

# Chapter One: Marketing Fundamentals

## 1. The Essence of Marketing

- Marketing success is rooted in focusing on customers and providing value through goods and services designed to meet customer needs.
- Marketers' ultimate objective is to drive profits for a company, or if working in the non-profit industry, to support fund programs and generate revenues and run operations.
- Only one aspect of marketing revolves around promotion, with all the other elements required to drive profitability or revenue generation for an organization.
- **Focusing on Customer Needs**
  - The essence of successful marketing is focusing on customer needs and developing programs that delight consumers and encourage customer loyalty. Frequently, the challenge is to clearly determine these needs and to understand how they can best be met.
- **Creating Customer Value**
  - First, companies create products that provide customers with goods and services that have added value versus competitive offerings.
  - Second, they reward customers for their loyalty through marketing programs that focus on repeat purchases and incentives to encourage future purchases.
  - **Customer Value:** The unique combination of benefits received by targeted buyers that includes quality, price, convenience, delivery and both before-sale and after-sale service. Marketers manage the marketing mix of this product so that this value is evident to consumers who in turn purchase or use the products.
  - Creating products with added value is often achieved through a combination of (1) product design, (2) pricing strategies, and (3) service elements.
- **Appealing to Target Markets**
  - Products are designed to appeal to specific groups of consumers.
  - **Target Market:** The specific group of existing and potential consumers to which marketers direct their marketing efforts.
  - Each element of the marketing mix appeals to the characteristics of the target market.

## 2. Coordinating the Marketing Mix

- **Marketing Mix:** The 4 P's – product, price, place and promotion.
  - **Product:** Attributes that make up a good, a service, or an idea, including product design, features, colour, packaging, warranty and service levels.
  - **Price:** Expected regular retail or sales price for a product.
  - **Place:** Distribution channels, retail formats, and merchandising used to sell a product.
  - **Promotion:** Communication tools needed to inform consumers about a product, including advertising, public relations, sales promotion, direct response, event marketing and sponsorship, and personal selling.
- The marketing mix needs to be carefully managed by marketers to ensure that they are well coordinated and that each appeals to the distinct characteristic of the target markets.

- Marketers need to understand what makes their consumers tick, and what does not, and how to best send communications. This is usually clarified by market research and metrics on consumer behaviour.
- These elements are all included in a brand's annual marketing plan
- Over time, marketers gather extensive information on their target markets, being able to identify purchase motivation that goes beyond age and gender into psychological motivation (including: likes, dislikes, motivation, interests and concerns).
- These approaches harness the power of corporate social responsibility, customer relationship management, experiential marketing, and partnership marketing to drive the marketing mix and establish long-term relationships with consumers.

**The Marketing Process:** The process of (1) identifying consumer needs, (2) managing the marketing mix to meet these needs, and (3) realizing profits.

- Marketers are ultimately responsible for generating company profits.
- **Marketing:** The process of planning and managing goods, services, or ideas to meet consumer needs and organizational objectives. It includes the conception of these products and the pricing, promotion, and distribution programs designed to make a profit and generate revenue or support for an organization.
- **Exchange:** The trade of things of value between buyers and sellers so that each benefits.
- A consumer may volunteer time with a non-profit organization which in turn would satisfy the consumer's need to support the cause.

### 3. What Can Be Marketed?

- **Product:** A good, service or idea.
- **Good:** A product you can touch and own.
- **Service:** A product that is intangible, that you cannot touch.
- **Idea:** A concept that typically looks for support.
- **What Is a Market?**
- **Market:** Potential consumers with both the willingness and ability to buy.
- Just being willing to buy a product does not constitute a market.
- Sometimes the market, target market, and consumers are different groups of people, and marketers need to decide on a balance of who should be targeted with their programs.

### 4. The Evolution of Business Philosophies

- **Product Orientation:** Focusing organizational efforts on the manufacture of goods.
  - Manufactured goods tended to sell, regardless of their quality because they were in short supply. Consumer needs were not a priority. Until 1930s.
- **Sales Orientation:** Focusing organizational efforts on the manufacture on selling as many products as possible.
  - The market had become more competitive, production had become more efficient, and products were in abundance. Companies started to hard-sell to make a profit, and consumer needs were still not a major consideration. Between 1930s -1960s.
- **Marketing Orientation:** Focusing organizational efforts to collect and use information about consumers' needs to create customer value. After 1960s
- **Marketing Concept:** The idea that an organization should strive to satisfy the needs of consumers while also trying to achieve organizational goals. Around 1980s

- **Relationship Marketing:** When organizations create long-term links with customers, employees, suppliers and other partners to increase loyalty and customer retention.
  - Companies are striving to offer better services, higher-quality products, and meaningful long-term relationships.
  - Since the last decade, businesses have realized that improved customer relationships can result in increased customer loyalty, improved customer retention levels, and greater profits for an organization.
  - Internet technology is fueling the growth of a relationship marketing as a business approach.
- **Social Media:** a form of online media that allows members to create their own network of friends and contacts to share comments and videos, and images as a form of self-expression.
- **Customer Relationship Management (CRM):** The overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.
  - CRM identifies a firm's valued customers and builds loyalty programs to appeal to their needs. It systematically identifies what leads to customer satisfaction and profitable brand loyalty.
- **Corporate Social Responsibility (CSR):** When organizations voluntarily consider the well-being of society by taking responsibility for how their businesses impact consumers, customers, suppliers, employees, shareholders, communities, the environment and society in general.
  - CSR programs become part of a brand's fabric and help to build long term relationships and solidify brand connections with consumers.
  - CSR can involve (1) the sponsorship and/or spearheading of community programs, and (2) the sponsorship and/or involvement in fundraising initiatives for charitable organizations. In its most advanced form, CSR is used (3) as a business philosophy that permeates an organization that implements socially responsible business practices to positively impact the community at large.
- **Societal Marketing Concept:** Marketing programs that focus on the consumer and the well-being of society.

## **5. New and Evolving Marketing Practices**

- Marketing thinking has progressed over the years in response to changes in consumer expectations, societal pressures, technological changes, and the philosophy of doing business. Marketing today focuses not only on meeting short-term consumer needs and generating immediate company profits but also on the long term viability of its business and the meaningful customer relationships and community initiatives it develops.
- Some of the most recent areas of focus include customer relationship management and corporate social responsibility with additional emphasis on (1) digital marketing, (2) experiential marketing, (3) partnership marketing, and (4) metrics.
- **Digital Marketing**
  - When consumers first look for product information, a website is often their first point of contact with a company, followed by an online search to reveal further information. Social media often comes up in searches. Poor service,

- substandard products, or unethical practices can quickly surface in a search and negatively impact product sales.
- The increased Internet usage is prompting marketers to use digital marketing to engage and communicate with consumers.
- **Experiential Marketing:** Creating opportunities for consumers to directly interact with brands.
  - This builds awareness and generates word of mouth buzz and other forms of publicity for the brand. The brand goes from being passive to actively interacting with the target market.
- **Partnership Marketing:** The creation of formal associations between brands that will result in incremental business for both brands that could not have been achieved separately.
  - The purpose of partnership marketing is to drive incremental business and a strong return on investment (ROI).
  - **Promotional Partnerships:** Simple short-term promotional offers between brands.
  - **Strategic Alliance:** Long-term strategic alliance between companies with similar values and marketing objectives that extend beyond short-term promotional offers into long-term formal business agreements.
- **Metrics:** Measures and monitors business performance through the collection and usage of data used to evaluate marketing programs.
  - Routine metrics: are measured against marketing plan targets and look at elements such as sales, market share, profit margins, and profit levels.
  - Program specific metrics: analyze specific marketing programs and measure performance against benchmarks and targets.
  - These metrics can include elements such as return on investment (ROI), awareness levels, ad recall, sales conversions, coupon redemption rates, contest entries, or media mentions, depending on the task at hand.
  - Digital marketing has increased the emphasis on metrics, which are quick, easy, and affordable in the online environment.
  - Marketers are challenged to sift through the deluge of online metrics to use the information to understand how to build better relationships with consumers.
- **A Focus on Ethics**
  - Not all organizations are interested in CSR or the societal marketing concept.
  - In Canada, regulations are put in place to safeguard people, communities, and the environment from businesses.
  - Consumer groups also exert pressure on government bodies to protect society.
  - The government can directly recall dangerous products rather than rely on voluntary manufacturer recalls.
  - The Canadian Marketing Association (CMA) is the professional body for the marketing industry. Its purpose is to encourage ethical and legal marketing.

## 6. Marketing Careers

- Entry-level positions exist in sales, marketing, and promotions in a variety of fields. Job titles vary from company to company, but typical jobs include marketing coordinators, marketing analysts, marketing assistants, sales representatives, and account

coordinators. Marketers often spend part of their careers working in a sales or promotional role.

- Change is the norm and being able to rise to the challenge is imperative.

#### **Summary:**

- The essence of marketing is to focus on summer needs and to generate revenue, profits, or support for an organization.
- The marketing process follows three main steps: (1) identifying consumer needs, (2) managing the marketing mix to meet consumer needs, (3) realizing revenues or profits.
- The marketing mix, also known as the 4 P's, consists of product, price, place and promotion.
- Product refers to all the attributes that make up a good, a service, or an idea. Product elements include areas such as product design, product features, colour packaging, warranty and service levels.
- Price refers to the retail shelf price and sale price of a product.
- Place refers to the distribution channels and retailers required to sell the product.
- Promotion refers to the communication tools needed to communicate to consumers, such as advertising, sales promotion, public relations, direct marketing and personal selling.
- Marketers are responsible for bringing profits and revenues into the company.
- The evolution of marketing has progressed from a production orientation stage, to a sales orientation stage, to a marketing orientation stage, and finally to a relationship marketing stage.
- Important areas of the relationship marketing stage are customer relationship management (CRM) and corporate social responsibility (CSR).
- New and evolving marketing practices have surfaced in the areas of digital marketing, partnership marketing, experiential marketing and metrics.
- The Canadian Marketing Association (CMA) is the professional body for the marketing industry that responds to legislative issues and sets guidelines on responsible business practices.
- The starting point to a career in marketing is to get an education and, while studying, to create a network of business professionals to contact upon graduation.

## **Chapter Two: The Marketing Environment**

### **1. The Marketing Environment**

- Successful marketing programs must reach out and address changes in the marketplace while also touching areas of increasing interest. Ex. Canada Bread recognized that consumers were demanding more nutritious products

### **2. A Marketing Environmental Scan:** The process of continually acquiring information on events occurring outside an organization to identify trends, opportunities, and threats to a business.

- **SWOT Analysis** (Strengths, Weaknesses, Opportunities and Threats): Assessing how well a company is servicing its business and target consumers by assessing an

organization's internal strengths and weaknesses, as well as its external opportunities and threats.

- It looks at this in relation to the industry, its competitors, and trends identified in an environmental scan.
- Marketers scan the marketing environment and review six key areas of focus: (1) demographics force, (2) socio-cultural forces, (3) economic forces, (4) technological forces, (5) competitive forces, and (6) regulatory forces.

### **3. Demographic Forces**

- **Demographics:** The statistical data on a population according to characteristics such as gender, age, ethnicity, income, education, and occupation.
- Important for marketers to understand changes in the demographics to ensure that marketing efforts are well placed and no opportunities are overlooked
- Changing demographic trends are observed and their impact on marketing efforts is identified

#### **- An Aging Population**

- People of the age of 50 control 75 percent of the net worth of Canadian households, flagging this as an opportunity for business growth. Marketers are keeping up with this trend with new products and services geared to this group.

#### **- Diverse Generations**

- Each generation has very different tastes, consumption patterns, and attitudes. For each generation, marketers need to develop distinct marketing programs, products, and services.
- **Baby Boomers:** Generation of people born between 1946 and 1964.
  - Families had an average for 4 children
  - Baby boomers account for 60% of expenditures on consumer products
  - Redefining the concept of aging with a keen interest in health, self-image and retirement.
- 46% of baby boomers have a social network profile, causing marketers to adjust their communication platforms to this greying market
- **Generation X:** People born between 1965 - 1974.
  - Less brand loyal, less prone to materialism and extravagance, more self-reliant, entrepreneurial and better educated when compared to baby boomers
  - Becoming a key influence in the market
- **Generation Y:** AKA the millennials, people born between 1975 and 1991.
  - Children of baby boomers, are mostly purchasing music, video games, sport and computers
  - Are soon expected to become as influential as the baby boomers
- **Generation Z:** AKA the net generation, people born after 1992.
  - Grown up with the internet and are pioneers of social media
  - Most disruptive out of all the generations, very objective and not brand loyal

#### **- Big City Dwelling**

- Canada is one of the most urbanized nations in the world.
- Cities are growing much faster than rural areas
- Suburbs are growing faster than the big cities

#### **- Ethnic Diversity**

- Canada prides itself on being multicultural, 2/3 of nations growth from immigration with most new immigrants (58%) coming from Asia
- Other than English and French, the top two languages spoken at home were Chinese languages and Punjabi

#### **- World Markets**

- China and India alone are home to 2.5 billion people (38% of population), representing future opportunities for marketers seeking to expand into foreign markets which is becoming increasingly easy due to the Internet and online communications tools.

#### **- Non-Traditional Families**

- The traditional nuclear family of 2 parents and 2 children has changed over time
- The structure of the family has also changed with evidence of more common law relationships, single parent families and blended families.

#### **4. Socio-Cultural Forces:** Cultural values, ideas, and attitudes as well as society's morals and beliefs.

- It also includes society's morals and beliefs and is demonstrated through behaviour common among a socio-cultural group.
- Socio-cultural changes are more difficult to pinpoint than demographic changes as statistical data is not readily available in these areas.
- They tend to be gradual, and sometimes very subtle.
- Most recently, marketers are responding to socio-cultural changes as they relate to media usage, food consumption, health and fitness, the environment, and the modification of gender roles in society.

#### **- Media Use**

- Increased reliance on internet for information and social media for communication changes how people interact with each other and organizations
- Marketers recognize that consumers chose how, when and if to listen to marketing messages
- The internet and portable devices such as cell phones, laptops, and computer tablets are impacting Canada's socio-cultural fabric by influencing how consumers interact with each other, gather information, and stay informed. These devices make the media accessible at all times.
- In most instances, online platforms have become one of the building blocks of communication campaigns using ads, and creative social media tactics to engage consumers.

#### **- Food Consumption**

- Statistics outline that people will continue to demand high-quality foods that balance good taste with nutrition and convenience.
- Ethnic foods will also continue to infiltrate the Canadian palate with Asian and South American influences giving rise to blended cuisines, new dishes, novel ingredients, and unexpected food presentations.
- Marketers notice these trends and develop products geared to these evolving palates.

#### **- Health and Fitness**

- Increased focus on health living with Canadian government agencies, the medical profession, the media, and educational institutions all encouraging people to be active and fit to make healthier choices in their lives.

#### **- Environmental Awareness**

- Global warming has received huge attention and encourages the reduction in pollution to save the environment
- Canadians are showing a keen interest in being less wasteful, recycling and making choices that do not negatively impact the environment. Many companies are now rallying around the cause, genuinely managing business practices to reduce waste and provide customers with environmentally friendly products.
- **Evolving Gender Roles**
- Women are working full time and men are becoming more involved in household duties causing more time-starved families
- Marketers are addressing this opportunity with convenience products and better services to help busy families

## 5. Economic Forces

- **Economy:** The collective income, expenditures, and resources that affect the cost of running a business or a household.
- The economic ability of a consumer to purchase a product is what interests marketers.
- If people become unemployed they will likely defer large purchases such as cars
- Marketers need to recognize how the economy affects the purchase behaviour of their specific target groups.
- **Macroeconomics Forces:** The state of a country's economy as a whole as indicated by its growth rates, inflation rates, unemployment rates, and consumer confidence index.
  - A country's key economic indicators are its inflation rate, its unemployment rate, and its economic growth rate.
- **Inflation:** A period where the cost to produce and buy products and services gets higher as prices rise.
  - A key economic indicator
  - If prices rise faster than consumer income, then consumer purchasing power decreases
- **Recession:** A time of slow economic activity with two consecutive periods of negative growth.
  - A country's business cycle fluctuates between different levels of growth depending on the state of the economy, international economic factors, and global pressures.
- Marketers keep apprised of a country's economic indicators to have a clear understanding of whether to expect a downturn or upswing in the economy.
- **Microeconomic Forces:** The supply and demand of goods and services and how this is impacted by individual, household, and company decisions to purchase.
  - A marketer needs to be alerted as to how these areas affect consumer buying power.
  - **Gross Income:** Total amount of money made in one year by a person, household, or family unit, including taxes.
  - **Disposable Income:** Balance of income left after paying taxes; income that is used for spending and savings.
  - **Discretionary Income:** Money that consumers have left after paying taxes and buying necessities.

## 6. Technological Forces: Inventions from science or engineering research.



- Companies need to be aware of technological changes to ensure that their products do not become obsolete.
- The latest research on Canadians' use of technology shows the following
  - Canadians are very comfortable with the latest communications technology.
  - Computers and the internet are essential tools today.
  - Computers are the screen of choice for going online.
- Examples of technological advances:
  - Internet and search engines replacing bricks-and-mortar libraries as instant sources of information
  - Email, text messaging, and instant messaging replacing traditional mailing
  - Social networking sites are surfacing as new virtual meeting places
  - Video sharing sites are allowing people to create and share their own video content

#### **7. Competitive Forces:** Alternative products that can satisfy market's needs.

- Determining a product's main competitors can be done in a number of ways and this varies depending on the product and category, and whether the product exists online, offline, or in both environments.
- **Direct Competitors:** Similar products sold in the same category.
- **Indirect Competitors:** Products competing for the same buying dollar in a slightly different, but related category.
- **Types of Competition:**
  - **Monopoly:** When only one company sells in a particular market.
    - Carefully monitored by the competition bureau to make sure that consumers are not charged excessive prices
  - **Oligopoly:** Type of competition that occurs when a few companies control the market.
    - Due to limited competition, these companies can easily control prices and are often criticized for price collusion (fixing prices among competitors).
  - **Monopolistic Competition:** Type of competition where a large number of sellers compete with each other, offering customers similar or substitute products.
    - Branding and product differentiation plays an important role along with added-value activities to draw consumers to the product.
  - **Perfect Competition:** Type of competition where there are many sellers with nearly identical products and little differentiation.
    - The focus is on cost reduction in every element of the business.

#### **8. Regulatory Forces**

- **Regulations:** Restrictions placed on marketing practices by government and industry associations.
- To protect consumers from unscrupulous business practices, to set acceptable standards of practice, and to encourage fair competition.
- Ethical business practices should also be followed to avoid negative publicity.
- Key regulatory groups:
  - **Competition Bureau**

- Government agency to promote and maintain fair competition and to curtail false and misleading representations to sell products; causes: lower prices, increased product choice, and high quality services
- Prohibited practices include: price fixing, predatory pricing, bid-rigging, bait-and-switch advertising, fraudulent advertising, and misleading practices such as double ticketing
  - Bait and switch advertising: advertising a low priced product (bait) to lure consumers into a store and then, because the product is not made available in large quantities, selling these consumers higher-priced products (switch).
- Failure to abide rules can result in jail time
- Competition Act, Consumer Packaging and Labelling Act, Textile Labelling Act, and Precious Metals Marking Act
- **Advertising Standards Canada (ASC)**
  - Non government association with the purpose of setting and regulating standards of professional practice in the advertising industry
  - Monitors these guidelines through a consumer complaint process
  - Canadian Code of Advertising Standards
- **Canadian Radio-television and Telecommunications Commission (CRTC)**
  - Government agency that sets guidelines and enforces a clear set of regulations on Canadian businesses. Focuses mainly on setting broadcasting and telemarketing standards.
  - Broadcasting Act and Telecommunications Act
  - **Do Not Call List (DNCL):** Gives customers the ability to not receive telemarketing calls on cellphones, landline phones, and fax machines by registering the number of their communication devices.
    - Against the law for telemarketers to call these numbers
- **Better Business Bureau (BBB)**
  - A voluntary alliance of businesses whose members are committed to being fair and honest in their dealings, to promoting self-regulatory practices, and to collecting and dispensing information to help businesses and consumers make sound decisions.
- **Canadian Marketing Association (CMA)**
  - The backbone of the marketing industry in Canada. It provides guidelines for its members through its Code of Ethics and Standards of Practice. It is mandatory for all members to abide by these policies.
  - Three important regulatory areas it highlights are: privacy, spam and contests
- **Privacy**
  - Personal Information Protection and Electronic Documents Act (PIPEDA)
    - Ensures that individual's right to privacy is protected
    - Provides businesses and individuals with guidelines on what information can be collected, shared and distributed. Consent is needed for collecting any information.
- **Spam:** The dissemination of unsolicited electronic messages to recipients that have not requested them.

- The legislation requires that organizations send information only to those who have requested it.
- **Contests**
  - Promotional contests are widely used in Canada to encourage consumers to purchase products. They are governed by laws to protect consumers from unscrupulous marketing practices. Contests need to abide with the law:
    - Quebec's Consumer Protection Act
    - The Criminal Code
    - The Competition Act
  - Contests that require a mix of chance and skill/ pure skill are legal
  - Penalties include fines up to \$25000 and 2 years imprisonment

#### **Summary:**

- A marketing environmental scan is the process of continually acquiring information on events outside an organization to identify trends, opportunities and threats.
- Demographics are the statistical study of populations looking at characteristics such as gender, age, ethnicity, income, education, and occupation.
- Socio-cultural forces look at cultural values, ideas, and attitudes as they relate to society's trends and beliefs.
- Economic forces are important in terms of a target market's disposable income, and the general health of the economy including consumer confidence.
- Technological forces relate to scientific inventions and innovations that may impact the running of a business and influence consumer behaviour and interactions.
- Competitive forces refer to direct and indirect competitors as well as the competitive nature of the market in which they function.
- Regulatory forces are the restrictions placed on a business, product, or service by the government or industry association.

## **Chapter Three: Consumer Behaviour**

- 1. Consumer Behaviour:** Actions a person takes when purchasing and using products and services
- 2. Purchase Decision Process:** Stages that a buyer passes through when making choices about which products or services to buy. (all five steps are completed especially in an extended problem solving and high involvement purchase)
  - Problem Recognition: perceiving a need
  - Information Search: seeking value (internal/external sources)
  - Evaluation of Alternatives: assessing value (evaluative criteria/evoked set)
  - Purchase Decision: buying value (chosen brand/ when to buy/ where to buy)
  - Post-Purchase Behaviour: value in consumption or use (satisfaction/cognitive dissonance)
- 3. Involvement:** Personal, social, and economic significance of a purchase to the consumer.
  - High involvement purchases: expensive, infrequent purchase, affects image

**4. Situational Influences:** Purchase task, social surroundings, physical surroundings, temporal effects, and antecedent states.

**5. Psychological Influences:**

- **Motivation:** Energizing force that stimulates behaviour to satisfy a need (physiological needs, security needs, social needs, esteem needs, and self-actualization needs).
- **Personality:** A person's character traits that influence behavioural responses (assertiveness, extraversion, aggression, compliance, dominance... etc).
  - Self-Concept: ideal self-concept and actual self-concept
- **Perception:** Process by which a person selects, organizes and interprets information to create a meaningful picture of the world.
  - Selective perception: mind filters information so that only some of it is remembered or understood (selective comprehension, selective exposure and selective retention).
  - **Perceived Risk:** Anxiety felt when a consumer cannot anticipate possible negative outcomes of a purchase. There are many strategies practiced by smart companies to eliminate the perceived risks for example by securing endorsements from influential people.
- **Learning:** Behaviours that result from repeated experience or reasoning.
  - Behaviour learning: drive, cue, response and reinforcement (negative reinforcement, stimulus generalization and stimulus discrimination).
  - Cognitive learning: involves making connections between two or more ideas or simply observing the outcomes of other's behaviours and adjusting yours accordingly.
  - **Brand Loyalty:** Favourable attitude toward and consistent purchase of a single brand over time and often results from positive reinforcement.
- **Values, Beliefs and Attitudes:**
  - Attitude Formation:
    - **Attitude:** Tendency to respond to something in a consistently favourable or unfavourable way.
    - **Beliefs:** Consumer's perceptions of how a product or brand performs
  - Attitude Change: Marketers try to change consumer attitudes in favour of specific brands.
    1. Changing beliefs about the extent to which a brand has certain attributes
    2. Changing the perceived importance of attributes
    3. Adding new attributes to the product
- **Lifestyle:**
  - Psychographics: the analysis of consumer lifestyles

**6. Socio-Cultural Influences:**

- **Personal Influence:** The views, opinions or behaviours of others.
  - **Opinion Leaders:** Individuals who have social influence over others.
  - **Word of Mouth:** People influencing each other in personal conversations (buzz marketing and viral marketing).
- **Reference Groups:** A group of people who influence a person's values attitudes and behaviour (membership group, aspiration group and dissociative group).

**- Family Influence:**

- Consumer Socialization: the process by which people acquire the skills, knowledge, and attitudes necessary to function as consumers.
- **Family Life Cycle:** A family's progression from formation to retirement, with each phase bringing distinct needs and purchasing behaviours.
- Family Decision Making: spouse-dominant or joint decision-making.

**- Culture and Subculture:**

- **Culture:** A set of values, ideas, and attitudes that are learned and shared among the members of a group.
- **Subcultures:** Subgroups within a larger culture that have unique values, ideas and attitudes (racial and ethnic).
- French-Canadian Subculture
- Chinese-Canadian Subculture

**- Global Cultural Diversity:**

- **Cross-Cultural Analysis:** Study of similarities and differences among consumers in two or more societies.
- **Values:** Socially preferable modes of conduct or states of existence that tend to persist over time.
- **Customs:** Norms and expectations about the way people do things in a specific country or culture.
  - OECD (Organization for Economic Co-operation and Development)
- **Cultural Symbols:** Objects ideas or processes that represent a particular group of people or society.
- Language:
  - **Back Translation:** Retranslating a word or phrase back into the original language by a different interpreter to catch errors.

**Summary:**

- When a consumer buys a product, it is not an act but a process. There are five main stages in the purchase decision process: problem recognition, information search, alternative evaluation, purchase decision, and post-purchase behaviour.
- Consumers evaluate alternatives on the basis of attributes. Identifying which attributes are most important to consumers, along with understanding consumer beliefs about how a brand performs on those attributes, can make the difference between successful and unsuccessful products.
- Consumer involvement with what is bought affects whether the purchase decision process involves routine, limited, or extended problem solving. Situational influences also affect the process.
- Perception is important to marketers because of the selectivity of what a consumer sees, hears, comprehends and retains.
- Much of the behaviour that consumers exhibit is learned. Consumers learn from repeated experience and reasoning. Brand loyalty is a result of learning.
- Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way. Attitudes are based on a person's values and beliefs concerning the attributes of products or services.

- Personal influences takes two forms: opinion leadership and word of mouth activity. A specific type of personal influence exists in the form of reference groups.
- Family influences on consumer behaviour result from two sources: family life cycle and decision making within the household.
- Within Canada there are subcultures that affect consumer values and behaviour. Marketers must be sensitive to these influences when developing a marketing mix.

## Chapter 6: Segmentation, Targeting and Positioning

### 1. The Essence of Market Segmentation, Target Markets and Product Positioning:

1. Consumers have diverse needs and a single product cannot satisfy everyone.
2. Companies have finite amounts of money which needs to be spent efficiently and effectively on consumers most likely to purchase the product.
3. Marketers need to have clear consumer insights on their target markets in terms of product needs, price expectations, purchase habits, communication tools.

### 2. Market Segmentation: The aggregation of prospective buyers into groups that have common needs and respond similarly to marketing programs.

- **Consumer Market:** Consists of products, ideas and services that a person can purchase or support for personal use.
- **Business Market:** Products that are purchased either to run a business or to be used as a component in another product or service.
- **Product Differentiation:** Involves positioning a product apart from the competition in the eyes of consumers.
- **Mass Marketing:** The marketing of a product to the entire market with no differentiation at all.
  - this approach exists in a limited capacity today due to the competitiveness of the market and the need for marketers to specifically address individual consumer needs
- **Segment Marketing:** Designing specific products and services to meet the needs of different target groups (most common form of segmentation by large companies).
  - Different products are produced to appeal to different demographic and psychographic groups
  - Ex. Kellogg's
- **Niche Marketing:** Allows a company to focus its efforts on a limited segment in the market.
  - Often smaller firms develop niche market approaches to compete with larger firms
  - Ex. for B2B niche marketing approach by Stitt Feld Handy (pg. 126)
- **Individualized Marketing:** Involves customizing offers and in some cases, products to fit individual needs (done mainly through the internet).
  - Every customer is unique, has particular wants and needs, and requires special care from the seller.

- The key to successful product differentiation and market segmentation lies in finding the ideal balance between satisfying a customer's individual wants and being able to do this profitably.
- Ex. Dell

### 3. Steps in Market Segmentation:

1. Review strategic company objectives:
  - Includes: sales, revenue, profit targets, CSR initiatives and new business direction for its divisions
2. Identify specific business unit objectives:
  - In line with a company's strategic direction and outlines the specific sales, market share and profit targets for the business unit
3. Identify consumer needs and common characteristics in the market
  - From a consumer perspective looks at what drives the category and what future trends are evolving (helps to look at foreign trends)
4. Cluster common consumer variables to create meaningful market segments
  - A marketer needs to look for clusters of products and gaps in the market that point to common consumer interests, usage patterns and prevailing attitudes (also from a consumer's perspective).
5. Conduct SWOT analyses on the segments
  - **SWOT Analysis:** Process by which a company can identify opportunities and whether it has the strength to compete in a segment that may already be well-served by the competition (strengths and weaknesses refer to the internal areas of a company/product/brand, while opportunities and threats look to areas outside the company such as the competition, consumer trends or technology).
6. Identify the segment that best meets strategic company objectives
7. Identify the marketing programs and budget requirements needed for this segment
8. Create a sales forecast for this segment
9. Conduct a profit and loss financial analysis for this segment
10. Check financial forecasts against specific business unit objectives

### 4. Target Market Profiles: Marketers should have a clear understanding of what drives their consumers, what delights them and what does not. Developing an accurate target market profile is crucial to the success of all marketing initiatives as it drives all elements of the marketing mix. Marketers define their target markets by looking at four main variables:

- **Geographics:** Where a target market lives using variables such as country, region, province, city size, and types of location such as urban, suburban or rural.
  - People differ in terms of needs or preferences based on where they live
- **Demographics:** Ranges for age, gender, family life cycle, income, occupation, education, ethnic background, and home ownership.
- **Psychographics:** Understanding consumers' attitudes to life, their personalities, general interests, opinions, and activities.
  - One of the most difficult variables to identify for marketers.
- **Behaviouristics:** Why consumers buy a product, the product benefit, how they use it, and whether they are brand loyal in their purchase behaviour.

- Directly refers to how consumers use the product.
- 5. Product Positioning:** The impression of the product you want to establish in consumers' minds relative to their needs and the competition.
- Marketers position products in the market to appeal to certain target groups and to present a particular impression relative to the competition. There are three different factors that tend to surface in product positioning:
  - Image: products are often positioned as leaders, contenders or rebels in the market, also taking on characteristics such as trusted, prestigious or thrifty.
  - Product attribute: products with features that differentiate them from the competition are often positioned on this platform, bringing the product claims to the forefront.
  - Price: products with brand parity and little product differentiation may position themselves on a price platform.
- **Positioning Statements:** A tool that identifies the main reasons the target market buys a product and what sets it apart in the market. This way marketers can design a marketing mix that aligns with the product's positioning. Positioning statements identify two key areas: how the product meets consumer needs and how the product is differentiated in the market versus the competition.
- **Repositioning:** A revamping of a product and its marketing mix to more accurately meet consumer needs.
  - This is often done with a refresh of a product and the various elements of its marketing mix. However, repositioning rarely occurs, only when there is a long-term change in consumer attitudes. Ex. McDonald's
- **Positioning Maps:** Visual representations of how products are positioned in a category to consumers.
  - Helps marketers reveal gaps in the market where consumers may be underserved, while also highlighting the competitive nature of the category.
  - The variables will change depending on what is important to a specific target group and in all instances the variables will need to be objective and measurable for marketers to use.
  - Positioning maps can identify opportunities to launch new product offerings in the market.

### Summary:

- Market segmentation involves aggregating prospective buyers into groups that have common needs and who respond similarly to marketing programs.
- In the marketing world there are two main market segments: (1) the consumer market and (2) the business market.
- Companies segment the market using the following four approaches: mass marketing, segmented marketing, niche marketing, and individualized marketing.
- Segmenting the market involves ten steps that require analytical skills, strategic thinking, an understanding of the consumer, a vision of where the market is heading, and how this fits with company objectives.
- Marketers define their target markets by looking at four main variables: (1) geographics, (2) demographics, (3) psychographics, and (4) behaviouralistics.



- Geographics looks at where a target market lives using variables such as country, region, province, city size, and types of location such as urban, suburban, or rural.
- Demographics includes identifying ranges for age, gender, family life cycle, income, occupation, education, ethnic background, and home ownership.
- Psychographics involves understanding consumer attitudes to life, their personalities, general interests, opinions, and activities.
- Behaviouristics look at why consumers buy a product, the product benefit, how the product is used, and whether the consumers are brand loyal in their purchase behaviour. Usage rate also plays a role in this information.
- Product positioning refers to the image of the product in consumers' minds relative to the competition.
- Marketers create positioning statements to clearly and simply outline the positioning of a product.
- Repositioning includes a shifting of the product image and adjusting its marketing mix to more accurately meet consumer needs.
- Positioning maps are otherwise known as perceptual maps. They visually represent how product or product groups are positioned within a category to consumers.

## Chapter 7: Products and Brands

### 1. Types of Products:

- **Product:** A good or service or idea consisting of a bundle of tangible and intangible attributes. There are three main categories of products:
  - **Non-durable goods:** An item that does not last and is consumed only once or for a limited number of times.
  - **Durable goods:** An item that lasts over an extended number of uses.
  - **Services:** Intangible activities, benefits, or satisfactions.
    - Primary and supplementary services
    - Pure goods and pure services, many companies offer both goods and services
    - **Virtual services:** Services that exist only online and have no person-to-person interaction.
    - **Service continuum:** A range from tangible to intangible services.
- **The Uniqueness of Services:**
  - **Intangibility:** They cannot be held touched or seen before a purchase so it is important for marketers to demonstrate the benefits of using the service.
  - **Inconsistency:** The quality of a service is dependent on the people that provide it and therefore varies in consistency due to each person's capabilities, experience, motivation, and personality. Companies try to overcome this by training their employees on how to deliver a consistent quality experience.
  - **Inseparability:** Most of the time the consumer cannot separate the deliverer of the service from the service itself. Ex. bad employee in a good company makes the company look bad and vice versa.

- **Inventory:** Services cannot be stored and accessed when in demand. This means that sales forecasts will be inaccurate, warehousing or related items can be expensive, and some services may be perishable.
  - **Perishability:** When products cannot be stored for long periods of time to use at a later date. Ex. concert tickets
  - **Idle production capacity:** When the supply of a services exceeds its demand. Companies often hire part-time employees to resolve this issue.

## 2. Product Elements

- **The core product layer:** The fundamental benefit that the consumer derives from having the product.
- **The actual product layer:** The physical good or service that consumer purchases when buying a product, including: branding, design and features.
- **The augmented product layer:** The additional features and attributes that accompany a product such as a warranty. This layer is generally for more expensive products.
- **Packaging and Labelling:**
  - Designs must clearly represent a product's positioning, brand equity and image.

## 3. Product Lines and Product Mixes

- **Product Line:** A group of similar products with the same product and brand name that is directed at the same target market and is marketed together. It can be identified through its product name, brand name and package design. Part of a company's product mix.
- **Product Mix:** The combination of product lines offered by a company.
- **Product Width:** The number of different categories offered by the company.
- **Product Depth:** The variety of product lines and products sold within a company's product categories, groups and lines.

## 4. The Classification of Consumer and Business Products

- **Consumer products:** Products purchased for personal use by the ultimate consumer. The manner in which a consumer good is classified depends on the individual:
  - **Convenience products:** Items purchased frequently that are inexpensive and require minimum risk and shopping effort.
  - **Shopping products:** Items that require comparison shopping between different brands and an investment of shopping time.
  - **Specialty products:** Items for special occasions that require a specific product or brand and require considerable time to purchase.
  - **Unsought products:** Unknown items or those of no interest to the purchaser.
- **Business products:** Products that are purchased either to run a business or to be used as a component in another product or service. Business sales are often directly related to the sales of products with which they are associated.
  - **Production goods and services:** Items used in the manufacturing process that become part of the final product are production goods and services. Ex. lumber
  - **Support goods and services:** Items used to assist in producing other goods and services.
    - Installations: consist of buildings and fixed equipment

- **Accessory equipment:** includes tools and office equipment and is usually purchased in small-order sizes by buyers.
- **Services:** are intangible activities needed to assist a business in its operations and in producing its goods and services.

## 5. Branding

- **Brand:** A name or phrase uniquely given by a company to a product to distinguish it from the competition
- **Brand equity:** The value of a brand that results from the favourable exposure, interactions, associations, and experiences that consumers have with a brand over time.
- **Brand extension:** When new goods or services are introduced under an existing flagship brand name.
- **Individual brand:** When a company uses a brand name solely for a specific product category.
- **Family brand:** When a company uses a brand name to cover a number of different product categories. This way each product experiences the benefit or loss of receiving the reputation of the brand.
- **Patents:** Used to legally protect new technologies, unique processes, or formulations from usage by other companies.
- **Copyrights:** Used to legally protect the written word, a sound recording, or a form of communication from being copied by others.
- **Trademarks:** Used to legally protect brand images, names and designs from usage by others.
- **Brand Loyalty:** The degree of consumer attachment to a particular brand.
- **Global Brands:** Brand that is sold in a variety of international markets and enjoys wide recognition in these markets.
- **Brand Personality:** A set of human characteristics associated with a brand. Consumers often prefer brands with the personality traits most appealing to them as it helps them make emotional connections with the brand.
- **Brand Name**
  - The name should suggest the product benefits.
  - The name should be memorable, distinctive, and positive.
  - The name should fit the company or product image.
  - The name should have the ability to be legally protected.
  - The name should be simple.

## 6. Types of Brands

- **Manufacturer's Brand:** A brand owned and produced by the manufacturer. Ex. Tylenol
- **Private Label Brand:** (store brand) A brand owned by a retailer that contracts its manufacturing to major suppliers, and then sells the product at its own retail stores. Ex. President's Choice
- **Generic Brand:** A product that has no branding and is produced as a cheap alternative to a manufacturer's brand and to branded private label products. The cheapest, but lacks the brand equity and product recognition.

## 7. A Practical Look at Marketing Products and Brands

- Marketers are responsible for marketing products and brands in order to bring revenue or profits into an organization.
- Any changes that relate to the product, its branding, and its product positioning will be clearly identified in the marketing plan, including elements such as new product launches, package redesigns, new sizes, or product research requirements.
- The world of marketing is dynamic and ever-changing.
- A marketer must look to the future of the brand to ensure its relevancy to consumers:
  - In Canada consumers are investing in green conservation programs
  - The increasingly multicultural composition of Canada affects consumption
  - Another significant aspect is the impact of the internet on the consumer's purchasing behaviour

### **Summary:**

- Product is a term in marketing to designate non-durable goods, durable goods, and services that are marketed. Some products are a combination of both goods and services.
- There are four unique elements to services: intangibility, inconsistency, inseparability, and inventory. These four elements are referred to as the four I's of services.
- The total product concept includes the core product, the actual product, and the augmented product.
- Product mix is the combination of product lines managed by a company. The width of the product mix refers to the number of different categories offered by the company. The depth of the product mix refers to the number of product groups and product lines offered by a company within each category.
- Consumer products are classified into convenience products, shopping products, specialty products and unsought products.
- Business products are classified into production or support goods. Production goods include raw materials and components parts, while support goods include installations, accessory equipment, supplies, and services.
- A brand is a name or phrase used to identify a product and to distinguish it from the competition. Brand equity is the result of the positive experiences consumers have with the brand over time and results in brand loyalty.
- Trademarks are used to legally protect brands, patents are used to protect unique processes, and copyrights are used to protect written or spoken word.
- Companies may restrict a brand name for use with a single product line, thus using an individual brand, or may extend a brand name to encompass a number of different product categories, resulting in the creation of a family brand.

## **Chapter 9: Pricing**

### **1. Nature and Importance of Price**

- **Price:** Money or other considerations exchanged for the ownership or use of a good or service.

- Price equation: Final price = list price – (incentives + allowances) + extra fees
- **Value:** The ratio of perceived benefits to price.
  - Value equation: Value = Perceived benefits/ Price
  - Value pricing: increasing product or service benefits while maintaining or decreasing price.
  - Consumers often associate low price with low value and vice versa
- **Profit Equation:**
  - Profit = (unit price x quantity sold) – total cost
  - the quantity sold also affects a firm's costs because of efficiency of production, price also indirectly affects costs

## 2. General Pricing Approaches

### - Demand Oriented Approaches

- emphasize factors underlying expected customer tastes and preferences
- **Skimming Prices:** A firm introducing a new product can use skimming pricing, setting the highest initial price that those customers really desiring the product are willing to pay. As the demand of these customers is satisfied, the firm lowers the price to attract a more price-sensitive segment.
- **Penetration Pricing:** Setting a low initial price on a new product to appeal immediately to the mass market. This strategy makes sense when consumers are price-sensitive. Penetration pricing discourages competitors from entering the market since the profit margin is relatively low.
- **Prestige Pricing:** Involves setting a high price so that quality or status conscious consumers are attracted to the product and buy it. The higher the price, the higher the prestige and exclusivity.
- **Price Lining:** Often a firm that is selling not just a single product but a line of products may price them at a number of different specific pricing points, which is called price lining.
- **Odd-Even Pricing:** Involves setting prices a few dollars or cents under an even number. This is a psychological effect. However, over-use of this pricing mutes its effect on demand.
- **Target Pricing:** Manufacturers will sometimes estimate the price that the ultimate consumer would be willing to pay for a product. They then work backward through markups taken by retailers and wholesalers to determine the price they can charge for the product.
- **Bundle Pricing:** A frequently used demand-oriented pricing practice is bundle pricing, which is the marketing of two or more products in a single package price.
- **Yield Management Pricing:** The charging of different prices to maximize revenue for a set amount of capacity at any given time.

### - Cost Oriented Approaches

- Price is set by looking at the production and marketing costs and then adding enough to cover direct expenses, overhead and profit.
- **Standard Markup Pricing:** In order to make a profit, firms sell their products at a price that exceeds their costs of producing or sourcing the items and the costs of marketing them.

- **Markup:** The difference between selling price and cost, usually expressed as a percentage of cost.
- Standard markup equation:  $\text{price} - \text{cost} / \text{cost}$  or  $\text{price} - \text{cost} / \text{price}$
- High volume products have higher markups than low volume products
- **Cost Plus Pricing:** Involves summing the total unit cost of providing a product or service and adding a specific amount to the cost to arrive at a price. The most commonly used method to set prices for business products.
- **Profit Oriented Approaches**
  - Involve setting a target of a specific dollar volume of profit or expressing this target profit as a percentage of sales or investment.
  - **Target Profit Pricing:** When a firm sets an annual target of a specific dollar amount of profit.
    - Profit equation:  $\text{Profit} = \text{total revenue} - \text{total costs}$
    - $\text{Price/unit} = \text{profit} + [(\text{cost/unit} \times \text{units sold}) + \text{overhead cost}] / \text{units sold}$
    - This pricing method is best for firms offering new or unique products without a lot of competition
  - **Target Return on Sales Pricing:** Set prices that will give firms a profit as a specified percentage of the sales volume.
  - **Target Return on Investment Pricing:** Set prices to achieve a return on investment target, such as percentage that is mandated by its board of directors or regulators.
- **Competition Oriented Approaches**
  - A company's approach may be based on an analysis of what competitors are doing.
  - **Customary Pricing:** For some products where tradition, a standardized channel of distribution, or other competitive factors dictate the price.
  - **Above, At, or Below Market Price:** The market price of a product is what customers generally are willing to pay, not necessarily the price that the firm sets. Marketers use this price as a benchmark to determine whether they want to set their prices above at or below it.
  - **Loss-Leader Pricing:** Retailers sometimes deliberately sell commonly used products, such as paper towels, soft drinks and facial tissues at very low prices to attract consumers who the retailer hopes will also buy other, regularly priced merchandise.

### 3. Estimating Demand and Revenue

#### - Fundamentals of Estimating Demand

- **Demand Curve:** Graph relating quantity sold and price, which shows how many units will be sold at a given price. As price falls, more people decide to buy and unit sales increase.
  1. Consumer tastes
  2. Price and availability of similar products
  3. Consumer income
- **Movement Along versus Shift of a Demand:** A shift in a demand curve is a shift to the right where the price increases per quantity demanded. Movement along a demand curve are different price values at different quantities demanded.

- **Price Elasticity of Demand:** Refers to how sensitive consumer demand and the firm's revenues are to changes in the product's price.
  - Elastic demand: a slight decrease in price is a huge increase in demand
  - Inelastic demand: slight decrease in price is a small increase in demand
- **Fundamentals of Estimating Revenue**
  - **Total Revenue:** Total money received from the sale of a product.
    - Equation: price x quantity
- 4. Determining Cost, Volume, and Profit Relationships**
- **The importance of Controlling Costs:**
  - Three cost concepts are important in pricing decisions:
    - **Total Cost:** Total expenses incurred by a firm in producing and marketing a product; total cost is the sum of fixed cost and variable costs.
    - **Fixed Cost:** Firm's expenses that are stable and do not change with the quantity of product that is produced and sold.
    - **Variable Cost:** Sum of the expenses of the firm that vary directly with the quantity of products that is produced and sold.
- 5. Break Even Analysis:** Examines the relationship between total revenue and total cost to determine profitability at different levels of output.
  - Break even point (BEP): The quantity at which total revenue and total cost are equal.
  - $BEP_{quantity} = \text{fixed cost} / (\text{unit price} - \text{unit variable cost})$
- **Applications of Break Even Analysis:** Is used to study the impact on profit of changes in price, fixed cost and variable cost.
- 6. Pricing Objectives and Constraints**
- **Pricing Objectives:** Expectations that specify the role of price in an organization's marketing and strategic plans.
  - **Profit:** Three different objectives relate to a firm's profit, which is often measured in terms of return on investment:
    - Managing for long-run profits: a company gives up immediate profit in exchange for achieving a higher market share
    - Maximizing current profit objective
    - Target return objective: Occurs when a firm sets its price to a profit goal, usually determined by its board of directors
  - **Sales:** As long as a firm's profit is high enough for it to remain in business, an objective may be to increase sales revenue, which will in turn lead to increases in market share and profit.
  - **Market Share:** The ratio of the firm's sales to those of the industry.
  - **Volume:** Many firms use volume, the quantity produced or sold, as a pricing objective. These firms often sell the same product at different prices in different places, and times in an attempt to match customer demand with the company's production capacity. The company chooses to lower profits in the short run to sell its product quickly.
  - **Survival:** Charging unusually low prices to keep the business alive.
  - **Social Responsibility:** A firm may forgo higher profit on sales and follow a pricing objective that recognizes its obligations to customers and society in general.

- **Identifying Pricing Constraints:** Factors that limit the range of a price a firm may set.
  - **Demand for the Product Class, Product and Brand:** The number of potential buyers for a product class, product and brand clearly affects the price a seller can charge. Depending on whether it is a necessity or a luxury.
  - **Newness of a Product: Stage in the Product Life Cycle:** The newer the product and the earlier it is in its life cycle, the higher the price that can usually be charged.
  - **Cost of Producing and Marketing the Product:** In the long run, a firm's price must cover all the costs of producing and marketing a product. If the price doesn't cover these costs, the firm will fail; so in the long run, a firm's costs set a floor under its price.
  - **Competitor's Prices:** A firm can look at competitor's prices and decide if they want to charge a higher prices, the same or lower:
    - Charging the same price would mean the firm is relying on distinctive product attributes to attract consumers. Market follower
    - Lower prices mean lower profits on each sale, consumers also associate price with value and quality meaning that lower price = lower quality
    - Higher price makes firms a market leader if they have the 'best brand' and also a higher profit level on each sale
- **Legal and Ethical Considerations**
  - **Price Fixing:** When competitors collaborate and conspire to set prices, they agree to increase, decrease, or stabilize a price for their benefit. This is prohibited by the Competition Act.
  - **Price Discrimination:** If different prices are charged to different customers for the same or very similar goods and the same terms. Also prohibited by the Competition Act.
  - **Deceptive Pricing:** Price offers that mislead the consumer. Prohibited by the Competition Act.
  - **Predatory Pricing:** Charging a very low price for a product with the intent of undercutting competitors and possibly driving them out of the market. Then raising the prices after they've been driven out of business.
- **Global Pricing Strategy**
  - Individual countries, even those with free trade agreements may place considerable competitive, political, and legal constraints on the pricing flexibility of global companies.
  - **Dumping:** Occurs when a firm sells a product in a foreign country below its domestic prices or below its actual cost. Often a price floor is imposed on the foreign country's exported product.
  - **Grey Market (parallel importing):** Situations where products are sold through unauthorized channels of distribution. When individuals buy products in a lower priced country from a manufacturer's authorized retailer, ship them to higher priced countries and then sell them below the manufacturer's suggested retail price through unauthorized retailers.

## 7. Setting a Final Price

- The price must be high enough to cover the cost and profits but low enough that consumers are still willing to pay



**- Step 1: Select an Approximate Price Level**

- Understand the market environment, the features and customer benefits of the particular product and the goals of the firm.
- Choose a general pricing approach (demand, cost, profit, or competition-oriented) to arrive at an approximate price

**- Step 2: Set the List or Quoted Price**

- **One Price Policy:** Involves setting one price for all buyers of a product or service.
- **Flexible Price Policy:** Involves setting different prices for products and services depending on individual buyers and purchase situations in light of demand, cost, and competitive factors. This strategy has discriminatory potential.

**- Step 3: Make Special Adjustments to the List or Quoted Price**

- **Discounts:** Reductions from a list price that a seller gives to a buyer as a reward for some activity of the buyer that is favourable to the seller.
  - Quantity discounts: Discount for buying in bulk
  - Seasonal discounts: Discount for buying seasonal products early
  - Trade (functional) discounts: To reward wholesalers and retailers for marketing functions they will perform in the future.
  - Cash discounts: Discounts for paying bills quickly
- **Allowances:** Reductions from list or quoted price to buyers for performing some activity.
  - Trade-in allowances: Price reduction when a used product is part of a payment for a new product
  - Promotional allowances: Sellers in the channel of distribution can qualify for promotional allowances for undertaking certain advertising or selling activities to promote a product.
- **Geographical Adjustments:**
  - Transportation costs from seller to buyer
  - FOB origin pricing: The buyer pays for the transportation costs and they claim their ownership of the products at the point of loading.
  - Uniform delivered pricing: The seller is responsible for freight charges and the transfer of ownership happens at the buyer's location.

**- Step 4: Monitor and Adjust Prices**

- Prices are always changing, they always need to be reviewed and revised
- A key activity: monitoring of competitor activity, legislative changes, economic conditions, and consumer demand.

**Summary:**

- Price is the money or the other considerations exchanged for the ownership or use of a product or service. Although price typically involves money, the amount exchanged is often different from the list or quoted price because allowances and extra fees.
- Consumers use price as an indicator of value when it is paired with the perceived benefits of a good or service. Sometimes, price influences consumer perceptions of quality itself; at other times, consumers make value assessments by comparing the costs and benefits of substitute goods.

- Four general approaches for finding an approximate price level for a product or service are demand-oriented, cost-oriented, profit-oriented, and competition-oriented pricing.
- Demand-oriented pricing approaches stress consumer demand and revenue implications of pricing and include seven types: skimming, penetration, prestige, price lining, odd-even, target, bundle, and yield management.
- Cost-oriented pricing approaches emphasize the cost aspects of pricing and include two types: standard and cost-plus pricing.
- Profit-oriented pricing approaches focus on a balance between revenues and costs to set a price and include three types: target profit, target return on sales, and target return on investment pricing.
- Competition-oriented pricing approaches emphasize what competitors or the marketplace are doing and include three types: customary; above, at, or below-market; and loss-leader pricing.
- A demand curve shows the maximum number of products consumers will buy at a given price and for a given set of (a) consumer tastes, (b) price and availability of other products, and (c) consumer income. When any of these change, there is a shift in the demand curve.
- It is necessary to consider cost behaviour when making pricing decisions. Important cost concepts include total cost, variable cost, and fixed cost. An essential revenue concept is total revenue.
- Break-even analysis shows the relationship between total revenue and total cost at various quantities of output for given conditions of price, fixed cost, and variable cost. The break-even point is where total revenue and total costs are equal.
- Pricing objectives, which specify the role of price in a firm's marketing strategy, may include pricing for profit, sales revenue, market share, unit sales, survival, or some socially responsible price level.
- Pricing constraints such as demand, product newness, costs, competitors, other products sold by the firm, and the type of competitive market restrict a firm's pricing range.
- Given an approximate price level for a product, a manager must set a list or quoted price by considering factors such as one-price versus a flexible-price policy.
- List or quoted price is often modified through discounts, allowances, and geographical adjustments. The pricing environment needs to be monitored continually.

## **Chapter 12: Marketing Communications**

### **1. Developing Marketing Communications**

- Online and offline marketing communications work together to reach consumers in their worlds, relying on metrics to evaluate success and determine future direction.
- Age of Selective Reception: Today, consumer's are largely in control of whether they receive marketing communications messages and if so, when, where and on what device. Ex. changing channel commercial breaks
- Self-expression has become the new form of entertainment, so marketers try to weave creative components into campaigns to engage and interact with customers.

## **- A Changing Consumer**

### **- Time Spent With the Media**

- Many consumer spend more time on the internet than on any other form of media, also increasingly with the older age groups

### **- Use of Technology**

- Affordable internet technology leads to provides consumers with easy-to-use mobile devices that facilitate marketing communications
- **Social Media:** refers to a form of online media that allows members to create a network of friends and contacts to share messages, comments, videos and images as a form of self-expression.

## **- An Evolving Media**

- Influencing traditional offline media organizations to create websites that attract people on the Internet. Ex. Globe and Mail
- Has evolved from a rudimentary word of mouth era

## **- A Changing Advertiser**

- To best serve clients, advertisers are following consumers to the digital arena

## **The Market Communications Industry**

- This industry consists of 5 main areas that work together to form an industry that is ethical, trustworthy, cohesive, and measurable:

### **- The Media**

- Main forms of media: TV, Internet, newspaper, magazine, radio, out of home and mobile
- **Out of home advertising** (outdoor): Reaches consumers outside the home in outdoor locations, in transit, or in commercial or business locations
- **Mobile marketing:** The marketing on mobile devices such as cell phones and tablet computers
- **Paid media:** The media time purchased so that messages can be disseminated through channels that are controlled by others. Ex. TV ads
- **Owned media:** The media channels that a company controls, either fully or partially, such as a website, microsite, or social media page that is used to directly communicate with consumers.
- **Earned media:** The free publicity secured through unpaid media mentions and consumers who spread the word through word-of-mouth or the Internet.
  - Successful campaigns use integrated approaches that use paid and owned media as springboards into securing earned media. Ex. Share our Billboard campaign

- **Marketing Communication Agencies:** Broad-spectrum integrated agencies or specialist agencies that provide marketers with expertise on how best to communicate messages to their audiences.

### **- Research Companies**

- By using metrics, data on audience measurement, readership, consumer trends, and the quality of communication messages is needed to provide transparent and reliable information to the media, agencies and clients.

### **- Associations**

- Provide research data and host informative events and educational workshops. Ex. Marketing Week by the CMA, about innovative media

## - Regulations

- In Canada there are 4 main regulatory groups for limiting intentional/unintentional deceptive marketing practices:
  1. Advertising Standards Canada (ASC)
    - non-government
    - sets and regulates advertising using consumer complaint process
    - guidelines discouraging marketers from misleading consumers
  2. Competition Bureau
    - independent law enforcement agency
    - looks at fraudulent advertising and misleading representation
  3. Canadian Radiotelevision and Telecommunications Commission (CRTC)
    - government agency
    - regulates broadcast and telecommunications industry
    - sets limitations to the amount of advertising during broadcasts
    - oversees alcohol ads and ads to children (with ASC)
  4. Canadian Marketing Association (CMA)
    - Code of Ethics and Standards of Practice to guide industry

## 2. Approaches to Marketing Communications

### - Outbound and Inbound Marketing Communications

- **Outbound Marketing:** Marketers seek out consumers by widely broadcasting messages using advertising, direct mail, email marketing, telemarketing, and personal selling approaches. Includes advertising methods that consumers are increasingly avoiding.
- **Inbound Marketing:** When interested customers find the product and its messaging by using online techniques that marketers facilitate, including search engine optimization, pay per click ads, and the use of social media to connect with consumers. Most commonly used on its own by small businesses.
- These are a result of paid, owned and earned media and are often used together by larger businesses to communicate with consumers in a way that they prefer.

### - Integrated Marketing Communications: A communications approach that coordinates all promotional activities to provide a consistent message to a target audience. Ex. Brew Some Good campaign

- Each element has a distinct role and purpose in the overall campaign
  - TV -> build awareness, direct consumers to a microsite
  - Print ads -> increase product usage
  - Sales promotion -> generate product trial
  - Direct mail -> create a database of the target market
  - Personal selling -> completes transaction

**Marketing Communications Tools:** Marketers look to advertising public relations, sales promotions, direct response, event marketing and sponsorship, and personal selling as the tools that communicate to target markets either online or offline.

- Selecting the appropriate communications tool is a vital to the foundation's success

**2. Advertising:** A paid form of media used to communicate to consumers about an organization, good, service or idea; includes broadcast, print, out of home, and digital media.

- Webisode: Short, online episodes that with storylines that entertain and subtly weave in the product. One of the latest forms of advertising.
- **Advertising Media Choice**
  - Selection is based on campaign objectives as well as the product, the target market, and budget constraints.
  - Television:
    - communicates sight, sound and motion
    - gets attention from large audiences
    - becoming difficult to reach consumers due to large number of commercial tv stations
    - people frequently avoid tv ads
  - Internet:
    - numerous tools to reach online audiences:
    - **Display Advertising:** Refers to the use of online ads with graphics that are placed on websites
      - **Banner Ads:** Online adds that can stretch across the top of a web page or be formatted in various sizes, such as **leaderboards**, rectangles, big boxes and **skyscrapers**.
    - **Advergaming:** Placing ads in online or offline video games.
    - **Online video advertising:** The use of video ads on the internet. More expensive to produce than static or animated display ads.
    - **Pay per click advertisement (PPC):** Ads that appear on search engines and their networks, and on Facebook, LinkedIn or YouTube in response to key word triggers. The search engine is paid by the PPC advertiser only when the ads are clicked. Often referred to as search advertising.
  - Newspaper:
    - important ad medium with excellent reach for local businesses
    - 3 types:
      - daily paid circulation newspapers
      - daily newspapers
      - free community newspapers
  - Magazines:
    - high quality media environment, as well as online
    - metrics for this media are provided by Canadian Print Measurement Bureau (PMB)
  - Radio:
    - listening continues to decline due to other music devices
    - local and cheap
    - online broadcasts and downloadable podcasts
    - commercial free satellite radio
  - Outdoor/Transit (out of home):
    - effective for quickly building interest and awareness in a product
    - increasing in IMC programs due to the realization that this type of media can't be turned off/avoided
    - place-based media

**4. Public Relations:** A communications tool that seeks to influence the opinions and attitudes of target groups through the use of unpaid media exposure; targets the media in an attempt to generate positive publicity for a company, product, or individual. Public relations professionals build relationships with the media and stakeholders and use tools such as press releases and events to spread the word.

- Messages that come from 3rd parties, such as the media, seem more reliable than advertisements, highlighting the importance of public relations
- Public relations efforts can be a more affordable way to communicate with a wide audience.
- Public relations can also take the form of crisis management. Issues that impact public health or the environment can have dire financial repercussions for a company and need to keep the public interest in mind.
- It is up to the media if, what, and when it may spread a message about a company
- The company has no control over what is discussed
- **Publicity:** A non-personal form of communication that appears in the media and is not paid for directly by the organization.

**- Public Relations Tools**

- Public relations activities need to be ethical and integrated into marketing communications efforts.
- **Press Release:** An announcement written by an organization and sent to the media. One of the most frequently used tool.
- **Press Conference:** A planned event where representatives of the media are invited to an informational meeting with the company. Often used during crisis situations.
- **Special Events:** The creation, support, or sponsorship of special events such as company-sponsored seminars, conferences, and sporting or entertainment events.
- **Company Reports:** Formal company information that is published in annual reports, brochures, newsletters or videos to the company's public
- **Social Media Release:** A multimedia online press release platform that includes video, text, and images, as well as social media buttons for sharing on social networks and comment areas where viewers can leave comments. A relatively new tool for marketers to efficiently communicate information to the media and public. Social media is a hybrid of advertising and public relations.

**5. Sales Promotion:** A communications tool that provides short term incentives to generate interest in a product or cause and encourages purchase or support. Ex. social media sites

- Traditional sales promotion tools: coupons, rebates, samples and sweepstakes
- **User generated content (UGC):** Consumer content that is created by participants.
- **Augmented reality (AR):** When real world images interact with computer generated information to provide additional information to viewers.
- **Quick Response (QR) codes:** Black and white patterned squares that consumers may scan with an enabled smartphone in order to access online content.
- **Consumer Promotions:** Short term marketing tools used to encourage immediate consumer purchase. Ex. Roll up the rim to win

- **Trade Promotions:** Short term promotional tools used to generate support with wholesalers, distributors or retailers. Ex. trade shows, trade discount and allowances, and cooperative advertising
- 6. **Direct Response:** A marketing communications tool designed to communicate with consumers one on one and elicit a direct action either online or offline. This action can be in the form of an order, a supportive gesture, a request for further information, or a visit to a retail outlet or website.
- In many instances, offline and online direct response approaches work together to encourage consumers to go to a store or an e-commerce site to complete a transaction.
- Direct response uses metrics to evaluate success
- **Lead generation:** The requests for additional information that result from direct response marketing.
- **Traffic generation:** The visits to a location or website that result from direct response marketing.
- Customer relationship marketing (CRM) direct response approach is one of the fastest growing forms of promotion, it poses several challenges.
- **Event Marketing:** The creation or involvement of a brand in an experience or occasion that will heighten its awareness, create positive associations, and generate a desired response.
- **Sponsorship:** When an advertiser pays a fee in exchange for inclusion in an event, involvement in its advertising opportunities, or exposure within the event itself.
- 7. **Personal Selling:** The two way flow of communication between buyer and seller, often face to face, or facilitated through communication devices to influence an individual and group purchase decision.
  - In reality, virtually every occupation that involves customer contact has an element of personal selling with the salespeople representing the company.
- **Relationship Selling:** The practice of building long term loyalty from customers based on a salesperson's attention and commitment to customer needs over time.
- **Alternative Market Communication Approaches**
- Marketing communications are often avoided by consumers who view it suspiciously and as a general annoyance. Marketers then use word of mouth marketing techniques and product placement or branded entertainment initiatives to strengthen communications.
  - **Word of Mouth Marketing:** The spread of positive messages about a product by listening to consumers, identifying influential individuals that can spread the word, and making it easier for them to do so. It is based on transparent and honest communication.
    - Works on 3 levels:
      1. Viral level: tries to create a buzz
      2. Grassroots level: identifies key people who get personally involved with the brand and have the ability to influence others
      3. Professional level: reward satisfied customers who refer the brand to their friends and contacts
        - ex. Groupon's tell a friend program

- **Product Placement:** The inclusion of a product in a movie or TV program in return for payment
- **Branded Entertainment:** The creation of an entertainment program, such as a TV episode, that is highly focused on a brand in exchange for payment.

## 8. Unique Online Tools

- **Search engine marketing (SEM):** An internet marketing approach that uses search engine optimization and pay per click advertising to market on search engines.
  - **Search engine optimization (SEO):** Ensuring that websites are written, indexed and coded so that they are highly rated and ranked by the search engines. Marketers often work with specialists to maximize search engine optimization. Design and content is central to successful rankings.
  - **Microsites:** Promotional websites created for short term promotional purposes, often allowing consumers to enter contests and access promotional information.
  - **Corporate Websites:** Websites that provide corporate and brand information to consumers and the media.
  - **Social Network Marketing:** The use of online communities or social networks to openly interact with the communities by sharing ideas, activities, events and offers.
  - **Affiliate Marketing:** When companies promote their businesses through a network of online associates (affiliates) to drive traffic, leads, and purchases; affiliates are provided with ads and links to business websites and rewarded with commissions for resultant business.
  - **Email Marketing:** The use of opt-in email lists where consumers register and give permission to receive online communications.
  - **Permission Based Email:** When a recipient chooses to receive email from an advertiser.
  - **Spam:** Unsolicited email.

## 9. Planning and Evaluation

- **Designing Marketing Communication Programs**
  - **Push Strategy:** When marketers focus on communication on the distribution channel to gain support from retailers, distributors and wholesalers through listings, sales, merchandising, featured pricing and inclusion in flyers.
  - **Pull Strategy:** When marketers focus communication efforts on ultimate consumers to build awareness, trial, and demand for a product.
  - The two strategies should work together.
- **The Customer Advocacy Funnel**
  - Marketers use integrated marketing communications approaches to ensure that all communication elements speak with the same messaging and use a shared visual platform. This approach involves developing, executing, and evaluating each element of a promotional program so that it encourages customers to become loyal supporters that spread positive messages. This is called advocacy.
  - **Customer Advocacy Funnel:** A communications approach that takes consumers down a path of initial product awareness through to brand advocacy.



- Awareness: A company trying to raise online product awareness may use a website, search engine optimization, online video, and display ads to drive consumers to an online destination.
- Interest: Interesting product attributes are highlighted to entice potential customers to learn more.
- Engagement: Potential customers are invited to participate in the product experience and interact with its marketing.
- Trial: Customers obtain free samples or purchase the product as a limited trial or download.
- Purchase: Positive product experiences lead to product purchase.
  - **Retargeted Ads:** Display ads that ad networks redeliver to a computer's IP address when a consumer previously clicked on an ad but did not respond to its contents.
- Loyalty: Ongoing positive product experiences lead to repeat purchases.
- Advocacy: Loyal customers are rewarded with additional experiences and become advocates who recommend the product to others.

#### - Steps in the Marketing Communications Process

- Marketers follow an integrated approach to marketing communications, making sure all elements work together to reach specific target audiences.
- 1. Specify the IMC objectives
- First step formalizes the purpose of the promotional program, such as building brand awareness, creating customer engagement, or increasing brand loyalty.
- 2. Identify the Target Audience
- Identifying geographic, demographic, psychographic, and behavioural data.
- **Consumer Touch Points:** The points of interaction that can be used to connect with consumers, including personal time in the home, shopping time, workplace situations, social situations, travel time, and even face to face product time.
- 3. Set the Promotional Budget
- Marketers generally allocate an initial amount based on the prior years' spending and profit requirements. This is then adjusted later.
- 4. Design the Promotional Program
- The key component of a promotional program is its messaging. It needs to be visible, resonate with its target audience and be memorable. has been created.
- Media and creative teams need to ensure that the best possible promotional mix
- **Promotional Mix:** The selection of promotional tools used to communicate with a target market.
- When considering a promotional program, the product life cycle should be considered.
  - Introductory stages: marketing communications builds awareness, provides information, and encourages trial
  - Growth stage: promotional focus changes and starts to differentiate the brand from the competition
  - Maturity stage: promotional efforts are designed as a reminder of the brand and to encourage repeat purchases through special offers
  - Decline stage: often has little to no promotion at all

#### 5. Schedule and Run the IMC Elements

- The sequencing of promotional elements are carefully planned so that individual aspects seamlessly work together to communicate with target audiences.

#### 6. Evaluate the Program and Recommend Changes

- Promotional programs are evaluated on 4 levels:
  - First, messaging is often evaluated before a program is fully developed to gauge responses so that adjustments can be made before launch.
  - Second, once the program is live, research may be fielded to measure campaign awareness and messaging elements such as likeability, message comprehension, and attitude changes toward the brand.
  - Third, upon completion, each individual element will be evaluated against expectations.
  - Fourth, the promotional program will be evaluated against its objectives. This will look at business results such as sales, profitability, market share and return on investment (ROI).

#### **Summary**

- The marketing communications industry consists of the media, marketing communications agencies, research companies, associations, and regulatory bodies.
- Media choices include TV, Internet, newspaper, magazine, radio, out of home/transit, and mobile marketing.
- The marketing communications industry is regulated by Advertising Standards Canada (ASC), the Competition Bureau, the Canadian Radio-television and Telecommunications Commission (CRTC), and the Canadian Marketing Association (CMA).
- Marketing communications approaches can include inbound and outbound approaches with marketers commonly using integrated marketing communications approach (IMC).
- Marketing communications tools include advertising, public relations, sales promotion, direct response, event marketing and sponsorship, and personal selling.
- Public relations initiatives include press releases, press conferences, special events, company reports, and the use of social media.
- Consumer promotional tools include contests, sweepstakes, samples, free trials, loyalty programs, rebates, bonus packs, and point of sale materials.
- Trade promotions include trade shows, trade allowances, merchandising allowances, and co-op advertising.
- Direct-response marketing tools include face to face selling, direct mail, catalogues, telemarketing, and direct response advertising on TV/radio/print, as well as email marketing, online ads, and social media interactions.
- Event marketing and sponsorship refers to the involvement of a brand in an event through either an advertising package or on site involvement.
- The personal selling process consists of six strategies: prospecting, pre-approach, approach, presentation, close, and follow-up.
- Alternative marketing communication approaches include word of mouth marketing, product placement, and branded entertainment.

- Unique online approaches include the use of corporate websites, microsites, social networks, affiliate marketing, mobile marketing, and email marketing, as well as search engine marketing (SEM) and search engine optimization (SEO).
- A push strategy directs promotional programs to distributors, wholesalers or retailers. A pull strategy involves direct promotional efforts to ultimate consumers.
- The Consumer Advocacy Funnel is the path a consumer follows from awareness to interest, engagement, trial, purchase, loyalty, and advocacy.
- Creating promotional programs requires a marketer to (1) specify the IMC objectives, (2) identify the target audience, (3) set the promotional budget, (4) design the promotional program, (5) schedule and run the IMC elements, and (6) evaluate the program.
- Evaluation approaches look at the program in general as well as each individual element.