Marketing Principles From The River City

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Version	Date	Change
1.0	3/9/2026	Original

JODIE L. FERGUSON, PH.D.

* Chapter 1:
Marketing Defined

"Marketing is a crucial component of business because marketing elements (i.e., products, prices, promotions, and places) are the front-facing outputs of an organization to the community it serves.
Understanding what marketing is and how marketing can be effectively utilized for positive brand-building is essential to maximize value to shareholders, consumers, and society."
-Jodie L. Ferguson, Ph.D., Chapter 1 Author



INTRODUCTION

Marketing affects our everyday lives in countless ways. For example, the screen you are viewing, the clothes you are wearing, the drink in your cup, the podcast you are listening to, and the smells from the nearby coffee shop have all been influenced by marketing decisions. As people who consume, much of what we experience through our senses has been made possible through marketing efforts.



Blanchard's is an example of a local business that makes marketing decisions.

Marketers aim to provide value, to enhance lives, and to satisfy people's and organizations' needs. Of course, there is much more that marketing entails! This chapter introduces some of the basic concepts of marketing, including the definition of marketing value, needs and wants, and satisfaction. The topic of relationship marketing is also introduced. Five marketing management orientations are presented, the conditions for an exchange are examined, and finally, the 4Ps of the marketing mix are introduced.

"Marketing", as defined by the American Marketing Association "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". Slide to the left on each word for it's marketing definition and to learn more about marketing's components.

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NEEDS AND WANTS

A **need** is when there is a gap between a person's actual state and a desired state. A **want** is when the person knows a product that will fulfill the need, in an effort to get that person to their desired state.



For example, imagine Cheryl goes to her sink to wash her hands after spending the morning weeding her garden. She presses the soap dispenser, but nothing comes out! The dispenser is empty. Cheryl's actual state is having dirty hands, and her desired state is clean hands. She knows from experience that using hand soap will help her achieve her desired state—clean hands.

She remembers that buying more Softsoap (her favorite brand) hand soap at the grocery store, filling the dispenser with that soap, and then washing her hands will result in getting her hands clean. To summarize, Cheryl's need is clean hands and the want is Softsoap hand soap.

SATISFACTION

Before an individual experiences a product, they have an expectation of what the product experience will be like. Then, after the experience occurs, the individual compares what was anticipated to what actually happened with the product. If expectations about the product were met or exceeded, then satisfaction was achieved. When expectations about the product are not met, then dissatisfaction was achieved.

Satisfaction has been linked to positive behaviors such as word-of-mouth marketing and repurchase behaviors. Positive word-of-mouth provides the company with free consumer-generated marketing and can take many forms from a customer recommending a brand to their friends and family, to writing an online review on Google, to posting an unboxing video on TikTok.

Another related construct that is a good predictor of loyalty behaviors is a customer's willingness to recommend a product or brand. One way to measure customer loyalty is by using the **Net Promoter Score** or NPS, a number based on asking consumers about their likelihood to recommend the company on a scale of zero to ten. NPS is measured by deducting the percentage of detractors (reported likelihood of 0 to 6) from the percentage of promoters (reported likelihood of 9 and 10).

MARKETING MANAGEMENT ORIENTATIONS

As marketing has progressed through the years, so has the concept of **marketing management orientation**, the overarching philosophy guiding marketing managers in decision-making. The five marketing management orientations are the production, the product, the selling, the marketing, and the societal marketing orientations (Armstrong).

The first orientation is the **production orientation**.

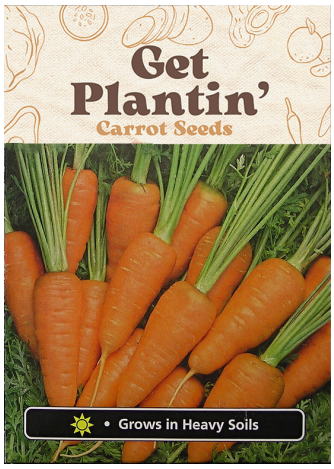
At the heart of the production orientation is the process to create the product offering. The focus is on manufacturing efficiencies, lowering production cost, and improving procedures, such as with assembly lines and technology. The customer may have limited choices in the product offered.

This could look like a clothing company, "Woven by Walt," that designs, manufactures, and sells flannel shirts. They spend much of their time asking questions like, "How do we get cheaper textiles for our shirts," "What machines in our factory will allow us to produce the most shirts per day," and "What packaging materials would cost less than our current cardboard boxes?"



The next marketing management orientation is the **product orientation**.

In this orientation, marketers traditionally focus on putting a high quality product on the market. The other areas of marketing are not engaged, which means the customer must come to the seller to find out about product offerings and choices are limited. For example, imagine a seed company called "Get Plantin'" that only offers carrot and eggplant seeds, and who doesn't actively promote or advertise their business to the public.



The **selling orientation** focuses on bringing a product to the customer. The product and production elements of the business have been established and there is a surplus of product that needs to be sold. In this orientation, mass selling is the goal.



An example of a business operating within this orientation might be an organic juice company called "Juice Jamboree." They have already developed the formulas for their product as well as the manufacturing processes to create large quantities of the product. Now, they are partnering with a national supermarket chain to start selling on a much larger scale. To promote their product, Juice Jamboree has a large sales force to hand out product samples to consumers in supermarkets.

A focus on the customer is the **marketing orientation**. With this orientation, marketers seek out customer needs and wants and put forth product offerings that meet those needs and wants. In a marketing orientation, the customer is at the heart of all marketing decisions.

Here, we can picture a running shoe company, "Fleet Feet," that is trying to compete against larger, more well-established companies. In order to entice runners to try their shoes, Fleet Feet does extensive consumer research and uses the information they learned to design their products and to create an advertising campaign introducing their shoes to the public.



Finally, the **societal marketing orientation** is one in which the customer is the focus of marketing decisions, however, there is an emphasis on society and the greater environment surrounding the customer in decision making.



We can think of a sunscreen company called “Solar Shield” that values customer feedback when developing new products, while also donating money to rehabilitate coral reefs damaged by sunscreen usage, as well as advocating for greater funding for skin cancer research.

As focus on satisfying customer needs and wants has become more prolific, marketers have naturally moved more from product, production, and selling orientations to marketing orientations. And similarly, as communities have shifted their attention more towards societal issues, societal marketing orientations have become more prominent, with brands communicating how they are supporting societal and environmental issues.

It is noteworthy that some firms still do operate in product, production, or selling orientations based on the organization’s mission and goals.

RELATIONSHIP MARKETING

A **marketing relationship** occurs between two or more parties (e.g., organizations or individuals) when there is more than one interaction, and there is a desire from the parties to continue interactions in the future. Marketers who engage in relationship marketing are striving to build productive relationships with clients, customers, and other entities in efforts to provide mutually beneficial value. Loyalty programs are an example of how practitioners are engaging in relationship marketing to learn more about consumer behaviors, to engage consumers with personalized messaging, and to encourage loyalty behaviors.

THE EXCHANGE

There are several conditions that must be met for an exchange to occur. First, there must be two parties, each bringing something of value to the exchange. The two things of value in the exchange are usually a marketing offering or product, and on the other side money or credit. Second, the two parties must be willing to do business with each other. Third, the conditions of the exchange must be negotiated. This step may be as simple as a retailer offering a price and the customer agreeing to pay the price offered. Fourth, the delivery terms must be worked out. Below is an example of an exchange.



The customer brings money to the table, and the barista brings coffee.



The customer is a member of the coffee shop's rewards program, so they are already willing to do business.



The conditions of the exchange are negotiated via the prices on the menu.



The coffee is delivered to the customer.

CUSTOMER VS. CONSUMER

Before we get much deeper into marketing, let's make sure we are clear on something. As a marketer, you may hear the word "customer" and "consumer" used interchangeably. This substitution is not always wrong, but it is not always right, either. A **consumer** is a person who consumes marketing offerings for their own personal use. The consumer is also considered the end-user or the last link in the supply chain.

For example, Sally goes to Staples to buy paper and uses the paper to write her grocery list. Sally is using the paper for her own, personal use, and therefore is a consumer.



Sam is a business customer.



Sally is a consumer.

The **customer**, on the other hand, is the receiver of marketing offerings, and may or may not be the person or organization actually using the product. The customer may be consuming a product, however, that consumption of the product may be for business use and not intended for personal consumption. In this sense, all consumers could be considered customers, but only consumption for personal use signifies the distinction of consumer. For example, office manager Sam may purchase paper from Staples for Sam's company and write a list of work activities on the paper. Sam is consuming the paper, but the consumption is not for Sam's personal usage. The use, in this example, is for furthering company business goals. Thus, Sam is a customer, but not a consumer.

THE MARKETING MIX

As humans, we are all consumers of goods, services, and ideas—referred to as the concept of PRODUCT. We benefit from goods and services brought to us by stores both online and brick-and-mortar (PLACE). We make purchases based on posted PRICE. We attend to marketing PROMOTION messages daily. To these ends, the concepts of product, place, price, and promotion—referred to as the **4Ps of the marketing mix**—all fall under the umbrella of marketing decisions. In its simplest form, marketing brings the marketing mix to identified target markets, that is, people or organizations who the marketer wants to buy products and engage in productive relationships with.

The 4 Ps of ZZQ









The decisions around product, place, price, and promotion are within the control of the marketer, however there

are influencers on the 4Ps that are outside the control of the marketer. For example, COVID-19 had an influence on the products put forth in the marketplace, the way products got into consumers' hands, the price for those products, and the promotion for those products. Therefore, marketers must react and adjust accordingly. While marketers can influence the market they are targeting only to some degree, they can be strategic in the market they plan to target.

THE HANDBOOK

This handbook is designed to provide an overview of the marketing umbrella. While marketing basics were defined in the current chapter, the remainder of the handbook centers on topics of marketing and markets, the marketing toolkit, and the marketing mix. First, a closer look at customer behaviors, both consumer-centric (Ch 2) and business-centric or B2B (Ch 3), are considered. Included in this focus on markets is International Marketing (Ch 4). The marketing toolkit focuses on marketing strategy (Ch 5), understanding insights in marketing research (Ch 6), and segmentation, targeting, and positioning (Ch 7). The final block of the handbook investigates the marketing mix and the important marketing decisions around product (Ch 8), distribution (place) and marketing channels (Ch 9), and pricing (Ch 10). Lastly, the final P of the marketing mix, "promotion," is examined in three chapters: integrated marketing communications, advertising, public relations, and sales promotion (Ch 11), personal selling and sales management (Ch 12), and digital marketing (Ch 13).

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SUZANNE C. MAKAREM, PH.D.

* Chapter 2:
Consumer Behavior

"Understanding how consumers go through the decision-making process from need recognition to post-purchase evaluation allows marketers to influence the process and create better marketplace outcomes."

-Suzanne Makarem, Ph.D., Chapter 2 Author



INTRODUCTION

Who are the consumers in the marketplace? How do they make decisions? How do personal, psychological, and sociocultural factors influence these decisions? By understanding consumers and their behaviors, companies can tailor their products, services, and marketing strategies to better meet the needs of their target customers. Consumer behavior knowledge enables businesses to keep up with consumer preferences and market trends, and it also enables them to adapt their products and services in order to cater to consumer needs and wants, to enhance customer satisfaction, and to capitalize on positive post-consumption behaviors, such as brand loyalty. This chapter introduces the stages of the consumer decision-making process and provides an overview of the personal, psychological, and social factors that influence this process.

STAGES OF THE CONSUMER DECISION MAKING PROCESS

The **consumer decision-making process** has five steps that cover **pre-purchase** (i. need recognition, ii. information search, and iii. evaluation of alternatives), **purchase** (iv. choice), and **post-purchase** (v. post-purchase evaluation and behaviors) stages. Think about the last purchase you made. Did you go through all the decision-making process stages? If your last purchase was lunch or coffee on campus, you probably went straight to Chipotle for your usual burrito or to Blanchard's coffee shop for your almond milk latte. For many of their purchases, consumers engage in habitual, or repeat purchasing behavior, and jump from need recognition straight to purchase without going through all the decision-making process steps.

The number of decision-making process steps and length of time a consumer spends on the decision process depends on factors such as how important, risky, expensive, and frequent a purchase is. When we perceive a decision as important and risky, it is referred to as a **high-involvement decision** or purchase. If your last purchase decision was a car, laptop, or high-end virtual reality headset, you probably perceive these products as high-involvement which leads you to spend more time on decision making, probably going through all the steps of the decision-making process, which are described next.



High-involvement purchase



Habitual purchase

Need Recognition

Consumers start the decision-making process when they have a need. **Need recognition** is triggered when the difference between the consumer's actual (current) state and their ideal state is large.

- Need recognition can be triggered by a decline in one's actual or current state, for example, when one runs out of a product (e.g., we run out of toothpaste or paper towels), when one has a product or service that no longer satisfies their needs (e.g., our phone breaks or our favorite hairdresser leaves the salon we frequent), or when life changes create new needs (e.g., a new job as a carpenter creates the need for workwear). When this happens, we refer to it as **problem recognition**, since a decline in one's actual state has occurred.
- Need recognition can also be triggered by an increase in one's ideal state, for example, when companies introduce better versions of a product we have, when we see a price promotion for a product we need, when we are exposed to marketing messages about a new product or service that we develop interest in, or when we see others in our physical or virtual environments (e.g., on social media) use a product or service we are interested in using. Imagine seeing an outdoor influencer you follow on TikTok reviewing a new pair of hiking boots and then feeling inspired to buy them yourself before your trip to Great Smoky Mountains National Park. When this happens, we refer to it as **opportunity recognition**, since an increase in one's ideal state has occurred.



Problem recognition: I have run out of toothpaste



Opportunity recognition: I want to upgrade my Apple Watch

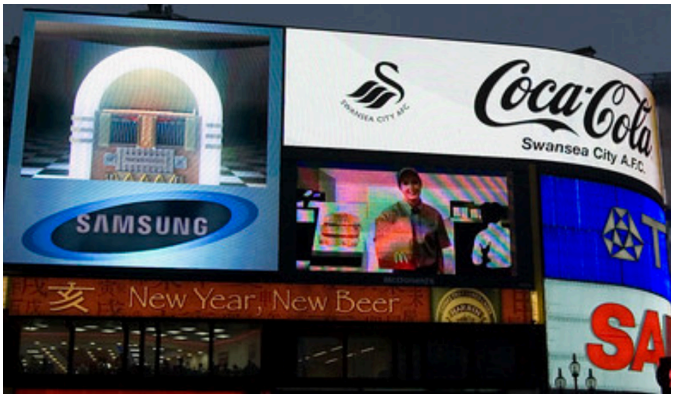
Information Search

Marketplace information is all around us. Sometimes we are exposed to information without even searching for it, such as when we are scrolling on Instagram or TikTok. However, consumers also do search for information and find it in different ways and from different sources. There are three types of information sources:

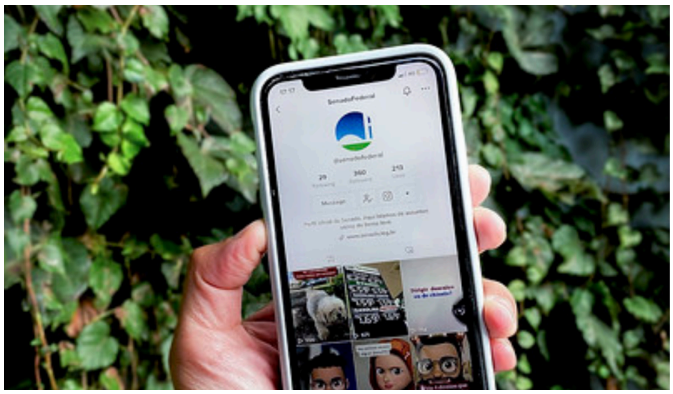
i) **Commercial sources** of information are sources that come from the company itself, such as advertisements, salespeople, the company's website, or its social media accounts. It is important for companies to understand what information consumers are looking for and how to make that information easily accessible. Think about what type of information you usually look for when you visit a company's website. You can evaluate a company's information quality by how long it takes you to find that information and whether the information presented is helpful for your decision-making.

ii) **Social sources** of information usually come from other consumers who could be one's family members, friends, or unrelated consumers online. These sources include social media influencers and experts who post reviews of different products or services. When you look at online reviews before making a decision, you are consulting a social source of information. Social sources are highly trusted by customers, and we use them for most of our decisions. Organizations can capitalize on social sources by having strategies to encourage consumers to spread positive word-of-mouth, such as incentivizing online reviews or investing in influencer marketing.

iii) **Public sources** of information include sources that are neither commercial nor social, such as government studies, academic journals, non-profit organization reports, publicly traded company reports, patent and trademark databases, product testing magazines, and media stories or news reports. These sources have a high level of reliability, but they require a high effort for consumers to obtain, so they are consulted mostly by consumers who are making high-involvement decisions and who have high expertise in the product or service category in hand. Companies can capitalize on the reliability of public sources by investing in public relations to generate positive publicity.



Commercial source: billboards



Social source: TikTok Influencers



Public source: news outlets

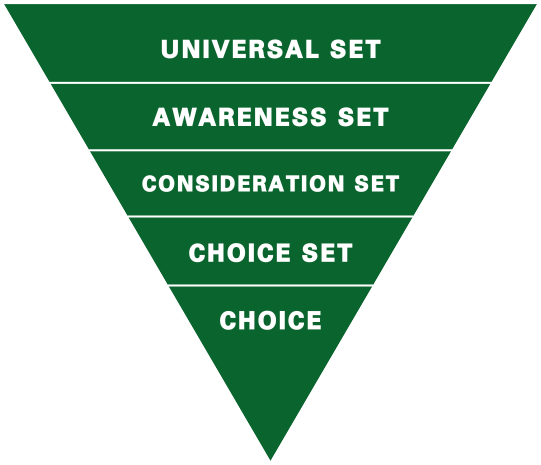
The information search stage of the decision-making process is often combined with the alternative evaluation stage discussed next.

Evaluation of Alternatives

Choice sets.

When consumers evaluate alternatives in the marketplace, they do not evaluate all available alternatives. Most consumers are not even aware of every product or service that could fulfill their needs. Here is where choice sets become important. In this section, we cover the idea of choice sets using the funnel approach to decision-making. All the available solutions or brands in the marketplace constitute the **universal set**. The subset of brands that a consumer knows is called the **awareness set**.

First, brands need to invest in awareness strategies to make sure that they are in the consumer's awareness set. Let's say that you are looking for an insulated tumbler. What brands are in your awareness set? Those are the brands that you can name from memory, for example, these might include Yeti, Stanley, Hydro Flask, and Contigo; but not Thermos, Klean Kanteen, or S'well. If you are in the target market of these latter brands, they need to work on increasing consumer awareness of their brands.



Next are the set of brands that are in your **consideration set**. These are the brands that you have a positive attitude towards or, in other words, the brands you find acceptable. For you, these might only include Yeti, Stanley, and Hydro Flask. The **choice set** is a set of brands your have decided to choose from after consideration. These would be the preferred brands, maybe Yeti and Stanley. The **funnel approach** posits that the consumer will choose one of these brands in their choice set. At this stage, marketing promotions are very effective in making one brand win over another. For example, if while you're comparing the Yeti and Stanley tumblers, you receive an email from Yeti with a 15% discount, that promotion will likely steer you towards purchasing a Yeti over a Stanley tumbler.

Evaluative criteria.

In order to be part of the consideration set, brands need to make sure that their products or services have attributes and benefits that match the needs of the consumers in their target market or the evaluative criteria of those consumers. **Evaluative criteria** are those attributes that the consumer is looking for in an offering or the criteria based on which consumers decide what makes it into their consideration and choice sets and what they end up purchasing. There are many types of attributes that consumers consider when evaluating alternatives. Some are **tangible attributes**, or the concrete mostly physical attributes that consumers can experience and evaluate, such as the dimensions or materials of a product. To continue our example from the paragraph above, tangible attributes for a Yeti Tumbler might be that it's double-wall vacuum insulated and made of stainless steel. Others are **intangible attributes** for Yeti could be ruggedness andits design sleekness and representation of pleasurable outdoor experiences.

Tangible attributes are usually linked to **functional benefits** pertaining to the functional or economic aspects of an alternative (e.g., saves money or time, has durability, is easy to use) and intangible attributes are usually

associated with **emotional benefits**, or the feelings evoked by using or owning a product or service (e.g., joy, nostalgia, confidence).

Think about a product you often use such as your phone. What are some of its functional benefits (e.g., battery life, screen size, camera quality)? And what are some of its emotional benefits (e.g., making you feel connected with friends and family)?



Tangible attribute: my camera has a quality lens



Intangible attribute: my camera captures memories

Choice or Purchase

There are many ways consumers make choices. We distinguish between emotional and cognitive decision-making.

Emotional decision-making

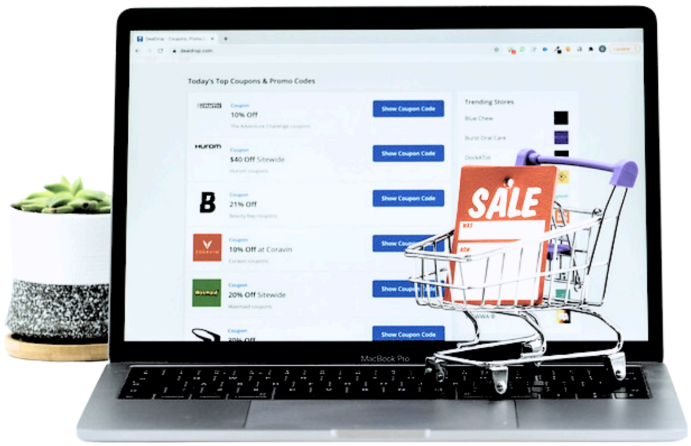
Emotional decision-making is affect-based wherein consumers evaluate offerings based on the feelings evoked by each alternative. Emotional decision-making is usually at play when consumers make impulse purchases, low-involvement purchases, or experiential purchases which are focused on creating memories and evoking emotions during the lived experiences. Such purchases include concert or sports game tickets as well as the band t-shirt or N.F.L. player jersey that you might impulsively buy despite knowing how overpriced they are. When consumers engage in emotional decision-making, they sometimes make decisions based on the premise of "I will know it when I see it" rather than rationally comparing alternatives based on important evaluative criteria.

Cognitive decision-making

Cognitive decision-making is rational and attribute-based where consumers evaluate offerings based on the attributes that they consider important for their decision-making. This type of decision-making is more typical for high involvement purchases when consumers have enough information to compare alternatives and have the ability to evaluate that information. Some companies such as Amazon try to make this type of decision-making easier by providing a side-by-side comparison of different alternatives. For example, when looking for a laptop, consumers can benefit from comparing alternatives based on attributes such as price, customer ratings, battery life, screen quality, hard drive size, computer memory size, and processor speed.



Emotional-decision making: buying expensive concert tickets



Cognitive-decision making: reading product reviews online before buying

Post-Purchase Evaluation and Behaviors

Customer satisfaction is one of the most widely used measures of post-purchase evaluation by customers. The American Consumer Satisfaction Index (ACSI) provides overall satisfaction data for United States consumers and offers satisfaction benchmarks per industry for various industry sectors, such as healthcare, restaurants, retail, and travel.

Customer satisfaction or dissatisfaction

After making a purchase, consumers experience the product or service and form a post-purchase evaluation of it. Consumers compare how the product or service performed to how they expected it to perform. This evaluation forms the basis of their customer satisfaction or dissatisfaction, which are a function of consumer expectations. The formula for customer satisfaction is actual performance minus expected performance of an offering. Based on the expectancy disconfirmation theory, consumers are satisfied when the actual performance exceeds expected performance. We term this **positive disconfirmation**. Conversely, consumers are dissatisfied when actual performance falls below expected performance. This is termed **negative disconfirmation**.

Customer loyalty

Customer loyalty is one of the most positive post-purchase behaviors that a company can expect from its consumers. **Customer loyalty** is a feeling of commitment that consumers have for the brand. This commitment goes beyond just repeat purchase because we can engage in repeat purchase without being loyal in terms of feeling committed. Think about the things you repeatedly purchase because of habit without feeling particularly committed to the brand. For a consumer, their list might include things like dental floss, ballpoint pens, or one-subject notebooks. Sometimes these are purchases where we have little choice, such as our internet service provider. Customer loyalty allows consumers to stay committed to a brand even in the face of competition or when the brand has to make negative changes such as increasing prices.

Negative post-purchase behaviors

When consumers are dissatisfied, they can engage in negative post-purchase behaviors such as negative word-of-mouth (e.g., writing a bad review or telling their friends not to consume a brand). Other forms of negative post-purchase behaviors include boycotting the brand, holding a grudge against a brand, complaining to the seller to try to obtain a refund or compensation, complaining to third parties such as the Better Business Bureau, or filing a lawsuit against the company. Although it does not seem intuitive, companies should encourage consumers to complain directly to them or to the seller so that they have a chance at fixing the problem through what we call recovery strategies. Think about a time when you were dissatisfied with a purchase. What post-purchase behaviors did you engage in? Did you give the company the chance to fix it? If so, how was your recovery experience? What could the company have done better to win you back as a customer or loyal customer?



Customers waiting outside of the Apple store for the first iPhone. Apple is consistently ranked first in brand loyalty.

The marketer's role does not end at the purchase or choice stage. In fact, marketers can play an important role during post-purchase evaluation by making sure their customers are satisfied through satisfaction surveys and friendly return or warranty policies. They can also encourage positive word-of-mouth from satisfied consumers using online review management systems. Finally, effective recovery strategies are crucial for marketers when a service or product failure occurs that causes customer dissatisfaction. Brands that succeed at matching their offerings to the right target market, fulfilling customer needs, and managing the customer post-purchase experience, are rewarded with high customer loyalty and high net promoter scores.

PERSONAL FACTORS THAT INFLUENCE CONSUMER BEHAVIOR

Consumer self-concept, personality, values, and lifestyles are drivers of how consumers spend their time and money. They play an important role in how marketers segment the marketplace, choose target markets, and position their products and services for those markets.

Consumer Self-Concept

Consumers have thoughts and feelings about themselves that form their **self-concept** or self-image. This self-concept includes multiple types of self-images such as actual self-image and ideal self-image, where the difference between the actual and ideal self-images can motivate consumption behaviors that are aimed at self-improvement or social acceptance, for example. If our ideal self-image is to be stronger and healthier than our current actual self-image, we might engage in self-improvement consumptions that include a gym membership and healthier food options. It is important for brands to understand their customers' self-concept because consumers often choose brand's whose image matches their self-concept. The **self-congruency theory** explains this phenomenon. This theory posits that consumers are more likely to choose a brand whose image is perceived as congruent with one of their own self-images. Someone who perceives themselves as an eco-conscious consumer is more likely to buy a Toyota Prius than a Ram 1500 pickup truck. Marketers want to make sure that their brands have positive brand personality characteristics and a unique and positive brand image in the mind of their target consumers. Successful brands usually share one or more of the brand personality dimensions in the brand personality framework (see figure below). What are some products and brands you consume that you believe express your self-concept? What brand personality dimensions do these brands share? How do these dimensions match your own actual or ideal self-image?



Consumer Psychographics

Marketers' ability to target different segments of consumers often requires **psychographics**, or the study of consumer personality and their values and lifestyles. Psychographic information is often combined with demographic information to obtain a full customer profile for a target segment.

Personality

Personality is a person's unique psychological makeup or combination of traits and characteristics that determine a person's stable tendencies when they respond to the environment. Example personality traits used in marketing include **innovativeness**—the extent to which a consumer is open to new ideas and their tendency to adopt new products or services early on, **value consciousness**—the extent to which a consumer tends to maximize what they receive from a transaction compared to what they pay, and **materialism**—the extent to which material goods have importance in a consumer's life. Personality traits constitute one way to identify segments of consumers in the marketplace.

For example, in 2024, Apple targeted consumers who are high on innovativeness when marketing its Vision Pro mixed-reality headset. The slogans and marketing materials for the Vision Pro make many references to its newness (e.g., "You have never seen everything like this before") or to its futuristic new era characteristics (e.g., "Welcome to the era of spatial computing").



Lifestyle

The **lifestyle** of a consumer can be defined as how that consumer spends their time and money. Lifestyle is driven by a consumer personality as well as by their value systems. To understand consumers' lifestyles, one must know about their activities (e.g., work, hobbies, club memberships, vacation behaviors, etc.), their interests (e.g., home, family, community, fashion, food, etc.), and opinions (e.g., opinions about culture, politics, economics, education, etc.). We refer to these as the **AIOs**.

Companies can use surveys to measure consumer psychographics and demographics to help them understand their target market when they develop their products and services and make decisions about how to position these offerings and how to communicate in a way that effectively connects them to their customers. In order to do so, companies can use established syndicated surveys conducted by a third-party research provider, such as Strategic Business Insights, which hosts one of the most well-known psychographic surveys, the **Values and Lifestyles Survey** or VALS. The VALS consists of 35 questions measuring values, lifestyles, personality traits, and demographics and helps segment the marketplace into eight market segments (e.g., achievers who follow traditional life paths, strivers who live in the moment, and experiencers who are trend adopters that go against the mainstream). Using psychographic information, companies can build consumer

personas for their ideal target customers that help guide their product design and brand positioning decision across the company.



For example, the brand lululemon was designed with the persona of Ocean in mind. Ocean is a 32-year old single woman who makes $100k a year and who needs athleisure wear for her daily activities which include working out about 90 minutes each day (Lutz 2015).

THE IMPACT OF PSYCHOLOGICAL FACTORS ON CONSUMER BEHAVIOR

Persuading consumers to try or adopt a brand, product, or service requires an understanding of how they perceive the world around them, what motivates them to behave the way they do, and how their attitudes are formed and changed.

Consumer Perception

Consumer perception refers to the process by which individuals select, organize, and interpret information from the environment to create a meaningful picture of the world.

Consumer perception

The **consumer perception process** starts with exposure to stimuli such as a company's website, an advertisement, a user of the product, or other sources of information. Exposure is followed by attention if the consumer is interested in the product or service, or if the information was presented in a way that enhances consumer attention. Finally, consumers evaluate and interpret the information or stimuli they are exposed to in the last stage of the process, comprehension.

Perceptual baises

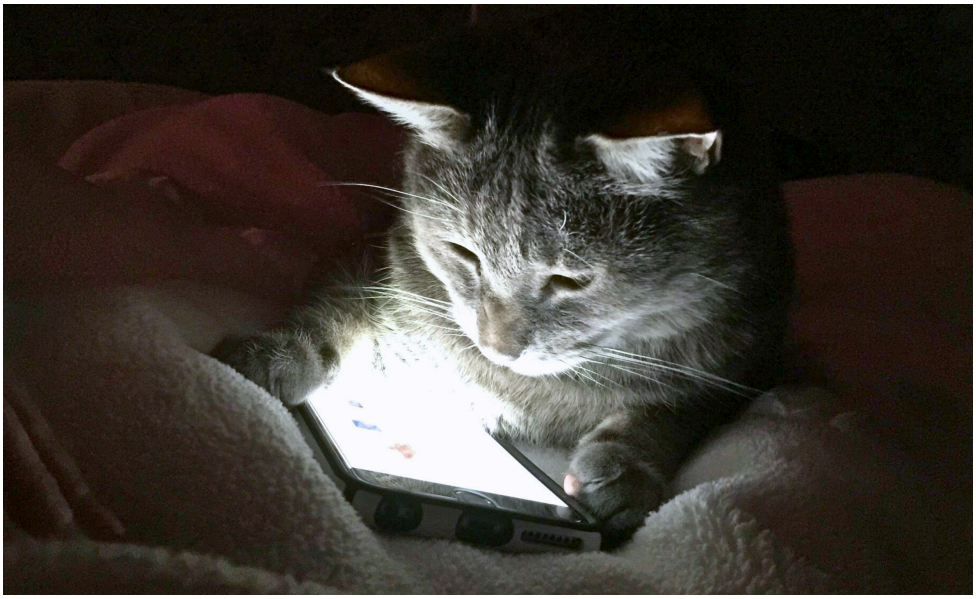
These stages can be influenced by consumer **perceptual biases** such as selective perception. Consumers can have **selective perception** by only exposing themselves to certain types of information, i.e., having selective exposure. For example, a person with left-wing politics might only expose themselves to news outlets that are left-leaning. Consumers can also have **selective attention** (e.g., consumers may notice ads for products they're interested in such as vacation ads when they are planning a Spring Break trip). Finally, **selective distortion** is when selective perception occurs at the comprehension stage and consumers interpret stimuli and information in a way that aligns with their existing beliefs (e.g., an Apple iPhone user might distort information about the superiority of a Samsung Galaxy phone over their iPhone for certain attributes).



Selective perception: seeking out media you agree with



Selective attention: seeing ads for a trip you're planning



Selective distortion: believing that Apple is superior to Samsung due to brand loyalty

Understanding consumer perception and consumers' perceptual biases can help marketers design effective marketing strategies and product offerings. For example, consumers tend to extrapolate from first impressions or evaluate the overall quality of a product based on one piece of information, a tendency called the **halo effect**. Knowing that consumers have this perceptual bias, a high-end service firm could invest in creating an attractive and upscale front-desk lobby waiting area to make a positive first impression on customers.

Consumer Motivation

Consumer motivation is what drives us to do everything that we do. This usually starts with **need activation**, when a consumer is driven to achieve an end goal by fulfilling a need.

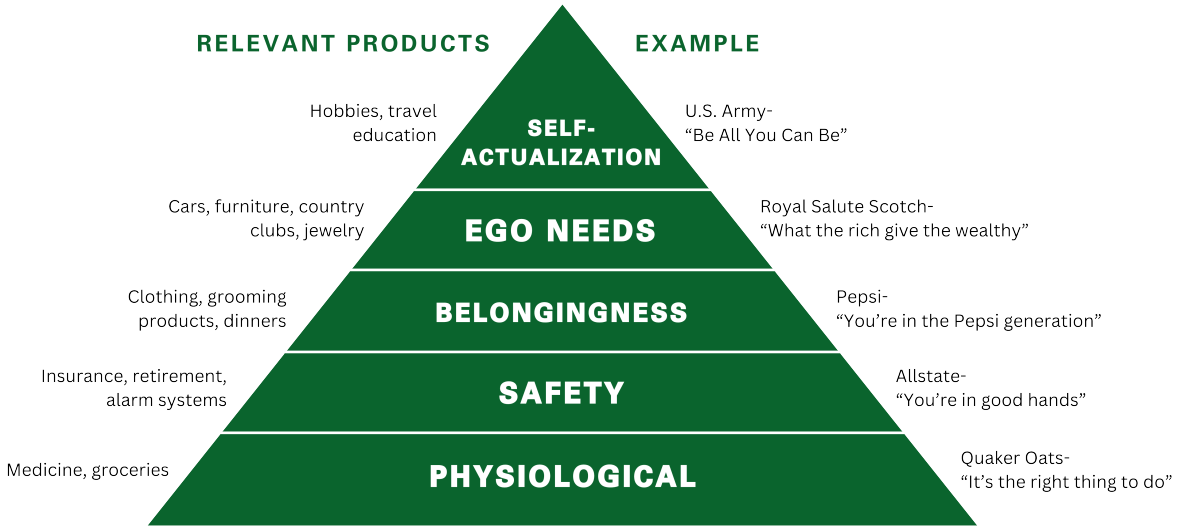
Regulatory focus theory

Regulatory focus theory posits that we are driven to achieve positive goals by having a promotion focus for self-improvement (e.g., a consumer who runs to have better cardiovascular health), and we are driven to achieve negative goals by a prevention focus to avoid things getting worse (e.g., we brush our teeth to prevent decay). Sometimes different consumers can perform the same behavior but be driven by a different focus. For example, consumers choosing to get a college degree could be driven by the promotion focus desire to get a high paying job or by the prevention focus desire to avoid upsetting their family members.

Maslow's hierarchy of needs

In 1946, Abraham Maslow advanced the human theory of motivation and **Maslow's hierarchy of needs** that is still used today to understand the needs that motivate consumer behaviors. Maslow's hierarchy of needs is based on the idea that consumers seek to fulfill their most basic physiological needs first (e.g., water and

food). Consumers then seek emotional needs such as the needs for safety (e.g., shelter, alarm systems, life insurance) and for love and belonging (e.g., phone with the ability to video chat with long-distance friends or family members, club membership, brands with communities). Once those are fulfilled, consumers can go after higher-level psychological needs for esteem (e.g., luxury car, business credit card, country club membership) or self-actualization (e.g., hobbies and passions, travel, education).



Brands cater to these different needs in a way that is made clear by their product or service benefits and even their brand communication through slogans. For example, Allstate's slogan "You're in good hands" obviously targets consumers with the needs for safety while Rolex's slogan "A crown for every achievement" speaks to consumers with esteem needs.



"You're in good hands" = safety, trust



"A crown for every achievement" = success, ego

Consumer Attitudes

Consumer attitudes refer to the enduring and learned predispositions or evaluations that individuals hold towards products, services, brands, or ideas.

Attitude components and characteristics.

Consumer attitudes consist of a cognitive component called belief, an affective emotional component termed affect, and a behavioral component such as intention or action. **Beliefs** are consumer perceptions of the attributes, features, or characteristics an offering has (e.g., Tesla cars are luxurious; or Tesla cars are environmentally sustainable). **Affect** is related to the emotions consumers associate with using or owning a brand (e.g., driving a Tesla car would be exciting or enjoyable). **Behavior** is about a consumer's intentions or actions towards a brand (e.g., when I am ready to buy my next car, I will buy a Tesla; or I recommend buying a Tesla car to my friends and family). Consumer attitudes are relatively stable and enduring, but they are also learned and can be influenced by various factors, including marketing efforts.

Persuasion

Persuasion, the act of changing consumer attitudes, can be achieved through communication by, for example, carefully selecting the source of the message that best matches the brand image and elicits a positive response from the target market (e.g., using celebrity endorsers or social media influencers with a positive image among target consumers), or by using emotional appeals, such as humor appeals or fear appeals. Think about successful celebrity endorsements of brands, like Jeff Goldblum for Apartments.com, Kevin Hart for Draftkings, or Steph Curry for Subway. What makes these endorsements work? What makes consumers evaluate the source of a message positively? Some important source characteristics marketers need to consider

when selecting a sources such as a celebrity endorser include: 1) **source credibility**, which encompasses both expertise—the knowledge, experience, or skills a source is perceived to have in that product category (e.g., Tiger Woods is perceived to have high expertise in golf), and trustworthiness—the extent to which customers perceive the source to be truthful about the message (e.g., a source that is perceived to have ulterior motives such as recommending a brand they don't believe in just for financial benefits is low on trustworthiness); 2) **source attractiveness** not just in terms of appearance but in terms of personality, status, and similarity to the consumer; 3) **source likeability** or how likable a source is among the target consumers; and 4) **source meaningfulness** or the fit between the source's personality and the brand's personality. All these factors impact the persuasiveness of a source.

Emotional appeals are another way to grab consumer attention and change their attitudes towards a brand. If you think about the Super Bowl commercials from the last Super Bowl you watched, how many of them used emotional appeals that were engaging and attention grabbing? What types of appeals were they? You likely saw a mixture of humor, fear, sex, and heartwarming appeals.



Emotional appeal: The Farmer's Dog commercial during the 2023 Super Bowl showed a dog growing old with his family

Humor appeals are frequently used because of their effectiveness in grabbing attention, their power to enhance consumers' mood, and the effectiveness of linking a brand to a positive emotional experience such as joy or laughter. **Fear appeals** are most effective when used at moderate levels and when the company can convince consumers that there is a threat, that the threat can happen to them, and that it has a product or service that can alleviate that threat. For example, security systems companies often use fear appeals by showing that a break-in can happen to their customers and that their alarm systems can help by contacting the authorities and preventing the theft of property and harm to its residents. In addition to being highly persuasive, emotional appeals help brands create emotional connections with consumers, and more emotionally connected consumers are in turn, more valuable to these brands (Magids et al. 2015).

SOCIAL INFLUENCES ON CONSUMER BEHAVIOR

Consumers' decisions and behaviors are almost always influenced by the people surrounding them physically and virtually. Marketers can take advantage of these influences and use this knowledge to help the adoption of their offerings.

Reference Groups

Reference groups are people who have power because consumers look up to them (e.g., successful business people or celebrities, like Taylor Swift or Beyoncé).

Types of reference groups

Reference groups can be primary or secondary, with **primary** groups having more direct and frequent contact with the consumer (e.g., a group of close friends or members of a sorority in which the consumer is highly engaged vs. a group of classmates or a group of parents of kids on your child's soccer team). Reference groups can also be formal or informal. **Formal** reference groups require a formal membership process and have stricter norms or codes of conduct (e.g., a student organization, a sports team), while **informal groups** such as friends have no formal processes or codified norms. Reference groups can also be **aspirational**, or groups the consumer would like to become part of (e.g., group of local business owners in the consumer's region), or **dissociative**, which are groups that the consumer would like to avoid being part of (e.g., racist groups).

Social power of reference groups

Reference groups can have different types of social power that lead consumers to be influenced by them in their opinions and behaviors. **Referent power** is shared by people who have power because consumers look up to them (e.g., successful business people or celebrities, like Elon Musk or Kim Kardashian). **Reward power** is the power to reward consumers who conform to the norms of the group (e.g. college sports teams rewarding their members with scholarships). **Coercive power**, which is often shared by the same groups who have reward power, is the power to punish or sanction consumers (e.g., friends who can exert peer pressure on a consumer). **Expert power** can be exerted by people who are perceived as having knowledge and skills in a specific area (e.g., doctors recommending a pharmaceutical product). **Legitimate power** stems from legal or contractual authority (e.g., the IRS or a consumer's landlord).

REFERENT POWER



When consumers look up to celebrities

REWARD POWER



When colleges give scholarships

COERCIVE POWER



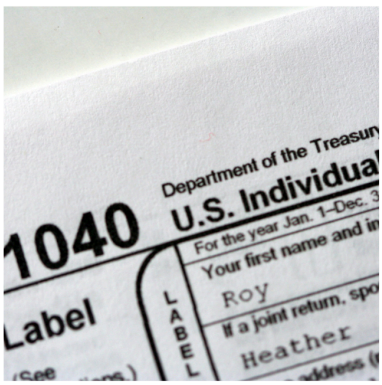
When friends use peer pressure

EXPERT POWER



When a doctor recommends a product

LEGITIMATE POWER



When the IRS collects taxes

Conformity and Normative Influence

A **social norm** is a rule of behavior for meeting the expectations of a reference group. **Conformity** is the extent to which members of a group adhere to the social norms established by that group. Conformity can be influenced by group characteristics such as group size, expertise, status, and unanimity—with all of these being positively associated with conformity. It can also be driven by consumer characteristics such as how susceptible they are to interpersonal influence or how connected they perceive themselves to be with the group. Another driver of conformity is a consumer's fear of consequences if they do not adhere to group norms. A reference group's **normative influence** on consumers is the influence the group has because of consumers' desire to avoid punishment or to receive a reward from the group. In 1951, Arthur Ash conducted experiments that showed the power of normative influence on conformity. Marketers can use the power of normative influence to persuade consumers to engage in specific behaviors.

For example, hotels that would like their consumers to reuse their towels in order to conserve water can use a social norm messaging in addition to an environmental messaging (e.g., “Many of our guests expressed to us their approval of conserving energy, and nearly 75% of hotel guests choose to reuse their towels”). This type of messaging has been shown to be effective in increasing towel reuse (Schultz et al. 2008).



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JODIE L. FERGUSON, PH.D. AND CESAR ZAMUDIO, PH.D.

Chapter 3:
B2B Behavior

"There are fundamental differences between business-to-business (B2B) markets and consumer markets. Understanding these differences are crucial, but marketers must not lose sight of the fact that there are still humans ultimately making B2B decisions."

-Jodie L. Ferguson, Ph.D., & Cesar Zamudio, Ph.D., Chapter 3 Authors

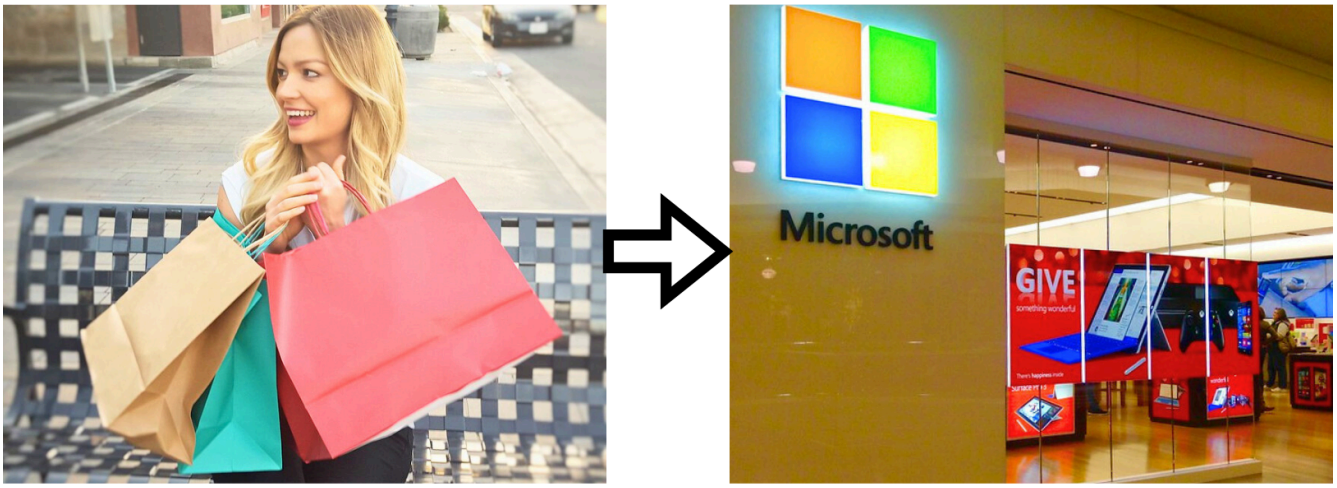


INTRODUCTION

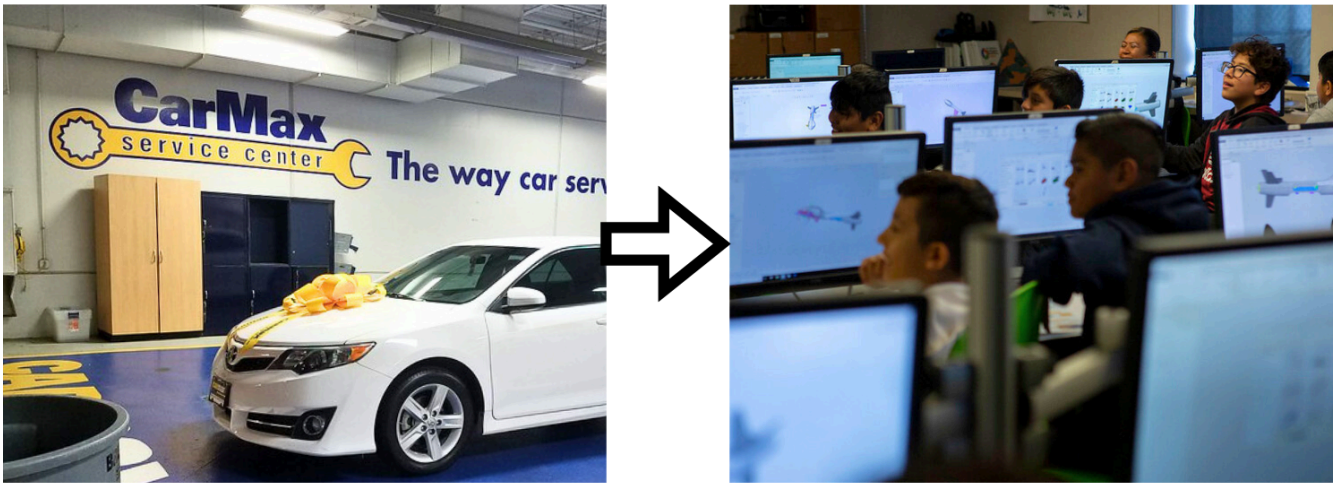
Imagine that you are thinking about upgrading your laptop. Maybe it's gotten too slow; maybe the battery's gone; or maybe you just want to treat yourself to a new gadget. In any case, what would you do? As you learned in Chapter 2 – Consumer Behavior, recognizing a need, you would likely search and review a multitude of potential laptops, and then buy one. Researching the laptop and then purchasing it online on Amazon or by making a trip to the local Best Buy would take you relatively little time and effort. Sounds simple?

Well, now for something completely different. Imagine you work at CarMax, and your employees (CarMax has about 30,000 of them!) are due for a laptop upgrade. Assuming CarMax does not have an existing contract with a computer brand, how long do you anticipate searching for a suitable laptop for thousands of employees might take? How many people would be involved? Would there be negotiations involved? What would be the process of delivering, maintaining, and perhaps replacing those laptops down the line?

In the first scenario, when you purchase a laptop, you are participating in the **business-to-consumer (B2C) market**: this is a market in which individual consumers purchase goods and services from a company. Sometimes, this is referred to as "retail purchasing." In contrast, when CarMax purchases laptops for their thousands of employees, the company is participating in the **business-to-business (B2B) market**: this is a market in which businesses purchase from other businesses. As such, this chapter complements your understanding of consumer behavior, now focusing on understanding **business-to-business (B2B) buyers**, that is, organizations that purchase goods or services for use in the production, logistics, servicing, or resale of products, which are made for non-personal use.



Business-to-consumer market: an individual consumer buys herself a laptop from Microsoft



Business-to-business market: CarMax buys their employees 30,000 laptops from Microsoft

Why is it important and exciting to study the B2B market, its buyers, and the many intricacies that make these markets unique? Well, your first job after graduation might be in B2B! In fact, over half of college graduates start in a sales-related role ("Key Statistics"). Most importantly, however, B2B markets are becoming increasingly significant: MarketingWeek reports that B2B-related activities now constitute half of the global economy. In their view, "the next 100 years will be the B2B century." Lastly, you can make a big difference in this market. Often, B2B managers lament that creativity and innovation in B2B companies is hard to find, resulting in a "sea of sameness:" this is an advantage for you, as your business acumen and creativity might be highly valued in such an organization, as now "creativity, strategy, and execution are the most important skills in the B2B CMO role" (Weinberg and Lombardo). So, let's dive in!

DIFFERENCE BETWEEN B2B AND CONSUMER MARKETS

As you might imagine, there are notable differences between the B2B customer and consumer markets, particularly regarding volume, market structure, demand, nature of the buying unit, types of decisions and decision process (Armstrong and Kotler).

Move the slider over each word to see explanation of each of the differences between B2B and consumer markets.



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Now, let's discuss each of these major differences.

Volume

Let's consider an example. Goodyear manufactures automobile tires for sale to both B2B buyers and to consumer buyers. Goodyear's B2B customers include both automobile manufacturers such as General Motors (GM) and tire retailers such as TireRack.com. Consumers may buy tires from retailers that sell Goodyear, or they may purchase directly from Goodyear, itself. The individual consumer buying a set of Goodyear tires for their Ford Explorer is different from GM purchasing tires to use in the manufacturing of Chevrolet Blazers.



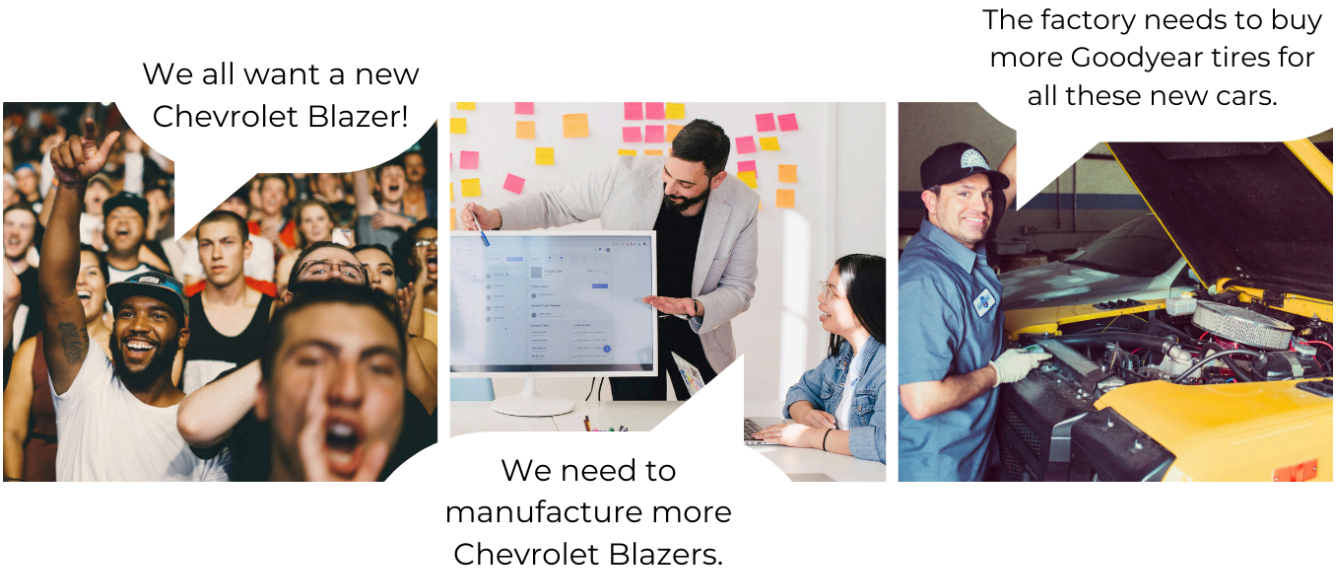
Goodyear sells a higher volume of tires to General Motors (business-to-business) than to the individual consumer (business-to-consumer)

The consumer market for Goodyear may have more individual customers than the B2B market, but the volume per sale may be much greater for B2B. For example, an individual consumer may buy four tires in a single purchase, but GM may buy four million tires for the manufacturing of its Blazer vehicles in a purchase. While there may be hundreds of thousands of consumers in Goodyear's US consumer target market, there may only be a couple dozen vehicle manufacturers (e.g., Ford, GM, Chrysler) in the US. Many of the major US automobile manufacturers are concentrated in the Midwest (e.g., Detroit), while individual US consumers are dispersed throughout the country.

Demand

The following is an example of derived demand. When the consumer demand for new automobiles increases,

the demand for Goodyear tires also increases. The reason is because producing more vehicles for increased consumer demand requires tires to complete the manufacturing of each additional vehicle. Thus, the demand for B2B tires is derived from the demand for consumer vehicles.



Nature of the Buying Unit

For the nature of the buying unit, the consumer may consult their household to make a purchasing decision regarding a set of tires, but rarely is the purchase decision made by more than one or a few people. On the other hand, GM likely has a buying center of people involved in a single Goodyear tire contract. The GM buying center for tires would include those who install the tires in the vehicles, managers who influence the purchase of tires for GM, upper management who may sign off on the decision on whether and what to purchase, procurement managers who actually make the purchase from Goodyear, and administrators who control tire buying information.

Types of Decisions

A tire purchase from Goodyear would likely be far more complicated than a consumer purchase. The contract may have a lot more details than a consumer contract, including multiple types and sizes of tires and complex delivery schedules.



People involved in a business-to-business transaction



People involved in a business-to-consumer transaction

The Decision Process

The decision process is likely longer and more formalized for GM making tire purchases than the consumer

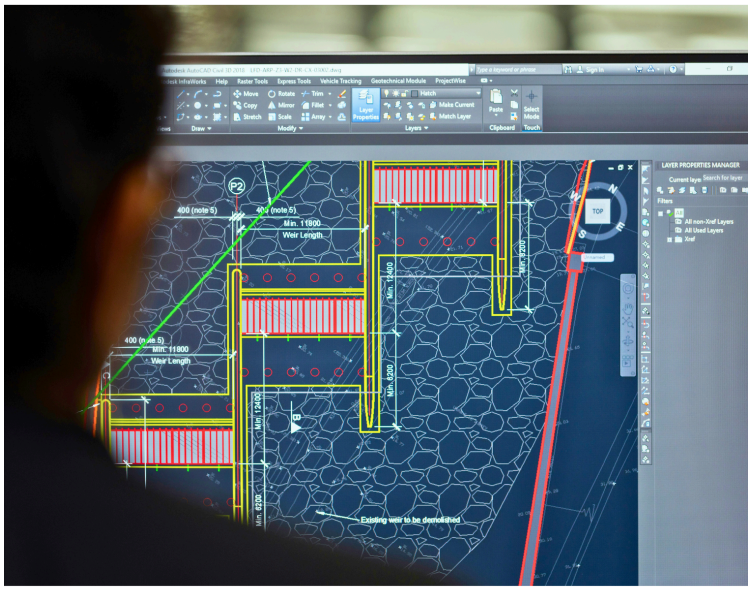
decision process. For example, there may be formal proposals and presentations from Goodyear to the GM buying center and GM may be considering tire contracts from multiple tire manufacturers. The consumer may consider multiple brands for their tire purchase, but that evoked set is probably not as extensive as GM's. Also, GM likely has an extensive procurement and purchasing process to make the tire decision happen. The consumer has fewer hurdles to get to a final tire purchase decision.

TYPES OF BUYING SITUATIONS

As noted, B2B buyers have a more complicated, longer and more formal buying process than the consumer market. B2B buying situations fall into one of three types: straight rebuy, modified rebuy, and new task (Armstrong and Kotler). The **straight rebuy** is when a repurchase is made without any changes or modifications to the order. The straight rebuy has the least amount of risk because there are the least amount of unknowns associated with the purchase. A **new task purchase** involves a completely new product or supplier purchase and involves the greatest amount of risk. Finally, a **modified rebuy** is a purchase in which there are modifications to the order, however, the purchase is not a completely new product or supplier.



Straight rebuy: a bakery buys the same amount of flour every month



New task purchase: a tech company buys a new software system



Modified rebuy: the bakery updates their flour order to be gluten-free.

INFLUENCES ON THE B2B BUYING DECISION

There are multiple factors that can influence B2B decision-making: they are environmental factors, organizational factors, interpersonal factors, and individual factors (Armstrong and Kotler). Environmental factors include the economy, availability of supplies, technology, politics and regulations, competitors in the marketplace, and culture. Organizational factors are influences on the buying decision that are within the purchasing organization itself. These include company objectives, strategies, structure, systems, and

procedures. Due to the multiple individuals involved in the buying center, there may be interpersonal aspects that influence purchase decisions, including influence, expertise, authority and dynamics. For example, a newer employee might defer to the opinion of a more senior employee with decades of experience instead of defending their own perspective as forcefully. Lastly, although B2B purchase decision-making is made on behalf of an organization, there are still individuals making the decision. Therefore, an individual's age, education, job position, motives, personality, preferences, and buying style can all affect B2B decision-making.



Environmental factors: the economy, technology, & politics



Organizational factors: company objectives, strategies, & structure



Individual factors: age, education, job position, & personality

SUMMARY

As this chapter illustrates, the purchase process in B2B markets is quite different from that of B2C markets. B2B buyers generally buy more, through a more complicated and lengthy process than individual consumers, and are constrained by different buying situations. B2B buyers operate in concentrated markets; respond to derived demand; and its members purchase together, as part of a buying center. You are now prepared with the fundamentals surrounding these differences, which will be important as you seek jobs with B2B employers, or even if you are interested in starting a small B2B-related business.

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JONATHAN ROSS GILBERT, PH.D.

Chapter 4:
International Marketing

"International marketing is a complex task that requires a deep understanding of the nuances of different cultures and how these realities interact with a product or service."

-Jonathan Ross Gilbert, Ph.D., Chapter 8 Author



INTRODUCTION

Many professionals will tell you that international marketing is one of the most interesting and exciting areas of the field because it combines all aspects of marketing decision-making processes within two or more nations. With its share of intrigue, espionage, and culture, cross-border commerce might sound like prime material for a blockbuster film. If only the real world was like that! While being an international marketer can be exciting, doing business overseas is also fraught with challenges in standardizing or adapting the marketing mix (e.g., product or service, its price, placement, and promotion) across cultures.

DEFINITION

International marketing is "the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit" (Cateora et al., 2024).

We should make a note, though, about the term "international marketing" compared with "global marketing." In reality, professionals often use these two concepts interchangeably, however, there is an important difference to understand.

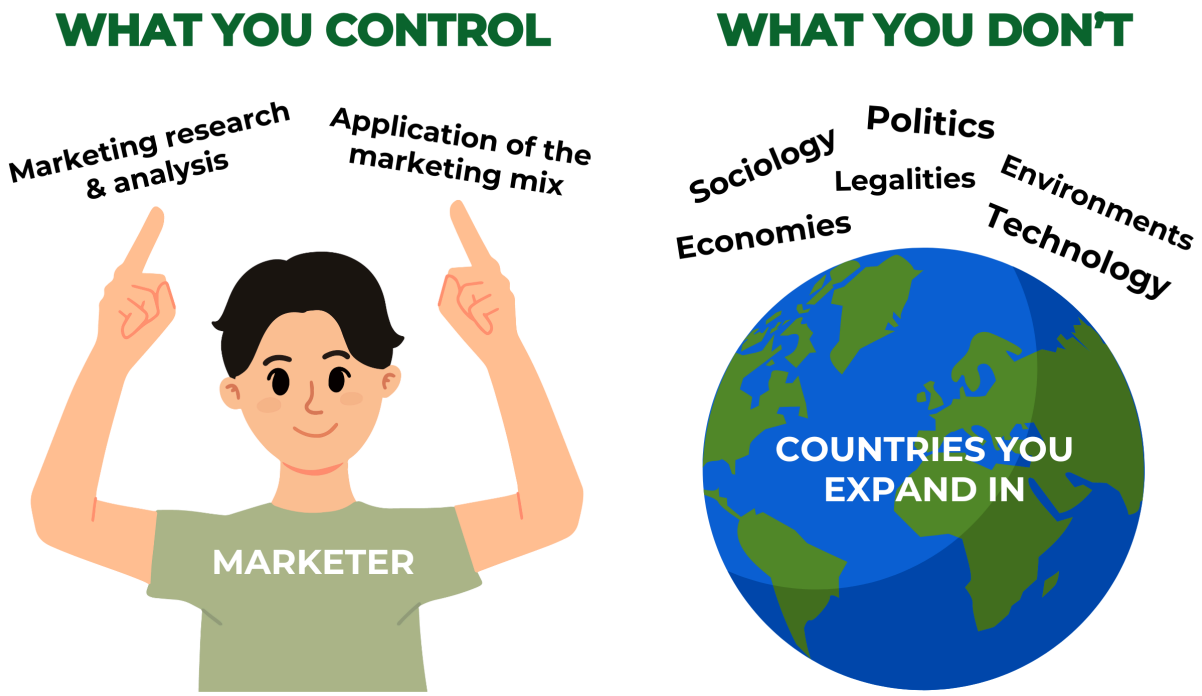
Global marketing is "the concept of adjusting your marketing strategies to accommodate those of other countries around the world" (American Marketing Association, 2024).

International marketing implies tailoring strategies to variations in culture at the local level (Cateora et al., 2024) whereas global marketing tends to apply the same strategies and tactics worldwide but with minor adjustments (Levitt, 1983).

APPLICATION

You may be thinking that since we already learned the definition of marketing at the beginning of this textbook, international marketing is simply marketing, only now it's done internationally. In other words, we would apply what we are currently learning to every country that we do business in. There is some truth to that thinking, but let's dive a little deeper.

To be clear, the job of the marketer, as well as marketing concepts, processes, and principles, applies to all situations without exception. The two most important facets of that work are marketing research & analysis and application of the marketing mix (Cateora et al., 2024) ("4 Ps" framework for products and "7 Ps" framework for services; see Möller, 2006, and Goldsmith, 1999, respectively). You, as a marketer, have complete control over these two major tasks. But here's the catch: every country that you expand into brings uncontrollable elements (e.g., political, economic, sociological, technological, environmental, and legal) that increase uncertainty and complexity.



At the end of the day, there isn't a shortcut to success in international markets because they require an "on the ground" understanding of the dynamics at play. The question then becomes how best to adapt your marketing activities to these dynamics in an effort to mitigate the many unknowns that are a threat to your success.

PAY-OFF

Unless you can keep developing new and intentionally designed offerings that can break through in an international market, you can't count on finding lasting success in this area of marketing. Not surprisingly, there are several potential benefits to committing resources (e.g., time, labor, and money) to overseas markets including, but not limited to, the following (see Cateora et al., 2024, Doherty et al., 2023, Martinuzzi, 2023):

1. Increased revenue (and profit) potential: New markets mean new customers, which can lead to faster growth and higher sales. That new revenue—assuming the costs leading to those sales are managed responsibly—can translate into increased profit after expenses.
2. Diversification of risk: Operating in a greater number of markets means less dependence on a single market which mitigates the risks associated with the uncontrollable factors in a given country or region. These additional markets could also lead to economies of scale that reduce costs, leading to lower prices for customers and increased profitability for the company.
3. Enhanced brand reputation: Repeated exposure to the company and its products in multiple markets can enhance brand prestige and increase customer trust and loyalty. This additional brand exposure can also serve as a point of differentiation from competitor products.
4. Longer product lifespan: New markets provide opportunities to dispose of excess inventory of existing products and/or lengthen the product life cycle of existing products which may be outdated in home markets but perceived as technologically advanced in other countries.
5. Access to new talent & technologies: Reaching a larger and more diverse talent pool provides opportunities for innovation and creativity within the company. This talent, in combination with new technologies that may not be available in home markets, enables companies to lead the development of new products and/or improve the quality of existing products.

GLOBALIZATION OF MARKETS AND HYPERCOMPETITION

In the 2008 action film Taken, the lead character "Bryan Mills" states that he has "a very particular set of skills, skills I have acquired over a very long career, skills that make me a nightmare for people like you…" (IMDB, 2024). This quote is an apt description of international marketing as a profession with its own specialized set of skills. But how did we get here? And why is international marketing now considered a discipline valuable enough to be taught as its own course at both the undergraduate and graduate level? The answer lies in the fact that market competition drives the need for business acumen skills. But to better grasp why, it's useful to take a look back in time.

THE BEGINNING OF INTERNATIONAL TRADE

Throughout human history, the spread of civilization has been led by people who wanted to explore. In fact, the origins of exchange can be traced back to ancient civilizations that engaged in international trade to acquire goods and resources they did not have access to locally (see Mesopotamians, Egyptians, and Phoenicians in 3000 B.C.; International Trade Council, 2023). Even before money was invented, people still engaged in trading through what's known as bartering, or the exchange of goods and services for other goods and services.



Indigenous people bartering before the invention of money

POST-WAR BOOM ECONOMY & DOMESTIC MARKET SATURATION

Now, let's fast forward to the 20th century. During World War II in the U.S., consumer goods, including both household staples (e.g., meat and dairy) and non-food items (e.g., gasoline and automobiles), were diverted to the war effort. Once the war ended, American consumers and their returning military counterparts were ready to spend on homes, cars, furniture and the like. This spike in demand created a new era of consumerism referred to as "the good life," and an unprecedented period of industrial growth to support mass-production.



A&P Supermarket ad from the post-war economic boom

All was good until domestic competition stiffened and companies became disillusioned with declining sales in saturated markets (Levitt, 1983). Market saturation occurs at the point where a company can only increase sales through product changes that increase overall consumer demand and/or take away existing market share from competitors (Hargrave, 2024). New international markets—especially China—proved attractive and U.S. companies began to expand distribution of their products overseas.

RISE OF MULTINATIONAL CORPORATIONS (MNCS) & THE HYPERCOMPETITIVE GLOBAL MARKETPLACE

The **multinational corporation (MNC)** is a business organization in which a company operates in two or more countries, including foreign direct investment through branches or subsidiaries overseas.

The first MNCs can be traced back to the 16th century, however, the U.S. model of MNCs began to take shape in the mid-20th century and played a significant role in promoting the contemporary global economy. Interestingly, fewer than 1% of all companies in the United States are classified as MNCs, yet these businesses account for the largest percentage of research and development, employment, GDP, exports, and imports (Foley et al., 2021). The resulting increase in international trade strengthened America's economic growth rate and sustained its position as the world's largest economy.

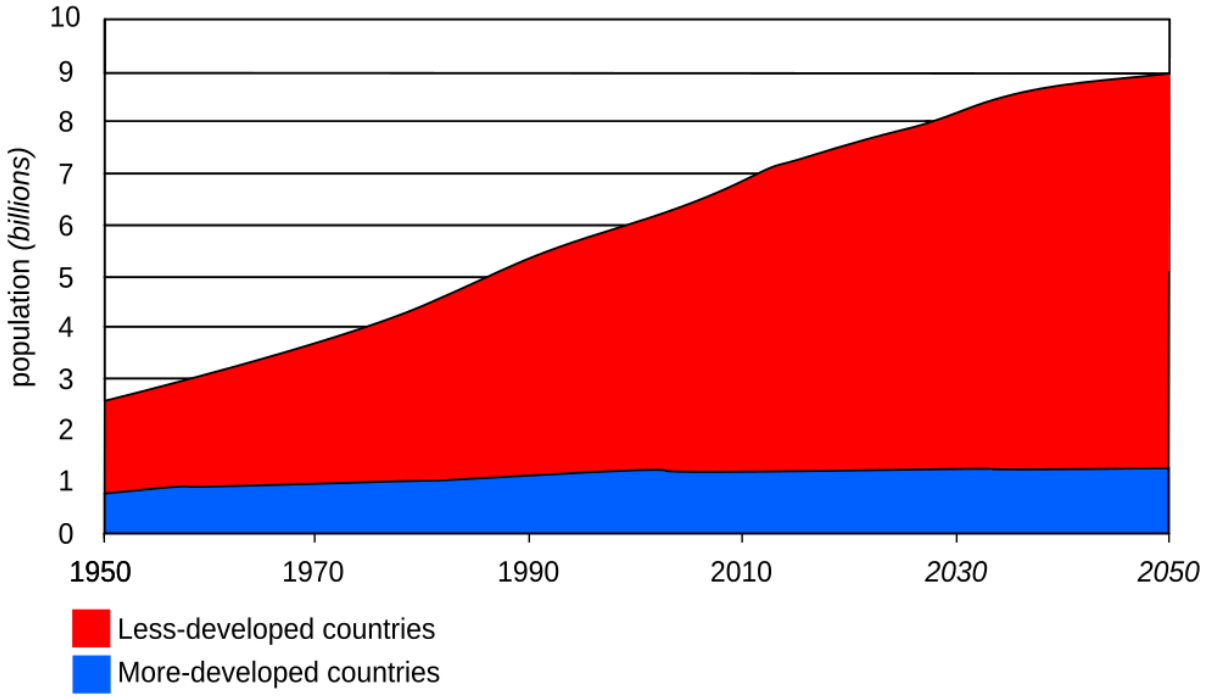
But now, technology and globalization have leveled the playing field for foreign competitors making competition so intense that it's difficult for firms to sustain competitive advantages and superior performance. Goldman Sachs, a leading global financial institution, reported that foreign sales as a share of S&P 500 companies' total revenues dropped to their lowest level in 10 years (Bacani, 2020). This emerging evidence of erosion in international sales suggests a tipping point in strategic approaches to conducting business overseas. U.S. companies now need to be adaptable, data-driven, and creative to navigate the complexities of the economic landscape and achieve their marketing goals.



WILD WEST OF DEVELOPING NATIONS

Marketing goals for companies marketing overseas include the challenges and opportunities presented by developing nations. Similar to the cultural mythos of the Wild West in the United States where pioneers sought freedom and fortune, MNCs are seeking to tame new frontiers in an effort to sustain a competitive advantage.

Developing countries (e.g., Brazil, China, India, Indonesia, and Mexico) are defined by relatively low standards of living, a less developed industrial pace, and below average achievements in key dimensions of human development (e.g., life expectancy and education; see Human Development Index: https://hdr.undp.org/data-center/human-development-index#/indicies/HDI)(United Nations, 2024). There are over 8 billion people living in the world today and approximately 83% or 6.64 billion live in developing nations; and that number is expected to grow to 86% by 2050 (United Nations UNCTAD, 2022).



Comparison of the population growth in more and less-developed countries

MNCs are willing to make long-term investments through local subsidiaries in these countries because of the opportunity to play a role in accelerating growth and economic transformation. Lower costs and untapped natural resources in the near-term could translate into robust consumer and business markets for their products in the long-term. In fact, the International Monetary Fund predicts that developing nations will grow twice as fast as developed markets between 2020 and 2025.

THE DECISION WHETHER TO INTERNATIONALIZE

The decision to enter markets overseas can be either easy or difficult depending on a company's circumstances in domestic markets. Recent data suggests that in many sectors of the economy, product and service markets and competition have reached a point of saturation whereby increasing investment in the marketing mix is no longer yielding sufficient monetary returns (Cateora et al., 2024). In plain English, companies are fighting just to keep what they have, and growing revenues, let alone profit, is hard when operating in the United States alone. Seeking new markets in other countries offers the potential for more sales but companies struggle with global expansion (Ghosal, 2024).

CONTROLLABLE VS. UNCONTROLLABLE FACTORS

Companies that seek to grow and expand across borders face a litany of challenges that multiply for each country that is entered. The best way to understand these potential difficulties is through the lens of risk. Some level of risk is necessary to generate desirable outcomes in business. Resources (e.g., time, labor, and money) must be invested to achieve financial gain. As a consequence of this, investors would only consider

an investment in a risky business venture if they feel the expected return is high enough to justify the capital expenditure.

There are three types of risk: preventable risk, strategic risk, and external risk (Kaplan & Mikes, 2012). **Preventable risk** and **strategic risk** tend to be internal to the firm and, therefore, within the control of decision-makers. Market research is a preventable risk that should have standard operating procedures to guide successful assessment of each new market under consideration. The "4 Ps" or extended "7 Ps" are a strategic risk that is informed by market research and controlled through proper resource allocation.

External (macro-level) risk is the result of forces outside the firm and, therefore, are viewed as uncontrollable factors that shape the business environment. Political, economic, social, technological, environmental and legal are the most common categories of external factors (PESTEL; Aquilar, 1967). It's critical that international marketers understand how these risks may impact their operations and develop actionable response plans.

The key is for the international marketer to successfully identify and manage risk at the country market level (Cateora et al., 2024). This task is not easy; the more countries the firm operates within, the more complex the marketing job. And while you may not be able to prevent negative things from happening in these uncertain environments, you can at least mitigate their impact on the company's financial results.

IMPACT OF CULTURE ON INTERNATIONAL MARKETING

MNCs face additional challenges with respect to culture's impact on international marketing. Understanding the impact of culture on the way people think, feel, and behave will allow international marketers to communicate more effectively with customers across different markets (Cateora et al., 2024). Perhaps, most importantly, the resultant cultural intelligence will help you to avoid missteps that often stem from differences in communication styles, values, and expectations between cultures (Ott & Snejina, 2018).

But what is "**culture**?" In an international context, culture is not so easily discerned. In fact, there is still no universally accepted definition within this domain. Scholars of culture in overseas business have described culture as both the "silent language" (Hall, 1960) and the "collective programming of the mind that distinguishes one group of people from another" (Hofstede, 2005). A more comprehensive view, and the one that we will adopt, was developed by Nakata and Huang (2015): "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society." This definition reinforces the need for culture to be understood on all levels from the macro (i.e., dominant cultural practices and values) through to the micro (i.e., individual cultural practices and values).



Discernable facets of culture that have a particularly strong influence on strategic marketing initiatives within an international context, include, but are not limited to the following (Cateora et al., 2024):

- Language: Language is the primary tool for expression and communication and, therefore, the means by which culture and its traditions and shared values may be conveyed and preserved.
- Customs and Taboos: Customs are those activities that have been approved by a social group and have been handed down from generation to generation until they have become habitual. Taboos, a special type of category of customs, refer to prohibited or forbidden behaviors that help to ensure social control and order.
- Values: Values are socially shared ideas, based on past experiences and cultural background, about what is good, right, fair, and just. These ideas are formed by the community and NOT the individual.
- Time and Punctuality: Beliefs about time, and its relationship to business interactions, are profoundly different across cultures. Time spent balancing work and leisure, how work time is spent (task time vs. social time), and keeping people waiting are uniquely and deeply rooted in cultural heritage.
- Business Norms: Every country has its own etiquette and customs for business meetings and workplace interactions. Organizational hierarchy, gift giving, salutations, conventions regarding use of title, and negotiating are just some of the ways business styles differ across cultures.
- Religious Beliefs and Celebrations. Religion often plays a major force in shaping culture through myths, rituals, symbols, and accompanying beliefs. Faith and worship function as a permanent source of basic values for consumer behavior (i.e., intolerance and materialism).

MARKET ENTRY STRATEGIES (CONTROL, RISKS, COSTS, & POTENTIAL REWARDS)

MNCs need to evaluate their motives and objectives prior to initiating expansion in order to make the most of their business opportunity. Once international marketers have identified the markets with the greatest potential for the firm, the next step is to determine the best approach for entering each specific country. As you've learned by now, the same market entry strategy can't be used for every scenario. Companies need to

consider factors such as industry dynamics, characteristics of the target audience, and the resources available in order to succeed internationally (Ordica, 2023). Factors such as local and international competition, regulatory frameworks, and industry specifics also play crucial roles (Root, 1998).

There are several ways in which a company can expand its products overseas. These different approaches all have potential strategic value, given proper application in the right situation, but which mode of entry is best should be evaluated based on the level of risk, investment, and control the MNC seeks to achieve its target business outcomes. The most common modes of entry, starting from the lowest "risk/investment/control" and ending with the highest "risk/investment/control," are as follows (Root, 1998):

EXPORTING

Exporting is a method of entering international markets where a company sells its products or services directly to foreign customers, typically through intermediaries like distributors. This approach offers businesses a safer option to expand globally by leveraging existing products or services (Ordica, 2023).



Products being exported via cargo ship

LICENSING AND FRANCHISING

Licensing involves granting foreign entities the rights to use intellectual property, such as trademarks or patents, in exchange for fees or royalties (International Trade Council, 2022). **Franchising** goes beyond intellectual property rights by allowing foreign entities (called franchisees) to operate a business using the franchisor's established brand, business model, and ongoing support. This model allows for rapid market penetration and scalability while ensuring brand consistency and quality control through the franchise

agreement (Rodriguez, 2022). Both licensing and franchising require careful selection and management of partners to mitigate risks such as loss of brand reputation and quality control measures (International Trade Council, 2022).



McDonald's is an example of an international franchise (pictured here in Tokyo, Japan)

JOINT VENTURES AND PARTNERSHIPS

Businesses turn to **joint ventures** to enhance their competitiveness by leveraging regions with valuable and cost-effective resources, driven by the increasing globalization of the world economy (Magni & Pezzi, 2019). This approach involves businesses partnering with local entities to establish new ventures or collaborating with multiple firms to leverage their strengths in foreign markets, such as accessing local expertise, resources, and distribution networks (International Trade Council, 2022). It's a mutually beneficial arrangement where both parties work towards the same goals while preserving some level of independence. Successful execution requires clear negotiation and agreements, as well as effective cooperation to manage cultural differences and ensure the venture's success through aligned goals and joint decision-making (Ordica, 2023).



In 2003, BMW and Brilliance Auto Group formed a joint venture to produce and sell BMW cars in China. BMW took a 50% stake in the venture, while Brilliance Auto took 40.5%.

ACQUISITIONS & MERGERS

Entering markets through **acquiring or merging** with foreign businesses provides quick access to existing customer bases and distribution networks. This approach is characterized by high risk and high reward, requiring due diligence and effective post-acquisition management for success. Challenges may include integration, cultural differences, and stakeholder management (Ordica, 2023).



In 2014, Verizon acquired Vodafone's 45% stake in the company to completely own Verizon Wireless.

WHOLLY-OWNED SUBSIDIARIES

A **wholly-owned subsidiary** exists when a company forms a new entity in a foreign country that is entirely owned by the parent company, entailing full ownership and control of its operations abroad. This method is best when a business aims to maintain strict control over operations, ensure brand uniformity, and establish a lasting presence in the foreign market (Ordica, 2023). Forming a wholly-owned subsidiary involves significant financial commitment and heightened risks, including management challenges, increased operational costs, and complex legal considerations, especially across international jurisdictions (British Business Bank, 2024).



Starbucks Coffee Japan is a wholly-owned subsidiary of the Starbucks group (pictured here in Hakata, Japan).

DESIGNING THE INTERNATIONAL MARKETING MIX STRATEGY

In the 1960s, marketers were akin to master chefs in a high-stakes kitchen, whipping up what we now call the marketing mix—a blend of product, price, place, and promotion (aka the "4 Ps"). Just like how baking the ultimate cake means each ingredient is meticulously selected and blended to create a recipe that tastes delicious, marketers paid similar attention to their "ingredients" in order to ensure a sweet return.

The international marketing mix strategy revolves around using the "4 Ps" framework for products (Möller, 2006) and/or "7 Ps" framework for services (Goldsmith, 1999) to ensure a company's success in global markets. This approach emphasizes navigating the uncontrollable factors (e.g., legal frameworks and socio-cultural nuances) specific to each country's market.

Ultimately, cracking this code means not only understanding global markets but also creatively adapting strategies to suit the unique tastes and rules of each place you aim to grow your business in.

PRODUCT, PLACE, PRICE, PROMOTION

Achieving competitiveness in global markets depends on balancing efficiency across borders with responsiveness to local characteristics. Each component of the marketing mix—product, price, place, and promotion—requires varying levels of adaptation to resonate effectively in international markets. Research shows that distribution often demands the most localization, followed by price, promotion, and then product.

Factors Influencing Each Element of the Marketing Mix:

- Place (Distribution): Designing efficient distribution networks involves considering organizational structure to reach global markets effectively, and ensuring operational cooperation to streamline distribution processes among company units and partners (Cateora et al., 2024).
- Price: Adjustments are made based on market factors such as economic factors and regional purchasing power, alongside setting competitive prices to enhance market share relative to the level of competition (Cateora et al., 2024).
- Promotion: Cultural differences guide the crafting of messaging and campaigns that resonate with local values, while aligning promotional efforts with how products are used and perceived across different markets (Cateora et al., 2024).
- Product: Cultural differences dictate tailoring products to fit local preferences and norms, while consumer preferences necessitate adapting features, design, and packaging to align with local tastes. Although, while the product concept, color and packaging are typically adapted, the label and brand name are standardized (Akgün, 2014).

STANDARDIZATION VS. ADAPTATION

Standardization

Standardization in international marketing means using the same strategic marketing mix across all countries, without any alterations (Cateora et al., 2024). In plain English, the MNC is using the same marketing strategy across all of the different country markets. Typically adopted by first-time exporters or companies aiming for cost efficiencies through economies of scale, standardization avoids the potentially high costs of adapting strategies to local markets (Theodosiou & Leonidou, 2003). Standardization in international marketing aims to streamline operations globally while maintaining a consistent brand identity across diverse cultural landscapes. This uniformity extends beyond products and services—it encompasses ideas, experiences, data, manufacturing processes, metrics, and operational practices within a business.

Factors that support standardization include:

- Global Market Demand: When a product's appeal spans across multiple countries, companies can efficiently serve a global customer base by offering the same product everywhere.
- Economies of Scale: Producing on a large scale helps reduce unit costs, making products more affordable and competitive in the market.
- Transferable Competitive Advantages: Standardizing products can yield various benefits. Cost savings from economies of scale allow for competitive pricing. Moreover, a uniform product facilitates quick responses to market demands, maintains a consistent global brand image, and enhances control over marketing strategies (Cateora, 2024; Theodosiou & Leonidou, 2003).

Adaptation

Adaptation in international marketing involves customizing the strategic marketing mix to suit the unique preferences and cultural values of each country or market (Cateora et al., 2024). In plain English, the MNC is changing the marketing strategy to meet the different needs of each country's market. Therefore, this approach aims to effectively meet local needs while respecting diverse consumer behaviors and expectations.

Adapting typically entails two main steps: first, identifying necessary modifications to enhance a product's appeal to specific target audiences; second, implementing these changes based on the organization's capabilities and resources (Cateora et al., 2024; Theodosiou & Leonidou, 2003).

By tailoring strategies, international marketers can establish stronger connections with consumers by offering products and experiences that align closely with local tastes and preferences. This approach helps MNCs navigate cultural differences and regulatory requirements while maximizing their market potential globally.

Factors that support adaptation include:

- Differences between customers/consumers: Consumers vary significantly across countries in terms of preferences, behaviors, and cultural norms.
- Differences in local competitive conditions: Competitive landscapes can vary widely between countries, affecting pricing strategies, promotional activities, and product positioning.
- Differences in local legal conditions: Legal regulations differ across countries, impacting product specifications, advertising rules, and distribution practices.
- High degree of service in the company's offering:Services often require customization to meet local expectations and standards (Cateora et al., 2024; Theodosiou & Leonidou, 2003).

SUCCESSFUL EXAMPLES OF STANDARDIZATION AND ADAPTATION

Standardization

- Red Bull: Red Bull has dominated the energy drink industry for over three decades, owing much of its success to standardization efforts and a universally recognizable image. The brand maintains consistency by using the same iconic blue and silver cans across its presence in more than 170 countries. Red Bull maintains one strategy for all markets, focusing on selling a lifestyle of adventure and adrenaline.



Adaptation

- Nestlé: Nestlé, the world's largest food company with over 2000 brands, operates in 191 countries globally. Its strategy in each market involves adapting to local preferences while leveraging its existing global resources. Nestlé tailors its product offerings to align with local tastes and customs, developing items that resonate with regional culinary traditions. For instance, in India, Nestlé offers Maggi noodles flavored with popular Indian spices and herbs, while in China, it provides products infused with traditional ingredients like congee and tea flavors.



REAL WORLD APPLICATION: FAILURES

The field of international marketing is littered with failures due, most often, to a lack of cultural intelligence and failures in testing the global market. Companies that fail to grasp the risks and challenges at the country level often struggle to make their mark on the global landscape (Poynton, 2023).

Let's take a look at some specific examples of expansion failures and what they failed to consider when expanding abroad.

CONSUMER BEHAVIOR

Home Depot in China (Shedd, 2019): In 2006, amid China's economic boom and burgeoning housing market, Home Depot decided to enter the Chinese market. However, the venture quickly encountered a setback as they opened 12 stores and discovered a fundamental disconnect in consumer behavior. In Chinese society, hiring labor for home renovations is often perceived as a sign of prosperity, contrasting sharply with Western attitudes where DIY is embraced for personal satisfaction and cost-effectiveness.

Home Depot's failure to recognize and adapt to these cultural nuances led to their swift exit from the market by 2012, accompanied by a substantial financial loss of US$160 million after taxes. Neglecting to grasp how cultural perceptions shape consumer preferences and behaviors can lead to significant strategic missteps, as evidenced by Home Depot's unsuccessful expansion into China.

GLOBAL BRANDING & ADVERTISING

Clairol in Germany (James, 2014): Clairol's "Mist Stick" curling iron enjoyed global popularity, yet its success did not extend to Germany due to a crucial oversight in branding. The oversight occurred because "mist" in German translates to "manure" or "excrement," making the product's name highly unappealing to the German market. This misstep illustrates a significant failure in global branding and advertising strategy, where Clairol neglected to conduct thorough linguistic and cultural research before launching the product internationally.



ADAPTATION STRATEGY

Barbie in Japan (Nikolaevich, 2023): Barbie's introduction to Japan in 1962 initially faltered due to cultural misalignment. The doll's Western beauty standards, characterized by blonde hair, blue eyes, and revealing attire, did not resonate with Japanese consumers who found these features unrealistic and unfamiliar. Atsuko Tatsumi, editor-in-chief of a Japanese toy trade paper, highlighted that Barbie's appearance clashed with Japanese ideals of beauty and cultural norms, where blonde hair was perceived as peculiar and foreign.



Despite efforts by Ruth Handler, Mattel's CEO at the time, to adapt Barbie for the Japanese market by lightening the skin tone, changing the hair color to black, and introducing a kimono, initial sales remained sluggish. The failure underscored the importance of adaptation in international marketing strategies. Recognizing the need to align with local preferences and cultural sensitivities, Mattel eventually launched collaborative efforts with Japanese companies and made further adjustments to Barbie's design.

BEST PRACTICES

Effective international marketing involves understanding consumer preferences, maintaining cultural sensitivity, conducting feedback and market testing, and remaining flexible and adaptable to ongoing changes.

These strategies collectively ensure alignment with local expectations, enhance customer satisfaction, and sustain competitiveness worldwide.

Understanding Consumer Behavior and Cultural Sensitivity

- Engage Local Experts and Consultants: Local experts provide valuable insights into consumer behavior, preferences, and cultural nuances. They help in adapting marketing strategies to align with local expectations and sensitivities (Kumar, 2024).
- Utilize Big Data and Analytics: Leverage data mining and advanced analytics to understand consumer attitudes, habits, and preferences across different markets. This helps in crafting targeted campaigns that resonate with diverse audiences (Katsikeas, 2020).
- Cultural Training: Provide cultural sensitivity training to marketing and sales teams. This ensures that promotional activities are respectful of local customs, norms, and values, thereby enhancing acceptance and engagement (Luo, 2020).
- Ethical Considerations: Respect cultural sensitivities in digital marketing and social media usage. What may be acceptable in one culture might be offensive in another, necessitating careful content curation and messaging (Kumar, 2024).

Feedback and Market Testing

- Collect Customer Feedback: Actively seek feedback from global customers to understand their preferences and improve products/services accordingly. This feedback loop helps in refining marketing strategies and enhancing customer satisfaction (Kumar, 2024).
- Market Testing: Before launching full-scale campaigns, conduct market tests in select regions to gauge consumer response, which is essential in marketing planning, estimating market demand, and sales forecasting. This strategic approach not only helps secure business by seeking to avoid major failures but also allows for adjustments based on local feedback, ensuring that campaigns are well-received and effective in diverse market environments (Korotkov, 2012).

Flexibility and Adaptability

- Adaptation to Local Conditions: Modify products, marketing messages, and business practices to align with local regulations, cultural norms, and economic conditions. This adaptation demonstrates respect for local markets and enhances market penetration (Riyanto, 2024).
- Stay Updated on Market Dynamics: Continuously monitor global market trends, consumer behaviors, and regulatory changes. Flexibility in adapting to these changes ensures sustained relevance and competitiveness in diverse markets (Kumar, 2024).

SUMMARY

To recap, international marketing is a dynamic field within the larger marketing ecosystem, and it brings with it uncontrollable elements that increase uncertainty and complexity. We opened by examining the benefits of committing resources to overseas markets. Next, we went back in time to trace the development of international trade and the emergence of multinational corporations (MNCs). Following this, we examined the three types of risk and how companies need to weigh them in order to decide whether to expand into particular overseas markets. Ultimately, this means the company has to determine if the expected return is high enough to justify capital expenditures. Understanding culture has an important role to play in international marketing because facets like language, customs and taboos, and values (among others) affect how consumers will respond to marketing efforts. After this, we looked at five different market-entry strategies and the advantages and disadvantages of each. Then, there was a discussion of how the 4ps of the marketing mix needs to be adapted to deliver success in international markets. Relatedly, we compared the relative merits of two strategies: adaptation and standardization. Last, we looked at some examples of international marketing failures that resulted from companies failing to follow some of the principles from this chapter.

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KATIE GILSTRAP, M.B.A.

Chapter 5:
Strategic Planning

"Each of the major business functions work together to achieve the goals set forth in the organizational plan. Marketing plays a key role in this collaboration by designing strategies for creating customer value, reaching business objectives, and delivering profitability for the firm."
-Katie Gilstrap, Chapter 5 Author



INTRODUCTION

Digital marketing is a fast-growing technology-driven collection of platforms, tools, skills, and content allowing companies to engage with previous, current, and prospective customers. Note the buyer behavior funnel (awareness, interest, consideration, intent, evaluation, and purchase) is still there, but the friction between stages is greatly reduced and the time interval may be almost instantaneous.

DEFINING MARKETING'S ROLE IN STRATEGIC PLANNING

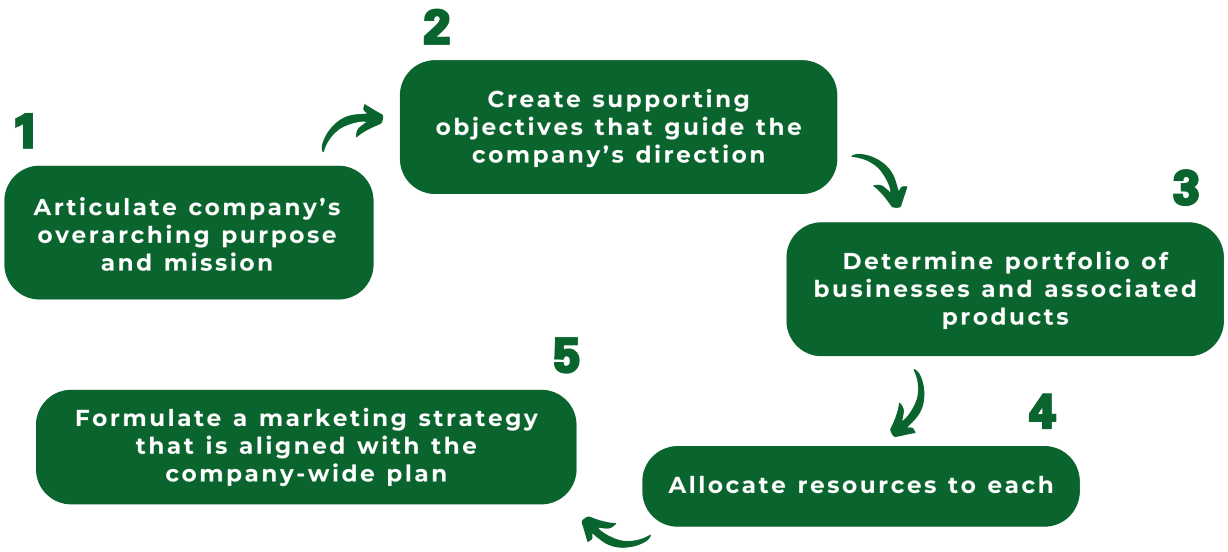
An organization's marketing activities could be compared to a concert orchestra. There are different subsections (woodwinds, brass, string, and percussion) that all play different parts, but ultimately work towards delivering the same result (playing the piece of music how it ought to be). In our analogy, the conductor of the orchestra would represent strategic planning. This role is all about looking at the big picture, keeping everyone in sync, and directing the various different players in the collective toward the outcome everyone is striving for.

When there's a good conductor, the orchestra operates like a well-oiled machine and produces music greater than any of the sections could do if they were simply playing on their own. In the same way, strategic planning ensures that a company's marketing efforts all work together to deliver the desired results.

Strategic planning lays the groundwork for all subsequent planning initiatives in an organization. The company initiates the strategic planning process at the corporate level by articulating its overarching purpose and mission. This is translated into comprehensive supporting objectives that guide the company's direction. Following this, the company determines its portfolio of businesses and associated products, as well as the allocation of resources to each. Then each business line formulates a detailed marketing strategy that is aligned with the company-wide plan. Therefore, marketing planning operates across business lines, products, and markets, supporting company strategic planning with more detailed plans developed for specific marketing opportunities.



Strategic Planning Process



MARKET-ORIENTED MISSION

Developing a solid mission answers the questions: What is our reason for being? What value do we create for customers? It is important that the mission statement is market oriented—meaning that rather than describing the company in product or technical terms, it is defined in terms of how the company creates value for the customer. This is because products and technologies eventually become outdated, but the market need and value created endure. Google has developed a strong market-oriented mission. Rather than talking about being a search engine, web browser, mail system, or mapping service, the company defines its mission as "To organize the world's information and make it universally accessible."

We are a search engine, browser, mail system, and mapping service.

Google's mission: not market-oriented

Our mission is to organize the world's information and make it universally accessible.

Google's mission: market-oriented

It is important to remember that a company's mission statement should also not be stated as "to earn more sales or profits." Financial rewards only come as a result of creating value for customers. The mission should instead focus on customers and the customer value the company strives to create.

SETTING GOALS AND OBJECTIVES

The company must translate its market-oriented mission into actionable supporting objectives. Each manager should have objectives and be held accountable for achieving them. Marketing strategies and initiatives must be developed to support these objectives. For instance, Yeti's mission statement is "To ensure that each Yeti product delivers exceptional performance and durability in any environment." This mission could generate objectives to diversify its product lines, enhance product availability and promotional activities in existing markets, and venture into new markets. Then, each of these broad marketing objectives need strategies and



implementation plans which would be defined in greater, actionable detail. For instance, expanding Yeti's promotional efforts may require increased advertising and public relations activities—which would need to be precisely defined and outlined. This process illustrates how Yeti's mission is transformed into a cohesive set of marketing objectives.

DESIGNING A BUSINESS PORTFOLIO

Led by the company's mission statement and objectives, management now must design its **business**

portfolio, which is the combination of the business lines and product offerings. As an example, Yeti's business portfolio includes coolers, drinkware, bags, and outdoor accessories.

Business portfolio planning involves two steps: first, analyzing the current business portfolio and determining the appropriate level of investment for each business line, and second, developing the future portfolio by developing strategies for either growth or downsizing.

ANALYZING THE CURRENT BUSINESS PORTFOLIOS

The primary focus of strategic planning lies in the analysis of the business portfolio. This involves the management of a company assessing the its products and business lines, with the aim of allocating resources to the most profitable ventures while phasing out or discontinuing weaker ones.

Initially, management identifies the key businesses, known as **strategic business units (SBUs)**, which may include individual business lines, product lines, or brands. Subsequently, the company evaluates the attractiveness of each SBU and determines the appropriate level of investment for each.

The objective of strategic planning is to leverage the company's strengths to capitalize on market opportunities effectively. Consequently, many portfolio analysis methods evaluate SBUs based on two specific dimensions: first, the attractiveness of the SBU's market or industry, and second, the SBU's market position strength. One of the most recognized portfolio-planning methods was developed by the Boston Consulting Group.

INTRODUCTION TO THE BOSTON CONSULTING GROUP GROWTH-SHARE MATRIX

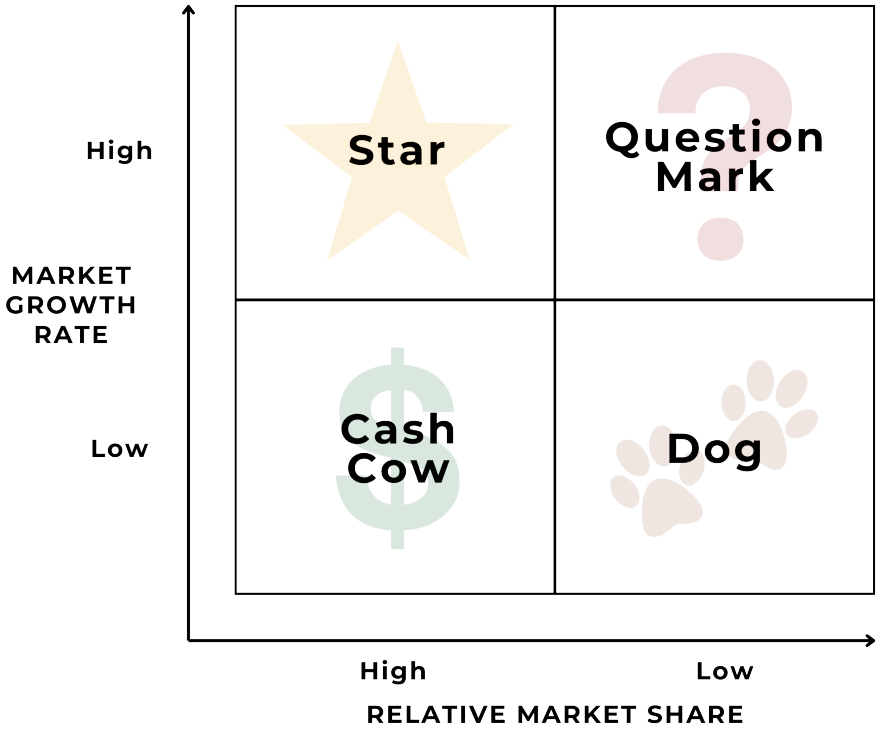
The **BCG Growth-Share Matrix** categorizes a company's products or business units into four quadrants based on two key dimensions: market growth rate and relative market share. **Market growth rate** refers to the rate at which the overall market for a product or service is expanding, while **relative market share** measures a company's market share compared to its competitors.

Let's take a look at the four quadrants of the BCG Growth-Share Matrix:

1. **Stars**: Products or business units with high market share in high-growth markets are classified as stars. These are considered to be the growth engines of a company. Stars typically require significant investment to maintain their growth trajectory and solidify their market position.
2. **Question Marks**: Question Marks are products or business units with low market share in markets experiencing rapid growth. While they operate in attractive markets, they face fierce competition and struggle to gain significant market share. Question marks require careful consideration and investment to determine whether they have the potential to become stars or should be divested.
3. **Cash Cows**: Cash Cows are products or business units with high market share in markets that are stable or that are experiencing limited growth. These established offerings generate substantial cash flow for the company but have limited growth potential. Cash Cows are typically mature and require minimal investment to maintain their market position, allowing the company to harvest profits.

4. **Dogs**: Dogs represent products or business units with low market share in low-growth markets. These offerings have limited growth prospects and typically generate little or no profit. Dogs may drain resources from more promising ventures and may need to be divested or phased out.

BCG Growth-Share Matrix



The BCG Growth-Share Matrix provides valuable insights for strategic decision-making by helping companies allocate resources effectively across their portfolio. It guides managers in determining where to invest, divest, or maintain their efforts based on the growth potential and market position of each product or business unit.

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DEVELOPING STRATEGIES FOR GROWTH AND CONTRACTION

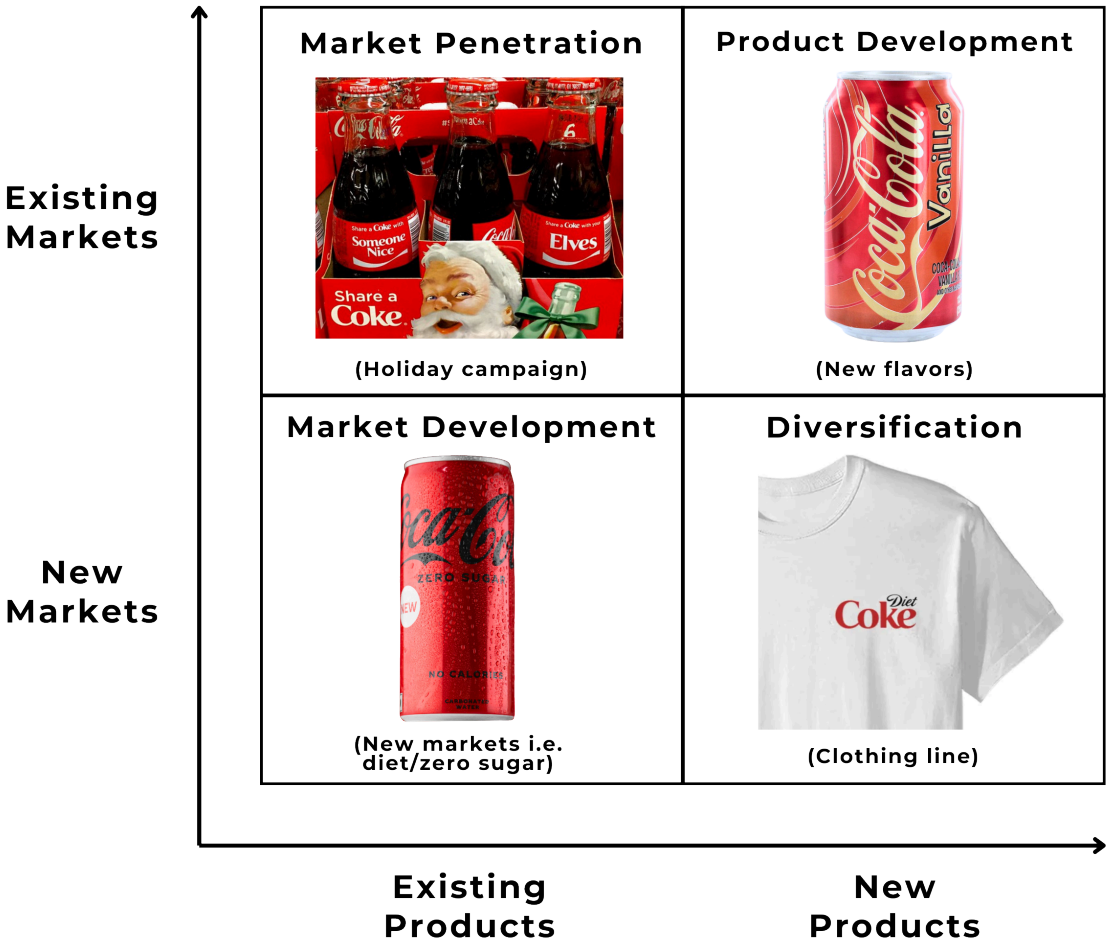
In addition to assessing existing businesses, crafting the business portfolio involves identifying potential

businesses and products that the company should explore in the future. Growth is imperative for companies seeking enhanced competitiveness, stakeholder satisfaction, and the attraction of top talent. However, it is essential for firms to avoid making growth itself an objective. Instead, the primary objective should be to achieve profitable growth.

One useful tool for identifying growth opportunities is the product/market expansion grid, also known as the **Ansoff Matrix**. Developed by Igor Ansoff in the 1950s, this matrix provides a framework for analyzing options for growth by considering both existing and new products and markets.

1. **Market Penetration**: Market penetration involves increasing market share for existing products in existing markets. This strategy often involves aggressive marketing campaigns, product improvements, and pricing strategies. Market penetration is particularly beneficial when there is untapped potential within the current market segment or when competitors can be outperformed.
2. **Product Development**: Product development focuses on introducing new products to existing markets. This strategy leverages existing customer bases and distribution channels to introduce innovations, extensions, or improvements to current product lines. Product development is driven by consumer demand for enhanced features, functionalities, or customization options, aiming to capture additional market share and strengthen customer loyalty.
3. **Market Development**: Market development involves entering new markets with existing products. This strategy involves expanding into new geographic regions or demographic segments. Market development requires market research, adaptation of marketing strategies to local preferences, and it also may involve partnerships or alliances to facilitate market entry and establish brand presence in new areas.
4. **Diversification**: Diversification is the most ambitious growth strategy, involving the introduction of new products to new markets. This strategy carries higher risks due to the unfamiliarity of both the product and the market. Diversification can be either related, where the new product or market has some connection to the existing business, or unrelated, where it represents a significant departure from the core business. Successful diversification requires thorough market analysis, strategic planning, and risk management to ensure alignment with organizational capabilities and objectives.

Ansoff Matrix



The product/market expansion matrix serves as a strategic roadmap for businesses to evaluate growth opportunities and prioritize resource allocation. By assessing the potential risks and rewards associated with each growth strategy, companies can make informed decisions to capitalize on market opportunities, expand their customer base, and enhance their competitive position.

MARKETING STRATEGY AND THE MARKETING MIX

Now that we have provided context in terms of organizational strategy, let's examine customer-driven marketing strategies and programs. The strategic plan outlines the company's overall mission and objectives. Marketing's contribution to that is to help answer two key questions: first, which customers will we serve (segmentation and targeting), and second, how will we create value for them (differentiation and positioning)? From there, a marketing strategy that delivers the intended value to the targeted customers will be developed.

Segmenting

The market is filled with different types of customers, products, and needs. Marketers must determine which segments offer the most promise. Consumers can be grouped based on geographic, demographic, psychographic, and behavioral characteristics. **Segmentation** is the process of dividing the market into distinct groups of buyers with different needs or characteristics and who might therefore need different products or respond differently to various marketing methods.

There are segments in every market, but not all ways of categorizing them are equally helpful. For example, Crest toothpaste wouldn't gain much by separating users into high-income and low-income groups if both groups respond the same way to marketing efforts.

A market segment includes customers who respond similarly to particular marketing strategies. Take the hotel industry, for example. One segment prefers spacious and luxurious rooms, regardless of price, while another prioritizes affordability. Designing a hotel room that would be the top choices for both segments would be difficult. Therefore, companies are wise to focus on meeting the distinct needs of individual market segments.

Targeting

Once a company has identified its market segments, it can decide to enter one or more of them. **Targeting** involves assessing the appeal of each segment and choosing the most promising ones to pursue. Companies should aim for segments that can consistently deliver substantial customer value and maintain profitability over time. You will learn more about targeting strategies in Chapter 7 – Segmentation, Targeting, and Positioning.

Differentiation and Positioning

After a company determines which market segments to pursue, it must determine how to differentiate its market offering for each targeted segment and what positions it wants to take in those segments. A product's **position** is the place it occupies in the targeted consumers' minds, relative to the competition. Marketers strive to create unique market positions for their products because if their product is perceived to be the same as others on the market, consumers would have no reason to buy it.

When positioning its brand, a company begins by identifying potential customer value distinctions that can serve as competitive advantages to establish its position. A company can enhance customer value by either offering lower prices compared to competitors or providing additional benefits to justify higher prices. However, if the company promises greater value, it must deliver on that promise. Therefore, effective positioning starts with **differentiation**—actually setting the company's market offering apart to provide consumers with more value. Once the company has selected its desired position, it must take decisive actions to deliver and communicate that position to target consumers. The company's entire marketing program should align with the chosen positioning strategy.

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DEVELOPING AN INTEGRATED MARKETING MIX WITH THE 4 P's

Once the company has defined its overall marketing strategy, it moves on to planning the specifics of the marketing mix, that is, the 4Ps. The marketing mix encompasses a set of tactical tools that the firm combines to achieve its desired response from the target market.

- Product refers to the combination of goods, services, and ideas that the company provides to the target market. Therefore, a Ford Bronco consists of an engine, a muffler, screws, and many other parts. Ford offers several Bronco models and a wide variety of optional features. The vehicle also comes with a warranty that is as much a part of the overall product offering as is the windshield.
- Price represents the amount (e.g., money) given up in the exchange to receive the product offering. For example, Ford sets suggested retail prices for its Bronco models, but dealers often negotiate with customers, offering discounts, trade-in allowances, and credit terms. These adjustments reflect current competition and economic conditions, aligning prices with the buyer's perception of the vehicle's value.
- Place refers to the company's activities that ensure the product is available to target consumers. For example, Ford partners with a network of independently owned dealerships to sell its various models. Ford selects its dealerships carefully and provides strong support. These dealerships keep an inventory of Ford vehicles, demonstrate them to potential buyers, negotiate prices, complete sales, and provide post-sale service for the cars.
- Promotion involves the activities that highlight the product's benefits and encourage target customers to make a purchase. Ford invests approximately $1.5 billion in U.S. advertising to inform consumers about its brand and products. Salespeople at Ford dealerships assist potential buyers and persuade them that Ford vehicles are the best choice. Ford and its dealerships offer special promotions like sales, cash rebates, and low financing rates to entice purchases. Additionally, Ford actively engages consumers through social media platforms to foster brand connection and interaction with fellow Ford enthusiasts.

A successful marketing program integrates the elements of the marketing mix to create a cohesive strategy aimed at achieving the company's objectives by delivering value to its key consumers. The marketing mix serves as the company's tactical toolkit for establishing meaningful positions within target markets.

MANAGING THE MARKETING EFFORT

In addition to excelling in marketing, companies must also focus on effective overall management of the marketing function. Managing the marketing process involves performing four key functions: analysis, planning, implementation, and control. Initially, the company develops company-wide strategic plans and then translates them into marketing plans and other plans for each division, product, and brand. During

implementation, the company puts plans into action, while control involves measuring and evaluating the outcomes of marketing activities and making necessary adjustments. Finally, marketing analysis provides essential information and assessments for all other marketing activities.

MARKETING ANALYSIS

Managing the marketing function starts with a thorough analysis of the company's situation. Marketers should conduct a **SWOT analysis**, evaluating the company's strengths (S), weaknesses (W), opportunities (O), and threats (T). **Strengths** are internal capabilities and resources that enable the company to serve its customers and achieve its objectives. **Weaknesses** are internal limitations that may hinder the company's performance. **Opportunities** refer to favorable external factors or trends in the external environment. **Threats** encompass unfavorable external factors or trends that may pose challenges. Let's imagine we're doing a SWOT analysis for a small business, "Backcountry Toes," that makes merino wool hiking socks. Strengths for BT are that they have access to the highest quality wool and they offer socks with a variety of different colors and designs. A weakness is that they haven't been able to get products into R.E.I. yet, and are overly reliant on sales through their own webstore. An opportunity for BT is expanding their business into other merino wool products like beanies and scarves, due to the growing popularity of the material among consumers. Last, a threat is a trend among their competitors to move their production overseas, allowing them to offer lower retail prices and threaten BT's position as a "value" option for hiking socks.

SWOT Analysis for Backcountry Toes



MARKETING PLANNING

Through strategic planning, the company determines its objectives for each business unit. **Marketing planning** involves selecting strategies that align with the company's overarching strategic goals. A comprehensive marketing plan is essential for each business, product, or brand within the organization.

The plan begins with an executive summary, offering a concise overview of key insights, goals, and recommendations. The primary section of the plan provides an in-depth SWOT analysis of the current marketing situation, highlighting assessments developed from evaluating the four SWOT elements. Subsequently, the plan articulates objectives for the brand and outlines a marketing strategy designed to accomplish them.

A **marketing strategy** includes specific plans for target markets, positioning, the marketing mix, and budgeting. It explains how the company aims to create value for customers and capture value in return. In this section, the planner describes how each strategy addresses earlier identified threats, opportunities, and critical issues. Additional sections outline an action plan for implementing the marketing strategy and detail the

supporting budget. The final section describes the controls to monitor progress, measure return on investment, and make adjustments.

MARKETING IMPLEMENTATION

Creating effective strategies is just the beginning of successful planning. Even the most brilliant marketing strategy is of little value if the company doesn't implement it properly. **Marketing implementation** is the process that translates marketing plans into actions to achieve strategic marketing objectives. While marketing planning focuses on the what and why of marketing activities, implementation tackles the who, where, when, and how.

MARKETING CONTROL

Marketing control is essential for overseeing and optimizing marketing activities within a company. It involves systematically assessing marketing strategies and plans to ensure they meet overall business goals. Through marketing control, organizations monitor the performance of their marketing efforts, detect deviations from expected outcomes, and take corrective measures as necessary. This process enables companies to adapt to market changes, seize opportunities, and address challenges effectively. By implementing marketing control mechanisms, businesses can enhance accountability, improve marketing performance, and ultimately achieve sustainable growth and competitive advantage.

SUMMARY

We began the chapter by discussing how strategic planning acts as a foundation for future planning activities in an organization. Relatedly, the concept of developing a market-oriented mission answers fundamental questions for businesses. A company must translate its mission, however, into concrete, actionable objectives. Together, a company's mission and objectives are what guide decisions about the business portfolio. Further, the BCG Growth Matrix is a source of strategic insights, and the Ansoff Matrix helps identify growth opportunities. Segmentation is the process of dividing consumers into groups based upon characteristics, and targeting is how a company identifies the segment they want to reach. Then, they must decide how to differentiate their product for each targeted segment and what positions they want to take in those segments. After a company has developed a marketing strategy, the 4Ps of the marketing mix (product, place, price, promotion) must be decided upon. Last, managing the marketing process consists of four functions: analysis, which involves doing a SWOT analysis; planning, or selecting strategies that align with the company's overarching strategic goals; implementation, the process that translates marketing plans into actions to achieve strategic marketing objectives; and control, which is assessing marketing strategies to ensure they meet business goals.

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CESAR ZAMUDIO, PH.D.

Chapter 6:
Marketing Research

"Conducting marketing activities without research often spells failure, because you will not know enough about consumers to serve them with ideal product and service offerings, ads, and so on. This is true whether for a large organization, a food truck, or your personal side hustle."

-Cesar Zamudio, Ph.D., Chapter 6 Author



INTRODUCTION

Picture yourself in the near future. As a young marketing executive, your reputation precedes you. You have been called by a friend—a local entrepreneur who aims to open a restaurant in the hotly competitive Richmond market. Your task? Determine whether the restaurant should be opened (or not!) and which cuisine it should serve. What would you do?

Don't panic. Remember your training! You're a marketer. And as Marty Neumeier, author of The Brand Gap puts it, "It's not about what you think. It's about what they think." Therefore, as a marketer, your first instinct should always be to ask consumers! You might choose to distribute a survey to the local Richmond community to find out more about their restaurant interests. Potentially, you could also consider assembling a group of customers and asking them to discuss their favorite and not-so-favorite restaurants. Others might choose to gather and read reports from the Virginia restaurant industry to gain a broad knowledge of restaurant competition. A few might even suggest scraping reviews from Yelp.com or comments from social media platforms and immersing themselves in the online chatter of the Richmond restaurant scene.

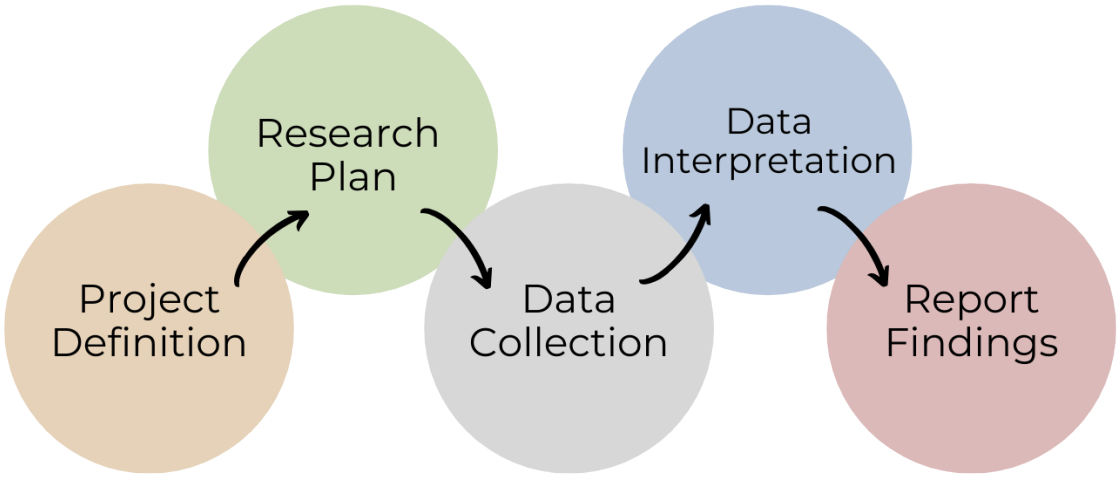
What do you think of the above approaches? Are they right? Wrong? Consider this question for a moment.

In truth, all of the above approaches are valid and complementary. They are all methods savvy marketers should use to accomplish the same fundamental goal—to listen to the voice of the consumer by gathering information from a variety of sources. Marketing researchers, as one author puts it, are akin to "information detectives."

Why is it important for marketers to have such information? To put it simply, consumer information is a competitive advantage that adds value to companies. If your company knows about consumer preferences, interests, and values, and your competitors don't, the likelihood that you will succeed in competing against them increases. For example, if you are a baseball mitt company, finding out that baseball players now desire gloves that are solid-colored and built with "H-Web" webbing will put you at an advantage over your competitors. Of course, this is not a guarantee, but when it comes to making serious, potentially multi-million dollar business decisions that can impact your life as well as that of your colleagues and employees, a little insurance goes a long way.

Marketing research is the process of gathering information to learn about the voice of the consumer. Luckily for us, it is a rather formal process, and we can rely on the steps of this process to orient us as we go along.

The Marketing Research Process



As you can see, the marketing research process is vast. As such, we will only scratch its surface by discussing some of the key concepts and activities marketing researchers engage in. Particularly, when it comes to investigation, we often think of sources and methods—we will discuss these next as they relate to consumer information.

QUALITATIVE AND QUANTITATIVE MARKETING RESEARCH METHODS

To gather information, marketing researchers rely on a myriad of different and complementary methods. These methods always rely on consumer information as input (whether from in-person conversations, surveys, online reviews, industry reports, or other sources), but their outputs can be very different. Let's briefly introduce three common methods that marketing researchers employ.

- A **focus group** is a method in which a discussion leader guides a group of consumers in a discussion of a specific topic, such as their opinion on a new product or service. In contrast, in an **in-depth interview**, an interviewer questions one consumer at a time. In focus groups—in which generally 8 to 12 consumers

participate at the same time—the emphasis is on allowing consumers to discuss amongst themselves, which can reveal information that may otherwise not be gathered. During in-depth interviews, on the other hand, emphasis is placed on privacy, and therefore this is an ideal method for sensitive topics such as consumers' sexuality or personal experiences—in a group environment, consumers might be unwilling to disclose such information.



In-depth interview



Focus group

In either method, the discussion leader relies on a **discussion guide**: a predetermined set of questions that helps the leader steer the discussion to uncover the information the company needs. Questions are generally **open-ended questions**: questions which do not have predefined answers, and which consumers can answer by freely giving their thoughts. As you might imagine, these two methods are rather time-consuming, and the total number of consumers that the marketing researcher interviews (also known as a **sample**) is somewhat small. Whether one relies on focus groups or interviews, their output is essentially the same: video recordings, audio recordings, and transcripts, which marketing researchers then analyze to identify major themes mentioned by consumers.

- A **survey** is a series of questions, structured in the form of a physical or electronic document (also called

instrument), that marketing researchers distribute to consumer respondents. When deploying a survey, the marketing researcher seldom interacts with consumers. Instead, consumers fill out the survey instrument with pen-and-paper, a computer, or tablet. Surveys rely heavily on **closed-ended questions**: questions with a preconstructed set of choices that respondents must select from to represent their opinions. Surveys can be cheaply and quickly deployed to hundreds of respondents across geographic regions—hence, the total sample for a survey is generally large, in the three-digit range. The output of a survey is a structured dataset, in matrix form (you can visualize this in your mind as a very large table or Excel spreadsheet), where each row represents one consumer survey, and each column contains consumers' responses to each question or item. Marketing researchers statistically analyze all of these responses simultaneously to describe consumers—for example, their average interest in the Virginia Museum of Fine Arts, or the typical dollar amount they might be willing to pay for a can of Starbucks Doubleshot.



A coffee shop asks customers to rate their service from 1-5 stars



The coffee shop uses this data to train their employees

These are only three methods, with an enormous variety left for you to explore in your MKTG-310 Marketing Research course—and beyond! However, to make sense of all these methods, marketing researchers have conceptualized a useful way to distinguish methods based on their output—namely, whether they generate qualitative and quantitative data.

Qualitative data is data that cannot be statistically analyzed. It is generally smaller in size and consists of audio, video, and transcripts. As its name implies, qualitative data speaks to qualities that hard numbers might not be able to capture—consumers describing their emotions, interests, and opinions in a personal way. This richness is what distinguishes qualitative data, and why it is so valuable. However, qualitative data takes longer to collect, and its fickle, small-size nature means that researchers should not generalize findings using this data to the broader consumer population. Beyond what we discussed, many other methods exist, such as **ethnography**, a method in which a researcher immerses themselves in the daily lives of consumers and their

communities to learn about them, or **netnography**, which is ethnography in the context of the Internet and social media.

On the other hand, **quantitative data** is data that can be statistically analyzed. It is generally much larger in size and consists of data in matrix form. As its name suggests, quantitative data deals with quantities—numbers that, because they come from many consumers, can be analyzed statistically. This means marketers might potentially draw conclusions and generalize some of their findings using this data to the consumer population. By its very nature, consisting of data that arises from closed-ended questions or measurements, however, quantitative data does not allow the richness one might find in qualitative data. While survey research is the primary method that generates quantitative data, other methods exist, such as laboratory and field experiments.

Test your knowledge of quantitative vs. qualitative data by dragging the slider to the left.

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PRIMARY AND SECONDARY MARKETING RESEARCH DATA SOURCES

The methods we have discussed so far are like tools—they allow us to collect consumer information in one,

very specific, manner, which can produce qualitative or quantitative data as a result. However, as marketing researchers, there is another very useful way to conceptualize how consumer information is gathered. Instead of thinking about methods (qualitative, quantitative) we can also think about sources: the persons, places, or resources from which we gather such information. Below, we briefly discuss some of these sources of information, and will then discuss two general approaches to understand them.

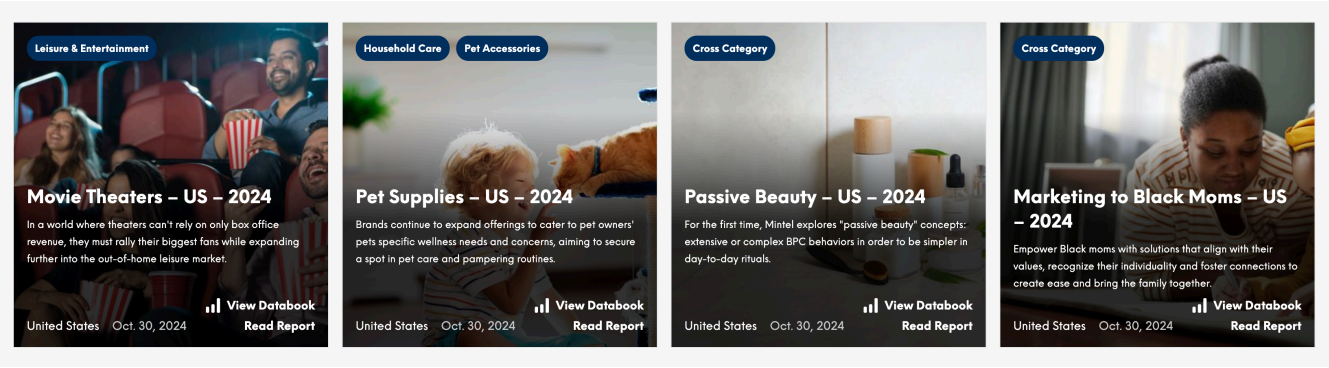
- **Database marketing** is a method in which researchers tap into a company's existing customer database, and "mine" that data using various sophisticated statistical methods to detect patterns and insights that the company might find useful (very large databases of customer information are referred to as **big data**). Crucially, because database marketing relies on data that already exists in a company, marketing researchers gain the convenience of having data ready to study; on the downside, this data is not entirely customized, and so insights will be limited to the data at hand.
- Industry reports are a common source employed by marketing researchers. **Industry reports** are publications, released periodically and programmatically by authoritative sources, which contain information about a certain topic of interest to the marketing researcher. For example, the American Customer Satisfaction Index (ACSI) releases reports detailing the current customer satisfaction outlook of multiple industries, such as the automotive industry (the process of generating reports summarizing multiple industries, consumers, regions, and so forth, is known as **data aggregation**). The ACSI releases their reports periodically (because such reports are generally released every quarter) and programmatically (because these reports continue to be released over time); hence, the ACSI allows marketing researchers to conveniently access customer satisfaction information on an industry of their choice, and gain a historical view.

Note that, with the advent of the Internet, authoritative industrial report sources, such as Mintel, IBISWorld, or Passport (these three databases are available for free at the VCU Library!) release large periodic reports as well as a considerable variety of smaller reports that deal with current topics. As with big data, note that industry reports offer quick, often critical, insights, but they are not customized to a given researcher's needs.

Check out a real life example of a report!

Go to the VCU Library A-Z Database list!

Type in the search bar "Mintel"



Examples of reports available on Mintel

Sources such as the above, in which the data used by the marketing researcher already exists, are known as **secondary data sources**.

Many others, such as online reviews and social media chatter, exist. In contrast, **primary data sources** are those sources in which the data is generated by the marketing researcher. It is fresh and new to the world. Think about some of the methods we discussed above: whether focus groups, interviews, or surveys, all of these methods rely on an original discussion guide or survey instrument created by the researcher—hence, the responses given are entirely new. As you might guess, relative to secondary data, the advantages and disadvantages of primary data are polar opposites: for primary data, data takes longer to collect, but the insights are customized to the researcher's needs.

Test your knowledge of primary vs. secondary sources by dragging the slider to the left.

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Now, it's important for a final word about sampling. Before we move on, we need to briefly stop and realize that all the wonderful data discussed so far does not exist in a vacuum. Rather, it is actively gathered by marketing professionals. When the data is secondary (for example, for database marketing) the data is automatically gathered. However, when primary data is concerned, **sampling**, that is, the process of determining the subset of respondents, from within a larger population, that will be the target for data collection, is worth discussing.

But first, let's imagine that you are interested in opening a pizza restaurant in downtown Richmond, specifically around VCU's Monroe Park campus. If you have been paying attention, the immediate, and first step would be to conduct research! For example, you might want to deploy a survey in the area, or interview potential customers in person. So, where would you start?

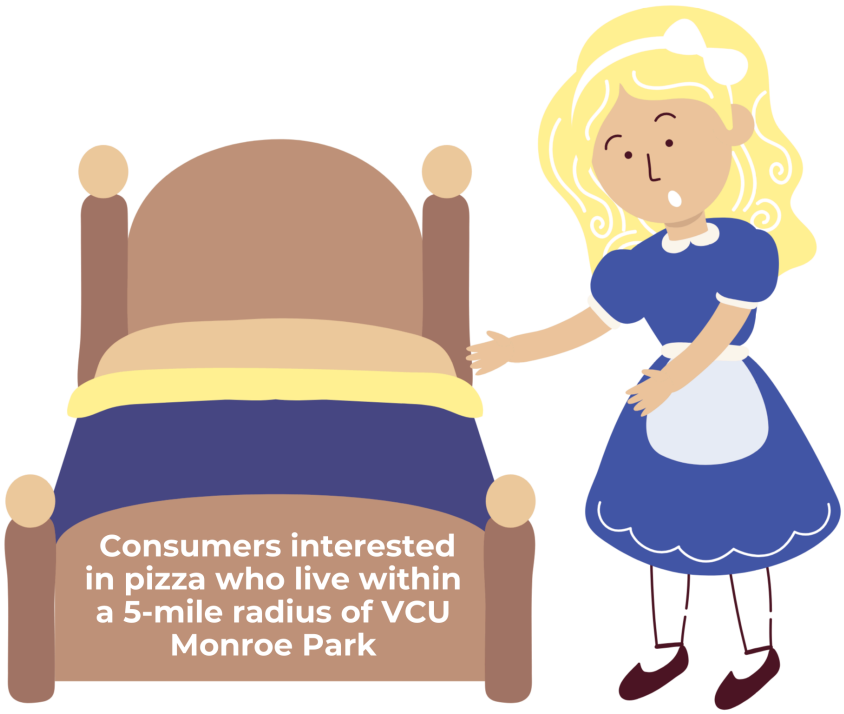
The very first step would be to identify the **population**: all of the potential customers you are interested in investigating. This sounds very scientific (and it is!) but it also requires some business acumen. For example, if you define your population as "everyone in Virginia", you'd likely hear from folks who will never even be in the vicinity of your new pizzeria. Conversely, if you define your population as "everyone that studies at VCU Monroe Park," you would fail to hear the thoughts of a lot of potential customers that either are not students, or do not live that close to the new pizzeria but might still feasibly come and dine with you frequently. Therefore, in this step, we have to wear our scientists' lab coat and our Monopoly man's hat at the same time. In this case, for instance, you might want to define the population as: "Consumers interested in pizza who live within a 5-mile radius of VCU Monroe Park". Here, the good old Goldilocks principle is always best: not too close, not too far.



Too big!



Too small!



Just right.

Of course, we cannot interview or survey everyone in the population (which is known as a **census**)—instead, we will target only some population members. As we mentioned, the process of determining the subset of respondents, from within a larger population, that will be the target for data collection, is known as sampling. Continuing with our example, supposing that 5,000 potential consumers constitute the population of interest, we might end up "sampling" (that is, recording responses from) 250 respondents. Is this a lot? Is this a little? That is a question that statisticians have a lot to say about, and as you learn more about marketing research, you will familiarize yourself with tools that can allow you to determine what is the minimum sample size needed to achieve your research goals. However, samples of a couple of hundred respondents can be surprisingly accurate. In a nutshell, responses from our survey, coupled with statistical models, allow us to conduct **statistical inference**: the process of learning about characteristics of the population of interest using only a sample and statistical methods. For instance, a small, 250-respondent survey might allow you to measure respondents' likelihood to visit your pizzeria, their attitude towards different draft logos, and their preference for various toppings, quite reliably! That is the power of statistics.

Between defining the population, and actually sampling the population, however, there is an important step, which is the use of a sample frame. A **sample frame** is a list or database that researchers use to select who will be sampled. For example, you might have access to a paid email list of a good chunk of people who live in downtown Richmond, or a comprehensive list of large social media groups you could tap into. While all of these sampling frames have advantages and disadvantages, they constitute a more concise list from where respondents might be drawn. And that drawing comes in two flavors.

- **Non-probabilistic sampling** is an approach in which you do not select from the sampling frame at random. You might not have a sampling frame at all! For example, when deploying surveys that are conducted on a particular site (known as **intercept surveys**) the researcher and his or her team will seek

responses from anyone in the vicinity. When conducting interviews on a sensitive topic, such as gender attitudes, a **snowball sampling** method, in which each respondent is encouraged to provide a list of "informants" that the researcher can target next, is also non-probabilistic. Finally, a sample in which whomever was available was selected is known as a **convenience sample**. While non-probabilistic sampling tends to be much easier, the biggest drawback is that non-probabilistic samples cannot be used to conduct statistical inference! Hence, such sampling method is best left for exploring a given topic, rather than seeking hard evidence or confirmation of a certain research question.

- In contrast, **probabilistic sampling** is an approach in which the selection of members of the sampling frame to be included in your sample is random, which allows statistical inference to be performed. The biggest advantage is generalizability—a truly random sample will allow you to extrapolate (with a certain degree of confidence) the findings from your survey to the entire population.

SUMMARY

In summary, the chapter began by discussing broadly why marketing research plays a crucial role in giving companies a competitive advantage over rival businesses. Immediately after, we dove into the differences between quantitative and qualitative data, as well as the advantages and disadvantages of each. Next, the types of information sources used by marketing researchers were covered. Finally, sampling was explained, in addition to the strengths and weaknesses of probabilistic and non-probabilistic sampling.

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CESAR ZAMUDIO, PH.D.

* Chapter 7:

Segmentation, Targeting, and Positioning

"Since we all have different points of view, wants, needs, and aspirations, serving everyone is never possible. Understanding how to be efficient when targeting who to serve will help you launch successful products and services — even on a tight budget."

-Cesar Zamudio, Ph.D., Chapter 7 Author



INTRODUCTION

You might be surprised, but a common assumption among entrepreneurs, executives, and ordinary people is that some products are meant "for everyone." But is that true? Think, for a moment, about a bottle of Dasani purified water. Would everyone want to buy such a bottle? Not really. Some might carry their own refillable bottle; others might prefer to drink soft drinks throughout the day; and some might be comfortable with tap water. This underscores one of the fundamental questions we face every day as marketers: who should our company serve? While, in the words of Bob Dylan, "You gotta serve somebody," we cannot serve everyone, and some would not even want to be served by us!

Dasani water is for everyone, right?



Not soda sippers



Not reusable water bottle lovers



Not tap water drinkers

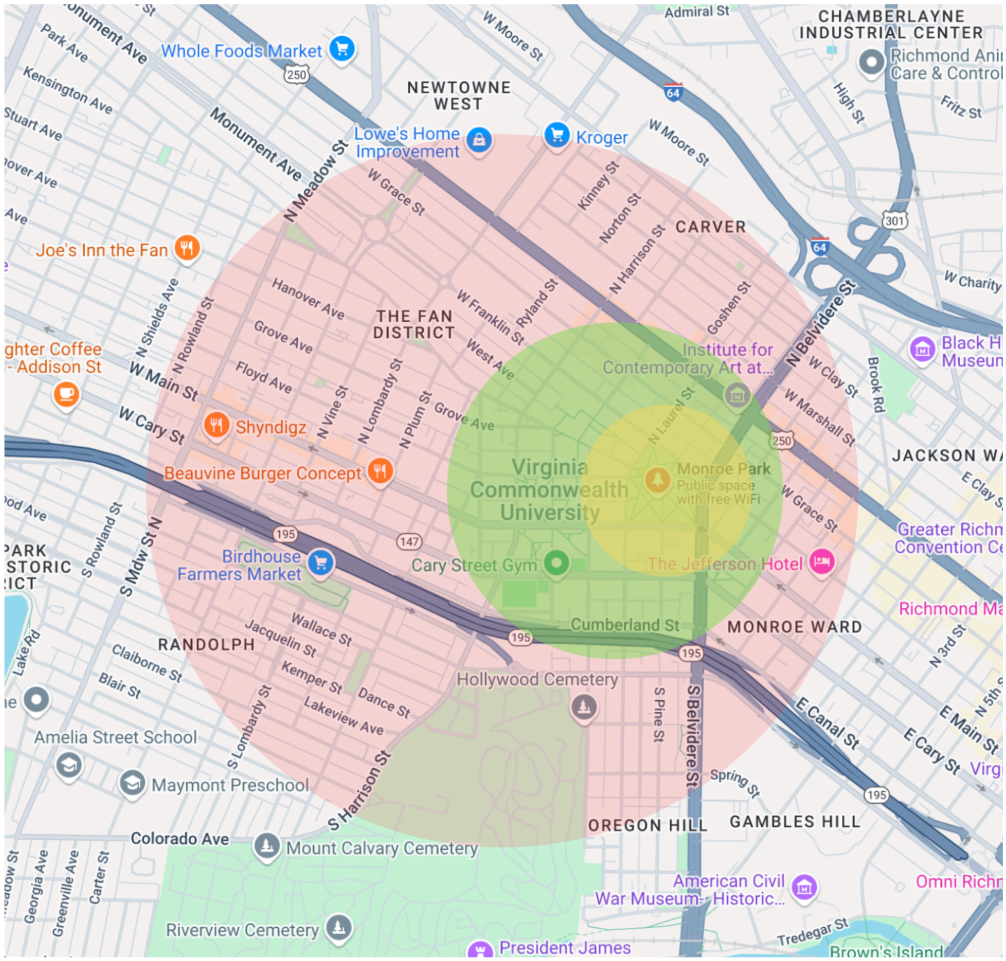


Fortunately, marketers have a powerful conceptual toolbox to address this challenge, known as the STP framework. **STP** stands for Segmentation, Targeting, and Positioning, and is the systematic process by which we identify various unique groups (known as segments) of customers the company might serve, identify the most attractive groups, and develop a unique offering (that is, a mix of 4Ps) that resonates with each group attractive enough to serve. In this chapter, we will discuss each part of the STP framework.

THE MARKETING SEGMENTATION PROCESS

Defining the Reachable Market

Before defining what market segmentation is, we must first understand what a market is. Imagine that you are interested in opening a streetwear store to serve the VCU community. Now, drop a pin right on top of Monroe Park. What would be the right radius around which the store should be?



As the three circles above illustrate, a very small radius (A) might allow more precision, but the store would likely "leave money on the table" by failing to serve more consumers—it is too narrow. On the other hand, a very large radius (C) might overstretch the store's resources—imagine having to advertise and distribute promotional materials in such a large area! A medium radius (B) would most likely strike a good balance among the three options. This radius would delineate the store's market, defined as the total number of consumers that an organization could potentially serve. This is sometimes referred to as an **addressable market** in the context of digital marketing.

However, note that within this market, some consumers would simply not be reachable. For instance, according to PwC strategy&, musicians are most credible when associated with a streetwear brand, and so one might want to locate a store relatively close to a city's vibrant music scene, with locations farther away potentially containing fewer streetwear consumers, and thus being potentially less attractive. At the same time, as alluded to earlier, it might be too costly to promote the store in farther locations. Therefore, this initial market assessment can be adjusted to define a **reachable market**—the total number of consumers the store could

potentially reach and serve feasibly. Defining this reachable market is the first step in the segmentation process, so marketers can later "slice and dice it" to identify valuable consumer groups the company might serve.

Slicing and Dicing with Bases of Segmentation

To recall from Chapter 5 – Strategic Planning, market segmentation is the process of dividing the market into distinct groups of buyers with different needs or characteristics and who might therefore need different products or respond differently to various marketing methods These different groups are known as **market segments** (or simply segments). The groups, furthermore, must satisfy the **MECE (mutually exclusive and collectively exhaustive) rule**: a condition by which every potential consumer in the market must belong to a group, and only one group.



For instance, Uber, the ride-hailing service app, launched Uber Pro, a loyalty program that aimed to "offer competitive perks" for Uber drivers. By completing trips and delivering superior service, Uber drivers can qualify for Blue, Gold, and Platinum tiers, offering an increasingly attractive array of benefits such as gas cashback. Uber drivers are Uber's main **internal customer**: an individual or group that is associated within the organization, and which the organization serves. As such, Uber can use the three Uber Pro tiers as different segments of customers they may serve. Because a driver may only be classified within the Blue, Gold, or Platinum tier at one time, the Uber Pro segments satisfy the MECE rule.

In the above example, Uber has segmented its drivers according to the very specific criterion of "Uber Pro status". In marketing, a myriad such specific criteria exist. Therefore, marketers usually think along the lines of **bases of segmentation**: a set of general criteria that marketers can use to segment a market, which can later be defined more specifically. There is a wide range of bases of segmentation. Crucially, depending on which base is used, an entirely **segmentation solution**—defined as a unique configuration of groups emerging by applying one base of segmentation to a given market—will emerge. Let's outline some of the most important bases of segmentation.

- **Geography**: The geography base of segmentation requires segmenting the market on the basis of a geographic region. These can be predetermined (for example, using the fifty states of the U.S.), a definition from an authoritative source (such as the official Census Regions and Divisions in the U.S.: Pacific, West, Midwest, South, and Northeast), or a geographic region created by an organization for internal use (such as territories a sales manager might define for their salespeople to serve). These geographic segments can then be served with unique marketing mixes. For example, concerning movies and television shows, Netflix offers different content by country: per PC Mag, as of 2022, the Netflix US library contained 60 Academy-award winning movies vs. Netflix South Korea, which contains 109!
- **Demography**: The demography base of segmentation is used to construct segments based on demographic characteristics of consumers. For example, in its list of QuickFacts, the Census lists common traits such as age, sex, race, and ethnic origin. These can be used to construct market segments. For example, telecom company Consumer Cellular focuses on the senior citizen target market, offering AARP discounts and even a "GrandPad": a tablet specifically designed for seniors, focusing on easy-to-

understand video calling, thus promising "freedom from the loneliness and isolation that can often accompany aging."

While an advantage of geographic and demographic segmentation is that they are reasonably easy to define, a disadvantage is that they might hardly be related to consumer behavior at all.

- **Behavior**: Marketers might also segment using behavioral bases of segmentation, which relate to how people find, evaluate, acquire, use, and dispose of a given product or service, as well as the reasons for acquiring them. For instance, depending on the market segment, a Jeep Cherokee might be used for one of two reasons: off-road driving or city driving, resulting in two distinct market segments. To cater to each segment, Jeep offers Trailhawk and Altitude Lux versions of the Cherokee.

Similarly, for Frito Lay, different market segments might consume a different (average) amount of Cheetos per week, resulting in market segments such as Light, Medium, and Heavy users.

- **Psychographics**: A psychographic base of segmentation is one that relates to consumers' psychology, that is, how they perceive themselves, those around them, and their environment. Numerous psychographic bases of segmentation exist. One such base of segmentation is **risk aversion**: consumers' tendency to prefer (or avoid) risk. Finance apps such as Robinhood, explicitly segment consumers in this way, claiming that "if we learn from your questionnaire that you are risk-averse, we may recommend investing in a lower-risk portfolio with a greater weight in a bond ETF (exchange-traded fund) because bonds tend to be less risky than stocks and seek to produce income." Another psychographic base of segmentation is **goal-pursuit**: consumers' tendency to care about pursuing goals that promote positive outcomes, or care about pursuing goals that prevent negative outcomes. This is often called "promotion vs. prevention." An application is the marketing of gym memberships: if a gym owner of a new gym in Richmond called "Earn the Iron" attempts to serve a market segment of promotion-focused individuals, the gym's marketing might develop ads emphasizing how consumers will improve their physical wellness and attractiveness; but if a segment with prevention-focused individuals is pursued, then Earn the Iron's ads might emphasize how exercising might prevent future health issues.

- **Benefits desired**: Finally, an extraordinarily powerful manner to distinguish consumers is based on the benefits they believe they might derive from consuming a product, service, or idea. Benefits segmentation, famously, stems from a classical study by Russel I. Haley in 1968. Haley was interested in classifying toothpaste users going beyond thinking of demographics and behavior, to focus on what caused consumers to buy—in other words, what consumers "wanted to get out of" their toothpaste. Marketing research identified four segments:
    - Sociables were those consumers who purchased toothpaste seeking a beautiful and presentable smile to stand out socially and give the best impression.
    - Sensitives were those consumers who feel uncomfortable when eating cold foods and in other circumstances due to their sensitive teeth, and thus bought toothpaste to alleviate such discomfort.
    - Worriers were those consumers who purchased toothpaste seeking to prevent negative dental health outcomes such as cavities, gingivitis, and such.
    - Independents were those consumers who bought toothpaste for mere utilitarian reasons and to save money—just to provide the most basic cleaning.

To apply the "benefits desired" base of segmentation, marketers must carefully discover and delineate these

benefits—ideally, through qualitative research first, such as focus groups, followed by a survey or other quantitative method. Benefits segmentation is an example of the old adage that "consumers do not buy drills—they buy holes in their wall."

An interactive H5P element has been excluded from this version of the text. You can view it online here: https://pressbooks.library.vcu.edu/marketingprinciples/?p=1106#h5p-45

Illustrating the Segmentation Process

Let's return to the streetwear store example discussed earlier in the chapter. Which base of segmentation might be most useful to identify MECE consumer segments for the store? One naïve attempt might be to use age, and to then segment the market into (say), young, middle-aged, and older individuals. But, per PwC strategy, more than 60% of streetwear consumers are expected to be under 25 years of age, and thus streetwear is most popular for younger generations. However, consider the myriad examples of streetwear styles available, such as skatewear, techwear, athleisure, and even Harajuku. To provide younger consumers around VCU with a unique streetwear offer that resonates with them, would a crude "young" segment adequately capture the richness of thoughts and opinions of these consumers? Most likely, no.

In a more sophisticated attempt, we could rely on a psychographic base of segmentation, particularly, what consumers might want to communicate through their clothes—we might refer to this as "social signaling". What segments might emerge by applying this base of segmentation? Here is a potential solution:

- Hypebeasts are those consumers who want to communicate their social status and their connection to street culture through their clothes. Diverse and willing to show off, Hypebeasts love logos, matching patterns and prints, and (perhaps counterintuitively) are quite socially conscious. Browsing feeds and posting fits on the daily, hypebeasts love sharing.



- Prim-and-propers are those consumers who want to communicate elegance and conformity while also desiring to be perceived as creative and sophisticated. One might expect the speech and mannerisms of a prim-and-proper to be highly deliberate, their tailoring impeccable, and their minimalism maximal—with a splotch of color for good measure. Pants are always the perfect length. Everything is consciously chosen.



- Avant-gardes are those consumers who desire to be seen as unique, independent trendsetters at the very bleeding edge of fashion. They know the latest and most obscure designers, and their outfits speak volumes—elongated silhouettes, metallic accessories, and the color black are the main modes of speech. They might be your fashion expert's favorite fashion experts.



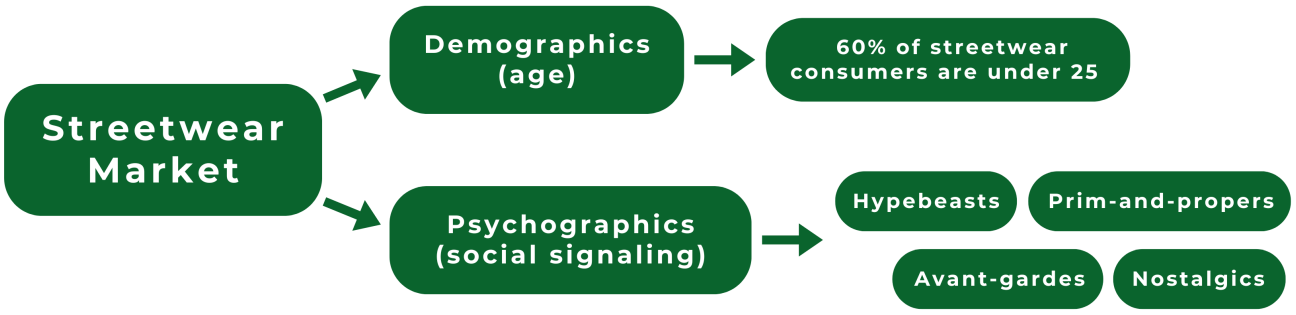
- Nostalgics are those consumers who desire to be seen as laid-back and romantic. They love warm colors, layered cozy fabrics in a multitude of patterns, and a lot of denim. Whether they're wearing clothes from a farmer's market or a 1960s catalog, they thrive when thrifting, mixing, and matching. Well-loved wrinkly jackets and DIY are staples.



Note that the descriptions of these segments are deliberately engaging and paint a picture of who these customers might be, their outlook on life, and how they communicate. These are examples of **personas**: rich segment descriptions that illustrate a typical segment member's characteristics (such as demographics), needs, wants, aspirations, and daily life. While the above is only a conceptual illustration, to the extent possible, personas should be written using as much data as possible.

To visually represent the segmentation process, it is useful to use a diagram.

Beginning from the left, we can depict and briefly describe the market. Next, we can draw an arrow to represent the base of segmentation we will use. Finally, we can break the market apart into whichever segments we found, displaying each segment as a separate box. Now, think about the two separate segmentation solutions that emerged from applying the two different bases of segmentation discussed earlier (age and social signaling). We can depict them graphically.



These two segmentation solutions are the outcome of the market segmentation process, and you should rely on a visual tool like this one to clarify any segmentation solution. In practice, this means that you have conceptualized the market such that when you consider a new, potential, customer, you can quickly classify them according to one of the two solutions above. So, what's left to do?

TARGETING, MARKET ATTRACTIVENESS, AND MARKET POTENTIAL

Think back to the beginning of the chapter where we discussed a fundamental truth of marketing: we cannot serve everyone, and some might not want to be served by us. As such, savvy marketers must go beyond merely identifying segments, and determine how attractive each one might be, so that the company might focus on serving only the most attractive.

But in life and in marketing, attractiveness is in the eye of the beholder. Indeed, there are multiple ways in which to think about **market attractiveness**: an assessment of how attractive a certain market, or market segment, might be, according to multiple criteria. Importantly, not all these criteria are strictly monetary or numerical! For instance, attractive segments...

- Represent a good match between the segments and the company's brand image;
- Are measurable—such that we can count the number of consumers in the segment, and how attractive they might be financially;
- Are reachable—such that we can feasibly communicate and deliver our offer to them;
- Are of sufficient size and growth—that is, attractive segments are large enough to be financially viable, and if they show an upward size trend, even better!;
- Are not intensely competed for—such that enough members of the segment can become our customers, and not the competition's.

A useful way to measure market (or segment) attractiveness is known as **market potential**: a measure of the anticipated monetary value of a market segment. To compute market potential, I personally opt for using a handy tool, which I've called "the three-legged stool"(or 3LS), to understand and compute market potential.

- The first leg is size: a numerical estimate of the number of people that comprise a given market segment. This is simply a numerical count of consumers. Remember, by the MECE rule, each consumer can be counted as being a member of one segment only!
- The second leg is likelihood to buy: a numerical estimate of the chance that a typical member of the market segment might buy a given product or service. Because this assessment is numerical, this is generally expressed as a percentage between 0% to 100%. So, for example, in a segmentation solution with two segments, A and B, their likelihood to buy might be 40% (for A) and 80% (for B). Therefore, B is twice as likely to buy the product than A.
- The third leg is willingness-to-pay: a numerical estimate of the dollar amount that a typical member of the market segment might pay for a given product and service.

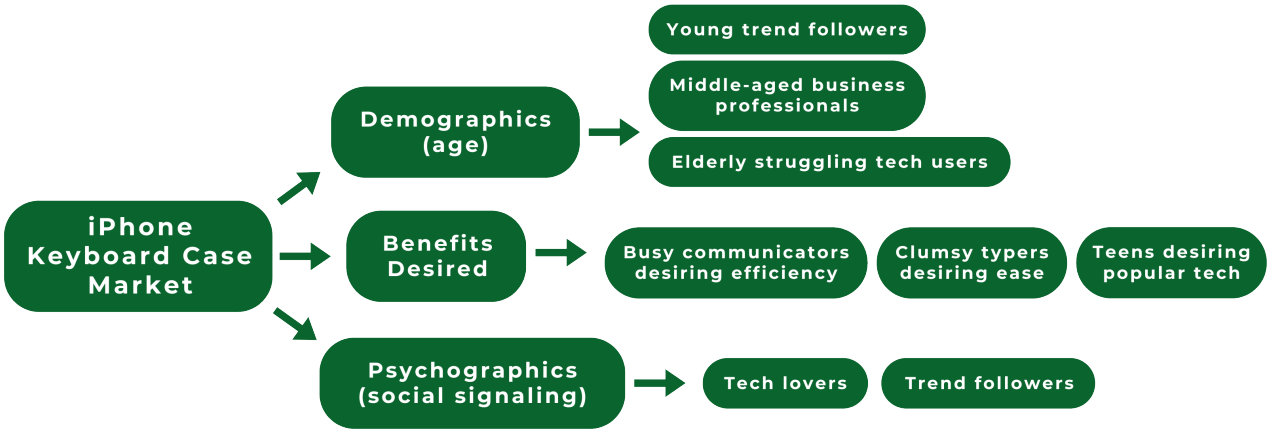
To use the 3LS, you must obtain the three estimates above for each market segment you have discovered. Then, by multiplying the three estimates for each segment, the market potential for each is uncovered. Note that, in some situations, it might be impossible to obtain numerical estimates—in lieu of these, qualitative assessments (e.g., "high," "medium,"and "low") can be used, at the cost of precision.

To illustrate the use of the 3LS, picture yourself in the near future—a successful marketing executive who has

been hired by the company behind Clicks, a new iPhone case which features a physical phone presenting itself as “the first keyboard for iPhone.”



You have deployed a survey, and your team has discovered the following segmentation solution:



Suppose that you opt to pursue the Psychographics (social signaling) solution. Therefore, you will have to target each of the two segments. Which one would you pursue? The three-legged stool can help:

Criteria/Segment	*Tech lovers*	*Trend followers*
Segment size *Total market size: 1'350,450 consumers*	540,180 consumers *(40% of market)*	810,270 consumers *(60% of market)*
Willingness to pay	$60	$35
Likelihood to buy	55% (0.55)	40% (0.4)
Estimated market potential *(multiply the criteria per segment)*	**$17,825,940**	**$11,343,780**

Note that this segmentation solution presents the total market size alongside all information needed to compute market potential. However, a more engaging solution would also rely on the concept of personas to provide an engaging and useful description of each segment along multiple characteristics to paint a picture of their daily life.

Like a detective on the hunt for a suspect, the segmentation solution lines each segment up, and your goal is to pick the most attractive segment(s) for the company to serve. In this case, what would you recommend to Clicks? What do you conclude? The solution is the **Tech Lovers**, as their market potential is the largest.

Finally, the preceding examples illustrate that all three legs should be strong for the three-legged stool of market attractiveness to stand—if one is too small, by multiplying the three, the overall market potential will be low. At the same time, if you miss one, your conclusions could be misleading. For example, if you **only** had segment size, you might erroneously conclude that the Trend Follower segment is more attractive. So remember all three!

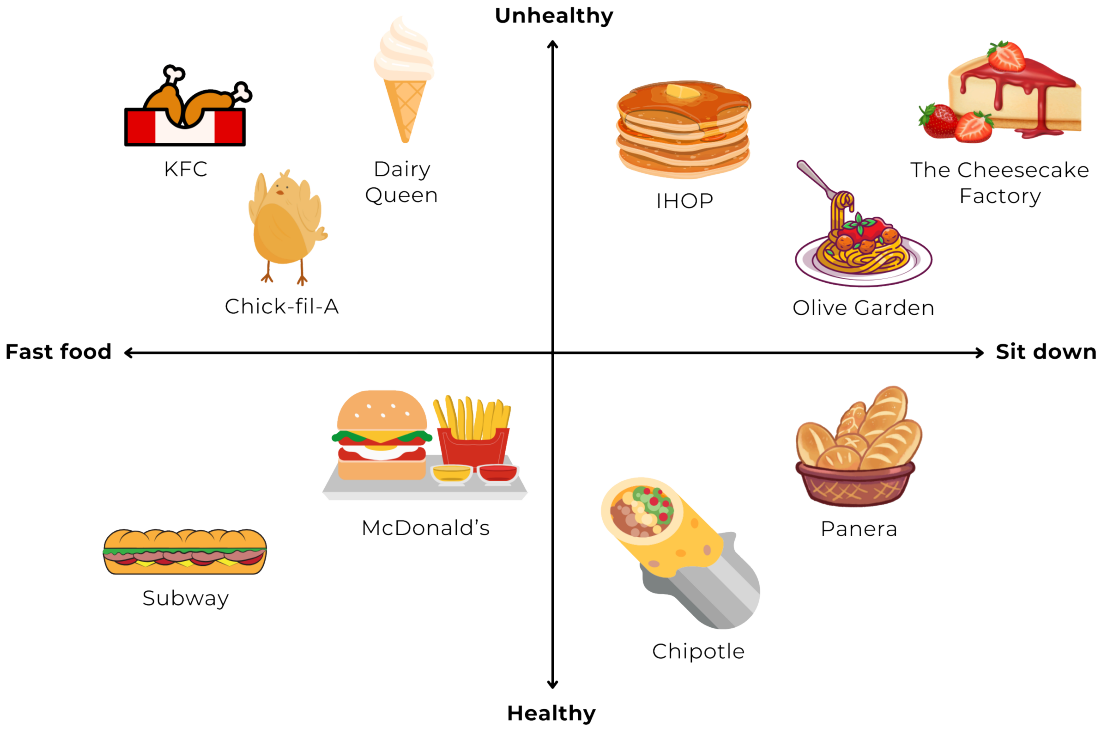
POSITIONING

As marketers, even though we might have identified an intriguing segmentation solution, with segments that might appear very attractive, our actions do not happen in a vacuum. The reality is quite the opposite of a closed-off set of variables: marketers must always consider the competitive environment because what we offer consumers will always be judged relative to what other competing options are. Remember, "it's not what you think, it's what they think"!

To increase the likelihood that marketers will successfully compete, they must position their brand adequately. **Positioning** is the process of discovering the position of a particular brand in the mind of the consumer, relative to other competitors' brands. Note that, in this discussion, a "brand" can refer to a company's brand image itself, but also to certain products and services the company offers. Importantly, marketers might want to engage in **head-to-head positioning**, by explicitly stating how their brand is better from competitors'; or in **differentiation**, by focusing on what makes their offering unique and different from competitors'.

One of the classical tools in marketers' arsenals to determine a brand's position in the consumer's mind is known as a **perceptual map**: a visual representation of the two major dimensions along which consumers perceive a set of competing brands, intended to represent a map of consumers' minds. A perceptual map consists of two axes perpendicular to each other, forming a coordinate map. Importantly, several competing brands must be placed in the map—therefore, the map clearly indicates each brand is placed there. While

sometimes managerial judgment can be used to this effect, savvy marketers rely on surveys and sophisticated methods such as factor analysis to construct these maps. But, regardless of the method and data used, the result is always an easy-to-interpret map to assess a certain brand's competitive position relative to others, and, potentially, a path to repositioning.



Example of a perceptual map

SUMMARY

We began by looking at the considerations companies should analyze when determining their reachable market. Further, the nuances of segmentation were discussed, in addition to the different bases of segmentation (geography, demography, behavior, psychographics). Next, you read about the value of "benefits desired" segmentation, or segmentation based on benefits consumers think they will derive from consuming a product, service, or idea. The psychographic base of segmentation was applied to a real-world example of streetwear to show how different consumers think about clothings' relationship with their self-image. Also, we covered how marketers can't simply identify target segments, they need to evaluate the attractiveness of these segments based on specific criteria. Relatedly, the 3 Legged Stool (3LS), a tool for computing market potential consisting of size, likelihood to buy, and willingness-to-pay, was introduced. Finally, you read about how positioning—the process of discovering the position of a particular brand in the mind of the consumer, relative to other competitors' brands—is crucial for marketers to compete. On this point, the perceptual map can be a tool to help determine the position of a brand in consumers' minds.

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MAYOOR MOHAN, PH.D.

Chapter 8:
Product

"In today's dynamic marketplace, diverse products and services vie for consumer attention. A closer examination of these offerings reveals that they result from meticulous planning, significant resource allocation, and strategic execution to reach the market successfully."
-Mayoor Mohan, Ph.D., Chapter 9 Author



INTRODUCTION

Markets are dynamic settings where various products and services compete for consumer attention. A closer examination of these offerings reveals that they result from meticulous planning, significant resource allocation, and strategic execution to reach the market successfully. Have you ever been using a product and stopped to wonder why it looks or works the way it does? Maybe you found an extra zipper on your ski jacket and didn't know why it was added. Or perhaps, you were using a can opener and were puzzled at the way the handle was shaped. Every product we use is to a greater or lesser degree the result of a deliberate process where the company asks questions about how people like yourself will use and experience the product. This chapter delves into the process known as product development and management, which encompasses the journey of a product or service from conception to market and throughout its lifecycle. While we use the term 'product' for simplicity, it broadly includes both tangible products and intangible services.

The importance of product development and management to a company cannot be overstated. Executed effectively, it can leverage resources, bolster revenue, and enhance profitability. Profitability is crucial to this process, directly impacting a company's financial health. The role of a product or service is equally vital in shaping a company's image and reputation. A well-received product not only boosts the company's profile but also contributes to long-term customer satisfaction and market share, highlighting the strategic importance of product development in a company's quest for innovation and success. While product development doesn't guarantee absolute success, it significantly increases the odds of favorable outcomes.

Indeed, innovation can take many forms, including product, process, business model, marketing, and organizational innovation (Kahn 2018). Each type showcases the broad spectrum of innovation in the business

world. This chapter, aligning with the focus on product innovation, will explore how innovation is integral to effective product development, offering insights into how companies can leverage this process for sustained competitive advantage and growth.

PRODUCT, SERVICE, OR BOTH

In discussing marketplace offerings, we frequently interchange terms like 'product,' 'service,' and 'program.' Traditionally, products and services were seen as distinct, but today, they are frequently interconnected in the marketplace. For instance, consider the experience of purchasing a smartphone. The product component includes the physical device with features like the camera, screen, and processor. However, the overall experience also encompasses services such as customer support, software updates, warranty services, and perhaps a subscription to a cloud storage service. These service elements, combined with the physical device, constitute the whole experience of purchasing and owning a smartphone. Therefore, rigidly distinguishing between products and services may not capture the full scope of modern market offerings.

PRODUCT



SERVICES



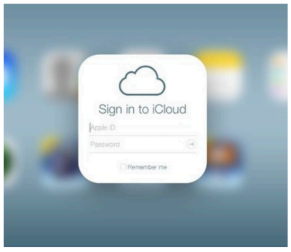
Customer support



Software updates



Warranty plan



Storage subscription

Given their interconnected nature, the development and management processes for both products and services share many similarities. In this chapter, we use the term 'product' for ease of reference, but it's crucial to understand that 'service' elements are often integral to these offerings.

DEFINING A "PRODUCT?"

Recognizing the blended nature of goods and services, we need a broad definition of a 'product.' A **product** is any offering a company provides to its customers and can encompass various forms. This includes offerings that may not be directly consumed by the end user. For example, cloud computing services provided by companies like Amazon Web Services or Microsoft Azure to businesses are as much a product as a consumer electronic device like a Nintendo Switch. These services, essential in the B2B market, require as much strategic planning and management as traditional consumer products.

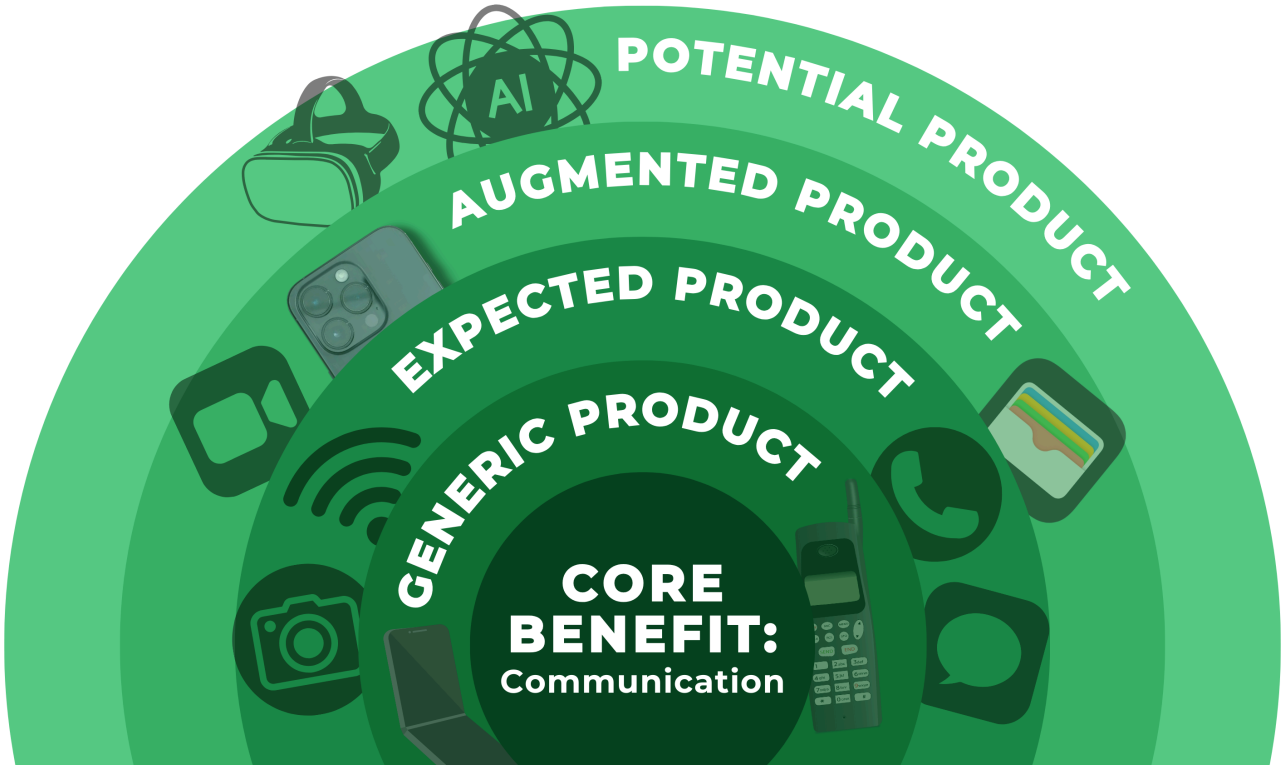
Indeed, depending on the context, the definition of 'product' may vary. For instance, it can be viewed as either a response to market demand or a reflection of a company's internal perspective (Kahn & Mohan 2021). Let's examine these perspectives below.

A MARKET-DEMAND DEFINITION OF PRODUCT

Products can be effectively defined from a market demand perspective, recognizing that all products originate from a core benefit and expand upon it. This can be visualized as a series of concentric circles, each representing a layer of product complexity and customer expectation, as shown in the visual below.

1. **Core Benefit**: At the center is the core benefit, the essential element that fulfills a consumer's basic need or want. For example, the core benefit of a smartphone might be communication.
2. **Generic Product**: The next layer, the generic product, offers a basic, rudimentary version that delivers the core benefit. A basic mobile phone providing just voice and text services exemplifies this level.
3. **Expected Product**: This level includes attributes and conditions that consumers typically expect. For a smartphone, this might consist of features like internet connectivity, camera functionality, and essential apps.
4. **Augmented Product**: Here, additional services and benefits distinguish the offering from competitors. For smartphones, augmented features include advanced camera technology, unique apps, or exclusive AI-driven services.
5. **Potential Product**: The potential product encompasses future augmentations and transformations. For the smartphone, this could involve integrating emerging technologies like augmented reality or advanced AI capabilities (assuming they don't exist yet).

The Phone as an Outcome of Market Demand



As products evolve from the core to the potential level, they typically transition from basic, cost-effective options to premium offerings with higher value and price points. This progression is crucial for companies in strategizing their product portfolios, balancing margin-oriented premium products with volume-driven basic offerings.

For instance, companies like Samsung and Apple offer smartphones across various levels, from basic models catering to essential communication needs to high-end devices with cutting-edge features. These diversified portfolios allow them to cater to multiple market segments.

In summary, defining a product by market demand involves understanding the layered nature of product offerings, from the fundamental core benefit to the expansive potential product. This approach highlights the importance of aligning product development with evolving consumer expectations and market trends.

A COMPANY'S INTERNAL DEFINITION OF PRODUCT

From an internal company viewpoint, defining a product involves understanding its categorization into product items, lines, families, and mixes.

- **Product Item**: This is the specific model, brand, or size of a product that a customer buys. For example, a Garmin Enduro 3 smartwatch with specific features like GPS, pulse oximeter, and solar charging is a

product item.

- **Product Line**: Related product items are grouped into product lines based on shared characteristics, or target markets. For example, a tech company may have a product line of smartwatches varying in features and price points. If we continue looking at Garmin, they have options at lower price points with fewer features, like the vívofit 4, and more expensive options with a greater array of features, like the tactix 7 series.
- **Product Family**: These are broader categories that encompass related product lines, often organized to optimize manufacturing processes or marketing strategies. An example would be grouping all wearable technology, including smartwatches and fitness trackers, into a single product family. For Garmin, they categorize their wearable tech into categories like running watches, fitness tracking bands, golf watches, swimming watches, and so on.
- **Product Mix**: The highest level, the product mix, includes all product families a company offers. It's characterized by width (number of product lines), depth (variety within each line), and consistency (how closely related the product lines are). Again, in Garmin's case, this would include smartwatches, dash cams, car navigation systems, and fishfinders, to name a few.

Further, let's take a company like Sony as an example. Sony's product mix includes a wide range of electronics, from gaming consoles to cameras. Within each product line, like cameras, there are various models (depth) catering to different consumer needs, from amateurs to professionals. In contrast, a company like Tesla, known primarily for its electric vehicles, has a narrower product mix, focusing deeply on a specific market segment.

Issues like product proliferation and cannibalization are critical considerations in this framework. **Product proliferation** refers to the challenge of managing an extensive range of products, especially as the product mix widens (Danneels 2002). **Cannibalization** occurs when a new product negatively impacts the sales of existing products in the company's portfolio. For example, a new model of an electric vehicle may cannibalize sales of an older model (Chandy & Tellis 1998). To manage these issues, companies must strategically assess their product mix, considering how new introductions align with existing offerings and market demands.

Understanding the internal perspective of product definition helps companies manage their portfolios effectively, avoid resource duplication, and identify opportunities for innovation and market expansion.

Overall, in the realm of product planning, the term 'product' covers a diverse range of offerings, reflecting the complex and integrated nature of contemporary markets. However, this compels us to appreciate what exactly it is that makes a product 'new.'

WHAT MAKES A PRODUCT NEW?

The term 'new product' encompasses a range of innovations that vary in their level of novelty. Understanding these variations is critical to understanding how companies innovate and evolve in the marketplace. We can consider seven approaches to defining or characterizing a product as new along these lines, these include:

- **Cost Reductions**: Price changes or offering more cost-effective versions of existing products are common strategies companies adopt to expand their customer base. For instance, computer manufacturers often release affordable variants of their high-end laptops using less expensive components or omitting certain features. The primary aim of such a strategy is to make the product accessible to a broader audience while

retaining the core functions.

- **Product Improvements**: Refer to the improvements made to a product's form, function, or both. For example, an automotive company may release a new version of a car that has better fuel efficiency and improved safety features, replacing the previous model. These enhancements are frequently advertised as 'new and improved' to indicate they are better than older models.
- **Line Extensions**: Refer to the introduction of new variants to an existing product line. For instance, a beverage company may launch new flavors to the established line of drinks they offer. Unlike product improvements, the original product remains available, providing consumers with a wider range of choices within the same brand.
- **New Markets**: Involves the introduction of existing products to new geographic or demographic markets with minimal changes. A skincare brand, for example, might enter a new country's market, slightly altering packaging to comply with local regulations or cultural preferences but keeping the product formulation the same.
- **New Uses**: Repositioning a product for new applications. A fabric softener brand might market its product as also being effective for refreshing upholstery, opening up an entirely new usage scenario for the same product.
- **New Category Entries**: A company may introduce products in a category that is new to them, but already familiar to consumers. For instance, a company specializing in kitchen appliances could expand into the personal care segment by offering hair dryers and straighteners. Although these products may be new to the company's portfolio, they are already well-established among consumers.
- **New-to-the-World Products**: The products that represent radical innovations are the ones that create entirely new markets. Take, for instance, the first smartphone, which was a new-to-the-world product. It combined the functions of a mobile phone with that of a handheld computer, creating a new category that did not previously exist.

Types of New Products

COST REDUCTIONS



Cost-effective versions of existing products

PRODUCT IMPROVEMENTS



Improvements made to a product's form, function, or both

LINE EXTENSIONS



New variants in an existing product line

NEW MARKETS



Introducing existing products to new geographic or demographic markets

NEW USES



Repositioning a product for new applications

NEW CATEGORY ENTRIES



Introducing products in a category that is new to the company, but familiar to consumers

NEW-TO-THE-WORLD PRODUCTS



Products that represent radical innovations & create new markets

Companies often must manage multiple types of new products, adapting their strategies based on changing market trends, consumer needs, and technological advancements. For example, a tech company may be working on reducing the cost of a popular gadget, improving the features of another, and at the same time developing a revolutionary product that could create a new market niche.

Understanding the dynamics of product development and market evolution requires recognizing the diversity among 'new products.' Companies must balance refining existing offerings and pioneering groundbreaking products.

THE PRODUCT DEVELOPMENT PROCESS

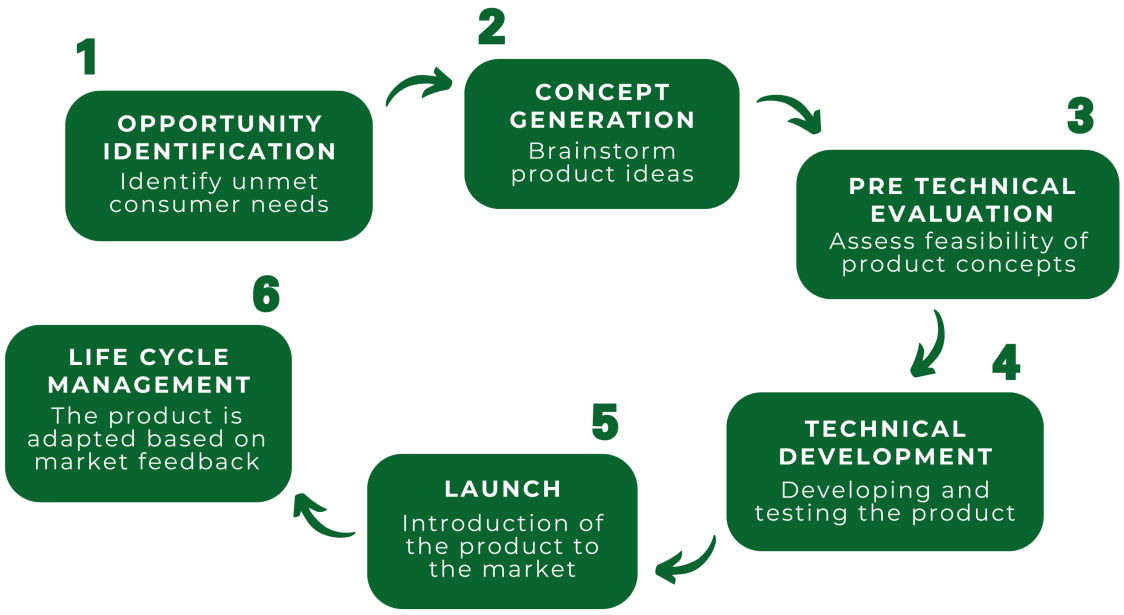
A systematic and strategic approach to product development is crucial for success in modern business. This process typically involves several key stages, each serving a unique purpose and requiring specific actions and decisions. Such an approach is often called strategy-driven product development as it aligns the development process with the company's strategic goals. For instance, consider Tesla's foray into electric vehicles. The company's strategy focused on sustainability and innovation. Every stage of their product development, from initial concept to final product launch, aligns with these strategic goals, ensuring that the vehicles they produce meet market demand and propel the company towards its long-term objectives.

STAGES IN THE PRODUCT DEVELOPMENT PROCESS

Typical stages in a strategy-driven product development process would include the following:

1. **Opportunity Identification**: The first stage involves identifying potential market opportunities or unmet consumer needs. For example, Procter & Gamble conducts extensive market research to pinpoint gaps in consumer products, leading to the development of new offerings in their diverse product portfolio.
2. **Concept Generation**: Here, potential product ideas are brainstormed and gathered. A company like 3M, known for its culture of innovation, encourages employees to develop a wide range of ideas, leading to diverse products from Post-it Notes to medical supplies, like stethoscopes.
3. **Pre technical Evaluation**: In this stage, the feasibility of product concepts is assessed. Amazon, for instance, uses a unique approach where hypothetical press releases are created for potential products to evaluate their market appeal and feasibility.
4. **Technical Development**: This stage involves developing and testing the product to ensure it meets technical and consumer standards. Apple's development of the iPhone is a prime example, where numerous prototypes were tested to refine the product before its highly successful launch.
5. **Launch**: This stage comprises final preparations and the actual introduction of the product to the market. An example is the launch of Microsoft's Xbox gaming console, which involved extensive marketing and partnership strategies to ensure its acceptance in the highly competitive gaming market.
6. **Life Cycle Management**: Post-launch, the product is continuously managed and adapted based on market feedback and changing consumer needs. Samsung's iterative improvements to its Galaxy smartphone series illustrate this ongoing process of enhancement and adaptation.

The Strategy-Driven Product Development Process



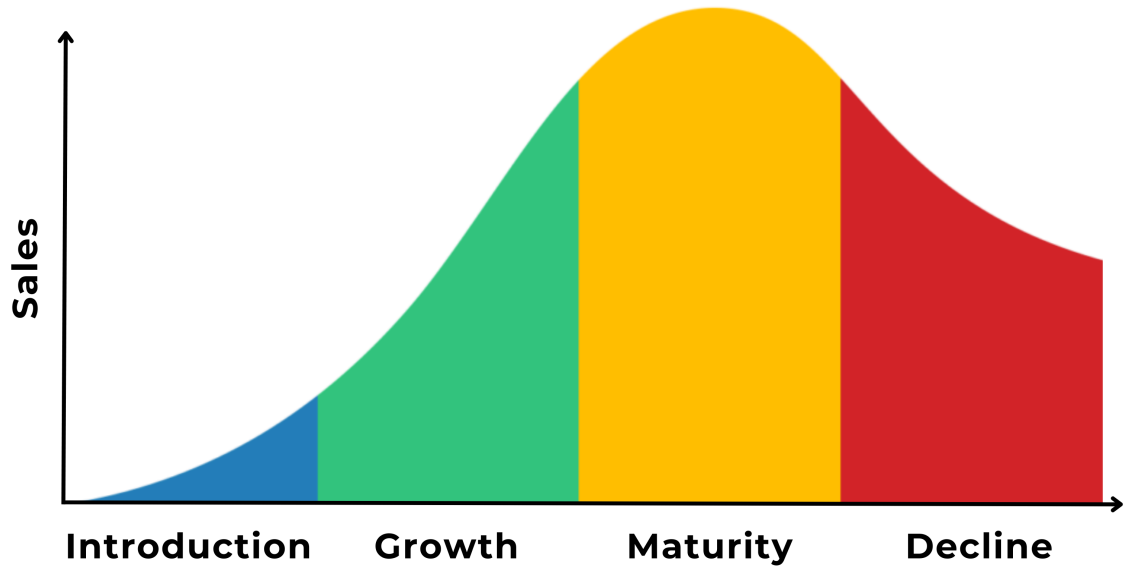
PRODUCT LIFE CYCLE MANAGEMENT

After a product's launch, it enters the crucial phase of 'life cycle management.' This phase is typically overseen by a product management team, which takes over from the product development team. Their primary focus is on maximizing the product's potential within the company's product mix, fine-tuning marketing strategies, countering competitive threats, and fostering continuous innovation.

THE PRODUCT LIFE CYCLE CONCEPT

The **product life cycle** (PLC) concept describes a product's sales progression from launch to withdrawal. It's often represented by a curve, paralleling the product's diffusion in the market (see the sales curve below). This life cycle is divided into four stages: introduction, growth, maturity, and decline (Levitt 1965).

1. **Introduction Stage**: This initial stage involves building awareness and encouraging trial. Sales growth is typically slow as the market is being established. An example is the early days of Netflix's streaming service, where the focus was on building awareness and a robust subscriber base.
2. **Growth Stage**: Characterized by rapid sales increase, this stage focuses on maximizing market share. A classic example is the rapid expansion of smartphone use globally, with companies like Apple and Samsung aggressively capturing market share.
3. **Maturity Stage**: Sales level off as the product reaches peak market penetration. The focus shifts to maintaining market share and maximizing profit. Coca-Cola in the soft drink market is an example of a product in the maturity stage.
4. **Decline Stage**: The final phase where sales and market interest wane. Strategies often involve cost-cutting or pivoting to new markets. For instance, traditional print newspapers have experienced a decline stage due to the rise of digital news consumption.



NAVIGATING FUTURE TRENDS AND PRACTICAL APPLICATIONS IN PRODUCT DEVELOPMENT AND MANAGEMENT

Recognizing the dynamic landscape of industry trends and their implications on future product strategies is crucial. Emerging technologies, evolving consumer behaviors, and increasing emphasis on sustainability are reshaping how products are developed and managed. Let's delve into some of these trends that are shaping contemporary product development and management.

EMERGING INDUSTRY TRENDS

- Artificial Intelligence (AI) and Machine Learning (ML): AI and ML are revolutionizing product development, offering unprecedented insights into consumer behavior, optimizing manufacturing processes, and enhancing product personalization. For instance, AI-driven analytics can predict market trends, enabling companies to adjust their product strategies proactively.
- Sustainability and eco-friendly products: There's a growing consumer demand for sustainable and environmentally friendly products. Companies are responding by integrating sustainable practices throughout the product life cycle, from sourcing eco-friendly materials to ensuring products are recyclable or biodegradable.
- Digital transformation and IoT (Internet of Things): The integration of digital technology into all areas of business is altering how products are designed, manufactured, and serviced. IoT, in particular, is leading to the development of smart, connected products that offer enhanced customer experiences.
- Customization and personalization: With advancements in technology, the ability to offer customized and personalized products is becoming a significant competitive advantage. This trend is particularly evident in industries like fashion and consumer electronics, where products are increasingly tailored to individual preferences.

SUMMARY

As we conclude our exploration of product development and management, it's evident that this field is both dynamic and multifaceted, requiring a keen understanding of market trends, consumer behavior, and technological advancements. The journey through various strategies, from the foundational concepts of product planning to the intricate details of life cycle management and the innovative approaches of industry leaders like Tesla and Nike, underscores the complexity and excitement inherent in bringing a product from concept to market. As future marketers and product developers, students are encouraged to embrace these challenges with creativity, strategic thinking, and an unwavering commitment to innovation and sustainability. The lessons learned from this chapter not only provide a solid foundation in product development theory but also inspire a forward-looking perspective, essential for navigating the ever-evolving landscape of global markets and consumer needs.

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JONATHAN ROSS GILBERT, PH.D.

Chapter 9:

Distribution

"Distribution channels are the interdependent organizations that are working behind the scenes to make products or services available to consumers. These channels are made up of intermediaries like producers, wholesalers, retailers, and end customers."

-Jonathan Ross Gilbert, Ph.D., Chapter 10 Author



INTRODUCTION

An email alert indicates that a long-awaited package has arrived. "Delivered: Your Amazon.com order of #112-4172009-2425109." The convenience of online shopping can sometimes make it feel like your packages magically appear, but have you ever wondered how the product actually got to you?



WHAT IS A DISTRIBUTION (MARKETING) CHANNEL?

A **distribution channel** refers to "a set of interdependent organizations involved in the process of making a product or service available for use or consumption" (Palmatier et al. 2014, p. 3) by an end user. In plain English, the paths that products and services take on their way from the manufacturer or service provider to the end customer.

It's important to keep in mind that the customer (e.g., individual or business) that selects and purchases a good or service may not be the end user that ultimately uses or consumes it. You may also hear business professionals use the term marketing channel; "distribution channel" and "marketing channel" mean the same thing.

Interestingly, there are two critical determinants as to whether a business can successfully sell a product and/or service to its end customer:

1. a solution to one or more business problems; and
2. a viable distribution channel or network of intermediaries.

Believe it or not, the distribution channel may be more valuable than the solution itself (Thiel 2014). Distribution, at its best, adds value to a product or service by ensuring delivery when the customer demands or needs it, in locations that are easily accessible to the customer, and in the right condition that customers can use it. In economics, these three sources of customer satisfaction are known as time utility, place utility, and form utility. Implicit in successful delivery is possession utility (ability to use the product or service). A strong

distribution channel can also support growth by allowing companies to reach new markets, increase visibility and brand awareness, and target specific customer segments (Bellin 2016).



TIME UTILITY

Delivery when the customer demands or needs it



PLACE UTILITY

Delivered in locations that are easily accessible to the customer



FORM UTILITY

Delivered in the right condition that customers can use it

SUPPLY CHAINS AND DISTRIBUTION CHANNELS

Distribution channels are an important part of, but should not be confused with, supply chains. A **supply chain** is "a set of three or more entities (organizations or individuals) directly involved in [both] the upstream and downstream flows of products, services, finances, and/or information from a source to a customer" (Mentzer et al. 2001, p. 4; see Fig. TBD). In plain English, the paths that raw materials, components, and goods take before their assembly and sale to end customers (McKinsey 2022). The supply chain is the entire journey!

The upstream flow may include steps such as sourcing raw materials, having a logistics provider take raw materials to a supplier to batch or convert the raw materials into semi-finished or finished goods, and then moving batches of raw materials or converted goods to production.

The Upstream Flow



Sourcing raw materials



Taking raw materials to a supplier



Converting the raw materials into semi-finished goods



Moving batches of semi-finished goods to production

The downstream flow may include steps such as packaging the finished products, transporting the finished products to a distribution center or retail store, and then fulfilling orders by delivering the finished products to the end customer.

The Downstream Flow



Packaging the finished products



Transporting products to a distribution center/retail store



Fulfilling orders by delivering the finished products to the end customer

Procurement, logistics, and supply chain management are some of the fastest growing fields. Refer to the Association for Supply Chain Management (2024) for a description of careers and certifications.

ELEMENTS OF A DISTRIBUTION CHANNEL

In effect a distribution channel can be analogized to a chain in which each of the interdependent organizations (or "intermediaries") involved in the process of making a product or service available is like a link in the chain, and that each of these links is equally important in the overall success of ensuring use or consumption. And if one of those chain links is broken, problems arise.

So, you should be asking yourself, what are those all-important links in the distribution channel? Let's take a look, keeping in mind that sometimes, in practice, business professionals have different terms for the same thing.

The most common types of intermediaries in a distribution channel are: producers; wholesalers; retailers; and end customers (Gadde 2014).

- **Producers**. Producers are manufacturers or service providers that combine labor and capital to create goods and services for customers.
- **Wholesalers**. Wholesalers buy goods in large quantities and resell them to retailers and other businesses. It is not uncommon for these resellers to add value to these products by incorporating additional features or services that are tailored to the specific needs of end customers. For example, TBP Converting resells bonding and adhesive materials from manufacturers like 3M and Dow. However, their end customers typically need those products converted into different sizes and shapes for very specific applications.
- **Retailers**. Retailers purchase a variety of goods from either producers or wholesalers and then sell those goods, in smaller quantities, directly to the end customer.
- **End Customer**. End customers are the final purchasers of goods and services. These buyers can either be consumers (people) or businesses (organizations).



PRODUCERS



WHOLESALERS



RETAILERS



END CUSTOMER

Agents and brokers are an additional form of intermediary that are most common in distribution channels within the service industries. These distributors never take possession of the goods or services but earn monetary commissions or fees for facilitating sales between producers and end customers. For example, stockbrokers are individuals who buy and sell stocks of companies (producers) for retail (consumers) and institutional (business) investors in return for a commission.

PRODUCT "PUSH" VS. DEMAND "PULL" STRATEGIES IN THE DISTRIBUTION CHANNEL

The **push-pull model** (Pyke & Cohen 1990) is a famous, albeit oversimplified, depiction of two different strategic approaches to managing the flow of goods and services in the distribution channel. Theories, models, and frameworks are tools that businesses use to plan and implement the best course of action in a marketplace.

A **push strategy** focuses on forecast-driven planning where demand for goods and services are anticipated and produced in advance to meet that demand (Ng & Chung 2008).

A **pull strategy** focuses on producing goods and services in direct response to current orders which reflect actual demand (Ng & Chung 2008).

These two strategies are not always obvious to the average observer. Take, for example, e-commerce giant Amazon. Its founder and former CEO, Jeff Bezos, stated that he plans to give away most of his now $200 billion fortune to help others (CNN 2022). Is Amazon employing a push or pull strategy? The answer may surprise you.

Amazon is intentional about where it places its warehouses. These state-of-the-art facilities are situated closer to main metropolitan areas and city centers to speed up delivery time. But one of the "secret ingredients" to their strategy is that the company ships items it anticipates customers will buy based on previous orders, product searches, wish lists, shopping-cart contents, and other data (NPR 2018). This approach is a pure push strategy.



USE AND VALUE OF DISTRIBUTION CHANNELS

It seems obvious that a product or service is of no use if it doesn't get to the end customer. However, the use and value of distribution channels extend beyond mere delivery of a product or service; "place" interacts significantly with the other P's (see marketing mix) but especially price and promotion.

Efficient product distribution influences the prices (P = Price) of goods and services within a specific market (Haron 2016). The most efficient and effective distribution channels tend to be those with the fewest number of intermediaries touching the product on its journey from manufacturer to end customer. The fewer hands in the cookie jar, the lower the cost (in most cases). This cost flexibility translates into either higher profits and/or reduced prices for the end customer. A product's price point is pivotal in product positioning where a higher price may indicate superior quality (e.g., materials and craftsmanship), whereas a lower price might suggest inferior quality (e.g., low-cost substitutes and affordability).

Distribution channels are also critical to promotion (P = Promotion) of goods and services within a specific market (Belin 2016). The most efficient and effective distribution channels tend to be those which increase visibility and brand awareness while accessing new, and previously untapped, markets. For example, the brand

United Parcel Service (UPS) is synonymous with brown trucks and delivery drivers in similarly colored uniforms. Additionally, within indirect channels, the various intermediaries can be a source of valuable information about consumer behaviors, preferences, and trends that inform existing and future marketing campaigns.



TYPES OF DISTRIBUTION CHANNELS

There are many ways to get products from a manufacturer to an end customer and, as a result, distribution channels take on many forms. To use an analogy, imagine you are in the cockpit of Jay-Z's private jet, equipped with cream leather furniture and a kitchen, headed from New York to Los Angeles. In business, this is called the **10,000-foot view** which refers to a high-level view of a situation or problem.



As you look down and follow the journey of a product you will see many different lines emanating from the manufacturer and making their way across the country. For example, one line may follow the product from the factory onto a company truck and then to a residence or place of business as its final destination. This set up, short of the end customer coming directly to the factory for pick up, is likely the most direct. Compare that scenario to another line where the product is shipped through a third-party company to a large warehouse owned by a distributor. The distributor then assembles the products in bulk by putting onto large, wooden pallets and shrink wrapped. These bulk packages are then shipped again to smaller warehouses through the company and then loaded onto trucks to deliver to large retail stores. Personnel at the retailers then unpack the products and put them on shelves before finally ending up in the hands of customers who come to the store to make purchases.

Distribution channels can be broadly categorized into three main types: (1) direct; (2) indirect; and (3) hybrid (Rambocas et al. 2015; Moriarty & Moran 1990). As an example, let's use Wilson Sporting Goods, which is the exclusive manufacturer of official NFL footballs. The company produces more than 700,000 footballs by hand each year out of a factory in Ada, Ohio.



Direct channels allow buyers to purchase directly from the manufacturer. For example, you can purchase Wilson footballs directly from the manufacturer online which cuts out the intermediaries by having the product shipped directly to your door. This arrangement is typically preferred by the manufacturer when control is of the utmost importance despite the higher outlay of resources and increased risk (Rambocas et al. 2015).

Indirect channels allow buyers to purchase goods from a wholesaler or retailer; most commonly physical stores or through websites associated with physical stores. For example, most consumers purchase Wilson footballs through retailers such as Amazon.com, Walmart, and DICK'S Sporting Goods. By definition, for a channel to be considered "indirect," a product must pass through one or more intermediaries. This arrangement is typically associated with greater short-term profitability, a reduction in outlays for channel structure, and lower risk (Rambocas et al. 2015).

Hybrid (multi) channels allow buyers to purchase both directly from the manufacturer and through a wholesaler or retailer. Wilson Sporting Goods, like most companies, now utilizes this approach. The flexibility of multiple pathways adapts to changing customer needs and buying patterns (Moriarty & Moran 1990). However, one of the biggest challenges both manufacturers and retailers face is whether prices should be the same online as in stores. For example, Apple charges the same online as in physical stores. In contrast, Best Buy tends to be less expensive online when compared to purchasing at its retail locations.

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FACTORS INFLUENCING DISTRIBUTION CHANNEL CHOICE

You are probably wondering why companies don't simply use all distribution channels (i.e., be everywhere the customers are) and call it a day. It's unfortunately not that simple.

First, not all distribution channels work for all products. For example, perishable products (e.g., meat, poultry, fish, and dairy) and built-to-order products (e.g., custom laptops, bicycles, or suits) are typically not aligned with indirect distribution where direct communication with the manufacturer is key.

Second, the timing of when to use specific distribution channels and the amount of resources allocated to each is context dependent. The movie industry highlights the variety and complexity of options available to production companies when releasing a new movie. Producers can distribute movies through streaming services or through movie theaters but when, where, and how they promote a film depends on their strategy for distributing specific movies to "the right place at the right time for the right customer at the right price" (Coyle 2023; Swamidass 2000).

There are several factors that must be considered when selecting distribution channels: product type; company resources; market environment; and competitor characteristics.

Product type refers to choosing a distribution channel based on the characteristics of the product. Two characteristics in particular, perishability and complexity, tend to have the greatest influence on channel selection. Goods that have a short shelf life (e.g., fresh food) require more direct channels to reach customers more quickly and in good condition. Goods that are more complex (e.g., turbine engines) may also need to leverage more direct channels so that the manufacturer can demonstrate and install the product. In contrast, goods that have a longer shelf life and goods that are less complex can be distributed through indirect channels where the product passes through wholesalers and retailers.

Company resources refer to assets that firms control (e.g., people, equipment, capital, etc.) and can use to achieve its strategic objectives. Two characteristics in particular, financial wherewithal and control, tend to have the greatest influence on channel selection. Companies with deep pockets are more capable of opening their own physical locations to support direct to end customer pathways. For example, Apple has over 500 locations around the world in densely populated areas. Access to greater financial resources also allows for more control through shorter, more direct distribution channels. The more intermediaries involved, the less control over the product and, ultimately, end customer satisfaction.

Market environment refers to the different characteristics that make a specific group of customers attractive to the company. Two characteristics in particular, market size and geographical dispersion, tend to have the greatest influence on channel selection. Smaller markets and markets with buyers concentrated within well-defined areas may be more easily reached through direct channels. In contrast, larger markets where buyers

are more spread out may be best served through indirect channels where wholesalers and retailers have better access to, and more experience with, reaching less populated areas.

Competitor characteristics refer to how competition is structured within a specific market. Two characteristics in particular, degree of competition and competitor choice of channels, tend to have the greatest influence on channel selection. The greater the number and intensity of competitors, the more a company may seek to pursue direct channels that provide more control over product quality and sales. Intermediaries who divide their time and effort across multiple competitors may not yield the same results as if the company took full control over their product. In contrast, if the competitors are utilizing certain channels (especially channels through which the end customer has become accustomed to purchasing through), it might make sense for the company to choose the same channels to compete for end customer market share. Alternatively, the company could also choose a different channel to differentiate itself from the competition. For example, Tesla disrupted the traditional automotive sales model of using dealerships through direct distribution via online orders and direct delivery to the residence or business (Asuncion et al. 2023).



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MANAGING THE DISTRIBUTION CHANNEL

So, you've selected your distribution channel. But the work doesn't stop there! Now the nitty gritty details become important because you have to handle the complex dynamics of making your distribution channels run smoothly.

Distribution channel management is the process of planning, organizing, and monitoring the various distribution channels used by the company to deliver products to the end customer (Mehta et al. 2002). In plain English, this means to make sure that goods and services are getting to customers in an efficient and cost-effective manner.

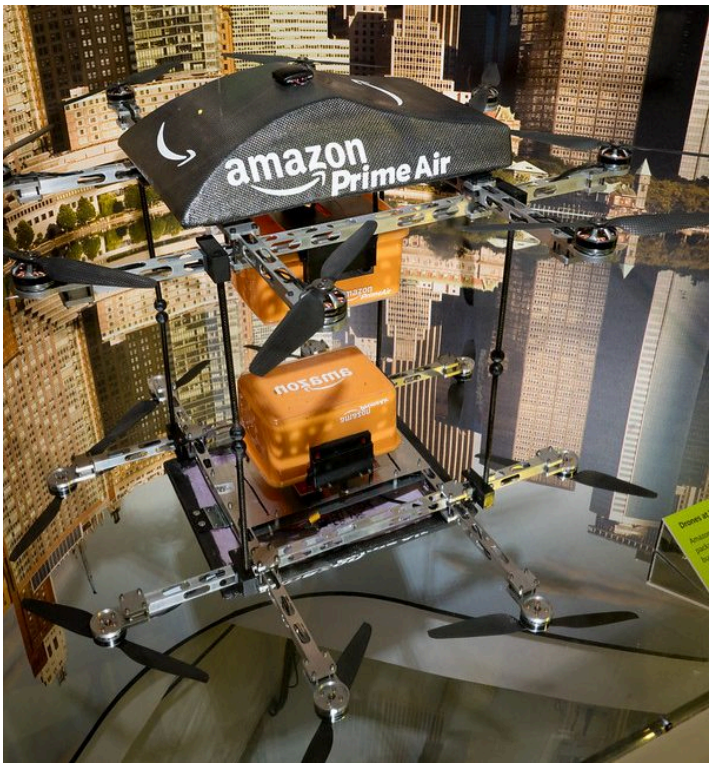
There are three steps to success in distribution management:

1. **Planning**. The first step is to develop channel tactics that support both the overall strategy at the corporate level and the marketing mix at the department level. These tactics need to take into account the buying characteristics of the purchaser, the market environment, and allocation of resources (e.g., time, people, and money).
2. **Organizing**. The second step is to choose the various channels to be used and design a structure including the number and type of intermediaries between the manufacturer and end customer. Think of this step as like a blueprint for a house. It's a guide that can be followed to understand how each element of the channels selected are connected as well as the system for motivating intermediaries to cooperate and sell your product.
3. **Monitoring**. The final step is to make sure that the channel, and its intermediaries, are behaving in accordance with the plan and organization. This means frequently assessing performance throughout the system to ensure that the entire process is operating as efficiently and effectively as possible.

It's important to note that distribution management also focuses on loss prevention and encompasses all the activities involved in producing and delivering products such as packaging, storage, and transportation. You may also hear the term marketing logistics. **Marketing logistics** is defined as "planning, implementing and controlling the physical flow of materials and final (finished) goods from the point of origin to the point of use to meet customer requirements at a profit" (Kotler 2024). Distribution channel management oversees the entire process while marketing logistics focuses on the actual movement of materials and goods through that process.

NEW APPROACHES TO DISTRIBUTION CHANNELS

Distribution channels have continually evolved in response to changing **market dynamics** (forces and factors that affect the behavior and performance of a market) such as technology. This transformation has a huge impact on the way products and services reach consumers, from autonomous drones delivering packages for Amazon Prime Air to creating a way for BMW car shoppers to actually be behind the wheel of a moving vehicle while wearing a virtual reality headset that enhances the experience.



Disintermediation is an innovative strategy in marketing channels that refers to the process of cutting out the "middlemen" (wholesalers, agents, brokers, and retailers) in an effort to sell directly to customers. Each of these entities or individuals typically acquires legal possession of goods during their physical transfer from manufacturer to the end user. This transfer results in the intermediaries earning a fee or commission in return for their help in getting goods from the seller to the buyer. Disintermediation can both speed up and lower the

overall cost of the transaction between buyer and seller; which can then lead to increased profits and better customer experiences.

Digital transformation refers to changes associated with the application of any software, application, or online platform to build a competitive advantage through improved customer experience and lower costs (McKinsey 2023). Historically, most distribution channels were not technology-driven; many of the processes were manual or utilized inexpensive software. But combining digital applications with operational changes can transform the way a company gets its product or service from the producer to the buyer as follows: (1) improve processes and productivity; (2) deliver better customer and employee experiences; (3) manage business risk; (4) control costs; and (5) enhance distribution channel visibility.

Sustainable distribution refers to the process of transporting, storing, and selling products with the lowest possible impact on the ecological and social environment. The impact of distribution channels, particularly the transport and storage of physical goods, on the environment is a legitimate cause for concern. In fact, the transportation sector is responsible for more than a third of global carbon dioxide emissions (IEA 50 2024).

PepsiCo has publicly committed to decarbonize their fleet operations by: (1) improving the efficiency of their vehicles, routing, and driving; (2) using cleaner fuels; and (3) transitioning to zero-emission vehicles. For example, the company is testing out electric vehicles out of its Sacramento, California, distribution center. Pepsi is running 21 Tesla Semis up to 450 miles a day on regional long-haul routes.



Disney is another example of a company whose environmental goals extend to its distribution channels. Magic Kingdom at Walt Disney World, Florida, is the world's most sustainable amusement park (Uswitch.com 2020). The company has integrated a wide range of eco-friendly practices into their delivery of fun and memorable customer experiences such as powering their facilities from a 270-acre, 57-megawatt solar facility and eliminating single-use plastic straws and plastic lids.



SUMMARY

To briefly review what was discussed in the chapter, we began by defining what a distribution channel is. Then we highlighted the importance of supply chains, and how distribution channels are a part of them. Following this we talked about the intermediaries in distribution channels: producers, wholesalers, retailers, and end customers. After this we looked at the distinction between push strategies and pull strategies. The ways distribution channels interact with the other parts of the 4Ps of the marketing mix, like Price and Promotion were described. Next, the three types of distribution channels, namely direct, indirect, and hybrid

were introduced. Following this, we pivoted to the factors that impact distribution channel choice: these factors were product type, company resources, market environment, and competitor characteristics. Then, the steps for success in distribution management of planning, organizing, and monitoring were discussed. Last, we touched on new approaches to distribution channels, like disintermediation, digital transformation, and sustainable distribution.

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JODIE L. FERGUSON, PH.D.

Chapter 10:
Pricing

"Prices communicate more than just what the customer gives up in an exchange for a marketing offering. Price can be an indicator of quality, a negotiating point in the exchange, and induce attitudes and behavioral responses when prices are set or changed. It is crucial for the marketer to set a price that complements the three other Ps of the marketing mix to deliver value to the target market."
-Jodie L. Ferguson, Ph.D., Chapter 11 Author



INTRODUCTION

What is price? Most of the time we think about price being money or credit in exchange for a product. Price includes the number of monetary units which a buyer must hand over for one unit of a product (Simon and Fassnacht 2019). So money is definitely one form of price, but there are others. The time and effort involved in coming to the table for the exchange could also be considered part of the price. For example, if a buyer is interested in purchasing a new smartphone, they might have to drive to the store, park their car, talk with a sales representative to learn about various smartphone item options, wait for customer service at the cashier, and go through the set-up procedures with the new phone. All of this time and effort is considered part of the price of acquiring the new phone.

Price is one of the cornerstones of the marketing mix. To the untrained eye, price may simply be seen as the asking price a seller sets to cover their costs plus a profit. In many cases this is true, but pricing is much more! Pricing can be a way to convey the quality of a product, to entice a buyer to make an impulse purchase, or even to switch brands altogether. pricing can include the buyer in the marketing process through negotiations or auctions, for example.

TWO DETERMINANTS OF PRICE

There are two main determinants of price: cost and demand (Lamb, Hair, McDaniel 2020). The **cost**

determinant takes into consideration the costs incurred by the seller in setting the price. The **demand determinant**, on the other hand, considers what the target market is willing to buy at various price points.

For example, imagine a person wants to sell their house. They might think of all of the costs that went into the house: the mortgage, the original down-payment, any improvements done to the house, etc., and set a price above the costs paid. This strategy would be consistent with the cost determinant of price. Or, the seller may look at comparable house sales in their neighborhood, taking into consideration which houses have the same number of bedrooms, bathrooms, square feet, etc., and they would set a price consistent with the comparable homes' prices. Using comparable houses to set the price would be considered the demand determinant of price. Ideally, marketers would consider both costs and demand determinants in setting price. However, given constraints or circumstances, the cost or demand determinant may be dominant.



The Cost Determinant

The cost determinant considers fixed costs, variable costs and total costs as the base for setting price. Typically, the price is set at a point that is above the total costs in order to realize a profit.

Fixed costs are costs that do not change with unit output, while **variable costs** are costs that do change with unit output.

Variable costs formula:
Total variable costs = variable cost per unit × number of units

Total costs are calculated by adding fixed costs and variable costs.

Total costs formula:
Total costs = fixed costs + variable costs

The **break-even price point** occurs when the total costs equal the total revenue. Units sold beyond the break-even volume result in a profit, and units sold less than the break-even volume results in a loss.

Break even volume formula:
Break even volume = fixed costs / (price – variable cost)

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Let's work out an example. Imagine that a small manufacturer named "All Aboard Skateboards" produces

skateboards and sells them to extreme sports retailers. AAS's fixed costs are $50,000. It costs $50 to produce one skateboard. What would be the break-even volume if AAS sells each skateboard to retailers for $100 each?



Solution:
break even volume = fixed costs / (price – variable cost)
break even volume = $50,000 / ($100 – $50)
break even volume = 1,000 skateboards

This means that AAS will break even if 1,000 skateboards are sold at a price of $100, variable cost of $50, and fixed costs of $50,000. If AAS sells more than 1,000 skateboards it will realize a profit. If AAS sells less than 1,000 skateboards it will realize a loss.

Total revenue is the amount coming into the firm when considering the price and the number of units sold.

Total revenue formula:
Total revenue = price x number of units

After taking into consideration the total costs, including the fixed costs and the variable costs to produce the units sold, the remaining balance from the revenue brought in is the **profit** (Simon and Fassnacht (2019).

Profit formula:
Profit = total revenue – total costs

The **contribution margin** is the share of the price that adds to profit (Nagle and Holden 2002). In other words, the contribution margin is the share of the price that exceeds the incremental, variable costs.

Contribution margin formula:
Contribution margin = price – variable cost

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Continuing with our skateboards example, if AAS has fixed costs of $50,000, produces one skateboard for a cost of $50, charges retailers $100 per skateboard, and sells 3,500 units, how much revenue will AAS realize? How much profit or loss? And what will be the contribution margin?



Revenue solution:
total revenue = price x number of units
total revenue = $100 x 3,500
total revenue = $350,000

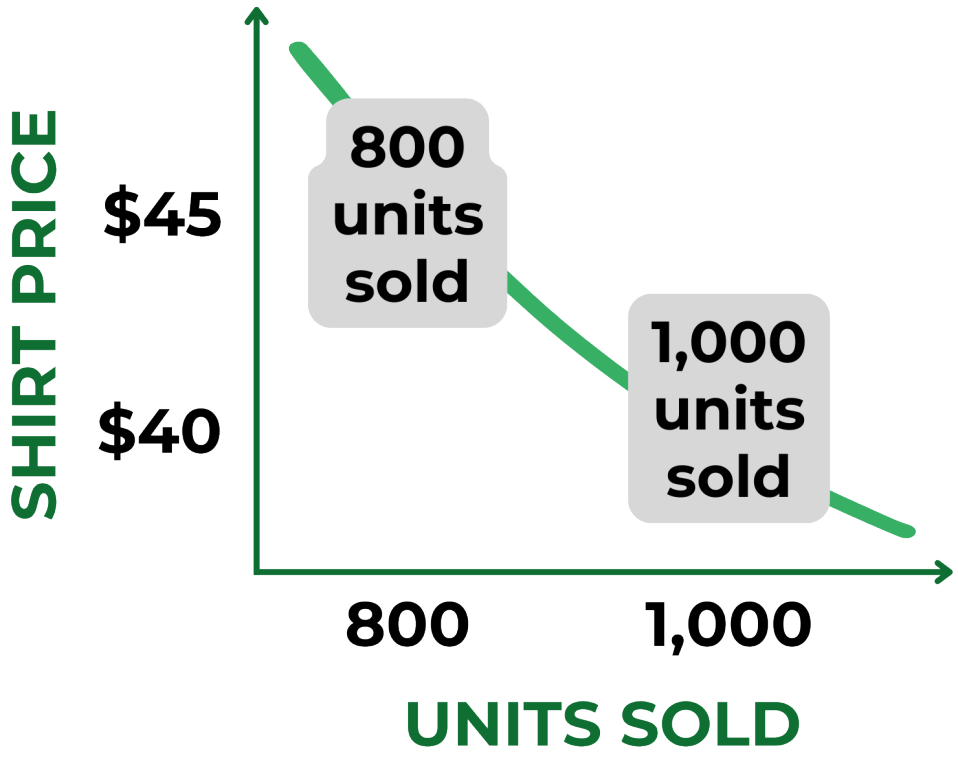
Profit solution:
profit = total revenue – total costs
profit = $350,000 – ($50,000 + ($50 x 3,500))
profit = $125,000

Contribution margin solution:
contribution margin = price – variable cost
contribution margin = $100 – $50
contribution margin = $50

Considering fixed costs ($50,000), variable cost per skateboard ($50), price ($100), and number of skateboards sold (3,500), AAS will bring in $350,000 in revenue. After considering total costs, AAS will realize a profit of $125,000. The contribution margin, or the amount each additional skateboard sold adds to profit, is $50.

The Demand Determinant

While the cost determinant takes into account the amount of money going out from the firm when setting the price, the demand determinant takes into account what the target market is willing to pay for the product offering when setting the price. **Demand** is the number of units the market will buy at given price points within a time period (Armstrong and Kotler 2020). The typical demand curve slopes from upper left to lower right. The figure below displays a conventional demand curve for a t-shirt producer.. When the t-shirts are sold for $45 each, the resulting quantity sold is 800 t-shirts. However, if the price is lowered to $40 each, the quantity goes up to 1,000 t-shirts sold.



Elasticity of demand is a measure of the extent of change in demand given a change in price. If there is little to no change in quantity sold when the price changes, the demand is inelastic. However, if there is a big change in quantity sold when the price changes, the demand is elastic. Products that are commodities or necessities such as milk and toilet paper typically have more inelastic demands, while products that are luxury or non-necessity purchases such as jewelry and vacations tend to have more elastic demands.

COMMON PRICE SETTING STRATEGIES

Some pricing strategies have been successful at meeting marketing objectives. At the simplest level, cost plus, or **markup pricing**, is when the marketer considers the costs to make the product available to the customer and adds a mark-up value when setting the final price.

When a product is first introduced to the marketplace, marketers often use one of two pricing strategies: price skimming or penetration pricing. **Price skimming** occurs when the marketer sets the price high when a product is first introduced to capitalize on customers who want the product as soon as it hits the market. Then after the product is in the market for a while, the price is lowered. We see price skimming used frequently with technology products. **Penetration pricing**, on the other hand, occurs when the marketer sets the price low when a product is first introduced to get people to try the product before the price is raised to its regular price. We see penetration pricing used with convenience type products that are relatively low-priced and are easily sampled.

Captive pricing is a situation in which the base product is relatively inexpensive, however, supplementary or replacement parts need to be purchased in order for the product to work. An example of captive pricing is razors. The handle of the razor might be offered at a generous price, however, the replacement blades for the razor are relatively more expensive. Once the consumer invests in the razor handle, they are held "captive" to purchase the replacement razor blades.



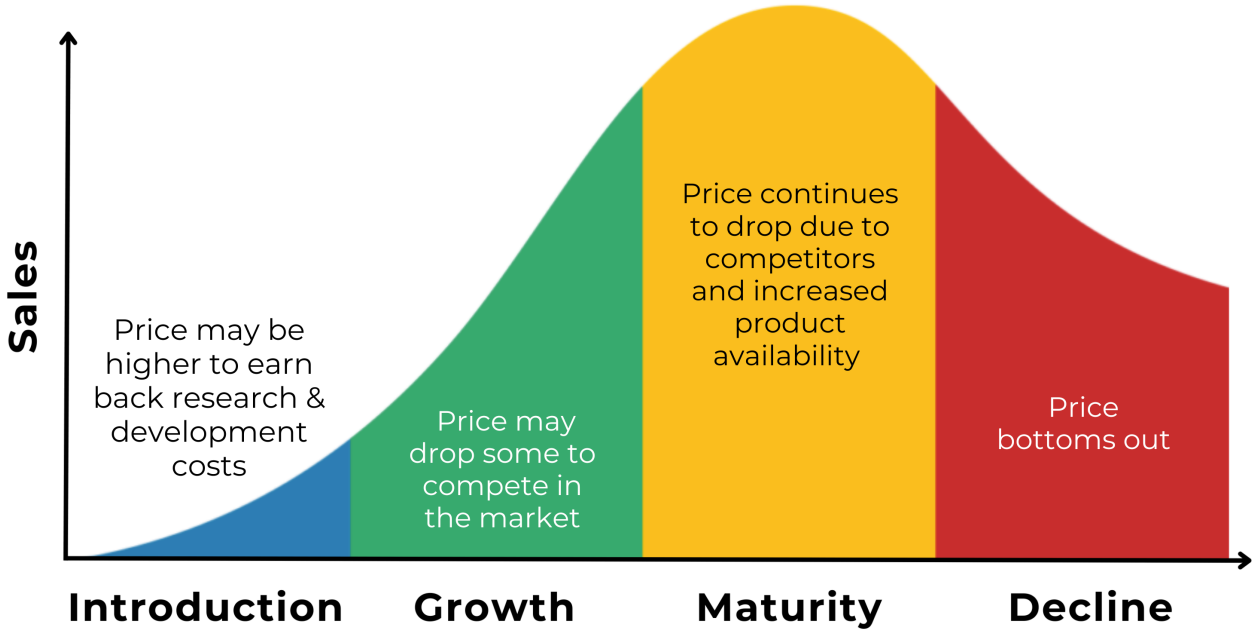
DYNAMIC PRICING

The proliferation of technology at marketers' fingertips has made dynamic pricing a mainstay in the marketplace. **Dynamic pricing** refers to prices that change and are not constant over a period of time. Think about an online shopping experience. One day the price for a pair of sneakers may be $200, and a few days later the price changes to $215. A few more days later the price drops to $195. Dynamic pricing allows for these price changes based on many different variables, including changing market demand, changing seller costs, inventory availability, and user characteristics. Dynamic pricing allows the seller to make these sometimes very subtle changes in price to maximize profits as the market allows.

PRICE AND THE MARKETING MIX

Price changes based on the product life cycle stage. In the introductory stage, price may be higher in efforts

to recoup some of the R&D costs. In the growth stage, the price may drop some with the introduction of competitors and greater reach into channels to distribute product. The price continues to drop into the maturity stage where there are a lot more competitors and product is available in many outlets. Finally, the price bottoms out in the decline stage. Price is a determining factor in the type of product. A product at a very low price point is more likely to be a convenience product than a shopping or unsought product, while a specialty product is more likely to have a high price point.



The place "P" of the marketing mix has an impact on the price set. If there are many intermediaries (e.g., wholesalers, distributors, retailers) between the finished product and the end user, the price is likely to be higher, given that each intermediary in the link will add a percentage mark-up to the final price. In addition, there are economies of scale in that the greater the reach the product has, the less the price will be. The outlet the product is available at also affects price. A smaller convenience store with few options for products may charge a higher price for the same product found in a discount store or grocery store, where many varieties and brand options exist.

Another example of retailer influence on price is a phenomenon called **prestige pricing**, where a product is priced purposefully higher to elicit perceptions of extremely high quality or luxury. An example of prestige pricing is Tiffany's jewelry pricing. The retailer, brand, and blue box are indicators of superior quality and the price reflects that.



Promotion and price go hand in hand because many times the promotional message involves the price itself. The communication may be about a change in price or a set price. Sales promotion, especially, many times has a link to price. For example, there are sales promotion tactics such as couponing, volume discounts, price bundling, free samples that all involve the price to some extent.

SUMMARY

Price is a crucial part of the marketing mix; after all, it is the only "P" that produces revenue (Armstrong and Kotler 2020)! All other elements of the marketing mix represent costs. Therefore, marketers should carefully consider costs, demand, and pricing strategies when setting optimal prices. In an age of widespread information availability and the ease at which consumers can shop and compare, setting the right price is more important than ever.

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MAYOOR MOHAN, PH.D.

Chapter 11:
Promotion

"Consistency across all integrated marketing communications (IMC) channels is crucial. A unified brand message, delivered through a variety of integrated tools, creates a seamless consumer experience that builds trust, loyalty, and strong brand equity. By aligning communication efforts with the target audience's needs and preferences, marketers can ensure their messages resonate deeply and lead to meaningful actions."
-Mayoor Mohan, Ph.D., Chapter 12 Author



INTRODUCTION

Integrated Marketing Communications (referred to hereafter as IMC) represents a contemporary and strategic shift in how companies approach marketing and communication strategies. In the past, businesses often managed their advertising, public relations, sales promotions, and direct marketing efforts in silos, with little coordination between these efforts and the teams that worked on them (Assael, 2011; Hartley and Pickton, 1999). However, as the marketplace has evolved—driven by technological advancements and changing consumer behaviors—there has been a growing recognition of the need for a more cohesive approach. IMC emerged as a response to this need, focusing on integrating all marketing communication tools to deliver a unified message that resonates across various channels (Batra and Keller, 2016). By aligning these efforts, companies can create stronger brand narratives and more effectively engage with their target audiences.

DIVING DEEPER: WHAT IS IMC, AND WHY IS IT IMPORTANT

First and foremost, IMC is a strategic approach that ensures a brand's messaging is consistent across all touchpoints, whether through traditional media like television and print, or through digital platforms such as social media, email, and websites. In today's fragmented media landscape, consumers interact with brands through numerous channels, and each interaction shapes their perception of the brand (Gensler et al., 2013). If these messages are inconsistent or contradictory, they can lead to confusion and weaken the brand's identity.

IMC addresses this challenge by aligning all messaging with the brand's core values and objectives, regardless of the platform. For instance, Coca-Cola consistently reinforces its brand message of happiness and togetherness across all platforms—from iconic TV ads to social media campaigns—ensuring that consumers always associate the brand with positive emotions. This unified approach not only strengthens brand recognition but also builds trust and loyalty among consumers, who increasingly value authenticity and transparency in their interactions with brands.



Coke ads from 1967 and 2014, respectively, that maintain the brand's positive messaging

In order to define **IMC**, we can think of it as a strategic process that integrates and coordinates a company's various communication channels to deliver a clear, consistent, and compelling message (Schultz, 1992). This contrasts with traditional marketing methods, where advertising, sales promotions, public relations, and direct marketing efforts might have been managed separately, leading to fragmented and often inconsistent messaging. The key components and objectives of an IMC strategy are as follows:

Components of IMC:

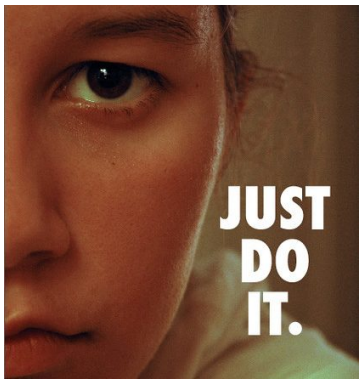
- Consistency Across Channels: IMC aims to deliver a unified message that resonates with consumers across all platforms, whether digital, print, or broadcast. This consistency is key to building brand recognition and trust.
- Consumer-Centric Approach: Understanding consumer behavior and preferences allows brands to tailor their messages effectively. In today's marketing landscape, personalized interactions are crucial to engaging with the audience.
- Collaboration Across Functions: Successful IMC requires teamwork across various departments, such as marketing, sales, public relations, and customer service, to ensure that all communications align with the overall brand strategy.

- Multi-Channel Engagement: By leveraging multiple channels, including social media, email, digital advertising, and traditional media, IMC reinforces brand messages and enhances consumer loyalty.

Objectives of IMC:

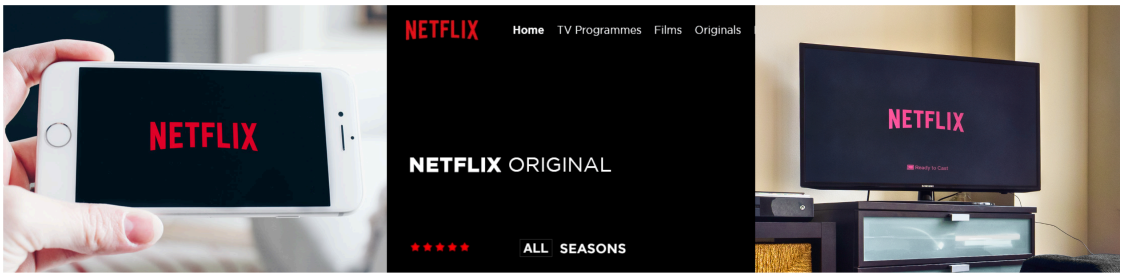
- Building Brand Equity: A cohesive brand image enhances brand equity and fosters consumer loyalty.
- Increasing Efficiency: An integrated approach streamlines marketing efforts, reduces redundancy, and improves resource allocation.
- Enhancing Consumer Experience: IMC creates a seamless and positive consumer experience, strengthening the connection between the brand and its audience.

Beyond maintaining message consistency, IMC plays a crucial role in enhancing the efficiency and effectiveness of marketing efforts. By integrating various communication channels and tools, companies can create synergies that amplify their overall impact.



For example, Nike effectively coordinates its social media presence with high-profile advertising campaigns, such as “Just Do It,” and in-store promotions. These elements work together to create a seamless brand experience, driving both engagement and sales. In an era where consumers are bombarded with information, delivering a clear, compelling message across multiple platforms is essential for long-term marketing success.

Additionally, IMC is vital for adapting to the changing dynamics of consumer behavior. Today’s consumers are not passive recipients of marketing messages; they actively engage with brands across multiple platforms and expect a seamless experience (Hanna, Rohm, and Crittenden, 2011). Netflix excels at ensuring that its branding and messaging are consistent across its streaming platform, mobile app, social media channels, and original content promotions. IMC allows brands to meet these expectations by ensuring that every interaction feels consistent and aligned with the brand’s overall message. This approach not only enhances customer satisfaction but also strengthens long-term loyalty, as consumers feel more connected to brands that communicate with one clear and consistent voice.



Netflix's branding and messaging is consistent across platforms

In summary, IMC is essential for modern marketing strategies, enabling organizations to communicate their brand message effectively and meaningfully engage with consumers. As a result, it is not surprising that anyone involved in marketing must have a solid grasp of these foundational IMC concepts. This knowledge is the bedrock upon which more complex marketing strategies are built, allowing for more effective communication, brand building, and customer engagement.

KEY PROMOTIONAL TOOLS WITHIN AN IMC PROGRAM

An IMC program leverages a variety of promotional tools to deliver a cohesive and persuasive brand message across multiple touchpoints. Each tool plays a specific role within the overall strategy, contributing to the brand's ability to engage and influence its target audience. Understanding the unique strengths and functions of these tools is essential for crafting effective IMC campaigns. Below, we explore the primary promotional tools used in IMC, highlighting their roles and applications.

Primary Promotional Tools Used in IMC

ADVERTISING



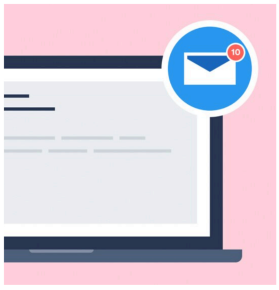
SALES PROMOTION



PUBLIC RELATIONS



DIRECT MARKETING



PERSONAL SELLING



DIGITAL AND SOCIAL MEDIA MARKETING



ADVERTISING

Advertising is one of the most visible and widely used tools in IMC. It involves paid, non-personal communication through various media channels such as television, radio, print, and digital platforms. The primary goal of advertising is to create awareness, generate interest, and persuade consumers to take action. Advertising is particularly effective in reaching a large audience quickly, making it ideal for building brand recognition and introducing new products to the market.

In an IMC program, advertising often serves as the foundation upon which other promotional tools build. For example, a television commercial can create initial awareness, which is then reinforced by digital ads, social media posts, and other promotional activities. Advertising also allows for creative expression, enabling brands to craft memorable messages that resonate emotionally with consumers. The use of consistent imagery, slogans, and themes across all advertisements ensures that the brand message remains unified and recognizable across different platforms.

Can you think of some advertisements you've seen for different brands? Most likely, the answer is yes! Maybe it is one of the many comedic commercials that run each year during the Super Bowl broadcast. Perhaps the ads you are thinking of were part of famous campaigns, like Dos Equis' "The Most Interesting Man in the World," Old Spice's "Smell Like a Man, Man," or Dove's "Real Beauty." It's possible the first things that came to your mind were traditional forms of advertising, like television commercials and out-of-home (OOH) ads such as billboards. Of course these are still very popular ways for companies to advertise, but non-traditional advertising has become a way brands are seeking to garner attention. You may remember "Red Bull Stratos," a highly-

publicized brand stunt where a skydiver jumped out of a helium balloon in Earth's stratosphere. In this instance Red Bull was not trying to educate consumers about product benefits of their energy drink per se, rather, they were trying to cultivate a positive brand image in the minds of their target audience.

SALES PROMOTION

Sales promotion refers to short-term incentives designed to stimulate immediate sales or encourage trial of a product. Common sales promotion tactics include discounts, coupons, contests, and buy-one-get-one-free offers. These promotions are often used to complement other elements of the IMC program by driving quick consumer action, such as a purchase or participation in a brand event.

Sales promotions are particularly effective in creating a sense of urgency and motivating consumers who are on the fence about making a purchase. In an IMC context, sales promotions can be timed to coincide with advertising campaigns or new product launches, amplifying their impact. For instance, a digital ad campaign might promote a limited-time discount, encouraging consumers to act quickly. While sales promotions are powerful tools for boosting short-term sales, they must be used strategically to avoid eroding brand value or creating a reliance on discounts.

PUBLIC RELATIONS

Public relations (PR) involves managing the public image of a brand and fostering positive relationships with various stakeholders, including the media, consumers, and the general public. PR activities can include press releases, media outreach, event sponsorships, and community engagement initiatives. The goal of PR is to build and maintain a positive brand reputation, which can enhance the effectiveness of other IMC efforts.

In an IMC program, PR works to reinforce the brand's message and values by generating favorable publicity and managing any potential negative exposure. For example, a successful PR campaign might involve securing media coverage for a new product launch, which complements the advertising and promotional efforts by providing additional credibility and reach. PR is also crucial during crises, where effective communication can protect and even strengthen the brand's reputation.

DIRECT MARKETING

Direct marketing is a targeted form of communication that reaches consumers directly through channels such as email, direct mail, telemarketing, and SMS. Its key advantage is its ability to personalize messages based on consumer data, making it highly effective for driving specific actions, such as purchases, sign-ups, or event attendance.

Within an IMC framework, direct marketing allows brands to engage with consumers on a one-to-one basis, offering tailored content that aligns with their preferences and behaviors. For example, an email campaign might deliver personalized product recommendations based on a consumer's previous purchases, thereby increasing the likelihood of conversion. Direct marketing also provides measurable results, allowing marketers to track responses and adjust strategies in real-time for maximum effectiveness.

PERSONAL SELLING

Personal selling involves direct interaction between a salesperson and a potential customer, usually with the aim of closing a sale or building a long-term relationship. This tool is particularly important in industries where products are complex, expensive, or require a high level of customization, such as real estate, automotive, and B2B services (Gilmore and Pine, 1997).

In an IMC program, personal selling complements other promotional tools by providing a personalized touchpoint where consumers can ask questions, receive detailed information, and get reassurance before making a purchase decision. Personal selling is often supported by other IMC efforts, such as advertising that generates leads or sales promotions that entice customers to visit a store or contact a sales representative. The key to effective personal selling within IMC is ensuring that the salesperson's message is consistent with the brand's overall communications, reinforcing the brand's value proposition.

DIGITAL AND SOCIAL MEDIA MARKETING

Digital and social media marketing encompasses a broad range of online activities designed to engage consumers, build brand awareness, and drive conversions. This includes everything from search engine marketing (SEM) and online display ads to social media campaigns on platforms like Facebook, Instagram, and TikTok. Digital and social media marketing is integral to IMC because it allows brands to reach and interact with consumers in real-time, often fostering two-way communication.

In the context of IMC, digital and social media marketing plays a pivotal role in maintaining ongoing engagement with the target audience. For instance, a brand might use social media to continue the conversation started by a TV ad, encouraging followers to share their own experiences or participate in a contest. The interactive nature of social media also provides valuable feedback, which can be used to refine other elements of the IMC program. Additionally, the ability to track and analyze online behavior enables marketers to optimize their campaigns for better performance.

CONCLUSION: BUILDING AN EFFECTIVE IMC PROGRAM

It is important to remember that IMC is more than just a collection of promotional tools; it's a strategic approach that ensures all marketing communications work together to convey a consistent and compelling brand message. Throughout this chapter, we've explored how IMC integrates diverse tools like advertising, sales promotions, public relations, direct marketing, personal selling, and digital media into a cohesive strategy.

The essence of an effective IMC program lies in its ability to create synergy among these tools, amplifying the brand message across all consumer touchpoints. For instance, a well-executed advertising campaign can generate awareness, which is then reinforced by sales promotions that drive immediate action, public relations efforts that build credibility, and digital marketing that fosters ongoing engagement.

In today's competitive and fragmented marketplace, the ability to execute a well-coordinated IMC strategy is vital for any brand seeking to stand out and succeed. By mastering the art of integration and leveraging the strengths of each promotional tool, marketers can create campaigns that not only capture attention but also engage, inspire, and drive results. As you continue to develop your marketing skills, remember that IMC

principles are foundational to building effective, results-driven communication strategies that resonate with your audience and achieve your business objectives.

CHAPTER ASSIGNMENT – REFLECTING ON IMC

Below are two reflection activities based on industry leaders, Apple and Starbucks. This activity is designed to help you apply the concepts of IMC by analyzing how these companies use integrated strategies to build and maintain strong brand identities. Consider the following prompts to guide your reflections.

Apple – Crafting a Consistent and Powerful Brand Message

Apple is renowned for its seamless integration of IMC strategies, particularly in promoting its flagship product, the iPhone. The company's approach to advertising, public relations, digital marketing, and other promotional tools has established a consistent and powerful brand image worldwide.

Turn the Card to See the Reflection Prompt



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Starbucks – Building Loyalty Through IMC

Starbucks has successfully used IMC to build a global brand that is synonymous with premium coffee and a unique customer experience. The company's use of social media, in-store promotions, public relations, and community engagement demonstrates the effectiveness of an integrated approach.

Turn the Card to See the Reflection Prompt



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A FEW KEY TERMS AND CONCEPTS IN IMC

Here's a summary of the key concepts and terms that are essential for understanding and applying IMC strategies effectively:

- **Branding**: The process of creating a unique identity for a product or service, encompassing elements like the brand name, logo, design, and messaging. Strong branding helps differentiate a brand in a crowded marketplace and is central to maintaining a consistent IMC strategy.
- **Message Consistency**: The uniformity of a brand's message across all communication channels and touchpoints. Ensuring consistent messaging reinforces the brand's identity and builds trust and recognition among consumers.
- **Touchpoints**: The various interactions a consumer has with a brand, whether through advertising, social media, customer service, or in-store experiences. Effective IMC ensures that each touchpoint contributes to a cohesive and positive brand experience.
- **Target Audience**: The specific group of consumers a brand aims to reach with its marketing efforts. Understanding the target audience is fundamental to crafting relevant and effective communication strategies that resonate with consumers' needs and preferences.
- **The Communication Process**: Involves encoding a message, sending it through a selected medium, and then decoding it by the audience. Feedback from the audience is then analyzed to measure the effectiveness of the communication. This process is central to IMC, ensuring that messages are effectively conveyed and understood.
- **AIDA Model (Attention, Interest, Desire, Action)**: A framework (which is one of many) used in marketing to describe the steps a consumer goes through from becoming aware of a product to making a purchase decision (Barry and Howard, 1990). IMC strategies often align with this model to move consumers through these stages effectively.
- **Brand Equity**: The value a brand adds to a product or service. High brand equity allows a company to charge premium prices, gain customer loyalty, and differentiate itself from competitors (Aaker, 2009). IMC plays a crucial role in building and maintaining this equity through consistent and impactful communications.

SUMMARY

In this chapter, we examined how Integrated Marketing Communications is a strategic shift for companies, particularly in relation to how they market and communicate with their audiences. Simply put, IMC is when brands make their messaging consistent across all touchpoints. The key components and objectives of IMC were then discussed. Next, you read about how aligning IMC efforts with consumer behavior leads to more successful outcomes. Then, six promotional tools leveraged by IMC programs were explored. These promotional tools include Advertising, Sales Promotion, PR/Publicity, Direct Marketing, Personal Selling, Digital Social Media. Finally, you thought about how Apple and Starbucks use integrated strategies to build and maintain vibrant brand identities.

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JODIE L. FERGUSON, PH.D. AND CESAR ZAMUDIO, PH.D.

Chapter 12:

Personal Selling and Sales Management

"Personal selling allows the marketer to engage in personal, two-way communication with the target market. It is important for marketers to utilize these invaluable interactions with current and potential customers in order to deliver value messaging, foster relationships, and extend positive brand engagement activities."-Jodie L. Ferguson, Ph.D., & Cesar Zamudio, Ph.D., Chapter 13 Authors



INTRODUCTION

Now, we will take a look at personal selling. When you hear 'personal selling,' you might first imagine a door-to-door salesman you've met before who was selling pest control or some other product or service. While it's true that door-to-door sales is a form of personal selling, you'll soon see how this category includes much more!

A purchase occasion that illustrates the value and intricacy of personal selling is buying a new or used car. Since a car is a complex product, has a variety of options to choose from, and has a purchase process including many steps (including negotiation), the salesperson is expected to have a high level of relevant expertise and knowledge they can communicate to customers. A smart car salesperson also has to strike a balance between being too pushy or too "hands-off" if they want to make the sale. Hopefully you can see from this example that personal selling has many dynamics at play which all contribute, to a greater or lesser degree, to the success of a company's operations.



PERSONAL SELLING DEFINED

Personal selling is a person-to-person, two-way communication between a buyer and seller, with the objective of making a sale and building a relationship with the buyer.

PERSONAL SELLING AND THE MARKETING MIX

Personal selling is one of the elements of the promotional mix and is a major force for building interpersonal relationships in marketing. Instead of a one-way, mass communication like advertising, person-to-person communication allows the buyer to be part of the brand's communication process and allows each communication encounter to be customized. Personal selling lends itself well to negotiation in price setting where the customer has some say in what the final price is. With a sales associate working with the buyer, terms of delivery can be another negotiation point and the sales associate can also provide details of more complicated delivery processes. Also, personal selling may allow for a customized product offering where a sales associate can work with the buyer to get a desired mix of attributes in the product.

B2B exchanges are oftentimes supported by personal selling because, in contrast to the consumer market, the B2B market is typically more geographically concentrated, the buying process is more formalized, the purchases are more complicated, and there are higher volume and dollars per purchase—and therefore greater risk. Personal selling can help build relationships with the B2B buyer, present and demonstrate product offerings, explain terms of exchange, be there for customer service post-exchange, and guide the buyer step by step through the purchasing process.



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TRADITIONAL VS. RELATIONSHIP SELLING

For many firms, relationship selling is preferred to traditional selling. Traditional selling is typically one salesperson working on their own to make a sale, whereas in relationship selling, salespeople work in teams to make sales. In traditional selling, the focus is on single, discreet purchases while the focus in relationship selling is to build relationships and promote ongoing sales.

THE SALESFORCE

A **salesperson** is an individual who represents a company or an organization and performs personal selling tasks such as prospecting, communicating, selling, servicing, information gathering, and relationship building (Armstrong and Kotler 2020). The **salesforce** is made up of the individual salespeople in an organization. If you've ever seen the television show, *The Office*, you'd remember there were multiple different salespeople at Dunder Mifflin: Jim Halpert, Dwight Schrute, Ryan Howard, Andy Bernard, Phyllis Vance, Stanley Robinson, and Pam Beesly. Together, this cohort made up the salesforce of the Scranton, PA branch of the paper company.

Salesforce management involves analyzing, planning, implementing, and controlling salesforce activities. Salesforce management includes the management and oversight of the individual salespersons that make up the salesforce. There are different ways to segment the salesforce structure: territorial, product, and market (Armstrong and Kotler 2020). A **territorial structure** involves assigning salesforce members to geographical

areas to focus sales in. A **product structure** involves salespeople focusing on select product offerings to sell to the client base. Finally, a **market structure** is one in which the salespeople are assigned to sell to certain customers or industries.

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THE STEPS OF THE PERSONAL SELLING PROCESS

There are seven steps of the personal selling process:

1. Prospecting (cold calling, qualifying leads)
2. Preapproach (objectives)
3. Approach
4. Presentation (deck and demonstration)
5. Handling objections
6. Closing (negotiations)
7. Follow up (delivery, customer service)

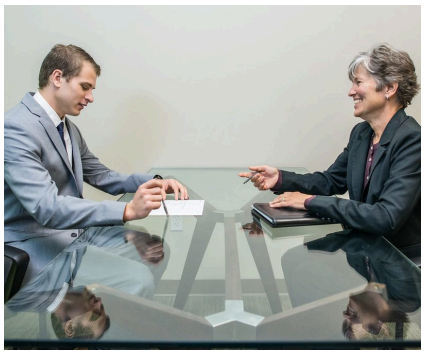
Prospecting involves gathering leads, or people and organizations (clients) who may buy the seller's products. Sometimes the clients are customers who have shopped with the organization in the past, and sometimes the salesperson engages in cold calling, where the salesperson goes after leads in which no prior relationship has been established.

To illustrate the steps of the selling process, imagine James needs a new car. Prospecting occurred with James when a local car dealer identified him as a repeat service customer for his existing Honda Accord. In this case, James was an existing customer, and the Honda dealer had his record of service history, the age of his current Accord, and his contact information. The dealer's customer relationship management software had flagged James as a potential buyer of a new Honda. The dealer then sent James a mail flyer about possible Hondas that may be of interest to him. Once James received the flyer, he decided to go visit the dealership to inquire about the Hondas available.



Once a lead has been established by the client or potential client showing interest, the lead may need to be qualified. Qualifying a lead involves making sure that the client or potential client has the funds and opportunity to make the purchase. When James visited the Honda dealership, he was met by a finance manager to do a qualification check before the salesperson progressed with the visit. James' credit was run and he was found to be a good fit for financing a new car with the dealership.

Salespeople engage in the **preapproach** work to gather as much information as possible before reaching out to the client or prospective client. In the approach, the salesperson greets and engages with the person or people interested in making a purchase. The **approach** involves gathering more information and getting questions answered so that the salesperson can prepare a presentation of the sales offering. James' salesperson had a list of questions that she asked James about his car needs and preferences, such as what is important to him when buying a new car, how much traveling he plans to do with the car, and how he prefers to listen to music in the car.



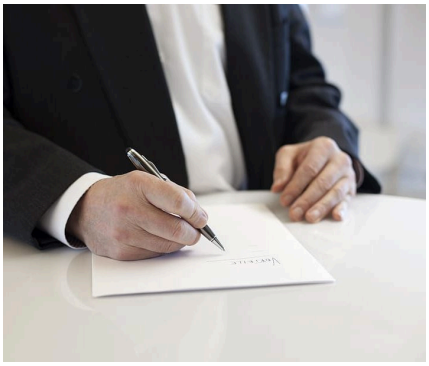
The **presentation** is the actual selling pitch the salesperson makes to the client or potential client. The presentation may be very formal and include an in-person or online verbal presentation with visual support materials. A formal prepared set of slides—either in print or online—is referred to as a sales deck. The presentation may include product demonstrations and the terms of the sale, including timing, delivery, and price. James' salesperson shows him multiple Honda vehicles, doing a demonstration of the features of each vehicle. It is at this time that James takes a car on a test drive. While there is no formal presentation or deck for this consumer purchase, the salesperson does sit down at a desk with James to discuss all the attributes of the car, including the price, financing options, and when he could take delivery of the vehicle.



The next step in the selling process is **handling objections**. The salesperson must be prepared that there may be objections to the presentation. A prepared salesperson will have remarks prepared to minimize objections, or a strategy for handling unexpected feedback. When the salesperson described a potential warranty for the car, James objected. At that time the salesperson had a white board that demonstrated all of the things that could go wrong with a vehicle over time and the cost to have repairs. This was a compelling argument, however, James expressed that he only intended on keeping the car for two years, and that, ultimately, he did not want the warranty included in the purchase of the vehicle.



The **closing** includes negotiations, or a back-and-forth communication where both the salesperson and the potential client ask for terms of the sale until an agreement is made. A formal contract listing all the terms of the deal may also be signed to seal the sale. James and the salesperson talked through all the details of the purchase, including settling on an agreed upon price. James signed a contract, agreeing to buy the car.



Finally, the **follow-up** includes the delivery of the product to the client, communication with the client to ensure the product was delivered as expected, and the customer service necessary to complete the sale

contract. The follow-up could also include training the client on the use of the product. At this point in the personal selling process, James took ownership of the car. Before he drove off the lot, the salesperson gave James a tutorial on how to use all the features of the vehicle, including pairing his phone by Bluetooth with the sound system. A month after James' car purchase, the salesperson gave him a call to see how he was liking his new purchase.



A savvy team of salespeople would be smart to give each of these steps a proper amount of attention and preparation. What might seem like minor details in the personal selling process can wind up making the difference between making the sale or not making the sale, not to mention the difference between leaving the client relationship in good shape or poor shape.

SUMMARY

As a recap, you learned about how personal selling is a part of "Promotion," one of the 4Ps of the marketing mix. This form of selling is more common for B2B because of a variety of different factors, including more complicated purchases that are required. Further, the distinction between traditional selling and relationship selling was explained, in addition to why relationship selling is preferred most often. Next you read about salespeople and how they comprise a larger whole known as the salesforce. Finally, the seven steps of the personal selling process (prospecting, preapproach, approach, presentation, handling objections, closing, and follow up) were introduced.

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BUTCH M. SARMA, M.B.A.

* Chapter 13:
Digital Marketing

"Understanding the importance of digital technologies for marketing, the methods that marketers can use to develop an online audience, the key concepts and methods in search marketing and digital ad targeting, and the importance of digital marketing metrics for decision-making is essential."
-Butch M. K. Sarma, Chapter 13 Author



INTRODUCTION

Digital marketing is a fast-growing technology-driven collection of platforms, tools, skills, and content allowing companies to engage with previous, current, and prospective customers. Note the buyer behavior funnel (awareness, interest, consideration, intent, evaluation, and purchase) is still there, but the friction between stages is greatly reduced and the time interval may be almost instantaneous.

THE IMPORTANCE OF DIGITAL TECHNOLOGIES FOR MARKETING

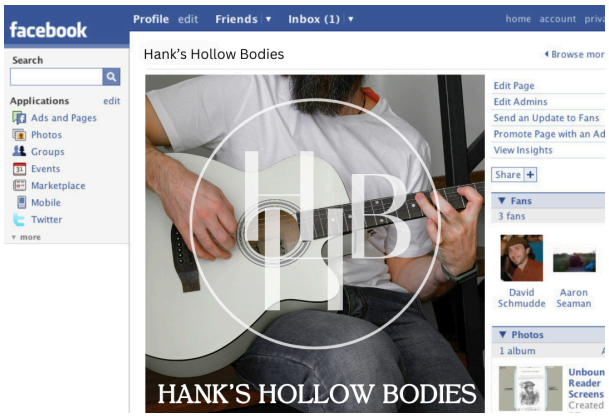
In today's fast-paced and ever-evolving business landscape, digital technologies have become indispensable tools for marketers. As future business leaders and marketers, it is crucial to understand how these technologies can enhance your marketing strategies, drive customer engagement, and ultimately contribute to business success.

Digital technologies have revolutionized the way businesses interact with their customers. Social media platforms, websites, email marketing, and mobile apps have transformed the traditional marketing funnel, making it more dynamic and interactive. These tools enable marketers to reach a broader audience, personalize marketing messages, and engage with customers in real-time. Understanding the power of digital marketing is essential for crafting effective campaigns that resonate with your target audience.

Moreover, digital technologies provide valuable insights through data analytics. Marketers can now track

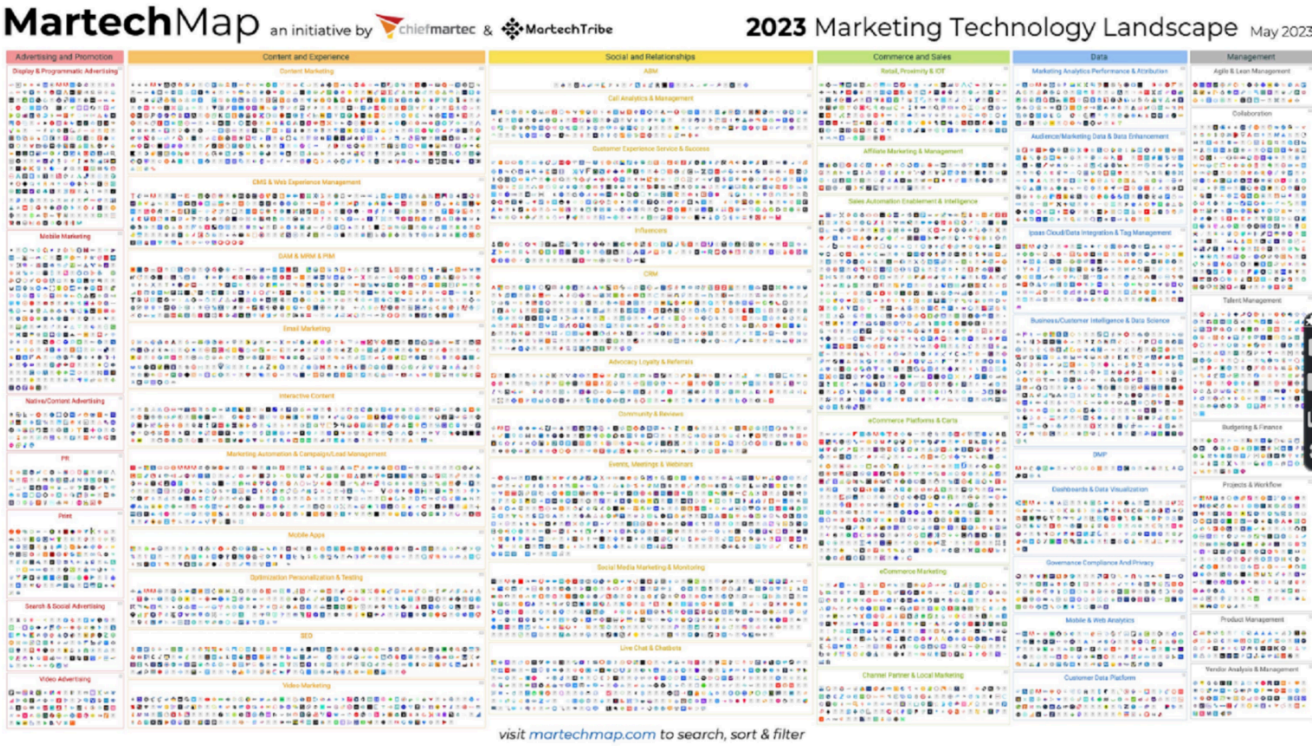
customer behavior, preferences, and trends with unprecedented accuracy. This data-driven approach allows for more informed decision-making, optimizing marketing efforts and improving return on investment (ROI). For instance, by analyzing website traffic and social media interactions, you can identify which marketing channels are most effective and adjust your strategy accordingly. Imagine a new guitar company called “Hank’s Hollow Bodies” that wants to figure out how best to reach their target audience of 40-55 year-old men.

They have a presence on multiple different social media platforms, but they don’t know which is most effective in reaching their audience. After analyzing social media interactions, they found that on Facebook, the same ad got 3x more likes and 5x more views than it did on the other platforms. The company now plans to post more times per week on Facebook.



BASICS OF MARKETING TECHNOLOGIES (MARTECH)

Marketing Technologies, or MarTech, refer to the various tools and platforms used by marketers to plan, execute, and analyze their campaigns online. Familiarizing yourself with MarTech is crucial for navigating the digital marketing landscape effectively and enhancing a company’s marketing capabilities (Brinker). With that said, the goal of this chapter is for you to become familiar with broad categories of tools—but when we zoom into the specific, Scott Brinker, the creator of the MarTech 5000 landscape, lists over 11,000 MarTech tools available!



MarTech encompasses a wide range of tools, including customer relationship management (CRM) systems, email marketing platforms, social media management tools, and analytics software. **CRM systems**, like Salesforce and HubSpot, help businesses manage and analyze customer interactions, improving customer retention and satisfaction. **Email marketing platforms**, such as Mailchimp and ConstantContact, enable targeted and automated email campaigns, enhancing customer engagement.

Social media management tools, like Hootsuite and Sprout Social, allow marketers to schedule and monitor posts across multiple platforms, ensuring a consistent and strategic online presence. **Analytics software**, such as Google Analytics and Adobe Analytics, provides insights into website performance and user behavior, helping to refine marketing strategies.



Instagram through the consumer's eyes



Instagram through the marketer's eyes

In summary, understanding and leveraging digital technologies and MarTech tools are critical skills for modern marketers. These technologies not only enhance marketing efforts but also provide the insights needed to make data-driven decisions, ultimately driving business success. As you progress in your marketing studies, mastering these tools will be key to your future career in the dynamic field of marketing.

DEVELOPING AN ONLINE AUDIENCE AND UNDERSTANDING WEBSITE TRAFFIC SOURCES

In the digital age, developing an online audience is crucial for marketers. Engaging with customers online not only increases brand visibility, it also drives conversions and fosters customer loyalty. So as you begin your journey to become a marketer, understanding the importance of online audiences and the methods of building theme, as well as differentiating sources of website traffic and leads, is essential for you to develop effective marketing strategies.

Importance and Methods for Developing an Online Audience

Developing an online audience allows businesses to enhance their ability to communicate directly with potential and existing customers. For some firms, such as smaller or new companies, the goal might be to reach a wider audience. For example, think of a new bakery called "I Knead Bread." They just opened up their first location and want to get the word out, so they start posting short videos on Instagram and Facebook. For larger, more established companies, the goal might instead be to reach a more targeted audience. Imagine that the running shoe company Brooks decides they want to reach teenage runners in hopes of fostering brand loyalty and a lifetime of repurchase behaviors. In order to achieve this goal, they partner with running influencers to create content on Brook's TikTok page.

A strong online presence also provides valuable data and insights into customer behavior, preferences, and trends, enabling more personalized and effective marketing efforts. However, the extent to which this can be achieved depends on the degree of control over the audience the company has. Building an audience on a third-party platform (e.g., Instagram, TikTok, Facebook, etc.) leaves ultimate control to the platform owner, who may implement algorithmic changes without your company's consent and even remove you from their platforms without the possibility of you appealing the decision. Hence, building an audience that directly comes to your website or other digital touchpoints is the ideal, as it gives your company full control.

Several methods can help marketers build and engage an online audience:

- **Content Marketing**: Creating valuable, relevant, and consistent content helps attract and retain a clearly defined audience. Blogs, videos, infographics, and social media posts are effective tools for engaging audiences and establishing authority in a particular niche (Pulizzi, 2014).
- **Search Engine Optimization (SEO)**: Optimizing website content for search engines increases visibility and drives organic traffic. Effective SEO involves using relevant keywords, creating high-quality content, and building backlinks from reputable sites (Fishkin & Høgenhaven, 2013). Implementing the updates from Google can improve the results of your website.
- **Social Media Marketing**: Leveraging social media platforms allows marketers to interact with audiences in real-time, build communities, and promote content. Consistent posting and engaging with followers through comments and messages can significantly boost audience engagement (Tuten & Solomon, 2017).

Note the control issues mentioned previously.

- **Email Marketing**: Building an email list and sending regular newsletters can nurture relationships with customers. Personalized and targeted email campaigns can drive traffic to the website and convert leads into customers (Chaffey & Ellis-Chadwick, 2019). Email is the number one form of content because the user opts in to receive it: as such, this essentially means that the consumer has given permission for your company to engage with them, a concept popularized in Seth Godin's "Permission Marketing" book. The permission-based avenue of email can be accessed amongst the user's devices and is easy for all users to understand.

Beyond simply contacting consumers, rigorous testing of email content, such as subject lines, can deliver improvements over time—for example, whether an email title includes a call to action. Given the value of email marketing to companies, email lists are considered assets to the organization and can impact a firm's balance sheet during an acquisition or sale. Finally, note that there are specific laws in the US for email and it is important for marketers engaged in email marketing to be familiar with these laws.



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Differentiating Sources of Website Traffic and Leads

Developing an audience encompasses not only various methods to reach an audience, but also various ways in which the audience can search and reach your company. As such, understanding where website traffic and leads come from is vital for optimizing marketing strategies. The primary sources of website traffic include:

- **Organic Traffic**: Visitors who find the website through search engines. High-quality content and effective SEO strategies can increase organic traffic (Fishkin & Høgenhaven, 2013).
- **Direct Traffic**: Visitors who type the website URL directly into their browser. This often indicates brand awareness and loyalty (Chaffey & Ellis-Chadwick, 2019).
- **Referral Traffic**: Visitors who come from other websites through backlinks. Building relationships with reputable websites and engaging in guest blogging can boost referral traffic (Pulizzi, 2014).
- **Social Traffic**: Visitors from social media platforms. Consistent and engaging social media presence drives social traffic (Tuten & Solomon, 2017).
- **Paid Traffic**: Visitors who arrive through paid advertisements, such as Google Ads, display ads, or social media ads. Paid traffic can provide quick results and targeted reach (Chaffey & Ellis-Chadwick, 2019).

In conclusion, developing an online audience and understanding the sources of website traffic are critical skills for modern marketers. By leveraging content marketing, SEO, social media, and email marketing, and by analyzing traffic sources, marketers can optimize their strategies and drive business success.



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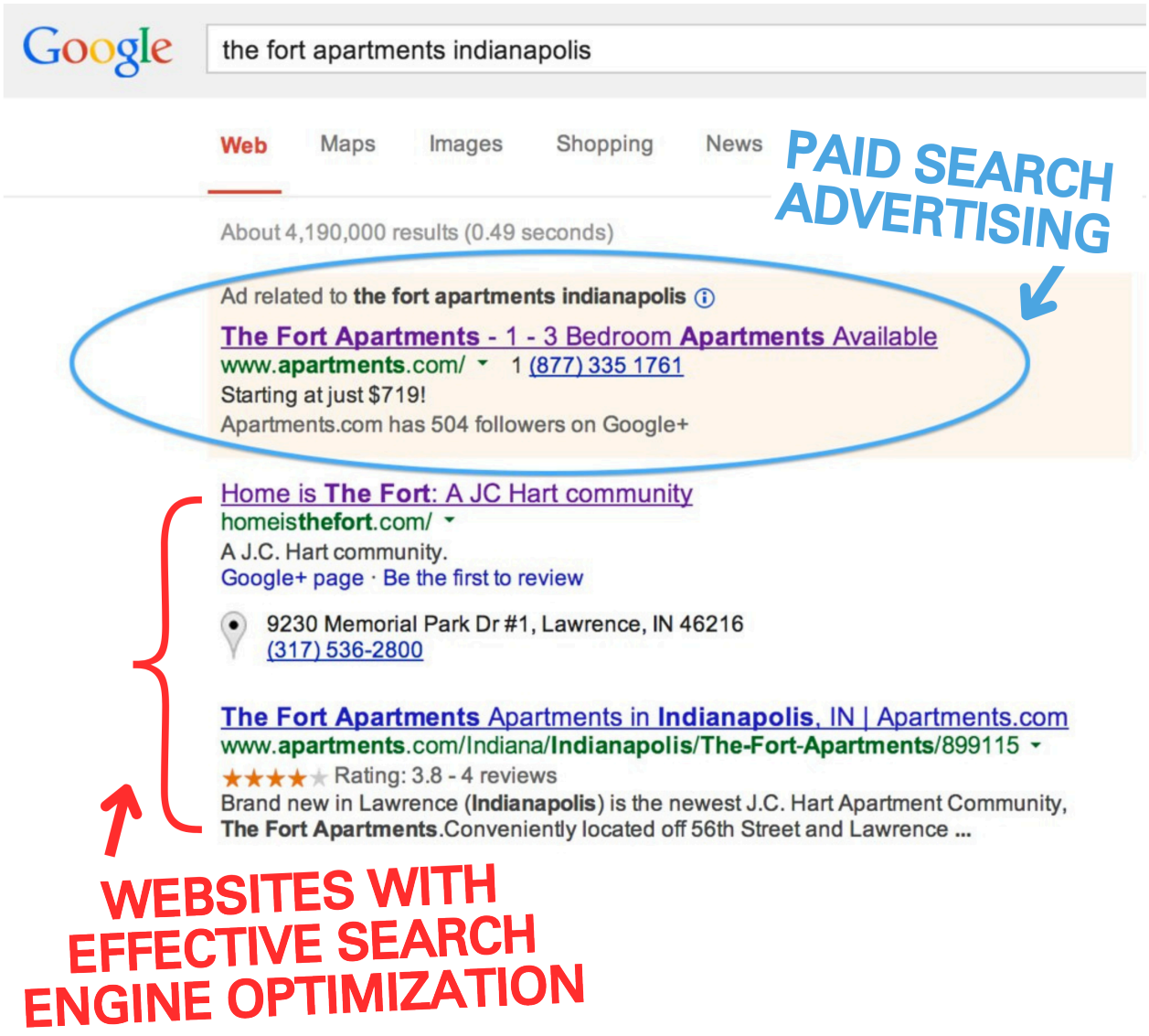
KEY CONCEPTS AND METHODS IN SEARCH MARKETING

All of the multiple audience development methods and traffic sources would be ineffective if consumers are not actively searching for our company! Search marketing is a crucial component of digital marketing that involves promoting websites by increasing their visibility in search engine results pages (SERPs) through paid and unpaid strategies. Accordingly, the primary methods in search marketing include search engine optimization (SEO) and paid search advertising, commonly referred to as pay-per-click (PPC) advertising.

Search engine optimization (SEO) involves optimizing website content and structure to rank higher in organic (non-paid) search engine results. Key SEO practices include keyword research, on-page optimization, and off-page optimization. **Keyword research** entails identifying the terms and phrases potential customers use to search for products or services. **On-page optimization** focuses on improving elements within the website, such as meta tags, headings, and content quality. **Off-page optimization** involves activities outside the website, like building high-quality backlinks from other reputable sites (Fishkin & Høgenhaven, 2013). The goal is to be on the first page of the major search engines' results page (SERP).

SEO does not exist in a vacuum, and is most effective alongside high-quality content. Effective SEO ensures that a website is easily discoverable by search engines, making it more accessible to potential customers. High-quality content, in turn, engages users, answers their queries, and encourages them to spend more time on the site. Search engines favor websites that provide valuable and relevant content, which improves rankings and attracts more organic traffic (Pulizzi, 2014).

Paid search advertising (PPC) involves paying for advertisements that appear at the top of search engine results for specific keywords. Advertisers bid on keywords, and when users search for those terms, their ads appear alongside organic results. PPC ads are a way to quickly gain visibility and attract targeted traffic to a website (Chaffey & Ellis-Chadwick, 2019). The main providers are Google and Bing.



Interaction Between Paid Ads and Organic Search Results

Paid ads and organic search results interact in several ways. Combining both strategies can enhance overall visibility and credibility. While SEO builds a strong foundation for long-term success, PPC ads provide immediate visibility. When a website appears in both paid ads and organic results, it can dominate the SERPs, increasing the likelihood of user clicks and reinforcing brand authority (Tuten & Solomon, 2017).

Furthermore, data from PPC campaigns can inform SEO strategies. Insights gained from ad performance, such as high-performing keywords and user behavior, can help refine SEO efforts. Conversely, a well-optimized website with strong organic rankings can reduce the cost-per-click (CPC) in PPC campaigns, as search engines often reward high-quality, relevant websites with lower ad costs (Chaffey & Ellis-Chadwick, 2019). Also, PPC campaigns can be run to test new product ideas and test marketing areas for possible new retail locations.

In conclusion, mastering the key concepts and methods in search marketing, understanding the importance of SEO and content, and leveraging the interaction between paid ads and organic search results are essential skills for modern marketers. These strategies work together to enhance visibility, drive traffic, and ultimately achieve marketing goals.

KEY CONCEPTS AND METHODS IN DIGITAL AD TARGETING

So far, we have discussed how companies can use various methods to build an audience, and ensure that their website or other touchpoint is immediately available as consumers search for information. But there are more tools at our disposal! In fact, we will next discuss a classic tool in marketers' arsenal: advertising. **Digital ad targeting** is a critical aspect of modern marketing, enabling marketers to deliver personalized ads to specific segments of their audience. The main goal is to reach the right people with the right message at the right time, thereby increasing the efficiency and effectiveness of advertising campaigns. Here are the key concepts to know in digital ad targeting:

- **Audience Segmentation**: This involves dividing the broader audience into smaller, more manageable groups based on specific criteria such as demographics, psychographics, behavior, and geographic location. Effective segmentation ensures that ads are relevant to the needs and preferences of different audience segments (Chaffey & Ellis-Chadwick, 2019).
- **Behavioral Targeting**: This method uses data on users' past behaviors, such as website visits, searches, and purchases, to serve relevant ads. By analyzing patterns in user behavior, marketers can predict future actions and tailor ads accordingly (Tuten & Solomon, 2017).
- **Contextual Targeting**: This approach involves placing ads on web pages that are contextually relevant to the ad content. For example, an ad for running shoes might appear on a fitness blog. This increases the likelihood that the ad will resonate with the audience (Chaffey & Ellis-Chadwick, 2019).
- **Retargeting**: Also known as remarketing, this strategy targets users who have previously interacted with a brand but did not convert. By showing them ads on other websites or social media platforms, marketers can remind them of the brand and encourage them to complete the desired action (Fishkin & Høgenhaven, 2013). This is also known as remarketing or "follow me" ads.



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Interaction Between Segmentation and Ad Targeting

Segmentation and ad targeting are deeply interconnected processes that together enhance the precision and effectiveness of digital advertising. Segmentation provides the foundation for targeting by identifying distinct groups within the broader audience. This allows marketers to craft specific messages that address the unique needs and preferences of each segment.

Ad targeting then takes these segments and delivers personalized ads to them. For instance, a clothing brand may segment its audience into groups based on age, gender, and fashion preferences. The brand can then

create different ads for each segment, such as promoting trendy outfits to younger audiences and classic styles to older segments. This targeted approach increases the relevance of the ads, leading to higher engagement rates and improved ROI (Chaffey & Ellis-Chadwick, 2019).

Moreover, segmentation allows for more effective use of marketing budgets. By focusing resources on the most valuable segments, marketers can avoid wastage and ensure that their ads are seen by those most likely to convert. The feedback from these targeted ads also provides valuable insights into segment behaviors and preferences, which can further refine segmentation strategies and improve future campaigns (Tuten & Solomon, 2017).

In summary, mastering digital ad targeting and understanding its interaction with segmentation are crucial for creating effective, efficient, and personalized marketing campaigns. These techniques enable marketers to connect with their audience on a deeper level, driving engagement and conversions.

THE BUSINESS BEHIND AD PLACEMENTS

Display ads can be placed by your ad agency through the platform directly (Meta Ads Manager), and directly with website owners like a local newspaper. Display ads can be static (not moving), dynamic (e.g., ads that expand when you hover over them with your mouse cursor), or video. Display ads have standard sizes and are regulated by the Internet Advertising Bureau, an industry trade group. No matter what type of ad, the creative quality matters the most. The **click-through rate (CTR)** is the percentage of individuals viewing a web page who view and then click on a specific advertisement that appears on that page The 2020 average CTR on Instagram feed ads was 0.22%. With the low click rate by users, display ads need to be high quality and purchased in large quantities. Display ads are sold in lots of 1,000 or as a sponsorship. Sponsorships are a way to buy all of the website traffic for a specific period, like an hour or a day for everyone on the sports page of the newspaper website. Everyone will see your ad during that period. Display ads are placed by an Ad Ops team using an Ad Server, which allocates all of the ads to the website based on the forecast number of users that day.

For example, the local Ford dealer wants to buy 1 million display ad impressions for the month on the local newspaper website. The newspaper will set the price for the impressions in 1000 ad units and then forecast available inventory for the upcoming month's website traffic based on linear regression models. The newspaper's Ad Ops team will load the ad's creative image (a gif file), the click-through URL, and the quantity purchased for the month in the ad server. On day one of the month, the ad server will publish the Ford dealer's ad about 32,250 times (1 million impressions divided by 31 days equals 32,250 impressions per day), spread evenly across 24 hours. If the newspaper user traffic is high the ad server will adjust the quantity to show fewer ads per hour and more ads per hour if the website traffic is light. At the end of the month, the newspaper will give the Ford dealer a report showing the total number of ads shown and the number of clicks by users. There may be a slight variance in the quantity of ads delivered up to +/- 5%.



Ford requests 1 million ad impressions from a newspaper



The newspaper sets the price based on upcoming website traffic



The newspaper's Ad Ops team will load the ad's creative image & link



On day one of the month, the ad server will publish the Ford Dealer's ad



At the end of the month, the newspaper will give the Ford dealer a report of number of clicks and ads shown

THE IMPORTANCE OF DIGITAL MARKETING METRICS FOR DECISION-MAKING

Digital marketing metrics are vital tools for marketers, providing the data needed to make informed decisions and optimize marketing strategies. Understanding and utilizing these metrics allows marketers to measure the effectiveness of their campaigns, identify areas for improvement, and align marketing efforts with business goals.

Importance of Digital Marketing Metrics

Digital marketing metrics offer insights into various aspects of a marketing campaign, from audience engagement to conversion rates. These marketing metrics help marketers track progress, evaluate performance, and adjust strategies in real-time. By analyzing key performance indicators (KPIs) such as website traffic, click-through rates (CTR), and return on investment (ROI), marketers can determine which tactics are working and which need refinement (Chaffey & Ellis-Chadwick, 2019).

Move the slider to the left to test your knowledge of these acronyms.



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Moreover, digital marketing metrics enable marketers to justify marketing expenditures and demonstrate the value of marketing activities to stakeholders. Metrics provide tangible evidence of the impact of marketing efforts on business outcomes, facilitating data-driven decision-making and strategic planning.

Connecting Web Metrics Analytics to Business Goals

Web metrics and analytics play a crucial role in connecting digital marketing activities to broader business goals. Metrics such as traffic sources, bounce rates, and conversion rates offer a detailed view of how users interact with a website, providing insights into user behavior and preferences (Fishkin & Høgenhaven, 2013).

- **Traffic Sources**: Understanding where website traffic originates (organic search, direct, referral, paid, or social media) helps marketers identify which channels are most effective in driving visitors to the site. This information can guide budget allocation and strategy development to focus on high-performing channels (Chaffey & Ellis-Chadwick, 2019).
- **Bounce Rate**: The bounce rate measures the percentage of visitors who leave the website after viewing only one page. A high bounce rate may indicate issues with website design, content relevance, or user experience. Reducing the bounce rate by improving these factors can enhance user engagement and increase the likelihood of conversions (Pulizzi, 2014).
- **Conversion Rate**: The conversion rate tracks the percentage of visitors who complete a desired action, such as making a purchase or signing up for a newsletter. Monitoring conversion rates helps marketers assess the effectiveness of their calls to action and overall marketing strategy. Optimizing for higher conversion rates aligns marketing efforts with business goals, such as revenue growth and customer acquisition (Tuten & Solomon, 2017). A small improvement in the conversion rate (assuming acquisition levels are the same), will deliver a big improvement in results for the organization. Don't just buy more ads, focus on getting the % of people converting on your website to increase.

By regularly analyzing these and other metrics, marketers can ensure their strategies are effectively driving business goals. Metrics provide a clear link between marketing activities and outcomes, enabling continuous improvement and alignment with organizational objectives.

An interactive H5P element has been excluded from this version of the text. You can view it online here: https://pressbooks.library.vcu.edu/marketingprinciples/?p=764#h5p-30

SUMMARY

To recap, this chapter covered the importance of MarTech and digital technologies for modern marketers. It also explored why cultivating an online audience and also understanding the sources of website traffic are critical skills. Further, you read about key concepts and methods in search marketing, SEO and content, the interaction between paid ads and organic search results, and why these are valuable topics to familiarize yourself with. It explained how digital ad targeting and its interaction with segmentation are crucial for creating effective marketing campaigns. Last, you read about how digital marketing metrics help marketers to optimize their strategies as well as showcase the value of marketing activities to stakeholders.

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About the Authors



Jodie L. Ferguson, Ph.D.
VCU Professor of Marketing

Dr. Ferguson has been a marketing faculty member in the VCU School of Business since 2008 and currently serves as the Executive Director of RVA Views, a marketing and consumer insights center to further academic and applied research.

Her research focuses on customer responses to firm decisions in the marketplace, including behavioral pricing and business-to-business advertising. In 2014 she received a $50,000 VCU Presidential Research Quest fund grant to open the Customer Experience Lab, a behavioral research lab that features eye tracking.

Dr. Ferguson has taught both at the undergraduate and graduate levels and has instructed the following courses: Marketing Principles, Contemporary Pricing, Experiential Marketing, Marketing Research, and Marketing Management. Ferguson's practical experience involved experiential marketing at Marketing Mix (St. Louis) and Euro RSCG Impact (now Havas, Chicago), where she worked on campaigns with brands such as Gatorade, P&G, SoBe, Nestle, and Dunkin' Donuts. Dr. Ferguson has also worked on customer experience research initiatives for Richmond-area organizations, including the Richmond Strikers, Virginia ABC, and VCU Enterprise Marketing and Communications. Dr. Ferguson received the VCU School of Business Faculty Excellence Award in 2022 and the Distinguished Teaching Award in 2014.



Jonathan Ross Gilbert, Ph.D.

Dr. Jonathan Ross Gilbert is a marketing scholar, award-winning educator, and former turnaround manager with a proven track record for developing and implementing performance improvement plans under adverse conditions. He has worked in a variety of advisory roles for multinational Fortune 1000 clients, nonprofit organizations, and local government agencies around the world. His research examines the role of marketing strategy as a means of enhancing consumer and human well-being, the design of harm-reduction approaches in marginalized communities, and the promotion of agile learning through innovative pedagogies in higher education. He has published peer-reviewed articles in

leading journals such as *Journal of Business Research*, *Industrial Marketing Management*, *Journal of Public Policy & Marketing*, *Journal of Advertising*, *Journal of Services Marketing*, *Journal of International Advertising*, and other high-quality outlets. Dr. Gilbert received a PhD in Marketing from the University of Rhode Island, an MS in Behavioral and Social Sciences Intervention from Brown University, an MBA from Harvard Business School, a MILR from Cornell University, and a BA in Economics from Pomona College.



Katie Gilstrap, MBA
VCU Associate Professor of Marketing

Katie Gilstrap is an Associate Professor at Virginia Commonwealth University and was recently named Faculty Director of Global Student Programs. She teaches marketing principles, strategy, research, and organizational communications, and regularly advises MBA capstone projects addressing strategic challenges for local companies. In addition to her core teaching responsibilities, she has also secured grant funding, developed, and led VCU's international business programs in Greece, Spain, Prague, France, and Scotland. Additionally, she serves as a master facilitator and content architect for the Ford Foundation's Leadership Academy in the Middle East and Africa.

Before her academic career, Katie was Chief Marketing Officer and Director of Marketing for First Market Bank, where she led marketing strategy, product development, advertising, and community outreach. As the youngest member of the Executive Committee, she played a key role in shaping corporate strategy, with her work regularly recognized by *Financial Brand* magazine.

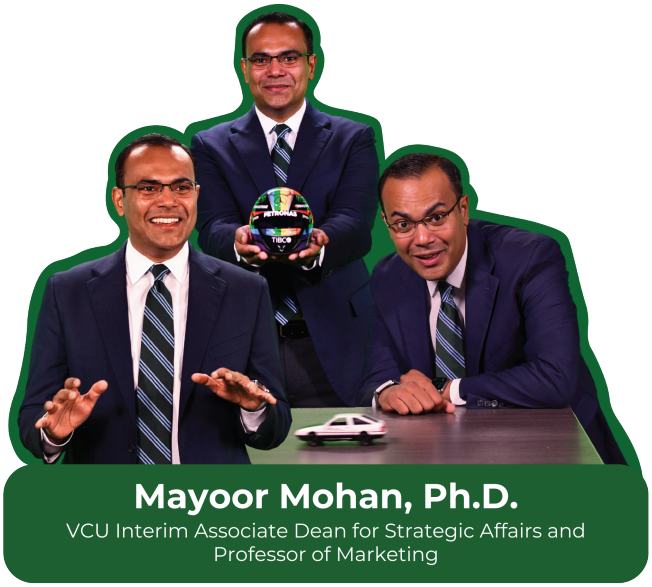
Katie is a graduate of The College of William & Mary (BBA) and The University of Richmond (MBA), is a regular contributing author for a variety of marketing textbooks, and has written for publications such as the *Richmond Times Dispatch, The Health Journal,* and *GRID Magazine*. She is active in her community and was recently honored by AACSB as one of their 100 Influential Leaders worldwide.



Suzanne C. Makarem, Ph.D.
Associate Professor of Marketing

Dr. Makarem joined VCU in 2010. She received her Bachelor of Science in Computer Science and her Master of Business Administration from the American University of Beirut in Lebanon. She earned her PhD in Marketing from Temple University in Philadelphia, PA. Dr. Makarem's research examines the role of emotions in consumer decision-making, stakeholder experience journeys, online word-of-mouth, and anti-consumption behaviors, especially within transformative service contexts such as healthcare. She has published on topics that include the effects of patient hope and control perceptions on health behavior, drivers of patient satisfaction and retention, consumer expression of boycott intentions on twitter, and service captivity. In 2022, Dr. Makarem has received a $148,350 grant to study women's experiences

of conventional healthcare services versus complementary and alternative medical services. Dr. Makarem teaches at both the undergraduate and graduate levels. Since she joined VCU, she has taught Buyer Behavior and Marketing Research courses at both levels. Dr. Makarem's practical experience involves consulting for small to medium healthcare providers on how to position their practice, optimize their patient experience, and manage their online reputation. Dr. Makarem received the VCU School of Business Faculty Distinguished Service Award in 2020 and the Distinguished Teaching Award in 2017.



Dr. Mohan has been part of the VCU School of Business since 2013, currently holding the position of Interim Associate Dean for Strategic Affairs. His research centers on managerial topics like B2B strategy, brand strategy, and innovation, with publications in leading journals such as the *Journal of Business Research*, *Journal of Service Research*, *Journal of Product Innovation Management*, and *Industrial Marketing Management*. Additionally, his work has been featured in influential outlets like Forbes, Bloomberg, and The Aspen Institute. Dr. Mohan teaches innovation strategy courses at the undergraduate, graduate, and executive levels, focusing on practical applications and strategic thought. He co-authored the textbook Innovation and New Product Planning (Routledge). His honors include the VCU School of Business Award of Excellence (2020), Distinguished Scholar Award (2019), and Distinguished Teacher Award (2018), along with the VCU Presidential Research Quest Award (2019). He currently serves as Vice President for Engagement for the Academy of Marketing Science and has been a Conference Co-Chair for the 2024 Academy of Marketing Science Annual Conference.



Butch M. Sarma, MBA
Adjunct and Director, VCU
Executive MBA Program

Butch Sarma is the Director of the VCU School of Business Executive MBA program. He has been an Adjunct for Digital Marketing MKTG-675, Marketing Management MKTG-671, and Non-Profit Marketing MKTG-445 since 2007. He leads experiential learning student projects such as RVAtourism.com and UNcommonVCU.com, search engine marketing, community engagement, venture ideas, and the Strategic Dilemmas capstone project.



Cesar Zamudio, Ph.D.
VCU Associate Professor of Marketing

Dr. Zamudio received his BA in Marketing from Tec de Monterrey, Mexico, and his Ph.D. in Management Science (Marketing) from the University of Texas at Dallas. Prior to joining VCU, he served as a faculty member at Kent State University. At VCU, he teaches Marketing Analytics and Marketing Research at the School of Business, as well as Brand Analytics at the Brandcenter.

Dr. Zamudio's research focuses on various topics, such as human branding, sensory marketing, digital marketing, and new technologies. His research has been recognized with multiple international awards and published in leading Marketing and Management journals. Dr. Zamudio's academic expertise is complemented by his experience as co-founder of MarketingPhdJobs, the world's leading job platform for Marketing professors, and as CMO of Kamikaze Arte Promocional, a promotional products distributor startup he co-founded prior to becoming an academic.

Cesar is an avid fashion enthusiast and collector and loves to try (and recommend!) restaurants. He also enjoys reading, playing video games, traveling, art, and nature photography—his favorites are squirrels and chipmunks.

Additional Contributors



Zofia Farley
Art Director

Zofia Farley is an Art Director from Kansas City, Missouri. She received her Bachelor of Arts degree in Graphic Design from Indiana University and is enrolled in VCU Brandcenter as an Art Director. She enjoys working with businesses to create unique and exciting branding solutions. She believes in the power of hard work and a strong latte.

Zofia spends her free time with her cat Mayzie and enjoys looking at great ads while thinking "Wow, I wish I had thought of that".



Nathan Sisack
Copywriter

Nathan Sisack is a copywriter from Doylestown, Pennsylvania. He attended Bucknell University where he graduated with a Bachelor of Arts degree in English Literary Studies in 2021. He entered the advertising industry to combine his love for writing with a knack for using creativity to solve business problems. Nathan enrolled in the V.C.U. Brandcenter in the class of 2025 with a concentration in copywriting. Through his experience at the Brandcenter, he discovered a passion for video editing and honed his ability to develop creative concepts for brands. In the summer between his first and second years, he interned at West Cary Group, an advertising agency in Richmond, Virginia. During his time at WCG, Nathan worked on a marketing plan for NextUp, a nonprofit organization that coordinates afterschool time for Richmond Public Schools students. His advertising philosophy is that at its best, good ads not only solve communication and brand identity problems for clients, they can become artistic expressions that live on in the cultural imagination. Because of this, it is all the more reason to make work that doesn't only play off of short-lived trends, but taps into deeper human insights.

A self-proclaimed advertising nerd, the piece of work that inspired him to pursue a career in advertising was the George Washington Dodge Challenger commercial from 2010. In his free time he enjoys playing guitar and banjo, collecting vinyl records, reading, and running.

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Glossary

10,000-foot view

A high-level view of a situation or problem

4Ps of the marketing mix

Product, place, price, and promotion

Acquisitions & Mergers

An approach characterized by high risk and high reward, requiring due diligence and effective post-acquisition management for success

Activity

The set of actions done by an organization's marketing practitioners

Adaptation

In international marketing, it involves customizing the strategic marketing mix to suit the unique preferences and cultural values of each country or market (Cateora et al., 2024)

Addressable market

The total number of consumers that an organization could potentially serve

Advertising

Involves paid, non-personal communication through various media channels such as television, radio, print, and digital platforms

Affect

Related to the emotions consumers associate with using or owning a brand. Is an affective emotional component of consumer attitudes

Agents and brokers

Distributors that never take possession of the good or service but earn monetary commissions or fees for facilitating sales between producers and end customers

AIDA Model (Attention, Interest, Desire, Action)

A framework (which is one of many) used in marketing to describe the steps a consumer goes through from becoming aware of a product to making a purchase decision (Barry and Howard, 1990)

AIOs

Activities, interests, and opinions

Analytics software

Provides insights into website performance and user behavior, helping to refine marketing strategies

Ansoff matrix

Provides a framework for analyzing options for growth by considering both existing and new products and markets

Approach

The third step of the personal selling process. Involves gathering more information and getting questions answered so that the salesperson can prepare a presentation of the sales offering

Aspirational reference group

Groups that consumers would like to become part of

Audience segmentation

Involves dividing the broader audience into smaller, more manageable groups based on specific criteria such as demographics, psychographics, behavior, and geographic location

Augmented product

A product with additional services and benefits to distinguish the offering from competitors

Awareness

The subset of brands that a consumer knows

Awareness set

The subset of brands that a consumer knows

Bases of segmentation

A set of general criteria that marketers can use to segment a market, which can later be defined more specifically

BCG Growth-Share Matrix

Categorizes a company's products or business units into four quadrants based on two key dimensions: market growth rate and relative market share

Behavior

A consumer's intentions or actions towards a brand. Is a behavioral component of consumer attitudes

Behavioral targeting

A method that uses data on users' past behaviors, such as website visits, searches, and purchases, to serve relevant ads

Belief

Consumer perceptions of the attributes, features, or characteristics an offering has. Is a cognitive component of consumer attitudes

Benefits desired

A manner to distinguish consumers based on the benefits they believe they might derive from consuming a product, service, or idea. Is a psychographic base of segmentation

Big data

Very large databases of customer information

Bounce rate

Measures the percentage of visitors who leave the website after viewing only one page

Brand equity

The value a brand adds to a product or service (Aaker, 2009)

Branding

The process of creating a unique identity for a product or service, encompassing elements like the brand name, logo, design, and messaging

Break even volume formula

Break even volume = fixed costs / (price – variable cost)

Break-even price point

Occurs when the total costs equal the total revenue

Business portfolio

The combination of a company's business lines and product offerings

Business-to-business buyers

Organizations that purchase goods or services for use in the production, logistics, servicing, or resale of products, which are made for non-personal use

Business-to-business market (B2B)

A market in which businesses purchase from other businesses

Business-to-consumer market (B2C)

A market in which individual consumers purchase goods and services from a company. Sometimes, this is referred to as "retail purchasing"

Cannibalization

Occurs when a new product negatively impacts the sales of existing products in the company's portfolio

Captive pricing

A situation in which the base product is relatively inexpensive, however, the supplementary or replacement parts are needed to be purchased in order for the product to work

Cash cows

One of the four quadrants of the BCG Growth Share Matrix. Products or business units with high market share in markets that are stable or that are experiencing limited growth

Census

An interview or survey of everyone in the population

Choice set

Brands that the consumer has decided to choose from after consideration

Choice sets

Brands that the consumer has decided to choose from after consideration

Click-through rate

The percentage of individuals viewing a web page who view and then click on a specific advertisement that appears on that page

Clients

Business customers with established relationships

Closed-ended questions

Questions with a preconstructed set of choices that respondents must select from to represent their opinions

Closing

The sixth step of the personal selling process. Includes negotiations, or a back-and-forth communication where both the salesperson and the client or potential client ask for terms of the sale until an agreement is made

Coercive power

The power to punish or sanction consumers. Often shared by the same groups who have reward power

Cognitive decision-making

Consumers evaluate alternatives based on the attributes that they consider important for their decision-making

Commercial sources

Information sources that come from the company itself, such as advertisements, salespeople, the company's website, or its social media accounts

Communicating

Putting forth messaging from organizations, brands, products, or people.

Company resources

Assets that firms control (e.g., people, equipment, capital, etc.) and can use to achieve its strategic objectives

Competitor characteristics

How competition is structured within a specific market

Concept generation

The second stage of the strategy driven product development process. In this stage, potential product ideas are brainstormed and gathered

Conformity

The extent to which members of a group adhere to the social norms established by that group

Consideration set

Brands the consumer has a positive attitude towards or, in other words, the brands the consumer finds acceptable

Consumer attitudes

The enduring and learned predispositions or evaluations that individuals hold towards products, services, brands, or ideas

Consumer decision-making process

Pre-purchase, purchase, post-purchase

Consumer perception

The process by which individuals select, organize, and interpret information from the environment to create a meaningful picture of the world

Consumer perception process

Exposure, attention, and then comprehension

Consumers

A person who consumes marketing offerings for their own personal use

Content marketing

Creating valuable, relevant, and consistent content helps attract and retain a clearly defined audience

Contextual targeting

An approach that involves placing ads on web pages that are contextually relevant to the ad content

Contribution margin

The share of the price that adds to profit

Contribution margin formula

Contribution margin = price – variable cost

Convenience sample

A sample in which whomever was available was selected

Conversion rate

The conversion rate tracks the percentage of visitors who complete a desired action, such as making a purchase or signing up for a newsletter

Core benefit

The essential element that fulfills a consumer's basic need or want

Cost determinant

One of the two main determinants of price. This determinant takes into consideration the costs incurred by the seller in setting the price

Cost reductions

Price changes or offering more cost-effective versions of existing products are common strategies companies adopt to expand their customer base

Creating

Producing new goods, services, or ideas for consumption.

Culture

That complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society (Nakata and Huang 2015)

Customer loyalty

A feeling of commitment that consumers have for the brand

Customer relationship management (CRM) systems

Help businesses manage and analyze customer interactions, improving customer retention and satisfaction

Customer satisfaction

Actual performance minus expected performance for an offering

Customers

The set of people or organizations that receive marketing offerings

Data aggregation

The process of generating reports summarizing multiple industries, consumers, regions, and so forth

Database marketing

A method in which researchers tap into a company's existing customer database, and "mine" that data using various sophisticated statistical methods to detect patterns and insights that the company might find useful

Decline stage

The fourth and final stage of the product life cycle. This phase is where sales and market interest wane, and strategies often involve cost-cutting or pivoting to new markets

Delivering

Getting goods, services, or ideas from one physical or electronic place to another.

Demand

The number of units the market will buy at given price points within a time period

Demand determinant

One of the two main determinants of price. This determinant considers what the target market is willing to buy at various price points

Demography

The demography base of segmentation is used to construct segments based on demographic characteristics of consumers

Differentiation

Setting the company's market offering apart to provide consumers with more value

Digital ad targeting

Enables marketers to deliver personalized ads to specific segments of their audience

Digital and social media marketing

Encompasses a broad range of online activities designed to engage consumers, build brand awareness, and drive conversions

Digital marketing

A fast-growing technology-driven collection of platforms, tools, skills, and content allowing companies to engage with previous, current, and prospective customers

Digital marketing metrics

Offer insights into various aspects of a marketing campaign, from audience engagement to conversion rates

Digital transformation

Changes associated with the application of any software, application, or online platform to build a competitive advantage through improved customer experience and lower costs (McKinsey 2023)

Direct channel

One of the three types of distribution channels. Allow buyers to purchase directly from the manufacturer

Direct marketing

A targeted form of communication that reaches consumers directly through channels such as email, direct mail, telemarketing, and SMS

Direct traffic

Visitors who type the website URL directly into their browser

Discussion guide

A predetermined set of questions that helps the leader steer the discussion to uncover the information the company needs

Disintermediation

An innovative strategy in marketing channels that refers to the process of cutting out the "middlemen" (wholesalers, agents, brokers, and retailers) in an effort to sell directly to customers

Dissociative reference group

Groups that the consumer would like to avoid being part of

Distribution channel

"A set of interdependent organizations involved in the process of making a product or service available for use or consumption" (Palmatier et al. 2014, p. 3) by an end user

Distribution channel management

The process of planning, organizing, and monitoring the various distribution channels used by the company to deliver products to the end customer

Diversification

One of the four quadrants of the Ansoff Matrix. Is the most ambitious growth strategy, involving the introduction of new products to new markets

Dogs

One of the four quadrants of the BCG Growth Share Matrix. Products or business units with low market share in low-growth markets

Dynamic pricing

Prices that change and are not constant over a period of time

Elasticity of demand

A measure of the extent of change in demand given a change in price

Email marketing

Building an email list and sending regular newsletters can nurture relationships with customers

Email marketing platforms

Enable targeted and automated email campaigns, enhancing customer engagement

Emotional appeals

A way to grab consumer attention and change their attitudes toward a brand

Emotional benefits

The feelings evoked by using or owning a product or service. Usually associated with intangible attributes

Emotional decision-making

Consumers evaluate offerings based on the feelings evoked by each alternative

End customer

The final purchasers of goods and services

Ethnography

A method in which a researcher immerses themselves in the daily lives of consumers and their communities to learn about them

Evaluative criteria

Attributes that the consumer is looking for in an offering or the criteria based on which consumers decide what makes it into their consideration and choice sets and what they end up purchasing

Exchanging

Two sides coming together to give and receive things of value

Expected product

A product which includes attributes and conditions that consumers typically expect

Expert power

People who are perceived as having knowledge and skills in a specific area

Exporting

A method of entering international markets where a company sells its products or services directly to foreign customers, typically through intermediaries like distributors

External risk

One of the three types of risk. The result of forces outside the firm and, therefore, are viewed as uncontrollable factors that shape the business environment

Fear appeals

Most effective when used at moderate levels and when the company can convince consumers that there is a threat, that the threat can happen to them, and that it has a product or service that can alleviate that threat.

Fixed costs

Costs that do not change with unit output

Focus group

A method in which a discussion leader guides a group of consumers to discuss a specific topic, such as their opinion on a new product or service

Follow-up

The seventh and final step of the personal selling process. Includes the delivery of the product to the client, communication with the client to ensure the product was delivered as expected, and the customer service necessary to complete the sale contract

Formal reference group

A type of reference group that requires a formal membership process and has stricter norms or codes of conduct

Franchising

Franchising goes beyond intellectual property rights by allowing foreign entities (called franchisees) to operate a business using the franchisor's established brand, business model, and ongoing support

Functional benefits

Pertain to the functional or economic benefits of an alternative. Usually linked with tangible attributes

Funnel approach

Posits that consumers will choose one of the brands in the their choice set

Generic product

A basic, rudimentary version of a product that delivers the core benefit

Geography

The geography base of segmentation requires to segment the market on the basis of a geographic region

Global marketing

The concept of adjusting your marketing strategies to accommodate those of other countries around the world

Goal-pursuit

Consumers' tendency to care about pursuing goals that promote positive outcomes, or care about pursuing goals that prevent negative outcomes. Is a psychographic base of segmentation

Growth stage

The second stage of the product life cycle. This stage focuses on maximizing market share and is characterized by rapid sales increase

Halo effect

A tendency where consumers tend to extrapolate from first impressions or evaluate the overall quality of a product based on one piece of information

Handling objections

The fifth step of the personal selling process. The salesperson must be prepared that there may be objections to the presentation

Head-to-head positioning

Directly and explicitly stating how their brand is better from competitors

High-involvement decision

A decision we perceive as important and risky

Humor appeals

Frequently used because of their effectiveness in grabbing attention, their power to enhance consumers' moods, and the effectiveness of linking a brand to a positive emotional experience such as joy or laughter

Hybrid (multi) channel

One of the three types of distribution channels. Allow buyers to purchase both directly from the manufacturer and through a wholesaler or retailer

In-depth interview

An interviewer questions one consumer at a time

Indirect channel

One of the three types of distribution channels. Allow buyers to purchase goods from a wholesaler or retailer; most commonly physical stores or through websites associated with physical stores

Industry reports

Publications, released periodically and programmatically by authoritative sources, which contain information about a certain topic of interest to the marketing researcher

Informal reference group

A type of reference group that has less strict norms or codes of conduct

Innovativeness

The extent to which a consumer is open to new ideas and their tendency to adopt new products or services early on

Intangible attributes

Attributes which consumers can't directly perceive or measure, such as brand image or reputation, prestige, and customer service

Integrated Marketing Communications (IMC)

A strategic process that integrates and coordinates a company's various communication channels to deliver a clear, consistent, and compelling message (Schultz, 1992)

Intercept surveys

Surveys that are conducted on a particular site

Internal customer

An individual or group that is associated within the organization, and which the organization serves

International marketing

The performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit (Cateora et al., 2024)

Introduction stage

The first stage of the product life cycle. This stage involves building awareness and encouraging trial, and sales growth is typically slow as the market is being established

Joint venture

Involves businesses partnering with local entities to establish new ventures or collaborating with multiple firms to leverage their strengths in foreign markets, such as accessing local expertise, resources, and distribution networks

Keyword research

Entails identifying the terms and phrases potential customers use to search for products or services

Launch

The fifth stage of the strategy driven product development process. This stage comprises final preparations and the actual introduction of the product to the market

Legitimate power

Stems from legal or contractual authority

Licensing

Involves granting foreign entities the rights to use intellectual property, such as trademarks or patents, in exchange for fees or royalties

Life cycle management

The sixth and final stage of the strategy driven product development process. In this stage, the product is continuously managed and adapted based on market feedback and changing consumer needs

Lifestyle

How a consumer spends their time and money

Line extensions

The introduction of new variants to an existing product line

Market

The total number of consumers that an organization could potentially serve

Market attractiveness

An assessment of how attractive a certain market, or market segment, might be, according to multiple criteria

Market development

One of the four quadrants of the Ansoff Matrix. Involves entering new markets with existing products

Market dynamics

Forces and factors that affect the behavior and performance of a market

Market environment

The different characteristics that make a specific group of customers attractive to the company

Market growth rate

Refers to the rate at which the overall market for a product or service is expanding

Market penetration

One of the four quadrants of the Ansoff Matrix. Involves increasing market share for existing products in existing markets

Market potential

A measure of the anticipated monetary value of a market segment

Market segmentation

A process in which marketers identify the market a company should serve, and then split it into different, unique groups using several criteria

Market segments (segments)

Different, unique groups marketers split people into

Market structure

A way to segment the salesforce structure. The salespeople are assigned to sell to certain customers or industries

Marketing

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

Marketing control

Involves systematically assessing marketing strategies and plans to ensure they meet overall business goals

Marketing implementation

The process that translates marketing plans into actions to achieve strategic marketing objectives

Marketing logistics

"Planning, implementing and controlling the physical flow of materials and final (finished) goods from the point of origin to the point of use to meet customer requirements at a profit" (Kotler 2024)

Marketing management orientation

The overarching philosophy guiding marketing managers in decision-making

Marketing orientation

Marketers seek out customer needs and wants and put forth product offerings that meet those needs and wants

Marketing planning

Involves selecting strategies that align with the company's overarching strategic goals

Marketing relationship

A relationship between two or more parties (e.g., organizations or individuals) when there is more than one interaction and there is a desire from the parties to continue interactions in the future

Marketing research

The process of gathering information to learn about the voice of the consumer

Marketing strategy

Includes specific plans for target markets, positioning, the marketing mix, and budgeting

Marketing technologies (MarTech)

The various tools and platforms used by marketers to plan, execute, and analyze their campaigns online

Markup pricing

When the marketer considers the costs to make the product available to the customer and adds a mark-up value when setting the final price

Maslow's hierarchy of needs

Based on the idea that consumers seek to fulfill their most basic physiological needs first. Consumers then seek emotional needs such as the needs for safety and for love and belonging. Once those are fulfilled, consumers can go after higher-level psychological needs for esteem or self-actualization

Materialism

The extent to which material goods have importance in a consumer's life

Maturity stage

The third stage of the product life cycle. This stage is when sales level off as the product reaches peak market penetration, and the focus shifts to maintaining market share and maximizing profit

MECE (mutually exclusive and collectively exhaustive) rule

A condition by which every potential consumer in the market must belong to a group, and only one group

Message consistency

The uniformity of a brand's message across all communication channels and touchpoints. Ensuring consistent messaging reinforces the brand's identity and builds trust and recognition among consumers

Modified Rebuy

A purchase in which there are modifications to the order, however, the purchase is not a completely new product or supplier. One of the three types of B2B buying situations

Monitoring

The third and final step to success in distribution management. Make sure that the channel, and its intermediaries, are behaving in accordance with the plan and organization

Multinational corporation (MNC)

A business organization in which a company operates in two or more countries, including foreign direct investment through branches or subsidiaries overseas

Need

When there is a gap between a person's actual state and a desired state

Need activation

When a consumer is driven to achieve an end goal by fulfilling a need

Need recognition

Triggered when the difference between the consumer's actual (current) state and their idea state is large

Negative disconfirmation

Consumers are dissatisfied when actual performance falls below expected performance

Net promoter score

A one question survey with the goal of maximizing the number of promoters (those who score 9 or 10) minus the number of detractors (those who score 0 to 6)

Netnography

Ethnography in the context of the Internet and social media

New category entries

Products in a category that are new to the company releasing them, but already familiar to consumers

New markets

The introduction of existing products to new geographic or demographic markets with minimal changes

New task purchase

Involves a completely new product or supplier purchase and involves the greatest amount of risk. One of the three types of B2B buying situations

New uses

Repositioning a product for new applications

New-to-the-world products

Products that represent radical innovations are the ones that create entirely new markets

Non-probabilistic sampling

An approach in which you do not select from the sampling frame at random

Normative influence

The influence the group has because of consumers' desire to avoid punishment or to receive a reward from the group

Off-page optimization

Involves activities outside the website, like building high-quality backlinks from other reputable sites

Offerings

Another word for products, goods, services, or ideas that the marketer is bringing to the exchange

On-page optimization

Focuses on improving elements within the website, such as meta tags, headings, and content quality

Open-ended questions

Questions which do not have predefined answers, and which consumers can answer by freely giving their thoughts. Generally used in focus groups

Opportunities

One of the four components of SWOT analysis. Refer to favorable external factors or trends in the external environment

Opportunity identification

The first stage of the strategy driven product development process. This stage involves identifying potential market opportunities or unmet consumer needs

Opportunity recognition

A trigger of need recognition. Is an increase in one's ideal state

Organic traffic

Visitors who find the website through search engines

Organizing

The second step to success in distribution management. Choose the various channels to be used and design a structure including the number and type of intermediaries between the manufacturer and end customer

Paid search advertising

Involves paying for advertisements that appear at the top of search engine results for specific keywords

Paid traffic

Visitors who arrive through paid advertisements, such as Google Ads, display ads, or social media ads

Partners

Collaborators in business activities

Pay per click advertising

Search engine optimization (SEO) and paid search advertising

Penetration pricing

Occurs when the marketer sets the price low when a product is first introduced to get people to try the product before the price is raised to its regular price

Perceptual biases

Can affect the consumer perception process. Examples include selective perception, selective attention, and selective distortion

Perceptual map

A visual representation of the two major dimensions along which consumers perceive a set of competing brands, intended to represent a map of consumers' mind

Personal selling

A person-to-person, two-way communication between a buyer and seller, with the objective of making a sale and building a relationship with the buyer

Personality

A person's unique psychological makeup or combination of traits and characteristics that determine a person's stable tendencies when they respond to the environment

Personas

Rich segment descriptions that illustrate a typical segment member's characteristics (such as demographics), needs, wants, aspirations, and daily life

Persuasion

The act of changing consumer attitudes

Planning

The first step to success in distribution management. Develop channel tactics that support both the overall strategy at the corporate level and the marketing mix at the department level

Population

All of the potential customers you are interested in investigating

Position

The place a product occupies in the targeted consumers' minds, relative to the competition

Positioning

The process of discovering the position of a particular brand in the mind of the consumer, relative to other competitors' brands

Positive disconfirmation

Consumers are satisfied when actual performance exceeds expected performance

Post-purchase

The third stage of the consumer decision-making process. Steps include post-purchase evaluations and behaviors

Potential product

Encompasses future augmentations and transformations.

Pre technical evaluation

The third stage of the strategy driven product development process. In this stage, the feasibility of product concepts is assessed

Pre-purchase

The first stage of the consumer decision-making process. Steps include need recognition, information search, and evaluation of alternatives

Preapproach

The second step of the personal selling process. Gathering as much information as possible before reaching out to the client or prospective client

Presentation

The fourth step of the personal selling process. Is the actual selling pitch the salesperson makes to the client or potential client

Prestige pricing

When a product is priced purposefully higher to elicit perceptions of extremely high quality or luxury

Preventable risk

One of the three types of risks. Along with strategic risk, it tends to be internal to the firm and, therefore, within the control of decision-makers

Price skimming

Occurs when the marketer sets the price high when a product is first introduced to capitalize on customers who want the product as soon as it hits the market

Primary data sources

Sources in which the data is generated by the marketing researcher

Primary reference group

A type of reference group that has direct and frequent contact with the consumer

Probabilistic sampling

An approach in which the selection of members of the sampling frame to be included in your sample is random, which allows statistical inference to be performed

Problem recognition

A trigger of need recognition. Is a decline in one's actual or current state

Process

The set of steps put forth to achieve an outcome

Producers

Manufacturers or service providers that combine labor and capital to create goods and services for customers

Product

Any offering a company provides to its customers and can encompass various forms

Product development

One of the four quadrants of the Ansoff Matrix. Focuses on introducing new products to existing markets

Product family

Broader categories that encompass related product lines, often organized to optimize manufacturing processes or marketing strategies

Product improvements

The improvements made to a product's form, function, or both

Product item

The specific model, brand, or size of a product that a customer buys

Product life cycle

Describes a product's sales progression from launch to withdrawal

Product line

Related product items are grouped into product lines based on shared characteristics, or target markets

Product mix

Includes all product families a company offers

Product orientation

Marketers traditionally focus on putting a high quality product on the market

Product proliferation

The challenge of managing an extensive range of products, especially as the product mix widens

Product structure

A way to segment the salesforce structure. Involves salespeople focusing on select product offerings to sell to the client base

Product type

Choosing a distribution channel based on the characteristics of the product

Production orientation

Marketers focus on manufacturing efficiencies, lowering production cost, and improving procedures, such as with assembly lines and technology

Profit

The remaining balance from the revenue brought in after subtracting total costs

Profit formula

Profit = total revenue – total costs

Prospecting

The first step of the personal selling process. Involves gathering leads, or people and organizations (clients) who may buy the seller's products

Psychographic

A psychographic base of segmentation is one that relates to consumers' psychology, that is, how they perceive themselves, those around them, and their environment

Psychographics

The study of consumer personality and their values and lifestyles

Public relations (PR)

Involves managing the public image of a brand and fostering positive relationships with various stakeholders, including the media, consumers, and the general public

Public sources

Information sources that are neither commercial or social, such as government studies, academic journals, non-profit organization reports, publicly traded company reports, patent and trademark databases, product testing magazines, and media stories or news reports

Pull strategy

Focuses on producing goods and services in direct response to current orders which reflect actual demand (Ng & Chung 2008)

Purchase

The second stage of the consumer decision-making process. Includes the "choice" step

Push strategy

Focuses on forecast-driven planning where demand for goods and services are anticipated and produced in advance to meet that demand (Ng & Chung 2008)

Push-pull model

A famous, albeit oversimplified, depiction of two different strategic approaches to managing the flow of goods and services in the distribution channel

Qualitative data

Data that cannot be statistically analyzed

Quantitative data

Data that can be statistically analyzed

Question marks

One of the four quadrants of the BCG Growth Share Matrix. Products or business units with low market share in markets experiencing rapid growth

Reachable market

The total number of consumers the store could potentially reach and serve feasibly

Reference groups

People whose perspective a consumer takes into consideration when forming attitudes and engaging in behaviors

Referent power

Shared by people who have power because consumers look up to them

Referral traffic

Visitors who come from other websites through backlinks

Regulatory focus theory

Posits that we are driven to achieve positive goals by having a promotion focus for self-improvement, and we are driven to achieve negative goals by a prevention focus to avoid things getting worse

Relative market share

Measures a company's market share compared to its competitors

Retailers

Retailers purchase a variety of goods from either producers or wholesalers and then sell those goods, in smaller quantities, directly to the end customer

Retargeting

Also known as remarketing, this strategy targets users who have previously interacted with a brand but did not convert

Reward power

The power to reward consumers who conform to the norms of the group

Risk aversion

Consumers' tendency to prefer (or avoid) risk. Is a psychographic base of segmentation

Sales promotion

Short-term incentives designed to stimulate immediate sales or encourage trial of a product

Salesforce

Made up of the individual salespeople in an organization

Salesforce management

Involves analyzing, planning, implementing, and controlling sales force activities

Salesperson

An individual who represents a company or an organization and performs personal selling tasks such as prospecting, communicating, selling, servicing, information gathering, and relationship building (Armstrong and Kotler 2020)

Sample

The total number of consumers that the marketing researcher interviews in focus groups

Sample frame

A list or database that researchers use to select who will be sampled

Sampling

The process of determining the subset of respondents, from within a larger population, that will be the target for data collection

Search engine optimization (SEO)

Involves optimizing website content and structure to rank higher in organic (non-paid) search engine results

Search marketing

A crucial component of digital marketing that involves promoting websites by increasing their visibility in search engine results pages (SERPs) through paid and unpaid strategies

Secondary data sources

Sources in which the data used by the marketing researcher already exists

Secondary reference group

A type of reference group that has less direct and frequent contact with the consumer

Segmentation

The process of dividing the market into distinct groups of buyers with different needs or characteristics and who might therefore need different products or respond differently to various marketing methods

Segmentation solution

A unique configuration of groups emerging by applying one base of segmentation to a given market

Selective attention

A perceptual bias consumers can have when, for example, they notice ads for products they're interested in such as vacation ads when they are planning a Spring Break trip

Selective distortion

When selective perception occurs at the comprehension stage and consumers interpret stimuli and information in a way that aligns with their existing beliefs

Selective perception

A perceptual bias consumers can have when only exposing themselves to certain types of information

Selective retention

Consumers remember only a small portion of the information they are exposed to

Self-concept

The thoughts and feelings consumers have about themselves

Self-congruency theory

Posits that consumers are more likely to choose a brand whose image is perceived as congruent with one of their own self-images

Selling orientation

Marketers focus on bringing a product to the customer

Set of institutions

Commonly held practices by marketing practitioners

Snowball sampling

A method in which each respondent is encouraged to provide a list of “informants” that the researcher can target next

Social media management tools

Allow marketers to schedule and monitor posts across multiple platforms, ensuring a consistent and strategic online presence

Social media marketing

Leveraging social media platforms allows marketers to interact with audiences in real-time, build communities, and promote content

Social norm

A rule of behavior for meeting the expectations of a reference group

Social sources

Information sources from other consumers like family members, friends, or unrelated consumers online

Social traffic

Visitors from social media platforms

Societal marketing orientation

Marketers focus on the customer, however, there is an emphasis on society and the greater environment surrounding the customer in decision making

Society at large

Peoples affected by marketing actions

Source attractiveness

Consists not only of appearance, but also personality, status, and similarity to the consumer

Source credibility

Encompasses both expertise and trustworthiness

Source likeability

How likeable a source is among the target consumers

Source meaningfulness

The fit between the source's personality and the brand's personality

Standardization

In international marketing, it means using the same strategic marketing mix across all countries, without any alterations (Cateora et al., 2024)

Stars

One of the four quadrants of the BCG Growth Share Matrix. Products or business units with high market share in high-growth markets

Statistical inference

The process of learning about characteristics of the population of interest using only a sample and statistical methods

STP

Segmentation, targeting, and positioning. Is the systematic process by which we identify various unique groups (known as segments) of customers the company might serve, identify the most attractive groups, and develop a unique offering (that is, a mix of 4Ps) that resonates with each group attractive enough to serve

Straight rebuy

When a repurchase is made without any changes or modifications to the order. One of the three types of B2B buying situations

Strategic business units (SBUs)

Key businesses, which may include individual business lines, product lines, or brands

Strategic risk

One of the three types of risk. Along with preventable risk, it tends to be internal to the firm and, therefore, within the control of decision-makers

Strengths

One of the four components of SWOT analysis. Internal capabilities and resources that enable the company to serve its customers and achieve its objectives

Supply chain

“A set of three or more entities (organizations or individuals) directly involved in [both] the upstream and downstream flows of products, services, finances, and/or information from a source to a customer” (Mentzer et al. 2001, p. 4; see Fig. TBD)

Survey

A series of questions, structured in the form of a physical or electronic document (also called instrument), that marketing researchers distribute to consumer respondents

Sustainable distribution

The process of transporting, storing, and selling products with the lowest possible impact on the ecological and social environment

SWOT analysis

Evaluating the company's strengths (S), weaknesses (W), opportunities (O), and threats (T)

Tangible attributes

The concrete mostly physical attributes that consumers can experience and evaluate, such as the design materials of a product

Target audience

The specific group of consumers a brand aims to reach with its marketing efforts

Targeting

Involves assessing the appeal of each segment and choosing the most promising ones to pursue

Technical development

The fourth stage of the strategy driven product development process. This stage involves developing and testing the product to ensure it meets technical and consumer standards

Territorial structure

A way to segment the salesforce structure. Involves assigning salesforce members to geographical areas to focus sales in

The communication process

Involves encoding a message, sending it through a selected medium, and then decoding it by the audience

Threats

One of the four components of SWOT analysis. Encompass unfavorable external factors or trends that may pose challenges

Total costs formula

Total costs = variable costs + fixed costs

Total revenue

The amount coming into the firm when considering the price and the number of units sold

Total revenue formula

Total revenue = price × number of units

Touchpoints

The various interactions a consumer has with a brand, whether through advertising, social media, customer service, or in-store experiences

Traffic sources

Understanding where website traffic originates (organic search, direct, referral, paid, or social media) helps marketers identify which channels are most effective in driving visitors to the site

Universal set

All the available solutions or brands in the marketplace

Value

Occurs when benefits outweigh the cost or sacrifice

Value consciousness

The extent to which a consumer tends to maximize what they receive from a transaction compared to what they pay

Values and Lifestyles Survey

Also known as VALS. Consists of 35 questions measuring values, lifestyles, personality traits, and demographics and helps segment the marketplace into eight market segments

Variable costs

Costs that do change with unit output

Variable costs formula

Total variable costs = variable costs per unit ⋄ number of units

Want

When the person knows a product that will fulfill the need, in efforts to get the person to their desired state.

Weaknesses

One of the four components of SWOT analysis. Internal limitations that may hinder the company's performance

Wholesalers

Resellers who buy goods in large quantities and resell them to retailers and other businesses

Wholly-owned subsidiary

When a company forms a new entity in a foreign country that is entirely owned by the parent company, entailing full ownership and control of its operations abroad