Introduction to Marketing I 2e (MKTG 1010)

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NSCC FACULTY AND LUMEN LEARNING

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Contents

Dedication

Nova Scotia Community College faculty join with all the contributors in dedicating this book to reducing the cost of education in business.

This book is also dedicated to the students who use it to advance their learning and to improve the quality of life in their communities.
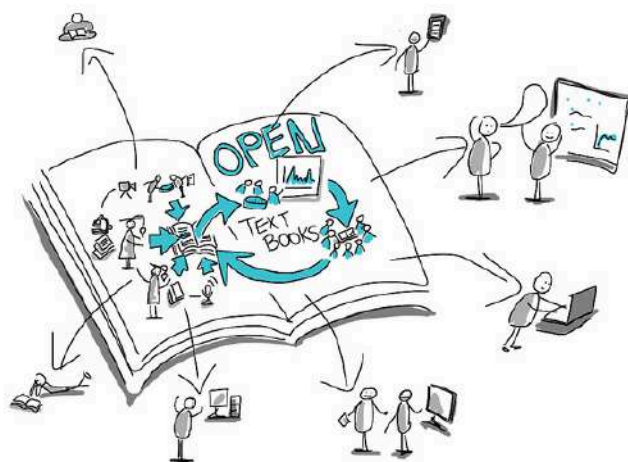
Open textbooks by Giulia Forsythe CC0 | *flickr*

Acknowledgements

Nova Scotia Community College (2021 edition)

This text, and the related *Introduction to Marketing* II are adapted remixed versions of Lumen Learning's [Principles of Marketing.](#) They were first adopted at Nova Scotia Community College (NSCC) in 2020 and were subsequently enhanced and improved in 2021 with support from the NSCC School of Business and Creative Industries faculty along with NSCC students funded through grants from AtlanticOER (Council of Atlantic University Libraries) and the NSCC Foundation.

The content was modified to suit the emerging needs of teachers and learners. Canadian examples and Canadian regulatory requirements was added to make the text relevant to Canadian students. The text was also integrated into a Learning Management System with customized PowerPoints and Quizzes – a Brightspace shell.

Faculty team members for the 2021 revision project included: Di Best, Deirdre Evans, Jules Fauteux, Helen Graham, Teri Green, Melanie Grant, Tara Laceby, Phyllis LeBlanc, Harold Lowe, Shari Mallory, Bonnie O'Toole, Barbara Powers, Rankin MacMaster, Terry Sulis, and Wendy Tarrel.

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Team members from the 2020 adoption included: Di Best, Deidre Evans, Jules Fauteux, Rankin MacMaster, Barbara Powers, and George Swaniker.

Special thanks to Lynn MacGregor for her dedication and support as a foundational OER champion at NSCC.

About Lumen Learning and the original edition of this work

Lumen Learning's mission is to make great learning opportunities available to all students, regardless of socioeconomic background.

The Lumen online course *Principles of Marketing* was developed by Lumen Learning. Primary sources for the course include Introducing Marketing by John Burnett, Boundless Marketing, and videos provided by the BBC.

Contributors to the Lumen Learning Course

The work benefited from the contributions of many people, including Ryan Seiler, Hailey Williams, Georgia Kleinwolterink, Christian David, Michael Kovens, Nate Cottrell, Breanne Miller, Colby Dutton, Leanne Marchand, John Panou, Sean Cullen, Sharon Weis, Hernadi Budisantoso, and Erik Robinson.

CHAPTER 1: WHAT IS MARKETING?

- What is marketing?
- Define marketing
- Identify evidence of marketing in everyday life
- Demonstrate a clear understanding of the marketing concept
- Describe the role of marketing in building and managing customer relationships
- Describe how different types of organizations, such as non-profits, consumer product (B2C) firms and business-to-business (B2B) organizations, use marketing
- Explain how marketing creates value for the consumer, the company, and society

1.1 Why It Matters: What Is Marketing?

When you hear the term "marketing," what comes to mind?

Based on what you know about marketing right now, what one word would you use to describe it? Take a moment to write it down. We'll come back to it shortly.

Marketing is a tool used by companies, organizations, and people to shape our perceptions and persuade us to change our behaviour. The most effective marketing uses a well-designed strategy and a variety of techniques to alter how people think about and interact with the product or service in question. Less-effective marketing causes people to turn off, tune out, or not even notice.

Why should you care about marketing? Marketing is an ever-present force in modern society, and it can work amazingly well to influence what we do and why we do it. Consider these points:

Marketing sells products.

Marketing informs organizations about what people want, and it informs people about products and services available to feed our wants and needs. From overt advertising to covert "recommendations" about things you might like based on other things you've purchased, marketing shows us different choices and tries to influence our buying behavior.

As you view its site, Amazon.com gleans information about you and what you're shopping for. Then it suggests other products that might interest you: items similar to what you viewed, special deals, and items other people bought who were shopping for the same things as you. The genius of this technique is that it's marketing masquerading as helpful information sharing.

Recommendations for You

Screenshot of Amazon recommendation engine

Marketing changes how you think about things.

Effective marketing shapes people's perceptions of the world around them, for better or for worse. Marketing can cause you to think differently about an issue, product, candidate, organization, or idea. When you are attuned to marketing forces and practices, you can exercise better judgment about the information you receive.

The ad below lets you speculate about what the checkboxes might be about before revealing the truth at the very end. They shift expectations and showcase that presumptions about looks are irrelevant when it comes down to the important things in life.

Marketing creates memorable experiences.

Some of the most imaginative marketing is not a message or an image. Instead it's an entire experience that gives people a deepened understanding, enjoyment, or loyalty to whomever is providing the experience.

This IKEA event created a slumber party atmosphere for avid fans of the home furnishing store, inviting them to stay in the store overnight and live temporarily in the store display. It's a great way to encourage people to interact more deeply with your product.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=36

You can view the transcript for "IKEA BIG Sleepover". (opens in new window)

Marketing alters history.

Marketing has been known to unleash attitudes and forces that alter the course of history. Today, marketing plays a pronounced role in political campaigns, policy debates, and mobilizing citizen support for public affairs initiatives.

The Barack Obama "Hope" poster became globally recognizable and represented his 2008 presidential campaign. The image was created by Shepard Fairey, who took historical inspiration from the well-known JFK portrait where he is posed similarly. [1] Having a political campaign that stands out not only helps with engagement from potential voters, but can also serve as a memorable example for the ones to come in the future as they go down in history for being

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1. Fisher III, William; Cost, Frank; Fairley, Shepard; Feder, Meir; Fountain, Edwin; Steward, Geoffrey; Sturken, Martina, "Reflections on the Hope Poster Case", Harvard Journal of Law and Technology. http://jolt.law.harvard.edu/articles/pdf/v25/25HarvJLTech243.pdf

outstanding and different. The image today still stands strong as most people have a positive association with it and because of the message behind it that resonated strongly with them.[2]

The most widely distributed version of Shepard Fairey's Obama poster, featuring the word "hope".[3]

Marketing can use a variety of elements to shape perceptions and behaviour: words, images, design, experiences, emotions, stories, relationships, humor, sex appeal, etc. And it can use a wide variety of tactics, from advertising and events to social media and search-engine optimization. Often the purpose is to sell products, but as you can see from the examples above, the goal of any specific marketing effort may have little to do with money and much more to do with what you think and do.

Go back to that word you jotted down to describe marketing at the top of the page. Now that you've had a little more exposure to the concept, what word comes to mind to describe "marketing"? Is it the same word you chose earlier, or are you starting to think differently?

By the time you finish this course, you will have a broader understanding of marketing beyond TV commercials and

2. Paragraph adapted from: Barack Obama "Hope" poster. (2021, May 6). In *Wikipedia.* https://en.wikipedia.org/wiki/Barack_Obama_%22Hope%22_poster

billboards and those annoying pop-up ads on the websites you visit. You'll learn how to see marketing for what it is. You'll learn how to be a smart consumer and a smart user of marketing techniques when the need for them arises in your life.

1.2 Marketing Defined

Marketing is more than just banner ads, television commercials, and people standing on roadsides dressed up like the Statue of Liberty during tax time. It's a complex set of activities and strategies that influences where we live, what we wear, how we conduct business, and how we spend our time and money. Marketing activities are conducted in an environment that changes quickly both in terms of customer demand and the methods by which consumers obtain information and make purchases. However, before you learn about these complex variables, you will need a good working definition of marketing. The following video has one (actually two).

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=38

You can view the [transcript for "What Is Marketing? Two Answers To This One Question"](). (opens in new window)

Let's move ahead so that you can gain a richer definition and understanding of marketing.

Learning Activities

- Reading: Marketing Defined

Reading: Marketing Defined

Hong Kong umbrella revolution. Peaceful street protest in 2014.

What Is Marketing?

Marketing is a set of activities related to creating, communicating, delivering, and exchanging offerings that have value for others. In business, the function of marketing is to bring value to customers, whom the business seeks to identify, satisfy, and retain. This course will emphasize the role of marketing in business, but many of the concepts will apply to non-profit organizations, advocacy campaigns, and other activities aimed at influencing perceptions and behaviour.

The Art of the Exchange

In marketing, the act of obtaining a desired object from someone by offering something of value in return is called the exchange process. The exchange involves:

- **the customer (or buyer):** a person or organization with a want or need who is willing to give money or some other personal resource to address this need
- **the product:** a physical good, a service, experience, or idea designed to fill the customer's want or need
- **the provider (or seller):** the company or organization that is offering a product (a good, service, experience, or idea) to satisfy a need
- **the transaction:** the terms around which both parties agree to trade value-for-value (most often, money for product)

Individuals on both sides try to maximize rewards and minimize costs in their transactions, in order to gain the most profitable outcomes. Ideally, everyone achieves a satisfactory level of reward.

Marketing creates the goods and services that the company offers at a price to its customers. The entire bundle consists of a tangible good, an intangible service, and the price is the company's offering. When you compare one car to another, for example, you can evaluate each of these dimensions—the tangible, the intangible, and the price—separately. However, you can't buy one manufacturer's car, another manufacturer's service, and a third manufacturer's price when you actually make a choice. Together, the three make up a single firm's offer.

Marketing is also responsible for the entire environment in which this exchange of value takes place. Marketing

identifies customers, their needs, and how much value they place on getting those needs addressed. Marketing informs the design of the product to ensure it meets customer needs and provides value proportional to what it costs. Marketing is responsible for communicating with customers about products, explaining who is offering them and why they are desirable. Marketing is also responsible for listening to customers and communicating back to the provider about how well they are satisfying customer needs and opportunities for improvement. Marketing shapes the location and terms of the transaction, as well as the experience customers have after the product is delivered.

Marketing Creates Value for Customers

According to the influential economist and Harvard Business School professor Theodore Levitt, the purpose of all business is to "find and keep customers." Marketing is instrumental in helping businesses achieve this purpose. It's a way of thinking about business, rather than just a collection of techniques. It's much more than just advertising and selling stuff and collecting money. Marketing generates value by creating connections between people and products, customers and companies.

This happens by *identifying*, *satisfying*, and *retaining customers*, which are also the main roles of marketing.

Before you can create anything of value, first you must **identify** a want or need that you can address, as well as the prospective customers who possess this want or need.

Next, you work to **satisfy** these customers by delivering a product or service that addresses these needs at the time customers want it. The key to customer satisfaction is making sure everyone feels they benefit from the exchange. Your customer is happy with the value they get for what they pay. You are happy with the payment you receive in exchange for what you provide.

Effective marketing doesn't stop there. It also needs to **retain** customers by creating new opportunities to win customer loyalty and business.

THE ROLE OF MARKETING

IDENTIFY CUSTOMERS
- Understand customer wants and needs
- Identify whom to target and how to reach them

SATISFY CUSTOMERS
- Make the right product or service available to the right people at the right time
- Make everyone feel better off from the exchange

RETAIN CUSTOMERS
- Give customers a reason to keep coming back
- Find new opportunities to win their business

As you will learn in this course, marketing encompasses a variety of activities focused on accomplishing these objectives. How companies approach and conduct day-to-day marketing activities vary widely. For many large, highly visible companies, such as Disney-ABC, Proctor & Gamble, Sony, Toyota, and Bell Canada marketing represents a major expenditure. Such companies rely on effective marketing for business success, and this dependence is reflected in their organizational strategies, budget, and operations. Conversely, for other organizations, particularly those in highly regulated or less competitive industries such as utilities, social services, medical care, or businesses providing one-of-a-kind products, marketing may be much less visible. It could even be as simple as a website or an informational brochure.

There is no one model that guarantees marketing success. Effective marketing may be very expensive, or it may cost next to nothing. What marketing must do in all cases is to help the organization identify, satisfy, and retain customers. Regardless of size or complexity, a marketing program is worth the costs only if it facilitates the organization's ability to reach its goals.

1.3 Marketing in Action

- Recognize marketing activities in daily life
- Explain the differences between marketing, advertising, branding, and sales
- Identify evidence of marketing in everyday life

In this section, you'll get a chance to explore the concept of marketing further and see how it's at work in the world around you. It may surprise you to discover how much the term encompasses.

Learning Activities

- Reading: Marketing in Action

Reading: Marketing in Action

Marketing is all around you. Enter a store, walk down the street, browse the Internet, or glance through your closet. Whether you realize it or not, some aspect of marketing is likely at work in each of these activities.

In the following scenarios, consider the lengths to which marketers go to identify, satisfy, and retain you as a customer. See if you can draw examples from your own experience that demonstrate marketing in action.

Scenario #1: Life on the Streets

You're walking down an urban street and, on impulse, you head into a trendy-looking clothing store. Right away, you pick out the obvious signs of marketing: shop signs, posters, window displays, sale notices, product displays, and brand names. Then come the less obvious, "environmental" things: the interior design, colours, aromas, the background music, announcer messages, the pricing structure, the way store clerks approach you–or leave you alone. All these details are part of a coordinated marketing strategy aimed at creating an ideal environment to separate you from your money. You may or may not be aware of how this is happening, but rest assured it is at work.

Scenario #2: Virtual Reality

Suppose you're taking a short break from studying and doing a little online browsing—there's news to read and Facebook to check. And you need to find a birthday present for your aunt . . . What kinds of marketing are ready to intrude?

What jumps out at you immediately are the ads on the Web sites you visit: Facebook, Instagram, email, even your Google results. Annoyingly, you have trouble finding the X to close a pop-up banner ad that has taken over your screen. But that's not all.

Before you're allowed to navigate to an article you want to read, you're invited to take a "very short" user feedback survey. Back to your aunt: you head to Amazon.com to read a couple of customer reviews of the book you have in mind for her. Amazon recommends several other books, and one looks ideal. You compare prices at other booksellers, but Amazon beats them, so you place your order. In the end, you find exactly what you want, and it will be shipped that day. Thank you, marketing!

Screenshot of Amazon page for the book on Mini Farming

Scenario #3: In My Room

Now imagine you're back at home, hanging out in your room. How is "marketing" invading your personal space?

Miller Hall residence room

In the privacy of your own home, the presence of marketing might seem less obvious, but it's definitely there. Pouring yourself a bowl of cereal, you see the back of the cereal box is inviting you to enter a sweepstakes contest. When you switch on the TV, a few ads slip by, even though you're watching shows recorded on your DVR. Between programs, logos, and messages from broadcasting networks tell you about other shows you don't want to miss. As you're becoming more

attuned to the presence of advertising, you start to notice how all the characters in your favourite sitcom are drinking Pepsi products. Is that just a coincidence? Probably not.

You look at the clock and realize it's time to change for work. Opening your closet, you notice the logos on your favorite shirts. Not only do you love how those clothes fit, but you recognize an emotional connection: those clothes–and brands–make you feel confident and attractive. How's that for invasive marketing?

Marketing Is Everywhere

The purpose of this course is *not* to start making you suspicious or even paranoid about the influence of marketing in your everyday life.

In fact, marketing can play an important and beneficial role by connecting you to information, people, and things. It can make you aware of things you care about but wouldn't otherwise encounter. When marketing is working well, the new information it brings to you also aligns with what you're already interested in doing or exploring.

At times, marketing might feel more like an assault than an assist. Visual images on posters or billboards scream for your attention. Sponsor announcements persistently remind you which organizations are making your entertainment possible. Sleek product designs beckon you to try on clothing or try out gadgets. Sales promotions create a sense of urgency to spend now or lose out.

The right balance between "helpful" and "annoying" varies, depending on who you are and what type of relationship you have with the entity doing the marketing. When the balance starts to get off-kilter, it's a clue that something isn't working as well as it should in the marketing strategy and execution.

Marketing Activities

Marketing encompasses all the activities described above. It covers an entire spectrum of techniques focused on identifying, satisfying, and retaining customers. For people new to the concept of marketing, it can be easy to confuse marketing with some of the powerful and visible tools that marketers use.

Marketing vs. Advertising

Advertising uses paid notices in different forms of media to draw public attention to a company, product, or message, usually for the purpose of selling products or services.[1] While advertising is a common and useful tool for marketing, it's just one of many tactics marketers may use to achieve their goals.

1. "Advertising." The Free Dictionary. Accessed September 10, 2019.
http://www.thefreedictionary.com/advertising

Marketing vs. Branding

Branding is the practice of "creating a name, symbol or design that identifies and differentiates a product from other products." [2] Brand is a powerful tool for shaping perceptions about a company or product in order to attract and retain loyal customers by standing out. Marketing processes and activities build brands, and branding is an important strategic consideration in any marketing effort. At the same time, marketing refers to a broader scope of activity than just branding.

Marketing vs. Sales

Sales refer to the process of actually selling products or services, leading up to the point where the exchange of value takes place. Effective marketing aligns well with the sales process and leads to increased sales. While marketing and sales are intertwined, the scope of marketing is generally considered broader than just supporting sales. Marketing helps identify prospective customers and prepares them to enter the sales process as informed, receptive, qualified sales leads.

This course will explore all these marketing activities in much more detail to give you a clear picture of how these tools can be employed to support an organization's broader marketing goals.

2. "Branding". Entrepreneur. Accessed May 11, 2021. https://www.entrepreneur.com/encyclopedia/branding

1.4 The Marketing Concept

Demonstrate a clear understanding of the marketing concept

You're probably very skilled at recognizing the signs of marketing. We've all had the experience of being on the receiving or customer end of marketing efforts—whether through advertising or sales tactics. In this section you'll get to understand the marketing orientation, or *marketing concept*, from the standpoint of setting priorities and doing business. You'll learn that the marketing orientation is a mindset grounded in one thing: knowing and satisfying the customer. Not all businesses follow a marketing orientation, however—some are focused on other priorities, such as product and production. In this section you'll see what sets the marketing concept apart.

Learning Activities

- Reading: The Marketing Concept

Reading: The Marketing Concept

Company Orientation and the Marketing Concept

In every transaction between a buyer and seller, there is an underlying dynamic that governs the parties' perception of the exchange. Sometimes the exchange is very one-sided, with one party exercising most of the power and the other only in a position to react. In some cases, deception and lying permeate the exchange. Other exchanges are more equitable, with each party receiving about the same value as the other. The customer's need is satisfied, and the business makes a reasonable profit.

With the emergence of the Internet and e-commerce, the nature of the exchange has changed dramatically for many businesses and customers. Today, people have access to far more and far better information than they did previously. They also have many more choices. To remain competitive, businesses must match or exceed the practices of competitors that are quick, smart, and open twenty-four hours a day.

A central aim of marketing is to help organizations understand and respond to customer needs and expectations, while keeping the customer informed about how the organization can address those needs. When you employ marketing correctly, you know that this process is easier if you keep in constant contact with the customer. It doesn't necessarily mean that you must write and call regularly (although it could), but that you must take steps to know a great deal about the characteristics, values, interests, and behaviours of its customers. It means that you monitor these factors and how they change over time. Although this process is not an exact science, there is evidence that marketers who do this well tend to succeed.

The Marketing Concept

An organization adopts the marketing concept when it takes steps to know as much about the consumer as possible, coupled with a decision to base marketing, product, and even strategy decisions on this information. These organizations start with the customers' needs and work backward from there to create value, rather than starting with some other factor like production capacity or an innovative invention. They operate on the assumption that success depends on doing better than competitors at understanding, creating, delivering, and communicating value to their target customers.

The Product Concept

Both historically and currently, many businesses do not follow the marketing concept. For many years, companies such as Texas Instruments and Otis Elevator have followed a *product orientation*, in which the primary organizational focus is technology and innovation. All parts of these organizations invest heavily in building and showcasing impressive features and product advances, which are the areas in which these companies prefer to compete. This approach is also known as the *product concept*. Rather than focusing on a deep understanding of customer needs, these companies assume that a technically superior or less expensive product will sell itself. While this approach can be very profitable, there is a high risk of losing touch with what customers actually want. This leaves product-oriented companies vulnerable to more customer-oriented competitors.

The Sales Concept

Other companies follow a sales orientation. These businesses emphasize the sales process and try to make it as effective as possible. While companies in any industry may adopt the sales concept, multilevel-marketing companies such as Herbalife and Amway generally fall into this category. Many business-to-business companies with dedicated sales teams also fit this profile. These organizations assume that a good salesperson with the right tools and incentives is capable of selling almost anything. Sales and marketing techniques include aggressive sales methods, promotions, and other activities that support the sale. Often, this focus on the selling process may ignore the customer or view the customer as someone to be manipulated. These companies sell what they make, which isn't necessarily what customers want.

The Production Concept

The production concept is followed by organizations that are striving for low-production costs, highly efficient processes, and mass distribution (which enables them to deliver low-cost goods at the best price). This approach came into popularity during the Industrial Revolution of the late 1800s when businesses were beginning to exploit opportunities associated with automation and mass production. Production-oriented companies assume that customers care most about low-cost products being readily available and less about specific product features. Henry Ford's success with the groundbreaking assembly-line–built Model T is a classic example of the production concept in action. Today this approach is still widely successful in developing countries seeking economic gains in the manufacturing sector.

Ford first moving assembly line 1913, Highland Park, Michigan

Seeing the Whole Picture

Savvy businesses acknowledge the importance of product features, production, and sales, but they also realize that the broader focus of the three-step process described below will help them be most effective:

1. Continuously collect information about customers' needs and competitors' capabilities;
2. Share the information across departments; and
3. Use the information to create a competitive advantage by increasing value for customers.

This is a true marketing orientation.

1.5 Marketing and Customer Relationships

The marketing concept provides exactly the right mindset for what we ultimately want to achieve: building strong relationships with customers. Next we'll explore how marketing plays a central role in each stage of building and managing customer relationships.

Reading: Marketing and Customer Relationships

Customer Relationship Management: A Strategic Imperative

We have stated that the central purpose of marketing is to help organizations identify, satisfy, and retain their customers. These three activities lay the groundwork for what has become a strategic imperative in modern marketing: customer relationship management.

Building relationships between customers and companies is a natural outgrowth of the marketing concept, which orients entire organizations around understanding and addressing customer needs. But only in recent decades has technology made it possible for companies to capture and utilize information about their customers to such a great extent and in such meaningful ways. The Internet and digital social media have created new platforms for customers and product providers to find and communicate with one another. As a result, there are more tools now than ever before to help companies create, maintain, and manage customer relationships.

Maximizing Customer Lifetime Value

Central to these developments is the concept of customer lifetime value. Customer lifetime value predicts how much profit is associated with a customer during the course of their lifetime relationship with a company.[1] One-time customers usually have a relatively *low customer lifetime value*, while frequent, loyal, repeat-customers typically have a *high customer lifetime value*. Companies develop strong, ongoing relationships with customers who are likely to have a high customer lifetime value *through marketing.*

Marketing applies a customer-oriented mindset and, through particular marketing activities, tries to make initial contact with customers and move them through various stages of the relationship—all with the goal of increasing lifetime customer value. These activities are summarized below.

<div>

Typical Marketing Activities during each Stage of the Customer Relationship

Stage 1: Meeting and Getting Acquainted

- Find desirable target customers, including those likely to deliver a high customer lifetime value

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1. "Customer Lifetime Value." Cambridge Dictionary. Accessed September 10, 2019. http://dictionary.cambridge.org/us/dictionary/english/customer-lifetime-value

- Understand what these customers want
- Build awareness and demand for what you offer
- Capture new business

Stage 2: Providing a Satisfying Experience

- Measure and improve customer satisfaction
- Track how customers' needs and wants evolve
- Develop customer confidence, trust, and goodwill
- Demonstrate and communicate competitive advantage
- Monitor and counter competitive forces

Stage 3: Sustain a Committed Relationship

- Convert contacts into loyal repeat customers, rather than one-time customers
- Anticipate and respond to evolving needs
- Deepen relationships, expand reach of and reliance on what you offer

Another benefit of effective customer relationship management is that it reduces the cost of business and increases profitability. As a rule, winning a new customer's business takes significantly more time, effort, and marketing resources than it does to renew or expand business with an existing customer.

Customer Relationship As Competitive Advantage

As the global marketplace provides more and more choices for consumers, relationships can become a primary driver of why a customer chooses one company over others (or chooses none at all). When customers feel satisfaction with and affinity for a specific company or product, it simplifies their buying choices.

For example, why might a woman shopping for a cocktail dress choose to go to Hudson's Bay (The Bay) rather than Walmart, or pick from an army of online stores? Possibly because she prefers the selection of dresses at The Bay and the store's atmosphere. It's much more likely, though, that thanks to The Bay's practices, this shopper has a relationship with an attentive sales associate who has helped her find great outfits and accessories in the past. She also knows about the store's customer-friendly return policy, which might come in handy if she needs to return something.

A company like The Bay delivers such satisfactory experiences that its customers return again and again. A consistently positive customer experience matures into a relationship in which the customer becomes increasingly receptive to the company and its products. Over time, the customer relationship gives The Bay a competitive advantage over other traditional department stores and online retailers.
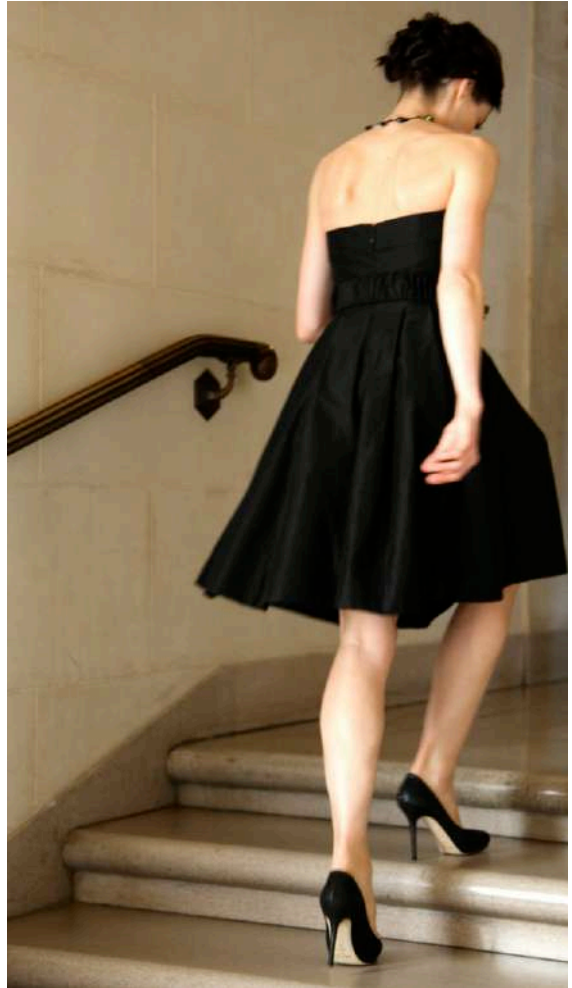
When Customers Become Your Best Marketing Tool

Customer testimonials and recommendations have always been powerful marketing tools. They often work to persuade new customers to give something a try. In today's digital media landscape there is an unprecedented opportunity for companies to engage customers as credible advocates. When organizations invest in building strong customer relationships, these activities become particularly fruitful.

For example, service providers like restauranteurs, physical therapists, and dentists frequently ask regular patrons and patients to write reviews about their real-life experiences on popular recommendation sites like Yelp and Google+. Product providers do the same on sites like Amazon and CNET.com. Although companies risk getting a bad review, they usually gain more by harnessing the credible voices and authentic experiences of customers they have served. In this process they also gain invaluable feedback about what's working or not working for their customers. Using this input, they can retool their products or approach to better match what customers want and improve business over time.
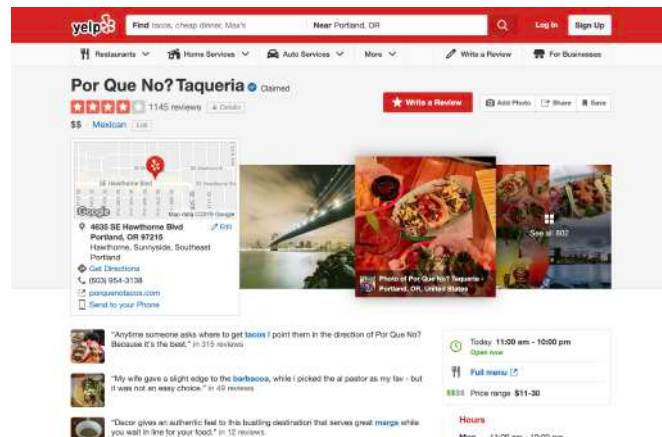
Additionally, smart marketers know that when people take a public stance on a product or issue, they tend to become more committed to that position. Thus, customer relationship management can become a virtuous cycle. As customers have more exposure and positive interaction with a company and its products, they want to become more deeply engaged, and they are more likely to become vocal evangelists who share their opinions publicly. Customers become an active part of a marketing engine that generates new business and retains loyal customers for repeat business and increased customer lifetime value.

Engagement Marketing: Making Customers Part of the Brand

A further step beyond customer evangelism is engagement marketing, the practice of reaching out to customers and encouraging them to become full participants in marketing activity and the growth of a brand. Sometimes called "live marketing," this approach is becoming more common as media and technology provide more interactive, visible, and sharable ways for consumers to connect with brands and companies.

A mind shift is underway, away from one-way, company-to-consumer communication toward marketing activities that invite consumers to shape and become part of the value a brand provides. In an increasingly crowded marketplace, many organizations find that they can distinguish themselves and their products by creating "tribes" of fans who not only advocate for the brand but also actively make it part of their daily activities and lifestyle. Customers might even become involved in developing marketing programs, producing content that can be used for marketing purposes, and cultivating one-on-one relationships with a company or brand.

Creative marketers have invented many ways to foster engagement marketing. The self-promotional mindset and proliferating tools of social media are a natural fit for making customers part of a brand. People "check-in" at their favorite restaurants and post photos to communicate with friends when they are having fun. Bloggers routinely name-check favorite products, review them, and carry on conversations about them in their posts.

The phenomenon of engagement marketing helps explain the meteoric rise in the popularity of GoPro cameras. When company leaders realized that their customers had an unquenchable appetite for sharing videos of amazing outdoor adventures (shot with GoPro cameras, of course), they built the company brand and marketing strategy around engaging customers in viral sharing. The following video, produced by YouTube, explains this engagement marketing success story.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=58

You can view the transcript for "GoPro YouTube Case Study | YouTube Advertisers". (opens in new window)

1.6 How Organizations Use Marketing

Learning Objectives

- Explain the difference between a customer and a consumer
- Define different types of organizations including B2C, B2B, and nonprofit organizations
- Provide examples of how each type of organization uses marketing
- Describe how different types of organizations, such as nonprofits, consumer product (B2C) firms, and business-to-business (B2B) organizations, use marketing

Although marketing activities come in many different forms, the fundamental principles of marketing apply, regardless of what you're trying to sell, advocate, or promote. Grounding your marketing efforts in a customer-oriented mindset and staying focused on the relationships you build with those customers will always steer you in the right direction.

At the same time, different organizations use marketing in different ways to achieve their goals. The next reading will give you more insight into how marketing supports the success of several common types of organizations.

Learning Activities

- Reading: How Organizations Use Marketing

Reading: How Organizations Use Marketing

Although we often think of marketing in the context of for-profit businesses and product sales, a wide variety of organizations use marketing to achieve their goals.

For-Profit Marketing Versus Nonprofit Marketing

For-profit organizations are typically privately owned or publicly traded companies with a primary purpose of earning money for their owners. Nonprofit organizations also earn money, but their primary purpose is to use these funds for a specific charitable purpose. Types of nonprofit organizations that may engage in marketing include schools and colleges, hospitals, museums, charitable organizations, and churches, among others.

As the terms denote, the difference between for-profit and nonprofit marketing is in the organization's primary objective. For-profit marketers measure success in terms of profitability and their ability to pay dividends or pay back loans. Continued existence depends on the level of profits they can generate. The primary focus of marketing is usually to sell products, services, experiences or ideas to target customers and to make these customer relationships as profitable as possible.

Left: Global Race for the Cure opening ceremony, Washington, DC. Right: Red Bull Flugtag competition, London.

Nonprofit institutions exist to benefit a stated mission or purpose, regardless of whether profits are achieved. Owing to their socially beneficial purpose, nonprofit organizations are subject to an entirely different set of laws—notably tax laws. While they are allowed to generate profits, they must use these funds in specific, philanthropic ways in order to maintain their nonprofit status. Marketing efforts focus on activities that promote the organization's mission. A school, college, or university might use marketing to attract students, improve academic reputation, and solicit donations from alumni. A museum or nonprofit theater company uses marketing to attract visitors, ticket sales, event sponsors, and philanthropic donations. Marketing for nonprofit hospitals usually focuses on attracting patients and strengthening reputation as a high quality health care provider.

Business-to-Consumer and Business-to-Business Marketing

An important distinction in how organizations use marketing is whether their efforts target business-to-consumer (B2C) transactions or business-to-business (B2B) transactions. In business and marketing, the **consumer** is the individual who actually uses the product. The **customer** is the individual who buys the product from a business. In some transactions, these are the same person, but in other transactions they are different entities.

Suppose you take a break from studying and walk to a corner store to buy a snack bar that's made by a local health-food company. From the perspective of the corner store owner, you are both the customer and the consumer in this transaction. However, from the perspective of the health-food company that made the

Chimpanzee natural energy bar

bar, you are only the consumer, because although you consumed the product, you didn't buy it from them. The health-food company's customer is the corner store owner who decides whether or not to stock their snack bars in her store.

In marketing, this distinction is important because it helps marketers better understand where to focus their attention. Business-to-business (B2B) marketers sell to other businesses or institutions that consume the product as part of operating the business, or use the product in the assembly of the final product they sell to consumers. Business-to-consumer (B2C) marketers focus their efforts on consumers, the individuals who consume a finished product.

A B2B Emphasis

The tools of marketing are available to both B2B and B2C organizations, but some tactics tend to be more effective than others in each type of marketing. Business-to-business marketers use more personal selling, in which a sales force builds personal relationships with individuals in decision-making roles to facilitate sales within the organizations they target. Professional conferences and trade shows provide opportunities for meeting and networking with a B2B marketer's target customers. Company Web sites are a primary way for B2B organizations to share information and promote their offerings. Since they usually target a narrow, specialized sliver of the population, B2B marketers have little need for mass advertising. Because B2B sales tend to be higher-priced, larger-ticket items, marketing tactics often include extensive adjustments in factors such as the selling price, product features, terms of delivery, and so forth.

A B2C Emphasis

For B2C marketers, such as consumer goods manufacturers, there is a dual focus. B2C marketers typically invest a lot in generating demand for their products among the general population. Mass marketing tactics designed to reach a large audience nearly always have a B2C focus: think Superbowl ads, Hockey Night in Canada, and anything hailing the return of McRib at McDonalds. At the same time, B2C marketers face a constant battle getting their products into retail outlets anywhere they don't sell directly to consumers.

IKEA Store, Beijing

A Dual Emphasis: B2B and B2C

Organizations may conduct both B2B and B2C marketing, targeting different types of customers. The Swedish home-furnishing company IKEA, for example, markets its ready-to-assemble, eco-friendly furniture and furnishings all over the world. IKEA's B2C marketing targets families, young professionals, and penny-pinching college students. Meanwhile, its B2B marketing focuses on small-business owners and start-up companies.

Whether to have a B2B or a B2C focus depends on whose perceptions you want shape, what behaviours you want to influence, and where the most promising opportunities are for making the impact your organization wants to achieve.

1.7 Value of Marketing

For some people, marketing has a reputation as being fluffy, superficial, and light. Certainly, a lot of marketing activities have earned that reputation over the years. One goal of this course is to help you understand the important role marketing plays in business and everyday life in today's globally connected world.

Are we arguing that marketing is an inherently good thing? No, we're arguing that it is an inherently useful and potentially powerful thing.

Is marketing a matter of life-and-death importance? Generally, no.

Does marketing save lives? Actually, sometimes it does. [1]

1. Bourne, K. (2021, March 25). *Alberta has spent more than $15M on Covid-19 awareness campaigns.* Global News. https://globalnews.ca/news/7720170/alberta-government-covid-19-advertising-cost/

Screenshot of a Global News story posted March 25, 2021 to Globalnews.ca

Learning Activities

- Reading: The Value of Marketing

Reading: The Value of Marketing

Marketing can mobilize attitudes and behaviour around a common vision. It is a powerful medium for expression, creativity, and sharing across an increasingly global society. Marketing can be an agent of change in the diffusion of ideas and innovation. It can also be self-serving and manipulative, playing on human fears and insecurities to separate people from their money and from one another.

With all this in mind, what value does marketing provide?
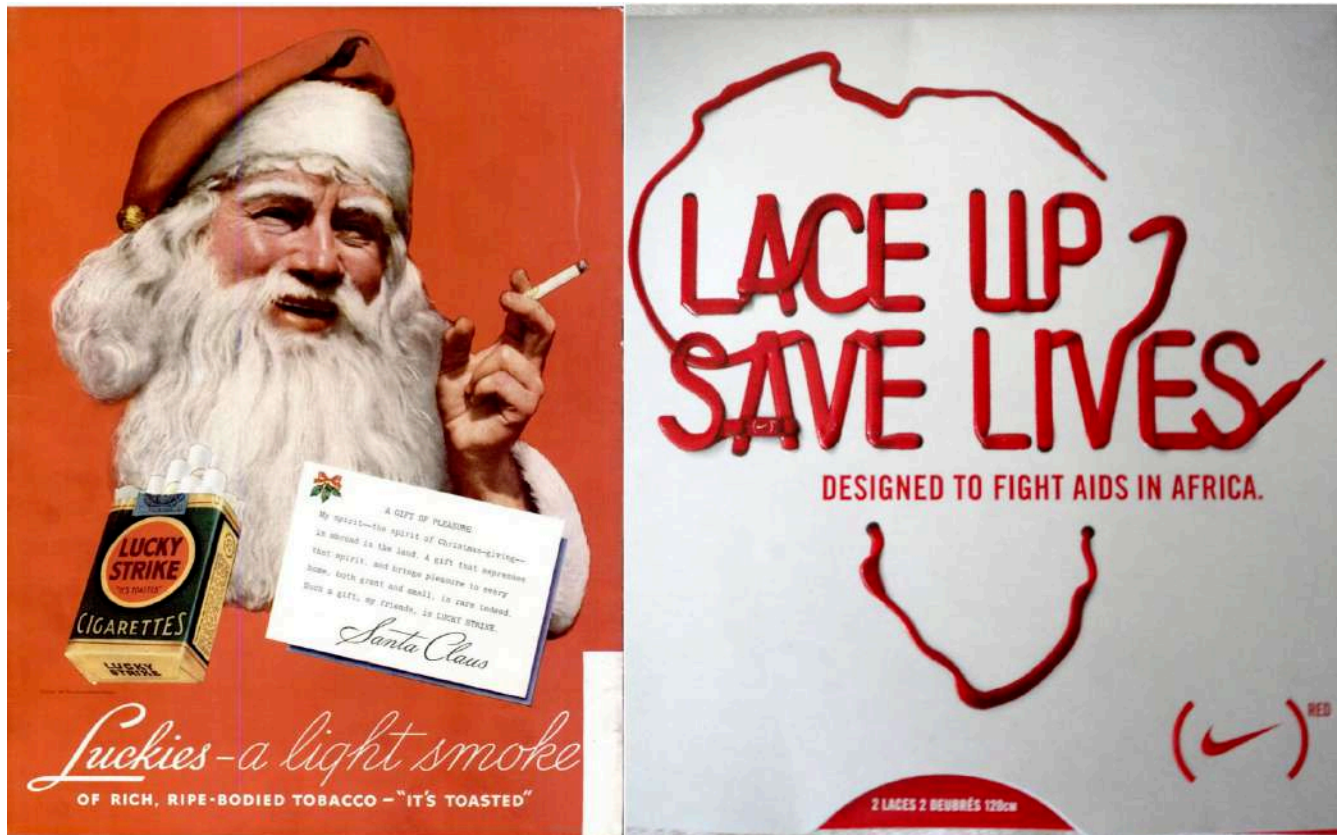
Left: Lucky Strike ad, LIFE Magazine, 1936. Right: Ad promoting Product Red, a licensed brand that partners with companies like Nike, Apple Inc., Converse, and others to raise funds to eliminate HIV/AIDS in Africa. Fifty percent of the profits generated by Red products are donated to the Global Fund to Fight AIDS.

Marketing remains an active, dynamic field because it serves useful purposes for organizations, individuals, and society.

Marketing Can Benefit Organizations

As explained earlier in this module, organizations use marketing to identify, satisfy, and retain customers. Marketing helps businesses know which problems to solve and which products, services, and experiences to offer. Effective marketing drives product improvements and determines the terms of profitable transactions. Marketing efforts help organizations build and sustain productive relationships with the people and groups they serve. Without effective

marketing, companies become islands that retain no meaningful connection to their customers. When an organization loses its audience, eventually it ceases to exist.

Marketing Can Benefit People

Individuals are not just *targets* of marketing; they can also be *beneficiaries*. Marketing helps people navigate the world around them to find the things that address their wants and needs. Marketing is responsible for the creation of products that delight people, improve their productivity, and alter their quality of life. In recent years, marketing has contributed to the pervasive information now available to help people make advantageous consumer choices. Marketing reduces the friction and hassle around transactions. Imagine, without marketing you would never know that many of the products you need exist, let alone how to find them.

Marketing and Society

Because marketing is grounded in commercial, profit-seeking behaviours, some would argue that society is a net loser rather than a net winner when it comes to marketing influence. However, effective marketing helps create the conditions for healthy competition and market efficiency, where companies and consumers communicate and exchange mutual value.

Like virtually any tool, marketing can be used for noble purposes or nefarious ones. Regardless, it has a pervasive presence in the modern world. As you learn about marketing and begin to practice its principles, you will see more clearly how it influences your daily life. You will identify opportunities where marketing skills can help you become more effective at achieving your personal and professional goals. With a foundation in marketing, you will become a more informed consumer of the products, services, experiences and ideas you encounter throughout your life.

Practice Quiz Chapter 1

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=968#h5p-4

CHAPTER 2: MARKETING FUNCTION

2.1 Why It Matters: Marketing Function

Identify the primary marketing activities of an organization

It's springtime. You've just graduated from college, and the Instagram photos of you wearing your cap, gown, and huge smile are still fresh. But your mind has quickly turned to other things, or rather, to one major thing: a job.

You have a newly minted degree and a new skill set you're fired up to use (and possibly a few unpaid loans on your back). Now you just need to get an employer to notice you, pick you out of the crowd, and invite you onto the team. In other words, you need to *market* yourself.

What does that mean?

You Are the Product

What is the unique combination of skills and capabilities you provide to prospective employers? What can you offer that's different and better than other candidates? It might be a language you speak, a depth of prior experience you bring, a course of training you completed, a familiarity with the industry, great communication skills, or some combination of characteristics that make you an attractive employee.

Who Is Your Customer?

Who do you want to work for? What type of work do you want to do? Prospective employers are the customers you want to appeal to. Get to know them by researching who they are, who's hiring, what hiring process they use and what they look for, how they get information about job candidates, and what makes them take a closer look.

How Do You Reach These Customers?

How can you connect with employers? Reaching prospective employers usually involves packaging and promoting yourself through a common set of job-search tools and activities—like job fairs, résumés, cover letters, LinkedIn profiles, networking lunches, meet-ups, and other ways to get an "in." As you find pathways to an employer, how do you make a

strong positive impression? Packaging and presentation are essential. You show you're a good fit by dressing for success, sharing sample work products, showcasing your expertise, and demonstrating interpersonal skills.

What's Your Price?

When it comes to salary and benefits, what is your negotiating strategy? When discussions get serious—when you get a job offer, say—you'll want to get as much compensation as you can without pricing yourself out of the opportunity. After all, you're probably not the only candidate they are considering.

Marketing: A Life Skill

Marketing happens virtually everywhere. Job candidates like yourself have to figure out how to market themselves to employers. Companies market their products and services to customers. Nonprofit organizations market their altruistic missions and impacts to donors. Government agencies market their policies and programs to the general public. Candidates market their ideas to voters. Parents market vegetables to their finicky youngsters.

As you gain a greater understanding of marketing and its primary activities, you will see it at work all around you. You will become more adept at knowing how marketing works, and why. You will learn about marketing tools and techniques you can apply to your advantage personally and professionally. You'll appreciate the value of good marketing principles in helping you get ahead.

Of course you want to develop a skill that's so important in modern life!

2.2 Importance of Customer

Learning Objective

Explain why the customer is the cornerstone of marketing

As we dive into the mechanics of marketing, we begin by locking our focus on the customer.

"Customers" are the people or organizations with needs or wants that a business aspires to address. The act of obtaining a desired object from someone by offering something of value in return is called the *exchange process*. Businesses live, thrive, or die based on their ability to offer value to customers through the exchange process. In other words, the customer is the primary reason for a business to exist.

All marketing centres on creating, delivering, and communicating value to the customer.

Learning Activities

- Reading: Why Customers Matter

Reading: Why Customers Matter

Who Are Customers, and Why Do They Matter?

Marketing exists to help organizations understand, reach, and deliver value to their customers. For this reason, the customer is considered the cornerstone of marketing.

With this in mind, what is likely to happen when an organization doesn't understand or pay attention to what its customers want? What if an organization doesn't even really understand who its customers are?

One of the world's best-known brands, Coca-Cola, provides a high-profile example of misunderstanding customer "wants." In the following video, Roberto Goizueta—in his only on-camera interview on this topic—recounts the disastrous launch of New Coke in 1985 and describes the lessons the company learned. Goizueta was chairman, director, and chief executive officer of the Coca-Cola Company from August 1980 until his death in October 1997.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=85

You can view the transcript for "All About New Coke" (opens in new window)

Focus on Customers: The "Marketing Orientation"

The purpose of marketing is to gain a balance between creating more value for customers against making profits for the organization. To achieve this, many firms have adopted a marketing philosophy or what is generally termed a "marketing orientation."

A marketing orientation can be defined as focusing the organization on identifying and understanding the customers' preferences in terms of needs and wants and delivering them more effectively and efficiently than their competitors.

Prior to the adoption of a marketing orientation, many organizations followed what was referred to as the "production philosophy." This approach focused on improving the efficiency of production and distribution in order to reduce costs and deliver more affordable products—both were considered the source of competitive advantage.

Another philosophy that has been followed historically is the "selling concept." This approach required organizations to aggressively focus on selling and promotion efforts as a way to stimulate demand and drive sales.

A marketing-driven approach, or marketing orientation, has consistently delivered superior results over these other philosophies. Adopting a marketing orientation is now widely accepted as delivering greater levels of customer satisfaction, profitability, and sustainability.

As an example, Toyota, with its strategy of manufacturing cars for different segments of populations around the world, maintains a balance between customer value and profitability. With the marketing philosophy in mind, it has replaced its original goal of 10% of the world's market share with being "Number one in customer satisfaction," as it believes its market share will follow the satisfaction it delivers to its customers.[1]

The Problem of Misplaced Focus

Both historically and currently, many businesses do not follow the marketing orientation. In the past, manufacturing companies such as Texas Instruments and Otis Elevator followed a production orientation, maintaining a primary focus on technology, innovation, and low production and distribution costs. Such companies assume that a technically superior or less expensive product sells itself. While this may be true in some cases, over time this approach leaves businesses particularly vulnerable to competitors who outpace them technologically or undercut their pricing. Without a sufficient focus on the customer's needs and preferences, businesses can lose sight of what matters most in the exchange process.

Other companies, such as Amway, a multi-level marketing company that sells health, beauty, and home care products, treat sales and marketing as essentially the same thing. This sales orientation assumes that a good salesperson has the capability to generate demand and sell anything regardless of the customer's needs and the value provided in the exchange process. Often, this focus on selling and the promotion process effectively ignores the customer or views the customer as someone to be manipulated. Organizations with this orientation become vulnerable to competitors that do a better job of understanding and catering to what customers actually want.

1. Kotler, P., Brown, L., Adam, S., Burton, S., Armstrong, G. (2008). *Marketing.* Pearson, Australia.

Staying Close to the Customer

Insightful businesses acknowledge the importance of production and sales but realize that the following three-step process is most effective:

1. Continuously collect information about customers' needs and competitors' capabilities
2. Share the information across departments, including production and sales
3. Use the information to create a competitive advantage by increasing value for customers

Thanks to the Internet and other technological advances, today's consumers have access to far more and far better information than ever before. They also have many more choices. To succeed in this environment, businesses must provide comparable levels of information to competitors, and they must deal with new competitors that are quicker, smarter, and open 24-7-365.

Organizations that employ marketing correctly know that keeping customers informed is easier if they maintain constant contact with the customer. This does not necessarily mean that they write or call regularly, although it could. Rather, it means a marketing organization knows a great deal about the characteristics, values, interests, and behaviours of its customers. It monitors how these factors change over time. It provides channels of information and communication to meet customers where they are and be accessible at any moment. Although the customer-oriented marketing process is not an exact science, there is sufficient evidence that marketers who do this well tend to succeed.

A prime guideline for marketing success is to establish customer satisfaction as a company's number-one priority. This forces an organization to measure and pay attention to customers' experiences purchasing and using its products. The drive to improve customer satisfaction typically results in improvements to products, processes, and relationship building. This approach helps organizations develop a marketing mentality that facilitates information gathering and maintains effective communication with the customers who are critical to growth, profitability, and success.

2.3 Segmentation and Targeting Introduction

We have established that the customer is at the center of marketing and arguably of business, as well. How do businesses find and communicate with customers?

Let's think about a couple of realities in the business world. First, every organization has limited resources. Organizations simply cannot do everything and be all things to all people. They have to prioritize and choose. Second, marketing is always most effective when it's relevant to the potential customer. How can an organization create the right products, services, messages and experiences for a potential customer? Answer: through segmentation and targeting.

The starting point for understanding your potential customer is figuring out exactly whom you want to reach. That process is called *segmentation.* The next step is focusing on those customer segments that are most promising customers. That's where *targeting* comes in. Targeting helps organizations use their resources wisely and customize what they do much more specifically for those who will see the greatest value from their offering.

Learning Activities

- Reading: Defining Your Target Market

Reading: Defining Your Target Market

Whom Are You Trying to Reach?

Suppose you are selling automotive detailing products. Is your target "anyone with money to pay for your product?" Or are you focusing your efforts on a tightly defined market niche of people with an identified need for what you are selling? "Anyone with money" is such a broad audience that it's difficult to make any impact at all with your marketing efforts or convince very many people that they need your product. If you narrow and carefully define your target market, though, your efforts will be more fruitful because they're focused on people with a preexisting need or interest in what you offer.

Step 1: Identify the Business Need You Address

To define your total market, start by stating the needs you will fulfill: who are your products or services intended for? Who do you want to do business with? What is unique about your product? If you're selling products used in automotive detailing, your total market consists of vehicle owners—that is, all the people who could potentially buy your product. Your business will help them keep their vehicles clean and shiny.

Step 2: Segment Your Total Market

Next, break down this large market into smaller sections, using a process known as segmentation. You can use a variety of approaches to segment your total market into groups with common wants or needs. In this case, we can segment by vehicle ownership and related behaviour. Specific segments might include the following:

- People who restore classic automobiles
- People who drive old clunkers and run them through the car wash occasionally
- People who own "status" cars
- Truck drivers
- Motorcycle owners

Which of these subgroups are likely to be your most productive market niche(s)? You recognize that auto owners who don't care about keeping their cars clean and shiny probably won't be very interested in your products. Then there are those who care, but they lack the time and interest to do the work themselves; they take their vehicle to a shop. Others only worry about auto detailing only when it's time for a trade-in.

You reject these segments as unsuitable for your niche market because they probably don't care enough about what you offer. After further consideration and research, you decide that your market segment will be automobile owners who have both the time and the interest to do their own detailing work—people who enjoy puttering with their vehicles and who take pride in their vehicle's appearance.

You need to conduct research to confirm that there are enough potential customers in that group to support your business. You should also do a competitive analysis to confirm that what you are offering is not readily available to your potential customers elsewhere. With this validation, you move to step three.

Step 3: Profile Your Target Customer Segment(s)

Next, develop profiles of your target customer(s) to get a true picture of the people you're trying to serve. Describe these potential customers as fully as you can: Who will actually buy your product? What do you know about them? Where are they situated geographically? How much do they spend on car detailing? What are they likely to spend on your products? Where do they shop? What is their annual income? What languages do they speak? What kinds of automobiles do they drive? If you are selling online, what methods do they prefer for online payment? What type of websites do they visit? How do they want their product delivered?

Identify your customer profile before you conduct market planning so that your planning is a good fit for your customers' behaviour, interests, and needs.

Customer Profile Dimensions

- Socialgraphic
- Demographic
- Behavioral
- Geographic
- Psychographic

ALTIMETER GROUP   FOGDAY STUDIOS

Step 4: Research and Validate Your Market Opportunity

Now that you have fully identified your target market, conduct research to verify that there will be enough business in this group to support your company in its growth. This process confirms that the need actually exists and that it's not just wishful thinking on your part.

Use both primary and secondary sources in your research. You might consult business directories, obtain statistics regarding automobile owners and their car-care practices, or locate newspaper articles and magazine stories written on the subject. You can also conduct your own market research using techniques such as surveys, focus groups, interviews, and so forth.

Your research should also determine the size of the market opportunity in terms of revenue as well as your potential market share.

You can use primary and secondary sources to find out how many potential customers there are in the geographic area you have defined and how many businesses are directly or indirectly competing with you. Your market share will be the number of customers likely to buy from you rather than from your competition.

Having defined and validated your target market, you are now better positioned to develop a marketing plan that will reach your potential customers. Perhaps your sales will take off right away—a great problem to have!

2.4 Communicating the Value Proposition

Define and communicate an organization's value proposition in a competitive marketplace

Once you know your target market, you must have a compelling way to communicate your value proposition. This requires the marketer to answer a number of questions:

- **What is value?** Each customer will weigh the benefits and the costs of an offering differently and determine whether it is providing value. It is important to understand how customers perceive value.
- **What is the value this offering provides to the target customer?** You hope that you have selected target customers that view the value that you provide favorably, but the marketer has to test and refine the assumption that the offering is actually providing value to the target customer.
- **How is the value provided different from the value that competitors provide?** Each time a competitor shifts its offering(s), that change will have an impact on the perceived value of your offering. In a competitive marketplace, it becomes important to understand and react to changes, but also to identify the value that you provide that is most difficult for others to copy.
- **How are you communicating the promise of value to target customers?** With so many marketing channels and messages all around, customers have a very short attention span. The marketer has to grab that attention and communicate value to customers in only a few seconds.

Learning Activities

- Reading: Value for the Customer
- Reading: Communicating the Value Proposition

Reading: Value for the Customer

What Is Value?

Earlier in this module, we discussed that marketing exists to help organizations understand, reach, and deliver value to their customers. In its simplest form, value is the measure of the benefit gained from a product or service relative to the full cost of the item.

$$\text{Value} = \text{benefit} - \text{cost}$$

In the process of the marketing exchange, value must be created. Let's look at the simplest example: if you and I decide to give each other a $5 bill at the same moment, is value created? I hand my $5 bill to you, and you hand yours to me. It is hard to say that either of us receives a benefit greater than the $5 bill we just received. There is no value in the exchange.

Now, imagine that you are passing by a machine that dispenses bus tickets. The machine is malfunctioning and will only accept $1 bills. The bus is about to arrive and a man in front of the machine asks if you would be willing to give him four $1 bills in exchange for a $5 bill. You could, of course, decide to make change for him (and give him five $1 bills), but let's say you agree to his proposal. At that moment a $1 bill is worth $1.25 to him; how does that make sense in the value equation? From his perspective, the ability to use the bus ticket dispenser *at that moment* adds value to the transaction.

This is where value becomes tricky for marketers. Value is not simply a question of the financial costs and financial benefits. It includes perceptions of benefit(s) that are different for every person. The marketer has to understand what is of greatest value to the target customer, and then use that information to develop a total offering that *creates value*.

Value Is More Than Price

You will notice that we did not express value as value = benefit − price. Price plays an important role in defining value, but it's not the only consideration. Let's look at a few typical examples:

- **Example One:** Two products have exactly the same ingredients, but a customer selects the higher-priced product because of the name brand. For the marketer, this means that the brand is ***adding value*** to the transaction.

- **Example Two:** A customer shopping online selects a product but abandons the order before paying because there are too many steps in the purchase process. The inconvenience of filling in many forms, or concerns about providing personal information, can *add cost* (which will subtract from the value the customer perceives).

- **Example Three:** An individual who is interested in a political cause commits to attending a meeting, but cancels when he realizes that he doesn't know anyone attending and that the meeting is on the other side of town. For this person, the benefit of attending and participating *is lower because of costs* related to personal connection and convenience.

As you can begin to imagine, the process of determining the value of an offering and then aligning it with the wants and needs of a target customer is challenging, indeed. Throughout this course, though, you will gain a deeper understanding of the tools and processes that marketers use to do it effectively.

Value in a Competitive Marketplace

As if understanding individual perceptions of value wasn't difficult enough, the presence of competitors further complicates perceptions of value. Customers instinctively make choices between competitive offerings based on perceived value.

Imagine that you are traveling to Toronto, Ontario, with a group of six friends for a school event. You have the option to stay at a Marriott Courtyard Hotel that is located next to the event venue for $95 per night. If you pay the "additional person fee," you could share the room with one friend for a cost of $50 per night. However, one of your friends finds an AirBnB listing for an entire apartment that sleeps six people at the cost of $280 per night. That takes the price down to $40 per night, but the apartment is five miles away from the venue and, since there are seven of you, you would likely be sleeping on a couch or fighting for a bed. It would have a more personal feel and a kitchen, but you would be staying in someone else's place. It's

Toronto, Ontario Skyline

an interesting dilemma. Regardless of which option you would really choose, consider the differences in the value of each and how the presence of both options generates unavoidable comparisons: the introduction of the Airbnb alternative has the effect of highlighting new shortcomings and benefits of the Marriott Courtyard hotel room.

Alternatives generally fall into two categories: competitors and substitutes. A competitor is providing the same offering but is accentuating different features and benefits. If, say, you are evaluating a Marriott Courtyard hotel room vs. a Hilton Hampton Inn hotel room, then you are looking at *competitive offerings*. Both offerings are hotel rooms provided by different companies. The service includes different features, and the price and location vary, the sum of which creates different perceptions of value for customers.

Airbnb is a service that allows individuals to rent out their homes, apartments, or a single room. Airbnb does not offer hotel rooms; it offers an alternative to, or substitute for, a hotel room. *Substitute offerings* are viewed by the user as alternatives. The substitution is not a perfect replication of the offering, which means that it will provide different value to customers.

Competitors and substitutes force the marketer to identify the aspects of the offering that provide unique value vis-à-vis the alternatives. Marketers refer to this as differentiation. Differentiation is simply the process of identifying and optimizing the elements of an offering that provide unique value to customers. Sometimes organizations refer to this process as competitive differentiation, since it is very focused on optimizing value in the context of the competitive landscape.

Finally, organizations seek to create an advantage in the marketplace whereby an organization's offerings provide greater value because of a unique strategy, asset, or approach that the firm uses that others cannot easily copy. This is a competitive advantage. The American equivalent to the Canadian Marketing Association defines competitive advantage as "as total offer, vis-à-vis relevant competition, that is more attractive to customers. It exists when the competencies

of a firm permit the firm to outperform its competitors." When a company can create greater value for customers than its competitors, it has a competitive advantage.

Reading: Communicating the Value Proposition

What Is a Value Proposition?

We have discussed the complexity of understanding customer perceptions of value. As the company seeks to understand and optimize the value of its offering, it also must communicate the core elements of value to potential customers. Marketers do this through a value proposition, defined as follows:

> A business or marketing statement that summarizes why a consumer should buy a product or use a service. This statement should convince a potential consumer that one particular product or service will add more value or better solve a problem than other similar offerings.[1]

It is difficult to create an effective value proposition because it requires the marketer to distill many different elements of value and differentiation into one simple statement that can be easily read and understood. Despite the challenge, it is very important to create an effective value proposition. The value proposition focuses marketing efforts on the unique benefit to customers. This helps focus the offering on the customer and, more specifically, on the unique value to the customer.

A value proposition needs to very simply answer the question: Why should someone buy what you are offering? If you look closely at this question it contains three components:

- **Who?** The value proposition does not name the target buyer, but it must show clear value to the target buyer.
- **What?** The offering needs to be defined in the context of that buyer.
- **Why?** It must show that the offering is uniquely valuable to the buyer.

How Do You Create an Effective Value Proposition?

When creating or evaluating a value proposition, it is helpful to step away from the long lists of features and benefits and deep competitive analysis. Stick to the simple, and strive for focus and clarity.

A value proposition should be clear, compelling, and differentiating:

- **Clear:** short and direct; immediately identifies both the offering and the value or benefit

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1. Twin, A. (2020, July 5). *Value Proposition.* Investopedia. http://www.investopedia.com/terms/v/valueproposition.asp

- **Compelling:** conveys the benefit in a way that motivates the buyer to act
- **Differentiating:** sets the offering apart or differentiates it from other offerings

The value proposition is a message, and the audience is the target customer. You want your value proposition to communicate, very succinctly, the promise of unique value in your offering.

Learn More

Visit the link below to read a nice description of the value proposition from a marketing consultant's perspective:"How to Write a Great Value Proposition" on Quick Sprout.

2.5 Evaluating Value Proposition Examples

If you were asked to evaluate the solution to an easy math problem, such as $24 + 17 = 45$, you could definitely say whether it's right or wrong. If, on the other hand, you were asked to evaluate a painting by a modern artist and judge it "good" or "bad," you would have to make a judgment based on your own preferences and, perhaps, after reading some reviews by experts or others (who probably wouldn't agree). Evaluating art is akin to evaluating a value proposition—it's definitely a subjective process, and others may disagree with you. That said, below are a few pointers that can help you.

It is easy to recognize when a value proposition is bad:

- If it is so general or universal that it doesn't articulate unique value.. (For years Tony the Tiger promoted Kellog's frosted flakes saying, "They're grrrrreat!" It's a cute catchphrase for a tiger, but it's not a value proposition.)
- If a value proposition has so many words that you need to read it twice—or worse, you stop reading and move on. As noted in the [Quick Sprout infographic from the previous reading](#), it should take five seconds or less to read a value proposition.
- If the value proposition does not provide clarity about the offering to the target market. The target customer should understand exactly what is promised.
- If the value proposition for an offering mimics the value proposition of a competitive offering. In the technology industry, many critics have poked fun at Microsoft for imitating Apple's simple marketing language and presentation style. No matter how compelling the value proposition for an offering is, copying it for a competitive offering doesn't make sense or work. An offering can't be unique if it's exactly like something else.

In this section, you'll get to review some value propositions that are quite good (in our view). As you read them think about what they are doing right and how they could be improved.

Reading: Value Proposition Examples

The Value Proposition in Action

Let's take a look at some real examples and evaluate them. Are they clear, compelling, and differentiating? Keep in mind that you may not be the target market for all of these examples. Your role as a marketer is to evaluate them from the perspective of the target customer.

Pinterest

Pinterest website screenshot. https://www.pinterest.com/
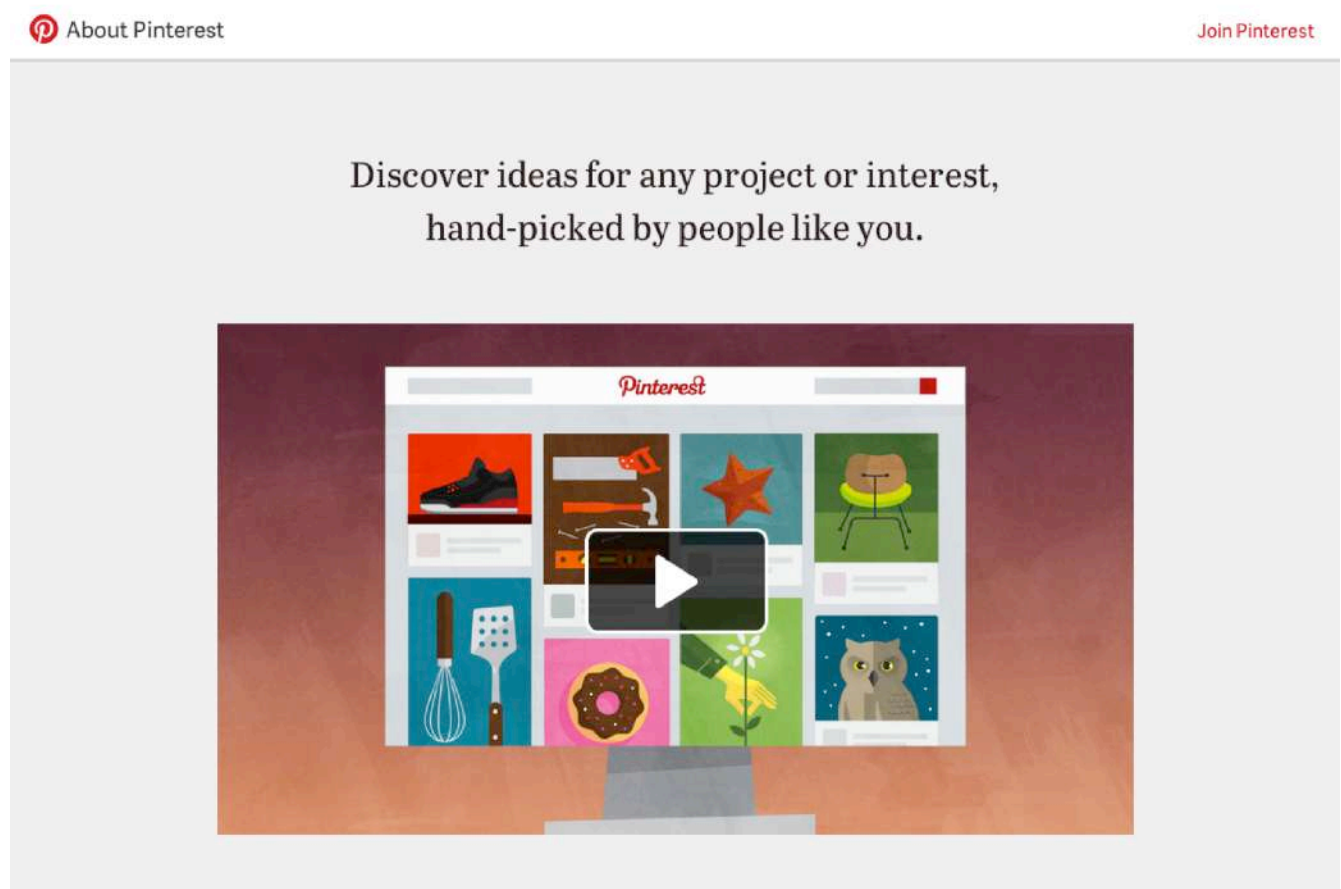
This value proposition doesn't offer a lengthy description of what Pinterest is and how it works. It simply states the benefits Pinterest provides to its users.

Notice the use of the phrase "people like you." The value proposition connects you to the site's other users through your own interests. It implies that a friendly community of "people like you" awaits you and is interested in helping you.

Is the value proposition sufficiently clear to you? Does it give you enough information to know whether the offering is of interest to you?

The greatest challenge in creating an effective value proposition is striking a balance between being clear and communicating enough value.

Skype
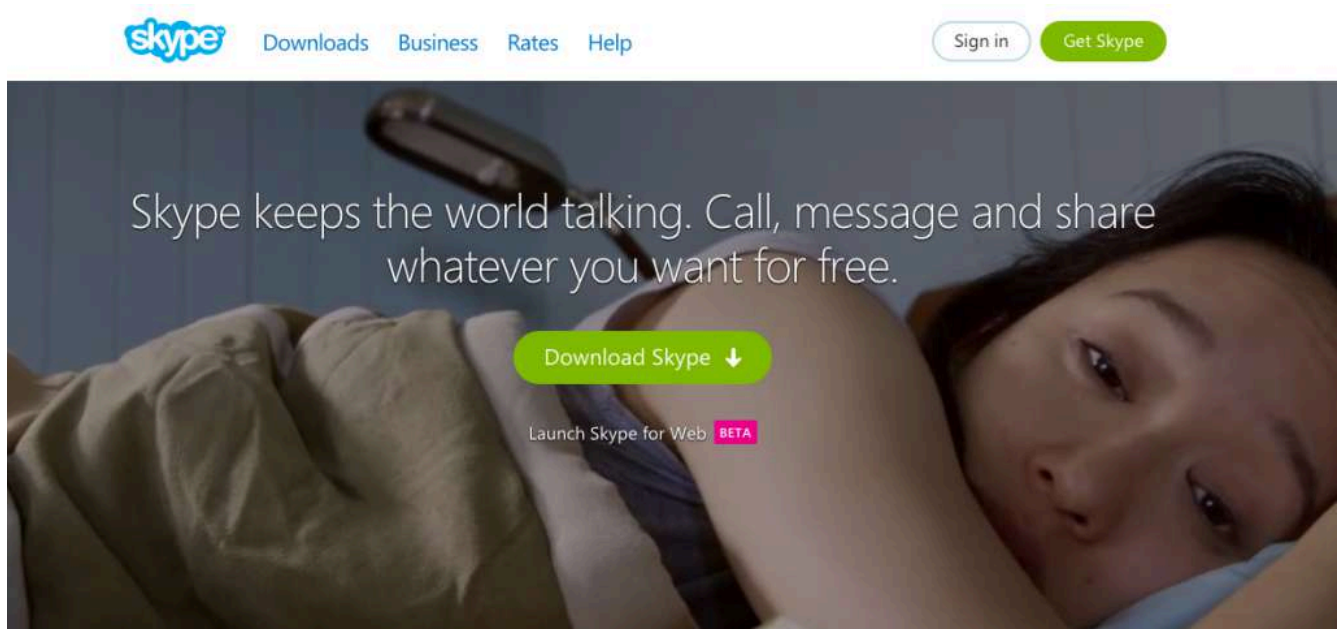
Skype website screenshot

The value proposition first highlights Skype's broad use, which is an important feature for its network-based approach.

Next, it describes the offering. Skype provides more information than Pinterest does about what its offering is—and it highlights the fact that it's free. Pinterest is also free but doesn't disclose this in its value proposition. Is one approach better than the other? Why might a company want to emphasize that its product is free while another does not? In this case, it's probable that Pinterest conducted research and learned that users expect Pinterest to be free since that's the case with many other social sharing sites. In contrast, since Skype is competing with traditional paid services like cell service providers, free access is an important differentiator.

Again, notice the use of the word "you" in the value proposition.

Salesforce.com
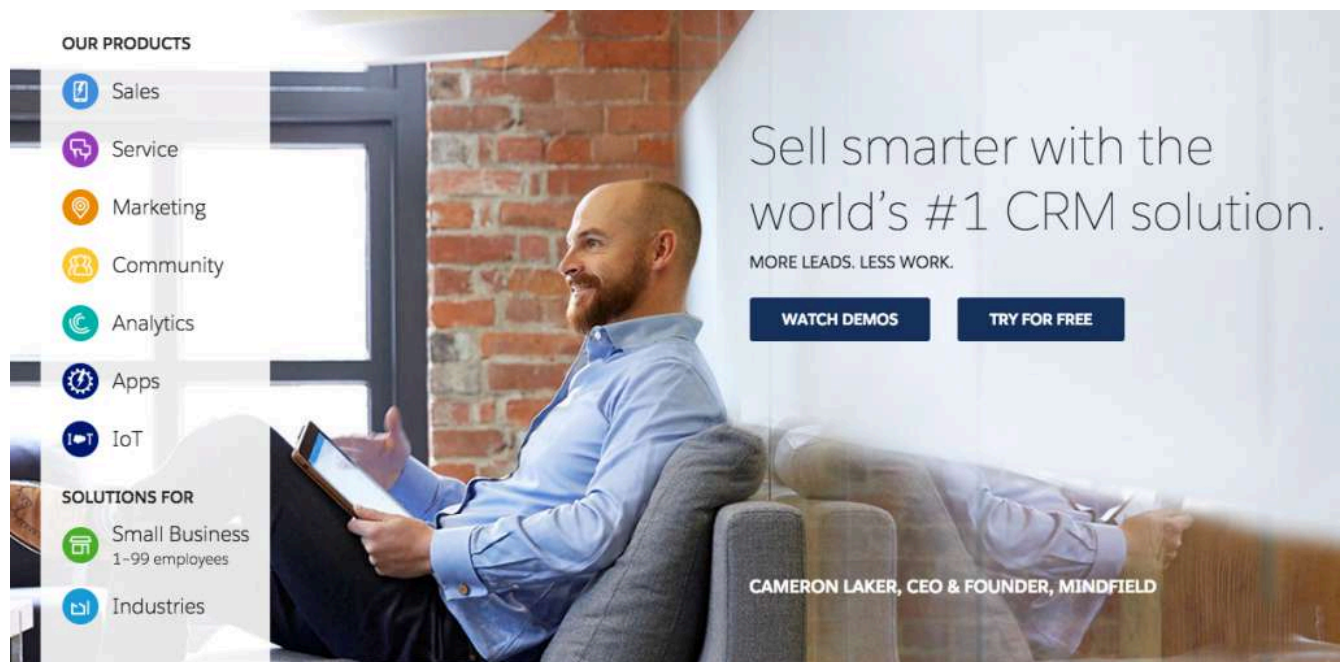
Salesforce.com website screenshot

The value proposition for Salesforce.com includes the acronym CRM, which stands for customer relationship management software. Not everyone knows this acronym, but Salesforce.com is confident that its target customers do, and it's betting that they are seeking such a system to improve sales management processes and results.

The value proposition cuts to the offering's core benefit—improved sales results—and highlights its strong ("world's #1") market position.

Uber
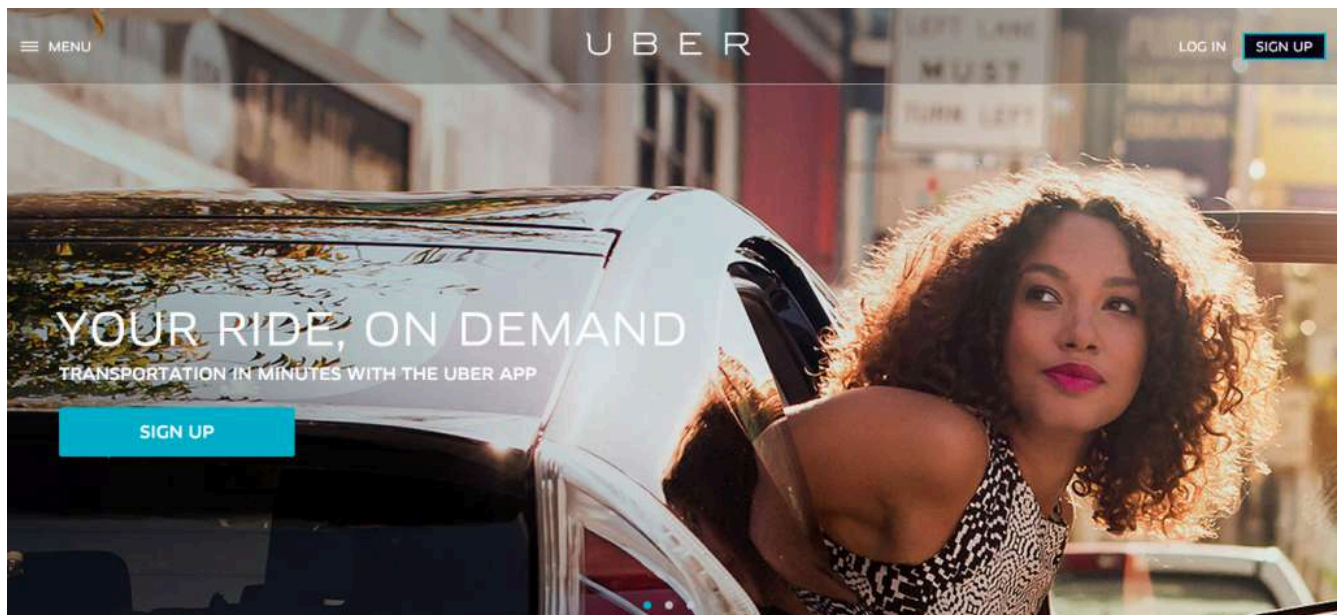
Uber website screenshot

This value proposition is very simple, but it says enough about the value that you may want to learn more about how it works.

In just a few words, the value proposition explains that you can get a ride when you need it using your phone. It emphasizes convenience in a number of ways by using the phrases "on demand" and "in minutes." There is also a subtle use of the word "your." Uber provides **your** ride. *You* are in charge.

Video: Coffee Shop Marketing

Starbucks is a powerful global brand that brings with it a sense of being cool and trendy. A stodgy coffee shop brand in the United Kingdom had to find a different value proposition to convince coffee drinkers that they were worth another try. Watch the video below, to see what they tried:

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=108

You can view the transcript for "Coffee Shop Marketing". (opens in new window)

2.6 Marketing Mix

The value proposition explains why a consumer should buy a product or use a service and how the product or service will add more value, or better solve a problem, than other similar offerings. Once you get the value proposition right, you still have to actually *deliver value* to your target customer. The marketing mix describes the tools that marketers use to create value for customers.

Reading: Defining the Marketing Mix

Reaching Customers through the Marketing Mix

The value proposition is a simple, powerful statement of value, but it is only the tip of the iceberg. How do marketing professionals ensure that they are reaching and delivering value to the target customer?

Take yourself, as a "target customer." Think about your cell phone. What would make you want to buy a new one? How might the following issues affect your purchasing decision? Factors that might influence your decision include the following:

- Features: A company has just released a new phone with amazing features that appeal to you.
- Price: You're concerned about the price—is this phone a good deal? Too expensive? So cheap that you suspect there's a "catch"?
- Information: How did you find out about this phone? Did you see an ad? Hear about it from a friend? See pictures and comments about it online?
- Customer service: Is your cell service provider making it easier for you to buy this phone with a new plan or an upgrade?
- Convenience: Could you easily buy it online in a moment of indulgence?

You can see there are multiple factors that might influence your thinking and decision about what to buy—a *mix* of factors. Taken together, these factors are all part of the "marketing mix."

Organizations must find the right combination of factors that allow them to gain an advantage over their competitors. This combination—the marketing mix—is the combination of factors that a company controls to provide value to its target customers.

The following video illustrates how the marketing mix changes depending on the target customer:

You can view the transcript for "Value Creation Through the Marketing Mix". (opens in new window)

Evolving Definitions of the Marketing Mix

There are a few different ways the marketing mix is presented. During the 1950s the components of the marketing mix were conceived as the "four Ps" and were defined as follows:

1. **Product:** the goods and services offered
2. **Promotion:** communication and information
3. **Place:** distribution or delivery
4. **Price:** ensuring fair value in the transaction[1]

---

1. McCarthy, Jerome E. (1964). *Basic Marketing. A Managerial Approach.* Homewood, IL: Irwin.

THE MARKETING MIX

Today, this categorization continues to be useful in understanding the basic activities associated with marketing. The marketing mix represents the way an organization's broad marketing strategies are translated into marketing programs for action.

Over time, new categories of the marketing mix have been proposed. Most are more consumer-oriented and attempt to better fit the movement toward a marketing orientation and a greater emphasis on customer value. One example is the four Cs, proposed by Robert F. Lauterborn in 1990:

1. **Customer solution:** what the customer wants and needs
2. **Communication:** a two-way dialogue with the customer
3. **Convenience:** an easy process to act or buy
4. **Cost:** the customer's cost to satisfy that want or need[2]

The four Cs include a greater focus on the customer but align nicely with the older four Ps. They also enable one to think about the marketing mix for services, not just products. While it is difficult to think about hotel accommodations as a distinct *product*, it is much easier to think about a hotel creating a *customer solution*.

You can see how the four Ps compare with the four Cs in the chart below.

2. Lauterborn, B. (1990). New Marketing Litany: *Four Ps Passé: C-Words Take Over*. Advertising Age, 61(41), 26.

The Four Ps Alignment with the Four Cs

The Four Ps Alignment with the Four Cs

Four Ps	Four Cs	Definition
Product	Consumer solution	A company will only sell what the consumer *specifically* wants to buy. So, marketers should study consumer wants and needs in order to attract them one by one with something they want to purchase.
Price	Cost	Price is only a part of the total *cost to satisfy* a want or a need. For example, the total cost might be the *cost of time* in acquiring a good or a service, along with the *cost of conscience* in consuming it. It reflects the total cost of ownership. Many factors affect the cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service.
Promotion	Communication	Communications can include advertising, public relations, personal selling, viral advertising, and any other form of communication between the organization and the consumer.
Place	Convenience	In the era of the Internet, catalogs, credit cards, and smartphones, people often don't have to go to a particular place to satisfy a want or a need, nor are they limited to a few places to satisfy them. Marketers should know how the target market prefers to buy, how to be there, and be ubiquitous in order to provide the *convenience of buying*. With the rise of the Internet and hybrid models of purchasing, "place" is becoming less relevant. Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.

Whether we reference the four Ps or the four Cs, it is important to recognize that marketing requires attention to a range of different approaches and variables that influence customer behaviour. Getting the right mix of activities is essential for marketing success.

Competitors and the Marketing Mix

The challenge of getting the right marketing mix is magnified by the existence of competitors, who exert market pressures using strategies defined by their marketing mix alternatives. Remember, the purpose of the marketing mix is to find the right combination of product, price, promotion, and distribution (place) so that a company can gain and maintain an advantage over competitors.

Reading: Components of the Marketing Mix

Product

In the marketing mix, the term "product" means the solution that the customer wants and needs. In this context, we focus on the solution. Products include either physical things (goods) and/or intangible things (services). Some products include both goods and services. In combination, or individually, goods and services are a solution and referred to as the product in the marketing mix. Examples of the product include:

- The Tesla Model S, a premium electric car
- A Stay at a Holiday Inn Express, a low-price national hotel chain
- Doritos Nachos Cheese, a snack food
- Tangerine, an online banking service

Each of these products has a unique set of features, design, name, and brand that are focused on a target customer. The characteristics of the products are different from competitors' products.
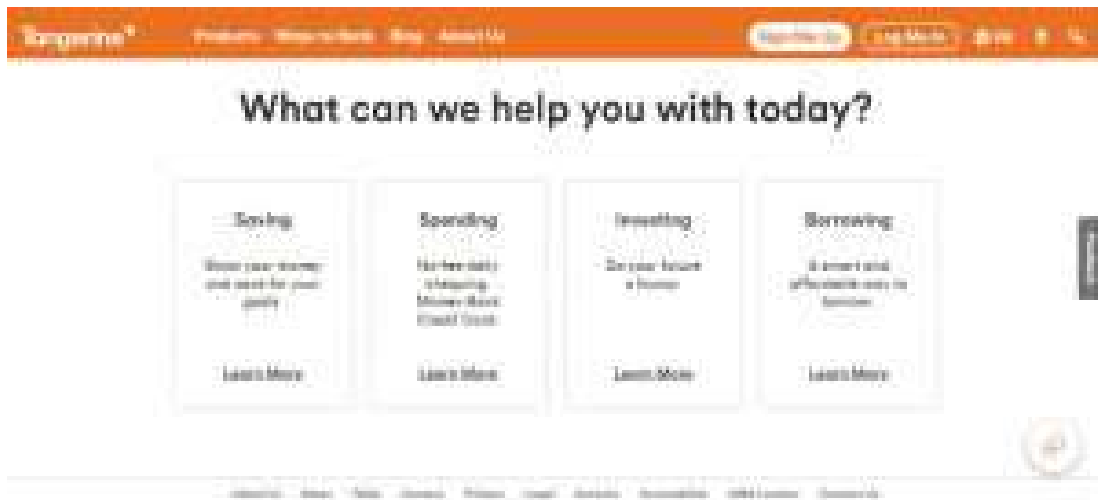
Screenshot of Tangerine.com

Promotion

In the marketing mix, the term "promotion" refers to the communications that occur between the company and the customer. Promotion includes both the messages sent by the company and messages that customers send to the public about their experience. Examples of promotion include:

- An advertisement in Cooking Light magazine
- A customer's review of the product on Twitter
- A newspaper article in the local paper quoting a company employee as an expert
- A text message sent to a list of customers or prospects

Marketing professionals have an increasingly difficult job influencing promotions that cannot be controlled by the company. The company's formal messages and advertising are only one part of promotions.

Marketers often run social media campaigns, rewarding customers who "Like" the company on Facebook.

Place

In the marketing mix, the term "place" refers to the distribution of the product. Where does the customer buy the product? "Place" might be a traditional brick-and-mortar store, or it could be online. Examples include:

- Distribution through an online retailer such as Amazon.com
- Use of a direct sales force that sells directly to buyers
- Sales through the company's website, such as the shoe purchases at Nike.com
- Sales by a distributor or partner, such as the purchase of a Samsung phone from Best Buy or from a Verizon store

In today's world, the concept of "place" in the marketing mix rarely refers to a specific physical address. It takes into account the broad range of distribution channels that make it easy for the target customer to buy.

Starbucks Online Ordering

How did a company like Starbucks that sells hot drinks from a storefront use mobile technology to improve distribution? Watch the video, below, to find out:

A YouTube element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=116

You can view the [transcript for "Starbucks Launches Mobile Ordering So You Can Skip The Line"](#). (opens in new window)

Price

In the marketing mix, the term "price" refers to the cost to the customer. This requires the company to analyze the product's value for the target customer. Examples of price include:

- The price of a used college textbook in the campus bookstore
- Promotional pricing such as Harvey's $3 burger for downloading Harvey's mobile app
- Discounts to trade customers, such as furniture discounts for interior designers

Marketing professionals must analyze what buyers are willing to pay, what competitors are charging, and what the price means to the target customer when calculating the product's value. Determining price is almost always a complicated analysis that brings together many variables.

Reading: Introduction to the Product Life Cycle

A company has to be good at both developing new products and managing them in the face of changing tastes, technologies, and competition. Products generally go through a life cycle with predictable sales and profits. Marketers use the product life cycle to follow this progression and identify strategies to influence it. The product life cycle (PLC) starts with the product's development and introduction, then moves toward withdrawal or eventual demise. This progression is shown in the graph, below.
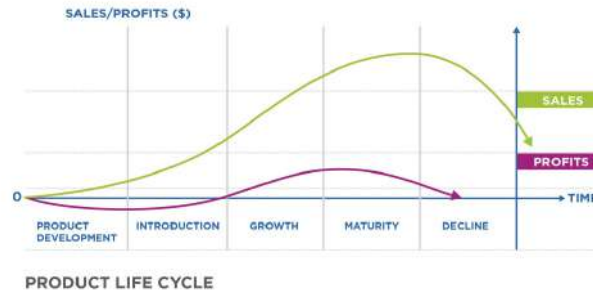
PRODUCT LIFE CYCLE

The five stages of the PLC are:

1. Product development
2. Market introduction
3. Growth
4. Maturity
5. Decline

The table below shows the common characteristics of each stage.

Stage 1: Product Development	1. Investment is made 2. Sales have not begun 3. New product ideas are generated, operationalized, and tested
Stage 2: Market Introduction	1. Costs are very high 2. Slow sales volumes to start 3. Little or no competition 4. Demand has to be created 5. Customers have to be prompted to try the product 6. Makes little money at this stage
Stage 3: Growth	1. Costs reduced due to economies of scale 2. Sales volume increases significantly 3. Profitability begins to rise 4. Public awareness increases 5. Competition begins to increase with a few new players in establishing market 6. Increased competition leads to price decreases
Stage 4: Maturity	1. Costs are lowered as a result of increased production volumes and experience curve effects 2. Sales volume peaks and market saturation is reached 3. New competitors enter the market 4. Prices tend to drop due to the proliferation of competing products 5. Brand differentiation and feature diversification is emphasized to maintain or increase market share 6. Profits decline
Stage 5: Decline	1. Costs increase due to some loss of economies of scale 2. Sales volume declines 3. Prices and profitability diminish 4. Profit becomes more a challenge of production/distribution efficiency than increased sales

Using the Product Life Cycle

The product life cycle can be a useful tool in planning for the life of the product, but it has a number of limitations.

Not all products follow a smooth and predictable growth path. Some products are tied to specific business cycles or have seasonal factors that impact growth. For example, enrollment in higher education tracks closely with economic trends. When there is an economic downturn, more people lose jobs and enroll in college to improve their job prospects. When the economy improves and more people are fully employed, college enrollments drop. This does not necessarily mean that education is in decline, only that it is in a down cycle.

Furthermore, evidence suggests that the PLC framework holds true for industry segments but not necessarily for individual brands or projects, which are likely to experience greater variability.[1]

1. Mullor-Sebastian, Alicia. "The Product Life Cycle Theory: Empirical Evidence." Journal of International Business Studies 14.3 (1983): 95–105.

Of course, changes in other elements of the marketing mix can also affect the performance of the product during its life cycle. Change in the competitive situation during each of these stages may have a much greater impact on the marketing approach than the PLC itself. An effective promotional program or a dramatic lowering of price may improve the sales picture in the decline period, at least temporarily. Usually, the improvements brought about by non-product tactics are relatively short-lived, and basic alterations to product offerings provide longer benefits.

Whether one accepts the S-shaped curve as a valid sales pattern or as a pattern that holds only for some products (but not for others), the PLC concept can still be very useful. It offers a framework for dealing systematically with product marketing issues and activities. The marketer needs to be aware of the generalizations that apply to a given product as it moves through the various stages.

2.7 Using the Marketing Mix

Now that we know what tools are available to create value, how can we use them most effectively? In this section we'll cover a number of examples; later in the course we'll discuss the role of the marketing mix in the planning process and in a range of specific applications.

As you begin to understand each of the individual components of the marketing mix, remember that none of the four Ps operates independently to create value for the customer. For instance, a higher price will create higher expectations for the quality of the product or service, and may demand a higher level of customer service in the distribution process. Heavy promotion of a product can create greater awareness of the value that is expected, increasing the importance of the product delivering value. The right mix of components supporting the value proposition becomes very important.

Reading: Finding the Right Marketing Mix

How does an organization determine the right marketing mix? The answer depends on the organization's goals. Think of the marketing mix as a recipe that can be adjusted—through small adjustments or dramatic changes—to support broader company goals.

Decisions about the marketing-mix variables are interrelated. Each of the marketing mix variables must be coordinated with the other elements of the marketing program.

Consider, for a moment, the simple selection of hair shampoo. Let's think about three different brands of shampoo and call them Discount, Upscale, and Premium. The table below shows some of the elements of the marketing mix that impact decisions by target customers.

Discount, Upscale, and Premium Shampoo Brands and the Marketing Mix

	Discount	Upscale	Premium
Product	Cleansing product, pleasant smell, low-cost packaging	Cleansing product, pleasant smell, attractive packaging	Cleansing product, pleasant smell created by named ingredients, premium packaging
Promotion	Few, if any, broad communications	National commercials show famous female "customers" with clean, bouncy hair	Differentiating features and ingredients highlighted (e.g., safe for coloured hair), as well as an emphasis on the science behind the formula. Recommended by a stylist in the salon.
Place	Distributed in grocery stores and drugstores	Distributed in grocery stores and drugstores	Distributed only in licensed salons
Price	Lowest price on the shelf	The highest price in the grocery store (8 times the prices of discount)	3 to 5 times the price of Upscale

A number of credible studies suggest that there is no difference in the effectiveness of Premium or Upscale shampoo compared with Discount shampoo, but the communication, distribution, and price are substantially different. Each product appeals to a very different target market. Do you buy your shampoo in a grocery store or a salon? Your answer is likely based on the marketing mix that has most influenced you.

An effective marketing mix centers on a target customer. Each element of the mix is evaluated and adjusted to provide unique value to the target customer. In our shampoo example, if the target market is affluent women who pay for expensive salon services, then reducing the price of a premium product might actually hurt sales, particularly if it leads stylists in salons to question the quality of the ingredients. Similarly, making the packaging more appealing for a discount product could have a negative impact if it increases the price even slightly *or* if it causes shoppers to visually confuse it with a more expensive product.

The goal of the marketing mix is to align marketing activities with the needs of the target customer.

Case Study: Chobani

In 2005, Turkish immigrant Hamdi Ulukaya bought a yogurt plant from Kraft Foods in Johnston, New York. Ulukaya had a vision of a better product: the thick, rich yogurt he had enjoyed in Turkey but couldn't find in the United States.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=126

You can view the [transcript for "Chobani founder turns centuries old Greek yogurt into billion dollar craze"](#). (opens in new window)

The Target Customer

Chobani started out making private-label regular yogurts for other large companies, but Ulukaya believed he could make a better yogurt than the competition. And, he had a good idea of the customers he wanted to target:

> We aimed at people who never liked yogurt. We couldn't blame them, because what was available was not what the rest of the world was eating.[1]

---

1. U.S. Small Business Administration. (n.d.). Chobani selected as SBA's 2012 National Entrepreneurial

Further, the company chose not to target only women, a favorite target segment for the U.S. yogurt industry. Ulukaya believed that both men and women would appreciate the fresh ingredients and high protein that Chobani offered.

The Chobani Product

The recipe for Chobani is thicker and creamier than regular yogurt, with twice the protein and none of the preservatives and artificial flavors found in conventional yogurt. What's in the yogurt—five live and active cultures, including three probiotics—is as important as what's not, and Chobani turned this competitive advantage into the yogurt's slogan: "Nothing but Good." Ulukaya described the philosophy behind the product:

> We look at our yogurt as pure, healthy, simple, and something that you enjoy tasting. That is very, very important for us.[2]

The Chobani Place

Existing Greek yogurt lines were most often sold in expensive specialty stores. Ulukaya hoped to sell his yogurt brand to a wider customer base through mass distribution channels of grocery store chains. After more than a year developing Chobani's trademark taste, in October 2007 Chobani's first shipment included five different flavors—blueberry, peach, strawberry, vanilla, and plain—which were sold to a single Long Island grocery store. From there the company expanded regionally and then nationally to grocery store chains. The demand for broader distribution was fueled by the promotion campaign.

The Chobani Promotion

Chobani worked to develop a two-way dialogue with happy customers.

> We're on all the major social media platforms. The growth of Chobani really started virally, where one person would try it, tell five friends who each told five friends, and it really became a brand people loved to discover on their own and tell other people about. In the online landscape, we just had really great success at being able to talk to our fans. I think one of the great things about our company is our relationship with consumers; it's really

Success of the Year. https://www.sba.gov/offices/district/ny/syracuse/success-stories/chobani-selected-sbas-2012-national-entrepreneurial-success-year

2. U.S. Small Business Administration. (n.d.). Chobani selected as SBA's 2012 National Entrepreneurial Success of the Year. https://www.sba.gov/offices/district/ny/syracuse/success-stories/chobani-selected-sbas-2012-national-entrepreneurial-success-yearss-year

a lot of fun to hear what they have to say and take it to heart.[3] —Nicki Briggs, a registered dietitian and head of the company's communications team

Ulakaya also became a darling of the business press, which was persuaded by his philosophy that anything is possible with hard work. He was a frequent guest on national investment news programs and speaker at business conferences.

The company capitalized on the healthy and ambitious aspects of its brand, and in 2012 Chobani became the official yogurt of the U.S. Olympic Team. As a sponsor, Chobani followed athletes from U.S. Olympic training centers to the London Olympic Games.

Since then Chobani has also visibly committed to supporting local farmers and strengthening economic growth in the communities where it is located, which contributes to its reputation as a healthy brand.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=126

You can view the transcript for "Shepherd's Gift". (opens in new window)

3. Chobani yogurt: Healthy products nourishing growth. (2010). *U.S. Business Executive.* http://usbusinessexecutive.com/food-drink/case-studies/chobani-yogurt-healthy-products-nourishing-growth

The Chobani Price

When Chobani entered the market, prices for the traditional offerings in the market clustered around 65 cents per cup. Premium Greek yogurt costs $1.34 per cup. [4]

Chobani priced its product at roughly $1 per cup. This decision was based on the expectation that the product would be successful. Ulakaya set the price assuming economies of scale—that the company would gain efficiencies as sales increased—instead of trying to recover the early costs. The price factored in the higher cost of premium ingredients, which also supported the product and promotion goals. [5]

4. CBS Minnesota. (2012, April 26). Behind the hype: Costs and benefits of Greek yogurt. https://minnesota.cbslocal.com/2012/04/26/behind-the-hype-costs-and-benefits-of-greek-yogurt/
5. Durisin, M. (2013, May 3). Chobani CEO: Our success has nothing to do with yogurt. Business Insider. https://www.businessinsider.com/the-success-story-of-chobani-yogurt-2013-5#ixzz3l6bHLWtN

2.8 Role of Marketing Plan

How do organizations use the marketing mix to achieve results? This requires a clear understanding of the results that the organization hopes to achieve and a plan that brings the activities together.

The following reading gives an overview of the marketing planning process. In a later module we'll cover the inputs and outputs of this process in much more detail. For now, think about how planning can focus marketing efforts to deliver value to the target customer.

Reading: The Role of the Marketing Plan

The Marketing Plan

Effective marketing requires a plan—specifically, a marketing plan. Although customers should be at the center of any marketing plan, marketing activities do not operate in a vacuum. Instead, marketing is one function within a larger organization, and it operates within a competitive market environment. To ensure the effectiveness of marketing activities, the marketing plan must take all of these factors into account. Furthermore, once a plan is in place, it serves to guide all the marketing activities that an organization undertakes.

The marketing plan can take a variety of formats. It's often a formal document that is broadly reviewed to create alignment and support across the organization. It can also be a presentation that explains each of the objectives and strategies. Sometimes the elements of the marketing plan are presented on a company's internal Web site (or intranet), allowing all employees to access the information and see updates.

The format is less important than the impact. The marketing plan identifies the marketing objectives and explains how marketing activities will help the organization achieve its broader goals and objectives. The marketing plan describes how the company will use the marketing mix—product, promotion, place, and price—to achieve its marketing objectives effectively within the competitive market environment. The marketing plan also focuses the company's resources on reaching target customers and driving them to act.

THE MARKETING PLANNING PROCESS

Marketing Plan Alignment with Company Goals

The executive leadership of a company is charged with creating the framework that aligns and focuses the work of employees: the company's mission, objectives, and strategy. The company's mission describes its purpose and explains why it exists. The executive leadership defines corporate goals and the high-level strategies that marketing activities should support.

Informed by corporate goals and strategies, marketers develop marketing objectives to support the broader company goals. They may cover a variety of areas: company growth, sales, market share, profitability, customer perceptions, market penetration, and so forth. The marketing objectives represent a set of measurable goals, tied to marketing activity, that align with and move the company towards its corporate mission and goals.

For example, Bristol-Myers Squibb is a pharmaceutical company with a mission to discover, develop, and deliver innovative medicines that help patients combat and recover from serious diseases. The company's business strategy focuses on the manufacturing and distribution of medication, but it's also engaged in medical research and the discovery of new treatments. Both the mission and strategy inform the marketing plan. The company's marketing objectives and strategy should reinforce customer perceptions about the company's biotech innovation and commitment to promising pharmaceutical breakthroughs.

Marketing Plan Input: Situation Analysis

Beyond the company's purpose and focus, the marketing plan must take into account a range of internal and external factors that can be very complex. A *situation analysis* examines both the internal and external factors that might impact the marketing plan.

Internally, the company has both strengths and weaknesses that will influence the plan, such as its products, workforce, market perceptions, and other characteristics that give it advantages or disadvantages in the market. Outside the organization, there are a range of opportunities and threats such as competitors, economic forces, government regulations, and other political factors.

The situation analysis helps refine corporate goals and produce a relevant set of marketing objectives. At the corporate level, typical objectives include profitability, cost savings, growth, market share improvement, risk containment, reputation, and so on. These corporate objectives can be translated into specific, measurable marketing objectives. For example, the marketing objective "Introduce three new products" might lead marketers to support corporate goals on profitability, increased market share, and movement into new markets. A corporate goal of "Increase profit margins" might dictate marketing objectives around product innovation, quality of materials, and the price charged.

Translating Marketing Objectives into Strategies and Tactics

Once the organization has conducted a situation analysis and identified its marketing objectives, the next step is to

figure out what strategies will be most effective and the tactics that will be used to carry them out. You will learn more about the differences between strategy and tactics later on; for now, think of the strategy as the "big idea," or approach, and tactics as "the details"—the specific actions that will be taken to make the big idea a reality and help the organization reach its goals. For example, if you're a chess player, your strategy might be to "keep your opponent on the defensive," and one of your tactics might be to "take the opponent's queen as early in the game as possible." Your goal, or objective, is to win the game.

Obviously, a marketing plan needs to include actual *plans*, and that's where strategy and tactics come in. Though it's crucial for a marketing plan to be aligned with an organization's mission and mindful of its target customers, its competitors, and so on, it's just as important to have a plan of action that spells out exactly how the organization's resources will be used to reach its goals. Strategies and tactics are the key components of that action plan.

Marketing Plan Implementation and Evaluation

Once the plan is in place, the organization begins to implement the strategies. Successful marketing strategies require effective implementation. For example, if the organization has a promotional strategy to launch a social media campaign, then significant work is required to hone the message, manage social media tools, and encourage customers to engage. The strategy cannot achieve results if it is not executed well.

How will you know if it has been executed well? Marketing organizations need to identify what constitutes a successful marketing campaign and then measure the results to determine whether it had the desired impact. Did it reach the desired customers? Was it cost-effective? Did it generate the sales expected? Were the metrics for the specific elements of the campaign successful? Marketing metrics might include the number of customers viewing an advertisement, the number of social media "shares" or "likes," the number of visits to a website, the proportion of new customers vs. existing customers, customer spending levels, etc. The right set of marketing metrics depends on what you are trying to accomplish with the marketing campaign.

Marketers should capture and analyze the appropriate metrics to understand the success of marketing activities—to improve planning and future results.

Simulation: Ice Cream Magnate

Try It

Now that you've learned about the marketing mix and how it works, it's time to give it a try yourself.

The simulation below gives you a chance to take a "great business idea"—in this case, *ice cream*—and play around with the four Ps of marketing.

Try the simulation a few times to see how different choices lead to different outcomes. In a simulation it's good try out choices you think are right, as well as those you suspect are wrong, since you can learn from both. All simulations allow unlimited attempts so you can gain experience exploring and applying the concepts.

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=134#h5p-1

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https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=134

2.9 Putting It Together: Marketing Function

The Four Ps of Marketing Yourself

Now that you have a deeper understanding of the marketing function, let's return to where we began in this module: marketing yourself as a new college graduate in the job market. How can the concepts of the four Ps and the marketing mix help you market yourself to prospective employers?

Product

Product is the set of goods and services you offer. As a job candidate, you possess a unique set of experiences, interests, skills, and capabilities that make you a great match for certain kinds of jobs. These are your "product features." Your "product strategy" is to align your features with the jobs, employers, and industries you're going after. Competing effectively might mean drawing attention to the particular capabilities or features they want. Or it could mean adding a new skill set to make you a more compelling candidate.

Promotion

Promotion is how you communicate and provide information about your product. When you're job hunting, your promotional strategy is usually to show that you're the best candidate for the position. You should communicate this in all the forms that employers might be seeking information: your résumé, references, interviews, job sites, and so forth. Since each employer may be looking for something slightly different, you'll want to tailor your résumé and other tools to fit the opportunity. Communicating the right things to the right audiences is an essential part of effective promotion.

Place (Distribution)

Place means delivering your product into settings where your target audience will see and buy. For job candidates today, this generally means using all available networks to connect with prospective employers. Personal networking among friends, family, and associates can help you find out who's hiring and meet people working in your chosen field. Attending job fairs, professional meet-ups, and networking lunches is another good way to meet potential employers and people who can recommend you for professional opportunities. The "place" game is about being where your buyer is likely to find you.

Price

Price focuses on the exchange of value and making sure the exchange is worthwhile for both the buyer and the seller. In a hiring transaction, price is the compensation you receive in exchange for the labor and expertise you provide to your employer. As a job candidate, you should research benchmark salaries for recent graduates working in the position you're seeking. Such information can help you set realistic requirements around salary and benefits and know when it makes sense to ask for more. When you understand market dynamics around price, you can avoid pricing yourself out of the market and leaving value on the table.

Executing a Marketing Plan

With your marketing mix defined, you have defined strategies to help you find job opportunities that fit your goals. You have also identified essential tactics to help you take advantage of the opportunities you find. This is how the marketing function comes together. As you work through these tactics and make progress in your job search, you can evaluate what is effective and focus on the most promising activities.

In this case, your marketing success is easy to gauge: you'll know you've succeeded when you land the job you wanted!

Practice Quiz Chapter 2

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=972#h5p-5

CHAPTER 3: SEGMENTATION AND TARGETING

- Why It Matters: Segmentation and Targeting
- Explain the purpose of segmentation and targeting in marketing
- Describe common segmentation approaches
- Explain the process of selecting an appropriate segmentation approach and deciding which customer segments to target for marketing activities
- Explain how targeting influences each element of the marketing mix

3.1 Why It Matters: Segmentation and Targeting

Suppose you have just accepted a product marketing job with a technology company called Chumber. You're excited about the company and the team you'll be working with. Chumber's main product is an automated, fully online system for checking the references of job candidates and getting feedback from coworkers about their professional skills.

After a morning orientation session and a product demonstration on the first day, your boss gives you your first assignment: spend a half-day doing research. Then come back to her with recommendations about whom Chumber should be targeting in its sales and marketing activities, and why.

After you give your boss a puzzled look, she adds, "Don't look so worried. I already know who I think we should be targeting. But with you coming in fresh, I'd like to hear what you think. We can probably learn something from each other!"

As you sit down at your new desk, the wheels start turning in your head.

> Q: What problem is Chumber's product solving?
>
> A: The hassle of checking references for job candidates and finding out who is really a good fit.
>
> Q: Who has this problem?
>
> A: Companies that hire people.

You recognize that this is a business-to-business marketing challenge, not a business-to-consumer issue. But "companies that hire people" covers a lot of ground. How effective will Chumber be if you try marketing and selling to every company in the world? And within any given company, which people would be most interested in using this product?

The question of whom to target is a foundational part of any marketing activity. Marketers use the tools of segmentation and targeting to answer this question. **Segmentation** helps you understand your market and divide it into groups that share common needs and characteristics. **Targeting** helps you figure out which of these groups to focus on in your sales and marketing activities.

As you work through this module, you will learn about segmentation, targeting, and how they work. You will also learn how these tools help you shape the marketing mix to reach your target audiences effectively.

3.2 Segmentation and Targeting Rationale

Segmentation and targeting are essential building blocks of marketing because they help marketers answer a basic question: *Who am I trying to reach?*

If you can't answer this question with a reasonable amount of certainty and detail, your marketing efforts will probably not have much impact. You'll spend a lot of time and money with little to show for it because you're not choosing marketing tactics that fit your audience.

However, when you know your target audience, you can make smart decisions about your marketing activities: why they need your product, where and how to get their attention, what to say to generate interest, and what types of offers will attract them.

In this module, first we will focus on why segmentation and targeting are so important. Then we will discuss how to conduct segmentation and targeting and use these tools to guide marketing activity.

Reading: The Purpose of Market Segmentation and Targeting

What Is Market Segmentation All About?

Segmentation helps marketers answer the following set of fundamental questions:

1. To whom should I be marketing?
2. Why *them*?
3. How can I reach them most effectively?

Because marketers have finite resources, they have to make decisions about how and where to focus their efforts. Market segmentation provides useful information about prospective customers to guide these decisions and to ensure that marketing activities are more buyer-focused.

Market segmentation is the process of splitting buyers into distinct, measurable groups that share similar wants and needs. Once different segments are identified, marketers determine which target segments to focus on to support corporate strategy and growth.

For example, suppose your company produces high-performance athletic clothing. The market segmentation first identifies everyone with an interest in and need for this type of clothing. Then it identifies groups within the market that share common needs. These could include groups associated with different sports, levels of athletic activity, brand loyalty, fashion consciousness, price sensitivity, etc. As a marketer, you analyze the groups to determine which ones you want to focus on and why.

Professional tennis players are a specific segment of the market.

Defining a Market

In order to understand the purpose and benefits of segmentation, it's helpful to step back momentarily and look at markets as a whole and how segments help us understand a market. A market is a group of potential buyers with needs and wants, as well as the purchasing power to satisfy those needs and wants. These buyers might be individuals, groups, businesses, or organizations. The "total market" constitutes all the potential customers for a given product. Potential customers share a common problem or business need that your product can address, and they share other characteristics as well. In order for a market to exist, the following five criteria must be met:

1. There must be a true need and/or want for the product, service, or idea; this need may be recognized, unrecognized, or latent.
2. The person/organization must have the ability to pay for the product via means acceptable to the marketer.
3. The person/organization must be willing to buy the product.
4. The person/organization must have the authority to buy the product.

5. The total number of people/organizations meeting the previous criteria must be large enough to be profitable for the marketer.

If these criteria aren't met, there probably isn't a viable market for your product(s).

Segments within a Market

Markets are generally large entities that require significant investment to serve effectively. In fact, markets may be so large that it isn't feasible for a marketing organization to market its products effectively to all potential customers at the same time. A product provider might ask, "Given that my product will not be needed or wanted by all people in the market, and given that my organization has certain strengths and weaknesses, which target group(s) should I focus on?"

The answer to this question comes through market segmentation. Segmentation is a twofold process that includes:

1. Identifying and classifying people into homogeneous groupings, called segments
2. Determining which of these segments are viable target markets.

In essence, the marketing objectives of segmentation are:

- To improve an organization's understanding of who their prospective customers are and how to serve them
- To reduce risk in deciding where, when, how, and to whom a product, service, or brand will be marketed
- To increase marketing efficiency by directing effort toward designated segment(s) in ways that are consistent with that segment's characteristics

SAMPLE MARKET SEGMENTATION: FAMILY LIFE STAGE
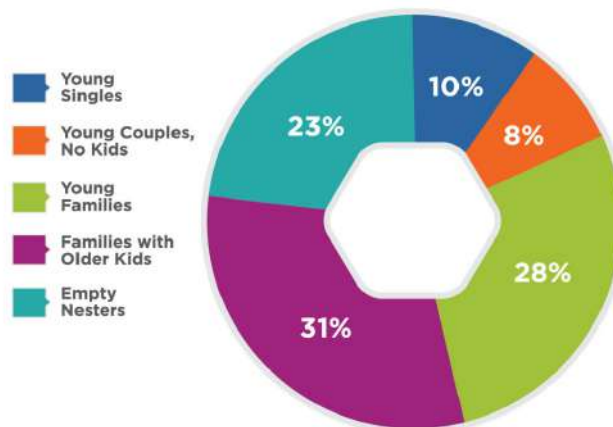
While, in theory, there may be "ideal" market segments for any given product, in reality, every organization engaged in a market will develop different ways of imagining market segments and create product differentiation strategies to exploit those segments. With a refined understanding of market segments, companies can differentiate their products to fit the needs of a particular segment. They can also use segmentation analysis to identify and create competitive advantages

with their target audiences. A deeper understanding of their target audiences can guide marketers' choices in how they develop and promote products, how their products are delivered and priced, and so forth.

Focusing on the Target Market

It is rare that any single product will be an ideal fit for every member of an entire market. For example, no single shampoo is perfect for everyone on the planet. No single printer or cleaning service is ideal for every organization in the world. Buyers have different sets of needs. Segmentation acknowledges that different people and groups have different needs. Successful marketers use segmentation to figure out which groups (or segments) within the market are the best fit for the products they offer. These groups constitute their target market.

The target market should include only those segments of a market that are both profitable to serve and likely to be receptive to the products a company provides. Time, money, and effort spent on marketing will be most effective when it focuses on these target audiences. When organizations don't identify a target market, they dilute the impact of their marketing resources because they are spending money and effort trying to attract people who are unlikely ever to become profitable customers.

3.3 Common Segmentation Approaches

The next section of this module walks through several common approaches to market segmentation. Some approaches will probably seem familiar, or even obvious—like segmenting by gender or income level—but others, like "psychographic" segmentation, may not. These methods are common because they provide useful guidance to marketers about how to identify and reach prospective buyers.

It's important to remember that there may be more than one "right" way to segment a market. Certainly, there are more effective and less-effective approaches for different products or services. Sometimes a segmentation strategy is effective for a while, but then something shifts, and a new approach is needed. In that way, segmentation is like a compass for marketers: when your position or direction changes, you revisit market segmentation to fine-tune where you're heading and how to get there. Different segmentation approaches applied individually or together help refine a marketer's understanding of the target market.

Reading: Segmentation Criteria and Approaches

Common Approaches to Market Segmentation

Segmentation starts by identifying all the potential buyers for your product: individuals with the need and the means to buy what you offer. In most cases, this represents a large universe of people or organizations that are similar in some ways but different in many other ways. Segmentation is a process that helps marketers narrow their focus on the most promising groups within that universe.

There is no single correct way to segment a market. Defining a target consumer base can be performed using a variety of segmentation methods. Several common methods are discussed below. Marketers may apply a combination of these methods to provide greater insight into their target market and the customers they want to serve. In fact, good marketers generally try out different methods and combinations to figure out what approach is most successful to help them achieve their goals. Because people and their needs change, effective approaches for segmenting a market can also evolve over time.

The following is a list of common market segmentation approaches:

- **Geographic: countries**, provinces, regions, cities, neighbourhoods, postal codes, etc.
- **Demographic:** age, gender, family size, income, occupation, education, religion, ethnicity, and nationality.
- **Psychographic:** lifestyle, personality, attitudes, and social class.
- **Behavioral:** user status, purchase occasion, loyalty, readiness to buy.
- **Decision maker:** decision-making role (purchaser, influencer, etc.)

Geographic Segmentation

Geographic criteria—countries, provinces, regions, cities, neighbourhoods–define geographic market segments. Geography represents the oldest basis for segmentation. Regional differences in consumer tastes for products are well known, such as donairs in Halifax, steak in Calgary, or a higher number of laid-back, health-conscious vegetarians in Vancouver. Geographic segmentation suggests that in St. John's NL you can sell raincoats, and rubber boots; in Toronto's hot muggy summer, you can

You're much more likely to sell surfboards in a location with a beach than in a landlocked location.

sell air conditioners; and in Fort McMurray Alberta, you can sell down winter coats and warm winter boots with January's temperature averaging -20.7 °C.[1]

Geographic markets are easily identified, and large amounts of data are usually available. Many companies simply do not have the resources to expand beyond local or regional areas, so they must focus on one geographic segment only. There is very little waste in the marketing effort, in that the product and supporting activities such as advertising, physical distribution, and repair can all be directed at the customer. Further, geography provides a convenient organizational framework. Products, salespeople, and distribution networks can all be organized around a central, specific location.

The drawbacks of using a geographic basis for segmentation are also worth noting. There is always the possibility that consumer preferences aren't dictated by location—other factors, such as ethnic origin or income, may be more important. 44% of the population of Metro Vancouver are Asian [2], their preferences and buying behaviours might differ from other ethnic demographic groups, each based on their own individual cultures rather than the location that they reside in. Another problem is that geographic areas can be defined as very large, regional locations. Members of a geographic segment may be too heterogeneous to qualify as a meaningful target market.

Demographic Segmentation

Demographics are statistical data that describe various characteristics of a population. Demographic segmentation consists of dividing the market into groups based on demographic variables such as age, gender, family size, income, occupation, education, religion, political opinions, ethnicity, and nationality. Demographic segmentation variables are among the most popular bases for segmenting customer groups because demographic data are plentiful and the customer wants and needs often link closely to these variables.

For example, the youth market (roughly ages five to thirteen) not only influences how their parents spend money but also how they make purchases of their own. Manufacturers of products such as toys, records, snack foods, and video games have designed promotional efforts directed at this group. "Tweens" are children between the ages of eight and twelve who are discovering what it means to be a consumer and are shaping the attitudes and brand perceptions they will carry with them as they grow up and gain more purchasing power. The elderly market (age sixty-five and over) has grown in importance for producers of products such as low-cost housing, cruises, hobbies, and health care.

Vancouver Chinatown By Xicotencatl. Wikimedia Commons. CC BY-SA

Marketing to consumers in Vancouver's multi-ethnic neighbourhoods

1. *Fort McMurray Climate (Canada)*. (n.d.). Climate Data. https://en.climate-data.org/north-america/canada/alberta/fort-mcmurray-4623/
2. *Census Profile, 2016 Census*. (n.d.). Statistics Canada. https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CMACA&Code1=933&Geo2=PR&Code2=59&Data=Count&SearchText=vancouver&SearchType=Begins&SearchPR=01&B1=All&TABID=1

may mean signs are not just displayed in English. Look carefully at the different signage on the Scotiabank building in Vancouver's Chinatown.

Pan-ethnic groups in Vancouver.[3]		
Ethnic origin	Population	Percent
European	1,195,185	49.30%
East Asian	557,745	23%
South Asian	291,005	12%
Southeast Asian	168,075	6.90%
Aboriginal	74,700	3.10%
Middle Eastern	62,440	2.60%
Latin American	34,805	1.40%
Black	29,830	1.20%
Other	41,780	1.70%
Total population	2,426,235	100%

3. *Census Profile, 2016 Census.* (n.d.). Statistics Canada.https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/details/page.cfm?Lang=E&Geo1=CMACA&Code1=933&Geo2=PR&Code2=59&Data=Count&SearchText=vancouver&SearchType=Begins&SearchPR=01&B1=All&TABID=1

Dove Shampoo

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The Dove advertisement illustrates how the advertising and marketing promotion of Dove's Men+Care product line focuses on the unique needs and interests of the young to middle-aged male segment.

You can view the transcript for "Dove Men+Care Asks: Is your hair ready for anything?" (opens in new window)

Life stage is another demographic trait associated with age, gender, marital, and family status. There is evidence that individuals and families go through predictable behavioural patterns associated with buying behaviours. For example, a young couple with one young child has far different purchasing needs than empty-nesters in their late fifties or single, middle-aged professionals.[4]

Income is perhaps the most common demographic basis for segmenting a market because it indicates who can or cannot afford a particular product. It is quite reasonable, for example, to assume that individuals earning minimum wage could not easily purchase a $80,000 sports car. Income is particularly useful as a segmentation input as the price tag for a

4. William R. Darden, W.A. French, and R.D. Howell, "Mapping Market Mobility: Psychographic Profiles and Media Exposure," Journal of Business Research, Vol. 7, No.8, 1979, pp. 51-74.

product increases. It can also be helpful in understanding certain types of buying behaviour, such as which income groups are most prone to use coupons.

Similarly, other demographic characteristics can influence other types of consumer activities.

Despite the apparent advantages of demographic segmentation (i.e., low cost and ease of implementation), uncertainty exists about its effectiveness. The method can be misused. For example, it might be said that the typical consumer of Thai food is under thirty-five years of age, has a college education, earns more than $10,000 a year, lives in a suburban fringe of a moderate-size urban community, and resides in the West. While these characteristics may describe a typical consumer of Thai food, they also describe many other consumers and may paint an overly broad or inaccurate portrait of a supposed "segment." When a segment is too broad, it loses its defining characteristics and there isn't much to differentiate the target segment from the general population. In this situation, the segmentation approach does not provide much useful guidance to help marketers make effective marketing choices.

Psychographic Segmentation

In psychographic segmentation, consumers are divided according to common characteristics in their lifestyle, personality, attitudes, and social class. Evidence suggests that attitudes of prospective buyers toward certain products influence their subsequent purchase or nonpurchase of them. If persons with similar attitudes can be isolated, they represent an important psychological segment. Attitudes can be defined as predispositions to behave in certain ways in response to a given stimulus.[5]

For market segmentation purposes, personality is defined as long-lasting characteristics and behaviours of a person that shape how they cope and respond to their environment. Consumption of particular products or brands relates to consumer personality. For example, risk-seeking individuals are attracted to extreme sports and travel, and extroverts tend to dress conspicuously.

Social class segmentation identifies individuals based on a combination of socioeconomic such as education, occupation, income, family background, and attitudes related to these factors.

Lifestyle segmentation refers to the orientation that an individual or a group has toward consuming products, work, and play and can be defined as a pattern of attitudes, interests, and opinions held by a person. Lifestyle segmentation has become very popular with marketers, because of the availability of consumer data, measurement devices and instruments, and the intuitive categories that result from this process.[6] As a result, producers target versions of their products and their promotions to various lifestyle segments. For example,

5. Martha Farnsworth, "Psychographies for the 1990s," American Demographics, July 1989, pp. 25, 28-30.
6. William D. Wells, "Psychographies: A Critical Review," Journal 0f Marketing Research, May 1975, pp. 196-213.

companies like All State Insurance are designing special programs for the good driver, who has been extensively characterized through a lifestyle segmentation approach.[7]

Lifestyle analysis generally begins by asking questions about the consumer's activities, interests, and opinions. If a woman earns $100,000–$150,000 per year as an executive, is married and has two children, what does she think of her roles as a professional, a wife, and a mother? How does she spend her spare time? To what groups does she belong? What does she read? How does she use electronic devices? What brands does she prefer, and why? AIO (activities, interests, opinions) inventories, as they are called, reveal vast amounts of information concerning attitudes toward product categories, brands within product categories, and user and non-user characteristics.

Overall, psychographic segmentation tends to focus on how people spend their money; their patterns of work and leisure; their major interests; and their opinions of social and political issues, institutions, and themselves. While it can create intuitive groupings and useful insights into consumer behaviour, it can also take significant research and effort to inform a more complex and nuanced approach to defining market segments.

Behavioral Segmentation

Consumers are divided into groups according to common behaviours they share. Typically these behaviours link to their knowledge of, attitude toward, use of, or response to a product.

The most common type of behavioural segmentation is around user segments. In 1964, the market researcher Twedt made one of the earliest departures from demographic segmentation when he suggested that the heavy user, or frequent consumer, was an important basis for segmentation. He proposed that consumption of a product should be measured directly to determine usage levels, and that promotion should be aimed directly at the heavy user. This approach has since become very popular. Considerable research has been conducted on "heavy users" of a variety of products. The results suggest that finding other characteristics that correlate with usage rate often greatly enhances marketing efforts.[8]

Other behavioural bases for market segmentation include the following:

- **User status:** Looking beyond "heavy users," it can also be helpful to identify segments based on a broader set of use patterns, such as non-users versus ex-users, or one-time users versus regular users.

7. Joseph T. Plummer, "The Concept and Application of LifeStyle Segmentation," Journal of Marketing, January 1974, p. 33. David J. Reibstein, Christopher H. Lovelock, and Ricardo de P. Dobson, "The Direction of Causality Between Perceptions, Affect, and Behavior: An Application to Travel Behavior," Journal of Consumer Research, Vol 6., March 1980, pp. 370-376.
8. Ronald J. Frank, William Massey, and Yoram Wind, Market Segmentation, Englewood Cliffs, N.J.:Prentice-Hall, 1972. II.

Smartphone and Android service providers examine usage patterns to create optimal plans and targeting based on specific sets of user needs: family plans, individual plans, no-contract plans, unlimited talk and data plans, and so forth. New car producers have become very sensitive to the need to provide new car buyers with a great deal of supportive information after the sale in order to minimize unhappiness after the purchase.

- **Purchase occasion:** This approach tries to determine the reason or occasion for purchasing a product and how it will be used. For example, airlines typically segment customers based on the reason for a passenger's trip: business versus personal travel. Someone traveling for business generally has different needs and wants from someone traveling for pleasure. A business traveler tends to be less sensitive about price and more focused on timing, location, and convenience.
- **Loyalty:** This approach places consumers in loyalty categories based on their purchase patterns of particular brands. A key category is the brand-loyal consumer. Companies have assumed that if they can identify individuals who are brand loyal to their brand, and then delineate other characteristics these people have in common, they will locate the ideal target market. There is still a great deal of uncertainty about the most reliable way of measuring brand loyalty.
- **Readiness:** Readiness segmentation proposes that potential customers can be segmented according to how ready they are to purchase a product: unaware, aware, informed, interested, desirous, and intend to buy. Using this approach, a marketing manager can design the appropriate market strategy to move them through the various stages of readiness. These stages of readiness are rather vague and difficult to measure accurately, but readiness may be a useful lens for understanding the customer's mindset and how to nudge them toward buying, particularly when an education process is required prior to purchase.

Decision-Maker Segmentation

This segmentation approach groups people according to who makes the purchasing decision in an organization or household. Typically there is a "primary buyer": the individual who makes the final decision about what to buy and allocates the budget for the purchase. Many purchasing decisions also involve "influencers." These are people who do not make the final purchasing decision, but they can influence the final choice about what to buy.

In families, for example, young children may be influencers in whether a parent buys Cheerios, Chex, or Fruit Loops. In companies, a department manager may be the primary buyer for a software product, but that manager's work team may influence product selection by helping evaluate options to determine which choice best fits their needs. Segmentation by decision-making role helps marketers understand who truly matters in the purchase process and home in on the individuals who matter most.

Segmenting Business-to-Business Markets

All of the segmentation approaches above apply to consumer markets. There are many similarities between consumer and business behaviour, and therefore similar segmentation bases and variables apply. Common business segmentation approaches include:

- **Organization size:** segmentation according to large, medium, and small customers by revenue, by number of employees, by geographic reach, etc.

- **Geography:** organizing segments based on geographic location
- **Industry:** segmenting by the industrial sector an organization operates within—for example, manufacturing, retail, hospitality, education, technology, health care, government, professional services, and so forth
- **User status:** usage frequency, volume used, loyalty, longevity, products already in use, readiness to buy, etc. For example, longtime loyal customers with "strategic" relationships are often handled differently and receive preferable terms compared to newer customers.
- **Benefits sought:** grouping customers by common elements they look for in a product or purchasing experience
- **End use:** identifying segments based on how they plan to use the product and where it fits into their operations and supply chain. For example, an electric motor manufacturer learned that customers operated motors at different speeds. After making field visits and confirming these uses, he thought to divide the market into slow-speed and high-speed segments. In the slow-speed segment, the manufacturer emphasized a competitively priced product with a maintenance advantage, while in the high-speed market product, superiority was stressed.
- **Purchasing approaches:** organizing the market according to the way in which organizations prefer to make purchases; those preferences, in turn, determine how the seller builds the relationship with the customer and works the deal.

Combining Multiple Bases for Segmentation

Marketers may find it most useful to combine different bases for segmentation in order to create a richer picture of their target market. For example, a "geo-cluster" approach combines demographic data with geographic data to create a more accurate profile of a specific consumer. Geographic data combined with behavioural data can point companies toward locations where customers are clustered who demonstrate behaviours that make them a good target for a company's product. Overlaying demographic data onto lifestyle or behavioural segments helps marketers understand more about their target customers and how to reach them effectively with the marketing mix.

Any of these approaches may be the "right" approach for a given company and product set. It is also important for marketers to continually evaluate what's happening in their target market and to adjust their segmentation approach as customer attitudes, behaviours, and other market dynamics evolve.

3.4 Segmentation Decisions

Explain the process of selecting an appropriate segmentation approach and deciding which customer segments to target for marketing activities

Now that you've learned about common segmentation approaches, how do you know when to apply them? When is geographic segmentation a better fit than demographic segmentation? When should you consider using both at the same time?

It comes down to your marketing goals: What are you trying to achieve?

This section explains the process of aligning your goals with your segmentation approach and target market.

Learning Activities

- Reading: Choosing a Segmentation Approach and Target Segments
- Case Study: eHarmony

Reading: Choosing a Segmentation Approach and Target Segments

Conducting a Market Segmentation

As you have seen, there are many different ways a company can segment its market, and the optimal method varies from one product to another. Good market segmentation starts by identifying the total market for the product: all the individuals who might conceivably need a product and have the means to purchase it. The total market for accounting software is different from the total market for Lego building sets or the total market for chewing gum for example.

The next step is to identify marketing goals you want to achieve with the segmentation strategy. Do you want to generate awareness and sales in a local community that has never heard of your company? Do you want to get occasional customers to buy your product regularly? Do you want loyal supporters to dig deeper into their pockets and spend more of their money on your goods or services? Your segmentation approach should offer the best fit for your specific marketing goals.

Your marketing goals point you toward the segmentation criteria that will be most useful to achieve your marketing objectives. For example, if your goal is to build loyalty or increase frequency of purchase, behavioural segmentation is important to consider. If your goal is to broaden your customer base within a given region, then geographic segmentation may be useful.

As you identify segmentation criteria that will help you understand the total market and meet your marketing goals, you'll develop the basis for your segmentation approach. Next, you conduct research to collect segmentation data. Analyzing the market data can tell you whether your segmentation approach makes sense and where you may need to adjust the criteria to yield useful, valid market-segment data.

After conducting research and analysis of segmentation data, you should be able to diagram and profile different segments within your total market. A typical segmentation diagram could look like this:

SAMPLE MARKET SEGMENT PROFILES

FAMILY LIFE STAGE SEGMENTS

Leisure Activity Profile Data	10% Young Singles	8% Young Couples, No Kids	28% Young Families	31% Families with Older Kids	23% Empty Nesters
Frequency going out for fun	4x/Week	2x/Week	3x/Month	4x/Month	3x/Week
Preferred destination	Bar, Clubs, Movies, Restaurants	Restaurants, Movies, Live Music	Parks, Movies, Museums, Family-Friendly Restaurants	Movies, Restaurants, Sporting Events	Movies, Restaurants, Cultural Events
Common reasons to go out	Happy Hour, Weekend, Dating, See Friends	Weekend, Anniversary, Birthday, See Friends	Birthday, Anniversary, Date Night	Birthday, Anniversary, Date Night, Kids' Performances	Birthday, Change of Scenery, See Friends
Average expenditure per outing	$25.00	$43.00	$52.00	$64.00	$12.00

Evaluating Your Segmentation Approach

An ideal market segment meets all of the following conditions:

- **It's possible to measure.** If you can't measure it, you can't collect data to know who the segment is or how to reach them.
- **It's profitable.** Segments must have the resources to purchase the product and be large enough to earn a profit for the company; otherwise they aren't worth pursuing.
- **It's stable.** Segments need to stick around long enough for you to execute your marketing plan.
- **It's reachable.** It must be possible for marketers to reach potential customers via the organization's promotion and distribution channel(s).
- **It's internally homogeneous.** Potential customers in the same segment must prefer the *same* product qualities and exhibit similar characteristics that are pertinent to the segmentation approach.
- **It's externally heterogeneous.** Potential customers from different segments have *different* product quality preferences and characteristics that affect their purchasing decisions.
- **It's responsive.** Segments should respond consistently to a given market stimulus or marketing mix. If they do not, then marketing efforts directed at them will not be well spent.
- **It's cost-effective.** Worthwhile market segments can be reached by marketing activities in a cost-effective manner. If too expensive to reach, then serving this segment will negatively impact profits.
- **It helps determine the marketing mix.** Ideally, when you have identified a market segment, you'll have insight into ways of shaping the combination of product, promotion, price, and place to fit that segment's needs.

If your segmentation approach fails to meet any of these conditions, you should go back to the drawing board to refine it. If any one of these factors is not in place, your market segmentation may actually undermine the effectiveness of your marketing and business. But with all these factors in place, market segmentation will point you toward the most promising customer groups in your target market.

For example, if you're trying to launch a print services company in a large city, targeting "all business owners" isn't cost effective, and the individuals within this group are actually quite different. That means that no single marketing mix will be effective with everyone in this segment. Instead, you would be better served by researching types of businesses (by industry, size, etc.), geographic locations, and other relevant factors to help you identify and target logical segments with shared characteristics.

Keep in mind that market segmentation is an ongoing activity that needs periodic evaluation to ensure that the approach still makes sense. Since markets are dynamic and people and products change over time, the basis for segmentation must also evolve.

Selecting Target Segments

Once a practical segmentation approach is in place, marketing organizations typically follow one of two major segmentation strategies: a concentration strategy or a multi-segment strategy.

In the *concentration strategy*, a company chooses to focus its marketing efforts on only one market segment. Only one marketing mix is developed: the combination of product offerings, promotional communications, distribution, and pricing targeted to that single market segment. The primary advantage of this strategy is that it enables the organization to analyze the needs and wants of only one segment and then focus all its efforts on that segment. The primary disadvantage of concentration is that if demand in the segment declines, the organization's sales and financial position will also decline.

In the *multi-segment strategy*, a company focuses its marketing efforts on two or more distinct market segments. The organization develops a distinct marketing mix for each segment. They then develop marketing programs tailored to each of these segments. This strategy is advantageous because it may increase total sales with more marketing programs targeting more customers. The disadvantage is the higher costs, which stem from the need for multiple marketing programs that may include segment-specific product differentiation, promotions and communication, distribution/delivery channels, and pricing.

Rolex focuses on a single market segment—those who want a luxury watch—and is thus a prime example of the concentration strategy of market segmentation.

Selecting the target segments boils down the following questions, which connect to the "ideal segment" conditions listed above:

- Whose needs can you best satisfy?
- Who will be the most profitable customers?
- Can you reach and serve each target segment effectively?
- Are the segments large and profitable enough to support your business?
- Do you have the resources available to effectively reach and serve each target segment?

As you answer these questions with regard to the different market segments you have defined, you will confirm which segments are most likely to be good targets for your product(s). These segments become your target market—the object of your targeting strategy, marketing mix, and marketing activities.

Case Study: Bumble Targets Women and Breaks Norms

Bumble was founded by Whitney Wolfe Herd in 2014 as a dating app that allows heterosexual women to take the lead when initiating conversation. Their app is helping to redefine societal gender norms.[1] What made them stand out was their BFF and Bumble Bizz mode that they released in 2016 and 2017 allowing users to seek out platonic and professional relationships as well as romantic ones. By focusing marketing efforts on these three distinct and unique needs, they were able to grow exponentially and the company is now worth $13B with its founder becoming a self-made female billionaire.[2]

Whitney Wolfe Herd was the co-founder of Tinder, so she had experience with the world of dating apps before founding Bumble and she knew the market well. Using her previous knowledge and experience she decided to create an app that did more than just host a place where people could find romantic interest and decided to challenge dating rules and norms. By allowing heterosexual women to make the first move, Bumble goes against the grain and empowers women to take the lead in a society where they are not expected to, which also benefits men by erasing the pressure of always having to initiate a conversation first. This method, however, is only applicable to heterosexual matches, for same-sex matches anyone can message first.

The Focal Project (CC BY-NC 2.0) The Bumble app for iPhone

Bumble's BFF mode has arguably created a new market niche, where there was previously none. Intentions behind joining a dating app are not always as clear one might think, so assumptions occur which can discourage users from engaging with dating apps after encountering people with mismatched intentions. By clearly defining the intention behind joining the app and allowing for a safe space for the individual, Bumble has cleverly stretched historical perceptions of gender and relationships in a way that is benefitting both the user and the company.

There are all kinds of different relationships, and Bumble understands that very well. As an app that is meant to bring people together, they have considered other forms of relationship besides romantic and platonic ones, namely, business relationships. Networking can be a difficult aspect of the business world that not everyone is comfortable enough with or knows how to tackle, so Bumble Bizz provided a space for that. The users can complete a business-focused profile and choose filters that make browsing easier. Once they are done setting up their profile, they can choose people they would like to connect with, and if the other person is interested too, then they are matched. This way people in business who are looking for similar things can find and connect with each other based on their tailored needs.

Breaking norms about gender and relationships enables Bumble to benefit from a wider reach, allowing their users to

1. *Why Bumble?* (n.d.). Bumble. https://bumble.com/
2. *Bumble: Female-founded dating app tops $13bn in market debut.* (February 11). BBC News. https://www.bbc.com/news/business-56031281#:~:text=Bumble%3A%20Female%2Dfounded%20dating%20app%20tops%20%2413bn%20in%20market%20debut,-11%20February&text=Its%20Wall%20Street%20success%20made,led%20by%20a%20female%20founder

find the best and the most comfortable way of utilizing the app for their needs. By considering gender sub-segments and addressing them separately and uniquely, they were able to compete with other dating and networking apps gaining market share and revenue growth.

The following video has Bumble's founder explaining Bumble Bizz when it first launched and her reasoning behind it.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=164

Room for improvement

Despite their innovative method of matching people for different reasons, they still use some traditional normative ways of defining relationships. An example of that would be that users are only able to find BFF matches of the same sex to "discourage misuse of the platform". The notion that different genders cannot be close friends without romance being involved is an old one. It is true that some people might misuse the BFF mode and have ulterior motives, but only allowing same-sex friendships are not only old-fashioned, they are also problematic as it was not designed with other genders besides the binary in mind. There is no denying that breaking with traditional perceptions of gender and relationships has benefitted Bumble greatly, but keeping up with continued social change will be a must for future growth.

3.5 Targeting and Marketing Mix

Segmentation helps you decide who your target customers are, while targeting helps you zero in on the best method for reaching them. Your targeting strategy helps you set priorities for making an impact on your target segments and on the market as a whole. As you'll see in this section, your targeting strategy also helps you determine which combination of product, promotion, place, and price—i.e., which marketing mix—will best fit the segments you are trying to capture.

Take a moment to watch the following video, which explains how the car company Toyota used segmentation and a new targeting strategy to improve a product (the first P of the marketing mix) and give it genuine family appeal.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=168

You can view the [transcript for "Toyota Appeals to Kids."](#) (opens in new window)

- Reading: Targeting Strategies and the Marketing Mix
- Case Study: Red Bull Wins the "Extreme" Niche
- Simulation: Segmenting the Ice Cream Market

Reading: Targeting Strategies and the Marketing Mix

Using the Marketing Mix to Reach Target Segments

Once target segments are identified, the marketing manager selects a targeting strategy that will be the best fit for reaching them. Targeted marketing enables the marketing and sales teams to customize their message to the targeted group(s) of consumers in a focused manner. The targeting strategy is where the marketing mix comes together to create the right offer and marketing approach for each target segment. A summary of common targeting strategies is provided in the table below.

Common Target Strategies

Strategy	Target Market	Example
Mass marketing	Everybody everywhere	Walmart, Tim Hortons
Differentiated marketing	Large groups within the total market	Costco, Sam's Club
Niche marketing	High penetration within smaller, specialized segments	Jollytails, Cows Ice Cream
Micromarketing	Individual customers or localized microsegments	Groupon

Mass Marketing

Mass marketing, also called *undifferentiated marketing*, involves marketing to the entire market the same way. Mass marketing effectively ignores segmentation and instead generates a single offer and marketing mix for everyone. The market is treated as a homogeneous cluster. Mass marketing aims to reach the largest audience possible, and exposure to the product is maximized. In theory, this would directly correlate with a larger number of sales or buy-in to the product.

Mass marketing tries to spread a marketing message to anyone and everyone willing to listen. Communication tends to be less personal, as evidenced by common mass-marketing tactics: national television, radio and print advertising campaigns; nationally focused coupons; nationally focused point-of-purchase displays. The success of mass-marketing depends on whether it is possible to reach enough people, through mass-communication techniques and one universal product offer, to keep them interested in the product and make the strategy worthwhile. While mass-marketing tactics tend to be costly because they operate on a large scale, this approach yields efficiencies and cost savings for companies because it requires the marketing team to execute only one product offer and marketing mix.

For certain types of widely consumed items (e.g., gasoline, soft drinks, white bread), the undifferentiated market approach makes the most sense. For example, toothpaste (such as the brands Crest and Colgate) isn't made specially for one consumer segment, and it is sold in huge quantities. The manufacturer's goal is to get more people to select and buy their particular brand over another when they come to the point of purchase. Walk through any supermarket, and you will observe hundreds of grocery products, especially generic items, that are perceived as nearly identical by the consumer and are treated as such by the producer. Many mass-marketed items are considered staple or "commodity" items. People buy new ones when the old ones wear out or are used up, and mass-marketed brand loyalty might be the primary driver when they decide which replacement product to purchase.

Differentiated Marketing

A differentiated marketing strategy is one in which the company decides to provide separate offerings to each different market segment that it targets. It is also called multi-segment marketing. Each segment is targeted in a particular way, as the company provides unique benefits to different segments. The goal is to help the company increase sales and market share across each segment it targets. Proctor and Gamble, for example, segments some of its markets by gender, and it has separate product offerings and marketing plans for each: Secret-brand deodorant for women, and Rogaine (a treatment for hair loss) for men.[1]

When it is successful, differentiated marketing can create a very strong, entrenched market presence that is difficult for competitors to displace because of consumers' strong affinity for products and offers that meet the unique needs of their segment. A differentiated strategy can be a smart approach for new companies that enter a market and lure customers away from established players to capture share in a large overall market. Often, established companies become vulnerable to new competitors because they don't give sufficient attention to the perfect marketing mix for any given market segment.

However, differentiated marketing is also very expensive. It carries higher costs for the company because it requires the development of unique products to fit each target segment. Likewise, each unique product and market segment requires its own marketing plans and execution: unique messages, campaigns, and promotional tactics and investments. Costs can add up quickly, especially if you are targeting a lot of unique market segments.

Chinese Oreos

For a large company such as Kraft, the cost of this kind of marketing is well worth it, since its products are sold all over the world. An example of its differentiated marketing strategy are the many surprising variations of the famous Oreo cookie developed for the Chinese market. Consumers there can enjoy Oreos with cream flavors such as green-tea ice cream, raspberry-blueberry, mango-orange, and grape-peach. All of these Oreo formulations have been heavily market tested and are based on the unique preferences of Chinese consumers. [2]

Niche Marketing

Niche marketing (also called concentrated marketing) is a strategy that targets only one or a few very defined and specific segments of the consumer population. The goal is to achieve high penetration among the narrowly defined

1. Markgraf, B. (2017, November 17). *Real-world examples of effective market segmentation.* Houston Chronicle. http://smallbusiness.chron.com/realworld-examples-effective-market-segmentation-60195.html.
2. Jou, E. (2012, October 1). *The wonderfully weird world of Chinese Oreos.* Kotaku. http://kotaku.com/5947767/the-wonderfully-weird-world-of-chinese-oreos.

target segments. For example, the manufacturer of Rolex watches has chosen to concentrate on only the luxury segment of the watch market.

An organization that adopts a niche strategy gains an advantage by focusing all efforts on only one or a small handful of segments. All of their market analysis, product development, marketing strategy, and tactics concentrate on serving that select part of the market. When they do it well, this approach can provide a differential advantage over other organizations that don't concentrate all their efforts on the "niche" segment(s). Niche targeting is particularly effective for small companies with limited resources, as it does not require the use of mass production, mass distribution, or mass advertising. When a company is highly successful in desirable "niche" market segments, it can be very profitable.

The primary disadvantage of niche marketing is that it makes companies vulnerable to demand in the narrow market segments they serve. As long as demand is robust, the organization's financial position will be strong. But if something changes and demand drops off, the company has nothing to cushion it from financial hardship. Since the company has focused all efforts on one market (essentially putting all their eggs in one basket), the firm is always somewhat at risk. Such companies are especially vulnerable to small shifts in population or consumer tastes, which can greatly affect their position (for better or for worse). Large competitors with deeper pockets may choose to enter a market and use their size and resources to put smaller, niche players out of business. To insulate themselves from this type of risk, many companies pursuing a niche strategy may target multiple segments.

Ralph Lauren store, London

Luxury goods providers are a great illustration of the challenges of the niche marketing strategy. When economic recessions occur, luxury goods providers like Rolex, Chanel, and Armani routinely struggle financially because their narrow segment of "luxury" consumers has less disposable income. When fickle consumer tastes shift from Ralph Lauren to Dolce & Gabbana to Prada (and back again), the company's profitability can hang in the balance.

Micromarketing

Micromarketing is a targeting strategy that focuses even more narrowly than niche marketing. It caters to the needs of individuals ("individual marketing") or very small segments in a targeted geography ("local marketing"). Micromarketing can be very powerful by giving consumers exactly what they want, when they want it. However, to achieve large-scale success with this approach, companies must figure out how to meet highly individualized needs efficiently and profitably.

Individual marketing is sometimes referred to as "mass customization" or "one-to-one marketing." With this approach, companies offer consumers a product created to their individual specifications. For example, Build-A-Bear Workshop invites children to create their own custom stuffed animals. A child can select the type of animal, from teddy bear to unicorn, along with colour, size, clothing, and other accessories. Creators of handmade goods on Etsy.com take orders from buyers who may request variations on the individually crafted jewelry, clothing, toys, and other items displayed on the Web site. In the following video, Etsy CEO, Chad Dickerson, explains what makes the company's approach unique.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=170

You can view the transcript for "Etsy Business". (opens in new window)

Achieving wide-scale success with individual marketing requires product providers to develop production strategies and an entire marketing mix that can ramp up as demand grows. Frequently this involves offering a baseline product with parameters customers can customize to fit their needs. For example, you can order custom M&M candies, selecting colours, packaging, and even custom-printed with words or images you select. The advent of digital print technologies has also made mass customization a viable targeting strategy for companies like Vistaprint and Sticker Mule. They provide custom print materials, stickers, decals and other printed products for businesses and individuals using designs created and uploaded by customers. Their primary messaging emphasizes custom products designed by and for individual customers, matching their unique needs and preferences.

Local marketing is a targeting strategy focused expressly on a small, clearly defined neighborhood or geographic area. Organizations using this technique strive to generate a strong local presence, and targets may include any person or organization within that small area.

Groupon and Shopify are excellent examples of local marketing. Both online services partner with local businesses to promote timely offers and special pricing for individuals living in a designated geographic area. Limited-time and limited-quantity deals may include restaurant meals, spa treatments, performances, recreational activities, lessons, hotel accommodations, and a wide variety of other local area products and services. These local marketing companies earn revenue when consumers purchase and redeem the special offers in their neighborhood or city. Another example is farm cooperatives and CSAs (community-supported agriculture shares), which virtually always use a local marketing strategy. They market locally grown produce and farm-fresh goods to people residing in the immediate community, and their ongoing goal is to increase local supply and demand for healthy, local, farm-fresh food and produce.

A weekly produce share from Suzie's Farm, a CSA in California

Applying the Marketing Mix to Target Segments

With any of the strategies described above, the marketing team must come together to develop a marketing mix tailored to the needs of each segment being targeted. This marketing mix is the unique combination of product, promotion, place, and price designed expressly to fit a designated market segment.

THE MARKETING MIX

PRODUCT

PRICE

TARGET MARKET

PROMOTION

PLACE

Shaping the Marketing Mix

This course will explore each element of the marketing mix in further detail in other modules. However, the following questions can help you start down the path toward shaping the marketing mix to fit your target segments.

Product

- What would make the ideal product for your target segment?
- What special features or capabilities are critical for this segment?
- What unique problems does your product help this segment solve?

Promotion

- What are the best ways to get your target segment's attention?
- What do you want this segment to remember about your product?

Place / Distribution

- Where does this segment look or shop for your product?
- What is the best way to get your product to your target customers?

Price

- What price(s) are your target customers willing to pay for your product?
- How much is too expensive? How much is too cheap?

As you consider each of these questions, you generate ideas for altering the marketing mix to appeal to your target segment.

Example: Alumni Charitable Giving

Let's see how this works in practice. A university alumni organization embarks on a fund-raising campaign to generate funding for the strategic expansion of new and existing university programs. The baseline "product" this organization sells is charitable giving: an affiliation with the university, a tax deductible charitable donation, and the honour of contributing to a worthy philanthropic cause. For the coming year, the alumni organization decides to use a niche marketing strategy. Specifically, it will target alumni with significant upcoming reunions or years since graduation: 5 years, 10 years, 15 years, 20 years, 25 years, 30 years, and so forth. The organization chooses to tailor the marketing mix as follows:

- **Product:** The ideal product for these alumni isn't just a generic philanthropic donation. Instead, it is a giving opportunity that reflects their significant anniversary. For this reason, the alumni organization introduces a new "product" or type of donation opportunity: a class legacy fund that encourages alumni to contribute with other classmates to a common fund. When they do, they can select the areas they want their donation to benefit, such as scholarships, library, technology, and endowed professorship, etc.
- **Promotion:** Getting the attention of busy alumni scattered across the world is a challenge. People are most likely to pay attention when a message is coming from someone they know personally, and so the alumni organization decides to capitalize on classmate relationships. It recruits several well-connected people from each class to post on social media and send email messages to fellow classmates about an upcoming reunion as well as the legacy-fund donation opportunity. The email message asks people to share with other former classmates who may not have heard about the reunion and class legacy fund. Hopefully, this message begins to go viral, working through pre-existing networks to spread the word. The organization also sends a letter about the class legacy fund to older alumni who are less likely to be active with email or digital technology.
- **Place/Distribution:** As people learn about the class legacy fund, the alumni organization wants to make sure the donation opportunity is easy for anyone to act on. For this reason, they offer a variety of different ways to contribute: mail a check; dial a phone number; donate on a Web site using PayPal or a credit card; donate via phone using a mobile app. People can even come to the annual reunion activities and contribute to the legacy fund in person.
- **Price:** For a voluntary donation, "price" can be tricky. On one hand, the alumni organization wants to encourage donations of any size to the class legacy funds, no matter how small. On the other hand, it also wants to encourage alumni to consider making larger donations when possible. Based on publicly available income data, the alumni organization recognizes that most recent graduates have lower average salaries and disposable income compared to those who have been working their fields for a decade or more. Acting on this information, it adjusts the range of "suggested donation" levels for each class. Recent alumni marking a 5-year anniversary are invited to contribute between $25 and $250. Alumni marking 10- and 15-year anniversaries are invited to contribute between $50 and $500 to class legacy funds. Alumni with 20 or more years see suggested donation amounts ranging from $150 to $2,500 or more.

Thoughtful consideration of the four Ps leads to a successful launch of the alumni organization's class legacy

funds. Because the alumni organization has tailored the product, promotional strategy, placement, and pricing to the interests of the target segments, the effort is much more successful than the all-purpose, generic, "please donate to your alumni organization" campaign used in the past. In this example, wise targeting strategy works hand-in-hand with the marketing mix to yield better results.

Case Study: Red Bull Wins the "Extreme" Niche

Background

Red Bull is an Austria-based company started in 1987 by Dietrich Mateschitz that sells one product: an energy drink containing taurine (an amino acid) that's sold in a slim, silver-coloured 8.3-ounce can. The drink has been an enormous hit with the company's target youth segment around the globe. In the year 2018, Red Bull boasted sales of $1.06 billion USD in the United States alone[1], and has held the majority of the energy-drink market share for years, with a 35.3% market share in 2019 (Monster Energy, their closest competitor, held 25.4%).[2] From Stanford University in California to the beaches of Australia and Thailand, Red Bull has managed to maintain its hip, cool image, with virtually no mass-market advertising.

Red Bull's Targeted Approach to Marketing

"Red Bull. It gives you wings." Over the years, Red Bull has organized extreme sports events (like cliff diving in Hawaii and skateboarding in San Francisco), parties, and even music festivals to reinforce the brand's extreme, on-the-edge image. In 2012, they sponsored Felix Baumgartner's record-setting freefall from 128,000 feet:

(Note that the following video has limited narration. Access audio description using the widget below the video.)

1. "Red Bull Energy Drink Sales U.S., 2015–2018." Statista. (September 25, 2019). https://www.statista.com/statistics/558082/us-sales-of-red-bull-energy-drinks/.
2. "Energy drink market share in the US in 2019." Statista. (2019, September 25). https://www.statista.com/statistics/306864/market-share-of-leading-energy-drink-brands-in-the-us-based-on-case-volume-sales/.

You can view the [transcript for Felix "Baumgartner's supersonic freefall from 128k' – Mission Highlights"](). (opens in new window)

Their grass-roots approach to reaching the youth market worked: "In terms of attracting new customers and enhancing consumer loyalty, Red Bull has a more effective branding campaign than Coke or Pepsi," said Nancy F. Koehn, author of *Brand New: How Entrepreneurs Earned Consumers' Trust from Wedgwood to Dell*. Red Bull's success has also gained attention (and concern) among beverage-industry giants, and some have tried to follow its lead: For a time Coke ran a stealth marketing campaign, packaging its cola in a slim can reminiscent of Red Bull and offering it to customers in trendy bars and clubs in New York City.

Simulation: Segmenting the Ice Cream Market

Try It

We've been talking a lot about segmentation and targeting and discussing how they both work in real-life marketing. Now it's time for you to give it a try.

Remember the ice cream shop you ran in a simulation earlier in the course? We're going back to that scenario: you are an entrepreneur working to building your house-made ice cream business. This time you'll explore how to use segmentation, targeting, and the marketing mix to grow the business.

Try the simulation a few times to see how different choices lead to different outcomes. In a simulation you should take the opportunity to try out choices you think are right and some you suspect are wrong, since you can learn from both. All simulations allow unlimited attempts so you can gain experience exploring and applying the concepts.

Good luck!

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> *https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=174#h5p-1*

> *An interactive or media element has been excluded from this version of the text. You can view it online here:*
> *https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=174*

3.6 Putting It Together: Segmentation and Targeting

Remember Chumber, your new employer from the beginning of this module?

Now that you've learned something about segmentation and targeting strategy, let's return to the request your boss made for recommendations about whom Chumber ought to target and why.

Remember that Chumber's product is an automated, fully online system for checking the references of job candidates. Chumber's customers are other companies. After learning about market segmentation, you know that "all companies" are too broad to be a useful target market. Even on your first day of work, you can guess that marketing to every company you can find isn't going to be a smart strategy.

Looking back at the previous 4 years for employment by industry we can use StatsCan Labour data to help you identify which industries could see some of the biggest gains in employment in the coming years.

	Canada Employment Both Sexes 15 years and Over[1]				
North American Industry Classification System (NAICS)[4]	2015	2016	2017	2018	2019
	Persons				
Total, all industries [5]	17,946.60	18,079.90	18,416.40	18,657.50	19,055.70
Goods-producing sector [6]	3,870.40	3,833.00	3,875.90	3,928.50	3,955.50
Agriculture [7]	294.9	289.2	279.5	277.2	287.6
Forestry, fishing, mining, quarrying, oil and gas [8,9]	354.9	326.8	329.6	340.6	332.5
Forestry and logging and support activities for forestry	49.2	48.1	48.2	51.9	47.2
Fishing, hunting and trapping	15.8	14.9	17.2	16.4	16.9
Mining, quarrying, and oil and gas extraction [8]	289.9	263.8	264.2	272.3	268.4
Utilities	137	137.2	132.6	144.8	139.1
Construction	1,371.20	1,385.00	1,409.30	1,437.50	1,463.10
Manufacturing	1,712.40	1,694.80	1,724.80	1,728.40	1,733.10
Durables	1,030.10	1,032.90	1,043.00	1,042.50	1,043.30
Non-durables	682.3	661.9	681.8	685.9	689.8
Services-producing sector [10]	14,076.20	14,246.90	14,540.50	14,729.10	15,100.20
Wholesale and retail trade	2,732.70	2,745.90	2,809.60	2,794.60	2,841.80
Wholesale trade	666.9	678.1	673.4	656.3	638.1
Retail trade	2,065.80	2,067.80	2,136.20	2,138.30	2,203.70
Transportation and warehousing	917.2	907.4	943.7	990.9	1,037.90
Finance, insurance, real estate, rental and leasing	1,102.90	1,127.00	1,171.30	1,173.90	1,208.40
Finance and insurance	791	808.1	831.4	828.8	847.6
Real estate and rental and leasing	311.9	319	339.9	345.1	360.8
Professional, scientific and technical services	1,365.80	1,393.70	1,448.80	1,466.80	1,555.70
Business, building and other support services [11]	760.6	766.4	756.6	777.1	776.3
Educational services	1,274.10	1,270.00	1,285.00	1,325.40	1,370.40
Health care and social assistance	2,292.30	2,339.30	2,383.20	2,406.70	2,489.70
Information, culture and recreation	750.6	782.4	789.3	786.9	774
Accommodation and food services	1,210.60	1,212.70	1,210.80	1,235.00	1,215.70
Other services (except public administration)	761.8	774.9	781.3	802.9	817.4
Public administration	907.4	927.3	961	969	1,012.80
Unclassified industries [12]	..	..	..	..	..

Segmenting by industry makes a lot of sense in this case because some industries clearly do more hiring than others. You decide that Chumber should focus on industries with the highest projected hiring increases in the next decade. Companies in growth industries will definitely get the most value from Chumber. Next, you want to understand more about which decision-makers in these companies will be the best targets for Chumber. Having just come through the hiring process, you know who is interested in reference checking: human resources professionals, job recruiters, and hiring managers. You email Ken, the Chumber HR person who handled your hiring process, to see if he can answer a few questions about how decisions are made in HR departments.

Ken is very helpful. Prior to Chumber, he worked in HR for a health care company and a consulting firm. He confirms that an HR manager or director of recruiting oversees the reference-checking process for new hires. This person would also be the primary decision-maker for a product like Chumber. Ken explains that the requirements for reference checking differ by industry. In health care, for instance, where people routinely handle life-and-death situations, reference checks are essential and thorough. Ken mentions a couple of features Chumber could add to fit the specific requirements of the health care industry. You take notes about product improvements that could be part of the marketing mix for this segment. When you're back at your desk, Ken sends you a list of Web sites, publications, and conferences where many HR recruiters go for professional information. This will be really useful when your boss wants to talk about promotion and place! You invite Ken out for lunch to thank him for his valuable input. You still have a lot to learn about Chumber and product marketing. But applying your knowledge about segmentation and targeting is giving you a good feel for how you might help the company succeed.

1. Statistics Canada. (2020). Table 14-10-0023-01 Labour force characteristics by industry, annual (x 1,000) DOI: https://doi.org/10.25318/1410002301-eng

Practice Quiz Chapter 3

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

> *An interactive H5P element has been excluded from this version of the text. You can view it online here:*
> *https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=974#h5p-6*

CHAPTER 4: MARKETING STRATEGY

- Why It Matters: Marketing Strategy
- Evaluate how marketing strategies align with corporate strategies
- Explain the inputs and components of a marketing strategy
- Show how common analytic tools are used to inform the organization's strategy
- Give examples of corporate strategies
- Explain how the development and maintenance of customer relationships are an essential part of an organization's marketing strategy

4.1 Why It Matters: Marketing Strategy

Learning Objective

Explain how a marketing strategy supports an organization's corporate strategy.

In this module, you'll learn about the important role that marketing strategy plays in supporting corporate strategy. When a company has a mission and a set of corporate-level objectives, the marketing strategy must support those goals, which is perhaps the most important lesson that the following companies—and many others like them—failed to learn:

[10 Lessons I Learned From Burning Through $50,000 on a Hardware Project That Bombed](#)

"With Kolos, we did a lot of things right, but it was useless because we ignored the single most important aspect every startup should focus on first: the right product."

[VoterTide Postmortem](#)

"We didn't spend enough time talking with customers and were rolling out features that I thought were great, but we didn't gather enough input from clients. We didn't realize it until it was too late. It's easy to get tricked into thinking your thing is cool. You have to pay attention to your customers and adapt to their needs."

[My Startup's Dead! 5 Things I Learned](#)

"What I didn't understand was, you charge not for how much work it is for you. You charge how much the service is worth.

As these companies attest, a lot of things can go wrong in the startup world, and learning the hard way can mean going out of business. Take a look at the following list, which reveals the major reasons startups fail:

Top 20 Reasons Startups Fail[1]

Note: You may notice that the percentages in this equal far greater than 100%. This is because there are often multiple reasons a startup failed.

1. No Market Need (42%)
2. Ran Out of Cash (29%)
3. Not the Right Team (23%)
4. Get Outcompeted (19%)
5. Pricing/Cost Issues (18%)
6. Poor Product (17%)
7. Need/Lack Business Model (17%)
8. Poor Marketing (14%)
9. Ignore Customers (14%)
10. Product Mis-Timed (13%)
11. Lose Focus (13%)
12. Disharmony on Team/Investors (13%)
13. Pivot gone bad (10%)
14. Lack of Passion (9%)
15. Bad Location (9%)
16. No Financing/Investor Interest (8%)
17. Legal Challenges (8%)
18. Don't Use Network/Advisors (8%)
19. Burn Out (8%)
20. Failure to Pivot (7%)

Many businesses go under because their products are inferior or don't match a need, because of poor pricing strategy, poor marketing, or because of other issues related to product, price, promotion, or distribution. In essence, they fail to have a good plan that supports the goals of the company.

It is exceptionally difficult to get marketing strategy right. It is easy to get busy doing the work of the company, rather than planning the work that will ensure the company's survival and success. Successful companies have a good corporate strategy that is supported by an effective marketing strategy. In this module, you'll begin to understand why that's so important.

1. CB Insights. (2019, November 6). The top 20 reasons startups fail. https://www.cbinsights.com/research/startup-failure-reasons-top/

4.2 Evaluate Alignment of Marketing Strategies

Most of this course will focus on elements of the marketing strategy and the different tactics organizations use to execute the strategy. How do you know if you have the right marketing strategy?

Every organization has a mission. The mission describes the company's reason for existing. In order to achieve the mission, the company creates broad strategies that define how it can best use its resources to achieve the mission. At the company level, executives create specific, measurable goals to determine whether the company is making progress in executing the strategy. These time-based goals are called objectives.

The marketing function also defines a strategy that supports the corporate-level objectives. Marketing must clearly understand the target customer and identify the right mix of product, promotion, pricing, and distribution strategies that will provide unique value to the customer. Marketing also creates measurable objectives that show whether it is executing the strategy well and hitting the targets that support the corporate-level objectives. Then marketing performs specific tasks (using tactics) to execute the strategy and achieve the objectives.

Video: What Is Strategy?

A strategy is a directed course of action to achieve an intended set of goals.[1] A tactic is the means by which a strategy is carried out. [2]

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You can view the transcript for "What is Strategy?". (opens in new window)

Strategy answers the following four questions:

1. Where do we compete?
2. What unique value do we bring to customers?
3. How will we use our capabilities to provide unique value?
4. How will we sustain our unique value and position?

1. Mintzberg, H. Ahlstrand, B. & Lampel, J. (1998). *Strategy safari:* A *guided tour through the wilds of strategic management.* The Free Press.
2. Business Dictionary. (n.d.). Tactics. In *Businessdictionary.com* Retrieved July 29, 2020, from http://www.businessdictionary.com/definition/tactics.html

Reading: Strategy and Tactics

Definitions

A **strategy** is a directed course of action to achieve an intended set of goals.[1]
A **tactic** is the means by which a strategy is carried out.[2]

Background

Long before the word *strategy* had meaning in business, it was used in the context of war. In that context, it came to mean the battle plan devised by one side in order to gain an advantage or victory over an opponent. The term *tactics* referred to the specific short-term actions taken by soldiers on the battlefield to support the strategy.

Military strategy and business strategy have many things in common; both include uncertainty, making it more challenging to achieve desired results and often, there are many variables or factors that will interact in unpredictable ways. Finally, there is a combative or competitive aspect that drives both kinds of strategies: the participants keenly watch the events unfold and adjust their strategies and tactics along the way in order to win. Whether it's a battle or an economic downturn, the complexity and unpredictability of events underscores the need for a broad strategy that factors in as many contingencies as possible.

A business strategy must take into account the changing environment and identify a plan that will use the company's resources most effectively to achieve its mission and goals.

Differentiating Strategy and Tactics

Let's look at some specific characteristics of business strategy and consider how strategy differs from tactics.

Strategy Identifies Where We Will Compete

The strategy determines which markets we will pursue, where we will sell our goods and services. It focuses efforts on a specific target market. Tactics indicate specific actions that we will take in those markets.

1. Mintzberg, H. Ahlstrand, B. & Lampel, J. (1998). Strategy safari: A guided tour Through the wilds of strategic management. *The Free Press*.
2. Chaffey, D. (2021, February 15). *Marketing strategy vs tactics – why the difference matters.* Smart Insights. https://www.smartinsights.com/marketing-planning/marketing-strategy/marketing-strategy-vs-tactics-difference/

Strategy Describes the Unique Value for Customers

When developing a strategy, the aim is to identify unique benefits in the products or services that customers value and that differ from what competitors offer. A strategy should define and clarify the unique value. Tactics include the tasks of creating, delivering, and expanding the value.

Strategy Explains How the Company's Assets Will Create Unique Value

How do the company's activities interact and reinforce one another? For an organization to define a strategy that creates a unique and valuable position, it must bring together and align the various capabilities and resources of the business.

Tactics are planned to reinforce this unique value. Effective tactics, or specific actions, must support the strategy in order for the customer to have a consistent experience with the product or service that aligns with the unique value that the company is seeking to deliver. Strategy determines how the company will sustain unique value.[3]

Over time, competitors will try to eliminate the company's advantage or copy the areas where it is successful. How will the company continue to provide unique value and protect or expand the areas in which it has an advantage? As the company refines its strategy to retain or expand its advantage, the tactics must also be adjusted to execute the strategy effectively.

Strategy and Tactics in Practice

In each case, strategy defines the high-level plan. Tactics include the steps taken to execute that plan. The following examples show how strategies and tactics are employed by real businesses.

3. Kryscynski, D. (2015, January 5). *What is strategy.* [Video]. Youtube. https://youtu.be/TD7WSLeQtVw

Strategy and Long-Term Planning: Southwest Airlines

Background

Southwest Airlines Co., more commonly referred to as Southwest, is a major airline in the United States and the world's largest low-cost airline.[4] The company's long-term planning and strategy is comparable to the Canadian airline WestJet.

A Southwest Airlines Boeing 737–700 landing at San Jose International Airport, shown in the company's Canyon Blue livery.

Strategy

In its early days, Southwest Airlines' strategy focused on being the low-cost airline of choice for leisure travelers. Prior to 2008, the company recognized that without expanding its target market, it could not sustain growth. The company expanded its target market to include business travelers, without compromising the low cost and inviting brand that appealed to leisure travelers.

Tactics

Two programs provided tactics to support this shift. The company began to offer a Business Select service, which includes perks such as early boarding, priority check-in, and a free alcoholic beverage for those purchasing a premium fare. Early Bird Check-in provides automatic check-in, which allows the customer to board early.

According to CEO Gary Kelly, Southwest does "Six percent or seven percent of our boardings by Business Select, [and] probably more than double that by Early Bird." The combined direct revenues from the programs were nearly $295 million in 2013.[5]

4. Bailey, J. (2019, July 29). *How Southwest Pioneered The Low-Cost Carrier Model.* Simple Flying. https://simpleflying.com/southwest-lcc-model/
5. Bashkara, V. (2014, April 22). *Southwest Airlines opens for business - Customers.* Forbes Magazine. http://www.forbes.com/sites/airchive/2014/04/22/southwest-airlines-opens-for-business-customers/

Reading: The Mission Statement

A Mission Statement Explains Why an Organization Exists

The mission statement guides the corporate strategy, which, in turn, guides the marketing strategy and planning. All marketing activities should relate to and support the company's mission.

THE MARKETING PLANNING PROCESS

In the marketing planning process diagram shown above, the planning begins with the mission statement. The mission statement doesn't change. The strategy and tactics might shift—and, indeed, after an implementation and evaluation process, they often do—but the company's mission remains fixed. For instance, if a company discovered that its product design was creating new opportunities in an adjacent market, that might spur the development of a new corporate-level strategy to expand into the new market, but it wouldn't change the fundamental mission of the company.

Google's Mission Statement

Google's mission is to organize the world's information and make it universally accessible and useful.[1]

The mission statement is clear and direct, and it gives the company an enormous opportunity to make an impact.

How does Google's mission statement drive the company's strategies? Let's look at it from several different angles.

Google's Target Market

Google's target market is the world. For most companies that would seem overly ambitious, right? In effect, the company has chosen not to target and not to segment. Why does such a decision make sense for Google? The company's mission demands a comprehensive, global focus, and therefore so does its targeting.

Google's Strategy

Google has defined a set of strategies that support its mission, one of which is the product strategy. There are two core components of Google's product strategy: its search engine and the advertising platform that is fed by the search engine. Both of these products are not only designed to serve the world but they become more and more powerful as they gain users. If Google were to narrow its focus to a segment of Internet users, it would hamper the company's ability to achieve its mission—and, at the same time, make Google less successful and profitable.

Google's Tactics

Google uses a range of tactics to execute its strategy. One tactic is to create promotional videos, such as the one below, that convey the power of Google's mission and align the mission with the specific benefits of the Google search engine.

1. Google. (n.d.). Mission statement. http://www.google.com/about/company/

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=190

You can view the transcript for "Google — Year In Search 2014". (opens in new window)

Through the course of the ad, Google suggests that its search engine connects us to:

- Hope more than fear
- Science more than fiction
- Things we love
- Greatness
- Hope
- Memories
- Inspiration

In what ways does this promotional tactic align with the company mission and support the product strategy?
From this example you can begin to see that:

- The mission statement functions as an important guide for all aspects of company strategy.
- When the strategy and tactics support the mission statement, they are more effective because they reinforce one another.

Reading: Strategy and Objectives

The Need for Objectives

As we discussed before, a business strategy must take into account the changing environment and identify a plan that will use the company's resources most effectively to achieve its mission and goals. Businesses define and communicate their goals using objectives.

Objectives specify measurable outcomes that will be achieved within a particular time frame. Objectives help individuals across the team to understand the goals and to determine whether the strategy is effective and the tactics are being well executed. Objectives are used to align expectations and plans, coordinate efforts, measure progress, and hold teams accountable for achieving results.

Companies often have long-term strategies but create objectives based on a quarterly or annual plan. Clear, measurable objectives enable the company to track progress and adjust tactics (and, sometimes, strategies) to improve the chance of success.

Creating Effective Objectives

In general, effective objectives meet the following criteria:

- They are *specific*. They identify what must be accomplished in language that is clear and easy for the whole company to understand.
- They are *measurable*. They help managers ascertain whether the objectives have been achieved in very concrete terms.
- They have a *time frame*. The objectives specify when they are to be met so that others can count on the results being available at a certain time.

Below are some examples of good objectives:

- Implement a new customer loyalty plan in 20XX
- Increase market share for the product by 2 percent during 20XX
- Execute marketing campaigns that result in 2,000 qualified leads for a new product by June 1

Using Objectives to Align Company Activities

Companies do not have a single strategy. At any time they are executing a range of different strategies. A company

might simultaneously execute strategies to enter a new market, grow market share in an existing market, and improve organizational efficiency. Moreover, strategy at the corporate level will guide the development of strategies for each function, including marketing. Remember, a business strategy must identify a plan that will use the company's resources most effectively to achieve its mission and goals. Likewise, the marketing strategy must identify a plan that will use the marketing function's resources and expertise most effectively to achieve *its* mission and goals.

We will discuss the process for developing and executing the marketing strategy further, but first, let's focus on the alignment of the marketing strategy. How can the marketing function make sure that its strategy and tactics support the corporate-level objectives? How does it know if it is on track to achieve results? During the marketing planning process, the organization creates its own marketing objectives that support the company objectives. These marketing objectives must also specify measurable outcomes that will be achieved within a particular time frame.

Let's take a look at some examples of typical corporate and marketing objectives. At the corporate level, objectives include profitability, cost savings, growth, market-share improvement, risk containment, reputation, and so on. All of these corporate objectives can imply specific marketing objectives. Below are two common corporate-level objectives and the marketing objectives that would support them effectively.

Example: Annual Objectives

1. Company Objective: Increase profitability by 6% over prior year

   ◦ Marketing Objective: Increase the average selling price of the product from $186 to $198
   ◦ Marketing Objective: Complete end-of-life process for three products with profit margins below 3%
   ◦ Marketing Objective: Increase sales of start product by 30% over prior year

2. Company Objective: Increase market share in one key market by 4%

   ◦ Marketing Objective: Implement a competitive-positioning campaign relative to a key competitor
   ◦ Marketing Objective: Introduce two new products to market
   ◦ Marketing Objective: Introduce major enhancements in two product lines
   ◦ Marketing Objective: Bring two new distribution partners on board to expand coverage to new major markets

As you can see, if the marketing organization achieves its objective to introduce new products to market, then it will support the company's objective to grow market share. If the marketing organization does not introduce new products, then the other objectives will need to be adjusted or the company is unlikely to show the market share growth that is part of its strategy.

4.3 Marketing Strategy Mechanics

- Identify the inputs to the marketing strategy
- Describe how a marketing strategy optimizes the marketing mix
- Discuss the role of budget, implementation, and evaluation in the marketing strategy

The company strategy and objectives provide direction for the whole company, but they don't specify how the company will get the most benefit from marketing resources and capabilities. That is the role of the marketing strategy. The marketing strategy defines how the company shapes its product, promotion, pricing, and distribution to provide unique value to its customers and to support the broader company goals.

Throughout this course we will delve more deeply into the strategies, tools, and processes that a marketer uses, but this module emphasizes the planning process itself. How does the marketing function create an effective plan and execute it successfully? That planning process is the focus of this module.

Learning Activities

- Reading: Creating the Marketing Strategy
- Reading: Optimizing the Marketing Mix
- Reading: Implementation and Budget
- Reading: Evaluating Marketing Results

Reading: Creating the Marketing Strategy

Inputs That Inform Marketing Strategy

To a great extent, developing the marketing strategy follows the same sequence of activities used to define the corporate strategy. The chief difference is that the marketing strategy is directly affected by the corporate strategy, as well as by the other functions within the organization. As a result, the marketing strategy must always involve monitoring and reacting to changes in the corporate strategy and objectives.

In order to be effective, a marketing strategy must capitalize on the resources at its disposal *within* the company, but also take advantage of the market forces that are *outside* the company. One way to assess these different factors, or inputs, is by conducting a situation analysis (also called a SWOT analysis). A SWOT analysis includes a review of the company's internal strengths and weaknesses and any external opportunities and threats that it faces. We will discuss the SWOT analysis and other strategic planning frameworks in more detail later in this module.

Centering on the Target Customer

The marketing strategy defines how the marketing mix can best be used to achieve the corporate strategy and objectives. The centerpiece of the marketing strategy is the target customer. While the corporate strategy may have elements that focus on internal operations or seek to influence external forces, each component of the marketing strategy is focused on the target customer.

Recall the following steps of determining who your target customer is:

1. Identify the business need you will address, which will be driven by the corporate strategies and objectives;
2. Segment your total market, breaking down the market and identifying the subgroup you will target;
3. Profile your target customer, so that you understand how to provide unique value;
4. Research and validate your market opportunity.

Focusing the marketing strategy on the target customer seems like a no-brainer, but often organizations get wrapped up in their own strategies, initiatives, and products and forget to focus on the target customer. When this happens the customer loses faith in the product or the company and turns to alternative solutions.

Aligning Corporate and Marketing Strategies

As we discussed before, objectives can create alignment between the corporate and marketing strategies. If the corporate objectives are clearly defined and communicated, then they become a calibration tool for every step of the marketing planning process.

How would good corporate-level objectives inform the marketing strategy and objectives? Consider the following examples:

THE MARKETING PLANNING PROCESS

1. Imagine completing a market segmentation process. You find a target market that will find unique value in your offering. The decision to pursue that target market will depend on whether that segment is large enough to support the corporate objectives for market growth.
2. How many new products should the company launch this year? The answer should be informed by the corporate objectives for growth and profitability.
3. The marketing function has identified a customer relationship management campaign that would create greater customer loyalty. Does the cost of the campaign and its expected returns align with the company objectives?

As you can see, company objectives provide important guidance to the marketing planning process. Likewise, marketing objectives ensure that the goals of the marketing strategy are defined, communicated, and measured.

Reading: Optimizing the Marketing Mix

With a clear understanding of the corporate objectives, marketers must decide which strategies and tactics will best align with and support them.

This is rarely a simple decision. Markets are constantly changing, and buyer behaviour is very complex. The marketer must evaluate all aspects of the marketing mix and determine which combination of product, price, promotion, and distribution will be most effective.

Decisions about the marketing-mix variables are interrelated. Each of the marketing-mix variables must be coordinated with the other elements of the marketing program. Consider, for a moment, a situation in which a firm has two product alternatives (deluxe and economy), two price alternatives ($6 and $3), two promotion alternatives (advertising and coupons), and two distribution alternatives (department stores and specialty stores). Taken together, the firm has a total of sixteen possible marketing-mix combinations. Naturally, some of them will be incompatible, such as the "deluxe" product and low price combination. Nevertheless, the organization must consider many of the possible alternative marketing programs. The problem is magnified by the existence of competitors. The organization must find the right combination of product, price, promotion, and distribution so that it can gain a differential advantage over its competitors. (All of the marketing mix elements will be discussed in more detail in other modules of the course.)

Recall that Southwest Airlines created a company strategy to expand its target market to include business travelers. One of its objectives was to grow revenue and market share to achieve specific targets by expanding into the business traveler market.

Which marketing strategies are needed to support such a corporate strategy? To answer that, Southwest had to investigate the four Ps:

- Do we need new products that appeal to business travelers? (Product)
- Are business travelers willing to pay a higher price point? (Price)
- How will we communicate our offerings to business travelers? (Promotion)
- How do business travelers book their travel? Are new distribution points needed? (Place)

As you can see, these questions about the four Ps are nicely aligned with Southwest's corporate strategy and objectives, but they're also connected to questions about the target customer: Who is the business traveler and how does he or she define value? The optimal marketing strategy will need to include a deep understanding of the target customer and specify how it offers *unique value* to that customer. Southwest did that in the ways described below:

Product Strategy

Created a series of programs that offer time savings and convenience for business travelers, who value those benefits above price.

Pricing Strategy

Created add-on services that provide business travelers with time savings and convenience at a total price that is higher than what leisure travelers pay for no-frills services, but is at or slightly below competitors' prices for business fares.

In each case, the marketing strategy supports the corporate strategy, focuses on providing unique value to the target customer, and incorporates the elements of the marketing mix that can be leveraged to deliver that value.

Reading: Implementation and Budget

Implementation

Even a well-designed marketing program that has been through a thorough evaluation of alternatives will fail if it's poorly implemented. *Implementation* involves the tactics used to execute the strategy. It might include such things as determining where to promote the product, getting the product to the consumer, and setting a commission rate for the salespeople.

The implementation process emphasizes the timely completion of tasks. Often marketing organizations have a project- or program-planning function that tracks the tasks that will be completed, the individual or team that will complete the tasks, the budget spent, and the results achieved. If the organization manages each element of the plan carefully, it can intervene if progress is falling behind, rather than waiting until it affects the objectives or strategy.

Today, the process for implementing, measuring, and adjusting marketing tactics is much faster and more quantitative than it has ever been. Take the following comparison: a store decides on a promotional tactic to hang a billboard on the freeway near the exit ramp to the store. The billboard company can provide estimates on the number of cars that will pass the billboard, but how many people will actually look at the billboard? How many will be within the target market? How many will take the exit? How many will continue driving, but remember and come back to the store at a later date? It is almost impossible to answer any of these questions with certainty.

If, on the other hand, the same store launches a promotional campaign on Facebook, it will gain much more visibility into who sees the ad and whether the ad is effective. It can track who clicks on the ad, who buys after clicking, how often they come back, and what they buy in the future.

Developments like this have improved marketing tactics immensely by making it easier to measure impact and make adjustments that can be used a day, hours, or even minutes later.

Budget

Marketing-mix components must be evaluated as part of an overall marketing strategy. Therefore, the organization must establish a marketing budget based on the marketing effort needed to influence consumers. The marketing budget represents a plan to allocate expenditures to each of the components of the marketing mix. For example, the firm must establish an advertising budget as part of the overall marketing budget and allocate expenditures to various types of advertising media—television, newspapers, and magazines, e.g. A sales promotion budget should also be determined, allocating money for coupons, product samples, and trade promotions. Similarly, budgets are required for personal selling, distribution, and product development.

How much should be spent to promote the sale of a company's products? The answer hinges on the following: "What

are we really trying to accomplish? What are our goals?" Subsequent discussion should focus on finding the best path around any obstacles, toward those identified goals. In other words, product promotion is just one aspect of the larger picture.

Too often, when marketers ask whether their budgets are adequate, the question is driven by how much their competitors are spending. Knowing how much others in the same industry are spending can be useful to a company whose performance lags behind the competition or to a company that suspects its expenditures are higher than they need to be. In general, though, knowing what others spend can lead to a counterproductive "keeping-up-with-the-Joneses" mentality. It also assumes that others know what they are doing.

Reading: Evaluating Marketing Results

No marketing program is planned and implemented perfectly. Marketing managers will tell you that they experience many surprises during the course of their activities. In an effort to ensure that performance goes according to plans, marketing managers establish controls that help them evaluate results and identify needed modifications. Surprises occur, but marketing managers who have established sound control procedures can react to unexpected results quickly and effectively.

Marketing control involves a number of decisions—one is simply deciding which function to monitor. Some organizations monitor their entire marketing program, while others choose to monitor only a part of it, such as their sales force or their advertising program. A second set of decisions concerns the establishment of performance standards—for example, market share, profitability, or sales. A third set of decisions concerns how to collect information for making comparisons between actual performance and standards. Finally, to the extent that discrepancies exist between actual and planned performance, adjustments in the marketing program or the strategic plan must be made.

Once a plan is put into action, a marketing manager must still gather information on the effectiveness of the plan's implementation. Information on sales, profits, consumer reactions, and competitor reactions must be collected and analyzed so that a marketing manager can identify new problems and opportunities.
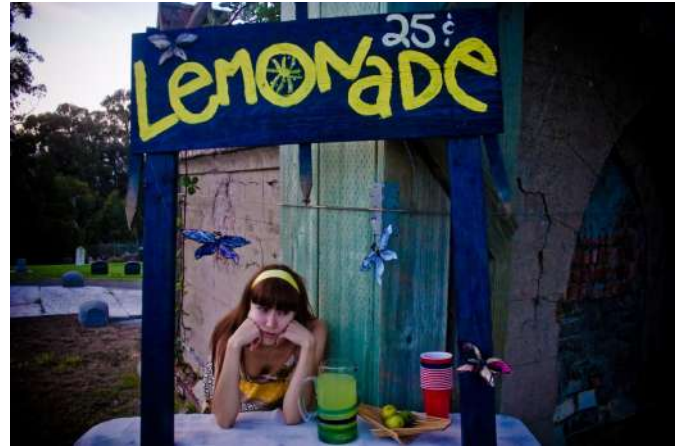
Return on the Marketing Investment

Increasingly, the single most important evaluation measure is the *return on the marketing investment* (or *marketing ROI*). Earlier in this module, we learned that strategies define how an organization can best use its resources to achieve the mission. Measuring return on the marketing investment helps marketers understand whether their use of resources is yielding the most effective results.

Let's look at an example of marketing ROI.

Example: Marketing ROI

A retail store launches a campaign to increase online sales. The firm tracks the cost of setting up the online campaign, promotion costs, costs of the images and designs for the promotion, and staff time used to implement the campaign. These are the investments. Let's say the total marketing spending on the campaign is $10,000.

Next, the store tracks a range of metrics, including how many people view online promotions (page views), how

many people click on promotions (click-throughs), and ultimately the number of resulting sales. Thanks to the campaign, the company sees an additional $100,000 in sales.

The marketing ROI can be calculated by taking the revenue generated ($100,000) and dividing it by the cost of the marketing budget invested ($10,000). In this case, the marketing ROI for the retail store's online campaign is 10.

Marketing ROI does not only focus on sales generated. Marketers may talk about spending per new customer acquired, increases in the lifetime value of the customer, increases in market share, or other metrics that are important to the strategy.

Why has marketing ROI become an important metric? Many marketing leaders have realized that they are better able to secure appropriate marketing budgets when they can point to tangible results. Managers who found themselves constantly responding to the question "What do we get from our marketing budget?" have learned that marketing ROI can provide a definitive answer.

In addition to the marketing ROI, there are many new technology-based marketing programs and tools that give marketers an enhanced ability to capture data and evaluate results in quantitative terms.

Example: Old Spice

The video below provides an excellent example of the evaluation of a marketing campaign:

A YouTube element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=204

You can view the [transcript for "The Ad Campaign That Saved Old Spice – Cheddar Examines"](#). (opens in new window)

Think about the following questions regarding the ad campaign in the video you just watched:

- What were the goals of the campaign?
- How did the target customer influence the campaign and the goals?
- Was it successful?
- What metrics were used to determine the success of the campaign?

4.4 Strategic Planning Tools

When a company is developing its strategy, it is faced with a vast array of considerations and choices. It needs to take into account its resources and capabilities, the strength of existing customer relationships, the competitive landscape, the economic and legal environments, important societal trends—the list of inputs goes on and goes on. Then, based on that information, it must devise a plan—a strategy—that contains the best options for addressing the inputs. But which inputs are most important, and which options should be included in the strategy? To answer these questions, businesses have at their disposal a number of strategic planning tools that help to simplify, organize, and focus both the inputs and the possible strategy options. In this section you'll learn about three: the SWOT analysis, the Boston Consulting Group matrix, and the strategic growth matrix.

Reading: SWOT Analysis

A situation analysis is often referred to by the acronym SWOT, which stands for *strengths*, *weaknesses*, *opportunities*, and *threats*.
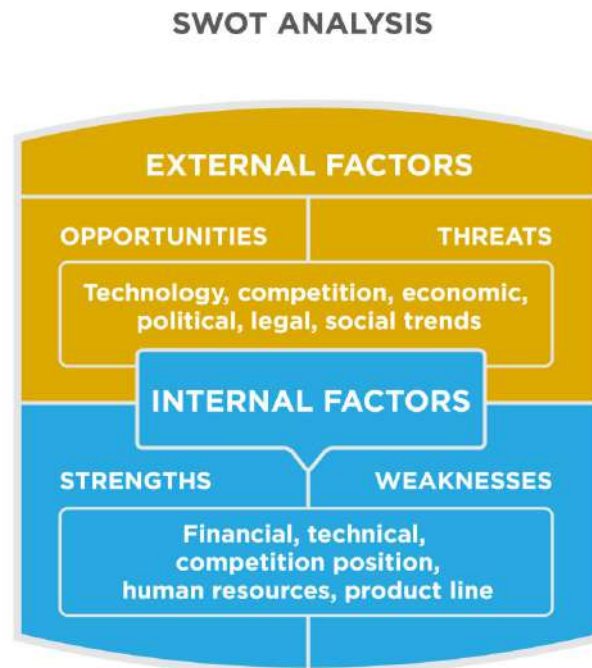
Essentially, a SWOT analysis is an examination of the internal and external factors that impact the organization and its strategies. The internal factors are strengths and weaknesses; the external factors are opportunities and threats. A SWOT analysis gives an organization a clear picture of the "situation" in which it operates and helps it identify which strategies to pursue.

Internal Factors

Strengths and weaknesses include the resources and capabilities within the organization now. Since the company has the most control over internal factors, it can craft strategies and objectives to exploit strengths and address weaknesses. Examples of internal factors include the following:

- Financial resources
- Technical resources and capabilities
- Human resources
- Product lines

All of these are controlled by the organization. Competitive positioning can also be a strength or a weakness. While competitors' strategies and tactics are external to the company, the company's position relative to the competitors is something that it can control.

External Factors

External factors include opportunities and threats that are outside of the organization. These are factors that the company may be able to influence—or at least anticipate—but not fully control. Examples of external factors include the following:

- Technology innovations and changes
- Competition
- Economic trends
- Government policies and legislation
- Legal judgments
- Social trends

While a company can control how it positions itself relative to the competition, it can't control competitors' actions or strategies.

Benefits of a SWOT Analysis

A SWOT analysis benefits organizations in two key ways:

The SWOT Analysis Encourages Realistic Planning

Imagine a growing company that is able to attract new customers more easily than the competition because it has a strong reputation and visible leader. These strengths should be considered and exploited in the strategy. Now imagine that the company also has a poor history of delivering on customer commitments. If this weakness is not addressed, it will not only make it difficult to retain customers but also likely damage the reputation of the company and its leader—which would eliminate key strengths. By conducting a situation analysis, the company is more likely to consider both of these factors in its planning.

The SWOT Analysis Improves Ability to Forecast Future Events

What's the worst thing that could happen to your business? Most organizations can answer this question because they have assessed the environment in which they operate. For instance, perhaps they know of pending legislation that might adversely affect them. Or perhaps they recognize legal risks or unique challenges from past economic cycles. By considering threats and "worst-case scenarios" during the planning process, organizations can take steps to avoid them, or minimize the impact if they do they occur.

SWOT Analysis Example

A situation analysis can benefit any organization. The example below shows the SWOT analysis for a fictional college.

SWOT ANALYSIS 2
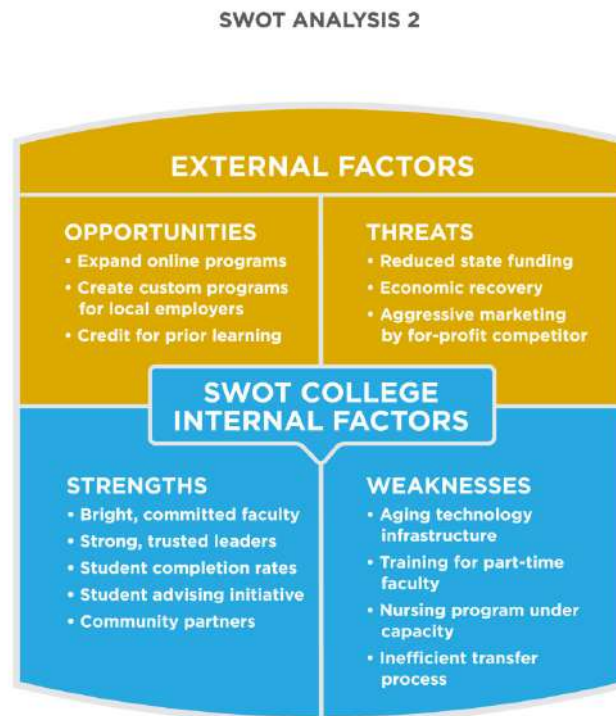
Even this rudimentary analysis highlights some strategic issues, discussed below, which the college needs to consider.

Internal

The college has a number of strengths. Committed faculty and trusted leaders have collaborated to build academic programs that are showing high completion rates among students. The student advising program is also contributing to that success. Also, the college has excellent relationships with businesses in the community.

Among the weaknesses, the technology infrastructure is outdated. The college also employs a large number of part-time faculty members but doesn't provide them with adequate training or support. Nursing, one of the more expensive programs at the college, is not attracting enough students to keep it full. Also, the college has learned from some of its recent graduates that students are not receiving transfer credit at the local university for all of their courses taken at the college. The students wonder if the college faculty and advisers really understand their academic goals or the requirements of the four-year degree programs at the university.

By completing a SWOT analysis, the college can shape its strategies and objectives to align with both the internal resources and capabilities it has, as well as the external factors it faces.

External

The college leadership is feeling pulled by conflicting economic factors. The region has been through an economic downturn, which resulted in cuts to state funding. At the same time, an economic recovery has just begun. During the previous economic recovery, college enrollment dropped when students who were pursuing additional education returned to the workforce. How might the timing of those two funding issues work out? The college is also being affected by a local institution that is aggressively marketing to its students—especially students in the nursing program.

Still, there are opportunities. Students have expressed interest in more online courses and programs. That might also slow the local competitor, though it would also require the college to address its aging technology infrastructure. The college has identified a number of innovative programs that would enable students to earn degrees more quickly and at the same time expand its partnership and collaboration with local businesses.

Reading: BCG Matrix

Purpose

When a company has many different products or even many different lines of business, strategy becomes more complex. The company not only needs to complete a situation analysis for each business, but also needs to determine which businesses warrant focus and investment. The BCG matrix (sometimes called the Growth-Share matrix) was created in 1970 by Bruce Henderson and the Boston Consulting Group to help companies with many businesses or products determine their investment priorities.

The BCG matrix considers two different aspects of a business unit or product:

1. What is the current market share?
2. What is the market's growth potential?

Market Share

Market share is the percentage of a market (defined in terms of units sold or revenue) accounted for by a specific product or entity. For instance, if you run a neighborhood lemonade stand that sells 200 glasses of lemonade each summer, and there are two other competing lemonade stands that sell 50 glasses and 150 glasses, respectively, then you have 50 percent market share. Out of 400 glass sold, you sell 200 glasses, or 50 percent of the total.

Companies track market share data closely. For example, what is the market share for different types of cell phones in the U.S.? The International Data Corporation reports these numbers quarterly. As the following table shows, Android phones have had the dominant market share over the past several years.

Smartphone Market Share 2019–2021[1]

Period	Android	iOS	Others
2019	86.7%	13.3%	0.0%
2020	84.1%	15.9%	0.0%
2021	83.8%	16.2%	0.0%

Market-Growth Potential

The market-growth potential is more difficult to quantify, but it's the other important factor in the BCG matrix. Let's use some of the products in Proctor & Gamble's portfolio to identify markets with different growth potential. How about bathroom tissue—is that a high-growth market? Probably not. Data shows that, in the U.S. anyway, bathroom tissue use

1. "Smartphone Market Share - OS." IDC. Accessed May 12, 2021. https://www.idc.com/promo/smartphone-market-share/os.

tracks closely with population numbers, which have declined 0.7 percent since 1992. How about the market for high-end skin-care products? Generally, markets for products that serve Americans born between 1946 and 1964—the baby boomers—are growing rapidly. The reason is that this large generation is aging with more income and a longer life expectancy than any previous generation.

Market-growth potential generally includes analysis of similar markets, as well as analysis of the underlying drivers for marketing growth. It can be thought of as a "best guess" at what the future value of a market will be.

Applying the BCG Matrix

The BCG Matrix is comprised of four quadrants that show high and low market share and high and low growth potential. Each quadrant has a name and specific characteristics.

BCG GROWTH-SHARE MATRIX

Dog

A product or business with low market share in a mature industry is a dog. There is no room for growth, which suggests that no new funds should be invested in it.

Cash Cow

A cash cow is a product or business that has high market share and is in a slow-growing industry. It's bringing in more money than is being invested in it, but it doesn't have much growth potential. The profits from a cash cow can be used to fund high-growth investments, but the cash cow itself warrants low investment.

Question Mark

A question mark is a product or business that has low market share currently but is in a growing industry. This case is trickier: the product/business is consuming financing and creating a low rate of return for now, but its direction isn't clear. A question mark has the potential to become either a star or a dog, so close monitoring is needed to determine its growth potential.

Star

A star has high market share in a fast-growing industry. This kind of product or business is poised to bring strong return
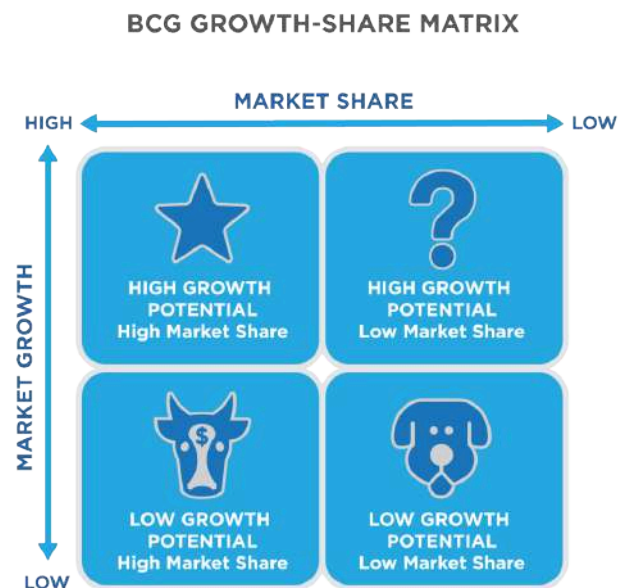
on the funds invested. It also has the potential to become a cash cow at the end of the product life cycle, which can fund future investments.

According to the logic of the BCG matrix, as an industry grows, all investments become cows or dogs. The intent of the matrix is to help companies make good portfolio-management decisions, focusing investment in the areas that are likely to provide returns and fund future growth.

Reading: Strategic Opportunity Matrix

The last strategic framework that we will consider is the strategic opportunity matrix (sometimes called the Ansoff matrix, named after its creator, Igor Ansoff). Whereas the SWOT analysis can help organizations identify new market and new product *opportunities* (it's the "O" in SWOT), the strategic opportunity matrix focuses on different *growth strategies* for markets and products. The matrix examines the following:

1. New vs. existing *markets*
2. New vs. existing *products*

STRATEGIC OPPORTUNITY MATRIX

As the diagram shows, each quadrant represents a different growth strategy:

1. **Market penetration**: focus on current products and current markets with the goal of increasing market share
2. **Market development:** use existing products to capture new markets
3. **Product development:** create new products that can be sold in existing markets
4. **Diversification:** create completely new opportunities by developing new products that will be introduced in new markets

Each strategy entails a different level of risk. Market penetration has the lowest risk since it emphasizes known markets and existing products. Diversification has the highest risk because it involves the development of new products and taking them to new markets. The company must consider whether it can achieve the desired returns without risking a move into new markets or introducing new products. Often, though, higher risk leads to a higher return.

Which strategy should the company pursue? The answer can be informed by a SWOT analysis, which takes into account

the strengths and weakness of a company's existing products, as well as the opportunities and threats in the competitive market.

4.5 Examples of Corporate Strategies

It can be challenging to get a handle on an abstract concept like "corporate strategy" unless you can see what it means in the context of a real business. The goal of this section is to deepen your understanding of corporate strategies—particularly the ones described by the strategic growth matrix—by doing just that.

Learning Activities

- Reading: Market Penetration Example
- Reading: Market Development Example
- Reading: Product Development Example
- Reading: Diversification Example

Reading: Market Penetration Example

Under Armour

Market penetration: focus on current products and current markets in order to increase market share

Market penetration requires strong execution in pricing, promotion, and distribution in order to grow market share.

Under Armour is a good example of a company that has demonstrated successful market penetration. The company sells performance apparel, and in recent years it has surpassed Adidas to become the number-two athletic-wear provider in North America. The company has persistently focused on selling athletic footwear, clothing, and accessories, and was able to capture a leadership position in the market with that strategy.

Throughout 2014, Under Armour fueled its growth by focusing largely on promotion, distribution, and consistent product. As a result, the company could claim major success—especially relative to major competitors Nike and Adidas—in the fight for its share of the fitness apparel market.

Like Nike, Under Armour's has been very effective at developing inspiring advertisements that feature well-known male and female athletes. The following video ads are examples:

Under Armour promotes its products through sponsorship agreements with celebrity athletes, professional teams, and college athletic teams.

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You can view the transcript for "Rule Yourself | Stephen Curry". (opens in new window)

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=220

You can view the transcript for "Misty Copeland – I WILL WHAT I WANT". (opens in new window)

Reading: Market Development Example

Poached Jobs

Market development: use existing products to capture new markets

Together, the hospitality industry, restaurants, and hotels account for 14 million jobs across the U.S., but the industry has a crushing 65 percent job turnover rate. That means that, in a single year, there will be 8 million job openings in the industry. Most restaurant and hotel managers post jobs on Craigslist.com and have a terrible time sorting through hundreds of applicants who lack the necessary qualifications or experience.

Poached Jobs is a company that addresses this problem by providing an industry-based dedicated jobs platform that allows managers to find qualified applicants and manage the hiring process.

The company has chosen a market development strategy that's based on geography. When Poached enters a new market, it wants to own that market and become the hiring solution for every restaurant and hotel in the region. The company used its initial markets, Seattle and Portland, to refine a market-entry strategy for its product and then took on larger markets such as San Francisco and Chicago. With each subsequent market, the company incorporated new approaches that sped the adoption process. In late 2014, Poached entered the enormous New York City market. Most of 2015 was spent focusing on growth and success in that single market in order to build credibility that would enable it to move into other geographic regions.

The market development strategy allows a small company like Poached to stage its growth, perfect its existing product, and capture new markets one at a time.

Reading: Product Development Example

Nissan Motors

Product development: create new products that can be sold in existing markets

Nissan was the first major automaker to commit to the mass production of an electric vehicle (EV). In 2008, it made good on its promise with the launch of the Nissan Leaf. Industry analysts immediately recognized the significance of this major move. *The Economist* had this to say:

> Within the industry, the adjective most often used to describe Mr. Ghosn's plan to make the Renault-Nissan alliance the first big manufacturer of zero-emission vehicles is "bold"—in other words, somewhere between very risky and certifiably mad.[1]

In 2011, industry watchers reported the following:

> When announced in 2008, Nissan's EV [electric vehicle] program was lauded by environmentalists and derided by the auto industry in equal measure. Nearly three years on . . . it has precipitated a seismic shift towards EVs in the auto industry, with all the other automakers now following suit. But will Nissan's heavy EV investment program deliver the environmental benefits and market share that it hopes for? It is too early to tell, but it is undeniably exciting.[2]

Eight years after the Nissan Leaf was introduced, it's fair to say that the company's gamble paid off. Nissan saw two unmet needs in the market that it sought to address. It recognized that the zero-emissions Leaf would appeal to the environmentally-minded consumer concerned about climate change. With oil prices on the rise, Nissan saw that their electric vehicle would also appeal to the cost-conscious consumer who wants to save on fuel expenses.

Today, the Nissan Leaf is the world's top-selling, highway-legal, plug-in electric car, reaching global sales of nearly 200,000 vehicles in September 2015.[3] The company's product development strategy enabled it to move into a leadership position among EV manufacturers, while successfully fulfilling unmet needs in its existing markets.

1. Mr Ghosn bets the company. (2009, October 17). The Economist. http://www.economist.com/node/14678942
2. http://www.thecrowd.me/sites/default/files/NissanCaseStudy.pdf
3. Cobb, J. (2015, September 16). *One Million Global Plug-In Sales Milestone Reached.* HybridCars.com. https://www.hybridcars.com/one-million-global-plug-in-sales-milestone-reached/

Reading: Diversification Example

Disney

Diversification: create new opportunities by creating new products that will be introduced in new markets

When you hear the word *Disney*, what comes to mind? Many people think of Disney movies such as *Cinderella* and *Beauty and the Beast* or theme parks like Disneyland and Disney World. Disney's product portfolio also includes Marvel Comics, television network ABC, and cable sports channel ESPN. The company has pursued a diversification strategy, which means purchasing other companies that enable it to bring new products into new markets while remaining true to Disney's origins.

Today, 54% of Disney's revenues—but only 32% of its profits—come from movies and parks.[1] Its most profitable growth comes from new products in new markets.

Disneyland Toontown

Strategic Business Unity	Percent of 2014 revenue	Percent of 2014 profits
Studio entertainment Films in theater, home and TV	18%	12%
Parks and resorts Theme parks, cruises	36%	20%
Media networks TV stations and advertising	51%	56%
Consumer products Licensing characters for products	10%	10%
Interactive Game platforms and games	3%	1%

An industry analyst explains:

> This wide diversification is what has allowed Disney to be so successful recently; Disney owns some of the biggest names in the entertainment world: ESPN, ABC, Disney theme parks, Disney cruise lines, and Pixar, just to name a few. Unlike many entertainment companies, Disney does not solely rely on films, TV, or parks; it is well diversified and relies on its wide reach to create one of the most recognized and popular brands in the world.[2]

1. http://cdn.media.ir.thewaltdisneycompany.com/2014/annual/10k-wrap-2014.pdf
2. Disney's Diversification Is Key To Growth. (2012, October 9). SeekingAlpha.com. http://seekingalpha.com/article/912781-disneys-diversification-is-key-to-growth

Disney's diversification identifies new products and markets that are close enough to its core business that the company can leverage its internal strengths to create business growth. Following the acquisition of ABC, Barry Diller, the former head of QVC Inc. and the man credited with creating the Fox network, said, "Taking nothing away from the senior management at the other networks, this will be the only one where the senior executive is trained true in the creative process."[3]

3. Fabrikant, G. (1995, August 1). *The Media Business: The Merger; Walt Disney To Acquire ABC In $19 Billion Deal To Build A Giant For Entertainment.* The New York Times. http://www.nytimes.com/1995/08/01/business/media-business-merger-walt-disney-acquire-abc-19-billion-deal-build-giant-for.html

4.6 Customer Relationships

If you are getting the impression that an organization's planning around marketing strategy, tactics, and objectives is very complex, you are perceptive. There are a lot of variables for companies to consider, align, and track, and occasionally an important part of the planning process gets overlooked: the customer. In this last section, we'll return to the customer and explain why customer relationships are such a crucial part of the marketing strategy and plan.

Let's pause for a moment and put the customer into our discussion of market growth opportunities. We discussed the market for high-end skin-care products for older Americans. Imagine the woman who might buy a Proctor & Gamble antiwrinkle cream. She is standing in front of a shelf of products and chooses Proctor & Gamble's cream. Who is she? Why is she there? What is her story? Our customer is hoping to stop the aging process and it is a personal, vulnerable moment. She doesn't care about the SWOT analysis or the size of the market. She wants to find a product that "understands" what she needs and helps her.

In this section you'll see how marketers address such issues and keep the customer at the center of the planning process in a very personal way.

Reading: Customer-Relationship Strategies

A situation analysis can reveal whether a company's relationship with customers is a strength to be exploited or a weakness that needs to be addressed. In many cases, it's a bit of both. For instance, a company might have loyal customers in one demographic but fail to hold the attention of customers in another demographic.

The question, then, is how do companies evaluate the quality of their customer relationships, and what approaches do they use to develop and maintain strong customer relationships? We will explore the answers to these questions in greater depth throughout this course. For now, we'll touch on an approach that companies use to incorporate their customers in strategic planning and some of the tools they use to connect with them.
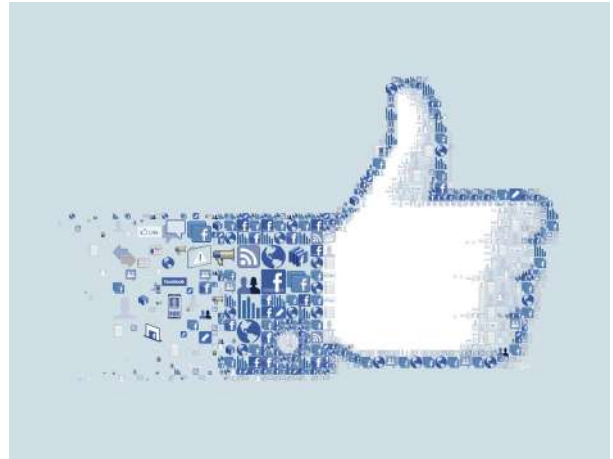
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Buyer Personas

The basis for a strong relationship is getting to know and understand someone well enough to form a connection. The same is true for company relationships with customers. The trouble is that companies rarely have a chance to personally connect with individual customers—much less with *all* of their target customers.

Marketers use something called "buyer personas" to get a more accurate picture of the customers they're trying to connect with and also to help them think of customers as real people. Buyer personas are fictional, generalized representations of a company's ideal, or typical, customer. They help the marketer understand current and potential customers better. As a marketer, knowing whom you're trying to reach and attract makes it easier to tailor your content, messages, product development, and services to the specific needs, behaviours, and concerns of different groups. For example, instead of sending the same email message to all potential customers, marketers will create a unique message for different buyer personas that aligns better with their personal interests and values.

Figure 1: Sample user persona Drake Motors Ltd

Typically, a buyer persona will have a name and a story, as in Figure 1, above. The story will include information about how the persona spends their time and details about their interests, their concerns or fears, and their goals. Often, the write-up will explain what the persona wants from the company and its products to help marketers to use the information consistently. Each of these details helps the marketer focus on developing relationships with real people, and that results in a more personalized marketing plan.[1]

The strongest buyer personas are based on market research—both the information that is broadly available and information the company gathers through surveys, interviews, and observations of customer behaviour.

1. Vaughan, P. (2020, June 4). How to create detailed buyer personas for your business [free persona template] [Blog]. HubSpot. https://blog.hubspot.com/marketing/buyer-persona-research

Video: Harley Davidson Customer Relationships

Once a company understands its buyer personas, how can it match those to real people who will buy its products or services? Today, companies use significant amounts of data and complex technology systems to create the right match in what it offers to individuals and groups of buyers.

The American Marketing Association defines customer relationship management in the following way:

> A discipline in marketing combining database and computer technology with customer service and marketing communications. Customer relationship management seeks to create more meaningful one-on-one communications with the customer by applying customer data (demographic, industry, buying history, etc.) to every communications vehicle. At the simplest level, this would include personalizing e-mail or other communications with customer names. At a more complex level, customer relationship management enables a company to produce a consistent, personalized marketing communication whether the customer sees an ad, visits a Web site, or calls customer service.[1]

Customer relationship management brings data and technology together with the marketing mix to increase the personal connection with the customer. Let's look at an example. Harley Davidson has a famously strong brand. This video provides a glimpse into the relationship that customers have with the brand and shows how a new technology is assisting the company in expanding its connection with customers.

1. American Marketing Association. (n.d.). Customer relationship management. https://www.ama.org/resources/Pages/Dictionary.aspx?dLetter=C

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=234

You can view the transcript for "Harley Davidson – Community, Brand, IBM". (opens in new window)

What are some elements of the Harley Davidson buyer persona?

How is technology being used for customer relationship management?

4.7 Putting It Together: Marketing Strategy

Since Southwest Airlines is a familiar example by now, let's do a more complete review of its strategy to help with your assignments in this course.

In this module we have focused on the following aspects of marketing planning:

- Evaluate marketing strategies for alignment with the organization's corporate strategies
- Show how common analytic tools are used to inform the organization's strategy
- Explain inputs and components of a marketing strategy
- Give examples of corporate strategies
- Explain how the development and maintenance of customer relationships are an essential part of an organization's marketing strategy

The summary below shows one analysis of the planning process for Southwest Airlines:

Corporate Strategy

Southwest Airlines' strategy is driven by its **mission**.

> The mission of Southwest Airlines is dedication to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride, and company spirit.[1]

Note: *Southwest Airlines' mission is not limited to a focus on leisure travel or even air travel. Rather, the company is driven by a mission to provide the best customer service across all sectors.*

A *Fortune* magazine article describes Southwest's unique profile in the airline industry:

> Starting with just four planes flying to three Texas cities on June 18, 1971, [co-founder Herb] Kelleher built a maverick operation that prided itself on charting a different route from other airlines. It wooed passengers with ultra-friendly onboard service, squeezed more flights a day from every plane, and made money not by raising fares but by lowering them—and hence filling seats with folks who could never before afford to fly. Along the way Southwest evolved from an upstart to a colossus that last year carried 134 million passengers in the U.S., more than any other airline and some 20% of the total. In an industry in which every other major company has gone through bankruptcy, Southwest has never gotten close to Chapter 11 and has made money for 42 straight years.[2]

Despite this success, Southwest airlines found its revenue per customer to be low, so it launched a **strategy** to attract higher-revenue business customers.

Objective: raise the portion of business customers on Southwest from 35% to 40% during the five-year period from 2014 to 2019.

1. Southwest Airlines (n.d.) Mission statement. https://www.southwest.com/html/about-southwest/
2. Tully, S. (2015, September 23). Southwest bets big on business travelers. *Fortune Magazine.* https://fortune.com/2015/09/23/southwest-airlines-business-travel/

Note: *In a competitive industry such as the airlines industry, it is remarkably difficult to gain 1% of market share. Often organizations track .1% and .01% changes.*

Analysis Tools

In order to achieve the company objective Southwest needs to bring its strengths to new customers in a way that addresses both its own weaknesses and those of competitors (which create opportunities).

SWOT Analysis

Southwest's SWOT analysis, below, identifies a number of opportunities and challenges:

Strengths

- Exceptional customer loyalty among price-conscious leisure travelers.
- Strong customer service culture throughout the organization.
- Dominance among regional airports and short trip segments.

Weaknesses

- Lower revenue per passenger than competitors.
- Limited offerings on lucrative "long-haul" flight routes.
- Low awareness among business travelers who exhibit strong loyalties to airlines with frequent traveler programs.
- Product offering emphasizes convenience at the expense of fringe benefits.

Opportunities

- Low customer satisfaction ratings of airlines that serve business travelers. [3]
- Increasing monitoring of corporate travel costs by boards and shareholders as an example of excessive perks.
- Increasing costs (threat) have less impact per customer if Southwest can attract new segments of customers that competitors are already serving.

3. J.D. Power. (2015, May 13). Airlines: A transportation or hospitality business? [Press release]. https://www.jdpower.com/business/press-releases/2015-north-america-airline-satisfaction-study#_ftnref2

Threats

- Competitor dominance of business hubs such as Atlanta, Minneapolis, and Chicago.
- Increasing fuel costs and labor costs impacting the industry.
- Risk of price wars as existing providers drop prices to hold on to lucrative business travelers.

Strategic Opportunities Matrix

With its objective to raise its share of business customers, Southwest decided to enter a new market. Is this a market development or a diversification strategy? Is the business traveler buying a different product, or benefiting from different promotion and pricing? In this case, Southwest made the choice to pursue a market development strategy that emphasized pricing, promotion, and distribution rather than making significant changes in its product (by refitting planes to add first-class seats or creating new flights for business travelers, e.g.).

Southwest's company mission likely played a guiding role in arriving at this decision. The airline's focus on providing great customer service means that it's less interested in bringing a new product to market than in taking "amazing customer service" to a new market—i.e., the business traveler.

4 Growth Strategies: The Strategic Opportunities Matrix

The following is a list of the four growth strategies in the Strategic Opportunities Matrix:

- **Market Development Strategy:** New market and current product
- **Diversification Strategy:** New market and new product
- **Market Penetration Strategy:** Current market and current product
- **Product Development Strategy:** Current market and new product

Components of the Marketing Strategy

In order to appeal to corporate customers, Southwest must focus all elements of the marketing mix on a new target customer that is less cost-conscious and less patient with the inconveniences of travel.

Marketing Mix

Southwest did not implement a separate strategy for each of the four Ps. Instead, it brought the elements of the

marketing mix together into major initiatives that touch all aspects of the marketing mix. We are going to explore two of those marketing strategies here.

The Business Select Offering

Southwest's Business Select provides an additional layer of service that emphasizes the convenience and comfort that business travelers require, at a higher price. A traveler from Los Angeles to Norfolk, Virginia, can select a budget fare of $351 or a Business Select fare of $583. For the higher price, the customer gets early boarding, access to faster check-in and security clearance, a free alcoholic beverage, and extra frequent-flyer points. The price is $232 higher for travelers who are willing to pay for these conveniences. For a lower price, travelers can buy only EarlyBird check-in, which moves them to the front of the boarding line but does not include the additional features.

The marketing mix includes a new price point and a series of new services that are packaged in one new offering. It is worth noting that competitor airlines provide these benefits to their frequent flyers through free first-class upgrades for unfilled seats in first class. On those airlines, first-class passengers also get a higher class of customer service. Southwest has found a way to introduce a higher price and provide a comparable set of benefits to business travelers while leveraging the customer service it provides to all travelers.

SWABiz

For leisure travelers, Southwest only sells tickets through its own distribution channel—its phone line and Web site. Many other airlines also sell through distributors such as Expedia, Hotwire, and CheapTrips, which all require additional discounting to cover their mark-up on the ticket price. Instead, Southwest has kept its fares lower and drawn customers to its own Web site to make purchases.

In the SWOT analysis, we see that Southwest does not have good awareness among business customers. How can it draw business customers to its Web site or get to the places where business travelers will book? SWABiz was the solution. SWABiz provides a free travel-booking and management tool for companies that do the majority of their travel on Southwest. It provides companies that often book travel for their employees (or direct employees to a single place to book) with a tool to manage flights, hotels, and car rentals. SWABiz also enables participating companies to monitor spending and enforce corporate travel policies.

Southwest also expanded its distribution network for corporate travelers. The company sells flights through [Concur, a travel-booking and management system](#) used by many corporate travel organizations that want to book across many airlines.

SWABiz is a new distribution strategy that creates an opportunity to promote its business offering to corporate travel offices and managers.

Through these marketing strategies, Southwest is building a network of business customers who have a relationship with the airline. Southwest's frequent-flyer program creates an opportunity to track customers' purchases and preferences and to bring this understanding into future strategies and plans.

Evaluation

Are these strategies successful? Southwest Airlines is actively monitoring its progress in attracting business travelers and adjusting its strategy accordingly. As with most aggressive strategies that span multiple years, the results are mixed, and there is room for new approaches.

Southwest's chief operating officer, Robert Jordan, sees the potential: "The combination of these factors has led to "double-digit growth" year-after-year in managed corporate bookings." He adds, "[O]ur [Southwest's] corporate business is growing faster than our base business."[4]

CEO Gary Kelly acknowledges that there is still work to do, noting that it is not yet adding enough business travelers to its fare mix. From the first half of 2012 to the same period in 2015, Southwest's average passenger fare increased just 6%, to $158, even though it was adding longer flights to lure business customers." [5]

Southwest has begun a strategy of adding more long-haul flights to its schedule, entering new airports, and competing head-to-head with its competitors in America's busiest airports. The work of defining, implementing, measuring, and adjusting strategies is never done.

4. Bhaskara, V. (2014, April 22). Southwest Airlines opens for business – customers. *Forbes Magazine.* http://www.forbes.com/sites/airchive/2014/04/22/southwest-airlines-opens-for-business-customers/
5. Tully, S. (2015, September 23). Southwest bets big on business travelers. *Fortune Magazine.* https://fortune.com/2015/09/23/southwest-airlines-business-travel/

Practice Quiz Chapter 4

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

> *An interactive H5P element has been excluded from this version of the text. You can view it online here:*
> *https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=976#h5p-7*

CHAPTER 5: ETHICS AND SOCIAL RESPONSIBILITY

Learning Objectives

- Why It Matters: Ethics and Social Responsibility
- Ethical marketing issues
- Define ethics in the context of marketing
- Identify common ethical issues and their impact on individuals and organizations
- Identify ethical issues introduced through new marketing channels
- Explain the role of social responsibility in marketing

5.1 Why It Matters: Ethics and Social Responsibility

Why learn about regulations and ethics?

Generally speaking, students believe that there are two primary reasons to act ethically:

- Acting ethically is the right thing to do from a moral perspective;
- If you act unethically, then you might get caught and be punished.

Businesses need to make decisions to act. How are they guided? Laws or regulations are the constraints and considerations that define what you CAN do and MUST be followed to operate your business within an industry, geography or jurisdiction. Marketers have many legal considerations as we will explore in 5.3. Business ethics are what you SHOULD do. Ethics and laws are linked within the society by creating standards and rules. Society has many stakeholders. Business ethics is the social obligations a business has to its stakeholders including; employees, customers, institutions, and communities. Under the umbrella of business ethics, Corporate Social Responsibility (CSR) began to emerge in the 1950s and took hold as a brand consideration and management concept in the 1970s with a narrow focus on what a company's social obligations are. It was difficult to determine if they followed through as CSR is self-regulated. CSR has evolved to Environmental Social Governance (ESG) which holds companies to account for not just their intentions but measures their impact. ESG has direct implications on a company's access to capital as well as brand value.

In most cases strong ethical behaviour leads to strong business results. Behaving ethically is actually good business. Let's look at two different auto companies whose track records on ethical behaviour have had very different outcomes.

Tesla and Social Responsibility

Tesla, Inc. was founded in 2003 by a group of engineers who wanted to prove that electric cars could be better than gasoline-powered cars. They hoped to build cars that wouldn't require the tradeoffs in power and comfort of electric cars in the past. The founders pledged that each new generation of cars would be increasingly affordable, helping the company work toward its mission: "to accelerate the world's transition to sustainable energy."[1]

In order to design and build luxury electric cars, Tesla invented a number of new technologies that it patented in order to protect its

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1. "About Tesla," Tesla, accessed September 23, 2019, https://www.tesla.com/about

competitive advantage. In June 2014 the company announced that it was releasing access to all of its patents, making its technological advances open to competitors and inventors. In the announcement, company CEO Elon Musk said, "Tesla Motors was created to accelerate the advent of sustainable transport. If we clear a path to the creation of compelling electric vehicles, but then lay intellectual property land mines behind us to inhibit others, we are acting in a manner contrary to that goal. Tesla will not initiate patent lawsuits against anyone who, in good faith, wants to use our technology."[2]

Tesla has a mission with an emphasis on social responsibility; it strives to develop products that have both a societal and economic benefit. Industry analysts and consumers alike see this as a distinct advantage in the marketplace. Investment analyst Seeking Alpha explains:

> *Companies like Toyota Motor and Honda are already pushing for gas-less cars and more and more efficiency from their cars. Tesla is not single-handedly pushing this, but it is part of the overall push to improve one of the most important aspects of our country—how we envision the car. Yet, the company extends beyond this—challenging how we vision luxury, how we understand how to build a car, and what the future electric grid could look like.[3]*

Volkswagen and Ethical Behaviour

The car company Volkswagen (which is part of the larger Volkswagen Group) does not have a formal mission statement, but its goal is "to offer attractive, safe, and environmentally sound vehicles that can compete in an increasingly tough market and set world standards in their respective class."[4]

In September 2015, the U.S. Environmental Protection Agency announced that Volkswagen had installed special software in its cars to manipulate emissions levels (making it appear that the cars are less polluting than they are). A week later Volkswagen disclosed that 11 million diesel vehicles contained the devices, and CEO Martin Winterkorn resigned. The price of Volkswagen stock plunged—losing 30 percent of its value overnight—and the company scrambled to understand what had happened and control the damage to its reputation.

2. Musk, Elon. "All Our Patent Are Belong To You," Tesla, June 12, 2014, https://www.tesla.com/blog/all-our-patent-are-belong-you.
3. "Tesla: Social Responsibility Scorecard Shows Strengths And Weaknesses," Seeking Alpha, Jan 6, 2015, https://seekingalpha.com/article/2801365-tesla-social-responsibility-scorecard-shows-strengths-and-weaknesses.
4. Jurevicius, Ovidijus. "Mission statement of Volkswagen," Strategic Management Insight, September 14, 2013, https://www.strategicmanagementinsight.com/mission-statements/volkswagen-mission-statement.html.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=247

In the months following the discovery of the deceptive devices, investigators identified a team of Volkswagen employees who had hatched the plan and implemented it over a number of years. An internal evaluation identified a "culture of tolerance" for rule-breaking at the company. It also came to light that Volkswagen's emphasis on "results at any cost" had contributed to the breach in ethical standards. Industry experts believe that the company's violation of consumers' trust will be exceedingly difficult to repair and that it may take years to rebuild the Volkswagen brand.

Good Guys Can Finish First

Today, TESLA is the largest automobile company in the world, with a value that is larger than GM, Ford and FIAT combined with has a 'side gig' on some intergalactic travel.[5]

5. Dey, Esha. "Tesla Adds 14 Billion A day To Valuation As Big Money Dives In," Bloomberg. July 6, 2020, https://www.bloomberg.com/news/articles/2020-07-06/tesla-adds-14-billion-a-day-to-valuation-as-big-money-dives-in

Tesla			$102.66bn		
Volkswagen		$89.68bn			
General Motors	$49.88bn				
Honda	$49.71bn				
Daimler	$48.29bn				
BMW	$45.66bn				
Ford	$36.32bn				
Nissan	$24.06bn				
FCA	$21.06bn				
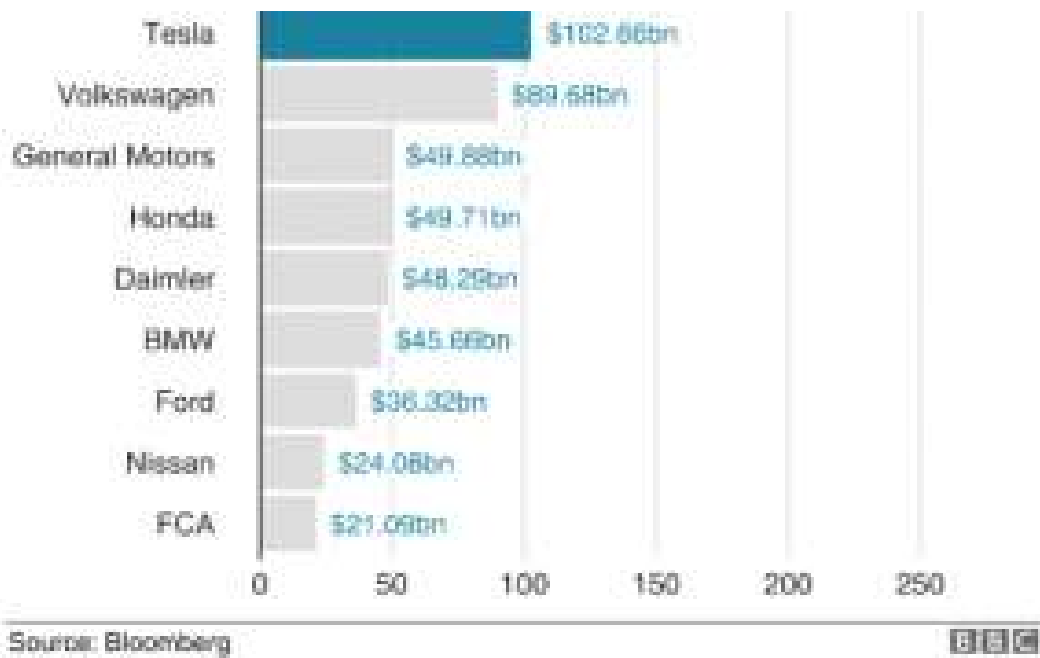
Source: Bloomberg

Tesla overtakes Volkswagen in January 2020 and by July 2020 is the largest automaker in the World. Source: Bloomberg

5.2 Ethical Marketing Issues

We will begin by introducing definitions to clarify ethical terms and then turn to the issues that marketing professionals most often encounter.

Business ethics promote conduct based on integrity and trust, but more complex issues include accommodating diversity, privacy and governance that are consistent with the organization's core values. According to the 2019 [Global Business Ethics Survey](#)[1] 25% of employees still feel that their senior managers do not have a good understanding of key ethical and compliance business risks across the organization.

Ethical challenges in marketing are not new. In 1977, 70% of managers were concerned about marketing issues. Common worries remain but the priorities and complexities have changed. The top three ethical issues in 1977 were bribes, price discrimination and unfair pricing, and dishonest advertising. In 1977, [digital marketing](#) did not exist. [2] With e-marketing creating real-time feedback and interaction, professionals today face additional questions including privacy, security and storage, anti-spam, and most recently content management with the tension between hate and free speech, online harassment and bullying.

Wish to learn more?

Listen to the CBC podcast [Can an ad boycott fix Facebook's hate speech problem?](#)

Facebook is facing a growing advertising crisis with the boycott of over 800 companies. Do

Listen to podcast

1. ECI. (2019). Global differences in employees' views of E&C program maturity: 2019 global business ethics survey. https://43wli92bfqd835mbif2ms9qz-wpengine.netdna-ssl.com/wp-content/uploads/2019-Global-Business-Ethics-Survey-Report.pdf
2. Brenner, S. N, & Molander, E. A. (1977). "Is the Ethics of Business Changing" *Harvard Business Review* 55: 57-71

Facebook and Google have too much power and know too much about us? Do we need to create laws to regulate Facebook?[3]

Today with digital marketing, technology, and globalization, the list of ethical marketing demands has evolved. The Canadian Marketing Association's (CMA) Canadian Marketing Code of Ethics and Standards attempts to create guidelines to follow but the reality is ethical practices often lag behaviours and rules.

In this section, you'll learn more about these issues and the challenges in overcoming them. As with ethics in general, the line between ethical behaviour and unethical behaviour can be very fine indeed.

Learning Activities

- Reading: Defining Ethics
- Reading: Common Ethical Issues in Marketing
- Reading: New Challenges in Marketing Ethics
- Reading: Corporate Social Responsibility

3. CBC. (2020, July 5). *Can an ad boycott fix Facebook's hate speech problem?* Frontburner. https://www.cbc.ca/player/play/1760602691910

Reading: Defining Ethics

Ethics is the set of moral principles or values that guides behaviour. There is a general recognition that many, if not most, business decisions involve some ethical judgment.

Each party in a marketing transaction brings a set of expectations regarding how the business relationship will exist and how transactions should be conducted. For example, when you as a consumer wish to purchase something from a retailer, you bring the following expectations about the transaction: (a) you want to be treated fairly by the salesperson, (b) you want to pay a reasonable price, (c) you want the product to be available as advertised and in the indicated condition, and (d) you want it to perform as promised. Unfortunately, your expectations might not be in agreement with those of the retailer. The retail salesperson may not "have time for you," or the retailer's notion of a "reasonable" price may be higher than yours, or the advertising for the product may be misleading. These differences in expectations can lead to ethical questions that are sometimes difficult to analyze.

Canadian Marketing Code of Ethics

To create greater clarity for marketing professionals, the Canadian Marketing Association (CMA) has created the: CMA Code of Ethics and Standards. There are 18 components that address the most common ethical issues.

It's helpful to review the document in order to understand the scope of issues that marketing professionals face. It is important to understand what ethics are based upon. _Norms_ are established standards of conduct that are expected and maintained by society and/or professional organizations. Norms may be fluid and change and values are more stable. _Values_ represent the collective conception of what communities find desirable, important, and morally proper. Values also serve as the criteria for evaluating our own personal actions and the actions of others. They are often called beliefs. [1][2]

The CMA's Canadian Marketing Code of Ethics and Standards is the foundation of the marketing community's self-regulation. CMA's Code is mandatory for members and as such is a comprehensive regulatory framework governing members' conduct. [3]

Recognized as a benchmark for effective self-regulation, the Canadian Marketing Code of Ethics and Standards has evolved over the years to become the best practices document for Canada's marketing community. Governments and

1. _Social Norms_ (2011, March 01). Stanford Encyclopedia of Philosophy. https://plato.stanford.edu/entries/social-norms/
2. _What are social values?_ (n.d.). Environics Research. https://environicsresearch.com/what-are-social-values/
3. _Regulatory Framework and Best Practices for Marketing._ (n.d.). The CMA. https://www.the-cma.org/regulatory/code-of-ethics

regulatory bodies often refer to the document when enacting legislation and include key provisions of our Code in those statutes and regulations. The media also often reference the CMA Code as an example of best practices for business.

The exchange process between an organization and a customer is based on a relationship of **trust**. The Statement of Ethics aims to protect that **trust.**

Reading: Common Ethical Issues in Marketing

Let's start by taking at look at a hypothetical business situation:

You're a member of the marketing team for a B2B company that sells software to restaurants. Your product is a point-of-sale system that manages orders, menus, and staff scheduling. While it generally works well, there are sometimes glitches that cause it to drop orders, and the system goes down more often than you would like. You are marketing the system to a major restaurant chain, and they've asked for a list of references from current customers. The marketing and sales teams sit around a table reviewing the current customer list trying to decide which references to provide. First, the team screens out those who have complained most vocally about the glitches with the product. There is one customer who told his account manager, "These things happen with all systems," so the team thinks he would be a good reference. There's also a new customer who started using the system recently and hasn't yet experienced the system downtime that other customers have. The team selects that restaurant, as well, and prepares to send the two names to the sales prospect.

Question

Is that ethical? Is it fair and honest to cherry-pick the customer references, selecting only the ones that are unlikely to share negative experiences about your product? To be sure, there's a range of customer feedback, and not all of it is positive. Are you expected to give a full picture of customers' experience—warts and all—so the restaurant chain will know exactly what it's buying?

Answer

In general, when prospective customers request customer references, they expect to receive favorable ones, and doing so is not a violation of their trust. It's a lot like a prospective employer's request for a job candidate's work references. When you're marketing yourself for a new job, you name the references who are most likely to report your talents and strengths—you don't include a crabby boss who never had good things to say about anyone.

The question becomes more challenging when the customer relationship is more complicated. In every case—even the simplest—it's a judgment call. Suppose your company compensates customers for providing references. A company might give some small thank-you gift to acknowledge that taking reference calls requires time, and that the company appreciates the client's support. Is that unethical? Possibly. On one hand, it's reasonable and desirable to express your appreciation to the customer, since part of maintaining the customer relationship is letting customers know that you value them and their time. On the other hand, there's a risk, especially if the gift is large, that the customer might be influenced or even induced to give your company or product a favorable review. There is a point where the compensation begins to distort the customer dialogue and relationship, and then it's clearly unethical—and if you're *inducing* a customer to alter their behaviour in exchange for a gift, it's bribery.

Marketing professionals face regularly face questions of this kind. Where the organization appreciates a close partnership with a client, a thank-you gift may well be appropriate. The challenge is to choose one of the right sizes that expresses appreciation but doesn't compromise the integrity of the client or the marketing organization.

Difficult Ethical Issues Marketing Professionals Face

Below is a list that shows how marketing professionals responded to a survey on the most difficult ethical issues they faced in 1985. [1] Today, with over [3,800 digital marketing tools](#) (Martech) including artificial intelligence and big data analytics marketers face digital dilemmas. [2] In the '80s, confidentiality and data ranked at the bottom of concerns.

Concerns in 1985	Examples	Concerns in 2019	Examples
Bribery	Gifts from outside vendors, payment of questionable commissions,	Deception	Misinformation and disinformation, False and influencer (disguised) advertising, pricing
Fairness	Inducing customers to use services not needed	Client Data, Storage and Privacy	Ensure consumer info is not hacked, Identity theft
Honesty	Misrepresenting services and exaggerating capabilities	Product Safety and Sustainability	Greenwashing, Advertising to Children, Food labeling, Advertorials
Pricing	Differential pricing	Market Research	Confidentiality, Deceptive practices, disclosure, Protection of customer data

Notice that many of the responses include watchwords like "questionable" or "exaggerated." In marketing, the greatest challenge is to influence the behaviour of the target customer (by getting them to buy) without violating the customer's trust or acting unethically. With the rise of social media, customers are in a much better position to share frank evaluations of products and services publicly, and this gives marketers a new means of capturing unbiased customer feedback. [3]

1. Lawrence B. Chonko and Shelby D. Hunt, "Ethics and Marketing Management: An Empirical Examination," *Journal of Business Research*, Vol. 13, 1985, pp. 339–359.
2. Boote, T. (2017, January 17). *What Have Ethics Got to do with Digital Marketing?* Digital Marketing Magazine http://digitalmarketingmagazine.co.uk/digital-marketing-features/what-have-ethics-got-to-do-with-digital-marketing
3. O'Barr, W. (2007). *Ethics and Advertising.* Project Muse. https://muse.jhu.edu/article/221968

Take the challenge. How ethical are you?

The formidable research conducted in 1977 still remains a popular management case study. Why not explore how you may act in these ethical dilemmas? Read the case studies in the short article How Ethical Are You?[4]

4. Ovans, A. (2012, November 12). *How Ethical Are You?* Harvard Business Review. https://hbr.org/2012/11/how-ethical-are-you

Reading: New Challenges in Marketing Ethics

New marketing channels create opportunities for new tactics, but sometimes these developments bring new ethical challenges. Eventually, society may establish what is acceptable behaviour and what is not, but that process takes time. The 2020 Edelman Trust Barometer Study[1] found that customers increasingly expect brands to "place customers ahead of profits and have ethical business practices," and Interbrand's 2018 brand study noted that successful businesses are those who are willing "to simultaneously look through a microscope and a telescope, to have the courage to intercept the future, not just flow with it, and, to take decisive action that makes a real impact."
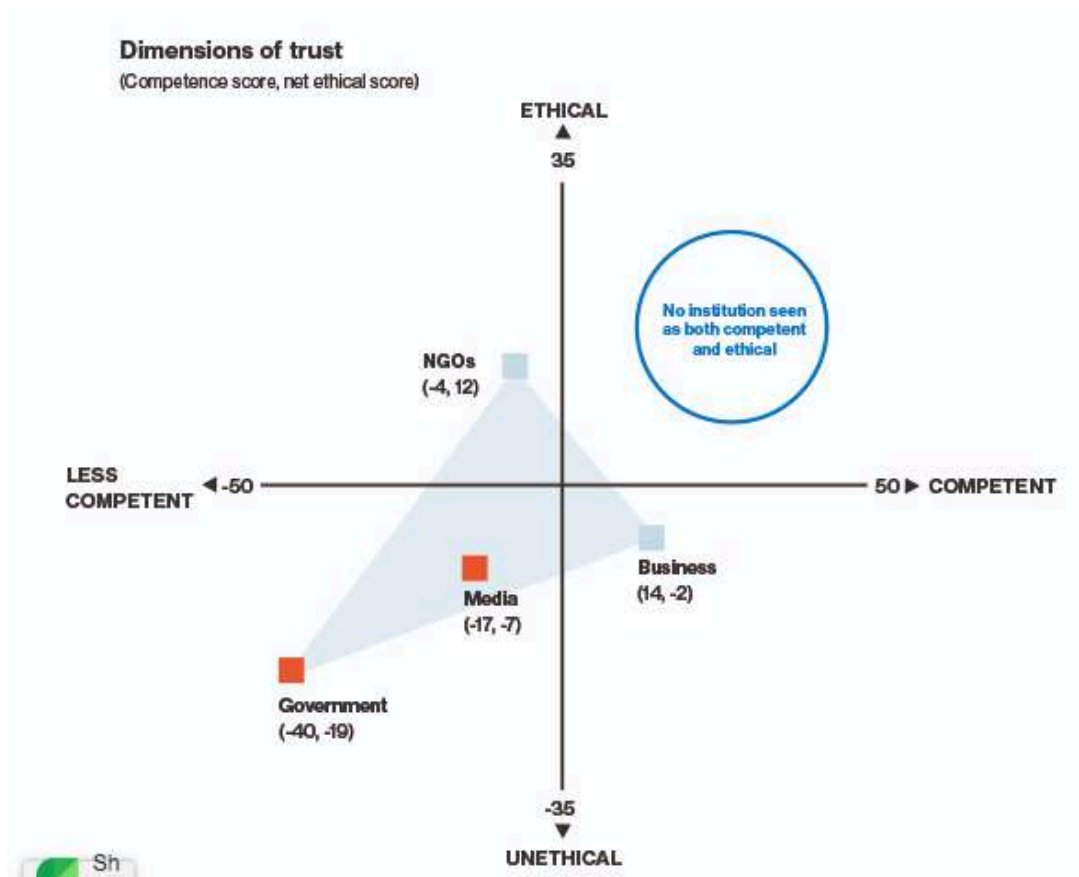
Edelman 2020 Trust Barometer shows where companies are ranked based on competency and ethics

Societal expectations are changing at a faster rate due to technology including our use of social media platforms. Below are two case studies that show the evolution within the last seven years ignited by tragedies and how corporations respond.

1. 2020 *Edelman Trust Barometer.* (2020, January 19). Edelman. https://www.edelman.com/trustbarometer

In the following blog post, marketer [Augie Ray](#) explains growing sensitivities around the appropriate uses of social media, and shares his guidance to marketers who are seeking to create a trusted relationship with their customers and prospects.

Let's examine two brands' actions during the frightening events in Boston. [NBC Bay Area posted a photo of a young bombing victim](#) and implored people to "'Like' this to wish him a continued speedy recovery." This desperate attempt to trade on people's feelings for a young victim of the bombing in order to receive a bit of [EdgeRank](#) building engagement is horrifyingly unethical, in my book. (And if you do not agree, then please tell me how "liking" an NBC post lends support to or otherwise helps this poor hospitalized child.)

Ford, a brand I praised for authenticity, waded into dubious water with a Facebook status update following the capture of the second bombing suspect. The brand said, "To the first responders of Boston: Thank you. You are true American heroes."

Ford Social Media Posts During Boston Bomber Tragedy in 2013

Nothing wrong with that—in fact, I love that a brand like Ford feels it can express sincere appreciation for the sacrifices of those who serve. The problem was that Ford didn't post that as text but included it within a beauty shot of their products, complete with the Ford logo and tagline. Not everyone will agree, but I feel that Ford's use of brand imagery not only reduced the sincerity of the message but demonstrated questionable ethics. Before you disagree, I would ask you to view the two status updates in the image above—one Ford could have posted and the other it actually did—and consider three questions:

1. Which is a more authentic expression of appreciation to people who sacrificed their safety to protect us?
2. What does the product and brand imagery of the post on the right add (if anything) to the sincerity of the gratitude compared to the simple text version?
3. Which version more clearly puts the focus on the heroes in Boston?

Issues of ethics are difficult to discuss. They often are not clear cut, and while it is easy to see when a company crosses the line with both feet (as did NBC Bay Area), it can tough to discern as brands tow the gray line (as did Ford, in my opinion).

It is even tougher to see when you yourself cross ethical lines. If your boss wants to know why your brand has half a million customers but only 25,000 fans on Facebook, sweepstakes to accumulate fans may not seem unethical. Your perspective may change, however, if you put yourself on the other side of this equation; if you do not want to see your friends becoming shills for brands in return for freebies and giveaways, then your brand should not follow this path. It is unethical to treat your own customers in a way you would not appreciate from the brands you buy or the people you know. (Fifty years ago, David Ogilvy , the father of modern advertising, expressed the same sentiment when he said, "Never write an advertisement which you wouldn't want your family to read. You wouldn't tell lies to your own wife. Don't tell them to mine.")

I think perhaps it is time to reset our moral compasses, not to save our souls but to improve business results. Study after study demonstrates that consumers want something more from brands than silly images and memes; they want ethical behaviours and communications. I'd like to believe this is always the case in every business situation, but when it comes to social media marketing, the ethical path also happens to be the best one for enhancing brands and business results.[2]

Facebook's Ethical Dilemma of Engagement Vs. Enragement in 2020

With 2.6 Billion users, bigger than a single country on the planet, and a virtual monopoly as a broadcaster or 'public square' social media platform, the publicly traded social media giant, Facebook is under renewed scrutiny. International protests for social justice were elevated by the brutal murder of George Floyd in Minneapolis, Minnesota due in large part to a video posted on Facebook by a brave teenager who recorded the act of police brutality.

Mark Zuckerberg, CEO of Facebook, who owns 70% of the shares of the $700 Billion company has been challenged on numerous occasions by various governments and activists to better monitor the hate speech, violent language and misinformation posted on the platform with no consequences. When significant events occur, many people across the globe use Facebook to organize, articulate, celebrate, share and sometimes mourn. To date, Facebook has been protected by a very unique U.S. government law that allows free speech including hate speech, and has avoided regulation. This is very important to Facebook shareholders and Zuckerberg, as there are no limitations and as users grow, so do the advertising revenues and profits.

In June 2020, the NAACP, along with many U.S. activists groups seeking social justice for minorities including George Floyd, organized to challenge large brand advertisers to boycott Facebook and #StopHateforProfit.

2. Ray, A. (2012, December 27). *Miracle on Social Media Street*. Experience: The Blog
http://www.experiencetheblog.com/2012/12/miracle-on-social-media-street.html

Companies have responded including the world's largest advertiser, Proctor and Gamble. [Stop Hate for Profit Campaign to Boycott Facebook in 2020](#) .[3]

A recent July 2020 internal audit into Facebook's practices, that was requested by the media giant itself, confirmed regulators' and activists' concerns. The audit found "found the company has been slow to adopt changes to protect users from discrimination and harassment." [Findings of Facebook Audit](#) confirm poor practices for honest and non-violent content.[4]

Facebook has not been responsive to previous requests to materially change their content monitoring even after their own employees protested.[5]

It remains to be seen if they will respond in a genuine way and change their business model but clearly public expectations including the world's largest companies have been activated.

3. Clifford, T. (2020, July 6). *NAACP CEO on 'Stop Hate for Profit' campaign: Facebook should be useful fro targeting ads, not hate.* CNBC. https://www.cnbc.com/2020/07/06/naacp-ceo-facebook-should-be-useful-for-targeting-ads-not-hate.html
4. Fussell, S. (2020, July 8). *An Audit Slams Facebook as a Home for Misinformation and Hate.* Wired. https://www.wired.com/story/audit-slams-facebook-home-misinformation-hate/
5. Frenkel, S., Isaac, M., Kang, C., Dance, G. J. (2020, June 01). *Facebook Employees Stage Virtual Walkout to Protest Trump Posts.* The New York Time. https://www.nytimes.com/2020/06/01/technology/facebook-employee-protest-trump.html

Reading: Corporate Social Responsibility

So far we have focused on ethical dilemmas in terms of risk. If a company acts unethically, it risks damaging its reputation and its customers' trust—worse, it can face lawsuits and criminal prosecution. In this section, we'll discuss one of the ways in which companies attempt to get out in front of such risks by taking a proactive stance on ethics, instead. As you saw with Tesla, companies that place "doing the right thing" at the center of their corporate mission and strategy often see a competitive advantage. Increasingly, they're finding that good corporate citizenship not only benefits customers and communities but is good business, too.

Corporate social responsibility is the ethical behaviour of a company toward society. It means acting responsibly toward the stakeholders—not just the shareholders—who have a legitimate interest in the business.

Shareholders own a portion or "share" of a business. Stakeholders do not own the business, but they have some stake or interest in it because they are affected by the business's strategies and tactics. Examples of stakeholders are employees, suppliers, business partners, and the community in which the business operates.

Below are a few examples of businesses behaving ethically in ways that have a positive impact on their stakeholders.

IBM Canada investing in local CSR Programs

IBM has a large presence in Bedford, Nova Scotia and is a local employer dedicated to supporting young professionals. IBM Service Corp is a program that offers employees opportunities to volunteer locally and internationally for up to four weeks. Offering a range of volunteer opportunities is in line with current employee expectations. "According to a 2019 study from charity.org, 86 percent of surveyed employees expect their employers to provide opportunities to engage in the community, while 87 percent of surveyed employees expect employers to support causes and issues that matter to them." [1]

IBM Canada offers employees the opportunity to volunteer through their service corp across the globe [Image: Benefits Canada]

Anheuser-Busch Wants Customers to Drink Responsibly

In January 2014, Anheuser-Busch ran a Super Bowl ad featuring a cute puppy and the famous Budweiser Clydesdale horses. The ad plays on romance and nostalgia to remind viewers of the brand's history (and to sell more beer).

1. Dunne, M. (2020, March 04). *IBM Canada investing in local CSR programs*. Benefits Canada.
   https://www.benefitscanada.com/news/ibm-canada-investing-in-local-csr-programs-143211

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=262

In September 2014, the company brought back the puppy, this time to promote responsible drinking:

You can view the transcript for "Someone Waits For You At Home, DON'T DRINK AND DRIVE | Budweiser Ads". (opens in new window)

On its Web site, Anheiser-Busch lists a number of programs it has launched to reduce drunk driving. These are marketing programs that were developed to reduce the risk for consumers using the company's products.

> _Anheuser-Busch is opposed to drunk driving and we believe it is 100 percent preventable. According to the U.S. Department of Transportation, drunk-driving fatalities have decreased 53 percent since 1982 to record lows, but we recognize there is still work to be done. As part of our effort to prevent drunk driving, we have key initiatives like the Budweiser Designate a Driver campaign and Bud Light safe ride home programs, including Bud Light Alert Cab and Bud Light Tow to Go._

The company is actively promoting safety for its customers and their communities.

Common Goods Solutions

Not only are companies in many forms expected by stakeholders and shareholders to focus on community impact, but there are many organizations that are being created to specifically address a need in a socially-minded manner. Social enterprises , Social finance and Non-governmental organizations (NGOs) are stepping in to collaborate and offer customers and communities innovative solutions through a different business model. Common Goods Solutions, based in Nova Scotia is a social enterprise incubator and expert. Their co-founder, David Upton, apart from assisting

many entrepreneurs in building and transforming their businesses, was also recently engaged to determine [transportation solutions in a sustainable manner](#) for Cape Breton, Nova Scotia. In part, the project created an innovation lab to determine solutions for access to transportation for the under- and unemployed.

Haagen-Dazs Cares about Its Tiniest Suppliers

Recently, the ice-cream company Haagen-Daz initiated a campaign to raise awareness about the threats to honey bees, which are rapidly disappearing and are vital to the global food chain (and many of the ingredients in flavoured ice cream). The company started a [honeybee microsite](#) and is donating a portion of the proceeds from its honeybee brand to bee research. In November 2014, it raised an additional $7,000 for research during a two-day Twitter campaign (#HelpHoneyBees hashtag).[2]

Power of the People

Organizations have become more accountable through the evolution of CSR to [ESG in part due to external influences](#) including stakeholder activism. [Greta Thunberg](#) left school and went on a "strike" to voice her concerns to institutions through a social media campaign #FridaysForFuture. Her actions occurred during the debate by businesses and government on [how to create a carbon offset](#) to reduce fossil fuel emissions that are especially important in developing countries. [3]

Greta Thunberg was named Time Magazine's Person of the Year in 2019 due to her climate change activism

2. Lasica, J. D. (2010, April 22). *4 examples of corporate social responsibility done right*. Socialbrite. http://www.socialbrite.org/2010/04/22/4-examples-of-corporate-social-responsibility-done-right/
3. Woodward, A. (2020, January 03). *Greta Thunberg turns 17 today. Here's how she started a global climate movement in just 18 months*. Insider. https://www.businessinsider.com/greta-thunberg-bio-climate-change-activist-2019-9#she-has-offered-a-moral-clarion-call-to-those-who-are-willing-

[to-act-and-hurled-shame-on-those-who-are-not-time-magazine-wrote-of-thunberg-last-month-1](#)

5.3 Regulatory Laws

While there are situations in which we expect individuals to act according to higher moral laws, at a basic level we always expect business professionals to follow the law. Virtually every marketing activity has legal and ethical implications. Canadian laws fall across multiple jurisdictions from Federal (national) to Provincial and even Municipal. Canadian companies operating internationally would potentially need to consider the specific legal requirements of the country of their customers, although there can be exceptions in the digital space. It is complex. As a marketer your analysis must include the external environment. The majority of businesses rely on compliance of these laws and standards through self-regulatory organizations such as the Canadian Marketing Association (CMA), Advertising Standards Canada (ASC) or the Canadian Association of Broadcasters (CAB). To join each body your business must comply with both the laws AND demonstrate ethical behaviour.

As Canada is a member of the most trade agreements in the Group of Seven countries (G7) often Federal laws may conflict or need to meet higher international standards. An example of this need for alignment is privacy laws in Canada compared to the General Data Protection Regulations (GPDR) which are the core of Europe's (EU) digital privacy legislation. European standards to combat cybersecurity are higher than Canada's current legal regime.

Most of the laws that impact marketers fall into three categories.

Below is a summary of the considerations for any company that wishes to operate and market in Canada. Depending on how your organization is structured, i.e. a social enterprise (e.g Hope Blooms) versus a publicly listed company on an exchange (e.g. Shopify) or your client is a government agency (e.g. Province of Nova Scotia) will determine which laws you need to consider. Marketing professionals need to continually review these laws and standards as they assess the external environment for their marketing strategies.

1. **BUSINESSES need protection from other businesses**. Competition protection laws address fairness and pricing.
2. **CONSUMER need protection from businesses**. Consumer protection laws are created to ensure the rights of consumers and to create a fair marketplace for consumers.
3. **SOCIETY needs protection from businesses**. Social costs businesses create, must be regulated.

DOWNLOAD the table for a summary of Protections and Regulations for Marketing

The History of Consumer Protection in Canada and the U.S.

Historically, consumer protection laws in Canada began as a result of growing pressure for a more activist government response to protect consumer interests in the marketplace, in 1967 the Liberal government of Lester Pearson created the [Department of Consumer and Corporate Affairs](#) (CCA). At that time, with the first government to have a minister at the cabinet table designated to represent consumers, Canada was seen as a world leader in consumer protection. Later in the 1990s the CCA was reorganized multiple departments which today has evolved into the department of [Innovation, Science and Economic Development](#). Some would argue our leading global role in consumer protection has faded into a crisis management and reactive approach. [1]

In the United States have been specific formal legal responses to address public outrage over the disclosure of industry abuses and crises. For example, in 1905 a man named Upton Sinclair exposed the terrible working conditions in the American meat-packing industry. His work sparked public outrage and, in turn, led to the creation of the Food & Drug Administration and the first comprehensive inspection and regulation of food safety in the United States. [2]

Similarly, in the 1960s consumer advocate Ralph Nadar took on automobile safety, highlighting the immense profits made by auto companies relative to their investment in customer safety. In 1966 Congress unanimously passed the National Traffic and Motor Vehicle Safety Act, and the National Highway Traffic Safety Administration gained consumer protection powers. The number of vehicular deaths in the U.S. reached a high of 50,000 in 1960 and has continued to fall despite a larger number of drivers on the road. In Canada, the equivalent law is the Motor Vehicle Safety Act. Figure 1. [3]

1. Jenkin, M. (2018, June 05). *The steady decline of consumer protection in Canada.* Policy Options. https://policyoptions.irpp.org/magazines/june-2018/the-steady-decline-of-consumer-protection-in-canada/
2. Spencer Weber Waller, Jillian G. Brady, and R.J. Acosta, "Consumer Protection in the United States: An Overview," http://www.luc.edu/media/lucedu/law/centers/antitrust/pdfs/publications/workingpapers/USConsumerProtectionFormatted.pdf.
3. Insurance Institute for Highway Safety, Highway Loss Data Institute. (2021, March). Fatality Facts 2019 Yearly snapshot. https://www.iihs.org/topics/fatality-statistics/detail/yearly-snapshot

Motor vehicle crash deaths and deaths per 100,000 people, 1975-2019
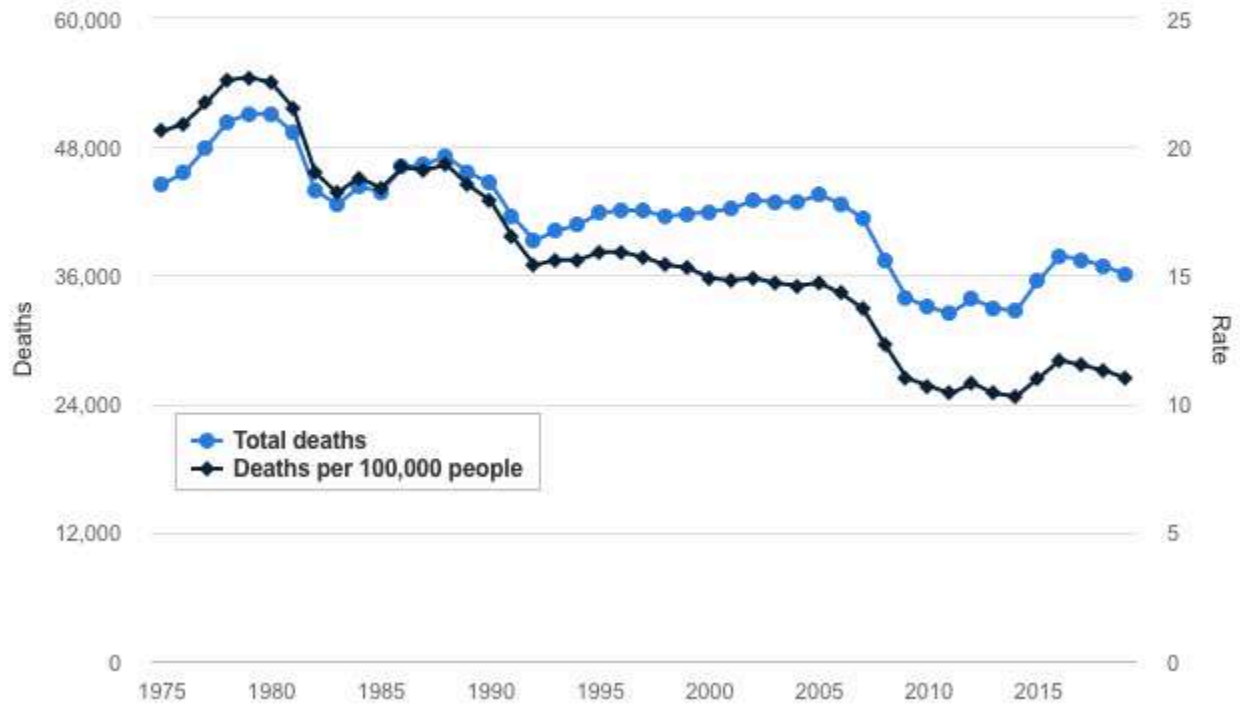

Figure 1: Motor vehicle crash deaths and deaths per 100,000 people, 1975-2019. The rate of crash deaths per 100 million miles traveled decreased from 1.14 in 2018 to 1.11 in 2019. This rate is about one-third the all-time high rate of 3.36 in 1980. [2]

Learning Activities

- Reading: Product Liability
- Reading: Privacy Laws
- Reading: Fraud in Marketing

Reading: 5.3 Society Protection Laws and Standards

Category	Why	When	Where/Who	Examples
Environmental Protections	Sustainability of Products and Services created for Consumers and Business	Permits, Conservation, Indigenous Lands, and Environmental Impacts	Canada Environmental Protections Act, Canadian Environmental Assessment Act (Environment Canada)	What is the environmental impact of your product? Is it sustainable? Pictou Pulp Mill Effluents under Fisheries Act or Enbridge Pipelines, Fisheries Pollutions Protections. Pollution requirements are often industry specific laws.
Privacy-General	User/Consumer Identity Protection and Transparency	Data Collection, Storage, and Disclosures	Privacy Act (Office of the Privacy Commissioner(OPC)) Does NOT cover private companies but provides Ethical guidelines	If your client is a government agency how would you create a marketing plan? Cybersecurity for firms and individuals, All contracts must have a clear option for 'opting out', Complaints about privacy abuse (identify theft is criminal and would be a RCMP matter)
Privacy-Consent	Guidelines for truthfulness and disclosure for consent	Requirements for interactions with 7 Guiding Principles	New Guidelines under Privacy Act – Consent	Do you know what consent your Facebook User agreement allows? Includes Offline and Online interactions
Privacy-PIPEDA	Private Sector requirements for digital interactions	10 Guiding principles for commercial participation in the Digital Economy for Data Collection, Storage, and Disclosures	Personal Information Protection and Electronic Documents Act (PIPEDA)	How would you structure an email campaign? Focus on digital and electronic communications for commercial transactions, does not apply to non-profits, journalists, artists
Do Not Call List (DNCL)-Privacy	Private Sector requirements for telemarketing interactions	General telemarketing rules and additional requirements for specific industries e.g. financial services, political parties	DNCL (Canadian Radio and Telecommunications Commission)	How would you ethically conduct calls for market research that is exempt? Consumers can sign up not to receive calls. Tips for Companies, Addresses Spoofing, Scams
Anti-Spam – Privacy	Protect consumers from indiscriminate and deceptive spam, malware and the alteration of transmission data	Laws for Commercial conduct for electronic communications3 requirements	Canada Anti-spam Legislation CASL (CRTC, OPC and Competition Bureau)Anti-spam Guidelines	How will you manage your email lists to ensure consent and identification? How fast will you manage your unsubscribe function on your e-newsletter? Supervise and can fine companies who receive complaints
Financial Reporting and Disclosure	Consumer and Investor Protection through transparency	Produce and provide financial information based on international standards	Canadian Business Corporation Act(Industry Canada)	Will your company need to disclose and communicate with stakeholders? Ensures incorporated companies operating in Canada may be required to provide financial details. Publicly listed companies, Non-Profit Companies have specific rules
Decency, Censorship and Freedom of Expression	Professional Consumer Communications and Standards	Creating and implementing advertising and integrated communications which are ethically aligned	Code of Conduct CMA Standards – No direct laws	How do you market to kids and seniors or "vulnerable" consumers? Are your campaigns accessible for people with disabilities? Standards include: Truthfulness, Professionalism. Assess Marketing Campaign Limitations

Reading: 5.3 Business Protections Laws and Standards

Category	Why	When	Where/Who	Examples
Contract Law	Fulfillment of Goods and Services	Agreements between buyers and sellers, B2B, B2C and Gov't. Includes consumer and manufactures	Tort Law- liability for damages or injuries caused by a defective or dangerous product is based on the claim of negligence or on contract law principles (Ministry of Justice)	You can create a verbal contact or accept a payment and enforce a contract, you don't need a lawyer or paper. Class Action Lawsuits of defective products negligent manufacture; negligent design; and negligent failure to warn, for consumer protection
Trademark Enforcement	Brand and Intellectual Property Protection	Creating a brand or new product	Trade Marks Act (Intellectual Property Office)	Even ideas can be protected for 10 years. Established the Canada Standard (CS) for labelling
Pricing of Products	Fairness and Transparency for Competition		Competition Act (Competition Bureau)	Consumer and Business protections for both criminal and civil violations including advertising standards. Includes mergers, e.g. Banking

Reading: 5.3 Consumer Protection Laws and Standards

Category	Why	When	Where/Who	Examples
Product Safety	Consumer Protection and Transparency	Manufacturing, Testing and Quality Control	Consumer Product Safety Act (Consumer Affairs)	What safety standards will your new product or product new to Canada require? Imported products made outside Canada – you must ensure they comply with the standards and advertising
Labelling	Consumer Protection and Transparency	Creating or Selling a brand or product	Consumer Packaging and True Labelling Act(Health Canada)	How will you design your packaging to comply with labelling requirements? Nutritional labelling, disclosure of ingredients, weights and quantities
Vehicle Safety	Consumer Protection and Safety Standards	Regulates mandatory minimums for Vehicles	Motor Vehicle Safety Act (Ministry of Transport)	How will your digital marketing campaign for your auto client be truthful about safety standards? Seat belts and Air Bags. Fuel efficiency minimums.
Food and Drug Safety	Consumer Protection and Transparency	Monitors the sale of food, drugs and cosmetics	Food and Drug Act(Health Canada)	How will you label a new wellness product that is imported? Creation of new products including labelling, must receive inspection and approval. Includes beverages and Veterinarian products
Clothing Safety	Consumer Protection and Transparency	Regulates the labelling of clothing, carpets and bedding textiles	Textile Labelling Act(Competition Bureau)	What marketing research will you do to determine fibres for your new clothes line? Disclose specific fibers and content of textiles are subject to inspection
Marketing Fraud	Consumer Protection	Regulates misleading Advertising and Marketing Fraud	Competition Act (Competition Bureau)	What promises is your marketing campaign making about the customer experience? Ponzi Pyramid schemes, Bate and Switch schemes and predatory pricing
Marketing to Kids	Unique challenges for digital engagement with Youth	Process to engage and disclose Guardians and Parents	PIPEDASections K and L of the CMA Code of Ethics and Standards of Practice	What about video cams at daycares? Gaming sites that collect personal data? The OPC takes the position that, in all but exceptional circumstances, this means anyone under the age of 13.
Financial Products	Consumer and Investor Education and Protection	Define disclosure standards and selling practices	Financial Consumer Agency Act (Minster of Finance)(FCAC Financial Consumer Agency of Canada)	What rate of interest will you advertise for your client's financing on a purchase? Audit and Supervise compliance by financial firms with various Acts such as the Interest Act – how much is charged on your mortgage or credit card. Supervises disclosure of product contracts. Financial Fraud and selling practices complaints

Reading: Product Liability

Product liability is the legal liability a manufacturer or importer/exporter incurs for producing or selling a faulty product.

There is not a single federal law or code that covers all product liability. In general, product liability laws typically come about as a result of civil court cases being prosecuted through class action lawsuits. The courts are increasingly holding sellers responsible for the safety of their products. An example would be the [GM ignition switch Canadian class action in 2014](#).

A manufacturer or supplier of a defective product may be liable to a consumer or other party injured by the product on the basis of either [contract](#) or [tort law](#)principles. Where a contractual relationship exists between the manufacturer and the customer, liability will normally be founded on contract law principles. There is NO strict liability for manufacturers in Canada.

Tort liability for damages or injuries caused by a defective or dangerous product is based on the claim of negligence. In Canada, there are three main types of negligence establishing tort liability for damages or injuries caused by defective products:

- Negligent manufacture (how they made it)
- Negligent design (how they designed it)
- Negligent failure to warn (how they marketed it)

Types of Product Defects

There are three types of product defects that incur product liability: *design defects*, *manufacturing defects*, and *defects in marketing*.

Design Defects

Design defects exist before the product is manufactured. There is something in the design of the product that is inherently unsafe, regardless of how well it is manufactured. Since "product" is one of the primary elements of the marketing mix, the marketer bears responsibility for ensuring that the design results in a product that is safe and that the product will fulfill the promises of the other aspects of the marketing mix such as promotional commitments.

Let's look at a current example of a product design going awry. One of the hottest holiday gift items in 2015 is the hoverboard self-balancing scooter. The premium models often cost more than $1,000, but several companies have created less expensive versions by using lower-cost board components. One expensive component that has been downgraded in the cheaper models is the rechargeable lithium-ion battery. Many less expensive boards use a lower-quality (and lower-priced) mass-produced battery cell. These cheaper batteries are more likely to have quality issues that might cause them to break and burst into flame when they are repeatedly bumped, which is a regular occurrence during the normal use of the scooter.

Hoverboard

Manufacturing Defects

Manufacturing defects occur while a product is being constructed, produced, or assembled. Specifically, when a product departs from its intended design, even though all possible care was exercised in the preparation and marketing of the product. The manufacturer may be very careful with the design, the material selection, the development of the manufacturing process, and the quality assurance guidelines. Nevertheless, if a poorly manufactured product leaves the manufacturer's facility and causes injury when used for any of its intended purposes, then there is a defect in manufacturing.

It might seem that manufacturing defects occur only in product sales and not in the service industry, but there's a very well-known case in this category: the McDonald's coffee case.

On February 27, 1992, a seventy-nine-year-old woman named Stella Liebeck went to McDonald's with her grandson, Chris. They got the coffee, and Chris pulled into a parking space so that Stella could add cream and sugar. Since the car had a curved dash and lacked cup holders, Stella put the cup between her knees and removed the lid. When she did, the cup fell backward, burning her lower body. Liebeck was taken to the hospital, where it was discovered that she had third-degree burns on 6 percent of her body and other burns on 16 percent of her body. She required multiple skin grafts and was in the hospital for eight days. Liebeck spent two years recovering from the injury, lost 20 percent of her body weight after the accident, and was left permanently scarred by the ordeal.

Liebeck wrote a letter to McDonald's asking them to pay her medical bills, which totaled around $10,500 in 1992 (approximately $16,110 today). The company offered her $800. Liebeck and McDonald's exchanged several more letters, but the company refused to increase their $800 offer, so Liebeck hired a law firm.

Liebeck's lawyers conducted a study of coffee temperatures. They discovered that coffee brewed at home is usually served at 57–62°C and coffee served at most fast-food restaurants is in the 71–79°C range. McDonald's, however, served its coffee at 88°C, which can cause third-degree burns on human skin after two to seven seconds of contact. No safety study of any kind was undertaken by either McDonald's or the consultant who recommended the hotter temperature.

Moreover, Liebeck's lawyers also discovered more than seven hundred other burn claims—many of them for third-degree burns—from McDonald's customers between February 1983 and March 1992. In court, McDonald's quality-control manager, Christopher Appleton, testified that McDonald's served around 20 million cups of coffee a year and that seven hundred incidents during nine years was statistically insignificant. While this was factually accurate, the U.S. jury did not like to hear that McDonald's considered seven hundred burned customers to be insignificant.

The U.S. jury found in Liebeck's favor. They awarded her $200,000 in compensatory damages, but that amount was later reduced to $160,000 because they felt that the spill was 20 percent Liebeck's fault. The jury made headlines when it came to the punitive damages, however, which they settled at $2.7 million. The jurors defended the amount, saying that it was to punish the company for its callous attitude toward Ms. Liebeck and the 700+ other McDonald's customers who had suffered burns. Although it sounds like a lot, $2.7 million represented only two days' worth of McDonald's coffee sales, and the jurors felt that was fair.

The judge agreed, accusing McDonald's of "willful, wanton, and reckless behaviour" for ignoring all the customer complaints.

McDonald's process for making coffee constituted a manufacturing defect, which resulted in many customer injuries and generated significant product liability for the company.

Marketing Defects

Marketing defects result from flaws in the way a product is marketed. Examples include improper labeling, poor or incomplete instructions, or inadequate safety warnings. Often marketing defects are referred to as a "failure to warn." It is important for the marketer to think not only about the warnings that the user might need when using the product as intended but also about other, potentially dangerous uses for which the product was not intended.

For example, fabric used in children's sleepwear must meet certain flammability requirements to prevent the risk of injury from fires. Certain comfortable children's clothing that does not meet the flammability requirement can be confused with sleepwear. For this reason, such clothing will often contain a warning label that reads, "Not intended for sleepwear."

Over time, product liability has shifted more to the side of the injured product user. While a discussion of all aspects of product liability is beyond the scope of this course, it is clear that liability has and will continue to have a tremendous impact on consumers and manufacturers alike. These two groups are not the only ones affected, either.

For a summary DOWNLOAD 3 Protections Regulations and Laws for Marketing

Reading: Privacy Laws

What does privacy mean in today's world? Privacy is the ability of an individual or group to seclude themselves, or information about themselves, and thereby express themselves selectively. Most of us expect some level of privacy, but the boundaries around privacy can differ depending on the individual and the situation.

The right-to-privacy issue has gotten more complicated as our culture has come to rely so heavily on digital communication—for everything from social networking to education to conducting business. Marketers have been quick to capitalize on the potential of digital technology to yield creative, aggressive techniques for reaching their target buyers. Sometimes these aggressive tactics cause a public backlash that results in new laws.
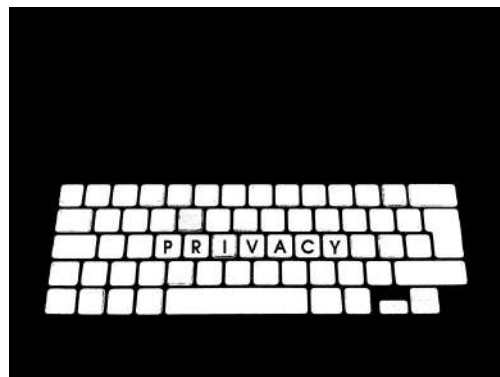
TELEMARKETING- DNCL

For example, intrusive telephone marketing activities led to the passage of the Do-Not-Call Act of 2008, which permits individuals to register their phone number to prevent marketing calls from organizations with which they don't have an existing relationship.

The act was intended to protect consumers from a violation of privacy (incessant sales phone calls particularly during the evening hours), and it closed down many businesses that had used telephone solicitation as their primary sales channel.

PRIVACY

What follows is an overview of important privacy laws that have a particular impact on marketers. These are areas in which marketers need to be thinking ahead of the law. While there are plenty of perfectly legal marketing tactics that utilize personal information, if they are a nuisance to prospective customers, they are probably not good marketing and may be affected by future legislation when the public decides it has had enough.

The National Do Not Call List's (DNCL) 10-Year Anniversary

Celebrating a decade-long commitment to protecting Canadians and supporting the telemarketing industry

With more than **13 million Canadian numbers registered** and **18,603 telemarketers and clients of telemarketers** [1] **registered** since 2008, the CRTC will continue to adapt to a constantly changing digital landscape and support legitimate telemarketing practices.

10 year anniversary for the Do Not Call (DNC) list from 2008/9

Email Spam- CASL

Have you received email messages without giving permission to the sender?

Canada's Anti Spam Legislation (CASL) doesn't apply just to bulk email. It covers all commercial messages, which the law defines as "any electronic mail message the primary purpose of which is the commercial advertisement or promotion of a commercial product or service," including email that promotes content on commercial Web sites.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=279

This includes malware, spyware, and viruses in computer programs, in spam messages, or downloaded through infected Weblinks. That means that all email—even, for example, a message to former customers announcing a new product line—must comply with the law.

Managing Customer Data- PIPEDA

The Personal Information Protection and Electronics Document Act (PIPEDA) is the federal privacy law for private-sector organizations. Sometimes companies and organizations possess personal data about their customers that are collected during the course of doing business. The most obvious examples are medical organizations that keep confidential patient records, financial institutions that capture your financial data, and educational institutions that record student test scores and grades. Other companies might know your contact information, your purchase patterns, and your Internet shopping or search history. These organization all have important legal responsibilities to protect your data. Most of these alleged practices involve basic, fundamental security missteps or oversights.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=279

The Privacy Commissioner offers [practical tips that you can implement](#) to reduce the vulnerabilities that could affect your company, along with practical guidance on how to reduce the risks they pose.

Key Takeaways For Good Corporate Cyber-Hygiene

1. Start with security: only collect customer data when necessary; be transparent; and treat the data with extreme care.
2. Control and restrict access to sensitive data.
3. Require strong, secure passwords and authentication; protect access to sensitive data
4. Store sensitive personal information securely and protect it during transmission: use best-in-class security technology.
5. Segment your network and monitor who's trying to get in and out.
6. Secure remote access to your network: put sensible access limits in place.
7. Apply sound security practices when developing new products; train engineers in security and test for common vulnerabilities.
8. Make sure your service providers implement reasonable security measures: write security into contracts and verify compliance.

9. Establish procedures to keep your security current and address vulnerabilities that may arise; heed credible security warnings.
10. Secure paper, physical media, and devices—not all data are stored digitally.

These [10 principles of PIPEDA](#) may seem like overly technical considerations that aren't important to someone working in a marketing organization, but in the same way that it is important for a marketer to protect its company from product liability suits, it is important to protect customers from security breaches related to the company's products, services, and marketing activities. You must receive consent to collect the

Protecting Privacy Online

The Internet provides unprecedented opportunities for the collection and sharing of information from and about consumers. But studies show that consumers have very strong concerns about the security and confidentiality of their personal information in the online marketplace. Many consumers also report reluctance to engage in online commerce, partly because they fear that their personal information can be misused. These consumer concerns present an opportunity for marketers to build consumer trust by implementing sound practices for protecting consumers' information privacy. Cybersecurity or hacks happen to large and small firms. In 2018, the Standing Senate Committee on Banking, Trade and Commerce examined the issue. Both consumers and companies are not as vigilant as they should be.[1]

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1. Black, D., Olsen, C. S. (2018). *Cyber. Assault: It should keep you up at night*. Report of the standing senate committee on banking, trade and commerce. https://sencanada.ca/content/sen/committee/421/BANC/Reports/BANC_Report_FINAL_e.pdf
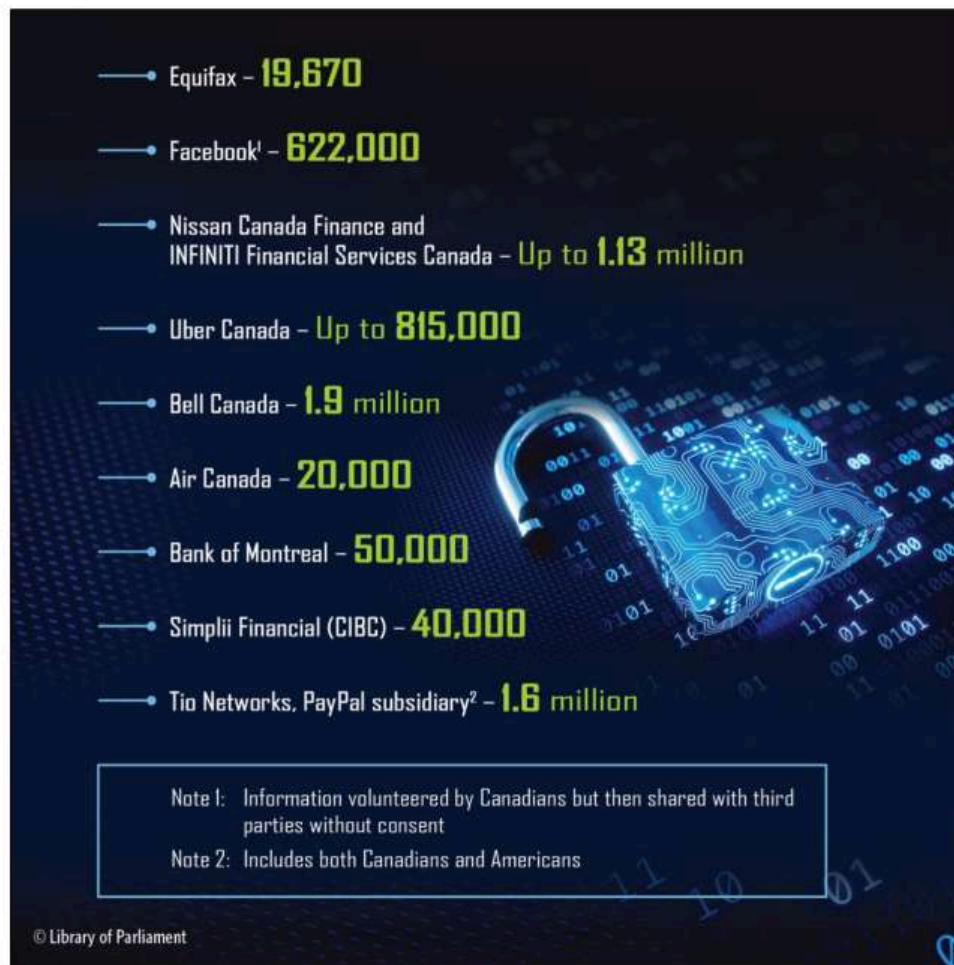
Corporate Cybersecurity breaches impact Millions

Notice

Consumers should be given notice of an entity's information practices before any personal information is collected from them, including, at a minimum, identification of the entity collecting the data, the uses to which the data will be put, and any potential recipients of the data.

Consent

Choice and consent in an online information-gathering sense means giving consumers options to control how their data is used. Specifically, *choice* relates to secondary uses of information beyond the immediate needs of the information collector to complete the consumer's transaction. The two typical types of choice models are "opt-in" or "opt-out." The opt-in method requires that consumers give permission for their information to be used for other purposes. Without the consumer taking these affirmative steps in an opt-in system, the information gatherer assumes that it cannot use the information for any other purpose. The opt-out method requires consumers to affirmatively decline permission

for other uses. Without the consumer taking these affirmative steps in an opt-out system, the information gatherer assumes that it *can* use the consumer's information for other purposes.

Security

Information collectors should ensure that the data they collect is accurate and secure. They can improve the integrity of data by cross-referencing it with only reputable databases and by providing access for the consumer to verify it. Information collectors can keep their data secure by protecting against both internal and external security threats. They can limit access within their company to only necessary employees to protect against internal threats, and they can use encryption and other computer-based security systems to stop outside threats.

New Standards for European Privacy – GDPR

All websites should have a privacy policy and offer the ability to consent or opt-out of any personal data collection and clearly outline who is collecting what data. Cookies are the device that tracks your data and use of a website.[2]
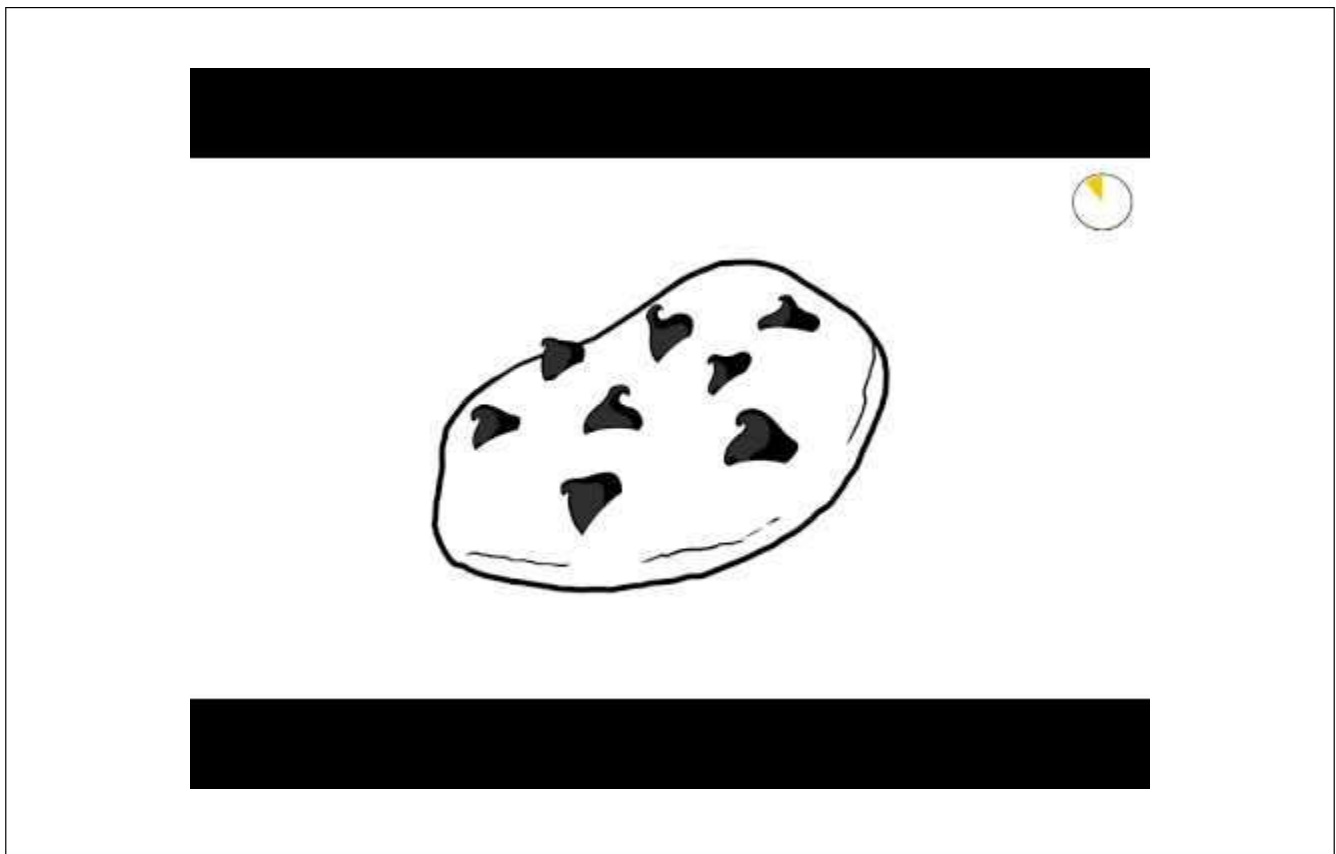
2. *What are cookies?* (2019, August 12). Norton. https://us.norton.com/internetsecurity-privacy-what-are-cookies.html

The new 2018 European Privacy standards (GDPR) are considered best practices globally. It appears the majority of websites do not comply.[3]

In the evolving field of privacy law there is an opportunity for marketers to build trust with target customers by setting standards that are higher than the legal requirements and by respecting customers' desire for privacy.

3. Tung, L. (2020, January 13). *Cookie consent: Most websites break law by making it hard to 'reject all' tracking.* ZD Net. https://www.zdnet.com/article/cookie-consent-most-websites-break-law-by-making-it-hard-to-reject-all-tracking/

Reading: Fraud in Marketing

Fraud is the deliberate deception of someone else with the intent of causing damage. The damage need not be physical damage—in fact, it is often financial.[1]

Provisions under the criminal regime of the [Competition Act](#) prohibit materially false or misleading representations made knowingly or recklessly, deceptive telemarketing and deceptive prize notices. [2] A representation, omission, or practice is deceptive if it is likely to:

- mislead consumers and
- affect consumers' behaviour or decisions about the product or service.

When it comes to marketing fraud, the two keywords are *deliberate deception.* In a legal setting, a judge asked to rule on a marketing fraud case would need to evaluate the extent of the deception and the impact of the deception on the consumer. Under the criminal regime, certain practices are brought before the criminal courts and convicted the person is liable to a fine of up to $200,000 and/or imprisonment for up to one year. For our purposes, though, it is more useful to begin outside the courtroom with the basic starting point of marketing: the goal of marketing is *not* to deceive the customer; it is, in fact, to build trust.

When we consider the elements of the marketing mix—product, price, promotion, and distribution—there are opportunities for deception in each area.

Product: Is the product designed and manufactured as the customer would expect, given the other elements of the marketing mix? Is the customer warned about the product's limitations or uses that are not recommended?

THE MARKETING MIX

Price: Is the total price of the product fairly presented to the customer? Is the price charged for the product the same as the price posted or advertised? Has something been marketed as "free"? Does the company disclose information about finance charges?

Promotion: Can claims made to consumers be substantiated? Are disclaimers clear and conspicuous? For products marketed to children, is extra care taken to accurately represent the product?

Place (Distribution): Does the distribution channel deliver the product at the price and quality promised? Do other companies in the distribution channel (wholesalers, retailers) perform as promised and deliver on expectations set for product, price, and promotions?

1. *Fraud.* (n.d.). Cornell Law School. https://www.law.cornell.edu/wex/fraud
2. *Mass marketing fraud.* (n.d.). Competition Bureau. https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/02775.html

Marketing Fraud

From a marketer's point of view, the story demonstrates a number of different types of fraud, which had devastating consequences for both shareholders and stakeholders. Deliberate deception was part of the company's strategy, and it played a dominant role in all aspects of marketing. Here are [the top 10 fraud scams in 2016 as recorded by Bloomberg.](#)

FAKE ONLINE ENDORSEMENTS

The #10 fraudulent scheme in 2016 is when "Consumers are often enticed to purchase a product or service based on reviews by social media influencers. Unfortunately, these reviews may not be genuine and the influencer may have been paid by a company to be used as a marketing tool." [3] A series of deceptive advertisements are lying to consumers by using popular scamming technique that has reportedly netted more than $1 billion worldwide.

Fake Celebrity Endorsement Advertising Scams

Watch the VIDEO: [Fake online influencers in Social media steal celebrity identities to sell products](#)

[Canada's anti-fraud centre](#) tracks and records complaints. Sadly deceptive practices even occur during the COVID-19 crisis.

3. *Canada's top 10 fraud scams in 2016.* (2017, March 07). BNN Bloomberg.
   https://www.bnnbloomberg.ca/canada-s-top-10-fraud-scams-in-2016-1.685562

5.4 B2B and B2C Marketer Ethical Dilemmas

Learning Objectives

- Explain how B2B marketing creates unique ethical risks and challenges
- Describe the risks associated with customer gifts and bribes
- Explain how ethical dilemmas in business-to-business marketing differ from those in consumer marketing

In June 2013, Los Angeles United School District (LAUSD), the second-largest school district in the U.S., announced that it had signed a $30 million contract with Apple to provide students with iPads that were preloaded with educational software from Pearson PLC. It was an ambitious education technology initiative that promised to give students new learning tools and technology literacy.

By the end of 2015, the superintendent would resign, the program would be canceled, Pearson's philanthropic foundation would be closed, the companies would pay a $6.4M settlement to the school district to prevent litigation, and the FBI would be involved in a criminal probe of the program. It would be hard to imagine a worse result for any of the parties involved.

Circumventing the Public Bid Process

California law requires that such large projects go to public bid, which this project did, but well before the bid process, the email record between LAUSD Superintendent John Deasy and then CEO of Pearson Marjorie Scardino suggested that deals were made to purchase Pearson curriculum and Apple hardware. In fact, Superintendent Deasy made the initial introduction between Scardino and Apple CEO. In an email to Scardino, Deasy writes:

> I wanted to let you know I have [sic] an excellent meeting with Tim at Apple last Friday. The meeting went very well and he was fully committed to being a partner. He said he and his team will take 5 days to present a price plan and scope of partnership. He was very excited about being a partner with Pearson. I think it would be good for you to loop back with him at this point. I will reach out to you again in a week.[1]

1. Blume, H. (2014. August 24). *LAUSD officials had close ties with Apple, Pearson execs, records show.* Los Angeles Times. http://www.latimes.com/local/education/la-me-ipads-deasy-20140825-story.html

Deputy Superintendent Jaime Aquino was tasked to work with Pearson on the project in advance of the bid process. His email messages indicate that he was attempting to influence the bid process in Pearson's favor. His email messages to Pearson executives include the following statements:

> I am not sure if legally we can enter into an agreement when we have not reviewed the final product for each grade and if the materials have not been approved by the state. I believe we would have to make sure that your bid is the lowest one.[2]

Violating the Restriction on Nonprofit Philanthropy

Pearson's non-profit philanthropy foundation was also involved in securing the deal, which violated certain federal restrictions. A Pearson Foundation vice president, Sherry King, was deeply involved in discussions with top officials at the Los Angeles Unified School District about selling the district the new Common Core digital curriculum in 2012 and 2013, well in advance of the formal bid process. The Pearson Foundation was providing education leadership grants to LAUSD as early as 2007.[3]

The Pearson Foundation came under fire for another tactic. *The New York Times* reported:

> In recent years, the Pearson Foundation has paid to send state education commissioners to meet with their international counterparts in London, Helsinki, Singapore and, just last week, Rio de Janeiro. The commissioners stay in expensive hotels, like the Mandarin Oriental in Singapore. They spend several days meeting with educators in these places. They also meet with top executives from the commercial side of Pearson, which is one of the biggest education companies in the world, selling standardized tests, packaged curriculums and Prentice Hall textbooks.[4]

The New York Times reported that Gavin Payne of California participated in an expense-paid trip to Singapore.

The Pearson Foundation was also fighting battles over its tactics in New York state, where the New York state attorney general won a $7.7 million judgment against the foundation. His written statement read:

2. Blume, H. (2014. August 24). *LAUSD officials had close ties with Apple, Pearson execs, records show.* Los Angeles Times. http://www.latimes.com/local/education/la-me-ipads-deasy-20140825-story.html
3. http://newsroom.ucla.edu/releases/Pearson-Foundation-Provides-Fellowship-8216
4. Winerip, M. (2011, September 18). *When Free Tips Overlaps With Commercial Purposes.* The New York Times. http://www.nytimes.com/2011/09/19/education/19winerip.html

> The fact is that Pearson is a for-profit corporation, and they are prohibited by law from using charitable funds to promote and develop for-profit products. I'm pleased that this settlement will direct millions of dollars back to where they belong.

The Pearson Foundation board announced that it was closing the foundation in December 2013, after the New York judgment.

Poor Execution from All Players

Almost immediately after the district announced the deal, Apple unveiled new, updated iPads—in other words, from the get-go, students in the district would be receiving out-of-date devices. The cost the district was paying per iPad was actually higher than the regular consumer price. Many schools did not have the Wi-Fi infrastructure needed to support devices for all students. The district hadn't created policies or plans for loss or theft. Students bypassed security protocols so they could install music and video apps. The iPads were supposed to come preloaded with Common Core-aligned curriculum, designed by the education behemoth Pearson. But the curriculum was incomplete. A report[5] on the district's iPad program revealed that only one teacher actually used the Pearson materials.[6]

The Fallout

In October 2014, John Deasy resigned his role as superintendent.

In December 2015, with the help of a grand jury subpoena, the FBI seized twenty boxes of documentation related to the procurement process. No charges have been made since the seizure.

Immediately after the subpoena and FBI seizure, Deasy's successor canceled the contract with Apple (and therefore Pearson).

In September 2015, the vendors (Apple, Pearson, and hardware provider Lenovo) collectively agreed to pay LAUSD a $6.4 million settlement. Pearson has agreed to pay the full $6.4 million.

When businesses engage in selling to other businesses or to government entities, the laws, policies, norms, and ethics change. Some challenges involved in marketing to consumers are minimized, or go away altogether, but other ones arise. In this module we will explore the unique ethical challenges and opportunities in business-to-business marketing.

5. Blume, H. (2014, September 18). *L.A. Unified survey finds little use of iPad's Curriculum.* Los Angeles Times. http://www.latimes.com/local/la-me-ipad-eval-20140918-story.html
6. Watters, A. (2014, December 09). *Ed-Tech Year in Review.* Model View Culture. https://modelviewculture.com/pieces/ed-tech-year-in-review

Learning Activities

- Reading: Ethics in B2B Marketing
- Reading: Gifts and Bribes

Reading: Ethics in B2B Marketing

You will recall that business-to-business (B2B) marketing differs from business-to-consumer (B2C) marketing in key ways. B2B marketers sell to other businesses or institutions, which then consume the product as part of their business operations or use the product in the assembly of the final product they sell to consumers. B2C marketers focus their efforts on consumers—the individuals who consume finished products.

Also, the marketing processes used by B2B marketers are different. One important difference is the tactic of more "personal" selling, in which a sales force builds personal relationships with individuals in decision-making roles in order to facilitate sales within the organizations they're targeting. Also, because B2B sales tend to be higher-priced, larger-ticket items, marketing tactics often include extensive adjustments in factors such as the selling price, product features, terms of delivery, and so forth.

In the context of ethics, there are some important challenges that are unique to B2B marketing, too. These are discussed below.

The Challenge of Monitoring Ethics in B2B Marketing

Imagine that Banana Republic, the retail clothing store, wants to launch a new promotion with a significant price discount. Banana Republic sells to consumers, which makes it a B2C company. Before the promotion is announced, the corporate marketing team will analyze the pricing discount. The Web site design for the promotion will be thoroughly reviewed. If this is a new promotion, the legal team will evaluate and approve the official language. The display materials that are sent to stores go through the same review. The marketing team will craft communications for the sales associates in stores around the country, explaining the promotion and scripting how it should be presented to shoppers. It is possible that the marketing team at Gap Inc., Banana Republic's parent company, will also review the promotion—or they may have provided a "promotion template" that's been reviewed and approved. For a B2C company selling to a large consumer audience, pricing is fairly uniform for all buyers, and the marketing and legal teams typically review the pricing strategies and communications.

In a B2B sales environment this process is very different. Imagine that a sales representative from Microsoft comes to your college campus to meet with technology leaders about a new software package for student communications. She might meet with the college's chief information officer over lunch and discuss the college's current products, as well as the new software package she is hoping to sell. When the discussion turns to price, the sales rep will try to present the right price to close the sale. She will be thinking about what the college has already purchased, what else she hopes to sell to the college, and how she might "bundle" this product to drive the largest total sale. She will also care about the timing of the sale. Does she want the college to buy the product this year or this quarter in order to maximize her commission? That will make a difference in whether she presents more aggressive pricing now or tries to create a larger deal that may take longer to close. The individual sales rep has significant discretion in crafting the right deal. Often the

company's sales leadership will not have visibility into the details of this deal until she is well into the sales process, and the legal team will not review it until it is in a formal contract that the company is preparing to sign.

B2B sales processes generally have fewer controls than B2C processes for a number of reasons:

1. Personal sales are relationship based, requiring the seller to tailor the process according to the buyer's personality and approach
2. B2B sales are often large and complex, which necessitates personalizing the marketing mix to the individual buyer
3. Pricing is negotiated between the buyer and seller, rather than being set and uniform across all customers
4. Communication about the product and pricing takes place mainly through informal or formal verbal presentations and discussions

The B2B sales process is difficult to monitor and control. It is also very high stakes. There are approximately 38.27 million potential consumers in Canada. There are just over 1.15 million firms doing business in Canada.[1] B2B firms market to a much smaller number of customers and are often selling products with a higher total cost.

Structural Challenges in Personal Selling

The challenges of creating appropriate controls in the B2B sales process places special pressure on the individual sales representatives to make good judgment calls in a very flexible environment. In addition, personal selling almost always uses an incentive structure, which puts immense pressure on the sales rep to close large deals.

Often a B2B company will spend approximately 20 percent of its total revenue on sales costs, with a significant portion of that paid out in commissions. In other words, if a company buys a software package that costs $1 million, as much as $200,000 will be paid in sales commissions. This is generally distributed through the sales management chain, such that an individual sales rep is paid a commission on his sales, and a sales manager is paid a commission on the sales from all of the sales reps that she manages.

Let's look at an example of a commission plan and consider how it might impact ethical judgment calls during the sales process.

Commission Plan Example

Amount Sold	Sales Quota	Commission Percent	Commission Paid
$500,000	$1 million	0%	$0
$1 million	$1 million	10%	$100,000
$1.5 million	$1 million	15%	$225,000

Each salesperson has an annual sales quota that he is expected to meet—in this case, $1 million in annual sales. On top of a base salary, sales representatives are paid a commission on their sales. Often, either no commission is paid (as in this example) or a very low commission is paid until the sales quota is met. Once the sales quota is met, the sales rep earns a percentage of all sales. In this example, if the rep sells a $1 million deal, then he will meet his quota and be

1. *Archives – Key Small Business Statistics – January* 2019. (2019, January). Government of Canada. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03090.html

paid a $100,000 sales commission. There is also an accelerator: If the sales rep sells more, he will earn a higher-percent commission. B2B sales representatives have a personal financial stake in closing deals.

Besides the financial incentive they face, sales reps are also motivated to meet (and exceed) sales quotas because they don't want to get fired (which is a pretty common, legitimate worry).

Let's revisit the scenario above where a software sales rep is on your college's campus. Will she act differently if she is approaching the end of the year and has only closed $800,000 in sales? If she has not have met her sales quota for the year, both her compensation and her job would be at risk. She might be tempted to oversell the features and benefits of the product this one time in order to close a sale before the end of the year. She would also be more likely to advocate for steep pricing discounts that might bring the price of the software right to the $200,000 she needs to meet the quota.

What if she has exceeded her quota but needs a few big sales once the new year starts? In that case, our sales rep might be tempted to slow down a sales deal in order to push the sale into next year. While that doesn't present an ethical dilemma for the customer, it does create an issue for the company. If an employee is purposely reducing the company's sales this year in order to profit, does that constitute ethical behaviour?

Companies understand and expect that the sales compensation structure will influence behaviour, but they try to make adjustments that lead to smaller ethical issues (slowing down a sales process, e.g.,) rather than larger ethical issues (promising value that the product cannot deliver, e.g.). B2B marketers must carefully consider the sales compensation and incentives structure and identify where it creates unnecessary ethical risks or puts sales reps in an ethical bind.

Diverse Policy Requirements

Finally, while all marketers are required to be aware of provincial and federal laws that impact their work, B2B marketers must also understand the procurement policies of the organizations to which they sell. The policies and guidelines can vary significantly depending upon the structure of the organization. For example, the Government of Canada is one of the largest public buyers of goods and services in Canada, purchasing approximately $22 billion worth every year on behalf of federal departments and agencies and has very specific purchasing processes.[2] This would be very different than a private company or social enterprise's approach to purchasing. Company policies will generally define:

- The total purchase authority of a single individual or department
- The threshold at which a purchase decision must go out for competitive bid
- The circumstances under which the company's status as a customer can be disclosed
- A dollar threshold for gifts from vendors

It is the responsibility of the employees within the company to follow the policies, so why does this matter to the marketer? Let's return to the example of a software rep selling a product to your college or university. The chief information officer is responsible for understanding and following the college's policies. Still, the software company and its sales rep are in a position to conduct sales and marketing efforts that either respect and support the college's policies or push against them. Even when issues arise from the vendor's ignorance about the college's policies, such lapses can create a tone in which the vendor is seen to be undercutting the college's requirements instead of understanding and supporting ethical behaviour.

2. *The Procurement Process.* (n.d.). Buy and sell. https://buyandsell.gc.ca/for-businesses/selling-to-the-government-of-canada/the-procurement-process

Reading: Gifts and Bribes

Gift-giving in business is commonplace and contentious at the same time. Business gifts are usually seen as an advertising, sales promotion, and marketing-communication medium.[1] Such gifting is usually practiced for the following reasons:

1. In appreciation for past client relationships, placing a new order, referrals to other clients, etc.
2. In the hopes of creating a positive first impression that might help to establish an initial business relationship
3. As a quid pro quo—returning a favour or expecting a favour in return for something [2]

In global marketing it becomes one of the most challenging ethical issues, since the cultural norms in other countries can be at odds with standard ethical practices in Canada. For this reason, gifts and bribes warrant a deeper discussion, especially with regard to B2B marketing.

In considering appropriate business gifts it is helpful to think about the content of the gift, the context of the gift, and the culture in which it will be received. Let's examine one of Microsoft's promotions that included a gift.

Case Study: Microsoft's "Gift" to Bloggers

When Microsoft introduced its Vista operating system, the launch included a noteworthy promotion. During the 2006 Christmas season, Microsoft sent out ninety Acer Ferrari laptops, loaded with Windows Vista Operating system, to approximately ninety influential bloggers.

Different bloggers received different machines, but the lowest model was worth around two thousand dollars. Michael Arrington, editor of TechCrunch, shared the message that accompanied his gift:

> This would be a review machine, so I'd love to hear your opinion on the machine and OS. Full disclosure, while I hope you will blog about your experience with the PC, you don't have to. Also, you are welcome to send the machine back to us after you are done playing with it, or you can give it away to your community, or you can hold on to it for as long as you'd like. Just let me know what you plan to do with it when the time comes. And if you run into any problems let me know. A few of the drivers aren't quite final, but are very close.[3]

1. Cooper,M. J., Madden, C. S., Hunt, J. B.,& Cornell, J. E. (1991). Specialty advertising as a tool for building goodwill: Experimental evidence and research implications. Journal of Promotions Management, 1, Pg 41–54
2. Arunthanes, W., Tansuhaj, P. & Lemak, D.J. (1994), Cross-Cultural Business Gift Giving, International Marketing Review, Vol 11, Issue 4, Pg 44
3. O'Brien, K. (2006, December 29). *Microsoft Vista blogger campaign causes controversy*. PR Week.http://www.prweek.com/article/1259420/microsoft-vista-blogger-campaign-causes-controversy

Clearly, Microsoft was hoping to encourage reviews of Vista and wanted to make sure that the bloggers experienced Vista on a high-end machine that would optimize performance. Did they also hope to influence the bloggers' opinions of the company along the way?

Sending the gift to bloggers was a risky marketing tactic even without the ethical question. Culturally, bloggers are a highly influential group of people with strong opinions, which they share openly with a wide audience. Many of the recipients reacted to the gift by sharing the news of the promotion and their opinions about it. A broad range of ethical issues emerged from the surrounding discussions in the blogosphere. Below are several excerpts.

The Gifts Diminish Trust in the Reviewers

> Now that I know these guys (any gals?) have access to a tailored laptop, preloaded, etc., I know their wisdom is no longer that of The Crowd—I suspect it is going to be tainted (even if not the case), so I have already discounted them. And, since I don't know who has and has not had the gift, I will distrust them all on this subject![4]

The Laptops Provide a Review Experience That Will Not Match Users' Experiences

> If you've ever tried to add a new Microsoft OS to an existing computer, you know you can't do that without totally f****** up your computer. The only way to switch to a new Microsoft OS is to start with a new computer. And, of course, to wait a year or two while they get the kinks out. Microsoft wouldn't chance having dozens of bloggers writing about how VISTA screwed up their computers, so they installed the system on brand-new computers. They gave the computers as gifts instead of lending them to the bloggers for review, which is the norm when dealing with traditional journalists.

The Bloggers Should Disclose the Gift in Their Reviews

> Microsoft's approach raises some problematic issues . . . How many bloggers have received a notebook but have not declared it on their blog? Quite a few, I suggest, which highlights the fundamental problem with blogging, which is that bloggers are not trained journalists and not necessarily in tune with the ethical problems that gifts entail . . .
>
> Finally, sending bribes to bloggers is not a good look for Microsoft, and this is exactly how this initiative will be perceived. Even as they try to defend themselves, Microsoft's PR gurus show that they do not understand the blogosphere.[5]

Another blogger shared the disclosure concern while supporting the promotion:

4. Patrick, A. (2006, December 28). *Why giving Ferraris to Bloggers is a bad idea.* broadstuff. http://www.broadstuff.com/archives/97-Why-giving-Ferraris-to-Bloggers-is-a-bad-idea.html
5. *Microsoft doesn't know when to stop.* (2007, January 01). Cnet. http://www.cnet.com/news/microsoft-doesnt-know-when-to-stop/

That is a GREAT idea. After all, how can anyone have a decent conversation about Windows Vista without having put a bunch of time on one of the machines? Now, regarding blogger ethics. Did you disclose? If you did, you have ethics. If you didn't, you don't. It's that black-and-white with me. [6]

While there was not a clear consensus on the ethics of this promotion, the debate drowned out whatever little positive opinion Windows Vista had generated in the blogs. The Microsoft case stands as a good example of a business gift program gone wrong. The company not only wasted the money spent on the gifts (none of the bloggers reported to have returned the laptops) but suffered weeks of bad press—and soured the commercial launch of the product.

Three Dimensions of Evaluating Gifts

The Microsoft example provides a three-dimensional framework by which to evaluate whether a gift crosses the line into bribery. (Remember that a bribe is something given to induce someone to alter their behaviour—in this case, to write a favourable product review.) The framework helps establish guidelines for keeping business gifting aboveboard.

Content

The chief problem with Microsoft's gift was the content. Content refers to the nature of the gift itself (a shiny, new, top-of-the-line laptop) and the price ($2,000 or more). The company claimed that such a high-end machine was necessary to showcase the full capability of the Windows Vista operating system. And, they asserted, since the bloggers were given the option of returning the laptops (or giving them away), the issue of bribery didn't come into play and the onus of acting ethically fell to the recipients.

Nonetheless, Microsoft's actions represented a departure from standard industry practice of sending preview disks of software to opinion-makers. While it might be acceptable to give out $2,000 gifts in other industries (like sending out expensive fashion clothing to movies stars), and one can dicker about whether $2,000 is or isn't too extravagant, the point is that Microsoft broke with the conventions of its own industry.

The key lesson is that *what* is being given defines the nature of gifting, and extreme care must be taken to determine whether that gift is appropriate. While the market price of a gift item can be used as a benchmark, the type of gift is as important as its price. If Microsoft had given out $2,000 worth of software, it wouldn't have been so controversial. Another point, which Microsoft surely knew, is that items sent around Christmastime are more apt to be perceived as gifts.

Context

The other objection to the Microsoft gifts was the company's motives for giving them. People argued that Microsoft sent the expensive laptops to bloggers as a quid pro quo. Though the accompanying email said "you don't have to write about Vista," that was mainly a legal disclaimer meant to protect Microsoft against formal bribery charges (U.S. corruption law

6. Scoble, R. (2006, December 27). *I think the Microsoft Vista giveaway is an awesome idea.* scobleizer blog.*http://scobleizer.com/2006/12/27/i-think-the-microsoft-vista-giveaway-is-an-awesome-idea*

prohibits corporate gifts designed to induce action by the recipient). The company may have kept itself out of legal hot water, but it remained vulnerable to the charge that it tried to exert psychological pressure on the bloggers to write about their "pleasurable" experiences with Vista.

The other argument was that laptops were given to the bloggers so that they would lack the proper testing environment of mainstream tech journalists. The bloggers were set up to write good things about Vista by seeing it function in a brand-new machine, tuned and tested for this purpose by Microsoft engineers. The experience of actual users—who might be influenced by these bloggers' opinions—would be different, since they would have to install the software on older machines with no help from Microsoft. Critics argued that the company's promotion was intended to create a false opinion of the market.

While most businesses define what is a bribe and what isn't in terms of the *content* of the gift, in most countries the matter is decided on the basis of *context*. So, regardless of the size, type, and value of the gift, if it can be established that the gift was given with the intent to induce an action, it will be regarded as a bribe. The lesson here is that it isn't enough for businesses to set clear value/type limits on corporate gifts; it's also necessary to scrutinize the motives behind the gift-giving, think carefully about how the gift will be received, and stop short of anything that induces the recipient to crosses the line of ethical behaviour.

Culture

Other critics held that Microsoft's blunder was not caused by the content or context of the gifts but that the company fundamentally misunderstood the culture of blogging. This view came primarily from marketing practitioners, who pointed out that giving laptops to elite bloggers violated the egalitarian and sponsorship-free nature of social media. It's a culture whose members loathe any kind of commercial taint to their independence and are highly sensitive to charges of "selling out."

Thus, culture is clearly the third very important aspect of gift-giving. It's crucial to establish clear boundaries and protocols so that gifts are truly received as gifts—not as attempts to influence. To do that means factoring in the recipient's mindset and culture, since what may be perceived as a gift in one group may seem like a bribe in another. The "cultural" dimension is easily understood in personal gift giving (a toy truck might be an excellent present for your six-year-old nephew, but it wouldn't be appropriate for your boss or grandparent). Yet, somehow the idea of discretionary gift giving hasn't gained much ground in business. However, understanding the cultural preferences of the receiver is obviously an important issue in international business—and was a key failure.

5.5 Ensuring Ethical Marketing and Sales

Ethical issues arise at both an organizational level and an individual level. A single individual can engage in unethical behaviour, but most ethical breaches that have significant impact on a business occur when many individuals come together to act unethically. This section will review the steps that businesses take at each level to define ethical behaviour and create a culture that encourages employees to do the right thing.

"*The way to gain a good reputation is to endeavour to be what you desire to appear.*"—Socrates

Reading: A Culture of Accountability

At the beginning of this module we discussed the 2015 revelation that Volkswagen installed emissions-altering software in eleven million diesel vehicles worldwide, which caused the cars to pass emissions tests they should have failed. Consider, for a moment, how many employees would have to be involved in order to achieve this level of fraud? This was not the handiwork of a single employee but the result of a pattern of unethical behaviour in the company. When the Ethics & Compliance Initiative (ECI) released the results of its [2018 National Business Ethics Survey](#), it noted that these types of broad, organizational breaches are fairly common.

> *The survey shows that a significant amount of misconduct involves continuous, ongoing behaviour rather than one-time incidents: Employees say that more than a quarter (26 percent) of observed misconduct represents an ongoing pattern of behaviour. Another 41 percent said the behaviour has been repeated at least a second time. Only one-third (33 percent) of rule breaking represents a one-time incident.* In the case of Volkswagen, an early internal investigation pointed to a "culture of tolerance" for ethical compromises. Employees were pushed to do what was needed to meet corporate objectives at any cost.

The organizational culture is comprised of the values and beliefs that an organization shares, which create its social environment. The culture of a large organization can be difficult to understand since it is influenced by many different factors. Still, many research studies point to leadership and policies as being instrumental in building an ethical organizational culture.

Policies That Encourage Ethical Behavior

Many companies have a specific policy that defines appropriate behaviour. The policy is often called the Standards for Business Conduct. As the name suggests, the policy is intended to set the standards for acceptable behaviour; it's not meant to be an exhaustive list of every type of ethical behaviour.

Many of these policies do the following:

- Define the threshold for behaviour: While it should go without saying that employees are expected to be law-abiding, companies choose to be quite explicit about stating that they require their employees to follow the law.
- Create expectations for behaviour: The policies identify common issues that employees may encounter—such as accepting gifts from suppliers—and explain how they should be handled.
- Set policy: establish company protocols for handling confidential information, including customer data, etc.
- Give guidance on making judgment calls: Companies often define how they would like employees to make decisions when guidelines do not adequately cover them.
- Describe reporting and enforcement procedures: There is generally a process for reporting and addressing issues, as well as information about how the company will protect those reporting concerns.

Let's examine some examples from company policies to see how some of these components are addressed.

The Legal Threshold

The ethics policy generally begins by reminding employees that they are required to act in accordance with the law. For

companies that engage in business across the globe this can be complex. Starwood Hotels and Resorts address this issue in their Code of Business Conduct and Ethics:

> You must, at all times, obey the laws of the jurisdictions where we conduct business. Starwood conducts business all around the world. Our associates are citizens of many countries. As a result, our operations are subject to the laws of many jurisdictions. It is often challenging for us to understand how those various laws apply to our businesses. However, whether you are a Starwood associate or member of the Board of Directors, you are expected to conduct yourself in accordance with applicable law.

> Starwood is a company organized under the laws of the United States and is generally subject to U.S. federal law. From time to time, the laws of the United States conflict with laws of a city, town, country or other jurisdiction where we conduct business. If there is a conflict between the applicable laws, seek guidance from the Office of the General Counsel (Legal).

Starwood has established a clear expectation to follow the law, acknowledged the complexity of their business environment, and provided direction when employees need help.

Creating Expectations for Behavior

In the course of a normal business day, many service employees receive tips. Where is the line between an appropriate tip and a gift? Starbucks has defined this for employees in its Standards of Business Conduct:

> A *gift or favor should not be accepted or given if it might create a sense of obligation, compromise your professional judgment or create the appearance of doing so. In deciding whether a gift is appropriate, you should consider its value and whether public disclosure of the gift would embarrass you or Starbucks.*

> A *gift of money should never be given or accepted. (Some retail partners, however, may accept customary tips for service well done.) As a general rule, partners should limit gifts to or from any one vendor or business associate to US $75 per year. A gift of nominal value may be given or accepted if it is a common business courtesy, such as coffee samples, a coffee cup, pens or a similar token. However, during traditional gift-giving seasons in areas where it is customary to exchange gifts of money, such as China, Japan, Malaysia, Singapore and Thailand, partners should not solicit but may exchange cash with nongovernmental business associates in nominal amounts up to the equivalent of US $20.*[1]

It is very common for companies to set a threshold for giving and receiving gifts. These specific guidelines help employees navigate what would otherwise be a judgment call and make it easier to identify an ethical breach and initiate corrective action.

Setting Policy

United Parcel Service (UPS) groups the sections of its Code of Business Conduct into stakeholder groups: our company,

1. Starbucks. (n.d.). Business Ethics and Compliance. https://globalassets.starbucks.com/assets/eecd184d6d2141d58966319744393d1f.pdf

our people, our customers, our shareholders, and our communities. This enables the company to address a range of workforce expectations, such as workplace safety:

> UPS is committed to a safe work environment that is free of threats, intimidation, and physical harm. Everyone has a right to work in a safe environment and everyone shares the responsibility for ensuring the safety of others. We have zero tolerance for workplace violence, and we will investigate and take appropriate action up to and including dismissal regarding any threats to a safe workplace.

> UPS prohibits violent behaviour in the workplace including, but not limited to, physical assaults, fighting, threatening comments, intimidation, threats through electronic communications including social media, and the intentional or reckless destruction of property of the company, employee, UPS representative, or customer. Comments or behaviour that reasonably could be interpreted as intent to do harm to people or property will be considered a threat. We also prohibit the unauthorized possession and/or use of weapons by any employee or UPS representative while at work, on company property, or while on company business.[2]

The UPS policy is very specific about its expectations of employees in ensuring a safe work environment.

Judgment Calls

No policy will address every issue, nor should it try. Most policies try to guide employees in the way they should make judgment calls. In its Standards of Business Conduct, American Airlines addresses this issue specifically:

> Remember, your best resource about what's right or wrong is your own conscience. So if you find yourself in a difficult situation, think before you act. And ask yourself the following questions:

> - Is it legal? If it's not legal, don't do it.
> - Is it ethical? If it feels wrong, it probably is wrong.
> - How would it look in the newspaper? If you wouldn't feel comfortable if your friends and family knew about your actions, you probably shouldn't do it.

These policies are an important tool in building a culture of accountability and ethical behaviour in a company, but the policies must be upheld by all the employees, and senior leaders play a significant role in reinforcing their importance.

Accountability and Crisis Management

A culture of accountability is critical in a crisis. Maple Leaf Foods faced an outbreak of a deadly bacteria in 2008: Listeria. It was a tragedy where 23 Canadians died. Michael McCain, CEO, stepped out into the press and immediately communicated with the public and its distributors about the contamination. Today, the crisis and the management of it is reviewed in business schools as a best practice.

> *"I can guarantee you, you won't find any other major corporate training videos that show a hearse," he (SVP of*

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2. UPS. (n.d.). *Code of Business Conduct.* https://www.ups.com/media/en/code_bus_conduct.pdf

Operations and Food Safety) said, emphasizing that it's important for new staff members to understand why the organization continues to raise the bar of food safety standards.

Maple Leaf Foods has been applauded time and time again for how it handled this tragic event. There was no complex communications strategy or a huge PR crisis team enlisted, instead they kept close to home and close to their values."[3]

3. Urgency. Accountability. Transparency: Lessons from Maple Leaf Foods SVP Randy Huffman. (2014, November 26). Ivey.https://www.ivey.uwo.ca/news/news-ivey/2014/11/maple-leaf-foods-urgency-accountability-transparency/

Reading: Ethics for Marketing Employees

If you are hired to work in marketing at a typical company, there will likely be clear ethical standards defined in a company policy and some level of compliance among employees at all levels in the company. You will witness ethical breaches and need to decide whether to report them or not. You will see examples of outstanding ethics and have the opportunity to participate in debates about ethical disagreements and issues. No company is perfect, but most are trying to be ethical.

How can you, as a marketer, make a difference? Marketers have a specific set of responsibilities when it comes to preventing and addressing ethical issues. These are described below.

Demonstrate Respect for Your Target Customer

Marketing is not a game of manipulation. Good marketing provides compelling solutions and informs customers to help them make good selections and realize value. Recognize the customer's need for an offering that is easy to use and includes clear instructions and appropriate warnings. Remain available to customers to hear complaints. Be humble enough to recognize that not everyone wants to hear your messages. If you demonstrate respect for the consumer, you will find new opportunities to provide value. If you treat consumers like a commodity to be manipulated, a host of ethical issues will clutter your path.

Prepare the Sales Team to Sell Effectively and Ethically

If personal sales are a part of the business plan, then marketers have an important responsibility to prepare the sales team for success. Often marketers are asked to create the message, and sales reps are asked to deliver it. When the sales rep is prepared with a strong value proposition, effective communication materials and presentations, and thorough market research, the sales rep can do her best work. When the marketing mix is not hitting the mark, the sales rep's is much more difficult, and there is a greater risk of ethical issues. It is the marketer's responsibility to prepare sales reps to be successful without compromising their integrity.

Demonstrate High Personal Standards in Business Relationships

Marketers often entertain and give gifts. It is not unusual for the marketing team to create a gift list for all customers. Marketers cultivate business relationships and distributor relationships, too. If marketing demonstrates a high standard for professionalism and ethics in these relationships, it sends a strong message and increases the expectation that others will, as well.

Provide Fair Value to the Target Customer

Many ethical issues result from some level of deception involving misstatement of value to the customer. Be accurate in communications to customers about the value that a product provides. Be clear in pricing and contracts. Pricing strategies that confuse customers and cost more than the customer initially believed are never a good long-term strategy.

Play Nicely in the Competitive Environment

Companies in a competitive market shift positions and introduce innovations to give them a new competitive advantage. This is the very nature of a competitive marketplace. Treat competitors with respect and learn from their approaches. Do thorough competitive research to understand them better. Do not seek to gain confidential information about competitors or their products.

Price Fixing is Unethical and Illegal

Watch the [2018 Global News report](#) that revealed the practice of all major grocery manufacturers to fix the retail price of bread for Canadians for over 14 years! Food inflation has been very high over the last decade and well-known grocery brands such as Loblaws (Westin & Superstore), Sobey's and Walmart were colluding to fix the price for all its customers with a manufacturer Canada Bread.[1]

1. Russell, A. (2018, January 31). 7 Canadian companies committed indictable offenses in bread-price fixing scandal: Competition Bureau. Global News. https://globalnews.ca/news/3998023/bread-price-fixing-scandal-competition-act-crimes/

Be Truthful

Seek to create a relationship of trust with your target customer through honest, helpful communication. This is such a simple but important recommendation for all marketers. If customers trust the product, the company, and the brand, business results improve, and the company has greater flexibility to introduce new products or make market adjustments.

Reading: Executive Role in Ethics

Consider the following observation by the [ECI on the results of the National Business Ethics](#) survey:

> *Managers–those expected to act as role models or enforce discipline–are responsible for a large share of workplace misconduct (60 percent) and senior managers are more likely than lower-level managers to break rules. Surveyed employees said that members of management are responsible for six of every ten instances of misconduct and they pointed the finger at senior managers in 24 percent of observed rule breaking. Middle managers were identified as the culprit 19 percent of the time and first-line supervisors were identified as bad actors 17 percent of the time.*

If you're thinking about ways of boosting or ensuring ethical behaviour in an organization, this is an interesting and alarming finding. In a supplemental report on Ethical Leadership, ECI reports that employees at all sizes of companies draw conclusions about their leaders' character primarily on the basis of the following:

- The overall character of their leaders as experienced through personal interactions;
- How senior managers handle crises; and
- The policies and procedures adopted by senior leaders to manage the company.

Culture

In your organisation's daily operations, how often would you say honesty is practised?

Always/frequently	83%
Occasionally	13%
Rarely/never	3%
Don't know	1%

Behaviour

25% of employees in Canada have been aware of misconduct at work. The most common types of misconduct they noticed are...

People treated inappropriately/unethically	47%
Bullying/harassment	37%
Safety violations	30%

11% of Canadian employees have felt pressured to compromise ethical standards. The main pressures are...

1. Time pressure **38%**
2. I was following my boss's orders **37%**
3. I had to meet unrealistic objectives/deadlines **24%**

Speaking up

41% of employees in Canada who have been aware of misconduct at work decided not to speak up. The main reasons are...

1. I did not believe that corrective action would be taken **38%**
2. I did not want to be seen as a troublemaker by management **35%**
3. I felt I might alienate myself from my colleagues; I felt I might jeopardise my job **32%**

Ethics programme

Around half or more Canadian respondents are aware of each of the four building blocks of an ethics programme in their organisation.

My organisation...

Has written standards of ethical business conduct that provide guidelines for my job **67%**

Provides employees with a means of reporting misconduct confidentially **55%**

Offers advice or an information helpline where I can get advice about behaving ethically at work **48%**

Provides training on standards of ethical conduct **57%**

Infographic from IBE's Ethics at Work of Canadians in 2018[1]

1. Dondé, G., Frank L. & Somasundaram, K. (2019). Ethics at Work2018 survey of employees Canada. Institute of Business Ethics. https://www.ibe.org.uk/uploads/assets/

Employees want to know, for example, whether leaders treat lower-level employees with dignity and respect, share credit when good things happen, and uphold standards even when it reduces revenues and profits. They watch to see whether leaders are steady in crisis, hold themselves accountable or, alternatively, shift blame to others. Workers also look at day-to-day management decisions to gauge whether ethical behaviour is recognized and rewarded, or whether praise and promotions go to workers who bend the rules.

These findings suggest the important role that executives play in building ethical organizations—ethics and integrity tend to start (or fail) at the top and trickle down.

Executives Set Company Objectives

When executives establish specific, measurable objectives for the company, those objectives determine where people will focus their time and effort. When the objectives cannot be met and there are dire personal consequences for failure, such conditions can lead to the compromise of ethics and standards. In the National Business Ethics Survey, 70 percent of employees identified pressure to meet unrealistic business objectives as most likely to cause them to compromise their ethical standards, and 75 percent identified either their senior or middle management as the primary source of pressure they feel to compromise the standards of their organizations.

In the Volkswagen case, internal investigations have questioned how both the company culture and the behaviour of former CEO Martin Winterkorn contributed to a systemic ethical breach. Like many chief executives, Martin Winterkorn was a demanding boss who didn't like failure, but critics say the pressure on managers at Volkswagen was unusual, which may go some way toward explaining the carmaker's crisis. When he became CEO in 2007, Winterkorn set an objective to make VW the world's biggest carmaker, which would require tremendous growth in the highly competitive U.S. car market. In the years since, VW has nearly doubled its global annual sales to 10 million cars and its revenue to $225 billion. In early 2015, VW

Former Volkswagen CEO, Martin Winterkorn

finally approached its goal, selling marginally more vehicles than the world's number-one automaker, Toyota of Japan. One former sales executive said that the pressure soared under the target." If you didn't like it, you moved of your own accord or you were performance-managed out of the business," he said.[2]

In describing a Winterkorn's leadership style, a former VW executive confidentially told Reuters New Agency, "There was always a distance, a fear and a respect . . . If he would come and visit or you had to go to him, your pulse would go up. If you presented bad news, those were the moments that it could become quite unpleasant and loud and quite demeaning."

A week after U.S. regulators revealed the company's cheating, Bernd Osterloh, the employee representative on VW's supervisory board, sent a letter to VW staff suggesting the change that was needed: "We need in the future a climate

cc8691cd-38a2-4844-97f5c952cc421452/
ibesurveyreportethicsatwork2018surveyofemployeescanadaint.pdf

2. Cremer, A. & Bergin T. (2015, October 10). *Fear and respect: VW's culture under Winterkorn.* Reuters. http://www.reuters.com/article/us-volkswagen-emissions-culture-idUSKCN0S40MT20151010

in which problems aren't hidden but can be openly communicated to superiors," said Osterloh. "We need a culture in which it's possible and permissible to argue with your superior about the best way to go."[3]

In *Fortune* magazine, Dr. Paul Argenti suggested, "Rather than playing the blame game, executives should ask if pressures to grow at all costs might have created dishonest employees."[4]

It seems likely that aggressive corporate objectives (and more specifically marketing objectives related to market share) played a contributing role in the Volkswagen ethics scandal. Moreover, when executives set aggressive goals, it becomes more important to cultivate communication channels to openly address issues. This was obviously not the case at Volkswagen.

Executives Create Company Policy

In the previous reading we reviewed a number of company policies that address ethical conduct. Executives play an important role in creating those policies—and by visibly following and upholding them. As the survey data cited above suggest, employees look to executives to decide whether standards-of-business-conduct policies should be observed and respected. When executives bend the rules or turn a blind eye to bad behaviour, the policies lose value and executives lose the respect of employees. This opens the door to a range of unanticipated issues, as employees look to ethical norms outside stated policy and beyond the executives' control.

TD Bank High Pressure Sales in 2017

Apart from the laws and regulations, the investigative powers of the press can reveal questionable marketing practices. While trust-building is the intent of all ethical behaviours, there are particular industries that it is paramount in such as: the Food and Drug, Health and Financial Services sectors. In 2017, it appears the pressure to deliver profits created an environment at one of Canada's largest banks revealed an ethical dilemma for many TD employees. They felt that it was difficult to maintain client's trust and focus on their best interests while meeting their employer's sales targets. Targets were set by executives and managers. Watch the two videos to see how a "widespread culture" across all the Canadian major banks provoked a review by the watchdog Financial Consumer Agency Commission (FCAC). No CEO of any bank in the CBC "Go Public" investigation was willing to be interviewed. [5]

3. Cremer, A. & Bergin T. (2015, October 10). *Fear and respect: VW's culture under Winterkorn.* Reuters. http://www.reuters.com/article/us-volkswagen-emissions-culture-idUSKCN0S40MT20151010

4. Argenti, P. (2015, October 13). *The biggest culprit in VW's emissions scandal.*Fortune Magazine. http://fortune.com/2015/10/13/biggest-culprit-in-volkswagen-emissions-scandal/

5. CBC. (2017, March 6). *Go Public: Bank tellers pressured to sell.* https://www.youtube.com/watch?v=BGvYfGStceo

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=299

Executives Hire and Promote Company Managers

Internal promotions send very strong signals about what is important to a company. When the company hires an employee from a different company, she is likely not well known by most employees. If the company promotes an employee who is already working at the company, others know him and understand what he has done to deserve the promotion. If the company promotes individuals to management positions when they have displayed questionable ethics in the workplace, it creates two issues. First, it creates a level of managers who are more likely to encourage their employees to achieve business results at any cost, even when ethics are compromised. Second, it sends a message to all employees that business results are more important than ethics.

Simulation: Ethics

Try It

Play the simulation below multiple times to see how different choices influence the outcome. All simulations allow unlimited attempts so you can gain experience applying the concepts.

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=304#h5p-2

An interactive or media element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=304

5.6 Social Responsibility Marketing Impact

We have reviewed many ethical challenges and potential traps for marketers. How can a marketer win? Actually, in lots of ways. Increasingly, marketers are doing more than just trying to avoid doing harm; as you'll see, they're taking on important issues and are making a difference, actively doing good.

Earlier in this module we discussed what corporate social responsibility is and how social responsibility programs impact many different stakeholders in a business. In this section we focus on the role of corporate social responsibility in marketing. We will look at the marketing mix—product, price, promotion, and distribution—and see how companies are changing their marketing strategies to visibly contribute to their communities.

Finally, we'll talk about the results that companies achieve when social responsibility is part of the marketing strategy.

Reading: Social Responsibility in the Marketing Strategy

You'll recall that we defined corporate social responsibility as the ethical behaviour of a company toward society. It means acting responsibly toward the stakeholders—not just the shareholders—who have a legitimate interest in the business. Let's focus on how marketers use corporate social responsibility to achieve marketing objectives.

First, let's return for a moment to the marketing planning process. Where does social responsibility fit in? It generally comes into the planning process in one of two ways:

1. Social responsibility may be a corporate-level strategy with specific objectives.
2. Social responsibility may be part of the marketing mix based on the situation analysis

Let's look at both of these approaches.

Corporate Strategy at Coca-Cola

Coca-Cola's mission is:

- To refresh the world . . .
- To inspire moments of optimism and happiness . . .
- To create value and make a difference.

In support of the vision, the company has created what it calls a "roadmap" that defines the focus areas for company strategies and tactics. These include:

- **People:** Be a great place to work where people are inspired to be the best they can be.
- **Portfolio:** Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
- **Partners:** Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
- **Planet:** Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- **Profit:** Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- **Productivity:** Be a highly effective, lean, and fast-moving organization.[1]

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1. *Purpose and Vision.* (n.d.). The Coca-Cola Company. https://www.coca-colacompany.com/company/purpose-and-vision

Which of the roadmap areas focus on social responsibility? "Planet" is clearly a social responsibility focus, as it acknowledges a responsibility to improve the world beyond the sale of Coca-Cola's products. "People" also suggests a note of social responsibility; Coca-Cola strives to be a place where employees are not only doing a good job for the company but are inspired to be their best as people.

Marketing Strategies to Address Childhood Obesity

Coca-Cola doesn't specifically call out customer health in its roadmap, but that concern has become a significant component of its marketing strategy, and the company has developed a specific set of marketing programs to address childhood obesity. Childhood obesity is a challenging issue for the company. If you were to conduct a SWOT analysis of Coca-Cola, you could imagine that this issue would appear under "external threats" and have a negative impact on its market. In most K–12 schools in the Canada, since 2004 the sale of soft drinks has been steadily eliminated. Rather than wait to find out how this trend might play out, marketing decided to take a proactive role. In 2013, Coca-Cola announced its four global well-being commitments to help fight obesity, each of which has a direct impact on the marketing mix:

1. Offer low- or no-calorie beverage options in every market. (Product)
2. Provide transparent nutrition information, featuring calories on the front of all of our packages. (Product)
3. Help get people moving by supporting physical activity programs in every country where we do business. (Promotion)
4. Market responsibly, including no advertising to children under 12 anywhere in the world. (Promotion)[2]

Coca-Cola has added a number of water and juice brands to its product portfolio in order to achieve these social responsibility objectives, and has devoted a substantial budget to develop physical activity programs in its markets. The tone of the company's advertising has shifted to focus on an older audience.

Increasingly companies around the world are including some social responsibility objectives in their corporate-level plans. The majority of U.S. companies in the S&P 500 and Fortune 500 provide reporting to investors on their sustainability goals and performance.[3]

While there are many Canadian companies with solid social responsibility efforts as listed by the 2020 Corporate Knights top 50 report,[4] the Toronto Stock Exchange (TSX) companies are required to report their diversity and other CSR and ESG policies but lag behind their global competitors according to the Globe and Mail in 2015.[5]

2. *Question: Does Coca-Cola market its products to children?* (n.d.). The Coca Cola Company. https://www.coca-colacompany.com/faqs/does-coca-cola-market-to-children
3. *Number of Companies in S&P 500E and Fortune 500R Reporting on Sustainability More Than Doubles From Previous Year, According to New Analysis by Governance & Accountability Institute.* (n.d.). Governance & Accountability Institute. https://www.ga-institute.com/press-releases/npage/9/article/number-of-companies-in-sp-500R-and-fortune-500R-reporting-on-sustainability-more-than-doubles-fro.html
4. 2020 *Best 50 Ranking.* (2020, June 25). Corporate Knights. https://www.corporateknights.com/channels/leadership/2020-best-50-results-15930648/
5. McFarland, J. (2015, September 08). *TSX-listed firms lagging on corporate social responsibility*

With this emphasis and accountability, social responsibility is no longer regarded as a "special project," but is becoming an integral part of the corporate and marketing planning process that is central to business performance and success.

reporting. The Globe and Mail. https://www.theglobeandmail.com/report-on-business/tsx-listed-firms-lagging-on-corporate-social-responsibility-reporting/article26262153/

Reading: Social Responsibility Initiatives

The Business Case for Social Responsibility

Regardless of broader benefits, there is a strong business case for social responsibility. Public companies' stock prices benefit from strong social responsibility initiatives.

In fact, socially responsible investing and one of its subsets, impact investing, accounted for more than $1 out of every $4 under professional management in the U.S., according to a 2018 survey by the U.S. Forum for Sustainable and Responsible Investment. This amounts to over $12 trillion in assets under management yearly.[1]

For marketers, the desire for socially responsible products and companies is driven by consumers. Nearly 30 percent of consumers plan to increase the number of goods and/or services they buy from socially responsible companies in the coming year. Twenty-five percent avoided buying products from an enterprise because they thought it wasn't socially responsible.[2]

Social Responsibility Programs

In defining social responsibility programs and goals, companies are acknowledging a commitment to creating a better world. How do they determine where to focus these efforts and what are they trying to achieve? Generally, companies are expanding on unique market strengths that benefit society and trying to reduce the negative impact of their products on society. As with any other business strategy, an approach that is customized to the company and its market is likelier to have a greater impact. For example, Coca-Cola's emphasis on preventing childhood obesity acknowledges and addresses a risk that the company brings to its market. If Exxon Mobile launched a childhood obesity initiative, it wouldn't have the same impact. The company's oil and gas offerings don't have a direct impact on childhood obesity, and thus it would raise questions about the energy company's commitment to addressing issues much closer to home—i.e., the serious impact that Exxon Mobile products have on the environment.

Many companies are implementing a host of social responsibility strategies through sustainable product initiatives.

Creating Sustainable Products

A sustainable product is constantly environmental-friendly during its entire life. That is, from the moment the raw

1. U.S. Forum for Sustainable and Responsible Investment. "Sustainable and Impact Investing—Overview." Accessed April 17, 2020.
2. Field, A. (2013, April 05). *Consumers Like Social Responsibility--but They Aren't Sure What a Social Enterprise Is.* Forbes.http://www.forbes.com/sites/annefield/2013/04/05/consumers-like-social-responsibility-but-they-arent-sure-what-a-social-enterprise-is/

materials are extracted to the moment the final product is disposed of, there must be no permanent damage to the environment.[3]

A sustainable product focus may include:

- Use of organic raw materials
- Sustainably harvesting of raw materials
- Emphasizing human rights and labor conditions in sourcing decisions
- Use of renewable energy in the production process
- Ensuring that the use of the product creates a positive impact on the community
- Creating product recycling and reuse options
- Improving the impact of the product's use on human and environmental health

The intent of a sustainable product strategy is that the company is identifying the impact of its products on society at every phase of the product lifecycle, and minimizing the negative impacts. Sustainable product initiatives are so broad in scope that they often encompass all of the social responsibility initiatives. This broad scope also requires companies to be focused and realistic about what they can achieve, setting appropriate objectives that demonstrate progress and identify where more work is needed.

As the world's largest retailer, Walmart faces unique challenges in product sustainability. It must not only focus on its stores, but on the products provided and transported by a broad network of suppliers. To address this, Walmart had partnered with The Sustainability Consortium to create a sustainability index that could be used to set standards and measure progress across its value chain. The goals of the index were to:

- Improve the sustainability of the products customers love
- Integrate sustainability into the business of buying and selling merchandise
- Reduce cost, improve product quality and create a more resilient supply chain
- Strengthen customers' trust in retailers and the brands we carry

The company cited progress in its work.

One great example of how we are delivering impact is through the progress we've made on our goal to eliminate 20 million metric tons (MMT) of greenhouse gas (GHG) emissions from the supply chain. Through our partnership with the Environmental Defense Fund and by leveraging the Index as a tool to gain buy-in and create accountability, we've:

- *Eliminated 7.575 MMT of GHG by the end of 2013*
- *Implemented projects that are estimated to eliminate 18MMT of GHG emissions by the end of 2015*

Ever since then Walmart has hit a couple of other milestones such as becoming the largest on-site green power generator in the US, strengthen their sustainable sourcing requirements for products containing paper and pulp, launched the "Beyond the Bag" initiative to reinvented the single-use plastic bag and more. [4]

Walmart still has significant work ahead, but independent evaluations have been positive. Joel Makower of Green

3. Frank-Martin B. and Peattie, K. (2009). Sustainability Marketing: A Global Perspective. Wiley, United Kingdom.
4. *Sustainability Timeline: Walmart's Journey to a Better Future*. (n.d.). Corporate Walmart. https://corporate.walmart.com/sustainability-timeline

Biz reports that Walmart's sustainability initiatives are having a real impact, both on its operations and those of the companies in its supply chain. He also notes that some of that progress is offset by the company's rapid growth.[5]

5. Makower, J. (2015, November 17). *Walmart sustainability at 10: An assessment.* greenbiz. http://www.greenbiz.com/article/walmart-sustainability-10-assessment

5.7 Putting It Together: Ethics and Social Responsibility

In this module we've covered a range of different corporate ethical challenges, legal requirements, and opportunities to contribute to social good. Every year, a company called Ethisphere provides a thorough review of businesses seeking to gain recognition for being upstanding corporate citizens. (See the full list of [the World's Most Ethical Companies honourees](#) and [Maclean's List of Canada's top 50 Socially Responsible Companies](#)).

The review process captures company performance in five areas, but in order to be honoured, the companies must demonstrate that they are addressing ethics and social responsibility holistically. The five factors, which are nicely aligned with the topics of this module, are described below, each with a brief description of how the companies show compliance.

1. Ethics and Compliance Program

We discussed this topic in our focus on company policy, along with the important role of executive leadership in supporting and following the policy. This category reviews the ethics program structure, responsibility, and resources, and evaluates the program oversight and tone among top management in the company.

In the following video, Walmart's chief ethics officer, Cindy Moehring, explains how the compliance and ethics team makes this sophisticated program simple:

You can view the transcript for "Making the Sophisticated Compliance Program Simple". (opens in new window)

2. Corporate Citizenship and Responsibility

We've looked at a number of ways in which companies can be good corporate citizens and "give back" to society and stakeholders. In this category, Ethisphere evaluates a wide range of a company's performance indicators associated with sustainability, citizenship, and social responsibility, with special attention to areas such as environmental stewardship, community involvement, corporate philanthropy, workplace impact and well-being, and supply chain engagement and oversight.

In the video below, Executive Vice President of Government Affairs, General Counsel, and Corporate Secretary of PepsiCo, Tony West discusses the responsibility to society that businesses have:

You can view the transcript for "Sustainable and Responsible: Social License to Operate". (opens in new window)

3. Culture of Ethics

We also discussed the importance of building a culture of accountability within an organization. In this area the Ethisphere evaluation measures an organization's efforts and success at establishing an ethical tone throughout every level of the company.

In the following video, Tony West of PepsiCo shares insight on sustainable ethical cultures, employee values, and their persistence over time:

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=317

You can view the [transcript for "Sustaining Longterm Growth Through Culture"](#). (opens in new window)

4. Governance

We discussed the importance of executive leadership when it comes to monitoring and promoting a quality company culture. This category of the Ethisphere review examines the availability and quality of systems designed to ensure strong corporate governance, which not only includes executive managers, but also the company's board of directors.

CH2M Hill board member Georgia Nelson discusses the positive effects of board diversity on corporate governance and innovation in the video below:

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=317

You can view the transcript for "Importance of Board Diversity on Corporate Governance and Innovation". (opens in new window)

5. Leadership, Innovation, and Reputation

The companies that make Ethisphere's list of honorees are visibly presenting themselves in an ethical context, which supports their reputation among all stakeholders. This category evaluates the company's ethical reputation in the marketplace and among key stakeholders such as employees and customers.

In the video below, the corporate communications manager of Aflac International, John Sullivan, explains how ethical practices reflect on the business:

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=317

You can view the transcript for "Aflac Incorporated on How Ethical Practices Reflect on the Business". (opens in new window)

New Solutions with Different Corporate Structures and Business Models

With the evolution of Corporate Social Responsibility (CSR) to Environmentally Social Governance (ESG) which measures and holds organizations to account for their practices, new global business models have appeared to formalize not only their policies and practices but their legal structures on how they generate and measure economic value. A few examples described below include Non-Profits, Non-Governmental Organizations (NGO), Social Enterprises and B Corps.

Non-Profits and Non-governmental organization (NGO)

They are effectively the same thing. Non-governmental organizations, or NGOs, were first called such in Article 71 in the Charter of the newly formed United Nations in 1945. They operate in many different areas across the globe.

An NGO is a non-profit, citizen-based group that functions independently of government. NGOs, sometimes

called civil societies, are organized on community, national and international levels to serve specific social or political purposes, and are cooperative, rather than commercial, in nature.[1]

An example of an NGO is Oxfam or World Vision

Social Enterprises

Social enterprises are not a formal tax structure but they are different from charities.

While earning profits is not the primary motivation behind a social enterprise, revenue still plays an essential role in the sustainability of the venture. Sustainable revenue differentiates a social enterprise from a traditional charity that relies on outside funding to fulfill its social mission. [2]

There are many social enterprises in Nova Scotia, one well-known one is Hope Blooms.

Hope Blooms is a Nova Scotian Social Enterprise that pitched Dragons Den.

B Corps

B Corps are a more recent development, started in 2006 by three friends who quit their jobs to start the certification and global impact and measurement process. Any organization can qualify for the demanding standards.

Certified B Corporations are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

Here's the 2018 list of the top B Corp organizations. In Canada some B Corps include Danone Dairy Products and Bull Frog Power and Business Development Bank of Canada (BDC).

View the video on how B Corps work around the world.

https://youtu.be/sPvoFpm7Ef4

1. Folger, J. (2021, January 18) *What is an NGO (Non-Governmental Organization)?* Investopedia. https://www.investopedia.com/ask/answers/13/what-is-non-government-organization.asp
2. Barone, A. (2020, October 27). *Social Enterprise.* Investopedia. https://www.investopedia.com/terms/s/social-enterprise.asp

Practice Quiz Chapter 5

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

> *An interactive H5P element has been excluded from this version of the text. You can view it online here:*
> *https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=978#h5p-8*

CHAPTER 6: MARKETING INFORMATION AND RESEARCH

Learning Objectives

- Why It Matters: Marketing Information and Research
- Explain the role of marketing information in helping firms understand and reach consumers
- Describe the key types of marketing information including internal data, competitive intelligence and marketing research
- Outline a standard process for using marketing research to address an organization's strategic questions
- Recognize alternative methods for conducting marketing research, including primary and secondary research methods
- Identify major sources of available market data
- Explain how Customer Relationship Management (CRM) systems can help organizations manage and gain customer insights from marketing information
- Use marketing information to inform the marketing strategy

6.1 Why It Matters: Marketing Information and Research

Why use marketing information and research to develop marketing strategies for organizations?

Your uncle Dan owns an independent bookstore called Bookends in Halifax, NS. You drop in to see him whenever you're in the neighbourhood to catch up and borrow some graphic novels. (That's you in the picture.)

When you visit this time, Dan sits you down in a corner and tells you he needs help. "Sales are down," he says, "and rent's going up. It's killing me. I'd say I've got six months to turn things around or I'm done. The end of Bookends. Are you still learning about marketing? Your mom said you're taking a class. Got any bright ideas? Maybe some whiz-bang advertising?" He grins and punches you lightly on the shoulder.

You start to tell him that marketing isn't just advertising . . . but instead you say, "I don't know, Dan. I'll have to think about it."

So, you do think about it. You don't know everything about marketing yet, but you've learned this: Your uncle needs to understand his customers—that's where marketing starts and ends. Who are Dan's customers, and what's up with them? Why aren't they buying as much as they used to? How can you find out more about what they want?

These are big, important questions. For now, they all have one answer: marketing information and research.

Read on if you want to save your uncle's bookstore . . .

Marketing information and marketing research are tools that organizations use to understand what's happening in the markets they serve.

Why do marketing information and research matter? Because no one has all the answers all the time. Because people and attitudes and behaviours change. Because customers, competitors, the economy, and other factors can all affect your success. Marketing is an increasingly data-rich field, and these days, doing it well means using all the information you can to gain insights into what your customers want and how you can give them value. Without that information, you're trying to shoot a target in the dark.

6.2 Importance of Marketing Information

Marketers are fortunate to work in an information-rich environment. They don't have to make decisions based on gut feeling or blind luck. These days, many valuable sources of marketing information are available to guide marketers' thinking, choices, and actions. While it's true that this information may be more readily accessible in some organizations than others, it's important for marketers to know what to look for and how to find it in order to make wise decisions about marketing strategy and execution.

Reading: The Importance of Marketing Information and Research

Fresh Customer Insights

Effective marketing starts with a strong knowledge of your customers: the kind of knowledge that gives you unique insights into what they want and how to satisfy them better than the competition. The most reliable source of fresh customer insights is good **marketing information**. Useful marketing information may come from a variety of sources both inside and outside your organization. Marketing information is generated by a variety of different activities, including marketing research.

Marketing research is a systematic process for identifying marketing opportunities and solving marketing problems, using customer insights that come out of collecting and analyzing marketing information. The mechanics of marketing research must be controlled so that marketers uncover the relevant facts to answer the problem at hand. Control over this fact-finding process is the responsibility of the marketing research director, who must correctly design the research and carefully supervise its execution, to ensure it yields the customer insights the organization needs.

A marketing information system is a combination of people, technologies, and processes for managing marketing information, overseeing market research activities, and using customer insights to guide marketing decisions and broader management and strategy decisions.

Knowledge Is Power Against the Competition

The business environment is increasingly competitive. With something as simple as a Google search, customers have unprecedented opportunities to explore alternatives to what any single company offers. Likewise, companies have ample opportunity to identify, track, and lure customers away from their less-vigilant competitors. A regular infusion of fresh customer insights can make all the difference between keeping customers and losing them. Marketing information and research are essential tools for marketers and the management team as they align strategy with customer wants and needs.

Consider the following examples:

- Before introducing OnStar, the first-ever embedded wireless service in cars, GM used marketing research to understand what types of applications would make consumers most interested in subscribing to the service and how much they would pay for it. Of all the benefits OnStar could offer, the research helped GM prioritize how the initial service would provide value, focusing on driver assistance and security. Research also helped determine OnStar pricing to help the company build a large subscriber base quickly.[1]
- Enterprise systems provider PeopleSoft recruited a diverse set of universities as early-adopter "Beta" partners to provide input as it designed a new student information system for higher education. This marketing research

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1. Vincent P. Barabba, *Surviving Transformation: Lessons from GM's Surprising Turnaround*, pp 46–50, https://books.google.com/books?id=VvbDYad7cLoC&pg

helped PeopleSoft create a versatile system that could support the needs of a variety of colleges and universities, ultimately leading to strong receptivity and market share when the new system became widely available.[2]

What Should Marketers Investigate Using Marketing Information?

An easy—and truthful—answer to this question is "everything." There is no aspect of marketing to which information and research do not apply. Every marketing concept and every element involved in the marketing management process can be subjected to a great deal of careful marketing research and inquiry. Some important questions include:

- Who is the customer?
- What problems is the customer trying to solve with a given purchase?
- What do they desire in the way of satisfaction?
- How does the customer get information about available choices?
- Where do they choose to purchase?
- Why do they buy, or not buy?
- When do they purchase?
- How do they go about seeking satisfaction in the market?

Seeking answers to these questions yields insights into the customer's needs, perceptions, and behaviours. Another area in which research is critical is profitability. Organizations need to forecast sales and related costs in order to understand how their operations will be profitable. They also need to plan competitive marketing programs that will produce the desired level of sales at an appropriate cost. The analysis of past sales and interpretation of cost information are important in evaluating performance and providing useful facts for future planning. All these activities rely on marketing information and a rigorous marketing research process to produce insights managers can trust and act on.

When to Use Marketing Information and Research

Many marketing decisions are made without consulting marketing information or the use of formal marketing research. For example, a decision-maker may feel she already knows enough to make a good decision. The time required to investigate a question or conduct formal marketing research may not be available. In other cases, the cost of obtaining the data is prohibitive, or the desired data cannot be obtained in reliable form. In a few instances, there may be no choice among alternatives and therefore no decision to make because there is little value in spending time and money to study a problem if there is only one possible solution. But in most business situations, marketers and managers must choose among two or more courses of action. This is where fact-finding, marketing information, and research enter to help make the choice.

Marketing information and research address the need for quicker, yet more accurate, decision-making by the marketer. These tools put marketers close to their customers to help them understand who the customers are, what they want, and what competitors are doing. When different stakeholders have very different views about a particular marketing-related decision, objective information and research can inform everyone about the issues in question and help the

2. Proquest, "First We Built, Now We Buy: A Sociological Case Study for Enterprise Systems in Higher Education," pp 292–203, https://books.google.com/books?id=rgIAaigKQBIC&pg

organization come to an agreement about the path forward. Good research should help align marketing with the other areas of the business.

Marketers should always be tapping into regular sources of marketing information about their organization and industry in order to monitor what's happening generally. For example, at any given time marketers should understand how they are doing relative to sales goals and monitor developments in their industry or competitive set.

Beyond this general level of "tuning in," additional market research projects may also be justified. As a rule, if the research results can save the company more time, money, and/or risk than it costs to conduct the research, it is wise to proceed. If the cost of conducting the research is more than it will contribute to improving a decision, the research should not be carried out. In practice, applying this cost-test principle can be somewhat complex, but it provides useful guidance about when marketing research is worthwhile. Ultimately, successful marketing executives make decisions on the basis of a blend of facts and intuition.

Fact: Top Performers Research Customer Preferences

In 2010, the management consultancy McKinsey published research about the difference between organizations that produced top-performing products and those that produced under-performing products. The use of marketing research was a striking differentiator:

> More than 80 percent of the top performers said they periodically tested and validated customer preferences during the development process, compared with just 43 percent of bottom performers. They were also twice as likely as the laggards to research what, exactly, customers wanted.[3]

The study also identified other differences between top and bottom performers, but an underlying theme was the emphasis successful projects and companies placed on understanding their customers and adjusting course when necessary to better address customers' needs. This research provides more than anecdotal evidence that marketing research and well-applied marketing information can make a substantial contribution to an organization's success.

3. http://www.mckinsey.com/insights/operations/the_path_to_successful_new_products

Case Study: Juicy Fruit Gum

Discovering Why They Chew

Back in the nineties, Juicy Fruit Gum, the oldest brand of the Wm. Wrigley Jr. Company was not chewing up the teen market, gum's top demographic. In 1997, the company found itself under pressure from competitors. Sales and market share were down. How could Wrigley get more kids to go for their famous gum?

Wrigley went to the source to find out. Marketing researchers approached teens who chewed five or more sticks of Juicy Fruit each week and gave them a homework assignment: Find pictures that remind you of Juicy Fruit gum and write a short story about it. When the kids shared their stories, Wrigley learned that they chew Juicy Fruit because it's sweet. They said it refreshed and energized them.

Wrigley's ad agency, BBDO, confirmed what the teens were saying. Conducting survey research, BBDO asked more than four hundred heavy gum chewers to rate various brands by attributes that best represented them. For Juicy Fruit, respondents picked phrases such as "has the right amount of sweetness" and "is made with natural sweetness."

Another of BBDO's studies investigated why teens in particular chew gum. Was it to cope with stress? Or because they forgot to brush their teeth before going to school? Nearly three out of four teens reported popping a stick of gum into their mouth when they craved something sweet. And Juicy Fruit was the top brand they picked to fulfill that need. (Rival chewing-gum brand Big Red was a distant second.)

Chewing on the Results

Although the marketing research conducted by Wrigley Co. was fairly simple, it provided a new direction for the company's marketing strategy to capture more of the essential teen market. BBDO developed four TV commercials with the "Gotta Have Sweet" theme. Roughly 70 percent of respondents voluntarily recalled the Juicy Fruit name after watching the commercial (the average recall for a brand of sugar gum is 57 percent). Sales of 100-stick boxes of Juicy Fruit rose 5 percent after the start of the ad campaign, reversing a 2 percent decline prior to it. Juicy Fruit's market share also increased from 4.9 percent to 5.3 percent—the biggest gain of any established chewing-gum brand during the year following the campaign.

In this case, marketing research paid off with better customer insights that marketers translated into improved product positioning, messaging, advertising, and ultimately market share.

6.3 Types of Marketing Information

- Explain the types of insights provided by each type of marketing information
- Describe how organizations manage marketing information
- Describe key types of marketing information including internal data, competitive intelligence, and marketing research

Marketing information and research are most effective when they feed an ongoing awareness of what's happening with customers, their perceptions, and purchasing decisions. The next section of this module explores different types of information that contribute to the customer insights that inform your organization, strategy, and the marketing mix.

Learning Activities

- Reading: Types of Marketing Information

Reading: Types of Marketing Information

Illuminating the Marketing Picture

There are three primary types of marketing information marketers use to gain insights that will contribute to wise marketing choices: *internal data*, *competitive intelligence*, and *marketing research*.

Internal Data

Internal data consists of the information companies collect about their customers and prospective customers, typically as part of their internal operations. Marketing departments, for example, maintain information about the interest and leads they generate from prospective customers and how they are interacting with these contacts. They may capture information used for segmentation and targeting purposes, such as geographic location, gender, age, buying behaviours, and communication preferences. Information about website visitors, traffic, and other customer engagement activities can be another useful type of internal data. Additionally, sales teams capture and maintain information about who is buying the product, where buyers are located, buying patterns, and behaviours. Sales and marketing teams may also maintain information about customer references, success stories, and how prospective customers are progressing toward becoming new clients.

Other parts of the organization also capture and maintain data that may be useful as marketing information. Accounting and billing departments track information about customers such as how much they spend with the organization, when they buy, and other payment details. Product managers and customer support organizations maintain information about customers implementing or using products, problems or issues they run into, and satisfaction levels with the company and products.

Organizations capture and maintain internal data by using information systems and databases shared across multiple departments. A database is a set of structured data accessible via a computer, and the data can be organized so that it's available for a variety of different uses, such as marketing or financial analysis. Today's powerful computers, cheap data storage, and the era of Big Data mean that data is at the heart of many companies marketing strategies. Shared information systems may include large enterprise systems designed to support business processes and functions, customer support systems, and customer relationship management (CRM) systems, among others.

"Database marketing," also known as marketing analytics, takes internal data several steps further. Large databases collect massive amounts of data from a variety of sources: customer demographic and profile data linked to in-store and online purchasing history, website search terms, page views, social media posts, Internet of Things (IoT), and other data. In a process called data mining, computer algorithms search for patterns in the data and generate recommendations and insights about how to increase sales.

With access to accurate, up-to-date internal data, marketers gain a better understanding of who the organization is serving and how it is performing relative to its goals for sales, customer satisfaction, and other priorities. Marketers rely on internal data to manage communications and interaction with customers and prospects, as they track the series of interactions that take place when a prospective customer is making a purchase decision. They may also use internal data to identify patterns that make someone more likely to become a customer and behaviours that contribute to any given customer type having a higher or lower total lifetime value.

An example of a leading CRM software is Salesforce. This video shows how Salesforce combines multiple data sources throughout the organization to present a 360° view of the customer.

https://youtu.be/M1hEh5ZWzU8

To illustrate the power of internal data, consider this example from Trident Marketing, a company that conducts marketing and sales activities for other businesses like home security firm ADT, satellite media company DirectTV, and Travel Resorts of America. It used marketing analytics to generate insights based on internal data from its customer-service call centers, order systems, CRM systems, search engine results, and external credit-bureau data about customers. The resulting recommendations were powerful and provided specific guidance about the following:

> When to call a consumer, which product to pitch, and which salesperson is best suited to close the sale. Plus, sophisticated analytic models can also predict which consumers are likely to cancel services within twelve months—a metric that goes straight to the bottom line because the company must compensate its customers for consumer churn.[1]

Using this information, the company was able to apply sales and marketing techniques to increase sales, profitability, and customer retention on behalf of its clients. In fact, revenue increased nearly 1000 percent over four years.[2]

Competitive Intelligence

Competitive intelligence is marketing information that helps marketers and other members of an organization better understand their competitors and competitive market dynamics. Common types of competitive intelligence include the following:

- **Product information:** Who is making products that compete with your offerings? What features or capabilities make these products attractive to prospective customers? How do these features compare to yours? How are products packaged and offered to customers?
- **Market share and penetration:** Which companies in your competitive market sell the most products to your target market, and how much do they sell? Which organizations are considered the market leaders? How is market share evolving over time?
- **Pricing strategy:** What do competitors charge for their products? What pricing structure and strategies do they use? What special pricing or discounts do they offer? How does this affect your pricing and position relative to competitors?
- **Competitive positioning and messaging:** What are competitors saying about themselves? What are they saying to current and prospective clients or other stakeholders about your organization or products? How effective are their messages at generating interest in competitor products or diminishing interest in yours? What keywords are competitors dominating in search engines?
- **Win/loss analysis:** What proportion of new sales are you winning or losing? Why are people selecting your product over competitors'? Why are they selecting a competitor's offering instead of yours?

Companies tend to guard sensitive information closely, such as detailed information about product cost, pricing

1. http://www.chiefmarketer.com/big-data-marketing-analytics-can-help-sales/
2. http://www.fuzzyl.com/wp-content/uploads/49415_TridentMarketingIncreases_Case-Study_PRF2_May18_12-2.pdf

structure, and market share. In fact, there are market analysts who specialize in competitive intelligence because it can be so difficult to obtain. However, anyone in a marketing role should maintain a general level of awareness about competitors and what's happening in their market, and there are fairly easy ways to do this. Marketers can learn a lot directly from competitors, such as reading their websites, following them on social media, and monitoring press releases and other published content to understand what they are communicating to the market and to prospective customers. Information can also come from industry-focused newsletters, blogs, social media conversations, reports, conferences, and other forums that discuss new developments and key players in a product category or market.

When marketing activities are associated with a higher-priced sale and a complex decision process, sales and marketing organizations may conduct some type of win/loss analysis after a purchasing decision is made. A win/loss analysis captures information from individuals involved in a sale to understand the key factors influencing the final purchasing decision. It can help marketers better understand how to improve the marketing mix—product, price, promotion, placement—in order to improve sales performance in comparison with competitors.

All of these activities can provide useful insights about how customers view the choices available to them, as well as how competitors view and compete in the market. As with internal data, a better understanding of these factors helps marketers improve the marketing mix to compete more effectively and become a preferred choice for customers.

Marketing Research

Marketing research is a systematic process for identifying marketing opportunities and solving marketing problems, using customer insights derived from the collection and analysis of marketing information. Marketing research identifies the problem to be solved or the opportunity to be explored, as well as the information required to address research questions. It also involves processes for collecting the information, analyzing it, identifying insights, and reporting findings and recommendations to those who will take action based on the results.[3]

Marketing research may cover a full spectrum of topics related to customers, products, and market dynamics, and it can use a variety of research methods (which will be discussed later in this module). In general, marketing research requires some additional information beyond what marketers have at their fingertips (like, say, internal data). Sometimes it is necessary to collect new primary data directly from target audiences, such as current or prospective customers. In other situations, marketing research uses secondary data captured previously by another organization. Marketing research may incorporate internal data and/or competitive intelligence in order to provide a more complete answer to a marketing problem or question.

Common subjects for marketing research include:

- **Environmental factors** and how they affect consumer behaviour. These include factors such as the health of the economy, the legal environment, market trends and other social factors, technology and its influence, and cultural factors that make doing business differently in one region or country compared to others.
- **Customer attitudes, behaviours, and perceptions**. Marketing research can be essential in understanding customer needs, how their needs are or aren't being met by the market, views about various products and companies, satisfaction levels, preferences for product features and pricing, the consumer decision-making process, and factors that influence it.
- **Product research.** Product research explores where opportunities and gaps exist for improving existing products

3. https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx

or introducing new ones, concept testing, sizing the market for a product, market penetration, prioritizing product features and preferences, testing product effectiveness and customer receptivity, user testing, pricing strategies, product naming and branding, and gauging how to position a product relative to competitors.

- **Marketing, advertising, and promotion research.** This area of research seeks to improve the effectiveness and reach of marketing activities such as market segmentation, messaging and communications, advertising and media testing, events and sponsorships, packaging, and display testing.
- **Corporate research.** Corporate research investigates corporate reputation and opportunities for strengthening an organization's position in the market through brand building, research and development, mergers and acquisitions, strategic partnerships, corporate planning, and profitability.

Marketing research is usually a wise investment when it's undertaken to inform decisions involving a significant shift in direction, whether that shift is associated with a product, brand, message, tone, corporate image, or other area linked to a major change and related investment. Marketing research projects may be large or small in terms of time, scope, cost, and resources involved. With a simple project, it could take an in-house marketer just a few hours to formulate research questions and analyze a data set from internal or secondary data sources, with no external costs. Complex marketing research projects may take longer than a year to complete and cost hundreds of thousands of dollars paid to research firms that specialize in particular markets or types of research.

As organizations grow, they may employ a marketing research director to oversee and coordinate research activities to ensure that they are getting accurate data and useful results. Smaller organizations without this internal capacity may hire a marketing research company or consultant to conduct the project, lead data collection, provide analysis, and advise on the best methods for interpreting and acting on research findings.

Target

American retail giant Target employed extensive marketing research to help it figure out how to rebuild its brand after a sales slump. The slump was triggered by an unsuccessful repositioning move as a "bargain brand" during the economic downturn of 2008 and a highly publicized data breach in 2013 that left many customers distrustful of the company. Company leadership used marketing research to identify opportunities to reinvigorate the Target brand and win new audiences.

A strategy unveiled in 2015 targets young Hispanic moms as a new and growing demographic the company wants to win over, in addition to suburban "soccer moms" who have been the company's mainstay segment. Targeted advertising (no pun intended), product development, and the in-store experience are all being tested and refined to appeal to this segment.[4]

4. https://www.washingtonpost.com/news/business/wp/2015/03/04/targets-new-strategy-we-need-more-than-just-minivan-moms/

In 2019, Target created commercials targeting college students living in dorms, further expanding their targeted segments.

6.4 The Marketing Research Process

- Identify the steps of conducting a marketing research project
- Outline a standard process for using marketing information and research to address an organization's strategic questions

Marketers can glean powerful insights from marketing information, but these insights generally don't come from nowhere.

Instead, it takes a well-structured research process to identify what you are trying to understand better and then take the appropriate steps, using the right information, to get your questions answered. The next part of this module explains a standard process organizations use to conduct marketing research and generate insights from marketing information of all types.

Learning Activities

- Reading: The Marketing Research Process

Reading: The Marketing Research Process

A Standard Approach to Research Inquiries

Marketing research is a useful and necessary tool for helping marketers and an organization's executive leadership make wise decisions. Carrying out marketing research can involve highly specialized skills that go deeper than the information outlined in this module. However, it is important for any marketer to be familiar with the basic procedures and techniques of marketing research.

It is very likely that at some point a marketing professional will need to supervise an internal marketing research activity or to work with an outside marketing research firm to conduct a research project. Managers who understand the research function can do a better job of framing the problem and critically appraising the proposals made by research specialists. They are also in a better position to evaluate their findings and recommendations.

Periodically marketers themselves need to find solutions to marketing problems without the assistance of marketing research specialists inside or outside the company. If you are familiar with the basic procedures of marketing research, you can supervise and even conduct a reasonably satisfactory search for the information needed.

Step 1: Identify the Problem

The first step for any marketing research activity is to clearly identify and define the problem you are trying to solve. You start by stating the marketing or business problem you need to address and for which you need additional information

to figure out a solution. Next, articulate the objectives for the research: what do you want to understand by the time the research project is completed? What specific information, guidance, or recommendations need to come out of the research in order to make it a worthwhile investment of the organization's time and money?

It's important to share the problem definition and research objectives with other team members to get their input and further refine your understanding of the problem and what is needed to solve it. At times, the problem you really need to solve is not the same problem that appears on the surface. Collaborating with other stakeholders helps refine your understanding of the problem, focus your thinking, and prioritize what you hope to learn from the research. Prioritizing your objectives is particularly helpful if you don't have the time or resources to investigate everything you want.

To flesh out your understanding of the problem, it's useful to begin brainstorming actual research questions you want to explore. What are the questions you need to answer in order to get to the research outcomes? What is the missing information that marketing research will help you find? The goal at this stage is to generate a set of preliminary, big-picture questions that will frame your research inquiry. You will revisit these research questions later in the process, but when you're getting started, this exercise helps clarify the scope of the project, whom you need to talk to, what information may already be available, and where to look for the information you don't yet have.

Applied Example: Marketing Research for Bookends

To illustrate the marketing research process, let's return to Uncle Dan and his ailing bookstore, Bookends. You need a lot of information if you're going to help Dan turn things around, so marketing research is a good idea. You begin by identifying the problem and then work to set down your research objectives and initial research questions:

Identifying Problems, Objectives, and Questions

Core business problem Dan needs to solve

- How to get more people to spend more money at Bookends.

Research Objectives

1. Identify promising target audiences for Bookends
2. Identify strategies for rapidly increasing revenue from these target audiences

Initial research questions

- Who are Bookends' current customers?
- How much money do they spend?
- Why do they come to Bookends?
- What do they wish Bookends offered?
- Who isn't coming to Bookends, and why?

Step 2: Develop a Research Plan

Once you have a problem definition, research objectives, and a preliminary set of research questions, the next step is to develop a research plan. Essential to this plan is identifying precisely what information you need to answer your questions and achieve your objectives. Do you need to understand customer opinions about something? Are you looking for a clearer picture of customer needs and related behaviours? Do you need sales, spending, or revenue data? Do you need information about competitors' products or insight about what will make prospective customers notice you? When do you need the information, and what's the time frame for getting it? What budget and resources are available?

Once you have clarified what kind of information you need and the timing and budget for your project, you can develop the research design. This details how you plan to collect and analyze the information you're after. Some types of information are readily available through *secondary research* and *secondary data* sources. Secondary research analyzes information that has already been collected for another purpose by a third party, such as a government agency, an industry association, or another company. Other types of information need to from talking directly to customers about your research questions. This is known as *primary research*, which collects *primary data* captured expressly for your research inquiry. Marketing research projects may include secondary research, primary research, or both.

Depending on your objectives and budget, sometimes a small-scale project will be enough to get the insight and direction you need. At other times, in order to reach the level of certainty or detail required, you may need larger-scale research involving participation from hundreds or even thousands of individual consumers. The research plan lays out the information your project will capture—both primary and secondary data—and describes what you will do with it to get the answers you need. (Note: You'll learn more about data collection methods and when to use them later in this module.)

Your data collection plan goes hand in hand with your analysis plan. Different types of analysis yield different types of results. The analysis plan should match the type of data you are collecting, as well as the outcomes your project is seeking and the resources at your disposal. Simpler research designs tend to require simpler analysis techniques. More complex research designs can yield powerful results, such as understanding causality and trade-offs in customer perceptions. However, these more sophisticated designs can require more time and money to execute effectively, both in terms of data collection and analytical expertise.

The research plan also specifies who will conduct the research activities, including data collection, analysis, interpretation, and reporting on results. At times a singlehanded marketing manager or research specialist runs the entire research project. At other times, a company may contract with a marketing research analyst or consulting firm to conduct the research. In this situation, the marketing manager provides supervisory oversight to ensure the research delivers on expectations.

Finally, the research plan indicates who will interpret the research findings and how the findings will be reported. This part of the research plan should consider the internal audience(s) for the research and what reporting format will be most helpful. Often, senior executives are primary stakeholders, and they're anxious for marketing research to inform and validate their choices. When this is the case, getting their buy-in on the research plan is recommended to make sure that they are comfortable with the approach and receptive to the potential findings.

Step 3: Conduct the Research

Conducting research can be a fun and exciting part of the marketing research process. After struggling with the gaps in your knowledge of market dynamics—which led you to embark on a marketing research project in the first place—now things are about to change. Conducting research begins to generate information that helps answer your urgent marketing questions. As previously mentioned, there are two types of research: primary and secondary. Primary

research is research that you conduct yourself (i.e., you go out into the field and find data and complete experiments). Secondary research is research conducted or synthesized by someone else (i.e., someone else has gone out into the field or someone else has compiled multiple sources of research). Though it may seem counterintuitive based on their names, typically data collection begins by reviewing any existing secondary research. After getting everything you can from secondary research, it's time to shift attention to primary research. After all, it's much easier (and smarter!) to review existing research before potentially redoing experiments or recapturing known information.

Secondary Research

With secondary research, it's important to narrow your scope to existing research and data that provide some information or insight about the problem. Prior research projects, internal data analyses, industry reports, customer satisfaction survey results, and other information sources may be worthwhile to review. Even though these resources may not answer your research questions fully, they may further illuminate the problem you are trying to solve. Secondary research and data sources are nearly always cheaper than capturing new information on your own. Your marketing research project should benefit from prior work wherever possible.

Primary Research

You may not always complete primary research, but it is often part of research plans. Primary research involves asking questions and then listening to and/or observing the behaviour of the target audience you are studying. In order to generate reliable, accurate results, it is important to use proper scientific methods for primary research data collection and analysis. This includes identifying the right individuals and number of people to talk to, using carefully worded surveys or interview scripts, and capturing data accurately. Without proper techniques, you may inadvertently get bad data or discover bias in the responses that distorts the results and points you in the wrong direction. The module on Marketing Research Techniques discusses these issues in further detail since the procedures for getting reliable data vary by research method.

Applied Example: Getting the Data on Bookends

Dan is on board with the research plan, and he's excited to dig into the project. You start with secondary data, getting a dump of Dan's sales data from the past two years, along with related information: customer name, postal code, frequency of purchase, gender, date of purchase, and discounts/promotions (if any).

You visit the [Statistics Canada Web](#) site to download demographic data about your metro area. The data show all census subdivisions in the area, along with population size, gender breakdown, age ranges, income, and education levels.

The next part of the project is customer survey data. You work with Dan to put together a short survey about customer attitudes toward Bookends, how often and why they come, where else they spend money on books and entertainment, and why they go other places besides Bookends. Dan comes up with the great idea of offering a 5 percent discount coupon to anyone who completes the survey. Although it eats into his profits, this scheme gets more people to complete the survey and buy books, so it's worth it.

For a couple of days, you and Dan take turns doing "man on the street" interviews (you interview the guy in the red hat, for instance). You find people who say they've never been to Bookends and ask them a few questions about why they haven't visited the store, where else they buy books and other entertainment, and what might get them interested in visiting Bookends sometime. This is a lot of work, but for a zero-budget project, it's coming together pretty well.

Step 4: Analyze and Report Findings

Analyzing the data obtained in a market survey involves transforming the primary and/or secondary data into useful information and insights that answer the research questions. This information is condensed into a format to be used by managers—usually a presentation or detailed report.

Analysis starts with formatting, cleaning, and editing the data to make sure that it's suitable for whatever analytical techniques are being used. Next, data is tabulated to show what's happening: what do customers actually think? What's happening with purchasing or other behaviours? How do revenue figures actually add up? Whatever the research questions, the analysis takes source data and applies analytical techniques to provide a clearer picture of what's going on. This process may involve simple or sophisticated techniques, depending on the research outcomes required. Common analytical techniques include regression analysis to determine correlations between factors; conjoint analysis to determine trade-offs and priorities; predictive modeling to anticipate patterns and causality, and analysis of unstructured data such as Internet search terms or social media posts to provide context and meaning around what people say and do.

Good analysis is important because the interpretation of research data—the "so what?" factor—depends on it. The analysis combs through data to paint a picture of what's going on. The interpretation goes further to explain what the research data means and make recommendations about what managers need to know and do based on the research results. For example, what is the shortlist of key findings and takeaways that managers should remember from the research? What are the market segments you've identified, and which ones should you target? What are the primary reasons your customers choose your competitor's product over yours, and what does this mean for future improvements to your product?

Individuals with a good working knowledge of the business should be involved in interpreting the data because they are in the best position to identify significant insights and make recommendations from the research findings. Marketing research reports incorporate both analysis and interpretation of data to address the project objectives.

The final report for a marketing research project may be in written form or slide-presentation format, depending on organizational culture and management preferences. Often a slide presentation is the preferred format for initially sharing research results with internal stakeholders. Particularly for large, complex projects, a written report may be a better format for discussing detailed findings and nuances in the data, which managers can study and reference in the future.

Getting the data was a bit of a hassle, but now you've got it and you're excited to see what it reveals. Your statistician cousin, Marina, turns out to be a whiz with both the sales data and the census data. She identified several demographic profiles in the metro area that looked a lot like lifestyle segments. Then she mapped Bookends' sales data into those segments to show who is and isn't visiting Bookends. After matching customer survey data to the sales data, she broke down the segments further based on their spending levels and reasons they visit Bookends.

Gradually a clearer picture of Bookends' customers is beginning to emerge: who they are, why they come, why they don't come, and what role Bookends plays in their lives. Right away, a couple of higher-priority segments—based on their spending levels, proximity, and loyalty to Bookends—stand out. You and your uncle are definitely seeing some possibilities for making the bookstore a more prominent part of their lives. You capture these insights as "recommendations to be considered" while you evaluate the right marketing mix for each of the new segments you'd like to focus on.

Step 5: Take Action

Once the report is complete, the presentation is delivered, and the recommendations are made, the marketing research project is over, right? Wrong.

What comes next is arguably the most important step of all: taking action based on your research results.

If your project has done a good job interpreting the findings and translating them into recommendations for the marketing team and other areas of the business, this step may seem relatively straightforward. When the research results validate a path the organization is already on, the "take action" step can galvanize the team to move further and faster in that same direction.

Things are not so simple when the research results indicate a new direction or a significant shift is advisable. In these cases, it's worthwhile to spend time helping managers understand the research, explain why it is wise to shift course, and explain how the business will benefit from the new path. As with any important business decision, managers must think deeply about the new approach and carefully map strategies, tactics, and available resources to plan effectively. By making the results available and accessible to managers and their execution teams, the marketing research project can serve as an ongoing guide and touchstone to help the organization plan, execute, and adjust course as it works toward desired goals and outcomes.

It is worth mentioning that many marketing research projects are never translated into management action. Sometimes this is because the report is too technical and difficult to understand. In other cases, the research conclusions fail to provide useful insights or solutions to the problem, or the report writer fails to offer specific suggestions for translating the research findings into management strategy. These pitfalls can be avoided by paying due attention to the research objectives throughout the project and allocating sufficient time and resources to do a good job interpreting research results for those who will need to act on them.

Applied Example: Bookends' New Customer Campaign

Your research findings and recommendations identified three segments for Bookends to focus on. Based on the demographics, lifestyle, and spending patterns found during your marketing research, you're able to name them: 1) Bored Empty-Nesters, 2) Busy Families, and 3) Hipster Wannabes. Dan has a decent-sized clientele across all three groups, and they are pretty good spenders when they come in. But until now he hasn't done much to purposely attract any of them.

With newly identified segments in focus, you and Dan begin brainstorming about a marketing mix to target each group. What types of books and other products would appeal to each one? What activities or events would bring them into the store? Are there promotions or particular messages that would induce them to buy at Bookends instead of Amazon or another bookseller? How will Dan reach and communicate with each group? And what can you do to bring more new customers into the store within these target groups?

Even though Bookends is a real-life project with serious consequences for your uncle Dan, it's also a fun laboratory where you can test out some of the principles you're learning in your marketing class. You're figuring out quickly what it's like to be a marketer.

Well done, rookie!

6.5 Marketing Research Techniques

The five-step marketing research process provides a well-structured approach to follow any time you have a marketing problem that research can help you solve. What type(s) of research you conduct depends on the kind of information needed to solve your problem. Sometimes you can solve the problem using secondary data someone else has already collected for another purpose. At other times, you will need to collect your own data through primary research focused expressly on your problem.

The next section of this module discusses common methods for conducting secondary and primary research. As you become familiar with these techniques, you will learn which marketing research methods tend to be most appropriate for which sorts of problems.

Learning Activities

- Reading: Secondary Marketing Research
- Reading: Primary Marketing Research Methods

Reading: Secondary Marketing Research

Tapping Existing Sources of Information

Before diving into primary research for a marketing research project, it's always wise to investigate whether there's an existing body of relevant information that you can work with. It's at least a place to start, and it may show you what you're missing. This is known as secondary research.

Secondary research uses *secondary data*, or source information that has previously been collected either inside or outside the organization. Internal data and some external data are freely available or have only a nominal cost. Other secondary-data providers charge fees to marketing researchers who want to access their data sets, reports, and customer insights. Common types of secondary data are described below.

Internal Data

A company's internal data, such as sales and marketing records, customer account information, product purchasing, and usage data are typical secondary data sources. Previously prepared marketing research reports may also be a great source of insights as you seek to solve a new or related business problem. Marketing researchers may also compile a large amount of internal data into a shared database and conduct marketing analytics to understand patterns in customer behaviour, market trends, and other insights to guide management and marketing strategy decisions.

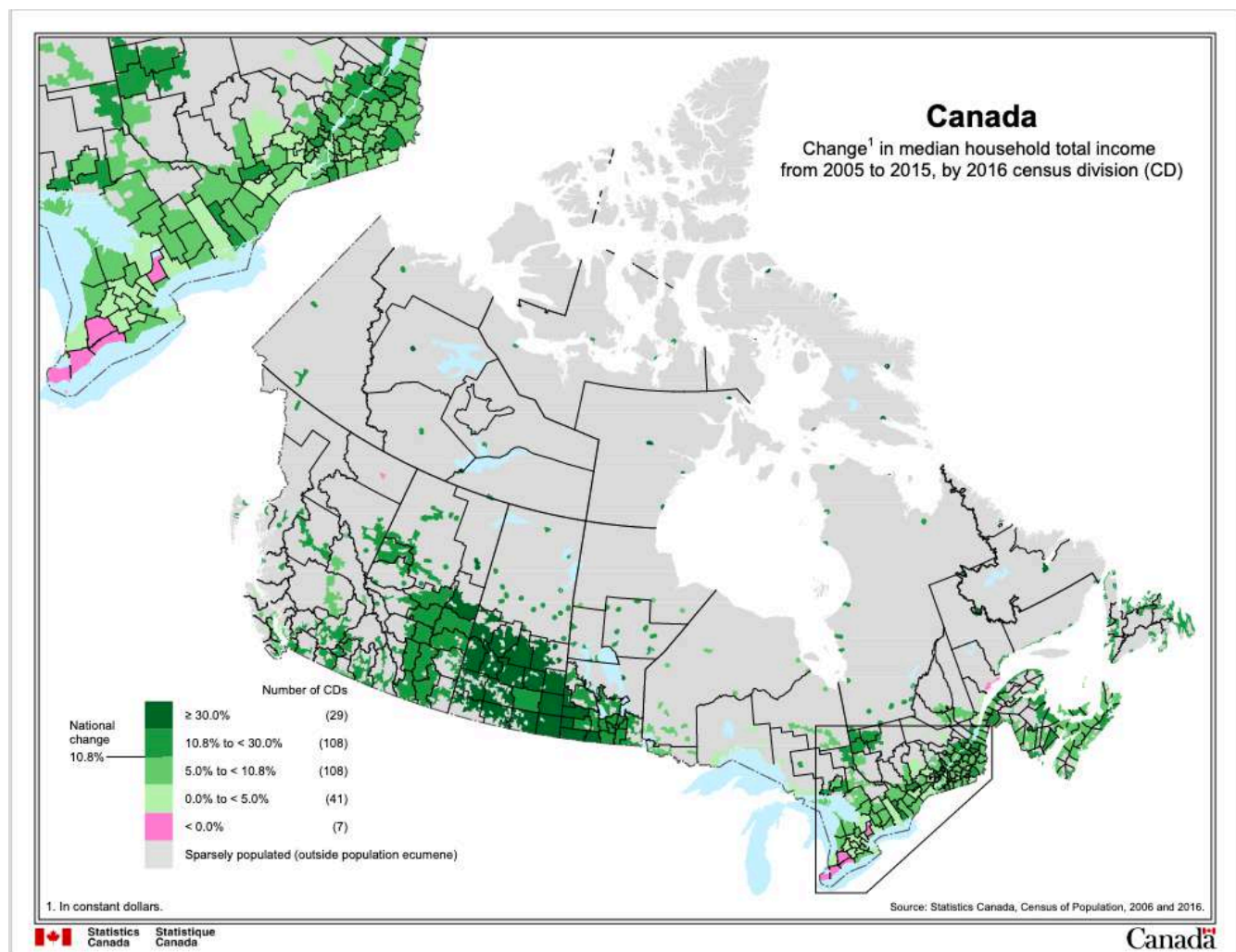# Government and Nongovernmental Organization (NGO) Data

Figure 1: Statistics Canada. (2017). Canada – change in median household total income from 2005 to 2015, by 2016 census division.

Many government agencies as well as nonprofits and other nongovernmental organizations collect and publish vast amounts of freely available data that may be useful for marketing research purposes. For example, demographic data published by Statistics Canada offers great insight into the makeup of the Canadian. population by age, gender, educational attainment, and many other factors. The Nova Scotia Government's Open Data Portal has a range of data sources for the province including business and economy, government administration, nature and environment, and social services. The World Trade Organization publishes economic data, trade statistics, and information about the regulatory environment for business for more than one hundred WTO member countries.

You can view data for the median household total income on the Statistics Canada website[1].

1. Statistics Canada. (2017). Canada – Change in median household total income from 2005 to 2015, by

When leading auto-repair franchise Midas developed a formula for "placing" their new franchised stores in successful locations, they turned to government research sources such as U.S. census data. The company explains that they look for "streets with high traffic counts, with 50,000 or more residents within three miles, and with speed limits no higher than 45 miles per hour. We look for areas that have several other major food, automotive, or retail brands, and we like to put new locations near car dealerships, since many customers transition their freshly out-of-warranty cars from dealer maintenance to Midas."[2]

These examples of governmental and NGO data just scratch the surface of the many and varied publicly available data sources that can inform smart marketing and business decisions.

Industry Associations, Professional Journals, and Media

A variety of industry and professional associations publish data to inform professionals and the general public about what's happening in their profession or economic sector. Most industries also have dedicated media that focus on pertinent news, research, and developments including online or offline news outlets, magazines, newsletters, and journals, as well as popular websites, blogs, and other online forums. Similarly, academic journals and libraries can be great secondary data sources for influential developments. Topics can range broadly, from sizing industries and product categories to discussions of key challenges faced by organizational leaders such as corporate chief information officers or college and university presidents. Marketers should be attuned to the organizations and publications that cover the industries or product categories they work within. These will likely be the most fertile sources of insightful, up-to-date secondary data.

Commercial Marketing Research Data

A number of commercial marketing research companies offer syndicated marketing research. Syndicated research usually covers topics that may be of interest to multiple organizations. Research companies collect data, analyze it, and resell it to organizations interested in the topics and consumers these initiatives explore. Often these projects collect vast amounts of consumer data over time, providing a useful historical view about the consumer population and how it may be evolving over time.

For example, the research company Nielsen captures data associated with PRIZM, an elaborate lifestyle and behavioural segmentation of the Canadian consumer market. Marketers can purchase data and analyses from Nielsen to help them better understand the PRIZM segments and how these segments map to target audiences they want to reach and penetrate. Nielsen also collects *scanner data*, which are detailed information about the sale of consumer goods obtained

2016 census division. https://www12.statcan.gc.ca/census-recensement/2016/geo/map-carte/ref/thematic-thematiques/inc-rev/map-eng.cfm?TYPE=2
2. http://midasfranchise.com/research-midas/how-do-i-find-a-midas-location/

by "scanning" the bar codes for individual products at electronic points of sale in retail outlets. The data can provide information about quantities, characteristics, and prices of goods sold.

Environics' PRIZM is Canada's leading consumer segmentation system. They have broken the Canadian market into 67 segments and is used by many Canadian companies to analyse demographic, lifestyle and behavioural characteristics of markets. Click the link and enter a postal code to see sample PRIZM profiles, including demographic, behavioural, financial, health, and psychographic insights.[3]

Screenshot of the Environics' PRIZM website

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3. https://prizm.environicsanalytics.com/#explore
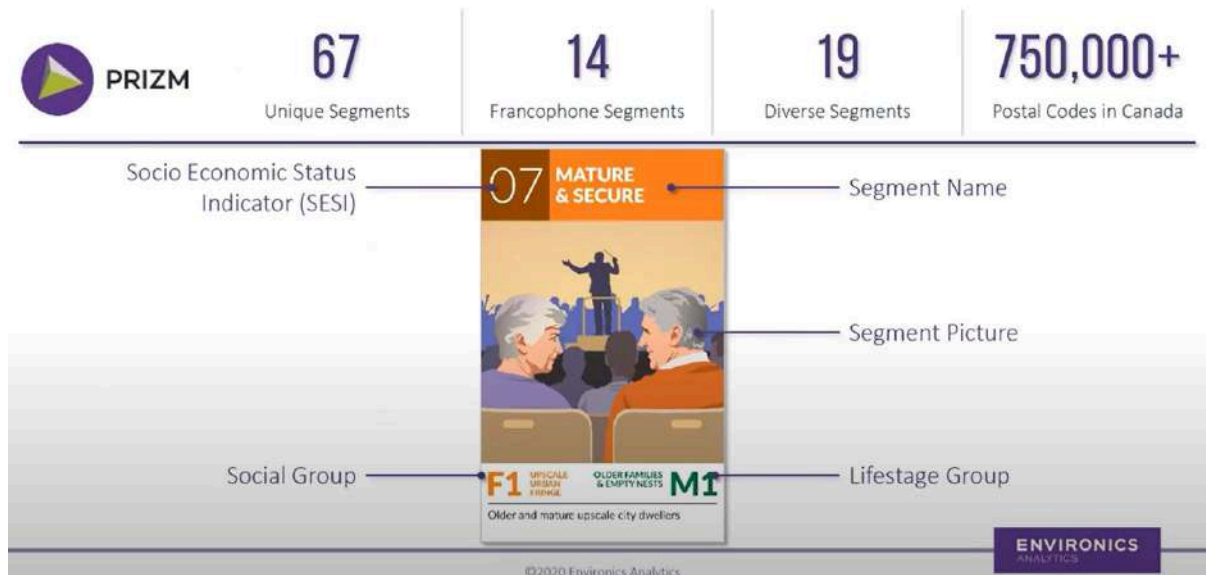
Gain a fresh perspective on Canada's distinct markets and communities

- 67 PRIZM segments reflect the evolution of Canada's lifestyles and increasing cultural diversity including 14 francophone segments and 19 segments with high immigrant populations.
- Segments capture social currents including the growing prominence of millennials, an increasing senior population, and the rise in multigenerational households.
- "Urban Fringe" classification highlights once-suburban areas that are now much more urban as a result of intensification.

The Environics data helped Credit Unions Atlantic Canada to size their markets and identify opportunities for their 50+ credit unions in Atlantic Canada. The analysis was used to create interactive dashboards that showed acquisition, engagement, and retention. The Environics tool was used to show where individual credit unions could improve from a product perspective.[4]

screenshot of Environics Analytics webpage for their case study of Credit Unions Atlantic Canada.

Student Monitor, another example of a commercial marketing

4. https://environicsanalytics.com/en-ca/resources/case-studies/case-studies-details/credit-unions-atlantic-canada

research company, tracks attitudes, trends, and behaviours among American college students. Industry analysts like Forrester, Gartner, and Outsell publish research reports that estimate market size, penetration, and how competitors stack up against one another in various industries and product categories. Still, other research firms offer syndicated research and insights about consumer trends and developments in various global geographies, industries, economic sectors, and product categories.

Database marketing organizations, sometimes called *customer insights services providers*, collect massive amounts of information about consumers by linking financial and credit data to tracking data about online and offline purchases and other behaviours. Then they mine the data to find patterns and indicators about which data points are most useful for sales and marketing purposes. Organizations can purchase access to this information for use in marketing research analyses as well as ongoing marketing activity. They can also combine it with their own internal data to get a richer view of their customers and target segments.

As data about individual consumers, companies, and industries proliferate, so do the ways companies try to capitalize on them by packaging, analyzing, and selling reports, data sets, and other information products to organizations that need them. It's a burgeoning industry in its own right. The breadth and variety of commercially available secondary data will continue to expand along with the tools marketers use to exploit the available information.

Search Engine Results

Whether or not you are familiar with secondary data sources pertinent to your marketing research project, it is smart to conduct an Internet search (using a reputable search engine) to see what sources surface. Search engines can be hugely helpful in locating both free and commercially available secondary data. With this information, you can compare the options and decide whether it makes sense to pay for data or rely only on free resources.

In addition, thorough Internet searches can help confirm that you've tapped into whatever existing data sources might be helpful to you before you decide to invest in primary research and data collection, which is usually more expensive than secondary data.

Analyzing Secondary Data

With secondary research in hand, the next step is to review your source materials to pull out the insights that are most pertinent to your marketing problem. Some secondary research sources may include data you can analyze and map to your own customer segmentation or other market analyses. Other secondary research provides analysis and insights you can use to develop implications and recommendations for your organization and marketing problem.

It is helpful to capture key findings and recommendations from the secondary research review and analysis, just as you would for a primary research project. The goal is to summarize what you have learned, making it easier for any primary research activity to build on what has already been discovered from secondary research.

Advantages and Disadvantages of Secondary Research

There are tremendous advantages in using data from secondary sources. First, the expense of gathering information from secondary sources is usually a fraction of the cost of collecting primary data. It also requires less time to collect

secondary data, and often there are significant time pressures around getting the information needed to solve a marketing or management problem. With rapid, ongoing developments in information technology, it is becoming easier and more cost-effective to gather, merge, and reformulate numerous secondary sources of data within a single system or database. This capability has made secondary data even more attractive.

There are two primary limitations of secondary research. First, the information may be somewhat dated, since you are using data previously collected by a third party. Second, secondary data is rarely collected for precisely the same reasons that you are conducting your marketing research project. The secondary research may be related to your current marketing problem, but it probably does not address your exact problem with your exact market and competitive dynamics.

You can gain a lot from secondary research, but it is important to account for these limitations as you decide how to incorporate insights from secondary data. In spite of these limitations, the advantages of secondary research are so great that it's standard practice not to proceed with primary data collection until a thorough review of secondary information has been conducted.

Reading: Primary Marketing Research Methods

Choosing the Right Primary Research Method

When secondary research doesn't provide all the answers, marketers often turn to primary research, which involves data collection that's tailored to the specific problem or challenge you're trying to address. There are many ways to conduct primary research. Which approach to take depends on the type of information you need along with the timing, budget, and resources of your project.

Quantitative vs. Qualitative Research

Qualitative research explores ideas, perceptions, and behaviours in-depth with a relatively small number of research participants. It aims to answer questions with more complex, open-ended responses such as, "What does this mean to you…?" or "Why do you believe…?" or "How do you like to…?" Qualitative research doesn't yield data that are easily tabulated and translated into tidy percentages. Instead, provides information that can help marketers understand the big picture of how customers perceive or experience something.

Qualitative research can also give an organization directional information. That is, it can help an organization tell whether it's on the right track with its approach or solution to a problem. Qualitative research techniques tend to be loosely structured and less formal, since the topical exploration may head in very different directions depending on the person or group participating. These techniques can provide great insights to marketers, but because they involve relatively few participants, the results can be very subjective and idiosyncratic. The risk is in assuming what you learn from a handful of individuals pertains to your target audience as a whole.

In contrast, **quantitative research** collects information that can easily be counted, tabulated, and statistically analyzed. When organizations need to understand (or *quantify*) the exact percentage of people who believe or act in a certain way, quantitative research is necessary. Quantitative methods allow researchers to test and validate a hypothesis or what they believe is the best course of action. These methods collect enough data to provide statistically valid results, and managers use them to inform the choices they make.

Often marketing research projects start with qualitative research activities to get a more complete picture of an issue or problem and how customers/consumers are thinking about it. With a better understanding of the issue, they follow up with quantitative research that provides more specificity about what proportion of the population shares common preferences, beliefs, or behaviours. This information provides insights to help marketers refine their segmentation and targeting strategy, the marketing mix, or other considerations related to marketing effectiveness.

Qualitative Research Methods

Typical qualitative methods include behavioural observation, in-depth interviews, focus groups, and social listening. Each of these methods is described below.

Observation

Observation may be the oldest method of primary research. Since the beginning of commerce, merchants have been watching their customers and non-customers engage in a variety of behaviours. Examples include information-gathering, shopping, purchasing, product returns, complaints, and so forth. Observation can be as simple as a local fast-food restaurant manager watching the expression on customers' faces as they eat a new sandwich.

More formal observation techniques are also employed. Researchers might record observations in a prescribed way for later analysis and reference. Video cameras, audio systems, movement tracking, biofeedback, and other technologies may be used to observe and capture information about consumers. Some observational techniques can be quite intrusive. For instance, a researcher might enter a consumer's home and conduct an audit to take an inventory of products found. Ethnographic research requires that the researcher practically move in with the consumer to observe and record various relevant behaviours.

Observation may be the only way to capture some types of information, such as how consumers actually behave or use a product. It can provide important research insights, especially if consistent patterns are identified.

A great example of observational research is the way technology company Google works to ensure that its search-engine product functions well in every market in which it operates. One of its major markets is China. In Chinese, though, the alphabet has a much more extensive character set than English does, which makes it difficult for Chinese users to get helpful research results. Google researchers observed and video-recorded Chinese people using search engines to help them understand exactly what, when, and why problems occurred. The company used this information to develop potential solutions such as "Google Suggest," which auto-fills search suggestions so people don't have to type in the full search query. The research also led to Google's "Did You Mean?" feature, which asks users if they meant to type in a different, more popular, standardized, or spell-checked search query. Experimenting with and adding these sorts of features helped the company create a much more useful product for the Chinese market. Google has also added improvements with broad appeal to its standard search-engine product in other markets.[1]

Depending on the approach, observation can be relatively inexpensive and quick. More sophisticated observational research can be significantly more expensive, but it can also offer unique insights that marketers might otherwise miss.

1. https://hbr.org/2009/03/how-google-and-pg-approach-new

In-Depth Interviews

In-depth interviews give marketing researchers the opportunity to delve deeply into topics of interest with the individuals they want to understand better. Research projects that use this method typically involve a fairly small number of these interviews, and they target the precise characteristics of the audiences that researchers want to understand. For example, a pharmaceutical company might want to understand a medical doctor's reasoning when considering which drugs to prescribe for certain medical conditions. A business software company might want to have a focused discussion with a product "power-user" about the limitations they see in the current product and what improvements they would like to see.

In-depth interviews are structured around a discussion guide. The interviewer asks questions and then listens carefully to capture responses—and sometimes asks follow-up questions to gain additional clarity and insight. In-depth interviews provide the opportunity to get under the surface and probe for more thoughtful answers and nuanced responses to interviewer questions. Often these interviews help researchers identify the range of questions and responses they should include in a quantitative survey (with more participants). In-depth interviews might also be combined with behavioural observation to get a richer understanding of why people do what they do: "What were you thinking when...?" or, "Why did you do this...?"

Interview length is an important consideration for in-depth interviews. It is difficult to keep people deeply engaged in a conversation for more than thirty minutes, so both the discussion guide and the interviewer must be very focused on covering key topics in the time allotted.

A primary disadvantage of in-depth interviews is cost: they tend to be quite expensive because they require not only the time of an experienced interviewer, but also some compensation, or *incentives*, for interview participants. Exactly how much compensation depends on the audience. To get a busy practicing lawyer to participate in an in-depth interviewer, researchers must offer significantly more money than they might to a flexible (and cash-strapped) college student, for example.

Focus Groups

Focus groups are much like in-depth interviews, except that they involve small groups (usually 6–12 individuals) rather than one person at a time. Like in-depth interviews, focus groups also try to delve deeply into topics of interest with people whose perspectives the researchers want to understand better. Focus groups have the added benefit of inviting peers to talk to one another about the topics in question, so the researchers hear not just one individual's views but also listen to and observe the group's interactions.

Whereas in-depth interviews are fairly short, focus groups tend to be longer, running 60–90 minutes, on average. It takes more time to hear from multiple people weighing in on a topic and to build an insightful group dynamic during the discussion. Focus groups tend to be expensive because each person receives an incentive for their time and participation. Audio or video recording and transcription are often preferred, so as to capture information for later reference.

It can be difficult to control the group dynamic in focus groups: sometimes one or a few people dominate the discussion while others hang back. "Groupthink" can be a problem when a charismatic participant manages to persuade others to adopt his way of thinking instead of allowing the full range of opinions to come to light. For these reasons, focus groups require skilled facilitators who are good at listening, managing time, steering the discussion, and keeping people on track. Focus group facilitators must also scrupulously avoid biasing participants with their own views, in order to ensure that the information captured accurately represents customer views.

The following video satire shows some of the challenges in conducting focus groups effectively and why a skilled facilitator isn't always enough:

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=352

You can view the [transcript for "Focus Group on John Kenney's TRUTH IN ADVERTISING"](https://oerfiles.s3-us-west-2.amazonaws.com/WM+Marketing/Transcriptions/FocusGroupTruthInAdvertising_transcript.txt). (opens in new window) (https://oerfiles.s3-us-west-2.amazonaws.com/WM+Marketing/Transcriptions/ FocusGroupTruthInAdvertising_transcript.txt)

Networks and media production companies frequently rely on focus groups to guide their decisions about which television programs to produce and how to make improvements to programs in development. Termed "audience research," these focus groups invite people into a viewing room to watch and provide feedback on a show. All are given a feedback dial—a tool participants use to indicate when they like or dislike something in the program. If they like something, they turn the dial up, and if they dislike something, they turn it down. A computer records the audience's responses and provides a second-by-second view of the program overlaid with the audience's response. Focus group facilitators monitor this feedback and then follow up with a discussion about what people did or didn't respond to, and why.

Interpreting the feedback from this audience research is something of an art: notoriously, the hit program *Seinfeld* was nearly canceled because the pilot show tested poorly in focus groups. Show creators look to audiences to help them understand not only what they like or dislike, but also what is interesting or unusual, and why. According to Michael Wright, former head of programming for TBS and TNT, "It's very rare that a test compels you to order or not order a show. All you're looking for is interesting feedback, to get insight you didn't have before. It's a tool. It's diagnostic"[2]. The

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2. *How We Decide* by Jonah Lehher, pp. 108–109, https://books.google.com/books?id=f9LqaUbde2QC.

focus group insights then provide guidance about where and how to improve a program to increase the chances that it will be a hit.

Communication strategists use this same technique to test messaging in political speeches, advertising, and other presentations. The following video, from the PR firm Luntz Mazlansky, shows the results from a focus group's feedback-dial reactions to a Barack Obama speech. The tracking lines on the screen show reactions from audience members who lean Democratic (green line) and Republican (red line). Marketers and messaging strategists use this feedback to understand which ideas and messages generate strong positive or negative feedback from the target audience:
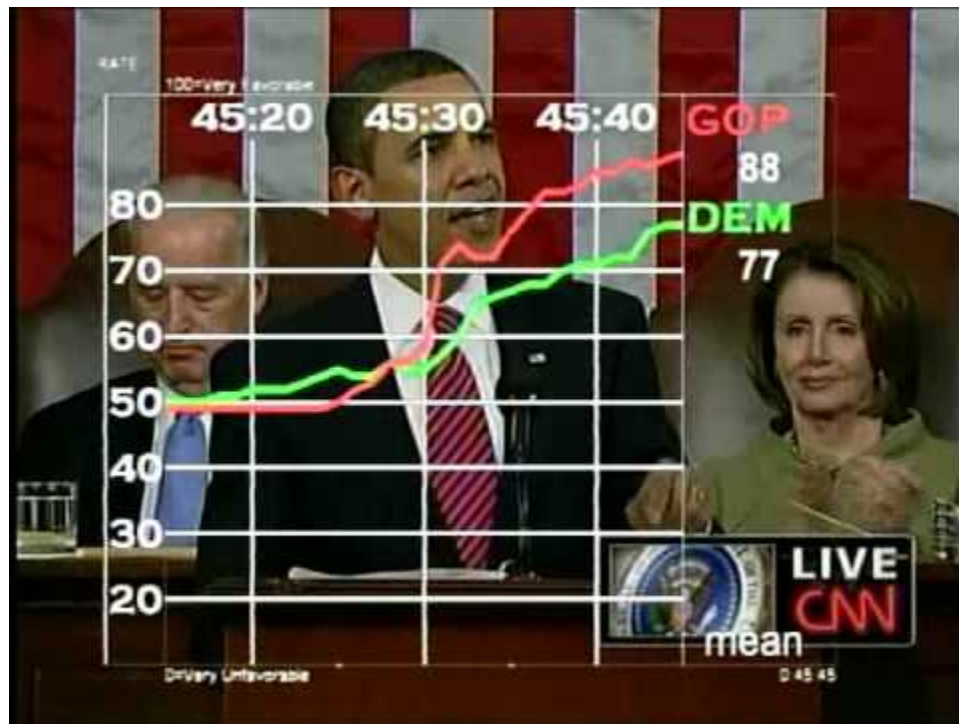
A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=352

You can view the transcript for "Obama Speech Focus Group Reaction – Responsibility". (opens in new window)

See also http://www.nytimes.com/2012/05/13/arts/television/networks-rely-on-audience-research-to-choose-shows.html

Social Listening

With the proliferation of social media comes a tremendous opportunity to learn exactly what key individuals are saying with regard to marketing-related messages. Social listening is a systematic process for tracking what is being said about a given topic in forums such as Facebook, Snapchat, Twitter, LinkedIn, blogs, and even mainstream media. When they engage in social listening, marketers monitor and analyze both positive and negative perspectives. Social listening helps marketers map not only who is saying what, but also who is influencing whom to help shape these opinions.

Social listening can be passive, with marketers mainly tracking which topics are trending and the prevailing sentiments around those topics. Social listening can also be conducted in a more focused, proactive way by putting questions or prompts out to a targeted group—a set of bloggers and influencers or a social media community, for instance—and saying, "tell me what you think about…"

A key challenge with social listening is how to best interpret the data that's collected; there can be so much information or chatter that it's hard to sift through everything to pick out the worthwhile nuggets. Marketers have a growing number of interesting tools to help monitor and harness the power of social media for social listening, from free tools like Google Alerts and Tweetdeck to advanced social media monitoring services like Brandwatch and Social Studio.

Unlike the other research methods described here, social listening takes place in public forums rather than through private research activities and interviews. This means that anything associated with the project may garner attention from members of the community or even the media. While this can be beneficial if an organization is trying to generate awareness, it can also seem manipulative or disingenuous. Social media communities have been known to turn on companies for misjudging the difference between "observation" and "interference."

Most marketing leaders today would argue that social listening should be an integral part of a marketer's job *all the time* in order to stay abreast of what people are saying about a product, company, industry, and competitive set. At the same time, marketing research projects may target social listening in a given subject or community in order to provide additional insight about a problem the organization is trying to solve or an opportunity under exploration.

An interesting example of social listening research is the work Brandwatch provides to video gaming companies. It tracks social media conversations over time as companies announce and launch new video games and new editions to monitor what creates buzz, who are the influential voices, and what generates positive and negative reactions.
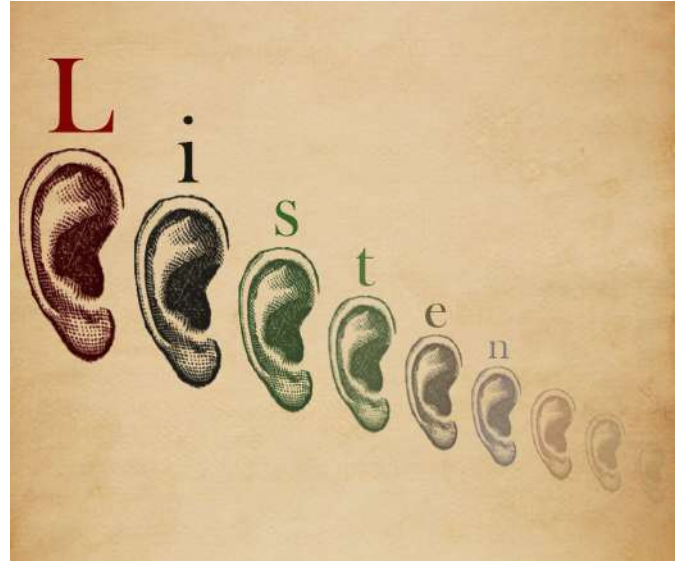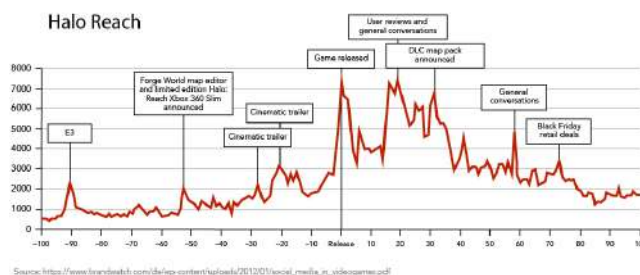
The company analyzes this information and offers insights to game creators and marketers about audience receptivity to the new games, the effectiveness of marketing campaigns and messages, product and competitive strategy, and whom to target in the future to influence market perceptions.[3]

Quantitative Research Methods

The most common quantitative marketing research methods are surveys and experimental research. Each is explained below.

Survey Research

Survey research is a very popular method for collecting primary data. Surveys ask individual consumers to give responses to a questionnaire. Questions may cover a variety of topics, but the question topics, format, response options, and survey length must all be a good fit for the audience and contact method (telephone, online, mail, in-person; more on this shortly).

Survey questions and responses must always be clearly worded and unambiguous. This stands to reason: if survey respondents are confused about what a question is asking, the data collected for that question won't be very valid. Surveys typically contain a combination of *close-ended questions* and *open-ended questions*. Closed-ended questions (also called *structured questions*) are easily tabulated, with a discrete set of answers such as yes/no, multiple choice, a scale rating, or "select all that apply." Open-ended questions (also called *unstructured questions*) ask for a verbal or textual response, such as "why did you choose X?" While it may be tempting to include lots of open-ended questions in surveys, in fact, it is best to use this type of question sparingly. Survey respondents find closed-ended questions easier to answer and often skip open-ended questions or supply only minimal responses. Too many open-ended questions increases the likelihood that participants will abandon the survey before it's complete.

When creating a survey, marketing researchers must strike the right balance between covering enough information to gain useful data and making the questionnaire short enough that people will finish it. The longer the questionnaire the less likely people are to take the time to answer all the questions. Most marketing researchers concur that if a questionnaire takes longer than 15 minutes to answer, odds are good that people won't get through it.

Surveys can be conducted quickly and inexpensively. For example, a store owner can ask people visiting the store to answer a few questions verbally or with a pencil-and-paper survey. Alternatively, a company can distribute a customer satisfaction survey at little or no out-of-pocket cost using freely available online survey tools (such as Survey Monkey or Wufoo).

Some surveys may require more complex and expensive data collection. For instance, a candidate running for public office may want to poll likely voters to learn which way they are leaning and what factors might influence their vote. For the survey to be useful and accurate, a representative set of likely voters must take the survey. This requires a screening process to make sure that the survey reaches the right people; likely voters whose age, ethnicity, gender, and other characteristics are similar to the population in the voting district. In this case, marketing researchers might opt

3. https://www.brandwatch.com/de/wp-content/uploads/2012/01/social_media_in_videogames.pdf

for a telephone survey rather than an online or in-person survey. A telephone survey allows an interviewer to efficiently screen respondents to make sure they fit the likely voter profile and other characteristics of the voting population.

Once data is collected, the results are tabulated and analyzed with statistical methods in order to help marketing researchers understand the views, preferences, and experiences of their target audiences. The statistical analysis confirms not only how people respond to the survey questions, but also how confident researchers can be about the results' accuracy. A large number of completed surveys yields greater confidence that the results accurately represent the views of the general population. A smaller number of completed surveys means researchers can be less sure that the sample reflects the views of the general population.

The brokerage and banking firm Charles Schwab takes an interesting approach to survey research. The company frequently commissions quantitative surveys to better understand different various issues related to investing, such as attitudes about retirement savings among 401K plan participants, and the economic outlook of adults living in major metropolitan centers. The company uses these surveys for two purposes. First, they gain deeper insights into ways of winning new customers and better serving existing customers. They can adjust targeting, marketing messages, product features, pricing, and placement as a result. Second, the company publishes many of the research results through its Web channels, social media, and paid media in order to generate attention. The company views this type of content as "currency for engagement"—that is, it's a way of starting conversations with new and current customers about ways that Charles Schwab might meet their needs.[4]

Experimental Research

Another quantitative research method is to conduct experiments in which some factor or set of factors is varied to yield comparative results. A typical example is A/B testing in marketing campaigns. In an A/B test, marketers develop two different versions of a marketing campaign artifact, such as a Web site landing page. Each version may use a slightly different call to action, image, or headline. The marketers send out each version to a set of target customers and then track the results to see which one is most effective. Marketers then use this information to further refine the campaign message and materials, hoping to boost results.

Experimental research may also be used to investigate how individuals with one set of factors or criteria compare to another. For instance, marketing researchers for a sales consulting services company might track the sales growth of companies using their services to companies that do not. Marketers might use the data from this research to demonstrate how using their company's services is linked to improved financial performance.

Research Contact Methods: Offline vs. Online

As marketing researchers decide which type of primary research to conduct, they must also decide which contact method fits best with their needs. In some situations, offline techniques like mail, telephone, and in-person research work best. In other situations, online contact methods are preferred, using email, mobile phone, and/or Web sites to attract survey participants and capture responses.

4. https://aboutschwab.com/press/research and http://blog.news360.com/2014/05/content-marketing-all-star-qa-with-helen-loh-of-charles-schwab/

The following table outlines the advantages and disadvantages of each contact method.

Marketing Research Contact Methods: Pros and Cons

Contact Method	Advantages	Disadvantages
Telephone	Good control over who participates Quick, timely data collection	Moderately expensive Fewer people to answer phones, leading to low response rates Interviewer quality may affect research results Questionnaire length limitations
Mail	Inexpensive	Little control over who participates Data collection takes longer Low response rates
In-person	Great control over who participates Quick, timely data collection Fairly good response rates Great for capturing in-depth detail and/or feedback	Very expensive Interviewer quality may affect research results Questionnaire length limitations
Online	Inexpensive Quick, timely data collection Low cost to continue data collection until desired response rates are achieved	Little control over who participates Greater possibility for self-selection bias Misses people who aren't online

Before the arrival of the Internet, marketing researchers relied on a combination of mail, in-person, and telephone contact to conduct marketing research. Observation techniques and focus groups were typically carried out in person, using skilled interviewers to facilitate high-quality data collection in the processes described above. Telephone and mail were the preferred contact methods for surveys, with researchers mailing a survey packet to targeted households or making telephone calls to request that people participate in survey research.

In mail surveys, a typical packet might contain a cover letter explaining the purpose of the research, a copy of the questionnaire, a stamped self-addressed return envelope, and an incentive for compliance (cash, merchandise, contribution to charity, or copy of report). Mail questionnaires allow the researcher to ask a large number of questions over a broad range of topics. They also permit the respondents to answer the questionnaire at their leisure. Mail surveys also have disadvantages. Researchers lose control through the mail process: Did the targeted person receive and answer the questionnaire? Did the respondent understand the questions? Did they complete the questionnaire? On what time frame? Mail surveys have been a good option for budget-conscious marketing-research projects, while, until recently, telephone surveys have been the preferred method for in-depth interviews and short, timely surveys with highly targeted audiences.

Historically, telephone surveys have offered several advantages. Names and related telephone numbers can be obtained directly from a telephone directory or from internal or external databases. Telephone survey costs are relatively low, and research companies can provide well-trained and technically supported interviewers to ensure good data collection. Telephone surveys are limited in several important ways, though, such as the difficulty of reaching the correct respondent, the problem of completing the interview if the respondent decides to hang up, and the inability to eliminate the bias introduced by not interviewing those without phones or individuals with unlisted numbers. Telephone survey respondents may lose patience rather quickly, so it is best to limit survey length as much as possible. This means only a limited number of topics can be addressed.

Digital technologies have altered the picture of marketing research data collection dramatically. Today, virtually everything that was once done in-person via telephone or mail can now be conducted digitally, often very effectively and at a lower cost. Digital tools like Skype, Zoom, and a variety of other Web conferencing technologies offer effective means of conducting in-depth interviews and even focus groups. Surveys can be provided through links in email messages, pop-up windows on websites, online forms, and through a range of other delivery mechanisms. Even many types of observational research can be conducted in virtual settings.

However, digital data collection has limitations, as well. In the digital world, researchers have less control over who opts to participate in a survey, so there is greater potential for *self-selection bias*—the problem of data reflecting the views of those who choose to participate while omitting a significant proportion of the population who choose not to participate. Digital data collection also bypasses the many individuals who spend little if any time online. Over time as the population approaches universal access to the Internet, this will become less of a factor. As long as the digital divide exists, researchers must factor in this issue when they design data collection among their target audiences.

Depending on the target audience, the quality and type of data researchers need, in-person, telephone, or mail may still be the optimal contact method. But with a growing array of sophisticated and cost-effective online data collection tools now available, it's always sensible for marketing researchers to evaluate online options for data collection, too.

Developing Research Instruments

Every marketing research method requires an instrument—the tool used for data collection. There are three basic types of marketing research instruments: questionnaires (for surveys), discussion guides (for in-depth interviews and focus groups), and mechanical data collection techniques designed to capture data associated with a research activity such as observation or experiment.

Designing Questionnaires

There are several rules of thumb for designing a questionnaire. Each question should be worded carefully, concisely and clearly, so that the respondent knows exactly what is being asked and what the response options mean. After drafting survey questions, it is always wise to have others review them and provide feedback on the question's wording, clarity, and overall flow from question to question. A good questionnaire should resemble a well-written story; it should be logical, relevant, easy to follow, and interesting to the reader or respondent.

As explained previously, questionnaires usually include a mix of open-ended and closed-ended questions. The figure below illustrates the different forms questions can take. As a yes/no question, Question 1 is considered a closed-ended *dichotomous question*; i.e., the respondent must check one of two possible answers. Question 2 is considered a *short response*; the respondent enters a brief text response of no more than a few words. Questions 3 and 4 are two different *scaled questions*, a type of closed-ended. Questions 5 and 6 are open-ended, allowing the respondent to provide any answer desired. Closed-ended questions are best used when the researcher wants to capture a particular set of answers or feels the respondent is unlikely to come up with an original answer.

Open-ended questions allow the respondent to provide personal answers with as much or as little detail as desired. Of course, there is a risk that the respondent will have no answer.

Question	Response Options
1. Have you purchased a new automobile since January 1st of this year?	___Yes ___No
2. If you have purchased a new automobile since January 1st, what make and model is it?	Make: _____ Model: _____
3. If you have not purchased a car since January 1st, how likely is it that you will buy a new care sometime before December 31st of this year?	___Extremely likely ___Quite likely ___Unlikely ___Extremely unlikely
4. How strongly do you agree with the following statement? *When buying a car, I tend to rely heavily on the reputation of the car brand.*	Disagree 1 2 3 4 5 Agree
5. If you have not purchased a new automobile this year, what is the most important reason for your decision not to buy a new car?	Text response:
6. Are there any other reasons that you have not bought a new car this year?	Text response:

Another important consideration is how to sequence the questions in the questionnaire. This may include placing easier questions at the beginning, encouraging people to stick with the survey and complete it, whether and how to group similar questions, and where to place demographic questions such as gender, age, occupation, and so forth. Typically demographic questions are grouped at the beginning or end. Researchers must also pay attention to making questions flow logically. Again, the goal is to create a coherent questionnaire so that respondents can answer it easily and accurately.

Designing Qualitative Discussion Guides

Discussion guides for in-depth interviews and focus groups follow many of the same rules as questionnaires: Questions need to be clearly worded and logically sequenced to provide a natural flow of discussion. Because these qualitative techniques are trying to get beneath the surface and uncover more in-depth information, they typically contain fewer closed-ended questions and more open-ended questions. Closed-ended questions might preface a thoughtful discussion about why a research participant feels or acts in a certain way.

Discussion guides should leave flexibility for the interviewer to pursue a useful line of inquiry that might surface. Focus group discussion guides should include questions that spark dialogue among the participants, so the researcher can benefit from the richness of peer interaction and opinion.

Timing is always an important consideration for these research instruments; how much ground can the interviewer realistically cover in the time allotted? Researchers must also pay close attention to where questions are placed in the discussion guide to ensure that the most important topics are covered even if the interviewer runs out of time.

Using Mechanical Instruments for Marketing Research

Some marketing research techniques collect information as research participants complete a task or go through a process. The research instruments in these research activities may involve some type of mechanical device and/or activity for data collection. For instance, marketing researchers may conduct website user testing to understand the effectiveness of the website design, layout, and messaging to encourage desired behaviours and perceptions. This research activity may involve equipment and a research process to track the user's eye movements, mouse/pointer movements, and clickstream, as well as their impressions of the website user experience. Marketing research on media and messaging may use a variety of devices to track research participants' media usage habits or their responses to messages and images as they view an advertisement, program, or speech.

Rather than designing these research tools from the ground up, marketing researchers typically work with specialists to conduct marketing research projects using these techniques and tools. Often these techniques are used in conjunction with other qualitative or quantitative methods to understand a marketing problem and possible solutions from multiple perspectives and approaches.

Sampling: Selecting Research Participants

In most marketing research, it is not necessary or feasible to conduct a complete census—that is, to speak to 100 percent of the target segment you want to study. This would be time-consuming, expensive, and superfluous since after you have heard from a number of individuals, you will have information that is representative of the views of the entire population. Sampling is the process of selecting the appropriate number and types of research participants so that the data you collect is sufficiently representative of the whole segment.

A sample is a group of elements (persons, stores, financial reports) chosen for research purposes from among a "total population" or "universe" of all possible participants who fit the target criteria for research subjects. The value of a research project is directly affected by how well the sample has been conceived and constructed.

The first critical question in sampling is getting the right participant profile; whom, exactly, should you talk to or study for this marketing research? For example, if a research project is about laundry soap, the sampling plan must identify the right individuals to contact. Is it the person in the household who *buys* laundry soap? Is it the person who usually *does* the laundry? Is it the supermarket inventory manager who decides which products and brands to stock? Any of these individuals could be the right research subject, depending on what problems and questions the marketing research project is trying to address.

Another essential question is sample size: How many people must participate in the research to give valid results? A small project involving in-depth interviews or focus groups might require recruiting just a dozen research participants or thereabouts. A large qualitative survey might involve hundreds or even thousands of individuals in order to yield the type of data and desired level of reliability in the results.

Marketing researchers must also determine how to identify potential participants. For some projects, a company's own customer and prospective customer records provide enough names within a target segment to complete the research. For other projects, marketing researchers must purchase lists of individuals who fit the target profile, or they may pay a marketing research services company to recruit participants. Another option for some projects is to use a panel: a group of people who have been recruited by an organization to participate in periodic research projects. While these are effectively professional (paid) marketing research subjects, if they happen to fit the respondent profile, they may still provide useful data and perspectives. Because their members are pre-screened for a wide variety of criteria, panels can

be extremely useful for reaching hard-to-find individuals amongst the general population—such as people who drive Volkswagen vehicles or parents of teenagers.

How researchers select the individuals who will participate—also known as the sampling procedure—is another important consideration. All sampling procedures can be classified as either *probability* samples or *nonprobability* samples. In a probability sample, each individual has a known chance of being selected for inclusion in the sample. The simplest version is the simple random sample, in which each individual in the research population has exactly the same chance of selection. For example, a sample of names could be selected from the company's customer list according to a random process, such as using a randomization algorithm to order the list.

While in a *probability* sample the sampling units have a known chance of being selected, in a *nonprobability* sample the sampling units are selected arbitrarily or according to a marketing researcher's judgment. Returning to the customer list example, instead of using a randomization algorithm to order the list, an arbitrary selection method would be to start research with the first fifty or sixty names on the list. Another method would be for researchers to select a subset of the customer list that includes known individuals or entities that would be great prospects for being willing to participate and provide useful information.

Analyzing Primary Data

Once primary data collection is complete, these projects proceed with the process described previously for analyzing data: interpreting what it means, generating recommendations, and reporting results to the appropriate stakeholders within an organization. As noted above, qualitative research methods do not yield neat percentages and statistically reliable results, so it can be difficult to describe the data in these projects. Summarizing key themes and takeaways can be a useful approach, as well as including verbatim comments from research participants that express important points.

Quantitative research usually has a rigorous analysis phase involving cleaning and formatting the data. Researchers apply a variety of statistical tabulations, manipulations, and tests to determine what the data are saying, which findings are truly significant, and what meaningful correlations or relationships exist to offer new insights about the target segment. A key challenge for interpreting quantitative data involves sifting through lots of information and data points to determine which findings are most important and what they mean as organizations take steps to apply the results of marketing research. With this in mind, it can be helpful for marketers and researchers to look for the story quantitative data tell; what is the picture they paint of the problem, and how should managers understand the problem (and possible solutions) differently as a result of the research?

This type of approach can help managers, marketers, and teams who are stakeholders in the marketing research better understand and digest the insights provided by the research project and take action accordingly.

6.6 Marketing Data Sources

Marketing information and research are powerful tools to improve your understanding of your customers, competitors, and the industry and market in which you work. In today's information-rich world, many great sources of marketing data are already available. Knowing what they are and how to find them is a great skill for any marketer.

Learning Activities

- Reading: Marketing Data Sources

Reading: Marketing Data Sources

Marketing Information: Where the Data Are

Earlier sections of this module alluded to excellent sources of marketing data, many of which are freely available or carry a minimal cost. Others are well-respected commercial sources of marketing data and customer insights. This reading provides an overview of useful go-to data sources that marketers should know about, should the occasion arise to use them. The data sources recommended below are a representative sampling, rather than a complete list.

It is also worth noting that the marketing information landscape is continually changing. Marketers would be well served to continually scan for new developments and information sources that may be beneficial to improve their understanding of customers and ways of serving them.

Publicly Available Data Sources

Government agencies, non-profit organizations, and non-governmental organizations often publish freely available data that may inform marketers' understanding of consumers, customers, the geographies, and industry sectors where they operate. Great information sources include the following:

Publicly Available Data Sources

Source	Description
data.novascotia	A centralized portal for open data available from the Nova Scotian government on a wide variety of topics.
Statistics Canada	A Canadian government-maintained Web site that provides access to a wide variety of statistical data published by the federal government. Also helpful for finding data that you know exist somewhere, but you aren't sure which agency maintains it.
Google Public Data Directory	A directory of publicly available data sources from around the world.
Google Trends	A search tool for exploring search volume for any term used in a Google search.
Pew Research Center	Public opinion and research reports from a non-partisan, American think tank. Freely available research covers social issues, public opinion, and demographic trends shaping the United States and the world.
United Nations UNdata	A data service of the United Nations that provides centralized access to a wide variety of U.N.-maintained data sets such as demographics, socioeconomic status, and development indicators for nations around the world.
World Bank Data	Economic data and economic development indicators for 100+ countries around the world.
World Trade Organization (WTO) Data	Information about international trade and tariffs and the regulatory environment for 100+ WTO member countries.

Syndicated Marketing Research Data

A number of commercial companies provide syndicated marketing research that is well respected and often well used by organizations that subscribe to their services. A sampling of these services is provided below:

Syndicated Marketing Research Data

Source	Description
Acxiom	Extensive consumer datasets containing demographic, purchasing, credit, and other information companies can map to their own customer and prospect data for research, marketing analytics, and marketing campaign execution.
Experian	Extensive consumer datasets containing demographic, purchasing, credit, and other information that companies can map to their own consumer and prospect data for research, marketing analytics, and marketing campaign execution.
Ipsos	Canadian syndicated surveys on a range of topics.
IRI	Point-of-sale data linked to household panel purchasing data, providing detail around sales, pricing, promotion, and market share for a variety of consumer products.
Media Audit	Audience demographics and media consumption profiles for 100+ media markets in the U.S.
MRI Simmons (formerly GfK MRI and MediaMark)	Extensive datasets around multimedia audience research and measurement.
Nielsen	Point-of-sale data linked to household panel purchasing data, providing detail around sales, pricing, promotion, and market share for a variety of consumer products. Datasets to support popular lifestyle and behavioural segmentation systems such as PRIZM.
Roper Center for Public Opinion Research	Database of public opinion and polling questions exploring many aspects of American life, including contemporary data as well as polling data dating back to the 1930s.
Yankelovich	MONITOR provides long-running syndicated research about consumer values, attitudes, and trends.
Environics	Canadian syndicated surveys on a range of topics.

Other Useful Sources for Marketing Data

These additional sources for other types of marketing information also warrant attention. Whether or not marketers use them, they should be aware of these tools and how they can be useful for a variety of marketing purposes.

Other Useful Sources for Marketing Data

Source	Description
Google Analytics	Detailed analytics, statistics, and insights about website traffic, usability, and sales effectiveness. Free and premium services available.
LexisNexis	Searchable source for full-text articles from regional, national and international newspapers, government documents, and many legal, medical, and business publications.
Statista	A subscription-based statistics portal, providing searchable access to many original sources of market, industry, and business data.

6.7 Customer Relationship Management (CRM) Systems

To round out our discussion of marketing information and research, we need to add one more important tool to the mix: customer relationship management (CRM) systems. These increasingly prevalent systems are the centerpiece in how many organizations make sense of and manage marketing data about current and prospective customers. A basic understanding of CRM systems can help you recognize their potential for helping organizations use marketing information more effectively.

Reading: Customer Relationship Management Systems

Marketing Information and Customer Relationship Management (CRM)

Earlier in this course, we cited the American Marketing Association's definition of customer relationship management: "a discipline in marketing combining database and computer technology with customer service and marketing communications." The AMA's definition goes on to describe the ultimate goal of customer relationship management as the ability to provide "meaningful one-on-one communications with the customer by applying customer data (demographic, industry, buying history, etc.) to every communications vehicle."[1] Because customer relationship management (CRM) relies on customer data—and specifically the effective use of internal data—it's important to discuss CRM systems in the context of marketing information and research.

CRM systems are powerful software systems that serve several essential functions for marketing, sales, and account management. Organizations use them to:

- Capture internal data about customers and customer interactions and house these data in a central location
- Provide business users with access to customer data in order to inform a variety of customer touchpoints and interactions
- Conduct data analysis and generate insights about how to better meet the needs of target segments and individual customers
- Deliver a marketing mix tailored to the needs and interests of these target segments and individual customers

Leading providers of CRM systems include Salesforce.com, Oracle (Siebel), and Microsoft, among others. These large, many-faceted systems include several components. Databases and data warehouses provide an information infrastructure for storing and accessing customer information. Contact management capabilities allow organizations to track a variety of customer interactions, including how each customer or prospective customer relationship is progressing over time. CRM packages also include sophisticated analytical tools to help marketing and sales analysts examine the data and find patterns and correlations that help them better anticipate and address customer needs (with the goal of strengthening each customer relationship).

Does this analytical process sound familiar? It should. Marketing analysts working with CRM data follow the same basic process outlined previously for general marketing research activities: identify the problem; develop a plan for the

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1. https://www.ama.org/resources/Pages/Dictionary.aspx?dLetter=C

information and analysis needed to solve the problem; conduct research; analyze and report findings; and take action based on the results. The primary difference from traditional marketing research projects is that CRM inquiries may be more self-contained because of the breadth of marketing information and tools these systems provide.

The CRM system is especially effective at helping to surface a marketing problem, and it can provide the internal data needed for an analysis, which, in turn, is used to solve the problem. CRM systems are designed to capture data across the customer life cycle, starting with the initial contact point and progressing through each conversation and interaction that moves a prospective customer toward a purchasing decision. CRM systems also capture sales and spending data, and they enable analysts to project future spending patterns and lifetime value based on broader patterns in the customer data. These systems may also incorporate data about customer satisfaction and support, with accompanying insights into what is driving satisfaction ratings and customers' perceptions of the company. In addition to bringing together disparate customer data, CRM systems can recommend an analytical approach and provide research tools to complete the analysis. Many CRM systems have mechanisms for reporting results, orchestrating plans for taking action on the results, and even evaluating the effectiveness of those actions.

Amazon Web Services and Salesforce

Consider the following example of how Amazon Web Services is using Salesforce.com (a CRM provider) to improve its ability to engage customers and design better products. Notice the company's emphasis on *connecting* the customers—with products, services, and other people—and why that's such a key part of what the CRM system provides.

Read some of the [Salesforce.com customer success stories](#).

6.8 Using Marketing Information

- Explain and provide examples of how marketers can use marketing information to improve the marketing mix
- Use marketing information to inform the marketing strategy

After you work through the process of identifying a problem, collecting and analyzing the best marketing information available, you arrive at the moment you've been waiting for: You can use this information to guide your decisions about marketing strategy. That strategy is aimed at getting you the results you need.

We've already described this final part of the overall marketing research process, but in this section you'll get a chance to see how real-world companies undertake this final, important step.

Learning Activities

- Reading: Using Marketing Information

Reading: Using Marketing Information

Translating Marketing Information into Action

With marketing information and research results collected, it's now the responsibility of marketers to share this information internally with people who need to understand it. It's standard practice to hold meetings with appropriate team members to walk through the research findings and brainstorm together about how to apply the results to marketing strategy and operations. It's also good practice to make the research report available on a company intranet or other central forum, where people who need the information can readily find and access it.

The reception to research results may vary from person to person or from team to team. In some cases, where marketers have been waiting on the research results before they move forward, the new information fills a gap in their knowledge. They are likely very eager to take guidance from the research and charge ahead. In other cases, marketers may have a vested interest in continuing to do the things they've always done—perhaps because they dislike change or because they think the original course of action is still working. In these situations, if the research suggests that a course change is necessary, there may be significant resistance.

Start Conversations About New Customer Insights

To help encourage a better reception of what the organization is learning from marketing information, it may be useful to review the original problem the research is trying to solve. Remind team members that the goal of using marketing information is to gain new customer insights that will help make the organization more effective. With this in mind, marketers should think about how the research results can help them better understand customers and translate this understanding into adjustments to the marketing mix to better address customers' needs. By framing research results around a deeper or broader understanding of the customer, it can help defuse resistance and make people feel more informed and empowered to make good marketing decisions.

The following section lists the types of questions marketers can explore as they brainstorm about how marketing information and research results can help them adjust marketing strategy and improve the marketing mix. These questions are a useful jumping-off point for deeper conversations about new customer insights and how to put them into action.

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Using Marketing Information to Shape Marketing Strategy: Types of Questions to Explore

Target Segment(s)

- What new insights do we have about our target segment(s)?
- Which problems should we be solving for our customers?
- Are we targeting the right segments?

Product

- What attracts customers to our products?
- What improvements would make them even more attractive to our target segments?

Promotion

- What types of messages will make target segments want our products?
- What types of promotional campaigns will work best for each target segment?
- Who do our target segments listen to, and what are they saying about us?

Price

- How are we doing at providing good value for the price?
- How does our pricing affect customers' willingness to buy?
- How would changes to pricing affect sales?

Place

- Are we offering our products in the places and times that target segments feel the need for them? If not, how can we improve?
- How can we make it easier for customers to find and buy our products?
- Are there more efficient ways for us to get out products into customers' hands?

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Don't Forget to Measure Impact

As marketers begin to apply the research findings and recommendations, it is essential to track the impact of the new strategy to determine whether the original problem or challenge is being addressed. For example, if the original marketing problem was focused on improving the messaging associated with a product, then the organization should start to see improved lead generation, inquiries, and/or sales once the new messaging is adopted and implemented. If the original marketing problem was focused on which segments to target and how to reach them, organizations should be able to track improvements in interest and sales among these segments after they have begun to implement a market mix focused on these segments.

This link between taking action and measuring results is important. It provides a continuous stream of marketing information to help marketers understand if they are on the right path and where to continue to make adjustments. Eventually, this process will surface new marketing problems that warrant attention through the marketing research process. In this way, the process of using marketing information to solve problems becomes a continuous cycle.

What does this process look like in the real world? Let's examine two examples.

Example One: Procter & Gamble Goes to China

For decades, the consumer products company Procter & Gamble has been a visible leader when it comes to relying on marketing research and using it to guide marketing strategy decisions. In particular, it has focused on ways of entering new markets and establishing a leading market position. As it explored opportunities for market leadership in China, one standout product category was disposable diapers, a profitable category for P&G in the U.S. and other global markets.

In the early 2000s, the company rushed in to launch Pampers in China, its leading disposable diaper brand. The effort flopped. Culturally, Chinese parents did not see the need for the new American disposable diaper product. They were doing fine using cloth diapers and *kaidangku*, the open-crotch pants used traditionally for infants and young children. Instead of pulling out, P&G turned to marketing research for additional insights about ways of generating demand for Pampers. The research focused on identifying the "winning qualities" of disposable diapers that would make Chinese mothers interested in trying the product. It concluded that improving infants' sleep quality could become a powerful motivator.

In 2007, P&G launched a campaign called "Golden Sleep" to promote the idea that Pampers disposable diapers can help babies fall asleep faster and sleep with less disruption. Marketing research was directly responsible for P&G's adjustments to product positioning and promotion strategy. The campaign invited parents to upload pictures of their sleeping babies to a Chinese Pampers website. This reinforced the link between Pampers products and the message of "better sleep for babies." The ad campaign also featured research results linked to Pampers and infant sleep such as, "Baby Sleeps with 50 percent Less Disruption," and "Baby Falls Asleep 30 percent Faster."

"Golden Sleep" was a tremendous success, moving Pampers to a leading market position and creating broad demand for a product category that was previously almost nonexistent in China. P&G attributes this success to the insights generated by a marketing team and research effort focused on better understanding and addressing customer needs.[1]

1. http://www.forbes.com/sites/china/2010/04/27/how-procter-and-gamble-cultivates-customers-in-china/

Example Two: Shaking Up the Milkshake

A fast-food restaurant chain identified milkshakes as a focus for improving sales. Initial marketing research efforts were focused on creating a "typical" milkshake-drinker profile. The researchers then found people who fit the profile and were willing to help them understand what constituted the ideal milkshake: thick or thin? Which flavors? Smooth or chunky? These efforts led the company to tinker with its milkshake products, segmentation, targeting, and promotion strategies, but sales still did not improve.

The company hired an outside researcher to help the company understand what they might be missing about milkshakes. This researcher spent time in a restaurant observing and documenting milkshake sales, as well as talking to milkshake buyers about why they had made their product choice. A couple of key insights emerged about milkshake buyers. First and somewhat surprising, 40 percent of milkshake sales took place early in the morning, and the buyers were commuters on their way to work. Second, the ideal milkshake for these customers was thick and substantial but easy to consume during a commute. Third, another key buyer audience was parents purchasing a treat for children, but the ideal milkshake for them was a thinner product children can drink quickly with a straw.

Acting on these new insights, the company adjusted its marketing strategy. Instead of focusing on a single "milkshake buyer" profile, it reformulated its milkshake products and promotion strategy to better fit the needs of different types of target milkshake customers. It offered a thicker, chunkier "morning milkshake" to appeal to commuters who wanted a satisfying alternative to a morning donut or bagel. The chain also introduced a different milkshake positioned as a kid treat, which offered the thinner, easier-and-quicker-to-drink benefits parents wanted. Persistence and perseverance in the marketing research process led the company to dig deeper to understand customers, their unique needs, and how to adjust marketing strategy in response to this new information.[2]

2. http://hbswk.hbs.edu/item/clay-christensens-milkshake-marketing

6.9 Putting It Together: Marketing Information and Research

Back to Bookends

Let's pay Uncle Dan and his bookstore another visit, now that you're a little further along in your understanding of marketing research.

You'll remember that you and Dan conducted both primary and secondary research to get a handle on who Bookends' customers are—and who they aren't. With the help of your cousin Marina, you crunched the data and identified three target segments you believe Dan should focus on. Here is the profile data you compiled for them:

Bookends Target Segment Profiles

Characteristics	Bored Empty-Nesters	Busy Families	Hipster Wannabes
Age & family status	45–75, mix of single and married	25–50, mostly married with kids under 12	15–35, mostly single
Times most likely to visit Bookends	Daytime, evenings, weekends, holidays	After school, weekends, summertime, holidays	Evenings & weekends
Most likely to buy	Cards, gifts, novels, history/biography	Kids' books, how-to books, bestsellers	Magazines, used books, graphic novels, snacks
Why they come to Bookends	Socialize, shop, read	Family outing	Socialize
Communications preferences	Hard copy, email, face-to-face	Email, texting, Facebook	Texting, Twitter, Instagram & beyond
Effective promotions	Coupons, loyalty cards	Loyalty points (recorded electronically)	Point-of-sale
What they wish Bookends would offer	Book clubs & discounts	More hours in the day	Coffee, beer & wine, live music
% of all customers/month	36%	27%	21%
Avg. # of customers/month	144	108	84
% of monthly revenue	43%	29%	18%
Avg. monthly revenue/person	$30	$27	$21

Together, these segments make up more than 80 percent of Bookends' clientele and about 90 percent of its monthly revenue. Looking at what they buy and why they come to Bookends, you're getting some good ideas for ways of making the store more attractive for current customers, and you've got some ideas for bringing in new ones. With this new and improved information, it's time to get to work on a marketing strategy and mix for each target segment.

Marketing Strategy: Bored Empty-Nesters

Bookends' Bored Empty-Nesters are both the largest and the most profitable of the target segments. They have more time and more disposable income, and they spend more of both at your uncle's bookstore. They like to use Bookends

as a meeting place with friends and acquaintances, and you think that is a promising direction. You and your uncle brainstorm about ways of using the four Ps to win over even more of these customers (and get them to spend). The "product" you're adjusting is not just the books you carry, but the whole experience customers have when the come to Bookends. Dan is excited about introducing book clubs—one for fiction and one for nonfiction books—to cater to this segment's interests. Since Empty-Nesters have told you they love both socializing and getting a discount, you and Dan are trying out a "buddy night" promotion, in which people get a better price if they talk their friends into spending at Bookends, too.

Here is your Bored Empty-Nester game plan for the next couple of months:

Bookends Segment Strategy: Bored Empty-Nesters

Element	Marketing Mix Adjustment
Marketing Goals	15% increase in store visitors for this segment 20% increase in monthly revenue per person
Product	Carry larger selection of history and biography Adjust shelves and seating to create more socializing spaces Launch two book clubs led by Dan and longtime employee Emma, one featuring new fiction and the other on new nonfiction
Promotion	Print flyers, posters, and send emails about book clubs, buddy discount Set up in-store sign-up table for book club Introduce Thursday night "buddy discount": Get 5% off if you and a buddy each spend over $20 Explore interest in loyalty program: Spend $100 to get 10% discount on next purchase
Price	Offer 5% discount on monthly book club selection
Place	No changes (yet). Explore opening online store

Marketing Strategy: Busy Families

Research tells you that Busy Families come to Bookends as a family outing, so you need to make some aspects of the store more family-friendly, without ruining the atmosphere for your other target segments. The socializing-area adjustments you're already planning for the Empty Nesters will be good for the Family segment, as well. You're trying to get parents to spend a little more money at Bookends each month, so you're adding a small toy section, a slightly expanded children's book section, and also bottled drinks, packaged cookies, and brownies from a delicious local bakery. These adjustments add to the Bookends experience and include some new items Dan can sell with a nice profit markup.

Your Busy Families marketing mix is shaping up like this:

Bookends Segment Strategy: Busy Families

Element	Marketing Mix Adjustment
Marketing Goals	10% increase in store visitors for this segment 10% increase in monthly revenue per person
Product	Increase selection of DIY, crafting, and "How-To" books Slightly expand children's book selection and add a small toy section Add child seating to the kids' area, and donate your old train table to the Bookends cause Hold children's story hour on Tuesdays and Saturdays with stories, songs, games Sell packaged baked goods from a local bakery and bottled drinks
Promotion	Send emails and post to Facebook about story time, bigger kids' area, buddy discount, social media discount promo Explore interest in loyalty program: Spend $100 to get 10% discount on next purchase
Price	Run Facebook promotion offering 5% discount to people who post about Bookends
Place	No changes (yet). Explore opening online store

Marketing Strategy: Wannabe Hipsters

The Wannabe Hipsters are an interesting group. You almost didn't include them in the three target segments because they are a smaller-sized group and don't spend as much as the others. However, they do make up one in five Bookends customers, so it's worth reaching out to see if you can bring more of them into the store and get them to spend more money while there. Fortunately, they like to come to Bookends during times when there aren't many Busy Families around, so that opens some unique possibilities for ways of appealing to both segments.

Dan is excited about your suggestion to invite local bands to perform on Saturday nights. The Hipsters you spoke with suggested Dan try this, and it could make Bookends more of a social draw for that crowd. By rearranging shelving to create more socializing space, it opens up enough area for a live band to play for a small audience. You're not convinced it's going to translate into more book sales, but it's worth a try.

The Hipster crowd has decidedly different communication preferences compared to the other groups, so your communication and promotion activities reflect this. To make sure they see the buddy discounts you're offering, you suggest that Dan add signage about this promotion near the checkout counter, since that's the place this audience is most likely to notice it.

The broad strokes of your Hipster Wannabe strategy are the following:

Bookends Segment Strategy: Hipster Wannabe

Element	Marketing Mix Adjustment
Marketing Goals	15% increase in store visitors for this segment 20% increase in monthly revenue per person
Product	Adjust shelves and seating to create more socializing spaces Invite local bands to play on Saturday evenings Add more prominent shelf placement to feature graphic novels Sell packaged baked goods from a local bakery and bottled drinks
Promotion	Promote live music nights and buddy discount nights via social media Add point-of-sale signage about Thursday and Saturday night "buddy discounts" Explore interest in loyalty program: Spend $100 to get 10% discount on next purchase
Price	Thursday and Saturday night "buddy discounts": Get 5% off if you and a buddy each spend over $20
Place	No changes (yet). Explore opening online store.

Onward and Upward for Bookends

After running the numbers with Dan, you are optimistic that outreach to these target audiences will be the jumpstart his business needs. Your use of near-term promotions and events will help generate renewed interest and traffic for the store. You have advised Dan to explore interest in and options for a customer loyalty program that rewards customers for spending more at Bookends. That's what the next round of marketing research will investigate.

In the meantime, you've learned a lot about the marketing research process and how to turn marketing information into future marketing strategies and plans. You're excited to keep helping Dan as he puts your ideas to work, and, best of all, if business at the Bookends really starts to improve, you've got free graphic novels for life.

Practice Quiz Chapter 6

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

> *An interactive H5P element has been excluded from this version of the text. You can view it online here:*
> *https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=981#h5p-9*

CHAPTER 7: CONSUMER BEHAVIOR

7.1 Why It Matters: Consumer Behaviour

Why learn about consumer behaviour?

Please welcome a new arrival

At 1:26 a.m. this morning, in the IWK Hospital, a consumer was born. His name is Finnegan Henry James. By the time he goes home three days later, some of North America's biggest marketers will be pursuing him with samples, coupons, and assorted freebies. Proctor & Gamble hopes its Pampers brand will win the battle for Finn's bottom, but retailer Loblaw's has a lower-priced President's Choice contender. To welcome Finn's family, Johnson & Johnson has already sent his mother a sample of its gentle baby wash. Bristol-Myers Squibb Company is sending a free, bulky box of Enfamil baby formula.

Like no generation before, Finn enters a consumer culture surrounded by logos, labels, and messages almost from the moment of birth. As an infant, he may wear Sesame Street diapers and a miniature NBA jersey. Right away, this little boy will begin influencing his parents' purchasing decisions–that's what spitting out spoonfuls of baby food is all about. By the time he is twenty months old, he will start to recognize some of the thousands of brands flashed in front of him each day. Around age four, Finn will begin making decisions about how to spend his own money. At age seven, if he is anything like the typical kid, he will see some forty thousand commercials a year.[1] By the time he is twelve, he will have his own entry in the massive data banks of marketers.

Many forces are at work influencing Finn's consumer choices from a very early age. Some of these forces are social: his parents, cousins, and playgroup. Some of these forces are cultural: Finn is a Nova Scotian and a Canadian. As Finn grows and matures, his age, gender, education, economic status, life stage, and personality all play a role in his decisions as a consumer. Multiply Finn by millions of babies born in North America every year, and you have new, increasingly marketing-savvy generations flooding the market.

This is Finn's story. And if you're living in Canada today, your story probably sounds a lot like his.

You Are the Target and the Hunter

Setting aside the ethics of marketing to children, the fact remains that you are a consumer living in a highly

1. Wilcox, B.L, Kunkel, D., Cantor, J., Dowrick, P., Linn, S., & Palmer, E. (2004, February 20). Report of the APA task force on advertising and children. American Psychological Association. https://www.apa.org/pi/families/resources/advertising-children.pdf

commercialized, modern society. Marketing artifacts are so woven into the fabric of our lives that many people hardly recognize them. Every year, companies and marketing organizations spend billions of dollars focused on one central goal: to influence consumers' purchasing decisions.

As a consumer, hopefully, your growing understanding of marketing is helping you see the world around you a little differently, with more and better information about the forces that are trying to influence you.

With your increasing skills as a marketer, you recognize how important it is to understand your customers if you are going to reach them effectively. Part of that is understanding the factors that influence their purchasing decisions. Once you're educated about those influencing factors, they'll be tools you can use to create effective marketing.

7.2 Buying-Process Stages

Take a moment to think about the last time you bought something. What factors played a role in your decision to buy? What process did you go through on the way to deciding?

Were you on autopilot, or was it a thoughtful, deliberate decision? What alternatives did you consider? How did you know where to go to make that purchase? And would you buy that same thing again?

Many decisions about what to buy are so routine that we hardly think about them. Other decisions may take days, weeks, or even months to finally get made. Believe it or not, there is a fairly common process that consumers follow when they make decisions about what to buy. Learning about that process is an important first step in unlocking the mystery of consumer behaviour—and how to influence it.

Reading: The "Black Box" of Consumer Behavior

The relationship between the customer (also called the buyer) and the provider (the seller) forms through a phenomenon called a market exchange. During the exchange process, each party assesses the relative trade-offs they must make to satisfy their respective needs and wants. On the part of the seller, the trade-offs are guided by company policies and objectives. For example, company policy may dictate that it can proceed with an exchange only when the profit margin is 10 percent or greater. The buyer—the other party in the exchange—also has policies and objectives that guide his or her decisions in an exchange. For individual buyers, these are usually unwritten personal policies and objectives that people make at each stage of a purchasing decision based on the information and options available to them. Even more likely, individuals often are not fully conscious of what prompts them to behave in a particular manner.

THE EXCHANGE PROCESS

Essential Questions About Buyer Behavior

Buyers are essential partners in the exchange process. Without them, exchanges would stop. Buyers are the focus of successful marketing; their needs and wants are the reason for marketing. Without an understanding of buyer behaviour, it isn't possible to tailor an offering to the demands of potential buyers. When potential buyers are not satisfied, exchange does not proceed, and the goals of the marketer are not met. As long as buyers have free choice and competitive offerings from which to choose, they are ultimately in control of the marketplace.

A *market* can be defined as a group of potential buyers with needs and wants and the purchasing power to satisfy them. During the exchange process, the potential buyers "vote" (usually with their dollars) for the market offering they feel best meets their needs. When marketers understand how buyers arrive at a decision, they can create offerings that will attract buyers. Two key questions a marketer needs to answer related to buyer behaviour are:

- How do potential buyers go about making purchase decisions?
- What factors influence their decision process and in what way?

The answers to these two questions form the basis for the design of a market offering.

When we use the term "buyer," we are referring to an individual, group, or organization that engages in market exchange. In fact, there are differences in the characteristics of these three entities and how they behave in an exchange. Therefore, individuals and groups are traditionally placed in the *consumer* category, while the *organization* is the second category. This module will first discuss consumer purchasing decisions, followed by business-to-business purchasing decisions.

Opening the "Black Box" of Consumer Behavior

Consumer behaviour refers to buyers who are purchasing products for personal, family, or group use. Over time, marketers have turned to the work of behavioural scientists, philosophers, economists, social psychologists, and others to help them understand consumer behaviour. As a result, there are many different theories and models used to explain why consumers act as they do. Are consumers fundamentally active or passive? Rational or emotional? How do they make buying decisions?

The Economic Man Theory

One early theory of consumer decision-making based on principles of economics is known as the "economic man." According to the "economic man" model, consumers are rational and narrowly self-interested. This theory assumes people act selfishly as consumers, always trying to maximize the benefits they derive from the exchange process. (This theory asserts that the seller/producer is also an economic man, who always strives to maximize his profits from an exchange.) The economic man model suggests consumers actively use information about all the available options before making a decision to purchase.

Although this model may help explain some consumer decisions, most would agree it is too simplistic to explain every consumer choice. In fact, people often make decisions based on irrational factors as well. For example, some consumers may be heavily influenced by word-of-mouth information from friends or peers. They might choose something because of herd mentality rather than because it provides the greatest objective value. Similarly, many people are averse to change, and so they make suboptimal consumer choices because a familiar choice seems easier or safer.

The Stimulus-Response Model

Another model of consumer behaviour, called the stimulus-response or "black box" model, focuses on the consumer as a thinker and problem solver who responds to a range of external and internal factors when deciding whether or not to buy. These factors are shown in Figure 1, below:
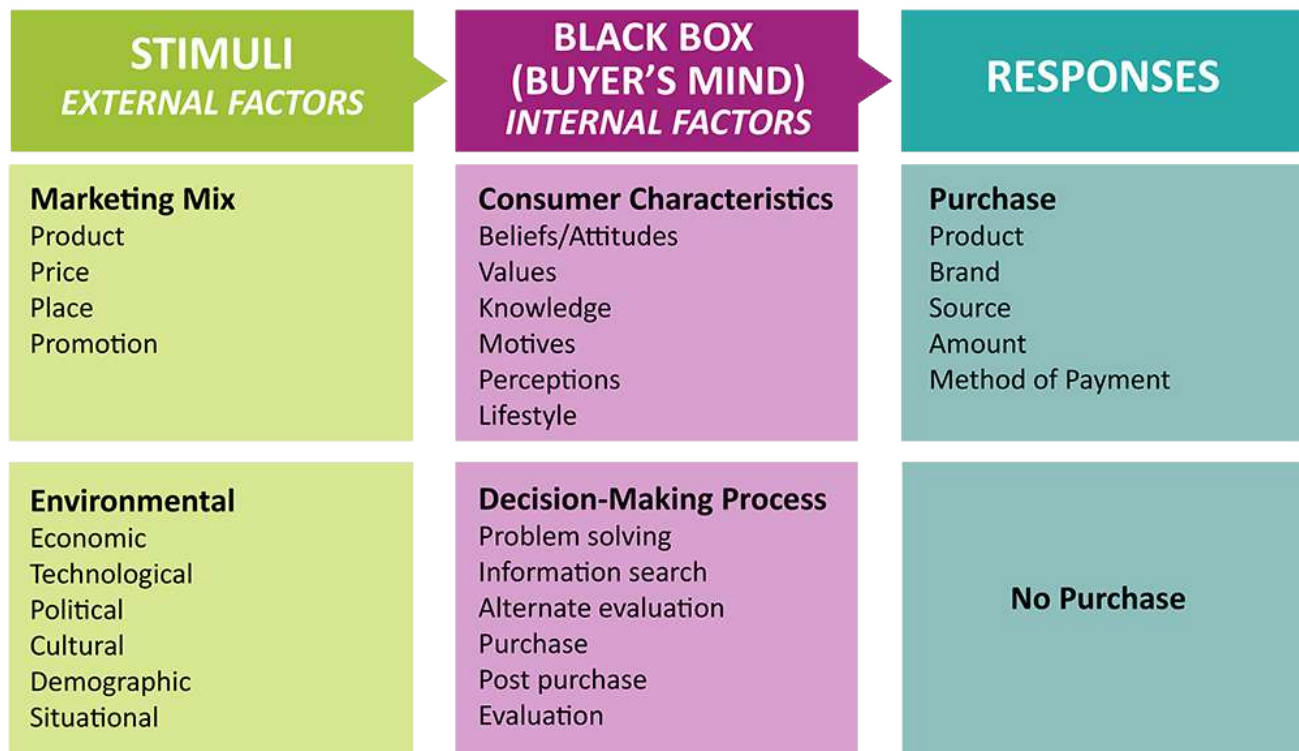
Figure 1. Black Box Model

As illustrated in the figure above, the external stimuli that consumers respond to include the marketing mix and other environmental factors in the market. The marketing mix (the four Ps) represents a set of stimuli that are planned and created by the company. The environmental stimuli are supplied by the economic, political, and cultural circumstances of a society. Together these factors represent external circumstances that help shape consumer choices.

The internal factors affecting consumer decisions are described as the "black box." This "box" contains a variety of factors that exist inside the person's mind. These include characteristics of the consumer, such as their beliefs, values, motivation, lifestyle, and so forth. The decision-making process is also part of the black box, as consumers come to recognize they have a problem they need to solve and consider how a purchasing decision may solve the problem. As a consumer responds to external stimuli, their "black box" process choices based on internal factors and determines the consumer's response–whether to purchase or not to purchase.

Like the economic man model, this model also assumes that regardless of what happens inside the black box (the consumer's mind), the consumer' response is a result of a conscious, rational decision process. Many marketers are skeptical of this assumption and think that consumers are often tempted to make irrational or emotional buying decisions. In fact, marketers understand that consumers' irrationality and emotion are often what makes them susceptible to marketing stimuli in the first place.

For this reason, consumer purchasing behaviour is considered by many to be a mystery or "black box." When people themselves don't fully understand what drives their choices, the exchange process can be unpredictable and difficult for marketers to understand.

Buyer Behavior As Problem Solving

A common way for marketers to think about consumer behaviour today is as a set of activities a person goes through in order to solve problems. This problem-solving process is triggered when a consumer identifies some unmet need. For instance, a family consumes all of the milk in the house, or a birthday party is coming up and a gift is needed, or a soccer team is planning an end-of-season picnic. Each buying scenario presents a problem the buyer must solve. These problems can involve two types of needs: physical (such as a need for milk, a birthday gift, or picnic food) or psychological (for example, the need to feel secure, the need to be loved, or the need to have fun).

This problem-solving process also involves needs and wants. A *need* is a basic deficiency for an essential item. You need food, water, air, security, and so forth. A *want* places specific, personal criteria on how a need must be fulfilled. To illustrate, when we are hungry, food is a need. When we have a specific food item in mind, that item is a want. That difference is illustrated by the familiar scenario of standing in front of a full refrigerator and complaining that there is nothing to eat.

Most of marketing is in the want-fulfilling business, not the need-fulfilling business. Swatch and Timex do not want you to buy just any watch. They want you to want their brands of watches. Likewise, H&M wants you to desire their brand of clothing when you shop for clothes. On the other hand, the Canadian Cancer Society markets to you in the hope that you will feel the *need* to get a checkup, and it doesn't care which doctor you go to. But in the end, marketing is mostly about creating and satisfying *wants*.

This model of consumer behaviour acknowledges that both rational and irrational factors may shape a buyer's purchasing decisions. It also recognizes that internal and external factors play a role in the decision process. In fact, the problem-solving model helps us map a consistent process individuals go through as they make buying decisions. When marketers understand this process and the factors that influence it, they can take action to influence buyer perceptions and behaviour at various stages of the process.

The next reading will discuss the stages of the decision-making process in greater detail.

Reading: Buying-Process Stages

The Consumer Decision Process

Figure 1 outlines the process a consumer goes through in making a purchase decision. Once the process is started, a potential buyer can withdraw at any stage before making the actual purchase. This six-stage process represents the steps people undergo when they make a conscious effort to learn about the options and select a product–the first time they purchase a product, for instance, or when buying high-priced, long-lasting items they don't purchase frequently. This is called *complex decision making*.
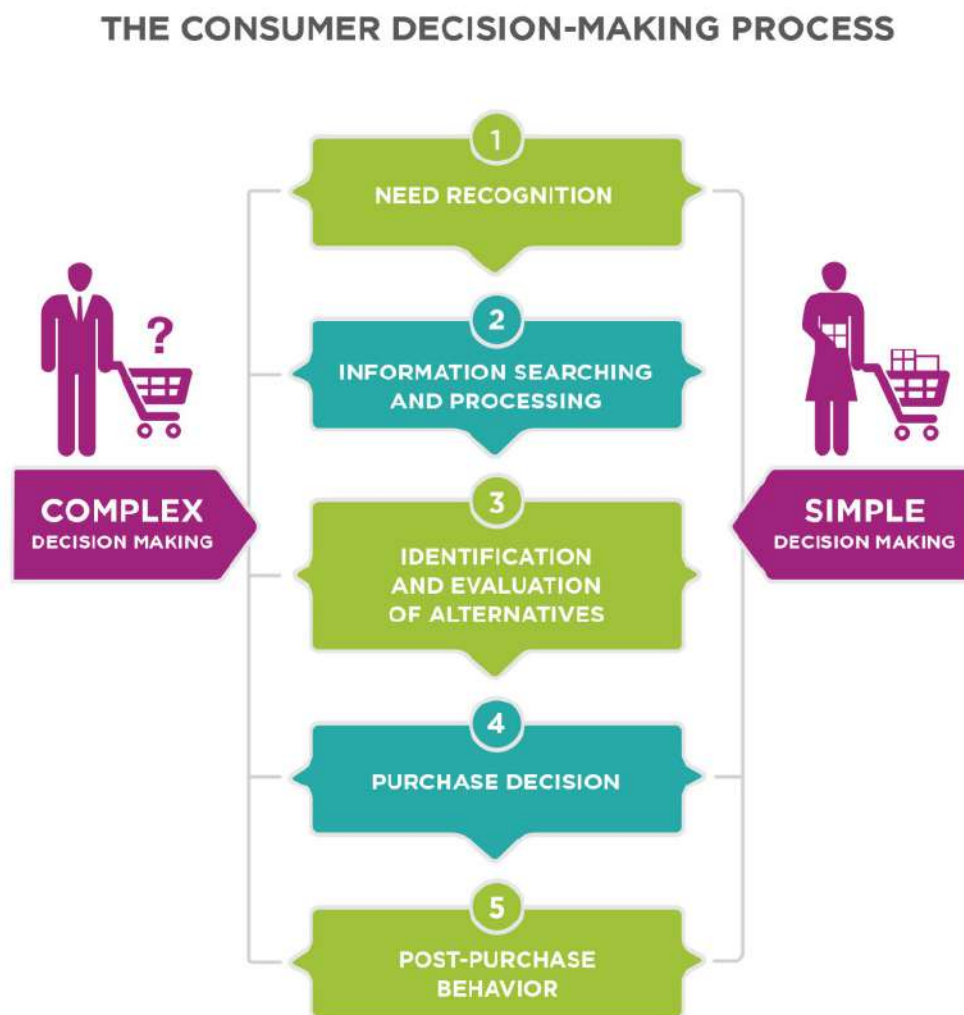
Figure 1

For many products, the purchasing behaviour is routine: you notice a need and you satisfy that need according to your habit of repurchasing the same brand or the cheapest brand or the most convenient alternative, depending on your personal assessment of trade-offs and value. In these situations, you have learned from your past experiences what will best satisfy your need, so you can bypass the second and third stages of the process. This is called *simple decision making*. However, if something changes appreciably (price, product, availability, services), then you may re-enter the full decision process and consider alternative brands.

The following section discusses each step of the consumer decision-making process.

Need Recognition

The first step of the consumer decision process is recognizing that there is a problem–or unmet need–and that this need warrants some action. Whether we act to resolve a particular problem depends upon two factors: (1) the magnitude of the difference between what we have and what we need, and (2) the importance of the problem. A man may desire a new Lexus and own a five-year-old Ford Focus. The discrepancy may be fairly large but relatively unimportant compared to the other problems he faces. Conversely, a woman may own a two-year-old car that is running well, but for various reasons she considers it extremely important to purchase another car this year. Consumers do not move on to the next step until they have confirmed that their specific needs are important enough to act on.

Part of need recognition is defining the problem in a way that allows the consumer to take the next step toward finding a solution. In many cases, problem recognition and problem definition occur simultaneously: a consumer runs out of toothpaste, for instance. In other cases, these are separate tasks. Consider a scenario in which you injure your knee. You may know that your knee hurts, and you can't walk very well, but you need to further define the problem before you can take action: Do you need a good night's sleep? A brace? Pain medication? Physical therapy? Surgery? All of these things? As a consumer, you will be able to begin solving your problem once it is adequately defined.

Marketers get involved in the need recognition state at three points:

1. Knowing what problems consumers are facing, so they can develop a marketing mix to address these problems
2. Activating problem recognition, in order to trigger the start of the purchasing process
3. Shaping how consumers define the need or problem, in order to influence their wants as they look for a solution

Marketing interactions through ads, Web sites, salespeople, and any number of other activities create opportunities for marketers to communicate with consumers and become engaged in need recognition. Listening to customers through social media or the customer support team provides insight into the ways consumers perceive the problems they face. A public service announcement espousing the dangers of cigarette smoking helps trigger a sense of needing to do something about cancer prevention. Advertising weekend and evening shopping hours triggers awareness of the problem of limited weekday shopping opportunities for busy working parents. Once a young man recognizes that he needs a new coat, marketing tries to influence his choices: Should it be a trendy, bargain-priced jacket from Old Navy or the pricey North Face coat he can wear snowboarding (assuming he can scrape together money for a lift pass after buying the coat). In each of these scenarios, marketing plays an active role in facilitating need recognition.

Information Search

After recognizing a need, the prospective consumer may seek information to help identify and evaluate alternative

products, services, experiences, and outlets that will meet that need. Information may come from any number of sources: family and friends, search engines, Yelp reviews, personal observation, *Consumer Reports*, salespeople, product samples, and so forth. Which sources are most important depends on the individual and the type of purchase he or she is considering.

The promotion element of the marketing mix should provide information to assist consumers in the decision process. When marketers understand which information sources their target consumers turn to during the search process, they can develop a promotion strategy and tactics that put their offerings and message into the search path. For instance, teen boys rely heavily on peer networks to know what's interesting, cool, and desirable. A social media strategy is essential for virtually any product—video games, fashion, gadgets, sports gear, music, and on—targeting these consumers.

In some cases, consumers already have the information they need based on past purchasing and consumption experience–for better or for worse. Good experiences reinforce customer loyalty, while bad experiences destroy opportunities for repeat purchases. For instance, a consumer who needs new tires may look for sales in the local newspaper or ask friends for a recommendation. If she has bought tires before and had a good experience, she may go to the same dealer and buy the same brand.

The information-search process can also identify new needs. As a tired shopper looks for information, she may decide that the tires are not the real problem, but instead she needs a new car. At this point, her newly perceived need may trigger a new information search.

Information search involves both mental and physical activities that consumers must perform in order to make decisions and solve their problems through the marketplace. As anyone who has purchased a car, computer, or pet knows, it takes time, energy, and money to achieve a satisfactory outcome. Often it means foregoing more desirable activities. Eventually, most consumers learn that the benefits of information search can outweigh the costs, particularly for bigger-ticket purchases. A thorough information search may save money, improve the quality of selection, or reduce risks.

Evaluation of Alternatives

As a consumer finds and processes information about the problem she is trying to solve, she identifies the alternative products, services, and outlets that are viable options. The next step is to evaluate these alternatives and make a choice, assuming a choice is possible that meets the consumer's financial and psychological requirements. Evaluation criteria vary from consumer to consumer and from purchase to purchase, just as the needs and information sources vary. One consumer may consider price most important while another puts more weight on quality or convenience.

The information search helps inform consumers about the criteria they might consider as they are evaluating options and making a final selection. For any given purchasing decision, each consumer develops a set of criteria–often only a mental list–along with the relative importance of each quality in their final selection. This evaluation process may be very systematic and comprehensive for some people and purchases. There are also people who find the selection process difficult or frustrating, and so they cope with their discomfort by keeping the number of alternatives to a minimum, or by making an impulse purchase at the last moment. Note that the selection and evaluation phases of consumer problem solving are closely related and often happen simultaneously.

Consider a situation in which you are buying a new vacuum cleaner. During your information search process, you identified five leading models in online reviews, as well as a set of evaluation criteria that are most important to you: 1) price, 2) suction power, 3) warranty, 4) weight, 5) noise level, and 6) ease of using attachments. After visiting Sears and Home Depot to check out all the options in person, you're torn between two models you short-listed. Finally, you make the agonizing choice, and the salesperson heads to the warehouse to get one for you. He returns with bad news: The vacuum cleaner is out of stock, but a new shipment is expected in three days. Strangely relieved, you take that as a sign to go for the other model, which happens to be in stock. Although convenience wasn't on your original list of selection criteria, you need the vacuum cleaner before the party you're having the next day. You pick the number-two choice and never look back.

From the marketer's perspective, understanding your target consumer's evaluation criteria is critical. You need to demonstrate these qualities in order to be short-listed in the selection set. Often these qualities make the difference in your offering being selected over competitors'. In the end, selection remains something of an unpredictable black box because people think differently, and the circumstances for any given purchasing situation are unique to the person, the product, and the problem is solved.

The Purchase Decision

After much searching and evaluating (or perhaps very little), consumers at some point have to decide whether they are going to buy. Anything marketers can do to simplify purchasing will be attractive to buyers. For example, in advertising, marketers might suggest the best size of product for a particular use or the right wine to drink with a particular food. Sometimes several decision situations can be combined and marketed as one package. For example, travel agents often package travel tours, and stores that sell appliances try to sell them with add-on warranties.

To do a better job of marketing at this stage of the buying process, a seller needs to have answers to questions about consumers' shopping behaviour. Those answers will increase the likelihood of closing the sale and maximizing value at the moment of purchase. Useful questions to ask include the following:

- How much effort is the consumer willing to spend in shopping for the product?
- What factors influence when the consumer will actually make the purchase?
- Are there any conditions that would prohibit or delay the purchase?

Marketers should look for opportunities to influence things in their favor at the point of purchase. Product pricing, labeling, and packaging can be hugely influential at this stage of the process. Product sampling, coupons, and rebates may also give an extra incentive to buy. Personal selling, product display, convenience, and ease of finding the product may also lead the consumer to make one choice over another. Actually determining how a consumer goes through the decision-making process is a difficult research task, in part because it can vary so much from consumer to consumer. The key for marketers is to be aware of the influencing factors and how to shape them to their advantage.

Postpurchase Behavior

All the behaviour determinants and the steps of the buying process up to this point take place before or during the time a purchase is made. However, a consumer's feelings and evaluations after the sale are also significant to a marketer, because they can influence repeat sales and what the customer tells others about the product or brand.

Marketing is all about keeping the customer happy at every stage of the decision-making process, including postpurchase. It is normal for consumers to experience some postpurchase anxiety after any significant or nonroutine purchase. This anxiety reflects a phenomenon called *cognitive dissonance*. According to this theory, people strive for consistency among their cognitions (knowledge, attitudes, beliefs, and values). When there are inconsistencies, dissonance arises, which people try to eliminate.

In some cases, the consumer makes the decision to buy a particular brand already aware of dissonant elements or things that are inconsistent with their internal criteria. A common example is price: a consumer falls in love with every aspect of a product, but it costs more money than he intended to spend. His cognitive dissonance is whether to spend the extra money for a product he loves or else stick with a second-best product that fits the budget. In other cases, dissonance is aroused by information received after the purchase. For instance, a disturbing report about sweatshop labor comes out days after you purchase a pair of athletic shoes from the company involved.

Marketers may take specific steps to reduce postpurchase dissonance. One obvious way is to help ensure delivery of a quality solution that will satisfy customers. Another step is to develop advertising and new-customer communications that stress the many positive attributes or confirm the popularity of the product. Providing personal reinforcement has proven effective with big-ticket items such as automobiles and major appliances. Salespeople in these areas may send cards or even make personal calls in order to reassure customers about their purchase.

7.3 Low-Involvement vs. High-Involvement Decisions

In our discussion of the consumer decision process, we noted that not all purchasing decisions go through all six stages of the process. Some consumer decisions are quick and easy, requiring little if any focused attention. Others can be long, involved, and tough.

The next section will explore each of these situations in more detail, as we discuss how the buying process differs between *low-involvement products* and *high-involvement products*.

Reading: Low-Involvement vs. High-Involvement Decisions

How Involved Are You?

You're at the grocery store, looking at the dog food selection. How long does it take you to choose a product, buy it, and get out the door?

Change of scene.

You're on a car sales lot, looking at the selection of vehicles for sale. How long does it take you to choose a product, buy it, and drive off the lot?

For most people these scenarios are worlds apart in terms of the time, effort, emotional, and psychological work it takes to make a purchasing decision.

When a purchasing decision involves a low-cost item that is frequently bought—such as bread or toothpaste—the buying process is typically quick and routinized. Buying a new car is quite different. The extent to which a decision is considered complex or simple depends on the following:

- Whether the decision is novel or routine
- The extent of the customers' involvement with the decision

High-involvement decisions are those that are important to the buyer. These decisions are closely tied to the consumer's ego and self-image. They also involve some risks to the consumer. This may include financial risk (highly-priced items), social risk (products that are important to the peer group), or psychological risk (the wrong decision may cause the consumer some concern and anxiety). In making these decisions, consumers generally feel it is worth the time and energy needed to do research and consider solution alternatives carefully. The full, six-stage, complex process of consumer decision-making is more likely to happen with high-involvement product purchases. In these cases, a buyer gathers extensive information from multiple sources, evaluates many alternatives, and invests substantial effort in making the best decision.

Low-involvement decisions are more straightforward, require little risk, are repetitive, and often lead to a habit. In effect, these purchases are not very important to the consumer. Financial, social, and psychological risks are not nearly as great. In these cases, it may not be worth the consumer's time and effort to search for exhaustive information about different brands or to consider a wide range of alternatives. A low-involvement purchase usually involves an abridged decision-making process. In these situations, the buyer typically does little if any information gathering, and any evaluation of alternatives is relatively simple and straightforward. Consumers are diligent enough to get a product they want, but they generally spend no more time or effort than is needed.

There are general patterns about what constitutes a high-involvement decision (buying cars, homes, engagement rings, pets, computers, etc.) versus a low-involvement decision (buying bread, chewing gum, toothpaste, dishwasher

detergent, trash bags, etc.). However, the real determinant is the individual consumer and how involved they choose to be in solving the problem or need they have identified.

Marketing Considerations About Consumer Involvement

Let's imagine another couple of scenarios.

Situation 1: You have just moved in with roommates for the first time. Excitement about your new independence temporarily dims when you scour the kitchen and find just three forks, four spoons, and zero table knives. On your way to Walmart, you stop off at Value Village, and you are delighted to pay less than $4 for an unmatched service for eight.

Situation 2: You are a soon-to-be bride. You have spent days looking through magazines, browsing online, and visiting shops to find the perfect silverware to match the dishes on your wedding registry. It gives you pause, though, when you learn that your dream flatware costs $98 per place setting. Still, you rationalize that you only get married once—or at least that's your plan.

In each of these situations, the consumer is making a purchasing decision about the same product: silverware. But the level of involvement in each situation is very different. The new roommate wants to spend as little time and money as possible to get a product that will get the job done. The soon-to-be bride is pinning her future happiness on selecting the right pattern. Who is more involved?

Now suppose you are a marketer trying to promote the flatware designs your company makes. Which of these consumers will pay any attention to the full-page ads you have placed in seven popular women's magazines? Which of these consumers will click on the paid search listing Google placed in their search results for new silverware patterns? Which one is most likely to come to a store to see the beautiful sheen of your new product line and feel its perfectly balanced weight with her fingertips?

As a marketer you should recognize high-involvement versus low-involvement consumers of your products and strategize accordingly. It is entirely possible for your target segments to include a mix of both. When you recognize the differences in how they make decisions, you can create a marketing mix designed to impact each type of consumer. For the customer who wants little involvement, your marketing mix can simplify their buying process. For the consumer who is highly involved, you can provide the information and validation they seek.

7.4 Factors Influencing Consumer Decisions

The consumer decision process helps you understand the steps people go through when they are deciding whether and what to buy. Many different factors can influence the outcomes of purchasing decisions.

Some of these factors are specific to the buying situation: what exactly you are buying and for what occasion. Other factors are specific to each person: an individual's background, preferences, personality, motivations, and economic status. Because no two people are exactly alike, it is difficult to predict how the tangled web of influencing factors will ultimately shape a final purchasing decision.

For marketers, an understanding of these factors provides a more complete view of the mind of the customer. As you learn more about what influences decisions for your particular target segment, product category, brand, and competitive set, you can use these influencing factors to your advantage. What you say to customers, the words you use, the people who say them, the images they evoke—all of these things can link back to that web of influencing factors at work in a purchaser's mind. Great marketing uses those connections powerfully and effectively to win the minds and hearts of customers.

- Reading: Situational Factors
- Reading: Personal Factors
- Reading: Psychological Factors
- Video: Consumer Attitudes and Heinz Baked Beans
- Reading: Social Factors

Reading: Influences on Consumer Decisions

What, Exactly, Influences a Purchasing Decision?

While the decision-making process itself appears quite standardized, no two people make a decision in exactly the same way. People have many beliefs and behavioural tendencies—some controllable, some beyond our control. How all these factors interact with each other ensures that each of us is unique in our consumer actions and choices.

Although it isn't feasible for marketers to react to the complex, individual profiles of every single consumer, it is possible to identify factors that tend to influence most consumers in predictable ways.

The factors that influence the consumer problem-solving process are many and complex. For example, families with young children tend to make different dining-out choices than single and married people with no children. A consumer with a lot of prior purchasing experience in a product category might approach the decision differently from someone with no experience. As marketers gain a better understanding of these influencing factors, they can draw more accurate conclusions about consumer behaviour.

We can group these influencing factors into four sets, illustrated in the figure below. Each of these factors will be discussed in greater detail in the next four readings:

- **Situational Factors** pertain to the consumer's level of involvement in a buying task and the market offerings that are available
- **Personal Factors** are individual characteristics and traits such as age, life stage, economic situation, and personality
- **Psychological Factors** relate to the consumer's motivation, learning, socialization, attitudes, and beliefs
- **Social Factors** pertain to the influence of culture, social class, family, and reference groups

FACTORS INFLUENCING CONSUMER DECISIONS

SITUATIONAL FACTORS
• Buying task
• Market offerings

PERSONAL FACTORS
• Demographics
• Life stage
• Lifestyle
• Personality

PSYCHOLOGICAL FACTORS
• Motivation
• Learning
• Attitude and beliefs

SOCIAL FACTORS
• Culture/subculture
• Social Class
• Family
• Reference groups

CONSUMER

1 NEED RECOGNITION

2 INFORMATION SEARCHING AND PROCESSING

3 IDENTIFICATION AND EVALUATION OF ALTERNATIVES

4 PURCHASE DECISION

5 POST-PURCHASE BEHAVIOR

THE CONSUMER DECISION-MAKING PROCESS

Reading: Situational Factors

Buying Task

The buying task refers to the consumer's approach to solving a particular problem and how much effort it requires. The level of consumer involvement is an important part of the buying task: whether the buyer faces a high-involvement decision with lots of associated risk and ego involved, versus a low-involvement decision with little risk or ego on the line.

Product or brand familiarity is another, related dimension of the buying task. When a consumer has purchased a similar product many times in the past, the decision-making is likely to be simple, regardless of whether it is a high- or low-involvement decision. Suppose a consumer initially bought a product after much care and involvement, was satisfied, and continued to buy the product. For the buyer, this is still a high-involvement decision, but now it's simpler to make. The customer's careful consideration of a product and the subsequent satisfaction has produced brand loyalty, which resulted from involvement in the product decision.

Once a customer is brand loyal, a simple decision-making process is all that is required for subsequent purchases. The consumer now buys the product through habit, which means making a decision without additional information or needing to evaluate alternatives. Selling to and satisfying brand-loyal customers can be a great position for marketers, although it's important not to rest on one's laurels and take them for granted. New competitors are always looking for ways to break existing brand-loyal habits and lure the consumer into an enticing new product experience.

Market Offerings

The available market offerings are another relevant set of situational influences on consumer problem-solving. The more extensive the product and brand choices available to the consumer, the more complex the purchase decision process is likely to be. And the more limited the market offerings are, the simpler the purchase decision process is likely to be.

For example, if you already have purchased or are considering purchasing a smartphone, you know that there are multiple brands to choose from—Samsung Galaxy, OnePlus, Google Pixel, Apple iPhone, and Huawei, to name several. Each manufacturer sells several models that differ in various features–design, screen size, memory, speed, camera quality, and so on. What criteria are important to you? Is purchasing a smartphone an easy decision? If a consumer has a need that can be met by only one product or one outlet in the relevant market, the decision is relatively simple: Either buy the product or let the need go unmet.

This is not ideal from the customer's point of view, but it does happen. For example, suppose you are a student on a campus in a small town many miles from another marketplace. Your campus and town have only one bookstore. You need a textbook for class tomorrow; only one particular book will do, and only that bookstore carries it. Amazon and other online retailers have the book at a lower price, but they can't get the book to you overnight, so you're stuck. In this case the limitation on alternative market offerings has a clear influence on your purchase behaviour.

As you saw in the smartphone example, when the extent of market offerings increases, the complexity of the problem-solving process and the consumers' need for information also increase. A wider selection of market offerings is better from the customers' perspective, because it allows them to tailor their purchases to their specific needs. However, lots of choices may also confuse and frustrate the consumer, such that less-than-optimal choices are made.

Marketers can find opportunities in either scenario—a crowded competitive set and a complex decision for the consumer, or a narrow competitive set with limited choices and a simpler decision for the consumer. In a crowded field, the marketer's challenge is to make compelling offerings and useful information prominent in the consumer's processes for gathering information and evaluating alternatives. In a narrow field with limited choices, effective marketing can help the consumer feel good about the choice they had to make. A good experience with the product during and after purchase is a recipe for brand loyalty.

Reading: Personal Factors

In addition to situational factors, there are also individual traits and characteristics that can shape purchasing decisions. These include things like demographics, life stage, lifestyle, and personality.

Demographics

Demographics are an important set of factors that marketers should not overlook when trying to understand and respond to consumers. Demographics include variables such as age, gender, income level, educational attainment, and marital status. Each of these can have a strong influence on consumer behaviour.

Historically, marketers have made much of generational differences—focusing on the best ways of reaching different cohorts such as Baby Boomers, Generation Xers, Millennials, and so on. Many of the distinctions between these groups are related to the groups' ages and related needs at any given point. For example, as Baby Boomers head into their retirement years, marketers target them with messages about prescription drugs and other health care products, insurance, home and financial security—all issues of growing concern for people as they age. Generational differences can also be factors in the ways people use media and where they go for information to inform their consumer choices. A 2013 study found that Millennial moms (birth years 1981–1997) were online "followers" of 22.5 brands on average, while Generation X moms (birth years 1965–1980) followed just 13.7 brands online.[1] Understanding differences like these can be essential to developing the right marketing mix whenever age is an identifying factor in market segmentation.

Gender is also a defining characteristic for many consumers, as is the marketing that targets them. You have only to watch TV ads during an NFL game and the TV ads during the women-oriented talk show *The View* to see how the different needs and wants of men and women are translated into marketing messages and imagery.

DeBeers Limited, which has commanded an 80 percent share of the market for diamonds used in engagement rings, employs a consumer demographic profile in the development of its promotional programs. Their primary target market for engagement rings is single women and single men between the ages of 18 and 24. The company combined this profile with some additional lifestyle-related factors to develop a successful promotional program.

The demographic marker of economic status is another strong influencer in consumer decisions. Not surprisingly, people in different income brackets tend to buy different types of products, shop in very different ways, and look for different qualities. Many designer clothing shops, for example, aim their marketing at higher-income shoppers. Meanwhile, a retail chain like Wal-Mart sticks closely to its "lowest prices" positioning in order to maintain its appeal for middle- and lower-income shoppers.

1. Holland, Stephanie. "Marketing to Women Quick Facts." *She-Conomy*", 15 Sept. 2016, http://she-conomy.com/report/marketing-to-women-quick-facts.

Who are baby boomers, Gen X, millennials and Gen Z?[2]

Tastes and habits may vary from person to person, but every cohort has its calling cards

By Maclean's January 8, 2020

Boomers

Born: 1946-1964

Fun fact: Women had an average of 3.7 kids during the baby boom period

Watched: The moon landing

What's for dinner? Meatloaf

Brag about: Electing Pierre Trudeau; getting a great deal on their cable TV package

Worst fear: Change

Voice of the generation: John Lennon

2. *Who are baby boomers, Gen X, millennials and Gen Z?* (2020, January 08). Macleans. https://www.macleans.ca/society/who-are-baby-boomers-gen-x-millennials-and-gen-z/

Gen X

Born: 1965–1980

Fun fact: In debt in Canada to the tune of $767 billion; the most, collectively, of any generation

Watched: The fall of the Berlin Wall

What's for dinner? Microwave pizza

Brag about: Making the perfect mixtape

Worst fear: Being conflated with baby boomers

Voice of the generation: Kurt Cobain

Millennials (or Gen Y)

Born: 1981-1996

Fun fact: The most highly educated generation in Canada's history

Watched: 9/11

What's for dinner? Anything artisan or farm-to-table

Brag about: Not using a filter on Instagram (#nofilter)

Worst fear: Never being able to afford a home

Voice of the generation: Lena Dunham

Gen Z

Born: 1997-2012

Fun fact: On track to reach 32 percent of the global population by 2020—2.5 billion of them—surpassing the number of millennials

Watched: Donald Trump elected president of the United States

What's for dinner? Plant-based burgers

Brag about: Perfecting that dance move from Fortnite in real life

Worst fear: The world burning or flooding (or both)

Voice of the generation: Greta Thunberg

What comes next?

Futurists are now talking about [Generation Alpha](#): an entire generation of people who have never lived without a tablet or smartphone to distract them.

Sources: Bloomberg, Statistics Canada, TransUnion Canada. all dates sourced from Pew Research Center.
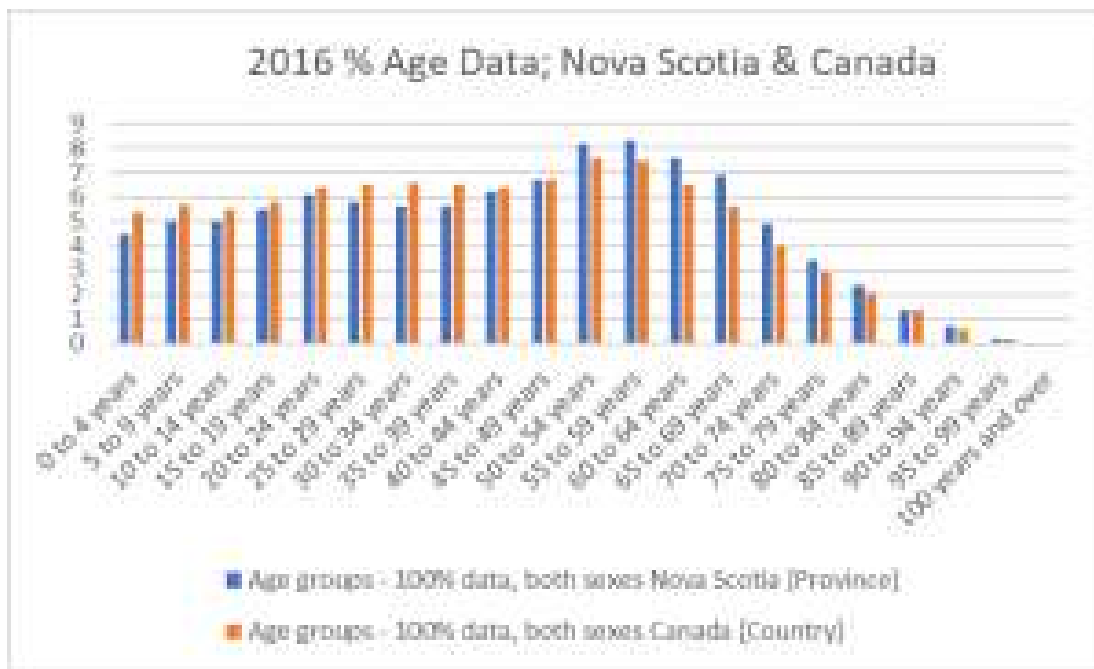
2016 % Age Data for Nova Scotia & Canada

Graph created from 2016 Census Data Tables. You can view the data on the [Statistics Canada website](https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/dt-td/Index-eng.cfm)[3]

Life Stage

The concept of life stage is linked to demographics: consumer behaviour is tied to the significant life events and circumstances people are experiencing at any given moment. Moving out of your parents' home, going to college, getting married, buying a house, starting a family, sending children to college, retiring: all of these are life events that shape consumer attitudes, behaviours, and decisions.

3. *Data tables, 2016 census.* (2018). Statistics Canada. https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/dt-td/Index-eng.cfm

Life stage has a big enough impact on consumer decisions that many marketing organizations develop proprietary segmentation schema to help them better understand this dimension of the consumer experience and better target products and services to individual needs. A representative example is the set of lifestyle segments developed by the consumer data company Experian. Experian's life stage segments include Independent Youth, Young Families, Maturing Couples & Families, Elderly Singles, and six other segments it uses to encompass the entire U.S. adult population.

Canadian consumers experience life stage marketing when offers relevant to their life events appear in their inboxes, mailboxes, and even in the checkout line. Producers and sellers of baby products like Procter & Gamble, Johnson & Johnson, and Shoppers Drug Mart send a barrage of product samples, coupons, and other promotions to expecting and new parents. Families of young children are invited to sign their kids up for LEGO's free quarterly magazine and become part of the Toys-R-Us Rewards program for frequent shoppers. Financial services companies target new college students and their parents with credit card offers and banking plans. Home Depot, Lowe's, and even the Canadian Postal Service send promotional welcome packets to new homeowners, hoping to win their business as they settle into a new residence.

Lifestyle

One of the newer and increasingly important sets of factors that are being used to understand consumer behaviour is lifestyle. In this context, "lifestyle" refers to the potential customer's pattern or being or living in the world combined with their psychographics (a set of attitudes, opinions, aspirations, and interests). The variables determining lifestyle are wide-ranging:

- Activities and interests (e.g., hunter; fitness enthusiast; fashionista; foodie; lawyer; musician; pet lover; farmer; traveler; reader; homebody; crafter, etc.)
- Opinions about oneself and the world (e.g., politically conservative; feminist; activist; entrepreneur; independent thinker; do-gooder; early adopter; technophobe; populist; explorer, etc.)

Lifestyle variables reveal what consumers care about, how they spend their time, what they're likely to spend money on, and how they view themselves. Inevitably these individual characteristics impact consumer decisions—and brand preference in particular. The criteria that determine lifestyle are often things consumers feel passionately about. When a consumer identifies your brand as consistent with his interests, attitudes and self-identity, it paves the way for building a long and loyal customer relationship. It is the multifaceted aspect of lifestyle research that makes it so useful in consumer analysis. A prominent lifestyle researcher, Joseph T. Plummer, summarizes the concept as follows:

> . . . lifestyle patterns combines the virtues of demographics with the richness and dimensionality of psychological characteristics . . . Lifestyle is used to segment the marketplace because it provides the broad, everyday view of consumers lifestyle segmentation and can generate identifiable whole persons rather than isolated fragments.

Marketers are often attracted to lifestyle as a segmentation schema because it helps reveal a deeper, more vivid picture of consumers and what makes them tick. As marketers try to create strong emotional connections between the brands they promote and the consumers they serve, they are selling more than product features. They are selling a sensibility, an attitude, a set of values they hope will resonate strongly with the target segments they want to reach.

Oprah Winfrey and Martha Stewart are interesting comparative examples of extremely successful marketing that uses a lifestyle orientation to attract and keep devoted consumers. Both brand empires are built around strong, successful, self-made women, and they both target women consumers. Oprah Winfrey's brand is architected to appeal to women who are socially conscious seekers, readers, idealists, self-helpers, working women, striving for balance and self-fulfillment. Martha Stewart's brand, on the other hand, is carefully curated to appeal to women with a passion for fine food, design, beautiful surroundings, cultural experiences, arts and crafts, and the creative act of doing it yourself. The strong lifestyle-oriented identity of each brand makes it relatively easy for individual consumers to recognize which one is most consistent with their own identity and values.
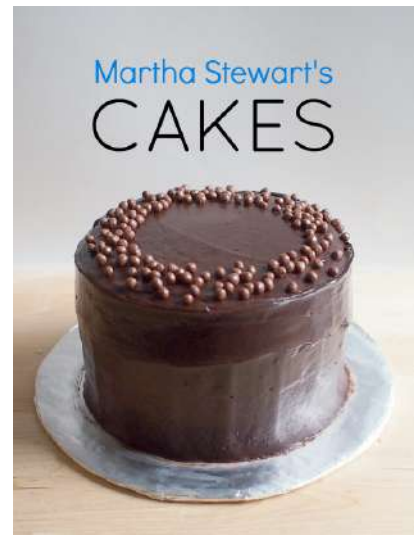
Personality

Personality is used to summarize all the traits of a person that make him or her unique. No two people have the same personalities, but several attempts have been made to classify people with similar traits. Perhaps the best-known personality types are those proposed by Carl Jung, which are variations on the work of Jung's teacher, Sigmund Freud. His personality categories are *introvert* and *extrovert*. The introvert is described as defensive, inner-directed, and withdrawn from others. The extrovert is outgoing, other-directed, and assertive. Over the years, several other more elaborate classifications have also been devised.

Personality traits may also include characteristics linked to the ways people view themselves and calibrate their behaviour in the world: for example, sincerity, self-confidence, empathy, self-reliance, adaptability, and aggression.

Various personality types are likely to respond in different ways to different market offerings. For example, an extrovert may enjoy the shopping experience and rely more on personal observation to secure information. In this case, in-store promotion becomes an important communication tool. Knowing the basic personality traits of target customers can be useful information for the manager in designing the marketing mix. Marketers have found personality to be difficult to apply in many cases, primarily because it is not easy to measure personality traits. Personality tests are usually long and complex; many were developed to identify people with problems that needed medical attention. Translating these tools into useful marketing data is no small feat, and marketers have turned to lifestyle analysis instead.

Where personality does come into play more prominently is in the notion of *brand personality*. Brand managers strive to cultivate strong, distinctive, recognizable personalities for the brands they promote. The personality gives dimension to the brand, opening the door for consumers to connect with the brand emotionally and identify its personality as consistent with their own values and self-identity. In this case there is a blurry line between the use of lifestyle and personality to understand and appeal to target customers. If you run down a list of super-brands, though, it is easy to recognize the power of brand personality at work: Apple, Coca-Cola, Walt Disney, Star Wars, Google, and Nike, to name a few.

Reading: Psychological Factors

Consumer Decisions and the Workings of the Psyche

When we talk about psychological factors that influence consumer decisions, we are referring to the workings of the mind or psyche: motivation, learning and socialization, attitudes and beliefs.

Motivation

A motive is the inner drive or pressure to take action to satisfy a need. A highly motivated person is a very goal-oriented individual. Whether goals are positive or negative, some individuals tend to have a high level of goal orientation, while others tend to have a lower level of goal orientation. People may display different levels of motivation in different aspects of their lives. For example, a high school junior may be flunking trigonometry (low motivation) while achieving champion performance levels at the video game Guitar Hero (high motivation).

In order for any consumer purchasing decision to happen, the need must be aroused to a high enough level that it serves as a motive. At any given time, a person has a variety of needs that are not of sufficient urgency to generate the motivation to act, while there are others for which he is highly motivated to act. The forces that create a sense of urgency and motivation may be internal (people get hungry), environmental (you see an ad for a Big Mac), or psychological (thinking about food makes you hungry).

For motivation to be useful in marketing practice, it is helpful for marketing managers to understand how motivation plays into a specific purchasing situation—what triggers consumers to set goals, take action, and solve their need-based problems.

Motivation starts with an unmet need, as does all consumer problem-solving. One of the best-known theories about individual motivation is the work of A. H. Maslow, known as *the hierarchy of needs*. Maslow developed a model that lays out five different levels of human needs. These needs relate to one another in a "need hierarchy," with basic survival-oriented needs at the lower levels of the hierarchy, building up to higher emotional needs associated with love, self-esteem, and self-fulfillment. This hierarchy is shown in the figure below:
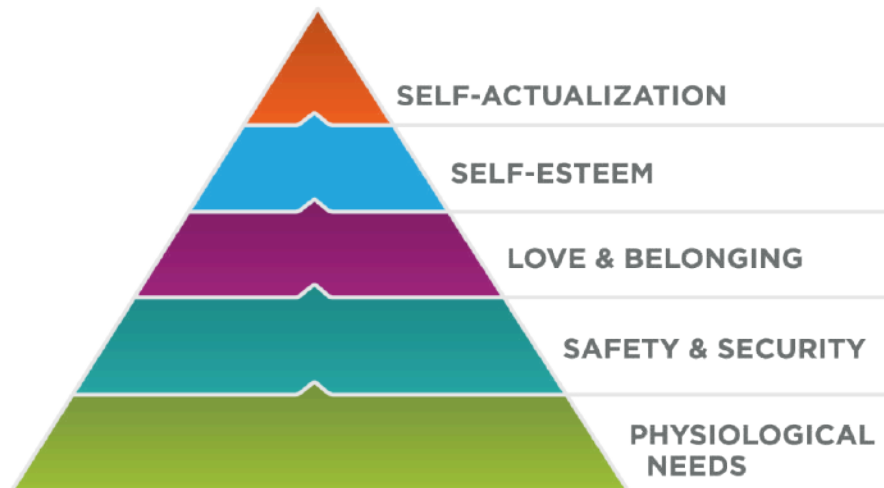
MASLOW'S HIERARCHY OF NEEDS

Physiological *needs* are at the first level of Maslow's hierarchy: hunger, thirst, and other basic drives. All living beings, regardless of their level of maturity, possess physiological needs. Physiological needs are omnipresent and recur throughout nature.

Safety *and security* are second in Maslow's hierarchy. Safety and security needs imply a continued fulfillment of physiological needs, as well as the absence of the threat of physical harm. Safety and security encompass both physical and financial security, because financial security is linked to a person's ability to have her physiological needs met. Health and physical well-being and protection from accidents are also associated with this level of need. This is considered an extension of the more basic needs.

Love and belonging are third in Maslow's hierarchy of needs. Love encompasses the needs for belonging, friendship, human intimacy, and family. They involve a person's interaction with others and the need to feel accepted by social groups, large or small.

Self-esteem is the fourth level. Self-esteem includes the need to feel good about oneself, to be respected and valued by others, and to have a positive self-image.

Self-actualization is the fifth and highest level in Maslow's needs hierarchy. Also described as "self-fulfillment," this is the need humans feel to reach their full potential and to accomplish all that they can with their talents and abilities. Different people may express this need in very different ways: for one person, self-actualization might involve musical or artistic pursuits, for another, it's parenting, and for a third the focus might be athletics. At different points in their lives, individuals may express this need through different pursuits.

In his work, Maslow asserts that these five levels of needs operate on an unconscious level. In other words, people may not even be aware that they are concentrating on one particular level of need or an assortment of needs. Maslow's theory suggests that lower levels of need must be met before an individual can focus on higher-level needs. At the same time, a person may experience several different needs simultaneously. How an individual is motivated to act depends on the importance of each need.

When we think about Maslow's needs hierarchy in the context of marketing and segmentation, we might use the hierarchy to help identify a common level of needs for a given segment. Effective and powerful marketing may operate at any level of Maslow's hierarchy. Consider the following examples:

- In-N-Out Burger's freeway billboards featuring a giant, 3-D cheeseburger (physiological needs)
- Procter & Gamble's "Thank You Mom" ad campaign featuring dedicated parents of Olympic athletes and their loving relationships (love & belonging)
- Nike's "Play New" commercial encouraging people to try new things and to never give up on improving themselves (self-actualization), shown in the following video

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=404

Learning and Socialization

In the context of consumer behaviour, learning is defined as changes in behaviour that result from previous experiences. Learning is an ongoing process that is dynamic, adaptive, and subject to change. Learning does not include behaviour associated with instinctive responses or temporary states of an individual, such as hunger, fatigue, or sleep.

Learning is an experience and practice that actually brings about changes in behaviour. For example, in order to learn to play tennis, you might learn about the rules of the game and the skills tennis players need. You would practice the skills and participate in tennis games to gain experience. Learning can also take place without actually participating in the physical experience. You can learn about something conceptually, too. In other words, you could learn to play tennis by observing experts and reading about it without actually doing it. This is called *non-experiential learning*.

Consumer decisions can be influenced by both experiential and non-experiential learning. Take an example of buying wine. Suppose you are at a winery and you are considering buying a bottle of zinfandel, which you have never tried before. If you taste the wine and discover you don't care for the strong, spicy flavor, you have learned experientially that you don't like zinfandel. On the other hand, you could ask the tasting room host about the flavor of zinfandel, and she might say that it resembles strong ginger ale, in which case you might decide not to buy the wine because you don't like ginger ale. In this second case, you have learned about the product non-experientially.

Marketing relies heavily on non-experiential learning, using tactics like customer testimonials, case studies, and blogger reviews to teach new customers through the experiences and opinions of others. Consumers themselves seek out resources for non-experiential learning when they read the book and product reviews on Amazon, film reviews on Rotten Tomatoes, and restaurant reviews on Yelp.

Another characteristic of learning is that the changes may be immediate or anticipated. In other words, learning may be taking place even if there is no evidence of it. We can store our learning until it's needed, and we do this often with purchasing decisions. For example, a person might read up on product reviews for the latest set of tablet computers even though she doesn't expect to buy one soon. Eventually she may be in the market, and at that point she can put her learning to use.

Reinforcement is the process of having your learning validated through rewards or punishments, which confirm that what you learned was correct. Over time, reinforcement can shape strong patterns of behaviour. Suppose a consumer's first car purchase is a Subaru. He loves the car and finds it to be safe, reliable, energy-efficient, and a great value for the money. Each positive experience with his car rewards him and reinforces what he has learned about Subarus: they are great cars. When he decides to replace the car, positive reinforcement will almost certainly lead him to consider a Subaru again. Reinforcement can work in positive or negative ways, with consumers experiencing rewards or punishments that influence their decisions.

Socialization is the process by which people develop knowledge and skills that make them more or less able members of their society. Socialized behaviours are learned and modified throughout a person's lifetime. This social learning approach stresses "socialization agents" (i.e., other people), who transmit cognitive and behavioural patterns to the learner. These people can be anyone: a parent, friend, celebrity spokesperson, teacher, role model, etc. In the case of socialization in consumer behaviour, this takes place in the course of the person's interaction with other people in various social settings. Socialization agents may include any person, organization, or information source that comes into contact with the consumer.

Consumers acquire this information from other individuals through the processes of modeling, reinforcement, and social interaction. *Modeling* involves imitation of the agent's behaviour. For example, a teenager may acquire a brand-name preference for Adidas from friends and teammates. Marketers can take advantage of this idea by employing product spokespeople who have strong credibility with their target consumers, as in the case of NBA star LeBron James for Nike. As noted above, *reinforcement* involves either a reward or a punishment mechanism used by the agent. When a colleague compliments a coworker on her outfit, it conveys a rewarding message about the type of clothing to wear to work. Marketers may use reinforcement by providing good product performance, excellent post-purchase services, or some similar rewarding experience. Social interaction may include a combination of modeling and reinforcement in a variety of social settings. These variables can influence learning by having an impact on the relationship between the consumer and other people.

Attitudes and Beliefs

Attitudes and beliefs represent another psychological factor that influences consumer behaviour. A **belief** is a conviction a person holds about something, such as "dark chocolate is bitter," or "dark chocolate is delicious," or "dark chocolate is good for baking." An **attitude** is a consistent view of something that encompasses the belief as well as an emotional feeling and related behaviour. For example, an attitude toward dark chocolate may be expressed as a belief ("dark chocolate is delicious"), a feeling ("dark chocolate makes me happy"), and a behaviour ("I eat dark chocolate every afternoon as a pick-me-up").

People have beliefs and attitudes about all sorts of things: food, family, politics, places, holidays, religion, brands, and so on. Beliefs and attitudes may be positive, negative, or neutral, and they may be based on opinion or fact. It is important for marketers to understand how beliefs and attitudes affect consumer behaviour and decision-making. If an incorrect or detrimental belief exists among the general population or a target audience, marketing efforts may be needed to change people's minds.

For example, in 1993, rumors erupted and spread widely about a syringe allegedly being found inside a can of Diet Pepsi. The entire incident turned out to be a hoax, but PepsiCo responded not only with strong immediate public statements but also with videos and a public relations campaign to quell the rumors and reassure consumers that Pepsi products are safe.

A more recent example would be the Cinnamon Toast Crunch Shrimp fiasco where comedy writer Jensen Karp discovered sugar-coated shrimp tails in his box of cereal in 2021. Initially, the company dismissed the claim and assured that what he found was not shrimp, which resulted in more retaliation from Jensen Karp and speculations online. The company's responses were not strong enough to change Karp's mind, however, many allegations have since come out about him which resulted in even more speculation as to whether this was a hoax or not. Cinnamon Toast Crunch's PR team was not able to change people's minds, but individuals online coming forward did, but if they didn't, then this whole situation could have been a misstep and caused them to see a reduction in sales. The public's attitudes and behaviours towards the product and brand have not changed as the cereal is still very popular, but the situation has slightly made people more skeptical in their beliefs about the cereal's food safety.

Beliefs and attitudes do not always translate into behaviours: in some situations customers may choose to do something despite their personal views. Suppose a consumer likes pizza but doesn't like Pizza Hut. In a social setting where everyone else wants to go to Pizza Hut for dinner, this person might go along with the group rather than dining alone or skipping dinner.

When consumer attitudes present a major stumbling block, marketers have two choices: either they can change consumers' attitudes to conform with their product, or they can change the product to match attitudes. Often it is easier to change the product than to change consumers' attitudes. Attitudes can be very difficult to change, chiefly because they are intertwined with a pattern of beliefs, emotions, and behaviours. Changing the attitude requires changing the whole pattern. As a rule, it is easier for marketing to align with existing attitudes rather than trying to alter them.

However, marketers may look for opportunities to reshape or create new attitudes in moments when consumers may be more open-minded, as with a product redesign or a new product introduction.

Video: Consumer Beliefs and Febreze

Putting Consumer Attitudes and Beliefs to the Test

Just how powerful are consumer attitudes and beliefs? Are they so powerful that they can fool consumers during a smell test?

Watch the following video to see the power of consumer attitudes and beliefs in action. Febreze uses people's beliefs based on their smell to advertise their product further and prove their point by subverting expectations.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=406

Reading: Social Factors

People Influencing People

Social factors represent another important set of influences on consumer behaviour. Specifically, these are the effects of people and groups influencing one another through culture and subculture, social class, reference groups, and family.

Culture

A person's **culture** is represented by a large group of people with a similar heritage. Culture exerts a strong influence on a person's needs and wants because it is through culture that we learn how to live, what to value, and how to conduct ourselves in society. Canadian culture is often referred to as a "Canadian mosaic" because of our multicultural society. We tend to look at a general culture that is common to all Canadians. That said, Canada's culture is heavily influenced by the Western (European) French and English populations, yet two other significant groups influence Canadian culture, First Nations as well as recent immigrants to Canada. There are more than 600 First Nations communities in Canada with over 1.4 million people that identify themselves as aboriginal. The Canadian government has set significant growth targets for new Canadians that make this fourth group one that can't be ignored. The Canadian government's latest target is to welcome one million immigrants between 2020 -2022. According to Statistics Canada, Asia was Canada's largest source of immigrants between 2006-2011, although the share of immigration from Africa, Caribbean, Central and South America increased slightly.[1]

Marketing strategies targeted to people with a common cultural heritage might demonstrate how a product or service reinforces these traditional values. There are three components of culture that members of that culture share: beliefs, values, and customs. As discussed in the prior section, a *belief* is a proposition that reflects a person's particular knowledge or opinion of something. *Values* are general statements that guide behaviour and influence beliefs. The function of a value system is to help people choose between alternatives in everyday life and prioritize choices that are most important to them personally.

> The University of Waterloo publishes a Canadian Index of Wellbeing (CIW) that measures Canadian values.

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1. *Immigration and Ethnocultural Diversity in Canada: National Household Survey, 2011* (2011). Statistic Canada. https://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-010-x/99-010-x2011001-eng.cfm

It begins with the belief that our cornerstone value as Canadians is the principle of "shared destiny": that our society is often best shaped through collective action; that there is a limit to how much can be achieved by individuals acting alone; that the sum of a good society and what it can achieve is greater than the remarkably diverse parts which constitute it.

From this cornerstone principle of shared destiny and collective action, and from extensive public consultations with Canadians, a number of **core consensus values** informed the development of the CIW:

fairness	diversity	equity
inclusion	health	safety
economic security	democracy	sustainability

Canadians said quite clearly that their top priorities for quality of life were: primary and secondary education, health care access, a healthy environment, clean air and water, social programs, responsible taxation, public safety and security, job security, employment opportunities, a living wage, balanced time use, and civic participation.[2]

Customs are traditional, culturally approved ways of behaving in specific situations. For example, in Canada Thanksgiving is a holiday celebrated on the second Monday in October with the custom of feasting with family and offering thanks for the things we appreciate in life. Taking your mother to dinner and giving her gifts for Mother's Day is a custom that Hallmark and other card companies support enthusiastically.

Understanding customs is hugely important for marketing to consumers, because many customs represent occasions for spending money, and culture dictates the appropriate things to buy in order to honor the custom. The power of culture is evident when you think about the tens of millions of North Americans who buy Valentine's Day flowers in February, chocolate Easter eggs in April, fireworks in July, Halloween candy in October, and all kinds of food and gifts throughout the holiday season.

It is worth noting that for marketers anywhere in the world, it is essential to develop a strong understanding of the local culture and its accompanying beliefs, values, and customs. Culture is how people make sense of their society, its institutions, and social order. Culture frames how and what people communicate, how they express what is proper and

2. University of Waterloo. (n.d.). *Reflecting Canadian values.* https://uwaterloo.ca/canadian-index-wellbeing/about-canadian-index-wellbeing/reflecting-canadian-values

improper, what is desirable and detestable. Without an understanding of culture, marketers are not really even speaking the right language to the consumers they want to target. Even if the words, grammar, and pronunciation are correct, the meaning will be off.

An expensive example of a massive cultural blunder was Wal-Mart's short-lived foray into Germany. In 2006, the retailer pulled out of Germany after opening eighty-five stores in six years. The company expected success in Germany using the formula that works well in the U.S.: streamlined supply chain, low-priced products sold in big stores with wide selection and long operating hours. What Wal-Mart didn't account for was the strong cultural preference in Germany for several things that directly oppose the Wal-Mart model. Germans prefer small and medium-sized retailers grounded in local communities. They have a cultural suspicion of low prices, which create concern about quality. German law includes significant restrictions on retail establishments' operating hours and many labor protections, and these laws are viewed, in part, as important in protecting the German quality of life. Due in large part to these cultural disconnects, Wal-Mart was unable to sustain successful operations.[3]

Subculture

Subcultures are cohesive groups that exist within a larger culture. Subcultures develop around communities that share common values, beliefs, and experiences. They may be based on a variety of different unifying factors. For example, subcultures exist around the following:

- **Geography**: Western Canadians, Quebecois, Atlantic Canadians, etc.
- **Ethnicity**: Colombian, Mongolian, Ethiopian, etc.
- **Religion**: Catholics, Jews, Mormons, Baptists, Muslims, etc.
- **Nationality**: Italians, South-Korean, Hungarians, Japanese, Ethiopians, etc.
- **Occupation**: military, technology worker, government employee, clergy, educator, etc.

3. Jui, P. (2011, May 16). *Walmart's Downfall in Germany: A Case Study*. Journal of International Management. https://journalofinternationalmanagement.wordpress.com/2011/05/16/walmarts-downfall-in-germany-a-case-study/

Subcultures can represent huge opportunities for marketers to make a significant impact within a population that may feel underserved by companies operating in the mainstream market. Individuals with strong subcultural identity are likely to welcome organizations that seem to understand them, speak their subcultural language, and satisfy their subculture-specific needs.

In Canada, many organizations and marketing activities focus on major ethnicity-based subcultures such as French, Asian Canadians, and African Canadians. Each subculture has distinct experiences living and working within the broader Canadian culture, and it has shared customs and values that shape their consumer needs and preferences. As each of these subcultures grows in size and buying power, they become a distinct market for companies to woo.

A noted example of effective marketing to a subculture is Ford Motor Company's approach to serving the African American community. Ford invests in advertising campaigns that specifically target the black community and celebrate its diversity. Ford supports a number of scholarship and community-building programs at historically black colleges and universities (HBCUs). Through public relations activities, Ford maintains a presence at significant events, such as the Essence Festival and the BET Awards.[45]

The following video shows how a shopping mall managed to save itself by catering and marketing to the Latino subculture.

4. Bell, L. (2015, October 12). *Why Procter & Gamble, McDonald's & Ford are Catering to the Black Consumer.* Fox News. https://www.foxbusiness.com/features/why-procter-gamble-mcdonalds-ford-are-catering-to-the-black-consumer/

5. Black Enterprise. (2018, September 17). *Black media mourns one of its champions.* Target Market News. http://targetmarketnews.com/storyid06071201.htm

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=409

You can view the transcript for the video "Demise of the Mall and Reinvention". (opens in new window)

Social Class

Some manifestation of *social class* is present in virtually every society. It's determined by a combination of factors including family background, wealth, income, education, occupation, power, and prestige. Like culture, it affects consumer behaviour by shaping individuals' perceptions of their needs and wants. People in the same social class tend to have similar attitudes, live in similar neighborhoods, attend the same schools, have similar tastes in fashion, and shop at the same types of stores.

In some nations, the social class system is quite rigid, and people are strongly encouraged to stay within their own class for friendships, marriage, career, and other life decisions. In other countries, such as the Canada, social class is more permeable, and people can move between classes more easily based on their circumstances, behaviours, and life choices. Social class mobility is an important value in mainstream Canadian culture and is part of our collective belief system about what makes the country great.

In Canada, the most common social classification system is illustrated below.

Classes can be divided according to how much relative power and control members of a class have over their lives. On this basis, we might distinguish between the owning class (or bourgeoisie), the middle class, and the traditional working class. The owning class not only have power and control over their own lives, their economic position gives them power and control over others' lives as well. To the degree that we can talk about a "middle class" composed of small business owners and educated, professional, or administrative labour, it is because they do not generally control other strata of society, but they do exert control over their own work to some degree. In contrast, the traditional working class has little control over their work or lives. Below, we will explore the major divisions of Canadian social class and their key subcategories.

The Owning Class

Figure 9.8. Members of the upper class can afford to live, work, and play in exclusive places designed for luxury and comfort. (Photo courtesy of PrimeImageMedia.com/Flickr)

The owning class is considered Canada's top, and only the powerful elite get to see the view from there. In Canada, the richest 86 people (or families) account for 0.002 percent of the population, but in 2012 they had accumulated the equivalent wealth of the lowest 34 percent of the country's population[6]. The combined net worth of these 86 families added up to $178 billion in 2012, which equaled the net worth of the lowest 11.4

6. McDonald 2014

million Canadians. In terms of income, in 2007 the average income of the richest 0.01 percent of Canadians was \$3.833 million [7].

Money provides not just access to material goods, but also access to power. Canada's owning class wields a lot of power. As corporate leaders, their decisions affect the job status of millions of people. As media owners, they shape the collective identity of the nation. They run the major network television stations, radio broadcasts, newspapers, magazines, publishing houses, and sports franchises. As philanthropists, they establish foundations to support social causes they believe in. They also fund "think tanks" like the C.D. Howe Institute and the Fraser Institute that promote the values and interests of business elites. As campaign contributors, they influence politicians and fund campaigns, usually to protect their own economic interests.

Canadian society has historically distinguished between "old money" (inherited wealth passed from one generation to the next) and "new money" (wealth you have earned and built yourself). While both types may have equal net worth, they have traditionally held different social standing. People of old money, firmly situated in the upper class for generations, have held high prestige. Their families have socialized them to know the customs, norms, and expectations that come with wealth. Often, the very wealthy do not work for wages. Some study business or become lawyers in order to manage the family fortune.

New money members of the owning class are not oriented to the customs and mores of the elite. They have not gone to the most exclusive schools. They have not established old-money social ties. People with new money might flaunt their wealth, buying sports cars and mansions, but they might still exhibit behaviours attributed to the middle and lower classes. For example, Toronto politicians Rob and Doug Ford are estimated to hold family assets worth \$50 million, yet they present themselves as just "average guys" who stand with their blue-collar constituents against "rich elitist people"[89]. Rob Ford's infamous crack cocaine smoking, public binge drinking, and use of foul language would not make him at home within the circles of old money in Canada.

7. Yalnizyan, Armine. (2010). *The Rise of Canada's Richest 1%*. Ottawa: Canadian Centre for Policy Alternatives. http://www.policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2010/12/Richest%201%20Percent.pdf

8. McArthur, Greg. (2013, November 23). *Assessing the financial affairs of 'average guy' Mayor Rob Ford.* Toronto Globe and Mail. http://www.theglobeandmail.com/news/toronto/assessing-the-financial-affairs-of-average-guy-mayor-rob-ford/article15574327/

9. Warner, Brian. (2014). *Rob Ford Net Worth: How Much is Rob Ford Worth?* Celebrity Networth. http://www.celebritynetworth.com/richest-politicians/republicans/rob-ford-net-worth/

The Middle Class

These members of a club likely consider themselves middle class. (Photo courtesy of United Way Canada-Centraide Canada/Flickr)

Many people call themselves middle class, but there are differing ideas about what that means. People with annual incomes of $150,000 call themselves middle class, as do people who annually earn $30,000. That helps explain why some sociologists divide the middle class into upper and lower subcategories.

Upper-middle-class people tend to hold bachelor's and postgraduate degrees. They've studied subjects such as business, management, law, or medicine. Lower-middle-class members hold bachelor's degrees or associate's degrees from two-year community or technical colleges.

Comfort is a key concept to the middle class. Middle-class people work hard and live fairly comfortable lives. Upper-middle-class people tend to pursue careers that earn comfortable incomes. They provide their families with large homes and nice cars. They may go skiing or boating on vacation. Their children receive quality education [10].

10. Gilbert, Dennis. (2010). The American Class Structure in an Age of Growing Inequality. Newbury Park, CA: Pine Forge Press.

In the lower middle class, people hold jobs supervised by members of the upper middle class. They fill technical, lower-level management or administrative support positions. Compared to traditional working-class work, lower-middle-class jobs carry more prestige and come with slightly higher paycheques. With these incomes, people can afford a decent, mainstream lifestyle, but they struggle to maintain it. They generally do not have enough income to build significant savings. In addition, their grip on class status is more precarious than in the upper tiers of the class system. When budgets are tight, lower-middle-class people are often the ones to lose their jobs.

The Traditional Working Class

This man is a custodian at a restaurant. His job, which is crucial to the business, is considered lower class. (Photo courtesy of Frederick Md Publicity/Flickr)

The traditional working class is sometimes also referred to as being part of the lower class. Just like the middle and upper classes, the lower class can be divided into subsets: the working class, the working poor, and the underclass. Compared to the middle class, traditional working-class people have less of an educational background and usually earn smaller incomes. While there are many working-class trades that require skill and pay middle-class wages, the majority often work jobs that require little prior skill or experience, doing routine tasks under close supervision.

Traditional working-class people, the highest subcategory of the lower class, are usually equated with blue-collar types of jobs: "wage-workers who are engaged in the production of commodities, the extraction of natural resources, the production of food, the operation of the transportation network required for production and distribution, the construction industry, and the maintenance of energy and communication networks"[11]. The work is considered blue collar because it is hands-on and often physically demanding. The term "blue collar" comes from the traditional blue coveralls worn by manual labourers.

Beneath those in the working class are the working poor. Like some sections of the working class, they have unskilled, low-paying employment. However, their jobs rarely offer benefits such as retirement planning, and their positions are often seasonal or temporary. They work as migrant farm workers, housecleaners, and day labourers. Some are high school dropouts. Some are illiterate, unable to read job ads. Many do not vote because they do not believe that any politician will help change their situation[12].

How can people work full time and still be poor? Even working full time, more than a million of the working poor earn incomes too meagre to support a family. In 2012, 1.8 million working people (including 540,000 working full-time year-round) earned less than Statistic Canada's low-income cut-off level, which defines poverty in Canada[13]. The minimum wage varies from province to province, from $9.95/h in Alberta to $11/h in Nunavut and Ontario [14] However, it is estimated that a **living wage**—based on a 35-hour work week—is $19.14/h in Vancouver, $16.60/h in Toronto, and $14.95/h in Hamilton (differences due to the difference in cost of living in these locations). A living wage is the amount needed to meet a family's basic needs and enable them to participate in community life[15]. Even for a single person, the minimum wage is low. A married couple with children will have a hard time covering expenses.

The underclass or lumpenproletariat is Canada's lowest tier. Members of the underclass live mainly in inner cities. Many are unemployed or underemployed. Those who do hold jobs typically perform menial tasks for little pay. Some of the underclass are homeless. For many, welfare systems provide a much-needed support through food assistance, medical care, housing, and the like.

Source: Chapter 9. Social Stratification in Canada in Introduction to Sociology 1st Canadian Edition by William Little. CC BY licence

For marketers, social class may be a useful factor to consider in segmentation and targeting. It provides helpful context about how consumers view themselves and their peer groups, their expectations, life experiences, income levels, and the

11. Veltmeyer, Henry. (1986). *Canadian Class Structure*. Toronto: Garamond. p. 83
12. Beeghley, Leonard. (2008). The Structure of Social Stratification in the United States. *Upper Saddle River*. NJ: Prentice Hall.
13. Johnstone, A. & Cooper T. (2013). *It Pays to Pay a Living Wage*. CCPA Monitor. https://www.policyalternatives.ca/publications/monitor/it-pays-pay-living-wage[
14. *Minimum Wage by Province. RCC: The Voice of Retail.* (2014). Retail Council of Canada. http://www.retailcouncil.org/quickfacts/minimum-wage
15. Johnstone, A. & Cooper T. (2013). *It Pays to Pay a Living Wage*. CCPA Monitor. https://www.policyalternatives.ca/publications/monitor/it-pays-pay-living-wage

kinds of challenges they face. For example, if a marketer wishes to target efforts toward the upper classes, they should realize that, first, this is a very small proportion of the population, and second, the market offering must be designed to meet their high expectations in terms of quality, service, and atmosphere. Having enough money is a persistent concern for people in the lower, working, and lower-middle classes, so price sensitivity and value for the money are important for products targeting these groups.

Reference Groups

Consumer behaviour can be influenced by the groups a person comes into contact with, through friendship, face-to-face interaction, and even indirect contact. Marketers often call these reference groups. A *reference group* may be either a formal or informal group. Examples include churches, clubs, schools, online social networks, playgroups, professional groups, and even a group of friends and acquaintances. Individuals may be influenced by the groups of which they are members. They may also be influenced by *aspirational groups*–a reference group a person hopes to belong to one day, such as young boys hoping to grow up and become Major League Soccer (MLS) players.

Reference groups are characterized by having individuals who are opinion leaders for the group. *Opinion leaders* are people who influence others. They are not necessarily higher-income or better educated, but others may view them as having greater expertise, broader experience, or deeper knowledge of a topic. For example, a local high school teacher may be an opinion leader for parents in selecting colleges for their children. In a group of girlfriends, one or two may be the opinion leaders others look to for fashion guidance. These people set the trend and others conform to the expressed behaviour. If a marketer can identify the opinion leaders for a group in the target market, then she can direct efforts towards attracting these people.

The reference group can influence an individual in several ways:

- **Role expectations:** Reference groups prescribe a role or way of behaving based on the situation and one's position in that situation. For example, as a student, you are expected to behave in a certain basic way under certain conditions when interacting with a reference group at school.
- **Conformity:** Conformity the way we modify our behaviour in order to fit in with group norms. Norms are "normal" behavioural expectations that are considered appropriate within the group. To illustrate, in a school lecture setting, you might conform to the group norm of raising your hand to make a comment or question, rather than shouting out to the teacher.
- **Group communications through opinion leaders:** As consumers, we are constantly seeking out the advice of knowledgeable friends or acquaintances who can provide information, give advice, or even make the decision for

us. In some product categories, there are professional opinion leaders who are easy to identify, such as auto mechanics, beauticians, stockbrokers, or physicians. In a school setting, an opinion leader might be a favorite teacher who does a good job explaining the material, a popular administrator who communicates well with students and parents, or a well-liked fellow student who is willing to assist when peers ask for help–or all of these individuals.

- **Word-of-mouth influence:** Consumers are influenced by the things they hear other people say. This is "word-of-mouth" communication. It happens every time you ask someone for a recommendation or an opinion about a product or service, and every time someone volunteers an opinion. *Do you know a good dentist? Where should we go for lunch? Have you heard that new song from . . . ?* Not surprisingly, research consistently shows that word-of-mouth information from people they know is more credible than advertising and marketing messages. Word-of-mouth influence in the school reference group example might include students discussing which Spanish instructor is better, or where to shop for a dress to wear to the homecoming dance.

Reference groups and opinion leaders are essential concepts in digital marketing, where consumers tap into a variety of social networks and online communities. Marketers need to understand which reference groups influence their target segments and who the opinion leaders within these groups are. Those leaders may be bloggers, individuals with many followers who post frequently on various social media, and even people who write lots of online reviews. Then marketing activity can focus on winning over the opinion leaders. If you manage to get the opinion leaders in your segment to "like" your product, "follow" your brand, tweet about your news and publish favorable reviews or comments on their blogs, your work with online reference groups is going well. (You'll recall from the module on ethics that this was the strategy Microsoft adopted—and misgauged—when it attempted to influence opinion leaders with its gifts of free laptops loaded with its latest operating system.)

Family

One of the most important reference groups for an individual in the family. A consumer's family has a major impact on attitude and behaviour, and families themselves are critically important in society as consumer units. Many consumer decisions are made by family members on behalf of the family, so understanding the family consumer decision-making dynamics around your product is essential.

Depending on the product or service under consideration, different family members may be in the role of primary decision maker or influencer. In some cases, the husband is dominant, in others the wife or children, and still in other cases, families make joint decisions. Traditionally the wife has made the primary decisions around store choice and brands for food and household items, although this has evolved somewhat as more women participate in the workforce. A joint decision is typical for purchases involving a larger sum of money, such as a refrigerator or a vehicle. Teenagers may exercise a lot of influence over their own clothing purchases. Children may heavily influence food and entertainment choices. Of

course, decision dynamics within any individual family can vary, but marketers need to understand the general tendencies around family decision-making for the product or service in question.[16]

16. El-Assal, K., Thevenot, S., Moetaz, M., Miekus, A. (2020, March 12). *Canada to welcome up to 390,000 immigrant in* 2022. CIC News. https://www.cicnews.com/2020/03/canada-to-welcome-up-to-390000-immigrants-in-2022-0313872.html#gs.9kyqch

7.5 B2B Purchasing Decisions

Up to this point, our discussion about decision making has focused on individual consumers (B2C). Next we will shift attention to the decision making of businesses and other organizations when they are considering what to buy (B2B). While many of the same principles apply in business-to-business purchasing decisions, there are important differences that warrant discussion.

Reading: Organizational Buyer Behavior

Individual consumers are not the only buyers in a market. Companies and other organizations also need goods and services to operate, run their businesses, and produce the offerings they provide to one another and to consumers. These organizations, which include producers, resellers, government and nonprofit groups, buy a huge variety of products including equipment, raw materials, finished goods, labor, and other services. Some organizations sell exclusively to other organizations and never come into contact with consumer buyers.

B2B markets have their own patterns of behaviour and decision-making dynamics that are important to understand for two major reasons. First, when you are a member of an organization, it's helpful to appreciate how and why organization buying decisions are different from the decisions you make as an individual consumer. Second, many marketing roles focus on B2B rather than B2C marketing, or they may be a combination of the two. If you have opportunities to work in B2B marketing, you need to recognize how the decision-making process differs in order to create effective marketing for B2B customers and target segments.

Who Are the Organizational Buyers?

Unlike the consumer buying process, multiple individuals are usually involved in making B2B buying decisions. A purchasing agent or procurement team (also called a *buying center*) may also be involved to help move the decision through the organization's decision process and to negotiate advantageous terms of sale.

Organizations define and enforce rules for making buying decisions with purchasing policies, processes, and systems designed to ensure the right people have oversight and final approval of these decisions. Typically, more levels of consideration, review, and approval are required for more expensive purchases.

For anyone involved in B2B marketing or selling, it is important to know:

- Who will take part in the buying process?
- What criteria does each person use to evaluate prospective suppliers?
- What level of influence does each member of the process have?
- What interpersonal, psychological, or other factors about the decision team might influence this buying process?
- How well do the individuals work together as a group?
- Who makes the final decision to buy?

Because every organization is unique, the answers to these questions will be different for every organization and every sale. Marketers should understand their target segments well enough to identify commonalities where they exist and then create effective marketing to address the common roles and decision-makers identified.

For example, a technology company selling a travel- and expense management system should expect decision-makers

from several departments to be involved in the purchasing decision: the HR department (to ensure the system is user-friendly for employees and compatible with company travel policies), the accounting department (to ensure the system is a good complement to the company's accounting and finance systems), and the IT department (to ensure the system is compatible with the other systems and technologies the company uses). Marketers should focus first on managers in the group most responsible for travel and expense policy—typically the HR department. As the company generates serious interest and leads, marketing and sales staff should take the time to learn about decision dynamics within each organization considering the system. Marketing and sales support activities can focus on getting each of the essential decision-makers acquainted with the product and then convincing them to make it their final selection.

B2B Buying Situations

Who makes the buying decision depends, in part, on the situation. Common types of buying situations include the straight rebuy, the modified rebuy, and the new task.

The *straight rebuy* is the simplest situation: the organization reorders a good or service without any modifications. These transactions are usually routine and may handled entirely by the purchasing department because the initial selection of the product and supplier already took place. With the *modified rebuy*, the buyer wants to reorder a product but with some modification to the product specifications, prices, or other aspects of the order. In this situation, a purchasing agent may be involved in negotiating the terms for the new order, and several other participants who will use the product may participate in the buying decision.

The buying situation is a *new task* when an organization considers buying a product for the first time. The number of participants and the amount of information sought tend to increase with the cost and risks associated with the transaction. For marketers, the new task is the best opportunity for winning new business because there is no need to displace another supplier (which would be the case for the rebuy situations).

For sales opportunities that are new tasks, there may be an opportunity for a *solution sale* (sometimes called *system selling*). In these opportunities, the buyer may be interested in a provider that offers a complete package or solution for the business problem, rather than individual components that address separate aspects of the problem. Providers win these opportunities by being the company that has both the vision and the capability to provide combination of products, technologies, and services that address the problem–and to make everything work together smoothly. Solution sales are particularly common in the technology industry.

Characteristics of Organizational Buying

B2B purchasing decisions include levels of complexity that are unique to organizations and the environments in which they operate.

Timing Complexity

The organizational decision process frequently spans a long period of time, which creates a significant lag between the marketer's initial contact with the customer and the purchasing decision. In some situations, organizational buying can move very quickly, but it is more likely to be slow. When personnel change, go on leave, or get reassigned to

other projects, the decision process can take even longer as new players and new priorities or requirements are introduced. Since a variety of factors can enter the picture during the longer decision cycles of B2B transactions, the marketer's ability to monitor and adjust to these changes is critical.

Technical Complexity

Organizational buying decisions frequently involve a range of complex technical dimensions. These could be complex technical specifications of the physical products, or complex technical specifications associated with services, timing, and terms of delivery and payment. Purchases need to fit into the broader supply chain an organization uses to operate and produce its own products, and the payment schedule needs to align with the organization's budget and fiscal plans. For example, a purchasing agent for Volvo automobiles must consider a number of technical factors before ordering a radio to be installed in a new vehicle model. The electronic system, the acoustics of the interior, and the shape of the dashboard are a few of these considerations.

Organizational Complexity

Because every organization is unique, it is nearly impossible to group them into precise categories with regard to dynamics of buying decisions. Each organization has a characteristic way of functioning, as well as a personality and unique culture. Each organization has its own business philosophy that guides its actions in resolving conflicts, handling uncertainty and risk, searching for solutions, and adapting to change. Marketing and sales staff need to learn about each customer or prospect and how to work with them to effectively navigate the product selection process.

Unique Factors Influencing B2B Buying Behavior

Because organizations are made up of individual people, many of the same influencing factors discussed earlier in this module apply in B2B settings: situational, personal, psychological, and social factors. At the same time, B2B purchasing decisions are influenced by a variety of factors that are unique to organizations, the people they employ, and the broader business environment.

Individual Factors

B2B decisions are influenced by the characteristics of the individuals involved in the selection process. A person's job position, tenure, and level in the organization may all play a role in influencing a purchasing decision. Additionally, a decision maker's relationships with peers and managers could lead them to exert more–or less–influence over the final selection. Individuals' professional motives, personal style, and credibility as a colleague, manager, or leader may play a role. To illustrate, a new department head might want to introduce an updated technology system to help her organization work more productively. However, her short time in the role and rivalry from other department heads could slow down a buying decision until she has proven her leadership capability and made a strong case for investment in the new technology.

Organizational Factors

Purchasing decisions, especially big-ticket expenditures, may be influenced by the organization's strategies, priorities, and performance. Generally, the decision-makers and the providers competing for the business must present a compelling explanation for how the new purchase will help the organization become more effective at achieving its mission and goals. If a company goes through a quarter with poor sales performance, for example, the management team might slow down or halt purchasing decisions until performance improves. As suggested above, organizational structure plays a central role in determining who participates in the buying process and what that process entails. Internal organizational politics and culture may also impact who the decision-makers are, what power they exert in the decision, the pace of the buying process, and so forth. An organization's existing systems, products, or technology might also influence the buying process when new purchases need to be compatible with whatever is already in place.

Business Environment

B2B purchasing is also influenced by factors in the external business environment. The health of the economy and the company's industry may determine whether an organization chooses to move ahead with a significant purchase or hold off until economic indicators improve. Competitive pressures can create a strong sense of urgency around organizational decision-making and purchasing. For instance, if a leading competitor introduces a compelling new product feature that causes your organization to lose business, managers might be anxious to move forward with a project or purchase that can help them regain a competitive edge. When new technology becomes available that can improve products, services, processes, or efficiency, it can create demand and sales opportunities among companies that want the new technology in order to compete more effectively.

Government and the regulatory environment can also influence purchasing decisions. Governmental organizations often have very strict, highly regulated purchasing processes to prevent corruption, and companies must comply with these regulations in order to win government contracts and business. Similarly, lawmakers or governmental agencies

might create new laws and regulations that require organizations to alter how they do business—or face penalties. In these situations, organizations tend to be highly motivated to do whatever it takes, including purchasing new products or altering how they operate, in order to comply.

Video: Complexities of a B2B Solution Sale

With the rise in mobile communications, Air Canada found itself in a situation where its technology just wasn't keeping up with what its passengers and employees needed. It initiated a buying process to figure out what new systems and processes it should implement to improve information, communications, and how people interact with the airline.

The following video provides insight into the technical needs of Air Canada and how working with IBM and Apple to provide solutions has benefited Air Canada and their customers.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=417

You can view the [transcript for "Air Canada Flies High with a Boost from IBM Digital Technology"](). (opens in new window)

Reading: The Organizational Buying Process

Making B2B Buying Decisions

The organizational buying process contains eight stages, which are listed in the figure below. Although these stages parallel those of the consumer buying process, there are important differences that have a direct bearing on the marketing strategy. The complete process occurs only in the case of a new task. In virtually all situations, the organizational buying process is more formal than the consumer buying process.

It is also worth noting that B2B buying decisions tend to be more information-intensive than consumer buying decisions. As the marketing opportunity progresses, buyers seek detailed information to guide their choices. It is unlikely that a B2B buyer—in contrast to a consumer—would ever make a final buying decision based solely on the information they see in a standard advertisement.

The organization buying process stages are described below.

STAGES OF ORGANIZATIONAL BUYING

Problem Recognition

The process begins when someone in the organization recognizes a problem or need that can be met by acquiring a good or service. Problem recognition can occur as a result of internal or external stimuli. Internal stimuli can be a business problem or need that surfaces through internal operations or the actions of managers or employees. External stimuli can be a presentation by a salesperson, an ad, information picked up at a trade show, or a new competitive development.

PROBLEM RECOGNITION

NEED DESCRIPTION

PRODUCT SPECIFICATION

SUPPLIER SEARCH

PROPOSAL SOLICITATION

SUPPLIER SELECTION

ORDER-ROUTINE SPECIFICATION

PERFORMANCE REVIEW

General Need Description

Once they recognize that a need exists, the buyers must describe it thoroughly to make sure that everyone understands both the need and the nature of solution the organization should seek. Working with engineers, users, purchasing agents, and others, the buyer identifies and prioritizes important product characteristics. Armed with knowledge, this buyer understands virtually all the product-related concerns of a typical customer.

From a marketing strategy perspective, there is opportunity to influence purchasing decisions at this stage by providing information about the nature of the solution you can provide to address the organization's problems. Trade advertising can help potential customers become aware of what you offer. Web sites, content marketing, and direct marketing techniques like toll-free numbers and online sales support are all useful ways to build awareness and help potential customers understand what you offer and why it is worth exploring. Public relations may play a significant role by placing stories about your successful customers and innovative achievements in various trade journals. (Note that the

AirCanada video you just watched is an example of this. The video was created by IBM and is offered as one of many "IBM client stories.")

Product Specification

Technical specifications come next in the process. This is usually the responsibility of the engineering department. Engineers design several alternatives, with detailed specifications about what the organization requires. These specifications align with the priority list established earlier.

Supplier Search

The buyer now tries to identify the most appropriate supplier (also called the vendor). The buyer conducts a standard search to identify which providers offer what they need, and which ones have a reputation for good quality, good partnership, and good value for the money. This step virtually always involves using the Internet to research providers and sift through product and company reviews. Buyers may consult trade directories and publications, look at published case studies (written or video), seek out guidance from opinion leaders, and contact peers or colleagues from other companies for recommendations.

Marketers can participate in this stage by maintaining well-designed Web sites with useful information and case studies, working with opinion leaders to make advantageous information available, using content marketing strategies to make credible information available in sources the buyer is likely to consult, and publishing case studies about customers using your products successfully. *Consultative selling* (also called *personal selling*) plays a major role as marketers or sales personnel learn more about the organization's goals, priorities, and product specifications and provide helpful information to the buyer about the offerings under consideration.

Six of the mirror segments for NASA's James Webb Space Telescope. The mirrors were built by Ball Aerospace & Technologies Corp., Boulder, Colorado

Proposal Solicitation

During the next stage of the process, qualified suppliers are invited to submit proposals. Depending on the nature of the purchase, some suppliers send only a catalog or a sales representative. More complex purchases typically require submission of a detailed proposal outlining what the provider can offer to address the buyer's needs, along with product specifications, timing, and pricing. Proposal development requires extensive research, skilled writing, and presentation. For very large, complex purchasing decisions, such as the solution sale described above, the delivery of a proposal could be comparable to a complete marketing strategy targeting an individual customer. Organizations that respond to

many proposals typically have a dedicated proposal-writing team working closely with sales and marketing personnel to deliver compelling, well-crafted proposals.

Supplier Selection

At this stage, the buyer screens the proposals and makes a choice. A significant part of this selection involves evaluating the vendors under consideration. The selection process involves thorough review of the proposals submitted, as well as consideration of vendor capabilities, reputation, customer references, warranties, and so on. Proposals may be scored by different decision-makers using a common set of criteria. Often the selection process narrows down vendors to a shortlist of highest-scoring proposals. Then the short-listed vendors are invited to meet with the buyer(s) virtually or in-person to discuss the proposal and address any questions, concerns, or gaps. At this stage, the buyer may attempt to negotiate final, advantageous terms with each of the short-listed vendors. Negotiation points may cover product quantity, specifications, pricing, timing, delivery, and other terms of sale. Ultimately the decision-makers finalize their selection and communicate it internally and to the vendors who submitted proposals.

Consultative selling and related marketing support are important during this stage. While there may be procurement rules limiting contact with buyers during the selection process, it can be helpful to check in periodically with key contacts and offer any additional information that may be helpful during the selection process. This phase is an opportunity for companies to demonstrate their responsiveness to buyers and their needs. Being attentive during this stage can set a positive tone for how you will conduct future business.

Order-Routine Specification

The buyer now writes the final order with the chosen supplier, listing the technical specifications, the quantity needed, the warranty, and so on. At this stage, the supplier typically works closely with the buyer to manage inventories and deliver on agreement terms.

Performance Review

In this final stage, the buyer reviews the supplier's performance and provides feedback. This may be a very simple or a very complex process, and it may be initiated by either party, or both. The performance review may lead to changes in how the organizations work together to improve efficiency, quality, customer satisfaction, or other aspects of the relationship.

From a marketing perspective this stage provides essential information about how well the product is meeting customer needs and how to improve delivery in order to strengthen customer satisfaction and brand loyalty. Happy, successful customers may be great candidates for published case studies, testimonials, and references for future customers. Dissatisfied customers provide an excellent opportunity to learn what isn't working, demonstrate your responsiveness, and improve.

Procurement Processes for Routine Purchases

As noted above, the complete eight-stage buying process described here applies to new tasks, which typically require more complex, involved purchasing decisions. For rebuys and routine purchases, organizations use abridged versions of the process. Some stages may be bypassed completely when a supplier has already been selected.

Organizations may also use e-procurement processes, in which an approved supplier has been selected to provide a variety of standard goods at pre-negotiated prices. For example, an organization may negotiate an e-procurement agreement with Staples that allows employees to order office supplies directly from the company using an approval workflow in the ordering system. These systems help simplify the buying process for routine purchases, while still allowing appropriate levels of approvals and cost controls for the buyer.

7.6 Putting It Together: Consumer Behavior

Applying the Concepts: Finn's Family Buys a Pet

Do you remember Finn, the newest little consumer who arrived at the beginning of this module? Let's suppose that Finn's parents decide they want him to grow up with an animal friend. This gives us a chance to apply what we've been discussing about consumer behaviour and see what happens as they go through the consumer decision process to buy a pet.

Since finding a pet is definitely a high-involvement decision for them, these are the steps they will go through:
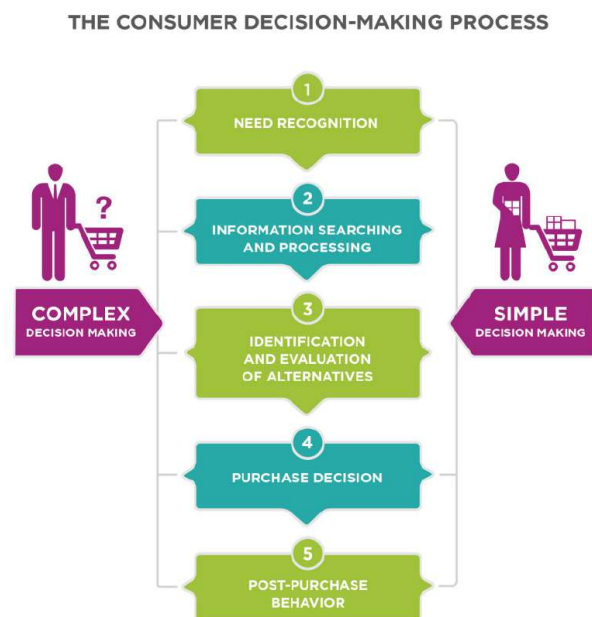
Recognize Needs

The Consumer Perspective: Finn's parents, Robert and Amanda, know they want a pet. They're not sure what kind of pet. They're pretty sure they want it to be cuddly and lovable—something a child can interact with and not get too wet, bitten, or diseased (or maybe just a little). They also want a pet with some longevity, so that Finn can grow up with his animal friend. Although they are busy getting used to a new infant in their lives, Robert and Amanda are both on leave from their jobs for eight weeks, so it could be a good time to get used to a new animal, too. They decide it's time to get serious about finding a pet.

The Marketer's Perspective and Tactics: You manage marketing for an animal rescue organization in your local community. Somehow you need to get in front of Finn's family to let them know about your animals and why they should

start their search with you. Fortunately, you've been working with Google to get a paid placement for your organization near the top of Google searches for kittens and puppies in your area, so when Robert does his first search, he sees your listing. You also routinely post fliers on information boards around your community, and you've been working on your Web site to make sure it is search optimized for people searching for pets in your area.

Search for Information

The Consumer Perspective: Robert has grown skilled at searching the Internet while rocking Finn to sleep at the same time. He and Amanda need to research a few questions:

- What kind of pet should they get: dog, cat, guinea pig, ferret, something else?
- Where should they get the pet: pet shop, breeder, online provide, animal rescue, someplace else?
- How much should they expect to pay for the pet?
- How should they take care of the pet once they get it?

I am so much better than a dog. Take me home.

Robert is already leaning strongly toward getting a dog.

His family had dogs when he was growing up, and he loves the idea of his son having the same experience. Amanda is on the fence, until they start reading about best pets for kids in parenting articles online, and they start talking to friends. Robert's family preference for dogs is validated in articles claiming that dogs are good pets for children and that potential problems (allergies, behaviour issues) can be minimized by having the dog around children from a young age. As they begin to investigate places to get a dog, Amanda and Robert are disturbed to read about puppy mills and warnings against buying dogs from unscrupulous online sellers. They agree that they should stay local and check out pet shops, breeders, or animal rescue organizations in their area. Animal rescue would probably be the cheapest option, but they want to shop around and see what's available.

The Marketer's Perspective and Tactics: One of your organization's board members is a well-known mommy blogger who feels passionately about pets and kids. At your request, she's written a few posts over the past several months providing advice for parents who are considering a pet, and recommending animal rescue as the way to go. You've cross-posted her pieces on the rescue organization's Web site blog, and she's linked to your Web site in her posts. You know from Google Analytics that you're getting pretty good traffic to your Web site from that link and her posts. The Web site also contains information to educate people about the advantages of adopting rescue animals, reinforcing how rewarding it is to offer these pets a loving home. You know from research that families tend to get interested in pets when they have young children, so you update the Web site with adorable recent adoption photos showing young families welcoming their new pets. You also know that people have lots of questions when they're looking for pets, so you prominently feature "Adopting a Pet: What To Expect" on your Web site.

Evaluate Alternatives

The Consumer Perspective: Now that Robert and Amanda know they want a dog, they are honing in on what type of dog and where to get it. They've been reading dog owner sites about different breeds, and they've been reading Yelp reviews about people's experiences with the local pet shops, breeders, and rescue organizations. They are keeping an eye on Craigslist to see what shows up there, and they've made a couple of visits to see some of the breeds they are considering. Robert is really charmed by a local breeder's Labradoodles, and online communities rave about how good these dogs are with children, but there is a yearlong waitlist for the puppies and they cost upwards of $1,500. Amanda has joined a mothers' group, and two of the moms have dogs. One has a golden retriever. She bought the dog at a local pet shop and loves him, but she has been surprised by the number

Sad pet-store dog. Eye problems.

of health problems he's had. The other mom has a friendly terrier mix she got from a local rescue organization, and she was very happy with the experience.

The Marketer's Perspective and Tactics: You're trying to do more with word-of-mouth and social media promotion, so you've started asking each family that adopts one of your animals to post about their experience on Yelp and Google reviews. You've been doing more with Facebook and Instagram, building up followers and posting pictures of some of the sweet rescue animals people can meet and adopt. Since it's free, you also post regularly in the "Pets" area of Craigslist and you've found that is a great way to connect with local area families looking for pets. Craigslist shoppers tend to be good candidates for adopting rescue animals. When people come into the center, you find out what they are looking for, and you make sure they learn about the advantages of adopting a rescue animal and how simple the process can be. You also get their contact information so you can stay in touch with them electronically and let them know when a new animal arrives that might be a good fit for their family.

Make a Purchase

The Consumer Perspective: Amanda is very moved by their visit to the local animal rescue center. She is impressed with several of the dogs they met, and she loves the idea of adopting an already-house-trained pet, instead of starting from scratch with a puppy. Robert's heart is still with the Labradoodles, but they agree that the yearlong wait and hefty price tag probably aren't worth it. Although the pet store puppies are adorable, Amanda keeps thinking about her friend's golden retriever and health problems, which are probably linked to overbreeding. After thinking things over, they decide to return to the rescue center with Finn and meet the dogs there again. This time, one of the dogs is a standout: a smart little Scottish terrier mix named Bonnie who makes Finn's eyes light up every time she comes near. The choice is made, and the James family is delighted.

The Marketer's Perspective and Tactics: Once a family comes to the center a second time, you know from experience that they're hooked. You need to make sure they fall in love with an animal that will be a good fit for their children and living situation. You've designed the application process to make sure that it helps you screen people and also match them with the best pets. But it's also a thoughtful, informative experience for the people who come in, so they can learn

about what it takes to be a good pet owner. Once a new pet owner finds "The One," you snap photos for the happy family bulletin board at the center and ask permission to share the pictures on your Web site and social media. You also invite them to post the picture on social media and share their experience with the center in a Yelp or Foursquare review. A going-home packet includes useful information about caring for their new animal and contact information in case they have questions or concerns.

Post-Purchase Behavior

The Consumer Perspective: The new addition to the James family is everything Amanda and Robert had hoped for. Bonnie is sweet-tempered, playful, gentle with Finn, and smart as a whip. For Robert, Bonnie brings back the joy and companionship he remembers from his childhood pets. Amanda is so delighted that she tells everyone who will listen about their wonderful experience adopting a rescue animal. Next time they are considering a pet, they'll know exactly where to go.

Bonnie, the winner.

The Marketer's Perspective and Tactics: You've developed a process for checking in on adoption families after a couple of weeks to make sure things are working out. If they haven't done so already, you nudge them to write a review about their adoption experience on Yelp or another review site, assuming their experience has been good. If they aren't doing so well, you try to find out why and suggest some tips and strategies for turning things around. If red flags come up during these conversations, you make a note for one of the center's volunteers to do a wellness check on the owner and animal, so that the center can intervene and avoid serious problems. Fortunately, the follow-up process usually results in happy stories about how much the animals and their new families love each other. And that's a major reason why you keep doing this job.

Practice Quiz Chapter 7

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

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An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=983#h5p-10

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CHAPTER 8: POSITIONING

Learning Objectives

- Why positioning matters.
- Define positioning and differentiation, and why they are important to marketing a product or service
- Explain the process of selecting a positioning and differentiation strategy
- Develop and evaluate positioning statements based on defined criteria
- Explain repositioning and the associated risks and complexities of repositioning a product or service
- Describe the process of implementing a positioning strategy

8.1 Why It Matters: Positioning

Why create a product or service positioning statement that aligns with a value proposition and a target segment?

Ever since you were small, you have loved special occasions and gatherings. It started with sprawling extended-family picnics when you were a child. From there, you graduated to bigger and more elaborate events: attending fairs and grand openings, crashing weddings and voter conventions, wandering through business expositions at the local convention center. In fact, one of your favorite memories is of the time you sneaked into the legendary Consumer Electronics Show when you were visiting your cousin in Las Vegas. As far as you're concerned, the more people, the bigger the party and the better.

Now, as an adult, you've landed a job with Shindiggity, an events management firm that specializes in putting on conferences, trade shows, and events for industry associations and companies. You love getting to meet new people, travel, and work on making fun, memorable events.

Here's the challenge: Shindiggity is relatively small and new on the events management scene. Although events management is a growing area for business services, it's also a fairly crowded field. When you google "events management company," you get 432 million results. Shindiggity is easily lost in the crowd.

At Shindiggity's annual retreat, employees from across the company are divided into several groups, and each group is given the same task: How can we get Shindiggity to stand out from the competition?

You realize that the VP from your division has been assigned to your group and that this is a great chance for you to impress her with your creativity and initiative. You also want to help your company be successful. Right off, you jot down some questions to focus your thinking:

- What makes Shindiggity better than competitors? Is it the quality of events? The creative ideas? The amazing people? The way it uses technology to make things smoother and more efficient? Something else?
- Who do we need to talk to about Shindiggity, and what will make them decide to give us a try?
- How can we make sure they remember Shindiggity and what we stand for?

These are critical questions you need to answer in order to help your company (and, you think, impress the VP). At the core, they are questions about positioning and differentiation: What position do you hold in customers' minds? What position do you *want* to hold? How are you different in positive ways that make you stand out from the pack?

If Shindiggity can't figure out how to make a lasting impact in customers' minds, it won't win enough clients to stay in business. And, if it goes out of business, you'll be job hunting instead of continuing to do the work you love. On the other hand, if you come up with great ideas, you may help Shindiggity *position* itself effectively against competitors, which

could lead to new business and—who knows?—to more job responsibility or a promotion for you. It's pretty obvious which scenario you decide to pursue.

8.2 Defining Positioning and Differentiation

Positioning addresses an important question: What do you want to be known for?

Positioning provides the basic foundation for effectively marketing any product or service to a target audience. Positioning goes hand in hand with differentiation (in much the same way that segmentation and targeting work together). Differentiation is the process of figuring out what will make your product different and better in ways that matter to customers–and ways that are not easily replicated by competitors.

Positioning and differentiation offer something of a road map for marketing a product or service to the customers you're targeting. Read on to learn more.

Reading: Defining Positioning and Differentiation

What Makes You Different and Better?

Positioning is a strategic process that marketers use to determine the place or "niche" an offering should occupy in a given market, relative to other customer alternatives. When you position a product or service, you answer these questions:

- **Place**: What place does the offering occupy in its market?
- **Rank**: How does the product or service fare against its competitors in the areas evaluated by customers deciding what to buy?
- **Attitude**: How do we want customers to think about this offering and the benefits it offers them?
- **Outcomes**: What must we do to ensure the product or service delivers on the positioning we select?

Marketers use the positioning process to identify the distinctive place they want a product or service to hold in the minds of a target market segment. Effective positioning is always aimed at a specific target segment. In fact, positioning tailors the generally focused _value proposition_ to the needs and interests of a particular target segment.

Positioning can be subtle and hard to detect, but it can also be easy to spot when it conforms to your perceptions as a consumer. Perhaps one of the following positions appeals to _you_: Volvo, for example, positions itself as a family of premium vehicles that are well designed for performance, innovation, and safety. Kia strives to position itself as delivering practical, utilitarian vehicles that offer high quality and value for the price. Cadillac is, well, the Cadillac of automobiles: powerful, luxurious, and catering to every need of its well-heeled drivers and passengers.

Differentiation is closely related to positioning. Differentiation is the process companies use to make a product or service stand out from its competitors in ways that provide unique value to the customer. Differentiation identifies a set of characteristics and benefits that make a product different and better for a target audience. Ideally, these qualities are things that 1) customers value when they are evaluating choices in a purchasing decision, and 2) competitors cannot easily copy. When both conditions exist, the offering is more attractive to target customers.

Differentiation is at work any time you're choosing between two products in the same category. For example, when you're buying a soft drink, why do you choose Coke, Pepsi, Sprite, or Mountain Dew? Is it because of the taste? The cost? The level of sugar or caffeine? Or is it something less tangible, like the way you just want to smile when you drink Coke, or you feel amped up when you drink Mountain Dew? These tangible and intangible qualities are what differentiate one soft drink from another.

Interconnected Strategies

Positioning and differentiation are connected in important ways. Effective positioning for a product or service is based on the differentiating characteristics or qualities that make the product/service better than the competition

in the minds of the target segment. Positioning and differentiation are strategic activities: marketers work to create the desired position for a product or service in the market, rather than waiting for it to be created by customers, the public, or competitors. The end result of positioning is the successful creation of a market-focused value proposition: "This is the compelling reason why the target segment should buy the product." Positioning shapes key elements of the marketing mix: which features matter most in the differentiation of a product or service, what messages to communicate about the offering, how to price it relative to competitors, and the role distribution might play in satisfying the customer.

To illustrate, think about North American retail chains targeting households as a target segment. The table below identifies the ways in which three large retail chains position themselves to attract customers and the key differentiators they use to set themselves apart.

Retail Positioning and Differentiators

Name	Positioning	Differentiators
Wal-Mart	Wide selection of products people want, at the lowest prices	Wide selection; low prices
Target	Trendy, fashionable products at reasonable prices	Continually refreshed, on-trend product selection
HBC	Compliment HBC's assortment selection making it the shopping destination for exciting and stylish brands Canadians cannot get anywhere else	Broad selection of most-wanted, upscale brands; engaging shopping experience

Note that, in each case, positioning is based on factors that are important to the target segment(s) each retailer focuses on. Wal-Mart customers are very brand-loyal because of the company's commitment to low prices and huge selection. Loyal Target customers love browsing the latest, on-trend apparel, accessories, and home fashions. HBC's shoppers appreciate a more elegant, integrated shopping experience with choice with exclusive brands. Each of these positioning strategies carves out a "niche" of the retail market that defines the particular, differentiating strengths of each chain in the minds of customers.

Positioning is essential for launching a new product or service, because it helps marketers and customers understand how the new offering fits into the set of available choices, and it makes a set of claims about why customers should consider it. Positioning can also be useful at any other stage of the product life cycle to help clarify what makes a product or service different from competitors and why people should prefer it.

Positioning Is a Statement

Positioning plays an important role for marketers in expressing how they will make an offering attractive to customers. It also helps customers become educated about the options available to them so they can evaluate and select the product or service that's the best fit.

Positioning is most often articulated as a positioning statement. A **positioning statement** is <u>one</u> sentence that concisely identifies the target market and what you want customers to think about your brand. This statement should include:

1. the target market
2. the brand name
3. the key points of differentiation
4. the product/service category or frame of reference in which you are establishing this market position
5. the reasons customers should believe the positioning claims.

Positioning statements should also be statements of truth. Effective positioning is credible and convincing, reflecting customers' actual experiences with the product or service. If a positioning statement does not reflect the customer's reality, the positioning will fail because it will not take hold in the minds of consumers. Likewise, positioning must be based on qualities that matter to customers as they consider which product/service to purchase. If positioning is based on characteristics or customer benefits that do not matter, customers will opt for other offerings that deliver what they care about. We will discuss positioning statements in more detail later in this module.

Same Offering, Different Positioning

Because effective positioning is always linked to a specific target segment, it is worth pointing out that the same basic product or service may be positioned differently for different market segments. When this happens, it is because companies recognize that their target segments are looking for different qualities when they make their purchasing decisions. Different positioning strategies for the same product enable marketers to communicate the value of the product or service more effectively to each target audience.

For example, the U.S. airline JetBlue caters to two "sweet spot" target segments: 2) "high-value leisure travellers" and 2) "mixed-wallet customers," who fly for both business and leisure. The airline's positioning for "high-value leisure travellers" focuses on attractively priced airfare and packages to fun vacation destinations, along with a comfortable flying experience. For "mixed-wallet customers," JetBlue positions itself as providing a competitively priced and convenient flying experience with features like expedited security and multiple fare options in case travel plans need to change. In both cases, JetBlue is selling air travel, but the positioning for each target segment is built around the differentiating qualities that make JetBlue particularly

attractive to those segments.[1] This compares to Canada's Porter Airline who "offers unbundled fares that give customers the option of choosing the products and services they find most valuable." What you're seeing really is an industry in general that is doing a much deeper job of segmenting the type of customers that are in the market and providing fares and experiences that are relevant to that specific segment. Similar to Jet Blue, Porter's initial segment focused in 2006 on Business travellers who are time and price sensitive. They also offered flying boardrooms and events for a unique set of services. In 2015, they extended to reach and market to leisure flyers primarily through direct marketing.[2]

1. http://skift.com/2013/03/20/why-jetblue-doesnt-target-road-warriors-and-doesnt-plan-to-anytime-soon/
2. https://strategyonline.ca/2018/07/17/porter-joins-competitor-airlines-with-new-entry-level-fare/

8.3 The Positioning Process

- Explain the concept of competitive advantage and how it relates to positioning strategy
- Differentiate between product features and benefits
- Explain positioning (perceptual) maps
- Identify common positioning strategies
- Explain the process of selecting a positioning and differentiation strategy

Positioning and differentiation are powerful tools to help you establish the market position you want for your product or service. In this section you'll learn how various positioning approaches work for different target segments and how to choose an effective positioning and differentiation strategy.

Learning Activities

- Reading: The Positioning Process
- Video: Starbucks Delivers Community and Connection

Reading: The Positioning Process

Getting to the Right Position

Arriving at the best positioning and differentiation strategy involves a process. The goal of the process is to design an identity that both confirms the value of the product, service, or brand in the customer's mind and explains why and how the offering is better than the competition. To reach that goal, marketers typically follow a positioning process comprised of the following five steps:

The Five Steps of the Positioning Process

1. Confirm your understanding of market dynamics
2. Identify your competitive advantages
3. Choose competitive advantages that define your market "niche"
4. Define your positioning strategy
5. Communicate and deliver on the positioning strategy

Step 1: Confirm Your Understanding of Market Dynamics

At the start of the positioning process, you need a firm understanding of your target market and answers to the following questions:

- In which product, service, or market category (also called the "frame of reference") do you plan to use this positioning?
- Which [target segment](https://pressbooks.nscc.ca/nsccprinciplesofmarketing/chapter/outcome-segmentation-and-targeting-rationale/) (https://pressbooks.nscc.ca/nsccprinciplesofmarketing/chapter/outcome-segmentation-and-targeting-rationale/) is your focus for the positioning you are developing?
- What factors do these buyers evaluate when they make a purchasing decision?
- How do these buyers view your competitors in the category?

If you don't have answers to these questions, you should consider [conducting formal or informal marketing research](https://pressbooks.nscc.ca/nsccprinciplesofmarketing/chapter/reading-importance-of-marketing-information/) (https://pressbooks.nscc.ca/nsccprinciplesofmarketing/chapter/reading-importance-of-marketing-information/) to reach a better understanding of your target market and the market dynamics around it. Some marketers may have the time and resources to conduct extensive research, while others may need to rely on their own experience and anecdotal conversations with target customers. Either way, you'll remember that the customer is at the centre of the marketing mix, so knowing whom you're targeting is the only place to start.

Step 2: Identify Your Competitive Advantages

A **competitive advantage** is some trait, quality, or capability that allows you to outperform the competition. It gives your

product, service, or brand an advantage over others in purchasing decisions. Competitive advantage may come from any or all of the following:

- **Price:** Something in your production process or supply chain may make it possible for you to provide comparable value at a lower cost than competitors.
- **Features:** You may provide tangible or intangible features that your competitors do not: for example, more colours, better taste, a more elegant design, quicker delivery, personalized service, etc.
- **Benefits:** You may provide unique benefits to customers that your competitors cannot match. Benefits are intangible strengths or outcomes your customer gets when they use your offering. For example, time savings, convenience, increased control, enjoyment, relaxation, more choices, feeling better about oneself, being more attractive, etc.

Create a list of the things that make you different from competitors in positive ways. Then identify which of these factors are also competitive advantages: the influential factors that help you perform better in the marketplace and cause customers to choose your product, service, or brand over other options.

As a rule, it is relatively easy for competitors to undercut your pricing or match your features, so it is difficult to maintain a consistent competitive advantage in either of these areas. Market-leading products, services, and brands are most likely to differentiate based on benefits—the intangible strengths and outcomes that are harder for competitors to match.

For example, many car companies achieve strong ratings in safety tests, but driving a Volvo provides an extra, intangible benefit for the driver of *feeling* safer because of Volvo's longstanding record and reputation for safety. A variety of theme parks in Southern California offer exciting rides and family fun, but only Disneyland's Magic Kingdom makes people feel like they're in *the happiest place on earth*.

You don't necessarily need a long list of competitive advantages, but your list should be substantive: it should include the things that **truly create distance** between your offering and competitors. Dig deep to identify the [intangible benefits](https://smallbusiness.chron.com/bring-life-service-intangible-product-25799.html) your customers experience–or intangible benefits they *could* experience—from your offering that make it different and better than the alternatives.

Step 3: Choose Competitive Advantages That Define Your Niche

Your list of competitive advantages represents a set of possible positioning strategies you could pursue for your product, service, or brand. The next step is to examine how these factors fit into customer perceptions of your broader competitive set. Your goal is to pick a positioning approach that gives you a unique and valued position in the market that competitors are not addressing.

A **perceptual map** is a great tool for this step. Perceptual maps create a picture of how different competitors are positioned in the market, based on the key criteria that strongly influence customer decisions. Examples of two different perceptual maps are included below. The first one maps automobile brands based on customer perceptions of price and quality. The second one maps lifestyle programming on cable TV channels, according to whether it is younger/edgier vs. older/mainstream and educational vs. entertainment.

Consumer Perception of Automotive Brands

Source: Sebastien Bellanger, https://rockstarsbm.wordpress.com/2014/11/23/perceptual-maps/
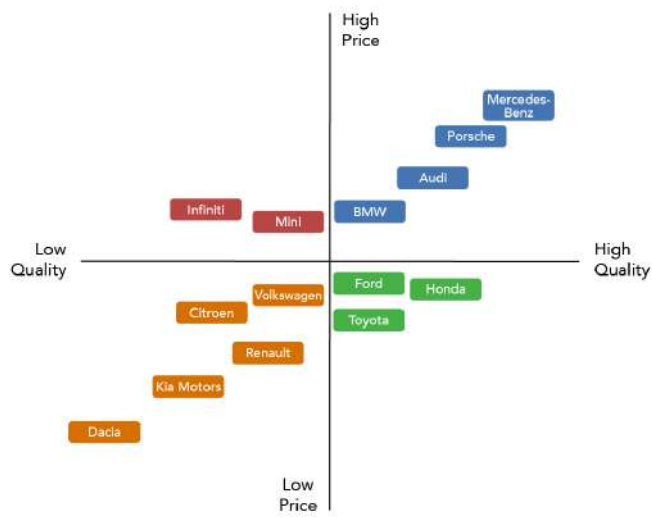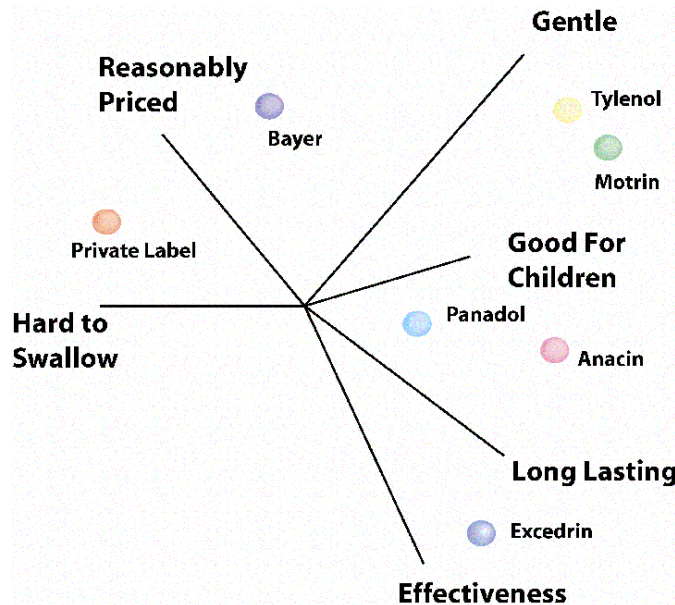
Marketers use these sorts of perceptual maps to identify gaps in the market; these, in turn, represent opportunities to to fill a niche in the market that isn't being addressed. For example, the lifestyle programming map suggests that there are not a lot of choices in the area of younger/edgier AND educational space. This might be a good place to position a new cable channel or programming direction. On the other hand, there are already lots of established players in the younger/edgier/entertaining space, so new entrants would have to beat out more competition to make an impact.

You can create a perceptual map similar to these by identifying the key criteria customers use when deciding what to buy and setting these as the horizontal and vertical axes. Then you can overlay competitors in the perceptual space where they seem to fit. You can even create multiple maps of the same market with different criteria on the horizontal

and vertical axes to get a different view of how competitors are positioned. Perceptual maps are most robust when they are based on actual marketing research data, but marketers can also create directional maps based on their experience and anecdotal understanding of market dynamics.

With your maps in hand, look for areas where there are fewer competitors: these are the spaces where you are most likely to be successful creating your own niche. Consider where your competitive advantages would help you fit well into these gaps; this will direct you to the strongest positioning opportunities for your product, service, or brand.

Give this approach a try: Suppose you are exploring whether to introduce your homemade, artisan-style ice cream to a wider audience, which will mean competing with national brands carried in local and regional grocery stores. Looking at the following perceptual map, where are the gaps in which you could create a niche for your product? Who would be your closest competitors?

Consumer Perception of Ice Cream Brands

Source: Alexandre Anne, https://brandauditicecream.wordpress.com/2-customer-insight/
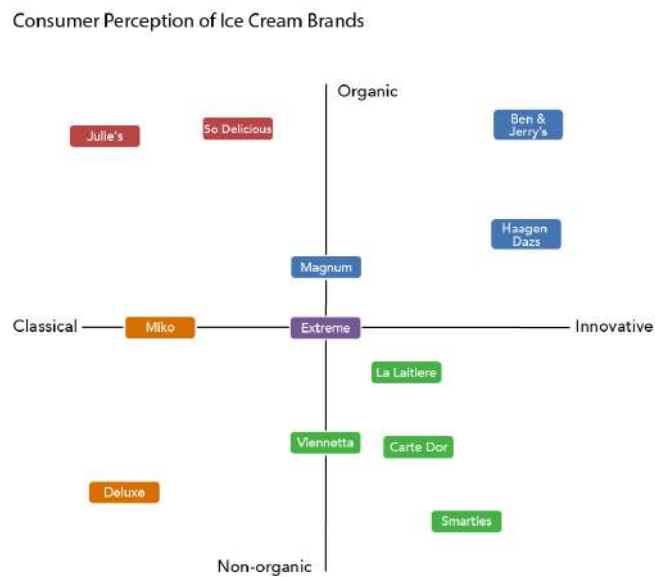
Your competitive advantage around a homemade, artisan-style product puts you on the upper half of the map. You would have to choose between more classic versus interesting and innovative ice cream choices. Based on your strengths and preferences, you can choose where to claim your positioning niche: Perhaps you stake your future on the classical side by introducing the most marvellous, pure, premium vanilla and chocolate ice creams your customers have ever tasted. Alternatively, you might choose to introduce an ice cream line that capitalizes on interesting flavour combinations using local and seasonal ingredients, which would position you squarely in the innovative quadrant. Either approach could be a winning combination in a unique market niche.

If you choose not to create a perceptual map, an alternate approach is to list competitors and their competitive advantages. Then, add your own own offering and competitive advantages to the list. Based on the alternatives available to customers, think about where there are gaps between what customers want and value most and what they can get from the choices available today. Identify where your competitive advantages can help you fit into these gaps, since they will be the most promising positioning approaches for you.

Remember to think creatively as you are defining your competitive advantages and choosing those that will define your positioning and market niche. You have a greater likelihood of success if you are also the first in the market to claim

your positioning. You won't have to displace anyone else, and you can generate excitement by fulfilling a previously unmet need.

Step 4: Define Your Positioning Strategy

With your competitive advantages identified and information about how key competitors are positioned, you're ready to evaluate and select your positioning strategy. This is the decision you make about how, exactly, you plan to position your offering relative to the rest of the field. How will you be different and better?

Hallmark = Caring shared
Hawaii = Aloha spirit
Guess Jeans = Sexy chic
Virgin Atlantic = Ultra cool fun

There are several common positioning strategies you should consider, shown in the following table:

Common Positioning Strategies

Differentiator	Positioning Strategy	Examples
Category Benefit	Position yourself as "owning" an important benefit and delivering it better than anyone else	Volvo = Safety
Best fit for the Customer	Position yourself as an ideal fit for the customer's personality, style, and approach	Red Bull = Extreme
Business Approach	Position yourself with a distinctive approach to doing business	Jimmy John's = Unbelievably fast
		TurboTax = Easy DIY
Anti-Competition	Position yourself as a preferred alternative to the competition	Apple = Think different
		Seven-Up = The Uncola
Price	Position yourself according to pricing: lowest cost, best value for the money, luxury or premium offering, etc.	Wal-Mart = Lowest prices
		CheapOair = Cheap flights
		Old Navy = Affordable fashion
Quality	Position yourself according to a quality standard: high quality, best-in-class, or else reliably good quality at a reasonable price	Arctic Brilliance Diamonds = Perfect cut
		Ritz Carlton Hotels = Ultimate luxury

Strong positioning is simple: it focuses on a single, powerful concept that is important to the customer. It uses your most promising competitive advantage to carve out the niche you will fill better than anyone else. Your positioning strategy puts this competitive advantage into the context of your competitive set: it explains what distinguishes you from the competition. Perhaps you deliver an emotional benefit that your target audience doesn't get anywhere else (escape? balance?) Perhaps you are hands down the best choice for a geeky, gear-head audience (bikers, coders). Perhaps you provide great customer service in a category where customer service is unheard of (cable TV, contractors).

Your positioning will become the "special sauce" that sets you apart. Concoct it well.

Step 5: Communicate and Deliver on Your Positioning Strategy

The next sections of this module will delve deeper into this step, but don't underestimate its importance. Communicating your positioning strategy begins with creating a positioning statement and sharing it internally across the organization to make sure that everyone understands how and where your offering will fit in the market. Your positioning builds on a competitive advantage, and it is essential for you to deliver on the expectations your positioning sets in customers' minds. You should design your positioning strategy to endure over time, while recognizing that it can and should be adjusted from time to time to reflect changes in the competitive set, your target segment, market trends, and so forth.

If your positioning is based on being an ideal "lifestyle" fit for your target audience, for example, you need to demonstrate how your offering is attuned to the needs and experiences of this audience. This includes evolving as your target segment evolves. If your positioning is based on "owning" an important benefit like *security* or *reliability* or *delight*, then you should explore all the ways you can deliver that benefit better than any competitor who might try to imitate you.

The marketing mix provides the set of coordinated tools you use to execute on your positioning strategy. You might think of your positioning strategy as the tune you want your target segment to hear. The marketing mix is how you orchestrate and harmonize that tune, making it a memorable, preferred choice for your target customers.

Video: Starbucks Delivers Community and Connection

What business is Starbucks really in?

"We wanted to build a third place between home and work," says Starbucks' CEO Howard Schultz, as he sits in one of his cafés, "at a time in America when people are hungry for human connection."

Watch the following video to learn how, from the beginning, Starbucks has positioned itself to be much more than just a seller of gourmet coffee. It has built its entire brand experience around a core positioning that offers "a sense of community" as much as coffee. It is selling a meeting place.

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=440

You can view the transcript for "Starbucks the Brand". (opens in new window) (https://oerfiles.s3-us-west-2.amazonaws.com/WM+Marketing/Transcriptions/StarbuckstheBrand_transcript.txt)

8.4 Developing Positioning Statements

After marketers work through the process of homing in on the best positioning strategy, they arrive at the final step: the positioning statement. The positioning statement reflects everything you've learned up to that point about how your product, service, or brand can best reach your target segment. As a document, it explains exactly how you plan to provide value to those target customers. In effect, it's a short, persuasive argument.

In this next section, you'll learn a simple formula for creating effective positioning statements. You'll also learn how to evaluate existing positioning statements and decide whether and how they might be improved.

Reading: Developing Positioning Statements
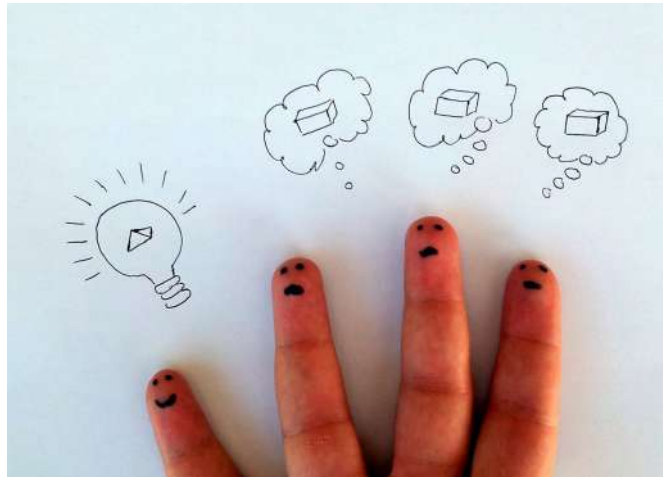
A Simple Formula

A **positioning statement** is one sentence that succinctly identifies the target market and spells out what you want them to think about your brand. This statement should include five elements:

1. the target segment
2. the brand name
3. the product/service category or frame of reference in which you are establishing this market position
4. the key points of differentiation
5. 5the reasons customers should believe the positioning claims.

The brand consultancy EquiBrand recommends the following straightforward formula for writing positioning statements:

> To [*target audience*], Product X is the only [*category or frame of reference*] that [*points of differentiation/benefits delivered*] because [*reasons to believe*].[1]

[2]

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1. http://equibrandconsulting.com/templates/positioning-templates
2. Source: equibrand.com

Four Alternative Positioning Strategies

■ **Position and own the category benefit**
  – Volvo: Safety
  – Miller Lite: Great taste, less filling
  – Disney: Magic
	■ **Position the product and the consumer**
	  – U.S. Army: Be all you can be
	  – Budweiser: For all you do, this Bud's for you
	  – Pepsi generation

■ **Position how the company does business**
  – Burger King: Have it your way
  – The friendly skies of United
  – WalMart: Always the lowest price
	■ **Position against the competition**
	  – Avis: We're #2. We try harder
	  – Seven-Up: The Un-cola
	  – Apple: Think different

EquiBrand
CONSULTING

Four Alternative Positioning Strategies to consider

The parts of the formula supplied by you (the marketer) are as follows:

- The **"target audience"** is a brief description of the segment you're targeting with this positioning strategy. For example: *young urban males*, *managing partners in law firms*, or *small business owners in the Pacific Northwest.*
- "**Product X**" is your product, service, or brand name.
- The "**Category or frame of reference**" is the category of products or services you're competing in. For instance: *spectator sporting events*, *virtual assistant services*, or *employer pension plan.*
- The "**points of differentiation/benefits delivered"** explains both what problem you solve and how you solve it in a different and better way than competitors. It highlights the competitive advantage(s) underpinning your positioning strategy. Be sure to explain not just what is different about you, but why customers care about that difference.
- The "**reasons to believe**" are any proof points or evidence that show your customers how you live up to your claims about how you are different and better.

Let's look at some examples of well-written positioning statements:

H & R Block continues to ask "Who is doing your taxes?" but has evolved their campaign positioning in 2019 to shift to who SHOULD be doing your taxes, under their umbrella theme of "Get what's yours?". [3]

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=447

3. https://strategyonline.ca/2020/03/04/hr-block-makes-its-expertise-more-explicit/

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=447

Amazon (circa 2001, when it sold primarily books)

> For World Wide Web users who enjoy books, Amazon is a retail bookseller that provides instant access to over 1.1 million books. Unlike traditional book retailers, Amazon provides a combination of extraordinary convenience, low prices and comprehensive selection.[4]

This clearly worded positioning statement follows the formula closely, even though the "reasons to believe" are added as a second sentence. It presents the competitive advantage ("*instant access to over 1.1 million books*") as a clear differentiator, and with this wording we also understand the problem Amazon solves–convenient access to lots of books. The specific reasons to believe are highly desirable benefits for the target audience.

4. http://www.fastcompany.com/3034721/hit-the-ground-running/figuring-out-the-delicate-art-of-positioning-your-startup

<div style="border:1px solid black; padding:1em;">

Amazon (circa 2019, largest logistics company in the world)

Amazon's positioning statement

"Our vision is to be the earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."

</div>

Positioning statements change as companies evolve as Amazon demonstrates. We will examine repositioning later in the chapter.

Here are a few more examples of different brand positioning.

<div style="border:1px solid black; padding:1em;">

Tide Laundry Detergent

Tide is the brand of laundry detergent that gets clothes their cleanest and keeps them looking new because "improved" Tide formulation powers out stains while keeping clothes from fading and fraying for the best value for families. [5]

</div>

The Tide positioning statement identifies the target audience so specifically that it's easy to create a vivid mental picture of the customer. The problem Tide solves is very clear: getting close clean. This statement emphasizes the product's competitive advantage around cleaning power and superior formulation, while promising valued benefits that customers enjoy when they use this product.

5. https://books.google.com/books?id=zEGhBgAAQBAJ, p. 115

The onus here is on the brand to provide these concrete benefits around not "fading and fraying," but these are definite reasons to believe if indeed the product can deliver and a reason to believe.

Evaluating Positioning Statements

How do you know when a positioning statement is going to be effective? Obviously, positioning statements should contain all the elements in the formula above, since that information is needed to translate the positioning strategy into a well-developed marketing mix. There are other criteria you should look for, as well. For example, the following:

- **Is it tailored to the target market?** Too often, positioning statements either leave out the target segment, or else the entire approach isn't really suited to that unique group. If a positioning statement would work just as well if you plugged in a completely different target segment, then you probably haven't thought deeply enough about your target's unique needs and what will make them want your product. Or, you've defined your target segment too narrowly, in which case you should revisit whom you're trying to reach.
- **Is it simple, focused, and memorable?** A positioning statement that is overly complex will be hard to execute against because it isn't focused enough to deliver a clear message to the customer. Make sure it is very clear what problem(s) you solve. Use easy-to-understand words instead of jargon that muddles the meaning. If your statement is running long, consider trimming a few differentiators or benefits. It's actually very good to prune down to the essentials so your meaning is crystal clear. Make every word count!

- **Does it provide an unmistakable picture of your product, service, or brand?** Your positioning statement should work beautifully for you, but not very well for your competitors. If you can substitute any competitor's name for your own in the positioning statement—and it still sounds credible—then you need some additional work on your differentiators and competitive advantages. If you are going to own your market niche, it must be a place that no one else can easily occupy.
- **Can you deliver on the promise you make?** The positioning statement promises some benefits or outcomes to your customers. You must be able to consistently live up to this promise—otherwise you'll lose credibility, and your offering will stand for something that's untrustworthy. If you can't live up to your promise, you need to take another, more realistic look at the offering's benefits and the customers' reasons to believe.
- **Does it provide helpful direction for designing the marketing mix and other decisions?** From the positioning statement, you should have a sense of what types of activities and messages are consistent with that positioning and support the brand you are working to build.

Practice: Evaluate These Statements

Read the following statements. For each one, ask yourself whether it's a strong *positioning statement* based on the formula and criteria outlined in this reading. Why or why not?

1. *Nike brings inspiration and innovation to every athlete in the world.*[6]
2. *For taxpayers, [H&R Block](https://www.hrblock.ca/) (https://www.hrblock.ca/) offers the best tools and tax professionals to examine their lives through taxes and find ways to help them save time and money.*[7]
3. *For shoppers, HBC's assortment selection makes it the shopping destination for exciting and stylish brands Canadians cannot get anywhere else.* **(insert footnote)**

Analysis: Here is how these examples stack up:

1. **Nike:** This is a powerful mission statement, and it sets a perfect tone for the Nike brand. However, it is not an effective positioning statement because it doesn't really articulate any points of differentiation, problems solved or reasons to believe.
2. **H&R Block:** This is an exemplary positioning statement, including each element of the formula in clear, concise terms. What's memorable and unexpected about this statement is how it humanizes tax preparation services by presenting them as services that "examine your life" and "find ways to help." There is room for improvement: it's arguable whether "taxpayers" is too broad as a target segment. But overall, this is a great example.
3. **HBC:** This example exhibits a couple of obvious weaknesses as a positioning statement. As a segment, "shoppers" is too broad. Surely HBC has more detailed information about its target segments and what they want. This statement discusses features ("*exciting and stylish brands*") but it does not mention any

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6. http://help-en-us.nike.com/app/answers/detail/a_id/113/~/nike-mission-statement
7. https://www.hrblock.com/corporate/our-company/

customer benefits. Positioning statements definitely need benefits–and reasons to believe. [See HBC's company info.](http://www3.hbc.com/hbc/about-us/) (http://www3.hbc.com/hbc/about-us/)

8.5 Repositioning

Positioning is a powerful tool, but when you position a product, service, or brand, the world doesn't stand still. Market conditions change. Your customers and competitors change. You change.

Positioning should be designed to last. But for most offerings, you'll eventually need to revisit your positioning strategy and consider whether to make adjustments. This process has a very logical name: *repositioning.* In some ways, repositioning is more challenging than initial positioning because you're building on prior established work, trying to strengthen what's working and fix what isn't—it's a bit like remodelling an old house instead of building one from scratch. In this next reading, you'll learn more about repositioning, the associated risks and complexities, and the rationale for doing it in the first place.

Learning Activities

- Reading: Repositioning

Reading: Repositioning

When It's Time to Change Direction

After they are initially introduced to the market, products, services, and brands are constantly being repositioned as a result of changes in competitive and market situations. Repositioning involves changing the market's perceptions of an offering so that it can compete more effectively in its present market or in other target segments.

Generally it is good to consider repositioning when you see the need or opportunity to improve demand for the offering. Perhaps sales have slowed down, your target segment is getting smaller, or you've developed a new innovation you'd like to introduce to the product. Specific factors that can trigger the decision to reposition a product, service, or brand include the following:

- **Competition:** New competitors entering or leaving the market; competitors joining forces; a competitor's innovation that threatens to make your offering obsolete; competitive pricing strategies
- **Market environment:** Economic slow-down or recovery; changes in consumer confidence, the political climate, or social forces like the movement around social responsibility and sustainability
- **Consumer trends:** Changing tastes and preferences; evolving attitudes and behaviours such as how consumers use technology to learn about, acquire, or interact with your offering; new segments emerging as targets for your offering
- **Internal environment:** Changes in organizational leadership and strategy; acquisition or development of new technology; introduction of innovation that offers new competitive advantages and differentiators

The tax preparation service H&R Block provides a useful example. As technology-savvy millennials (people born between 1980 and 2000) began entering the workforce and caring about taxes, H&R Block saw that this sizable young segment overwhelmingly preferred TurboTax and other technology-based, do-it-yourself tools, rather than hiring tax professionals like H&R Block. Even after introducing its own online tax preparation tools, H&R was not able to capture this market segment. With its competitive advantage undermined by technology and its established customer base getting older, H&R Block knew that if it wanted to survive, it had to figure out how to appeal to younger taxpayers.

In 2012 and 2014, the company invested in repositioning campaigns to alter the company's image and appeal to millennials. The campaigns combined satirical humor, social media, and social responsibility (in the form of charitable

donations) to get millennials' attention and create buzz around the H&R Block brand.[1] The following H&R Block video ad from the 2012 "Stache Act" campaign makes the case for a fictional Million Mustache March on Washington to alter the tax code to include a $250 deduction for facial hair grooming materials:

A YouTube element has been excluded from this version of the text. You can view it online here: https://pressbooks.nscc.ca/ nsccprinciplesofmarketing2e/?p=453

You can view the transcript for "Stache Act Campaign Ad – The Oval Office". (opens in new window)

The Repositioning Process

The repositioning process is very similar to the original positioning process, but it has a different starting point. The original positioning process focuses on creating a new position or market niche for an offering that wasn't there previously. The repositioning process, on the other hand, evaluates the established position of a product, service, or brand and focuses on how to alter the positioning–and, with positioning, market perceptions.

To change market perceptions, repositioning may involve changes in the tangible product or in its selling price, but this is not always required. Often the new positioning and differentiation are accomplished through changes in the promotional message and approach. It is very common to see companies launch marketing campaigns focused on

1. http://www.theguardian.com/money/us-money-blog/2014/mar/05/hipsters-taxes-brooklyn-ads-hrblock

repositioning a product or service, but few, if any changes, made to the product or service itself. These repositioning efforts often focus on trying to get a current target segment to take another look at a product or service and see it with a new perspective. Repositioning often aims to shift market perceptions in ways that make an offering more appealing to a broader swath of the market.

An important ongoing part of repositioning is to monitor the position of a product, service, or brand over time. This is necessary in order to evaluate what is working or not working about the current position and generate feedback to inform future positioning strategies. A product position, like the score in a ball game, may change readily; keeping track and making necessary adjustments is very important.

Repositioning Risks and Pitfalls

While repositioning is quite common, it carries risks and complexities that marketers must consider. Repositioning happens after initial market perceptions have already been established. Effective repositioning isn't just creating something new. Instead, it is trying to preserve what is good from the existing market positions and build or shift thinking toward something new. Repositioning offers the opportunity to make something new and better than what you had previously, but it also has the potential to undermine or weaken market perceptions.

Repositioning must always consider carefully what has come before, as well as what's ahead. In the repositioning process there's inevitably baggage: residual issues left over from earlier positioning work, which is what led you to the point of needing to reposition. Your product, service, or brand has a history, and people have memories: some people remember what the offering used to stand for, and they will try to figure out how the new positioning fits with their perceptions. Customers, employees, and other stakeholders will have opinions–sometimes very vocal ones–about whether the new positioning is better or worse, effective or ineffective. All of this represents a potential minefield for marketers. Despite these challenges, repositioning can also be very rewarding if you are successful at reshaping perceptions and creating a more powerful, meaningful product, service, or brand.

As you consider repositioning opportunities, try to avoid the following common pitfalls:

- **Insufficient research:** Marketing research should inform your choices about how to shift positioning in order to improve market perceptions of your product, service, or brand. You should also conduct research to help you understand how your target segment will react to the repositioning, so you're not caught off guard by adverse reactions.
- **A bridge too far:** It can be tempting to get wild and crazy with repositioning, especially if you're trying to freshen things up. While this strategy can work, sometimes marketers go so far in the new direction that customers no longer believe the claims. Their perceptions of the offering can't accommodate the new message or image, and the offering loses credibility.
- **Underestimating "back to basics":** Sometimes repositioning is undertaken because the target segment isn't sure what a product, service, or brand stands for. Instead of trying to infuse more new ideas and new meaning, marketers are sometimes better served by stripping positioning down to its bare essentials of competitive advantage, benefit, and message. Reinforcing the simple "basics" can be very powerful: this is what customers usually care about most.
- **Overpromising:** When faced with strong competitive threats, it can be easy for repositioning to overpromise benefits that a product, service, or brand is really ready to deliver. This can be disastrous because it creates customer expectations that the organization cannot live up to. Rarely does this end well.
- **Confusing positioning:** Repositioning can introduce confusion between the old positioning and the new, especially if they seem to contradict each other. Repositioning needs to offer a clear message for customers; otherwise they

are not sure what to believe.

The risks and pitfalls of repositioning are evident in the example of United Airlines and its "Rising" campaign. For decades, United positioned itself as a passenger-centre carrier providing great service embodied in the iconic tagline "Fly the Friendly Skies." Seeking a change in the late 1990s, United introduced a new positioning approach it called "Rising." Their strategy was to to highlight common frustrations with air travel and make bold promises about how United Airlines provided a different, better level of service. However, the airline was unable to operationalize the changes needed to live up to these promises. The company abandoned the campaign after just two years because the positioning–and the airline–had lost credibility with the customer.[2]

Repositioning Success

Despite the risks, repositioning can be wildly successful when it is handled effectively. A good case in point is the NGO's within the Red Cross. In 2009, the globe had sunk into the Great Recession, and the American and Canadian Red Cross was also feeling the pain. With its budget relying heavily on charitable donations, and with North Americans giving less due to the recession, the nonprofit organization faced a budget deficit going into the fourth quarter.

For many nonprofit organizations, the last quarter of the year is prime fundraising season, since people open their wallets for holiday giving. Up until 2009, this was not the case for the Red Cross. 2009 marked the 100th anniversary of the Canadian Red Cross. North Americans gave generously to the organization during disasters, but it wasn't people's top choice for holiday giving. Seeing an opportunity in this apparent disconnect, the American Red Cross engaged a creative agency to help repositioning the organization in the minds of potential donors.

Research confirmed that the competitive advantage of the American Red Cross, in consumers' minds, was providing help in times of disaster. The organization's then-current positioning of "Change a Life, Starting with Your Own" shared a powerful emotional message, but it did not reinforce the competitive advantage or create a sense of urgency around giving. The repositioning effort developed a new positioning direction expressed in the tag line "Give the gift that saves the day." The Canadian Red Cross launched the "We Answer" campaign.

This message reinforced the powerful role that the Red Cross plays in times of disaster and invited Americans to be part of that important work. With words like "give the gift," it also implanted the idea of the ARC as a great recipient for holiday giving. The following video was created as part of the 2009 integrated marketing campaign that introduced this new positioning.

2. http://www.wsj.com/articles/SB94719666565398524

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The repositioning was a resounding success. Income increased more than 5 percent compared to prior years. People who saw ads associated with the repositioning campaign were twice as likely to donate as people who didn't see them. The fourth quarter of 2009 was one of the strongest since 2000. Brand awareness increased by 6 percentage points. The benefits didn't stop in 2009, either. Building on their success, the ARC expanded the repositioning campaign in 2010. By the end of the year, income had increased 26 percent over 2009, and the average gift size increased 43 percent.[3]

In Canada, a year later the Canadian Red Cross received a record corporate donation from its largest donor, Walmart Canada in light of domestic disasters.

These impressive results reveal the power of repositioning when it is handled well.

We also reviewed the evolution of Amazon's business model and positioning statements earlier.

3. https://russreid.com/2013/02/american-red-cross-integrated-marketing-campaign/

8.6 Implementing Positioning Strategy

With your new positioning strategy and a well-formulated positioning statement, you are poised to take action.

But . . . how exactly?

What comes next is more familiar than you might think: You head back to the fundamentals of the marketing mix. The positioning strategy helps guide your adjustments to product, price, place (distribution), and promotion, so that you can effectively reach and shape the perceptions of your target market segment(s). In this section you'll learn how to do this.

Reading: Implementing Positioning Strategy

Putting Positioning into Practice

The positioning strategy, embodied in a strong positioning statement, is a touchstone for marketing and brand-building activities as marketers work to align everything they do in support of this core idea. In simple terms this means aligning the positioning strategy with the marketing mix.

Positioning statements provide a relatively easy way to check whether some aspect of the marketing mix is on target or off target: if a particular marketing message or activity reinforces the positioning statement, it's probably consistent with your goals for reaching a target segment. If a marketing activity doesn't reinforce the positioning statement, it will probably create some confusion among customers about what your product, service, or brand stands for.

THE MARKETING MIX

What does this mean in practice?

As you consider what you're doing in each area of the marketing mix, think about what your positioning statement is communicating to customers. Then ask yourself how each part of the marketing mix is helping you deliver on the expectations you are setting with those customers.

- **Product:** Is your product, service, or brand capable of delivering everything your positioning statement claims? Are any competitors doing it better than you? How should you adjust your offering to ensure that it lives up to the promises?
- **Price:** When it comes to pricing, how are you positioning your offering relative to competitors? If pricing is part of your positioning strategy, is your offering well aligned with the price you're asking customers to pay? What pricing strategies should you consider in order to compete more effectively? (More on this in the Pricing module.)
- **Place (Distribution):** Are any distribution-related themes like convenience or availability part of your positioning strategy or competitive advantage? If so, what are you doing to ensure that you can live up to what you promise? How are you communicating your new positioning approach to distribution and channel partners, and how does it impact them? (More on this in the Place module)
- **Promotion:** How are you translating your positioning strategy into messaging and actual communications with your target audiences? What behavioural shift are you trying to create as you launch your new positioning? Where and how do you need to alter existing materials to make them consistent with the new positioning (e.g., Web site, print, ads, social media, marketing content, sponsorships, events, etc.)? What types of campaigns will you use to introduce the new positioning? Which communication tools will be most effective at reaching target audiences, and what are you doing to coordinate marketing messages and activities across different channels? (Much much more to come in this area in the Promotion: Integrated Marketing Communications module.)

Every decision that is made regarding the brand should be judged by how well it supports the positioning

How a Positioning Statement can impact Marketing Mix

Persistence Pays

Implementing a new positioning or repositioning strategy is not a simple task. It takes time and effort to bring all the pieces together, to update the old and create the new. Implementing a positioning strategy resembles turning a ship: At first the maneuver is slow and deliberate. But once you've turned and charted the new direction, momentum picks up.

To be sure your positioning activities are having the effect you want, look for ways to measure the impact of your efforts. Depending on your goals and implementation activities, what you measure can vary, but may include one or more of the following:

- Sales/revenue
- Number of new/returning customers
- Average spending per transaction
- Brand/product awareness or perceptions
- Favourability toward product/service/brand
- New leads or inquiries from inside and outside your target segments
- Web site traffic
- Social media engagement
- Earned and organic media awareness
- Customer satisfaction
- Return on investment for marketing campaigns and other activities

Above all, don't forget to check in with customers directly to monitor how they are responding to the new positioning

efforts. In all likelihood, there are things that will work and things that won't work as you introduce the new direction. Having a direct line to customers for constructive feedback and recommendations can help you identify potential improvements and adjust course early to strengthen your impact and results. Social media can be an effective and inexpensive way to generate the feedback loop.

Before leaving the topic of implementing positioning, another application of positioning strategy deserves attention. For large, complex organizations that have many products and serve many different markets and customer types, effective positioning is crucial. It's the only way to ensure that the organization can deliver a coherent message and unique value to each target segment.

Example: Tyco Integrated Security

What does this look like in practice? Let's examine how the electronic security company Tyco Integrated Security (TycoIS)(https://www.tycois.com/) uses positioning.

Tyco Integrated Security is a B2B company that sells electronic security products, installation, and services in the U.S. and Canada. They recently merged with Johnson Controls. TycoIS produces a variety of security-related products and services that can be used across many different industries and sizes of companies. When you think about the security-related needs of different kinds of businesses, you realize that their needs vary widely. A small business needs systems and processes that are affordable and manageable by a single person or a small team. Large companies have extremely complex needs around physical, financial, personnel, supply chain, and information security. Needs also differ by industry. For instance, companies in the food business are concerned about food safety, handling, protection, and complying with regulations and inspections in order to stay in business. Most other industries have similarly specialized needs.

Company-Level Positioning

TycoIS must communicate at several different levels in order to convince people that it's the right partner for their business. Operating at the highest level, company-to-company, the following statement explains TycoIS's company-level positioning:

> We help companies protect their employees, customers, facilities, and operations from internal and external threats, and allow business to work smarter through enhanced security management and information management solutions.[1]

This positioning statement from the company's Web site fits our positioning formula quite nicely, except for one thing: the defined target segment is "companies." Is it possible to market anything effectively to all companies everywhere? No. This target is too broad. But it is a great starting point for businesspeople looking for security systems; it encourages them to delve deeper.

1. https://www.tycois.com/

Two-Tiered Segmentation

To divide up "all companies" into manageable chunks for marketing purposes, TycoIS uses two different segmentation schema at the same time: segmentation by 1) organization size and 2) industry. Figure 1, below, illustrates how Tyco mixes these schema together:

Small Business

Small businesses: We're right here with you. TycoIS has the Safer, Smarter solutions to help protect businesses like yours.

Manufacturing
Business Services
Warehousing
Religious Organizations
Property Management
Personal Services
Restaurant
Clinical and Medical
Retail
Car Dealerships
Education
Small Business - A/B Testing (Version C)
Small Business

Medium Business

Tyco Integrated Security works with middle-market companies to provide industry-leading security and business intelligence solutions.

Warehousing and Logistics
Religious Institutions and Membership Organizations
Property Management and Real Estate
Government
Retail
Restaurants and Entertainment
Manufacturing
Community Banking
Business Services
Healthcare
Education

Enterprise

Tyco Integrated Security works with global, national and regional organizations to help enhance security and business intelligence.

High Tech
Restaurant
Other Industries
Transportation & Logistics
Commercial and Industrial
Pharmaceutical
Retail
Government
Food and Beverage
Education
Banking and Financial

Figure 1.

Given the separate messaging for each business size, it's clear that TycoIS has developed positioning around three unique market segments: small businesses, medium-sized businesses, and large enterprises.The "Small Business" positioning uses a tone of personal reassurance: "We're right here with you." And, going a level deeper, "We offer affordable products and services to help you, as a small business owner, protect your investment."The "Medium Business" positioning mentions "industry-leading" solutions—a term that resonates with these organizations, which are striving to grow and become leaders. The "Enterprise" positioning emphasizes TycoIS expertise working at the global, national, and regional level. It also offers to "help enhance" security and business intelligence, rather than "provide" them. This subtle wording is wise: large, enterprise organizations tend to have a lot of legacy infrastructure and processes already in place, as well as in-house security expertise. With this positioning, TycoIS suggests that it will be an expert, helpful partner to complement and strengthen the security large companies already have.

Industry-Specific Positioning

Within each business-size segment, TycoIS has identified the common types of industries it works with. For each of these industries, TycoIS has unique positioning to convey that 1) we speak your language, 2) we understand your needs, and 3) we have a great combination of solutions just for you.

Figure 2.

Figure 2, above, illustrates how TycoIS positions its offering for medium-sized businesses in the restaurant and entertainment industry. For this target segment, the company clarifies the category of security solutions it offers: physical security, theft protection, food inventory and protection for restaurants, nightclubs, and other entertainment venues. The messaging highlights TycoIS's competitive advantage of offering industry-specific security specialists and business insights—on top of all the systems and gadgets it provides. This detailed, industry-specific positioning flows across each of the company-size segments, and it effectively communicates the following: "Regardless of your company size or industry, TycoIS has relevant experience and familiarity with your security challenges and needs." On the company's Web site, it is easy to browse the matrix of company types and industries to find the area that matches your business. Then, as you dig deeper, TycoIS's attention to target-segment positioning ensures that you will find information that speaks to your unique needs.
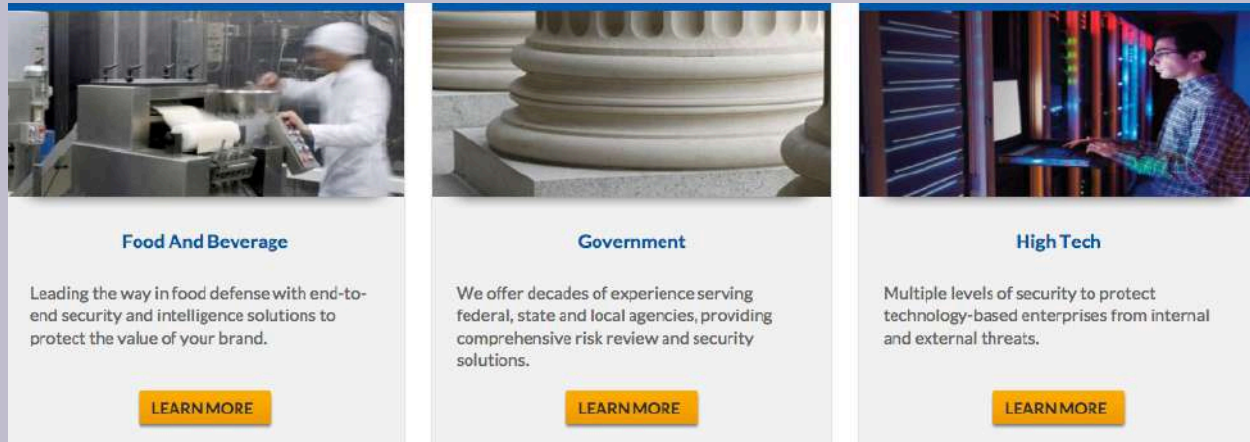
Figure 3.

It's mind-boggling to imagine all the positioning-strategy and messaging work that has gone into this type of marketing effort. In all, TycoIS actively targets 35+ different business segments! Not every organization needs this kind of detailed targeting and positioning schema. But many organizations, ones smaller and larger than TycoIS, find that this highly targeted use of positioning strategy is an effective way to do business and support their ongoing focus on customer needs.

8.7 Putting It Together: Positioning

Positioning Your Way Out of Obscurity

Let's get back to the challenge that started this module: how to position and differentiate a company in a crowded field of competitors.

You'll recall that you have a swell job at a newish events management company called Shindiggity. The company is struggling to find ways of setting itself apart in a crowded and growing field. At the company retreat, you have an opportunity to suggest some strategies that can help Shindiggity stand out from the competition. You also have a chance to impress your divisional VP, who is assigned to the same brainstorming and breakout group as you.

Now that you know something about positioning and differentiation, you step forward to lead your group through the positioning process.

Step 1: Confirm Your Understanding of Market Dynamics

Once your breakout group gets going, you start with a discussion about what you're all seeing in the market generally. You ask your VP, to share perspectives from the executive team about where it plans to target growth for the company in the coming year, and whether there are particular industries or segments it plans to focus on. She says that the company has seen particular growth potential in the health care and pharmaceutical industries. Shindiggity has several clients in these segments already, and you know from your experience with these events that they can be quite technical and specialized.

In fact, recently Shindiggity won three proposals for health-care-related events that you helped write. You recall from the selection process that two factors helped push your proposals over the finish line: 1) knowledge and experience required to produce and manage an event with significant industry-specific technical needs; and 2) strong, established relationships with industry thought leaders whom Shindiggity could bring into the program at relatively short notice. As you share these insights, you realize the conversation is already moving on to the next step in the positioning strategy.

Step 2: Identify Your Competitive Advantages

You ask your colleagues to share what other factors are helping Shindiggity win new business. They agree that industry-specific technical knowledge and strong relationships with thought leaders are important distinguishing factors. While many other event management companies seem perfectly competent, there is an extra level of confidence customers express when they know Shindiggity has the expertise and connections to pull off highly technical, industry-specific events.

Someone mentions that since Shindiggity is a smaller firm than many others, it has lower overhead costs. This generally translates into somewhat lower pricing, which customers like. Kara, your V.P. expresses concern: "I don't think we want to compete on lowest price. That just doesn't feel like the right path."

This is a perfect opportunity for you to jump in. You back her up and say, "Positioning as the low price alternative would be a mistake, since our customers don't make their decisions based on price alone. But what about positioning Shindiggity as offering more value for the money?" Kara and the others seem to like this approach. It acknowledges the reality that pricing exercises important influence in technology decisions, but it doesn't force the company into uncomfortably low budgets or profit margins.

Step 3: Choose Competitive Advantages That Define Your "Niche"

The group rounds out the discussion of Shindiggity's strengths and advantages: creativity, caring people, strong partnership with clients to achieve all their goals for the event. Next you suggest listing out the company's key competitors and their competitive advantages, to give everyone a common picture of the competitive landscape.

The list on the whiteboard runs long—nearly twenty companies are on it. As the team begins to enumerate the competitors' strengths, a pattern emerges. At least half of the competitors have noted competitive advantages related to the industries where they do the most work: media, sports and recreation, finance, apparel, and automotive, to name a few. If this survey of key players is any indicator, industry expertise is a great way to establish a place for yourself in events management.

While Shindiggity is not the only company with particular expertise in health care and pharmaceuticals, it is the only smallish company that has established this expertise as a competitive advantage. The handful of others tends to be larger firms with higher overhead, and, according to client feedback you heard recently, they tend to be more "cookie cutter" in their approach to events, rather than going the extra mile to give clients exactly what they want. All this talk of relative strengths and weaknesses is exciting: you're starting to see a positioning strategy come together.

Step 4: Define Your Positioning Strategy

After a short break, your group gets to work again. Kara observes, "We've got a great list of Shindiggity's strengths here, but what do we want customers to remember about us? What's going to make them seek us out and choose us over all these other companies they could work with?"

This is the moment you've been waiting for. "For our positioning strategy," you say, "I think we should focus on owning a distinctive benefit, something we do better than anyone else, linked to Shindiggity's strengths and competitive advantages. I'm not sure of the wording yet, but I think it's a combination of our health care and pharma expertise, and the way we partner with clients creatively to make events feel unique and visionary. How does that sound?"

Your proposal generates excitement because it taps into what makes people at Shindiggity so enthusiastic about their jobs: creativity, vision, and the challenge of designing events that are out of the ordinary. Kara remarks that it's a good sign when employees get this excited about a positioning strategy.

Step 5: Communicate and Deliver on the Positioning Strategy

Your breakout group needs to consolidate its thinking to share back with the rest of the company. You suggest translating the positioning strategy into a positioning statement, using the tried-and-true formula you learned in your marketing class:

> To [*target audience*], Product X is the only [*category or frame of reference*] that [*points of differentiation/benefits delivered*] because [*reasons to believe*].[1]

After a few minutes' work, the group hammers out a positioning statement worth sharing:

> To *health care and pharmaceutical companies, Shindiggity is the only visionary partner that produces top-notch events health care professionals love to attend because they bring together great minds, enriching activities, and a dose of the extraordinary.*

Heading back into the main meeting room, Kara compliments you on your great ideas and suggests that you be the spokesperson to share your group's work with the rest of the company. "You should be proud," she adds. "I think we're really on to something here."

1. http://equibrandconsulting.com/templates/positioning-templates

Practice Quiz Chapter 8

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in the previous section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://pressbooks.nscc.ca/nsccprinciplesofmarketing2e/?p=985#h5p-11

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MODULE 8: POSITIONING

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Version History

NSCC *Introduction to Marketing I 2e* is adapted primarily from Lumen Learning's *[Principles of Marketing](#)* *published under a* [CC BY 4.0](#) *licence .*

Summary of Changes

Canadian legislation and regulatory requirements have been added to replace American requirements. New Canadian business examples have also been added along with practice quizzes drawn from the original version test bank.

Revised quiz bank and slide decks were created.

NSCC Version Mapping	
NSCC Introduction to Marketing I 2e	Lumen Principles of Marketing
Chapter 1	Module 1: What Is Marketing?
Chapter 2	Module 2: Marketing Function
Chapter 3	Module 3: Segmentation and Targeting
Chapter 4	Module 4: Marketing Strategy
Chapter 5	Module 5: Ethics and Social Responsibility
Chapter 6	Module 6: Marketing Information and Research
Chapter 7	Module 7: Consumer Behavior
Chapter 8	Module 8: Positioning