

CHAPTER 1

What Is Marketing?

Before reading on, stop for a moment and think about how you would define marketing. Chances are that each reader of this book will come up with a somewhat different answer, since marketing is often viewed in terms of individual activities that constitute the overall marketing process. One popular conception of marketing is that it primarily involves sales. Other perspectives view marketing as consisting of advertising or retailing activities. For some of you, market research, pricing, or product planning may come to mind.

While all of these activities are part of marketing, it encompasses more than just these individual elements. For nearly two decades, the American Marketing Association (AMA), the organization that represents marketing professionals in the United States and Canada, defined marketing as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. This definition of marketing focused on exchange as a central concept in marketing and the use of the basic marketing activities to create and sustain relationships with customers. For exchange to occur there must be two or more parties with something of value to another, a desire and ability to give up that something to the party, and a way to communicate with each other. Advertising and promotion play an important role in the exchange process by informing customers of an organization's product or service and convincing them of its ability to satisfy their needs or wants.

Not all marketing transactions involve the exchange of money for a product or service. Nonprofit organizations such as various causes,

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charities, religious groups, the arts, and colleges and universities (probably including the one you are attending) receive millions of dollars in donations every year. Nonprofits often use ads like the one to solicit contributions from the public. Donors generally do not receive any material benefits for their contributions; they donate in exchange for intangible social and psychological satisfactions such as feelings of goodwill and altruism.

While many still view exchange as the core phenomenon or domain for study in marketing, there is also agreement among most academicians and practitioners that the discipline is rapidly changing. To reflect these changes, the AMA adopted a revised definition of marketing in 2004, which is as follows:

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

This revised definition is viewed as being more strategic in nature as well as more reflective of the role marketing plays in the functioning of an organization. It also recognizes the important role marketing plays in the process of building and sustaining relationships with customers and delivering value to them.

Marketing Focuses on Relationships and Value

Today, most markets are seeking more than just a one-time exchange or transaction with customers. The focus of market-driven companies is on developing and sustaining relationships with their customers. Successful companies recognize that creating, communicating, and delivering value to their customers is extremely important. Value is the customer's perception of all of benefits of a product or service weighed against all the costs of acquiring and consuming it. Benefits can be functional (the performance of the product), experiential (what it feels like to use the product), and/ or

psychological (feelings such as self-esteem or status that result from owning a particular brand). Costs include the money paid for the product or service as well as others factors such as acquiring information about the product/service, making the purchase, learning how to use it, maintaining the product, and disposing of it.

The focus on customer relationships and value has led many companies to emphasize relationship marketing, which involves creating, maintaining, and enhancing long-term relationships with individual customers as well as other stakeholders for mutual benefit.

The movement toward relationship marketing is due to factors. First, companies recognize that customers have become much more demanding. Consumers desire superior customer value, which includes quality products and services that competitively priced, convenient to purchase, delivered on time, and supported by excellent customer service. They also want personalized products and services that are tailored to their specific needs and wants. Advances in information technology, along with flexible manufacturing systems and new marketing processes, have led to mass customization, whereby a company can make a product or deliver a service in response to a particular customer's needs in a cost-effective way. New technology is making it possible to configure and personalize a wide array of products and services including computers, automobiles, clothing, cosmetics, jewelry, and mortgages. Consumers can log on to the Dell website and build own computers or to NikeiD.com to design personalized athletic shoes and other products.

Another reason why marketers are emphasizing relationships is that it is more cost effective to retain customers than to acquire new ones. Marketers are giving more attention to the lifetime value of a customer because studies have shown that reducing customer defections by just 5 percent can increase future profit by as much as 30 to 90 percent. As companies focus more attention on customer retention, many are developing customer relationship management (CRM) programs, which involve the systematic tracking of

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consumer's preferences and behaviors and modifying the product or service offer as much as possible to individual needs and wants. Information technology, particularly data- base systems, is an integral part of CRM programs as companies must capture information about their customer and adjust elements of their marketing programs to better meet their needs and wants. Marketing communications is also an important part of customer relationship management as companies strive to create more personalized and meaningful one-to-one communications with customers and manage their contacts and interactions with them.

The Marketing Mix

Marketing facilitates the exchange process and the development of relationships by carefully examining the needs and wants of consumers, developing a product or service that satisfies these needs, offering it at a certain price, making it available through a particular place or channel of distribution, and developing a program of promotion or communication to create awareness and interest. These four Ps —product, price, place (distribution), and promotion — are elements of the marketing mix. The basic task of marketing is combining these four elements into a marketing program to facilitate the potential for exchange with consumers in the marketplace.

The proper marketing mix does not just happen. Marketers must be knowledgeable about the issues and options involved in each element of the mix. They must also be aware of how these elements can be combined to form an effective marketing program that delivers value to consumers. The market must be analyzed through consumer research, and the resulting information must be used to develop an overall marketing strategy and mix.

The primary focus of this book is on one element of the marketing mix: the promotional variable. However, the promotional program must be part of a viable marketing strategy and be

coordinated with other marketing activities. A firm can spend large sums on advertising or sales promotion, but it stands little chance of success if the product is of poor quality, is priced improperly, or does not have adequate distribution to consumers. Marketers have long recognized the importance of combining the elements of the marketing mix into a cohesive marketing strategy. Many companies also recognize the need to integrate their various marketing communications efforts, such as media advertising, direct marketing, sales promotion, Internet marketing, event sponsorships, and public relations, to achieve more effective marketing communications.

Exercises:

I. Match the words in column I with their definitions in column II.

Column I	Column II
1. durable	a. constitute
2. bend	b. popular
3. happen	c. sustain
4. protect	d. occur
5. comfort	e. convince
6. mirror	f. emphasize
7. accentuation	g. reflect
8. persuade	h. convenient
9. integrated	i. facilitate
10. establish	j. strive
11. accommodation	k. viable
12. famous	l. combine
13. effort	m. cohesive

II. Fill in the blanks with the appropriate words from the list below.

desire, convenient, recognize, due to, delivered, tailored to, personalized, competitively, demanding, supported.

The movement toward relationship marketing is factors. First, companies that customers have become much more

Consumers superior customer value, which includes quality products and services that Price, to purchase, on time, and By excellent customer service. They also want products and services that are their specific needs and wants.

III. Choose a, b, c, or d which best completes each item.

1. Promotion is the efforts that marketer use to customer or organization about goods services or ideas.
a. allocate b. manipulate c. persuade d. devote

2. Ads and promotion play an important role in the exchange process by people to choose a specific goods or services.
a. denoting b. establishing c. reassessing d. convincing

3. Nonprofit organizations often use ads like the one to contribution from the public.
a. solicit b. donate c. satisfy d. manage

4. The promotional programs must be part of a marketing strategy.
a. venture b. viable c. individual d. track

5. The focus of market-driven companies is on developing and relationship with their customers.
a. acquiring b. releasing c. sustaining d. competitively

6. Successful companies that creating value to their customers is extremely important.
a. endorse d. recognize c. stem d. merit

7. A reason why marketers are emphasizing relationship is that it is more cost effective to customers than to acquire new ones.
a. retain b. sharp c. improve

8. product and services must to specific needs and wants.
a. evaluate b. indicate c. tailor d. contribute

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9. is the customer perception of all benefits of products or services.

- a. Utility b. Demand c. Want d. Value

10. The promotional programs must be with other marketing activities.

- a. realized b. diffused c. communicated d. coordinated

The Answer keys:

I. 1.k 2.l 3.d 4.c 5.h 6.g 7.f 8.e 9.m 10.a 11.i

12.b 13.j

II. 1. due to 2. recognize 3. demanding 4. desire

5. competitively 6. convenient 7. delivered

8. supported 9. personalized 10. tailored

III. 1.c 2.d 3.a 4.b 5.d 6.d 7.a 8.c 9.d

10.d

CHAPTER 2

Integrated Marketing Communications

For many years, the promotional function in most companies was dominated by mass-media advertising. Companies relied primarily on their advertising agencies for guidance in nearly all areas of marketing communication. Most marketers did use additional promotional and marketing communication tools, but sales promotion and direct-marketing agencies as well as package design firms were generally viewed as auxiliary services and often used on a per-project basis. Public relations agencies were used to manage the organization's publicity, image, and affairs with relevant publics on an ongoing basis but were not viewed as integral participants in the marketing communications process.

Many marketers built strong barriers around the various marketing and promotional functions and planned and managed them as separate practices, with different budgets, different views of the market, and different goals and objectives. These companies failed to recognize that the wide range of marketing and promotional tools must be coordinated to communicate effectively and present a consistent image to target markets.

The Evolution of IMC

During the 1980s, many companies began taking a broader perspective of marketing communication and seeing the need for a more strategic integration of promotional tools. The decade was characterized by the rapid development of areas such as sales promotion, direct marketing, and public relations, which began challenging advertising's role as the dominant form of marketing communication. These firms began moving toward the process of integrated marketing communications (IMC), which involves coordinating the various promotional elements and other marketing activities that communicate with a firm's customers. As marketers embraced the concept of integrated marketing communications, they began asking their ad agencies to coordinate the use of a variety of promotional tools rather than relying primarily on media advertising. A number of companies also began to look beyond traditional advertising agencies and use other types of promotional specialists to develop and implement various components of their promotional plans.

Many agencies responded to the call for synergy among the promotional tools by acquiring PR, sales promotion, and direct-marketing companies and touting themselves as IMC agencies that offer one-stop shopping for all their clients' promotional needs. Some agencies became involved in these nonadvertising areas to gain control over their clients' promotional programs and budgets and struggled to offer any real value beyond creating advertising. However, the advertising industry soon recognized that IMC was more than just a fad. Terms such as new advertising, orchestration, and seamless communication were used to describe the concept of integration. A task force the American Association of Advertising Agencies (the "4As") developed one of the first definitions of integrated marketing communications:

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A concept of marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines--- for example, general advertising, direct response, sales promotion, and public relations --- and combines these disciplines to provide clarity, consistency, and maximum communications impact.

The 4As' definition focuses on the process of using all forms of promotion to achieve maximum communication impact. However, advocates of the IMC concept argued for an even broader perspective that considers all sources of brand or company contact that a customer or prospect has with a product or service. They noted that the process of integrated marketing communications calls for a "big-picture" approach to planning marketing and promotion programs and coordinating the various communication functions. It requires that firms develop a total marketing communications strategy that recognizes how all of a firm's marketing activities, not just promotion, communicate with its customers.

Consumers' perceptions of a company and/ or its various brands are a synthesis of the bundle of messages they receive or contacts they have, such as media advertisements, price, package design, direct-marketing efforts, publicity, sales promotions, websites, point-of-purchase displays, and even the type of store where a product or service is sold. The integrated marketing communications approach seeks to have all of a company's marketing and promotional activities project a consistent, unified image to the marketplace. It calls for a centralized messaging function so that everything a company says and does communicates a common theme and positioning. For example, Montblanc uses classic design and a distinctive brand name as well as high price to position its watches, pens, and other products as high-quality, high-status products. This upscale image is enhanced by the company's strategy of distributing its products only through boutiques, jewelry stores, and other exclusive shops including its own stores.

Many companies have adopted this broader perspective of IMC. They see it as a way to coordinate and manage their marketing communication programs to ensure that they send customers a consistent message about the company and/ or its brands. For these companies, integration represent an improvement over the traditional method of treating the various marketing and promotion elements as virtually separate activities. However, this perspective of IMC has been challenged on the basis that it focuses primarily on the tactical coordination of various communication tools with the goal of making them look and sound alike. It has been criticized as an “inside-out marketing” approach that is a relatively simple matter of bundling promotional mix elements together so they have one look and speak with one voice. As IMC continues to evolve, both academicians as well as practitioners are recognizing that a broader perspective is needed that views the discipline from a more strategic perspective.

A Contemporary Perspective of IMC

As marketers become more sophisticated and develop a better understanding of IMC, they are recognizing that it involves more than just coordinating the various elements of their marketing and communications programs into a “one look, one voice” approach. As IMC evolves, it is being recognized as a business process that helps companies identify the most appropriate and effective methods for communicating and building relationships with customers and other stakeholders. Don Schultz of Northwestern University has developed what many think is a more appropriate definition of IMC, as follows:

Integrated marketing communication is a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communications programs over time with consumers, customers, prospects, employees, associates and other targeted relevant external and internal audiences. The goal is to generate both short-term financial returns and build long-term brand and shareholder value.

There are several important aspects of this definition of IMC. First, it views IMC as an ongoing strategic business process rather than just tactical integration of various communication activities. It also recognizes that there are a number of relevant audiences that are an important part of the process. Externally these include customers, prospects, suppliers, investors, interest groups, and the general public. It also views internal audiences such as employees as an important part of the IMC process. Schultz also notes that this definition reflects the increasing emphasis that is being placed on the demand for accountability and measurement of the outcomes of marketing communication programs as well as marketing in general.

Many companies are realizing that communicating effectively with customers and other stakeholders involves more than just the tactical use of the traditional marketing communication tools. These firms, along with many advertising agencies, are embracing IMC and incorporating it into their marketing and business practices. It is true, however, that not all companies have moved beyond the stage of simply bundling promotional mix elements together and made the organization changes and investment that are needed for true integration. Moreover, some academics and practitioners have questioned whether IMC is just another "management fashion" whose influence will be transitory. Critics of IMC argue that it merely reinvents and renames existing ideas and concepts and that it questions its significance for marketing and advertising thought and practice.

While the debate over the value and relevance of IMC is likely to continue, proponents of the concept far outnumber the critics. IMC is proving to be a permanent change that offers significant value to marketers in the rapidly changing communications environment they are facing in the new millennium. IMC has been described as one of the "new-generation" marketing approaches being used by companies to better focus their efforts in acquiring, retaining, and developing relationships with customers and other stakeholders. Some scholars

have stated that IMC is undoubtedly the major communications development of the last decade of the 20th century. We will now discuss some of the reasons for the growing importance of IMC.

Exercises:

I) Match the following words with their meanings:

- | | |
|------------------|---------------|
| 1) rely | a) obstacle |
| 2) ongoing | b) fashion |
| 3) barrier | c) convincing |
| 4) embrace | d) depend on |
| 5) fad | e) helpful |
| 6) transitory | f) extensive |
| 7) persuasive | g) continuous |
| 8) comprehensive | h) temporary |
| 9) auxiliary | i) accept |
| 10) significance | j) importance |

II) Complete the following section with appropriate words from the box:

audiences	persuasive	approach	evaluate
develop	shareholder	sophisticated	coordinating
Prospects	Prospects		

As marketers become more ...1.... and develop a better understanding of IMC, they are recognizing it involves more than just2... the various elements of their marketing and communications programs into a one look, one voice ...3..... integrated marketing communication is a strategic business process and to plan, ..4..... execute and5..... coordinate, measurable, ...6..... brand

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communications programs over time consumers, customers, ...7..... employees, associates and other targeted relevant external and internal8..... the goal is to both short-term financial returns and build long-term brand and ...9..... value.

III. Choose the best choice (a,b,c, or d).

1) according to Don Schultz definition the goal in IMC is to generate.....

- a) short-term financial returns
- b) build long-term brand
- c) both of a and b
- d) external audiences

2) Montblanc uses to positing of his firms products from:

- a) high price
- b) distinctive brand name
- c) classic design
- d) a, b and c

3) The 4AS definition focuses on:

- a) process of using business brand
- b) process of using all forms of promotion to achieve maximum communication impact
- c) gain control over their clients promotional programs
- d) all last of 20 century

4) The decade was characterized by the rapid development of areas such as:

- a) direct marketing
- b) public relations
- c) sales promotion
- d) a, b and c

5) According to ideas of some scholars that IMC is the major communications development of:

- a) first decade of the 20th century
- b) last decade of the 20th century
- c) the 21th century
- d) they don't explain it about

6) Number of relevant audiences that are an important part of the IMC process include:

- a) customers
- b) prospects
- c) investors
- d) all of the above

7) Integrated marketing communication is a business process used to.....:

- a) evaluate immeasurable
- b) develop
- c) no executable
- d) none of the above

8) After marketers embraced the concept of integrated marketing:

- a) they rely on media advertising
- b) they don't do special anything
- c) they began asking their and agencies to coordinate the use of a variety of promotional tools
- d) they stopped their ad

9) many years the promotional function in most companies was dominated by:

- a) their agencies
- b) mass-media advertising
- c) speaking with customers and their audiences

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d) a, b and c

10) The integrated marketing communications approach seeks to have:

a) all of a company's marketing and promotional activities

b) more benefit and less costs

c) project a consistent, unified image to the marketplace

d) a and c

The Answer key

I: 1. d 2. g 3. a 4. i 5. b 6. h 7. c 8. f 9. e
10. j

II. 1. sophisticated 2. coordinating 3. approach
4. develop 5. evaluate 6. persuasive
7. prospects 8. audiences 9. generate
10. shareholder

III: 1. c 2. d 3. b 4. a 5. b 6. d 7. b 8. c
9. b 10. d

CHAPTER 3

Reasons for the Growing Importance of IMC

The IMC approach to marketing communications planning and strategy is being adopted by both large and small companies and has become popular among firms marketing consumer products and services as well as business-to-business marketers. There are a number of reasons why marketers are adopting the IMC approach. A fundamental reason is that they understand the value of strategically integrating the various communications functions rather than having them operate autonomously. By coordinating their marketing communications efforts, companies can avoid duplication, take advantage of synergy among promotional tools, and develop more efficient and effective marketing communications programs. Advocates of IMC argue that it is one of the easiest ways for a company to maximize the return on its investment in marketing and promotion.

The move to integrated marketing communications also reflects an adaptation by marketers to a changing environment. Particularly with respect to consumers, technology, and media. Major changes have occurred among consumers with respect to demographics, lifestyles, media use, and buying and shopping patterns. For example, cable TV

and more recently digital satellite systems have vastly expanded the number of channels available to households. According to Nielsen Media Research, the average U.S. household receives 100 TV channels, compared with 27 in 1994. Every day more and more consumers are surfing the Internet's World Wide Web. There are now more than 800 million Internet users around the world including nearly 200 million in the United States. In the United States, 67 percent of U.S. households are connected to the Internet and over half of these homes have high-speed broadband access. Every day more consumers are surfing the Internet's World Wide Web. Online services such as America Online, Yahoo!, and Microsoft Network provide information and entertainment as well as the opportunity to shop for and order a vast array of products and services. Marketers are responding by developing website on which they can advertise their products and services interactively as well as transact sales. For example, travelers can American Airlines' AA.com website to plan flights, check for special fares, purchase tickets, and reserve seats, as well as make hotel and car-rental reservations.

Even as new technologies and formats create new ways for marketers to reach consumers, they are affecting the more traditional media. Television, radio, magazines, and newspaper audiences are becoming more fragmented and reaching smaller and more selective audiences. IMC Perspective 1-1 discusses how technology is leading to greater fragmentation of media and how the focus of marketers is shifting from mass to micromarketing.

In addition to the decline in audience size for many media, marketers are facing the problem of consumers being less responsive to traditional advertising. Many consumers are turned off advertising; they are tired of being bombarded with sales messages. This is leading many marketers to look for alternative ways to communicate with their target audiences.

For example, marketers often hire product placement firms or negotiate directly with major studios and production companies to get

their brands into movies and television shows. MGM/United Artists has created special scenes in its James Bond movies to feature automobiles such as the BMW Z3 and Aston Martin V12 Vanquish sports car. The NBC hit series *The Apprentice* has built entire episodes around having the competitors work on tasks involving products such as Nestlé's Taster's Choice instant coffee, Pepsi Edge soda, Mattel toys, and Crest Vanilla Mint toothpaste. Companies pay as much \$2 million to have their brands featured on the show.

Marketers must consider that many of those Generation Y, the age cohort born between 1979 and 1994 (which includes most college students), are very skeptical of traditional advertising. Having grown up in an even more media-saturated and brand conscious world than their parents did, they respond to advertising differently and prefer to encounter marketing messages in different places and from different sources. Marketers recognize that to penetrate the skepticism and to capture the attention of the Gen Ys they have to bring their messages to these people in different ways. Many companies are turning to a stealth-type of strategy known as buzz marketing whereby brand come-ons become part of popular culture, and consumers themselves are lured into spreading the message. The positive word of mouth generated through buzz marketing campaigns has been an integral part of successful IMC campaigns used to launch brands such as the Chrysler PT Cruiser and Ford Focus automobiles.

The integrated marketing communications movement is also being driven by changes in the ways companies market their products and services. A major reason for the growing importance of the IMC approach is the ongoing revolution that is changing the rules of marketing and the role of the traditional advertising agency. Major characteristics of this marketing revolution include:

- A shifting of marketing dollars from media advertising to other forms of promotion, particularly consumer- and trade-oriented sales promotions. Many marketers feel that traditional media advertising has become too expensive and is not cost-effective. Also, escalating

price competition in many market has resulted in marketers' pouring more of their promotional budgets into price promotions rather than media advertising.

- A movement away from relying on advertising-focused approaches, which emphasize mass media, such as network television and national magazines, to solve communication problems. Many companies are turning to lower-cost, more targeted communication tools such as event marketing and sponsorship, direct mail, sales promotion, and the Internet as they develop their marketing communications strategies.
- A shift in marketplace power from manufactures to retailers. Due to consolidation in the retail industry, small local retailers are being replaced by regional, national, and international chains. Large retailers such as Wal-Mart are using their clout to demand large promotional fees and allowances from manufactures, a practice that often siphons money away from advertising. Moreover, new technologies such as checkout scanners give retailers information on the effectiveness of manufactures' promotional programs. This is leading many marketers to shift their focus to promotional tools that can produce short-term results, such as sale promotion.
- The rapid growth and development of database marketing. Many companies are building databases containing customer names; geographic, demographic, and psychographic profiles; purchase patterns; media preferences; credit ratings; and other characteristics. Marketers are using this information to target consumers through a variety of direct-marketing methods such as telemarketing, direct mail, and direct-response advertising, rather than relying on mass media. Advocates of the approach argue that database marketing is critical to the development and practice of effective IMC.
- Demands for greater accountability from advertising agencies and changes in the way agencies are compensated. Many companies are moving toward incentive-based systems whereby compensation of their ad agencies is based, at least in part, on objective measures such as sales, market share, and profitability. Demands for accountability

are motivating many agencies to consider a variety of communication tools and less expensive alternatives to mass-media advertising.

- This rapid growth of the Internet, which is changing the very nature of how companies do business and the ways they communicate and interact with consumers. The Internet revolution is well under way, and the Internet audience is growing rapidly. The Internet is an interactive medium that is becoming an integral part of communication strategy, and even business strategy, for many companies.

This marketing revolution is affecting everyone involved in the marketing and promotional process. Companies are recognizing that they must change the ways they market and promote their products and services. They can no longer be tied to a specific communication tool (such as media advertising); rather, they should use whatever contact methods offer the best way of delivering the message to their target audiences. Ad agencies continue to reposition themselves as offering more than just advertising expertise; they strive to convince their clients that they can manage all or any part of clients' integrated communications needs. Most agencies recognize that their future success depends on their ability to understand all areas of promotion and help their clients develop and implement integrated marketing communications programs.

The Role of IMC in Branding

One of the major reason for the growing importance of integrated marketing communications over the past decade is that it plays a major role in the process of developing and sustaining brand identity and equity. As branding expert Kevin Keller notes, "Building and properly managing brand equity has become a priority for companies of all sizes, in all types of industries, in all types of markets. With more and products and services competing for consideration by customers who have less and less time to make choices, well-known

brands have a major competitive advantage in today's marketplace. Building and maintaining brand identity and equity require the creation of well-known brands that have favorable, strong, and unique associations in the mind of the consumer. Companies recognize that brand equity is as important an asset as factories, patents, and cash because strong brands have the power to command a premium price from consumers as well as investors. Figure 1-1 shows the world's most valuable brands. As measure by Interbrand, a leading brand consultancy company.

Figure 1-1 The world's 10 Most Valuable Brands

Brand Value (Billions)	Brand	Rank
\$67.52	Coca-Cola	1
59.94	Microsoft	2
53.38	IBM	3
46.99	General Electric	4
35.59	Intel	5
26.45	Nokia	6
26.44	Walt Disney Co.	7
26.01	McDonald's Crop.	8
24.84	Toyota Motor Crop.	9
21.19	Marlboro	10

Source: Business Week, August 1,2005, p.90.

Brand identity is a combination of many factors, including the name, logo, symbols, design, packaging, and performance of a product or service as well as the image or type of associations that comes to mind when consumers think about a brand. It encompasses the entire spectrum of consumer's awareness, knowledge, and image of the brand as well as the company behind it. It is sum of all points of

encounter or contact that consumers have with the brand, and it extends beyond the experience or outcome of using it. These contacts can also result from various forms of integrated marketing communications activities used by a company, including mass-media advertising, sales promotion offers, sponsorship activities at sporting or entertainment events, websites on the Internet, and direct-mail pieces such as letters, brochures, catalogs, or videos. Consumers can also have contact with or receive information about a brand in stores at the point of sale; through articles or stories they see, hear, or read in the media; or through interactions with a company representative, such as salesperson. IMC Perspective 1-2 discusses how many companies are finding new ways to build brand equity as the relationship between consumers and brands changes.

Marketers recognize that in the modern world of marketing there are many different opportunities and methods for contacting current and prospective customers to provide them with information about a company and/ or brand. The challenge is to understand how to use the various IMC tools to make such contacts and deliver the branding message effectively and efficiently. A successful IMC program requires that marketers find the right combination of communication tools and techniques, define their role and the extent to which they can or should be used, and coordinate their use. To accomplish this, the persons responsible for the company's communication efforts must have an understanding of the IMC tools that are available and the ways they can be used.

Exercises:

I. Match the following words with their meanings:

- | | |
|-----------------|------------------------------------------------------|
| 1. approach | a. basic principle |
| 2. fundamental | b. the statistics of an |
| 3. autonomous | c. way |
| 4. duplicate | d. discuss in order to come |
| 5. prospective | e. self - governing |
| 6. advocate | f. being |
| 7. demographics | g. something that attracts |
| 8. purchase | h. hoped for |
| 9. negotiate | i. exactly the same |
| 10. lure | j. Person who speaks in favor of a
Person or idea |

II. Fill in the blanks with the following words.

advocates duplication approach integrating synergy
marketing coordinating investment functions promotion

There are a number reasons why marketers are adopting the IMC
 (a) fundamental reason is that they understand the value of
 strategically (b) the various communications (c) rather
 than having them operate autonomously. By (d) their marketing
 communications efforts, companies can avoid (e). Take
 advantage of (f) among promotional tools and develop more
 efficient and effective (g). Communications programs.
 (h) of the IMC argue that it is one of easiest ways for a
 company to maximize the return on its (i). In marketing and
 (j)

III. Read each question carefully and choose the best answer.

1. What does this text speak about?

- a) Selective distribution and demand chain
- b) The rapid growth and development of the strategic business unit
- c) Inventory management
- d) Reasons for the growing importance of IMC

2. What is brand identity?

- a) name and logo
- b) symbols and design
- c) packaging
- d) all of the above

3. How many Internet users are there around the world?

- a) more than 200 million
- b) 800 million
- c) more than 800 million
- d) nearly 200 million

4. Many companies are building databases containing

- a) customer names
- b) geographic, demographic and psychographic profiles, purchase
- c) customers' names, geographic and psychographic profiles, purchase
- d) name, logo, geographic and psychographic profiles

5. Which of the following IS NOT major characteristic of the IMC?

- a) a shifting of marketing dollars from media advertising to other forms
- b) the rapid growth and development of database marketing
- c) a shift in marketplace power from manufacturers to retailers
- d) the slow growth and development of database marketing

6. According to the passage,
- a) many marketers don't feel that traditional media advertising has become too expensive
 - b) the internet revolution is well under way, and the Internet audience is growing rapidly
 - c) large retailers such as Wal-mart are not using their clout to demand large fees from manufactures
 - d) consumers understand the value of IMC approach
7. Many marketers feel that
- a) mass media advertising has become less expensive
 - b) traditional media advertising has become too expensive
 - c) mass media is not cost-effective
 - d) traditional media advertising has become too expensive and is not cost-effective
8. A successful IMC program requires that
- a) marketers find the right combination of communication tools techniques
 - b) consumers recognize the reasons for the growing importance of IMC
 - c) people recognize the reasons for growing important of the Internet
 - d) a, b and c
9. Major changes have occurred among consumers with respect to
- a) demographics, lifestyle, media use, media research, buying patterns
 - b) buying and shopping patterns
 - c) demographics, lifestyle, media use and money
 - d) demographics, media use, lifestyle, buying and shopping patterns
10. IMC is the abbreviation for

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- a) **Iran Marketing Communication**
- b) **Integrated Marketing Communication**
- c) **Inside Marketing Communication**
- d) **Investment Marketing Communication**

The answer keys:

I. 1: c 2: a 3: e 4: i 5: h 6: j 7: b 8: f 9: d
10: c

II. a: approach b: integrating c: function e: duplication f: synergy
g: marketing h: advocates i: investment j: promotion

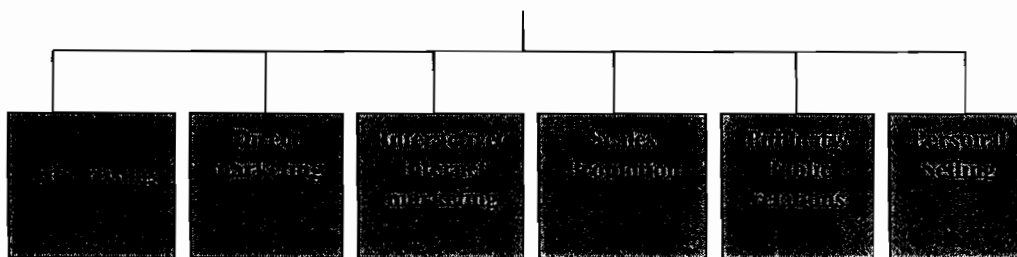
III. 1. d 2. d 3. c 4. c 5. d 6. b 7. d 8. a 9. d 10. b

CHAPTER 4

The Promotional Mix : The Tools for IMC

Promotion has been defined as the coordination of all seller-initiated efforts to set up channels of information and persuasion in order to sell goods and services or promote an idea. While implicit communication occurs through the various elements of the marketing mix, most of an organization's communications with the marketplace take place as part of a carefully planned and controlled promotional program. The basic tools used to accomplish an organization's communication objectives are often referred to as the **promotional mix** (figure 1).

Figure. 1 The Promotional Mix



Traditionally the promotional mix has included four elements: advertising, sales promotion, publicity/public relations, and personal selling. However, in this text we view direct marketing as well as interactive media major promotional-mix elements that modern-day marketers use to communicate with their target markets. Each element of the promotional mix is viewed as an integrated marketing communications tool that plays a distinctive role in an IMC program. Each may take on a variety of forms. And each has certain advantages.

Advertising

Advertising is defined as any paid form of no personal communication about an organization, product, service, or idea by an identified sponsor. The paid aspect of this definition reflects the fact that the space or time for an advertising message generally must be bought. An occasional exception to this is the public service announcement (PSA), whose advertising space or time is donated by the media.

The no personal component means that advertising involves mass media (e.g., TV, radio, magazines, newspapers) that can transmit a message to large groups of individuals, often at the same time. The no personal nature of advertising means that there is generally no opportunity for immediate feedback from the message recipient (except in direct-response advertising). Therefore, before the message is sent, the advertiser must consider how the audience will interpret and respond to it.

Advertising is the best-known and most widely discussed form of promotion, probably because of its pervasiveness. It is also a very important promotional tool, particularly for companies whose products and services are automobile manufacturers, packaged goods, and drug companies. More than 200 companies spend over \$100 million on advertising and promotion in the United States each year.

Several reasons explain why advertising is such an important part of many marketer's IMC programs. First, advertising is still the most

cost-effective way to reach large audiences. The average 30-second commercial on the four major networks during evening prime-time programming reaches 6 million households.

The cost per thousand households reached in 2004 was \$ 19.85. Popular shows such as American Idol and Desperate Housewives can reach as many as 25 to 30 million viewers each week. Thus, for marketers who are interested in building or maintaining brand awareness and reaching a mass audience at one time, there is no effective substitute for network television.

Advertising is also a valuable tool for building company or brand equity as it is a powerful way to provide consumers with information as well as to influence their perceptions. Advertising can be used to create favorable and unique images and associations for a brand which can be very important for companies selling products or services that are difficult to differentiate on the basis of functional attributes. Brand image plays an important role in the purchase of many products and services, and advertising is still recognized as one of the best ways to build a brand.

The nature and purpose of advertising differ from one industry to another and/or across situations. Companies selling products and services to the consumer market generally rely heavily on advertising to communicate with their target audiences as do retailers and other local merchants. However, advertising can also be done by an industry to stimulate demand for a product category such as beef or milk. Advertising is also used extensively by companies who compete in the business and professional markets to reach current and potential customers. For example, business-to-business marketers use advertising to perform important functions such as building awareness of the company and its products, generating leads for the sales force, and reassuring customers about the purchase they have made.

Direct Marketing

One of the fastest-growing sectors of U.S. economy is

direct marketing, in which organizations communicate directly with target customers to generate a response and/or a transaction. Traditionally, direct marketing has not been considered an element of the promotional mix. However, because it has become such an integral part of the IMC program of many organizations and often involves separate objectives, budgets, and strategies, we view direct marketing as a component of the promotional mix.

Direct marketing is much more than direct mail and mail-order catalogs. It involves a variety of activities, including database management, direct selling, telemarketing, and direct-response ads through direct mail, the Internet, and various broadcast and print media. Some companies, such as Tupperware, Discovery Toys, and Amway, do not use any other distribution channels, relying on independent contractors to sell their products directly to consumers. Companies such as L.L. Bean, Lands' End, and J. Crew have been very successful in using direct marketing to sell their clothing products. Dell has become the market leader in the computer industry by selling a full line of personal computers through direct marketing.

One of the major tools of direct marketing is **direct-response advertising**, whereby a product is promoted through an ad that encourages the consumer to purchase directly from the manufacturer. Traditionally, direct mail has been the primary medium for direct-response advertising, although television and magazines have become increasingly important media. For example, Exhibit 1-8 shows a direct-response ad for the Bose Corporation's Acoustic Waveguide products. Direct-response advertising and other forms of direct marketing have become very popular over the past two decades, owing primarily to changing lifestyles, particularly the increase in two-income households. This has meant more discretionary income but less time for in-store shopping. The availability of credit cards and toll-free phone numbers has also facilitated the purchase of products from direct-response ads. More recently, the rapid growth of the Internet is fueling the growth of direct marketing. The convenience of

shopping through catalogs or on a company's website and placing orders by mail, by phone, or online has led the tremendous growth of direct marketing.

Direct-marketing tools and techniques are also being used by companies that distribute their products through traditional distribution channels or have their own sales force. Direct marketing plays a big role in the integrated marketing communications programs of consumer-product companies and business-to-business marketers. These companies spend large amounts of money each year developing and maintaining data-bases containing the addresses and/or phone numbers of present and prospective customers. They use telemarketing to call customers directly and attempt to sell them products and services or qualify them as sales leads. Marketers also send out direct-mail pieces ranging from simple letters and flyers to detailed brochures, catalogs, and videotapes to give potential customers information about their products or services. Direct-marketing techniques are also used to distribute product samples.

Interactive/ Internet marketing

Over the past decade we have been experiencing perhaps the most dynamic and revolutionary changes of any era in the history of marketing, as well as advertising and promotion. These changes are being driven by advances in technology and developments that have led to dramatic growth of communication through interactive media, particularly the Internet. **Interactive media** allow for a back-and-forth flow of information whereby users can participate in and modify the form and content of the information they receive in real time. Unlike traditional forms of marketing communications such as advertising, which are one-way in nature, the new media allow users to perform a variety of functions such as receive and alter information and images, make inquiries, respond to questions, and, of course, make purchases.

In addition to the Internet, other forms of interactive media include CD-ROMs, kiosks, interactive television, and digital cell phones.

Many companies are now making text messaging a part of their integrated campaigns. For example, when Frito-Lay introduced its new Doritos Black Pepper jack brand of tortilla chips, the integrated "if not Now when?" (inNw?) campaign included a text message component.³⁴ Ads were run inviting consumers to send the text message "inNw?" to Doritos to learn to learn more about the product. Those opting in would receive a message back in a few seconds informing them that they could win cool prizes if they knew what "inNw" meant. If a correct message was messaged back, the texture was sent a message with a potential winner code. which they could take to a dedicated website and enter it to see if they won a prize.

The interactive medium that is having the greatest impact on marketing is the Internet. While the Internet is changing the ways companies design and implement their entire business and marketing strategies, it is also affecting their marketing communications programs. Million of companies, ranging from large multinational corporations to small local businesses, have developed websites to promote their products and services, by providing current and potential customers with information as well as entertain and interact with them. The Internet is actually a multifaceted promotional tool. On one hand, it is an advertising medium as many companies advertise their products and services on the websites of other companies and/or organizations or pay to link their banner ads or websites to search engines such as Google and Yahoo. The Internet can also be viewed as a marketing communications tool in its own right as it is a medium that can be used to execute all of the elements of the promotional mix. In addition to advertising on the Web, marketers offer sales promotion incentives such as coupons, contests, and sweepstakes online, and they use the Internet to conduct direct marketing, personal selling, and public relations activities more effectively and efficiently.

The interactive nature of the Internet is one of its major advantages. This capability enables marketers to gather valuable personal information from customers and prospects and to adjust their offer accordingly, in some cases in real time. Unlike traditional media, which are essentially one-way forms of communication, digital media such as the Internet is that it offers the capability to more closely and precisely measure the effects of advertising and other types of promotion. There are a number of metrics that can be generated when consumers visit websites, which allow marketers to determine how consumers are responding to their campaigns and the return on investment they are getting from their promotional dollars.

Companies recognize the advantages of the Internet and various ways it can be used. However, a number of companies are also developing campaigns that integrate their Web strategies with other aspects of their IMC programs such as media advertising. An excellent example of this is the "Perspective" campaign developed by Wieden & Kennedy for Sharp Electronics to introduce its new Aquos liquid crystal display television. Sharp created a website that was the focal point of the IMC program and had the agency develop advertisements that would spark consumers' interest and drive them to the site. The agency created a mysterious TV commercial showing a strange scene of a man driving an orange car along a country road and suddenly losing control of the vehicle when he swerves to avoid an attractive woman. The car ends up in a swimming pool of a chateau, startling an elderly man who is relaxing in the water. The spot ends by showing the car submerging into the water as the moretosee.com Web address appears on the screen. Once on the site consumers could participate in trying to solve the mystery. The site contained video clips, character blogs relating various events, chat rooms in which site visitors could work together to solve the mystery, as well as various audio and video clues. The campaign was very effective in driving traffic to the website where consumers could learn more about the Aquos TV.

Exercises:**I. Match each word from column A with its definition on the column B:**

Column A	column B
1. Promotion	a. to make goods in large quantities using machinery
2. Coordination	b. the act or process of buying something
3. Manufacture	c. the system of transporting and delivering goods
4. Commercial	d. a notice, picture, or film telling people about a product, job, or service
5. Brand	e. activities done in order to increase the sales of a product or service
6. Purchase	f. making part of something, or working together in an organized way
7. Advertisement	g. communication with somebody especially while you work, play or spend time with them
8. Interaction	h. an advertisement on a radio or TV
9. Distribution	i. main way for receiving information or entertainment by a number of people
10. Media/mass media	j. a type of product made by a particular company

II. Choose the correct answer (a, b, c, or d).

1. is the coordination of all seller-initiated efforts to set up channels of information and persuasion to sell goods and services or promote an idea.

- | | |
|----------------|--------------------------|
| a. Advertising | b. Direct marketing |
| c. Promotion | d. Interactive marketing |

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2. The promotional mix can be defined as.....
- a. basic tools used to accomplish an organization's communicative objectives
 - b. implicit communication occurring through the various elements of marketing mix
 - c. the best-known and most widely discussed form of promotion
 - d. the most cost-effective way of promotion to reach large number of audience
3. Advertising is defined as any form of communication about an organization, product, service., or idea by an idea identified sponsor.
- a. unpaid personal b. Unpaid no personal
 - c. paid personal d. paid no personal
4. The main reason for advertising to be such an important part of many marketer's IMC programs is that
- a. it is still the most cost-effective way to reach large audience
 - b. it is the best-known and probably the most pervasive form of promotion
 - c. there is generally no opportunity for immediate feedback from the message recipient
 - d. it is an encouragement for consumer to purchase directly from the manufacturer
5. An occasional exception to the paid aspect of advertising definition is whose advertising space or time is donated by the media.
- a. public service announcement b. direct marketing
 - c. direct response advertising d. interactive marketing
6. Advertising can be used to create favorable and unique images and associations for a brand which can be very important for companies

- a. selling products and services to the consumer market
- b. selling product and services that are difficult to differentiate on the basis of functional attributes
- c. buying products and services to the consumer market
- d. buying products and services that are difficult to differentiate on the basis of functional attributes

7. Direct marketing is one of the U.S. economy sectors in which organization

- a. compete in the business and professional markets to reach current and potential customers
- b. communicate directly with target customers to generate a response and/or a transaction
- c. rely heavily on advertising to communicate with their audience as do retailers
- d. try to provide consumers with information as well as to influence their perception

8. One of the major tools of direct marketing is whereby a product is promoted through an ad that encourages the consumer to purchase directly from manufacturer.

- a. telemarketing
- b. direct selling
- c. database management
- d. direct response advertising

9. The changing lifestyle particularly the increase in two-income households have led to

- a. the expansion of direct mail sending and mail order catalogs
- b. more discretionary income but less time for in-store shopping
- c. promotion of good and services through an ad to encourage direct buying
- d. availability of credit cards and toll-free phone numbers

10. allows for a back and forth flow of information whereby users can participate in and modify the form and content of the information they receive in real time.

- a. Direct marketing b. Interactive media
- c. Advertising d. Promotional mix

III. Fill in the blanks with the appropriate words from the list below.

1. audiences, 2. direct marketing, 3. communications, 4. promotion, 5. product, 6. direct response, 7. promotional mix, 8. industry, 9. advertising, 10. two-income, 11. interactive marketing, 12. the internet

..... is the best-known and most widely discussed form of probably because of its pervasiveness.

It is still the most cost-effective way to reach large

Advertising can be done by a/an to simulate demand for a/an category such as beef or milk.

Traditionally has not been considered ad an element of promotional mix. advertising and other forms of direct marketing have become very popular over the past two decades, particularly because of the increase in household.

..... can also be viewed as a marketing in its own right as it is a medium that can be used to execute all of the elements of the promotional mix.

The Answer keys:

I. 1. a 2. f 3. a 4. h 5. j 6. b 7. d 8. g 9. c 10. i

II. 1. c 2. a 3. d 4. a 5. a 6. b 7. b 8. d 9. b
10. b

III. 4-9-1-8-5-2-6-10-12-3

CHAPTER 5

Sales Promotion

The next variable in the promotional mix is **sales promotion**, which is generally defined as those marketing activities that provide extra value or incentives to the sales force. The distributors, or the ultimate consumer can stimulate immediate sales. Sales promotion is generally broken into two major categories: consumer-oriented and trade-oriented activities.

Consumer-oriented sales promotion is targeted to the ultimate user of a product or service and includes couponing, sampling, premiums, rebates, contests, sweepstakes, and various point-of-purchase materials. These promotional tools encourage consumers to make an immediate purchase and thus can stimulate short-term sales. Trade-oriented sales promotion is targeted toward marketing intermediaries such as wholesalers, distributors, and retailers. Promotional and merchandising allowances, price deals, sales contest, and trade shows are some of the promotional tools used to encourage the trade to stock and promote a company's products.

Among many consumer packaged-goods companies, sales promotion is often 60 to 70 percent of the promotional budget. In

recent years many companies have shifted the emphasis of their promotional strategy from advertising to sales promotion. Reasons for the increased emphasis on sales promotion include declining brand loyalty and increased consumer sensitivity to promotional deals. Another major reason is that retailers have become larger and more powerful and are demanding more trade promotion support from companies.

Promotion and sales promotion are two terms that often create confusion in the advertising and marketing fields. As noted, promotion is an element of marketing by which firms communicate with their customers; it includes all the promotional-mix elements we have just discussed. However, many marketing and advertising practitioners use the term more narrowly to refer to sales promotion activities to either consumers or the trade (retailers, wholesalers). In this book, promotion is used in the broader sense to refer to the various marketing communications activities of an organization.

Publicity/Public Relations

Another important component of an organization's promotional mix is publicity/public relations.

Publicity Publicity refers to no personal communications regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship. It usually comes in the form of a news story, editorial, or announcement about an organization and/or its products and services. Like advertising, publicity involves no personal communication to a mass audience, but unlike advertising, publicity is not directly paid for by the company. The company or organization attempts to get the media to cover or run a favorable story on a product, service, cause, or event to affect awareness, knowledge, opinions, and/or behavior. Techniques used to gain publicity include news releases, press conferences, feature articles, photographs, films, and videotapes.

An advantage of publicity over other forms of promotions is its credibility. Consumers generally tend to be less skeptical toward favorable information about a product or service when it comes from a source they perceive as unbiased. For example, the success (or failure) of a new movie is often determined by the reviews it receives from film critics, who are viewed by many moviegoers as objective evaluators. Another advantage of publicity is its low cost, since the company is not paying for time or space in a mass medium such as TV, radio, or newspapers, which an organization may incur some costs in developing publicity items or maintaining a staff to do so, these expenses will be far less than those for the other promotional programs.

Publicity is not always under the control of an organization and is sometimes unfavorable. Negative stories about a company and/or its products can be very damaging. For example, recently the packaged food industry has received a great deal of negative publicity regarding the nutritional value of their products as well as their marketing practices, particularly to young people. Companies such as Kraft Food's General Mills, PepsiCo, and others have been the target of criticism by consumer activists who have argued that these companies contribute to the obesity problem in the United States by advertising unhealthy foods to children. McDonald's also had to deal with the negative publicity that was generated by the success of the documentary film *Super Size Me*, in which filmmaker Morgan Spurlock chronicled his decline in health while eating all of his meals at McDonald's for 30 days in row.

Public Relations It is important to recognize the distinction between publicity and public relations. When an organization systematically plans and distributes information in an attempt to control and manage its image and the nature of the publicity it receives, it is really engaging in a function known as public relations. **Public relations** is defined as "the management function which evaluates public attitudes, identifies the policies and procedures of an

individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance. Public relations generally has a broader objective than publicity, as its purpose is to establish and maintain a positive image of the company among its various publics.

Public relations is used publicity and a variety of other tools including special publications, participation in community activities, fund-raising, sponsorship of special events, and various public affairs activities --- to enhance an organization's image. Organizations also use advertising as a public relations tool. For example, the Toyota ad discusses how the company builds vehicles in the United States, which creates more than 200,000 jobs.

Traditionally, publicity and public relations have been considered more supportive than primary to the marketing and promotional process. However, many firms have begun making PR an integral part of their predetermined marketing and promotional strategies. PR firms are increasingly touting public relations as a communications tool that can take over many of the functions of conventional advertising and marketing.

Personal Selling

The final element of an organization's promotional mix is **personal selling**, a form of person-to-person communication in which a seller attempts to assist and/or persuade prospective buyers to purchase the company's product or service or to act on an idea. Unlike advertising, personal selling involves direct contact between buyer and seller, either face-to-face or through some form of telecommunications as telephone sales. This interaction gives the marketer communication flexibility; the seller can see or hear the potential buyer's reactions and modify the message accordingly. The personal, individualized communication in personal selling allows the seller to tailor the message to the customer's specific needs or situation.

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Personal selling also involves more immediate and precise feedback because the impact of the sales presentation can generally be assessed from the customer's reactions. If the feedback is unfavorable, the salesperson can modify the message. Personal selling efforts can also be targeted to specific markets and customer types that are the best prospects for the company's product or service.

Exercises:**I. Match each word column A with its definition on the column B.****Column A**

- 1 . administration
- 2 . distribute
- 3 . divide
- 4 . utilize
- 5 . enhance
- 6 . evaluate
- 7 . responsible
- 8 . consistent with
- 9 . attitude
- 10 . comment

Column B

- a. manner
- b. compatible
- c. advance , improve
- d. especially
- f. statement , remark
- g. liable for
- h. give out
- i. use
- j appraise
- k. management

II. Choose the correct answer (a, b, c or d).

1. Two major categories in broken sales promotion is:

- a) seller-oriented, consumer-oriented
- b) consumer-oriented, seller -oriented
- c) retailer-oriented, seller-oriented
- d) consumer-oriented, trade-oriented

2. What is trade-oriented sales promotion targeted to?

- a) Intermediaries
- b) Customer
- c) market
- d) seller

3. Most of promotional budget in many companies is dedicated to

.....

- a) R & D
- b) sales promotions
- c) staff

d) managers

4. publicity refers to

- a) personal communication
- b) no personal communication
- c) directly paid for by the company
- d) an unfavorable story on a product

5. How is the communication in publicity?

- a) restricted to organization
- b) personal
- c) no personal
- d) global

6. The advantages of publicity are and

- a) credibility and low cost
- b) stability and diversity
- c) entertainment and low cost
- d) validity and reliable

7. What makes publicity unfavorable?

- a) unreliability
- b) negative story about the company or its product
- c) incapability
- d) consistency

8. The management function which evaluates public attitudes is.....

- a) psychology
- b) public relations
- c) fair relations
- d) community

9. Which sentence is True?

- a) Advertising is a tool of publicity.
- b) Publicity is a tool of advertising.
- c) Advertising and publicity are tools of market.
- d) Advertising and publicity are always under the control of the organization.

10. The best advantage of personal selling is that

- a) it needs short times
- b) the seller knows the attitude of the buyer
- c) communications are flexible
- d) it is a new method

III. Fill in the blanks with the appropriate words from the list below.

- 1) restrictions 2) property 3) applicable 4) customers 5) are colored by
6) subsequent 7) exploit 8) publicity 9) deal with
10) profitable

Promotion is an element of marketing by which firms communicate with and refers to no personal communication not directly paid for or run under identified sponsorship. Some dishonest employers still their employees by paying them less money than they deserved. There are usually on the export of high technology goods. Promotional strategies in global markets The local culture. Most societies have accepted the idea of private in this first lesson we will some basic problems. But in Lessons. We shall take up more difficult ones. He invested all his money in a enterprise. So-called economic laws may be to our society.

The Answer keys :

I. 1. k 2. h 3. l 4. i 5. c 6. j 7. g 8. b 9. a 10. f

II. 1. d 2. a 3. b 4. b 5. c 6. a 7. b 8. b 9. a 10. C

III. 1. customers 2. Publicity 3. Exploit
4. restriction 5. Are colored by 6. Property
7. deal with 8. Subsequent 9. Profitable
10. applicable

CHAPTER 6

IMC Involves Audience Contacts

The various promotional mix elements are the major tools that marketers use to communicate with current and/or prospective customers as well as other relevant audiences. However, many companies are taking an audience contact perspective in developing their IMC programs whereby they consider all of the potential ways of reaching their audience and presenting the company or brand in a favorable manner. They recognize that there are a variety of ways customers may come into contact with a company or brand. These contacts can range from simply seeing or hearing an ad for a brand to actually having the opportunity to use or experience a brand at a company-sponsored event.

A key aspect of integrated marketing communications is that it encourages marketers to consider a variety of communication tools and how they can be used to deliver messages about their company or brands. Figure 1 shows the various ways by which consumers can come into contact with a company or brand. Marketers must determine how valuable each of these contact tools are for communicating with their target audience and how they can be combined to form an effective IMC program. This is generally done

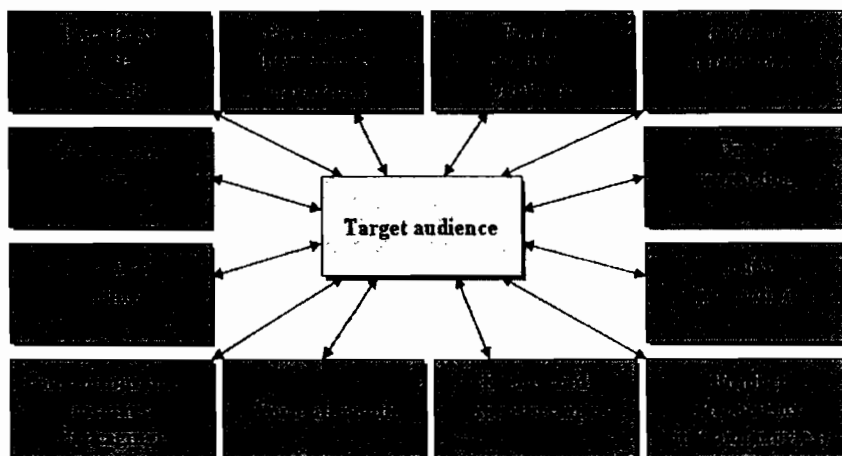
by starting with the target audience and determining which IMC tools will be most effective in reaching, informing, and persuading them and ultimately influencing their behavior. IMC perspective discusses how companies such as American Express are moving away from media advertising and using a variety of other contact points.

It is the responsibility of those involved in the marketing communications process to determine how the various contact tools will be used to reach the target audience and help achieve the company's marketing objectives. The IMC program is generally developed with specific goals and objectives in mind and is the end product of a detailed marketing and promotional planning process. We will now look at a model of the process that companies follow in developing and executing their IMC programs.

The IMC Planning Process

In developing an integrated marketing communications strategy, a company combines the various promotional-mix elements, balancing the strengths and weaknesses of each to produce an effective communications program. **Integrated marketing communications management** involves the process of planning, executing, evaluating, and controlling the use of the various promotional-mix elements to effectively communicate with target audiences. The marketer must consider which promotional tools to use and how to integrate them to achieve marketing and communication objectives.

Figure 1 IMC Audience Contact Tools



Companies also must decide how to distribute the total marketing communications budget across the various promotional-mix elements. What percentage of the budget should be allocated advertising, sales promotion, the Internet, sponsorships, and personal selling?

As with any business function, planning plays an important role in the development and implementation of an effective integrated marketing communications program. This process is guided by an **integrated marketing communications plan** that provides the framework for developing, implementing, and controlling the organization's IMC program. Those involved with the IMC program must decide on the role and function of the specific elements of the promotional mix, develop strategies for each element, determine how they will be integrated, plan for their implementation, and consider how to evaluate the results achieved and make any necessary adjustments. Marketing communications is but one part, and must be integrated into the overall marketing plan and program.

Review of the Marketing Plan

The first step in the IMC planning process is to review the marketing plan and objectives. Before developing a promotional plan, marketers must understand where the company (or the brand) has been, its current position in the market, where it intends to go, and how it plans to get there. Most of this information should be contained in the **marketing plan**, a written document that describes the overall marketing strategy and programs developed for an organization, a particular product line, or a brand. Marketing plans can take several forms but generally include five basic elements:

1. A detailed situation analysis that consists of an internal marketing audit and review and an external analysis of the market competition and environmental factors.
2. Specific marketing objectives that provide direction, a time frame for marketing activities, and a mechanism for measuring performance.

3. A marketing strategy and program that include selection of target market(s) and decisions and plans for the four elements of the marketing mix.

4. A program for implementing the marketing strategy, including determining specific tasks to be performed and responsibilities.

5. A process for monitoring and evaluating performance and providing feedback so that proper control can be maintained and any necessary changes can be made in the overall marketing strategy or tactics.

For most firms, the promotional plan is an integral part of the marketing strategy. Thus, the promotional planners must know the roles advertising and other promotional-mix elements will play in the overall marketing program. The promotional plan is developed similarly to the marketing plan and often uses its detailed information. Promotional planners focus on information in the marketing plan that is relevant to the promotional strategy.

Exercises:

I. Match each word from column a with one of the words or phrases from column B which has the same meaning.

Column (A)	Column (B)
1. persuading	a. goal
2. aim	b. supporting frame
3. involved	c. prepare
4. allocate	d. combine
5. evaluate	e. convincing
6. provide	f. perform
7. recognize	g. connected with sb
8. implementation	h. know
9. frame work	i. assess
10. integrate	j. assign

II. choose the correct answer (a, b, c or d)

1. IMC tools will be most effective in
 - a. reaching
 - b. persuading
 - c. advertising
 - d. a, b

2. Who determines how various contact tools will be used to reach the target audience?
 - a. People involved in the marketing communication
 - b. Target audience
 - c. Sales manager
 - d. a, b and c

3. Which of following is effective for producing communication program?
 - a. balancing the strengths and weaknesses
 - b. advertising
 - c. direct marketing

d. budgeting

4. Integrated marketing communications management involves the process of

- a. planning b. executing c. evaluating d. a , b and c

5. Which of them IS NOT broad cast media?

- a. radio b. internet c. TV d. newspaper

6. What is the print media?

- a. catalog b. newspaper c. magazine d. b and c

7. What does integrated marketing communications provide?

- a. A framework for advertising b. A framework for controlling
c. A framework for planning d. a and c

8. Which of the following is general form of marketing plans?

- a. a detailed situation analysis
b. specific marketing objective
c. a marketing strategy and program
d. a , b and c

9. What is an integral part of the marketing strategy for most firms?

- a. personal selling b. promotional plan
c. direct marketing d. a and b

10. Which of them is IMC audience contact tools?

- a. sales promotion b. promotional strategy
c. publicity d. a and c

III. Fill in the blanks with the appropriate words from the list below.

- a. determining b. packaging, market c. promotional mix element
d. promotional strategy e. review f. budget g. communication tools
h. planning

1. The are the major tools that marketers use to communicate with customers.
2. key aspect of integrated marketing communication is
3. The must consider which promotional tools to use and how to integrate them to achieve objectives.
4. companies must decide how to distribute the total marketing communication across the various promotional mix element.
5. plays an important role in the implementation of a marketing communication program.
6. The first step in the IMC planning process is to the marketing plan and objectives.
7. A program for implementing the marketing strategy includes specific task to be performed.
8. Promotional planner focus on information in the marketing plan that is relevant to the promotional strategy.
9. A good example for point of purchase is

The answer keys:

I. 1. e 2. a 3. d 4. j 5. i 6. c 7. h 8. f
 9. b 10. d

II. 1. a 2. a 3. a 4. d 5. d 6. f 7. c 8. c
 9. b 10. c

III. 1. d 2. h 3. c 4. g 5. i 6. f 7. a

CHAPTER 7

Promotional Program Situation Analysis

After the overall marketing plan is reviewed, the next step in developing a promotional plan is to conduct the situation analysis. In the IMC program, the situation analysis focuses on the factors that influence or are relevant to the development of a promotional strategy. Like the overall marketing situation analysis, the promotional program situation analysis includes both an internal and an external analysis.

Internal analysis The internal Analysis assesses relevant areas involving the product/service offering and the firm itself. The capabilities of the firm and its ability to develop and implement a successful promotional program, the organization of the promotional department, and the successes and failures of past programs should be reviewed. The analysis should have the relative advantages and disadvantages of performing the promotional functions in-house as opposed to hiring an external agency (or agencies). For example, the internal analysis may indicate the firm is not capable of planning, implementing, and managing certain areas of the promotional program. If this is the case, it would be wise to look for assistance from an advertising agency or some other promotional facilitator. If the organization is already using an ad agency, the focus will be on the

quality of the agency's work and the results achieved by past and/or current campaigns.

In this text we will examine the functions ad agencies perform for their clients, the agency selection process, compensation, and considerations in evaluating agency performance. We will also discuss the role and function of other promotional facilitators such as sales promotion firms, direct-marketing companies, public relations agencies, and marketing and media research firms.

Another aspect of the internal analysis is assessing the strengths and weaknesses of the firm or the brand from an image perspective. Often the image a firm brings to the market will have a significant impact on the way the firm can advertise and promote itself as well as its various products and services. Companies or brands that are new to the market or those for whom perceptions are negative may have to concentrate on their images, not just the benefits or attributes of the specific product or service. On the other hand, a firm with a strong reputation and/or image is already a step ahead when it comes to marketing its products or services. For example, Starbucks has an outstanding image that is a result of the quality of its coffee and other products as well as its reputation as a socially responsible company. The company is recognized as a good citizen in its dealing with communities, employees, suppliers, and the environment. Starbucks recognizes that being recognized as a socially responsible company is an important part of its tremendous growth and success. The company publishes a Corporate Social Responsibility Annual Report each year that describes its social, environmental, and economic impacts on the communities in which it does business.

The internal analysis also assesses the relative strengths and weakness of the product or service: its advantages and disadvantages; any unique selling points or benefits it may have: its packaging, price, and design, and so on. This information is particularly important to the creative personnel who must develop the advertising message for the brand.

Figure 1 is a checklist of some of the areas one might consider when performing analyses for promotional planning purposes. Addressing internal areas may require information the company does not have available internally and must gather as part of the external analysis.

External Analysis The external analysis focuses on factors such as characteristics of the firm's customers, market segments, positioning strategies, and competitors, as shown in Figure 1. An important part of the external analysis is a detailed consideration of customers' characteristics and buying patterns, their decision processes, and factors influencing their purchase decisions. Attention must also be given to consumers' perceptions and attitudes, lifestyles, and criteria for making purchase decisions. Often, marketing research studies are needed to answer some of these questions.

Figure 1 Areas Covered in the Situation Analysis

External Factors	Internal Factors
<p>Customer Analysis</p> <p>Who buys our product or service? Who makes the decision to buy the product? Who influences the decision to buy the product ?</p> <p>How is the decision made? Who assumes what role? What does the customer buy? What needs must be satisfied? Why do customers buy a particular brand? Where do they go or look to buy the product or service? When do they buy? Any seasonality factors? What are customers' attitudes toward our product or service? What social factors might influence the purchase decision?</p>	<p>Assessment of Firm's Promotional organization and Capabilities</p> <p>Organization of promotional department Capability of firm to develop and execute promotional programs Determination of role and function of and agency and other promotional facilitators</p> <p>Review of firm's previous Promotional Programs and Results</p> <p>Review previous promotional objective Review pervious promotional budgets and allocations Review pervious promotional-mix strategies and programs</p>

Do the customers' lifestyles influence their decisions?

How is our product or service perceived by customers?

How do demographic factors influence the purchase decision?

Review results of previous promotional programs

Assessment of Firm or Brand Image and Implications for Promotion

Competitive Analysis

Who are our direct and indirect competitors?

What key benefits and positioning are used by our competitors?

What is our position relative to the competition?

How big are competitors' ad budgets?

What message and media strategies are the competitors using?

Environmental Analysis

Are there any current trends or developments that might affect the promotional program?

Assessment of Relative Strengths and Weaknesses of Product or Service

What are strengths and weaknesses of product or service?

What are its key benefits?

Does it have any unique selling points ?

Assessment of packaging, labeling, and brand image

How does our product or service compare with competition?

A key element of the external analysis is an assessment of the market. The attractiveness of various market segments must be evaluated and the segments to target must be identified. Once the target markets are chosen, the emphasis will be on determining how the product should be positioned. What image or place should it have in consumers' minds?

This part of the promotional program situation analysis also includes an in-depth examination of both direct and indirect competitors. While competitors were analyzed in the overall marketing situation analysis, even more attentions is devoted to promotional aspects at this phase. Focus is on the firm's primary competitors: their specific strengths and weaknesses; their segmentation, targeting, and positioning strategies; and the promotional strategies they employ. The size and allocation of their

promotional budgets, their media strategies, and the messages they are sending to the marketplace should all be considered.

The external phase also includes an analysis of the marketing environment and current trends or developments that might affect the promotional program. For example, food and beverage marketers have had to respond to the overall trend toward greater nutritional awareness and an increased interest in low-carb products that has resulted from the popularity of the carbohydrate restricting diets such as Atkins and South Beach. Some companies responded to the trend by introducing low-carb products while others know the fact that their existing brands were already low in carbohydrates. Many food companies have also addressed the trend by providing more nutritional information for their products on their websites.

Exercises:

I . Match each word from column A with one of the words or phrases from column B which has the same meaning

Column A	Column B
1 . hire	a. every year
2 . promotion	b. target
3 . analysis	c. special work
4. purpose	d. performing
5. annual	e. evaluating
6. client	f. employ
7. function	g. a move to more
8. plan	h. person who uses the services
9. assessing	i. the detailed study
10. implement	j. idea for the future

II . Choose the correct answers (a , b , c or d)

1. The internal analysis relevant areas involving the product/ service offering.
a) informs b) assesses c) produces d) implements
2. The internal analysis also assesses the strengths and weakness of the product.
a) relative b) areas c) reputation d) information
3. internal areas may require information the company does not have available internally and must gather as Part of the external analysis.
a) performing b) addressing c) planning d) hiring

4. The size and of their promotional budgets should be considered.

- a) allocation b) allowances c) situation d) price

5. A key element of the external analysis is an of the market.

- a) assessment b) target c) objective d) situation

6. The promotional program situation analysis both an internal and an external analysis.

- a) includes b) examines c) uses d) responds

7. The company a corporate social responsibility annual report each year.

- a) discusses b) publishes c) examines d) focuses

8. The successes and of past programs should be reviewed.

- a) purposes b) agencies c) clients d) failures

9. The internal analysis may the firm is not capable of planning.

- a) indicate b) function c) facilitate d) discuss

10. The of various market segments must be evaluated.

- a) attractive b) attracted c) attractiveness d) attracting

III. Fill in the blanks with the appropriate words from the list below.

Agency assesses hiring failures involving ability offering department should performing

The internal analysis ...1..... relevant areas ...2..... the product/ service and the firm itself. The capabilities of the firm and its ...3... to develop and implement a successful promotional program, the

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organization of the promotional ...4....., and the successes and ...5..... of past programs should be reviewed. The analysis ...6.... the relative advantages and disadvantages of ...7.... The promotional functions in house as opposed to ...8.... an external.

The Answer keys

I. 1.f 2.g 3.i 4.b 5.a 6. h 7. c 8. j 9. e
10.c

II. 1.b 2. a 3.b 4.a 5.a 6.a 7.b 8.d 9a
10. c

III. 1. 2. 3. 4. 5. 6. 7. 8. 9. 10

III. 1. assesses 2. involving 3 .ability 4. department 5.failures
6.should 7.performing 8.hiring

CHAPTER 8

Analysis of the Communications Process

This stage of the promotional planning process examines how the company can effectively communicate with consumers in its target markets. The promotional planner must think about the process consumers will go through in responding to marketing communications. The response process for products or services for which consumer decision marketing is characterized by a high level of interest is often different from that for low-involvement or routine purchase decisions. These differences will influence the promotional strategy.

Communication decisions regarding the use of various source, message, and channel factors must also be considered. The promotional planner should recognize the different effects various types of advertising messages might have on consumers and whether they are appropriate for the product or brand. Issues such as whether a celebrity spokesperson should be used and at what cost may also be studied. Preliminary discussion of media-mix options (print, TV, radio, newspaper, direct marketing, Internet) and their cost implications might also occur at this stage.

An important part of this stage of the promotional planning process is establishing communication goals and objectives. In this text, we stress the importance of distinguishing between communication and marketing objectives. **Marketing objectives** refer to what is to be accomplished by the overall marketing program. They are often stated in terms of sales, market share, or profitability.

Communication objectives refer to what the firm seeks to accomplish with its promotional program. They are often stated in terms of the nature of the message to be communicated or what specific communication effects are to be achieved. Communication objectives may include creating awareness or knowledge about a product and its attributes or benefits; creating an image; or developing favorable attitudes, preferences, or purchase intentions. Communication objectives should be the guiding force for development of the overall marketing communications strategy and of objectives for each promotional-mix area.

Budget Determination

After the communication objectives are determined, attention turns to the promotional budget. Two basic questions are asked at this point: What will the promotional program cost? How will the money be allocated? Ideally, the amount a firm needs to spend on promotion should be determined by what must be done to accomplish its communication objectives. In reality, promotional budgets are often determined using a more simplistic approach, such as how much money is available or a percentage of a company's or brand's sales revenue. At this

stage, the budget is often tentative. It may not be finalized until specific promotional-mix strategies are developed.

Developing the Integrated Marketing Communications Program

Developing the IMC program is generally the most involved and detailed step of the promotional planning process. As discussed earlier, each promotional-mix element has certain advantages and limitations. At this stage of the planning process, decisions have to be made regarding the role and importance of each element and their coordination with one another. Each promotional-mix element has its own set of objectives and a budget and strategy for meeting them. Decisions must be made and activities performed to implement the promotional programs. Procedures must be developed for evaluating performance and making necessary changes.

For example, the advertising program will have its own set of objectives, usually involving the communication of some message or appeal to a target audience. A budget will be determined, providing the advertising manager and the agency with some idea of how much money is available for developing the ad campaign and purchasing media to disseminate the ad message.

Two important aspects of the advertising program are development of the message and the media strategy. Message development, often referred to as creative strategy, involves determining the basic appeal and message the advertiser wishes to convey to the target audience. This process, along with ads that result, is to many students the most fascinating aspect of

promotion. Media strategy involves determining which communication channels will be used to deliver the advertising message to the target audience. Decisions must be made regarding which types of media will be used (e.g., newspapers, magazines, radio, TV, outdoor, Internet) as well as specific media selections (e.g., a particular magazine or TV program). This task requires careful evaluation of the media options' advantages and limitations, costs, and ability to deliver the message effectively to the target market.

Once the message and media strategies have been determined, steps must be taken to implement them. Most large companies hire advertising agencies to plan and produce their messages and to evaluate and purchase the media that will carry their ads. However, most agencies work very closely with their clients as they develop the ads and select media, because it is the advertiser that ultimately approves (and pays for) the creative work and media plan.

A similar process takes place for the other elements of the IMC program as objectives are set, an overall strategy is developed, message and media strategies are determined, and steps are taken to implement them. While the marketer's advertising agencies may be used to perform some of the other IMC functions, they may also hire other communications specialists such as direct-marketing and interactive and/or sales promotion agencies, as well as public relations firms.

Monitoring, Evaluation, and Control

The final stage of the IMC planning process is monitoring, evaluating, and controlling the promotional program. It is important to determine how well the IMC program is meeting

communications objectives and helping the firm accomplish its overall marketing goals and objectives. The IMC planner wants to know not only how well the promotional program is doing but also why. For example, problems with the advertising program may lie in the nature of the message or in a media plan that does not reach the target market effectively. The manager must know the reasons for the results in order to take the right steps to correct the program.

This final stage of the process is designed to provide managers with continual feedback concerning the effectiveness of the IMC program, which in turn can be used as input into the planning process. Information on the results achieved by the IMC program is used in subsequent promotional planning and strategy development.

Exercises:

I. Match each word from column A with one of phrases from column B which has the same meaning.

Column A

Column B

1. allocate	a) regular
2. revenue	b) publish
3. objective	c) act on each other
4. routine	d) income
5. issues	e) the press
6. implication	f) give
7. convey	g) make a strong request
8. appeal	h) purpose
9. media	i) something suggest
10. interact	j) take

II. choose the correct answer (a , b , c or d)

1. Marketing objectives refer

- to some part of marketing program
- to what is accomplished by the overall marketing program.
- to what the firm seek to accomplish.
- a , b and c.

2. communication objectives refer to
 - a. what the firm seeks to accomplish with its promotional program.
 - b. sales promotion
 - c. publicity
 - d. advertising
3. communication decision regarding
 - a. the use of various source
 - b. message
 - c. channel factors
 - d. a , b and c
4. The most involved and detailed step of the promotions planning process is
 - a. developing communication
 - b. promotion al – mix elements
 - c. TV program
 - d. developing the IMC program
5. Development of the message and media strategy are
 - a. two important aspects of the advertising program.
 - b. creative strategy and target
 - c. types of media will be used
 - d. a, b and c
6. Decision making requires
 - a. careful evaluation of the media potions advantages.
 - b. careful evaluation of limitation and cost

- c. ability to deliver the message effectively to the target market.
- d. a, b and c

III. Fill in the blanks with the appropriate words from the list below.

- 1 . program 2. strategy 3. media 4. implications
- 5. performance 6. recognize

1 . promotional planner should the different effects various types of advertising messages might have on consumers and whether they are appropriate for product of brand.

2. preliminary discussion of media – mix options (print , TV , radio, news paper , direct marketing , internet)and their cost implications might also occur at this stage.

3. procedures must be developed for evaluating and making necessary changes.

4. Two important aspects of the advertising program are development of the message and the media

5. Decisions must be made regarding which types of will be used (e. g. , news papers , magazines , radio , TV , outdoor , Internet)

6. The IMC planner wants to know not only how well the promotional is doing but also why.

The Answer keys:

I . 1. f 2.d 3.h 4.a 5.b 6.i 7.j 8.g 9.e
10.c

II . 1.b 2.a 3.d 4.d 5.a 6.d

III . 1. recognize 2. implications 3. performance
4. strategy 5. media 6. program

CHAPTER 9

Marketing Strategy and Analysis

Any organization that wants to exchange its products or services in the marketplace successfully should have a **strategic marketing plan** to guide the allocation of its resources. A strategic marketing plan usually evolves from an organization's overall corporate strategy and serves as a guide for specific marketing programs and policies. For example, a few years ago Abercrombie & Fitch decided to reposition the brand as part of the overall corporate effort to attract a younger audience. As we noted earlier, marketing strategy is based on a situation analysis--- a detailed assessment of the current marketing conditions facing the company, its product lines, or its individual brands. From this situation analysis, a firm develops an understanding of the market and various opportunities it offers, the competition, and the **market segments** or target markets the company wishes to pursue. We examine each step of the marketing strategy and planning in this chapter.

Opportunity Analysis

A careful analysis of the marketplace should lead to alternative market opportunities for existing product lines in current or new markets, new products for current markets, or new products for new markets. **Market opportunities** are areas where there are favorable

demand trends, where the company believes customer needs and opportunities are not being satisfied, and where it can compete effectively. For example, the branded athletic footwear market continues to increase, with worldwide brand sales increasing by 21.5 percent in 2004, exceeding \$8.3 billion in the United States alone. Athletic-shoe companies such as Nike, Reebok, and others see the shoe market as an opportunity to broaden their customer base both domestically and internationally. To capitalize on this growth, companies spend millions of dollars on advertising alone. In the first 9 months of 2004, New Balance spent “only” \$12.0 million, Reebok spent \$35.2 million, Adidas \$70.8 million, and Nike spent over \$192 million to reach this market. Changes in lifestyles have seen changes in the market for trail, running basketball, and “lifestyle” shoes such as slip-ons.

A company usually identifies market opportunities by carefully examining the marketplace and noting demand trends and competition in various market segments. A market can rarely be viewed as one large homogeneous group of customers; rather, it consists of many heterogeneous groups, or segments. In recent years, many companies have recognized the importance of tailoring their marketing to meet the needs and demand trends of different market segments.

For example, different market segments in the personal computer (PC) industry include the home, education, science, and business markets. These segments can be even further divided. The business market consists of both small companies and large corporations; the education market can range from elementary schools to colleges and universities. A company that is marketing its products in the auto industry must decide in which particular market segment or segments it wishes to compete. This decision depends on the amount and nature of competition the brand will face in a particular market. For example, a number of companies that have been successful in the luxury-car segment have now introduced SUVs. Lincoln, Cadillac, Lexus, BMW, Mercedes, and Porsche now offer models in this line.

Honda and Toyota are now competing in the hybrid car market, while GM plans to introduce four new models in 2006 in an attempt to compete in various niche markets. A competitive analysis is an important part of marketing strategy development and warrants further consideration.

Competitive Analysis

In developing the firm's marketing strategies and plans for its products and services, the manager must carefully analyze the competition to be faced in the marketplace. This may range from direct brand competition (which can also include its own brands) to more indirect forms of competition, such as product substitutes. For example, as a result of shrinking cola sales, both Coke and Pepsi planned to launch more than two dozen new products in 2005. Besides competing head in the soda market with products like Coke, Diet Coke with Lemon, and more, versus Pepsi, Diet Pepsi, Pepsi Twist, Pepsi Blue, and Pepsi Vanilla, the companies face competition from other drink including bottled water, juices, and teas.

At a more general level, marketers must recognize they are competing for the consumer's discretionary income. So they must understand the various ways potential customers choose to spend their money. For example, recently the U.S. market has seen significant growth in the high-end luxury market, with more consumers spending more of their money on luxury goods than ever before. High-end products from Coach, Tiffany's, and Ralph Lauren are all benefiting from this change in consumer spending habits. Interestingly, it is not just the wealthy who are purchasing these very expensive products, but the middle class is doing so as well. Leading marketers apply labels such as the "mas-sification of Luxury," "luxflation," or the "new luxury" segments.

An important aspect of marketing strategy development is the search for a **competitive advantage**, something special a firm does or

has that gives it an edge over competitors. Ways to achieve a competitive advantage include having quality products that command a premium price, providing superior customer service, having the lowest production costs and lower prices, or dominating channels of distribution. Competitive advantage can also be achieved through advertising that creates and maintains product differentiation and brand equity, an example of which was the long-running advertising campaign for Michelin tires, which stressed security as well as performance. The strong brand images of Colgate toothpaste, Campbell's soup, Sony, and McDonald's give them a competitive advantage in their respective markets.

Recently there has been concern that some marketers have not been spending enough money on advertising to allow leading brands to sustain their competitive edge. Advertising proponents have been calling for companies to protect their brand equity and franchises by investing more money in advertising instead of costly trade promotions. Some companies, recognizing the important competitive advantage strong brand provide, have been increasing their investments in them. Hallmark and McDonald's are just two of many examples, Hallmark used tie-ins and product placements in the movie *Polar Express*, as well as in-theater advertising and consumer promotions, to go along with their traditional media advertising as part of its estimated \$138 million advertising and promotional budget, in an attempt to enhance its brand equity. Capital One has also increased its marketing efforts.

Competitors' marketing programs have a major impact on a firm's marketing strategy, so they must be analyzed and monitored. The reactions of competitors to a company's marketing and promotional strategy are also very important. Competitors may cut price, increase promotional spending, develop new brands, or attack one another through comparative advertising. One of the more intense competitive rivalries is the battle between Coca-Cola and Pepsi. A number of other

intense competitive rivalries exist in the marketplace, including Hertz and Avis and Ford and GM among others.

A final aspect of competition is the growing number of foreign companies penetrating the U.S. market and taking business from domestic firms. In products ranging from beer to cars to electronics, imports are becoming an increasingly strong form of competition with which U.S. firms must contend. As we move to a more global economy, U.S. companies must not only defend their domestic markets but also learn how to compete effectively in the international marketplace, as well.

Exercises:

I. Match each word from column A with one of the words or phrases from column B which has two same meaning .

- | | |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 1. market strategy | a) a name, sign |
| 2. market power | b) business law |
| 3. brand | c) characteristic mode of life |
| 4. market segmentation | d) separating the market |
| 5. opportunity cost | e) suitable market |
| 6. lifestyle | f) the offer to sell at a price made by vendor |
| 7. niche markets | g) a maximum alternative profit that could have been obtained of the productive good |
| 8. Competitive bid | h) a wholesaler or importer from whom goods are purchased |
| 9. brand equity | i) a marketing approach designed to enable a product to fulfill the objectives set for it by management |
| 10. vendor | j) the ability of a purchaser or seller to control price and quantity of an item |

II. choose the correct answer (a, b, c or d).

1. What does an organization need for exchanging products or services in the market place successfully?
 - a. Market segmentation
 - b. Strategic
 - c. Market opportunity
 - d. Marketing condition

2. What is an important part of marketing strategy development?
 - a. A strategic analysis
 - b. An opportunity analysis
 - c. A competitive analysis
 - d. A marketing analysis

3. What does market segments in PC industry include?
a. home b. education c. science d. a, b, and c
4. Which way **IS NOT** a way to achieve competitive advantage?
a. Spending more money.
b. Having quality products.
c. Dominating channels of distribution.
d. Providing superior customer service.
5. Which brand **DOSE NOT** recognize the important competitive advantage and increase their investment
a. Nike b. Hallmark c. McDonald's d. Capital one
6. What are the impact on firm's marketing strategy?
a. competitor's marketing programs
b. growing number of foreign companies penetrating the us market
c. The reactions of competitions to a company's marketing
d. a, b and c
7. are areas where there are favorable demand trends.
a. opportunity analysis b. Market opportunities
c. market strategies d. Competitive analysis
8. The manager must carefully analyze the competition in the market place. This may range from to
a. indirect brand competition direct form of competition
b. indirect brand competition indirect form of competition
c. direct brand competition indirect form of competition
d. direct brand competition direct form of competition
9. What are the alternative opportunities?
a. existing product lines in current or new market
b. new products for current markets
c. new products for new markets

d. a, b, and c

10. How does a company identify market opportunity?

- a. By examining the market place
- b. By analyzing the marketing strategy development
- c. By recognizing the competing for consumer's income
- d. By providing superior customer service

III. Fill in the blanks with the appropriate words from the list below .

opportunities wishes recognized discretionary lifestyle
intense believes

1 . Market are areas where there are favorable demand trends where the company customer needs and opportunities are not being satisfied , and where it can complete effectively.

2. changes in lifestyle have seen changes in the market for trail, running basketball , and

Shoes such as slip- on

3. In recent years , many companies have the importance of tailoring their marketing to meet the needs and demand trends of different market segments.

4. A company that is marketing its products in the auto industry must decide in which in which particular Market segment or segments it to compete.

5. At a more general level , marketers must recognize they are competing for the consumer's income.

6. An important as put of marketing strategy special a firm does or has that gives it an edge over competitors.

7. one of the more competitive rivalries is the battle between coca – cola and Pepsi.

The Answer keys:

I. 1. i 2. j 3. a 4. d 5. g 6. c 7. e 8. f 9. b 10. h

II. 1. b 2. c 3. d 4. a 5. a 6. d 7. b 8. c 9. d 10. A

III. 1. opportunities – believes 2. lifestyle 3. recognized
4. wishes 5. discretionary 6. competitive
7. intense

CHAPTER 10

Target Market Selection

After evaluating the opportunities presented by various market segments, including a detailed competitive analysis, the company may select one, or more, as a target market. This target market becomes the focus of the firm's marketing effort, and goals and objectives are set according to where the company wants to be and what it hopes to accomplish in this market. These goals and objectives are set in terms of specific performance variables such as sales market share, and profitability. The selection of the target market (or markets) in which the firm will compete is an important part of its marketing strategy and has direct implications for its advertising and promotional efforts.

Recall from our discussion of the integrated marketing communications planning program that the situation analysis is conducted at the beginning of the promotional planning process. Specific objectives --- both marketing and communications ---- are derived from the situation analysis, and the promotional-mix strategies are developed to achieve these objectives. Marketers rarely go after the entire market with one product, brand, or service offering. Rather, they pursue a number of different strategies, breaking the market into

segments and targeting one or more of these segments for marketing and promotional efforts. This means different objectives may be established, different budgets may be used, and the promotional-mix strategies may vary, depending on the market approach used.

The Target Marketing Process

Because few, if any, products can satisfy the needs of all consumers, companies often develop different marketing strategies to satisfy different consumer needs. The process by which marketers do this (presented in Figure 1) is referred to as **target marketing** and involves four basic steps: identifying markets with unfulfilled needs, segmenting the market, targeting specific segments, and positioning one's product or service through marketing strategies.

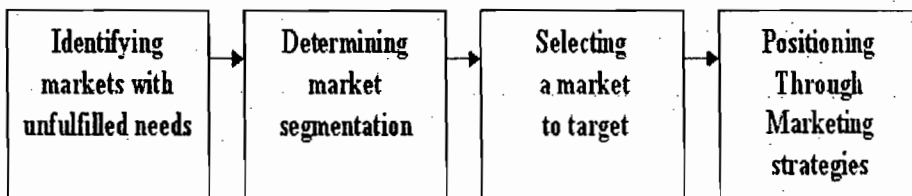


Figure 1 The Target Marketing Process

Identifying Markets

When employing a target marketing strategy, the marketer identifies the specific needs of groups of people (or segments), selects one or more of these segments as a target, and develops marketing programs directed to each. This approach has found increased applicability in marketing for a number of reasons, including changes in the market (consumers are becoming much more diverse in their needs, attitudes, and lifestyles): increased use of segmentation by competitors; and the fact that more managers are trained in segmentation and realize the advantages associated with this strategy.

Perhaps the best explanation, however comes back to the basic premise that you must understand as much as possible about consumers to design marketing programs that meet their needs most effectively.

Target market identification isolates consumers with similar lifestyles, needs, and the like, and increases our knowledge of their specific requirements. The more marketers can establish this common ground with consumers, the more effective they will be in addressing these requirements in their communications programs and informing and/or persuading potential consumers that the product or service offering will meet their needs.

Let's use the beer industry as an example. Years ago, beer was just beer, with little differentiation, many local distributors, and few truly national brands. The industry began consolidating; many brands were assumed by the larger brewers or ceased to exist. As the number of competitors decreased, competition among the major brewers increased. To compete more effectively, brewers began to look at different tastes, lifestyles, and so on, of beer drinkers and used this information in their marketing strategies. This process resulted in the identification of many market segments, each of which corresponds to different customers' needs, lifestyles, and other characteristics.

As you can see in Figure 2, the beer marketers have become quite segmented, offering super premiums, premiums, poplars (low price), imports, lights (low calorie), and malts. Low-alcohol and nonalcoholic brands have also been introduced, as has draft beer in bottles and cans. And there are now imported lights, super premium drafts, dry beers, ice beers, low-carbohydrate beers, and on and on. Grupo Modelo pursues a strategy whereby it offers a variety of products from which consumers can choose, varying the marketing mix for each. Each appeals to a different set of needs. Taste is certainly one; others include image, cost, and the size of one's waistline. A variety of other reasons for purchasing are also operating, including the consumer's social class, lifestyle, and economic status.

Marketers competing in nearly all product and service categories are constantly searching for ways to segment

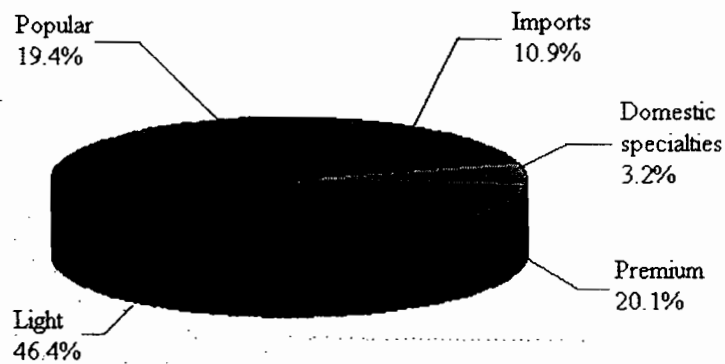


Figure 2 Market Breakdown by Product in the Beer Industry

their markets in an attempt to better satisfy customers' needs.

Exercises:**I. Match each phrase in column I with their appropriate phrase in column II.**

Column I	column II
1. Market	a. the art of planning
2. strategy	b. ask to come back
3. recall	c. something to be aimed at in shooting
4. target	d. public place
5. consolidate	e. Take part in a race , contest
6. potential	f. make or become stronger
7. compete	g. that may come in to existence or action.
8. appeal	h. person's legal , social or professional
9. status	i. make a strong request
10. segment	j. section

II. choose the correct answer (a , b , c and d)

- 1 . The evaluating of opportunities presented by various market segment includes
 - a . A detailed competitive analysis
 - b. Market segmented
 - c. selective distribution
 - d. a , b and c

2. Both marketing and communications are called.....
 - a. specific objective
 - b. independent distribution
 - c. order processing
 - d. Tread loading

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3. A variety of other reasons for purchasing are also operating

- a. including the consumer's social class.
- b. lifestyle
- c. economic status
- d. a, b and c

4. strategies may vary , depending on the

- a. products offer
- b. consumer's objectives
- c. consumer's needs
- d. market approach used

5. Target market identification isolate consumer with

- a. similar lifestyles
- b. needs
- c. programs
- d. a and b

6. As the number of competitors decreased , competition among the major brewers

- a. decreased
- b. increased
- c. stopped
- d. imported

7. A firm only profits log customers. Who gladly pay to firms to get the value they see in a product.

- a. boasting
- b. pleasing
- c. estimating
- d. interacting

8. It is illegal for executives of competing firms to to manipulate the market.

- a. create b. conflict c. convince d. conspire

9. This company produces a large of cheese with different qualities.

- a. feature b. complexity c. distribution d. amount

10. same nations sell their food to other countries.

- a. needed b. executed c. succeeded d. specialized

III. Fill in the blanks with appropriate words from the list below.

Offering introduced set increased strategy

1. The focus of the firm's marketing offer and goals and objectives are according to where the company wants to be.

2. The selection of the target market in which the firm will compete is an important part of its marketing

3. Marketers rarely go after the entire market with one product , brand or service

4. Target market identification isolates consumers with similar.....

5. As the number of competitors decreased , competition among the major brewers

6. Low – alcohol and nonalcoholic brands have also been.....

7. Marketers competing in nearly all product and service categories are Searching for ways to segment their markets in an attempt to better Customer's needs.

The Answer keys:

I. 1. D 2.a 3.b 4.c 5.f 6.g 7.e 8.i 9.h
 10.j

II. 1. a 2.a 3.d 4.d 5.d 6.b 7.b 8.d 9.d
 10.b

III. 1. Set 2. strategy 3. offering 4.lifestyle
 5. increased 6.introduced 7.constantly- satisfy

CHAPTER 11

Market Segmentation

It is not possible to develop marketing strategies for every consumer. Rather, the marketer attempts to identify broad classes of buyers who have the same needs and will respond similarly to marketing actions. As noted by Eric N. Berkowitz., Roger A. Kerin, and William Rudelius, **market segmentation** is “dividing up a market into distinct groups that (1) have common needs and (2) will respond similarly to a marketing action. The segmentation process involves five distinct steps:

1. Finding ways to group consumers according to their needs.
2. Finding ways to group the marketing actions ---- usually the products offered ---available to the organization.
3. Developing a market-product grid to relate the market segments to the firm’s products or actions.
4. Selecting the target segments toward which the firm directs its marketing actions.
5. Taking marketing actions so reach target segments.

The more marketers segment the market, the more precise is their understanding of it. But the more the market becomes divided, the fewer consumers there are in each segment. Thus, a key decision is, How far should one go in the segmentation process? Where does the process stop? As you can see by the strategy taken in the beer industry, it can go far!

In planning the promotional effort, managers consider whether the target segment is substantial enough to support individualized strategies. More specifically, they consider whether this group is accessible. Can it be reached with a communications program? The promotions manager may identify a number of segments but be unable to develop the required programs to reach them. The firm may have insufficient funds to develop the required advertising campaign, inadequate sales staff to cover all areas, or other promotional deficiencies. After determining that a segmentation strategy is in order, the marketer must establish the basis on which it will address the market. The following section discusses some of the bases for segmenting markets and demonstrates advertising and promotions applications.

Bases for Segmentation Several methods are available for segmenting markets. Marketers may use one of the segmentation variables or a combination of approaches. Consider the market segmentation strategy that might be employed to market snow skis. The consumer's lifestyle --- active, fun-loving, enjoys outdoor sports -- is certainly important. But so are other factors, such as age (participation in downhill skiing drops off significantly at about age 30) and income (have you seen the price of a lift ticket lately?), as well as marital status. Let us review the bases for segmentation and examine some promotional strategies employed in each.

Geographic Segmentation In the geographic segmentation approach, markets are divided into different geographic units. These units may include nations, states, counties, or even neighborhoods. Consumers often have different buying habits depending on where

they reside. For example, General Motors, among other car manufacturers, considers California a very different market from the rest of the United States and has developed specific marketing programs targeted to the consumers in that state. Other companies have developed programs targeted at specific regions. Just one of the regional soft-drink “cult” brands--- along with Cheerwine (the Carolinas), Vernors (Michigan), and Moxie (New England) – that have found success by marketing in regional areas (in this case, Texas). One company --- Olde Brooklyn Beverage Company --- has even so far as to promote a brand based on a specific section of New York City, differentiating it from bigger brand by promoting the product’s “Brooklyn Attitude.”

Demographic Segmentation Dividing the market on the basis of demographic variables such as age, sex, family size, education, income, and social class is called **demographic segmentation**. Secret deodorant and the lady Schick shaver are products that have met with great deal of success by using the demographic variable of sex as a basis for segmentation, village, a website targeting women, may be one of the most successful websites on the Internet.

Although market segmentation on the basis of demographics may seem obvious, companies discover that they need to focus more attention on a specific demographic group. For example, Ikea – noting that more than 70 percent of its shoppers are women – has enhanced its store environment to be more “women friendly,” as has the Home Depot, which has recently introduced “Do It Herself” workshops Harley-Davidson recently announced strategies to broaden its appeal to younger riders and women who are now in their fifties or older or are from the baby-boomer generation, the cohort born between 1946 and 1964. Some magazines like Modern Maturity are targeted to an estimated 76 million people who are in the “Be Generation,” Segunda Juventud targets 50+ Hispanics.

Other products that have successfully employed demographic segmentation include Oil of Olay (sex), Doan's Pill (age), Procter & Gamble (race), Mercedes-Benz and BMW cars (income), and Banquet prepackaged dinners (family size).

While demographics may still be the most common method of segmenting markets, it is important to recognize that other factors may be the underlying basis for homogeneity and/or consumer behavior. The astute marketer will identify additional bases for segmenting and will recognize the limitations of demographics.

Psychographic Segmentation Dividing the market on the basis of personality and/or lifestyle is referred to as **psychographic segmentation**. While there is more disagreement as to whether personality is a useful basis for segmentation, lifestyle factors have been used effectively. Many consider lifestyle the most effective criterion for segmentation.

The determination of lifestyle is usually based on an analysis of the activities, interests, and opinions (AIOs) of consumers. These lifestyles are then correlated with the consumers' product, brand, and/or media usage. For many products and/or services, lifestyle may be the best discriminator between use and nonuse, accounting for differences in food, clothing, and car selections, among numerous other consumer behaviors.

Psychographic segmentation has been increasingly accepted with the advent of the values and lifestyles (VALS) program. Although marketers employed lifestyle segmentation long before VALS and although a number of alternatives --- for example, PRIZM --- are available, VALS remains one of the more popular options. Developed by the Stanford Research Institute (SRI), VALS has become a very popular method for applying lifestyle segmentation. VALS 2 divides Americans into eight lifestyle segments that exhibit distinctive attitudes, behaviors, and decision-marketing patterns. SRI believes that when combined with an estimate of the resources the consumer can draw on (education, income, health, energy level, self-confidence,

and degree of consumerism), the VALS 2 system is an excellent predictor of consumer behaviors. A number of companies now employ lifestyle segmentation including GM, which defines the target market for the Hummer as “highly adventurist, entrepreneurial and free-spirited achievers, and Redbook magazine, which targets young married, focusing its content on the changes that take place in one’s lifestyle when they get married. Companies like Nestle’s, Clinique, and Hyundai, among others, have increased their ad expenditures in the magazine as a result.

Behavioristic Segmentation Dividing consumers into groups according to their usage, loyalties, or buying responses to a product is **behavioristic segmentation**. For example, product or brand usage, degree of use (heavy versus light), and/or brand loyalty are combined with demographic and/or psychographic criteria to develop profiles of market segments. In the case of usage, the marketer assumes that non-purchasers of a brand or product who have the same characteristics as purchasers hold greater potential for adoption than nonusers with different characteristics. A profile (demographic or psychographic) of the user is developed, which serves as the basis of promotional strategies designed to attract new users. For example, teenagers share certain similarities in their consumption behaviors. Those who do not currently own an Apple Ipod are more likely to be potential buyers than people in other age groups. (Apple has successfully extended the appeal of its new computers to adopters of the Ipod.)

Degree of use relates to the fact that a few consumers may buy a disproportionate amount of many products or brands. Industrial marketers refer to the **80-20 rule**, meaning 20 percent of their buyers account for 80 percent of their sales volume. Again, when the characteristics of these users are identified, targeting them allows for a much greater concentration of efforts and less wasted time and money. The same heavy-half strategy is possible in the consumer market as well. The majority of purchases of many products (e.g., soaps and detergents, shampoos, cake mixes, beer, dog food, colas, bourbon, and

toilet tissue --- yes, toilet tissue) are accounted for by a small proportion of the population. Perhaps you can think of some additional examples.

Benefit Segmentation In purchasing products, consumers are generally trying to satisfy specific needs and/or wants. They are looking for products that provide specific benefits to satisfy these needs. The grouping of consumers on the basis of attributes sought in a product is known as **benefit segmentation** and is widely used.

Consider the purchase of wristwatch. While you might buy a watch for particular benefits such as accuracy, water resistance, or stylishness, others may seek a different set of benefits. Watches are commonly given as gifts for birthdays, Christmas, and graduation. Certainly some of the same benefits are considered in the purchase of a gift, but the benefits the purchaser derives are different from those the user will obtain. Ads that portray watches as good gifts stress different criteria to consider in the purchase decision. The next time you see an ad or commercial for a watch, think about the basic appeal and the benefits it offers.

Another example of benefit segmentation can be seen in the toothpaste market. Some consumers want a product with fluoride (Crest, Colgate); others prefer one that freshens their breath (Close-Up, Aqua-Fresh). More recent benefit segments offer tartar control (Crest) and plaque reduction (Viadent) or toothpaste for people with sensitive teeth (Sensodyne). The Den-Mat Corp, introduced Rembrandt whitening toothpaste for consumers who want whiter teeth, and other brands followed with their own whitening attributes (Crest's Extra Whitening, Colgate's Sparking White).

The Process of Segmenting a Market The segmentation process develops over time and is an integral part of the situation analysis. It is in this stage that marketers attempt to determine as much as they can about the market: What needs are not being fulfilled? What benefits

are being sought? What characteristics distinguish among the various groups seeking these products and services? A number of alternative segmentation strategies may be used. Each time a specific segment is identified, additional information is gathered to help the marketer understand this group.

For example, once a specific segment is identified on the basis of benefits sought, the marketer will examine lifestyle characteristics and demographics to help characterize this group and to further its understanding of this market. Behavioristic segmentation criteria will also be examined. In the purchase of ski boots, for example, specific benefits may be sought --- flexibility or stiffness ----- depending on the type of skiing the buyer does. All this information will be combined to provide a complete profile of the skier. A number of companies now offer research services to help marketing managers define their markets and develop strategies targeting them. The VALS and PRIZM systems discussed earlier are just a few of the services offered; others use demographic, socioeconomic, and geographic data to cluster consumer households into distinct "microgeographic" segments. One of these companies, Claritas, provides demographic and psychographic profiles of geographic areas as small as census tract, block group, or zip code +4. Users of the system include retailers such as Ace Hardware, travel-related companies (Alamo Car Rental), and financial services (GMAC Services) among others. (See Exhibit 1)

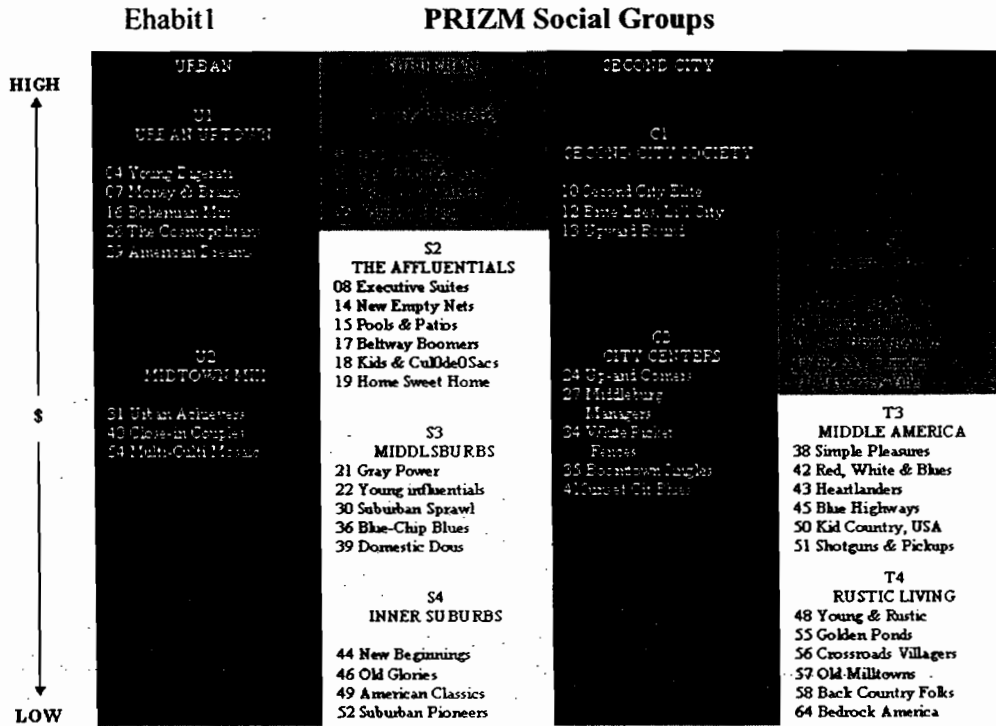


Exhibit 1 Claritas provides cluster profiles for marketers

Selecting a Target Market

The outcome of the segmentation analysis will reveal the market opportunities available. The next phase in the target marketing process involves steps: (1) determining how many segments to enter and (2) determining which segments offer the most potential.

Determining How Many Segments to Enter Three market coverage alternative are available. **Undifferentiated marketing** involves ignoring segment differences and offering just one product or service to the entire market. For example, when Henry Ford brought

out the first assembly-line automobile, all potential consumers were offered the same basic product : a black Ford. For many years, Coca-Cola offered only one product version. While this standardized strategy saves the company money, it does not allow the opportunity to offer different versions of the product to different markets.

Differentiated marketing involves marketing in a number of segments, developing separate marketing strategies for each. The Michelob Ultra ads reflect Anheuser-Busch's use of this strategy. Notice how the two ads differ given slightly different target markets and media.

While an undifferentiated strategy offers reduced costs through increased production, it does not allow for variety or tailoring to specific needs. Through differentiation, products --- or advertising appeals --- may be developed for the various segments, increasing the opportunity to satisfy the needs and wants of various groups.

The third alternative, **concentrated marketing**, is used when the firm selects one segment and attempts to capture a large share of this market. Volkswagen used this strategy in the 1950s when it was the only major automobile company competing in the economy-car segment in the United States. While Volkswagen has now assumed a more differentiated strategy, other companies have found the concentrated strategy effective. For example, Maxwell Business Systems has focused its business exclusively on providing software for job cost accounting/MIS systems for government contractors through its JAMIS product line. Where L'Oreal competes in the cosmetics and beauty segment.

Determining Which Segments Offer Potential

Selecting a market involves determining the most attractive segment. The firm must examine the sales potential of the segment, the opportunities for growth, the competition, and its own ability to compete. Then it must decide whether it can market to this group.

Stories abound of companies that have entered new markets only to find their lack of resources or expertise would not allow them to compete successfully. For example, Royal Crown (RC) Cola has often been quite successful in identifying new segment opportunities but because of limited resources has been less able to capitalize on them than Coke and Pepsi. RC was the first to bring to market diet colas and caffeine-free colas, but it has not been able to establish itself as a market leader in either market. After selecting the segments to target and determining that it can compete, the firm proceeds to the final step : the market positioning phase.

Exercises:

I. Match each word from column A with one of the words or phrases from column B which has the same meaning.

Column A	Column B
1. substantial	a. to increase
2. community	b. a public image of oneself
3. application	c. social trends
4. approach	d. criterion a standard
5. promote	e. solidly made
6. demographic	f. the people living
7. enhance	g. making of a request
8. psychology	h. give (a person) higher position or rank
9. profile	i. came near
10. criteria	j. scientific study of the normal functions of Living things

II. choose the correct answer (a , b, c or d).

1. what is the important part of a firm's
 - a. market segment
 - b. the selection of the target market
 - c. communication
 - d. a , b and c

2. when the situation analysis is conducted?
 - a. at the end of promotional planning process.
 - b. at the beginning of the promotional planning process
 - c. after the selection of target Market
 - d. after the goals and objectives

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3. Marketers rarely go after the entire market
 - a. with one product
 - b. with one brand
 - c. with one service
 - d. a , b and c

4. what do target market identification do with similar lifestyle , needs, and the like.
 - a. increases our knowledge
 - b. isolates consumers
 - c. decreased
 - d. a , b and c

5. A the number of competitors decreased , competition among the major producers:
 - a . decreased
 - b. stops
 - c. increased
 - d. segmented

6. Dividing consumes into groups according to their usage is called

 - a .benefit segmentation
 - b. social segmentation
 - c. behaviorstic segmentation
 - d. a , b and c

7. The grouping of consumers on the basis of attributes sought in a product is known as:
 - a . demographic segmentation
 - b. geographic segmentation
 - c. psychographic segmentation
 - d. benefit segmentation

8. The segmentation process involves
- five distinct steps
 - four distinct steps
 - three distinct steps
 - Two distinct steps
9. Dividing the market on the basis of variable is called:
- Geographic's segmentation
 - bases for segmentation
 - demographics segmentation
 - socialistic segmentation
10. Dividing the market on the basis of personality lifestyle is referred
To as
- Social segmentation
 - geographic segmentation
 - psychographic segmentation
 - demographic segmentation

III. fill in the blanks with the appropriate words from the list below.

- a. targeting b. Demographic c. skiing d. flexibility e. profile
f. cluster g. micrographic h. offer i. benefits j. criteria

Behavioristic segmentation will also be examined. In the purchase of ski boots , for example , specific May be sought or stiffness depending on the type of the buyer does.

All this information will be combined to provide a complete of the skier .

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A number of companies now research services to help marketing managers define their markets and developing strategies them . The VALS and PRIZM systems discussed earlier are Just a few of the services offered. Others use Socioeconomic , and geographic data to consumer household into distinct "....." segments.

The Answer keys:

I. 1.e 2.f 3.g 4.i 5.h 6.c 7.a 8.j
9.b 10.d

II. 1. b 2.b 3.d 4.b 5.c 6.c 7.d 8.a
9.c 10.c

III. 1. j 2.i 3.d 4.c 5.e 6.h 7.a 8.b
9.f 10.g

CHAPTER 12

Market Positioning

Positioning has been defined as “the art and science of fitting the product or service to one or more segments of the broad market in such a way as to set it meaningfully apart from competition. As you can see, the position of the product, service, or even store is the image that comes to mind and the attributes consumers perceive as related to it. This communication occurs through the message itself, which explains the benefits, as well as the media strategy employed to reach the target group. Take a few moments to think about how some products are positioned and how their positions are conveyed to you. For example, what comes to mind when you hear the name Mercedes, Dr Pepper, or Sony? What about department stores such as Neiman Marcus, Sears, and JCPenney? Now think of the ads for each of these products and companies. Are their approaches different from their competitors’? When and where are these ads shown?

Approaches to Positioning Positioning strategies generally focus on either the consumer or the competition. While both approaches involve the association of product benefits with consumer needs, the former does so by linking the product with the benefits the consumer will derive or creating a favorable brand image. The latter approach

positions the product by comparing it and the benefit it offers with the competition. Products like Scope mouthwash (positioning itself as better tasting than Listerine) and Malt-o-Meal cereals (positioned as a better value than its competitors) have employed this strategy successfully.

Many advertising practitioners consider market positioning the most important factor in establishing a brand in the marketplace. David Aaker and John Myers note that the term position has been used to indicate the brand's or product's image in the marketplace. Jack Trout and Alries suggest that brand image must contrast with competitors. They say, "In today's marketplace, the competitors' image is just as important as your own. Sometimes more important. Jack trout notes that a good branding strategy cannot exist without positioning. Trout further states that branding is about the process of building a brand, while positioning is about putting that brand in the mind of the consumer. Thus, positioning, as used in this text, relates to the image of the product and brand relative to competing products or brands. The position of the product or brand is the key factor in communicating the benefits it offers and differentiating it from the competition. Let us now turn to strategies marketers use to position a product.

Developing a Positioning Strategy To create a position for a product or service, Trout and Rise suggest that managers ask themselves six basic questions.

1. What position, if any, do we already have in the prospect's mind? (This information must come from the marketplace, not the managers' perceptions.)
2. What position do we want to own ?
3. What companies must be outgunned if we are to establish that position?
4. Do we have enough marketing money to occupy and hold the position?

5. Do we have the guts to stick with one consistent positioning strategy?

6. Does our creative approach match our positioning strategy?

A number of positioning strategies might be employed in developing a promotional program. David Aaker and J. Gray Shansby discuss six such strategies : positioning by product attributes, price/quality, use, product class, users, and competitor. Aaker and Myers add one more approach, positioning by cultural symbols.

Positioning by Product Attributes and Benefits A common approach to positioning is setting the brand apart from competitors on the basis of the specific characteristics or benefits offered. Sometimes a product may be positioned on more than one product benefit. Marketers attempt to identify **salient attributes** (those that are important to consumers and the basis for making a purchase decision). For example, when Apple first introduced its computers, the key benefit stressed was ease of use --- an effective strategy, given the complexity of computers in the market at that time. More recently, there have been a number of new products positioned as offering zero or low carbohydrates, including sodas, beers, and other foods.

Positioning by Price/Quality Marketers often use price/quality characteristics to position their brands. One way they do this is with ads that reflect the image of a high-quality brand where cost, while not irrelevant, is considered secondary to the quality benefits derived from using the brand. Premium brands positioned at the high end of the market use this approach to positioning.

Another way to use price/quality characteristics for positioning is to focus on the quality or value offered by the brand at a very competitive price. For example, the Lands' End ad uses this strategy by suggesting that quality need not be unaffordable. Remember that although price is an important consideration, the product quality must

be comparable to, or even better than, competing brands for the positioning strategy to be effective.

Positioning by Use or Application Another way to communicate a specific image or position for a brand is to associate it with a specific use or application. For example, Black & Decker introduced the Snakelight as an innovative solution to the problem of trying to hold a flashlight while working. A TV commercial showed various uses for the product, while creative packaging and in-store displays were used to communicate the uses.

While this strategy is often used to enter a market on the basis of a particular use or application, it is also an effective way to expand the usage of a product. For example, Arm & Hammer baking soda has been promoted for everything from baking to relieving heartburn to eliminating odors in carpets and refrigerators.

Positioning by Product Class Often the competition for a product comes from outside the product class. For example, airlines know that while they compete with other airlines, trains and buses are also viable alternatives. Amtrak has positioned itself as an alternative to airplanes, citing cost savings, enjoyment, and other advantages. Manufacturers of music CDs must compete with MP3 players; many margarines position themselves against butter. Rather than positioning against another brand, an alternative strategy is to position oneself against another product category. The California Avocado Information Bureau recently launched a major IMC campaign to more strongly position itself as a fruit (as opposed to a vegetable). The print, radio, outdoor, and online campaign took a humorous approach, positioning the avocado as a "fun fruit," while at the same time demonstrating the healthy advantages relative to other fruits and vegetables, and providing numerous products for which it might become an alternative including cream cheese, butter, and dips. A recent Mountain High

yogurt ad positions the product as a substitute for other baking ingredients.

Positioning by Product User Positioning a product by associating it with a particular user or group of users is yet another approach. An example would be the Valvo-line ad. This campaign emphasizes identification or association with a specific group, in this case, people who receive pleasure from working on their cars.

Positioning by Competitor Competitors may be as important to positioning strategy as a firm's own product or services. As Trout and Ries observe, the old strategy of ignoring one's competition no longer works. (Advertisers used to think it was a cardinal sin to mention a competitor in their advertising.) In today's market, an effective positioning strategy for a product or brand may focus on specific competitors. This approach is similar to positioning by product class, although in this case the competition is within the same product category. Perhaps the best-known example of this strategy was Avis, which positioned itself against the car-rental leader, Hertz, by stating, "We're number two, so we try harder." The Malt-o-Meal ad shown earlier is an example of positioning a brand against the competition. When positioning by competitor, a marketer must often employ another-positioning strategy as well to differentiate the brand.

Positioning by Cultural Symbols Aaker and Myers include an additional positioning strategy in which cultural symbols are used to differentiate brands. Examples are the Jolly Green Giant, the Keebler elves, Speedy Alka-Seltzer, the Pillsbury Doughboy, Buster Brown, Ronald McDonald, Chiquita Banana, and Mr. Peanut. Each of these symbols has successfully differentiated the product it represents from competitors'.

Repositioning One final positioning strategy involves altering or changing a product's or brand's position. **Repositioning** a product usually occurs because of declining or stagnant sales or because of anticipated opportunities in other market positions. Repositioning is often difficult to accomplish because of entrenched perceptions about and attitudes toward the product or brand. Many companies' attempts to change their positions have met with little or no success. For example, Kmart and Sears --- historically strong retail giants --- both experienced declining sales for decades until dethroned by Wal-Mart in the early 1990s. Oldsmobile's Aurora saw declining sales during this as well. All three have attempted to reposition themselves to a level of higher quality, appealing to younger and more well-to-do customers, with limited success. The Oldsmobile line was discontinued, Kmart filed for bankruptcy, and Sears has had difficulty shedding its image as stodgy and old-fashioned. (In late 2004, Sears and Kmart joined together as one company.) Buick has repositioned in an attempt to reach a younger market (using Tiger Woods, in his twenties, as a spokesperson), while La-Z-Boy is attempting to move away from its blue-collar image to a more affluent one.

IMC Perspective describes how other companies have fared in their repositioning attempts.

Determining the Positioning Strategy Having explored the alternative positioning strategies available, the marketer must determine which strategy is best suited for the firm or product and begin developing the positioning platform. As you remember from the promotional planning process in Chapter 1, the input into this stage will be derived from the situation analysis --- specifically, the marketing research conducted therein. Essentially, the development of a positioning platform can be broken into a six-step process:

1. Identifying competitors. This process requires broad thinking. Competitors may not be just those products and/or brands that fall into our product class or with which we compete directly. For example, a

red wine competes with other red wines of various positions. It may also compete with white, sparkling, and nonalcoholic wines. Malt liquors provide an alternative, as do beer and other alcoholic drinks. Other nonalcoholic drinks may come into consideration at various times and/or in certain situations. The marketer must consider all likely competitors, as well as the diverse effects of use and situations on the consumer.

2. Assessing consumers' perceptions of competitors. Once we define the competition, we must determine how they are perceived by consumers. Which attributes are important to consumers in evaluating a product and/or brand? As you might expect, for many products, consumers consider a wide variety of attributes or product benefits --- most if not all of which are important. Much of marketing firms' research is directed at making such determinations. Consumers are asked to part in focus groups and/or complete surveys indicating which attributes are important in their purchase decisions. For example, attributes considered important in the selection of a bank may include convenience, teller friendliness, financial security, and a host of other factors. This process establishes the basis for determining competitive positions.

3. Determining competitors' positions. After identifying the relevant attributes and their relative importance to consumers, we must determine how each competitor (including our own entry) is positioned with respect to each attribute. This will also show how the competitors are positioned relative to each other. Consumer research is required to make this assessment.

4. Analyzing the consumers' preferences. Our discussion of segmentation noted various factors that may distinguish among groups of consumers, including lifestyles, purchase motivations, and demographic differences. Each of these segments may have different purchase motivations and different attribute importance ratings. One way to determine these differences is to consider the ideal brand or product, defined as the object the consumer would prefer over all

others, including objects that can be imagined but to exist. Identifying the ideal product can help us identify different ideals among segments or identify segments with similar or the same ideal points.

5. Making the positioning decision. Going through the first four steps should let us decide which position to assume in the marketplace. Such a decision is not always clear and well defined, however, and research may provide only limited input. In that case, the marketing manager or groups of managers must make some subjective judgments. These judgments raise a number of questions:

- Is the segmentation strategy appropriate? Positioning usually entails a decision to segment the market. Consider whether the market segment sought will support an entry and whether it is in the best interests of the company to deemphasize the remaining market. When a specific position is chosen, consumers may believe this is what the product is for. Those not looking for that specific benefit may not consider the brand. If the marketer decides on an undifferentiated strategy, it may be possible to be general in the positioning platform. For example, Toyota's slogan, "Moving forward," allows receivers to project their feelings about the brand --- all of which (hopefully) involve a positive image of Toyota.
- Are there sufficient resources available to communicate the position effectively? It is very expensive to establish a position. One ad, or even a series of ads, is not likely to be enough. The marketer must commit to a long-range effort in all aspects of the marketing campaign to make sure the objectives sought are obtained. Too often, the firm abandons a position and/or advertising campaign long before it can establish a position successfully. The repositioning effort of JCPenney is an excellent example of sticking with a campaign. The efforts to create a more upscale image began in the 1990s and has continued ever since. In contrast, Sears has switched campaigns so often in the past few years that it has been impossible to establish a distinct position in the consumer's mind. Further, once a successful position is

attained, it is likely to attract competitors. It may become expensive to ward off "me-too" brands and continue to hold on to brand distinction.

- How strong is the competition? The marketing manager must ask whether a position sought is likely to be maintained, given the strengths of the competition. For example, General Foods (now Kraft-GF) often made it a practice not to be the first entry into a market. When competitors developed new markets with their entries, General Foods would simply improve on the product and capture a large percentage of the market share. This leads to two basic questions: First, if our firm is first into the market, will we be able to maintain the position (in terms of quality, price, etc.)? Second, if a product is positioned as finest quality, it must be. If it is positioned as lowest cost, it has to be. Otherwise, the position claimed is sure to be lost.

- Is the current positioning strategy working? There is an old saying, "If it isn't broke, don't fix it." If current efforts are not working, it may be time to consider an alternative positioning strategy. But if they are working, a change is usually unwise. Sometimes executives become bored with a theme and decide it is time for a change, but this change causes confusion in the marketplace and weakens a brand's position. Unless there is strong reason to believe a change in positioning is necessary, stick with the current strategy.

6. Monitoring the position. Once a position has been established, we want to monitor how well it is being maintained in the marketplace. Tracking studies measure the image of the product or firm over time. Changes in consumers' perceptions can be determined, with any slippage immediately noted and reacted to. At the same time, the impact of competitors can be determined.

Before leaving this section, you might stop to think for a moment about the positioning (and repositioning) strategies pursued by different companies. Any successful product that comes to mind probably occupies a distinct market position.

Exercises:

I. Match column I with their appropriate meaning from column II the most correct II.

- | | |
|----------------|------------------|
| 1. obtain | a. change |
| 2. campaign | b. overcame |
| 3. switch | c. appease |
| 4. appropriate | d. concentration |
| 5. special | e. gain |
| 6. salient | f. operation |
| 7. attributes | g. suitable |
| 8. defeat | h. the result of |
| 9. relieve | i. particular |
| 10. focus | j. outstanding |

II. choose the correct answer (a , b, c or d)

1. Position strategies generally focus on either the consumer or the competition.

a. concentrate	b. establish
c. link	d. create

2. Marketer attempt to identify the salient attribute those that are important to consumers and the basis for making purchase decision.

a. developed	b. effective
c. most important	d. representative

3. Quality brand where cost , while not irrelevant , is considered secondary to the quality benefits derived from using the brand .

a . implicated	b. associated
c. competed	d. emerged

4. Both companies declining sales for decades until dethroned by wall mart in the early 1990s .

- a . Positioned b. developed c. compelled d. marked

5. Marketers attempt to identify salient attributes.

- a. considerations b. suggestions
c. identifications d. applications

6. Baking soda has been promoted for everything from baking to relieving hurt burn.

- a. appeasing b. providing c. informing d. making

7. This campaign emphasizes identification or association with specific group.

- a. underlines b, represent c. differentiate d. effects

III. Fill in the blanks with the appropriate words from the list below

- a. way b. outside c. approached. Position e. competitors
F. offered g. brand's h. showed i. repositioning j. perceptions

1. Marketers often use price / quality characteristics to Their brands .

2. premium brands positioned at the high end of the market use this to positioning.

3. Another way to use price / quality characteristics for positioning is to focus on the quality or value..... by the brand at a very competitive price.

4. Another to communicate a specific or application.

5. A TV commercial various uses for the product

6. often the competition for a product comes from the product class.
7. In today's market , and effective positioning strategy for a product or brand may focus on specific .
8. One final positioning strategy in valves altering or changing a product's or position.
9. IMC perspective describe how other companies have fared in their attempt.
10. Assessing consumer's of competitors.

CHAPTER 13

Developing the Marketing Planning Program

The development of the marketing strategy and selection of a target market tell the marketing department which customers to focus on and what needs to attempt to satisfy. The next stage of the marketing process involves combining the various elements of the marketing mix into a cohesive, effective marketing program. Each marketing-mix element is multidimensional and includes a number of decision areas. Likewise, each must consider and contribute to the overall IMC program. We now examine product, price, and distribution channels and how each influences and interacts with the promotional program.

Product Decisions

An organization exists because it has some product, service, or idea to offer consumers. Generally in exchange for money, this offering may come in the form of a physical product (such as a soft drink, pair of jeans, or car), a service (banking, airlines, or legal assistance), a cause (United Way, March of Dimes), or even a person (a political

candidate). The product is anything that can be marketed and that, when used or supported, gives satisfaction to the individual.

A product is not just a physical object; it is a bundle of benefits or values that satisfies the needs of consumers. The needs may be purely functional, or they may include social and psychological benefits. For example, the campaign for Michelin tires discussed earlier stresses the quality built into Michelin tires (value) as well as their performance and durability (function). The term **product symbolism** refers to what a product or brand means to consumers and what they experience in purchasing and using it. For many products, strong symbolic features and social and psychological meaning may be more important than functional utility. For example, designer clothing such as Versace, Gucci, and Prada is often purchased on the basis of its symbolic meaning and image, particularly by teenagers and young adults. Advertising plays an important role in developing and maintaining the image of these brands.

Product planning involves decisions not only about the item itself, such as design and quality, but also about aspects such as service and warranties as well as brand name and package design. Consumers look beyond the reality of the product and its ingredients. The product's quality, branding, packaging, and even the company standing behind it all contribute to consumers' perceptions. In an effective IMC program, advertising, branding, and packaging are all designed to portray the product as more than just a bundle of attributes. All are coordinated to present an image or positioning of the product that extends well beyond its physical attributes. Think for a minute about the ads for Nike; the product benefits and attributes are usually not even mentioned --- yet information about the brand is communicated effectively.

Branding Choosing a brand name for a product is important from a promotional perspective because brand names communicate attributes and meaning. Marketers search for brand names that can

communicate product concepts and help position the product in customers' minds. Names such as Safeguard (soap), I Can't Believe It's Not Butter! (margarine), Easy-off (oven cleaner), Arrid (antiperspirant), and Spic and Span (floor cleaner) all clearly communicate the benefits of using these products and at the same time create images extending beyond the names themselves. (What about La-Z-Boy?)

One important role of advertising in respect to branding strategies creating and maintaining **brand equity**, which can be thought of as an intangible asset of added value or goodwill that results from the favorable image. Impressions of differentiation, and/or the strength of consumer attachment to a company name, brand name, or trademark. Brand equity allows a brand to earn greater sales volume and/or higher margins than it could without the name, providing the company with a competitive advantage. The strong equity position a company and/or its brand enjoys is often reinforced through advertising. For example, Rolex watches command a premium price because of their high quality as well as the strong brand equity they have developed through advertising.

Packaging Packaging is another aspect of product strategy that has become increasingly important. Traditionally, the package provided functional benefits such as economy, protection, and storage. However, the role and function of the package have changed because of the self-service emphasis of many stores and the fact that more and more buying decisions are made at the point of purchase. One study estimated that as many as two-thirds of all purchases made in the supermarket are unplanned. The package is often the consumer's first exposure to the product, so it must make a favorable first impression. A typical supermarket has more than 30,000 items competing for attention. Not only must a package attract and hold the consumer's attention, but it must also communicate information on how to use the product, divulge its composition and content, and satisfy any legal

requirements regarding disclosure. Moreover, many firms design the package to carry a sales promotion message such as a contest, sweepstakes, or premium offer.

Many companies view the package as an important way to communicate with consumers and create an impression of the brand in their minds. In other instances packages can extend the brand by offering new uses. For example, Listerine's PocketPaks have created new opportunities for the mouthwash. Design factors such as size, shape, color, and lettering all contribute to the appeal of package and can be as important as a commercial in determining what goes from the store shelf to the consumer's shopping cart. Many products use packaging to create a distinctive brand image and identity. The next time you walk by a perfume counter, stop to look at the many unique package designs. Packaging can also serve more functional purposes. For example, M&M's new packaging protects the candy and makes it easy to dispense.

Price Decisions

The price variable refers to what the consumer must give up to purchase a product or service. While price is discussed in terms of the dollar amount exchanged for an item, the cost a product to the consumer includes time, mental activity, and behavioral effort. The marketing manager is usually concerned with establishing a price level, developing pricing policies, and monitoring competitors' and consumers' reactions to prices in the marketplace. A firm must consider a number of factors in determining the price it charges for its product or service, including costs, demand factors, competition, and perceived value. From an IMC perspective, the price must be consistent with the perceptions of the product, as well as the communication strategy. Higher prices, of course, will communicate a higher product quality, while lower prices reflect bargain or "value" perceptions. A product positioned as highest quality but carrying a lower price than competitors will only confuse consumers. In other

words, the price, the advertising, and the distribution channels must present one unified voice speaking to the product's positioning.

Relating Price to Advertising and Promotion factors such as product quality, competition, and advertising all interact in determining what price a firm can and should charge. The relationship among price, product quality, and advertising was examined in one study using information on 227 consumer businesses from the Profit Impact of Marketing Strategies (PIMS) project of the Strategies Planning Institute. Several interesting findings concerning the interaction of these variables emerged from this study:

- Brands with high relative advertising budgets were able to change premium prices, whereas brands that spent less than their competitors on advertising charged lower prices.
- Companies with high-quality products charged high relative prices for the extra quality, but businesses with high quality and high advertising levels obtained the highest prices. Conversely, businesses with low quality and low advertising charged the lowest prices.
- The positive relationship between high relative advertising and price levels was stringer for products in the late stage of the product life cycle, for market leaders, and for low-cost products (under \$10).
- Companies with relatively high prices and high advertising expenditures showed a higher return on investment than companies with relatively low prices and high advertising budgets.
- Companies with high-quality products were hurt the most, in terms of return on investment, by inconsistent advertising and pricing strategies.

The study concluded that pricing and advertising strategies go together. High relative ad expenditures should accompany premium prices, and low relative ad expenditures should be tailored to low

prices. These results obviously support the IMC perspective that one voice must be conveyed.

Distribution Channel Decisions

As consumers, we generally take for granted the role of marketing intermediaries or channel members. If we want a six-pack of soda or a box of detergent, we can buy it at a supermarket, a convenience store, or even a drugstore. Manufacturers understand the value and importance of these intermediaries.

One of a marketer's most important marketing decisions involves the way it makes its products and services available for purchase. A firm can have an excellent product at a great price, but it will be of little value unless it is available where customer wants it, and with the proper support and service. **Marketing channels**, the place element of the marketing mix, are "sets of interdependent organizations involved in the process of making a product or service available for use or consumption."

Channel decisions involve selecting, managing, and motivating intermediaries such as wholesalers, distributors, brokers, and retailers that help a firm make a product or service available to customers. These intermediaries, some-times called **resellers**, are critical to the success of a company's marketing program.

The distribution strategy should also take into consideration the communication objectives and the impact that the channel strategy will have on the IMC program. Stewart and colleagues discuss the need for "integrated channel management," which "reflects the blurring of the boundaries of the communications and distribution functions."

Consistent with the product and pricing decisions, where the product is distributed will send a communications message. Does the fact that a product is sold at Neiman Marcus or Saks convey a different message regarding its image than if it were distributed at

Kmart or Wal-Mart? If you think about it for a moment, the mere fact that the product is distributed in these channels communicates an image about it in your mind. Stewart gives examples of how channel elements contribute to communication – for example, grocery store displays, point-of-purchase merchandising, and shelf footage. The distribution channel in a well-integrated marketing program serves as a form of reminder advertising. The consumer sees the brand name and recalls the advertising. (Think about the last time you passed a McDonald's. Did it remind you of any of McDonald's ads?)

A company can choose not to use any channel intermediaries but, rather, to sell to its customers through **direct channels**. This type of channel arrangement is sometimes used in the consumer market by firms using direct-selling programs, such as Avon, Tupperware, and Mary Kay, or firms that use direct-response advertising, telemarketing, or the Internet to sell their products. Direct channels are also frequently used by manufactures of industrial products and services, which often selling expensive and complex products that require extensive negotiations and sales efforts, as well as service and follow-up calls after the sale. The ad for Porsche Design Audio shown reflects the higher cost and quality associated with the brand.

Developing Promotional Strategies: Push or Pull?

Most of you are aware of advertising and other forms of promotion directed toward ultimate consumers or business customers. We see these ads in the media and are often part of the target audience for the promotions. In addition to developing a consumer marketing mix, a company must have a program to motivate the channel members. Programs designed to persuade the trade to stock, merchandise, and promote a manufacture's products are part of a **promotional push strategy**. The goal of this strategy is to push the product through the channels of distribution by aggressively selling and promoting the item to the resellers, or trade.

Promotion to the trade includes all the elements of the promotional mix. Company sales representatives call on resellers to explain the product, discuss the firm's plans for building demand among ultimate consumers, and describe special programs being offered to the trade, such as introductory discounts, promotional allowances, and cooperative ad programs. The company may use **trade advertising** to interest wholesalers and retailers and motivate them to purchase its products for resale to their customers. Trade advertising usually appears in publications that serve the particular industry.

A push strategy tries to convince resellers they can make a profit on a manufacturer's product and to encourage them to order the merchandise and push it through to their customers. Sometimes manufacturers face resistance from channel members who do not want to take on an additional product line or brand. In these cases, companies may turn to a **promotional pull strategy**, spending money on advertising and sales promotion efforts directed toward the ultimate consumers. The goal of a pull strategy is to create demand among consumers and encourage them to request the product from the retailer. Seeing the consumer demand, retailers will order the product from wholesalers (if they are used), which in turn will request it from the manufacturer. Thus, stimulating demand at the end-user level pulls the product through the channels of distribution.

Whether to emphasize a push or a pull strategy depends on a number of factors, including the company's relations with the trade, its promotional budget, and demand for the firm's products. Companies that have favorable channel relationships may prefer to use a push strategy and work closely with channel members to encourage them to stock and promote their products. A firm with a limited promotional budget may not have the funds for advertising and sales promotion that a pull strategy requires and may find it more cost-effective to build distribution and demand by working closely with resellers. When the demand outlook for a product is favorable because it has unique benefits, is superior to competing brands, or is very

popular among consumers, a pull strategy may be appropriate. Companies often use a combination of push and pull strategies, with the emphasis changing as the product moves through its life cycle.

The Role of Advertising and Promotion

As shown in the marketing model, the marketing program includes promotion both to the trade (channel members) and to the company's ultimate customers. Marketers use the various promotional-mix elements—advertising, sales promotion, direct marketing, publicity/public relations, and personal selling – to inform consumers about their products, their prices, and places where the products are available. Each promotional-mix variable helps marketers achieve their promotional objectives, and all variables must work together to achieve an integrated marketing communications program.

To this point, we have discussed the various elements of the marketing plan that serves as the basis for the IMC program. The development and implementation of an IMC program is based on a strong foundation that includes market analysis, target marketing and positioning, and coordination of the various marketing-mix elements.

Exercises:

I. Match each word from column I with one of the words or phrases from column II which has the same meaning.

Column I	column II
1. trade	a. help to make something happen
2. Contribute	b. one of a mixture of things
3. Expenditure	c. reduce the price of
4. interact	d. a plan designed for a particular purpose
5. durable	e. to divide among several
6. ingredient	f. the act of spending
7. strategy	g. things for sale
8. distribute	h. lasting for a long time
9. merchandise	i. the buying and selling of good
10. discount	j. have an effect on each other

II. choose the correct answer (a, b, c or d)

1. Product symbolism refers to
 - a. What a product or brand means to consumers and what they experience experiences in purchasing and using it.
 - B small brands that successfully compete with brands by appealing to a narrow segments of the market.
 - c. brands that are owned and sold by a certain retailer of distributor.
 - d. an agreement between firms that require an equity investment on the part of each.

2. The element in promotional – mix are
 - a. advertising , sales promotion
 - b. publicity / public relations
 - c. direct marketing , personal selling
 - d. a , b and c.

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3. The goal of this strategy is to create demand among consumers and encourage them to request the product from the retailer , what is it
 - a. promotional push strategy
 - b. promotional pull strategy
 - c. demand strategy
 - d. selective demand strategy

4. when manufacturers face resistance from channel members who do not want to take on an additional product line or brand , companies my turn to
 - a. demand management
 - b. independent distribution
 - c. a promotional pull strategy
 - d. conventional distribution

5. selecting , managing and motivating intermediaries that help a firm make a product or service available to customers is known as
 - a. channel decision
 - b. product decision
 - c. price decision
 - d. promotion decision

6. Intermediaries that help a firm make a product or service available to customers , sometimes called
 - a. distributor
 - b. reseller
 - c. broker
 - d. wholesaler

7. which statement is correct?
 - a. direct channel , usually using a network of wholesalers or retailers
 - b. packing is another aspect strategy that has become increasingly important.
 - c. Trade advertising usually appears in publications that serve the particular industry
 - d. a , b and c

The answer keys

I. 1.i 2.a 3.f 4.j 5.h 6.b 7.d 8.f
9.g 10.c

II. 1.a 2.d 3.b 4.c 5.a 6.b 7.a 8.c
9.d

III. 1.d 2.b 3.c 4.d 5.b 6.f 7.g 8.h
9.i 10.j

Chapter 14

Winning Strategies An International Mission

Colleges and universities of the world compete globally. They develop strategies to attract students from both local and international markets. Training students for careers is not the only mission of universities. Turning students into educated citizens is also part of their mission.

Most colleges and universities in the United States are accredited. The Council for Higher Education Accreditation (CHEA) or the United States Department of Education (USDE) authorizes accrediting organizations to evaluate the quality of colleges and universities. CHEA has required that colleges and universities develop strategies to attract students from both local and international markets.

Missouri Southern State University in Joplin, Missouri, has set a mission to foster the total education of each student with a strong commitment to international education. Missouri Southern's goals include educating students to understand world affairs, international issues, and other cultures as seen through these countries' history, geography, language, literature, philosophy, economics, and politics. These philosophies guide the development of programs and the design

of classes. In pursuit of its mission, Missouri Southern organizes international travel opportunities for students and sets up international internships.

Missouri Southern has received national recognition for how well its strategy has fulfilled its international mission. Awards include the Andrew Heiskell Award for Innovation International Education. The American Council on Education selected Missouri Southern as one of eight institutions in the United States that is a Promising Practices Model for Comprehensive Internationalization.

STRATEGIC PLANNING

Businesses are complex entities. They consist of many individuals, departments, policies, and procedures. Individuals and departments within a business often have conflicting goals. Businesses engage in strategic planning to ensure that all factors within an organization are heading in the same direction. **Strategic planning** is the process of determining how to move to a desired future state. For businesses, strategic planning requires evaluating the environment, identifying long-term objectives, and developing the plans to reach those objectives.

Strategic planning typically takes a wide-view while **tactical planning** is more narrowly focused and more short-term.

When done properly, strategic planning forces a business to analyze the whole organization and the environment in which it operates. Planning can help map the future and can develop a common understanding and agreement within an organization. It helps to focus energy toward common goals. Strategic planning allows a business to respond better to problems and change direction in response to a changing environment.

International businesses operate in an environment that is more complex than a business operating within a single culture. Cultural differences can lead to conflicts inside an organization. An

international company's size and physical distance between divisions add to the complexity.

Approaches to Planning

Management must have a strategic view in order to allocate its resources. Developing an international marketing strategy allows a business to be proactive, or willing to take action before environmental pressure forces a strategy. Proactive international marketers realize that there are profits to be gained in global trade. They may have evaluated their products and found they have unique advantages for markets around the world. Many businesses find it important to gain economies of scale to be able to compete, especially when international competitors are ready to enter global markets.

A business also can have a reactive strategic approach when it is forced to react to environmental pressure. Many companies without an international focus find themselves facing competitive pressure from international companies. They are forced to conduct business internationally to maintain market share and customers. Companies also may find that they have excess inventories that they are unable to sell in their home market. They may be forced to look overseas for new market opportunities. Sometimes companies actually lose their home market. Perhaps new technology has replaced the need for their existing products, or other pressures have forced them to move existing product lines into new international markets. Foreign customers can also initiate change by placing orders, which opens up international business opportunities.

STRATEGIC PLANNING PROCESS

Strategic planning helps a company make lower risks. The strategic planning process considers those factors that allow a business plan to succeed as well as those that can keep a plan from succeeding. When businesses use strategic planning, they must balance opportunities and risk. There are two types of risks related to

planning. There is risk involved in taking action and there is risk involved in taking no action. Many businesses do not get involved in international marketing. This inaction can increase long-term risks forcing a business to be reactive to global competitors. Strategic planning follows a six-step process:

1. Develop a mission statement
2. Conduct a situation analysis (SWOT analysis)
3. Develop alternative goals and strategies
4. Develop the strategic plan
5. Specify action plans
6. Evaluate and control the plans

Mission Statements

A **mission statement** defines the purpose of an organization. A mission statement provides direction, commits resources, inspires individuals, and focuses activities. Missouri Southern has a mission of fostering the total education of the student. Philips Electronics set its original goal as creating reliable light for everyone. Mission statements guide the development of a company's strategy. Once a company has developed a mission statement it develops mission statements which are more specific in terms of setting objectives and time frames.

SWOT analysis

- **Strengths** A core part of the strength of an international business comes from its competitive advantages. But there are other areas of strength. A business's entire value chain can add strength. The value chain can include such things as how the business produces and distributes products or how it provides customer service. A business can also gain strength by working with strong international partners. A business's strengths allow it to be proactive when pursuing opportunities.

- **Weaknesses** Weaknesses are typically the result of changing environmental factors. These weaknesses can result in a shift in market power. For example, a business that may have been able to compete in its home market may suddenly find itself competing against larger, more powerful businesses. Many small retailers in the United States found themselves in competitively weak positions when Wal-Mart entered into their markets. Many manufactures around the world found themselves in competitively weak positions when Chinese firms started competing in their markets.

- **Opportunities** Opportunities are areas that businesses decide to pursue. Businesses find opportunities through environmental scanning. Once an opportunity is spotted, a business must carefully develop plans to determine whether the opportunity can be profitable. Currently, many international businesses are evaluating fast-growing markets to determine if they can find opportunities in India, China, Mexico, and many other countries.

- **Threats** Most threats come from the external environment, including competitors and other social forces. In many global markets, changes in government can create threats. These threats could be due to government instability or shifting government alliances. For example, the political actions of a country can have a negative country-of-origin effect, reducing sales for all products from that country. Changing social factors and social pressures within a country can create very strong threats, such as a demand for changes in products.

Plan Development

Once the business has developed its mission and conducted a SWOT analysis, it must develop a set of alternative goals and strategies. Focusing on just one alternative can increase risks. Creating the strategic plan requires the business to set specific action plans. The action plans should designate who is responsible for specific actions. They also should set due dates and establish criteria to be met.

Assigning responsibility and deadlines helps to ensure that the plan is actionable and will be followed. Finally, the plan needs to be evaluated and controlled to monitor its progress.

STRATEGIC BUSINESS UNITS

A **Strategic Business unit (SBU)** is the smallest unit around which a business develops a strategy. Each SBU must follow the six steps of the strategic planning process. The SBU's mission should fit within the parent organization's mission. Each SBU should conduct its own environmental scanning to identify factors that will influence its strategy. Parent companies often control the larger strategic planning process and allow the SBU to control the smaller tactical planning process.

An international patent company must determine how to structure its SBUs. Businesses without an international presence may design SBUs based on product lines or target markets. At one time, Procter & Gamble designed its strategies around product line SBUs. Internationally focused companies may design SBUs based on global markets. For example, a company could have an European division, North American division, and Asian division. SBUs also could be country-specific.

Evaluating Alternatives

Parent companies and SBUs face a number of alternative strategies. The strategies may involve pursuing a variety of products or alternative markets. Other alternative strategies could involve products or markets the company might want to abandon. In 2005, General Motors announced that it would close 12 plants and lay off 30,000 employees. GM was forced to apply this cost-cutting strategy to maintain its competitiveness in the face of global pressure.

Each alternative must be evaluated by looking at the advantages and disadvantages. GM evaluated a number of alternatives before it settled on its strategy. Cisco, a large U.S. networking company, has spotted

opportunity in India. It looked at the advantages and disadvantages of the environment both in China and India. India has an unregulated economy while China's economy is centrally planned. India has a large human capital base for software engineering while China favors its home software industry. In India, there is high product potential while in China, intellectual property is not well protected. India also offers a less competitive industry for Cisco.

Once a company decides on a strategy, it should assign responsibility, measurable goals, and a timeline. Without these three criteria, it is difficult to move strategies to action.

ENVIRONMENT STRATEGY FIT

One of the basic principles of strategy development is that there must be a fit between environmental conditions and a business's strategy. Managers often assume that the business will continue to operate as it had in the past. They assume there will be a **placid environment** where there is very little change. But most international businesses operate in a **turbulent environment** where environmental change often is rapid and unpredictable. Businesses operating in placid environment can develop strategic plans for longer time periods. Businesses operating in turbulent environments must develop strategic plans for shorter time periods. For example, businesses in technology industries operate where there is rapid change in both products and competitors. High-technology industries have planning cycles of about 18 months.

Businesses operate in a **macroenvironment**, which includes environmental factors that influence the economy, governments, legal environment, technology, ecology, social cultural factors, and competition. Businesses can experience **environmental shocks**, which are rapid changes in the macroenvironment. The fall of the Iron Curtain and communism in Europe in the 1990s and terrorist attacks on September 11, 2001 in the United States were environmental

shocks. There are a number of factors that influence the strength of the current international environment. These factors include rapid changes in technology, competition, consumer demand, and political and legal environments.

Environmental Planning

Most companies around the world operate in a turbulent environment. This kind of environment forces companies and governments to extend their environmental scanning outside of the country and shorten the scope of their strategic planning. Governments can help to ensure stability by strengthening their resource base and relationships with other countries.

It is difficult to plan for every macro environmental change. When businesses or governments see trends or an increased chance of a threat, they should be proactive. In 2005, there were a number of threats to U.S. business, which called for plans of action. One was the threat of Asian bird flu. To be prepared for a widespread outbreak, it was suggested that businesses develop plans to pull employees from infected countries. Businesses needed to devise strategies in case a high percentage of workers became ill. For example, inventory levels might need to be increased in case foreign suppliers could not send products.

The U.S. National Association of Manufacturers released a report in 2005 stating that the United States had a serious shortage of qualified employees for manufacturing jobs. This shortage was affecting the ability of the United States to compete in the global economy. Modern manufacturing requires higher technical skills. Over 90 percent of U.S. manufactures reported a moderate to severe shortage of qualified skilled production employees, such as machinists, operators, craft workers, distributors, and technicians. The report also found that there were not enough engineers and scientists to support manufacturing.

The United States government has set forth proposals to help ensure continued U.S. leadership in science and technology. Federal funds

will be directed to the National Science Foundation to create regional "centers of excellence" for basic research. The U.S. goal is to graduate 100,000 new scientists, engineers, and mathematicians over four years. In 2005, President George W. Bush also went to China to attempt to help U.S. businesses. The Chinese government promised to purchase 70 Boeing 737 airplanes. China also promised to protect intellectual property and move to more market-based exchange rates.

INTERNATIONAL ENTRY STRATEGIES

Businesses can enter into international markets using a variety of strategies. The lowest level of commitment to international marketing is indirect exporting. The highest level of commitment is to use the company's resources and set up a wholly-owned subsidiary. Before a company pursues any strategy, it must carefully evaluate its missions, alternative strategies, and the environmental factors that create opportunities or pose threats.

Strategies businesses can pursue to enter international markets include:

- **Exporting** A business can enter international markets through both direct and indirect exporting. These approaches represent the lowest level of international commitment and pose the lowest risk. Exporting can create a market for a product in the importing country and provide additional profits to the business. However, by establishing a new market, local producers or other exporters may come to realize there is potential for sales in the country. Also, if a business does not want to commit to having a local presence, it risks losing market share to companies that set up businesses to serve the local market.

Contracting Contractual agreements enable a business to work with partners in foreign markets. Contractual agreements may involve manufacturing, sales, licensing, and franchising. Contractual agreements are a higher level of commitment. They create a presence

for an international company in a foreign market by bringing in local partners who understand local market needs. By monitoring local environmental conditions, local partners can provide information that supports proactive planning.

- **Joint Venture** In a **joint venture**, two or more businesses create a new business to pursue a strategic goal. The parent businesses agree to share ownership, capital, and revenue of the new business. Like contract relationships, joint ventures can bring in local partners. But joint ventures increase risk because businesses commit resources and can be at the mercy of the local environment. Rupert Murdoch (owner of Fox Broadcasting Company) formed a joint venture between his News Corporation's Star TV and Chinese company Qinghai Satellite. Murdoch made statements about how broadcasting is a threat to one-party state governments. The Chinese government closed down the joint venture, accusing Star TV of illegally selling decoders to forbidden News Corporation channels.

- **Direct Investments** There are two types of direct investments. A **foreign direct investment (FDI)** is the purchase of assets in a foreign country by a business. Foreign direct investments could include the purchase of land, property, or ownership in a foreign company. The purchase of land in Kentucky by Japan for its Toyota manufacturing plant is an example of an FDI. The highest level of commitment is when an international business purchases a company as a **wholly owned subsidiary**, which is an independent company owned by a parent company. The China National Offshore Oil Corporation attempted to purchase the U.S. company Unocal for \$ 18.5 billion as a wholly-owned subsidiary. This proposal caused a large uproar in Washington, D.C There was considerable criticism that a Chinese company would buy a U.S. company as large as Unocal. Eventually the Chinese company dropped its offer. Even though a wholly – owned subsidiary is owned by a parent company, it must still operate within the legal, political, and cultural environment of the host country.

The United States has received more foreign investment than it has invested. Foreign investment is seen as a positive evaluation of the U.S. economy.

INTERNATIONAL ENTREPRENEURSHIP

An entrepreneur is someone who undertakes a new venture. Entrepreneurs are typically seen as individuals who are willing to take on the risk of starting a business. In fact, most entrepreneurs are good at spotting windows of opportunity, or areas of opportunity that others don't see. What others perceive as risky, entrepreneurs may perceive as a good opportunity. Entrepreneurs play an important role in developing new products, markets, and employment. In the United States, small-and medium-sized enterprises (SME), often defined as businesses with fewer than 250 employees, account for more than 99 percent of all employers. They employ more than half of all private-sector employees. They pay 44.5 percent of total U.S. private payroll and annually generate 60 to 80 percent of new jobs. They also create more than 50 percent of non farm, private gross domestic product (GDP). Statistics are similar in Europe. A number of factors affect the development of entrepreneurship.

- **Personal Property Ownership** The ability to own personal property is key for the development of entrepreneurship. While this may seem natural in the United States, before the 1990s, many communist countries did not permit the ownership of personal property.

- **Investment Capital** Entrepreneurs must be able to obtain financial capital to support business development. Capital is likely to come from individual investors called venture capitalists, the sale of stock, and banks. Most U.S. banks see small businesses as their primary customers. In other parts of the world, banks may view small businesses as a higher risk, or they may have exclusive relationships with larger businesses.

- **Government Regulations** The development of small businesses is often hindered by government regulations. Compared to most other countries in the world, starting a business in the United States is relatively easy. Some countries impose high regulations or fees on small businesses. These regulations can affect the startup time as well as how the business is run. Regulations related to job protection are also tougher in other countries, making it difficult for entrepreneurs who have employees.

- **Entrepreneurial Culture** Countries can have an entrepreneurial culture. Individuals within these countries may view business startup and ownership as a primary means of reaching their personal goals. Countries with strong traditional cultures may not have an entrepreneurial culture. They may believe entrepreneurship does not provide social status, wealth, or security.

Supporting Business Development

Most countries consider innovation and entrepreneurship vital for economic development and GDP growth. Europe and Asia have supported the development of colleges and universities that specialize in entrepreneurship training. The United States has a number of programs to support small business development. The U.S. Small Business Administration (SBA) offers online and print support material for business startup and small business management. The SBA support Small Business Development Centers (SBDC), which offer free consulting services for small businesses. The SBA also will guarantee small business loans. This lowers the risks for banks that make loans to support small businesses. The United States also supports exporting through U.S. Export Assistance Centers, which provide SMEs with export assistance.

Business Incubators

Many governments support business development through business incubators. A **business incubator** is usually a physical facility set up to offer office or factory space at a reduced price. Business incubators also offer staff support and consulting services. Businesses in incubators typically have one to two years to grow before they must move into their own facility.

PLANNING ECONOMIES

One of the challenges of globalization is that it opens markets to international competition. Businesses are forced to become more efficient in order to compete. Governments are forced to create conditions that allow businesses to change in response to a changing environment. The dropping of trade barriers and lowering of tariffs has improved living standards for millions of people around the world. But this has created considerable turbulence in the economies of many countries. While some countries have called for more tariffs and trade barriers, most countries want to make their economies more competitive.

Countries can use three different strategies to plan for their economies. Countries may use a central planning strategy to develop long-term plans. Communist countries used to set **five-year plans**, which were defined plans with specific economic goals for the country. This type of planning did not work well because it was not flexible enough for changing conditions. Countries that follow free-market practices, such as the United States, do not develop long-term plans for the economy. Instead, they follow a free-market strategy that applies a general philosophy, such as "keep inflation low."

Between these two extremes is the concept of industrial policy. An **industrial policy** is a strategy that a country adopts to support competitiveness. China has set an industrial policy to become a manufacturing center for the world. India has set an industrial policy

to become a world center for knowledge industries such as programming, services, and medicine. The United States has set industrial policies in the past. The U.S. government was instrumental in setting up Radio Corporation of America (RCA) to gain dominance in radio technology. The U.S. government also fostered the development and growth of the Internet.

Deregulation

Most countries want to encourage innovation and growth but do not want to create turbulence in their economies. Many countries have moved toward deregulating parts of their economy. **Deregulating** removes government controls and restrictions on the way businesses operate. In the 1990s, many countries deregulated their telecommunication industries, which opened these industries to competition. The results were lower prices, more product alternatives, and more innovation.

International Marketing Plan Project

Your international marketing plan must include a strategic plan, starting with a mission statement. As you build your plan. You must evaluate and justify your strategic choices.

Work with a group and complete the following activities.

1. Develop a mission statement and vision statements for your business. Explain how this mission statement will guide your strategic planning process.
2. Conduct a SWOT analysis for your business. Evaluate this list and develop a plan for taking advantage of strengths and opportunities and how to deal with weaknesses and threats. Explain whether your competitive environment is turbulent or placid.
3. Evaluate each product alternative and country alternative you have previously proposed. Specify the advantages and disadvantages of each alternative.

4. Evaluate each of the alternative market-entry strategies. Outline the advantages and disadvantages of each of these strategies for your business. Make and justify a market-entry recommendation.

5. Consider what long-term threats your business will face. Identify any industrial policies your country should adopt that will help ensure the long-term survival of your business.

Exercises:

I. Match each word from column A with one of the words or phrases from column B which has the same meaning.

column A	column B
1. turbulent	a. legislation
2. support	b. try
3. satisfy	c. assess
4. taboo	d. endorse
5. regulation	e. possible
6. barrier	f. gratify
7. feasible	g. circumstance
8. condition	h. disturbance
9. evaluate	i. problem
10. attempt	j. forbidden

II. choose the correct answer (a , b, c or d)

1. who develop strategies to attract students From both local and international markets?
a. customers b. consumers
c. universities d. colleges and universities
2. what engage in strategic planning to ensure that all factors within an organization.
a. departments b. individuals
c. businesses d. countries
3. what cultural differences can do inside an organization?
a. add to complexity b. increase conflicts
c. lead to conflicts d. a and b.

4. what defines the purpose of an organization?
a. strengths b. threats
c. weaknesses d. mission statement
5. what can create very strong threat within a country?
a. social pressures b. global markets
c. changing social factors d. a and c
6. what is the smallest unit around which a business develops a strategy?
a. plan development b. environmental strategy
c. strategic business unit d. a and c
7. when a company decides on a strategy, what it should assign?
a. a time line b. measurable goals
c. responsibility d. a , b and c
-
8. what kind of environment forces companies and governments to extend their environmental scanning outside of the country and shorten the scope of their strategic planning.
a. microenvironment b. microenvironment
c. turbulent environment d. placid environment
9. when two or more businesses create a new business to pursue a Strategic goal is called.....
a . contracting b. direct investment
c. market share d. Joint venture
10. someone who undertakes a new venture is:
a. entrepreneur b. who is willing
c. who play an important role in developing new products , Markets
d. a , b and c

III . Fill in the blanks with the appropriate words from the list below.

- a . proactive b. unique c. profits
d. allocate e. evaluated

Management must have a strategic view in order to its resources,

Developing an international marketing strategy allows a business to be or willing to take action before environmental pressure forces a strategy.

Proactive international marketers realize that there are gained in global trade. They may have their products and found they have Advantage for markets around the world.

The answer keys

I. 1.h 2.d 3.f 4.j 5.a 6.i 7.e 8.g 9.c 10.b

II. 1.b 2.h 3.a 4.g 5.c 6.d 7.i 8.e 9.f 10.j

III. d-a-c-e-b

Chapter 15

International Channel Design

MARKETING CHANNELS

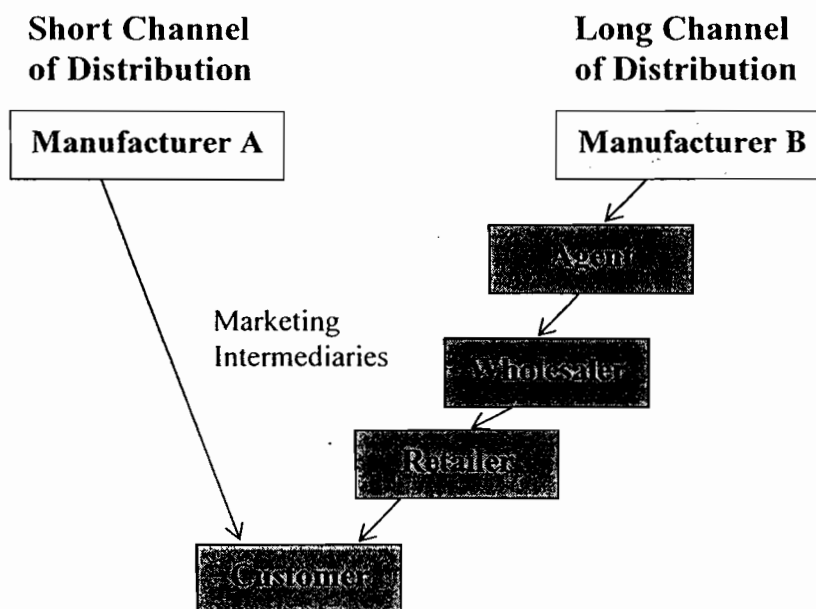
Efficient distribution systems are important to global competitiveness. Brand recognition and product quality will not matter if a product is not available where customers shop. International marketers must establish a **channel of distribution**, which is the path used to move products from their source to the customer. Channels of distribution work hand-in-hand with logistical systems. **Logistics** includes activities that create an orderly and timely acquisition and transportation of products through the channel of distribution.

Coca-Cola has established a distribution system. Coca-Cola receives raw materials from around the world to produce its syrup. It then must ship its syrup to bottlers. Container manufacturers must produce and store cans and bottles for bottlers. Bottlers must establish relationships with retailers and find ways to get inventories to store shelves while minimizing costs. This distribution system must operate efficiently at low costs. The soft drink industry is extremely price competitive, so the total cost of distribution must be kept down.

Channel Length

Products don't usually move directly from a manufacturer to a customer. They typically move through a number of intermediaries. A **marketing intermediary** is an independent business that assists the flow of goods and services from producers to customers. Intermediaries include agents and brokers, wholesalers, and others. The intermediaries take possession of products and then sell to other channel members.

There is a general movement in all markets to shorten channels of distribution. A short channel of distribution means that there are a few intermediaries. The shortest channel is a direct channel from producer directly to the customer. A long channel of distribution implies that there are many intermediaries. Consumer goods typically have a longer or indirect channel of distribution. At a minimum, these channels include manufacturers, wholesalers, and retailers. Industrial markets can have shorter channels of distribution. If an order is large enough, Manufacturer A could sell directly to Customer B without an intermediary.



Marketing intermediaries have an important role in setting up distribution channels. Wholesalers and retailers provide a series of services to their customers by breaking the large bulk created by other channel members into an assortment of products for others to buy. They also provide information to others in the channel. They store products until others need them. They may transport products, provide financing, and help promote products. For example, a retailer may buy from a wholesaler that has a large assortment of products from different manufactures. Retailers break the bulk that wholesalers have purchased and offer an assortment of products to consumers. When international marketers enter new locations, they also must break the bulk of their inventory in order to have right assortment of products for customers.

Channels of distribution have become a key to international competitiveness because they can:

- **Facilitate just-in-time (JIT) inventory** With JIT inventory systems, products arrive just as they are needed. This process works for both manufacturers and retailers. Computerized inventory and point-of-sale systems provide constant inventory feedback to warehouse and suppliers. These systems limit the amount of inventory a business needs to carry. JIT is becoming a standard for manufacturers and retailers around the world. Producers and shippers must deliver the right product to the right location at the right time.
- **Lower costs** There is a worldwide drive to lower the costs of moving products from manufacturing through channels of distribution to the customer. This requires designing the most efficient system for delivering products. Considerable saving can be found through efficient channel design.

•**Speed up distribution** Intense international competition required that companies find a way to get products to customers faster than competitors can. In addition to speed, the reliability of distribution systems also is important.

•**Support expansion into new markets** New international market opportunities require that companies either establish a new distribution channel to reach customers or work with an existing network. In either case, companies must be competitive in these markets and at the same time provide the lowest-cost system possible. Large international firms are gaining cost saving and efficiencies by gaining control both forward and backward in the channel. For example, as a manufacturer, Coke is near the beginning of the distribution channel. It has moved its channel ownership forward by gaining control of its bottling operations in Germany. Wal-Mart, which is near the end of the channel, has moved channel ownership backward to gain control of its warehousing and distribution systems.

International Channel Design

International marketers have two choices when they enter new markets. They will either establish a new channel of distribution or work within an existing channel. When international businesses use existing channels, they often redesign the distribution channel to increase efficiency. To gain greater efficiencies in Japan, 7-Elven Japan redesigned its distribution channel.

A number of factors must be taken into consideration when designing a channel of distribution. These factors include the nature of the product, customer needs, competition, costs, communication system, control issues, company goals, and available resources. For example, Coca-Cola may spend up to \$2 billion to gain control of its German distribution system. The main reason Coca-Cola is spending this money is to gain the ability to react more quickly to changes in the marketplace.

Developing a completely new channel of distribution in a foreign market is a high-risk strategy. The business would need to develop relationship with suppliers, arrange for the importing of inventory , develop warehouses develop delivery systems, choose retail locations, and hire and train all employees to work within the distribution system. Wal-Mart is a company with international expansion plans and the resources to carry them out. As Wal-Mart expands into China, it has to train 500 new employees for each supercenter it opens. Wal-Mart works with local partners to find prime locations to distribute its products in major Chinese cities.

Total Cost Concept

Channel designers develop distribution systems that minimize total cost. A **total cost concept**: it is the idea that all costs must be taken into consideration when designing a channel of distribution. For example, Coca-Cola could produce its entire bottled product in the United States and then ship it around the world. This design could result in a costly distribution system, considering most of what is shipped is water. Rather than ship bottled products, it is more cost-efficient to produce the product in the country in which it will be marketed. In addition to shipping, costs such as insurance, storage, and inventory losses would result in a very expensive product. Coca – Cola must evaluate alternatives and look for the lowest cost for delivering products to customers.

CHANNE RELATIONSHIPS

Distribution channels consist of a number of different members, each with its own goals. Channel members develop relationships the same way that people develop relationships. When goals and behaviors are compatible, they are likely to work in cooperation. However, it also is possible that conflicts can arise within a distribution channel.

There are a number of reasons why conflicts can form. All distribution systems attempt to achieve the lowest cost possible. This

could result in disintermediation, or the removal of channel members. For example, Coca-Cola is attempting to disintermediate bottlers in Germany to gain greater control over the distribution channel, including packaging its product in a way that meets the needs of German retailers.

Channel Power

Some members of distribution channels have greater power than others. Wal-Mart is the channel captain in its distribution system. A **channel captain** takes the leadership role in organizing a distribution system, which lessens the chances for conflict. Channel captains gain power through their ability to reward or punish channel members and through their knowledge of their product-market.

Coca-Cola is also the channel captain in its distribution system. In Germany, Coke is not taking over all of the bottlers. Seven bottlers will maintain their independence while the rest will not have their contracts renewed by Coke. As the channel captain, Coca-Cola is rewarding some intermediaries while removing contracts from others.

Finding International Partners

International marketers often will look for partners when they enter new markets. There are a number of ways to find partners. They may be located through government sources from both state and federal commerce departments. Contacts also may be found at trade shows. Information often is collected from outside sources such as the Internet. To help identify potential partners, businesses also will use members of the current distribution channel, such as distributors, a sales force, and customers.

Export management companies (EMCs) specialize in helping businesses distribute products. EMCs typically specialize in specific products and markets. An EMC can act as an agent, or broker, for a company. An agent bring together buyers and sellers but typically does not take title, or ownership, of the product. Agents usually take a percentage of sales. EMCs also could take ownership of the product,

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but then they incur the risk of selling the product. By using this strategy, however, EMCs could earn higher profits.

Potential international partners need to be screened. Because potential partners can handle many different products and businesses, each partner needs to be evaluated to be sure there are no conflicts. Potential partners need to have a strong knowledge of the product and the market. They need to be able to provide after-sales service. Finally, they need to be willing to perform these services at a reasonable price.

Exercises:

I. Match each word from column a with one of the words or phrases from column which has the same meaning.

column A

1. hire
2. order
3. delivery
4. importing
5. conflict
6. broker
7. costly
8. product
9. promote
10. inventory

column B

- a. agent who buy and sell property for others
- b. stock , act of checking stock
- c. oppose , clash
- d. expensive , pricey
- e. transference
- f. rent , charge , lease
- g. bringing in of goods from a foreign country
- h. encourage sales foster sales through advertising
- i. request for something
- j. goods

II. choose the correct answer (a , b , c or d)

1. It is an independent business that assists the flow of goods and services to customer.
 - a. channel of distribution
 - b. logistics
 - c. marketing intermediary
 - d. channel captain

2. A short channel of distribution means that
 - a. there are a few intermediaries
 - b. there is a direct channel from manufacture to customer.

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c. there are intermediaries.

d. a , b and c

3. what can have a reactive strategic approach when it is forced to react to environmental pressure.

a. manager

b. organization

c. customer

d. a business

4. A system of distribution whose products arrive just as they are needed and reduce storing is called

a. EMCs

b. 7- Eleven Japan

c. Just in time (J.T)

d. a short channel of distribution system

5. New international market oportune , ties require that

a. companies establish a new distribution channel.

b. companies work with an existing network

c. companies provide the lowest – cost system

d. a and b

6. It is the idea that all costs must be taken into consideration when designing a channel of distribution.

a. channel power

b. Total cost concept

c. point – of – sale

d. channel length

7. what will international marketers look for when they enter new markets?

a. Channel captain

b. Marketing intermediaries

c. Partner

d. suppliers

8. products don't usually move directly from manufacturer to a customer. They typically move through

a. a number of intermediaries

b. a number of brokers and agents

- c. channel captain
- d. ship

9. Intermediaries don't include

- a. manufactures
- b. wholesalers
- c. brokers
- d. suppliers

10. what is coca – cola doing in Germany to gain greater control over the distribution channel?

- a. It is attempt to achieve the lowest cost possible
- b. It is attempt to disinter mediate.
- c. It is attempt to take the leadership role in channel of distribution
- d. a and b

III. Fill in the blanks with the appropriate word from the list below.

- a. directly b. efficient c. perform d. shorten e. typically f. be able
g. carry h. usually i. be screened j. shorter

1. There is general movement in all markets to channel of distribution.
2. The shortest channel is a direct channel from producer to the customer.
3. Consumer goods Have a longer channel of distribution.
4. Industrial markets can have channel of distribution.
5. Potential international partners need to
6. They need to be to provide after-sale services.
7. Agent take a percentage of sales.
8. They need to be willing to These services at a reasonable price.

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9. JIT systems limit the amount of inventory a business needs to

.....

10. Considerable saving can be found through channel design.

The Answer keys:

I. 1.f 2.i 3.e 4.g 5.c 6.a 7.d 8.j 9.h 10.b

II. 1.c 2.a 3.d 4.c 5.d 6.b 7.c 8.a 9.d 10.b

III. 1.shorten 2. directly 3. typically 4. shorter 5. be
screened 6. be able 7. usually 8. perform 9. carry
10. efficient

Chapter 16

Exporting and Logistics

EXPORTING

When international marketers have foreign customers, they must export their products to those markets. **Exporting** is the process of shipping a product to another part of the world for trade or sale. **Importing** is receiving exported products. Once sales are made to foreign customers, products need to be exported. Exporting includes preparing products for shipment, arranging all documentation, and planning the shipping and delivery of products. Businesses can engage in direct or indirect exporting. When a company is not fully committed to international marketing, it may engage in indirect exporting. In **indirect exporting**, a business uses brokers or agents to help find customers and export products. Indirect exporting can increase the total cost of the sale. When a company is more fully committed to foreign markets, it may engage in direct exporting.

With **direct exporting**, a company actively controls finding markets and exporting products.

Exporting requires that a company identify customers and then find a way to move products from a domestic location to a foreign customer. This method requires arranging for shipping, documentation, clearing customs, and delivery in the foreign market.

Companies can use an export trading company as a global distribution intermediary. Export trading companies provide services such as buying and selling products, conducting market research, and distributing products abroad.

Mitsubishi is one of Japan's largest export trading companies. Japan's trading companies, known as sago (general) shushes (trading company), do more than just export. They have banks for funding, shipping companies, suppliers, and manufacturers that work together. The sago shushes control more than half of Japanese imports and exports.

Even when a company engages in direct exporting it often will use intermediaries to help in the exporting process. An international freight forwarder acts like a travel agent for cargo. It ships products to customers in foreign countries.

Documentation

When products enter into foreign markets they must "clear" customs. A country's **customs** acts as immigration control for products entering the country. Customs agents inspect shipments to ensure that the imported products are properly documented. They also collect customs fees, and they ensure that restricted products do not enter the country. Restricted products could include dangerous products, embargoed products, fake products, or products made from endangered species.

There are companies that specialize in helping products clear customs. A **customs broker** is an intermediary that helps products move through customs. In the United States, customs brokers are licensed by the U.S. Department of the Treasury. They must understand the tariff schedules and customs regulations enforced by the United States. They must be familiar with the 500 pages of customs regulations and thousands of tariff items. Depending upon the item, a customs broker also may work with the Department of Agriculture, the Environmental Protection Agency, the Food and Drug

Administration, or any other regulatory agency. They also work with transportation logistics to ensure that products reach their final destination.

There are a number of important documents that must accompany exported/imported products. A bill of lading is a document issued by a carrier (transporter) to a shipper (exporter) acknowledging that the carrier has received the goods. It describes the kind and quantity of goods the carrier receives from the shipper. It also indicates how the goods will be shipped and specifies the destination. A certificate of origin is a document that indicates the country in which goods being exported are obtained, produced, manufactured, or processed. To determine import duties, countries consider the country of origin of imported goods. They also consider the country of origin when deciding whether the products can be legally imported.

Foreign Trade Zones

A foreign trade zone (FTZ) is an area designated by a country as a specialized zone where products may be exempt from duties. Products in these zones can be stored, modified, displayed, or otherwise used for business without paying duties. If a company assembles a product in an FTZ for sale in that country, it can pay a duty at lower finished-product tariff rate instead of a higher component-part rate. If the products are exported out of an FTZ, no import duties are paid to the country where the FTZ is located. Foreign trade zones are not just on ports. The largest U.S. foreign trade is in Kansas City, Missouri. This zone is more than 16 million square feet in size

INTERNATIONAL LOGISTICS

Logistics has become an important part of international business strategy. At one time, it was difficult to predict how long it would take for products to move around the world. Today, weather satellites and global positioning systems (GPS) allow ships to avoid bad weather

and limit risks. Container ships can be loaded in one country and can cross the Pacific Ocean to another country in ten days. Individual shipments can be tracked to ensure that inventory arrives JIT (just-in-time).

Logistics and the Total Cost Concept

Transportation costs are a large portion of the total cost involved in exporting a product. When companies use a total cost concept, they must take into consideration all the costs involved in delivering a product to a customer. For example, it may seem logical that the transportation costs of shipping products by water or land would be much cheaper than the costs of shipping products by air. But there are considerations other than the shipping costs. Products shipped by water or land arrive with less certainty than products shipped by air. These products may need to be warehoused and insured for longer periods of time. There also are greater chances for loss, spoilage, and obsolescence. If the total cost of shipping by air is lower than these costs, then shipping by air should be the preferred shipping method.

A Computer manufacturer obtains component parts from around the world. One very expensive component is computer chips. These chips are typically small and light. The price on chips can fluctuate rapidly, but most often the price goes down. These products are subject to theft because they can be used in most computers around the world. Given these considerations, airfreight is a good choice for shipping. It limits the shipping time, enhances security and control of the products, and helps ensure that they will arrive when needed by manufactures.

Power supplies are one of the heaviest parts of a computer. Technology on these components does not change rapidly. If shipped overseas, ocean freight is likely to be used to transport these products. Since this method is less reliable, a larger supply needs to be maintained in inventory to ensure that components are ready for

assembly. Maintaining a larger inventory increases the total cost of this component.

Often shipping costs are negotiated. The term free on board (FOB) is used to indicate where the shipper pays for the cost of loading and transporting products. For example, if a business in New York sends products FOB New York, it means that the Buyer pays for shipping from the New York dockside. FOB destination means that the seller pays shipping to the receiving point of the buyer. Sellers also can agree to cover cost, insurance, and freight (CIF). A computer manufacturer may want to negotiate with its suppliers an FOB destination contract covering CIF. In this way, it may be able to lower its cost of purchasing products. This type of contract may work for a large buyer of computer products like Dell, but it may not work for a smaller buyer with less negotiating power.

Transportation Modes

There are a number of different transportation modes that exporters use when they ship products. Each of these alternatives has advantages and disadvantages.

Water Transportation Water transportation may be used for transport either within a continent or across oceans. Barges are often used to transport products within a continent on rivers and lakes. Barges most often carry large bulk items and commodities such as grain or minerals. Oceangoing water transportation has changed considerably with containerized shipments. About 90 percent of the world's trade is transported in cargo containers. Almost half of the value of U.S. imports arrives by container ships. This amounts to nearly nine million cargo containers are offloaded at U.S. seaports each year.

Air Cargo Also called airfreight, air cargo is a growing part of international shipping. Just as containerized oceangoing ships have revolutionized ocean shipping, containerized jumbo jets are able to

carry over 90 tons of products. The largest air cargo shipper in the world is FedEx. Air cargo allows for direct shipping of products from airport to airport just about anywhere in the world. While shipping costs with air cargo can be high, this method cuts down on the need for warehousing. It also limits the possibility of theft.

Land Transportation There are two major types of land transportation—rail and truck. Rail transport is typically used for bulk products. These modes of transportation require land connections. Products can move by land across Europe and Asia and by ferry into Africa. Products also can move between North and South America. Moving products over large distances increases the chances of loss, damage, and uncertainty of delivery.

Pipelines Pipelines typically are used for energy-related products such as oil and natural gas. Other products, such as coal, can be put into a slurry (a liquid mixture) and shipped through pipelines.

Intermodal Transport

Often products move by a combination of transportation modes, or through **intermodal transport**. Most often, intermodal transport includes using containerized shipping linked to truck transport.

- Fishy back is a term used for the containerized shipping of goods between trucks and ships.
- A piggyback system of transportation requires the transfer of containers between truck and rail.
- A bird back system of transportation requires the transfer of containers between truck and air cargo.

Exercises:

I. Match each word from column A with one of the words or phrases from column which has the same meaning.

- | | |
|-------------------|-----------------------------------------------------------------|
| 1. document | a. an official order that forbids sth. |
| 2. commit | b. becoming out of date |
| 3. conduct | c. to direct or manage |
| 4. immigration | d. a place to which sb/sth is going or being sent. |
| 5. embargo | e. an official or formal paper |
| 6. destination | f. a large shape , body or person |
| 7. spoilage | g. to do sth. illegal or wrong |
| 8. obsolescent | h. the decay of good |
| 9. bulk | i. an attempt to change the system of government |
| 10. revolutionize | j. the process of coming to live in another country permanently |

II. Choose the correct answer (a , b , c or d)

1. is the process of shipping a product to another part of the word for trade or sale.
2. Is receiving exported products
a. Importing b. Exporting c. Logistic d. Documentation
3. In a business uses brokers or agents to help find

customers and export products.

- a. direct exporting
- b. indirect exporting
- c. market
- d. a , b and c

4. A country's acts as immigration control for products entering the country.

- a . customs
- b. duties
- c. markets
- d. agents

5. There are a number of important documents that must exported/ imported products.

- a. Join
- b. receive
- c. accompany
- d. consider

6. To determine import..... , countries consider the country of origin of imported goods.

- a. fears
- b. products
- c. origin
- d. duties

7. products in FTZ can be stored, modified,

- a. designated
- b. specialized
- c. used
- d. displayed

8. There are greater chances for loss,, and obsolescence

- a. insurance
- b. spoilage
- c. deliver
- d. cost

9. With, a company actively controls finding markets and exporting products.

- a. indirect exporting
- b. direct exporting
- c. exporting
- d. importing

10 . A is an intermediary that helps products move Through customs.

- a . broker
- b. customs broker
- c. agency
- d. company

III. Fill in the blanks with the appropriate words from the list below.

- a. land b. issued c. portion d. inventory e. damage
f. origin g. strategy h. predict i. square j. system

1. A bill of lading is a document by a carrier to a shipper acknowledging.
2. They also consider the country of when deciding whether the products can be legally imported
3. This zone is more than the million feet in size.
4. At one time , it was difficult to How long it would take for products to move around the world.
5. Transportation cost involved in exporting a product.
6. products shipped by water or arrive with less certainty than products shipped by air.
7. Logistic has become an important part of international business
8. Maintaining a larger increases the total cost of this component .
9. Moving products over large distances increases the chances of loss , , and uncertainty of delivery.
10. A bird back of transportation requires the transfer of contains between truck and air cargo.

The Answer keys:

I. 1.e 2.g 3.c 4.g 5.a 6.d 7.h 8. b 9.f 10.i

II. 1.c 2.a 3.b 4.a 5. c 6.d 7.d 8.b 9.b 10.b

III. 1. issued 2. origin 3.square 4.perdict
5. portion 6. land 7.strategy 8.inventory
9.damage 10.system

