

LECTURE OUTLINE FOR

MKTG 25010

Principles of Marketing

Lecture Notes

**2017 SUMMER I**

DR. LAWRENCE MARKS  
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Course website on Blackboard Learn (<http://learn.kent.edu>)

5/19/2017

KENT STATE UNIVERSITY  
 College of Business Administration  
 MARKETING 25010--MARKETING  
 Tentative Syllabus -- Summer I, 2017  
 Class Website on Blackboard - <http://learn.kent.edu>

Dr. Lawrence J. Marks  
 Office--516 BSA  
 Office Hours: 11:45 am to 12:45 pm MTWH and by appointment

Home Phone: 330-650-5758  
 Office Phone: 330-672-1266  
 lmarks@kent.edu

**Required Text:** The required text for the class is Marketing, 12th edition, Roger A. Kerin, Steven W. Hartley, and William Rudelius, McGraw-Hill 2014. It is available packaged with ConnectPlus access at no additional charge in a special Kent State loose leaf edition (ISBN: 9781308945606). The “standard” edition’s ISBN-10 is 0077635787.

**NOTE: The complete syllabus is available from the class website on Blackboard (<http://learn.kent.edu> )**

**TENTATIVE CLASS SCHEDULE – 2017 SUMMER I  
 MKTG 25010**

Section 010 in-class (CRN 10093) & Section 011 web-based (CRN 10211)  
 Monday, Tuesday, Wednesday, and Thursday 104 Merrill Hall

Week	Month	Date	Chapter Topic	<b>Readings</b> (this schedule is tentative and will need to be adjusted to what we actually cover in each class)
Week 1	<b>June</b>	12 M	Lecture 1 -- Introduction and Customer Value & Marketing	Chapter 1
		13 T	Lecture 2 -- Marketing/Organizational Strategies and The Marketing Environment	Chapter 2 and Chapter 3
		14 W	Lecture 3 -- The Marketing Environment	Chapter 3
		15 H	Lecture 4 -- Ethical and Social Responsibility	Chapter 4
Week 2		19 M	Lecture 5 -- Consumer Behavior 1	Chapter 5
		20 T	Lecture 6 -- Organizational Buying	Chapter 6
		21 W	Lecture 7 -- Global Consumers & Markets	Chapter 7
		22 H	Lecture 8 -- Global Consumers & Markets; Marketing Research <b>[END OF MATERIAL FOR MIDTERM]</b>	Chapter 7 & 8
Week 3		26 M	Lecture 9 -- Market Segmentation (STP)	Chapter 9
		27 T	Lecture 10 -- New Products & Services; Managing Products and Brands	Chapter 10 & 11

		28 W	Lecture 11 -- Managing Products and Brands; Services Marketing	Chapter 11 &12
		29 H	Lecture 12 -- Services Marketing; Price Foundation	Chapter 12 & 13
Week 4	<b>July</b>	3 M	Lecture 13 -- Building the Price Foundation, Arriving at the Final Price	Chapter 13 & 14
		4 T	<b>Independence Day (NO CLASSES)</b>	
		5 W	Lecture 14 -- Managing Marketing Channels and Supply Chains; Retailing & Wholesaling	Chapter 15 and 16
		6 H	Lecture 15 -- Integrated Marketing &DM	Chapter 17
Week 5		10 M	Lecture 16 -- Integrated Marketing &DM; Advertising, Sales Promo, & PR, and Using Social Media	Chapter 17 & 18
		11 T	Lecture 17 -- Using Social Media	Chapter 19
		12 W	Lecture 18 --Personal Selling & Sales Management	Chapter 20
		13 H & 14 F	<b>Final examination. Bring your KSU ID, text book, and lecture notes with you.</b>	Proctored online exam. Available Thursday and Friday until 5 p.m.

For the midterm exam, you can use a hard copy of the textbook and a hard copy of the lecture notes. For the final, you can use a hard copy of the textbook, a hard copy of the lecture notes, and a calculator. International students can make use of a standard **hard copy** translation dictionary.

You **cannot** use any other electronic devices (not your computer, or your cell phone, or an electronic translation device) for either test.

You **cannot** have any windows open on your computer other than the exam window. You **cannot** have mini-test questions and/or answers at these tests. Mini-test questions/answers are PROHIBITED for these tests and having them represents cheating. You cannot have copies of internet notes that are not your own.

**In-class students** must take the midterm and the final exam in the College of Business computer labs (or with advance permission by me at another proctored testing site, or with advanced permission and for a fee they can use Proctor U).

**Web-based students** MUST take the midterm and the final exam using Proctor U.

## Preliminary Mini test Schedule

Available from <http://learn.kent.edu>

Mini Test	Opens <b>not later than</b> 5 p.m. on the date listed (and usually on the previous day)	CLOSES at 11 p.m. on:	Covers Lectures**
1	Wednesday 6/14	Sunday 6/18	1, 2
2	Friday 6/16	Tuesday 6/20	3,4
3	Wednesday 6/21	Sunday 6/25	5,6
4	Friday 6/23 <b>End of material for midterm</b>	Tuesday 6/27	7,8
5	Wednesday 6/28	Sunday 7/2	9,10
6	Friday 6/30	Wednesday 7/5 (accommodate 7/4)	11,12
7	Wednesday 7/5	Sunday 7/9	13,14
8	Friday 7/7	Tuesday 7/11	15,16
	No mini-test for this last week material	Covered on the Final exam	17, 18
<p>**Please note that this refers to the <b>LECTURES</b> covered by the exams. The Preliminary Class Schedule shows the <b>CHAPTERS</b> which are targeted for each lecture (subject to modification as needed).</p>			
<p>Mini tests are normally available after the material is covered in class for a minimum of four days. The expiration deadline is listed in the description for each mini-test. Should a change in this preliminary schedule be necessary there will be an announcement on the class website and the revised deadline will be included in the test description.</p>			

ACKNOWLEDGEMENTS: The concept for the way in which this course is offered, the approach to testing, and portions of the syllabus are based on the Principles of Marketing class offered by Dr. Bruce Robertson, San Francisco State University (<http://online.sfsu.edu/~robertbc/>). Many thanks to Dr. Robertson for pioneering this method of delivery.

**Preliminary Enhanced Learning Extra Credit (ELEC) Schedule**  
**Preliminary ELEC Schedule**

ELEC	Opens not later than 5 p.m.	CLOSES at 11 p.m.	Opens in:
1	Thursday 6/15	Tuesday 6/20	Week 1
2	Thursday 6/22	Tuesday 6/27	Week 2
3	Thursday 6/29	Wednesday 7/5	Week 3
4	Thursday, 7/6	Tuesday 7/11	Week 4

- Three attempts for each ELEC. Each is worth up to .75% added to your final course grade.
- Like the mini-tests, for the ELEC's I will record your best grade.
- You can earn partial credit for less than 100% on the assignment.
- If you earn an 80% on your best attempt, you get .8 x .75 or .6% added to your Final Course Grade
- Earning a 100% on an ELEC will add .75% TO YOUR FINAL GRADE.
- For the 4 assignments you can earn up to a total of a 3% INCREASE in your course grade!!

These are available from the class website Extra Credit Folder on Blackboard Learn (<http://learn.kent.edu>).

## Introduction to Marketing 25010

I) Initial Background information: This is based on the syllabus, available from the class web site on Blackboard Learn. You should **print** and **read** that document.

a) The Professor and his contact information:

Name: Dr. Lawrence J. Marks

E-mail: lmarks@kent.edu

Office:

Phone: 330-672-1266

Office Hours:

Instructor's personal website: <http://www.personal.kent.edu/~lmarks>

a) Required Text: The required text for the class is Marketing, 12th edition, Roger A. Kerin, Steven W. Hartley, and William Rudelius, McGraw-Hill 2014. It is available packaged with ConnectPlus access at no additional charge in a special Kent State loose leaf edition (ISBN: 9781308945606). The "standard" edition's ISBN is 9780077635787 (loose leaf) and ISBN 9781308945606 (hard copy).

b) McGraw-Hill *ConnectPlus* is a web-based assignment and assessment site that we will use for Enhanced Learning Extra Credit Assignments (ELECs). THIS IS INCLUDED WITH THE KSU EDITION OF THE REQUIRED TEXTBOOK.

c) Cost/Purchase:

d) Printed Lecture Notes

- i) Strongly Recommended
- ii) Where they are available:

II) The Prerequisite for this class is: \_\_\_\_\_

### III) Course Objectives

- a) A working knowledge of marketing **terminology, concepts, activities, and strategies**;
- b) An understanding of marketing **functions** within the organization and in the context of **external environments**;
- c) Knowledge of the ways in which marketing **contributes** to attainment of the organization's objectives and goals;
- d) An appreciation for the **global and ethical aspects** of marketing.

### IV) Policies

The Following Policies Apply to All Students in this Course:

A. Students attending the course who do not have the proper prerequisite risk being deregistered from the class.

B. Students have the responsibility to ensure they are properly enrolled in classes. You are advised to review your official class schedule (using Student Tools on FlashLine) during the first week of the semester to ensure you are properly enrolled in this class and section. Should you find an error in your class schedule, you have **until Tuesday, June 13, 2017 to add/drop a class.** If registration errors are not corrected by this date and you continue to attend and participate in classes for which you are not officially enrolled, you are advised now that you **will not** receive a grade at the conclusion of the semester for any class in which you are not properly registered.

C. Academic Honesty: Cheating means to misrepresent the source, nature, or other conditions of your academic work (e.g., tests, papers, projects, assignments) so as to get undeserved credit. The use of the intellectual property of others without giving them appropriate credit is a serious academic offense. It is the University's policy that cheating or plagiarism result in receiving a failing grade (0 points) for the work or course. Repeat offenses may result in dismissal from the University.

For an excellent review of the topic, browse <http://ec.hku.hk/plagiarism/introduction.htm>. For a PowerPoint presentation that reviews the topic of cheating and plagiarism (and which reflects my views), browse <http://www.personal.kent.edu/~lmarks/ethics/Plagiarism.ppt>. NOTE: The questions for the mini tests are copyrighted and unauthorized reproduction is prohibited.

D. Course Withdrawal Deadline: For Summer 2017, the course withdrawal deadline is Sunday, July 2, 2017. If you need advising assistance, you will need to contact an advisor before Friday as our advising offices are not open on the weekend.

E. Students with disabilities: University policy [3-01.3](#) requires that students with disabilities be provided reasonable accommodations to ensure their equal access to course content. If you have a documented disability and require accommodations,

please contact the instructor at the beginning of the semester to make arrangements for necessary classroom adjustments. Please note, you must first verify your eligibility for these through Student Accessibility Services (contact 330-672-3391 or visit <http://www.kent.edu/sas> for more information on registration procedures).

INTERNATIONAL Students for whom English is a second language, send me an email to request Extended Time. Once I verify your status, I will give you access to the *Extended Time* mini-tests, midterm and final.

#### F. Application for Graduation

It is your responsibility to apply for graduation before the set deadline. If you apply after the deadline you will be assessed a \$200 late fee. Please see your academic advisor as soon as possible if you are uncertain as to your progress toward graduation. The graduation application deadlines are follows:

##### Graduation Application Deadlines:

**May Graduation:** Apply before September 15<sup>th</sup>

**August Graduation:** Apply before December 15<sup>th</sup>

**December Graduation:** Apply before March 15<sup>th</sup>

To apply for graduation, complete the following steps:

1. Log onto your Flashline account
2. Click on the Student Tools tab
3. Look in the Graduation Planning Tool Box
4. Click on Application for Graduation

If an error message appears, you must contact your advisor.

#### G. Attendance Verification (**Jun 19, 2017**)

In compliance with federal regulations, Kent State University is required to determine whether students have participated in their classes. For MKTG 25010, this is determined by participation **in Mini-test 1**, which closes June 18. Students who have NOT participated in the class (completed Mini-test 1) will be reported as "Not Attending," which will result in **automatic submission of a grade of "NF/SF,"** and **automatic removal from the class** on Blackboard!

#### V) Content Delivery

- a) This is NOT an "independent learning" class. Lectures are given "live" in \_\_\_\_\_ [room] \_\_\_\_\_ [days/times] AND made available \_\_\_\_\_
- b) Testing is done using \_\_\_\_\_
- c) Midterm and Final Exam must be \_\_\_\_\_
  - i) In-class students—
  - ii) Web-based students--



## VI) Class Website

a) Access via <http://learn.kent.edu> or from Flashline.

b) Important Items to Check Regularly

i) Home Page – Check Student Type

ii) START HERE Folder

Check Intro

(1) An Introduction Video

(2) A copy of the “Early Welcome” email

(3) The Course Objectives

(4) How to Prepare Your Computer for Working in Bb Learn

(5) The syllabus

Check Syllabus

(6) University Policies,

(7) About the Midterm and Final exam testing,

(8) Using Proctor U. Course Information

(9) Marketing 25010 FAQs

(10) Student and Alumni User Guide to Flash@work

iii) Learning Materials Folder

(1) Lecture Outlines

Check Lectures

(2) Online Lectures

(3) Housekeeping Slides

Do mini-tests

(4) Mini-tests

(5) Review Tests

Do Review tests

(6) Extra Credit

Remember  
Extra Credit

iv) Announcements to you KSU e-mail account – CHECK IT!

Check emails

v) CHECK your Student Type (on the home page)

## VII) Grades

The Final Course Grade is based on:

a) \_\_\_\_\_ “mini” exams ( \_\_\_\_\_ % of your final grade), NO mini-tests are dropped, plus

b) a midterm exam worth \_\_\_\_\_% of your final grade, plus

c) a final examination worth \_\_\_\_\_ % of your final grade.

d) PLUS any \_\_\_\_\_

Letter grades

Course Average	Course Grade	Univ. GPA	Course Average	Course Grade	Univ. GPA
92.6+%	A	4.0	76.6-79.5%	C+	2.3
89.6-92.5%	A-	3.7	72.6-76.5%	C	2.0
86.6-89.5%	B+	3.3	69.6-72.5%	C-	1.7
82.6-86.5%	B	3.0	66.6-69.5%	D+	1.3
79.6-82.5%	B-	2.7	59.6-66.5%	D	1.0
			59.5 and below	F	0.0

The class DOES use the plus/minus grading system.

Students who want to become Marketing Majors must earn a “C” (2.0) or better in this course. A “C-” (1.7) does not meet this College of Business requirement.

**IMPORTANT NOTE:** Once the grades are in, students get what they have earned. I do not make adjustments for (a) you really, really needing a better grade, (b) being “only” .3, .2, or .1 away from the next grade, or for (c) any reason other than an error in the calculation. Asking, pleading, crying, and/or offering bribes DO NOT WORK (sorry).

VIII) **Calculating your final grade**

It is fairly common for students to incorrectly calculate their final grade. The correct calculation is:

$$[(\text{Total of all Mini test scores}/8) \times .5] + (\text{Midterm score} \times .2) + (\text{Final exam score} \times .3) + \text{extra credit} = \text{Final Course Grade}$$

Notes: (1.) A missed mini-test counts as a 0. (2.) Adding your total points up and dividing by 8 is NOT the correct calculation. (3) Review Tests DO NOT COUNT in the course grade. (4) We DO NOT drop any mini-tests; all 8 are counted in the course grade.

For example, suppose you have an average of 90% on the mini tests, an 80 the midterm, and a 76 on the final exam. If you have no extra credit points, this works out to  $(.5 \times .90) + (.2 \times .80) + (.3 \times .76) = .45 + .16 + .23 = .838$  or 83.8% which would be a “B” for the course. Extra credit points would be ADDED to the 83.8% to increase your course grade,

You can download a Grade Calculator Blackboard Learn as a click in the Mini-test Folder. This is an Excel spreadsheet that will help you calculate how you are doing.

IMPORTANT NOTES about course grades.

1. **YOU** need to watch for deadlines for mini-tests and extra credit assignments. Once an assignment closes, it is very rare for it to be re-opened. If you have a question about an assignment or a mini-test ask about it BEFORE the deadline. Once an assignment CLOSES it is rarely re-opened. This means YOU need to check on your grades and be aware of the deadlines. When we get to finals week, all mini-tests and extra credit opportunities will have closed on their deadline dates. Do them before their weekly deadlines. Do not forget them. You cannot decide to go back and do closed assignments at the end of the course!

2. Once the final is taken, your Final Course Grade is calculated using the above formula.

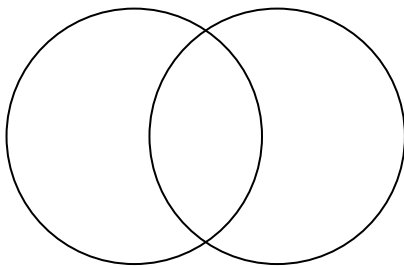
3. **THERE ARE NO CHANGES to final course grades** made for “being close” to the next higher grade, nor for “only being .1 away” from the next higher grade, nor for “really, really needing” the next higher grade. Students receive the grade that they have earned.

The only possible adjustment to a final course grade occurs when a curve is needed (or if a posting error is made). IF, at the end of finals, there are not a reasonable number of A’s (or, if too many students are failing), it is possible that a curve will be created. In this case, a set number of points will be added to everyone’s final course grade. Should this occur, students will be informed via e-mail.

Did I mention that, when it comes to changing the grade which you have earned, asking, pleading, crying, and/or offering bribes DO NOT WORK?

**IX) About the Mini Tests**

- a) Type of exam:
  - i) # of questions:
  - ii) Timed:
- b) Source of questions:
- c) Coverage:



_____ % from Lecture Questions
And
_____ % from the Text Book

- d) # of tests:
- e) Available:
- f) 10 questions randomly drawn from
- g) \_\_\_\_\_ minutes to complete the mini-test

- h) Number of Attempts:
- i) Which score COUNTS for your grade? The **highest score** is the one that counts for your grade.
- j) First mini-test available:
- k) Make up policy:
- l) Do not wait until
- m) Do not forget to
- n) There is a sample mini-test available now.

Is this guy for real??? Comments from others:

X) Cautions and Warnings:

- a) If you do not do well on the first few mini tests,
- b) Because this class is very convenient, there is a temptation to
- c) The rule of thumb
- d) \_\_\_\_\_ work for the course is 100% on mini exams and 50% on the midterm and final.
- e) Plan on spending time each week reading the book; taking the quizzes; reviewing notes
- f) It is EASY to get behind if you don't pay attention to your \_\_\_\_\_

XI) Midterm Examination: The midterm examination is worth 20% of the course grade and it includes all material through Lecture 8 (mini-test 4). The midterm exam is 50 questions and is timed to last 80 minutes. The questions are *randomly drawn from the same pool of questions used for the mini-tests (WITHOUT Marketing in the News questions)*.

Must be taken on **Thursday, June 29 or Friday June 30.**

- In-person students will test in the College of Business Computer labs.
- In-person students can choose to use Proctor U for a fee. I must approve this for you, in advance.
- Web-based students will use Proctor U.
- 

The midterm exam is OPEN BOOK and OPEN NOTES and international students can use a standard, hard copy translation dictionary. You cannot use other electronic devices (no cell phones, no other computers, no electronic translators). If you have taken notes on your computer, you will **NEED TO PRINT THEM OUT** to use them for the midterm or the final.

- a) When and where it is taken  
i) For in-class students, it MUST be taken in the College of Business computer labs (or at an approved testing center) between \_\_\_\_\_

- ii) For web-based students, it MUST be taken using Proctor U between \_\_\_\_\_.

XII) Final Exam

- a. The Final Examination is worth 30% of the course grade and it includes all material from Lecture 9 (mini-test 5) to the last Lecture and to the end of Chapter 20, with no Marketing in the News questions.  
b. 50 questions in 80 minutes  
c. The final exam is OPEN BOOK and OPEN NOTES and you can use a calculator (international students can use a standard, hard copy translation dictionary). You can use a calculator, but cannot use other electronic devices. (no cell phones, no other computers, no electronic translators). The Final Examination is 50 questions and is timed to last 80 minutes. The questions are *randomly drawn from the same pool of questions used for the mini-tests*.

- d. When and where it is taken  
i) For in-class students, it MUST be taken in the College of Business computer labs (or at an approved testing center) between \_\_\_\_\_

- ii) For web-based students, it MUST be taken using Proctor U between \_\_\_\_\_.

d) **MUST show a picture ID (KSU ID preferred)**

e) Make up policy: NO make up; do NOT wait until the last hour to take it

- Who does better? In-class or web-based students?

XIII) To Succeed in the class:

- a) Take the Mini tests \_\_\_\_\_  
b) Review tests:  
c) If you do this, by the time of the midterm and the final:

XIV) Classroom Policies

- a) Attendance  
b) Classroom Expectations
  - Participation
  - Distractions and Electronics – You cannot have cell phones out during class.
  - Harassment

- c) Check the Blackboard Learn site multiple times during the week.
- d) Ask questions when you don't understand something
- e) Be polite in class and on-line
- f) International Students for whom English is a second language, contact me for extra time on the test ([lmarks@kent.edu](mailto:lmarks@kent.edu))
- g) University Closings:

XV) Communications Policy

- a) How to communicate "officially": Blackboard Learn e-mail or to [lmarks@kent.edu](mailto:lmarks@kent.edu)

An IMPORTANT NOTE: BEGIN YOUR SUBJECT WITH "MKTG 25010", then include the SUBJECT of your message (e.g., **MKTG 25010 – Question about Mini-test 1**).

- b) About phone messages:

XVI) Extra Credit Opportunities

- a) McGraw-Hill CONNECT Enhanced Learning Extra Credit (ELECs) -- Follow instructions in Extra Credit Folder on Blackboard website.
  - i) 4 ELEC's each can add up to .75% EACH to your FINAL GRADE (+3% !!).

- b) Research as Extra Credit

XVII) The Class Schedule, the Mini Test Schedule, and the ELEC schedule were at the front of this packet and are in the class syllabus available on Blackboard Learn

XVIII) Our Guest Faculty

- a) Who: KSU alumni and
- b) To show where:
- c) And to provide you with " \_\_\_\_\_ "

XIX) Guest Faculty -- Their names, titles, and organizations

<u>NAME</u>	<u>Title</u>	<u>"Type of Organization"</u>
1. Valerie Thwing	Director, Business Office	Business to Business (_____)— Service; Government
2. Tim Apel	President AAA Homes	Family Entrepreneur—(_____)— Product

3. Don Kosec	V.P. Time Warner Business Services	Business to Business (_____)— Service
4. Rob Felber	President, Felber & Felber Marketing	Entrepreneur—(_____) Service
5. Fred Hunt	Director of Marketing, Sherwin-Williams	Business to Business--Product
6. Dan Muller	President, Distribution & Services, Timken	Business to Business—Industrial Product
7. Michele Skinn	Director, Fisher-Titus Foundation	Not for Profit Foundation--Service
8. Gary Trinetti	President & CEO, Garick Corp.	Entrepreneur—(_____)Product
9. Jim Wise	General Manager/V.P, Don Joseph Toyota	Retail Franchise—(_____)Product

## Chapter 1: Creating Customer Relationships and Value Through Marketing

I) What IS Marketing?

a) YOU are involved in Marketing every day, BUT:

II) Marketing Defined

a) The American Marketing Association Definition:

*“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”*

<https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx>

b) Some controversy about the definition:

<http://adage.com/article/btob/ama-s-definition-marketing-stirs-debate/270398/>

c) Kosec...Importance of Marketing to Time Warner Business Services

i) Collect \_\_\_\_\_

ii) Helps to \_\_\_\_\_

iii) Use research and tools to \_\_\_\_\_

iv) Through \_\_\_\_\_

d) Marketing seeks to:

i) Discover \_\_\_\_\_ of customers

ii) Satisfy \_\_\_\_\_

iii) At a \_\_\_\_\_

iv) Through an \_\_\_\_\_

e) It involves the idea of \_\_\_\_\_ which is the trade of things of value between buyer and seller so that each is better off after the trade.

f) And today is delivered though an excellent “customer experience.”

i) We are in an “Age of Experience.”

g) Dassault Systemes video ([www.3ds.com](http://www.3ds.com))

i) Today, the aesthetics of a \_\_\_\_\_ or practicalities of a \_\_\_\_\_ are not enough.

ii) Consumer engagement and \_\_\_\_\_ count more.

iii) Consumers expect to interact with, or even \_\_\_\_\_ suppliers; not just be “sold to.”

iv) The “Age of Experience” has arrived. We need to deliver consumer experiences that demonstrate true **differentiation**.



- v) To do this businesses must capture insights and \_\_\_\_\_ from across the business' entire ecosystem.
- vi) This "integrated effort" includes Marketing, Management, Sales, and Engineering.
- vii) Businesses need to ask the right questions of the right people to put consumer experience at the heart of innovation.

### III) Factors Influencing Marketing

#### a) The Organization

- i) Mission
  - (1) Goals and Objectives
- ii) Management and people skills
- iii) Resources

#### b) Society

#### c) Environmental Factors

(See text, page 6, Figure 1-2, A marketing department relates to many people, organizations, and environmental forces)

#### d) Ways to Satisfy Needs (for example, a funny birthday card):

- 1.
- 2.
- 3.

#### e) The Point: Only the last describes \_\_\_\_\_

### IV) Requirements for Marketing to Occur

- a) Two or more \_\_\_\_\_ involved in a \_\_\_\_\_, each with unsatisfied \_\_\_\_\_
- b) Each must have a \_\_\_\_\_ and \_\_\_\_\_ to engage in an exchange

- c) They need to be able to \_\_\_\_\_
- d) Each party must have something of \_\_\_\_\_

V) What DO people want?

To satisfy consumers' needs, wants and desires (at a profit, through an integrated effort of the organization), we need to understand \_\_\_\_\_  
 \_\_\_\_\_.

- a) BUT, people may not \_\_\_\_\_ or
- b) People may not \_\_\_\_\_ or
- c) People may not be able to \_\_\_\_\_  
 and how unknown products might satisfy them

VI) Needs and Wants

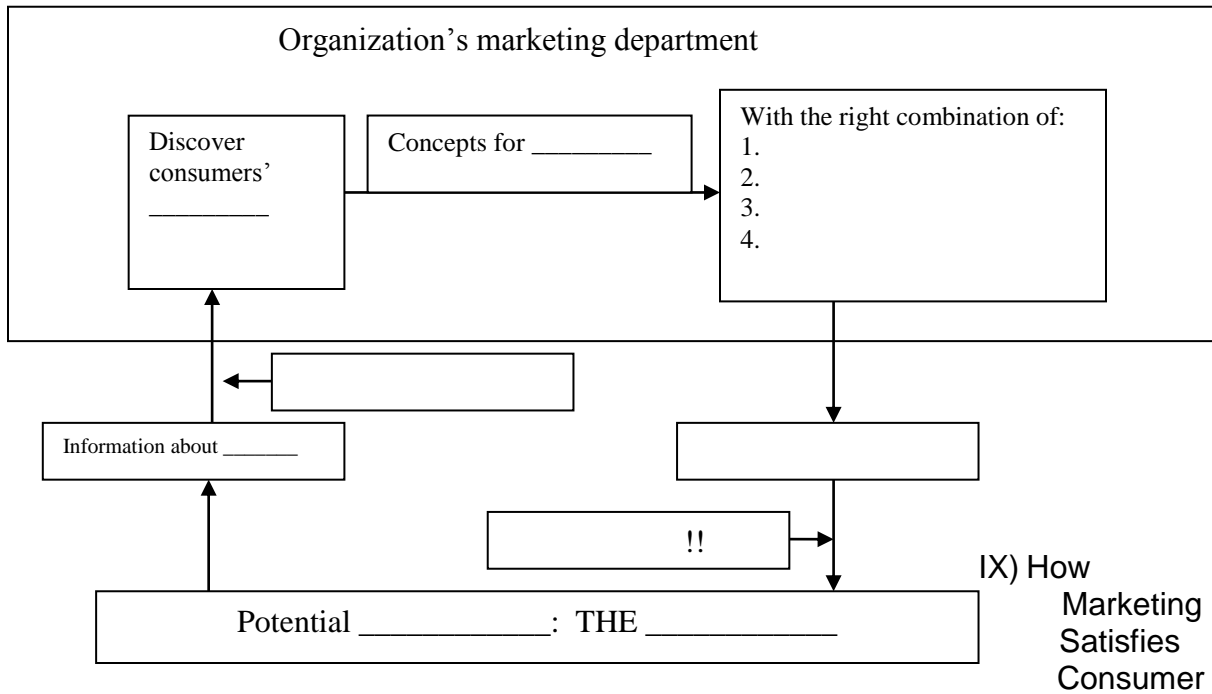
- a) Consumer NEEDS come from \_\_\_\_\_
  - i) These are basic to life and society and include the need for food and shelter, the need to be safe, the need to belong and be loved, etc.
- b) Consumer WANTS are ways to satisfy \_\_\_\_\_ that are shaped by \_\_\_\_\_, \_\_\_\_\_, and personality.

VII) What is a Market?

- a) The MARKET is the set of all \_\_\_\_\_ and \_\_\_\_\_ buyers of a product.
- b) Implications of the definition (MAD)
  - i) \_\_\_\_\_
    - "Something of value to exchange"
  - ii) \_\_\_\_\_
    - "Ability to engage in an exchange"
  - iii) \_\_\_\_\_
    - "Desire to engage in an exchange"

VIII) Marketing seeks to discover then satisfy consumer needs through research and a marketing program (see text, page 10, Figure 1-3 and below) Marketing

seeks to discover then satisfy consumer needs through research and a marketing program.



Needs, Wants, and Desires

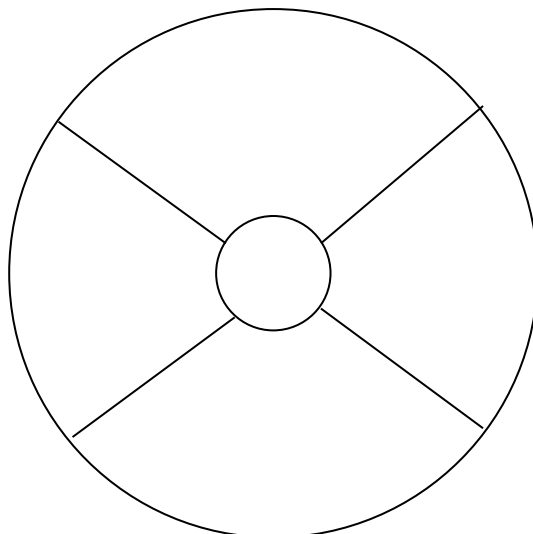
a) We cannot be “all things to all people” so we must \_\_\_\_\_ our marketing efforts on one or more specific groups of consumer, our \_\_\_\_\_.

X) The Marketing Mix

a) The Marketing Mix represents the \_\_\_\_\_ have to satisfy consumers' needs wants and desires.

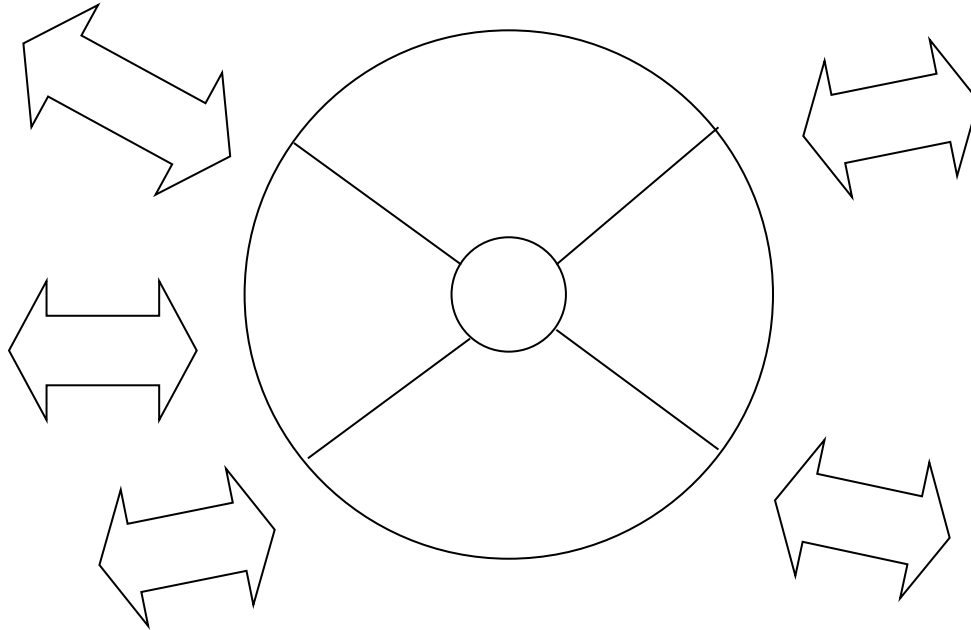
b) This consists of the 4 P's of the Marketing Mix

- i)
- ii)
- iii)
- iv)



- c) Most of a firm's marketing efforts involve the \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ of the marketing mix.

XI) Important Factors in the Marketing Environment (CREST)



XII) Satisfaction through Value

- a) \_\_\_\_\_ is unique combination of benefits received by targeted buyers that includes quality, convenience, on-time delivery, and both before-sale and after-sale service at a specific price.
- b) Tim Apel – AAA Mobile Homes on “Creating Value”
- i) Create Value through our \_\_\_\_\_ and
  - ii)
  - iii) To provide \_\_\_\_\_ and \_\_\_\_\_
  - iv) Consumers are getting \_\_\_\_\_
- c) Example of “Satisfaction through Value”: "Across many industries, we've seen that the retailers that grow \_\_\_\_\_ ratings the fastest have greater sales growth," says Chris Denove of J.D. Power and Associates. "Prices have come down dramatically on electronics items, and at the same time, the complexity of the products has increased. Expert advice is more important than ever."

### XIII) Some Value Strategies

- a) Best \_\_\_\_\_
- b) Best \_\_\_\_\_
- c) Best \_\_\_\_\_
- d) What is "BEST?" It depends on \_\_\_\_\_ firm's missions and objectives, \_\_\_\_\_ competitive situation, \_\_\_\_\_ environment, and \_\_\_\_\_ customers!

EXAMPLE: Douglas Conant, Pres. & CEO Campbell's Soup Co.

- Reversed a decline in \_\_\_\_\_
- Stressed products that rank No. 1 or No. 2 in the key categories of simple meals, baked snacks and veggie-based drinks
- Dropped \_\_\_\_\_ brands, such as Godiva chocolates
- Focused on healthier for soups, V8 drinks and Pepperidge Farm snacks, and has pushed creating products that scream value, nutrition and convenience
- Says there are four "musts" for consumer products: (1) value, (2) wellness, (3) quality and (4) convenience

Fred Hunt...A VALUE Strategy Delivering VALUE to the customer at Sherwin Williams

- i) For the marketer, Value IS " \_\_\_\_\_ . "
- ii) It is the way to \_\_\_\_\_.
- iii) PRODUCTS may be similar, but...the difference is in the "brand promise"
- iv) \_\_\_\_\_, \_\_\_\_\_, Reliability, Selection, "The Best"
- v) Get it done \_\_\_\_\_!
- vi) Deliver on \_\_\_\_\_

VALUE THROUGH PRICING Example

XIV) Relationship Marketing

- a) **Relationship marketing** links the organization to its individual customers, employees, suppliers, and other partners for their mutual long-term benefits.

Lowe's example: <http://maximizesocialbusiness.com/lowes-sustaining-customer-relationships-12506/>

- b) Creating Value for Customers (Rob Felber -- Felber & Felber Marketing Services)

- i) Be a \_\_\_\_\_ for them
- ii) Be an \_\_\_\_\_ to them
- iii) Be there when \_\_\_\_\_
- iv) Provide a \_\_\_\_\_ for them

XV) The Evolution of the Market Orientation – Marketing Management Philosophies

- a) Production concept

- i) Assumes consumers want products that are \_\_\_\_\_
- ii) Implies management should focus on improving \_\_\_\_\_ and \_\_\_\_\_
- iii) Useful when:

(1)

(2)

- b) Product Concept

- i) Assumes consumers want products that offer the most \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.
- ii) Implies the firm should make continuous \_\_\_\_\_.
- iii) Places the focus on the \_\_\_\_\_, not on the \_\_\_\_\_.

c) Selling Concept

i) Assumes consumers will not buy enough \_\_\_\_\_ unless there is a strong \_\_\_\_\_ and \_\_\_\_\_.

ii) Useful for

(1)

(2) Industries with \_\_\_\_\_ who must

d) The Marketing Concept

i) Assumes that achieving the organization's goals depends on determining and satisfying \_\_\_\_\_ more \_\_\_\_\_ and \_\_\_\_\_ than competitors.

ii) An organization should seek to make a profit by serving the needs of \_\_\_\_\_,

The Marketing Concept in B2B markets -- Muller..how we create value for our customers at Timken

a) Our Vision = Create \_\_\_\_\_

b) For example, helping the \_\_\_\_\_ to \_\_\_\_\_ and increase their \_\_\_\_\_

c) Using our equipment, technology, and knowledge...

d) BEYOND just \_\_\_\_\_

iii) Three parts to the concept:

(1) The satisfaction of consumers' \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

(2) at a \_\_\_\_\_

(3) through an \_\_\_\_\_ within the firm.

#### MICHELLE SKINN – What is Marketing?

a) Understanding consumers' \_\_\_\_\_ and the consumers' \_\_\_\_\_ are \_\_\_\_\_

b) It is not about US or our direction, but about \_\_\_\_\_; who will use it, who will purchase it

c) How can you \_\_\_\_\_?

#### iv) NOTES:

(1) Firms must identify and satisfy \_\_\_\_\_ AND continue to do so!

(2) Competition FORCES sellers to focus on \_\_\_\_\_.

(3) Consumers must be seen in the context of all \_\_\_\_\_ factors (managers must also have a “market orientation”).

#### e) The Societal Marketing Concept

i) Assumes that customer satisfaction should be delivered in a way that \_\_\_\_\_ the consumer's and society's well-being. (a customer's wants/needs may be at odds with what is good for society)

ii) Relates to the Ethics of doing business.

Patagonia Example: ***Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis. –Patagonia's Mission Statement***



f) The Customer Relationship Era

- i) \_\_\_\_\_ Orientation
- ii) \_\_\_\_\_ Management
- iii) \_\_\_\_\_ Experience

XVI) Marketing and:

a) Synergy

- i) Managers must create marketing tactics that \_\_\_\_\_  
\_\_\_\_\_
- ii) They must \_\_\_\_\_ implementation.

b) Hypercompetition

- i) Competitive Advantages do not \_\_\_\_\_. Customer \_\_\_\_\_ and \_\_\_\_\_ require innovation, cost advantages, and quality enhancements.
- ii) Changes create new \_\_\_\_\_, with new \_\_\_\_\_.

c) Cross Functional Decision Making Teams

- i)

XVII) The Breadth and Depth of Marketing

a) Who Markets?

- i) Manufacturers
- ii) Retailers
- iii) Service Providers
- iv) Nonprofit Organizations
- v) Government
- vi) And YOU! (e.g., How to Market Yourself at <http://www.allaboutcareers.com/careers-advice/looking-for-a-job/how-to-market-yourself> )

b) What is Marketed?

- i) Products
- ii) Services
- iii) Ideas
- iv) Places
- v) People

VIDEO Commercial EXAMPLES – (a) Who is Doing the Marketing? (b) What is being Marketed? TAKE NOTES ON THESE EXAMPLES!

- c) Who Buys?
- i) Organizations (B2B)
  - ii) Ultimate Consumers (B2C)

d) Why buy? How consumers benefit:

Marketing creates UTILITY; *Utility* is the satisfaction, value, or usefulness a user receives from a good or a service.

- i) \_\_\_\_\_ – [Ben & Jerry's](#) turns cream, sugar and milk into ice cream
- ii) \_\_\_\_\_ – An ice cream truck brings yummys to your neighborhood
- iii) \_\_\_\_\_ – Your Walmart Supercenter is open 24 hours a day, 365 days a year...you can get ice cream anytime you want it
- iv) \_\_\_\_\_ -- Consumer value is created by allowing easy transferring of a product's ownership. Time payment, leasing, credit, and debit card purchase strategies can be important in making a product more attractive to a consumer.

(Additional Information)

- The role of the Chief Marketing Officer <http://www.marketingprofs.com/8/for-whom-the-bell-tolls-the-cmo-patterson.asp?adref=znnpbsc418>

## Chapter 2: Developing Successful Marketing and Organizational Strategies

HP example: **Where's HP going?**

I) Strategic Planning

- a) If you don't know where you are going, you will \_\_\_\_\_
- b) By failing to prepare, you are preparing \_\_\_\_\_

II) Corporate Strategy

- Corporate strategy is used by \_\_\_\_\_, whether profit or non-profit, manufacturer or service, entrepreneurship or a global corporation.

III) Marketing Strategy

- a) Selecting and analyzing a \_\_\_\_\_ market and
- b) creating and maintaining an appropriate \_\_\_\_\_ mix to
- c) deliver a unique \_\_\_\_\_ experience
- d) while achieving organizational \_\_\_\_\_.
- e) Whether you are a profit or a nonprofit organization, you need to have a \_\_\_\_\_ to set your direction and achieve your goals.

#### IV) Three levels of Strategy in Organizations



(see text page 27, Figure 2-1, The board of directors oversees the three levels of strategy in organizations: corporate, business unit, and functional)

#### V) Organizational Structure

##### a) Corporate

- i. The “C” level; \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_
- ii. Top management sets and \_\_\_\_\_ the overall strategy for the firm
  - How does this work for our entrepreneurs?
    - Tim Apel, AAA Homes
    - Rob Felber, Felber & Felber Marketing
    - Gary Trinetti, Garick
  - Which of our guest faculty are at the “C” level?
    - Dan Muller, Timken?

##### b) Strategic Business Units ( SBU's )

- i. A division, \_\_\_\_\_, or profit center
- ii. Selling a distinct set of \_\_\_\_\_  
to a specific \_\_\_\_\_

against well-defined \_\_\_\_\_.

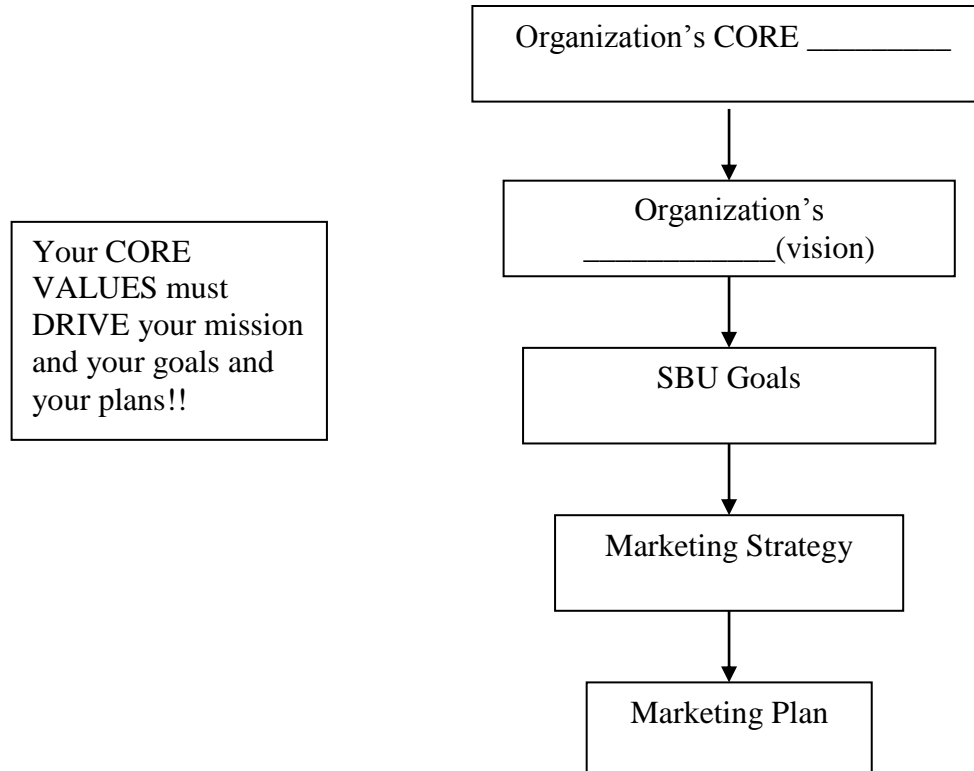
- iii. SBU's operate in markets that have \_\_\_\_\_, growth rates, opportunities/threats, competition, and profit potential
- iv. So, planners must be \_\_\_\_\_ about these in doing planning, in allocating resources, and in performing evaluations

e.g., Don Kosec:

#### VI) Functional/Department Level

- Strategy can be made at three different level:
  - a) The Corporate Level
  - b) The Strategic Business Unit level
  - c) The functional or department level
    - i. Department input and role:

#### VII) Levels of Strategic Market Planning



VIII) Mission Statement

- a) The mission statement should be a clear and succinct representation of the enterprise's purpose for existence. It should incorporate criteria addressing concepts such as the moral/ethical position of the enterprise, public image, the target market, products/services, the geographic domain and expectations of growth and profitability.
- b) The \_\_\_\_\_ of the Mission Statement should be the first consideration for any employee who is evaluating a strategic decision.

c) Example – Mission/Vision at Timken

- i. WAS the “ \_\_\_\_\_ ”
- ii. BUT that put them in a “ \_\_\_\_\_ ”
- iii. NEW: \_\_\_\_\_ --Allows “out of the box thinking!”
- iv. For customers who are WILLING TO PAY for the \_\_\_\_\_ we create.
- v. REMEMBER: “ \_\_\_\_\_ ?”

d) Valerie on Mission

Our \_\_\_\_\_ GUIDES our business activities and what \_\_\_\_\_ we will take on.

IX) Goals or Objectives—Be “S.M.A.R.T.”

- i. S
- ii. M
- iii. A
- iv. R
- v. T

- 1) Time Warner Business Services Goal is to “Keep our business \_\_\_\_\_ 25% per year”

Time Warner video:

X) Types of Goals

- a) Profit
- b) Sales Targets
  - i. In Dollars
  - ii. In Unit Sales
- c) Market Share (our percent of the market)
- d) Quality
  - i. High? Acceptable?
- e) Customer Satisfaction
- f) Efficiency
- g) Employee Welfare
- h) Social Responsibility
  - i. Example—Portage County Health Services:

XI) Setting Strategic Directions

- a) Three and ½ C's of where we are NOW.

i. Our \_\_\_\_\_

1) \_\_\_\_\_ (our Unique Selling Proposition)

ii. Our \_\_\_\_\_

iii. Our \_\_\_\_\_

- b) Where do we want to go? Do we want to:

i.

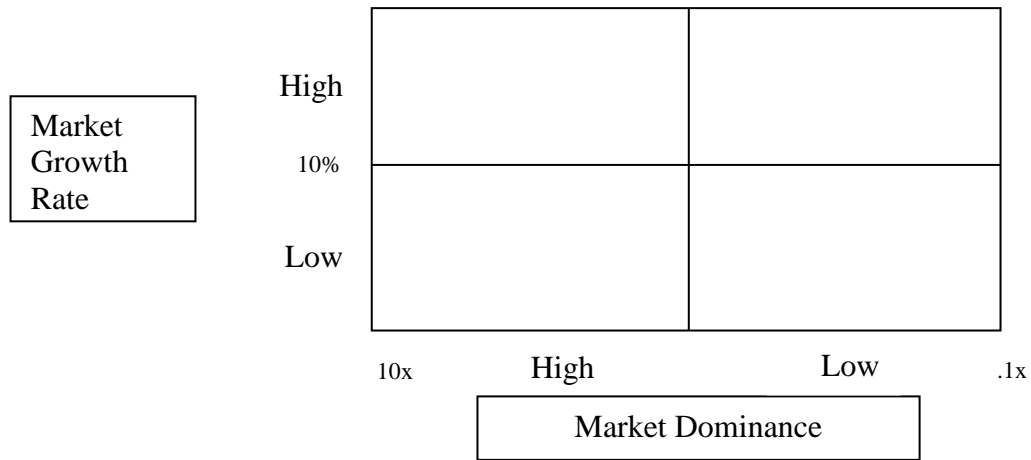
ii.

iii.

iv.

- Use Portfolio Analysis to help figure it out

XII) Product Portfolio Models – The Boston Consulting Group



a) Cash Cows

i. Dominant in Low Growth Market

- 1) Low \_\_\_\_\_ Sales
- 2) Strong \_\_\_\_\_
- 3) Generate \_\_\_\_\_ Cash Flow
- 4) Do NOT require \_\_\_\_\_ to be Reinvested
- 5) Profits flow to Appropriate \_\_\_\_\_



b) Problem Children

i. Low Market Share in High Growth Market

- 1) High \_\_\_\_\_
- 2) Weak \_\_\_\_\_
- 3) Typically, require additional  
\_\_\_\_\_



c) Star

i. Dominant in High Growth Market

- 1) High \_\_\_\_\_
- 2) Profitable, but \_\_\_\_\_
- 3) Requires \_\_\_\_\_
- 4) Will be \_\_\_\_\_





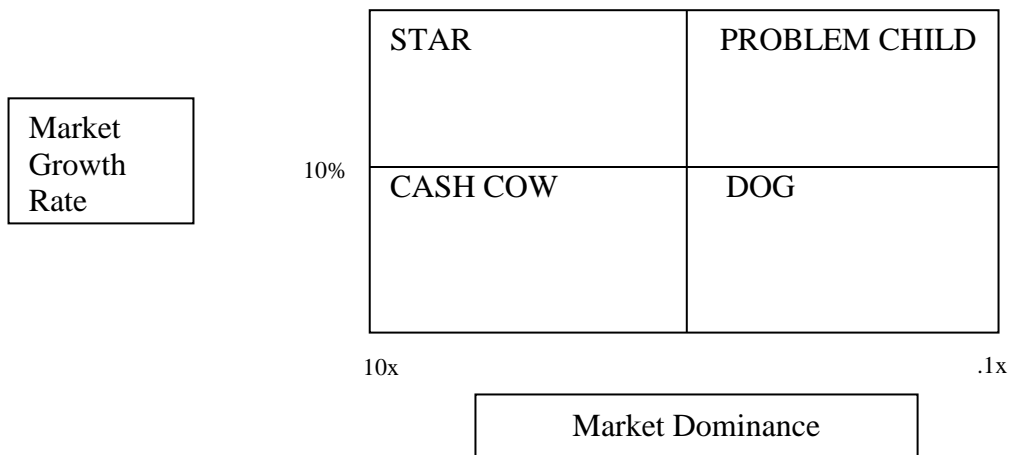
d) Dogs

i. Low Market Share in Low Growth Market

- 1) Low \_\_\_\_\_
- 2) Weak \_\_\_\_\_
- 3) Typically, generate \_\_\_\_\_
- 4) Not a good candidate for \_\_\_\_\_



Example -- The BCG MODEL and Coca-Cola



XIII) Product Portfolio Models – The Directional Policy Matrix

		Competitive Position		
		STRONG	Medium	weak
Market Attractiveness	HIGH	Maintain Leadership	Challenge the Leader	Overcome, Niche, or Quit
	Medium	Challenge the Leader	Manage for Earnings	Harvest
	low	Cash Generator	Harvest	Divest

#### XIV) Tracking Strategic Directions with Marketing Dashboards

- a) What are they?
  - i. the visual display on a single computer screen of the essential information related to achieving a marketing objective.

#### Example – Jim Wise -- Marketing Dashboards at Don Joseph Toyota

- a We can actually get \_\_\_\_\_ information.
  - b But, with good \_\_\_\_\_ we can get the information we need!
  - c How many \_\_\_\_\_
  - d Where are they in the \_\_\_\_\_
  - e Did they \_\_\_\_\_
  - f Did we get \_\_\_\_\_
  - g Dashboards make it easy to \_\_\_\_\_
- b) iDashboards – Driving Business Decisions (<http://www.idashboards.com/>)

#### Example – Using Dashboards at Don Joseph Toyota for Media Effectiveness

- i). One use is to measure \_\_\_\_\_.
  - ii). What \_\_\_\_\_ of media influenced the customer?
- c) Using data to take \_\_\_\_\_

#### XV) The Strategic Marketing Process

- a) Situation Analysis with \_\_\_\_\_
  - i. Internal Factors
    - 1)
    - 2)
  - ii. External Factors
    - 1)
    - 2)

#### Example: Fred Hunt on the Importance of SWOT

- 1. Few \_\_\_\_\_ from the \_\_\_\_\_ are used more than the SWOT analysis

2. When you talk strategy, you go back to \_\_\_\_\_ to ask the deep \_\_\_\_\_!
3. From the analysis you can develop appropriate \_\_\_\_\_

b) ACTIONS based on SWOT:

Location of Factor	Type of Factor	
	FAVORABLE	UNFAVORABLE
Internal	Strength	Weakness
External	Opportunity	Threat

See <http://www.cnbc.com/2017/05/10/wal-marts-jet-com-tests-fresh-grocery-concept-in-new-york.html>

c) Market-Product Focus and Goal Setting

- i. \_\_\_\_\_
  - 1) IDENTIFY groups of buyers who (a) have common needs and (b) will respond differently to a marketing effort
- ii. \_\_\_\_\_
  - 1) SELECTION of one or more segments and developing a marketing plan to serve them
- iii. Jumbo Shrimp Marketing Example (the video)
  - Most Big Businesses began small;
  - Nike, Dell, Starbucks,
  - Is Bigger Always Better?
  - Get Bigger by ACTING smaller!

Marketing Rules for How to get BIG by acting smaller!

- #1 Be the \_\_\_\_\_
- #2 LOVE \_\_\_\_\_
- #3 Passion \_\_\_\_\_
- #4 Treat \_\_\_\_\_
- #5 Redefine \_\_\_\_\_

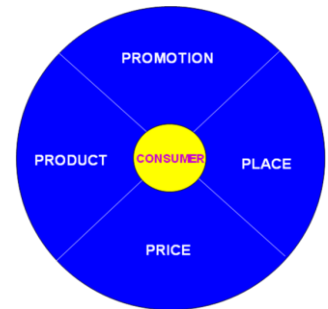


View “Jumbo Shrimp Marketing” at [http://www.youtube.com/watch?v=UApCcRqu\\_Xo](http://www.youtube.com/watch?v=UApCcRqu_Xo)

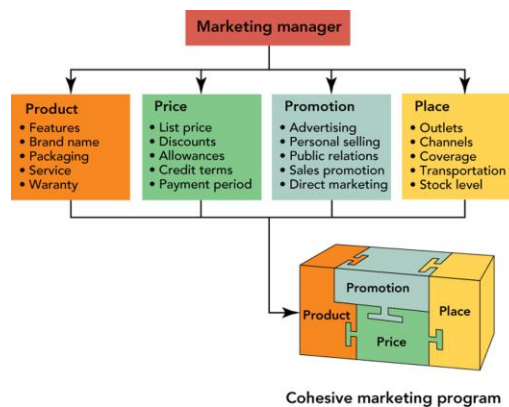
Farmers National Bank, Mahoning Valley’s leading community bank example.

d) The Marketing Program (the 4 P’s of the \_\_\_\_\_)

- i. Product Strategy
- ii. Price Strategy
- iii. Promotion Strategy
- iv. Place (Distribution) Strategy



e) See Text page 43, Figure 2-8 The Elements of the Marketing Mix MUST be blended to produce a COHESIVE marketing program!



XVI) Implementing the Marketing Plan

- a) Obtain Resources
- b) Design the Marketing Organization
- c) Develop the Schedules
- d) Execute the Marketing Program

XVII) Evaluating the Results – Muller at Timken

- a) \_\_\_\_\_ used to create communities of interest on Key Performance Indicators
- b) Available \_\_\_\_\_
- c) Reviewed in Monthly \_\_\_\_\_
- d) Everyone goes through the \_\_\_\_\_
- e) People pay attention to \_\_\_\_\_!!

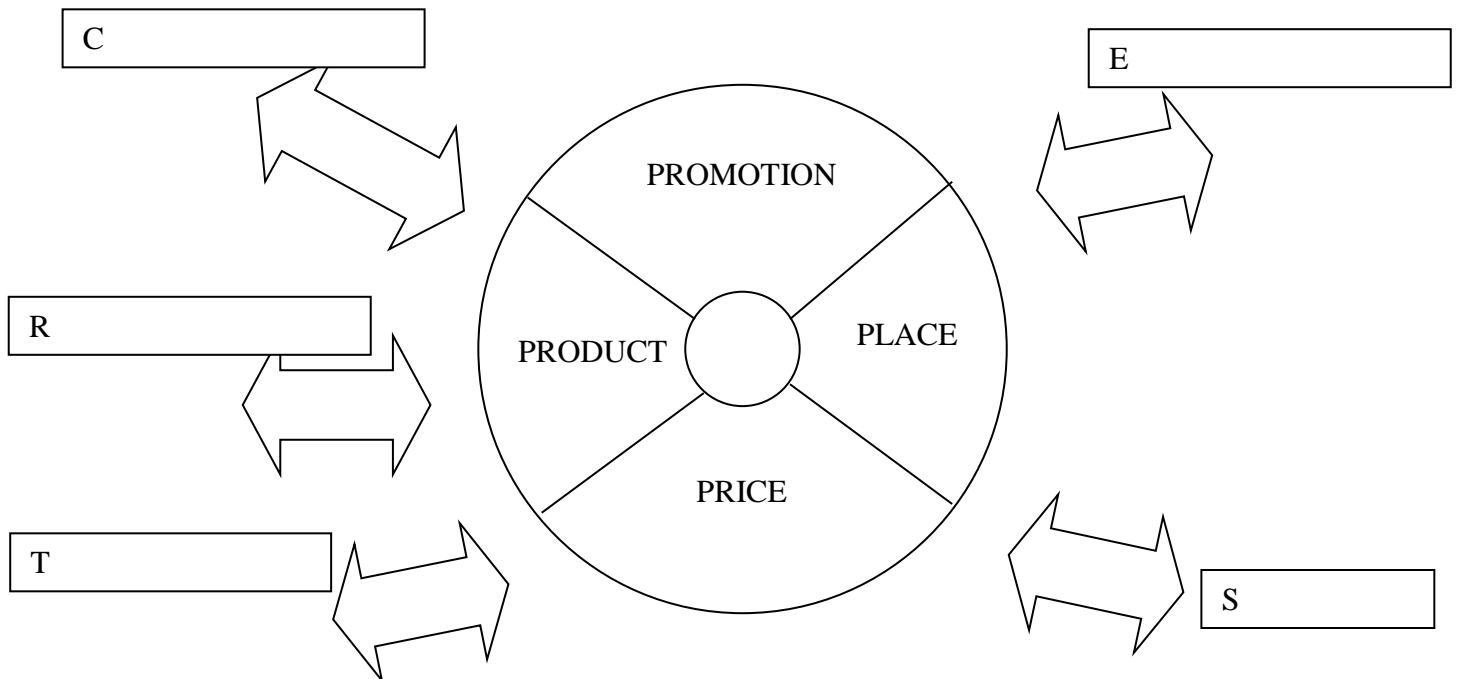
## Chapter 3: Scanning the Marketing Environment

### I) Environmental Scanning

a) The process of continually acquiring information on events occurring outside the organization to **identify** and **interpret** potential trends.

- i) Requires \_\_\_\_\_ and \_\_\_\_\_
- ii) Intelligent \_\_\_\_\_ and \_\_\_\_\_ of the information

### II) Environmental Factors Affecting the Organization (CREST)



### III) Social Forces

a) Factors in a society that bring about changes in attitudes, beliefs, norms, customs and lifestyles.

- i) These affect how people live AND \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ they buy.

### IV) Demographics (a social force)

a) A population's characteristics such as age, gender, ethnicity, income, and occupation.

- i) World POPClock <http://www.census.gov/population/popclockworld.html>
- ii) Poodwaddle <http://www.poodwaddle.com/Stats/ - Population2>

b) Generational Cohorts (from the text)

- i) Baby Boomers: 1946-1964

- ii) Generation X: 1965-1976
  - iii) Generation Y: 1977-1994
  - iv) Millennials: 1995+
- c) Generational Cohorts (more broadly than the textbook)
- i) The Greatest Generation: 1901-1945
    - a) Subset: The Depression Cohort – 1912 – 1921
    - b) Subset: The World War II Cohort – 1922 – 1927
    - c) Subset: The Post-War Cohort – 1928 – 1945
  - ii) Baby Boomers: 1946 – 1964
    - a) Leading-Edge - 1946 to 1955
    - b) Trailing-Edge – 1956 to 1964
  - iii) Generation X: 1965 – 1980
  - iv) Generation Y (Millennial Generation): 1981–1995 (or 2000)
  - v) Generation Z: 1996 (or 2000) – 2010
    - iGen, Gen Tech, Digital Natives, Net Gen
  - vi) Generation Alpha? (since 2010)
- d) Generational Marketing -- These cohorts represent potential \_\_\_\_\_ with differing needs, wants, desires, values, etc.
- i) Greatest Generation - Depression Cohort/G.I. Generation - Born 1912 – 1921 and age 96+ in 2017. This group's coming-of-age experience consisted of economic strife, elevated unemployment rates and having to take menial jobs to survive. \_\_\_\_\_ what they lacked most when coming of age, rules their thinking. Not a key target audience now, but their \_\_\_\_\_ have influenced marketing.
  - ii) Greatest Generation – Silent Generation or World War II Cohort - Born 1922 – 1927 and age 90-95 in 2017. This cohort was focused on defeating a common enemy, and their members are more team-oriented and \_\_\_\_\_ than those of other generational cohorts. In terms of communication, this cohort prefers \_\_\_\_\_ media for information.
  - iii) Post-War Cohort - Born 1928 – 1945 and aged 72-89 in 2017. A time of remarkable economic growth and social tranquility. EXAMPLE - The Vermont Country Store:
- iv) Leading-Edge Baby-Boomer Cohort - Born 1946 to 1955 and age 61-70 in 2016. They are very aware of their cohort grouping, and they are very self-assured and \_\_\_\_\_.

They hate being considered \_\_\_\_\_.  
Appeal to them with references to being \_\_\_\_\_, the opportunities of retirement and beyond, and their seniority.

Video Example:

A company that is success with Baby Boomers is \_\_\_\_\_.

v) Trailing-Edge Baby Boomer Cohort - Born 1956 to 1964 and age 52-60 in 2016. This group witnessed the fall of Vietnam, Watergate, and Nixon's resignation.

These individuals are far less \_\_\_\_\_ about their financial future than Leading-Edge Boomers.

Baby Boomer Cohort as Grandparents:

vi) Generation X Cohort - Born 1965 – 1980 and age 36-51 in 2016. These are the latchkey children of the '80s.

These are the latchkey children of the '80s, and have received the most \_\_\_\_\_ publicity. Perhaps because many have seen first-hand the trauma of divorce, this cohort has delayed marriage and children, and they don't take those commitments lightly.

This group shows a spirit of \_\_\_\_\_.

They accept \_\_\_\_\_ and put quality of personal life ahead of work life.

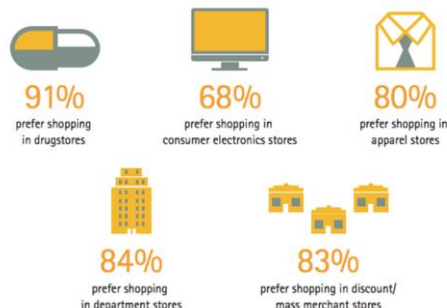
Reaching Gen-Xers is complicated:

Their experiences have made them into independent, resourceful, and family-oriented adults.

VIDEO EXAMPLE:

vii) The Millennial Generation Cohort - Born 1981 to 1995 (or 2000) – Aged 21-35 in 2016. They are also known as "Gen Y."

In 2015, the "Millennial" generation became the nation's \_\_\_\_\_.



By 2020, projections are that millennial spending in the United States will grow to \_\_\_\_\_ trillion annually and represent \_\_\_\_\_ of total retail sales.

--Trusts \_\_\_\_\_ more than customary marketing.

--Make \_\_\_\_\_ a large feature of your service or product page.

--Encourage your customers to submit user-generated content through contests or discounts.

--They value \_\_\_\_\_ over possessions.

EXAMPLES:

### Impact of Generation Preferences (and Technology) – Don Kosec



CRAIG BLANKENHORN /HBO, VIA ASSOCIATED PRESS



ERIC MCCANDLESS/ABC

Millennials (born 1980-1995)		Generation Z (born 1996-2010)	
<b>TV ICON</b>	Hannah Horvath, "Girls"	Alex Dunphy, "Modern Family"	
<b>MUSIC</b>	Lady Gaga	Lorde	
<b>SOCIAL MEDIA</b>	Facebook	Snapchat, Whisper	
<b>WEB STAR</b>	PewDiePie, YouTube	Lele Pons, Vine	
<b>STYLE INFLUENCER</b>	Olsen twins	Tavi Gevinson	
<b>CLOTHES</b>	American Apparel	Shop Jeen	
<b>FIRST GADGET</b>	iPod	iPhone	

viii) Generation Z - Born 1995 (or 2000) – 2010 and age 7 to 21 (ish) in 2016.

Generally thought to be \_\_\_\_\_.

Most of Gen Z prefers a \_\_\_\_\_ and "LCD Screen" life-style.

Generation Z calls their own shots--they refuse to be \_\_\_\_\_.



They are \_\_\_\_\_ their own experiences from fashion to entertainment to communication.

Their role models are young, everyday characters like The Hunger Games' Katniss Everdeen, who face seemingly inescapable scenarios but rise above them to \_\_\_\_\_.

To appeal to Gen Z, Taco Bell has "leaned in to emerging platforms, including \_\_\_\_\_; built campaigns around cultural moments, such as " \_\_\_\_\_"; and continued to embrace food mashups.

ix) PLUS the newest cohort – Generation Alpha - Born 2010 through today and age newborn to 6 in 2016.

Promises to be the most highly \_\_\_\_\_, \_\_\_\_\_ and technologically proficient generation to live so far.

They are expected to be socially and ecologically \_\_\_\_\_.

For now, \_\_\_\_\_ will be making most of their buying decisions and their \_\_\_\_\_ will be the parent calling the spending shots

To Reach Generation Alpha Parents:

Be \_\_\_\_\_ and personalize products.

Embrace and promote \_\_\_\_\_.

Don't ignore the \_\_\_\_\_.

#### V) Social Forces

a) Marital Status

b) Cohabitation

c) Blended Family

--What are the Characteristics of YOUR target market?

--How are they changing?

d) Racial and Ethnic Diversity (data as of 7/1/14)

i. \_\_\_\_\_ - population totaled 55.4 million.

-- Largest state (15 million): \_\_\_\_\_

-- Largest County (4.9 million): \_\_\_\_\_

ii. \_\_\_\_\_ - population totaled 45.7 million.

-- Largest state (3.8 million): \_\_\_\_\_

-- Largest County (1.3 million): \_\_\_\_\_

iii. \_\_\_\_\_ - population totaled 20.3 million.

-- Largest state (6.3 million): \_\_\_\_\_

-- Largest County (1.7 million): \_\_\_\_\_

iv. \_\_\_\_\_ - population totaled 6.5 million.

-- Largest state (1.1 million): \_\_\_\_\_

-- Largest County (235,000): \_\_\_\_\_

NIKE Example:

e) Cultural Trends

i. Green Marketing!

ii. And...

“Healthy Living”

“Do-it-yourselfers”

“Adventurers”

“Cocooning” (stay home more with “creature comforts” – home networks, home theatres)

Patriotism

VI) Economic Forces

a) Economy

i) The factors relating to \_\_\_\_\_, expenditures, and resources that affect the \_\_\_\_\_ of running a business and a household

b) Macroeconomic Conditions

c) Consumer Income

i) Gross Income (amount earned in a year)

ii) Disposable Income (after taxes)

iii) Discretionary Income (after necessities)

iv) Marketing use of the data...ESRI Communities

[http://www.esri.com/data/esri\\_data](http://www.esri.com/data/esri_data)

d) Audio Example ECONOMIC FORCES: Auto Industry and economic forces

1. January 5, 2016 – “Report Card” for auto industry; \_\_\_\_\_ straight year of growth

2. Final sales for 2015 expected to exceed \_\_\_\_\_.

3. Cheap \_\_\_\_\_ boosted sales of trucks, SUVs and luxury vehicles.

4. Before the recession, car companies were addicted to the sales of big trucks and SUVs. When gas prices skyrocketed, they were slow to react and almost lost it all!

5. Today, with low gas prices, consumers are buying SUVs. Jeep was a big winner with sales up 40%. Hybrid and alternative vehicle sales took a hit.

6. The industry has learned a very basic economic lesson: Adjust production for \_\_\_\_\_ (DUH!).

7. Auto sales depend on (a) gas prices, (b) improved unemployment rate, (c) improved consumer confidence, (d) low interest rates, and (e) credit.

Understanding CREST factors is IMPORTANT!

Video: Rob Felber, Felber & Felber's Response to Economic Forces

- a) We have been through \_\_\_\_\_
- b) This one is hitting \_\_\_\_\_!
- c) We learn if it affects our \_\_\_\_\_ it affects us...so we need to find ways to \_\_\_\_\_
- d) And we need foresight for the next change to \_\_\_\_\_ the change.

VII) Technological Forces

- a) Technology's Impact on Customer Choices and Their Views of "Value"
  - i) Reduced costs = customers focus on other attributes
  - ii) Introduction of new products
  - iii) Changes to production (e.g. increased use of recycling)
- b) Time Warner – Consistent Leader in Innovation
- c) Electronic Business Technology
  - i) Marketspace - an information and communication based electronic exchange environment, where physical boundaries no longer interfere with buy/sell decisions.  
 In a marketspace, information and/or physical goods are exchanged, and transactions take place through computers and networks
  - ii) Electronic Commerce
  - iii) Intranet
  - iv) Extranets

Video Example: An expert manager's reaction to the impact of technological changes on a traditional business

1. How have \_\_\_\_\_
2. Recognize the fact then
3. \_\_\_\_\_????
4. Teaching Point:  
 This is \_\_\_\_\_ what some \_\_\_\_\_ DO!

## VIII) Competitive Forces

### a) Competition

Other firms/organizations/people that want to take your customers/clients from you by providing better need satisfaction than you do, can, or care to.

NOTE: Your success will come from finding a better way to \_\_\_\_\_ (i.e., from a “competitive advantage”). NOT from your “need” to \_\_\_\_\_ (which is the wrong focus)

### b) Alternative Forms of Competition

#### i) Pure Competition

- (1) Large number of sellers
- (2) Similar Products
- (3) Distribution is very important

Example:

#### ii) Monopolistic Competition: many competitors in the market and no one firm has significant control over the market price. Each company produces a similar product but differentiation is possible.

- (1) Large number of sellers
- (2) Products are unique, but substitution can occur
- (3) Pricing is important

Examples include \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, shampoos, toilet paper.

#### iii) Oligopoly: market is dominated by a small number of sellers.

- (1) A few large competitors
- (2) Products are relatively similar
- (3) Promotion is the key to demonstrate product differences

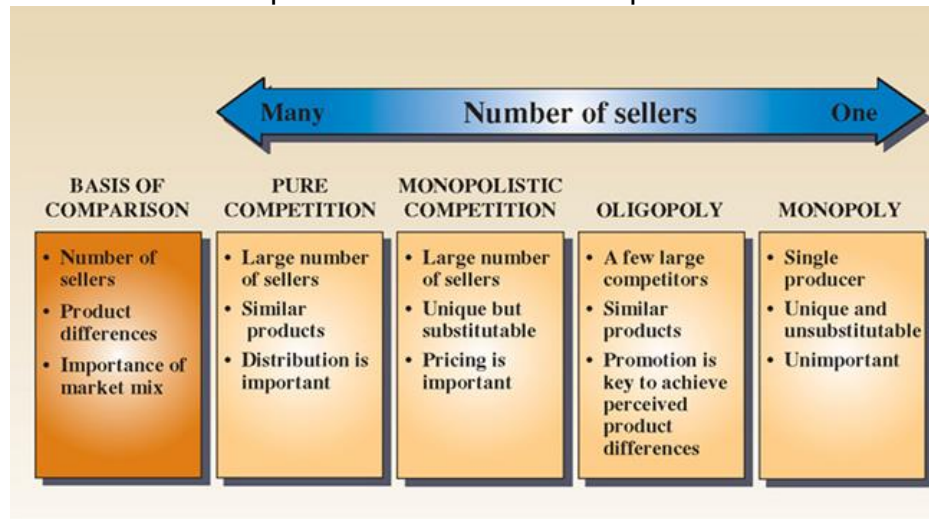
Examples:

#### iv) Pure Monopoly

- (1) A single producer
- (2) A unique and unsubstitutable product
- (3) The marketing mix is not an important factor

Examples:

Graphic: A continuum of competition



c) Types of Competition

- Consumers have \_\_\_\_\_
- Companies compete for these \_\_\_\_\_

i) At the Brand level -- Brand Competition

Selling the same type of product that you do (e.g., Colgate or Crest?)

ii) At the Product level -- Substitute Product Competition

Offers consumers a choice of how to spend their dollars within a broad product category (examples):

iii) At the Company level – (examples):

iv) HOW does a firm successfully compete?

(1) YOUR goal is to find a \_\_\_\_\_

\_\_\_\_\_

“If you went out of business, would anyone \_\_\_\_\_ you?”

(2) Having gained it, you must \_\_\_\_\_

d) Response to Competitive Trend

Audio Example -- Italy “allows” wine in boxes!! What changed their minds?

(1) Realization that they would NOT be able to \_\_\_\_\_ in a global market without \_\_\_\_\_ some traditional restrictions.

(2) Boxed wine is the \_\_\_\_\_

(3) NOT for the \_\_\_\_\_

(4) Northern Europe is \_\_\_\_\_ of the market!

(5) In the U.S. \_\_\_\_\_ to \_\_\_\_\_ of market.

(6) It is \_\_\_\_\_ to produce

IX) Political and Legal Forces (see the textbook)

a) Monetary and Fiscal Policies

- e.g., Government Spending

b) Social Legislation and Regulation

- e.g., Antipollution Laws

c) To Regulate Competition

- e.g., Rules on monopolies and restraint of trade

d) To Protect Consumer

- e.g., Regulation of Food and Drug Labels

## Chapter 4: Ethical and Social Responsibility in Marketing

- I) Ethics
- a) The \_\_\_\_\_ and \_\_\_\_\_ that guide the actions and decisions of an individual or a group
- II) Business Ethics
- a) involves what is right and wrong in the workplace...and doing right.
- *Unethical business behavior can get you investigated, fired or \_\_\_\_\_!*
- III) Business Ethics: WHO NEEDS IT?
- a) "NO ONE" Because:
- It's religion, not business.
  - Our people ARE ethical.
  - It's for philosophers.
  - It's Obvious--"Do Good"
  - It's preaching
  - It's just a recent fad.
  - Ethics can't be managed.
  - It's the same as "social responsibility."
  - If a firm is not in legal trouble, it's ethical.
  - Managing ethics has little practical relevance.
- b) Well, maybe....BUT
- Nestle's -- Infant formula
  - Beech-Nut -- watered apple juice
  - Manville -- asbestos & employees
  - E.F. Hutton -- kiting scheme
  - Union Carbide -- Bhopal, India
  - Enron -- Conflicts of Interest
  - Worldcom/MCI -- Inflated Accounting Reports
  - Martha Steward -- Insider Trading
  - Bernie Madoff -- First Jail, Then Bankruptcy for Madoff
  - Volkswagen -- Cheated emissions tests in the US.- \$\_\_\_\_\_ million settlement!
  - Wells Fargo -- Opened fraudulent customer accounts! \$\_\_\_\_\_ million fine and \$\_\_\_\_\_ million refund to customers; thousands laid off!
  - Nike -- Questionable Hiring Practices
- (1) The Background
- Nike has been heavily criticized for NOT being \_\_\_\_\_
  - Accusation: use of sweatshops and child labor overseas, and \_\_\_\_\_.
  - Accusation: targeting \_\_\_\_\_ by making shoes an expensive status symbol for poor urban street kids.

(2) Nike's Corrective Behavior

- (a) \_\_\_\_\_ and six-point plan ensures more socially responsible labor practices & commissioned an independent study of Nike factories abroad.
- (b) Created a huge \_\_\_\_\_ department and publishes a Corporate Responsibility Report.
- (c) The Nike Foundation works to unleash the unique potential of adolescent girls to end poverty for themselves and for the world.

IV) Figure 4-1 (text page 93) Four ways to classify marketing decisions according to ethical and legal relationships

- a) Unethical AND Illegal – DUH!
- b) Ethical AND Legal – Okay to consider
- c) Ethical but Illegal?
- d) Unethical but Legal?

	Illegal	Legal
Ethical		
Unethical		

V) Criticism of Marketing

- a) High prices
- b) Deceptive practices
- c) High-pressure selling
- d) Shoddy, harmful, or unsafe products
- e) Planned obsolescence
- f) Poor service to disadvantaged consumers
- g) WHEN THESE OCCUR, they have **impact on**
  - i)
  - ii)
  - iii) other businesses

VI) High Prices

- a) Causes:
  - i) High costs of \_\_\_\_\_ and \_\_\_\_\_
    - Consumers want convenience, they want lots of assortment, they want easy return privileges, etc.
  - ii) High \_\_\_\_\_ and \_\_\_\_\_ Costs



- Generic vs. Branded? ***Why such a difference between generic and branded product prices?***

Cancer Research Example:

- b) SO, markups that result in high prices often reflect services that customers WANT and are willing to pay for:
  - i) Convenience
  - ii) Image
  - iii) Safety
  - iv) Service
  - v) Return privileges, warranties

VII) Deceptive Practices

a) Deceptive Pricing

i)

b) Deceptive Promotions

i)

c) Deceptive Packaging

i)

d) Deceptive Practices lead to:

i) Legislation

e) Is Puffery Deception?

Puffery as a legal term refers to promotional statements and claims that express subjective rather than objective views, such that no \_\_\_\_\_ would take them literally.

f) Harm Business / Buyer Beware

VIII) High-Pressure Selling

a) Some people are trained to deliver

i) High-pressure selling persuades people to buy goods they had - \_\_\_\_\_ of buying

ii) High-pressure selling can occur because of prizes going to top sellers.

b) It DOES happen...

c) BUT, it is not "standard business practice"

i) High-pressure selling is \_\_\_\_\_ long-term relationships.

## IX) Unsafe Products

- a) Products that are not made well or services that are not performed well.
- b) Products that deliver little benefit or that may be harmful
- c) Unsafe products come from:
  - i) Manufacturer \_\_\_\_\_
  - ii) Increased \_\_\_\_\_
  - iii) Poorly trained \_\_\_\_\_
  - iv) Poor quality \_\_\_\_\_, and
  - v) Outright \_\_\_\_\_ people.

### Examples:

- Takata Airbag Recall
- Wal-Mart Pulling Children's Jewelry With Toxic Metals
- Salmonella problems in the food supply
- Chipotle sales and revenue plummet!

- d) Consumer Product Safety Commission provides HELP for consumers
  - i) Mission  
"To protect consumers against unreasonable risk of injury by developing voluntary and mandatory standards, banning dangerous consumer products, issuing recalls of products already on the market, and researching potential hazards associated with consumer products."  
<http://www.cpsc.gov/>
- e) Video: Apel on Safe/Quality Products
  - i) Fix \_\_\_\_\_ and fix them right
  - ii) Get products that provide the little features that consumers WON'T notice at first, but that they \_\_\_\_\_ later
  - iii) The result is a \_\_\_\_\_ who will be happy and who will come back and refer others!

## X) Planned Obsolescence

- a) Products needing replacement before they should because they are obsolete
- b) Producers who influence consumer concepts of \_\_\_\_\_.
- c) Intentionally holding back attractive functional features, then introducing them later to make old model obsolete.
- d) The case of the Apple iPhone
- e) Legislation
  - i) In 2015 legislation was passed in France that requires companies to outline the \_\_\_\_\_ of a product to consumers.

XI) Poor Service to Disadvantaged Consumers

- a) Poor are forced to shop in smaller stores where they \_\_\_\_\_ for \_\_\_\_\_ goods.
- b) “Redlining” by national chain stores occurs in disadvantaged neighborhoods.
  - i) Redlining charges have also been leveled against insurers, banking, health care providers and others.
- c) Poor are targeted for “rapid refunds.”

XII) Cultural Pollution

- a) Mass communication media is \_\_\_\_\_ and reaches outside target segment,
- b) But, \_\_\_\_\_ keeps the cost of radio and television free and magazines/newspaper down, and
- c) Consumers can opt for technologies or media that reduce or eliminate ads

XIII) Questionable Judgments in Advertising

- a) Example: Provocative ads for Clearasil upset parents.
- b) Are such ads:
  - i) Over the top?
  - ii) Unethical?
  - iii) Humorous? Funny?
- c) Should they be:
  - i) \_\_\_\_\_?
  - ii) \_\_\_\_\_?
  - iii) Or should \_\_\_\_\_ be the main influence?
- d) Clearasil's Response  
Our objective is to inform and entertain, not to \_\_\_\_\_. We have found that Clearasil consumers see this ad as we intended: a humorous and unrealistic presentation of an awkward family event.
- e) ...#MyCalvins example:
  - i) There are over 179,000 photos on \_\_\_\_\_ tagged #MyCalvins.
  - ii) These \_\_\_\_\_, authentic posts endorsing the brand are an extremely powerful way to interact with young people.
  - iii) and...I \_\_\_\_\_ in #MyCalvins  
--Not everyone is happy [video]:

Which is \_\_\_\_\_. If consumers don't agree, they should \_\_\_\_\_ the brands products.

iv) and...I \_\_\_\_\_ in #MyCalvins --More Controversy

v) Why do it? Because It \_\_\_\_\_:

The #MyCalvins campaign has led to significant growth on Calvin Klein's \_\_\_\_\_.

It has reached a global audience surpassing \_\_\_\_\_ million fans

f) PepsiCo Recycling -- Socially Responsible Marketing

i) Dream Machines

(1) PepsiCo: goal of increasing the U.S. beverage container recycling rate to \_\_\_\_\_%

(2) Dream Machines are \_\_\_\_\_ kiosks providing an easy, convenient and \_\_\_\_\_ way to recycle bottles and cans on the go.

(3) Users receive \_\_\_\_\_

XIV) Management's Response to the need to be ethical

a) Corporate Culture

i) Aveda example:

<http://www.aveda.com/discover/index.tpl#section=mission>

Our mission at Aveda is to care for the world we live in, from the products we make to the ways in which we give back to society. At Aveda, we strive to set an example for environmental leadership and responsibility, not just in the world of beauty, but around the world.

b) Codes of Ethics

c) Behavior of Top Management

i) Ombudsman for Ethics

d) MANAGING the ethical environment of your firm and its employees!

e) Video: Kosec – Ethics begins at the top!

i) If you are not ethical then I can't \_\_\_\_\_ or \_\_\_\_\_ you!

ii) We want \_\_\_\_\_ in our marketing

iii) MCI \_\_\_\_\_ as a result of unethical practices

- iv) Sarbanse-Oxley
- v) Ethics starts at the \_\_\_\_\_
- f) Video: Hunt on Ethics – It all starts at the top
  - i) Based on my experience it all \_\_\_\_\_.
  - ii) At Sherwin-Williams the \_\_\_\_\_ are exemplary and they emphasize this in all areas of the firm
  - iii) As a result, it is a \_\_\_\_\_

XV) Good ethics IS Good Business

- a) For shareholders
- b) For Employees
- c) For business partners
- d) For Customers/Clients
- e) And for Society!

Patagonia example:

- Patagonia lately has been urging its outdoorsy customers to " \_\_\_\_\_ " and question whether they really need that several-hundred-dollar new parka, even from Patagonia.
- The result? Patagonia's fans and customers are both joining the brand's sustainability cause—and buying more new parkas from Patagonia

XVI) AMA Ethics Statement

<http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx>

<http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx>

*PREAMBLE*

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members (practitioners, academics and students). Norms are established standards of conduct that are expected and maintained by society and/or professional organizations. Values represent the collective conception of what communities find desirable, important and morally proper. Values also serve as the criteria for evaluating our own personal actions and the actions of others. As marketers, we recognize that we not only serve our organizations but also act as stewards of society in creating, facilitating and executing the transactions that are part of the greater economy. In this role, marketers are expected to embrace the highest professional ethical norms and the ethical values implied by our responsibility toward multiple stakeholders (e.g., customers, employees, investors, peers, channel members, regulators and the host community).

***ETHICAL NORMS – As Marketers, we must:***

1. **Do no harm.** This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
2. **Foster trust in the marketing system.** This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.
3. **Embrace ethical values.** This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these

core values: honesty, responsibility, fairness, respect, transparency and citizenship.

### ***ETHICAL VALUES***

**Honesty** – to be forthright in dealings with customers and stakeholders. To this end, we will:

- ~Strive to be truthful in all situations and at all times.
- ~Offer products of value that do what we claim in our communications.
- ~Stand behind our products if they fail to deliver their claimed benefits.
- ~Honor our explicit and implicit commitments and promises.

**Responsibility** – to accept the consequences of our marketing decisions and strategies. To this end, we will:

- ~Strive to serve the needs of customers.
- ~Avoid using coercion with all stakeholders.
- ~Acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- ~Recognize our special commitments to vulnerable market segments such as children, seniors, the economically impoverished, market illiterates and others who may be substantially disadvantaged.
- ~Consider environmental stewardship in our decision-making.

**Fairness** – to balance justly the needs of the buyer with the interests of the seller. To this end, we will:

- ~Represent products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- ~Reject manipulations and sales tactics that harm customer trust.
- Refuse to engage in price fixing, predatory pricing, price gouging or “bait-and-switch” tactics.
- ~Avoid knowing participation in conflicts of interest.
- Seek to protect the private information of customers, employees and partners.

**Respect** – to acknowledge the basic human dignity of all stakeholders. To this end, we will:

- ~Value individual differences and avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way.
- ~Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
- ~Make every effort to understand and respectfully treat buyers, suppliers, intermediaries and distributors from all cultures.
- ~Acknowledge the contributions of others, such as consultants, employees and coworkers, to marketing endeavors.
- ~Treat everyone, including our competitors, as we would wish to be treated.

**Transparency** – to create a spirit of openness in marketing operations. To this end, we will:

- ~Strive to communicate clearly with all constituencies.
- ~Accept constructive criticism from customers and other stakeholders.
- ~Explain and take appropriate action regarding significant product or service risks, component substitutions or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
- ~Disclose list prices and terms of financing as well as available price deals and adjustments.

**Citizenship** – to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders. To this end, we will:

- ~Strive to protect the ecological environment in the execution of marketing campaigns.
- ~Give back to the community through volunteerism and charitable donations.
- Contribute to the overall betterment of marketing and its reputation.
- ~Urge supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

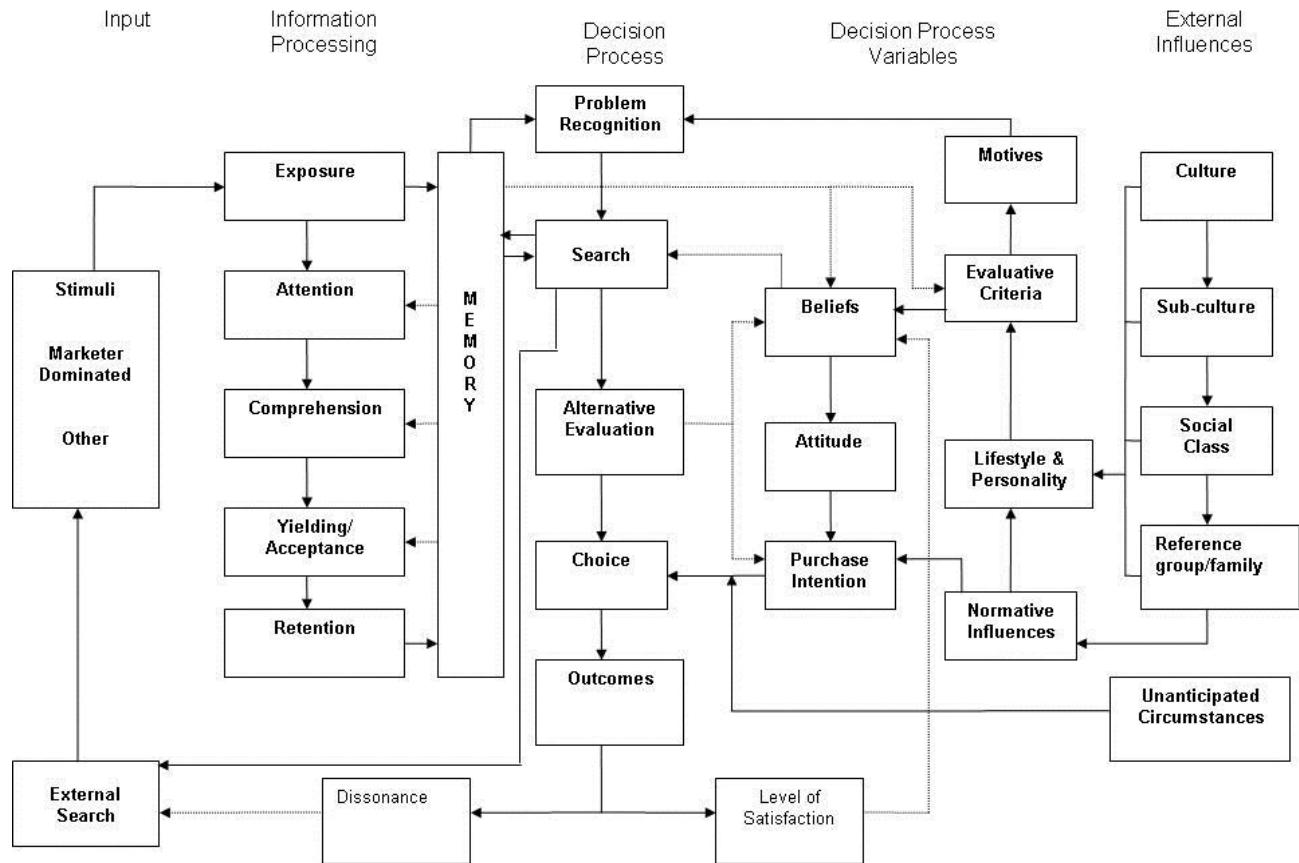
### ***IMPLEMENTATION***

We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders. We recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, Internet selling, direct marketing, and advertising) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed through links on the AMA Web site. Consistent with the principle of subsidiarity (solving issues at the level where the expertise resides), we encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these guiding ethical norms and values.

## Chapter 5: Understanding Consumer Behavior

- I) Video: Michele Skinn, on the importance of understanding consumers' motivations
- a) Learning the motivation is \_\_\_\_\_
  - b) Understand WHY the consumer would want to \_\_\_\_\_
  - c) or your \_\_\_\_\_
  - d) Understand their motivation and then market to \_\_\_\_\_

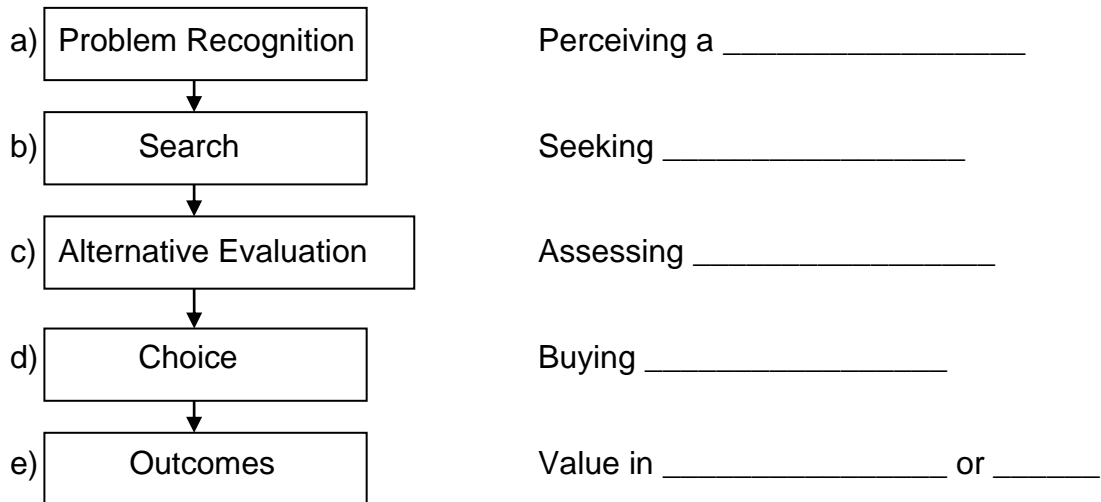
II) A Model of Consumer Behavior, Adapted from Engle, Kollat, and Blackwell



Comments:



### III) The Purchase Decision Process Consists of Five Stages



### IV) Purchase Decision Process Stages – Problem Recognition

- a) A perception that there is a \_\_\_\_\_ between the \_\_\_\_\_ situation and the \_\_\_\_\_ situation.
- b) Influenced by:
  - i) Internal needs and \_\_\_\_\_, and by
  - ii) \_\_\_\_\_, which can activate Problem Recognition through marketing communications which highlight
    - (1) the limitations of \_\_\_\_\_, or
    - (2) limitations of \_\_\_\_\_

EXAMPLE:

### V) Purchase Decision Process Stages – Information Search

- a) First, we search \_\_\_\_\_
  - i) What types of things do we recall?
  
- b) Then, we may do an \_\_\_\_\_, including:

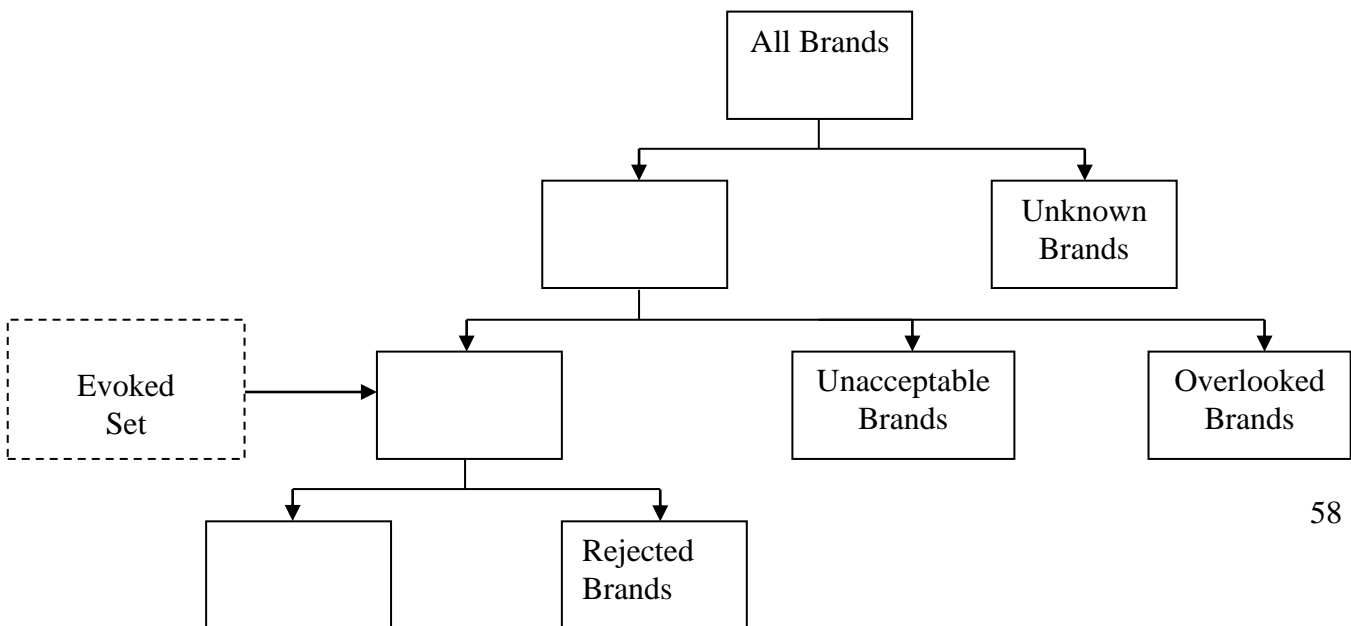
- i)
- ii)
- iii)

VI) Purchase Decision Process Stages – Alternative Evaluation

- a) HOW will the consumer decide \_\_\_\_\_
- b) \_\_\_\_\_ are the Factors that represent the brand’s characteristics (as perceived by the consumer). They are used to compare the possible brand choices.
- c) Marketers attempt to \_\_\_\_\_  
\_\_\_\_\_

Video Example: Windows vs. iPad commercial

- d) Consumers use their \_\_\_\_\_ to compare the alternatives in their CONSIDERATION SET (also called the \_\_\_\_\_ )
- e) Purchase Decision Process Stages – Alternative Evaluation – Understanding the CONSIDERATION SET of brands
  - i) Consumers’ information search should result in a \_\_\_\_\_
  - ii) Brands that consumers actually CONSIDER before making a purchase decision are known as \_\_\_\_\_ or \_\_\_\_\_ ( \_\_\_\_\_ )



VII) Purchase Decision Process Stages – Alternative Evaluation – Belief, Attitudes, and Purchase Intention

- a) As they evaluate the brand choices, consumers form \_\_\_\_\_ about the brands, and \_\_\_\_\_ or \_\_\_\_\_ attitudes.
- b) The result is an \_\_\_\_\_ to make a purchase including which Brand to buy, where to buy, when to buy, how to pay, etc.

VIII) Purchase Decision Process Stages – Post-Purchase Behavior

- a) Consumers make the purchase (choice) based on their evaluations and their purchase intentions....and then they
- b) Consumers' Level of Satisfaction is based on their \_\_\_\_\_ and their \_\_\_\_\_
  - i) If Perceived Performance is BELOW Expectations then consumers are \_\_\_\_\_
  - ii) If Perceived Performance EQUALS Expectations then consumers are \_\_\_\_\_
  - iii) If Perceived Performance EXCEEDS Expectations then consumers are \_\_\_\_\_
  - iv) SO, Marketers should promise what \_\_\_\_\_
  - v) Some marketers will \_\_\_\_\_
- c) \_\_\_\_\_ is the feeling of anxiety consumers often experience when they must choose between attractive alternatives
  - i) It can occur REGARDLESS of the \_\_\_\_\_

- d) Marketers help MINIMIZE dissonance by:
- i) Reassuring consumers they made the right choice and minimizing product misuse through \_\_\_\_\_

EXAMPLE:

- ii) Offering ways for \_\_\_\_\_
  - iii) Being RESPONSIVE to \_\_\_\_\_
- IX) Consumers' Decision Making is Influenced by how INVOLVED they are with the decision (the following details are from the **chart** shown in the lecture):
- a) When consumers' involvement is \_\_\_\_\_, they engaged in Routine decision making.
    - i) Typically, such decisions take a \_\_\_\_\_ time to make
    - ii) The cost of the product is usually \_\_\_\_\_
    - iii) Consumers will only search \_\_\_\_\_
    - iv) And they consider \_\_\_\_\_ brand or alternative
  - b) When consumers' involvement is MODERATE, they engage in \_\_\_\_\_ decision making.
    - i) Typically, such decisions take a \_\_\_\_\_ time to make
    - ii) The cost of the product is usually \_\_\_\_\_
    - iii) Consumers will search mostly \_\_\_\_\_
    - iv) And they consider \_\_\_\_\_ brands or alternatives
  - c) When consumers' involvement is HIGH, they engage in \_\_\_\_\_ decision making.
    - i) Typically, such decisions take a \_\_\_\_\_ time to make
    - ii) The cost of the product is usually \_\_\_\_\_
    - iii) Consumers will search \_\_\_\_\_
    - iv) And they consider \_\_\_\_\_ brands or alternatives
  - d) Examples (from the chart):

X) Psychological Influences on Consumers' Purchase Decisions

- a) Motivation – the energizing force that stimulates behavior to satisfy a need
- b) Personality–A person's tendency to respond in a consistent way to situations
- c) Perception– the processes by which people select, organize, and interpret information
- d) Learning–behaviors resulting from repeated experiences and from reasoning
- e) Values, Beliefs, and Attitudes
- f) Lifestyle–A person's "mode of living"

XI) Psychological Influences Consumer Decision Making – Motivation

- Link to our model of Consumer Behavior
- a) Maslow's Hierarch of Needs (see Figure 5-5, text page 130)
  - i) Physiological Needs: Food, water, oxygen

Ad Example:

- ii) Safety Needs: Freedom from physical harm; financial security

Ad Example:

- iii) Social Needs: Friendship, belonging, love

Ad Example:

- iv) Personal Needs: Status, respect, prestige

Ad Example:

- v) Self-actualization needs: Self-fulfillment

Ad Example:

XII) Psychological Influences Consumer Decision Making – Personality

- a) Personality is a person's \_\_\_\_\_ that influence their behaviors
  - i) If a person is confident, dependent, fearful, or sexual in their everyday life, these same traits likely will influence them in their style of \_\_\_\_\_

XIII) Psychological Influences Consumer Decision Making – Perception

- a) \_\_\_\_\_ is the process of receiving, organizing, and giving meaning to stimuli detected by one of our five senses.
- b) However, not everyone gets the same meaning from the same stimuli due, in part, to:
- i) Selective Perception
  - ii) Selective Exposure
  - iii) Selective Comprehension
  - iv) Selective Retention
  - v) Subliminal Perception???
- c) Selective Perception
- i) Is the process which we use to determine “\_\_\_\_\_” to perceive.
  - ii) Due to this selective process, we may omit items, add, or even change what we see, feel, or hear.
  - iii) Selective perception doesn’t happen all at once but occurs in various stages including exposure, comprehension, and retention
- Male vs. Female – Differences in Perception video example:
- d) Selective Exposure
- i) From the variety of communication available to them, people \_\_\_\_\_
  - ii) They tend to view communication (e.g., ads) that reaffirm preexisting ideas and attitudes, thereby bolstering their image of themselves and what they "know".
  - iii) Marketers need to find ways to “\_\_\_\_\_” barriers to perception!  
– Example:
  - iv) People rarely read Web pages, instead they \_\_\_\_\_
- e) Selective Comprehension
- i) This involves interpreting discrepant information so that it is \_\_\_\_\_ with beliefs and attitudes.

(1) It was once reported in a study that \_\_\_\_\_ of non-smokers believed the link between smoking and lung cancer was proven;

(2) yet only \_\_\_\_\_ of heavy smokers accepted the link!!

- Example

f) Selective Retention

- People remember more accurately messages that are favorable to their \_\_\_\_\_ than messages that are unfavorable.
- People remember the good things and forget the bad. Selective retention thus reinforces one's \_\_\_\_\_.
- Marketers need to find ways to help consumers to \_\_\_\_\_ their message.

g) Subliminal Perception???

h) SO, consumers perceive marketing stimuli \_\_\_\_\_ because each individual is unique in the combination of his or her needs, attitudes, experiences, and personal characteristics.

- AND, identical advertisements, packages, or products may be perceived \_\_\_\_\_ by consumers

XIV) Psychological Influences Consumer Decision Making – Perceived Risk

a) Perceived risk involves the perceptions of the riskiness of the purchase. There are several types that marketers must understand, including:

- \_\_\_\_\_ Risk
- \_\_\_\_\_ Risk
- \_\_\_\_\_ Risk
- \_\_\_\_\_ Risk

b) Marketers must understand their consumers' perceptions of risk and address them

- Video Example – Reducing Financial Risk

XV) Psychological Influences Consumer Decision Making – Learning

**a) Learning involves changes in behavior resulting from observation and experience.**

i) \_\_\_\_\_ Conditioning  
\_\_\_\_\_ and his \_\_\_\_\_

ii) \_\_\_\_\_ Conditioning  
\_\_\_\_\_ and his \_\_\_\_\_

iii) \_\_\_\_\_ Learning

iv) \_\_\_\_\_ Learning

**b) Brand Loyalty**

i) Consumers can \_\_\_\_\_ to \_\_\_\_\_ a brand over all others....this is rather important to marketers!

XVI) Psychological Influences Consumer Decision Making – Attitudes and Beliefs

a) Based on what they have learned from processing information, evaluating alternatives, making a choice, and evaluating the choice consumers

b) form \_\_\_\_\_ about the stores, products, decision processes, and

c) form attitudes ( \_\_\_\_\_ ) about these

d) When attitudes are POSITIVE they \_\_\_\_\_

e) When attitudes don't exist (e.g., for a new or for an unknown brand) or when they are NEGATIVE they \_\_\_\_\_

f) Marketers attempt to Change Unfavorable Attitudes (using \_\_\_\_\_) by:

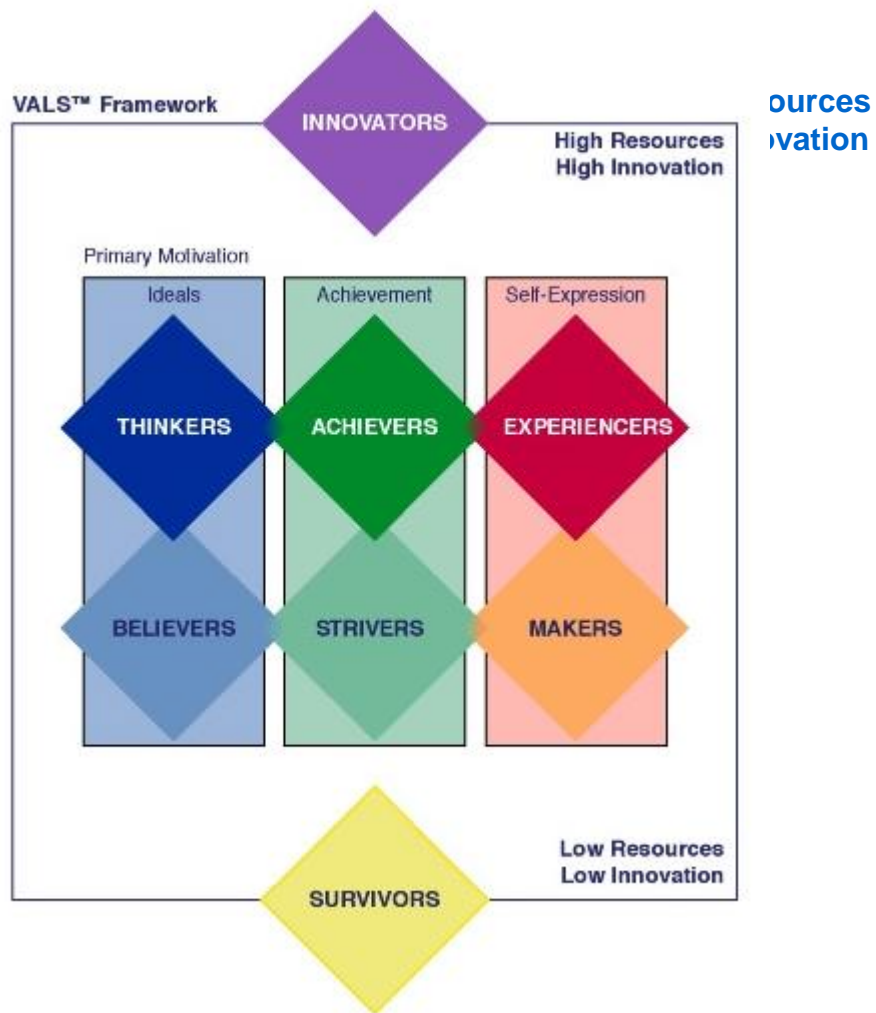


- i) Changing Beliefs About a Brand's \_\_\_\_\_
  - ii) Changing the Consumer's Perception of the Importance of the Brand's \_\_\_\_\_
  - iii) Adding New Product \_\_\_\_\_
- Examples:

XVII) Psychological Influences Consumer Decision Making – Lifestyles

- a) \_\_\_\_\_ -- Individual patterns of living as reflected by interests, opinions, spending habits, and activities.
- b) \_\_\_\_\_ -- A technique of measuring lifestyle and VALS

<http://www.strategicbusinessinsights.com/vals/ustypes.shtml>



XVIII) Influences on Consumers' Purchase Decisions – Sociocultural

a) Sociocultural Influences (link to our model of Consumer Behavior)

- i) Personal Influence
- ii) Reference Groups
- iii) Family
- iv) Social Class
- v) Subculture
- vi) Culture

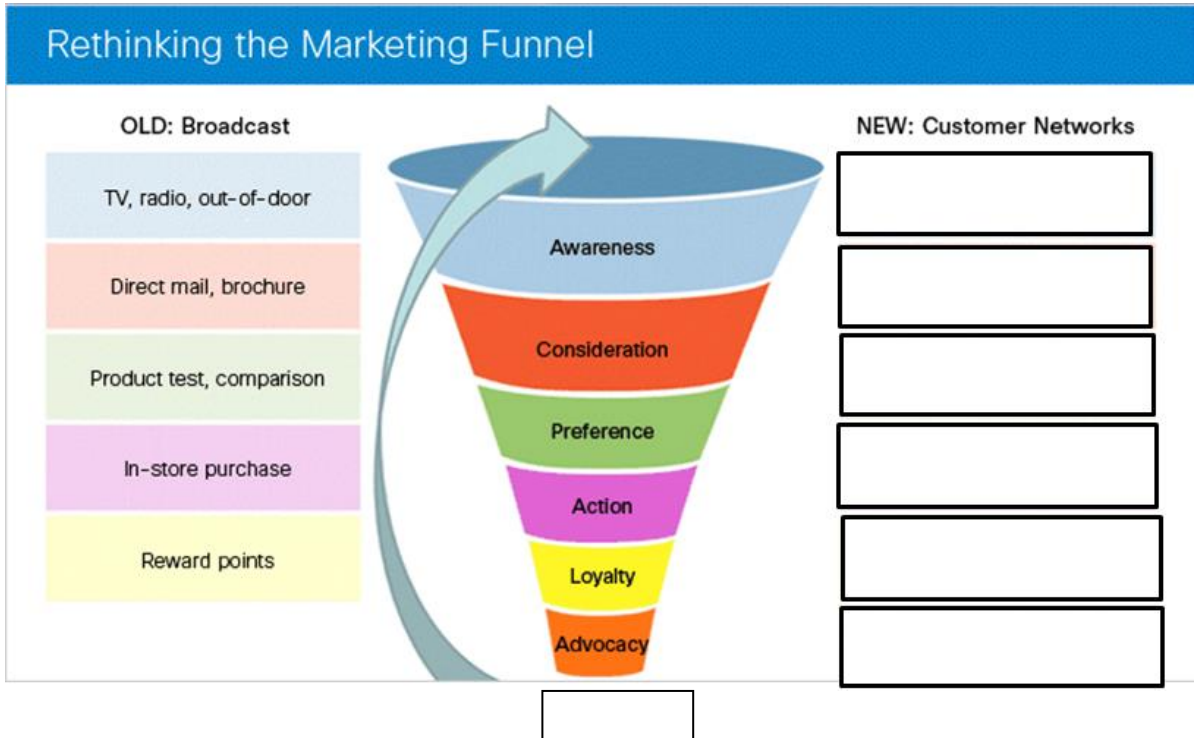
b) Personal Influence

i) Product Trial, Brand Evaluation, Purchase Decisions, and Satisfaction can be influenced by the attitudes of “others.”

(1) Opinion Leaders

(2) Word of Mouth

(a) Buzz



• The IMPACT of WOM “buzz” -- Philips Sonicare Essence Example:

i) Sent a \$70 Sonicare Essence toothbrush to \_\_\_\_\_

ii) The 30,000 agents each told \_\_\_\_\_

iii) THOSE \_\_\_\_\_ people told an average of \_\_\_\_\_ more people, for a total of \_\_\_\_\_ people

iv) Representing a \_\_\_\_\_

• Example: You Lookin’ at Me?

c) Family Influence

i) Consumer Socialization

(1) The process by which people acquire the skills, knowledge, and attitudes necessary to function as consumers

(2) The \_\_\_\_\_ is a key factor in consumer socialization of children

(a) Marketers are aware of this and create commercials to target this family influence

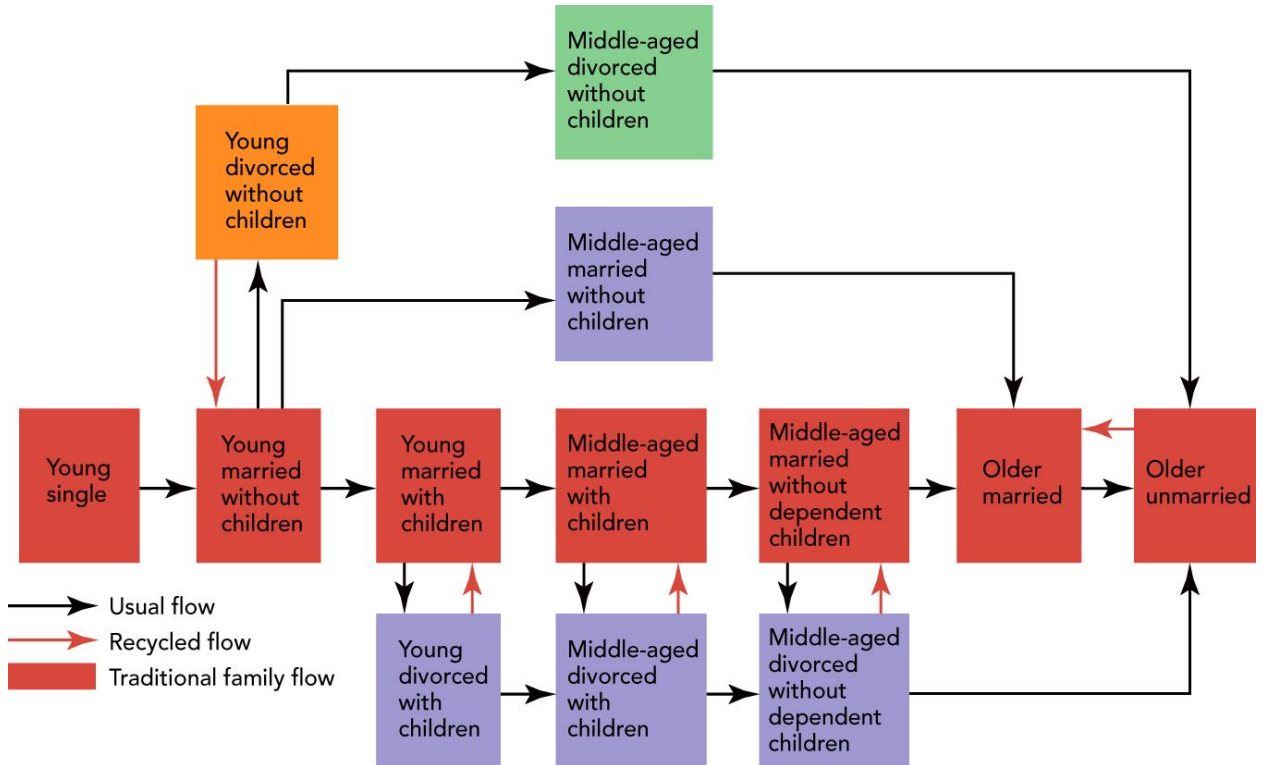
- Ad Example:

ii) Family Decision Making

(1) Family can BE \_\_\_\_\_

(2) Often involves \_\_\_\_\_ and \_\_\_\_\_

iii) Family Life Cycle (see Figure 5-6 from the textbook page 129).



(1) Roles in Family Decision Making

(a) \_\_\_\_\_

(b) \_\_\_\_\_

(c) \_\_\_\_\_

(d) \_\_\_\_\_

(e) \_\_\_\_\_

iv) Marketers must know \_\_\_\_\_ plays these roles for their products and whether/how to reach them!

d) Social Class

(1) Social Class

(2) Upper Class

(3) Middle Class

(4) Worker/Lower Class

i) A very strong influence on \_\_\_\_\_, attitudes, activities, social interactions, AND your consumer behavior (e.g., where you shop, what you buy, how you save/invest)

e) Subculture -- the subgroups within the larger, or national, culture with unique values, ideas, and attitudes

i) Hispanic

ii) African American

iii) Asian American

iv) And more

f) Culture

- Video example: American vs. Others--“Similar language, but what does that MEAN?”

XIX) Other influences on Consumers' Purchase Decisions

a) Situational Influences = five aspects of the purchase situation that impacts the consumer:

i) Purchase task

- ii) Social Surroundings
- iii) Physical Surroundings
- iv) Time (temporal) Effects
- v) Antecedent (pre-existing) States

XX) IN CONCLUSION

Understanding what influences consumers to buy or not buy your product is

- a) EXTREMELY \_\_\_\_\_, and
- b) EXTREMELY \_\_\_\_\_!

## Chapter 6: Understanding Organizations as Customers

- I) The Nature and Size of Organizational Markets
- a) \_\_\_\_\_ involves the marketing of goods and services to companies, governments, or not-for-profit organizations for use in the creation of goods and services that they can produce and market to others.
  - b) Business Markets include \_\_\_\_\_ that buy goods and services to:
    - i) Make \_\_\_\_\_ goods and services (e.g., \_\_\_\_\_)
    - ii) \_\_\_\_\_ that product to others (e.g., wholesalers and distributors)
    - iii) Conduct the organization's \_\_\_\_\_
    - iv) In the past, business markets were called \_\_\_\_\_.
  - c) Six Components of the Business Market
    - i) Agriculture – The Challenge: \_\_\_\_\_
    - ii) Resellers who buy and sell products in essentially the same form. However, they create various \_\_\_\_\_ for other businesses, including:
      - (1) time
      - (2) place
      - (3) Information, and
      - (4) Possession
    - iii) Services, Financial institutions, Ad agencies, trucking firms, warehouses, tax services, etc! which are GROWING rapidly
    - iv) The Government
      - (1) Unique:
    - v) International Trade

<http://www.census.gov/foreign-trade/statistics/highlights/top/top1312yr.html>

<b>Total Trade – Jan. to Dec. -- Data are goods only, in billions of dollars.</b>			
<b>Total, All Countries</b>	<b>Exports (Year-to-Date)</b>	<b>Imports (Year-to-Date)</b>	<b>Total Trade (Year-to-Date)</b>
<b>Jan-Dec 2015</b>	<b>1,510.3</b>	<b>2,272.9</b>	<b>3,783.2</b>
<b>Jan-Dec 2014</b>	<b>1,623.3</b>	<b>2,345.8</b>	<b>3,969.1</b>
<b>Jan-Dec 2013</b>	<b>1,578.9</b>	<b>2,267.6</b>	<b>3,846.4</b>

Total Trade (Goods) Year-to-Date  
December 2015

<b>Rank</b>	<b>Country</b>	<b>Exports (Year-to-Date)</b>	<b>Imports (Year-to-Date)</b>	<b>Total Trade (Year-to-Date)</b>	<b>Percent of Total Trade</b>
---	<b>Total, All Countries</b>	<b>1,504.9</b>	<b>2,241.1</b>	<b>3,746.0</b>	<b>100.0%</b>
---	<b>Total, Top 15 Countries</b>	<b>1,067.7</b>	<b>1,728.7</b>	<b>2,796.4</b>	<b>74.7%</b>
<b>1</b>	<b>China</b>	<b>116.2</b>	<b>481.9</b>	<b>598.1</b>	<b>16.0%</b>
<b>2</b>	<b>Canada</b>	<b>280.3</b>	<b>295.2</b>	<b>575.5</b>	<b>15.4%</b>
<b>3</b>	<b>Mexico</b>	<b>236.4</b>	<b>294.7</b>	<b>531.1</b>	<b>14.2%</b>
<b>4</b>	<b>Japan</b>	<b>62.5</b>	<b>131.1</b>	<b>193.6</b>	<b>5.2%</b>
<b>5</b>	<b>Germany</b>	<b>49.9</b>	<b>124.1</b>	<b>174.1</b>	<b>4.6%</b>

Total Trade (Goods) Year-to-Date  
December 2014

<b>Rank</b>	<b>Country</b>	<b>Exports</b>	<b>Imports</b>	<b>Total Trade</b>	<b>Percent of Total Trade</b>
---	<b>Total, All Countries</b>	<b>1,623.30</b>	<b>2,345.80</b>	<b>3,969.10</b>	<b>100.00%</b>
---	<b>Total, Top 15 Countries</b>	<b>1,127.40</b>	<b>1,781.60</b>	<b>2,909.10</b>	<b>73.30%</b>
<b>1</b>	<b>Canada</b>	<b>312</b>	<b>346.1</b>	<b>658.1</b>	<b>16.60%</b>
<b>2</b>	<b>China</b>	<b>124</b>	<b>466.7</b>	<b>590.7</b>	<b>14.90%</b>
<b>3</b>	<b>Mexico</b>	<b>240.3</b>	<b>294.2</b>	<b>534.5</b>	<b>13.50%</b>
<b>4</b>	<b>Japan</b>	<b>67</b>	<b>133.9</b>	<b>200.9</b>	<b>5.10%</b>
<b>5</b>	<b>Germany</b>	<b>49.4</b>	<b>123.2</b>	<b>172.6</b>	<b>4.30%</b>



Total Trade (Goods) Year-to-Date  
December 2013

Rank	Country	Exports	Imports	Total Trade	Percent of Total Trade
---	<b>Total, All Countries</b>	<b>1,578.90</b>	<b>2,267.60</b>	<b>3,846.40</b>	<b>100.00%</b>
---	<b>Total, Top 15 Countries</b>	<b>1,078.70</b>	<b>1,711.60</b>	<b>2,790.30</b>	<b>72.50%</b>
<b>1</b>	<b>Canada</b>	<b>300.3</b>	<b>332.1</b>	<b>632.4</b>	<b>16.40%</b>
<b>2</b>	<b>China</b>	<b>122</b>	<b>440.4</b>	<b>562.4</b>	<b>14.60%</b>
<b>3</b>	<b>Mexico</b>	<b>226.2</b>	<b>280.5</b>	<b>506.6</b>	<b>13.20%</b>
<b>4</b>	<b>Japan</b>	<b>65.1</b>	<b>138.5</b>	<b>203.7</b>	<b>5.30%</b>
<b>5</b>	<b>Germany</b>	<b>47.4</b>	<b>114.6</b>	<b>162.1</b>	<b>4.20%</b>

<http://www.census.gov/foreign-trade/statistics/highlights/top/top1312yr.html>

- vi) “Non-business” or Not-for-profit Organizations
- d) Video: Muller on the Industries Timken serves
  - i) Growth for Timken
  - ii) Focused on \_\_\_\_\_
    - 1. Steel
    - 2. Power Generation
    - 3. Cement Production
    - 4. Aggregate
    - 5. Wind Energy
  - iii) Where they can deliver value...and which are growing. For example:
    - (1) Iron ore
    - (2) Coal
    - (3) Oil
  - iv) Compared to \_\_\_\_\_, which may NOT be a good industry for them in the future.
- II) Type and Number of Organization Establishments in the U.S.
  - a) Industrial (business) markets -- Total Number = \_\_\_\_\_
  - b) Reseller markets – Total Number = 1,554,797
  - c) Government markets – Total Number = 89,527

--and Timken’s focus...

III) Measuring Domestic And Global Industrial, Reseller, And Government Markets

North American Industry Classification System (NAICS) -- The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

<http://www.census.gov/eos/www/naics/>

a) North American Product Classification System (NAPCS)

A joint multi-phase initiative to develop a comprehensive demand-oriented product classification from the statistical agencies of Canada, Mexico, and the United States. Work to date has focused on the products produced by service industries in 12 NAICS sectors 48-49 through 81. With that work nearing completion, this web page provides an overview of and progress report on the NAPCS initiative and presents the final versions of the product lists developed so far for the service industries included in those 12 sectors.

<http://www.census.gov/eos/www/napcs/index.html>

IV) Characteristics Of Organizational Buying

a) Demand Characteristics

- i) **Derived Demand** -- the demand for industrial products and services is driven by, or "derived from," demand for consumer products and services.

Example:

**(1) The Implications of Derived Demand:**

- (a) Business Marketers must understand \_\_\_\_\_  
\_\_\_\_\_
- (b) Often they need to find ways to \_\_\_\_\_

Intel Examples:

- ii) **Elasticity of Demand** [recall your Microecon course!]
  - (1) \_\_\_\_\_ The total demand for all of the producers of the product responds very little to changes in its prices. Demand does not change much if price changes.
    - (a) Occurs when Cost is a small percent of the finished product, and
    - (b) When there are no close substitutes

Example

- (2) Demand is more elastic when:
- (a) A Price Change occurs in a \_\_\_\_\_
  - (b) When demand is viewed from a \_\_\_\_\_
  - (c) If the cost of the business product is a SIGNIFICANT portion of the cost of the finished good

b) Size of the Order or Purchase and the Number of Buying Units

- i) Number of Business users =
- ii) Number of Ultimate Consumers =
- iii) However, while there are a smaller number of organizations they are \_\_\_\_\_

iv) Plus, they are \_\_\_\_\_

--Goodyear

--Regional Concentration

c) Organizational Buying Objectives

- i) Businesses buy from other businesses to help them achieve their objectives, such as:

(1) Reduce \_\_\_\_\_

(2) Increase \_\_\_\_\_

(3) \_\_\_\_\_

d) **Organizational Buying Criteria (like Consumer's Evaluative Criteria)**

- i) In deciding among suppliers, buyers must consider a variety of factors, such as:

(1) Price

(2) Delivery Schedules

(3) Past Performance

(4) Production Facilities/Capacity

(5) Warranty/Claim Policies

(6) Technical Capability

(7) Quality Specifications

(a) **ISO 9000** – standards for registration and certification of a manufacturer’s quality management and assurance system based on an on-site audit of practices and procedures developed by the International Standards Organization (ISO).

- ii) Why is all of this SO important in B2B Buying?
  - (1) Firms MUST buy the \_\_\_\_\_, at the \_\_\_\_\_, and at the \_\_\_\_\_, because:
    - (a) Companies are making less and buying more from suppliers
    - (b) Firms cannot tolerate \_\_\_\_\_
    - (c) SO, firms need to work with fewer suppliers and develop long term relationships with them
      - (i) Work together to develop new products, share information on inventories, production and costs.
- e) Buyer-Seller Relationships and Supply Partnerships
  - i) **Supplier development** is the deliberate effort by organizational **buyers** to build relationships that shape **suppliers’** products, services, and capabilities to fit a buyer’s needs and those of its customers.
    - (1)
    - (2)
- f) The \_\_\_\_\_ -- consists of a group of people in an organization who participate in the buying process and share common goals, risks, and knowledge important to a purchase decision.
  - i) It is a “Cross-Functional” Group
  - ii) People in the Buying Center
  - iii) Roles in the Buying Center
    - (1) Gatekeepers --
    - (2) Influencers --
    - (3) Users --
    - (4) Buyers --
    - (5) Deciders --
- g) Buy Classes represent the “type” of buying situation (see Text Figure 6-3):
  - i) \_\_\_\_\_ Rebuy

- ii) \_\_\_\_\_ Rebuy
- iii) \_\_\_\_\_ Buy
- iv) See Figure 6-3, text page 149, for the ways in which the buying situation affects the buying center

- v) Stages in the Organizational Purchase Decision Process See Figure 6-4, text page 150),

- (1) Problem Recognition
- (2) Information Search
- (3) Alternative Evaluation
- (4) Purchase Decision
- (5) Postpurchase Behavior

- vi) The Hershey's Example:

- (1) Problem Recognition
- (2) Information Search
- (3) Evaluation of Alternatives
- (4) Purchase Decision
- (5) Post-purchase evaluation

## V) ONLINE BUYING IN ORGANIZATIONAL MARKETS

- i) Prominence of Online Buying in Organizational Markets
- ii) E-marketplaces
  - (1) Online Auctions in Organizational Markets
    - a) Traditional Auctions
      - A Seller puts an item up for sale
      - Various Buyers \_\_\_\_\_.
      - As bidders increase, there is \_\_\_\_\_ on price.
      - The Auction ends when \_\_\_\_\_
    - b) Reverse Auction

- A Buyer communicates a need for a product or service
- Various \_\_\_\_\_ bid in competition
- As the number of suppliers increase there is \_\_\_\_\_ on price
- The Auction ends when \_\_\_\_\_

## Chapter 7: Understanding and Reaching Global Consumers and Markets

### I. The Nature and Size of Organizational Markets

#### a) Why International Trade?

i) To get access to materials, products, and services which are \_\_\_\_\_

ii) To get access to markets which \_\_\_\_\_

iii) Because of \_\_\_\_\_

(1) Some countries have unique national or human resources that give them \_\_\_\_\_, internationally

iv) Market Saturation \_\_\_\_\_

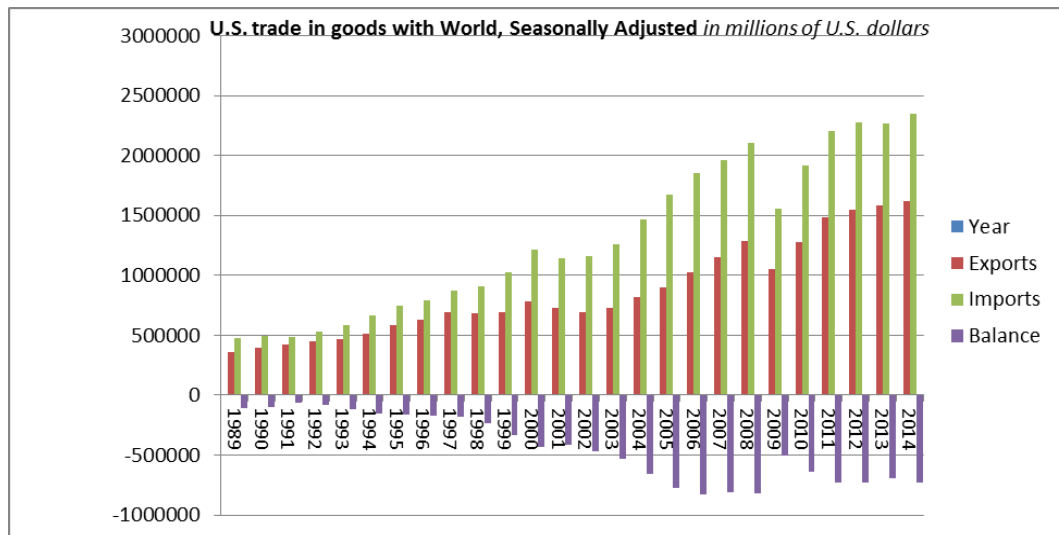
v) Potential Demand

vi) Customer Expectations

#### b) What does it mean to US?

1. **Balance of Trade** -- The difference between the monetary value of a nation's exports and imports  
US Balance of Trade

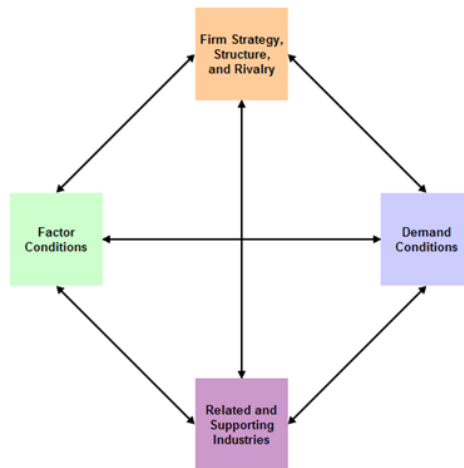
2. **US Balance of Trade (US Census Bureau – Foreign Trade Statistics)**  
(<http://www.census.gov/foreign-trade/balance/c0004.html#2015>)



- i) Impact of the DHL (Germany) decision for Ohio
- ii) INVITING FIRMS TO COME TO OHIO (Desire to HAVE foreign investment locally)

II. Dynamics of World Trade – The Competitive Advantage of Nations

- a) Porter’s “Diamond” -- WHY do some industries and firms become world leaders and others lose ground or fail?



i. Factor Conditions

- 1. Natural Resources
- 2. Education and skill levels
- 3. Wage Rates

e) Examples:

- 4. AND, the question for OUR FIRM – Can we \_\_\_\_\_

\_\_\_\_\_

ii. Demand Conditions

- 1. Size of Market
- 2. Sophistication of Consumers
- 3. Media Exposure of Products



## Example

4. AND, the question for OUR FIRM – Is there \_\_\_\_\_  
\_\_\_\_\_
  
  - iii. Related and Supporting Industries
    1. Existence of Supplier Clusters
      - a) Examples
  
    2. AND, the question for OUR FIRM – Can we \_\_\_\_\_  
\_\_\_\_\_
  
  - iv. Company Strategy, Structure, and Rivalry
    1. Number of Companies in an Industry
    2. Intensity of Competition
    3. Public or Private Ownership
      - a. Example
  
    4. AND, the question for OUR FIRM --Can we \_\_\_\_\_  
\_\_\_\_\_
- B. CONCLUSION:**  
Firms that succeed in global markets have succeeded first in intense domestic competition through:
- i.
  - ii.
  - iii.

### III. Marketing In A Borderless Economic World

#### A. Trend 1—Decline of Economic Protectionism

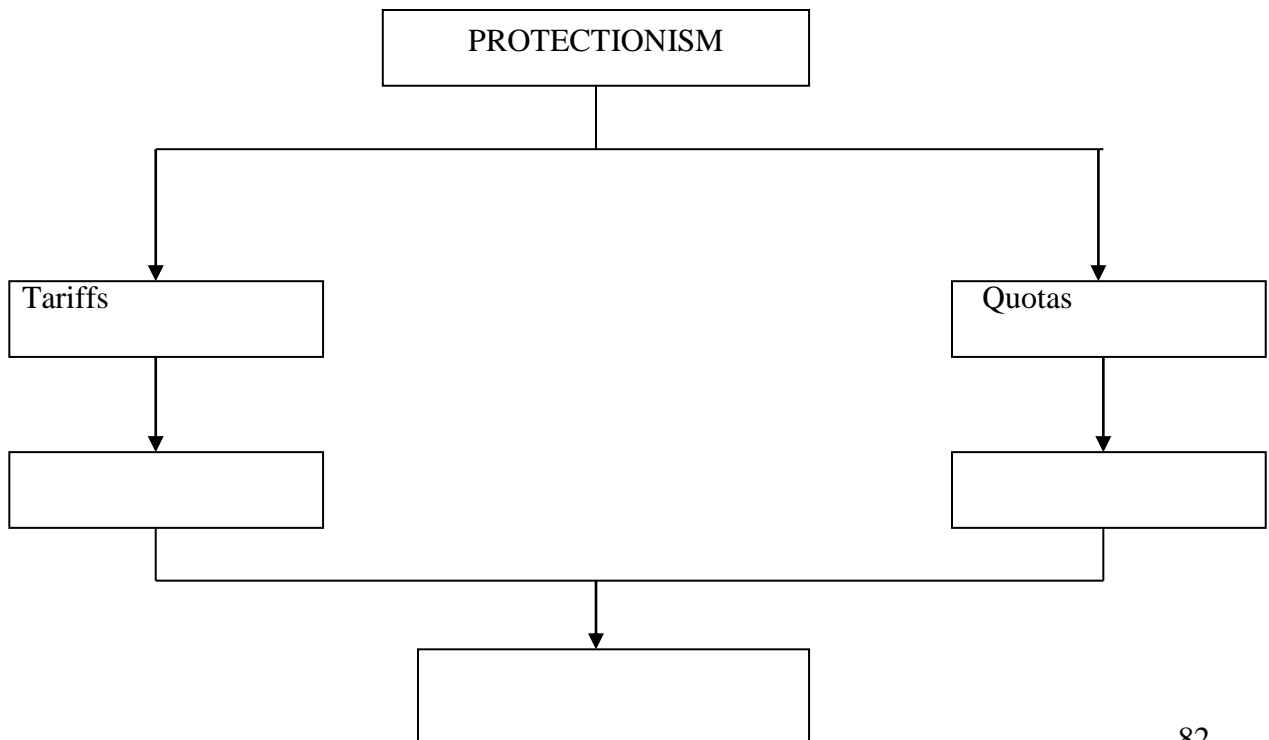
- i. Recently we had an \_\_\_\_\_
- ii. Should Congress create more Protectionism?
  1. Some argue that the benefits of today's free trade systems go unfairly and primarily to low-wage countries, which take jobs away from Americans.
  2. These arguments are not supported by the facts.
- iii. Reagan said:
  1. "A creative, competitive America is the answer to a changing world, not trade wars that would close doors, create greater barriers, and destroy millions of jobs. We should always remember: Protectionism is destructionism."

- WTO report "No acceleration of new restrictions"  
[http://www.wto.org/english/news\\_e/news14\\_e/ddgra\\_10jul14\\_e.htm](http://www.wto.org/english/news_e/news14_e/ddgra_10jul14_e.htm).
- U.S. Slaps High Tariffs on Chinese Solar Panels

iv. America's economy, over the past few decades, has proved that \_\_\_\_\_ flexibility makes the economic pie much bigger and that the benefits can be widely shared.

v. Over the past 10 years, open trade has boosted job growth by more than 13 percent and has helped to raise U.S. GDP by nearly \_\_\_\_\_.

vi. Protectionism in World Trade (see textbook Figure 7-3)



vii. General Agreement on Tariffs and Trade (GATT)

1. A treaty, NOT an \_\_\_\_\_
2. Focus:
3. NO \_\_\_\_\_

viii. World Trade Organization (WTO) Goals:

1. Trade Without \_\_\_\_\_  
(Exceptions: e.g., Regional Trade Agreements)
2. Predictable and Growing Access to \_\_\_\_\_  
(Example: binding tariffs)
3. Promoting \_\_\_\_\_
4. Encouraging \_\_\_\_\_ and Economic Reform  
(Over 3/4 of its members are developing countries)
5. Patrick Low – Chief Economist WTO (retired 2013)
  - a. The WTO is an International \_\_\_\_\_
  - b. [Including] \_\_\_\_\_ nations.
  - c. The WTO needs to get \_\_\_\_\_ and \_\_\_\_\_  
from all nations.
  - d. Regional Trade Agreements have exploded and these are a  
challenge to trade without \_\_\_\_\_
  - e. The WTO agreements create an environment of  
\_\_\_\_\_, continuity, and predictability.
  - f. They seek to create \_\_\_\_\_ and \_\_\_\_\_  
in trade.
6. An aside...how many countries ARE there in the world today?

B. Trend 2 – A Rise of Economic Integration

i. European Union

1. Consisting of \_\_\_\_\_ countries with more than \_\_\_\_\_ consumers

ii. North American Free Trade Agreement (NAFTA), Canada, U.S., Mexico

1. Consisting of \_\_\_\_\_

iii. Asian Free Trade Agreements

1. South Asian Free Trade Area- a framework for the creation of a free trade zone covering 1.4 billion people in India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives.

2. East Asian Free Trade Agreement on Services

iv. Trans-Pacific Partnership (maybe; see <https://ustr.gov/tpp/>)

1. In October 2016, the United States and 11 other Pacific Rim countries wrapped up a sweeping trade agreement.
2. It will eliminate obstacles such as tariffs and set standards for doing business in 40% of the global economy.
3. The final deal still faced a yes-or-no vote from Congress (results not available as of this writing).

(See <http://www.forbes.com/sites/jplehmann/2015/04/09/tpp-is-a-mistake/> for an alternative view)

C. TREND 3 — Global Competition—Who are we up against? How might we compete?

- i. \_\_\_\_\_ -- agreements among two or more independent firms to cooperate for the purpose of achieving common goals.

1. Example

- ii. \_\_\_\_\_ – International marketing done in the same way as domestic marketing

1. Example

iii. \_\_\_\_\_ – Varies its Marketing Strategy for each country

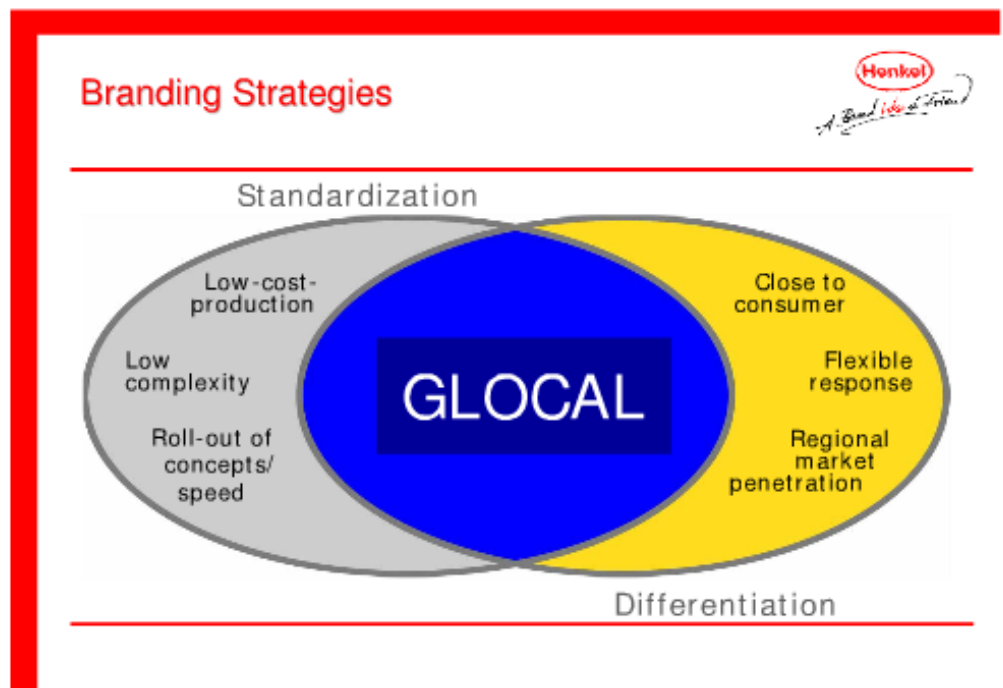
1. Example

iv. \_\_\_\_\_ – Use a “Global Marketing Strategy” to keep the mix the same where there are similarities and CHANGE the mix when cultures differ.

1. A goal of \_\_\_\_\_ is to create and maintain a balanced portfolio of global AND local brands, to:

- Take advantages of \_\_\_\_\_ where possible, by sharing R&D, technical features, manufacturing, etc. across brands
- Grow \_\_\_\_\_ where possible
- Obtain \_\_\_\_\_ though \_\_\_\_\_ locally, when necessary

Henkel Example



## Global Marketing and G.M. (Video)

- a) \_\_\_\_\_ to play a bigger role in G.M.'s future
- b) It is G.M.'s \_\_\_\_\_
- c) \_\_\_\_\_ new cars in the next 2 year.
- d)
- e) In 2010 GM sold \_\_\_\_\_ than in the U.S.!!!

## IV. A Global Environmental Scan – What do we need to “know before we go?”

### A. Cultural Diversity

#### i. Social and Cultural Environment

1. Family
2. Customs and Behavior
3. Education
4. Language
5. Impediments to understanding foreign markets:

a. \_\_\_\_\_ -- an unconscious reference to one's own values, experiences and knowledge as a basis for making certain decisions

i. Can result in a \_\_\_\_\_ an open attitude and a cultural sensitivity enabling managers to look carefully at the foreign market and understand the \_\_\_\_\_ needs there (and not simply transfer the needs of the domestic market)

b. Ethnocentrism -- The belief that one's culture is \_\_\_\_\_

c. Examples

ii. Economic Environment

1. \_\_\_\_\_ – can the country provide communications, transportation, energy, etc.?
2. Level of Economic Development
  - a. A general indicator of the market's attractiveness
  - b. Indicator of the types of products that will be in demand
  - c. Gross National Income (GNI) Per Capita
3. Competition
  - a. The \_\_\_\_\_ is often overlooked
  - b. You MUST have a \_\_\_\_\_  
\_\_\_\_\_
4. Political Stability -- when the country is not politically stable, business risks losses!
  - a. Examples:

Worst Performers (Very High Alert):

- 1
- 2
- 3
- 4

Best Performers (Sustainable):

- 175
- 176
- 177

V. Global Market Entry Strategies

a. Exporting

i. \_\_\_\_\_ Exporting

ii. \_\_\_\_\_ Exporting

b. Licensing

i. \_\_\_\_\_ Manufacturing

ii. \_\_\_\_\_ Assembly

iii. Franchising

c. Joint Venture

d. Direct Investment

e. Global Market Entry Strategies

<b>Exporting Directly, or through Import- Export Middlemen</b>	<b>Company Sales Branches</b>	<b>Licensing Foreign Producers</b>	<b>Contract Manufacturing by Foreign Producers</b>	<b>Joint Ventures and Strategic Alliances</b>	<b>Wholly Owned Subsidiaries</b>	<b>Multinational Corporations</b>
--	---------------------------------------	--	--	---	--	---------------------------------------



f. Examples

1. Coca Cola ( \_\_\_\_\_ )



2. Goodyear Tire & Rubber (\_\_\_\_\_)

3. Saint-Gobain (\_\_\_\_\_)

## VI. Product Strategies

- A. Product Extension -- No change \_\_\_\_\_
- B. Product Adaptation (Modification) -- Change the product to match the customers' \_\_\_\_\_ needs, wants, desires in that country
- C. Product Invention – Create an entirely \_\_\_\_\_ to satisfy needs, wants, and desires that are not being met by any current product

Video Example: McDonald's Goes to China

## VII. Promotion Strategies

- a. Same Promotion Globally
- b. Adapt Promotions to Local Tastes
- c. Create Entirely NEW promotions

## VIII. Bringing together Product and Promotion Strategies for Global Marketing

(Figure 7-6, textbook page 185)

		Product Emphasis		
		SAME Product	ADAPT Product	Create NEW Product
Promotion emphasis	Same Promotion as Domestically	Product extension strategy	Product adaptation strategy	Product Invention Strategy
	Adapt Promotion to Foreign Culture	Communication adaptation strategy	DUAL adaption strategy	

IX. Distribution and Pricing

A. Channels Usually Long and Complex

B. Countries May Impose Pricing Constraints

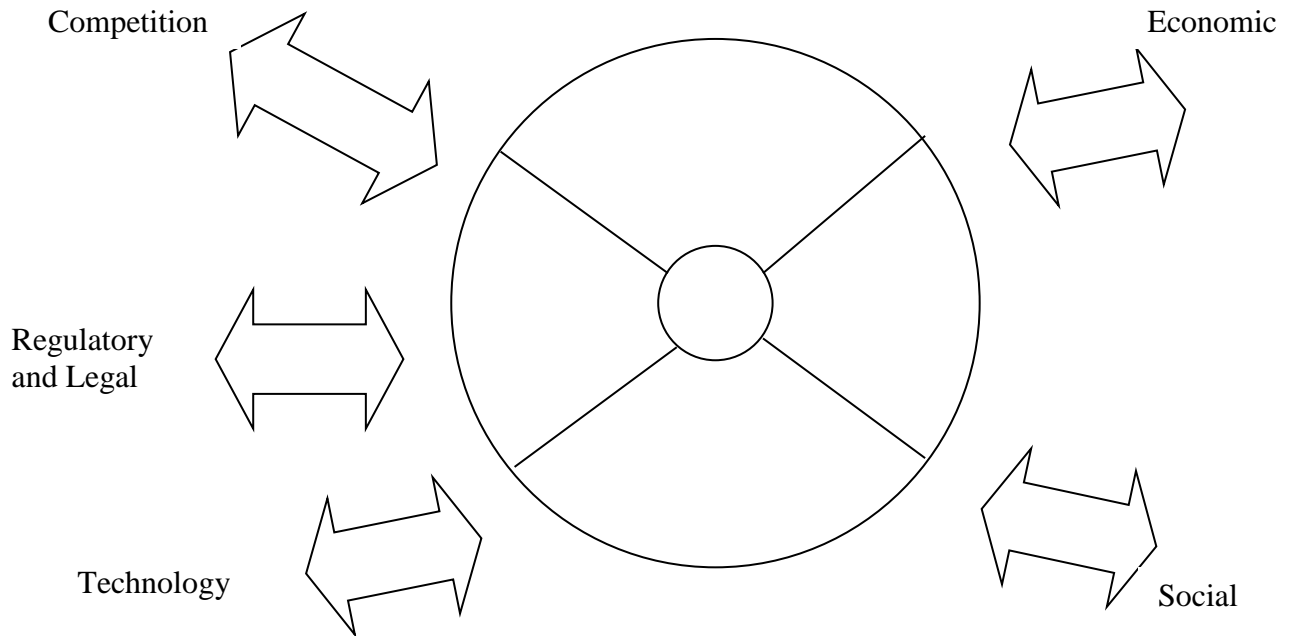
Muller – Understanding Cultural Difference in Pricing

- i. Timken tends to \_\_\_\_\_ who understand the culture.
- ii. But, in \_\_\_\_\_ misunderstandings can occur.
- iii. They had \_\_\_\_\_ than they could supply.
- iv. So, they felt they need to \_\_\_\_\_ (because of demand and because of increasing cost).
- v. In China, increasing price was seen as “\_\_\_\_\_.” But, initially, management did not understand this.
- vi. They needed to \_\_\_\_\_.

## Chapter 8 -- Marketing Research: From Customer Insights to Actions

### I. The Role of Marketing Research

#### a) Important Factors that Marketers NEED information about (CREST):



### II. What is Marketing Research?

a) It is the process of defining a marketing problem and opportunity, systematically collecting and analyzing information, and recommending actions.

#### b) Implications

i) Marketing Research is used for

1. Planning \_\_\_\_\_

2. In the Implementation \_\_\_\_\_

3. In their \_\_\_\_\_

ii) Marketing Researchers are responsible for collecting and interpreting data that supports decision making

### III. Marketing Research/Program Failures

- a) New Coke
- b) Crystal Pepsi
- c) Sony Betamax lost to
- d) Sega Dreamcast
- e) Colgate Kitchen Entrees

### IV. The Five-step Marketing Research approach for better Actions

- a) Step 1: \_\_\_\_\_
  - i) Set Objectives
    - 1. The specific, measureable goals for the research (and for the decision maker)
  - ii) Possible Objectives:
    - 1. To \_\_\_\_\_ the issues better (**Exploratory Research**)
    - 2. To understand the \_\_\_\_\_ better (**Descriptive Research**)
    - 3. To determine how to \_\_\_\_\_ an element of interest (**Causal Research**)
  
- b) Step 2: \_\_\_\_\_
  - i) Specify Constraints
    - 1. Financial, Time
  - ii) Identify \_\_\_\_\_ needed for Marketing Actions
    - 1. What do we NEED to know to?
  
  - iii) Determine \_\_\_\_\_
    - 1. Sampling
      - (a) Probability Sampling (i.e., Random Sampling)

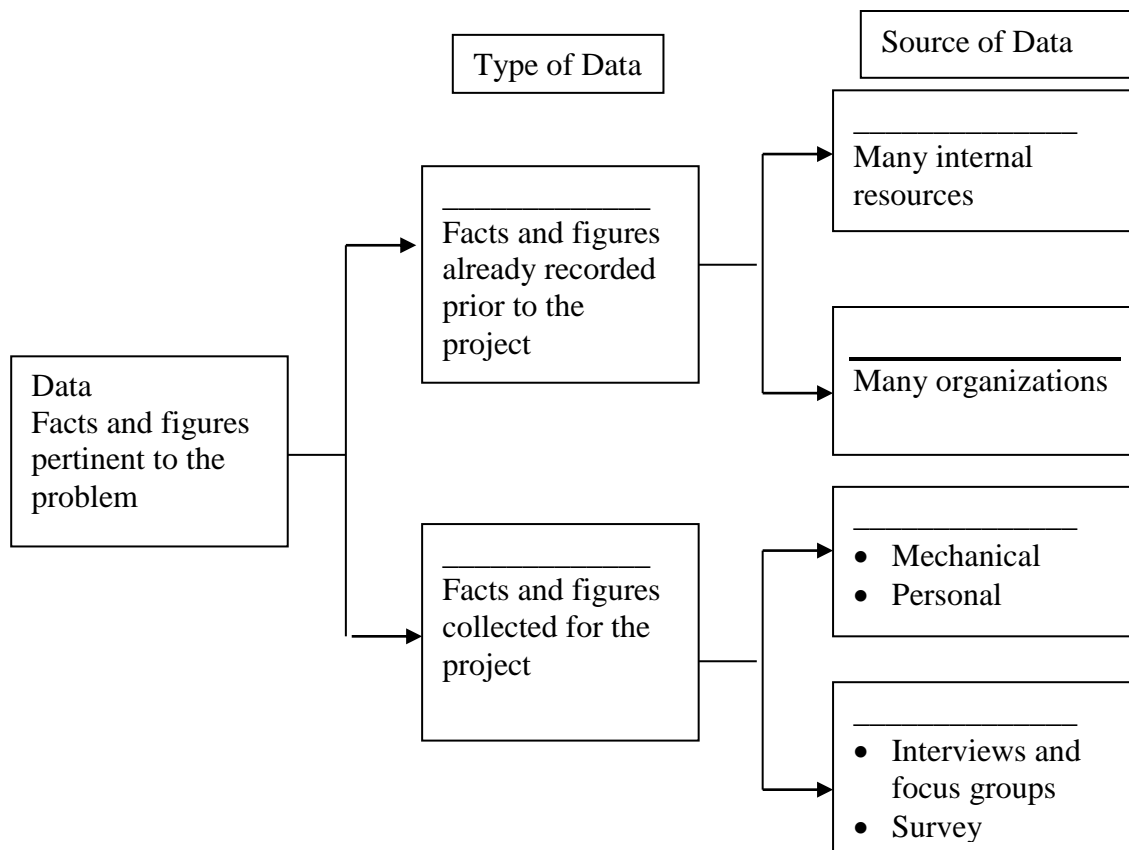
- (b) Nonprobability Sampling
- (c) The difference? The ability to make \_\_\_\_\_

c) Step 3: Collect Relevant Information

- i) Types of Data
  - 1. Secondary Data

2. Primary Data

Figure 8-2, Types of Marketing Information (text page, 198)



V. Video: Muller on Marketing Research at Timken

- I. Timken does Marketing Research “both ways” (using internal marketing managers and outside firms)
- II. They use research to understand their \_\_\_\_\_ and to find \_\_\_\_\_
- III. Outside firms for really big jobs
- IV. e.g. Wind Energy Market
- V. Faster, Global

VI. Results suggest future role for Timken

VI. Secondary Data

a) Advantages

- i) \_\_\_\_\_
- ii) Inexpensive
- iii) May provide a “\_\_\_\_\_” solution
- iv) May point the direction for primary research

b) Disadvantages

- i) \_\_\_\_\_
- ii) Sample/Definitions/Categories not appropriate
- iii) \_\_\_\_\_

VII. Primary Data

a) Advantages

- i) Focuses on the specific problem at hand
- ii) Is under control of the current researchers

b) Disadvantages

- i) \_\_\_\_\_
- ii) \_\_\_\_\_

VIII. Syndicated Services – A source of Secondary Data

- a) **Syndicated research** is conducted by a market research firm in an area that may be of interest to multiple companies or organizations within a particular industry.

i)

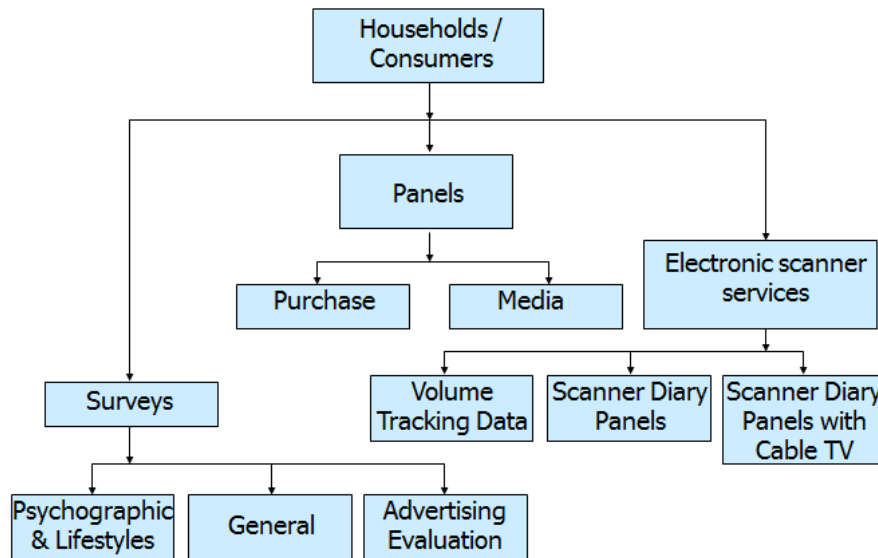
b) Benefits of Syndicated Research

- i) **Cost efficiency:**

- ii) **Overview of the Market**

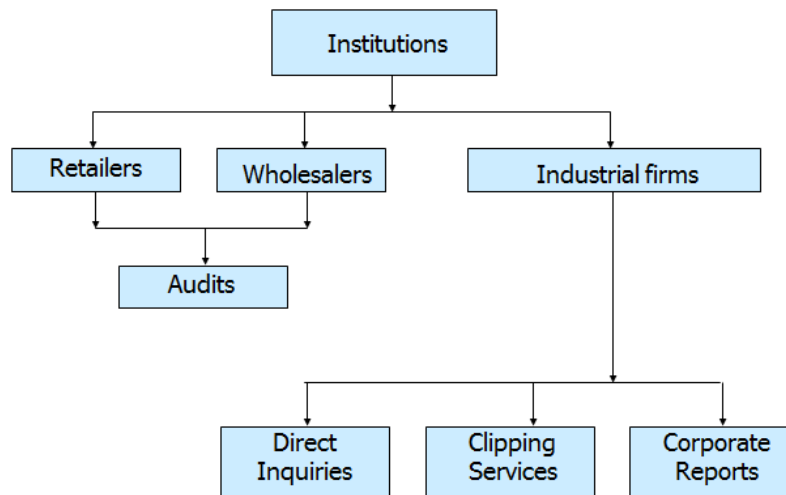
- iii) **Identifies Industry Trends:**
- iv) **Measures Brand Awareness, Strength, and Perceptions:**
- v) **Offers Competitive Intelligence:**
- c) Syndicated sources can be classified based on the unit of measurement (\_\_\_\_\_ or \_\_\_\_\_).
- d) Household/consumer data can be obtained from surveys, diary panels, or electronic scanner services.
- e) Institutional data is obtained from retailers, wholesalers, or industrial firms.

f) **Syndicated Services: Consumer Data**



VII. **Syndicated Services: Institutional Data**

**Syndicated Services: Institutional Data**



<http://www.productscan.com/>

h)...and some internet databases useful to marketers

▶ **Online Databases**



**LexisNexis**

<http://www.lexisnexis.com/>



**ProQuest**

<http://www.proquest.com/>

▶ **Statistical & Financial Data**



**Wall Street Journal**

<http://www.wsj.com/>



**CNBC**

<http://www.cnbc.com/>



**Investors**

<http://www.investors.com/>



**FoxBusiness**

<http://www.foxbusiness.com/>

▶ **Portals & Search Engines**



**Google**

<http://www.google.com/>



**USA.gov**

<http://www.usa.gov/>

IX. Primary Data examples

a. \_\_\_\_\_

i. Observational Data

1. Nielsen
2. TIVO
3. Web Cookies

b. \_\_\_\_\_

i. Mystery Shopper

ii. Videotaping

iii. Ethnographic Research

1. MTV visits teens in “The Merchants of Cool”

iv. Field Agent – A consumer app for Primary Data Collection!

1. Make money with your iPhone by completing \_\_\_\_\_ with Field Agent
2. What is it?
  - a.
3. We’ve made it our mission to

c. Questionnaire/Survey Data (Questioning Consumers)

i. \_\_\_\_\_

1. Individual Interviews
2. In-depth Interviews
3. Focus Groups
4. Fuzzy Front End techniques



a. "Unusual" ways to identify new, cool trends

ii. \_\_\_\_\_:

1. Personal Interview Surveys
2. Telephone Surveys
3. Mail/Fax Surveys
4. E-Mail/Internet Surveys
5. Mall Intercept Surveys

d. Question Formats

i. Open-ended: If students asked, I would tell them that MKTG 25010 is

ii. Closed-ended or Fixed Alternative

"MKTG 25010 is:"

- a. Outstanding
- b. Pretty Good
- c. Fair
- d. Pretty Bad
- e. Horrible

iii. Dichotomous

What is your gender?

\_\_\_\_\_ Male          \_\_\_\_\_ Female

iv. Semantic Differential -- The response is give on a set of  
"\_\_\_\_\_":

Please indicate your feeling about MKTG 25010:

Interesting	_____	_____	_____	_____	_____	Boring
Simple	_____	_____	_____	_____	_____	Complex
Useful	_____	_____	_____	_____	_____	Useless
Good	_____	_____	_____	_____	_____	Bad

v. Likert Scale -- Respondents rate their degree of  
\_\_\_\_\_ with a statement:

Marketing 25010 is a good class:

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

--All can be useful; the format needs to match the goal.

--Writing the question can be an “art” that critically influences the result!!  
See <https://www.surveymonkey.com/blog/2015/02/11/5-common-survey-mistakes-ruin-your-data/>

e. Collecting Primary Data

- i. \_\_\_\_\_
  - 1. An ongoing group of consumers or stores who agree to provide information
- ii. \_\_\_\_\_
  - 1. Carefully control the “cause” (the “stimulus”, e.g., the ad, the price, the packaging, etc.) and measure the important “results” (the “dependent variable,” e.g., attention, beliefs, attitude, sales).
- iii. \_\_\_\_\_

f. Using information for ACTION – issues

- i. Navigating information overload
  - 1. New ways to govern, measure, and \_\_\_\_\_ in the extended enterprise
  - 2. Information Systems...On-going, organized procedure to generate, analyze, disseminate, store, and retrieve information for use in making marketing decisions.
- ii. Data Mining
  - 1. Data warehouses can be analyzed the same way as databases (looking for predetermined patterns).
  - 2. However, due to size, it would be a slow and cumbersome process
  - 3. More advanced statistical and artificial intelligence techniques (called data mining) allow marketers to identify patterns and meaningful relationships!
  - 4. Harrah’s Example:

X. Step 4: Develop Findings

- a. Analyze the Data
  - i. Using the appropriate techniques
- b. Present the Finding
  - i. Communicated in a clear manner for ACTION

XI. Step 5: Take Marketing Action

- a. Make Action Recommendations
- b. Implement the Actions Recommended

c. Evaluate the Results

*Video EXAMPLE – Frontline from PBS  
MTV Using Marketing Research for Action!*

- VIACOM's crown jewel is MTV earning \_\_\_\_\_ in profits
- MTV's Problem – \_\_\_\_\_
  - No longer seen as cool or creative
- MTV's Objectives:
  - How to get closer to the audience
  - How to learn what kids want and get closer to them
- The "data plan" -- Immerse themselves in \_\_\_\_\_
- Learn what the consumer wants and deliver it to them!
  - To ensure the bond, MTV depends on Market Research!
  - Research to understand \_\_\_\_\_
- Collect RELEVANT INFORMATION --TECHNIQUES:
  - Ethnography study (Collection of Primary Data with Personal Observation)
    - Visit the fan in his home
      - Gain insight into the teenaged male
      - What issues are important them?
      - Dating
      - Parents
      - Stressors?
- Develop and Present the findings.
  - Captured on video and shown to the MTV insiders
- What happens with the research? What portrait emerges?
  - The \_\_\_\_\_..???!!!!
  - He is crude, loud, obnoxious, and in your face.
- And the ACTION...he influences a great deal of programming!
  - Tom Green
  - Daredevils
  - Spring Break
  - Comedy Central South Park
  - The Man Show
- Criticism -- Are we capturing the "person?"
  - Revenues depend on being ahead of the curve!
  - Professional Wrestling
  - Huge with the audience

## Chapter 9 -- Market Segmentation, Targeting, and Positioning (STP)

- I. Hewlett Packard – Printers (and more)
  - a) HP's Imaging and Printing Group (IPG) is "the leading imaging and printing systems provider in the world for printer hardware, printing supplies and scanning devices, providing solutions across \_\_\_\_\_ from individual consumers to small and medium businesses to large enterprises. "
  - b) How has it obtained this position?
  - c) History
    - i) The 1980's
    - ii) The 1990's
    - iii) The 2000's
  - d) HP has been successful by finding \_\_\_\_\_ them with appropriate products and services!!
  - e) FUTURE CHALLENGES:
  
- II. Markets
  - a) \_\_\_\_\_ -- Groups of customers with different wants, buying preferences or product-use behavior
    - i) For example, what do YOU look for in a vacation?
  
  - b) \_\_\_\_\_ – A market segment for which the seller chooses to design a marketing mix
  - c) Market Segmentation – The PROCESS of identifying and describing \_\_\_\_\_ target markets
    - i) Market Segmentation involves \_\_\_\_\_ into groups, or segments, that:
      - (1) Have common needs, and
      - (2) Will respond similarly to a marketing action.

- ii) We need to target our market segment by “positioning” our offer; BUT first we need to define and describe the target market in detail.

### III. Market Segmentation (another view)

- a) The process of dividing the total market for a good or service into several smaller, internally homogenous (i.e., \_\_\_\_\_) groups.

- i) Members of each group are similar with respect to the factors that influence demand

(1) For example, 3 types of cars:

(a)

(b)

(c)

- b) Segmentation Benefits and Challenges

- i) More efficient use of marketing resources

(1) Example

- ii) Can help to create rapid growth

(1) Example

- iii) Challenges – Be Careful

(1) Too much complexity can frustrate consumers

(a) Example:

### IV. Process of Market Segmentation

- a) Identify \_\_\_\_\_ within a \_\_\_\_\_

- i) Market research is used to explore this with CURRENT and POTENTIAL consumers.

- ii) Cell phone Example -- What do people want in a cell phone?

(1) Texting?

(2) Web access

(3) Gaming Apps

(4) Camera (or video?)

(5) Music



- (6) Fashion
- (7) Simple, low-tech
- (8) "Don't Care"
- (9) Business Users
- (10) For \_\_\_\_\_!

b) Identify the Characteristics that define the segment (what do prospective segments share that make them different from other segments with different needs/wants/desires?)

Example: Occupations and boots

- c) Determine the \_\_\_\_\_ of the segment and how well they are being \_\_\_\_\_ by current offerings
  - i) How large is the segment in terms of numbers, demand, and dollars (i.e., potential sales)?
  - ii) How \_\_\_\_\_ is their need (how dissatisfied are they with their current options)?
  - iii) How \_\_\_\_\_ is the existing competition?
  - iv) FORECASTS can help to determine which segments are worth pursuing!
    - Note: See the textbook Chapter 8 for "sales forecasting techniques" that may be very valuable here.
- d) This should allow us to determine the size of the segment, the urgency of the need, and the strength of the competition...so, \_\_\_\_\_  
 \_\_\_\_\_ help determine whether or not this segment seems to be appealing for us

V. Market Segmentation Conditions that indicate a useful segment

- a) The segment is Measurable and we can \_\_\_\_\_ data about the segment

Example:

- b) Is the segment \_\_\_\_\_?

e.g., The Cleveland Plain Dealer:

- c) Is the segment \_\_\_\_\_ to be profitable for us?
  - i) Creating a new product/service, advertising it, distributing it, facing down competition is all \_\_\_\_\_.
  - ii) Is there enough size, demand, and sales to provide the \_\_\_\_\_ we will need?
  - iii) In some cases, we can be successful by treating EACH customer as a separate segment through \_\_\_\_\_.

Examples:

#### VI. Market Segmentation – Grouping Buyers into Segments

- a) Based on the Customer's reason for \_\_\_\_\_?
  - i) \_\_\_\_\_ -- For personal use = Final Consumer
  - ii) \_\_\_\_\_ -- To use in the organization, to resell, or to make other products

--Black and Decker and DeWalt Example:

Video: Felber on Market Segmentation at Felber & Felber

- (a) Felber & Felber has focused on the \_\_\_\_\_ segment
- (b) There are many manufacturing companies doing well
- (c) Felber & Felber only needs a few of these to FOCUS on with their specialties
- (d) Green Marketing and Early Stage Clients
- (e) They apply what they learned from other clients to this segment

However, while useful, this is too broad...so look at Consumer Market segmentation....

- b) Bases for Segmenting Consumer Markets (from the figure):
  - i) Geographics (Region, Size, Urban-rural, Climate)

- ii) Demographic (Income, age, gender, family life cycle, social class, education, occupation, ethnic background)
- iii) Psychographics (e.g., Personality, Life-style, Values, VALS)
- iv) Behavioral segmentation (Benefits desired)
- v) Usage Rate

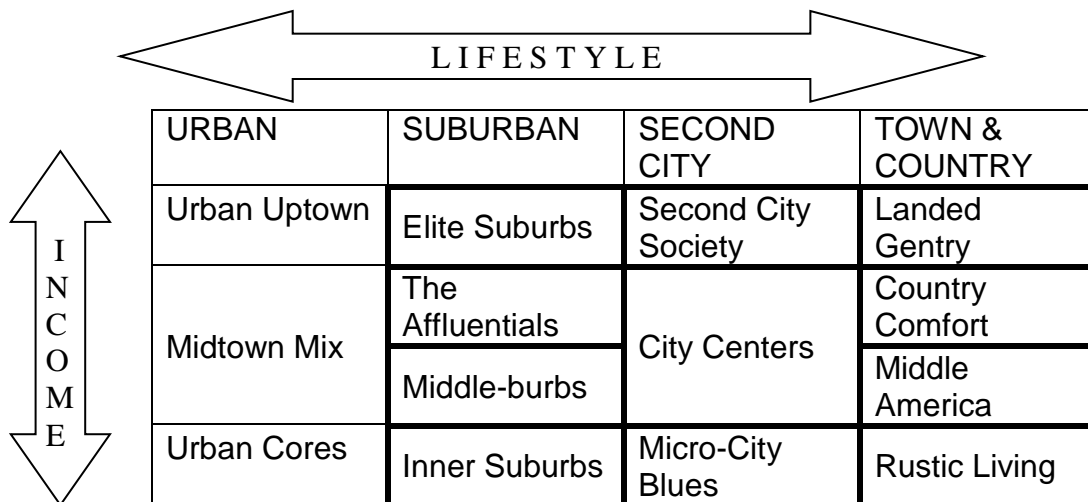
Examples:

(1) \_\_\_\_\_ (by Age )

(2) Psychographic Segmentation

(a) As the American population becomes more diverse and affluent, demographic researchers are changing the way they define segments of American society.

(b) \_\_\_\_\_ has defined 14 distinct groups of consumers based on recent Census and consumer data that emphasize income, age, and lifestyles. Segments of each group buy the same types of cars, read the same magazines, and watch the same television shows.



- Claritas' 14 segments are divided into 66 smaller clusters.

For more, see: <https://segmentationsolutions.nielsen.com/mybestsegments>



- Useful for direct-mail promotions, retail outlet selection, decisions about the mix of products/brands to offer in the area.

### (3) Behavioral Segmentation

- (a) \_\_\_\_\_ is an “ideal” approach, but often hard to measure
  - (i) Example: What are the benefits of wearing clothing that has label on the outside?
  - (ii) Citicard example:

### (4) Usage Rate

- (a) Non-users
- (b) Light users, medium users, heavy users
  - (i) Best Buy Example:

## VII. “Traditional” Target Market Strategies (sIp)

- a) \_\_\_\_\_ (mass-market, undifferentiated market, one size fits all)
  - i) Use a \_\_\_\_\_ for everyone – A “shotgun” approach.... VERY UNCOMMON; perhaps some \_\_\_\_\_
  - ii) Potential advantages include;
    - (1) Lower \_\_\_\_\_, and
    - (2) Easy to \_\_\_\_\_
- b) \_\_\_\_\_ Strategy
  - i) Product differentiation involves using different elements of the marketing mix to help consumers see the product as being different from the competition, and “better” for the consumer
  - ii) Apple example:
- c) Single-Segment Strategy (\_\_\_\_\_ )
  - i) Create a single marketing mix which targets a single, well defined group

ii) Can be a good way to \_\_\_\_\_ in the broader market  
(1) Examples

iii) The marketer can earn a reputation as an \_\_\_\_\_ or a  
\_\_\_\_\_ in this \_\_\_\_\_ market

iv) Niche markets are often (though not always) relatively  
\_\_\_\_\_

(a) Example:

v) So, this is one way for a firm with \_\_\_\_\_  
\_\_\_\_\_ to be competitive!

vi) CAUTION: A danger of this approach is that you are \_\_\_\_\_  
\_\_\_\_\_

(1) Example

d) \_\_\_\_\_

i) Identify MULTIPLE segments, and develop, market, and manage  
MULTIPLE marketing mix offering attempting to satisfy the needs, wants,  
and desires of EACH segment with a “\_\_\_\_\_” marketing mix.

e.g., Bayer HealthCare Products

ii) Advantages:

(1) Eliminate or reduce \_\_\_\_\_

(2) Become \_\_\_\_\_  
\_\_\_\_\_

iii) Disadvantages:

(1) Higher \_\_\_\_\_

(2) Higher \_\_\_\_\_

(3) Higher \_\_\_\_\_

(4) SO, these must be offset with \_\_\_\_\_

For example it is estimated that \_\_\_\_\_

\_\_\_\_\_

Examples: Gap Clothing Segmentation and Jeans segmentation

Gap  
Banana Republic  
Old Navy  
Athleta  
INTERMIX  
Piperlime

Jeans Example:

- e) Video: Muller on Segmentation at Timken
  - i) Primarily by industry
    - (1) Primary metals
    - (2) Wind energy
    - (3) Power generation
    - (4) Cement
    - (5) Automotive
    - (6) Off highway construction vehicles
  - ii) And then **further** with micro segmentation
    - (1) Short lead time
    - (2) Longer life
    - (3) More productivity
  - iii) Challenge to discover the segment's needs and to create a mix for each

f. Example: Bayer Consumer Products

([http://www.consumercare.bayer.com/scripts/pages/en/our\\_brands/index.php](http://www.consumercare.bayer.com/scripts/pages/en/our_brands/index.php))

i) Background

- (a) Employees: 6,600
- (b) Activities in more than 100 countries
- (c) Sales: Over EUR 2 billion
- (d) More than 170 brands worldwide
- (e) Global Headquarters: Morristown, NJ
- (f) Bayer HealthCare's OTC brands are manufactured around the globe in Europe, North America and Latin America, as well as in Asia.

(2) \_\_\_\_\_ Major Segments

- (a) Analgesics: Bayer Aspirin, Aleve, Aktren, and Midol
- (b) Gastrointestinal: Alka-Seltzer, Lefax, Phillips Milk of Magnesia, Rennie, and Talcid
- (c) Dermatological: Bepanthen, Bepanthol, Canesten
- (d) Cough and cold remedies: Alka-Seltzer Plus, Aleve Cold & Sinus, and Tabcin
- (e) Multivitamins and dietary supplements: Berocca, One-A-Day, Flintstones (complete, gummies, plus, my first Flintstones)

(3) Two Major Segments within \_\_\_\_\_

- (a) Aspirin Regimen
- (b) Aspirin for Pain Relief  
<http://www.bayeraspirin.com/products/products.htm>
- (c) Multiple offerings within each segment

VIII. Selecting a Target Market – Guidelines

- a) BEFORE selecting a segmentation strategy, determine the \_\_\_\_\_ of each segments!
- b) Is the segment's needs \_\_\_\_\_ with the company's goals
  - i) Example:
- c) Is there a \_\_\_\_\_ between the market opportunity and our resources?
  - i) Example:
- d) \_\_\_\_\_ that justify the investment

- i) The segment must be \_\_\_\_\_
  - ii) The segments should be expected to \_\_\_\_\_
  - iii) We can reach the segment at a \_\_\_\_\_
    - (1) Example:
- e) Competitors are \_\_\_\_\_

#### IX. Positioning the Product (**STP**)

- a) Creating and maintaining in the minds of target market consumers a particular image relative to competing products
  - i) Example:
    - (1) The NAME
    - (2) Its ads
    - (3) The dentist recommendations
- b) Consumers often form mental “\_\_\_\_\_” for brands that will simplify their decision making – we want to \_\_\_\_\_
- c) Three steps to Positioning a product
  - i) Select the \_\_\_\_\_ based on what is important to the target consumers.
    - Answer the question, “What will you do for me that \_\_\_\_\_?”

Dove:
  - ii) Design the \_\_\_\_\_ that convey the position
    - Done well, this embodies your “\_\_\_\_\_” (USP).
    - Your USP \_\_\_\_\_ your product from the competitors, on a feature that is \_\_\_\_\_ to consumers.

--Examples are having the lowest cost, the highest quality or being the first-ever product of its kind.

--A USP could be thought of as "what you have that \_\_\_\_\_ don't" (that is of importance to your consumers).

iii) Coordinate ALL \_\_\_\_\_ to convey the position to the target consumers

Examples:

\_\_\_\_\_ : "Expect more. Pay less."

U.S. \_\_\_\_\_ : "The toughest job you'll ever love."

\_\_\_\_\_ : "Melts in your mouth, not in your hand."

\_\_\_\_\_ : "The World on Time" and "When it absolutely, positively has to get there overnight."

\_\_\_\_\_ : "The Miracles of science."

\_\_\_\_\_ Jewelers: "Every kiss begins with \_\_\_\_\_."

d) The Perceptual Map as a product positioning tool

i) Step 1 -- Analyze the Map and select the \_\_\_\_\_

ii) Step 2 -- Design the dimension or the product feature that most effectively conveys the \_\_\_\_\_

iii) Step 3 -- Coordinate the marketing mix components to convey a consistent position to the target audience

iv) Of course, this can only work if it is a "good" segment and all the segmentation criteria are met!

X. Positioning Errors

a) \_\_\_\_\_

i) Failing to position the brand very well.

(1) Examples:

b) \_\_\_\_\_

i) Giving buyers too narrow a picture of the company.

(1) Example

c) \_\_\_\_\_

(1) Claiming two or more contradicting benefits OR changing positions often

(2) Leaving buyers with a confused image of a company.

(a) Example

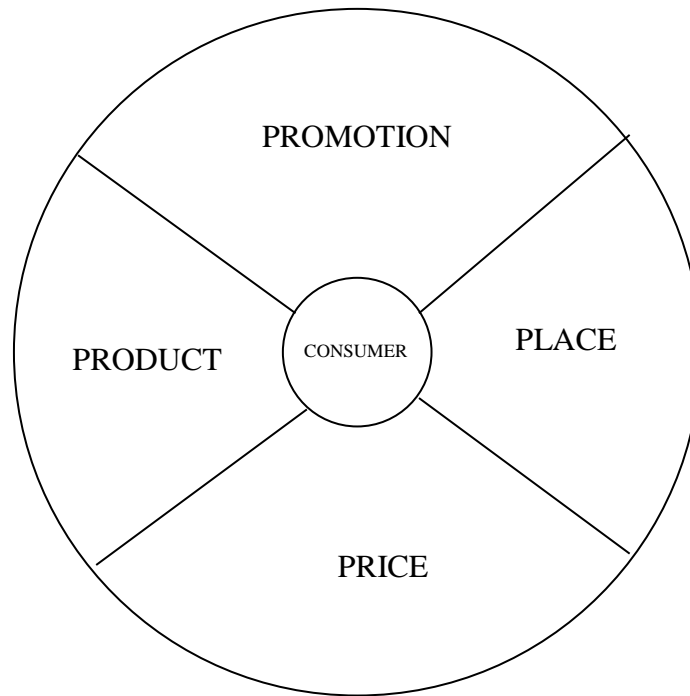
XI. Basic Positioning Platforms (and examples)

- a) Premium Positioning or status symbol
  - b) Value for money
  - c) Friend / family values /warmth
  - d) Problem Solver
  - e) "Fun"
  - f) Trendy / stylish
  - g) Role model/ user imagery (reliability, trust, quality, premium); Celebrity endorsements
  - h) Anti-establishment / rebel
  - i) Technology leader / Innovation
  - j) Service Leader
- NOTE: It would be simplistic to look at these platforms as independent and exclusive. Many brands can (and do) span more than one platform.

**Segmentation**  
**Target Marketing**  
**Positioning**  
**(STP)**

## Chapter 10 -- Developing New Products and Services

### The Marketing Mix



#### I. New Products? Who needs 'em?

Examples:

- Thomas Watson, chairman of IBM, 1943
- Thomas Edison, 1922
- Ken Olson, chairman and founder of Digital Equipment Corp., 1977
- Daryl F. Zanuck, president of 20<sup>th</sup> Century Fox, 1946
- Harley-Davidson

#### II. Great New Ideas are the cornerstone of business success

##### a) Price Waterhouse Coopers

- 50% or more of plausible business ideas come from customers, competitors, and suppliers.
- The rest? \_\_\_\_\_
- The Challenge!**
  - How can we stimulate \_\_\_\_\_ to make suggestions? and,
  - How can we \_\_\_\_\_ to find promising ideas?

##### b) Imaginatik – Innovation Central



c) Lego - Getting New Product Ideas from you consumer community!

-New Ideas from LEGO \_\_\_\_\_!

-Fans \_\_\_\_\_ on favorite projects.

-10,000 = Product Review Phase.

-Member selected are RECOGNIZED and even receive a \_\_\_\_\_ of the product's sales!!

[https://ideas.lego.com/discover#search/f:state=Gathering%20Support/s:most\\_supported](https://ideas.lego.com/discover#search/f:state=Gathering%20Support/s:most_supported)

### III. Understanding the terms

a) What is a "product"?

i) A set of \_\_\_\_\_ and \_\_\_\_\_ attributes.

ii) May be a \_\_\_\_\_

iii) Which provide satisfaction of \_\_\_\_\_ in the form of \_\_\_\_\_ .

iv) And is exchanged for money (or some other unit of value).

b) The "Total Product"

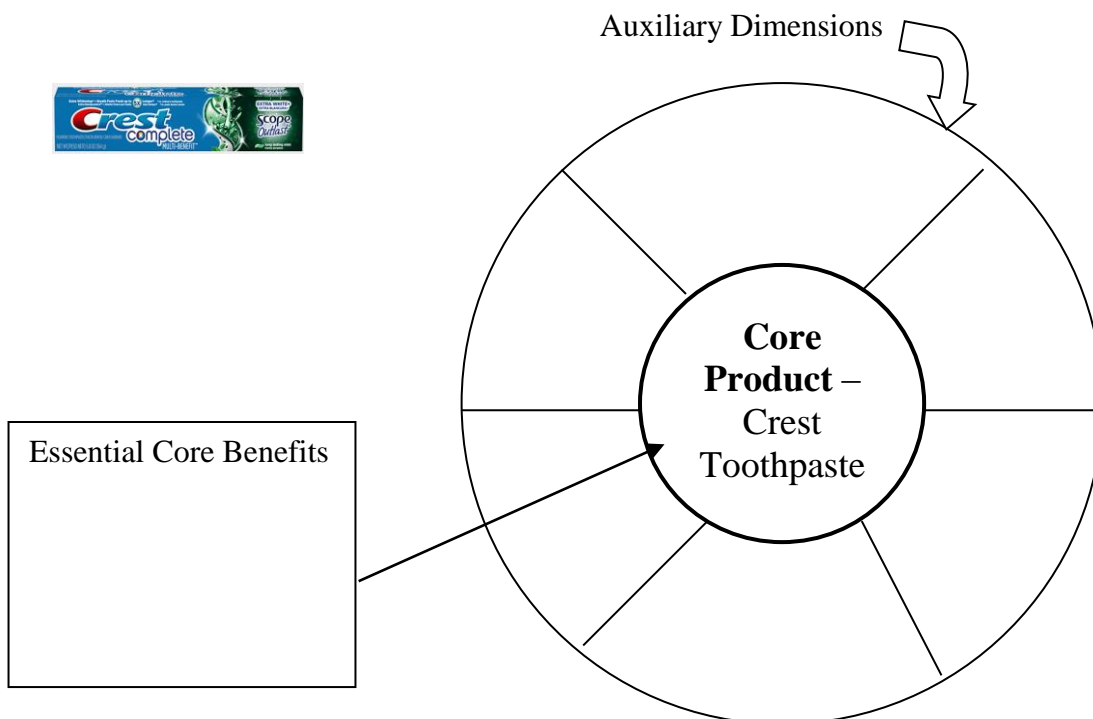
i) A Broad spectrum [bundle] of tangible and intangible benefits

ii) Primary Characteristics:

(1) Basic features of the \_\_\_\_\_

iii) Auxiliary Dimensions \_\_\_\_\_

(1) Example: Crest Pro-Health Advanced



c. Product Line

- i) A group of closely related products that \_\_\_\_\_:
  - (1) a class of needs,
  - (2) are used together,
  - (3) are sold to the same customer group,
  - (4) are distributed through the same type of outlets,
  - (5) or fall within a given price
- ii) EXAMPLE: Product Lines at Church & Dwight Co. Inc.
  - (1) Personal Care lines:
    - (a) Antiperspirants & Deodorant
    - (b) Eye Care
    - (c) Fertility
    - (d) Hair Removal
    - (e) Nasal Care
    - (f) Oral Care Products
    - (g) Ovulation
    - (h) Wound Wash
  - (2) Household Product lines:
    - (a) Baking Soda
    - (b) Deodorization
    - (c) Fabric Care
    - (d) Household Cleaners
    - (e) Pet Care Products
    - (f) Wood Care
- d) Product Mix
  - i) The number of \_\_\_\_\_ offered by a company.
- e) Width of Product Mix
  - i) The number of product lines carried (Church & Dwight is broad; Spyder Paintball is narrower)
- f) Depth of Product Mix
  - i) Average Number of Products in \_\_\_\_\_.

g) Consistency of Product Mix

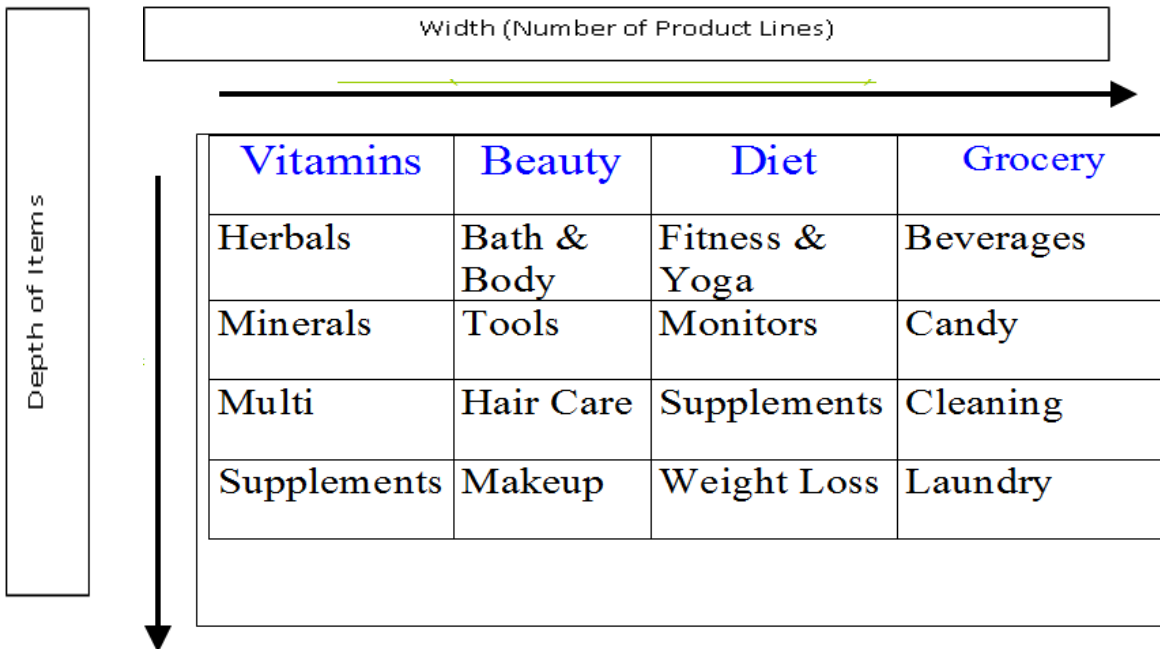
i) How similar are our product lines?

ii) PRODUCT MIX EXAMPLE:

REDKIN is \_\_\_\_\_ and \_\_\_\_\_



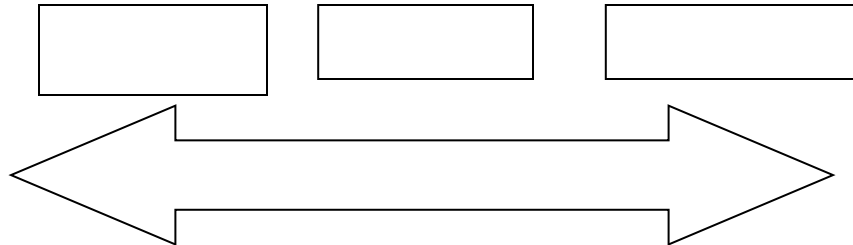
CVS is \_\_\_\_\_ and \_\_\_\_\_



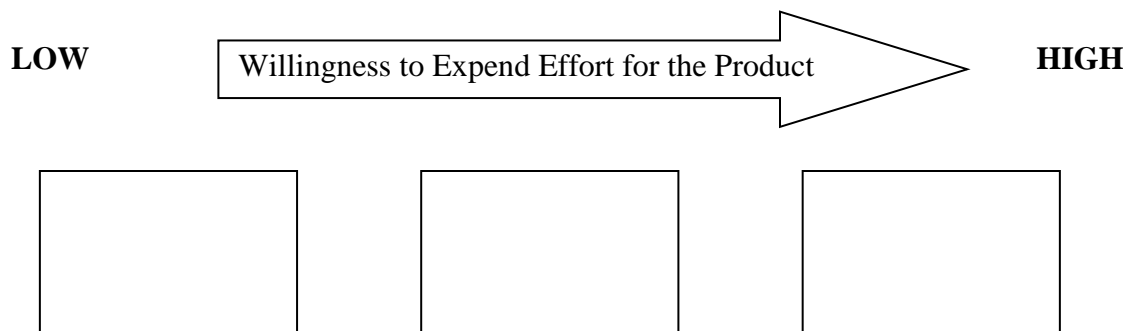
#### IV. Classifying Products

##### a) Consumer Goods

- i) products purchased by the \_\_\_\_\_ consumer.
- ii) Based on Durability/Tangibility Classification (goods-services continuum)



##### iii) Based on CONSUMER'S Interest



Examples:

##### iv) CONVENIENCE PRODUCTS

(1) Characteristics:	(2) STRATEGY:
a. Relatively Inexpensive	a. Make available in every possible place
b. Purchase is regular and recurring	b. Must be visible inside the store
c. Little Thinking Involved	c. Distribution is a major marketing mix factor
d. Minimal Shopping Effort	d. Easy substitution by similar brands (consumer will accept another brand)
e. Bought a most convenient location	e. Extensive advertising is used
f. "Staple" products, like groceries, and	
g. Impulse purchases (candy bar?)	

v) Shopping Products

(1) CHARACTERISTICS:	(2) STRATEGY:
a. Product comparisons occur	a. Selective distribution
b. Consumer seek information	b. Consumers will seek products in less visible locations
c. Decisions are based on thought	c. Product attributes and Quality are important
d. Relatively higher prices	d. Product differentiation is possible
e. Often technology or fashion oriented	
f. Monetary & social risks	
g. Brand loyalty may be found	






vi) Specialty Products

(1) CHARACTERISTICS:	(2) STRATEGY:
a. Substitutes are not accepted	a. Limited distribution
b. Infrequently purchased	b. Consumers will seek products regardless of location
c. Extensive Search	c. Extensive product and price differentiation
d. Brand loyalty may be strong	d. Strong brand image
e. Loyalty to retailer may be as important as brand selection	
f. May travel great distances to acquire	

vii) Unsought Products

(1) CHARACTERISTICS:	(2) STRATEGY:
a. Consumer does not know about or does not want the product (initially)	a. Limited distribution
b. Interest is likely caused by a “sudden or unexpected problem” (rain = umbrella; death = funeral plot)	b. Need to advertise so consumers are aware when the need arises
c. The consumer is not likely to be loyal and will accept substitutes	c. May require persistent and aggressive advertising and selling approach

Example: Spectrum Brands **Segmented based on Consumer Markets**

Global Batteries & Appliances	Pet, Home & Garden	Hardware & Home Improvements	Global Auto Care
<p><u>Rayovac</u> Varta Remington Black &amp; Decker* George Foreman <u>Breadman</u> Juiceman Russell Hobbs Farberware Toastmaster</p>  <p></p> <p><small>*Black &amp; Decker brand licensed for small appliances</small></p>	<p><u>Marineland</u> Instant Ocean Tetra Dingo Nature's Miracle <u>FURminator</u> Heathy-Hide PRO-Sense Wild Harvest Perfect Coat <u>Ecotrition</u> <u>Birdola</u> Excel Digest-eeze <u>Spectracide</u> Hot Shot Black Flag Cutter Repel ..and more</p> 	<p>Kwikset Baldwin Weiser <u>Pfister</u> Stanley National Hardware EZSET FANAL Tell Manufacturing</p> 	<p>Armor All STP A/C Pro</p> 

- b) \_\_\_\_\_
- i) Products that assist directly or indirectly in providing products for resale. Also called *B2B goods*, *industrial goods*, or *organizational goods*.
    - (1) **Manufactured materials and component parts:** (electrical resistors, screws, electric motors, computer chips, spark plug)
    - (2) **Process materials (raw materials):** used in production, become part of finished product (chemicals, wood, wheat, cotton)
    - (3) **Installations:** primary production equipment and major capital items (buildings, computer hardware, assembly lines, oil drilling rig)
    - (4) **Accessory equipment:** (Copiers, office equipment, cell phone, hand tools)
    - (5) **Maintenance, Repair, and Operating Supplies:** facilitate routine operations (writing paper, staples, tape, Post-it notes)
    - (6) **Services:** intangible product provided by others to facilitate the firm's production and operation (maintenance, repairs, trucking, security service, legal advice, consulting)

## V. Product Development

- a) The development of \_\_\_\_\_
- b) The continuous improvement of \_\_\_\_\_
- c) WHY bother?
  - i) Any company that does not innovate will eventually be crushed by competition or abandoned by its consumers
  - ii) “ \_\_\_\_\_!”
  - iii) EXAMPLE: Innovation at two very different companies
    - (1) GOOGLE
      - (a) Ideas come from everyone in the company – even the finance team.
      - (b) Open information on every project – every idea, every deadline.
      - (c) Favor intelligence over experience.
      - (d) Employees get a free day each week to innovate – 50 percent of new products come from this time.
      - (e) Don't politic for your idea, use data – eliminate 'I like' for real data.
      - (f) Give people a vision, rules how to get there and deadlines – creativity loves constraints.
      - (g) Simple to use and easy to love – the money will follow this.

(2) **Whirlpool**

- (a) Stick with it – it can take up to six years to attain a big payback.
- (b) Innovation alone is not enough – need operational excellence as well.
- (c) Be highly practical – inventions have to be something someone will buy.
- (d) At Whirlpool, sales from new product ideas less than 5 years old were less than \$30 million; today they are more than \$1.2 billion!!

VI. Differing Perspectives of New Products

a) Newness Compared with Existing Products –

“ \_\_\_\_\_ ”

b) Newness in Legal Terms—for \_\_\_\_\_  
\_\_\_\_\_ after “regular distribution”

c) Management perspective:

i) New-to-the-world products (true innovation)

(1) High Risk

ii) Product category (or brand) extensions

(1) Diversification into an established market for an existing product--

BUT, \_\_\_\_\_  
\_\_\_\_\_

iii) Product line extensions

(1) Additions to \_\_\_\_\_

d) Consumer Perspective:

i) \_\_\_\_\_ innovations

(1) Variations of existing products

(2) No behavior changes or new learning

Example:

ii) \_\_\_\_\_ innovations

(1) Improvement of existing products

(2) Minor behavior changes, some new learning

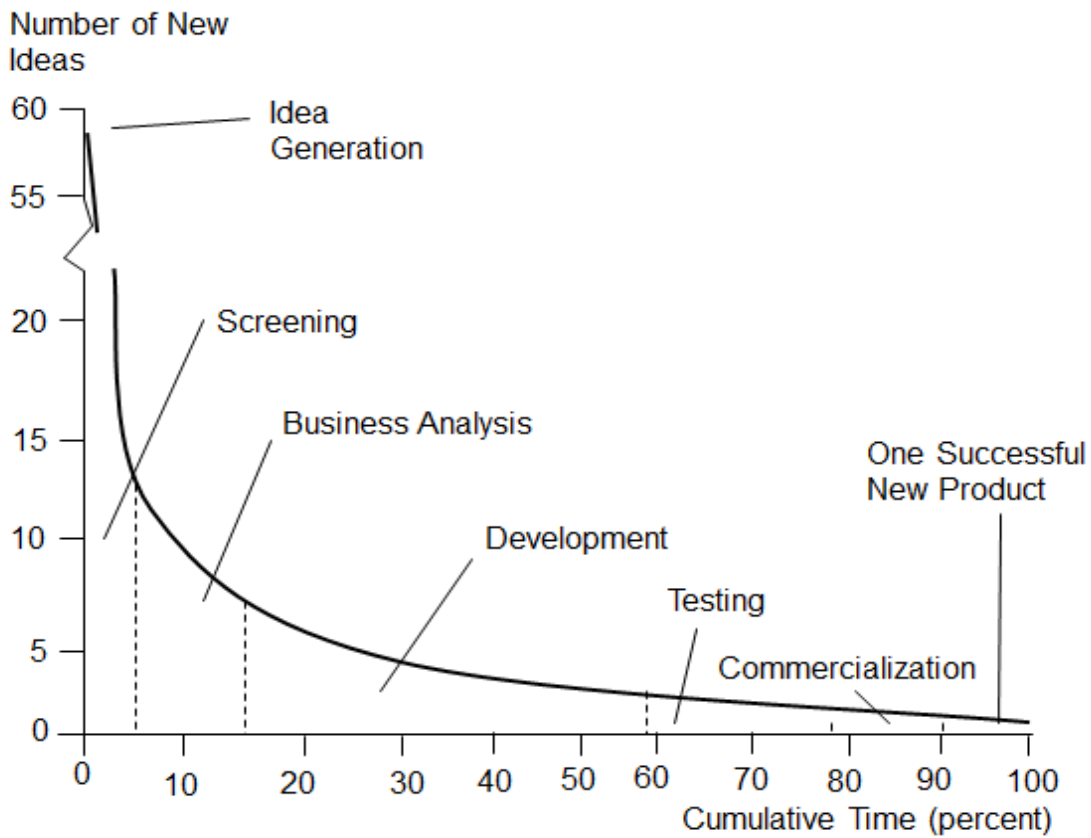
Example:

iii) \_\_\_\_\_ innovations



- (1) New function
  - (2) Major behavior changes and education needed
- Example

VII. What it takes to launch ONE commercially successful new product



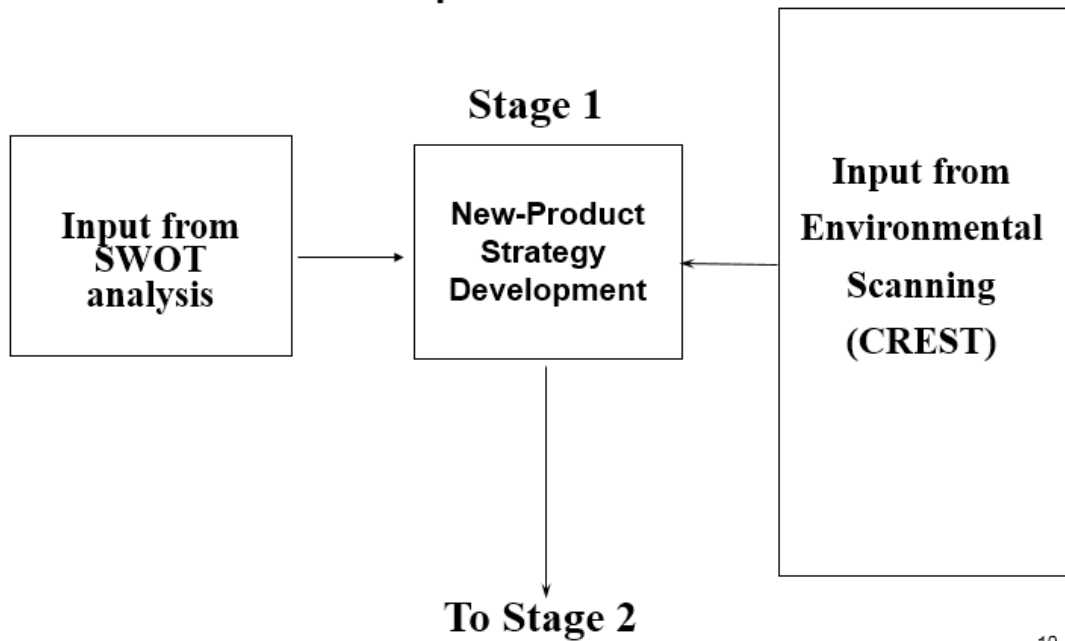
Adapted from Rovee, Allan, and Hamilton 1985

VIII. Characteristics of Success for a New Product

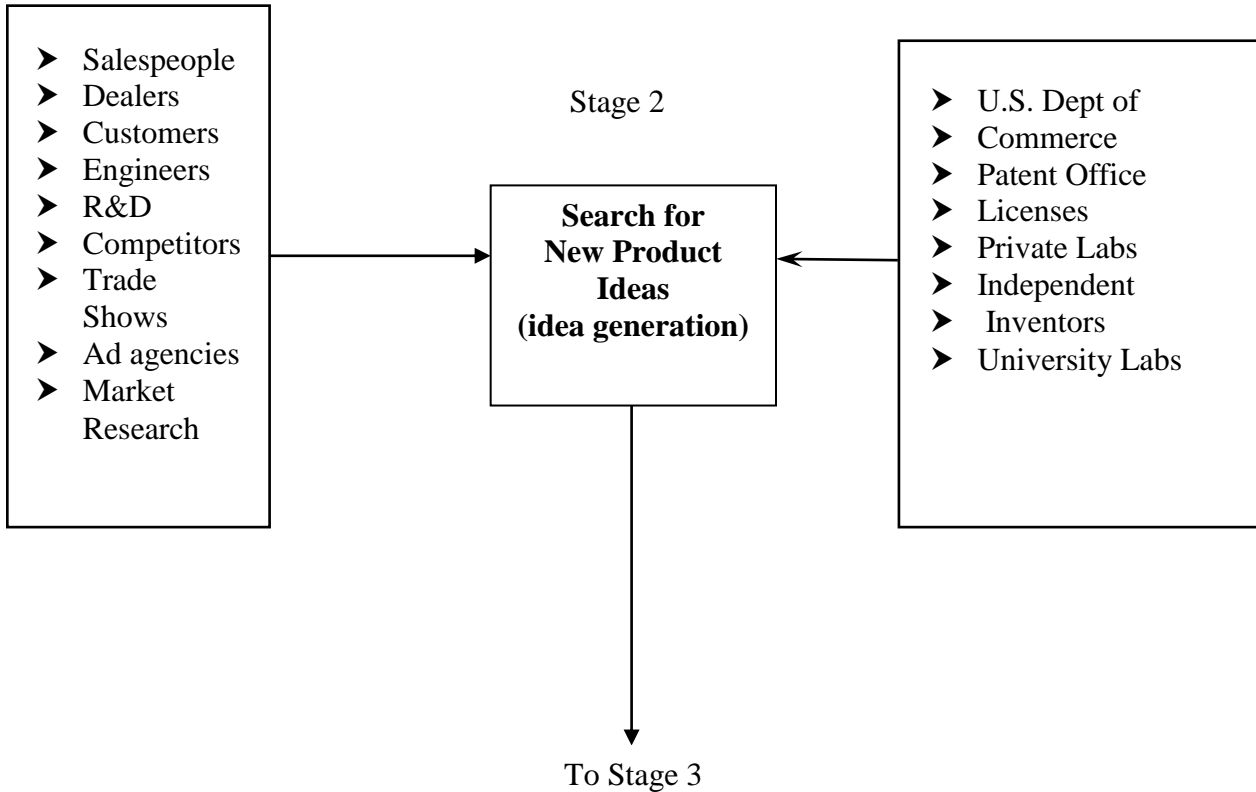
- a) \_\_\_\_\_
  - i) An enhanced bundle of benefits
- b) \_\_\_\_\_
  - i) Similar usage or consumption, patterns, and values
- c) \_\_\_\_\_
  - i) Opportunity for buyer testing through sampling or divisibility
- d) \_\_\_\_\_
  - i) Buyers see the newness

- e) \_\_\_\_\_
- i) Complexity is a disadvantage which slows diffusion
- f) A good marketing mix, well executed

IX. Stages in the New-Product Development Process



10.42

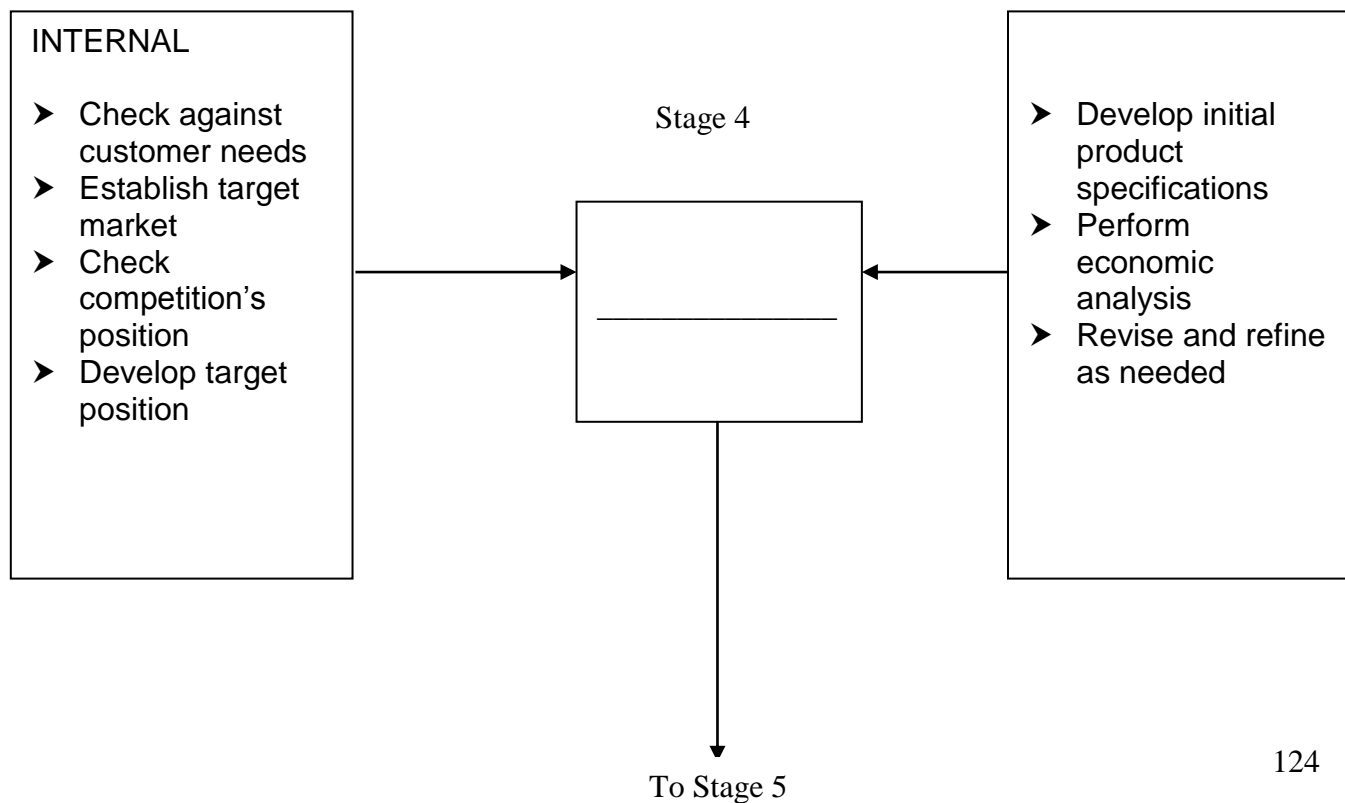
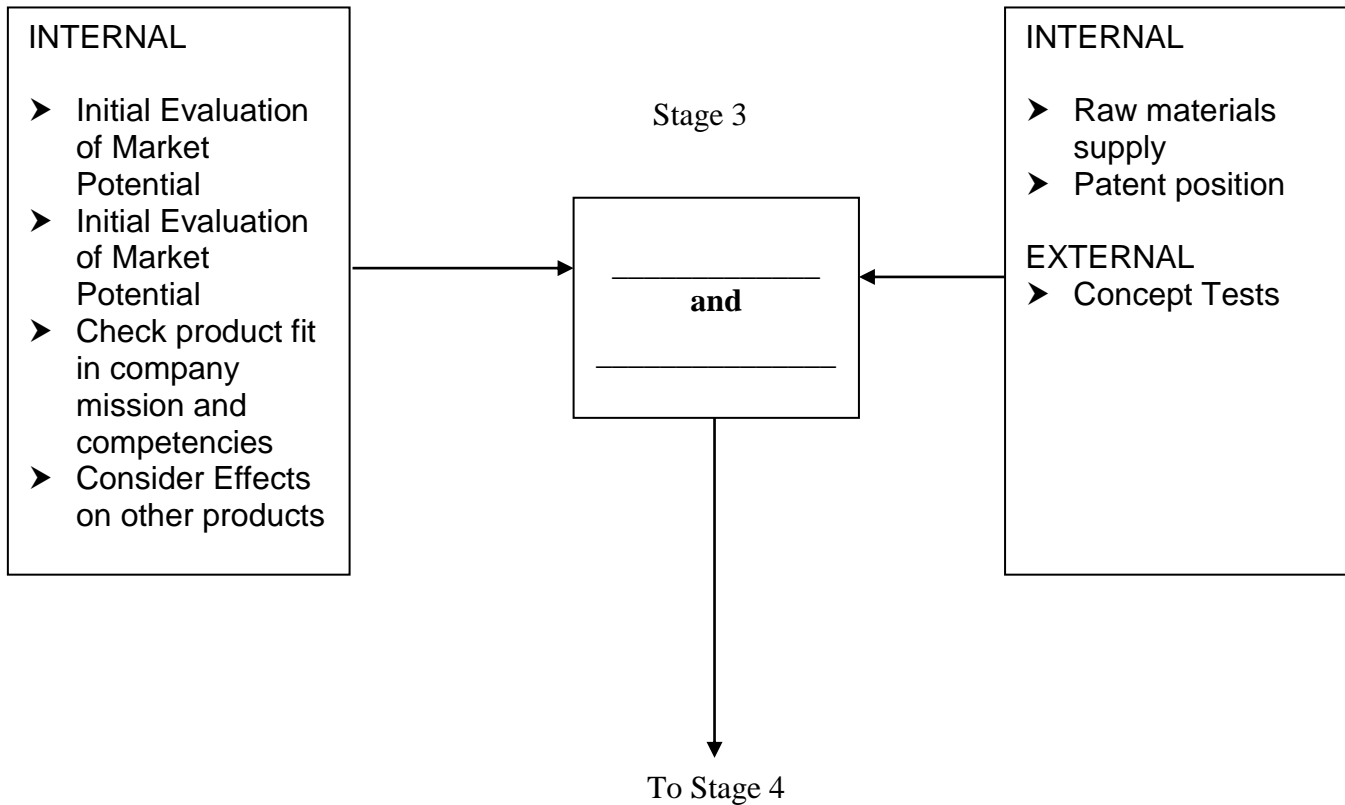


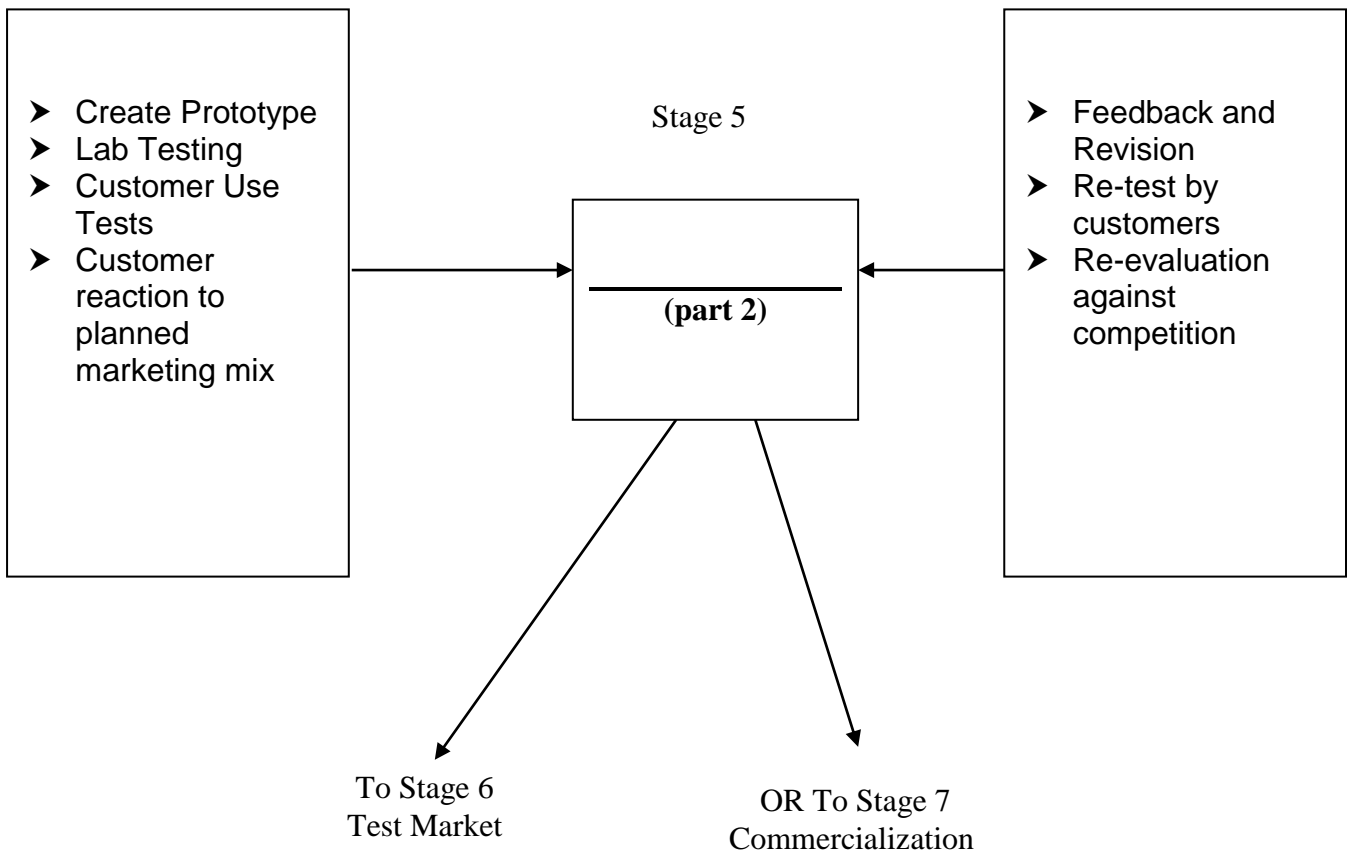
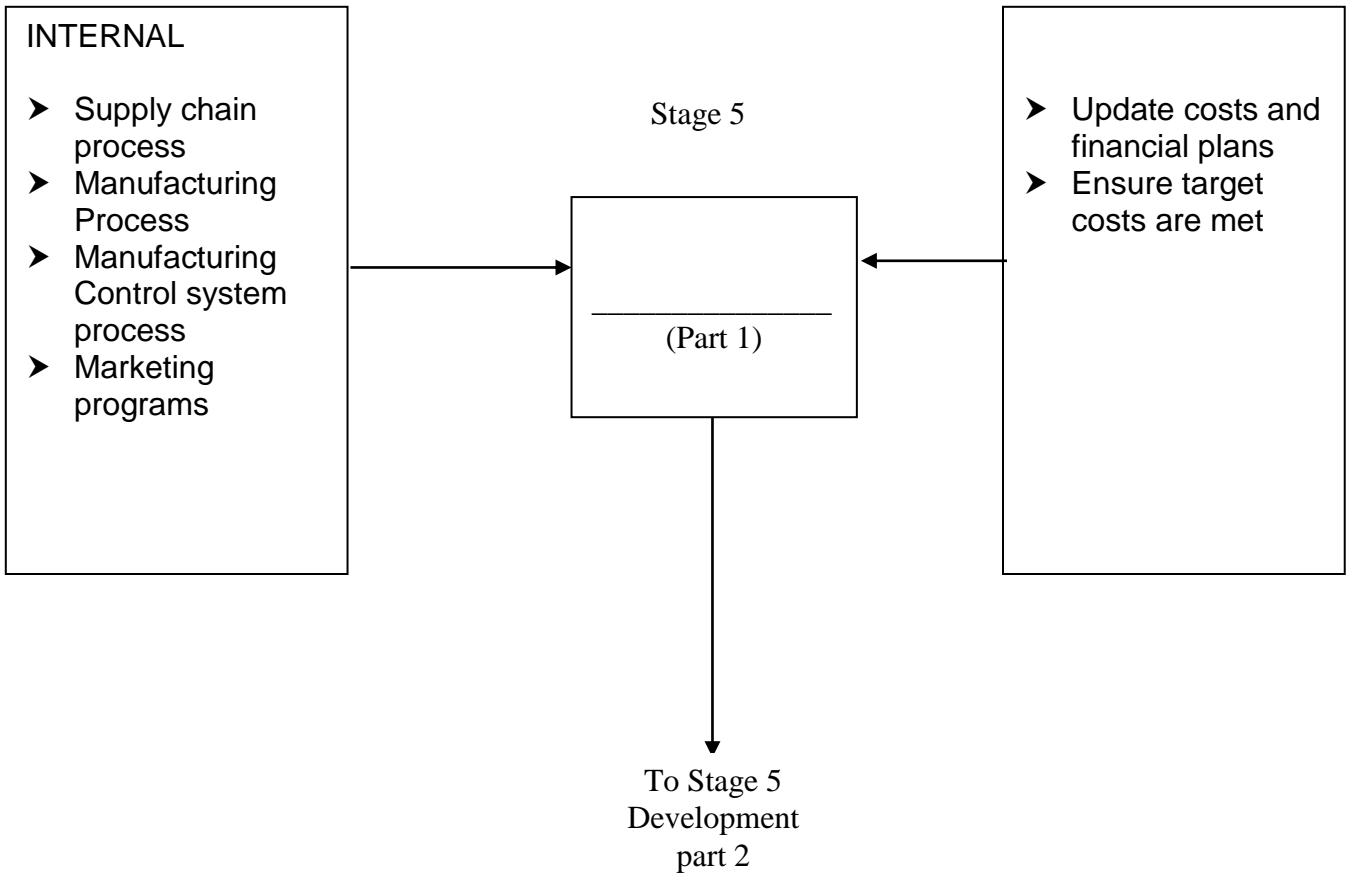
Video: Fred Hunt on a New Product Idea for at Sherwin-Williams

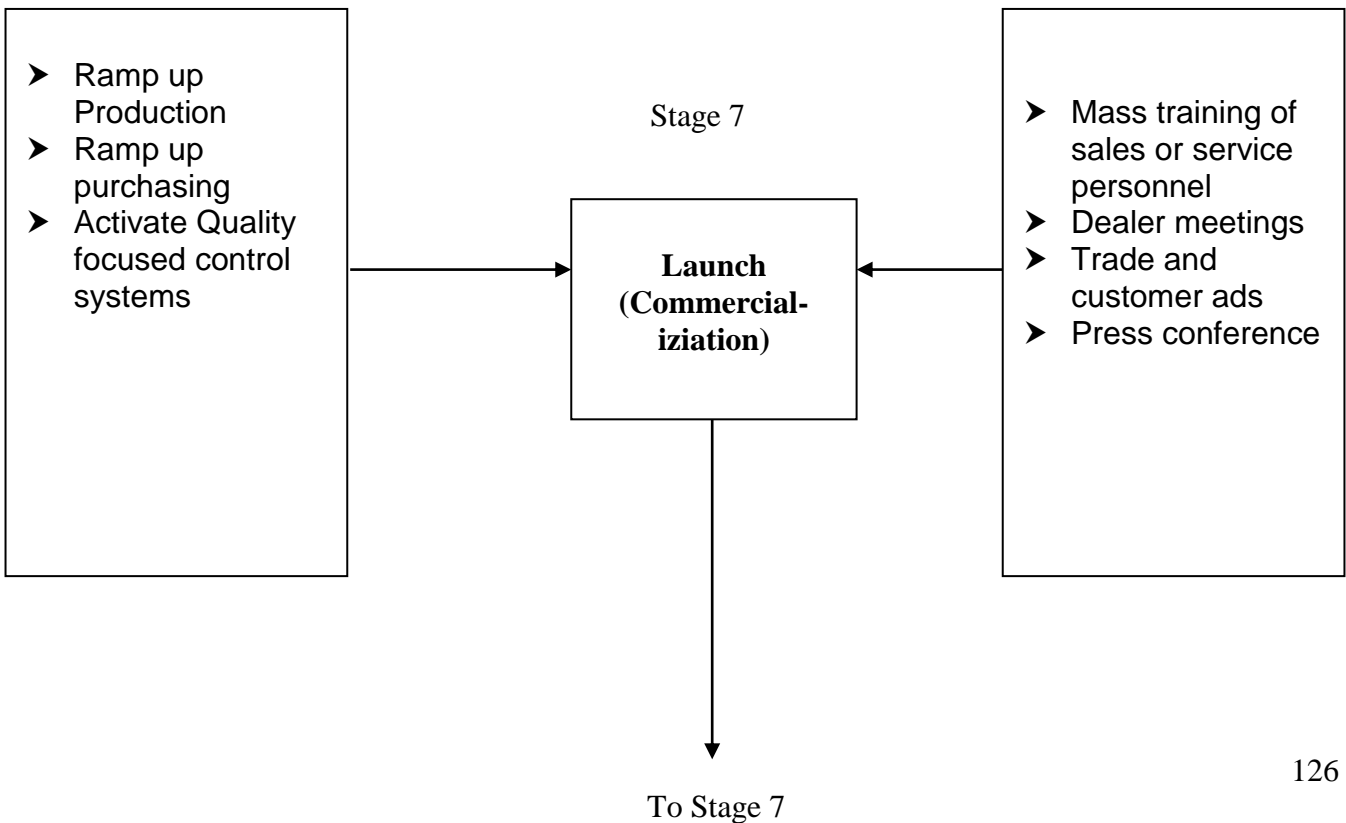
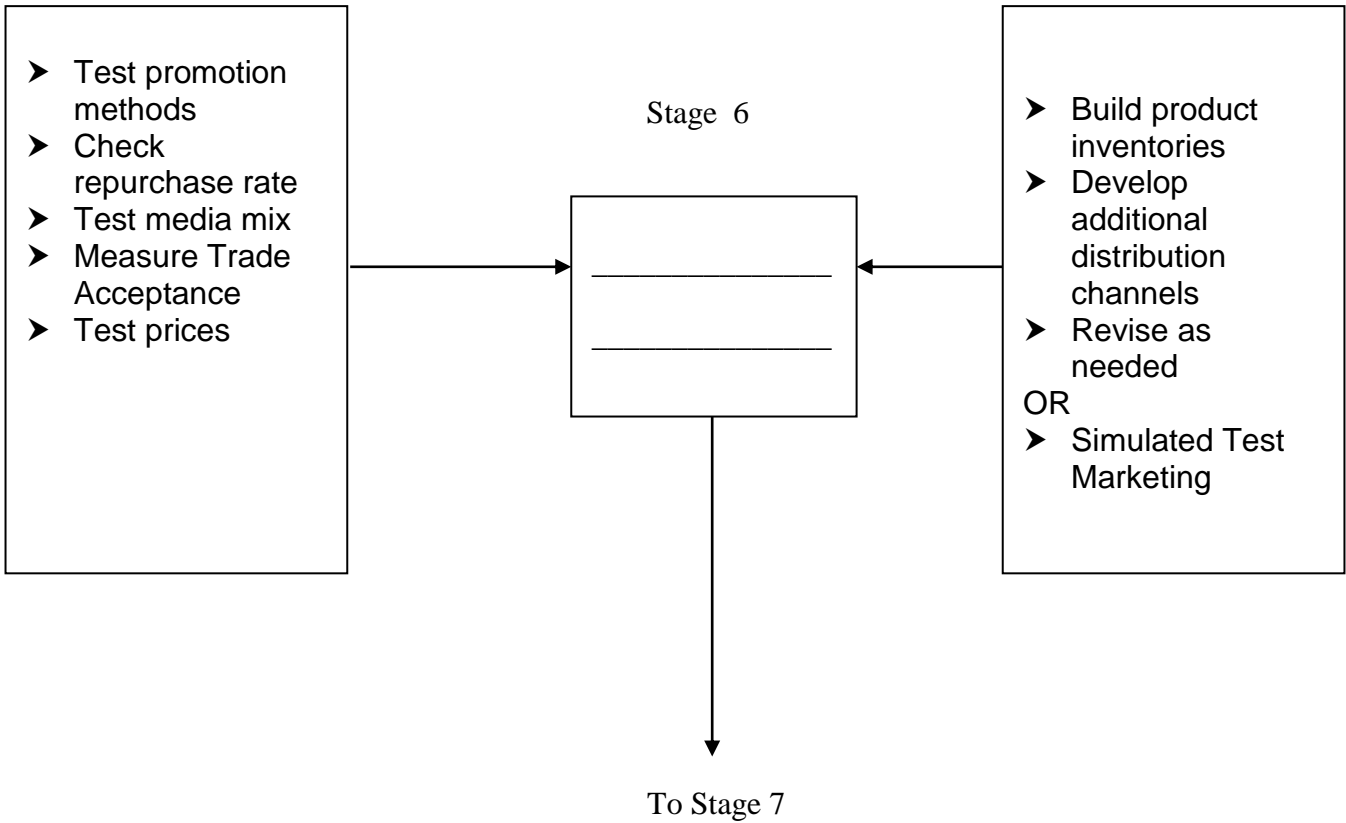
- a) Marketing is very much focused on the \_\_\_\_\_
- b) At Sherwin-Williams we \_\_\_\_\_
- c) How the conversation resulted in \_\_\_\_\_
- d) We know that our “do-it-yourself consumer is mostly \_\_\_\_\_
- e) She knows what she wants and she makes \_\_\_\_\_
- f) She was doing the actual \_\_\_\_\_
- g) BUT, she has a few things that she was \_\_\_\_\_
- h) SO, we did some \_\_\_\_\_ to watch what she was doing when she got the product home.
- i) We found that she had problems with (a) \_\_\_\_\_ (b) \_\_\_\_\_ and (c) \_\_\_\_\_
- j) We thought about the innovative idea of making the process \_\_\_\_\_.
- k) From this came the \_\_\_\_\_ paint can.

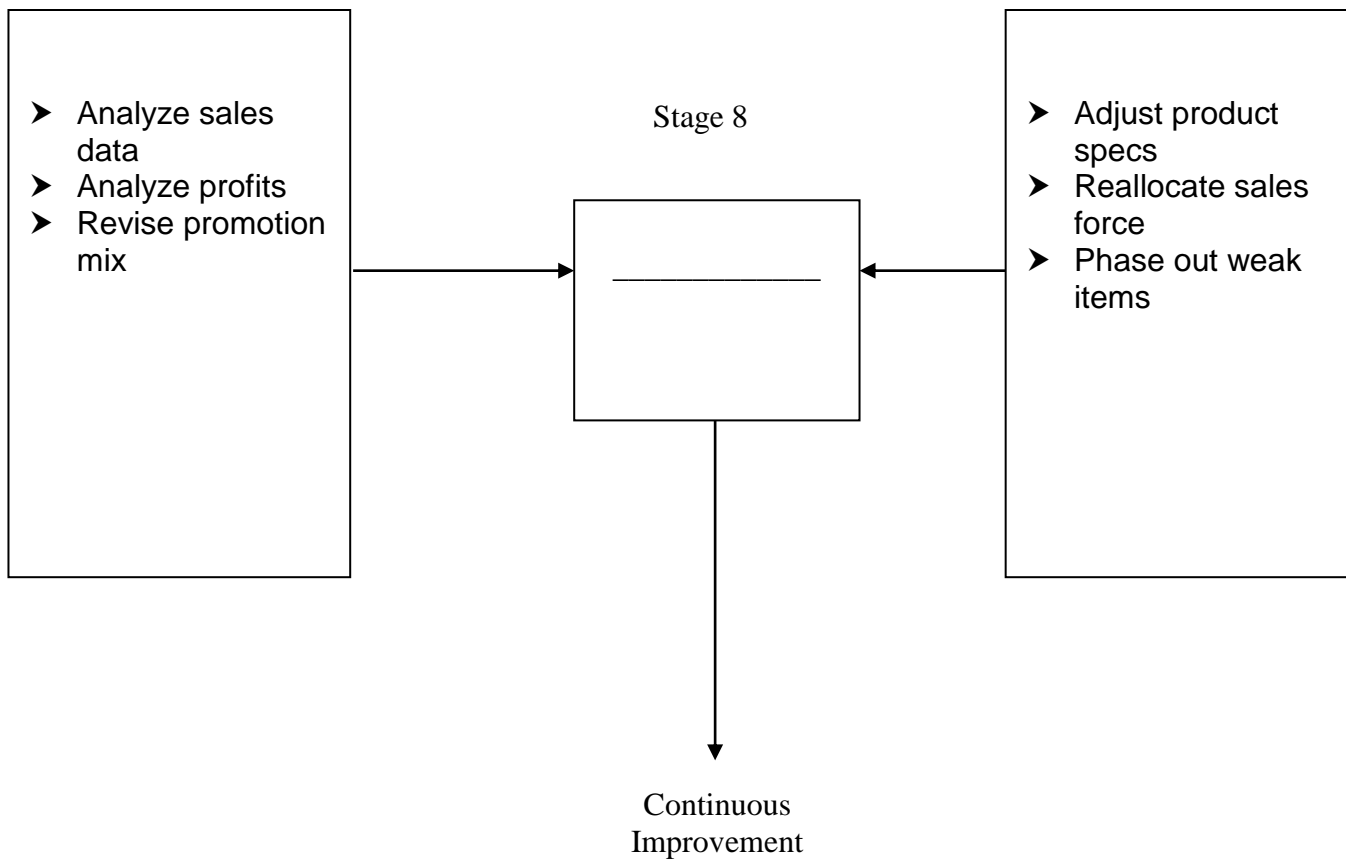
l) It has a Wide handle, a Twist Off Top, and a Spout!!

m) A Classic Story of \_\_\_\_\_









#### X. Why New Products Fail

- a) No Competitive \_\_\_\_\_
- b) \_\_\_\_\_ Reaction
- c) Badly \_\_\_\_\_
- d) Poor Quality
- e) Does Not Deliver Promised \_\_\_\_\_
- f) Too Little Marketing Support (SYNERGY!)
- g) Low Perceived \_\_\_\_\_
- h) Bad Estimates of Market Potential (or other marketing research errors)
  - i) --Forecasts are dangerous, especially those about the future!!!
  - j) Poor estimates of Production &/or Marketing Costs
  - k) Poor Selection of Marketing Channels
- k) Rapid Change in the Marketing Environment

#### XI. ...so Research, Research, RESEARCH!!

- Thinking about research and sample size...
  - <http://www.robertniles.com/stats/sample.shtml>

## Chapter 11 -- Managing Successful Products, Services, and Brands

### I. Introduction – Starbucks

#### a) The Early Years:

1971

1982

1986

1987

#### b) Growth

1987

1991

1992

1996

#### c) Managing the product and brand extensions.

- Internet
- UA flights
- Dreyer's
- Barista home espresso
- Chai Tea Latte
- Supermarkets
- Tazo Tea
- CDs
- Website
- Loyalty Program
- VIA Ready Brew
- Seattle's Best
- Single Serving Pods



d) Starbucks Logos

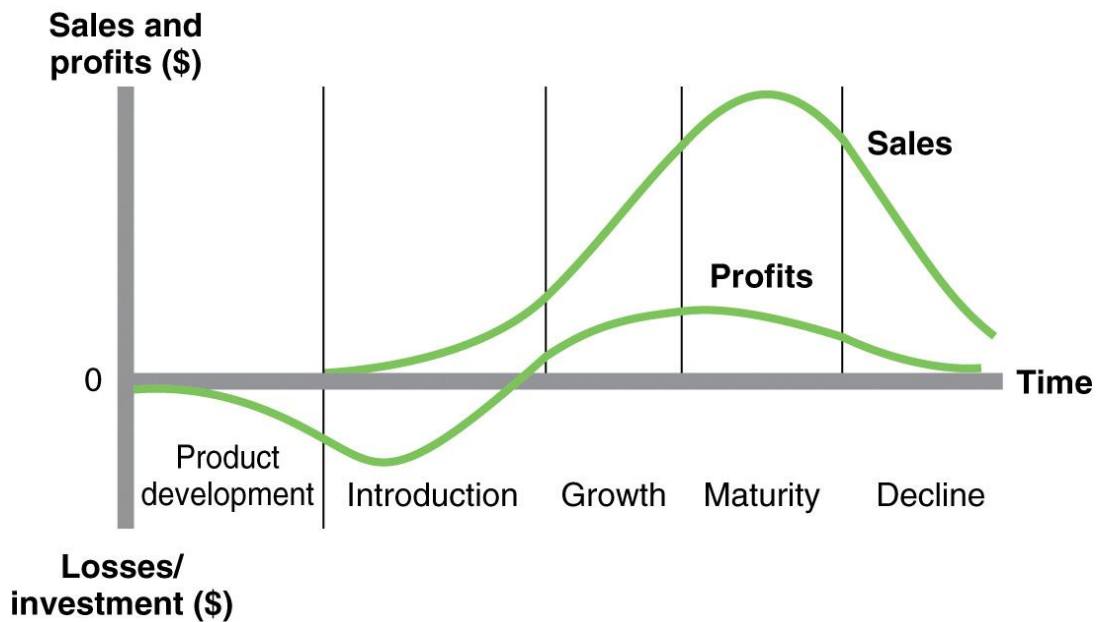
1971-1987  
1987-1992  
1992-2011  
2011-

e) Starbucks Competition

2007  
2008  
2010-11  
McDonald's  
Dunkin' Donuts  
Mrs. Fields  
Lattes

II. The POINT: Changing \_\_\_\_\_ AND \_\_\_\_\_  
REQUIRE marketers to actively and successfully \_\_\_\_\_ their  
products and brands!

III. Product Life Cycle



- a) The PLC shows the \_\_\_\_\_ over an extended period of time for all brands comprising a generic product category.
- b) PLC and profit curves varies from product category to another, but above is the \_\_\_\_\_ that we often see.
- c) Note the \_\_\_\_\_ profits. Sales are needed to offset product development costs
- d) As we move through the PLC, we must increase advertising and selling efforts and cut prices in face of \_\_\_\_\_.
- e) Deciding when to enter a market can IMPACT \_\_\_\_\_.

#### IV. PLC Characteristics and Implications

<b>a) Characteristics</b>	<b>Introduction</b>	<b>Growth</b>
b) Customers	Innovators	To the masses
c) Competition	Little	Increasing
d) Sales	Low	Rapid Growth
e) Profits	None	Strong & then peak
<b>a) Marketing Implications</b>		
b) Overall Strategy	Market Development	Penetration
c) Costs	High per unit	Declining
d) Product Strategy	Undifferentiated	Improved features
e) Pricing Strategy	High	Lower over time
f) Distribution Strategy	Scattered	Intensive
g) Promotional Strategy	Awareness	Brand Preference

a) <b>Characteristics</b>	<b>Maturity</b>	<b>Decline</b>
b) Customers	Mass market	Loyal Customers
c) Competition	Intense	Decreasing
d) Sales	Slow	Declining
e) Profits	Declining	Low/none

**a) Marketing Implications**

Overall Strategy	Defensive	Efficient or exit
b) Costs	Stable	Low
c) Product Strategy	Differentiated	Pruned line
d) Pricing Strategy	Lowest	Increasing
e) Distribution Strategy	Intensive	Selective
f) Promotional Strategy	Brand Loyalty	Reinforcement

g) WHY do brands decline?

- i) Better or \_\_\_\_\_
- ii) The need \_\_\_\_\_
- iii) Most competitors abandon the market, BUT
- iv) Some can develop small successful niche businesses.

V. Length of Product Life-Cycle

a) The PLC diagram suggests that stages are of \_\_\_\_\_ length (this may not be accurate)...certainly \_\_\_\_\_

Examples

- i)
- ii)
- b) Extended introduction stage
- c) Fad
- d) Indefinite Maturity stage

e) The Product Life Cycle is getting shorter for most products due to:

- i) \_\_\_\_\_ (“me-too”)
- ii) Technology advances
- f) The Product Life Cycle can be affected by
  - i) The Product Category and \_\_\_\_\_
  - (1) Example

ii) Differences in \_\_\_\_\_

(1) Example

VI. Product Life-Cycle Management

Successful marketers need to do well at:

- a) \_\_\_\_\_ the PLC for their product, and
- b) Recognize what stage they are in and \_\_\_\_\_ to it.
  - i) ISSUES: When to enter?
- c) Entry Strategies
  - i) When is there a Pioneering Advantage?
  - ii) An imitation strategy may be better!
- d) Managing on the Rise
  - i)
- e) Managing During Maturity
  - i)
- f) Surviving the Decline
  - i)
    - (1) During the decline stage firms may:
      - (a) Ensure that marketing and production programs are \_\_\_\_\_ as possible,
      - (b) Prune \_\_\_\_\_ sizes and models which decreases sales but increases profits,
      - (c) Run out the product to squeeze out final profits, or
      - (d) \_\_\_\_\_ (best and toughest route)

































VII. Brands

- a) A brand is a living business asset, it is the business strategy brought to life across all touchpoints, which, if properly managed, creates identification, differentiation, and value.
- b) Jez Frampton, CEO Interbrand (video)
  - i) Understanding how your brand creates VALUE for your organization leads to success....over time.
  - ii) You are dealing with people's emotions, their connections with you, how they feel about you. And your brand needs to DELIVER.
  - iii) As we moved from the "Age of Value" to the "Age of Experience", the Brand became the business strategy brought to life.
  - iv) This can lead to a seamless, connected consumer experience with the Brand.
  - v) This requires an Integrated Effort across your organization.
  - vi) Apple understands this need.






















- k) Interbrands's -- 2015 Interbrand Best Global Brands VIDEO:
- i) Recap of the top 10 brands.
  - ii) Josh Feldman NA CEO – Three components to the rankings:
    - (1) Economic Profit,
    - (2) Role of Brand (in generating profits),
    - (3) Brand Strength (into the future)
  - iii) Why did Amazon get into the top 10?
    - (1) They have built a vertically integrated “ecosystem.”
  - iv) Leggo and Hermes are both doing something similar; going back to their core [Leggo- the brick; Hemes-quality; both on delighting customers]
  - v) Why so few Chinese brands? They have not gone global enough...yet.

Interbrand's 2015 Rankings of Best Global Brands

01  <b>+43%</b> 170,276 \$m	02  <b>+12%</b> 120,314 \$m	03  <b>-4%</b> 78,423 \$m	04  <b>+11%</b> 67,670 \$m	05  <b>-10%</b> 65,095 \$m	06  <b>+16%</b> 49,048 \$m	07  <b>0%</b> 45,297 \$m	08  <b>-7%</b> 42,267 \$m
09  <b>-6%</b> 39,809 \$m	10  <b>+29%</b> 37,948 \$m	11  <b>+9%</b> 37,212 \$m	12  <b>+7%</b> 36,711 \$m	13  <b>+13%</b> 36,514 \$m	14  <b>+4%</b> 35,415 \$m	15  <b>-3%</b> 29,854 \$m	16  <b>+5%</b> 27,283 \$m
17  <b>+16%</b> 23,070 \$m	18  <b>-3%</b> 23,056 \$m	19  <b>+6%</b> 22,975 \$m	20  <b>-1%</b> 22,250 \$m	21  <b>+5%</b> 22,222 \$m	22  <b>-3%</b> 22,218 \$m	23  <b>+54%</b> 22,029 \$m	24  <b>+3%</b> 19,622 \$m
25  <b>-3%</b> 18,922 \$m	26  <b>+8%</b> 18,768 \$m	27  <b>+4%</b> 16,541 \$m	28  <b>+8%</b> 15,267 \$m	29  <b>+2%</b> 14,723 \$m	30  <b>+16%</b> 14,031 \$m	31  <b>+7%</b> 13,943 \$m	32  <b>-3%</b> 13,940 \$m

## Interbrand's 2016 Rankings of Best Global Brands

01  <b>+5%</b> 179,119 \$m	02  <b>+11%</b> 133,252 \$m	03  <b>-7%</b> 73,102 \$m	04  <b>+8%</b> 72,795 \$m	05  <b>+9%</b> 53,500 \$m	06  <b>-19%</b> 52,600 \$m	07  <b>+14%</b> 51,906 \$m	08  <b>+33%</b> 60,338 \$m
09  <b>+18%</b> 43,490 \$m	10  <b>+2%</b> 43,130 \$m	11  <b>+12%</b> 41,535 \$m	12  <b>-1%</b> 39,381 \$m	13  <b>+6%</b> 38,790 \$m	14  <b>+4%</b> 36,992 \$m	15  <b>+48%</b> 32,993 \$m	16  <b>+4%</b> 30,948 \$m
17  <b>-3%</b> 26,552 \$m	18  <b>+9%</b> 25,034 \$m	19  <b>+8%</b> 23,998 \$m	20  <b>+2%</b> 22,661 \$m	21  <b>-4%</b> 22,105 \$m	22  <b>+13%</b> 21,293 \$m	23  <b>+3%</b> 20,265 \$m	24  <b>-10%</b> 19,950 \$m
25  <b>-3%</b> 18,358 \$m	26  <b>+8%</b> 17,034 \$m	27  <b>+19%</b> 16,766 \$m	28  <b>+6%</b> 16,134 \$m	29  <b>+4%</b> 15,333 \$m	30  <b>+8%</b> 15,099 \$m	31  <b>+3%</b> 14,227 \$m	32  <b>-6%</b> 13,136 \$m

<http://interbrand.com/best-brands/best-global-brands/2016/ranking/>

- I) Why aren't ALL products branded?
  - i) Branding brings responsibilities that some companies do not want:
    - (1) Brands require expensive \_\_\_\_\_
    - (2) Brands require maintenance of \_\_\_\_\_
    - (3) Branding does not make sense if the product cannot be physically \_\_\_\_\_

### VIII. Selecting a Brand Name

- a) Good Brand Name
  - i) Contributes to the product's success
- b) The Challenge
  - i) Finding a \_\_\_\_\_
  - ii) Running out of name possibilities as \_\_\_\_\_ products are launched a year!
  - iii) Many dictionaries only have 50,00 words
- c) Solutions?
  - i) Combine \_\_\_\_\_
  - ii) Use \_\_\_\_\_
- d) A Good Brand name should suggest the \_\_\_\_\_ or use of the product

- (1) Example:
- ii) Should be \_\_\_\_\_ to pronounce, spell, and remember
  - (1) Example:
- iii) Should be \_\_\_\_\_
  - (1) Example:
- iv) Should be adaptable to product line \_\_\_\_\_
  - (1) Example
- v) Can be registered and legally protected

#### IX. Protecting a Brand Name

- a) Product counterfeiting
  - i) Intellectual Property Theft costs companies \_\_\_\_\_ and costs 1,000,000 jobs in the U.S.  
Examples:
  - ii) Product Counterfeit Example:

- iii) The 9 most counterfeited products in America (varies by year):

9. Fake **trademarked logos** and tags that are not attached to products
8. **Computers** and accessories
7. **Optical media** products such as games, DVDs, and CDs
6. **Handbags** / wallets, valued at more than \$200 million (a fake Coach bag is often valued in the hundreds of dollars...the value of some counterfeit Hermes bags is thousands of dollars!)
5. **Pharmaceuticals** / personal care
4. **Watches** / jewelry, estimated value of \$580.8 million -Like other luxury goods, watches and jewelry are especially vulnerable to trademark infringement. A replica can serve as a status symbol for those who cannot afford the price tag of the original luxury good.
3. **Footwear** - Nike, for example, is a member of several anti-counterfeiting organizations around the world and actively supports intellectual property legislation
2. **Consumer electronics**
1. **Clothes** and other apparel and accessories



- b) Unauthorized Sales or the “Gray Market”
  - i) \_\_\_\_\_ products which have been diverted from authorized sales channels.
  - ii) \_\_\_\_\_ parties then sell the products far below market price but, unknown to the customer, they come without the support, service or warranties of the original manufacturer.
  - iii) Hurts the company’s \_\_\_\_\_ and profit AND can threaten a company’s reputation.

World Intellectual Properties Organization (WIPO)

- c) Generic Use of the name
  - i) Becoming generic

Examples

(1) No simple \_\_\_\_\_, and

(2)

- ii) Protect by:

(1) Indicate \_\_\_\_\_

(2) Use brand with \_\_\_\_\_, and

(3) \_\_\_\_\_

- d) Online Brand Monitoring
  - i)

- ii) Warning signs of Brand Counterfeiting behavior:

(1) \_\_\_\_\_ below acceptable levels

(2) Lack of good contact information

(3) \_\_\_\_\_ service and warranty information

(4) Inaccurate product descriptions

(5) Products sold on sites not registered to the seller

(6) Sites with unsecured transactions

X. Producer’s Branding Strategies

- a) Producer’s Own Brand

- i) Done by \_\_\_\_\_, well financed, and well \_\_\_\_\_ firms

Examples:

- b) Branding of Fabricating Parts (added to the final product without further processing)

- i) The seller wants to develop a market preference for its branded parts or materials

- ii) Good strategy when:

- a. \_\_\_\_\_ that is bought for replacement.
- b. OR when the part is \_\_\_\_\_
- c) Producing Middlemen's Brands (Private Label)
  - i) A widespread strategy \_\_\_\_\_
  - ii) The hope is that the \_\_\_\_\_ brands will appeal to loyal customers, while the cost conscious will buy the less expensive \_\_\_\_\_

#### XI. Middlemen's Branding Strategies

- i) The middleman may choose to only carry only the \_\_\_\_\_ Brands
  - a. May not want the branding responsibilities
- ii) e middleman may choose to carry BOTH the Producer and \_\_\_\_\_ brands.

#### Example:

- a. The hope is to create \_\_\_\_\_ and to create better profit margins!
- b. \_\_\_\_\_ say they plan to place more emphasis on private label brands.
- iii) Manufacturer Responses:
  - a. Cutting prices
  - b. Convincing consumers of their brand superiority
  - c. Pruning product lines
  - d. This sets up the "Battle of the Brands"

#### XII. Strategies Used by both Producers and Middlemen

- a) Branding within a product mix
  - i) A \_\_\_\_\_ for each product
  - ii) \_\_\_\_\_ The company name combined with a product.
- b) Branding for Market Saturation
  - i)

#### Example

- c) Co-branding

- i) Two or more brand names on \_\_\_\_\_
- ii) Dangers
  - a. Overexposure
  - b. Risk to both brands if \_\_\_\_\_

### XIII. Brand Equity

- a) The value a brand adds to a product over \_\_\_\_\_
  - i) Examples:
- b) Brand Equity provides a number of benefits:
  - i) It provides a \_\_\_\_\_ to buy
  - ii) It is a \_\_\_\_\_ to competition
  - iii) Facilitates international \_\_\_\_\_
  - iv) Helps product survive a crisis.
- c) Brand Equity does have limits

Example:

### XIV. Trademark or Brand Licensing

- a) Owner grants permission to other firm to use the brand name and brand mark on products
  - i) Benefits to owner
    - a. \_\_\_\_\_ and
    - b. Brand \_\_\_\_\_
  - ii) Benefits to Licensee
    - a. Improved likelihood of new product success
    - b. Reduced marketing costs

### XV. Packaging – CNBC “The Entrepreneurs” example

- a) Jason Osborn and Jason Wright
  - i) “If the next guy can do it, I can do it better!”
- b) The “back story”
- c) The product needs a name
  - i) They came up with 20 or 25 names
  - ii) They pick the name “\_\_\_\_\_.”
    - a. It describes the product.
    - b. It is \_\_\_\_\_.

- c. It stands out from the 1000's of other products.
- d) The beginnings of a new brand are born
- e) The product gets "rave reviews."
- f) Now, growing their business involves several steps:
  - i) Writing a business plan,
  - ii) Getting a loan,
  - iii) Incorporating
  - iv) AND
  - v) More sophisticated packaging
- g) Now it is time to give the brand a STRONGER IDENTITY
  - i) You have 1 second to get the customer's attention
  - ii) You want your brand BIG and MEMORABLE.
  - iii) Goal: To \_\_\_\_\_ the packaging
- h) Consult a "Branding and Identity Expert"
  - i) What is working and what is not?
  - ii) Problems:
    - a. Hard to read
    - b. Busy
    - c. Image is vague
  - iii) It IS legible
- i) The NEW package:
  - i) Simple.
  - ii) Keeps true to the product idea.
  - iii) It showcases the product well.
- j) NOMINATED FOR AN AWARD FOR THE PACKAGING!
- k) And the WHOLE FOODS chain becomes interested!!

## Chapter 12 -- Services Marketing

### Introduction

“Ruby Tuesday Blows up Wrong Restaurant”

### The Point

In SERVICES marketing, the “casual dining segment” HAS become a “sea of sameness!”

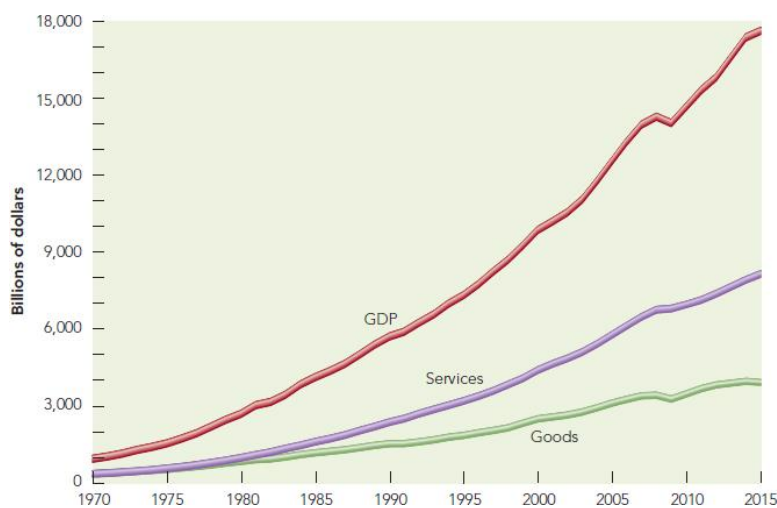
The industry is not longer providing customers with “Value.”

Taco Bell:

I. Services are a Major Factor in the U.S. economy in dollars and in jobs

a) Over \_\_\_\_\_ and \_\_\_\_\_ million jobs!

See Figure 12-1 page 300.



II. SERVICES Defined

a) Services are the \_\_\_\_\_ or \_\_\_\_\_ that an organization provides to consumers in exchange money or something else of value.

III. Increase in Services Influenced by:

a) Organizations' focus on productivity and profits

- i)
- b) Consumers' \_\_\_\_\_
  - i) Personal Shoppers
  - ii) Take out food
  - iii) House and lawn care

IV. Affecting virtually all industries:

- a) Location--ATMs, branch outlets, branch warehouses, JIT delivery
- b) Longer Business Hours
- c) Better trained sales and service people
- d) One-stop shopping
- e) Improved customer service systems (personal, phone, on-line)
- f) More information available--before, during, and after the sale
- g) ADDS VALUE beyond issues of price and product quality

V. THE UNIQUENESS OF SERVICES

- a) Four I's of Services
  - i) \_\_\_\_\_
    - (1) Services cannot be
    - (2) SO it is harder to
    - (3) Communications must make these

(4) Setting Price can be hard

ii) \_\_\_\_\_

(1) Lack of standardization;

(2) inconsistent delivery and quality depending

(3) Minimize by employee selection, training, and

(4) service performance standards.

iii) \_\_\_\_\_

(1) Simultaneous production and consumption means

(a) consumers are a part of the service process;

(b) We must manage the interaction for customer satisfaction;

(c) educate consumers about the service process and their role in it.

iv) \_\_\_\_\_

(1) Services cannot be inventoried, so it is hard to balance capacity and demand;

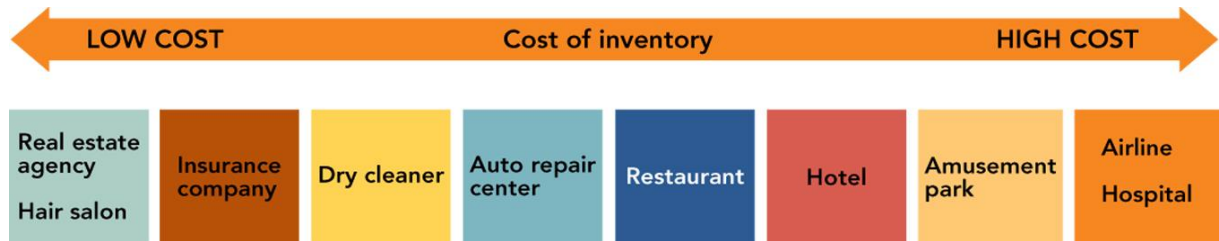
(2) cannot return service for credit or exchange;

(3) need to manage demand in peak periods; use capacity in off-periods

(4) Idle production capacity

Example: **JetSuite**

VI. Inventory carrying costs of services depend on the cost of employees and equipment



VII. Levels of Service

a) Core/Primary Services

i) The major activity of a business (or nonprofit organization).

(1) Example: Investment Services provide the use of a brokerage account to buy and sell stocks

(a)

(b)

b) Ancillary Services

i) Expected or optional supplements to the primary purchase.

(1) Supermarket

(2) \_\_\_\_\_ from your airline

(3) \_\_\_\_\_ at your bank

(4) Renter's insurance from your apartment management

ii) Ancillary Services expected in B2B marketing

(1) Prompt \_\_\_\_\_



(2) Favorable Credit Terms

(3) Responsive \_\_\_\_\_

(4) \_\_\_\_\_ Inventory Management

(5) 401(K) record keeping from your outsourced payroll company

#### VIII. Service as Value

a) Consumers & Organizational Buyers want:

i) Quality products

ii) Right price

iii) Qualified Sales/Service personnel

iv) Maximum benefits

v) Minimum effort

vi) Low wait times

vii) In other words, they demand \_\_\_\_\_!

(a) Example: The Casual Dining Industry stopped providing “value”

(b) Casual Dining restaurants provide full-service, alcoholic beverages, and CHECK AVERAGES from \$10 to \$23 per person.

(c) COMPETITION from “fast-casual” chains are stealing customers

(d) Fast-casual chains have no waiters and higher quality food than fast food chains.

(i) Panera

(ii) Chipotle

(iii) Panda Express

(iv) Zaxby's

(v) Five Guys

#### IX. VALUE...

a) ...an intangible concept often defined in terms of

i) exceptional \_\_\_\_\_

ii) exceptional \_\_\_\_\_

iii) value-based \_\_\_\_\_

(a) Example: Casual chains learn from recession

- (i) During the recession many consumers pulled back on their discretionary spending, which meant eating out at restaurants less frequently if at all.
- (ii) While economic conditions have begun to improve in the U.S., many consumers are still watching their wallets - preferring to eat at less expensive casual dining chains over pricier upscale restaurants.
- (iii) Restaurant operators were poorly positioned heading into the recession in 2008 because they had too restaurants.
- (iv) But the dining chains learned. 30,000 restaurants have closed since then and companies focused more on improving their menus, service and the atmosphere at their storefronts.
- (v) In 2007, the industry's mentality was "build it and they will come," but today successful restaurant companies are driven by a guest-centric planning process.
- (vi) That is, casual chains are returning to a "value service proposition."

## X. Competitive Positioning

a) Service Image is conveyed by the firm's "service products."

i) The dimensions used should be those valued by the customers.

(1) Example: What DO consumers want in Casual Dining?

(a) Stand for something UNIQUE

(i) Cheesecake Factory

1.

(ii) Outback

1.

(iii) Olive Garden

1.

(b) \_\_\_\_\_ Prices

(c) BETTER \_\_\_\_\_

- (i) Casual dining was initially successful because it provided better food quality than fast food, at a very reasonable price
- (ii) Recently, fast food's quality has gone UP with prices rising only slowly
- (iii) BUT, casual dining's price have risen while food quality and innovation has stagnated!
- (iv) RUBY TUESDAY is upgrading its food, but it prices are still pretty high.

(d) IMPROVED \_\_\_\_\_

- 1. Slow service
- 2. Discourteous staff
- 3. Are NOT what consumers are looking for!!
  - a. Chili's is trying to cut 15 minutes from its 45-minute lunch by testing BlackBerry's that connect directly from the server to the kitchen.
  - b. Chili's is also improving its employee hiring practices
  - c. And the staff is wearing more professional looking aprons

(e) Better looking stores

- 1. Most stores are 20-years old!
  - a. Ruby Tuesday has redesigned all of its company-owned stores with contemporary designs and lighter colors.
  - b. Lone Star is replacing concrete floor with wood and is installing oak tables.
- 2. Get kid-friendly
  - a. Families are a big part of the casual dining industry's market
  - b. Could restaurants have kid playgrounds? Loaner hand held video games?

(f) 2015 Survey:



#### XI. Service Leadership or Follow the Leader?

- a) Will you set the service standard or wait for competitors to set the standard and then follow their lead?
  - i) Example:

#### XII. Benefits of Exceptional Customer Service

- a) 5 Tips for Providing Excellent Customer Service
  - i) Provide Multiple Lines of \_\_\_\_\_
  - ii) Respond \_\_\_\_\_ and Thoroughly
  - iii) Walk a Mile In Your \_\_\_\_\_ Shoes
  - iv) Ask for Feedback
  - v) Focus on the Relationship, Not the Sale
- b) Exceptional Customer Service can \_\_\_\_\_ from Competitors
  - i) Services attract & keep customers
  - ii) Services and recover lost sales
  - iii) Service quality is related to customer satisfaction
  - iv) Customer Service usually leads to a profitable ROI in the long term

### XIII. HOW CONSUMERS PURCHASE/EVALUATE SERVICES

#### a) The Purchase Process

##### i) \_\_\_\_\_ Properties

(1) What consumers can judge prior to the purchase

(a) Price, location, appearance of physical facilities, paperwork, interactions with the service provider's staff

##### ii) \_\_\_\_\_ Properties

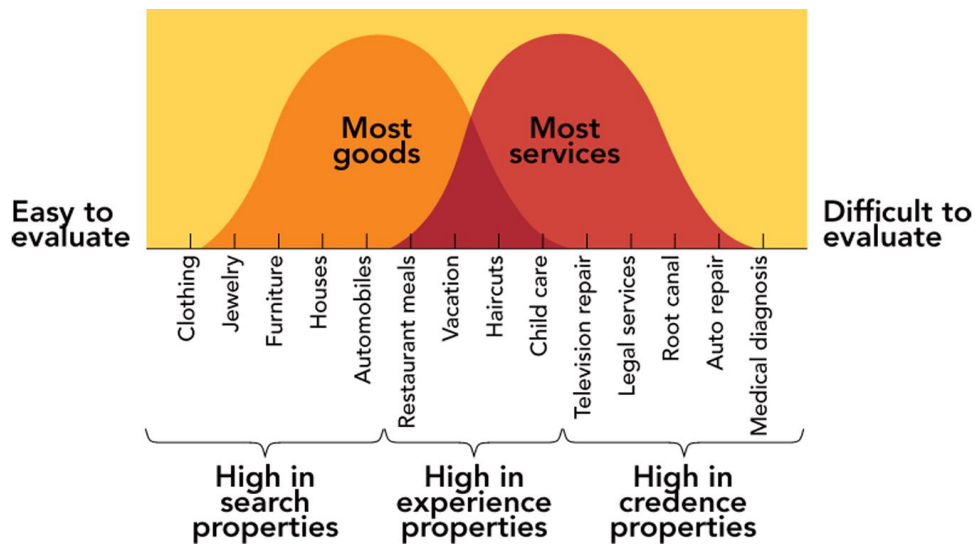
(1) Attributes discernable only during or after the service experience

(a) Physical comfort; staff concern

##### iii) \_\_\_\_\_ Properties

(1) Attributes inferred from a subjective evaluation of the entire process.

### XIV. Consumers use search, experience, and credence properties to evaluate services (Figure 12-5. Page 308)



## XV. The Service Design Process

### a) Customer Targets

- i) What do they want?

Fitness Center Example:

### b) Nature of the Service

- i) Complex (medicine, investments) = substantial support services and highly qualified customer contact people

### c) Pricing?

- i) Who is the target?

(1) How much and how often do they buy?

- ii) What is the type of service?

- iii) Can a fee be “justified?”

### d) Pricing--Costs

- i) Wages

- ii) Physical facilities

- iii) Technology & Equipment

- iv) Honoring warranties and guarantees

### e) Degree of Complexity/Uncertainty

- i) When complex, customers may need extensive sales assistance, demonstrations, service guarantees, after sale assistance, pre-purchase information

### f) Marketer's Resources

- i) Smaller marketers may need to outsource some customer services to save costs (pros and cons to this).
- ii) When to use customer service outsourcing  
([http://www.buyerzone.com/marketing/call\\_center/tmm-customer-service-outsourcing.html](http://www.buyerzone.com/marketing/call_center/tmm-customer-service-outsourcing.html))
  - (1) Significant growth
  - (2) Save money
  - (3) Testing and learning
  - (4) Variable volume
  - (5) Business model shifts
- g) Number of Services
  - i) Focus on services which make a difference in consumers' purchase decisions
  - ii) Remember, customers may be willing to pay some or all of the cost of desired services
- h) Level of Service
  - i) Full service to self-serve?
    - (1) What does your market/target customer call for?
    - (2) What can you support?

## XVI. Service Delivery

- a) Top-management commitment
- b) Treat EMPLOYEES as Internal Customers
- c) View Service as a "Performance"
- d) Ensure Service Recovery

- i) When errors occur---fix 'em!

## XVII. Successful Service Recovery

- a) Know the costs of \_\_\_\_\_
  - i) For every customer who bothers to complain, there are \_\_\_\_\_
  - ii) The average “wronged” customer will tell \_\_\_\_\_
  - iii) 91% of unhappy customers will never purchase services from you again.
  - iv) It costs about \_\_\_\_\_ as much to attract a new customer as it costs to keep an old one.
  - v) Each one of your customers has a circle of influence of 250 people or potential customers who hear bad things about you!
    - (1) Example: Two Outback Steakhouse EX-customers have not been back since a server and a manager argued with them very publically about how a steak was cooked!!
- Bad service =
  - Loss of \_\_\_\_\_ loyal customers
  - Loss of \_\_\_\_\_ customers who hear bad things
  - \_\_\_\_\_ of gaining replacement customers
  - Loss of profit
  - Loss of reputation
  - Loss of employees due to poor morale!!
- b) Listen to the customer--get them to talk
- c) Anticipate potential failures
- d) Act fast
- e) Train employees

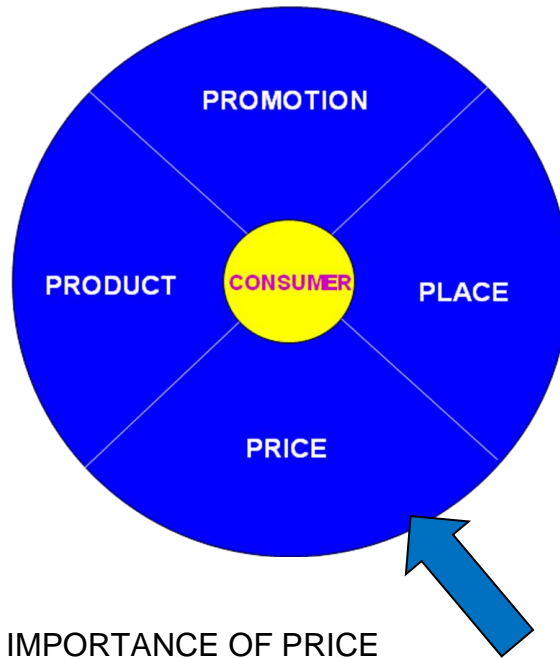


- f) Empower the front line
- g) Close the Loop--get back to the customer

Video: Chef Ramsey's Cardinal Rule

1. Chef Ramsey helps a restaurant by revamping the menu and the layout.
2. The owners book TWO seatings for mother's day.
  - a) A table of 19, 15, 14 all coming at the same time!
  - b) The Kitchen is overwhelmed!
3. The owner's must learn a "\_\_\_\_\_:"
4. Put the \_\_\_\_\_, make them feel really special, and build a sense of \_\_\_\_\_!
5. These customers have waited 1.5 hours!
6. Remember, "Unhappy customers \_\_\_\_\_!!"
7. An excellent lesson whether selling a Service OR a product!!

## Chapter 13 --Building the Price Foundation



### I. NATURE AND IMPORTANCE OF PRICE

- a) \_\_\_\_\_ -- the money or other considerations (including other goods and services) exchanged for the ownership or use of a good or service.

Car Price Examples:

- The IMPORTANCE of PRICE?
  - i.
  - ii.
  - iii.
  - iv.

b) \_\_\_\_\_ -- the practice of exchanging goods and services for other goods and services rather than for money.

i) Example:

c) Price Equation

$$\underline{\hspace{2cm}} = \text{List Price} - (\text{Incentives} + \text{Allowances}) + \text{Extra Fees}$$

d) The “price” a buyer pays can take different names depending on what is purchased (Figure 13-1, text page 325).

### PRICE EQUATION

ITEM PURCHASED	PRICE	= LIST PRICE	– INCENTIVES AND ALLOWANCES	+ EXTRA FEES
New car bought by an individual	Final price	= List price	– Rebate Cash discount Old car trade-in	+ Financing charges Special accessories Destination charges
Term in college bought by a student	Tuition	= Published tuition	– Scholarship Other financial aid Discounts for number of credits taken	+ Special activity fees
Merchandise bought from a wholesaler by a retailer	Invoice price	= List price	– Quantity discount Cash discount Seasonal discount Functional or trade discount	+ Penalty for late payment

i) KSU Tuition Example:

(1) The “price” for tuition at KSU [details on the lecture slide]

### PRICE EQUATION

ITEM PURCHASED	PRICE	= LIST PRICE	– INCENTIVES AND ALLOWANCES	+ EXTRA FEES
Term in college bought by a student	Tuition	= Published tuition	– Scholarship Other financial aid Discounts for number of credits taken	+ Special activity fees

**PLUS ANY Miscellaneous Fees:**

**Fall 206 / Spring 2017**

<b>College of Business U.G. Program Fee.....</b>	<b>\$85</b>
<b>Admissions Service Fee.....</b>	<b>\$70</b>
<b>ENTR 47048 Entrepreneurial Experience I.....</b>	<b>\$250.00</b>
<b>ENTR 47049 Entrepreneurial Experience II....</b>	<b>\$250.00</b>
<b>Distance Learning Fee.....</b>	<b>\$12.00/hr</b>

SO, the “price” for tuition at KSU would be:

“Tuition” = Published Tuition - Scholarship – Discount + Special Fees

\_\_\_\_\_ = \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ + \_\_\_\_\_

**II. PRICE AS AN INDICATOR OF VALUE**

a) Value is the ratio of perceived benefits to price

VALUE = -----

Pizza example:

And so PRICE cannot \_\_\_\_\_  
\_\_\_\_\_

b) \_\_\_\_\_ -- the practice of simultaneously increasing product and service benefits while maintaining or decreasing price.

i) Examples

ii) What if costs rise?

### III. PRICE IN THE MARKETING MIX

#### a) Profit Equation

$$\underline{\hspace{2cm}} = \text{Total Revenue} - \text{Total Cost}$$
$$= (\text{Unit price} \times \text{Quantity sold}) - (\text{Fixed cost} + \text{Variable Cost})$$

### IV. Six Steps in Setting Price

#### a) **STEP 1: IDENTIFY PRICING OBJECTIVES AND CONSTRAINTS**

- i) \_\_\_\_\_ specify the role of price in an organization's marketing and strategic plans.
- (1) \_\_\_\_\_
- (a) Managing for Long-Run Profits
  - (b) Managing for Current Profit
  - (c) Target Return (ROI)
- (2) \_\_\_\_\_
- (a) Sales Dollars
  - (b) Market Share (Dollars or Units)
  - (c) Unit Volume
  - (d) Survival
  - (e) Social Responsibility
- ii) Pricing Constraints -- factors that \_\_\_\_\_ the range of prices a firm may set.
- (1) Constraints caused by DEMAND for the:
- (a) Product Class ( \_\_\_\_\_ ),
  - (b) Product ( \_\_\_\_\_ ),
  - (c) and Brand ( \_\_\_\_\_ )

(2) Constraints caused by Newness of the Product: Stage in the Product Life Cycle

(3) Single Product vs. \_\_\_\_\_

Yoplait Example of Product Line Pricing:

(4) \_\_\_\_\_ Producing and Marketing a Product

(5) \_\_\_\_\_ Changing Prices and Time Period They Apply

(6) Type of \_\_\_\_\_ influences pricing.

(a) Pure Competition

(b) Monopolistic Competition

(c) Oligopoly

(d) Pure Monopoly

(e) Competitors' Prices

See Figure 13-4 (page 326) for details of pricing, product, and advertising strategies available to firms in four types of competitive markets

b) **STEP 2: ESTIMATE DEMAND AND REVENUE**

i) **FUNDAMENTALS OF ESTIMATING DEMAND**

(1) The \_\_\_\_\_ -- a graph relating the quantity sold and price, which shows the maximum number of units that will be sold at a given price.

(a) Influenced by:

(i) Consumer \_\_\_\_\_

(ii) \_\_\_\_\_ and \_\_\_\_\_ of Similar Products

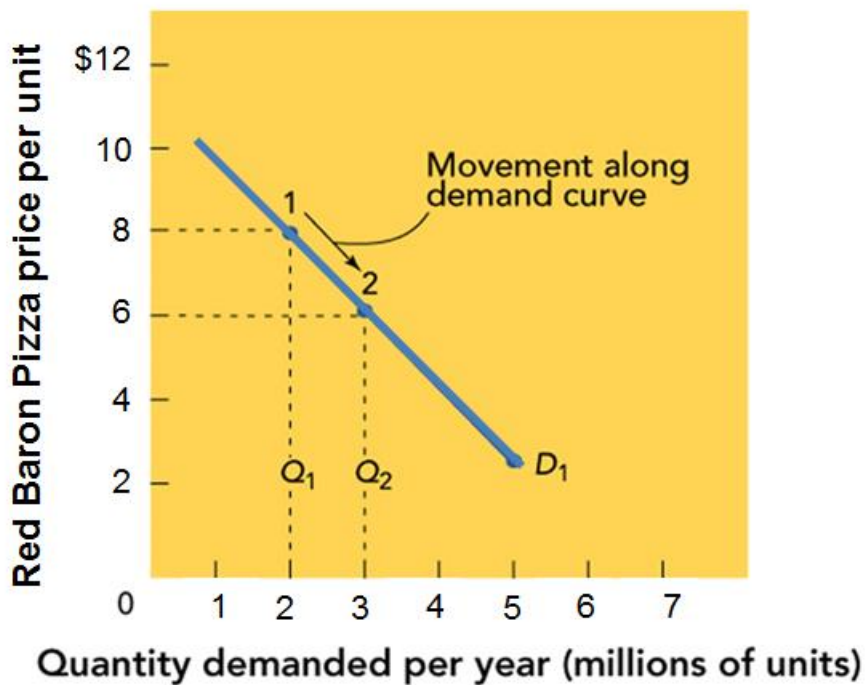
(iii) Consumer \_\_\_\_\_

(2) \_\_\_\_\_ -- Factors that determine consumers' willingness and ability to pay for goods and services.

(3) Similar Example (page 336 text)

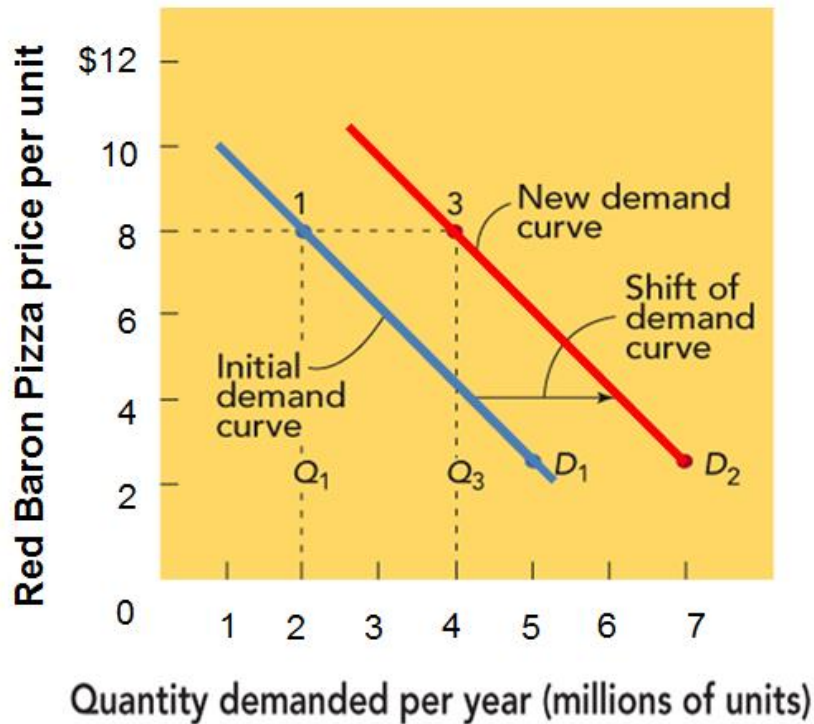
**Demand curve for Red Baron Pizza showing the effect on annual sales of a change in price caused by a movement *along the demand curve***

A: Demand curve under initial conditions



**Demand curve for Red Baron Pizza showing the effect on annual sales by a change in price caused by a shift of the demand curve**

B: Shift in the Demand curve with more favorable conditions



b) **STEP 2: ESTIMATE DEMAND AND REVENUE**

ii) **FUNDAMENTALS OF ESTIMATING REVENUE**

1. Total Revenue (TR) -- the \_\_\_\_\_ received from the sale of a product.
2. Average Revenue (AR) -- the average amount of money received for selling one unit of product, aka the \_\_\_\_\_ of that unit
3. Marginal Revenue (MR) -- is the \_\_\_\_\_ in \_\_\_\_\_ that results from producing and marketing one additional unit.

**(a) So, Total Revenue (TR) is the total money received from the sales of a product. (see Figure 13-6) Logically, if:**

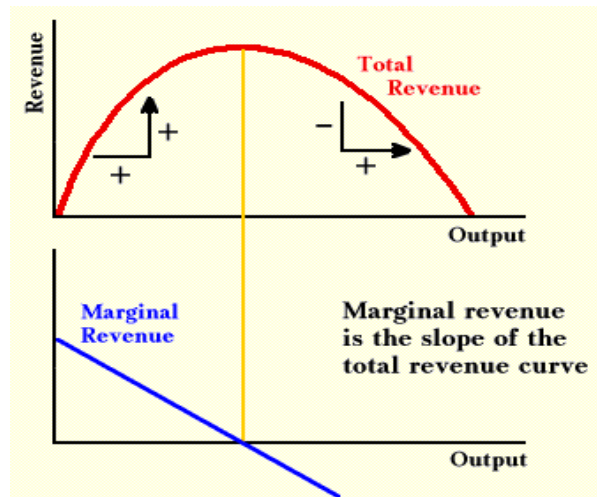
- (i) TR = Total revenue
- (ii) P = Price, and
- (iii) Q = Quantity sold, Then
- (iv) Total Revenue = P x Q, and



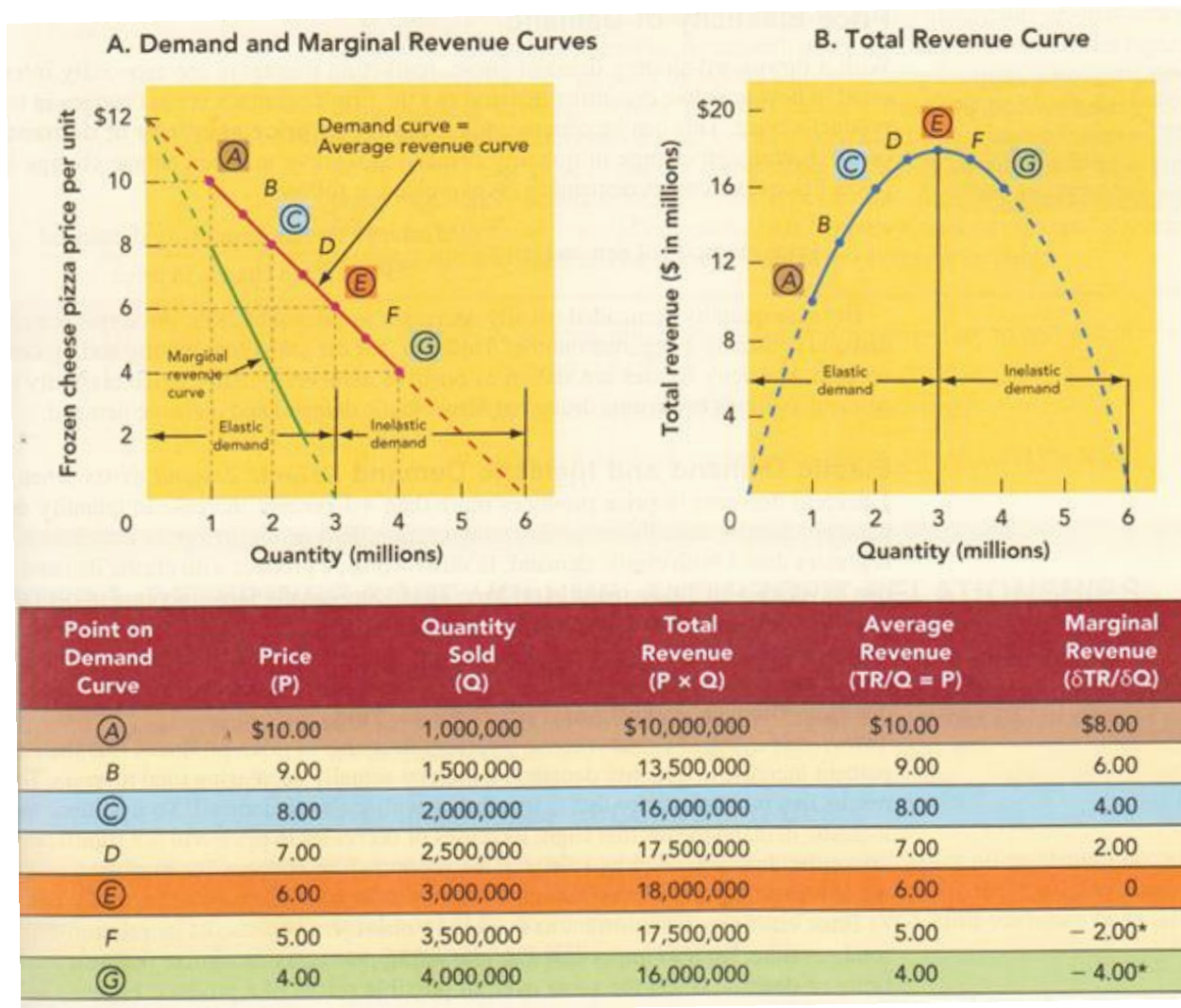
$$(v) \text{ Average Revenue} = \frac{TR}{Q} = P$$

AND, if Marginal Revenue (MR) is the CHANGE in the total revenue that results from producing and selling one ADDITIONAL unit of a product:

$$\text{MR} = \frac{\text{Change in TR}}{1 \text{ unit increase in } Q} = \text{the SLOPE of the Total Revenue curve}$$



- (2) Demand curve and revenue: How Red Baron's downward-sloping demand curve affects total, average, and marginal revenues.



What is the key point here? That our \_\_\_\_\_ do NOT simply continue to grow higher and higher with each additional unit that we create.

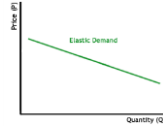
We need to take into account, the demand we have, the price we set for our product, AND the effect on our total revenue. As our marginal revenues decline off, our total revenue also drop off.

7. Price Elasticity of Demand -- the percentage change in quantity demanded relative to a percentage change in price.

Price Elasticity of Demand (E) = Percent Change in Quantity Demanded

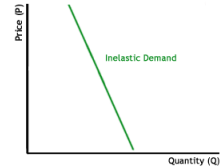
## Percent Change in Price

(a) Elastic Demand, occurs when a 1% change in price results in a GREATER than a 1% change in sale (so,  $E > 1$ )



(i) A \_\_\_\_\_ decrease in price results in a \_\_\_\_\_ increase in sales

(b) Inelastic Demand, occurs when a 1% change in price results in a LESS than a 1% change in sale (so,  $E < 1$ )



(i) A \_\_\_\_\_ decrease in price results in \_\_\_\_\_ than a 1% increase in sales (SO, sales revenues \_\_\_\_\_!)

(ii) Note: The Reverse is also true.

(c) Unitary Demand occurs when the percentage change in price is the \_\_\_\_\_ as the percentage change in quantity

(d) The Price Elasticity of Demand is Influenced by:

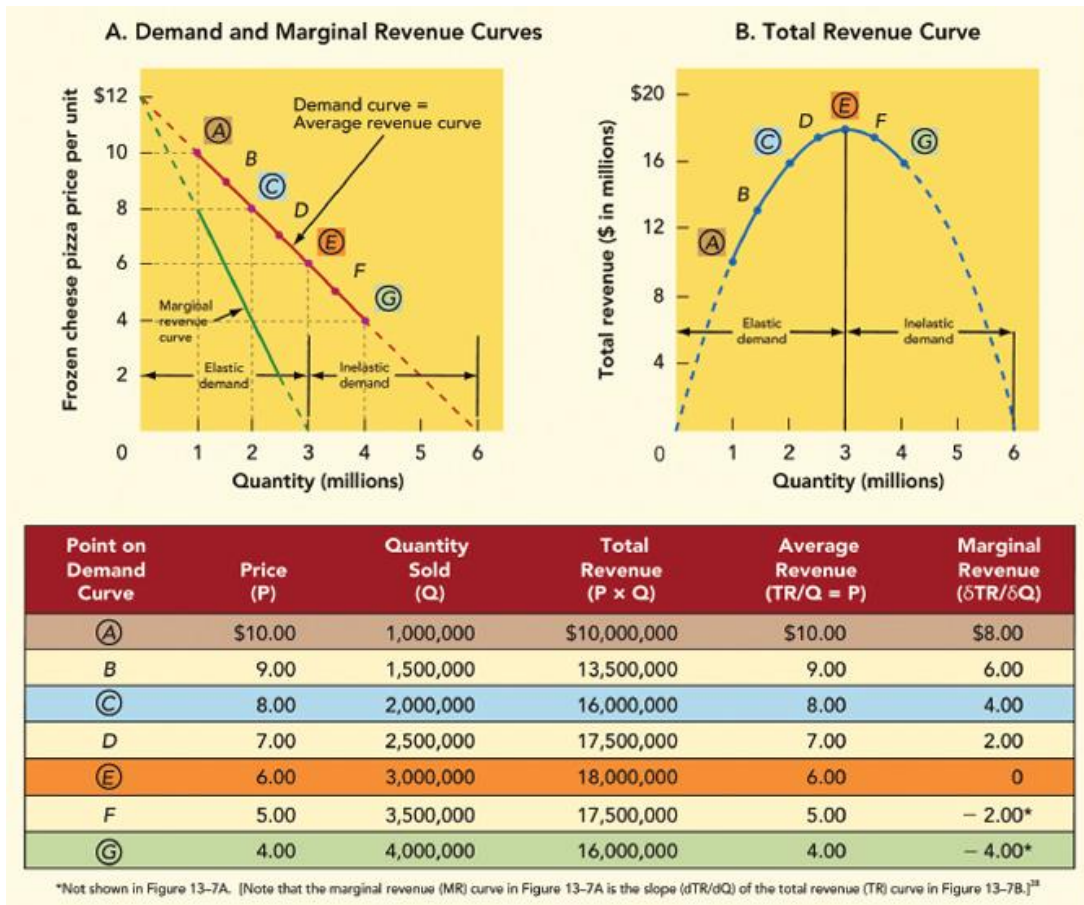
(i)

(ii)

(iii)

1. Examples

(iv) The Price Elasticity of Demand is not \_\_\_\_\_



c) **Step 3: DETERMINE COST, VOLUME, AND PROFIT RELATIONSHIPS**

i) The Importance of Controlling COSTS – The basic concepts:

- (1) Total Cost (TC)
- (2) Fixed Cost (FC)
- (3) Variable Cost (VC)
- (4) Unit Variable Cost (UVC)
- (5) Marginal Cost (MC)
- (6) Marginal Analysis

The details:

(1) \_\_\_\_\_ **(TC)** is the total expense incurred by a firm in producing and marketing a product.

(a) Total cost is the sum of fixed cost and variable cost,

$$\text{or } TC = FC + VC$$

(2) \_\_\_\_\_ **(FC)** is the sum of the expenses of the firm that are \_\_\_\_\_ with the quantity of a product that is produced and sold.

(a) Fixed costs include things like:

(i)

(ii)

(iii)

(iv) These \_\_\_\_\_ as we sell more products.

(3) \_\_\_\_\_ **(VC)** is the sum of the expenses of the firm that vary directly with the quantity of a product that is produced and sold.

(a) Examples of variable costs include:

(i) the \_\_\_\_\_ that is needed to make the product,

(ii) the \_\_\_\_\_ that are needed to make the product,

(iii) \_\_\_\_\_ that are paid on each unit sold.

(4) **Unit variable cost (UVC)** is \_\_\_\_\_ expressed on a per unit basis, so

$$\mathbf{UVC = VC / Q}$$

(5) **Marginal cost (MC)** is the \_\_\_\_\_ that results from producing and marketing one additional unit of a product.

(a) **Marginal cost (MC)**

$$= \frac{\mathbf{Change\ in\ Total\ Cost}}{\mathbf{1\ unit\ increase\ in\ Quantity}}$$

$$= \frac{\mathbf{Change\ in\ TC}}{\mathbf{Change\ in\ Q}}$$

= the slope of the Total Cost curve

(6) \_\_\_\_\_ is a continuing, concise trade-off of incremental costs against incremental revenues.

- Cost of Beats by Dre Headphones video example:
  - The RETAIL PRICE – They sell for \$\_\_\_\_\_
    - Differing prices based on “features”
  - Manufacturing Cost? [what do YOU guess it might be?]
    - Company value when sold to Apple \$3.2 \_\_\_\_\_
  - What costs go into the retail price OTHER than the manufacturing costs?
    - 
    - 
    -
  - Actual manufacturing cost per unit \$\_\_\_\_\_
    - But, that is not all profit. Need to add in “other” costs:
    - Marketing, Celebrity spokesperson, Media time, and more.
- ii) Break-Even Analysis – is a technique that analyzes the relationship between \_\_\_\_\_ and \_\_\_\_\_ to determine \_\_\_\_\_ at various levels of output.

(1) A Break-Even Point (BEP) is the quantity at which total revenue and total cost are equal, SO...

$$\begin{aligned}
 &\text{Break Even Point (in units)} \\
 &= \frac{\text{Fixed Costs}}{\text{Unit Price} - \text{Unit Variable Cost}} \\
 &= \frac{\text{FC}}{\text{P} - \text{UVC}}
 \end{aligned}$$

(2) Example -- FIGURE 13-9 Calculating a break-even point for the picture frame store (textbook page 342).

Quantity of Pictures Sold (Q)	Price per Picture (P)	Total Revenue (TR = P × Q)	Unit Variable Cost (UVC)	Total Variable Cost (VC = UVC × Q)	Fixed Cost (FC)	Total Cost (TC = FC + VC)	Profit (TR – TC)
0	\$120	\$0	\$40	\$0	\$32,000	\$32,000	(\$32,000)
400	\$120	\$48,000	\$40	\$16,000	\$32,000	\$48,000	\$0
800	\$120	\$96,000	\$40	\$32,000	\$32,000	\$64,000	\$32,000
1,200	\$120	\$144,000	\$40	\$48,000	\$32,000	\$80,000	\$64,000
1,600	\$120	\$192,000	\$40	\$64,000	\$32,000	\$96,000	\$96,000
2,000	\$120	\$240,000	\$40	\$80,000	\$32,000	\$112,000	\$128,000

Break Even Point (in units)

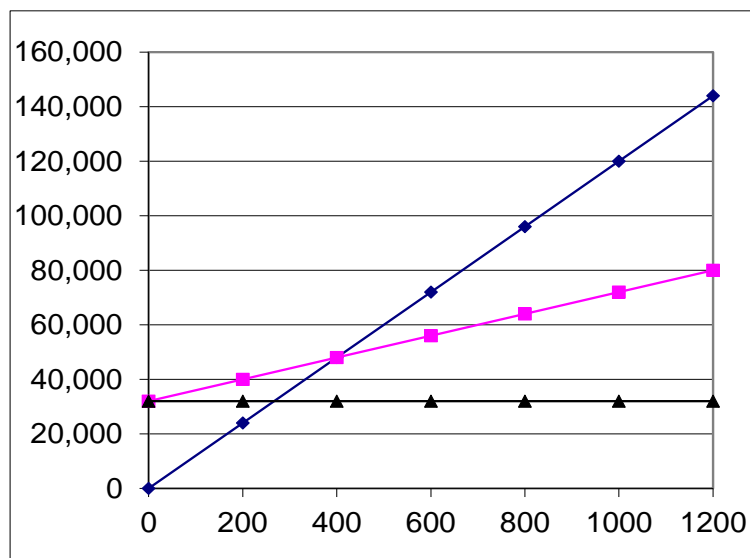
$$= \frac{\text{Fixed Costs}}{\text{Unit Price} - \text{Unit Variable Cost}}$$

$$= \frac{\text{FC}}{\text{P} - \text{UVC}}$$

Or \_\_\_\_\_ / \_\_\_\_\_ - \_\_\_\_\_ = \$ \_\_\_\_\_ / \$ \_\_\_\_\_ = \_\_\_\_\_ units to Break Even

(3) Break-Even Chart -- a graphic presentation of the break-even analysis that shows when \_\_\_\_\_ and \_\_\_\_\_ intersect to identify profit or loss for a given quantity sold.

(4) Example Break-even analysis



## Chapter 14 -- Arriving at the Final Price

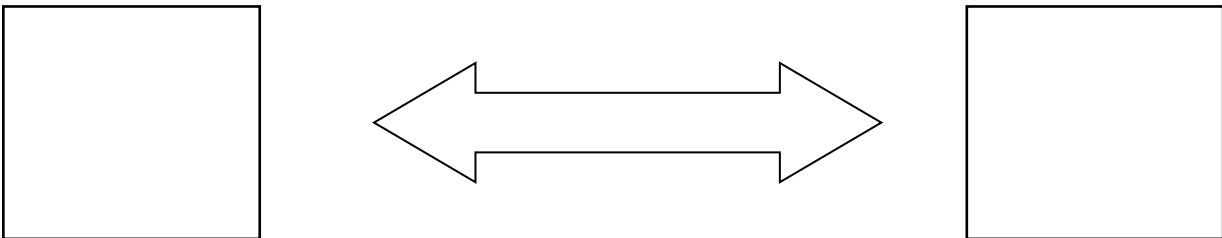
### I. The Six Steps in Setting Price

1. Identify Pricing Objectives and Constraints
2. Estimate Demand and Revenue
3. Determine cost, volume, and profit relationships
4. Select an approximate price level
5. Set the list or quoted price
6. Make special adjustments to the list/quoted price

Covered in  
previous material

### II. **STEP 4:** How to Select an Approximate Price Level

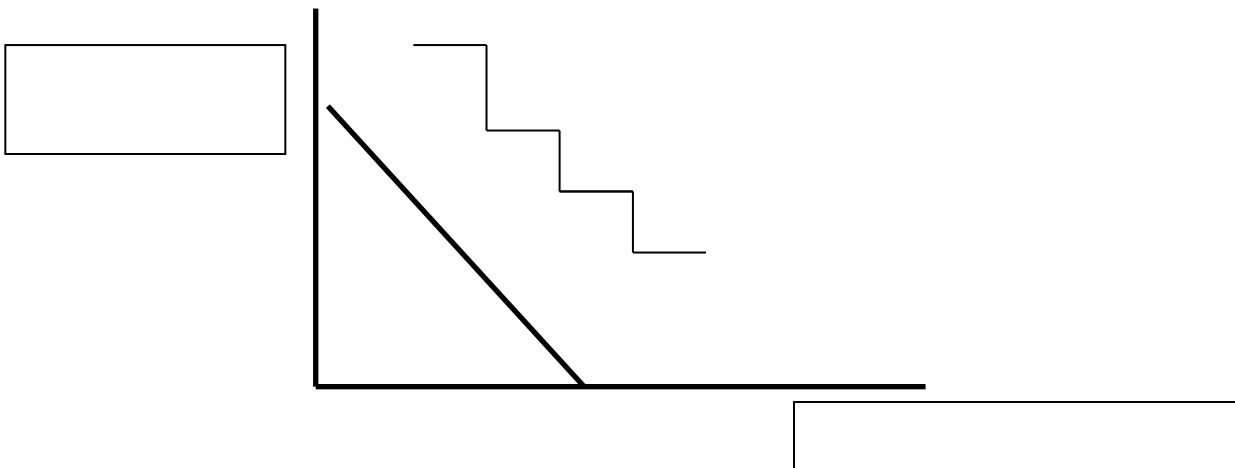
- a) What is the possible “range” of prices?



### b) Demand-oriented Pricing Approaches

- i) \_\_\_\_\_

- (1) involves setting the highest initial price that customers really desiring the product are willing to pay.
- (2) used when introducing a new or innovative product; so it is seen in the early stage of the PLC
- (3)



- (4) Used to rapidly recover investments in developing a new product
- (5) Works because:



- (a) consumers \_\_\_\_\_ the product,
- (b) there are \_\_\_\_\_ (yet)
- (c) We have a protection on the product (copyright; patents; unique process)

(6) And SO we have an \_\_\_\_\_ demand curve.

(7) Advantages of Price Skimming

(a) Allows us to recover development costs quickly

(b) IF the price is perceived as “too high” by the market, we can easily lower it (RAISING a price is much harder to do)

(i) Example:

(8) Disadvantage of Price Skimming

(a) The major disadvantage is that the large profit margins will \_\_\_\_\_ competition

ii) \_\_\_\_\_

(1) involves setting a \_\_\_\_\_ price on a new product

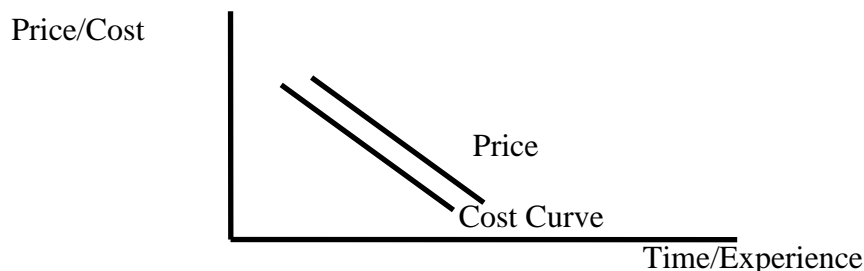
(2) It is used to appeal immediately to the \_\_\_\_\_

(3) And so to capture a large share of the market quickly

(4) This is used when there are few barriers to competition entering the market,

(5) When we expect the PLC to be long

(6) When we expect demand to be \_\_\_\_\_ (so there is a market response to our lower price).



(7) Advantages of Penetration Pricing

- (a) The small margin is likely to \_\_\_\_\_
- (b) Because we get a large share of the market quickly:
  - (i) our volume is larger and our production costs (per unit) drop more quickly
  - (ii) And with high volume we still generate good profit

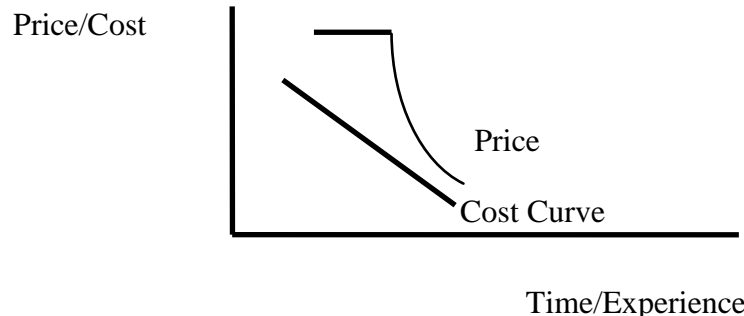
(8) Disadvantages of Penetration Pricing

- (a) A \_\_\_\_\_ strategy
  - (i) We must be able to do a good job of forecasting the demand, because we will need to gear up FAST for mass production and distribution/marketing.
  - (ii) IF demand does not develop, our production costs stay high and we do not make a profit!
- iii) “ \_\_\_\_\_ ”

(1) Involves starting with a Price Skimming approach and then REDUCING price as our costs decline

- (a) This is done to appeal to a wider market once the “premium price” buyers are satisfied or
- (b) To react to an influx of competitors

(2) \_\_\_\_\_



(3) Advantages of “slide down the demand curve”

- (a) Allows us to recover \_\_\_\_\_ early in the PLC
- (b) Helps to discourage competition as we drop price (note that OUR costs should be lower than those of the “late entrant” competitors).
- (c) assumes a reasonably \_\_\_\_\_

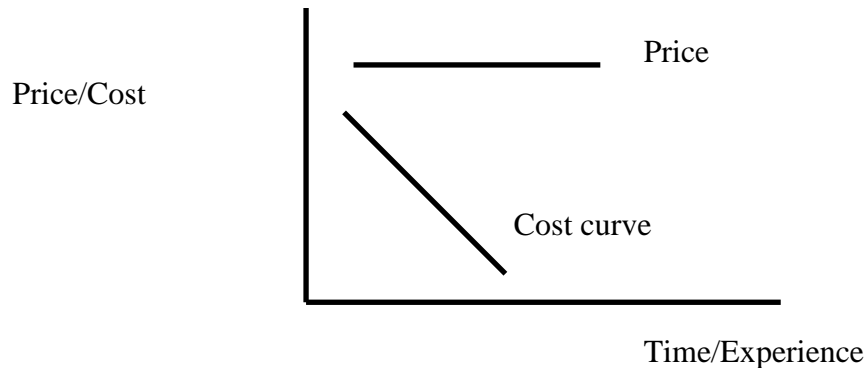
(4) Disadvantages of “slide down the demand curve”

- (a) It is very hard to know just when to begin dropping prices
  - (i) Drop too soon, and \_\_\_\_\_

(ii) Drop too late and \_\_\_\_\_

iv) \_\_\_\_\_

- (1) involves setting a high price
- (2) to attract quality- or status-conscious consumers
- (3) This should appeal to high-end consumers and limit its appeal to "others" (which ENHANCES the product's image)
- (4) Examples:



- (5) Advantages and Disadvantages of Prestige Pricing
  - (a) Because of the high price, we are \_\_\_\_\_ to sell in large volume, however,
  - (b) This is not a problem as \_\_\_\_\_ can be made with the large markup on each item sold

## b) Demand-oriented Pricing Approaches

i) \_\_\_\_\_

- (1) involves setting the price of a line of products at a number of different specific pricing points
- (2) even if customers don't know much about a set of products, they may *perceive* difference based on price alone
- (3) If the differences in models are not readily apparent or not easily viewed, then price lining helps the customer recognize that differences do exist as (long as the prices are noticeably different).
- (4) Examples:

- (5) Advantage of Price Lining  
(a) May increase profits if the \_\_\_\_\_ of adding the additional features is not significant

(i) Consumers “buy up” to a higher priced, more feature-rich model which is ALSO more profitable for the marketer

- (6) Disadvantages of Price Lining  
(a) A disadvantage to price lining is that by focusing too much on price, we may overlook issues of quality or consumer buying trends.  
(b) If it is used as a regular practice, it may limit our ability of the business to meet competitors' prices.

ii) \_\_\_\_\_ consists of

- (1) estimating the price that ultimate consumers would be willing to pay for a product,  
(2) working backward through markups taken by retailers and wholesalers to determine what price to charge wholesalers, and then  
(3) deliberately adjusting the composition and features of the product to achieve the target price to consumers.  
(4)  $SO, \text{Target Price} - \text{Markups} - \text{Profit} = \text{Target COSTS}$

iii) \_\_\_\_\_

- (1) involves setting prices a few dollars or cents under an even number  
(2) Use prices that end in 5, 7 and most often 9 for psychological reasons.  
(a) Consumers tend to round down a price of \$39.95 to \$39, rather than rounding it up to \$40.  
(b) However, this is not considered to be as effective today as it was in the past as consumers have become “smarter” about price (but we do still see it used quite a bit).

iv) Bundle pricing

- (1) involves setting prices for two or more products as a single price.  
(a) For buyers, the overall cost of the purchase shows a savings compared to purchasing each product individually.  
(b) For marketers this technique avoids making price adjustments on a EACH product if they fear doing so could affect the product's perceived quality level  
(c) Also, the marketer \_\_\_\_\_ the sale of both products rather than having the customer buy one somewhere else.

v) Yield Management Pricing

- (1) Involves charging a \_\_\_\_\_ for the same good/service in different markets
- (2) to maximize revenue for a set amount of capacity at any given time
  - (a) Examples:
    - (i) Passenger airline seats
    - (ii) Train seats
    - (iii) Hotel rooms
    - (iv) Rental cars
    - (v) Concert seats
- (3) Requires:
  - (a) That there is a \_\_\_\_\_ of resources available for sale.
  - (b) That the resources sold are \_\_\_\_\_. This means that there is a time limit to selling the resources, after which they cease to be of value.
  - (c) That different customers are willing to pay a different price for using the same amount of resources.
- (4) Two Approaches:
  - (a) Airlines often charge \_\_\_\_\_ (often these are business travellers, who are less sensitive to price)
  - (b) The fashion industry often \_\_\_\_\_

**c) Cost-oriented Pricing Approaches**

i) Standard Markup Pricing

- (1) adding a \_\_\_\_\_ to the cost of all items in a specific product class; USUALLY refers to setting retail prices.

Examples:

- (a) Jewelry
  - (b) Services
- (2) Sometimes is used to refer to the manufacturer setting the wholesale selling price
    - (a) SO, **Retail price = cost + markup**
  - (3) Calculating markup percentages:
    - (a) Percent Markup on SELLING PRICE

$$\begin{aligned} &\text{Markup on Selling Price (\%)} \\ &= \frac{\text{Markup dollars}}{\text{Selling Price \$}} \times 100 \end{aligned}$$

(b) Percent Markup on COST

$$\begin{aligned} &\text{Markup on COST (\%)} \\ &= \frac{\text{Markup dollars}}{\text{The Cost \$}} \times 100 \end{aligned}$$

(c) Example 1

- (i) The cost to me is \$36 each for the product I want to sell.
- (ii) I want to get the industry *markup of 122.2% of cost*, and we know:

$$\text{Markup on cost \%} = \frac{\text{Markup dollars}}{\text{The Cost \$}} \times 100$$

$$\text{Markup on cost \%} = \frac{\text{Markup dollars}}{\text{The Cost in \$}} \times 100 \quad \begin{array}{l} \text{(divide both} \\ \text{sides by} \\ \text{100)} \end{array}$$

To get,

$$\frac{\text{Markup on cost \%}}{100} = \frac{\text{Markup Dollars}}{\text{Cost in \$}}$$

$$\frac{125\%}{100} = \frac{\text{Markup Dollars}}{\$36} \quad \begin{array}{l} \text{(Divide left by 100 which also} \\ \text{eliminates \%)} \end{array}$$

To get:

$$1.25 = \text{Markup Dollars} / \$36 \quad \text{(Multiply both sides by \$36)}$$

$$1.25 \times \$36 = \text{Markup Dollars} = \$ \underline{\hspace{2cm}}$$

$$\text{Selling price is } \$36 + \$45.00 = \$ \underline{\hspace{2cm}}$$

This gives the industry mark up of                     

(d) Example 2

- (i) The cost to me is \$36 each for the product I want to sell.
- (ii) I am selling the product for \$80, and I want to determine my *markup on the selling price*:

Markup on Selling Price (%)

$$= \frac{\text{Markup dollars}}{\text{Selling Price \$}} \times 100$$

- Selling Price is \$80
- Cost to me is \$36
- So, mark up is \$80 - \$36 = \$44

(iii) Markup on Selling Price (%) =

$$\frac{\$44}{\$80} \times 100 \quad \text{OR} \quad \underline{\hspace{2cm}} \%$$

ii) Cost Plus Pricing

(1) Just as markup pricing arrives at price by adding a certain percentage to the product's cost, cost-plus pricing also adds to the cost

(a) by using a \_\_\_\_\_ amount rather than percentage (*cost-plus fixed-fee*) OR

(b) by adding a \_\_\_\_\_ to the manufacturing cost.

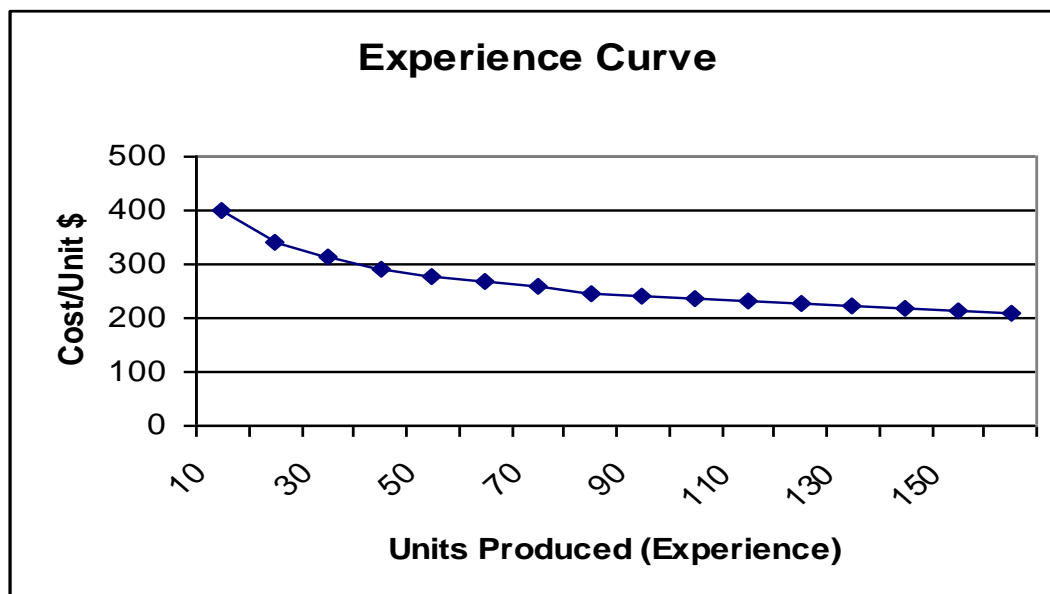
iii) Experience Curve Pricing

(a) a pricing approach that we have already considered.

(b) It is based on the "\_\_\_\_\_", which says that the unit cost of many products and services declines by 10 percent to 30 percent each time a firm's experience at producing and selling them doubles

(c) This results in the possibility of rapid price reductions; and suggests advantages to market leaders

(d) Example: Unit Costs drop by 15% with each doubling of Production



**d) Profit-oriented Pricing Approaches**

- i) Target Profit Pricing
  - (1) Set an annual \_\_\_\_\_ in dollars
- ii) Target return-on-sales Pricing
  - (1) Set prices to achieve a profit that is a \_\_\_\_\_ of the units sold
- iii) Target return-on-investment Pricing
  - (1) Set prices to achieve a specific annual return-on-investment (ROI).

**e) Competition-Oriented Pricing**

- i) Customary Pricing
  - (1) Set our price based on the \_\_\_\_\_ in the channel of distribution or in our market
- ii) Above-, At-, or Below-market Pricing
  - (1) Uses the competition's price as a \_\_\_\_\_ and prices relative to them.
- iii) Loss-leader Pricing
  - (1) We set the price \_\_\_\_\_ its usual (or profitable) price.
  - (2) The goal is not to make money on that item, but to attract customers' attention with the hope they will buy other, more profitable products as well.

**III. Step 5: Set the List or Quoted Price**

- a) One-price policy
  - i) involves setting one price for all buyers of product or service.
  - ii) Also called \_\_\_\_\_.
- b) Flexible price policy
  - i) Involves setting \_\_\_\_\_ for products and services depending on individual buyers and purchase situations.
  - ii) Also called *dynamic pricing*.
- c) Factors Influencing the List or Quoted Price
  - i) \_\_\_\_\_
    - (1) Product-Line Pricing
  - ii) \_\_\_\_\_
    - (1) What does our price convey to the consumer?



iii) \_\_\_\_\_

(1) \_\_\_\_\_, when we need to cut our price to increase or maintain unit sales or market share against competition, who does the same thing, forcing us to respond!!

#### IV. Step 6: Special Adjustments to the List or Quoted

##### a) Quantity Discounts

- i) We offer reductions in unit costs for larger orders; the assumption is that we get “\_\_\_\_\_” savings and we pass some on to our customers.
- ii) In non-cumulative quantity discounts, the price reduction is based on a \_\_\_\_\_. The larger order is expected to reduce our billing, order filling, shipping, and sales costs.
- iii) cumulative quantity discounts, the price reduction is based on the total quantity purchased over some period of time (often a year). The goal is to encourage the customers to \_\_\_\_\_ for their reorders.

##### iv) Seasonal Discounts

- (1) Reductions based on the time that the purchase is made.
- (2) Attempts to reduce time variations (seasonal variations) in sales.
- (3) The Travel Industry offer much lower off-season rates
- (4) These can also be based on the day of the week or the time of day.
  - (a) For example,

##### v) Trade (Functional) Discounts

- (1) These are reduction in \_\_\_\_\_ we offer to our distribution channel members for performing some function for us in the future.
  - (a) Examples of these functions are warehousing and shelf stocking.
  - (b) Trade discounts can be combined to include a series of functions for a channel member
  - (c) For example 20/12/5 could indicate a 20% discount for warehousing the product, an additional 12% discount for shipping the product, and an additional 5% discount for keeping the shelves stocked.

The 20/12/5 example

\$200.00	MSRP (manufacturer's suggested retail price)
<u>-20%</u>	less 20%
\$	profit to the retailer
\$	Retailer cost
<u>-12%</u>	less 12 %
\$	profit to the wholesaler
\$	Wholesaler cost
<u>- 5%</u>	less 5%
\$	profit to the jobber
\$	Jobber's cost = manufacturer's selling price

- (2) See the text example (page 359) also for a series of channel members.
- (a) In that example 30/10/5 would be based on the manufacturer's suggest retail price.
- (b) It indicates a 30% discount for the retailer, an additional 10% discount the wholesaler, and an 5% discount for the jobber

### (3) Cash Discounts

### (4) Allowances

- (a) Trade-In Allowances
- (b) Promotional Allowances

### (5) Geographic Adjustments

- (a) FOB origin ([Free on Board](#) origin) –
- (i) The shipping cost from the \_\_\_\_\_ is paid by the \_\_\_\_\_; so different buyers will pay different shipping costs.
- (ii) \_\_\_\_\_ of the goods is transferred to the buyer as soon as it leaves the point of origin. Either the buyer or seller arranges for the transportation.
- (b) Uniform Delivery Pricing – The shipping cost from the factory or warehouse is included in the selling price. Ownership of the goods is not transferred to the buyer until it is delivered. The seller arranges for the transportation.
- (i) Single Zone Pricing - The same price is charged to all buyers regardless of their location.

(ii) Multiple Zone Pricing –

1. Prices increase as shipping distances increase.
2. This is sometimes done by drawing concentric circles on a map with the plant or warehouse at the center and each circle defining the boundary of a price zone.
3. Instead of using circles, irregularly shaped price boundaries can be drawn that reflect geography, population density, transportation infrastructure, and shipping cost.
4. Map Example of Multiple-zone Pricing

(iii) Basing point pricing - Certain cities are designated as basing points. All goods shipped from a given basis point are charged the same amount.

1. Map revisited:

(iv) Freight-absorption pricing - The seller absorbs all (or part of the cost of transportation). This can be used as a promotional tactic.

(6) How to get into LEGAL TROUBLE with your pricing:

(a) \_\_\_\_\_

- (i) Agree with competitor what price everyone will charge
- (ii) Enforce specific prices within the channel

(b) \_\_\_\_\_

- (i) Charge different prices to buyers when there are NO differences in the grade, quality, or cost of the goods, that results in substantial lessening of competition

(c) \_\_\_\_\_

- (i) Bait and switch
- (ii) Bargains conditioned on purchased of overpriced products
- (iii) Fake “sales” off of prices never really offered

(d) Engage in Predatory pricing = low prices to drive out competition and then raise prices.

**(7) Pricing practices affected by legal restrictions**

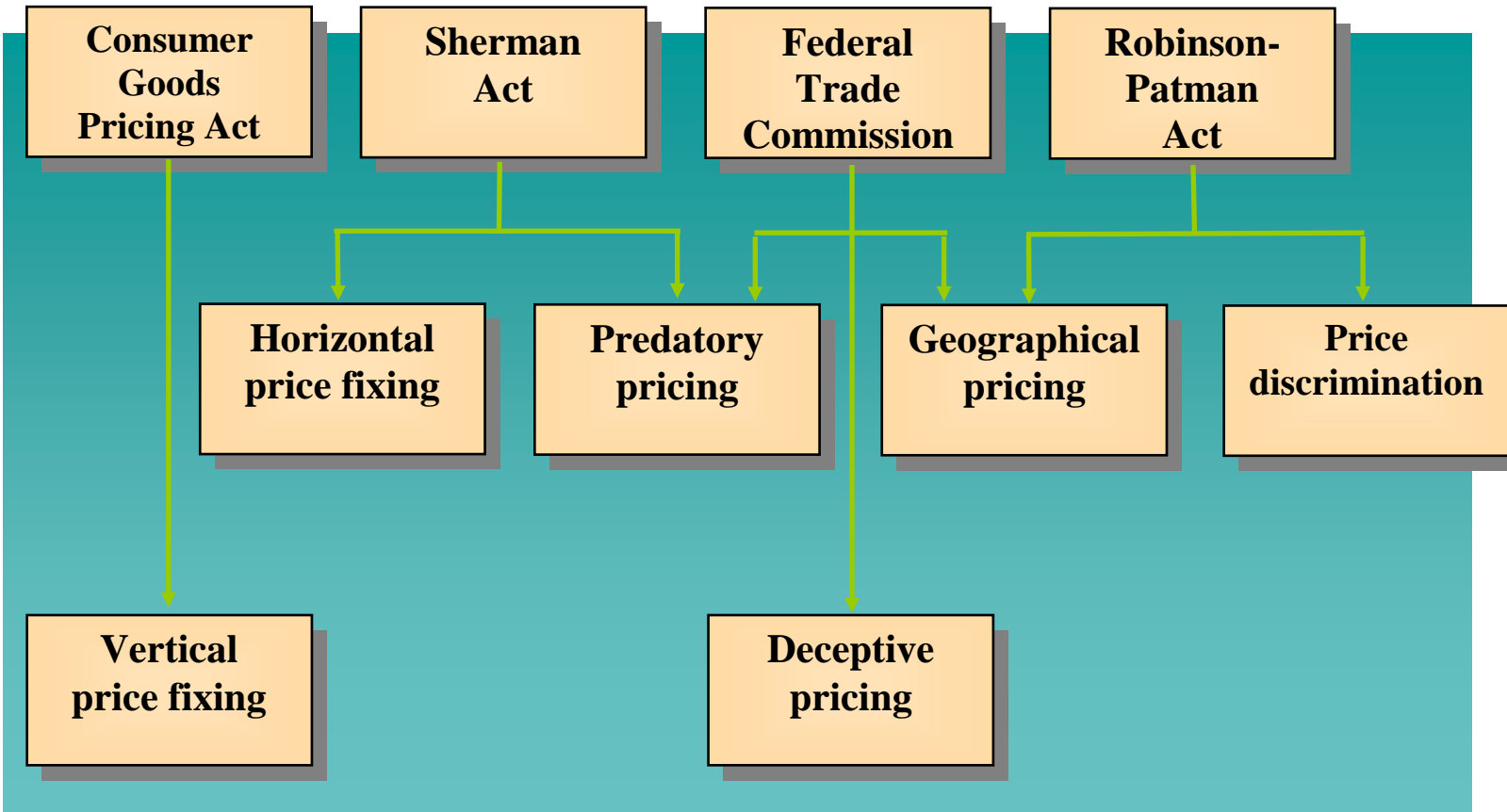
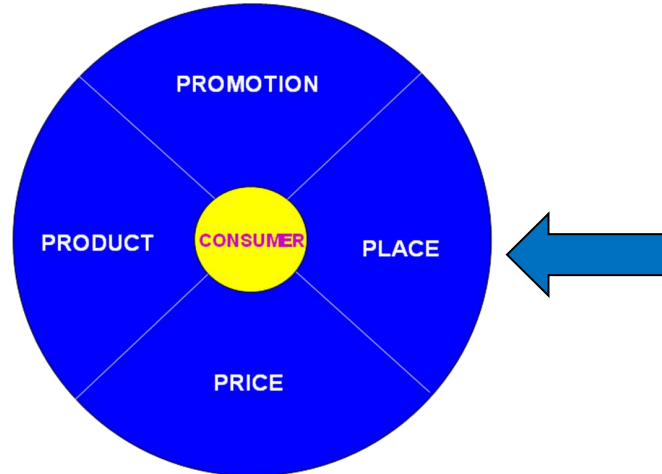


Figure 14-9 page 370

## Chapter 15: Managing Marketing Channels and Supply Chains



### I) The P&G-Wal-Mart Example

- a) Traditionally, the relationship between supplier and merchant has been “\_\_\_\_\_”.
- b) Wal-Mart recognized that the traditional relationship had become outmoded and was often hurting BOTH parties!
- c) Wal-Mart “invited” its major suppliers to jointly develop powerful supply chain partnerships
  - i) to increase product flow efficiency and, consequently, profitability for both firms
- d) The Wal-Mart/Procter & Gamble alliance, incorporated vendor-managed inventory, category management, and other intercompany innovations
- e) P&G had a dedicated account team...
- f) The team members represented key P&G functions:
  - i) sales/marketing, distribution/supply chain management, IT, and finance.
  - ii) Wal-Mart's CFO became a “key customer” as P&G's objective became maximizing Wal-Mart's internal profitability.

### II) The Nature and Importance of Marketing Channels

- a. \_\_\_\_\_
  1. Consists of Individuals and firms involved in the process of making a product or service available for use or consumption by consumers or industrial users.
- b. Middlemen (aka \_\_\_\_\_)
  1. Middlemen are \_\_\_\_\_ in a \_\_\_\_\_ that render services directly related to \_\_\_\_\_

the sale/purchase of a product as it flows

---

--Distribution's role within a marketing mix is getting the product to its target market.

2. Middlemen can promote the product, store it, ship it and assume some of the financial risk during the distribution process
  - a) Merchant Middlemen & Agent Middlemen
  - a) Middlemen are commonly classified on the basis of whether or not they \_\_\_\_\_ to the products being distributed.
  - b) Merchant middlemen take title to the products they help to market
3. As a "RULE" you can eliminate middlemen, but NOT

---

a) (well...that's ALMOST always true; the [RADIOHEAD](#) experiment)

4. Middlemen Activities
  - a) Transactional Functions
  - b) Logistical Functions
  - c) Facilitating Functions
  - d) Example – A Sales specialist for producers can:
    - a) Provide market information (**Facilitating**)
    - b) Interpret consumers' wants (**Facilitating**)
    - c) Promote producers' products (**Transactional**)
    - d) Create assortments (**Logistical**)
    - e) Store products (**Logistical**)
    - f) Negotiate with customers (**Transactional**)
    - g) Provide financing (**Facilitating**)
    - h) Own the product (**Transactional**)
    - i) Share the risks (**Transactional**)
  - e) Example – A Purchasing agent for buyers can:

- a) Anticipate wants (**Facilitating**)
  - b) Subdivide large quantities (**Logistical**)
  - c) Store the product (**Logistical**)
  - d) Transport the product (**Logistical**)
  - e) Create assortment (**Logistical**)
  - f) Provide financing (**Facilitating**)
  - g) Make products readily available (**Logistical**)
  - h) Guarantee the product (**Transactional**)
  - i) Share the risks (**Transactional**)
- f) Example – The Kent Stage

c. Distribution Channels

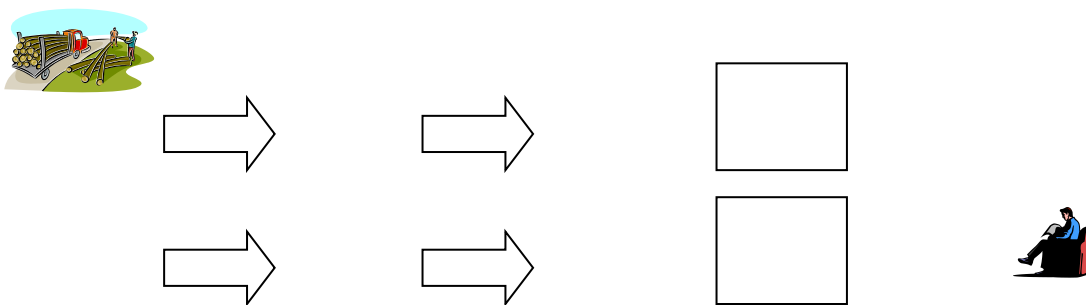
1. Distribution Channels include people and firms involved in the \_\_\_\_\_ to a product as the product moves from a producer to the ultimate consumer or business user

Producers → Middlemen → Final Consumer or Business User

2. The channel for a product only extends to \_\_\_\_\_ that buys it without making any significant change in its form

- a) When the \_\_\_\_\_ is altered, another product emerges and a new channel is started.

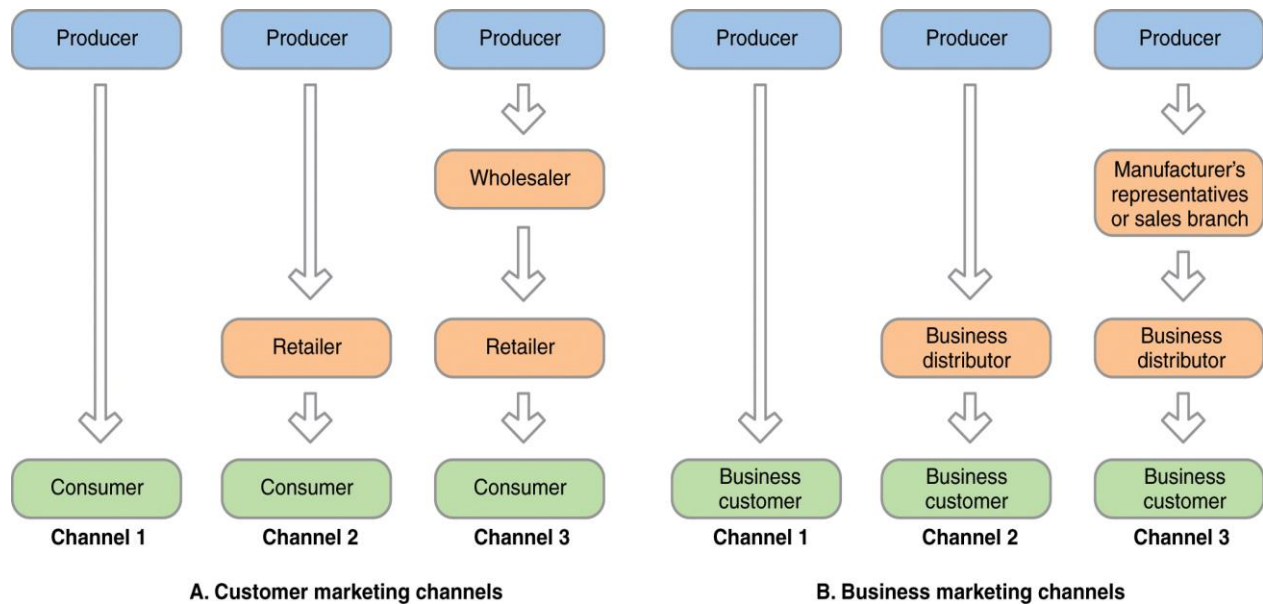
3. Example (supply channel for Lumber and for Finished Furniture)



4. Other intermediaries include:

- a) Banks
- b) Insurance companies
- c) Transportation companies

d. Consumer and Business Marketing (distribution) Channels



- All of the institutions in the channel are connected by several types of flows, including the flow of:
  - ownership,
  - payment,
  - information, and
  - promotion.
- Channels MUST contain at least a \_\_\_\_\_ AND a \_\_\_\_\_. This would be a “direct channel” of distribution.
  - B2C Direct Example: 1-800-\_\_\_\_\_ and
  - More B2B Direct Examples:
- A channel of producer, final customer, and at least one \_\_\_\_\_ is an indirect channel.
- B2C Indirect Channel
  - Producer to Retailer to Consumer is a B2C \_\_\_\_\_.  
Examples: WalMart; Toys R Us
  - Producer to a Wholesaler to a Retailer to Consumer



5. Business Marketing Channels

1. Producer to Business Customer

a). Producer directly to a Business Customer accounts for a \_\_\_\_\_ than any other channel.

i. \_\_\_\_\_ installations such as jet engines, helicopters and elevators, are usually sold directly to users.

2. Producer through Business Distributor to Business Customer

(a) Often used for \_\_\_\_\_

Example:

3. Producer to Manufacturer's Representative / Sales Branch to Business Distributor to Business Customer

a) \_\_\_\_\_ who cannot afford to call on customers directly may use this "more indirect" approach.

6. Multiple Distribution Channels

a) Used to reach two or more target markets or

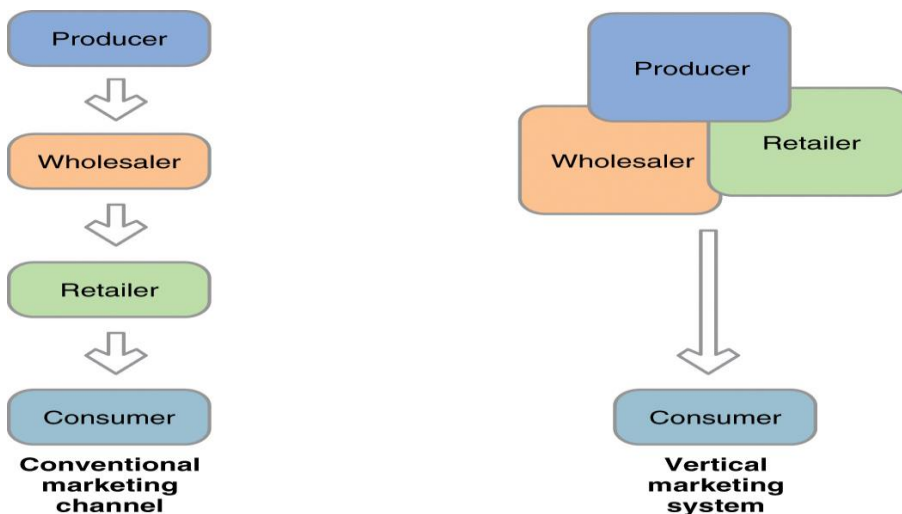
b) Avoids total dependence on a single arrangement.

e. Conventional and Vertical Marketing Systems

1. Historically, in conventional marketing channels, there was

a) \_\_\_\_\_ for the individual channel members

b) with a focus on their \_\_\_\_\_ needs and objectives



2. Vertical Marketing Systems are tightly \_\_\_\_\_ to improve operating and marketing efficiency of the members
3. Examples of Vertical Marketing Systems:
  - a) Corporate (Ownership) VMS –
  - b) Contractual Vertical Marketing System –
  - c) Administered Vertical Marketing System –

### III. Marketing Channel Choice and Management

#### A. Intensity of Distribution

1. How MANY do we want? What is the “optimal intensity” for us?
  - a. Just enough middlemen to \_\_\_\_\_
  - b. Because anything else simply \_\_\_\_\_
2. While the decision is sometimes seen as a single one, often \_\_\_\_\_!  
\_\_\_\_\_
  - a. For example, intensive retail coverage but selective (rather than intensive), wholesale distribution
  - b. Examples:

--Intensive Distribution

- Hagen-Dazs

- IAMs

- Luxottica

--Selective Distribution

- Step 2

- Hand tools

--Exclusive

- Lamborghini

- Bijan

### 3. Intensity of Distribution Reminders:

- a. For convenience goods we want distribution through
- 

Example

- b. For shopping goods, we want distribution
- 

Example

- c. And for specialty products, we want distribution
- 

Example

## B. Conflicts in Channels

1. Distribution SHOULD be based on \_\_\_\_\_ and cooperative actions
  - a. BUT, conflicts and struggle for control of the channel DO occur
2. We need to understand issues related to conflict and control AND manage them.
3. Channel conflict exists when one channel member perceives another channel member to be acting in a way that prevent the first member from achieving its distribution objectives.
  - a. Examples:
4. Horizontal Conflict involves firms on the “same level” of distribution
  - a. Conflict between he same type of middlemen
  - b. Different types of middlemen on the same level:
5. “Scrambled merchandising” is a key conflict area.
  - a. middlemen diversify by adding product lines not traditionally carried by their type of business
    - i. Examples:
  - b. This can cause conflict with other channel members
  - c. SO, why do it?
    - i. The Middleman gets \_\_\_\_\_
    - ii. The Consumer gets \_\_\_\_\_
    - iii. The Producer gets an \_\_\_\_\_  
\_\_\_\_\_

6. Vertical Conflict involve firms at different levels of the \_\_\_\_\_  
\_\_\_\_\_

a. Producer versus Wholesaler

i. Examples:

b) Conflict here occur because \_\_\_\_\_  
\_\_\_\_\_

c) A major conflict occurs when producers try to bypass wholesalers and deal directly with retailers or customers. To BYPASS their wholesalers, producers might:

i. Sell directly to customers by establishing their own retail stores. This is often a supplemental rather than sole, form of distribution.

ii. Sell directly to retailers

1. Coleman Example:

2. Producer vs. Retailers -- Goodyear Example:

d. To avoid being bypassed, wholesalers have several options:

1.

2.

7. Disintermediation

a. The \_\_\_\_\_ in the supply chain, also referred to as "cutting out the middlemen."

b. Disintermediation creates \_\_\_\_\_

c. Black & Decker Example:

## 8. Pricing and the Relationship with Channel Members

- a. Recall that Gary Trinetti and his partner (graduates of KSU) set up a corporation, Garick, which markets a variety of lawn care products, composting, top soil, mulch, bark, turf, stone and aggregate for home and recreational areas.
  - i. Garick is doing line reviews with their retailers (Wal-Mart, Home Depot, and Lowe's).
  - ii. How do you price in advance these days?
  - iii. Created a fuel surcharge for the first time
  - iv. This creates a problem in planning for the retailer
  - v. Gary recalls there being 4P's (which has NOT changed!)...AND he remembers them!!
  - vi. Price was viewed as being "easy," cost-plus pricing.
  - vii. But it is more complicated when you think about your relationship with a retailer.
  - viii. Will it be used as a loss leader, for a promotion, part of a two for one deal.
  - ix. SO, pricing IS a marketing decision. What is our "appropriate price" for our customer, given OUR costs.
  - x. Then you need to consider YOUR strategy.
  - xi. Do we want intensive and fast distribution? So we set a low price.
  - xii. Do we have a competitive advantage, for a year or two or six months, so that we can set a high price and get a great profit margin until our competitors catch on?
  - xiii. OR do we need to consider how our customer wants to price it?

## IV. Logistics and Supply Chain Management

- a) involves those activities that focus on getting the right amount of the right products to the right place at the right time at the lowest possible cost.
- b) Logistics Management is the practice of organizing the \_\_\_\_\_ of
  - i) raw materials,
  - ii) in-process inventory,
  - iii) finished goods, and
  - iv) related information
  - v) from the point of origin to point of consumption to satisfy customer requirements.
- c) A \_\_\_\_\_ is a sequence of firms that perform activities required to create and deliver a good or service to consumers or industrial users.

- i) It includes **suppliers** that provide raw material inputs, the **manufacturer**, the **wholesalers** and **retailers** that deliver finished goods.

#### IV) Trinetti on Supply Chain Management

- a) Supply Chain Management is a “new” term, working with \_\_\_\_\_ and \_\_\_\_\_
- b) Think about retailers like Home Depot and Wal-Mart and all the things that need to happen \_\_\_\_\_!
- c) A truck has to deliver it to the store, of course.
- d) But peel back the layers of what happened before that
- e) The items all come from different raw materials with different manufacturing processes, coming from \_\_\_\_\_!
- f) The opportunity for managing all of these processes is \_\_\_\_\_.
- g) Think of the opportunities from the time the material is grown, harvested, manufactured, all the way to \_\_\_\_\_!
- h) There are opportunities for \_\_\_\_\_, \_\_\_\_\_, and firms to facilitate these.
- i) Wal-Mart has developed expertise in \_\_\_\_\_ and \_\_\_\_\_
- j) Supply chain crosses over from raw materials, to manufacturing production, to airplanes, barges, trucks and rails, to getting the item on the shelf!

#### V) Significance of Supply Chain and Logistics Management

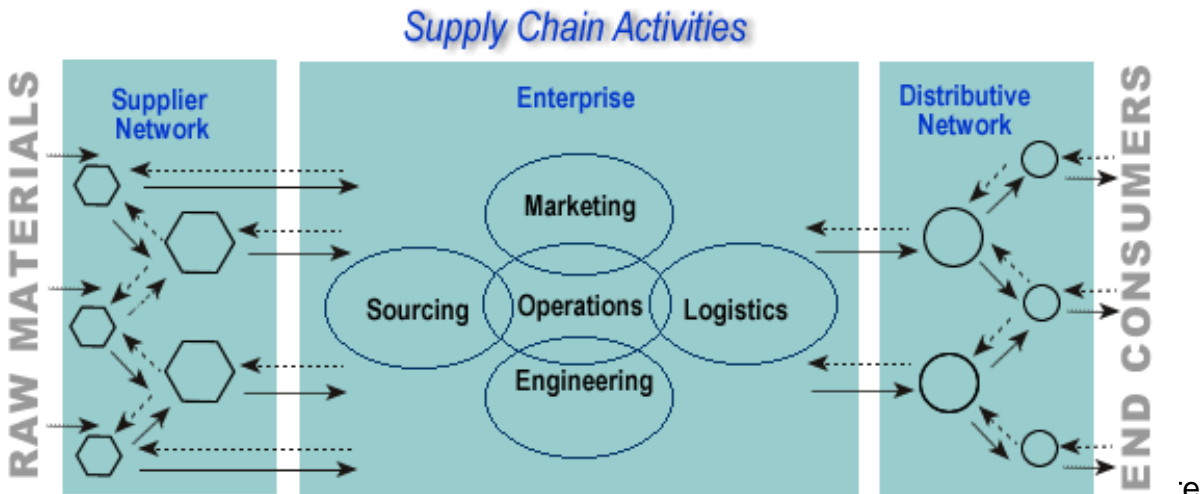
- a) \_\_\_\_\_
  - i) the integration and organization of information and logistic activities *across firms* in a supply chain for the purpose of creating and delivering goods and services that provide value to consumers.
  - ii) Requires the application of \_\_\_\_\_ to allow companies to share and/or operate systems for order processing, transportation scheduling, and inventory and facility management.
- b) Supply Chain management does NOT.....
  - i) A chain is only \_\_\_\_\_
  - ii) BEFORE attempting to deal with “supply chain issues,” the firm must be able to provide  
(1)

(2)

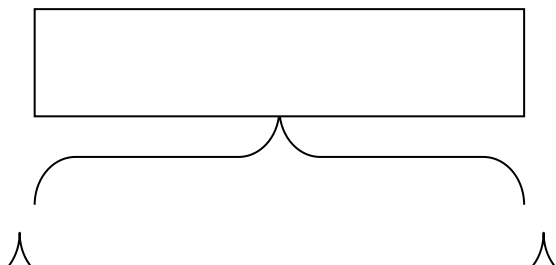
(3)

- c) SCM usually requires significant changes in the firm's organizational structure,
  - i) because it cuts across functional areas and even across different firms  
(1) SO, the responsibility and authority for implementing SCM must be \_\_\_\_\_
- d) SCM requires firms to put in place information systems and metrics that focus on performance across the *entire* supply chain.
  - i) WHY? Because ...
  - ii) This can cause \_\_\_\_\_
- e) SCM means that you not only need to do better than your competition to succeed, but you actually need to compete against...
- f) SO, you need to not only work better among the functional areas of your firm, but think about ...

VI) Supply Chain Activities



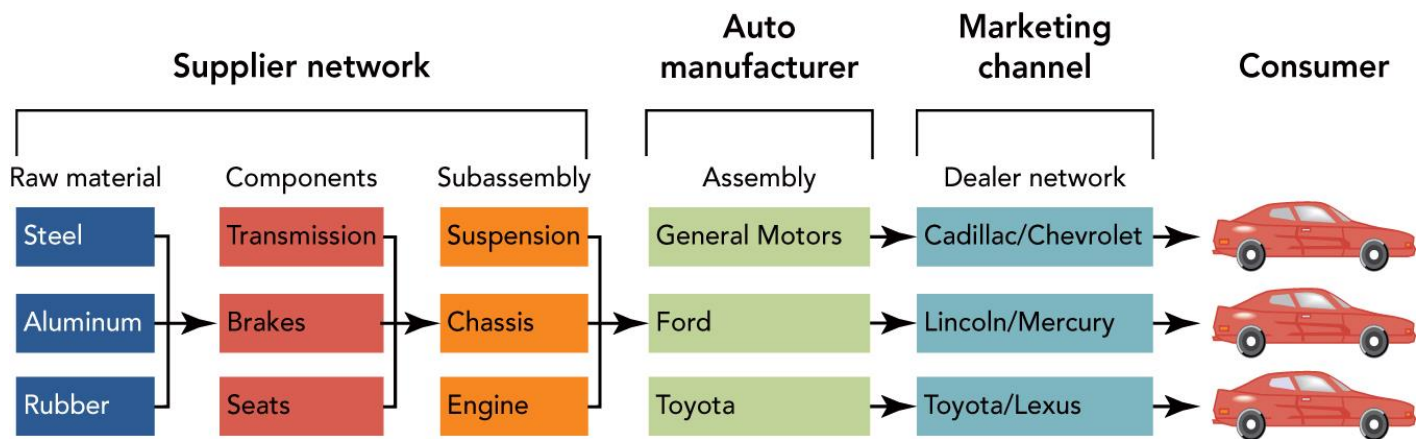
15-8)





b) Here we see that: It is no longer enough to have good relationships with \_\_\_\_\_ . We need to communicate with an entire network of suppliers who need to coordinate their own activities related to our firm.

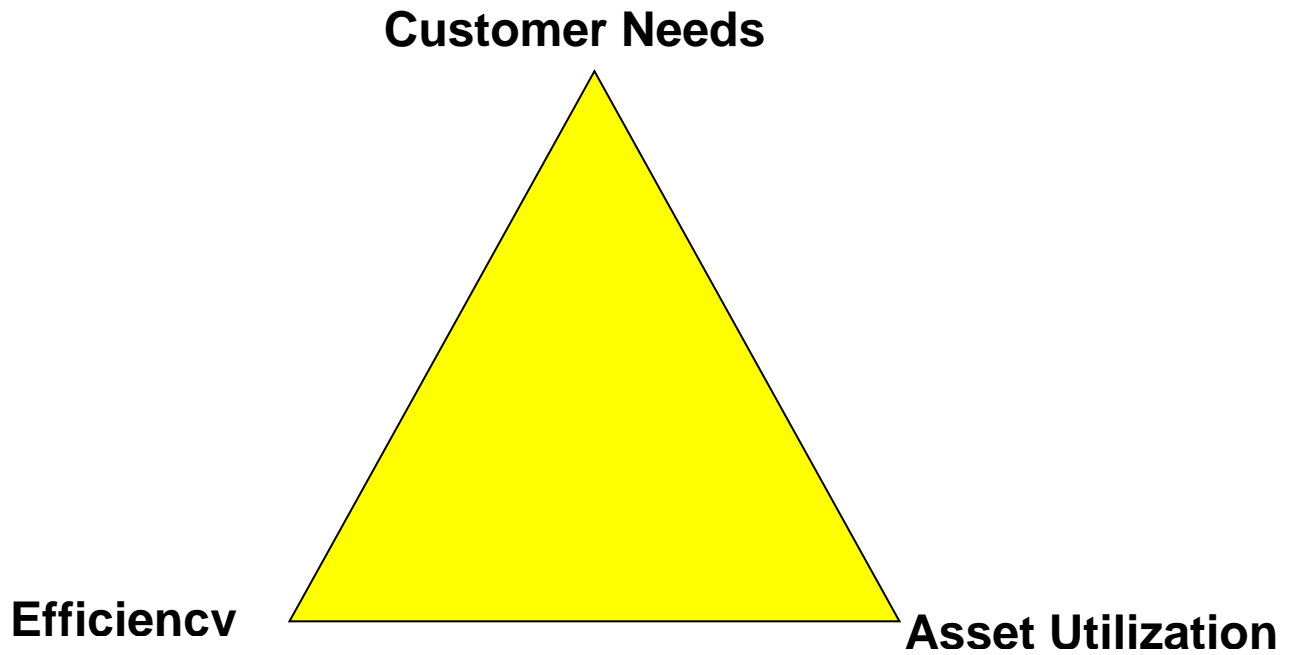
Example:



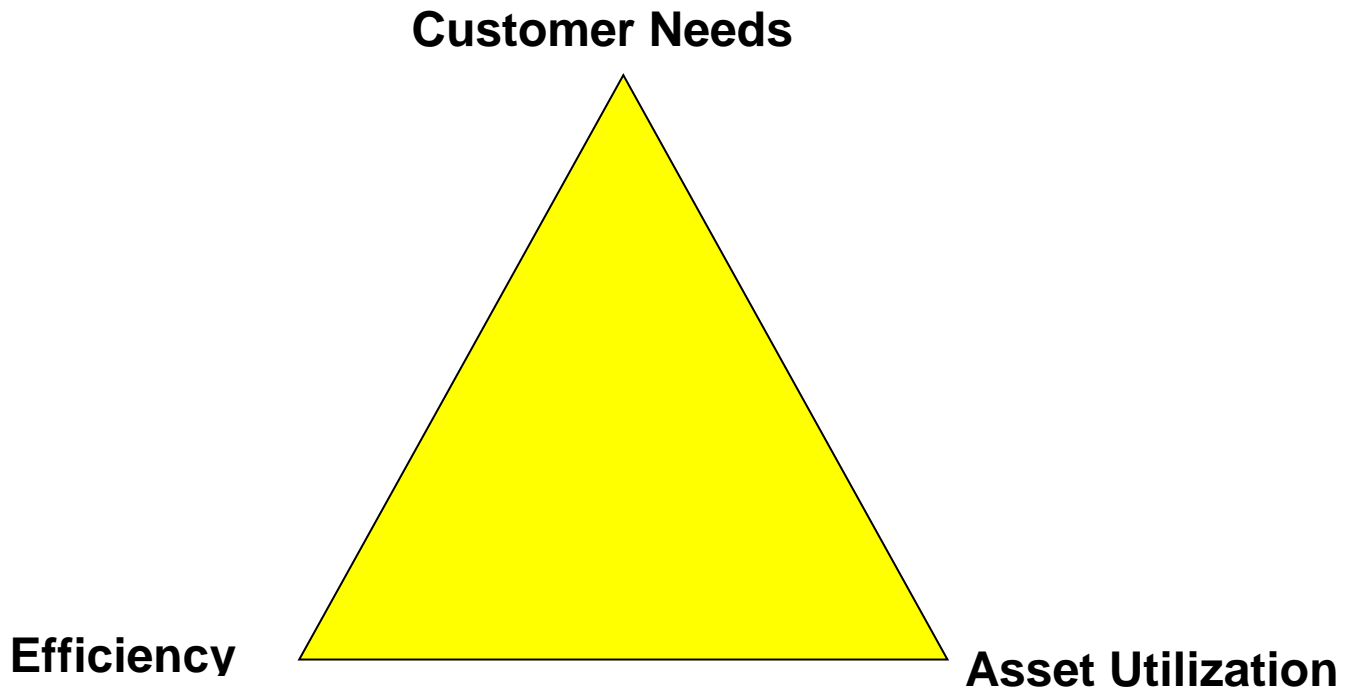
b) The PROBLEM:

i) In “real life” our supply chain team may focus on \_\_\_\_\_

- ii) This focus does not produce \_\_\_\_\_
- c) An Example of Non-Aligned SCM Objectives and Marketing Strategies



- d) An Example of Aligned SCM Objectives and Marketing Strategies



e) Curing the PROBLEM:

i) Understand our Customer's Needs

(1) How important (and what VALUE) do our customers put on:

- (a) Lead Time
- (b) Quick Response
- (c) Efficient Consumer Response
- (d) Dependability
- (e) Communication
- (f) Convenience

ii) Understand our supply chain and its strengths and weaknesses

iii) Harmonize the supply chain strengths with our marketing strategies!

(1) Redesign the supply chain if necessary

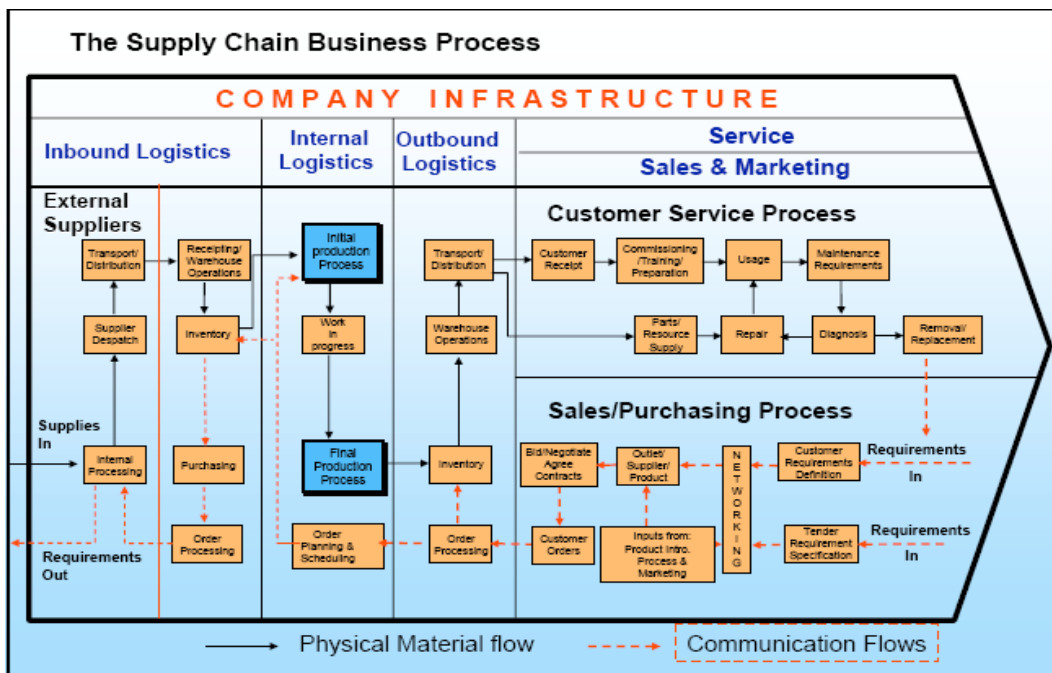
VIII) Information's Role in Supply Chain Responsiveness and Efficiency

a) Electronic Data Interchanges (EDIs)

i) combine proprietary computer and telecommunication technologies to exchange electronic invoices, payments, and information among suppliers, manufacturers, and retailers.

ii) Easily said \_\_\_\_\_

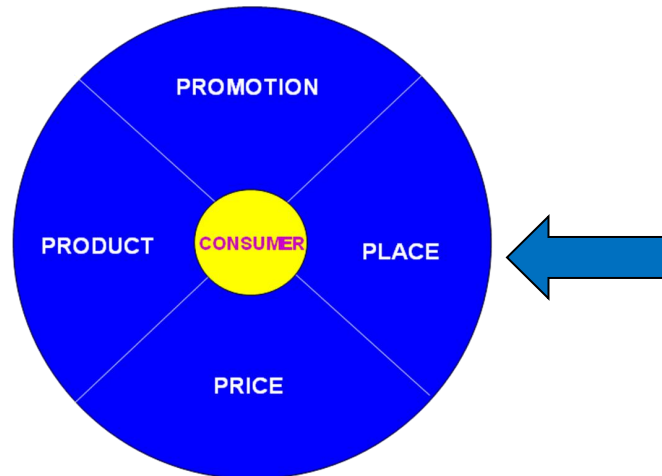
b) The Need for Information in a Customer-Driven Supply Chain



- c) We not only need information to Manage the Supply Chain, but to allow us to balance the \_\_\_\_\_ of our logistics efforts with the \_\_\_\_\_ we provide to our customers!

Want to learn more?  
Consider  
MIS 44062 - SUPPLY CHAIN MANAGEMENT

## Chapter 16 Retailing and Wholesaling



### I) Inside the Retail Store of the Future

- i) **The Social Store:** \_\_\_\_\_ There is an untapped opportunity with the ascendancy of foodie culture. "Stores will combine the sociality and the indulgences of food with the pleasures of shopping,"
- ii) **The Look Of A** \_\_\_\_\_ -- Especially in consumer electronics, stores must rival nightclubs. Massive product selection and inventory are no longer competitive advantages. To compete against 'unlimited options' of online shopping, stores with sexy, dynamic and club-like atmospheres will captivate and drive traffic.
- iii) **The Social Store:** \_\_\_\_\_ -- Within stores, associates with distinct functions will increasingly signal their roles with stylized wardrobes, indicative of approachability and purpose. "This breaks down barriers to conversation and drives social interaction."
- iv) **Tech Is** \_\_\_\_\_ -- Innovations will move from retail's back-end to the storefront. Associates and shoppers will be empowered, whether with an endless digital aisle and information-rich mobile apps or tablets on the sales floor.
- v) **The Social Store:** \_\_\_\_\_ -- "Every retail category must drive trial. Trial isn't stoked without an information-rich environment that informs and educates shoppers." This includes the deployment of high-impact (and often high-tech) signage, as well as space for customers to interact with informed employees.
- vi) **Design For Eye Contact** -- We'll see store interiors designed to promote face-to-face conversation between associates and shoppers, with more intimacy. "Without eye contact, there's less trust."
- vii) **Built For** \_\_\_\_\_ -- The store of the future will be more transparent than before, in a design sense. "Consumers desire to be

seen and to see," says the report. Architecture and exteriors will foster voyeurism and exhibitionism, which will in turn drive purchases. We'll see more test kitchens and stations for bespoke tailoring.

- viii) The Future is here (An interview with Devin Wenig, President of eBay Marketplaces)
  - a) Retail Stores will Transform, not \_\_\_\_\_.
  - b) Consumers \_\_\_\_\_ to shop.
  - c) It is about entertainment and engagement, not just \_\_\_\_\_.
  - d) \_\_\_\_\_ and Fulfillment may become key.
  - e) Stores will become "technology enabled."
  - f) Stores today need to:  
Attract people. Have Inventory. Provide High Service. This is -  
\_\_\_\_\_ AND \_\_\_\_\_.
  - g) \_\_\_\_\_ shows when people are ready to buy; just-in-time is the way to go.
  - h) In tech-enabled stores people may use "shoppable windows."
- ix) Behind the Scenes: A Peek into the Future of Retail with eBay's Innovation Lab -- Rebecca Minkoff [YOUR notes on this video]:

## II) Retailing and Retailers

- i) Retailing includes all activities related to the sale or rental of goods and services to the \_\_\_\_\_ for personal, non-business use.
  - ii) A Retailer is a \_\_\_\_\_
  - iii) Lots of firms can sell to the final consumer, but a Retailer is a firm engaged primarily in retailing
- b) Retailing -- Economic Justification and Realities
- i) Retailers serve as Purchasing Agents for you and as Sales Specialists for their suppliers
    - (1) They do this by:
      - (a) anticipating \_\_\_\_\_,
      - (b) developing \_\_\_\_\_,

- (c) acquiring \_\_\_\_\_, and
- (d) providing \_\_\_\_\_.

(2) So, retailers offer the **utilities** of:

- (a)
- (b)
- (c)
- (d)

ii) It is relatively easy to become a retailer

- (1) No large investment in \_\_\_\_\_ is required,
- (2) merchandise can often be purchased \_\_\_\_\_, and
- (3) \_\_\_\_\_ can be leased with no down payment, or
- (4) a simple \_\_\_\_\_ can be set up at a modest costs.

iii) BUT, \_\_\_\_\_

- (1)** A successful retailer is a “merchant who sells goods that won’t come back to customers who will.”
- (2)** Of course, a retail firm also must fulfill its other role of serving producers and wholesalers.
- (3)** This dual role is both the justification for retailing and the key \_\_\_\_\_

c) Retail Operating Costs and Profits

- i) Retail Operating costs are about \_\_\_\_\_
- ii) This is \_\_\_\_\_ than that for wholesalers, which is only about \_\_\_\_\_.
- iii) Retailers Costs are \_\_\_\_\_ due to:
  - (1) Dealing with \_\_\_\_\_

(2) Meeting their \_\_\_\_\_!

Best U.S. Retail Brands, 2014 From Interbrand

-6% \$131,877M <b>01</b> Walmart*	+8% \$27,123M <b>02</b> TARGET	+12% \$25,696M <b>03</b> THE HOME DEPOT	+27% \$23,620M <b>04</b> amazon	+12% \$17,779M <b>05</b> CVS/pharmacy
+8% \$15,519M <b>06</b> Walgreens	0% \$13,543M <b>07</b> Sams	+20% \$13,162M <b>08</b> ebay	-21% \$11,588M <b>09</b> COACH	+2% \$10,157M <b>10</b> Publix.
+9% \$9,634M <b>11</b> LOWE'S	-12% \$8,957M <b>12</b> NORDSTROM	+13% \$8,286M <b>13</b> COSTCO WHOLESALE	+8% \$7,711M <b>14</b> DOLLAR GENERAL	+2% \$6,249M <b>15</b> VICTORIA'S SECRET
+383% \$6,084M <b>16</b> ★macy's	+3% \$5,825M <b>17</b> KOHLS	+5% \$5,440M <b>18</b> TIFFANY & CO.	-11% \$4,931M <b>19</b> STAPLES	-41% \$4,793M <b>20</b> BEST BUY
+7% \$4,669M <b>21</b> AutoZone	-11% \$4,610M <b>22</b> AVON	+173% \$4,166M <b>23</b> WHOLE FOODS MARKET	+5% \$3,920M <b>24</b> GAP	+6% \$3,860M <b>25</b> BED BATH & BEYOND
+15% \$3,214M <b>26</b> OLD NAVY	+15% \$3,118M <b>27</b> SHERWIN-WILLIAMS	-5% \$3,111M <b>28</b> SHOPPERS DRUG MART	-13% \$3,087M <b>29</b> lululemon athletica	+16% \$2,444M <b>30</b> ROSS DRESS FOR LESS
-8% \$2,336M <b>31</b> GameStop	+22% \$2,123M <b>32</b> TJ-MAXX	+4% \$2,035M <b>33</b> Michael's	+19% \$2,028M <b>34</b> Marshalls	+3% \$1,868M <b>35</b> J.CREW
+10% \$1,812M <b>36</b> PETSMART	+2% \$1,795M <b>37</b> BANANA REPUBLIC	-3% \$1,760M <b>38</b> LORD & TAYLOR	+7% \$1,528M <b>39</b> DICK'S SPORTS & SHIRT STORES	+14% \$1,496M <b>40</b> DOLLAR TREE
+16% \$1,492M <b>41</b> TRACTOR SUPPLY CO	+7% \$1,421M <b>42</b> Bath & BodyWorks	+8% \$1,294M <b>43</b> AMERICAN EAGLE OUTFITTERS	+17% \$1,183M <b>44</b> FAMILY DOLLAR	-5% \$1,122M <b>45</b> URBAN OUTFITTERS
NEW \$1,109M <b>46</b> Advance Auto Parts	+6% \$1,082M <b>47</b> Buckle	+27% \$1,066M <b>48</b> Cabela's	+15% \$983M <b>49</b> EXPRESS	NEW \$932M <b>50</b> chico's

iv) Net Profits for retailers vary quite a bit.



- (1) Supermarkets have huge volume, but only earn \_\_\_\_\_
- (2) Specialized retailers can earn 10% or more.
- (3) An average net after tax profit for retailers would be \_\_\_\_\_ of sales, and was \_\_\_\_\_ in the 3r quarter of 2015.
- (4) Retail Pro: a retail point of sale software system  
<http://www.retailpro.com/include/eng/Solutions/>

d) Classification of Retailers

- i) Based on form of \_\_\_\_\_ and \_\_\_\_\_

Sears Example:

e) Retailers Classified by Ownership

i) Independent Stores

- (1) A single store that is not affiliated
- (2)
- (3)
- (4) Often they are \_\_\_\_\_ but offer more \_\_\_\_\_
- (5) Many customers are willing to pay extra for \_\_\_\_\_, such as
  - (a) credit,
  - (b) delivery,
  - (c) alterations,
  - (d) installation,
  - (e) a liberal return policy, and
  - (f) friendly, knowledgeable personal service.

ii) Corporate Chains

- (1) organization of two or more centrally owned and centrally managed stores that generally handle the same lines of products.
- (2) Three factors differentiate a chain from an independent store and the contractual form of VMS:
  - (a) Size
    - (i) US Bureau of the Census considers \_\_\_\_\_ stores to be the minimum size for a chain
    - (b) A corporate chain has \_\_\_\_\_, and \_\_\_\_\_
    - (c) Because of centralized management, individual units in a chain lack unit \_\_\_\_\_.
      - (i) Corporate chains are tremendously significant in retailing, accounting for about \_\_\_\_\_ of the total retail trade.

iii) Contractual Vertical Marketing Systems

- (1) Retailer \_\_\_\_\_
  - (a) Formed by a group of small \_\_\_\_\_
  - (b) Who agree to establish and operate a \_\_\_\_\_
  - (c) May then purchase and advertise together to achieve \_\_\_\_\_

Examples:

- (2) \_\_\_\_\_
  - (a) sponsored by a wholesaler that enters into a contract with interested retailers
  - (b) Retailer coops and voluntary chains differ in terms of who organizes them.
  - (c) But BOTH have been created for “defensive” reasons, to allow independent retailers to \_\_\_\_\_ with larger, stronger chains

Examples:

(3) Franchise Systems

- (a) a continuing \_\_\_\_\_
- (b) in which a parent company provides management assistance and the right to use its trademark

- (c) in return for \_\_\_\_\_ of the individual business unit.
- (d) The \_\_\_\_\_ is the parent company
- (e) The \_\_\_\_\_ is the owner of the business unit
- (f) and the “franchise system” is the combination of the franchisor and franchisee.
  - (i) This type of contractual VMS generates 1 trillion in annual sales and accounts for as much as 2/5 of retail sales.

iv) Top Franchises for 2016

<u>RANK</u>	<u>FRANCHISE NAME</u>	<u>STARTUP COSTS</u>
1	Jimmy John's Gourmet Sandwiches	\$323K - 544K
2	Hampton by Hilton	\$3.8M - 14M
3	Supercuts	\$144K - 294K
4	Servpro	\$142K - 191K
5	Subway	\$117K - 263K
6	McDonald's	\$989K-\$2.2M
7	7-Eleven Inc.	\$38K – \$1.1M
8	Dunkin' Donuts	\$217K-\$1.6M
9	Denny's Inc.	\$1.2M - \$2.1M
10	Anytime Fitness	\$63K-\$418K

<http://www.entrepreneur.com/franchise500>

f) Four positioning strategies for retailers (based on depth and breadth of product line).



i) Automatic Vending

(1) sale of products through a machine with no personal contact between buyer and seller

•

(2) Advantages: Convenient, Expand Reach, Efficiencies (machines report when stock is low)

(3) Disadvantages: Expensive to service, stock, update

(4) What's NEW in Vending?

ii) Direct Selling

(1) \_\_\_\_\_ between a sales person and a consumer away from a store that results in a sale

(2) Door-to-door, in-house or in-office party plans

Examples:

(3) Advantages:

(a)

(b)

(4) Disadvantages

(a)

(b)

iii) Telemarketing

(1) A sales person initiating contact with a prospective customer and closing a sale over the phone

a)

1. Advantages: Some people like the convenience

2. Disadvantages: \_\_\_\_\_

•

iv) Online retailing

(1) Firm uses a website to offer products for sale.

(2) Find many new enterprises using this form of retailing, but more than \_\_\_\_\_ of brick-and-mortars have adopted it!

Walmart buys Jet.com Video:

b) Direct Marketing

i) All "other" types of non-store retailing

(1) Direct Mail

(a) letter, brochures and even product samples to consumers and ask them to purchase by mail or telephone.

(2) Catalog Sales

(a) expanded at a rate of 10% in 1980s, flattened out in 1990s and is now taking off again

(3) Televised Shopping

(a) From 1 minute spots to Informercials (30 minutes are longer) often found on dedicated TV channels (e.g., Home Shopping Network).

(4) Direct Marketing Drawbacks

(a) Consumers must place orders without viewing or touching the actual product (can see picture of it though).

(b) To offset this difficulty, Direct Marketers must offer liberal return policies.

(c) Catalogs and some direct mail can be costly.

(i) they have to be prepared long in advance of their use and

(ii) any adjustments to price or new product additions can be announced only through supplementary catalogs or brochures.

(5) Direct Marketing Advantages

(a) can provide shopping convenience in addition to low prices.

c) Four Factors Related to Physical Facilities:

i) Location

(1) Central Business District

(2) Regional Shopping Centers

(a) Anchor Stores

(3) Community Shopping Center

(4) Strip Location

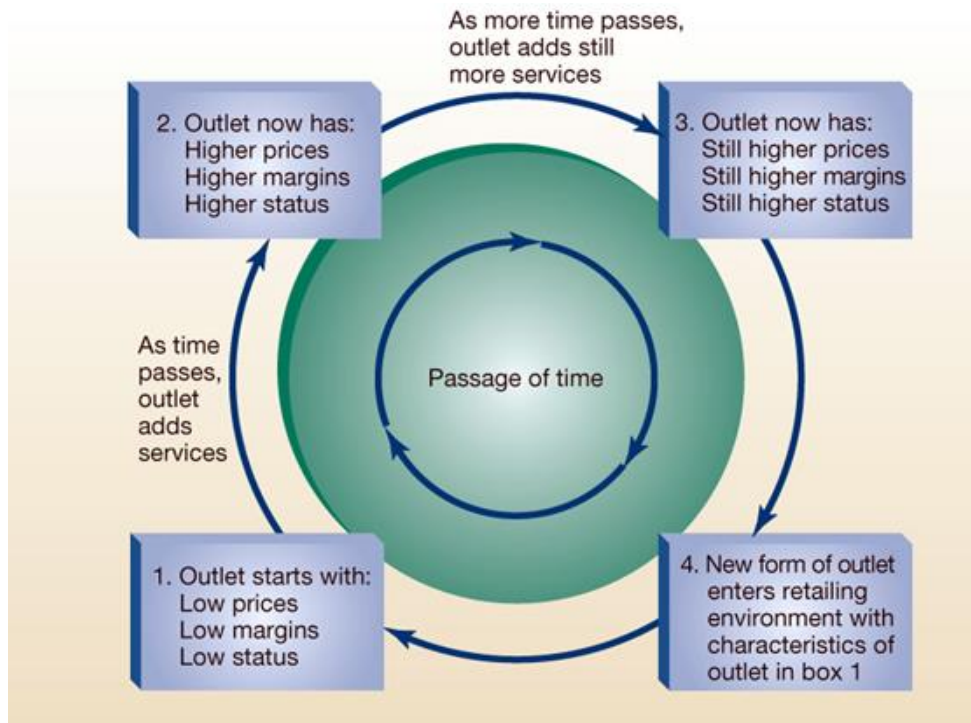
(5) Power Center

ii) Size

iii) Store Design

iv) Product Layout

d) The Wheel of Retailing (Figure 16-9, text page 431)

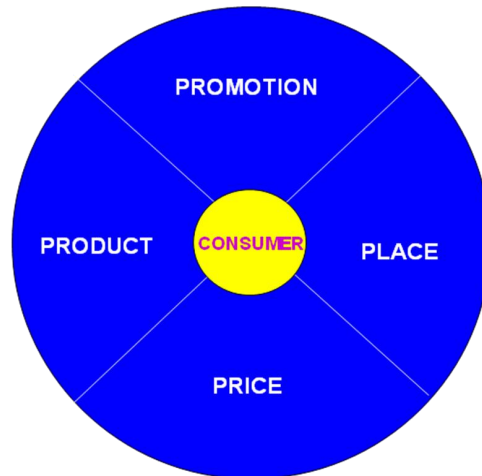


### III. Institutional Change in Retailing

- a) Shakeout from overbuilding (especially in the recent recession!)
- b) Adapting to Consumer Trends
- c) "Bricks and Clicks"
  - i) Website
  - ii) Kiosks

## Chapter 17

### Integrated Marketing Communications and Direct Marketing



#### I. Introduction – Effective Promotion

- a. The GEICO example
  - i. Founded \_\_\_\_\_
  - ii. Targeted \_\_\_\_\_
  - iii. Used “direct marketing” with no \_\_\_\_\_
  - 
  - iv. 1994-95 decided to \_\_\_\_\_
  - v. 1995 spent \_\_\_\_\_ on national TV, radio, & print
  - vi. 1996 \_\_\_\_\_ bought the company
  - vii. By 2006 the ad budget was more than \_\_\_\_\_
- viii. The Problem
  - ix. The “Fix”
    1. The original ad
      - a. Ad ran in 1999
      - b. Was to be a temporary campaign
      - c. It did not fit with the traditional, serious insurance ads of the time
      - d. The company was flooded with calls and letters asking to see more of the gecko!!
      - e. GEICO, a 15 minute call could save you 15% or more on car insurance
    2. The “next” campaign wanted to draw in younger consumers and wanted consumers to realize that using GEICO.com is simple. So easy even \_\_\_\_\_



3. ...and a joint partnership, fun approach:

**II. What is Promotion?**

a. Promotion is \_\_\_\_\_

i. Recall that one criteria for a good market segment is that it is

\_\_\_\_\_

ii. Promotion is one way that we reach the segment.

**III. The Promotional Mix**

a. Promotion is one of the P's in the Marketing Mix

i. We also use the term "mix" to refer to the elements used by marketers

ii. The Promotional Mix consists of the tools marketers use to accomplish the organization's communications objectives

b. The traditional roles of the promotion mix include:

i.

ii.

iii.

To which we add:

iv.

c. \_\_\_\_\_ goals include to:

i. Communicate customer value

ii. Build a brand/company image

iii. Explain how the product works

iv. Suggest new uses for a product

v. Inform the market about a new product

vi. Describe services and support

vii. Correct false or misleading statements

1. Example:

d. \_\_\_\_\_ goals include to:

i. Build \_\_\_\_\_

- ii. Encourage switching to your brand
- iii. Change consumers' perception of \_\_\_\_\_
- iv. Get consumer to purchase "now"
- v. Convince consumers to tell others about the brand

1. Example

- e. For "mature" products, \_\_\_\_\_ them – goals include:
  - i. \_\_\_\_\_ customer relationships
  - ii. Remind consumers they may need the product soon
  - iii. \_\_\_\_\_ consumers where the product is available
  - iv. Keep the brand in the consumers' minds during the off-season
    - 1. Coke Example
    - 2. Pine Sol Example

**IV. Communication -- The process of conveying a message to others**

Example:

- a. Key elements of communication
  - i. The SOURCE of the communication
    - 1. \_\_\_\_\_ with a meaning it intends to share with an audience.
    - 2. Could be a \_\_\_\_\_ wanting to communicate with a customer, or
    - 3. An \_\_\_\_\_ wanting to communicate with thousands of people
  - ii. The RECEIVER of the communication
    - 1. The person, group, or organization which receives (and decodes) a communication.
    - 2. It may be that the \_\_\_\_\_ (audience) and the \_\_\_\_\_ one are not identical

3. That is, our message may NOT reach our \_\_\_\_\_ OR it may be received by our audience AND by others we \_\_\_\_\_!

iii. ENCODING of the message

1. The coding of a message into \_\_\_\_\_ that represent the ideas and concepts of the communication.
2. Uses sensory stimuli, including visual (words, symbols, images), sounds (spoken word, sound effects, music), and scents (e.g., fragrance) to convey the message.

iv. THE MESSAGE

1. The message is what is sent (via a channel of communication) from a source to a receiver

v. The CHANNEL OF COMMUNICATION

1. This is the \_\_\_\_\_ used to convey the message from the source to the audience.
2. Examples include internet, television, radio, print in magazines and newspapers, mail, billboards, salespeople.
3. The “wrong” channel will \_\_\_\_\_

vi. DECODING of the message

1. The decoding process is used by the \_\_\_\_\_ the signs and symbols into concepts, ideas, and meaning.
2. Rarely does the audience \_\_\_\_\_ as the sender intended.

vii. Field of Experience

1. Effective communication requires that the sender and the receiver have shared knowledge and understanding of words, symbols, culture, and their meaning
2. Without overlapping fields of experience, communication is likely to be \_\_\_\_\_.

b. Other Elements of Communication

i. NOISE

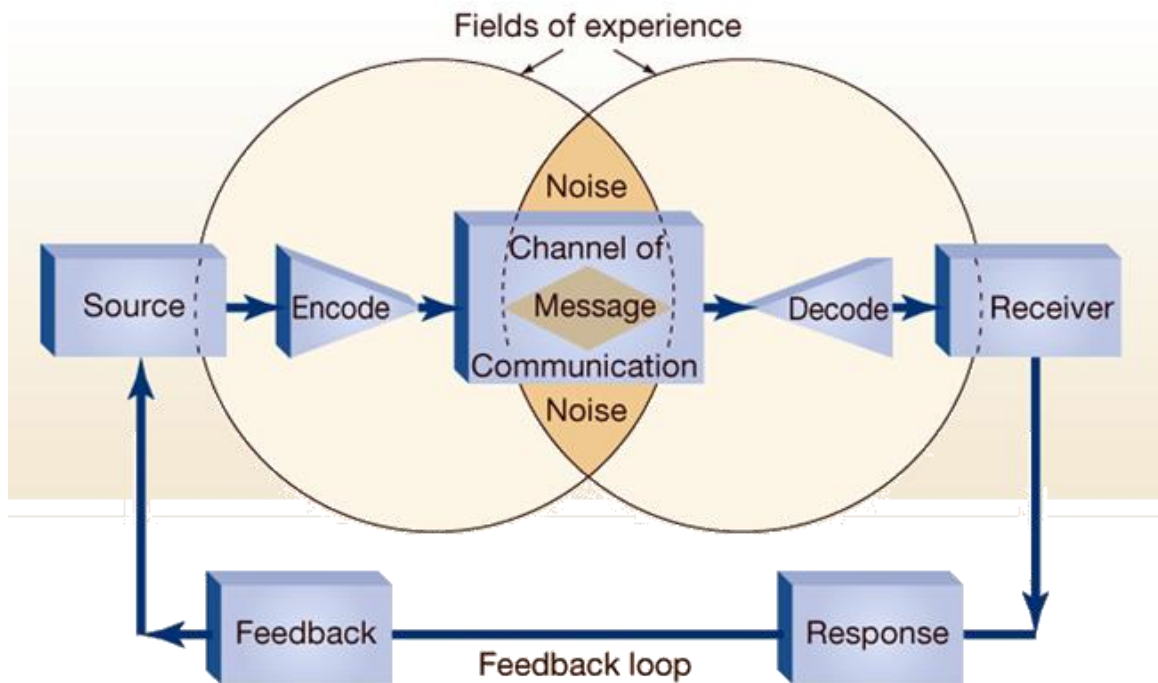
1. Anything that reduces the clarity, accuracy, and effectiveness of the communication is considered noise.
2. There are MANY sources of noise:
  - a. Problems with the medium include--
    - i. Radio static
    - ii. Internet or website down
    - iii. Faulty printing of the ad
  - b. Problems with encoding \_\_\_\_\_
    - i. occur when the concept is not well understood by the \_\_\_\_\_
    - ii. when \_\_\_\_\_ are selected (wrong word, inappropriate music, poor choice of spokesperson, language that is too technical or too simple)
  - c. Problems with the **receiver**
    - i. occur if the message is \_\_\_\_\_ and so the receiver consciously or unconsciously blocks all or part of the message

ii. RESPONSE

1. the impact the message has on the receiver's
  - a. \_\_\_\_\_,
  - b. \_\_\_\_\_, or
  - c. \_\_\_\_\_ (e.g., \_\_\_\_\_!)

iii. FEEDBACK

1. the sender's interpretation of the response, which indicates whether a message was decoded and understood by the receiver as intended.



V. **Tools in the Promotional Mix** [The Promotional Elements; see Figure 17-2, page 445]

- a. Advertising
- b. Public Relations
- c. Sales Promotion
- d. Personal Selling
- e. Direct Marketing

VI. \_\_\_\_\_ **(IMC)** -- the concept of designing marketing communications programs that coordinate all promotional activities—advertising, personal selling, sales promotion, public relations, and direct marketing—to provide a consistent message across all audiences.

- a. The “need” for Integrated Marketing Communications
  - i. Consumers are bombarded with \_\_\_\_\_
  - ii. To consumers, these become “one” message about the company
  - iii. If not integrated, the various messages create a confusing and mixed image in the consumer’s mind

- Sterling Jewelers, Inc example
  - Welcome to Sterling Jewelers

- Dealing with an Economic Slowdown
  
- Most Important Initiative was the \_\_\_\_\_
- Focused on a \_\_\_\_\_

**VII. Developing the Promotion Mix**

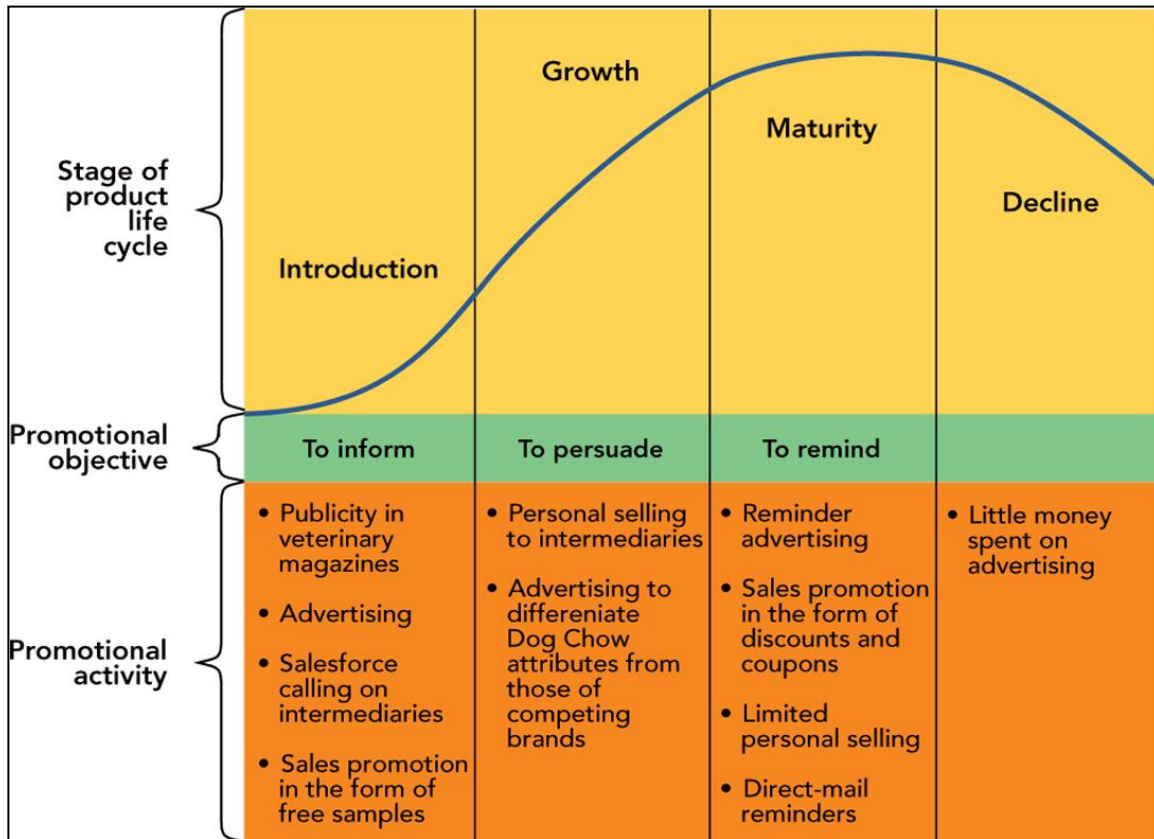
- a. The \_\_\_\_\_ you have will influence the promotional mix.
  - i. A limited budget suggests \_\_\_\_\_
    - 1. Easier to measure effectiveness
    - 2. Less cost than a major ad campaign
  - ii. A sizable budget means you need to decide which tools are “best” for your situation
- b. **OBJECTIVES** will influence the mix:
  - i. Creating mass awareness for a breakfast cereal likely requires:
    - 1. Advertising
    - 2. Sales Promotions
    - 3. Publicity
  - ii. Educating consumers about a new mobile phone
    - 1. Moderate advertising
    - 2. Some sales promotion
    - 3. Significant personal selling
  - iii. Produce Immediate sales
    - 1. Advertising
    - 2. Sales Promotions
- c. Target Audience will influence the mix
  - i. Size?
    - 1. Bigger suggests \_\_\_\_\_ and \_\_\_\_\_ to reach masses

2. More limited (for example industrial) suggests

ii. Geographic Distribution?

1. Concentrated = Personal Selling
2. Dispersed = Advertising

d. Stage of the Product Life Cycle (PLC) [see Figure 17-3, page 450]



e. The Product will influence the mix

i. Industrial products tend to use personal selling, with support from ads and some sales promotions

ii. Consumer products will vary depending on their complexity

1. Durable goods tend to use \_\_\_\_\_
2. Convenience goods tend to use \_\_\_\_\_ and \_\_\_\_\_

iii. Both types use public relations

iv. Seasonal products use advertising and sale promotion

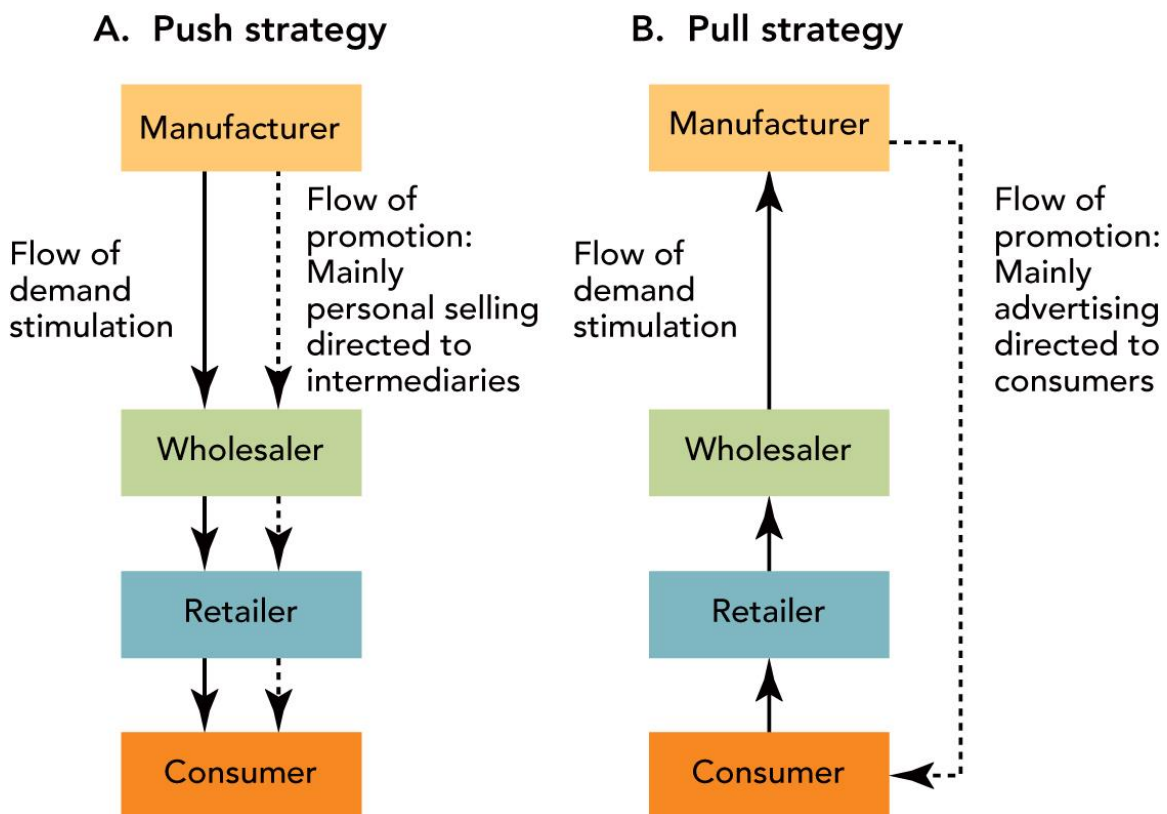
v. Higher priced products usually need personal selling because of the \_\_\_\_\_ consumers associate with the purchase

f. Push and Pull Channel Strategies

i. A **pull strategy** involves directing the promotional mix at ultimate consumers to encourage them

to ask the retailer for a product.

ii. A **push strategy** involves directing the promotional mix to channel members to gain their cooperation in ordering and stocking the product.



VIII. Developing an Integrated Marketing Communications Program

a. Identify the Target Audience

b. Specify the Promotion Objectives

i. The **hierarchy of effects** is the sequence of stages a prospective buyer goes through from initial awareness of a product to eventual action (either trial or adoption of the product).

1. The stages include awareness, interest, evaluation, trial, and adoption.

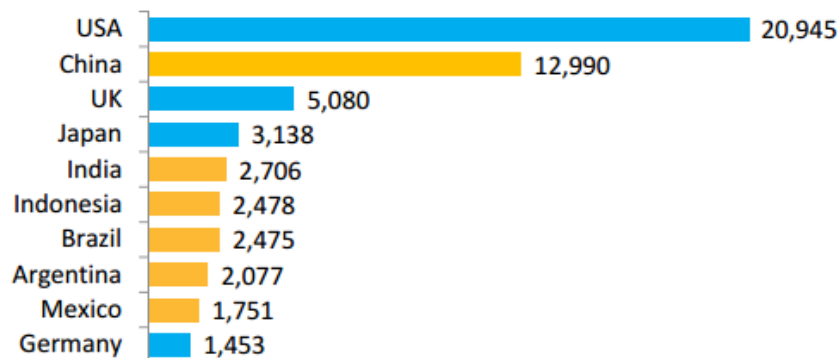


c. Set The Promotion Budget

- i. Percentage of Sales Budgeting – allocate the budget as a percent of past sales or as a percent of forecasted sales
- ii. Competitive Parity Budgeting – allocate funds based on the competition. Either by matching their actual promotion dollars or by setting your budget to be the same proportion of market share. So, also called:
  - 1.
  - 2.
- iii. All-You-Can-Afford Budgeting – allocate as much as you can, once all other budget items are covered
- iv. Objective and Task Budgeting allocate funds to promotion by:
  - 1. determining the promotion objectives;
  - 2. deciding on the tasks to accomplish these objectives; and
  - 3. determining the promotion cost of performing these tasks.

Forecast for leading advertising markets - Despite the rapid growth of the Rising Markets\*, the US is still the biggest contributor of new ad dollars to the global market. Between 2014 and 2017 we expect the US to contribute 29% of the US\$72 billion that will be added to global adspend. China comes second, accounting for 18% of additional ad dollars over this period, followed by the UK and Japan, accounting for 7% and 4% respectively.

Top ten contributors to adspend growth 2014-2017 (US\$m)



Source: ZenithOptimedia

<http://www.zenithoptimedia.com/wp-content/uploads/2015/06/Adspend-forecasts-June-2015-executive-summary.pdf>

In 2015, eMarketer expects mobile to surpass print advertising's share of the total ad market, sooner than originally forecast.

Print's share has been revised downward, to 15.8% of the total ad market. Meanwhile, eMarketer's estimates for mobile have been adjusted upward, to 16.6%.

"Consumers' increasing on-demand consumption of media through mobile—coupled with improvements in targeting, attribution and ROI for mobile advertising—will continue to take away ad dollars from magazines and newspapers.

### US Total Media Ad Spending Share, by Media, 2014-2019

*% of total*

	2014	2015	2016	2017	2018	2019
<b>TV</b>	39.0%	37.9%	37.3%	36.3%	35.6%	34.6%
<b>Digital</b>	28.3%	31.6%	34.4%	37.0%	39.2%	41.4%
--Mobile	10.9%	16.6%	21.6%	24.9%	26.9%	28.9%
<b>Print</b>	17.3%	15.8%	14.5%	13.6%	12.8%	12.1%
--Newspapers*	9.1%	8.0%	7.1%	6.5%	6.0%	5.7%
--Magazines*	8.3%	7.8%	7.4%	7.1%	6.7%	6.5%
<b>Radio**</b>	8.6%	8.2%	7.8%	7.4%	7.1%	6.8%
<b>Outdoor</b>	4.0%	3.9%	3.8%	3.7%	3.6%	3.4%
<b>Directories*</b>	2.8%	2.5%	2.2%	2.0%	1.8%	1.7%

*Note: \*print only; \*\*excludes off-air radio & digital*

*Source: eMarketer, Sep 2015*

195224

www.eMarketer.com

Source: <http://www.emarketer.com/Article.aspx?R=1012930>

### 10 Companies That Spent The Most On Advertising in 2014

Rank	Marketer	2014 U.S. ad spending	2014 U.S. ad spending growth
1	Procter & Gamble Co.	\$4.6 billion	-4.2%
2	AT&T	\$3.3 billion	0.1%
3	General Motors Co.	\$3.1 billion	-0.7%
4	Comcast Corp.	\$3.0 billion	-1.7%
5	Verizon Communications	\$2.5 billion	3.6%
6	Ford Motor Co.	\$2.5 billion	-3.6%
7	American Express Co.	\$2.4 billion	7.9%
8	Fiat Chrysler Automobiles	\$2.2 billion	14.0%
9	L'Oréal	\$2.2 billion	-2.0%
10	Walt Disney Co.	\$2.1 billion	7.4%

Source: [Ad Age Datacenter](#) estimates of total U.S. ad spending consisting of measured media (traditional media and internet display ads, from WPP's [Kantar Media](#)) plus unmeasured spending (Ad Age's estimate of spending in disciplines including other forms of digital media (paid search, online video, mobile, unmeasured forms of social media); promotion; experiential marketing; and direct marketing). **JULY 5, 2015**

**d. How Much Should You Spend on IMC?**

**i. The Promotion-to-sales Ratio**

$$\text{Promotion-to-Sales Ratio (\%)} = \left[ \frac{\text{Total Promotion Expenditures (\$)}}{\text{Total Sales (\$)}} \right] \times 100$$

1. Compare your ratio result to .....
2. The \_\_\_\_\_ the ratio the \_\_\_\_\_ you are doing  
\_\_\_\_\_
3. A \_\_\_\_\_ means that you are getting MORE bang (i.e., more sales) for your promotional bucks than is the competition!

**IX. Developing an Integrated Marketing Communications Program**

- a. Select the appropriate mix of Advertising, Personal Selling, Sales Promotion, Public Relations, and Direct Marketing
- b. How you integrate these elements depends on what you're promoting, the expectations and preferences of your potential customers, general market conditions, and your promotional budget.
  - i. There is no \_\_\_\_\_
- c. Design and Schedule the Promotion
- d. Execute and Assess the Program

**X. Simple Example Promotional Mix**

[http://www.esmalloffice.com/SBR\\_template.cfm?DocNumber=PL12\\_3600.htm#whatknow](http://www.esmalloffice.com/SBR_template.cfm?DocNumber=PL12_3600.htm#whatknow)

**Company:**

“Pampered Pets Pet Sitting Service” -- Employees go into people's homes to feed pets, take them for walks, change litter boxes

**Target Market:**

- People who work long hours and don't have enough time to take care of their pets
- People who are going on vacation and don't want to put their pets in a kennel and don't have anyone who could stay at their house
- Elderly people who are unable to care for their pets but want to keep them

**Communication Objectives:**

We need to:

- introduce our service to the public
- create awareness of our service
- get people to use our service, not our competitor's
- get veterinarians to recommend our service
- have at least one veterinarian agree to treat our clients' pets on an emergency basis, a feature that competitors don't offer
- **Design Message Content:** “If you care about your pet's welfare when you aren't home, then you will use our services. It's so convenient and reasonably priced that you can't afford not to use our services.”
- **Format:** Fliers, brochure, ads in local newspapers and Yellow Pages

**Promotional Tools:**

**Advertising**

Yellow Pages, local newspapers

**Sales Promotions**

Coupons that can be punched out 1 punch per day, after 20 punches, get one day free or at discounted rate

**Public Relations**

Not applicable at this time. As business grows, we plan to offer to contribute part of customers' payments to an animal shelter.

**Direct Marketing**

Fliers in mailboxes throughout local neighborhoods, to veterinarians, apartment complexes where elderly live, to pet shops. As business grows, we will send a newsletter to customers.

**Personal Selling**

To veterinarians, pet shop owners, travel agents, apartment/condominium management to refer people to our services. This only requires existing personnel time, no added budget cost incurred here.

**Promotion Budget:**

Five hundred brochures for display in pet shops and veterinarian offices will cost \$150. As business grows, we will expand to two-color pieces.

Fliers can also be created inexpensively. Two hundred fliers will cost \$20 to copy on colored paper (distribute in spring and summer).

Yellow Pages ad will be limited to an informational in-column listing, 1 inch for \$300 for the year in the local book. This book is sufficient.

Small ads in the local newspaper will cost \$300 for two placements.

Rolodex cards will cost \$160 for 500.

Five hundred punch-out cards will cost \$27.

**Total promotional budget: \$977**

**Promotional Mix:**

- |                    |     |       |
|--------------------|-----|-------|
| • Advertising      | 61% | \$600 |
| • Sales Promotions | 3%  | \$27  |
| • Public Relations | 0%  | \$0   |
| • Direct Marketing | 36% | \$350 |



- i. Internet marketing
- ii. Face-to-face selling
- iii. Direct mail
- iv. Catalogs
- v. Telemarketing
- vi. Direct-response advertising
- vii. Kiosk marketing

c. Direct Marketing Response Rates

	Average	Cost	Revenue	Cost	Average	Promo
	Response	Per	Per	Per	Order	Cost
Medium	Rate	Thousand	Thousand	Order	Value	Percent
Direct Mail	2.15%	\$428	\$ 4,157	\$ 19.90	\$ 256	10.3%
Catalogs	2.24%	\$633	\$ 2,358	\$ 28.27	\$ 105	26.8%
Email	0.48%	\$19	\$ 408	\$ 3.88	\$ 85	4.7%
Telephone	2.53%	\$1,107	\$ 5,742	\$ 43.70	\$ 244	19.3%
Inserts	0.11%	\$29	\$ 171	\$ 26.62	\$ 155	17.0%
Newspaper/Magazine	0.13%	\$32	\$ 586	\$ 25.18	\$ 462	5.5%

source: [http://www.opubco.com/direct/pdf/TheDMA\\_ResponseRateTrends2007.pdf](http://www.opubco.com/direct/pdf/TheDMA_ResponseRateTrends2007.pdf)

d. The Cost of Advertising Nationally by Medium

<http://www.webpagefx.com/blog/business-advice/the-cost-of-advertising-nationally-broken-down-by-medium/>

	<b>Setup Process</b>	<b>Set Up Cost</b>	<b>Cost of Media</b>	<b>Cost to Continue</b>
<b>National TV Advertising</b>	Design + Production	\$63,00 to \$8 million	Average of about \$342,000 per 30 second ad	Cost of media + agency hourly rate
<b>National Magazine Advertising</b>	Design	\$500 to \$397,800	Average of about \$250,000 per ad	Cost of media + agency hourly rate
<b>National Newspaper Advertising</b>	Design	\$11 to \$1.4 million	Average of about \$113,000 per ad	Cost of media + additional design in future
<b>Direct Mail Marketing</b>	Design	\$50 to \$7,200	Approximately \$51.40 per order	Design, publishing + postage costs
<b>Telemarketing</b>	Script Writing	\$1,000 to \$5,200	\$7 - \$70 per hour or \$35 to \$60 per lead	\$20 - \$60 per hour
<b>National Search Engine Optimization</b>	Website Configuration	\$4,000 to \$10,000	Free	About \$500/month to internet marketer
<b>National Pay Per Click Marketing</b>	Website Configuration	\$4,000 to \$10,000	5 cents to \$3 per qualified visitor	Cost of clicks + about \$500/month to internet marketer
<b>National Email Marketing</b>	Email Template Design	\$4,000 to \$10,000	5 cents to \$3 per qualified visitor	About \$500/month to internet marketer
<b>Web Content Marketing Campaign</b>	Development of web content assets and graphical elements	\$6,000 to \$12,000	Free	\$0 (If content is written around "evergreen" topics.

e. What does it do? The Value of Direct Marketing

i. Direct Marketing can result in:

1. \_\_\_\_\_ Orders (“direct orders”)
2. \_\_\_\_\_
  - a. Email is the “winner” for lead generation. It produces the highest response rate at a fraction of the cost.
  - b. Inserts and direct mail have the lowest rate of conversion of leads to sales.
3. Traffic Generation
  - a. \_\_\_\_\_ is best at generating traffic/calls.

Example FSI

f. **The Power of Direct Marketing** ROI, Sales, Expenditures, and Employment in the US – A report

<http://imis.the-dma.org/bookstore/ProductSingle.cfm?p=0D45037E%7C75943730B0BB873E01E634F5822EE985>

...For those who want to know more:

[David Ogilvy](#), was born in England, and in 1948 founded an agency in New York that led the world of advertising with his scientific research on the market and consumers, says in a forceful way:

“In the advertising community today, there are two worlds; the Direct Response Advertising (the Direct Marketing), and the world of General Advertising. These two worlds are on a collision course. The general advertisers and their agencies know almost nothing for sure. **In Direct Response Advertising, I see knowledge and reality. In General Advertising, I see ignorance**”.

<http://www.youtube.com/watch?v=Br2KSsaTzUc>

and The Direct Marketing Association

<http://www.the-dma.org/>



## Chapter 18 Advertising, Sales Promotion, and Public Relations

### I. Advertising

- a) Advertising is any paid form of nonpersonal communication about an organization, good, service, or idea by an identified sponsor.

### II. Product Advertisements

- a) used to promote a product or service's uses, features, and/or benefits.

- b) \_\_\_\_\_ (or Informational) Advertising

- i) Used in the \_\_\_\_\_ of the PLC

- ii) "Informs" the target market about:

- (1) The existence of a new brand
    - (2) What it is
    - (3) What it does
    - (4) Where it can be found

- iii) Examples

- c) \_\_\_\_\_ (or persuasive advertising)

- i) Points out a brand's special features, advantages, and benefits relative to competing brands

- (1) Example

- ii) \_\_\_\_\_ Advertising is a common form of competitive advertising.

- (1) The ad shows a brand's strengths relative to another brand.

- (a) e.g., the MAC vs. PC ads

- (b) Or the Coke vs. Pepsi battle

- (c) Pepsi vs. Coke Example

- d) \_\_\_\_\_ Advertising
  - i) Used to remind consumers about an established brand's uses, characteristics, benefits
  - ii) Common in the \_\_\_\_\_ stage of the PLC
- e) \_\_\_\_\_ Advertising
  - i) Consumers often have " \_\_\_\_\_ " about their purchases or "post-purchase dissonance"
  - ii) This advertising assures them they have made the right choice and tells them how get the most satisfaction from it
  - iii) Example Britney Spears – Pepsi Now and Then

### III. \_\_\_\_\_ Advertisements

- a) Advocacy
- b) Pioneering Institutional
- c) Competitive Institutional
- d) Reminder Institutional
  - i) Advocacy Example:

### IV. Developing the Advertising Program

- a) Identifying the Target Audience
  - i) To communicate effectively, we must have overlapping \_\_\_\_\_ with the target audience
  - ii) To be SURE we understand the audience, we must know who they are and what their values, attitudes, beliefs, and lifestyles are.
  - iii) SO, understanding the consumer is \_\_\_\_\_ to developing a successful ad program

- b) Specifying Advertising Objectives
  - i) Two main schools of thought:
    - (1) The Sales School
      - (a) The objective of advertising is to sell products or services. SO, the objective is to prompt direct action.
    - (2) The Communications School
      - (a) There are other objectives for advertising, including enhancing the image or reputation of a product or organization.
      - (b) General Advertising Objectives from the Communications School
        - (i) To encourage information search
        - (ii) To relate product benefits to consumer's needs
        - (iii) To encourage recall of past satisfaction
        - (iv) To modify attitudes
        - (v) To reinforce attitudes
- c) Setting the Advertising Budget
  - i) Percentage of Sales Budgeting
  - ii) Competitive Parity Budgeting
    - (1) Matching Competitors
    - (2) Share of Market
  - iii) All-You-Can-Afford Budgeting
  - iv) Objective and Task Budgeting
- d) Designing the Advertisement
  - i) Elements must get target's audience's attention
    - (1)
    - (2)
    - (3) Be \_\_\_\_\_ with brand image, objectives, and target audience
  - ii) Types of Appeals
    - (1) Fear
    - (2) Sex
    - (3) Humor
    - (4) Examples (fear; sex; humor)
- e) Create the Actual Message

- i) General Message Factors
  - (1) Characteristics of the Target Audience
  - (2) Type of Media Used
  - (3) Product Factors
    - (a) How complex?
    - (b) How familiar to target audience?
  - (4) Overall Promotion/Advertising Objectives
    - (a) Inform? Persuade? Remind?
- ii) Message Structure
  - (1) The Appeal –The underlying idea that captures the attention of a message receiver
    - (a) Emotional, Fear, humorous, sexual
  - (2) The Value Proposition
    - (a) The reason for customers to be interested in the product
    - (b) Often an emphasis on the benefits obtained

## V. Selecting the Right Media

### a) Television

#### i) Advantages

- (1) Combines sight, sound, and motion
- (2) So, it appeals to multiple senses
- (3) It offers mass audience coverage
- (4) It has the potential of grabbing viewers' attention

#### ii) Disadvantages

- (1) It is not very selective (wasted coverage)
- (2) The impressions are fleeting
- (3) It has a short life (viewed and then gone)
- (4) Its overall cost is high

### b) Radio

i) Advantages

- (1) It is widely used (over 25 million radios are sold annually)
- (2) Low cost (per unit of time)
- (3) Geographic flexibility
- (4) There is audience selectivity via station format

Audio Information from “berk marketing” <http://www.radioadvertisinghome.com/> :

ii) Disadvantages

- (1) Audio only
- (2) Less attention than TV
- (3) Nonstandardized rate structure
- (4) Message has a short life

c) Magazines

i) Advantages

- (1) High Geographic and Demographic Selectivity
- (2) Has the psychology of attention
- (3) Excellent quality of reproduction
- (4) Pass-along readership

ii) Disadvantages

- (1) Long lead time (6 to 8 weeks before publication)
- (2) Some waste circulation
- (3) No guarantee of position in the magazine (unless a premium is paid)

d) Newspapers

i) Advantages

- (1) Flexible and Timely
- (2) Intense coverage of local markets
- (3) Broadly accepted and used
- (4) High believability (printed word)

ii) Disadvantages

- (1) Short life
- (2) It is often read quickly
- (3) Not much “pass along” audience

e) Yellow Pages

i) Advantages

- (1) Excellent geographic coverage
- (2) Long use period
- (3) Always available

ii) Disadvantages

- (1) Many other directories compete for attention
- (2) Hard to keep up to date

f) Internet

i) Advantages

- (1) Interactive
- (2) Low cost per exposure
- (3) Ads can be targeted to interest sections
- (4) Timely
- (5) High information content possible
- (6) Positive attitudes as a new medium

ii) Disadvantages

- (1) Does not “grab” attention
- (2) Short message life
- (3) Reader selects exposure
- (4) May be viewed as intrusive
- (5) Affected by download speeds

g) Outdoor

i) Advantages

- (1) Flexible
- (2) Relative absence of competing ads
- (3) Repeat exposure
- (4) Relatively inexpensive

ii) Disadvantages

- (1) Creative Limitations
- (2) Many distractions for viewers
- (3) Not in favor with some environmentalists
- (4) No audience selectivity
  - Examples

h) Direct Mail

i) Advantages

- (1) Audience Selectivity
- (2) Flexible
- (3) No competition from another ad
- (4) Personalized

ii) Disadvantages

- (1) Relatively high cost
- (2) Consumer attention – often it just gets tossed out!

MEDIUM	ADVANTAGES	DISADVANTAGES
Television	Reaches extremely large audience; uses picture, print, sound, and motion for effect; can target specific audiences	High cost to prepare and run ads; short exposure time and perishable message; difficult to convey complex information
Radio	Low cost; can target specific local audiences; ads can be placed quickly; can use sound, humor, and intimacy effectively	No visual element; short exposure time and perishable message; difficult to convey complex information
Magazines	Can target specific audiences; high-quality color; long life of ad; ads can be clipped and saved; can convey complex information	Long time needed to place ad; relatively high cost; competes for attention with other magazine features
Newspapers	Excellent coverage of local markets; ads can be placed and changed quickly; ads can be saved; quick consumer response; low cost	Ads compete for attention with other newspaper features; short life span; poor color
Yellow Pages	Excellent coverage of geographic segments; long use period; available 24 hours/365 days	Proliferation of competitive directories in many markets; difficult to keep up-to-date
Internet	Video and audio capabilities; animation can capture attention; ads can be interactive and link to advertiser	Animation and interactivity require large files and more time to load; effectiveness is still uncertain
Outdoor	Low cost; local market focus; high visibility; opportunity for repeat exposures	Message must be short and simple; low selectivity of audience; criticized as a traffic hazard
Direct mail	High selectivity of audience; can contain complex information and personalized messages; high-quality graphics	High cost per contact; poor image (junk mail)

VI. Scheduling

ng the Advertising

- a) Factors to Consider
  - i) What is your objective?
    - (1) Reach 60% of our target audience during the next 6 months with the message KSU is listed in the Best Business Schools by The Princeton Review?
      - (a) Disperse ads in various media over the months
    - (2) H&R Block's ads on electronic tax filing?
      - (a) 3 months prior to deadline, building frequency
    - (3) Pizza Hut?
      - (a) Weekly newspaper ads
      - (b) Local cable ads and inserts during special promotions

And book factors of buyer turnover, purchase frequency, and forgetting

- b) Approaches
  - i) Continuous (steady) Schedule
    - (1) Ads run the \_\_\_\_\_. The advertisements under this type run at regular and fixed intervals. The main advantage here is reminding about your products to the customers continuously. A good option for the products or services which don't depend on \_\_\_\_\_ for advertisements.
  - ii) Flighting (intermittent) Schedule
    - (1) Advertisements run for \_\_\_\_\_ periods of time and then there are no ads at all. The ads are in concentrated forms. The biggest advantage here is there is less waste of funds as the ads run only at the peak time when the product demand is \_\_\_\_\_.
  - iii) Pulse (burst) Schedule
    - (1) A combination of both continuous and flighting scheduling. Here, ads run whole year round heavy advertisements are run (burst) at the \_\_\_\_\_ (high demand, new product introduction, etc.)

## VII. Executing the Advertising Program

- a) **Pretesting the Advertising**
- b) Before running an ad, it would be good to pretest it to understand:
  - i) The ad's \_\_\_\_\_
  - ii) The \_\_\_\_\_ obtained by the viewer of the brand and the product
  - iii) The \_\_\_\_\_ associations triggered by viewing the ad
  - iv) Whether the viewer understands the \_\_\_\_\_
- b. Pretest Techniques
  - i. Textbook techniques (portfolio, jury, and theatre tests),
  - ii. Other, such as Eye Tracking



(e.g., [http://www.konzept-und-markt.com/Docs/ad\\_score\\_EN.pdf](http://www.konzept-und-markt.com/Docs/ad_score_EN.pdf))

- (1) Can provide:
  - (a) Recall analysis
  - (b) Spontaneous brand and product recall
  - (c) Recall for our ad (unprompted and prompted)
  - (d) Likes and dislikes for the ad
  - (e) Impact on the brand image
- (2) Comparisons to “ideal ad” on:
  - (a) Perceptions
  - (b) Emotional attachment
  - (c) Cognitive performance
  - (d) Persuasiveness
- (3) And allow us to \_\_\_\_\_ the ad before it runs

c. Structures of advertising agencies used to Carry Out the Advertising Program

TYPE OF AGENCY	SERVICES PROVIDED
Full-service agency	Does research, selects media, develops copy, and produces artwork; also coordinates integrated campaigns with all marketing efforts
Limited-service (specialty) agency	Specializes in one aspect of creative process; usually provides creative production work; buys previously unpurchased media space
In-house agency	Provides range of services, depending on company needs

**VIII. Post testing the Advertising**

- a. Post testing measures how \_\_\_\_\_
- i) Conditions of exposure and purchase are
- ii) This makes post testing more accurate, less difficult and less expensive than pretesting (which asks a narrower range of questions).
- b. Post testing is capable of answering a broad range of questions:
  - i. "Does the advertising have attention getting power? Did people notice it or ignore it?"
  - ii. "Will it get the name across?" (Most pretesting does not answer either of these.)

- iii. "Did the campaign as a whole work? Was there synergy between the elements?"
- iv. "What were the strong spots and the weak spots in the campaign?"
- v. "Was it cost efficient? How many were reached and affected per dollar invested?"
- vi. "What was the most cost efficient? TV, radio, print, web advertising, store displays?"
- vii. "What happened when the competition started their big campaign?"
- viii. "What approaches usually work best in this market?"
- ix. "In the future, what should we do more of? What should we avoid?"

IX. Sales Promotions

- a) Sales promotions are short-term inducements of value, offered to arouse interest in buying a good or service.
  - i) They are offered to both end users and intermediaries.
- b) Sales promotions can be used to achieve many objectives for both the ultimate consumer and for channel members
- c) Consumer-oriented Sales Promotions

KIND OF SALES PROMOTION	OBJECTIVES	ADVANTAGES	DISADVANTAGES
Coupons	Stimulate demand	Encourage retailer support	Consumers delay purchases
Deals	Increase trial; retaliate against competitor's actions	Reduce consumer risk	Consumers delay purchases; reduce perceived product value
Premiums	Build goodwill	Consumers like free or reduced-price merchandise	Consumers buy for premium, not product
Contests	Increase consumer purchases; build business inventory	Encourage consumer involvement with product	Require creative or analytical thinking
Sweepstakes	Encourage present customers to buy more; minimize brand switching	Get customer to use product and store more often	Sales drop after sweepstakes
Samples	Encourage new product trial	Low risk for consumer	High cost for company
Loyalty programs	Encourage repeat purchases	Help create loyalty	High cost for company
Point-of-purchase displays	Increase product trial; provide in-store support for other promotions	Provide good product visibility	Hard to get retailer to allocate high-traffic space
Rebates	Encourage customers to purchase; stop sales decline	Effective at stimulating demand	Easily copied; steal sales from future; reduce perceived product value
Product placement	Introduce new products; demonstrate product use	Positive message in a noncommercial setting	Little control over presentation of product

Examples:

- d) Trade-Oriented Sales Promotion
  - i) Allowances and Discounts
    - (1) Merchandise Allowance
    - (2) Case Allowance
    - (3) Finance Allowance
  - ii) Cooperative Advertising
  - iii) Training of the Distributor's Salesforce

#### X. Public Relations

- a) Public Relations --a form of communication management that seeks to influence the feelings, opinions, or beliefs held by customers, prospective customers, stockholders, suppliers, employees, and other publics about a company and its products or services.
- b) Publicity Tools
  - i) News Releases
  - ii) News Conferences
  - iii) Public Service Announcements (PSAs)

#### XI. Top Slogans of the 2000's

- a) Betcha can't eat just one
- b) It's everywhere you want to be
- c) Finger lickin' good
- d) Because I'm worth it
- e) Have it your way
- f) Breakfast of Champions
- g) Taste the Rainbow
- h) Be all you can be
- i) Think outside the bun
- j) M'm M'm good!
- k) Just do it
- l) The world's online market place
- m) And, of course..... Excellence in

For those who want to know more: MKTG 45045 - ADVERTISING AND PROMOTION

# Chapter 19

## Using Social Media to Connect with Consumers

### I. Social Media and Customer Service (example)

### II. What are Social Media?

a) Social media are technologies and platforms that enable

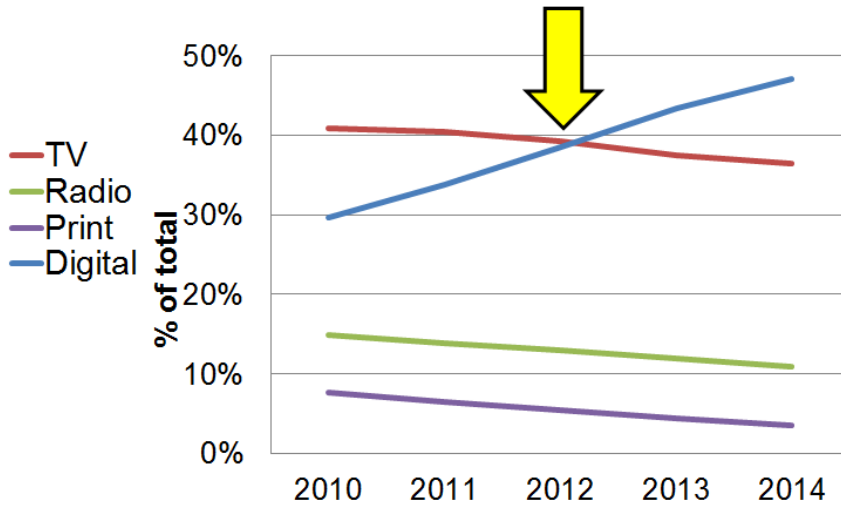
b) Social media include:

- \_\_\_\_\_ such as Facebook, LinkedIn, and Twitter.
- \_\_\_\_\_ such as The Huffington Post and Wikipedia.
- \_\_\_\_\_ such Flickr and YouTube.

## Social Media Landscape



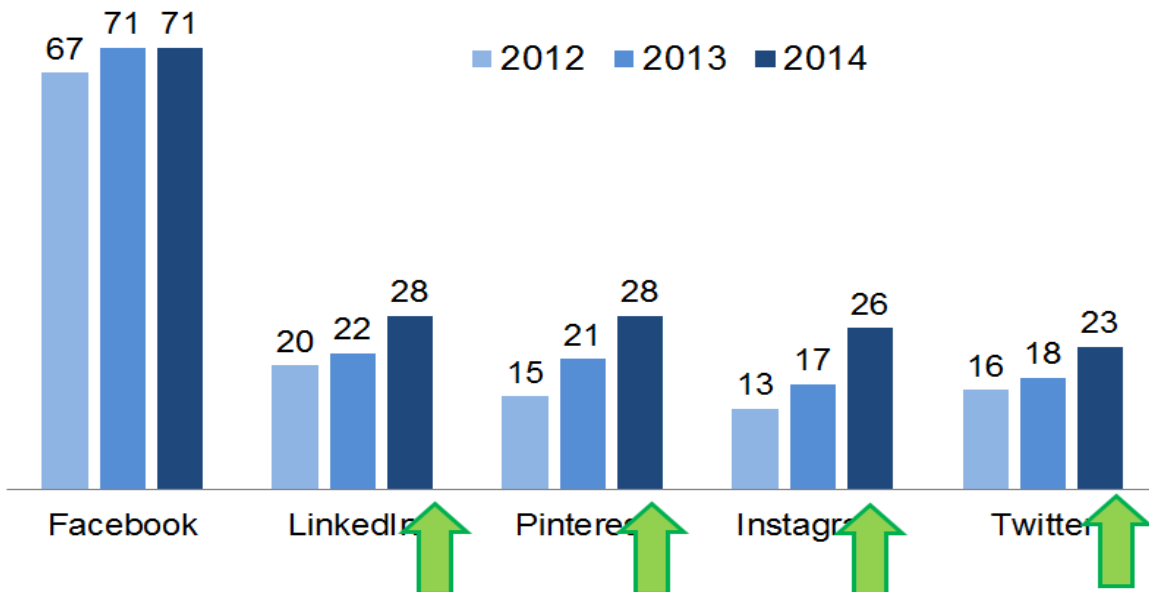
## Share of Time Spent per Day with Major Media by US Adults, 2010-2014



Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of TV and 1 hour for online; Source: eMarketer, April 2014

## Social Media Sites, 2012-2014

% of online adults who use the following social media websites



Source: Pew Research Center's Internet Project Surveys, 2012-2014; N= 1,597 internet users ages 18+

- c) Growing Importance of Social Media for Marketing:
- i) Consumers are shifting their attention away from passive consumption of traditional media and spending an increased amount of time on \_\_\_\_\_ (Nielsen, 2012).
  - ii) Brands are capitalizing on this shift by focusing their efforts on building an online fan base and seeking \_\_\_\_\_ from these fans.
  - iii) Amplification of brand-related content allows brands to not only reach their fans, but also the friends of their fans.
  - iv) Brands on Facebook have significantly increased their audience by as much as 81 times the number of their direct followers (Lipsman et al., 2012).

### III. What is Social Media Marketing (SMM)?

- a) Social media marketing is the process of marketing through social media sites like Twitter, Facebook and YouTube.
  - social media marketing is able to \_\_\_\_\_ on a much more personalized and dynamic level than through traditional marketing.
  - One goal of SMM is to produce content that users will \_\_\_\_\_ with their social network to help a company increase brand exposure and broaden customer reach.
- b) A social media marketing strategy can be as \_\_\_\_\_ as having a company blog, a Twitter account, or attaching "Digg This" and "Tweet This" tags to the end of articles. It can also be as \_\_\_\_\_ as having a full campaign that encompasses blogs, Twitter, social networking, and viral videos through YouTube.
- c) Social Media Marketing:
  - Gets direct \_\_\_\_\_.
  - Makes the company personable.

- Allows consumers to ask questions or voice \_\_\_\_\_ and feel they are being heard.
- There is a key in “Social customer relationship management” (social CRM).
- Attracts attention and encourages readers to share it across their social networks.
- The resulting electronic word of mouth creates “buzz,” and can even “go viral!”
- EXAMPLES: Adidas, Dove, Gatorade

#### IV. How is Social Media Marketing Different from Traditional Marketing?



##### Traditional media

- TV and radio,
  - print advertising: magazines, newspapers, and
  - direct marketing, including mass mailing
- are “\_\_\_\_\_”  
 \_\_\_\_\_ the marketer to  
 the consumer



##### Social media

- blogs,
  - search engine optimization, and
  - social networks
- attempt to attract social network users to the marketer’s website by providing \_\_\_\_\_.

Create a \_\_\_\_\_



## Traditional media



## Social media



[http://www.mediabistro.com/alltwitter/social-vs-traditional-media-marketing\\_b25389](http://www.mediabistro.com/alltwitter/social-vs-traditional-media-marketing_b25389)

### a) The advantages of social media:

- It's \_\_\_\_\_. A lot \_\_\_\_\_. You can reach 1,000 people for a fraction of the cost using social media than you can through television, billboards or even email.
- Social media is the only marketing platform that allows you to \_\_\_\_\_ with your consumers – it's a two-way relationship, which can be hugely lucrative for brands
- The results are measurable, and marketers can take \_\_\_\_\_ to spot trends and re-align campaigns

### b) BUT:

- Social media campaigns can be \_\_\_\_\_.
- The impact can disseminate very quickly, whereas traditional marketing campaigns, certainly in television, can produce short term results that have greater tangibility.

## V. Types of Social Media

- \_\_\_\_\_ - Services that allow you to connect with other people of similar interests and background. Usually they consist of a profile, various ways to interact with other users, ability to setup groups, etc. The most popular are *Facebook, LinkedIn, and Google+*.
- \_\_\_\_\_ - Services that allow you to save, organize and manage *links* to various websites and resources around the internet. Most



allow you to “tag” your links to make them easy to search and share. The most popular are *Delicious* and *StumbleUpon*.

- c) \_\_\_\_\_ - Services that allow people to post various news items or links to outside articles and then allows users to “vote” on the items. The voting is the *core* social aspect as the items that get the most votes are displayed the most prominently. The community decides which news items get seen by more people. The most popular are *Digg* and *Reddit*.
- d) \_\_\_\_\_ - Services that allow you to upload and share various media such as pictures and video. Most services have additional social features such as profiles, commenting, etc. The most popular are *YouTube*, *Pinterest*, and *Flickr*.
- e) \_\_\_\_\_ - Services that focus on short updates that are pushed out to anyone subscribed to receive the updates. The most popular is *Twitter*.
- f) Blog Comments and Forums - Online forums allow members to hold conversations by posting messages. Blog comments are similar except they are attached to blogs and usually the discussion centers around the topic of the blog post. There are MANY popular blogs and forums.

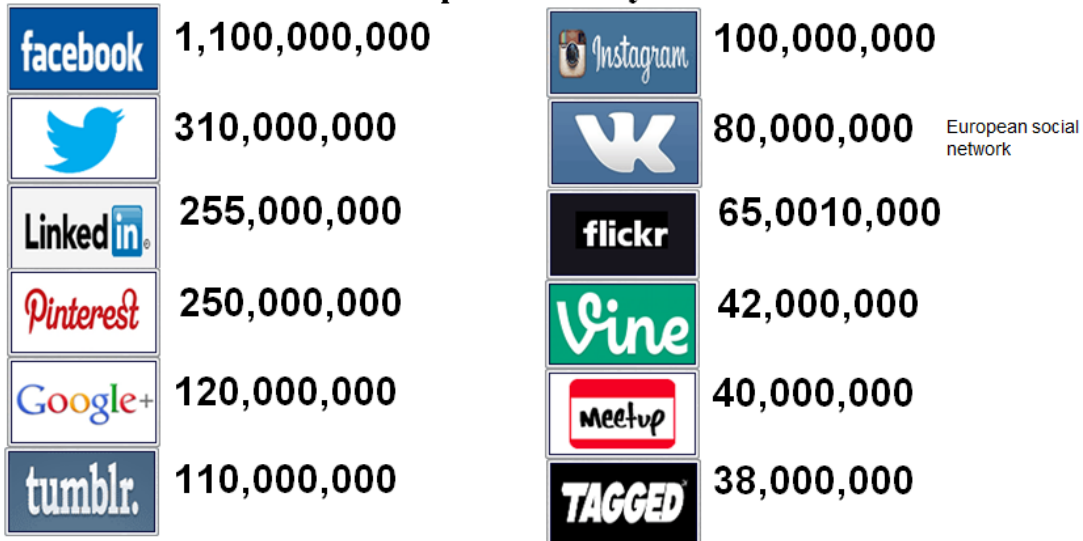
VI. What “platform” should you be on? 12 Most Popular Social Networking Sites

-What are the social media habits of your \_\_\_\_\_?

-What are your brand’s \_\_\_\_\_?

-What presences have you already established?

a) Estimated unique monthly visitors



<http://www.ebizmba.com/articles/social-networking-websites> UPDATED WEEKLY

## VII. A Look at a “Social Media Powerhouse”

- a) Oreo is one of the best companies in the world in terms of \_\_\_\_\_.
- i. With a new Oreo campaign called “\_\_\_\_\_” underway, marketers are watching to see if the cookie company can continue its recent string of successes.
- b) One of the cornerstones of Oreo’s 100-year anniversary campaign was the Oreo Daily Twist initiative. Each day for 100 days, Oreo released a cookie image that often played off daily news events.
- i. The promotion led to a very impressive \_\_\_\_\_ in Facebook shares for Oreo.

### VIDEO Example:

- Get attention by imagining \_\_\_\_\_ culture through the eyes of Oreo.
  - Translated each piece into \_\_\_\_\_ social content.
  - They created a platform for \_\_\_\_\_.
- c) Another big win for Oreo in social media came in the form of the Oreo Blackout Tweet, which capitalized on the temporary blackout at Super Bowl XLVII (2013) with a clever social media post. Oreo’s well-timed response resulted in 525 million earned media impressions for the brand, and wildly expanded its visibility in the social media landscape.
- d) With audience attention high, Oreo followed the Blackout Tweet by asking fans to pick their favorite part of an Oreo cookie and make their opinion known via an **Instagram post** — complete with the hashtag #cookiehis or #cremethis. The promotion drew more than 46,000 submissions, and within three days, Oreo had used those submissions to inspire 148 sculptures that were photographed and posted on Instagram to further extend the campaign. Oreo’s efforts have produced results: before the Oreo Blackout Tweet, the company’s Instagram followers numbered 2,200; now, that number has grown to more than 85,000.

## VIII. Key Digital Strategies

- a) You need KNOW WHERE YOUR target audience is, and \_\_\_\_\_!
- b) You need to be Credible and Believable or consumers will not \_\_\_\_\_ your message!
- c) Have an Idea to Engage Consumers which will \_\_\_\_\_.
  - i. And create places where users can interact with information that interests them. e.g., A Custom Microsite / Facebook App / Brand Site
- d) Believability + Engagement = \_\_\_\_\_!!
- e) To benefit, brands must:
  - i. Acknowledge that consumers are \_\_\_\_\_.
  - ii. Be found where consumers are looking ... they \_\_\_\_\_.
  - iii. Have conversations ... not \_\_\_\_\_.
  - iv. Engage consumers in what interest them.

## VII. How Social Media Can Generate Sales

- a) Customer \_\_\_\_\_
  - i. By offering your customers the ability to connect with you and with each other, you can turn your target market into a community.
  - ii. The sense of belonging to a community can increase their brand loyalty.
- b) \_\_\_\_\_ & \_\_\_\_\_
  - i. Just as you can find out about a friend's interests and likes on Facebook, your customers' network of others will know that they trust you and are a loyal customer.
  - ii. So, the next time someone in their network is looking for a product/service you sell, they'll remember your brand and be more likely to buy from you.
- c) \_\_\_\_\_ & User Generated Content
  - i. Social media can help you develop powerful, compelling content that resonates with your customers through user generated content (UGC).
  - ii. When you open up your products to user reviews, you send a message that you have nothing to hide/fear, and that helps a consumer trust your brand more. By giving consumers access to independent third-party feedback, you're helping them make a better purchasing decision, and when a consumer is more comfortable, they are more likely to buy.

- d) SEO & \_\_\_\_\_
- i. A side-effect of opening up your products to community activity and UGC is that you increase your chance of rankings on all kinds of medium- to long-tail keywords.
  - ii. That means that you increase your chances of reaching out to targeted users who have already made the decision to buy (i.e. are actively searching for products/services).

- e) Drive \_\_\_\_\_
- i. Social media can drive traffic to your brick & mortar point-of-sale (POS).
  - ii. The web has gone mobile and so has social networking. More and more of what users are doing are location-based, and that means that you can reach out to potential customers who are, quite literally, just around the corner.
  - iii. The social network Foursquare allows users to “check-in” to physical locations (such as a cafe) through their mobile phones. Their personal network is then updated about their physical location. And when we see that someone we trust frequents a certain POS, we’re curious to check it out, too.

## VIII. Measuring the Results of Social Media Campaigns

- a) Translating Traditional ROI Metrics -- Brand marketers typically calculate “return based on investment” and what it brings to the bottom line. Social media campaigns require assessing different metrics:
- i. **Return on engagement:** The duration of time spent either in conversation or interacting with social objects, and in turn, what transpired that's worthy of measurement.
  - ii. **Return on participation:** The metric tied to measuring and valuing the time spent participating in social media through conversations or the creation of social objects.
  - iii. **Return on involvement:** Similar to participation, these are touch points for documenting states of interaction and tie in metrics and potential return of each.
  - iv. **Return on attention:** In the attention economy, we assess the means to seize attention, hold it, and measure the response.
  - v. **Return on trust:** A variant on measuring customer loyalty and the likelihood for referrals, a trust barometer establishes the state of trust earned in social media engagement and the prospect of generating advocacy and how it impacts future business.

- b) 5 Phases of Social Media Measurement



<http://www.clickz.com/clickz/column/2134500/measure-social-media-results-suite>

Video: The need for “smart” analytics

## XII. Dangers of Social Media and Internet Marketing

### a) Cyber-Security

Clearly, marketing organizations must be aware of these issues and diligently work to \_\_\_\_\_!

### b) Inappropriate/Accidental Postings!

Video example Dangers of Social Media and Internet Marketing:

For those who want to know more: MKTG 35056 -- SOCIAL MEDIA MARKETING

## Chapter 20 -- Personal Selling and Sales Management

### I. Scope And Significance Of Personal Selling And Sales Management

a. Personal selling is

- A \_\_\_\_\_ method
- in which one party (the salesperson)
- uses skills and techniques for building personal relationships with another party (those involved in a purchase decision)
- that results in \_\_\_\_\_.

b. Personal selling is the two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.

c. In the U.S. alone, the U.S. Department of Labor estimates that over 13 million of the overall labor force are directly involved in selling and sales-related positions. [[http://www.bls.gov/oes/current/oes\\_nat.htm#41-0000](http://www.bls.gov/oes/current/oes_nat.htm#41-0000)]

- Examples

#### 1. All Sales

Employment ALL types of sales	Annual Wage (Mean)	75%	90%
14,248,470	_____	\$44,020	\$75,280

#### 2. Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products

Employment	Annual Wage (Mean)	75%	90%
335,540	_____	\$108,210	\$149,010

### 3. Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products

Employment ALL types of sales	Annual Wage (Mean)	75%	90%
1,394,640	_____	\$79,480	\$116,230

d. **Sales management** consists of planning the selling program and implementing and controlling the personal selling effort of the firm.

II. Salespeople create customer value

- a. Identify Customers' Problems and Creative Solutions to them
- b. Assist the Customer with the Buying Process
- c. Provided follow-up after the sale is made
- d. Build long term customer relations
  - \_\_\_\_\_ is the practice of building ties to customers based on a salesperson's attention and commitment to customer needs over time.
  - \_\_\_\_\_ (*or enterprise selling*) occurs when salespeople work with customers to combine their expertise and resources to create customized solutions, commit to joint planning, and share customer, competitive, and company information for their mutual benefit, and ultimately provide value for the customer.

e. Major types of Sales Roles

i. Order Takers

1. Primarily assist customers with a purchase
2. The greatest number of people engaged in selling
3. Compensation for order takers is generally lower
  - a. Retail Clerks
  - b. Industrial Distributor Clerks
  - c. Some Customer Service

ii. Order Getters

1. a position in which the salesperson is actively engaged in using skills to obtain orders from customers.
2. New Business Development

- a. Highly \_\_\_\_\_
  - b. Potentially \_\_\_\_\_ sales position
  - c. Main objective is to find \_\_\_\_\_.
  - d. Sales jobs in this category are often in fields that are very competitive, but offer high rewards for those that are successful.
3. Business Equipment Sales
    - a. Used in industries where a company's main profits come from the sale of supplies and services that come after an initial equipment purchase
    - b. The goal is to get buyers to purchase the main piece of equipment for which supplies and service are needed in order for the equipment to function.
      - Done right by Xerox
  4. Outgoing Telemarketing –
    - a. Product sales over the phone, either to businesses or consumers.
    - b. US laws restrict unsolicited phone selling to consumers
    - c. The practice is still widely used in the business market.
  5. Consumer Selling -- Some companies use salespeople to build new consumer business. These include:
    - a. retailers selling certain high priced consumer products including furniture, electronics and clothing;
    - b. housing products including real estate, security services, building replacement products (e.g., windows);
    - c. and in-home product sellers including those selling door-to-door and products sold at "home party" events such as cosmetics, kitchenware and decorative products.
  6. Account Management
    - a. building customer relationships from initial sale to follow-up account servicing
    - b. Business-to-Business Selling
      - These salespeople sell products for business use with an emphasis on follow-up sales
      - May have many different items available for sale (i.e., broad and/or deep product line)



- After the initial sale, the potential exists for the buyer to purchase many other products as the buyer-seller relationship grows.
- c. Trade Selling (A “push” approach)
    - Sales professionals working for consumer products companies normally do not sell to the final consumer.
    - Their role is focused on first getting distributors, such as wholesalers and retailers, to handle their products
    - Then they help distributors sell their product by offering ideas for product advertising, in-store display and sales promotions.
- iii. Sales Support Personnel
1. Order Influencers (Missionary Sales)
    - a. Do not engage in direct selling activities
    - b. Concentrate on selling activity that targets those who influence purchases made by the final customer
      - Examples:
        - pharmaceuticals, where salespeople (known as product detailers) discuss products with doctors (influencers) who then write prescriptions for their patients (final customer)
        - higher education, where salespeople call on college professors (influencers) who make requirements to students (final customer) for specific textbooks.
  2. Technical Specialists
    - a. Used for sale of technical products, particularly in business markets
    - b. Salespeople may need to draw on the expertise of others to assist with the process.
    - c. This is particularly the case when the buying party consists of a buying center.
  3. Office Support
    - a. Salespeople receive assistance from their company’s office staff in the form of
      - creating promotional materials,
      - setting up sales appointments,
      - finding sales leads,
      - arranging meeting space

- organizing trade shows exhibits.
- III. Trends in Personal Selling
- a. Controlled Word-of-Mouth Promotion
- A version of Buzz Marketing
  - Individuals are hired to spread positive information about a product but in a way that does not make it obvious to others that they are being paid to do so.
  - useful when building awareness of new products
  - Some concern that paying people to “act” as if they are interested in a product without any indication of their relationship with the product breaches ethical standards.
- b. Customer Relationship Management (CRM)
- need for all customer contact points (e.g., salespeople, customer service, websites) to gather information so that this can be shared with others in the company
  - BUT, salespeople must share their information.
    1. Salespeople are good at developing relationships and learning about customers,
    2. Salespeople do not like sharing since this information is what makes them important.
    3. For some salespeople, letting go of the information reduces their importance to the company.
  - It is NOT going away!
- c. Mobile Technology and Web-Based Computing
- Wireless internet (WiFi) and cellular Internet access allow salespeople to retrieve needed information at any time.
    1. At a lunch, the salesperson can quickly access company material to respond to questions such as how long it may take to receive product if an order is placed.
  - Web-based CRM systems
    1. Salespeople enter and retrieve CRM information using a browser
- d. Electronic Sales Presentations
- Online Video Conferencing
  - Web/Phone Conferencing
  - Online Text Chat

#### IV. The Personal Selling Process

a. The personal selling process consists of sales activities that occur before and after the sale itself, consisting of six stages:

- prospecting,
- preapproach,
- approach,
- presentation,
- close, and
- follow-up.

#### b. Prospecting

- Prospecting involves identifying and developing a list of potential clients.
- Sources include:
  1. Trade shows, commercially-available databases or mail lists, company sales records and in-house databases, website registrations, public records, referrals, directories and a wide variety of other sources.
  2. Prospecting activities should be structured so that they identify only potential clients who fit the profile and are able, willing and authorized to buy the product or service.

#### c. Preapproach

- Analysis of all the information about a prospect
- To understand as much about the prospect as possible:
  1. understand the prospect's current needs,
  2. current use of brands and feelings about all available brands,
  3. identify key decision makers,
  4. review account histories, and
  5. assess product needs
- This should provide good information to create and plan a sales presentation to address the identified and likely concerns of the prospect, and set call objectives.
- The Preapproach process results in a preliminary overall strategy for the sales process

- The strategy may have to be refined as more is learned more about the prospect.

d. Approach

- The Approach is the actual contact the sales professional has with the prospect.
- This is the point of the selling process where the sales professional meets and greets the prospect, provides an introduction, establishes rapport that sets the foundation of the relationship, and asks open-ended questions to learn more about the prospect and his or her needs.

e. Presentation

- In the Presentation, the salesperson tells the product "story" in a way that speaks directly to the identified needs and wants of the prospect.
- A highly customized presentation is the key component of this step.
- At this point in the process, prospects are often allowed to hold and/or inspect the product.
- The sales professional may also actually demonstrate the product.
- Audio visual presentations and/or slide presentations may be incorporated at this stage and this is usually when sales brochures or booklets are presented to the prospect.
- Sales professionals should strive to **let the prospect do most of the talking** during the presentation and address the needs of the prospect as fully as possible by showing that he or she *truly understands and cares about the needs* of the prospect.

Valerie Thwing on Prospecting:

- \_\_\_\_\_ on a New Prospect.
- People are \_\_\_\_\_. Getting them to see you is DIFFICULT!
- So, we introduce ourselves and then begin to build a relationship...  
--send articles  
--P.R. piece
- Related to the prospect's problem area.
- Show how we can fulfill THEIR \_\_\_\_\_.
- That's WHY they would want to meet!

- Handling Objections

1. Salespeople MUST seek out prospects' objections in order to try to address and overcome them.
2. When prospects offer objections, it often signals that they need and want to hear more in order to make a fully-informed decision.
3. If objections are not uncovered and identified, then sales professionals cannot effectively manage them.
4. Uncovering objections, asking clarifying questions, and overcoming objections is a critical part of training for professional sellers
5. It is a skill area that must be continually developed because there will always be objections.

- Methods of Handling Objections

1. Acknowledge and Convert
2. Postpone
3. Agree and Neutralize
4. Acceptance
5. Denial
6. Ignore

f. Close

- Closing is asking for the order and adequately addressing any final objections or obstacles.
- There are many closing techniques as well as many ways to ask trial closing questions
  1. Trial Close
    - a. e.g., "Now that I've addressed your concerns, what other questions do you have that might impact your decision to purchase?"
  2. Assumptive Close
    - a. Closing does not always mean literally asking for the order. Using the assumptive close, ask the prospect how many they would like, what color they would prefer, when they would like to take delivery, etc.
  3. Urgency Close
  4. Final Close

- NOTE: Sales professions can be either weak or too aggressive when it comes to closing. If you are closing a sale, be sure to ask for the order. If the prospect gives an answer other than "yes", it may be a good opportunity to identify new objections and continue selling.

g. Follow-up

- After the sale, follow-up with the prospect to make sure:
  1. the product was received in the proper condition,
  2. at the right time,
  3. installed properly,
  4. proper training delivered, and
  5. that the entire process was acceptable to the customer.
- A critical step in creating customer satisfaction and building long-term relationships with customers.
- If the customer experienced any problems, the sales professional can intervene and become a customer advocate to ensure 100% satisfaction.
- Diligent follow-up can also lead to uncovering new needs, additional purchases, and referrals and testimonials which can be used as sales tools.

V. Important traits of successful salespeople.

<http://www.businessnewsdaily.com/4173-personality-traits-successful-sales-people.html>

- 1. They care about customer's interests.**
- 2. They're confident.**
- 3. They're always on.**
- 4. They're not pushy.**
- 5. They're resilient.**
- 6. They're extroverted.**
- 7. They're good listeners.**
- 8. They're skilled at multitasking.**

VI. What We Can Learn from "Sales Gods" By Geoffrey James

<http://blogs.bnet.com/salesmachine/?p=611&tag=nl.e808>

- a. They make other people feel important.
  - b. They are all unbelievably upbeat. Talk about positive.
  - c. They obviously love their customers. Not just like them. Love them. Think of them as friend and family. Cared if they were happy. Cared about their lives. Cared about how the product or service fit into their customer's life goals. Really.
  - d. They all have fabulous product knowledge. They know what they are selling up, down and sideways. They know everything there is to know about their products. And they aren't afraid to point out what their product won't do. No exaggeration or lying here.
  - e. They KNOW they are changing the world. All of these "sales gods" felt they were in the business of making people happy.
  - f. More than technique, more than skills, more than business acumen, more than brand, and more than anything else...it's your professionalism and how you see the world that determines whether you'll reach the pinnacle of sales success.
- Tim Apel on Personal Selling
    1. Personalized Service
    2. People want 100% of your time
    3. Personalized Sales and Service is KEY
    4. Find out what they need and what you can do for them
    5. A CONSULTATIVE sales approach
    6. LISTEN to their needs and fulfill them!
    7. Help people into what they need!

## VII. The Sales Management Process

- a. **Sales management** consists of planning the selling program and implementing and controlling the personal selling effort of the firm.
  - Managing the sales process is typically the job of the Sales Manager.
  - Good sales managers usually exhibit the characteristics of: organization, a good personal sales record, enthusiasm, ambition, product knowledge, trustworthiness, mentoring skills, and is somebody who is respected by others.
- b. Sales Plan Formulation
  - A **sales plan** is a statement describing what is to be achieved and where and how the selling effort of salespeople is to be deployed.

- The questions you should answer in your sales plan are:
  1. What are you going to focus on?
  2. What are you going to change?
  3. In practical terms, what steps are involved?
  4. What territories and targets are you going to give each salesperson or team?
- The sales plan will start with some strategic objectives.
  1. For example:
    - a. break into the local market by adapting your product for this market
    - b. open a store in an area that you believe has the potential for generating lots of sales
    - c. boost the average dollar or unit sales per customer
- Use objectives which are SMART - Specific, Measurable, Achievable, Realistic, Time-bound.
  1. Using the example of breaking into the local authority market, the stepping stones might be to:
    - a. hire a sales person with experience of the local market on a salary of \$43,000 by the beginning of February
    - b. fully train the sales person by mid April
    - c. ensure that any changes the product development team has agreed to make are ready to pilot by the beginning of April
- As well as planning for new products and new markets, explain how you're going to improve sales and profit margins for your existing products and markets.
- It is often helpful to identify how you will remove barriers to sales:
  1. Can you increase the activity levels of the sales team - more telephone calls per day, or more customer visits per week?
  2. Can you increase the conversion rate of calls into sales - through better sales training, better sales support materials or improved sales incentives?

c. Structure of the Sales Force



- Based on Geography (or territory)
  1. Could be based on cities (for a Regional company), on states (for a National company), or by country (for an International company)
  2. Advantage—Simplicity
    - a. The salesperson or sales team sells the products to all consumers in the territory
  3. Disadvantage – Potential Lack of Product Knowledge
    - a. If the firm carries many product lines.
- Based on Customers
  1. Different salespeople call on different types of customers, often based on industry
    - a. For example, consumer goods, high tech, manufacturing, services
    - b. OR, by other characteristics, such as growth potential, high net worth, product usage
  2. Advantages – Sales people can be “experts” on the customers’ special needs
  3. Disadvantage – Duplication of coverage; multiple people call on the same customer account
- Based on Product
  1. Each person or sales team specialized in a product or product line.
    - a. An office supply company might have one team focused on general office equipment, another on office furniture, and a third on computers.
  2. Advantages – Sales people can be “experts” on the products being sold.
  3. Disadvantage – Duplication of coverage; multiple people call on the same customer account
- Size of the Salesforce
  1. A “top-down” approach
    - a. Considers the total salesforce budget in terms of the \_\_\_\_\_
    - b. Attempts to constrain the salesforce budget to a certain “cost-of-sales” percentage.

- Often set at 7% or less of total sales
- c. Advantage: \_\_\_\_\_
  - d. Disadvantage: Ignores that the salesforce actually can \_\_\_\_\_
2. A “Bottom-up” approach (the textbook’s “workload method”)
    - a. Considers the workload needed to make a sale to each “type” of customer.
    - b. Considers the “reach” desired for each segment (how many of each type of customers should be called on)
    - c. Determines the “frequency” of calls for each segment
    - d. Uses these to decide how large the salesforce should be
- d. Account Management Policies (Step 3)
    - Account management policies specify whom salespeople should contact, what kinds of selling and customer service activities should be engaged in, and how these activities should be carried out.

1. An Account Management Policy Grid

		Competitive position of sales organization	
		High	Low
Account opportunity	High	<p><b>1</b></p> <p><i>Attractiveness:</i> Accounts offer a good opportunity because they have high potential and the sales organization has a strong position.</p> <p><i>Account management policy:</i> Accounts should receive high level of sales calls and service to retain and possibly build accounts.</p>	<p><b>3</b></p> <p><i>Attractiveness:</i> Accounts may offer a good opportunity if the sales organization can overcome its weak position.</p> <p><i>Account management policy:</i> Emphasize a heavy sales organization position or shift resources to other accounts if a stronger sales organization position is impossible.</p>
	Low	<p><b>2</b></p> <p><i>Attractiveness:</i> Accounts are somewhat attractive because the sales organization has a strong position, but future opportunity is limited.</p> <p><i>Account management policy:</i> Accounts should receive moderate level of sales and service to maintain current position of sales organization.</p>	<p><b>4</b></p> <p><i>Attractiveness:</i> Accounts offer little opportunity, and the sales organization position is weak.</p> <p><i>Account management policy:</i> Consider replacing personal calls with telephone sales or direct mail to service accounts. Consider dropping account if unprofitable.</p>

VIII. Sales Plan Implementation

a. Salesforce Recruitment and Selection

i. Problems associated with inadequate recruitment and selection:

1. Inadequate sales coverage and lack of customer follow-up
2. Increased training costs to overcome deficiencies
3. More supervisory issues
4. Difficulty in establishing enduring relationships with customers

b. The Recruitment and Selection Process

Step 1 Planning for Recruitment & Selection	Step 2 Recruitment: Locating Prospective Candidates	Step 3 Selection: Evaluation and Hiring
<ul style="list-style-type: none"> <li>• Job Analysis</li> <li>• Job Qualifications</li> <li>• Job Description</li> <li>• Recruitment &amp; Selection Objectives</li> <li>• Recruitment &amp; Selection Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Sources</li> <li>• External Sources</li> </ul>	<ul style="list-style-type: none"> <li>• Screening Resumes and Applications</li> <li>• Initial Interview</li> <li>• Intensive Interview</li> <li>• Testing</li> <li>• Assessment Centers</li> <li>• Background Invest.</li> <li>• Physical Exam</li> <li>• Selection Decision and Job Offer</li> </ul>

c. Planning for Recruitment & Selection

- i. Job Analysis -- an investigation of the tasks, duties, and responsibilities of the job.
- ii. Job Qualifications -- Refers to the aptitude, skills, knowledge, personal traits, and willingness to accept occupational conditions necessary to perform the job.

1. An effective method to use in determining job qualifications
  - a. PROFILING THE SUCCESSFUL CANDIDATE
    - i. Success in a company may include the following:
      1. Intelligence
      2. Prospecting ability
      3. Ability to create a follow-up system
      4. Ability to influence people's decisions and opinions
      5. Ability to cultivate long-term client relationships
      6. Ability to negotiate contracts and prices
      7. Ability to determine prospects'/customers' needs (hot buttons).
      8. Computer skills.
      9. Selling ability.
      10. Conceptual ability.
    - iii. Job Description -- A written summary of the job containing the job title, duties, administrative relationships, types of products sold, customer types, and other significant requirements.
      1. EXAMPLE of a Formal Job Description for a Sales Rep

Position: <b>Sales Rep. AUTOMOTIVE SUPPLY CORPORATION</b>	Organizational Unit: replacement Parts
Reports to: District Manager	Date: (When Job Was Described)
<b>NATURE OF JOB</b>	
Responsible for developing new accounts and reaching profitable sales goals in assigned territory.	
<b>PRINCIPAL RESPONSIBILITIES</b>	
Meeting total sales goals for product lines and individual products.	
Maintaining an average of six daily sales calls.	

Maintaining an average of one monthly product presentation to wholesalers.	
<b>DIMENSIONS</b>	
Develop strong promotional support from retail and wholesale customers.	
Plan effective territorial coverage resulting in high sales/call ratio.	
Inform management of activities by submitting daily and weekly call and sales reports to district manager.	
<b>SUPERVISION RECEIVED</b>	
General and specific tasks are assigned for each sales period. Every two months work with supervisor for a minimum of one day.	
<b>SUPERVISION EXERCISED</b>	
None	

- iv. Recruitment and Selection Objectives -- What the organization hopes to accomplish as a result of the recruitment and selection process. The objectives should be specifically stated for a given period.
- v. Recruitment and Selection Strategy -- The game plan the company will implement to accomplish the recruitment and selection objectives. The sales managers should consider the scope and timing of recruitment and selection.
  - 1. Ratio And Days From Sales Job Announcement To Reporting To Work

**Recruitment Pyramid**



d. The Recruitment and Selection Process – Step 2, Locating Prospective Candidates

i. Internal Sources

- 1.
- 2.

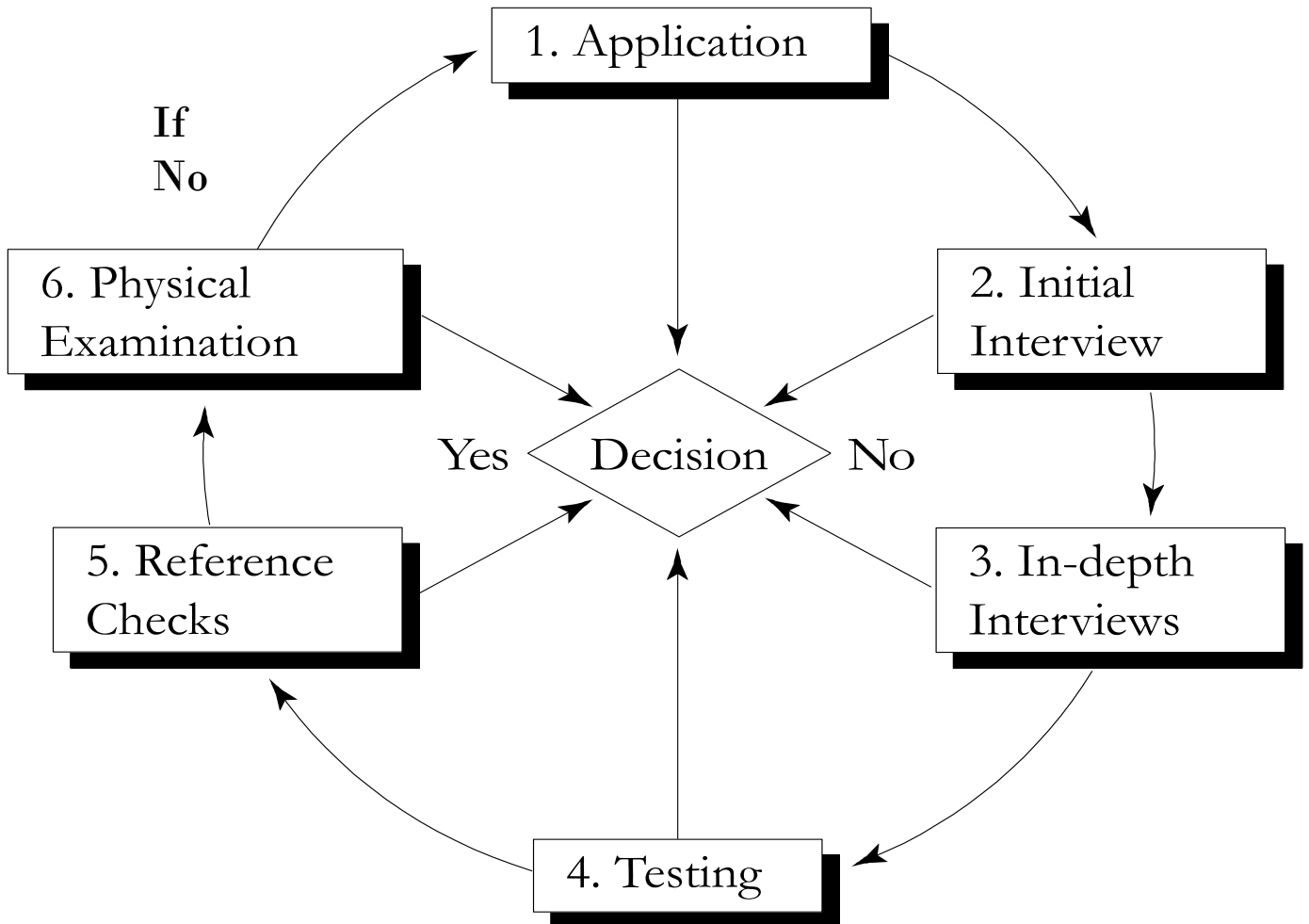
ii. External Sources

- 1.
2. \_\_\_\_\_ agencies
- 3.
- 4.
5. Professional societies
6. Computer rosters

e. The Recruitment and Selection Process – Step 3, Selection: Evaluation and Hiring

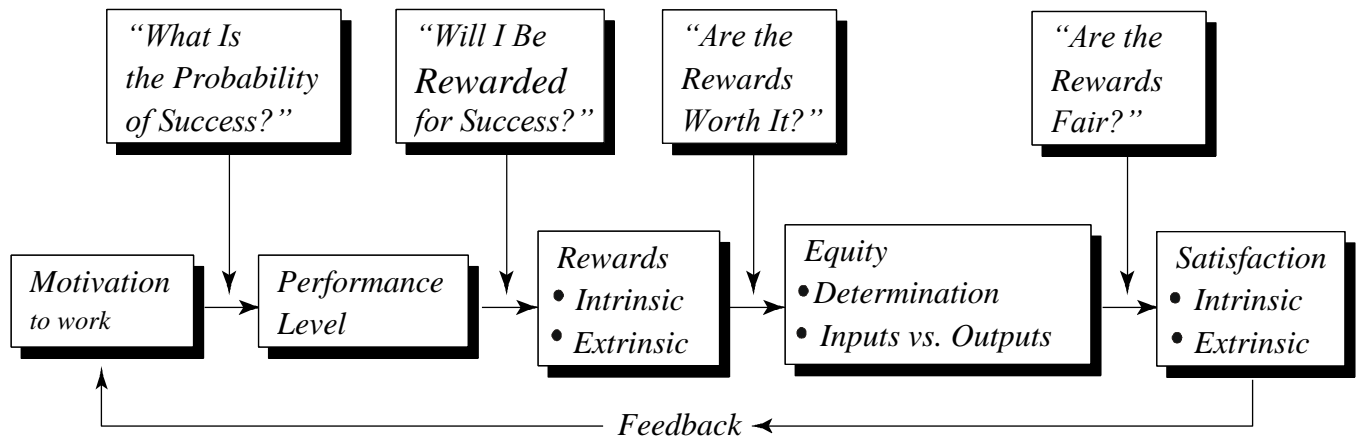
- i. Screening Resumes and Applications
- ii. Initial Interview
- iii. Intensive Interview
- iv. Testing
- v. Assessment Centers
- vi. Background Investigation
- vii. Physical Exam
- viii. Selection Decision and Job Offer

## Major Steps In Sales Personnel Selection Process



- f. Managing the Sales Training Process
  - i. Assess the Sales Training Needs
  - ii. Set Training Objectives
  - iii. Evaluate Training Alternatives
  - iv. Design the Sales Training Program
  - v. Perform Sales Training
  - vi. Conduct Follow-up and Evaluation
- g. Salesforce Motivation And Compensation

i. Four Questions Salespeople Ask To Determine How Much Effort They Will Devote To Their Jobs



ii. Major Types of Sales Force Compensation

1. Straight Salary

- a. Paying salespeople a specific amount per time period
- b. Most useful when compensating new salesperson, moving into new territories or customers, sales requiring many services for customers
- c. Salary remains the same until pay increase
- d. Provides salespeople with more security but less incentive

2. Straight Commission

- a. Paying salespeople according to the amount of their sales in given time period
- b. Commission may be based on percentage of sales or on a sliding scale
- c. Requires highly aggressive selling and minimal nonselling tasks
- d. Provides salespeople with maximum incentive but little financial security

3. Combination

- a. Paying salespeople a fixed salary plus a commission based on sales volume
- b. Most popular compensation method



- c. Provides level of security and some incentive
  - d. Can require that salesperson exceeds a certain sales level before earning a commission
4. Straight Salary
- a. Advantages
    - i. Salaries are simple to administer
    - ii. Planned earnings are easy to project
    - iii. Salaries can provide control over salespeople's activities, and reassignments are less of a problem.
    - iv. Salaries are useful when substantial development work is required.
  - b. Disadvantages
    - i. Salaries offer little incentive for better performance.
    - ii. Salary compression could cause perceptions of inequity among experienced salespeople.
    - iii. Salaries represent fixed overhead.
5. Straight Commission
- a. Advantages
    - i. Income is linked directly to desired results.
    - ii. Straight commission plans offer cost-control benefits.
  - b. Disadvantages
    - i. Straight commission plans contribute little to company loyalty.
    - ii. Problems may also arise if commissions are not limited by an earnings cap.
6. Combination Plans
- a. Advantages
    - i. Combination pay plans are flexible.
    - ii. They are also useful when the skill levels of the salesforce vary.
    - iii. Combination pay plans are attractive to high-potential but unproven candidates for sales jobs.
  - b. Disadvantages
    - i. Combination pay plans are more complex and difficult to administer.

- ii. A common criticism of combination pay plans is that they tend to produce too many salesforce objectives.

Median Salaries for Some Sales Positions

U.S. Median			
	Base Salary	Bonus	Total Salary + Bonuses
Top Sales Executives	\$214,425	\$68,556	\$282,981
Sales and Marketing Director	\$137,122	\$27,220	\$164,342
Sales Manager	\$104,987	\$26,300	\$131,287
Sales Representative	\$55,273	\$9,599	\$64,872
Source: www.salary.com			

iii. Nonmonetary rewards

1. Plaques 30%
2. Dinners 26%
3. Trips 26%
4. Merchandise 24%

IX. Salesforce Evaluation

a. Behavioral Evaluation -- Consists of criteria related to activities performed by individual salespeople, for example:

- Sales calls
- Customer complaints
- Required reports \_\_\_\_\_
- Training meetings attended
- Letters and calls completed

Should not only address activities related to \_\_\_\_\_ generation but should also include \_\_\_\_\_ needed to ensure long-term customer satisfaction.

b. Professional Development Performance Evaluation

- Assess improvements in certain characteristics of salespeople that are related to successful performance in the sales job
- Characteristics include - Attitude, product knowledge, initiative and aggressiveness, communication skills, ethical behavior

c. Results-based Performance Evaluation

- Salespeople measured objectively based on results such as – sales, market share, and accounts
- A sales quota represents a reasonable sales objective for a territory, district, region, or zone
- Some research shows that rewards for achieving results have a negative effect on performance and satisfaction
- Quantitative Performance Criteria
  1. Sales volume
  2. Percentage of increase
  3. Market share
  4. Quotas obtained
  5. Average sales calls per day
  6. New customers obtained
  7. Gross profit by product, customer, and order size
  8. Ratio of selling costs to sales
  9. Sales orders
  10. Daily number of orders
  11. Total
  12. By size, customer classification, and product
  13. Order to sales-call ratio
  14. Goods returned

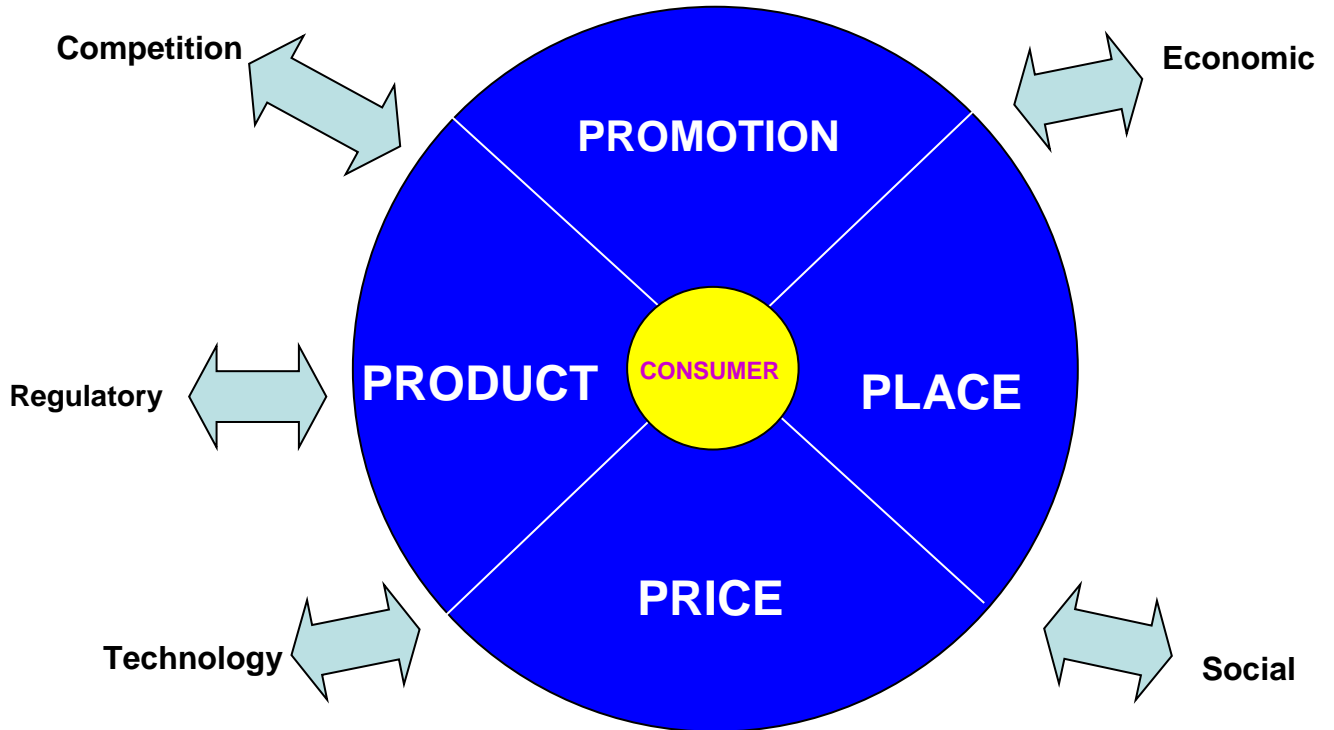
d. Profit Performance Evaluation

- Salespeople have an impact on gross profits through the specific products they sell and/or through the prices they negotiate for final sale.
- Salespeople affect net profits by the expenses they incur in generating sales.

- Criteria Examples

1. Net profit dollars
2. Gross margin per sale
3. Return on investment
4. Selling expenses versus budget

X. Recap: “MARKETING”



**The GOAL:**

**“Satisfaction of consumers’ needs, wants, and desires,**

**at a profit (or to attain organizational goals),**

**through an integrated effort within the firm!!”**