

PRINCIPLES OF MARKETING

Eighth Edition

Philip Kotler and Gary Armstrong

Chapter 1

**Marketing in a Changing World:
Creating Customer Value and
Satisfaction**

- **Process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.**
- **More simply: Marketing is the delivery of customer satisfaction at a profit.**

Core Marketing Concepts



Needs, wants,
and demands

Products
and
Services

**Core
Marketing
Concepts**

Value, satisfaction,
and quality

Exchange, transactions,
and relationships

Markets

What Motivates a Consumer to Take Action?

- **Needs** - state of felt deprivation for basic items such as food and clothing and complex needs such as for belonging. i.e. I am thirsty
- **Wants** - form that a human need takes as shaped by culture and individual personality. i.e. I want a Coca-Cola.
- **Demands** - human wants backed by buying power. i.e. I have money to buy a Coca-Cola.

What Will Satisfy Consumer's Needs and Wants?

- **Products** - anything that can be offered to a market for attention, acquisition, use or consumption and that might satisfy a need or want.
- **Examples:** persons, places, organizations, activities, and ideas.
- **Services** - activities or benefits offered for sale that are essentially intangible and don't result in the ownership of anything.
- **Examples:** banking, airlines, haircuts, and hotels.

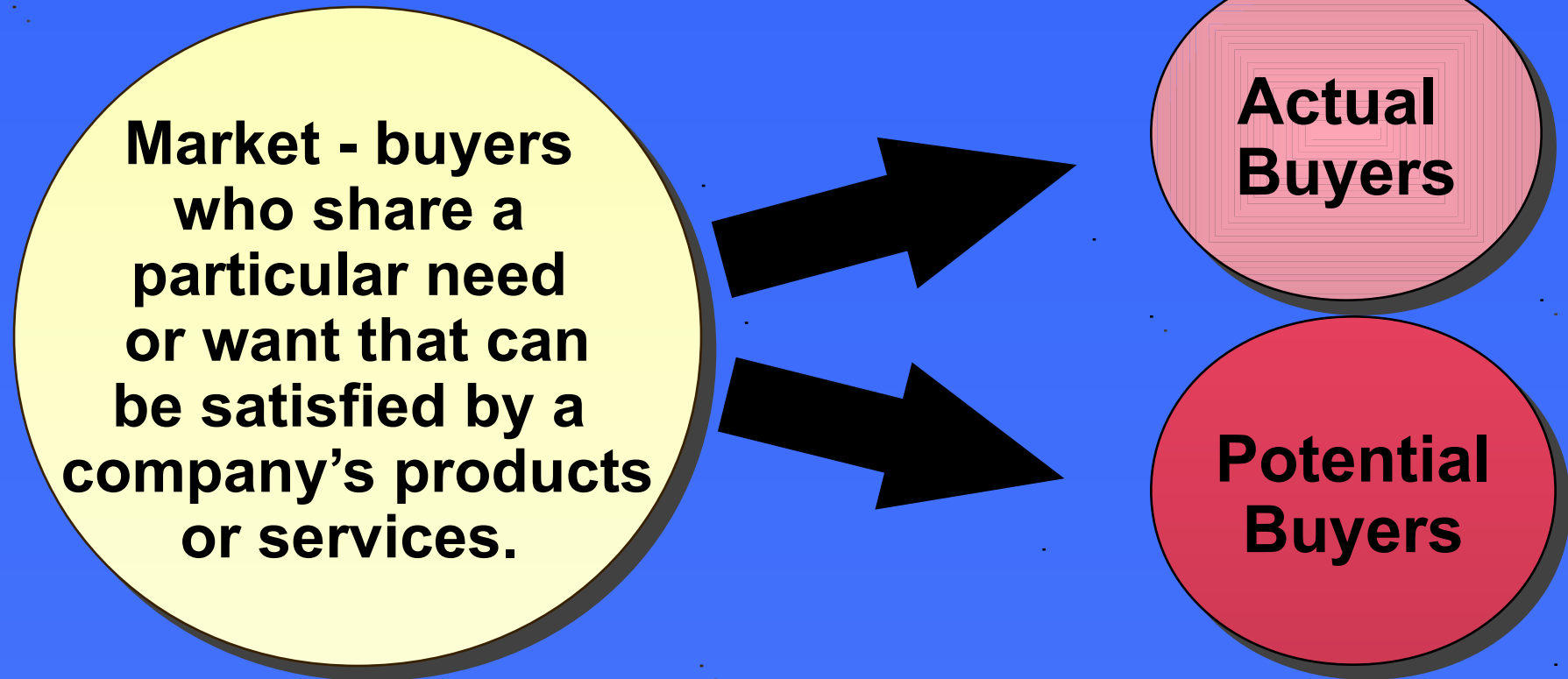
How Do Consumers Choose Choose Among Products and Services?

- **Customer Value** - benefit that the customer gains from owning and using a product compared to the cost of obtaining the product.
- **Customer Satisfaction** - depends on the product's perceived performance in delivering value relative to a buyer's expectations. Linked to Quality and Total Quality Management (TQM).

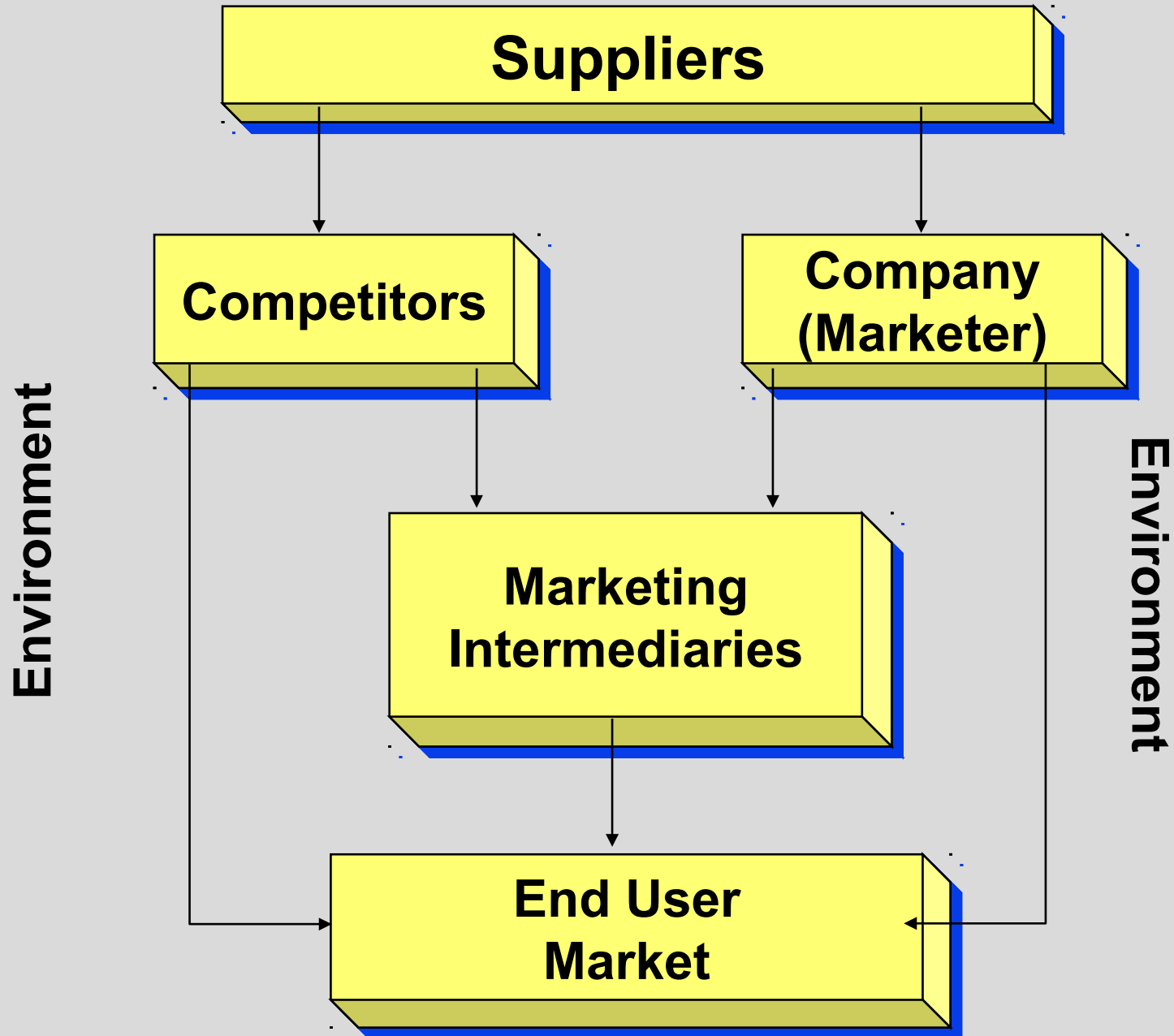
How do Consumers Obtain Products and Services?

- **Exchanges** - act of obtaining a desired object from someone by offering something in return.
- **Transactions** - trade of values between parties. Usually involves money and a response.
- **Relationships** - building long-term relationships with consumers, distributors, dealers, and suppliers.

Who Purchases Products and Services?



Modern Marketing System



Marketing Management

Implementing programs to create exchanges with target buyers to achieve organizational goals



Demand Management

Finding and increasing demand, also changing or reducing demand



Profitable Customer Relationships

Attracting new customers and retaining current customers

Marketing Management Philosophies

Production Concept

Product Concept

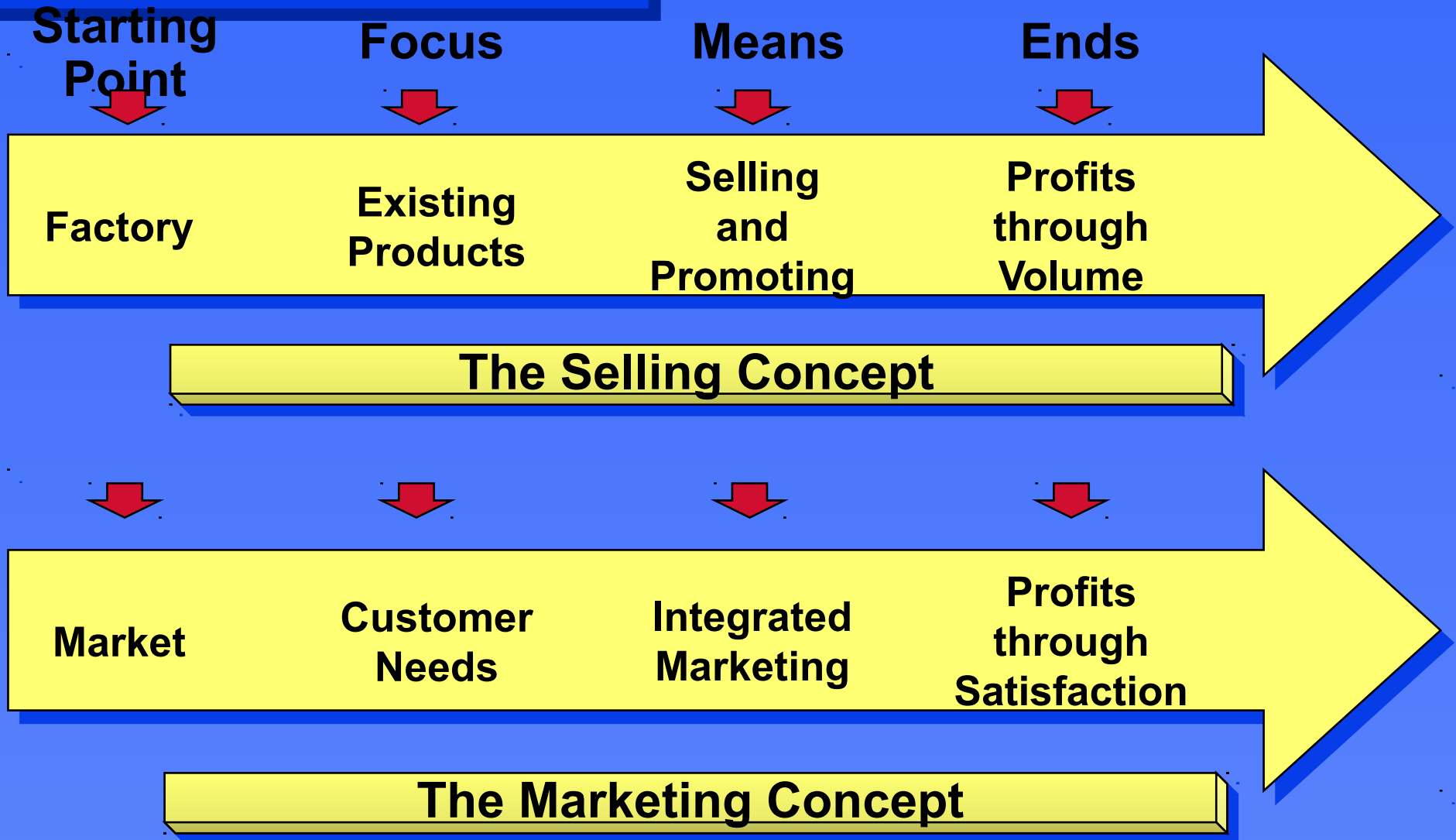
Selling Concept

Marketing Concept

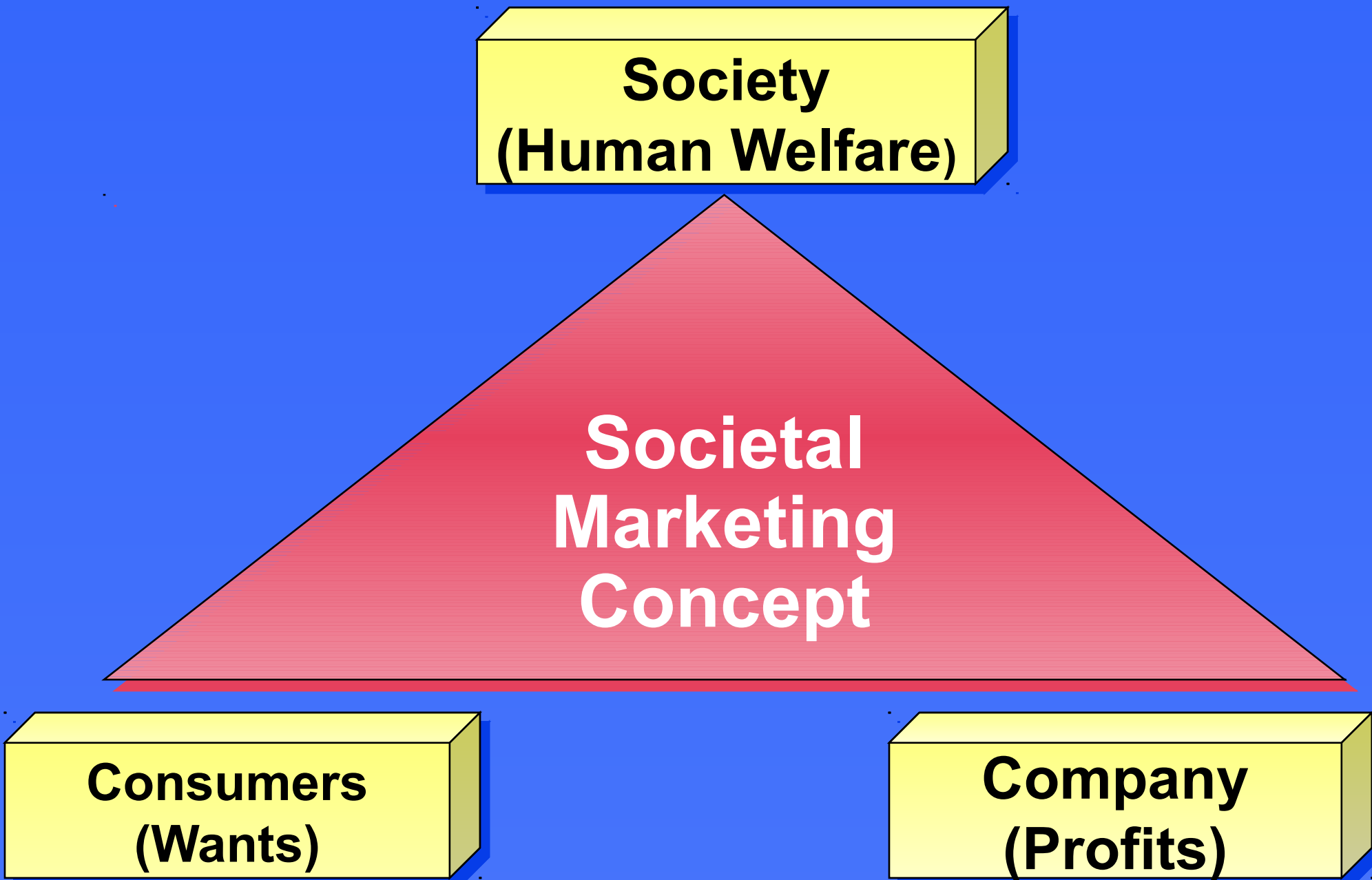
Societal Marketing Concept

- Consumers favor products that are available and highly affordable
- Improve production and distribution
- Consumers favor products that offer the most quality, performance, and innovative features
- Consumers will buy products only if the company promotes/ sells these product
- Focuses on needs/ wants of target markets & delivering satisfaction better than competitors
- Focuses on needs/ wants of target markets & delivering superior value
- Society's well-being

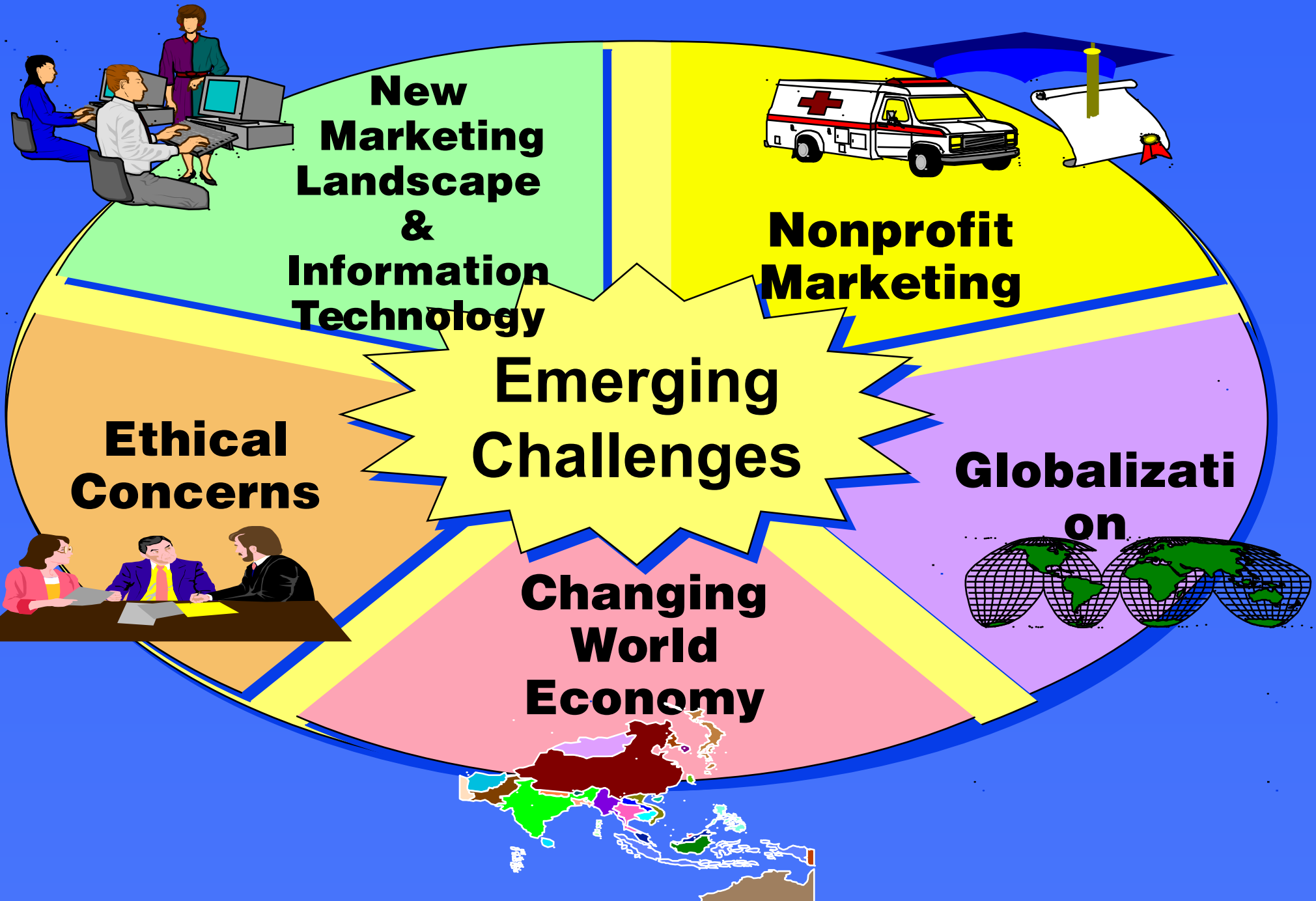
Marketing & Sales Concepts Contrasted



Societal Marketing Concept



New Marketing Challenges



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Strategic Planning and the Marketing Process

Strategic Planning involves developing an overall company strategy for long-run survival and growth.

This process involves:

- Defining a Mission : Statement of an organization's purpose; should be market oriented.**
- Setting Company Objectives : Supporting goals and objectives to guide the entire company.**
- Designing a Business Portfolio : Collection of businesses and products that make up the company.**
- Planning Functional Strategies : Detailed planning for each department designed to accomplish strategic objectives.**

Mission Statements



The company must:

- analyze its current business portfolio or Strategic Business Units (SBU's)
- decide which SBU's should receive more, less, or no investment
- develop growth strategies for adding new products or businesses to the portfolio

Relative Market Share

High

Low

Market Growth Rate
High
Low

Stars

- High growth & share
- Profit potential
- May need heavy investment to grow

Question Marks

- High growth, low share
- Build into Stars/ phase out
- Requires cash to hold market share

Cash Cows

- Low growth, high share
- Established, successful SBU's
- Produces cash

Dogs

- Low growth & share
- Low profit potential

Analyzing Current SBU's: GE Strategic Business-Planning Grid

Business Strength

Strong

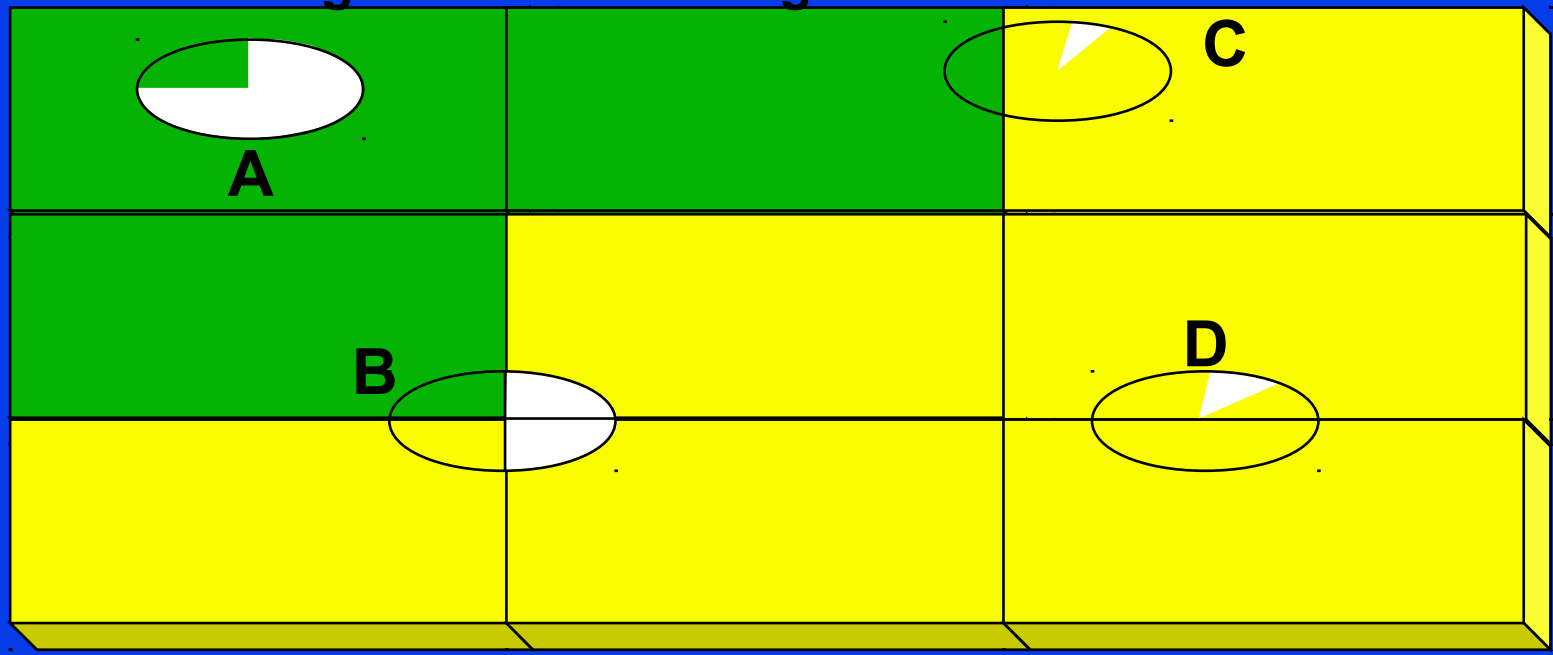
Average

Weak

High

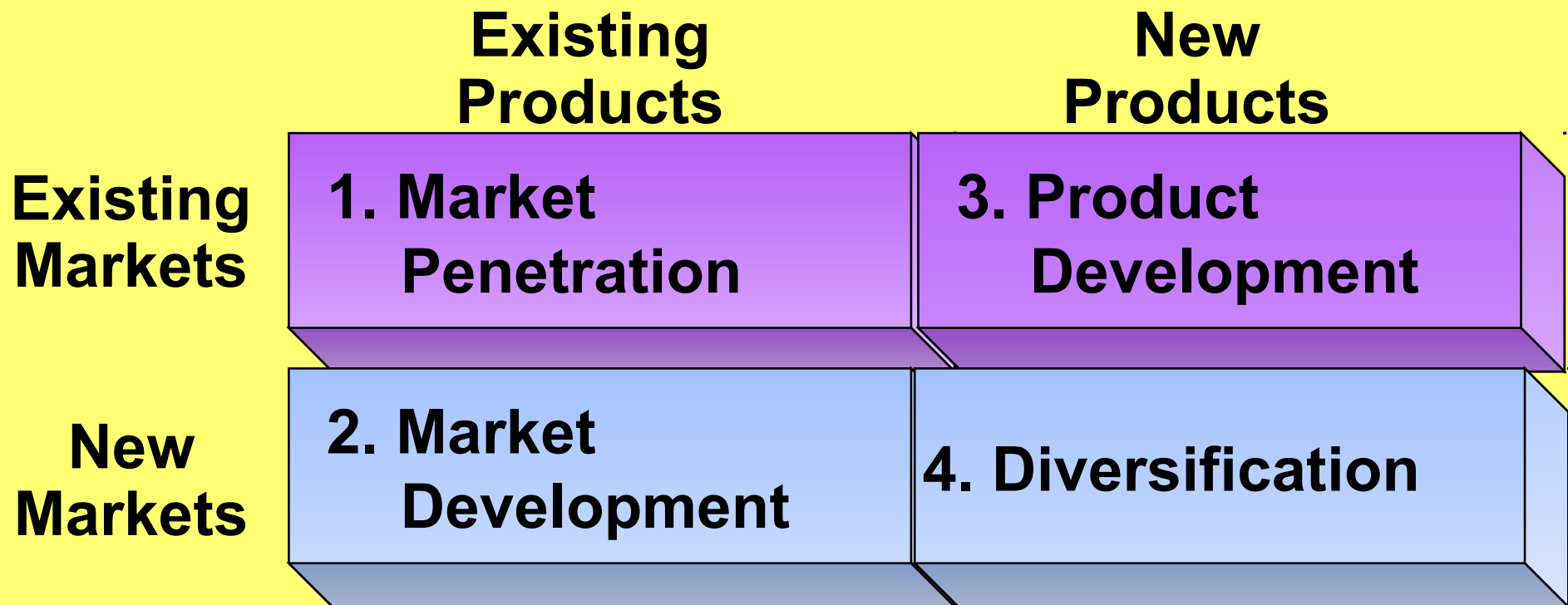
Medium

Low



Developing Growth Strategies

Product/ Market Expansion Grid



Product/ Market Expansion

Grid

Market Penetration: increase sales to present customers with current products. How? Cut prices, increase advertising, get products into more stores.

Market Development: develop new markets with current products. How? Identify new demographic or geographic markets.

Product Development: offering modified or new products to current customers. How? New styles, flavors, colors, or modified products.

Diversification: new products for new markets. How? Start up or buy new businesses.

Marketing's Role in Strategic Planning

Market Segmentation: determining distinct groups of buyers (segments) with different needs.

Market Targeting: evaluating and selecting which target segments to enter.

Market Positioning: products distinctive and desirable place in the minds of target segments compared to competing products.

• Marketing Strategies for Competitive Advantage

- Market-Leader
- Market Challenger
- Market-Follower
- Market-Nicher

The Marketing Process



Marketing Mix- The Four

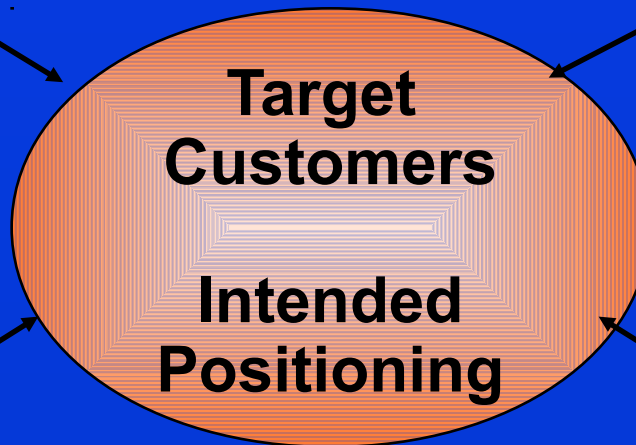
P's

Product

“Goods-and-service”
combination that a
company offers a
target market

Price

Amount of money
that consumers
have to pay to obtain
the product



Activities that
persuade target
customers to buy
the product

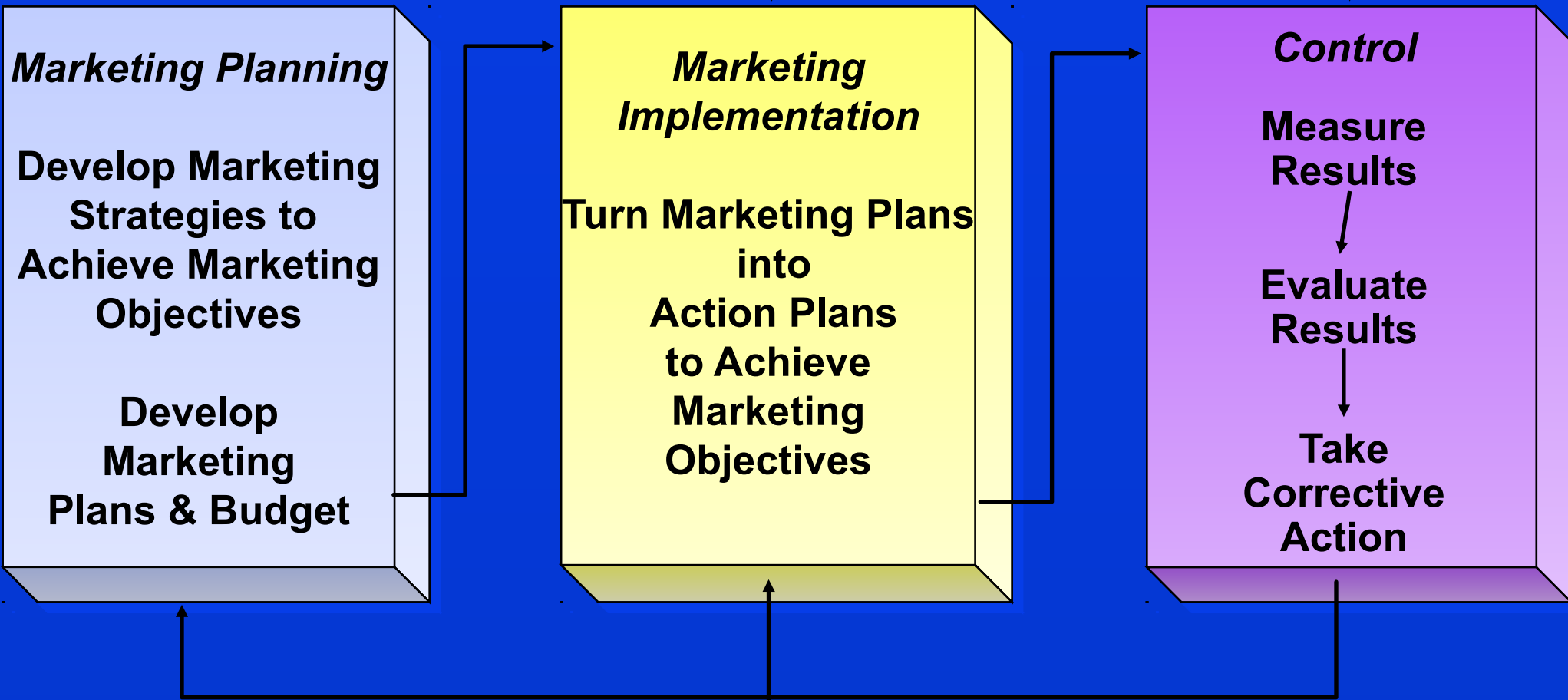
Promotion

Company activities
that make the
product available

Place

Managing the Marketing Effort

Marketing Analysis of Company's Situation



Elements of a Marketing Plan

Executive Summary

Current Marketing Situation

Threats and Opportunities

Objectives and Issues

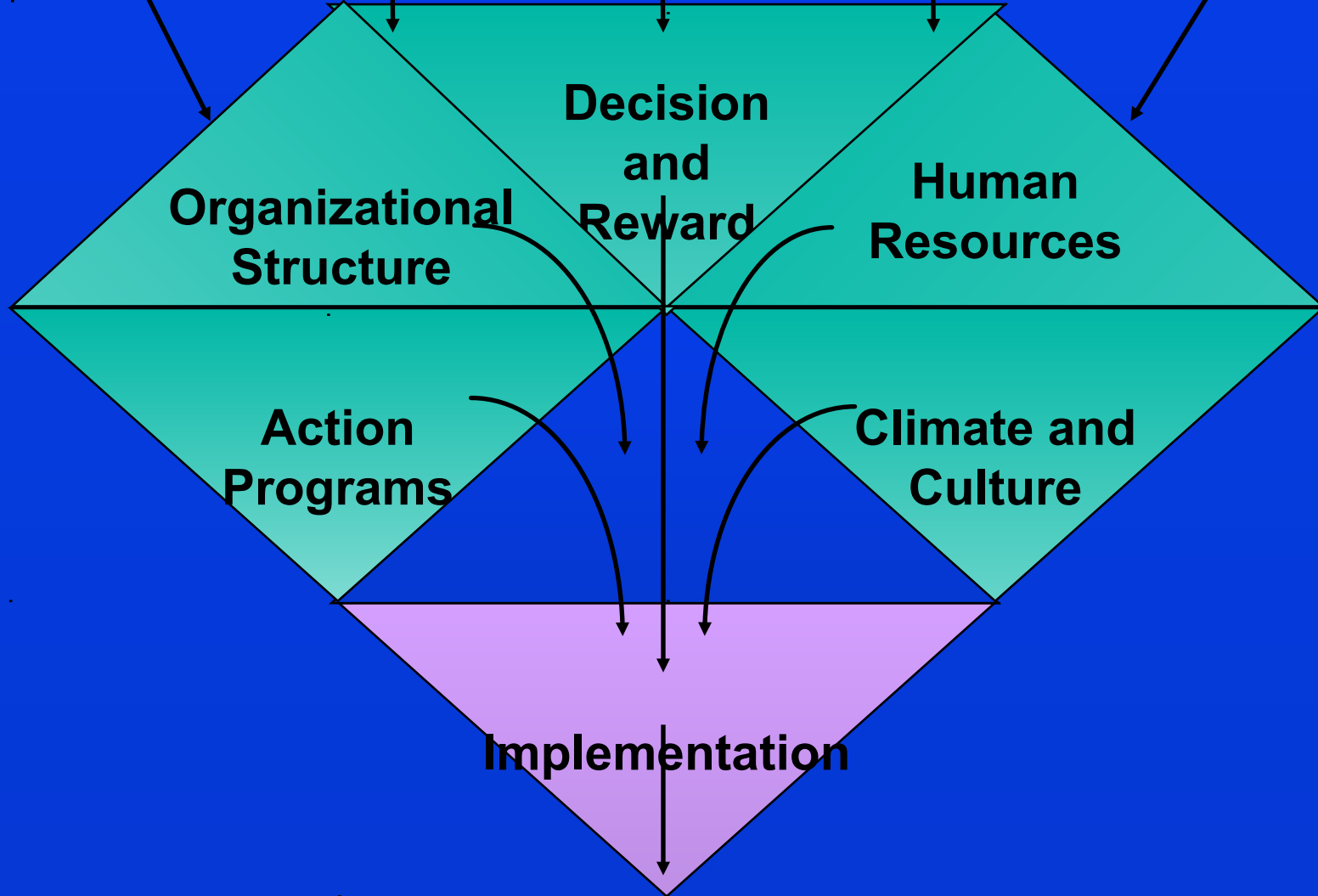
Marketing Strategy

Action Programs

Budgets

Controls

Marketing Strategy

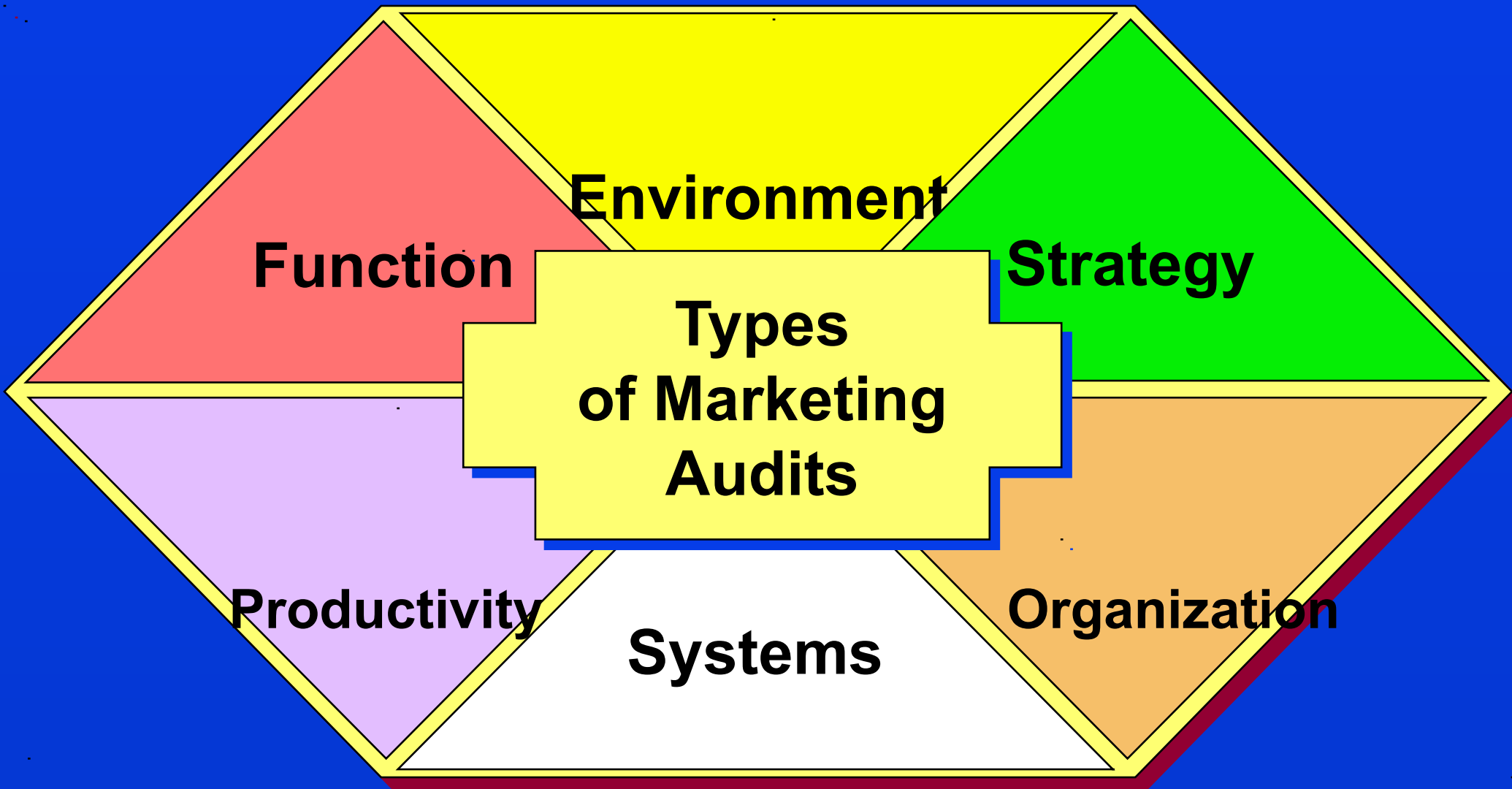


Marketing Performance

Marketing Control



Marketing Audits



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Chapter 3

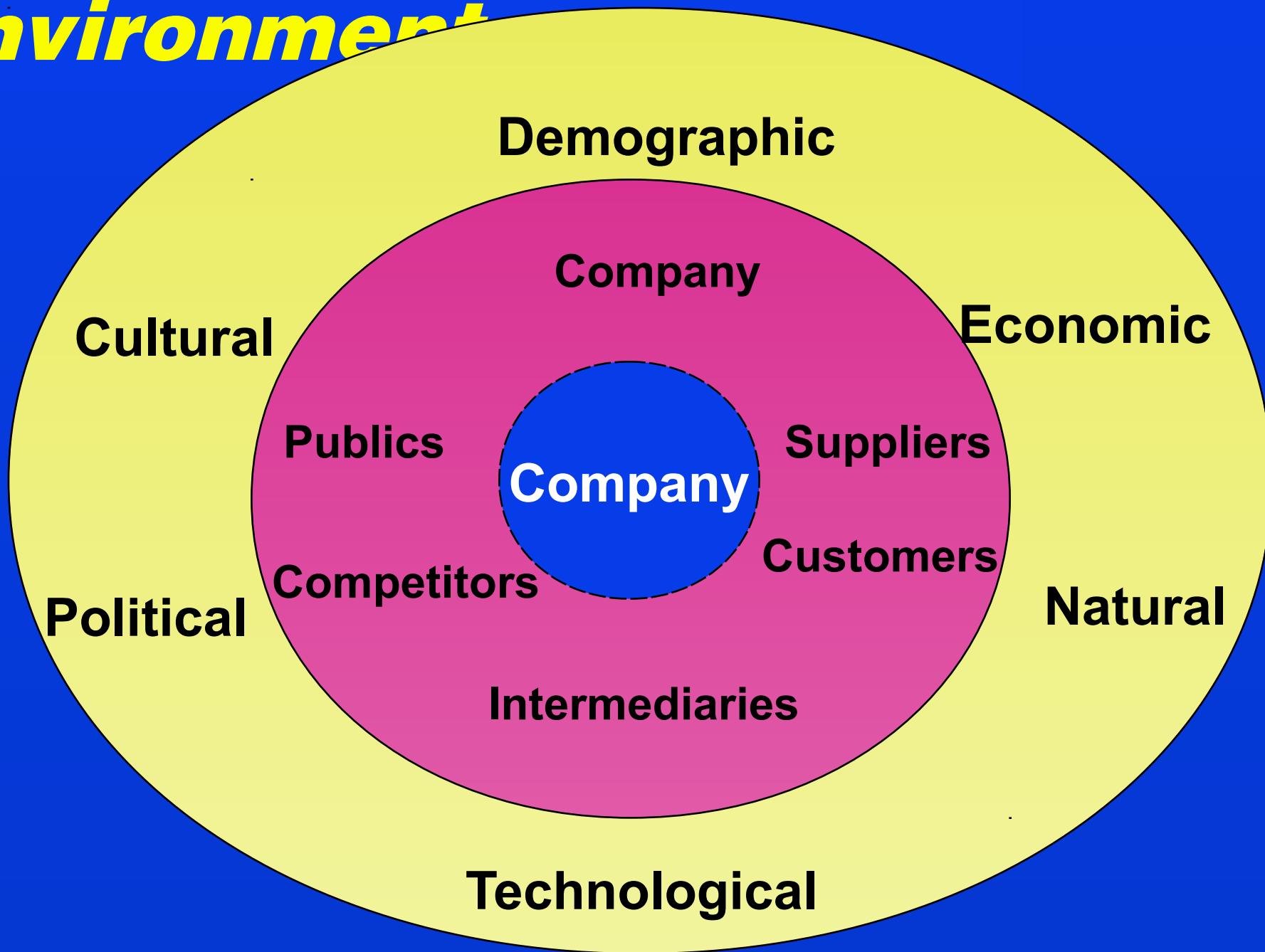
**The Global Marketing
Environment**

Marketing

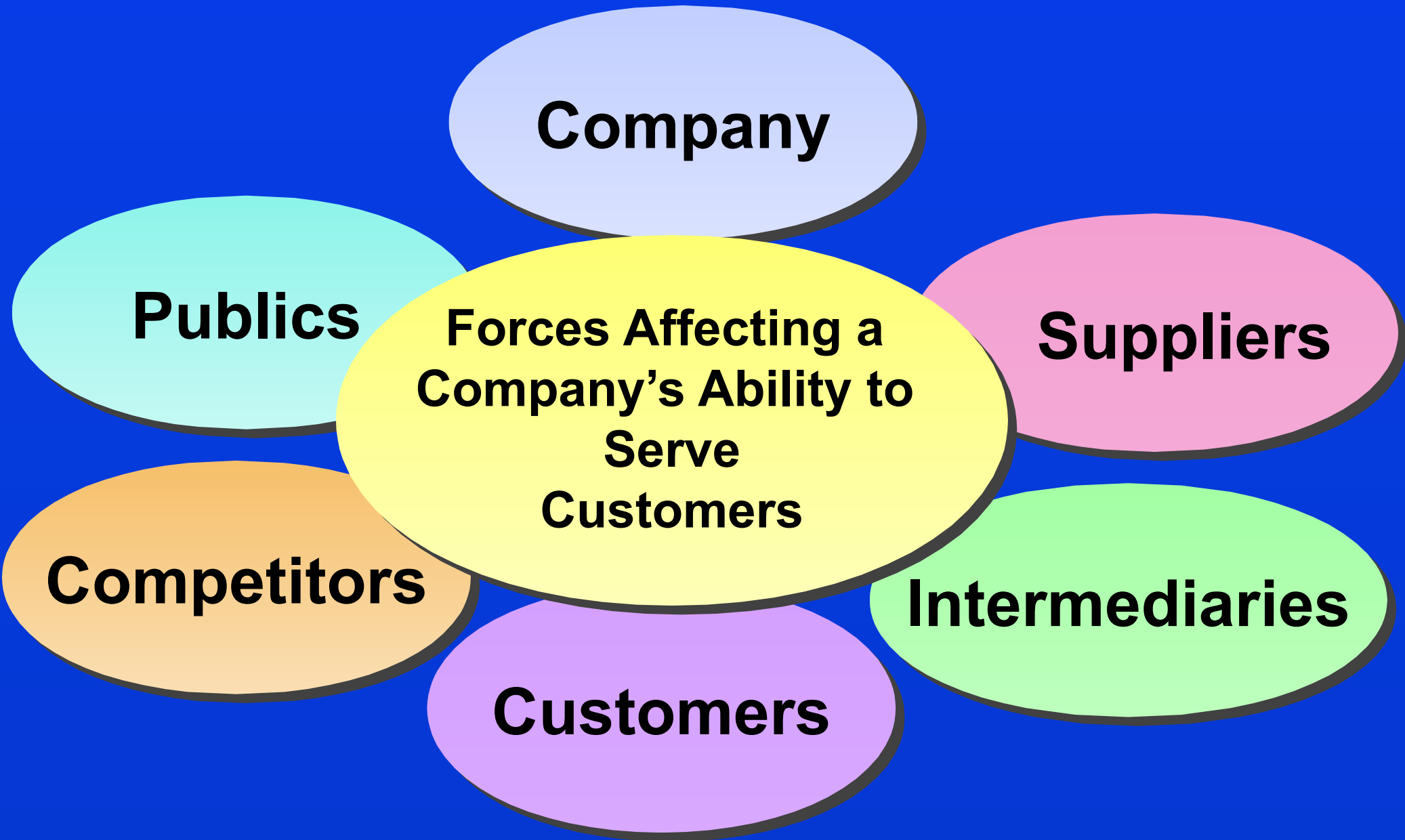
Environment

- All the actors and forces influencing the company's ability to transact business effectively with its target market.
- Includes:
 - Microenvironment - forces close to the company that affect its ability to serve its customers.
 - Macroenvironment - larger societal forces that affect the whole microenvironment.

The Marketing Environment



The Microenvironment



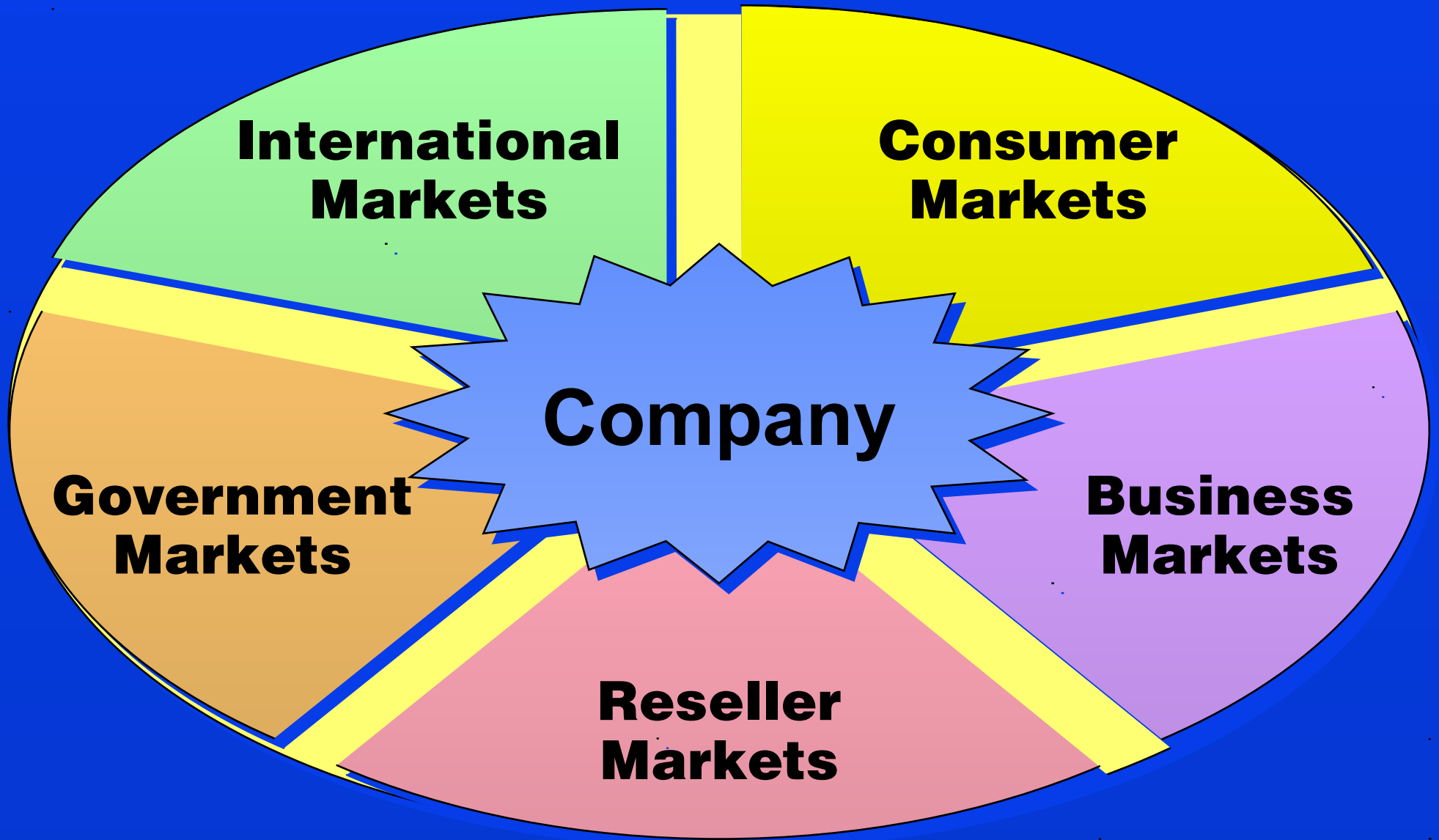
The Company's Microenvironment

- **Company's Internal Environment**- functional areas such as top management, finance, and manufacturing, etc.
- **Suppliers** - provide the resources needed to produce goods and services.
- **Marketing Intermediaries** - help the company to promote, sell, and distribute its goods to final buyers.

The Company's Microenvironment

- **Customers** - five types of markets that purchase a company's goods and services.
- **Competitors** - those who serve a target market with similar products and services.
- **Publics** - any group that perceives itself having an interest in a company's ability to achieve its objectives.

Customer Markets



The Macroenvironment

Demographic

Cultural

**Forces that Shape
Opportunities
and Pose Threats
to a Company**

Economic

Political

Natural

Technological

The Company's Macroenvironmen t

- **Demographic** - monitors population in terms of age, sex, race, occupation, location and other statistics.
- **Economic** - factors that affect consumer buying power and patterns.
- **Natural** - natural resources needed as inputs by marketers or that are affected by marketing activities.

Key U.S. Demographic Trends

Changing Age Structure
Population is getting older

Changing Family Structure
Marrying later, fewer children,
working women, and nonfamily households

Geographic Shifts
Moving to the Sunbelt and suburbs (MSA's)

Increased Education
Increased college attendance
and white-collar workers

Growing Ethnic and Racial Diversity
73% Caucasian, 12% African-American,
10% Hispanic & 3.4% Asian

Economic Environment

**Economic
Development**

**Changes
in Income**

**Key
Economic
Concerns for
Marketers**

**Changes
in Consumer
Spending
Patterns**

Natural Environment

More Government Intervention

Factors Affecting the Natural Environment

Higher Pollution Levels

Shortages of Raw Material

Increased Costs of Energy

The Company's Macroenvironm ent

- **Technological** - forces that create new product and market opportunities.
- **Political** - laws, agencies and groups that influence or limit marketing actions.
- **Cultural** - forces that affect a society's basic values, perceptions, preferences, and behaviors.

Technological Environment

Rapid Pace of Change

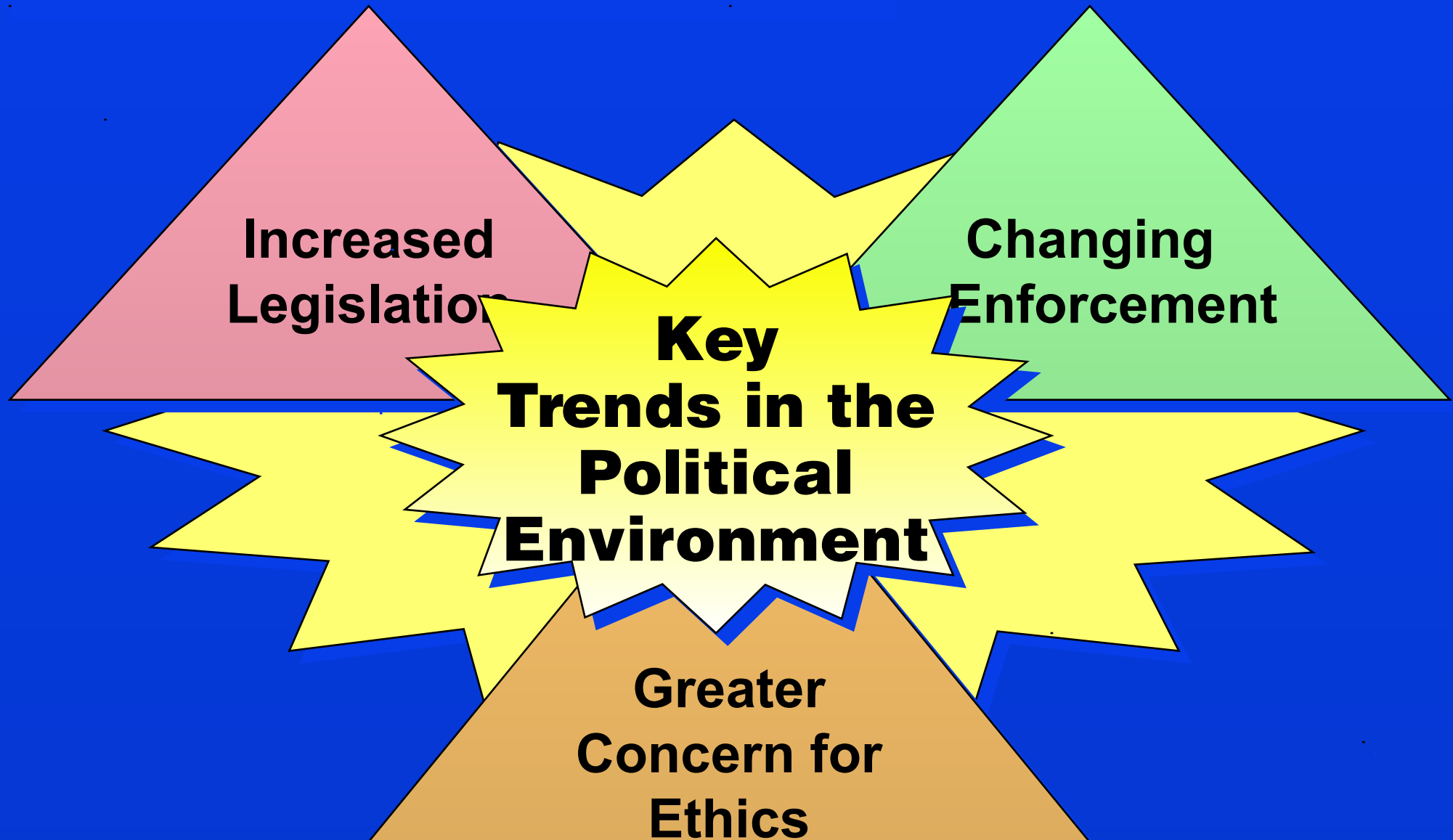
High R & D Budgets

Issues in the Technological Environment

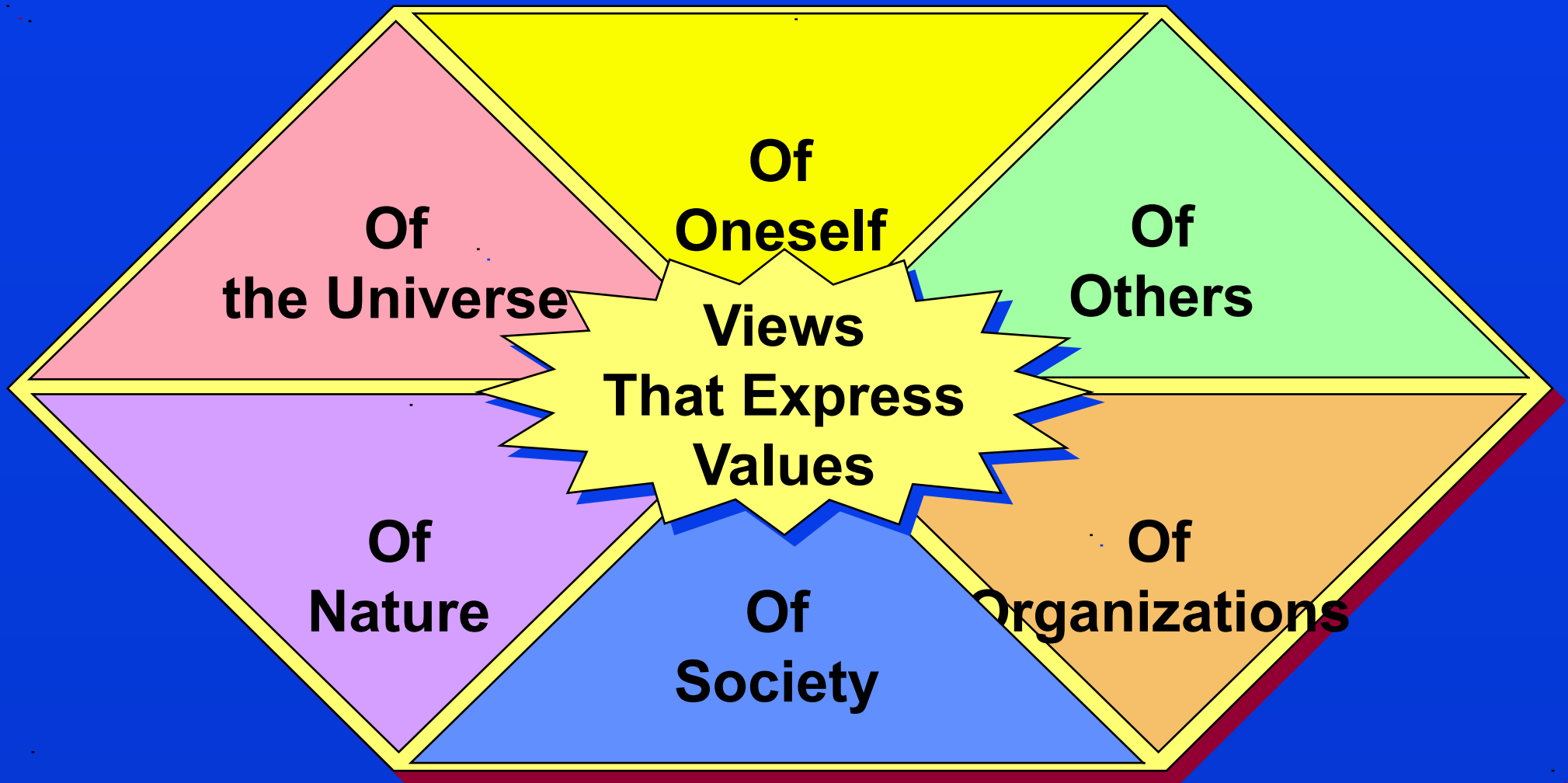
Focus on Minor Improvements

Increased Regulation

Political Environment



Cultural Environment



Responding to the Marketing Environment

- **Environmental Management Perspective**
 - Taking a proactive approach to managing the microenvironment and the macroenvironment to affect changes that are favorable for the company. How? Hire lobbyists , run “advertorials”, file law suits and complaints, and form agreements.

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Chapter 4

Marketing Research
and
Information Systems

The Importance of Information

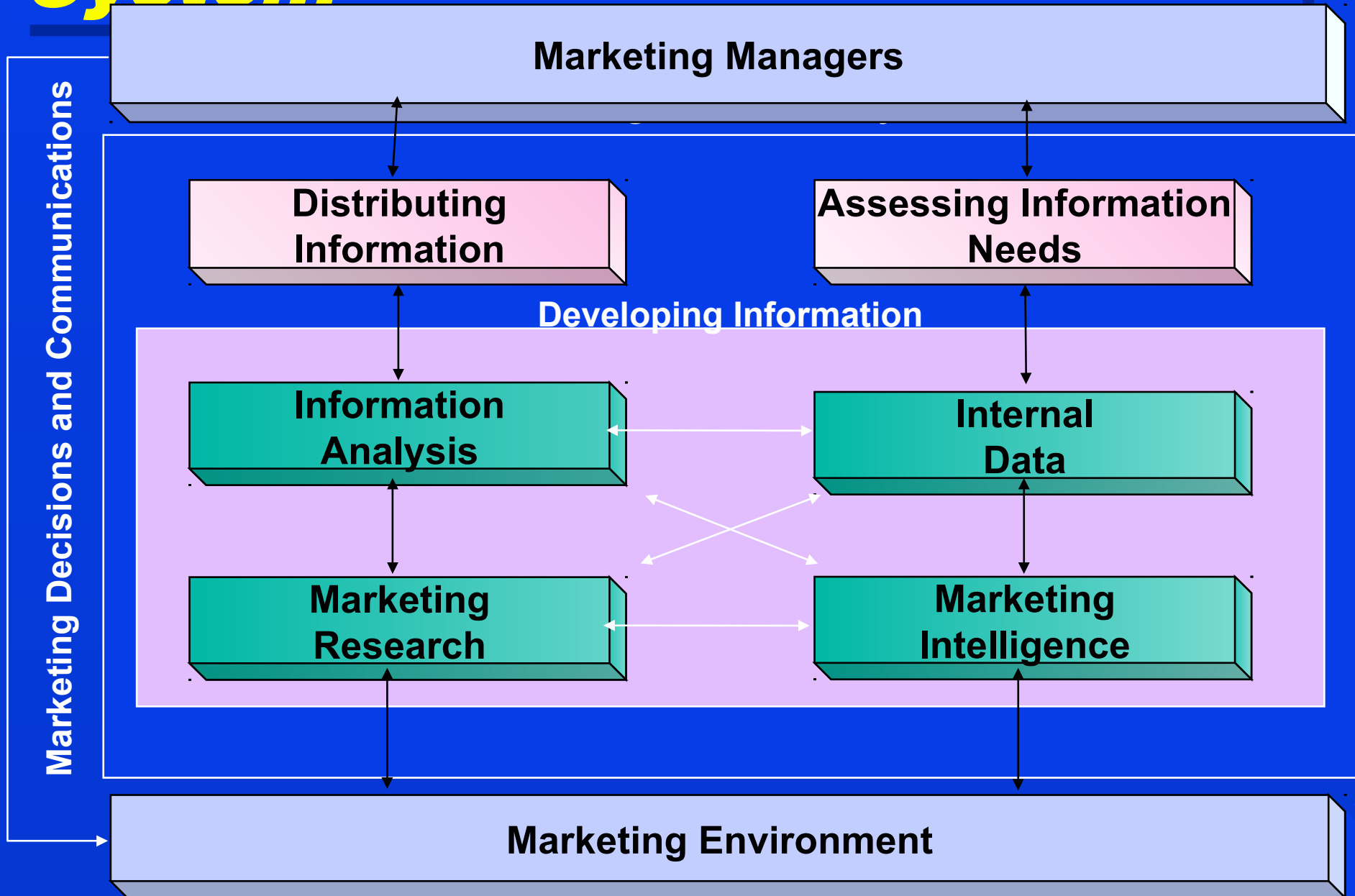


What is a Marketing Information System (MIS)?

Consists of people, equipment, and procedures to gather, sort, analyze, evaluate and distribute needed, timely, and accurate information to marketing decision makers.

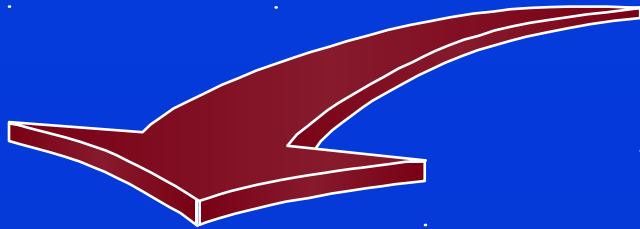
- **Function: Assess, Develop and Distribute Information.**

The Marketing Information System

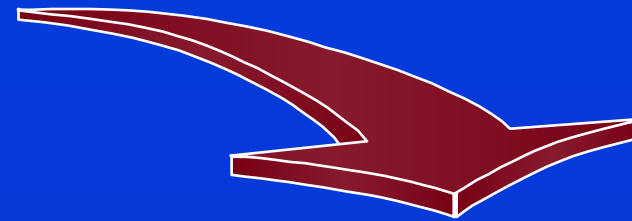


Functions of a MIS: Assessing Information Needs

Conduct Interviews and Determine
What Information is
Desired, Needed, and Feasible to Obtain.



**Monitors Environment for
Information Managers
Should Have**



**Examine Cost/ Benefit of
Desired
Information**

Functions of a MIS: Developing Information

***Obtains Needed Information for Marketing Managers
From the Following Sources***



Internal Data

Collection of Information from Data Sources Within the Company

From: Accounting, Sales Force, Marketing, Manufacturing, Sales

Marketing Intelligence

**Collection and Analysis of Publicly Available Information about
Competitors and the Marketing Environment**

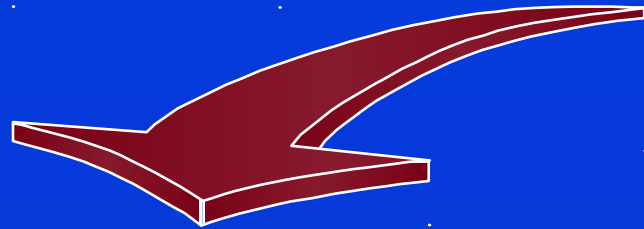
***From: Employees, Suppliers, Customers,
Competitors, Marketing Research Companies***

Marketing Research

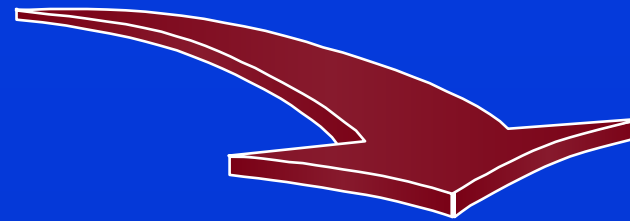
Design, Collection, Analysis, and Reporting of Data about a Situation

Functions of a MIS: Distributing Information

Information Must be Distributed
to the Right Managers at the Right Time.



**Distributes *Routine*
Information for
Decision Making**



**Distributes Nonroutine
Information for Special
Situations**

The Marketing Research Process

Defining the Problem and the Research Objectives



Developing the Research Plan



Implementing the Research Plan



Interpreting and Reporting the Findings

Marketing Research

Process

Step 1. Defining the

Problem &

Research

Ob

Exploratory
Research

- Gathers preliminary information that will help define the problem and suggest hypotheses.

Descriptive
Research

- Describes things as consumers' attitudes and demographics or market potential for a product.

Causal
Research

- Test hypotheses about cause-and-effect relationships.

Marketing Research Process

Step 2. Develop the Research

Determine the Specific Information Needed

Secondary

Information that has
been previously
collected.

Primary

Information collected
for the specific purpose
at hand.

Both Must Be:
Relevant
Accurate
Current
Impartial

Primary Data Collection Process

Step 1. Research Approaches

Observational Research

Gathering data by observing people, actions and situations
(Exploratory)

Survey Research

Asking individuals about attitudes, preferences or buying behaviors
(Descriptive)

Experimental Research

Using groups of people to determine cause-and-effect relationships
(Causal)

Primary Data Collection

Process

Step 2. Contact Methods

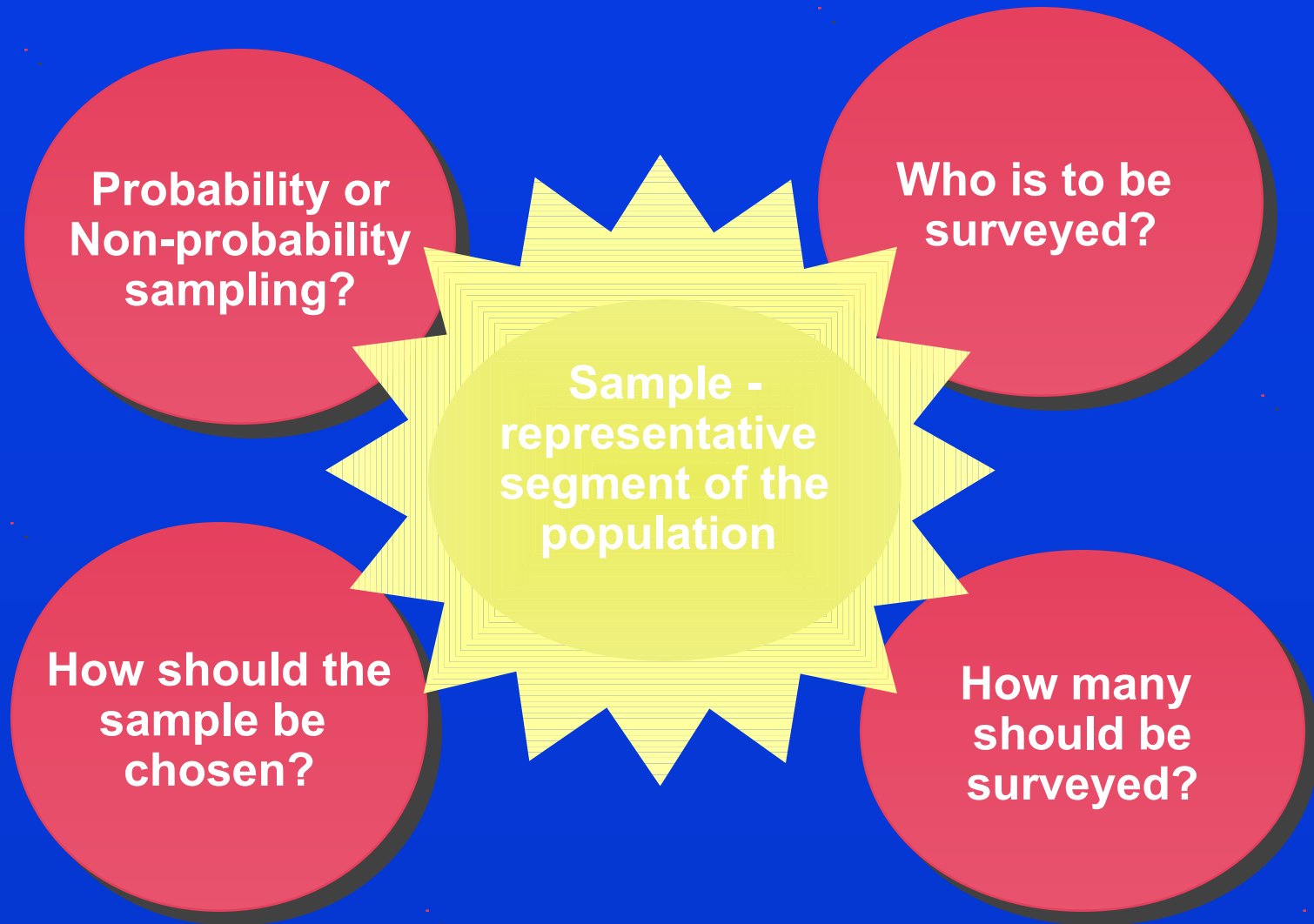
Contact Methods

	Mail	Telephone	Personal	Online
Flexibility	Poor	Good	Excellent	Good
Quantity of Data Collected	Good	Fair	Excellent	Good
Control of Interviewer	Excellent	Fair	Poor	Fair
Control of Sample	Fair	Excellent	Fair	Poor
Speed of Data Collection	Poor	Excellent	Good	Excellent
Response Rate	Fair	Good	Good	Good
Cost	Good	Fair	Poor	Excellent

Primary Data Collection

Process

Step 3. Developing a Sampling Plan



Primary Data Collection

Process

Step 4. Research Instruments

1-61

Research Instruments

Questionnaire

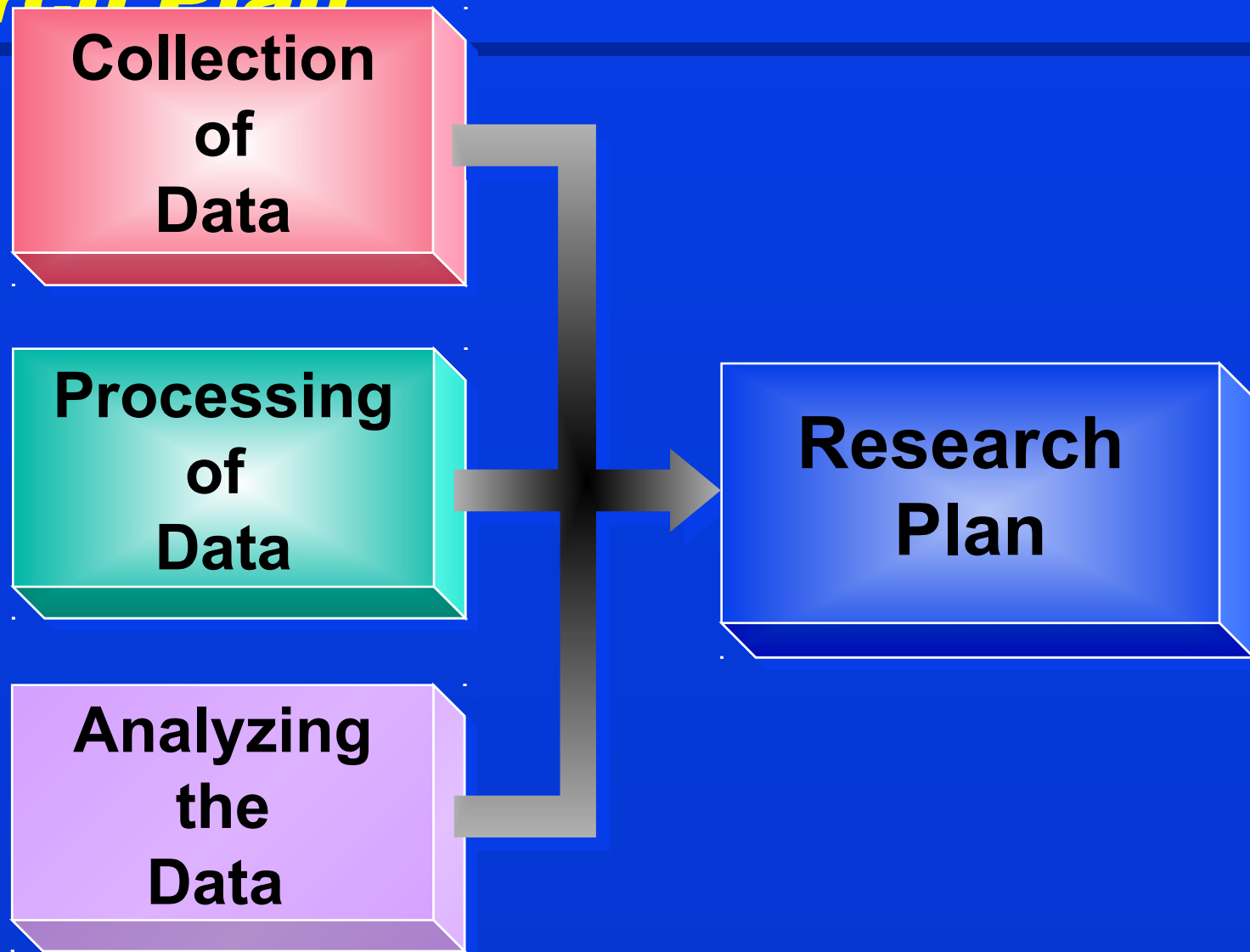
- What to ask?
- Form of each question?
- Wording?
- Ordering?

Mechanical Devices

- People Meters
- Grocery Scanners
- Galvanometer
- Tachistoscope

Marketing Research Process

Step 3. Implementing the Research Plan



Marketing Research

Process

Step 4. Interpreting and Reporting

Findings

```
graph TD; A[Interpret the Findings] --> B[Draw Conclusions]; B --> C[Report to Management];
```

Interpret the Findings

Draw Conclusions

Report to Management

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Chapter 5

Consumer Markets
and
Consumer Buyer Behavior

Consumer Buying Behavior

- **Consumer Buying Behavior refers to the buying behavior of final consumers (individuals & households) who buy goods and services for personal consumption.**
- **Study consumer behavior to answer: “How do consumers respond to marketing efforts the company might use?”**

Model of Consumer Behavior

Product

Price

Place

Promotion

Buyer's
Decision
Process

Product Choice

Brand Choice

Dealer Choice

Marketing and
Other Stimuli

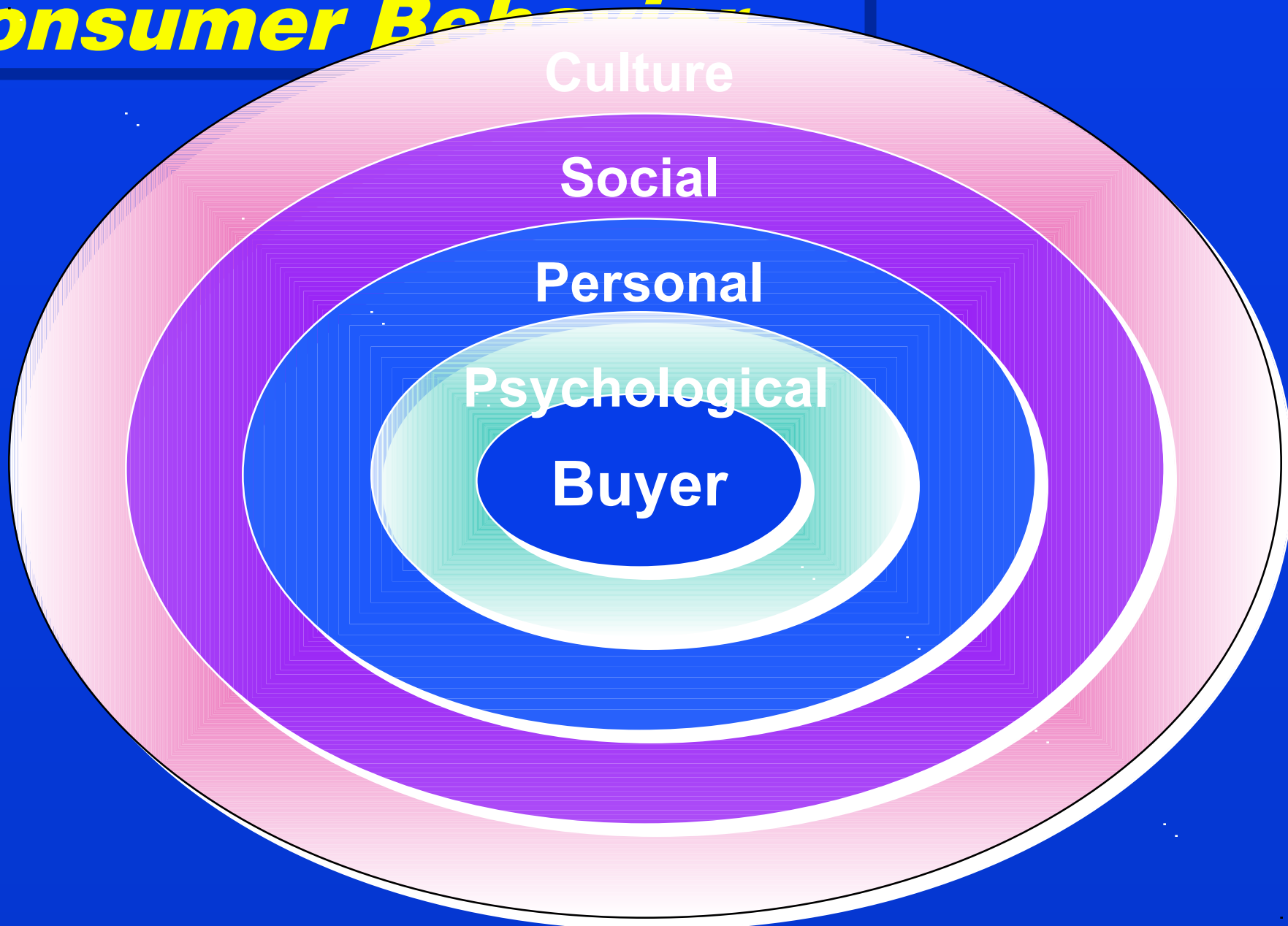
Economic
Technological
Political
Cultural

Characteristics
Affecting
Consumer
Behavior

Purchase
Timing
Purchase
Amount

Buyer's Response

Characteristics Affecting Consumer Behavior



Factors Affecting Consumer Behavior:

Culture

- Most basic cause of a person's wants and behavior.
- Values
- Perceptions

Subculture

- Groups of people with shared value systems based on common life experiences.
- Hispanic Consumers
- African American Consumers
- Asian American Consumers
- Mature Consumers

Social Class

- People within a social class tend to exhibit similar buying behavior.
- Occupation
- Income
- Education
- Wealth

Factors Affecting Consumer Behavior: ***Social***

Groups

- Membership
- Reference

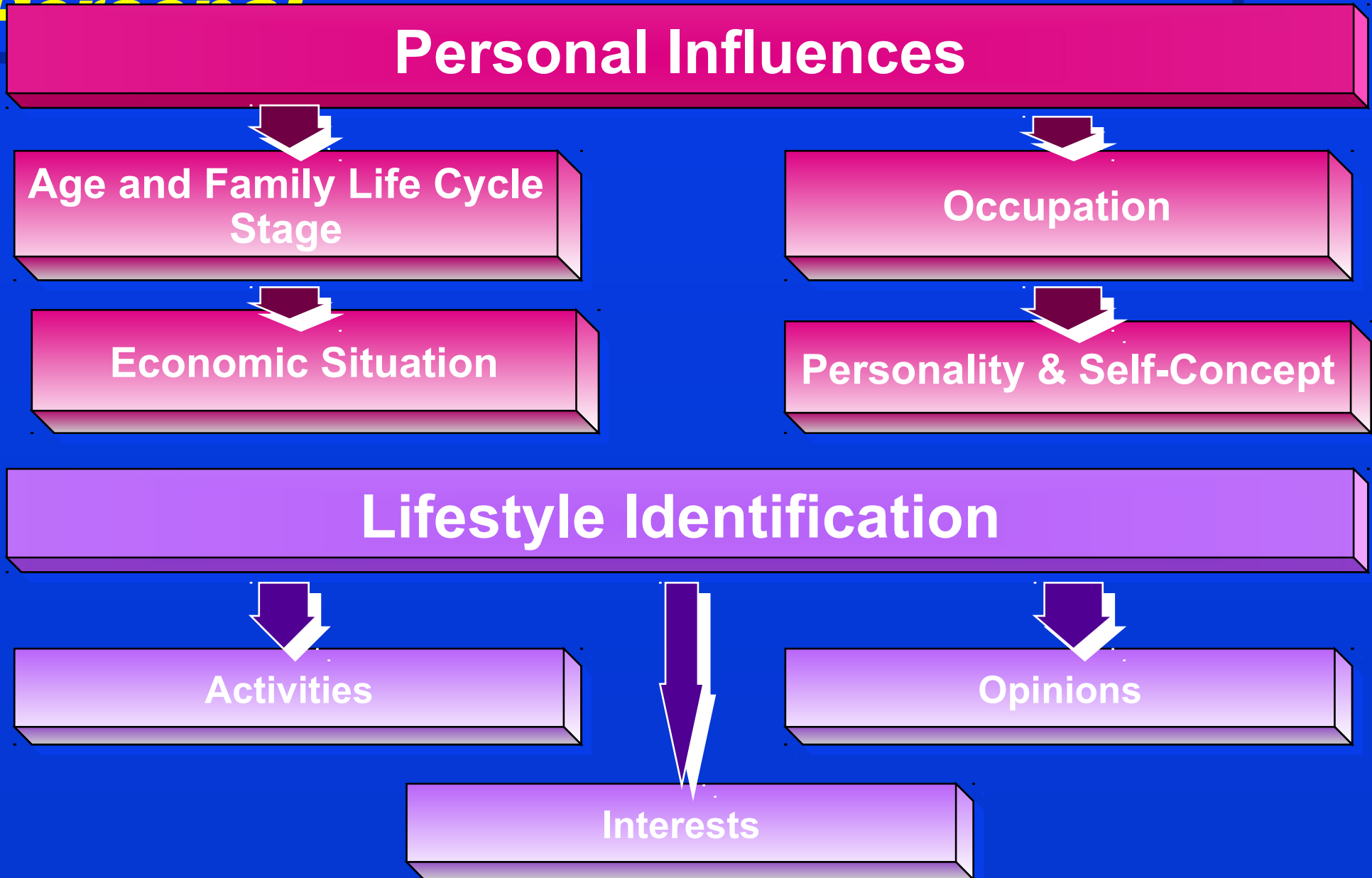
Family

- Husband, wife, kids
- Influencer, buyer, user

Roles and Status

Social Factors

Factors Affecting Consumer Behavior:



Actualizers *Abundant Resources*

Principle Oriented **Status Oriented** **Action Oriented**

Fulfilleds

Achievers

Experiencers

Believers

Strivers

Makers

Strugglers

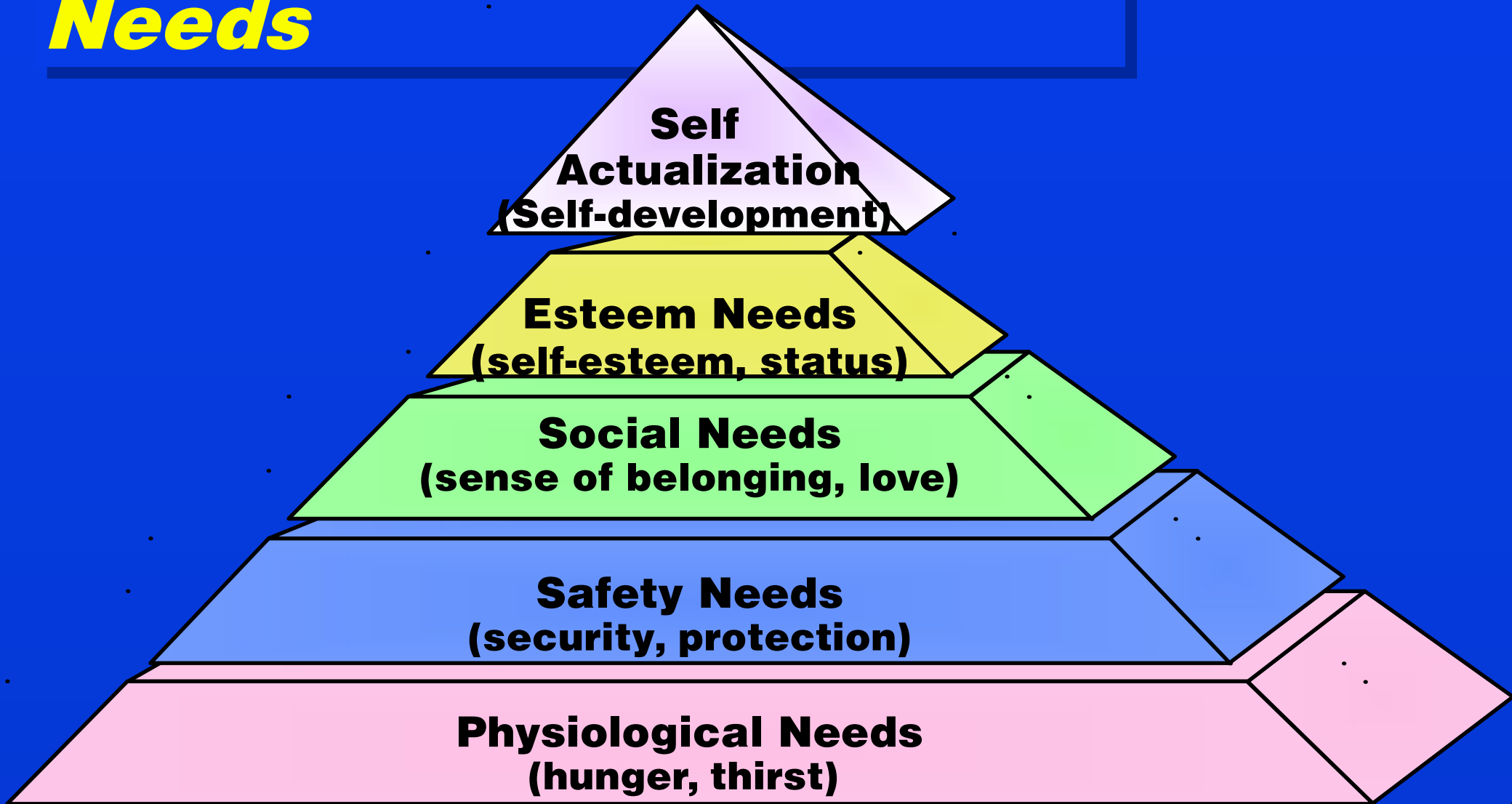
Minimal Resources

Factors Affecting Consumer Behavior: Psychological

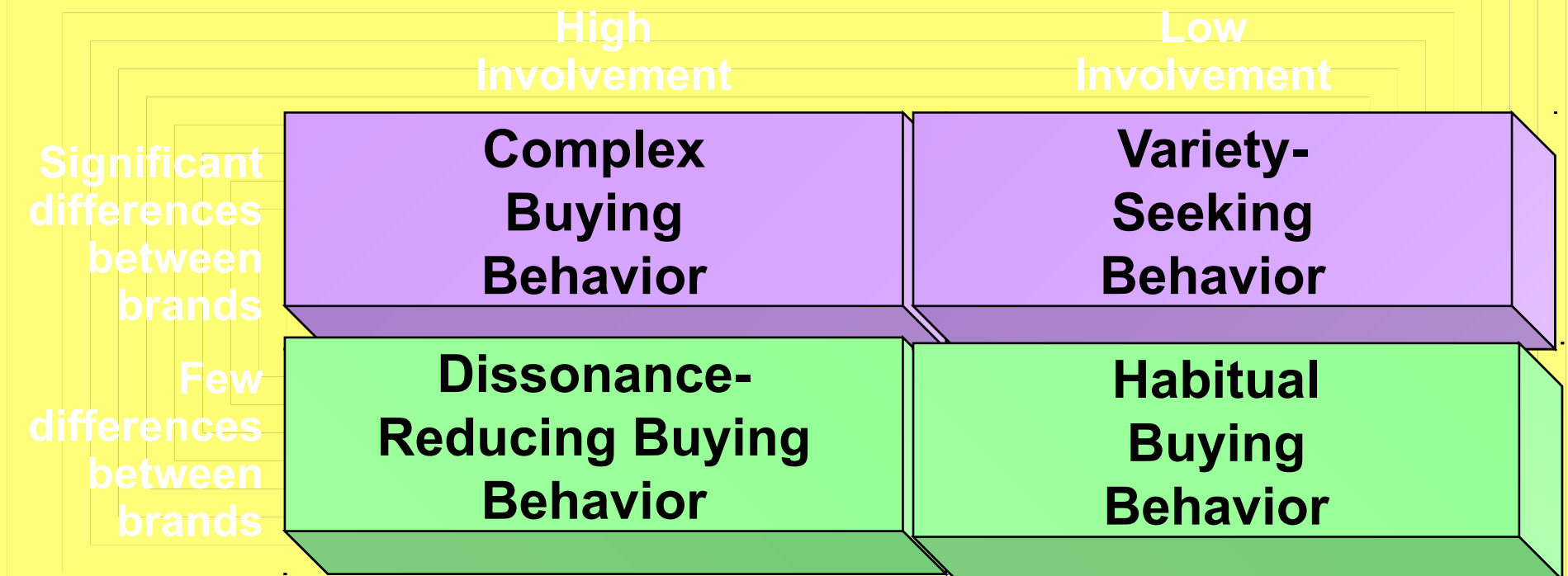
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Maslow's Hierarchy of Needs



Types of Buying Decisions



The Buyer Decision Process

Need Recognition



Information Search



Evaluation of Alternatives



Purchase Decision



Postpurchase Behavior

The Buyer Decision Process

Step 1. Need Recognition

Need Recognition

Difference between an *actual* state and a *desired* state

Internal Stimuli

- **Hunger**
- **Thirst**
- **A person's normal needs**

External Stimuli

- **TV advertising**
- **Magazine ad**
- **Radio slogan**
- **Stimuli in the environment**

The Buyer Decision Process

Step 2. Information Search

Personal Sources

- Family, friends, neighbors
- Most influential source of information

Commercial Sources

- Advertising, salespeople
- Receives most information from these sources

Public Sources

- Mass Media
- Consumer-rating groups

Experiential Sources

- Handling the product
- Examining the product
- Using the product

The Buyer Decision Process

Step 3. Evaluation of Alternatives

Product Attributes

Evaluation of Quality, Price, & Features

Degree of Importance

Which attributes matter most to me?

Brand Beliefs

What do I believe about each available brand?

Total Product Satisfaction

Based on what I'm looking for, how satisfied would I be with each product?

Evaluation Procedures

Choosing a product (and brand) based on one or more attributes.

The Buyer Decision Process

Step 4. Purchase Decision

Purchase Intention

Desire to buy the most preferred brand

Attitudes
of others

Unexpected
situational
factors

Purchase Decision

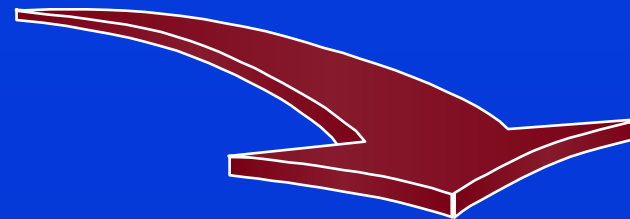
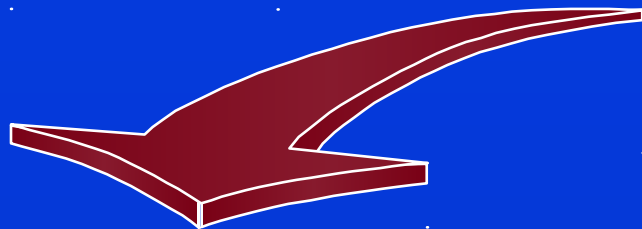
The Buyer Decision Process

Step 5. Postpurchase Behavior

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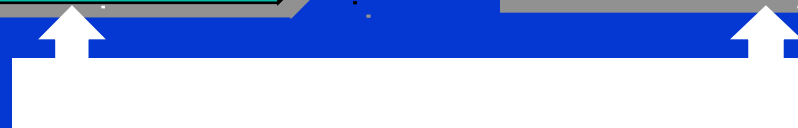
Consumer's Expectations of
Product's Performance

Product's Perceived
Performance

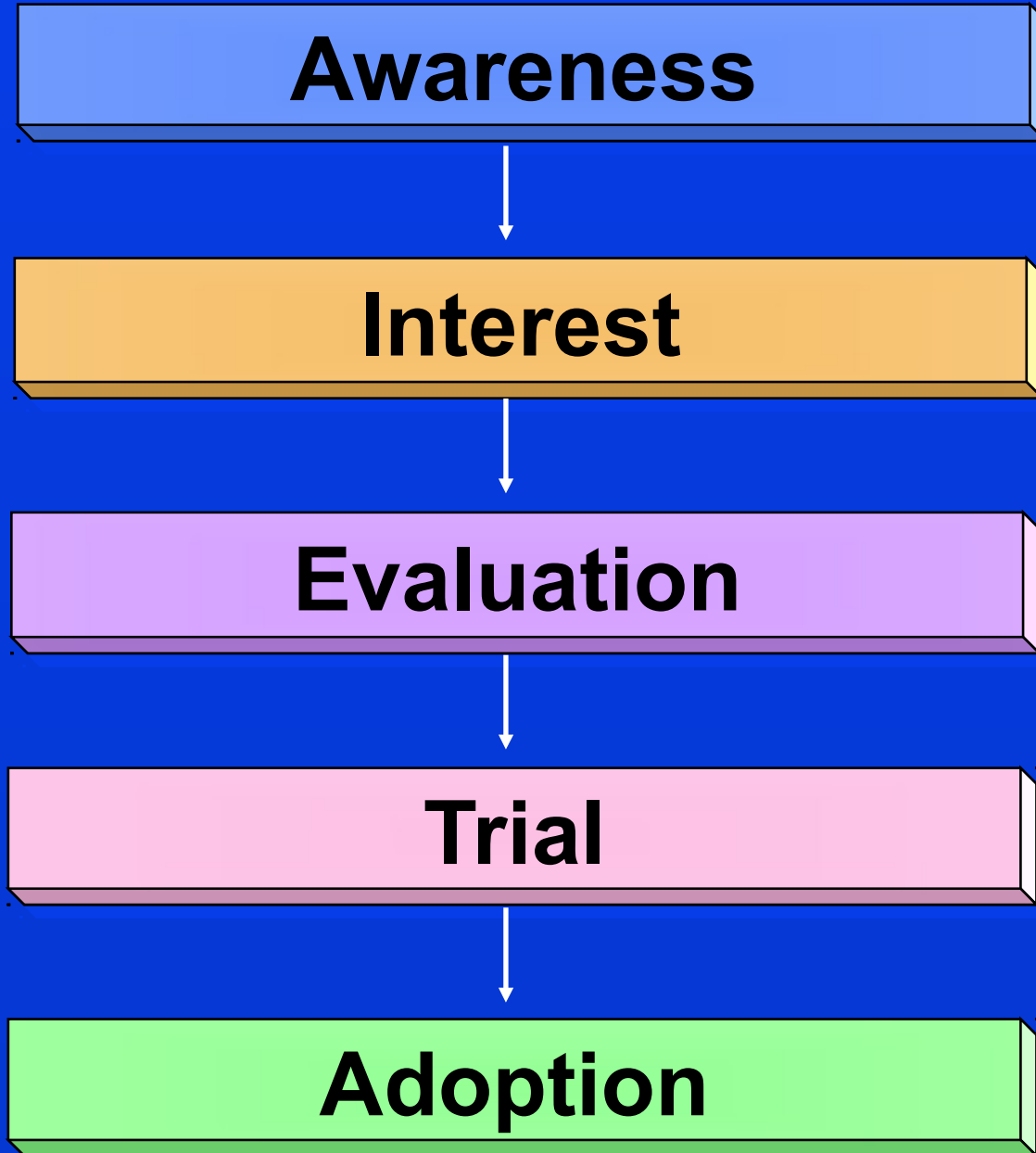


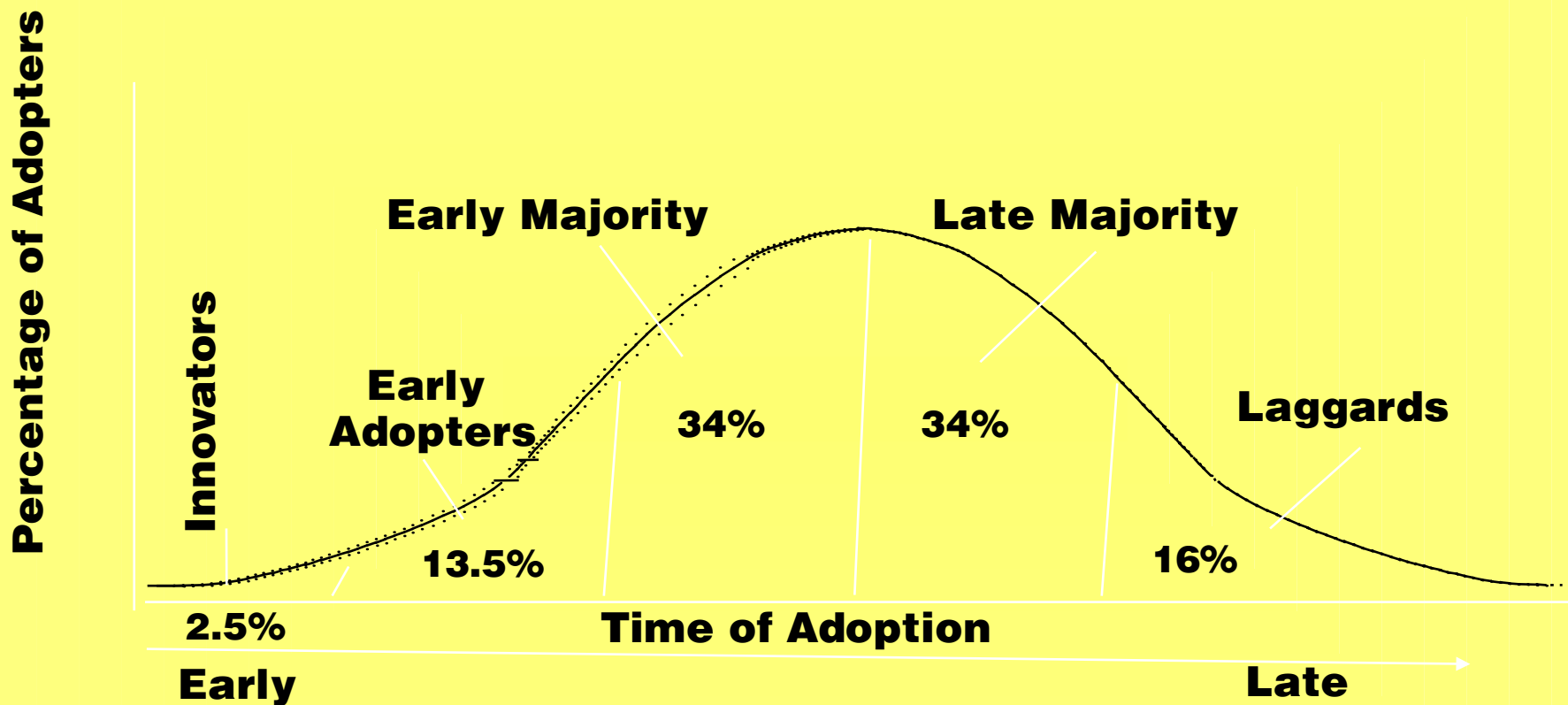
**Satisfied
Customer!**

**Dissatisfied
Customer**



Stages in the Adoption Process





Influences on the Rate of Adoption of New Products

Communicability
Can results be easily observed or described to others?

Relative Advantage
Is the innovation superior to existing products?

Product Characteristics

Divisibility
Can the innovation be used on a trial basis?

Compatibility
Does the innovation fit the values and experience of the target market?

Complexity
Is the innovation difficult to understand or use?

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Chapter 6

Business Markets

and

Business Buyer Behavior

What is a Business Market?

- **The Business Market** - all the organizations that buy goods and services to use in the production of other products and services that are sold, rented, or supplied to others.
- Business markets involve many more dollars and items do consumer markets.

Market Structure and Demand

- Fewer, larger buyers
- Geographically concentrated
- Demand derived from consumers
- Inelastic demand
- Fluctuating demand

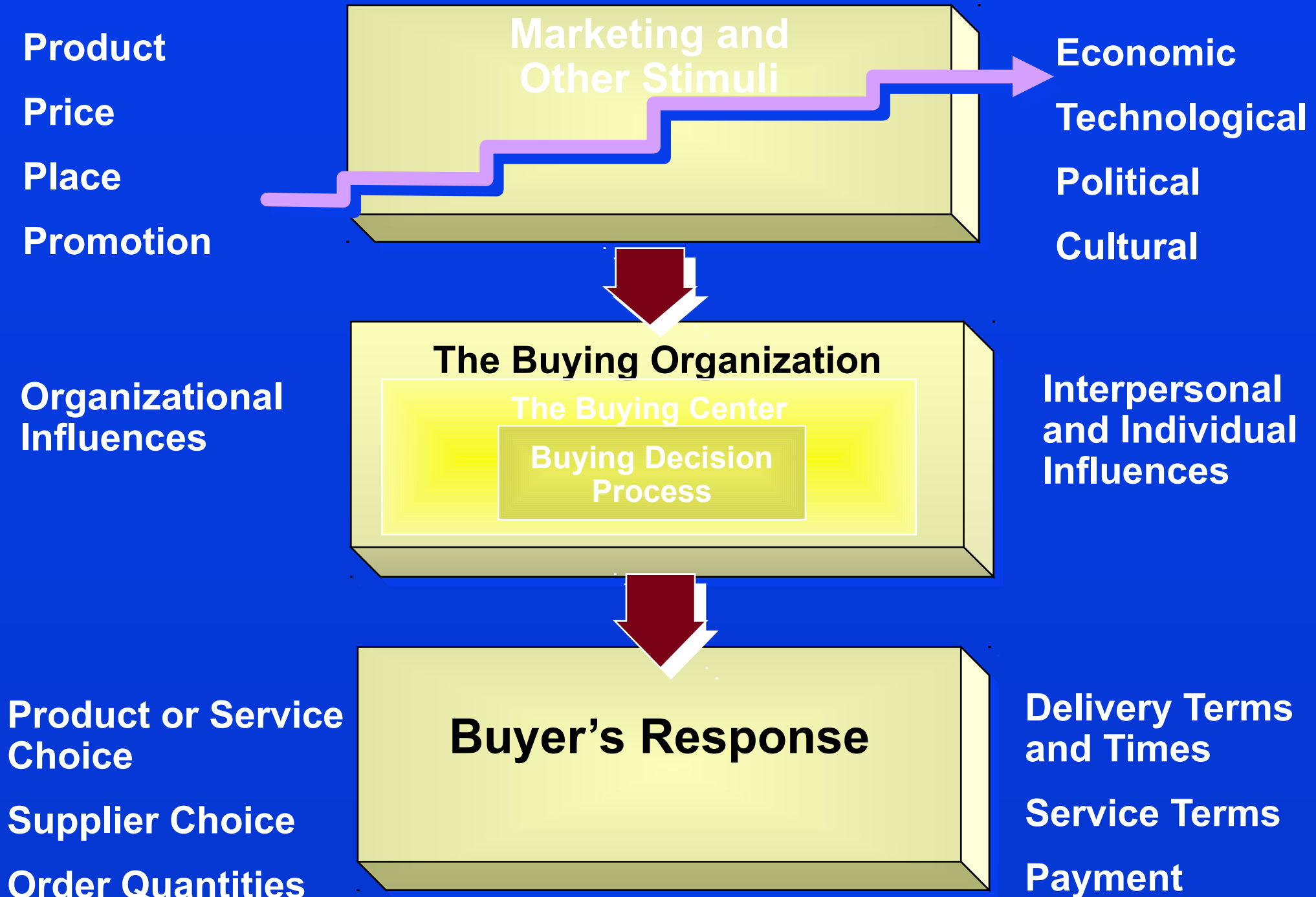
Nature of the Buying Unit

- More buyers
- More professional purchasing effort

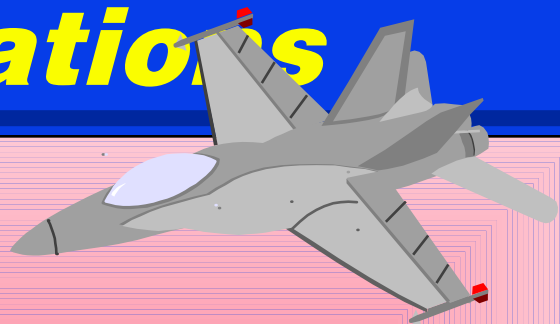
Types of Decisions & the Decision Process

- More complex decisions
- Process is more formalized
- Buyer and seller are more dependent on each other
- Build close long-term relationships with customers

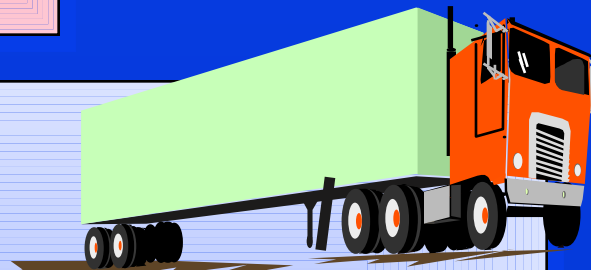
Model of Business Buyer Behavior



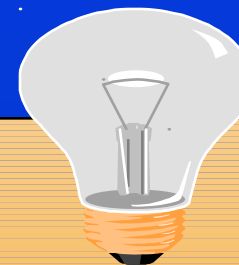
Business Buying Situations



New Task Buying



Modified Rebuy

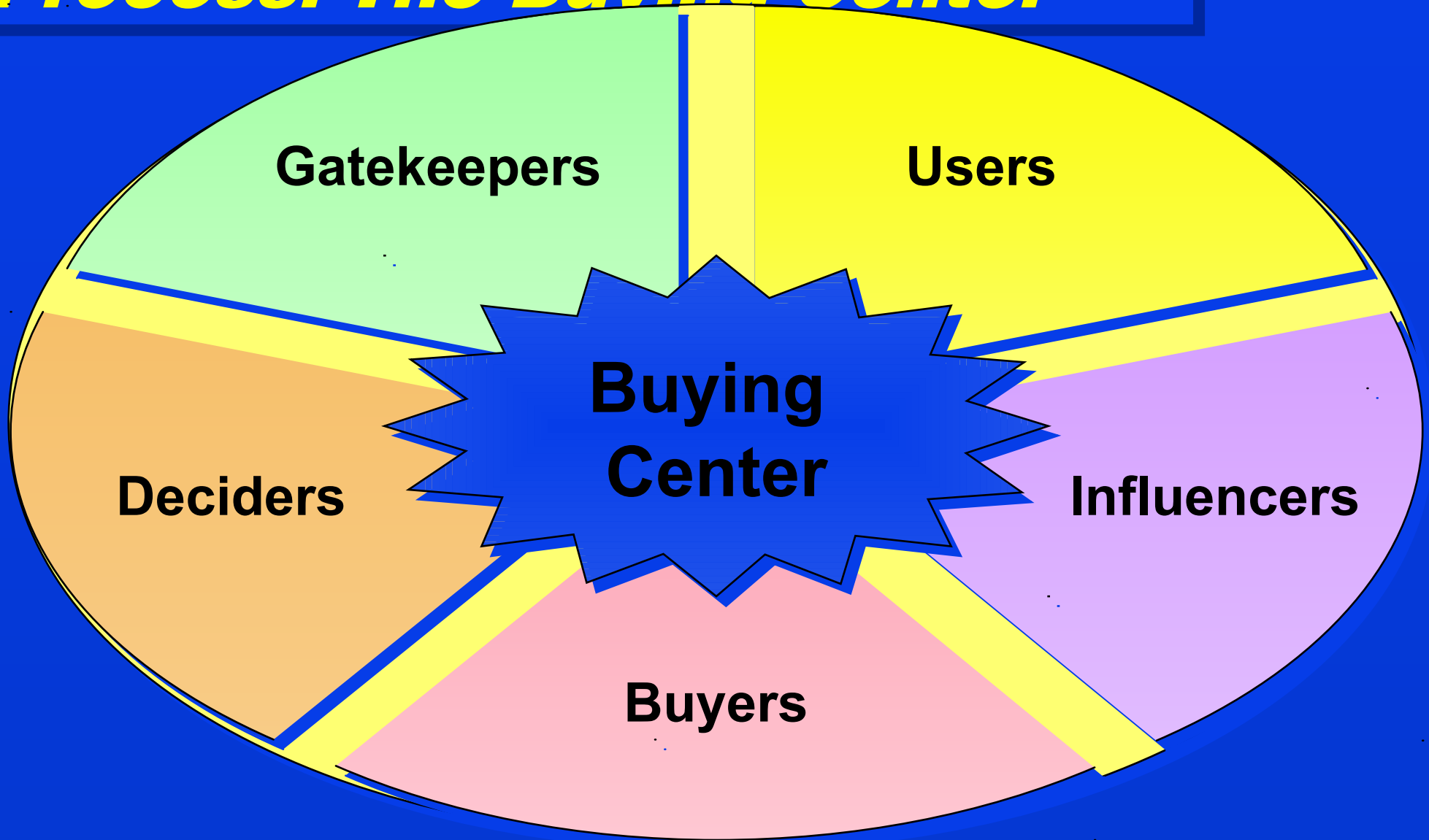


Straight Rebuy

Involved Decision Making



Participants in the Business Buying Process: The Buying Center



Major Influences on Business Buying



Environmental

Economic, Technological, Political, Competitive & Cultural



Organizational

*Objectives, Policies, Procedures,
Structure, & Systems*



Interpersonal

*Authority, Status, Empathy &
Persuasiveness*



Individual

*Age, Education, Job Position, Personality &
Risk Attitudes*



Buyers

Stages in the Business Buying Process



Institutional and Government Markets

Institutional Markets

Low Budgets

Captive Patrons

Government Markets

Specialized Buying

Public Review

Outside Publics

Open Bids

Negotiated Contracts

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Chapter 7

**Market Segmentation,
Targeting, and Positioning
for Competitive Advantage**

Steps in Segmentation, Targeting, and Positioning



Step 1. Market Segmentation

Levels of Marketing Strategy

Mass Marketing

*Same product to all consumers
(no segmentation)*

Segment Marketing

*Different products to one or more segments
(some segmentation)*

Niche Marketing

*Different products to subgroups within segments
(more segmentation)*

Micromarketing

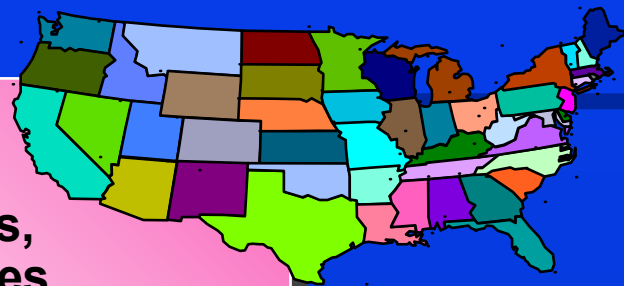
*Products to suit the tastes of individuals or locations
(complete segmentation)*

Step 1. Market Segmentation

Bases for Segmenting Consumer Markets

Geographic

Nations, states, regions or cities



Demographic

Age, gender, family size and life cycle, or income



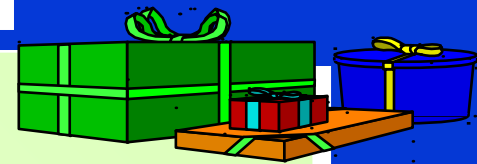
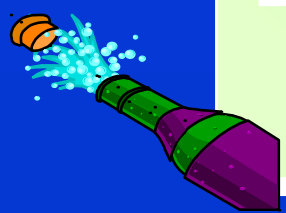
Psychographic

Social class, lifestyle, or personality



Behavioral

Occasions, benefits, uses, or responses

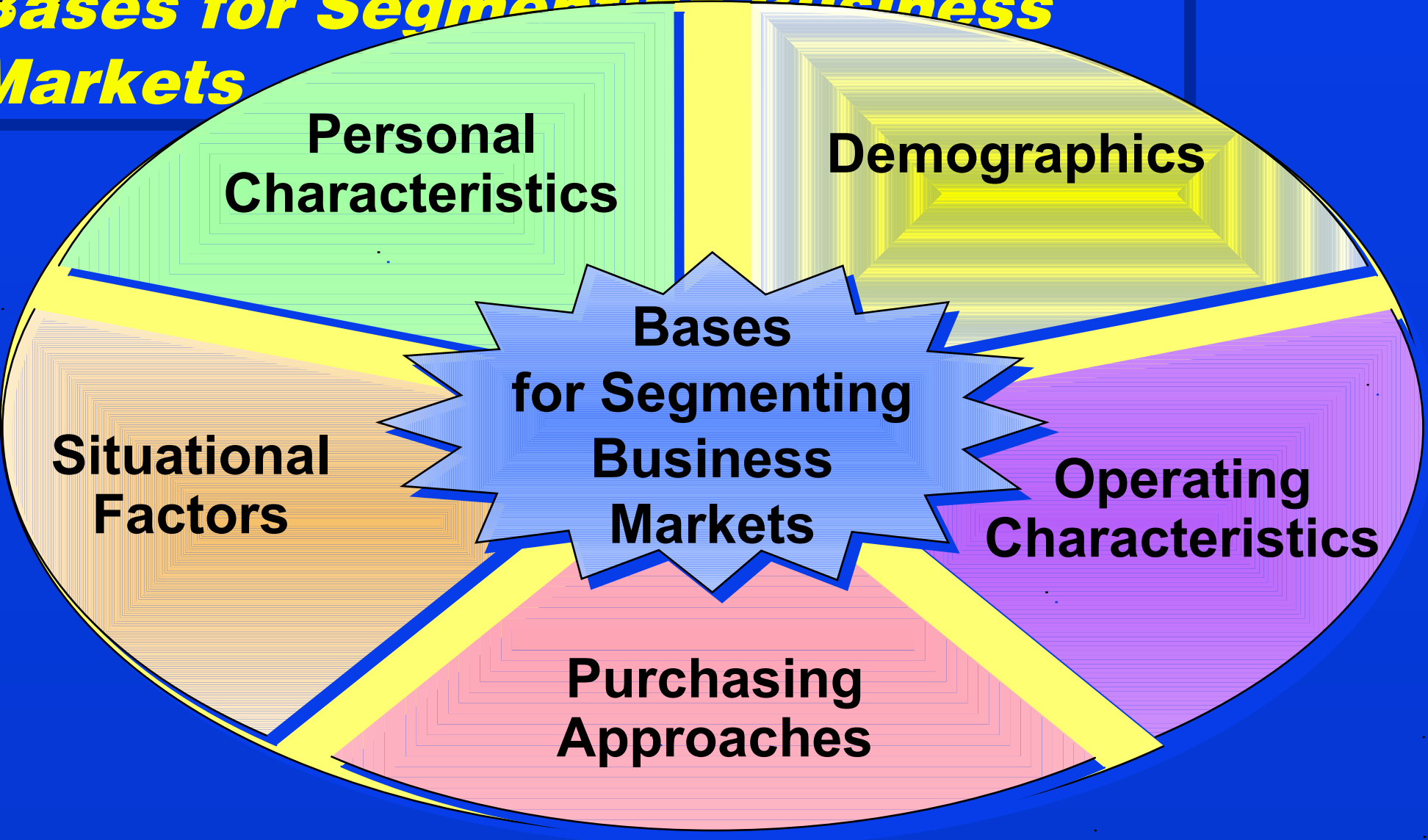


Using Multiple Segmentation Bases: Geodemographics



Step 1. Market Segmentation

Bases for Segmenting Business Markets



Step 1. Market Segmentation

Bases for Segmenting International Markets

Industrial Markets

```
graph TD; A[Industrial Markets] --> B[Geographic]; A --> C[Economic]; A --> D[Political/Legal]; B --- E[Cultural]; C --- F[Intermarket]; D --- F;
```

Geographic

Economic

**Political/
Legal**

Cultural

Intermarket

Step 1. Market Segmentation

Requirements for Effective Segmentation

Measurable

- Size, purchasing power, profiles of segments can be measured.

Accessible

- Segments must be effectively reached and served.

Substantial

- Segments must be large or profitable enough to serve.

Differential

- Segments must respond differently to different marketing mix elements & actions.

Actionable

- Must be able to attract and serve the segments.

Step 2. Market

Targeting

Evaluating Market

Segments

- **Segment Size and Growth**

- Analyze sales, growth rates and expected profitability.

- **Segment Structural Attractiveness**

- Consider effects of: **Competitors, Availability of Substitute Products and, the Power of Buyers & Suppliers.**

- **Company Objectives and Resources**

- **Company skills & resources relative to the segment(s).**

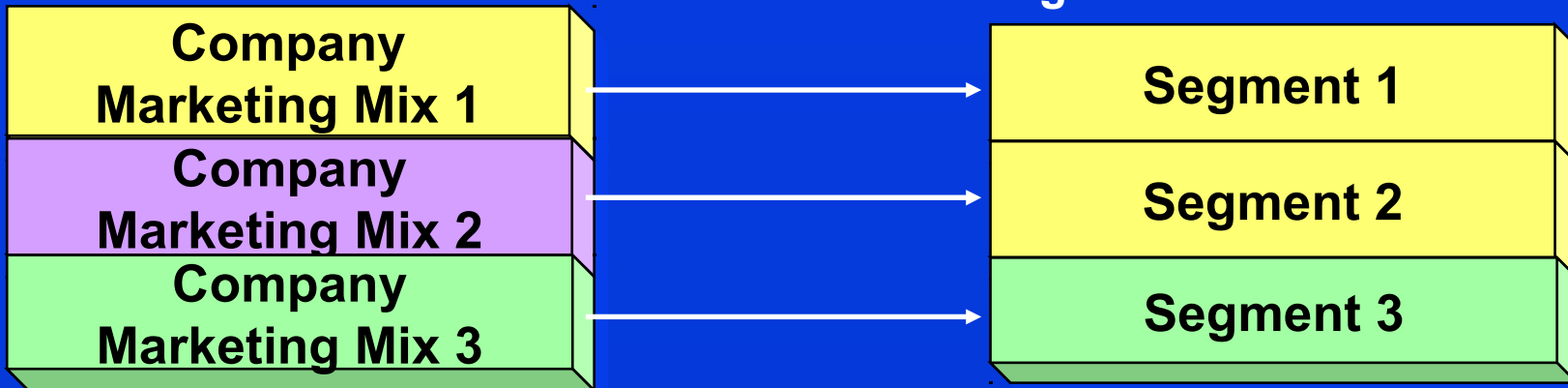
- **Look for Competitive Advantages.**

Step 2. Market Targeting

Ma
Str



A. Undifferentiated Marketing



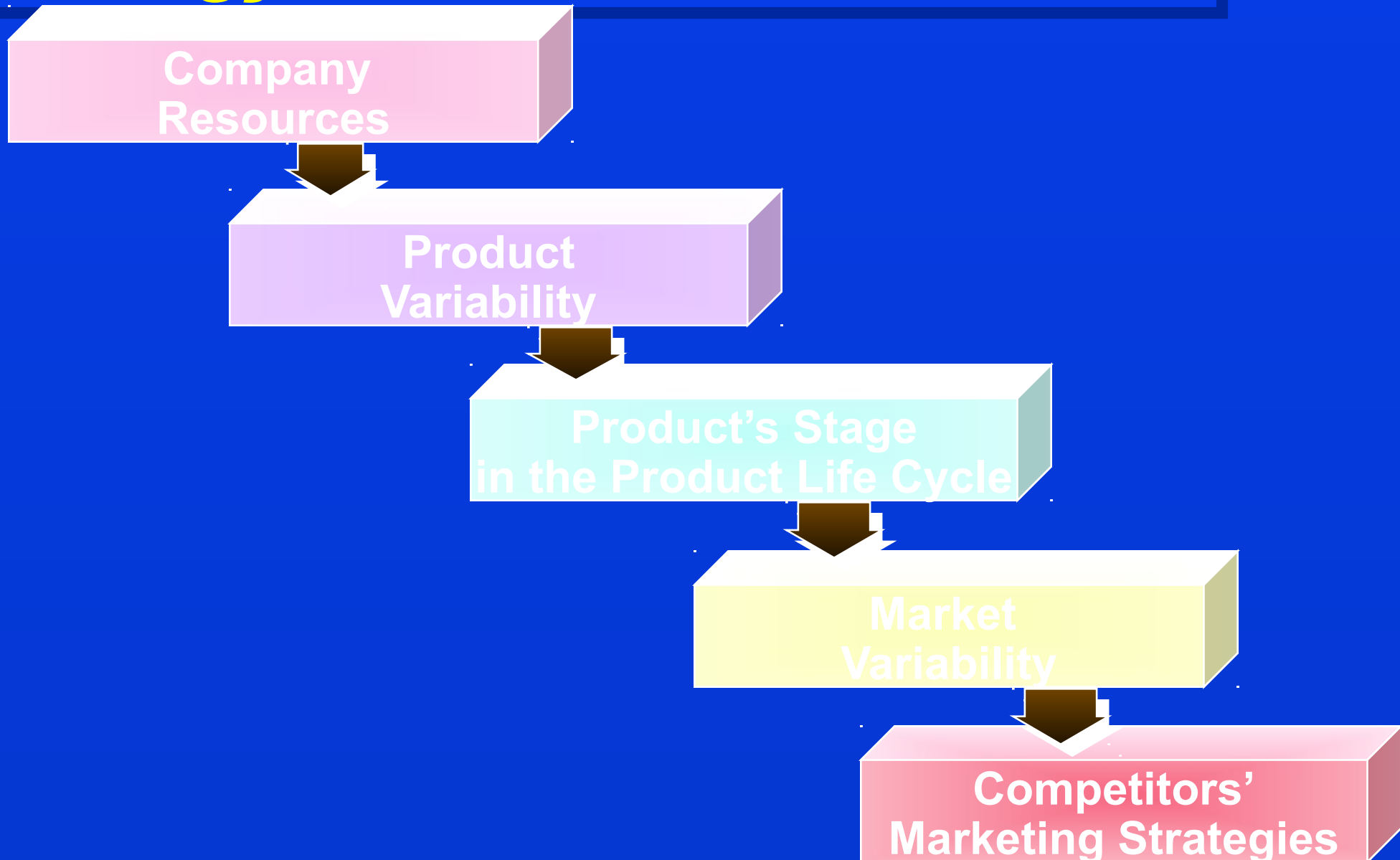
B. Differentiated Marketing



C. Concentrated Marketing

Step 2. Market Targeting

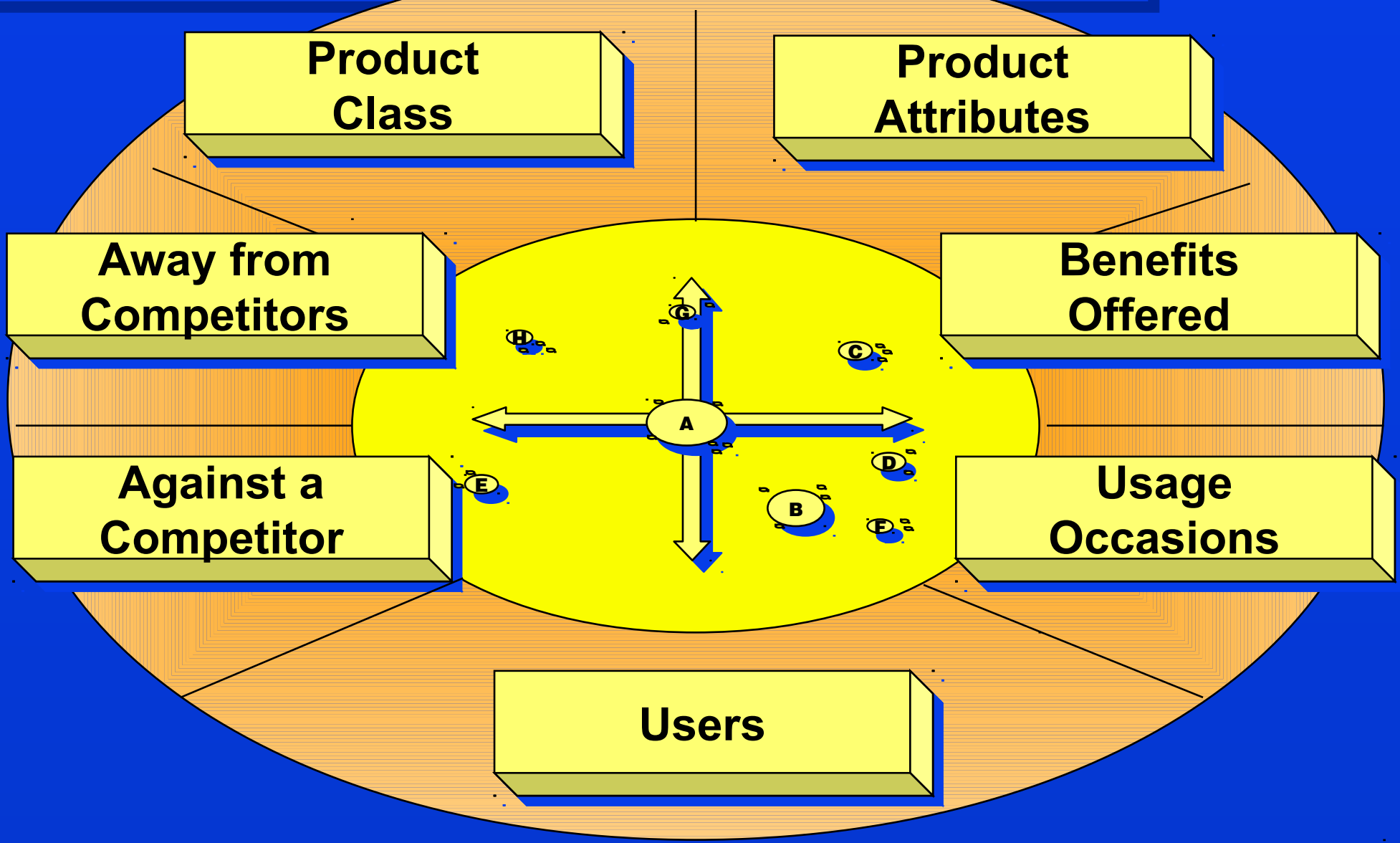
Choosing a Market-Coverage Strategy



Step 3. Positioning for Competitive Advantage

- **Product's Position** - the place the product occupies in consumers' minds relative to competing products; i.e. Volvo positions on "safety".
- **Marketers must:**
 - *Plan* positions to give products the greatest advantage
 - Develop marketing mixes to create planned positions

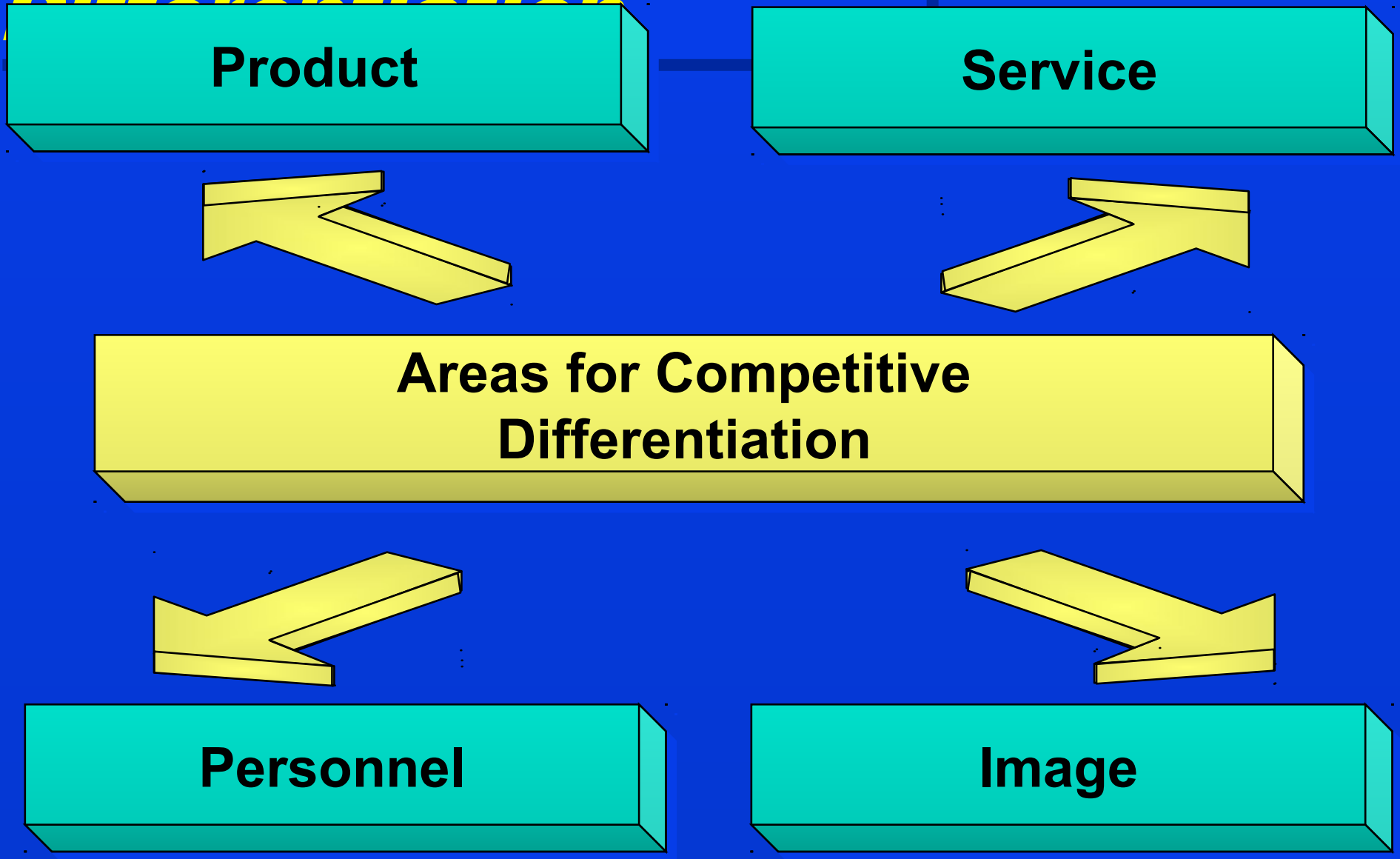
Step 3. Positioning for Competitive Advantage: Strategies



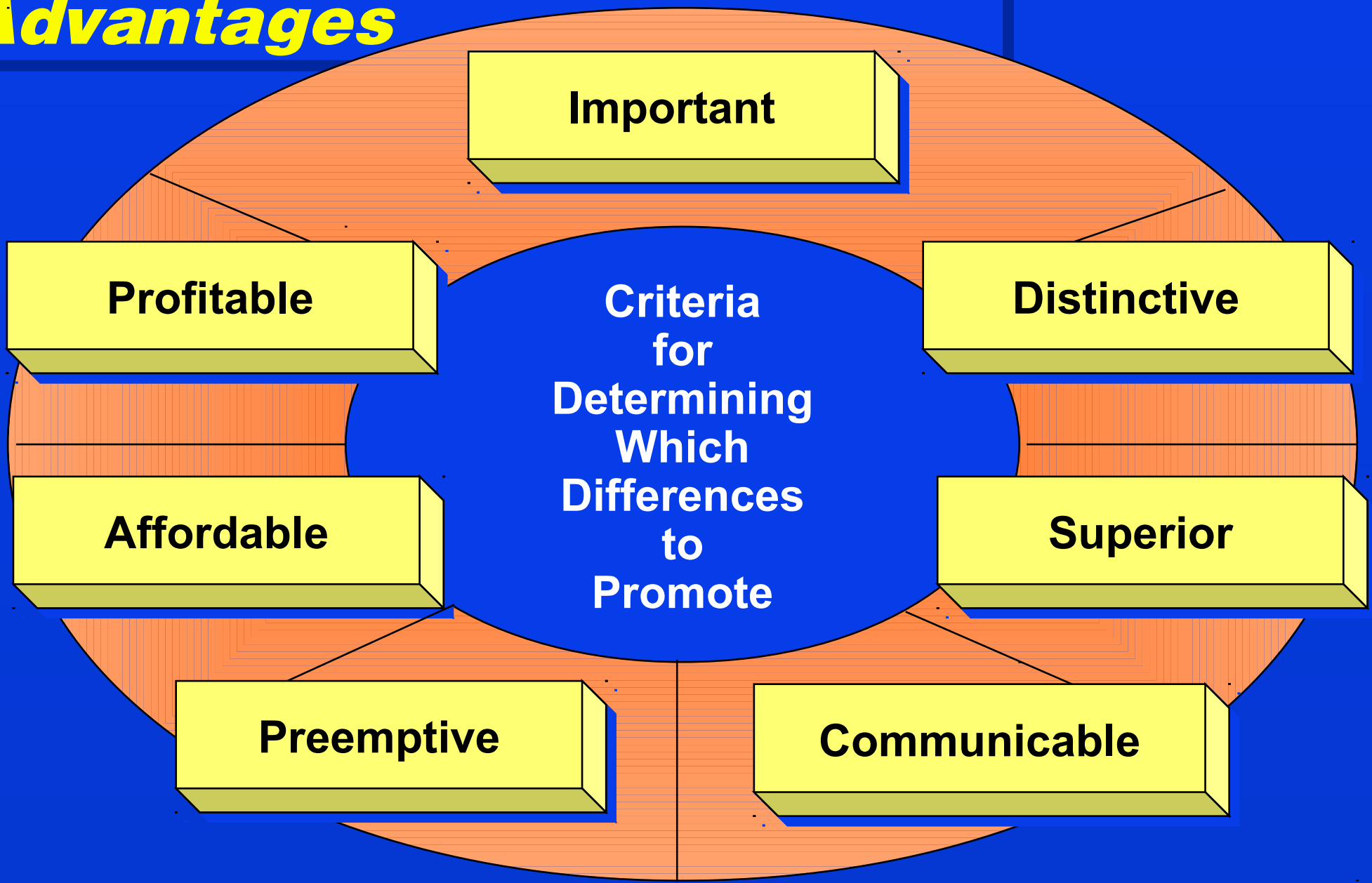
Steps to Choosing and Implementing a Positioning Strategy

- **Step 1.** Identifying a set of possible competitive advantages: Competitive Differentiation.
- **Step 2.** Selecting the right competitive advantage.
- **Step 3.** Effectively communicating and delivering the chosen position to the market.

Developing Competitive Differentiation



Selecting the Right Competitive Advantages



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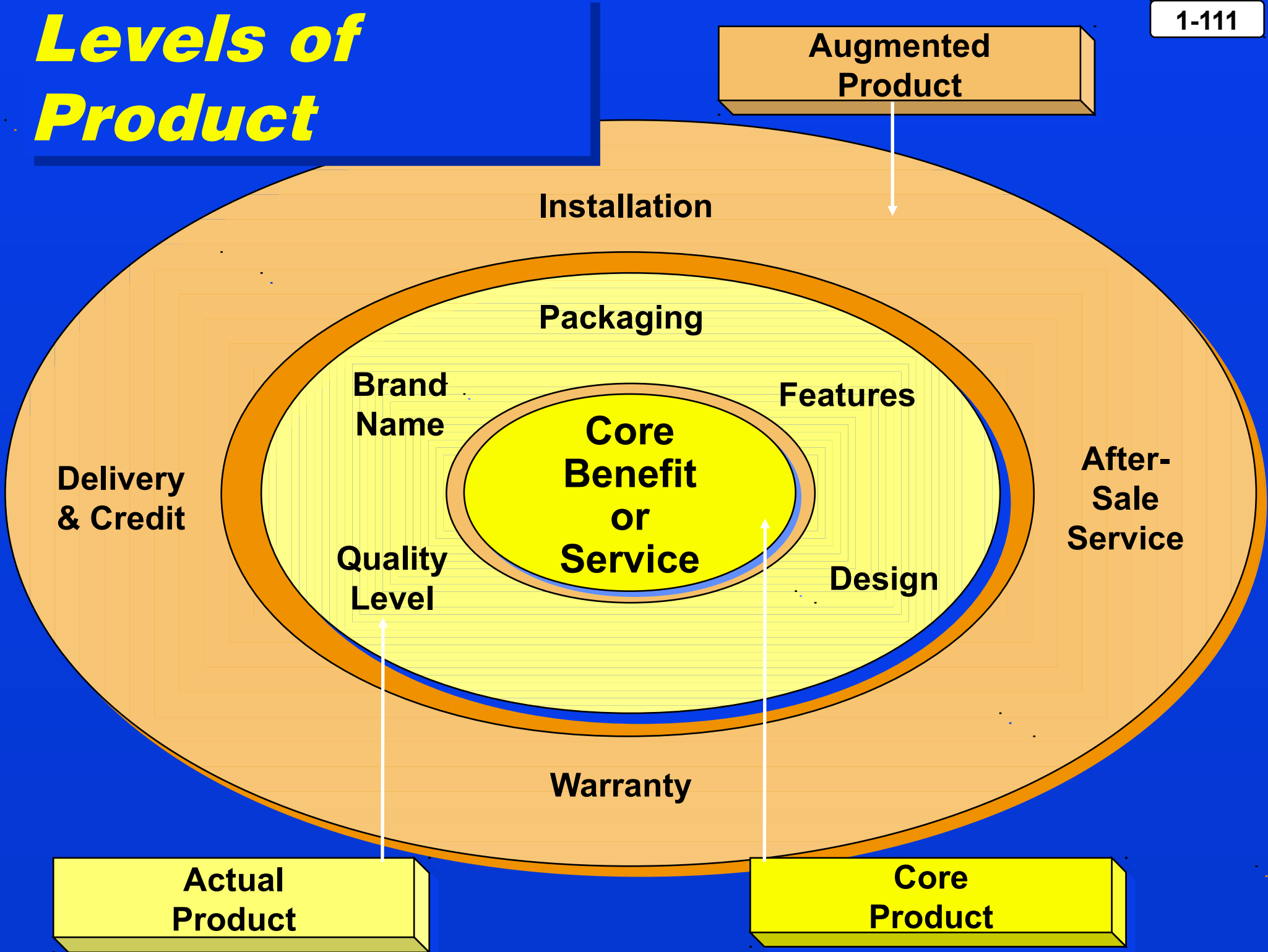
Chapter 8

**Product and Services
Strategy**

What is a Product?

- Anything that can be offered to a market for attention, acquisition, use or consumption.
- Satisfies a want or a need.
- Includes:
 - Physical Products
 - Services
 - Persons
 - Places
 - Organizations
 - Ideas
 - Combinations of the above

Levels of Product



Product Classifications

Convenience Products

- > Buy frequently & immediately
- > Low priced
- > Many purchase locations
- > Includes:
 - Staple goods
 - Impulse goods
 - Emergency goods

Shopping Products

- > Buy less frequently
- > Gather product information
- > Fewer purchase locations
- > Compare for:
 - Suitability & Quality
 - Price & Style

Specialty Products

- > Special purchase efforts
- > Unique characteristics
- > Brand identification
- > Few purchase locations

Unsought Products

- > New innovations
- > Products consumers don't want to think about
- > Require much advertising & personal selling

Product Classifications Industrial Products

**Materials
and
Parts**

**Capital
Items**

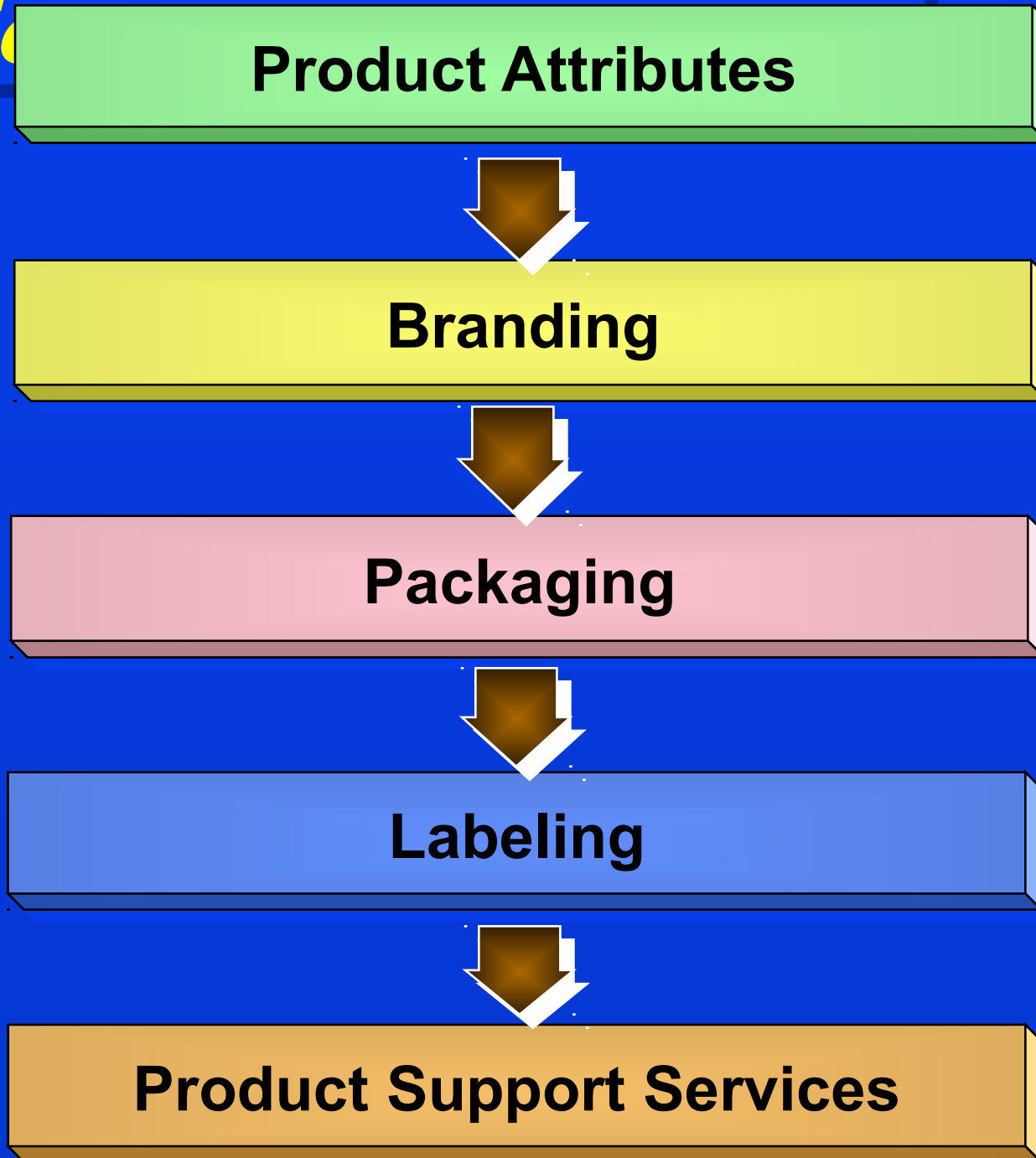
**Supplies
and
Services**

Product Classifications

Other Marketable Entities

- **Marketed to create, maintain, or change the attitudes or behavior toward the following:**
- **Organizations - Profit (businesses) and nonprofit (schools and churches).**
- **Person - Political and sports figures, entertainers, doctors and lawyers.**
- **Place - Business sites and tourism.**
- **Social - Reduce smoking, clean air, conservation.**

Individual Product Decision



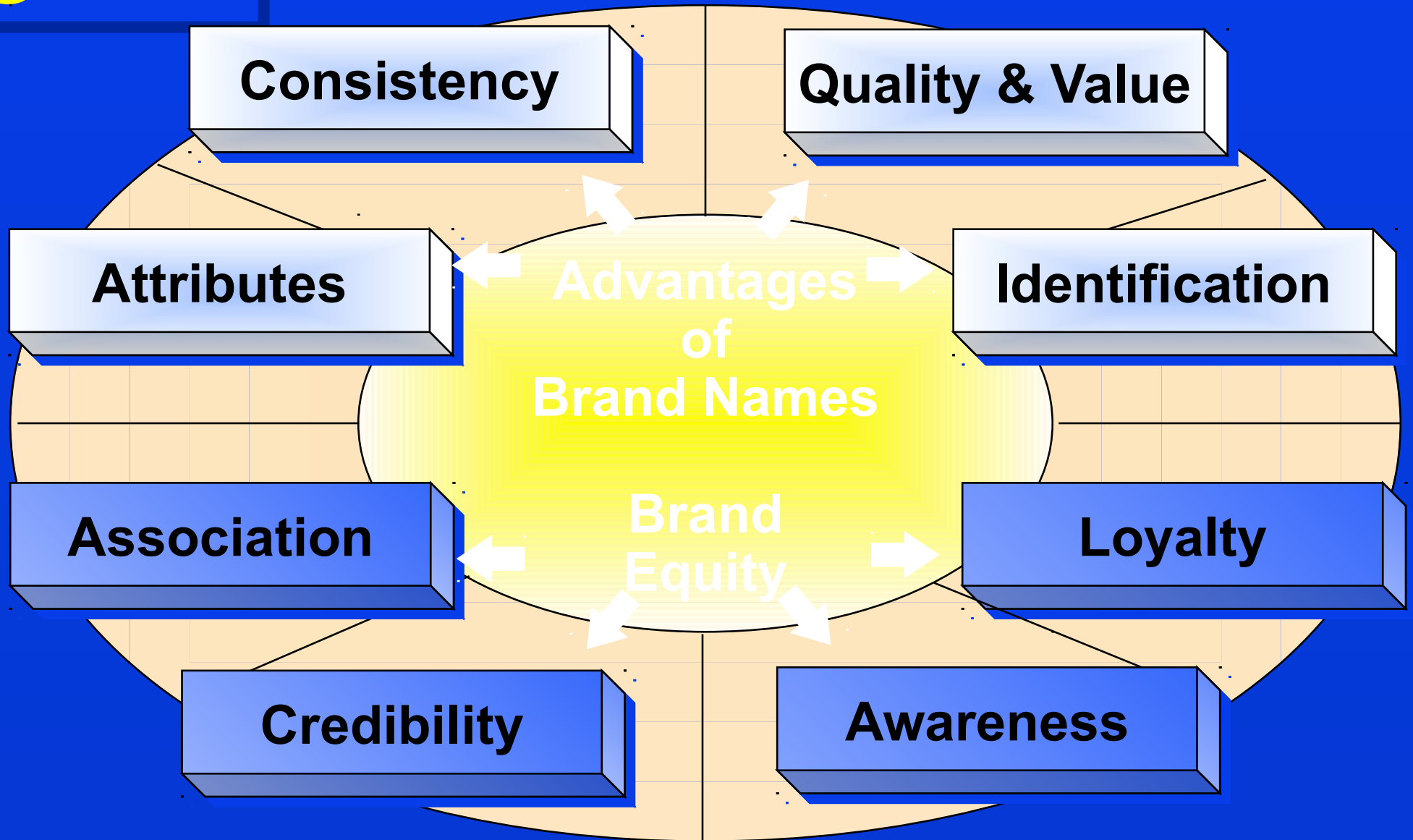
Product Attribute Decisions



Quality

Features

Design



Major Brand Decisions

Brand Name Selection

**Selection
Protection**

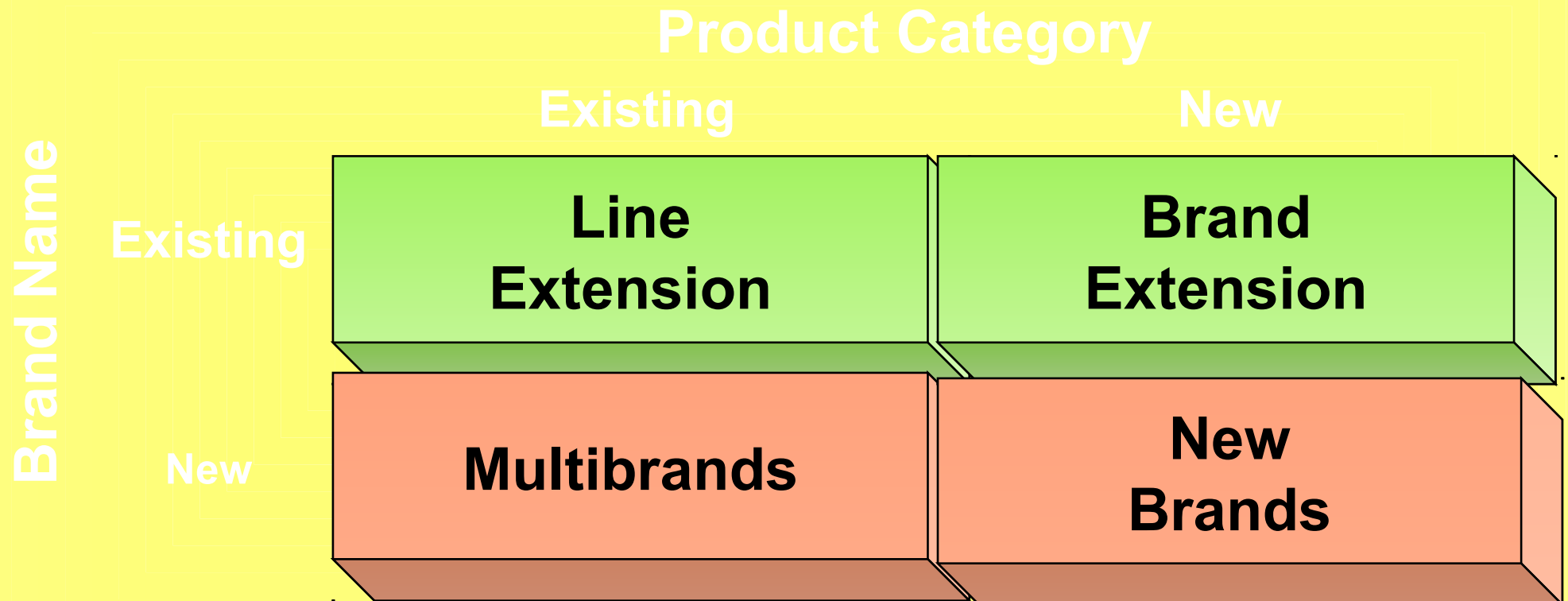
Brand Sponsor

**Manufacturer's Brand
Private Brand
Licensed Brand
Co-branding**

Brand Strategy

**Line Extensions
Brand Extensions
Multibrands
New Brands**

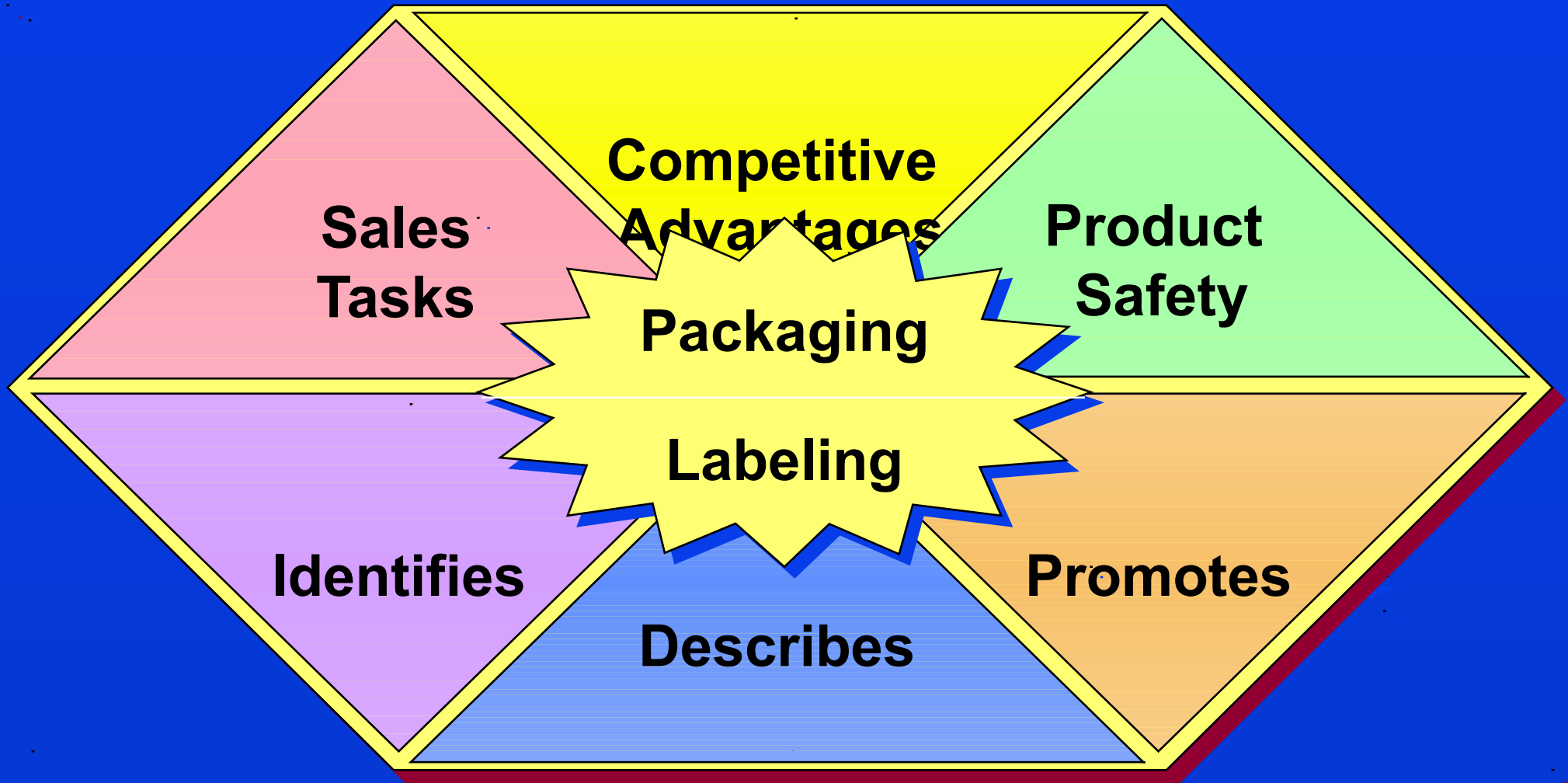
Brand Strategy



Brand Strategy

- Line Extension
 - Existing brand names extended to new forms, sizes, and flavors of an existing product category.
- Brand Extension
 - Existing brand names extended to new product categories.
- Multibrands
 - New brand names introduced in the same product category.
- New Brands
 - New brand names in new product categories.

Packagi ng

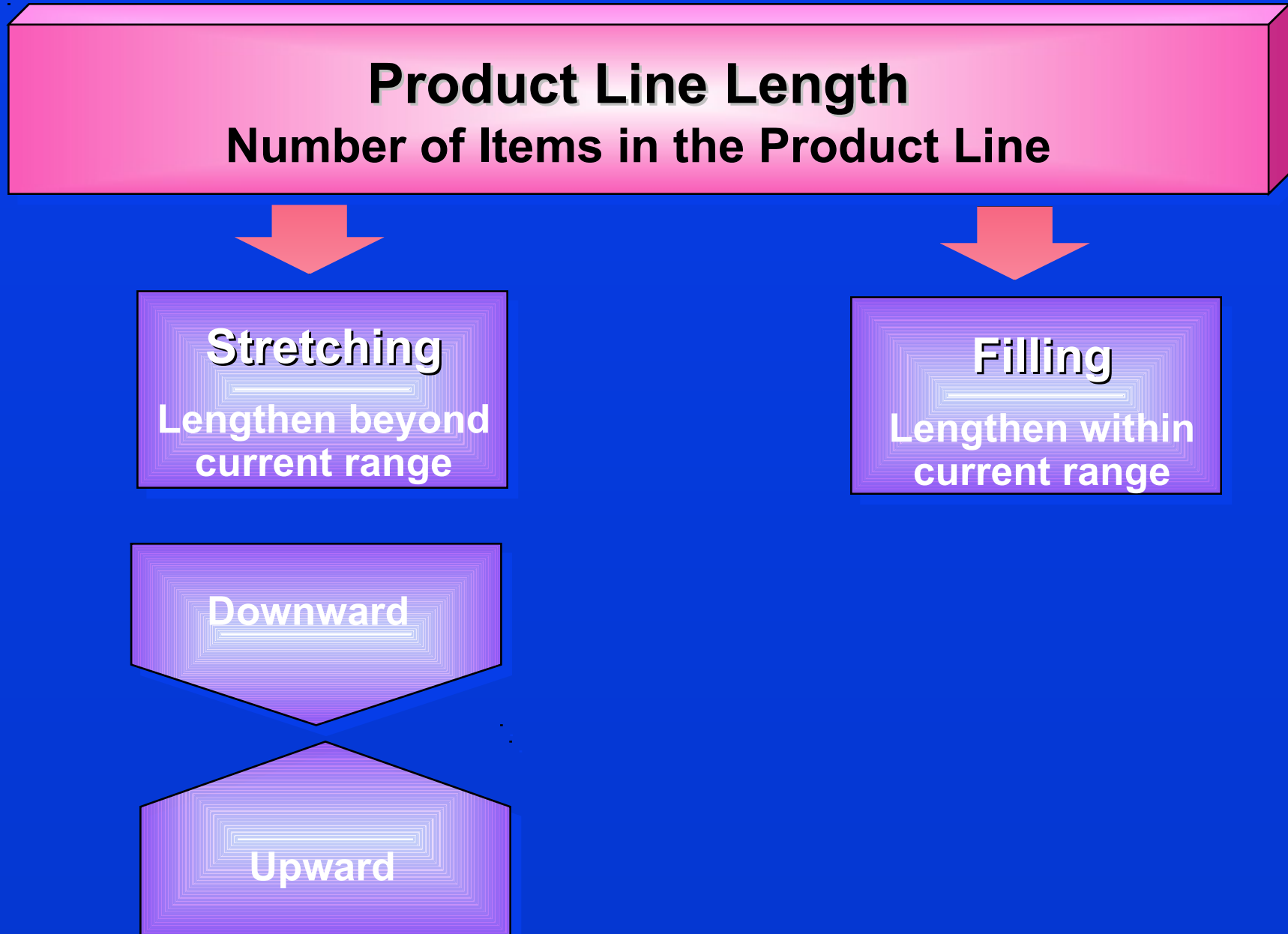


Product - Support Services

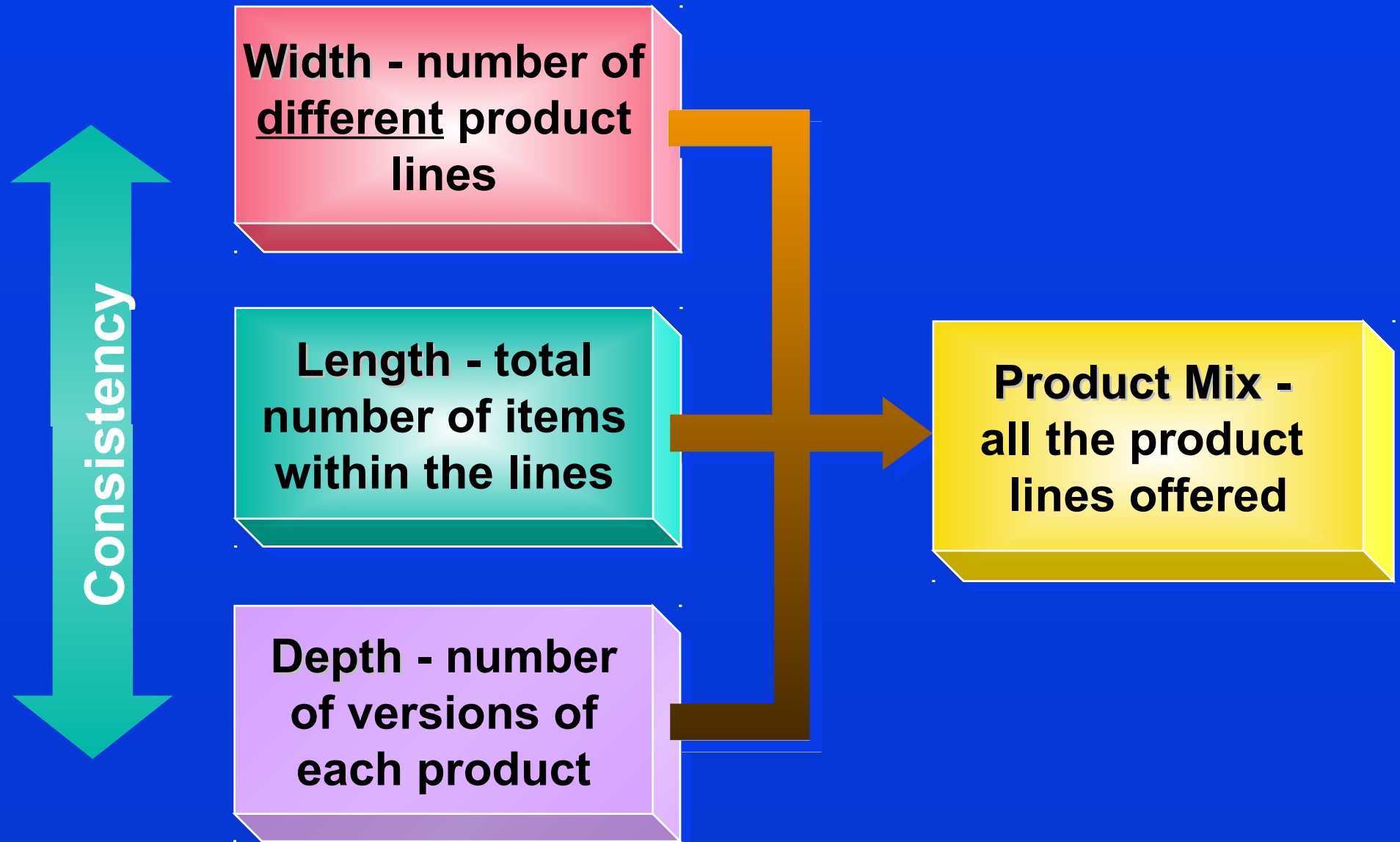
Companies should design its support services to profitably meet the needs of target customers.

How?

- **Step 1. Survey customers to determine satisfaction with current services and any desired new services.**
- **Step 2. Assess costs of providing desired services.**
- **Step 3. Develop a package of services to delight customers and yield profits.**



Product Mix Decisions



Characteristics of Services

Intangibility

Can't be seen, tasted, felt, heard, or smelled before purchase.

Inseparability

Can't be separated from service providers.

Variability

Quality depends on who provides them and when, where and how.

Perishability

Can't be stored for later sale or use.

The Service-Quality Chain



Marketing Strategies for Service Firms

- **Managing Service Differentiation**
 - Develop offer, delivery and image with competitive advantages.
- **Managing Service Quality**
 - Empower employees
 - Become “Customer obsessed”
 - Develop high service quality standards
 - Watch service performance closely
- **Managing Service Productivity**
 - Train current or new employees
 - Increase quantity by decreasing quality
 - Utilize technology

PRINCIPLES OF MARKETING

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Chapter 9

New Product Development

and

Product Life-Cycle Strategies

New-Product Development Strategies

Strategies for Obtaining New Product Ideas

**Acquired
Companies**

**Acquired
Patents**

**Acquired
Licenses**

**Original
Products**

**Product
Improvements**

**Product
Modifications**

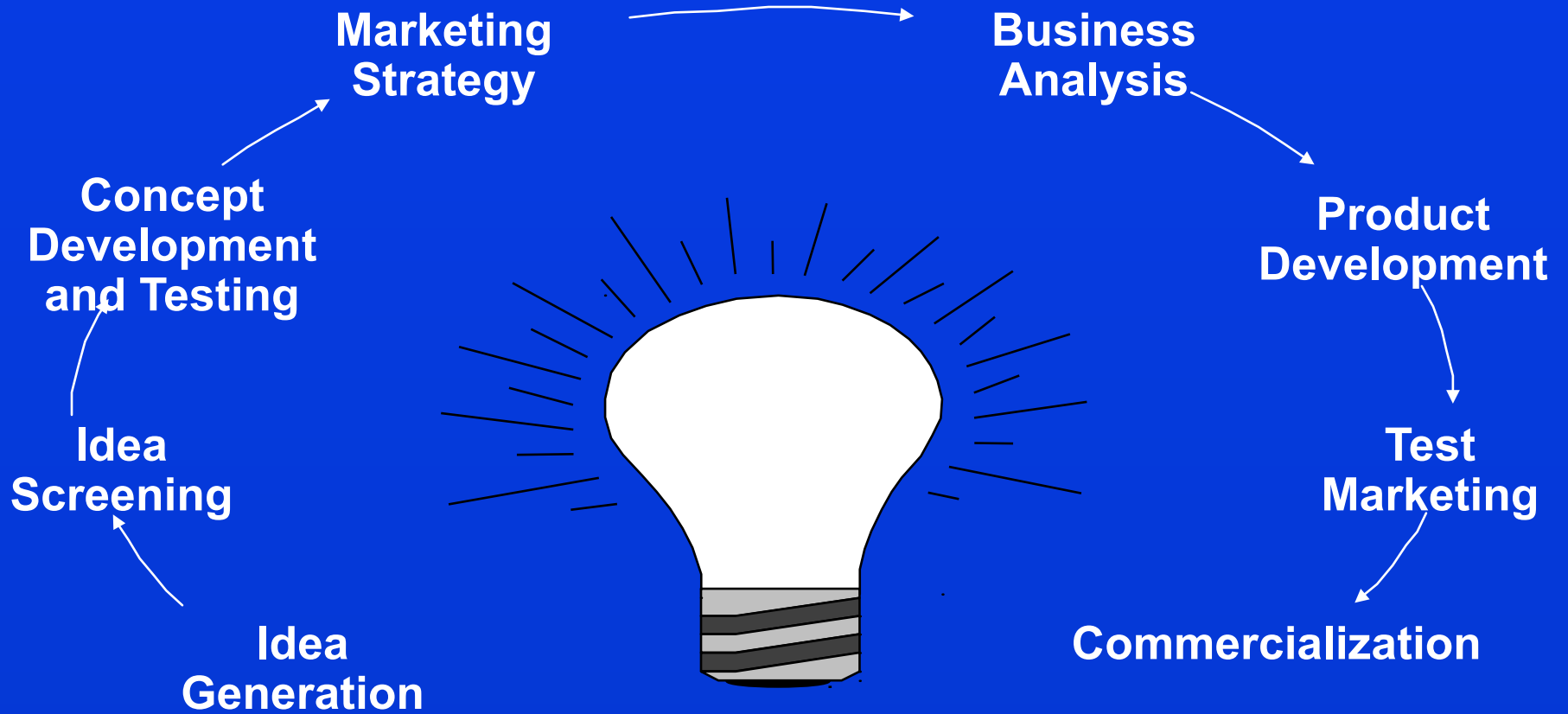
**New
Brands**

Causes of New Product Failures

- **Overestimation of Market Size**
- **Product Design Problems**
- **Product Incorrectly Positioned, Priced or Advertised**
- **Costs of Product Development**
- **Competitive Actions**

- **To create successful new products, the company must:**
 - **understand it's customers, markets and competitors**
 - **develop products that deliver superior value to customers.**

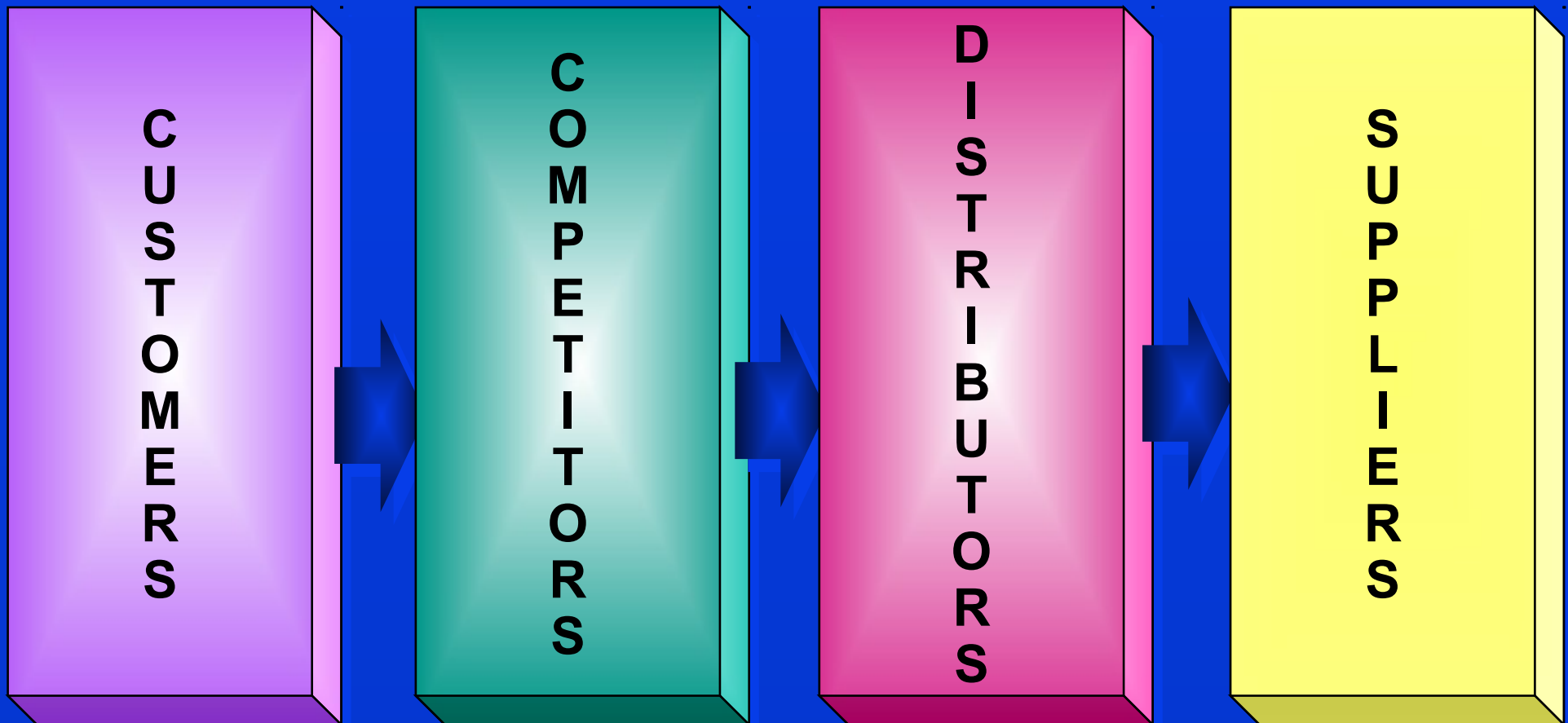
New Product Development Process



New Product Development Process

Step 1. Idea Generation

Idea Generation is the Systematic Search for New Product Ideas Obtained Internally and From:



New Product Development Process

Step 2. Idea Screening

- **Process to spot good ideas and drop poor ones as soon as possible.**
- **Many companies have systems for rating and screening ideas which estimate:**
 - **Market Size**
 - **Product Price**
 - **Development Time & Costs**
 - **Manufacturing Costs**
 - **Rate of Return**
- **Then, the idea is evaluated against a set of general company criteria.**

New Product Development Process

Step 3. Concept Development & Testing

**1. Develop Product Ideas into
Alternative
Product Concepts**

```
graph TD; A[1. Develop Product Ideas into Alternative Product Concepts] --> B[2. Concept Testing - Test the Product Concepts with Groups of Target Customers]; B --> C[3. Choose the Best One];
```

**2. Concept Testing - Test the
Product Concepts with Groups
of Target Customers**

3. Choose the Best One

New Product Development Process

Step 4. Marketing Strategy Development

1-135

Marketing Strategy Statement Formulation

Part One Describes Overall:
Target Market
Planned Product Positioning
Sales & Profit Goals
Market Share

Part Two Describes Short-Term:
Product's Planned Price
Distribution
Marketing Budget

Part Three Describes Long-Term:
Sales & Profit Goals
Marketing Mix Strategy

New Product Development Process

Step 5. Business Analysis

Step 6. Product Development

Business Analysis

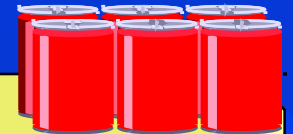
**Review of Product Sales, Costs,
and Profits Projections to See if
They Meet Company Objectives**



**If No, Eliminate
Product Concept**



**If Yes, Move to
Product Development**



New Product Development Process

Step 7. Test Marketing

Standard Test Market

**Full marketing campaign
in a small number of
representative cities.**

Controlled Test Market

**A few stores that have
agreed to carry new
products for a fee.**

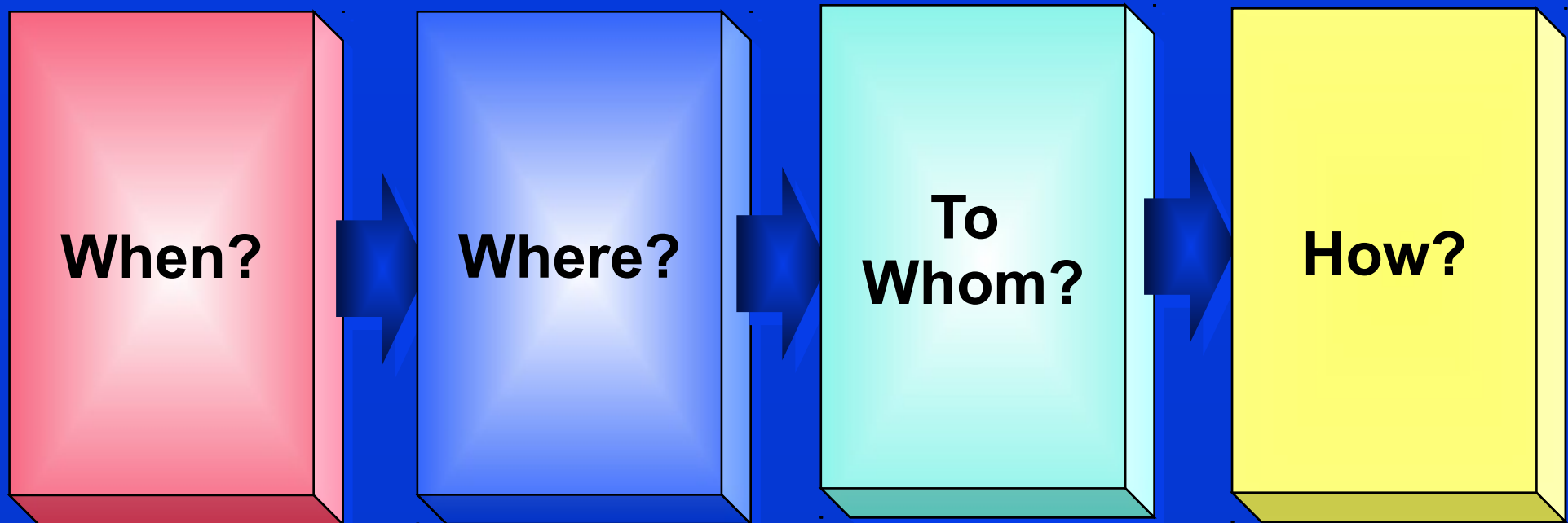
Simulated Test Market

**Test in a simulated
shopping environment
to a sample of
consumers.**

New Product Development Process

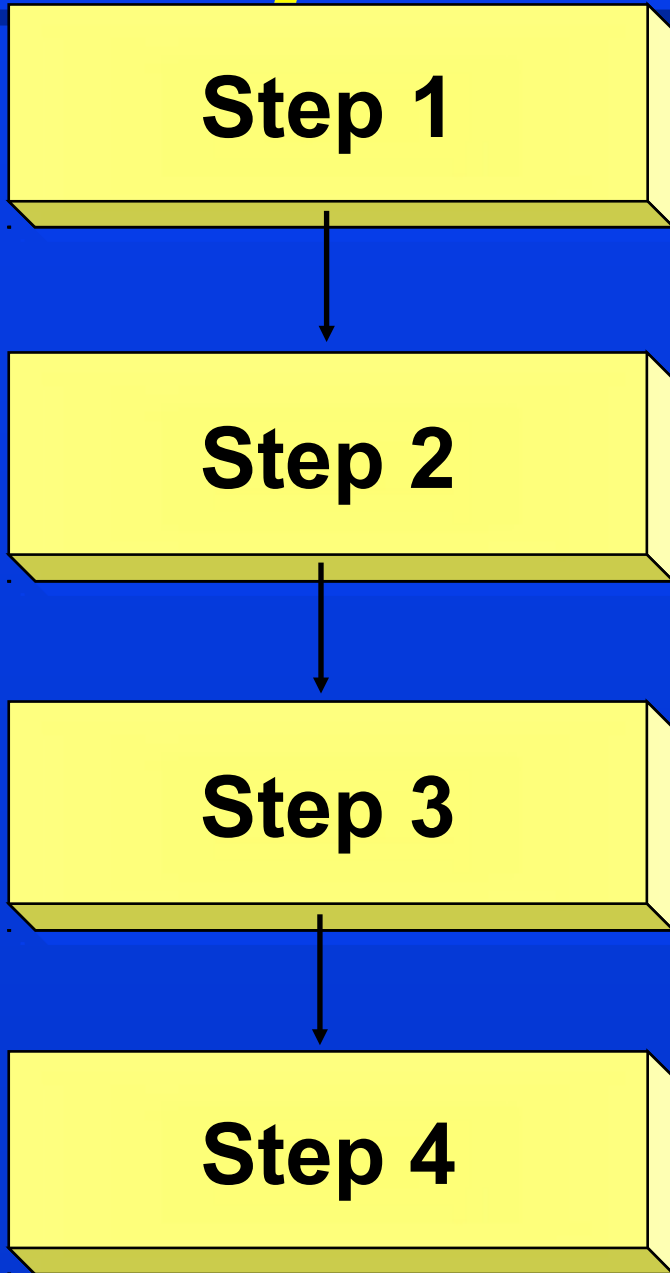
Step 8. Commercialization

**Commercialization is the
Introduction of the New Product
into the Marketplace.**

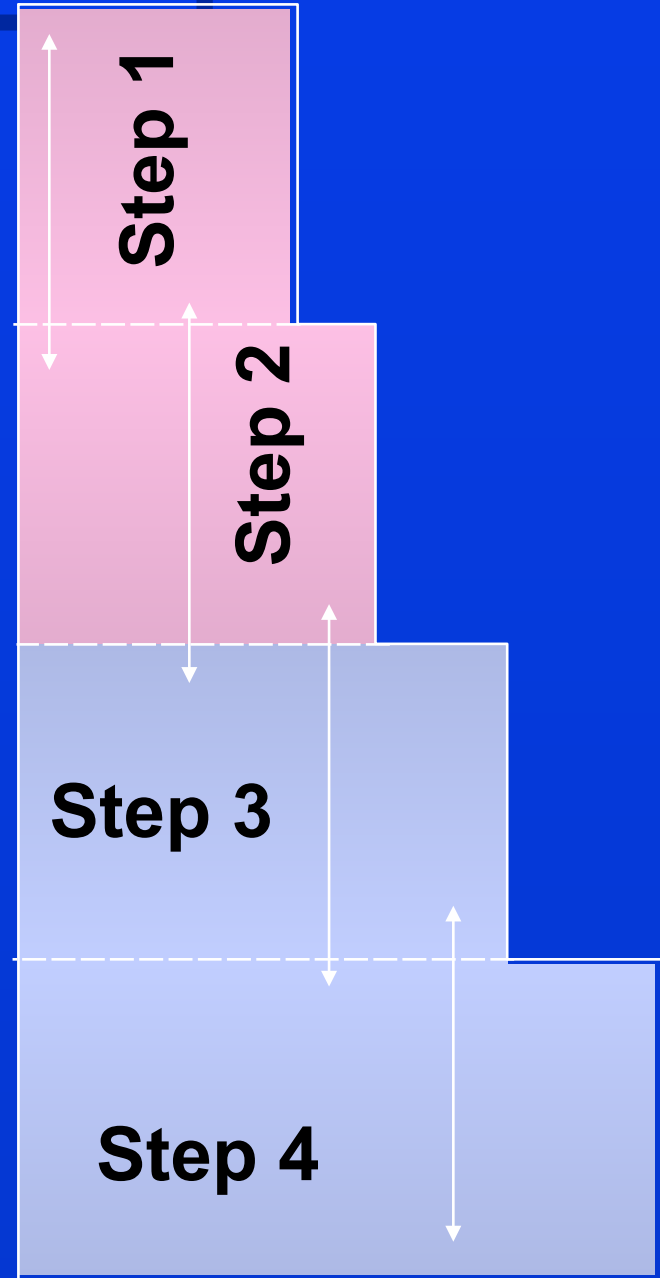


Speeding Up Development

Sequential



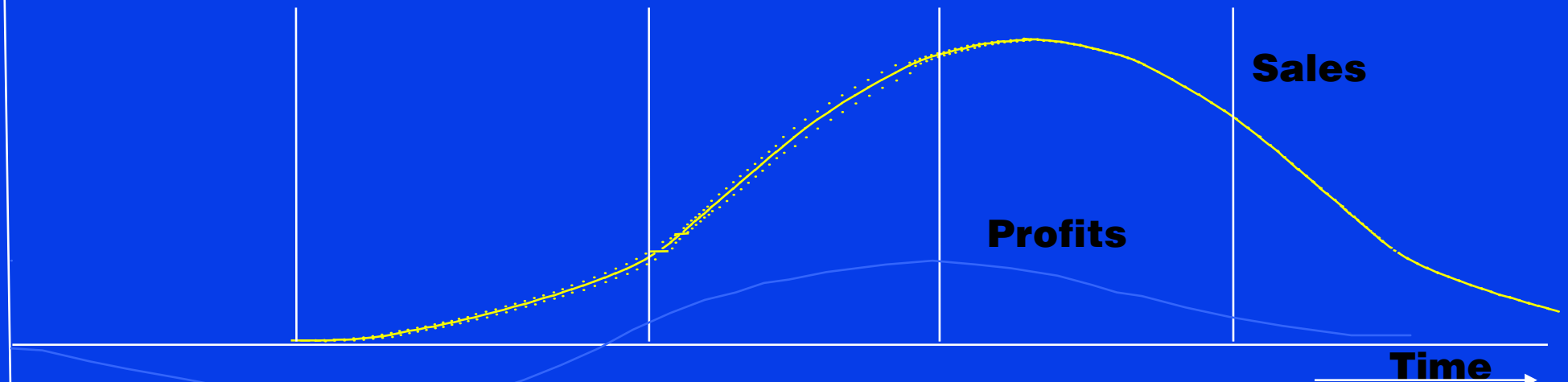
Simultaneous



Product Life Cycle

Sales and Profits Over the Product's Life From Introduction to Decline

Sales and Profits (\$)



Sales

Profits

Time →

Product Development

Introduction

Growth

Maturity

Decline

Losses/
Investments (\$)

Introduction Stage of the PLC

Summary of Characteristics, Objectives, & Strategies

Sales	Low sales
Costs	High cost per customer
Profits	Negative
Marketing Objectives	Create product awareness and trial
Product	Offer a basic product
Price	Use cost-plus
Distribution	Build selective distribution
Advertising	Build product awareness among early adopters and dealers









Summary of Characteristics, Objectives, & Strategies

Sales	Rapidly rising sales
Costs	Average cost per customer
Profits	Rising profits
Marketing Objectives	Maximize market share
Product	Offer product extensions, service warranty
Price	Price to penetrate market
Distribution	Build intensive distribution
Advertising	Build awareness and interest in the mass market

Summary of Characteristics, Objectives, & Strategies

Sales	Peak sales
Costs	Low cost per customer
Profits	High profits
Marketing Objectives	Maximize profit while defending market share
Product	Diversify brand and models
Price	Price to match or best competitors
Distribution	Build more intensive distribution
Advertising	Stress brand differences and benefits

Summary of Characteristics, Objectives, & Strategies

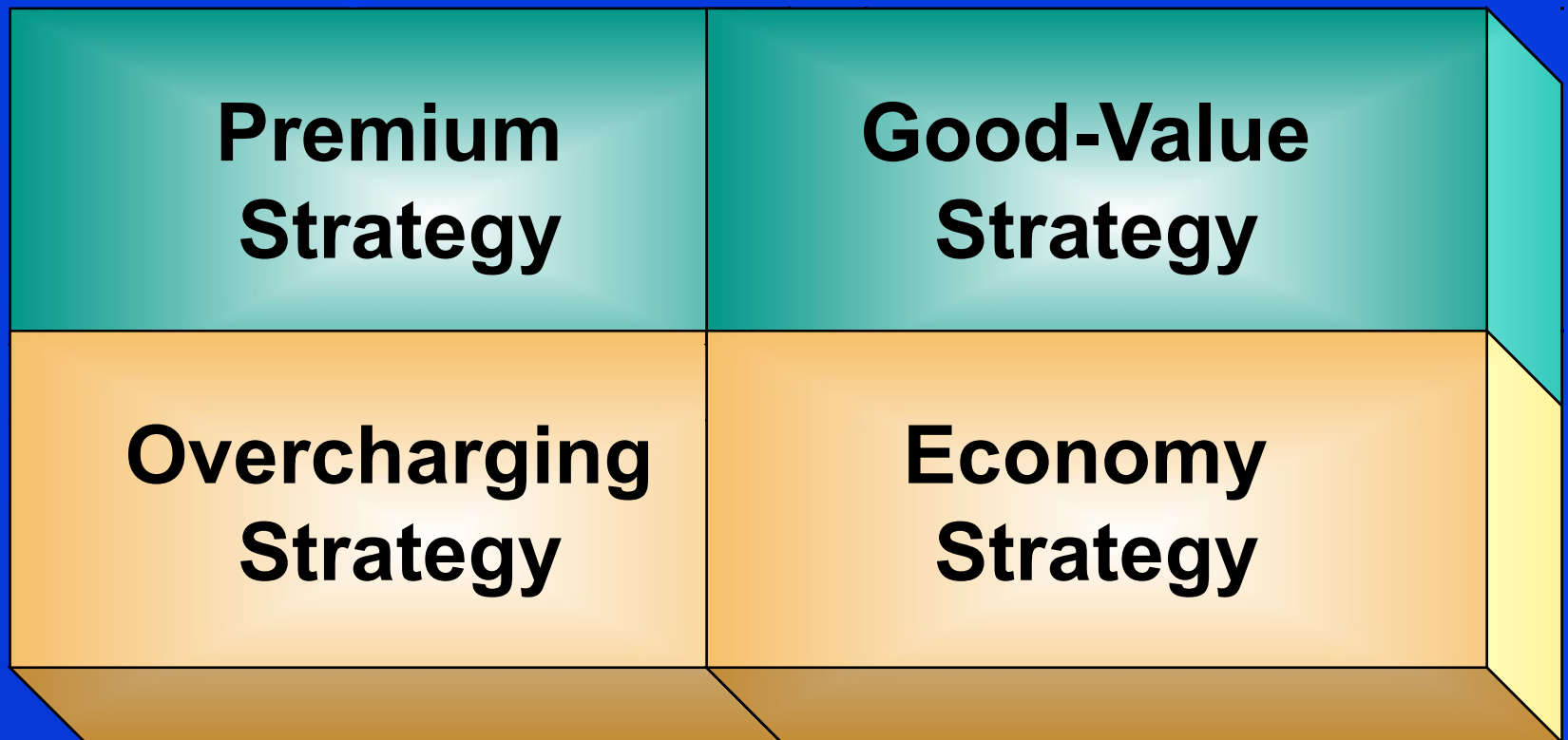
Sales		Declining sales
Costs		Low cost per customer
Profits		Declining profits
Marketing Objectives		Reduce expenditure and milk the brand
Product		Phase out weak items
Price		Cut price
Distribution		Go selective: phase out unprofitable outlets
Advertising		Reduce to level needed to retain hard-core loyal customers

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Chapter 11

Pricing Products:
Pricing Strategies

Price - Quality Strategies



New Product Pricing Strategies

Market Skimming

- > Setting a High Price for a New Product to Maximize Revenues from the Target Market.**
- > Results in Fewer, More Profitable Sales.**

Market Penetration

- > Setting a Low Price for a New Product in Order to Attract a Large Number of Buyers.**
- > Results in a Larger Market Share.**

Product Mix Pricing Strategies

Product Mix Pricing Strategies



Setting Price Steps Between Product Line Items
i.e. \$299, \$399

Optional-Product Pricing
Pricing Optional or Accessory Products
Sold With The Main Product
i.e. Car Options

Captive-Product Pricing
Pricing Products That Must Be Used
With The Main Product
i.e. Razor Blades, Film, Software

By-Product Pricing
Pricing Low-Value By-Products To Get Rid
of Them
i.e. Lumber Mills, Zoos

Product-Bundle Pricing
Pricing Bundles Of Products Sold Together
i.e. Season Tickets, Computer Makers

Price-Adjustment Strategies

Price Adjustment Strategies

Discount & Allowance
Reducing Prices to Reward Customer Responses such as Paying Early or Promoting the Product.

Cash Discount

Quantity Discount

Functional Discount

Seasonal Discount

Trade-In Allowance

Segmented
Adjusting Prices to Allow for Differences in Customers, Products, or Locations.

Customer

Product Form

Location

Time

Price-Adjustment Strategies

Psychological Pricing

- Adjusting Prices for Psychological Effect.
- Price Used as a Quality Indicator.

Promotional Pricing

- Temporarily Reducing Prices to Increase Short-Run Sales.
- i.e. Loss Leaders, Special-Events

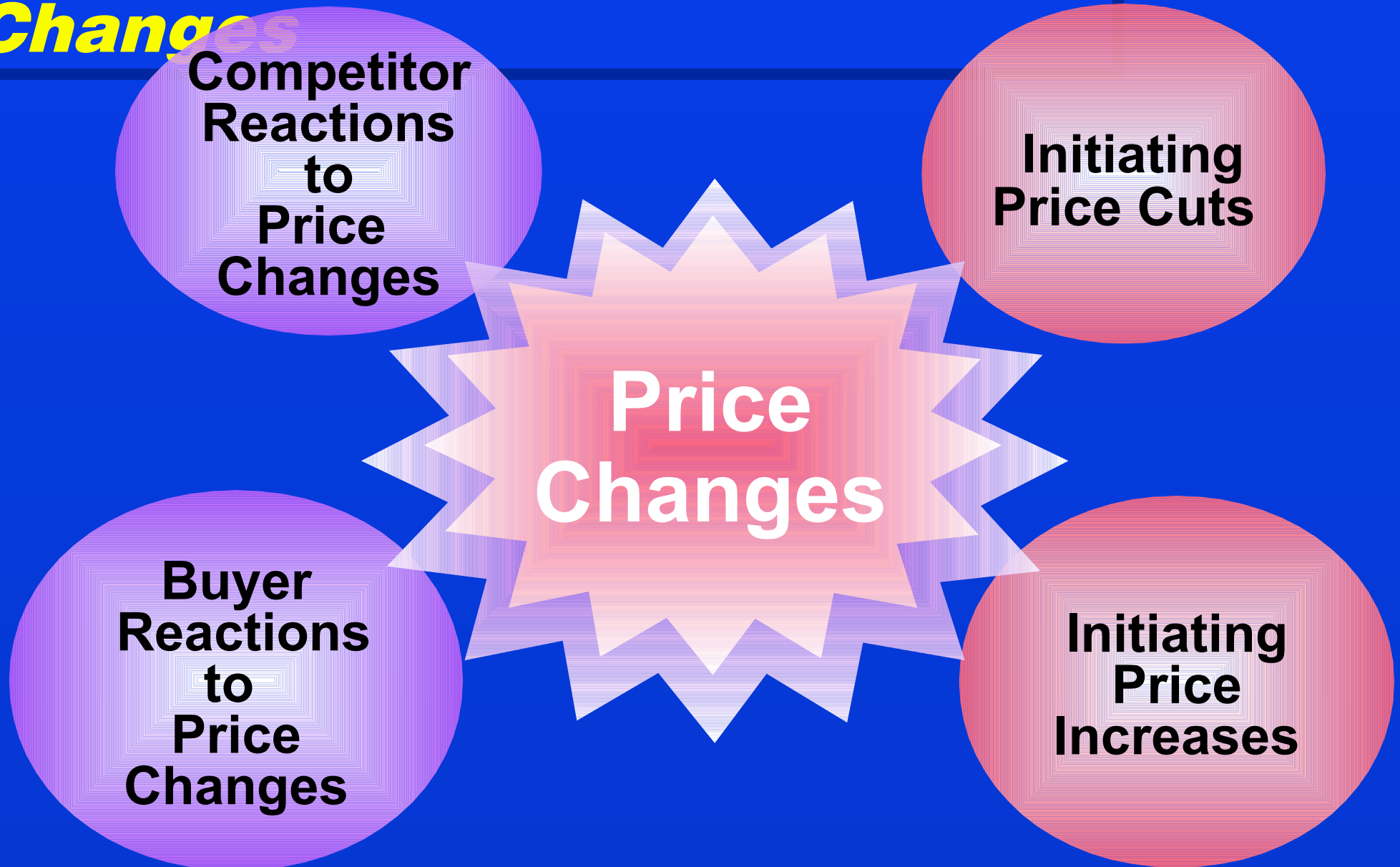
Geographical Pricing

- Adjusting Prices to Account for the Geographic Location of Customers.
- i.e. FOB-Origin, Uniform-Delivered, Zone Pricing, Basing-Point, & Freight-Absorption.

International Pricing

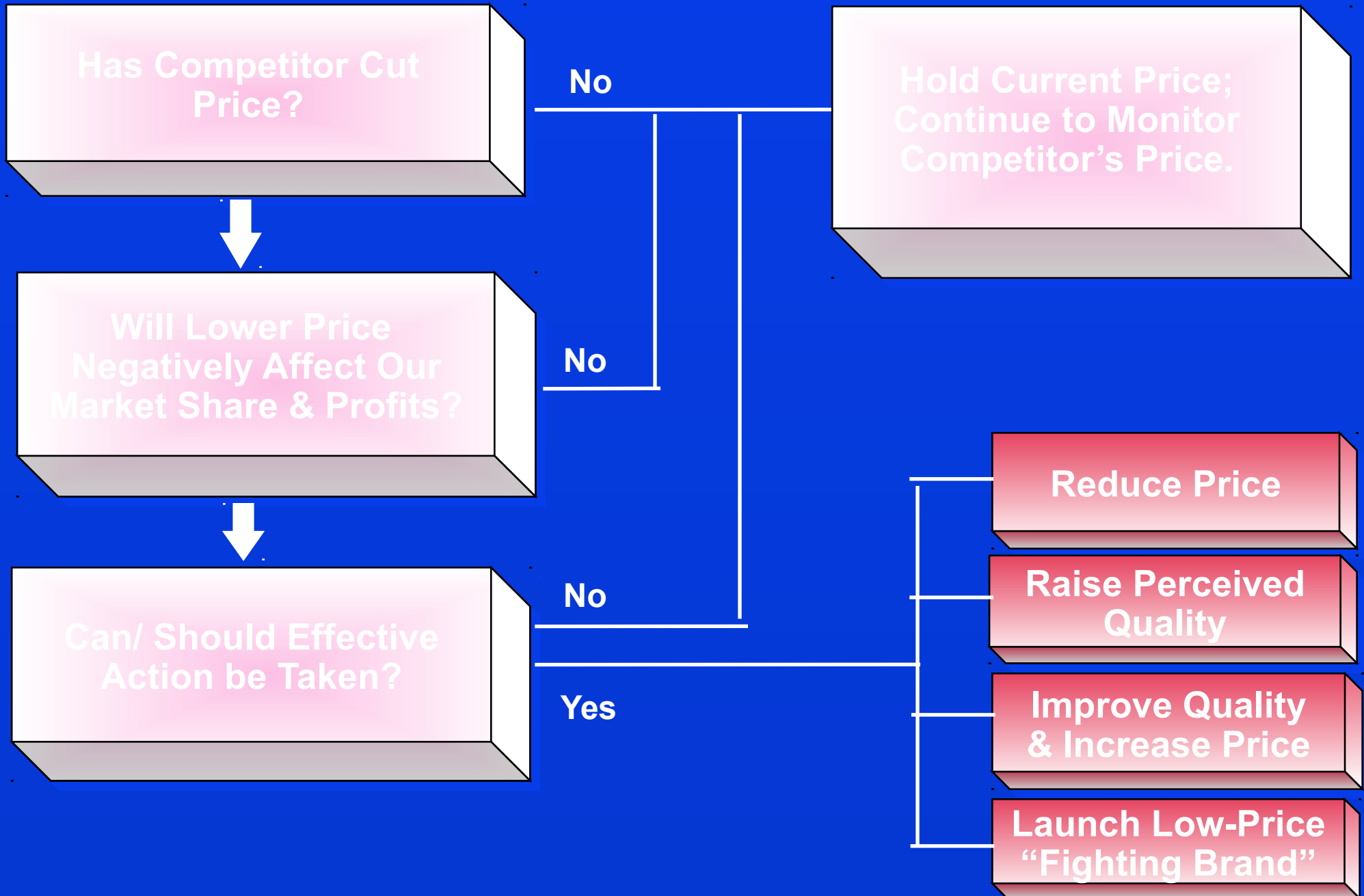
- Adjusting Prices for International Markets.
- Price Depends on Costs, Consumers, Economic Conditions & Other Factors.

Initiating and Responding to Price Changes



Price-Adjustment Strategies

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Chapter 12

Distribution Channels
and
Logistics Management

What is a Distribution Channel?

- **A set of interdependent organizations (intermediaries) involved in the process of making a product or service available for use or consumption by the consumer or business user.**
- **Channel decisions are among the most important decisions that management faces and will directly affect every other marketing decision.**

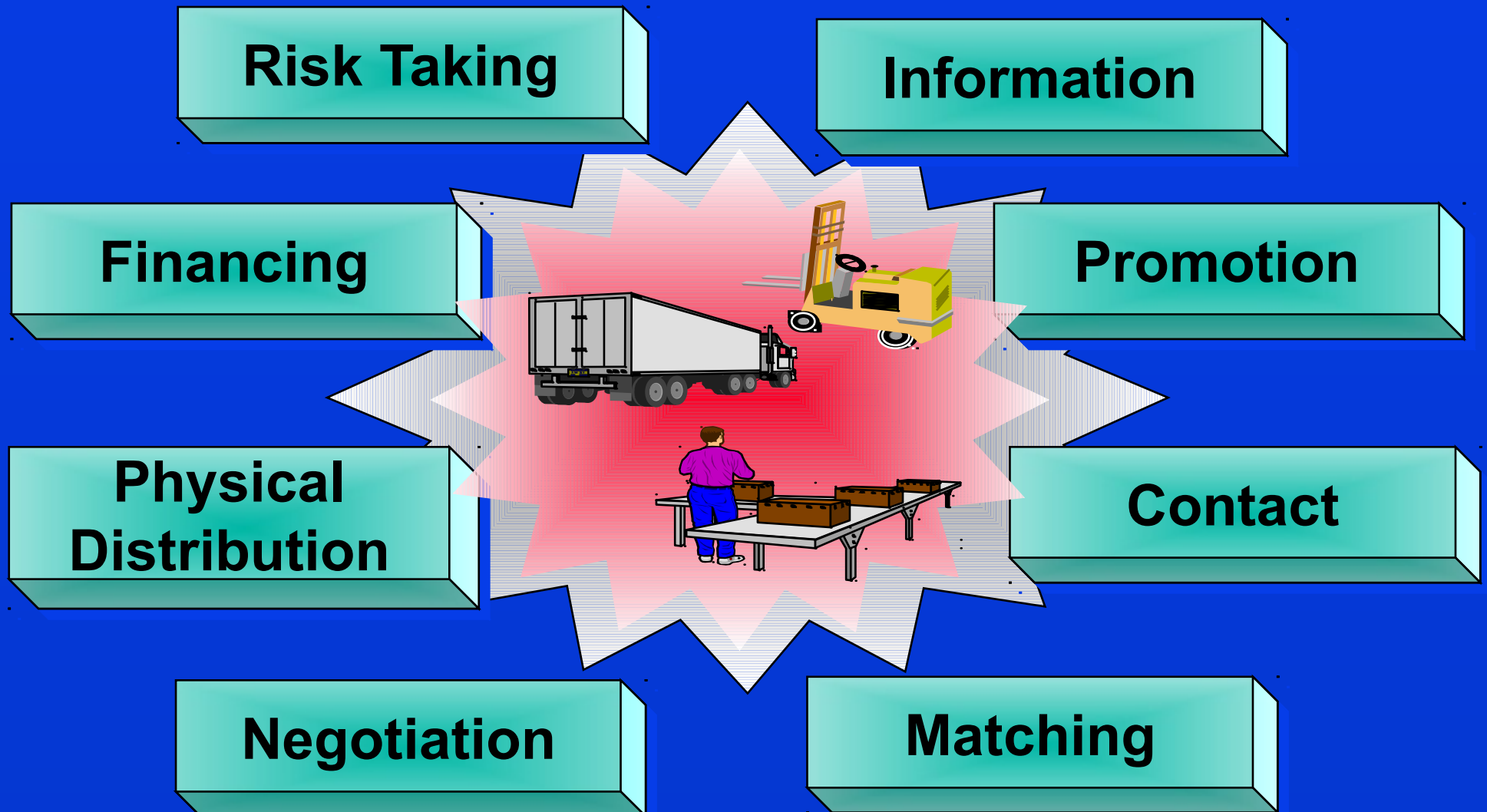
Why are Marketing Intermediaries Used?

- Greater efficiency in making goods available to target markets.
- Offer the firm more than it can achieve on it's own through the intermediaries:
 - Contacts
 - Experience
 - Specialization
 - Scale of operation
- Match supply and demand.

Distribution Channel

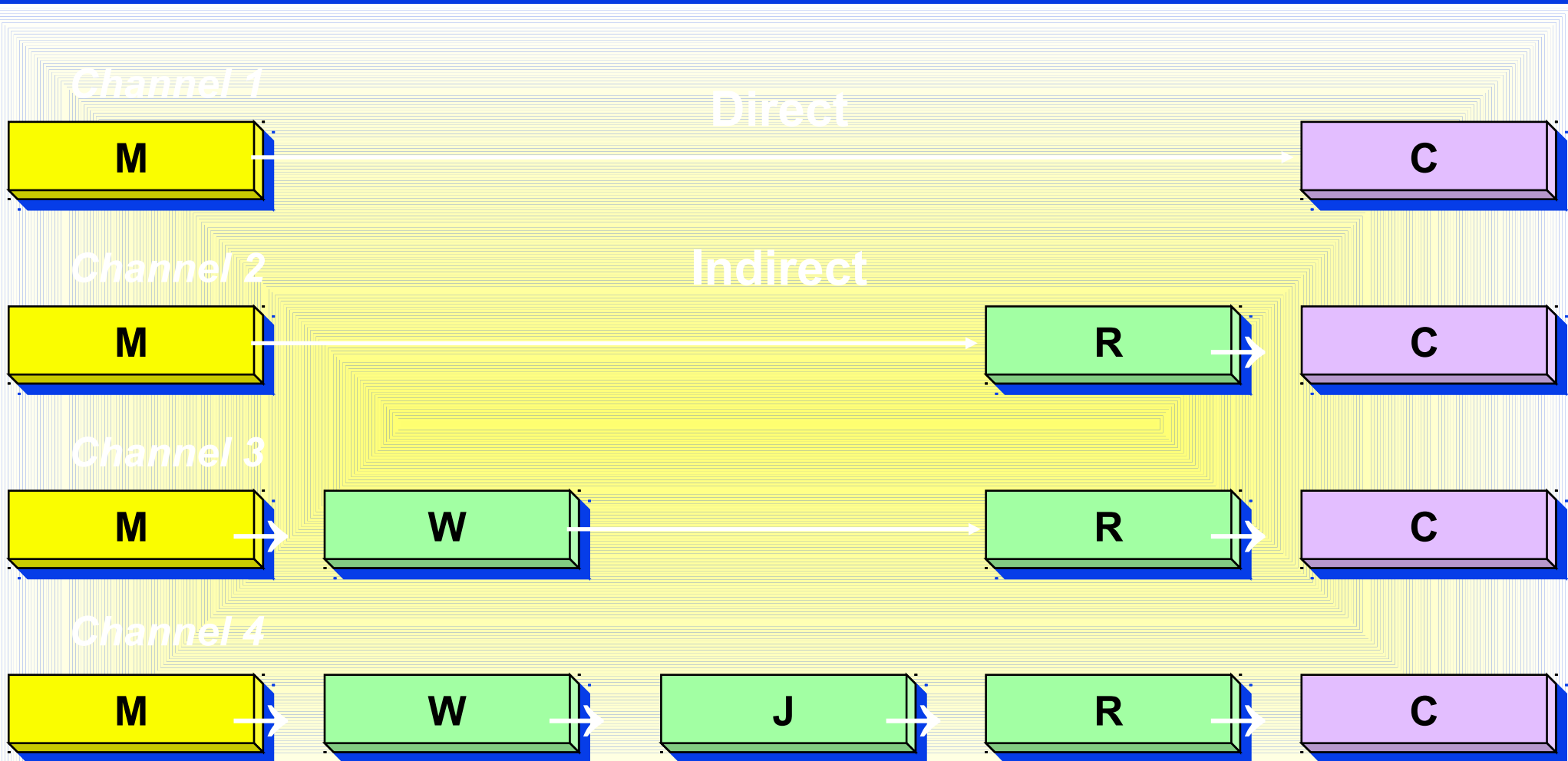
Functions

- All Use Up Scarce Resources
- All May Often Be Performed Better Through Specialization
- All Can Often Be Shifted Among Channel Members



Consumer Marketing Channels & Levels

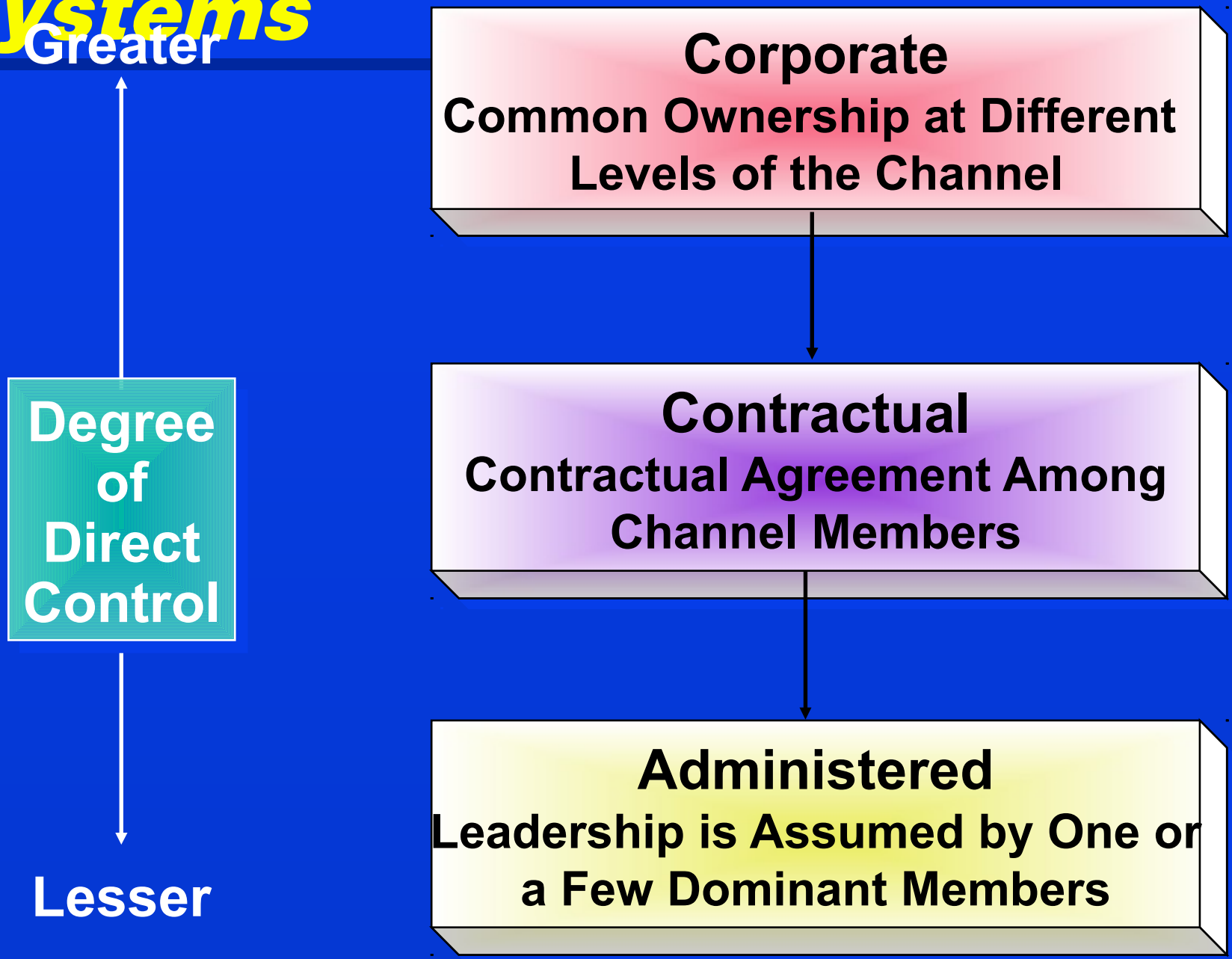
Channel Level - A Layer of Intermediaries that Perform Some Work in Bringing the Product and its Ownership Closer to the Buyer.



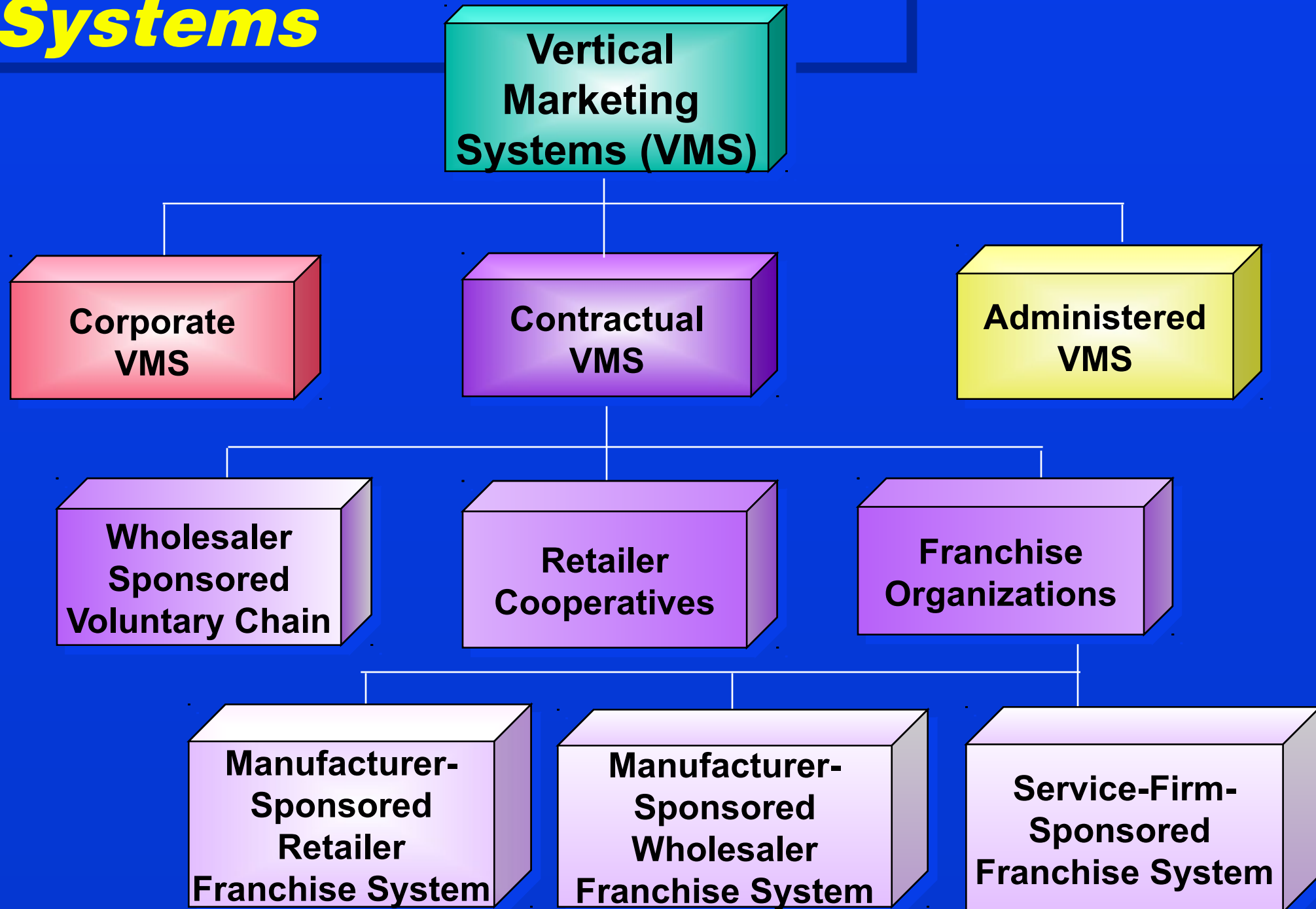
Channel Behavior & Conflict

- **The channel will be most effective when:**
 - each member is assigned tasks it can do best.
 - all members cooperate to attain overall channel goals and satisfy the target market.
- **When this doesn't happen, conflict occurs:**
 - **Horizontal Conflict** occurs among firms at the same level of the channel.
 - **Vertical Conflict** occurs between different levels of the same channel.
- **For the channel to perform well, conflict must be managed.**

Types of Vertical Marketing Systems



Vertical Marketing Systems



Innovations in Marketing Systems

Horizontal Marketing System

Two or More Companies at One Channel Level Join Together to Follow a New Marketing Opportunity.

Example:

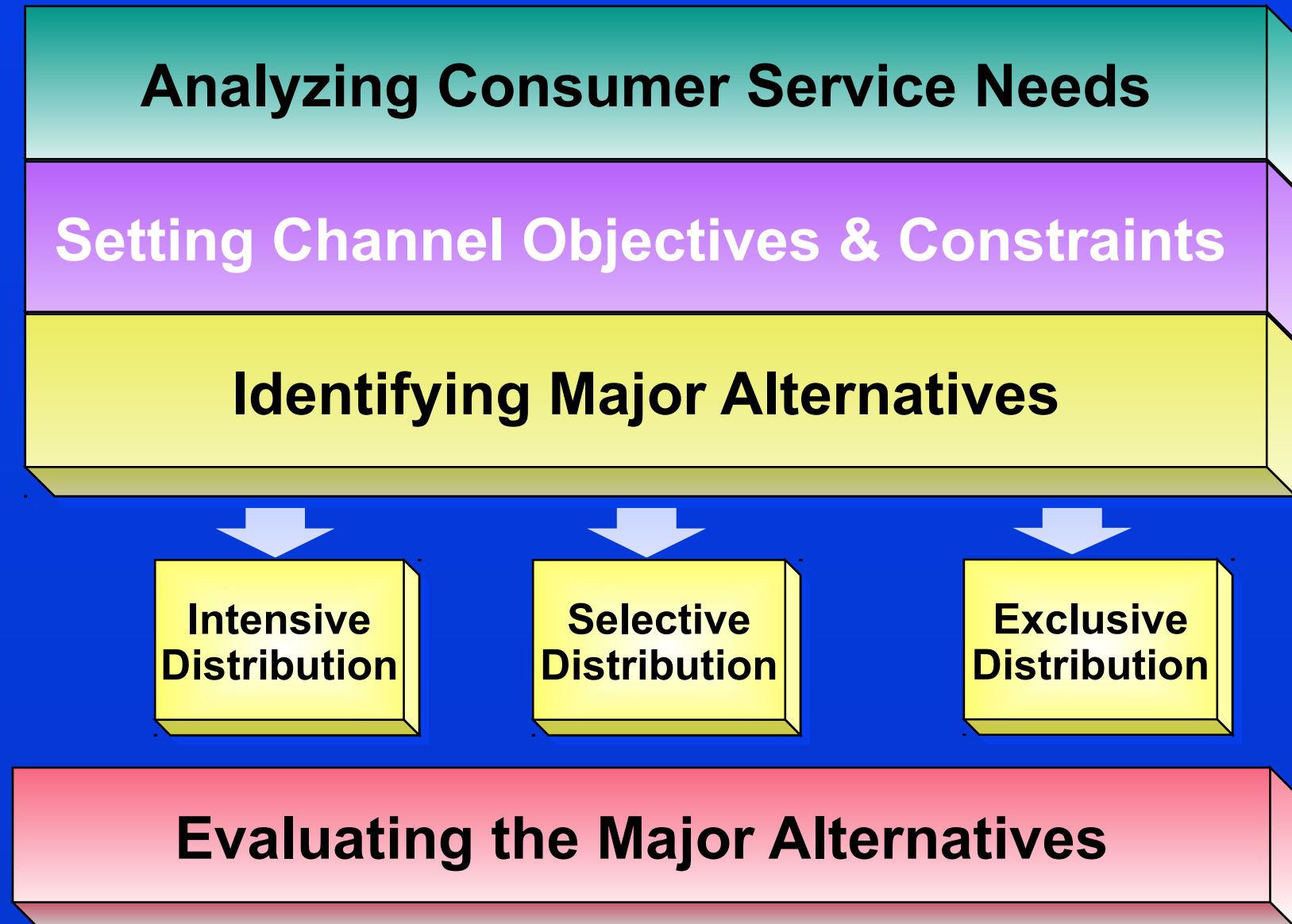
Banks in Grocery Stores

Hybrid Marketing System

A Single Firm Sets Up Two or More Marketing Channels to Reach One or More Customer Segments.

Example:

Retailers, Catalogs, and Sales Force



Channel Management

Selecting

Motivating

Evaluating

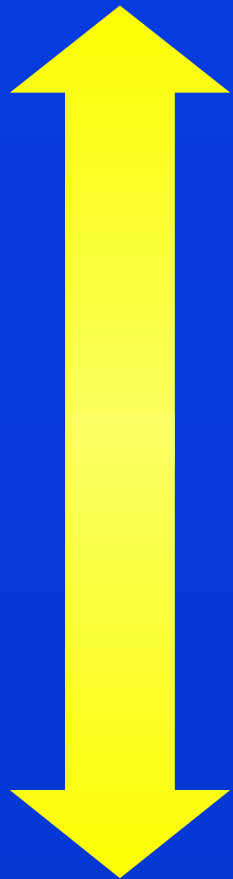
FEEDBACK

Nature and Importance of Marketing Logistics

- **Involves getting the right product to the right customers in the right place at the right time.**
- **Companies today place greater emphasis on logistics because:**
 - **effective logistics is becoming a key to winning and keeping customers.**
 - **logistics is a major cost element for most companies.**
 - **the explosion in product variety has created a need for improved logistics management.**
 - **information technology has created opportunities for major gains in distribution efficiency.**

Goals of the Logistics System

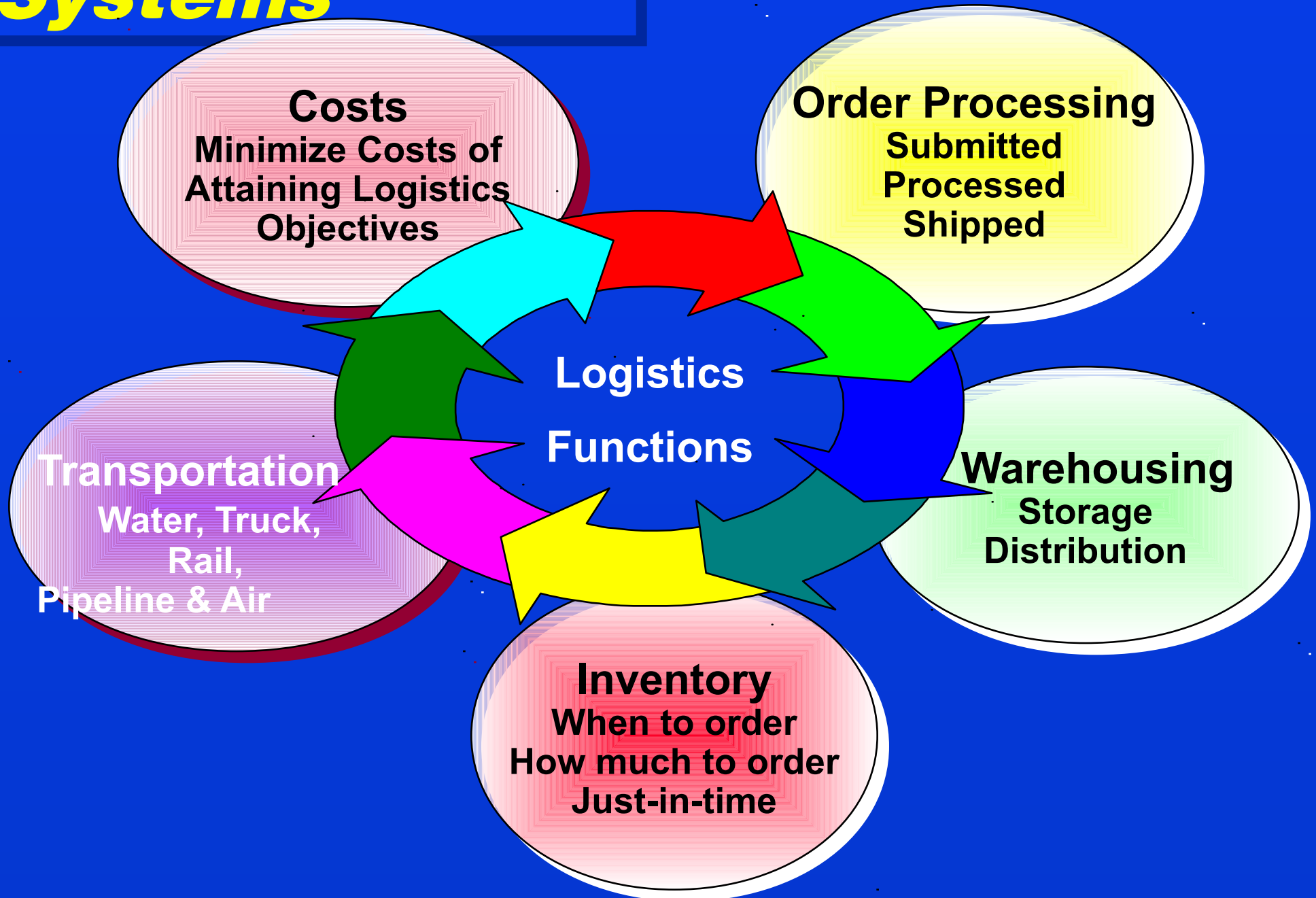
- Provide a Targeted Level of Customer Service at the Least Cost.
- Maximize Profits, Not Sales.



**Higher Distribution Costs/
Higher Customer Service Levels**

**Lower Distribution Costs/
Lower Customer Service Levels**

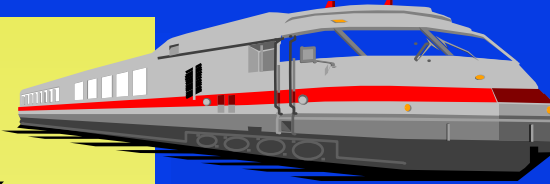
Logistics Systems



Transportation Modes

Rail

Nation's largest carrier, cost-effective for shipping bulk products, piggyback



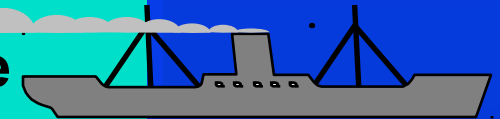
Truck

Flexible in routing & time schedules, efficient for short-hauls of high value goods



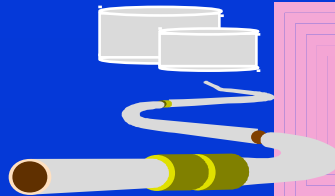
Water

Low cost for shipping bulky, low-value goods, slowest form



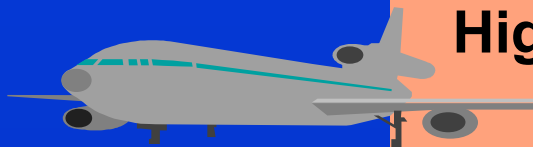
Pipeline

Ship petroleum, natural gas, and chemicals from sources to markets



Air

High cost, ideal when speed is needed or to ship high-value, low-bulk items



Choosing Transportation Mode

A brown clipboard with a silver clip at the top, holding a white sheet of lined paper. The paper has a checklist with five items, each preceded by a red checkmark. The text is written in a bold, black, sans-serif font. The paper has three hole punches on the left side.

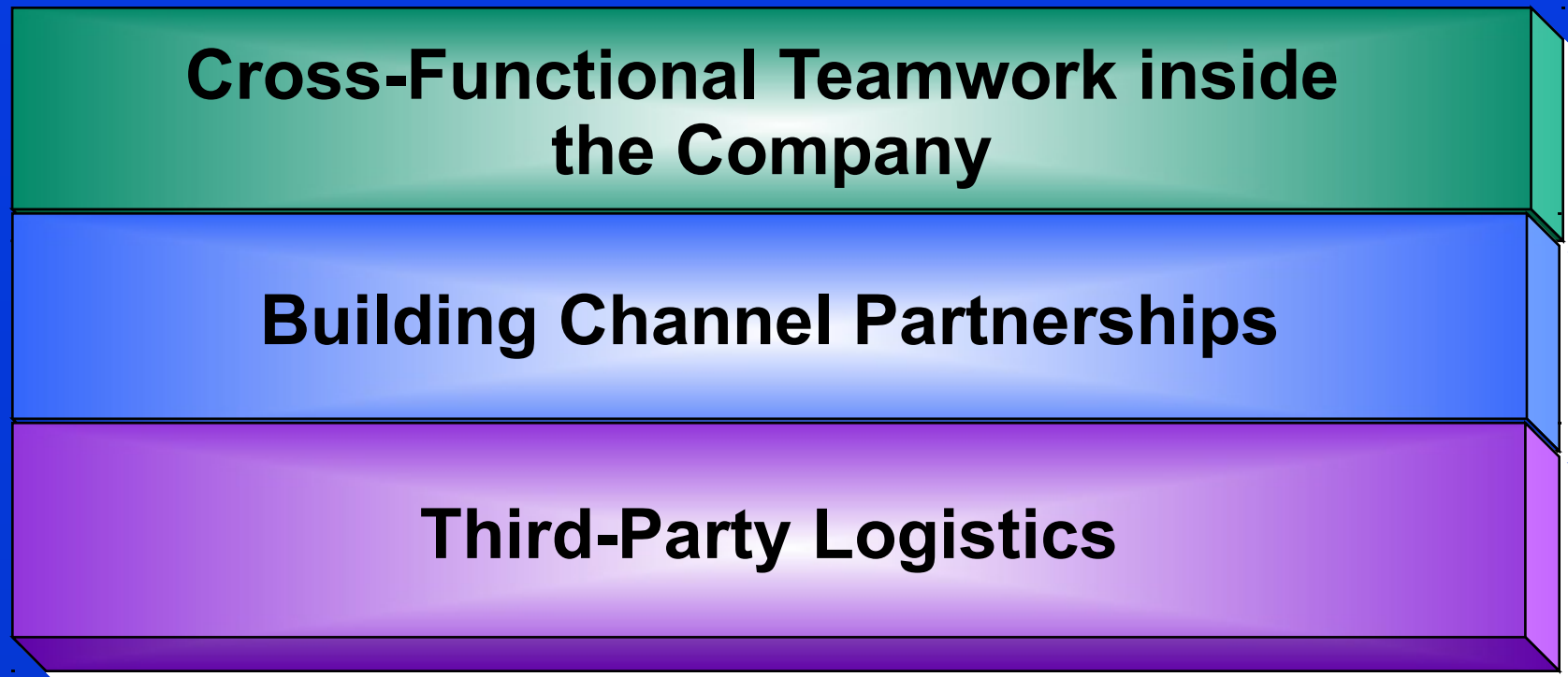
Checklist for Choosing Transportation

- ✓ **1. Mode.**
- ✓ **2. Dependability.**
- ✓ **3. Capability.**
- ✓ **4. Availability.**
- ✓ **5. Cost.**

Integrated Logistics

Management

- Concept Recognizes that Providing Better Customer Service and Trimming Distribution Costs Requires Teamwork, Both Inside the Company and Among All the Marketing Channel Organizations.**



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Chapter 13

Retailing and
Wholesaling

What is Retailing?

- All the activities involved in selling goods or services directly to final consumers for their personal, nonbusiness use.
- Retailers - businesses whose sales come primarily from retailing.
- Retailers can be classified as:
 - Store retailers such as Home Depot, Sears, Walmart
 - Nonstore retailers such as the mail, telephone, and Internet.

Classification of Retail Stores

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Amount of Service
Self-Service, Limited-Service and
Full-Service Retailers

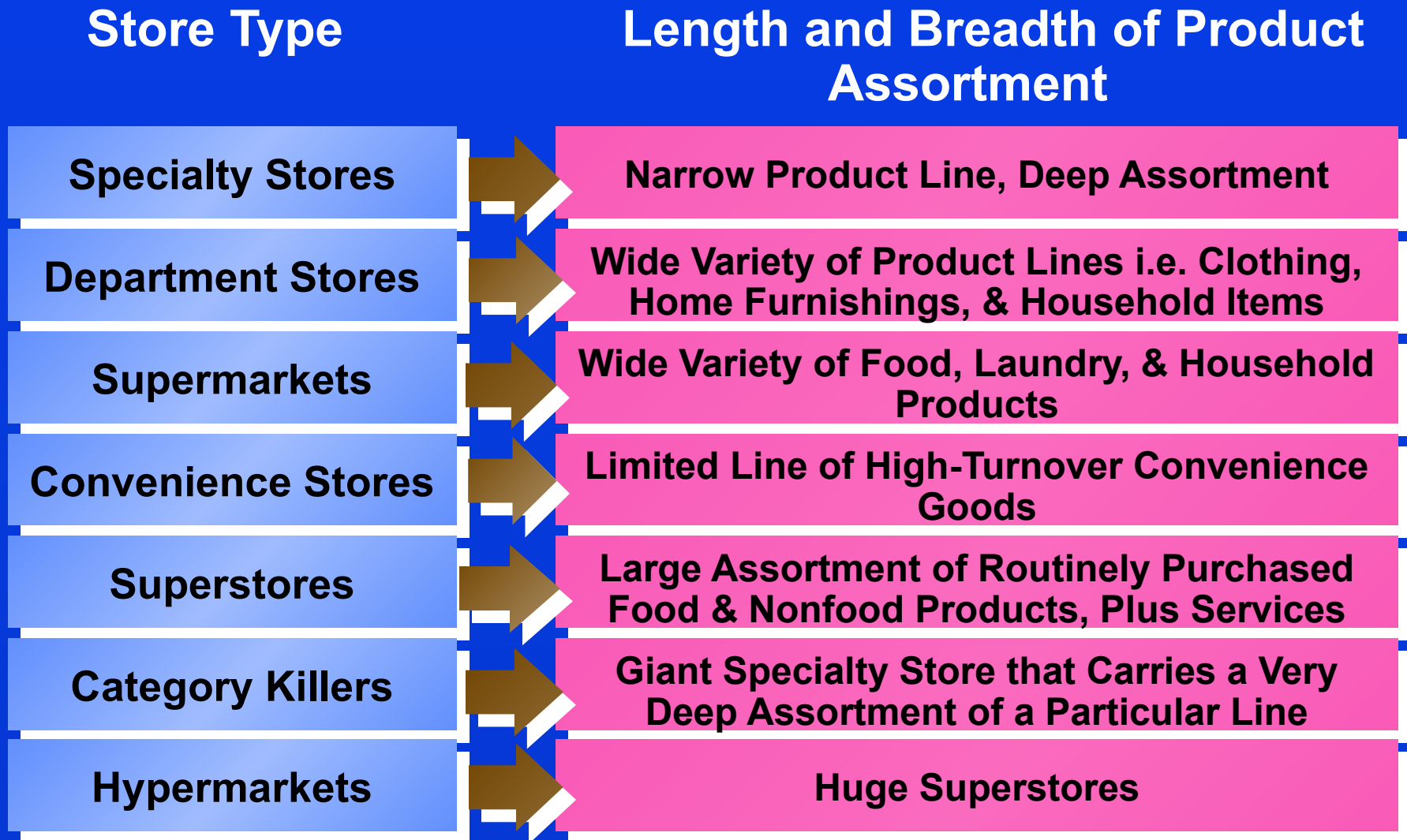
Product Line
Length and Breadth of the Product
Assortment

Relative Prices
Pricing Structure that is Used
by the Retailer

Retail Organizations
Independent, Corporate, or Contractual
Ownership Organization

Classification By Product Line

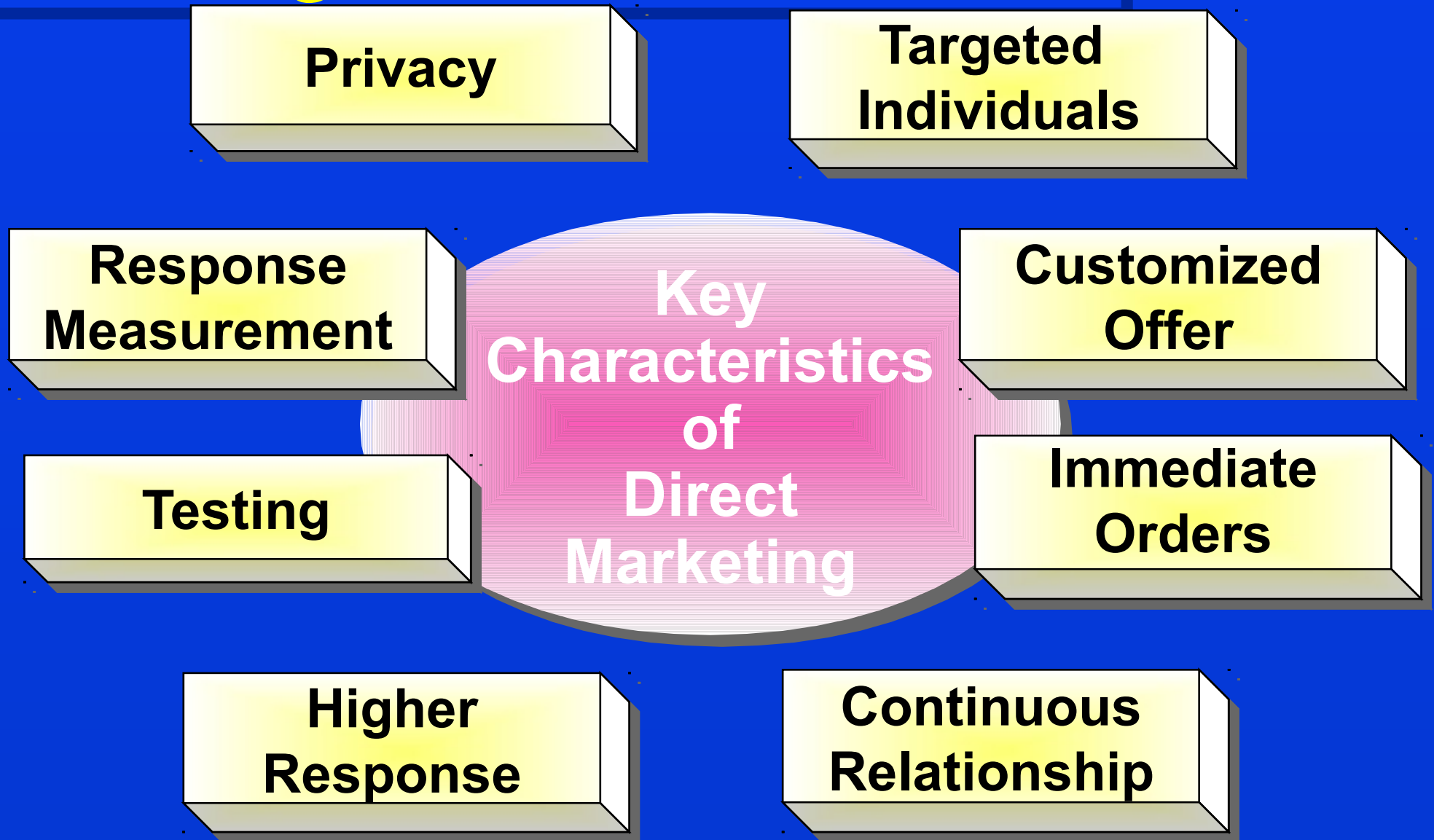
1-173



Classification By Retail Organization



Characteristics of Direct Marketing



Types of NonStore Retailing

Nonstore Retailing Accounts for More Than 14% of All Consumer Purchases, and May Account for 33% of All Sales by 2000.

Direct Marketing

Direct Selling

Automatic Vending

Catalogs & Direct Mail

TV Shopping Shows

Online Shopping

Home & Office Parties

Retailer Marketing Decisions

1-177



Retailer's Product Assortment and Services Decisions

Product Assortment Decisions

- Width and Depth of Assortment
- Quality of Products
- Product Differentiation Strategies

Services Mix

Key Tool of Nonprice Competition
for Setting One Store Apart From
Another.

Store's Atmosphere

- Physical Layout
- "Feel" That Suits the Target Market
and Moves Customers to Buy

Retailer's Price, Promotion, and Place Decisions

Price Decisions

**Target Market
Product & Services Assortment
Competition**

Promotion Decisions

**Using Advertising, Personal Selling,
Sales Promotion and Public
Relations to Reach Customers.**

Place Decisions

**Shopping Centers, Central Business
Districts, Power Centers, or Outlet
Malls. Location!**

The Wheel of Retailing

**High Margin
High Price
High Status**

**Low Margin
Low Price
Low Status**

- 1 = Discount**
- 2 = Superstore**
- 3 = Warehouse Club**
- 4 = Combination Store**



**New Retail Forms and Shortening
Retail Lifecycles**

Growth of Nonstore Retailing

Increasing Intertype Competition

Rise of Megaretailers

**Growing Importance of
Retail Technology**

Global Expansion of Major Retailers

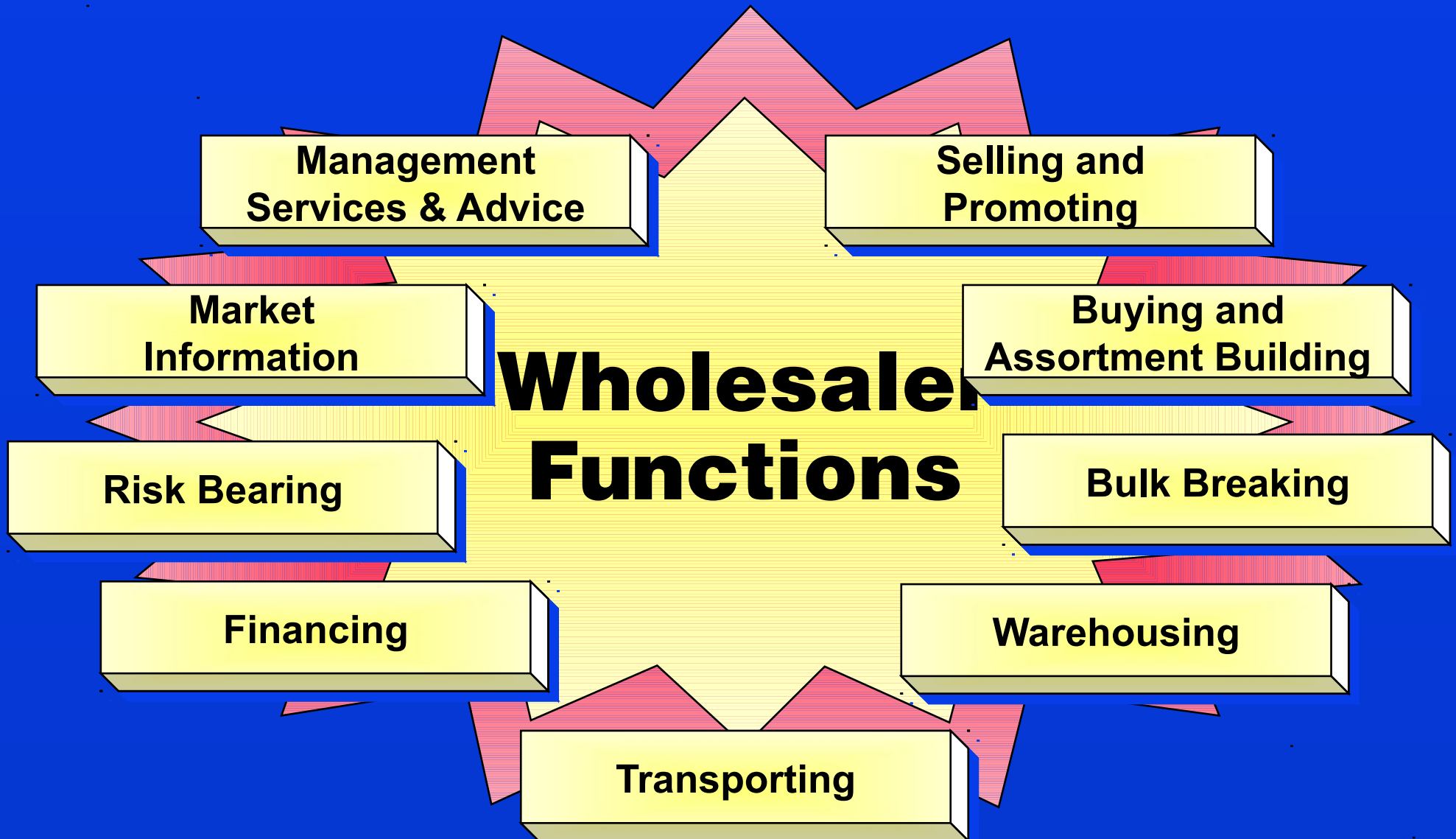
**Retail Stores as “Communities”
or “Hangouts”**

What is Wholesaling?

- **All the activities involved in selling goods and services to those buying for resale or business use.**
- **Wholesaler - those firms engaged primarily in wholesaling activity.**

Why are Wholesalers Used?

Wholesalers are Often Better at Performing One or More of the Following Channel Functions:



Merchant Wholesaler

Independently Owned Business that Takes Title to the Merchandise it Handles.

Brokers/ Agents

They Don't Take Title to the Goods, and They Perform Only a Few Functions.

Manufacturers' Sales Branches and Offices

Wholesaling by Sellers or Buyers Themselves Rather Than Through Independent Wholesalers.

Wholesaler Marketing Decisions

1-185

Wholesaler Strategy

Target Market

Retail Store
Positioning



Wholesaler Marketing Mix

Product and
Service
Assortment

Prices

Promotion

Place (Location)

Wholesaling Developments to Consider

Must Learn to Compete Effectively Over Wider and More Diverse Areas

Increasing Consolidations Will Reduce Number of Wholesalers

Surviving Wholesalers Will Grow Larger Through Acquisitions and Mergers

Vertical Integration Will Remain Strong

Global Expansion

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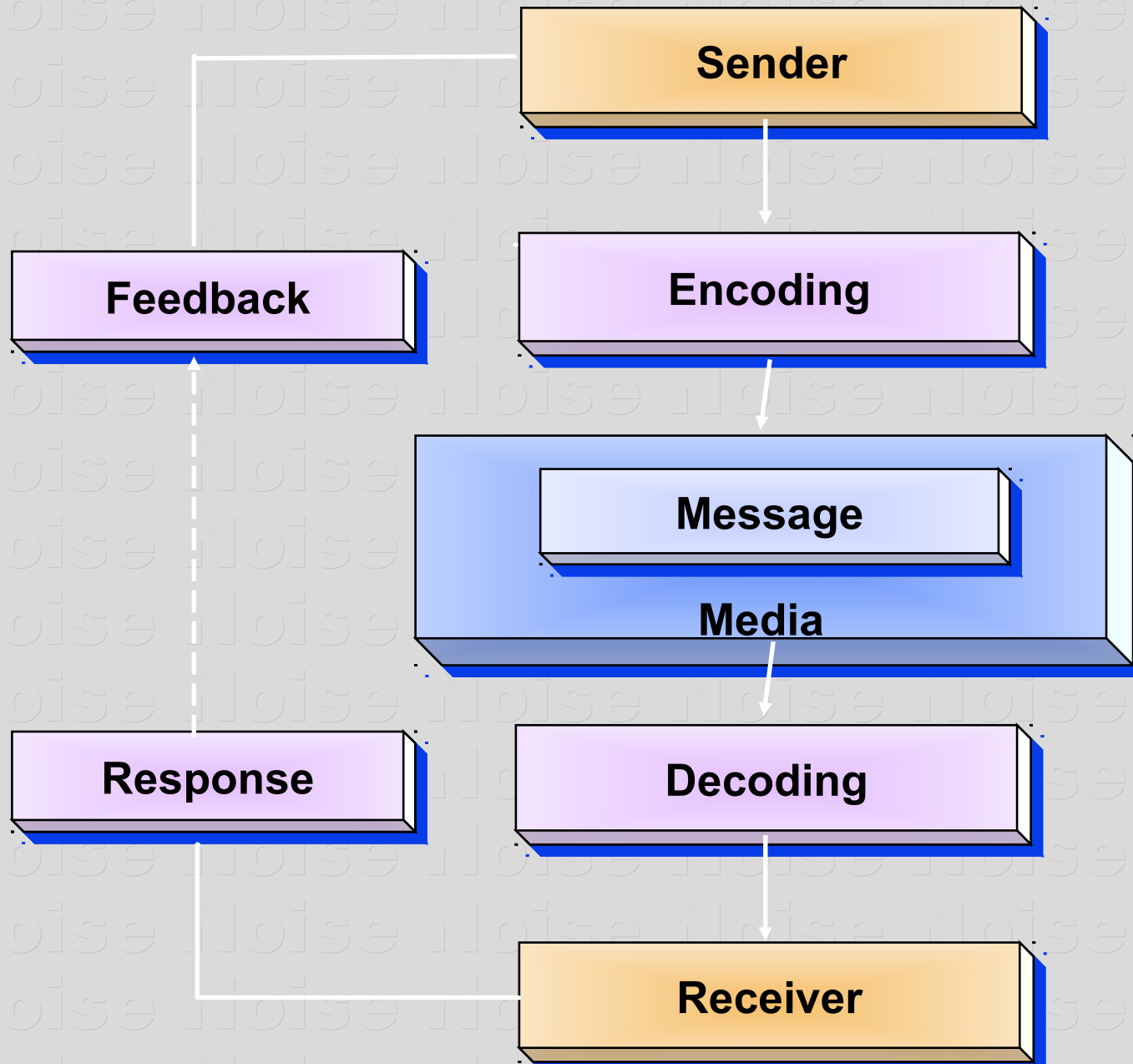
Chapter 14

**Integrated Marketing
Communication
Strategy**

The Marketing Communications Mix



The Communication Process



Steps in Developing Effective Communication

1-190

Step 1. Identifying the Target Audience



Step 2. Determining the Communication Objectives
Buyer Readiness Stages

Awareness

Knowledge

Liking

Preference

Conviction

Purchase

Steps in Developing Effective Communication

Step 3. Designing a Message

Message Content

Rational Appeals
Emotional Appeals
Moral Appeals

Message Structure

Draw Conclusions
Argument Type
Argument Order

Message Format

Headline, Copy, Color,
Words, & Sounds,
Body Language

Attention

Interest

Desire

Action

Steps in Developing Effective Communication

Step 4. Choosing Media

Personal Communication Channels

Nonpersonal Communication Channels

Step 5. Selecting the Message Source

Step 6. Collecting Feedback

Setting the Total Promotion Budget

1-193

**Affordable
Method**

**Percentage-
of-Sales
Method**

**Competitive-
Parity
Method**

**Objective-
and-Task
Method**

Setting the Promotion

Mix

Nature of Each Promotion Tool

Advertising

**Reaches Many Buyers, Expressive
Impersonal**

Personal Selling

**Personal Interaction, Builds Relationships
Costly**

Sales Promotion

**Provides Strong Incentives to Buy
Short-Lived**

Public Relations

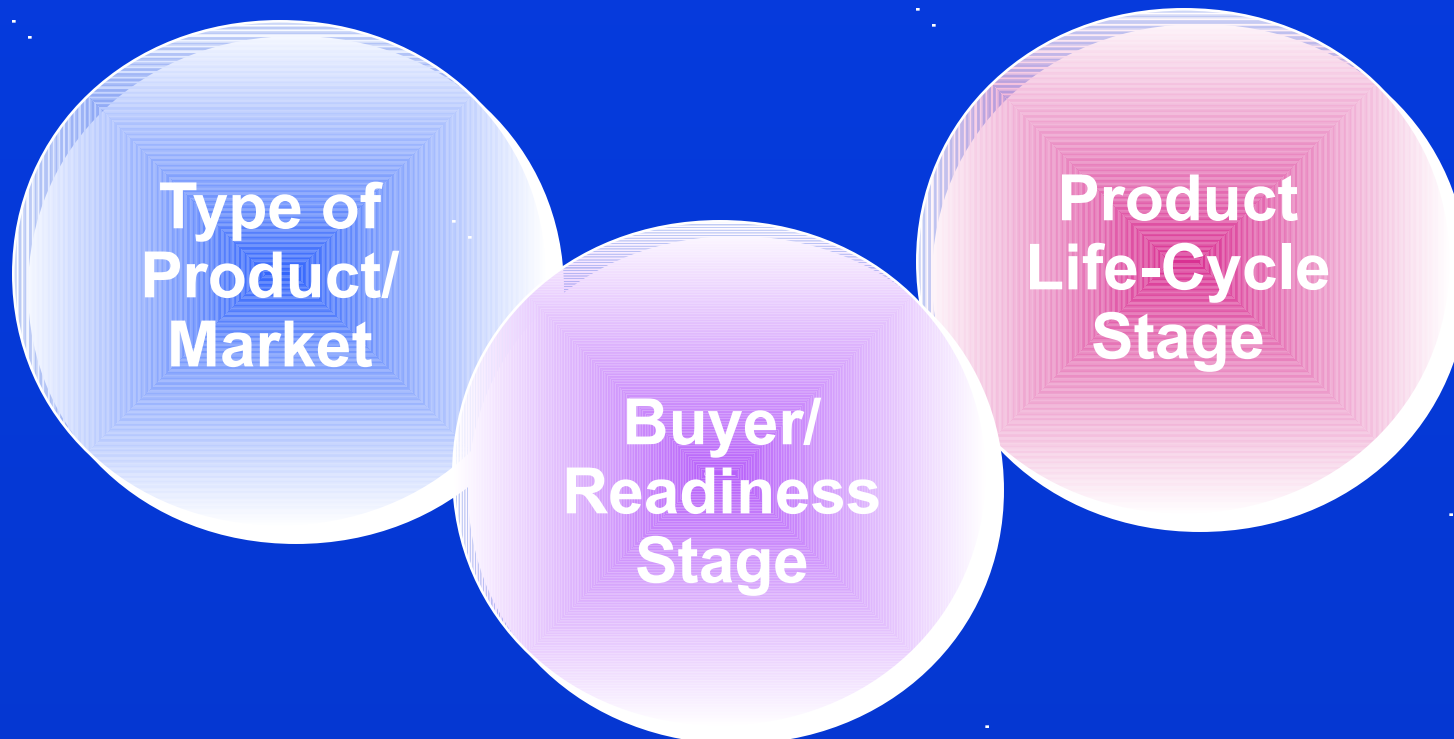
**Believable, Effective, Economical
Underused by Many Companies**

Direct Marketing

**Nonpublic, Immediate, Customized,
Interactive**

Factors in Developing Promotion Mix Strategies

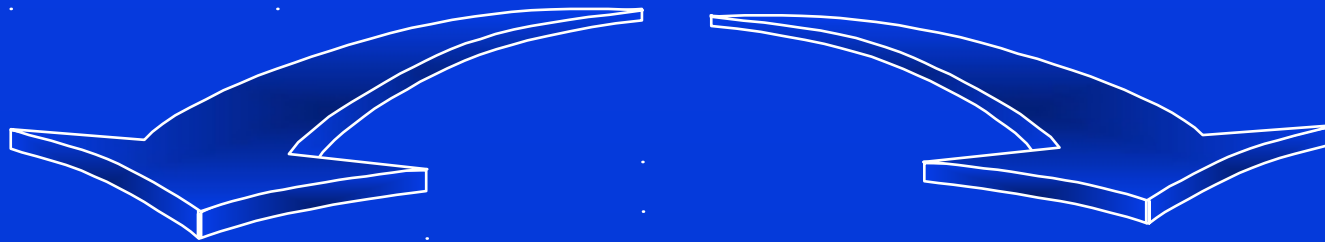
- **Push Strategy** - “Pushing” the Product Through Distribution Channels to Final Consumers.
- **Pull Strategy** - Producer Directs It’s Marketing Activities Toward Final Consumers to Induce Them to Buy the Product.



Changing Face of Marketing Communications

1-196

New Marketing Communications Realities

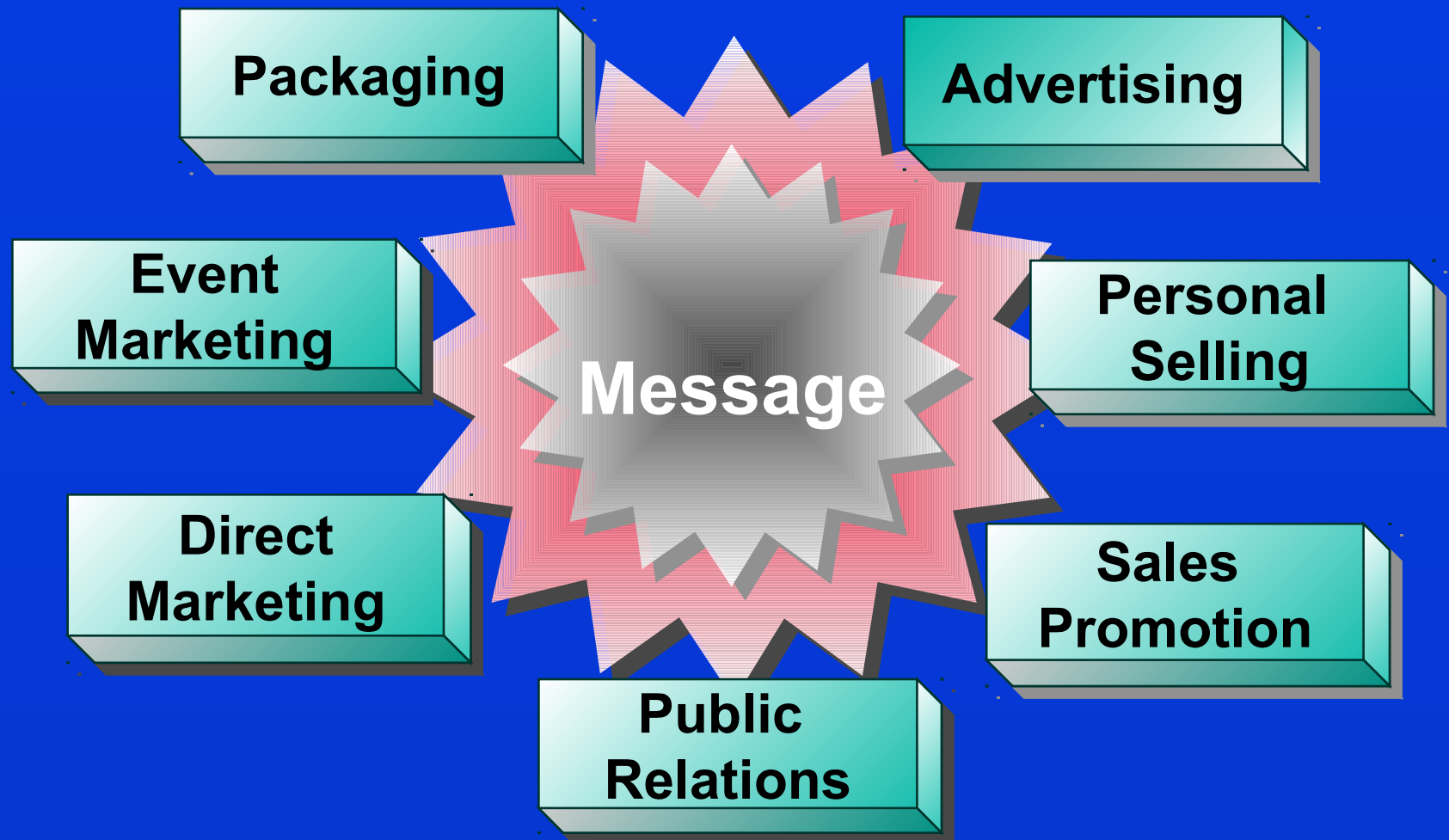


**Marketers Have Shifted
Away From Mass
Marketing
Less *Broadcasting***

**Improvements in
Information Technology
Has Led to
Segmented Marketing
More *Narrowcasting***

Integrated Marketing Communications

Company Carefully Integrates and Coordinates Its Many Communication Channels to Deliver a Clear, Consistent, Compelling Message.



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Chapter 15

**Advertising, Sales
Promotion
and Public Relations**

What is Advertising?

- Any form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.
- U.S. advertisers spend in excess of \$175 billion each year.
- Advertising is used by:
 - Business firms,
 - Nonprofit organizations,
 - Professionals,
 - Social Agencies.

Major Decisions in Advertising

Objectives Setting

Budget Decisions

Message Decisions

Media Decisions

Campaign Evaluation

Setting Objectives

Advertising Objectives

- Specific Communication *Task*
- Accomplished with a Specific *Target Audience*
- During a Specific Period of *Time*

Informative Advertising
Build Primary Demand

Persuasive Advertising
Build Selective Demand

Comparison Advertising
Compares One Brand to
Another

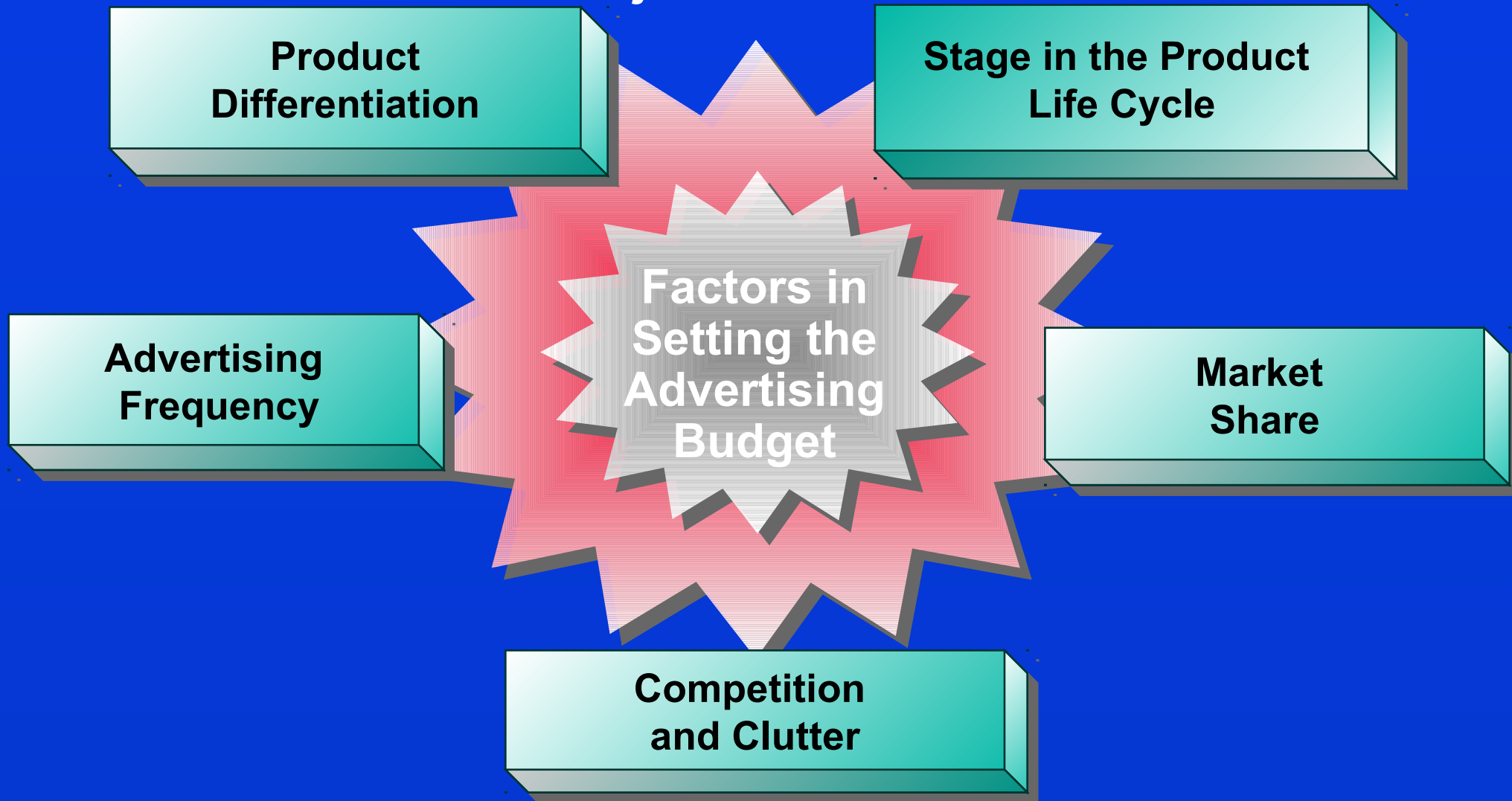
Reminder Advertising
Keeps Consumers Thinking
About a Product.

Tugas : Cari 4 iklan yang memiliki tujuan di atas. Analisislah....!

Setting the Advertising Budget

Advertising Budget Methods

Affordable, Percentage of Sales, Competitive-Parity and Objective-and-Task



Advertising Strategy

Creating Advertising Messages

Plan a Message Strategy

General Message to Be Communicated to Customers

Develop a Message
Focus on
Customer Benefits

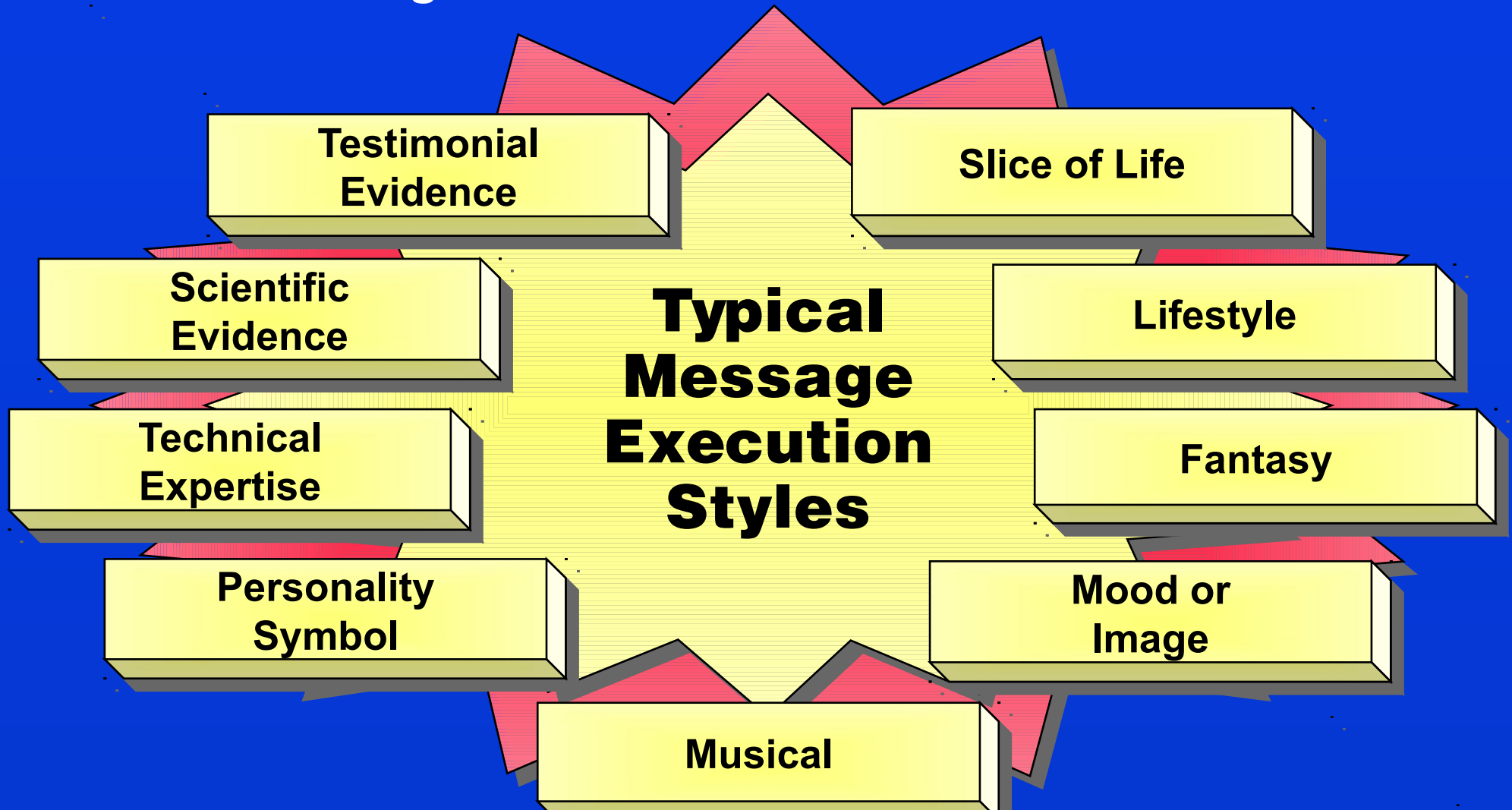
Creative Concept
“Big Idea”
Visualization or Phrase
Combination of Both

Advertising Appeals
Meaningful
Believable
Distinctive

Advertising Strategy

Message Execution

Turning the "Big Idea" Into an Actual Ad to Capture the Target Market's Attention and Interest.



Advertising Strategy

Selecting Advertising Media

Step 1. Decide on Reach, Frequency, and Impact

Step 2. Choosing Among Major Media Types
Media Habits of Target Consumers
Nature of the Product
Type of Message
Cost

Step 3. Selecting Specific Media Vehicles
Specific Media Within a Given Type, i.e. Magazines.
Must Balance Media Cost Against Media Factors:
Audience Quality & Attention, Editorial Quality

Step 4. Deciding on Media Timing
Scheduling of Advertising Over the Course of a Year
Pattern of Ads: Continuity or Pulsing

```
graph TD; A[Advertising Program Evaluation] --> B[Communication Effects  
Is the Ad Communicating Well?]; A --> C[Sales Effects  
Is the Ad Increasing Sales?];
```

Advertising Program Evaluation

Communication Effects

Is the Ad Communicating Well?

Sales Effects

Is the Ad Increasing Sales?

Ways to Handle Advertising

1-207

**Sales Departments in
Small Companies**

**Advertising Departments
in Larger Companies**

Advertising Agency

**Firm that Assists Companies
in Planning, Preparing,
Implementing and
Evaluating Their
Advertising
Programs.**

**Adaptation of
Global Advertising**

**Advertising Media Costs
& Availability**

**Regulation of
Advertising Practices**

Mass communication technique that offers short-term incentives to encourage purchase or sales of a product or service.

Rapid growth in the industry has been achieved because:

- Product managers are facing more pressure to increase their current sales,**
- Companies face more competition,**
- Advertising efficiency has declined,**
- Consumers have become more deal oriented.**

Consumer - Promotion

Tools

Short-Term Incentives to Encourage Purchase or Sales of a Product or Service.

Consumer-Promotion Objectives

Entice Consumers to Try a New Product

Lure Customers Away From Competitors' Products

Get Consumers to "Load Up" on a Mature Product

Hold & Reward Loyal Customers

Consumer Relationship Building

Consumer-Promotion Tools

Samples

Coupons

Cash Refunds

Price Packs

Premiums

Advertising Specialties

Patronage Rewards

Contests

Sweepstakes

Games

Point-of-Purchase Displays

Short-Term Incentives That are Directed to Retailers and Wholesalers.

Trade-Promotion Objectives

Persuade Retailers or Wholesalers to Carry a Brand

Give a Brand Shelf Space

Promote a Brand in Advertising

Push a Brand to Consumers

Trade-Promotion Tools

Price-Offs

Allowances

Buy-Back Guarantees

Free Goods

Contests

Premiums

Displays

Discounts

Push Money

Specialty Advertising Items

Short-Term Incentives That are Directed to Industrial Customers.

Business-Promotion Objectives

Generate Business Leads

Stimulate Purchases

Reward Customers

Motivate Salespeople

Business-Promotion Tools

Conventions

Trade Shows

Sales Contests

Developing the Sales Promotion Program

Decide on the Size of the Incentive

Set Conditions for Participation

Determine How to Promote and Distribute the Promotion Program

Determine the Length of the Program

Evaluate the Program

What is Public Relations?

- Building good relations with the company's various publics by obtaining favorable publicity, building up a good "corporate image" and handling or heading off unfavorable rumors, stories and events.
- Major functions are:
 - Press Relations or Press Agency
 - Product Publicity
 - Public Affairs
 - Lobbying
 - Investor Relations
 - Development

Major Public Relations Tools

1-215



Major Public Relations Decisions

1-216

Setting Public Relations Objectives

**Choosing the Public Relations Messages
and Vehicles**

Implementing the Public Relations Plan

Evaluating Public Relations Results

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Chapter 16

**Personal Selling and
Sales Management**

The Nature of Personal Selling

- **Involves an individual acting for a company by performing one or more of the following activities:**
 - **Prospecting,**
 - **Communicating,**
 - **Servicing,**
 - **Information Gathering.**

- **The term salesperson covers a wide spectrum of positions from:**
 - **Order Taking (department store salesperson)**
 - **Order Getting (someone engaged in creative selling)**
 - **Missionary Selling (building goodwill or educating buyers)**

The Role of the Sales Force

- **Personal Selling is effective because salespeople can:**
 - probe customers to learn more about their problems,
 - adjust the marketing offer to fit the special needs of each customer,
 - negotiate terms of sale,
 - build long-term personal relationships with key decision makers.
- **The Sales Force serves as a critical link between a company and its customers since they:**
 - represent the company to customers, and
 - represent customers to the company.

Managing the Salesforce

Designing Salesforce Strategy and Structure

Recruiting and Selecting Salespeople

Training Salespeople

Compensating Salespeople

Supervising Salespeople

Evaluating Salespeople

Designing Sales Force Strategy and Structure

Types of Sales Force Structure

Territorial

Exclusive Territory to Sell the Company's Full Product Line

Product

Sales Force Sells Along Product Lines

Customer

Sales Force Sells Along Customer/ Industry Lines

Complex

Combination of Above Types of Sales Force Structures

Designing Sales Force Strategy and Structure

Sales Force Size

Other Sales Force Strategy and Structure Issues

Who Will Be Involved in the Selling Effort?

**Outside Sales Force
Inside Sales Force**

How Will Sales and Sales Support People Work Together?

Team Selling

Recruiting and Selecting Salespeople

Some Characteristics of Salespeople

- Enthusiasm and Self-Confidence
- Persistence
- Initiative
- Job Commitment

Recruiting Procedures

- Current Salespeople
- Employment Agencies
- Classified Ads
- College Campuses

Salesperson Selection Process

- Sales Aptitude
- Analytical & Organizational Skills
- Personality Traits
- Other Characteristics

The Average Sales Training Program lasts for Four Months and Has the Following Goals:

**Help Salespeople Know & Identify
With the Company**

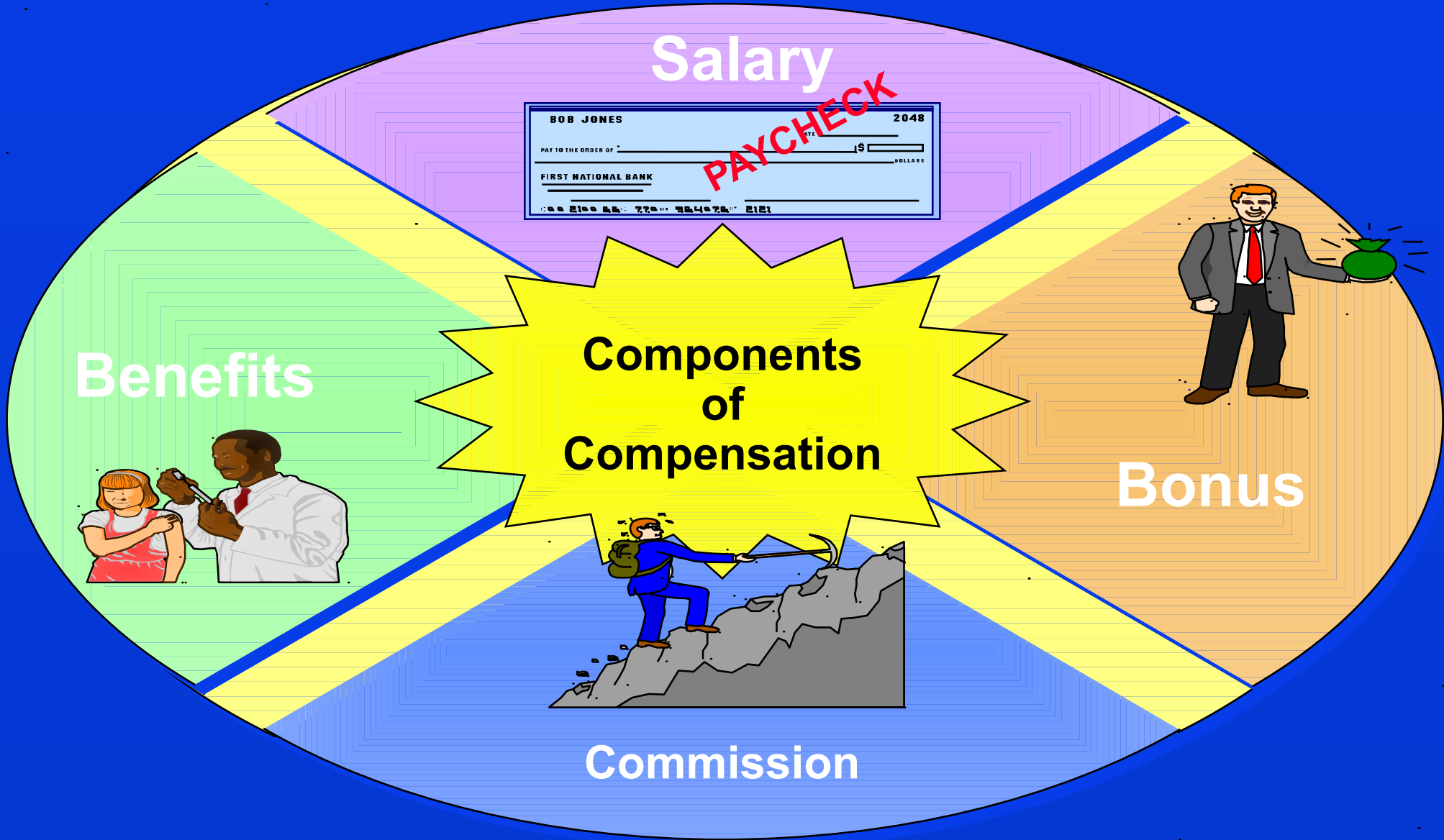
Learn How the Products Work

**Learn About Competitors'
and Customers' Characteristics**

**Learn How to Make
Effective Presentations**

**Understand Field Procedures
and Responsibilities**

Compensating Salespeople



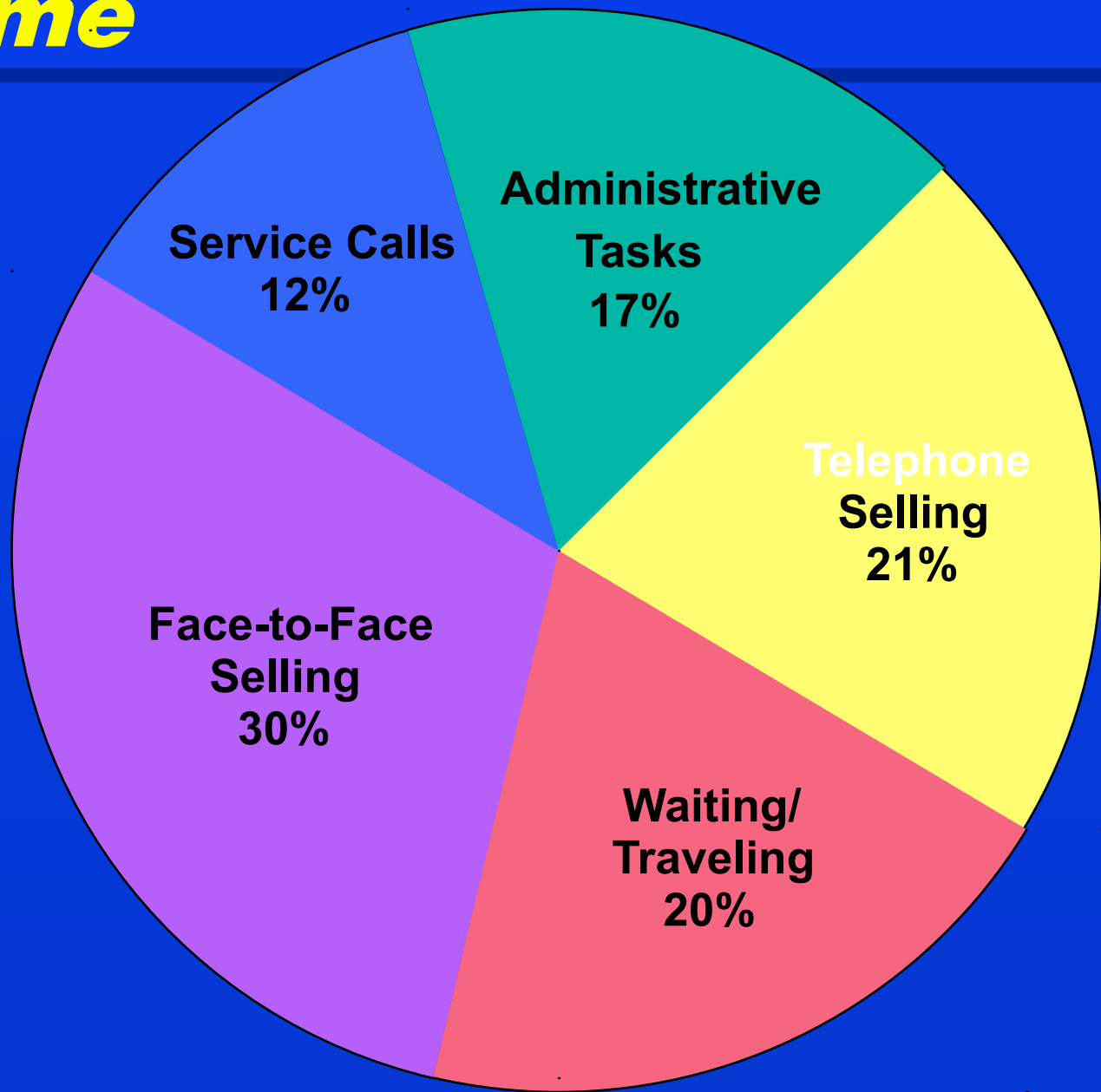
Directing Salespeople

- **Identify Customer Targets & Set Call Norms**
- **Develop Prospect Targets**
- **Use Sales Time Efficiently**
 - **Annual Call Schedule**
 - **Time-and-Duty Analysis**
 - **Sales Force Automation**

Motivating Salespeople

- **Organizational Climate**
- **Sales Quotas**
- **Positive Incentives**
 - **Honors**
 - **Awards**
 - **Merchandise/ Cash**
 - **Trips**

How Salespeople Spend Their Time



Companies Look For Ways to Increase the Amount of Time Salespeople Spend Selling.

Evaluating Salespeople

**Expense
Reports**

**Sales
Report**

**Sources
of
Information**

**Call
Reports**

**Work
Plan**

**Annual
Territory
Marketing Plan**

Steps in the Selling Process

Step 1. Prospecting and Qualifying

Identifying and Screening For Qualified Potential Customers.

Step 2. Preapproach

Learning As Much As Possible About a Prospective Customer Before Making a Sales Call.

Step 3. Approach

Knowing How to Meet the Buyer to Get the Relationship Off to a Good Start.

Step 4. Presentation/ Demonstration

Telling the Product “Story” to the Buyer, and Showing the Product Benefits.

Steps in the Selling Process

1-230

Step 5. Handling Objections

Seeking Out, Clarifying, and Overcoming Customer Objections to Buying.

Step 6. Closing

Asking the Customer for the Order.

Step 7. Follow-Up

Following Up After the Sale to Ensure Customer Satisfaction and Repeat Business.

Relationship Marketing

- **Process of creating, maintaining, and enhancing strong, value-laden relationships with customers and other stakeholders.**
- **Based on the idea that important accounts need focused and continuous attention.**

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Chapter 17

Direct and Online
Marketing

Benefits of Direct Marketing

Direct Marketing Consists of Direct Communications with Carefully Targeted Individual Consumers to Obtain an Immediate Response.

Benefits of Direct Marketing to Customers

Fun, Convenient & Hassle-Free

Saves Time

Larger Merchandise Selection

Comparison Shopping

Order Products for Themselves or Others

Benefits of Direct Marketing to Companies

Mailing Lists for Almost Any Market

Customized Offers

Ongoing Relationships with Customers

Timed to Achieve Higher Readership & Response

Privacy

Trends Leading to the Growth of Direct Marketing

Increasing Number of Market Niches with Distinct Preferences

Higher Costs of Driving, Traffic and Parking Congestion

Consumers Lack of Time

Convenience of Ordering From Direct Marketers

Growth of Customer Databases

Customer Databases are an Organized Collection of Comprehensive Data About Individual Customers or Prospects Including: Geographic, Demographic, Psychographic, and Behavioral Data.

How Companies Use Their Databases

Identifying Prospects

Deciding Which Customers Should Receive a Particular Offer

Deepening Customer Loyalty

Reactivating Customer Purchases

Forms of Direct Marketing Communication



Online Marketing and Electronic Commerce

Online Marketing is conducted through interactive online computer systems, which link consumers with sellers electronically.

- **Two types of Online Marketing Channels:**
 - **Commercial Online Services** offer online information and marketing services to subscribers who pay a monthly fee. (i.e. AOL, CompuServe & Prodigy)
 - **The Internet (the Net)** is the vast global and public web of computer networks.
- **The explosion of Internet usage has created a new world of electronic commerce, a term that refers to the buying and selling process supported by electronic means.**

The Benefits of Online Marketing

Consumers

Convenient

Private

**Abundance of
Information**

Interactive

Immediate

Companies

**Consumer Relationship
Building**

Reduces Costs

Increases Efficiency

Provides Flexibility

Global Medium

Online Marketing Channels

Creating an Electronic Storefront

Buy Space on a Commercial Online Service

Open It's Own Web Page

Placing Advertisements Online

Place Ads in Special Sections of Online Services

Place Ads in Certain Internet Newsgroups

Buy Online Ads That Pop Up While Consumers are Surfing

Participating in Forums, Newsgroups & Web Communities

Forums: Discussion Groups on Commercial Online Services

Newsgroups: Internet Version of Forums

Web Communities: Sites Where Members Exchange Views Online

Using E-Mail and Webcasting

Customers Send Questions, Suggestions & Complaints Via E-Mail

Webcasting: Automatic Downloading of Information to PC's

Challenges of Direct Marketing

Limited Consumer Exposure and Buying

Skewed User Demographics and Psychographics

Chaos and Clutter

Security

Ethical Concerns

Integrated Direct Marketing

- **Direct marketing campaigns that use multiple vehicles and multiple stages to improve response rates and profits.**
- **Marketers seek to improve response rates and profits by adding media and stages that contribute more to additional sales than to additional costs.**

Public Policy and Ethical Issues in Direct Marketing

**Irritation
to
Consumers**

**Unfairness,
Deception,
or
Fraud**

**Invasion
of
Privacy**

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Chapter 18

**Competitive Strategies:
Building Lasting Customer
Relationships**

Defining Customer Value

	Total Customer Value	<i>(Product, Service, Personnel, & Image Values)</i>
-	Total Customer Cost	<i>(Monetary, Time, Energy, & Psychic Costs)</i>
=	Customer Delivered Value	<i>(Profit to the Consumer)</i>

Customer Satisfaction

Satisfaction

Customer Satisfaction Results When a Company's Performance Has Fulfilled a Buyer's Expectations.

Product's Actual Performance

Performance Exceeds Expectations -
Customer is Delighted

Buyer's Expectations Are Based On:

Customer's Past Buying Experiences
Opinions of Friends & Associates
Marketer/ Competitor Information & Promises

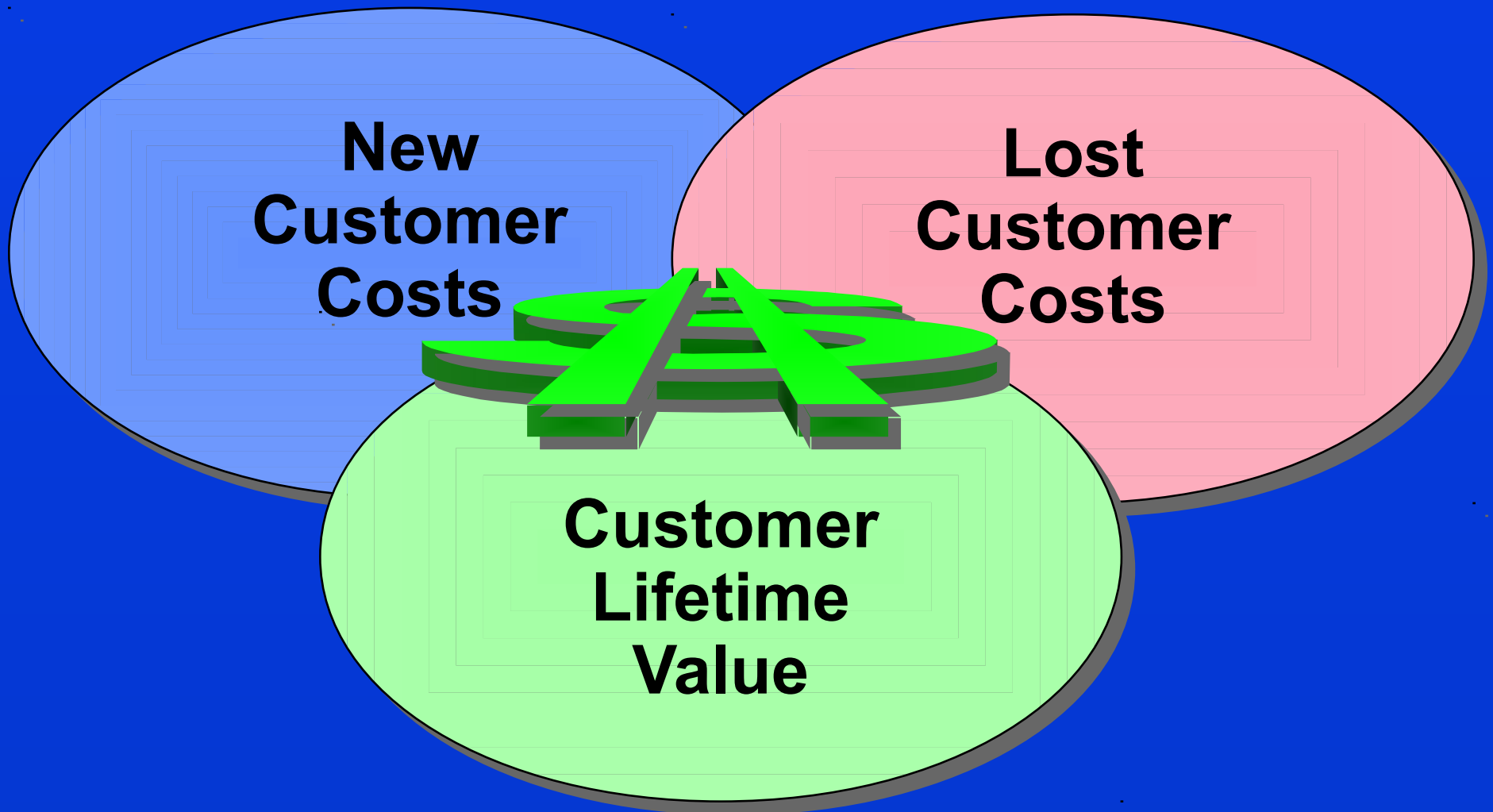
Performance Below Expectations -
Customer is Dissatisfied

Total Customer Satisfaction

- **Highly satisfied (delighted) customers produce benefits:**
 - They are less price sensitive,
 - They remain customers longer,
 - They talk favorably about the company and products to others.
- **Delighted customers have emotional and rational preferences for products, and this creates high customer loyalty.**
- **Therefore, the purpose of Marketing is to generate customer value profitably.**

The Need for Customer Retention

The Key to Customer Retention is Superior Customer Value and Satisfaction. Companies Must Consider:



Building Customer Satisfaction and Loyalty by Relationship Marketing

Relationship Marketing Involves Creating, Maintaining, and Enhancing Strong, Long-Term Relationships with Customers and Other Stakeholders.

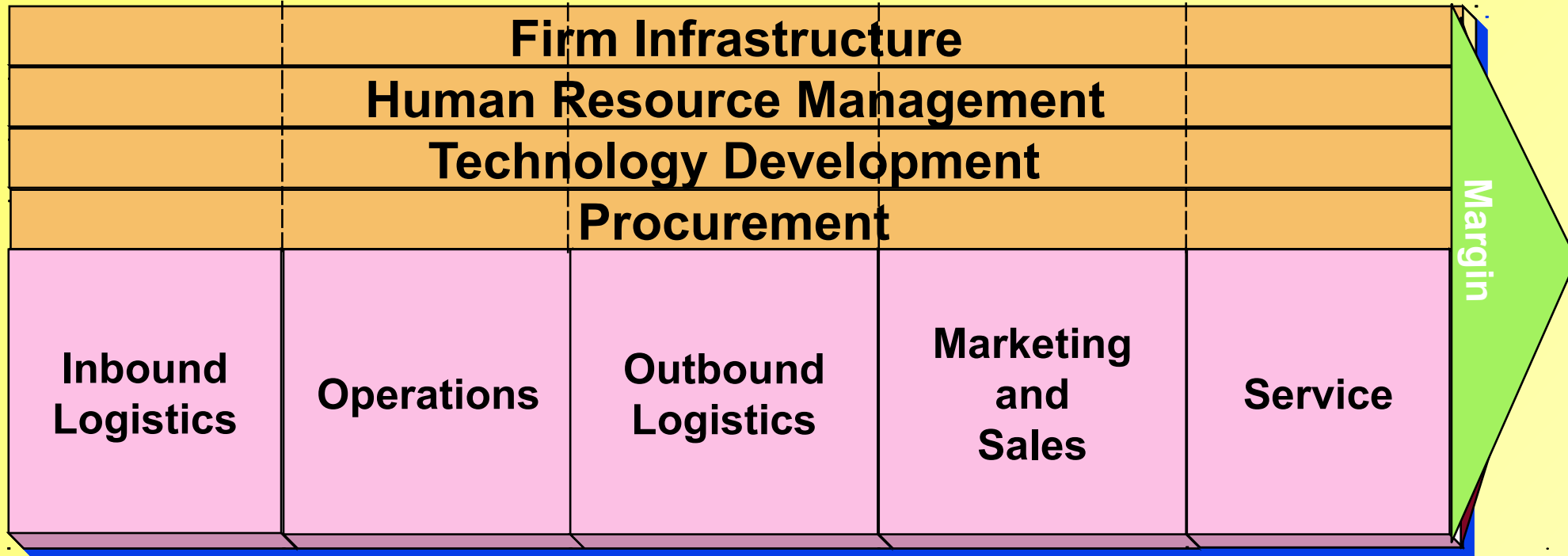
Methods for Building Relationships Include Offering:

**Financial
Benefits**

**Social
Benefits**

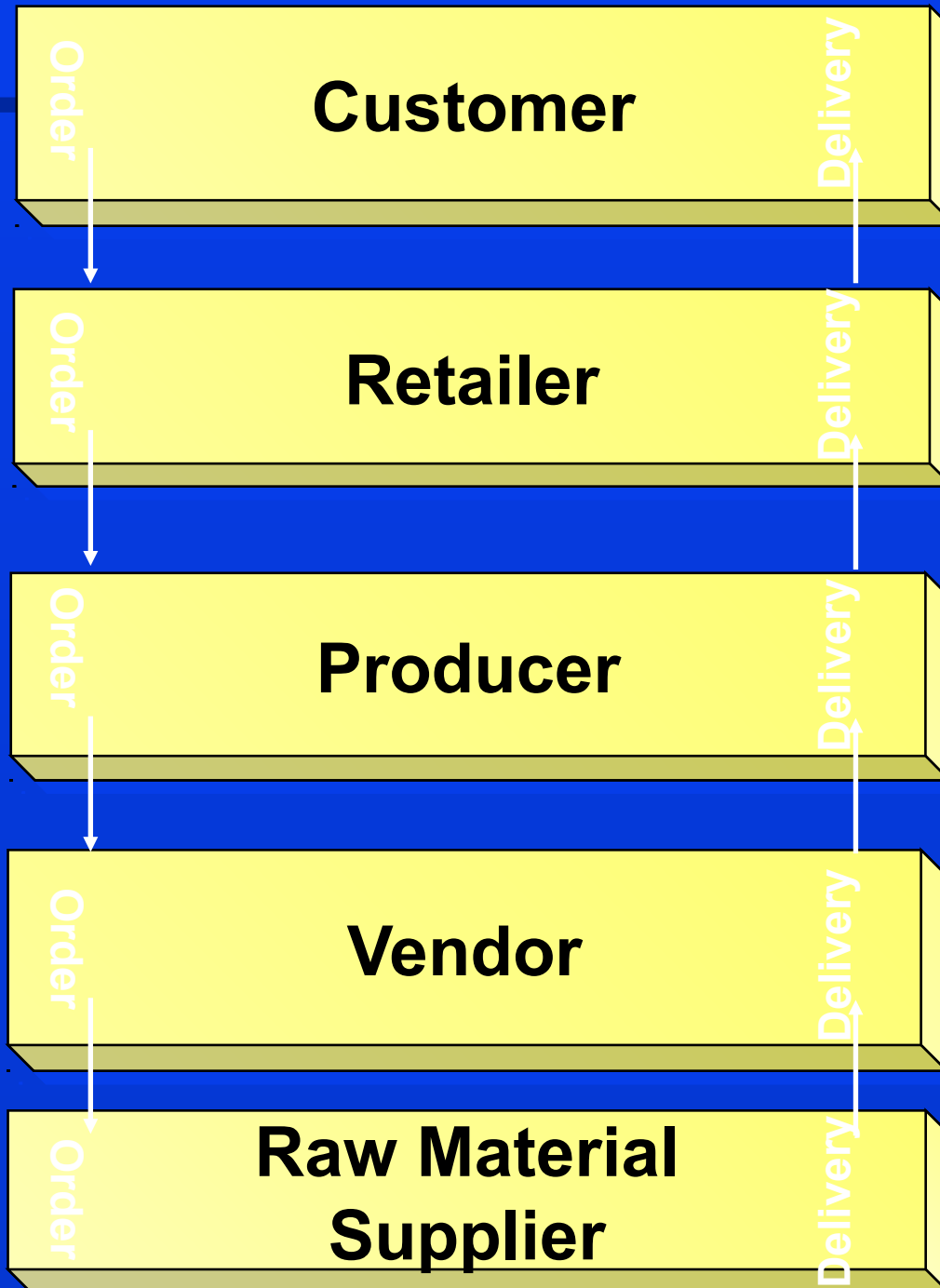
**Structural
Ties**

Support Activities



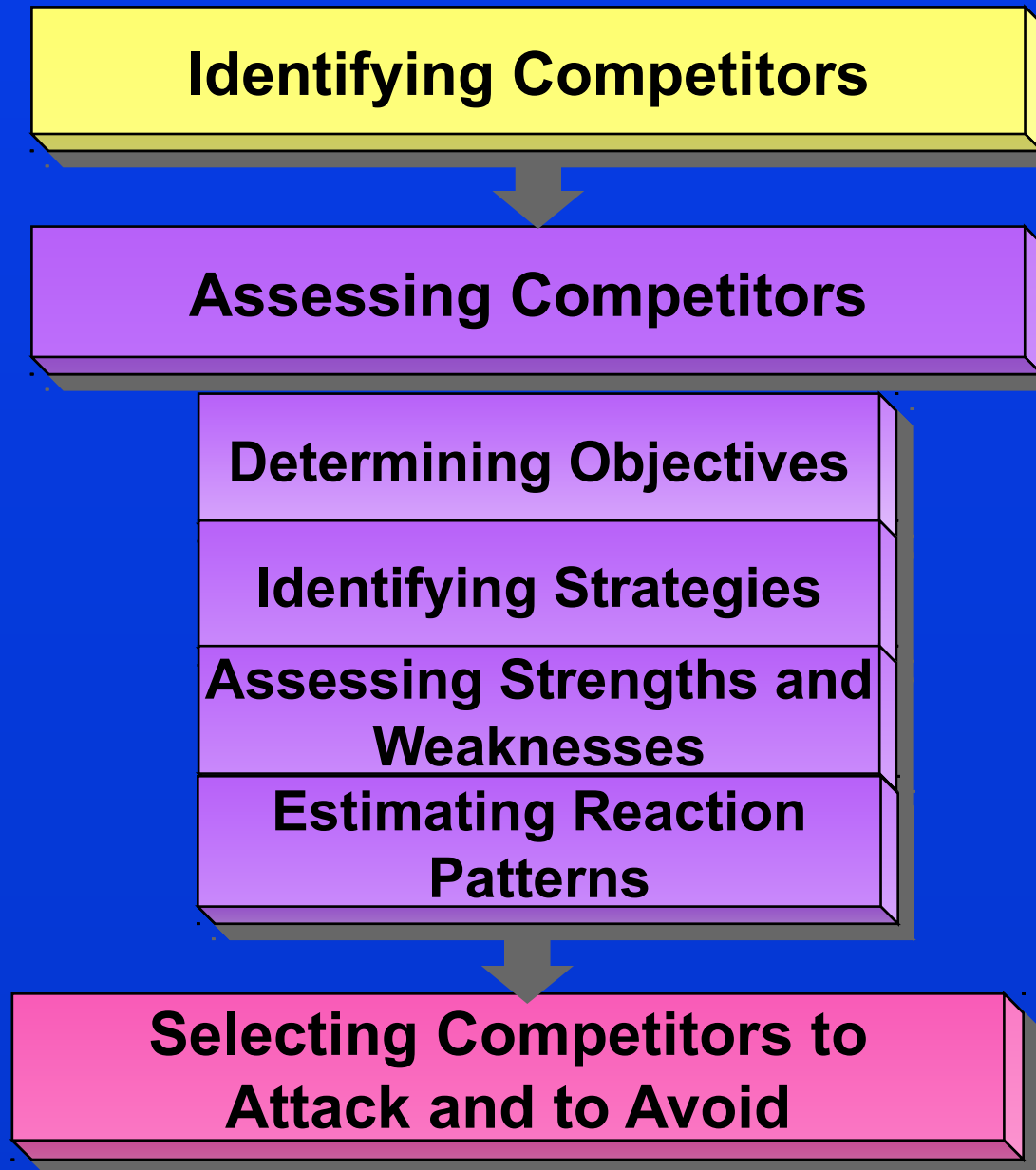
Primary Activities

Customer Value-Delivery Network



Total Quality Marketing





Developing Competitive Marketing Strategies

1-253

Basic Competitive Strategies

Overall Cost Leadership

Focus

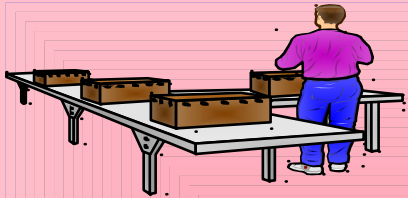
Differentiation

Middle of the Road

Developing Additional Competitive Marketing Strategies

1-254

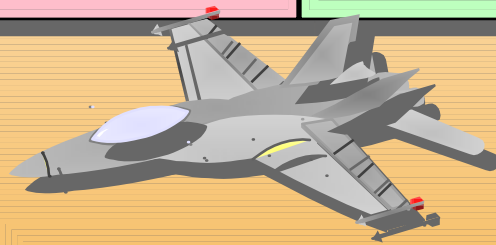
Value Disciplines



**Operational
Excellence**



**Customer
Intimacy**



**Product
Leadership**

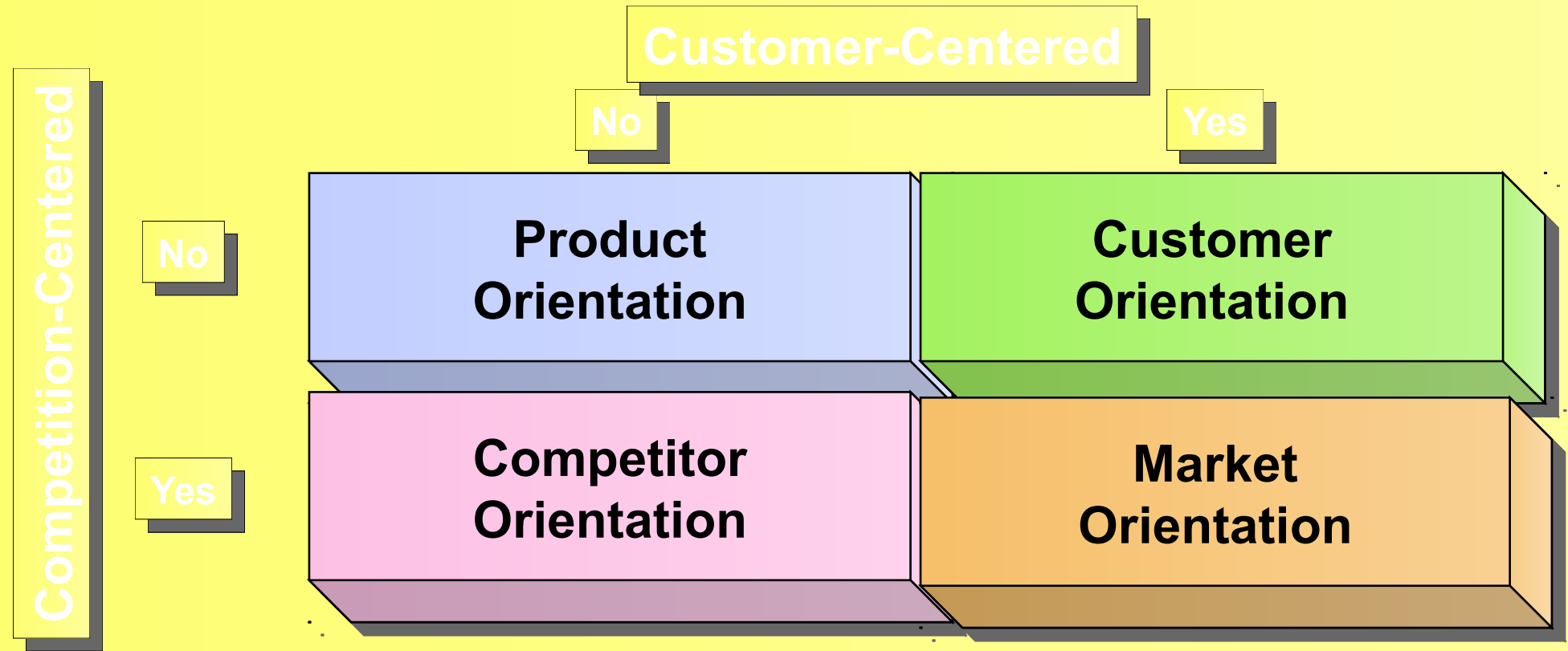
Competitive Positions

Competitive Positions

Competitive Strategies



Balancing Customer and Competitor Orientations



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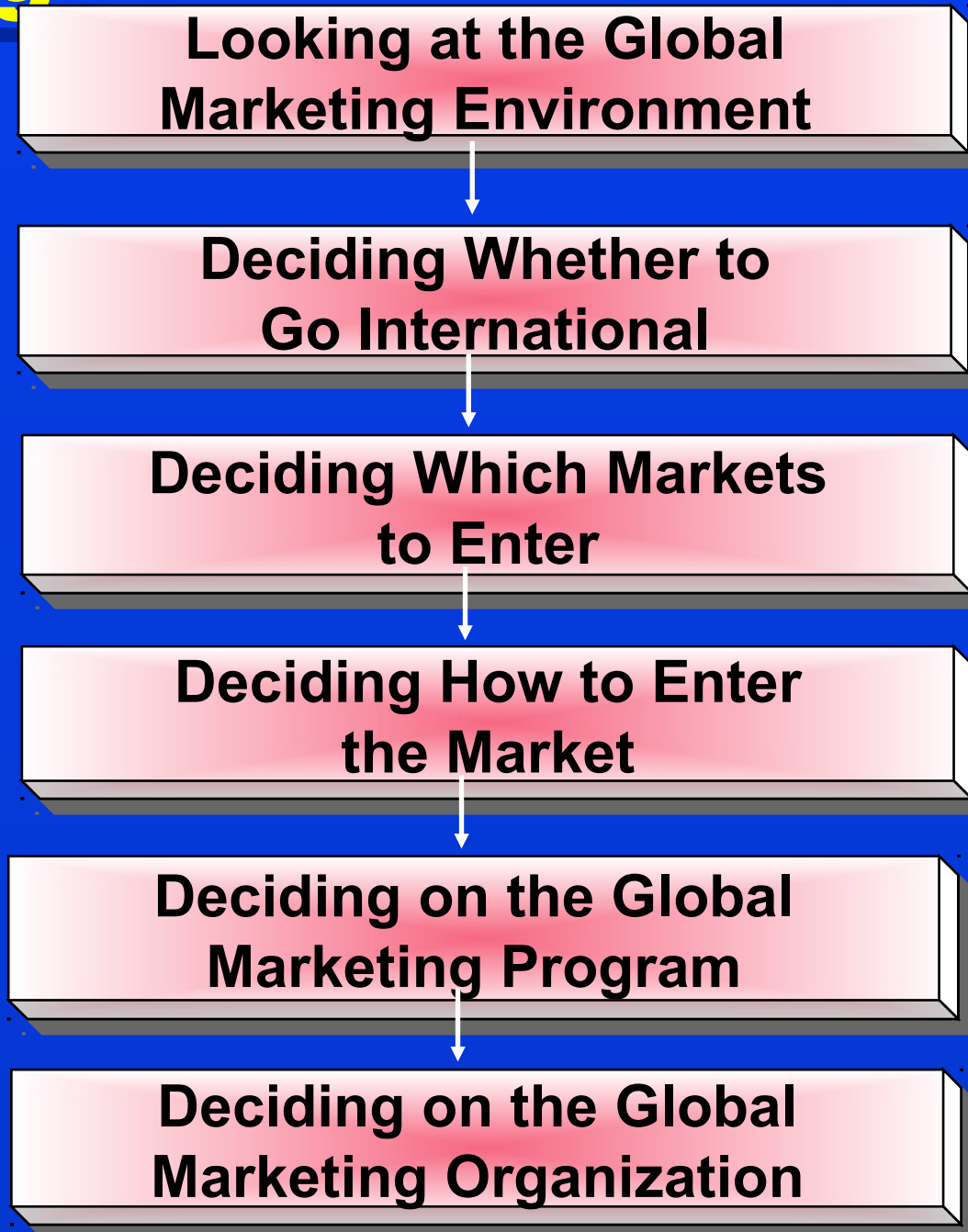
Chapter 19

**The Global
Marketplace**

Global Marketing Into the Twenty- First Century

- Global competition is intensifying and few U.S. industries are now safe from foreign competition.
- To compete, many U.S. companies are continuously improving their products, expanding into foreign markets and becoming Global Firms.
- Global firms face several major problems:
 - Variable exchange rates,
 - Unstable governments,
 - Protectionist tariffs and trade barriers,
 - Corruption.

Decisions in International Marketing



Looking at the Global Marketing

1-260

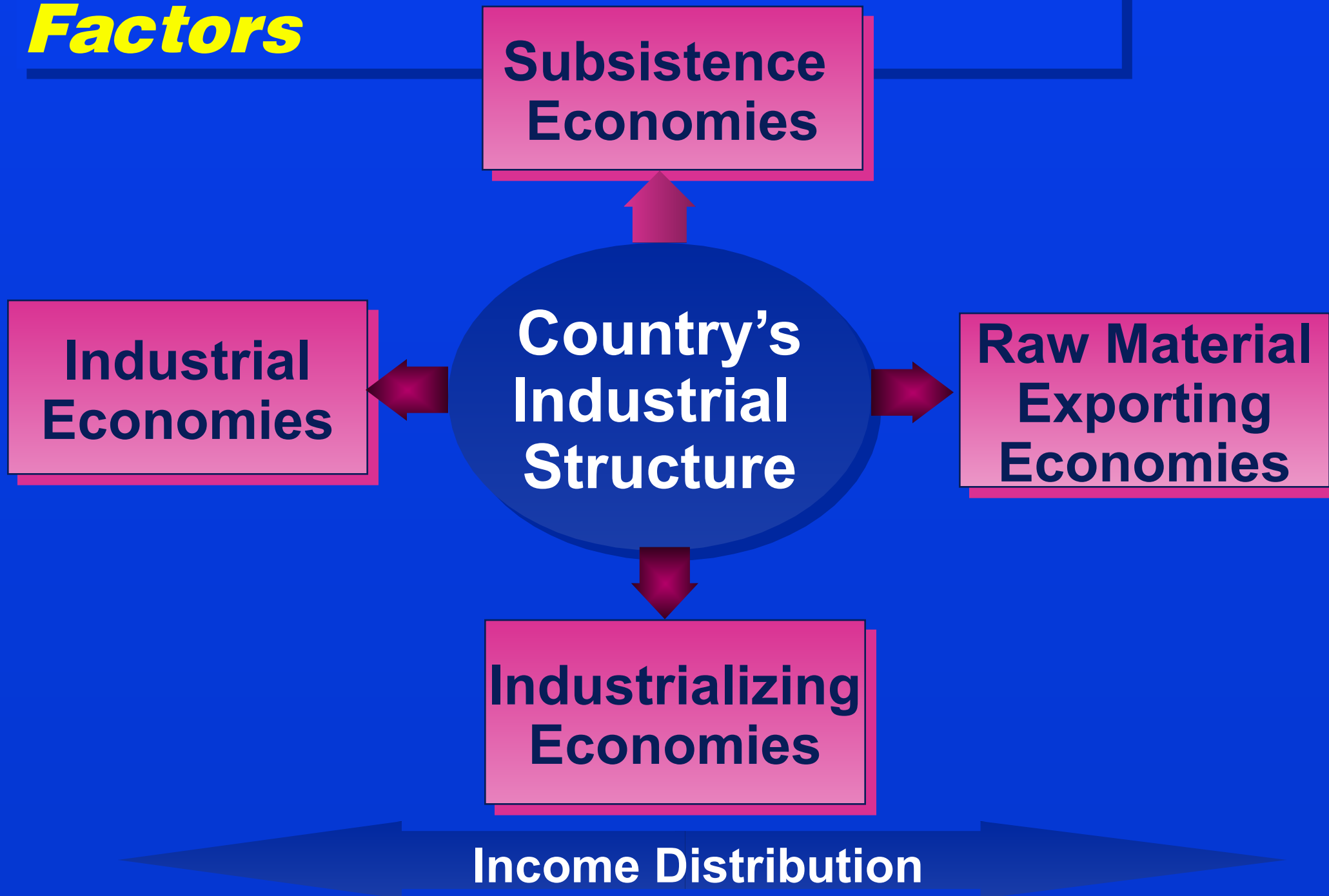
The International Trade System

The World Trade Organization and GATT

Regional Free Trade Zones

Economic Environmental Factors

1-261



Political-Legal Environmental Factors

**Attitudes Toward
International
Buying**

**Government
Bureaucracy**

**Monetary
Regulations**

**Political
Stability**

**How
Customers
Think About
and
Use
Products**

**Business
Norms and
Behavior**

**Cultural
Traditions,
Preferences,
and
Behaviors**

Deciding Whether to Go International

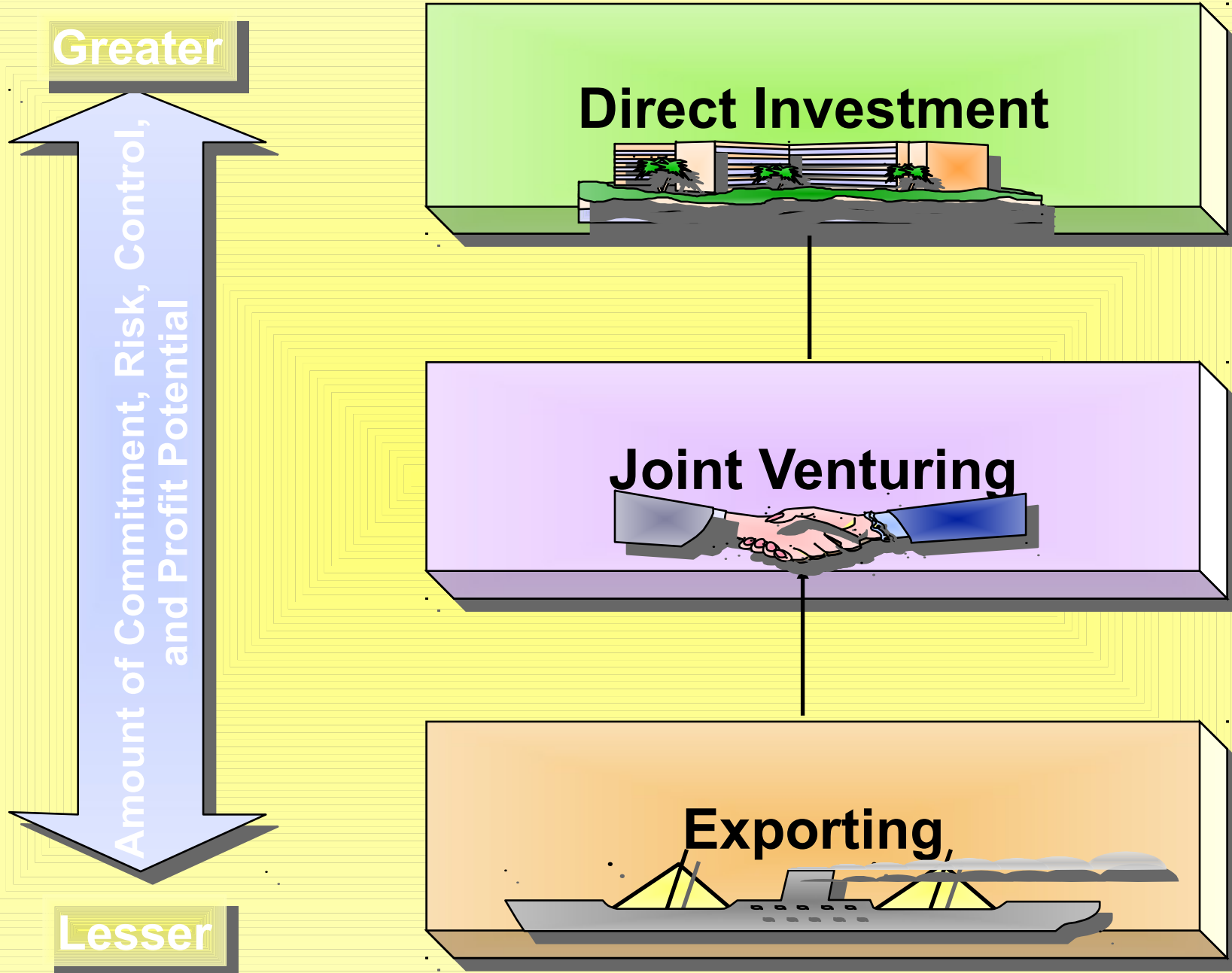
- **Reasons companies might consider International expansion:**
 - **Global competitors attacking the domestic market,**
 - **Foreign markets might offer higher profit opportunities,**
 - **Domestic markets might be shrinking,**
 - **Need an enlarged customer base to achieve economies of scale,**
 - **Reduce dependency on any one market,**
 - **Customers might be expanding abroad.**
- **Most companies do not act until some situation or event thrusts them into the international market.**

Deciding Which Markets to Enter

Marketer's Checklist for Identifying Market

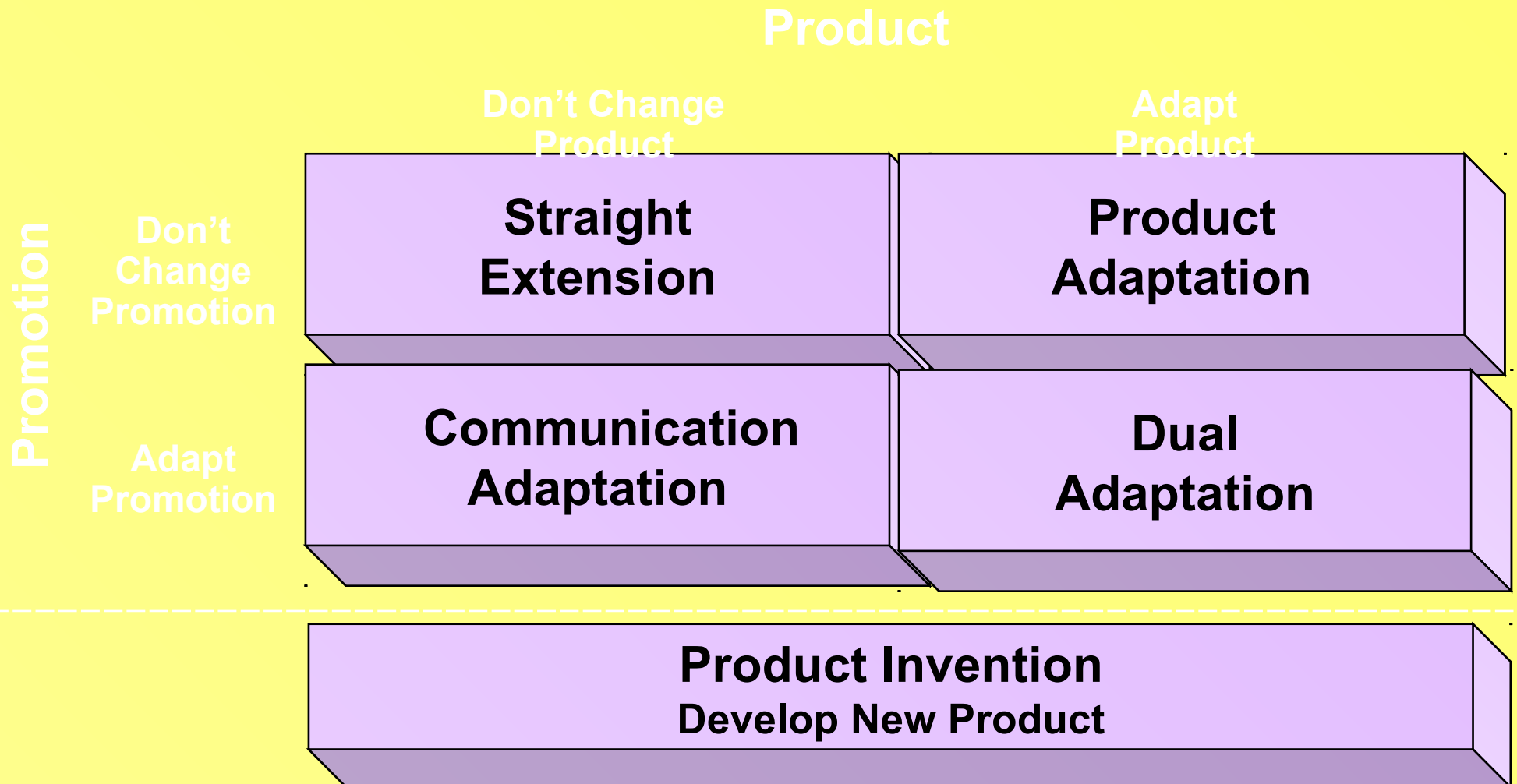
- 1. Demographic Characteristics.**
- 2. Geographic Characteristics.**
- 3. Economic Factors.**
- 4. Technological Factors.**
- 5. Sociocultural Factors.**
- 6. National Goals and Plans.**

Deciding How to Enter the

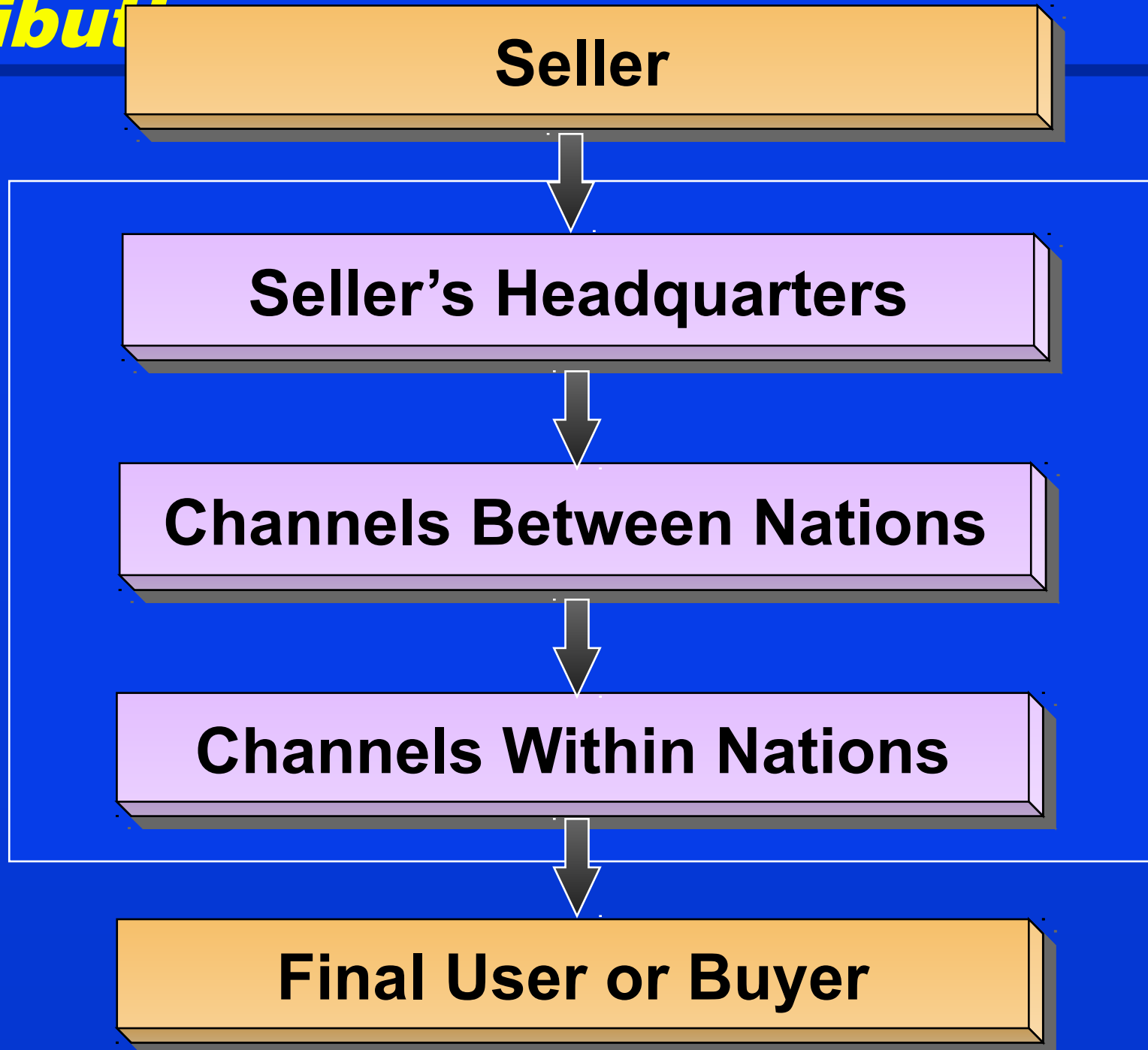


Deciding on the Global Marketing Program

Five International Product and Promotion Strategies



Whole-Channel Concept for Distribution



Deciding on the Global Marketing Organization

Degree of Involvement in International Marketing Activities

Export Department

International Division

Global Organization

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Chapter 20

Marketing and Society:
Social Responsibility
and Ethics

Social Criticisms of Marketing

1-271



Marketing's Impact on Society

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The Marketing Function is Accused by Society of Creating:

**False Wants and
Too
Much Materialism**

**Too Few
Social
Goods**

**Too Much
Political
Power**

**Cultural
Pollution**

Critics Charge that a Company's Marketing Practices Can Harm Other Companies and Reduce Competition Through:



**Acquisitions
of
Competitors**

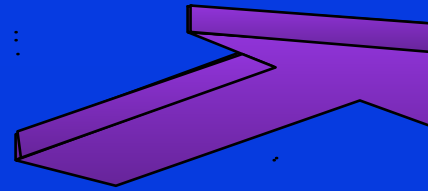
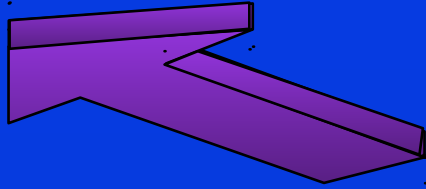
**Marketing
Practices
that
Create Barriers
to Entry**

**Unfair
Competitive
Marketing
Practices**

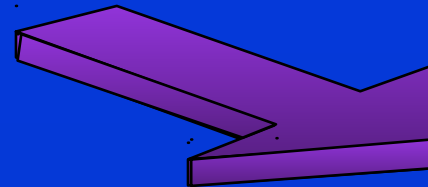
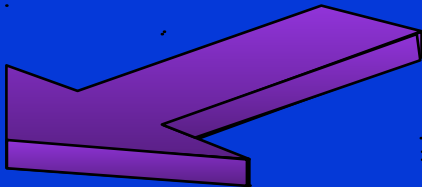
Consumerism

The Right to Be Safe

The Right to Be Informed



Basic Consumer Rights



The Right to Be Heard

The Right to Choose

Environmentalism

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Enlightened Marketing

1-276

Consumer-Oriented Marketing

Innovative Marketing

Value Marketing

Sense-of-Mission Marketing

Societal Marketing

Societal Classification of Products

Long-Run Consumer Benefit

Immediate Satisfaction

Low

High

High

Salutary Products

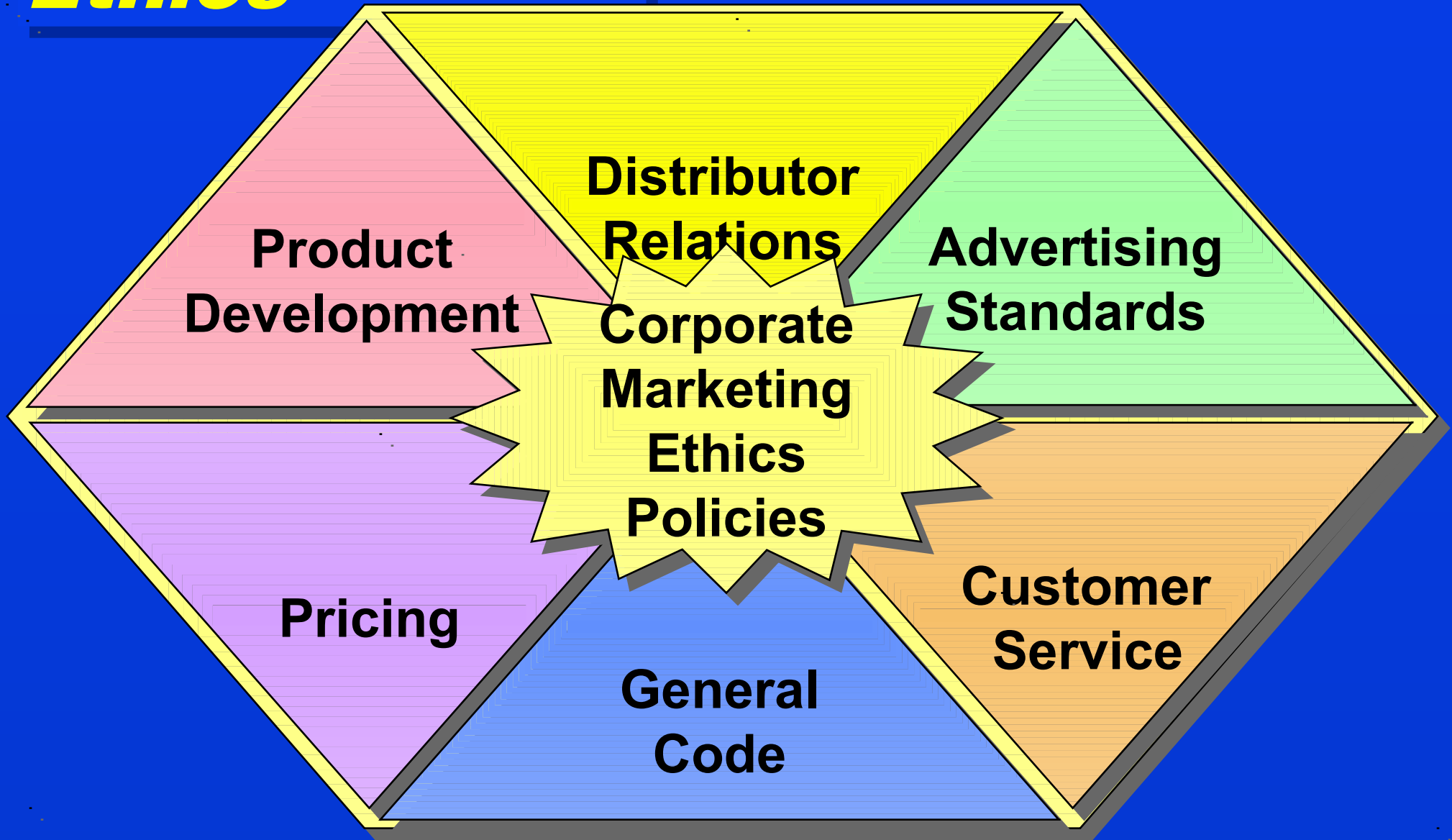
Desirable Products

Low

Deficient Products

Pleasing Products

Marketing Ethics



Principles For Public Policy Toward

