

Open Distance Learning

BMKT1024

Principles of Marketing

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UNDERSTANDING COURSE GUIDE

Refer and understand this *Course Guide* carefully from the beginning to the end. It describes the course and how you use the course material. It suggests the learning time to complete the course successfully. Referring the *Course Guide* will help you to clarify important contents that you might miss or overlook.

ABOUT THE COURSE

BMKT 1024 Principles of Marketing is a course for the Diploma in Marketing program that is offered by the School of Business and Management in ICYM. This course has 4 credit hours value and should be covered in 14 weeks.

You should be acquainted with learning independently and being able to optimize the learning modes and environment available to you. Make sure refer right course material and understand the course requirements as well as how the course is conducted.

LEARNING TIME SCHEDULE

It is a standard ICYM practice that learner accumulate 40 study hours for every credit hour. As for this four-credit hour course, you are expected to spend 120 study hours. Table 1 gives an estimation of how the 120 study hours could be accumulated.

 Table 1: Estimation of Student Learning Time

				Te				ning Activities	
Distribution of Student Learning Time by Chapter				Face to	o Fac	e		Non-Face to	
		CLO	L	Т	Р		0	Face (Independent Learning)	Total
Topic 1		1	2					5	
Topi	ic 2	2						7	
Topi	ic 3	2						7	
Topi	ic 4	3						7	
Topi	ic 5	3						7	
Topi	ic 6	3						7	
Topic 7		3						12	
Topi	ic 8	3						12	
Topi	ic 9	3						7	
Topic 10		3						12	
Topic 11		4						9	
								Sub-Total SLT	94
Continuous Assessment		%	Face to Face			е	Non-Face to Face		
		70	Physical Onlin		(Independent Learning)				
1	1 Participations		10					2	
2			20			2 4			
3			20					8	
4									4.6
					o to	En a		Sub-Total SLT Non-Face to	16
Final Assessment			Face to Face		Face to				
			%	Physical		Online		(Independent	
			, 5.001				Learning)		
1 Final Examination		50	2.5				7.5	1	
Sub-Total SLT						10			
GRAND-Total SLT						120			

COURSE LEARNING OUTCOME

By the end of this course, you should be able to:

- 1. Define the key marketing concepts and marketing process. (C1, PLO1)
- 2. Describe the macro and micro environmental forces and elements of the marketing mix. (C2,PLO1)
- 3. Differentiate between consumer and business markets and their buying behaviour's, and issues related to international marketing.(C4, PLO2)
- 4. Discuss on marketing issues and give feedback. (C2, PLO3)

COURSE SYNOPSIS

This course is divided into 11 topics. The synopsis for each topic can be listed as follows:

Topic 1 students are introduced to marketing, types of marketing, marketing process and the marketing concept; also the importance of marketing, new marketing landscape, social media marketing trend and Covid and its impact.

Topic 2 students will learn about the environment in which marketing operates, the micro environment and the macro environment.

Topic 3 students are introduced to strategic planning, marketing plan, evaluation and control; and marketing audit.

Topic 4 students will learn about consumer markets and consumer behaviour, the buyer decision process and consumer behavior across international markets.

Topic 5 students will learns about the characteristics of business markets and the business behaviour model; participants in the business buying process and the business buying process.

Topic 6 students will learn about market segmentation, targeting and positioning.

Topic 7 students learn about product strategy and new product development.

Topic 8 students are introduced to price strategies.

Topic 9 students are introduced to distribution, strategic role of distribution and channel distribution strategy.

Topic 10 students learn about promotion, advertising, sales promotion, public relations and direct marketing strategies

Topic 11 students are exposed to global aspects of marketing and international marketing strategy

LEARNING GUIDANCE

The learning guidance is important to understand before you go through this module. Understanding the learning guidance will help you to organize your study of this course in a more objective and effective way. Generally, learning guidance for each topic is as follows:

Learning Outcomes: This part is to measurable, observable, and specific statement that clearly indicates what you should know and be able to do because of learning in each chapter. By go through each topic, you can continuously gauge your understanding of the topic.

Self-Learning Material: To aid you in your subsequent learning and to report on what you have learned. The activities are in-text questions (ITO) and self-assessment questions (SAQ), assignment on each chapter of the material to monitor and develop your own learning.

Activity: Question and activity within module can be constructed to put back the dialogue between student and module in learning activity. With the given question or task, you are encouraged to read the description or explanation within a module, so you can answer the question or solve the problem proposed.

You are encouraged to read since you realize that without reading the description or explanation, you will not be able to answer the question or the assignment. Text question is applied to you to pay attention to a certain problem rather than to assess the learning progress.

Self-assessment question is such a task that requires written answer form you. If you complete the task, you are asking to check your answer with the answer key provided in the module.

Self -assessment is be developed in various form of test questions, there are easy question, fill in the blank, multiple choices, true-false and matching.

Summary: You will find this part at the end of each topic. This component helps you to recap the whole topic. By going through the summary, you should be able to gauge your knowledge retention level. Should you find points in the summary that you do not fully understand, it would be a good idea for you to revisit the details in the module.

Key Terms: This component can be found at the end of each topic. You should go through this component to remind yourself of important terms or jargon used throughout the module. Should you find terms here that you are not able to explain, you should look for the terms in the module.

References: The References section is where a list of relevant and useful textbooks, journals, articles, electronic contents, or sources can be found. The list can appear in a few locations such as in the *Course Guide* (at the References section), at the end of every topic or at the back of the module. You are encouraged to read or refer to the suggested sources to obtain the additional information needed and to enhance your overall understanding of the course.



AN INTRODUCTION TO MARKETING

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Define what is marketing.
- 2. Describe types of marketing, marketing process and the marketing concept.
- 3. State the importance of marketing.
- 4. Identify new marketing landscape.
- 5. List social media marketing trend.
- 6. Explain Covid and its Impact

1.1

What is Marketing?

There are many definitions regarding marketing. Among them:

- Marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large (American Marketing Association, AMA, 2017).
- The Chartered Institute of Marketing defines marketing as "the management process responsible for identifying, anticipating and satisfying customer requirements profitably.
- Philip Kotler (a leading authority in marketing) defined marketing as "Satisfying needs and wants through an exchange process" and later defines it as "a social and managerial process by which individuals and groups obtain what they want and need through creating, offering and exchanging products of value with others".

We can conclude -

- Therefore, marketing is managing profitable customer relationships.
- > Marketing is the process by which companies create value for customers.
- > And from the above, capture value from customers in return.



Types of Marketing

Influencer Marketing

According to the Association of National Advertisers (ANA), influencer (which can include celebrities) marketing focuses on leveraging individuals who have influence over potential buyers and orienting marketing activities around these individuals to drive a brand message to the larger market.



• Relationship Marketing

According to the Association of National Advertisers (ANA), relationship marketing refers to strategies and tactics for segmenting consumers to build loyalty. Relationship marketing leverages database marketing, behavioral advertising and analytics to target consumers precisely and create loyalty programs.

Viral Marketing

It is a marketing phenomenon that facilitates and encourages people to pass along a marketing message. It refers to how consumers spread information about a product with other people.



Green Marketing

Green marketing refers to the development and marketing of products that are presumed to be environmentally safe. Also efforts to produce, promote, package, and reclaim products in a manner that is sensitive or responsive to ecological concerns.

Keyword Marketing

Keyword marketing involves placing a marketing message in front of users' base on the specific keywords and phrases they are using to search.

1.3 The Marketing Process

The Marketing Process can be divided into two parts: the <u>first</u> one consists of activities that create value for customers. This is the larger and main part of the process, and can be further subdivided into *four steps*.

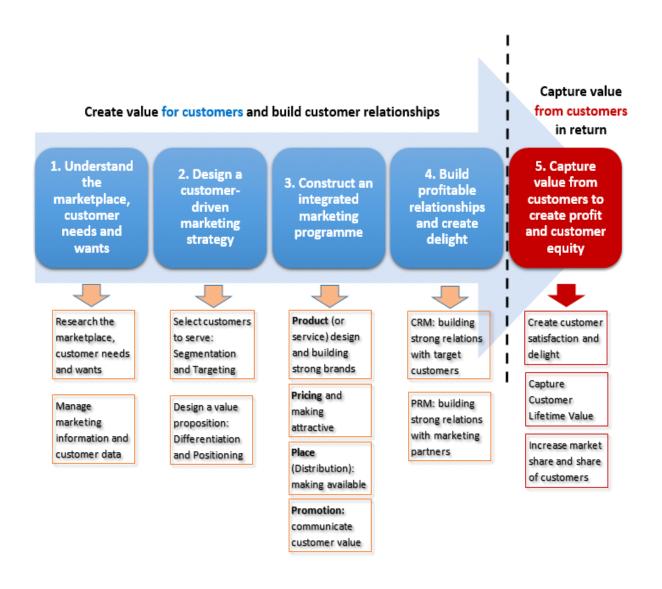
The <u>second</u> part of the Marketing Process is where in return, the company can capture value from customers.

Part 1 of the Marketing Process: <u>Understand the Marketplace and Creating Value for Customers.</u>

The first step of the Marketing Process looks at the <u>marketplace</u>, whereby who the customer is and what he needs and wants.

Before any other marketing activities make sense, the company should gain a complete understanding of the marketplace. For that, it must research the marketplace, as well as customer needs and wants.

Simultaneously, the information about the marketplace and customer data, which is to say marketing information, must be managed.





1.4

Marketing Concept

<u>Needs</u>: Something necessary for people to live a healthy, stable and safe life. When needs remain unfulfilled, there is a clear adverse outcome: a dysfunction or death.

These needs can be objective and physical, such as the need for food, water, clothing and shelter; or can also be subjective and psychological, such as the need to belong to a family or social group and the need for self-esteem.

<u>Wants</u>: Something that is desired wished for or aspired to. Wants are not essential for basic survival and are often shaped by culture or peergroups.

<u>Demands</u>: When needs and wants are backed by the ability to pay, they have the potential to become economic demands.



Marketing Offering - Products, Services, and Experiences

Customer's needs and wants are fulfilled through a marketing offering some combination of products, services, information or experiences offered to a market to satisfy a needs or want.

Marketing offerings are not limited to physical products. They also include services, activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.

Examples include barber, hair saloon, carwash, banking, and airline, hotel, and tax preparation and home repair services.



More broadly, market offerings also include other entities, such as persons, places, organization, information, and ideas.

Customer Value and Satisfaction

Essentially, **value** is when a consumer perceives that they will get a good deal from the company, brand, product or service.

Customer satisfaction, on the other hand, occurs after the consumer has become a **customer**. That means they have purchased the product or have had dealings with a service firm with.

Exchanges and Relationships in Marketing

An **exchange** process is simply when an individual or an organization decides to satisfy a need or want by offering some money or goods or services in **exchange**.

It's that simple, and you enter into **exchange relationships** all the time. The **exchange** process extends into **relationship marketing**.

<u>Market</u>

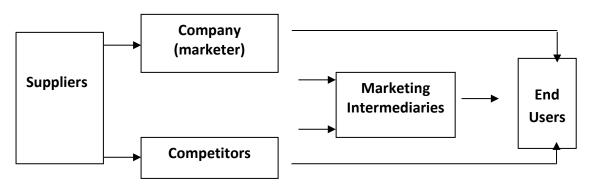
The concept of exchanges and relationships lead to the concept of a market. A **market** is a place where two parties can gather to facilitate the exchange of goods and services.

Alternatively, the term may also be used to describe a collection of people who wish to buy a specific product or service.

Physical Markets - Physical market is a set up where buyers can physically meet the sellers and purchases the desired merchandise from them in exchange of money. It also includes our friendly neighbourhood wet market.

Non Physical Markets/Virtual markets - In such markets, buyers and sellers purchase and sell goods and services through the Internet.

Elements of Modern Marketing System:



Note: Marketing intermediaries include wholesaler, retailer, agents. Also financial providers, logistice companies, insurance companies, warehousing.

The second step of the Marketing Process is designing a Customer-Driven Marketing Strategy.

Two (2) activities need to be undertaken:

Selecting Customers to Serve

The company must first decide whom it will serve. It does this by dividing the market into segments of customers (market segmentation) and selecting which segments it will go after (target marketing).

Choosing a Value Proposition

The company must also decide how it will serve targeted customers—how it will differentiate and position itself in the marketplace.

A company's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

Value propositions differentiate one brand from another.

The third step of the Marketing Process is Constructing Marketing Plan and Program

The company's marketing strategy outlines which customers the company will serve and how it will create value for these customers.

Next, the marketer constructs a marketing program that will actually deliver the intended value to target customers.

It consists of the firm's marketing mix, the set of marketing tools the firm uses to implement its marketing strategy.

The major marketing mix tools are classified into four broad groups, called the **4 Ps** of marketing: product, price, place, and promotion.

- Product a need-satisfying marketing offer
- Price how much to charge for the offer
- Place (also known as distribution) is how company will make the offer available to target customers
- Promotion how company communicate with target customers about the offer and persuade them of its merits to purchase



The **fourth** and most important step in the marketing process is building profitable customer relationships. Here –

Customer Relationship Management

Customer Relationship Management (CRM) is perhaps the most important concept of modern marketing. It is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Customer Perceived Value

Customer Perceived Value is the customer's evaluation of the difference between all the benefits and all the costs of a marketing offer relative to those of competing offers.

Customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. Highly satisfied customers make repeat purchases and tell others about their good experiences with the product. Vice-versa. The key is to match customer expectations with company performance.

(Part 2) The final (fifth) step in the marketing process involves capturing value from the customer, in the form of current and future sales, market share, and profits.

Creating Customer Loyalty and Retention

The aim of customer relationship management is to create not just customer satisfaction, but customer delight. Companies are realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage. This is called customer lifetime value.

Growing Share of Customer

Customer relationship management can help marketers to increase their share of customer—the share they get of the customer's purchasing in their product categories.

To increase the share of customer, firms can leverage customer relationships by offering greater variety to current customers. Or they can train employees to cross-sell and up-sell in order to market more products and services to existing customers.

Building Customer Equity

Customer equity is the combined discounted customer lifetime values of all the company's current and potential customers.

The company can classify customers according to their potential profitability and manage its relationships with them accordingly. The more loyal the company's profitable customer, the higher the company's equity.

Companies should view customers as assets that need to be managed and maximized.

1.5

Importance of Marketing

A) Importance to Individuals

Utility fulfillment

To meet the needs and wants of consumers. Marketing activities can reduce the problems faced by individuals to provide all the needs that cannot be worked on themselves.

A better life

Marketing activities constantly study the needs, wants and capabilities of consumers according to current trends.

Increase the choice of products in the market

A variety of alternatives provide healthy competition. Users have many options and can choose the best one. This makes a product and service competitive in terms of quality and price.

When there is competition, business organizations will strive to provide the best possible product or service at the most optimal price so that consumers continue to choose the product.

Increasing Employment Opportunities

Marketing provides a variety of professional, semi -professional and non - professional activities with employment opportunities to members of the community.

Employment opportunities and business opportunities can be carried out by members of the community indirectly contributing to the economic development of the country.

B) Importance to the Organization

Speed up the Exchange Process

Marketing activities speed up the process of exchanging products or services for money or any benefits. A quick exchange process will increase business returns and profits. Strengthen and extend the life of the business

Businesses that adopt the concept of marketing will not sell products that are not appropriate to the target audience. Manufacturers will stop production and sale of products or modify to meet customer requirements for long term success.

Business opportunities in related industries

Careers are directly related to marketing activities. There are many career and business opportunities in marketing -related activities and industries such as the billboard industry, the printing industry and the painting and creative works industry.

This additional industry can increase employment opportunities and in turn generate activities and economic activities of the country.



The New Marketing Landscape

4 major developments that has changed the marketing landscape:

The New Digital Age

The technology boom has created exciting new ways to learn about and track customers, and to create products and services tailored to individual customer needs.

Technology is also helping companies to distribute products more efficiently and effectively. The most dramatic new technology is the Internet.



Rapid Globalization

Many marketers are now connected globally with their customers and marketing partners.

Almost every company, large or small, is touched in some way by global competition.

Companies are not only trying to sell more of their locally produced goods in international markets, they are also buying more supplies and components abroad.



Ethics and Social Responsibility

Marketers are re-examining their relationships with social values and responsibilities and with the very earth that sustains us.

Today's marketers are being called upon to take greater responsibility for the social and environmental impact of their actions, hence green marketing.

The Growth of Not-for-Profit Marketing

Marketing has become a major part of the strategies of many not-forprofit organizations, such as colleges, prisons, hospitals, museum etc.

Government agencies have also shown an increased interest in marketing.

1.7 Social Media Marketing Trends

Below, the top eight social media marketing trends organizations and marketers should leverage for 2021 onwards.

- 1) Traditional social media platforms will remain effective
- 2) Increase in the use of video content
- 3) Live social media to be the new norm
- 4) Influencer marketing to soar with TikTok
- 5) User-generated content to remain successful
- 6) Conversational marketing will change its tone
- 7) Social media platforms could double as shopping channels.
- 8) Emphasis on brand voice and authenticity

1.8 Covid and its Impact

The Covid-19 pandemic upended marketing, challenging the existing rules about customer relationships and building brands. There's no going back to the old normal.

So, as marketers think about building brands during this year and beyond, what should we take away from the pandemic? What can we do to help companies grow faster? And how is marketing being redefined in the age of Covid-19?

Truths about Marketing after the Pandemic:

1. Old truth: Marketing begins with knowing your customer.

New truth: Marketing begins with knowing your customer segment.

2. Old truth: You are competing with your competitors.

New truth: You are competing with the last best experience your customer had.

3. Old truth: Customers hope you have what they want.

New truth: Customers expect you to have exactly what they want.

4. Old truth: Courting customers is just like dating.

New truth: Courting customers is just like online dating.

5. Old truth: Your brand should stand behind great products.

New truth: Your brand should stand behind great values.

Activity Chapter 1

Section A - True or False



1) The most basic concept underlying marketing is human needs.

True

False

2) Marketing is the act of obtaining a desired object from someone.

True

False

- 3) The marketing mix and the 4P's of marketing are product, price, place and people.

 True

 False
- 4) The second step in the marketing process is design a customer-driven marketing strategy.

 True

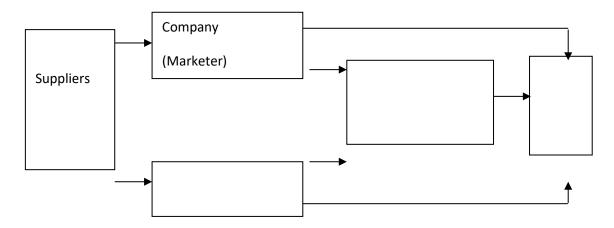
 False
- 5) When backed by buying power, needs become wants.

True

False

Section B - Structure

- 1) Define briefly marketing in your own words.
- 2) Label the empty boxes, the elements of a modern marketing system.



- 3) List down four (4) New Marketing Landscape.
- 4) What are some of the marketing trends of 2021?

Section C - Essay

Marketing is managing profitable customer relationships. It is a process by which companies create value for customers and build strong customer relationships.

Explain the marketing process.

KEY TERM

Marketing **Needs, Wants, Demands**

Product, Services Customer Value, Satisfaction

New Marketing Landscape, **Customer Relationship Social Trends, Covid and Impact**

Management

Self Assessment

Login to Elearning to do Self Assessment1

SUMMARY

- Students should have clear understandings about what is marketing, types of marketing, marketing process and the marketing concept
- In summation, students should be able to discuss the importance of marketing.
- Able to describe new marketing landscape and list social media marketing trend.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). Principles of Marketing. 17th Edition. Prentice Hall.



THE MARKETING ENVIRONMENT

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Explain the environment in which marketing operates
- 2. Describe the micro environment
- 3. Describe the macro environment

2.1

Marketing Environment

The marketing environment is a number of factors and powers beyond marketing and organization that will affect the ability of a manager or organization in developing and maintaining its business, and successful relationships with target customers.

Basically, there are <u>two</u> types of environments a company must know and deal with.

1. **The Micro Environment** - It is the company internal environment or close to company. The micro environment consist of groups closest to the company that plays an important role in the company's ability to meet customer needs.

Among them are the company itself, customers, suppliers, intermediaries, competitors and the public.

The micro environment of the organization consists of those elements which are controllable by the management.

2. <u>The Macro Environment</u> is an element outside the company's micro environment. All these elements form opportunities and threats to the company.

Among the elements of the macro environment are social and cultural, legislation, economics, environment, political and technology.

The macro environment of the organization consists of those elements which are uncontrollable by the company.

We shall look at the micro environment first.

2.2 Micro Environment

The Micro Environment



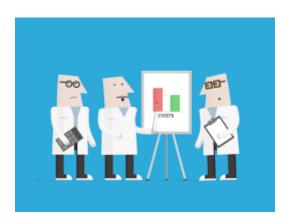
We shall go one by one of the elements for further analysis.

Company -

Top management sets the company's mission, objective, broad strategies, and policies.

Generally, a company consists of several departments. Each of these departments cannot stand on its own. To achieve the objectives of the company, each department and its function is interdependent with each other.

All of these functions should work in harmony to provide superior customer satisfaction.



Employees -

Skilled employees can help an organization to achieve organizational goals and objectives. As skilled and experienced employees has expertise to support organization to get success. This begins with the hiring process and continues through regular and timely training and development sessions.

The training and development process helps the employees to work effectively and efficiently in order to achieve the organizational goals, specifically in service sector.



<u>Customer</u> -

A customer (buyer) is the receiver of any good, product, service or an idea - obtained from a seller, vendor, or supplier from a financial transaction or an exchange for money or on some other valuable consideration.

There are 5 types of customer markets to know:

- i. Consumer markets-individuals, households that buy goods and services for personal consumption. Also known as end-user.
- ii. Business markets organizations that buy goods and services for further processing or for use in their production process. They do not consume the product.



- iii. Reseller markets organizations that buy goods and services to resell at a profit, typically grocery shop.
- iv. Government markets made up by government to produce public services or transfer the goods and services for those who need them. They consist of federal government, state government and local council (PBT).
- v. International markets consists of these buyers in other countries, including consumers, resellers, producers and government.

Suppliers-

They form an important link in the company's overall customer value delivery system.

Marketing managers must watch supply availability. They also monitor the price trends of their key inputs. Most marketers today treat their suppliers as partners in creating and delivering customer value.

Good partnership relationship management results in success for the company.



Marketing Intermediaries-

Marketing intermediaries help the company to promote, sell, and distribute its goods to final buyers.

- Resellers are distribution channel firms that help the company find customers or make sales to them.
- Physical distribution firms help the company to stock and move goods from their points of origin to their destinations.



 Marketing services agencies are the marketing research firms, advertising agencies, media firms, and marketing consulting firms that help the company target and promote its products to the right markets. • Financial intermediaries help finance transactions or insure against the risks associated with the buying and selling of goods.

Marketing intermediaries form an important component of the company's overall value delivery system.

Competitors-

A company must provide greater customer value and satisfaction than its competitors.

Marketers must gain strategic advantage by positioning their offers strongly against competitors' offerings in the minds of consumers.

No single competitive marketing strategy is best for all companies. Each firm should consider its own size and industry position compared to those of its competitors.

Media-

They carry news, features, articles and editorial opinion of a company. Company must have cordial relationship with them.

Examples include television networks, newspapers, radio networks, magazines and social medias such as facebook, Instagram and youtube.





Now we look at the macro environment

2.3 Macro Environment

The Macro Environment

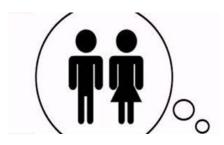


Demographic Environment-

Demography is the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. It involves people, and people make up markets.

Changes in the world demographic environment have major implications for business. The rising number of educated people will increase the demand for better quality products.

Marketers are facing increasingly diverse markets. Most large companies now target specially designed products and promotions to certain groups.



Economic Environment-

The economic environment consists of factors that affect consumer purchasing power and spending patterns.

Marketers must pay close attention to major trends and consumer spending patterns.

Nations vary greatly in their levels of distribution of income. Marketers should pay attention to income distribution as well as average income. Consumers at different income levels have different spending patterns.



Natural Environment-

It involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities.

Marketers should be aware of several trends in the natural environment.

 The first involves growing shortages of raw materials. Air and water may seem to be infinite resources, but some groups see long-run dangers.



- A second environmental trend is increased pollution. Industry will almost always damage the quality of the natural environment.
- A third trend is increased government intervention in natural resource management. The governments of different countries vary in their concern and efforts to promote a clean environment. Concern for the natural environment has spawned the so-called green movement.

<u>Technological Environment-</u>

The technological environment is perhaps the most dramatic force now shaping our destiny. Hence the use of the Internet.

New technologies create new products, new markets and opportunities.

However, every new technology replaces on older technology. Marketers should watch the technological environment closely.

Companies should watch the technological environment closely because if they do not keep up with the technological change, they will find their products outdated.



Political Environment-

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

Well-conceived legislation can encourage competition and ensure fair markets for goods and services. Governments develop public policy to guide commerce.

Marketers must work hard to keep up with changes in regulations and their interpretations. Business is also governed by social codes and rules of professional ethics.

Cultural Environment-

The cultural environment is made up of institutions and other forces that affect a society's basic values, perceptions, preferences, and behaviors.

People grow up in a particular society that shapes their basic beliefs and values.

Core beliefs and values are passed on from parents to children and are reinforced by schools, worship houses, business, and government.

Secondary beliefs and values are more open to change.

Although core values are fairly persistent, cultural swings do take place.

Marketers want to predict cultural shifts in order to spot new opportunities or threats.

The major cultural values of a society are expressed in people's views. People vary in their attitudes toward corporations, government agencies, trade unions, universities, and other organizations.

Comparison Chart between Both

Basis for Comparison	Micro Environment	Macro Environment
Meaning	Micro environment is defined as the nearby environment, under which the company operates.	Macro environment refers to the general environment that can affect the working of business enterprises.
Elements	Company itself, Employee, Suppliers, Market Intermediaries Customers, and Competitors.	SLEPT, i.e., Socio-cultural, Legal, Economic and Environmental. Political, Technological
Nature of elements	Specific	General
Are these factors controllable?	Yes, to some extent only	No, difficult
Influence	Direct and Regularly	Indirectly and Distantly

Activity Chapter 2

Section A - True or False



1) The marketing environment is basically divided into two.

True False

2) Macro environment involves larger societal forces that include cultural forces.

True False

3) Customer markets include financial publics. True False

4) Demographic forces are of major interest to marketers because it involves people.

True False

5) Technological forces affect consumer buying power and spending patterns.

True False

Section B - Structure

- 1) List down two (2) types of Customer Markets.
- 2) Describe financial intermediaries.
- 3) Describe political forces in the company's macro environment.
- 4) Explain briefly economic forces.

Section C - Essay

Microenvironment of marketing consists of actors that have effect on a company's ability to serve its customer.

- a) State the parties that have effect on a company.
- b) There are five (5) types of customer markets. Describe them.

KEY TERM

Environment

Micro Environment

Macro Environment

SUMMARY

- Students should have clear understandings about the environment in which marketing operates.
- In summation, students should be able to describe the micro and macro environment.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



STRATEGIC PLANNING AND MARKETING OPPORTUNITY

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Define what is strategic planning
- 2. Describe marketing plan
- 3. Carry out marketing plan implementation
- 4. Describe evaluation and control
- 5. Discuss purpose of marketing audit

3.1

Strategic Planning

We can define strategic planning as an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy in the context of the ever changing marketing environment.

It may also extend to control mechanisms for guiding the implementation of the strategy.

The goal of strategic planning is long-run profitability and growth.

However, it needs to be pointed out that any strategic error from the plan can threaten the company's resources against competitive attack and the dynamic nature of the macro environment.

This is because all the decisions will affect the company's long-run course, its allocation of resources and ultimately its financial success.

- How do companies go about strategic marketing planning?
- How do employees know how to implement the long-term goals of the company?

The answer is a marketing plan.

3.2 Marketing Plan



Marketing Plan

Marketing Plan is a written document that acts as a guidebook of marketing activities for the marketing manager. It involves designing activities to marketing objectives and the ever changing marketing environment.

Marketing Planning is the basis for all marketing strategies and decisions such as what product lines, distribution channels, marketing communications and pricing.

Why the need to prepare marketing plan?

- i. It provides the basis by which actual and expected performance can be compared.
- ii. It provides clearly stated activities that help employees understand and work toward common goals.
- iii. It allows company to examine the marketing environment.
- iv. It allows the marketing manager to enter the market place with an awareness of possibilities and problems.

Contents of a Marketing Plan

SECTION	PURPOSE
Executive Summary	A brief summary of the main goals and recommendations of the plan for management review help top management to find the major point
Current Market Situation	Describe the target market and company's position in it, including information about the market, product performance, competition and distribution
Threats and Opportunities	Major threats and opportunities that the product might face, help management to anticipate important action
Objectives	State the marketing objectives that the company would like to attain during the plan's term
Marketing Strategy	Outline the specific target market, positioning and marketing expenditure levels
Action Programs	Turn marketing programs into specific action programs
Budgets	Shows expected revenue and expected costs
Evaluation	Outlines the control that will be used to monitor progress and allow management to review implement results

3.3

Marketing Plan Implementation

Marketing implementation is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives. Implementation involves day-to-day, month-to-month activities that effectively put the marketing plan to work.

In an increasingly connected world, people at all levels of the marketing system must work together to implement marketing strategies and plans.

Successful marketing implementation depends on how well the company blends its people, organizational structure, decision and reward systems, and company culture into a cohesive action program that supports its strategies.

Finally, to be successfully implemented, the firm's marketing strategies must fit with its company culture—the system of values and beliefs shared by people in the organization.

3.4 Evaluation and Control

After a marketing plan is implemented, it should be evaluated. Marketing control involves evaluating the results of marketing strategies and plans and taking corrective action to ensure that objectives are attained.

Its purpose is to ensure that the company achieves the sales, profits, and other goals set out in its annual plan.

4 common reasons for failing to achieve a marketing objective are:

- unrealistic marketing objectives,
- inappropriate marketing strategies in the plan,
- poor implementation and
- changes in the environment.

Strategic control involves looking at whether the company's basic strategies are well matched to its opportunities.

A major tool for such strategic control is a marketing audit. This is a comprehensive, systematic, independent, and periodic examination of a company's environment, objectives, strategies, and activities to determine problem areas and opportunities.

3.5 Marketing Audit

Purpose:

- To develop a full profile of company's marketing effort.
- To provide a basis for developing and revising the marketing plan.
- To improve communication and rise to level of marketing consciousness within the company.



Activity Chapter 3



Section A - True or False

1) The goal of strategic planning is short-run profitability and growth.

True False

2) Marketing plan allows the marketing manager to enter the market-place, with an awareness of possibilities and problems.

True False

3) Implementation is the process that turns marketing plan into action assignments and ensures that these assignments are executed.

True False

4) After a marketing plan is implemented, it should then be reviewed.

True False

5) Among the purpose of a marketing audit is to improve communication.

True False

Section B - Structure

- 1) What is strategic planning?
- 2) Define marketing plan.
- 3) Explain evaluation in the marketing plan.
- 4) List four (4) characteristics of marketing audit.
- 5) Explain the purpose of a marketing audit.

Section C - Essay

Marketing Planning is the basis for all marketing strategies and decisions such as what product lines, distribution channels, marketing communications and pricing.

Describe the contents of a marketing plan and its purposes.

KEY TERM

Strategic Planning Marketing Plan

Evaluation Control

Marketing Audit

SUMMARY

- Students should have clear understandings about what is strategic planning.
- In summation, students should able to discuss marketing plan and marketing plan implementation.
- Able to describe evaluation and control and also purpose of marketing audit.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



CONSUMER MARKETS AND CONSUMER BEHAVIOUR

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Describe consumer markets and consumer behavior model
- 2. Explain characteristics affecting consumer behavior and the buyer decision process
- 3. Explain consumer behavior across international markets

4.1

Consumer Markets

The consumer market can also be referred to as the private consumer market or the end user. So we can say that the consumer market means individuals who make purchases for personal use, and not for resale.

Consumers make buying decisions every day.

Therefore, most big companies ask:

- Who are the customers?
- What consumers' buy, where they buy,
- How and how much they buy,
- When they buy and why they buy.

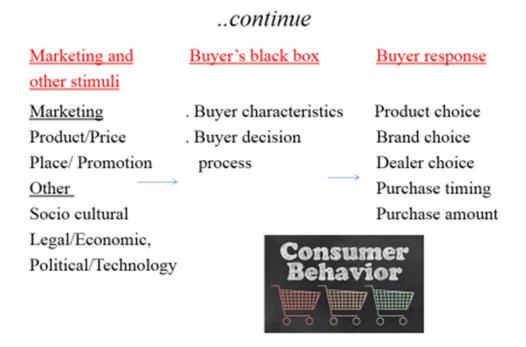
4.2

Consumer (buyer) Behaviour Model

The central question for marketers is: how do consumers respond to various marketing efforts of the company?

The starting point is the stimulus response model of (consumer) buyer behaviour.

The following model shows that marketing and other stimulus enter the consumer's "black box" and produce certain responses.



Marketing stimuli consist of the *4 Ps'-product, price, place and promotion*. Other stimuli are external, include major environment forces; economic, technological, political and cultural.

All these inputs enter the buyer's blackbox, where they are turned into a set of observable buyer responses; product choice, brand choice, dealer choice, purchase timing and purchase amount.

The marketer needs to understand how the stimuli are changed into responses inside the consumer blackbox.

4.3

Characteristics Affecting Consumer Behavior

Cultural Factors

Cultural factors exert a broad and deep influence on consumer behavior.

 Culture is the most basic cause of a person's wants and behavior. Human behavior is largely learned. Growing up in a society, a child learns basic values, perceptions, wants, and behaviors from the family and other important institutions. Marketers are always trying to spot cultural shifts in order to discover new products that might be wanted.

Example-cultural shift towards greater health has created a huge industry for health and low-fat food.

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

Many subcultures make up important market segments, and marketers often design products and marketing programs tailored to their needs. However, there are also negatives elements.

Example - Mat rempit, Basikal lajak



 Social class. Almost every society has some form of social class structure. Social classes are society's relatively permanent and ordered divisions whose members share similar values, interests, and behaviors. Social class is not determined by a single factor, such as income, but is measured as a combination of occupation, income, education, wealth, and other variables.

Social Factors

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

Groups-Manufacturers of products and brands subjected to strong group influence must figure out how to reach opinion leaders—people within a reference group who, because of special skills, knowledge, personality, or other characteristics, exert influence on others.

Many marketers use buzz marketing by enlisting or even creating opinion leaders to spread the word about their brands.

Family- Family members can strongly influence buyer behaviour. Marketers are interested in the roles and influence of the husband, wife, and children on the purchase of different products and services.



Social roles and status- A role consists of the activities people are expected to perform according to the persons around them. People usually choose products appropriate to their roles and status.

Personal Factors

 Age and Life-Cycle Stage – People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture and recreation are often age related.

- ii. Occupation A person's occupation affects the goods and services bought. Blue-collar workers tend to buy more rugged work clothes compared to executives who buy more business suits.
- iii. Economic Situation A person's economic situation will affect product choice. Marketers watch trends in personal income, savings and interest rates.
- iv. Lifestyle Lifestyle is a person's pattern of living as expressed in his or her psychographics. It involves measuring consumers' activities (hobbies, work, sports, and shopping, social events), interests (food, fashion, family, recreation) & opinions (about themselves, social issues, business, products).
- v. Personality and Self-Concept refers to the unique psychological characteristics that lead to consistent and lasting responses to one's own environment, such as self-confidence, sociability etc.

<u>Psychological Factors</u>

- i. Motivation a need that is sufficiently pressing to direct the person to seek satisfaction.
- Perception is the process by which people select, organize, and interpret information to form a meaningful picture of the world.
- iii. Learning describes changes in an individual's behavior arising from experience.
- iv. Beliefs and Attitudes A belief is a descriptive thought that a person has about something. An attitude describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.

4.4 Buyer Decision Process

Buyer Decision Process

The buyer decision process consists of five stages.



i. Problem (Need) Recognition

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

Marketers should find out what kinds of needs arise, what brought them about and how they led consumer to this particular product.

ii. Information Search

The stage of the buyer decision process in which the consumer will undertake an information search related to the need. The amount of searching depends on the strength of the drive, the amount of information one start with, the ease of obtaining more information, the value one place on additional information.

Consumers can obtain information from several sources: Personal sources, Commercial sources,

Public sources (mass media), experiential sources (handling, examining, using a product).

iii. Evaluation of Alternatives

The marketer needs to know about alternative evaluation—that is, how the consumer processes information to arrive at brand choices.

Consumers do not use a simple and single evaluation process in all buying situations. Instead, several evaluation processes are at work.

How consumers go about evaluating purchase alternatives depends on the individual consumer and the specific buying situation.

iv. Purchase Decision

In the evaluation stage, the consumer ranks brands and forms purchase intentions.

Generally, the consumer's purchase decision will be to buy the most preferred brand, but two factors can come between the purchase intention and the purchase decision:

- The first factor is the attitudes of others.
- The second factor is unexpected situational factors.



v. Post-purchase Behavior

After purchasing the product, the consumer will be satisfied or dissatisfied and will engage in post-purchase behavior of interest to the marketer.

Determining if the consumer is satisfied or not is the relationship between the consumer's expectations and the product's perceived performance. The larger the gap between expectations and performance, the greater the consumer's dissatisfaction.

Consumer Behavior Across International Borders

For companies operating in many countries, understanding and serving the needs of consumers can be daunting.

Although consumers in different countries may have some things in common, their values, attitudes, and behaviors often vary greatly.

Marketers must decide on the degree to which they will adapt their products and marketing programs to meet the unique cultures and needs of consumers in various markets.

Activity Chapter 4

Section A - True or False



False

1) The model of buyer behaviour is how consumers respond to various marketing efforts the company might use.

marketing enorts the company might use.	True	False
2) There are possible four (4) buyers' responses.	True	False
3) Social factors include age.		

4) The buyer decision process consists of five (5) stages.

True False

True

5) Consumer behaviour across international border is same as in Malaysia.

True False

Section B - Structure

- 1) Explain briefly what subculture is.
- 2) Define Perception.
- 3) Explain roles and status in the social factors.
- 4) What is social class?

Section C - Essay

Consumers make buying decisions every day. Most large companies ask about what consumers' buy, where they buy, how and how much they buy, when they buy and why they buy.

- i. There are a number of factors affecting a consumer's behaviour. State the four (4) main factors and the sub-factors.
- ii. Explain briefly post purchase behavior.

KEY TERM

Consumer Market Consumer Behaviour

Buyer Decision Process Keyboard

Consumer Behavior across International Markets

SUMMARY

- Students should have clear understandings about consumer behavior model
- In summation, students should able to discuss consumer decision making process
- Also able to describe consumer behavior across international markets



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



BUSINESS MARKETS AND BUSINESS BEHAVIOUR

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Describe the characteristics of business markets
- 2. Explain the business behaviour model
- 3. Identify participants in the business buying process
- 4. Discuss the business buying process
- 5. Institutional and Government Markets

Business Markets

Business market is the way in which two companies make commercial transactions with each other, where services or goods are negotiated for use in the process of making different products, and then selling them and making a profit.

The players of business markets are not end users, as opposed to consumer markets.



5.1 Characteristics of Business Markets

Business-to-business marketers must do their best to understand business markets and business buyer behavior. The business market is huge. In fact, business markets involve far more dollars and items than do consumer markets.

1) Marketing Structure and Demand

- > Business markets contain fewer but larger buyers.
- Business customers are more geographically concentrated.
- Business buyer demand is derived from final consumer demand.
- Demand in many business market is more inelastic-not affected as much in the short run by price change

2) Nature of the Buying Unit

- Business purchases involve more buyers
- Business buying involves a more professional purchasing effort

3) Types of Decision and the Decision Process

- > Business buyers usually face more complex buying decisions
- The business buying process is more formalized
- Buyers and sellers work closely together and build close long-run relationships

5.2

Business Behaviour Model

Compared with consumer purchases, a business purchase usually involves more decision participants and a more professional purchasing effort.

Business buyers usually face more complex buying decisions than do consumer buyers. The business buying process also tends to be more formalized than the consumer buying process.

In the business buying process, buyer and seller are often much more dependent on each other.

..continue

Marketing and other Stimuli	Buying Organization	Buyer Response
Marketing	. Buying Centre	Product choice
Product/Price	. Buyer decision	Supplier choice
Place/ Promotion	process	Order quantities
$\underline{\text{Other}}$ \longrightarrow	(Interpersonal	Delivery terms
Stimuli	and individual	and times
Competitive	influences)	Service terms
Cultural/Economic,	(Organizational	Payment
Political/Technology	influences)	

5.3

Participants in the Business Buying Process



The decision-making unit of a buying organization is called its buying center: all the individuals and units that participate in the business decision-making process.

The buying center includes all members of the organization who play any of five (5) roles in the purchase decision process.

• <u>Users</u> are members of the organization who will use the product or service. For example operator in a factory.



- <u>Influencers</u> often help define specifications and also provide information for evaluating alternatives. Example Head of department.
- <u>Buyers</u> have formal authority to select the supplier and arrange terms of purchase. Example accountant or treasurer.
- <u>Deciders</u> have formal or informal power to select or approve the final suppliers. Example senior managers.
- Gatekeepers control the flow of information to others.



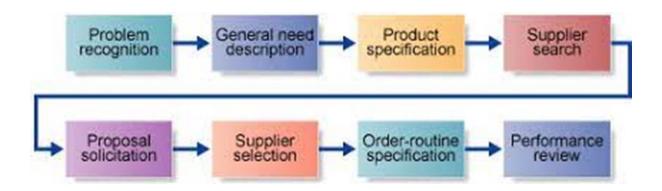
5.4

Business Buying Process

Buyers who face a new-task buying situation usually go through all stages of the buying process.

Buyers making modified or straight rebuys may skip some of the stages.

Eight (8) stages of the business buying process:



1. <u>Problem Recognition</u> -Internally, someone in the company recognizes a problem or need that can be met by acquiring a good or service; or the company may decide to launch a new product that requires new production equipment and materials. Could also be a machine breakdown and need new parts.

Externally, the buyer may get some new ideas at a trade show, see an advertisement, etc.



- 2. <u>General Need Description</u> describes the characteristics and quantity of the needed item.
 - For standard items, this process presents few problems.
 - For complex items, however, the buyer may have to work with others—engineers, users, consultants—to define the item.
- 3. <u>Product Specifications</u> often with the help of a value analysis engineering team. The team decides on the best product characteristics and specifies them accordingly.

- 4. <u>Supplier Search</u> to find the best vendors. The buyer can compile a small list of qualified suppliers by reviewing trade directories, doing a computer search, or phoning other companies for recommendations. Today, more and more companies are turning to the Internet to find suppliers.
- 5. <u>Proposal Solicitation</u> the buyer invites qualified suppliers to submit proposals. When the item is complex or expensive, the buyer will usually require detailed written proposals or formal presentations from each potential supplier.
- 6. <u>Supplier Selection</u>- the buying center often will draw up a list of the desired supplier attributes and their relative importance.
 - Buyers may attempt to negotiate with preferred suppliers for better prices and terms before making the final selections. In the end, they may select a single supplier or a few suppliers.
- 7. <u>Order-routine Specification</u> It includes the final order with the chosen supplier or suppliers and lists items such as technical specifications, quantity needed, expected time of delivery, return policies, and warranties.
- 8. <u>Performance Review</u> the stage of the business buying process in which the buyer rates its satisfaction with suppliers, may lead the buyer to continue, modify, or drop the arrangement.



5.5

Institutional and Government Markets

Much of this discussion also applies to the buying practices of institutional (schools, hospitals, prisons and other institutions that provide goods and services to people in their care) and government organizations (federal, state and local that purchase or rent goods and services for carrying out the main functions of government.

For Malaysia, federal government is Putrajaya, state governments are all the states head in Malaysia states while local governments are the local councils (bandaraya, perbandaran or daerah).

Activity Chapter 5

Section A – True or False



1) Business markets are individuals, households that buy goods and services for personal consumption.

True

False

2) There are eight (8) stages of the business process.

True

False

3) The new phenomenon in business buying is through the Internet.

True

False

4) Government markets include prison.

True

False

5) The fifth (5) steps in the stages of the business process is supplier selection.

True

False

Section B - Structure

- 1) Define influencers.
- 2) State who are gatekeepers.
- 3) Describe institutional markets.
- 4) Explain government markets.

Section C - Essay

Companies that sell to other business organizations must do their best to understand business markets and business buyer behavior.

- a) List down three (3) characteristics of business markets.
- b) Discuss briefly the first three (3) stages of the business process.

KEY TERM

Business Markets Business Behaviour

Participants Business Buying Process

Institutional Markets Government Markets

SUMMARY

- Students should have clear understandings about characteristics of business markets.
- In summation, students should able to discuss the business behaviour model and who are the participants in the business buying process.
- Able to describe the business buying process.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



SEGMENTING, TARGETING AND POSITIONING

LEARNING OUTCOMES

By the end of topic, you should be able to:

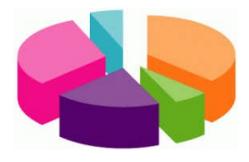
- 1. Define market segmentation
- 2. Criteria for successful segmentation
- 3. Bases for segmenting consumer market
- 4. Steps in segmenting
- 5. Describe targeting, strategies for selecting target market
- 6. Explain positioning, positioning bases

6.1

Market Segmentation

Market segmentation is the activity of dividing a market into different groups of buyers with different needs, characteristics, or behaviors that may require different marketing products or mixes.

Market segmentation can also be defined as the process of identifying and analyzing buyers in the product market, analyzing the differences between buyers in the market.



6.2 Criteria for Successful Segmentation

- Substantiality-the segment market chosen should be big or large enough so that the company can obtain large sales and make as much profit as possible.
- Identifiable and Measurability-the variables such as the size of the market, customer's purchasing power and their demographic profile such as sex or income must be identified and it should be easily measurable.
- Accessibility-the group in the market segment must be easily reached and served. This can be achieved through effective advertising programs and extensive distribution strategy.
- Responsiveness-marketers need to consider the respond of customers on marketing mix efforts. If customers are very price conscious, producers may need to produce goods of different quality and prices.

Bases for Segmenting Consumer Markets

There is no single way to segment a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way to view the market structure.

1) <u>Geographic</u> segmentation calls for dividing the market into different geographical units such as nations, regions, states, counties, cities, or even neighborhoods. Many companies today are localizing their products, advertising, promotion, and sales efforts to fit the needs of individual countries, regions, cities, and even neighborhoods.

Example: in Malaysia, KFC added the hot and spicy fried chicken besides the favourite "original recipe fried chicken ". While in Indonesia, KFC serve rice instead of mash potato because that suits Indonesia taste.



- 2) <u>Demographic</u> segmentation divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality. Consumer needs, wants, and usage rates often vary closely with demographic variables.
 - Age-it refers that consumer wants change with age. Example, milk products designed for infants of certain age group, changes as they grow. For adults, it would be different type of milk and for the elderly, high calcium to prevent osteoporosis.



• Gender-has long been used in clothing, cosmetics, toiletries, and magazines. Consumers, male and female may differ in the types of goods they consume or use.



 Income-has long been used by the marketers of products and services such as automobiles, clothing, financial services, and travel. Many companies target affluent consumers with luxury goods and convenience services.



- Race-marketing firms also divide their market by race. People of different race may require different products or services. In Malaysia, there are many eateries serving Malays, Chinese or Indian solely, although they may go to a restaurant serving varieties of food, Mamak restaurant.
- 3) <u>Psychographic</u> segmentation divides buyers into different groups based on social class, lifestyle, or personality characteristics. People in the same demographic group can have very different psychographic makeup. Marketers often segment their markets by consumer lifestyles.
 - Lifestyle-for example, young married couple with or without children prefer to buy apartment while the elderly may prefer single or double storey houses.



 Personality-for example, Ford buyers were thought to be independent, impulsive, and masculine while Proton Saga's owner are thought to be nationalistic and economical.



4) <u>Benefit</u> segmentation is to group buyers according to the different benefits that they seek from the product. It requires finding the major benefits people look for in their product class, the kinds of people who look for each benefit, and the major brands that deliver each benefit.

Example, "Total" Colgate toothpaste is meant for consumers who want clean white teeth whereas "Extra mint" meant for maximum protection against cavities.

5) <u>Usage rate</u> segmentation, here marketers divide the market by the amount of product purchased and consumed.

Usage rate accounts for the amount of product used-whether customers are first time users, former users, potential users, light, medium, and heavy product users. This method is appropriate in market such as airline travel, cellular phone users to name some. The heavy-user segment requires greater advertising effort, more extensive distribution, more competitive pricing and greater salespromotion effort.

6.4 Steps in Segmenting

- 1) Select a market or product category for study this involves the process of defining the overall market or product category. Example, Nestle made in-depth study before introducing "Nestomalt" to compete with "Horlicks" in the Malaysian malt market.
- 2) Choose a basis or bases for segmenting the market marketers need to have in-depth market knowledge. Example, Nestle introduced "Maggi Thai Chili Sauce", they must have considered the needs of hot chili among Malaysians.

- 3) Select segmentation descriptors— marketers choose the segmentation descriptors, which require select demographics as a market segmentation basis-they could use gender, age, income and occupation. Example "Anlene" milk powder is targeted for adults above 30 years old who need high calcium and prevent osteoporosis.
- 4) Profile and analyze segments marketers need to profile that includes the details of the segment's size, expected growth, purchase frequency, current brand usage, brand loyalty and long-term sales and potential of market.
- 5) Select target markets- marketers must choose the most suitable target market and decide on the marketing mix.



6) Design, implement and maintain appropriate marketing mixes – this involves the process of using the most suitable marketing mixproduct, price, place (distribution) and promotion to enable the company target the segmenting of the market successfully.

6.5 Targeting

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

Kotler (2001), market targeting is the process of evaluating each segment's attractiveness and selecting one or more of the market segments to enter.

Most companies not able to serve the entire market because of limited resources, competition and large markets. Therefore companies identify market segments, select and create products tailored.

6.6

Strategies for Selecting Target Market

1) Using an <u>undifferentiated marketing</u> (or mass-marketing) strategy, a firm might decide to ignore market segment differences and target the whole market with one offer. This mass-marketing strategy focuses on what is common in the needs of consumers rather than what is different.

Products that can be marketed successfully include sugar, salt and other products that customers think as homogenous (no different from any other products of the same type).



2) Using a <u>differentiated marketing</u> (or segmented-marketing) strategy, a firm decides to target several market segments and designs separate offers for each. Companies hope for higher sales and a stronger position within each market segment. (high-speed Internet service)

Developing a stronger position within several segments creates more total sales than undifferentiated marketing across all segments. However, also increases the costs of doing business. This is because developing separate marketing plans for the separate segments.



3) A third market-coverage strategy, concentrated marketing (or <u>niche marketing</u>), is especially appealing when company resources are limited. Instead of going after a small share of a large market, the firm goes after a large share of one or a few segments or niches. (Rolls Royce)

Through concentrated marketing, the firm achieves a strong market position because of its greater knowledge of consumer needs in the niches it serves and the special reputation it acquires. It can market more effectively by fine-tuning its products, prices, and programs to the needs of carefully defined segments.



6.7 Positioning

Positioning involves implanting the brand's unique benefits and differentiation in customers' minds. A product's position is the complex set of perceptions, impressions, and feelings that consumers have for the product compared with competing products.

According to Kotler (1996) "Competitive positioning" requires the company to develop a general idea of what kind of offer to have for the target market in relation to a competitor's offers.



6.8 Positioning Bases

- I. *Product attributes* which include the product's features. "Scholl" is known for its quality and comfortable shoes.
- II. Benefits offer to position the product's benefit in relation to competitors. Example, Colgate's Double Fluoride reduces cavity.
- III. Usage or application have a specific purpose and usage. Example, Johnson Baby Lotion of Johnson & Johnson is not only advertised for its basic purpose, i.e. lotion for baby skin but also useful for adult use.



- IV. Competitor a product can be positioned directly against a competitor. Example, the "Pepsi Challenge Campaign" was directly positioned to compete against Coke in terms of taste.
- V. Price and quality it stresses oh high price for quality. Example iphone in the smart phone market. A low price may also indicate value. Department stores like Kamdar and Mydin have successfully adopted the "low price and value" strategy.



- IV. Product user types of user, for example Anlene Gold for adults above 51because its high calcium.
- V. Product class position product associated with a category of products. Example, Dorina is as good as butter but has low cholesterol.



Activity Chapter 6

Section A - True or False



1) There are five (5) criteria for successful market segmentation.

True

False

2) Geology segmentation is among the bases for segmenting consumer markets.

True

False

3) Demographic segmentation is the second variable in market segmentation.

True

False

4) Psychographics factors include personality.

True

False

5) Select segmentation descriptors are the second step in segmenting a market.

True

False

Section B - Structure

- 1) Describe segmentation by Lamb, 2002.
- 2) What did Kotler say about market segmentation?
- 3) List down the criteria of a successful market segmentation.
- 4) Explain how marketers understand family life cycle?
- 5) Describe briefly undifferentiated marketing.

Section C - Essay

- 1) Analyze briefly the steps in segmenting a market.
- 2) Explain the seven (7) positioning bases.

KEY TERM		
Segmenting Positioning	Targeting	

SUMMARY

- Students should have clear understandings about market segmentation, criteria for successful segmentation, bases for segmenting and steps in segmenting.
- In summation, students should able to describe targeting, strategies for selecting target market.
- Also able to explain positioning, positioning bases.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



PRODUCT STRATEGY AND NEW PRODUCT DEVELOPMENT

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Define Product
- 2. Identify Product Classification
- 3. Explain Product Line, Product Mix and Individual Product Decision
- 4. Describe New Product Development Process

7.1

Product

Before we proceed with product strategy, we need to know what is product.

A product is something that is offered to the market that has properties that can attract, find, use and have psychological benefits as well as physical benefits that can satisfy the needs of consumers when making exchanges.

Also include services, experiences, organizations, places, persons and ideas.



7.2 Product Classification

Products fall into <u>2</u> broad classes based on the types of consumers that use them – consumer products and industrial products.

There are **4** consumer products categories:

1) <u>Convenience products</u>- products that customer usually buys frequently, immediately, and with a minimum of comparison and buying efforts.

Usually low price and marketers place them in many locations to make them readily available when consumer needs them.

Examples include groceries, newspaper etc.



2) <u>Shopping products</u>- less frequently purchased consumer products that the customer compares carefully on suitability, quality, price and style.

Consumers spend much time and effort in gathering information and making comparisons. Shopping product marketers usually distribute their products through fewer outlets but provide deeper sales support to help customers.

Examples include furniture, clothing, used car etc.



3) <u>Speciality products</u>- consumer products that come with unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort.

Buyers normally do not compare specialty products and they invest only the time needed to reach dealers carrying the wanted products.

Examples include specific brands and types of car, designer clothes, ring, etc.



4) <u>Unsought products</u>- type of consumer product that the consumer either do not know or knows about but does not normally think of buying.

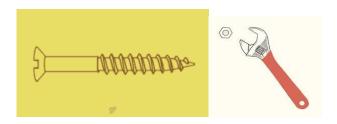
These types of products will only be bought if marketers do aggressive selling to promote its benefits and attributes to customers.

Examples include life insurance, funeral ranger, blood donations to the Red Cross, St John Ambulance.



There are **3** industrial products categories:

- i. <u>Materials and parts</u> include raw materials and manufactured materials and parts.
- ii. <u>Capital items</u> are industrial products that aid in the buyer's production or operations, including installations and accessory equipment.
- iii. <u>Suppliers and services</u> include operating supplies and repair and maintenance items. Business services include maintenance and repair services and business advisory services.



7.3

Product Line Decisions

A product line is a group of products that are closely related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

The major product line decision involves product line length, the number of items in the product line.

A classic example – Nescafe under Nestle Group, where the range of Nescafe include Original, Mocha, Latte, Tarik, Tarik Kaw, Nescafe-O.



- The line is too short if the manager can increase profits by adding items.
- The line is too long if the manager can increase profits by dropping items.
- Product line length is influenced by company objectives and resources.

A company can lengthen its product line in 2 ways:

- a. <u>Product line stretching</u> occurs when a company lengthens its product line beyond its current range.
- b. <u>Product line filling</u> is adding more items within the present range of the line.

7.4

Product Mix Decisions

A product mix (or product assortment) consists of all the product lines and items that a particular seller offers for sale.

Sometimes called product assortment.

For example, Avon's product mix consists of 4 major product lines:

- Beauty product
- Wellness product
- Accessory and
- inspirational products (gifts, books, music)

A company's product mix has 4 important dimensions: width, length, depth and consistency.



7.5

Individual Product Decision

Individual Product Decision involve defining the benefits offered.

- 1) Product Attributes refer to quality, features, style and design
- Quality = satisfy customer needs, exceeds expectations or performance.
- > Features = competitive tool for differentiating the company's product from competitor's product.
- > Style and design = style describes the appearance of a product while design is the heart of a product. Good design contributes to a product's usefulness as well as to its looks.
- 2) Branding it refers to the name, sign, symbol or design, or a combination intended to identify goods or services of seller, and to differentiate from competitors.

It helps consumers identify products that might benefit them, it also tell the buyer something about product quality.

Brand name and trademark provide legal protection for unique product features.





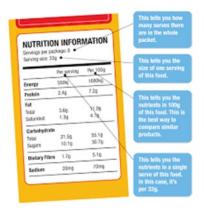
- 3) Packaging it refers to the activities of designing and producing the container or wrapper of a product.
 - It includes a product primary container, a secondary package that is thrown away when the product is about to be used, and can include a shipping package necessary to store, identify and ship the product.

Nowadays, it has become an important marketing tool. Attractively designed to create instant consumer recognition of the company or brand. Parkson is known for their wrapping.



4) Labeling – it is used to identify product or give description. It may range from simple tags to complex graphics. Also labeling describes several things about the product – which made it, where it was made, and its contents, how it is to be used, how to use it safely, among others.

Labels must contain all the required information. It is most vital in food stuff. They include ingredients, expiry date, health benefits if any and where manufactured. For Muslims, the halal issue.



5) Customer Support – generally focuses on dealing with consumers who are experiencing some form of difficulty associated with a company's business. This can range from issues with a product or service to complaints about overpayment or delivery issues.

Nowadays, the Internet and other technologies such as the Web, 24 hour telephone help lines among others assist the customers for query and other matters. Certain industries like banking and credit companies observe 24 working hours.



7.6

New Product Development Process

Organizations must develop new products and services. Products face limited life spans and must be replaced by newer products.

Lamb (2003) defined new product as a product new to the world, to the market, the producer, the seller or combination of these.

According to Kotler (2001), new product development means marketers engage themselves in making new products, or original products, making improvement on current product or product modification or adding new brands.

Six categories of new product

- 1) New to the world product it creates an entirely new market. Examples include telephone, television, and computer.
- 2) New product lines it is a new product a company introduce into the market. Example, Avon Malaysia known for its range of cosmetic items introduced health product items (wellness) like vitamins to cater for health conscious customers.
- 3) Additions to existing product lines Example, Nestle Company introduced Nestomalt to compete with Horlicks in the Malaysian malt market.
- 4) Improvements or revisions of existing products this is a new and improved product introduced by the firm into the market. Example, when Apple computer introduced first time the new slim faced PC called 'I-Mac', it was different from the normal PC which was bulky.

- 5) Reposition needs products they are existing products targeted at new markets or market segment. Example, Johnson Baby Lotion is now marketed to adults instead of babies only by Johnson & Johnson Company.
- 6) Lower price product— there are products that provide benefits or performance similar to competing brands at a lower price. There are many products of this nature in the market. Example includes "Good Maid Fabric Softener" priced much lower than the "Softlan Fabric Softener".



The Process:

1) *Idea Generation*

New-product development starts with idea generation—the systematic search for new-product ideas. A company typically has to generate many ideas in order to find a few good ones. Using internal sources, the company can find new ideas through:

- Employee-from salespeople, manufacturing personnel, or through formal research and development.
- Customers-obtain through feedback, survey and group focus on consumer needs and wants. Also from customers' enquiries and complaints.
- Competitors-companies watch competitors' ads to get clues about their new products. They buy competing new products, take them apart to see how they work, analyze their sales, and decide whether they should bring out a new product of their own.
- Distributors and suppliers-can tell the company consumer problems, about new concepts, techniques, and materials that can be used to develop new products.



 Other idea sources-include trade magazines, shows, and seminars; government agencies; new-product consultants; advertising agencies; marketing research firms; university and commercial laboratories; and inventors.

2) *Idea Screening*

The purpose of idea generation is to create a large number of ideas. The first idea-reducing stage is idea screening that helps spot good ideas and drop poor ones as soon as possible.

Product development costs rise greatly in later stages, so the company wants to go ahead only with the product ideas that will turn into profitable products.

Proper evaluation by new-product committee is vital, - describes the product, the target market, the competition, rough estimates of market size, product price, development time and costs, manufacturing costs, and rate of return.

However, 2 errors are to be avoided:

- i. Drop-error this is a case when and where a company dismisses an otherwise good idea.
- ii. Go-error it happens when a company permits a poor idea to move into product development and commercialization. It results in the company losing money or produce disappointing profits.

3) Concept Development and Testing

An attractive idea must be developed into a product concept.

- A product idea is an idea for a possible product that the company can see itself offering to the market.
- A product concept is a detailed version of the idea stated in meaningful consumer terms.

 A product image is the way consumers perceive an actual or potential product.

The company's task is to develop a new product into alternative product concepts, find out how attractive each concept is to customers, and choose the best one.

Concept testing calls for testing new-product concepts with groups of target consumers. The concepts may be presented to consumers symbolically or physically.



4) Marketing Strategy Development

The next step is marketing strategy development, designing an initial marketing strategy for introducing this product to the market.

The marketing strategy statement consists of three parts:

- a. The first part describes the target market; the planning product positioning; and the sales, market share, and profit goals for the first few years.
- **b.** The second part of the marketing strategy statement outlines the product's planned price, distribution, and marketing budget for the first year.
- **c.** The third part of the marketing strategy statement describes the planning of long-run sales, profit goals, and marketing mix strategy.



5) Business Analysis

Business analysis involves a review of the sales, costs, and profit projections for a new product to find out whether they satisfy the company's objectives. If they do, the product can move to the product development stage.

- > Need to estimate sales of the new product will be high enough to return satisfactory profits.
- ➤ Need to estimate costs and profits after the preparation of sales forecast by departments.

6) Product Development

If the product concept passes the business test, it moves into product development. Here R&D or engineering develops the product concept into a physical product.

The product development step now calls for a large jump in investment. It will show whether the product idea can be turned into a workable product.



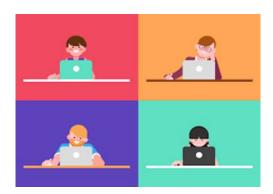
Developing a successful prototype can take days, weeks, months, or even years.

Often products undergo rigorous tests to make sure that they perform safely and effectively, or that consumers will find value in them.

7) <u>Test Marketing</u>

If the product passes functional and consumer tests, the next step is test marketing, the stages at which the product and marketing program are introduced into more realistic market settings. Test marketing gives the marketer experience with marketing the product before going to the great expense of full introduction.

It lets the company test the product and its entire marketing program—positioning strategy, advertising, distribution, pricing, branding and packaging, and budget levels.



8) <u>Commercialization</u>

This is the stage of marketing the product or actual launching of the product into the market. It will face high costs.

The company may have to build or rent a manufacturing facility. And it may have to spend, in the case of a new consumer packaged goods for advertising, sales promotion, and other marketing efforts in the first year.



In launching a new product, 4 decisions have to be made:

- i. When choose the right time to launch
- ii. Where (geographical strategy) whether to launch in a single locality, a region, several regions or international market.
- iii. Whom (target market prospect) the company should target its distribution and promotion to the best prospect group.
- iv. How (introductory marketing strategy) need to develop an action plan.

Activity Chapter 7

Section A - True or False



1) There are four (4) types of consumer products.

True False

2) Shopping products come with unique characteristics and brand identification.

True False

3) Product line decision is the set of all product lines and items that a particular seller offers for sale.

True False

4) There are five (5) categories of new products.

True False

5) The fourth (4) stage in the New Product Development is the business analysis.

True False

Section B - Structure

- 1) Define product.
- 2) Describe unsought product.
- 3) What is product mix decision?
- 4) Explain idea screening.
- 5) Describe the final stage of a product life cycle.

Section C - Essay

Product refers to anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.

- i. Describe convenience products, shopping products, speciality products and also unsought products.
- ii. Explain the seven (7) stages in the New Product Development.

KEY TERM

Product Classification

Product Line Product Mix

Product Decision New Product Development

Process

SUMMARY

- Students should have clear understandings about product and identify product classification.
- In summation, students should able to discuss product line, product mix and individual product decision.
- Able to describe new product development process.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*

PRICING STRATEGY



LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Explain Price
- 2. Factors to Consider when Setting Price
- 3. Discuss Price Strategies
- 4. Analyze Pricing Situation

8.1 Price

Price in economic concept is the value of a good or service with money count. Price is an important variable in the theory of resource allocation (also called price theory). It is also important in marketing where price is one of the four variables used to formulate a marketing plan.

In general, the price is the result of an exchange or transaction that occurs between two parties and it refers to what is willing to be given by one party that is the buyer to obtain something offered by the other party that is the seller.



Price is the <u>only</u> 'P' that bring in money- whereas all other 'P's, namely product, place and promotion, money is spend. Historically, price has been the major factor affecting buyer choice. However, in recent decades, non-price factors have gained increasing importance. Yet, the price is still one of the most important elements of the marketing mix. It may determine very much of a firm's market share and its profitability.

The most important aspect to consider when setting price is <u>customer value</u>. When customers buy something, they are exchanging something of value in order to get something of value. For this reason, various value-oriented pricing strategies can be employed, including value-based pricing, good-value pricing, and value-added pricing.

In addition to customer value, company costs are important in considering the setting of price. Both fixed costs and variables costs can affect the optimal price. Such costs are also important in calculating break-even points and target profit.



Pricing is the number one problem facing many marketing executives. Yet many companies do not handle pricing well.

- One frequent problem is that companies are too quick to reduce prices in order to get a sale rather than convince buyers that their products are worth a higher price.
- Other common mistakes include pricing that is too cost oriented rather than customer-value oriented, and pricing that does not take the rest of the marketing mix into account.

8.2

Factors to Consider when Setting Price

- 1) Internal Factors-these include the company's marketing objectives, marketing mix strategy, cost and organizational considerations.
- 2) External factors that influence pricing decisions include the nature of market and demand, competition, and other environmental factors like the economy, reseller needs, and government actions.

However, in the end, it is the consumer who decides whether the company has set the right price

8.3

Price Strategies

When a marketer decides to price a product, the marketer will choose a pricing strategy that helps the marketer define the initial price of the product, and this will give direction for the price movement over the product life cycle.

The introductory stage is especially challenging. Companies introducing a new product face the challenge of setting prices for the first time. Companies can choose between 2 broad strategies: market-skimming pricing and market-penetration pricing.

<u>Market-skimming pricing</u> – it occurs when a company set a high price for a new product to skim maximum revenues from consumers willing to pay the high price. The company makes fewer but more profitable sales.

There are conditions:

- i. The product's quality and image must support the higher price, and enough buyers must want the product at that price. (Example. iphone)
- ii. The costs of producing a smaller volume cannot be so high that they cancel the advantage of charging more.
- iii. Competitors should not be able to enter the market easily and undercut the high price.

<u>Market-penetration pricing</u> – it occurs when a company set a low price for a new product to attract a large number of buyers and large market share. This can result in low production costs.

There are conditions:

- i. The market must be price sensitive so that a low price produces more growth.
- ii. The costs of production and distribution must fall as sales volume increase.
- iii. The low price must keep out the competitors, and the penetration price must maintain its low-price position.

8.4 Analyze Pricing Situation

Companies usually adjust their basic prices to account for various customer differences and changing situations.

There are **6** price situation strategies:

1) Discount and Allowance Pricing

Discount = a straight reduction in price on purchases during a stated period of time.

- i. Cash discount—a price reduction to buyers who pay their bills promptly. A typical example is "2/10, net 30," which means that although payment is due within 30 days, the buyer can deduct 2 percent if the bill is paid within 10 days.
- ii. Quantity discount is a price reduction to buyers who buy large volumes. Such discounts provide an incentive to the customer to buy more from one given seller, rather than from many different sources.



- iii. Functional discount (also called a trade discount) is offered by the seller to trade-channel members who perform certain functions, such as selling, storing, and record keeping.
- iv. Seasonal discount is a price reduction to buyers who buy merchandise or services out of season. Example during school holidays. Also the period between major festivals. Industry most likely to use this method is the tourism industry. Airlines, hotels among them.



Allowance = promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's products in some way.

a. Trade-in allowances are price reductions given for turning in an olditem when buying a new one. Example, old furniture or car for new.



b. Promotional allowances are payments or price reductions to reward dealers for participating in advertising and sales support programs.

2) Segmented Pricing

- The company sells a product or service at two or more prices, even though the difference in prices is not based on differences in costs.
- Under customer-segment pricing, different customers pay different prices for the same product or service.
- Under product form pricing, different versions of the product are priced differently but not according to differences in their costs.
- Under location pricing, a company charges different prices for different locations, even though the cost of offering each location is the same.
- Using time pricing, a firm varies its prices by the season, the month, the day, and even the hour.

For segmented pricing to be an effective strategy, <u>certain</u> conditions must exist.

- 1) The market must be segmentable, and the segments must show different degrees of demand.
- 2) The costs of segmenting and watching the market cannot exceed the extra revenue obtained from the price difference.
- 3) The segmented pricing must also be legal.

3) Psychological Pricing

- Price says something about the product. For example, many consumers use price to judge quality (prestige pricing).
- In using psychological pricing, sellers consider the psychology of prices and not simply the economics (odd-even pricing).

Another aspect of psychological pricing is reference prices—prices that buyers carry in their minds and refer to when looking at a given product.

The reference price might be formed by noting current prices, remembering past prices, or assessing the buying situation.

Sellers can influence or use these consumers' reference prices when setting price.

For most purchases, consumers don't have all the skill or information they need to figure out whether they are paying a good price. They may rely on certain cues that signal whether a price is high or low (customary or traditional pricing).



4) Promotional Pricing

With promotional pricing, companies will temporarily price their products below list price and sometimes even below cost to create buying excitement and urgency.

Supermarkets and department stores will price a few products as loss leaders to attract customers to the store in the hope that they will buy other items at normal markups.

Sellers will also use special-event pricing in certain seasons to draw more customers.

Manufacturers sometimes offer cash rebates to consumers who buy the product from dealers within a specified time; the manufacturer sends the rebate directly to the customer.



Promotional pricing can have adverse effects.

- Used too frequently and copied by competitors, price promotions can create "deal-prone" customers who wait until brands go on sale before buying them.
- Constantly reduced prices can erode a brand's value in the eyes of customers.
- The frequent use of promotional pricing can also lead to industry price wars.

5. Geographical Pricing

A company also must decide how to price its products for customers located in different parts of the country or world.

- FOB-origin pricing is a practice that means the goods are placed free on board (hence, FOB) a carrier. At that point the title and responsibility pass to the customer, who pays the freight from the factory to the destination.
- Uniform-delivered pricing the company charges the same price plus freight to all customers, regardless of their location.
- Zone pricing The company sets up two or more zones. All customers within a given zone pay a single total price; the more distance the zone, the higher the price.
- Freight-absorption pricing Using this strategy, the seller absorbs all or part of the actual freight charges in order to get the desired business.

6) International Pricing

Companies that market their products internationally must decide what prices to charge in the different countries in which they operate.

- In some cases, a company can set a uniform worldwide price.
- However, most companies adjust their prices to reflect local market conditions and cost considerations.



The price that a company should charge in a specific country depends on many factors, including economic conditions, competitive situations, laws and regulations, and development of the wholesaling and retailing system.

Consumer perceptions and preferences also may vary from country to country, calling for different prices.

Or the company may have different marketing objectives in various world markets that require changes in pricing strategy.

Activity Chapter 8

Section A - True or False



1) Price is the only 'P' that brings in money for a company.

True False

2) Price represents the exchange value of a product or a service.

True False

3) Internal factors include organizational considerations.

True False

4) In general, it is advisable for new company selling consumer product to use market-skimming pricing.

True False

5) When using freight absorbing pricing, the seller designates some city as a basing point.

True False

Section B - Structure

- 1) What are the internal factors to consider when setting price?
- 2) Explain briefly market-penetration pricing..
- 3) List down six (6) price situation strategies.
- 4) Psychological pricing is a pricing-adjustment strategy often used by retailers. Explain this pricing strategy.
- 5) Discuss briefly pricing within channel levels.

Section C - Essay

- 1) When would you choose market-skimming pricing rather than market-penetration pricing for a new line of smartphones?
- 2) Discuss the difficulties an international company would encounter if it set a uniform worldwide price for a commodity-type product.

KEY TERM

Price Market skimming pricing

Price strategies Market penetration pricing

Discount Allowance

SUMMARY

- Participants should have clear understandings about pricing and the factors to consider when setting price
- In summation, participants should able to discuss price strategies and
- Analyze different pricing situation



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



PLACE (DISTRIBUTION) STRATEGY

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Explain distribution
- 2. Create a strategic role of distribution
- 3. Channel distribution strategy
- 4. Manage the channel
- 5. International channel strategy

9.1

Distribution

Distribution is the action and effect of distribution (dividing something among several people, giving something a simple destination, delivering goods).

For distribution to be successful, the product must be available to potential buyers at that time and at the specified place.

This process is known as 'distribution chain' or the 'channel'.



Channel design begins with assessing customer channel-service needs and company channel objectives and constraints.

The company then identifies the major channel alternatives in terms of the types of intermediaries, the number of intermediaries, and the channel responsibilities of each.

9.2

Strategic Role of Distribution

A marketing channel is critical to large and small businesses because they use these distribution channels to meet their marketing and business objectives by providing and delivering products and/or services that generate profit and increase their customer base/market share.

The role of intermediaries in distribution channel:

- Greater efficiency in making goods available to target market
- Intermediaries provide-
 - Contacts
 - > Experience
 - > Specialization
 - > Scale of operation
 - > Match supply and demand



Traditional distribution – process normally consists of manufacturers, wholesaler and retailer. Reaching towards final consumers, such types of distribution was essential due to lack of technology, better connectivity and wide reach.

Manufacturer > wholesaler > retail > consumers

Advantages:

- Reduction in setup cost as company can use the retailers to sell the product
- Understanding consumer demand and behaviour better with the help of retailer
- Easy access to rural areas with retailers located there
- Consumers have easy availability of product

E-tailing – means selling of goods and services through on-line process with the use of Internet. E-tailing basically deals with retailing that takes place on the Internet.

Manufacturer > Internet > consumers

Advantages:

- Companies have cost leadership with the elimination of middlemen
- Products can be ordered all-round the clock
- Chances of product shortage are minimized

9.3 Channel Distribution Strategy

Distribution channels may not be restricted to physical products alone. They may be as important in service industry. Example, hotels may sell rooms directly or through travel agents, tour operators, airlines, such as Trivago, Agoda, and Booking.com.



There has also been service integration-services linking together particularly in the travel and tourism sectors. Example; now there are links between airlines, hotels and car rental services.

9.4 Managing the Channel

Distribution channels can have a number of levels. Kotler defined the simplest level that of direct contact with no intermediaries involved, the 'zero-level' channel. The next level, the 'one-level' channel features just one intermediary: in consumer goods a retailer and for industrial goods a distributor.



In practice, many companies use a mix of different channels; they may complement a direct sales force, handling larger accounts with agents covering smaller customers and prospects.

Two main channel management:

Vertical Marketing Systems

This integrates the channel with the original supplier – producer, wholesalers, and retailers working in one unified system.

For the channel as a whole to perform well, each channel member's role must be specified and channel conflict must be managed. The channel will perform better if it includes a firm, agency, or mechanism that provides leadership and has the power to assign roles and manage conflict.

This strategy best used at the mature stage of the market or product.

Horizontal Marketing Systems

A lesser frequent example of new approaches to channels is where 2 or more non-competing firms agree on a joint venture – a joint marketing operation – because it is beyond the capacity of each individual firm.

In general this is less likely to revolve around marketing synergy.

9.5

International Channel Strategy

Types of International Channel Strategy:

Indirect channels-has to deal with domestic agent without any dealing with foreign based firms. Less investment, no marketing experience required. Low cost opportunity, limited feedback, commissions have to be paid, little insight into the market and no feedback.

Direct channels-selling of goods directly to market intermediary or end user in the overseas market. Closer relationship, insight into foreign market, control over the process is greater.

Factors affecting choice of channels

- > Identify specific target markets
- Specify marketing goals
- > Specify financial and personal commitments
- > Identify control length of channels



Activity Chapter 9

Section A – Structure

- 1) Define distribution.
- 2) Discuss briefly marketing channel
- 3) What do intermediaries provide?
- 4) Explain e-tailing.
- 5) Describe managing a channel.

Section B – Essay

1) Distribution channels can have a number of levels. Kotler defined the simplest level that of direct contact with no intermediaries involved, as the 'zero-level' channel. The channel decision is very important. In practice, many organizations use a mix of different channels; in particular, they may complement a direct sales force, calling on the larger accounts, with agents, covering the smaller customers.

Apply both Vertical marketing and Horizontal marketing in your answer.

2) Differentiate types of international distribution channels.

KEY TERM

Distribution

Strategic role of distribution

Manage the channel International channel

strategy

Channel distribution strategy

SUMMARY

- Participants should have clear understandings about distribution, strategic role of distribution and channel distribution strategy
- In summation, participants should able to discuss how to manage the channel
- Able to describe international channel strategy



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice Hall.*



PROMOTION STRATEGY

LEARNING OUTCOMES

By the end of topic, you should be able to:

Explain promotion, advertising, sales promotion, public relations and direct marketing strategies

10.1 Promotion

Promotion means the process, method or way, to inform, persuade and influence consumers to buy a good or service. Promotion is a kind of business assistance. Promotions are carried out in various ways depending on the needs of the manufacturer or the product being produced.

Another way to look at it, promotion is a marketing activity that is usually done by marketers to provide information about a product and encourage consumers to make a purchase of the product.

10.2 Advertising

Advertising is described as being any paid form of non-personal presentation and promotion of ideas, goods, and services by an identified sponsor.

Although advertising is used mostly by business firms, it also is used by a wide range of not-for-profit organizations, professionals, and social agencies that advertise their causes to various target publics.

Advertising strategy is the formulation of a message that communicates to the market the benefits or solution characteristics of the product or service.

Advertising is a good way to inform and persuade.

Marketing management must make 4 important decisions when developing an advertising program:

- 1) Setting advertising objectives
- 2) Setting the advertising budget
- 3) Developing advertising strategy
- 4) Evaluating advertising



10.3 Sales Promotion

Sales promotion is designed to be used as a short-term tactic to boost sales – it is rarely suitable as a method of building long-term customer loyalty.

It has been one of the most heavily used weapons of the producers or manufacturers.

Some sales promotions are aimed at consumers. Others are targeted at intermediaries.



There are **3** strategies that are widely used to boost sales promotion activities.

I. <u>Push strategy</u> – this method involves pushing your brand in front of audiences (usually with paid advertising or promotions). It creates consumer demand for a product.

Producer promotes product to wholesalers > wholesalers promote product to retailers > retailers promote product to consumers.

This strategy is used where there is fierce competition amongst producers.

II. <u>Pull strategy</u> – it requires much spending on advertising and consumer promotion to build up consumer demand for a product: it brings the customer to the product.

Customers either don't know at all or not enough about the manufacturer's product features to have an interest in it.

By adopting this strategy, the producer works with the intermediaries, especially the retailers to better present the products.

Example; i-phone, Samsung

III. <u>Mix strategy</u> – is adopted when the product need a push from both sides. This strategy is more costly and takes more time to materialize.

In this strategy, the company not only gives heavy margins to the intermediaries but also tries to attract the customers by making its products more attractive in shelves and packaging.

The company should properly plan for the expense and the expected outcome.

10.4 Public Relations

There are a number of definitions regarding public relations.

 It is about building and managing a brand's reputation— how companies or individuals are perceived, how they perceive themselves and how any disconnect between the two can be addressed. This relied heavily on strong media relations and resulted in positive coverage in newspapers, magazines, TV, and radio.



- Public relations is communication of an intended message that aims to result in a shift of audience's attitude (towards a person, brand, event, etc.)
- Public relations is the art of convincing others (consumers, media, influencers, etc.) of a company, brand, or product's relevance, rather than simply telling them.
- It is the planned and sustained activity of engagement between these two parties to influence behavior change, and build mutual understanding and trust.

Public relations departments may perform any or all of the following strategies:

- Press relations or press agency: Creating and placing newsworthy information in the news media to attract attention to a person, product, or service
- Product publicity: Publicizing specific products
- Public affairs: Building and maintaining national or local community relations
- Development: Public relations with donors or members of non-profit organizations to gain financial or volunteer support

10.5 Direct Marketing

Direct marketing consists of direct communications with carefully targeted individual consumers to obtain an immediate response.

Interactivity is essential to this process. The desire to build one-to-one relationships is very strong.

Today, fired by rapid advances in database technologies and new marketing media—especially the Internet—direct marketing strategies has under—gone a dramatic transformation.



Benefits to Buyers

For buyers, direct marketing is convenient, easy to use, and private.

- From the comfort of their homes or offices, they can browse mail catalogs or company Web sites at any time of the day or night.
- Direct marketing gives buyers ready access to a wealth of products and information, at home and around the globe.
- Direct marketing channels give buyers access to a wealth of comparative information about companies, products, and competitors.
- Direct marketing is immediate and interactive—buyers can interact with sellers by phone or on the seller's Web site to create exactly the configuration of information, products, or services they desire, then order them on the spot.



Benefits to Sellers

For sellers, direct marketing is a powerful tool for building customer relationships.

- Using database marketing, today's marketers can target small groups or individual consumers, tailor offers to individual needs, and promote these offers through personalized communications.
- Direct marketing can also be timed to reach prospects at just the right moment. Because of its one-to-one, interactive nature, the Internet is a powerful direct marketing tool.
- Direct marketing can offer sellers a low-cost, efficient alternative for reaching their markets.
- Direct marketing can also offer greater flexibility by allowing marketers to make ongoing adjustments to their prices, programs, and promotions.

Activity Chapter 10

Section A - Structure



- 1) Define promotion.
- 2) Describe advertising.
- 3) What are important decisions when developing advertising program?
- 4) Explain sales promotion.
- 5) Describe direct marketing.

Section B - Essay

- 1) Illustrate the three (3) strategies that are widely used to boost sales promotion activities.
- 2) What are the following strategies public relations departments may perform?
- 3) There are benefits to seller using direct marketing tool. Differentiate them.

KEY TERM

Promotion Advertising

Sales Promotion Public Relations

Direct Marketing

SUMMARY

 Participants should have clear understandings about promotion, advertising, sales promotion, public relations and direct marketing strategies



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice*



GLOBAL ASPECTS OF MARKETING

LEARNING OUTCOMES

By the end of topic, you should be able to:

- 1. Describe the environment of international marketing
- 2. Illustrate the development of an international marketing

11.1

What is Global?

Definition:

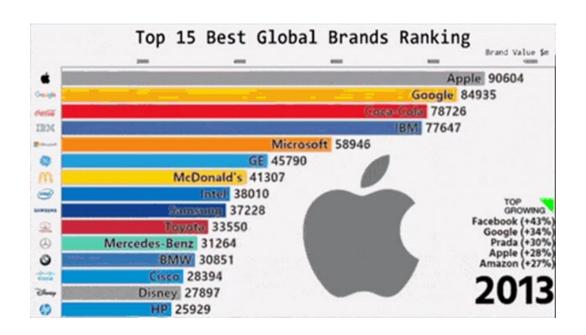
- 1 Covers, affects or about the whole world, universal,
- 2 Includes the whole group of things and so on, comprehensive: the matter should be viewed from a broad point of view.

Global marketing is the act of focusing a product on the needs of potential buyers. Knowing who needs your product, in what form to deliver it to them, and how to do it in a way that strengthens the brand are core ingredients of vital global marketing.

Looking at the global marketing environment,

The environment has changed a lot compared to previous millennium, creating both opportunities and new problems.

There has been a growth of global brands in food, automobiles, clothing, electronics, computers and software, and many other categories.



The world is shrinking rapidly with the advent of faster communication, transportation, and financial flows. In the twenty-first century, firms can no longer afford to pay attention only to their domestic market, no matter how large it is.

Many industries are global industries, and those firms that operate globally achieve lower costs and higher brand awareness. At the same time, global marketing is risky because of variable exchange rates, unstable governments, protectionist tariffs and trade barriers, and other prohibitive factors.

Factors to consider:

Social-cultural environment:

- o Companies must understand how culture affects consumer reactions in each of its world market.
- o They must also understand how their strategies affect local culture.

Economic environment:

- o 2 economic factors reflect the country's attractiveness as a market: the country's industrial structure and its income distribution.
- o The country's industrial structure shapes its product and service needs, income levels, and employment levels.

Political/legal environment:

- **4** factors should be considered in deciding whether to do business in a given country:
 - 1) Attitudes toward international buying (some nations are receptive to foreign companies, others are hostile).
 - 2) Government bureaucracy (the extent the host government assist foreign companies)
 - 3) Political stability (is it safe?), and
 - 4) Monetary regulations (among issue is taxation, and sellers want to withdraw)

11.2

Deciding Whether to Go International

Not all companies need to venture into international markets to survive.

Operating domestically is easier and safer.

Managers don't need to learn another country's language and laws.

They don't have to deal with unstable currencies, face political and legal uncertainties, or redesign their products to suit different customer expectations.



Before going abroad, the company must weigh several risks and answer many questions about its ability to operate globally.

- Can the company learn to understand the preferences and buyer behaviour of consumers in other countries?
- Can it offer competitively attractive products?

- Will it be able to adapt to other countries' business cultures and deal effectively with foreign nationals?
- Do the company's managers have the necessary international experience?
- Has management considered the impact of regulations and the political environments of other countries?

11.3

Deciding Which Markets to Enter

- Before going abroad, the company should try to define its international marketing objectives and policies. It should decide what volume of foreign sales it wants.
- ❖ The company also needs to choose how many countries it wants to market in. Companies must be careful not to spread themselves too thin or to expand beyond their capabilities by operating in too many countries too soon.
- Also, the company needs to decide on the types of countries to enter.
- ❖ After listing possible international markets, the company must screen and rank each one.

11.4

Deciding How to Enter the Market

- Once a company has decided to sell in a foreign country, it must determine the best mode of entry.
- There are 3 general market entry strategies, along with the options each one offers.
- Each succeeding strategy involves more commitment and risk, but also more control and potential profits.
- They are export, joint-venture and direct investment.

Export

The simplest way to enter a foreign market is through exporting.

The company may passively export its surpluses from time to time, or it may make an active commitment to expand exports to a particular market.

In either case, the company produces all its goods in its home country. It may or may not modify them for the export market.

Exporting involves the least change in the company's product lines, organization, investments, or mission.

Joint Venture

A second method of entering a foreign market is joint venturing—joining with foreign companies to produce or market products or services.

Joint venturing differs from exporting in that the company joins with a host country partner to sell or market abroad.

It differs from direct investment in that an association is formed with someone in the foreign country.



Direct Investment

The biggest involvement in a foreign market comes through direct investment—the development of foreign-based assembly or manufacturing facilities.

If a company has gained experience in exporting and if the foreign market is large enough, foreign production facilities offer many advantages.

- a. The firm may have lower costs in the form of cheaper labour or raw materials, foreign government investment incentives, and freight savings.
- b. The firm may improve its image in the host country because it creates jobs.

- c. Generally, a firm develops a deeper relationship with government, customers, local suppliers, and distributors, allowing it to adapt its products to the local market better.
- d. Finally, the firm keeps full control over the investment and therefore can develop manufacturing and marketing policies that serve its long-term international objectives.

The main disadvantage of direct investment is that the firm faces many risks, such as restricted or devalued currencies, falling markets, or government changes.

In some cases, a firm has no choice but to accept these risks if it wants to operate in the host country.





Deciding on the Global Marketing Program

Companies that operate in one or more foreign markets must decide how much, if at all, to adapt their marketing mixes to local conditions.

- i. At one extreme are global companies that use a standardized marketing mix, selling largely the same products and using the same marketing approaches worldwide. (Example:-Coca-Cola)
- ii. At the other extreme is an adapted marketing mix. In this case, the producer adjusts the marketing mix elements to each target market, bearing more costs but hoping for a larger market share and return. (Example: burger to different nations, India no beef, Muslim countries no pork)

Deciding on the Global Marketing Organization

 A firm normally gets into international marketing by simply shipping out its goods.

- If sales increase, most companies organizes an export department, then create an international division and finally become a global organization.
- Many companies get involved in several international markets and ventures.
- The international division's corporate staff consists of marketing, manufacturing, research, finance, planning, and personnel specialists.
- Many firms have passed beyond the international division stage and become truly global organizations.
- Moving into the twenty-first century, major companies must become more global if they hope to compete.
- However, they must move more aggressively into foreign markets.
 They have to change from companies that treat their international
 operations as secondary to companies that looks at the entire world
 as a single borderless market.

Activity Chapter 11



Section A - Structure

- 1) Define global.
- 2) What is global marketing?
- 3) Describe political/legal factors should be considered in deciding whether to do business in a given country.
- 4) Why not all companies need to venture into international markets to survive?
- 5) What must companies do before deciding Which Markets to Enter

Section B - Essay

- 1) The global environment has changed a great deal, creating both opportunities and new problems. There has been a growth of global brands in automobiles, food, clothing, electronics, computers and software, and other categories.
 - Illustrate on the three (3) main methods to enter the market (mode of entry).
- 2) What are the possible reasons the world has become 'smaller'?
- 3) Illustrate decisions on the Global Marketing Program.

KEY TERM

Global International Marketing

Export Joint-Venture

Direct Investment

SUMMARY

- Participants should have clear understandings about the environment of international marketing and the development of an international marketing strategy
- In summation, there are 3 most common methods to market entry strategies; export, joint-venture and direct investment.



REFERENCEES

Kotler, P. and Armstrong, G. (2018). *Principles of Marketing. 17th Edition. Prentice*

