reached.
 - 2)
$$BEP_{quantity} = \frac{fixed\ cost}{unit\ price - unit\ variable\ cost}$$
5. Pricing Objectives and Constraints
- a. Identifying Pricing Objectives
 - i. Introduction
 - 1) **Pricing objectives** specify the role of price in an organization's marketing and strategic plans.
 - 2) To the extent possible, these pricing objectives are carried to lower levels in the organization, such as in setting objectives for marketing managers responsible for an individual brand.
 - 3) These objectives may change, depending on the financial position of the company as a whole, the success of its products, or the segments in which it is doing business.
 - ii. Classification
 - 1) Profit
 - a) Three different objectives relate to a firm's profit, which is often measured in terms of return on investment (ROI).
 - i) **Managing for long-run-profits** objective is when a company gives up immediate profit in exchange for achieving a higher market share.
 - One. Products are priced relatively low compared to their cost to develop, but the firm expects to make greater profits later because of its high market share.

- ii) A **maximizing current profit** objective, such as for a quarter or year, is common in many firms because the targets can be set and performance measured quickly.
 - iii) A third profit objective is a **target return** objective that occurs when a firm sets its price to achieve a profit goal, usually determined by its board of directors.
 - b) Another profit consideration for firms such as movie studios and manufacturers is to ensure that those firms in their channels of distribution make adequate profits.
- 2) Sales
 - a) As long as a firm's profit is high enough for it to remain in business, an objective may be to increase sales revenue, which will in turn lead to increase in market share and profit.
 - b) Objectives related to sales revenue or unit sales have the advantage of being translated easily into meaningful targets for marketing managers responsible for a product line or brand.
- 3) Market Share
 - a) **Market share** is the ratio of the firm's sale to those of the industry (competitors plus the firm itself).
 - i) Although increased market share is a primary goal of some firms, others see it as a means to increasing sales and profits.
 - b) Companies often pursue a market share objective when industry sales are relatively flat or declining.
 - c) Adopting a market share objective does not always imply low price.
 - i) The lowest-priced brand rarely has the highest market share.
 - ii) Brands usually retain their market share position because they offer value to consumers.
- 4) Volume
 - a) Many firms use **volume**, the quantity produced or sold, as pricing objectives.
 - i) These companies often sell the same product at several different prices, at different times, or in different places in an attempt to match customer demand with the company's production capacity.
 - b) Using volume as an objective can sometimes be misleading from a profit standpoint.
 - i) Volume can be increased by using sales incentives (lowering prices, giving rebates, or offering lower interest rates).
 - ii) By doing this, the company chooses to lower profits in the short run to sell its product quickly.
- 5) Survival
 - a) In some instances, profits, sales, and market share are less important objectives than mere survival.
- 6) Social Responsibility
 - a) A firm may forgo higher profit on sales and follow a pricing objective that recognizes its obligations to customers and society in general.
- b. Identifying Pricing Constraints
 - i. Definition
 - 1) Factors that limit the range of price a firm may set are **pricing constraints**.
 - ii. Classification
 - 1) Demand for the Product Class, Product, and Brand
 - a) The number of potential buyers for a product class (cars), product (sports cars), and brand (Bugatti Veyron) clearly affects the price a seller can charge.
 - b) So does whether the item is a luxury or a necessity.
 - 2) Newness of the Product: Stage in the Product Life Cycle
 - a) The newer the product and the earlier it is in its life cycle, the higher

- the price it that can usually be charged.
 - b) Sometimes, such as when nostalgia or fad factors are present, price may rise later in the product's life.
- 3) Cost of Producing and Marketing the Product
 - a) In the long run, a firm's price must cover all the costs of producing and marketing a product.
- 4) Competitors' Prices
 - a) When a firm sets its prices, an important consideration is the prices being charged by the competition.
- c. Legal and Ethical Considerations
 - i. Price Fixing
 - 1) When competitors collaborate and conspire to set prices, they agree to increase, decrease, or stabilize a price for their benefits.
 - 2) This is called **price fixing**, and it is illegal.
 - ii. Price Discrimination
 - 1) If different prices are charged to different customers for the same or very similar goods and the same terms, **price discrimination** has occurred.
 - iii. Deceptive Pricing
 - 1) Price offers that mislead the consumer are considered **deceptive pricing**, and this is prohibited under the **Competition Act**.
 - 2) **Bait and Switch**: a firm offers a very low price for a product (the bait), and when consumers come to purchase it, they are persuaded to buy a more expensive product (the switch), with techniques such as downgrading the advertised item or not having it in stock.
 - 3) **Bargains Conditional on Other Purchases**: a firm advertises "buy one, get one free" or "get two for the price of one". If the first item are sold at the regular price, this is legal. If the price for the first item is inflated for the offer, it is not.
 - 4) **Price Comparison**: advertising "retail value \$100 - our price \$85" is deceptive if a substantial number of stores in the area are not using the \$100 price.
 - 5) **Double ticketing**: when more than one price tag is placed on an item, it must be sold at the lower price; this practice is not illegal, but the law requires that the lower price be charged.
 - iv. Predatory Pricing
 - 1) Charging a very low price for a product with the intent of undercutting competitors and possibly driving them out of the market is called **predatory pricing**.
- d. Global Pricing Strategy
 - i. **Dumping** occurs when a firm sells a product in a foreign country below its domestic price or below its actual cost.
 - ii. A **grey market**, also called **parallel importing**, is a situation where products are sold through unauthorized channels of distribution.
 - 1) A grey market comes about when individuals buy products in a lower-priced country from a manufacturer's authorized retailer, ship them to high-priced countries, and then sell them below the manufacturer's suggested price through unauthorized retailers.
 - 2) Parallel importing is legal in United States, but it is illegal in European Union.
- 6. Setting a Final Price
 - a. Step 1: Select an Approximate Price Level
 - i. Marketing managers consider pricing objectives and constraints first, and then choose among the general pricing approaches - demand-, cost-, profit, or competition-oriented - to arrive at an approximate price level.
 - b. Step 2: Set the List or Quoted Price
 - i. One-Price Policy
 - 1) A **one-price policy** involves setting one price for all buyers of a product or service.

- ii. Flexible-Price Policy
 - 1) A **flexible-price policy** involves setting different prices for products and services depending on individual buyers and purchase situations in light of demand, cost, and competitive factors.
 - 2) Flexible pricing is not without its critics because of its discriminatory potential.
- c. Step 3: Make Special Adjustments to the List or Quoted Price
 - i. Discounts
 - 1) Quantity Discount: to encourage customers to buy larger quantities of a product, firms at all levels in the channel of distribution offer quantity discounts, which are reductions in unit costs for a larger order.
 - 2) Trade (Functional) Discounts: to reward wholesalers and retailers for marketing functions they will perform in the future, a manufacturer often gives trade, or functional, discounts.
 - 3) Cash Discounts: to encourage retailers to pay their bills quickly, manufacturers offer them cash discounts. Retailers provide cash discounts to consumers as well, to eliminate the cost of credit granted to consumers.
 - ii. Allowances
 - 1) Trade-in Allowances
 - 2) Promotional Allowances: sellers in the channel of distribution can qualify for promotional allowances for undertaking certain advertising or selling activities to promote a product.
 - iii. Geographical Adjustment
 - 1) Geographical adjustments are made by manufacturers or even wholesalers to list or quoted prices to reflect the cost of transportation of the products from seller to buyer.
 - 2) **FOB Origin Pricing:**
 - a) FOB means "free on board" some vehicle at some location, which means the seller pays the cost of loading the product onto the vehicle that is used.
 - b) FOB origin pricing usually involves the seller's naming the location of this loading as the seller's factory or warehouse.
 - c) The title and ownership to the goods passes to the buyer at the point of loading, so the buyer becomes responsible for picking the specific mode of transportation, for all the transportation costs, and for subsequent handling of the product.
 - d) Buyers furthest from the seller face the big disadvantage of paying the higher transportation costs.
 - 3) **Uniform Delivered Pricing:**
 - a) When a uniform delivered pricing is used, the price the seller quotes includes all transportation costs.
 - b) It is quoted in a contract as "FOB buyer's location", and the seller selects the mode of transportation, pays the freight charges, and is responsible for any damage that may occur because the seller retains title to the goods until delivered to the buyer.
- d. Step 4: Monitor and Adjust Prices
 - i. A key activity is the monitoring of competitor activity, legislative changes, economic conditions, and -the ultimate measure - consumer demand.

Summary

- 1. Nature and Importance of Price
 - a. Price is the money or other considerations exchanged for the ownership or use of a product or service.
 - b. Price typically involves money and the amount exchanged can be different from the list or quoted price because of allowances and extra fees.

- c. When reviewing the perceived benefits of a good or service, price is used as an indicator of value by consumers.
- 2. General Pricing Approaches
 - a. There are four general approaches for finding an approximate price level for a product or service.
 - b. Demand-oriented pricing approaches stress consumer demand and revenue implications of pricing and include eight types: skimming, penetration, prestige, price lining, odd-even, target, bundle, and yield management.
 - c. Cost-oriented pricing approaches emphasize the cost aspects of pricing and include two types: standard markup and cost-plus pricing.
 - d. Profit-oriented pricing approaches focus on a balance between revenues and costs to set a price and include three types: target profit, target return-on-sales, target return-on-investment pricing.
 - e. Competition-oriented pricing approaches emphasize what competitors or the marketplace are doing and include three types: customary; above-, at-, or below-market; and loss-leader pricing.
- 3. Estimating Demand and Revenue
 - a. A demand curve shows the maximum number of products consumers will buy at a given price and for a give set of a) consumer taste, b) price and availability of other products, and c) consumer income.
 - b. The price elasticity of demand relates to the reaction of consumer demand and a firm's revenue when a price change.
- 4. Determining Cost, Volume, and Profit Relationships
 - a. Marketers need to understand the total revenue and total costs when considering pricing decisions as they will determine their ability to generate profit.
 - b. Break-even analysis shows the relationship between total revenue and total cost at various quantities of output for given conditions of price, fixed cost, and variable cost.
 - c. The break-even point is where total revenue and total cost are equal.
- 5. Pricing Objectives and Constraints
 - a. Pricing objectives, which specify the role of price in a firm's marketing strategy, may include pricing for profit, sales revenue, market share, unit sales, survival, or some socially responsible price level.
 - b. Pricing constraints such as demand, product newness, costs, competitors, other products sold by the firm, and the type of competitive market restrict a firm's pricing range.
- 6. Setting a Final Price
 - a. In setting a final price, step 1 is to set an approximate price level.
 - b. Setting the list or quoted price is step 2.
 - c. Step 3 involves making special adjustment to prices through discounts and allowances.
 - i. Geographical adjustments to price reflect the cost of transportation.
 - ii. Organizations can reward buyers by offering discounts such as quantity discounts or seasonal discounts that also work in favor of the seller.
 - iii. When buyers perform an activity, they can sometimes receive allowances or reductions to listed or quoted prices.
 - d. Finally, step 4 requires marketers to monitor and adjust prices.

Chapter 11 Retailing and Wholesaling

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1. The Value of Retailing

a. Introduction

- i. **Retailing** includes all activities involved in selling, renting, and providing goods and services to ultimate customers for personal, family, or household use.
- ii. It is an important marketing activity that engages the consumers by offering a place for showcasing products and creates interest and excitement.
- iii. Retailing's economic value is represented by the number of people employed in retailing as well as by total amount of money exchanged in retail sales.

b. Consumer Utilities Offered by Retailing

- i. The utilities provided by retailers create value for consumers.
- ii. Time, place, form, information, and possession utilities are offered by most retailers in varying degrees, but one utility is often emphasized more than others.
 - 1) In addition, consumers may seek additional utilities such as entertainment, recreation, or information.

c. The Canadian Retail Scene

- i. In 2012, Canadian retailers had revenues of over \$485 billion.
 - 1) In Canada, Alimentation Couche-Tard, Loblaw, and Empire Company Limited (Sobeys) are the top three in terms of sales, while Walmart, Tesco, and Costco Wholesale Corporation are the top three globally.
- ii. There is a growing trend for American retailers to open locations in Canada.

d. The Global Retail Picture

- i. Retailing is also a very important factor in the global economy, and it is a difficult retail climate for store owners.
 - 1) In the past few years, the worldwide economy has been challenged by issues such as terrorism, economic downturn, reduced tourism, political crises, and low consumer confidence. All of these issues translate into lower sales for retail.
 - 2) At the same time, consumers are empowered, and it is more difficult to gain and maintain their loyalty.
 - 3) Technology is making the industry more sophisticated and streamlined, and consolidation makes some competitors large and very powerful.
- ii. Not all countries have experienced the soft demand and market challenges that have characterized the major industrialized nations.
 - 1) Some of the developing countries or emerging markets in Asia and Eastern Europe are experiencing solid growth and are developing modern types of retailing.
 - 2) China, India, and Russia are seen as some of the biggest growth opportunities for retail in the next few years.
- iii. On a global scale, Walmart is number one, followed by Carrefour and Tesco.

e. Classifying Retail Outlets

i. Forms of Ownership

- 1) **Form of ownership** distinguishes retail outlets on the basis of whether individuals, corporate chains, or contractual systems own or control the outlet.
- 2) Each form has its own benefits and challenges.

ii. Classification

1) Independent Retailer

- a) One of the most common forms of retail ownership (60%) is the **independent business**, owned by an individual.
- b) The advantage of this form of ownership for the owner is that he or she can be his or her own boss.

- i) For customers, the independent store can offer convenience, quality personal service, and lifestyle compatibility.
 - ii) This is mainly due to the smaller organization being able to adapt and to be more efficient than its large competitors.
 - 2) Corporate Chain
 - a) A second form of ownership, the **corporate chain**, involves multiple outlets under common ownership.
 - b) In a chain operation, centralization of decision-making and purchasing is common.
 - i) Chain stores have advantages in dealing with manufacturers, particularly as the size of the chain grows.
 - ii) The buying power of chains is obvious to consumers who compare prices at chain stores with other types of stores.
 - iii) Consumers also benefit in dealing with chains because there are multiple outlets with similar merchandise and consistent management policies.
 - c) Retailing has become a high-tech business for many large chains.
 - i) Inventory-management and cost-control system allows rapid price changes for each product in every store.
 - ii) Radio Frequency Identification (RFID) tags are incorporated in a product for tracking purposes, which improves the efficiency of inventory tracking and management.
 - 3) Contractual System
 - a) Contractual systems involve independently owned stores that use leverage to act like a chain.
 - b) Contractual systems include retailer-sponsored cooperatives, wholesaler-sponsored voluntary chains, and franchises.
- 2. Target Market Selection and Positioning
 - a. Selecting a Target Market
 - i. Focusing on consumers is the guiding principle of successful retail businesses.
 - 1) This focus involves understanding wants and needs, knowing customer preferences, analyzing behaviour, and deciding how to craft all the dimensions of the retail concept to appeal to the targeted customer.
 - 2) It is no longer enough to appeal to customers; now the retailer has to interest, engage, and delight customers in order to foster loyalty.
 - ii. Retailers study geographics, demographics, psychographics, and behaviouristics and adjust their retail mix accordingly.
 - b. Retail Positioning
 - i. Just as marketers of packaged goods position their products to differentiate themselves from competitors, so do retailers.
 - c. Shopper Marketing
 - i. **Shoppers marketing** is a discipline designed to understand how consumers behave as shoppers in different channels and formats.
 - ii. Consequently, shopper marketing practices extend well outside of the store, to the place and time when a consumer first thinks about purchasing a product - that might be on a treadmill at the gym, at home, or in the car.
 - iii. That means that shopper marketing is by necessity a multichannel practice that makes use of traditional media, new media, direct marketing, trade promotion, and innumerable other marketing techniques.
- 3. Retailing Mix
 - a. Product and Services
 - i. Balance Between Products and Services
 - 1) Usually, both services and products are offered.
 - 2) The balance between products and services involves a trade-off between costs and customer satisfaction.
 - ii. Level of Service
 - 1) Definition

- a) **Level of service** is used to describe the degree of service provided to the customer.
- 2) Classification
 - a) Self-Service
 - i) Self-service is an extreme end of the level-of-service continuum because the customer performs many functions and little is provided by the outlet.
 - b) Limited Service
 - i) Limited-service outlets provide some services, such as credit and merchandise return, but not others, such as alterations to clothes.
 - ii) General merchandise stores such as Shoppers Drug Mart and Ikea are usually considered limited service outlets.
 - iii) Customers are responsible for most shopping activities, although salespeople are available in departments such as cosmetics at Shoppers Drug Mart.
 - c) Full Service
 - i) Full-service retailers, which include most specialty stores and department stores, provide many service to their customers.
- iii. Merchandise Mix
 - 1) Definition
 - a) Merchandise selection is one of the most major attracting factors for customers, so choices and combinations must be made carefully and continually updated to reflect current trends and tastes.
 - b) This involves finding sources of supply of the products, or having them manufactured, as well as managing inventory and warehousing.
 - c) The **merchandise mix** describes how many different types of products a store carries and in what assortment.
 - 2) Classification
 - a) Depth of Line
 - i) **Depth of product line** means the assortment of products within each product line, such as shoe store that offers running shoes, dress shoes, and children's shoes.
 - ii) Stores that carry a large assortment (depth) of a related line of items are **limited-line stores** like Sport Check.
 - iii) Stores that carry tremendous depth in one primary line of merchandise are **single-line stores** like Victoria's Secret.
 - iv) Both limited- and single- line stores are often referred to as **specialty outlets**.
 - One. Specialty outlets focus on one type of product at very competitive prices.
 - Two. These outlets are referred to in the trade as category killers because they often dominate the market.
 - b) Breadth of Line
 - i) **Breadth of product line** refers to the variety of different lines a store carries, such as women's clothing, men's clothing, children's clothing, cosmetics, and housewares.
 - ii) Stores that carry a variety of product lines, with limited depth, are referred to as **general merchandise stores**, like Hudson's Bay.
 - iii) Traditionally, outlets carried related lines of goods.
 - One. Today, however, **scrambled merchandising**, offering several unrelated product lines in a single store, is common.
 - Two. Scrambled merchandising makes it convenient for consumers because it eliminate the number of stops required in a shopping trip.

Three. However, for retailer, this merchandising policy means that there is competition between very dissimilar types of retail outlets, or **intertype competition**.

c) Planograms

i) A **planogram** is a visual diagram or drawing of fixtures and products that illustrates how and where retail products should be placed on a store shelf.

One. It also illustrates how many facings should be allocated for each stock-keeping unit (SKU).

ii) The planogram is arranged so that the fastest-moving high-margin products get the most space on the shelf.

iv. Store Atmosphere

1) Store atmosphere is related to the positioning of a store, and refers to the physical characteristics of a store that provide an overall impression to the consumer.

2) These characteristics consist of the exterior and interior appearance and physical layout of the store.

b. Retailing Pricing

i. In setting prices for merchandise, retailers must decide on the markup.

1) The **markup** refers to how much should be added to the cost the retailer paid for a product to reach the final selling price.

2) The difference between the final selling price and retailer cost is also called the **gross margin**.

ii. Discounting a product, or taking a **markdown**, occurs when the product does not sell at the original price and an adjustment is necessary.

1) Often, new models or styles force the price of existing models to be marked down.

2) Discounts may also be used to increase demand for related products.

3) The **timing** of a markdown can be important.

a) Many retailers take a markdown as soon as sales fall off, to free up valuable selling space and obtain cash.

b) However, other stores delay markdowns to discourage bargain hunters and maintain an image of quality.

iii. Although most retailers plan markdowns, many retailers use price discounts as a part of their regular merchandising policy.

1) Consumers often use price as an indicator of product quality; however, the brand name of the product and the image of the store become important decision factors in these situations.

iv. A special issue for retailers trying to keep prices low is **shrinkage**, or breakage and theft of merchandise by customers and employees.

1) What is surprising is that more than 50 percent of thefts are made not by consumers but by employees.

v. **Off-price retailing** involves selling brand-name merchandise at lower than regular prices.

1) The difference between the off-price retailer and a discount store is that off-price merchandise is bought by the retailer from manufacturers with excess inventory at prices below wholesale prices, whereas the discounter buys at full wholesale price but takes less of a markup than do traditional department stores.

2) Because of this difference in the way merchandise is purchased by the retailer, selection at an off-price retailer is unpredictable, and searching for bargains has become a popular activity for many consumers.

c. Physical Location

i. Central Business District

1) The **central business district** is the oldest retail setting, the community's downtown area.

2) Until the regional outflow to suburbs, it was the major shopping area, but

the suburban population has grown at the expense of the downtown shopping area.

ii. Regional Shopping Center

- 1) **Regional shopping centers** consist of 50 to 150 stores that typically attract customers who live or work within a 5- to 15-km range.
- 2) These large shopping areas often contain two or three anchor stores, which are well-known national or regional stores such as Sears and Hudson's Bay.

iii. Community Shopping Center

- 1) A more limited approach to retail location is the **community shopping center**, which typically has one primary store (usually a department store branch) and often about 20 to 40 smaller outlets.
- 2) Generally, these centers serve a population of consumers who are within 2- to 5-km drive.

iv. Strip Location

- 1) Many neighbourhoods have clusters of stores, referred to as a **strip location**, to serve people who are within 5- to 10- minute drive.
- 2) Gas station, hardware, laundry, grocery, and pharmacy outlets are commonly found in a strip location.
- 3) Unlike the larger shopping centers, the composition of these stores is usually unplanned.

v. Power Center

- 1) A variation of the strip shopping location is called the **power center**, which is a large shopping strip with many with many national stores.
- 2) Power centres are seen as having the convenient location found in many strip centres and the added power of national stores.
- 3) These large strips often have two to five anchor stores plus a supermarket, which brings the shopper to the power centre on a weekly basis.

d. Communications

- i. **Multichannel retailers** utilize and integrate a combination of traditional store and non-store formats such as catalogues and online retailing.
- ii. Integrated channels can make shopping simpler and more convenient.
- iii. Multichannel retailers also benefit from the synergy of sharing information among the different channel operations.

4. Non-Store Retailing

a. Automatic Vending

- i. Vending machines make it possible to serve customers when and where stores cannot.
- ii. Maintaining and operating vending machines is expensive, so product prices in vending machines tend to be higher than those in stores.
- iii. Improved technology will soon make vending machines easier to use by reducing the need for cash.
- iv. Another improvement in vending machines - the use of wireless technology to notify retailers when their machines are empty - is one reason automatic merchandising sales are expected to increase in the future.

b. Television Home Shopping

- i. Television home shopping is possible when consumers watch a shopping channel on which products are displayed; orders are then placed over the telephone or the Internet.
- ii. A limitation of TV shopping has been the lack of buyer-seller interaction.
 - 1) New Internet technologies, however, now allow consumers to explore different possibilities.

c. Direct Marketing from a Retailing Perspective

i. Definition

- 1) **Direct marketing** is an interactive process of marketing that uses advertising media or direct consumer contact to offer products or services.
- 2) When a direct communication to a consumer or a business is intended to generate a response from the recipient, direct marketing is the tactic being

used.

ii. Direct Mail and Catalogues

- 1) Direct mail and catalogue retailing is attractive because it eliminates the cost of a store and clerks.
- 2) It costs a traditional retail store more than twice the amount to acquire a new customer than it costs a catalogue because catalogues improve marketing efficiency through segmentation and targeting.
 - a) In addition, they create customer value by providing a fast and convenient means of making a purchase.
- 3) The competition, combined with recent increase in postal rates have caused catalogues to market niches identified in their database.

iii. Telemarketing

- 1) Another form of non-store retailing, called **telemarketing**, involves using the telephone to interact with and sell directly to consumers.
 - a) Compared with direct mail, telemarketing is often viewed as a more efficient means of targeting consumers, although the two techniques are often used together.
 - b) Telemarketing has grown in popularity as companies search for ways to cut costs but still provide convenient access to their customers.
- 2) As the use of telemarketing grows, consumer privacy has become a topic of discussion among consumers, governments, and businesses.

iv. Direct Selling

- 1) **Direct selling**, sometimes called **door-to-door retailing**, involves direct sales of goods and services to consumers through personal interactions and demonstrations in their home or office.
- 2) Sales have been declining as retail chains begin to carry similar products at discount prices and as the increasing number of dual-career households reduces the number of potential buyers who can be found at home.
 - a) In response to change, many direct-selling retailers are expanding online and into other markets.
 - b) Direct selling is likely to continue to grow in markets where the lack of effective distribution channels increases the importance of door-to-door convenience and where the lack of consumer knowledge about products and brands will increase the need for a person-to-person approach.
 - c) Furthermore, it will help maximize growth and customer loyalty.

5. Online Retailing

a. Introduction

- i. **Online retailing** allows customers to search for, evaluate, and order products through the Internet.
 - 1) For many consumers, the advantages of this form of retailing are the 24-hour access, the ability to comparison shop, and the in-home privacy.
- ii. Online buying is getting a boost from the comments that consumers are leaving on social media sites such as Facebook and Twitter.
 - 1) These sites are having an influence on what consumers are buying online.

b. Mobile Banking and Cashless Future

c. Why Consumers Shop and Buy Online

i. **Convenience**

- 1) Online shopping and buying is **convenient**, so websites must be easy to locate and navigate, and image downloads must be fast.

ii. **Choice**

- 1) There are two dimensions to choice: **selection** - numerous websites for almost anything consumers want - and **assistance** - interactive capabilities of Internet/web-enabled technologies assist customers to make informed choices.

iii. **Communication**

- 1) Communication can take three forms: marketer-to-consumer email

notification, consumer-to-marketer buying and service requests, and consumer-to-consumer chat rooms and instant messaging.

iv. **Customization**

v. **Cost**

- 1) Many popular items bought online can be purchased at the same price or cheaper than in retail stores.
- 2) Lower prices also result from Internet/web-enabled software that permits **dynamic pricing**, the practice of changing prices for products and services in real time in response to supply and demand conditions.

vi. **Control**

- d. When and Where Online Consumers Shop and Buy
 - e. Describing the Online Consumer
 - f. What Online Consumers Buy
6. Retailer Usage of the Mobile Channel
- a. In-store shoppers can research products and prices on their handsets using cameras, barcode scanners, QR codes, and other mobile applications.
 - b. Retailers can provide immediate incentives by knowing the specific in-store location of the shopper via GPS technology.
7. Wholesaling
- a. Merchant Wholesalers
 - i. **Merchant wholesalers** are independently owned firms that take title to - that is, they buy - the merchandise they handle.
 - 1) About 83 percent of the firms engaged in wholesaling activities are merchant wholesalers.
 - ii. Full Service Wholesalers
 - 1) **General merchandise** (or **full-line**) wholesalers carry a broad assortment of merchandise and perform all channel functions.
 - a) This type of wholesaler is most prevalent in the hardware, drug, and clothing industries.
 - 2) **Specialty merchandise** (or **limited-line**) wholesalers offer a relatively narrow range of products but have an extensive assortment within the product lines carried.
 - a) They perform all channel functions and are found in the health foods, automotive parts, and seafood industries.
 - iii. Limited Service Wholesalers
 - 1) **Rack jobber** furnish the racks or shelves that display merchandise in retail stores and perform all channel functions.
 - a) They sell on consignment to retailers, which means they retain the title to the products displayed and bill retailers only for the merchandise sold.
 - b) Familiar products such as hosiery, toys, housewares, and health and beauty aids are sold by rack jobbers.
 - 2) **Cash and carry** wholesalers take title to merchandise but sell only to buyers who call on them, pay cash for merchandise, and furnish their own transportation for merchandise.
 - a) They carry a limited product assortment and do not make deliveries, extend credit, or supply market information.
 - b) This wholesaler commonly deals in electric supplies, office supplies, hardware products, and groceries.
 - 3) **Drop shippers**, or **desk jobbers**, are wholesalers that own the merchandise they sell but do not physically handle, stock, or deliver it.
 - a) They simply solicit orders from retailers and other wholesalers and have the merchandise shipped directly from a producer to buyer.
 - b) Drop shippers are used for bulky products such as coal, lumber, and chemicals, which are sold in large quantities.
 - 4) **Truck jobbers** are small wholesalers that have a small warehouse from which they stock their trucks for distribution to retailers.

- a) They usually handle limited assortments of fastmoving or perishable items that are sold for cash directly from trucks in their original packages.
 - b) Truck jobbers handle products such as bakery, dairy products, and meat.
 - b. Agents and Brokers
 - i. Description
 - 1) Unlike merchant wholesalers, agents and brokers do not take title to merchandise and typically provide fewer channel functions.
 - 2) They make their profit from commissions or fees paid for their services, whereas merchant wholesalers make their profit from the sale of the merchandise they have bought and resold.
 - ii. Agents
 - 1) **Manufacturers' agents**, or **manufacturers' representatives**, work for several producers and carry non-competitive, complementary merchandise in an exclusive territory.
 - a) Manufacturers' agents act as a producer's sales arm in a territory and are principally responsible for the transactional channel functions, primarily selling.
 - b) They are used extensively in the automotive supply, footwear, and fabricated steel industries.
 - 2) **Selling agents** represent a single producer and are responsible for the entire marketing function of that producer.
 - a) They design promotional plans, set prices, determine distribution policies, and make recommendations on product strategy.
 - b) Selling agents are used by small producers in the textile, apparel, food, and home furnishing industries.
 - iii. **Brokers** are independent firms or individuals whose main function is to bring buyers and sellers together to make sales.
 - 1) Brokers, unlike agents, usually have no continuous relationship with the buyer or seller but negotiate a contract between two parties and then move on to another task.
 - 2) Brokers are used extensively in the real estate industry.
 - c. Manufacturer's Branches and Offices
 - i. Unlike merchant wholesalers, agents, and brokers, manufacturer's branches and sales offices are wholly owned extensions of the producer that perform wholesaling activities.
 - 1) Producers assume wholesaling functions when there are no intermediaries to perform these activities, customers are few in number and geographically concentrated, orders are large or require significant attention, or they want to control the distribution of their products.
 - ii. A **manufacturer's branch office** carries a producer's inventory and performs the functions of a full-service wholesaler.
 - iii. A **manufacturer's sales office** does not carry inventory, typically performs only a sales function, and services as an alternative to agents and brokers.

Summary

- 1. The Value of Retailing
 - a. Retailing provides customer value in the form of various utilities: time, form, information, and possession.
 - b. Economically, retailing is important in terms of the people employed and money exchanged in retail sales.
 - c. Retailing outlets can be classified by forms of ownership, such as independent retailer, corporate chain, and contractual systems.
- 2. Target Market Selection and Positioning
 - a. The first task in developing a retail strategy is to define the target market and

positioning of retailing store.

3. Retailing Mix

- a. The retailing mix consists of goods and services, retailing pricing, physical location, and communications.
- b. In retailing, the product P includes level of service, merchandise mix, and store atmosphere.
- c. Stores vary in the level of service they provide. Three levels are self-service, limited service, or full service.
- d. Retail outlets vary in terms of the breadth and depth of their merchandise lines. Breadth refers to the number of different items carried, and depth refers to the assortment of each item offered.
- e. In retail pricing, retailers must decide on the markup. Off-price retailers offer brand-name merchandise at lower than regular prices.
- f. Retail store location is an important retail mix decision. The common alternatives are the central business district, regional shopping centre, community shopping centre, or strip location. A variation of the strip location is the power centre, which is a strip location with multiple national anchor stores.

4. Non-Store Retailing

- a. Non-store retailing includes automatic vending, television home shopping, online retailing, and direct marketing (direct mail and catalogue retailing, telemarketing, and direct selling).

5. Online Retailing

- a. Online retailing allows consumers to search for, evaluate, and purchase products and services online. The increasing sales and numbers of people purchasing online suggest that the profile of the online consumer is becoming more and more like the profile of the consumer of the traditional marketplace.
- b. Consumers refer to six reasons they shop and buy online: convenience, choice, communication, customization, cost, and control.

6. Retailer Usage of the Mobile Channel

- a. Retailers are becoming increasingly aware of the value of smartphone-equipped customers:
 - i. Retailers are looking at mobile as another important customer touch point.
 - ii. Cellphones, smartphones, and other handheld devices are a convenient way for customers to gather more information about a retailer's products or even conduct transactions on a mobile basis.
 - iii. Many retailers depend on the numerous types of intermediaries that engage in wholesaling activities.

7. Wholesaling

- a. The main difference between the various types of wholesalers lies in whether they take title to the items they sell.

Chapter 12 Marketing Communications

November 28, 2017 4:57 PM

1. Development in Marketing Communications

a. A Changing Landscape

i. Connected Consumers

- 1) Consumers in Canada are connected throughout the day on mobile devices.
 - a) Affordable Internet technology provides consumers in Canada with easy-to-use services and devices that facilitate marketing communications.
 - b) Free online services such as email, search engines, and social media have democratized the media so that two-way communication now exists between marketers and consumers, and between consumers and their friends.
 - c) Many individuals multitask with the media, spending time on the Internet while watching TV, and using tablets and smartphones interchangeably, depending on the circumstance.
- 2) The use of mobile devices in Canada continues to grow
- 3) Consumers in Canada are among the most connected in the world.
 - a) **Social networks** are online websites that allow members to create a network of friends and contacts to share messages, comments, videos, and images as a form of self-expression.
 - b) The most popular social networking sites in Canada are Facebook, YouTube, Google+, Twitter, LinkedIn, Instagram, Tumblr, and Pinterest.

ii. Media Usage

- 1) The amount of time consumers spend with the media has changed significantly over the last few years, prompting marketers to take note and adapt marketing communications approaches.
- 2) Younger consumers spend more time on the Internet than with other forms of media, while older consumers gravitate toward TV viewing.
- 3) Marketers tailor messages accordingly and are shifting advertising dollars online to respond to changing media habits.
 - a) The Internet is now the largest recipient of advertising dollars in Canada, ahead of TV and newspaper.

iii. Evolving Media

- 1) The digital reality that sees consumers aggregate online is impacting the revenues of media companies that see advertising budgets move to online destinations, and consumers gravitate to digital online services such as Netflix to consume content.
- 2) This is encouraging magazines, newspapers, radio, and TV stations to create their own online assets to remain competitive and relevant.
 - a) Major new organizations, such as the CBC, for example, use YouTube channels and apps to deliver content, despite having websites and TV channels of their own.

iv. Advertising Expenditure

- 1) Marketers are adjusting marketing communications approaches to increasingly communicate with consumers online by shifting advertising expenditures to the Internet.
- 2) Looking at other forms of media, newspaper and magazine advertising revenues continue a slow decline, while radio and out-of-home show slight increases.

b. New and Evolving Marketing Communications Approaches

i. Real Time Marketing

- 1) **Real-time marketing** is a planned tactical approach where brands make themselves relevant online during events or newsworthy occurrences by diving into conversations as they occur with aligned short-term messaging that takes advantage of the current buzz.
 - 2) Simple approaches empower front-line social media managers on a continuous basis to monitor social media conversations and to respond to issues, questions, and conversations as they occur.
 - 3) Sophisticated approaches use large-scale media events such as the Super Bowl, the Olympic Games, or the Academy Awards as pivotal points, and organize a team of real time marketing experts to creatively engage in online conversations.
 - ii. Content Marketing
 - 1) **Content marketing** is when brands or companies reach out by creating and sharing expertise and brand information that is designed to inform and engage with tools such as research papers, e-books, infographics, how-to videos, blogs, webinars, e-newsletters, case studies, and events.
 - 2) This information can be readily found by search engines.
 - iii. Social Media Marketing
 - 1) **Social media marketing** is when brands reach out to consumers online through social networks where people connect with friends and contacts to share comments, articles, opinions, videos, and images as a form of self-expression.
 - 2) Brands engage on these platforms by creating their own social media accounts to join in conversations and to send out offers or updates.
 - 3) Brands may also place ads on social networks that accept advertising to increase awareness.
 - iv. Mobile Marketing
 - 1) **Mobile marketing** includes a set of practices that enables organizations to communicate and engage with target audiences in an interactive and relevant manner through any mobile device or network.
 - 2) Elements in the mobile marketer's tool range from the mobile web, mobile apps, and mobile advertising, and include various mobile sales promotional and proximity marketing tools.
2. The Marketing Communications Industry
- a. The Media
 - i. The main forms of media are Internet, TV, newspaper, magazine, radio, out-of-home, and mobile.
 - 1) **Out-of-home advertising**, casually referred to as **outdoor**, reaches consumers outside the home in outdoor locations, in transit, or in commercial or business locations.
 - 2) It can take many forms such as billboards, posters, transit, electronic signage, closed-circuit TV, or street furniture.
 - ii. New media terms have surfaced in the Internet era.
 - 1) **Paid media** is the media time that is purchased so that messages can be disseminated through channels that are controlled by others - TV advertising is an example.
 - 2) **Owned media** refers to the media channels that a company controls, either fully or partially, such as a website, microsite, or social media page that is used to directly communicate with consumers.
 - 3) **Earned media**, a term with origins in public relations industry, refers to the free publicity secured through unpaid media mentions and consumers who spread the word through word of mouth or the Internet.
 - iii. Successful campaigns use integrated approaches that creatively use paid media and owned media as springboards to secure earned media.
 - b. Marketing Communication Agencies
 - i. **Marketing communication agencies** provide marketers with expertise on how best to communicate messages to their audiences.

- ii. Agencies can be broad-spectrum and offer a variety of services to their clients, or they can be specialty agencies providing expertise in media, creative, public relations, event marketing, product placement and branded integration, direct marketing, or sales promotion.
 - c. Research Companies
 - i. Data on audience measurement, readership, consumer trends, and the quality of communication messages is needed to provide transparent and reliable information to the media, agencies, and clients.
 - ii. Most major media sectors publish third-party data for the industry, which is used to determine advertising rates and trends.
 - iii. In addition, other research companies provide data to keep the industry apprised on the latest developments.
 - d. Associations
 - i. The marketing communications industry has a number of active associations that provide research data and host informative events and educational workshops for the industry.
 - ii. Three Examples
 - 1) Digital Day, hosted by the Canadian Marketing Association (CMA) and Marketing magazine, is an annual event focused on digital innovation;
 - 2) The MIXX Canada Conference Series, put on by the Interactive Advertising Bureau of Canada (IAB), presents full-day conferences on the digital and interactive industry, highlighting what is new and evolving.
 - 3) FFWD Advertising and Marketing Week, created by the Institute of Communication Agencies (ICA), is a week-long series of presentations and events focused on the latest developments in the industry with a number of well-priced events available for students.
 - e. Regulatory Bodies
 - i. Marketers are well-advised to become familiar with their specific industry associations and to stay up-to-date on marketing regulations, business restrictions, and best practices.
 - 1) Failure to abide by marketing communication regulations can have dire consequences for marketers - campaigns may be forced off air, companies and individuals may be fined, and legal action can result in jail time.
 - ii. Five Main Regulatory Groups
 - 1) Advertising Standards Canada (ASC)
 - a) Self-regulatory, non-government association that sets and regulates advertising standards.
 - 2) The Competition Bureau
 - a) Independent law-enforcement agency with jurisdiction in many areas.
 - 3) The Canadian Radio-Television and Telecommunications Commission (CRTC)
 - a) Government agency that regulates the broadcast and telecommunications industry in Canada, including the licensing of stations.
 - 4) The Canadian Marketing Association (CMA)
 - a) Code of Ethics and Standards of Practice
 - 5) The Canadian Wireless Telecommunications Association (CWTA)
 - a) CWTA Short Code Guidelines, a strict set of guidelines on pricing and practices for mobile text messaging.
3. Approaches to Marketing Communications
- a. Outbound and Inbound Marketing Communications
 - i. **Outbound marketing** refers to the traditional marketing approach where marketers seek out consumers by widely broadcasting messages using advertising, direct mail, e-mail marketing, telemarketing, and personal-selling approaches.
 - 1) It includes advertising methods that consumers increasingly avoid, such as ads on TV and radio, ads in newspapers and magazines, as well as Internet display ads.
 - ii. **Inbound marketing** is when interested consumers find the product and its

messaging by using online techniques that marketers facilitate.

- 1) It involves search engine optimization, pay-per-click ads, and the use of social media to connect with consumers through social networks, blogs, social bookmarks, social media releases, and microsites.
- 2) It is the result of paid, earned, and owned media.
- iii. These two approaches often work together to communicate with consumers in ways they prefer.
 - 1) Smaller businesses may rely more on inbound marketing, which is cheaper, while larger businesses, depending on the target market, may use a combination of both techniques.
- b. Integrated Marketing Communications
 - i. **Integrated marketing communications (IMC)** refers to the concept of designing a marketing communications program that coordinates all promotional activities to provide a consistent message to a target audience.
 - ii. The key to developing successful IMC programs is to use a process that makes it easy to design and evaluate.
 - 1) In an IMC program, each element has a distinct role as well as a purpose in the overall campaign.
 - 2) Each tool is used for a different reason and needs to be evaluated against that purpose and its contribution to the overall success of the marketing communications program.
 - iii. Applications
 - 1) Event Marketing
 - 2) Public Relations
 - 3) In-store Sampling
 - 4) Consumer Promotions
 - 5) Social Media
4. Marketing Communication Tools
 - a. Classification
 - i. Advertising
 - 1) Introduction
 - a) **Advertising** is a paid form of media used to communicate to consumers about an organization, good, service, or idea.
 - b) Advertising can exist in many forms: broadcast media, print media, out-of-home media and so on.
 - c) Advertising can be very expensive.
 - i) Media prices will vary, depending on when and where an advertiser wishes to run the spot.
 - d) A more recent form of advertising is the **webisode** with companies creating short online episodes with storylines that entertain and subtly weave in the product.
 - 2) Advertising Media Choices
 - a) Internet
 - i) **Display advertising** refers to the use of online ads with graphics, video, or animation.
 - One. Display ads are commonly called **banner ads**, and come in a variety of shapes and sizes.
 - Two. **Leaderboards** stretches across the top of a web page, while rectangles and big boxes typically appear lower down, on the right-hand side of a webpage.
 - Three. **Skyscrapers** are tall, slim, vertical ads placed along the side of a web page.
 - Four. **Advergaming** refers to when gaming websites embed banner ads within their online games so that ads appear as billboards or posters within the game.
 - ii) **Pre-roll video advertising** refers to the use of TV-type ads that play before video segments are watched online.

One. These types of ads are increasingly popular with marketers but have the disadvantage of being more expensive to produce than static or display ads.

- iii) **Pay-per-click advertising (PPC)** is often referred to as **search advertising** because it primarily appears on search engines in the form of mini-text ads that are served during keyword searches on either the top or right-hand side of the search page.

One. The search engine is paid by the PPC advertiser only when the ads are clicked.

Two. Pay-per-click image ads also exist on some blogs and social media sites.

b) Television

- i) Television is a valuable medium because it communicates with sight, sound, and motion and gets attention from large target audiences.

- ii) Digital technology now allows TV viewing to be flexible, whether this means watching it on the go on a smartphone or tablet, time-shifting to watch it in a different time zone, or using a digital recording device to watch a program at a more convenient time.

- iii) Many TV advertisers complement their ads with other advertising options that meet target audiences online through online display ads or with pre-roll video ads that play before an online broadcast of a TV program.

One. TV viewers frequently change channels when ads appear during commercial breaks, and many use digital recording devices to watch programs at a later date.

Two. Sometimes, people prefer to watch TV programs online where fewer ads exist, or catch a show at another time through on-demand digital programming.

c) Newspaper

- i) Newspapers are an important advertising medium that are highly trusted by consumers and well-recognized in the market for providing reliable information.

One. They have excellent reach, particularly for local retailers.

- ii) There are three types of newspapers: daily paid circulation newspapers, free daily newspapers, and free community newspapers.

- iii) Newspapers are challenged with lower advertising revenues in this digital age where the news is accessible through multiple avenues.

d) Magazines

- i) Magazines provide advertisers with a high-quality media environment and present data to marketers on the profile of their readers, so advertisers can match magazines to their target market profile.

- ii) Magazines have adapted well to the online environment by providing added online content such as searchable databases, blogs, contests, and polls, as well as mobile versions that can be accessed on tablets and other mobile devices.

- iii) The Canadian Print Measurement Bureau (PMB) issues topline reports detailing two-year data for circulation, readership, and target market information on many Canadian newspapers and magazines.

e) Radio

- i) Radio reaches 91 percent of Canadians over the age of 12, but listening continues to decline among teens who prefer to access

music on a variety of devices.

- ii) The main characteristics of radio are that it is local and has a relatively low production cost.

One. This makes it affordable for both small and large advertisers.

f) Out-of-home

- i) Out-of-home advertising is an effective medium for quickly building awareness and interest in a product and is an excellent reminder for current products.
- ii) Out-of-home advertising can reach people where they live, work, and socialize with traditional and digital formats that include outdoor digital video billboards.
- iii) Out-of-home advertising includes outdoor and transit advertising.

One. Outdoor includes billboards, back-lit posters, superboards (large billboards), mall posters, digital signs, murals, and street-level columns, and it also includes place-based media where messages are placed in out-of-home destinations such as shopping malls, airports, parking lots, doctors' offices, health clubs, gas stations, elevators, and washrooms in restaurants, bars, and post-secondary schools.

Two. Transit advertising refers to ads placed on the interior and exterior of buses, subway cars, and taxis as well as in subway stations and on transit shelters.

ii. Public Relations

1) Introduction

- a) **Public relations** is a communications tool that seeks to influence the opinions and attitudes of target groups through the use of unpaid media exposure.
 - i) Public relations professionals build relationships with the media and stakeholders and use tools such as press releases, social media releases, press kits, news conferences, and events to spread the word.
 - ii) Public relations specialists target the media in an attempt to generate positive publicity for a company, product, or individual.
- b) Public crisis can also take the form of crisis management and image management.
 - i) **Crisis management** can be an important aspect of public relations, as seen with various incidences over the last few years that have severely impacted people's lives and forced companies to answer to the public outcry.

One. Public relations professionals, well-versed in crisis management, help companies navigate these difficult circumstances by advising on what strategies should be followed to rectify situations and salvage a company's image.
- c) It is important to understand that while public relations efforts can yield positive results, ultimately the media decides if, what, and when it may spread a message about a company, brand, or individual.
 - i) The publicity is not controlled by the company itself and the company has no control over what is discussed.
 - ii) **Publicity** is a non-personal form of communication that appears in the media and is not paid for directly by the organization.

2) Public Relations Tools

a) Press Release

- i) **Press release** is an announcement written by the organization and sent to the media.
 - b) Press Conferences
 - i) **Press conference** is when representatives of the media are invited to an informational meeting with the company.
 - ii) Advanced materials and press releases are often distributed ahead of time.
 - iii) This tool is often used during crisis management situation.
 - c) Special Events
 - i) This involve the creation, support, or sponsorship of **special events** such as company-sponsored seminars, conferences, and sporting or entertainment events.
 - ii) The goal of these events is to create a forum to disseminate company information and to create positive brand associations for participants or viewers.
 - d) Company Reports
 - i) Formal company information that is published in annual reports, brochures, newsletters, or videos and sent out to the company's publics are also public relations tools that help spread positive messages.
 - e) Social Media
 - i) A **social media release** is a tool available for marketers to efficiently and effectively communicate information to the media and the public.
 - ii) Video, images, and text are included in online releases, with comment areas and share buttons so that readers can easily share the release on blogs or social networks.
- iii. Sales Promotion
 - 1) **Sales promotion** is a communications tool that provides short-term incentives to generate interests in a product or cause and encourages purchase or support.
 - 2) New Sales Promotion Tools
 - a) **User-generated content (UGC)** is consumer content that is created by participants.
 - b) **Augmented reality (AR)** uses a web-cam or mobile device to capture an image that is then supplemented with graphics, audio, video, or GPS data to provide additional information or an enhanced experience.
 - c) **Matrix 2D barcode** is a two-dimensional square or rectangular response code that, when scanned by a mobile barcode reader or app, provides additional information.
 - 3) Traditional Sales Promotion Tools
 - a) Consumer Promotions
 - i) **Coupons:** price reductions offered in exchange for tickets/documents. Can be distributed online, on-pack, though flyers, or on shelf.
 - ii) **Premiums:** offers that provide merchandise in exchange for proof-of-purchase. Extra funds may also be required.
 - iii) **Contests:** offers where participants require a skill to win a prize such as creative submissions.
 - iv) **Sweepstakes:** offers which are pure games-of-chance and where consumers often participate by completing an entry form and, if selected as winner, answering a skill-testing question.
 - v) **Samples and free trials:** the provision of free products or free trials to encourage consumers to try and purchase a product
 - vi) **Loyalty programs:** continuity programs that reward customers for ongoing purchases with points that can be redeemed for

rewards.

vii) **Rebates:** a price reduction supplied via mail in exchange for proof-of-purchase.

viii) **Bonus packs/Special packs:** the provision of oversized packs or bonus items attached to the original product. Special packs can also be created.

ix) **Point-of sale materials:** the use of in-store merchandising such as display materials, banners, floor decals, and posters to draw attention.

b) Trade Promotions

i) **Trade shows:** participation in industry events that showcase new products and initiatives.

ii) **Off-invoice allowances:** a price reduction taken off the invoice of a purchase that is made within a specific time frame.

iii) **Merchandising allowances:** a price reduction taken off a purchase in return for displaying the product.

iv) **Co-op advertising:** the contribution of funds for inclusion in a wholesaler, distributor, or retailer advertising program such as a flyer.

iv. Direct Response

1) **Direct response** is a marketing communications tool designed to communicate with consumers one-on-one and to elicit a direct action either online or offline.

a) This action can be in the form of an order, a supportive gesture, a request for further information, or a visit to a retail outlet or website.

b) In many instances, a direct marketing program is multifaceted and designed with short-term communication blasts to build long-term relationships.

2) In many instances, offline and online direct-response approaches work together to encourage consumers to go to a store or an e-commerce site to complete a transaction.

a) Offline approaches include face-to-face selling, direct mail pieces, catalogues, telemarketing, and direct response advertising on TV, radio, or print where telephone numbers or web addresses drive an immediate call to action.

b) Online approaches look to the Internet to facilitate one-on-one interactions and use tools such as e-mail campaigns, online display ads, pay-per-click ads, and social media interactions to drive consumers to landing pages, websites, or microsites.

3) Direct response programs use metrics to evaluate success, such as business leads, traffic generation, and direct orders.

a) **Lead generation** is the resultant request for additional information.

b) **Traffic generation** is the resultant visit to a location or website.

v. Event Marketing and Sponsorship

1) **Events marketing** refers to the creation or involvement of a brand in an experience or occasion that heightens its awareness, create positive associations, and generates a desired response.

a) Events marketing and sponsorship often go hand-in-hand with brands lending their names to established events.

b) Companies often weave event marketing into integrated campaigns that use public relations, social media, and consumer promotions to make connections with consumers and create a buzz.

2) **Sponsorship** involves a company paying a fee in exchange for inclusion in an event, involvement in its advertising opportunities, or exposure within the event itself.

a) Sponsorship programs can encompass a multitude of approaches that range from placing ads or logos in brochures, to setting up banners at

- events, to the naming of the event itself.
 - b) Sponsorship opportunities depend on the negotiated package and ranged from print ads within the event brochure, to on-site giveaways and ads, as well as on-air mentions and promotional TV spots that run during broadcasts.
- vi. Personal Selling
 - 1) **Personal selling** involves the two-way flow of communication between a buyer and a seller, often face-to-face or facilitated through communication devices, to influence an individual or group purchase-decision.
 - 2) Sales positions include account management positions, manufacturing sales personnel, real estate brokers, stockbrokers, and salesclerks who work in retail stores.
 - 3) **Relationship selling** is the practice of building long-term loyalty from customers based on a salesperson's attention and commitment to customer needs over time.
 - 4) Six Stages of Personal Selling
 - a) **Prospecting**: search for and qualify prospects
 - b) **Pre-approach**: gather information and decide how to approach the prospect
 - c) **Approach**: gain prospect's attention, stimulate interest, and make transition to the presentation
 - d) **Presentation**: begin converting a prospect into a customer by creating a desire for the product or service
 - e) **Close**: obtain a purchase commitment from the prospect and secure a customer
 - f) **Follow-up**: ensure that the consumer is satisfied with the product or service
- b. Alternative Marketing Communication approaches
 - i. Word-of-Mouth Marketing
 - 1) **Word-of-mouth marketing** works by listening to consumers, identifying influential individuals, providing important information, and making it easier for them to spread the word.
 - 2) Word-of-mouth communications typically works on three levels.
 - a) On a **viral level**, it tries to create buzz through public relations events and social media that seed fun and interesting messages with influential people that spread the word.
 - b) On a **grassroot level**, it identifies key communities, opinion leaders, and product advocates who get personally involved with the brand and have the ability to influence others.
 - c) On a **professional level**, official referral programs may be put in place to reward satisfied customers who refer the brand to friends and contacts.
 - ii. Product Placement
 - 1) **Product inclusion** refers to the inclusion of a product such as a soft drink in a movie to TV program.
 - iii. Branded Entertainment
 - 1) **Branded entertainment** refers to the creation of an entire TV episode around a brand.
- c. Unique Online Tools
 - i. Search Engine Marketing
 - 1) **Search engine marketing (SEM)** is an Internet marketing approach that includes two areas: 1) search engine optimization and 2) pay-per-click advertising.
 - 2) **Search engine optimization (SEO)** looks at website design, technical coding, written content, incoming links, and website updates to ensure that websites are highly rated and properly indexed by search engines such as Google and Bing.

- 3) **Microsites** are promotional websites created for short-term promotional purposes, often providing consumers with the ability to enter contests and access promotional offers.
- 4) **Corporate websites** are important destination sites for consumers and the media that want to quickly access company and product information.
- ii. Social Network Marketing
 - 1) **Social media marketing** refers to the use of online communities or social networks to openly interact within the communities by sharing ideas, activities, events, and offers.
- iii. Affiliate Marketing
 - 1) **Affiliate marketing** is the term used when companies promote their businesses through a network of online association (affiliate) to drive traffic, leads, and the business website and rewarded with commissions for resultant business.
- iv. Email Marketing
 - 1) **Email marketing** includes the use of opt-in email lists where consumers register and give permission to receive online communications.
 - 2) **Permission-based email** is when a recipient chooses to receive e-mail from a marketer, while spam is unsolicited email that clutters the Internet.
- v. Mobile Marketing
 - 1) **Mobile marketing** includes a set of practices that enables organizations to communicate and engage with target audiences in an interactive and relevant manner through any mobile device or network.
5. Planning and Evaluation
 - a. Designing Marketing Communication Programs
 - i. A **push strategy** is when marketers focus communication efforts on the distribution channel to gain support from retailers, distribution, and wholesalers through listing, sales, merchandising, featured pricing, and the inclusion in flyers.
 - ii. A **pull strategy** is when marketers focus communication efforts on ultimate consumers to build awareness, trial, and demand for a product.
 - b. The Customer Advocacy Funnel
 - i. Marketers use integrated marketing communications approaches to ensure that all communication elements speak with the same messaging and use a shared visual platform.
 - 1) This approach involves developing, executing, and evaluating each element of a promotional program so that it encourages customers to become loyal supporters that spread positive messages, which is called **advocacy**.
 - ii. The **Customer Advocacy Funnel** encompasses the latest in marketing approaches where, over time, the positive connections that customers make with brands encourage them to become brand advocates who recommend the brand to others.
 - 1) This funnel has consumers moving from an initial awareness stage through to interest, engagement, trial, purchase, loyalty, and advocacy.
 - iii. Stages in the Customer Advocacy Funnel
 - 1) **Awareness:** a company trying to raise online product awareness may use a website, search engine, and online display ads to drive consumers to a website for more information.
 - 2) **Interest:** a company may use online video to increase interest in the product, this time using experts to demo the product and add credibility.
 - 3) **Engagement:** social media can be added to the mix to encourage engagement by using networks such as Facebook, YouTube, Pinterest, Instagram, and Twitter to deliver promotional messages.
 - 4) **Trial:** contests, samples, free downloads, and limited trials can be communicated through microsites, social media networks, and display ads.
 - 5) **Purchase:** search engine optimization, display ads, pay-per-click ads, email campaigns, and retargeted display ads. **Retargeted ads** are display ads that are redirected to a computer's IP address when a consumer previously

- clicked on an ad but did not respond to its contents.
- 6) **Loyalty**: customer loyalty can be encouraged through CRM programs that reward continued purchases through loyalty programs. Social media can help encourage interactions with the brand.
 - 7) **Advocacy**: ongoing communications, often one-to-one, through e-mail newsletters, social networks, branded communities, and blogs can solidify connections with loyal customers, providing them with information and experiences to share with others.
- c. Steps in the Marketing Communications Process
- i. Step 1: Specify the IMC Objectives
 - 1) The first step formalizes the purpose of the promotional program, such as building brand awareness, creating customer engagement, or increasing brand loyalty.
 - 2) Specific numerical targets are often included at this point and used later to evaluate the program.
 - ii. Step 2: Identify the Target Audience
 - 1) The second step pinpoints the audience that is to be targeted by the promotional program, identifying geographic, demographic, psychographic, and behavioural data.
 - 2) Media information is also provided, as well as insights on consumer touch points.
 - a) **Consumer touch points** are the points of interaction that can be used to connect with consumers, including personal time in the home, shopping time, workplace situations, social situations, travel time, and even face-to-face product time.
 - iii. Step 3: Set the Promotional Budget
 - 1) Marketers generally allocate an initial amount based on prior years' spending but also examine profit requirements and the communication needs required to sustain or build the business.
 - 2) The actual budget is finalized once the options and their associated costs are analyzed in view of profit requirements and strategic need.
 - iv. Step 4: Design the Promotional Program
 - 1) The key component of a promotional program is its messaging, which needs to be visible, resonate with its target audience, and be memorable - no easy task.
 - 2) The **promotional mix** refers to the selection of promotional tools used to communicate with a target.
 - a) It can encompass online and offline approaches and include advertising, public relations, sales promotion, direct response, event marketing and sponsorship, and personal selling.
 - 3) When determining the promotional program, marketers carefully consider their product's life cycle and the competitive nature of the market so that their programs are engaging, and meaningful to target markets.
 - a) Product life cycle considerations include the knowledge that during introductory stages, marketing communications builds awareness, provides information, and encourages trial.
 - b) In the growth stage, promotional focus changes and starts to persuade and differentiate the brand from the competition.
 - c) In the maturity stage, promotional efforts are designed as a reminder of the brand and to encourage repeat purchases through special offers.
 - d) The decline stage often has little to no promotion at all.
 - v. Step 5: Schedule and Run the IMC Elements
 - 1) The sequencing of promotional elements is carefully planned so that individual aspects seamlessly work together to communicate with target audiences.
 - 2) Awareness is the prime concern of any program, built during its early stages

with the subsequent rollout of different elements to support and develop the program.

- 3) Throughout the campaign, marketers carefully monitor developments, particularly in social media, to immediately answer questions, respond to comments, and carefully deal with negative feedback.

vi. Step 6: Evaluate the Program and Recommend Changes

- 1) First, messaging is often evaluated before a program is fully developed to gauge responses so that adjustments can be made before launch.
- 2) Second, once the program is live, research may be fielded to measure campaign awareness and messaging elements such as likeability, message comprehension, and attitude changes toward the brand.
- 3) Third, upon completion, each individual element will be evaluated against expectations.
 - a) Online aspects may look at impressions, click-throughs, unique visitors, page views, time on site, and return on investment.
 - b) Social media campaigns may be evaluated on the basis of social mentions, buzz, shares, fans, and ROI.
 - c) Public relations efforts may be measured on publicity mentions, media equivalency values, and ROI.
 - d) Offline approaches may refer back to the awareness, likeability, message comprehension, and attitude changes.
- 4) Forth, the promotional program will be evaluated against its objectives.
 - a) This will look at business results such as sales, profitability, market share, and return on investment.

Promotional Tool	Strengths	Weaknesses
Advertising	1. An efficient means of reaching large numbers of people both online and offline 2. Many affordable online options exist for marketers with small budgets 3. Online and offline options can work together to enhance messaging 4. Advertisers control messaging	1. High cost of offline approaches 2. Difficult to evaluate offline approaches 3. High clutter both online and offline 4. Low credibility of messaging 5. Viewers avoid both online and offline messaging
Public Relations	1. Highly credible messages when spread by the media 2. Inexpensive, particularly when using social media 3. New measurable tools available due to social media 4. Can be well-integrated into IMC programs	1. Unable to control media messaging 2. Difficult to influence the number of messages spread through the media 3. Results can be difficult to evaluate
Sales Promotion	1. Effective at increasing short-term sales 2. Many options are available both online and offline 3. Social media provides an affordable way to disseminate offers 4. Results are measurable 5. Can be well-integrated into IMC programs	1. Fraudulent involvement can occur 2. Can lead to promotional wars 3. Promotions can be easily duplicated by competitors 4. Consumers may wait for a sales promotion before purchasing 5. Legal regulations are complex
Direct Response	1. Messages can be targeted through	1. High cost of offline and online

	<ul style="list-style-type: none"> online and offline approaches 2. Facilitate customer relationships 3. Results are measurable 	<ul style="list-style-type: none"> approaches 2. Negative customer reactions 3. Clutter 4. Requires a database to be done properly
Event Marketing and Sponsorship	<ul style="list-style-type: none"> 1. Small branded events can be used to create a buzz and spread viral messages 2. Major event sponsorships can reach large audiences and create positive associations 3. Can be integrated into IMC programs 4. Sponsorships can be carried into the online environment 5. Buzz can be affordably created through microsites and social media 	<ul style="list-style-type: none"> 1. Large event-sponsorships can be limited to awareness-building messages 2. Sponsorships can be costly and difficult to evaluate 3. Results are difficult to measure
Personal Selling	<ul style="list-style-type: none"> 1. Personal interactions can build lasting relationships with consumers 2. Online approaches can be used to enhance relationships 3. An important approach for expensive products 4. Can be used in large and small businesses 5. Can be a strong form of product differentiation 	<ul style="list-style-type: none"> 1. Can become expensive when large salesforces are involved 2. Consistency in approach and messaging is difficult to achieve 3. People may not want to engage