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Department of “Marketing and Sectoral Economics”

MARKETING
(section 1)

TEXTBOOK
for the same course for full-time students of the specialty 6-05-0311-02 “Economics and Management”

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M31

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M31 **Marketing** (section 1) : textbook for the same course for full-time students of the specialty 6-05-0311-02 “Economics and Management”/ comp. by T. G. Filchuk. – Gomel : GSTU, 2026. – 43 p. – Систем. требования: PC не ниже Intel Celeron 300 МГц ; 2 Gb RAM ; свободное место на HDD 16 Mb ; ALT Lunux 10.1 ; Adobe Acrobat Reader. – URL: https://elib.gstu.by. – Загл. с титул. экрана.

The basis of this textbook is the theoretical foundations of the marketing mix. The essence of marketing, the evolution of its concept, analysis of the marketing environment, marketing information system, the basics of consumer and business buyer behavior, consumer-oriented marketing strategy (segmentation, targeting, differentiation, positioning), as well as the basics of international marketing are considered.

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CONTENT

INTRODUCTION

Marketing is a prerequisite for the successful operation of an enterprise in the market; it can be both an enterprise philosophy and some practical elements of the marketing mix. In any case, the use of marketing in the enterprise is a prerequisite for the effective operation of the enterprise.

The course of marketing involves a complete study by students of both its theoretical aspects and the methods and tools of practical marketing.

Goal of studying the marketing is to reveal the essence of marketing and show the possibilities of its use in the practice of a modern organization.

The basis of this textbook is the theoretical foundations of the marketing mix. The essence of marketing, the evolution of its concept, analysis of the marketing environment, marketing information system, the basics of consumer and business buyer behavior, consumer-oriented marketing strategy (segmentation, targeting, differentiation, positioning), as well as the basics of international marketing are considered.

This textbook includes information contained in the following literature sources: Kotler, Philip. Marketing management / Philip Kotler, Kevin Lane Keller (14th ed.); Kotler, Philip. Principles of marketing / Philip Kotler, Gary Armstrong (14th ed.).

Topic 1. Marketing essentials and defining

1. Marketing: definition, objects, functions.
2. Market: general characteristics, classification.
3. Key marketing terms and concepts.
4. Concept and components of marketing mix (4Ps – *the four Ps*).

1.1. Marketing: definition, objects, functions

Managers sometimes think of marketing as "the art of selling products," the aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy.

One of the shortest good definitions of marketing is "Marketing is meeting (satisfaction) needs profitably."

The American Marketing Association offers the following formal definition:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

There is the distinguish between a social and a managerial definition of marketing. A social definition shows the role marketing plays in society; marketing's role is to "deliver a higher standard of living".

Marketers sell 10 main types of entities (objects):

– goods (physical offerings such as food, commodities, clothing, housing, appliances, and so forth);

– services (such as airline travel, hotels, maintenance and repair, and professionals (accountants, lawyers, engineers, doctors, and so on));

– experiences (for example, a visit to a theme park or dinner at the most popular restaurant)

– events (for example, the Olympics, trade shows, sports, and artistic performances);

– persons (such as artists, musicians, rock bands, celebrity, CEOs, and other high-profile individuals);

– places (cities, regions, and nations (countries) that attract tourists, businesses, and new residents);

– properties (including real estate and financial property in the form of stocks and bonds);

– organizations (entire companies (including not-for-profit institutions) that have strong, favorable images in the mind of the public);

– information (produced, packaged, and distributed by schools, publishers, Website creators, and other marketers);

– ideas (concepts such as “Donate blood” or “Buy saving bonds” that reflect a deeply held value or social need);

The seven functions of marketing are:

1. Finding the best distribution channels. Distribution is about deciding how you'll get the goods or services you want to sell to the people who want to buy them.

2. Financing an enterprise. An important function of marketing is finding the money through investments, loans, or your personal capital to finance the creation and advertising of your goods or services.

3. Deep market research. Market research is about gathering information concerning your target customers.

4. Setting Prices. Setting the correct price for your product or service can be a challenge. If you price it too high, you might lose customers – but if you price it too low you might be robbing yourself of profits.

5. Product and service management. Once you've determined the target market and set the price of your product or service, the goal becomes to effectively manage the product or service. This involves listening to customers, responding to their wants and needs, and keeping your products and services modern and up to date.

6. Promotional channels. Most business owners are familiar with the idea of promotion. Advertising your products and services is essential to attracting new customers and keeping existing customers coming back.

7. Matching products to customers. Selling is last on the list of the seven functions of marketing. This is because selling can happen only after you've determined the wants and needs of your customers.

1.2. Market: general characteristics, classification

Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a *market* as a collection of buyers and sellers who transact over a product or product class (such as the housing market or the grain market).

Each nation’s economy, and the global economy, consists of interacting sets of markets linked through exchange processes.

Five basic markets and their connecting flows are shown in figure 1.1. Manufacturers go to resource markets (raw material markets, labor markets, money markets), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers. Consumers sell their labor and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets and uses these goods and services to provide public services.

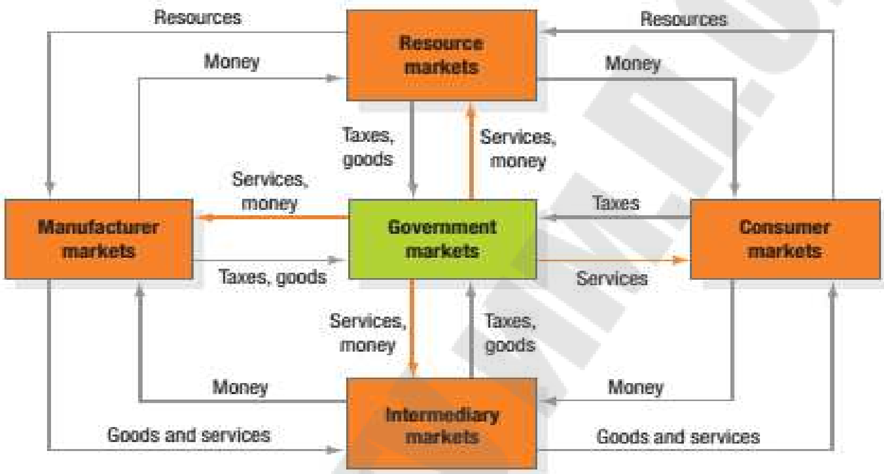

Figure 1.1 – Structure of flows in a modern economy

Figure 1.2 shows the relationship between the industry and the market. Sellers and buyers are connected by four flows. Sellers send goods and services and communications such as ads and direct mail to the market; in return they receive money and information such as customer attitudes and sales data. The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information.

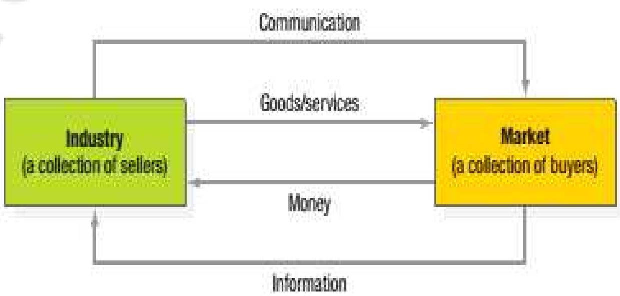

Figure 1.2 – Simple marketing system

There are key customer markets: consumer, business, global, and nonprofit.

Consumer Markets Companies selling mass consumer goods and services such as juices, cosmetics, athletic shoes, and air travel spend a lot of time establishing a strong brand image, developing a superior product and packaging, ensuring its availability, and backing it with communications and reliable service.

Business Markets Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings. Business buyers buy goods to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help achieve higher revenue or lower costs. Advertising can play a role, but the sales force, the price, and the company's reputation may play a greater one.

Global Markets Companies in the global marketplace must decide which countries to enter; how to enter each (as an exporter, licenser, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt product and service features to each country; how to price products in different countries; and how to design communications for different cultures. They face different requirements for buying and disposing of property; cultural, language, legal and political differences; and currency fluctuations. Yet, the payoff can be huge.

Nonprofit and Governmental Markets Companies selling to nonprofit organizations with limited purchasing power such as churches, universities, charitable organizations, and government agencies need to price carefully. Lower selling prices affect the features and quality the seller can build into the offering. Much government purchasing calls for bids, and buyers often focus on practical solutions and favor the lowest price.

1.3. Key marketing terms and concepts

To understand the marketing function, we need to understand the following core set of concepts.

Needs, Wants, and Demands

Needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment.

These needs become *wants* when they are directed to specific objects that might satisfy the need. For example, you might *need* food, but for a special occasion you may *want* to have a meal at a restaurant rather than preparing your food at home. Wants are shaped by our society.

Demands are wants for specific products backed by an ability to pay (people want a specific product and able to pay for it).

Target Markets, Positioning, and Segmentation

Not everyone likes the same cereal, restaurant, college, or movie. Therefore, marketers start by dividing the market into segments. They identify and profile distinct groups of buyers who might prefer or require varying product and service mixes by examining demographic, psychographic, and behavioral differences among buyers. After identifying market segments, the marketer decides which present the greatest opportunities - which are its *target markets.* For each, the firm develops a *market offering* that it *positions* in the minds of the target buyers as delivering some central benefit(s).

Offerings and Brands

Companies address customer needs by putting forth a *value proposition*, a set of benefits that satisfy those needs. The intangible value proposition is made physical by an *offering,* which can be a combination of products, services, information, and experiences. A *brand* is an offering from a known source. All companies strive to build a brand image with as many strong, favorable, and unique brand associations as possible.

Value and Satisfaction

The buyer chooses the offerings he or she perceives to deliver the most *value,* the sum of the tangible and intangible benefits and costs to her. Value, a central marketing concept, is primarily a combination of quality, service, and price (qsp), called the *customer value triad*. Value perceptions increase with quality and service but decrease with price. We can think of marketing as the identification, creation, communication, delivery, and monitoring of customer value. *Satisfaction* reflects a person's judgment of a product's perceived performance in relationship to expectations. If the performance falls short of expectations, the customer is disappointed. If it matches expectations, the customer is satisfied. If it exceeds them, the customer is delighted.

Marketing Channels

To reach a target market, the marketer uses three kinds of marketing channels. *Communication channels* deliver and receive messages from target buyers and include newspapers, magazines, radio, television, mail, telephone, billboards, posters, fliers, CDs, audiotapes, and the Internet. Beyond these, firms communicate through the look of their retail stores and Web sites and other media. Marketers are increasingly adding dialogue channels such as e-mail, blogs, and toll-free numbers to familiar monologue channels such as ads. The marketer uses *distribution channels* to display, sell, or deliver the physical product or service(s) to the buyer or user. These channels may be direct via the Internet, mail, or mobile phone or telephone, or indirect with distributors, wholesalers, retailers, and agents as intermediaries. To carry out transactions with potential buyers, the marketer also uses *service channels* that include warehouses, transportation companies, banks, and insurance companies. Marketers clearly face a design challenge in choosing the best mix of communication, distribution, and service channels for their offerings.

Supply Chain

The supply chain is a longer channel stretching from raw materials to components to finished products carried to final buyers. Each company captures only a certain percentage of the total value generated by the supply chain's value delivery system. When a company acquires competitors or expands upstream or downstream, its aim is to capture a higher percentage of supply chain value.

Competition

Competition includes all the actual and potential rival offerings and substitutes a buyer might consider.

Marketing Environment

The marketing environment consists of *the task environment* and *the broad environment*. The *task environment* includes the actors engaged in producing, distributing, and promoting the offering. These are the company, suppliers, distributors, dealers, and target customers. In the supplier group are material suppliers and service suppliers, such as marketing research agencies, advertising agencies, banking and insurance companies, transportation companies, and telecommunications companies. Distributors and dealers include agents, brokers, manufacturer representatives, and others who facilitate finding and selling to customers. The *broad environment* consists of six components: demographic environment, economic environment, social-cultural environment, natural environment, technological environment, and political-legal environment. Marketers must pay close attention to the trends and developments in these and adjust their marketing strategies as needed. New opportunities are constantly emerging that await the right marketing savvy and ingenuity.

1.4. Concept and components of marketing mix (4Ps – *the four Ps*)

Marketing involves a number of activities. An organization may decide on its target group of customers to be served. Once the target group is decided, the product is to be placed in the market by providing the product, price, distribution and promotion. These are to be combined or mixed. Such mix of product, price, place (distribution) and promotion is known as 'Marketing Mix' (figure 1.3).

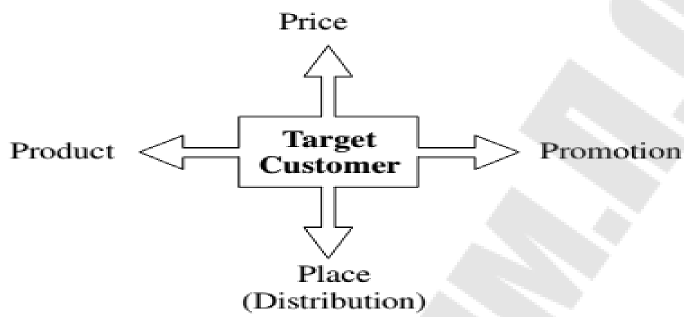

Figure 1.3 – Marketing mix (4Ps)

According to Philip Kotler "Marketing Mix is the set of controllable variables that the firm can use to influence the buyer's response".

This mix is assembled keeping in mind the needs of target customers, and it varies from one organization to another depending upon its available resources and marketing objectives.

Product: Product refers to the goods and services offered by the organization for sale. Product is a set of benefits which a marketer offers to the consumer for a price. Product can also take the form of a service.

Price: Price is the amount charged for a product or service. Many factors have to be kept in mind while fixing the price (demand for a product, cost involved, consumer's ability to pay, prices charged by competitors for similar products, government restrictions etc.) In fact, pricing is a very crucial decision area. It affect on demand for the product and also on the profitability of the firm.

Place: Goods are produced to be sold to the consumers. They must be made available to the consumers at a place where they can conveniently make purchase. This involves a chain of individuals and institutions like *distributors*, *wholesalers* and *retailers* who constitute firm's distribution network (also called a channel of distribution).

Promotion: If the product is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them but the consumer is not made aware about its price, features, availability etc, its marketing effort may not be successful. Promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading and influencing a consumer to make choice of the product. Promotion is done through means of personal selling, advertising, publicity and sales promotion. It is done mainly with a view to provide information to prospective consumers about the availability, characteristics and uses of a product.

Topic 2. Marketing orientation: essence, approaches (concepts)

1. Conceptual approaches to marketing.
2. The holistic marketing concept.

2.1. Conceptual approaches to marketing

There are five alternative concepts under which organizations design and carry out their marketing strategies:

– production concept;
– product concept;
– selling concept;
– marketing concept;
– societal marketing concept.

The **production concept** is one of the oldest concepts in business. It holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. Marketers also use the production concept when they want to expand the market.

The *product concept* proposes that consumers favor products offering the most quality, performance, or innovative features. However, managers sometimes might make the mistake: a better product lead people to buy it. A new or improved product will not necessarily be successful unless it's priced, distributed, advertised, and sold correctly.

The *selling concept* considers that consumers and businesses, if left alone, won't buy enough of the organization's products. It is practiced most aggressively with unsought goods and when firms with overcapacity aim to sell what they make, rather than make what the market wants. Marketing based on hard selling is risky.

The *marketing concept* emerged in the mid-1950s as a customer-centered, sense-and-respond philosophy. The task is to find not the right customers for your products, but the right products for your customers. Dell doesn't prepare a perfect computer for its target market. It provides product platforms on which each person customizes the features he or she desires in the computer. The marketing concept says s that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets.

The difference between the selling and marketing concepts:

Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller's need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.

The *societal marketing concept* considers that our task is to determine our target customers' needs, wants, and interests – and to satisfy them better than our competitors do, but in ways that preserve or enhance customers' and society's well-being. Company focus: The inclusion social and ethical aspects into marketing practices; balancing profits, consumer satisfaction, and public interest.

2.2. The holistic marketing concept

The holistic marketing concept is the newest approach to marketing and the newest business concept. It originated as a response to fundamental changes in the marketing environment (demographic changes, globalization, development of the Internet, corporate social responsibility, etc.).

Phillip Kotler defines this holistic approach as follows: «A holistic marketing concept is based on the design, development and implementation of marketing programs, processes and activities that recognize breadth and interdependence. Holistic marketing recognizes that everything matters with marketing and that a broad, integrated perspective is needed to achieve the best decision».

There are four main components of holistic marketing: Relationship Marketing, Integrated Marketing, Internal Marketing, Performance Marketing (figure 2.1).

Figure 2.1 – The holistic marketing concept

Relationship Marketing

Now a key goal of marketing is to develop deep, enduring relationships with people and organizations that directly or indirectly affect the success of the firm's marketing activities. Relationship marketing aims to build long-term relationships with key constituents in order to earn and retain their business.

Four key constituents for relationship marketing are customers, employees, marketing partners (channels, suppliers, distributors, dealers, agencies), and members of the financial community (shareholders, investors, analysts). Marketers must balance profits for all key players.

The ultimate result of relationship marketing is a unique company asset called a marketing network, consisting of the company and its supporting stakeholders – customers, employees, suppliers, distributors, retailers, and others.

Integrated Marketing

Integrated marketing occurs when the marketer devises marketing activities and marketing programs to create, communicate, and deliver value for consumers such that "the whole is greater than the sum of its parts."

Two key themes are that (1) many different marketing activities can create, communicate, and deliver value and (2) marketers should design and implement any one marketing activity with all other activities in mind.

All company communications also must be integrated. A marketer might selectively employ television, radio, and print advertising, public relations and events, and PR and Web site communications so each contributes on its own as well as improving the effectiveness of the others.

The company must also develop an integrated channel strategy. It should assess each channel option for its direct effect on product sales and brand equity, as well as its indirect effect through interactions with other channel options.

Internal Marketing

Internal marketing focuses on hiring, training, and motivating able employees who want to serve customers well.

It ensures that everyone in the organization takes appropriate marketing principles, especially senior management. Smart marketers recognize that marketing activities *within* the company can be as important (or even more important) than those directed outside the company.

Marketing is no longer the responsibility of a single department – it is a common cause that drives the company's vision, mission, and strategic planning. Marketing succeeds only when all departments work together to achieve customer goals: when engineering designs the right products, finance gives the right amount of funding, purchasing buys the right materials, production makes the right products in the right time horizon, and accounting measures profitability in the right ways.

Performance Marketing

Performance marketing requires understanding the financial (1) and nonfinancial (2) returns to business and society from marketing activities and programs.

Top marketers are going beyond sales revenue to examine the marketing scorecard (system indicators) and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They are also considering the legal, ethical, social, and environmental effects of marketing activities and programs.

The financial return (1).

Marketers are increasingly asked to justify their investments in financial and profitability terms, as well as in terms of building the brand

and growing the customer base. Marketing research and statistical analysis assess the financial efficiency and effectiveness of different marketing activities.

The nonfinancial return (2).

Since marketing effects extend not only to the company and the client, but to society as a whole, marketers must take into account the ethical, environmental, legal and social context of their role and activities.

Topic 3. Analyzing the marketing environment

1. Marketing microenvironment (*task environment*).
2. Marketing macroenvironment (*broad environment*).

A company's marketing environment consists of the participants and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. The marketing environment consists of a *microenvironment* and a *macroenvironment*.

3.1. Marketing microenvironment (*task environment*)

Marketing microenvironment: Marketing success requires building relationships with ***other company departments (company)***, ***suppliers***, ***marketing intermediaries***, ***competitors***, ***various publics***, and ***customers***, which combine to make up the company's value delivery network.

The Company**:** In designing marketing plans, marketing management takes other company groups into account – groups such as top management, finance, research and development (R&D), purchasing, operations, and accounting. All of these interrelated groups form the internal environment.

Suppliers**:** They provide the resources needed by the company to produce its goods and services. Marketing managers must watch supply availability and costs. Supply shortages or delays can cost sales in the short run and damage customer satisfaction in the long run.

Marketing Intermediaries**:** Marketing intermediaries help the company promote, sell, and distribute its products to final buyers. They include resellers, physical distribution firms, marketing services agencies, financial intermediaries.

Resellers are distribution channel firms that help the company find customers or make sales to them. These include *wholesalers* and *retailers* who buy and resell merchandise. *Physical distribution firms* help the company stock and move goods from their points of origin to their destinations. Marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets. *Financial intermediaries* include banks, credit companies, insurance companies, and other businesses that help finance transactions or insure against the risks associated with the buying and selling of goods.

Competitors: Marketers must do more than simply adapt to the needs of target consumers. They also must gain strategic advantage by positioning their offerings strongly against competitors' offerings in the minds of consumers.

Publics: A public is any group that has an actual or potential interest in or impact on an organization's ability to achieve its objectives. We can identify seven types of publics: *Financial publics* (this group influences the company's ability to obtain funds; banks, investment analysts, and stockholders are the major financial publics), *Media public* (this group carries news and editorial opinion. It includes newspapers, magazines, television stations, and blogs and other Internet media), *Government publics* (management must take government developments into account; marketers must often consult the company's lawyers on issues of product safety, truth in advertising, and other matters), *Citizen-action publics* (a company's marketing decisions may be questioned by consumer organizations, environmental groups, minority groups, and others; its public relations department can help it stay in touch with consumer and citizen groups), *Local publics* (this group includes neighborhood residents and community organizations; large companies usually create departments and programs that deal with local community issues and provide community support), *General public* (a company needs to be concerned about the general public's attitude toward its products and activities; the public's image of the company affects its buying), *Internal publics* (this group includes workers, managers, volunteers, and the board of directors; large companies use newsletters and other means to inform and motivate their internal publics).

Customers: Customers are the most important participants in the company's microenvironment. The aim of the entire value delivery network is to serve target customers and create strong relationships with them. The company might target any or all types of customer markets (***Consumer markets, Business markets, Government (Nonprofit) markets, International (Global) markets***).

3.2. Marketing macroenvironment (*broad environment*)

Marketing macroenvironment (broad environment): The macroenvironment consists of broader forces that affect the participants in the microenvironment.

There are the six major forces in the company's macroenvironment:

Demographic (Demography – the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. Marketers analyze changing age and family structures, geographic population shifts, educational characteristics, and population diversity).

Economic (The economic environment consists of economic factors that affect consumer purchasing power and spending patterns (structure of expenses). Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets).

Natural (The natural environment involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities).

Technological (The technological environment is the most strong force now shaping our destiny. New technologies can offer exciting opportunities for marketers. Every new technology replaces an older technology).

Political (The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society).

Cultural (The cultural environment consists of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors. Cultural factors strongly affect how people think and how they consume. So marketers are keenly interested in the cultural environment. The following cultural characteristics can affect marketing decision making. (1) The persistence of cultural values People in a given society hold many beliefs and values. Their core beliefs and values have a high degree of persistence. *Core* beliefs and values are passed on from parents to children and are reinforced by schools, churches, business, and government. *Secondary* beliefs and values are more open to change. (2) Shifts in secondary cultural values.

Topic 4. Marketing information and marketing research

1. Marketing information and customer insights.
2. Assessing marketing information needs, developing marketing information.
3. Marketing research.
4. Analyzing and using marketing information.

4.1. Marketing information and customer insights

Customer and market insights are important for building customer value and relationships, these insights ***can be very difficult to obtain***. Customer needs and buying motives are often obvious.

Most marketing managers are overloaded with data. Despite this data glut, marketers frequently complain that they lack enough information of the right kind. They don't need *more* information; they need *better* information. And they need to make better *use* of the information they already have.

The real value of marketing research and marketing information lies in how it is used – in the customer insights that it provides.

Customer insights is fresh understandings of customers and the marketplace derived from marketing information that become the basis for creating customer value and relationships.

Customer insights groups collect customer and market information from a wide variety of sources, ranging from traditional marketing research studies to mingling with and observing consumers to monitoring consumer online conversations about the company and its products. Then they *use* this information to develop important customer insights from which the company can create more value for its customers.

A marketing information system (MIS) consists of people and procedures for assessing information needs, developing the needed information, and helping decision makers use the information to generate and validate actionable customer and market insights (figure 4.1).

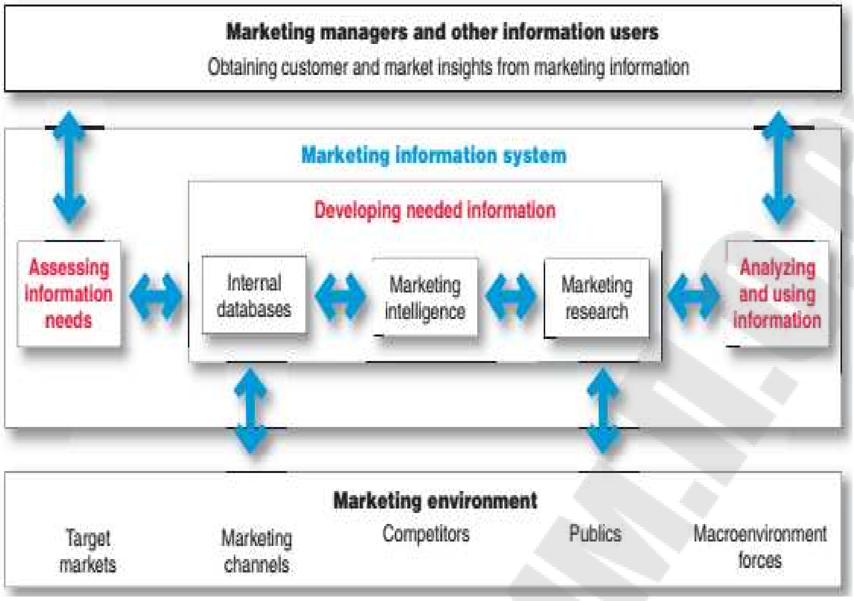

Figure 4.1 – The marketing information system

The MIS begins and ends with information users – marketing managers, internal and external partners, and others who need marketing information. First, it interacts with these information users to *assess information needs*. Next, it interacts with the marketing environment to *develop needed information* through internal company databases, marketing intelligence activities, and marketing research. Finally, the MIS helps users to analyze and use the information to develop customer insights, make marketing decisions, and manage customer relationships.

4.2. Assessing marketing information needs, developing marketing information

The marketing information system begins and ends with users – assessing their information needs and then delivering information that meets those needs.

A good MIS balances the information users would *like* to have against what they really *need* and what is *feasible* to offer. The company begins by interviewing managers to find out what information they would like.

The MIS must monitor the marketing environment to provide decision makers with information they should have to better understand customers and make key marketing decisions. Sometimes the company cannot provide the needed information, either because it is not available or because of MIS limitations.

The problem isn't *finding* information. The real challenge is to find the ***right*** information – from inside and outside sources – and turn it into customer insights.

Marketers can obtain the needed information from:

– *internal data* (many companies build extensive internal databases, electronic collections of consumer and market information obtained from data sources within the company's network; marketing managers can readily access and work with information in the database to identify marketing opportunities and problems, plan programs, and evaluate performance);

– *marketing intelligence (*competitive marketing intelligence is the systematic collection and analysis of publicly available information about consumers, competitors, and developments in the marketplace (in the marketing environment); the goal of competitive marketing intelligence is to improve strategic decision making by understanding the consumer environment, assessing and tracking competitors' actions, and providing early warnings of opportunities and threats);

– *marketing research* (marketing research is the systematic collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization).

3. Marketing research

Whereas marketing intelligence involves actively scanning the general marketing environment, marketing research involves ***more focused studies*** to gain customer insights relating to specific marketing decisions.

Marketing research is the systematic collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.

The marketing research process has four steps:

1) **defining the problem and research objectives**,

Defining the problem and research objectives is often the hardest step in the research process. A marketing research project might have one of three types of objectives.

The objective of *exploratory research* is to gather preliminary information that will help define the problem and suggest hypotheses. The objective of *descriptive research* is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product. The objective of *causal research* is to test hypotheses about cause-and-effect relationships.

2) **developing the research plan**,

The research plan outlines sources of existing data and spells out the specific research approaches, contact methods, sampling plans, and instruments that researchers will use to gather new data.

The research plan can call for gathering secondary data, primary data, or both. *Secondary data* consist of information that already exists somewhere, having been collected for another purpose. *Primary data* consist of information collected for the specific purpose.

Researchers usually start by gathering secondary data. The company can also tap into a wide assortment of external information sources, including ***commercial data services*** and ***government sources***. Secondary data can usually be obtained more quickly and at a lower cost than primary data.

In most cases the company must also collect primary data. The designing a plan for primary data collection calls for a number of decisions on *research approaches* (*1*), *contact methods* (*2*), the *sampling plan* (*3*), and *research instruments* (*4*):

(1) Research approaches for gathering primary data include observation, surveys, experiments.

Observational research involves gathering primary data by observing relevant people, actions, and situations. *Survey research* involves gathering primary data by asking people questions about their knowledge, attitudes, preferences, and buying behavior. *Experimental research* involves gathering primary data by selecting groups of subjects, giving them different circumstances, controlling related factors, and checking for differences in group responses.

(2) Information can be collected by mail, telephone, personal interview (individual interviewing, group interviewing), or online.

(3) A sample is a segment of the population selected for marketing research to represent the population as a whole. Designing the sample requires three decisions: First, *who* is to be studied (what *sampling unit*)? Second, *how many* people should be included (what *sample size*)? Finally,

how should the people in the sample be chosen (what sampling procedure)?

Types of samples: probability sample, nonprobability sample.

Using ***probability samples***, each population member has a known chance of being included in the sample. But when probability sampling costs too much or takes too much time, marketing researchers often take ***nonprobability samples.***

(4) In collecting primary data, marketing researchers have a choice of two main research instruments: the questionnaire and mechanical devices.

Questionnaires. The questionnaire is the most common instrument, whether administered in person, by phone, by e-mail, or online. Questionnaires are very flexible – there are many ways to ask questions.

Mechanical Instruments. Media Research attaches people meters to television sets, cable boxes, and satellite systems in selected homes to record who watches which programs. Retailers use checkout scanners to record shoppers' purchases.

3) **implementing the research plan**,

The researcher next puts the marketing research plan into action. This involves collecting, processing, and analyzing the information. Data collection can be carried out by the company's marketing research staff or outside firms.

4) ***interpreting and reporting the findings***.

The market researcher must now interpret the findings, draw conclusions, and report them to management. The best research means little if the manager blindly accepts faulty interpretations from the researcher. In many cases, findings can be interpreted in different ways, and discussions between researchers and managers will help point to the best interpretations.

4.4. Analyzing and using marketing information

Information gathered in internal databases and through competitive marketing intelligence and marketing research usually requires additional analysis.

Managers may need help applying the information to gain customer and market insights that will improve their marketing decisions. This help may include advanced statistical analysis to learn more about the relationships within a set of data.

Once the information has been processed and analyzed, it must be made available to the right decision makers at the right time.

The question of how best to analyze and use individual customer data presents special problems. Smart companies collect information at every possible customer *touch point*. These touch points include customer purchases, sales force contacts, service and support calls, Web site visits, satisfaction surveys, credit and payment interactions, market research studies.

These touch points include customer purchases, sales force contacts, service and support calls, Web site visits, satisfaction surveys, credit and payment interactions, market research studies

Many companies are now turning to ***customer relationship management*** **(*CRM*)** – managing detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty.

CRM is just one part of an effective overall *customer relationship management strategy*. Marketing information has no value until it is used to gain customer insights and make better marketing decisions. Thus, the marketing information system must make the information readily available to managers and others who need it.

Topic 5. Consumer markets and consumer buyer behavior

1. Model of consumer behavior.
2. Characteristics affecting consumer behavior.
3. Types of buying decision behavior. The buyer decision process.
4. The buyer decision process for new products.

5.1. Model of consumer behavior

Consumer buyer behavior is the buying behavior of final consumers (individuals and households) that buy goods and services for personal consumption. Consumer market are all the individuals and households that buy or acquire goods and services for personal consumption.

Understanding the whys of buying behavior is very difficult. Consumers make many buying decisions every day, and the buying decision is the focal point of the marketer's effort. Marketers can study actual consumer purchases to find out what they buy, where, and how much. But learning about the *whys* of consumer buying behavior is not so easy – the answers are often locked deep within the consumer's mind.

The central question for marketers is as follows: How do consumers respond to various marketing efforts the company might use? The starting point is the ***stimulus-response*** model of buyer behavior.

Marketing stimuli consist of the four Ps: product, price, place, and promotion. Other stimuli include major forces and events in the buyer's environment. All these inputs enter the buyer's black box, where they are turned into a set of buyer responses: the buyer's brand and company relationship behavior and what he or she buys, when, where, and how often.

Marketers want to understand how the stimuli are changed into responses inside the consumer's black box, which has two parts. First, the buyer's characteristics influence how he or she perceives and reacts to the stimuli. Second, the buyer's decision process itself affects his or her behavior.

5.2. Characteristics affecting consumer behavior

Consumer purchases are influenced strongly by ***cultural*** (1), ***social*** (2), personal (3), and ***psychological*** (4) characteristics:

(1) Cultural factors exert a broad and deep influence on consumer behavior. Marketers need to understand the role played by the buyer's *culture, subculture*, and *social class*.

Culture is the set of basic values, perceptions, wants, and behaviors learned by a member of society from family and other important institutions. Culture is the most basic cause of a person's wants and behavior.

Each culture contains smaller *subcultures*, or groups of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups, and geographic regions.

Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors. Marketers are interested in social class because people within a given social class tend to exhibit similar buying behavior. Social classes show distinct product and brand preferences in areas such as clothing, home furnishings, leisure activity, and automobiles.

(2) A consumer's behavior also is influenced by social factors, such as the consumer's *small groups, family,* and *social roles* and *status.*

Group is two or more people who interact to accomplish individual or mutual goals. Many small *groups* influence a person's behavior. *Membership groups* are groups that have a direct influence and to which a person belongs. *Reference groups* serve as direct (face-to-face) or indirect points of comparison or reference in forming a person's attitudes or behavior. Reference groups expose a person to new behaviors and lifestyles, influence the person's attitudes and selfconcept, and create pressures to conform that may affect the person's product and brand choices.

The *family* is the most important consumer buying organization in society, and it has been researched extensively. Marketers are interested in the roles and influence of the husband, wife, and children on the purchase of different products and services.

A person belongs to many groups – family, clubs, organizations, online communities. The person's position in each group can be defined in terms of both role and status. A role consists of the activities people are expected to perform according to the people around them. Each role carries a status reflecting the general esteem given to it by society.

People usually choose products appropriate to their roles and status.

(3) A buyer's decisions also are influenced by personal characteristics such as the buyer's *age* and *life-cycle stage*, *occupation (profession)*, *economic situation*, *lifestyle*, and *personality and self-concept.*

Age and Life-Cycle Stage. People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture, and recreation are often age related. Buying is also shaped by the stage of the family life cycle – the stages through which families might pass as they mature over time.

Occupation (profession) A person's occupation affects the goods and services bought.

Economic Situation. A person's economic situation will affect his or her store and product choices. Marketers watch trends in personal income, savings, and interest rates. Following the recent recession, most companies have taken steps to redesign, reposition, and reprice their products.

Lifestyle is a person's pattern of living as expressed in his or her psychographics. It involves measuring consumers' major AIO dimensions – *activities* (work, hobbies, shopping, sports, social events), *interests* (food, fashion, family, recreation), and *opinions* (about themselves, social issues, business, products). Lifestyle captures something more than the person's social class or personality. It profiles a person's whole pattern of acting and interacting in the world.

Personality and Self-Concept. Each person's distinct personality influences his or her buying behavior. *Personality* refers to the unique psychological characteristics that distinguish a person or group.

(4) A person's buying choices are further influenced by four major psychological factors: *motivation, perception, learning,* and *beliefs and attitudes*.

Motivation. A person has many needs at any given time. A motive (or drive) is a need that is sufficiently pressing to direct the person to seek satisfaction.

Perception is the process by which people select, organize, and interpret information to form a meaningful picture of the world.

Learning describes changes in an individual's behavior arising from experience.

A *belief* is a descriptive thought that a person has about something. Beliefs may be based on real knowledge, opinion, or faith and may or may not carry an emotional charge. *Attitude* describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.

5.3. Types of buying decision behavior. The buyer decision process

There are types of consumer buying behavior based on the degree of buyer involvement and the degree of differences among brands: complex buying behavior, dissonance-reducing buying behavior, habitual buying behavior, variety-seeking buying behavior.

1. ***Complex Buying Behavior***

Consumers undertake complex buying behavior when they are highly involved in a purchase and perceive significant differences among brands. Consumers may be highly involved when the product is expensive, risky, purchased infrequently, and highly self-expressive.

2. ***Dissonance-Reducing Buying Behavior***

Dissonance-reducing buying behavior occurs when consumers are highly involved with an expensive, infrequent, or risky purchase but see little difference among brands. In this case, because perceived brand differences are not large, buyers buy relatively quickly. They may respond primarily to a good price or purchase convenience. After the purchase, consumers might experience *postpurchase dissonance* (after-sale discomfort)

3. ***Habitual Buying Behavior***

Habitual buying behavior occurs under conditions of low-consumer involvement and little significant brand difference. Consumers appear to have low involvement with most low-cost, frequently purchased products. In such cases, consumer behavior does not pass through the usual belief-attitude behavior sequence.

4. ***Variety-Seeking Buying Behavior***

Consumers undertake variety-seeking buying behavior in situations characterized by low consumer involvement but significant perceived brand differences. In such cases, consumers often do a lot of brand change. Brand change occurs for the sake of variety rather than because of dissatisfaction.

The Buyer Decision Process

The buyer decision process consists of five stages:

1) *need recognition*;
2) *information search*;
3) *evaluation of alternatives*;
4) *purchase decision*;
5) *postpurchase behavior*.

The buying process starts long before the actual purchase and continues long after.

1) *need recognition*. The buying process starts with need recognition is the buyer recognizes a problem or need. The need can be triggered by *internal stimuli* when one of the person's normal needs – for example, hunger or thirst – rises to a level high enough to become a drive. A need can also be triggered by *external stimuli*. For example, an advertisement or a discussion with a friend

2) *information search*. Information search is the stage of the buyer decision process in which the consumer is aroused to search for more information (the consumer may simply have heightened attention or may go into an active information search).

Consumers can obtain information from any of several sources: 1) *personal sources* (family, friends, neighbors, acquaintances); 2) *commercial sources* (advertising, salespeople, dealer Web sites, packaging, displays); 3) *public sources* (mass media, consumer rating organizations, Internet searches); 4) *experiential sources* (handling, examining, using the product).

3) *evaluation of alternatives.* Alternative evaluation is the consumer uses information to evaluate alternative brands in the choice set.

4) *purchase decision.* In the evaluation stage, the consumer ranks brands and forms purchase intentions. Purchase decision is the buyer's decision about which brand to purchase. But two factors can come between the purchase intention and the purchase decision. The first factor is the attitudes of others. The second factor is *unexpected situational factors*.

5) *postpurchase behavior.* Consumers take further action after purchase based on their satisfaction or dissatisfaction with a purchase.

What determines whether the buyer is satisfied or dissatisfied with a purchase? If the product falls short of expectations, the consumer is disappointed; if it meets expectations, the consumer is satisfied; if it exceeds expectations, the consumer is delighted.

Almost all major purchases, however, result in *cognitive dissonance* (buyer discomfort caused by postpurchase conflict).

5.4. The buyer decision process for new products

New product is a good, service, or idea that is perceived by some potential customers as new. The *adoption process* is the mental process through which an individual passes from first learning about an innovation to final adoption, and adoption as the decision by an individual to become a regular user of the product.

Stages in the Adoption Process

Consumers go through five stages in the process of adopting a new product: *Awareness:* The consumer becomes aware of the new product but lacks information about it. *Interest:* The consumer seeks information about the new product. *Evaluation:* The consumer considers whether trying the new product makes sense. *Trial:* The consumer tries the new product on a small scale to improve his or her estimate of its value. *Adoption:* The consumer decides to make full and regular use of the new product.

Individual Differences in Innovativeness

People differ greatly in their readiness to try new products. In each product area, there are five adopter groups.

1. *Innovators* are venturesome – they try new ideas at some risk.

2. *Early adopters* are guided by respect – they are opinion leaders in their communities and adopt new ideas early but carefully.

3. The *early majority* is deliberate – although they rarely are leaders, they adopt new ideas before the average person.

4. The *late majority* is skeptical – they adopt an innovation only after a majority of people have tried it.

5. Laggards are tradition bound – they are suspicious of changes and adopt the innovation only when it has become something of a tradition itself.

This adopter classification suggests that an innovating firm should research the characteristics of innovators and early adopters in their product categories and direct marketing efforts toward them.

Influence of Product Characteristics on Rate of Adoption

The characteristics of the new product affect its rate of adoption. Some products catch on almost overnight. Others take a longer time to gain acceptance.

Five characteristics are especially important in influencing an innovation's rate of adoption. *Relative advantage:* The degree to which the innovation appears superior to existing products. *Compatibility:* The degree to which the innovation fits the values and experiences of potential consumers. *Complexity:* The degree to which the innovation is difficult to understand or use. *Divisibility:* The degree to which the innovation may be tried on a limited basis. *Communicability:* The degree to which the results of using the innovation can be observed or described to others.

Topic 6. Business markets and business buyer behavior

1. Business markets.
2. Business buyer behavior.
3. The business buyer process.

6.1. Business markets.

Business buyer behavior refers to the buying behavior of the organizations that buy goods and services for use in the production of other products and services that are sold, rented, or supplied to others.

In the *business buying process*, business buyers determine which products and services their organizations need to purchase and then find, evaluate, and choose among alternative suppliers and brands.

Business-to-business (*B-to-B*) *marketers* must do their best to understand business markets and business buyer behavior.

Characteristics of business markets:

1. ***Market Structure and Demand***

1.1. Business markets contain fewer but larger buyers.

1.2. Business buyer demand is derived from final consumer demand.

1.3. Demand in many business markets is more inelastic – not affected as much in the short run by price changes.

1.4. Demand in business markets fluctuates more and more quickly.

2. ***Nature of the Buying Unit***

2.1. Business purchases involve more buyers.

2.2. Business buying involves a more professional purchasing effort.

3. ***Types of Decisions and the Decision Process***

3.1. Business buyers usually face more complex buying decisions.

3.2. The business buying process is more formalized.

3.3. In business buying, buyers and sellers work more closely together and build close long-term relationships.

6.2. Business buyer behavior

A model of business buyer behavior. In this model, marketing and other stimuli affect the buying organization and produce certain buyer responses. These stimuli enter the organization and are turned into buyer responses. To design good marketing strategies, marketers must understand what happens within the organization to turn stimuli into purchase responses. Within the organization, buying activity consists of two major parts: the buying center, composed of all the people involved in the buying decision, and the buying decision process.

The model shows that the buying center and the buying decision process are influenced by internal organizational, interpersonal, and individual factors as well as external environmental factors.

Major type of buying situations:

Straight rebuy. A business buying situation in which the buyer routinely reorders something without any modifications.

Modified rebuy. A business buying situation in which the buyer wants to modify product specifications, prices, terms, or suppliers.

New task. A business buying situation in which the buyer purchases a product or service for the first time.

Many business buyers prefer to buy a complete solution to a problem from a single seller rather than separate products and services from several suppliers and putting them together. *Systems selling (or solutions selling):* buying a packaged solution to a problem from a single seller, thus avoiding all the separate decisions involved in a complex buying situation.

The decision-making unit of a buying organization is called its *buying center* (all the individuals and units that play a role in the business purchase decision making process). The buying center includes all members of the organization who play any of five roles in the purchase decision process.

Users are members of the organization who will use the product or service.

Influencers often help define specifications and also provide information for evaluating alternatives.

Buyers have formal authority to select the supplier and arrange terms of purchase.

Deciders have formal or informal power to select or approve the final suppliers.

Gatekeepers control the flow of information to others.

Business buyers are subject to many influences when they make their buying decisions. The major influences are environmental (economy, supply conditions, technology, politics and regulation, competition, culture and customs), organizational (objectives, strategies, structure, systems, procedures), interpersonal (influence, expertise, authority, dynamics), and individual (age and education, job position, motives, personality, preferences, buying style).

6.3. The business buyer process

The business buyer process consists of eight stages:

1) *problem recognition*;
2) *general need description*;
3) *product specification*;
4) *supplier search*;
5) *proposal solicitation*;
6) *supplier selection*;
7) *order-routine specification*;
8) *performance review.*

1) *problem recognition.* The first stage of the business buying process in which someone in the company recognizes a problem or need that can be met by acquiring a good or a service.

2) *general need description.* The stage in the business buying process in which a buyer describes the general characteristics and quantity of a needed item.

3) *product specification.* The stage of the business buying process in which the buying organization decides on and specifies the best technical product characteristics for a needed item. At this stage, cost analysis is performed. Product value analysis is an approach to cost reduction in which components are studied carefully to determine if they can be redesigned, standardized, or made by less costly methods of production.

4) *supplier search.* The stage of the business buying process in which the buyer tries to find the best vendors.

5) *proposal solicitation*. The stage of the business buying process in which the buyer invites qualified suppliers to submit proposals.

6) *supplier selection.* The stage of the business buying process in which the buyer reviews proposals and selects a supplier or suppliers.

During supplier selection, the buying center often will draw up a list of the desired supplier attributes and their relative importance. Such attributes include product and service quality, reputation, on-time delivery, ethical corporate behavior, honest communication, and competitive prices.

Many buyers prefer multiple (several) sources of supplies to avoid being totally dependent on one supplier and allow comparisons of prices and performance of several suppliers over time.

7) *order-routine specification.* The stage of the business buying process in which the buyer writes the final order with the chosen supplier(s), listing the technical specifications, quantity needed, expected time of delivery, return policies, and warranties.

8) *performance review.* The stage of the business buying process in which the buyer assesses the performance of the supplier and decides to continue, modify, or drop the arrangement.

Buyers who face a new task buying situation usually go through all stages of the buying process. Buyers making modified or straight rebuys may skip some of the stages.

Topic 7. Market segmentation and targeting

1. Customer-driven marketing strategy.
2. Market segmentation.
3. Market targeting.
4. Differentiation and positioning.

7.1. Customer-driven marketing strategy

Companies today recognize that they cannot appeal to all buyers in the marketplace or at least not to all buyers in the same way. Buyers are too numerous, widely scattered, and varied in their needs and buying practices. Most companies have moved away from mass marketing and toward target marketing: identifying market segments, selecting one or more of them, and developing products and marketing programs tailored to each.

The four major steps in designing a customer-driven marketing strategy:

In the first two steps, the company selects the customers that it will serve. 1. Market segmentation. 2. Market targeting.

In the final two steps, the company decides on a value proposition – how it will create value for target customers. 3. Differentiation. 4. Positioning.

Market segmentation involves dividing a market into smaller segments of buyers with distinct needs, characteristics, or behaviors that might require separate marketing strategies or mixes.

Market targeting (or *targeting)* consists of evaluating each market segment's attractiveness and selecting one or more market segments to enter.

Differentiation involves actually differentiating the firm's market offering to create superior customer value.

Positioning consists of arranging for a market offering to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers.

7.2. Market segmentation

There are four important segmentation topics: segmenting consumer markets, segmenting business markets, segmenting international markets, the requirements for effective segmentation.

Segmenting Consumer Markets

There is no single way to segment a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way to view market structure. There are the major *geographic*, *demographic*, *psychographic,* and *behavioral* variables.

Geographic segmentation calls for dividing the market into different geographical units, such as nations, regions, cities, or even neighborhoods. *Demographic segmentation* divides the market into segments based on variables such as ***age***, ***gender***, ***family size***, ***family life cycle***, ***income***, ***occupation***, ***education***, ***religion***, ***race***, ***generation***, and ***nationality***. *Psychographic segmentation* divides buyers into different segments based on ***social class***, ***lifestyle***, or ***personality characteristics***. *Behavioral segmentation* divides buyers into segments based on their knowledge, attitudes, uses, or responses to a product.

Using multiple segmentation bases: marketers rarely limit their segmentation analysis to only one or a few variables only. Rather, they often use multiple segmentation bases in an effort to identify smaller, better-defined target groups.

Segmenting Business Markets

Business buyers can be segmented geographically, demographically (industry, company size), or by benefits sought, user status, usage rate, and loyalty status. Business marketers also use some additional variables, such as customer *operating characteristics*, *purchasing approaches*, *situational factors*, and *personal characteristics*.

Segmenting International Markets

Companies can segment international markets using one or a combination of several variables. They can segment by *geographic location*, grouping countries by regions. World markets can also be segmented on the basis of *economic factors* (population income levels or by their overall level of economic development). Countries can also be segmented by political and legal factors (the type and stability of government, receptivity to foreign firms, monetary regulations, and amount of bureaucracy); cultural factors (common languages, religions, values and attitudes, and behavioral patterns).

Intermarket segmentation (cross-market segmentation): forming segments of consumers who have similar needs and buying behavior even though they are located in different countries.

Requirements for Effective Segmentation

To be useful, market segments must be:

• *Measurable*: The size, purchasing power, and profiles of the segments can be measured.

• *Accessible*: The market segments can be effectively reached and served.

• *Substantial*: The market segments are large or profitable enough to serve.

• *Differentiable*: The segments are conceptually distinguishable and respond differently to different marketing mix elements and programs.

• *Actionable*: Effective programs can be designed for attracting and serving the segments.

7.3. Market targeting

Market segmentation reveals (opens) the firm's market segment opportunities. The firm now has to evaluate the various segments and decide how many and which segments it can serve best.

Evaluating Market Segments

In evaluating different market segments, a firm must look at three factors:

- segment size and growth,
- segment structural attractiveness,
- company objectives and resources.

Selecting Target Market Segments

After evaluating different segments, the company must decide which and how many segments it will target.

A *target market* consists of a set of buyers who share common needs or characteristics that the company decides to serve.

Market targeting can be carried out at several different levels. Companies can target very broadly (undifferentiated marketing), very narrowly (micromarketing), or somewhere in between (differentiated and concentrated marketing).

Choosing a Targeting Strategy

Factors for choosing a market targeting strategy:

1) company resources. When the firm's resources are limited, concentrated marketing makes the most sense.

2) product variability. Undifferentiated marketing is more suited for uniform products, such as grapefruit or steel. Products that can vary in design, such as cameras and cars, are more suited to differentiation or concentration.

3) product life cycle stage. When a firm introduces a new product, it may be practical to launch one version only, and undifferentiated marketing or concentrated marketing may make the most sense. In the mature stage of the product life cycle (PLC), however, differentiated marketing often makes more sense.

7.4. Differentiation and positioning

Beyond deciding which segments of the market it will target, the company must decide on a value proposition – how it will create differentiated value for targeted segments and what positions it wants to occupy in those segments. A product's position is the way the product is defined by consumers on important attributes – the place the product occupies in consumers' minds relative to competing products. Products are made in factories, but brands happen in the minds of consumers.

Positioning Maps. In planning their differentiation and positioning strategies, marketers often prepare *perceptual positioning maps* that show consumer perceptions of their brands versus competing products on important buying aspects.

Choosing a Differentiation and Positioning Strategy. A brand's positioning must serve the needs and preferences of well-defined target markets.

The differentiation and positioning task consists of three steps:

1) identifying a set of differentiating competitive advantages on which to build a position. *Competitive advantage* is an advantage over competitors gained by offering greater customer value, either by having lower prices or providing more benefits that justify higher prices.

Company can differentiate along the lines *of product, services, channels, people,* or *image*. Through product differentiation, brands can be differentiated on ***features***, ***performance***, or ***style*** and ***design***. Some companies gain services differentiation through ***speedy***, ***convenient***, or ***careful delivery***. Firms that practice *channel differentiation* gain competitive advantage through the way they design their channel's coverage, expertise, and performance. Companies can also gain a strong competitive advantage through people *differentiation* – hiring and training better people than their competitors do. Even when competing offers look the same, buyers may perceive a difference based on ***company or brand image differentiation***. Symbols, famous person, colors can provide strong company or brand recognition and image differentiation

2) choosing the right competitive advantages. Company must decide how many differences to promote and which ones.

How Many Differences to Promote. Many marketers think that companies should aggressively promote only one benefit to the target market. A company should develop a ***unique selling proposition*** (USP) for each brand and stick to it.

Which Differences to Promote. The difference must satisfy the following criteria:

• Important: The difference delivers a highly valued benefit to target buyers.

• Distinctive: Competitors do not offer the difference, or the company can offer it in a more distinctive way.

• Superior: The difference is superior to other ways that customers might obtain the same benefit.

• Communicable: The difference is communicable and visible to buyers.

• Affordable: Buyers can afford to pay for the difference.

• Profitable: The company can introduce the difference profitably.

3) selecting an overall positioning strategy.

The full positioning of a brand is called the brand's value proposition. Value proposition is the full mix of benefits on which a brand is differentiated and positioned.

Developing a Positioning Statement Company and brand positioning should be summed up in a positioning statement. *Positioning statement* is a statement that summarizes company or brand positioning. It takes this form: To (target segment and need) our (brand) is (concept) that (point of difference).

Topic 8. Basics of international marketing

1. International (global) marketing.
2. Major international marketing decisions.

8.1. International (global) marketing

As global trade grows, global competition is also intensifying. Foreign firms are expanding aggressively into new international markets, and home markets are no longer as rich in opportunity. Although the need for companies to go abroad is greater today than in the past, so are the risks.

International (global) firm is a firm that, by operating in more than one country, gains R&D (Research & Development), production, marketing, and financial advantages in its costs and reputation that are not available to purely domestic competitors.

The global company sees the world as one market. It minimizes the importance of national boundaries and develops global brands.

The six major decisions in international marketing:

1. Looking at the global marketing environment.
2. Deciding whether to go global.
3. Deciding which markets to enter.
4. Deciding how to enter the market.
5. Deciding on the global marketing program.
6. Deciding on the global marketing organization.

8.2. Major international marketing decisions

The six major decisions in international marketing:

1. Looking at the global marketing environment.

Each nation has unique features that must be understood. A nation's readiness for different products and services and its attractiveness as a market to foreign firms depend on its economic, political-legal, and cultural environments.

Economic Environment. Two economic factors reflect the country's attractiveness as a market: its industrial structure and its income distribution.

Political-Legal Environment. A company should consider factors such as the country's attitudes toward international buying, government bureaucracy, political stability, and monetary regulations.

Cultural Environment. Each country has its own folkways, norms, and taboos. When designing global marketing strategies, companies must understand how culture affects consumer reactions in each of its world markets. Companies that ignore cultural norms and differences can make some very expensive mistakes.

2. Deciding whether to go global.

Companies that operate in global industries, where their strategic positions in specific markets are affected strongly by their overall global positions, must compete on a regional or worldwide basis to succeed. Before going abroad, the company must weigh several risks and answer many questions about its ability to operate globally.

Can the company learn to understand the preferences and buyer behavior of consumers in other countries?

Can it offer competitively attractive products?

Will it be able to adapt to other countries' business cultures and deal effectively with foreign nationals?

Do the company's managers have the necessary international experience?

Has management considered the impact of regulations and the political environments of other countries?

3. Deciding which markets to enter.

Before going abroad, the company should try to define its international *marketing objectives* and *policies.* It should decide what *volume* of foreign sales it wants.

The company also needs to choose in *how many* countries it wants to market.

Possible global markets should be ranked on several factors, including market size, market growth, the cost of doing business, competitive advantage, and risk level.

Then the marketer must decide which markets offer the greatest long-run return on investment.

4. Deciding how to enter the market.

Once a company has decided to sell in a foreign country, it must determine the best mode of entry (*exporting, joint venturing*, and *direct investment*).

1. Exporting. Entering a foreign market by selling goods produced in the company's home country, often with little modification. Companies typically start with *indirect exporting*, working through independent international marketing intermediaries. Sellers may eventually move into *direct exporting*, whereby they handle their own exports.

2. Joint venturing. Entering foreign markets by joining with foreign companies to produce or market a product or service. There are four types of joint ventures:

1) licensing is a method of entering a foreign market in which the company enters into an agreement with a licensee in the foreign market. For a fee (pay) or royalty payments, the licensee buys the right to use the company's ***manufacturing process***, ***trademark***, ***patent***, ***trade secret***, or other item of value),

2) contract manufacturing is a joint venture in which a company contracts with manufacturers in a foreign market to produce the product or provide its service),

3) management contracting is a joint venture in which the domestic firm supplies the management know-how to a foreign company that supplies the capital; the domestic firm exports management services rather than products),

4) joint ownership is a joint venture in which a company joins investors in a foreign market to create a local business in which the company shares joint ownership and control.

3. Direct investment. Entering a foreign market by developing foreign-based assembly or manufacturing facilities.

5. Deciding on the global marketing program.

There are two types of marketing programs:

1. Standardized global marketing

An international marketing strategy that basically uses the same marketing strategy and mix in all of the company's international markets.

2. Adapted global marketing

An international marketing strategy that adjusts the marketing strategy and mix elements to each international target market, bearing more costs but hoping for a larger market share and return.

Product. Strategies allow for adapting product and marketing communication strategies to a global market.

Straight product extension

Marketing a product in a foreign market without any change.

Product adaptation

Adapting a product to meet local conditions or wants in foreign markets.

Product invention

Creating new products or services for foreign markets.

Promotion. Companies can either adopt the same communication strategy they use in the home market or change it for each local market. Consider advertising messages.

Communication adaptation

A global communication strategy of fully adapting advertising messages to local markets.

Price. Companies could set a uniform price globally, but this amount would be too high a price in poor countries and not high enough in rich ones. Many companies make simpler or smaller versions of their products that can be sold at lower prices.

Distribution channels (Place). An international company must take a *whole-channel view* of the problem of distributing products to final consumers.

Whole-channel view is designing international channels that take into account the entire global supply chain and marketing channel, forging an effective global value delivery network.

There are two major links between the seller and the final buyer. The first link, channels between nations, moves company products from points of production to the borders of countries within which they are sold. The second link, channels within nations, moves products from their market entry points to the final consumers. The whole-channel view takes into account the entire global supply chain and marketing channel.

6. Deciding on the global marketing organization.

Companies manage their international marketing activities in at least three different ways: most companies first organize ***an export department***, then create an ***international division***, and finally become ***a global organization***.

A firm normally gets into international marketing by simply shipping out its goods. If its international sales expand, the company will establish an *export department.*

Many companies get involved in several international markets and ventures. Sooner or later it will create *international divisions* or subsidiaries to handle all its international activity.

Many firms have passed beyond the international division stage and are truly *global organizations*.

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(section 1)

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