

LECTURE OUTLINE FOR

MKTG 25010

“Marketing”

Lecture Packet

Part 1

Fall 2009

DR. MARKS

Modified 8/10/2009

## Introduction to Marketing 25010

### I) Initial Background information

a) The Professor and his contact information

b) The required textbook

c) Lecture Notes

i) Why?

ii) Where they are available

### II) Prerequisite

### III) Course Objectives

a) A working knowledge of marketing...

b) An understanding of marketing...

c) Knowledge of the ways in which...

d) Development of ...

e) An appreciation of ...

### IV) Content Delivery

a)

b)

c)

### V) Testing Overview

a)

b)

VI) Class Website (<http://vista8.kent.edu>)

a) Important Items to Check Regularly

i)

ii)

iii)

b) The bulletin boards

i)

ii)

c) Other WebVista Tabs

i)

ii)

VII) Grading is based on

a)

b)

Letter grades

Course Avg.	Course Grade	Univ. GPA	Course Avg.	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

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.

VIII) Policies

- a) Prerequisite (again)
- b) Enrollment
- c) Academic Honesty

browse <http://ec.hku.hk/plagiarism/introduction.htm>

browse <http://www.personal.kent.edu/~lmarks/ethics/Plagiarism.ppt>.

NOTE The questions for the mini tests are copyrighted and unauthorized reproduction is prohibited.

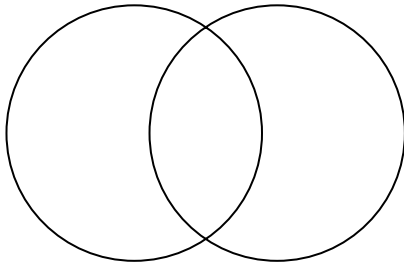
- d) Course Withdrawal Deadline: For Spring 2009 the course withdrawal deadline is Sunday, April 5, 2009 (Friday, 11/13 if you need help from an advisor as most offices are not open on the week-end).
- e) Students with disabilities

IX) Calculating your final grade

<http://www.personal.kent.edu/~lmarks/MKTG25010/gradecalculator.xls>  
(available from Vista 8.0 as a click)

X) About the Mini Tests

- a)
- b)
- c)



- d)
- e)
- f)
- g)
- h)
- i)
- j)
- k)
- l)
- m)

XI) Is this guy for real??? Comments from others

XII) Cautions

- a) About the mini test scores
- b) About convenience
- c) About the work required
- d) About the course grade
- e) MORE about the work required
- f) About getting behind

XIII) Final Exam

- a) What it covers
- b) What it is**
- c) When and where it is taken**
  - **MUST be taken in the College of Business computer labs during finals week, (or at an approved testing center) during finals week, 12/14 to 12/18/09.**
- d) About Identification at the final
- e) Make up policy

XIV) To Succeed

- a) Mini tests
- b) Practice tests
- c) For the final

XV) Classroom Policies

- a) Attendance
- b) Vista 8.0 Class site
- c) Questions
- d) Electronics
- e) Courtesy

XVI) Communications Policy

- a) How to communicate “officially”  
Vista 8.0 e-mail or to [marks@kent.edu](mailto:marks@kent.edu) USE MKTG 25010 at start of YOUR subject line, then the SUBJECT of your message (e.g., MKTG 25010 – Question about Mini-test 1).
- b) About phone messages

XVII) The Class Schedule and the Mini Test Schedule

XVIII) Our Guest Faculty

- a) Who
- b) Why
  - i)
  - ii)

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

NAME	Title	Organization
1. Tim Apel		
2. Don Kosec		
3. Rob Felber		
4. Fred Hunt		
5. Dan Muller		
6. Michele Skinn		
7. Gary Trinetti		

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

I) What IS Marketing?

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.”*

[http://appserver.marketingpower.com/blog/amablog/2008/01/the\\_american\\_marketing\\_association.html](http://appserver.marketingpower.com/blog/amablog/2008/01/the_american_marketing_association.html)

b) Some controversy about the definition:

<http://www.btobonline.com/apps/pbcs.dll/article?AID=/20080211/FREE/482594234/1155/ISSUEBEYOND>

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

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

c) Marketing seeks to:

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

d) It involves the idea of

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 8, Figure 1-2)

d) Ways to Satisfy Needs

i)

ii)

iii)

e) The Point...

IV) Requirements for Marketing to Occur

a)

b)

c)

d)

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)

b)

c)

VI) Needs and Wants

a) Consumer NEEDS come from

b) Consumer WANTS are

VII) What is a Market?

a) The MARKET is the

b) Implications of the definition (MAD)

i)

ii)

iii)

VIII) Marketing seeks to discover then satisfy consumer needs through research and a marketing program (see text, page 13, Figure 1-3)

IX) How Marketing Satisfies Consumer Needs, Wants, and Desires

a) We cannot be “all things to all people” so

X) The Marketing Mix

a) The Marketing Mix represents

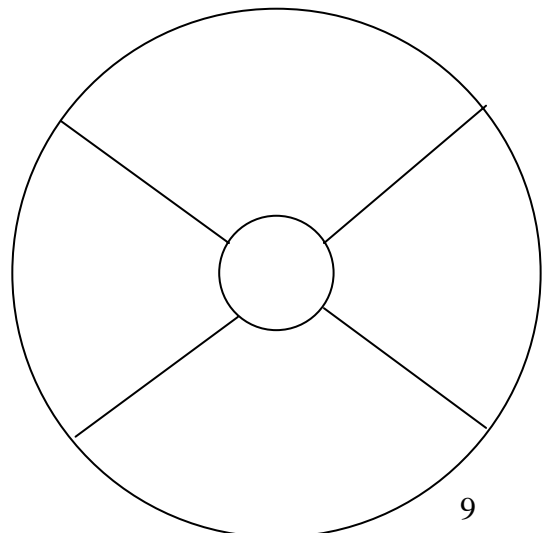
b) The 4 P's of the Marketing Mix

i)

ii)

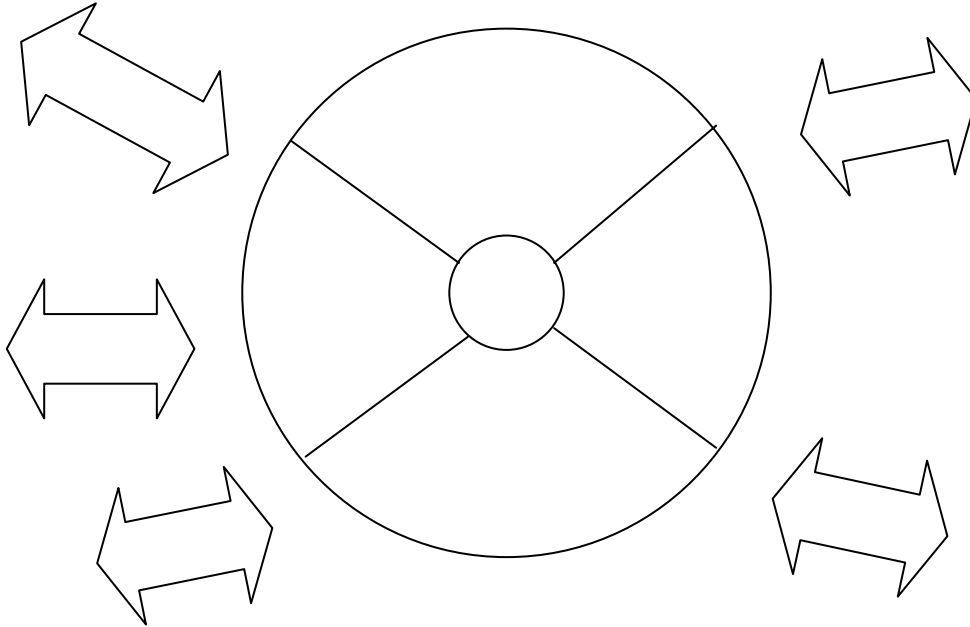
iii)

iv)



c) Most of a firm's marketing efforts involve

### XI) Important Factors in the Marketing Environment



### XII) Satisfaction through Value

a) Customer Value 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.

#### Tim Apel – AAA Mobile Homes on “Creating Value”

- a)
- b)
- c)
- d)
- e)

b) Example of “Satisfaction through Value”

### XIII) Value Strategies

- a)
- b)
- c)

d)

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

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

i)

ii)

iii)

iv)

v)

vi)

XIV) Relationship Marketing

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

Rob Felber -- Felber & Felber Marketing Services -- Creating Value for Customers

i)

ii)

iii)

iv)

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

a) Production concept

i) Assumes

ii) Implies

iii) Useful when

(1)

(2)

b) Product Concept

i) Assumes

ii) Implies

iii) Focuses on

c) Selling Concept

i) Assumes

ii) Useful for

(1)

(2)

d) The Marketing Concept

i) Assumes

ii)

Muller..how we create value for our customers at Timken

a)

b)

c)

d)

iii) Three parts to the concept:

(1)

(2)

(3)

MICHELLE SKINN – What is Marketing?

a)

b)

c)

iv) NOTES:

(1)

(2)

(3)

e) The Societal Marketing Concept

i) Assumes

ii) Relates to the Ethics of doing business

f) The Customer Relationship Era

- i)
- ii)
- iii)

XVI) Marketing and:

a) Synergy

- i)
- ii)

b) Hypercompetition

- i)
- ii)

c) Cross Functional Decision Making Teams

XVII) The Breadth and Depth of Marketing

a) Who Markets?

- i) Manufactures
- ii) Retailers
- iii) Service Providers
- iv) Nonprofit Organizations
- v) Government
- vi) And YOU!

b) What is Marketed?

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

VIDEO EXAMPLES

c) Who Buys?

- i) Organizations
- ii) Ultimate Consumers

d) Why buy? How consumers benefit:  
Marketing creates UTILITY:

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

## Chapter 2: Developing Successful Marketing and Organizational Strategies

I) Strategic Planning

II) Corporate Strategy

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

III) Marketing Strategy

- a) Selecting and analyzing a
- b) Creating and maintaining an
- c) Deliver a
- d) While Achieving
- e) Profit vs. nonprofit organizations and strategy...

IV) Three levels of Strategy in Organizations

- a)
- b)
- c)

(see text page 29, Figure 2-1)

V) Organizational Structure

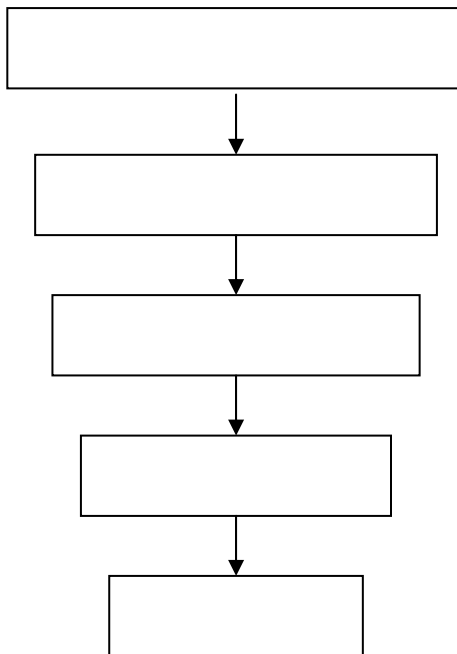
- a) Corporate
  - i)

- ii)
- b) Strategic Business Units ( )

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

VI) Functional/Department Level

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 intent 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)
    - ii)
    - iii)
    - iv)
    - v)
  - d) Time-Warner Example

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

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

(1) Time Warner Business Services Goal is to

X) Types of Goals

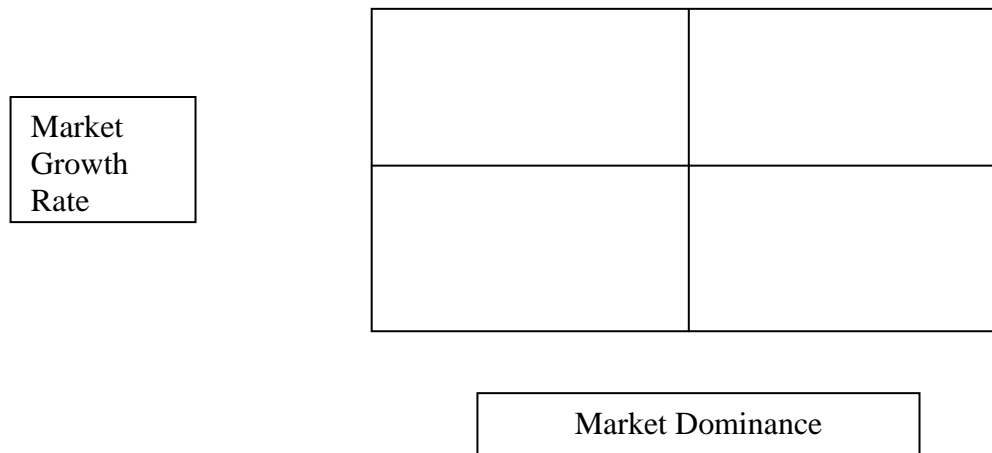
- a) Profit
- b) Sales Targets
  - i) In Dollars
  - ii) In Unit Sales
- c) Market Share (our percent of the market)

- 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) Understanding where we are now (“Three and ½ C’s”)
  - i)
    - (1)
    - ii)
    - iii)
- b) Where do we want to go?
  - 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)
    - (2)
    - (3)
    - (4)
    - (5)

- b) Dogs
  - i) Low Market Share in Low Growth Market
    - (1)
    - (2)
    - (3)
    - (4)
  
- c) Problem Children
  - i) Low Market Share in High Growth Market
    - (1)
    - (2)
  
- d) Star
  - i) Dominant in High Growth Market
    - (1)
    - (2)
    - (3)
    - (4)

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?

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

- a
- b

- c
- d
- e
- f
- g

b) iDashboards – Driving Business Decisions (<http://www.idashboards.com/>)

Example – Using Dashboards at Don Joseph Toyota for Media Effectiveness

c)

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

a

b

c

b) ACTIONS based on SWOT:

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

- c) Market-Product Focus and Goal Setting
  - i) Market Segmentation
    - (1) IDENTIFY groups of buyers who (a) have common needs and (b) will respond differently to a marketing effort
  - ii) Target Marketing
    - (1) SELECTION of one or more segments and developing a marketing plan to serve them

iii) Jumbo Shrimp Marketing Example  
Marketing Rules for How to get BIG by acting smaller!

- #1
- #2
- #3
- #4
- #5

View [http://www.youtube.com/watch?v=UApCcRqu\\_Xo](http://www.youtube.com/watch?v=UApCcRqu_Xo)

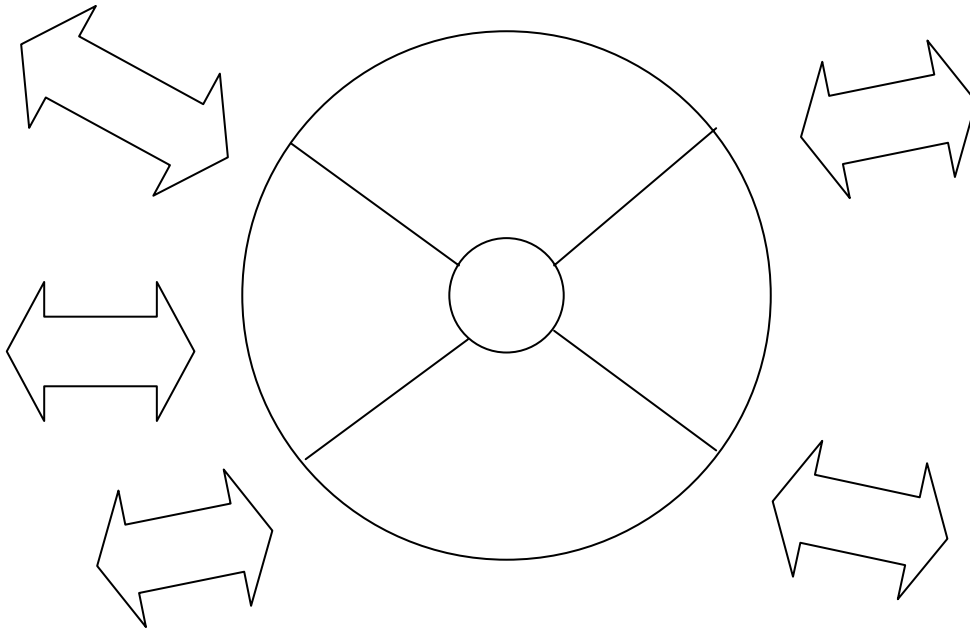
- d) The Marketing Program (the 4 P's)
  - i) Product Strategy
  - ii) Price Strategy
  - iii) Promotion Strategy
  - iv) Place (Distribution) Strategy
- e) Text page 47, Figure 2-7 The Elements of the Marketing Mix MUST be blended to produce a COHESIVE marketing program!
- XVI) Implementing the Marketing 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)
  - b)
  - c)
  - d)
  - e)
  - f)

## 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)
  - ii)

### II) Environmental Factors Affecting the Organization



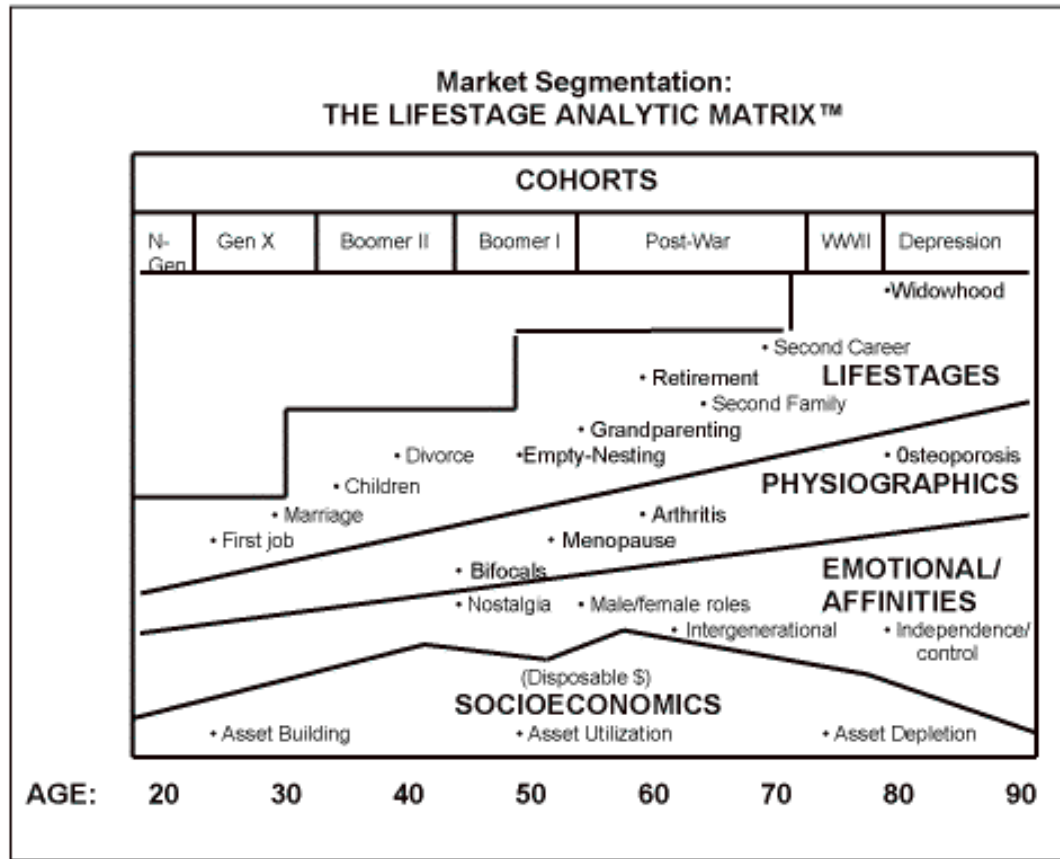
### III) Social Forces

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

### IV) Demographics

- a) A population's characteristics such as age, gender, ethnicity, income, and occupation.
  - i) World POPClock <http://www.census.gov/ipc/www/popclockworld.html>
  - ii) U.S. Population <http://www.census.gov/population/www/popclockus.html>
- b) Generational Cohorts (from the text)
  - i) Baby Boomers: 1946-1964
  - ii) Generation X: 1965-1976
  - iii) Generation Y: 1977-1994
  - iv) Millennials: 1995+
  - v) Generational Marketing

- V) Social Forces
- Marital Status
  - Cohabitation
  - Blended Family
  - All Brought together in.....The Lifestage Analytic Matrix



© 1999, Lifestage Matrix Marketing®

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

- The Seven American Cohorts
1. Depression Cohort
  2. World War II Cohort
  3. Post-War Cohort
  4. Leading-Edge Baby-Boomer Cohort

5. Trailing-Edge Baby Boomer Cohort
6. Generation X Cohort
7. The N Generation Cohort (Gen Y)

Example: Don Kosec – The Impact of Generation Preferences (and Technology)

8. PLUS the newest cohort – Generation Z

- e) Racial and Ethnic Diversity
- f) Cultural Trends
  - i. Green Marketing!

#### VI) Economic Forces

- a) Economy
  - i) The factors relating to income, expenditures, and resources that affect the cost 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/community\\_data/index.html](http://www.esri.com/data/community_data/index.html)
- d) Example: The response of FORD to the economic slowdown

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

- a)
- b)
- c)
- d)

#### 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.
- 2.
- 3.
4. Teaching Point:

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:

b) Alternative Forms of Competition

i) Pure Competition

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

ii) Monopolistic Competition

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

iii) Oligopoly

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

iv) Pure Monopoly

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

c) Types of Competition

- i) Brand Competition  
Selling the same type of product that you do (Toyota or Ford?)
  - ii) Substitute Product Competition  
Offers consumers a choice of how to spend their dollars within a broad product category (Football or Concert?)
  - iii) Every Company/Spending Opportunity  
Given limited discretionary income, consumers must decide whether to save, donate, or spend on a variety of possible products/services
  - iv) HOW does a firm successfully compete?
    - (1) By striving to gain and maintain a \_\_\_\_\_
    - (2)
- d) Response to Competitive Trend  
Example -- Italy "allows" wine in boxes!!
- (1)
  - (2)
  - (3)
  - (4)
  - (5)
  - (6)

IX) Political and Legal Forces

- a) Monetary and Fiscal Policies
  - Government Spending
- b) Social Legislation and Regulation
  - Antipollution Laws
- c) To Regulate Competition
  - Rules on monopolies and restraint of trade
- d) To Protect Consumer
  - Regulation of Food and Drug Labels

## Chapter 4: Ethical and Social Responsibility in Marketing

- I) Ethics
  - a) The Moral Principles and Values 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.
- III) Business Ethics: WHO NEEDS IT?
  - a) "NO ONE" Because:
    - i) It's religion, not business.
    - ii) Our people ARE ethical.
    - iii) It's for philosophers.
    - iv) It's Obvious--"Do Good"
    - v) It's preaching
    - vi) It's just a recent fad.
    - vii) Ethics can't be managed.
    - viii) It's the same as "social responsibility."
    - ix) If a firm is not in legal trouble, it's ethical.
    - x) Managing ethics has little practical relevance.
  - b) Well, maybe....BUT
    - i) Nestle's -- Infant formula
    - ii) Beech-Nut -- watered apple juice
    - iii) Manville -- asbestos & employees
    - iv) E.F. Hutton -- kiting scheme
    - v) Union Carbide -- Bhopal, India
    - vi) Enron -- Conflicts of Interest
    - vii) Worldcom/MCI -- Inflated Accounting Reports
    - viii) Martha Stewart -- Insider Trading
    - ix) Bernie Madoff -- First Jail, Then Bankruptcy for Madoff
    - x) Nike -- Questionable Hiring Practices
      - (1) The Background
        - (a)
        - (b)
        - (c)
      - (2) Corrective Behavior
        - (a)
        - (b)
- IV) Figure 4-1 (text page 96) 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?
- 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)

#### VI) High Prices

- a) Causes:
  - i) High costs of \_\_\_\_\_ and \_\_\_\_\_
  - ii) High \_\_\_\_\_ and \_\_\_\_\_ Costs

- Generic vs. Branded?

- 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?
- f) Harm Business / Buyer Beware

#### VIII) High-Pressure Selling

- a) Some people are trained to deliver
  - i) High-pressure selling persuades people to
  - ii) High-pressure selling can occur because
- b) It DOES happen
  - i) Confessions of a Car Salesman
    - (1) Bumping
    - (2) Strong
    - (3) Turn Over
- c) BUT, it is not “standard business practice”

i)

#### 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)
  - ii)
  - iii)
  - iv)
  - v)

Example – Lead Paint on Toys made in China

Example – Salmonella problems in the food supply

#### d) HELP via the Consumer Product Safety Commission

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) Appeal on Safe/Quality Products

- i)
- ii)
- iii)

#### X) Planned Obsolescence

- a) Products needing replacement before they should because they are obsolete
- b) Producers who influence consumer concepts of acceptable styles
- c) Intentionally holding back attractive functional features, then introducing them later to make old model obsolete.
- d) The case of the Apple iPhone

#### XI) Poor Service to Disadvantaged Consumers

- a) Poor are forced to shop in smaller stores where they pay more for inferior 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 imprecise and reaches outside target segment,
- b) But, advertising 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) Provocative ads for Clearasil have parents upset.
  - b) Are such ads:
    - i) Over the top?
    - ii) Unethical?
    - iii) Humorous? Funny?
  - c) Should they be:
    - i) Banned?
    - ii) Censored?
    - iii) Or should consumer response be the main influence?
  - d) Clearasil's Response
  
  - e) GoDaddy.com
    - i) Do you like their Super Bowl ads?
      - (1)
      - (2)
      - (3)
      - (4) Bottom line is--
  
- XIV) Management's Response to the need to be ethical
  - a) Corporate Culture
  - 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) Kosec – Ethics begins at the top!
    - i)
    - ii)
    - iii)
    - iv)
    - v)
  - f) Hunt on Ethics – It all starts at the top
    - i)
    - ii)
    - iii)
  
- XV) Good ethics IS Good Business
  - a) For shareholders
  - b) For Employees
  - c) For business partners
  - d) For Customers/Clients
  - e) And for Society!
  
- XVI) AMA Ethics Statement
 

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

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## **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.

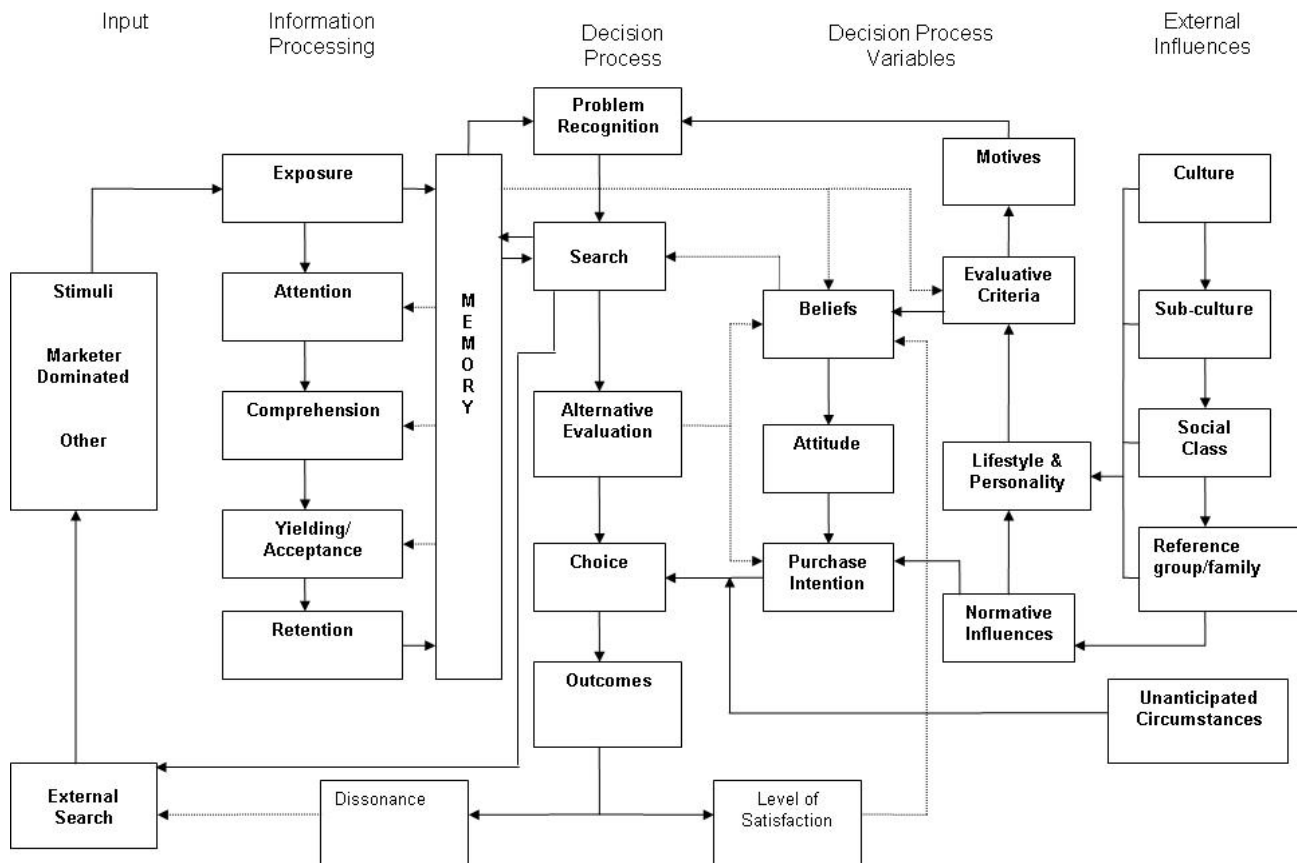
**IMPLEMENTATION**

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

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



Comments:

III) The Purchase Decision Process Consists of Five Stages

- a) Problem Recognition \_\_\_\_\_
- b) Search \_\_\_\_\_
- c) Alternative Evaluation \_\_\_\_\_
- d) Choice \_\_\_\_\_
- e) Outcomes \_\_\_\_\_

IV) Purchase Decision Process Stages – Problem Recognition

- a) A perception that there is a difference between the
- b) Influenced by:
  - i) Internal needs and
  - ii) FIRMS, which can activate Problem Recognition through marketing communications which highlight
    - (1)
    - (2)

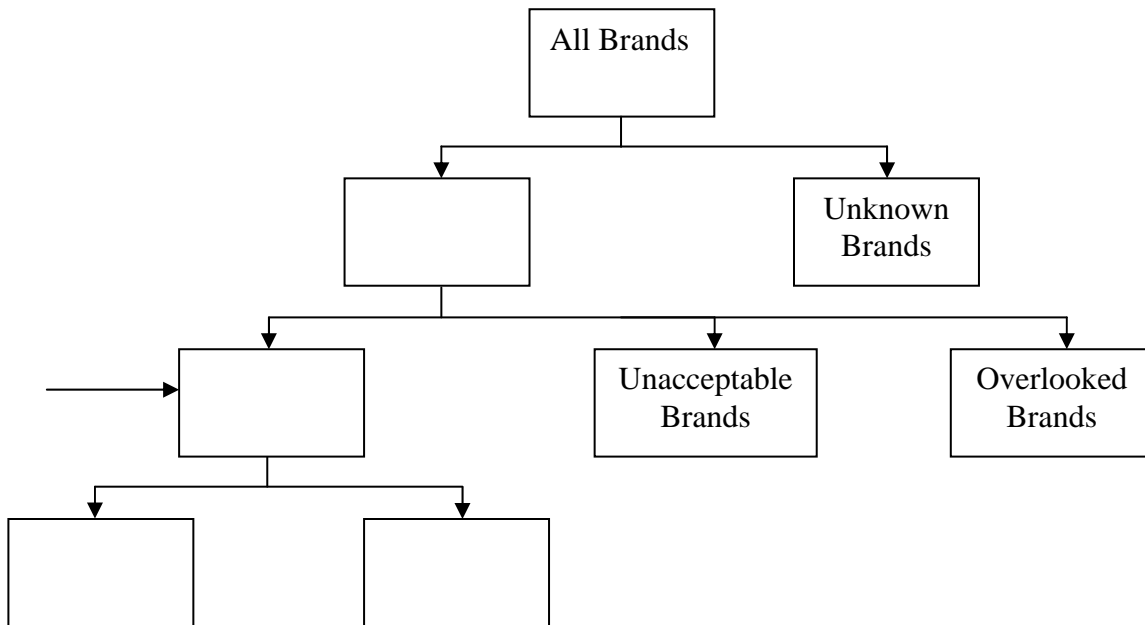
V) Purchase Decision Process Stages – Information Search

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

VI) Purchase Decision Process Stages – Alternative Evaluation

- a) HOW will the consumer \_\_\_\_\_
- 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 \_\_\_\_\_

- d) Consumers use their \_\_\_\_\_ to compare the alternatives in their CONSIDERATION SET (also called the \_\_\_\_\_ )
- e) Understanding the CONSIDERATION SET of brands
- i) Consumers' search should yield \_\_\_\_\_
  - 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 \_\_\_\_\_ and \_\_\_\_\_.
- b) The result is \_\_\_\_\_ 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 \_\_\_\_\_
  - 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:

#### 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

- a) Maslow's Hierarchy of Needs (see Figure 5-5, text page 123)
  - 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 pattern of traits 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 consumer decision making

XIII) Psychological Influences Consumer Decision Making – Perception

- a) Perception 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 "what" 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
- d) Selective Exposure
  - i) From the variety of communication available to them, people

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  - 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 “break through” barriers to perception!
- 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 80 percent of non-smokers believed the link between smoking and lung cancer was proven;
    - (2) yet only 52 percent of heavy smokers accepted the link!!
  - Example
- f) Selective Retention
  - i) People remember more accurately messages that are favorable to their \_\_\_\_\_ than messages that are unfavorable.
  - ii) People remember the good things and forget the bad. Selective retention thus reinforces one’s \_\_\_\_\_.
- g) Subliminal Perception???
- h) SO, consumers perceive marketing stimuli selectively because each individual is unique in the combination of his or her needs, attitudes, experiences, and personal characteristics.
  - i) AND, identical advertisements, packages, or products may be perceived very differently 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:
    - i) Financial Risk
    - ii) Physical Risk
    - iii) Performance Risk
    - iv) Psychosocial 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) Classical Conditioning
- ii) Operant Conditioning
- iii) Social Learning
- iv) Cognitive Learning

b) Brand Loyalty

- i)

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 \_\_\_\_\_

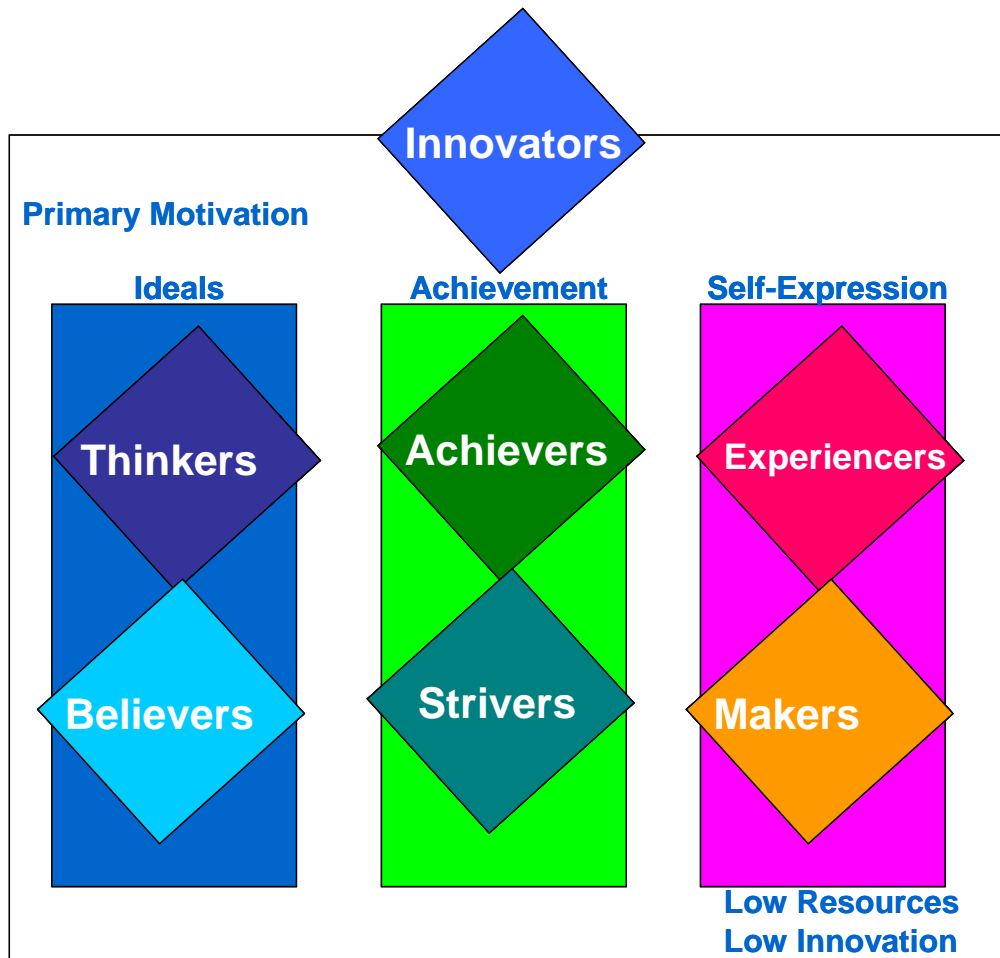
ii) Changing the Consumer's Perception of the Importance of the Brand's \_\_\_\_\_

iii) Adding New Product \_\_\_\_\_

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



XVIII) Influences on Consumers' Purchase Decisions – Sociocultural

a) Sociocultural Influences

- 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)

ii)

iii)

iv)

- You Lookin’ at Me?

c) Family

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 133).

(1) Roles in Family Decision Making

(a) Information Gatherer

- (b) Influencer
- (c) Decision Maker
- (d) Purchaser
- (e) User

iv) Marketers must know WHO 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 your personal values, 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:

XIX) Other influences

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

## 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) \_\_\_\_\_ include individuals and organizations that buy goods and services to:
    - i)
    - ii)
    - iii)
    - iv)
  - c) Six Components of the Business Market
    - i) Agriculture
    - ii) Resellers who buy and sell products in essentially the same form. However, they create various utilities for other businesses, including:
      - (1)
      - (2)
      - (3)
    - iii) Services, which are GROWING rapidly
    - iv) The Government
      - (1)
    - v) International Trade
  
    - vi) Non-for-profit Organizations
  - d) Muller on the Industries Timken serves
    - i) Growth for Timken
    - ii) Focused on Heavy Industries
      - (1)
      - (2)
      - (3)
      - (4)

(5)

iii) Where they can deliver value...and which are growing.

(1)

(2)

(3)

iv) Compared to Automotive, 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

b) Reseller markets

c) Government markets

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

a) North American Industry Classification System (NAICS)

<http://www.census.gov/epcd/www/naics.html>

b) North American Product Classification System (NAPCS)

<http://www.census.gov/eos/www/napcs/napcs.htm>

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)**

**(b)**

Intel Example:

ii) Elasticity of Demand

- (1) Inelastic Demand for many Industries
- (2) 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

- (3) Demand can be more elastic
  - (a) For a single firm, which changes price
  - (b) In the long run
  - (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  
\_\_\_\_\_
  - iv) Plus, they are \_\_\_\_\_

- c) Organizational Buying Objectives
  - i) **Businesses buy from other businesses to help them achieve their objectives, such as:**
    - (1)
    - (2)
    - (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) It's Importance

(1) Firms MUST \_\_\_\_\_  
\_\_\_\_\_ because:

(a) Companies are making less and buying more from suppliers

(b) Firms cannot tolerate defective parts or supplies

(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) Straight Rebuy
  - ii) Modified Rebuy
  - iii) New Buy
  - iv) See Figure 6-3, text page 153, 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 155),
  - (1) Problem Recognition
  - (2) Information Search
  - (3) Alternative Evaluation
  - (4) Purchase Decision
  - (5) Postpurchase Behavior
- vi) The Hershey’s Example:

## V) ONLINE BUYING IN ORGANIZATIONAL MARKETS

- i) Prominence of Online Buying in Organizational Markets
- ii) E-marketplaces
  - (1) Online Auctions in Organizational Markets

## 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 the nature of Comparative Advantage
      1. Some countries have unique national or human resources that give them a competitive edge, internationally
    - iv. Market Saturation
    - v. Potential Demand
    - vi. Customer Expectations
  - b. What does it mean to US?
    - i. Balance of Trade
      1. The difference between the monetary value of a nation's exports and imports
      2. US Balance of Trade....
    - ii. Impact of the DHL (Germany) decision for Ohio
    - iii. 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
        - a. Examples:

4. AND, the question for OUR FIRM \_\_\_\_\_  
\_\_\_\_\_

ii. Demand Conditions

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

4. AND, the question for OUR FIRM \_\_\_\_\_  
\_\_\_\_\_

iii. Related and Supporting Industries

1. Existence of Supplier Clusters
  - a. Examples
2. AND, the question for OUR FIRM:

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:

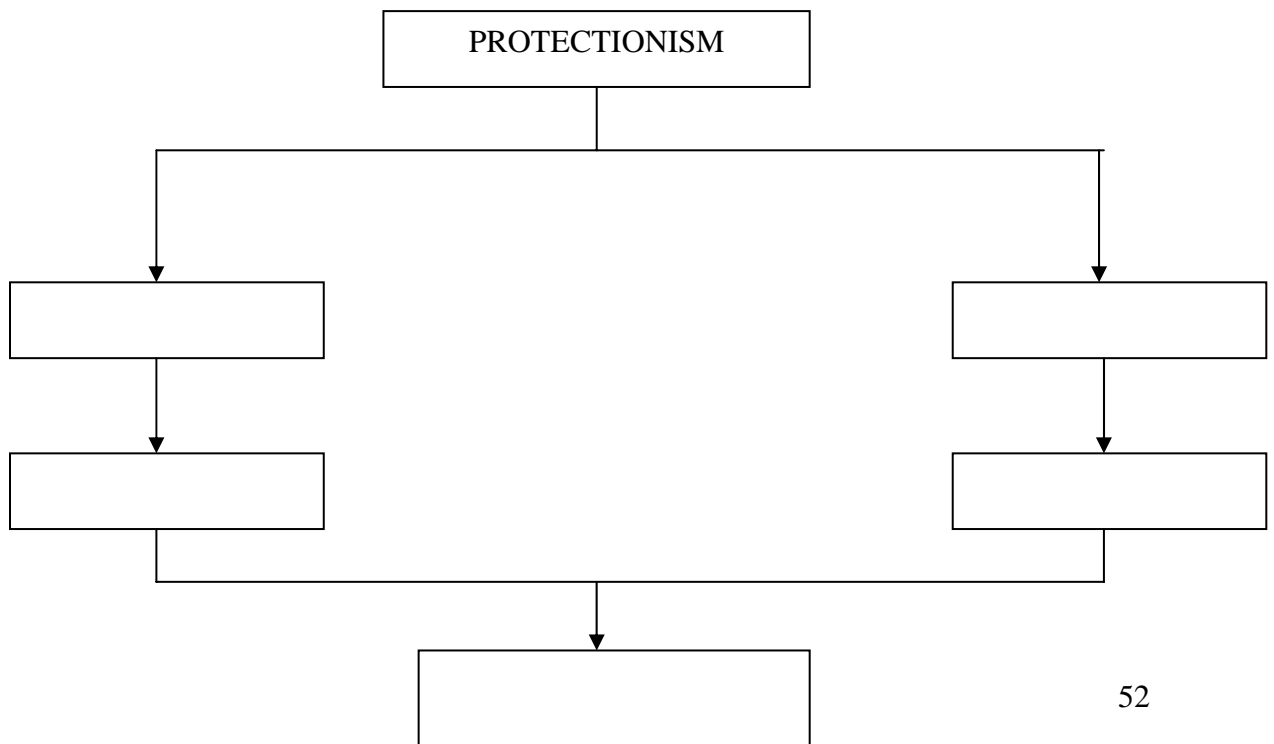
b. CONCLUSION:

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. Today we have 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."
  - iv. America's economy, over the past few decades, has proved that openness coupled with 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 40 percent.
  - vi. Protectionism in World Trade



vii. General Agreement on Tariffs and Trade (GATT)

- 1.
- 2.
- 3.

viii. World Trade Organization (WTO) Goals:

1. Trade Without Discrimination  
(Exceptions: e.g., Regional Trade Agreements)
2. Predictable and Growing Access to Markets (Example: binding tariffs)
3. Promoting Fair Competition
4. Encouraging Development and Economic Reform (Over 3/4 of its members are developing countries)
5. Patrick Low – Chief Economist WTO

- a. The WTO is an
- b. Including nations.
- c. The WTO needs to get
- d. Regional Trade Agreements have exploded and the are a challenge to trade without
- e. The WTO agreements create an environment of
- f. They seek to create in trade.

6. An aside...how many countries ARE there in the world today?

b. Trend 2 – A Rise of Economic Integration

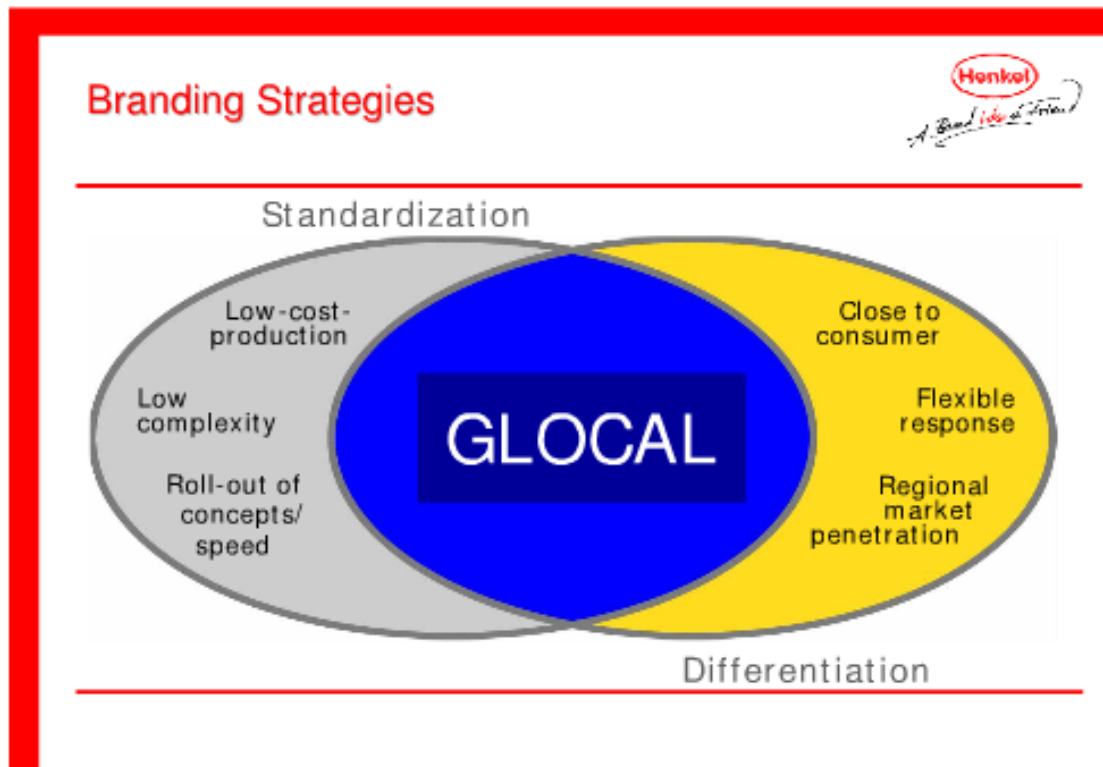
i. European Union

1. Consisting of

- 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. 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 in Services
- 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



#### 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

b. Ethnocentrism -- The belief that one's culture is superior to all others.

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:

V. Global Market Entry Strategies

- a. Exporting
  - i. Indirect Exporting
  - ii. Direct Exporting
- b. Licensing
  - i. Contract Manufacturing
  - ii. Contract Assembly
  - iii. Franchising
- c. Joint Venture
- d. Direct Investment
- e. Global Market Entry Strategies

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



i. Examples

1. \_\_\_\_\_ Licensing

2. \_\_\_\_\_ Strategic Alliance

3. \_\_\_\_\_ Multinational

VI. Product Strategies

a. Product Extension -- No change

b. Product Adaptation -- Modification

- c. Product Invention – Entirely NEW

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 7-7, textbook page 189)

		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

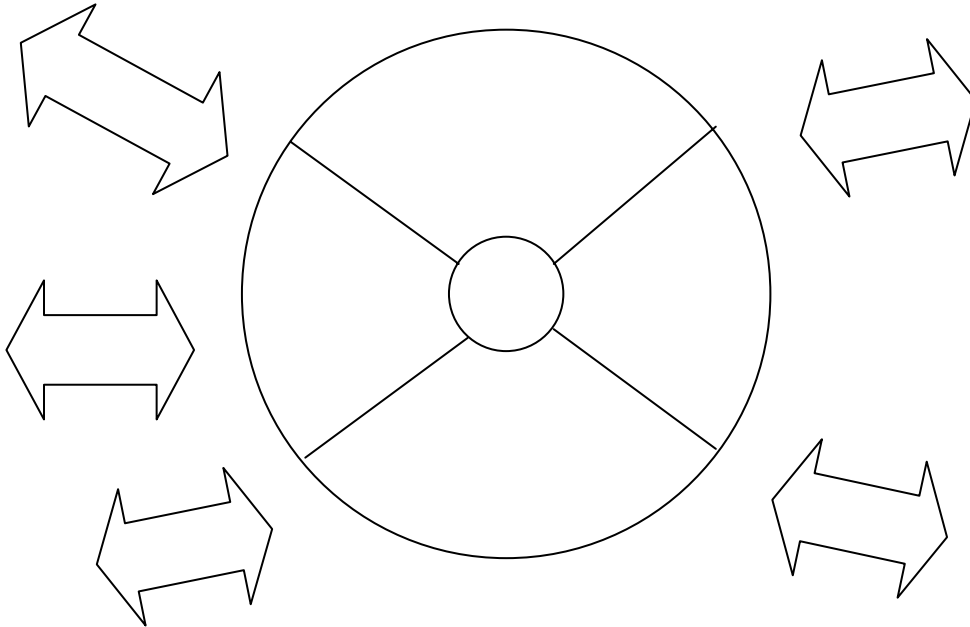
X. Muller – Understanding Cultural Difference in Pricing

- i.
- ii.
- iii.
- iv.
- v.

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

### I. The Role of Marketing Research

a) Important Factors that Marketers NEED information about:



### 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)

(2)

(3)

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

### III. Marketing Research/Program Failures

a) Apple Newton

- b) Sega Dreamcast
- c) Sony
  - i) Betamax lost to
  - ii) Digital Audio Tape (DAT)
  - iii) E-Books
- d) Microsoft
  - i) BOB
  - ii) Webtv

#### 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 UNDERSTAND the issues better (Exploratory Research)
    - (2) To understand the RELATIONSHIPS better (Descriptive Research)
    - (3) To determine how to AFFECT 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?

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

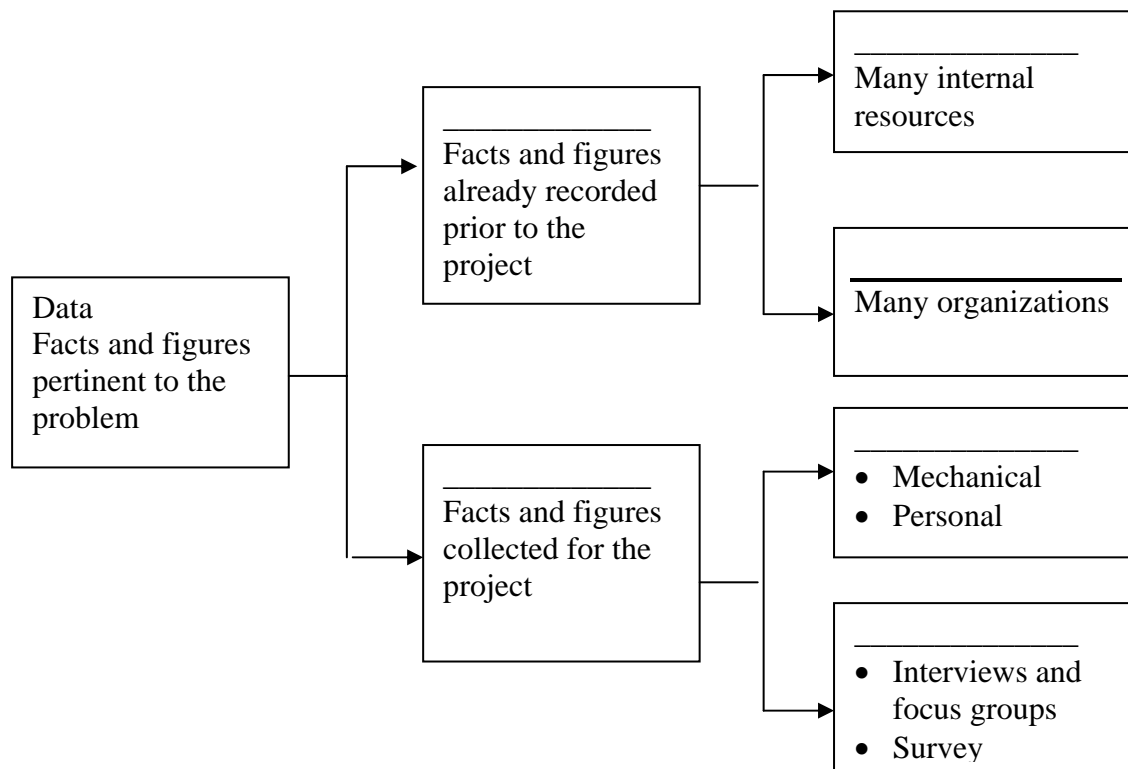
- VIACOM's crown jewel is MTV earning \_\_\_\_\_ in profits
  - MTV's Problem – \_\_\_\_\_
    - No longer seen as cool or creative
  - MTV's Objectives:
    - How to get closer to the audience
    - How to learn what kids want and get closer to them
  - The "data plan"-- Immerse themselves in \_\_\_\_\_
    - 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
- iii) Determine \_\_\_\_\_
- (1) Sampling
    - (a) Probability Sampling (i.e., Random Sampling)
    - (b) Nonprobability Sampling
    - (c) Ability to make statistical inferences

c) Step 3: Collect Relevant Information

- i) Types of Data  
(1) Secondary Data

(2) Primary Data

Figure 8-3, Types of Marketing Information (text page, 204)



V. Muller on Marketing Research at Timken

- Timken does Marketing Research “both ways” (using internal marketing managers)
- They use research to understand their market and find
- Outside firms for really big jobs
  - e.g. Wind Energy Market
- Faster, Global
- Results suggest future role for Timken

VI. Secondary Data

a) Advantages

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



## IX. Primary Data

- a) \_\_\_\_\_
  - i) Observational Data
    - (1) Nielsen
    - (2) TIVO
    - (3) Web Cookies
- b) \_\_\_\_\_
  - i) Mystery Shopper
  - ii) Videotaping
  - iii) Ethnographic Research
    - (1) MTV visits teens
    - (2) "The Merchants of Cool"
- 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
  - ii) Closed-ended or Fixed Alternative
  - iii) Dichotomous
  - iv) Semantic Differential
  - v) Likert Scale
  - vi) All can be useful; the format needs to match the goal.
  - vii) Writing the question can be an "art" that critically influences the result!!
- 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 \_\_\_\_\_, \_\_\_\_\_ 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, its 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) 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

## Chapter 9 -- Segmenting, Positioning, and Forecasting Markets

### I. The Dunkin' Donuts Case for Segmentation

#### a) History

- i) Started by Bill Rosenberg in Quincy MA in 1950
- ii) Started Franchising in 1955
- iii) By 1979 there were over 1,000 stores in the NE USA.

#### b) Challenges

- i) Starbucks grew and consumers developed a preference for espresso coffee
- ii) Krispie Kreme went public with 150 stores and lots of media attention

#### c) Can they all survive? Do they all serve the same "segment?"

- i) Krispie Kreme was viewed as a destination visit and a dietary splurge
- ii) Starbucks was viewed as an upscale "hangout"
- iii) Dunkin' Donuts was seen as being good for speed and convenience

#### d) Dunkin' Donuts faces the "classic marketing challenge" of:

- i) Defining its \_\_\_\_\_
- ii) Selecting \_\_\_\_\_
- iii) Deciding what features, price, and promotion will be most effective!
  - (1) They decided to go with a strategy of "speed and price" to be the faster, cheaper, user-friendlier alternative to Starbucks.

### II. Markets

#### a) \_\_\_\_\_ -- Groups of customers with different wants, buying preferences or product-use behavior

- i) For example, vacationing:
  - (1)
  - (2)
  - (3)

#### b) \_\_\_\_\_ – A market segment for which the seller designs a marketing mix

#### c) Market Segmentation – The PROCESS of identifying and describing POTENTIAL 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) Dividing the total market for a good or service into several smaller, internally homogenous groups.
  - i) Members of each group are similar with respect to the factors that influence demand
    - (1) For example:
      - (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) \_\_\_\_\_
  - i) Market research is used to explore this with CURRENT and POTENTIAL consumers
  - ii) Wristwatch Example:
    - (1)
    - (2)
    - (3)
    - (4)

Examples:

- 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:

- 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 URGENT is their need (how dissatisfied are they with their current options)?
  - iii) How STRONG is the existing competition?
  - iv) FORECASTS can help to determine which segments are worth pursuing!
    - Note: See the textbook 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 \_\_\_\_\_ and we can \_\_\_\_\_ data about the segment

Example:

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

- c) Is the segment \_\_\_\_\_ to be profitable for us

i)

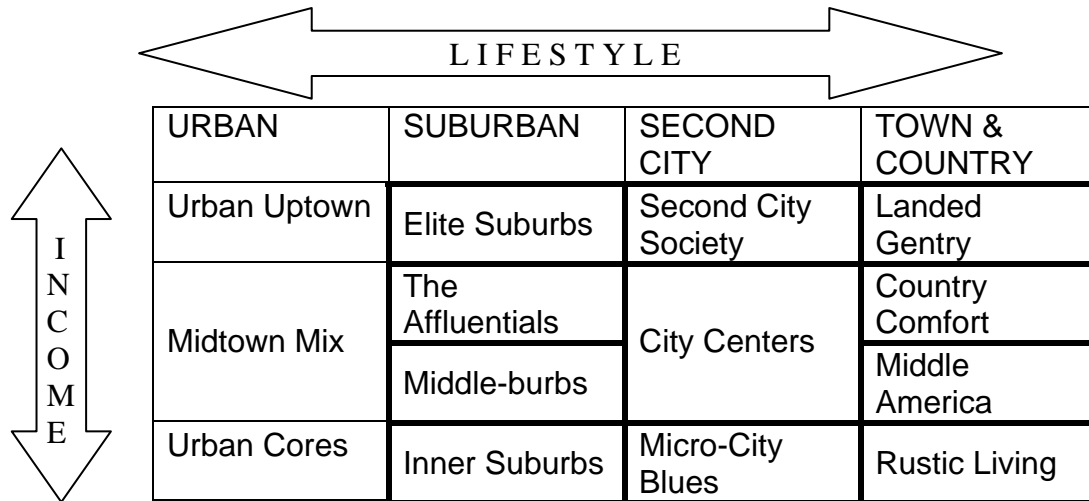
ii)

iii) Mass Customization – Treat each customer as a \_\_\_\_\_

Examples:

## VI. Market Segmentation – Grouping Buyers into Segments

- a) Customer's reason for \_\_\_\_\_?
  - i) \_\_\_\_\_ -- For personal use = Final Consumer
  - ii) \_\_\_\_\_ -- To use in the organization, to resell, or to make other products
    - (1) Felber on Market Segmentation at Felber & Felber
      - (a) Felber & Felber has focused on the Manufacturing 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
    - iii) However, while useful, this is too broad
- b) Bases for Segmenting Consumer Markets
  - 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., VALS)
  - iv) Behavioral segmentation (Benefits desired, usage rates)
  - v) Examples:
    - (1) \_\_\_\_\_ (by Age )
  
    - (2) \_\_\_\_\_ Segmentation
      - (a) As the American population becomes more diverse and affluent, demographic researchers are changing the way they define segments of American society.
      - (b) The marketing research firm \_\_\_\_\_ 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.

USA Today – Who We Are: Redefining our demographics

<http://www.usatoday.com/news/graphics/whoweare/flash.htm>

<http://www.claritas.com/MyBestSegments/Default.jsp>

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

### (3) Behavioral Segmentation

(a) An “ideal” approach, but often hard to measure

(i) Example:

(ii) Example:

### (4) Usage Rate

(a) Non-users

(b) Light users, medium users, heavy users

(i) Example:

VII. "Traditional" Target Market Strategies

a) \_\_\_\_\_ (mass-market, undifferentiated market, one size fits all)

i) A \_\_\_\_\_ to all consumers – VERY UNCOMMON "shotgun" approach

ii) Potential Advantages;

(1)

(2)

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

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) C&H sugar example:

c) Single-Segment Strategy (\_\_\_\_\_)

i) Create a single marketing mix which targets a single, well defined group

ii) Adopted as a 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 “targeted” marketing mix.

ii) Advantages:

(1)

(2)

iii) Disadvantages:

(1)

(2)

(3)

(4)

Examples: Gap

Levi's

e) Example: 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. Bayer Consumer Products Example  
([http://www.consumercare.bayer.com/index\\_en.html](http://www.consumercare.bayer.com/index_en.html))
- 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) 5 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)

[http://www.bayerhealthcare.com/scripts/pages/en/company/profile/divisions/consumer\\_care/index.php](http://www.bayerhealthcare.com/scripts/pages/en/company/profile/divisions/consumer_care/index.php)

(3) 2 Segments WITHIN Aspirin

- (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 DESIRABILITY of the segments.

- b) Compatibility with the company's goals
  - i) Example:
- c) A good MATCH with the company's resources
  - i) Example:
- d) Expected PROFITS that justify the investment
  - i) The segment is \_\_\_\_\_
  - ii) The segments is expected to \_\_\_\_\_
  - iii) We can reach the segment at a \_\_\_\_\_
  - (1) Example:
- e) Competitors are \_\_\_\_\_

#### IX. Positioning the Product

- a) Creating and maintaining in the minds of target market consumers a particular image relative to competing products
  - i) Example:
- b) Consumers often form mental "\_\_\_\_\_ "for brands that will simplify their decision making – OUR " \_\_\_\_\_ " in their mind is of critical importance!
- c) Three steps to Positioning a product
  - i) Select a \_\_\_\_\_
  - ii) Design the \_\_\_\_\_ that conveys the position
  - iii) Coordinate ALL \_\_\_\_\_ to convey the position to the target consumers

Example:

- d) The Perceptual Map as a product positioning tool
  - i) Analyze the Map and select the positioning concept
  - ii) Design the dimension or the product feature that most effectively conveys the position

- iii) 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.

#### 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

- 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
  - i) NOTE: It would be simplistic to look at these platforms as independent and exclusive. Many brands can (and do) span more than one platform.

## Chapter 10 -- Developing New Products and Services

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

Examples:

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

a) Price Waterhouse Coopers

b) Imaginatik – Idea Central

### III. Understanding the terms

a) What is a “product”?

i) A set of

ii) May be a

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

iv) And is exchanged for

b) The “Total Product”

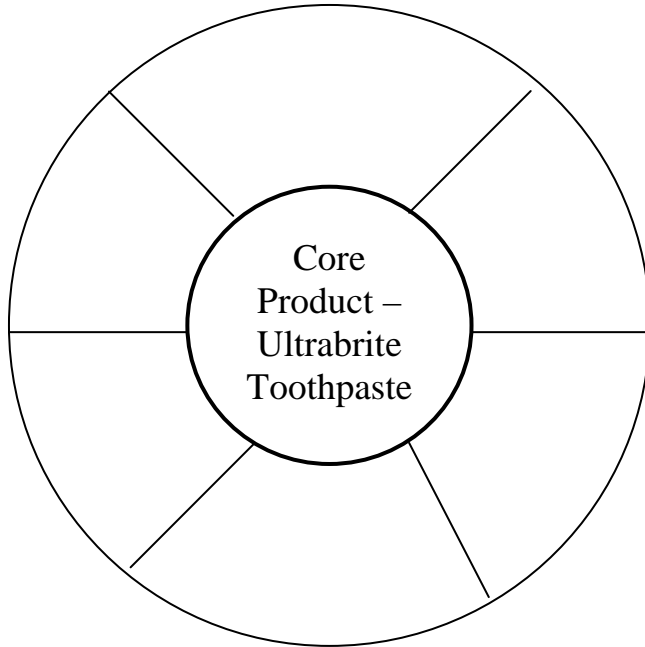
i) A Broad spectrum [bundle] of tangible and intangible benefits

ii) Primary Characteristics:

(1)

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

(1) Example: Ultrabrite Advanced Whitening Toothpaste



### III. Understanding the terms

#### c) Product Line

- i) A group of closely related products that satisfy
  - (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.

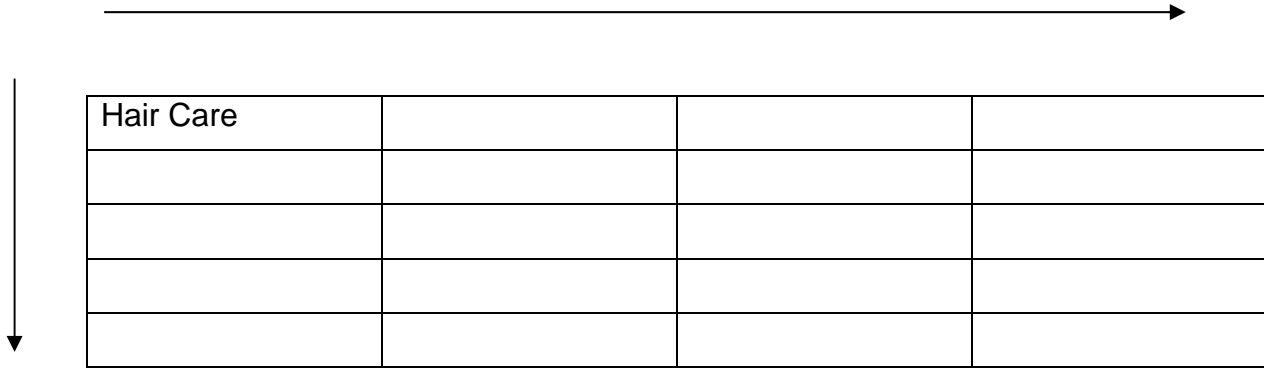
#### (1) Consumer Product Lines:

- (a) Household Deodorizers
- (b) Household Cleaners
- (c) Oral Care Products
- (d) Laundry Products
- (e) Pet Care Products
- (f) Personal Care Products
- (g) Arm & Hammer Baking Soda
- (h) Deodorant & Anti-Perspirants

#### d) Product Mix

- i) The number of product lines 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 each line
- #### g) Consistency of Product Mix
- i) How similar are our product lines?

ii) PRODUCT MIX EXAMPLE:



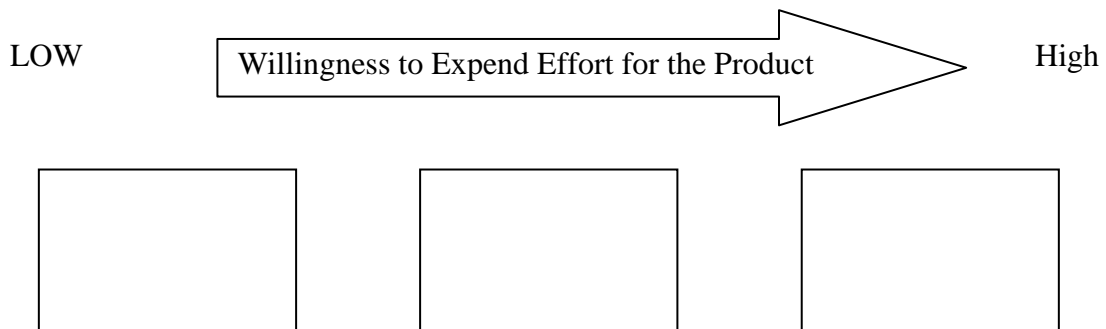
Hair Care			

IV. Classifying Products

a) Consumer Goods

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

iii) Based on CONSUMER'S Interest



iv) CONVENIENCE PRODUCTS

(1) Characteristics:

- (a) Relatively Inexpensive
- (b) Purchase is regular and recurring
- (c) Little Thinking Involved
- (d) Minimal Shopping Effort
- (e) Bought a most convenient location
- (f) "Staple" products, like groceries, and
- (g) Impulse purchases (candy bar?)

(2) STRATEGY:

- (a) Make available in every possible place
- (b) Must be visible inside the store
- (c) Distribution is a major marketing mix factor
- (d) Easy substitution by similar brands (consumer will accept another brand)
- (e) Extensive advertising is used

v) Shopping Products

(1) CHARACTERISTICS:

- (a) Product comparisons occur
- (b) Consumer seek information
- (c) Decisions are based on thought
- (d) Relatively higher prices
- (e) Often technology or fashion oriented
- (f) Monetary & social risks
- (g) Brand loyalty may be found

(2) STRATEGY:

- (a) Selective distribution
- (b) Consumers will seek products in less visible locations
- (c) Product attributes and Quality are important
- (d) Product differentiation is possible

vi) Specialty Products

(1) CHARACTERISTICS:

- (a) Substitutes are not accepted

- (b) Infrequently purchased
- (c) Extensive Search
- (d) Brand loyalty may be strong
- (e) Loyalty to retailer may be as important as brand selection
- (f) May travel great distances to acquire

(2) STRATEGY:

- (a) Limited distribution
- (b) Consumers will seek products regardless of location
- (c) Extensive product and price differentiation
- (d) Strong brand image

vii) Unsought Products

(1) CHARACTERISTICS:

- (a) Consumer does not know about or does not want the product (initially)
- (b) Interest is likely caused by a “sudden or unexpected problem” (rain = umbrella; death = funeral plot)
- (c) The consumer is not likely to be loyal and will accept substitutes

(2) STRATEGY:

- (a) Limited distribution
- (b) Need to advertise so consumers are aware when the need arises
- (c) May require persistent and aggressive advertising and selling approach

Example: Segmented based on Consumer Markets

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 new products
- b) The continuous improvement of existing products
- 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.

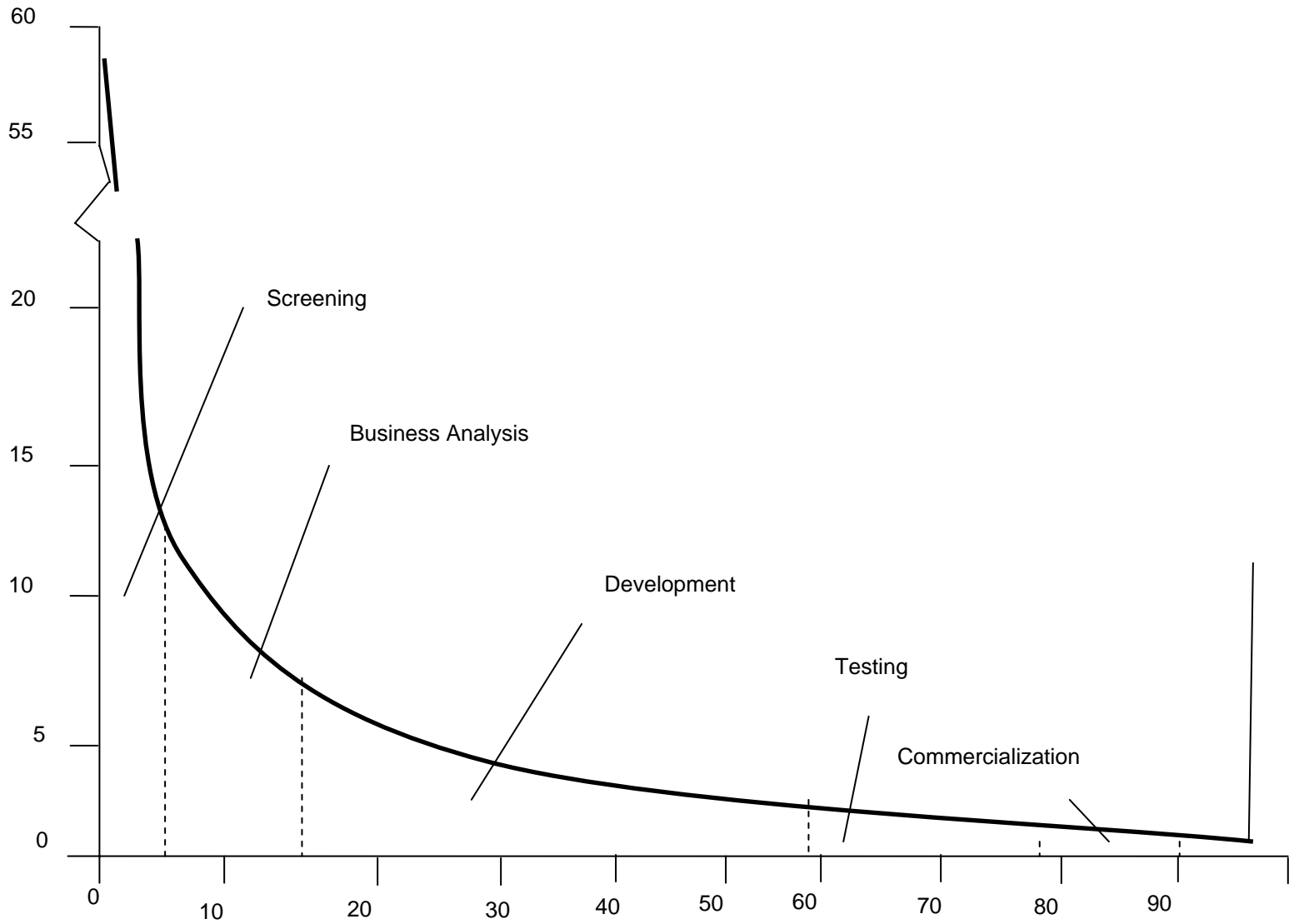
(d) At Whirlpool, sales from new product ideas less than 5 years old were less than \$30 million; today they are more than \$1.2 billion!!

## 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 extensions
    - (1) Diversification into an established market for an existing product--  
BUT, \_\_\_\_\_
  - iii) Product line extensions
    - (1) Additions to existing product lines
- d) Consumer Perspective:
  - i) Continuous innovations
    - (1) Variations of existing products
    - (2) No behavior changes or new learning
  - ii) Dynamically continuous innovations
    - (1) Improvement of existing products
    - (2) Minor behavior changes, some new learning
  - iii) Discontinuous innovations
    - (1) New function
    - (2) Major behavior changes and education needed

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

## Number of New Ideas



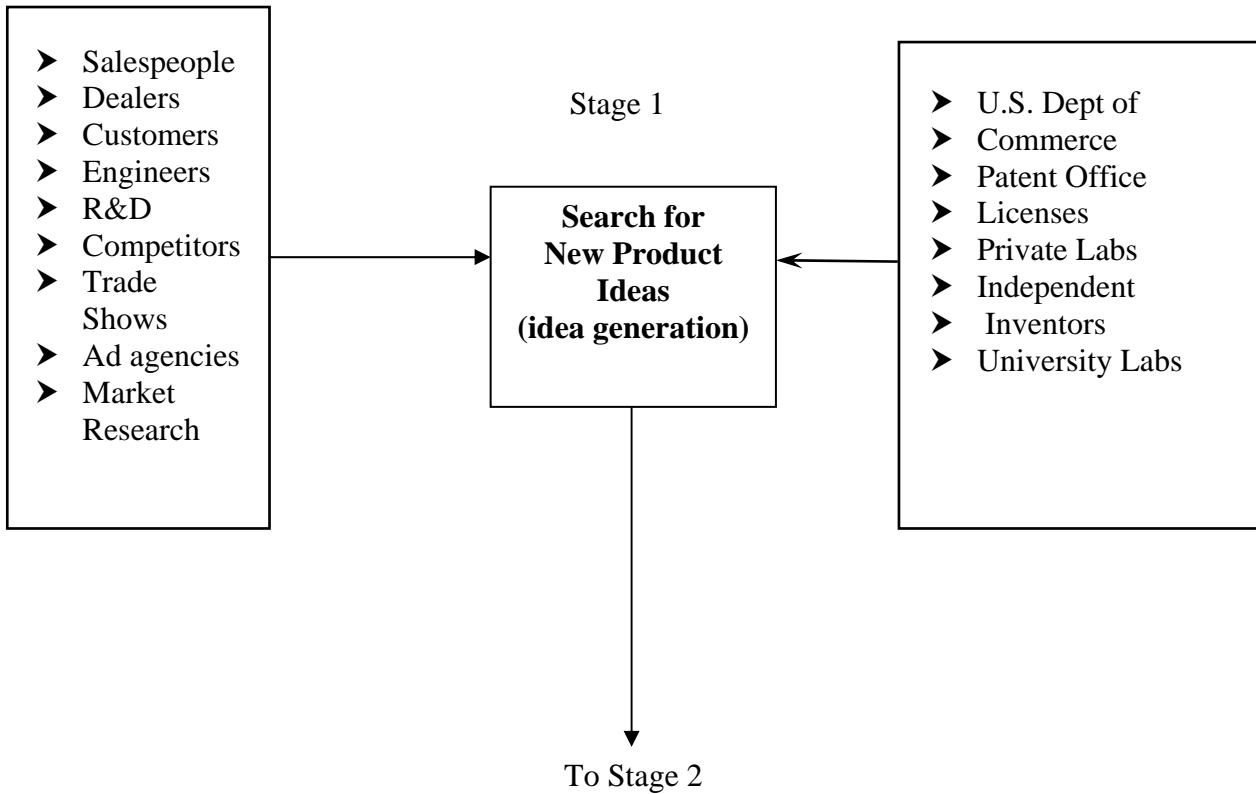
Adapted from Booz, Allen, and Hamilton 1965

### VIII. Characteristics of Success for a New Product

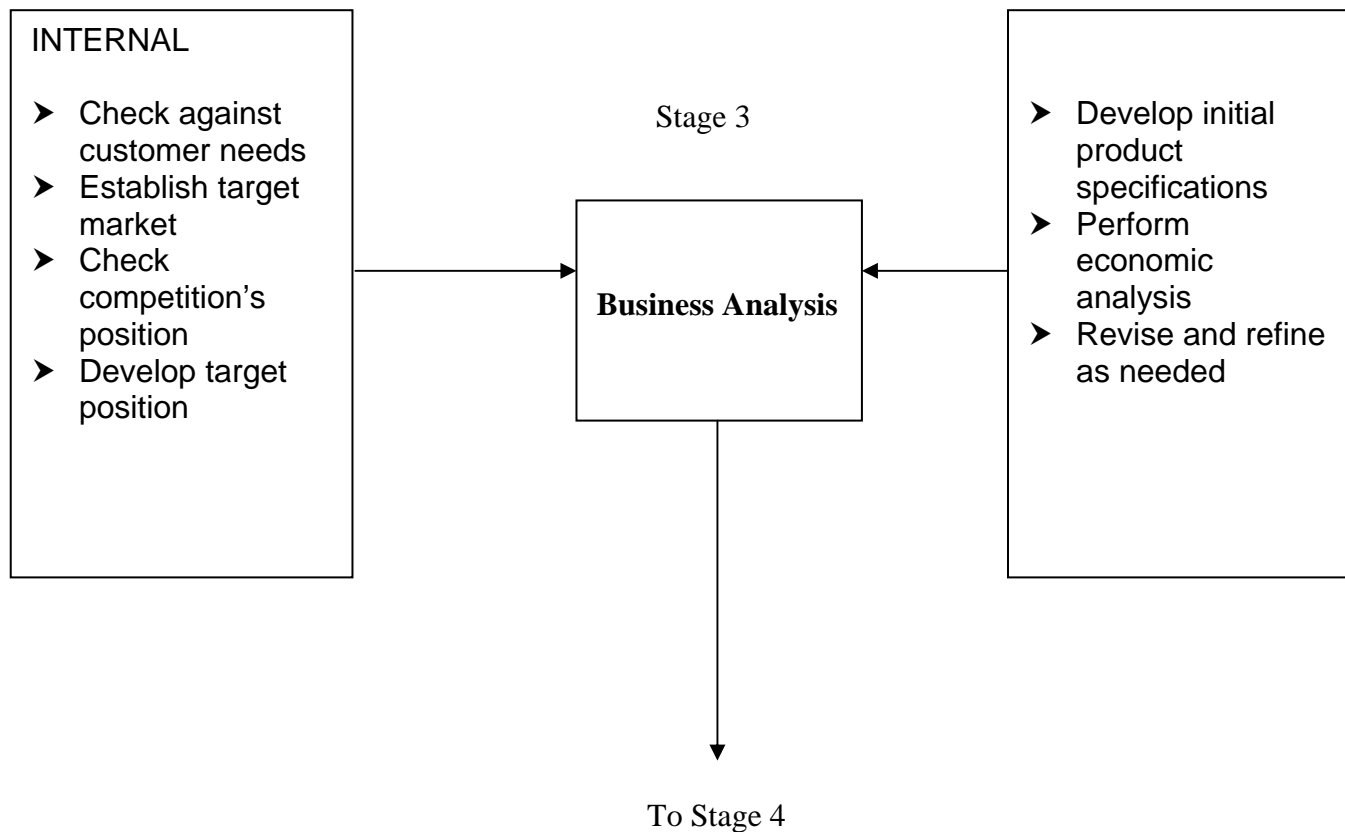
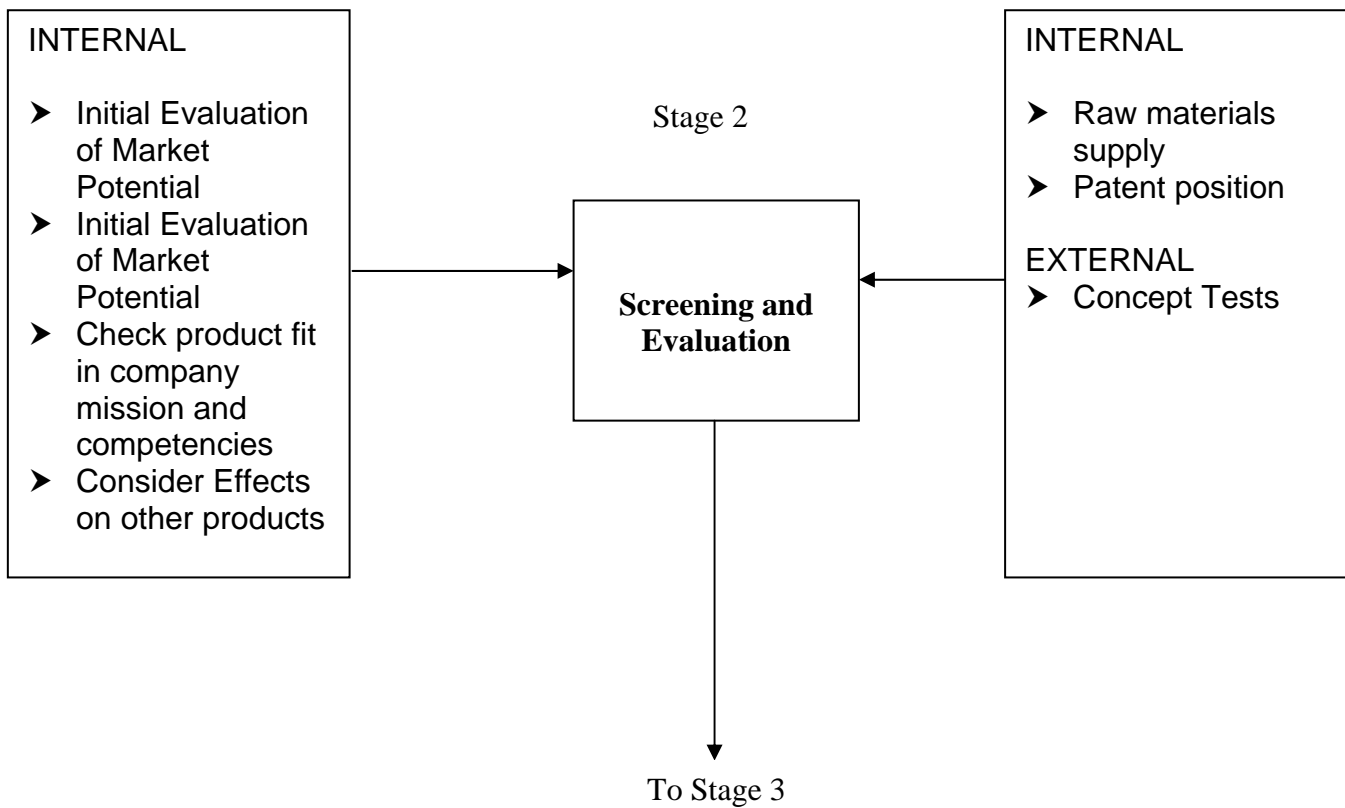
- a) \_\_\_\_\_
  - i) An enhanced bundle of benefits
- b) \_\_\_\_\_
  - i) Similar usage or consumption, patterns, and values
- c) \_\_\_\_\_
  - i) Opportunity for buyer testing through sampling or divisibility
- d) \_\_\_\_\_
  - i) Buyers see the newness

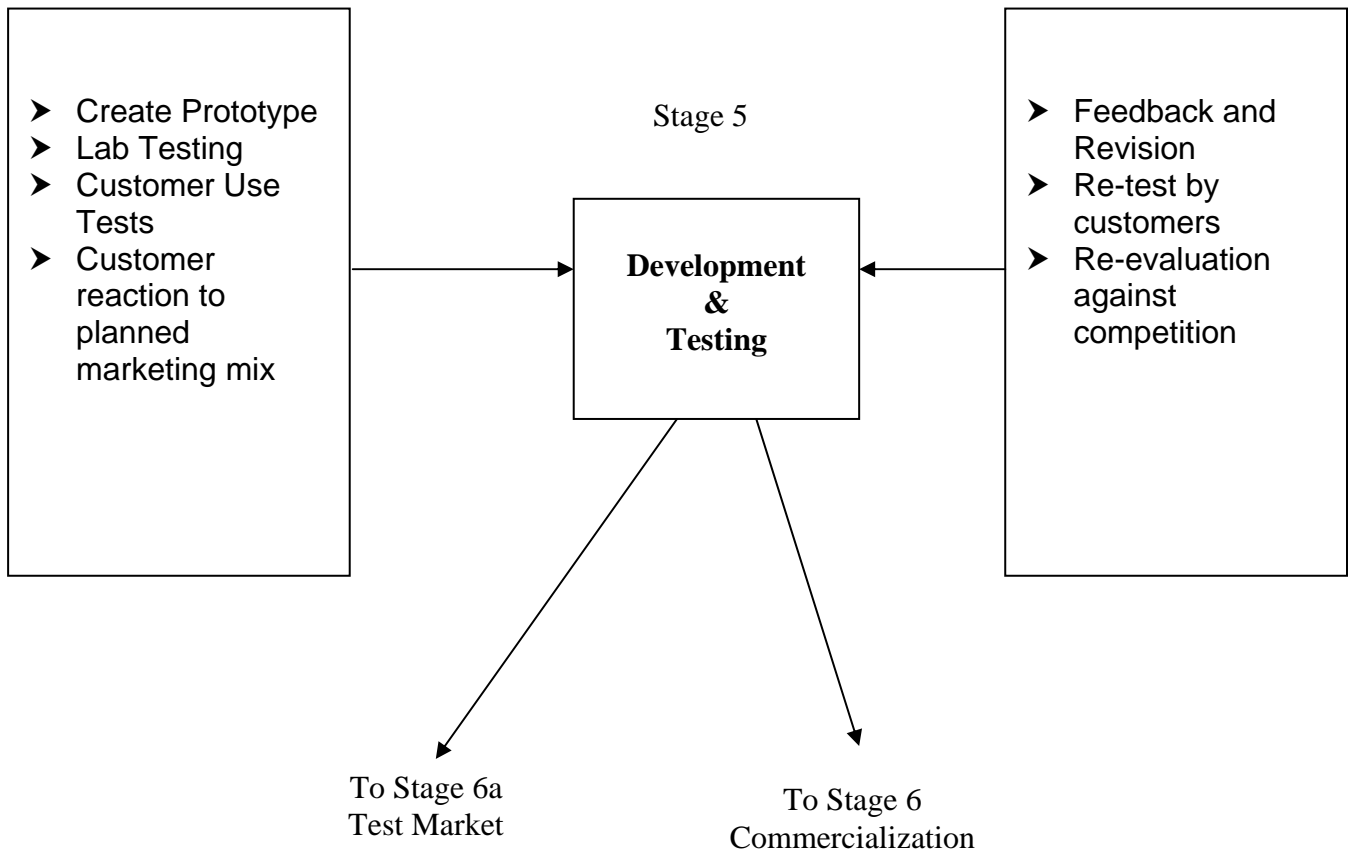
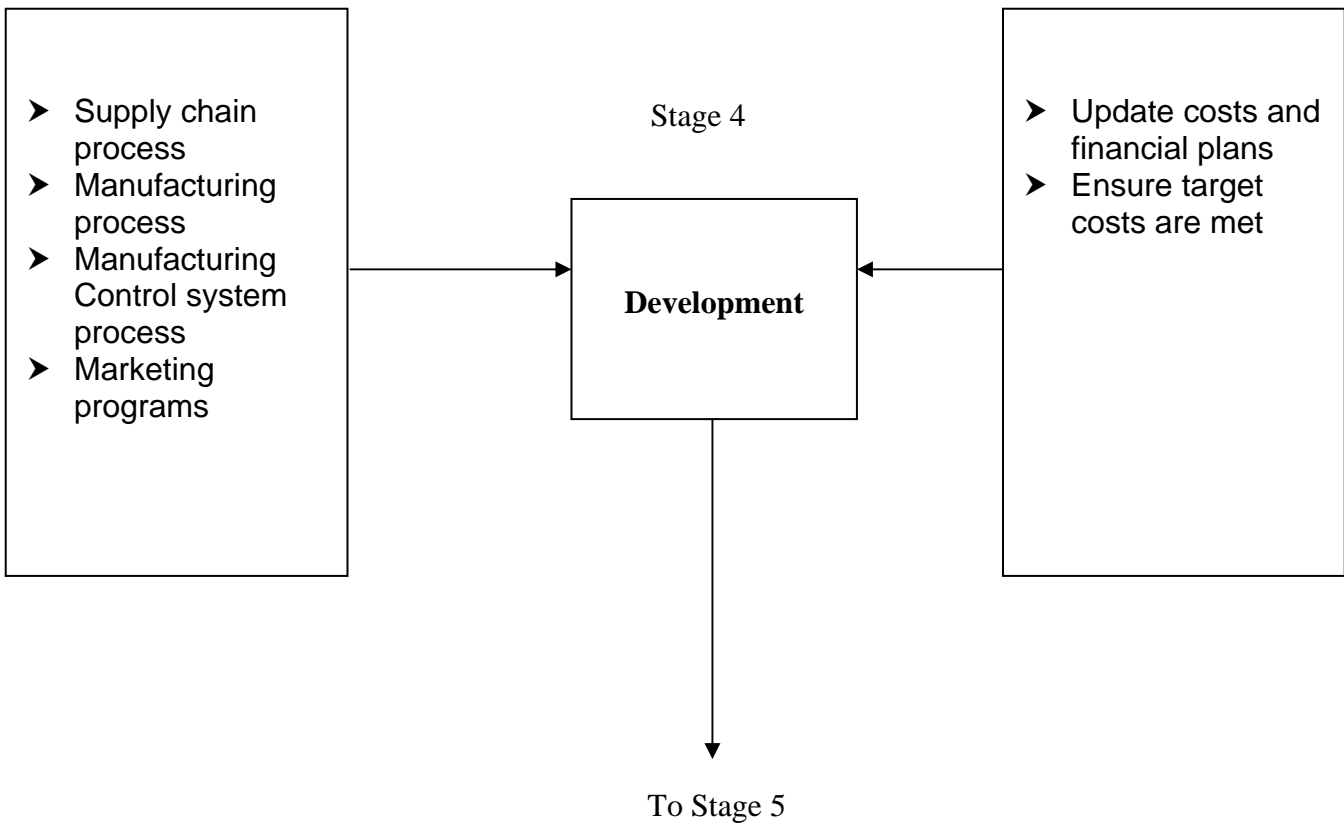
- e) \_\_\_\_\_
- i) Complexity is a disadvantage which slows diffusion
- f) A good marketing mix, well executed
- g)

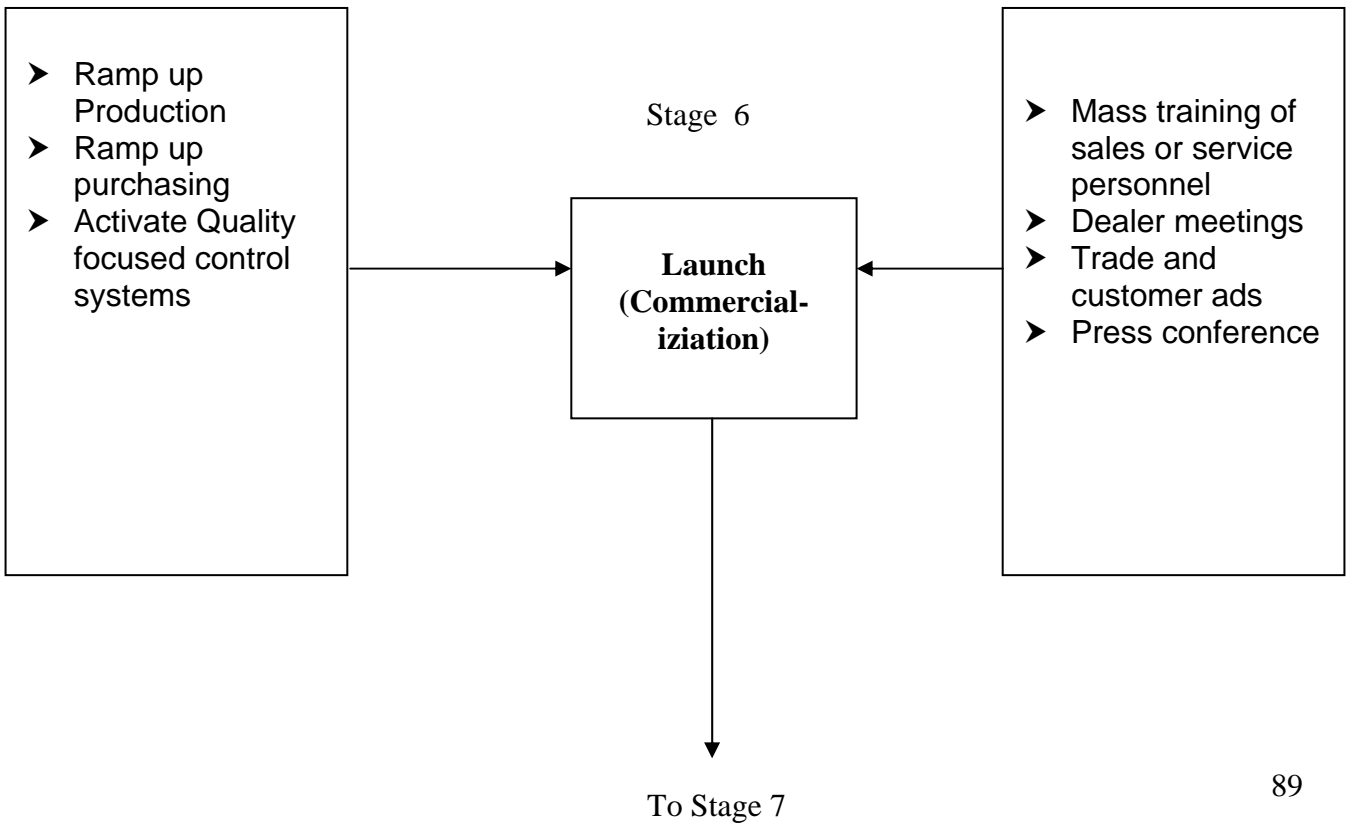
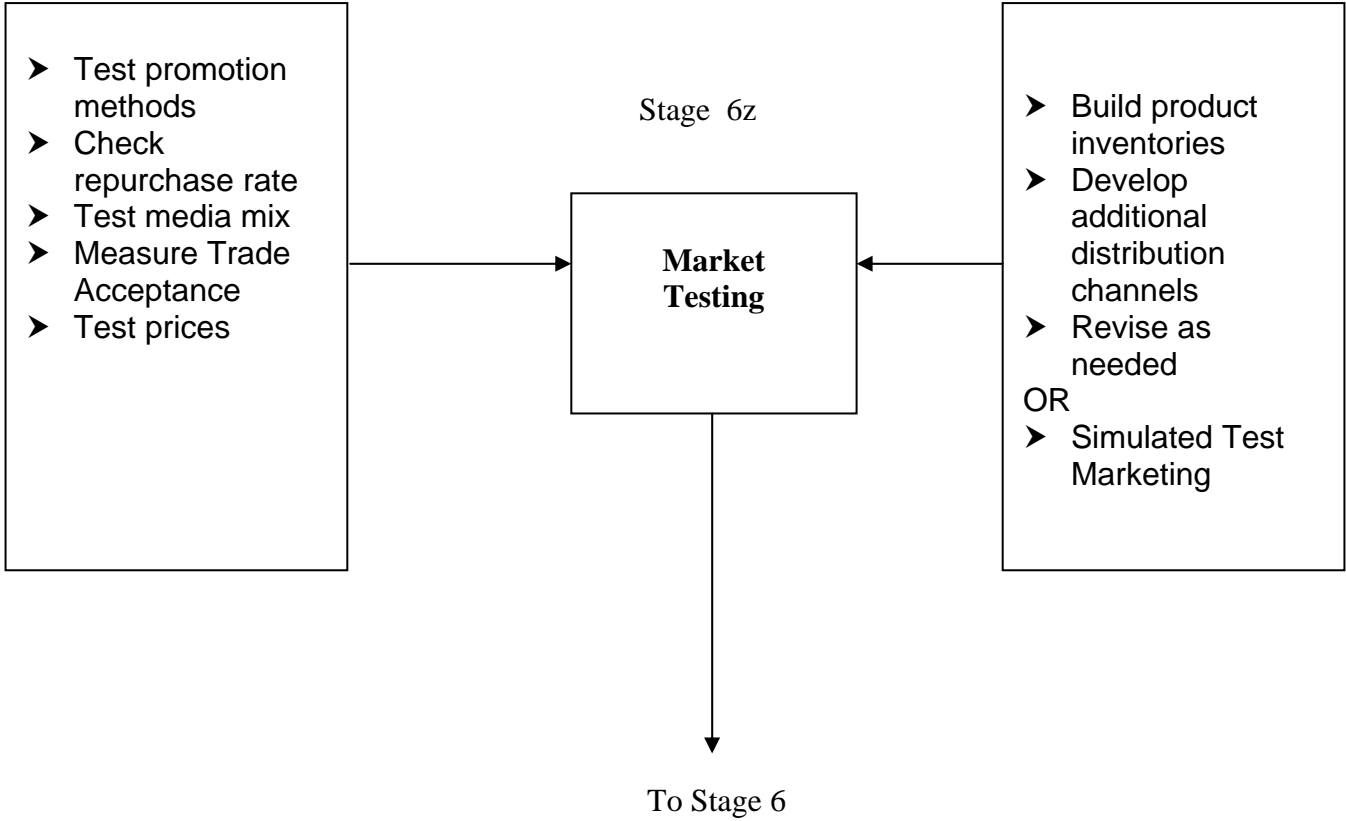
IX. Stages in the New-Product Development Process

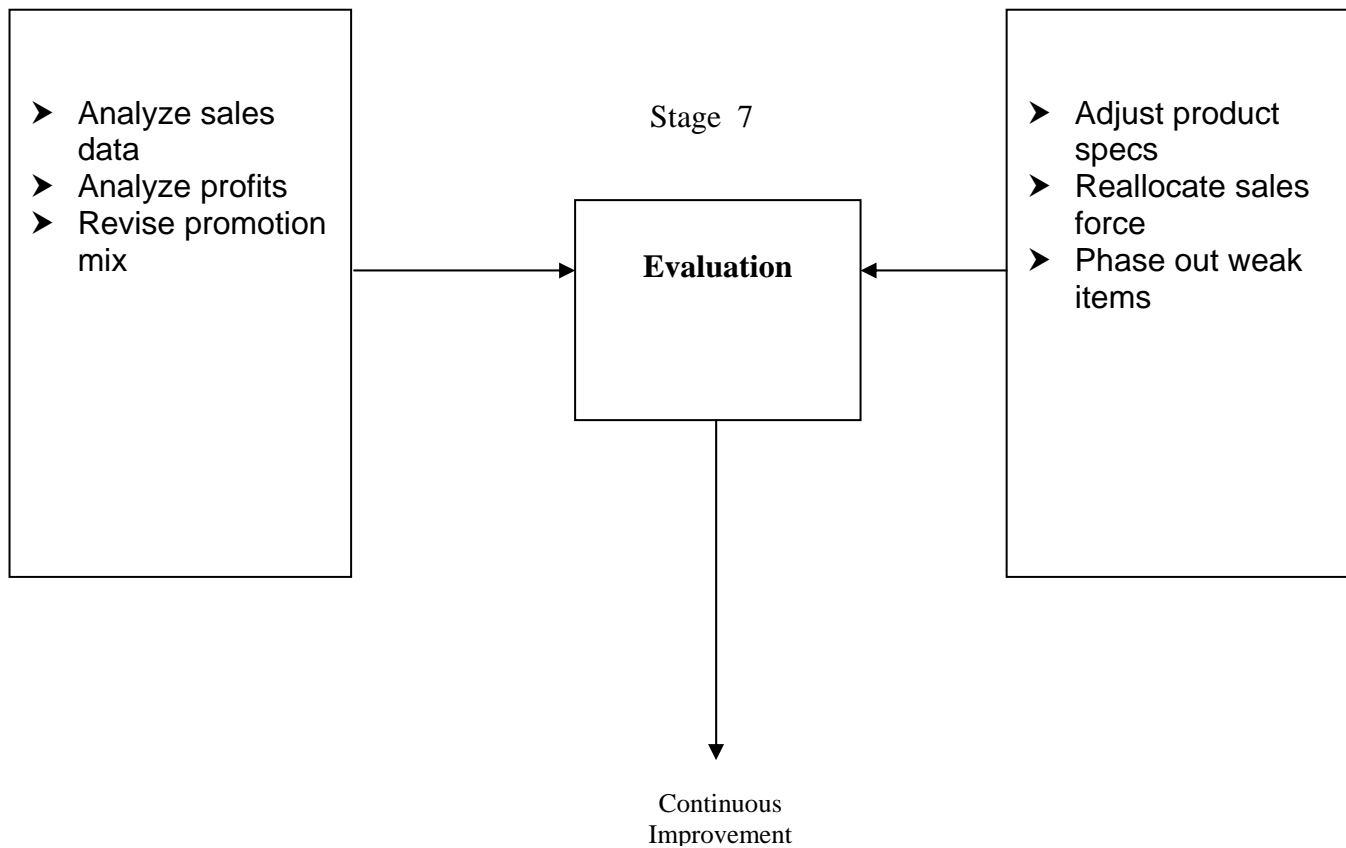


Fred Hunt on a New Product Idea for at Sherman-Williams









#### X. Why New Products Fail

- a) No Competitive Advantage
- b) Competitive Reaction
- c) Badly Positioned
- d) Poor Quality
- e) Does Not Deliver Promised Benefits
- f) Too Little Marketing Support (SYNERGY!)
- g) Low Perceived Value
- 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
  - l) Rapid Change in the Marketing Environment

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

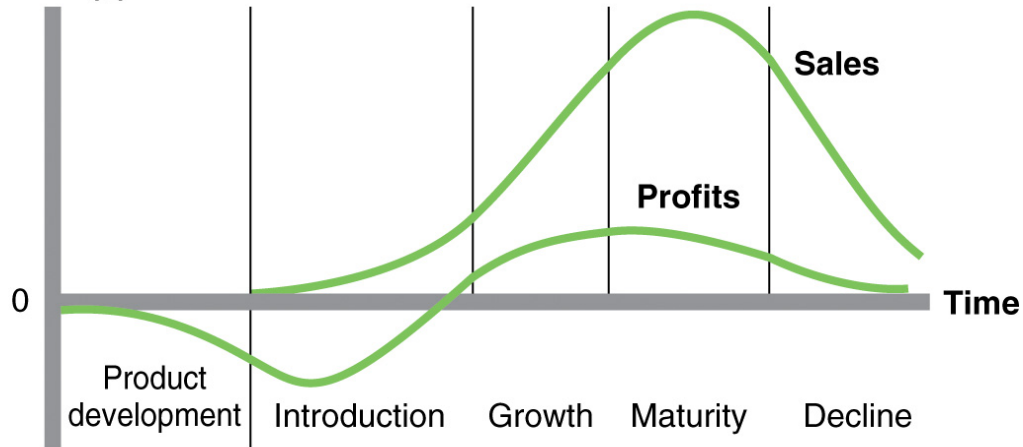
- Thinking about research and sample size...
  - <http://www.robertniles.com/stats/sample.shtml>

## Chapter 11 -- Managing Products and Services

- I. Introduction – “As the cycle turns...”
  - a) Kodak Example
    - i) New Kodak Strategy: Just Pictures (May 4, 1994)
      - (1) Kodak to sell:
        - (a) Sterling Winthrop Inc
          - (i) pharmaceuticals and over-the-counter drugs
        - (b) L&F Products
          - (i) Lysol and other home and personal-care products
        - (c) Clinical Diagnostics division
          - (i) produces medical testing devices
      - (2) The reaction among financial analysts was that Kodak was finally leaving businesses that it never should have entered in the first place.
      - (3) The company plans to build upon its **traditional film and camera** business
      - (4) Many on Wall Street sounded a sharp note of skepticism about whether :
    - ii) Kodak to finish camera making (August 2, 2006 )
      - (1) EASTMAN Kodak is to stop making cameras
    - iii) George Eastman
      - (1) Film Patent 1879
      - (2) By 1886 sold 100,000 cameras!
      - (3) Until recently, available in most countries, with \$13 Billion sales
      - (4) Mid 1980's until now – Two major challenges
        - (a) First, Fuji Film
        - (b) Then, digital photography
          - (i) Their sales of film DROPPED!
      - (5) 2003 Change of direction away from film to digital technologies
        - (a) To become the leader in helping people take, share, print and view images – for memories, for information, or for entertainment.
      - (6) Mixed Results
        - (a)
        - (b)
        - (c)
        - (d)
        - (e)
- II. PROTECT your product!!
  - a) Polaroid vs. Kodak
    - i)
  - b) As the cycle turns...
    - i) February 13, 2008 ....
    - ii)

### III. Product Life Cycle

**Sales and profits (\$)**



**Losses/  
investment (\$)**

- Aggregate demand over an extended period of time for all brands comprising a generic product category.
- PLC and profit curves varies from product category to another, but above is the basic shape that we often see.
- Note the **NEGATIVE** profits. Sales are needed to offset product development costs
- As we move through the PLC, we must increase advertising & selling efforts & cut prices in face of competition.
- Deciding when to enter a market can **IMPACT** Profitability

### IV. PLC Characteristics and Implications

**a) Characteristics**

- Customers
- Competition
- Sales
- Profits

**Introduction**

- Innovators
- Little
- Low
- None

**Growth**

- To the masses
- Increasing
- Rapid Growth
- Strong & peak

**a) Marketing Implications**

- Overall Strategy
- Costs
- Product Strategy
- Pricing Strategy
- Distribution Strategy
- Promotional Strategy

- Market Development
- High per unit
- Undifferentiated
- High
- Scattered
- Awareness

- Penetration
- Declining
- Improved features
- Lower over time
- Intensive
- 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)
- ii)
- iii) Most competitors abandon the market, BUT
- iv) Some can develop small successful niche businesses.

V. Length of Product Life-Cycle

- a) The length of the cycle from introduction to decline varies.
  - i) Examples
  - b) Extended introduction stage
  - c) Fad
  - d) Indefinite Maturity stage
    - i) Examples
      - (1)
      - (2)
      - (3)
  - e) The Product Life Cycle is getting shorter for most products due to:
    - i) Imitators ("me-too")
    - ii) Technology advances
  - f) The Product Life Cycle can be affected by
    - i) \_\_\_\_\_
      - (1) Example
    - ii) Difference in \_\_\_\_\_
      - (1) Example

VI. Product Life-Cycle Management

- a) Successful marketers need to do well at \_\_\_\_\_ the PLC for their product, and

- b) Recognize what stage they are in and \_\_\_\_\_ to it.
  - i) ISSUES: When to enter? When is there a Pioneering Advantage?
- c) Entry Strategies
  - i)
- 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 efficient as possible,
      - (b) Prune unprofitable sizes and models which decreases sales but increases profits,
      - (c) Run out the product to squeeze out final profits, or
      - (d) Revitalize it (best and toughest route)

## II. Brands

- a) The word "brand" is comprehensive
- b) It is used both to identify the seller and to differentiate the product from competition.
- c) Brand Name --Words, letters, numbers that can be vocalized
  - i) Example
- d) Brand Mark – Symbol, design, color, lettering
  - i) Example
- e) Trade Mark – Legal Protection of a brand
- f) Protecting brands
  - i) Example
- g) Leading Brands
  - i) Examples
- h) Reason for Branding from the consumer perspective
  - i) brands make it easy to identify goods or service (and move quickly through the shopping market). Also, it helps assure consumers of consistent quality.
- i) Reason for Branding from the marketer's perspective
  - i) brands can be promoted and differentiated from other offerings. Also, where loyalty is found, brands reduce price competition.
    - (1) Are the benefits worth it??
    - (2) Example
- j) BusinessWeek's -- Top Global Brands 2008

- k) Reasons for NOT branding
  - i) Do not want brand ownership responsibilities:
    - (1) Promoting a Brand
    - (2) Maintaining consistent quality
      - (a) Product can not easily be physically differentiated

### III. Selecting a Brand Name

- a) Good Brand name
  - i) Contributes to the product's success
- b) The Challenge
  - i)
  - ii)
  - iii) Many dictionaries only have 50,00 words
    - (1)
    - (2) Morphemes
  - iv) Should suggest the benefits or use of the product
    - (1)
  - v) Should be easy to pronounce, spell, and remember
    - (1)
  - vi) Should be distinctive
    - (1)
  - vii) Should be adaptable to product line additions
    - (1)
    - (2)
  - viii) Can be registered and legally protected

### IV. Protecting a Brand Name

- a) Product counterfeiting
  - i) Software piracy costs...
  - ii) Drug example
- b) Generic Use of the name
  - i) Examples
    - ii) Becoming generic
      - (1)
      - (2)
    - iii) Protect by:
      - (1)
      - (2)
      - (3)
- c) Online Brand Monitoring
  - i)
  - ii) Warning signs
    - (1) Prices below acceptable levels

- (2) Lack of good contact information
- (3) Missing 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 large, well financed, and well managed firms
  - ii)
- b) Branding of Fabricating Parts and Materials
  - i) The producer attempts to develop a market preference for its branded parts or materials
    - (1) Works when the product is
    - (2) OR when the part is
- c) Producing for Middlemen (Private Label)
  - i)
  - ii) A widespread practice
  - iii) The strategy is that the manufacturer's brands will appeal to while the Middlemen's brands will appeal to

#### XI. Middlemen's Branding Strategies

- i) Carry only the Producer's Brands
  - (1) Avoids the Branding Responsibilities
- ii) Carry BOTH the Producer and the Middleman's brands
  - (1) Can create store loyalty and better profits
  - (2)
- iii)
- iv) Manufacturer Responses:
  - (1) Cutting prices
  - (2) Convincing consumers of their brand superiority
  - (3) Pruning product lines
- v) Battle of the Brands

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

- a) Branding within a product mix
  - i) A separate name for each product

- ii) The company name combined with a product (family branding)
  - b) Branding for Market Saturation
    - i)
  - c) Co-branding
    - i) Two or more brand names on the same product
    - ii) Dangers
      - (1) Overexposure
      - (2) Risk to both brands if
- XIII. Brand Equity
  - a) The value a brand adds to a product.
    - i)
  - b) Benefits
    - i) Reason to buy
    - ii) Barrier to competition
    - iii) Facilitates international expansion
    - iv) Helps product survive a crises
- XIV. Brand Licensing
  - a) Owner grants permission to other firm to use the brand name and brand mark on products
    - i) Benefits to owner
      - (1) Profit
      - (2) Promotional boost
    - ii) Benefits to Licensee
      - (1) Improved likelihood of new product success
      - (2) Reduced cost to market
- 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 “FEED.”
      - (1) It describes the product.

- (2) It is simple.
- (3) 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 SIMPLIFY the packaging
- h) Consult a "Branding and Identity Expert"
  - i) What is working and what is not?
  - ii) Problems:
    - (1) Hard to read
    - (2) Busy
    - (3) 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 -- Managing Services

### 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.”

I. Services are a Major Factor in the U.S. economy in dollars and in jobs Over \$5.5 Trillion and 116 million jobs!

### II. SERVICES Defined

a) Services are the intangible activities or benefits 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’ poverty of time

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) \_\_\_\_\_

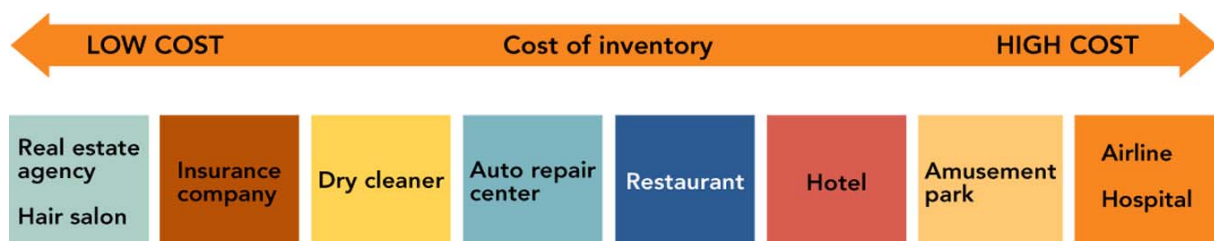
(1) Services cannot be inventoried, so it is hard to balance capacity and demand;

(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

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)

(2)

- ii) Ancillary Services expected in B2B marketing

(1)

(2)

(3)

## 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) They demand \_\_\_\_\_!

(1) Example: The Casual Dining Industry is NOT providing “value” any longer

(a) Casual Dining restaurants provide full-service, alcoholic beverages, and CHECK AVERAGES from \$10 to \$23 per person.

(b) COMPETITION from “fast-casual” chains are stealing customers

(c) Fast-casual chains have no waiters and higher quality food than fast food chains.

(i)

(ii)

## IX. VALUE...

- a) ...an intangible concept often defined in terms of
  - i) exceptional customer service
  - ii) exceptional product quality

iii) value-based prices

(1) Example: Some casual chains are returning to a value service proposition

(a) MOST casual dining chains raise menu prices 1% to 3% every six months

(i) To keep up with rising commodity and labor costs

(b) SOME try temporary discounts

(i) \$9.99 dinner deals and \$5.99 lunch specials

(c) Others are making it a new marketing tactic

(i) TGI Friday's "Right Portion, Right Price" dinner menu with smaller entrees starting at \$6.99

(ii) Cheesecake Factory rolled back cheese-cake prices to \$1.50 and had LONG lines. They are now rolling out a "customer loyalty card" with incentives to return

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.

(b) Outback

(i)

(c) Olive Garden

(i)

(d) Lower Prices

(e) BETTER FOOD

(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 its prices are still pretty high.

(v) IMPROVED SERVICE

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

(vi) 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?

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) Exceptional Customer Service can Differentiate you 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

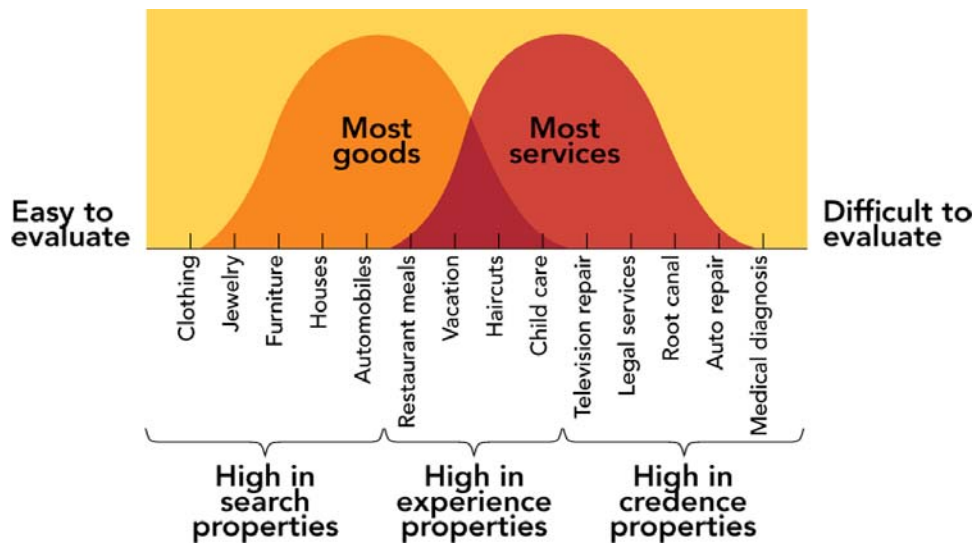
(1) Attributes discernable only during or after the service experience

(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



XV. The Service Design Process

a) Customer Targets

i) What do they want?

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 losing a customer
  - 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!!
- 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