CHAPTER 1
WELCOME TO THE WORLD OF MARKETING

Marketing Creates Value

Value: benefits of a customer receives form buying a good or service.

Marketing: Activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large. Simply it means deliver value to everyone who is affected and meets the needs of diverse stakeholder.

Consumers: Defined as the ultimate user of a good or service

Marketing Concept: Identifying and satisfying consumer needs to ensure long-term profitability. Seek information about current or changing needs from current and potential customers.

Needs: Difference between a consumers’ actual state and some sort of ideal or desired state.

Benefits: Outcome sought by consumer that satisfies need or want and motivates buying behavior

Want: Desire to satisfy needs in specific ways, usually relate to specific brands or types of products.

Demand: Customers’ desires for products coupled with the resources needed to obtain them (buying power)

Market: Consist of all the consumers who share a common need that can be satisfied by a specific product and who have the resources, willingness and authority to make the purchase.

Market place: a location where buying and selling occurred face to face.

Marketing Creates Utility

The sum of benefits we receive from using a product/service

- Form Utility: Benefit provided by marketing when raw materials are transformed into finished goods - Related to Product
- Place Utility: benefit provided when marketing makes goods available where customers want them - Related to Place
- Time Utility: benefit provided by marketing when products are stored until they are needed. - Related to Place
- Possession Utility: Benefit marketing provides by allowing the consumer to own, use and enjoy the product.
- Exchange in Marketing Occurs when something is obtained for something else in return, like cash for goods or services.

The Evolution of a Marketing Concept

- The Production Era: Dominated by production orientation; a management philosophy that emphasizes the most efficient ways to produce and distribute products. Marketing played an insignificant role, and firm paid little attention to the desires of consumers (viewed them as homogenous needs). Few alternatives available to consumer.
- The Selling Era: Product availability exceeds demand, business may focus on a one-time sales of goods rather than repeat business. Dominated by selling orientation; managerial view of marketing as a sales function or a way to move products out of warehouse to reduce inventory. Sales promotions were heavily used, pays little attention to retaining customers.
- The Relationship Era: focused on Customer Orientation; a management philosophy that emphasizes satisfying customers’ needs and wants. Implementing Total Quality Management (TQM); defined as a philosophy that involves all employees from the assembly line onward in continuous product quality improvement efforts.
- The Triple Bottom Line Era: Maximizing:
  - Financial, building long-term bonds with customers which emphasize financial profits to stakeholders
  - Social, contributing to the communities in which the firm operates
  - Environmental, creating sustainable business practices that minimize damage to the environment or that even improve it

Marketing uses Customer Relationship Management (CRM) systematically tracking consumers’ needs in ways that also benefit society and delivers profit to the firm.

- Attention Economy: A company’s success is measured by its share of mind rather than share of market, where companies make money when they attract eyeballs rather than just dollars.

- Social Marketing Concept: Management philosophy that marketers must satisfy customers’ need in ways that also benefit society and deliver value to the firm.

- Sustainability: Creating products that meet present needs and ensuring that future generations can have their needs met. Green marketing deals with the development of marketing strategies that support environmental
stewardship by creating an environmentally-founded differential benefit in the minds of consumers.

**How much value marketing activities create.**
This enhanced focus on accountability that typically centers around the calculation of ROI (Return on Investment; Direct financial impact of a firm’s expenditure of a resource such as time or money). The accountability aspect means that marketers must do a better job of proving that marketing activities align to the firm’s overall business objective.

**What Can We Market?**
- Products and Services mirror changes in larger society, while marketing messages often communicate myths contain elements that express the shared emotions and ideas of culture.

**Product/Services/Idea that can be marketed:**
- **Consumer Goods/Services**: The goods individual consumers purchase for personal or family use. Services are intangible products that we pay for and use but never own.
- **Business-to-Business Goods/Services**: Marketing of goods and services from one organization to another. Can be Industrial Goods; goods individual or organizations buy for further processing or for their own use when they do business.
- **Not-for-Profit Marketing**: Organizations with charitable, educational, community, and other public service goals that buy goods and services to support their functions and to attract and serve their members.
- **Idea, Place, and People Marketing**

**The Value of Marketing and Marketing of Value**
Value is a combination of factors, such as price, quality, convenience, delivery/credit, before and after the sale service. Marketing communicates the Value Proposition; a marketplace offering that fairly and accurately sums up the value that the customer will realize if they purchase product.

*From Customer Perspective: Value is the ratio of costs (price) to benefits (utilities)*

*From Seller’s Perspective:*
- Takes many forms such as:
  - Making a profitable exchange
  - Earning prestige among rivals
  - Taking pride in doing what a company does well
  - Nonprofits; motivating, educating, or delighting the public
- Customer should be regarded as partners via brandfest (Gratitude to Customer Event)
- Customer have Value - it is more expensive to attract new customers than to retain current ones
- Lifetime value of a customer - Calculating the projected profit from a particular customer allows a firm to decide worth keeping customer.
- Creating Competitive Advantage - Identification of a distinctive competency and turn this into differential benefit - value that competitors do not offer.
- Add Value through Value Chain - A series of activities involved in designing, producing, marketing, delivering, and supporting any product. Including:
  - Inbound Logistic: bringing in materials to make the product
  - Operations: converting the materials into the final product
  - Outbound Logistic: shipping out the final product
  - Marketing: Promoting and selling the final product
  - Service: Meeting the customer’s needs by providing any additional support

**Process of Create and Deliver Value**

To measure value, we can use Marketing Scorecards report how a company or brand is doing in achieving its various goals, in quantifiable terms. Nowadays, people generate value instead of buying it (Consumer-Generated Value) - consumers are turning into advertising directors and new product development by post on sites or share idea.

- **Amafessionals** - Consumers who contribute ideas to online forums for the fun and challenge rather than to receive a paycheck.
- **Consumer-generated Content** - Everyday people functioning in marketing roles, such as participating in creating ads, providing input to new product developments or serving as wholesalers.

**Values from Society’s Perspective**
Marketing transactions add or subtract value from society. Stressing socially responsible and ethical decisions is good business. Marketing is often criticized - Encourages pursuit of hedonistic pleasures, marketing and advertising are unnecessary as they foster materialism, promises miracles and manipulates consumers.

**Marketing’s Dark Side - Illegal actions**

**Marketing as a Process**
Marketing Planning - a major portion of the process, big picture and how the firm’s products fit into that picture.

- Marketing Environment Analysis - Firm’s SWOT and external environment.
Developing Marketing Plan - Describes marketing environment, objectives, strategies and who has responsibility

Deciding on a market segment - Selection of Target Market
- Market Segment: A distinct group of customers within a larger market who are similar to one another in some way and whose needs differ.
- Target Market: Market segments on which an organization focuses its marketing plan and toward which it directs its marketing efforts.
- Market Position: The way in which the target market perceives the product in comparison to competitors' brands.

Choosing the Marketing Mix - Consists of the tools used by the organization to create a desired response among its target market.
- Product - product aspect, packaging, etc.
- Promotion - all activities to inform consumers about firm’s product.
- Price - amount the consumer must exchange in order to receive the product or service offering.
- Place - key to making the product available to consumers at the desired time and locations.

CHAPTER 2
STRATEGIC MARKET PLANNING

Business Planning: Compose the Big Picture
- Careful planning enables a firm to help customers understand what the firm is and what it has to offer that competitors don’t—especially
- Business Planning - Ongoing process of making decisions that guides the firm both in the short term and for the long term,
  - Identifies/Builds on firm’s strengths
  - Help Managers make informed decisions
  - Develops objectives before action is taken.

Business Plan - A plan that includes the decision that guide the entire organization.
- Marketing Plan - a document that describes the marketing environment, outlines the marketing objectives and strategy, and identifies who will be responsible for carrying out each part of the marketing strategy.
- Business ethics - Basic values that guide a firm’s behavior
- Code of Ethics - Written standards of behavior to which everyone in the organization must subscribe

Three levels of Planning
- Strategic Planning - Managerial decision process that matches firm’s resources and capabilities to its market opportunities for long-term growth and survival - done by Top Level Corporate Management
  1. Mission, Objectives, Business Portfolio, Growth Strategy is defined
  2. SBU - Individual units within the firm that operate like separate businesses, with each having its own mission, business objectives, resources, managers and competitors

Functional Planning

A decision process that concentrates on developing detailed plans for strategies and tactics for the short term, supporting an organization’s long-term strategic plan.
- Broad 3-5 year plan to support the strategic plan
- Detailed annual plan

Operational Planning
A Decision process that focuses on developing detailed plans for day-to-day activities that carry out an organization’s functional plans

Strategic Planning: Frame the Picture
Strategic planning is done at both corporate and SBU levels, the planning steps:

Step 1: Define the Mission
Mission Statement; A formal document that describes the firms overall purpose and what it hopes to achieve in terms of its customers, products and resources

Key Question in Determining Mission:
- What business are we in?
- What customers should we serve?
- How do we develop firm’s capabilities and focus its efforts?

Step 2: Evaluate the Internal and External Environment
Situational Analysis - An assessment of firm’s internal (Strengths and Weaknesses) and External Environments (Opportunities and Threats)
- Internal Environment - All Controllable elements inside a firm that influence how well the firm operates. Ex: Human Capital, Technologies
- External Environment - Uncontrollable Elements outside the firm that may affect it either positively or negatively. Ex: Economic, Competitive, Legal trends
- SWOT Analysis - enables firm to develop strategies that maximize strengths and capitalize upon opportunities

Step 3: Set Organizational or SBU Objectives -
What the firm hopes to accomplish with long-range business plan
- Objectives need to be specific, measurable, attainable and sustainable.
Step 4: Establish the Business Portfolio

Business Portfolio - The group of different products or brands owned by a firm and having different income-generating and growth capabilities.

Portfolio Analysis - Assesses the potential of a firm’s SBUs whether they should receive more or less of the firm’s resources using BCG growth-market share matrix - aid financial resource allocation.

Market Growth Rate - Market Attractiveness & Relative Market Share - Company Strength in Market

Strategies used
- Building - For Question Marks, requires substantial resource investment, if limited better allocated to Stars
- Hold - For Cash Cow need less investment, to maintain market share
- Harvesting - Milking the “Cash Cow” Money or continue life of “dog”
- Divesting - The business cut off the life of “dog”

Step 5: Develop Growth Strategies

Product-Market Growth Matrix - Characterizes different growth strategies according to type of market and type of product.

Marketing Planning: Select the Camera Setting
- Step 1: Perform a Situation Analysis - builds on SWOT; identifies how environmental trends affect the marketing plan.
- Step 2: Set Marketing Objectives - Specific to firm’s brands; States what marketing function must accomplish if firm is to achieve its overall business objectives
- Step 3: Develop Marketing Strategies - Select Target Market & Develop Marketing Mix Strategies

Product Strategies - Decision such as product design, packaging, branding and support service, key benefits and attributes.

Pricing Strategies - Determine how much a firm charges for a product.

Promotion Strategies - How Marketers communicate product’s value proposition to target market. Using ads, sales promotion, direct marketing, personal selling.

Distribution Strategies - How, When, and where the product is available to targeted customers

1. Step 4 : Implement and Control the Marketing Plan - What degree they actually meet their stated marketing objectives
   o Control : Measuring actual performance, comparing performance to the objectives, making adjustments.

Managers select Marketing metrics to be measured as part of formal control process. Measured in Return on Marketing Investment (Revenue or profit margin generated by investment in a specific marketing program divided by the cost - Such as Customer Acquisition Cost, Customer retention rate, Customer turnover rates)

How does the implementation and control step actually manifest itself within a marketing plan?

One very convenient way is through the inclusion of a series of action plans that support the various marketing objectives and strategies within the plan at operational level. Help Managers when they need to assign responsibilities, time lines, budgets and measurement and control processes for marketing planning.

Operational Plans

Plans that focus on the day-to-day execution of marketing Plan. Include detailed directions for the specific activities to be carried out, who will be responsible for them and time lines for accomplishing task.
CHAPTER 3
THRIE IN THE MARKETING ENVIRONMENT

Take a Bow : Marketing on The Global Stage
World Trade - The Flow of goods and services among different countries - the value of all exports and imports of the world’s nations

Countertrade - A type of trade in which goods are paid for with other items instead of with cash

Steps Entering Global Market :
1. Step 1 : Go or No Go - Is it our best interest to focus on home market or elsewhere?
2. Step 2. Which Global Markets are most attractive and offer greatest opportunity?
3. Step 3. What Market entry strategy and what level of commitment is best?
4. Step 4. How do we develop marketing mix strategies in foreign market, Standardize or Localized for each country?

Must consider market conditions and competitive advantage
Many times a firm decides to go global because domestic demand is declining while demand in foreign market grows

Understand International, Regional, and Country Regulations
Initiatives in international regulation and cooperation help trade : GATT (For the purpose of reducing import tax levels and trade restrictions) & WTO (To supervise and liberalize international trade). Protectionism restricts trade from Government to restrict foreign competition to give domestic companies an advantage
6. Import Quotas - Limitations set on the amount of product allowed to enter or leave a country
7. Embargoes - Trade prohibition with a country
8. Tariffs - Taxes on imported goods

Economic Communities are composed of groups of countries that band together to promote trade among themselves while facilitating trade with countries outside the country.

Analyze the Marketing Environment
Economic Environment
Marketers need to understand state of the economy from two different perspectives

Overall Economic health and level of development of a country
Current stage of its business cycle
Key Economic Indicators to measure Economic Health:
GDP - Total Dollar value of goods/services a country produces within its border in a year
GNP - Value of all goods and services a produced by a country’s citizens or organizations
Economic Infrastructure - Quality of country’s distribution, financial and communication systems.

Levels of Economic Development
based on Standard of Living (Indicator of the average quality and quantity of goods and services a country consumes)

Least Developed Countries - Economic base is often agricultural. Standard of Living is low and opportunities is low.
Developing Countries - Economy shifts emphasis from agriculture to industry.
Developed Countries - Offer wide range of opportunities for international marketers.

The Business Cycle
describes overall pattern of changes or fluctuation of an economy.

Prosperity (high levels of demand, employment, and income)
recession (falling demand, employment, and income)
recovery (gradual improvement in production, lowering unemployment, and increasing income)
A severe recession is a depression, a period during which prices fall but there is little demand because few people have money to spend and many are out of work.
Inflation occurs when prices and the cost of living rise while money loses its purchasing power because the cost of goods escalates.

Competitive Environment
Competitive Intelligence
Gathering and analyzing publicly available information about rivals to develop superior marketing strategies

Competition in Microenvironment
Consumer’s Discretionary Income - Choices of spending
Money left over after people have paid for necessities
Product Competition - Alternate products that satisfy the same consumer’s needs/wants
Brand Competition - Most direct form of competition occurs among brands offering similar goods/services

Competition in Macro environment
Monopoly - One Seller controls a market
Oligopoly - There are a relatively small number of sellers, each holding substantial market share, in a market with many buyers.
Monopolistic Competition - Many sellers who compete for buyers in a market however each firm offers slightly different products. Perfect Competition - Many small sellers offer same good or service

Technological Environment
Provides firms with important competitive advantages, Profoundly affects marketing activities, and can transform industries.

Political and Legal Environment
Local, state, national, and global laws and regulations affect businesses

Sociocultural Environment
refers to the characteristics of the society, the people who live in that society, and the culture that reflects the values and beliefs of the society.

- 9. Demographics - Examining statistics that measure observable aspects of the population, including its size, age, gender, ethnicity, income, education, occupation and family structure
- 10. Cultural Values - Deeply held beliefs about right and wrong ways to live.
- 11. Social Norms - Specific rules dictating what is right or wrong, acceptable or unacceptable.
- 12. Language
- 13. Ethnocentrism - Tendency to prefer products or people of one’s own culture.

Is the World Flat or Not? How Global should a global Marketing Strategy Be?

Exporting
If a firm chooses to export, it must decide whether it will attempt to sell its products on its own or rely on intermediaries to represent it in the target country.

Contractual Agreement
14. License Agreement - The Licensor gives another firm (Licensee) the right to produce and market its product in a specific country or region in return for royalties on goods sold.

15. Franchising - Form of licensing that gives the franchisee the right to adopt an entire way of doing business in the host country.

Strategic Alliance
Joint Venture; Two or more firms create a new entity to allow the partners to pool their resources for common goals

Direct Investment
Deeper level of Commitment occurs when a firm expands internationally through ownership

Product-Level Decisions
How to market their product in each country
- Standardization - Same strategy used in the home market is applied in the same way abroad/
- Localization - Tailor products and promotional messages to local environments.

Modify the Marketing Mix

Product Decisions
A Firm has three choices when it decides on a product strategy
- Sell the Same product in the new market
- Modify it for that market
- Develop a brand new product to sell there

A straight extension Strategy - Used when a firm offers the same product in both domestic and foreign markets

A Product Adaptation Strategy - Occurs when a firm offers a similar but modified product in foreign markets

Product Inventions - Requires a firm to develop a new product for foreign markets

Backward Invention - A firm develops a less advanced product to serve the needs of people living in countries without electricity or develop infrastructure

Promotion Decisions
Decide whether it’s necessary to modify how they speak to consumers in a foreign market.

Price Decisions
Products are often more expensive to produce for foreign markets.

Free Trade Zones - Designated areas where foreign companies can warehouse goods without paying taxes or customs duties until they move the goods into market place

Marketing Ethics: taking an ethical & above-board approach to conducting marketing research that does no harm to the participant in the process of conducting research.

Marketing Information System: a process that first determines what information marketing managers need & then gathers, sort, analyzes, and distributes relevant & timely marketing information to system users.
3 important components of MIS:
- 4 types of data (internal company data, marketing intelligence, marketing research, acquired databases).
- Computer hardware & software to analyze the data & create reports
- Output for marketing decision makers

4 different data sources for MIS:
1. Internal Company Data
   uses information from within the organization to produce reports on the results of sales & marketing activities
   - Intranet: an internal corporate communication network that uses internet technology to link company departments, employees & databases

2. Marketing Intelligence
   have information about marketing environment
   - Marketing Intelligence System: a method by which marketers get information about everyday happenings in the marketing environment

3. Marketing Research
   the process of collecting, analyzing, & interpreting data about consumers, competitors, & the business environment in order to improve marketing effectiveness.
   - Syndicated Research: research by firms, that collect data on a regular basis & sell the reports to multiple firms
   - Custom Research: research conducted for a single firm to provide specific information its managers need

4. Acquired Databases
   acquire external databases that can be useful in marketing decision making

The Marketing Decision Support System (MDSS)
The data, analysis software, & interactive software that allow managers to conduct analyses & find the information they need.
- Statistical software allows manager to examine complex relationships among factors in the marketplace
- Modeling software allows decision makers to examine possible / preconceived ideas about relationships in the data.

Data Mining
Sophisticated analysis techniques to take advantage of the massive amount of transaction information now available
Data mining has 4 important applications for marketers:
1. Customer acquisition: include demographic & other information about customers in their database
2. Customer Retention & loyalty: the firm identifies big spending customers and then targets them for special offers & inducements other customers won’t receive.
3. Customer Abandonment: identify customers as “the good, the bad, & the ugly”
4. Market Basket Analysis: develops focused promotional strategies based on the records of which customers have bought certain products.

Steps in Marketing Research Process
1. Define the research problems
   - Specify the research objects
   - Identify the consumer population of interest
   - Place the problem in an environmental context
2. Determine the research design
   a plan that specifies what information marketers will collect & what type of study they’ll do
Disusun oleh: Muhammad Firman (Akuntansi FE UI 2012)

- Determine whether secondary data are available
- Determine whether primary data are required
  - Exploratory Research
  - Descriptive Research
  - Causal Research

Secondary Data: Data that have been collected for some purpose other than the problem at hand
Primary Data: data from research conducted to help make a specific decision

Exploratory Research: a technique that marketers use to generate insights for future, more rigorous studies
  - Focus Group: a product-oriented discussion among a small group of consumers led by a trained moderator
  - Case Study: a comprehensive examination of a particular firm or organization
  - Ethnography: an approach to research based on observations of people in their own homes or communities

Descriptive/Quantitative Research: a tool that probes more systematically into the problems & bases its conclusions on large number of observations
  1. Cross-sectional design: a type of descriptive technique that involves the systematic collection of quantitative information
  2. Longitudinal design: a technique that tracks the responses of the same sample of respondents over time.

Causal Research: a technique that attempts to understand cause-and-effect relationships
- Experiments: a technique that tests predicted relationships among variables in a controlled environment

3. Choose the method to collect primary data
- Survey methods
  - Questionnaires
    - Telemarketing: the use of telephone to sell directly to consumers & business customers.
    - Mall-intercept: a study in which researchers recruit shoppers in malls or other public areas.
  - Observational Methods
    - Unobtrusive measures: measuring traces of physical evidence that remain after some action has been taken.
- Online research
  - Predictive Technology: analysis techniques that use shopping patterns of large numbers of people to determine which products are likely to be purchased if others are.

Privacy rights proponents advocate the following guiding principles:
  1. Information about a consumer belongs to the consumer.
  2. Consumers should be made aware of information collection.
  3. Consumers should know how information about them will be used.
  4. Consumers should be able to refuse to allow information collection.
  5. Information about a consumer should never be sold/given to another party without the permission of the consumer.

Data Quality
- Validity: the extent to which research actually measures what it was intended to measure.
- Reliability: the extent to which research measurement techniques are free of errors.
- Representativeness: the extent to which consumers in a study are similar to a larger group in which the organization has an interest

4. Design the sample
Sampling: the process of selecting respondents for a study
  2 main types of samples:
    - Probability sampling: a sample in which member of the population has some known chance of being included
    - Nonprobability sampling: a sample in which personal judgment is used to select respondents

Convenience sample: a nonprobability sample composed of individuals who just happen to be available where the data are being collected

5. Collect the data
- Translate questionnaires & responses if necessary
- Combine data from multiple sources (if available)

6. Analyze & interpret the data
- Tabulate & cross-tabulate the data
- Interpret/draw conclusions from the results

7. Prepare the research report
The research report includes these:
- An executive summary
- A description of the research methods
- A discussion of the results of the study
- Limitation of the study
- Conclusions & recommendations

CHAPTER 5
CONSUMER BEHAVIOUR

The consumer decision-making process
1. Problem recognition
2. Information search
3. Evaluation of alternatives
4. Product choice
5. Postpurchase evaluation

Consumer behavior: The process involved when individuals/groups select, purchase, use, and dispose of goods, services, ideas, or experiences to satisfy needs/desires

Involvement: the relative importance of perceived consequences of the purchase to a consumer

Perceived risk: the belief that choice of a product has potentially negative consequences, whether financial, physical, and/or social
5 steps in consumer-decision making process:

1. Problem recognition
   The process occurs whenever a consumer sees a significant difference between her current state of affairs and the desired state. Marketers stimulate problem recognition with the introduction of exciting new products or through promotion that emphasizes the differences between the current and desired states.

2. Information Search
   The process whereby a consumer searches for appropriate information to make a reasonable decision.

   - Internet as search tool:
     - Search marketing: marketing strategies that involve the use of internet search engines.
     - Search Engine Optimization (SEO): a systematic process of ensuring that your firm comes up at/near the top of lists of typical search phrases related to your business.
     - Search Engine Marketing (SEM): Search marketing strategy in which marketers pay for ads or better positioning
     - Sponsored search ads: paid ads that appear at the top/beside the internet search engine results.
     - Comparison shopping agents/shopbots: web applications that help online shoppers find what they’re looking for at the lowest price & provide customer reviews & ratings of products and sellers
     - Behavioral Targeting: the marketing practice by which marketers deliver advertisements for products a consumer is looking for by watching what the consumer does online.

3. Evaluation of Alternatives
   The informed consumer identifies a small number of products in which he is interested. Then he narrows his choices by comparing the pros and cons of each option.

   - Evaluative Criteria: the dimensions consumers use to compare competing product alternatives

4. Product Choice
   Consumers make a product choice when they decide on one alternative or product and act on this choice:
   - Heuristics: a mental rule of thumb that leads to a speedy decision by simplifying the process.
   - Brand Loyalty: a pattern of repeat product purchases, accompanied by an underlying positive attitude toward the brand, based on the belief that the brand makes products superior than its competitors

5. Postpurchase evaluation
   The evaluation of the product results in a level of consumer satisfaction/dissatisfaction.

   - Cognitive Dissonance: the anxiety/regret a consumer may feel after choosing from among several similar attractive choices.

Influences on Consumer Decision making:

1. Internal Factors
2. Situational factors
3. Social Influences

Internal influences on consumer’s decision making

1. Perception: the process by which people select, organize, and interpret information from the outside world.

2. Motivation
   an internal state that drives us to satisfy needs by activating goal oriented behavior.
   The Hierarchy of Needs (developed by Maslow) categorizes motives according to five levels of importance—the more basic needs being on the bottom of the hierarchy and the higher needs at the top.

3. Learning
   a change in behavior caused by information or experience. Learning can occur deliberately or when we are not trying.

   - Behavioral Learning—the behavioral learning theories assume that learning take place as a result of connections we form between events
     1. Classical conditioning: learning that occurs when a stimulus eliciting a response is paired with another stimulus that initially doesn’t elicit a response on its own but will cause a similar response over time because of its association with the 1st stimulus
     2. Operant conditioning: learning that occurs as the result of rewards or punishments
   - Cognitive learning—cognitive learning theory views people as problem-solvers who do more than passively react to associations between stimuli. Cognitive learning occurs when consumers make a connection between ideas or by observing things in their environment
     - Observational learning: learning that occurs when people watch the action of others & note what happens to them as a result

4. Attitudes: a lasting evaluation of a person, object, or issue.

   3 components of a person’s attitudes:
   - Cognition: the belief or knowledge a person has about a product and its important characteristics.
   - Affect: the overall emotional response a person has to a product. Affect is usually dominant for expressive products.
   - Behavior: the doing components of attitudes, involves a consumer’s intention to do something, such as the intention to purchase or use a certain product.

5. Personality
   the set of unique psychological characteristics that consistently influences the way a person responds to situations in the environment

Self-concept: an individual’s self image that’s composed of a mixture of belief, observations & feelings about personal attributes; the attitude toward the self.

Consumers buy products that are extensions of themselves and marketers create brand images that will be congruent with the selves of different types of people.
6. Age
people in the same age group may share a common set of experiences and have similarities in product preferences. The purchase of goods and services may also depend on consumers’ position in the family life cycle—the stages through which family members pass as they grow older.

7. Lifestyle
a pattern of living that determines how people choose to spend their time, money, and energy and that reflects their values, tastes, and preferences. Consumers often choose goods, services, and activities that are associated with a certain lifestyle.

Situational & social influences on consumers’ decisions
Situational influences – includes sensory marketing (marketing techniques that link distinct sensory experiences such as a unique fragrances with a product or service)

The physical environment - For example, physical surroundings may influence buying when attractive decor elevates a person’s mood and leads to impulse buying.

Time - If time pressures are high, consumers may search less and buy products that are quick to obtain.
• Time poverty: consumers’ belief that they’re more pressed for time than before

Social influences on consumer’s decision
 ▪ Culture- society’s personality. It includes the values, beliefs, customs, and tastes produced by a society. Culture includes important rituals that have consumption implications: weddings, holidays, graduation.
 ▪ Subculture a group existing within a larger culture whose members share a distinctive set of beliefs or characteristics. Each of us belongs to several subcultures. These subcultures can be religious groups, ethnic groups, or regional groups.
  • Microcultures: groups of consumers who identify with a specific activity or art form
  • Emerging Lifestyle trends: consumerism & Environmentalism
  • Consumerism: a social movement that attempts to protect consumers from harmful business practices
  • Environmentalism: a broad philosophy & social movement that seeks conservation & improvement of the natural environment
  • Kyoto protocol: a global agreement among countries that aims at reducing greenhouse gases that create climate change
  • Environmental stewardship: a position taken by an organization to project or enhance the natural environment as it conducts its business activities.
  • Green marketing: a marketing strategy that supports environmental stewardship, thus creating a differential benefit in the minds of customer
 ▪ Social class: overall rank of people in a society. People who are within the same class have similar occupations, income levels, and education. They also share tastes in clothing, decorating styles, and leisure activities.
  • Status symbols: visible markers that provide a way for people to flaunt their membership in higher social classes
  • Mass-class: the hundreds of millions of global consumers who now enjoy a level of purchasing power that’s sufficient to let them afford high-quality products.
 ▪ Group membership - People act differently in groups than they do on their own.
 ▪ Reference group: set of people a consumer wants to please or imitate. Consumers “refer to” these groups in making purchases—what they wear, where they go, what brands they buy, and so on.

- Opinion leaders: people who influence others’ attitudes or behaviors because of their expertise about the product. They usually have high levels of interest in the product category and serve as valuable information sources.
- Gender roles: society’s expectations regarding the appropriate attitudes, behaviors, and appearance for men and women.
  • Metrosexual: a straight, urban male who’s keenly interested in fashion, home design, gourmet cooking & personal care

CHAPTER 6
BUSINESS-TO-BUSINESS MARKETS

Business markets: buying & selling when the customer is another firm
Business-to-business (B2B) or Organizational Markets: the group of customers that include manufacturers, wholesalers, retailers, & other organizations. Organizations purchase goods and services for one of three reasons:

1) for use in operating the business (chairs, desks, copy machines, paper, etc.);
2) to include as a part in something else (raw materials, components); or
3) for resale (wholesalers/retailers purchase goods).

Factors that made a difference in Business Markets:
 ▪ Multiple Buyers: In business markets, products must meet the requirements of everyone involved in the company’s purchase decision.
 ▪ Number of Customers: Organizational customers are few and far between compared to end consumers.
 ▪ Size of Purchases: Business-to-business products can dwarf consumer purchases both in the quantity of items ordered and in the price of individual purchases.
 ▪ Geographic Concentration: Business customers may be located close together in small geographic areas rather than being spread out across the country.

B2B Demand
 ▪ Derived demand: Business’s demand for goods and services comes either directly or indirectly from consumers’ demand
 ▪ Inelastic demand: demand in which changes in price have little or no effect on the amount demanded
Fluctuating demand: Business demand also is subject to greater fluctuations than is consumer demand. This is because even modest changes in consumer demand can create large changes in business demand.

Joint demand: demand for 2 or more goods that are used together to create a product

Types of business-to-business consumers
- Producers: the individuals/organizations that purchase product for use in the production of other goods & services
- Resellers: the individuals/organizations that buy finished goods for purpose of reselling, renting, or leasing to others to make a profit & to maintain their business operation
  - Wholesalers/distributors
  - retailers
- Government & Not-for-profit organizations
  - Government markets: the federal, state, country & local governments that buy goods & services to carry out public objectives and to support their operations; Government markets make up the largest single business and organizational market in the United States.
  - Not-for-profit organizations: the organizations with charitable, educational, community, & other public service goals that buy goods & services to support their functions and to attract & serve their members; Not-for-profit institutions such as hospitals, churches, universities, museums, Salvation Army and the Red Cross.

Business-to-business e-commerce & social media
Business-to-business (B2B) e-commerce: internet exchanges between 2 or more businesses or organizations.

Intranet: an internal corporate network that uses internet technology to link a company’s departments, employees, & databases.

Extranet: a private, corporate computer network that links company departments, employees, & databases to suppliers, customers, & others outside the organization; Allow authorized suppliers, customers, and other outsiders to access the firm’s intranet.

Private exchanges: systems that link an invited group of suppliers & partners over the web.

The dark side of B2B E-commerce
- Hackers threaten security—steal credit card numbers or trade secrets
- Wellmeaning employees can be security threats when careless with their passwords
- Most firms safeguard e-commerce transactions using firewalls that are hardware and software that ensure only authorized individuals gain entry to a computer system

B2B & Social Media
5 most popular resources people turn to at work to get information they need for their day-to-day jobs:
- Webinars & podcasts
- Online ratings and reviews of business products or services
- Company pages on social networking sites (such as: Facebook, LinkedIn)

Business Buying situations & the business buying decision process

Buyclass
one of 3 classifications of business buying situations that characterizes the degree of time & effort required to make a decision
- Straight Rebuy: the routine purchase of items that a B2B customer regularly needs that require minimal decision making process.
- Modified rebuy: occurs when a firm decides to shop around for suppliers with better prices, quality, or delivery times. This situation also can occur when the organization confronts new needs for products it already buys.
- New-task buy: a new B2B purchase that’s complex or risky & that requires extensive decision making; a first-time purchase

Professional Buyer
Trained professional buyers with these titles typically carry out buying in B2B markets.
1. Purchasing Agents
2. Procurement officers
3. Directors of material management

Buying centers
include all people in an organization who participate in a purchasing decision.
- The initiator begins the buying process by first recognizing that the firm needs to make a purchase.
- An influencer affects the buying decision by dispensing advice, expertise.
- The decider is the member of the buying center who makes the final decision and has the greatest power within the buying center.

“social media channels were most effective to reach & engage prospects at mid-to-large-size companies”

Key reasons why LinkedIn has become most associated social networking web with B2B
- LinkedIn reduces the separation gap
- LinkedIn is primarily for corporate professionals
- LinkedIn can lead to quality introductions
- LinkedIn can help you reconnect with alumni & colleagues.
5. Evaluate postpurchase
The buyer survey the users to determine their satisfaction with the product. Documenting & reviewing supplier performance. Metrics organizational buyers use to measure how well a product/service performs:

- Satisfaction
- Quality
- Customer engagement
- Purchase intentions
- Promptness & effectiveness

CHAPTER 7
TARGET MARKETING STRATEGIES ANF CRM

TARGET MARKETING STRATEGY: SELECT AND ENTER A MARKET
Market fragmentation: The creation of many consumer groups due to a diversity of distinct needs and wants in modern society.

Target marketing strategy: Dividing the total market into different segments on the basis of customer characteristics, selecting one or more segments, and developing products to meet the needs of those specific segments.

STEP 1: SEGMENTATION
Segmentation: The process of dividing a larger market into smaller pieces based on one or more meaningfully shared characteristics.

Segmentation variables: dimensions that divide the total market into fairly homogeneous groups, each with different needs and preferences.

Segment Consumer Markets
Segment by demographics
Demographics: Statistics that measure observable aspects of a population, including size, age, gender, ethnic group, income, education, occupation, and family structure.

a. Age
Consumers of different age groups have different needs and wants. Members of a generation tend to share the same outlook and priorities. We call such a focus generational marketing, which is marketing to members of a generation, who tend to share the same outlook and priorities.

- Baby boomers: the segment of people born between 1946 and 1964.

b. Gender
Segmenting by genders starts at a very early age, but some manufacturers develop parallel products to appeal to each sex.

c. Family life cycle
Consumers in different life-cycle segments are unlikely to need the same products or different quantities of product.
d. Income and social class
The distribution of wealth is of great interest to marketers because it determines which groups have the greatest buying power.

Social class segment: super class, middle class, and lower class. But many consumers do not buy according to where they actually fall in that framework, but according to the image they wish to portray.

e. Ethnicity
A consumer’s national origin is often a strong indicator of his or her preferences for specific magazines or TV shows, foods, apparel, and leisure activities.

Marketers need to be aware of these differences and sensitivities—especially when they invoke outmoded stereotypes to appeal to consumers of different races and ethnic groups.

Cultural diversity: a management practice that actively seeks to include people of different sexes, races, ethnic groups, and religions in an organization’s employees, customers, suppliers, and distribution channel partners.

f. Place of residence (geography)
When marketers want to segment regional markets even more precisely, they sometimes combine geography with demographics using the technique of geodemography. A segmentation technique that combines geography with demographics.

Geocoding: customizing Web advertising so that people who log on indifferent places will see ad banners for local businesses.

Segment by psychographics
Psychographics: the use of psychological, sociological, and anthropological factors to construct market segments.

Segment by behavior
Slices consumer segments on the basis of how they act toward, feel about, or use a product. One way to segment based on behavior is to divide the market into users and nonusers of a product.

80/20 rule: a marketing rule of thumb that 20 percent of purchases account for 80 percent of a product’s sales.

Long tail: A new approach to segmentation based on the idea that companies can make money by selling small amounts of items that only a few people want, provided they sell enough different items.

Segment Business-to-Business Markets
Organizational demographic can help a B2B marketer to understand the needs and characteristics of its potential customers.

STEP 2: TARGETING
Targeting in Three Steps

1. Evaluate market segments
A viable target segment should satisfy the following requirements:

2. Define your competitive advantage
Identify the unique selling proposition that sets you apart from your competitors.

3. Finalize the marketing mix
Decide on the price, promotion, and place strategies for your target market.

4. Evaluate responses and modify as needed
Continuously monitor the effectiveness of your marketing efforts and make adjustments as necessary.

2. Develop segment profiles

3. Choose a targeting strategy

a. Undifferentiated targeting strategy: appealing to a broad spectrum of people.

b. Differentiated targeting strategy: developing one or more products for each of several distinct customer groups and making sure these offerings are kept separate in the marketplace.

c. Concentrated targeting strategy: focusing a firm’s efforts on offering one or more products to a single segment.

d. Custom marketing strategy: an approach that tailors specific products and messages about them to individual customers.

e. Mass customization: an approach that modifies a basic good or service to meet the needs of an individual.

STEP 3: POSITIONING
Positioning: develop a marketing strategy to influence how a particular market segment perceives a good or service in comparison to the competition.

Step in Positioning
1. Analyze competitors’ position
2. Define your competitive advantage
3. Finalize the marketing mix
4. Evaluate responses and modify as needed

Brand Personality: a distinctive image that captures a good’s or service’s character and benefit. Part of creating a brand personality is developing an identity for the product that the target market will prefer over competing brands. How? By using perceptual map, a technique to visually describe where brands are “located” in consumers’ minds relatively to competing brands.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)
CRM: a systematic tracking of consumers’ preferences and behaviors over time in order to tailor the value propositions as closely as possible to each individual’s unique wants and needs. CRM allows firms to talk to individual customers and to adjust elements of their marketing programs in light of how each customer reacts.
Steps of one-to-one marketing (CRM):
1. Identify customers and get to know them in as much detail as possible.
2. Differentiate among these customers in terms of both their needs and their value to the company.
3. Interact with customers and find ways to improve cost efficiency and the effectiveness of the interaction.
4. Treat each customer differently based on what has been learned through customer interactions.

Characteristic of CRM
Share of customer
The percentage of an individual customer’s purchase of a product that is a single brand. CRM tries to increase their customer share, not market share.

Lifetime value of a customer
The potential profit of a single customer’s purchase of a firm’s products generates over the customer’s lifetime. A firm’s profitability and long-term success are going to be far greater if it develops long-term relationships with its customers so that those customers buy from it again and again.

Customer equity
The financial value of a customer relationship throughout the lifetime of the relationship. Company compares the investment they make to acquire customers and then retain these to the financial return they’ll get on those investments.

Focus on high-value customer
The organization prioritizes its customers and customizes its communications to the accordingly.

CHAPTER 8
CREATE THE PRODUCT

LAYERS OF THE PRODUCT CONCEPT
CORE PRODUCTS: All the benefit the products will provide for consumer/business consumer.
ACTUAL PRODUCTS: The physical good or the delivered service that supplies the desired benefit.
AUGMENTED PRODUCTS: The actual product plus other supporting features such as warranty, credit, delivery, installation, repair service, etc.

HOW MARKETERS CLASSIFY PRODUCTS
Classification depends on how long the product lasts
- Durable goods: consumer products that provide benefits over a long period of time.
- Nondurable goods: consumer products that provide benefits for a short time because they are consumed or are no longer useful.

Classification of Product
Consumer Product
- Convenience product: a consumer good or service that is usually low-priced, widely available, and purchased frequently with a minimum of comparison and effort.
- Shopping product: goods or service for which consumers spend considerable

Business Product
- Equipment: expensive goods that an organization uses in its daily operations that last for a long time.
- Maintenance, repair, and operating (MRO) products: goods that a business customer consumes in a relatively short time.
- Raw materials: product of the fishing, lumber, agricultural, and mining industries that organizational customers purchase to use in their finished products.
- Processed materials: product created when firms transform raw materials from their original state.

INNOVATION
Types of Innovation
1. Continuous innovation: a modification of an existing product that sets one brand apart from its competitors.
2. Dynamically continuous innovation: a change in an existing product that requires a moderate amount of learning or behavior change.
3. Discontinuous innovation: a totally new product that creates major changes in the way we live.

How to Measure Innovation?
Innovation involves not only marketing, but also the firm’s overall culture, leadership, and processes in place that foster innovation. So, to measure it, we have to measure the firm’s strategy, firm’s culture, and also outcomes of the innovation.

NEW PRODUCT DEVELOPMENT
Phase 1: Idea Generation
Marketers brainstorm for products that provide customer benefits and are compatible with company mission.

Phase 2: Product Concept Development and Screening
Marketers test product ideas for technical and commercial success.

Phase 3: Marketing Strategy Development
Marketers must identify the target market, estimate its size, and determine how they can effectively position the product to address the target market’s needs. Also include planning for pricing, distribution, and promotion expenditure.

Phase 4: Business Analysis
Marketers assess a product’s commercial viability.

Phase 5: Technical Development
Company engineers refine and perfect a new product.

Phase 6: Test Marketing
Testing the complete marketing plan in a small geographic area that is similar to the larger market the firm hopes to enter.

Phase 7: Commercialization
A new product is launched into the market.

ADDOPTION AND DIFFUSION OF NEW PRODUCTS

Product adoption: the process by which consumer or business customer begins to buy and use a new good, service, or idea.

Diffusion: the process by which the use of the product spreads throughout a population.

Tipping point: the point when a product’s sale spike from a slow climb to an unprecedented new level, often accompanied by a steep price decline.

Stages in Consumers’ Adoption of a New Product

- Awareness: massive advertising.
- Interest: may use teaser advertising.
- Evaluation: provide information to customers about how the product can benefit them.
- Trial: demonstration, samples, trial-size package.
- Adoption: make the product available, provide product use information.
- Confirmation: reinforce the customer’s choice through advertising, sales promotion, and other communication.

Adopter Categories

- Innovators (2.5%): the first segment of a population to adopt a new product.
- Early adopters (13.5%): those who adopt an innovation early in the diffusion process, but after innovators.
- Early majority (34%): those whose adoption of a new product signals a general acceptance of the innovation.
- Late majority (34%): the adopters who are willing to try new products when there is little or no risk associated with the purchase, when the purchase becomes an economic necessity, or when there is social pressure to purchase.
- Laggards (16%): the last consumers to adopt an innovation.

Product Factors That Affect the Rate of Adoption

- Relative advantage: the degree to which a consumer perceives that a new product provides superior benefits.
- Compatibility: the extent to which a new product is consistent with existing cultural values, customs, and practices.
- Complexity: the degree to which consumers find a new product or its use difficult to understand.
- Trialability: the ease of sampling a new product and its benefit.
- Observability: how visible a new product and its benefits are to others whom might adopt it.

PRODUCT PLANNING: Use Product Objectives to Decide on a Product Strategy

Product planning or Brand management is guided by the continual process of product management, which is the systematic and usually team-based approach to coordinating all aspects of a product’s marketing initiative including all elements of the marketing mix.

When marketers develop product strategies, they make decisions about:

- Product benefits
- Features
- Styling
- Branding
- Labeling
- Packaging

Marketers do those things to provide focus and mission in addition to being consistent with the firm’s overall mission. Ex: the firm may focus on return on investment (ROI). Marketing objectives then may concentrate on building market share and/or the unit or dollar sales volume necessary to attain that return on investment.

Effective product-related objectives must be:
- Measurable
- Clear
- Unambiguous
- Feasible
- Must indicate a specific time frame

Planners must keep in touch with their customers so that their objectives accurately respond to their needs.

Objectives and Strategies for Individual Products

For new products, the objectives relate to successful introduction. After success with a product in a local or regional market, it may decide to introduce it nationally.

Objectives and Strategies for Multiple Products

Product Line Strategies

- Product line is a firm’s total product offering designed to satisfy a single need or desire of target customers. Product lines can vary from being limited to a few variations, to full with many variations to suit different market segments.

- Stretching strategy:
  - Upwards (more expensive)
  - Downwards a line when it adds items at the lower end
  - Two way stretches adds products at both the upper and lower ends.

Ex: Marriott Hotels, added Fairfield Inns and Courtyard at the lower end and J.W. Marriott and Ritz-Carlton at the upper end to round out its product line.

Steps to manage product
Filling out strategy adds sizes or styles not previously available in a product category
Ex: Nabisco did this when it introduced “bite-size” versions of its popular Oreo

Contracting Strategy through the addition or deletion of product variations.
Ex: Heinz scrapped its “Bite Me” brand of frozen pizza snacks because of poor sales.

The purpose is to offer products for different segments of the market, without cannibalizing (the loss of sales of an existing product when a new item in a product line or product family is introduced their own profits) in the process. Note that there may be occasions when the company may want to cannibalize its own product, particularly if the new one is more profitable or has greater future potential.

Product mix strategies
Product mix: the total set of all products a firm offers for sale.
Ex: P&G’s acquisition of Gillette a few years back gave P&G Oral B toothbrushes, Braun oral care products, and Duracell batteries.

Product mix width: the number of different product lines the firm produces

Quality as a Product Objective: The science of total quality management
Product Quality: the level of performance, reliability, features, safety, cost, or other product characteristics that consumers expect to satisfy their needs and wants

Total Quality Management (TQM)
Focuses on satisfying customers through empowering employees to be an active part of continuous quality improvement.
Maximizes customer satisfaction by involving all employees, regardless of their function, in efforts to continually improve quality.
Ex: TQM firms encourage all employees, even the lowest-paid factory workers, to suggest ways to improve products—and then reward them when they come up with good ideas.

Quality Guidelines
ISO 9000

How can company improve quality?
Six Sigma Method: A process whereby firms work to limit product defects to 3.4 per million or fewer.

This method involves a five-step process called “DMAIC” (define, measure, analyze, improve, and control).
Ex: hospitals use Six Sigma processes to reduce medical errors, and airlines use the system to improve flight scheduling.

Quality is perceived by consumers and can also be measured in terms of:
- Durability
- Versatility
- Reliable
- Satisfies Needs
- Precision
- Product safety
- Ease of use, maintenance, and repair
- Degree of aesthetic pleasure

MARKETING THROUGHOUT THE PRODUCT LIFE CYCLE
Product life cycle (PLC) A concept that explains how products go through four distinct stages from birth to death: introduction, growth, maturity, and decline.

The PLC helps marketers understand how a product changes over its lifetime and suggests how to modify their strategies accordingly.

The stages of the PLC are:
1. Introduction stage
Brand equity: The value of a brand to an organization. This term describes a brand’s value over and above the value of the generic version of the product.
Ex: how much extra will you pay for a golf shirt with a Lacoste logo on it than with no logo? The difference reflects the gator’s brand equity in your mind.

Brand equity provides a competitive advantage because it gives the brand the power to capture and hold on to a larger share of the market and to sell at prices with higher profit margins. Brand equity is measured in terms of brand loyalty, perceived quality, and brand name awareness. Firms can use this equity when introducing new products, as it facilitates adoption.

The types of relationships a person might have with a product
Self-concept attachment: The product helps establish the user’s identity. (For example, do you feel better in Ralph Lauren or Sean John clothing?)
Nostalgic attachment: The product serves as a link with a past self. (Does eating the inside of an Oreo cookie remind you of childhood?)
Interdependence: The product is a part of the user’s daily routine. (Could you get through the day without Unilever products?)
Love: The product elicits emotional bonds of warmth, passion, or other strong emotion. (Hershey’s Kiss, anyone?)

Brand meaning
The beliefs and associations that a consumer has about the brand

A list of 10 characteristics of the world’s top brands:
1. The brand excels at delivering the benefits customers truly desire.
2. The brand stays relevant.
3. The pricing strategy is based on consumers’ perceptions of value.
4. The brand is properly positioned.
5. The brand is consistent.
6. The brand portfolio and hierarchy make sense.
7. The brand makes use of and coordinates a full repertoire of marketing activities to build equity.
8. The brand’s managers understand what the brand means to consumers.
9. The brand is given proper support, and that support is sustained over the long run.
10. The company monitors sources of brand equity.

A firm may leverage a brand’s equity via
Brand extensions: new products it sells with the same brand name.

To avoid damaging brand equity, brand extensions need to be consistent with existing products.
Ex: the original Snickers bar which is a shelf stable candy (frozen) creates Snickers Ice Cream Bars

Sub-branding, or creating a secondary brand within a main brand that can help differentiate a product line to a desired target group.
Ex: Coca-Cola has numerous other brands incorporated into the company. These aren’t separated to sell the same product for a higher price, but to label different drinks
within the Coke line. Some examples are Coca-Cola Classic, Diet Coke, Coke Zero.

Branding Strategies

1. Individual Brands versus Family Brands

Individual brand: use a separate, unique brand for each product item. It gives a company the opportunity to market its product to unique demographic groups and introduce products vastly different from one another.

There are several reasons why a brand needs a separate identity:
- The product may be competing in a new market segment where failure could harm the main family brand name.
- The family brand name may be positioned inappropriately for the target market segment. Ex: the family brand name might be positioned as an upmarket brand for affluent consumers.
- The brand may have been acquired; in other words it has already established itself as a leading brand in the market segment. The fact that it has been acquired by a company with a strong family brand name does not mean that the acquired brand has to be changed.
- Ex: take the case of Heinz. Heinz is a leading global food manufacturer with a very strong family brand. However, it also operates many well-known individual brand names.

Family brand (umbrella brand strategy): a brand that a group of individual products or individual brands share. The products often compete each other.
Ex: Apple products

2. National and Store Brands

National or manufacturer brands: Brands that the product manufacturer owns.

Private-label brands: Brands that a certain retailer or distributor owns and sells.
Ex: Walmart sells store brand Sam’s Cola and Sam’s cookies along with national brands such as Coke and Oreos.

3. Generic branding

A strategy in which products are not branded and are sold at the lowest price possible.

The strategy to meet customers’ demand for the lowest prices on standard products

4. Licensing

An agreement in which one firm sells another firm the right to use a brand name for a specific purpose and for a specific period of time. Can provide instant recognition and consumer interest in a new product. - Can quickly position a product for a certain target market as it trades on the high recognition of the licensed brand among consumers in that segment
Ex: “Harry Potter” name in candy, clothing, and all manner of back-to-school items

5. Co-branding

An agreement between two brands to work together to market a new product.

The benefits:
1. It attracts customers to the host brand because the ingredient brand is familiar and has a strong brand reputation for quality.
2. The ingredient brand’s firm can sell more of its product, not to mention the additional revenues it gets from the licensing arrangement.
Ex: “Intel inside” campaign that convinced millions of consumers to ask by name for a highly technical computer part (a processor)

6. Brand Metrics

The characteristics of a brand that we measure to determine the strength of the brand. Each of the following approaches to measuring brand equity has some good points and some bad points:
1. Customer mind-set metrics focus on consumer awareness, attitudes, and loyalty toward a brand.
2. Product-market outcomes metrics focus on the ability of a brand to charge a higher price than the one an unbranded equivalent charges.
3. Financial market metrics consider the purchase price of a brand if it is sold or acquired. They may also include subjective judgments about the future stock price of the brand.
4. Revenue premium metric compares the revenue a brand generates with the revenue generated by a similar private-label product (that doesn’t have any brand identification).
In this case, brand equity is just the difference in revenue (net price times volume) between a branded good and a corresponding private label.

Creating Product Identity

1. The Package and Label

Package: the covering or container for a product, which provides product protection, facilitates product use and storage, and supplies important marketing communications.

- The important functional of package is to protect the product.

- Another function are:
  - Communicating the brand personality through colors, words, shapes, designs, and pictures used.
  - Provides product facts including flavor, fragrance, directions for use, suggestions for alternative uses (for example, recipes), safety warnings, and ingredients include warranty information and a toll-free telephone number for customer service.

A final communication element is the Universal Product Code (UPC), which is the set of black bars or lines printed on the side or bottom of most items sold in grocery stores and other mass-merchandising outlets.

Labeling regulations: This law aims to make labels more helpful to consumers by providing useful information
- Force marketers to be more accurate when they describe the contents of their products.
- The label must contain how much fat, saturated fat, cholesterol, calories, carbohydrates, protein, and vitamins are in each serving of the product.
ORGANIZE FOR EFFECTIVE PRODUCT MANAGEMENT
Brand manager: An individual who is responsible for developing and implementing the marketing plan for a single brand.
- Responsible for coordinating all marketing activities for their brand.
- Brand managers and their teams need to act both independently to achieve their product objectives, but also co-operatively with other company brands to avoid short-term actions that could hurt long-term profitability.

APPLYING Brand Manager
Product category managers: Individuals who are responsible for developing and implementing the marketing plan for all the brands and products within a product category.
Market manager: a manager who is responsible for developing and implementing the marketing plans for products sold to specific customer group.
Ex: a company that specializes in business aviation, sells some products directly to consumer markets, others to manufacturers, and still others to the government

Organize for New-Product Development
Venture teams: groups of people within an organization who work together focusing exclusively on the development of a new product.
- Also known as skunk works, these special teams are formed and operated independently for greater creativity, security, and speed of development.

CHAPTER 10
SERVICES AND OTHER INTANGIBLE

Services are acts, efforts, or performances exchanged from producer to user without ownership rights. Intangible products that are exchanged directly from the producer to the customer.

Characteristics of Services
1. Intangibility
   The characteristic of a service that means customers can’t see, touch, or smell good service.
   - Customers look for reassuring signs before they purchase intangible products so that marketers have to overcome the problem of intangibility by providing physical cues to reassure the buyer
   - These cues might be the “look” of the facility (furnishings, logo, stationery, business cards, appearance of its employees, or well-designed advertising and Web sites)

2. Perishability
   makes it impossible to store for later sale or consumption.
   Ex: When rooms go unoccupied at a ski resort, there is no way to make up for the lost opportunity to rent them for the weekend.

To avoid decreasing in demand, marketers reduce prices for the unsold services.
Ex: Airlines do this when they offer more lower-priced seats in the final days before a flight by direct e-mail to customers who sign up for last-minute deals or online outlets

- Another strategy to overcome perishability is Capacity management: the process by which organizations adjust their services (either adjust the price or the product) in an attempt to match supply with demand.
Ex: Las Vegas might add free meals, room discounts, show passes, or other incentives to lure travelers during slow Weeks

3. Variability
   the same service performed by the same individual for the same customer can vary.
   Ex: It’s rare when you get exactly the same cut from a hairstylist each time you visit him.

Because of the nature of the tasks service providers perform, customers often appreciate the one that customizes its service for each individual.

4. Inseparability
   A service can take place only at the time the actual service provider performs an act on either the customer or the customer’s possession.
   - Service encounter The actual interaction between the customer and the service provider.
   - Disintermediation: A service that requires the intervention of a human provider. To minimize the potentially negative effects of bad service encounters and to save on labor costs,
   Ex: self-service gas pumps and bank ATMs

The Service Encounter
The service encounter has several dimensions that are important to marketers:

1. There is the social contact dimension: one person interacting with another person.
2. The physical dimension is also important: customers often pay close attention to the environment where they receive the service.
   1. The quality of the service encounter exerts a big impact on how we feel about the service we receive
   2. Customers entrust themselves and/or their possessions to the care of the employee, so it is important that employees look at the encounter from the customer’s perspective.

Classification of services
Most products are a combination of goods and services, with varying degrees of attention needed to the service elements.

1. Goods-dominated products
   products will add value to what they have to offer with supporting services, that helps to differentiate them from their competition
   Ex: hospitals that buy lifesaving patient care and monitoring equipment costing hundreds of thousands of dollars demand not only in-service training for their nursing and technician personnel, but also quick response to breakdowns and regular maintenance of the equipment.
2. Equipment- or facility-based services
Equipment- or facility-based services such as automatic car washes, amusement parks, museums, movie theaters must concern themselves with these important factors:

1. Operational factors: Clear signs and other guidelines which show customers how to use the service
2. Locational factors: Make sure their service sites are convenient and in neighborhoods that are attractive to prospective customers especially for frequently purchased services. Ex: dry cleaning or retail banking, that we obtain at a fixed spot
3. Environmental factors: create an attractive and pleasant environment to lure customers. Ex: banks increasingly create signature looks for their branches through the careful use of lighting, color, and art

3. People-based services
Increasing in importance as consumers feel more and more pressed for time, and are willing to pay to have things done for them. Personal attention is key to maintaining quality in these types of services. Ex: Wardrobe consultants and personal trainers

Core and Augmented Services
1. Core service
is a benefit that a customer gets from the service. It helps to remember what it is that consumers are really paying for, to avoid mistakes in delivering that service. Ex: when your car breaks down, repairing the problem is a core service you seek from an auto dealer or a garage

2. Augmented services
additional service offerings that differentiate the firm from the competition. Ex: auto dealership provides pickup and delivery of your car, a free car wash, or a customer lounge with donuts and coffee so it will gains your loyalty as a customer.

PHYSICAL ELEMENTS OF THE SERVICE ENCOUNTER
Because services are intangible, marketers have to be mindful of the physical evidence that goes along with them. An important part of this physical evidence are:

1. Servicescapes
the environment in which the service is delivered and where the firm and the customer interact. Including:
   - Facility exteriors—elements such as a building’s architecture, the signage, parking, and even the landscaping.
   - Interior elements, such as the design of the office or store, equipment, colors, air quality, temperature, and smells.

Carefully designed servicescapes can have a positive influence on customers’ purchase decisions, their evaluations of service quality, and their ultimate satisfaction with the service.

2. Websites:
Send a strong cue to customers, and sites that are unattractive or frustratingly dysfunctional provide a horrible first impression of the company and its service. Not only provide an attractive website but marketers also have to consider Search Engine Optimization (SEO): a systematic process of ensuring that your firm comes up at or near the top of lists of typical search phrases related to your business.

Providing Quality Service
The tricky thing in delivering quality service is customers’ satisfaction is relative because the service recipient compares the current experience to some prior set of expectations.

The evaluative dimensions of service quality that consumers use to decide if the service received met or exceeded their expectations are:

1. Search qualities: product attributes that the consumer can examine (by sight, touch, or hearing) prior to purchase.
   Ex: paying attention to details such as the style of flight attendants’ uniforms or the décor of a hotel room.

2. Experience qualities: quality in a product that can be perceived after buying by senses such as taste.
   Ex: A travel agency can do a presentation with alluring images of a tropical resort and supply enthusiastic recommendations from other clients who had a positive experience.

3. Credence qualities: product attributes we find difficult to evaluate even after we’ve experienced them.
   Ex: most of us don’t have the expertise to know if our doctor’s diagnosis is correct. That’s why tangible clues of professionalism, a clean hospital, or even the doctor’s attire count toward purchase satisfaction.

Measuring Service Quality
1. SERVQUAL Scale
one popular instrument to measure consumers’ perceptions of service quality. SERVQUAL identifies five dimensions, or components, of service quality:
   - Tangibles: the physical facilities and equipment and the professional appearance of personnel
   - Reliability: the ability to provide dependably and accurately what was promised
   - Responsiveness: the willingness to help customers and provide prompt service
   - Assurance: the knowledge and courtesy of employees, and the ability to convey trust and confidence
   - Empathy: the degree of caring and individual attention customers receive

2. Gap Analysis measurement approach
that shows the difference between a customer’s expectation of service quality and what actually occurs by identifying specific places in the service system where there is a wide gap between some major gaps include the following:

Gap between consumers’ expectations and management’s perceptions: when the firm’s managers don’t understand what its customers’ expectations.
Ex: banks often used to close branches at midday to balance transactions because that’s more efficient for them, even though it’s not convenient for customers who want to do their banking during their lunch hour.
Gap between management’s perception and quality standards the firm sets: when a firm fails to establish a quality-control program.
Ex: American Express found that customers complained most about its responsiveness. The company established specific goals to correct the problems, and it now monitors how fast employees answer phones in an effort to be more responsive.

Gap between established quality standards and service delivery: When employees do not deliver the service at the level the company specifies.
Ex: Merrill Lynch addressed a problem when the brokerage firm assembled its operations personnel into quality groups of 8 to 15 employees each to clarify its expectations for how its personnel should interact with clients.

Gap between service quality standards and consumers’ expectations: when a firm makes exaggerated promises or does not accurately describe its service to customers.
Gap between expected service and actual service: when consumers misperceive the quality of the service.

3. The Critical Incident Technique
measuring service quality in which marketers use customer complaints to identify critical incidents—specific face-to-face contacts between consumer and service providers. Telling the customer a reasonable explanation why the problem can’t be solved at this time can be a good solution.

Delivering Service Quality
Internal marketing: marketing activities aimed at employees to inform them about the firm’s offerings and their high quality.

The service profit chain is an idea that service company profits (and success) are dependent upon both employee and customer satisfaction, due to the inseparability of the customer from the service provider.

The chain works like:

Any weak link in this chain will cause less than optimal performance.

MARKETING PEOPLE, PLACES, AND IDEAS
Marketing People
People are also products, in fact there is a sizable number of people hire personal image consultants to devise a marketing strategy for them to improve their “market position” or “sell” themselves to potential employers, friends, or lovers.

An agent branding people by:
1. The pure selling approach: An agent presents a client’s qualifications to potential “buyers” until she finds one who is willing to act as an intermediary. (Ex: presents a client to a talent scout)

2. The product improvement approach: An agent works with the client to modify certain characteristics that will increase her market value. (Ex: plastic surgery)

3. The market fulfillment approach: An agent scans the market to identify unmet needs. After identifying a need, the agent then finds a person or a group that meets a set of minimum qualifications and develops a new “product.” (Ex: Develop a new product (band, singer) to the specifications of consumer wants)

Marketing Places
Marketing activities that seek to attract new businesses, residents, or visitors to a town, state, country, or some other site. This kind of activities become popular as the fact shows huge amount of money tourism generates

Ex: after the 2001 attack on the World Trade Center, New York City unveiled a new tourism advertising campaign with the slogan “The New York Miracle: Be a Part of It.” The campaign included six 30-second TV commercials and some of New York’s biggest celebrities. Since then, NYC & Company, the city’s official tourism marketer, reports that both the domestic and overseas visitor counts are returning to pre-9/11 levels.

Marketing Ideas
Idea marketing refers to strategies that seek to gain market share for a concept, philosophy, belief, or issue by using elements of the marketing mix to create or change a target market’s attitude or behavior.

Can be even more difficult than marketing goods and services because consumers often do not perceive that the value they receive the extra effort necessary to realize these goals.

The Future of Services
In fact, in recent years the accelerating impact of service as an integral part of any firm’s value proposition has created a new dominant logic for marketing which means we need to recognize that a service is the central (core) deliverable in every exchange; any physical products involved are relatively minor in terms of their contribution to the value proposition.

Factors that shape the future of services:
Changing demographics: service industries that meet the needs of older consumers will see dramatic growth.
Ex: Companies that offer recreational opportunities, health care, and living assistance for seniors will be in demand.
Globalization: the need for logistics and distribution services to move goods around the world
Ex: In the hotel industry, demand for luxury properties is growing around the world. Hyatt International is expanding aggressively in China with 14 luxury properties either open or scheduled to open.

Technological advances: Changing technology provides opportunities for growth and innovation in global service industries (telecommunications, health care, banking, and Internet services) and to provide opportunities to improve the lives of consumers.
Ex: do services marketing in social media, Web sites, smartphones, blogs, and the Internet

Proliferation of information: we have become an information society as the availability of, flow of, and access to information are critical to the success of organizations. These changes will provide greater opportunities for services that facilitate the storage and transfer of knowledge.
Ex: database services, artificial intelligence systems, communications systems

CHAPTER 11
PRICE THE PRODUCT

Price is the assignment of value, or the amount the consumer must exchange to receive the offering or product.

Elements of Price Planning:

Step 1: Set Pricing Objectives

Profit Objectives
- The focus is on a target level of profit growth or a desired net profit margin.
- Marketers develop pricing strategies that maximize the profits of the entire portfolio rather than focusing on the costs or profitability of each individual product.

Sales or Marketing Share Objectives
- If a company’s product has a competitive advantage, keeping the price at the same level as other firms may satisfy sales objectives

Competitive Effect Objectives
- A firm may deliberately try to reduce the impact of a rival’s pricing changes

Customer satisfaction
- Many quality-focused firms believe that long-term profits result from making customer satisfaction the primary objective

Image Enhancement Objectives
- The image enhancement function of pricing is particularly important with prestige products (or luxury products) that have a high price and appeal to status-conscious consumers.
- In order to set the right price, marketers must understand a variety of quantitative and qualitative factors that can mean success or failure for the pricing strategy.

Shifts in Demand
Changes in the environment or in company efforts can affect the demand curve. A great advertising campaign, for example, can shift the demand curve upward.

Estimate Demand
1. Identifying the number of buyers or potential buyers for their product and then multiplying that estimate times the average amount each member of the target market is likely to purchase
2. Predict what the company’s market share is likely to be

Price Elasticity of Demand
Marketers want to know this because it will influence the decision to raise or lower prices.
Products that are considered discretionary in nature tend to have elastic demand curves.
The demand for staple products or those that we have no choice in consuming, such as prescription drugs tend to be price inelastic.
Assuming the goal is to maximize revenues (and profits), then for a price elastic product, it would pay to lower price to increase demand, while for a price inelastic product, it would pay to raise the price, because demand will decrease relatively little in response to that change.
Cross-elasticity of demand: When changes in the price of one product affect the demand for another item. Ex: when products are complements an increase in the price of one decreases the demand for the second.

**Step 3: Determine Costs**

**Variable and Fixed Costs**
- **Variable costs:** the costs of production (raw and processed materials, parts, and labour) that are tied to, and vary depending on, the number of units produced.
- **Fixed costs:** costs of production that do not change with the number of units produced. Example: costs related to the building and property.

**Average fixed cost:** The fixed cost per unit produced.

**Break-even analysis:** A technique marketers use to examine the relationship between costs and price.
- **Determine what sales volume the company must reach at a given price before it will completely cover its total costs and past which it will begin to turn a profit.**
- **Break-even point:** the point at which the company doesn’t lose any money and doesn’t make any profit.
- **Contribution per unit:** the difference between the price the firm charges for a product and the variable costs -> is needed to determine BEP.
- **BEP provides answers about how many units the firm must sell to break even and to make a profit—but without knowing whether demand will equal that quantity at that price.**

**Marginal analysis**
- **Marginal analysis:** A method that uses cost and demand to identify the price that will maximize profits.

Marketeters examine the relationship of marginal cost (the increase in total costs from producing one additional unit of a product) to marginal revenue (the increase in total income or revenue that results from selling one additional unit of a product).

**Marginal analysis allows marketers to consider both costs and demand in calculating a price that maximizes profits.**

This method can be difficult to use because of the uncertainty of cost information at different levels of demand.

**Markups and Margins: Pricing through the Channel**
- **Markup:** An amount added to the cost of a product to create the price at which a channel member will sell the product.

Gross margin: The markup amount added to the cost of a product to cover the fixed costs of the retailer or wholesaler and leave an amount for a profit.

Retailer margin: The margin added to the cost of a product by a retailer.

Wholesaler margin: The amount added to the cost of a product by a wholesaler.

**List price or manufacturer’s suggested retail price (MSRP):** The price the end customer is expected to pay as determined by the manufacturer; also referred to as the suggested retail price. The appropriate price for the end customer to pay as determined by the manufacturer.

The channel of distribution must be able to mark up the product in order to pay for his fixed costs and profits.

**Step 4: Examine the Pricing Environment**
- **Companies must consider the influence of their external environment when choosing the pricing strategy that will offer the best chance to maximize profits.**

**Factors within the external environment:**
- The state of the economy (The business cycle, inflation, economic growth, and consumer confidence)
- The competition
- Consumer trends such as increased attention to value for money spent
- Global influences such as currency exchange rates, and trade restrictions

**Price subsidies:** government payments made to protect domestic businesses or to reimburse them when they must price at or below cost to make a sale. The subsidy can be a cash payment or tax relief.

**Step 5: Choose a Pricing Strategy**

**Pricing Strategies Based on Cost**
- **Cost-plus pricing:** A method of setting prices in which the seller totals all the costs for the product and then adds an amount to arrive at the selling price.

**Demand-based pricing:** A price-setting method based on estimates of demand at different prices.

**Target costing:** A process in which firms identify the quality and functionality needed to satisfy customers and what price they are willing to pay before the product is designed; the product is manufactured only if the firm can control costs to meet the required price.

**Yield management pricing:** A practice of charging different prices to different customers in order to manage capacity while maximizing revenues.

**Pricing Strategies Based on the Competition price leadership:** A pricing strategy in which one firm first sets its price and other firms in the industry follow with the same or very similar prices.

**Pricing Strategies Based on Customers’ Needs value pricing or everyday low pricing (EDLP):** A pricing strategy in which a firm sets prices that provide ultimate value to customers.
New Product Pricing
Skimming price: A very high, premium price that a firm charges for its new, highly desirable product.

Penetration pricing: A pricing strategy in which a firm introduces a new product at a very low price to encourage more customers to purchase it.

Trial pricing Pricing a new product low for a limited period of time in order to lower the risk for a customer.

Step 6: Develop Pricing Tactics
Pricing for Individual Products
- Two-part pricing requires two separate types of payments to purchase the product. Ex: many cellular phone service providers offer customers a set number of minutes for a monthly fee plus a per-minute rate for extra usage.

Payment pricing makes the consumer think the price is “double” by breaking up the total price into smaller amounts payable over time. Ex: The monthly lease amount

Pricing for Multiple Products
- Price bundling: Selling two or more goods or services as a single package for one price.
- Captive pricing: A pricing tactic for two items that must be used together; one item is priced very low, and the firm makes its profit on another, high-margin item essential to the operation of the first item.

Distribution-Based Pricing
- F.O.B. origin pricing: A pricing tactic in which the cost of transporting the product from the factory to the customer’s location is the responsibility of the customer.
- F.O.B. delivered pricing: A pricing tactic in which the cost of loading and transporting the product to the customer is included in the selling price and is paid by the manufacturer.

basing-point pricing: A pricing tactic in which customers pay shipping charges from set basing-point locations, whether the goods are actually shipped from these points or not.

Uniform delivered pricing: A pricing tactic in which a firm adds a standard shipping charge to the price for all customers regardless of location.

Freight absorption pricing: A pricing tactic in which the seller absorbs the total cost of transportation.

Discounting for Channel Members
- Trade discounts: Discounts off list price of products to members of the channel of distribution who perform various marketing functions.
- Quantity discounts: A pricing tactic of charging reduced prices for purchases of larger quantities of a product.
- Cash discounts: A discount offered to a customer to entice them to pay their bill quickly.

Seasonal discounts: Price reductions offered only during certain times of the year.

Pricing and Electronic Commerce
The Internet provides an opportunity to use some unique pricing strategies.

Dynamic pricing: A pricing strategy in which the price can easily be adjusted to meet changes in the marketplace.
- On-line auctions: E-commerce that allows shoppers to purchase products through online bidding.

Freenomics: A business model that encourages giving products away for free because of the increase in profits that can be achieved by getting more people to participate in a market.

Psychological, Legal, and Ethical Aspects of Pricing
Psychological Issues in Setting Prices
- In the real world consumers aren’t nearly as rational as the theory said.

Buyers’ Pricing Expectations
- Often consumers base their perceptions of price on what they perceive to be the customary or fair price.
- When the price of a product is above or even sometimes when it’s below what consumers expect, they are less willing to purchase the product.

Internal Reference Prices
- A set price or a price range in consumers’ minds that they refer to in evaluating a product’s price.
- Assimilation effect: if the prices (and other characteristics) of the two products are fairly close, the consumer will probably feel the product quality is similar.

Price–Quality Inferences
- Consumers make price–quality inferences about a product when they use price as a cue or an indicator of quality.

Psychological Pricing Strategies
Odd–Even Pricing
- Research on the difference in perceptions of odd versus even prices indeed supports the argument that prices ending in 99 rather than 00 lead to increased sales.
- Price lining The practice of setting a limited numberof different specific prices, called price points, for items in a product line.

Prestige Pricing
- Sometimes luxury goods marketers use a prestige pricing strategy that turns the typical assumption about price-demand relationships.

Legal and Ethical Considerations in B2C Pricing
Deceptive Pricing Practices: Bait-and-Switch
- An illegal marketing practice in which an advertised price special is used as bait to get customers into the store with the intention of switching them to a higher-priced item.

Loss-Leader Pricing and Unfair Sales Acts
- Loss-leader pricing
  - The pricing policy of setting prices very low or even below cost to attract customers into a store.
Unfair sales acts
State laws that prohibit suppliers from selling products below cost to protect small businesses from larger competitors.

Legal Issues in B2B Pricing
- Illegal Business-to-Business Price Discrimination
  Price discrimination regulations prevent firms from selling the same product to different retailers and wholesalers at different prices if such practices lessen competition.
- Price fixing
  The collaboration of two or more firms in setting prices, usually to keep prices high.
- Predator pricing
  Illegal pricing strategy in which a company sets a very low price for the purpose of driving competitors out of business.

CHAPTER 12
ONE-TO-MANY TO MANY-TO-MANY TRADITIONAL AND NEW MEDIA

I. One-to-many: The Traditional Communication Model
Promotion: the coordination of marketing communication efforts to influence attitudes or behavior “savvy marketers should consider that every element of the marketing mix is actually a form of communication”. Marketing communication in general performs one or more of four roles:
- It informs consumer about new goods & services
- It reminds consumers to continue using certain brands
- It persuades consumers to choose one brand over others
- It builds relationships with customer

Integrated Marketing Communication (IMC): the process that marketers use “to plan, develop, execute, and evaluate coordinated, measurable, persuasive brand communication programs over time” to targeted audiences.

Multichannel promotion strategy: combine traditional advertising, sales promotion, and public relations activities with online buzz-building activities.

“With IMC, marketers seek to understand what information consumers want as well as how, when, and where they want it – and then to deliver information about the product using the best combination of communication methods available to them.”

Traditional communication model:
- One-to-many: a single marketer develops & sends messages to many, perhaps even millions of consumers at once.
- One-to-one marketing: marketers speak to consumers & business customers individually (example: personal selling, trade sales promotion activities)

Word-of-mouth (WOM) Communication: when consumers provide information about products to other consumers.

3 models of marketing communication:
- Buzz-building activities: use viral & evangelical marketing techniques as well as new social media platforms such as brand communities, product review sites, and social networking sites.

The Communication Model
Communication Model: the process whereby meaning is transferred from a source to a receiver.

Encoding: the process of translating an idea into a form of communication that will convey meaning

Source: an organization or individual that sends a message
Message: the actual content that goes from the source to a receiver

Medium: a communication vehicle that reaches members of a target audience.

2 major challenges when choose medium:
- They must make sure the target market will be exposed to the medium
- The attributes of the advertised product should match those of the medium

Receiver: any individual or organization that intercepts and interprets the message.

Decoding: the process whereby a receiver assigns meaning to a message

“effective communication only occurs only when the source & receiver share a mutual frame of reference”

Noise: anything that interferes with effective communication

Feedback: receivers’ reactions to the message
The Traditional Promotion Mix

Promotion Mix

- the major elements of marketer-controlled communication, including advertising, sales promotion, public relations, personal selling, and direct marketing

Elements of traditional promotion mix include:
- Advertising
- Sales promotion
- Public relations
- Personal selling
- Direct marketing

Mass Communication

Meaning of Mass Communication: relates to television, radio, magazines, and newspapers.
- Advertising: nonpersonal communication from an identified sponsor using the mass media
- Sales promotion: programs (for example: contests, coupons, other incentives) intend to stimulate immediate action or encourage purchase of product during a specified period
- Public relations: a variety of communications that seek to create & maintain a positive image of an organization and its products among various publics.

Personal Communication
- Salespeople
- Direct mail
- Telemarketing, and other direct marketing activities

II. Many-to-many: The New Media Communication Model

Groundswell: a social trend in which people use technology to get the things they need from each other, rather than from traditional institutions like corporations. “many marketers are moving money away from traditional communication vehicles such as TV Advertising and investing heavily in new media.” “Retailers also find that their online business is growing but the internet customer is harder to please and less loyal since they have easy access to competing process and to the reviews of products and sellers from other online shoppers.”

Buzz building

Buzz: word-of-mouth communication that customers view as authentic

Current method: the magnifying effect that technology exerts on the spread of buzz. “people like to share their experience, good or bad, with others. Truly happy customers will share their excitement about a brand. Unfortunately, the unhappy ones will be even more eager to tell their friends about their unpleasant experiences.”

Ethical problems in Buzz Marketing
- Activities designed to deceive consumers
- Directing buzz marketing at children or teens
- Buzz marketing activities that damage property
- Stealth marketing activities that deliberately deceive or lie on behalf of clients

Viral Marketing: marketing activities that aim to increase brand awareness or sales by consumers passing a message along to other consumers.

New Social Media

Social Media: Internet-based platforms that allow users to create their own content & share it with others who access these sites.

Social Networks: sites used to connect people with other similar people. (for example: Facebook & Twitter)

Virtual Worlds: online, highly engaging digital environments where avatars live and interact with other avatars in real time.

Virtual goods: digital products bought & sold in virtual worlds that don’t exist in real world.

Product review sites: social media sites that enable people to post stories about their experiences with products & services. For example: TripAdvisor, Yelp, and The Zagat Survey

Mobile Apps & Geospatial Platforms

Geospatial Platforms: Digital Applications that integrate sophisticated GPS Technology to enable users to alert friends of their exact whereabouts via their mobile phones.

III. Promotional Planning in a Web 2.0 World

Steps to develop promotional plan:

1. Identify The target audiences
IMC Marketers recognize that we must communicate with a variety of stakeholders who influence the target market.

2. Establish the communication objectives
Hierarchy of effects: a series of steps prospective customers move through from initial awareness of a product to brand loyalty

3. Determine & Allocate the marketing communication budget
3 distinct decisions to set a budget:

- Determine the total communication budget
  - Top-down budgeting: allocation of the promotion budget based on management’s determination of the total amount to be devoted to marketing communication
  - Percentage-of-sales budgeting method: based on a certain percentage of either last year’s sales or on estimates of the present year’s sales
  - Competitive-parity budgeting: a promotion budgeting method that an organization matches whatever competitors are spending.
  - Bottom-up budgeting techniques: based on identifying promotion goals & allocating enough money to accomplish them
  - Objective-task method: an organization first defines the specific communication goals it hopes to achieve and then tries to calculate what kind of promotion efforts it will take to meet these goals.

- Decide whether to use a push strategy or a pull strategy
  - Push strategy: the company tries to move its products through the channel by convincing channel members to offer them.
  - Pull strategy: the company tries to move its products through the channel by building desire for its products among consumers, thus convincing retailers to respond to this demand by stocking these items.

- Allocate spending to specific promotion activities

4. Design the promotion mix

- Planners must ask how they can use advertising, sales promotion, personal selling & PR most effectively to communicate with different target audiences.
- The message ideally should accomplish 4 objectives—get Attention, hold Interest, create Desire, and produce Action (AIDA Model)

5. Evaluate the effectiveness of the communication program

Who Creates Advertising?
Some firms create their own advertising in-house, in many cases several specialized companies work together to develop an advertising campaign which called advertising agencies:

- Limited-service agency: provide one or more specialized services.
- Full-service agency: supplies most or all services a campaign requires, including research, creation of ad, media selection, and production.

Advertising agency hires a range of specialists to craft a message and make the communication concept a reality, such as:

- Account management
  - Account executive, a member of the account management department who supervises the day-to-day activities of the account and is the primary liaison between the agency and the client.

- Research and marketing services, collects and analyzes information that will help account executives develop a
sensible strategy and assist creatives in getting consumer reactions to different version of ads.

- Media planners, determine which communication vehicles are the most effective and efficient to deliver the ad

User-Generated Advertising Content
User-generated content (UGC) or consumer-generated media (CGM): online consumer comments, opinions, advice and discussions, reviews, photos, images, videos, podcasts, webcasts, and product, related stories available to other consumers.

- Do-it-yourself (DIY) ads: product ads that are created by consumers.
- Crowdsourcing: a practice in which firms outsource marketing activities (such as selecting an ad) to a community of users.

Ethical Issues in Advertising
- Advertising is manipulative.
- Advertising is deceptive and untruthful.

- Greenwashing: a practice in which companies promote their products as environmentally friendly when in truth the brand provides little ecological benefit.
- Corrective advertising: advertising that clarifies or qualifies previous deceptive advertising claims.
- Puffery: claims made in advertising of product superiority that cannot be proven true or untrue.
- Advertising is offensive and in bad taste.
- Advertising creates and perpetuates stereotypes.
- Advertising causes people to buy things they don’t need.

DEVELOP THE ADVERTISING CAMPAIGN

STEP 1: Understand the Target Audience
The best way to communicate with an audience is to understand as much as possible about them and what turns them on and off.

STEP 2: Establish Message and Budget Objectives
- Set message objectives
What advertising can do: inform, persuade, and remind.

- Set budget objectives
Budget objectives are depends on how much and what type of ad the company can afford.

STEP 3: Create the Ads
- Start with creative strategy, the process that turns a concept into an advertisement.

- The strategy is summarized in a written document known as a creative brief, aguideline for the marketing communication program that guides the creative process.

Advertising appeals: the central idea of the ad and the basis of the advertising messages.
- The informational appeals often based on a unique selling proposition (USP), an ad appeal that focuses on one clear reason why a particular product is superior.

- Well established brands often use reminder ad to keep their name in people’s mind to be sure consumers purchase the product as necessary.
- Mystery ads: used to generate curiosity and interest in a to-be-introduced product by drawing attention to upcoming ad campaign without mentioning the product.

Execution format: the basic structure of the message such as:
- Comparison: a comparative ad explicitly names one or more competitors.
1. Demonstration: the ad shows a product “in action” to prove that it performs as claimed.
2. Testimonial: a celebrity, an expert, or a man in the street states the product’s effectiveness.
3. Slice of life: present a (dramatized) scene from everyday life.
4. Lifestyle: shows a person attractive to the target market in an appealing setting.

Tonality: the mood or attitude the message conveys
- Straightforward: simply present the information to the audience in a clear manner.
- Humor: can be an effective way to break through ad clutter.
- Dramatic: a dramatization presents a problem and a solution in a manner that is often exciting and suspenseful.
- Romantic
- Sexy: some ads appear to sell sex rather than products.
- Apprehension/fear: highlight the negative consequences of not using a product.

Creative tactics and techniques
- Animation and art
- Celebrities
- Music
1. Slogans: simple, memorable linguistic devices linked to a brand
2. Jingles: original words and music written specifically for
3. advertising executions.

STEP 4: Pretest What the Ads Will Say
Pretesting: a research method that seeks to minimize mistakes by getting consumer reactions to ad messages before they appear in the media.

STEP 5: Choose the Media Type(s) and Media Schedule
Media planning: the process of developing media objectives, strategies, and tactics for use in an ad campaign.

Television
TV is extremely creative and flexible.
Network TV is the most cost-effective way to reach mass audience.
Cable and satellite TV allow the advertiser to reach a selected group at relatively low cost.
A prestigious way to advertise.
Can demonstrate the product in use.
Can provide entertainment and generate excitement.
Messages have high impact because of the use
of sight and sound. The message is quickly forgotten unless it is repeated often. The audience is increasingly fragmented. Although the relative cost of reaching the audience is low, prices are still high on an absolute basis—often too high for smaller companies. A 30-second spot on a prime-time TV sitcom costs well over $250,000.

Fewer people view network television. People switch from station to station and zap commercials. Rising costs have led to more and shorter ads, causing more clutter.

Radio
Good for selectively targeting an audience.
Is heard outside the home.
Can reach customers on a personal and intimate level.
Can use local personalities.
Relatively low cost, both for producing a spot and for running it repeatedly.
Listeners often don’t pay full attention to what they hear.
Difficulty in buying radiotime, especially for national advertisers.
Not appropriate for products that must be seen or demonstrated to be appreciated.
Because of short lead time, radio ads can be modified quickly to reflect changes in the marketplace.
Use of sound effects and music allows listeners to use their imagination to create an audio scene.

The small audiences of individual stations means ads must be placed with many different stations and must be repeated frequently.

Newspaper
Wide exposure provides extensive market coverage.
Flexible format permits the use of color, different sizes, and targeted editions.
Provides the ability to use detailed copy.
Allows local retailers to tie in with national advertisers.
Readers are in the right mental frame to process advertisements about new products, sales, etc.
Timeliness, i.e., short lead time between placing an ad and running it.
Most people don’t spend much time reading the newspaper.
Readership is especially low among teens and young adults.
Short life span—people rarely look at a newspaper more than once.
Offers a very cluttered ad environment.
The reproduction quality of images is relatively poor.
Not effective to reach specific audiences.

Magazines
Audiences can be narrowly targeted by specialized magazines.
High credibility and interest level provide a good environment for ads.
Advertising has a long life and is often passed along to other readers.
Visual quality is excellent.
Can provide detailed product information with a sense of authority.
With the exception of direct mail, it is the most expensive form of advertising.
The cost of a full-page, four-color ad in a general audience magazine typically exceeds $100,000.
Long deadlines reduce flexibility.
The advertiser must generally use several magazines to reach the majority of a target market.
Clutter.

Directories
Yellow pages
Customers actively seek exposure to advertisements. Advertisers determine the quality of the ad placement because larger ads get preferential placement.
Limited creative options.
May be a lack of color.
Ads are generally purchased for a full year and cannot be changed.

Out-of-home Media
Most of the population can be reached at low cost.
Good for supplementing other media.
Hard to communicate complex messages because of short exposure time.
Difficult to measure reach people in public places.
High frequency when signs are relocated in heavy traffic areas.
Effective for reaching virtually all segments of the population.
Geographic flexibility, advertisement’s audience.
Controversial and disliked in many communities.
Cannot pinpoint specific market segments.

Internet Web Sites
Can target specific audiences and individualize messages.
Web user registration and cookies allow marketers to track user preferences and Web site activity.
Is interactive—consumers can participate in the ad campaign; can create do-it-yourself ads.
An entertainment medium allowing consumers to play games, download music, etc.
Consumers are active participants in the communication process, controlling what information and the amount and rate of information they receive.
Web sites can facilitate both marketing communication and transactions.
Consumers visit Web sites with the mindset to obtain information.
Banners can achieve top of mind awareness (TOMA), even without click-throughs.
Banners, pop-ups, unsolicited e-mail, etc., can be unwanted and annoying.
Declining click-through rates for banners—currently less than 0.03 percent.
If Web pages take too long to load, consumers will abandon the site.
Phishing is e-mail sent by criminals to get consumers to go to phony websites that will seek to gain personal information such as credit card numbers.
Because advertisers’ costs are normally based on the number of click-throughs, competitors may engage in click fraud by clicking on a sponsored link.
Difficult to measure effectiveness.

Place-based media Advertising
Media that transmit messages in public places such as airports where certain types of people congregate.
Effective for certain markets such as pharmaceutical companies to reach their target audience.
In retail locations it can reach customers immediately before purchase; this provides a last opportunity to influence the purchase decision. In locations such as airports, it receives a high level of attention because of lack of viewer options. Limited audience. Difficult to measure effectiveness.

**Branded entertainment**

A form of ad in which marketers integrate products into entertainment venues. Brand presented in a positive context. Brand message presented in an acovert fashion. Little control of how the brand is positioned—is in the hands of the director. Less intrusive and thus less likely to be avoided. Connection with a popular movie plot or TV program and with entertaining characters can help a brand’s image. Can build emotional connection with the audience. Can create a memorable association that serves to enhance brand recall. Difficult to measure effectiveness. Costs of placement can be very high.

**Advergaming**

Brand placements in video games. Companies can customize their own games or incorporate brands into existing popular games. Some game producers now actively pursue tie-ins with brands. Millions of gamers play an average of 40 hours per game before they tire of it. Millions of consumers have mobile phones “in their hands.” Audience limited to gamers.

**Mobile phones**

A large variety of different formats using different mobile phone apps. Consumers may be unwilling to receive messages through their phones.

**Media schedule**

The plan that specifies the exact media to use and when to use it.

4. Reach: the percentage of the target market that will be exposed to the media vehicle.
5. Frequency: average number of times a person in the target group will be exposed to the message.
6. Gross rating points (GRPs): a measure used for comparing the effectiveness of different media vehicles, average reach x frequency.
7. Cost per thousand (CPM): a measure used to compare the relative cost effectiveness of different media vehicles that have different exposure rates; the cost to deliver a message to 1,000 people or homes.

**STEP 6: Evaluate the Advertising**

Post-testing: research conducted on consumer’s responses to actual advertising message they have seen or heard.

Three ways to measure the impact of an advertisement:

- Unaided recall: telephone survey or personal interview that asks whether person remembers seeing an ad during specified period without giving the person the name of the brand.
- Aided recall: uses clues to prompt answers from people about advertisements they might have seen.
- Attitudinal measures: probes a consumer’s beliefs or feelings about a product before and after being exposed to messages about it.

**PUBLIC RELATIONS**

PR is the communication function that seeks to build good relationships with an organization’s publics, include consumers, stockholders, legislators, and other stakeholders in the organization.

**PR functions:**

- Publicity: unpaid communication about an organization that appears in the mass media.
- Crisis management: the process of managing a company’s reputation when some negative event threatens the organization’s image.

**Plan a Public Relations Campaign**

- PR Campaign: a coordinated effort to communicate with one or more of the firm’s publics.
- Successful PR campaigns include clearly defined objectives and the use of the right PR activities.

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**Public Relations**

**Objectives**

- Introduce new products
- Influence governments legislation
- Enhance the image of an organization, city, region, or country.
- Provide advice and counsel.
- Call attention to a firm’s involvement with the community.

**Activities (Tactics)**

- Press release
- Internal PR
- Investor relations
- Lobbying
- Speech writing
- Corporate identity
- Media relation
- Sponsorships
- Special events
- Guerrilla marketing

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**SALES PROMOTION**

**Price-based Consumer Sales Promotion**

- Coupons
- Price Deals
- Rebates and Refunds
- Frequency (loyalty/continuity programs)
- Special/bonus packs

**Attention-getting Consumer Sales Promotions**

- Contests and sweepstakes
- Premiums
- Sampling
Trade Sales Promotion: Targeting The B2B Customer

- Trade Promotions focus on members of the supply chain which include distribution channel members, such as retail salespeople or wholesale distributor, that a firm must work with in order to sell its products.

- There are various forms of Trade Promotions:
  1. As Discount and Deals
  2. To Increase Industry Visibility

Discount Promotions

- Reduce the cost of the product to the distributor or retailer or help to fund its advertising expense
- Allowances, Discounts and Deals
  - Merchandising Allowance - Reimburse the retailer for in-store support of the product, such as when a store features an off shelf display for a brand
  - Case Allowance - Provide a discount to the retailer or wholesaler during a set period based on the sales volume of a product they order from manufacturer

- They have Drawbacks. Forward Buying (Purchasing in large quantities of the product during a discount period, warehouse them, and don’t buy again until manufacturer offer discount again) and Diverting (After the promotion expired, retailer sell back to other retailer at lower price than manufacturer’s)

- Co-op Advertising - Pay the retailer a portion, usually 50 percent of the cost of any advertising that features the manufacturer’s product.

Sales Promotion Designed to Increase Industry Visibility

- Trade Shows - Events at which many companies set up elaborate exhibits to show their products, give away samples, distribute product literatures and troll for new business contacts. The benefit is the opportunity to develop customer leads that the company then forwards to its sales force for follow up

- Promotional Products - Goodies such as coffee mugs, T-shirts, and magnets given away to build awareness for a sponsor. Some freebies are distributed directly to consumers and business customers; others as intended for channel partners such as retailers and vendors

- Point-of-Purchase (POP) Displays - In-store displays and signs such as signs, mobile banners, ads and temporary merchandising displays.

- Incentive Programs - A prize is offered to employees who meet a prespecified sales goal or who are top performers during a given period. Push Money - A particular type of incentive program in which salespeople are given a bonus for selling a specific manufacturer’s product.

Direct Marketing

- Any direct communication to a consumer or business recipient that is designed to generate a response in the form of an order, a request for further information, or a visit to a store or other place of business for purchase of a product.

Mail Order - Comes in Two Forms

- Catalog - a collection of products offered for sale in book form, usually consisting of product descriptions accompanied by the photos of the items. It can reach people in remote place or small area or overseas.

- Direct Mail - A brochure or pamphlet that offers a specific good or service at one point in time, It can be personalized for certain objectives.

- Telemarketing - direct marketing an organization conducts over the telephone. More profitable for business markets than for consumer markets.

- Direct-Response Advertising - allows consumer to respond to a message by immediately contacting the provider to ask questions or order the product.

Direct-response TV (DRTV) - short commercials of less than two minutes, 30 minutes or longer infomercial and the shows home shopping network.

Infomercials - Half-hour or hour-long commercials that resemble a talk show but with heavy product demonstration and spirited audience participation, but actually they are sales pitches.

- M-commerce - promotional and other e-commerce activities transmitted over mobile devices, such as smartphones and personal digital assistants (PDAs)

Personal Selling

- Personal Selling - a company representative interacts directly with a customer or prospective customer to communicate about good or services. Intimate way to talk to customer.
Factors that influence a firm’s emphasis on Personal Selling
1. Personal Selling is more important when a firm engages in a push strategy, in which the goal is to push the product through the channel of distribution so that it is available to consumers.
2. Personal selling is likely to be crucial in business-to-business
3. Also important in firms’ product that infrequently bought and expensive or very complex.

Drawback for Personal Selling - When dollar amount of individual purchases is low, it doesn’t make sense to use personal selling.

The Landscape of Modern Personal Selling

Types of Sales Jobs
- Order-getter - A salesperson who works to develop long-term relationships with particular customers or to generate new sales.
- Team Selling - The sales function when handled by a team that may consist of a salesperson, a technical specialist, and others.

Two Approaches to Personal Selling
- Transactional Selling - A form of personal selling that focuses on making an immediate sale with little concern for developing a long-term relationship with the customer
- Relationship Selling - Process by which a salesperson secures, develops, and maintains long-term relationships with profitable customers.

The Creative Selling Process
Creative Selling Process- The process of seeking out potential customers, analyzing needs, determining how product attributes might provide benefits for the customer, and then communicating that information

There are Seven steps
1. Prospect and Qualify - Prospecting is process by which a salesperson identifies and develops a list of prospect or sales leads (potential customer). After that salespeople need to qualify these prospect to determine how likely they are become customers.
2. Preapproach - A part of selling process that includes developing information about prospective customers and planning the sales interview.
3. Approach - The first step of the actual sales presentation in which the salesperson tries to learn more about the customer’s needs, create a good impression, and build relationship.
4. Sales Presentation - The part of the selling process in which the salesperson directly communicates the value proposition to the customer and invites two-way communication.
5. Handle Objections - It’s rare when a prospect accepts everything, they may raise an objections - reasons why the prospect is reluctant to make a commitment.
6. Close the Sale - Decision stage in which the salesperson actually asks the customer to buy the product. There are three approaches
   1. Last Objections - Address any concerns they have about products with example question “Are you ready to order if we prove our delivery time frames met your expectations?”
   2. Assumptive or Minor points close - act as if the purchase is inevitable with example question “What quantity would you like to order?”
   3. Standing-room-only or buy-now - Customer might miss an opportunity when deferred purchase with example question “If you buy now, you will get 20 discounts”
7. Follow up - Activities after the sale that provide important services to customers include arranging delivery, payment and purchase terms.

Sales Management
Sales Management - Process of planning, implementing and controlling the personal selling function of an organization. The Processes are:
Set Sales Force Objectives

- State what management expects the sales force to accomplish and when. Sales manager with salespeople individual develops objectives.

There are two types

Performance Objectives - measurable outcomes
Behavioral Objectives - actions that must be completed

o Create a Sales Force Strategy - establish important and specifics such as the structure and size of firm’s sales force. Each salesperson is responsible for a set group of customers Sales territory, allows salespeople to have an in-depth understanding of customers and their needs through frequent contact both business and personal.

o Recruit, Train and Rewards the Sales Force - Ideal candidates exhibits good listening skills, effective follow up skills, ability to adapt their sales style, tenacity, high level of personal organizations.

Training that can be provided

- Sales Training - Teaches salespeople about the organization and its goods and services and helps them to develop skills, knowledge and attitudes they require to succeed.
- Professional Development - Prepare salespeople personally and professionally for new challenges such as promotions and management responsibilities.

Compensation to performance

- Straight Commission Plan - Solely based on a percentage of sales the person closes.
- Commission with draw plan - earnings come from commission plus a regular payment
- Straight Salary Plan - The salesperson is paid a set amount regardless of sales performance
- Quota Bonus Plan - Pays salespeople a salary plus a bonus for her sales that exceed an assigned quota.
- Sales Contest - Provide prizes for selling specific goods or services in order to boost short-term sales.

Evaluate the Sales Force - Evaluate the total effort, take corrective action if needed

CHAPTER 15
DELIVER THE VALUE PROPOSITION

1. Place

Place offers an opportunity for long-term competitive advantage especially since many consumers now expect “instant gratification” by getting just what they want when the urge strikes.

- Supply chain
All the activities necessary to turn raw materials into a good or service and put it in the hands of the consumer or business customer.

- Distribution channels are a subset of the supply chain and are important because a large part of the marketer’s ability to deliver the value proposition rests on the ability to understand and develop effective distribution strategies.

- Logistics management, which is the process of actually moving goods through the supply chain.

- Supply Chain Management is the coordination of flows among the firms in a supply chain to maximize total profitability -> not only the physical movement of goods but also the sharing of information about the goods.

- Insourcing: A practice in which a company contracts with a specialist firm to handle all or part of its supply chain operations.

- Channel distribution: The series of firms or individuals that facilitates the movement of a product from the producer to the final customer.

The major difference between a supply chain and a channel of distribution is the number of members and their functions -> A supply chain is broader (It consists of those firms that supply the raw materials, component parts, and supplies necessary for a firm to produce a good or service plus the firms that facilitate the movement of that product to the ultimate users of the product.)

2. Distribution Channels

- Direct channel is a channel of distribution consists of, at a minimum, a producer and a customer.

- Indirect channel uses channel intermediaries: firms or individuals such as wholesalers, agents, brokers, and retailers who in some way help move the product to the consumer or business user.

Functions of Distribution Channels

Producers use marketing intermediaries to help distribute their goods for three reasons: contactual efficiency, specialization and division of labour, and economies of scale. Efficiencies in Distribution Channels occurs in two ways:

1. Breaking bulk
Dividing larger quantities of goods into smaller lots in order to meet the needs of buyers.

2. Creating assortments
Providing a variety of products in one location to meet the needs of buyers. Ex: one-stop shopping

Facilitating functions: Functions of channel intermediaries that make the purchase process easier for customers and manufacturers. Ex: when intermediaries provide customer services such as offering credit to buyers

The Internet in the Distribution Channel
- Disintermediation (of the channel of distribution): The elimination of some layers of the channel of distribution in order to cut costs and improve the efficiency of the channel.
- Knowledge management: A comprehensive approach to collecting, organizing, storing, and retrieving a firm’s information assets — will create win-win situation for all the partners.

3. Wholesaling Intermediaries
- Firms that handle the flow of products from the manufacturer to the retailer or business user.
- Independent intermediaries: Channel intermediaries that are not controlled by any manufacturer but instead do business with many different manufacturers and many different customers.

Merchant wholesalers are independent intermediaries that buy goods from manufacturers and sell to retailers and other business-to-business customers

Merchant wholesalers take title (To accept legal ownership of a product and assume the accompanying rights and responsibilities of ownership) to the goods

There are several different kinds of merchant wholesalers:
- Full-service merchant wholesalers provide a wide range of services for their customers, including delivery, credit, product-use assistance, repairs, advertising, and other promotional support—even market research.
- Limited-service merchant wholesalers provide fewer services for their customers.

The specific types of limited-service wholesalers:

Type | Description | Advantages
--- | --- | ---
Merchandise agents or brokers | Channel intermediaries that provide services in exchange for commissions but never take title to the product. | Consider their internal and external environmentsto develop the best channel structure.
Manufacturer-Owned Intermediaries | Operate separate business units that perform all the functions of independent intermediaries while at the same time they can still maintain complete control over the channel. | Considering their own ability to handle distribution functions, what channel intermediaries are available, the ability of customers to access these intermediaries, and how the competition distributes its products.

4. Types of Distribution Channels
- Channel levels: The number of distinct categories of intermediaries that populate a channel of distribution.

Consumer Channels
- Producers choose to use direct channel because a direct channel may allow the producer to serve its customers better and at a lower price than is possible if it included a retailer and or producer also can maintains control of pricing, service, and delivery.

- Producers choose to use indirect because in many cases is that customers are familiar with certain retailers or other intermediaries

B2B Channels
- B2B distribution channels facilitate the flow of goods from a producer to an organizational or business customer.
- Industrial distributor: buys products from a manufacturer and sells them to business customers
- Direct channels are more common to B2B markets because B2B marketing often means a firm sells high-profit items a market made up of only a few customers.

Dual and Hybrid Distribution Systems
Using more than one type of channel
- Hybrid marketing system: A marketing system that uses a number of different channels and communication methods to serve a target market.

Distribution Channels and the Marketing Mix
- Place decisions affect pricing
- Distribution decisions can sometimes give a product a distinct position in its market. Ex: Enterprise Rent-a-Car avoids being overly dependent on the cutthroat airport rental car market as it opens retail outlets in primary locations in residential areas and local business centers.

Ethics in the Distribution Channel
- Slotting allowance A fee paid in exchange for agreeing to place a manufacturer’s products on a retailer’s valuable shelf space.

5. Plan a Channel Strategy

Step 1: Develop Distribution Objectives
- In general, the overall objective of any distribution plan is to make a firm’s product available when, where, and in the quantities customers want at the minimum cost.
- More specific distribution objectives depend on the characteristics of the product and the market

Step 2: Evaluate Internal and External Environmental Influences
- Considering their internal and external environmentsto develop the best channel structure.
- Examining issues such as its own ability to handle distribution functions, what channel intermediaries are available, the ability of customers to access these intermediaries, and how the competition distributes its products.

Step 3: Choose a Distribution Strategy
- Number of channel levels
- Conventional, vertical, or horizontal marketing system
- Conventional Marketing System
- A multiple-level distribution channel in which channel members work independently of one another.
- The relationships are limited to simply buying and selling from one another.

Vertical Marketing System (VMS)
A channel of distribution in which there is formal cooperation among members at the manufacturing, wholesaling, and retailing levels.

Is used as the way to meet customer needs better by reducing costs incurred in channel activities.

Ex: Franchised organizations

**Three types of vertical marketing systems:**

a. Administered VMS: channel members remain independent but voluntarily work together because of the power of a single channel member.

b. Corporate VMS: a single firm owns manufacturing, wholesaling, and retailing operations

c. Contractual VMS: cooperation is enforced by contracts (legal agreements) that spell out each member’s rights and responsibilities and how they will cooperate.

A retailer cooperative is a group of retailers that establish a wholesaling operation to help them compete more effectively with the large chains. Ex: Associated Grocers

**Horizontal Marketing System**

An arrangement within a channel of distribution in which two or more firms at the same channel level work together for a common purpose.

Ex: American Airlines is a member of the oneworld® alliance,

**Intensive, exclusive, or selective distribution**

**Intensive distribution**

- Selling a product through all suitable wholesalers or retailers that are willing to stock and sell the product.
- To maximize market coverage for products that consumers quickly consume and must replace frequently. Ex: milk

**Exclusive distribution**

- Selling a product only through a single outlet in a particular region.
- Products that are high-priced and have considerable service requirements, and when a limited number of buyers exist in any single geographic area.
- Enables wholesalers and retailers to better recoup the costs associated with long-selling processes for each customer and, in some cases, extensive after-sale service.

**Selective distribution**

- Distribution using fewer outlets than intensive distribution but more than exclusive distribution.
- For shopping products which consumers are willing to spend time visiting different retail outlets to compare alternatives. Ex: household appliances
- For producers, this strategy means freedom to choose only those wholesalers and retailers that have a good credit rating, provide good market coverage, serve customers well, and cooperate effectively.

**Step 4: Develop Distribution Tactics**

- Necessary to implement the distribution strategy
- Usually about the type of distribution system to use, such as a direct or indirect channel or a conventional or an integrated channel

Select Channel Partners

Considerations in selecting channel members:

- Size of the partner because it is related to the growth of the firms if they choose a bigger firm as a partner
- Competitors’ channel partners because firms need to make sure they display their products near similar competitors’ products.
- A firm’s dedication to social responsibility

Manage the Channel

Channel leader A firm at one level of distribution that takes a leadership role, establishing operating norms and processes based on its power relative to other channel members.

This power comes from different sources:

- A firm has economic power when it has the ability to control resources.
- A firm such as a franchiser has legitimate power if it has legal authority to call the shots.
- A producer firm has reward or coercive power if it engages in exclusive distribution and has the ability to give profitable products and to take them away from the channel intermediaries.

**Logistics: Implement the Supply Chain**

- Logistics: The process of designing, managing, and improving the movement of products through the supply chain. Logistics includes purchasing, manufacturing, storage, and transport.

The application of logistics is:

- Physical distribution: The activities that move finished goods from manufacturers to final customers, including order processing, warehousing, materials handling, transportation, and inventory control.
- The appropriate goal is not just to deliver what the market needs at the lowest cost but rather to provide the product at the lowest cost possible as long as the firm meets delivery requirements.

The functions of logistics

**Order processing**

The series of activities that occurs between the time an order comes into the organization and the time a product goes out the door.

**Transportation**

The mode by which products move among channel members.

Considerations in choosing transportation modes:

- Dependability: The ability of the carrier to deliver goods safely and on time
- Cost: The total transportation costs to move a product from one location to another, including any charges for loading, unloading, and in-transit storage
- Speed of delivery: The total time to move a product from one location to another, including loading and unloading
- Accessibility: The number of different locations the carrier serves
Capability: The ability of the carrier to handle a variety of
different products such as
- large or small, fragile, or bulky

Traceability: The ability of the carrier to locate goods in
shipment

Inventory control
Activities to ensure that goods are always available to meet
customers’ demands.

Material Handling
The moving of products into, within, and out of
warehouses.

- Radio frequency identification (RFID): Product tags
  with tiny chips containing information about the
  item’s content, origin, and destination
- Just in time (JIT): Inventory management and
  purchasing processes that manufacturers and
  resellers use to reduce inventory to very low levels
  and ensure that deliveries from suppliers arrive
  only when needed. -> sets up delivery of goods just
  as they are needed on the production floor.

Warehousing
Storing goods in anticipation of sale or transfer to another
member of the channel of distribution.

Supply Chain Metrics
Some of the most common ones are the following:
- On-time delivery
- Forecast accuracy
- Value-added productivity per employee
- Returns processing cost as a percentage of product revenue
- Customer order actual cycle time
- Perfect order measurement

Perfect order measurement: A supply chain metric that
tracks multiple steps in getting a product from a
manufacturer to a customer by calculating the error-free
rate of each stage of a purchase order.

The Evolution of Retailing
The Wheel of Retailing: a theory that explains how retail
firms change, becoming more upscale as they go through
their life cycle. New types of retailers begin at the entry
phase where they find easiest to enter the market with low-
end strategies as they offer goods at lower process than
their competitors. After they gain a foothold, they gradually
trade up. They improve their facilities & increase the quality
and assortment of merchandise. Finally, retailers move on
to a high-end strategy with even higher prices, better
facilities, and amenities such as parking & gift
wrapping. Upscaling results in greater investment and
operating costs, so the store must raise its prices to remain
profitable, which then makes it vulnerable to still newer
entrants that can afford to charge lower prices and the
wheel turns. Retailers must be careful not to move too
quickly and too far from their roots. The wheel of retailing
help us to explain the development of some but not all
forms of retailing.

Retail Life Cycle: a theory that focuses on the various stages
that retailers pass through from introduction to decline.

![Wheel of Retailing](image)

CHAPTER 16
RETAILING: BRICKS AND CLICKS

I. Retailing: Special Delivery
Retailing: the final stop in the distribution channel in which
organizations sell goods and services to consumers for their
personal use

“Retailers must decide which consumer groups they can
best serve, what product assortment and services they will
provide for their customers, what pricing policies they’ll
adopt, how they’ll promote their retail operations, and
where they’ll locate their retail outlets”

“Retailers belong to a channel of distribution, and as such
they provide time, place, and ownership utility to
customers. Some retailers save people time or money when
they provide an assortment of merchandise under one
roof.”
1. In Introduction Stage
The new retailer often is an aggressive entrepreneur who takes a unique approach to doing business. (examples: low prices, distinctive assortment, or different distribution – via internet). Low profits because of high development cost

2. Growth Stage
- The retailer (hopefully) catches on with shoppers, and sales and profits rise.
- Opening more outlets and develop systems to distribute goods to these new stores – may cut profits as the firm invests in new buildings & fixtures

3. Maturity Stage
- Many other individual retailers have copied the unique idea of the original entrepreneur to form an entire industry.
- Industry probably has overexpanded & intense competition makes it difficult to maintain customers loyalty
- Profit decline as competitors cut their price to keep their customers
- Firms seek to increase their share of the market or to attract new customers

- Ways to survive:
  - Mergers: when 2 or more separately owned retail firms combine.
  - Downsizing: when a firm in a mature industry closes or sells off unprofitable stores or entire divisions.

4. Decline stage
- Retail business become obsolete as newer days of doing business emerge.

- Marketers who anticipate these shifts can avert decline if they change to meet the times.

The Evolution continues: what’s “in store” for the future?
- The changing economy
  - Some stores changed their merchandise assortment to meet consumers’ preferences
- Demographics
  - Convenience for working consumers; examples: extending operating hours, add drive-up windows, etc
  - Recognize ethnic diversity; examples: provide employees who speak Spanish fluently in area where there are large number of customers who only speak Spanish
- Technology
  - Point-of-sale (POS) Systems: retail computer systems that collect sales data and are hooked directly into the store’s inventory-control system.
  - Perpetual inventory unit control system: retail computer systems that keeps a running total on sales, returns, transfers to other stores and so on.
  - Automatic reordering system: retail reordering system that’s automatically activated when inventories reach a certain level.
- Globalization

Ethical problems in retailing
Shrinkage: losses experienced by retailers due to shoplifting, employee theft, and damage to merchandise
- Shoplifting
  - On case by case basis, dishonest employees steal 6.6 times the amount shoplifters do.
- Retail borrowing: consumer practice of purchasing a product with the intent to return the nondefective merchandise for a refund after it has fulfilled the purpose for which it was purchased.
- Ethical treatment of customers
  - The retailers have an obligation not to sell products to customers if the products can be harmful.

II. From Mom-and-Pop to Super Walmart: How Marketeers classify retail stores
Classify retailers by what they sell
- Merchandise Mix
  - The total set of all products offered for sale by a retailer, including all product lines sold to all consumer groups.
- Combination stores
  - Retailers that offer consumers food and general merchandise in the same store
- Supercenters
  - Large combination stores that combine economy supermarkets with other lower-priced merchandise

Classify retailers by level of service
- Self-service retailers
- Full-service retailers
Limited service retailers: customers select merchandise without much assistance, preferring to pay a bit less rather than be waited on a bit more.

Classify retailers by merchandise selection

- Merchandise breadth: the number of product lines available
  1. A narrow assortment: shoppers will find only a limited selection of product lines
  2. A broad assortment: there’s a wide range of items

- Merchandise depth: variety of choices available within each specific product line
  - A shallow assortment: the selection within a product category is limited
  - A deep assortment: there’s a wide range of the selection within a product category

Major types of retailers

- Convenience stores
  Neighborhood retailers that carry a limited number of frequently purchased items & cater to consumers willing to pay a premium for the ease of buying close to home

- Supermarkets
  Food stores that carry a wide selection of edibles and related products.

- Box stores
  Food stores that have a limited selection of items, few brands per item, and few refrigerated items.

- Specialty stores
  Retailers that carry only a few product lines but offer good selection within the lines that they sell.
  - Category killer: a very large specialty store that carries a vast selection of products in its category

- Leased departments
  Departments within a larger retail store that an outside firm rents

- Variety stores
  Stores that carry a variety of inexpensive items

- Discount stores
  Retailers that offer a broad assortment of items at low prices with minimal service

- Offprice retailers
  Retailers that buy excess merchandise from well-known manufacturers and pass the savings on to customers

- Warehouse clubs
  Discount retailers that charge a modest membership fee to consumers who buy a broad assortment of food and nonfood items in bulk and in a warehouse environment

- Factory outlet store
  A discount outlet store, owned by a manufacturer, that sells off defective merchandise & excess inventory

- Department stores
  Retailers that sell a broad range of items & offer a good selection within each product line.

- Hypermarkets
  Retailers with the characteristics of both warehouse stores & supermarkets; several times larger than other stores & offer virtually everything from grocery items to electronics

III. Nonstore Retailing
Nonstore retailing: any method used to complete an exchange with a product end user that doesn’t require a customer visit to a store

- Direct selling
  An interactive sales process in which a salesperson presents a product to one individual or a small group, takes orders & delivers the merchandise.
  - Door-to-door
  - Parties & networks

  A sales technique that relies heavily on people getting caught up in the “group spirit,” buying things they wouldn’t normally buy if they were alone

- Multilevel networks & activities
  A system in which a master distributor recruit other people to become distributors, sells the company’s product to the recruits, and receives a commission on all the merchandise sold by the people recruited

- Automatic vending
  Require minimal space & personnel to maintain & operate

- B2C E-commerce
  A number of factors prevent online sales from growing even more. Most consumers prefer stores where they can touch & feel items and avoid issues with returns and shipping costs. Also, many customers don’t like to buy online because they want the product immediately

B2C’s effect on the future of retailing -> destination retail – consumers will visit retailers not so much to buy a product but for the entertainment they receive from the total experience

IV. Develop a store positioning strategy: retailing as theater
Store Image: the way the marketplace perceives a retailer relative to the competition
Store Design: set the stage
Atmospherics: the use of color, lighting, scents, furnishings & other design elements to create a desired store image

Traffic flow design: how shoppers will move through the store & which areas they'll pass or avoid

Visual merchandising: the design of all the things customers see both inside & outside the store – include storefront (the physical exterior of a store) & marquee (the sign that shows a store’s name)

Sound of music - audio architecture
The music a store plays has become so central to its personality that many retailers even sell the soundtracks specially designed for them

Color & lighting
Example of traffic flow design
Store personnel – although the presence of knowledgeable sales personnel is important to shoppers, they generally rate the quality of service they receive from retail personnel is low; a great example of store personnel are Japanese store personnel

Pricing policy – frequent sales, reduced the number of sales, EDLP (Every day low pricing)

Build the theater: store location
i. Types of store locations
   a. Central business district (CBD)
The traditional downtown business area found in a town or city
   b. Shopping center
   A group of commercial establishment owned & managed as a single property
   c. Pop up store
   A Temporary retail space a company erects to build buzz for its products
 ii. Site selection: choose where to build Factors:
   - Long term population patterns
   - The location of competitors
   - The demographic makeup of an area enter into retailers’ decisions

Trade area: a geographic zone that accounts for the majority of a store’s sales & customers

A site evaluation considers:
   - Traffic flow
   - Number of parking spaces available
   - Ease of delivery access
   - Visibility from the street
   - Local zoning laws that determine the types of buildings, parking, & signage allowed
   - Cost factors (length of the lease & the amount of local taxes)
   - Age profile
   - Community life cycle
   - Mobility
   - The degree of competition (saturated & unsaturated trade area)

UTS SEMESTER GASAL 2012/2013
MANAJEMEN PEMASARAN
150 menit (Closed Book)

Soal 1
a. Dalam membuat strategi pemasaran, pemasar harus memahami pasar sasaran (target market) yang dituju serta bauran pemasaran (marketing mix) yang diterapkan. Jelaskan apa yang dimaksud dengan pasar sasaran?
   - Jelaskan apa yang dimaksud dengan bauran pemasaran!

b. Jelaskan dan gambarkan matriks empat peluang dasar (four basic opportunities) yang dapat dimanfaatkan oleh perusahaan di dalam suatu pasar. Berikan contoh kasus di Indonesia untuk setiap jenis peluang.

Soal 2
   - b. Jelaskan dan berikan contoh dari strategi Single target market approach, Multiple target market approach, dan Combined target market approach. Jelaskan pula konsep position, dan bagaimana position Seven Eleven Indonesia?

Soal 3
a. Uraikan tentang lingkungan eksternal pemasaran dari sebuah perusahaan!
   - b. Berdasarkan teori lingkungan pemasaran, jelaskan tentang perilaku belanja online konsumen serta fenomena

Contact me : muhammad.firman177@gmail.com / @firmamhmd (Line)
Twitter dan Facebook sebagai alat komunikasi dan promosi perusahaan/organisasi.

Soal 4
a. Terdapat tiga tingkatan pemecahan masalah (three levels of problem solving) dalam proses pengambilan keputusan konsumen individual (the consumer decision process). Jelaskan dan beri contoh tiga tingkatan pemecahan masalah tersebut.
b. Sebutkan dan jelaskan perbedaan final consumer dengan business consumer! Siapa saja pihak-pihak yang mungkin mempengaruhi keputusan pembelian produk pada business consumer?

Soal 5
b. Jelaskan minimal dua informasi apa yang dibutuhkan manajer pemasaran dalam mengambil keputusan pemasaran serta apa kegunaan informasi tersebut?

Soal 6
a. Jelaskan berikan contoh jenis-jenis kelas produk konsumen (consumer product classes) disertai pertimbangan bauran pemasaran (marketing mix consideration) untuk masing-masing kelas produk!
b. Gambarkan dan jelaskan dengan lengkap Product Life Cycle disertai strategi bauran pemasaran yang paling sesuai diterapkan untuk masing-masing tahapannya!

LAMPIRAN

7 Eleven Finds a Niche By Adapting to Indonesian Ways
(New York Times, by SARA SCHONHARDT, Published: May 28, 2012)

JAKARTA — As night falls, groups of twenty-somethings gather at a trendy hangout, chatting at tables laden with beer, iced coffee and nachos. Some couples cuddle over chocolate pudding, while others groove to music on their iPhones. The nightspot has live bands, Wi-Fi and a growing clientele. It also has a familiar green-and-orange sign hanging overhead: 7-Eleven.

“It’s a new concept of hanging out,” said Oka Dharmawan, 21, an engineering student who meets friends at 7-Eleven almost every night to log onto the wireless hot spot and drink Slurpees. Ten years ago, young people in Indonesia gathered at street-side food stalls called warung to hang out and gossip. But with rapid economic growth has come social change. “People still like to talk about their lives, they like to gossip,” said Henri Honoris, president director of Modern Putra, 7-Eleven’s Indonesian franchisee. “Now we give them an alternative. It’s a warung with better quality.”

The franchise’s strategy has been to blend a small supermarket with inexpensive ready-made food and seating, which attracts customers in a city desperately lacking outdoor recreation space and snarled by traffic jams that often restrict mobility. “The neighborhood 7-Eleven has become recreational,” said Debnath Guharoy, Asia director for Roy Morgan Research, a market research company based in Australia. Sixty-five percent of the franchise’s customers are younger than 30, and to reach them, it relies on another defining feature in Indonesia: a love of social networking. In one of the world’s most plugged-in countries, 7-Eleven has 57,000 Twitter followers and more than 44,000 Facebook fans.

Many of them spend hours surfing the Internet at 7-Eleven, which never closes, allowing young people to gather late into the night. When the store plays host to local bands, customers update their social networking statuses and help draw bigger crowds. “Before you had a dirty, sweaty little street shop, and that’s all there was,” said Mr. Guharoy of Roy Morgan Research, referring to the warungs. “Now you can go to a clean, air-conditioned shop and it’s a better experience.” To appeal to local tastes in the world’s most populous Muslim country, 7-Eleven had to rethink its sales strategy. The store offers ready-made fried rice, doughnuts and its signature Big Gulp soft drinks and flavored-ice Slurpees.

Most outlets also sell beer and wine coolers — though each new shop conducts neighborhood surveys to get community approval first. Meals can cost less than 23,000 rupiah, which appeals to families that might once have gone to McDonald’s, a close competitor. Novi, a 37-year-old travel agent who, like many Indonesians, goes by only one name, said she liked the comfort of being indoors and the international food options. Her favorite is chicken katsu, a Japanese-style fried cutlet.

“There is a different kind of atmosphere, a different kind of food,” she said, in comparing 7-Eleven with the food stalls she used to frequent. “There is air-conditioning here and there aren’t buskers to bother you.” The store’s Big Bite hot dogs and cafe items — coffee and cappuccino — bring in the most sales. Small snacks like chips and pillow bread, tiny sandwiches filled with cheese or chocolate, are also popular. With 69 stores in Indonesia, all of them in Jakarta, 7-Eleven lags behind its closest competitors, including McDonald’s, Dunkin’ Donuts and KFC, which together have more than 600 outlets.

The swift growth of the middle class shows the enormous potential for expansion. From 2003 to 2010, about 50 million people entered the middle-income bracket, with disposable income of $2 to $20 per day, according to the World Bank. Indonesia’s gross domestic product per capita is now more than $3,600, exceeding that of India, the second-largest consumer market in Asia, after China.

Local convenience stores are also expanding into special niches. Bao Bao Express, a chain set up in 2010 by a local Chinese-Indonesian businessman, caters to office workers by offering a laundry service and allowing people to pay their electricity and water bills at the register. It operates in office buildings and apartment towers, a strategic move that keeps it from running up against a zoning by law that prevents convenience stores from being too close to traditional markets. For 7-Eleven, positioning itself as more of a hangout and less of a convenience store has made both its owners and its customers happy.


Pertanyaan:

a) Berikanlah analisis saudara terhadap consumer needs & consumer wants yang berpotensi muncul dengan fenomena di Indonesia seperti di atas.

b) Jika Anda memiliki modal untuk mengembangkan sebuah produk, produk apaakah yang ingin Anda buat? Jelaskan pula strategi pemasaran yang relevan untuk memasarkan produk tersebut.

Dewi Safitri
Produser BBC Indonesia
26 Agustus 2013 - 12:22 WIB


Jelajat berusia tahun 1993 itu sama sekali tak nampak dalam konser yang terutama dipadati kelompok fans usia di atas 30 tahun, mereka yang sejak bocah menggemari jenis musik riu ini Selain Hetfield dan Hammet, Metallica juga diawaki Lars Ulrich (drum) dan Robert Trujillo (bass). Gubernur Jokowi yang dikenal sangat menggemari music keras, semalam juga tampil berkaos hitam menonton konser dengan takzim berdiri dalam tadi barisan penonton kelasfestival.


Dengan usia awak band rata-rata mendekati setengah abad, termasuk Hetfield yang genap 50 tahun, penampilan penuh tenaga ini dipuji fans. Pujian juga datang dari sekelompok anak belasan tahun yang mengaku datang karena


Pertanyaan:

a) Berdasarkan kasus tersebut di atas, jelaskan faktor-faktor internal dan eksternal apa saja yang dapat mempengaruhi para fans Metallica dalam membeli tiket dan menonton konser Metallica?

b) Menurut Anda, variabel segmentasi apa saja yang dapat digunakan oleh promotor konser Metallica? Jelaskan! Segmen manakah yang kira-kira menjadi target utama dari konser ini?

tingkatkan margin

Lalu, untuk apa Apple merilis produk ini? iPhone 5C sekaligus menggantikan iPhone 5 yang produknya dihentikan, mungkin agar keduanya tak bersaing langsung. Ketimbang menurunkan harga model terdahulu, Apple memperkenalkan model baru yang diharap lebih murah.

Langkah tersebut agaknya diakukan untuk menawarkan produk yang sesuai di tengah-tengah menurunnya harga jual rata-rata iPhone (ASP) di pasar-pasar yang sensitif harga seperti China. Pada 2009 lalu, ASP iPhone berada di kisaran 613 dollar AS. Tapi pada kwartal kedua tahun ini angka tersebut turun menjadi 581 dollar AS.

Apple masih menawarkan iPhone 4S di lini bawah dengan kapasitas storage yang dipangkas menjadi 8GB. Akan tetapi, jika Apple berhasil menarik konsumen untuk membeli iPhone 5C ketimbang iPhone 4S, margin yang diambil oleh perusahaan itu mungkin bisa dipertahankan atau malah ditingkatkan. Dibanding model lama yang sudah mulai terasa kuno, iPhone 5C yang berisi hardware iPhone generasi terdahulu boleh jadi akan terlihat lebih menarik di mata konsumen. Lagi pula, selama ini Apple memang terkenal bisa mendorong konsumen agar membelanjakan lebih banyak uang untuk perangkat yang sedikit lebih bagus.

Sumber
http://teknokompas.com/read/2013/09/11/2046245/strategi.iphone.murah.yang.tidak.murah

Pertanyaan:

a) Jelaskan strategi harga apa yang dilakukan oleh iPhone 5C?

b) Menurut Anda, mengapa Apple melakukan strategi harga tersebut? Apa kelebihan dan kekurangan bagi Apple dengan menerapkan strategi harga tersebut?

c) Menurut Anda, apakah strategi ini merusak positioning Apple?

UAS SEMESTER GASAL 2013/2014

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Soal 1

Strategi "iPhone Murah" yang Tidak Murah

Penulis: Oik Yusuf |
kelebihan dan kekurangan model komunikasi baru tersebut bagi para marketer!

Soal 3
Anda saat ini menjabat sebagai seorang manajer sebuah merek mobil ternama yang saat ini sedang mengalami penurunan penjualan karena seringnya merek mobil yang Anda jual tersebut mengalami kecelakaan di jalan, Sebutkan 5 bentuk kunci promosi direct marketing (key forms of direct marketing) menurut Solomon. Aplikasikan 5 bentuk promosi tersebut untuk mengatasi permasalahan yang dihadapi perusahaan Anda sehingga dapat meningkatkan penjualan mobil tersebut.

Soal 4
a. Adakah keterkaitan antara Supply-Chain Management dengan saluran distribusi (Distribution Channel)? Jelaskanlah!
b. Sebutkan dan jelaskan fungsi dari saluran distribusi!

Soal 5
Jelaskan apa yang dimaksud dengan "store image" dan jelaskan elemen-elemen store image. Berikan contoh deskripsi store image dari toko ritel yang Anda kunjungi untuk tugas kelompok Anda.

Soal 6
Dalam McCarthy dkk, salah satu kritik untuk pemasaran adalah bahwa pemasaran cenderung membuat konsumen materialistik (marketing makes people materialistic). Jelaskan argument yang pro dan kontra terhadap pernyataan ini. Bagaimana sikap Anda?