

Topic 1: Marketing definition

- The activities, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners, and society at large
- The process of maximising returns to stakeholders by developing exchanges with valued customers and creating an advantage for them
→ whether the purchaser has acquired a meaningful advantage from the seller as a result of the seller's market activity
- Fundamentally, the customer will gain an advantage or benefit in excess of the costs incurred in a marketing exchange and the marketer also expects to gain a benefit in return (financial)
- **In essence marketing is about facilitating exchanges of value**
- Contemporary goal = develop (profitable) relationships

Marketing is about creating value

- The difference between the benefits the customer gains from having access to or owning and using a product and the costs to obtaining it

Marketing to facilitate exchange

Exchange = the transfer of products in return for something of value

Four conditions that must exist for an exchange

- At least two parties must participate and each must possess something of value
- Exchange should provide a benefit to both parties
- Each party must have confidence in the promise of the 'something of value' held by the other
- The parties must meet expectations



The Marketing Mix

- Marketing is more than advertising and selling, it involves developing and managing a product that will satisfy customer needs
- Marketing as a whole focuses on making the right product available in the right place, promoted to the right customers at the right price acceptable to buyers → and requires communicating information that helps customers determine if the product will satisfy their needs
- Marketing mix: strategic variable controlled by a company to satisfy the need of their customers
- All interrelated and inform/influence the strategic decisions firms' must make to be successful

Product	Anything that can be offered to customers that might satisfy their needs or wants e.g. goods or services
Price	Value exchanged for products in a marketing transaction (pricing objectives and policies)
Place	The activities that make products available to customers when and where they want to access or purchase them
Promotion	Communication to build and maintain relationships by informing and persuading customers

A marketer's goal is to create and maintain the right mix of these marketing mix elements in order to satisfy customers' needs for a general product type

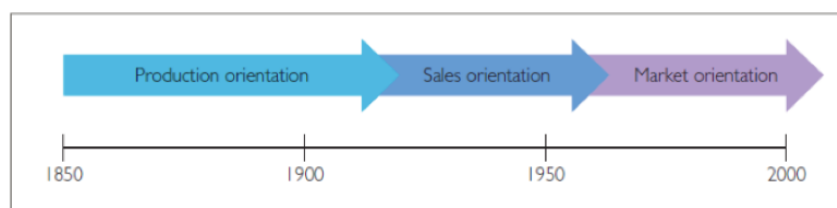
Marketing Concept

- A marketing philosophy which suggests that an organisation should try to provide products that satisfy customers' needs through a coordinated set of activities that also allows the organisation to achieve its goals → guides all organisation activity
- To implement the marketing concept, an organisation strives to determine what buyers want and uses this information to develop satisfying products
- Focuses on customer analysis, competitor analysis and integration of the company's resources to provide customer value as well as making the organisation more valuable for its owners and other stakeholders
- Philosophy used to achieve long-term profitable relationships
- Customer satisfaction is the major focus of the marketing concept
- Satisfaction of both customers' objectives and company's objectives

Evolution of the Marketing Concept

- Businesses did not believe the marketing concept as the best way to make sales and satisfy customers

<i>Production orientation</i>	Customers preferred products that were highly attainable and affordable → marketers focused on improving production and distribution - Viewed the product as the means of profit - Suited best for specialised manufactured goods due to advancements in technology
<i>Sales orientation</i>	Mainly focuses on 'selling' existing products → to maintain mass manufacturing - Viewed sales as the major means of increasing profits - Most important marketing strategy was personal selling, advertising and distribution - Short-term focus with the aim to maximise profits - Deception, aggression
<i>Market orientation</i>	Starts from the market → make product that meet customer needs and demands and then sell through market integration - Efficient production and excessive promotion was not enough to guarantee customers would buy products - Persuade customers they need the item → focus on <u>customer needs</u>



Modern Market Orientation = operationalization of the marketing concept

- An organisation-wide commitment to researching and responding to customer needs
- Involves generation of market intelligence in relation to current and future customer needs, competitors and collaborators
- Involves inter-functional coordination of market intelligence across business function
- Requires an organisation to be more responsible to such market intelligence

Implementation of the market orientation:

- Establish an information system to discover customers' real needs
- Use the information to create satisfying new products that meet customer needs
- Establish a way to coordinate all activities- have a true customer focus
- Consider the cultural values that guide this marketing concept implementation

Managing customer relationships

Relationship marketing = establishing long-term, mutually satisfying buyer-seller relationship

- Successful marketers respond to customer needs and strive to increase value to buyers over time → eventually this interaction becomes a solid relationship that allows for cooperation and mutual dependency
- Mutual beneficial → mutual dependency (through cooperation)

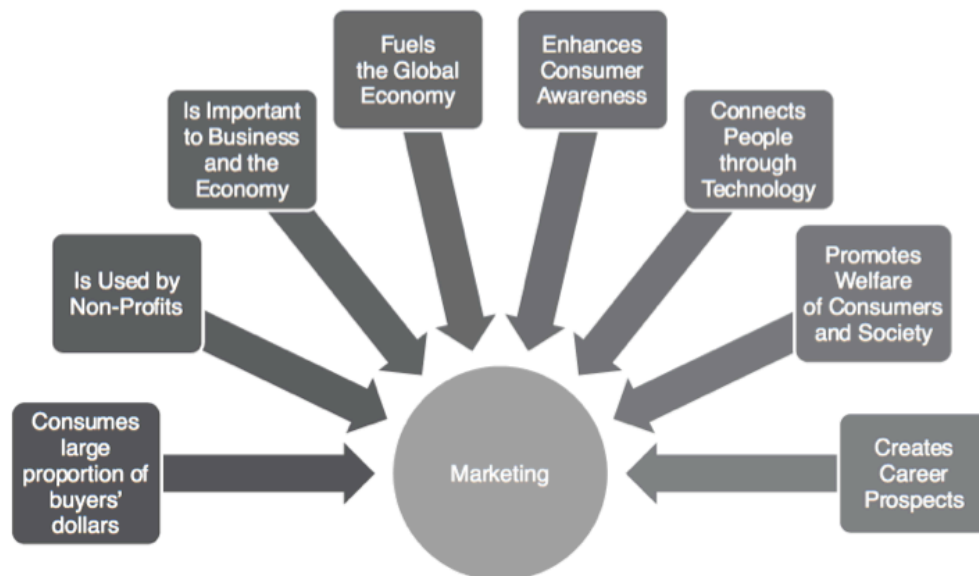
Customer relationship management (CRM) = using information about customers to create marketing strategies that develop and sustain desirable customer relationships

- CRM provides a strategic bridge between IT and marketing strategies aimed at long-term relationships
- By increasing customer value over time, organisation try to retain and increase long-term profitability through customer loyalty (e.g. reward programs, gift voucher)
- Requires identifying patterns of buying behaviour and using that information to focus on the most promising and profitable customers

Customer value = a customer's subjective assessment of benefits relative to costs in determining the worth of a product

- In building relationships marketers must ensure their products have competitive and desirable value for customers
- Customer benefits include anything a buyer received in an exchange (e.g. spending money for a hotel room)
- Customer costs are anything the buyer must give up to obtain the benefits of the product → both monetary and non-monetary (time and effort to find and purchase the desired good)
- Customers receive benefits based on their experiences
- Use the marketing mix to enhance perceptions of value

The role of marketing



Ethical issues in marketing

Ethics = judgement about what is right/wrong and moral standards of behaviour expected by a society

- Critical for markers to conduct their business in an ethical way → marketing under scrutiny
- Businesses will have codes of conduct → rules and standards that describe what the company expects of its employees (or what they should do when faced with a dilemma)
- Being ethical = being socially responsible
- *Social responsibility* = relates to doing what is economically sound, legal, ethical and socially conscious → overall aim to improve society's welfare

Digital marketing

- Use of digital media including the internet and mobile interactive channels to develop communication and exchanges with customers
- The main distinguishing feature is interactivity that allows customers to express their needs and wants directly to the firm in response to its marketing communications
- Customer can provide immediate feedback to the firm
- Ethical and legal issues including privacy concerns, online fraud, and intellectual property

Tutorial: Week 1

Marketing concepts

- Exchanging of values
- Promotion: integrated marketing communications (e.g. advertising, sponsorship)
- Product: can be a good or service → satisfies customer needs
- Starts with a problem → need or want (shaped by culture)
- A product solves a problem
- Value = benefits less cost (price, time, psychic, energy, effort)
- Brand = a name, symbol (logo), slogan
- Globalisation: understanding different cultures
- Build relationships: loyalty = customer lifetime value → better to retain customers than try to get new ones
- Place: online, placement of a good or service
- Price

Exam

- Difference between: Product- good, service
- What is a brand: Nike- name, swoosh- logo, just do it- slogan → unique protected by the law

Topic 2: Marketing Environment

Marketing environment: Consist of external forces/factors that directly or indirectly influence a firm's acquisition of inputs and creation of outputs (and serve customers)

- Environmental forces are always dynamic → businesses exist and operate in the context of their environment → the understanding the marketing environment is critical for success
 - Consistent monitoring/scanning the marketing environment is crucial as:
 - It can change rapidly (e.g. GFC, natural disasters)
 - It is unpredictable → cause major surprises and shocks (e.g. death of a CEO)
 - It can offer opportunities → take advantage of (investment opportunities, new technology)
 - See potential threats/problems
- of utmost importance for a firm's survival and long-term achievement of its goals

Monitoring the Marketing Environment

1. *Environmental scanning:* the process of collecting information about forces in the marketing environment through observation of secondary resources (e.g. read newspaper, attend trade expos, business reports, internet)
 - Simply gathering the information is not enough companies must know how to use this information in the strategic planning process
 - Must be careful to gather relevant information → not to gather too much that the volume makes analysis impossible
2. *Environmental analysis:* the process of assessing and interpreting the information gathered through environmental scanning
 - A manager evaluates the information for accuracy and tries to solve inconsistencies in the data → assigns significance to information
 - The manager should then be able to identify potential threats or opportunities linked to environmental changes

Understanding the current state of the marketing environment and recognising threats and opportunities arising from changes help to assess the performance of their current marketing efforts and develop future marketing strategies

Responding to the Marketing Environment

Firms should carefully think whether to take a reactive or proactive approach to the marketing environment → proactive is preferred

- a. Passive and reactive: adjust current marketing strategies to environmental changes
- b. Proactive: attempt to influence forces in the marketing environment

Two general attitudes: accept them as uncontrollable or try to shape them

External Forces in the Marketing Environment

Competitive forces	<i>Direct competitors:</i> other firms that market products that are similar to or can be substituted for a firm's product in the same target market segment				
	<i>Indirect competitors:</i> Companies that offer different products that can satisfy the same needs and wants of a customer				
	Brand	firms that market branded products with similar brand features and brand benefits to the same customer at similar prices (will look at perceived brand image when making a choice)			
	Product	firms that compete in the same target market segment but market products with different features, benefits and prices			
	Generic	firms that provide very different products that solve the same problem or satisfy the same basic customer need			
	Total budget	Firms that compete for the financial resources of the same customers			
	Firm's will operate within a type of competitive market structure:				
	Type	Number of Competitors	Ease of entry into market	Product	Example
	Monopoly	One	Many barriers	Almost no substitutes	Water utilities
	Oligopoly	Few	Some barriers	Homogenous or differentiated	Toyota motors
	Monopolistic competition	Many	Few barriers	Product differentiation with many substitutes	Wrangler, Levi Strauss (jeans)
	Pure competition	Unlimited	No barriers	Homogenous products	Vegetable/fruit farms
	▪ Marketers usually more concerned with direct competitors and brand competitors ▪ Aim to offer products that have perceived better value to customers to remain in the market place ▪ Competitive market structure will determine how much time is spent analysing competitors				
	Example: Travel from Melbourne to Sydney Direct: decide to travel air → Jetstar and Virgin Indirect: deciding to travel by either air or bus → bus company vs airline or buying bottled water as opposed to Coca-cola				
Economic	Economic forces influence both marketers' and customer' decisions and activities ➤ Buying power: resources that can be traded in an exchange ➤ Willingness to spend: an inclination to buy because of expected satisfaction from a product, influenced by the ability to buy and numerous psychological and social forces ➤ General economic conditions: business cycle, four stages of economic fluctuations- prosperity, recession, depression and recovery Economic conditions changes what a customer is looking for and in terms of how much they are willing to spend → must be a factor in strategic planning				
Political and Legal & Regulatory	Political, legal and regulatory forces of the marketing environment are closely interrelated ▪ Legalisation and regulations reflect the current political outlook ▪ Political forces potentially influence marketing decisions and strategies ▪ Laws, government agencies and pressure groups that influence/limit various organisations through legislation (and codes) regulating business ▪ Written legislation may not always cover marketing abuses → marketers must act ethically, professionally and socially responsible ▪ Can view and uncontrollable (reactive) or protest and seek to influence (proactive) e.g. promotion of cigarettes (no company logo and must put health warning)				

<i>Socio-cultural</i>	The influences in society and its cultures that change people's attitudes, beliefs, norms, customs and lifestyles - Changes in demographic characteristics such as age, gender, race, ethnicity, education - Critical because these factors strongly affect how people think and how they consume products Example: facing aging population → opportunities for businesses → selling insurance for only ages 50+
<i>Technological</i>	Forces that affect new technologies → creating new product and market opportunities - Considered the most dramatic forces affecting today's marketing strategies - Technology has revolutionised the products created and offered by marketers and the channels by which they communicate about those products - Technology advancement could have either positive or negative impacts on society (e.g. positive/negative implication of mobile phones) Example: Kodak (disposable camera) → digital cameras, less demand and did not respond to the change (bankruptcy in 2012)

PESTLE-C

Micro: customers, suppliers, competitors, stakeholders, community

Globalisation

Globalisation: the process by which firms operate on a global basis, organising their structure, capabilities, resources and people in such a way as to address the world as one market

- Business globalisation is now increasing at an exponential rate
- Global competition is intensifying in most industries
- Considered global when they serve customers outside their domestic market
- Foreign firms are expanding aggressively into new international markets → home markets are no longer rich in opportunity
- Marketers nowadays are also affected by global environments that create both opportunities and threats

There are major decisions in deciding to globalise:

- **Looking at the global marketing environment: understanding trends in the external forces- as above**
 - Political, legal and regulatory generally most important (e.g. some countries have limits)
 - Need to be aware of policies (e.g. tariff and quotas in free trade agreements)
 - Economics: GFC
 - Unique culture that will influence consumer behaviour (e.g. beef in India)
 - Some countries more technologically advanced than other
- **Deciding whether to go international**
 - Not all companies need to globalise to survive → small local businesses may choose to survive in their local market (e.g. local hairdresser)
 - Companies operating in global industries may not have a choice (e.g. Apple)
 - Think about the risks and ability to operate globally
 - Understanding the underlying motivation to go global (e.g. expansion, can't survive locally)
- **Deciding which market(s) to enter**
 - Define objectives → ensure that the international marketing objectives are aligned with organisation's overall objectives
 - Decide volume of sales, how many countries they wish to enter, and type of countries (e.g. political climate) and match product
 - High-level strategic decisions: incremental vs simultaneous entry and concentrated vs diversified products

➤ **Deciding how to enter the market(s): 3 major**

i. Export based: lowest established time

Direct exporting	The firm itself contacts buyers overseas and either sells direct to the end-user or arranges for firms in the target market to act as agents
Indirect exporting	The use of agencies in the home country to get the product into the foreign market → export agents who sell to export merchants
Licensing	A method of entering a foreign market in which the company enters into an agreement with a licensee in the foreign market, offering the right to use a manufacturing process trademark, patent, trade secret or other item of value for a fee or royalty
Franchising	The franchisor gives the franchisee the right to undertake business in a specified manner under the franchisor's name in return for a royalty payment

ii. Relationship based

Contract manufacturing	Joint venturing to enter a foreign market by contracting with manufacturers in the foreign market to produce the product- home company works with overseas
Strategic alliance	An agreement between two organisation to work together to achieve joint objectives → partnership between two firms
Countertrade	International trade involving the direct or indirect exchange of goods for other goods instead of cash (bartering)

iii. Manufacturing based: longest established time

Joint venture	Entering foreign markets by joining with foreign companies to produce or market a product or service
Acquisitions	Home company enters foreign company through buying the local company in the foreign country
Greenfield Operation	Home company sets up everything on their own in the overseas market



➤ **Deciding on the global marketing program- the marketing mix**

<i>Global strategy</i>	The world as a single market → some marketing mix in all markets
<i>Multinational strategy</i>	The world as a portfolio of national opportunities → adjust marketing mix elements to each international target market
<i>"Glocal" strategy</i>	Standardises some core elements, and localises other elements → inbetween global and multinational

a. Product and Promotion

Straight product extension	Marketing a product in the foreign market without any change → won't change promotion
Communication adaptation	A global communication strategy of fully adapting advertising messages to local markets → adapt promotion
Product adaptation	Adapting a production to meet local conditions or wants in foreign markets → don't change promotion
Dual adaptation	When product and promotion adaptation are undertaken to tailor the offer to local needs and cultural differences → change promotion
Product invention	Creating new products or services for foreign markets → create promotion

b. Price

- Uniform vs different pricing strategies
- Prices can be higher or lower in their home markets

c. Place

- Must take a whole-channel view → taking into account all the necessary links in distributing the seller's product to final buyers

➤ **Deciding on the global marketing organisation: how they want to manage international marketing activities**

- i. Export organisation: simply ship out goods
- ii. International division: one or more function responsible for offshore activities
- iii. Global organisation: thinking as global marketers (policies, finance, logistic systems)

Topic 3: Marketing Research

Marketing research = the systematic design, collection and interpretation of data, as well as the reporting of information gained to help marketers solve specific marketing problems or take advantage of marketing opportunities

- A process of gathering information that is not currently available to decision makers (reliable and relevant information)
- Gathers information to aid decisions → does not make the decision
- Key role is in initially defining and specifying information requires
- Does not guarantee success → good research can still result in bad decisions
- It is not telemarketing → not about selling products
- Is expensive, takes time, cannot provide 100% reliable information

Aims to inform firms about:

- Customers' needs and desires
- Marketing opportunities for particular goods and services
- Changing attitudes and purchase patterns of customers

Marketing Research Process

1. *Determining the scope for marketing research*

- Uncovering the nature and boundaries related to marketing strategy or implementation
 - Departures from normal or expected marketing results
 - Typical problem requiring research
 - Discover reasons for exceeding/not meeting goals
 - Evidence of possible or potential market opportunities
- In identifying the problem, marketers need to
 - Define the nature/scope of situation
 - Yield clear definition of research need
 - Determine precisely what research is to uncover
 - Decide how research will be used

2. *Selecting the research method*

- Research design: an overall plan for obtaining the data needed to address a search problem or issue
 - Requires determining what type of research is most appropriate for answering the research question(s)

Exploratory	Conducted to gather more data about a problem or to make a tentative hypothesis more specific → how are consumer car buying habits changing?
Descriptive	Conducted to clarify the characteristics of certain phenomena and thus solve a particular problem → how are consuming gathering information to assist in car buying?
Experimental	Research that allows marketers to make causal inferences about relationships

- Ensure that research techniques are both reliable and valid
 - Reliability: research technique produces almost identical results in repeated trials (repeatability)
 - Validity: a condition existing when a research method measures what it is supposed to measure

3. Collecting and preparing the data

➤ Types of data

Primary data	Secondary data
- Observed, recorded or collected directly from respondents - Collected to address a specific problem that cannot be answered by secondary data alone - Gathered by observing phenomena or surveying people of interest	Is compiled both inside and outside the organisation for some purpose other than the current investigation Internal sources: sales data, accounting data, competitive information gathered by the sales force External sources: periodicals, government publications, unpublished sources, online databases

➤ Methods of collection primary data

i. Sampling procedures

- Population: all the elements, units or individuals of interest to researchers for a specific study
- Sample: a limited number of units chosen to represent the characteristics of the population
- Sampling: the process of selection representative units from a total population

Types of sampling:

Probability sampling	Non-probability sampling
Every element in the population being studied has a known chance of being selected for study - <u>Random sampling</u>: all units in a population have an equal chance of appearing in a sample - <u>Stratified sampling</u>: the population is divided into groups according to a common attribute → a random sample is then chosen within each group	There is no way to calculate the likelihood that a specific element of the population being studied will be chosen - <u>Quota sampling</u>: researchers divide the population into groups and then arbitrarily choose participants from each group

ii. Exploratory methods

Often done to identify potential research issues prior to conducting surveys

- Focus group: observation of group interaction when members are exposed to an idea or concept
- Customer advisory board: small groups of actual customers providing feedback on ideas, products, marketing strategies
- Telephone depth interview: a telephone interview that combines the traditional focus group's ability to probe with confidentiality

iii. Survey methods

- Mail surveys: respondents answer a questionnaire sent through the mail
- Telephone survey: respondents answer a questionnaire recorded on the phone
- Online survey: answer a questionnaire via email or on a website
- Personal interview survey: answer a questionnaire face-to face (e.g. home interview, shopping-centre intercept interview)

Questionnaire construction:

- Quality of questions are important
- Questions must be clear, easy to understand
- Questions must directly answer the research objectives
- Maintain impartiality of questions
- Sensitive questions should be worded to make them less offensive

Types of questions:

- Open ended
- Dichotomous (yes or no)
- Multiple choice

	Mail surveys	Telephone surveys	Online surveys	Personal interview surveys
Economy	Potentially lower in cost per interview than telephone or personal surveys if there is an adequate response rate.	Avoids interviewers' travel expenses; less expensive than in-home interviews.	The least expensive method if there is an adequate response rate.	The most expensive survey method; shopping centre and focus group interviews have lower costs than in-home interviews.
Flexibility	Inflexible; questionnaire must be short and easy for respondents to complete.	Flexible because interviewers can ask probing questions, but observations are impossible.	Less flexible; survey must be easy for online users to receive and return; short, dichotomous, or multiple-choice questions work best.	Most flexible method; respondents can react to visual materials; demographic data are more accurate; in-depth probes are possible.
Interviewer bias	Interviewer bias is eliminated; questionnaires can be returned anonymously.	Some anonymity; may be hard to develop trust in respondents.	Interviewer bias is eliminated, but email address on the return eliminates anonymity.	Interviewers' personal characteristics or inability to maintain objectivity may result in bias.
Sampling and respondents' cooperation	Obtaining a complete mailing list is difficult; non-response is a major disadvantage.	Sample limited to respondents with telephones; devices that screen calls, busy signals and refusals are a problem.	Sample limited to respondents with computer access; the available email address list may not be a representative sample for some purposes.	Not-at-homes are a problem, which may be overcome by focus group and shopping centre interviewing.

iv. Observation

- Direct contact with subject is avoided to reduce possible awareness of observation process
- Physical conditions, subject actions and demographics are noted
- Observations may be combined with same-subject interviews
- Data gathered may be influenced by observer bias

4. *Analysing the data*

- Aim is to be able to interpret the data content
- Statistical interpretation: analysis of what is typical or what deviates from the average

5. *Transforming the analysis into insights*

- Clear, objective view on findings
- Points out deficiencies
- Formal, written document
- Determine level of detail and supporting data
- Summary/recommendations first if decision makers do not have time to study how the results were obtained

Marketing Information Systems (MIS)

- A framework for management and structuring of data gathered regularly from sources inside (e.g. sales data) and outside (from customers, competitors etc.) an organisation
- The focus is on processing the data to create meaningful insights and expediting the flow of these insights
- Data storage, processing, retrieval
- Aim: data retrieved can give meaningful insights to marketers

MIS may include:

- Databases- internal and external sources → marketers retrieve required information
- Marketing decision support systems (MDSS)

Ethical issues in marketing research

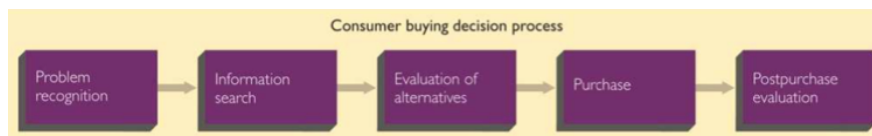
- Data is collected in an ethical manner while maintaining the information quality
- Must have professional standard by which research can be judged
- Ethical and legal issues can develop as research is carried out (e.g. intrusions on consume privacy, misuse of findings)
- Some organisations have developed codes of conduct and guidelines for ethical research for organisations

Topic 4: Consumer and Business Buying Behaviour

Consumer buying behaviour = the decision processes and purchasing activities of people who purchase products for personal or household use and not for business purposes

- Customers' overall opinion and attitudes toward a firm's products have great impact on the firm's success
- To find out what satisfies buyers, marketers must examine the main influences on what, where, when and how consumers buy
- By gaining a deeper understanding of the factors that affect buying behaviour, marketers are in a better position to predict how consumers will respond to marketing strategies

Consumer buying decision process



Step 1: Problem Recognition

- Occurs when buyer becomes aware of a difference between a desired state and an actual condition
- Speed of consumer problem recognition can be rapid or slow
- Some consumers are unaware of their problems or needs
- Marketers use sales personnel, advertising and packaging to help trigger recognition of needs or problems
- Advertising can be used to trigger recognition of a need

Step 2: Information search

- This stage involves seeking product information that will help resolve the problem
- May involve looking at different products, brands and prices
- This stage varies in length depending on the type of problem

Information may be from:

Internal (sources) search	- Buyers search their memories for product information - If they cannot retrieve information from memory, they then perform an external search
External (sources) search	- Buyer seek information from outside source - May focus on communication with friends or relatives - Can involve comparison between brands

Step 3: Evaluation of alternatives

- *Evoked set*: a group of brand that a buyer views as alternatives for possible purchase → consumers assign a greater value to a brand they have heard of than to one they have not
- *Evaluative criteria*: objective and subjective characteristics that are important to a buyer (e.g. size, weight and dimension of a laptop)

Step 4: Purchase

Buyer chooses the product or brand to be bought → buyer chooses the seller → buyer negotiates the terms of the transaction → buyer makes the purchase- or terminates the process

- During this stage the consumer chooses the product to be bought
- This stage is dependent on factors such a product availability and price

Step 5: Post-purchase evaluation

- After purchase, the buyer evaluates the product
- Determines whether actual product performance met expectations
- Often lengthier for high-involvement product compared to low-involvement routine purchases
- Either customer satisfaction or cognitive dissonance

Cognitive dissonance = a buyer's doubts shortly after a purchase about whether the decision was the right one (or buyer's remorse)

Levels of involvement and consumer problem-solving processes

- In order to acquire and maintain products that satisfy current and future needs, consumers engage in problem solving
- People engage in different types of problem solving on the nature of the products involved
- The amount of effort, both mental and physical, that consumers expend in solving problems varies considerably

Customer's level of involvement

= the degree of interest in a product and the importance of the product for that person in a particular situation

- High-involvement products = products that are visible to others and/or are expensive
- Low-involvement products = products that tend to be less expensive and have less associated social risk

Customer problem solving

<i>Routinized response behaviour</i>	Used when buying frequently purchased, low-cost items that require little search and decision making
<i>Limited problem solving</i>	Used when purchasing products occasionally or when they need information about unfamiliar brands in familiar product categories
<i>Extended problem solving</i>	Used when purchasing unfamiliar, expensive or infrequently purchased products

Difference between methods

	<i>Routinized response</i>	<i>Limited problem solving</i>	<i>Extended problem solving</i>
Product cost consideration	Low cost	Low to moderate cost	High cost
Search effort	Minimal search effort	Minimal to moderate	Extensive search effort
Time spent problem solving	Short time spent	Short to medium	Lengthy time spent solving the problem
Brand preference	More than one brand is acceptable, although one may be preferred	Several brands are considered	Varied; usually many brands considered

Impulse buying: unplanned buying behaviour resulting from a powerful urge to buy something immediately

- Purchase solely on impulse and not on the basis of any of the three problem solving processes

Factors that influence Consumer Buying Decision process

1. Situational factors

Influences result from the circumstances, time and location that affect the consumer buying decision process (any step)

- Physical surroundings: physical environment
- Social surrounding: characteristics & interaction of others
- Consumers' mood: momentary moods or conditions
- Purchase reason: goals of purchase & for whom
- Time dimension: time involved in the decision process

2. Psychological factors

Factors that in part determine people's general behaviour, thus influencing their behaviour as consumers → operate on buyers internally, but are acted on by outside forces

<i>Perception</i>	- The process of selecting, organising and interpreting information inputs to produce meaning - Information inputs: sensations received through the sense organs (sight, taste, hearing, smell and touch) Steps in the perception process: - Selective exposure = receiving some inputs while ignoring others - Selective distortion = changing information when inconsistent with personal feelings or beliefs - Selective retention = remembering those inputs that support personal feelings and beliefs and forgetting those that don't
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<i>Motives</i>	Internal energising force that directs a person's behaviour toward satisfying needs or achieving goals (e.g. thirst, hunger, fear, success)
<i>Learning</i>	Changing in an individual's thought processes and behaviour caused by information and experience Sources of learning: - Behavioral consequences - Information processing - Experience
<i>Attitude</i>	An individual enduring evaluation of, feelings about and behavioral tendencies toward an object or idea → can be positive or negative Three major components: i. Cognitive: knowledge and information ii. Affective: feelings and emotions iii. Behavioral: actions regarding the object or idea
<i>Self concept</i>	View of one's self → can be positive or negative: buyers purchase products that reflect and enhance their self-concept (e.g. where from, specific product, brands: Toyota v BMW)
<i>Lifestyles</i>	Individual's pattern of living expressed through activities, interests and opinions

3. Social factors

The forces other people exert on one's buying behaviour → external forces on an individuals buying behaviour

<i>Roles</i>	Actions and activities that a person in a particular position is supposed to perform based on expectations of the individual and surrounding persons (e.g. family role, work role, role in organization)
<i>Family influences</i>	Consumer socialization- the process through which a person acquires the knowledge and skills to function as a consumer
<i>Reference groups</i>	Any group that positively/negatively affects a person's values, attitudes or behaviour - Membership: an individual actually belongs - Aspirational: an individual aspires to belong - Dissociative: an individual does not want to belong
<i>Opinion leaders</i>	A reference group member who provides information about a specific sphere that interests reference group participants
<i>Digital networks</i>	Blogs, wikis, social networks
<i>Cultures and subcultures</i>	Culture = the accumulation of values, knowledge, beliefs, customs objects and concepts that a society uses to cope with its environment and passes on to future generations - Influences buying behaviour because it permeates our daily lives - Cultural changes affect product development, promotion, distribution and pricing Sub-cultures = groups of individuals whose characteristic values and behaviour patterns are similar, and different from those of the surrounding cultures - Youth subculture, based on a sense of belonging and a common purpose - Subcultures of consumption → based on common interests

Consumer behaviour in the digital era

- Power transfer to customers → marketers no longer control information spread (e.g. reviews)
- Consumer generated content
- Crowdsourcing: posing a question/problem to large group of people → generate innovative ideas from the market place
- Online promotions
- Showrooming: customers go into store and find cheaper prices online

Business Buying Behaviour

= the decision processes and purchasing activities of people who purchase products for business purposes

- Purchases product for resale, direct use in producing other products or use in general operations
 - Involves business markets (producer, reseller, government, institutional)
- Characteristics of B2B transactions
- Large orders
 - Expensive items
 - Frequent replenishment
 - Long-term contractual agreements
 - Considerable marketing efforts
 - Purchasing committees
 - Reciprocity: an arrangement unique to business marketing in which two organization agree to buy from each other
- Attributes of business customers
- Well informed about the products they purchase
 - Demand detailed information and technical specifications
 - Help the firm achieve organization objectives
 - Engage in rational buying behaviour
 - Goals of a purchasing agent may include advancement or financial awards
 - Often form partnerships with suppliers
- Types of business purchases
- i. New task purchase: purchased new item to be used to perform a new job or solve a problem
 - ii. Straight-rebuy purchase: routine purchase of same products under approximately same terms
 - iii. Modified rebuy purchase: new task purchase that is changed on subsequent orders or when straight-rebuy requirement are modified
- Who participates in business buying decisions
- The buying center = the people within an organization → users, influencers, buyers, deciders and gatekeepers who make business purchase decisions



The number and structure of a firm's buying center are affected by its:

- Size and market position
- Products and volume
- Managerial philosophy of who should be involved in purchase decisions

The Business Buying Decision process



Step 1: Problem recognition

- One or more individuals recognize a need exists → could be individuals in the buying center
- Needs could also be identified by external sources such as sales representative or ads
- Needs may arise under a variety of circumstances
 - When machines malfunction
 - When an existing product is modified
 - When introducing a new product

Step 2: Develop product specification

- The development of product specifications requires the buying center participants assess the problem or need and determine what is necessary to resolve or satisfy it
- Users and influencers often provide information and advice
- By assessing and describing needs, the organization should be able to establish product specifications

Step 3: Search for and evaluate potential products (and suppliers)

- Searching may include contacting suppliers for information, soliciting proposals and examining websites, catalogue and trade publications
 - Value analysis = evaluation of each component of the potential purchase to examine quality, design, material etc.
 - Vendor analysis = a formal, systematic evaluation of current and potential vendor to examine price, product quality, delivery service, product availability and overall reliability

Step 4: Selection: of product and supplier and order product

- Focuses on selecting the product to be purchased and the supplier or suppliers
 - Multiple sourcing = the buyer selects and uses several suppliers
 - Sole sourcing = only on supplier is used
- This is the stage where the actual purchase takes place and the following details finalized (e.g. terms and credit arrangements, delivery dates and methods, technical assistance)

Step 5: Evaluate product and supplier performance

- The product's performance is evaluated by comparing it with the specification
- If the product meets specifications, but does not work → specification need adjusting
- Suppliers performance is also evaluated

→ These 5 steps are used primarily for new-task purchasing

→ Several stages, but not all, would be used for straight and modified rebuy

Influences on the Business Buying decision process

- *Environmental*: competitive, political, economical, sociocultural and technological
- *Organizational*: company objectives, purchasing policies and resources, the size and composition of the buying center
- *Interpersonal*: relationships among people in the buying center
- *Individual*: personal characteristics of the participants in the buying center (e.g. age, education, personality, tenure and position in the company)

Topic 5: Segmentation, Targeting and Positioning (STP)

Market: a group of people, who, as individuals or as organizations, have needs for products and have the ability, willingness, and authority to purchase them

Market segment: individuals, groups or organizations with one or more similar characteristics that cause them to have similar product needs

Market segmentation: the process of dividing a total market into groups with relatively similar product needs to design a marketing mix that matches those needs

- Appropriate for heterogeneous markets where there are diverse needs and wants for products

Target market: the market in which the organization decides to serve

Target market selection process



Step 1: Identify the appropriate targeting strategy

Their selection is based on:

- Need of their target market
- Characteristics of their target market
- Product attributes
- Organizational objectives and resources

Marketers need to select the best targeting strategy:

a. Undifferentiated strategy

- Organization designs a single marketing mix and directs it at an entire market for a particular product
- Need: an appropriate homogenous market where a large proportion of customers have similar needs for a product
- Cost efficient way of marketing → no need to address different needs/want of various segments

b. Concentrated strategy

- Organization targets a single market segment using one marketing mix
- Appropriate for heterogeneous market where markets made up of individuals or organization with diverse needs for products
- A company may generate large sales volume by reaching a single segment
- Concentrating on a single segment permits companies with limited resources to compete with larger organization that may have overlooked smaller segments
- Specialization = all eggs in one basket = can be risky

c. Differentiated strategy

- Organization target two or more segments by developing a marketing mix for each
- Appropriate for heterogeneous markets
- Often once a company has used a concentrated strategy and then wishes to expand

Homogenous market: a market in which a large proportion of customers are considered to have similar needs and wants

Heterogeneous market: markets made up of individuals or organizations with diverse needs for products in a specific product class

Step 2: Determine the segmentation variables

Segmentation variables: characteristics of individuals, groups or organizations used to divide a market into segments

- There is no single ideal way to segment the market → marketers must try variations and combination of segments to find the best market segment for a product

1. Demographic	2. Geographic
- Age - Gender - Race - Income - Education - Occupation - Family size - Family life cycle - Social class	- Climate - Terrain - City size - Population density - Urban/rural areas Considers national boundaries, regional districts or even suburban postcodes
3. Psychographic	4. Behavioral
- Personality attributes - Motives - Lifestyle	- Usage rate - Usage/application type - Benefit sought: - Brand loyalty - Price sensitivity

1. Demographic

Commonly used by marketers

- Often closely linked to customers' needs and purchasing behaviour
- Can be readily measured
- Mortality rates can be used: an example is an insurance company who offers pre-paid funeral packages → targets higher-income suburban areas with an ageing demographic
- Age commonly used (e.g. teenage girls shopping)

2. Geographic

Market density: the number of potential customers within a unit of land

Geo-demographic: market segmentation that clusters people in postcode areas and smaller neighborhood units based on lifestyle and demographic information

Micromarketing: an approach to market segmentation in which organizations focus precise marketing efforts on very small geo-demographic markets

3. Psychographic

These variables can be used independently to segment a market but are more commonly combined with other types of segmentation variables

- Segmenting on personality traits can be risky

4. Behavioral

- Can divide a market according to some feature of consumer behaviour toward a product, commonly involving some aspect of product use
Example: users → classified into heavy, moderate or light users
- Can segment based on how consumer apply products
- Benefit segmentation = dividing a market according to the benefits that customers seek from the product:
 - Must be identifiable
 - Must be able to divide people into recognizable segments
 - Accessible to marketing efforts

Step 3: Develop market segment profiles

A market segment profile describes the similarities of potential customers within a segment and explains the differences among people and organizations in different segments

Profile benefits marketers in several ways:

- a. Determining the most attractive segment(s)
- b. Potentially useful information for subsequent marketing decisions

Step 4: Evaluate relevant market segments

After analyzing the segments profiles, a marketer has identified several relevant market segments which require further analysis

Factors to consider when assessing relevant market segments:

➤ **Sales estimate**

Market potential: total amount of product that customers will purchase in a specific period at a specific level of industry-wide marketing activity

Company sales potential: maximum percentage of market potential a company can expect for a product

- *Breakdown approach* = measuring company sales potential based on a general economic forecast for a specific period and the market potential derived from it
- *Buildup approach* = measuring company sales potential by estimating how much of a product a potential buyer in a specific geographic area will purchase in a given period, multiplying the estimate by the number of potential buyers and adding the totals of the geographic areas considered

➤ **Competitive assessment**

Without competitive assessment, sales estimates can be misleading. The following questions need to be answered for a competitive assessment:

- How many competitors exist?
- What are their strengths and weaknesses?
- Do several competitors have a major market share?
- Can we create a competitive marketing mix?
- Will new competitors enter this segment?
- If so, can we still compete successfully?

➤ **Cost estimate**

Developing and maintaining a marketing mix that fulfills the needs of a target segment is expensive. Factors affecting costs include:

- Distinctive product features
- Attractive product design
- Generous product warranties
- Extensive advertising
- Attractive promotional offers
- Competitive prices
- High quality personal service

Step 5: Select specific target markets

- In selecting a target market, it must be determined if the customers' needs differ enough to warrant use of market segmentation
- Segmentation analysis will show if the customers' needs are homogenous and would benefit from an undifferentiated targeting strategy; or
If the customers' needs are heterogeneous, one or more target markets must be selected
- Assuming one or more segments offer significant opportunities, marketers must decide in which segments to participate

Product Positioning

= decisions and activities intended to create and maintain a certain concept of a product in customers' minds

- Once the target market has been selected, product offering can be strategically positioned in order to align with the selected target market's characteristics and needs
- Positioning prior to selection may lead to misalignment or weak position in comparison to competitors
- Characteristics most desired by the target market are highlighted → projected image is crucial

Basis for positioning:

- Product feature
- Product benefit/advantage: price, quality, brand reputation
- Competitors

Product repositioning

- Position decisions are not just for new products
- Regular evaluation of current positions of existing products is important
- Product repositioning may be required to strengthen market share and profitability

Can be done through:

- Changing the product physically
- Revising its pricing and/or distribution strategy
- Changing the product image
- Targeting a different market

Perceptual Mapping

- A product's position is the result of customers' perception of the product's attributes relative to those of competing brands
- Rather than allowing customers to position products independently, marketers try to influence and shape consumers' perception of products through advertising
- Perceptual maps use two criteria
- Customer surveys can be done to establish the primary evaluative criteria
- Example: customers of hotels may respond with services and location as the ways in which they evaluate hotels
- Marketers see how their brand is perceived compared with the ideal points
- Good to identify any gaps in the market as bases of positioning

Summary:

- Segmentation is crucial for marketers as it assists them to gain a greater understanding of their customers' needs
- Marketers should employ relevant segmentation variables when segmenting their market
- No one best approach to target the market(s) → marketers need to evaluate relevant market segments and wisely decide which one(s) they want to serve
- For competitive advantage, marketers need to position their products(s) properly → in some cases marketers need to re-position their products(s) to strengthen market share and profitability

EXTENDED MARKETING MIX

Components of Strategic Marketing

1. Marketing research
2. Marketing strategy
3. Ethics
4. Buyer behaviour
5. STP
6. Digital marketing

= crucial for business survival



Traditional 4Ps

<i>Product</i>	Anything that can be offered to customers that might satisfy their needs or wants - Product, service - Quality - Range - Brand name - Benefits
<i>Price</i>	Value exchanged for products in a marketing transaction - List price - Discounts (coupons, bulk purchases) - Payment period, credit terms - Special situation: skimming or penetration - Price elasticity
<i>Place</i>	The activities that make products available to customers when and where they want to access or purchase them - Distribution (including downloading digital products) - Physical location - Convenience
<i>Promotion</i>	Communication to build and maintain relationships by informing and persuading customers - Marketing communication mix: advertising, personal selling etc. - Production channels (frontline staff, service outlets) - External communications: WOM, media editorials

The Expanded Marketing Mix

<i>People/participants</i>	<u>Actors involved when a product, service or experience takes place</u> - Staff - 'Moments of truth' - Influences quality perceptions - Guest and other participants - Interpersonal behaviour - Training - Appearance - Commitment
<i>Physical evidence</i>	<u>The facilities visible to customers</u> - Tangible components (e.g. furnishing, decor, staff uniform etc.) - The 'atmospherics', the ambience, background music, waiting area - Design of physical assets - Promotion must support the style adopted
<i>Processes</i>	<u>The flow and progress of customers when they engage with a product or company</u> - True to the marketing philosophy (what more can we offer to our customers?) - Customer oriented - Timing - Interactions with customers - Degree of automation & degree of personalization - Payment systems (online) - 'Educating' customers (e.g. recycling in hotels)
<i>Partnerships</i>	<u>Alliances between independent organizations that have complimentary skills or assets</u> - Partnerships (e.g. Flybuys) - Joint venture between small-scale local partnerships - Example: restaurant serving local produce

Experience economy

- We need the extra variables because we now live in an 'experience economy' rather than a 'services economy'
- Expanded marketing mix is crucial in the current experience economy
- The line between goods and services has been blurred to the extent that 'quality' is now gauged by the overall 'experience' of buying and consuming

Experience: is an event staged by an organization aimed at evoking an emotional response from customers by trying to engage the five senses in order to make the experience more memorable

- Customers now expect service + experience
- Consumers are engaged with the personal and unique experiences that are memorable and emotional

1. The people

Refers to the 'human' aspect of product services or experiences

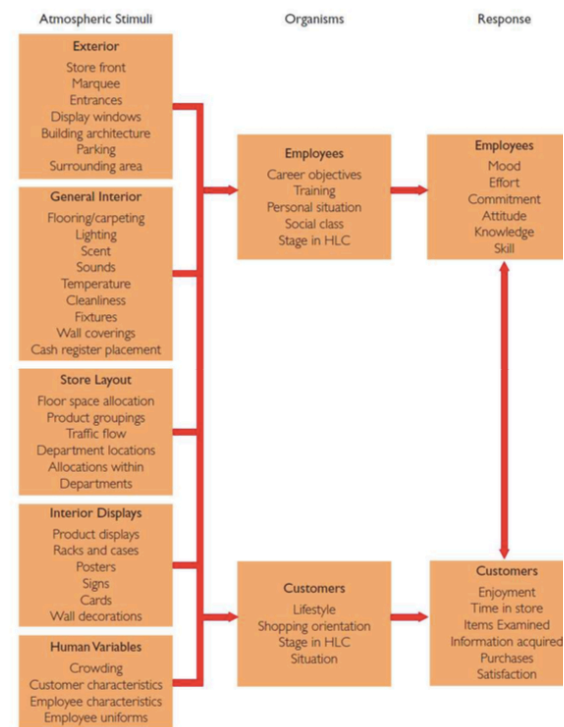
<i>Personnel</i>	<i>Other customers</i>
➤ Aesthetic labour: the appearance of staff members ➤ Emotional labour: the interaction between employees and customers may impact on customers' emotions as well as staff emotions	➤ Co-creation: occurs when the customer takes an active role in the experience ➤ C2C interaction: two or more customers share the consumption experience ➤ Passerby: people who are not a part of the service experience

2. The physical evidence

The tangible and intangible clues the customer may observe

- Important for validation of the quality of services or experiences
- Buildings, grounds and other physical assets- in services context known as the servicescape
- Managing physical evidence is particularly important for service organizations as the intangible nature of services often prompts the customer to look for tangible quality clues from the service environment

Atmospherics: a compelling and engaging atmosphere can communicate a company's image



3. The processes

The flow and progress of the customer when they engage with the product or the company

- Involves all management decisions regarding the different stages of a customer's service or experience

<i>Queuing</i>	How to manage short-term peaks of demand - Ensure fair waiting procedures - Well-designed waiting areas, music - Wait-time guarantees offered (if takes > x mins → free delivery)
<i>Customer-company interaction</i>	How to manage sensitivity, privacy, and confidentiality of customers
<i>Digital technology</i>	How to make the process faster, cheaper and more efficient

4. The partnerships

Alliances between independent organizations with the goals of improving service to customers and enhancing the business performance of each organization

- Typically formed between organizations that have complementary skills or assets
- Also when lacking of resources expertise or having a desire to develop new products

Topic 6: Branding & Product vs Services

Brands consist of

Brand: a name, term, design, symbol or other feature that identifies one marketer's product as distinct from those of other marketers

Brand name: the part of a brand that can be spoken- including letters, words and numbers

- Often a product's only distinguishing characteristics)
- Without a brand name a company could not differentiate its products
- To consumers a brand name is as fundamental as the product itself
- Many brand names become synonymous with the product itself (e.g. Google, Coke)

Brand mark: the part of a brand not made up of words, such as symbol or design (e.g. Nike's swoosh)

Trademark: legal designation of exclusive use of a brand

Trade name: full legal name of organization

Value of Branding

To Buyers	To Sellers
▪ Helps facilitate consumer purchases by identifying specific preferred products that satisfy their needs ▪ Without brands, product selection would be quite random and based mostly on price ▪ Provides a form of self-expression and status ▪ Symbolizes a level of product quality in the customer's perception ▪ Reduces the risk of purchase of 'competitive' but inferior or inadequate products	Identifies and differentiates a firm's products from competing products Familiarity with the name and perceived quality: ▪ Facilitates the promotion of all same-brand products ▪ Helps in the introduction of new products Fosters the development of brand loyalty → repeat purchase ▪ Leading to more stable market share ▪ Less reliance on price-cutting to attract customers

Brand Equity

= the marketing and financial value associated with a brand's strength in a market

Elements of brand equity

1. Brand name awareness

The extent to which a brand is recognized by potential customers and correctly associated with a particular product or service

- Being aware of a brand leads to brand familiarity, which in turn, results in a level of comfort with the brand
- A familiar brand is more likely to be selected than an unfamiliar brand → often viewed as more reliable and of more acceptable quality → more likely to be a customer's consideration set, whereas the unfamiliar brand is not

2. Brand association

The set of associations linked to a brand which connect a particular lifestyle or a certain personality type with a specific brand

3. Perceived brand quality

An intangible, overall brand evaluation → also helps to support premium price in conjunction with brand name

4. Brand loyalty

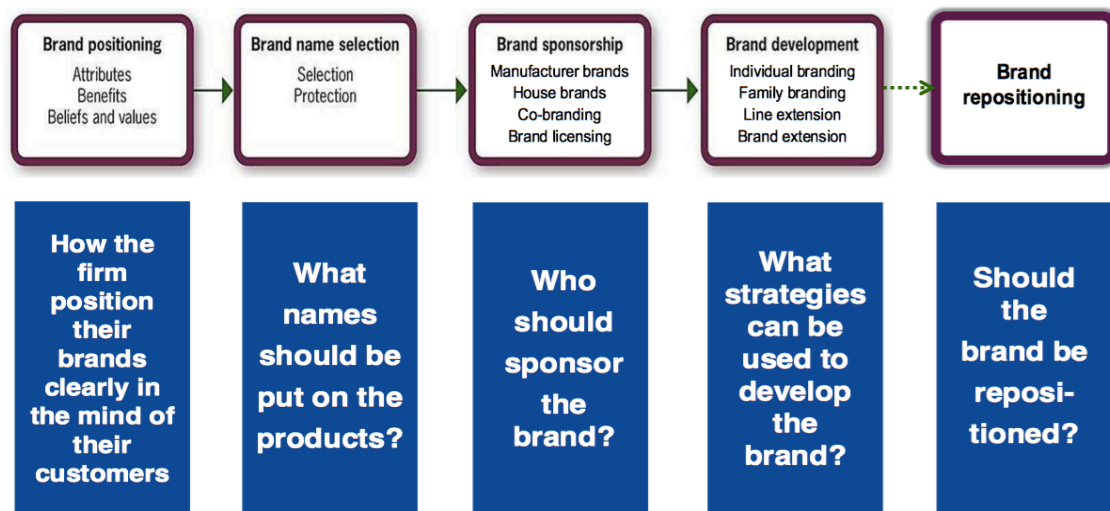
A customer's favorable attitude toward a specific brand

- Customer satisfaction with a brand is the most common reason for loyalty to that brand
- Degree of brand loyalty changes with each product: harder with some products e.g. bananas

There are three degrees of brand loyalty:

<i>Brand recognition</i>	a customer's awareness that the brand exists and is an alternative purchase
<i>Brand preference</i>	the degree of brand loyalty in which a customer prefers one brand over competitive offerings
<i>Brand insistence</i>	the degree of brand loyalty in which a customer strongly prefers a specific brand and will accept no substitute

Branding decisions



Step 2. Selecting a brand name

The name should:

- Be easy to say, spell and recall
- Indicate the product's major benefits
- Suggest the product's major uses and special characteristics
- Be distinctive, setting it apart from competing brands and be compatible with all products in line
- Be designed for use and recognition in all types of media
- Consider cultural interpretations
- Be capable of registration and legal protection

Step 3: Brand sponsorship

Manufacturer brands: brands initiated by producers

- Producers are identified with their products at the point of purchase (e.g. Toyota, Ford)

House brands: brands initiated and owned by resellers

- Also called store brands or generic brands (e.g. Woolworths home brand)
- Manufacturers are not identified in the product

Co-branding: using two or more brands on one product

- The brands can be owned by the same company or different companies

Brand licensing: an agreement whereby a company permits another organization to use its brand on other products for a licensing fee

- The brand licensee is responsible for all manufacturing, selling and advertising functions

Step 4: Brand development

Individual branding: naming each of a firm's product differently

Family branding: branding all of a firm's product with the same name

Line extension: using an existing brand on a new product in the same product category (e.g. new soda flavor)

Brand extension: using an existing brand to brand a new product in a different product category (e.g. new yogurt drink)

Products

A product is a good, a service or an idea received in an exchange

- **Good** = tangible physical entity (a thing)
- **Service** = mostly intangible results of the application of human and mechanical effort to people or objects
- **Idea** = a concept, philosophy, image or issue

Total Product Offering

Three interdependent elements of total product offering

<i>a. Core product</i>	A fundamental utility or main benefit
<i>b. Supplementary features</i>	Added value or attributes
<i>c. Symbolic experiential benefits</i>	

Classifying products

Consumer products

= Products purchased to satisfy personal and family needs

<i>Convenience products</i>	Inexpensive and frequently purchased with minimal purchasing efforts
<i>Shopping products</i>	Buyers willing to expend considerable effort in planning and making the purchase
<i>Specialty products</i>	Possess one or more unique characteristics and buyers are willing to expend considerable effort to obtain them
<i>Unsought products</i>	Purchased when a sudden problem must be solved customers are unaware of them and do not usually think of purchasing them

Business products

= Products bought to use in an organization's operations: to resell or to make other products

- Installations: facilities and non-portable equipment
- Accessory equipment: not part of final product
- Component parts: finished items ready for assembly or need little processing
- Raw materials: natural materials part of product
- Process materials: used in production but not identifiable
- MRO supplies: maintenance, repair, and operating items not part of final product
- Business services: intangible products used in operations

Nature of Services

All products contain both tangible and intangible element → products should be marketed with such combinations in mind

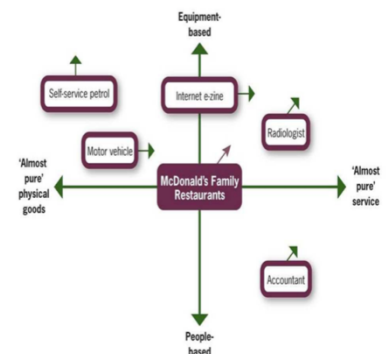
- Services are highly intangible products involving deeds, performances or efforts that cannot be physically possessed
- Services are dominated by the intangible elements of the total product
- Services are usually provided through the application of human/mechanical effort directed at people or objects

Service characteristics

<i>Services characteristics</i>	<i>Resulting marketing challenges</i>
<i>Intangibility</i>	Services cannot be seen and touched - Difficult for customer to evaluate - Customer does not take physical possession - Difficult to advertise and display - Difficult to set and justify prices - Services process usually not protectable by patents
<i>Inseparability</i>	Services are produced and consumed at the same time - Service provider cannot mass produce services - Customer must participate in production - Other consumers affect service outcomes - Services are difficult to distribute
<i>Perishability</i>	Services cannot be stored for future use - Services cannot be stores - Balancing supply and demand is very difficult - Unused capacity is lost forever - Demand may be very time-sensitive
<i>Heterogeneity</i>	No two services can be of the same quality - Service quality is difficult to control - Service delivery is difficult to standardize
<i>Client-based relationship</i>	Interaction that leads to satisfied customers - Success depends on satisfying and keeping customers over the long term-generating repeat business is challenging - Relationship marketing marketing becomes critical
<i>Customer contact</i>	The level of interaction between service provider and customer needed to deliver to deliver the service - Service providers are critical to delivery - Requires high levels of service employee training and motivation - Changes a high-contact service into a low-contact service to achieve lower costs without reducing customer satisfaction

Goods-services continuum concept

Products would be best viewed as lying on a continuum between the two extremes and involving a combination of physical goods and services

**Summary:**

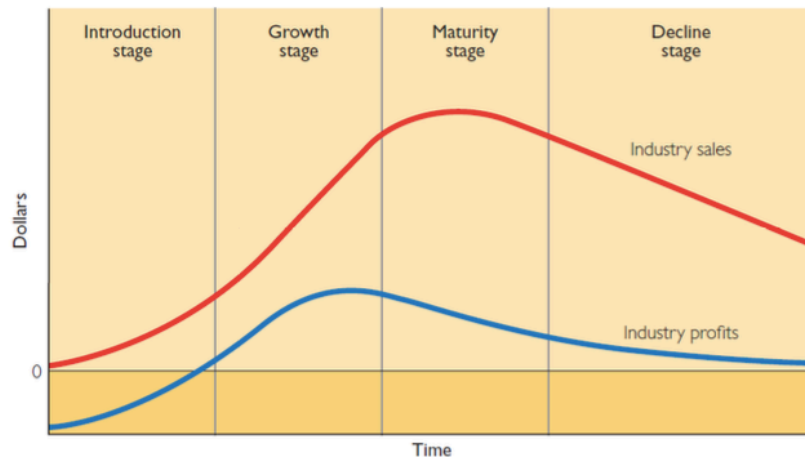
- Brand is a name, term, design, symbol or other feature that identifies one marketer's product as distinct from those of other marketers
- Branding is the key to creating a competitive advantage
- Brand equity is the marketing and financial value associated with a brand's strength
- Marketers need to make a range of brand strategy decisions, including brand positioning, brand name selection, brand sponsorship and brand development etc.
- A product is a good, a service, an idea or any combination of the three received in an exchange
- Products can be classified into consumer products and business products (consumer sub divided into convenience, shopping, specialty and unsought products)
- Services are dominated by the intangible elements of the total product. They have six fundamental characteristics (as above)

Topic 7: Product Decisions

Product Life Cycle (PLC)

A product life cycle has four major stages: introduction, growth stage, maturity stage and decline

- As a product moves through its cycle, the strategies relating to competition, pricing, distribution, promotion and market information must be evaluated periodically and possibly changes
- Astute marketing managers use the life cycle concept to make sure that the introduction, alteration and deleting of a product are timed and executed properly
- By understanding the typical life cycle pattern, marketers can maintain profitable product mixes



1. Introduction stage

- Product first appears in the marketplace
- Sales start at zero
- Profits are negative: initial revenues are low and company must cover large expenses for product development
- Risk of failure high
- Potential buyers must be made aware of new product features, uses and advantages
- Sellers lack the resources, technological knowledge and marketing know-how to launch the product successfully
- Marketers should be alert for product weaknesses and make correction quickly to prevent product failure

Example: San Remo utilized a successful partner already established in the market, combined with heavy investment in promotion to introduce pasta to a noodle-consuming market

2. Growth stage

Critical to a product's survival because competitive reactions to the product's success during this period will affect the product's life expectancy

- Sales rise rapidly and profits reach a peak and then start to decline
- Even though margins might be squeezed, overall sales will continue to increase and therefore management must support the momentum by adjusting the marketing strategy
- Goal in growth is to not only meet the increasing demand but also to establish and fortify the product's market position by encouraging brand loyalty
- To achieve greater market penetration, segmentation may have to be used more intensely
- More competitors enter the market
- Product pricing is aggressive
- Sales volume increase and efficiencies in production may result in lower costs → providing an opportunity for lower prices
- As product gains market acceptance → new distribution outlets become easier to obtain
- Promotion expenditures slightly lower than introduction but still substantial
- Promotion should stress brand benefits

3. Maturity stage

- The sales curve peaks and starts to decline and profits continue to fall
- Characterized by intense competition as many brands are in the market
- Competitors emphasize improvements and difference in their versions of the product → weaker competitors are squeezed out of the market
- Producers who remain are likely to change their promotional and distribution efforts
- Advertising and dealer-orientated promotions are typical
- Buyers' knowledge of the product is at a high level → consumers are no longer inexperienced generalists → they are experienced specialists
- Sometimes expand distribution to the global market
- Compete in price and quality
- Markdown and price incentives are common

Strategic objective for maturity stage are:

- a. *Generate cash flow*: recoup initial investment and generate excess to support new products
- b. *Maintain market share*: to avoid decline → aggressive promotion and new-product introductions
- c. *Increase share of customers*: adding services

4. Decline stage

- Sales fall rapidly
- When this happens, marketer considers pruning items from the product line to eliminate those not earning a profit
- May cut: promotion efforts and marginal distributors
- Plan to phase out the product
- Opportunity to reposition the product to extend its life
- Facing the reality of decline and exit is a serious challenge → many organization remain in denial
- Eliminate v reposition
- Usually a declining product has lost its distinctiveness because similar competing products have been introduced → competition engenders substitution and brand switching
- Outlets with strong sales volume are maintained and unprofitable outlets are weeded out
- Shift to more profitable products

	(1)Introduction	(2)Growth	(3)Maturity	(4)Decline
Characteristics				
<i>Sales</i>	Low	Rapidly rising	Peak	Declining
<i>Costs (per customer)</i>	High	Average	Low	Low
<i>Profits</i>	Negative	Rising	High	Declining
<i>Customers</i>	Innovators	Early adapters	Middle majority	Laggards
<i>Competitors</i>	Few	Growing number	Stable (beginning to decline)	Declining
Marketing objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
<i>Product</i>	Offer a basic product	Offer product extensions, service, warranty	Diversify brand and models	Phase out weak items
<i>Price</i>	Use cost-plus	Price to penetrate market	Price to match or better competitors	Cut price
<i>Distribution</i>	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
<i>Advertising</i>	Build product awareness among early adapters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
<i>Sales promotion</i>	Use heavy sales promotion to entice trial	Reduce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Developing new products

The term 'new product' can have more than one meaning

- Offering innovative benefits
- Different and distinctly better than existing products
- Not previously sold by any organization
- One a specific firm is currently launching even though other firms are already producing and marketing similar products
- It is brought to one or more markets from another market

Phases of new-product development (NPD)

Idea generation → screening → concept testing → business analysis → product development → test marketing → commercialization

Stage 1: Idea generation

Seeking product ideas to achieve objectives

- Only a few ideas are good enough to be successful commercially → challenge of the task
- At the heart of innovation is a purposeful, focused effort to identify new ways to serve a market

Internal sources: marketing manager, R&D department, employees

External sources: customers, competitors, consultants

Stage 2: Screening

Choosing the most promising ideas for further review

- Product ideas are analyzed to determine whether or not they march the organization's objectives and resources
- At times a check-list of new product requirements is used when making screening decisions → systematic so that pertinent facts are not overlooked
- Determine if there is real need in the market
- Determine if it would cannibalize the sales of current products (if similar)
- Weighed against the needs of customers and possible environmental changes

Stage 3: Concept testing

Seeking potential buyers' responses to a product idea

- To evaluate ideas properly it may be necessary to test product concepts
- A small sample of potential buyers is presented with a product idea through a written or oral description (perhaps accompanied by a drawing) to determine their attitudes and initial buying intention regarding the product
- Low cost procedure that allows a company to determine customers' initial reaction before it invest considerable resources
- The results of concept testing can help product development personnel better understand which product attributes and benefits are most important to potential customers
- Questionnaires asking for product improvement ideas, potential purchase etc.

Stage 4: Business analysis

Evaluating the potential contribution of a product idea to the company's sales, cost and profits

- Companies seek market information (consumer polls, secondary data)
- Difficult to forecast sales especially for completely new innovation
- Assess the financial viability
- Ask many questions: is demand strong enough to justify entering the market? Will demand endure? Etc.

Stage 5: Product development

Determining if a producing a product is technically feasible and cost effective

- The idea/concept is converted into a prototype or working model
- Prototype should reveal tangible and intangible attributes associated with product in consumer's minds
- Taken to the market in trial or limited basis
- Tests: performance, safety, convenience, durability
- Make decisions about what is important to focus on in product development

Stage 6: Test marketing

Introducing a product on a limited basis to measure the extent to which potential customers will actually buy it

- Specific geographic areas chosen to represent intended market
- Companies use test marketing to lessen the risk of product failure
- Several benefits: expose product in natural environment to measure sales performance, identify weaknesses, can make adjustment, experiment with variation
- Still some risk: expensive, competitors may try to interfere etc.

Stage 7: Commercialization

Deciding on full-scale manufacturing and marketing plans and preparing budgets

- Spend on advertising
- Introduced in a roll-out process (smaller losses if it doesn't succeed)

Product Adoption Process

The mental process through which an individual passes from first learning about an innovation to final adoption, There are five stages in the adoption process:

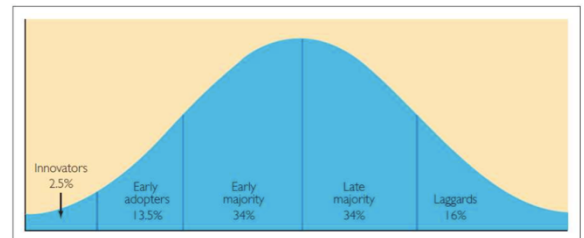
1. **Awareness** = the buyer becomes aware of the product
2. **Interest** = the buyer seeks information
3. **Evaluation** = the buyer considers the product's benefits
4. **Trial** = the buyer examines, tests or tries the product to determine if it meet his/her needs
5. **Adoption** = the buyer purchases the product and hopefully enjoys usage → ensure repeat purchase

Consumer adoption categories

When an organization introduces a new product:

- People do not begin the adoption process at the same
- People do not move through at the same speed

→ some consumers are more risk averse than others



Innovators (2.5%)	- First adopters of new products - Enjoy trying new products and tend to be more adventurous consumers When introducing a new product into the market, strategies will be focused on raising awareness → will target innovators
Early adopters (13.5%)	- Careful choosers of new products - Well informed Opinion leaders within the segment of interest (remaining categories) → move the product from growth to maturity
Early majority (34%)	- Those adopting new products just before the average person - Deliberate and cautious in trying new products
Late majority (34%)	- Sceptics who adopt new products when they feel it necessary - Eventually adopt products due to economic necessity or social pressure
Laggards (16%)	- The last adopters - Distrust new products - Predominately risk averse and oriented toward the past

- Laggards may even mist the boat entirely by waiting for the product to become so well established that it may have been replaced or reinvented
- Unlike laggards, early adopters will again choose the new and improved product and hence the cycle begins again moving from the introduction of the product, through to growth and so on

Product Line decisions

Product line: a group of closely related product items viewed as a unit because of marketing, technical or end-use considerations

Line extension: development of a product that is closely related to existing products in the line but meets different customer needs

Product mix decisions

Product mix: the total group of products that an organization makes available to customers

Width of product mix: the number of product lines a company has

Depth of product mix: the average number of different product items offered in each product line

Individual product decisions

Product and brand manager should carefully consider the following elements when developing and marketing individual products

➤ **Packaging**

Involves the development of a container and a graphic design for a product

- Like a brand name, packaging can influence customers' attitudes towards a product and so affect their purchasing decisions
- Example: producers of sauces have packaged their products in squeezable containers to make usage and storage more convenient
- Example: Gucci demonstrating their corporate social responsibility using biodegradable bags

Functions:

- Protect the product: prevent damage that could affect the product's usefulness
- Maintain its functional form
- Offer convenience to consumers: small shapes
- Prevent waste and make storage easier: help replacement rate
- Deter shoplifting
- Promote by communicating its features, uses, benefits and image
- Reusable, as well as environmentally responsible

New packaging can give a competitive advantage:

- Altering the package: on trend, convenient, new material available
- Secondary-use packaging: reuse for other purposes
- Category-consistent packaging:
- Innovative packaging: unique caps, applicators or other features (distinctiveness)
- Multiple packaging: twin packs, six packs → more product available, easier to handle and store
- Handling-improved packaging

➤ **Labelling**

Providing identifying, promotional or other information on package labels

- Very closely interrelated to packaging
- Can carry varying amounts of information

Functions:

- Help identify the product
- Support promotional efforts for the product
- Provide legally required labelling information
- Provide information on product origin

➤ **Product modification**

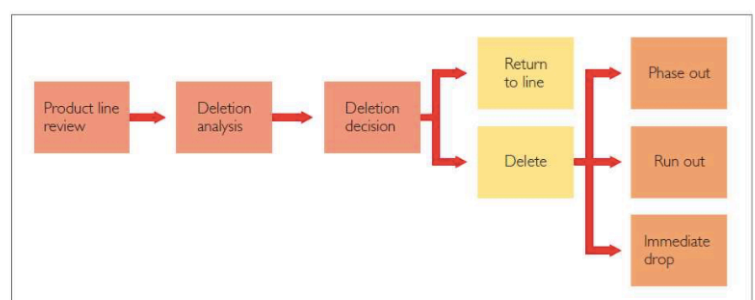
Change in one or more characteristics of a product

- *Quality modifications*: changes relating to a product's dependability and durability
- *Functional modifications*: changes affecting a product's versatility, effectiveness, convenience, safety
- *Aesthetic modification*: changes to the sensory appeal of a product

➤ **Product deletion**

Eliminating a product from the product mix, usually because it no longer satisfies a sufficient number of customers

- Product line review → deletion analysis
- Deletion decision: return to line or delete
- Delete: phase out, run out, immediate drop



Product differentiation

Creating and designing products so that customers perceive them as different from competing products

Companies can position their products in the marketplace based on three aspects:

- a. **Quality:** characteristic of a product that allow it to perform as expected in satisfying customer needs
- b. **Design:** how a product is conceived, planned or produced
- c. **Support services:** human, mechanical efforts or activities a company provides that add value to a product

Summary:

- Product life cycle is the progression of a product through four stages: introduction, growth, maturity and decline
- Marketers need to understand the consumer adoption process and its connection to the product life cycle
- Before a product is introduced, it goes through a seven-phase new- product development process.
- In product management, marketers need to make product line and product mix decisions.
- When developing and marketing individual products, marketers should carefully consider the following elements, packaging, labelling, product modification, product deletion, and product differentiation

Topic 8: Pricing Decisions

Price = the value exchanged for a product in a marketing transaction

- Relates directly to the generation of total revenue

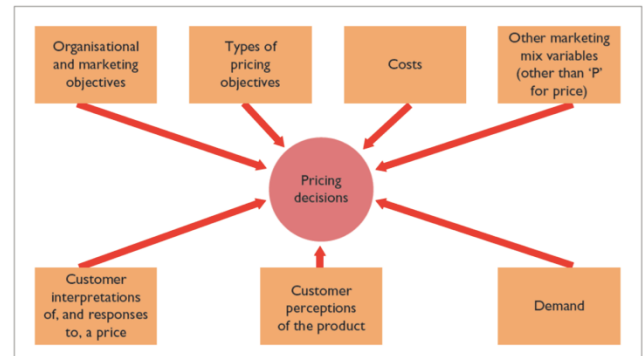
$$\text{Profit} = \text{total revenue} - \text{total costs}$$

$$\text{Profits} = (\text{price} \times \text{quantity sold}) - \text{total costs}$$

Factors affecting pricing decisions

Pricing decisions can be complex because of the number of factors to be considered

- Frequently considerable uncertainty about the reactions to price among buyer, distribution-channel members and competitors



Organizational and marketing objectives

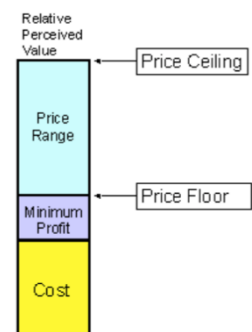
- Marketers should set prices that are consistent with the organization's goal and mission
- Example: value oriented would set prices quite reasonable relative to product quality
- Prices should be compatible with organization's marketing objectives:
 - Survival
 - Current profit maximization
 - Market-share leadership
 - Product-quality leadership
 - Other objectives

Types of pricing objectives

- Types of pricing objectives have considerable bearing on the determination of prices
- Example: an organization that uses pricing to increase its market share likely would set the brand's price below those of competing brands or similar quality to attract competitor's competition
- Types:
 - Increase market share: set price lower than competitors, temporary price reduction
 - Raise cash quickly: temporary price reduction

Costs

- Costs must be an issue when establishing price
- Company may temporarily sell product below cost to match competition, to generate cash flow or even increase market share → in the long run won't survive
- Marketer should be careful to analyze all costs so they can be included in the total cost associated with the product
- Costs set the price floor
- To maintain market share and revenue in an increasingly price-sensitive market, many marketers have reduced costs (e.g R&D) → increasing trend



Marketing mix variable other than price

All marketing mix variables are interrelated → e.g. buyers associate better quality with a higher price

<i>Product</i>	- High quality product is associated with high price - Perceived price-quality relationship can be part of promotion (e.g. Sony TV's)
<i>Place</i>	- Price of a product is closely linked with distribution - Premium products have exclusive or selective distribution - Lower-priced products use intensive distribution
<i>Promotion</i>	- Price may determine how a product is promoted - Bargain prices often included in advertising - Expensive/premium prices are often less promoted or excluded - Personal selling is more common for higher-prices products than lower-priced products

Customer interpretations of, and response to, a price

- Interpretation* = what the price means or what it communicates to customers
- Does the price mean: high or low quality? Fair price or rip off?
- Customer response* = whether the price will move customers closer to purchase and the degree to which the price enhances their satisfaction with the purchase experience and with the product after purchase
- Internal/external reference price

Customer perception of the product

- Perceptions of a product relative to competing products may allow the company to set a price that differs significantly from rivals' prices
- If deemed superior, premium price is feasible
- Customers can be characterized according to their degree of:
 - Value consciousness: concerned about price and quality of a product
 - Price consciousness: striving to pay low prices
 - Prestige sensitivity: drawn to products that signify prominence and status

Marketers who understand these can better set the price

Demand

- Demand for various potential price points must be established
- Determining demand is the responsibility of marketing managers, who are aided by marketing researchers and forecasters
- Demand depends on other factors in the marketing mix: price, product quality, promotion and distribution

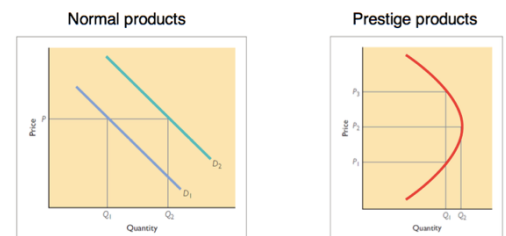
Demand curve = the graph of the quantity of a product taken by buyers in the market at various prices, given that all other factors are held constant

Normal

- As prices fall, the quantity demanded rises
- An improvement in any of the marketing mix factors → shift D_1 to D_2

Prestige

- Sell better at higher prices
- Desirable partly because their expense makes buyer feel elite
- Until a certain point, P_2 , customers demand more
- Raise the price too high, will backfire at P_3



Stages for establishing prices



Stage 1: Developing pricing objectives

Pricing objectives = goals that describe what a company wants to achieve through pricing

- Form the basis of decisions about other stages in establishing prices
- Must be consistent with the marketing objectives and the firm's overall objectives
- Must be explicitly states and include a time frame

<i>Objective</i>	<i>Possible action</i>
Survival	Adjust price levels so that the company can increase sales volume to match organizational expenses
Profit	Identify price and cost levels that allow the company to maximize profit
Return on investment	Identify price level that enable the company to yield targeted return on investment
Market share	Adjust price levels so that the company can maintain or increase sales relative to competitors' sales
Cash flow	Set price to encourage rapid sales
Product quality	Set prices to recover R&D expenditures and establish a high-quality image

Stage 2: Assessment of target market's evaluation of price

The importance of price depends on:

- The type of product (buyers more sensitive to petrol prices than luggage prices)
- The type of target market (adults may have to pay more than children)
- The purchase situation → affects buyers view of price
- Price also depends of the perception of value, which is a combination price and quality attributes

Stage 3: Evaluation of competitor's prices

- In competitive situations, marketers must keep prices the same as, or lower than, competitors' prices
- Competitors' prices and the marketing-mix variables they emphasize partly determine how important price will be to customers
- In some instances, an organization's prices are designed

Stage 4: Selection of a basis for pricing

The choice of the basis is affected by the type of product, the market structure of the industry, the brand's market share position relative to competing brands and customer characteristics

➤ **Cost-based pricing**

Adding a dollar amount or percentage of the cost of the product

- a. *Cost-plus pricing*: adding a specific dollar amount or percentage to the seller's cost
- b. *Markup pricing*: adding to the cost of the product a predetermined percentage of that cost
 - Involves calculations of desired profit margins
 - Does not necessarily take into account the economic aspects of supply and demand, nor must it relate to just one pricing strategy or pricing objective
 - Most commonly used bases for determining price
 - Disadvantage for customer: seller may increase costs to establish a larger profit base
 - In periods of rapid inflation, cost-based is popular especially when raw material are fluctuating

➤ **Value-based pricing**

Pricing based on the level of benefits the product offers

- Base prices on customers' willingness to pay for the particular benefits that the product offer
- Companies that are able to offer goods and services which are unique or special are more likely to benefit from value-based pricing that companies with undifferentiated offerings cannot
- Customers pay a higher price if demand for the product is strong, lower price if demand is weak
- A marketer must be able to establish how much consumers will pay for a product's perceived benefits before choosing to purchase from a competitor or seek a substitute → selects price that will generate highest total revenue
- Depends on marketer's ability to estimate demand accurately
- Consumers may feel they are constantly squeezed for their last dollar, over time consumer resentment

➤ **Competition-based pricing**

Pricing influenced primarily by competitors' prices

- An organization considers its costs as secondary to competitors' prices
- Importance increases when competing products are relatively homogenous, and the organization is serving markets in which price is a key purchase consideration
- May choose below, above or the same

Stage 5: Selection of a pricing strategy

<i>Differential pricing</i>	Charging different prices to different buyers - To be effective, must consist of multiple segments with different price sensitivities - In a method that avoids confusing or antagonizing customers - Customers paying the lowest prices should not be able to re-sell
<i>New-product pricing</i>	Setting the base price of a new product is a necessary part of formulating a marketing strategy a. Price skimming: charging the highest possible price that buyers who most desire the product will pay - Generate much needed cash flow to help offset sizeable developmental costs - Can help to keep demand consistent with firm's production capabilities - May attract competition → can appear lucrative b. Penetration pricing: setting prices below those of competing brands to penetrate a market and gain a significant market share quickly - Less flexible → difficult to raise price - Not unusual for a firm to skim market and then penetrate - If gain a high market share, competitors may be discouraged from entering

<i>Product-line pricing</i>	Establishing and adjusting prices of multiple products within a product line - Goal is to maximize profits for an entire product line rather than focusing on the profitability of an individual product
<i>Psychological pricing</i>	Pricing that attempts to influence a customer's perception of price - <i>Reference pricing</i>: pricing a product at a moderate level and displaying it next to a more expensive model or brand - <i>Bundle pricing</i>: packing together two or more complementary products and selling them for a single price - <i>Multiple-unit pricing</i>: packaging together two or more identical products and selling them for a single price
<i>Professional pricing</i>	Fees set by people with great skill or experience - Example: doctors or lawyers fees
<i>Price discounting</i>	Trade, quantity, cash, seasonal discounts etc.

Stage 6: Determination of a specific price

- Use of systematic approach when establishing final price
- Consider environmental forces and marketer's understanding
- A pricing strategy will yield a certain price point → may need refinement
- Often temporary price to make consistent with circumstances (e.g. aggressive competitor prices)

Summary:

- Price is the value paid for a product in a marketing exchange. It relates directly to generation of revenue
- Marketers need to understand various factors affecting pricing decisions
- Setting a price involves six stages
- Marketers should be familiar with the three major dimensions
- on which prices can be based: cost, value and competition
- Marketers should be familiar with the major categories of pricing strategies: differential pricing, new-product pricing, product-line pricing, psychological pricing, professional pricing and promotional pricing

Topic 9: Distribution Decisions

Distribution: the decisions and activities that make products available to customers when and where they want to purchase them

Marketing distribution channel: a group of individuals and organizations that produce products for, and deliver products as middlemen to customers

- A marketing channel is one part of the supply chain
- Buyers needs and behaviour are important concerns of channel members
- The major role of marketing channels is to make existing product available at the right time at the right place in the right quantities

Marketing intermediaries: middlemen that link producers to other intermediaries or ultimate consumers through contractual arrangements or through the purchase and resale of products

- Resellers/wholesalers/distributors/retailers
- Physical distribution firms
- Marketing services agencies
- Financial intermediaries

Manufacturers have a core competence in manufacturing, but not marketing or direct-to-consumer sales

- Most channels have one or more intermediaries
- Play key roles in customer relationship management, not only through their distribution activities but by maintaining databases and information systems to

Marketing channel functions

Marketing activities	Sample activities
Marketing information	- Analyze sales data and other information in databases and information systems - Perform or commission marketing research
Marketing management	Establish strategic and tactical plans for developing customer relationships and organizational productivity
Facilitating exchanges	- Choose product assortments that match the needs of customers - Cooperate with channel members to develop partnerships
Promotion	- Set promotional objectives - Coordinate advertising, personal selling, sales promotion, publicity and packaging
Price	Establishing pricing policies and terms of sale
Physical distribution	Manage transportation, warehousing, material handling, inventory control and communication

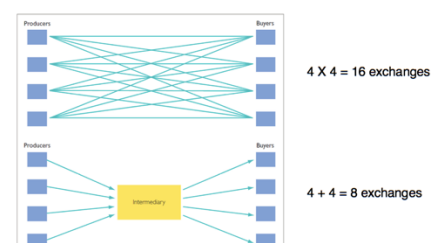
Significance of Marketing channels

Channel decisions are critical because they determine a product's market presence and buyers' accessibility to the product → without effective channel operations, even the best goods and services will not be successful

- Marketing channels create utility
 - a. Time: having the products available when the customer wants them
 - b. Place: making products available in locations where customers wish to purchase them
 - c. Possession: can occur through ownership that give the customer the right to use the product, such as a lease or rental
 - d. Form: assembling, preparing or otherwise refining the product to suit individual customer needs

- Facilitate exchange efficiencies

Intermediaries can reduce the costs of exchanges by performing certain services or function efficiently



Types of Marketing Channels

Because marketing channels appropriate for one product may be less suitable for others, many different distribution paths have been developed

Direct channel

A marketing channel owned and managed by a single channel member to supply a target market segment

- Combines all stages of the marketing channel- from producers to consumers
- More or all stages of the marketing channel are under common control
- *Advantage:* marketing activities can be coordinated for maximum effectiveness and without duplication of channel function
- *Disadvantage:* high expenses of maintaining the entire channel and limited reach of channel
- IKEA is a successful example

Indirect channel

A marketing channel comprised of several independently owned channel members who work together to serve a target market segment

- Most grocery manufacturers rely on indirect channels for the distribution of their products
- *Advantages:* low channel management costs, greater reach and flexibility
- *Disadvantages:* not always controlled and sometimes function are duplicated

Multiple channels

A combination of direct and indirect channels whereby each channel is used to reach a different target market

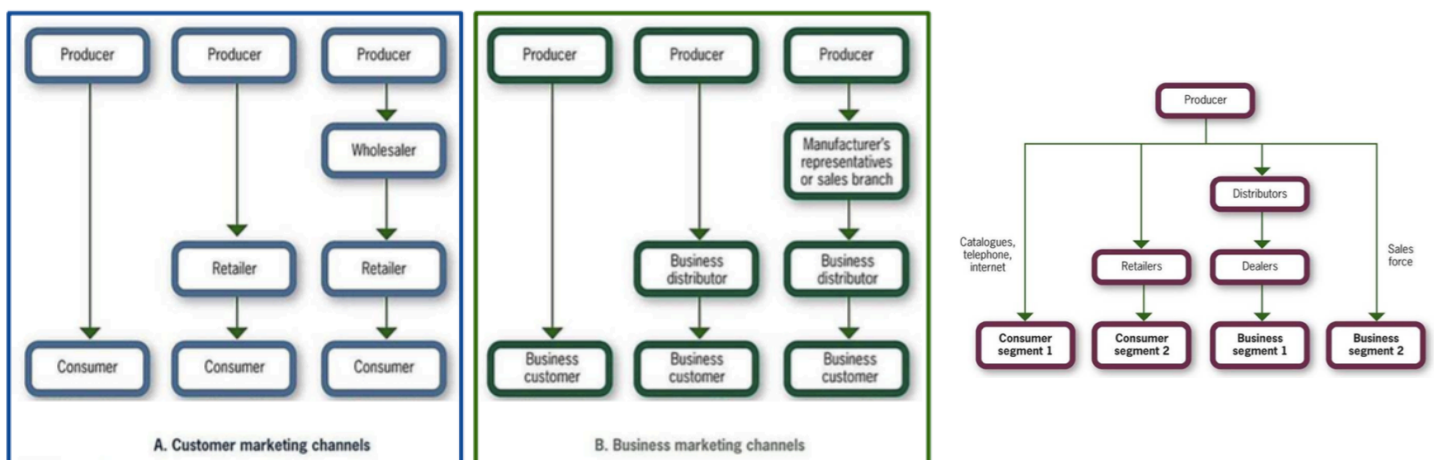
- Example: textbook publishers sell textbooks to students through their online shops and independent bookshops but sell to professor through sales representatives
- *Advantage:* differentiated approach to serving different target market segments
- *Disadvantage:* complex coordination and different degrees of control

Hybrid

A combination of direct and indirect channels whereby different channels are used to reach the same target market segment

- A company that sells products through retail outlets and its own mail-order catalogue or website, in each case targeting the same consumer
- Example: airlines → sell through their own website but also through travel agencies
- Advantage: comprehensive reach into target market segment
- Disadvantage: complex coordination and different degrees of control

Channel Organization



Direct Marketing

The use of telecommunications and non-personal media to introduce products to consumers, who then can purchase them via mail, telephone or the internet

<i>Catalogue marketing</i>	Customers select from catalogues
<i>Direct response marketing</i>	Customers respond to ads with mail or telephone orders
<i>Telemarketing</i>	Products sold by phone
<i>Television home shopping</i>	Customers order products seen on TV by telephone
<i>Online retailing</i>	Customers shop and buy online

Direct Selling

- The marketing of products to ultimate consumer through face-to-face sales presentation at home or in the workplace
- Historically a cold-canvass, door-to-door approach, but more recently by identifying customer through mail, telephone or the internet then setting up appointment

Retailing

Retailing: all transactions in which the buyer intends to consume the product through personal, family or household use

Retailer: an organization that purchases products for the purpose of reselling them to ultimate consumers

- Add value, provide services and assist in making product selections
- Enhance the value of products by making buyers' shopping experiences more convenient
- Value added when retailers offer services (e.g. technical advice)
- Retail sales personnel can demonstrate to customers how products can satisfy their needs or solve problems
- Traditional retailing is being challenged by direct marketing channels that provide home shopping (e.g. online shopping)

Types of retailers

- General merchandise retailer:** a retail establishment that offers a variety of product lines that are stocked in considerable depth

<i>Department store</i>	Large organization offering a wide product mix and organized into separate departments	David Jones, Myers
<i>Discount store</i>	Self-service general merchandise store offering brand name and private brand products at low prices	Target, Kmart
<i>Convenience store</i>	Small self-service store offering narrow product assortment in convenient location	7-Eleven
<i>Supermarket</i>	Self-service store offering complete line of food products and some non-food products	Aldi, Coles, Woolies
<i>Superstore</i>	Giant store offering all food and non-food products found in supermarkets as well as most routinely purchased products	Europe, North America
<i>Hypermarket</i>	Giant store that combines supermarket and discount store (larger than superstore)	
<i>Warehouse club</i>	Large-scale member-only establishment combining cash-and-carry wholesaling with discount retailing	Costco
<i>Warehouse showroom</i>	Facility in a large, low-cost building with large on-premises inventories and minimal service	IKEA

b. Specialty retailers: stores that carry a narrow product mix with deep product lines

Specialty retailers emphasize narrow and deep assortment → offer substantial assortments in a few product lines

<i>Traditional specialty stores</i>	Stores that carry a narrow product mix with deep product lines - Known as limited-line retailers or single-line retailers - Commonly sell shopping products: apparel, jewelry - High costs in proportion to sales - Obtain lower prices by purchasing limited lines in large quantities - Better selection and more sales expertise than department stores
<i>Category killer</i>	A very large specialty store concentrating on a major product category and competing on the basis of low prices and product availability - Example: Bunnings, OfficeMax
<i>Off-price retailers</i>	- Stores that purchase manufacturers' second, overruns and off-season merchandise at below-wholesale prices - Resale to consumers at deep discounts - Price-conscious customers who are knowledgeable about brand names

Strategic issues in retailing

Retailers must do more than simply fill space with merchandise → must make desired products available, create stimulating shopping environments and marketing strategies to increase store patronage

Location

- Least flexible of the strategic retailing issues
- Retailers consider various factors when evaluating potential location: location of the target market in the area, kind of product's being sold, availability of public transport
- Many retailers choose to locate in CBD while other chains stores can be found in shopping centres

Atmosphere

The physical elements in a store's design that appeal to consumers' emotions and encouraging buying

Category Management

Managing similar, often substitutable, products produced by different manufacturers

- Particularly in food industry: Woolworths

Franchising

Arrangement in which a supplier (franchiser) grants a dealer (franchise) the right to sell the franchiser's products in exchange for some type of consideration, such as a percentage of the franchisee's sales or an annual fee

Benefits for franchisee include:

- Provision of furnished equipment
- Management know-how
- Marketing assistance

Wholesaling

Wholesaling: transaction in which products are bought for re-sale, for making other products or for general business operation

Wholesaler: an individual or organization that sells products that are bought for resale, for making other products or for general business operations

- Wholesalers serve as an extension of the producer's sales force
- Wholesalers also provide financial assistance- often pay for transporting goods, reduce warehousing expense, extend credit
- Serve as conduits for information within the marketing channel → keeping producers up to date on market developments and passing along the manufacturers' promotional plans to other intermediaries
- Using wholesalers gives producers a distinct advantage because of the specialized services wholesalers perform allow producers to concentrate on developing and manufacturing products that match customers' needs and wants

➤ *Merchant wholesalers*

A producer is likely to rely on merchant wholesalers when selling directly to customers would be economically unfeasible

Merchant wholesalers	
Take title, assume risk and buy and resell products to other wholesalers, to retailers, or to other business customers	
Full-service wholesalers - <i>General-merchandise</i>: wide product mix but limited depth within product lines - <i>Limited-line</i>: - <i>Specialty-line</i>: carry only a single product line or a few items within a product line	Limited-service wholesalers - Cash-and-carry - Truck - Drop shipper - Mail-order

➤ *Agents and brokers*

Agents and Brokers	
Do not take title to products and are compensated with commission for negotiating exchanges between sellers and buyers	
Agents Represent either buyer or seller, usually on a permanent basis - <i>Manufacturers' agents</i>: independent intermediaries that represent two or more sellers and offer complete product lines - <i>Selling agents</i>: intermediaries that market a whole product line or a manufacturer's entire output - <i>Commission merchants</i>: agents that receive goods on consignment and negotiate sales in large, central markets	Brokers Bring buyers and sellers together on a temporary basis - Food brokers - Real-estate brokers - Other brokers (e.g. securities, insurance)

➤ *Manufacturers' sales branches and offices*

Strategic issues in marketing channels

➤ *Selecting marketing channels*

Selecting appropriate marketing channels → process varies across organizations

Factors affecting channel selection

- Customer characteristics
- Product attributes
- Type of organization
- Competition
- Marketing environment forces
- Characteristics of intermediaries

➤ *Channel leadership*

Some marketing channels are organized and decisions determined by give and take among channel partners, other may be controlled by a single leader

Channel captain (leader): the dominant leader of a marketing channel or a supply chain who organizes and control the channel (might be a producer, wholesaler or retailer)

- Channel captains may establish channel policies and coordinate development of the marketing mix

Channel power: the ability of one channel member to influence another member's goal achievement

- Channel captain must possess channel power and exercise the power in the role

➤ *Channel cooperation*

Channel cooperation is vital if each member is to gain something from other members → vital to the success of the channel

- Cooperation between retailers, wholesalers, suppliers and logistics providers
- Speeds up inventory replenishment, improves customer services and cuts the cost of bringing products to the consumer
- Leads to greater trust and more satisfying relationship among channel members and improves the overall functioning of the channel

Ways to improve channel cooperation:

- Direct efforts towards common objectives have to be agreed upon
- Precise definition of each channel members task is required

➤ *Channel conflict*

Although all channel members work toward the same general goal, distributing products profitably and efficiently- members may sometimes disagree about the best methods for attaining this goal. There may be conflicts between channel members:

- Self interest creates misunderstanding about role expectation
- There is increased use of multiple channels of distribution
- Intermediaries over emphasize competing products
- Producers strive to increase efficiency by going around channel members

Methods for resolving conflict and re-establishing partnership:

- The role of each channel member must be specified
- Leadership and benevolent exercise of control are essential
- Allocating different brands or markets among resellers

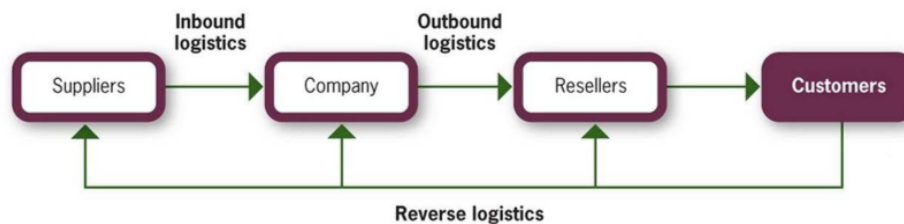
➤ **Channel integration**

Channel members can either combine and control most activities or pass them on to another channel members. Various channel stages may be combined under the management of a channel captain:

<i>Vertical channel integration</i>	Combining two or more stages of the marketing channel under one management
<i>Horizontal channel integration</i>	Combining organizations at the same level of operation under one management

Physical Distribution

Activities used to move products from producers to consumers and other end users.



Physical distribution activities:

- Order processing
- Inventory management
- Materials handling
- Warehousing
- Transportation

Outsourcing: the contracting of physical distribution tasks to third parties
(page 371-377)

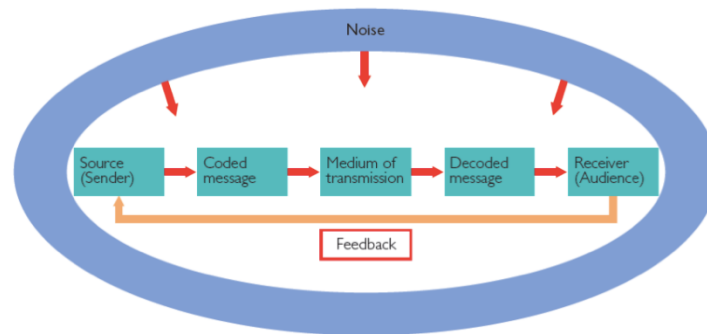
Summary:

- A marketing channel is a group of individuals and organizations that direct the flow of products from producers to customers
- In most marketing channels, producers and consumers are linked by marketing intermediaries. The two major types of intermediaries are retailers and wholesalers. Marketers need to understand the nature and functions of different types of intermediaries
- Marketers should recognize the various forms of direct marketing and selling
- Marketers need to examine strategic issues in marketing channels, including the factors that influencing marketing channel selection, leadership, cooperation and conflict
- Efficient physical distribution (logistics) can decrease costs and transit time while increasing customer service

Topic 10: Promotion Decisions

Promotion: communication to build and maintain favorable relationships by informing and persuading one or more audiences

- Many organizations spend considerable resources on promotion to build and enhance relationships with current or potential customers
- Not just about making profit, but used by NFP to enhance their cause



Communication Process

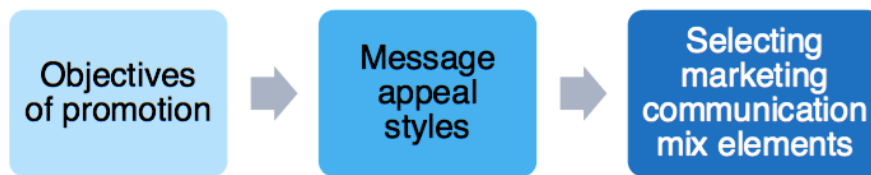
Communication = a sharing of meaning; the transmission of information

<i>Source/sender</i>	A person, group or organization with a meaning it tries to share
<i>Encoding process</i>	Converting meaning into a series of sign or symbols that are meaningful to the intended receiver
<i>Communications channel</i>	The medium of transmission that carries the encoded message from the source to the receiver or audience - When sender chooses an inappropriate communication, several problem: reach wrong receiver, may not be received in the correct format etc.
<i>Channel capacity</i>	The limit on the volume of information a communication channel can handle effectively - Radio advertising: can only speak so fast, receiver can only understand up to a limit
<i>Decoding process</i>	Converting signs or symbols into concepts and ideas - Seldom does the receiver decode exactly the same meaning that the sender encoded - Influenced by receiver's beliefs or attitudes → characteristics of receiver
<i>Receiver</i>	The individuals, group or organization that decodes a coded message
<i>Noise</i>	Anything that reduces a communication's clarity and accuracy - Noises can arise from the communication channel itself (e.g. radio static) - Noise occurs when sender uses symbols that the receiver is unfamiliar with or has a different meaning
<i>Feedback</i>	The receiver's response to a message - Feedback used to determine the success of the communication and how future communication can be improved

Integrated Marketing Communications (IMC)

The coordination of promotional efforts for maximum informational and persuasive impact on customers

Factors involved in setting an IMC:



1. Objectives of promotion

To inform	<i>Create awareness</i> ▪ Making customers aware of the product is crucial to initiating the product adoption process ▪ Strive to create product demand and high revenue to offset high costs <i>Identify prospects</i>
To persuade	➤ <i>Stimulate demand</i> <u>Primary demand</u> = demand for a product category - when an organization is the first to introduce an innovative product - Pioneer promotion: inform consumer about new product - No competing brands at this point <u>Selective demand</u> = demand for a specific brand - Marketers employ efforts to highlight the strengths/benefits of the brand - Requires singling out attributes important to potential buyers ➤ <i>Encourage product trial</i>: price discounts, free samples, coupons, contests ➤ <i>Reduce sales fluctuations</i>
To remind	➤ <i>Retain loyal customers</i> Maintaining long-term customer relationships is a major goal of most marketers → valuable - Loyalty programs - Reinforcement advertising which assures current users that they have made the right brand choice ➤ <i>Combat competitive promotional efforts</i>

2. Message appeal styles

The integrated marketing communication approach should be reflected in the whole marketing mix to ensure target customers receive complementary messages in a style designed to support the overall product branding

<i>Rational appeal</i>	A style of promotion communication that features <u>factual information</u>
<i>Emotional appeal</i>	A style of promotion communication designed to <u>stir emotions</u> such as humor, fear, warmth, irritation or sexual arousal
<i>Moral appeal</i>	A style of promotion communication that relies on our sense of <u>'what is right or wrong'</u>

3. Selecting marketing communication mix elements

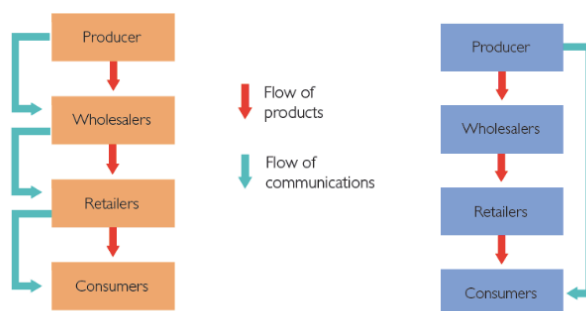
Factors and conditions affecting the selection of elements that an organization uses for a specific marketing communication mix:

- **Resources, objectives, policies:** basing mix on budget, goals, stage of PLC

PLC stage	Introduction	Growth	Maturity	Decline
<i>Key challenges</i>	Customers are unaware of the new product → bear the cost of “educating” them as no substitute products are available yet	Competitors/substitute product emerging → aim for loyal clientele	Many competitors results in cuts in profit margins	Number of competitors reducing → as volume sales reduce → costs increase
<i>Promotional strategy</i>	Aim at the needs of early adopters	Make the mass market aware of the brand benefits	Use promotion for differentiation among otherwise similar brands	Emphasize low price to reduce stock
<i>Promotional emphasis</i>	High: to generate awareness and interest in early adopters and persuade dealers to stock the brand	Moderate: to let sales rise on the sheer momentum of word-of-mouth recommendations	Moderate: since most buyer are aware of brand characteristics	Minimum expenditures requires to phase out the product
<i>Consumer sales and promotion expenditures</i>	Heavy: entice target groups with samples, coupons etc. → induce to try the brand	Moderate: create brand preference (advertising best suited)	Heavy: encourage brand switching, hoping to convert some buyer into loyal customers	Minimal: let the brand coast by itself

- **Characteristics of the target market:** includes size, geographic distribution, demographic characteristics
- **Characteristics of the product:** includes price and personal nature of the product
- **Cost and availability of promotional methods:** some promotion types are more expensive than others
- **Push and pull channel policies**

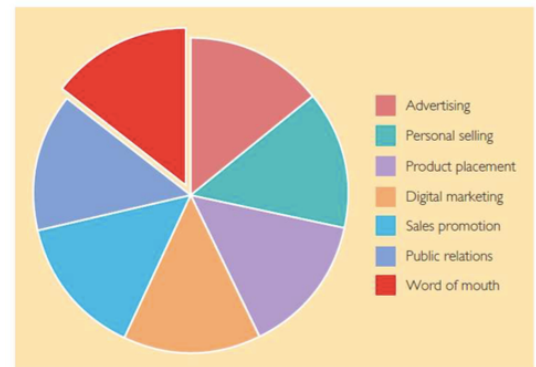
Push policy	Pull policy
Promoting a product only to the next institution down the marketing channel	Promoting a product directly to consumers to develop strong consumer demand that pulls products through the marketing channel



The Marketing Communications Mix

A combination of marketing communication methods used to promote a specific product

Marketing communications mix variables	Short definition
Advertising	Paid non-personal communication about an organisation and its products transmitted to a target audience through mass media
Personal selling	Paid for personal presentations aiming to inform and/or persuade the customers
Public relations (PR)	Communication efforts used to create and maintain favourable relations between an organisation and its stakeholders
Sales promotion (SP)	An activity and/or material meant to induce resellers or salespeople to sell a product or consumers to buy it
Product placement	The strategic location of products or product promotions within entertainment content (such as movies) to reach the product's target market
Digital marketing	Marketing communications mix elements that rely on digital technology, e.g. mobile coupons or banner advertisements.
Word-of-mouth communication (WOM)	Personal, informal exchanges of information that customers share with one another about products, brands and companies



➤ Advertising

Advertising = paid non-person communication about an organization and its products transmitted to a target audience through mass media

- TV
- Radio
- Internet
- Newspaper/magazines
- Direct mail
- Outdoor displays/sign on vehicles

Developing an advertising campaign

Advertising campaign: a series of ads in various advertising media reaching a particular target audience

1. Identify and analyze target audience
2. Define advertising objectives
3. Create advertising platform
4. Determine advertising appropriation
5. Develop media plan
6. Create advertising message
7. Execute campaign
8. Evaluate advertising effectiveness



Step 5: Developing the media plan

Medium	Advantages	Disadvantages
<i>Newspapers</i>	- Reaches large audience - Purchased to be read/frequent publication - Geographic flexibility	- Not selective for socioeconomic groups or target market - Short life, limited reproduction capabilities
<i>Magazines</i>	- Demographic selectivity - Good reproduction - Long life - Prestige	- High costs - 30-90 day lead time - High level of competition - Limited reach
<i>Direct mail</i>	- Little wasted circulation (also controlled) - Highly selective - Few distractions, personal - Relatively easy to measure performance - Hidden from competitors	- Very expensive - Lacks editorial content - Can be viewed as junk mails - Criticized as invasion of privacy - Consumer must choose to read the ad
<i>Radio</i>	- Reaches 95% of consumers - Highly mobile and flexible - Very low relative costs - Ads can be changes quickly	- Lacks visual imagery - Short life of message - Listeners' attention limited bc other activities - Difficult buying procedure
<i>Television</i>	- Reaches large audiences - High frequency available - Dual impact of audio and visual - Geographic and demographic selectivity	- Very expensive - Highly perishable message - Size of audience not guaranteed - Amount of prime time limited
<i>Internet</i>	- Immediate response - Potential to reach a precise target audience - Ability to track customers and make databases - Highly interactive medium	- Cost of precise targeting are high - Inappropriate ad placement - Effects difficult to measure - Concerns about security and privacy
<i>Yellow pages</i>	- Wide availability + non intrusive - Action and product category oriented - Low relative costs - Ad frequency and longevity	- Market fragmentation - Extremely localized - Slow updating - Lack of creativity - Requires large space to be notices
<i>Outdoor</i>	- Allowed for frequent repetition - Low cost + high creativity - Message can be placed close to point of sale - Geographic selectivity	- Message must be short and simple - No demographic selectivity - Seldom attracts readers' full attention - Criticized as traffic hazard

Evaluating advertising effectiveness

Execution of an advertising of an advertising campaign requires extensive planning and coordination because many tasks must be completed on time, as well as due to the high number of people and companies involved
→ can be evaluated before, during and after the campaign

➤ *Pretest*

Evaluation of ads performed before a campaign begins → attempts o evaluate the effectiveness of one or more elements of the message

- Consumer panel: a panel of a product's actual or potential buyers who pretest ads

➤ *Post-test*

Evaluation of advertising effectiveness after the campaign

- Recognition test: a post-test in which respondents are shown the actual advertisement and asked whether they recognize it
- Unaided recall test: respondents identify advertisements they have recently seen but are given no recall clues to help them remember

Types of advertising

<i>Comparative advertising</i>	Compares a sponsored brand with one or more identified brands on the basis of one or more product characteristics
<i>Reminder advertising</i>	Reminds consumers about an established brand's uses, characteristics and benefits

➤ **Personal selling**

Paid personal communication that attempts to inform customers and persuade them to purchase products in an exchange situation

- More precise focus on sales prospects and interpersonal communication is most effective
- Often the closest relationship with customers
- Provides greatest freedom to adjust message
- Usually most expensive element in the promotion mix
- Feedback from salesperson can improve the marketing mix

➤ **Product placement**

Strategic location of products within TV programs or other entertainment media content to reach the product's target market

- Becoming smarter with promotional expenditure → product placement growing and popular technique
- Subtle and power communication
- Easy to use and effective → audiences are already pre-segmented by their choice of viewing
- Can add realism to program and can be misleading
- Falls outside the tradition consumer protection laws and professional codes of conduct

➤ **Sales promotion**

An activity and/or material meant to induce resellers or salespeople to sell a product, or get consumers to buy it

- A direct inducement that offers extra value or incentive to the sales force, business market or end consumer with the primary objective of creating an immediate sale
- If properly designed, sales promotion can build short-term excitement and long-term consumer relationships

<i>Consumer sales promotion methods</i>	<i>Trade sales promotion methods</i>
- Coupons and cents-off offers - Refunds and rebates - Frequent-user incentives - Point-of-purchase materials and demonstrations (signs, display racks) - Free samples and premiums - Consumer games, contests and sweepstakes	- Trade allowance - Cooperative advertising and dealer listing - Free merchandise and gifts - Premium (push) money - Sales contests

➤ **Public relations (PR)**

Communication efforts used to create and maintain favorable relations between an organization and its stakeholders

- Mainly aim to enhance the image of the total organization or to maintain positive public perceptions
- Because of the benefits of good PR, it is essential that organizations evaluate the effectiveness of their PR campaigns
- Marketers should have policies and procedures in place to manage unpleasant situations and negative events
- However, PR should not be viewed as tools to be used only during a crisis

Publicity: communication in a news story form about the organization, its products, or both and transmitted through a mass medium at no charge

- News release: a short piece of copy publicizing an event or a product
- Press conference: a meeting used to announce major news events to the media
- Feature article: a manuscript of up to 3000 words prepared for a specific publication
- Captioned photograph: a photo with a brief description of its contents

➤ **Word-of-mouth (WOM)**

Personal, information exchanges of information that customers share with one another about products, brands and companies

- Strictly speaking, WOM is not part of an organization's marketing communication mix since the message is not fully controlled by the organization
- Increasingly customers are going online to share opinions about goods, services and companies
- Not effective in all product categories

➤ **Sponsorship**

Event sponsorship: when an organization contributes financially to a special event to gain positive publicity

- Typical objectives for sponsorship: enhancing the brand image and customers' perception of the brand

Common types of sponsorship:

- Social sponsorship → to influence customer perceptions of their socially responsible/ethical merits or to improve their image
- Arts sponsorship
- Sport sponsorship

➤ **Digital marketing**

Summary:

- Promotion is the communication to build and maintain relationships by informing and persuading one or more audiences. Marketers should understand how different stages in the communication process can guide the design of promotional campaign
- Integrated Marketing Communications (IMC) is the coordination of promotion and other marketing efforts to ensure maximum informational and persuasive impact on customers
- Marketers need to understand the factors involved in setting an IMC program
- Marketers need to appreciate the power of each of the marketing communication tools as well as how to use each of them. The tools include advertising, product placement, public relations, sponsorship, personal selling and sales promotion

Exam questions:

- List and briefly describe two new product pricing strategies. Use examples (10 marks)
- Explain what is meant by the term product. Discuss the difference between high and low product. Provide examples.
- List and briefly describe the four differences between goods and services
- List and briefly describe four situational factors that influence buyer behaviour. Provide examples
- List and briefly describe five of the functions that members of a marketing channel perform
- Example any two of the three main promotional objective
- List and describe five of the marketing communication tools in the promotional mix. Provide one example of how a company might use each tool.
- List and describe the six major forces in the marketing environment. Use an example of how the forces effect the company to service its customers
- What are the three levels of product? List and briefly describe using an appropriate example.
- Describe how the use of channel intermediaries reduces the total number of transactions in a marketing channel
- What is brand equity? Example why marketers are interested in this concept using an example. (Use Nike and another brand to compare)
- List and briefly describe the stages in the buyer decision making process. Describe how this process differs between high/low involvement purchases. Use an appropriate example for each.
- Briefly explain what is a brand
- List and briefly describe the four tools of marketing
- What is involvement? Provide 2 examples to show how involvement can effect consumer's decisions process (use search and risk)
- What is value based pricing? How does it differ from cost based approach?
- Describe the difference between push and pull
- What is secondary data? List and briefly describe the benefits and problems of using secondary data.
- What are three broad types of communication objectives. Give two examples of each
- Price elasticity
- Globalization
- List and describe the five distinct stages in the product life cycle
- What are channels, how to they assist the delivery of value?
- Describe the three levels of a product. Use an example