Basics of Marketing Management

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Content

Part One

Marketing: Definitions and Concepts

Marketing definition

There are a lot of marketing definitions available, but the right ones are focused upon the key to marketing success i.e. customers. Following are some of the marketing definitions available.

The Chartered Institute of Marketing (CIM) says:

> The management process responsible for identifying, anticipating and satisfying customer requirements profitability.

Philip Kotler defines marketing as**:**

> Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others.

> 'Marketing is the human activity directed at satisfying human needs and wants through an exchange process'.

Palmer's marketing definition is as:

> Marketing is essentially about marshalling the resources of an organization so that they meet the changing needs of the customer on whom the organization depends.

Dennis Adcock defines marketing as

> The right product, in the right place, at the right time, at the right price.

Hence, we can say that marketing is the process of planning and executing the conception, pricing, promotion, and distribution (4 Ps) of ideas, goods and services to create exchanges (with customers) that satisfy individual and organizational objectives.

Marketing is the activity of facilitating exchange of a given commodity for goods, services, and/or money for the purpose of delivering maximum value to the owner of the commodity. From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response. Marketing satisfies these needs and wants through exchange processes and building long-term relationships.

Marketing can be looked at as an organizational function and as a set of processes for creating, delivering and communicating value to customers, and managing customer relationships in ways that benefit the organization and its shareholders. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behavior and providing superior customer value.

The set of engagements necessary for successful marketing management include capturing marketing insights, connecting with customers, building strong brands, shaping the market offerings, delivering and communicating value, creating long-term growth, and developing marketing strategies and plans.

The Marketing Exchange

Definition:

The marketing exchange is to satisfying customer needs (creating utility) through the exchange process.

It is obtaining a desired object from someone by offering something of value in return is called the exchange process.

Exchange and Utility

The exchange process is the act of obtaining a desired object from someone by offering something of value in return. The exchange between the person in need (i.e., someone who offers money or some other personal resource) and the organization selling the product, service, or idea results in a transaction. The top goal of any marketing organization is to facilitate and help increase sales transaction by convincing potential consumers and existing customers to buy their company's product or service.

The criteria needed for an exchange to occur:

- Must have something of value to exchange
- Need to be able to communicate
- Must be able to exchange (under 21 drinking)
- Must want to exchange
- At least 2 people needed for an exchange to occur

The exchange process creates Utility.

Utility is the satisfaction, value, or usefulness a user receives from a good or a service. When you purchase an automobile, you give up less (in LEs) than the value of the car (to you)...the ability to get you from A to B, safely, in a timely manner etc.

There are four types of utility:

- Form: Production of the good, driven by the marketing function. EXAMPLE?? Turn cream, sugar and milk into ice cream.
- Place: Make product available where customers will buy the product. EXAMPLE?? Food truck at a construction site.
- Time: make product available when customers want to buy the product. EXAMPLE?? Open 24 hours a day, 365 days a year.
- Possession: Once you own the product, do what you want with it, i.e. eat it.

An example of a service that offers all types of utility: 24 Hour pizza delivery service.

The Role of Marketing within a Firm

The official American Marketing Association definition of Marketing, "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large", can help us better understand the parameters of marketing, however it does not provide a full picture. Definitions of marketing cannot flesh out specific transactions and other relationships among these elements. The following propositions are offered to supplement this definition:

- The overall directive for any organization is the mission statement or some equivalent statement of organizational goals. It reflects the inherent business philosophy of the organization.

- Every organization has a set of functional areas (e.g., accounting, production, finance, data processing, and marketing) in which tasks that are necessary for the success of the organization are performed. These functional areas must be managed if they are to achieve maximum performance.

- Every functional area is guided by a philosophy (derived from the mission statement or company goals) that governs its approach toward its ultimate set of tasks.
- Marketing differs from the other functional areas in that its primary concern is with exchanges that take place in markets outside the organization.
- Marketing is most successful when the philosophy, tasks, and manner of implementing available technology are coordinated and complementary to the rest of the business.

Marketing is often a critical part of a firm's success, but its importance must be kept in perspective. For many large manufacturers such as Proctor & Gamble, Microsoft, Toyota, and Sanyo, marketing represents a major expenditure, as these businesses depend on the effectiveness of their marketing effort. Conversely, for regulated industries (such as utilities, social services, medical care, or small businesses providing a one-of-a-kind product) marketing may be little more than a few informative brochures.

Marketing As A Source Of Competitive Advantage

The specific role of marketing is to provide assistance in identifying, satisfying, and retaining customers, to "find and keep customers." The only way you can achieve this objective is to create a competitive advantage. That is, you must convince buyers (potential customers) that what you have to offer them comes closest to meeting their particular need or want. Hopefully, you will be able to provide this advantage consistently, so that eventually the customer will purchase your product without considering alternatives. This loyal behavior is exhibited by people who drive only Fords, brush their teeth only with Crest, and buy only Dell computers. Creating this blind commitment - without consideration of alternatives - to a particular brand, store, person, or idea is the dream of all businesses. It is unlikely to occur, however, without the support of an effective marketing program.

Type of organizations that use marketing:

- Corporations: i.e. Pepsi, Coke, GM, HP etc.
- Government: promoting the health plan, politicians during elections
- Hospitals: A Philadelphia hospital, competing for maternity patients, offered a steak and champagne dinner (sales promotion) with candlelight for new parents. Other hospitals, in an effort to attract physicians, have installed services such as saunas, chauffeurs, and private tennis courts.
- Schools: University of Strathclyde MBA program

- Churches: Many churches are redesigning their service offering to better meet the needs of their target audience so as to keep members and financial support.
- Army: A marketing plan to attract recruits.
- Postal Service: launching of a stamp as a major media event.

Business to business marketing Versus Business to customer marketing

Business marketing, also known as industrial marketing or business-to-business (B2B) marketing, is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions). It allows them to sell products or services to other companies or organizations that resell them, use them in their products or services or use them to support their operations.

Business markets have a derived demand, a demand in them exists because of demand in the consumer market. An example would be the Indian government wishing to purchase equipment for a nuclear power plant. The underlying consumer demand that has triggered this is that people of India are consuming more electricity (by using more household devices such as washing machines and computers). Business markets do not exist in isolation.

A single consumer market demand can give rise to hundreds of business market demands. The demand for cars in India creates demands for castings, forgings, plastic components, steel and tires. In turn, this creates demands for casting sand, forging machines, mining materials, polymers, rubber. Each of these growing demands has triggered more demands. As the spending power of citizens increases, countries generally see an upward wave in their economy. Cities or countries with growing consumption are generally growing business markets.

Despite the differences between business and consumer marketing from a surface perspective being seemingly obvious, there are more subtle distinctions between the two with substantial ramifications. Dwyer and Tanner (2006) note that business marketing generally entails shorter and more direct channels of distribution.

While consumer marketing is aimed at large groups through mass media and retailers, the negotiation process between the buyer and seller is more personal in business marketing. According to Hutt and Speh (2004), most business marketers commit only a small part of their promotional budgets to advertising, and that is usually through direct mail efforts and trade journals. While advertising is limited, it often helps the business marketer set up successful sales calls.

Marketing to a business is trying to make a profit (business-to-business marketing) as opposed to an individual for personal use (Business-to-Consumer, or B2C marketing) is similar in terms of the fundamental principles of marketing.

In B2C, B2B and B2G marketing situations, the marketer must always:

- Successfully match the product or service strengths with the needs of a definable target market;
- Position and price to align the product or service with its market, often an intricate balance; and
- Communicate and sell it in the fashion that demonstrates its value effectively to the target market.

While "other businesses" might seem like the simple answer, Dwyer and Tanner (2006) say business customers fall into four broad categories: companies that consume products or services, government agencies, institutions and resellers.

The first category includes original equipment manufacturers, such as large auto-makers who buy gauges to put in their cars and also small firms owned by 1-2 individuals who purchase products to run their business. The second category - government agencies, is the biggest. But this category also includes state and local governments. The third category, institutions, includes schools, hospitals and nursing homes, churches and charities. Finally, resellers consist of wholesalers, brokers and industrial distributors.

So what are the meaningful differences between B2B and B2C marketing?

A B2C sale is to a "Consumer" i.e. to a single person who pays for the transaction. A B2B sale is to a "Business" i.e. organization or firm. Given the complexity of organizational structure, B2B sales typically involve multiple decision makers. The marketing mix is affected by the B2B uniqueness which include complexity of business products and services, diversity of demand and the differing nature of the sales itself (including fewer customers buying larger volumes)1.

Because there are some important subtleties to the B2B sale, the issues are broken down beyond just the original 4 Ps of marketing developed by McCarthy.

Quite often, the target market for a business product or service is smaller and has more specialized needs reflective of a specific industry or niche.2 A B2B niche, a segment of the market, can be described in terms of firmographics which requires marketers to have good business intelligence in order to increase response rates. Regardless of the size of the target market, the business customer is making an organizational

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1 Kotler & Pfoertsch: "B2B Brand Management", page 21. Springer Berlin, 2006

2 Malaval: "Strategy and Management of Industrial Brands: Business to Business Products and Services", page 16. 2001

purchase decision and the dynamics of this, both procedurally and in terms of how they value the product offered, differ dramatically from the consumer market. There may be multiple influencers on the purchase decision, which may also have to be marketed to, though they may not be members of the decision making unit.3 In addition the research and decision making process a B2B buyer undertakes will be more extensive.4 Finally the purchase information that buyers are researching changes as they go through the buying process.5

Adding Value

Marketing adds value to an organization by communicating relevant positioning and building long-term customer relationship. Louis Vuitton is a prime example of how marketing adds value. Louis Vuitton is known for quality, luxury custom-made handbags. Without a marketing team to position the company in a way relevant to its consumers and in contrast to its competitors, the value of a Louis Vuitton would be no more than a store brand handbag

A main goal of marketing is to add value. An organization's products can add value to a consumer's life. It is able to accomplish this via the following avenues:

3 Brown, Duncan and Hayes, Nick. Influencer Marketing: Who really influences your customers?, Butterworth-Heinemann, 2008

4 Glynn. Business-to-business Brand Management, Emerald Group Publishing, 2009.

5 "B2B Buyer Decision Map: Understanding Decision Stages - Brainrider". Brainrider. Retrieved May 27, 2013.

- It is the link between a society's material requirements and its economic patterns of response.

- It satisfies needs and wants through exchange processes and building long-term relationships.

- It is the process of communicating the value to customers. It also manages customer relationships in ways that benefit the organization and its shareholders.

- It is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behavior and providing superior customer value to a firm's customers.

Value in marketing can be defined by both qualitative and quantitative measures. On the quantitative side, value added is to improve its quality/price ratio. When an organization delivers high quality but at a high price, the perceived value may be high. The key to delivering high perceived value changes based on time, place, and people in relation to changing environmental factors, marketing adapts to consumers changing perceptions and beliefs in order to have optimal Value Analysis

To reveal the company's strengths and weaknesses compared to other competitors, it is important to conduct a customer value for choosing a product. It is important to identify and define benefits as opposed to features:

- Assess the quantitative importance of the different attributes and benefits. In other words, attempt to assign an actual price differentiation for products with value-adding benefits.

- Assess the company's and competitors' performance on each attribute and benefit. It is important to be honest with yourself about who your actual closest competitors are and how they price their products.

- Examine how customers in the particular segment rated the company against major competitors on each attribute.

- Monitor customer perceived value analysis can lead a company to creating an accurate value proposition is a promise of value will be experienced. A value proposition is based on a review and analysis of the benefits, costs and value propositions to position

Key Notes:

1. The main focal point in marketing is customer needs.

2. In order to maintain long-term relations with customers, future needs have to be identified and predicted.

3. Marketing is not the duty of marketing department only but everyone in the organization.

4. The exchange process allows the parties to assess the relative trade-offs they must make to satisfy their respective needs and wants.

5. Individuals on both sides attempt to maximize rewards and minimize costs in their transactions so as to obtain the most profitable outcomes. Ideally, all parties achieve a satisfactory level of reward.

6. Two of the key questions that a marketer needs to answer relative to buyer behavior are: How do potential buyers go about making purchase decisions? What factors influence their decision process and in what way?

7. Marketing exchange: the transaction process facilitated and expedited by marketing, in which a desired object is obtained by offering something of value in return.

8. Business marketing is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions).

9. Business markets have a derived demand; a demand in them exists because of demand in the consumer market.

10. Business customers fall into four broad categories: companies that consume products or services, government agencies, institutions and resellers.

11. A B2C sale is to a "Consumer" i.e. to a single person who pays for the transaction.

12. B2B sales typically involve multiple decision makers. The marketing mix is affected by the B2B uniqueness

which include complexity of business products and services, diversity of demand and the differing nature of the sales itself.

13. Marketing is the science of choosing target markets through market analysis and market segmentation, as well as understanding consumer buying behavior and providing superior customer value.

14. Value is a customer's perception of relative price (the cost to own and use) and performance (quality) of a product.

15. The "total market offering" includes an organization's reputation, staff representation, product benefits, and technological characteristics as compared to competitors. Value, in this sense, is defined as the relationship of a firm's market offerings to those of its competitors.

16. Since value changes based on time, place, and people in relation to changing environmental factors, marketing adapts to consumers changing perceptions and beliefs in order to have optimal value creation.

17. Value: a customer's perception of relative price (the cost to own and use) and performance (quality)

18. Customer value analysis: the collection and evaluation of data associated with customer needs and market trends.

19. Attribute is a characteristic or quality of a thing.

20. Benefit is an advantage, help or aid from something

21. Benefit segmentation is the division of the market into subsets according to benefits sought by the consumer or which the product/service can provide.

Part Two

Marketing Mix, 4 P's of Marketing

Response from the customers or best satisfy their needs. Marketers use different tools in order to get the desired These tools are known as The Marketing Mix. Marketing Mix is probably the most famous term in marketing. Marketing Mix is a combination of marketing tools that a company uses to satisfy their target customers and achieving organizational goals. McCarthy classified all these marketing tools under four broad categories:

- Product
- Price
- Place
- Promotion

This means that to create the right marketing mix, businesses have to meet the following conditions:

- The product has to have the right features - for example, it must look good and work well.
- The price must be right. Consumer will need to buy in large numbers to produce a healthy profit.
- The goods must be in the right place at the right time. Making sure that the goods arrive when and where they are wanted is an important operation.
- The target group needs to be made aware of the existence and availability of the product through promotion. Successful promotion helps a firm to spread costs over a larger output.

These four elements are the basic components of a marketing plan and are collectively called 4 P's of marketing. 4 P's pertain more to physical products than services. Below is an illustration for marketing mix.

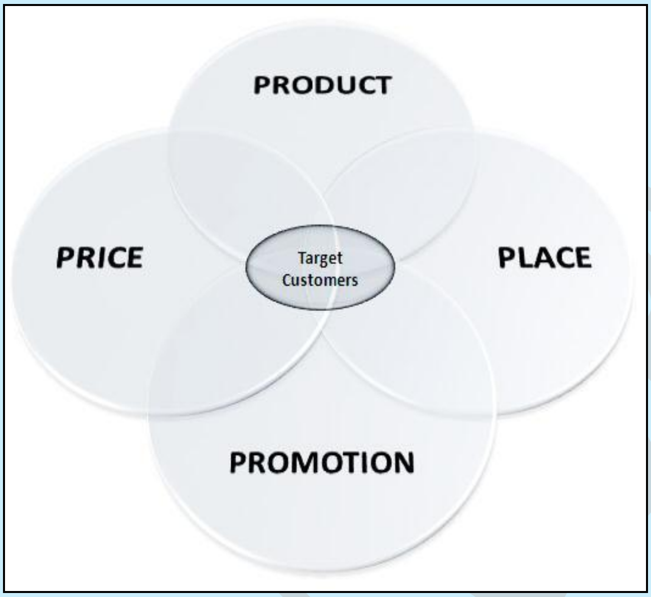


Figure 1 The 4P's of marketing

The important thing to note is that all these four P's (variable) are controllable, subject to internal and external constraints of marketing environment. Marketers, using different blends of these variables, can target different group of customers having different needs. So, a customer may call marketing mix "the offering".

Product

Product is the actual offering by the company to its targeted customers which also includes value added stuff. Product may be tangible (goods) or intangible (services).

For example, a company like Kellogg's is constantly developing new breakfast cereals - the product element is the new product itself, getting the price right involves examining customer perceptions and rival products as well as costs of manufacture, promotion involves engaging in a range of promotional activities e.g. competitions, product tasting etc, and place involves using the best possible channels of distribution such as leading supermarket chains. The product is the central point on which marketing energy must focus. Finding out how to make the product, setting up the production line, providing the finance and manufacturing the product are not the responsibility of the marketing function. However, it is concerned with what the product means to the customer. Marketing therefore plays a key role in determining such aspects as:

- the appearance of the product - in line with the requirements of the market

- the function of the product - products must address the needs of customers as identified through market research.

The product range and how it is used is a function of the marketing mix. The range may be broadened or a brand may be extended for tactical reasons, such as matching competition or catering for seasonal fluctuations. Alternatively, a product may be repositioned to make it more acceptable for a new group of consumers as part of a long-term plan.

While formulating the marketing strategy, product decisions include:

- What to offer?

- Brand name

- Packaging
- Quality
- Appearance
- Functionality
- Accessories
- Installation
- After sale services
- Warranty

Price

Price includes the pricing strategy of the company for its products. How much customer should pay for a product? Pricing strategy not only related to the profit margins but also helps in finding target customers. Pricing decision also influence the choice of marketing channels. Price decisions include:

- Pricing Strategy (Penetration, Skim, etc)
- List Price
- payment period
- Discounts
- Financing
- Credit terms.

Using price as a weapon for rivals is as old as mankind, but it’s risky too. Consumers are often sensitive for price, discounts and additional offers. Another aspect of pricing is that expensive products are considered of good quality.

Place (Placement)

It not only includes the place where the product is placed, all those activities performed by the company to ensure the availability of the product to the targeted customers. Availability of the product at the right place, at the right time and in the right quantity is crucial in placement decisions.

Placement decisions include:

- Placement
- Distribution channels
- Logistics
- Inventory
- Order processing
- Market coverage
- selection of channel members

Promotion

Promotion includes all communication and selling activities to persuade future prospects to buy the product. Promotion decisions include:

- Advertising
- Media Types
- Message
- Budgets
- Sales promotion
- Personal selling
- Public relations
- Direct marketing

As these costs are huge as compared to product price, So it's good to perform a break-even analysis before allocating the budget. It helps in determining whether the new customers are worth of promotion cost or not.

Limitation of Marketing Mix

Marketing mix (4 P's) was more useful in early 19′s when production concept was in and physical products were in larger proportion. Today, with latest marketing concepts, marketing environment has become more integrated. So, in order to extend the usefulness of marketing mix, some authors introduced a fifth P and then seven P's (People, Packaging, Process). But the foundation of Marketing Mix still stands on the basic 4P's.

Key Notes:

- Product is the actual offering by the company to its targeted customers which also includes value added stuff. Product may be tangible (goods) or intangible (services).
- Price includes the pricing strategy of the company for its products. How much customer should pay for a product?
- Pricing strategy not only related to the profit margins but also helps in finding target customers.
- Pricing decision also influence the choice of marketing channels.
- Place not only includes the place where the product is placed, but also all those activities performed by the company to ensure the availability of the product to the targeted customers.
- Availability of the product at the right place, at the right time and in the right quantity is crucial in placement decisions
- Promotion includes all communication and selling activities to persuade future prospects to buy the product.

Part Three

Marketing Environment

Since the business environment is constantly changing and customer preferences keep evolving, marketers are required to adapt rapidly.

The Dynamic Environment

A successful marketing campaign increases a company's profits and helps it reach its strategic goals. However, there are challenges to marketing because the business environment is constantly changing. Customer preferences and attitudes keep evolving and require managers to adapt rapidly. Another challenge involves reaching different target markets with culturally relevant propositions.

Proactive attention to the environment allows marketers to prosper by efficiently marketing in areas with the greatest customer potential. It is important to place equal emphasis on both the macro and micro-environment and to react accordingly to changes within them. Reactive attention to the environment by marketers can lead to a disconnect with potential customers and can allow competitors to gain advantages that will win them a higher market share.

Forces of Marketing Environment

As figure shows, two key levels of the marketing environment are the micro-environment and the macro-environment.

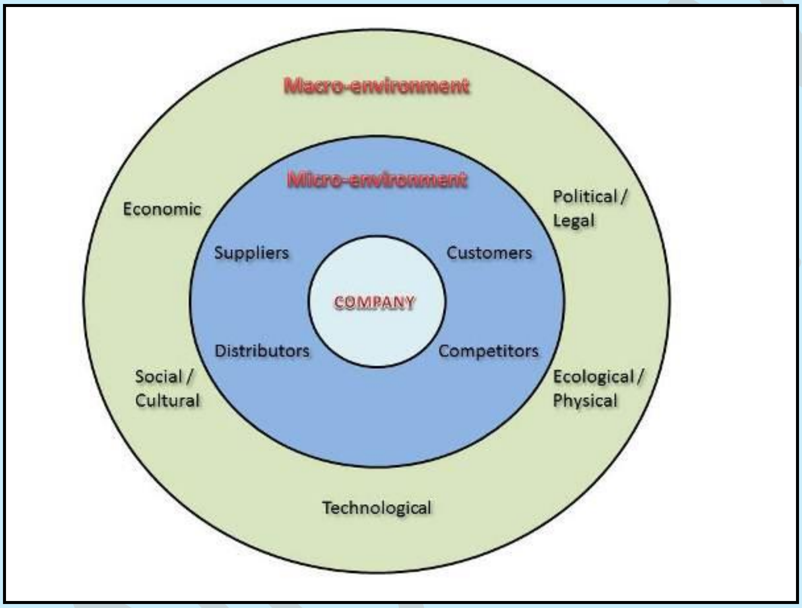


Figure 2 the marketing environment

The Micro-Environment

The micro-environment includes the company itself, its suppliers, marketing intermediaries, customer markets, and competitors. It also includes consumers, collaborators, and centers of influence.

The company aspect of micro-environment refers to the internal environment of the company. Each internal department has an impact on marketing decisions. For example, research and development has input on the features a product can have, and accounting approves the financial side of marketing plans and budgets.

The suppliers of a company are also a part of the micro-environment because even the slightest delay in receiving supplies can result in customer dissatisfaction. Examples of suppliers for such companies as automobile manufacturers would include providers of steel, aluminum, leather, and even audio system manufacturers.

Marketing intermediaries refer to the people that help the company promote, sell, and distribute its products to final buyers. Examples include wholesalers, and retailers such as Wal-Mart, Target, and Best Buy. Physical distribution firms are places that store and transport the company's product from its origin to its destination. Examples include food distributors, such as Food Services of America.

Customer markets can include consumer markets, business markets, government markets, international markets, and reseller markets. The consumer market is made up of individuals who buy goods and services for their own personal use. Business markets include those that buy goods and services for use in producing their own products.

Competitors include companies with similar offerings for goods and services. To remain competitive, a company must consider who their biggest competitors are and simultaneously consider its own size and position in the industry. The company should aim to develop a strategic advantage over their competitors.

Collaborators are key marketing partners that lead to higher efficiency. Examples of collaborators include shipping providers, credit card processors, or online shopping cart providers. Centers of influence are also key to successful marketing relationships. These are well-established business people who are good net workers that can lead you to other successful marketing relationships.

The Macro-Environment

The macro-environment includes concepts such as demography, economy, natural forces, technology, politics, and culture.

Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This helps to divide the population into market segments which can be beneficial to a marketer in deciding how to tailor their marketing plan to attract that demographic.

The economic environment refers to the purchasing power of potential customers and the ways in which people spend their money. Within this area are subsistence economies and industrialized economies. Subsistence economies are based on agriculture and consume their own industrial output. Industrial economies have markets that are diverse and carry many different types of goods. Each is important to the marketer because each has a highly different spending pattern as well as a different distribution of wealth.

The natural environment includes the natural resources that a company uses as inputs. As raw materials become increasingly scarcer, the ability to create a company's product gets much harder.

Technology includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards. As these markets develop, it can create new markets and new uses for products. It also requires a company to stay ahead of others and update their own technology.

The political environment includes all the laws, government agencies, and groups that influence or limit organizations and individuals within a society. It is important for marketers to be aware of these restrictions as they can be complex and can change often. For example, regulations on packaging, such as the necessary inclusion of ingredients for food products or the limitation on product capability claims, must be understood by marketers to avoid negative public perception or sanctions.

The cultural environment consists of institutions and the basic values and beliefs of a group of people. The values can also be further categorized into core beliefs, which are passed on from generation to generation and are very difficult to change, and secondary beliefs, which tend to be easier to influence. As a marketer, it is important to know the difference between the two and to focus your marketing campaign to reflect the values of a target audience.

Scanning and Analysis the Marketing Environment

Environmental scanning is one technique used by organizations to monitor the environment.

Marketing managers are confronted with many environmental concerns, such as those posed by technology, customers and competitors, ethics and law, the economy, politics, demographics, and social trends. All organizations should continuously appraise their situation and adjust their strategy to adapt to the environment.

One technique used by organizations to monitor the environment is known as environmental scanning. This term refers to activities directed toward obtaining information about events and trends that occur outside the organization and that can influence the organization's decision making.

In a sense, such data collection scanning acts as an early warning system for the organization. It allows marketers to understand the current state of the environment, so that the organization can predict trends.

Issues are often forerunners of trend breaks. A trend break could be a value shift in society, a technological innovation that might be permanent, or a paradigm change. Issues are less deep-seated and can be "a temporary short-lived reaction to a social phenomenon." A trend can be defined as an "environmental phenomenon that has adopted a structural character."

A formal but simple strategic information scanning system can enhance the effectiveness of the organization's environmental scanning efforts. An information system (part of marketing research) organizes the scanning effort so that information related to specific situations can be more readily obtained and used.

The Macro Environment Analysis

There are a number of common approaches for how the external factors, which describe the macro environment, can be identified and examined. These factors indirectly affect the organization but cannot be controlled by it.

One approach is the PEST and PESTEL analysis.

PEST stands for political, economic, social and technological. Of the four categories explored in the PEST analysis, the company has the least control over economic factors.

Two more factors, the environmental and legal factor, are defined within the PESTEL analysis (or PESTLE analysis).

The segmentation of the macro environment according to the six presented factors of the PESTEL analysis is the starting point of the global environmental analysis.

The six environmental factors of the PESTEL analysis are the following:

Political factors

- Taxation policy;
- Trade regulations;
- Governmental stability;
- Unemployment policy.

Economical factors

- Inflation rate;
- Growth in spending power;
- Rate of people in a pensionable age;
- Recession or boom;

- Customer liquidations.

Socio-cultural

- Age distribution;
- Education levels;
- Income level;
- Consumerism.
- Diet and nutrition;
- Population growth;
- Life expectancies;
- Religion;
- Social class;
- Expectations of society about the business.

Technological factors

- Internet;
- E-commerce;
- Social media.
- Level of Automation

Environmental factors

- Competitive advantage;
- Waste disposal;

- Energy consumption;
- Pollution monitoring.

Legal factors

- Unemployment law;
- Health and safety;
- Product safety;
- Advertising regulations;
- Product labeling
- Labor laws.

Ecology

- Affects customer's buying habits;
- Affects the production process of the firm.

5C Analysis

The 5C analysis is considered the most useful, comprehensive and common way to analyze the market environment. The 5Cs are:

Company

Analysis of the company allows for evaluation of the company's objectives, strategies, and capabilities which indicate the strength of the business model, if there are areas needing improvement, and how an organization will fit with the external environment.

In addition to company goals and objectives, it includes an analysis of the firm's position, performance, and product line.

Competitors

The competitor analysis takes into consideration the competitor's position within the industry and the potential threat it may pose to other businesses. The main purpose of the competitor analysis is for businesses to analyze both the current and potential nature and capabilities of a competitor to be prepared to compete against them.

The competitor analysis looks at the following criteria: identity competitors, assessment of competitors, and future initiatives of competitors. The task of examining the competitor's financial and marketing performance is one of the responsibilities of a market analyst. It includes the strengths and weaknesses, the anticipated response to the company's marketing strategy, an analysis of growth and investment plans as well.

Customers

Customer analysis can be vast and complicated. Some companies conduct a PEST analysis which scans the external macro-environment in which the company operates. The important areas to analyze includes:

- Demographics
- Advertising most suitable for the demographic
- Market size and potential growth
- Customer wants and needs
- Motivation to buy the product
- Distribution channels (online, retail, and wholesale)
- Quantity and frequency of purchase
- Income level of customer

Collaborators

Collaborators are useful for businesses as they allow for an increase in the creation of ideas, as well as an increase in the likelihood of gaining more business opportunities.

Types of collaborators are:

- Agencies
- Suppliers
- Distributors
- Partnerships

Businesses must be able to identify whether the collaborator has the capabilities needed to help run the business as well as an analysis on the level of commitment needed for a collaborator-business relationship.

Climate

To fully understand the business climate, there are usually many different factors that can affect a business, and if researched well it will create a company that can respond well to change. An analysis on the climate is also known as the PEST analysis.

The types of climate that firms have to analyze are the:

- Political and regulatory environment
- Economic environment
- Social and cultural environment
- Technological environment
- Legislative environment

SWOT Analysis

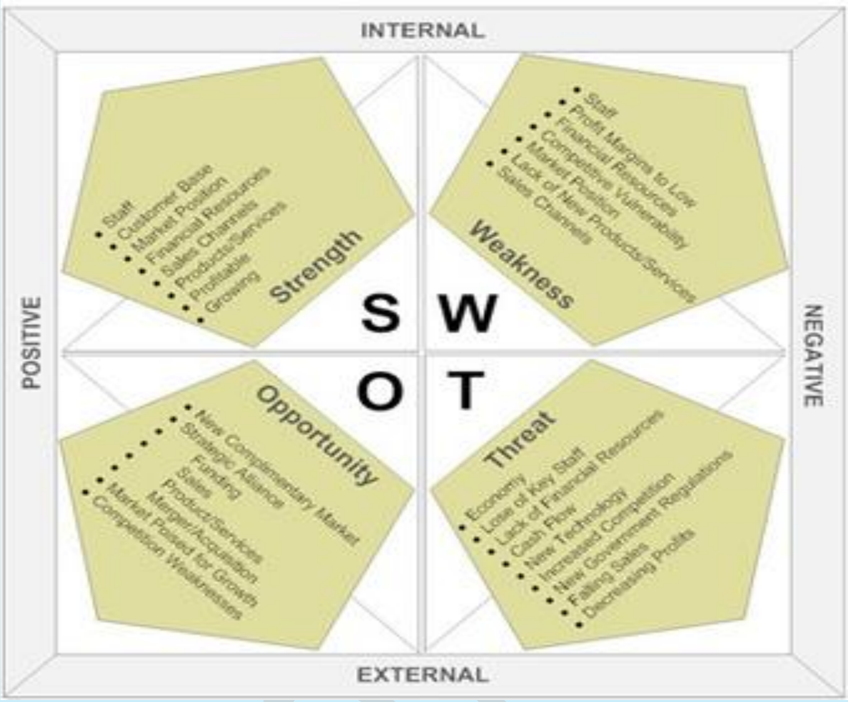


Figure SWOT Analysis

A SWOT analysis is another method under the situation analysis that examines the Strengths and Weaknesses of a company (internal environment) as well as the Opportunities and Threats within the market (external environment).

A SWOT analysis looks at both current and future situations, where they analyze their current strengths and weaknesses while looking for future opportunities and threats. The goal is to build on strengths as much as possible while reducing weaknesses. A future threat can be a potential weakness while a future opportunity can be a potential strength.

This analysis helps a company come up with a plan that keeps it prepared for a number of potential scenarios.

Porter's Five Forces Analysis

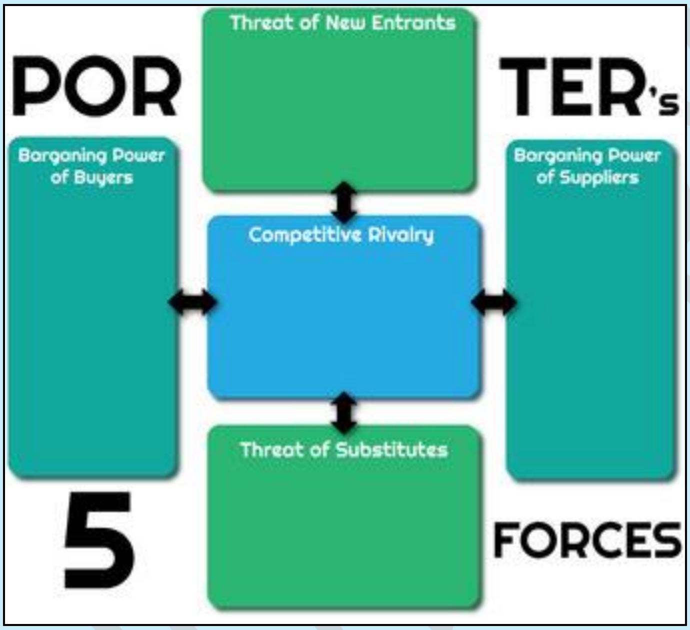


Figure Porter's 5 forces

Porter five forces analysis is a framework for industry analysis and business strategy development. It draws upon industrial organization (IO) economics to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Strategy consultants occasionally use the five forces model to scan for and identify competitors to conduct qualitatively evaluate a firm's strategic position. Ultimately, the primary purpose of the model is to help businesses compare and analyze their profitability and position at the line-of business, rather than industry group or industry sector level (Figure 2). It considers the following factors:

Threat of new entrants

Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry. Unless the entry of new firms can be blocked by incumbents, the abnormal profit rate will trend towards zero (perfect competition).

Bargaining power of buyers

The bargaining power of customers is also described as the market of outputs: the ability of customers to put the company under pressure, which also affects the customer's sensitivity to price changes (e.g. firm can implement loyalty program to reduce customers' buying power).

Bargaining power of suppliers

The bargaining power of suppliers is also described as the market of inputs. Suppliers of raw materials, components, labor, and services (such as expertise) to the company can be a source of power over the firm when there are few substitutes. Suppliers may refuse to work with the firm, or, charge excessively high prices for unique resources.

Threat of substitute product of services

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. An example is the substitute of traditional phone with VoIP phone.

Rivals among existing competitors

For most industries, the intensity of competitive rivalry is the major determinant of the competitiveness of the industry.

Environmental Management

Companies which have the environmental management perspective take actions to influence their marketing environment.

There are three types of companies: those who make things happen, those who watch things happen, and those who wonder what happened.

Some companies treat the external marketing environment as if it were an uncontrollable force. As there is nothing they can do to change it, their choice is to sit on the sidelines and either let it overtake them (and then wonder what happened afterwards) or adapt to the changes it leaves in its wake. Those who try to adapt will use tools to analyze the changes and then design strategies that will help the companies take advantage of any opportunities that may arise, while avoiding the threats.

Other companies, however, take the reins. They take the environmental management view. Instead of doing nothing or reacting to change, companies with this perspective take actions to influence their marketing environment. You find these companies:

- Hiring lobbyists to influence legislation that's related to their industry;
- Putting on media events in an effort to get good press;
- Running advertorials in an effort to shape public opinion;
- Filing lawsuits and complaints to keep competitors in line; and
- Forming contractual agreements in an effort to have better control over their distribution channels.

Cathay Pacific Airlines is an example of a company that chose to manage their external environment even though it seemed to some people that the situation was totally out of their control. Here's what happened.

The airline realized that they were suffering because travelers where making a conscience effort to avoid flying through Hong Kong due to long delays at immigration. Instead of just throwing their hands up and living with the situation, the members of the airline senior staff worked with the Hong Kong government to figure out how to avoid the delays.

The solution? Cathay Pacific agreed to give the government an annual grant-in-aid so that more immigration inspectors could be hired. But these inspectors weren't to be placed just anywhere. The extras primarily served Cathay Pacific gates. So not only did the airline solve the problem, it also created a competitive advantage.

Responding to External Environment

Marketers can respond in three basic ways to their environment – doing nothing, being proactive, or reacting.

Many marketplace changes occur that marketers cannot control, yet they influence what marketers do. Faced with these environmental uncertainties, marketers can respond in three basic ways – do nothing, be proactive, or react.

The most common response, to react, involves changing components of the marketing mix response to environmental changes.

Many companies constantly gather feedback from customers. They analyze this feedback to determine if they are meeting the needs of their customers, and what they can do better. They then combine their findings with data about consumer trends. Based on the results of the feedback and trend analysis, the company may decide to make product improvements. Thus, the company has changed its product (one component of the marketing mix) in reaction to environmental changes. Another source of feedback and information that is vital to the company is from influential stakeholders. This group wields a great deal of power when it comes to public opinion and often are responsible for prompting changes to laws and governmental procedure.

The best organizations are able to respond quickly to environmental changes and capitalize on them. Whether deftly handling a social media crisis, leveraging an unexpected opportunity in current events, or simply learning something new about their customers or the market, successful marketers will be those who recognize the changes that are occurring and make effective adjustments.

A less common response is to be proactive, or to try to change the environment before it changes the marketplace. For example, a pharmaceutical company may employ lobbyists to change laws related to their business.

Regardless of the response to the external environment, marketers should be driven by an overarching vision, mission, and strategy, all of which provide clarity in how to react to change with tactics that are adaptive and responsive.

Competition

Companies must conduct competitive analysis to identify their competition accurately and must avoid defining the competition too narrowly.

Competitive Analysis

Competitive analysis focuses on opportunities and threats that may occur because of actual or potential competitive changes in strategy. Competitive analysis starts with identifying current and potential competitors. For example, who are General Motors' competitors? If you named companies like Toyota, Ford, Chrysler, and Honda, you are right, but you have just begun.

It is essential that the marketer begin the analysis by answering the following question: "What criteria can be used to identify a relevant set of competitors?" It is clear from the two examples above that an accurate accounting of competitors is much broader than the obvious. If competitors are defined too narrowly, there is a risk that an unidentified competitor will take market share away without the company's knowledge. A company's strategy must address all competitors, not just the leaders in a field. Competition is a never ending challenge that must be addressed on an ongoing basis because consumers are exposed to many types of products, to many different marketing concepts which, if compelling enough will prompt them to switch and make different choices on the products or services they buy.

For example, General Motors competes against Ford, Chrysler, Toyota, and other auto manufacturers. They also compete against Sears in the repair market, the subway in large cities and airlines among people for whom bicycle riding is popular. Nintendo competes against Sega in the video game market. It also competes against Blockbuster Video, local gyms, board games, the theater, and concerts. Competition focuses on individuals' wants and needs being satisfied, not the product being produced. General Motors, then, is competing to satisfy the public's need for transportation. Nintendo is competing to satisfy the need for entertainment.

Once competitors are correctly identified, it is helpful to assess them relative to factors that drive competition: entry, bargaining power of buyers and suppliers, existing rivalries, and substitution possibilities. These factors relate to a firm's. This is common for large retailers such as Walmart and Home Depot. Existing competitors and possible substitutes also influence the dynamics of the competition. For example, in slow-growth markets, competition is more severe for any possible gains in market share. High fixed costs also create competitive pressure for firms to fill production capacity. For example, hospitals are increasing advertising budgets in a battle to fill beds, which represents a high fixed cost.

The International Competitive Environment

Entering an international market is similar to doing so in a domestic market, in that a firm seeks to gain a differential advantage by investing resources in that market. Often local firms will adopt imitation strategies, sometimes successfully.

Calculating Market Share

Market share is an important indicator of the strength of a business in its industry, even though there is no standard way to measure it.

Market Share

Market share is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity. Increasing market share is one of the most important objectives of business. The main advantage of using market share as a measure of business performance is that it is less dependent upon macro-environmental variables, such as the state of the economy or changes in tax policy.

Purpose

Market share is a key indicator of market competitiveness — that is, how well a firm is doing against its competitors. It enables managers to judge not only total market growth or decline but also trends in customers' selections among competitors. Research has also shown that market share is a desired asset among competing firms.

Unit market share: The units sold by a particular company as a percentage of total market sales, measured in the same units.

Unit market share (%) = 100 * Unit sales (#) / Total Market Unit Sales(#)

Unit sales (#) = Unit market share (%) * Total Market Unit Sales (#) / 100

Revenue market share: Revenue market share differs from unit market share in that it reflects the prices at which goods are sold. In fact, a relatively simple way to calculate relative price is to divide revenue market share by unit market share.

Revenue market share (%) = 100 * Sales Revenue ($) / Total Market Sales Revenue ($)

Market Dominance

Market dominance is a measure of the strength of a brand, product, service, or firm, relative to competitive offerings. In defining market dominance, you must see to what extent a product, brand, or firm controls a product category in a given geographic area.

There are several ways of calculating market dominance.

Market share: The most direct is market share, discussed above. The following are general criteria:

- A company, brand, product, or service that has a combined market share exceeding 60% most probably has market power and market dominance.
- A market share of over 35% but less than 60% is an indicator of market strength but not necessarily dominance.
- A market share of less than 35% is not an indicator of strength or dominance and will not raise anti-competitive concerns by government regulators.

The concentration ratio: of an industry is used as an indicator of the relative size of leading firms in relation to the industry as a whole.

One commonly used concentration ratio is the four-firm concentration ratio, which consists of the combined market share of the four largest firms, as a percentage, in the total industry. The higher the concentration ratio, the greater the market power of the leading firms.

The Herfindahl index is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. It is defined as the sum of the squares of the market shares of each individual firm. It ranges from 1 to 10,000, moving from a very large amount of very small firms to a single monopolistic producer. Decreases in the Herfindahl index indicate a loss of pricing power and an increase in competition, and vice versa.

Monitoring Competition

Companies must monitor competition in order to make intelligent marketing decisions based on how competitors operate.

As a fundamental practice, marketing companies must thoroughly understand their competitors' strengths and weaknesses. This means more than making sweeping generalizations about the competitors. It means basing intelligent marketing decisions on facts about how competitors operate, as well as determining how best to respond.

Competitive Intelligence

A broad definition of competitive intelligence is the action of defining, gathering, analyzing, and distributing intelligence about products, customers, competitors, and any aspect of the environment needed to support executives and managers in making strategic decisions for an organization.

A more focused definition of competitive intelligence regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious. Experts also call this process the early signal analysis.

Key notes:

1. The micro-environment includes the company itself, its suppliers, marketing intermediaries, customer markets, and competitors. It also includes consumers, collaborators, and centers of influence.

2. The macro-environment includes concepts such as demography, economy, natural forces, technology, politics, and culture.

3. Proactive attention to the environment allows marketers to prosper by efficiently marketing in areas with the greatest customer potential. It is important to place equal emphasis on both the macro and micro-environment and to react accordingly to changes within them.

4. Reactive attention to the environment by marketers can lead to a disconnect with potential customers and can allow competitors to gain advantages that will win them a higher market share.

5. Marketing environment is the factors and forces that affect a firm’s ability to build and maintain successful relationships with customers.

6. Micro-environment is the forces that are close to the company that affect its ability to serve its customers.

7. Macro-environment is the larger societal forces that affect the micro-environment.

8. Demography is the study of human populations, and how they change

9. In a sense, such data collection scanning acts as an early warning system for the organization. It allows marketers to understand the current state of the environment, so that the organization can predict trends.

10. A formal but simple strategic information scanning system can enhance the effectiveness of the organization's environmental scanning efforts. An information system (part of marketing research) organizes the scanning effort so that information related to specific situations can be more readily used.

11. The segmentation of the macro environment according to the six presented factors of the PESTEL analysis is the starting point of the global environmental analysis.

12. trend An inclination in a particular direction.

13. PESTEL analysis The PEST analysis is a political, economic, social, and technological analysis that describes the framework of macro-environmental factors used in the environmental scanning component of strategic management. Some analysts added legal and rearranged the mnemonic to SLEPT; inserting environmental factors expanded it to PESTEL or PESTLE, which is popular in the United Kingdom.

14. The 5C analysis is considered to be the most useful and common method in analyzing the market environment due to the extensive information it provides to a business.

15. A SWOT analysis is another method under the situation analysis that examines the Strengths and Weaknesses of a company (internal environment) as well as the Opportunities and Threats within the market (external environment).

16. The Porter model involves scanning the environment for threats from competitors and identifying problems early on to minimize threats imposed by competitors.

17. micro-environmental Factors or elements in an organization's immediate area of operations that affect its performance and decision making freedom. These factors include competitors, customers, distribution channels, suppliers, and the general public.

18. 5C Analysis the 5c analysis has allowed businesses to gain more information on the internal, macro-environmental and micro-environmental factors within the environment. The 5C analysis is considered to be the most useful and common method in analyzing the market environment due to the extensive information it provides to a business.

19. A trend break could be a value shift in society, a technological innovation that might be permanent, or a paradigm change. Issues are less deep-seated and can be "a temporary short-lived reaction to a social phenomenon."

20. Some companies treat the external marketing environment as if it were an uncontrollable force and choose to sit on the sidelines and either let it overtake them (and then wonder what happened afterwards) or adapt to the changes it leaves in its wake.

21. Companies who manage their external environment may find themselves creating a competitive advantage.

22. Companies which follow the environmental marketing approach may hire lobbyist, place advertorials, or file lawsuits to keep the owner on his toes.

23. Lobbyist: A person remunerated to persuade (to lobby) politicians to vote in a certain way or otherwise use their office to effect a desired result.

24. Distribution channels: Distribution of products takes place by means of channels. Channels are sets of interdependent organizations (intermediaries) involved in making the product available for consumption.

25. The company, 3M, has always made it a practice to learn what their customers want and getting feedback. By practicing environmental management, they have stayed in the forefront of innovation.

26. A reactive response involves changing the marketing mix in response to environmental changes. This is the most common type of response.

27. The best organizations are able to respond quickly to environmental changes and capitalize on them.

28. In reacting to changes in your external environment, marketers should still be driven by an overarching vision, mission, and strategy which provide clarity in how to react to change with tactics that are adaptive and responsive.

29. Feedback: Critical assessment of information produced.

30. Marketing mix: A business tool used in marketing products; often crucial when determining a product or brand's unique selling point. Often synonymous with the four Ps: price, product, promotion, and place.

31. Gathering customer feedback is so important that companies may outsource the job to market research companies. The sole purpose of these firms is to capture customer feedback from various sources on a real-time basis and have reporting tools in place that lead to intelligent decision making.

32. Market share is a key measure of competitiveness. However, firms should be wary of making decisions based on how they will affect their own market share, or that of competitors.

33. Unit market share measures the percentage of units sold by a company compared to total units sold in the market, while revenue market share measures the revenue of a company compared to total revenue in the market. Both methods have useful implications for managers.

34. market share: The percentage of some market held by a company.

35. Market dominance: A measure of the strength of a brand, product, service, or firm, relative to competitive offerings.

36. Herfindahl Index: A measure of the size of firms in relation to the industry and an indicator of the amount of competition among them.

37. Competitive intelligence is an ethical and legal business practice, as opposed to industrial espionage which is illegal.

38. The focus is on the business environment.

39. There is a process involved in gathering information, converting it into intelligence and then utilizing this in business decision-making.

40. Defining competitors too narrowly leads to the chance that an unidentified competitor will capture market share without the company's knowledge.

41. Competition focuses on the wants and needs of individuals' being satisfied, not the product being produced. Companies and marketers must keep this in mind when evaluating the competition.

42. Competitive analysis: An assessment of the strengths and weaknesses of current and potential competitors.

This analysis provides both an offensive and defensive strategic context to identify opportunities and threats.

43. Marketing mix: A business tool used in marketing products; often crucial when determining a product or brand's unique selling point. Often synonymous with the four Ps: price, product, promotion, and place.

44. Some companies that are giants in their industry, such as Coke and Pepsi, have been competing for so long that the result is a stalemate, despite billions spent by each on marketing.

45. Competitive intelligence is a legal business practice, focused on the external environment, that involves gathering intelligence and turning it into useful information for business decisions.

46. Competitive intelligence: The action of defining, gathering, analyzing, and distributing intelligence about products, customers, and competitors to support executives and managers.

Part Four

Consumers and Market Segmentation

Consumers

Who is a Consumer?

A consumer is a person (or group) who pays to consume the goods and/or services produced by a seller (i.e., company, organization).

In the fields of economics, marketing and advertising, a consumer is generally defined as the one who pays to consume the goods and services produced by a seller (i.e., company, organization). A consumer can be a person (or group of people), generally categorized as an end user or target demographic for a product, good, or service.

Any product, good, or service that is developed must have a target market in mind, in order to be effectively marketed and sold.

Consumers Wants and Needs

Consumer wants and needs should drive marketing decisions, and no strategy should be pursued until it passes the test of consumer research.

Demand is the economic principle that describes a consumer's desire, willingness and ability to pay a price for a specific good or service. A firm in the market economy survives by producing goods that are in demand by consumers. Consequently, ascertaining consumer demand is vital for a firm's future viability. Many companies today have a customer focus. In this approach, consumer wants and needs are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs and wants of potential consumers.

A need is a consumer's desire for a product's or service's specific benefit, whether that be functional or emotional. The emotional benefit tends to be a stronger driver for consumers, as functional benefits can be easily copied by competitors.

On the other hand, a consumer want is the desire for products or services that are not necessary, but which consumers wish for. For example, food is considered a consumer need. However, a steak dinner or dessert is considered a consumer want, as these things are not necessary in order to live.

Goals of Consumer Market Research

Consumer market research is the systematic collection of data regarding customers' preferences for actual and potential products / services.

In the field of marketing, consumer market research can be generally defined as the systematic collection and evaluation of data regarding customers' preferences for actual and potential products and services. It is also important to note that consumer market research is not directly synonymous with marketing research. Marketing research is actually comprised of both consumer and business-to-business research and examines all aspects of a business environment.

The ultimate goal of consumer research is to serve as the voice of the consumer. This type of research focuses on understanding the consumer as a person by focusing on exploring his or her attitudes, needs, motivations, and behavior as it relates to a product or service. More broadly, consumer research helps provide a company with relevant, reliable, valid, and current information about their target buyer.

Consumer market research can serve a variety of purposes including:

1. Help companies make better business decisions and gain advantages against the competition

2. Help marketing managers or executives make numerous strategic and tactical decisions in the process of identifying and satisfying customer needs
3. Remove some of the uncertainty by providing relevant information about the marketing variables, environment, and consumers. In the absence of relevant information, the consumer response to marketing programs cannot be predicted reliably or accurately
4. Provide insights that help guide the creation of a business plan, launch a new product or service, optimize existing products and services, and guide expansion into new markets
5. Determine which portion of the population will be most likely to purchase a product or service, based on variables such as age, gender, location, and income level
6. Reveal characteristics of a target market
7. Understand how consumers talk about the products in the market
8. Identify which consumer needs are important and whether the needs are being met by current products

For instance, a consumer goods company that wants to develop a new cheese product for the growing Hispanic demographic can use market research. If the consumer market research demonstrates that consumers do in fact have an unsatisfied need for a cheese that could replace the product they are currently consuming in Latin America, the company could go ahead and develop the cheese product.

Quantitative versus Qualitative Research

Both quantitative and qualitative models seek to explain patterns in behavior, but the former is mathematical, and the latter is more descriptive.

What Is Quantitative Research?

Quantitative Research is defined as the systematic empirical investigation of social phenomena via statistical, mathematical, or computational techniques. Its objective is to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena. At its core, quantitative research is used to identify patterns and predict behavior. This type of research is used in business, marketing and in social sciences such as psychology, economics, sociology, and political science, and, less frequently, in anthropology and history.

Quantitative research is generally conducted using scientific methods, which can include:

1. The generation of models, theories and hypotheses
2. The development of instruments and methods for measurement
3. Experimental control and manipulation of variables
4. Collection of empirical data
5. Modeling and analysis of data.

What Is Qualitative Research?

Qualitative Research is the examination, analysis, and interpretation of observations for the purpose of discovering underlying meanings and patterns of relationships, including classifications of types of phenomena and entities, in a manner that does not involve mathematical models. For example, in the social sciences, qualitative research methods are often used to gain better understanding of such things as intentionality (from the speech response of the research) and meaning (why did this person/group say something and what did it mean to them?).

This research asks broad questions and collects word data from participants. Qualitative methods produce information only on the particular cases studied, and any more general conclusions are only hypotheses. Unlike quantitative methods which are used to identify patterns and make predictions, qualitative research aims to explain behavior.

Qualitative researchers aim to gather an in-depth understanding of human behavior and the reasons that govern it. The qualitative method investigates the why and how of consumer behavior, not just what, where, when. Hence, smaller but focused samples are more often needed than the large samples required of quantitative methods.

Qualitative researchers typically rely on the following methods for gathering information: Participant Observation, Non-participant Observation, Field Notes, Structured Interview, Semi-structured Interview, Unstructured Interview, analysis of documents and materials and focus Group discussions.

In a focus group, a group of people are asked about their perceptions, opinions, beliefs and attitudes towards a specific product, service, concept, advertisement, idea or packaging. It is conducted in an interactive group setting where participants are free to talk with each other.

Market Segmentation

Definition of Market Segmentation:

Market segmentation can be defined as the process of dividing a market into different homogeneous groups of consumers.

The market consists of buyers and buyers vary from each other in different ways. Variation depends upon different factors like wants, resources, buying attitude, locations, and buying practices. By segmentation, large heterogeneous markets are divided into smaller segments that can be managed more efficiently and effectively with products and services that match their unique needs. So, market segmentation is beneficial for the companies serving larger markets.

Criteria for selecting Market Segments

Measurable

A segment should be measurable. It means you should be able to tell how many potential customers and how many businesses are out there in the segment.

Accessible

A segment should be accessible through channels of communication and distribution like sales force, transportation, distributors, telecom, or internet.

Durable

Segment should not have frequent changes attribute in it.

Substantial

Make sure that size of your segment is large enough to warrant as a segment and large enough to be profitable.

Unique Needs

Segments should be different in their response to different marketing efforts (Marketing Mix).

Consumer and business markets cannot be segmented on the bases of same variables because of their inherent differences.

Bases for Consumer Market Segmentation

There are number of variables involved in consumer market segmentation, alone and in combination. These variables are:

1. Geographic variables
2. Demographic variables
3. Psychographic variables
4. Behavioral variables

Geographic Segmentation

In geographical segmentation, market is divided into different geographical units like:

1. Regions (by country, nation, state, neighborhood)
2. Population Density (Urban, suburban, rural)
3. City size (Size of area, population size and growth rate)
4. Climate (Regions having similar climate pattern)

A company, either serving a few or all geographic segments, needs to put attention on variability of geographic needs and wants. After segmenting consumer market on geographic bases, companies localize their marketing efforts (product, advertising, promotion and sales efforts).

Demographic Segmentation

In demographic segmentation, market is divided into small segments based on demographic variables like:

- Age
- Gender

- Income
- Occupation
- Education
- Social Class
- Generation
- Family size
- Family life cycle
- Home Ownership
- Religion
- Ethnic group/Race
- Nationality

Demographic factors are most important factors for segmenting the customers groups. Consumer needs, wants, usage rate these all depend upon demographic variables. So, considering demographic factors, while defining marketing strategy, is crucial.

Psychographic Segmentation

In Psychographic Segmentation, segments are defined on the basis of social class, lifestyle and personality characteristics. Psychographic variables include:

- Interests
- Opinions
- Personality
- Self Image
- Activities
- Values
- Attitudes

A segment having demographically grouped consumers may have different psychographic characteristics.

Behavioral Segmentation

In this segmentation market is divided into segments based on consumer knowledge, attitude, use or response to product. Behavioral variables include:

- Usage Rate
- Product benefits
- Brand Loyalty
- Price Consciousness
- Occasions (holidays like mother’s day, New Year and Eid)
- User Status (First Time, Regular or Potential)

Behavioral segmentation is considered most favorable segmentation tool as it uses those variables that are closely related to the product itself.

Bases for Business Market Segmentation

Business market can be segmented on the bases consumer market variables but because of many inherent differences like:

- Businesses are few but purchase in bulk.
- Evaluate in depth.
- Joint decisions are made.

Business market might be segmented on the bases of following variables:

- Company Size: what company sizes should we serve?
- Industry: Which industry to serve?
- Purchasing approaches: Purchasing-function organization, Nature of existing relationships, purchase policies and criteria.
- Product usage
- Situational factors: seasonal trend, urgency: should serve companies needing quick order deliver, Order: focus on large orders or small.
- Geographic: Regional industrial growth rate, Customer concentration, and international macroeconomic factors.

Key notes:

1. Stakeholders are involved in and/or affected (negatively or positively) by the outcome and impact of an action, project, or program.
2. Internal stakeholders include stockholders, customers, suppliers, creditors, employees, etc. External stakeholders include the general public, communities, activist groups, the media, etc.
3. Stakeholder a person or organization with a legitimate interest in a given situation, action, or enterprise.
4. Any product, good, or service that is developed must have a target market in mind in order to be effectively marketed and sold.
5. It is important to note that consumers (or customers) play a vital role in the economic system of a nation.

6. Marketers are now starting to work on individualizing the concept of "A Consumer," by engaging in personalized marketing, permission marketing, and mass customization.
7. Consumer The consumer is the one who pays to consume the goods and services produced. As such, consumers play a vital role in the economic system of a nation. In the absence of their effective demand, the producers would lack a key motivation to produce, which is to sell to consumers.
8. It is important to note that consumers (or customers) play a vital role in the economic system of a nation.
9. The goal of consumer research is to serve as the voice of the consumer.
10. Marketing research focuses on understanding the consumer as a person by focusing on exploring his or her attitudes, needs, motivations, and behavior as it relates to a product or service.
11. More broadly, consumer research helps to provide a company with relevant, reliable, valid, and current information or their target buyer. A need is a consumer's desire for a product's or service's specific benefit, whether that be functional or emotional. A want is the desire for products or services that are not necessary, but which consumers wish for.
12. Consumers process information through exposure to a stimulus, actively paying attention to it, assigning meaning to the stimulus, retaining that meaning, and retrieving and

applying that information to solve a problem or need they have in the future.

13. Customer focus should be treated as a subset of the corporate strategy rather than the sole driving factor. This means looking beyond current-state customer focus to predict what customers will demand in the future, even if they themselves discount the prediction.

14. Demand: The desire to purchase goods and services.

15. Customer retention: An assessment of the product or service quality provided by a business that measures how loyal its customers are.

16. Dissonance: A state of disagreement or conflict.

17. The primary goal of consumer market research is to identify, understand, and analyze customers and their needs.

18. Market Research The systematic collection and evaluation of data regarding customers' preferences for actual and potential products and services.

19. Marketing Research The function that links the consumers, customers, and public to the marketer through information. This information is used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process.

20. For instance, a consumer goods company that wants to develop a new cheese product for the growing Hispanic

demographic can use market research. If the consumer market research demonstrates that consumers do in fact have an unsatisfied need for cheese that could replace the product they are currently consuming in Latin America, the company could go ahead and develop the cheese product.

21. Quantitative Research is defined as the systematic empirical investigation of social phenomena via statistical, mathematical or computational techniques, to develop and employ mathematical models, theories and/or hypotheses pertaining to phenomena.

22. Quantitative research is conducted using scientific methods such as: the generation of models, theories, and hypotheses; the development of instruments and methods for measurement; experimental control and manipulation of variables; collection of empirical data; and modeling and analysis of data.

23. Qualitative Research is the examination, analysis and interpretation of observations for the purpose of discovering underlying meanings and patterns of relationships, including classifications of types of phenomena and entities, in a manner that does not involve mathematical models.

24. A Qualitative researcher helps obtain in-depth understanding of human behavior and the reasons that govern such behavior (why and how, not just what, where, when). Smaller, more focused samples are required than with quantitative research methods.

25. Examples of Qualitative Approaches used in collecting data Include: storytelling, classical ethnography, interviews (via phone or in-person), and focus group discussions.
26. Empirical Data: Data derived from reliable measurement or observation.
27. Ethnography: The branch of anthropology that scientifically describes specific human cultures and societies.
28. Focus Group: A group of people, sampled from a larger population, interviewed in open session for market research or political analysis.
29. Market segmentation can be defined as the process of dividing a market into different homogeneous groups of consumers.
30. There are number of variables involved in consumer market segmentation, alone and in combination. These variables are: Geographic variables. Demographic variables Psychographic variables Behavioral variables.
31. Business market might be segmented on the bases of different variables.

Part Five

Consumer Buying Behavior

Definition of Consumer Buying Behavior

Buying Behavior is the decision processes and acts of people involved in buying and using products. Consumer Buying Behavior refers to the buying behavior of the ultimate consumer. A firm needs to analyze buying behavior for:

- Buyers' reactions to a firms marketing strategy have a great impact on the firm's success.
- The marketing concept stresses that a firm should create a Marketing Mix (MM) that satisfies (gives utility to) customers, therefore needs to analyze what, where, when and how consumers buy.
- Marketers can better predict how consumers will respond to marketing strategies.

Stages of the Consumer Buying Process

Five Stages to the Consumer Buying Decision Process (For complex decisions). Actual purchasing is only one stage of the process. Not all decision processes lead to a purchase. Consumer decisions do not always include all 5 stages, determined by the degree of complexity...discussed next.

The five stages are:

1. Problem Recognition (awareness of need) -- difference between the desired state and the actual condition. Deficit in assortment of products. Hunger--Food. Hunger stimulates your need to eat.
   Can be stimulated by the marketer through product information, did not know you were deficient? I.E., see a commercial for a new pair of shoes, stimulates your recognition that you need a new pair of shoes.
2. Information search:
   - Internal search, memory.
   - External search if you need more information. Friends and relatives (word of mouth). Marketer dominated sources; comparison shopping; public sources etc.
   - A successful information search leaves a buyer with possible alternatives, the evoked set. Hungry, want to go out and eat, evoked set is
     - Chinese food
     - Indian food
     - Burger king
     - Just Falafel
3. Evaluation of Alternatives: need to establish criteria for evaluation, features the buyer wants or does not want. Rank/weight alternatives or resume search. May decide that you want to eat something spicy, Indian gets highest

rank etc. If not satisfied with your choice, then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence by "framing" alternatives.

4. Purchase decision: Choose buying alternative, includes product, package, store, method of purchase etc.
5. Post-Purchase Evaluation outcome: Satisfaction or Dissatisfaction. Cognitive Dissonance, have you made the right decision. This can be reduced by warranties, after-sales communication etc. After eating an Indian meal, may think that really you wanted a Chinese meal instead.

Types of Consumers Buying Behavior

Types of consumer buying behavior are determined by:

- Level of Involvement in purchase decision.
- Importance and intensity of interest in a product in a particular situation.
- Buyer’s level of involvement determines why he/she is motivated to seek information about a certain products and brands but virtually ignores others.

High involvement purchases--Honda Motorbike, high priced goods, products visible to others, and the higher the risk the higher the involvement. Types of risk:

- Personal risk

- Social risk
- Economic risk

The four types of consumers buying behavior are:

1. Routine Response/Programmed Behavior--buying low involvement frequently purchased low-cost items; need very little search and decision effort; purchased almost automatically. Examples include soft drinks, snack foods, milk etc.
2. Limited Decision Making--buying product occasionally. When you need to obtain information about unfamiliar brand in a familiar product category, perhaps. Requires a moderate amount of time for information gathering. Examples include Clothes--know product class but not the brand.
3. Extensive Decision Making/Complex high involvement, unfamiliar, expensive and/or infrequently bought products. High degree of economic/performance/psychological risk. Examples include cars, homes, computers, education. Spend a lot of time seeking information and deciding. Information from the companies MM; friends and relatives, store personnel etc. Go through all six stages of the buying process.

4. Impulse buying, no conscious planning.

The purchase of the same product does not always elicit the same Buying Behavior. Product can shift from one category to the next.

For example:

Going out for dinner for one person may be extensive decision making (for someone that does not go out often at all), but limited decision making for someone else. The reason for the dinner, whether it is an anniversary celebration, or a meal with a couple of friends will also determine the extent of the decision making.

Categories that Effect the Consumer Buying Decision Process

A consumer, making a purchase decision will be affected by the following three factors:

1. Personal
2. Psychological
3. Social

Personal

Unique to a particular person. Demographic Factors. Sex, Race, Age etc. Who in the family is responsible for the decision making. Young people purchase things for different reasons than older people.

Psychological factors

Psychological factors include:

Motives

A motive is an internal energizing force that orients a person's activities toward satisfying a need or achieving a goal. Actions are effected by a set of motives, not just one. If marketers can identify motives then they can better develop a marketing mix.

MASLOW hierarchy of needs!!

- Physiological
- Safety
- Love and Belonging
- Esteem
- Self-Actualization

Need to determine what level of hierarchy the consumers are at to determine what motivates their purchases.

Perception

What do you see?? Perception is the process of selecting, organizing and interpreting information inputs to produce meaning. I.e we choose what info we pay attention to, organize it and interpret it.

Information inputs are the sensations received through sight, taste, hearing, smell and touch.

Ability and Knowledge

Need to understand individuals' capacity to learn. Learning, changes in a person's behavior caused by information and experience. Therefore, to change consumers' behavior about your product, need to give them new information re: product...free sample etc. When making buying decisions, buyers must process information. Knowledge is the familiarity with the product and expertise.

Attitudes

Knowledge and positive and negative feelings about an object or activity-maybe tangible or intangible, living or non- living, drive perceptions.

Individuals learn attitudes through experience and interaction with other people.

Consumer attitudes toward a firm and its products greatly influence the success or failure of the firm's marketing strategy.

- Attitudes and attitude change are influenced by consumers personality and lifestyle.

- Consumers screen information that conflicts with their attitudes. Distort information to make it consistent and selectively retain information that reinforces our attitudes. IE brand loyalty.
- There is a difference between attitude and intention to buy (ability to buy).

Personality

All the internal traits and behaviors that make a person unique, uniqueness arrives from a person's heredity and personal experience.

Traits effect the way people behave. Marketers try to match the store image to the perceived image of their customers.

There is a weak association between personality and Buying Behavior, this may be due to unreliable measures.

Lifestyles

Recent US trends in lifestyles are a shift towards personal independence and individualism and a preference for a healthy, natural lifestyle. Lifestyles are the consistent patterns people follow in their lives.

EXAMPLE healthy foods for a healthy lifestyle. Sun tan not considered fashionable in US until 1920's.

Social Factors

Consumer wants, learning, motives etc. are influenced by opinion leaders, person's family, reference groups, social class and culture.

Opinion leaders

Spokespeople etc. Marketers try to attract opinion leaders...they actually use (pay) spokespeople to market their products. Michael Jordon (Nike, McDonalds, Gatorade etc.)

Roles and Family Influences

Role...things you should do based on the expectations of you from your position within a group. People have many roles. Husband, father, employer/ee. Individuals role are continuing to change therefore marketers must continue to update information.

Reference Groups

- Individual identifies with the group to the extent that he takes on many of the values, attitudes, or behaviors of the group members.
- Families, friends, sororities, civic and professional organizations.
- Any group that has a positive or negative influence on a person's attitude and behavior.

- Membership groups (belong to) Affinity marketing is focused on the desires of consumers that belong to reference groups. Marketers get the groups to approve the product and communicate that approval to its members. Credit Cards etc.!!
- Aspiration groups (want to belong to) Disassociate groups (do not want to belong to) Honda, tries to disassociate from the "biker" group.

The degree to which a reference group will affect a purchase decision depends on an individual's susceptibility to reference group influence and the strength of his/her involvement with the group.

Social Class

An open group of individuals who have similar social rank. US is not a classless society. US criteria; occupation, education, income, wealth, race, ethnic groups and possessions.

- Social class influences many aspects of our lives. IE upper middle class Americans prefer luxury cars Mercedes.
- Social class determines to some extent, the types, quality, quantity of products that a person buys or uses.

- Lower class people tend to stay close to home when shopping, do not engage in much pre-purchase information gathering. Stores project definite class images.

- Family, reference groups and social classes are all social influences on consumer behavior. All operate within a larger culture.

Culture and Sub-culture

Culture refers to the set of values, ideas, and attitudes that are accepted by a homogenous group of people and transmitted to the next generation.

Culture also determines what is acceptable with product advertising. Culture determines what people wear, eat, reside and travel. Cultural values in the US are good health, education, individualism and freedom. In American culture time scarcity is a growing problem. IE change in meals. Big impact on international marketing.

- Different society, different levels of needs, different cultural values.

- Culture can be divided into subcultures:
    - geographic regions

  - human characteristics such as age and ethnic background.

- IE West Coast, teenage and Asian American.
- Culture affects what people buy, how they buy and when they buy.

Part Six

Product

When marketing their products firms need to create a successful mix of:

- the right product.
- sold at the right price.
- in the right place.
- using the most suitable promotion.

When an organization introduces a product into a market, they must ask themselves a number of questions.

- Who is the product aimed at?
- What benefit will customers expect?
- How does the firm plan to position the product within the market?
- What differential advantage will the product offer over their competitors?

We must remember that marketing is fundamentally about providing the correct bundle of benefits to the end user, hence the saying ‘Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer’.

Services Marketing and Product Marketing

Definition of a Service:

Any act or performance offered is essentially intangible and does not result in ownership of anything.

Marketing a good is not the same as marketing a service. The customer can touch carpet, but not the act of cleaning it--and that's an important difference. Nearly all products are a bundle of goods and services. When a customer purchases a car, he also purchasing a warranty. Nonetheless, there are products, such as cleaning, that are nearly pure services. Services marketing offer unique challenges to the marketer--and marketers have smart solutions.

Service businesses differ from tangible-goods companies in many ways. Many service companies focus their marketing efforts on the goal of instilling the proper perceived value of the service – the customer needs. The main difference between marketing products or services is that there is much more personal contact required when marketing a service as compared with marketing products. Marketing services may require meeting the customer in a face-to-face basis, or it may mean contacting prospective customers.

In addition, you would also need to know what the potential customer wants and then give them just that, which is a sure shot means of getting more business.

All products are the core output of any type of industry-deliver benefits to the customers who purchase and use them. Goods can be described as physical objects to devices, whereas service is actions or performances. Early research into services sought to differentiate them form goods, focusing particularly on four generic differences:

1. Intangibility
2. Heterogeneity (or variability)
3. Permissibility
4. Simultaneous Production and Consumption

It's important to note that in identifying these differences, we're still dealing with generalizations that do not apply equally to all services. For better understanding, we can say that Services Marketing hold the flowing attributes:

Service marketing attributes.

Features and Attributes	Resulting Implications
Intangible	• Services cannot be inventoried. • Services cannot be patented. • Services cannot be readily displayed or communicated. ○ Pricing is difficult
Heterogeneous	• Service delivery and customer satisfaction depend on employee actions. • Service quality depends on many uncontrollable factors. • There is no sure knowledge that the service delivered matched what was planned and promoted

Simultaneous Production and Consumption	• Customers participate in and affect the transaction.
	  ○ Customers affect each other.
	  ○ Employees affect the service outcome.
	  ○ Decentralization may be essential.
	  ○ Mass production is difficult

Perishable	• Difficult to synchronize supply and demand with services. ○ Services cannot be returned or resold

The following table shows more characteristics and examples of services.

Table Characteristics and examples of services

	Example
☆ Production and consumption are hard to separate	⇨ Travel, investments
☆ Intangibles form a large part of what is being purchased	⇨ Insurance, consulting
☆ There's no change of ownership – customers typically rent a service, rather than owning it	⇨ Loan, hotel room
☆ A sale that does not happen today cannot be recovered in the future – services are perishable	⇨ Empty seat in a theatre, lost interest on a mortgage
☆ Customers must evaluate the purchase decision with few tangibles to go on	⇨ Health care
☆ Output quality is variable and depends on the performance of individuals	⇨ Hair styling, interior decorating
☆ Manner of dress, body language and expressed language form part of the brand experience	⇨ Air travel, retail banking
☆ Cycle of purchase is repeated through "rental" payments – no smooth movement through the consumption cycle, and frequent "moments of truth"	⇨ Health club, anti-virus software, weight-loss groups
☆ Employees behavior and knowledge is central to delivery and quality	⇨ Financial planning
☆ The memories of the experience may be as important as the experience itself	⇨ Vacation travel, theme parks
☆ There are high degrees of customer contact during production	⇨ Health care, massage services
☆ Competing offerings may differ in how much of the work of production is shifted to the customer	⇨ Online brokerage vs. full service; self-service vs. full service gasoline
☆ Suppliers assume real economic risks by accepting a given customer – some interested customers must be rejected	⇨ Credit cards, insurance, auditing services
☆ Customers assume real economic risks by choosing a given supplier	⇨ Mutual funds, home insurance
☆ Buyers of services are usually referred to as customers, clients or users	⇨ Financial services, software, legal services

So before starting marketing your product or service, you should learn the difference between marketing a product or service.

Product Life Cycle (PLC)

A new product passes through set of stages known as product life cycle. Product life cycle applies to both brand and category of products. Its time period varies from product to product. Modern product life cycles are becoming shorter and shorter as products in mature stages are being renewed by market segmentation and product differentiation.

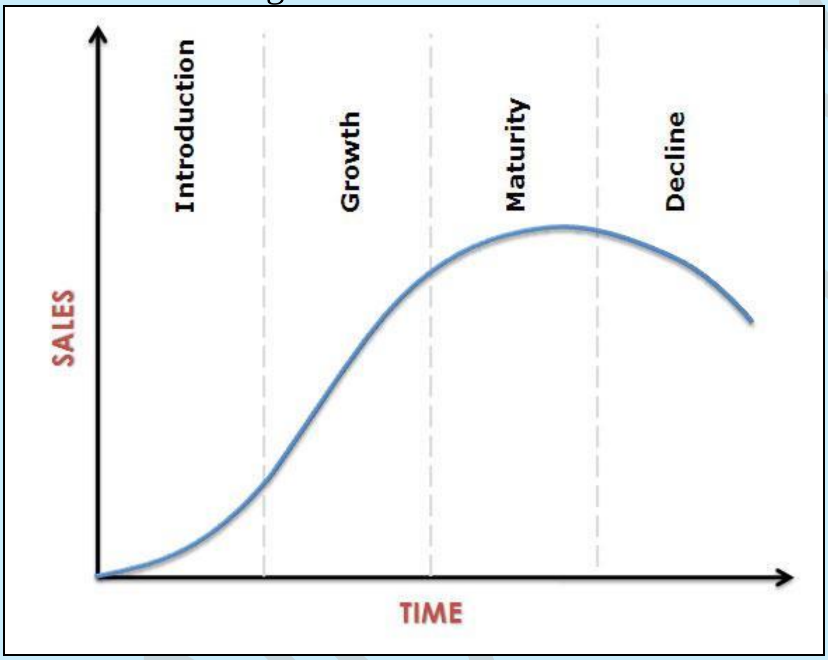
After a period of development, the product is introduced or launched onto the market. It gains more and more customers as it grows and, eventually, the market stabilizes, and the product becomes mature. Then after a period, the product is overtaken by development and the introduction of superior competitors, goes into decline, and is eventually withdrawn.

Companies always attempt to maximize the profit and revenues over the entire life cycle of a product. To achieve the desired level of profit, the introduction of the new product at the proper time is crucial. If a new product is appealing to consumer and no stiff competition is out there, company can charge high prices and earn high profits.

Stages of Product Life Cycle

Product life cycle comprises four stages as seen in the next figure:

1. Introduction stage
2. Growth stage
3. Maturity stage
4. Decline stage



Product Life Cycle (PLC)

1. **Introduction stage**

The need for immediate profit is not a pressure. The product is promoted to create awareness and develop a market for the product. Product is introduced in the market with intention to build a clear identity and heavy promotion is done for maximum awareness. Before actual offering of the product to customers, product passes through product development, involves prototype and market tests. Companies incur more costs in this phase and bear additional cost for distribution. On the other hand, there are a few customers at this stage, means low sales volume. So, during the introductory stage the company's profits shows a negative figure because of huge cost but low sales volume.

At the introduction stage, the company core focus is on establishing a market and arising demand for the product.

The impact on marketing mix is as follows:

Product

Branding, Quality level and intellectual property and protections are obtained to stimulate consumers for the entire product category. Product is under more consideration, as first impression is the last impression.

Price

High (skim) pricing is used for making high profits with intention to cover initial cost in a short period and low pricing is used to penetrate and gain the market share. The company's choice of pricing strategy depends on their goals.

Place

Distribution at this stage is usually selective and scattered.

Promotion

At introductory stage, promotion is done with intention to build brand awareness. Samples/trials are provided that is fruitful in attracting early adopters and potential customers.

Promotional programs are more essential in this phase. It is as important as to produce the product because it positions the product.

2. Growth Stage

In this stage, company's sales and profits starts increasing and competition also begin to increase. The product becomes well recognized at this stage and some of the buyers repeat the purchase patterns. During this stage, firms focus on brand preference and gaining market share. It is the market acceptance stage. But due to competition, companies invest more in advertisement to convince customers so profits may decline near the end of growth stage.

The impact on marketing mix is as follows:

Product

Along with maintaining the existing quality, new features and improvements in product quality may be done. All this is done to compete and maintain market share.

Price

Price is maintained or may increase as company gets high demand at low competition or it may be reduced to grasp more customers.

Distribution

Distribution becomes more significant with the increase demand and acceptability of product. More channels are added for intensive distribution to meet increasing demand. On the other hand, resellers start getting interested in the product, so trade discounts are also minimal.

Promotion

At growth stage, promotion is increased. When acceptability of product increases, more efforts are made for brand preference and loyalty.

3. Maturity stage

At maturity stage, brand awareness is strong, so sales continue to grow but at a declining rate as compared to past. At this stage, there are more competitors with the same products. So, companies defend the market share and extend product life cycle, rather than making the profits, By offering sales promotions to encourage retailers to give more shelf space to the product than that of competitors. At this stage usually loyal customers make purchases.

The impact on marketing mix is as follows:

product

At maturity stage, companies add features and modify the product to compete in market and differentiate the product from competition. At this stage, it is the best way to get dominance over competitors and increase market share.

Price

Because of intense competition, at maturity stage, price is <u>reduced to compete</u>. It attracts the price conscious segment and retains the customers.

Distribution

New channels are added to face intense competition and incentives are offered to retailers to get shelf preference over competitors.

Promotion

Promotion is done to create product differentiation and loyalty. Incentives are also offered to attract more customers.

4. **Decline stage.**

Decline in sales, change in trends and unfavorable economic conditions explains decline stage. At this stage the market becomes saturated so sales decline. It may also be due to technical obsolescence or customer taste has been changed.

At decline stage company has three options:

1. Maintain the product, Reduce cost and find new uses of product.
2. Harvest the product by reducing marketing cost and continue offering the product to loyal niche until zero profit.

3. Discontinue the product when there’s no profit or a successor is available. Selling out to competitors who want to keep the product.

The impact on marketing mix is as follows:

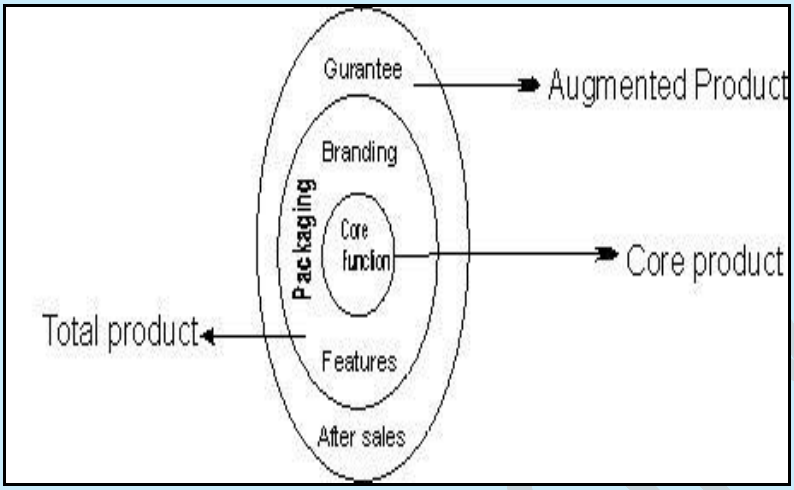
At declining stage, marketing mix decisions depends on company’s strategy. For example, if a company want to harvest, the product will remain same and price will be reduced. In case of liquidation, supply will be reduced dramatically.

Limitations of Product Life Cycle (PLC)

Product life cycle is criticized that it has no empirical support, and it is not fruitful in special cases. Different products have different properties, so their life cycles also vary. It shows that the product life cycle is not the best tool to predict the sales. Sometimes managerial decisions affect the life of products, in this case Product Life Cycle is not playing any role. Product life cycle is very fruitful for larger firms and corporations, but it is not a hundred percent an accurate tool to predict the life cycle and sales of products in all the situations.

Building Product Benefits

Philip Kotler in his book "Principles of Marketing" devised a very interesting concept of benefit building with a product.



Kotler suggested that a product should be viewed on three levels.

Level 1: Core Product

What is the core benefit your product offers? For example, customers who purchase a camera are buying more than just a camera, they are purchasing memories.

Level 2: Actual Product

All cameras capture memories; therefore your aim is to persuade them to capture memories with your camera. The strategy at this level is to add branding, features and benefits which offer a differential advantage over your competitors.

Level 3: Augmented Product

This level is about exploring if there are any additional non-tangible benefits you can offer. Competition at this level is based around after-sales service, warranties, delivery and so on. For example, John Lewis a retail department store offers a free five-year guarantee with television purchases. A five-year guarantee offers their customers peace of mind that their television will be repaired or replaced should a fault develop.

Product Decisions

When placing a product within a market many factors and decisions must be taken into consideration. These include:

Product Decision	Example
Product design	Will the design be the selling point for the organization as we have seen with the iPad, and the Dyson Ball vacuum cleaner.
Product quality	Quality has to be consistent with other elements of the marketing mix. A premium based pricing strategy must reflect the quality a product offers
Product features	What features will you add that may increase the benefit offered to your target market? Will the organization use a discriminatory pricing policy for offering these additional benefits?
Product branding	One of the most important decisions a marketing manager can make is about branding. The value of brands in today’s environment is phenomenal. Brands have the power of instant sales, they convey a message of confidence, quality, and reliability to their target market.

Product Characteristics

• Product attributes

- Quality – the major tool in positioning your product. It encompasses two key elements: 1) quality level - how it is made or perceived, and 2) quality consistency - how it performs over its life.
- Features – the physical or intrinsic characteristics of your product that contribute to the benefits it offers.

- Design – a combination of how the product looks and how it performs.

• Branding

A brand is a name, term, sign, symbol or design, or a combination of these elements that identifies the maker or seller of a product or service. Branding is an important part of a product and contributes to its personality and perceived value. The power of a brand cannot be underestimated – many people buy on the strength of brand alone with no regard for price or performance.

• Packaging

Packaging incorporates the wrapper or container for your product. It serves to protect the product, ensuring it reaches the buyer in good condition and also conveys the personality of your brand and important safety and statutory information. There are usually two levels of packaging – the primary packaging containing each individual product (eg: a can) and the secondary packaging which contains a quantity of products (eg: a carton).

• Labeling

Labeling incorporates all the written information about your product and usually takes the form of an adhesive sticker, a tie-on tag or a printed piece of packaging.

Product positioning

Product positioning is the way a product or service is seen by consumers and how they view its important attributes in relation to competitor's products. For instance, a car can be positioned on the basis of style, performance, safety or economy whilst a computer might be positioned on the basis of speed, capacity, reliability

Choosing and implementing your product positioning strategy is an important task. You need to determine your product's competitive advantages (ie: what sets it apart from its competitors) and then, based on this information, decide how to position your offering in the market. Quality, features, design, branding, packaging, labeling and service all affect the way your product is positioned.

The importance of service in your product strategy

Many businesses underestimate the importance of quality customer service, but consumers today are becoming more educated, more discerning, more demanding, and more aware of their rights, so disregarding the customer service element in your product strategy could be a costly error.

When developing and implementing your customer service policy it's worth remembering the following points:

- Firstly, it's a well-researched fact that each dissatisfied customer will, on average, tell 15 other people of their negative experience - a satisfied customer will tell no more than 6 so with those odds, you really can't afford to have too many dissatisfied customers.
- Secondly, it's only loyal customers that take the time to complain - others simply take their business elsewhere - so you should treat a complaint as a golden opportunity by solving it and then going on to cement a positive and ongoing relationship with that customer.

Part Seven

Price

Price is both the money someone charges for a good or service and what the consumer is willing to give up receiving a good or service.

Of all the aspects of the marketing mix, price is the one which creates sales revenue - all the others are costs. The price of an item is clearly an important determinant of the value of sales made. In theory, price is really determined by the discovery of what customers perceive is the value of the item on sale.

Buying something means paying a price. But what exactly is "price?"

- Price is the money charged for a good or service. For example, an item of clothing costs a certain amount of money. Or a computer specialist charges a certain fee for fixing your computer.
- Price is also what a consumer must pay to receive a product or service. Price does not necessarily always mean money. Bartering is an exchange of goods or services in return for goods or services. For example, I teach you English in exchange for you teaching me about graphic design.

- Price is the easiest marketing variable to change and the easiest to copy.

Pricing is one of the most important elements of the marketing mix, as it is the only mix which generates a turnover for the organization. The remaining 3p's are the variable cost for the organization. It costs to produce and design a product; it costs to distribute a product and costs to promote it. Price must support these elements of the mix. Pricing is difficult and must reflect the supply and demand relationship. Pricing a product too high or too low could mean a loss of sales for the organization.

Different Perspectives on Price

Customer can either be the ultimate user of the finished product or a business that purchases components of the finished product. It is the customer that seeks to satisfy a need or set of needs through the purchase of a particular product or set of products. Consequently, the customer uses several criteria to determine how much they are willing to expend, or the price they are willing to pay, to satisfy these needs. Ideally, the customer would like to pay as little as possible.

For the business to increase value, it can either increase the perceived benefits or reduce the perceived costs. Both elements should be considered elements of price.

To a certain extent, perceived benefits are the opposite of perceived costs. For example, paying a premium price is compensated for by having this exquisite work of art displayed in one's home. Other possible perceived benefits directly related to the price-value equations are:

- status
- convenience
- the deal
- brand
- quality
- choice

It is beneficial to view price from the customer's perspective because it helps define value -- the most important basis for creating a competitive advantage.

Pricing Factors

Pricing should consider the following factors into account:

1. Fixed and variable costs.
2. Competition.
3. Company objectives.
4. Proposed positioning strategies.
5. Target group and willingness to pay.

An organization can adopt number of pricing strategies, see the next figure and table, the pricing strategy will usually be based on corporate objectives.

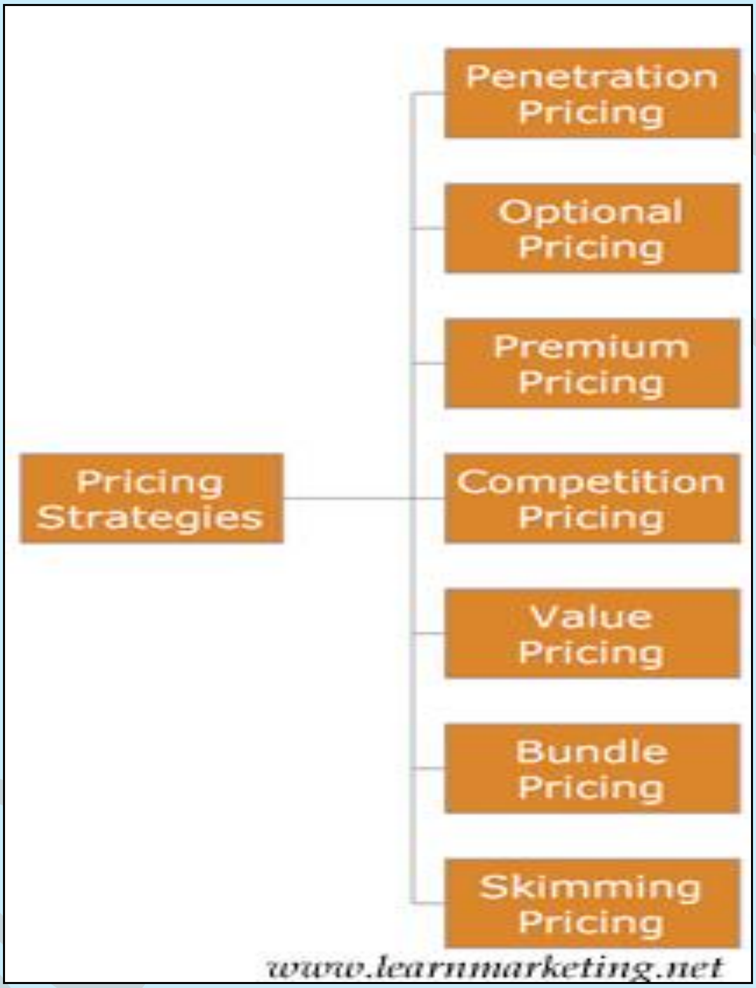


Figure Types of Pricing Strategy

Table Types of Pricing Strategy

Pricing Strategy	**Definition**	**Example**
Penetration Pricing	Here the organization sets a low price to increase sales and market share. Once market share has been captured the firm may well then increase their price.	A television satellite company sets a low price to get subscribers then increases the price as their customer base increases.
Skimming Pricing	The organization sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer.	A games console company reduces the price of their console over 5 years, charging a premium at launch and lowest price near the end of its life cycle.
Competition Pricing	Setting a price in comparison with competitors. Really a firm has three options, and these are to price lower, price the same or price higher	Some firms offer a price matching service to match what their competitors are offering.
Product Line Pricing	Pricing different products within the same product range at different price points.	An example would be a DVD manufacturer offering different DVD recorders with different features at different prices eg A HD and non-HD version. The greater the features and the benefit obtained the

		greater the consumer will pay. This form of price discrimination assists the company in maximizing turnover and profits.
Bundle Pricing	The organization bundles a group of products at a reduced price. Common methods are buy one and get one free promotions or BOGOF's as they are now known. Within the UK some firms are now moving into the realms of buy one get two free can we call this BOGTF i wonder?	This strategy is very popular with supermarkets who often offer BOGOF strategies.
Psychological Pricing	The seller here will consider the psychology of price and the positioning of price within the marketplace	The seller will therefore charge 99p instead of £1 or $199 instead of $200. The reason why these methods work, is because buyers will still say they purchased their product under £200 pounds or dollars, even thought it was a pound or dollar away. My favourite pricing strategy.
Premium Pricing	The price set is high to reflect the exclusiveness of the product.	An example of products using this strategy would be Harrods, first class airline services, Porsche etc.

Optional Pricing	The organization sells optional extras along with the product to maximize its turnover.	This strategy is used commonly within the car industry as I found out when purchasing my car.
Cost Based Pricing	The firms consider the cost of production and distribution, they then decide on a markup which they would like for profit to come to their final pricing decision.	If a firm operates in a very volatile industry, where costs are regularly changing no set price can be set, therefore the firm will decide on their mark up to confirm their pricing decision.
Cost Plus Pricing	Here the firm adds a percentage to costs as profit margin to come to their final pricing decisions.	For example, it may cost £100 to produce a widget and the firm add 20% as a profit margin so the selling price would be £120.00

Discounting

Discounts and allowances are reductions to a basic price of goods or services. There are many different types of price reduction, each designed to accomplish a specific purpose. They can occur anywhere in the distribution channel, modifying either the manufacturer's list price(determined by the manufacturer and often printed on the package), the retail price (set by the retailer and often attached to the product with a sticker), or the list price (which is quoted to a potential buyer, usually in written form).

- Quantity discounts are reductions in base price given as the result of a buyer purchasing some predetermined quantity of merchandise. A noncumulative quantity discount applies to each purchase and is intended to encourage buyers to make larger purchases. This means that the buyer holds the excess merchandise until it is used, possibly cutting the inventory cost of the seller and preventing the buyer from switching to a competitor at least until the stock is used. A cumulative quantity discount applies to the total bought over a period of time. The buyer adds to the potential discount with each additional purchase. Such a policy helps to build repeat purchases. Building material dealers, for example, find such a policy quite useful in encouraging builders to concentrate their purchase with one dealer and to continue with the same dealer over time.

- Seasonal discounts are price reductions given for out-of-season merchandise. An example would be a discount on snowmobiles during the summer. The intention of such discounts is to spread demand over the year. This can allow fuller use of production facilities and improved cash flow during the year. Electric power companies use the logic of seasonal discounts to encourage customers to shift consumption to off-peak periods. Since these companies must have production capacity to meet peak demands, the lowering of the peak can lessen the generating capacity required.

- Cash discounts are reductions on base price given to customers for paying cash or within some short time period. For example, a 2% discount on bills paid within 10 days is a cash discount. The purpose is generally to accelerate the cash flow of the organization.

- Trade discounts, also called functional discounts, are payments to distribution channel members for performing some function. Examples of these functions are warehousing and shelf stocking. Trade discounts are often combined to include a series of functions, for example 20/12/5 could indicate a 20% discount for warehousing the product, an additional 12% discount for shipping the product, and an additional 5% discount for keeping the shelves stocked. Trade discounts are most frequent in industries where retailers hold the majority of the power in the distribution channel (referred to as channel captains). Trade discounts are given to try to increase the volume of sales being made by the supplier.

- Educational or student discounts are price reductions given to members of educational institutions, usually students but possibly also to educators and to other institution staff. The provider's purpose is to build brand awareness early in a buyer's life or build product familiarity so that after graduation the holder is likely to buy the same product, for own use or for an employer, at its normal price. Educational discounts may be given by merchants directly, or via a student discount program, such as College Budget in the United States and Studentdiscounts.co.uk in the United Kingdom.

- Senior discounts are discounts offered to customers who are above a certain relatively advanced age, typically a round number such as 50, 55, 60, 65, 70, and 75; the exact age varies in different cases. The rationale for a senior discount offered by companies is that the customer is assumed to be retired and living on a limited income, and unlikely to be willing to pay full price; sales at reduced price are better than no sales. Non-commercial organizations may offer concessionary prices as a matter of social policy.

Key notes:

1. When you ask about the cost of a good or service, you're really asking how much you will have to give up to get it.
2. For the business to increase value, it can either increase the perceived benefits or reduce the perceived costs.

Both of these elements should be considered elements of price.

3. Viewing price from the customer's perspective helps define value -- the most important basis for creating a competitive advantage.
4. There are two different ways to look at the role price plays in a society; rational man and irrational man.
5. Value a customer's perception of relative price (the cost to own and use) and performance (quality)
6. benefit an advantage, help or aid from something.
7. Bartering system: Barter is a medium of exchange by which goods or services are directly exchanged for other goods or services without using a medium of exchange, such as money.
8. Perceived costs are the opposite of the perceived benefits. When finding a gas station that is selling its highest grade for USD 0.06 less per gallon, the customer must consider the 16 mile (25.75 kilometer) drive to get there, the long line, the fact that the middle grade is not available, and heavy traffic. Therefore, inconvenience, limited choice, and poor service are possible perceived costs.
9. Seasonal discounts are price reductions given for out-of-season merchandise.
10. Cash discounts are reductions on base price given to customers for paying cash or within some short time period.

11. Senior discounts are discounts offered to customers who are above a certain age, typically a round number such as 50, 55, 60, 65, 70, and 75.
12. Educational or student discounts are price reductions given to members of educational institutions, usually students but possibly also to educators and to other institution staff.
13. Quantity discounts are reductions in base price given as the result of a buyer purchasing some predetermined quantity of merchandise. A noncumulative quantity discount applies to each purchase and is intended to encourage buyers to make larger purchases.
14. List Price: The manufacturer's suggested retail price (MSRP), list price or recommended retail price (RRP) of a product is the price which the manufacturer recommends that the retailer sell the product.
15. Functional discount: payments to distribution channel members for performing some service.
16. Quantity discount price: reductions given for large purchases.

Part Eight

Place

'Place' is concerned with various methods of transporting and storing goods, and then making them available for the customer.

Getting the right product to the right place at the right time involves the distribution system. The choice of distribution method will depend on a variety of circumstances. It will be more convenient for some manufacturers to sell to wholesalers who then sell to retailers, while others will prefer to sell directly to retailers or customers.

The Significance of Marketing Channels

The primary purpose of any channel of distribution is to bridge the gap between the producer of a product and its user.

Functions Of A Channel

The primary purpose of any channel of distribution is to bridge the gap between the producer of a product and the user of it, whether the parties are located in the same community or in different countries thousands of miles apart. The channel of distribution is defined as the most efficient and effective manner in which to place a product into the hands of the customer. The channel is composed of different institutions that facilitate the transaction and the physical exchange.

Institutions in channels fall into three categories:

1. The producer of the product: a craftsman, manufacturer, farmer, or other extractive industry producer
2. The user of the production individual, household, business buyer, institution, or government
3. Certain middlemen at the wholesale and/or retail level

A channel performs three important functions. Not all channel members perform the same function. The functions are:

1. Transactional functions: buying, selling, and risk assumption
2. Logistical functions: assembly, storage, sorting, and transportation
3. Facilitating functions: post-purchase service and maintenance, financing, information dissemination, and channel coordination or leadership

These functions are necessary for the effective flow of product and title to the customer and payment back to the producer.

Characteristics Of A Channel

Certain characteristics are implied in every channel:

First, although you can eliminate or substitute channel institutions, the functions that these institutions perform cannot be eliminated. Typically, if a wholesaler or a retailer is removed from the channel, its function will either shift forward to a retailer or the consumer, or shift backward to a wholesaler or the manufacturer.

For example, a producer of custom hunting knives might decide to sell through direct mail instead of retail outlets. The producer absorbs the sorting, storage, and risk functions; the post office absorbs the transportation function; and the consumer assumes more risk in not being able to touch or try the product before purchase.

Second, all channel institutional members are part of many channel transactions at any given point in time. As a result, the complexity of all transactions may be quite overwhelming. Consider how many different products you purchase in a single year and the vast number of channel mechanisms you use.

Third, the fact that you are able to complete all these transactions to your satisfaction, as well as to the satisfaction of the other channel members, is due to the routinization benefits provided through the channel.

Routinization means that the right products are most always found in places where the consumer expects to find them (such as catalogues or stores), comparisons among products are possible, prices are marked, and methods of payment are available. Routinization aids the producer as well as the consumer, because it tells the producer what to make, when to make it, and how many units to make.

Fourth, there are instances when the best channel arrangement is direct, from the producer to the ultimate user. This is particularly true when available middlemen are incompetent or unavailable, or the producer feels he or she can perform the tasks better. Similarly, it may be important for the producer to maintain direct contact with customers so quick and accurate adjustments can be made.

Direct-to-user channels are common in industrial settings, as are door-to-door selling and catalogue sales. Indirect channels are more typical and result, for the most part, because producers are not able to perform the tasks provided by middlemen.

Finally, although the notion of a channel of distribution may sound unlikely for a service product (such as health care or air travel), service marketers also face the problem of delivering their product in the form and at the place and time demanded by the customer.

Banks have responded by developing bank-by-mail, Automatic Teller Machines (ATMs), and other distribution systems. The medical community provides emergency medical vehicles, outpatient clinics, 24-hour clinics, and home-care providers. Even performing arts employ distribution channels. In all three cases, the industries attempt to meet the special needs of their target markets while differentiating their product from that of their competition. A channel strategy is evident.

Types of Marketing Channels

There are basically four types of marketing channels:

1. Direct selling;
2. Selling through intermediaries;
3. Dual distribution; and
4. Reverse channels.

Here's a bit of information about each one.

Direct Selling

Direct selling is the marketing and selling of products directly to consumers away from a fixed retail location. Peddling is the oldest form of direct selling.

Modern direct selling includes sales made through the party plan, one-on-one demonstrations, personal contact arrangements as well as internet sales.

A textbook definition is: "The direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs."

Consumers benefit from direct selling because of the convenience and service benefits it provides, including personal demonstration and explanation of products, home delivery, and generous satisfaction guarantees. In contrast to franchising, the cost for an individual to start an independent direct selling business is typically very low, with little or no required inventory or cash commitments to begin.

Direct selling is different from direct marketing in that it is about individual sales agents reaching and dealing directly with clients while direct marketing is about business organizations seeking a relationship with their customers without going through an agent/consultant or retail outlet.

Direct selling often, but not always, uses multi-level marketing (a salesperson is paid for selling and for sales made by people he recruits or sponsors) rather than single-level marketing (salesperson is paid only for the sales he makes himself).

Selling Through Intermediaries

A marketing channel where intermediaries such as wholesalers and retailers are utilized to make a product available to the customer is called an indirect channel.

The most indirect channel you can use (Producer/manufacturer - agent --> wholesaler --> retailer --> consumer) is used when there are many small manufacturers and many small retailers and an agent is used to help coordinate a large supply of the product.

Dual Distribution

Dual distribution describes a wide variety of marketing arrangements by which the manufacturer or wholesalers use more than one channel simultaneously to reach the end user. They may sell directly to the end users as well as sell to other companies for resale. Using two or more channels to attract the same target market can sometimes lead to channel conflict.

An example of dual distribution is business format franchising, where the franchisors, license the operation of some of its units to franchisees while simultaneously owning and operating some units themselves.

Reverse Channels

If you've read about the other three channels, you would have noticed that they have one thing in common -- the flow. Each one flows from producer to intermediary (if there is one) to consumer. Third is indeed the traditional role.

Technology, however, has made another flow possible. This one goes in the reverse direction and may go, from consumer to intermediary to beneficiary. Think of making money from the resale of a product or recycling.

There is another distinction between reverse channels and the more traditional ones -- the introduction of a beneficiary. In a reverse flow, you find a producer. You'll only find a User or a Beneficiary.

Selecting Marketing Channels

There are four bases for channel alternatives marketers consider after conducting three preliminary activities which help determine goals.

Before even evaluating specific marketing channel options, marketers must:

- Analyze the customer.
- Establish channel objectives; and
- Specify distribution tasks.

Once the specific channel tasks have been determined, the evaluation and selection process can begin.

There are four bases for channel alternatives:

- Number of levels.
- Intensity at various levels.
- Types of intermediaries at each level; and
- Application of selection criterion to channel alternatives.

Number Of Levels

Channels can range in levels from two to several (five being typical). The two-level channel (producer to consumer) is a direct channel and is possible only if the producers or customers are willing to perform several of the tasks performed by intermediaries.

The number of levels in a particular industry might be the same for all the companies in that industry by virtue of tradition. In some industries, this dimension is more flexible and subject to rapid change.

The type of product dictates the number of marketing channels to use. For example, a perishable item must get to the consumer on a timely basis, therefore the marketing channels would have been as short and direct as possible.

Intensity At Each Level

Once the number of levels is decided, the channel manager must determine the actual number of channel components involved at each level. How many retailers and wholesalers in a particular market should be included in the distribution network? Although there are limitless possibilities, the categories below describe the general alternatives:

- Exclusive distribution (Ethan Allen and Drexel Heritage Furniture);
- Intensive distribution (candy);
- Selective distribution (Baskin-Robbins).

Types Of Intermediaries

There are several types of intermediaries that operate in a particular channel system. The objective is to gather enough information to have a general understanding of the distribution tasks these intermediaries perform. Based on this background information, several alternatives will be eliminated.

Having identified several possible alternative channel structures, the channel manager is now at a place where he or she can evaluate these alternatives with respect to a set of criteria. Company factors, environmental trends, reputation of the reseller, experience of reseller are few examples.

Who Should Lead

Regardless of the channel framework selected, channels usually perform better if someone is in charge, providing some level of leadership. Essentially, the purpose of this leadership is to coordinate the goals and efforts of channel institutions. The level of leadership can range from very passive to quite active-verging on dictatorial. The style may range from very negative, based on fear and punishment, to very positive, based on encouragement and reward. In a given situation, any of these leadership styles may prove effective.

Given the restrictions inherent in channel leadership, the final question is always "who should lead the channel?" Two important trends are worth noting, since they influence the answer:

- First, if we look at the early years of marketing, i.e. pre-1920, the role of the wholesaler (to bring the producer and consumer together) was most vital. Consequently, during this period, the wholesaler led most channels. This is no longer true.
- A second trend is the apparent strategy of both manufacturers and retailers to exert power through size. In a type of business cold war, manufacturers and retailers are constantly trying to match each other's size. The result has been some serious warfare to gain channel superiority.

Under which conditions should the manufacturers lead? The wholesaler? The retailer? While the answer is contingent upon many factors, in general, the manufacturer should lead if control of the product (merchandising, repair) is critical and if the design and redesign of the channel is best done by the manufacturer.

The wholesaler should lead where the manufacturers and retailers have remained small in size, large in number, relatively scattered geographically, are financially weak, and lack marketing expertise. The retailer should lead when product development and demand stimulation are relatively unimportant and when personal attention to the customer is important.

Evaluating Channel Member Performance

The need to evaluate the performance level of the channel members is just as important as the evaluation of the other marketing functions. Clearly, the marketing mix is quite interdependent and the failure of one component can cause the failure of the whole. There is one important difference; the channel member is dealing with independent business firms, rather than employees and activities under the control of the channel member, and their willingness to change is lacking.

Sales is the most popular performance criteria used in channel evaluation. Sales might further be subdivided into current sales compared with historical sales, comparisons of sales with other channel members, and comparisons of the channel member's sales with predetermined quotas. Other possible performance criteria include maintenance of adequate inventory, selling capabilities, attitudes of channel intermediaries toward the product, competition from other intermediaries and from other product lines carried by the manufacturer's own channel members.

Key notes

- The channel is composed of different institutions that facilitate the transaction and the physical exchange.
- A channel performs three important functions: transactional, logistical, and facilitating.
- Service marketers also face the problem of delivering their product in the form and at the place and time their customer demands.
- Wholesale: The sale of products, often in large quantities, to retailers or other merchants
- There are basically 4 types of marketing channels: direct selling; selling through intermediaries; dual distribution; and reverse channels.
- Direct selling is the marketing and selling of products directly to consumers away from a fixed retail location.
- An intermediary (or go-between) is a third party that offers intermediation services between two trading parties.

- Dual distribution describes a wide variety of marketing arrangements by which the manufacturer or wholesalers use more than one channel simultaneously to reach the end user.
- A reverse channel may go from consumer to intermediary to beneficiary.
- marketing channels A marketing channel is a set of practices or activities necessary to transfer the ownership of goods, and to move goods, from the point of production to the point of consumption and, as such, which consists of all the institutions and all the marketing activities in the marketing process.
- intermediaries An intermediary is a third party that offers an intermediation service between two trading parties.
- A reverse channel can be used to refurbish products such as circuit boards and computers.
- The four bases for channel alternatives are: Number of levels; Intensity at the various levels; Types of intermediaries at each level; and Application of selection criterion to channel alternatives.
- Intensity options include Exclusive distribution (such as Ethan Allen and Drexel Heritage Furniture); Intensive distribution (such as candy); Selective distribution (such as Baskin-Robbins).
- The purpose of channel leadership is to coordinate the goals and efforts of channel institutions.

- Marketing channel: Sets of interdependent organizations involved in the process of making a product or service available for use or consumption, as well as providing a payment mechanism for the provider.
- Reseller: A company or individual that purchases goods or services with the intention of reselling them rather than consuming or using them
- In intensive distribution (such as candy) the manufacturer attempts to get as many intermediaries of a particular type as possible to carry the product

Part Nine

Promotion

What is Promotion?

As a key marketing element, promotion comprises communications tactics used to educate consumers, increase demand, and differentiate brands.

Promotion is the business of communicating with customers. It will provide information that will assist them in making a decision to purchase a product or service. The razzmatazz, pace and creativity of some promotional activities are almost alien to normal business activities. The cost associated with promotion or advertising goods and services often represents a sizeable proportion of the overall cost of producing an item. However, successful promotion increases sales so that advertising and other costs are spread over a larger output. Though increased promotional activity is often a sign of a response to a problem such as competitive activity, it enables an organization to develop and build up a succession of messages and can be extremely cost-effective.

Promotion is one of the primary elements used in the marketing mix. Thus, promotional efforts should work in harmony with product marketing, pricing, and distribution actions that target prospects and customers. When assembling a promotional plan, marketers typically employ one or more of the following five promotional subcategories: personal selling, advertising, sales promotion, direct marketing, and publicity (or public relations).

These communication tools serve as tactics within the promotional plan to accomplish objectives such as:

- Increasing sales
- Launching new products
- Creating and building brand equity
- Establishing market positioning
- Retaliating against competition
- Strengthening brand image

As organizations implement their promotional plan, they also seek to educate consumers, increase consumer demand, and differentiate their products and services in the marketplace.

The Many Goals of Persuasion

Promotional tactics are frequently used by companies to persuade consumers to choose their products over competing brands.

To convince consumers that their products possess advantages over similar brands, companies focus on differentiating their brands using various promotional tactics. Advertising, personal selling, sales promotion, and public relations activities are commonly used to persuade consumers to make a purchase. Brands constantly promote product features and benefits to convince consumers that their products either address the consumer’s needs or solve a particular problem. By promoting their brand in creative and compelling ways, companies hope to create positive esteem and loyalty toward the brand to fuel repeat purchases and customer retention.

Product Differentiation

When running promotional programs, companies seek to clearly and effectively market their product’s differential factor. Differentiation sets similar products apart from one another, and creates value for consumers evaluating different brands. Differentiating products allows companies to influence consumers' perception of their brand in an increasingly crowded marketplace. If the product’s differential factor is compelling enough, companies hope to convince consumers to continually choose their products over competitors.

Companies employ a myriad of techniques to shape consumers’ perception of the physical products displayed in stores or on the street. Common persuasive techniques include:

- Using bright and attractive displays depicting emotions such as excitement, relaxation, or happiness.
- Incorporating prominent and easily recognizable colors in billboards, print ads, and design packaging.
- Strategically placing and arranging products in stores to allow for maximum visibility and purchase opportunities.

Colors and imagery can serve as powerful visuals for quickly conveying a product’s ability to successfully meet consumer needs. For instance, colors such as yellow and orange provoke excitement while blue and green establish trust, cleanliness, and calmness. As more consumers spend their time surfing the Internet on computers and mobile devices, similar strategies are used in online promotions such as banner ads and email communications. Digital communications, like traditional communications, rely on captivating and clever messaging to prompt open rates and click-throughs to advertisers’ landing pages. With social media, companies have the ability to advertise their product’s differential qualities to any person in the world, at any given instant.

Brand Awareness and Loyalty

The primary objective of marketers and advertisers is to present ideas in a manner that is so convincing that consumers will not just purchase a product or service once but will do so repeatedly over time. Companies must thus remind customers of their product's unique benefits using messaging that resonates with consumer needs and values. Branding, product marketing, and loyalty marketing all form part of the customer proposition – the subjective assessment by the customer on whether to purchase a brand based on the value they receive from each of these marketing elements.

As companies compete for consumer attention across print, television, radio, and the Internet, promotional tools such as reward and discount programs are repeatedly offered to loyal customers in return for their continued business. The airline industry's frequent flyer program is a successful example of loyalty marketing. These programs rely on the earned loyalty of current customers to attract new loyalty from future customers. However, exclusive incentive programs must strike a balance between increasing benefits for new customers over any existing loyalty plan they are currently in and keeping existing customers from moving to new plans.

Consumer Education

Companies look to be brand leaders in their industry by providing consumers with relevant information on product pricing, functionality, and availability. Providing consumers and other brand stakeholders with the skills, concepts, and understanding required to achieve maximum satisfaction and utilization of the product can transform consumer needs into perceived wants. Even after a purchase is made, companies devote sales and customer service teams to supporting customers with training and other educational programs. This idea is especially true for highly technical products such as computer software, which regularly release upgrades and new features.

Reviews of products in trade publications and on websites can also help promote or downgrade products. Consumers may include review and rating websites such as yelp.com or consumer reports as part of their education on product features and benefits. These reviews also serve as indirect public relations for the brand, potentially enhancing and strengthening brand value. Outside consumer opinions and expert insight fall under the arsenal of promotional tools that can persuade consumers during the buying decision process.

Identify Prospect Customers

Organizations must identify prospective customers and understand their needs and wants to improve the odds of making a sale.

Personal selling functions as an essential component within a company's larger integrated marketing communications strategy. Customer sales are the lifeblood of a business, contributing directly to the company's bottom line. Before closing a sale or launching promotional activities, organizations must first understand the needs, wants, and habits of their target audience. Identifying these prospects or potential customers early in the sales process is key to keeping a company's sales pipeline full. Generating a steady flow of prospective customers into this sales pipeline builds consistent revenue streams, ensuring longevity for the organization.

The Importance of Sales Prospecting

Prospecting for customers is the first step in personal selling. Consequently, identifying and maintaining a steady list of prospects is usually a salesperson's top priority. As a company introduces and markets new products, the number of customers will fluctuate depending on the needs of its target market. It is the salesperson's job to continually replace these former customers to maintain and increase sales.

Prospects are usually labeled as sales leads, which can eventually be converted into contacts and opportunities. For sales prospecting to be an effective component of integrated marketing communications, organizations implement sales methodologies to qualify and track the conversion rate of sales leads. These systems are also used to map the different marketing communication touch points that help funnel leads into the organization's sales process.

Tactics Used to Identify Prospects

Before an organization begins marketing to prospects, they must conduct extensive research and analysis on their potential market. Ideally, the organization's salespersons are also working with marketers who are supplying marketing analysis to support sales efforts. Likewise, communications including websites, events, public relations, advertising, and social media are all promotional tools helping to drive prospects towards the organization.

The marketing and sales teams' market analysis validates if a strong correlation exists between product benefits and customer needs. This entails finding out customers' requirements, priorities, and budget. Other data companies use to build customer profiles include psycho-demographic characteristics such as age, sex, profession, personal interests, and buying habits. If the potential market is very large, then organizations must decide whether to target specialized segments to save time and money. Companies that are able to tailor their products or services to a specific niche market can develop a unique selling proposition (USP) in that particular market segment. A brand’s USP enables it to enter markets where there is less competition and greater potential to build brand equity and recognition. It can also shorten time to sale. The longer companies spend marketing to prospects, the more people and financial resources are spent to close a sale and generate revenue.

After researching and identifying their target market, organizations use promotional tools including cold-calling, trade shows, direct mailings, product seminars, webinars, and advertisements toward leads generation. Organizations also use these tools to build mailing lists for newsletters and other promotional activities to nurture relationships with prospects and guide them further along the buying process. Organic search engine results and word-of-mouth referrals, particularly through social media and other digital channels, can also be powerful tools for identifying potential customers. Many organizations focus on building a strong web presence using effective search engine optimization, along with both traditional and digital communication channels, to generate new leads.

Encourage Product trial.

Promotional tactics such as free samples and discounts are often used to encourage consumers to participate in product trials.

Figure Free Samples

Running a product trial is a common promotional tactic used by brands looking to enter a new market, release a new product, or increase existing sales. It is particularly useful for targeting specific audiences who are loyal to specific brands or are price conscious. Product trials include free samples, price reductions, or other purchase incentives designed to encourage consumer use during and after the trial.

Product trials are useful when companies need to adjust parts of their marketing communications strategy to successfully target a market segment. For example, college students may be particularly budget-conscious and choose products based on price rather than quality or popularity. Repackaging the offering so that students can "test drive" the product allows students to assess whether product benefits outweigh price and other factors during the buying process.

Promotional Tactics

To encourage consumers to participate in free trials, brands can bundle their offers with other incentives and discounts. Perks such as free shipping and handling and future coupons can all drive consumers toward making a purchase after the end of the free trial period.

Adjusting these three variables – price, product, and place (distribution or location) – enhances both the trial offer and the appeal of the final product or service. Developing communications for selected audiences most receptive to the brand's offer, reduces time and money spent on implementing promotional programs.

Some of the promotional tactics companies employ to encourage consumer participation in product trials include:

- Advertising in media that target consumers are most likely to read or listen to.
- Sponsoring or exhibiting at an event related to the target consumers' interests and following up with press coverage in local and national publications.

- Using an opt-in database to send mail-outs or email newsletters with information on how to take advantage of the product trial and related promotions.
- Promote the product trial online via websites, social media, and paid and non-paid search marketing programs.

Stimulate Demand

For brands to successfully stimulate consumer demand, they must understand consumer needs and motives.

Factoring consumer wants and needs is an essential component to assembling a successful marketing communications strategy. In the late 19th and early 20th centuries, most companies focused on producing products and services with little emphasis on customer needs and wants. Greater attention was given to the product or service, rather than understanding consumer behavior.

Given the emergence of globalization and information technologies in the last decade, new markets and increased competition have forced marketers to modify the traditional approach to marketing communications. Companies are now increasingly focusing on how to stimulate consumer demand and compete for customer loyalty. For brands to successfully compete, they must understand the consumer needs that lie at the center of marketing communications.

Deconstructing Motivation

For there to be a demand for products and services, there must be consumer need and motivation. The field of psychology defines motive as the inner drive or pressure to take action to satisfy a need. Motives produce goals, which can be positive or negative for the individual. In all cases, the need must be aroused or stimulated to a high enough level so that it can serve as a motive. It is possible and common to have latent needs that do not serve as the motive of behavior. The sources of this arousal may be internal (such as hunger); environmental (viewing a McDonald’s advertisement); or psychological (thoughts about food, which can cause hunger). For motivation to be useful in stimulating demand for products, brands must understand what motives and behaviors are influenced by the specific situation in which consumers engage in goal-directed, problem-solving behavior.

The difficulty of defining motives and dealing with motivation in consumer research accounts for its limited application in marketing. For the most part, the research in motivation involves benefit segmentation and patronage motives. Patronage motives typically concern the consumer's reasons for shopping at a particular outlet. Benefit segmentation may include consumer labels such as price-conscious, convenience-oriented, service-oriented, or other motivation features. Factors including age, sex, lifestyle, profession, income, educational level, and personal interests have all been used to assemble personality profiles designed to decode consumer motives.

The Psychology Behind Demand

Knowing the basic personality traits of target customers can be useful information for companies when designing and implementing marketing communications campaigns. Promotional tactics such as contests might appeal to suburban moms, but be ignored by single, urban professionals. Nevertheless, marketers have found personality to be difficult to apply in marketing strategy. This is primarily due to the lack of metrics for assessing personality traits. Most available measures were originally developed to identify people with mental problems. These have little value or application for consumers who are mentally healthy. As a result, most marketers have turned to lifestyle analysis.

Lifestyle is one of the newer and increasingly important sets of factors being used to understand consumer behavior behind demand. Lifestyle has been generally defined as the attitudes, interests, and opinions of the potential customer. Such variables as interests in hunting, attitudes toward gender equality, and opinions on the importance of stylish clothing can be used to better understand consumer behavior. Lifestyle segmentation is one tool used by brands to connect their value proposition to the needs of particular individuals rather than large, undefined demographics. As a result, companies can tailor communications and promotional offers that target identifiable groups and stimulate their continued demand for products and services.

Remind And Retain Customers

Organizations have shifted to using personalized promotional tactics to retain customers and encourage repeat sales.

The promotional activities of an organization continue long after customer acquisition. Incorporating communications tactics that are effective in reminding current customers why they should continue purchasing a brand's products is just as important as promoting to potential customers. As more brands compete for consumer attention in an increasingly crowded marketplace, organizations must develop marketing communications strategies that address customer challenges, appeal to customer needs, and drive repeat sales.

Promotional Tactics for Driving Repeat Purchases

One method organization use to show appreciation for existing customers is personalized marketing. This practice had been most useful in online marketing, particularly via websites and email marketing. For example, a website can track a customer's interests and make suggestions for future purchases. E-commerce sites help customers select and prioritize choices by organizing items based on past online behavior and purchases. Some companies allow products to be customized using a configuration system.

The emergence of database technology for developing personalized products, ads, and services for specific users with profile attributes has helped organizations tailor their offerings for existing customers. Amazon is one company that pioneered the "one-to-one marketing" and personalization tactics that delivered targeted offers and related products to users. Retention strategies that incorporate personalization features may include one or more of the following:

- Product bundling (combining several products or services into one "package" and offering them at a single price)
- Cross-selling (selling related products to current customers), cross promotions (giving discounts or other promotional incentives to purchasers of related products)
- Loyalty programs (giving incentives for frequent purchases or customer referrals)
- Increasing switching costs (adding termination costs, such as mortgage termination fees)

- Integrating computer systems of multiple organizations (primarily in industrial marketing)

Other marketing communications tactics include discounts, offer redemptions, and point systems. The interactivity between brands and consumers occurs through the offer redemptions recorded by the point-of-sale systems, which can then update each individual shopper's profile. Personalized marketing can be more accurate when based solely upon individual purchasing records due to the simplified and repetitive nature of retailers such as supermarkets.

Retaining Customers Through Relationship Marketing

Authors such as Don Peppers and Martha Rogers discuss the transition from managing products to managing customers and differentiating customers rather than just products. This transition allows companies to develop economies of scope rather than economies of scale. To retain their customer base and satisfy customer requirements above those of competitors, brands must engage in the following process:

- Identify potential customers.
- Determine their needs and lifetime value to the company.
- Interact with customers and gather data on their requirements and behavior patterns.

- Customize products, services, and communications to individual customers.

Implementing these relationship marketing practices helps companies counterbalance new customers and opportunities with current and existing customers to maximize profit. It also counteracts the theory that new customers must be gained at the expense of losing older customers. Many companies in competing markets will redirect or allocate large amounts of resources toward customer retention, particularly in markets with increasing competition. Lead generation activities geared towards attracting new customers may be more expensive than the money and time spent on promotional tactics to retain existing customers. This idea represents a shift from classic marketing theories, which focus on attracting new customers and creating transactions rather than maintaining current customers.

The Promotional Mix

Increased market segmentation, information technologies, and digital communications have created new ways for promoting products across different media. Today, organizations can create online banner advertisements, social networking websites, blogs, and search engine optimization campaigns to promote their products and services. However, traditional promotional tools such as special events, celebrity endorsements, in-store coupons, and newspapers are also employed to entice customers to purchase goods. For example, retailers often use promotional tactics including discounts, store rebates, free items, contests, and other special offers to drive new sales and repeat purchases.

The promotional tools used to educate customers and generate sales vary depending on the organization's objective. Because public relations (PR) focus on influencing and shaping public opinion, PR efforts are useful for building brand value and generating positive stories around products and services. Events, which often generate publicity, can serve long-term objectives for building partnerships with external stakeholders, strengthening customer loyalty and enhancing industry credibility.

However, organizations may choose to use short-term mechanisms such as sales promotions and coupons to generate immediate customer interest and revenue. Direct mailers or email newsletters further support these incentives to prompt customer action and purchases. Print, television, radio, and online advertising can be used to promote all of these activities and drive sales for the organization. These promotional tools are even more effective when built into an integrated marketing communication strategy, since all communications work together simultaneously to multiply consumers' exposure to brand messaging.

The Promotional Mix: Advertising

Advertising communicates a message to a targeted audience and generates feedback in the form of a sale or other action taken by a consumer.

When a company pays to have a message that defines its goods or services delivered or communicated to as many people as possible, they are said to be advertising. Effective advertising illustrates the product's value and gives consumers a reason to take action and/or buy. There are a variety of ways to promote a product. These methods are collectively referred to as Marketing Communications (MarCom) Matrix, and include direct marketing, public relations/publicity, new media, and advertising.

Through advertising, a marketer hopes to communicate a message to a targeted consumer group via means including print, electronic (radio and television), the Internet and mobile phones. Advertising generates feedback that is analyzed and measured. Good feedback typically translates into money spent on the product while bad feedback prompts the marketing source to reevaluate its marketing plan.

The Anatomy Of An Advertising Campaign

Developing a brand character statement sets the tone of the campaign and defines what the targeted consumer group should do or feel when they are exposed to it. The strategy addresses the message that will be communicated while creative tactics dictate how the strategy is actually implemented.

A target group or audience is defined through information gathered from focus groups, demographics and by psychographics, i.e. statistics illustrating how a certain group thinks and ultimately buys.

The product’s pros and cons are identified so that benefits are sold. How the product differs from its competition, or its Unique Selling Position (USP) is also established. Facts, statistics, consumer images and scenarios are used to corroborate a campaign’s premise. Terms like “the best,” “new" and “traditional” position the product within the marketplace.

A campaign must fit the image of the marketer to ensure that its public perception remains intact. It must offer a rationale or “reason why” a product is able to deliver on its claim. Its "aperture," or the proper timing and placement of an ad, can maximize a campaign’s success.

Developing A Media Plan

The media plan is an integral part of the advertising campaign and is developed simultaneously with the creative strategy. The standard media plan has four stages:

1. Stating objectives like reach or the number of different persons exposed, frequency of times the consumer is exposed to a message, and timing of media assertions over the course of the campaign.
2. Assessing how a particular message and target audience relates to different types of media by analyzing the research findings provided by the media type.
3. Implementation of media choices dictated by available budget or media types most likely to deliver the best results. The placement of advertisements along with their size and positioning are based upon data associated with the targeted consumer group.
4. The media budget is included in the actual advertising budget.

The Advertising Business and New Media

Advertising is often the only method of communication businesses use to speak to prospective consumers. Advertisements must reflect prevailing ideas by tapping into the social, cultural and moral pressures. Emerging advertising agencies often structure their business model to society’s ever-changing ideals. Current technology is forcing advertisers to move away from antiquated structure and practices. The growth of interactivity and open sourcing has placed power in the hands of the consumer, giving them control over what they want to see and when they want to see it.

Advertising's value is based upon how often it is viewed, used or shared. If the message is reaching more people, it is achieving the desired results. New media accelerates the process. No longer is a product limited by the scope and timeframe of a conventional advertising campaign. If an advertisement is interesting, entertaining, or helpful, the message goes “viral” via social-networking websites and blogs. The once passive consumer has become a part of the process; an active advertising channel who impacts brands and how a product is perceived.

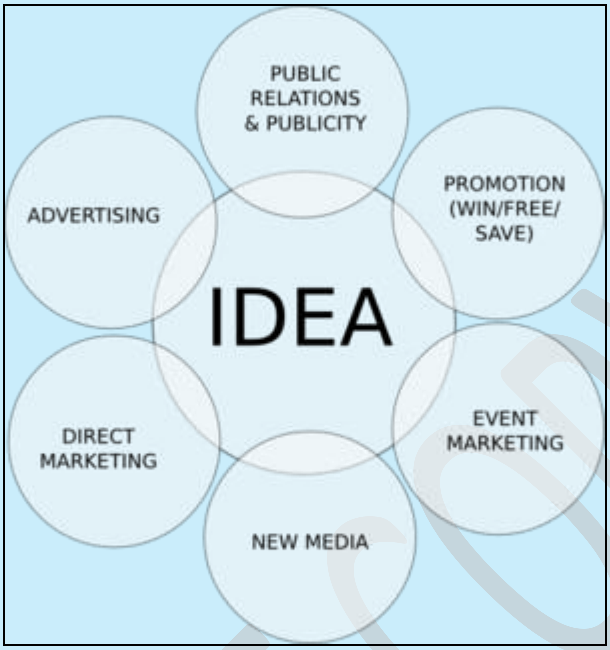


Figure Mar Com Matrix

The Promotional Mix: Personal Selling

Marketing impacts personal selling and improves the selling environment by increasing exposure to potential customers.

Selling, the art of persuasion, is defined as a one-on-one interaction whereby a tangible or intangible item of value is exchanged for a different item, usually with money in an amount of equal or greater value of the item being sold. Selling is part of the promotional mix. It is systematic, repetitive, and measurable. When properly analyzed, sales data will offer objections to overcome and help to predict sales patterns and projections.

Understanding Customer Needs

To be successful in personal sales, the salesperson must understand how to sell to the needs of a customer. Psychologist Abraham Maslow created a Hierarchy of Needs that offers useful information for personal selling. Maslow outlined five levels of need and as each level is fulfilled, a person progresses to the next one. At the most basic level, physiological and safety needs must be met with food, clothing, and shelter, so a product that meets these basic needs has potential to sell well. However, the basic human need to consume food and liquids should not be confused with wanting a hamburger and a soft drink.

Mid-level hierarchy needs are social in nature and include self-respect, self-esteem, and the esteem of others. They create a powerful internal motivation and drive demand for status-oriented products. Those selling luxury goods cater to esteemed needs. When customers flaunt wealth by buying expensive products it is referred to as conspicuous consumption or luxury badging.

The Mechanics of Personal Selling

Sales capturing is defined as bringing in and closing deals. A successful personal seller must utilize aggressive sales techniques that influence and control the process, presenting it as a mutually beneficial, interpersonal exchange of goods or services for equitable value.

At the core of personal selling is the human exchange between buyer and seller. The interaction is based upon fulfilling a need or desire with the product or service that is offered and paid for. A systematic approach to successful personal selling includes good prospecting, the salesperson's in-depth knowledge of the product, and the qualification of potential buyers. Good prospects are predisposed and well-suited to the product or service being offered, allowing the salesperson to facilitate the exchange of value and to guide them through the process with a minimum number of objections or resistance.

Selling Strategies

The personal selling process has eight steps: The first is prospecting, which involves finding and identifying buyers who are most likely to buy the product or service. There are numerous ways to qualify leads: cold calls by telephone, email, through social networking, or personal referrals. The word "cold" refers to the fact that the person receiving the call is not expecting it or has not specifically asked to be contacted by a sales person.

Pre-approach is the next step used to prepare for the presentation. It consists of customer research and goal planning. The next step is the approach or initial meetings between the salesperson and the customer. Following the approach is the need assessment step when the customer's need for the product is evaluated by the salesperson. During this step, questions are asked to identify the current situation, the source and impact of any problems, the benefits of the product as part of the solution, and the buyer's level of interest.

Once the need is established, the salesperson is ready to present or demonstrate the product. This step is designed to grab the buyer's attention, ignite interest, create desire, and inspire action (AIDA) by showing the product's advantages and benefits. At this point, customer objections involving price, value, adequacy, the commitment to buy, or other issues are addressed. Successful salespeople anticipate objections and respond to them respectfully before advancing to gaining commitment, which involves closing the deal or making the sale.

Salespeople use different types of methods to close deals such as the alternative close, the assumptive close, the summary close, or the special-offer close. The last and most crucial step in the process is to follow up to ensure customer satisfaction and help establish a relationship.

Other sales strategies include direct sales conducted outside of a retail location, guaranteed, needs-based, persuasive, hard, heart, relationship, target account, priced-based, and solution selling.

The Relationship Between Sales and Marketing

Marketing impacts personal selling and improves the selling environment by increasing exposure to potential customers. Marketing campaigns seek to drive potential customers towards salespeople.

Though quite different in nature, the marketing and sales departments handle similar concepts. It is essential for them to maintain a good working relationship based upon clear and concise communication and interaction.

The Promotional Mix: Sales Promotion

Sales Promotion stimulates market demand, product availability and coordinates public selling, advertising, and public relations.

The primary objective of a sales promotion, a catch all marketing function, is to stimulate market demand, improve product availability and to coordinate public selling, advertising, and public relations. A successful sales promotion is meant to prompt a targeted consumer group to show interest in the product or service, try it or ideally buy it. They are delivered to targeted groups via media and non-media marketing communications during a pre-determined, limited amount of time. It is a component of a marketing plan's "promotional mix" that usually includes advertising, personal selling, direct marketing, publicity/public relations, corporate image and exhibition. Sales promotion cannot compensate for a poor product, a declining sales trend, ineffective advertising or creating strong brand loyalty.

There are two types of sales promotions: consumer and trade. A consumer sales promotion targets the customer while a trade sales promotion focuses on organizational customers that can stimulate immediate sales.

Contests, coupons, giveaways, loss leaders, point of purchase displays, premiums, prizes, product samples and rebates are sales promotion devices. They are delivered via mixed forms of media such as print, digital, electronic (radio and television) and online in various forms of new media.

Sales Promotions Have Purpose

Sales promotions launch new products, especially ones with perceived high risk, they create repeat customer purchase patterns, move large amounts of products quickly, counter the strategy of a competitor and can move marginal customers to make a choice.

The Promotional Mix: Public Relations

Public relations is the management of a message between an individual or organization and the public.

Core Elements

Public relations is the management of a message between an individual or organization and the public that can be contracted on an hourly, monthly, annual, or "in-house" fee basis. Its primary purpose is to persuade stakeholders to adopt a certain point of view about a project or product. Simply put, public relations manage communication between an organization and the public. It is communicated through the media in the form of publicity events, speaking opportunities, press releases including video and audio news releases, newsletters, blogs, social media, press kits, and outbound communication to members of the press. The media is not paid to publish the information.

There are four core elements to public relations:

1. Retain and create goodwill.
2. First do good, then take credit for it.
3. Identify and effectively communicate varying points of view and needs to well-defined targets.
4. It is a planned activity.

Who Is the Public?

The public is defined as the totality of a group. The public includes people who look, think, and act the same as well as those who do not. When planning a public relations campaign, the marketer should consider who would be most and least likely to interact with the message and what the dialogue would sound like.

What Public Relations Can Do

The response to public relations activities should lend itself to analysis and trending, to predict consequences, to guide executive decisions, and used to trigger planned programs of action. The ideal end result of public relations is for the information to serve both the source and the public interest.

Modern Public Relations

The delivery of public relations messages is shifting from traditional media channels to online media such as social media releases, search engine optimization, content publishing, blogs, micro blogs, podcasts, and video. Social media has increased the speed of breaking news and created greater time constraints on response times to current events.

An asymmetrical public relations model allows feedback to flow from the public back to the originating organization, using it as an attempt to persuade the public to change. A symmetrical public relations model means that the organization takes the interests of the public into careful consideration, seeking a balance between the interests of the organization and the public.

The world is in a constant state of change. Communication with an internal as well as external public is essential and has become commonplace with the explosion of one-to-one communication through new technology. Good and bad news travels fast and information goes “viral” with the click of a mouse or tap of a screen.

Effective Public Relations

Depending on the message, some public relations must harmonize with state laws and be reviewed by an attorney to ensure compliance. It must follow a plan of action and aim at goals that are clearly defined. It must be clear to be useful. Its administrators must understand their role and responsibilities. It should build strong relationships and partnerships. Its effectiveness should be measurable with established benchmarks to make sure that the program has achieved the desired goal or objective.

Audience Targeting

The public relations program’s target audience must be identified so that the message can be tailored to suit them. Sometimes the interests of differing audiences necessitate the creation of several distinct but complementary messages. All audiences or publics are stakeholders, groups or individuals that can affect or be affected by the actions of the business, but not all stakeholders are audiences.

Messaging

Messaging constructs a consistent and specific story around a P.R. event or project. It eliminates contradictory or confusing information that will instill doubt in a purchasing choice or other decisions that have an impact on the marketer. Brands aim to have the same problem statement, industry viewpoint, or brand perception shared across sources and mediums.

Spin

Spin polishes and colors the truth by selectively presenting facts that support a desired position and can sway public opinion. It is sometimes seen as derogatory but is commonly used in public relations campaigns.

Negative PR

Negative public relations, also called dark public relations (DPR), is a process of destroying or discrediting. Dirty secrets, misleading facts, or legitimate claims figure heavily into the equation. Its use can be moral and ethical when the information protects or informs the public of danger.

Business Disciplines and Public Relations

- Financial public relations – communicating financial results and business strategy.
- Consumer/lifestyle public relations – gaining publicity for a particular product or service.
- Crisis Communications – responding to a crisis.
- Internal Communications – communicating within the company itself.
- Government Relations – engaging government departments to influence public policy.

The Promotional Mix: Social Media

Social media as a marketing tool is versatile, far-reaching, fast, inexpensive, fosters brand awareness, and can improve customer service.

Social media enables individuals and communities to co-create, share, and modify content in an interactive, Internet-based environment. Social media marketing refers to the process of gaining website traffic through social networking sites. It is driven by word of mouth. Results come from earned, as opposed to paid media. As a marketing tool, social media is distinct from industrial or traditional media, is versatile, far-reaching, fast, relatively inexpensive, fosters brand awareness, and improves customer service.

Different Types Of Social Media

Limited only by the imaginations of Internet Web designers, social media offers marketing vehicles, such as magazines, forums or discussion sites, weblogs, social blogs, micro blogs, instant messaging, email, crowd sourcing distributed to a specific group of people, photographs or pictures, articles, video, and wikis or collaborated websites allowing additions, modifications, and deletions. Others include social networks, subscribed episodic audio, video, PDF or ePub podcasts downloaded or streamed, online telephonic services, and social bookmarking services that enable users to add, annotate, edit, and share bookmarked Web documents for future use and more.

Social Media Functionality

There are six ways social media functions: a). collaborative–Wikipedia, blogs, and microblogs, such as Twitter; b) content communities (e.g.,YouTube); c) social networking sites (e.g., Facebook); d) virtual game worlds (e.g., World of Warcraft; e) virtual social worlds (e.g., Second Life); and f. voice-over IP or online telephone services. All can be consolidated into one profile via aggregation platforms. All can be woven into a marketing plan rich with sales promotions, public relations outlets, advertising, and other elements of the "promotional mix."

Mobile social media on a wide array of devices, such as tablets, iPods, phones, and other new products, extend and expedite marketing reach.

Search Engine And Keyword Optimization

Search engine ranking, content quality, or the relevancy to search terms, back links and links have emerged as effective social media marketing tools.

Back links are clickable and bring traffic back to a company's website. They impact ranking within the search results if positioned properly. In addition, the anchor text used within a link, where it appears on a page and the other content on the page dictates its effectiveness.

The words used in website copy give exposure if they match common search words used in queries. A good social media marketer researches the correct words that people type into search engines, so it behooves a business to embed those words in their websites. If a narrower focus is used when selecting keywords, competition within the search results drops dramatically so research using search phrase competition results, and search volume is the foundation of successful Internet marketing.

Strategic And Focused

Social media used as a marketing tool provides useful and valuable measurable data on trends, consumer interaction, feedback, public opinion, brand activity, and customer buying habits. Its reach is precise and easily aimed at a targeted audience. Automated information technologies, that are indigenous to social media platforms, optimize the production of goods and the delivery of services.

In the context of social media, “engagement” means that both customers and stakeholders are participants rather than passive viewers. Each participating customer becomes part of the marketing process, as other customers read comments or reviews.

The Internet has overtaken television as the largest advertising market, as banners and pop-up ads showcase a vast array of products and services. QR codes, facilitated by mobile social media, online and in tandem with print advertising deliver extensive product and service information with a simple scan of a cell phone.

Internet and social media leaks frequently impact traditional advertising as ads often appear online earlier than they are scheduled to premiere and go viral. They are seen more quickly and by more users without the time delays of traditional advertising methods.

Blogging gets a product to the public within minutes and without any technical, production, or print requirements. Most Web space hosts provide a free blogging platform, such as Word Press, for customer use. They are picked up by search engines, are indexed quickly, are interactive, and allow for online dialogue. Blogs are automatically updated with each post and are accessed through a feed. Functionality is expandable through a wide array of plugins.

The Promotional Mix: Direct Marketing

Direct marketing goes direct to customers via telephone, mail, fax, TV, radio, online, magazines, newspapers or face-to-face.

Direct marketing allows businesses and nonprofit organizations to advertise and market directly to customers via a variety of print and electronic mediums. Direct marketing campaigns focus on the consumer, statistical data generated via outreach and the accountability of the marketer. The message is based upon a “call to action” delivered directly to predisposed consumers.

Types Of Direct Marketing Tools

There are many different direct marketing tools, including direct mail, telemarketing, couponing, direct response TV and radio, face-to-face selling, community campaigns, and grassroots campaigns.

The Internet provides extraordinary reach. Marketers can use email, along with interactive static banner ads, pop ups, video, and floating unit ads. Browser cookie analysis tag special interests and pushes appropriate products or services on personal websites. Marketers use search engine optimization and pay for prominent placement on query result lists to bring their products to a customer's attention. Social media reaches out to targeted consumer groups and showcases compatible goods and services.

Mobile technology direct marketing includes SMS-short message service, MMS-multi-media message service, QR Codes, applications, push notifications sent directly to users, and location-based messages.

Key notes:

1. A promotional plan identifies where, when, and how advertising, personal selling, PR, sales promotion, and direct marketing tactics will be used to support sales and branding objectives.
2. Promotional tools are used to increase sales, build brand value and recognition, strengthen market positioning, and launch new products.
3. Online banner advertisements, store rebates, contests, events, and media placement are all examples of communications tactics used in the promotional mix.

4. Direct marketing: Marketing that reaches customers by communications directly addressed to the customer.
5. Publicity Advertising or other activity designed to rouse public interest in something.
6. Stakeholder: a person or organization with a legitimate interest in a given situation, action, or enterprise
7. To convince consumers to purchase their products over competing brands, companies focus on differentiating their products, building brand awareness and loyalty, and providing consumer education.
8. Companies employ a myriad of design techniques to shape consumers' perception of the physical products displayed in stores, on the street, or in the digital space.
9. Some of the promotional tools used to convince and persuade consumers to make purchasing decisions include reward programs, positive consumer reviews, and attractive advertisements.
10. **Differentiation** The process of distinguishing a product or offering from others to make it more attractive to a particular target market.
11. Personal selling functions as an essential component within a company's larger integrated marketing communications strategy.
12. The first step in identifying a target market is analyzing whether there is a strong correlation between product benefits and customer needs.

13. Cold-calling, trade shows, direct mailings, product seminars, webinars, and advertisements are some of the promotional tools used to generate new leads.
14. Bottom line: The final balance; the amount of money or profit left after everything has been tallied.
15. Unique selling proposition: Any aspect of an object that differentiates it from similar objects.
16. Sales pipeline: A visualization of the sales process of a company.
17. Adjusting price, product, and place enhances both the trial offer and appeal of the final product or service for consumers.
18. Repackaging the offering so that consumers can test the product allows them to assess whether product benefits outweigh price and other factors during the buying process.
19. Radio and television advertisements, public relations events, and mailings comprise some of the tools companies use to promote the availability and appeal of product trials.
20. Opt-in**:** The property of having to choose explicitly to join or permit something; a decision having the default option being exclusion or avoidance; used particularly with regard to mailing lists and advertisement.

21. Before a consumer is motivated to purchase a product, there must be a physical, mental, or emotional need for the product or service.
22. The source of motivation driving consumer demand can be internal, environmental, or psychological.
23. Studies on consumer motivation have led to the development of segmentation or personality profiles that factor traits such as age, sex, income, and lifestyle.
24. Companies can tailor their marketing communications strategy based on consumer segmentation to stimulate demand for products and services.
25. Latent: Existing or present but concealed or inactive.
26. Segmentation: The act or an instance of dividing into segments.
27. Value proposition: The benefit (such as profit or convenience) offered by an organization's product or service.k
28. Personality: a set of qualities that make a person (or thing) distinct from another
29. Personalized promotional tactics via websites and email marketing are particularly useful for customer retention programs.
30. Marketing tactics used to remind and retain customers include discounts, offer redemptions, reward programs, and cross-promotions.

31. Relationship marketing programs help companies counterbalance new customers and opportunities with current and existing customers to maximize profit.
32. Personalization: The act of changing an option of a multi-user software product to change the product's behavior or style for one user.
33. Through advertising, a marketer hopes to communicate a message to a targeted consumer group via means including print, electronic (radio and television), the Internet and mobile phones.
34. The media plan, developed simultaneously with the creative strategy, schedules how and when consumers see advertisements.
35. Effective advertising illustrates the product’s value and gives consumers a reason to take action and/or buy.
36. A target audience is defined through information gathered from focus groups, demographics and by understanding how certain consumer groups think.
37. Brand Character Statement sets the tone of an advertisement and defines what the targeted consumer group should do or feel when they are exposed to it.
38. Image an attitude or lifestyle advertisers attempt to link to a product.
39. Psycho-graphics understanding how a certain group thinks .

40. A successful personal seller must utilize aggressive sales tactics that influence and control the process, presenting it as a mutually beneficial, interpersonal exchange of goods or services for equitable value.
41. To be successful in personal sales, the salesperson must understand how to sell to the needs of a customer.
42. Selling is defined as an interaction whereby an item of value is exchanged for a different item, which is usually money.
43. Prospecting This involves finding and identifying buyers who are most likely to buy the product or service.
44. Gaining Commitment This involves closing the deal or making the sale.
45. Alternative Close: Which would you prefer: the 36-inch or the 51-inch flat screen TV?
46. Sales Promotions - increase the perceived value of a product and are usually offered for a limited amount of time.
47. Promotional Mix – a marketing plan's seven components consisting of sales promotion, advertising, personal selling, direct marketing, publicity/public relations, corporate image and exhibition.
48. loss leader a sales promotion device that offers a temporary reduction on a popular product's price to stimulate sales on other products being offered.

49. Sales promotion device: A type of offer, in the form of a rebate, coupon or price deal that stimulates product sales or prompts a customer to take action

50. Promotion: dissemination of information about a product, product line, brand, or company

51. Sales promotion: media and non-media marketing communication employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability

52. Public relations is communicated through the media in the form of publicity events, speaking opportunities, press releases including video and audio news releases, newsletters, blogs, social media, press kits, and outbound communication to members of the press.

53. The ideal end result of public relations is for the information to serve both the source and the public interest.

54. All audiences or publics are stakeholders, groups or individuals that can affect or be affected by the actions of the business, but not all stakeholders are audiences.

55. The public includes people who look, think, and act the same as well as those who do not.

56. Messaging to construct a consistent and specific story around a P.R. event or project.

57. As a marketing tool, social media is distinct from industrial or traditional media and is versatile, far-

reaching, fast, relatively inexpensive, and fosters brand awareness and improves customer service.

58. Social media used as a marketing tool provides useful and valuable measurable data on trends, consumer interaction, feedback, public opinion, brand activity, and customer buying habits.

59. The Internet has overtaken television as the largest advertising market of all as banners and pop-up ads showcase a vast array of products and services.

60. Social Bookmarking Enables users to add, annotate, edit, and share bookmarked Web documents for future use.

61. Back links: Are clickable and bring traffic back to a company's website.

62. Engagement Means that both customers and stakeholders are participants rather than passive viewers.

Exam 1

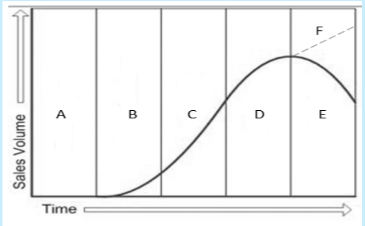
Answer all questions. Choose Only One answer.

(50 Questions 100 Grades)

1. What is product?
   a) Something you pay someone to do, but you might end up without an item you can keep.
   b) It is only available at the time of use.
   c) An item that you can buy and bring along with you.
   d) Obtained through the work or labor of someone else.
2. What is an alternative term for a distribution channel?
   a) marketing channel
   b) supply chain
   c) marketing chain
   d) place
3. Marketing discourages the development and spread of new ideas, goods, and services.
   a) True b) False
4. Which of the following is correct about Business Marketing?
   A) Is a marketing practice of organizations (including commercial businesses, governments and institutions).
   B) Known as industrial marketing.
   C) Known as (B2B) marketing.
   D) All of the above are correct.
5. Spreading the cost of advertising over a greater range of output in media markets is a source of achieving economies of scale.
   a) True b) False
6. The marketing mix does not apply to solo traders or other too small business.
   a) True b) False
7. Hair styling, childcare and legal advice are all examples of services.
   a) True b) False
8. A B2B sale is to a "Consumer" i.e. to a single person who pays for the transaction.
   a) True b) False
9. The "universal functions of marketing" consist only of buying, selling, transporting, and storing.
   a) True b) False
10. Because they do not try to earn a profit, the marketing concept is not very useful for nonprofit organizations.
    a) True b) False

11. Marketing is not the duty of the marketing department only but it is the duty of everyone in the organization.
    a) True b) False
12. Marketing plays an essential role in creating customer satisfaction. a) True b) False
13. Capital goods are sold through B2C marketing.
    a) True b) False
14. Why does a company need to know the life-cycle stages of its products?
    a) To prevent imitators from entering the market
    b) To find new uses for the product
    c) To predict the length of the life cycle
    d) To adapt its marketing strategies
15. According to the text you studied, marketing means "selling" or "advertising."
    a) True b) False
16. Actually, making goods or performing services is called marketing.
    a) True b) False
17. Most of the products we use are in which stage of the product life cycle?
    a) Introduction
    b) Growth
    c) Maturity
    d) Decline
18. The demand for Electric Products such as fridges and Televisions in Egypt creates demands for electricity power supplies. Hence the derived demand is the demand for Electric Products.
    a) True b) False
19. In Product Life Cycle stages, the stage in which sales and profits decrease is called:
    a) Introduction
    b) Growth
    c) Maturity
    d) Decline
20. Which of these comments is most suitable for Growth stage?
    a) Heavy investment but no sales   b) Sales are likely to be low as the product is new to the market
    c) Revenue is increasing as the product gains popularity
    d) none of the above
21. Where is the introduction period on the shown figure of Product Life Cycle?
    a) A   b) B   c) C   d) D

22. In Product Life Cycle stages, the stage in which sales and profits decrease is called:
    a) Introduction
    b) Growth
    c) Maturity
    d) Decline



23. The statement, *'Goods sold are not refundable'* cannot be found in a service description.
    a) True b) False
24. Which of the following descriptions provide the best definition of the marketing mix?
    a) The way products are priced and packaged.
    b) The way a business combines the main marketing elements to sell products that meet the needs and wants of customers.
    c) The way a business distributes its products through retailers and wholesalers.
    d) The way products are arranged in retail store to maximize sales.
25. Service descriptions focus on physical attributes.
    a) True b) False
26. Which of the following is not a category into which promotional activities are classified?
    a) Personal selling
    b) Public relations
    c) Point-of-purchase communications
    d) Yield management
27. Marketing satisfies the customer needs and wants through ……………. and building long-term relationships.
    a) Exchange processes
    b) Sales process
    c) Promotion process
    d) Product process
28. The Internet has opened up new channels of distribution.
    a) True b) False
29. Is the amount that a hotel charges for its services?
    A) Product B) Price C) Place D) Promotion
30. When discussing marketing, what does "product" refer to?
    A) The location on which the hotel is built
    B) The price at which rooms are sold
    C) The hotel's advertising
    D) The hotel's concept

31. The marketing concept says that a firm should aim all its efforts at satisfying customers, even if this proves to be unprofitable.
    a) True b) False
32. Which of the following is not a category into which promotional activities are classified?
    A) Personal selling B) Public relations
    C) Advertising D) Yield management
33. The percentage of the market held by a company or brand is known as:
    a) Market slice b) Market share
    c) Market segment d) Market leadership
34. A business wishes to meet the needs and wants of customers better by delivering a higher quality service. Which element of the marketing mix will the business focus on to achieve this?

a) Product b) Place c) Price c) Promotion

35. When a financial service firm knows how to manage risk and design innovative products. The firm has …
    a) Business capabilities b) Functional competencies
    c) social capabilities d) Organizational competencies
36. The center of all marketing efforts is:
    a) Profits b) Corporate social responsibility
    c) The consumer d) Foreign cultural fluctuations
37. The change of consumer behavior to e-marketing to avoid covid19 infection is considered in which category of the PESTLE analysis?
    a) Technological factors b) Economic factors
    c) Socio-cultural factors d) Political factors
38. In a SWOT analysis, which two elements are part of the internal environment?

a) strengths and threats b) opportunities and threats
c) weaknesses and strengths d) weaknesses and threats

39. A pharmaceutical company may employ lobbyists to change laws related to their business. This company is:
    a) doing nothing b) being reactive
    c) being proactive d) none of the above
40. Is the decisions made about how to communicate the product, place, and price of the hotel. It is made up of several promotional activities.
    a) Product b) Price c) Place d) Promotion

Suppose we have only four firms in the toy-making industry and below are the respective market shares of these four firms: Market Share of Firm A = 25%, Market Share of Firm B = 35%, Market Share of Firm C = 12% and the Market Share of Firm D = 28%.

41. Calculation of the Herfindahl-Hirschman Index.

a) 100 b) 10000 c) 2,778 d) 2.778

42. Place decisions include the following *except*?
A) Personal selling B) Placement
C) Distribution channels D) Logistics
43. Marketing activities should be of no interest to a nonprofit organization. a) True b) False
44. ………….. is the transaction process facilitated and expedited by marketing, in which a desired object is obtained by offering something of value in return.
a) The marketing exchange b) The market leadership
c) The marketing mix d) The marketing segment
45. Individuals have capabilities while organizations have competencies.
a) True b) False
46. Which of the traditional 4Ps of the marketing mix concerns the various outlets and channels a business uses to distribute the product.
a) Product b) Place c) Price d) Promotion

<u>Match the definition to the pricing strategy</u>.

47. The price set is high to reflect the exclusiveness of the product. A
48. When a firm charges a very low price when the product is new. Once market share has been captured the firm may well then increase their price. C
49. When firms charge a high price to begin with and then lower the price over time. B
50. Price should consider the value that the customer perceives.
a) True b) False

a) Premium Pricing
b) Price skimming
c) Penetration strategy
d) Bundle Pricing

Exam 2

Question One: Identify if true T or false F (20 Marks)

1. The term marketing focusses solely on promotional activities. F
2. A good or service that does not meet a consumer's needs results in low customer value. T
3. In marketing, it is the manager's viewpoint that matters, not the customers. F
4. Marketing is not the duty of the marketing department only but everyone in the organization. T
5. Marketing does not occur unless two or more parties are willing to exchange something for something else T
6. Covid 19 is an example of macro environment change causing the buying habits of consumers and manufacturers across the country. T
7. "Economies of scale" means that as a company produces small numbers of a particular product and the costs for each of these products go down. F
8. A B2C sale is to a "Consumer" i.e. to a single person who pays for the transaction. T
9. Responsibility for performing the marketing functions can be shifted and shared in a variety of ways, but no function can be completely eliminated. T
10. In the past two decades, many firms in service industries adopted the marketing concept. T
11. The demand for cars in Egypt creates demands for steel and tires. Hence the derived demand is the demand for steel and tires. T
12. Marketing plays an essential role in creating customer satisfaction. T
13. A marketing exchange is a single transaction between a firm and a customer, nothing more. F
14. A want is a consumer's desire for a product's or service's specific benefit, whether that be functional or emotional. F
15. The concentration ratio of an industry is used as an indicator of the relative size of leading firms in relation to the industry. T
16. The exchange process allows the parties to assess the relative trade-offs they must make to satisfy their respective needs and wants. T
17. The pricing strategy is not only related to the profit margins but also helps in finding target customers. T
18. Distribution includes all communication and selling activities to persuade prospects to buy the product. F
19. The company’s product design remained consistent for the past 10 years and will continue for 2 more years. This is considered a micro-environment. T

20. The global financial crisis was an example of competitive macro environmental force. F

Question Two: Choose Only One answer from A, B, , and D (80 Marks)

1. Which of the following terms is used to describe the factors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers? A) the marketing environment B) the cultural environment C) strategic planning D) target markets
2. What is the most important element of the marketing mix? A) Product B) Place C) Profit D) No single element is the most important
3. Marketing exchanges may be characterized as inequitable when. A) Each party receives about the same as the other. B) The organization sells the product with a price that matches the values of it. C) The customer's needs are satisfied, and the business makes a reasonable profit. D) none of the above
4. Which of the following is NOT an element in the marketing mix? A) Product B) Place C) Profit D) Price
5. Which element of the marketing mix is the only one that directly affects the value of sales achieved by a business? a) Product b) Place c) Price d) Promotion
6. The physical location of a hotel and the site where the reservation for the hotel is made. A) Product B) Price C) Place D) Promotion
7. It can be a meal or some other tangible item that a hotel or restaurant provides to its guest. It can also be an intangible service or a hotel or restaurant's concept. A) Product B) Place C) Price D) Profit
8. In a Product Life Cycle, the stage where there are steady sales, and it becomes harder for marketers: A) Introduction B) Growth C) Maturity D) Decline
9. The basic difference between a good and a service is a good……

A) Provides intangible benefits

B) always less expensive than a corresponding service.

C) Can be physically touched

D) Generates greater interest among consumers

10. Which of the following is a true statement about the introduction stage of the product life cycle:

a) Profits are usually nonexistent or very low. b) Costs are low.
c) Sales growth is exploding. d) There is intense competition

11. When is price skimming used?
A) To gain market share B) To make as large a profit as possible
C) To cover costs and breakeven D) all the above

12. Which pricing strategy would a business use to encourage a trial purchase?
A) Penetration pricing B) Price skimming C) Cost plus pricing D) Bundle pricing

13. When discussing marketing, what does “product” refer to?
a) The location on which the hotel is built. b) The hotel’s concept.
c) The hotel’s advertising. d) The price at which rooms are sold.

14. Is the amount that a communication company charges for its services.
A) Product B) Place C) Price D) Promotion

15. Which type of market buys goods and services to produce public services or to transfer them to others who need them?
A) government B) reseller C) wholesale D) retail

16. Iceman business turns cream, sugar and milk into ice cream. What kind of utility is the company provide to customers?
a) Form b) Place c) Time d) Possession

17. You are directed to study the demographic, economic, natural, technological, political, and cultural factors that are larger societal forces affecting your company. What are you studying?
A) the macroenvironment B) the microenvironment
C) the external environment D) the global environment

18. Which type of market buys goods and services for further processing or for use in the production process?
A) business B) reseller C) wholesale D) consumer

19. A business wishes to meet the needs and wants of customers better by delivering a higher quality service. Which element of the marketing mix will the business focus on to achieve this?
a) Product b) Place c) Price c) Promotion

20. Social media and internet aspects of the business environment are considered in which category of the PESTLE analysis?
a) Technological factors b) Socio-cultural factors c) Economic factors d) Political factors

21. When a company have something that places it above the competition.
A) Competitive rivalry B) competitive advantage
C) market orientation D) retention

22. When evaluating competitors, marketers need to assess competitor :
A) Strengths B) Weaknesses C) Likely reaction to marketer's activities D) All of the above

23. What is not correct about Business Marketing?
A) Known as industrial marketing
B) Known as (B2B) marketing C) It is including many customers buying small quantities
D) Is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions)

24. What is the best pricing method for a well-known firm selling a new hi-tech, high quality mobile phone model most likely to be?
A) Penetration pricing B) Price skimming C) Cost plus pricing D) Both A and B

25. This P is not a part of the 7Ps of marketing mix? (A) Promotion (B) Price (C) People (D) Purpose

26. Which among these is not the nature and characteristic of a service.
(A) Intangibility (B) Durability (C) Variability (D) Perishability

27. You are directed to study the actors close to the company that affect its ability to serve its customers-departments within the company, suppliers, marketing intermediaries, customer markets, competitors, and publics. What are you studying?
A) the macroenvironment B) the microenvironment
C) the marketing environment D) the demographic environment

28. The group of factors that affect consumers' purchasing power and spending patterns is called the
A. economic environment.
B. sociocultural environment
C. demographic environment
D. natural environment

Brand	Unit Sales
A	4,000
B	3,000
C	2,000
D	600
E	400
TOTAL	**10,000**

29. What is the market share of brand C in the shown table?
A) 2000 units B) $2000 C) 20% d) 2%

30. The process of breaking the marketing environment into smaller parts to gain a better understanding of it is known as (select ONE)

A) The internal environment B) Environmental analysis
B) The micro-environment D) The macro-environment

31. Which of the following statements is correct? (Select ONE)
A) The internal environment includes those factors that are not controllable by the organization.
B) Weaknesses are internal factors that marketers seek to minimize.
C) The internal environment includes factors that are controllable by the organization. D) Both b and c

32. Companies selling mass consumer goods and services such as soft drinks, cosmetics, air travel, and athletic shoes and equipment spend a great deal of time trying to establish a superior brand image in markets called:
A) Business markets B) Global markets C) Consumer markets D) Nonprofit and governmental markets

33. One of the following is the correct definition of marketing used by the Chartered Institute of Marketing and the others are fundamentally flawed. Which one is correct?
A) The selling process which results from the identification and anticipation of customer requirements.
B) The management process which identifies anticipates and supplies customer requirements efficiently and profitably.
C) An accounting process of minimizing costs and maximizing revenues.
D) The supply of goods and services to customers in such a way that the company becomes the preferred source of supply for customers.

34. Which of the following is a true statement about the growth stage of the product life cycle:
a) It is the longest-lasting stage of the product life cycle. b) Costs go up. c) Costs are low. d) Competitors arrive on the industry.

35. Imagine you are conducting a SWOT analysis for a Egyptian manufacturer who exports to KSA. If the KSA currency becomes unstable, which category would you place that in for your analysis?
a) opportunity b) threat c) weakness d) strength

36. Which of the following organizations use marketing?
A) Corporations B) Churches C) Hospitals D) all answers

37. Value is: A) The lowest cost option B) Represented by brand names.
C) What you get for what you give D) The highest priced alternative.

38. Which of the following is a true statement about the maturity stage of the product life cycle?
a) Profits increase. b) Sales growth slows down.
c) Competition becomes less intense. d) It is the easiest stage for marketers.

39. When conducting a SWOT analysis, in what phase of the strategic marketing process is an organization presently engaged? A) Planning B) Implementation C) Control D) Segmentation

40. Firms use __________ to collect and synthesize information about their position with respect to their rivals. A) Demographic data. B) Regional regression analysis. C) Competitive intelligence D) Intuitive diagnostics.

Exam 3

Question One (10 marks) Read each statement then identify if True (T) or Fales (F) in your bubble sheet

1. The term marketing refers to advertising and promotion activities. F
2. Segments should not be different in their response to different marketing efforts (Marketing Mix). F
3. A recession altering the buying habits of farmers and manufacturers across the country is considered a macro environment change. T
4. The company's market segmentation remained consistent for the past 10 years and will continue for 10 more years. This is considered a macro environment. F
5. Price should be based on the value that the customer perceives. T
6. Product orientation assumes a developing or closed economy where few, if any, choices are available. T
7. Relationship marketing is related to product orientation marketing. F
8. Relationship marketing emphasizes customer retention and satisfaction rather than a dominant focus on sales transactions. T
9. The demand for cars in Egypt creates demands for steel and tires. Hence the derived demand is the demand for cars. F
10. Individuals have competencies while organizations have capabilities. T

Question two (90 marks) choose the right answer then mark correctly in your bubble sheet.

1. It can be a meal or some other tangible item that a hotel or restaurant provides to its guest. It can also be an intangible service or a hotel or restaurant's concept.
   A) Product B) Place C) Price D) Promotion
2. Is the amount that a hotel charges for its product.
   A) Product B) Price C) Place D) Promotion
3. Is the physical location of a business and the site where the reservation for the hotel is made.

A) Product B) Price C) Place D) Promotion

4. When discussing marketing, what does “product” refer to?
   A) The location on which the hotel is built
   B) The hotel’s concept
   C) The hotel’s advertising
   D) The price at which rooms are sold

5. Which of the following is not a category into which promotional activities are classified?
   A) Personal selling
   B) Public relations
   C) Advertising
   D) Yield management

6. A business wishes to meet the needs and wants of customers better by delivering a higher quality service. Which element of the marketing mix will the business focus on to achieve this?
   A) Product B) Place C) Price D) Promotion

7. The center of all marketing efforts is:
   A) Profits B) Corporate social responsibility
   C) The consumer D) Foreign cultural fluctuations

8. Relationship marketing is related to……….
   A) Product orientation marketing B) Holistic marketing
   C) Sales orientation marketing D) Production orientation marketing

9. Place decisions include the following except?
   A) Personal selling B) Placement
   C) Distribution channels D) Logistics

10. The customers need to be made aware of the existence and availability of the product through….
    A) product B) price C) promotion D) distribution

11. The basic difference between a good and a service is a good :
    A) Provides intangible benefits
    B) always less expensive than a corresponding service.
    C) Can be physically touched
    D) Generates greater interest among consumers

12. Marketing exchanges may be characterized as unequitable when ……

A) Each party receives about the same as the other.
B) The organization sells the product with a price matches the values of it.
C) The customer's need is satisfied, and the business makes a reasonable profit.
D) none of the above

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13. When conducting a SWOT analysis, in what phase of the strategic marketing process is an organization presently engaged?
A) Planning B) Implementation
C) Control D) Segmentation

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14. To become value driven, firms :
A) Share information across the entire organization about customers and competitors.
B) Balance relationships with customers beyond thinking about individual transactions.
C) Balance benefits with costs to create value for customers.
D) All answers

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15. Value is:
A) The lowest cost options
B) Represented by brand names.
C) What you get for what you give
D) The highest priced alternative.

---

16. What does make the use of product orientation dangerous to the viability of a company?
A) Prices can increase too much.
B) Investment in research and development.
C) Customers could move to other companies that sell a more satisfying product
D) Consumers are interested in product quality.

---

17. Competitive intelligence activities are likely to include any of the following EXCEPT :
A) Interviewing customers
B) Observing competitor's stores.
C) Counting cars in competitor's parking lots.

D) Paying auditing companies for previews of competitor's quarterly statements.

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18. Which of the following organizations use marketing?
    A) Corporations B) Churches
    C) Hospitals D) all answers

---

19. Firms use __________ to collect and synthesize information about their position with respect to their rivals.
    A) Demographic data.
    B) Regional regression analysis.
    C) Competitive intelligence
    D) Intuitive diagnostics.

---

20. What makes the use of product orientation dangerous to the viability of a company?
    A) Prices can increase too much.
    B) The investment in research and development.
    C) Customers could move to other companies that sell a more satisfying product
    D) Consumers are interested in product quality.

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21. When a company have something that places it above the competition.
    A) Competitive rivalry
    B) competitive advantage
    C) market orientation
    D) retention

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22. A company manager uses a database software system to remind him when his customers should be ready to re-order his industrial cleaning products. With this reminder system, Franco contacts his customers when they are most likely to be "in the buying mode." Franco's system is part of :
    A) Customer relationship management
    B) C2C marketing
    C) A transactional marketing orientation.
    D) Supply chain retail simplification system.

---

23. Behavioral segmentation variables include…………except
    A) Usage Rate B) Personality
    C) Price Consciousness D) Product benefits

24. Which of the following statements best supports the idea that every product has a different shaped life cycle?
    A) The initial cost of a product, its research and development, is unique and dictates the type of life cycle it has .
    B) The attitude of the company towards the product dictates the stages and shape of its life cycle.
    C) Every product is different, and the shape of its life cycle is dictated by an ever-changing marketplace, competition, and its company's conditions.
    D) Competition shapes a product's life cycle and gives it its unique footprint.

25. When referring to "exchange," marketers are focusing on :
    A) Location where products and services are traded
    B) Price charged adjusted for currency exchange rates.
    C) The trading of things of value.
    D) Creating value

26. When evaluating competitors, marketers need to assess competitor :
    A) Strengths
    B) Weaknesses
    C) Likely reaction to marketer's activities
    D) All of the above

27. Sally is struggling with the choice of publishing her new book, "How to cook Turkish Barbeque" as an e-book or a paperback. She is addressing which core marketing aspect?
    A) Making product decisions
    B) Decisions regarding in which setting marketing takes place.
    C) Satisfying customer needs and wants.
    D) Exchange function of marketing.

28. Example of Qualitative Approaches used in collecting data Include the following *except*:
    A) Collection of empirical data
    B) Classical Ethnography
    C) Storytelling
    D) Focus group

29. When considering the use of a radio commercial (advertisement) designed for U.S. markets, in England, a marketer would likely consider which of the following aspects of culture that might be different in England?
    A) Dress B) Symbols C) Language D) All of the above

30. What is not correct about Business Marketing?
    A) Known as industrial marketing
    B) Known as (B2B) marketing
    C) It is including many customers buying small quantities
    D) Is a marketing practice of individuals or organizations (including commercial businesses, governments and institutions)

31. A business wants to build customer awareness of features and benefits in its products that are better than the competition. Which element of the marketing mix is most likely to help them achieve this?
    A) Product B) Place C) Price D) Promotion

32. Business market might be segmented on the bases of following variables except……..
A) Company Size B) Social Class C) Industry D) Purchase policies and criteria

33. At what phase of the product life cycle does a company lower pricing and increases the amount of inventory at retailers?
A) Introduction. B) Growth. C) Maturity. D) Decline.

34. What causes a business to shift to a selling orientation within the context of its marketing plan?
A) Consistency in consumer expectations of a specific product.
B) Increased competition for a larger share of the consumers market
C) Reduction of existing product inventories or dead stock and high consumer demand.
D) All of the above

35. E-books (electronic books), in addition of being an alternative product form, provide ___ value creation through access via the Internet. A) Price B) Promotion C) Product D) Place

36. When a company's products reach the maturity stage of the product life cycle, companies are challenged to develop strategies to extend this phase to remain competitive. Which of the following is a strategy to extend the life cycle of a product?
    A) Identify new target markets for the product AND modify the product, such as packaging or size.
    B) Identify new target markets for the product.
    C) Modify the product, such as packaging or size.
    D) Reduce the availability of the product to create demand.

37. When the demand, profit and competition for a product is low and cost is high, what phase of the product life cycle is it in?
    A) Introduction B) Growth C) Decline D) Maturity

38. What conditions identify a product that is in the beginning of decline stage of the product life cycle?
    A) The company is preparing to close and must shut down operations.
    B) A decrease in profits, production levels drop off and sales levels are less sustainable.
    C) Prices are increased to earn as much profit as possible before the product is taken off the market.
    D) Competition is decreasing which means the demand of for the product is declining.

39. Which stage of the product life cycle is described as the stage that lasts longer than other stages because the buyers are repeat purchasers versus new customers? Choose one answer.

A) Introduction B Decline C) Maturity D) Growth

40. What conditions prevail when a product is in stage 3 or the maturity stage of the product life cycle?

A) The cost of production is reduced as volume increases and profits decline.

B) Improvements and special features are introduced to prolong the stage and prices reduced.

C) Market saturation is close at hand, the sales growth rate decreases, and competition increases.

D) All of the above answers.

41. Marketers to _______ income groups attempt to create value by offering one-of-a-kind products and exclusive services.

A) Upper B) Middle C) Lower D) All

42. ……………….. are directly contributing to the customer value proposition and have a high impact on company financial performance.

A) Advantage capabilities

B) Strategic support capabilities

C) Business necessity capabilities

D) Essential capabilities

43. Example of Quantitative Approaches used in data collection include the following *except*…….

A) experimental control and manipulation of variables

B) collection of empirical data

C) classical ethnography

D) modeling and analysis of data

44. What is the pricing called when it starts high then goes low.

A) Cost plus B) Penetration C) Skimming D) none of the answers

45. Marketing enriches society by:

A. Encouraging employees to participate and invest in socially responsible activities and charities.
B. Solely focusing on maximizing firm profits.
C. Recognizing that the firm can do very little by itself, and so it should stay focused on - and develop - its own core competencies and let municipal, state and federal governments sort out the complex, societal issues.
D. Producing desirable products according to “Kotler’s categories”

Exam 4

Question One (24 marks). Read each statement then identify if True or Fales do not rewrite the statement. Arrange your answers in a table like the following model.

1. The only focus of marketing is customer needs
2. Macro-environment is internal forces that are close to the company that affect its ability to serve its customers.
3. Individuals have competencies while organizations have capabilities.
4. A want is a consumer's desire for a product's or service's specific benefit, whether that be functional or emotional.
5. A consumer need is the desire for products or services that are not necessary, but which consumers wish for.
6. Utility is the satisfaction, value, or usefulness a user receives from a good or a service.
7. The term marketing refers to advertising and promotion activities.
8. Measurable characteristics that describe a population by age, gender, income, ethnic background, education, and occupation are Demographics).
9. The marketing mix does not apply to solo traders or other too small business
10. A B2B sale is to a "Consumer" i.e. to a single person who pays for the transaction.
11. Marketing is the duty of marketing department only not everyone in the organization
12. In order to maintain long-term relations with customers, future needs have to be identified and predicted.

Questions from two to four: (Read each question and identify the right answer from A, B, C and D

Question Two (26 marks).

1. The ……. concept holds that achieve organizational goals depends on knowing the needs and wants of target market and delivering the desired satisfaction better than competitors.

A) Marketing B) Selling C) Production D) None of the answers

2. A group of people identified as those most likely to become customers that have similar wants and needs.

A) Market B) Target Market C) Marketing Plan D) Segment

3. Which of the following descriptions provide the best definition of the marketing mix?

A) The way products are priced and packaged. B) The way a business combines the main marketing elements to sell products that meet the needs and wants of customers.
C) The way a business distributes its products through retailers and wholesalers.
D) The way products are arranged in retail store to maximize sales.

4. Why is market segmentation carried out?

A) To break down large markets into smaller markets.
B) Provides an opportunity to surpass competitors.
C) By grouping together customers with similar needs, it provides a commercially viable method of serving these customers.
D) Allows the achievement of greater market share.

5. Which of the following components defines a marketing orientated organization?

A) Customer orientation B) Competition orientation
C) Inter-functional coordination D) All of the above

6. ………. is the actual offering by the company to its targeted customers which also includes value added stuff.

A) Product B) Price
C) Distribution D) Promotion

7. The percentage of the market held by a company or brand is known as:

A) Market slice B) Market share
C) Market segment D) Market leadership

8. What is Marketing?

A) Setting up a market stall
B) Buying as many products as you can
C) Identifying and satisfying consumer needs and wants.
D) Selling as many products as possible

9. What is a market broken down into?

A) Sections B) Bits
C) Segments D) Bytes

10. Obtaining a desired object from someone by offering something of value in return is called

A) Product process B) Sales process
C) Promotion process D) Exchange processes

11. The purchase of goods or services for use by an organization in producing other goods and services, to support the daily operations of the organization, or for resale is called:

A) distribution marketing
B) wholesale marketing
C) corporate marketing.
D) business-to-business marketing.

1. Place decisions include the following except?
A) Skim strategy B) Placement C) Distribution channels D) Logistics

12. In which of the following does the Cognitive Dissonance happen?

A) the problem recognition stage of product life cycle
B) the purchase stage of product life cycle
C) the Post-Purchase Evaluation outcome stage of life cycle
D) all the above

Question three: (26 marks)

1. ……………….. are directly contributing to the customer value proposition and have a high impact on company financials.

A) Advantage capabilities
B) Strategic support capabilities
C) Business necessity capabilities
D) Essential capabilities

2. Which of the following descriptions provide the best definition of the marketing mix?

A) The way products are priced and packaged.
B) The way a business combines the main marketing elements to sell products that meet the needs and wants of customers.
C) The way a business distributes its products through retailers and wholesalers.
D) The way products are arranged in retail store to maximize sales.

3. The customers need to be made aware of the existence and availability of the product through….

A) product B) price C) promotion D) distribution

4. Which of the following is considered of placement decisions?

A) Distribution channels B) Logistics
C) Inventory D) All of the above

5. While formulating the marketing strategy, product decisions include the following except?

A) What to offer? B) Quality
C) Discounts D) Brand name

6. Which of the traditional 4Ps of the marketing mix concerns the various outlets and channels a business uses to distribute the product.

A) Product B) Price C) Place D) Promotion

7. The firms that work along with the focal firm to provide goods and services to consumers are viewed as:

A) Corporate partners B) Customers
C) The macroeconomic environment D) Competitors

8. A hotel's managers must make marketing decisions to help it stand out from its competition. To make these decisions, they must determine all but which of the following?

A) What customers want
B) When customers want their services
C) How to provide services to customers
D) How to persuade customers to patronize the hotel

9. Which element of the marketing mix is the only one that directly affects the value of sales achieved by a business?

A) Product B) Price C) Place D) Promotion

10. Which of the following components defines a marketing orientated organization?

A) Customer orientation B) Competition orientation
C) Inter-functional coordination D) All of answers

11. Which of the following components defines a marketing orientated organization?

A) Customer orientation B) Competition orientation
C) Inter-functional coordination D) All of the answers

12. Which of the following is not considered of promotion decisions?

A) Advertising B) Personal selling C) Public relations D) Penetration strategy

13. Which of the following is not considered business customers?

A) Banks' clients
B) State and local governments
C) Manufacturers
D) Wholesalers

Question four (24 marks)

1. The four Ps encompass the marketing mix, which is the _______________ set of activities that the firm uses to respond to the wants of its target markets .

A) External B) Controllable C) Global D) Reversible

2. Which of the following is not true about marketing ?

A) The growth of the internet means that marketing will diminish in importance and impact as customers interact directly with the firms
B) Marketing adds value to the products and services you use and buy. C) Marketing makes life easier.
D) Marketing establishes a price that is affordable to the customers while covering the costs of the features and benefits and providing a reasonable profit for the company.

3. Which of the following is an advantage of using the market segmentation?

A) It lets a business invest more in plant and machinery B) It allows a business to charge higher prices
C) It allows business to target its promotional strategy more effectively
D) It saves business money by avoiding the need for TV advertising

4. A consumer want is the desire for products or services ………….

A) that are not necessary but which consumers wish for
B) specific functional benefit
C) specific emotional benefit
D) all of the above

5. What is the primary objective of relationship marketing?

A) Managing short term relationship with customers.
B) Managing customer data.
C) Quality, efficiency and lower costs.
D) Loyal customers, new customers, repeat business and maximized profit.

6. While formulating the marketing strategy, product decisions include the following except?

A) Public relations B) Functionality
C) Brand name D) Quality

7. Which of the following is not considered of the product decisions?

A) Appearance and Quality B) Brand name C) After sale services D) none of the above

8. What is the primary objective of relationship marketing? A) Quality, efficiency and lower costs B) Managing customer data. C) Managing short term relationship with customers. D) Loyal customers, new customers, repeat business and maximized profit.
9. Marketing enriches society by… A) Encouraging employees to participant and invest in socially responsible activities and charities. B) Solely focusing on maximizing firm profits C) Recognizing that the firm can do very little by itself, and so it should stay focused on - and develop - its own core competencies and let municipal, state and federal governments sort out the complex, societal issues. D) All of the above
10. Environmental scanning is:………………… A) the activities directed toward obtaining information about events and trends that occur outside the organization and that can influence the organization's decision making. B) the activities directed toward obtaining information about events and trends that occur outside the organization and that can influence the organization's decision making, and an early warning system for the organization. C) an early warning system for the organization. D) a means of understanding the weather conditions that affect business transactions.
11. Social media and internet aspects of the business environment are considered in which category of the PESTLE analysis? A) Economic factors B) Socio-cultural factors C) Technological factors D) Political factors
12. ………………….. entails simply selling an already existing product and using promotion techniques to attain the highest sales possible. A) Marketing orientation B) Sales orientation C) Product orientation D) Production orientation

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