LECTURE OUTLINE FOR

MKTG 25010

"Marketing"

Lecture Packet

Part 1

2011 SUMMER I

DR. MARKS

5/25/2011
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 terminology, concepts, activities, and strategies;
   b) An understanding of marketing functions within the organization and in the context of external environments;
   c) Knowledge of the ways in which marketing contributes to attainment of the organization’s objectives and goals;
   d) Developed quantitative and qualitative analytical skills to apply marketing concepts, theories, and tools to solve marketing problems;
   e) An appreciation for the global and ethical aspects of marketing.

IV) Content Delivery
   a) Delivered both ...
   b) Testing during the semester:
   c) Final Exam:

V) Class Website (http://vista8.kent.edu)
   a) Important Items to Check Regularly
      i) Announcements
ii) Calendar

iii) Discussions

iv) Mail

v) My Grades

vi) The Point:

b) The discussion boards

i) *Mini-test Issues*

ii) *Marketing Tech Talk*

iii) Extra Credit and CONNECT ELEC Issues

iv) *Textbook Issues*

v) *Marketing In Action*

c) Other Vista 8 Folders

i) Information about the 2011 Summer Class

ii) Lectures and Lecture Notes

iii) 2011 Summer MKTG 25010 Syllabus Overview

VI) Grading is based on

a) 8 “mini” exams (\(\% \) of the final grade), and

b) a comprehensive final examination (\(\% \) of the final grade).

<table>
<thead>
<tr>
<th>Letter grades</th>
<th>Course Avg.</th>
<th>Course Grade</th>
<th>Univ. GPA</th>
<th>Course Avg.</th>
<th>Course Grade</th>
<th>Univ. GPA</th>
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<tbody>
<tr>
<td>92.6+%</td>
<td>A</td>
<td>4.0</td>
<td>76.6-79.5%</td>
<td>C+</td>
<td>2.3</td>
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<td>89.6-92.5%</td>
<td>A-</td>
<td>3.7</td>
<td>72.6-76.5%</td>
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<td>2.0</td>
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<td>86.6-89.5%</td>
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<td>69.6-72.5%</td>
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<td>79.6-82.5%</td>
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<td>2.7</td>
<td>59.6-66.5%</td>
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<td>59.5 and below</td>
<td>F</td>
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</table>
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.

The class DOES use the plus/minus grading system.

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

VII) Policies  
a) Prerequisite (again)  
b) Enrollment -- Should you find an error in your class schedule, you have until Tuesday, June 7; late registration is possible through Thursday, June 9 (UPO offices close FRIDAY at 5 p.m).  
c) Academic Honesty  
browse [http://ec.hku.hk/plagiarism/introduction.htm](http://ec.hku.hk/plagiarism/introduction.htm)  
browse [http://www.personal.kent.edu/~lmarks/ethics/Plagiarism.ppt](http://www.personal.kent.edu/~lmarks/ethics/Plagiarism.ppt)  
NOTE The questions for the mini tests are copyrighted and unauthorized reproduction is prohibited.  
d) Course Withdrawal Deadline: For Summer I 2011, the course withdrawal deadline is Monday, June 27, 2011. If you need advising assistance, you will need to contact an advisor before in our advising offices, Room 107 BSA.  
e) Students with disabilities -- If you have a documented disability and require accommodations, please contact the instructor at the beginning of the semester to make arrangements for necessary classroom adjustments. Please note, you must first verify your eligibility for these through Student Accessibility Services (contact 330-672-3391 or visit [http://www.kent.edu/sas](http://www.kent.edu/sas) for more information on registration procedures). The most common accommodation for this class is additional time for the mini-tests and the final exam.  
f) Application for Graduation -- It is your responsibility to apply for graduation before the set deadline. If you apply after the deadline you will be assessed a $200 late fee.

VIII) Calculating your final grade -- The Grade Calculator at [http://www.personal.kent.edu/~lmarks/MKTG25010/gradecalculator.xls](http://www.personal.kent.edu/~lmarks/MKTG25010/gradecalculator.xls) or available from Vista 8.0 as a click in the Testing Folder.

IMPORTANT NOTE ABOUT THE FINAL COURSE GRADE: Once we get to finals week, all mini-tests and extra credit opportunities will have been closed. Do them before their deadlines. Once the final is taken, your Final Course
Grade is calculated using the above formula. **THERE ARE NO CHANGES to** final course grades made for “being close” to the next higher grade, nor for “only being .1 away” from the next higher grade, nor for “really, really needing” the next higher grade.

IX) About the Mini Tests
   a) Type of exam:
   b) Source of questions:
   c) Coverage:
   d) Number of mini-tests:
   e) Available:
   f) Number of Questions:
   g) Time Limit:
   h) Number of Attempts:
   i) Which score COUNTS for your grade:
   j) First mini-test available:
   k) Make up policy:
   l) Warning 1:
   m) Warning 2:

   Is this guy for real?? Comments from others…

X) 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

XI) 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 period, (or at an approved testing center) during Monday through Friday of finals week.

d) About Identification at the final

e) Make up policy
   “Who does better?”

XII) To Succeed in the class:
   a) Mini tests
   b) Practice tests
   c) For the final

XIII) Classroom Policies
   a) Attendance
   b) Classroom Expectations
      o Participation
      o Distractions and Electronics
      o Harrassment
   c) Vista 8.0 Class site
   d) Questions
   e) Courtesy
   f) International Students for whom English is a second language
   g) University Closings

XIV) Communications Policy
   a) How to communicate “officially”
      Vista 8.0 e-mail or to lmarks@kent.edu
      IMPORTANT NOTES: BEGIN YOUR SUBJECT WITH “MKTG 25010”, then include the SUBJECT of your message (e.g., MKTG 25010 – Question about Mini-test 1).

   b) About phone messages

XV) Extra Credit
   a) CONNECT Enhanced Learning Extra Credit (ELECs)

   b) Research as Extra Credit

XVI) The Class Schedule and the Mini Test Schedule is in the class syllabus available on Vista 8.
XVII) Our Guest Faculty
   a) Who
   b) Why
      i)
      ii)
XVIII) Guest Faculty -- Their names, titles, and organizations

<table>
<thead>
<tr>
<th>NAME</th>
<th>Title</th>
<th>Organization</th>
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<tbody>
<tr>
<td>1. Tim Apel</td>
<td></td>
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<td>2. Don Kosec</td>
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<td>3. Rob Felber</td>
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<td>4. Fred Hunt</td>
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<td>5. Dan Muller</td>
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<td>6. Michele Skinn</td>
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<td>7. Gary Trinetti</td>
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<td>8. Jim Wise</td>
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</table>
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://www.marketingpower.com/ResourceLibrary/MarketingNews/Pages/2008/42/1/MN1

   b) Some controversy about the definition:


   Kosec...Importance of Marketing to Time Warner Business Services
   i) Collect
   ii) Helps to
   iii) Use research and tools to
   iv)

   c) Marketing seeks to:
      i) Discover
      ii) Satisfy
      iii) At a
      iv) Through an

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

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

i) 

ii) 

iii) 

e) The Point...

IV) Requirements for Marketing to Occur

a) Two or more

b) Each must have

c) They need to

d) Each must
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

i) These are

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 10, Figure 1-3, Marketing seeks to discover then satisfy consumer needs through research and a marketing program).
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) Best
b) Best

c) Best

d) What is “BEST?”

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

Fred Hunt…Delivering VALUE to the customer at Sherwin Williams

i) Value IS

ii) the way to

iii) The PRODUCTS may be

iv)

v) Get it done ___________

vi) Deliver on

XIV) Relationship Marketing

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

ii) Be an

iii) Be there

iv) Provide them


a) Production concept
   i) Assumes

   ii) Implies

   iii) Useful when

       (1)

       (2)

b) Product Concept
   i) Assumes

   ii) Implies

   iii) Places the focus on
c) Selling Concept
   
   i) Assumes
   
   ii) Useful for
   
      (1)
   
      (2)

   d) The Marketing Concept
   
   i) Assumes that achieving the organization’s goals depends on
   
   ii) An organization should seek to make a profit by

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

a) Our Vision =

b) For example,

c) Using our

d) BEYOND just
iii) The Marketing Concept -- Three parts to the concept:

(1)

(2)

(3)

MICHELLE SKINN – What is Marketing?

a) Understanding

b) It is not about

c) How can you

iv) NOTES:

(1) Firms must identify and satisfy

(2) Competition FORCES sellers to

(3) Consumers must be seen in the context of

e) The Societal Marketing Concept

i) Assumes that customer satisfaction should be delivered in a way that

ii) Relates to the Ethics of doing business
f) The Customer Relationship Era
   i) 
   ii) 
   iii) 

XVI) Marketing and:
   a) Synergy
      i) Managers must create marketing tactics that
      ii) They must

   b) Hypercompetition
      i) Competitive Advantages
      ii) Changes

   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 Commercial EXAMPLES

c) Who Buys?
   i) Organizations
   ii) Ultimate Consumers

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

   i)

   ii)

   iii)

   iv)

(Additional Information)

• The role of the Chief Marketing Officer

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) The ““ level

   b) The ““ level

   c) The Functional or Departmental level

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

V) Organizational Structure
   a) Corporate

      i) The “C” level;
ii) Top management

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) WAS the

   ii) BUT that

   iii) NEW:

   iv) For customers who are

   v) REMEMBER:

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) Our
         (1)
      ii) Our
      iii) Our

   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

<table>
<thead>
<tr>
<th>Market Growth Rate</th>
<th>Market Dominance</th>
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a) Cash Cows
   i) Dominant in Low Growth Market
      (1) Low
      (2) Strong
      (3) Generate
      (4) Do NOT require
      (5) Profits

b) Dogs
   i) Low Market Share in Low Growth Market
      (1) Low
      (2) Weak
      (3) Typically,
      (4) Not a good candidate for
c) Problem Children
   i) Low Market Share in High Growth Market
      (1) High
      (2) Weak
      (3) Typically,

d) Star
   i) Dominant in High Growth Market
      (1) High
      (2) Profitable, but
      (3) Requires
      (4) Will be

Example -- The BCG MODEL and Coca-Cola

XIII) Product Portfolio Models – The Directional Policy Matrix

<table>
<thead>
<tr>
<th>Market Attractiveness</th>
<th>Competitive Position</th>
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<tbody>
<tr>
<td></td>
<td>STRONG</td>
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<tr>
<td>HIGH</td>
<td>Maintain Leadership</td>
</tr>
<tr>
<td>Medium</td>
<td>Challenge the Leader</td>
</tr>
<tr>
<td>low</td>
<td>Cash Generator</td>
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</table>
XIV) Tracking Strategic Directions with Marketing Dashboards
   a) What are they?

   Example – Jim Wise -- Marketing Dashboards at Don Joseph Toyota
   a  We can actually get
   b  But,
   c  How many
   d  Where
   e  Did they
   f  Did we
   g  Dashboards make it

   b) iDashboards – Driving Business Decisions (http://www{idashboards.com/})

   Example – Using Dashboards at Don Joseph Toyota for Media Effectiveness

c) Using data to

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  Few techniques
   b  When you talk strategy,
   c  From the analysis
b) ACTIONS based on SWOT:

<table>
<thead>
<tr>
<th>Type of Factor</th>
<th>Location of Factor</th>
<th>FAVORABLE</th>
<th>UNFAVORABLE</th>
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<tr>
<td></td>
<td>Internal</td>
<td>Strength</td>
<td>Weakness</td>
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<tr>
<td></td>
<td>External</td>
<td>Opportunity</td>
<td>Threat</td>
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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 (the video)

Marketing Rules for How to get BIG by acting smaller!

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

View “Jumbo Shrimp Marketing” at http://www.youtube.com/watch?v=UApCcRqu_Xo

d) The Marketing Program (the 4 P’s)

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

e) See Text page 42, Figure 2-8 The Elements of the Marketing Mix MUST be blended to produce a COHESIVE marketing program!
XVI) Implementing the Marketing Plan  
   a) Obtain Resources  
   b) Design the Marketing Organization  
   c) Develop the Schedules  
   d) Execute the Marketing Program  

XVII) Evaluating the Results – Muller at Timken  
   a) SharePoint is used to create  
   b) Available  
   c) Reviewed in  
   d) Everyone goes through  
   e) People pay attention to
Chapter 3: Scanning the Marketing Environment

I) Environmental Scanning
   a) The process of continually acquiring information on events occurring outside the organization to **identify** and **interpret** potential trends.
      i)  
      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) These affect

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

   b) Generational Cohorts (from the text)
      i) Baby Boomers: 1946-1964
      ii) Generation X: 1965-1976
iv) Millennials: 1995+
v) Generational Marketing

V) Social Forces
a) Marital Status
b) Cohabitation
c) Blended Family
d) All Brought together in…..The Lifestage Analytic Matrix

http://www.lifestagemarketing.com/

- The Seven American Cohorts

2. World War II Cohort -- Aged 83-88 in 2010.


4. Leading-Edge Baby-Boomer Cohort -- Aged 54-64 in 2010

5. Trailing-Edge Baby Boomer Cohort -- Aged 45-55 in 2010

--Engage Boomers


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

8. PLUS the newest cohort – Generation Z --Aged new born to 15 in 2010.

e) Racial and Ethnic Diversity
f) Cultural Trends
   i. Green Marketing!
   ii. And…

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
   d) Audio Example: The response of FORD to the economic slowdown

Video: Rob Felber, Felber & Felber’s Response to Economic Forces
   a) We have
   b) This one
   c) We learn
   d) And we need

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

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

1. How have
2. Recognize
3. ...and then
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: YOUR success comes from

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
   • Consumers have
   • Companies compete for
i) At the Brand level -- Brand Competition
Selling the same type of product that you do (Toyota or Ford?)

ii) At the Product level -- Substitute Product Competition
Offers consumers a choice of how to spend their dollars within a broad product category (Football or Concert?)

iii) At the Company level -- 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) Having gained it,

d) Response to Competitive Trend
Audio Example -- Italy “allows” wine in boxes!! What changed their minds?
(1) Realization that

(2) Boxed wine is

(3) NOT for the

(4) Northern Europe is

(5) In the U.S.

(6) It is ____________________ to produce

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 Steward – 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)

      (c)

IV) Figure 4-1 (text page 92) Four ways to classify marketing decisions according to ethical and legal relationships

35
a) Unethical AND Illegal – DUH!

b) Ethical AND Legal – Okay to consider

c) Ethical but Illegal?

d) Ethical but Illegal?

e) 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) High-pressure selling

IX) Unsafe Products
   a) Products that are not made well or services that are not performed well.
   b) Products that deliver little benefit or that may be harmful
   c) Unsafe products come from:
      i) Manufacturer ______________

      ii) Increased _________________________________

      iii) Poorly trained __________

      iv) Poor quality _________________________, and

      v) Outright ________________________.
Example -- Wal-Mart Pulling Children's Jewelry With Toxic Metals
Example – Lead Paint on Toys made in China
Example – Salmonella problems in the food supply

d) HELP for consumers 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) Video: Apel on Safe/Quality Products
   i) Fix
   ii) Get
   iii) The result

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) Video: Kosec – Ethics begins at the top!
      i) If you are not
      ii) We watn
      iii) MCI
      iv) Sarbanse-Oxley
      v) Ethics starts
   f) Video: Hunt on Ethics – It all starts at the top
      i) Based on my experience
ii) At Sherwin-Williams

iii) As a result,

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

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

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

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

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

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

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

- Consider environmental stewardship in our decision-making.

**Fairness** – to balance justly the needs of the buyer with the interests of the seller. To this end, we will:
- Represent products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- Reject manipulations and sales tactics that harm customer trust.
- Refuse to engage in price fixing, predatory pricing, price gouging or "bait-and-switch" tactics.
- Avoid knowing participation in conflicts of interest.
- Seek to protect the private information of customers, employees and partners.

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

**Transparency** – to create a spirit of openness in marketing operations. To this end, we will:
- Strive to communicate clearly with all constituencies.
- Accept constructive criticism from customers and other stakeholders.
- Explain and take appropriate action regarding significant product or service risks, component substitutions or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
- Disclose list prices and terms of financing as well as available price deals and adjustments.

**Citizenship** – to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders. To this end, we will:
- Strive to protect the ecological environment in the execution of marketing campaigns.
- Give back to the community through volunteerism and charitable donations.
- Contribute to the overall betterment of marketing and its reputation.
- Urge supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

**IMPLEMENTATION**
We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders. We recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, Internet selling, direct marketing, and advertising) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed through links on the AMA Web site. Consistent with the principle of subsidiarity (solving issues at the level where the expertise resides), we encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these guiding ethical norms and values.
Chapter 5: Understanding Consumer Behavior

I) Video: Michele Skinn, on the importance of understanding consumers’ motivations
   a) Learning the motivation is ________________________
   b) Understand WHY the consumer ________________________
   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 __________________________ (________________________)

All Brands

Unknown Brands

Unacceptable Brands

Overlooked Brands
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 Hierarch 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 ____________________________

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!

- Examples:

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; 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) Consumers can

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 __________________________

- Body Wash example:

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) Sent a $70 Sonicare Essence toothbrush to

ii) The 30,000 agents each told

iii) THOSE

iv) Representing a

• Example: 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 129).

(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) Make
      ii) RESELL
      iii) Conduct
      iv) In the past,
   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)
         (4)
      iii) Services, which are GROWING rapidly
      iv) The Government
         (1) Unique:
      v) International Trade
         http://www.census.gov/foreign-trade/statistics/highlights/top/top0912yr.html
      vi) “Non-business” Not-for-profit Organizations
d) Video: 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) Reduce

(2) Increase

(3)

d) Organizational Buying Criteria (like Consumer’s Evaluative Criteria)

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

(1) Price

(2) Delivery Schedules

(3) Past Performance

(4) Production Facilities/Capacity

(5) Warranty/Claim Policies

(6) Technical Capability

(7) Quality Specifications

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

ii) 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 149, for the ways in which the buying
situation affects the buying center
v) Stages in the Organizational Purchase Decision Process (See Figure 6-4, text page 151),
   (1) Problem Recognition
   (2) Information Search
   (3) Alternative Evaluation
   (4) Purchase Decision
   (5) Postpurchase Behavior

vi) The Hershey's Example:
   (1) Problem Recognition
   (2) Information Search
   (3) Evaluation of Alternatives
   (4) Purchase Decision
   (5) Post-purchase evaluation

V) ONLINE BUYING IN ORGANIZATIONAL MARKETS
   i) Prominence of Online Buying in Organizational Markets
   ii) E-marketplaces
       (1) Online Auctions in Organizational Markets
           - Traditional Auctions
           - Reverse Auction
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 – Can we ____________
   __________________________

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 – Is there


i. Related and Supporting Industries

1. Existence of Supplier Clusters
   a. Examples

2. AND, the question for OUR FIRM – Can we


iv. Company Strategy, Structure, and Rivalry

1. Number of Companies in an Industry

2. Intensity of Competition

3. Public or Private Ownership
   a. Example

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


b. CONCLUSION:
   Firms that succeed in global markets have succeeded first in intense domestic competition through:

   i.

   ii.

   iii.

III. Marketing In A Borderless Economic World

a. Trend 1—Decline of Economic Protectionism
   i. 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 (see textbook Figure 7-3)

vii. General Agreement on Tariffs and Trade (GATT)

1. A treaty, NOT

2. Focus:
3. NO

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 on 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
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 186)

<table>
<thead>
<tr>
<th>Promotion emphasis</th>
<th>Product Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SAME Product</td>
</tr>
<tr>
<td>Same Promotion as Domestically</td>
<td>Product extension strategy</td>
</tr>
<tr>
<td>Adapt Promotion to Foreign Culture</td>
<td>Communication adaptation strategy</td>
</tr>
</tbody>
</table>

IX. Distribution and Pricing
   a. Channels Usually Long and Complex
   b. Countries May Impose Pricing Constraints

X. Muller – Understanding Cultural Difference in Pricing
   i. Timken tends to
   ii. But, in pricing
   iii. They had more
   iv. So, they felt they need to
v. In China,

vi. They needed to
Chapter 8 -- Marketing Research: From Customer Insights to Actions

I. The Role of Marketing Research
   a) Important Factors that Marketers NEED information about:

II. What is Marketing Research?
   a) It is the process of defining a marketing problem and opportunity, systematically collecting and analyzing information, and recommending actions.
   b) Implications
      i) Marketing Research is used for
         (1) Planning ______________________________________

         (2) In the Implementation ____________________________

         (3) In their _______________________________________

      ii) Marketing Researchers are responsible for collecting and interpreting data that supports decision making
III. Marketing Research/Program Failures
   a) 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
      iii) iRex Digital Reader

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?

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

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

- Faster, Global
- Results suggest future role for Timken

VI. Secondary Data
 a) Advantages

i) ___________________

ii) Inexpensive

iii) May provide a “______________________________” solution

iv) May point the direction for primary research

b) Disadvantages

i) __________________________

ii) Sample/Definitions/Categories not appropriate

iii) __________________________

VII. Primary Data
 a) Advantages

i) Focuses on the specific problem at hand

ii) Is under control of the current researchers

b) Disadvantages

i) __________________________

ii) __________________________

VIII. Syndicated Services – A source of Secondary Data
 a) Companies that collect and sell common pools of data of known commercial value designed to serve a number of clients.

b) Syndicated sources can be classified based on the unit of measurement (households/consumers or institutions).

c) Household/consumer data can be obtained from surveys, diary panels, or electronic scanner services.

d) Institutional data is obtained from retailers, wholesalers, or industrial firms.

i) Syndicated Services: Consumer Data
ii) Syndicated Services: Institutional Data

e) Overview of Syndicated Services

<table>
<thead>
<tr>
<th>Type</th>
<th>Characteristics</th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surveys “Questionnaire Data”</td>
<td>Surveys conducted at regular intervals</td>
<td>Most flexible way of obtaining data; information on underlying motives</td>
<td>Interviewer errors; respondent errors</td>
<td>Market segmentation, advertising theme selection and advertising effectiveness</td>
</tr>
<tr>
<td>Purchase Panels “Questionnaire Data”</td>
<td>Households provide specific information regularly over an extended period of time; respondent asked to record specific behaviors as they occur</td>
<td>Recorded purchase behavior can be linked to the demographic/psychographic characteristics</td>
<td>Lack of representativeness; response bias; maturation</td>
<td>Forecasting sales, market share and trends, establishing consumer profiles, brand loyalty and switching, evaluating test markets, advertising, and distribution</td>
</tr>
<tr>
<td>Media Panels “Mechanical Observation”</td>
<td>Electronic devices automatically recording behavior, supplemented by a diary</td>
<td>Same as purchase panel</td>
<td>Same as purchase panel</td>
<td>Establishing advertising rates, selecting media program or air time; establishing viewer profiles</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type</th>
<th>Characteristics</th>
<th>Advantages</th>
<th>Disadvantages</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scanner Volume Tracking Data “Mechanical Observation”</td>
<td>Household purchases are recorded through electronic scanners in supermarkets</td>
<td>Data reflect actual purchases, timely data, less expensive</td>
<td>Data may not be representative, errors in recording purchases, difficult to link purchases to elements of marketing mix other than price</td>
<td>Price tracking, modeling, effectiveness of in-store promotions</td>
</tr>
<tr>
<td>Scanner Diary Panels with Cable TV “Mechanical Observation”</td>
<td>Scanner panels of households that subscribe to cable TV</td>
<td>Data reflect actual purchases, sample control, ability to link panel data to household characteristics</td>
<td>Data may not be representative, quality of data limited</td>
<td>Promotional mix analyses, copy testing, new product testing, positioning</td>
</tr>
<tr>
<td>Type</td>
<td>Characteristics</td>
<td>Advantages</td>
<td>Disadvantages</td>
<td>Uses</td>
</tr>
<tr>
<td>------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Audit Services</td>
<td>Verification of product movement by examining physical records or performing inventory analysis</td>
<td>Relatively precise information at the retail and wholesale levels</td>
<td>Coverage may be incomplete, matching of data on competitive activity may be difficult</td>
<td>Measurement of consumer sales and market share, competitive activity, analyzing distribution patterns, trading of new products</td>
</tr>
<tr>
<td>Industrial Product Syndicated Services</td>
<td>Data banks on industrial establishments created through direct inquiries of companies, clipping services, and corporate reports</td>
<td>Important source of information on industrial firms, particularly useful in initial phases of the projects</td>
<td>Data are lacking in terms of context, quantity, and quality</td>
<td>Determining market potential by geographic area, defining sales territories, allocating advertising budgets</td>
</tr>
</tbody>
</table>

http://www.productscan.com/

….and some internet databases useful to marketers

- **Online Databases**
  - LexisNexis [http://www.lexisnexis.com](http://www.lexisnexis.com/)
  - ProQuest [http://www.proquest.com](http://www.proquest.com/)

- **Statistical & Financial Data**
  - CNBC [http://www.cnbc.com](http://www.cnbc.com)
  - Investors [http://www.investors.com](http://www.investors.com)
  - FoxBusiness [http://www.foxbusiness.com](http://www.foxbusiness.com)

- **Portals & Search Engines**
  - Google [http://www.google.com](http://www.google.com)
  - USA.gov [http://www.usa.gov](http://www.usa.gov)

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

Example:
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 expresso coffee
      ii) Krispie Kreme went public with 150 stores and lots of media attention
      iii) Dunkin' Donuts is not new to coffee, having served cappuccinos and lattes since 2003. Despite its name, it earns 65% of its revenue from beverages.
   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 a 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:

   b) ________________________________ – A market segment for which the seller chooses to design 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) The process of dividing the total market for a good or service into several smaller, internally homogenous (i.e., similar) 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) Identify ________________________________
      i) Market research is used to explore this with CURRENT and POTENTIAL consumers

      ii) Wristwatch Example -- What do people want in a watch?
          (1)
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) Creating

ii) Is there

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) Video: 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, ethic 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.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:

(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)
Examples: Clothing and Jeans segmentation

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)
   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)


(3) 2 Segments WITHIN Aspirin
   (a) Aspirin Regimen
   (b) Aspirin for Pain Relief
   (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 must be _______________________________
      ii) The segments should be expected to _____________________
      iii) We can reach the segment at a __________________________
         (1) Example:
   e) Competitors are _________________________________
IX. Positioning the Product

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
      i) 50% or more of plausible business ideas come from customers, competitors, and suppliers.
      ii) The rest? ________________________________
      iii) The Challenge!

   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
Core Product – Ultrabrite 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:

<table>
<thead>
<tr>
<th>Hair Care</th>
<th>Salty Snacks</th>
<th>Dental Care</th>
<th>Soft Drinks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shampoo</td>
<td>Chips</td>
<td>Toothbrush</td>
<td>Colas</td>
</tr>
<tr>
<td>Conditioner</td>
<td>Nuts</td>
<td>Toothpaste</td>
<td>Ginger Ale</td>
</tr>
<tr>
<td>Hair Spray</td>
<td>Crackers</td>
<td>Dental Floss</td>
<td>Root Beer</td>
</tr>
<tr>
<td>Comb</td>
<td></td>
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</table>

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

LOW  Willingness to Expend Effort for the Product  High
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: Fortune Brands 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
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

Video: Fred Hunt on a New Product Idea for Sherman-Williams
Stage 2

**Screening and Evaluation**

- Initial Evaluation of Market Potential
- Check product fit in company mission and competencies
- Consider Effects on other products

To Stage 3

Stage 3

**Business Analysis**

- Check against customer needs
- Establish target market
- Check competition’s position
- Develop target position

To Stage 4

Stage 4

- Develop initial product specifications
- Perform economic analysis
- Revise and refine as needed
Stage 6z

- Test promotion methods
- Check repurchase rate
- Test media mix
- Measure Trade Acceptance
- Test prices

Market Testing

Stage 6

- Build product inventories
- Develop additional distribution channels
- Revise as needed
OR
- Simulated Test Marketing

To Stage 6

Stage 6

- Ramp up Production
- Ramp up purchasing
- Activate Quality focused control systems

Launch (Commercial-ization)

- Mass training of sales or service personnel
- Dealer meetings
- Trade and customer ads
- Press conference

To Stage 7
I. 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

X. so Research, Research, RESEARCH!!
   • Thinking about research and sample size…
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)
   b) As the cycle turns…
      i) February 13, 2008
ii) Aggregate demand over an extended period of time for all brands comprising a generic product category.

b) PLC and profit curves varies from product category to another, but above is the basic shape that we often see.

c) Note the NEGATIVE profits. Sales are needed to offset product development costs.

d) As we move through the PLC, we must increase advertising & selling efforts & cut prices in face of competition.

e) Deciding when to enter a market can IMPACT Profitability.

IV. PLC Characteristics and Implications

a) Characteristics
b) Customers
   - Innovators
   - Little
   - Low
   - None

c) Competition
   - Little
   - Increasing
   - Rapid Growth

b) Sales
   - Low
   - None

e) Profits
   - None
   - Strong & peak

a) Marketing Implications
b) Overall Strategy
   - Market
   - Development
   - High per unit
   - Undifferentiated
   - High
   - Scattered
   - Awareness
   - Brand Preference
a) Characteristics
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

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 _____________________________
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?
   c) Entry Strategies
      i) When is there a Pioneering Advantage? An imitation strategy may be better!
   d) Managing on the Rise
      i)
   e) Managing During Maturity
      i)
   f) Surviving the Decline
      i)
      (1) During the decline stage firms may:
         (a) Ensure that marketing and production programs are 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)

VII. 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) Examples
   e) Trade Mark -- Legal Protection of a brand
   f) Leading Brands
      i) Examples
g) 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.

h) 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

i) BusinessWeek’s -- Top Global Brands
(Also see Best Global Brands Summit 2009 [http://www.youtube.com/watch?v=8f2crqqTgII](http://www.youtube.com/watch?v=8f2crqqTgII))

Business Week’s Top Global Brands 2009:
1. Coca Cola
2. IBM
3. Microsoft
4. GE
5. Nokia

j) 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

VIII. 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
   c) Solutions?
      (1) 
      (2) Morphemes
   d) A Good Brand name should suggest the benefits or use of the product
      (1) 
         ii) Should be easy to pronounce, spell, and remember
            (1)
         iii) Should be distinctive

iv) Should be adaptable to product line additions

v) Can be registered and legally protected

IX. Protecting a Brand Name
   a) Product counterfeiting
      i) Software piracy costs...
      ii) Drug example
   b) Generic Use of the name
      i) Becoming generic

Examples

   i) Protect by:
      (1)
      (2)
      (3)

   c) Online Brand Monitoring
      i)
      ii) Warning signs of Brand Counterfeiting behavior:
          (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) A widespread practice
   
   ii) The strategy is that the manufacturer’s brands will appeal to
   while the Middleman'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
c) Brand Equity does have limits

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 marketing costs

XV. Packaging – CNBC “The Entrepreneurs” example
a) Jason Osborn and Jason Wright
i) “If the next guy can do it, I can do it better!”
b) The “back story”
c) The product needs a name
i) They came up with 20 or 25 names
ii) They pick “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

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

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

The NEW package:

i) Simple.
ii) Keeps true to the product idea.
iii) It showcases the product well.

NOMINATED FOR AN AWARD FOR THE PACKAGING!

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!

See Figure 12-1 page 298.

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. 

(ii) Outback 

1. 

(iii) Olive Garden 

1. 

(b) Lower Prices 

(c) 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. 

(d) 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

(e) Better looking stores

1. Most stores are 20-years old!
   a. Ruby Tuesday has redesigned all of its company-owned stores with contemporary designs and lighter colors.

   b. Lone Star is replacing concrete floor with wood and is installing oak tables.

2. Get kid-friendly
   a. Families are a big part of the casual dining industry’s market

   b. Could restaurants have kid playgrounds? Loaner hand held video games?
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 (Figure 12-5)

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)

(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

Video: Chef Ramsey