Learning Objectives

Upon completion of this unit, students should be able to:

1. Discuss marketing objectives and marketing strategies.
2. Identify customer needs and wants.
3. Explain the customer decision-making process.
5. Identify the different promotional techniques used in marketing.
6. Explain the different types of distribution.
7. Discuss pricing objectives and strategies.

Written Lecture

Chapter 11 discusses marketing as an organizational function and utility. Utility is the ability of goods and services to meet consumers’ wants and needs. One of the most important parts to marketing is having a marketing plan. This chapter identifies what elements contribute to a good marketing plan and the different strategies. It also discusses the elements that influence consumers’ decision making. Chapter 12 discusses the product and the different product categories, the product line, and the product mix, and why these are important when bringing new products to market. Promotions are also a big part of marketing. This chapter discusses the benefits of promoting and the different types of consumer promotions. Finally, Chapter 13 discusses how distributors add value by utilizing different types of utility. It also discusses the role of distributors and the different methods for distribution. Clearly, a good way to increase market share is through pricing. There are many ways to price products and services. This unit concludes by discussing the benefits for each type of pricing strategy.

Chapter 11: Marketing: Building Profitable Customer Connections

When you think about it, marketing is a major part of a business and is the consumers’ life line to the business. According to the American Marketing Association, 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” (as cited in Kelly & McGowen, 2012, p. 151). The objective of marketing is to increase growth and profitability. Meeting this objective can be difficult because of competition. Consumers are looking for value to meet their needs and wants.

Most companies have a marketing plan, which is a defined plan that identifies the marketing objectives and strategies. The first part is marketing segmentation. This is a technique that involves dividing the market into groups of people or specific segments. Target marketing involves identifying a group of people who may buy your product. The keys to target marketing are size, profitability, accessibility, and limited completion. It is very important to market to the consumers; therefore, a direct target needs to be established. The best means available is by segmentation. Demographics are market groups that are based
on different elements such as age, income, ethnicity, and gender. Geographic segmentation is dividing the market based on where consumers live. Psychographic segmentation is dividing the market based on consumers’ attitudes, interests, values, and lifestyles. Another part of segmentation is behavior. This addresses usage patterns.

Why would a consumer buy one product and not another? Consumer behavior addresses this question and allows for a marketing plan to address consumer buying decisions. There are four elements that influence consumer decision-making:

1. Cultural element: It is important to understand the values, attitudes, and customs of consumers.
2. Social element: This includes elements such as family, friends, and reference groups that influence consumers’ decisions.
3. Personal choice element: This involves demographics and a person’s own identity.
4. Psychological element: This affects motivation, attitudes, and perceptions.

Chapter 12: Product and Promotion: Creating and Communicating Value

Products are anything that a company offers to meet the needs and wants of the consumer. Consumer products are for personal use or consumption. There are four categories for consumer products. Understanding each category contributes for a better strategy:

1. The first category is convenience. This category addresses products that are inexpensive and used frequently. An example may be milk, toothpaste, and gum. These products are very easily accessible for purchase.
2. The second category is shopping products. These items are more expensive than convenience products and are not used as frequently. Consumers in this category are looking for value. The distribution is widespread and easy to purchase. Examples include computers, lawnmowers, and power tools.
3. The third category is specialty products. Specialty products are more expensive than shopping products and are seldom purchased. The distribution of these products is selective. This category provides a small market. Example of some specialty products would be Rolex watches and Lamborghini sport cars.
4. The fourth category is unsought products. These products hold very little interest and usually are marketed by promotions to get the consumer in the door. An example of this may be prepaid burial expenses and appliance warranties.

A product line contains products that are closely related to one another. For example, Ford Motor Company has a product line of automobiles. Then there is a product mix. A product mix is the total number of product lines. It is important to have the correct mix when marketing many different products. Many companies find their product mix is being cannibalized by a lower price line and minimal profits.
Promotions are intended to influence consumers by reminding and persuading them to purchase a specific product. Most of the promotions consumers are accustomed to are consumer product promotions. This type of promotion is intended to generate immediate sales. There are six types of tools that are used for consumer promotions:

1. The first is premiums. These are items the consumer receives free of charge. “Buy one set of cutlery now, and receive a set of steak knives free” is a good example of a premium promotion.
2. The second consumer promotion is promotional products. This is a free give-away that advertises the brand. “Test drive a new BMW, and receive a free BMW logo cap” is an example of product promotion.
3. The third consumer promotion is sampling. This reduces the risk of buying something new by trying the product first. A good example would be an employee from Chick-Fil-A standing in front of the store with sample pieces of chicken.
4. The fourth tool is coupons. This gives consumers an immediate price reduction. Most consumers use coupons when grocery shopping.
5. The fifth tool is rebates. This is when the manufacture provides cash back after the purchase. This is common when purchasing an automobile and electronics.
6. The sixth tool is displays. This type of promotion sets the product apart and is attractive to consumers.

Chapter 13: Distribution and Pricing: Right Product, Right Person, Right Place, Right Price

Most of the products we purchase are distributed by a merchant wholesaler. This type of distribution is a win-win. It reduces the risk of the producer, and because the wholesaler takes title to products, it has the flexibility needed to develop its own marketing plan. There are different types of merchant wholesalers. Full service wholesalers provide many benefits to the retailers, such as warehousing, shipping, promotional assistance, and credit. Limited service wholesalers provide less service than a full service merchant. A limited service merchant wholesaler may drop-ship, cash and carry, or truck jobbers. There are also agents and brokers who connect buyers and sellers and complete the transaction based on commissions. Some examples include insurance agents and real estate brokers.

Pricing is important to the success of a business. Every business wants to maximize their profits and sell products for whatever the market is willing to bear. There are many strategies that are used for pricing. Penetration pricing is a strategy for pricing new products, and the objective is to capture as much of the market at a very low price. Everyday pricing is a strategy used to gain long term profitability through volume. Walmart and Costco are two good examples. High/low pricing is a strategy to get the consumer in a retail store. The store will place an item on sale to attract consumers and increase the price of other products. Many department stores use this technique. Loss leader pricing is similar to high/low pricing, but the retailer is willing to take a loss in order to gain the difference on some other products.

It is evident that marketing is the key to success for all types of businesses and services. A business is only as successful as the developed marketing plan. There are many marketing strategies and learning these strategies will be an education for both the business and the consumer as well. As we look back, we
most likely can see that these strategies were used on us as the consumer. Remember, promotions are a good and fair way to sell products when used in the correct manner. As discussed, most products are brought to market through merchandisers. Pricing remains critical in a competitive market. Using the correct strategy to sell a product is paramount.

Reference

Learning Activity (Non-Graded)

Article Review

For this activity, choose two peer-reviewed/scholarly articles to review, one related to Chapter 12, “Product and Promotion,” and the other related to Chapter 13, “Distribution and Pricing.” Use the databases within the CSU Online Library or another source that contains peer-reviewed/scholarly articles. The purpose of this activity is for you to practice reviewing articles that contribute to the industry. The authors of these articles are researchers and professionals that have shared or experimented with ideas that demonstrate potential to improve the industry. As a professional in the industry, it is in your best interest to review the literature and trends within it. Doing so provides you with the opportunity to read about what has been successful and how. Plus, it allows you to analyze the ideas that were unsuccessful, how you can improve them, or at least avoid repeating the mistakes of others. Use these skills to contribute to research papers and other scholarly writing in the future.

As you read the articles, consider the following questions: How could the topic of this article apply to your personal or professional life? How could it apply to an organization you have observed?

Use these guidelines to select articles:

- Are in reliable sources/journals
- Related to Product and Promotion and/or Distribution and Pricing
- At least ten pages for each article

Use these guidelines to prepare each of your article reviews:

- At least two pages
- Identify the main topic/question
- Who is the author’s intended audience?
- Summarize the article for page one
- Think critically about the article and how it applies to this course for page two

Format your article review using APA Style. Use your own words and include citations for other articles as needed to avoid plagiarism. This is a non-graded activity, so you do not have to submit it.