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هـــذا الـكـتـاب وطـبـعـه عـلـى نـفـقـتـها

وزارة التعليم
Ministry of Education

المملكة العربية السعودية

Marketing Campaign Planning

Secondary Stage – Pathways System

Third Year

The book is distributed freely and cannot be sold.

1448–2026 Edition

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Introduction

The progress and development of countries can be measured by their ability to invest in education and by the extent to which their educational system responds to the requirements and changes of the age. It is the responsibility of the Ministry of Education to sustain the development of its educational systems. In response to the concept of Saudi Arabia's Vision 2030 policy, the Ministry has taken the initiative in adopting the Secondary Education Pathways system with the aim of bringing about effective and comprehensive reform at the secondary stage.

The Secondary Education Pathways system provides a distinguished and modern educational model for secondary education in Saudi Arabia, which efficiently contributes to:

- Strengthening the values associated with belonging to our homeland, the Kingdom of Saudi Arabia, and of loyalty to its wise leaders, may Allah protect them, based on pure belief founded on tolerant Islamic teachings.
- Strengthening the values of citizenship by focusing on them in the school curriculum and in class activities, in line with the demands of sustainable development and the development plans of Saudi Arabia, which emphasize the consolidation of the duality of values and identity, founded on the teachings of Islam and moderation.
- Offering qualifications to students that are in line with future specializations in universities and colleges or the required professions, and ensuring that educational outputs are consistent with the requirements of the labor market.
- Enabling students to pursue education along their preferred track at an early stage, according to their inclinations and abilities.
- Enabling students to enrol in specific scientific and administrative disciplines related to the labor market and future jobs.
- Integrating students into an enjoyable and stimulating learning environment within the school, based on a constructive philosophy and applied practices within an active learning environment.
- Guiding students on an integrated educational journey from the primary stage to the end of secondary stage, and facilitating the process of their transition to the post-general education stage.

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- Providing students with the technical and personal skills which will help them to deal with life and to respond to the requirements of the stage they are at.
- Expanding opportunities for graduate secondary school students through various options in addition to universities, such as by obtaining professional certificates, joining applied colleges, and obtaining job diplomas.

The Pathways system consists of six semesters taught over three years, including a common first year in which students receive lessons in various scientific and human fields, followed by two specialized years during which students follow a general pathway as well as four specialized pathways consistent with their inclinations and abilities. These are: the Legal Pathway, the Business Administration Pathway, the Computer Science and Engineering Pathway, and the Health and Life Pathway. This makes this system the best option for students in terms of:

- The existence of new study materials that comply with the requirements of the so-called Fourth Industrial Revolution and its associated development plans, as well as the Saudi Vision 2030 policy which aims to develop higher-order thinking, problem solving, and research skills.
- Elective field programs which are consistent with the needs of the labor market and students' own preferences. This enables students to enrol in a specific elective field according to a specific job skills matrix.
- An "inclination" scale that ensures the attainment of students' efficiency levels and effectiveness, and helps them to determine their own tendencies, predispositions, and strengths—all of which enhances their chances of success in the future.
- Volunteer work designed specifically for students in line with the philosophy of activities in schools, which is also one of the graduation requirements. This helps to promote humane values, build up society, and ensures its development and cohesion.
- A transfer procedure that enables students to move from one pathway to another according to specific mechanisms.
- Proficiency classes in which skills are developed and achievement levels improved, by providing intensive and remedial lessons.
- Options for combining education with e-learning and blended learning/teaching, which are built into the Pathways system for reasons of flexibility, convenience, interaction, and effectiveness.
- A graduation project that helps students to integrate theoretical experiences with applied practices.
- Professional and skill-based certificates that are awarded to students after completing specific tasks and certain tests in partnership with specialized bodies.

The Business Administration Pathway is one of the paths developed at the secondary level. It contributes to achieving best practices by investing in human capital and providing students with the knowledge, experience, and skills that will allow them to keep pace with the Fourth Industrial Revolution and the challenges of the 21st century. This pathway also seeks to provide students with the necessary skills to deal with the administrative and financial challenges of the digital economy era in order to ensure a stable economic future. This is driven and supported by: 1) the contents of the Saudi Vision 2030 policy, 2) the two associated programs for developing human capabilities and the quality of life, and 3) the labor market's need for qualified personnel to work in future jobs. The pathway is also intended to promote the values of hard work, discipline, determination, perseverance, positivity, flexibility, national values, enhanced national identity, support for a culture of innovation and entrepreneurship, support for the value of volunteer work—all to prepare students for the labor market and to expand educational opportunities for them. It may also contribute to preparing students to continue their studies at university level, or to obtain professional certificates in one of the related disciplines.

The subject "Marketing Campaign Planning", which is taught in two parts in the third year of the Pathways system respectively, familiarizes students with the principles of marketing campaign planning, pitched at a level that is suitable for their target age. The subject achieves this by:

- Providing the requisite knowledge and skills set.
- Encouraging students to form a positive outlook toward work.
- Encouraging students to develop a culture of self-motivation.
- Promoting work values and ethics by linking the course's lessons to students' own lives.
- Providing a range of activities that give students teamwork skills, research skills, and self-learning abilities, in addition to case studies and real-world applications that enhance students' marketing concepts and enable them to develop analytical, deductive, and critical-thinking skills.

In Part One of the Curriculum, the subject will introduce the core aspects of marketing campaign planning under four chapter headings aimed at:

- Explaining the importance of studying marketing and why businesses depend upon marketing functions in order to deliver Saudi Vision 2030.
- Providing an overview of the marketing concept and how marketing developed as part of a business.
- Helping students to understand how marketing affects businesses and individuals.
- Demonstrating how marketing benefits society and the economy.

- Introducing the concepts of consumer behavior and decision making, by considering the motives of—and influences upon—consumers.
- Introducing students to concepts including market segmentation, product positioning, and pricing.
- Helping students to recognize the similarities and differences between marketing products and services, in order to create an effective marketing strategy.

In Part Two of the Curriculum, the book will continue to build upon the themes above under an additional four chapter headings aimed at addressing additional concepts such as:

- Explaining what information about a product or service should be shared with the target market and providing an overview of the communication process.
- Helping students to learn about different types of advertising and understand how companies plan and develop campaigns.
- Demonstrating how public relations works and how it manages information to give consumers a particular impression of a business or person.
- Helping students to understand the process of personal selling and the various sales-promotion methods that exist.
- Helping students recognize the increasing importance of digital marketing and e marketing strategies in today's business world.

To ensure that students' skills and knowledge are measured in tandem with the content of each book's chapters, a set of assessment questions and activities has been prepared at the end of each chapter, taking into account the whole range and diversity of assessment strategies.

Finally, we ask Allah the Almighty to grant that this book may contribute to preparing and qualifying our sons and daughters as students for the world of work and business, and that it may act as an incentive to invest their energies wisely, to build their future, and to contribute to the development of their country.

It is Allah who grants success!

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About the Book

Features for Student Success

Chapter Question

A large, high impact image with a linked question prompts critical thinking about the topic.



Chapters

begin with a double-page spread which introduces the chapter topic.

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Link to digital lesson

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2.1

Understanding Consumer Behavior

KEY TERMS

Consumer behavior
Final consumers
Business consumers
Need
Want

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

2.1.1 Describe two types of consumers of interest to marketers.
2.1.2 Define consumer needs and wants.

MARKETING MATTERS

In order to apply the marketing concept effectively, marketers need to study consumer behavior. There are two basic types of consumers: final consumers who make purchases for their own consumption, and business consumers who make purchases for their business or to resell to customers. Both final consumers and business consumers make purchases to satisfy needs and wants. Marketers work to understand the reasons why consumers buy the products and services that they choose, and what needs and wants they are trying to satisfy by doing so. As a result, marketers can develop products and services which give consumers what they need and want.

Activate Your Knowledge

1. What are the two different types of consumers that are of interest to marketers?
2. Think about your own everyday life. Make a list of the things you need to live a happy life. Then put them in order from most to least important.
3. Why is it useful for marketers to understand how consumers make decisions?

Learning Objectives

offer a preview of each lesson.

Marketing Matters

focuses on current issues in the marketing world such as types of consumers, for example, business and final consumers.

Activate Your Knowledge

provides critical thinking questions.

Key Terms

are first introduced in the lesson openers. The terms are in green in the lesson text, emphasizing their importance and allowing them to be found easily. Definitions can be found in the Glossary.

office supplies, if a new supplier offers substantially lower prices that the purchasing agent needs to evaluate, or if a change at the company requires the purchase of a product that the regular supplier does not carry.

Extensive Decision Making

Extensive decision making occurs when the consumer methodically goes through all five steps of the decision-making process. Normally, customers use **extensive decision making** for expensive purchases such as an automobile, home, or family vacation, and it is used in situations where consumers do not make the decision lightly. They spend time and effort evaluating alternatives and arriving at a decision. This will typically involve carefully reviewing their needs and matching them with the best choice possible. Initially, it will not be clear to the consumer what the differences between the alternatives are and they will need to carefully analyze these alternatives to reach a decision.

This type of decision making is used in business for first-time purchases or those that involve a large investment, such as new computers for every employee or a fleet of new delivery vehicles. The purchasing agent will conduct an extensive search for the best deal before reaching a purchase decision. The company may require suppliers to prepare a written proposal with complete descriptions of the product. Those in the business who have special expertise with the particular product will review the proposals. Extensive negotiations may occur with the vendors before the purchasing agent makes a final decision.

Working in Teams

Form a team and identify a product that the team agrees would typically be purchased using each of the three types of decision making above. Now have a discussion in which you compare the places where each product is usually purchased, what factors are most important in deciding what to purchase, and what information consumers need in order to decide what product or brand to purchase.

The Marketer's Role in Decision Making

Marketers need to understand consumer decision-making processes because this will help them to match their products and

Working in Teams

allows students to experience group dynamics that enhance the learning process and to discover the benefits and concerns of shared decision making.



Figures and **photos** visually organize and present information, providing direct links to real-life scenarios.

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Marketing Communication

Deciding on Your Next Cup

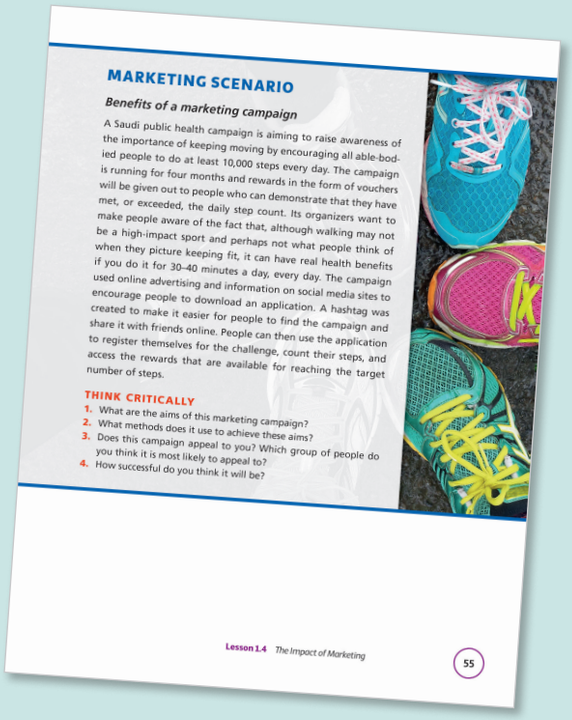
By providing a superior product and excellent customer service at a convenient location, a local coffee shop owner has attracted many loyal customers. Most customers of this coffee shop no longer evaluate alternative shops in their decision-making process. For them, the decision rests on which type and what size of coffee to purchase—large (600 milliliters), medium (450 milliliters), small (300 milliliters), or an unadvertised 200 milliliter size. The 200-milliliter size does not appear on the menu or in any of the shop's advertising, but if a customer orders it, the shop will make it for them at a lower price than the 300-milliliter size.

The shop recently announced it will be raising prices an average of 1% on all beverages. This increase is expected to boost profits by 11%. However, the increase will not affect all sizes across the menu. It affects only about a third of the beverages, mostly the lower-priced ones that have a lower profit margin. The owner justifies the price increase by citing an increase in commodity prices. Although prices are already relatively high, the shop owner believes that demand will remain high as customers regard "premium" coffee as an affordable luxury.

Think Critically

1. Why has the shop choosen not to advertise or promote its smallest and least expensive beverages?
2. Why has the shop increased its prices only on lower-priced drinks?
3. Why has the shop used an increase in commodity prices as a reason for price increases?

Marketing Communication describes challenges, techniques, devices, and media used to convey marketing information.



MARKETING SCENARIO

Benefits of a marketing campaign

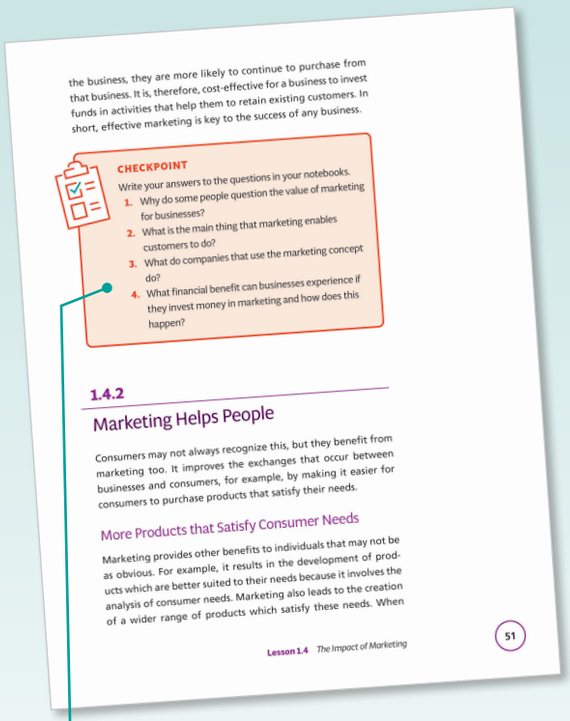
A Saudi public health campaign is aiming to raise awareness of the importance of keeping moving by encouraging all able-bodied people to do at least 10,000 steps every day. The campaign is running for four months and rewards in the form of vouchers will be given out to people who can demonstrate that they have met, or exceeded, the daily step count. Its organizers want to make people aware of the fact that, although walking may not be a high-impact sport and perhaps not what people think of when they picture keeping fit, it can have real health benefits if you do it for 30–40 minutes a day, every day. The campaign used online advertising and information on social media sites to encourage people to download an application. A hashtag was created to make it easier for people to find the campaign and share it with friends online. People can then use the application to register themselves for the challenge, count their steps, and access the rewards that are available for reaching the target number of steps.

THINK CRITICALLY

1. What are the aims of this marketing campaign?
2. What methods does it use to achieve these aims?
3. Does this campaign appeal to you? Which group of people do you think it is most likely to appeal to?
4. How successful do you think it will be?

Lesson 1.4 *The Impact of Marketing* 55

Marketing Scenarios encourage students to apply theory and think critically in the context of real-world case studies.



the business, they are more likely to continue to purchase from that business. It is, therefore, cost-effective for a business to invest funds in activities that help them to retain existing customers. In short, effective marketing is key to the success of any business.

CHECKPOINT

Write your answers to the questions in your notebooks.

1. Why do some people question the value of marketing for businesses?
2. What is the main thing that marketing enables customers to do?
3. What do companies that use the marketing concept do?
4. What financial benefit can businesses experience if they invest money in marketing and how does this happen?

1.4.2

Marketing Helps People

Consumers may not always recognize this, but they benefit from marketing too. It improves the exchanges that occur between businesses and consumers, for example, by making it easier for consumers to purchase products that satisfy their needs.

More Products that Satisfy Consumer Needs

Marketing provides other benefits to individuals that may not be as obvious. For example, it results in the development of products which are better suited to their needs because it involves the analysis of consumer needs. Marketing also leads to the creation of a wider range of products which satisfy these needs. When

Lesson 1.4 *The Impact of Marketing* 51

Checkpoints provide students with an opportunity to check their progress and understanding of each section.

Math in Marketing

Travel Services Track the Sale of Space

Travel service businesses, including hotels and airlines, sell space, which is a highly perishable asset. For example, a hotel room or a seat on a flight, neither of which can be recovered once a specific day has passed or a specific flight has taken off. Industry-specific measures have been developed to track the effectiveness of sales efforts from one time period to another. The hotel accommodation industry, for example, tracks "revPAR" (which stands for "revenue per available room") to gauge how effectively each hotel fills its rooms. It tries to avoid the use of large discounts just to sell rooms or inflexible rates that lead to more unsold rooms. With revPAR, room rates and occupancy percentages are combined in one easy-to-compare measure of the sale of hotel space.

Airlines use similar performance measures. Available seat miles (ASMs) equal the total number of seats on all scheduled flights multiplied by the total flight miles. Revenue passenger miles (RPMs) include only seats that are occupied by paying passengers. Load factor is RPM divided by ASM expressed as a percentage. The measure of space sales leads to the most effective balance of prices and rooms or seats sold.

Do the Math

1. If a hotel manager's goal is to increase revPAR by 20% next month, what are the different ways to accomplish this? (Note: Adding rooms is not an option.)
2. If an airline's RPMs increase by 20% while its load factor declines, what is the likely explanation?

Math in Marketing addresses math concepts that are essential to marketers.

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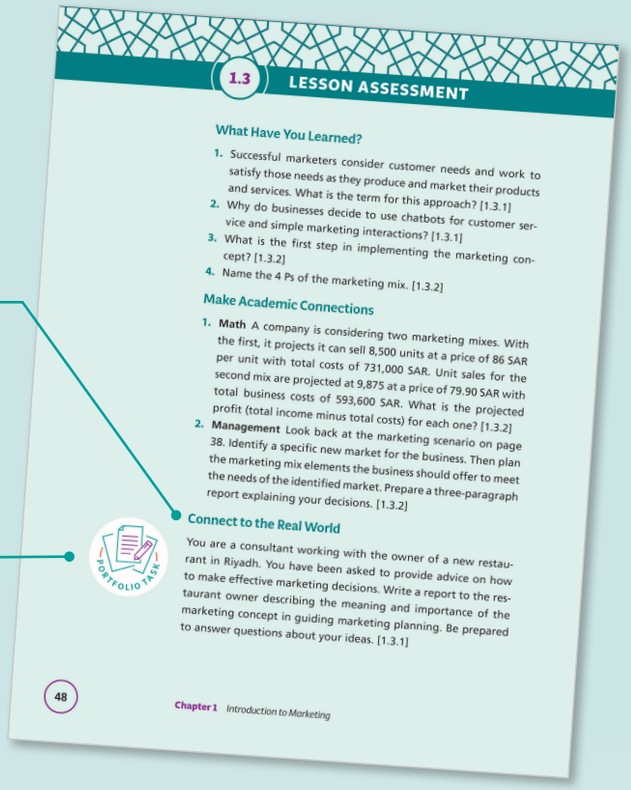
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Assessment is Key

Lesson Assessments at the end of each lesson reinforce the concepts that have been covered in it.

Connect to the Real World is based on hypothetical scenarios in marketing and ends each lesson assessment. The task requires students to use their critical-thinking skills within a realistic, career-driven context.

Portfolio Task: icons highlight activities and projects that students can use to create a portfolio showcasing their work.



1.3 LESSON ASSESSMENT

What Have You Learned?

1. Successful marketers consider customer needs and work to satisfy those needs as they produce and market their products and services. What is the term for this approach? [1.3.1]
2. Why do businesses decide to use chatbots for customer service and simple marketing interactions? [1.3.1]
3. What is the first step in implementing the marketing concept? [1.3.2]
4. Name the 4 Ps of the marketing mix. [1.3.2]

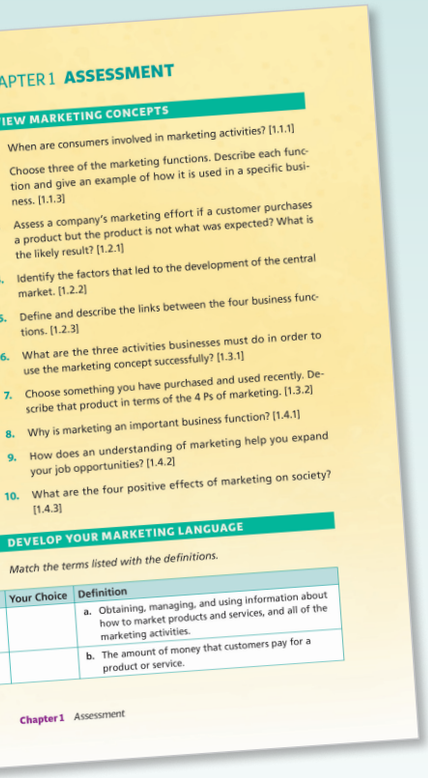
Make Academic Connections

1. **Math** A company is considering two marketing mixes. With the first, it projects it can sell 8,500 units at a price of 86 SAR per unit with total costs of 731,000 SAR. Unit sales for the second mix are projected at 9,875 at a price of 79.90 SAR with total business costs of 593,600 SAR. What is the projected profit (total income minus total costs) for each one? [1.3.2]
2. **Management** Look back at the marketing scenario on page 38. Identify a specific new market for the business. Then plan the marketing mix elements the business should offer to meet the needs of the identified market. Prepare a three-paragraph report explaining your decisions. [1.3.2]

Connect to the Real World

You are a consultant working with the owner of a new restaurant in Riyadh. You have been asked to provide advice on how to make effective marketing decisions. Write a report to the restaurant owner describing the meaning and importance of the marketing concept in guiding marketing planning. Be prepared to answer questions about your ideas. [1.3.1]

48 Chapter 1 *Introduction to Marketing*



CHAPTER 1 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. When are consumers involved in marketing activities? [1.1.1]
2. Choose three of the marketing functions. Describe each function and give an example of how it is used in a specific business. [1.1.3]
3. Assess a company's marketing effort if a customer purchases a product but the product is not what was expected? What is the likely result? [1.2.1]
4. Identify the factors that led to the development of the central market. [1.2.2]
5. Define and describe the links between the four business functions. [1.2.3]
6. What are the three activities businesses must do in order to use the marketing concept successfully? [1.3.1]
7. Choose something you have purchased and used recently. Describe that product in terms of the 4 Ps of marketing. [1.3.2]
8. Why is marketing an important business function? [1.4.1]
9. How does an understanding of marketing help you expand your job opportunities? [1.4.2]
10. What are the four positive effects of marketing on society? [1.4.3]

DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Competitors		a. Obtaining, managing, and using information about how to market products and services, and all of the marketing activities.
2.	Consumers		b. The amount of money that customers pay for a product or service.

58 Chapter 1 Assessment

Chapter Assessment provides a review of the main points.

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Part 1

Chapter 1 Introduction to Marketing

Chapter 2 Consumer Behavior

Chapter 3 Marketing Strategies

Chapter 4 Products and Services

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The Kingdom of Saudi Arabia government marketing Saudi Vision 2030 on the global stage

CHAPTER 1

Introduction *to* Marketing

We are all aware of the existence of marketing; most of us also know how important it is to the success of commercial activities. However, the wide range of activities which fall into the category of marketing activities often make the term *marketing* difficult to define. In this chapter, you will learn exactly what marketing is, why it is so important to the companies that use it, what the concept of marketing involves, and the impact that marketing has on the success of commercial activities.

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Why do you think marketing is an important part of the Saudi Vision 2030 initiative?

CHAPTER LESSONS

1.1 What is Marketing?

1.2 Why Businesses Need Marketing

1.3 The Marketing Concept

1.4 The Impact of Marketing

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Link to digital lesson

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1.1

What is Marketing?

KEY TERMS	LEARNING OBJECTIVES
Marketing Marketing information management	Once you have completed this lesson, you should be able to: **1.1.1** Define marketing. **1.1.2** Explain the importance of studying marketing. **1.1.3** Describe the nine marketing functions.

MARKETING MATTERS

Marketing is one of the most important business functions. It involves a wide range of activities necessary for all organizations, both for-profit organizations and non-profit organizations, to be successful, and provides the basis for many exciting jobs and careers. Knowing about marketing concepts and developing marketing skills can help you achieve success throughout your career.



Activate Your Knowledge

1. Brainstorm all the words that come to your mind when you think of *marketing*. Consider *what* marketing is, *who* does it, *how* they do it, *when* they do it, and *why* they do it. Organize your ideas in a mind-map with these five categories.
2. Use the ideas from your mind-map to write your own definition of marketing.
3. What tasks and activities do you think that people who work in marketing in Saudi Arabia do in a typical working week? Make a list of your ideas.

1.1.1

The Definition of Marketing

It can be quite difficult to say what exactly marketing is because it involves a variety of activities. The variety of these activities has increased in the last few decades, and it looks like it will continue to become even broader in the future. In the mid-twentieth century, for example, marketing activities around the world were typically quite simple, and their main aim was to present goods and services to consumers through billboards, on television, or on the radio. Today this presentation of products and services can take numerous different forms.

In 2017, the American Marketing Association (AMA) defined marketing as the *activities*, *institutions*, and *processes* used to create, communicate about, and deliver products and services. This definition also mentions that as well as clients, these offerings may be delivered to *partners*, meaning other companies, or to *society at large*, meaning everyone who lives in a specific place. When the public is being targeted by marketing, this is usually because non-government organizations (NGOs) or government departments are seeking to raise awareness of specific issues or their activities.

A further change in the definition of marketing, which has occurred in recent decades, is the fact that it now includes other activities, such as carrying out marketing research. This is an activity which involves obtaining, analyzing, and then using data about consumers' or other businesses' preferences and activities, as well as their profiles and buying habits. Additionally, marketing is now also commonly used to promote individual people and ideas, and not only conventional products and services. For example, well-known authors will want to market themselves to the public by promoting their books so that people may choose to buy them; or a government may want to communicate a particular message about public health to its population.

The main aim of **marketing**, however, is still creating and maintaining a good commercial exchange relationship between the company, organization, or individual that is doing the marketing, and the people or companies that receive these marketing messages. Different types of businesses and organizations want to sell their products or services to different types of customers and, therefore, have different types of exchanges with them (see Figure 1-1).

Business / Organization	Customer	Exchange
movie theater	moviegoers	convenient and enjoyable access to entertainment
grain farmer	cereal manufacturer	high-quality wheat delivered for processing
physician	patients	treatment for illness and injuries; health care
college	students	courses, degrees, professional development
commercial airline	business travelers, individuals, families	safe, on-time, and comfortable transportation between cities
city government	citizens	clean and well-maintained streets, police and fire protection, enjoyable living

Figure 1-1 Marketing involves many types of exchanges.

In this context, the creation of a relationship occurs when a product or service is launched, or even before this point for people who were involved in market research at the product development stage. Continued marketing activities after this starting point then result in the maintenance of this relationship.

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CHECKPOINT

Write your answers to the questions in your notebooks.

1. How were marketing activities typically presented in the mid-twentieth century?
2. What activity is included in marketing now, but wasn't until more recent decades?
3. Give two examples of how marketing can be used to promote people and ideas?
4. What is still the most important objective of marketing activities today?
5. Look at the definition of marketing that you wrote before you started reading 1.1. What changes would you make to it now?

1.1.2

Why Study Marketing?

Marketing is an exciting area to study because it can lead to a variety of high-paying, in-demand career roles which can provide high levels of job satisfaction and opportunities for professional development. Today marketing is seen as essential to the success of companies and organizations of all sizes and types (see Figure 1-2). Of course, manufacturers, retailers, and other businesses

Businesses with Major Marketing Activities	Businesses with Minor Marketing Activities
retailers	public utilities
automobile dealers	construction businesses
banks	accounting firms
real estate agencies	legal services

Figure 1-2 Some businesses are more actively involved in marketing than others, but all businesses complete marketing activities.

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such as oil companies need marketers, but government agencies, museums, schools, and even prominent people need them too. These companies and organizations need effective marketing to enable them to be successful and profitable.

Evidence of marketing activities is usually all around us. We see it in every type of media we use, in advertisements on public transit, and when a market researcher asks us to participate in a survey at a shopping mall. Marketing is different to most other business activities because consumers can be directly involved in it and influence it. They can do this simply through the purchasing decisions they make. For example, whether they decide to buy a promoted item, or more directly by giving companies information about their personal buying preferences. Studying marketing at school or university can help you to make better purchasing decisions because you will understand how companies make products and services attractive to specific groups of people.

Large businesses have marketing departments that employ many types of marketing specialists. Small companies employ



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people who are involved in marketing activities while also doing other activities as part of their jobs. There are many types of different jobs in marketing departments, ranging from helping to design advertisements to analyzing data from consumers. Careers in some other areas, such as sales, advertising, and customer service, also require some knowledge of marketing. In fact, many entry-level jobs in business involve activities that are connected to or directly involve marketing, such as a retail clerk, telemarketer, or customer service advisor.

From these positions, it is possible to advance to marketing executive and management roles. These can provide a good income and exciting career opportunities in an interesting and rapidly changing area.



CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. Which marketing functions would you be most interested in working in if you go on to work in marketing in the future? Why?
2. Do you think that some marketing functions make a bigger contribution to the success of a marketing campaign than others? Explain your answer.

1.1.3

The Nine Marketing Functions

When we talk about the functions of marketing, we are referring to the activities involved in marketing products and services. The aim of each of these activities is to achieve a specific goal within the marketing process. Marketing can only succeed when the company or the organization doing the marketing achieves these goals.

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Figure 1-3
Marketing Functions



There are nine different functions in the process of marketing (as illustrated in Figure 1-3):

1. **Marketing planning** involves finding information about the market a business wants to sell their product or service in, and using this knowledge to develop an effective marketing strategy for that market.
2. **Product and service management** involves designing and developing products and services in response to the information received from the market where they will be sold.
3. **Distribution** involves choosing the best methods to make it possible for people to use or purchase a product or service. This is sometimes referred to as channel management.
4. **Pricing** involves deciding and communicating how much products or services will cost.

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MARKETING SCENARIO

Selling smoothies to a new market

A Saudi drinks company, which currently manufactures juices, has decided to start producing health-conscious smoothies, made with fresh yoghurt, fruit and vegetables. The company would like to sell its smoothies to young people, especially students. The first step is to gather information about this target market. Then the product management department at the company can use this marketing information to design and develop the smoothies. Once the company has a range of products, the marketing department can work together with the finance department to set a budget for the marketing campaign for the smoothies and set the prices. At this stage, the risks involved in marketing and selling the new smoothies will also be assessed, and decisions will be made about how they can be kept to a minimum.

When the marketing department knows how much money is available and how much the smoothies will cost, they can decide on the best methods for selling them to the target consumers. In this case, it decides to sell the smoothies mainly online, and in stores and cafés on university campuses. The next step is to design a campaign to promote the products, and the marketing department decides to put a lot of money and effort into digital marketing. Once the products are on sale, the company will receive feedback from consumers, and it can use this feedback to make any necessary changes to the smoothies and the marketing methods used to sell them. This should help them to sell more products in the future.

THINK CRITICALLY

1. Why do you think the drinks company has decided to start selling smoothies to young people?
2. What risks could be involved in selling this new type of product for the company?
3. Why do you think the company decided to sell drinks online and on university campuses, and do digital marketing?



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5. **Financing** involves creating budgets for the financial investment needed to carry out marketing activities, and providing financial assistance to customers, for example, discounts to assist them with purchasing products or services.
6. **Risk Management** involves assessing the risks involved in carrying out specific marketing activities and taking action to reduce these risks as much as possible.
7. **Promotion** involves using advertising and other methods to present a product or service to consumers or other companies to encourage them to buy or use it.
8. **Selling** involves communicating with prospective customers or users to assess their needs and suggesting appropriate products or services which would fulfill these needs.
9. **Marketing-Information Management** involves obtaining, managing, and using information about or from the market to maximize the effectiveness of decision-making about how to market products and services, and of all marketing activities.

All these marketing functions are carried out every time a product or service is marketed, although the function of pricing would not be needed in situations where products or services are offered free of charge, or where an idea (and not a product or service) is being marketed.



CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. What does product and service management involve?
2. What is pricing?
3. What are the aims of Marketing-Information Management?

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1.1 LESSON ASSESSMENT

What Have You Learned?

1. In the definition of marketing, what is the exchange relationship? [1.1.1]
2. What tasks do people who work in the marketing department of a business or organization usually do (think of at least six activities)? What tasks which involve marketing activities do people who do not work in the marketing department do? [1.1.2]
3. Which marketing function involves determining the best methods and procedures to use so that customers can locate, obtain, and use a business or organization's products or services? [1.1.3]

Make Academic Connections

1. **Visual Art** Draw or use technology to create a picture, graphic, or other visual representation of the definition of marketing and the common activities that are a part of marketing. [1.1.1]
2. **Careers** Use the library or the career center in your school or the Internet to identify a marketing job that would have major responsibilities for each of the nine marketing functions. Prepare a chart that lists the job title and a brief description of responsibilities for each job. [1.1.3]

Connect to the Real World



Prepare an outline of a two-minute presentation on the importance of marketing for businesses, other organizations, and consumers. Include an explanation of the definition of marketing in your presentation, and add at least one visual aid to your presentation outline. Then submit your presentation to your teacher. [1.1.2]

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1.2

Why Businesses Need Marketing

KEY TERMS

Production
Operations
Accounting and finance
Management

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

1.2.1 Explain why businesses need marketing.
1.2.2 Explain how marketing developed as part of a business.
1.2.3 Describe the functions of business.

MARKETING MATTERS

The way in which people obtain the products and services that they need has changed dramatically during the course of history. Over time, people began to exchange items they had made themselves for items that other people had made, and this produced the first example of marketing as both parties tried to ensure that the process resulted in a satisfactory outcome. As businesses like those we know today were established, marketing activities began to be planned more strategically, and specialized employees started working on them in companies.



Activate Your Knowledge

1. Brainstorm all the things that marketing helps businesses to do, or makes it easier for them to do. Consider and discuss how marketing does these things.
2. Make notes on possible reasons why marketing was not important to businesses 100 years ago, but is very important to them now? Consider what has changed in the world and in the business world since then.
3. Draw a diagram showing as many different departments of a company as you can think of. Organize them in a logical way and discuss how you think they are connected to each other.

1.2.1

Why Do Businesses Need Marketing?

Whenever people sell products or services to others, there is a need to market those things. The ways marketing is used have changed over the years, but the need for marketing has not changed.

The first modern companies developed ideas and activities that would get people's interest in their products because they knew that this would help them to sell these products. Today, marketing activities are planned more strategically, and different approaches are analyzed to determine which are the most effective. Even if a company offers excellent products or services, customers won't make a purchase if they don't know that the products or services exist, or where or how they can buy them.

Of course, even the best marketing activities won't be successful if a customer doesn't want to or can't buy the product or service, for example, because they think the quality is too low, or they can't afford it. However, where this is not the case, effective marketing strategies can help to ensure that a company benefits from selling its products or services and the customer benefits by acquiring a product or service that they're satisfied with.



Working in Teams

1. Form a team. Tell the other students in your team about products you have purchased that you were later disappointed with. Why did you make the purchase? What did you do when you became dissatisfied?
2. As a team, suggest ways in which companies could change their products and their marketing activities so that consumers will be more satisfied with them. Then discuss ways in which consumers can make more effective purchasing decisions to reduce their chances of being disappointed.

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Why do businesses need to market their products if they are good quality?



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CHECKPOINT

Write your answers to the questions in your notebooks.

1. What approach to marketing did the first modern companies use?
2. Why is there always a need for marketing if a business is keen to sell its products and services?
3. In what situation are marketing activities usually not effective?

1.2.2

The Development of Marketing as Part of a Business

From Self-sufficiency to Bartering

The first people to walk the Earth were self-sufficient, which means that they produced all of the food and other items that they needed, such as clothes, themselves. Since then, and up until today, some people have continued to live in a self-sufficient way. This way of living requires a lot of hard work and skills, such as the ability to farm, hunt, fish, build shelters, and make clothes and other items. It is also very risky and self-sufficient people may not be able to obtain everything that they need to live due to poor weather, competition from other people, sickness, or lack of skills.

An alternative to being self-sufficient later came into existence which involved exchanging things with other people. The exchange happened when one person (the giver) had something of value that another person wanted (or needed), and they exchanged this item with the other person in return for something of value which that person owned and which the giver wanted (or needed). The two parties agreed together on the quantities

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of the items that were exchanged and this system became known as bartering. A typical bartering situation involved someone who was particularly skilled at doing or making something, such as a hunter who could obtain large quantities of meat or someone who was skilled at weaving cloth, who could exchange the product of their labor (meat or cloth) for other items which they needed. The discussions carried out when products were exchanged through bartering were some of the first examples of marketing. Bartering still takes place among individuals and businesses today.

The Specialization of Labor and the Development of Money Systems

The specialization of labor describes a situation where people concentrate on producing one particular product or type of product, or on doing one particular activity which they can do well. It came into existence because people realized that they could gain greater rewards for the products they sold or the services they provided if they specialized. The specialization of labor made it possible for people to produce larger quantities of specific products, but, as a result, bartering was not always practical or possible. It became difficult to decide what quantities of different products had the same value. In order to solve this problem, money was invented. The introduction of money systems allowed the value of products to become fixed and it enabled people to buy products even if they didn't have something to exchange for them. We can see the development of money systems as an example of marketing because the purpose of marketing is to create a satisfying exchange relationship between buyers and sellers.

Central Markets

The demand for products increased due to the larger quantities of products available and the introduction of money systems. As a result, there was a need to create central locations, known as central markets, where products could be brought to be sold. This meant that sellers didn't have to travel around to sell their





How did the development of markets help businesses grow?

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goods and buyers only needed to travel to one convenient location to buy from them. Central markets were often located at places where roads or rivers met, and towns and cities developed around them. They were another step in the development of marketing because they provided a fixed location where products could be exchanged.

Other Marketing Activities

As central markets expanded, other types of business services were created to make the exchange process easier. It was not always possible for buyers and sellers to travel to the markets at the same time. Therefore, individuals often formed businesses to purchase products from producers and hold them for sale to purchasers, as needed. Other businesses were started to loan money to buyers or sellers, to help with transportation of products, or to locate products that were not available in the market but that customers wanted. Each of those activities resulted in the development of another marketing activity and made the exchange process more effective. Soon marketing became a complex set of activities with some businesses specializing in marketing while others used the services of marketing businesses.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. What examples of bartering do you know of in your neighborhood or community, or on the Internet?
2. What would you have done to market your products if you were living a long time ago and wanted to exchange them for something else you needed?
3. Think of a central market in the town or city where you live or another one you know: What is its role in the community? What do the sellers do to market their products there?

1.2.3

The Functions of Business

Although marketing is clearly very important to a business, it can't ensure its success. There are many other important business functions, such as production, operations, accounting, finance, and management which contribute to that success (See Figure 1-4).

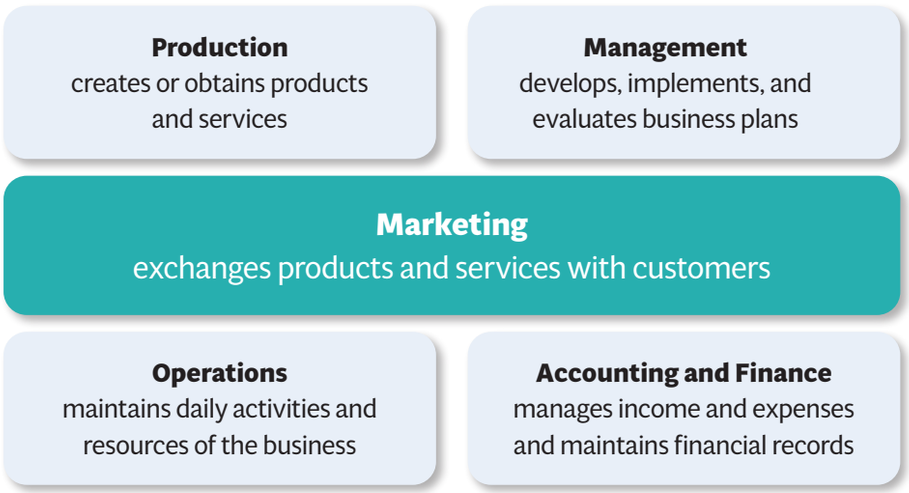


Figure 1-4 Marketing is one of several important business functions.

1. Production

This involves creating or buying products or services for sale. It can take the following forms:

- Obtaining raw materials, for example, by mining, logging, or oil drilling
- Processing raw materials, for example, by refining oil or producing steel or plastics
- Agriculture, which involves growing food and other materials for people to consume
- Manufacturing, which involves using raw materials and other resources to produce products that are sold to consumers and other businesses, for example, cars or office equipment
- Creating and providing services that are sold to consumers or other businesses, for example, accounting services

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Why is production important to companies' success?

- Merchandising, which involves buying products from other businesses and then selling them to consumers in a physical or online store.

2. Operations

The word *operations* refers to the ongoing activities that happen in a company to support its primary function (e.g. producing a product or creating a service) and keep it operating. These activities usually include maintaining company buildings, ensuring that materials and functioning equipment are available, transporting and storing products, and preparing financial records.

3. Accounting and Finance

As businesses need money to finance those activities, they must carefully monitor and manage it. Many types of money, including cash and credit, are used in businesses. The accounting and finance function plans, manages financial resources, and maintains records and information related to a business's finances. The role of managers work-

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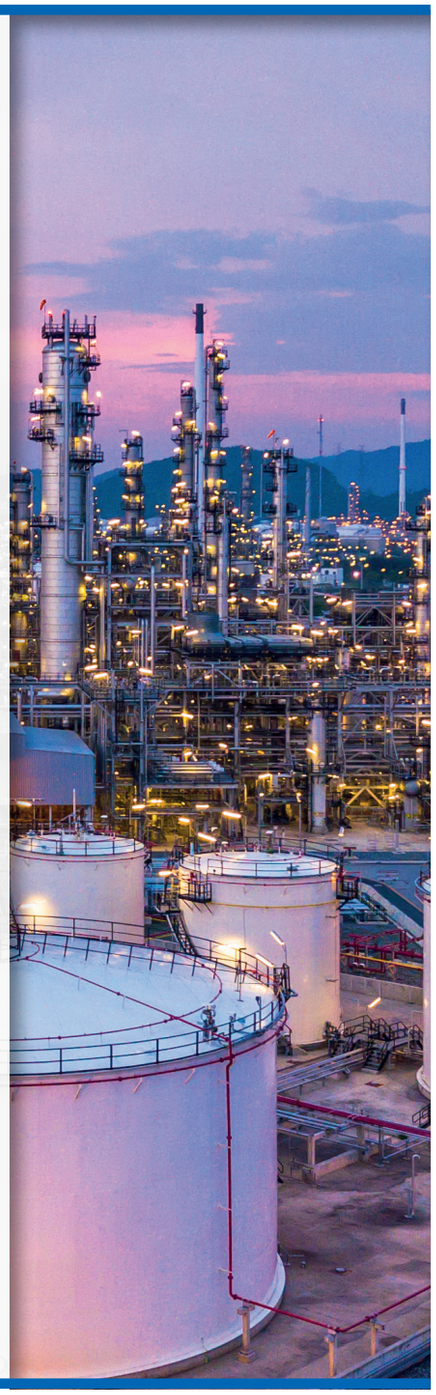
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MARKETING SCENARIO

The future of energy supply

A Saudi company generates its income by producing crude oil. Its activities, therefore, involve underground exploration to find sources of oil, processing oil by refining it, and distributing this oil. As part of its diversification strategy, the company is also active in a number of other activities, including international partnerships to develop renewable energy technologies and find new markets for other minerals and chemicals. Its operations span office work, laboratory analysis, and the transportation of oil in tankers. Budgets need to be created to determine how much money the company can spend on these different operations and whether, for example, the company can afford to invest in new activities to supplement the existing ones.

One of the company's key aims, which is written in its business plan, is to work together with energy providers from other countries to develop sustainable processes for the future of energy supply. This aim influences the decisions that the company's managers make, and the plans that they make for the company's future.



THINK CRITICALLY

1. What challenges do you think a company like this, which is involved in so many different types of business activities, faces?
2. What are the advantages and what could be the possible disadvantages for the company of working together with energy providers from other countries?

ing in this business function is to determine the amount of capital the business will need over a specific period of time, find this amount of capital, for example, by borrowing some of the money, and then setting a budget which will ensure that enough money will be available to the company over this period. These budgets will then need to be monitored and updated over time. The creation of budgets allows managers in other functions to plan the business's future activities successfully.

4. **Management**

Managers determine what the business will do, how it can best meet the needs of its customers, and how to respond to competitors' actions. Problem-solving, managing employees, and evaluating the activities of the business are ongoing responsibilities for managers. Managers are usually guided by their company's business plan when they're coordinating the different activities that they're responsible for. A business plan includes a written description of the marketing strategies a business should focus on and the way it will operate to accomplish these aims.



CHECKPOINT

Write your answers to the questions in your notebooks.

1. Can you think of an example of a raw material that some companies process and what they produce by doing this?
2. What does merchandising involve?
3. What are a company's operations?
4. What skills do managers need?
5. What do managers usually use to help them to make decisions?

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1.2 LESSON ASSESSMENT

What Have You Learned?

1. Why has businesses' approach to marketing changed over time? [1.2.1]
2. What is a central market? [1.2.2]
3. Which business function takes raw materials and other resources to produce products for sale to consumers or to other businesses? [1.2.3]

Make Academic Connections

1. **Geography and History** Use the Internet to find and print a map of Saudi Arabia. Mark the locations of five towns and cities that were central markets early in the Kingdom's development. Identify why each town or city provided a good location for a central market. [1.2.2]
2. **Economics** International trade requires that currencies from different countries be readily exchanged. Develop a table identifying ten countries other than Saudi Arabia, the name of the currency of each country, and the current exchange rate of that currency with the Saudi Riyal. [1.2.2]

Connect to the Real World



Your team members are the managers of a company whose expenses are increasing while sales and profits are declining. Each team member will assume the role of manager of one of the main business functions. Discuss how the function that each manager represents can work with the other functions so that they can identify the main problems facing the business, and develop a plan for improvement. Using presentation software, make a three-minute team presentation of your recommendations to your teacher. [1.2.3]

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1.3

The Marketing Concept

KEY TERMS

Competitors
The marketing concept
Customer needs
Market
The marketing mix
Product
Promotion
Place
Price
Pricing

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

1.3.1 Define the marketing concept.

1.3.2 Explain how businesses implement the marketing concept.

MARKETING MATTERS

The need for businesses to use marketing dramatically increased when it became possible to manufacture products in large quantities. As a result, there was more competition for customers than ever before and businesses had to try harder to persuade them to buy products from their particular brand. It became clear to businesses that to succeed in this competitive marketplace, they would need to focus on the things that are necessary for people to live or maintain their standard of living, and develop products which satisfy their customers. This led to the development of a concept for marketing identify potential consumers and create a strategy to make and sell products which meet these consumer needs.



Activate Your Knowledge

1. Think of a product you purchase that many different businesses produce. Why do you choose this particular product? How satisfied are you with this product? Why is that?
2. What negative effects could a business experience if consumers are dissatisfied with their products or services? Think of at least three examples.

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1.3.1

Define the Marketing Concept

Evolution of the Marketing Concept

By the start of the twentieth century, production processes had improved and it was possible for companies to manufacture very large quantities of their products. Businesses had to compete with their **competitors**, which sold the same or similar products or services, and get customers to buy their products. This new environment motivated them to carry out basic marketing activities, such as advertising on a larger scale, to persuade customers that their products were superior to those of their competitors.

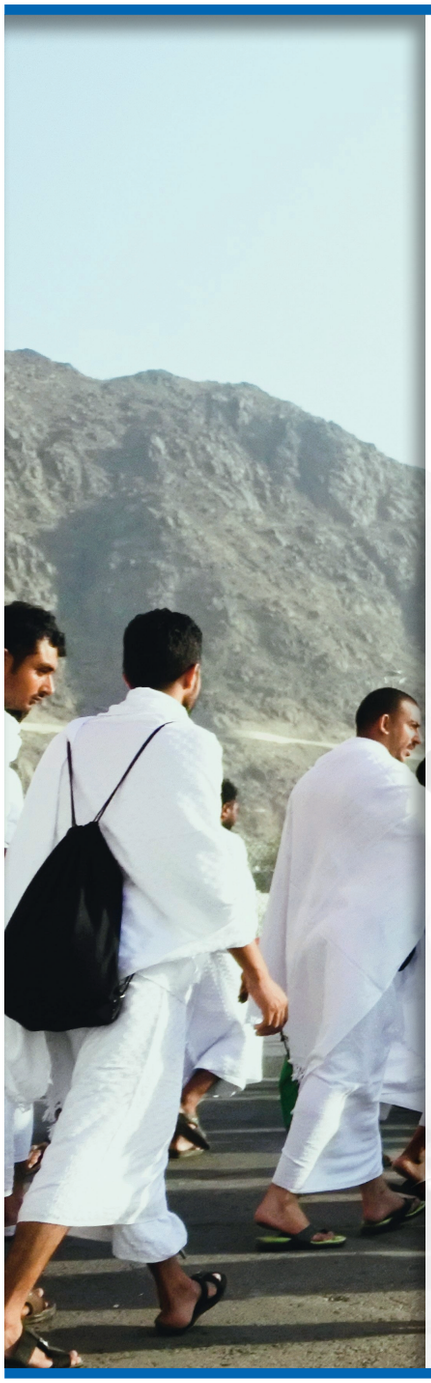
The term *marketing* was first used in the business world in the last half of the twentieth century. During this period, consumers in the Global North enjoyed an increase in their standard of living. As a result, consumers had more money to spend on products and services, and the demand for them increased accordingly. In fact, the demand was usually greater than the supply available, so businesses concentrated on producing as much as they could, and put little time and energy into marketing activities. Customers were usually eager to buy any new products that companies sold and they would seek them out themselves.

As a result of these changes, **the marketing concept** developed. This was a concept which involves firstly, identifying the consumers that the business wants to sell its products to, and then creating a strategy that will enable the business to create and sell products which meet these **customer needs**, i.e things that people see as necessary to live.

Satisfy Customer Needs

The fact that it was becoming more difficult and expensive for businesses to sell their products meant that they had to make sure they were actually producing things that consumers wanted. Companies that considered customer needs worked to satisfy

those needs as they produced and marketed their products and services, and they became more successful than those that didn't. This philosophy is now known as the marketing concept and it, therefore, involves making customer needs the primary focus during the planning, production, pricing, distribution, and promotion of a product or service.



MARKETING SCENARIO

Supplying a special service for pilgrims

A Saudi tour operator organizes unique packages for people from all over the world who want to make a religious pilgrimage to Mecca. The tour operator identified the need for companies that act as one central provider offering all the services that religious tourists would require for their trip, including visa applications, accommodation options, transportation, and excursions. This need is met by the *end-to-end* service that the tour operator offers. It makes the process of organizing a pilgrimage to Mecca easier and more convenient for religious tourists. The company promises its prospective customers that they will ensure their comfort, safety, and wellbeing because they are aware that these are important concerns for these consumers. One way in which the tour operator does this is to provide their customers with local guides who can accompany them from the moment they leave the airport to the time when they leave Saudi Arabia for home. The company introduced this service in response to research which suggested that pilgrims did not only want to book services online, they also wanted to be guided by a person with local knowledge when they arrived in Saudi Arabia.

THINK CRITICALLY

1. What differentiates the services that this tour operator provides from the services that some other travel companies provide?
2. What specific need that prospective customers have is mentioned in the text, and how does the company respond to it?

In order to apply the marketing concept successfully, businesses must do these three things (see Figure 1-5):

1. Identify what will satisfy customer needs
2. Develop and market products or services that customers believe are better than other options
3. Operate profitably.

ELEMENTS OF THE MARKETING CONCEPT



Figure 1-5 The marketing concept focuses on identifying and satisfying customer needs through products or services that lead to profits.

Each of the three elements of the marketing concept is interconnected. Identifying needs is critical as it places the perspective of the customer at the center of decision making. This ensures that new product and service development is responsive to the market. This in turn will improve the business's likelihood of operating profitably.

Many businesses are able to successfully identify and respond to consumer needs. They do this by, for example:

- ensuring that their services are available at the times when their customers want to use them
- offering online versions of services that were typically offered in a face-to-face format because this is more convenient for their customers
- providing chatbots (which are virtual assistants) on their websites to assist customers online.

When Customer Needs Are Not Satisfied

Businesses that do not use the marketing concept are more concerned about producing products than understanding customer needs. If they are not producing a product of the type, style, or quality that customers want, companies have to rely on advertising price reductions, rebates, and pressure selling to persuade customers to buy from them instead, and this can cost the company a lot of money. A similar issue occurs when retail stores buy up products without taking into account what their customers will and won't want to buy. The result is that these stores have to cut prices and invest in advertising and special displays to try to persuade customers to buy products, and, again, there are significant costs involved. If a customer decides to buy a product in these circumstances,for example, because its price has been reduced rather than because it really meets their needs or the quality they usually expect, they may then be dissatisfied with it. As a result, these customers may then complain about the product to other people they come into contact with, and that may damage the retail store's reputation, and reduce future sales.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. Explain the reasons why marketing activities have developed in the way that they have since the start of the twentieth century.
2. Why do you think a business would choose to use chatbots to provide customer service? What are the disadvantages of chatbots for consumers and the business?
3. Think of a time when you were dissatisfied with a product? What was your response and what effect did it have on your perception of the company that produced it?

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1.3.2

Implementing the Marketing Concept

Companies that believe in the marketing concept operate differently from those that do not. These companies follow a two-step process. First, they identify the market for a product or service, and then they develop a marketing mix to sell it to this market.

Identify the Market

The first step is to identify the market or markets the company wants to sell its product or service to.

In this context, a **market** is a specific group of prospective customers, and this specific group is typically defined by factors such as the age or gender of the customers, where they live, the activities they do, and how often they do them.

Develop a Marketing Mix

The second step is to develop a marketing mix that will meet the needs of the market and so that the business can become profitable. When we talk about **the marketing mix**, we mean the combination of four different marketing elements, referred to as *the 4 Ps*—**product**, **place (distribution)**, **price**, and **promotion**.

Each of the elements of the marketing mix represents an action that a company can take to satisfy a market that it wants to target. Here are some basic definitions of each element in the marketing mix:

- The **product** is anything offered to a market by a business to satisfy its needs. This includes physical products, services, and ideas.
- **Promotion** includes the methods used and the information communicated to encourage customers to purchase products and services and to make them more satisfied with their purchase.

- **Place** (distribution) includes the locations and methods used to make the product or service available to customers.
- **Price** is the amount of money that customers pay for a product or service. **Pricing** is the process of deciding the prices for which the business will sell its products or services. Businesses develop a pricing strategy to ensure that the prices of their products and services fit with the expectations and income levels of their target consumers.

Although these definitions are based on a situation where a company is marketing its products or services, non-profit organizations and individuals can also develop marketing mixes for the services they want to sell, or the cause they want to promote.



CHECKPOINT

Write your answers to the questions in your notebooks.

1. What is the difference between companies that use the marketing concept and those that don't?
2. Which four elements make up the marketing mix?
3. What do businesses do when they develop a pricing strategy for their products or services, and why is this important?
4. What should a business have as its primary focus during the planning, production, pricing, distribution, and promotion of a product or service? Why?

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Marketing Communication



Get the Word Out

Word-of-mouth marketing has been around since the beginning of business, and it is still an important promotional tool. Stories of positive experiences spread as people tell each other about them. These stories can have a powerful influence on family members, neighbors, and friends. On the other hand, there can often be no stronger negative influence than people talking about their negative experiences with a product, service, or a particular company. As a result, businesses have developed methods to try to influence word-of-mouth marketing. Some of those methods are:

1. ***After-sale follow-up***:
   This could include:
   - making contact with customers in person, on the telephone, and with letters and emails to make sure they are satisfied with their purchase
   - offering recognition and special services
   - publicly recognizing purchasers in promotions and newsletters or at events.
2. ***Incentives***: Offering purchasers small financial incentives, discounts, or special purchases for recommending the business and its products to prospective customers.
3. ***Buzz marketing***: Using high-profile entertainment programs or people to promote a product or service and get people talking about it.
4. ***Product seeding***: Placing the right product in the right hands at the right time and providing information or samples to influential individuals.
5. ***Conversation creation***: Creating interesting or fun advertising, tweets, emails, catch phrases, entertainment, or promotions designed to start word-of-mouth activity.

Think Critically

1. If you were the marketing manager for a new brand of sunglasses, what would you do to increase the positive word-of-mouth promotion by customers?
2. During this course, keep a "Marketing Ideas" file. Write ideas, phrases, concepts, and plans you think would be effective in marketing. The file you create will help you develop useful ideas in the future.
3. Start your Marketing Ideas file by writing down new ways to encourage positive word-of-mouth marketing.

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1.3 LESSON ASSESSMENT

What Have You Learned?

1. Successful marketers consider customer needs and work to satisfy those needs as they produce and market their products and services. What is the term for this approach? [1.3.1]
2. Why do businesses decide to use chatbots for customer service and simple marketing interactions? [1.3.1]
3. What is the first step in implementing the marketing concept? [1.3.2]
4. Name the 4 Ps of the marketing mix. [1.3.2]

Make Academic Connections

1. **Math** A company is considering two marketing mixes. With the first, it projects it can sell 8,500 units at a price of 86 SAR per unit with total costs of 731,000 SAR. Unit sales for the second mix are projected at 9,875 at a price of 79.90 SAR with total business costs of 593,600 SAR. What is the projected profit (total income minus total costs) for each one? [1.3.2]
2. **Management** Look back at the marketing scenario on page 38. Identify a specific new market for the business. Then plan the marketing mix elements the business should offer to meet the needs of the identified market. Prepare a three-paragraph report explaining your decisions. [1.3.2]



Connect to the Real World

You are a consultant working with the owner of a new restaurant in Riyadh. You have been asked to provide advice on how to make effective marketing decisions. Write a report to the restaurant owner describing the meaning and importance of the marketing concept in guiding marketing planning. Be prepared to answer questions about your ideas. [1.3.1]

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1.4

The Impact of Marketing

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

1.4.1 Explain how marketing affects businesses.

1.4.2 Describe how marketing affects individuals.

1.4.3 Discuss ways marketing benefits society.

KEY TERMS

Consumers

Customer satisfaction

MARKETING MATTERS

Businesses could not sell their products or services without marketing. The main benefit that marketing brings businesses is that it enables them to satisfy the needs of the customers who buy from them, and this leads to increased sales and more loyal customers. Marketing also benefits the people who experience it, mainly because they are able to buy products or services to satisfy their wants and needs. Marketing also has positive effects on society because it improves people's standard of living by making a wider range of products and services available, raises awareness of social issues, and makes international trade possible.

Activate Your Knowledge



1. Brainstorm a few products or services that you have purchased or used recently which satisfied your needs or gave you something that you wanted. Make notes on the ways in which these products or services satisfied your needs.
2. Think of and discuss some examples of marketing campaigns whose aim was to raise people's awareness of a specific issue or problem. What effect did these marketing campaigns have on you? How successful do you think they are/were? Why?

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1.4.1

Marketing Affects Business

The Value of Marketing

Some people question the usefulness and effectiveness of marketing for **consumers**, i.e. the people who buy products and services to satisfy their wants or needs. They claim, for example, that it adds too much to the price of a product or service. They also claim that it encourages consumers to purchase items that they don't want or need, or that if the quality of the product is good enough, there is no need for marketing. However, those in the business world would agree that marketing is an important business function because it enables the business to get customers and, therefore, they couldn't exist without it. Marketing activities, such as distribution, financing, and promotion make possible the exchange of a business's products or services for the customer's money.

The Marketing Concept

Businesses can benefit even more from marketing if they use the marketing concept. These companies can use market research and marketing information systems to determine customer needs, attitudes, likes, and dislikes. Then the business can carefully develop products and services that meet the needs of the customers and earn a profit. The business can also determine the best way to promote the product to customers and ensure that the product is readily available to them.

Customer Satisfaction

Marketing helps a business satisfy customer wants and needs and, therefore, create **customer satisfaction**. It also helps the business make better decisions about what to sell and how to sell it. When customers find that their wants and needs are met by

the business, they are more likely to continue to purchase from that business. It is, therefore, cost-effective for a business to invest funds in activities that help them to retain existing customers. In short, effective marketing is key to the success of any business.



CHECKPOINT

Write your answers to the questions in your notebooks.

1. Why do some people question the value of marketing for businesses?
2. What is the main thing that marketing enables customers to do?
3. What do companies that use the marketing concept do?
4. What financial benefit can businesses experience if they invest money in marketing and how does this happen?

1.4.2

Marketing Helps People

Consumers may not always recognize this, but they benefit from marketing too. It improves the exchanges that occur between businesses and consumers, for example, by making it easier for consumers to purchase products that satisfy their needs.

More Products that Satisfy Consumer Needs

Marketing provides other benefits to individuals that may not be as obvious. For example, it results in the development of products which are better suited to their needs because it involves the analysis of consumer needs. Marketing also leads to the creation of a wider range of products which satisfy these needs. When

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businesses sell a lot of products that meet consumer needs, they generate large amounts of money in sales, and they can then reinvest some of this money into the continuing analysis of consumer needs and the development of more products that satisfy these needs.

Enhanced Social Interaction

Marketing also helps consumers to build lifestyles and friendships and pursue social activities. All consumers want to present an image to their friends and family that says something about who they are. You might wear a certain type of clothing to give other people a specific message about who you are. You also might participate in activities such as playing football or gaming, and use specific products that other people doing those activities also use. Marketing makes links between products and services and the messages that people want to communicate to other people about their identity.

Marketing also provides venues for consumers to share time with others. You might order food using a food delivery service, which is a type of product, and then eat it with friends. You might keep in touch with people through a social media application owned by companies which are supported by marketing. You might even be part of a brand community that allows consumers who share a preference or respect for a particular brand to come together in celebration of that brand. In these ways, marketers help consumers develop relationships with other people throughout their community and the world.

Expanded Job Opportunities

Because many jobs involve some type of marketing activity, understanding how marketing works can improve your job prospects. It can also help you accomplish personal goals such as being elected the leader of a school society, preparing to get a place at college or a job, or starting your own business.

CHECKPOINT

Discuss your answers to the questions with a partner.

1. What types of products are usually created in response to marketing activities? Can you think of any real examples where this has happened?
2. Have you ever bought products from a specific brand to feel part of a community of friends or other young people? What effects did this have on you?
3. Are you currently part of a brand community? If you are, what does this involve and what benefits does it bring you? If you aren't, would you consider joining one? Why / Why not?

1.4.3

Marketing Benefits Society

The evidence seems to indicate that there are many positive effects of marketing on society (See Figure 1-6).

New and Better Products

Marketing helps businesses to identify and develop new and better products and services for consumers, many of which are beneficial to society in general. For example, companies have developed products that are more environmentally friendly and safer due to consumer demand for those types of products. It also helps to reduce the number of products that are wasted because the products that are available for sale are more likely to satisfy consumers and be used rather than disposed of. As a result, natural resources can be used more efficiently.

Improved Standard of Living

Marketing improves the standard of living in the country where it is used. Countries with well-developed marketing systems are able to offer consumers a wide range of products and services which satisfy their needs, and this contributes to a better quality of life for those consumers.



Figure 1-6 Marketing benefits consumers, businesses, and society.

More Awareness of Important Social Issues

Marketing also helps to inform consumers of issues that have an impact on them as individuals and on society. For example, marketing can help to inform people to stay away from certain products that are harmful to their health, such as drinks containing a large amount of sugar. Additionally, it can help raise awareness of issues that affect society such as the dangers of using a phone while driving or how to prevent the spread of a virus through a community.

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MARKETING SCENARIO

Benefits of a marketing campaign

A Saudi public health campaign is aiming to raise awareness of the importance of keeping moving by encouraging all able-bodied people to do at least 10,000 steps every day. The campaign is running for four months and rewards in the form of vouchers will be given out to people who can demonstrate that they have met, or exceeded, the daily step count. Its organizers want to make people aware of the fact that, although walking may not be a high-impact sport and perhaps not what people think of when they picture keeping fit, it can have real health benefits if you do it for 30–40 minutes a day, every day. The campaign used online advertising and information on social media sites to encourage people to download an application. A hashtag was created to make it easier for people to find the campaign and share it with friends online. People can then use the application to register themselves for the challenge, count their steps, and access the rewards that are available for reaching the target number of steps.



THINK CRITICALLY

1. What are the aims of this marketing campaign?
2. What methods does it use to achieve these aims?
3. Does this campaign appeal to you? Which group of people do you think it is most likely to appeal to?
4. How successful do you think it will be?

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Improved International Trade

Marketing has been particularly effective in improving international trade, which can be defined as the exchange of products and services between people in different countries. Many people buy significant quantities of products that have been produced abroad and international trade has many benefits for the participating countries and its consumers. However, international trade would be difficult without marketing because marketers help to decide where products will be sold, and how to sell them in other countries, by considering their different business systems, money systems, and shopping habits. In order to trade internationally, businesses need to identify or develop methods of shipping and product handling, and make decisions about how to perform customer service in other countries. Specific promotional methods tailored to the needs of consumers in a specific country or region need to be developed to ensure that the relevant consumers understand the products or services and their benefits.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. Can you cite two examples of positive changes to products brought about by marketing ? Give reasons for your answer.
2. Think of an example from your everyday life where the availability of a wide range of products or services has a positive effect on your standard of living?
3. What was the last marketing campaign that you saw about a social issue? What was it trying to raise your awareness of? Did it work?
4. Do you agree that international trade wouldn't be possible without marketing? Give reasons for your answer.

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1.4 LESSON ASSESSMENT

What Have You Learned?

1. Why is customer satisfaction important to a business? [1.4.1]
2. How does marketing enable customers to spend time with others? [1.4.2]
3. Name four ways in which marketing benefits society. [1.4.3]

Make Academic Connections

1. **Consumer Economics** Marketing is said to improve exchanges between businesses and consumers. Make a list of at least five products or services that you buy or use. Describe how marketing has improved the exchange process for each of these products or services. Organize this information in a spreadsheet. [1.4.2]
2. **Visual Art** Using magazines or online sources, find images that illustrate ways in which marketing benefits society. Make a poster with the illustrations and add text. [1.4.3]

Connect to the Real World



You work for a Saudi halal food processing company that is considering selling its products globally. The owner has no experience marketing products internationally, and has asked for your advice. Using presentation software, prepare a two-minute presentation on how international trade can benefit the business. Include two specific ways that marketing can support the company's efforts. Give your presentation to your teacher. [1.4.3]

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CHAPTER 1 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. When are consumers involved in marketing activities? [1.1.1]
2. Choose three of the marketing functions. Describe each function and give an example of how it is used in a specific business. [1.1.3]
3. Assess a company's marketing effort if a customer purchases a product but the product is not what was expected? What is the likely result? [1.2.1]
4. Identify the factors that led to the development of the central market. [1.2.2]
5. Define and describe the links between the four business functions. [1.2.3]
6. What are the three activities businesses must do in order to use the marketing concept successfully? [1.3.1]
7. Choose something you have purchased and used recently. Describe that product in terms of the 4 Ps of marketing. [1.3.2]
8. Why is marketing an important business function? [1.4.1]
9. How does an understanding of marketing help you expand your job opportunities? [1.4.2]
10. What are the four positive effects of marketing on society? [1.4.3]

DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Accounting and finance		**a.** Obtaining, managing, and using information about how to market products and services, and all of the marketing activities.
2.	Competitors		**b.** The amount of money that customers pay for a product or service.
3.	Consumers		**c.** A specific group of prospective customers, typically defined by factors such as the age or gender of the customers, where they live, the activities they do, and how often they do them.
4.	Customer needs		**d.** Refers to the ongoing activities that happen in a company to support its primary function (e.g. producing a product or creating a service) and keep it running.
5.	Customer satisfaction		**e.** Creating and maintaining a good commercial exchange relationship between the company, organization, or individual that is doing the marketing and the people or companies that receive these marketing messages.
6.	Management		**f.** Businesses which sell the same or similar products or services.
7.	Market		**g.** Anything offered to a market by a business to satisfy its needs, including physical products, services, and ideas.
8.	Marketing		**h.** The measurement of the positive feeling experienced by a consumer when a product or service meets or exceeds their expectations.
9.	Marketing information management		**i.** The process of deciding the prices for which the business will sell its products or services.
10.	Operations		**j.** A strategy which involves identifying consumers that the business wants to sell its products to, and creating a strategy that will enable the business to make and sell products which meet these consumer needs.
11.	Place		**k.** The things that people see as necessary to live.

12.	Price		**l.** The combination of four different marketing elements, referred to as *the 4 Ps*, representing actions that a company can take to satisfy a target market.
13.	Pricing		**m.** People who buy products or services to satisfy their wants and needs.
14.	Product		**n.** The methods used and the information communicated to encourage customers to purchase products and services, and to make them more satisfied with their purchase.
15.	Production		**o.** The locations and methods used to make a product or service available to customers.
16.	Promotion		**p.** This involves creating or buying products or services for sale.
17.	The marketing concept		**q.** A company department that carefully monitors and manages financial resources, and maintains records and information relating to a business's finances.
18.	The marketing mix		**r.** The ongoing responsibilities of managers, such as problem-solving, managing employees, and evaluating the activities of a business.

MARKETING RESEARCH AND PLANNING

1. Find an article from a current magazine, newspaper, or website that describes how a company developed a new product or service, improved a marketing procedure, or responded to customer needs. Prepare a brief oral report describing the activity and how it does or does not illustrate the marketing concept. [1.3.1]

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2. Identify and record examples from your own experience for each of the following:

   a. Five marketing activities you have seen in the last week.

   b. Five businesses in your community that have marketing as an important activity.

   c. Five careers in marketing.

   d. Five examples of businesses devoted to performing marketing functions.

   e. Five descriptions of markets. [1.1.1]

3. Identify five people you know who vary in age, gender, occupation, and other personal characteristics. Ask each person the following three questions. Record their answers:

   a. What do you think *marketing* means?

   b. When you hear the word *marketing*, are your feelings positive, negative, or neutral?

   c. Do you believe most people involved in marketing try to meet your needs as a customer? Why / Why not? [1.1.1]

   When you have completed the interview, write a summary of your findings for question (a) below. Then using a spreadsheet program, enter the gender, age, and occupation of each person you interviewed in the first three columns. In the fourth column, enter each interviewee's answer to question (b), and in the fifth column, enter the answers to question (c). Using the graph function of the spreadsheet program, create several graphs or charts that illustrate the data you entered.

4. Businesses may have problems when the business functions are not coordinated. An important way to increase customer satisfaction and make a profit is to organize the functions so that they cooperate rather than compete. For each of the following pairs of business functions, identify a problem that might result if the two functions compete with each other. Then identify a way that customer satisfaction or company profits could improve if the functions are coordinated, and write a summary of it. [1.2.3]

Business Functions

production and marketing

finance and marketing

operations and production

management and finance

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5. The two statements below express opinions often held by people who do not understand marketing. Write a paragraph of at least five sentences for each of the statements that demonstrates why the opinion is not correct. [1.1.1]

   "My business offers high-quality products, so it does not need marketing."

   "Customers have been complaining that my products are not as good as they would like. I need to use marketing to be sure those poor products are sold."

MARKETING MANAGEMENT AND DECISION MAKING

1. Managers regularly make decisions about the price of products to provide a good value for customers, make a profit for the business, and ensure that products are sold. Often the original product price is not the selling price. Collect information on price reductions for at least ten products. Gather the information from products you, your family, or friends have purchased by checking prices in stores in your community or in advertisements. Identify the original price and the reduced price for each product. Then complete the following activities:

   a. Calculate the amount and percentage of decrease in the price for each product. For example, if a gaming console originally sold for 2,000 SAR and is on sale for 1,700 SAR, the price reduction is 300 SAR (2,000 SAR – 1,700 SAR). The percentage of decrease is the price reduction divided by the original price (300 ÷ 2,000). For the gaming console, the percentage of decrease in price is 15%.

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b. Assuming the business makes 4% net profit on each sale, determine how much reduction in profit the store will have for each product. For the gaming console, at the original price, the profit would have been 80 SAR (2,000 SAR × 0.04). At the reduced price, the profit is 68 SAR (1,700 SAR × 0.04). The reduction in profit is 12 SAR.

c. Using the marketing concept, determine reasons why the manager of the business may have decided to reduce the price for each product you identified. Suggest other things the manager might have been able to do to avoid reducing each product's price. [1.3.1]

2. Each of the marketing functions provides exciting career opportunities. There are marketing jobs for people with varied levels of education, experience, interests, and talents. Use the classified section of a newspaper or a website that lists jobs. For each of the nine marketing functions, find two jobs that have duties related to it. One job should be open to people with the equivalent qualification to a high school diploma and little or no experience. The other should require a college degree and several years experience. Use the information to prepare a career poster or work with a team to develop a bulletin board to inform others about jobs in marketing. [1.1.2]

MARKETING ASSIGNMENT



Work in a team. Think of a product which does not currently exist, but which you believe consumers need and/or would want to buy. This could be a modified or improved version of an existing product or a completely new product. Now develop a marketing concept for your new product.

a. Identify the market that would need and/or want the product.

b. Decide on the methods you would use to promote the product and what information you would communicate to consumers in this promotion.

c. Decide on the place(s) where you would sell the product.

d. Decide on the price that consumers would pay for the product.

e. Present your marketing concept to the class.



A shopping mall in Riyadh, Saudi Arabia

CHAPTER 2

Consumer Behavior

Consumers should always be at the forefront of the marketer's mind. It is the consumer that businesses want to engage with in an exchange relationship. In order to do this successfully, marketers must understand what consumers need, what they want, and how they make purchasing decisions to fulfill these needs and wants. In this chapter, you will learn about why consumers decide to seek out specific products and services for purchase, what motivates their decisions about which products and services to choose, the decision-making processes that occur when they do this, and how businesses can get ahead of their competitors by conducting research to understand consumer behavior.

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CHAPTER LESSONS

2.1 Understand Consumer Behavior

2.2 What Motivates Buyers?

2.3 The Consumer Decision-Making Process

2.4 Marketing in a Competitive Business Environment

2.5 Marketing Research

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2.1

Understanding Consumer Behavior

KEY TERMS

Consumer behavior
Final consumers
Business consumers
Need
Want

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

2.1.1 Describe two types of consumers of interest to marketers.
2.1.2 Define consumer needs and wants.

MARKETING MATTERS

In order to apply the marketing concept effectively, marketers need to study consumer behavior. There are two basic types of consumers: final consumers who make purchases for their own consumption, and business consumers who make purchases for their business or to resell to customers. Both final consumers and business consumers make purchases to satisfy needs and wants. Marketers work to understand the reasons why consumers buy the products and services that they choose, and what needs and wants they are trying to satisfy by doing so. As a result, marketers can develop products and services which give consumers what they need and want.



Activate Your Knowledge

1. What are the two different types of consumers that are of interest to marketers?
2. Think about your own everyday life. Make a list of the things you need to live a happy life. Then put them in order from most to least important.
3. Why is it useful for marketers to understand how consumers make decisions?

2.1.1

Two Different Types of Consumers

Marketing begins with customers because without customers there is no exchange between businesses and people. In order to have customers, marketers must understand their behavior. This involves continuously considering consumer needs and wants as they plan and implement their marketing strategies. The field of **consumer behavior** explores factors that influence how people purchase and use products and services.

Marketers analyze consumer needs in several ways and use the information to make effective marketing decisions. When marketers are doing this, they are trying to understand two different types of consumers: final consumers and business consumers.

Final Consumers

Final consumers buy products or services for personal use. They typically enter retail environments such as shopping malls or online stores, gather information about the products and services, locate the ones they want to purchase, and then make the purchase. Whenever a student goes to a local store to purchase a notebook for school or buys a ticket to see a movie at a movie theater, they are the final consumer in these situations.

Business Consumers

Business consumers, on the other hand, do not make purchases for personal use. They buy goods and services because they plan to resell them or use them in producing and marketing other goods and services. Every manufacturer, for example, needs to purchase the raw materials and/or components



Working in Teams

1. Form a team and identify ten products and services that final consumers typically use. Then, consider each product and service on your list and discuss whether it could be used by a business consumer.
2. As a team, consider and discuss the similarities and differences in how the products and services would be marketed to each of these two groups.

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they need to produce the items that their factories make. The manufacturer will then sell its products to other businesses or to final consumers.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What is consumer behavior?
2. What are the differences between final consumers and business consumers? What do both groups of consumers have in common?

2.1.2

Consumer Needs and Wants

All consumers have needs and wants. A **need** is anything that a person requires to live. Needs are considered to be the most important motivating factor for human behavior and people become aware of them when they realize that a lack of something exists in their life. For example, when a person is thirsty, they realize that they need something to drink.

A **want**, on the other hand, is something that people feel they need because of the options that exist in the culture they live in. For example, if people are thirsty, they will experience a need for drink. The type of drink that they decide that they want, however, will be determined by the options that are available in the place where they live and how desirable they perceive different drink options to be. This often leads people to purchase products which are not essential for living, but which they see as being important in order to create or maintain a lifestyle that they want to have.

MARKETING SCENARIO

An ice cream café as an example of a business consumer

A café sells ice cream and drinks to customers in a shopping mall in Dammam. The café does not make its own ice cream. Instead, it buys its ice cream from an ice cream manufacturer that is also located in Dammam. Every month, the café places an order with the ice cream manufacturer. The quantities and types of ice cream ordered vary from month to month according to what the café owners predict that demand will be and in response to any customer preferences that the café owners have noticed. The café buys its soft drinks from another company that specializes in selling large quantities of soft drinks to stores, cafés, and restaurants, and they use the same ordering procedure with that supplier.

When the café needs to buy new furniture or new equipment for the café, its owners will purchase these items from suppliers they trust to provide them with high quality products for a reasonable price. In addition, the ice cream café's owners also purchase services from several other companies, such as the accountants that help them with their bookkeeping.

THINK CRITICALLY

1. What products do the ice cream café owners purchase from other companies?
2. What products do the ice cream café owners buy on a regular basis?
3. What factors have an influence on the exact products and their quantities that the ice cream café owners purchase?
4. What example of a service that the ice cream café owners purchase is given in the text? What other example of a service might they also purchase?



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The Hierarchy of Needs

Marketers rely on Abraham Maslow's theory about human needs when it comes to understanding consumer needs and wants. Maslow was a psychologist who identified five areas of needs that people have (see Figure 2-1).

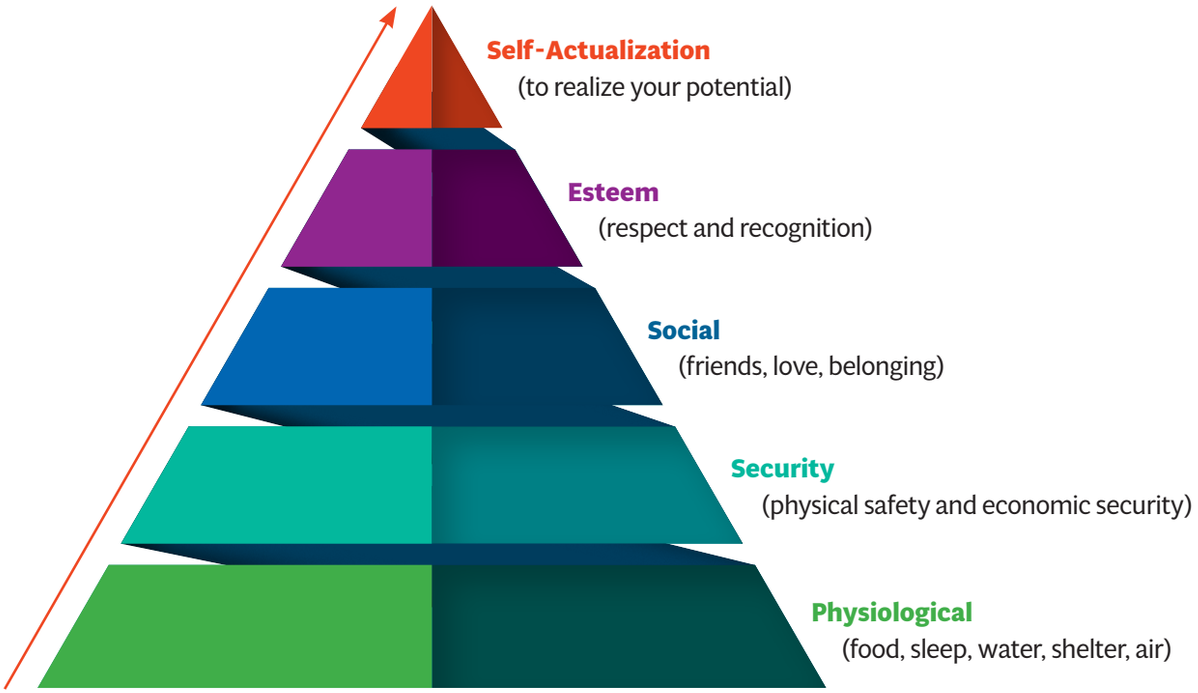


Figure 2-1 Maslow's Hierarchy of Needs illustrates the progression people follow in satisfying needs.

These five needs are physiological, security, social, esteem, and self-actualization needs. Maslow believed that these groups of needs are satisfied in a hierarchy. In other words, a person first needs to satisfy the most basic needs at the bottom of the pyramid and once they have done that, it becomes important to them to satisfy the needs on the next level, and they keep progressing in this way until they have satisfied all the needs in the pyramid.

Everyone must satisfy physiological needs. People must eat, sleep, and breathe to stay alive. After these needs are generally satisfied, people can start to satisfy security needs. Although it is important for people to be secure, this only becomes important to them after they have satisfied their physiological needs.

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What do you do to satisfy your social needs and how important is this for you?

At the next level, social needs become important to people, but only after they have met physiological and security needs. Gaining respect and recognition from others then satisfies the need for esteem. The need for self-actualization usually involves intellectual growth, creativity, and accomplishing goals. For example, learning how to speak in another language.

Different People, Different Levels

Marketers must recognize that people will be at different levels on the needs hierarchy. Some people focus on security needs, while others focus on esteem needs. Housing provides a good example of how consumer needs differ. The physiological need for housing is served by a home that provides protection from the weather. A house that is in a fairly safe neighborhood and has a security system would satisfy the need for security. For a family with young children, an apartment that is in a neighborhood with lots of young families might also satisfy their social needs. Moreover, an apartment might satisfy esteem needs as well if it is well maintained. Self-actualization needs might be satisfied if the owners design the interior of the apartment themselves.



CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. Can you explain Maslow's Hierarchy of Needs to another person using the diagram in Figure 2-1 as a visual aid?
2. What real company or companies can you think of that sell products or services at each of the five levels of Maslow's Hierarchy of Needs? Compare your ideas.

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2.1 LESSON ASSESSMENT

What Have You Learned?

1. What is the marketers' aim when they study consumer behavior? [2.1.1]
2. Which type of consumer buys goods and services to resell or use in producing and marketing other goods and services? [2.1.1]
3. Explain the difference between needs and wants. [2.1.2]
4. Which category of need in Maslow's Hierarchy of Needs do human beings fulfill first? [2.1.2]

Make Academic Connections

1. **Visual Art** Use old magazines and newspapers to find and cut out pictures that represent each level of Maslow's Hierarchy of Needs. Use them to create a poster or other visual that illustrates the correct order of needs in the hierarchy. [2.1.2]
2. **Math** A building supply store sells to business and final consumers. Last month the average sale to businesses was 3,200 SAR, and the average sale to final consumers was 164 SAR. There were 128 business consumers averaging five purchases during the month, and 2,593 final consumers that averaged 2.3 purchases per month. Calculate the total monthly sales for each consumer type, the overall total monthly sales, and the percentage of total sales for each consumer category. [2.1.1]

Connect to the Real World



You work for an advertising agency and you need to create two 30-second video advertisements for a new hybrid SUV on the market. The first advertisement should appeal to consumer needs for an economical vehicle. The second should appeal to their self-esteem needs. Record the advertisements and then present them to your teacher. [2.1.2]

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2.2

What Motivates Buyers?

KEY TERMS

Buying motives
Emotional motives
Rational motives
Patronage motives
Buying behavior

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

2.2.1 Identify the three categories of buying motives.

2.2.2 Describe the five steps of the consumer decision-making process.

MARKETING MATTERS

Consumers make purchases for a reason or, in other words, they have a motive for making purchases. These motives can be emotional or quite rational. Often consumers do not think consciously about what motivates their decisions, but every decision they make is influenced by many different factors. Whatever the motivation, the consumer decision-making process generally follows the same series of steps. Sometimes those steps are completed quickly with little consideration. At other times a long process of consideration is needed. Marketers must understand what motivates consumers and their decision making in order to be an effective influence in the final decisions they make about which products and services to purchase.



Activate Your Knowledge

Think about one of the last times you purchased a product or service.

1. Did you make the decision about which specific product or service to purchase quickly or spend a longer time considering it?
2. What were the reasons why you purchased the specific product or service that you chose?
3. What could marketers learn about your needs and wants from analyzing your purchase of this product or service?

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2.2.1

The Three Categories of Buying Motives

Motivation is the set of positive or negative factors that determine a person's behavior. It influences everything that a person does. There is short-term motivation, which is the motivation to do things because of the consequences in the near future, such as happiness, fun, and enjoyment. Then there is long-term motivation, which is the motivation to do things because of the consequences further ahead in the future, such as the opportunity to have a successful career and earn a good salary. The factors which motivate a person determine the choices that person makes every day.

Motivation also has effects on people's behavior as consumers. The decisions people make to spend money on products and services are influenced by what marketers call **buying motives**, and these are the reasons why people buy things. There are three categories of buying motives that drive consumers to purchase products or services or respond to ideas: emotional motives, rational motives, and patronage motives.

Emotional Motives

Emotional motives are reasons to purchase products or services which are based on feelings and emotions. Emotional motivation is based upon the principle that consumers wish to seek pleasure and avoid pain. Affection and happiness are emotions that consumers like to have because they bring them pleasure. Guilt or anxiety are clearly emotions that consumers want to avoid. Customers often feel compelled to acquire products or services because they believe that they will help them attain or avoid certain emotions. Marketers realize that a person's emotional motives are frequently very strong and can have an important influence on their decisions and behavior.

Fear is also an emotional motivator that marketers may use to encourage consumers to buy products or services. For example, we may buy organic fruit and vegetables because we are afraid of the effects of pesticides on food that is not grown organically. Marketers understand this type of emotional motivation and use it to plan marketing mixes that appeal to such motives.

Rational Motives

Consumers are not only influenced by their emotions, but also by **rational motives**. When consumers base their purchasing decisions on facts and logic (for example, a need to save time or money, or to obtain a product or service with a certain level of quality), they are influenced by rational motivation. Rational motives tend to be especially important when it comes to expensive purchases, such as a house or a car. Even if emotions play a role in the purchase of these items, people will still consider the quality and value of the options available before making a decision about which one to purchase.

For example, when deciding which computer to buy, people will consider information about the speed and power of its operating system, the quality of its graphics, and the size of its monitor. These attributes all affect the functioning of the computer and the consumer's satisfaction with its use. Then the consumer will need to decide whether it is worth paying for a warranty for the computer they choose to buy by assessing the cost of the warranty, and the possible costs involved in repairing or replacing the computer if there is a problem with it.

Emotional and rational motives may both be involved in the same purchase. However, some people will intentionally avoid responding to their emotional motives (especially motives which they perceive to be negative motives) because they believe that doing so will lead them to make poor purchasing decisions. As a result, these consumers rely solely, or mostly, on rational motives.

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What would be the most important factors for you if you wanted to purchase a laptop computer?

Patronage Motives

The third type of buying motivation is **patronage motives** and these are based on loyalty. A patronage motive exists when a consumer decides to purchase a product or service due to their loyalty to a particular brand or company. Consumers can develop this loyalty for various reasons. They might like the company's low prices, high quality, friendly staff, great customer service, or their physical stores' convenient locations. They may also be loyal because it is a business or brand name their family has used for years and years, or because the business is located in their neighborhood. Other consumers may be loyal to a business because they identify with the people who work there, who are featured in advertising for the product, or who they know buy from the business and appear to share their beliefs and values.

Business consumers may also be influenced by patronage motives. For example, a company may return to the same business time after time to purchase raw materials and supplies because they have been satisfied with the quality and service provided by that business in the past. They may prefer a local supplier rather than risk working with a company located in another region or another country.

Most importantly, people who are motivated by patronage (whether they are individuals or businesses) are very loyal to a specific product, service, or brand. Of course, businesses try to encourage and cultivate patronage motives because this will result in repeat purchases for their business and less custom for their competitors.

What businesses and brands are you loyal to?
What are the reasons for your loyalty?



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CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are the three main types of motives that influence consumer purchasing choices?
2. Which type of motive might consumers intentionally avoid being influenced by? Why?
3. What are the reasons why a consumer may remain loyal to a particular company or brand?

Marketing Communication

Deciding on Your Next Cup

By providing a superior product and excellent customer service at a convenient location, a local coffee shop owner has attracted many loyal customers. Most customers of this coffee shop no longer evaluate alternative shops in their decision-making process. For them, the decision rests on which type and what size of coffee to purchase—large (600 milliliters), medium (450 milliliters), small (300 milliliters), or an unadvertised 200 milliliter size. The 200-milliliter size does not appear on the menu or in any of the shop's advertising, but if a customer orders it, the shop will make it for them at a lower price than the 300-milliliter size.

The shop recently announced it will be raising prices an average of 1% on all beverages. This increase is expected to boost profits by 11%. However, the increase will not affect all sizes across the menu. It affects only about a third of the beverages, mostly the lower-priced ones that have a lower profit margin. The owner justifies the price increase by citing an increase in commodity prices. Although prices are already relatively high, the shop owner believes that demand will remain high as customers regard "premium" coffee as an affordable luxury.

Think Critically

1. Why has the shop choosen not to advertise or promote its smallest and least expensive beverages?
2. Why has the shop increased its prices only on lower-priced drinks?
3. Why has the shop used an increase in commodity prices as a reason for price increases?

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2.2.2

The Consumer Decision-Making Process

In order to make effective decisions about how to market their products, marketers need to understand consumer buying behavior. The term **buying behavior** refers to the decision processes that consumers use and the actions they take when they purchase products and services. When marketers understand this process, they can tailor their marketing activities to optimize the chances of customers choosing their products or services.

The strength of the consumer's need for a product or service, and the urgency with which they feel they have to satisfy this need, also have an influence on the consumer decision-making process. Consumers may have many needs at any given time, but some of these needs will become stronger and even urgent at particular times and in particular circumstances. For example, if you have been working very hard for some time, you may feel a strong and urgent need to purchase a product or service that will help you to enjoy yourself or relax. When a consumer has a strong or urgent need for a product, they are likely to make a much faster decision and consider fewer alternatives. When a need is not very strong or urgent, consumers may delay the decision-making process or take more time to complete the steps.

The consumer decision-making process is the process by which consumers collect and analyze information to make choices among several alternatives. A consumer usually goes through five steps when making a purchase decision (see Figure 2-2). However, not every step will be involved in every purchase. In some cases, a consumer will recognize a problem and immediately know which product is needed to address this problem because they have experienced the same problem many times before. In this situation, the consumer can move directly from the first step to the fourth step.

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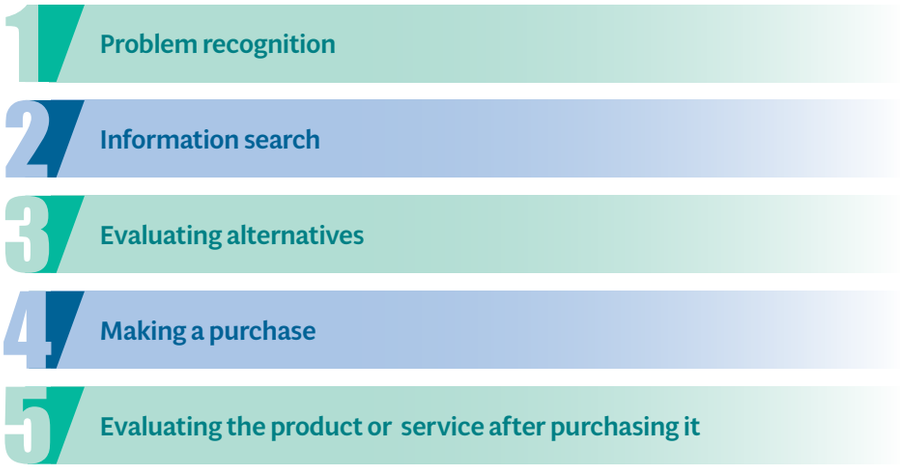


Figure 2-2 Consumers follow a series of steps when making purchase decisions.

When a consumer is making a decision about a specific purchase, these are five steps which you would expect them to move through:

1. **Problem Recognition**
   The first step in the decision-making process occurs when the consumer recognizes a need, desire, or problem.
2. **Information Search**
   After identifying a need or problem, the consumer gathers information about alternative solutions. The exact process that they use to do this will usually be determined by which solutions they have used or experienced in the past. Identifying possible solutions may be more difficult with problems that the consumer has never had before and easier with problems that arise regularly. Although the choice will not be the same each time, the consumer will usually be able to identify a few products or services that seem appropriate based on their specific needs at the time.

   When consumers are identifying possible products or services, they need to gather information about each alternative. The type and amount of information to gather will depend on what information is readily available, the amount of time they have to gather information, and the

importance of the need for the consumer. A consumer may not know the information they need to gather. They may gather some initial information and then find out that this information is not, in fact, very helpful after all. On the other hand, consumers may also receive help in seeking information from people they know who are more familiar with the possible alternatives that can be purchased in order to solve a particular problem.

3. **Evaluate Alternatives**

   After gathering information, consumers can evaluate the various alternatives to determine which is best. Sometimes this involves summarizing the information, comparing the pros and cons of each choice, making tradeoffs between price and various options, and ranking the alternatives. Consumers will then make a decision based on these evaluations. At this stage, they may decide not to make a purchase at all because the information they have gathered has led them to the conclusion that the "problem" they identified is not, in fact, a real problem or a problem worth making a purchase to solve. Alternatively, consumers may decide to gather information about additional alternatives. For example, examining options for online courses after gathering information about face-to-face courses for a sport or hobby.

4. **Purchase**

   The consumer will then make the purchase if a suitable choice is available that appears to satisfy the need or solve the problem and if the consumer can afford it. The purchase step involves agreeing with the business selling the product on what will be purchased, the price, payment method, and how it will be obtained or delivered.

5. **Post-Purchase Evaluation**

   As soon as a consumer makes a purchase, they will usually begin to evaluate whether the product or service does, in fact, meet the need or solve the problem they had identified. They will either be satisfied or dissatisfied with the

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purchase. During this post-purchase evaluation, consumers will determine whether the need or want was as important as they originally believed. They may decide the need was not important enough to warrant the effort and expense, and not give as much attention the next time it arises. Alternatively, a consumer may decide that the need was important to them, but the choice that they made was not as satisfying as they believed it would be.

Marketers pay attention to post-purchase satisfaction to make sure that consumers are satisfied with their purchase and will go on to become regular customers. Telephone helplines, email, or live chat alternatives with customer service departments let consumers obtain help, ask questions, or express concerns about products or services. The goal is to reassure customers that they made the right choice, resolve any problems and concerns immediately, and increase customer satisfaction.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. Will a consumer go through every stage of the consumer decision-making process every time they want to make a purchase? Give reasons for your answer.
2. What two factors can influence how and how quickly a consumer makes a decision?
3. What usually happens at the information search stage of the consumer decision-making process?
4. Which step in the decision-making process occurs after the consumer has made the purchase?

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MARKETING SCENARIO

Making the right decision

A student has decided that he would like to learn to play a musical instrument so that he can join in with his relatives when they make music at family events. His parents support the decision and think that it will be good for him to have a musical hobby that he can do alongside his relatives. Choosing a music teacher is a problem that the student has never encountered before and, therefore, he has never gone through the decision-making process for doing this. The student needs to start by searching for and gathering information about different alternatives. He may ask friends who play the instrument for recommendations, go to a local school or college, or go online to look for information. At this stage, the student's goal is to identify choices of instructors, so that he can choose the one that best fits with his level of experience, schedule, and resources. As the student feels very comfortable online and is familiar with online learning, he is also considering having online lessons.

Once the student has identified what he considers to be a wide enough range of options, he will then evaluate each one according to how good a fit it is for his needs and wants and the resources that are available to him. After making a decision, he can then contact the relevant teacher or enrol himself on the relevant course. The student can then start taking music lessons, but even at this point, he will still be evaluating whether the service he has chosen is the best fit for his needs. He may decide to switch to another way of learning if he feels that it is not.

THINK CRITICALLY

1. What is motivating the student to learn to play a musical instrument?
2. Why doesn't the student already have a routine way of making a decision in this situation?
3. Where can the student find information about alternatives and how will he evaluate them?
4. What will happen after the student starts taking lessons?

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2.2 LESSON ASSESSMENT

What Have You Learned?

1. What are the three categories of buying motives that drive consumers to purchase products or services or respond to ideas? [2.2.1]
2. What type of buying motives are based on feelings? [2.2.1]
3. What is the consumer decision-making process? [2.2.2]
4. Why are marketers concerned with consumers' post-purchase evaluation of the products they purchase? [2.2.2]

Make Academic Connections

1. **Psychology** Work in a team to prepare a bulletin board display that demonstrates the use of the three types of buying motives by businesses. Provide examples of products and services that are effectively marketed using emotional, rational, and patronage motives. [2.2.1]
2. **Literature** Compose a fictional story (e.g. humorous, mystery, etc.) about a person who encounters a major problem and solves that problem through the purchase and use of a product. Build the structure of the story around each of the steps of the consumer decision-making process. [2.2.2]

Connect to the Real World



You work in a marketing research team. Your team wants to identify the two sources of information that students use most frequently when making purchase decisions. Prepare a two- to four-question survey to help you to find this information and distribute it to 15 students in your school. Analyze the results and prepare a three-minute oral presentation of your results with two supporting charts or graphs. Present the report to your teacher and be prepared to answer questions about it. [2.2.2]

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2.3

The Consumer Decision-Making Process

KEY TERMS

Reference groups
Routine decision making
Limited decision making
Extensive decision making

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

2.3.1 Describe important influences on the consumer decision-making process.

2.3.2 Explain how consumers and businesses use each of the three types of decision-making processes.

MARKETING MATTERS

Making purchase decisions is a complicated process. Consumers do not usually just see a product and decide to buy it because they can. Many factors influence consumer buying decisions, including individual personality characteristics and personal image, the social and cultural environment in which the consumer exists, and the influence of other people on the consumer. How and which of those influences affect decisions depends on the consumer's experience with the product or service and whether the consumer views the purchase decision as a routine matter or a more complex one. If marketers are able to analyze and understand the factors influencing purchase decisions for their products and services, they can make decisions that influence and support their prospective customers.



Activate Your Knowledge

1. What factors do you think influence you when you are making purchasing decisions? Can you identify any specific effects of these factors in terms of which products or services you purchase?

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2. Make a list or create a mind-map showing all the different types of characteristics an individual has that will influence their purchasing decisions. Add some examples of the effects that the characteristics can have on purchasing decisions.
3. How much time do you usually spend comparing alternatives when you are deciding which product or service to purchase? Does this amount of time vary according to what you want to purchase? If so, how does it vary?

2.3.1

Influences on Buying Decisions

Businesses must provide customers with products and services that meet their needs in order to remain profitable. Knowing what influences a customer's buying decision is a key part of implementing the marketing concept. If a business understands what motivates and influences customer purchases, it will be able to provide products and services at the right place and time. Many internal and external factors influence purchase decisions. Two important factors are individual characteristics and the cultural and social environment.

Individual Characteristics

Each consumer is different. Even people who belong to the same family, community, social group, or work in the same industry will vary from each other. A person's individual identity is, therefore, a major influence on their decisions and actions. Personal identity consists of the characteristics that make a person unique and it is made up of factors such as personality, gender, and age.

Personality

Personality is a pattern of emotions and behaviors that define an individual, for example, a person might be outgoing, serious, or shy. People often express their personality in the products and

services they choose, including their clothing, hobbies, and social activities. Personality is often also a factor in decisions about whether to save money for the future or spend it on immediate needs. Personalities influence buying decisions because everyone has individual preferences based on their attitude, self-concept, and lifestyle choices.

- Attitude is a frame of mind developed from a person's values, beliefs, and feelings.
- Self-concept refers to how a person sees themselves, in terms of their attitudes, opinions, and abilities, and how they fit into society.
- Lifestyle is the way a person lives as reflected by material goods, activities, and relationships. The decisions that a person makes about the type of job they do, where they live, how many children they choose to have, which leisure activities they do, and the degree to which they are involved in their community are all factors which determine a person's lifestyle.

How do you express your personality in the products and services that you choose?



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Gender

An individual's gender influences many decisions and actions, for example, how they dress, who they have social relationships with, and the role they have in their family. People of different genders will often make different choices when they want to purchase a product or service.

Age

A person's age has a major influence on their behavior as a consumer. It generally indicates the types of products and services a consumer is interested in and the brands and features that are important to them. For example, the entertainment industry often develops television shows and movies for a specific age group. In the case of television shows, they will also be accompanied by advertising messages designed to appeal to the age group that the television show is aimed at.

Cultural and Social Environment

The second important influence on a person's buying decisions is their cultural and social environment. A person's culture is the history, beliefs, customs, and traditions of the group they belong to, and which group a person belongs to will be based on factors such as nationality, regionality, and social class. This culture will then have a strong influence on the individual values and behaviors of its members. For example, if the culture places a high value on families, its members will typically spend a great deal of time on doing activities with their families, and family members will exert a strong influence on their relatives' choices and decisions. In other cultures, individual independence is valued, and young people are prepared and encouraged to take personal responsibility for important decisions at an early age.

For some people their social environment will have a greater influence on them than the culture they belong to. A social environment is a community, neighborhood, or even a social or business organization that a person belongs to. Within each social

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environment, such as a school for example, there are groups and organizations that people live and interact with on a regular basis. A person's social environment has an influence on the values and behaviors of the people who are members of the group or organization.

Individuals will also have their own **reference groups**. These are groups of people or organizations that a person admires, identifies with, and wants to be a part of. Reference groups might be clubs, social or civic organizations, business groups, or even informal groups of peers who have characteristics or lifestyles which members who want to join the group aspire to. People tend to shape their behavior and image around what they believe the group expects. Marketing that connects consumers with the images and actions of their reference group, and encourages them to join the group by purchasing and using the products and services preferred by group.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. How does knowing the factors that influence a consumer's purchasing decisions help a business to develop the marketing concept?
2. Do you think your culture or your social environment has a greater influence on your purchasing decisions? Give reasons for your answer.
3. What reference groups do you think that you have? How do these reference groups influence your purchasing decisions? Can you give any specific examples?

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2.3.2

Types of Decision making

The amount of time that consumers spend on making decisions and the factors that they consider will vary between individuals. This depends on factors such as the type of product or service that the consumer wants to buy and how much it costs. There are three different types of decision making that people use (see Figure 2-3).

Type	Used for	Example Products
Routine	Purchases made frequently that do not require much thought.	Food and snacks Toothpaste
Limited	Products that are more expensive or not purchased frequently.	Clothing Entertainment options
Extensive	Expensive, significant, or complicated purchases. Consumers goes through all five steps of the decision-making process.	Electronic devices Automobile Vacation

Figure 2-3 Consumers use three types of decision making when faced with a purchase decision.

Routine Decision Making

Routine decision making is used for purchases that are made frequently and do not require much thought. This type of decision making is typically used for the purchase of products that people are already familiar with, such as basic necessities like food and snacks which they buy again whenever they run out of them. In this case, the consumer gives very little thought to the purchase because it has become a part of their routine.

Businesses also use routine decision making when making regular purchases such as the acquisition of operating supplies or standardized raw materials needed for the production process. The business will often use the same supplier for the purchase of specific supplies or materials every time.

Limited Decision Making

Limited decision making involves making a purchase decision after trying out or looking at the prices of a few possible alternatives, such as different types of black trousers on sale in a store. This type of decision making, therefore, takes more time than routine decision making and it is usually used for the purchase of more expensive items or items that people do not purchase very frequently. After examining a small number of alternatives, the consumer will then compare and evaluate them before making a decision based on the factors that are most important to them. Consumers may also use this type of decision making for items that are not expensive, such as soft drinks.

Businesses use limited decision making for many different purchases, such as office equipment, furniture, and even selecting a parcel delivery service. The business has a general idea of what it needs, but it sees value in comparing several alternatives to determine if there are price or quality differences.

Businesses may even use limited decision making for routine purchases, such as

How many different options do you usually compare when you want to buy a new item of clothing at a store?



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office supplies, if a new supplier offers substantially lower prices that the purchasing agent needs to evaluate, or if a change at the company requires the purchase of a product that the regular supplier does not carry.

Extensive Decision Making

Extensive decision making occurs when the consumer methodically goes through all five steps of the decision-making process. Normally, customers use **extensive decision making** for expensive purchases such as an automobile, home, or family vacation, and it is used in situations where consumers do not make the decision lightly. They spend time and effort evaluating alternatives and arriving at a decision. This will typically involve carefully reviewing their needs and matching them with the best choice possible. Initially, it will not be clear to the consumer what the differences between the alternatives are and they will need to carefully analyze these alternatives to reach a decision.

This type of decision making is used in business for first-time purchases or those that involve a large investment, such as new computers for every employee or a fleet of new delivery vehicles. The purchasing agent will conduct an extensive search for the best deal before reaching a purchase decision. The company may require suppliers to prepare a written proposal with complete descriptions of the product. Those in the business who have special expertise with the particular product will review the proposals. Extensive negotiations may occur with the vendors before the purchasing agent makes a final decision.

Working in Teams

Form a team and identify a product that the team agrees would typically be purchased using each of the three types of decision making above. Now have a discussion in which you compare the places where each product is usually purchased, what factors are most important in deciding what to purchase, and what information consumers need in order to decide what product or brand to purchase.

The Marketer's Role in Decision Making

Marketers need to understand consumer decision-making processes because this will help them to match their products and

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services to consumer needs and expectations. The awareness of the type of decision making that consumers typically use when purchasing products or services is useful for marketers because it shows them which factors consumers consider when they make purchases and how much information they need to do that.



MARKETING SCENARIO

Reacting to knowledge about customers at the cosmetics store

A store at a mall in Riyadh specializes in selling perfumes, but also sells a range of other cosmetic products. The store staff make sure the products, such as hand cream and lip balm, which customers need to buy regularly and which are relatively low value items, are positioned near the entrance of the store. These items are in plastic baskets and are not accompanied by a display or any information about them, except for their price.

Inside the store, there are some low value perfumes positioned together according to the main fragrance which is used in them, for example, vanilla or orange. This enables customers who are interested in purchasing a scent with a particular option to compare the options available before making a purchasing decision. Beyond these low value perfumes, there are the exclusive, high value perfumes. These are accompanied by displays, which give information about their contents and at least one member of staff remains in or near this area at all times to offer customers advice about which perfume to choose.

THINK CRITICALLY

1. Which items in the store do the staff believe that customers will use a routine decision-making process for? How do you know this?
2. Which items in the store do the staff believe that customers will use a limited decision-making process for? How do you know this?
3. Which items in the store do the staff believe that customers will use an extensive decision-making process for? How do you know this?

Math in Marketing

Breakeven Point

The breakeven point is the number of unit sales a company must make to cover the expenses of a venture. Below the breakeven point, expenses exceed revenues, and a company will lose money. At the breakeven point, sales will exactly cover all expenses. Once the breakeven point is exceeded, a company will begin to make a profit.

To calculate the breakeven point, you need to know the total fixed cost of a venture, the selling price per unit, and the variable cost per unit of a good or service. The breakeven point is the total fixed cost divided by the difference between the selling price and the variable cost per unit.

$$\text{Breakeven point} = \frac{\text{Total fixed cost}}{\text{Per unit price} - \text{per unit cost}}$$

For example, a clothing store at a mall wants to print and distribute flyers advertising its new line of sweaters. The fixed cost of the flyers is 9,000 SAR. The selling price of each sweater is 189 SAR, and the variable cost of each sweater is 37 SAR. The breakeven point for the flyer is 60 sweaters.

If the store sells fewer than 60 sweaters, the store will lose money on the flyer. If it sells exactly 60 sweaters, the cost of the flyer will be covered exactly. If it sells more than 60 sweaters, the store will make a profit.

Do the Math

1. At the same clothing store, a display unit for jeans costs 6,700 SAR. If the jeans sell for 170 SAR with a variable cost of 33 SAR, what is the breakeven point for the display?
2. What would be the breakeven point if the store installs a second 6,700 SAR display unit for a different brand of jeans that sell for 200 SAR with a variable cost of 33 SAR each?



CHECKPOINT

Write your answers to the questions in your notebooks.

1. What do companies need or not need to do if they are selling products that consumers use routine decision making to purchase?
2. Limited decision making usually occurs when consumers purchase what types of products?
3. In what situations would extensive decision making occur among business consumers?

2.3 LESSON ASSESSMENT

What Have You Learned?

1. Name the factors that make up a person's personal identity. [2.3.1]
2. What term is used to describe a frame of mind developed from a person's values, beliefs, and feelings? [2.3.1]
3. Define the term *reference group*. [2.3.1]
4. What kind of decision making do consumers use when they are familiar with the products available, often choose the same brand, or can make an easy substitution if the usual choice is not available? [2.3.2]
5. With what kind of decision making do marketers have the best opportunity to explain the benefits of their products and services and how they can satisfy consumer needs? [2.3.2]

Make Academic Connections

1. **Sociology** Interview a parent, older relative, or leader of a community cultural organization about the influence culture has had on his or her life. Write a summary of the interview. Compare the person's views and attitudes with your own and describe the differences and similarities in the second section of your report. [2.3.1]
2. **Technology** Go online and locate detailed information on three different brands of tablet computers. Prepare a table that compares the three brands based on at least five features. Add notes to your table about the differences and similarities among the brands and identify the price of each brand. Use your analysis to write an explanation of the brand you would choose and give your reasons why. [2.3.2]

Connect to the Real World



A cosmetics manufacturer is introducing a new moderately priced moisturizing cream targeted at females between the ages of 12 and 15. The company wants to use a strong reference group appeal to promote the moisturizing cream. Develop a unique brand name and sketch a simple print advertisement to introduce the cream. Make sure the reference group appeal is evident in the ad. Present your ideas to your class and explain why you think the advertisement will be effective. [2.3.1]

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2.4

Marketing in a Competitive Business Environment

KEY TERMS

Direct competition
Indirect competition
Limited competition
Intense competition
Pure competition
Monopolistic competition

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

2.4.1 Describe the nature of competition in business.

2.4.2 Explain how businesses can use the marketing concept in various types of competition.

MARKETING MATTERS

Businesses that sell products or services try to demonstrate to customers that their offering will deliver the best value that the consumer could obtain. This activity is essential because other rival businesses will also be competing to attract those same potential customers. When a business does not invest efforts in influencing purchasing decisions, the consumer will likely choose another product or service sold by its competitors instead. A business's marketing strategy is largely shaped by the type of competition it faces from other businesses. The number and types of competing businesses affect the choices available that consumers have and how businesses compete with one another.

Activate Your Knowledge

1. Think of and discuss some examples of products or services where a lot of competition for customers exists and some examples of products or services where not very much competition exists. What effects of the amount of competition do you notice in the way these products or services are marketed?

2.4.1

The Nature of Competition

Whether people consciously realize it or not, competition permeates almost every aspect of day-to-day life. Today's consumers are inundated with choice: a wide range of businesses offering various products and services. Often, these products or services are very similar to each other, in terms of the benefits that they offer. Others, however, are notably different and are actively marketed to highlight their supposedly unique qualities.

In any case, the offering must present some form of additional benefit for the consumer to select it over the other options available. This competitive differentiation—typically centered factors such as price, convenience, brand loyalty, or special features—is discussed further in Lesson 3.3.

While some degree of competition exists in almost any environment, the extent and form it takes can vary considerably from one situation to another. The two key factors that affect the extent and intensity of competition are:

- the *similarity* between the products or services being offered
- the amount or *availability* of businesses offering those products or services

The nature of competition has significant implications for how a business approaches its marketing strategy (see Chapter 3), and the marketing mix that it adopts. An acute understanding of the specific nature of competition any business faces can be the difference between success and failure. This can broadly be divided into two groups: direct and indirect competition.

Direct competition occurs when two or more businesses offer products or services that are synonymous, in that they fulfill the same wants or needs. An example is two different brands of toothpaste. **Indirect competition** occurs when two or more businesses offer broadly comparable or alternative products or



How might a hotel chain use marketing to give it an advantage over its competitors in a competitive market?

services, or operate in related sectors where there is some overlap in their offering. For example, a stall selling takeaway fruit juices is in indirect competition with a nearby hotel that sells coffee in its café. Clearly, the two businesses are primarily focussed on different services, but both offer alternative options for refreshment.

As a result of the varied nature of competition, marketers must tailor their activities accordingly. An approach that works for one business may not be appropriate for another. This point can be illustrated by considering scenarios in the hospitality industry. Consider two international hotel chains that are both competing for business. One chain might choose to focus primarily on corporate hospitality and business travellers, whereas the second might focus on a personalised experience for families and leisure travellers. Alternatively, one chain might offer exclusive luxury hotels, while another will differentiate itself by offering a budget low-cost service.

CHECKPOINT

Write your answers to the questions in your notebooks.

1. What are the two key factors that affect the extent and intensity of competition?
2. What is the difference between direct and indirect competition?

2.4.2

Responding to Competition

Even though the existence of the free enterprise economy offers many opportunities for people who want to start their own businesses, it can also present challenges. The greatest challenge is usually the degree of competition between businesses that offer comparable products or services in a market. Marketers need to identify the type of competition their company faces and develop an appropriate marketing strategy to deal with it. They can use the marketing concept to help them develop effective strategies in this situation. The key types of competition are illustrated in Figure 2-4.

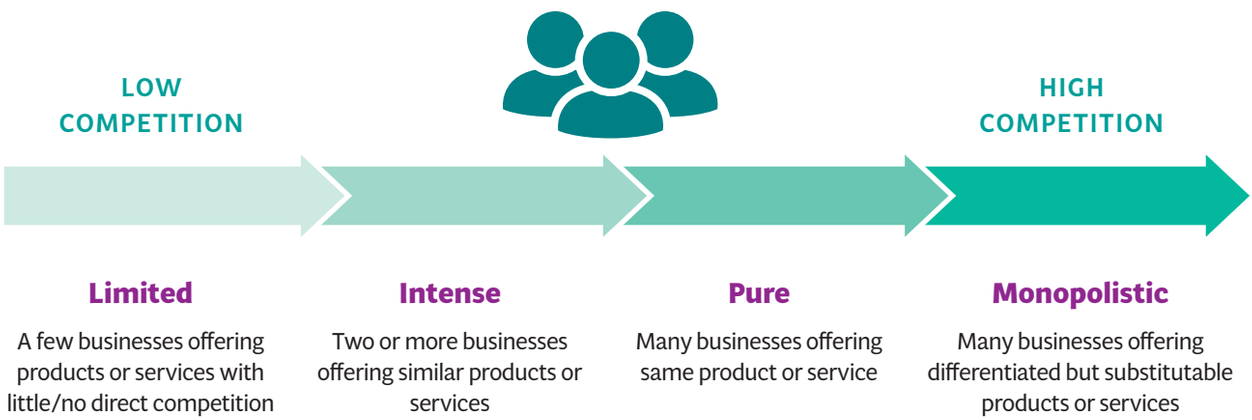


Figure 2-4 Degrees of Competition

Limited Competition

Some businesses have the advantage of offering a product or service with little or no direct competition and this situation is known as **limited competition** or, in economics, as a monopoly. Businesses facing limited competition often operate in very different ways than those facing intense competition. They do not have to worry as much about price or even promotion because consumers are restricted in their choice of products. Therefore, a business will usually concentrate on maintaining its advantage in the market. It will try to keep competing businesses from entering the market, protect its location, and concentrate on keeping its product or service as unique as possible.

Consumers using the products and services of a monopoly business often become dissatisfied with the lack of choice available. They believe they pay higher prices and receive poorer service because of the lack of competition, and must deal with a company that may be more concerned about protecting its market and making a profit than meeting consumer needs.



Supermarkets face intense competition in the marketplace. What other examples can you think of from everyday life?

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Intense Competition

The most difficult type of competition businesses face is a market in which they compete with other businesses offering very similar products. This situation is known as **intense competition**. One example is an oligopoly, where only a few companies compete in the same market, but they offer products or services in which consumers see few, if any, differences. Marketers can study the customers in the market to determine if there are some groups who are not currently satisfied with the choices available.

Companies that face intense competition need to examine their marketing mix. If they study consumer needs carefully and use their experience with available products, businesses may be able to identify ways to change or improve products, features, or the services offered with their products. They might also be able to identify new product uses. The aim of any product change is to make the product different from that of competitors so that it is more satisfying to the target market.

Examining other parts of the marketing mix may also help a business compete. Distribution can focus on making the product available at better locations and times, with more careful handling or better customer service. Pricing can offer alternative methods of payments or greater ease of obtaining credit. Promotion can provide more personalized or detailed information for consumers. It can use nontraditional methods or media. It can also communicate with the customer after the sale to help them use the product effectively or in an enjoyable way.

Pure Competition

An extension of intense competition is **pure competition**, where there are many businesses in a market offering the same product or service. Unlike monopolistic competition (described in the following section), there is no differentiation between the products or services offered in pure competition. As a result, individual businesses have little control over the price as buyers can easily choose near-identical alternatives from their competitors.



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Working in Teams

Form a group, then go online to research two or more businesses operating in Saudi Arabia who are in competition with one another. Discuss and summarize the nature of competition and the similarities or differences in how the businesses have approached the way they market their products and services to consumers.

Monopolistic Competition

Monopolistic competition is a situation where many businesses are selling similar products or services in a given market, but these businesses try to differentiate these products from those of their competitors by making modifications to them. The marketing concept is the most useful for companies finding themselves in this situation. These companies' marketers need to focus on specific groups of consumers within the market and try to identify their needs so they can make appealing modifications. Then they will use the full range of decisions within the marketing mix to develop make changes to their products or services for those customers. These modifications might not only be to the product or service itself, but also to its distribution and price and the promotion methods used for it. Such changes can help to make a businesses brand both different from its competitors and more attractive to potential customers.

The competition that most businesses face is usually somewhere in the middle between monopolistic competition and intense competition. They have many competitors, but consumers see some differences among the choices. Consumers will attempt to determine which of the available products and services best meet their needs. It is important for companies to have clearly identified differences that result in customers selecting their brands from among all the available choices.

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MARKETING SCENARIO

An immersive experience

A new, state-of-the-art immersive virtual reality (VR) attraction is the only one of its kind in a Saudi town, enabling customers to experience the feeling of space exploration firsthand. The next-closest virtual reality attraction to the town is 80 kilometers away. Therefore, this attraction is in a market much like a monopoly with no direct competition. People who want to enjoy an immersive VR experience are unlikely to be willing to drive 80 kilometers to the alternative attraction. The owners do not have to be very concerned about attracting or keeping customers from the local area due to this situation. Consequently, they can offer the services that provide the highest level of profit and do not necessarily provide the greatest value or the best value for money for the consumer. These customers might not be happy about the situation, but they would have little choice in the matter if they really want to have the experience. While it may not be as profitable in the long term, the attraction's owner could adopt the marketing concept to make operating decisions. As a result, consumers will be more likely to visit for a variety of services, such as eating and drinking, and to encourage others to use it. They will be less likely to look for other options when they want to be entertained and have fun in their free time.

THINK CRITICALLY

1. Why does this VR experience have a monopoly?
2. What effects is this monopolistic situation likely to have on how the facility operates?
3. What benefits could the attraction's owners experience if they use the marketing concept?



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CHECKPOINT

Discuss your answers to the questions with a partner.

1. How can using the marketing concept help businesses to succeed despite competition from other companies?
2. Do you think that people should start businesses in areas where there is intense competition? Why / Why not? Could there be any advantages for the business in doing this?
3. Do you think that companies in situations with limited competition should put just as much effort into getting ahead of their competitors as businesses in situations with intense competition? Why / Why not?

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2.4 LESSON ASSESSMENT

What Have You Learned?

1. What is meant by the nature of competition? [2.4.1]
2. Why is it important for marketers to understand the nature of competition their business faces? [2.4.1]
3. If a company decides to change a product to better compete in a market, what should be the goal of that change? [2.4.2]
4. For which type of competition do companies find the marketing concept to be of most value? [2.4.2]

Make Academic Connections

1. **Technology** Through online research and your own experience, describe ways in which technology has changed the nature of competition over the last 20 years. [2.4.1]
2. **Management** For each of the types of competition discussed in the lesson, identify a business in your community that you believe faces that type of competition. For each business, decide whether or not you believe the business is using the marketing concept in its response to competition. Imagine you are the marketing manager for one of the businesses and write a paragraph explaining how the business could use the marketing concept more effectively. [2.4.2]

Connect to the Real World



You work in a marketing team. You must prepare a short report to determine why consumers choose the products or services of one competitor over another, with two supporting charts or graphs. Present the report to your class and be prepared to answer questions about the results. [2.4.1]

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2.5

Marketing Research

KEY TERMS

Primary data
Secondary data
Market segment
Discretionary purchases

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

2.5.1 Explain the importance of information in making marketing decisions.

2.5.2 Describe the categories of information needed by marketers.

MARKETING MATTERS

The marketing concept is based on satisfying customer needs, so it is essential for a business to know and understand prospective customers. When implementing the marketing concept, businesses start with information about customers, their needs, attitudes, and expectations. Marketers can then use the information to confidently select the markets they will serve and plan effective marketing mixes tailored to those customers.



Activate Your Knowledge

1. When a business follows the marketing concept, what is the first thing it needs to start marketing planning?
2. Should marketers be more focused on using their creativity or on analyzing data? Why?
3. What type of information would a clothing design business need to gather from customers in order to decide on design changes?

2.5.1

The Importance of Information

Marketers Rely on Information

Marketers are often described as creative people. Indeed, a great deal of creativity is needed to plan a marketing mix. However, marketing is increasingly becoming a scientific process. Information is gathered to improve decisions and alternative methods are studied to determine which are the most effective. Information is also a key component of the creative process itself.

Conducting research is an important marketing activity. It is the way in which marketers learn about their customers. Marketers need to be skilled in organizing research, analyzing the data collected during research, and using research results. The most important type of research for most businesses is the study of potential and current customers. Companies need to clearly identify their customers, the characteristics that make groups of customers differ, important customer needs, and how customers make purchase decisions. Additionally, research about competitors is needed to identify the type of competition and the strengths and weaknesses of competing companies. Finally, businesses study alternative marketing strategies to determine which ones are most effective and most profitable.

Due to the ever-increasing amount of information that marketers need, most companies are developing marketing information systems that collect and store a variety of information. Marketers can then access that information easily, often through the use of computer databases, when they need to make decisions.

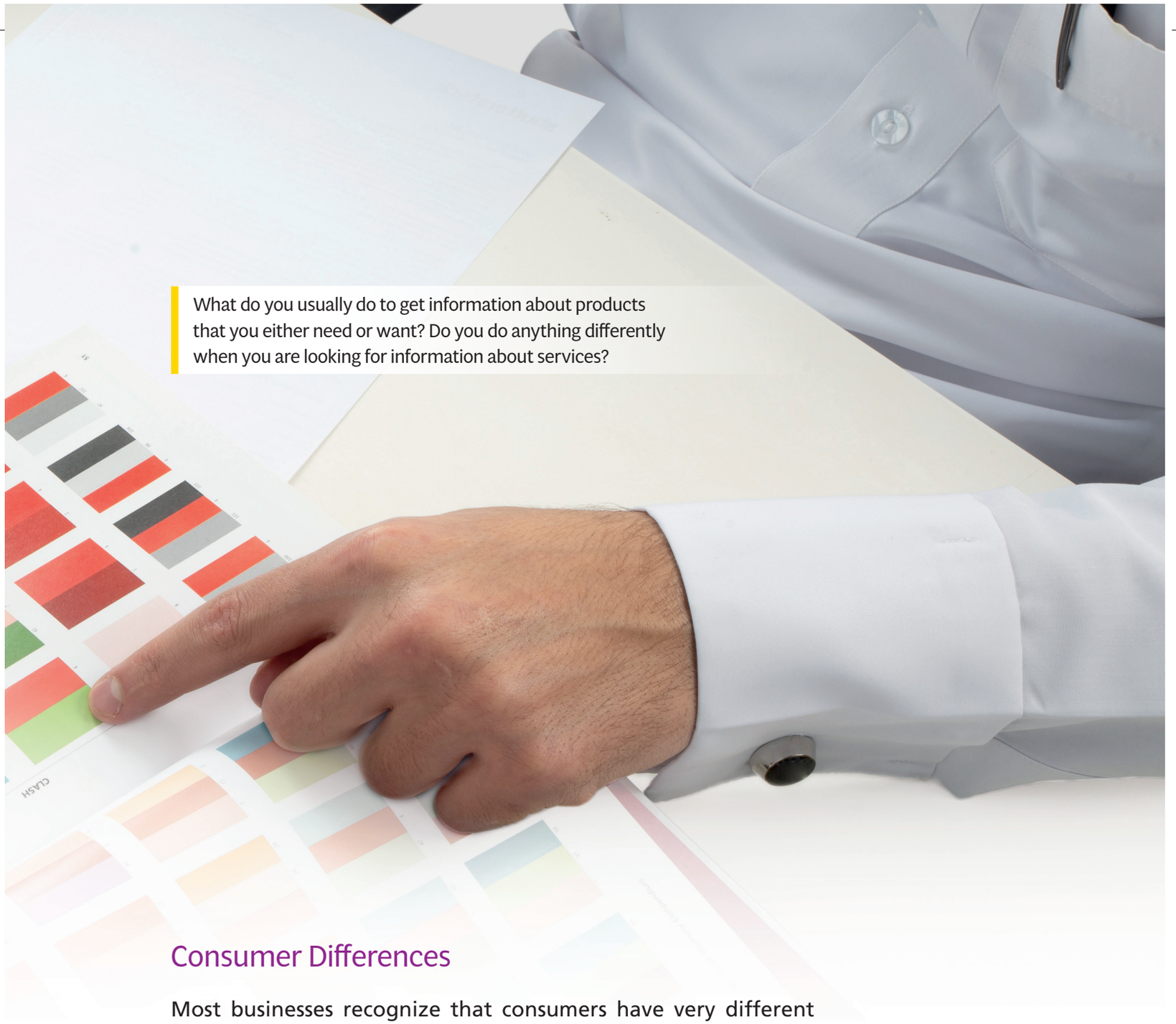
In order to follow the marketing concept, a business needs to collect information about the market before it can start the marketing planning process. Competitive and economic factors



facing businesses today increase their need to gather and study information. Marketers recognize that an understanding of consumers, expanding choices, competition, and the global marketplace will help them make better decisions.

Data can be obtained in two key ways:

- **Primary data** is data collected directly from the source (for example, by conducting polls and questionnaires, and carrying out new market research).
- **Secondary data** is data collected from existing information that has already been published elsewhere (for example, government records and statistics, or people's opinions shared online via social media).



What do you usually do to get information about products that you either need or want? Do you do anything differently when you are looking for information about services?

Consumer Differences

Most businesses recognize that consumers have very different needs and wants and likely view product and service choices quite differently to each other. Businesses know that if they are to meet the specific needs and expectations of consumers, they will need detailed and specific information about them. They must be able to satisfy each **market segment**, which is a clearly defined segment of the market to which a business wants to appeal, determine the similarities and differences among them, and decide how they can best meet the unique needs and wants of those segments.

Expanding Choices

Customer needs are changing, and so are the choices customers make to satisfy those needs. Consumers are able to satisfy their basic needs much more easily now than they could in the past. They have moved beyond satisfying their basic needs and are devoting more resources to satisfying their wants by making discretionary purchases.

Discretionary purchases are not essential, so consumers can decide whether or not to make them. Consumers have a wide choice of products and services in nearly all cases, as well as ready access to information about those choices. In order to develop a marketing mix that will satisfy consumer wants, businesses must have a clear understanding of expanding consumer choices and consumer purchasing decisions.

Competition

Competition is becoming much more intense for most businesses today. As a result, it is more difficult to make marketing decisions that will ensure customers will prefer one company's products over those of its competitors. However, gathering information about competitors' products and marketing activities in order to determine their strengths and weaknesses will help businesses to be more competitive. The information gathered will help determine the product's points-of-parity (similarities) as well as its points-of-difference (differences). Finding the proper balance between the two and identifying and communicating the unique benefits of a product as compared to its competitors is important in determining the most effective marketing strategy.

When a company's products are very similar to competitors' products, it will try to compete for sales by emphasizing such things as brand name, availability, or price. It may also try to compete by developing unique designs, product improvements, or special features.

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Decision makers need information that enables them to make the best and most profitable product and service choices that improve on competitors' offerings. The correct product design and marketing decisions can be very profitable, but the wrong choices can result in losses for the company.

The Global Marketplace

As businesses develop an international focus, the differences among customer groups and the number of distinct market segments can become even greater. Even if businesses believe that they understand the consumers in their own country quite well, they will not have as much confidence about consumer groups in other countries that they have never served. Gathering information about the country and its people, as well as about the laws and regulations that apply to conducting business there, can, therefore, help the company to enter the global marketplace.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. In what ways do you think the needs and wants of people in your community have changed during your lifetime?
2. What are the most effective things that companies can do to avoid the negative effects of large numbers of competitors?
3. What effects has the ever-increasing globalization of the market had on the need and ability of businesses to gather information from consumers?

2.5.2

Making Effective Marketing Decisions

Many companies make marketing decisions with too little information or the wrong types of information. Others may become overwhelmed with too much information. Each type of business needs specific information, but there are general categories that all businesses should consider. Those categories are consumer information, marketing mix information, and information about the business environment. Different types of information are needed for each of these three categories (see Figure 2-5).

TYPES OF INFORMATION NEEDED FOR EFFECTIVE MARKETING DECISIONS

Consumers	Marketing Mix Elements	Business Environment
• Age • Gender • Income • Education • Family size • Occupation • Primary needs • Purchase frequency • Brand preferences • Information needs • Media preferences • Shopping behavior	• Product: basic products, product features, services, product packaging, guarantees, after-sale customer services • Price: credit choices, discounts • Place (distribution): location and method of sale, type of distribution used • Promotion: promotion and sales methods, promotional message, promotional media	• Type of competition • Competitors' strengths • Competitors' strategies • Economic conditions • Government regulations • Consumer protection • Ethical issues • International markets

Figure 2-5 Marketers need information about consumers to make effective decisions

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There are many reasons to collect information. However, effective marketing always improves businesses' ability to make decisions and, therefore, reduces the risk involved in making decisions. If a business can make better decisions that increase its likelihood of making a profit, the time and money it invested in gathering information will have been worth it.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are the three main categories of information that businesses need to consider when they are gathering data from consumers?
2. What types of information about the business environment are marketers interested in? Write down as many as you can remember.
3. What is the ultimate aim of gathering information from consumers for marketers?



MARKETING SCENARIO

An information exchange relationship between a manufacturer and a store owner

A company in Jeddah produces packaged spice mixes that consumers can use while cooking different dishes. The aim is to provide all the spices that a cook needs to make a specific meal in one convenient package. The marketing manager of this company wants to obtain information from the managers of the stores where the company's products are sold. He wants to know about three things: who the consumers are, the marketing mix elements that exist in the store, and the type of business environment. More specifically, the marketing manager asks questions about where the customers live, how much they spend on dry food items, how they make decisions on what and when to purchase, and how they feel about the store and the spices or spice mixes it sells. He will also want to know whether and how to expand their range of spice mixes, whether specific locations or certain store layouts are more effective, the prices to charge, and the most effective promotional messages and methods.

The managers of stores that stock the spice mixes will want to know if the economy will change in the next year, if there will be new competitors or if current competitors are making important changes, if regulations will increase, and even specific information such as whether the city is planning to make street improvements in front of a store.

THINK CRITICALLY

1. What marketing mix elements could exist in the stores where the spice mixes are sold?
2. How do you think the spice company can obtain useful marketing information from the stores that stock its products?
3. Why would managers of the stores want to obtain information about regulation, possible competition, and street improvements?

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2.5 LESSON ASSESSMENT

What Have You Learned?

1. What are discretionary purchases and why are these important to marketers? [2.5.1]
2. How does a company compete for sales when its products are very similar to its competitors' products? [2.5.1]
3. What are the two major reasons why a business should collect information about its market? [2.5.2]

Make Academic Connections

1. **Psychology** Businesses respond to differences in consumer needs by offering choices of the same product. Select a company that offers at least three choices of the same product. Examine the product and product information to determine the differences and the customer characteristics or needs that each one appeals to. Prepare a one-page report or a summary chart of your analysis. [2.5.1]
2. **Economics** Review several recent issues of a local newspaper or business news articles available online. From the news reports, identify and write down five factors that could affect the economic environment for consumers and businesses in the next six months. Add suggestions for how each factor might affect businesses in your community. [2.5.1]

Connect to the Real World



You work for a marketing research team which does the marketing for a local movie theater. Your goal is to increase the number of moviegoers at the movie theater and the average amount each customer spends on concessions. Work in a team and discuss and determine three specific types of information you will need for each category: consumers, marketing mix, and business environment. Reach a decision why each type of information is needed. Prepare and give a team presentation of your ideas to your teacher. [2.5.2]

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CHAPTER 2 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. Name and describe the two types of consumers that marketers need to understand. [2.1.1]
2. Differentiate consumer needs and wants. Use examples in explaining your answer. [2.1.2]
3. Choose one of the three types of buying motives discussed in the chapter. With this buying motive in mind, describe how you used it to make a recent purchase. [2.2.1]
4. Think of a major purchase you think you will make in the next year or so. How will you apply the information search step of the five-step consumer decision-making process to this purchase? [2.2.2]
5. How does personality influence buying behavior? Give an example that relates to either attitude, self-concept, or lifestyle in answering this question. [2.3.1]
6. What is extensive decision making, and when do consumers typically use it? [2.3.2]
7. Provide two examples of both direct and indirect competition, explaining how they are differentiated. [2.4.1]
8. You are a marketing manager who works in a market with intense competition for your company's products. What would be your strategy for increasing sales? [2.4.2]
9. Why do you think a company would want to gather information about its competition? [2.5.1]
10. Explain the statement, "Effective marketing information reduces the risk in decision making." [2.5.2]

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DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Business consumers		**a.** A clearly defined section of the market to which a business want to appeal.
2.	Buying behavior		**b.** Anything that a person requires to live (e.g. something to drink).
3.	Buying motives		**c.** Data collected directly from the source (e.g. by conducting polls and questionnaires).
4.	Consumer behavior		**d.** A situation where there are many businesses in a market offering the same product or service.
5.	Direct competition		**e.** A situation where a business has the advantage of offering a product or service with little or no direct competition.
6.	Discretionary purchases		**f.** Groups of people or organizations that a person admires, identifies with, and wants to be a part of.
7.	Emotional motives		**g.** Reasons to purchase a product or service based on facts or logic (e.g. a need to save time or money, or to obtain a certain level of quality).
8.	Extensive decision making		**h.** Data collected from existing information that has already been published elsewhere (e.g. people's opinions shared online via social media).
9.	Final consumers		**i.** The most difficult situation that businesses face in which they compete with other businesses offering very similar products.
10.	Indirect competition		**j.** Reasons and factors that drive a customer to purchase specific products or services.
11.	Intense competition		**k.** A situation when two or more businesses offer broadly comparable or alternative products or services, or operate in related sectors where there is some overlap in their offering.
12.	Limited competition		**l.** A situation where many businesses are selling similar products or services in a given market, but try to differentiate them from those of their competitors by making modifications to them.
13.	Limited decision making		**m.** People who buy goods and services because they plan to resell them or use them in producing and marketing other goods and services.

13.	Limited decision making		**m.** People who buy goods and services because they plan to resell them or use them in producing and marketing other goods and services.
14.	Market segment		**n.** The reasons why people decide to spend money on specific products or services.
15.	Monopolistic competition		**o.** Involves making an expensive purchase choice after spending time and effort evaluating alternatives.
16.	Need		**p.** The process which is used for purchases that are made frequently and do not require much thought.
17.	Patronage motives		**q.** The decision processes that consumers use and the actions they take when they purchase products and services.
18.	Primary data		**r.** The study of factors that influence how people purchase and use products and services
19.	Pure competition		**s.** Products or services that are not essential, so consumers decide whether or not to buy them.
20.	Rational motives		**t.** A situation when two or more businesses offer products or services that are synonymous, in that they fulfill the same wants and needs.
21.	Reference groups		**u.** Something that people feel they need because of the options that exist in the culture they live in.
22.	Routine decision making		**v.** Reasons to purchase products or services which are based on feelings and emotions.
23.	Secondary data		**w.** Involves making a purchase decision after trying out or looking at prices of a few possible alternatives.
24.	Want		**x.** People who buy products or services for personal use.

MARKETING RESEARCH AND PLANNING

1. Some products are sold to both business consumers and final consumers. Name at least one business consumer use and one final consumer use for the following items: pencil, balloon, rubber band, radio, sofa, all-terrain vehicle, pesticide, sunglasses, suitcase, air-conditioning system. Here is an example: [2.1.1]

Item	Business Use	Final Consumer Use
banana	restaurant	family lunches

2. Marketers try to attract your attention with advertisements that address meaningful buying motives. Choose an ad from each of the following media: magazine, the Internet, television, and radio. Select ads that show each of the three types of buying motives: emotional, rational, and patronage. Use copies of the magazine and Internet ads. Prepare a written description of the television and radio ads. Write a report classifying the type of buying motive used in each advertisement. [2.2.1]

3. You are the manager of a new clothes store that is opening in three days. You believe strongly in the marketing concept and want your salespeople to pay attention to customer needs as they help perform their sales duties. Write an email to them to remind them of the elements of the marketing concept, why it is important, and what they can do to put it into action with each customer. Be sure to use the following words or phrases: customers, buying behavior, consumer decision making process, needs, wants, buying motives, lifestyle, and extensive decision-making process. [2.1.2, 2.2.1, 2.2.2, 2.3.2]

4. Using online news sites, find a corporate announcement of a new product or service. Analyze the announcement to identify the personal, cultural, social, and reference group influences to which the product or service appeals. Cite specific language in the announcement that provides evidence of the appeal being used. [2.3.1]

5. The type of competition a company faces affects the type of marketing strategy it will use. Find an advertisement for a local business that faces intense competition (auto dealership, supermarket, cell phone service, etc.) and another advertisement for a company that faces limited competition (utility companies such as electricity, gas, etc.). Use software to create a presentation that compares the marketing strategies of each company by highlighting differences in their advertisements. [2.4.2]

MARKETING MANAGEMENT AND DECISION MAKING

1. In order to learn more about customers, many organizations use customer feedback cards like the one shown below for a restaurant. The organizations use the information to improve their products and services, and increase customer satisfaction. In an effort to help your school provide a better service, work with other students to develop a customer feedback card to give to students. The customer feedback card should be designed to find out from students what they like and dislike about your school. You may wish to ask questions about the curriculum, classes, atmosphere, spirit, extracurricular activities, grades, homework, facilities, and any other items relevant to your school. Survey at least 15 students.

After the surveys have been completed and collected, use a spreadsheet program to record and tabulate the responses. Then determine the mean, median, and mode for each question. (The mean is the average of all the responses to a question. The median is the middle value when all answers are arranged in order. The mode is the response that was given most frequently.) Prepare tables, charts, and graphs to display the survey results. Use the results to draw several conclusions about student attitudes. Make recommendations for improvements to your school. [2.3.1]

Fine Foods and More Restaurant

We value your opinions and strive to meet your expectations.
Tell us how you like us by circling the rating that best represents your view of our restaurant.

WHAT DID YOU THINK OF OUR SERVICE?					
	Poor				Excellent
Menu	1	2	3	4	5
Portion size	1	2	3	4	5
Atmosphere	1	2	3	4	5
Service	1	2	3	4	5
Cleanliness	1	2	3	4	5
Prices	1	2	3	4	5

Thank you for sharing your views with us!

2. An important part of the marketing research process is analyzing the data after it has been collected. The following chart shows the data collected from a study of store and brand choices for four age groups of consumers. One thousand people were surveyed, and the respondents indicated their preferred store and brand.

   Calculate the following information from the data in the chart and develop tables, charts, or graphs to illustrate the results.

   a. Determine the total number of participants who prefer each store and each brand. (To determine the total, add the numbers in each column.)

   b. Using the totals from part a, calculate the percentage of the total number of participants who prefer each store and each brand. (To calculate the percentage, divide the total of each column by the total number of participants.)

   c. For each of the age categories, calculate the percentage of respondents who prefer each store and each brand. (Divide the number of respondents in each preference category by the total number of participants in that age category.)

   d. Illustrate the rank order of stores and the rank order of brands for each age category.

Age	Store Preference			Brand Preference		
	Store A	Store B	Store C	Brand 1	Brand 2	Brand 3
16–20	38	82	130	80	106	76
21–25	56	20	174	156	90	18
26–30	110	64	76	104	98	60
31–35	44	120	86	54	30	128

MARKETING ASSIGNMENT



You are a consultant advising a company founder that wants to open a clothes store selling low-price clothes items for men, women, and children in your city. The company founder has recently moved to your city from another part of Saudi Arabia and wants information about the characteristics of the consumers who live there and the other businesses that offer similar products there. Do some research and use your local knowledge to prepare a report for your client in which you provide him with the information he wants. Then make suggestions about the challenges that his business is likely to face in terms of competition, and what he could do to deal with them, and the marketing mix elements he could use in the store to increase its chances of success.



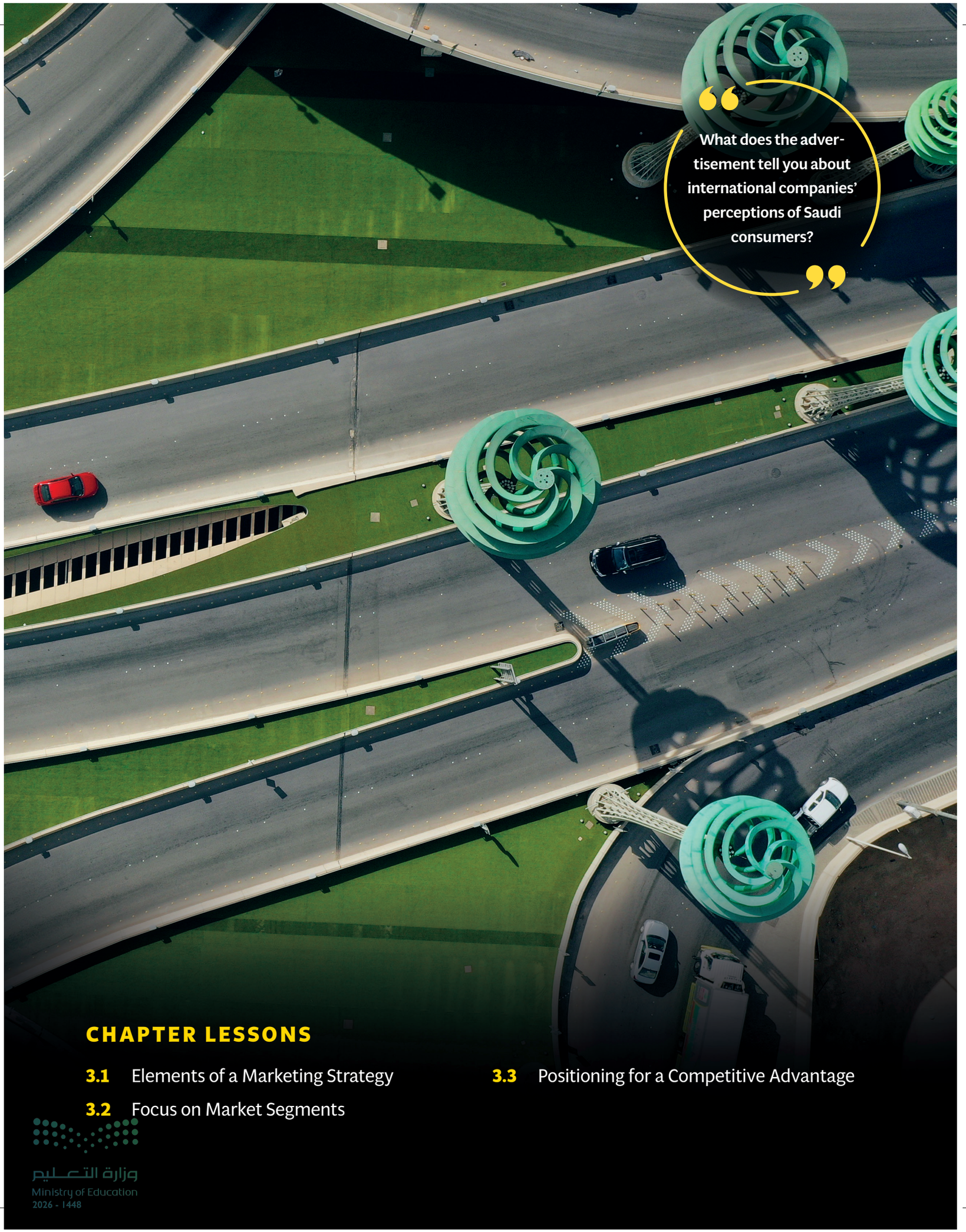
A billboard advertisement created by an international hotel chain on display in Riyadh, Saudi Arabia.

CHAPTER 3

Marketing Strategies

Businesses will only succeed if they target the marketing of their products or services at consumers that are likely to purchase them and become loyal customers. For this reason, businesses invest a lot of resources in identifying specific groups in a population that have the potential to become these loyal customers. Businesses can then develop and implement a marketing strategy that will appeal to them and can show these consumers how their product or service is different from similar products or services sold by their competitors. In this chapter, you will learn about how businesses devise a marketing strategy, look carefully at how companies divide populations into market segments and determine their potential for a successful exchange relationship, and focus on how businesses can position themselves in a target market to gain a competitive advantage.

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What does the advertisement tell you about international companies' perceptions of Saudi consumers?

CHAPTER LESSONS

3.1 Elements of a Marketing Strategy

3.2 Focus on Market Segments

3.3 Positioning for a Competitive Advantage

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3.1

Elements of a Marketing Strategy

KEY TERMS

Marketing strategy
Niche marketing
Target market

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

3.1.1 Describe how market segments are defined.
3.1.2 Identify the four criteria that an effective target market must meet.

MARKETING MATTERS

Businesses are only able to create commercial exchange relationships with their customers if they have devised and implemented a marketing strategy for those customers. In order to do this, businesses first need to identify a target market or markets which they want to have an exchange relationship with. Then they need to develop a satisfying marketing mix for the target market, which involves choosing suitable products or services to sell in this market, deciding where to sell them, how to price them, and how to promote them.

Activate Your Knowledge



1. Make a list of the personal characteristics you have which would be of interest to a company that wants to sell its products or services to you.
2. How do you think marketers can use people's personal characteristics to help inform their marketing strategies?
3. What factors do you think are important to a company when it's deciding which group of people to sell its products or services to?

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3.1.1

Developing a Marketing Strategy

A **marketing strategy** is an ongoing approach to achieving competitive advantage through implementing the marketing concept: developing products and services based on identifying the needs and wants of consumers, and determining the most effective channels to reach them. In most cases, two steps are involved in the creation of a marketing strategy:

- the careful selection of a target market that the business will market its products or services to
- the development of a marketing mix for that specific target market.

Start with a Market

Once marketers have identified the target market, they need to keep in mind that there will be significant differences between the individual people in that markets. As a result, it will be almost

What challenges do companies that make or sell high-value items face as they try to sell as many of their products as possible?



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impossible for a company to establish a satisfying exchange relationship with all of them. For example, some consumers will not have any need for a particular product or service. Others will have already purchased the product or service and not have any interest in purchasing it again for a long time to come. The second scenario is common with high-value items, for example, cars. Businesses, therefore, need to recognize the similarities and differences between a group of consumers because these will affect their purchasing decisions and what type of information the business should give them about their products or services.

Segmenting Factors

Markets are made up of many segments. Marketing information systems and market research are used to gather information about consumers, so it is possible to organize markets into segments in this way. There are several major categories that are often used to segment markets and each one has some common characteristics (see Figure 3-1).

FACTORS USED TO SEGMENT A MARKET				
Needs and Wants	**Demographic**	**Psychographic/ Lifestyle**	**Behavioral**	**Geographic**
Necessities Convenience items Luxuries	Age Gender Education Occupation Income Geographic location	Interests Hobbies Values/beliefs Attitudes Leisure activities	Preferences and habits Decision-making styles Buying behavior patterns	Location of customers (neighborhood, city, region, or country)

Figure 3-1 Businesses study a variety of information about consumers to identify unique market segments.

Marketers start with the needs and wants of consumers when they divide markets into segments. People in a market segment share one or more common need or want. These are determined by their shared demographic, psychographic or lifestyle, behavioral, and geographic characteristics.

Demographic characteristics include age, income, location, and education level. Psychographics or lifestyle characteristics include activities, customs, traditions, and attitudes. The attitudes of potential consumers are especially important to marketers when they are segmenting markets because they indicate how consumers feel about the type of product or service and specific brands. Geographic characteristics relate to where customers are physically located, from neighborhood, city, region, or country.

Consumers can also be segmented according to their buying behavior, which is the way consumers make their purchase decisions. These behavioral segmentation factors could include their previous experience with products, the sources of information they use, whether their decisions are rational or emotional, and how much time they take to gather and evaluate information before making a decision.



Working in Teams

Work with your team members to carry out a demographic analysis of the various types of people who might typically visit a shopping mall nearest to you. Identify three demographic characteristics and two or three categories for each characteristic. For example, the characteristic could be age group or profession. Develop a table that shows each of the characteristics and the types of products and services each group might use at the mall.

Niche Marketing

Some market segments include a broad range or a large group of consumers. In order to target a more specific market segment, **niche marketing** is used. This concentrated form of marketing is created by identifying extremely specific consumer needs and wants. Consumers who have these specific needs and wants comprise one market niche. Once a niche is identified, initially there is often little or no competition for that market segment.



MARKETING SCENARIO

Marketing a grocery delivery service to a niche group in Saudi Arabia

The founders of a grocery delivery service in Tabuk decided to start their business after noticing a need for access to competitively-priced healthy grocery products in the Kingdom. An ever-increasing number of well-educated Saudis are aware of the importance of eating a nutritious diet today. However, this same group of consumers tend to feel that they are too busy with their work, studies, family life, or a combination of all three to go to a store that sells healthy groceries, purchase them, and then transport them back to their home. At the same time, these particular consumers tend to have a relatively large amount of disposable income available to them, and are prepared to spend their money on services that make their lives easier.

It is exactly this specific group of consumers – which we could call a niche – which the grocery delivery service founders want to target with their service. They will, therefore, adapt their marketing mix so as to appeal to them and attract them as customers.

THINK CRITICALLY

1. What is the need that the company founders identified?
2. What is the want that consumers have in this situation?
3. What are the characteristics of the delivery service's target group?
4. In what way is marketing the delivery service to this group an example of niche marketing?



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What is the first step that businesses take when they want to develop a marketing strategy?
2. What factors do marketers use to help them segment a market?
3. What are some examples of psychographic characteristics?
4. What do companies gather information about when they want to find out more about consumer buying behavior?

3.1.2

Selecting Target Markets

Rather than trying to satisfy every person in a market, a business will be more successful in meeting customer needs if it concentrates on a specific target market. As has been highlighted, a **target market** is a clearly identified segment of the market the company wants to appeal to. An effective target market must have these four characteristics:

1. **Identifiable:** It must be possible to divide the market into separate segments which are distinguishable from each other on the basis of common or shared needs and characteristics that are relevant to the product or service.
2. **Sizeable:** A segment must consist of enough consumers to make targeting it profitable.

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3. **Stable:** A segment must be relatively stable in terms of consumers' lifestyles and consumption patterns. Marketers can find out if a segment is stable by observing trends in it over time and noticing whether key factors remain the same or at a similar level. Segments that are unpredictable should be avoided.
4. **Accessible:** A segment must be accessible, which means that marketers must be able to reach that market segment easily.

A company might select more than one segment as their target market. In order for this strategy to be successful, the different segments must share enough common needs and wants that they respond in the same way to the company's marketing efforts. For example, individuals might have different genders but live in the same region, or they might be demographically diverse but have the same need or want for a particular service. Larger companies usually create marketing mixes for several target markets at the same time. Each target market requires a unique marketing mix that responds to its specific characteristics.



CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. Summarize the four criteria that a target market must fulfill for a company to know that it will be effective as a target market.
2. What examples of products and services can you think of which are marketed at a group of people that share your own personal characteristics? In your opinion, how effective are the marketing mixes developed by the businesses that sell them?

3.1 LESSON ASSESSMENT

What Have You Learned?

1. Why are people's needs and wants an important basis for identifying market segments? [3.1.1]
2. Name four demographic factors used to segment a market. [3.1.1]
3. Define the term *target market*. [3.1.2]

Make Academic Connections

1. **Technology** Go online and find a website of a company that manufactures computers. Review the website and identify three unique market segments for which the company produces computers. Use information from the website to describe the main factors that differentiate the three segments. [3.1.1]
2. **Economics** Use the school library or go online and find information about government publications or other sources which present the demographic characteristics of the Saudi population. Make a list of the sources you find and write an explanation of how each source could be useful to marketers identifying target markets. [3.1.1]

Connect to the Real World



You are a consultant working for a company that produces high-value luxury cheeses. The company produces a sales brochure presenting its products and sends it to every store it can identify. Prepare a three-minute presentation for the president of the cheese company on why it is important to focus marketing efforts on one or more target markets, using a unique marketing mix for each target market. Provide an example target market and marketing mix. Present your ideas to your class. [3.1.2]

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3.2

Focus on Market Segments

KEY TERMS

Mass marketing
Customer experience
Market opportunity
Market potential
Market share

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

3.2.1 Describe the benefits and categories of market segmentation.

3.2.2 Explain how to identify market segments and determine their potential.

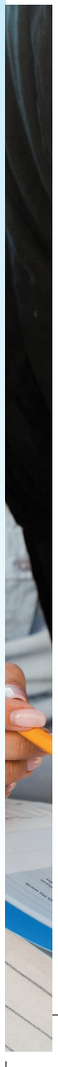
MARKETING MATTERS

Businesses need to focus their marketing efforts on the potential customers who are most likely to buy their products and services in order to become profitable. They, therefore, identify market segments or groups of consumers that share certain characteristics. These characteristics may be personal factors such as age, education, income, or gender, or they may be related to where consumers live, their lifestyles, needs, interests, or other factors that influence what they might want to purchase. Once a business has identified these market segments by collecting data about consumers, they can determine the potential of each one and then decide which segment or segments to develop a marketing strategy or strategies for.



Activate Your Knowledge

1. Why do you think dividing a larger market into several segments is useful for marketers?
2. Could more than one market segment exist within a group of teenagers who all attend the same school? Explain your answer.



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3.2.1

Market Segmentation

In order to compete in a free enterprise economy, businesses direct their efforts and resources toward achieving specific goals. An important part of this effort involves devising marketing strategies that will enable them to compete with other companies for sales revenue and market share.

The Benefits of Segmentation

A market segment is a group of individuals or organizations within a larger market that share one or more important characteristics. These shared characteristics result in them having similar product or service needs. Every person belongs to many different market segments. For example, someone may belong to one segment of the population that enjoys going to the cinema



What important characteristics does this group of potential customers share?

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and another segment that eats ice cream. Businesses use marketing information and market research to complete the process of market segmentation which needs to occur for a company to identify specific groups of consumers it wants to target. During this process of market segmentation, businesses divide a large group of consumers into subgroups based on their specific characteristics and common needs. Once the business has recognized the needs of this specific group of prospective customers, it can then develop marketing strategies which match them.

If companies are not willing to invest the time and money required to gather and analyze information about consumers to help them identify market segments, they have to rely on mass marketing instead. **Mass marketing** involves creating a marketing mix which is designed to appeal to a large and diverse group of consumers. When businesses use mass marketing, they consider all the customers in a market as potential customers and, consequently, every other business competing in that market is considered a competitor. It is usually more difficult for businesses to achieve their marketing objectives when they use a mass marketing strategy because they are appealing to a diverse group of consumers with different needs and also competing with many other businesses. However, the advantages of mass marketing include higher potential sales volumes and the potential to reach many more consumers.

Large companies with high-volume production and vast distribution networks reaching many national and international markets can use mass marketing quite effectively. However, smaller or more specialized businesses usually find a mass marketing strategy difficult. Companies that believe in the marketing concept recognize that the increased time and expense of market segmentation enables them to identify groups of customers and understand their needs. This, in turn, helps them to establish more satisfying and usually more profitable exchange relationships with their customers.



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Segmentation Categories

When marketers use market segmentation, they classify consumers into groups based on important categories including geographic location, demographic characteristics, psychographics, and product usage.

Geographic Segmentation

Classifying consumers into markets based on where they live is known as geographic segmentation. These markets might be as large as a country or as small as a town. Just as companies vary in size and scope, the group of customers they want to reach also varies. Geographic segmentation is based on the concept that people who live in the same geographic area might have the same needs and wants.

Which consumers in Saudi Arabia are more likely to be interested in products for water sports?



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Demographic Segmentation

The descriptive characteristics of a market such as its age, gender, ethnic group, income, and educational level are referred to as its demographics. Marketers use these factors to organize people into different market segments, although each person may belong to more than one market segment on the basis of their demographic characteristics, for example, someone can be both male and have a high educational level. It is useful for marketers to organize people into market segments in this way because consumers that share similar demographic characteristics are likely to have similar needs and wants. Businesses can then develop products such as television shows, magazines, and even restaurant menus that are designed to appeal to different ages, education levels, or ethnic groups, and then create a marketing mix to market them to these groups.

Psychographic Segmentation

People's interests and values are referred to as psychographics. Examples of psychographics are the way people spend their time and the lifestyle choices they make. Carrying out research into psychographic factors helps marketers to establish market segments. People's lifestyles and social interests combine to influence the type of housing and transportation they prefer, where they choose to live, how they spend their time, and even how often they eat out.

If marketers segment markets according to psychographic factors, they can find segments with specific needs and wants. Their company can then create unique products, which could be anything from cars to health care products to coffee shops and sports venues, that fulfill these specific needs and wants.

Product Usage Segmentation

Marketing strategies may differ according to product usage, which means how frequently consumers use the product (or

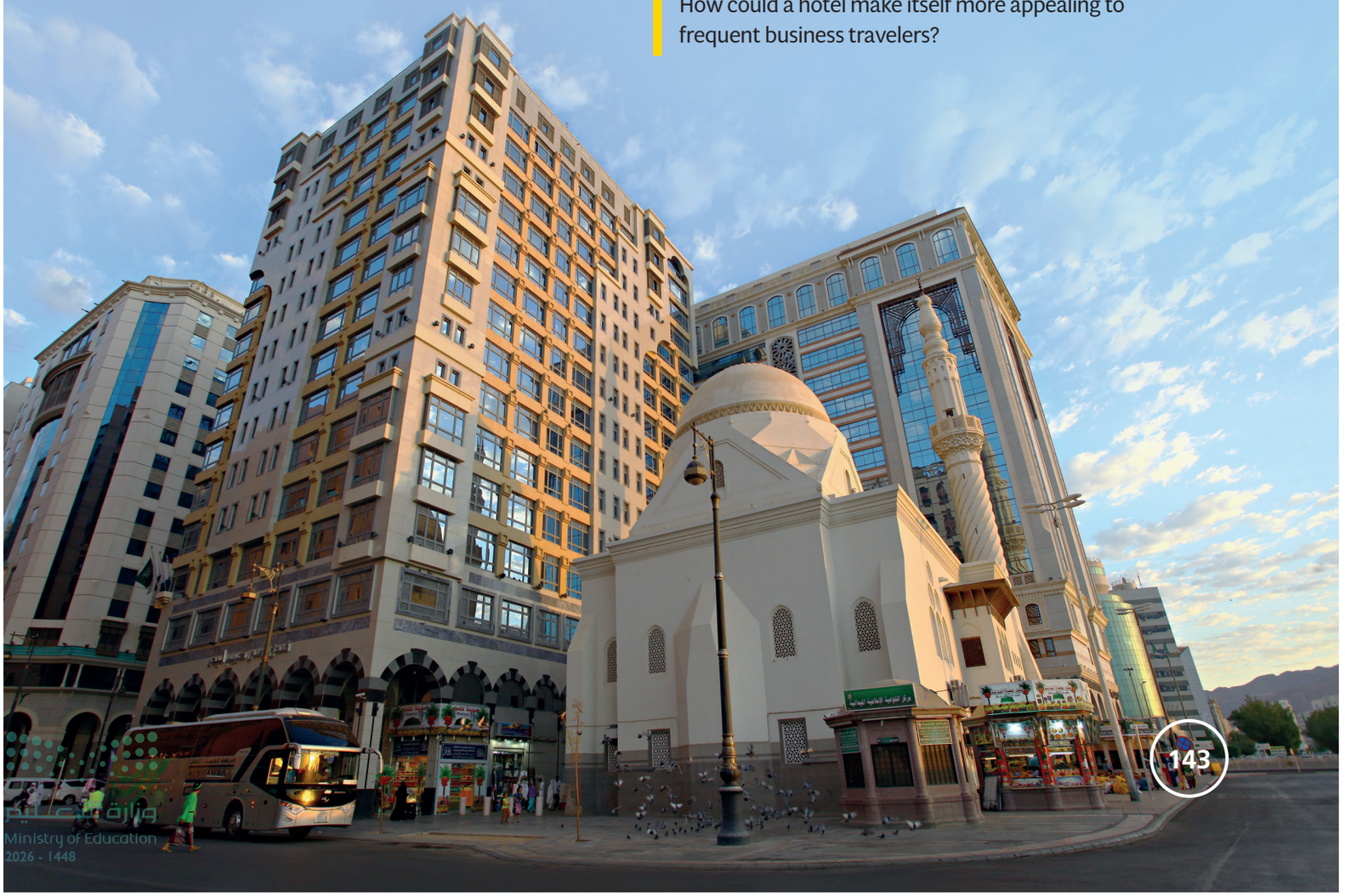


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service) in question and the quantity of the product (or service) that they use. These factors are determined by people's behavior and it can, therefore, be described as behavioral segmentation. For example, some people have one preferred beverage and drink it several times a day. Others vary their beverages at meals, but may have a particular beverage that they like to drink during study or work breaks, or when exercising. The quantity of a beverage that people consume at one time will also vary from person to person. In the case of beverage quantity, a soft drink manufacturer or restaurant can offer larger-sized drinks if they notice that a particular market likes to drink large quantities of a beverage, or smaller-sized drinks if they notice the opposite.

Other examples of products that have been developed in response to how consumers use products include hotel services that are designed for frequent business travelers, and cellphone plans suited to the number of phones in a family and the number of minutes, text messages, and data used in one month.

How could a hotel make itself more appealing to frequent business travelers?



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MARKETING SCENARIO

Tailoring a product range to reflect consumers' benefit expectations

A Saudi company produces shampoo and conditioner products for women in the domestic market. The company decided to invest in gathering data from prospective customers about the benefits they expect to receive from hair care products. Analysis of this data indicated that very few Saudi women are interested in hair products designed to protect colored hair and only a small proportion are interested in products designed for curly hair. The benefits wanted by the majority of Saudi women surveyed were hair care products to keep their hair sleek and healthy, and they also wanted hair care products that protect long hair. The Saudi hair care company, therefore, decided to invest most of their resources in the development and sale of products with these benefits, knowing that they would appeal to a large proportion of the customers in their target market. As a result, their profit margins increased significantly.

THINK CRITICALLY

1. Who did the company gather data from and what did they want to find out?
2. What findings from the data analysis were most interesting for the company?
3. How did the company respond to these findings and what was the outcome?

Customer experience with a product or service refers to how often or how intensively a consumer has used that specific product or service. For example, some users may have tried a product or service and decided that they did not like it, while others may have tried it and see it as one of several alternatives they could choose from. How positive an experience a group of consumers

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has with a specific product or service will determine how valuable that group of consumers is for a business and what efforts, if any, the company will make to market the product or service to that group.

Benefit Expectations

Each product or service on the market has a value or use for the consumer. Consumers expect to receive specific benefits when they use a particular product or service. Marketers can, therefore, also segment consumers according to what benefits they expect or require from the use of a product or service.

Segmenting the Business Market

Just as marketers segment consumers into target markets, they can also segment business markets. Business markets are segmented according to the type of company and the major activities and operations of the business. The size of the business, its geographic location, and the location(s) where it operates may also be important segmenting criteria.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. What advantages can segmentation bring to a business that uses it?
2. Which of the segmentation categories you read about in this section have a greater influence on consumer purchase decisions than others? Explain your answer and give examples to support it if possible.
3. How do you think a business's approach to segmenting business markets is the same as or different from segmenting consumer markets? Explain your answer.

3.2.2

Identify and Analyze Market Segments

There are two reasons to segment a market. First, the research and analysis which businesses carry out to be able to segment a market enables them to better understand the market and the characteristics of the potential customers in it. Second, detailed information on market segments helps a business to identify the best market opportunities. A **market opportunity** is a market that has been identified as one with excellent potential on the basis of careful research.

Identify Possible Segments

To successfully segment a market, a business must recognize possible factors that affect consumer purchasing. It must also collect information to determine if market segments are similar or different in their purchasing behaviors and consumption patterns.

Identifying market segments involves the following steps:

1. **Select a market or product category to study**.
   The market will be a large group of consumers who have similar but wide-ranging needs, such as entertainment or transportation, or who are likely to purchase a specific category of products, such as computers. The market or product category is often one in which the business has experience with, but it may also be a new category for the business. For example, a business may be looking for new product ideas, new customers for their products and services, or new opportunities for both customers and products.
2. **Choose a basis for segmenting the market**.
   Determine what factors seem to lead to the greatest differences among customers and will likely affect their expectations and choices.

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3. **Gather information for analysis**.
   This step will usually involve a combination of reviewing current customer information, identifying and collecting additional information, and completing market research.
4. **Identify the segments that exist in the market**.
   The information that the business has collected is used to identify and describe several potential market segments based on their unique characteristics, such as geographic location or product usage.
5. **Use market information to choose the markets with the greatest potential**.
   Those markets with the greatest potential will be analyzed further so that the business can select the target markets among them that the company's marketing efforts will focus on.



Figure 3.2 The process of identifying possible market segments'

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Determine Market Potential

Once market segments have been identified, they must be analyzed. A market segment will only be of value to a business if it has the potential to be profitable. Marketers use the following criteria to evaluate how effective a market segment might be:

1. The number of potential consumers
2. How much interest consumers have in the product or service and other marketing mix elements
3. How much money customers have available to make the purchase
4. The business's ability to communicate with and distribute the product to consumers.

Businesses operate to make a profit, so it is important that they estimate the potential of a market before they start to sell to it. The **market potential** is the total revenue that can be obtained from a market segment. As it is very unlikely that one company will attract all the customers in a given market, businesses also calculate what share of a market they could obtain. **Market share** is the portion of the total market potential that each company expects in relation to its competitors. A company can determine the market share in either monetary terms, i.e. how much money they will make from it, or in terms of market units, i.e. how many products they will sell.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are the two reasons why businesses decide to segment a market?
2. What do companies usually do after gathering information about a market?
3. What is the relationship between market potential and market share?

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3.2 LESSON ASSESSMENT

What Have You Learned?

1. Which market segmentation strategy classifies consumers according to characteristics such as age, gender, ethnic group, income, and educational level? [3.2.1]
2. Which market segmentation strategy is also called behavioral segmentation? [3.2.1]
3. Why does a business need to identify the segments of a market it wants to enter? [3.2.2]

Make Academic Connections

1. **Visual Art** Draw a large circle that represents the mass market of all people who use entertainment streaming services in Saudi Arabia. Now draw and label five smaller circles within the large circle that represent a particular type of television show, film, or sports coverage that people might watch on a streaming service. For each small circle, identify several characteristics of a market segment that you would expect to enjoy that particular type of show, film, or sports coverage. [3.2.1]
2. **Math** In one quarter, worldwide sales of smartphones were 355.6 million units. The company that sold the most smartphones had a market share of 20.3%. How many smartphones did the market leader sell? How many units were sold by all other companies, and what market share did those sales represent? [3.2.2]

Connect to the Real World



Your team manages a new jewelry store in your community. Identify a specific market segment for your products based on demographic and psychographic characteristics. Prepare two visuals that describe your market segment. Prepare and give a three-minute presentation for your teacher justifying your decisions. [3.2.1]

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3.3

Positioning for a Competitive Advantage

KEY TERMS

Market position
Positioning strategy
Product feature
Product classification

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

3.3.1 Explain the various bases for positioning a product to distinguish it from the competition.

3.3.2 Describe the three common positioning strategies.

MARKETING MATTERS

Businesses know that people usually consider a number of products or services as alternatives when they try to satisfy specific needs or wants. Marketers carefully plan marketing mix elements to influence how a product or service is perceived. When planning a marketing mix, they should consider how it affects consumer perceptions, how it compares to the mixes of competitors, and how it will be affected by the business and economic environment.



Activate Your Knowledge

1. Think about a few products that you buy regularly and one product that you recently bought, but which you don't usually buy. What differentiates these products from their competitors' products and how does this influence your decision to purchase them?
2. Why should a company's product have a unique image that appeals to consumers and differs from competitors' products?

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3.3.1

Bases for Positioning

In order to influence consumer purchases, businesses position their products and services to highlight how they are different from those of their competitors. The term **market position** refers to the unique image of a product or service in a consumer's mind and how they evaluate it in comparison with similar products. A **positioning strategy** outlines how a company will present its product or service to the consumer and how it will compete in the marketplace with other businesses offering similar products and services. Various methods can be used to position products. An example is shown in Figure 3-3 of how the various positioning methods can be used for a product as ordinary as laundry detergent.

Type	Laundry Product A	Laundry Product B
Product Feature	Cleans quickly and easily	Leaves fresh scent
Price and Quality	Low price, good value	Higher price for highest quality
Use on Application	Use as pre-wash on tough stains	Use for hand-washing delicates
Product User	Established with domestic users	New generation's discovery
Product Classification	Used by Olympic athletes	Used by professional laundries
Competitor	Gets out dirt Product B can't	Gentler on clothing than Product A

Figure 3-3 Competitors develop marketing mixes that emphasize the market positions of their products. These laundry products are positioned to appeal to different markets.

Product Feature

One way to position a product is to highlight one of its features or attributes. For example, certain toothpastes have ingredients that whiten teeth. The manufacturer says, "Our toothpaste does everything every other toothpaste does, and in addition, it helps make your teeth white." The positioning is accomplished with

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Working in Teams

As a team, identify a new consumer product that has recently been introduced.

1. Discuss the marketing mix being used to market the product.
2. Discuss your answers to the following questions:
   a. What would it take to get you to try the new product?
   b. Why might you decide to continue with your current product choice rather than switch to the new product?

the specific **product feature** (the product's ability to whiten your teeth), and the company uses related promotion methods that highlight this feature and emphasize its value for the consumer.

Price and Quality

A positioning strategy which focusses on price and quality may stress a higher price as a sign of quality, or it may emphasize a lower price as an indication of value.

Use or Application

Stressing the unique uses or applications of a product can also be an effective means of positioning it. In some cases, a business may carry out research into alternative possible uses of a product that has been on sale for several decades, and then highlight these alternative uses when promoting that product in the future.

Product User

This positioning strategy encourages consumers to want to purchase a product by associating it with a particular user personality or other user type. Often this takes the form of creating associations between a product and the positive qualities that the users of that product are portrayed as having, such as youth, beauty, or sporting prowess.



What factors influence your decision-making process when you are deciding what brand of toothpaste to buy?

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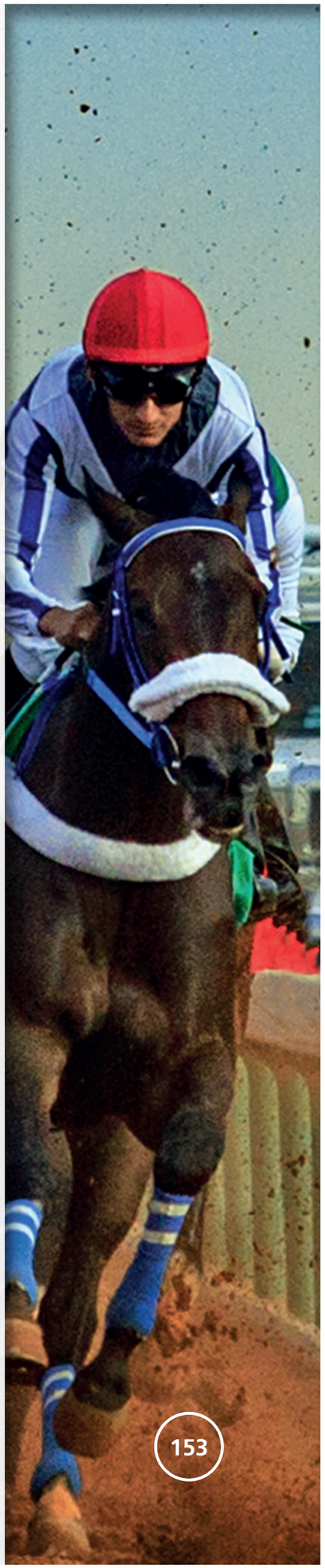
MARKETING SCENARIO

Attracting VIPs to the Riyadh races

A Saudi company sells VIP experiences at the horse races in Riyadh. These experiences typically involve the customer being driven from their home to the racetrack in a limousine, being able to watch the races from an exclusive cabin, enjoying a luxurious five-course meal at a restaurant at the race track, and in some cases, being allowed to go behind-the-scenes to meet the jockeys and horse owners. The company does not apologize for the high price of the services it offers. On the contrary, the fact that they are priced so highly only enhances their unique and exclusive image. The creation of this image allows the company to attract customers who have large amounts of disposable income available and are attracted by such an image. Indeed, the type of consumer that the company is seeking to attract may be less interested in the services of such a provider if they were priced lower.

THINK CRITICALLY

1. What services does the company provide?
2. What is the reason for the company's pricing strategy?
3. What would happen if the company used a different pricing strategy?



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Product Classification

The objective of **product classification** positioning is to associate the product with a particular category of products. For example, a company that offers coach or train travel may seek to present itself and its services in a way that is similar to the way that an airline would present itself.

Competitors

Sometimes marketers demonstrate the positioning of their products by comparing them to those of their competitors which hold a strong market position. The aim of this strategy is to encourage consumers to associate the same positive qualities which they attribute to products of their competitors to their own products. For example, Samsung sometimes compares the features of its smartphones with those of Apple iPhones. Samsung marketers do this because they are aware that some consumers perceive iPhones as having very attractive qualities. They want consumers to consider Samsung phones at the same time as iPhones when they are looking for a phone with those particular positive qualities.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What is the aim of positioning a product or service?
2. What are the six factors that companies consider when they are developing a positioning strategy?
3. Which of these factors do you think usually prove most useful for companies? Explain your answer.

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3.3.2

Selecting a Positioning Strategy

All businesses need to develop a positioning strategy in order to market their products or services effectively.

Positioning strategies are based on the following factors:

- Consumer perceptions
- Competitors in the marketplace
- Changes in the business environment

Consumer Perceptions

Consumer perceptions are the images consumers have of competing goods and services in the marketplace. Marketers aim to position their products or services so they appeal to the desires and perceptions of a target market. A group of consumers that has a distinct idea of the image desired for a product or service might represent a target market. A business will be successful in a target market when those consumers perceive the attributes of its products or services as being close to their ideal image.

Competition

Businesses are concerned about how consumers perceive them and their products or services in relation to those of their competitors. Ideally, businesses want consumers to perceive their products or services as superior to what their competitors have to offer, based on the attributes the company emphasizes in its marketing strategy.

A great deal of marketing effort is used in competitive positioning. Competitors' activities are taken into account during the processes of pricing, promotion, product development, and devising distribution strategies. Certain products, such as soft drinks, must be carefully positioned in relation to the competition because

their image is important to consumers when they choose a brand to drink. However, companies must be careful not to base their positioning decisions solely on the actions of their competitors. Each company has unique strengths and weaknesses as well as specific goals. Businesses can then learn from their competitors' experiences and use what they have learned to make their own marketing strategy more effective.

How important is the image of places such as cafés, restaurants, and cinemas to you when you are deciding which one to go to?



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Business Environment

Organizations always need to pay attention to possible changes in the business environment that might affect the position of their products or services. These include new products entering the market, changing consumer needs, new technology, negative publicity, and the availability of resources to consumers. For example, certain materials which a company had been using may fall out of use, or even be banned, and new materials will be introduced; or a greater awareness of particular issues, such as allergies to certain foods, may develop and this may also have an effect on a company's strategies.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. What is a positioning strategy? What factors affect a company's decision about the specific positioning strategy it uses?
2. Why do you think businesses should be cautious when using a competitive positioning strategy?
3. Evaluate the extent of the advantage that a company will gain from using competitive positioning relative to resources it has to invest in?

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3.3 LESSON ASSESSMENT

What Have You Learned?

1. What is a company's market position? [3.3.1]
2. What three factors is a positioning strategy based on? [3.3.2]

Make Academic Connections

1. **Communications** Use print, online, radio, or television advertisements to prepare an exhibit showing the six bases for positioning described in the lesson. The exhibit can be in the form of a poster, audio, or video recording, or another medium. [3.3.1]
2. **History** Use the Internet or library research facilities to identify and study a company that has operated for more than 50 years and has made a major change in the market position of one of its key products. Write a one-page report that describes the reasons for the change, including responses to consumer perceptions, competitors' actions, or changes in the business environment. [3.3.2]



Connect to the Real World

A new bank in your community has asked the marketing team you work in to propose an idea for a successful market position. Prepare a print advertisement that clearly communicates the image you have selected. Present the advertisement to your teacher. Identify the basis for the market position you have chosen and explain why your team believes it will be effective in your presentation. [3.3.1]

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CHAPTER 3 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. You are opening a video game store. What are some characteristics of the consumers in the market segment you wish to reach? [3.1.1]
2. How does the target market for the floral department of a department store differ from the target market for a neighborhood flower store? [3.1.2]
3. You are a marketing manager for a company that produces sport shoes. How could the four categories of segmentation help you to understand which segment of the market your company should target?
4. Why is it important for a company entering a new market to know its market potential, as well as to estimate the market share it will capture? [3.2.2]
5. You are selling memberships for a paintballing facility. Which method would you use to position the facility in the market? Explain your answer. [3.3.1]
6. Why should businesses be cautious about basing positioning decisions on their competitors' actions? [3.3.2]

DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Customer experience		**a.** A strategy used to target a more specific market segment and identify extremely specific consumer needs and wants.
2.	Market opportunity		**b.** A clearly identified segment of the market the company wants to appeal to.
3.	Market position		**c.** A market that has been identified as one with excellent potential on the basis of careful research.

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4.	Market potential		**d.** The total revenue that can be obtained from a market segment.
5.	Market share		**e.** An aspect of a product's features and attributes.
6.	Marketing strategy		**f.** A plan which outlines how a company will present its product or service to the consumer and how it will compete in the marketplace with other businesses offering similar products and services.
7.	Mass marketing		**g.** An ongoing approach to achieving competitive advantage through implementing the marketing concept
8.	Niche marketing		**h.** The unique image of a product or service in a consumer's mind and how they evaluate it in comparison with similar products.
9.	Positioning strategy		**i.** The process of associating the product with a particular category of products.
10.	Product classification		**j.** A strategy that involves creating a marketing mix which is designed to appeal to a large and diverse group of consumers.
11.	Product feature		**k.** The portion of the total market potential that each company expects in relation to its competitors.
12.	Target market		**l.** A part of product usage, referring to how often or how intensively a consumer has used a specific product or service.

MARKETING RESEARCH AND PLANNING

1. Select a product or service that you are familiar with for this activity. Identify four people to interview. Determine the information you need to obtain from each person in order to develop a target market description, and to classify their purchase behavior in the product/service purchase classification system for your chosen product or service. Conduct the interviews and complete the following tasks: [3.1.2]

- **a.** Develop market segment descriptions of each person.
- **b.** Determine whether the four people would be part of one target market or more than one.
- **c.** Identify the appropriate consumer purchase classification for each person interviewed and explain why you selected that classification.

2. Go online and find information about the demographic characteristics of Saudi Arabia, for example, from the 2022 census. Review the information listed and choose three demographic characteristics that could be important to a business operating in Saudi Arabia. For each characteristic, identify a segment of the population and a product or service that could be targeted at the segment. For example:

   Characteristic: Age

   Segment: People 50 years and over

   Product or service: Financial services for retirement. [3.2.1]

3. It is important that companies position a product or service in relation to their competitors. The objective of positioning is to cause a product or service to occupy a prominent position in the customer's mind as compared to the competition. Using the list below, decide which of the six positioning methods would be most important for each product or service. After you have made your selection, explain why you selected that method. [3.3.1]

   a. urgent care medical centers

   b. imported perfume or cologne

   c. home office furniture

   d. fitness classes

   e. rig standpipe (used in drilling for oil)

   f. environmentally safe laundry detergent

4. A medium-sized community has three major grocery stores that have 94% of the total market. The remaining 6% is shared by small, locally-owned stores. It is estimated that the total market potential for grocery items for this town is 161 million SAR. There are approximately 25,000 potential customers in this town. [3.2.2]

   a. What is the total market share in SAR for the three major grocery stores?

   b. What is the total market share in SAR for the small locally-owned stores?

   c. What is the market share in SAR for each major grocery store if they all have an equal share of the market?

   d. One of the major grocery stores has recently remodeled and expanded, and has begun to stay open 24 hours. As a result of these changes, this store has increased its market share to 45% of the total market. What is its new market share in SAR?

   e. If we imagine that the locally-owned stores still have 6% of the market, what market share is left for the two other major stores in SAR?

MARKETING MANAGEMENT AND DECISION MAKING

1. You are a marketing consultant in your local community. There is an association of businesspeople called the Business Improvement Bureau. It is an organization that is interested in improving the marketing practices of individual businesses, as well as improving the business economy of the entire community. Members have lunch together once a month and usually invite a guest speaker. You have been invited to speak to the organization this month about positioning in the market. Prepare a presentation, including visual aids, for a speech to the Business Improvement Bureau.

The talk and discussion are scheduled to last approximately ten minutes. Your presentation could include a discussion of positioning, the results the members could expect with effective positioning, and a discussion and examples of the six positioning techniques. Make sure to explain how positioning can work for the entire business community, as well as for individual businesses. Your visual aids should emphasize the important aspects of your speech. [3.3.1]

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2. You have decided to open a business with several partners. The company will use various methods to determine the prices of a range of products and services sold by local businesses. Your company will offer the service of finding out what competitors' current prices are for products and services. You will shop in different stores offering the same products to compare prices, make phone calls to ask about prices, read advertisements in newspapers and magazines, and circulars, and visit with business and organization owners directly to acquire this information. You will also conduct frequent consumer surveys via telephone and interviews in local shopping malls. Your business will be funded through payments from advertisers that pay to advertise on your site and the fees paid by users to access the premium version of your price comparison site, which makes more and more detailed information available to consumers than the free version.

Prepare for marketing your business by writing your answers to these questions:

a. How will your customers be able to use the information you provide?

b. What is unique about your business's price and quality?

c. Who are your competitors and what gives you a competitive advantage over them?

Use your answers to these questions to prepare a brochure or a promotional website that you will use to acquire your first customers.

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MARKETING ASSIGNMENT



You are a Saudi consultant advising an international company that sells jeans. The company wants to know how much market potential there is for its products in Saudi Arabia. The jeans are high-quality and high-value items and the company currently markets them as such in other countries. Do some research and use your local knowledge to prepare a report for your client in which you provide them with information about which demographic groups, and other consumer categories they would most appeal to, and the level of interest there would be for the company's products among these groups. Then prepare a report in which you present your findings and ideas, make suggestions about which market segment the company should target, and how much market potential it would have.

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A varied selection of paints and home improvement products, highlighting the range of choice available to consumers.

CHAPTER 4

Products *and* Services

Businesses use the knowledge they acquire about the behavior of consumers and about which target market has the greatest potential to develop products and services. During this process of product development, businesses consider the features of the product or service and how it will fit into a wider range of products or services offered. In this chapter, you will learn about the elements of a product that businesses consider when developing a product, how products designed for consumers and for businesses differ, how businesses develop new products, and how they develop a service and create a marketing mix for it.

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CHAPTER LESSONS

2.1 The Product Mix

2.2 Consumer and Business Products

2.3 New Product Development

2.4 What Is a Service?

2.5 A Service Marketing Mix

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4.1

The Product Mix

KEY TERMS

Product line
Product assortment
Packaging
Brand
Trademark
Brand loyalty
Licensed brand

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

4.1.1 Describe the product mix elements.
4.1.2 Discuss the three levels in the product design process.
4.1.3 Explain the importance of product lines, packaging, and brand development.

MARKETING MATTERS

Once a company has completed the process of developing a new product, its marketers must make decisions about the product mix that will be used to sell it to consumers or businesses. These marketers start with a product that is quite basic (for example, a toothbrush, an automobile, or a piece of software). Then they add enhancements to this basic product so that is more appealing to a specific target market. Once marketers have completed that step, they decide on a brand name and packaging (if applicable) for the product, as well as accessories that can be added to it that will attract and satisfy potential buyers.



Activate Your Knowledge

1. Think of a product you regularly use that has special features that similar products do not have. Make a list.
2. What do you think the steps involved in the process of product design could be?
3. How can selling a product as part of a group, or set of products, help a business to sell more of that product?

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4.1.1

The Product Mix Elements

Products that seem very simple usually have unique features, and these unique features are often the reason why consumers decide to buy a particular product. Even with a product that simply consists of a plastic handle and a head with bristles, like a toothbrush, the business that produced it has made many choices. More specifically, the company will have made decisions about the length of the handle; whether and to what extent the brush is shaped for an easier grip; whether and to what extent the brush is bent to allow it to fit comfortably inside someone's mouth; the colors that it is manufactured in; and whether the bristles are firm, medium, soft, short, or long, among other things. In some cases, the toothbrush manufacturer has modified the way that a toothbrush performs its function, for example, by making it battery powered. Businesses might also sell a toothbrush as part of a complete dental care system which includes a range of dental accessories. Whatever features a toothbrush has, it will usually be sold with a brand name, some of which are well-known consumer brands and others which are brands that consumers specifically associate with tooth care.

Why is product planning important for all products, even simple ones like toasters?



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Offering a guarantee or testimonial for a product is another way that a business can differentiate its products from its competitors' products. A manufacturer may guarantee that it will replace the product if it is or becomes defective, for example, it may refund the purchase price to consumers who are not satisfied. Alternatively, the business may offer a testimonial from a professional group that verifies the quality of the product.

The toothbrush example shows that even simple products can be complex. Businesses have many choices to make when they seek to differentiate the new products they develop from those of their competitors, and to meet consumer needs and wants.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What things can a business do to differentiate its products from those of its competitors?
2. How can providing guarantees and testimonials be beneficial for businesses?

4.1.2

The Levels of Product Design

There are three levels of product design. The first level is the basic product. Then, the basic product is modified and improved by adding features and options. Finally, services and complementary products are planned to make the finished product as useful as possible to consumers.

Basic Product

The basic product is the product in its simplest form. Consumers should be able to easily recognize the important need that this

basic product addresses. Most products have basic versions and all businesses will have competitors that offer very similar basic products.

Enhanced Product

The basic product responds to an important customer need. However, consumers usually try to satisfy multiple needs and wants with one single purchase. They evaluate products to see which one provides the best and the most specific satisfaction of their needs. Companies add enhancements to their basic products to meet those needs, such as additional features and options. For example, bicycles are manufactured in several frame sizes, in models ranging from mountain bikes to racing bikes, and with a single gear ratio of up to 24 speeds. A bike manufacturer will also make choices about which materials are available to use in the manufacturing of the bike frame, the seat design, and the tire construction. Some bicycles have shock absorbers built into the frame too. Other types of enhancements to a basic product include levels of quality, styling differences, colors, brand names, and packaging.

Each enhancement changes the basic product. Some customers may view the change as an improvement which increases the satisfaction they receive. Others may view the change as unnecessary or even disappointing. Enhanced products make it possible for companies to satisfy several target markets with one basic product. Businesses develop different combinations of features, options, and brand names with the needs of one target market in mind.

Product Extension

Businesses can also improve the satisfaction that a product provides by offering services, guarantees, information on effective use of the product, and even additional products that improve the use of the primary product.

Services are an effective way to meet additional customer needs beyond those directly related to the use of the product. In practice, these services typically take the form of credit, delivery, installation, repair services, and technical support. Companies can also improve customer satisfaction by suggesting additional products that consumers can purchase to enable them to use the primary product more effectively. For example, a tripod that you can use with a video camera to improve the quality of your videos.



For a travel agency that sells vacation packages, what is the basic product, and what features, options, or other extensions could it add to improve customer satisfaction?

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4.1.3

Product Evaluation

When consumers evaluate products to determine which one will be the most satisfying for them, they are interested in more than just the physical product. As a result, when businesses are planning a product mix, they have four important considerations: the product line, product assortment, packaging, and brand development.

Product Line

New or small companies often offer only one product to a target market. As they grow and gain experience and recognition, they can expand into other markets and develop a product line. A **product line** is a group of similar products with slight variations in the marketing mix to satisfy different needs in a market. For example, a soft drink bottler offers not only different sizes and types of containers for a flavor of soda but usually has many flavors in its product line. It may even sell fruit juices and flavored waters in addition to soft drinks.

As companies add items to their product line, they usually increase their number of potential customers and the satisfaction of individual consumers. However, the company is also adding to the costs of manufacturing, distribution, inventory control, and other related marketing activities when they do this. For example, an expanded product line also requires additional display space for retailers. The retailer must make a decision about whether to stock items from the complete product line of the manufacturer, or use the space for the products of competing companies or even entirely different products. In a supermarket display of soft drinks or snacks you can see examples of companies' extensive product lines and the competition between them for display space.

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Variation in Quantity and Size

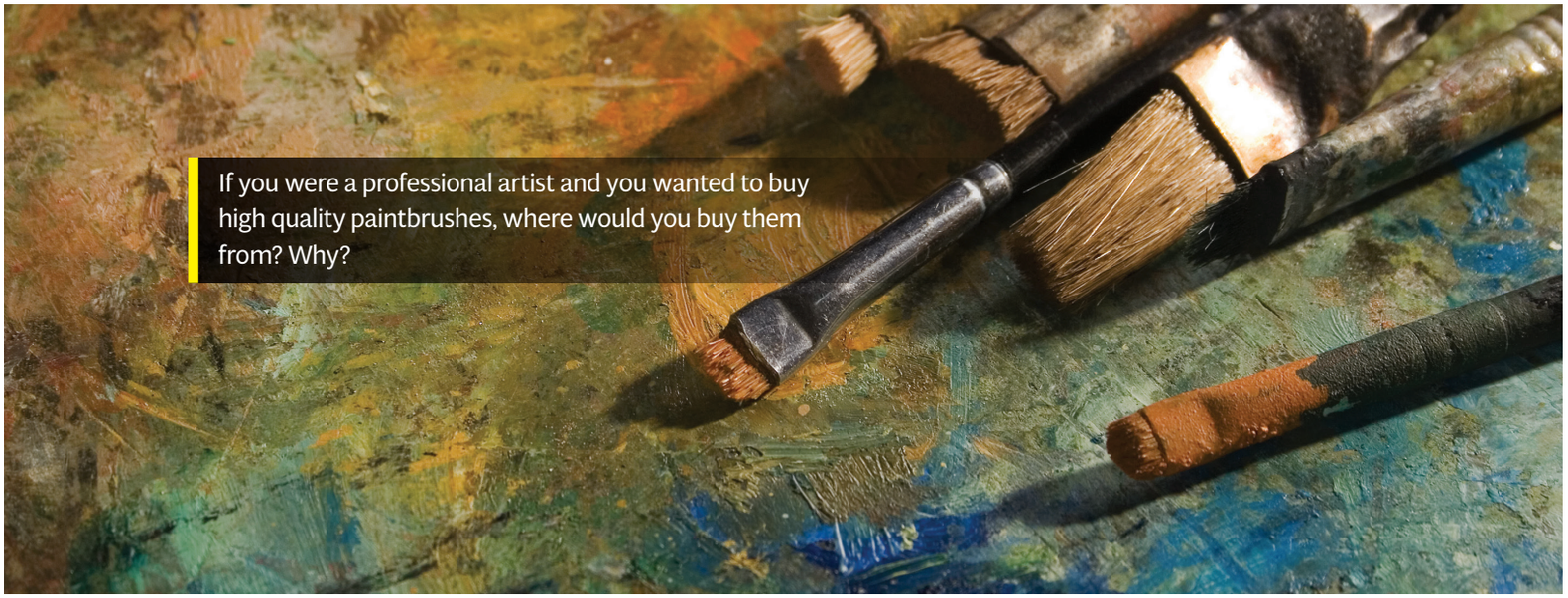
Product lines can be developed in several different ways. One of the easiest ways to expand from one product to several is to vary the product size. For example, an identical food item may be packaged in three sizes which provide different numbers of servings. Facial tissues may be sold in a pocket-sized cellophane wrapper, a box of 250 tissues, or a multiple-box pack. Another type of quantity variation is to have different sizes for the same basic product. For example, bed sheets are sold in twin, full, queen, or king size. In this case, the product itself is manufactured in different sizes rather than just changing the quantity in a package.

Variation in Quality

Businesses can also use differences in quality to develop a product line. Items such as paintbrushes, carpenter or mechanic tools, computers, and even clothing, are often sold in varying levels of quality. Consumers who use the products infrequently may not need the best possible quality, and would prefer to save money in exchange for accepting a slightly lower quality. Adding features to the basic product may also produce several levels of product choices that vary in quality. For example, automobile and appliance manufacturers often have a very basic model at a low price, and several other models with selected features and options at higher prices.

Product Assortment

In addition to product line decisions, companies plan product assortments. A **product assortment** is the complete set of all products a business offers to its market. Retail stores provide the best example of product assortments. Some specialty retailers offer customers a very wide range of products from a given product assortment or possibly all of them. Other general merchandise retailers, such as discount and department stores, also stock products in many different categories. Even though general merchandise retailers usually will not have as complete an



If you were a professional artist and you wanted to buy high quality paintbrushes, where would you buy them from? Why?

assortment in one line as the specialty store, they will respond to a broader set of customers' product needs when deciding which products to stock.

Some manufacturers specialize in one product category. For example, mattress producers offer a full assortment of mattresses. Other manufacturers may have a product assortment in many different product categories, such as a full assortment of camping products or many different types of home furniture.

Packaging

Packaging is the term used to describe the wrapping materials or container that a product is sold or presented in. This includes the physical materials, in addition to the written information and visual imagery it contains. Most products are sold in a package and this serves the dual purpose of protection and promotion. In addition, some packaging improves the use of the product. For example, containers with pour spouts built into packaging, resealable liners, and handles for carrying are developed to solve customer problems related to the use of the product.

Ease of Use

When designing the packaging for a product, manufacturers must carefully consider the ways customers will use it. For example, if a box is taller than the standard shelves that customers have in their home, it will not be purchased. Similarly, consumers

will not want to buy a very large economy size product that contains a liquid, such as cleaning fluid, because it will be too heavy for them to lift and pour.

Safety

When planning the packaging of products, safety and protection are important concerns. Products used by children certainly need to have safe packaging, such as safety lids on medicine bottles that children cannot open. Glass and other fragile products also need well-designed packaging to ensure that they are not broken during shipment and display.

Attraction

The promotional value of packaging is important for many products. Items that consumers buy on impulse are often purchased because of attractive packaging that clearly shows the use of the product. Perfumes and colognes usually have very expensive and uniquely designed containers to convey a particular image that the manufacturer wants to communicate about the product.

Handling

Packaging must be designed to enable accessible handling of the products, both in how they are displayed and to enhance security. In stores where products are displayed for customer self-service, the packaging may need to be designed to hang from a hook or to lie flat on a shelf. Small or expensive items are often packaged in large containers to reduce the chance of theft.

Environment

There is growing concern about the type and quantity of materials used for packaging. Manufacturers are increasingly using recycled materials for packaging and developing materials that are biodegradable. Many retailers are reducing the amount of packaging they use or are helping consumers reuse or recycle packaging material.

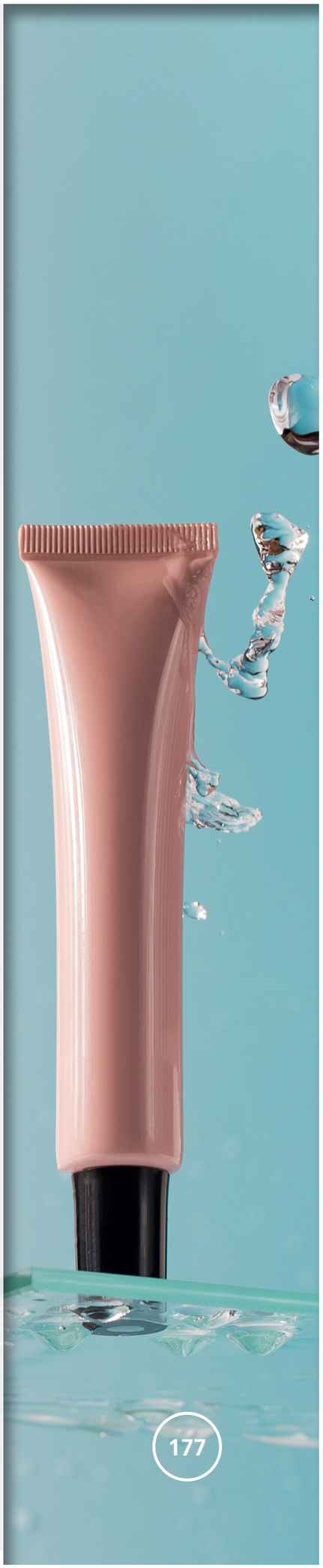
MARKETING SCENARIO

Thinking outside of the box in the cosmetics business

Moisturizing cream is often sold in a small cardboard box into which the tub or tube of cream is inserted. However, due to a growing awareness of the impact of the use of materials like paper and plastic on the environment, one Saudi cosmetics company made it a policy to never use any unnecessary cardboard boxes for their moisturizing creams. They tested their tubs or tubes to make sure that they would be robust enough to withstand transport and display without being inside a cardboard box, and the test results indicated that they were. The company used the lack of additional packaging as a feature of their products and used it to promote their products to their target market, as these tend to have a strong interest in protecting the environment. This strategy proved to be very successful for the cosmetics company and their competitors took note of it. Some of these competitors decided to copy them in removing unnecessary packaging.

THINK CRITICALLY

1. What did the company want to achieve by making a change to their products' packaging?
2. What impact did the change have on the company's business and on its competitors?
3. Can the company really claim to be environmentally friendly when it continues to use a lot of plastic to manufacture the tubs and tubes that it packages its products in?



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Brand Development

Do you know the brand names of the shoes and clothing you are wearing? Do you have a favorite brand of pizza or automobile? In what stores do you prefer to shop? Each of these questions demonstrates that the brand that products have can be very important to consumer purchase decisions. A **brand** is a name, symbol, word, or design that identifies a product, service, or company. A brand provides a unique identification for the company and its offerings. To ensure that other companies cannot use its brand, a company registers a trademark for it. A **trademark** is a recognizable sign, symbol, phrase or word(s) that identifies a specific product or service and legally protects the identity of that product or service so that other businesses cannot use or copy it.

Consider how difficult it would be to shop if there were no brand names. Although consumers purchase some products without considering the brand, such as bread, in most cases they consider the brand as part of the purchase decision. Positive or negative experience with a brand will influence consumers' future purchases. Businesspeople know that brand recognition resulting from advertising often increases a product's sales. Businesses use branding to gain recognition of the brand from customers as this will increase the likelihood of them purchasing it. They want their brands to convey a particular image and to be memorable for consumers as this will encourage repeat purchases. There are several levels of consumer brand recognition (see Figure 4-1).

LEVELS OF BRAND RECOGNITION	
Non-recognition	Consumers are unable to identify the brand.
Recognition	Consumers can recall the brand name, but it has little influence on purchases.
Preference	Consumers view the brand as valuable and will choose it if it is available.
Insistence	Consumers value the brand to the extent that they reject other brands.

Figure 4-1 Branding is effective when consumers prefer or insist on a specific brand.

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Businesses also hope that branding will increase customer loyalty. If a business is providing a brand that consumers feel that they can trust, those consumers are less likely to be tempted to try another brand, even if the company increases its prices. Ultimately, companies are seeking to develop brand loyalty with their customers. **Brand loyalty** is a consumer's commitment to repurchasing, using, and even promoting a particular brand over all others. Both manufacturers and retailers may develop brands. Individual products can have their own brands, or groups of products can carry a family brand, meaning that several different products are sold using the same brand.

Some companies offer licensed brands to add prestige or a unique image to their products. A **licensed brand** is a well-known name or symbol established by one company and sold for use by another company to promote its products. Disney is an example of a company that licenses the use of character names and images for products ranging from toys to clothing. Professional sports teams license their names for use on many products, such as sporting goods, clothing, and video games. Some people prefer to purchase products with those brands rather than similar products that do not carry the licensed brand.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What benefits can developing a product line bring a company?
2. What factors do businesses need to consider when they are developing the features and packaging of a product?
3. Why does developing a brand help a company to retain customers?
4. Think of a brand that you are loyal to. Why are you loyal to that brand and what effect does this loyalty have on your purchase decisions?

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4.1 LESSON ASSESSMENT

What Have You Learned?

1. Why do businesses offer consumers so many different product choices? [4.1.1]
2. What level of product design do features and options represent? [4.1.2]
3. What is a business's goal in using branding? [4.1.3]

Make Academic Connections

1. **Visual Art** Use an advertisement or product catalog to locate a picture of a consumer product. Copy or cut the picture and paste it on poster paper. Alternatively, import a digital file of the image into design software. Using different colors, highlight the basic product, enhanced product, and extended product. Identify each of the components. Provide a key that gives the meaning of each color. [4.1.1]
2. **Research** Popular movies and movie characters are often licensed for use by other companies to promote their products. For a current or recent movie, identify as many licensed users of the movie or its characters as you can find. Create a table that lists the company, the product, and a brief description of how the licensed movie or character is used in promotion. [4.1.3]



Connect to the Real World

A company has created a new product that combines sunscreen and insect repellant on individually packaged moist tissues for convenient use. It has asked you to create a unique brand name and a supporting image, or other visual, for the new product. Complete the project and present it to your teacher with a brief discussion of why you think it will be effective. [4.1.3]

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4.2

Consumer and Business Products

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

4.2.1 Define consumer markets and business markets.

4.2.2 Describe the categories of business products.

KEY TERMS

Consumer market
Business markets
Capital equipment
Operating equipment

MARKETING MATTERS

The two broad market categories are consumer markets and business markets. Very different reasons for purchasing a product exist in these two types of markets, but businesses should base product planning for both categories on an understanding of the market in which the product will be sold. Marketers must know who will use the product, its purpose, and the needs customers are attempting to satisfy with it in order to develop and market that product effectively.

Activate Your Knowledge



1. What do you think the definition of a consumer market and a business market is?
2. Make a list of all the different types of products that a business might need to buy.

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4.2.1

Consumer Markets

Individuals or socially related groups who purchase products for personal consumption come into the category of consumer markets. When people buy products for their own use or for others to use, they are part of the **consumer market**. Individuals make purchase decisions based on the satisfaction they receive from using the product. If someone is buying the product for a friend or family member, they are interested in buying something that person will find to be satisfying.

Because final consumers or their family and friends will use the products they purchase, they have a clear idea of the reasons why they are making the purchase. They locate and purchase the products that best meet their needs. In order to succeed



How do you decide which products will best meet your needs when you are shopping?

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in satisfying consumer demand, businesspeople must be aware of consumer needs and how they choose products to satisfy those needs. The consumer purchase classification system is based on two factors:

1. The importance of the purchase to the consumer
2. The willingness of the consumer to shop and compare products before making the purchase.

Businesses can use these two considerations to decide how to market products in consumer markets.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What is the definition of a consumer market?
2. Write down at least five examples of a consumer market.
3. Which two factors is the consumer purchase classification system based on?

4.2.2

Categories of Business Products

Companies and organizations that purchase products for the operation of a business or the completion of a business activity comprise **business markets**. These include producers, manufacturers, retailers, nonprofit organizations, government agencies, schools, and other organizations that provide products or services for consumption by others. Business markets make purchase decisions based on what is needed to effectively operate the business, to meet the needs of employees and customers, and to produce the business's products and services. Business markets' purchase decisions are always based on customer demand.



MARKETING SCENARIO

Purchase decisions at the movie theater

A movie theater in Al-Khobar needs to buy enough popcorn, oil to make popcorn, and boxes to meet its customers' needs for popcorn when they come to see a movie. If the theater purchases too much, some of the product will not be sold, and money will be lost. If the theater purchases too little, customers will be dissatisfied, and sales will be lost. The theater decides to keep detailed records of exactly how much popcorn it sells every day for three months. At the end of this three-month period, the theater manager analyzes the data it collected and uses it to make predictions about how much popcorn, oil, and boxes the theater will need for the next three months. By basing their purchasing needs on real data from their business, the theater hopes to make more accurate and effective predictions about how many units they need to buy.

THINK CRITICALLY

1. What problem did the theater manager want to solve by collecting data?
2. What information did the theater record and for how long?
3. Can you think of any reasons why the data that the theater manager collected might not help them to make accurate predictions for what consumers will purchase in the next three months?

Developing products for the business market requires an understanding of how the businesses a company wants to sell to use the products. A business product classification system helps companies to understand the business market. The categories of business products in this classification system include capital equipment, operating equipment, supplies, raw materials, and component parts.

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Capital Equipment

Capital equipment includes a business's land, buildings, and major pieces of equipment. These items are usually the most expensive and the most important products that a business purchases. They must meet the specific needs of the business so that it can operate effectively, and they are often custom designed, which means they will have little value to other businesses. Costs for capital equipment range from thousands of Saudi riyals to hundreds of millions of Saudi riyals. A large office building, delivery vans, and sophisticated computer systems are all examples of capital purchases. Most companies purchase the products using long-term loans from finance companies or manufacturers, but some capital equipment is often leased rather than purchased.

Operating Equipment

Smaller, less-expensive equipment used in the operation of the business, or in the production and sale of products and services, is known as **operating equipment**. This type of equipment makes production or operations more efficient and effective. Examples of operating equipment are tools, small machines, and furniture. These items usually have a shorter life span than capital equipment and the business will need to replace them from time to time. They are also more standardized, meaning that the same type of operating equipment may be used in many different businesses.

Supplies

The products and materials consumed in the operation of the business are known as supplies. A business needs paper, pencils, and paper clips, as well as cleaning supplies and parts for routine repairs of equipment. Some supplies are purchased and used in small quantities and are quite inexpensive. Others, such as fuel, electricity, or packing materials may be needed in large quantities and are a major expense for the company. Most supplies

are standardized, meaning they are not uniquely developed for one business. They are available from many suppliers and a large number of different businesses use them.

Raw Materials

Producers and manufacturers buy many products that become part of the products they make. Often they purchase raw materials, and these unprocessed products are used as basic materials for the products they produce. For example, logs are purchased by lumber producers, oil by plastics manufacturers, and grain by cereal processors.

Purchasers of raw materials need to have an adequate supply and a standardized quality of raw materials in order to maintain

Which types of businesses regularly use lumber as a raw material?



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a planned level and quality of production. The price of the raw materials is important because the cost has a big influence on what the company needs to charge for its finished products. The purchasing company will want to sign a long-term contract with the supplier of the raw materials to ensure that it has a continuing supply and to be assured that the cost will remain the same for an extended period of time.

Component Parts

Component parts are also incorporated into the products a business makes. However, these components will have been either partially or totally processed by another company. For example, a computer manufacturer will buy computer chips from a chip manufacturer. These chips have already been carefully developed and are simply installed as part of the computer assembly. The same manufacturer also buys parts for a hard drive and it then uses those parts in the final assembly of the computers.

Component parts can be designed for the needs of one company or they can be standardized for the use of many companies. As with raw materials, the purchasing company wants a dependable source of supply that is available when it needs it, component parts that meet the final product requirements and quality standards of the company, and costs that are reasonable.



CHECKPOINT

Discuss your answers to the questions in pairs.

1. Why is it important for businesses that sell business products to understand how the businesses they sell to will use these products?
2. Which category or categories of business products are most important to a manufacturer? Why?
3. Which category or categories of business products are most important to a hotel? Why?

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4.2 LESSON ASSESSMENT

What Have You Learned?

1. What two factors form the basis of the consumer purchase classification system? [4.2.1]
2. What is capital equipment? [4.2.2]
3. What are component parts? [4.2.2]

Make Academic Connections

1. **Technology** Identify five relatively new technology products. Go online and find a photo of the use of each technology by consumers and another photo of its use in businesses. Using design or presentation software, create a visual that illustrates the consumer markets and business markets for each product. [4.2.1, 4.2.2]
2. **Math** A movie theater has determined that 34% of moviegoers will purchase popcorn and 52% will purchase a soft drink. The average popcorn sale is 20 SAR and the average soft drink sale is 18 SAR. The theater expects to sell 900 movie tickets on Saturday. Calculate the popcorn and soft drink sales the theater can expect.



Connect to the Real World

You work for a soft drinks retailer that provides a home-delivery service to consumers in your area. You believe your business can make more money by also selling contracts to businesses. Prepare a three-minute persuasive presentation of the benefits of selling to both consumer and business markets. Present your ideas to your teacher. [4.2.1, 4.2.2]

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4.3

New Product Development

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

4.3.1 Describe the different ways businesses define *new products*.

4.3.2 Describe the steps involved in new product development.

KEY TERMS

Prototype
Test market
Product marketing

MARKETING MATTERS

Companies need to introduce new products from time to time in order to ensure that customers are satisfied with their offering and keep up with their competitors. However, developing successful new products is not easy. The risk of failure is high, and development and testing are expensive. Few products are completely new, and many "new products" are, in fact, modified versions of existing products. Despite these challenges, businesses regularly engage in the process of developing new products and they follow a series of six steps in order to do so.

Activate Your Knowledge



1. Think about the last time that you purchased or used a product that you considered to be "new". Why did you identify it as being "new"? What role do you think marketing played in your perception of the product?
2. What activities does a business need to complete in order to develop and bring a new product to market?

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4.3.1

New Products

Few products are actually brand new in the sense that no other products like them have been available before. Many new products are, in fact, the result of changes and improvements to existing products. Others are new to a particular market but have been sold previously in other markets. For example, when the personal computer was first designed in the 1970s, it was completely new because computers had previously not been available for individual purchase. Today, however, there are hundreds of different personal computers on sale. Features have been added to them and technological advances have allowed them to be smaller, faster, and easier to use. Many companies, especially those that sell products such as laundry detergent, toothpaste, and potato chips often promote their products as being "new" and "improved" in order to attract attention in a competitive market. In many cases, it is difficult to see what really is new or better about these products.

What other new devices have been invented since the personal computer was introduced in the 1970s?



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Products or services are often new in different markets at different times. For example, a product or service may become popular in one part of the country and then spread to other parts of it, while some companies may begin by selling their products in a domestic market and then start selling them internationally.

A new use for a product can also be discovered and this could lead to consumers from new markets buying it. For example, video cameras were first installed on large commercial vehicles to allow drivers to see when backing up, but now they are also installed on private automobiles to alert drivers if children or obstacles are behind the car.

Working in Teams

Work in a team and choose a commonly used, inexpensive consumer product.

1. Brainstorm at least five new uses for the product.
2. Agree on three new uses that are most likely to be successful and identify a possible target market for each.

CHECKPOINT

Write the answers to the questions in your notebooks.

1. When is a product considered to be new?
2. What might a company do to an existing product so that it becomes a "new" product?
3. Why might a product be new in different places at different times?



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4.3.2

Steps in the Development of a New Product

Companies identify and develop new products carefully. They screen out products that are not likely to be successful before investing large sums to produce and market the ones that they think will be successful. The screening process assures that the products meet an important market need, can be produced to a high standard and at a reasonable price, and will be competitive with other products in the market. Most companies use the following steps during their new product development process, as illustrated in Figure 4-2.

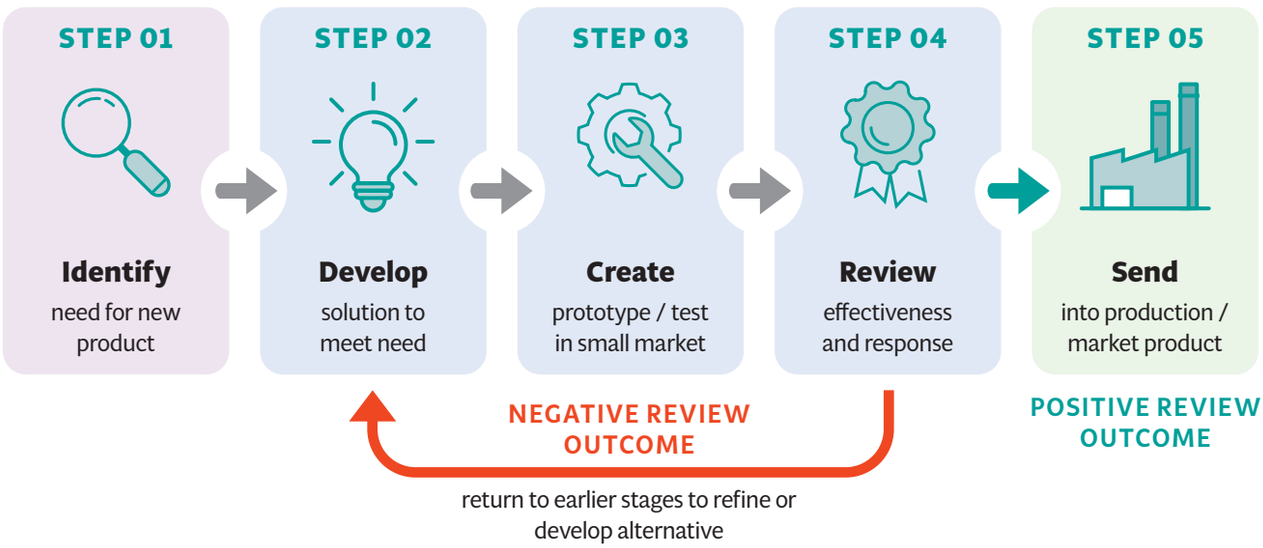


Figure 4-2 Steps of New Product Development.

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What strategies, tools, or other factors would help you to think of new ideas if you worked in product development?

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Idea Development

The most difficult step in new product development is usually finding ideas for new products. As products are developed to meet consumer needs, gathering information from consumers may generate ideas for new products. Many companies also have consumer panels that meet regularly to discuss ideas for new products.

Important sources of new product ideas are problems customers have that they cannot seem to solve with products that are currently available. Often, salespeople who work with customers every day have ideas for new products or product improvements based on what they see and hear, and they can then communicate these to employees working in product development at their company. Developing new product ideas can be a very creative process and it is, therefore, important for people involved in the new product planning process to think creatively. Tools such as brainstorming, creative thinking exercises, and problem-solving strategies are used to identify product ideas which can then be tested.

Product Development and Testing

After careful research and planning, the company may decide to move forward with product or service idea. Manufacturers will plan the production process, obtain the necessary equipment and materials, and train personnel. Retailers will identify a producer or manufacturer to supply the products and negotiate contracts for producing or purchasing the items. The company may decide to test ideas for expensive or risky products first before starting full-scale production. One way of doing this is to develop a **prototype**, or model, to test the product's quality and the costs involved in producing it. Another testing strategy is using a **test market**. In this case, the company produces a limited quantity of the new product, and implements the marketing mix in a small part of the market. If the product is successful in the test market, the company will move forward with

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producing and selling the new product. If it is not successful, the company is able to stop production or change the product before spending a large amount of money on it.

Product Marketing

The last step in product development is the full-scale introduction of the product into the market and this is known as **product marketing**. A great deal of preparation is needed for this step as the company must plan all the marketing mix elements. Product marketing typically involves cooperating companies such as wholesalers, retailers, transportation companies, and advertising agencies. Production levels must also be high enough to have an adequate supply of the product available to meet sales requirements.

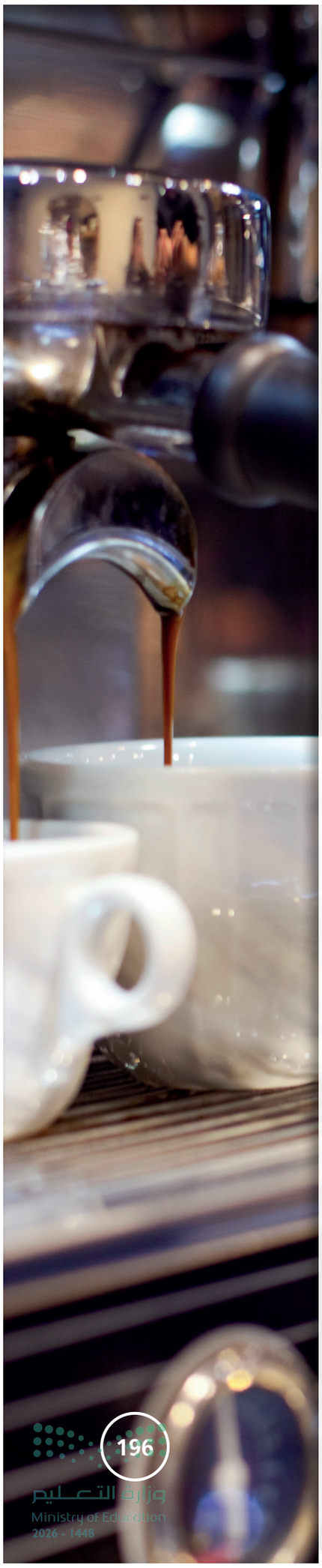
If all the steps in the new product planning process have been carefully completed, the chance of success is very high. However, marketers still need to continue to study the market carefully after the product goes on sale as conditions may change, competitors may have already anticipated the new product, or consumers may not respond as the company predicted. As a result, marketers may need to make adjustments to the marketing strategy once the product is on sale and as the market develops.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. Where do companies get ideas and inspiration for new products from?
2. What are two ways that a company can test a product before they start full-scale production of it?
3. What does product marketing involve?



MARKETING SCENARIO

Creating a prototype for a more customizable coffee machine

A Saudi coffee machine manufacturer is trying to respond to a demand for a wider range of customizable coffee drinks from consumers. Their market research has identified the ability to add a range of syrups and determine whether or not a specific cup of coffee has foam, as this is important to today's consumers when they are deciding which coffee machine to purchase. The coffee machine manufacturer's research and development team has been working on a new model which provides a wider range of customizable options than their previous machines. The design seems viable and their next step is, therefore, to create a prototype of the new coffee machine. This prototype can then be extensively tested, and the data from these tests analyzed to determine whether the company should invest money in the full-scale production of this coffee machine. These tests take the form of both technical tests, to see how the machine works, and tests with consumers, whose reactions to the coffee machine's functions and the coffee it produces are recorded and analyzed.

THINK CRITICALLY

1. What market need is the coffee machine manufacturer responding to?
2. What strategy does the company decide to use to find out if their new product idea is worth investing resources in?
3. What will the company base its decision on about whether to go ahead with the full-scale production of the new product?

4.3 LESSON ASSESSMENT

What Have You Learned?

1. How and where might an existing product be considered a "new" product? [4.3.1]
2. Name three tools that marketers could use to identify ideas for new products. [4.3.2]

Make Academic Connections

1. **Science** Companies are introducing many new products and changes to existing products in response to environmental concerns. The effort is referred to as green marketing. Select a green product and compare it to existing products that are less environmentally friendly. Describe the differences in ingredients, product design, or packaging, and the benefits they provide. [4.3.1]
2. **Entrepreneurship** Conduct research on a young entrepreneur from Saudi Arabia whose business resulted from a new product or service idea. Find out how the person came up with the idea and then developed it into a successful business. Prepare a short report on your findings. [4.3.2]

Connect to the Real World



You have been hired as the vice president of marketing for a company that has a history of new product failure. They have not involved marketing in product development in the past. Prepare a one-page memo for the CEO on the value of involving marketing and following a careful new product development process. Describe how the company could benefit from your ideas. Present your report to your teacher. [4.3.2]

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4.4

What Is a Service?

KEY TERMS

Intangible
Perishable
Inseperable
Heterogeneous

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

4.4.1 Explain the growing importance of services to the economy.

4.4.2 Describe four important qualities of services that products do not share.

MARKETING MATTERS

Services are the biggest and fastest-growing part of the global economy. Businesses are continually creating new services in all industries, including industries that did not even exist a few years ago. Marketing a service poses different challenges than marketing a product, due to the four characteristics that services possess which products do not. These four characteristics are that they are intangible, inseparable, perishable, and heterogeneous.



Activate Your Knowledge

1. Why do you think service businesses usually grow faster than businesses that produce goods?
2. What unique characteristics of services do marketers need to consider when they are planning marketing strategies for the promotion of services?

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4.4.1

The Growth and Importance of Service Industries

Marketing can be applied to both products and services. Products are tangible objects, such as cars, video games, desks, or cheeseburgers. They are usually easy to see and understand. Services are more difficult to define, however, in part because the term can be used in different ways. In marketing, the term *service* is defined as an activity that is intangible, exchanged directly between producers and consumers, and consumed at the time of its production. Services cover a broad range of activities, such as banking, entertainment, and health care. Some services are support activities that come with the sale of a product, such as delivery, gift wrapping, and installation.

The service sector is the largest and fastest-growing employment area in the global economy. Service jobs exist in industries such as communication, entertainment, information technology, recreation, and of course, marketing. With its younger than average population, Saudi Arabia is perfectly positioned to become a dominant presence in the service sector. New technologies are playing an increasingly key role in services, as part of Saudi Vision 2030's aims to empower the next generation of business people.

It is not only consumers that buy services from businesses, of course. Companies also hire the services of landscapers, interior designers, electricians, and accountants, among many others. There are many reasons why the growth of employment in the service sector around the world is faster than job growth in the goods-producing sector, and services marketing is big business.

Prosperity

Although the economy experiences ups and downs over time, continuing economic expansion is an important reason for the growth in the service sector. Today, many people have more discretionary income to spend on services than they did in the past.

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Automation

A second reason why job growth in the service industry is faster than job growth in the goods-producing industry is that the goods-producing industry is becoming more automated and less labor intensive. Companies use fewer people to produce their goods because of the increasing use of technology. Consequently, former manufacturing workers often turn to the service industry for continued employment.



What are the reasons why people spend more on services during times of prosperity?

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Complexity

A third reason for the increase in service industry employment is that many high-technology products require complex installation, repair, and training for the employees that use them. Entire new service areas have opened up around the computer and information technology industries. For example, some firms specialize in training, consulting groups specialize in applications while other companies specialize in repairing and maintaining equipment. The rapid growth of the Internet and wireless technology for communication and e-commerce have also led to the creation of many new service jobs that didn't exist 20 years ago.



CHECKPOINT

Discuss your answers to the questions in pairs.

1. What are some examples of services that are offered to customers?
2. What are the most important reasons for the recent growth in employment opportunities in the service industry in Saudi Arabia?

4.4.2

The Unique Qualities of Services

Services have four important characteristics which distinguish them from products.

Intangible

The most important difference between goods and services is that services are intangible. In this context, the term **intangible** means that the service cannot be touched, seen, tasted, heard, or felt, as

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services do not have a physical form. The intangibility of services presents special challenges for marketers because it means that they must focus on the benefits customers will receive and they cannot focus on the physical features of a product. Marketers also need to plan their promotional activities carefully to ensure that consumers can visualize the benefits the services provide. Travel planning, for example, relies heavily on photos, posters, videos, and travelogues to encourage customers to select vacation destinations. The objective and challenge of travel planning, or tourism marketing, is to get customers to imagine what it is like to be at a particular tourist location.

Perishable

A second characteristic of services is that they are perishable. In this context, **perishable** means that services that are not used within a given time period cannot be stored for use in the future unlike nonperishable products. Because of perishability, marketers are concerned about lost opportunities, such as an empty seat in a theater or an airplane which cannot be sold later on. After the movie has been shown or the flight has departed, the revenue that could have been earned from another paying customer is lost.

How can reducing prices be beneficial for the providers of perishable services?



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MARKETING SCENARIO

Adjusting prices to avoid financial losses

An airline that operates in Saudi Arabia works very hard to fill seats on every flight that it offers. The airline recognizes that money is lost on each empty seat, and they can never retrieve it. As a result, the airline offers discounted fares and special promotions to customers on flights which they know they would otherwise have empty seats on, such as on weekdays. This strategy enables the airline to receive a smaller than average amount of sales revenue rather than making a loss. It represents the airline's attempt to overcome the problems posed by the perishability of their service.



THINK CRITICALLY

1. Why is the airline keen to sell every seat on its flights?
2. How does it try to achieve this aim?
3. This strategy aims to reduce the negative effects of which issue that can arise in the services sector?

The pricing component of the marketing mix is crucial in the sale of perishable services. Marketers must set prices so as to ensure the business will make the greatest possible number of sales while covering expenses and allowing for a profit.

Distribution involves having the service available where and when it is needed or wanted by the consumer. An example of ineffective distribution would be to locate a service targeting young people, like a virtual reality attraction, in a retirement community. Because of its location, it probably would not attract many customers. On the other hand, a hotel limousine service located at the airport would be a good distribution strategy.

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Inseparable

Another characteristic of services is that their production and consumption are inseparable. In this context, the term **inseparable** means that the service is produced and consumed at the same time. Services such as a college class, a spa treatment, or the servicing of a car are produced and consumed simultaneously. In many cases, the customer is actually involved in the production of the service. For example, when you fly to another city on an airline or go to a

Math in Marketing



Travel Services Track the Sale of Space

Travel service businesses, including hotels and airlines, sell space, which is a highly perishable asset. For example, a hotel room or a seat on a flight, neither of which can be recovered once a specific day has passed or a specific flight has taken off. Industry-specific measures have been developed to track the effectiveness of sales efforts from one time period to another. The hotel accommodation industry, for example, tracks "revPAR" (which stands for "revenue per available room") to gauge how effectively each hotel fills its rooms. It tries to avoid the use of large discounts just to sell rooms or inflexible rates that lead to more unsold rooms. With revPAR, room rates and occupancy percentages are combined in one easy-to-compare measure of the sale of hotel space.

Airlines use similar performance measures. Available seat miles (ASMs) equal the total number of seats on all scheduled flights multiplied by the total flight miles. Revenue passenger miles (RPMs) include only seats that are occupied by paying passengers. Load factor is RPM divided by ASM expressed as a percentage. The measure of space sales leads to the most effective balance of prices and rooms or seats sold.

Do the Math

1. If a hotel manager's goal is to increase revPAR by 20% next month, what are the different ways to accomplish this? (Note: Adding rooms is not an option.)
2. If an airline's RPMs increase by 20% while its load factor declines, what is the likely explanation?

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restaurant with friends, you are demonstrating the inseparability of production and consumption in a service business. This simultaneous production and consumption of services requires marketers to pay special attention to the distribution component of the marketing mix.

Heterogeneous

Another characteristic of services is that they are heterogeneous. Services can be described as **heterogeneous** because lots of different types of services exist, and the delivery of a service may be inconsistent because it is executed by staff with different skill levels and different levels of enthusiasm for their jobs. This can be a problem for the service provider because consumers who need to use an accounting service or an appliance-repair business expect a consistently high-quality service. If the quality of a specific service declines, people will likely look for a new service provider.

Marketers who sell services need to pay particular attention to the marketing concept and consider how they can satisfy the needs and wants of the consumer by implementing the marketing mix. The heterogeneity of services gives marketers an opportunity to design services so that they meet the unique needs of a market segment and deliver it in a consistent and satisfying way.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are the four defining characteristics of a service?
2. What challenges does the fact that services are intangible pose for marketers?
3. What type of action do service companies often have to take because services are perishable?
4. Why is the delivery of a service often inconsistent?

4.4 LESSON ASSESSMENT

What Have You Learned?

1. How does a prosperous economy lead to job growth in the service sector? [4.4.1]
2. Why is the production and consumption of services described as inseparable? [4.4.2]

Make Academic Connections

1. **Visual Art** Draw or use technology to create a picture, graphic, or other visual representation of one of the unique qualities of services. [4.4.2]
2. **Economics** Search the World Bank website to find the percentage of service jobs in the economies of ten countries of your choosing. Present your findings in a graph format. Include Saudi Arabia as one of the countries you select. [4.4.1]



Connect to the Real World

You work at an 18-hole golf course. The owner wants your help in determining the number of guests the course would need each day to ensure that all 18 holes are in use all day every day. Make up the details, including the number of hazards, such as lakes and bunkers, on the golf course, the average amount of time it takes for golfers to complete all the holes of the course, and the number of hours per day the golf course is open. Present your plan, with your calculations, to your teacher. [4.4.2]

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4.5

A Service Marketing Mix

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

4.5.1 Explain how businesses plan and promote services.

4.5.2 Describe the importance of pricing and distribution of services.

KEY TERMS

Endorsement
Word-of-mouth marketing
Personal selling
Bundling

MARKETING MATTERS

The unique characteristics of services make developing a marketing mix for them very challenging. Making a purchase decision for a tangible product is easier because customers can see, smell, touch, or taste the product. As services are intangible, service marketers must help their customers visualize them. They do this by applying the principles of product/service planning, pricing, promotion, and distribution in ways that are suited to the nature of the services they provide. As is the case with the marketing of products, the objective of services marketing is always to satisfy customers.

Activate Your Knowledge



1. What factors influence a consumer's decision to use a particular service rather than a competitor's service, an alternative service, or no service at all?
2. What types of promotional strategies tend to be particularly useful for the promotion of services?

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4.5.1

Service Planning and Promotion

When businesses are marketing services, they need to plan them carefully, keeping in mind the differences between services and products. Businesses also need to identify effective strategies for promoting their services.

Service Planning

When they are developing the service that will be provided, marketers must recognize that services cannot be defined in terms of physical attributes. Instead, companies need to shape the attributes of the service so that it meets the needs and wants of consumers in the most satisfactory way possible.

Services are intangible, but the businesses that provide them also recognize that customers pay attention to certain tangible elements associated with a service. For example, banks are typically located in well-maintained offices to reinforce the idea that they are safe and responsible.

Many service organizations provide physical items for customers to take with them due to their awareness of how important tangible products are to consumers. These items often serve as specialty advertising. For example, some dentists give patients toothbrushes and some realtors give their customers mugs or keyrings with their name or logo on. In each case, the service business is attempting to provide a tangible symbol and reminder of the service it provides for its customers.

Promotion

Services are difficult to promote because something that cannot be touched is not easily described in print advertising or broadcast media. Services also are difficult to promote through personal selling because they may be difficult to demonstrate. Businesses need to appeal to the buying motives of the target



market and emphasize the benefits derived from the use of the service. One effective promotional strategy for services is to draw attention to their tangible elements. The well-dressed waiter at a restaurant, clean and undamaged rental cars, and high-quality furnishings in a law firm's office are all tangible elements associated with intangible services.

The last part of the promotion strategy is the nature and timing of the message that is delivered. The message should create

How would you feel about a bank you use if the building was hard to find or needed major repairs, or if you could not easily identify someone to help you as you entered?



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a mental image for the customer of the performance of the service. It also needs to foster the idea that the service completely meets the customer needs. The timing of the promotional message must also be close enough to the time when the service tends to be needed or used for it to be memorable for consumers and influence their purchase decisions.

Endorsements

Many services use endorsements as a promotional strategy. An **endorsement** is an advertisement in which a trustworthy person publicly expresses approval of a product or service. Sometimes endorsers are well-known role models for a target market. For example, celebrities and athletes often endorse products. Customers must identify with the endorser and believe what they are saying in order for the endorsement to be effective.

Word-of-Mouth

Word-of-mouth marketing is the naturally occuring spread of information about products or services between people through their conversations with each other. Service organizations rely heavily on publicity and word-of-mouth marketing because people often consider information from friends to be very credible. Service providers often encourage word-of-mouth promotion by offering incentives to consumers who refer new customers. They also develop publicity activities and online "buzz" that encourage people to talk about their business in positive ways.

Personal Selling

Many marketers believe that **personal selling** is the most powerful promotional tool available. A well-trained sales staff can interact with customers to reduce their uncertainty, give reassurance, and promote the reputation of the service provider. The careful training and management of customer-contact personnel is crucial to the success of a service organization.

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CHECKPOINT

Discuss your answers to the questions in pairs.

1. What promotional strategies can marketers use to promote services effectively?
2. What is a recent example of an endorsement for a service that you have seen in an advertisement? How effective do you think this endorsement was?
3. What is a recent example of word-of-mouth marketing that you have experienced? What effect did it have (or not have) on you?

4.5.2

Pricing and Distribution Services

Price and distribution of services each play a role in meeting customer expectations. Each needs to be carefully considered when developing marketing plans for services.

Price

In the past, many service providers did not consider pricing to be important. Consumers often viewed services as unique, much like a monopoly. With increased competition and government deregulation of many industries, businesses began to see pricing strategies as a way to improve their market positions and to differentiate themselves from their competition. Service businesses are in a good position to alter their pricing strategies because they can change prices fairly easily.

One pricing strategy that many service providers use is called **bundling**. This is the practice of combining several related services for one price. If you are planning a trip to Mecca, for example, a service may offer to bundle the price of a plane ticket, a rental car, and a hotel into a package for which you would pay

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one price. Another example of bundling is a telecommunications company offering customers a landline telephone, unlimited fiber-optic broadband, and video streaming services as part of one package. Using bundling techniques usually enables businesses to increase sales of their services.



MARKETING SCENARIO

Creating a new image for a service provider

A barber shop in Najran in Saudi Arabia has decided to change its pricing list by increasing all of its prices by 15%. The reason why the barber shop made this decision was to create the image that it offers high-quality services and, therefore, compete with other barber shops in Najran who also position themselves as selling high-quality services at higher-than-average prices. In order to justify the increase in prices, the barber shop also needed to carry out some refurbishing in the shop to make it appear to be a more high-value place to get your hair cut or facial hair trimmed. This involved a significant investment, but the shop manager calculated that the business would be able to recoup the costs after six months of operating with the higher pricing schedule. The shop also decided to offer its customers additional services, such as free hair washing and a free head massage for every customer. The offering of these additional services will mean that the barbers need to spend more time with each customer, but this should not be an issue because the barbers previously had periods of time when they had nothing to do.

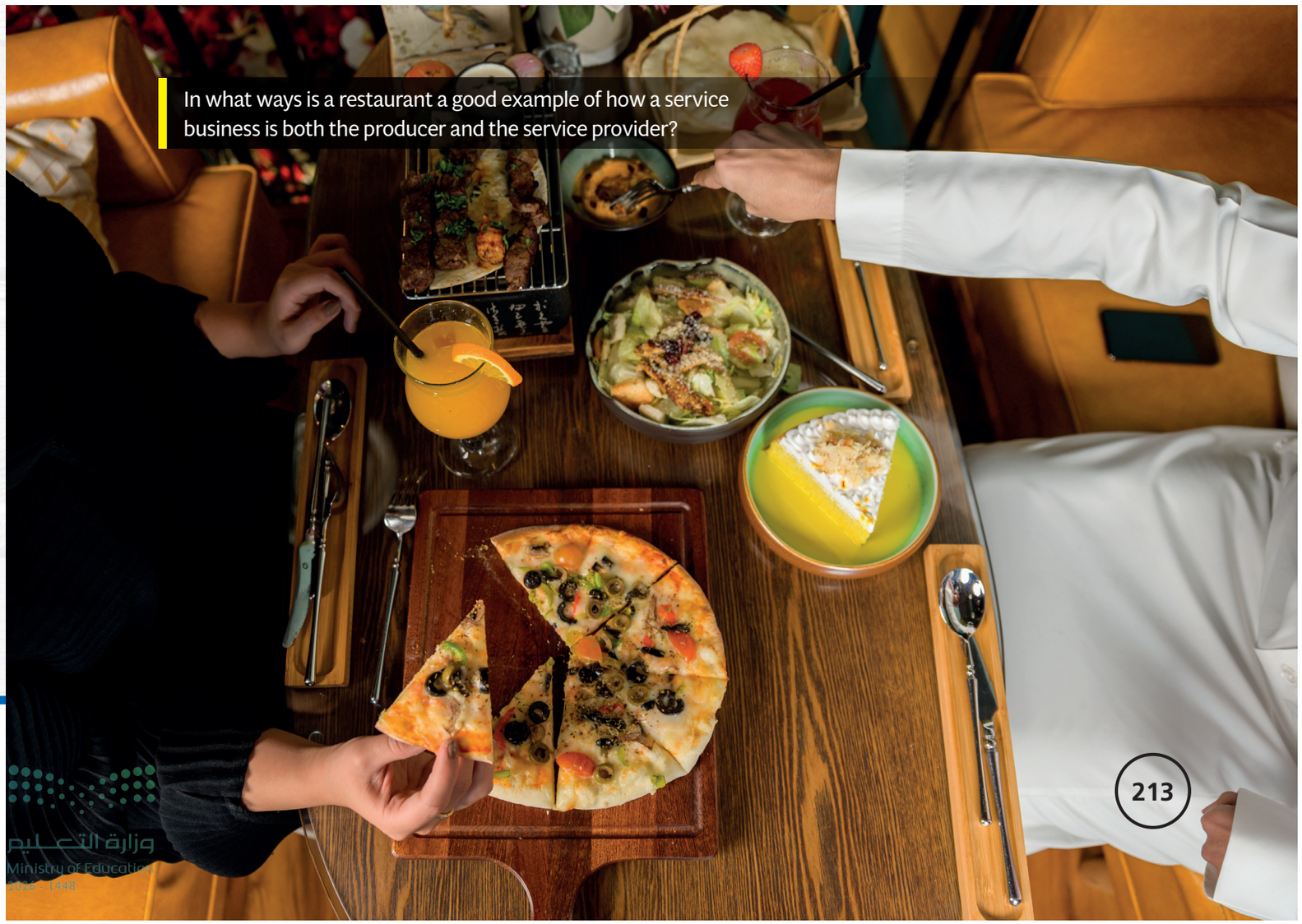
THINK CRITICALLY

1. What aspect of its marketing mix did the barber shop change?
2. What did the business do to try to ensure that customers accepted this change?
3. What are the reasons why the additional investment of resources will not harm the business?

Bundling is a type of quantity discount. A customer can purchase more services for a lower price than if they had purchased each service individually. This has advantages for both the consumers and sellers of services. The consumer pays a reduced price and has the advantage of one-stop shopping. The service marketer forms mutually beneficial relationships with other service marketers to provide an appealing package for customers.

Distribution

The distribution of services is primarily concerned with offering a service at a location and time convenient for the consumer. Many services which people once had to travel to obtain are now provided in their homes. Financial advice and elder care are examples of services that you can get at home. An important point to remember in marketing services is that the production and consumption of services happen simultaneously.



In what ways is a restaurant a good example of how a service business is both the producer and the service provider?

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This means that the person who purchases a service receives that service at the same time as it is performed. Consequently, the channels of distribution for a service are very short. In many cases, the channel is the producer and provider all rolled into one.

Some types of services, however, make use of intermediaries. For example, you might purchase an appliance from a large appliance store. However, if your appliance needs to be repaired, the store may contract with an appliance repair business (the intermediary) that will come to your home to make the repairs.

In planning a distribution strategy for a service, the most important element should be convenience for consumers. Travel agents and airlines now allow consumers to buy their services online so that it is easier for them to buy airline tickets and make other travel plans.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. Why do companies see pricing as being more important today than they did in the past?
2. Why might a company use bundling as a pricing strategy?
3. How are the distribution channels for services different from the distribution channels for products?

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4.5 LESSON ASSESSMENT

What Have You Learned?

1. Why do service providers often give customers physical items to take with them? [4.5.1]
2. Explain the pricing strategy known as bundling. [4.5.2]

Make Academic Connections

1. **Ethics** Celebrities and bloggers are often paid to endorse services. However, there are rules about how they are allowed to do this. Research the legal restrictions on endorsements that exist in Saudi Arabia and describe them in a one-page report. In your report, present the restrictions and also express your views on whether or not celebrities should actually use and like the services they endorse. [4.5.1]
2. **Civics** List and briefly describe five tangible elements that are associated with services that the government provides. [4.5.2]

Connect to the Real World



You have been hired by a local cleaning service to provide ideas for the creation of cleaning packages that can be sold to businesses. Working with a partner, brainstorm a list of cleaning tasks. Assign individual fees for each task and then come up with three bundling options and a fee for each option. Prepare a two-minute presentation with visual aids for the owner of the local cleaning service to describe the bundled cleaning packages. Deliver the presentation to your teacher. [4.5.2]

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CHAPTER 4 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. ABO is a company that manufactures a tool set for homeowners. Describe the ways ABO could extend its product range to increase customer satisfaction. [4.1.2]
2. How can registering a trademark protect a product line, the packaging, and a brand? [4.1.3]
3. Think of a purchase you made recently and answer these questions about it: (1) How important was the purchase to you? (2) Did you shop around and compare products before making the purchase? (3) What was the reason for your choice? [4.2.1]
4. What is the difference between capital equipment and operating equipment? Which purchase do you think is more important for a business? [4.2.2]
5. Why do you think companies generate but do not evaluate ideas for new products in step one of the new product development process? [4.3.2]
6. Continuing economic expansion leads to prosperity and that leads households to have more discretionary income to spend on services. Why do you think Saudis spend a greater percentage of their income on services and less on manufactured goods when they have more discretionary income? [4.4.1]
7. Consider the offering of personal fitness training services. How is this service intangible and how is it heterogeneous? [4.4.2]
8. Compare and contrast equipment-based services with people-based services. Explain which part of the marketing mix a marketer would focus on for each. [4.4.2]
9. Which is more likely to influence your choice of a service provider: word-of-mouth marketing or personal selling? Explain your answer. [4.5.1]

DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Brand		**a.** Items such as a business's land, buildings, and major pieces of equipment, which are usually the most expensive and the most important products that a business purchases.
2.	Brand loyalty		**b.** A model of a product which has been developed to test the product's quality and the costs involved before starting full-scale production.
3.	Bundling		**c.** Services that are not used within a given time period, cannot be stored for use beyond that time.
4.	Business markets		**d.** The complete set of all products a business offers to its market.
5.	Capital equipment		**e.** A well-known name or symbol established by one company and sold for use by another company to promote its products.
6.	Consumer market		**f.** A service that is produced and consumed at the same time.
7.	Endorsement		**g.** Face-to-face selling technique with well-trained sales staff who can interact with customers to reduce their uncertainty, give reassurance, and promote the reputation of the service provider.
8.	Heterogeneous		**h.** The legal protection provided to the owner for the words or symbols used to identify a product or service.
9.	Inseparable		**i.** A recognizable sign, symbol, phrase or word(s) that identifies a specific product or service and legally protects the identity of that product or service so that other businesses cannot use or copy it.
10.	Intangible		**j.** A characteristic of services which refers to the fact that lots of different types of services exist and that services are executed by staff with different skill levels and different levels of enthusiasm for their jobs.
11.	Licensed brand		**k.** A group of similar products with slight variations in the marketing mix to satisfy different needs in a market.

12.	Operating equipment		**l.** An advertisement in which a trustworthy person publicly expresses approval of a product or service.
13.	Packaging		**m.** The naturally occuring spread of information about products or service between people through their conversations with each other.
14.	Perishable		**n.** Smaller, less-expensive items used in the operation of a business, or in the production and sale of products and services, such as tools, small machines, etc.
15.	Personal selling		**o.** A particular group of people in a specific location who buy products or services their own use.
16.	Product assortment		**p.** Something that cannot be touched, seen, tasted, heard, or felt, for example, services are this as they do not have a physical form.
17.	Product line		**q.** A consumer's commitment to repurchasing, using, and promoting a particular brand over all others.
18.	Product marketing		**r.** A strategy where a company produces a limited quantity of a new product and implements the marketing mix in a mall part of the market to find out if the product is successful and they can start producing and selling it.
19.	Prototype		**s.** The wrapping materials or container that a product is sold or presented in, which includes the physical materials, in addition to the written information and visual imagery it contains.
20.	Test market		**t.** Companies and organizations that purchase products for the operation of a business or the completion of a business activity.
21.	Trademark		**u.** The practice of combining several related services for one price.
22.	Word-of-mouth marketing		**v.** The full-scale introduction of the product into the market, involving cooperating companies, such as wholesalers, retailers, transportation companies, and advertising agencies.

MARKETING RESEARCH AND PLANNING

1. Identify any consumer product that has been on the market for at least five years. On a large sheet of paper or poster board, draw three concentric circles to look like a practice target. Alternatively, you may use design software to create this visual.

   a. Label the innermost circle Basic Product.

   b. Label the middle circle Enhanced Product.

   c. Label the outer circle Extended Product.

   Study several brands of the product you selected to identify the components that are basic, enhanced, and extended parts. Based on that analysis, use words or drawings to illustrate each part of the product in the appropriate circle. [4.1.2]

2. Products are planned to respond to consumer needs. Those that best meet those needs are likely to be successful. For each of the common consumer needs listed (a–j), identify a product that has been successful for several years because it meets the need very well. [4.1.2]

   a. health
   b. beauty
   c. education
   d. friendship
   e. safety
   f. economy
   g. excitement
   h. hunger
   i. convenience
   j. status

3. Study advertisements, product catalogs, and merchandise available for sale in stores in your community. Identify at least three products that fit into each of the following categories:

   a. Products that are completely new

   b. Products that have significant changes or improvements

   c. Products that have been sold elsewhere but are new to the local market.

   Use these products to create a poster or a display that illustrates the concept of new products. [4.3.1]

4. Goods and services have many different characteristics, but they both need to satisfy the needs and wants of the consumer. A dry-cleaning business handed out a questionnaire to all customers who brought in or picked up clothes during the month of October. Of the 1,435 questionnaires distributed, 705 were returned with the following results:

   Question: *How often do you take items to a dry-cleaning business?*

   Results: *At least once a week: 178; twice a month: 199; once a month: 200; less than once a month: 128.*

   Rate the factors shown in the table for this business:

   a. What percentage of the surveys were returned? (Hint: Divide the number of questionnaires returned by the number distributed.)

   b. What percentage of the customers use dry cleaning services at least once a week? Twice a month? Once a month? Less than once a month?

   c. Based on the ratings of the store features and service quality (shown in the table below), make three recommendations to management to improve customer service. [4.4.2]

	Very Satisfied	Satisfied	Not Satisfied
Location of the store	599	100	6
Hours of operation	200	300	205
Turnaround time	351	257	97
Friendliness of staff	264	254	187
Quality of service	532	101	72

5. Developing an appropriate marketing mix for a service is as important as developing the appropriate mix for a product. Develop a marketing mix for a service business that includes a description of the service, the pricing strategy, the promotional strategy, and a plan for distribution. Choose from one of the following service businesses: [4.5.1, 4.5.2]

- Tutoring and study skills
- Virtual reality attraction
- Hot air balloon rides
- Golf lessons

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6. Go online and find the websites of ten local service businesses. Make a list of the businesses, what services they produce, their major target markets, and their major channels of distribution. How do they use their websites to market their businesses? [4.5.1]

MARKETING MANAGEMENT AND DECISION MAKING

1. Companies use product lines to be able to serve several target markets with the same basic product. Variations in the product's size, quality, or features are used to meet the specific needs of a market. Identify a consumer product that has a product line that consists of at least four specific and different products. Prepare a chart that describes each of the specific products in the product line. For each one, identify the factors that make the specific product stand out from the others in the product line. Then describe the characteristics of the target market to which you think each product is designed to appeal. [4.1.3]

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2. You have been asked to speak to a group of service providers about the future of the service industry and how service providers can effectively market their services. You have selected the following topics for your presentation: [4.4.1, 4.4.2, 4.5.1, 4.5.2]

   1. Future of services
   2. Differences between products and services
   3. Different types of services
   4. Importance of the marketing mix

   Prepare a presentation which gives information about each of these topics. Use as many examples as possible to help you explain each topic to the audience who are not experts in marketing.

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MARKETING ASSIGNMENT



A new company has started to take advantage of people's interest in nature and the environment. The company sells individual flowers that are no more than four inches tall and are planted in two-inch square plastic pots. The flowers are blooming and with proper care should live for several months or longer. They will be sold through supermarkets, gift shops, and even vending machines. You have been asked to help in the design of the packaging for the flowers. Create a packaging that will protect the flower, provide an appropriate display, and provide information on the care of the flower. Then develop a brand name for the product that will appear on the packaging.

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Part 2

Chapter 5 Planning for a Marketing Campaign

Chapter 6 Advertising and Public Relations

Chapter 7 Personal Selling and Sales Promotion

Chapter 8 Digital Marketing

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Visitors attending the Gitex 2018 exhibition, the world's biggest in-person technology event

CHAPTER 5

Planning *for a* Marketing Campaign

When marketers plan for a marketing campaign, they first need to decide what information about a product or service they want to share with its target market. They then need to make decisions about how to communicate this information effectively to potential customers. This is where the marketing mix element of promotion plays an important role. Marketers select the combination of promotion methods which they think are most likely to appeal to their target market and are most appropriate for the type of product or service they want to sell. In this chapter, you will learn about the process of communicating messages about a product or service to a market, why and how marketers use promotion, and the various promotion methods and tools that exist.

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> How much attention do you usually pay to the advertising you see every day?

CHAPTER LESSONS

5.1 The Communication Process

5.2 The Role and Objectives of Promotion

5.3 The Promotional Mix

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5.1

The Communication Process

KEY TERMS

Source
Encoding
Receiver
Decoding
Communications channel
Channel capacity

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

5.1.1 Describe the steps of the communication process.

5.1.2 Describe the different types of communication marketers use.

5.1.3 Explain the encoding, decoding and feedback process.

MARKETING MATTERS

Consumers tend to overlook most of the marketing messages they receive due to the overwhelming volume of messages being transmitted and other environmental factors. Marketers must carefully choose their target market, craft effective messaging using languages and visuals, establish feedback channels to reach and engage customers effectively.



Activate Your Knowledge

1. Brainstorm examples of media and materials that businesses can use to communicate information to the consumer.
2. What steps are involved in the communication process when businesses inform these customers about their products or services?
3. Think about products that you have purchased recently. Did someone talk to you about the products when you bought them, or did you receive information about them in a non-personal way? Discuss your experiences.

5.1.1

The Communication Process

Communication is essentially the transmission of information. However, communication can only take place if both the source and receiver of information share some common ground. This common ground is a shared understanding of the symbols, words, and pictures used to transmit information. That's why communication is defined as the sharing of meaning between individuals. In order for this sharing to happen, information needs to be transmitted or conveyed from the sender, or source, to the receiver.

Communication begins with a **source** (see Figure 5-1) and this can be a person, group, or organization with a message that it is trying to share with an audience. A source could be an electronics salesperson who wants to communicate the attributes of a state-of-the-art TV to a buyer in their store, or a TV manufacturer using TV advertisements to inform thousands of consumers about its products. Developing a strategy for communicating can enhance the effectiveness of the source's communication. For example, a strategy in which a salesperson tries to influence a customer's decision by removing competitive products from their consideration tends to be effective. A salesperson might try to remove

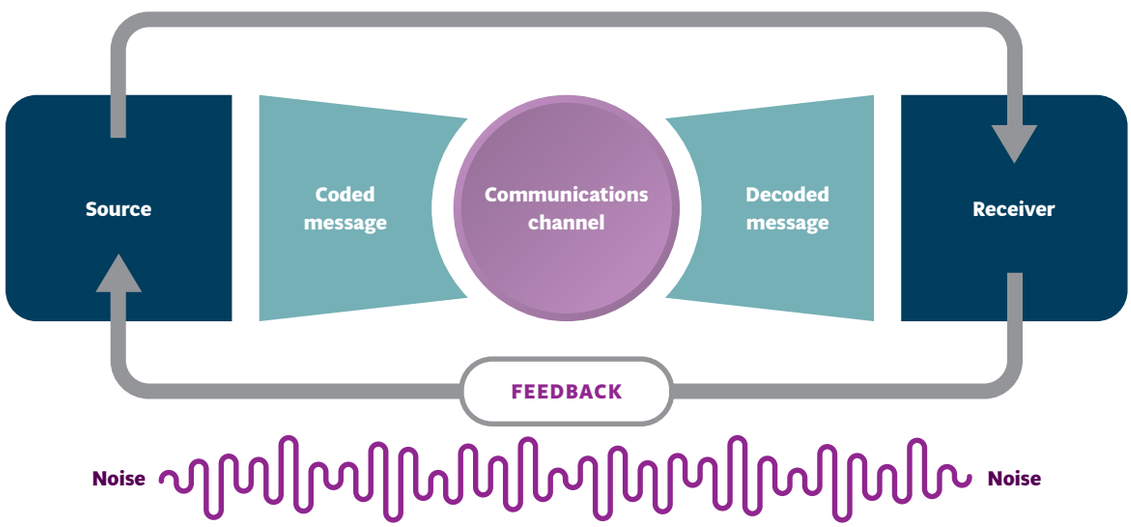


Figure 5-1 The communication process

competitive products from a consumer's consideration by, for example, comparing them unfavorably to the products that they want to sell or simply not mentioning them at all.

In the context of communication, a receiver is the individual, group, or organization that decodes a coded message, and an audience is two or more receivers. Promotion is, therefore, a communication process as it involves the transfer of a message from a source to a receiver. In marketing, the communication process usually involves a company or organization sending a sales message to a potential customer. In order to understand how this process of promotion works, a marketer must first understand the basics of the communication process.

The Source

The communication process starts with a source and this individual, company, or organization is where the message comes from. In the context of marketing, the source is typically a company that is trying to send a message to consumers. When you see an advertisement, the source is the company that placed it.

The Message

The message is what is being communicated. In the promotion process, several messages can be conveyed at the same time, on several different levels. A simple message might be that a store is having a sale, but there may be other less explicit messages conveyed in the process of communicating the message about the sale. For example, if a poster for a sale at a store in a shopping mall looks very elegant, it may send the message that the store is also elegant and classy.

Encoding by the Source

The process of converting the source's idea into a message that the receiver can understand is called **encoding**. Encoding relies on basic units of meaning such as language, words, and symbols,

but encoding can also include more subtle cues such as colors, design, and imagery. When the store that is having a sale creates its poster and decides what words and pictures to include, this is all part of the encoding process.

The Message Channel

The method by which the message travels is the message channel, or media. Through this channel the message will be distributed. In marketing, the message channel can be via TV, radio, social media, a magazine, a salesperson, a text message, websites, or anything else that transmits a message. Once marketers have selected a message channel, they select a specific vehicle for their message within that message channel. For example, the media choice might be a magazine advertisement, but the vehicle for it will be the specific Saudi magazine in which the advertisement appears.

The Receiver

The message travels to the **receiver**. The receiver is the person or people that the message is directed at or any person who understands the message that is sent. In marketing, receivers are the target audience or potential customers.

Decoding by the Receiver

Before receivers can fully receive the message, they first have to decode it. **Decoding** is the process by which the receiver interprets the language and symbols that the source is transmitting to them, so they can understand the message. People may see a sign, but if the sign is in a language they do not understand, they will not receive the message it is trying to send.

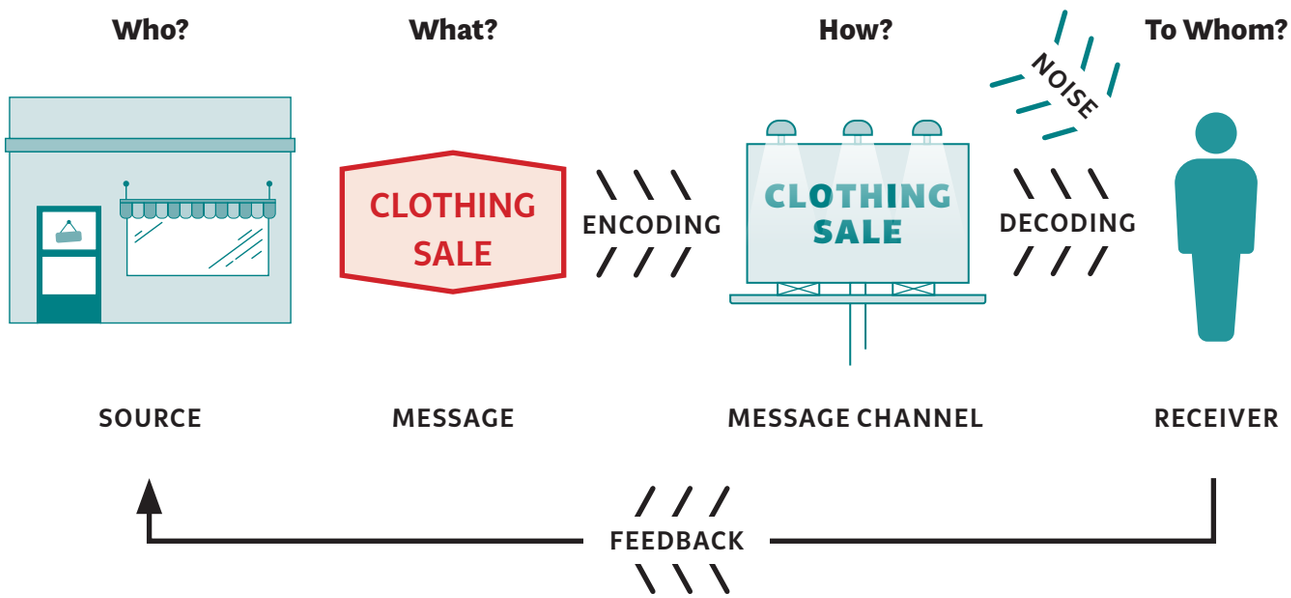
Noise

Any distracting information in the transmission, the message channel, or the receiver's environment, that may stop the message

Working in Teams

Work in a team. Look at the diagram below showing the communication process for the communication of messages about a clothing sale to consumers. Use the diagram to prepare an explanation of how the communication process works. Then present your explanation to another team.

getting to the receiver and distract the receiver from it, is called noise. Noise includes TV or radio static or interference, which makes it difficult for consumers to understand the words being spoken on TV or radio, competing messages, unfamiliar words, or even background noise in the consumer's environment. In other words, noise in this context is anything that makes it harder for someone to receive the message. Marketers also refer to some types of noise as "clutter".



Feedback

Sometimes there is a feedback step in the communication process. Feedback is the receiver's response to the message. It can be direct feedback, such as a letter the receiver sends back to the source or a survey the receiver takes. It can also be indirect feedback, such as the use of a promotional coupon or the purchase of a company's product. Feedback helps marketers determine if their promotions work effectively and how to improve them.

CHECKPOINT

Write your answers to the questions in your notebooks.

1. Who sends messages in the communication process and who receives the messages?
2. What role does encoding play in the communication process?
3. What makes the communication process a cyclical process?

5.1.2

Types of Communication

The types of communication marketers use depend on the product or service they want to promote and the characteristics of the intended target market. Marketers use two main types of communication when they try to transmit their messages to the people that they want to receive them: interpersonal communication and mass communication.



What do you think the salesperson is telling the potential customer about the products in the store?

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Interpersonal Communication

Interpersonal communication is any person-to-person sharing of information. In marketing, this may be a telemarketing call, an in-person sales call, a call to a customer service call center, an online chat with a company representative, or a conversation with a salesperson in a store. The greatest benefit of interpersonal communication is that it is a two-way conversation. Customers can ask questions and the salespeople can give immediate responses to them.

Salespeople can tell if a customer is interested, bored, irritated, or confused and react accordingly. The nature of interpersonal communication is targeted and different according to the type of product that a customer is interested in buying. For example, with complex and high-end products, a salesperson can explain the differences between competing products and help the customer make a knowledgeable purchase decision. An experienced salesperson can also earn a customer's trust in ways that would not be possible without interpersonal communication.

Interpersonal communication is frequently used in business-to-business marketing. Many companies that sell to other businesses have a professional sales staff that can form relationships with clients and respond to their needs. The weaknesses of interpersonal communication are that it can be inefficient and costly. One salesperson can only deal with one or two people at a time and, although a knowledgeable sales force can be a great asset, it can also be expensive to train and pay.

Mass Communication

Mass communication tries to reach a wide audience, sometimes millions of people, through mass media such as radio, TV, magazines, newspapers, billboards, social media, and websites. Mass communication is a one-way flow of information. It does not provide the opportunity for immediate feedback because the receiver cannot directly respond to the source. This limits how much the message can be tailored to the recipient. Although



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marketers do their best to target their messages when they use mass communication, for example, by using images of Saudis in advertising for Saudi Arabia, they cannot be sure exactly which people will see them. The message may not reach all of the intended audience and it may reach some people who it was not intended for.

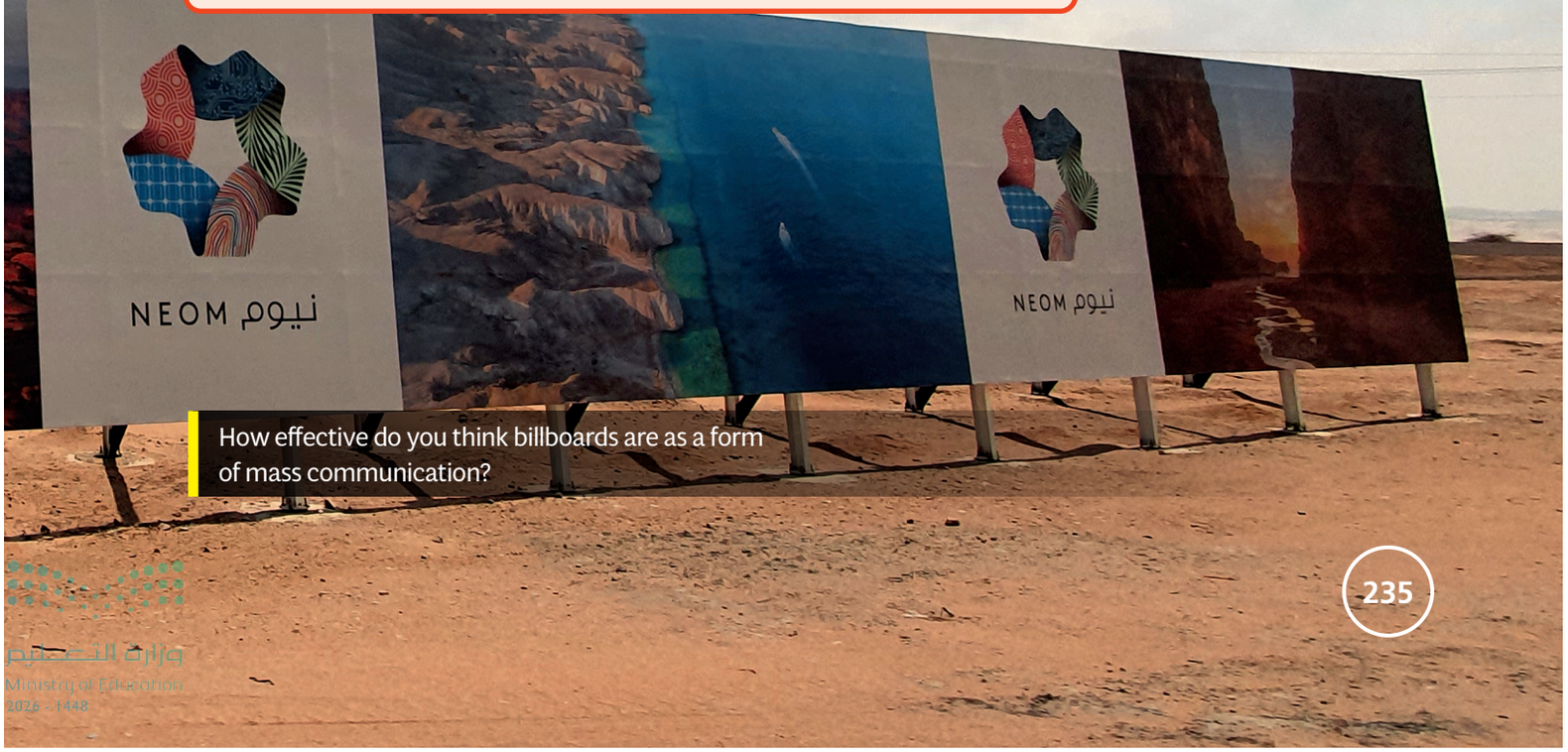
Mass communication can be much more cost-efficient than personal selling. One advertisement, for example, can be used over and over again to reach many more people in a shorter amount of time than a salesperson ever could. Moreover, although direct feedback is limited with mass communication, marketers have developed methods of gauging the effectiveness of a promotion. For example, they might issue coupons and track their use or use market research to gather consumers' reactions to advertisements.



CHECKPOINT

Write your answers to the questions in your notebooks.

1. What type of audience do each of the two types of communication try to reach?
2. Name at least one advantage of personal communication for the company using it.
3. Name at least one advantage of mass communication for the company using it.



How effective do you think billboards are as a form of mass communication?

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5.1.3

The Encoding, Customer Decoding, and Feedback Process

The Encoding Process

To transmit meaning, a source must be able to convert the meaning into a series of signs or symbols which represent ideas or concepts. This is called the coding process, or the process of encoding. When coding meaning into a message, the source must consider certain characteristics of the receiver or audience. This is especially true for advertising. It is important to encode messages so that consumers receive them unconsciously and not consciously. The impact of the message on the consumer can be diminished if that consumer has to use their attention, time, and emotional response to receive it.

Signs or symbols, such as specific gestures or combinations of images, help the consumer to better understand and remember the advertisement's message. The source should, therefore, use signs or symbols that will be familiar to and acceptable for the receiver or audience. In order to know what these signs and symbols are, marketers need to understand the specific lifestyles and attitudes that exist within the target market that they want to communicate with. This may even extend to using a language which the target group will understand even if it is not the official language of the country where the messages are being communicated. For example, English could be used to communicate with expatriates in Saudi Arabia.

When a source is deciding how to code a message, they need to use signs or symbols that the receiver or audience uses to refer to the concepts being communicated. For example, clear and simple language which possibly includes idiomatic expressions used by the target group is likely to be more easily understood and more appealing for them than technical jargon would be. Marketers

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also try to avoid signs or symbols that may have several meanings for different people within an audience. For example, the word عيش is used to mean 'rice' in parts of Saudi Arabia, but it is not used in other parts of the kingdom, or by speakers of different varieties of Arabic in other countries, who would probably understand it in a different way, i.e. to mean 'bread'.

MARKETING SCENARIO

Using the Symbolism of Children Playing to Encode a Business's Message

A Saudi software development company creates scalable software solutions for other businesses that are its customers. A key feature of their product offering that they want to use to attract potential customers is the fact that they can create solutions on an appropriate scale for that customer's business, and the scale of these solutions can then be adapted if this changes over time. The company would like to communicate the message that businesses using their software solutions will grow and will, therefore, require an upscaling of those solutions. As a result, the company wanted to encode the message that businesses that buy their software solutions will grow and that the company is capable of growing with them. They decided to do this by using imagery of children playing together in their advertising. As all adults have been children and understand the experience of being a child, this imagery can be understood universally and may also appeal to a sense of nostalgia for days gone by among adults.



THINK CRITICALLY

1. What specific message about their products does the company want to communicate?
2. How did the company decide to encode this message in their advertising? Why?
3. How effective is this approach is likely to be? Explain your answer.



How do you usually access the news? Do you think the way that you use is typical for Saudis in general or different?

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When a source wants to share a coded message with a receiver, it first selects and uses a **communications channel**. This medium of transmission carries the coded message from the source to the receiver. Transmission media include printed words (newspapers and magazines), broadcast media (TV and radio), and digital communication (social media platforms, applications, and websites). Today most Saudis access the news through several different types of media.

The Customer Decoding Process

In the decoding process, signs or symbols are converted into concepts and ideas. It would be rare for a receiver to decode the exact message that the source wanted to communicate, as the message may be negatively affected by noise. In this context, noise is anything that reduces the clarity and accuracy of the communication of a message. It has many sources and may affect any or all parts of the communication process. Noise sometimes arises within the communications channel itself, for example, when there are transmission difficulties with TV or radio channels, or when Internet connections are slow. Noise also occurs when a source uses signs or symbols that are unfamiliar to the receiver or have a meaning different for them from the one the source intended. Noise may also originate in the receiver because they may not be aware of the meaning of a coded message due to a lack of understanding or cultural knowledge on their part.

The Customer Feedback Process



The receiver's response to a decoded message is feedback for the source. The source expects and normally receives feedback, but usually not immediately. During feedback, the receiver or audience provides the original source with a response to their message. If the source has given the receiver coupons to use to buy their product or service, the feedback that the

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source receives will take the form of the number of coupons that consumers have used. Calls to action, such as coupons, visits to websites, and digital marketing response rates are some of the best ways to measure the impact and collect feedback from consumers on their interest in the offer. Feedback is coded, i.e. it is sent through a communications channel, such as a coupon, from the receiver back to the source. As a result, communication is a circular process (refer back to Figure 5-1).

Channel Capacity

There is a limit on the volume of information that each communications channel can handle effectively. This limit is called **channel capacity** and it is determined by the least efficient component of the communication process. For example, if a communications channel is dependent on someone giving information verbally, there is a limit to the number of words that a person can say in a given period of time, and also a limit to how much a receiver can take in by listening to them speak.



CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. What signs and symbols would be understood in a certain way by people in Saudi Arabia, but might be understood differently by people from other countries?
2. What ways have you recently given businesses feedback about marketing messages they have sent you?
3. Can you think of a marketing message which was presented through a media that was well-suited to the type of message being transmitted?

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5.1 LESSON ASSESSMENT

What Have You Learned?

1. What are the names of the two groups of people that communicate with each other in the communication process? [5.1.1]
2. Why is mass communication said to be a one-way flow of information? [5.1.2]
3. What needs to happen for the encoding of a message to be understandable and possible to decode for the people who receive it? [5.1.3]

Make Academic Connections

1. **Visual Art** Select an advertisement or other promotion you have seen or heard recently. Draw or use technology to create a picture, graphic, or other visual representation of the communication process which is used in that promotion. [5.1.1]
2. **Research** Go online or use library resources to research how a major brand on sale in Saudi Arabia has changed the communications channels it uses to share marketing messages over time. Describe the changes and explain why you think they were made and whether or not the changes have been effective. [5.1.3]

Connect to the Real World



Work in a team. You and your team members work for an advertising company that has been hired by a home electronics store to create a 10-second video advertisement for a new type and brand of ear buds. Determine the target market for the ear buds. Write a script for the advertisement and then make a video of the advertisement based on the script. Present the video to your teacher. [5.1.3]

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Link to digital lesson

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5.2

The Role and Objectives of Promotion

KEY TERMS

- Cause-related marketing
- Omnichannel retailing
- Primary demand
- New introductory promotion
- Selective demand
- Customer retention

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

5.2.1 Explain the role of promotion in marketing.
5.2.2 Describe the promotion process.
5.2.3 Identify the objectives of promotion.

MARKETING MATTERS

Promotion is any communication method that a company uses to inform, persuade or remind consumers about its products, services, or brand. It is a crucial tool for attracting customers and is one of the four key elements of the marketing mix. Even if a product is desirable, priced appropriately and available, it will not sell without effective promotion. Customers must know about the product, know where to find it and understand how it can fulfill their needs and wants. Promotion facilitiates communication between the company and the customer, allowing the company to share messages about is products or services.



Activate Your Knowledge

1. Give an example of a product or service that you (probably) only know about because of the efforts to promote it. Describe the type of promotion used, the effects it had on you, and explain why you think it had these effects on you.
2. What do you think the three possible aims of promotion are?

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5.2.1

The Role of Promotion in Marketing

Before marketers begin a promotion program, they must outline the program's goals. Promotion fulfills three main roles for marketers: it can inform, persuade, or remind an audience, or it can involve some combination of the three.

Inform

A company will often use promotion to inform people that a product or service exists, especially if they are introducing a new product or service, or a new feature of one to the market. If a store is opening or moving to a new location, it will want to let customers know about this too. Sometimes a company wants to inform consumers of an existing product feature that it believes they are not already aware of. At certain times, a certain aspect of a product or service will also become more appealing and the company will want to publicize that aspect of it. For example, when gas prices rise, car companies often advertise the gas mileage of their more fuel-efficient cars because that feature has become more relevant to consumers.



What service provided by this store does the sign tell customers about?

More complicated products and services are more likely to use promotion methods that inform customers about their products. When a purchase decision is complicated, for example, buying car insurance or a computer, consumers will want to collect as much information as possible about the products or services available and compare their options. The price of a product or service can also affect the amount of information a consumer wants to know about it as people tend to want more information before buying a very expensive item.

Persuade

Sometimes a company will need to show consumers why they should buy its product or service. The company will then create a promotional program to persuade customers to buy from them. It may do this by saying why its product is better than the competitor's or explain how the product will fulfill a consumer need or desire. Persuasive arguments could include, for example: *Fly our airline for less* and *This car is better for the environment*.

Sometimes, a promotion will both inform and persuade. For example, when a company presents the results of research showing that consumers prefer their product or service to those of their competitors. These messages both inform consumers by presenting research findings and persuade consumers that the company's products or services are superior to their competitors' products or services.

Persuasive promotions can be used throughout the life cycle of a product. However, they are typically used more once consumers are familiar with the product. A company may also change its persuasive tactics over time as consumer perceptions of what they need from the company's products or services change. For example, the country where the product is produced may be important to consumers at a specific time point, and the longevity of a product important at another point in time.

Remind

The final role of promotional activities is to remind customers that their products or services exist. These are typically products or services that consumers are already familiar with and which have been on sale for a while. As well as this, companies may want to remind consumers how good it tastes or how many people enjoy it. A sign with a product or service's logo in a soccer stadium in Saudi Arabia is an example of a reminder promotion. Marketers assume that the people who view these advertisements are already familiar with the product or service they are advertising and hope that seeing the sign will prompt consumers to purchase the product or service.

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CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. What three roles does promotion play in marketing? Briefly describe each one.
2. What type of promotion are the marketers of more complicated products most likely to use? Explain your answer.
3. How might a promotion aim to both inform and persuade consumers?
4. What do marketers assume when they aim to remind consumers about their products?

5.2.2

The Promotion Process

What Is Promotion?

Promotion is a form of communication that builds and maintains positive relationships between companies or organizations and consumers by informing, and persuading, one or more target markets to view a company or organization positively and accept its products. Many organizations spend considerable resources on promotion to build and enhance relationships with current and potential customers. Thoughtful promotion reinforces a brand or a specific product or service's market positioning in relation to the competition, and creates a reason for making a purchase. Marketers also indirectly try to develop favorable relationships by sharing information about the company's activities and products with interest groups (such as environmental and consumer groups), current and potential investors, regulatory agencies, and the public in general.

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Maximizing the Effectiveness of Promotion

Companies sometimes promote programs that help selected groups. This is known as **cause-related marketing** and it links the purchase of products to the company's charitable work or for donations to one or more causes. By contributing to causes that its target markets support, cause-related marketing can help marketers boost sales, increase loyalty, and generate goodwill. To maximize the effectiveness of their promotion programs, marketers aim to plan, implement, coordinate, and control communications successfully. In order to do this, companies usually need to base their activities on information about and feedback from customers and the marketing environment, which they have often obtained from their marketing information system (see Figure 5-2).

How successfully marketers use promotion to maintain positive relationships depends to some extent on the quantity and quality of information the organization receives from customers, and how much of that they listen to and understand. Social media, blogging, and customer feedback through websites has been a very effective way for companies and organizations to listen to customers in addition to more formal methods, such as market research.

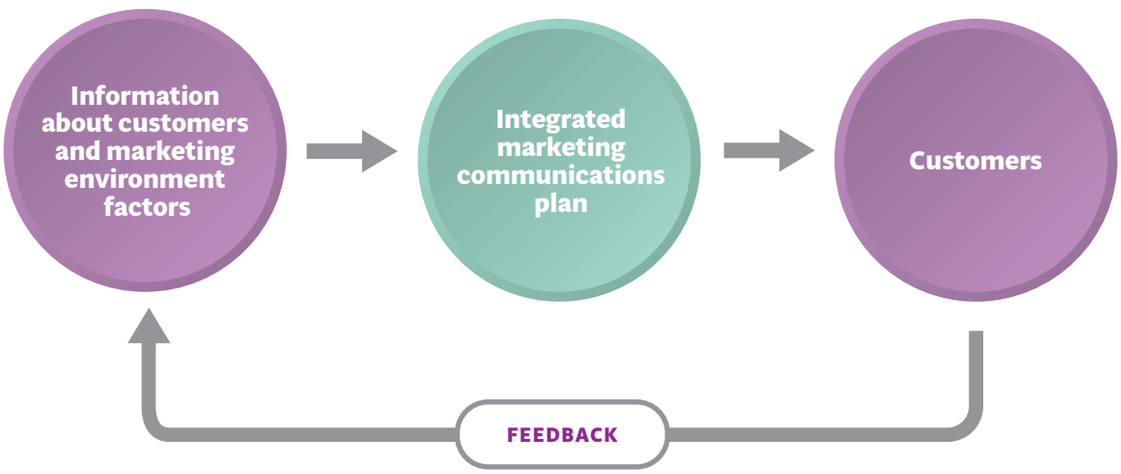


Figure 5-2 Information flows are important in integrated marketing communications.

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Omnichannel Retailing

The term omnichannel refers to the concept of bringing together communication, products and services, supply chain management, payment options and terms, customer service, and more into one experience for consumers. **Omnichannel retailing** is, therefore, the selling of products and services to consumers in this multi-dimensional way, and it requires a similarly varied approach to the marketing of these products or services. For example, consumers can search for and buy a pair of shoes online, use the internet to find a local retailer to go to, shop in-store to try the shoes on and then use a digital coupon from an application to buy the shoes. This type of situation highlights how important it is for marketers to be consistent in the way they communicate with customers on many different platforms.

When companies engage in omnichannel retailing, they need to consider how they can optimize their use of both traditional marketing channel, such as transportation and supply management, as well as every type of media that consumers come into contact with such as emails, applications, and social media. The ideal marketing strategy for omnichannel retailing would, therefore, synchornize communication, blend multiple communications channels, and provide a high level of personalization of its messaging for consumers. Omnichannel retailing makes it possible to integrate all forms of marketing communication to allow companies and organizations to achieve their promotion and distribution objectives.

CHECKPOINT

Write the answers to the questions in your notebooks.

1. What can effective promotion achieve and how does it do this?
2. How does a company's use of cause-related marketing affect consumer perceptions of that company and what effects can these perceptions have on the company's success?
3. Define "omnichannel retailing" and explain what it enables the companies that use it to do?

How do physical retail stores use applications, coupons, and social media posts to persuade consumers to visit and shop with them?



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5.2.3

The Objectives of Promotion

Promotional objectives vary considerably from one organization to another and within organizations over time. Large companies with several promotional programs operating simultaneously may have quite varied promotional objectives. There are ten main objectives of promotion. Although other objectives do exist, one or more of these ten objectives underline the majority of promotional programs (see Figure 5-3).

Figure 5-3 The possible objectives of promotion.

Create awareness	Retain loyal customers and reach new ones
Stimulate demand	Facilitate retail and wholesale support
Encourage product trial	Challenge competitors' promotions
Identify prospects	Reduce sales fluctuations
Stimulate word of mouth	Generate positive social media posts

Creating Awareness

A considerable amount of promotional effort focuses on creating awareness of a product or service among consumers. For an organization that is introducing a new product or a line extension, making customers aware of the product is crucial to starting the product adoption process. A marketer, who has invested heavily in product development, tries to create product awareness quickly to generate revenue to offset these high costs. Many companies, especially those that sell high-value products such as cars, cellphones, and computers build awareness about

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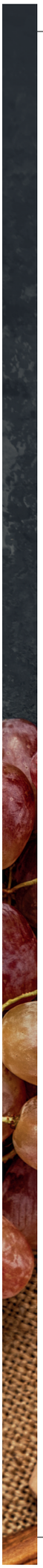
new products months before they release them, for example, at events, fairs, or conferences.

It is also important for companies to create awareness of existing products, too. These promotional efforts may aim to increase awareness of brands, product features, image-related issues (such as ethical or socially responsible behavior), or operational characteristics (such as store hours, locations, and credit availability). Some promotional programs are unsuccessful because marketers fail to generate awareness of such critical issues among a significant portion of target market members.

Stimulating Demand

When an organization is the first to introduce an innovative product, it tries to stimulate **primary demand**, which is demand for a product category rather than for a specific brand of product, through new introductory promotion. **New introductory promotion** informs potential customers about the product: what it is, what it does, how it can be used, and where it can be purchased. As this promotion is used in the introductory stage of the product life cycle, when there are no competing brands, it neither emphasizes brand names nor compares brands.

To build **selective demand**, which is demand for a specific brand, a marketer uses promotional efforts to point out the strengths and benefits of the specific brand that is being promoted. In order to build selective demand marketers also need to highlight the attributes of a product or service that are important to potential buyers. Selective demand can be stimulated by differentiating the product from competing brands in the minds of potential buyers, or by increasing the number of product uses and promoting them through advertising campaigns. These advertising campaigns may involve offering price discounts, free samples, coupons, consumer contests, and games. In addition, selective demand can be stimulated by encouraging existing customers to use more of the product or service.



Encouraging Product Trial

When marketers are trying to move customers through the product adoption cycle, they may successfully create awareness and interest, but customers may hesitate about whether to make a purchase while they are evaluating the product in relation to their needs and wants. In this case, certain types of promotion, such as free samples, coupons, test drives, or limited free-use offers, contests, and games are used to encourage consumers to try a product. Whether a marketer's product is the first in a new product category, a new brand in an existing category, or simply an existing brand seeking customers, trial-inducing promotional efforts aim to make product trial convenient and low risk for potential customers.

When you receive free samples in a store, what affect does this have on your chances of purchasing the product you sample? If your answer is "it depends", what factors does it depend on?



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MARKETING SCENARIO

A burger restaurant's strategy to connect with customers as their business expands

Two friends set up their first burger restaurant in Riyadh, ten years ago. Since then, they have opened three more restaurants in the city and two more in Jeddah. The opening of each new restaurant brought the challenges of maintaining the original experience for new, prospective, and loyal customers. To ensure customer satisfaction at the new locations, the founders discussed how important it was to replicate every aspect of the original concept for their restaurant; everything from the recipes being virtually unchanged to the layout and colors of the stores.

Another aspect of developing demand for the company in new locations was the advertising tactics used. As the restaurant's marketers has always done, they relied upon word-of-mouth marketing to retain and gain new customers. They place emphasis on the experience and listen to customer feedback on whether they are delivering a quality product. They engage with consumers on social media to stay connected with them. A major type of promotion comes in the form of free mini burgers, which are a type of sales promotion.

THINK CRITICALLY

1. What are the various promotion elements that the burger restaurant's uses to communicate with customers?
2. What role does word-of-mouth marketing play in the restaurant's integrated marketing communications?
3. Evaluate the importance of the offering of free food samples to the success of the burger restaurant's promotional strategy.

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Identifying Prospects

Certain types of promotional efforts aim to identify customers who are interested in the company's product and are likely to be potential buyers. These are the company's prospects. TV advertisements may encourage the viewer to visit the company's website and share personal information in order to receive something of value from the company. Customers who respond to such a message usually have higher interest in the product, which means that they are potential customers. The organization can then respond to this potential interest with phone calls, emails, or personal contact by salespeople.

Retaining Loyal Customers

Clearly, maintaining long-term customer relationships is a major goal of most marketers. Many companies, from fast-food companies to auto manufacturers, know the long-term customer value for their products. Promotional efforts directed at **customer retention** can help an organization control its costs because the costs of retaining customers are usually considerably lower than those of acquiring new ones. Frequent-user programs, such as those sponsored by airlines, car rental agencies, and hotels aim to reward loyal customers and encourage them to remain loyal. Some organizations employ special offers that only their existing customers can use. To retain loyal customers, marketers not only advertise loyalty programs but also use reinforcement advertising, which assures current users they have made the right brand choice and tells them how to get the most satisfaction from the product or service they have purchased.

Facilitating Reseller Support

A reseller is a retailer or wholesaler that sells a company's products. When the company provides support to resellers, the resellers benefit from the assistance they receive; the company also benefits because they can expect the resellers to support the sale

of their products. Advertising by producers is also a form of reseller support because it seeks to persuade consumers to buy a product which they can purchase from a reseller, thus generating profits for both the producer and the reseller. In some instances, a producer agrees to pay a certain proportion of the retailers' advertising expenses for promoting its products as well.

When a manufacturer is introducing a new consumer brand in a highly competitive product category, it may be difficult to persuade supermarket managers to sell this brand. However, if the manufacturer promotes the free samples of the new brand and distributes coupons for buying it in the retailer's area, a supermarket manager will view these actions as strong support for the sale of the product in question and is much more likely to store it. A manufacturer may provide wholesalers and retailers with special offers and buying allowances to encourage them to increase the number of products they stock. The use of various promotional methods by the producer can help to support a growth in sales of its products from resellers. In addition, a producer's salesperson may also provide support to a wholesaler by working with the wholesaler's customers (retailers) to present and promote the products. If a producer can build strong relationships with the resellers, it will be easier for it to maintain a sustainable competitive advantage.

Combating Competitive Promotional Efforts

At times, a marketer's objective in using promotion is to challenge a competitor's promotional or marketing programs. This reactive approach is used to prevent a company from losing sales or market share. It typically involves strategies such as price-matching programs, where one business, for example, a supermarket, highlights the fact that consumers can buy the same product at a lower price from them than from a competitor. A combative promotional objective is most often used by companies in extremely competitive consumer markets, such as the fast-food and cell phone markets.

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Reducing Sales Fluctuations

Product demand varies from one month to another because of factors such as climate, holidays, seasons, and the economy. A business, however, cannot operate at peak efficiency when sales fluctuate rapidly. Changes in sales volume lead to changes in production, inventory levels, personnel needs, and financial resources. Promotional techniques can reduce fluctuations by generating sales during slow periods, and this will enable a company to use its resources more efficiently. Promotional techniques are often designed to stimulate sales during sales slumps. During peak periods, when there are huge amounts of demand for a company's products, marketers may not place any advertising at all for them. Marketers do this because they do not want to stimulate sales to the point at which the company cannot deal with the additional demand generated by the advertising. Occasionally, a company announces that customers can benefit from buying a product or service from a business on a specific day or time of day. For example, a restaurant or fast-food outlet may offer free or reduced priced meals for children on days of the week when they usually have fewer customers than usual.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. When is it particularly important for a company to make consumers aware of its products?
2. What can a company do to create demand for a specific product or service that it sells?
3. How does achieving a high customer retention rate allow companies to save money?
4. What things can producers do to persuade or encourage resellers to stock and sell their products?
5. How can promotional techniques help to reduce fluctuations in the demand for a product or service at different times of the year?

5.2 LESSON ASSESSMENT

What Have You Learned?

1. What does a persuasive marketing message tell the receiver? [5.2.1]
2. Why is promotion the most critical element of the marketing mix? [5.2.2]
3. What does promotion usually stimulate, facilitate, and help to reduce? [5.2.3]

Make Academic Connections

1. **Technology** Imagine that a consumer wants to purchase a new bed for their home. Make a list of all the types of digital media that the consumer might use or come into contact with while searching for and purchasing a suitable bed. [5.2.2]
2. **Math** A weekly Saudi business newspaper has a paid circulation of 5,000 and also gives out 800 free copies as free samples. It estimates that for each copy of the newspaper printed, 5.5 people read it. How many people read the newspaper each week? [5.2.3]



Connect to the Real World

You work in the marketing department of a company that sells desert truffles. These are seasonal products which are only available for sale for four months of the year. What promotion strategies could you use to reduce the negative effects of these fluctuations in sales on your company. Compile a few recommendations and present them in a report. [5.2.3]

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Link to digital lesson

www.ien.edu.sa

5.3

The Promotional Mix

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

5.3.1 Summarize the four elements of the promotional mix.

5.3.2 Explain the factors that are used to determine a product's promotional mix.

KEY TERMS

The promotional mix
Public relations
Sales promotion
Push policy
Pull policy

MARKETING MATTERS

Marketers must know what to consider when deciding which types of promotion to use. The four common types of promotion are advertising, public relations, personal selling, and sales promotion. Marketers strive to find the right mix of these four ingredients. In a good promotional mix, all the elements work together, complementing one another so that consumers receive a consistent message about the product or service. The specific way in which the promotional elements are used depends on several factors, including the product itself, the target market, the product price and distribution, the availability of resources, and the company's overall strategy.

Activate Your Knowledge



1. Think of an example of a product, service, organization, or person which you think marketers would use advertising to promote and one they would use public relations to promote. Explain your decisions.
2. What factors do you think that businesses consider when they are deciding which element to include in their promotion program for a specific product or service?

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5.3.1

The Four Elements of the Promotional Mix

Marketers can use several promotional methods to communicate with individuals, groups, and organizations. When an organization combines specific methods to manage the integrated marketing communications for a particular product, that combination is known as **the promotional mix**. The four possible elements of a promotional mix are advertising, personal selling, public relations, and sales promotion (see Figure 5-4). Businesses will use all four elements to market some products, but for other products, they will only use two or three of them.

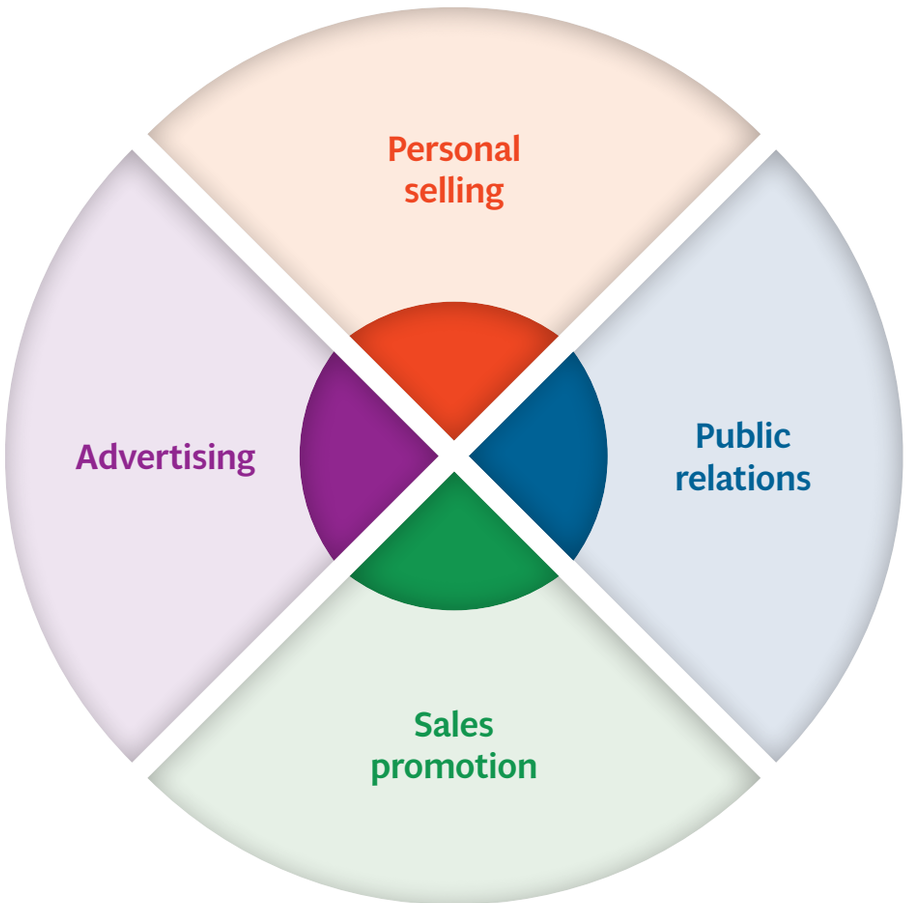


Figure 5-4 The four possible elements of a promotional mix.

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Advertising

Advertising is a form of non-personal communication about an organization and its products which companies pay to transmit to a target audience through mass media, including TV, radio, the Internet, newspapers, magazines, video games, direct mail, outdoor displays, and signs on mass transit vehicles. Individuals and organizations use advertising to promote goods, services, ideas, issues, and people.

Advertising is changing as consumers' mass media consumption habits change. Companies are now trying to maximize the presence and impact of advertising through digital media, for example, by designing digital advertisements to appeal to smaller, more personalized audiences. Advertising can reach an extremely large target audience on a small, precisely defined segment because it is so flexible. There are also several other benefits of using advertising; for example, it is extremely cost-efficient when it reaches a vast number of people at a low cost per person.

Furthermore, advertising a product in a certain way can add to that product's value and the visibility an organization gains from advertising can also enhance its image. For example, incorporating touchable elements that generate positive sensory feedback in print advertising can be a positive persuasive tool. At times, a company might try to enhance its own or its product's image by including celebrity endorsers in advertisements. However, there are downsides to using celebrity endorsers when these endorsers act inappropriately and bring the brand they were endorsing into disrepute by association.

Advertising also has disadvantages. Even though the cost per person reached may be relatively low, the total amount of money that a company needs to spend can be extremely high, especially for commercials during popular TV shows and on popular websites. High costs can limit the use of advertising in a promotional mix and sometimes lead companies to avoid using it at all. Furthermore, advertising rarely provides rapid feedback from consumers and it is difficult to measure its effect on sales. Advertising is generally less persuasive than personal selling.

Personal Selling

Personal selling is a type of personal communication that companies pay for. It aims to inform customers and persuade them to purchase products in an exchange situation. In the context of marketing, the phrase "purchase products" does not only include the exchange of money in return for items, but also the acceptance of ideas and issues. Personal selling is most extensively used in the business-to-business market and also in the business-to-consumer market for high-end products such as homes, cars, electronics, and furniture.

Personal selling has both advantages and limitations in comparison with advertising. Personal selling involves specific communication directed at one or several individuals, whereas advertising is a form of general communication which is aimed at a relatively large target audience. Reaching one person through personal selling costs considerably more than reaching one person through advertising, but personal selling efforts often have a greater impact on customers. Personal selling also provides immediate feedback, which allows marketers to adjust their messages to improve communication with consumers. This type of interaction helps companies to determine and respond to customers' information needs.

Public Relations

A company uses public relations to communicate with customers and stakeholders. **Public relations** is a broad set of communication efforts used to create and maintain positive relationships between an organization and its stakeholders. Maintaining a positive relationship with one or more stakeholders can affect a firm's current sales and profits as well as its long-term survival.

Public relations uses a variety of tools, including annual reports, brochures, event sponsorship, and support for socially responsible programs which protect the environment or help disadvantaged individuals. The goal of public relations is to create and enhance a positive image of an organization. Increasingly,

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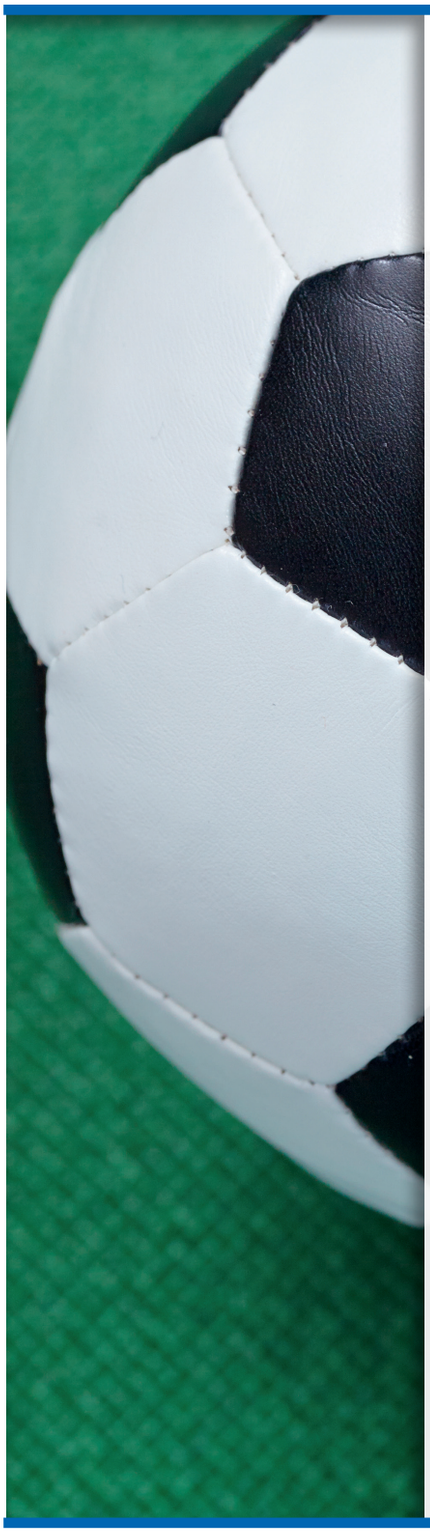
marketers target their public relations efforts directly at consumers by using social media to reach them. Other public relations tools are used to create publicity, which can be defined as nonpersonal communication in the form of a news story about the organization itself or its products, or both, which is transmitted through a mass medium at no charge to the organization. A few examples of publicity-based public relations tools that companies can use for publicity are news releases, press conferences, feature articles, and social media sites.

Identify a local business in your area that uses public relations to create publicity and promote a positive image. What public relations do they use to do this?



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MARKETING SCENARIO

Using sport to build good relationships with the local community

The owner of a hardware store in Makkah wants to create greater awareness of its business as it's in a side street in the town which doesn't receive a lot of foot traffic. The store owner also wants to build good relationships with people in the local community so that when they need any items for their home or garden, they will see visiting the store as a routine part of their daily lives. In particular, the store owner is interested in fostering positive relationships with local families. As a result, he approaches the local football club and asks its owner if they could discuss a possible sponsorship deal, where the owner pays money to the club and the club adds the hardware store's name to the club's jerseys that its young players wear. The deal does increase recognition of the store's name significantly and this translates into more customers visiting the store. In addition, the store distributes a coupon which provides customers with a 15% discount on any purchase to parents and other relatives through the football club. This strategy also encourages more customers to visit the store. The sponsorship deal has a very positive impact on the store's sales volume to the extent that the money spent on sponsorship is offset by income from purchases, and additional revenues are also received in addition to that.

THINK CRITICALLY

1. What was the hardware store owner's aim when he decided to establish a relationship with the local sports club?
2. What two strategies did he use to achieve these aims?
3. What were the outcomes of his efforts?

Sales Promotion

Sales promotion is an activity or material that aims to motivate consumers or resellers to purchase or stock a product by offering them added value or another type of incentive to do so. Examples of sales promotion activities and materials include free samples, games, and coupons. Sales promotion should not be confused with promotion because sales promotion is just one part of the whole area of promotion. Marketers spend more money on sales promotion than on advertising and sales promotion appears to be a faster-growing area than advertising.

Generally, when companies use advertising or personal selling, they do this continuously. However, a marketer's use of sales promotion tends to be less consistent because many products are seasonal. Marketers frequently rely on sales promotion to improve the effectiveness of other promotion elements, especially advertising and personal selling.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. How and why has advertising changed in recent years?
2. Name one disadvantage of using advertising to promote products or services for a business.
3. What is personal selling and what are its objectives?
4. What tools do people involved in public relations use to achieve their aims?
5. Why do marketers usually invest more in sales promotion than in the other elements of the promotional mix?

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5.3.2

Selecting the Elements of the Promotional Mix

Marketers vary the composition of their promotion mixes for many reasons. Although a promotional mix can include all four elements, marketers will often select fewer than four. Many businesses that market multiple product lines use several promotion mixes simultaneously.

Promotional Resources, Objectives, and Policies

The size of an organization's promotional budget affects the number and relative intensity of promotional methods that are included in a promotional mix. If a company's promotional budget is extremely limited, the company is likely to rely on personal selling because it is easier to measure a salesperson's contribution to sales than to measure the sales effectiveness of advertising. Businesses must have significant promotional budgets to use regional or national advertising. Organizations with extensive promotional resources generally include more elements in their promotion mixes. However, just because a company has more money to spend on promotion, that does not necessarily mean that they will use a wider range of promotional methods.

An organization's promotional objectives and policies also influence the types of promotion that it decides to use. If a company's objective is to create mass awareness of a new convenience good, such as a soft drink, its promotional mix will probably lean toward advertising, sales promotion, and possibly public relations. If a company hopes to educate consumers about the features of a durable good, such as a home appliance, its promotional mix may combine a moderate amount of advertising, possibly some sales promotion designed to attract customers to retail stores, and a lot of personal selling because personal selling is an efficient way to inform customers about home appliances.

If a company's objective is to produce immediate sales of non-durable services, the promotional mix will probably focus on advertising and sales promotion. For example, dry cleaners and carpet-cleaning firms are more likely to use advertising with a coupon or discount rather than personal selling.

Characteristics of the Target Market

Size, geographic distribution, and the sociocultural and demographic characteristics of an organization's target market help dictate the methods that it includes in a product's promotional mix. To some degree, market size and diversity will determine the composition of the mix. If the size of a market is limited, the promotional mix will probably use a more targeted form of marketing such as personal selling, which can be very effective for reaching small numbers of people. Due to its low cost, social media is an increasingly effective way of reaching small, niche markets.

Organizations selling to industrial markets and companies that sell their products through a small number of wholesalers frequently make personal selling the major component of their promotion mixes. When a product's market consists of millions of customers, organizations rely on mass marketing through advertising and sales promotion because these methods enable the company to reach large groups at a low cost per person. When the population density is uneven around the country, marketers may use regional advertising to target smaller markets.

The geographic distribution of a firm's customers also affects a company's choice of promotional methods. Personal selling is more feasible if a company's customers are concentrated in a small area than if they are dispersed across a vast region. When a company has numerous customers, and they are geographically dispersed, regional or national advertising may be more practical. The distribution of a target market's demographic characteristics, such as age, income, or education may affect the types of promotional techniques that a marketer selects, as well as the messages and images they use.

What differences could exist between the way marketers promote products to customers in Saudi Arabia who live in urban and rural areas, respectively?



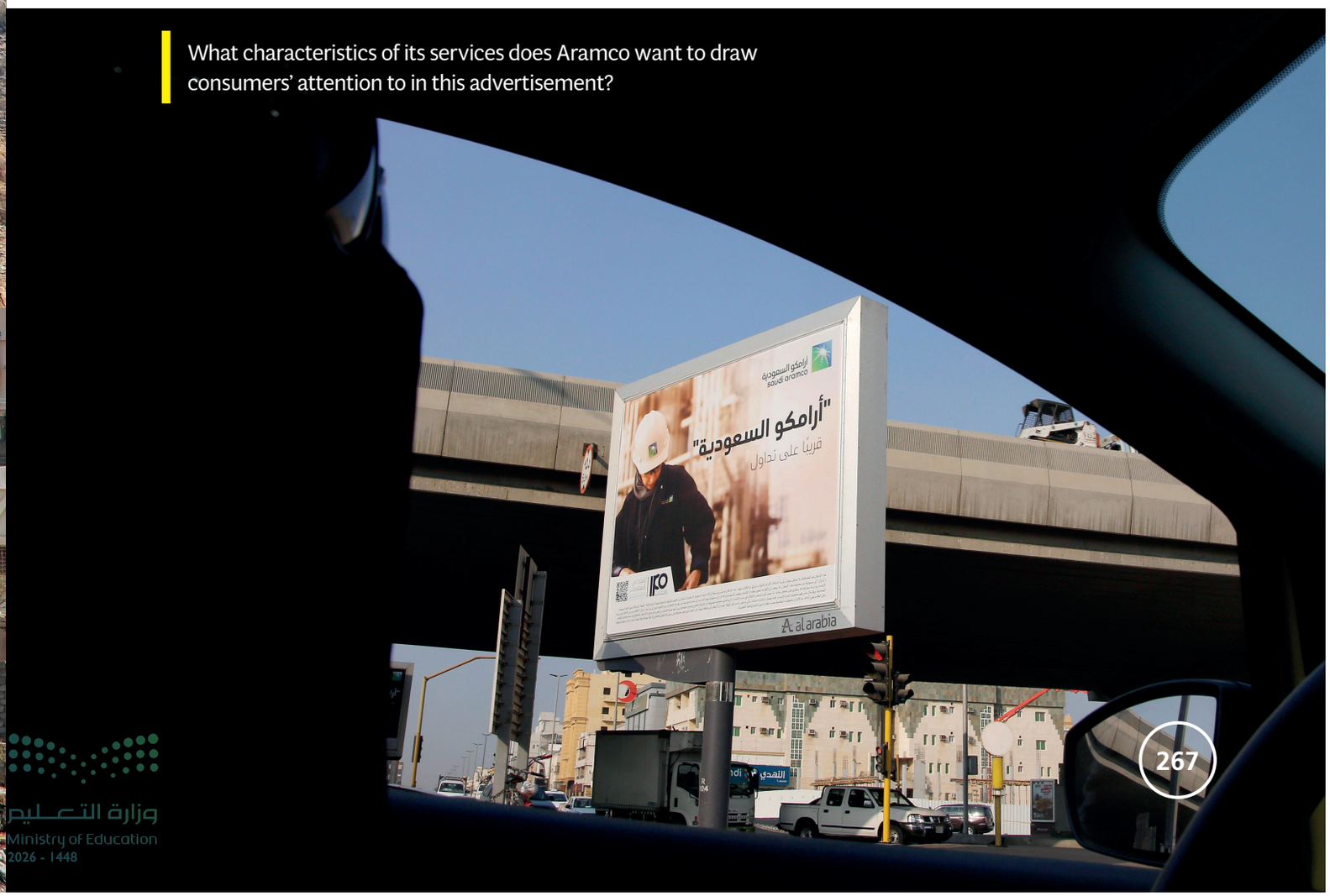
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Characteristics of the Product

Generally, promotion mixes for business products concentrate on personal selling, whereas advertising plays a major role in promoting consumer goods. However, this generalization should be treated cautiously. Marketers of business products also use some advertising to promote products. Advertisements for computers, road-building equipment, and aircrafts are fairly common, and some sales promotion is also used occasionally to promote business products. Personal selling is used extensively for durable consumer products, such as home appliances, automobiles, and houses, whereas consumer convenience items are mainly promoted through advertising and sales promotion. Public relations is used in promotion mixes for both business and consumer products.

A product's price also influences the composition of its promotional mix. High-priced products need personal selling because consumers associate greater risk with the purchase of these

What characteristics of its services does Aramco want to draw consumers' attention to in this advertisement?



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products and they usually want specific and comparative information from a salesperson. For low-priced convenience items, such as detergents and dairy products, marketers use advertising rather than personal selling. When products are marketed through intensive distribution, producers depend strongly on advertising and sales promotion. Many convenience products such as shampoo and coffee are promoted through samples and coupons. When marketers choose selective distribution, a form of distribution that is somewhere between intensive and exclusive, the promotion mixes vary considerably. Items that are sold through exclusive distribution, such as expensive watches, high-end electronics, and high-quality furniture typically require a significant amount of personal selling. A product's use also affects the combination of promotional methods employed to sell it.

Costs and Availability of Promotional Methods

The costs of promotional methods are major factors that a company needs to analyze when it is developing a promotional mix. National advertising and sales promotion can be extremely expensive. However, if these efforts succeed in reaching extremely large audiences, the cost per individual reached may be very small. Some forms of advertising are relatively inexpensive.

Another consideration that marketers explore when formulating a promotional mix is the availability of promotional techniques. A company may find that no available advertising medium can effectively reach a certain target market. The problem of media availability becomes more serious when marketers advertise in foreign countries. Some media, such as TV, may simply not be available, or advertising on TV may be highly regulated.

Push and Pull Channel Policies

Another element that marketers consider when planning a promotional mix is whether to use a push policy or a pull policy. With a **push policy**, the producer promotes the product only

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to the next stage down the marketing channel, for example, to a wholesaler or a retailer. For example, the producer may only promote a product to a wholesaler, and then the wholesaler in turn will promote the product to the retailers that it sells to (see Figure 1-5). Each channel member in turn promotes to the next channel member. A push policy normally places an emphasis on personal selling as each institution in the marketing channel presents the benefits of buying a product to the next institution in the marketing channel. Sometimes sales promotion and advertising are used together with personal selling to push the products down through the channel when a push policy is used.

As Figure 5-5 shows, a company that uses a **pull policy** promotes its products directly to consumers to develop a strong consumer demand for them. It does so primarily through advertising and sales promotion. As consumers are persuaded to seek out the products in retail stores, retailers in turn go to wholesalers or

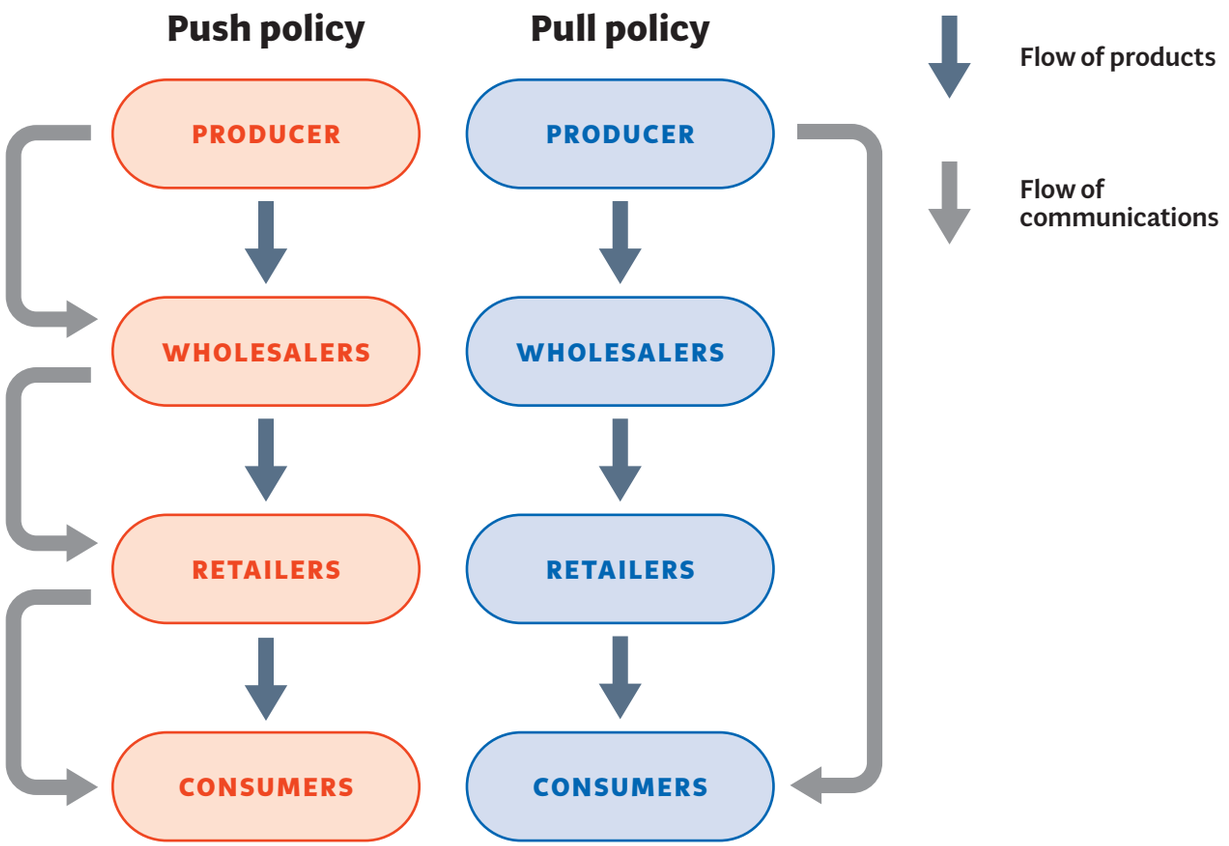


Figure 5-5 A comparison of push and pull promotional strategies.

the producers to buy the products. This policy is intended to pull the goods down through the channel by creating demand at the consumer level. Consumers are told that if the stores do not have the product, they should request that the stores begin carrying it. An example of a pull policy is Apple and the iPhone. Each new iPhone iteration is shown to the public before it is available to buy and this creates demand through word of mouth. Consumers hear about Apple's new offerings and are encouraged to seek out more information about them.

Push and pull policies are not mutually exclusive. At times, an organization will use both types of policies simultaneously.



CHECKPOINT

Discuss your answers to the questions in pairs or groups.

1. What elements of the promotional mix would you select for a business offering at-home care for the elderly? Would one or more elements be more important than others? Explain your answer.
2. Which characteristic(s) of a product or service do you think have the greatest impact on the promotional mix elements selected for it? Explain your answer.
3. What are the differences between a push policy and a pull policy?

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5.3 LESSON ASSESSMENT

What Have You Learned?

1. What are the benefits of online advertising for the businesses that use it? [5.3.1]
2. How is public relations used to respond to negative publicity about a company or its products? [5.3.1]
3. What are the characteristics of products for which personal selling is appropriate? [5.3.1]
4. In what two situations are sales promotions a common tactic? [5.3.2]

Make Academic Connections

1. **Language Arts** Write a one-page account of a fictional person's day. Think about how the person could come into contact with the four types of promotion on this day and how he or she might react to them. Write an essay describing the person's experiences with and reactions to each of the four types of promotion. [5.3.1]
2. **Math** A grocery store usually makes a 10% profit on a box of detergent that sells for SAR 5.00. In an average week, it sells 30 boxes of detergent. The store runs a coupon promotion for 1 SAR off each box. How many boxes does it need to sell per week to break even on the promotion? [5.3.2]

Connect to the Real World



You own a high-end clothing store in a mall. Consider how each type of promotion (public relations, personal selling and sales promotions) might be used to attract customers to your store and produce sales once they are there. Create a chart outlining the various types of promotion you could use and how you could implement each of them in your store. Present the chart to your teacher and explain and discuss the reasons for your decisions. [5.3.2]

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CHAPTER 5 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. You receive many marketing messages during your day-to-day activities. Which message channel is most likely to be effective in reaching you? [5.1.1]
2. Interpersonal communication is more expensive than mass communication for reaching potential customers. Explain why a company would nevertheless prefer interpersonal communication to mass communication to promote its products. [5.1.2]
3. You need a new computer. Would a promotion program that informs or one that persuades be more likely to affect your buying decision? Explain your answer. [5.2.1]
4. What does a persuasive marketing message tell the receiver? [5.2.1]
5. Explain how promotional methods can be used to create and maintain loyalty among both customers and resellers. [5.2.3]
6. You are opening a pizza shop in your neighborhood and do not have much money to spend on promotion. Which promotional method(s) would be your best choice to get the word out about your new business? [5.3.1]
7. You decide to create flyers to help get the word out about a coffee shop that you have opened. What kinds of information would you include in the flyers? [5.3.1]

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DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Cause-related marketing		**a.** The person or people that the message is directed at or any person who understands the message that is sent.
2.	Channel capacity		**b.** A broad set of communication efforts used to create and maintain positive relationships between an organization and its stakeholders.
3.	Communications channel		**c.** A situation where a company promotes its products directly to consumers to develop a strong consumer demand for them.
4.	Customer retention		**d.** A multi-dimensional way to selling products and services to customers that requires a similarly varied approach to the marketing of these products and services.
5.	Decoding		**e.** The limit on the volume of information that each communications channel can handle effectively.
6.	Encoding		**f.** A situation where the producer promotes a product only to the next stage down in the marketing channel, e.g. to a wholesaler or retailer.
7.	New introductory promotion		**g.** A method used by organizations which combines four specific elements to manage the integrated marketing communications for a particular product.
8.	Omnichannel retailing		**h.** A person, group, or organization with a message that it is trying to share with a receiver or an audience.
9.	Primary demand		**i.** A strategy to maintain long-term customer relationships by directing promotional efforts at them instead of trying to acquire new customers.
10.	Public relations		**j.** An activity or material that aims to motivate consumers or resellers to purchase or stock a product by offering them added value or another type of incentive to do so.
11.	Pull policy		**k.** The demand for a product category rather than for a specific brand of product.
12.	Push policy		**l.** When a company tries to build the demand for a specific brand that a company is promoting.

13.	Receiver		**m.** The process of converting the source's idea into a message that the receiver can understand.
14.	Sales promotion		**n.** Promotes programs that help selected groups and links the purchase of products to a company's charitable work or for donations to one or more causes
15.	Selective demand		**o.** The medium of transmission that carries a coded message from the source to the receiver.
16.	Source		**p.** Promotion that informs potential customers about a new product: what it is, what it does, how it can be used, and where it can be purchased.
17.	The promotional mix		**q.** The process by which the receiver interprets the language and symbols that the source is transmitting to them, so they can understand the message.

MARKETING RESEARCH AND PLANNING

1. Select an advertisement from a magazine or newspaper or an online advertisement. Show the advertisement to five people and ask them the following questions:

a. What is its central marketing message?

b. What does it tell you about the company that wanted to communicate these messages?

c. Does it make you want to buy this product or use this service?

d. What other promotions are you aware of from this company?

When you have completed the interview, write a summary of your findings. Do the people agree in their interpretation of the advertisement's meaning? If there are any differences in opinion, speculate as to what might have caused those differences. [5.1.1 & 5.1.2]

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2. A company that sells candy would like to improve its image by starting to do charitable work and creating awareness of this charitable work. It has a significant amount of money available to fund this charitable work. Brainstorm some causes in Saudi Arabia which would be a good fit for this kind of company and think of some suggestions for the ways in which the company could create awareness of their charitable work. Use the Internet to research anything you do not know. Outline your findings and recommendations in a written report. [5.2.2]

3. Choose a national brand in Saudi Arabia and research how it uses advertising, public relations, personal selling, and sales promotion to effectively grow its business. Prepare a report on the specific promotional efforts of the brand and why they have worked for that company. [5.3.1]

4. You encounter many types of promotions each day. For each of the following promotions, make a list of two or three examples. Write a sentence describing each item on each list. [5.3.1]
   - **a.** two or three different types of advertisements
   - **b.** two or three public relations activities related to companies, products, or services
   - **c.** two or three examples of personal selling you have witnessed or know about
   - **d.** two or three promotions in a local store

5. Companies benefit greatly from promotional elements that work together and complement one another. Give specific examples that illustrate how the following promotional elements can work together. [5.3.1]

   a. advertising and public relations

   b. sales promotion and personal selling

   c. advertising and personal selling

6. Go online and look for product sites that have sales promotions related to the products listed in items a–d. Write a half-page summary of the contents of each product site, indicating the address (URL) of the website, the operator of the site, and the kinds of sales promotions offered. Select the one you think is the most effective and explain why. [5.3.1]

   a. boats

   b. organic food

   c. computers

   d. home decor products

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MARKETING MANAGEMENT AND DECISION MAKING

1. Marketing managers need to set promotional objectives for the promotion programs they plan to implement for their company's products or services. They also understand that thoughtful, well-written objectives can help focus and direct a promotional effort. The following list contains several products and services. Develop two promotional objectives that are appropriate for each of these products or services. Consider whether the objectives would be achievable through promotion. You may want to focus on a specific role of promotion (to inform, persuade, or remind). [5.2.1]

a. a theme park or water park

b. a local used car dealer

c. fat-free frozen yogurt

d. a national car rental company

2. A marketing manager oversees the development of the promotional mix based on the objectives that have been set for the promotion program. For each objective you developed in the previous activity, create a promotional mix that describes at least one element from each type of promotion that might be used to help achieve the objectives. [5.3.2]

3. Marketing managers need to evaluate the results of their promotional activities and analyze what worked and what could be improved. This analysis helps them prepare objectives for future promotional programs. Select one of the promotional mixes you developed in the previous activity. Assume that your promotional plan was a success and that your company wants to put even more resources into promotional activities next year. If your plan calls for it, the company is willing to double the money allocated for your promotional efforts. Write a new promotional objective and develop a new promotional mix that will aggressively grow your business. Be prepared to defend and support your decisions. [5.3.2]

4. Promotional displays inform prospective customers about a product, entice them to look at it, and stimulate their buying impulse. The display reflects not only the product being promoted but also the spirit of the sponsoring organization. Some guidelines for creating a display include:

   a. Make sure displays are well-balanced and proportional.
   b. Decide what feelings the display is trying to evoke and choose colors accordingly.
   c. Tailor the design to attract the target audience of the display.
   d. Make sure each item in the display supports its overall theme.

Using poster board, draft two designs for a display promoting a school event. Ask several people for feedback to determine which design is the most appealing. Refine the display that received the strongest feedback. Develop a layout of all the elements you would include in the display. On a chart, outline why each element was included, and how it supports the overall goals of the display. [5.3.2]

MARKETING ASSIGNMENT



You are a horse-riding teacher who has recently moved to a different town in Saudi Arabia. You decide to start your own riding school in this town and you plan how you can promote your business. Make notes on the following points:

a. the potential customers that you want to target with your promotion (i.e. their age, gender, level of experience, interests)

b. how you can create awareness of your business among your target market

c. how you can stimulate demand for your business among your target market

d. how you can encourage people to try your business's services

e. how you can retain customers once you have them.

Use your notes to prepare a presentation of your business's promotional strategy and give the presentation to your teacher. Be prepared to answer questions and explain your decisions. [5.2.3]

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Advertisers use visual messages to communicate information about products or services.



CHAPTER 6

Advertising *and* Public Relations

To succeed businesses need to connect with their target markets. To do this, they can use: advertising and public relations. Advertising is a more tangible form of promotion whereby advertising agencies select the appropriate combination of visual images and text, and transmit these to the consumers through print or digital media. Public relations, on the other hand, tends to be more about managing information that is already available to consumers to give them a particular impression of a business, organization, or person. In this chapter you will learn about different types of advertising, how companies plan and develop advertising campaigns, and look carefully at how public relations works.

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What factors do advertisers consider when deciding what to include in their advertisements?

CHAPTER LESSONS

6.1 The Nature and Types of Advertising

6.2 Developing an Advertising Campaign

6.3 Public Relations

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6.1

The Nature and Types of Advertising

KEY TERMS

- Institutional advertising
- Advocacy advertising
- Product advertising
- Pioneer advertising
- Competitive advertising
- Comparative advertising
- Reminder advertising
- Reinforcement advertising
- Native advertising

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

6.1.1 Explain the nature of advertising.
6.1.2 Describe different types of advertising.

MARKETING MATTERS

Advertising is any paid one-way communication which is delivered through a mass medium, such as television, radio, newspapers, or social media. Companies advertise their products or services to inform consumers about them, persuade consumers to buy them, or remind consumers that they exist. A company often hires an advertising agency to help develop the communication strategy and marketing message, and then to create advertisements that communicate that message. These advertising agencies create a combination of product advertising and brand advertising designed to transmit specific product messages to their audience.



Activate Your Knowledge

1. How much advertising do you come into contact with every day? Which advertising medium is usually the most memorable for you?
2. What does advertising try mostly to do: inform, persuade, or remind? Give reasons or examples to support your answer.
3. What do you think the difference is between "product advertising" and "brand advertising"?



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6.1.1

The Nature of Advertising

Advertising is a paid form of nonpersonal communication that is transmitted to a target audience through mass media, such as television, radio, the Internet, print publications, outdoor displays, and signs. Advertising is one of the most visible areas of marketing and it can have a profound impact on how consumers view products and services. Advertisements even influence how a brand's own sales force sees their company's products. A salesperson's perception of brand advertising influences the extent to which the salesperson identifies with the brand, and this degree of identification has a direct effect on their effort and performance levels.

How do businesses decide where to place the advertising that they create for their products or services?



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Organizations use advertising to reach a variety of audiences ranging from small specific groups, such as parents of newborn babies, to extremely large groups, such as athletic footwear buyers. Advertising can be very dynamic, and technology enhances its ability to communicate with consumers. Due to the ability to collect and analyze data from consumers as information flows from the source of the advertising to them, it is possible to personalize advertising messages to specific segments.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What does advertising have a significant effect on?
2. How does a salesperson's perception of a brand influence their performance at work?
3. What makes it possible for advertisers to personalize advertising messages for different target markets?

6.1.2

Different Types of Advertising

Advertising is used to promote goods, services, ideas, images, issues, people, and anything else that advertisers want to publicize or encourage people to do. Depending on what is being promoted, advertising can be classified as institutional advertising or product advertising. **Institutional advertising** promotes organizational images, ideas, and political issues, and it may deal with broad image issues, such as organizational strengths or the friendliness of employees. This type of advertising may also try to create a more favorable view of the business in the eyes of groups that are not its customers, such as shareholders, consumer advocacy groups, potential shareholders, or the general public. For example, a bank may use institutional advertising to promote its

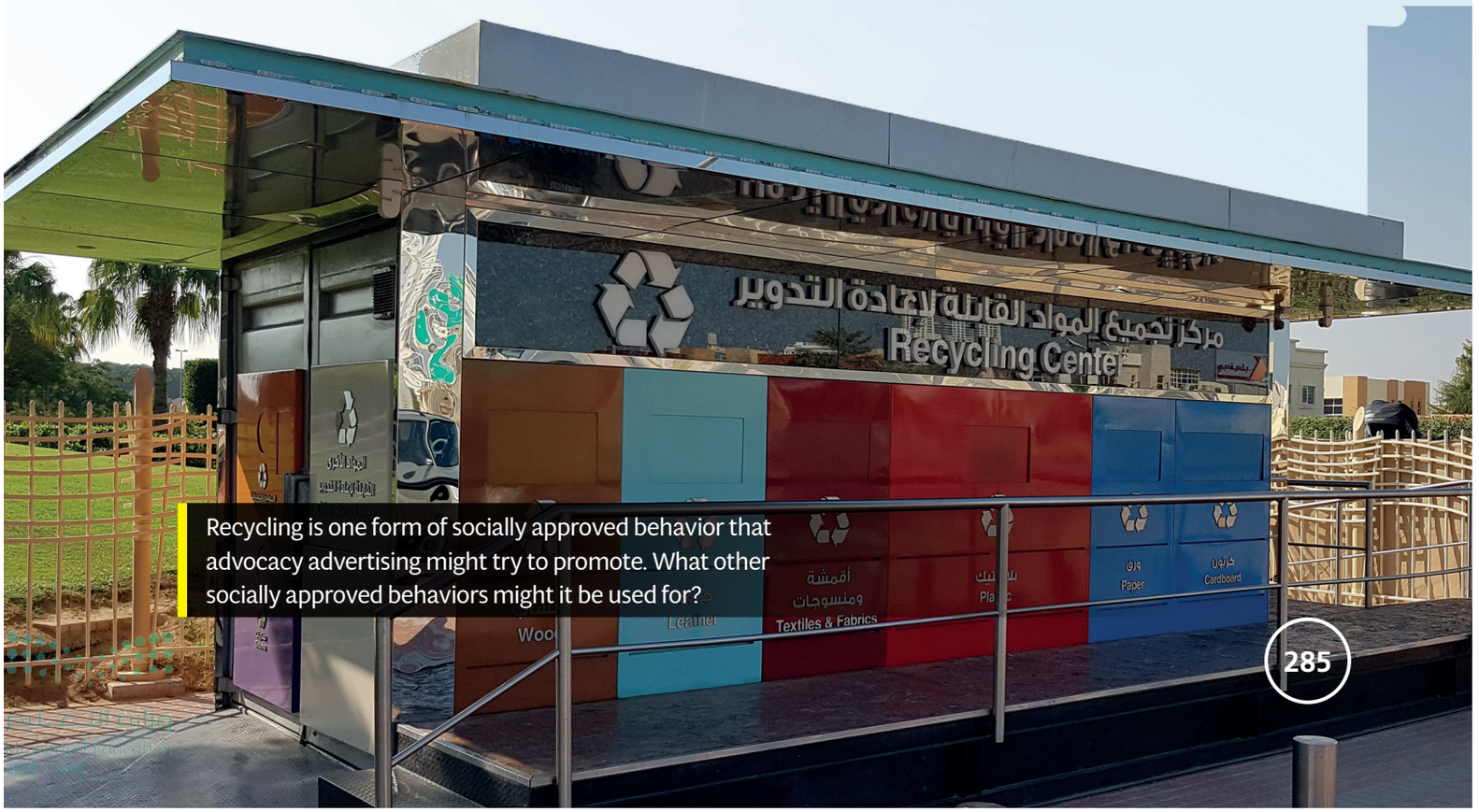
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image of being a bank whose services customers can access at any time and from any place by using online banking. Institutional advertising can try to proactively create a favorable view of the organization being advertised or the industry that it belongs to. Alternatively, it may be reactive, in that it responds to something that may negatively impact an organization's reputation.

When a company promotes its position on a public issue, for example, sustainability, regulations, or international trade coalitions—institutional advertising is referred to as **advocacy advertising**. This type of advertising is used to promote socially approved behavior, and not only has social benefits, but also helps to build an organization's image.

Product advertising, on the other hand, promotes the uses, features, and benefits of products. Advertising that focuses on a product before it is available tends to make people think about the product more and evaluate it more positively. There are two types of product advertising: pioneer and competitive. **Pioneer advertising** focuses on stimulating demand for a product category (rather than a specific brand) by informing potential customers about the product's features, uses, and benefits. It is also employed when the product is in the introductory stage of the product life cycle.



Recycling is one form of socially approved behavior that advocacy advertising might try to promote. What other socially approved behaviors might it be used for?

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MARKETING SCENARIO

Helping Saudis to Become Electric Vehicle Pioneers

A Saudi Arabian electric vehicle manufacturer is planning to introduce a new upgrade for its vehicles in the Kingdom. This upgrade involves the introduction of more sophisticated technology and a camera package which will enable the cars to perform tasks that automobiles usually cannot do, such as preventing drivers from being in accidents, steering the vehicle, changing lanes, adjusting speed, and parking.

Although the upgrade would clearly bring advantages to drivers of the company's new vehicles, the manufacturer needed to educate its target consumers about how this new technology works and its benefits so they could imagine themselves using it and understand how that could benefit them. Otherwise, consumers might think that they will not be safe while driving the vehicles or not see the point in spending a large amount of money to enjoy the benefits of the technology. The manufacturer, therefore, needed to use pioneer advertising which focuses on informing target consumers about how the new technology works in order to stimulate demand for it.

THINK CRITICALLY

1. How will the vehicles with the new upgrade be superior to the vehicle manufacturers' previous models?
2. Why did the manufacturer need to educate consumers in its target market about their products. What would have happened if they hadn't done this?
3. What type of advertising did the company use to promote its new vehicles?

Competitive advertising aims to stimulate demand for a specific brand by promoting its features, uses, and advantages through indirect or direct comparisons with competing brands. For example, a chain of gyms might use competitive advertising to position its brand.

The type and intensity of the competitive environment that a business is operating in will determine the most effective approach to advertising for that business. To make direct product comparisons, marketers use a form of competitive advertising called **comparative advertising**, whereby a comparison is made between the brand that has commissioned this advertising and one or more other competing brands, on the basis of one or more product characteristics. Often, the brands that are promoted through comparative advertisements have low market shares themselves, and they are compared with competitors that have the highest market shares in the product category. Product categories that commonly use comparative advertising include soft drinks, toothpaste, pain relievers, foods, tires, automobiles, and detergents.

Other forms of competitive advertising include reminder advertising and reinforcement advertising. **Reminder advertising** tells customers that an established brand is still around and still offers certain characteristics, uses, and advantages. A company that sells dates in Saudi Arabia might wish to remind consumers of a forthcoming dates festival in the kingdom and partner with the festival organizers to promote this festival in their advertising. This partnership will serve to remind consumers of the popularity of dates and, as a result, remind people to buy them. **Reinforcement advertising**, on the other hand, assures current users that they have made the right brand choice, and tells them how to get the most satisfaction from that brand. Insurance companies, for example, encourage potential new customers to spend 15 minutes on the phone getting an insurance quote because this will save them 15% or more on their policy. Value propositions can provide reinforcement to consumers that they are making a good decision as a new or current customer.

One growing trend among marketers has been the use of **native advertising**. In this context, the word "native" refers to the fact that this form of advertising is meant to resemble the other content on the platform that it appears in. For example, a company could pay a newspaper to run an article which describes the benefits of using its products which looks identical or very similar to the other articles on the newspaper's website which are about news stories. Native advertising is believed to be responsible for improved brand perception, awareness, and engagement compared with standard banner ads. Native digital advertising accounts for nearly 65% of all digital display advertising spending. In a world inundated with advertisements, native advertising offers marketers the opportunity to reach consumers in new and innovative ways. It also increases advertising revenue for the sites that host it. However, native advertising is potentially misleading for consumers if they do not realize that a video or post they are viewing is sponsored by an organization. This can lead to consumers feeling deceived when they realize that an article or video was sponsored content. To avoid this feeling of deception, and possible legal repercussions, brands should clearly identify sponsored content on digital media sites.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are usually the aims of institutional advertising?
2. In what situation is institutional advertising referred to as advocacy advertising?
3. What does pioneer advertising focus on doing?
4. How does competitive advertising promote a product, service, or brand?
5. What is the difference between reminder advertising and reinforcement advertising?
6. What are the benefits of native advertising considered to be?

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6.1 LESSON ASSESSMENT

What Have You Learned?

1. What enables advertisers to personalize advertising messages to specific segments? [6.1.1]
2. What is comparative advertising and for which types of products is it typically used? [6.1.2]

Make Academic Connections

1. **Writing** Carry a notebook with you throughout your day. Write down the different types of advertising that you encounter. Make a note of how they make you feel and any associations you might have with them. Write a one-page summary. [6.1.2]
2. **Communication** Choose an advertisement you have seen or heard today. Decide what the target market for the advertisement is and its main message. Give reasons and evidence to justify your decisions. [6.1.2]

Connect to the Real World



You work for an advertising agency. Your agency has been given a new assignment: to create advertising for a new type of chips called Crunchy Fries, which are already selling well in other countries and will shortly be introduced to Saudi Arabia. Develop a two-minute presentation on your plans for the advertising which includes your objectives, how much budget you think the company would have available, who the target market for the chips would be, and what creative strategy you could use to reach these consumers. Give your presentation to the class.

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6.2

Planning and executing an Advertising Campaign

KEY TERMS

Advertising campaign
Advertising plan
Target audience
The premise of an advertising campaign
Advertising appropriation
Media plan
Advertising message
Copy
Artwork

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

6.2.1 Summarize the eight major steps in developing an advertising campaign.

6.2.2 Describe how to create an advertising message.

6.2.3 Explain how to evaluate the effectiveness of an advertising campaign.

MARKETING MATTERS

After the advertising plan has been created, the budget set, and the creative strategy developed, the creative team prepares the strategic brief, which guides the development of the creative concept. The creative concept for advertising utilizes several common formats, all of which have the objective of making the advertising campaign stand out among the noise of other advertising messages, and delivering its messages to consumers in a memorable way. Once the company that commissioned the advertising campaign from the advertising agency has approved its creative concept, the campaign is executed. However, this is not the end of the process. A number of research concepts are then used to gauge the effectiveness of the campaign. Several different review boards and other individuals also oversee advertising campaigns that are implemented to help ensure they are fair, honest, and not deceptive or harmful to the public.

Activate Your Knowledge



1. What do you think the first and final steps in the process of developing an advertising campaign could be? Which steps could come between these two?
2. What factors do you think businesses or advertising agencies take into consideration when they are evaluating the effectiveness of an advertising campaign? What types of data do you think they might collect and analyze to do this? Explain your answers.

6.2.1

Creating an Advertising Plan

An **advertising campaign** is a series of related advertisements with a similar look, feel, and theme that centers on a specific product, service, or brand. An **advertising plan** is a document that outlines the activities that need to be completed and the resources that need to be used to create an advertising campaign. It specifies objectives and a budget, and includes the basis for creating and evaluating the advertising strategy and creative strategy. An advertising plan may be a plan for a single advertisement, but it is more often written for a whole advertising campaign. As advertising involves large sums of money, advertisers follow a specific process to create the advertising plan and develop the most effective, cost-efficient campaign. There are eight steps involved in the process of developing an advertising campaign (See Figure 6-1).

In this section, the focus will be on steps 1–5, which is the part of the process where the advertising campaign is planned.



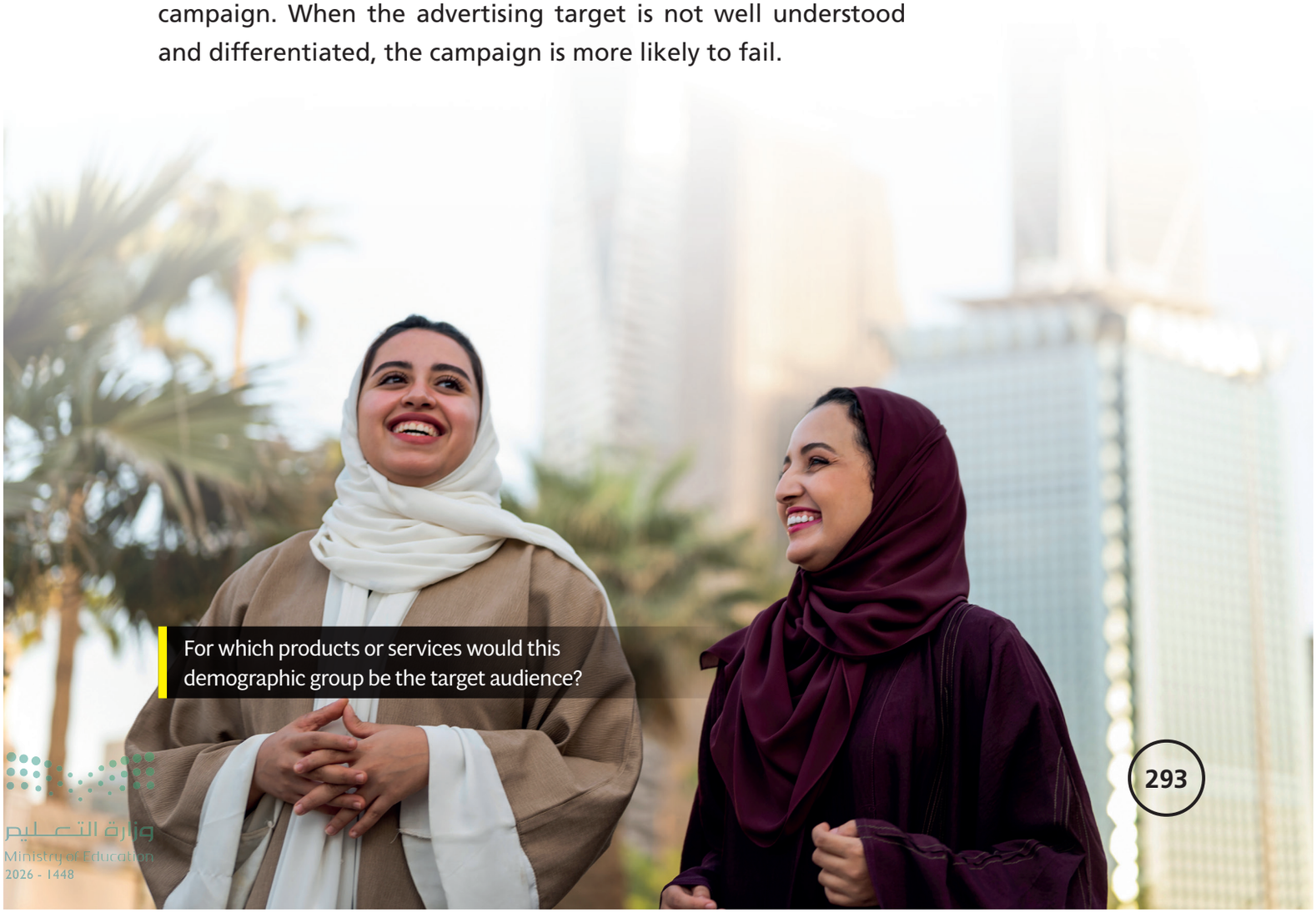
Figure 6-1 The eight possible steps in the planning and implementation of an advertising campaign.

1. Identify and Analyze the Target Audience

The **target audience** is the group of people that advertisements are aimed at. This target audience may include everyone in the company's target market, for example, all males or all females;

or it may only include a specific portion of this target market, for example, males or females in a specific age group. Identifying and analyzing the target audience for the advertising campaign are critical processes because the information collected during this process helps determine other steps in developing the campaign.

Advertisers research and analyze the target audience to establish an information base for a campaign. They usually focus on data such as the location and geographic distribution of the target group; the distribution of demographic factors, such as age, income, gender, education, and lifestyle information; consumer attitudes regarding purchases; and use of both the advertiser's products and competing products. The exact kinds of information an organization finds useful will depend on the type of product being advertised, the characteristics of the target audience, and the type and amount of competition. The goal of advertisers is to create a campaign that will resonate with the target market. Generally, the more an advertiser knows about the target audience, the more likely the firm is able to develop an effective advertising campaign. When the advertising target is not well understood and differentiated, the campaign is more likely to fail.



For which products or services would this demographic group be the target audience?

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2. Define the Advertising Objectives

The advertiser's next step is to determine what the business hopes to achieve with the campaign. As advertising objectives guide the development of the campaign, advertisers need to define their objectives carefully. These objectives, therefore, should be stated clearly, precisely, and in measurable terms. Precision and measurability can be provided by including benchmarks in the advertising objectives, and indications about what exactly the advertiser wants to achieve, and within which timeframe. If the objective is to increase sales, for example, the current sales level can be used as a benchmark for this, and advertisers can then state the percentage increase in sales that they want to achieve and by when.

Even though an advertiser's long-term goal might be to increase sales, not all campaigns are designed to produce immediate sales. Some campaigns aim to increase product or brand awareness, make consumer attitudes more favorable, heighten consumer knowledge of product features, or create awareness of positive, healthy consumer behavior, such as a healthy lifestyle and diet. If the goal is to increase product awareness, the objectives are stated in terms of communication. A specific communication objective might be to increase new product awareness, such as knowing that a supermarket offers 1 reward point for every 1 SAR that a customer spends there.

3. Create the Premise of the Advertising Campaign

The **premise of an advertising campaign** consists of the basic issues or selling points that an advertiser wishes to include in the advertising campaign. It is the base on which the advertising message is built. For example, a chain of cafés may advertise all-day breakfasts as part of its advertising platform. A single advertisement in an advertising campaign may contain one or several issues from the platform. Although the premise sets out the basic issues, it does not indicate how to present them.

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A premise of an advertising campaign should consist of issues that are important to customers. One of the best ways to determine those issues is to survey customers about what they consider most important in the selection and use of the product or service involved. Although research is the most effective method for determining what issues to include in an advertising campaign premise, customer research can be expensive. Often an analysis of competitors and the market can expose attractive selling features just as effectively. Regardless of how data is collected and analyzed, it is crucial to ensure that the message of the advertising campaign premise is one that consumers see as being useful because this will build greater trust in the brand. Campaigns will ultimately fail if the advertisements communicate information that consumers do not deem important to them during the process of selecting and using the product.



What specific questions do you think marketers might ask when they want to find out what issues are important to consumers?

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Marketing Communication



Digital Media Redefines Advertising Roles

Consumers are bombarded by advertising messages every day so advertisers must look for creative ways to reach customers. This drive to find new and innovative ways to reach consumers has changed the way in which marketers and advertisers work. Copywriters and art directors at an advertising agency once spent their entire careers on creating print and television advertisements. Now they also use online and viral marketing tactics.

High-profile advertising agencies try to reach consumers in new and innovative ways. These agencies require their creative departments to think outside the box of traditional advertising. In addition to creating print and television ads, they create websites, viral web-based ads, competitions, events, stunts, and even video games. At advertising agencies all over the world, traditional roles are becoming less defined, and everyone is being asked to think creatively to help clients.

Think Critically

1. Why is it important for advertisers to be able to think beyond traditional media?
2. If you were in charge of staffing at an advertising agency, what characteristics would you look for in candidates for a vacancy in the creative department?

4. Determine the Advertising Appropriation

The **advertising appropriation** is the total amount of money a marketer allocates for advertising for a specific time period. Many factors affect a company's decision about how much money to set apart for advertising. The geographic size of the market and the distribution of buyers within the market have a great influence on this decision. Both the type of product advertised and the business's sales volume compared to its competitors' sales volumes also play roles in determining what proportion of revenue a company decides to spend on advertising. Advertising appropriations for business products are usually quite small

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relative to product sales, whereas consumer convenience items, such as cosmetics, generally have large advertising expenditures relative to sales.

5. Develop the Media Plan

To obtain maximum results from the money they spend on advertising media, marketers must develop effective media plans. A **media plan** outlines the exact media vehicles that the advertisers will use (specific magazines, television stations, social media, newspapers, etc.) and the dates and times the advertisements will appear. The plan determines how many people in the target audience will be exposed to the message and, to some extent, the effects of the message on those specific target markets. Media planning is a complex task requiring thorough analysis of the target audience and the choices that they make about which media to use. Sophisticated computer models have been developed to attempt to maximize the effectiveness of media plans, such as AI and predictive analytics.

To formulate a media plan, the planners select the media for the campaign and prepare a time schedule for each medium. The media planner's primary goal is to reach the largest number of people in the advertising target that the budget will allow. A secondary goal is to achieve the appropriate message reach and frequency for the target audience while staying within budget. Reach refers to the percentage of consumers in the target audience actually exposed to a particular advertisement in a stated period. Frequency is the number of times these targeted consumers are exposed to the advertisement.

Media planners assess different formats and approaches to determine which will be the most effective. Some media plans are highly focused and use just one medium. Others can be quite complex and dynamic. Media planners take many factors into account when devising a media plan, such as the location and demographic characteristics of consumers in the target audience, and the sizes and types of audience that specific types of media can reach.

Factors Affecting Media Selection

The content of the message that advertisers want to communicate sometimes affects their media choice. Print media can be used more effectively than broadcast media to present complex issues or numerous details in single advertisements. If an advertiser wants to promote beautiful colors, patterns, or textures, media offering high-quality color reproduction, such as magazines or television, should be used instead of newspapers. For example, food can be effectively promoted in full-color magazine advertisements but far less effectively in black-and-white media. The cost of media is, of course, also an important consideration. Advertisers try to obtain the best coverage possible for the money they spend. However, there is no accurate way to compare the cost and impact of a television commercial with the cost and impact of a newspaper advertisement.

Media are selected by weighing the various advantages and disadvantages of each. Like media selection decisions, media scheduling decisions are affected by numerous factors, such as target audience characteristics, product attributes, product seasonality, customer media behavior, and size of the advertising budget. There are three general types of media schedules: continuous, flighting, and pulsing. When a continuous schedule is used, advertising runs at a constant level with little variation throughout the campaign period. With a flighting schedule, advertisements run for set periods of time, alternating with periods in which no ads run. A pulsing schedule combines continuous and flighting schedules. During the entire campaign, a certain portion of advertising runs continuously, but during specific time periods of the campaign, additional advertising is used to intensify the level of communication with the target audience.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. Why is it so important for advertisers to correctly identify the target audience for an advertising campaign?
2. Name at least two aims that an advertising campaign might have.
3. How would you define "the premise of an advertising campaign"?
4. Describe one method that a company might use to determine how many resources to allocate for an advertising campaign?
5. What is the most important objective of media planning?

6.2.2

Create the Advertising Message and Execute the Campaign

Once the advertising campaign has been planned, advertisers can focus on creating the advertising message for the campaign and then implementing the campaign. These are usually steps six and seven in the process of developing an advertising campaign.

6. Create the Advertising Message

An **advertising message** can be defined as the information about a product, service, organization, person, or cause that an advertisement has been designed to communicate to consumers. The basic content and form of an advertising message are determined by several factors. A product's features, uses, and benefits affect the content of the message. The intensity of the

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advertising can also have an impact. For example, push advertising on digital devices refers to advertising that is not requested by the user. While push advertising might alienate some consumers, younger consumers are more accepting of push advertising if they trust the source, they have given their permission to view it, and the messages are relevant or entertaining.

Advertising that pushes too hard to the point that consumers feel uncomfortable may cause consumers to consider the product negatively. Due to the increase in digital technology, the cost of advertising is decreasing and it is becoming more frequent in places such as mobile games and social media. As advertising becomes more embedded in our lives, advertisers must try not to offend or irritate consumers by making the advertising too prevalent, obvious, or invasive.

The characteristics of the people in the target audience, such as their gender, age, education, race, income, occupation, lifestyle,

How do you feel about having your experience of playing a game, watching a video, or reading content on a website interrupted by push advertising?



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life stage, and other attributes influence both the content and form of advertising designed to appeal to them. Advertisers, therefore, need to consider these when they are developing advertising messages for them. The choice of media used for the advertising also influences the content and form of the message. For example, outdoor displays and short broadcast spot announcements require concise, simple messages. Magazine and newspaper advertisements can include considerable detail and long explanations. As several kinds of media offer geographic selectivity, a precise message can be tailored to a particular geographic section of the target audience. Some magazine publishers produce regional issues where different advertisements and editorial content appear in editions for different geographic areas. A company may also choose to advertise in only one region. Such geographic selectivity enables a company to use the same message in different regions at different times.

Copy

Copy is the verbal or written portion of an advertisement and may include headlines, subheadings, body copy, and a signature, although not all advertising contains all of these copy elements. Even handwritten notes on direct-mail advertising that say "Try this. It works!" seem to increase requests for free samples. The headline is critical because often it is the only part of the copy that people read. It should attract readers' attention and create enough interest to make them want to read the body copy or visit the website. The subheading, if there is one, links the headline to the body copy and sometimes serves to explain the headline.

The body copy for most advertisements consists of an introductory statement or paragraph, several explanatory paragraphs, and a closing paragraph. Some copywriters have adopted the following guidelines for developing body copy systematically:

1. Identify a specific desire or problem.
2. Recommend the product as the best way to satisfy that desire or solve that problem.

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3. State product benefits and indicate why the product is best for the buyer's particular situation.
4. Substantiate advertising claims.
5. Ask the buyer to take action.

When substantiating claims, it is important to present the substantiation, which is the proof for a claim, in a credible manner. The proof of claims should help strengthen both the image of the product and company integrity. A shortcut explanation of what a lot of advertising is designed to accomplish is the AIDA model. Advertising should create awareness (A), produce interest (I), create desire (D), and ultimately result in an action in the form of a purchase (A). Typeface selection can also help advertisers create a desired impression if they choose fonts that are engaging, reassuring, or very prominent.

The signature used in copy identifies the business that has commissioned the advertisement. It may contain several elements, including the company's trademark, logo, name, and address. This signature should be attractive, legible, distinctive, and easy to identify in a variety of sizes. Copy for radio advertising should be informal and conversational to attract listeners' attention. Radio messages should also consist of short, familiar terms, which increase their impact. The length of the message should not require a rate of speech which exceeds approximately 2.5 words per second.

In television copy, the audio material must not overpower the visual material and vice versa. However, a television message should make optimal use of its visual portion, which can be very effective for product use, applications, and demonstrations. Copy for a television commercial is sometimes initially written in parallel script form where video imagery is described in the left column and the audio content in the right. When the parallel script is approved, the copywriter and artist combine copy with visual material by using a storyboard, which depicts a series of miniature television screens showing the sequence of major scenes in the commercial. Beneath each screen is a description of

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MARKETING SCENARIO

Why Would a Company Tell People Not to Buy Its Products?

A Saudi Arabian company that sells outdoor apparel has decided to take the unusual tactic of telling possible customers not to buy their clothes. It uses slogans that communicate this message in its advertising campaigns. However, when people who view the advertisements read their copy, they discover the reason for these strange commands. The copy explains that even though the company uses sustainable approaches in the manufacturing of its clothes, such as using recycled materials, the product processes nonetheless have a negative impact on the environment. As buying more clothes than you actually need generates waste, encouraging consumers to purchase fewer items demonstrates the company's commitment to protecting the environment. Consequently, when Saudi consumers do feel that they need a new item of clothing, and they are shopping for this item either at the mall or online, they are likely to consider or possibly prioritize products from this company if concerns about the environment are also important to them. The company doesn't only tell people to buy fewer clothes as a means of reducing the impact on the environment, but it has also moved to using recycled or renewable materials in around 60% of its clothing. The company also encourages customers to return worn-out merchandise which they no longer want to wear to the company so that it can recycle them.

THINK CRITICALLY

1. What message and information is this Saudi Arabian company communicating to customers in its advertising?
2. What effect are these advertising messages likely to have on consumers? Why?
3. How does the company reinforce the messages in its advertising with its actions?



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the audio portion to be used with that video segment. Technical personnel use the storyboard as a blueprint when producing the commercial.

Artwork

Artwork consists of an advertisement's illustrations and layout. Illustrations are often photographs but they can also be drawings, graphs, charts, and tables. Illustrations are used to draw attention, encourage audiences to read or listen to the copy, communicate an idea quickly, or convey ideas that are difficult to express, and they can be more important in capturing attention than text or brand elements, regardless of their size. Consumers also tend to recall the visual portions of advertisements better than the verbal portions. Advertisers use a variety of illustration techniques. They may show the product alone, in a setting, or in use, or show the results of the product's use.

7. Execute the Advertising Campaign

The execution of an advertising campaign requires extensive planning and coordination because many different tasks must be completed on time and several people and firms are involved. Production companies, research organizations, media firms, printers, and commercial artists are just a few of the people and businesses that contribute to a campaign. Implementation requires detailed schedules to ensure that various phases of the work are completed on time. Advertising management staff must evaluate the quality of the work being done and take corrective action when they feel that it is not up to the standard they expect. In some instances, changes are made during the campaign so that it will be able to meet its objectives. For example, an auto company focusing on fuel efficiency may need to gather more information about the competition in order to achieve its objectives for an advertising campaign.

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CHECKPOINT

Write the answers to the questions in your notebooks.

1. What factors determine the nature of the advertising message used for an advertising campaign?
2. What can happen if advertisers push their advertising too hard? Use the information in this chapter and your own ideas and experiences.
3. What factors do advertisers need to consider when they are creating copy for different types of media?
4. What is the meaning of "to substantiate a claim" in the context of advertising and how can advertisers do this effectively?

6.2.3

Evaluate the Effectiveness of an Advertising Campaign

Evaluating the effectiveness of an advertising campaign is typically the eighth and final step in the process of developing an advertising campaign. A variety of ways exist to do this, and they include measuring the achievement of advertising objectives; assessing the effectiveness of copy, illustrations, or layouts; and evaluating statistics from the types of media used. Advertising can also be evaluated before, during, and after the campaign.

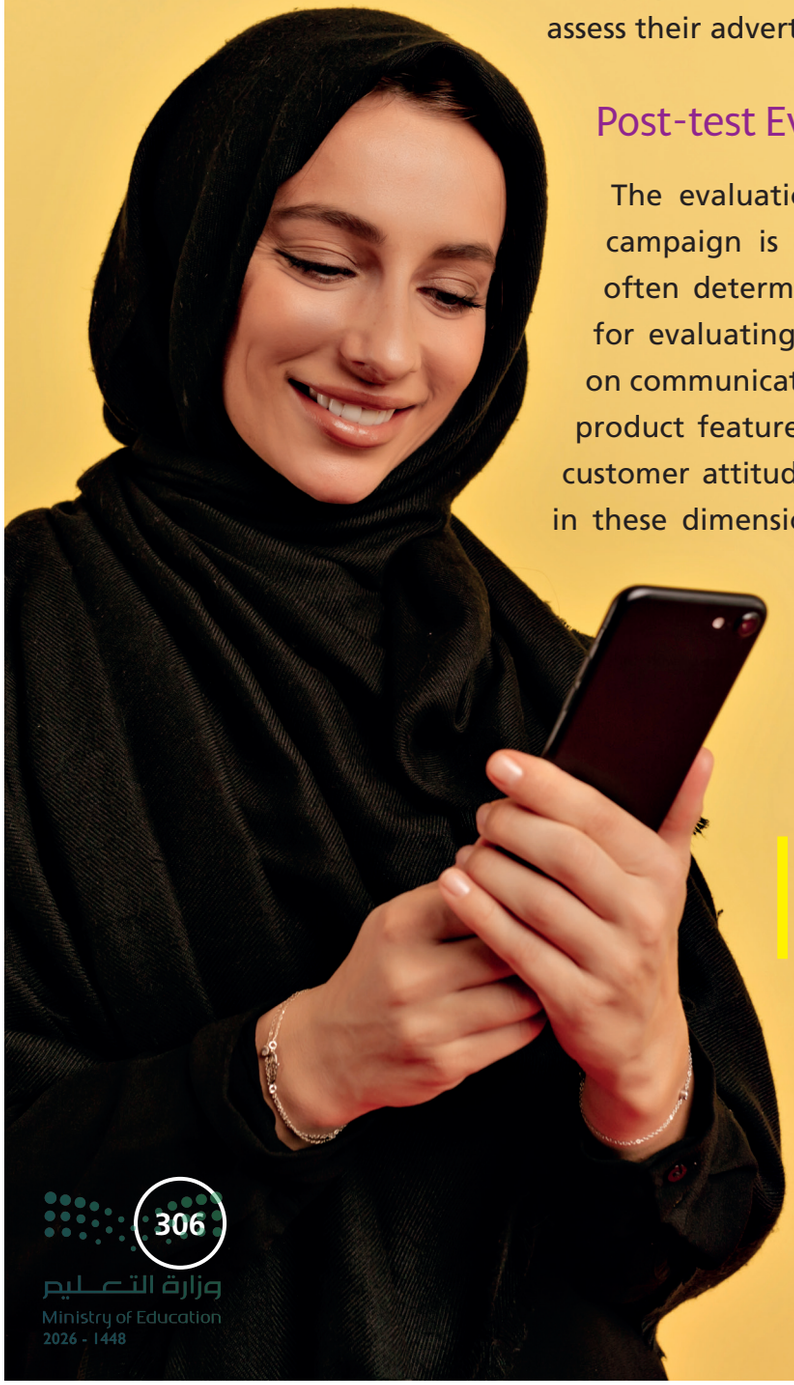
Pre-test Evaluation and Evaluation During a Campaign

An evaluation performed before the campaign begins is called a pre-test and it usually tries to evaluate the effectiveness of one or more elements of the message. To pre-test advertisements, marketers sometimes use a consumer jury, which is a panel of

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existing or potential buyers of the advertised product. Jurors judge one or several dimensions of two or more advertisements. Such tests are based on the belief that consumers are more likely than advertising experts to know what influences them. To measure advertising effectiveness during a campaign, marketers usually rely on "inquiries" or responses. In a campaign's initial stages, an advertiser may use several advertisements simultaneously, each containing a coupon, form, QR code, social media site, or website through which potential customers can request information. The advertiser records the number of inquiries or responses returned from each type of advertisement. Companies can also pay for the assistance of marketing research firms to assess their advertisements.



Post-test Evaluation

The evaluation of advertising effectiveness after the campaign is called a post-test. Advertising objectives often determine what kind of post-test is appropriate for evaluating the campaign. If the objective's focus is on communication, for example, to increase awareness of product features or brands, or to create more favorable customer attitudes, the post-test should measure changes in these dimensions. Advertisers sometimes use consumer surveys or experiments to evaluate a campaign based on communication objectives. However, these methods are expensive. In post-tests, generalizations can

How often do you or would you respond to surveys from companies you have made purchases from to find out how satisfied you were?

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be made about why advertising is failing or why media vehicles are not delivering the desired results.

Defining Success

If an advertising campaign's objectives were stated in terms of generating a certain amount of or certain increase in sales, advertisers need to determine the change in sales or market share attributable to the campaign to determine how successful it has been. However, changes in sales or market share brought about by advertising cannot be measured precisely, as many factors independent of advertisements affect a company's sales and market share. These factors include competitors' actions, regulatory actions, and changes in consumer preferences, weather, and economic conditions. By using data about past and current sales and advertising expenditures, advertisers can make gross estimates of the effects of a campaign on sales or market share. As it is difficult to determine the direct effects of advertising on sales, many advertisers evaluate print advertisements according to how well consumers can remember them.

Post-test methods based on memory include recognition and recall tests. Such tests are usually performed by research organizations through surveys. In a recognition test, respondents are shown the actual advertisement and asked whether they recognize it. If they do, the interviewer asks additional questions to determine how much of the advertisement each respondent read. When recall is evaluated, respondents are not shown the actual advertisement but instead are asked about what they have seen or heard recently. For Internet advertising, research suggests that the longer a person is exposed to a website containing a banner advertisement, the more likely he or she is to recall the ad.

Consumer Recall

Recall is the ability to remember information you have encountered in the past and it can be measured through either unaided or aided recall methods. In an unaided recall test, respondents

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identify advertisements they have seen recently but are not shown any clues to help them remember these. A similar procedure is used with an aided recall test, but respondents are shown a list of products, brands, company names, or trademarks to jog their memories. Many successful marketers have worked with advertising agencies to create catchy jingles to help consumers recall ads that are broadcast on television, radio, or in video form online.

However, recalling an advertisement does not necessarily lead to buying the product or brand advertised. Researchers, therefore, also use a sophisticated technique called single-source data to help evaluate advertisements. With this technique, individuals' behaviors are tracked from television sets to checkout counters. Monitors are placed in preselected homes, and microcomputers record when the television set is on and which station is being viewed. At the supermarket checkout, the individual in the sample household presents an identification card. Checkers then record the purchases by scanner and data is sent to the research facility. Some single-source data companies provide sample households with scanning equipment for use at home to record purchases after returning from shopping trips. Single-source data supplies information that links exposure to advertisements with purchase behavior.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. At which points in an advertising campaign do advertisers collect and analyze data about the effectiveness of the campaign?
2. Why is it difficult to evaluate the impact of an advertising campaign precisely?
3. What does the technique known as single-source data help advertisers to collect data about and how does it work?

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6.2 LESSON ASSESSMENT

What Have You Learned?

1. When they select media to use in an advertising campaign, what is the media planner's goal? [6.2.1]
2. What is the usual relationship between the intensity with which advertising is targeted at consumers and the consumers' response to it? [6.2.2]
3. What are the potential issues with post-test methods based on memory and is there anything advertisers can do to overcome these? [6.2.3]

Make Academic Connections

1. **Technology** Go online and find information about the online tools and software that companies could use when they are planning an advertising campaign, including setting the budget, and developing a media plan. Identify two examples of tools or software that you find particularly useful and present them to the class. [6.2.1]
2. **Research** Choose an advertising campaign that you particularly like. Go online to find out more about the company and advertising agency responsible for the campaign. Write a one-page report about the campaign. In your report, identify the brand, or company being advertised, and the type of media used. Also explain why you like the advertising campaign. [6.2.1]

Connect to the Real World



Select a product and create an advertising campaign for it. Write a strategy that outlines your target audience and main advertising message. Then, create advertisements in at least three different media for the product. If you can, make video or audio recordings for the advertisements, and draw or create any print or outdoor advertisements on a computer. Present your campaign to your class. [6.2.1 & 6.2.2]

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Link to digital lesson

www.ien.edu.sa

6.3

Public Relations

KEY TERMS

Publicity
Press release
Feature article
Captioned photo
Press conference

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

6.3.1 Explain what public relations involves.
6.3.2 Describe the tools of public relations.
6.3.3 Evaluate the effectiveness of public relations.

MARKETING MATTERS

The effort to 1) create awareness and positive impressions of a product or service among consumers, and 2) deal with any circumstances that might harm this positive impression is known as public relations (or PR). It is used by companies or organizations that want to sell a product or service, and also by other entities, such as individuals or tourism boards, to ensure a specific group of people view them favorably. Although companies and organizations do not have to pay for the media coverage to transmit specific messages about them to the public, most companies have a PR department responsible for generating the type of media coverage that their employers want to receive. Alternatively, they may employ an agency that specializes in PR to do this work for them.



Activate Your Knowledge

1. Write your own definition of public relations based on your existing knowledge of it.
2. Why do you think companies, organizations, and high-profile individuals decide to use PR?
3. What factors might determine how successful PR activities are? What could help to increase their chances of being successful?

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6.3.1

The Nature of Public Relations

Public relations is a broad set of communication efforts used to create and maintain favorable relationships between a company, organization, or high-profile individual and its stakeholders. These stakeholders are likely to be a wide range of individuals and other organizations or companies, and can include: customers, suppliers, employees, shareholders, the media, educators, potential investors, and society in general. PR is also used to respond to negative events that arise, such as faults with a product that a company sells. How an organization uses PR in a crisis often determines how quickly it will recover from that crisis. Managers sometimes spend more resources understanding and responding to negative word-of-mouth reactions to their organization than they do on the promotion of positive word-of-mouth reactions. The best thing for companies to do in a crisis is to be honest with consumers about the problems that have arisen or the mistakes that have been made. Being honest with consumers and responsive to their needs develops a foundation for open communication and trust between the two parties in the long term.

PR is not only used to promote companies; it can also be used to promote people, places, ideas, activities, and even countries. For example, it is often used by nonprofit organizations to help them achieve their goals. The aim of PR is always to enhance the image of the organization, person, or place as a whole, rather than focusing on one aspect of their activities.

In order to achieve the aims of PR, those who work in this area assess the public's attitudes toward the company, organization, or other entity they are working on behalf of, and then try to create a favorable image of it. These efforts are just as important as the direct promotion of the company, organization, or other entity's products or services in terms of generating sales or other income because the public's attitude toward it are likely to affect sales. Companies, organizations, and high-profile

individuals need to maintain positive public perceptions in order to remain successful. Furthermore, in cases where this is applicable, employee morale is strengthened if the public perceives the company or organization that they work for positively and this can also help it to recruit high-quality staff in the future.

Although PR can make people aware of a company's products, brands, or activities, it can also create specific company images which lead the public to see the company as innovative or dependable. By getting the media to report on a company's accomplishments, PR helps the company maintain positive public visibility. Some companies, for example, use PR for a single purpose, purely for promoting their products as having a particular characteristic, while others use it for several different purposes.



What is the aim of the public relations efforts for Saudi Vision 2030? What examples of these activities do you know of?

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CHECKPOINT

Discuss your answers to the questions with a partner.

1. Look back at the definition of PR that you wrote at the start of this chapter. What changes would you make to it now?
2. In your opinion, who is PR most important or most useful to: companies, high-profile individuals, or non profit organizations? Explain your answer.
3. Explain the relationship between PR and the media based on what you have learned so far.

6.3.2

The Tools of Public Relations

Companies use a variety of PR tools to convey messages and create images about their products or services. PR professionals prepare written materials and use digital media to deliver brochures, newsletters, company magazines, press releases, blogs, managed social media sites, and annual reports that reach and influence their various stakeholders.

Corporate Materials

PR employees also create corporate identity materials, such as logos, business cards, stationery, signs, and promotional materials, to help make companies immediately recognizable. Speeches are another PR tool. What a company executive says publicly at meetings or to the media can affect the organization's image, so the speech must convey the desired message clearly.

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MARKETING SCENARIO

The Cellphone Company Warning Young People About the Problems of Using Their Phones Too Much

A Saudi cellphone service provider is spreading awareness about the negative effects that spending a lot of time using a cellphone can have on young people. It decides to do this by partnering with an advertising agency to develop a documentary. Once the documentary has been completed, it is streamed on video sharing sites so everyone can watch it for free and to make it as accessible as possible to the target audience: young people. The cellphone service provider also decides to organize several local events in cities in the Kingdom. Digital and print advertising is created to attract young people to these events and their aim is to encourage guests to try out activities that promote mindfulness, try out free time activities that are available in their area, and attend talks from experts who will give them advice and tips about how to deal with their perceived need to spend so much time using their cellphones.

The logic behind this campaign is that if companies or organizations deal with the criticisms that people might make of their product or service directly, such as the excessive use of cellphones in this case, and propose possible solutions, they can control the dialogue around their product or service, and try to make it a favorable one for them. Public relations initiatives like this can both have a positive affect on the public, for example, by helping them to drive more safely, and on the public image of the company or organization that instigates them.

THINK CRITICALLY

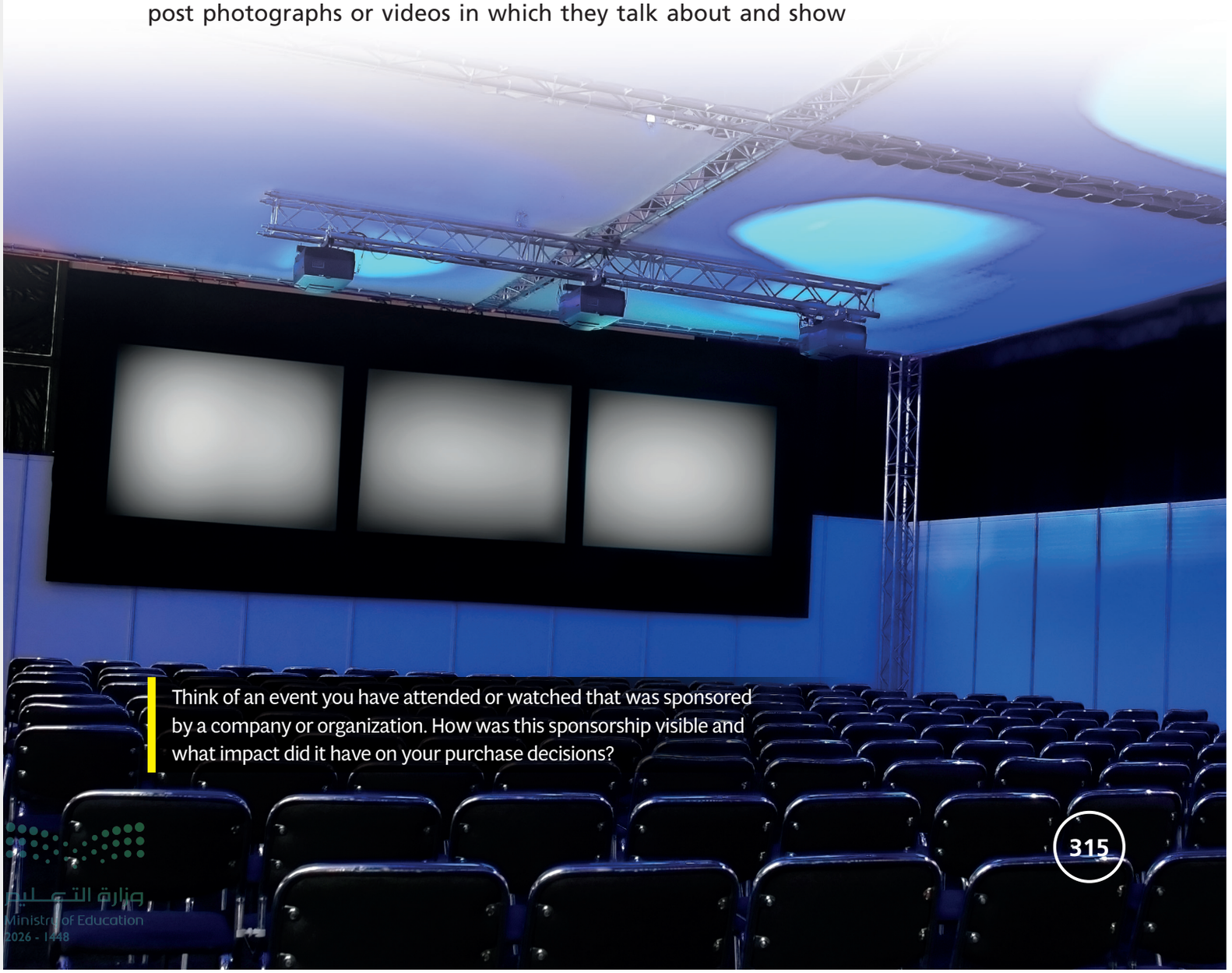
1. What two methods did the cellphone service provider use to draw attention to the issue that it wants to raise awareness of?
2. What happens at the second type of public relations effort that the company made?
3. Why did the company use this particular public relations strategy?
4. What effects can strategies like this have on the company that executes them and on consumers?

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Event Sponsorship and Brand Ambassadors

Event sponsorship, in which a company pays for part or all of a special event, like a cermonial football match, is another PR tool. Sponsoring special events can be an effective means of increasing company or brand recognition with relatively minimal investment as it can bring companies considerable amounts of free media coverage. An organization tries to ensure that its product and the sponsored event target a similar audience and that the two are easily associated with each other in customers' minds.

Like event sponsorship, working with brand ambassadors is another effective PR tool. For example, if a company wants to target students in a specific region, it could ask some students from this region to become brand ambassadors for it. The company gives the students free samples of its products and they post photographs or videos in which they talk about and show



Think of an event you have attended or watched that was sponsored by a company or organization. How was this sponsorship visible and what impact did it have on your purchase decisions?

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Working in Teams

Work in a team and select a school event or program that needs funding or supplies. For example, perhaps the school soccer team need new kits. Discuss how publicity might benefit the cause. Develop a PR campaign to create community awareness.

the products on their social media accounts. The brand ambassadors may receive a monetary payment for this work in addition to the free samples, and this payment may be dependent on the number of people who click on the link to the company's website through the brand ambassador's social media account.

Publicity

Publicity is another part of public relations. **Publicity** is communication in the form of news stories about the organization, its products, or both, transmitted through a mass medium at no charge to the organization itself. This often takes the form of an announcement about a new product at an event which journalists are invited to attend. The journalists then present this announcement to their readers, viewers, or listeners. PR has a larger, more comprehensive communication function than publicity, but the latter is a very important aspect of PR.



Publicity can also be used to provide information about goods or services; to announce expansions or contractions; acquisitions; research or new product launches; or to enhance a company's image. The most common publicity-based PR tool is the news release, usually called a **press release**, which is normally a single page of typewritten copy containing fewer than 300 words and describing a company event or product. A press release gives the company's or agency's name, address, phone number, and a contact person. Companies sometimes use press releases when they introduce a new product or make significant announcements about their operations. For example, dozens of

How much attention do you think media agencies pay to the press releases they receive? Might they find some releases more interesting than others?

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organizations, above all clean-energy companies, are partnering to create awareness of the economic benefits of national climate and energy legislation through press releases and other media. As Figure 6-2 shows, press releases deal with a wide range of specific issues.

Support of a social cause	New products
Improved warranties	New slogan
Reports on industry conditions	Research developments
New uses for established products	Company's milestones and anniversaries
Product endorsement	Employment, production, and sales changes
Quality awards	Award of contracts
Company name changes	Opening of new markets
Interviews with company officials	Improvements in financial position
Improved distribution policies	Opening of an exhibition
International business efforts	History of a brand
Athletic event sponsorship	Winners of company contests
Visits by celebrities	Logo changes
Reports on new discoveries	Speeches of top management
Innovative business practices	Merit awards
Economic forecasts	Acquisitions and partnerships

Figure 6-2 An overview of possible topics for press releases.

A **feature article** is a manuscript of up to 3,000 words prepared for a specific publication. A **captioned photograph** is a photograph with a brief description explaining its contents. Captioned photographs are effective for illustrating new or improved products with highly visible features.

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What do you think usually happens at a press conference and in what order?

There are also several other kinds of publicity-based PR tools. For example, a **press conference** is a meeting called to announce major news events. Media employees are invited to a press conference and are usually supplied with various written materials and photographs relevant to its topic. Letters to the editor and editorials are sometimes written and sent to newspapers and magazines. Videos may be made available to broadcasters in the hope that they will be aired.

Publicity-based PR tools offer several advantages, such as credibility, news value, significant word-of-mouth communications, and a perception of media endorsement. The public may consider news coverage more truthful and credible than an advertisement because news media are not paid to provide the information. For example, stories about the introduction of a new product or a new environmentally responsible company policy are handled as news items, and are likely to receive attention as a result. Finally, the cost of publicity is low compared with the cost of advertising.

Publicity-based PR tools have some limitations. Media employees must judge company messages to be news-worthy if the

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messages are to be published or broadcast at all. Consequently, messages must be timely, interesting, accurate, and in the public interest. It may take a great deal of time and effort to convince media personnel of the news value of publicity releases, and many communications fail to qualify.

Although public relations employees usually encourage the media to air publicity releases at certain times, they control neither the content nor the timing of the communication. Media personnel alter the length and content of publicity releases to fit publishers' or broadcasters' requirements, and may even delete the parts of messages that company employees view as the most important. Furthermore, media employees use publicity releases in time slots or positions that are most convenient for them. Other outside PR messages can be picked up during slow news times. Consequently, messages sometimes appear in locations or at times that may not reach the company's target audiences. Although these limitations can be frustrating, properly managed publicity-based PR tools can nonetheless bring significant benefits to the company or organization that uses them.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are three examples of corporate materials that a company or organization might use for the purposes of PR?
2. How do companies usually use brand ambassadors? What benefits do both parties usually receive from this arrangement?
3. What is the aim of publicity?
4. What is the definition of a press release?
5. What usually happens at a press conference?
6. What can PR employees or agencies not control with regard to the publicity they release to the media?

6.3.3

Evaluate the Effectiveness of Public Relations

Due to the potential benefits of good public relations, it is essential that organizations evaluate the effectiveness of their PR campaigns. Research can be conducted to determine how well a company is communicating its messages or image to its target audiences, for example, environmental monitoring identifies changes in public opinion that affect an organization. A PR audit is used to assess an organization's image among the public or to evaluate the effect of a specific public relations program. A communications audit may include a content analysis of messages, a readability study, or a readership survey. If an organization wants to measure the extent to which stakeholders view it as being socially responsible, it can conduct a social audit.

Publicity-based Public Relations

One approach to measuring the effectiveness of publicity-based public relations is to count the number of exposures to it in the media. To determine which releases are published in print media and how often, an organization can hire a clipping service, which is a company that clips and sends press releases to client companies. To measure the effectiveness of television coverage, a company can enclose a card with its publicity releases requesting that the television station record its name and the dates when the news item is broadcast (although station staff may not always comply with these requests). Some multimedia tracking services exist, but they are quite costly.

Counting the number of media exposures does not reveal how many people have actually read or heard the company's message or what they thought about the message afterward. However, measuring changes in product awareness, knowledge, and

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attitudes resulting from the publicity campaign helps to yield this kind of information. To assess these changes, companies must measure these levels before and after PR campaigns. Although precise measures are difficult to obtain, a company's marketers should try to assess the impact of public relations efforts on the organization's sales. For example, a critic's review of a film can affect the film's box office performance. Interestingly, negative reviews, which are a form of negative publicity, harm revenue more than positive reviews help revenue in the early weeks of a film's release.

Unexpected Unfavorable Publicity

Companies may also have to deal with unexpected and unfavorable publicity resulting from an unsafe product, an accident resulting from product use, controversial actions of employees, or some other negative event or situation. Product recalls or products that could harm consumers can create a crisis and damage a brand. The extent of negative publicity and whether the brand has to publicly take the blame for what has occurred will affect the amount of damage. Many companies have experienced unfavorable publicity connected with defective or contaminated products, such as faulty car parts or E. coli (a bacteria which can cause food poisoning) in fast food, and unfavorable coverage can have rapid and dramatic effects.

Negative events that generate public relations can wipe out a company's favorable image and destroy positive customer attitudes established through years of expensive advertising campaigns and other promotional efforts. For example, in some cases, the negative events may not have been the result of negligence on the part of the company, but rather due to the actions of hackers that have hacked into the company's IT systems and stolen its customers' data. Reputation is often considered to be a valuable asset that a company has, so how an organization deals with unfavorable actions and outcomes can have a significant impact on its valuation on the stock exchange and on public

perceptions of it which influence purchase decisions. Moreover, today's mass media, including online services and the Internet, disseminate information faster than ever before, and bad news generally receives more media attention than corporate social responsibility.

Protecting a Company's Image

To protect its image, a company or organization needs to prevent unfavorable public relations or at least reduce its possible effects if it occurs. First and foremost, the organization should try to prevent negative incidents and events through safety programs, inspections, training, and effective quality control procedures. Experts insist that sending consistent brand messages and images in all communications at all times can help a brand maintain its strength even during a crisis. However, because negative events can strike even the most cautious of firms, an organization should always have plans in place to handle them when they do occur. Companies need to establish policies and procedures for reducing the negative impact of the news coverage of a crisis or controversy. In most cases, organizations should try to speed up the time that news of negative events breaks in the media rather than try to discourage or block it. If news coverage is suppressed, rumors and other misinformation may replace facts and create unwanted public scrutiny. An unfavorable event can easily result in serious problems or public issues and become very damaging. On the other hand, by being direct with the press and public and taking prompt action, a company may be able to convince the public of its honest attempts to deal with the situation and news employees may be more willing to help explain complex issues to the public.

Dealing effectively with a negative event allows an organization to lessen, if not eliminate, the unfavorable impact on its image. Experts generally advise companies that are dealing with negative publicity to respond quickly and honestly to the situation and to keep the lines of communication with all of their

stakeholders open. Digital media has enhanced the ability of companies and organizations to communicate with key stakeholders and develop dialogues on current issues.



CHECKPOINT

Discuss your answers to the questions with a partner.

1. Why is it so important that the people who are responsible for public relations activities evaluate their effectiveness?
2. What can counting the number of media exposures to publicity-based PR tell the people responsible for it? What information about consumers is not possible to learn from doing this?
3. Do you agree or disagree with the statement that reacting quickly and being honest about any mistakes the company or organization has made is the best way to deal with negative public relations? Give reasons for your decision.

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6.3 LESSON ASSESSMENT

What Have You Learned?

1. What is the most important objective of public relations? [6.3.1]
2. What can public relations employees do to maximize the chances of media outlets deciding to air the information that they want to communicate to the public? [6.3.2]
3. How can public relations be used to respond to negative publicity about a company or its products? [6.3.3]

Make Academic Connections

1. **Writing** Write the copy for an advertisement for a new brand of crackers. This copy will go under a large image of the crackers and needs to be about 10–15 words long. The message that the company wants to communicate to potential customers in the copy is that it cares about the environment and uses sustainable practices to produce its crackers. [6.3.2]
2. **Visual arts** You work in public relations and you are helping a company to organize a sponsored event for young people. The event is a free lunch served to young people during the school day and among the food that will be served is the company's cheese products. Design a poster to advertise the event which you think will appeal to the target audience for the event. [6.3.2]



Connect to the Real World

You are a PR consultant. A company that has recently been exposed for making false claims about its products in the media has asked for your help to deal with the situation by email. Consider what the best advice to give a company in this situation would be and create an action plan for the company to follow which will help it to reduce the potential damage to its brand image. Send the action plan to the company in an email. [6.3.3]

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CHAPTER 6 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. You decide to write a press release to send to local media outlets to help get the word out about the pizza shop you have recently opened. What kinds of information would you include in the press release? [6.3.3]

2. What is the difference between reminder advertising and reinforcement advertising? [6.1.2]

3. What do you think is the most effective method for determining the budget for an advertising campaign? Why? [6.1.3]

4. There are many steps in the process of advertising campaign planning. Which step or steps do you think is/are the most important? Give reasons for your decision. [6.2.1, 6.2.2, & 6.2.3]

5. If you were a media planner selecting media for advertisements targeting high school students, which media type would you choose? Why? [6.2.2]

6. What do you think would be the most appropriate method to use to evaluate the effectiveness of an advertising campaign that has been designed to sell a service to young people? [6.2.3]

7. Think of a brand that you like and purchase repeatedly. Explain the image that this brand wants to create in the minds of consumers and how it wants to be perceived by them. [6.3.1]

8. Your competitor provided misleading information about the capability of its product and consumer groups have noticed this deception. When comparing corrective actions such as removing the product from sale, creating corrective advertisements, or paying the stipulated fines, which do you think would be the best way to deter this deceptive practice in the future? [6.3.3]

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DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Advertising appropriation		**a.** An advertisement's illustrations and layout.
2.	Advertising campaign		**b.** Advertising that promotes the uses, features, and benefits of products.
3.	Advertising message		**c.** The group of people that advertisements are aimed at.
4.	Advertising plan		**d.** A series of related advertisements with a similar look, feel, and theme that centers on a specific product, service or brand.
5.	Advocacy advertising		**e.** The total amount of money a marketer allocates for advertising for a specific time period.
6.	Artwork		**f.** Advertising that aims to stimulate demand for a specific brand by promoting its features, uses, and advantages through indirect or direct comparisons with competing brands.
7.	Captioned photo		**g.** An outline of the exact media vehicles that the advertisers will use, e.g. social media, newspapers, etc., and the dates and times the advertisements will appear.
8.	Comparative advertising		**h.** A type of digital advertising that is meant to resemble other content on the platform that it is appears, e.g. so that it looks identical or very similar to news articles on the company's website.
9.	Competitive advertising		**i.** A manuscript of up to 3,000 words prepared for a specific publication.
10.	Copy		**j.** Advertising that promotes organizational images, ideas, and political issues, and may deal with broad image issues, e.g. organizational strengths or the friendliness of employees.
11.	Feature article		**k.** Documents that outline the activities to be completed and resources needed to create advertising.
12.	Institutional advertising		**l.** Communication in the form of news stories about the organization, its products, or both, transmitted through a mass medium at no charge to the organization itself.

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13.	Media plan		**m.** Advertising which tells customers that an established brand is still around and still offers certain characteristics, uses, and advantages..
14.	Native advertising		**n.** Normally a single page of typewritten copy containing fewer than 300 words and describing a company event or a product.
15.	Pioneer advertising		**o.** Advertising which assures current users that they have made the right brand choice, and tells them how to get the most satisfaction from that brand.
16.	Press conference		**p.** The information about a product, service, organization, person, or cause that an advertisement has been designed to communicate to consumers.
17.	Press release		**q.** Advertising that focuses on stimulating demand for a product category (rather than a specific brand) by informing potential customers about the product's features, uses, and benefits.
18.	Product advertising		**r.** The basic issues or selling points that an advertiser wishes to include in the advertising campaign.
19.	Publicity		**s.** The verbal or written portion of an advertisement, which may include headlines and subheadings.
20.	Reinforcement advertising		**t.** Advertising in which a company promotes its position on a public issue, e.g. sustainability, regulations or international trade coalitions.
21.	Reminder advertising		**u.** A photograph with a brief description explaining its contents.
22.	Target audience		**v.** Advertising which makes a comparison between the commissioned brand and one or more competing brands, on the basis of one or more product characteristics.
23.	The premise of an advertising campaign		**w.** A meeting called to announce major news events.

MARKETING RESEARCH AND PLANNING

1. Marketers annually spend a great deal of money on advertising. Your task in this activity is to become acquainted with advertising costs in the Saudi market. Select an advertising medium used by marketers in the Kingdom, such as a radio station, a newspaper, a website, an outdoor advertising agency, or a television station. Contact the organization or use reference materials to obtain information regarding its advertising rates. Be prepared to report to your class regarding the cost of advertising per minute, per centimeter, per week, per day, or whatever measurement is used to determine it. [6.1.3]

2. You are the owner of the only hardware store in a city of 100,000 people. You have been able to reduce your promotional efforts because of the lack of competition. Recently, however, a large hardware store chain has purchased land on which to build a new store. You have decided to increase the amount of advertising you do and have decided you need an advertising plan. Write the objectives for this advertising plan. Specify the main message of the advertising, the target audience, and the timeframe for the advertising. [6.1.3]

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3. Select an advertisement from a magazine, newspaper, or online. Show the advertisement to three different people and ask them the following questions:

   a. What is the central message of this advertisement?

   b. What does it tell you about the company that is running it?

   c. Does it make you want to buy this product or use this service?

   d. What other promotions are you aware of from this company?

   When you have completed the interview, write a summary of your findings. Do the people agree in their interpretation of the advertisement's meaning? If there are any differences in opinion, speculate as to what might cause those differences. [6.2.2]

4. Choose a national brand and research how it uses advertising and public relations to effectively grow its business. Prepare a report on the specific promotional efforts of the brand and why they have worked for that company. [6.1–6.3]

5. Companies benefit greatly from promotional elements that work together and complement one another. Give specific examples that illustrate how the promotional elements of advertising and public relations can work together and evaluate how they can work together effectively. [6.1–6.3]

MARKETING MANAGEMENT AND DECISION MAKING

1. You are a Marketing manager working for a company that sells chips and other snacks. Your target market is young people so you want to project an image for your brand that will appeal to the people in this demographic. You are also keen to show that chips can be part of a healthy diet (if eaten in moderation) to combat some of the negative stereotypes about them being an unhealthy food. You and your team's current objective is to find and recruit a suitable person to act as a brand ambassador for your company and promote their products online and possibly also at in-person events. [6.3.2]
   a. Think of the criteria for the brand ambassador that your company should use to recruit this person.
   b. Make a list of some interview questions that you would ask short-listed candidates to find out how suitable they are.

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2. Not all advertising is done by companies selling products and services. Find an example of advertising for a government institution or authority and prepare a short report describing the advertising, the advertising message it contains, and how it differs from product advertising. Be prepared to present your findings to the class. [6.2.2]

3. Search the Internet for a website that carries a lot of online advertising. Browse the site for 15 minutes and count the number of different ads that you see. Write a one-page report on the advertising content of the site, including the types of advertisers you see, the formats of the ads shown, and any notable advertisements that stood out for you. Explain why these advertisements captured your attention. [6.2.2]

4. Although you usually think of public relations in relation to a company, a product, or a product line, marketers often consider how people brand themselves. You brand yourself in the way you dress, speak, and approach different situations. What kind of brand would you like to present in a job interview for a professional job, and how would you demonstrate that brand? [6.3.1]

MARKETING ASSIGNMENT

Obesity is an issue that is taken very seriously today. Many children and adults have unhealthy weight issues. Society has blamed much of the obesity problem on fast-food restaurants that serve food with high levels of calories and fat. Many of the fast-food restaurants are also criticized for their super-sized portions. A lot of the food offered at quick-serve restaurants is fried and not very healthy.

A fast-food restaurant has been in operation since 1960. Its chicken burgers, French fries, soft drinks, milkshakes, and sweet desserts have made This fast-food restaurant is a popular place to eat. Your marketing team has been asked to create at least two healthy food alternatives for the restaurant's customers without increasing the price of the meals. Once you have created these alternatives, you are going to develop an advertising and public relations campaign that shows how the restaurant is helping to fight obesity by giving customers more healthy choices. The campaign must give young people incentives for making healthy diet choices and becoming active in the community to promote physical fitness. It must determine an event for the restaurant to sponsor that confirms its commitment to a healthier population.

a. Outline the healthy alternative you want to create.

b. Decide who the target audience for the healthy diet campaign is.

c. Decide what kinds of advertising you could use to emphasize a healthy lifestyle.

d. Decide what kinds of public relations activities the restaurant could use to help distance itself from the obesity epidemic.

Present your ideas and decisions to the class. Use visual aids to help you do this.



Retailers frequently hold sales to attract consumers into their stores and this is a form of sales promotion.

CHAPTER 7

Personal Selling *and* Sales Promotion

Making a product or service available for sale in a specific place, such as a supermarket or the company's website, is usually not sufficient to persuade consumers to make a purchase by itself, unless they are making a routine and repeat purchase. As a result, manufacturers need to ensure that their salespeople are able to communicate with consumers, and build relationships with them, in order to get them to the point where they make a purchase. This is known as personal selling. Manufacturers also use methods and materials known as sales-promotion methods to motivate consumers to make a purchase either in a store or online. Promotional methods, such as personal selling and sales promotion, will all have been determined in advance by marketers and they will curate their ideas in a promotional plan. In this chapter, you will learn about the process of personal selling, about the various sales-promotion methods that exist, and about how marketers create promotional plans.

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What help and advice do sales staff usually offer the people who come into their stores?

CHAPTER LESSONS

7.1 The Nature of Personal Selling

7.2 Sales-promotion Methods

7.3 The promotional Plan

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Link to digital lesson

www.ien.edu.sa

7.1

The Nature of Personal Selling

KEY TERMS

Team selling
Relationship selling

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

7.1.1 Explain the major purposes of personal selling.
7.1.2 Describe the steps in the process of personal selling.
7.1.3 Define team selling and relationship selling.

MARKETING MATTERS

Salespeople function as knowledgeable experts about their company's products or services. They provide information for consumers which has an impact on their purchase decisions. Salespeople focus on highlighting the unique benefits of their products which differentiate them from those of their competitors. Personal selling gives salespeople the flexibility to talior their company's marketing message to meet individual customer needs and, therefore, increase the likelihood of making a sale.

Activate Your Knowledge

1. Why do you think the direct selling of products to consumers by salespeople is so important to the products' manufacturers?
2. How do you think salespeople identify consumers who might have a real interest in purchasing the products they sell?
3. What methods do you think salespeople might use to make the personal-selling process more successful from their point of view?

7.1.1

The Purposes of Personal Selling

Personal selling is paid personal communication that attempts to inform customers about products or services and persuade them to make a purchase. For example, when a salesperson who works for a company that manufactures computer hardware describes the benefits of the company's computers to a customer who is a small-business owner, he is engaging in personal selling. At the same time, a member of an association for professionals working in marketing who is manning a table at a careers event engages in personal selling when they inform interested parties about the benefits of joining the association.



Why is personal selling particularly effective in furniture or home decor stores?

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Personal selling is the most precise of all promotion methods as it enables marketers to focus on the most promising sales prospects. Personal selling is also the most effective way to form relationships with customers. It is perhaps most critical in business-to-business transactions which involve the purchase of expensive products. Due to the high-risk factors involved in these transactions, personal selling is often necessary to assure prospective customers about the quality of the product and answer any questions they may have.

Despite these benefits, personal selling is generally the most expensive element in the promotional mix. The average cost of a sales call for business-to-business sales can be anywhere between SAR 215 to SAR 400. Millions of people earn their living through personal selling and sales careers can offer high income, a great deal of freedom, a high level of training, and a high degree of job satisfaction. Although the public may have negative perceptions of personal selling, unfavorable stereotypes of salespeople are changing thanks to the efforts of major corporations, professional sales associations, and academic institutions. Personal selling will continue to gain respect as professional sales associations develop and enforce ethical codes of conduct. Sales staff today need to have high levels of professionalism as well as technical and interpersonal skills in order to develop ongoing relationships with customers.

The Goals of Personal Selling

Personal-selling goals vary from one company to another. However, they usually involve prospects, determining their needs, persuading the potential customers to buy, following up on the sale, and keeping customers satisfied. Identifying potential buyers interested in the organization's products is critical to the whole process of personal selling. Salespeople are able to establish what information a prospective customer needs when they are asking for information about particular products or services, and then give the prospect the relevant information. In

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order to be able to do this, sales staff must be well-trained regarding both their products and the selling process in general. They must also be aware of their competitors' activities, specifically:

- any new products that competitors develop
- competitors' sales efforts in the territory where the sales staff operate
- how often and when the competition contacts their existing customers
- what the competition is saying about other companies' products in relation to its own.



Working in Teams

Work in a team. Each member of the team members chooses a purchase they have recently made online or offline and describes the steps in the decision-making process involved in their decision to purchase it. Then discuss together the similarities and differences in how each person in the team decided to make their recent purchase.

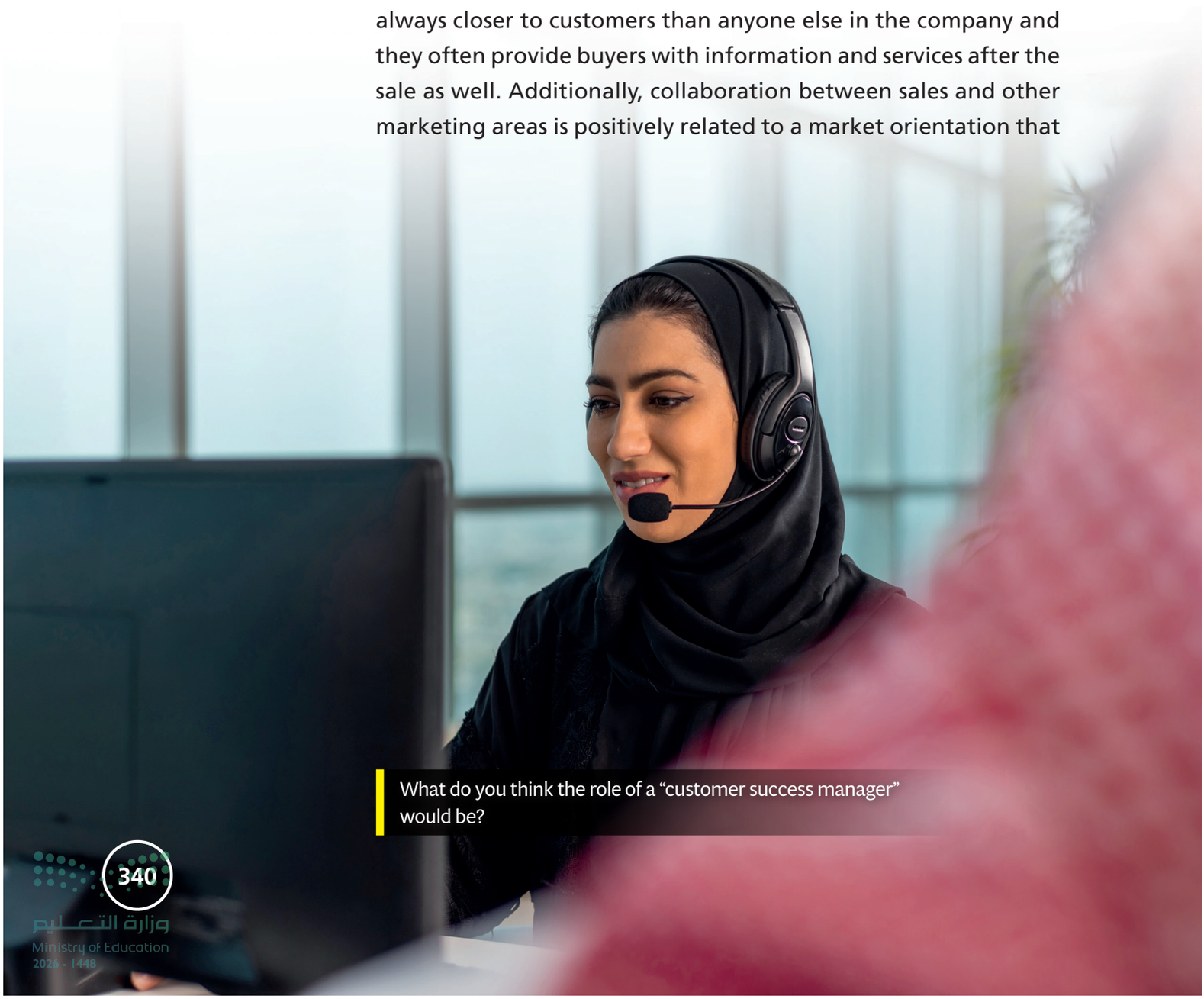
Changes in Personal Selling

Personal selling is changing today as a result of the introduction of new technology, how customers gain information about products, and the way customers make purchase decisions. Customer information sharing through social media, mobile applications, and electronic sales presentations is having an impact on the nature of personal selling. Technology and social media provide an unprecedented level of transparency and communication between salespeople and customers. Many companies are using social media technology to reach business customers as well, and that provides opportunities to gather and manage data from customers. This data can then be used to engage existing customers and discover new ones. For instance, cloud-computing models enable companies to manage relationships with their customers and this, in turn, assists in personal-selling sales management. Digital technology has become such an important part of our lives that it is common for sales staff to access their customer relationship management (CRM) systems through their smartphones. Internal consumer data can help salespeople understand

and collaborate with customers in ways that they could not do in the past.

Customer Satisfaction

Few businesses survive solely on the profits from one-time customers. In order to survive in the long term, companies need to make repeat sales and they can achieve that by keeping their customers satisfied. In addition, satisfied customers provide favorable word-of-mouth feedback on the business and other communications about it, such as online reviews, which help to attract new customers. Although the whole organization is responsible for achieving customer satisfaction, much of the responsibility for this tends to fall on salespeople; they are almost always closer to customers than anyone else in the company and they often provide buyers with information and services after the sale as well. Additionally, collaboration between sales and other marketing areas is positively related to a market orientation that



What do you think the role of a "customer success manager" would be?

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puts customers first, and this has a positive impact on the organization's performance. Such collaboration gives salespeople an opportunity to generate additional sales, and offers them a good vantage point for evaluating the strengths and weaknesses of the company's products and other marketing-mix components. Their observations help develop and maintain a marketing mix that better satisfies both the company and its customers. In this model, sales is no longer an isolated function in a global business world. In conclusion, it is clear that the sales function is becoming part of a cross-functional strategic solution for effective interaction between an organization and its customers, and this requires salespeople with both managerial and strategic skills.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. Give an example of a situation where personal selling occurs.
2. What do salespeople need to know about their competitors' products and services? Why is it important that they have knowledge of this?
3. In what ways has personal selling changed recently? What are the reasons for these changes?
4. What is the relationship between effective personal selling and customer satisfaction?

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7.1.2

The Steps in the Process of Personal Selling

The specific activities involved in the selling process vary between different salespeople, different selling situations, and in different cultures. For example, no two salespeople will use exactly the same selling methods. Nonetheless, many salespeople move through a general selling process which consists of seven steps (see Figure 7-1).



Figure 7-1 General steps in the personal-selling process.

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Why do you think trade fairs provide such good opportunities for prospecting?

1. Prospecting

Developing a database of potential customers is called prospecting. Salespeople seek information about potential customers, known as prospects, from company sales records, trade shows, commercial databases, newspaper announcements, public records, trade association directories, and many other sources. Sales staff also use responses to traditional and online advertisements that encourage interested people to send in information request forms. Seminars and meetings targeted at particular types of clients, such as attorneys or accountants, may also produce leads.

Most salespeople prefer to use referrals to find prospects. In order to do this, a salesperson needs to stay in contact with existing customers and find out from them if they have any friends or relatives who might be interested in purchasing their company's

products or services. The salesperson can then ask these existing customers to recommend their company's products or services to those people. If any of the existing customers' contacts go on to contact the salesperson to find out more information about the products or services, the salesperson has obtained a prospect. Of course, salespeople will only be able to obtain referrals if they have a good relationship with their current customers, and in order to achieve this, they must have performed well before asking these customers for help. As might be expected, a customer's trust in and satisfaction with a salesperson influences their willingness to provide the salesperson with referrals.

Research shows that one referral is as valuable as 12 cold calls. It has also been found that although 80% of clients are willing to give referrals, only 20% are ever asked to give one. Among the advantages of using referrals are that they usually provide more highly qualified sales leads, greater sales rates, and larger initial transactions. Some companies even award discounts on future purchases to customers who refer new prospects to their salespeople.

Consistent activity is critical to the success of prospecting activities. Salespeople must actively search the customer base for qualified prospects that fit the target market profile. After developing the prospect list, a salesperson evaluates whether each prospect is able, willing, and authorized to buy the product. Based on this evaluation, prospects are ranked according to their desirability or potential, and contacted in that order.

2. Pre-approach

Before contacting acceptable prospects, a salesperson finds and analyzes information about each prospect's specific product needs, current use of brands, feelings about available brands, and personal characteristics. In short, salespeople need to know what potential buyers and decision makers consider most important when they are purchasing the type of product or service they are selling and why they need this specific product or service.

The most successful salespeople are thorough in their pre-

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approach, which means they will identify key decision makers, review account histories and problems, contact other clients for information, assess possible problems that could prevent the prospect making a purchase, prepare sales presentations, identify product needs, and obtain relevant literature. Marketers are also increasingly using marketing analytics and CRM systems to go through databases to help them identify their most profitable products and customers. CRM systems like these can also help sales departments manage leads, track customers, forecast sales, and assess sales performance. A salesperson with a lot of information about a prospect is better equipped to develop a presentation for that customer which precisely communicates with them.

3. Approach

The approach to selling that a salesperson takes is the manner in which a salesperson contacts a potential customer and it is a critical step in the sales process. In most initial sales calls, the salesperson's purpose is to gather information about the buyer's needs and objectives. These information gathering activities are referred to as a needs assessment because they involve finding out about and analyzing a potential customers needs. While carrying out this initial needs assessment, it is important that the salesperson creates a favorable impression and builds rapport with prospective clients because the prospect's first impressions of the salesperson are usually lasting ones. During the initial visit to the prospect, the salesperson tries to develop a relationship with the prospective customer rather than just push them to buy a product or service. Indeed, coming across as a "salesperson" may not be the best approach to take in this situation because some people are put off by strong selling tactics. However, the salesperson's main aim during the needs assessment stage of the approach is to ask formulated questions which may allow prospects to uncover their own problems and identify solutions themselves. One questioning approach uses broad questions (*what*, *how*, *why*) to probe or gather information and focused

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questions (*who*, *when*, *where*) to clarify what the prospect's needs are. The salesperson may have to call on a prospect several times before they consider purchasing the salesperson's product or service. The approach must be designed to deliver value to specific targeted customers. If the sales approach is inappropriate, the salesperson's efforts are likely to produce poor results.

One type of approach to personal selling is based on referrals, as discussed above. Another approach is to use "cold canvass" calls and this involves calling on potential customers at their homes without their prior consent. However, the frequency with which salespeople use this approach is currently declining and, instead, salespeople are using social media to make this initial "cold" contact with a prospect.



How can salespeople appear to be confident and professional while they are giving sales presentations?

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Repeat contact is another common approach. When a salesperson uses the repeat contact approach, he refers back to a previous encounter he has had with the prospect to establish a sense of familiarity and trust with this person. The exact type of approach that a salesperson uses in this situation depends on his knowledge and preferences, the product he is selling, the company's resources, and the prospect's characteristics.

4. Making the Presentation

During the sales presentation, the salesperson must attract and hold the prospect's attention, stimulate interest, and spark a desire for the product. Salespeople who carefully monitor the selling situation and adapt their presentations to meet the needs of prospects usually produce a strong sales performance. Salespeople should match their influencing tactics, such as information exchange, recommendations, deadlines, promises, ingratiation, and inspirational appeals to their prospects to increase their chances of success. Different types of buyers respond to different tactics, but most will respond well to information exchange and recommendations; however, virtually no prospects respond positively to threats. If possible, the salesperson should demonstrate the product or invite the prospect to try or use it. If the customer is in a positive mood, suspicion will be eliminated and the presentation will become increasingly persuasive.

The sales presentation gives the salesperson the greatest opportunity to determine the prospect's specific needs by listening to his questions and comments, and observing his responses. For example, it has been found that complimenting the buyer on his questions adds to incremental sales. Even though the salesperson plans the presentation in advance, they must be able to adjust its message to meet the prospect's informational needs. Adapting the message in response to the customer's needs generally enhances the salesperson's performance during their presentation, particularly if the customer is interested in purchasing an item which is different to the item they purchased before.

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During the presentation, the salesperson must not only talk to the prospect, but also listen to them. Listening is half of the communication process and is often the most important part for a salesperson. Nonverbal modes of communication, such as the body language that demonstrates active listening, are especially beneficial in building trust during the presentation.

5. Overcoming Objections

An effective salesperson usually seeks out a prospect's objections to making a purchase in order to address them. If the prospect's objections are not apparent, the salesperson cannot deal with them, and the prospect may decide not to buy because of those objections. One of the best ways to overcome objections is to anticipate and counter them before the prospect raises any. However, this approach can be risky because the salesperson may mention objections that they believe the prospect has but which they do not actually have, thus highlighting a potential problem for no reason. If possible, the salesperson should handle objections as they arise, but they can also be addressed at the end of the presentation.

6. Closing the Sale

Closing is the stage in the personal-selling process when the salesperson asks the prospect to buy the product. During the presentation, the salesperson may use a trial close by asking questions that are based on the assumption that the prospect will buy. The salesperson might ask the potential customer about financial terms, desired colors or sizes, or delivery arrangements. Reactions to such questions usually indicate how close the prospect is to buying. A trial close allows prospects to indicate indirectly that they will buy the product without having to say those sometimes difficult words: "I'll take it." A salesperson should try to close at several points during the presentation because the prospect may already be ready to buy then. An attempt to close the sale may result in objections to the sale from the prospect, in

which case the salesperson is able to uncover these hidden issues, which he can then address. One closing strategy involves asking the potential customer to place a low-risk, trial order first.

7. Following Up

After a successful closing, the salesperson must follow up the sale. In the follow-up stage, the salesperson determines whether the order was delivered on time and installed properly if installation was required. If the product is a service, it is important for the salesperson to determine if there are any concerns or whether improvements can be made in the experience. He should contact the customer to learn if any problems or questions regarding the product have arisen. The follow-up stage is also used to determine customers' future product needs.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. In the context of sales, what is a prospect?
2. What do salespeople do during the pre-approach stage of the personal-selling process?
3. What do salespeople need to make sure that they do while they are giving a presentation to a potential customer and why would it be problematic?
4. Why would it be useful for a salesperson to address possible objections from customers?
5. Why might salespeople use a trial close before they actually close the sale?
6. What do salespeople usually do during the follow-up phase of the personal-selling process?

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7.1.3

Team Selling and Relationship Selling

Team Selling

Many products, particularly expensive high-tech business products, have become so complex that a single salesperson can no longer be an expert in every aspect of the product and purchase process. **Team selling**, which involves the salesperson joining with people from their company's finance department, engineering department, and other departments, is appropriate for products such as these. The salesperson takes the lead in the personal-selling process, but other members of the team bring their own unique skills, knowledge, and resources to the process to help customers find solutions to their own business challenges. Selling teams may be created to address a particular short-term situation or formal teams may work together continuously. Team

What benefits could working in a team bring the salespeople involved?



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selling is advantageous in situations that require detailed knowledge of new, complex, and dynamic technologies like jet aircraft and medical equipment. It is also used to engage clients in construction, consulting, and other professional services where specialist sales knowledge is required. It can be difficult, however, for highly competitive salespeople to adapt to a team selling environment.

Relationship Selling

Relationship selling (or consultative selling) involves building mutually beneficial long-term associations with a customer through regular communication with them over prolonged periods of time. Like team selling, it is used particularly frequently in business-to-business marketing. When salespeople use relationship selling, they try to find solutions to customer needs by listening to them, gaining a detailed understanding of their organizations, understanding and caring about their needs and challenges, and providing after-sales support. Many salespeople have recently begun to change their sales tactics to focus on building relationships with customers in this way. Rather than spending large amounts of time describing the benefits of their products, these sales representatives spend more time listening to the people who buy them. This sales tactic, known as soft selling, has often produced higher sales from customers because they do not feel too pressured to purchase a product they know little about.

Relationship selling has significant implications for the seller. Studies show that companies spend six times longer on finding new customers than on keeping current customers. Relationship selling is, therefore, likely to be extremely profitable for the company both in terms of repeat sales and in money saved in trying to find new customers if it is able to perform its intended function of generating loyal long-term customers. As the personal-selling industry becomes increasingly competitive, relationship selling is one way that companies can differentiate themselves from rivals and gain a competitive advantage.

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MARKETING SCENARIO

Using a Digital Strategy to Make Selling More Personal

Two Saudi dermatologists first created a line of skincare products designed to treat acne. As you can imagine, the target audience for these products was young people as this group is more likely to suffer from acne than other demographic groups. Having attained wide-reaching success with their acne treatment products, the duo then marketed a new line of skincare products for a more mature population. The company initially chose to sell its products through high-end department stores because it expected that this location would be most appealing to its target audience. However, the company's sales success in these stores was limited and, as a result, the founders decided to relaunch the company as a digital, direct-selling business.

The founders recognized that contact with customers online is the future. Instead of selling products in stores, therefore, they decided to sell them through independent consultants and through their website. Consultants often use social media platforms to connect with customers, and interested parties can be directed to the consultant's personal section of the company's website to fill orders. The company believes this digital direct-selling model is crucial to reaching consumers across the Kingdom and potentially overseas as well. This business model has been a major success and in recent years, the company has earned 270 million SAR in annual revenue. The company has proved to be successful at personal-selling due to its digital, direct-selling method.

THINK CRITICALLY

1. Where did the company sell its new line of products at the beginning?
2. What change did the company make in the way it sells its products? Why?
3. What have been the results of this change in strategy?

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Relationships with customers are also built on the ability to recover from the setback that can occur when customers are concerned about an aspect or aspects of the product or service. Being proactive in identifying the need for recovery behavior is a major part of relationship selling and then this recovery behavior can be implemented. Examples of recovery behaviors include the importance of contacting the customer if delivery time is longer than expected, as well as explaining what happened and when the product will be delivered.

The focus of a CRM system is on providing information about customers for the purposes of developing sales success and long-term relationships. Prior to the existence of CRM systems, centralizing information about customers required extensive data entry, but now most companies use this type of software to increases sales productivity, customer retention, and forecasting accuracy.



CHECKPOINT

Discuss your answers to the questions in pairs.

1. What types of products is team selling particularly useful for?
2. Why might it be difficult for some highly competitive salespeople to feel comfortable in team selling situations?
3. Why do companies spend a lot more time on retaining existing customers than on gaining new ones?
4. What does "recovery behavior" involve in the context of relationship selling and why is it important?

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7.1 LESSON ASSESSMENT

What Have You Learned?

1. What is the main purpose of personal selling? [7.1.1]
2. What are the seven steps in the process of personal selling? [7.1.2]
3. What is team selling? [7.1.3]
4. What is relationship selling? [7.1.3]

Make Academic Connections

1. **Public speaking** You are going to debate the proposition: "Companies can always connect with customers more effectively through face-to-face communication than through digital communication." You will be put into teams of two or three students and join another team to have the debate. Your teacher will decide which team will argue for and which team will argue against the proposition. Prepare some arguments that you could present to support the side that you are on. Then start the debate. Make notes on the strengths and weaknesses of the other team's arguments and present these to your teacher who will decide which team won the debate. [7.1.3]
2. **Research** Go online and find out information about the options that service providers offer potential customers to persuade them to make a purchase. Write a report outlining and explaining the methods that you have identified. [7.1.2]



Connect to the Real World

You are a consultant who has recently been hired by an electronic goods retailer to advise new salespeople on how to identify viable prospects in their stores, how to build a relationship with them, and how to close the sale effectively. Brainstorm some ideas on the advice that you could give the new salespeople on these three points and then use these ideas to prepare a short presentation for them. Give the presentation to your class. [7.1.2]

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Link to digital lesson

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7.2

Sales-promotion Methods

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

7.2.1 Describe the nature of sales promotion.

7.2.2 Summarize specific consumer-sales-promotion methods.

KEY TERMS

Coupons
Money refund
Rebate
Point-of-purchase (POP) materials
Demonstrations
Free sample
Premium

MARKETING MATTERS

Any activity or material that gives consumers a direct incentive to buy is a form of sales promotion. The use of sales promotions is a common tactic for a company to use when it introduces a new product and wants to persuade consumers to try it, or when a company needs to take action to increase the short-term sales of a product. For example, an ice cream brand may want consumers to try a new flavor or a car dealership may want to sell last year's model before a newer model arrives. Many different methods of communicating with customers are involved in sales promotion. Some of these involve direct communication between salespeople and potential customers, while others involve the distribution of digital or print materials.

Activate Your Knowledge



1. What materials or activities designed to promote sales have you seen at your local stores?
2. What materials or activities designed to promote sales have you received in the post or seen online?
3. What are the most effective methods for companies to use if they want to persuade you personally to buy from them? Explain your answer.

7.2.1

The Nature of Sales Promotion

Sales promotion is an activity or type of material, or sometimes both. It can provide consumers with a direct inducement to buy the product, or it can offer resellers, salespeople, or consumers added value or an incentive to use the product. Sales promotion includes all promotional activities and materials except personal selling, advertising, and public relations. There are a number of sales promotion tactics such as a bonus or a premium whereby retailers offer buy-one-get-one-free sales. In competitive markets, where products are very similar, sales promotion provides additional inducements that encourage consumers to trial and purchase products. For example, supermarkets regularly provide free samples of food or drinks to encourage shoppers to purchase them.



In what ways can sales promotion be combined with personal selling to maximize the effectiveness of marketing activities?

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The Uses and Benefits of Sales Promotion

Marketers often use sales promotion in combination with personal selling, advertising, or both in order to increase the effectiveness of these promotional methods. For example, marketers frequently use advertising to promote sales that are being held in stores. The most effective sales-promotion efforts are closely connected with other promotional activities. Decisions regarding the nature of the sales promotion that will be used for a particular product often affect the advertising and personal-selling decisions for that product and vice versa.

Sales promotion can increase sales by providing extra purchasing incentives. Many opportunities exist to motivate consumers and resellers to make purchases. Some kinds of sales promotion are designed specifically to stimulate resellers' demand for products, some are directed at increasing consumer demand, and some focus on both consumers and resellers. Regardless of their purpose, marketers must ensure that sales-promotion objectives are consistent with the organization's overall objectives, as well as with its marketing and promotion objectives.

Selecting a Sales-promotion Method

When deciding which sales-promotion methods to use, marketers must consider several factors, particularly product characteristics (price, size, weight, costs, durability, uses, features, and hazards) and target-market characteristics (age, gender, income, location, population density, usage rate, and shopping patterns). How products are distributed, the number and types of resellers, as well as the competitive and legal environments in which products are sold, may also determine the type of method used.

Trends in the Use of Sales Promotion

The use of sales promotion has increased dramatically over the past 30 years, primarily at the expense of advertising. This shift in how companies' promotion budgets are used has occurred for

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several reasons. Heightened concerns about value have made customers more responsive to promotional offers, especially price discounts and point-of-purchase displays. Thanks to their size and access to checkout scanner data, retailers have gained considerable power in the supply chain and are demanding greater promotional efforts from manufacturers to boost their retail profits. A decline in brand loyalty has also produced an environment in which sales promotions aimed at persuading customers to switch brands are more effective than they used to be. In addition, competition from online retailers has pushed retailers to use more sales-promotion incentives. Finally, placing greater emphasis on improving short-term performance by companies requires them to make greater use of sales-promotion methods that yield quick (although perhaps short-lived) sales increases.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. Which promotional activities does sales promotion not include?
2. What activities do marketers often combine with sales promotion to sell a particular product or service?
3. How can sales promotion help to increase sales?
4. What are three reasons why the use of sales promotion has increased significantly in recent years?

7.2.2

Consumer-sales-promotion Methods

Consumer-sales-promotion methods are sales-promotion methods that specifically encourage or stimulate consumers to purchase products at specific retail stores or try particular products.

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These include online sales promotion which can create a higher level of product and brand recall than non-digital methods. Consumer-sales-promotion methods implemented by retailers often aim to attract customers to specific locations, whereas those used by manufacturers generally aim to introduce new products or promote established brands.

Coupons

Coupons provide consumers with a price reduction for a particular product when they produce a paper or digital token for that product. The aim of coupons is to motivate consumers to try new or established products, increase sales volume quickly, attract repeat purchasers, or introduce new package sizes or features. Savings are deducted from the purchase price.

The Uses of Coupons

Coupons are the most widely used consumer sales-promotion technique globally. Although coupons offer greater spending power, consumers have indicated that a primary reason for not using them is that they cannot find coupons for the products they want to buy. Digital coupons, which are available on websites and mobile applications, are becoming popular, but companies still provide consumers with promotional materials available at their stores. Digital coupons which are redeemed by scanning a QR code are becoming increasingly popular and they are more popular with Millennials than any other age group. As a result, many companies consider couponing to be a profitable sales-promotion method. To take advantage of renewed consumer interest in coupons, digital marketing, (including mobile, social, and other platforms), is being used for couponing. However, the popularity of coupons may actually have a negative effect on the revenue of the company that supplies them because consumers sometimes receive so many coupons that they are reluctant to make a purchase that a coupon is not available for.



Would coupons motivate you to buy products that you otherwise would not have considered purchasing?

When deciding on the distribution method to use for coupons, marketers should consider strategies and objectives, redemption rates, availability, circulation, and exclusivity. Today digital coupons with QR codes that store staff scan in order to process a specific discount are the most popular form of coupons and the coupon distribution and redemption arena has become very competitive in Saudi Arabia and other places. To avoid losing customers, many grocery stores will also redeem coupons offered by their competitors. Some stores may even double and sometimes even triple the value of customers' coupons to attract customers.

The Benefits of Coupons

Coupons offer several advantages. Print advertisements with coupons are often more effective at generating brand awareness

than print advertisements without coupons. Generally, the larger the coupon's cash offer, the more recognition it will generate. Coupons reward current product users, win back former users, and encourage purchases in larger quantities. As they are returned to the company that creates them, coupons also help a manufacturer determine whether it reached the intended target market with this sales-promotion method. The advantages of using electronic coupons over paper coupons include lower cost per coupon for each redemption of a coupon, an enhanced ability to target consumers, and improved data-gathering capabilities.

The Disadvantages of Coupons

According to some experts, coupons are currently losing their value. As so many manufacturers offer them, consumers have learned not to buy without some incentive, whether that is in the form of a coupon, a rebate, or a refund. The value of coupons as an incentive for consumers to try a new brand of product is also questionable. Many consumers only redeem coupons for products that they normally buy and it is believed that about three-quarters of coupons are redeemed by people who already use the brand on the coupon. An additional problem with coupons is that stores often do not have enough of the coupon item in stock. This situation can generate ill will toward both the retailer and the product.

Money Refunds and Rebates

Money Refunds

Marketers also employ money refunds as an alternative to coupons to stimulate sales. With a **money refund**, consumers submit proof of purchase and are sent a specific amount of money in return. Manufacturers usually demand multiple product purchases before consumers qualify for money refunds. Money refunds are used primarily to promote the trial use of a product and they are relatively low in cost. However, they sometimes generate a low response rate and, therefore, have a limited impact on sales.

Rebates

With a **rebate**, the consumer is sent a specified amount of money for making a single product purchase. Rebates are generally given on more expensive products than money refunds and are used to encourage customers to purchase them. Marketers also use rebates to reinforce brand loyalty and encourage product purchase. On larger items, such as cars, rebates are often given at the point of sale. Most rebates, however, especially on smaller items, are given after the sale and usually through a mail-in process. Research suggests that these mail-in rebates are most effective in situations where consumers need to have a specific reason to purchase an item. On the other hand, rebates for products that provide instant gratification are usually more effective if they are provided at the point of purchase.

Disadvantages of Money Refunds and Rebates

One problem with money refunds and rebates is that many people perceive the redemption process as too complicated. According to one estimate, at least 40% of consumers do not get their money back because they fail to meet the requirements. To eliminate these complications, many marketers allow customers to apply for a rebate online, which eliminates the need for forms that may confuse customers and frustrate retailers. Consumers might also have negative perceptions of manufacturers' reasons for offering rebates. They may believe the products are untested or have not sold well. If these perceptions are not changed, rebate offers may actually degrade product image and desirability.

Shopper Loyalty and Frequent-user Incentives

Various incentives exist for frequent product users and loyal customers. Organizations such as supermarkets often provide users with loyalty or shopper cards that allow them to track customer purchases while providing periodic discounts to shoppers for continued purchases. Shopper cards tend to have an impact on brand loyalty purchases for secondary brands, but not on brand



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loyalty purchases of brands where the brand performs strongly. A key purpose of shopper and frequent-user cards is to encourage continued loyalty. This is often achieved by giving customers loyalty cards and awarding them points for every purchase. When they reach a certain number of points, the customers become eligible for rewards, which could be either free products or vouchers that can be redeemed on future purchases.

Many companies have similar incentives for rewarding customers who engage in repeat or frequent purchases. For example, major airlines offer frequent-flyer programs that reward customers who have flown a specified number of miles with free tickets for additional travel or free gifts. Frequent-user incentives foster customer loyalty to a specific company or a group of cooperating companies. They are favored by service businesses, such as airlines, auto rental agencies, hotels, and local coffee shops. Frequent-user programs not only reward loyal customers but also generate data that can provide significant and very useful information about customers. This information then helps marketers to foster desirable customer relationships.

Why do you think the use of frequent-flier programs by airlines is such a successful example of a frequent-user incentive?



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MARKETING SCENARIO

The Introduction of a Loyalty Card Scheme at a Saudi Supermarket Chain

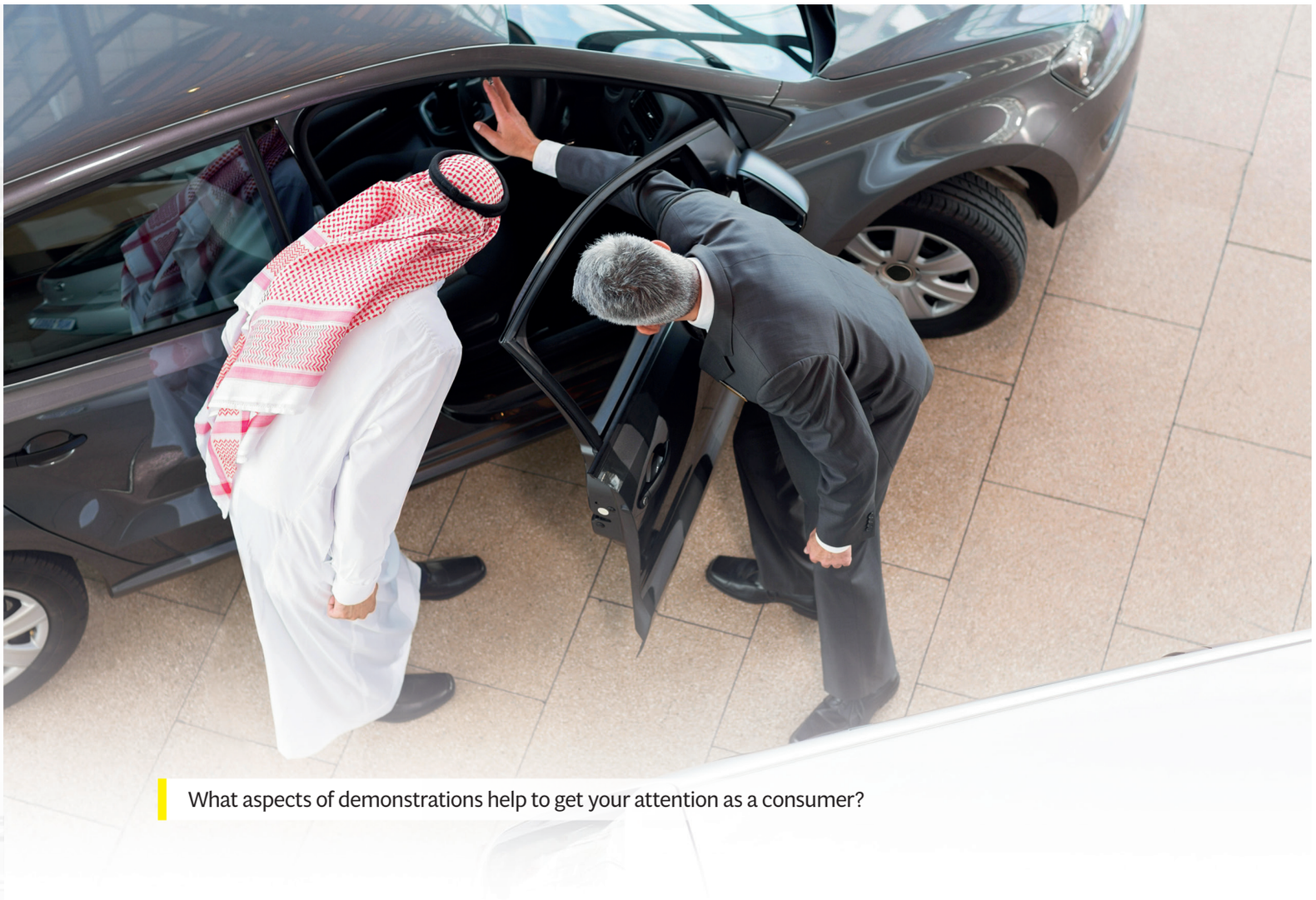
A Saudi supermarket chain wants to encourage its customers to remain loyal to their stores rather than being tempted to shop at their competitors' stores. In order to do this, the supermarket chain managers decide to introduce a loyalty scheme. They give out "payback cards" to all their customers and ask them to bring these cards with them whenever they visit the supermarket. Every time a card-holding customer makes a purchase, the cashier scans their card and points are added to their account according to the amount they have spent: one point for every 100 SAR spent. The supermarket chain sends its customers a letter once a month to inform them of the number of points in their account at that point. Once customers have earned 20 points, they begin to qualify for vouchers which they can redeem at the supermarket. The value of the vouchers corresponds with the number of points the customer has, but the result is that customers receive 5 SAR back for every 100 SAR that they spend. Everyone likes to feel that they are getting something for free and the provision of the vouchers gives customers this feeling. It also makes customers feel that the company genuinely values them as customers. In addition, the regular communication with its customers which the chain establishes through the loyalty card statement letters that it sends out, allows them to also enclose other print promotional materials for their supermarkets in the same envelope.

THINK CRITICALLY

1. Why did the supermarket chain decide to introduce this loyalty card scheme?
2. What do customers have to do to take part in the scheme?
3. How are the number of points that customers earn calculated? How are they informed about the number of points they have?
4. What do customers receive in return for taking part in the scheme?

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What aspects of demonstrations help to get your attention as a consumer?

Point-of-purchase Materials and Demonstrations

Point-of-purchase Materials

Point-of-purchase (POP) materials include outdoor signs, window displays, counter pieces, display racks, and self-service cartons. Innovations in POP displays include sniff-teasers, which give off a product's aroma in the store as consumers walk within a radius of four feet, and computerized interactive displays. These items are often supplied by producers to attract attention, inform customers, and encourage retailers to stock particular products. Retailers have also begun experimenting with new forms of POP technology, such as interactive kiosks allowing shoppers to browse through products. A retailer is likely to use POP materials if they are attractive, informative, well-constructed, and in harmony with the store's image.

Demonstrations

Demonstrations are an excellent way of getting consumers' attention, and they involve showing consumers how a product works and the effects of using it. Manufacturers offer them for a limited period of time to encourage the trial use and purchase of a product, or to show consumers how a product works. As the labor costs involved can be extremely high, demonstrations are not widely used. They can be highly effective for promoting certain types of products, such as appliances, cosmetics, and cleaning supplies. Even automobiles can be demonstrated, not only by a salesperson but also by the prospective buyer during a test drive. Cosmetics marketers sometimes offer potential customers makeovers to demonstrate benefits of their products and their correct application.

Free Samples and Premiums

Free Samples

A **free sample** is a product that companies give to consumers without charging them for it. Marketers use free samples to motivate consumers to trial a product, increase sales volume in the early stages of a product's life cycle, and obtain the distribution they desire. Companies may distribute free samples at local events, by door-to-door delivery, online, in stores, and on packages. A coffee shop in Saudi Arabia, for example, might give out free samples of its coffee in the hope of persuading buyers to purchase a cup of coffee from them. Sampling is the most expensive sales-promotion method because the production and distribution involves significant costs.

However, sampling can also be one of the most effective sales-promotion methods. In one survey, 92% of respondents said they would purchase a product if they liked it after getting a free sample. Samples eliminate the risk of trying a new product for consumers and allow consumers to feel as if they are getting something for free. Other studies reveal that sampling can lead to repeat purchases, as well as purchases of other products with



How effective do you think free food samples are in motivating consumers to buy the food product they sample?

the same brand name. Despite the high costs involved, the use of sampling is increasing. In any given year, almost three quarters of consumer-products companies will use sampling.

Premiums

A **premium** is an item that is offered free or at a minimal cost as a bonus for purchasing a product, for example, a game that consumers can download to play on their smartphone after scanning a QR code. Premiums are placed on or inside packages and can also be distributed by retailers or through the mail. Other examples include a service station giving a free car wash with a fill-up, or a free shaving cream with the purchase of a razor.

Premiums are used to attract competitors' customers, introduce different sizes of established products, add variety to other promotional efforts, and stimulate consumer loyalty. Consumers appear to prefer premiums to discounts on products due to the perception that they are receiving something for free.

Creativity is essential in the creation of premiums. In order to stand out and achieve a significant number of redemptions, the premium must match both the target audience and the brand's image. Premiums must also be easily recognizable and desirable. Consumers react more favorably toward a premium when the brand providing it has a high perceived value for them and there is a good fit between the product and the premium.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What are the advantages of using coupons for manufacturers or retailers?
2. How is a money refund different to a rebate?
3. How do frequent-flier programs usually work?
4. Why are demonstrations rarely used as a sales-promotion method?
5. Why is the offering of free samples a successful sales-promotion method?
6. Name one digital example and one physical example of a premium.

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7.2 LESSON ASSESSMENT

What Have You Learned?

1. In what two situations is sales promotion a common tactic? [7.2.1]
2. Can sales-promotion methods stimulate short-term sales, long-term sales, or both? Explain your answer. [7.2.2]
3. What criteria do you think marketers use when they are deciding which sales-promotion method to use for a particular product or service at a specific time? [7.2.2]

Make Academic Connections

1. **Math** A grocery store usually makes a 10% profit on a box of detergent that sells for 16 SAR. In an average week, it sells 30 boxes of detergent. The store runs a coupon promotion for 1 SAR off each box. How many boxes does it need to sell per week to break even on the promotion? [7.2.2]
2. **Visual arts** Choose a product that you and your family regularly purchase. Consider what qualities of this product its manufacturer might want to highlight in order to promote it to consumers. Use your ideas to create an attractive poster for the product on poster board or cardboard. [7.2.2]

Connect to the Real World



You have recently open a store that sells a range of dry fruits. The unique selling point of your store is that it is plastic-free and customers need to bring their own containers or bags from home to put fruits that they want to buy in. You are keen to grow sales at your business from the relatively low level that they are currently at. Brainstorm ideas for sales-promotion methods that you could use to achieve this goal. When you choose to reject methods, consider the reasons why you decided to do that and take notes on that too. . [7.2.2]

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7.3

Promotional Plans

KEY TERMS	LEARNING OBJECTIVES
The promotional plan	Once you have completed this lesson, you should be able to: **7.3.1** Explain the five major factors that affect the promotional mix. **7.3.2** Describe the seven steps in the promotional planning process.

MARKETING MATTERS

Each type of promotion that exists has its own strengths and weaknesses. Marketers typically use several or all of the different types of promotion in a marketing campaign. Each type of promotion fulfills a different role and will reach consumers in different ways, but all of them deliver essentially the same message about a product or service. The specific way in which the promotional elements are used depends on several factors and these include: the product or service itself, the target market, the product price and distribution, the availability of resources, and the company's overall philosophy.



Activate Your Knowledge

1. What elements can marketers choose from when they are developing a promotional mix for a product or service?
2. What factors do you think marketers might consider when they are planning promotions?
3. What methods could marketers use to evaluate the effectiveness of promotions once they have implemented them?

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7.3.1

The Promotional Mix

As explained in Chapter 5, the promotional mix is the combination of advertising, public relations, personal selling, and sales promotion that marketers use to reach a target market. In addition, the elements of the promotional mix must complement one another. If they deliver conflicting messages, the consumer might become confused. This confusion is likely to reduce the chances of them purchasing the product or service in question. A carefully planned promotional mix can maximize the effectiveness of each type of promotion and reach customers from several different angles to achieve marketers' promotional objectives. How marketers determine which promotional tools to use depends on several factors as shown in Figure 7-2.

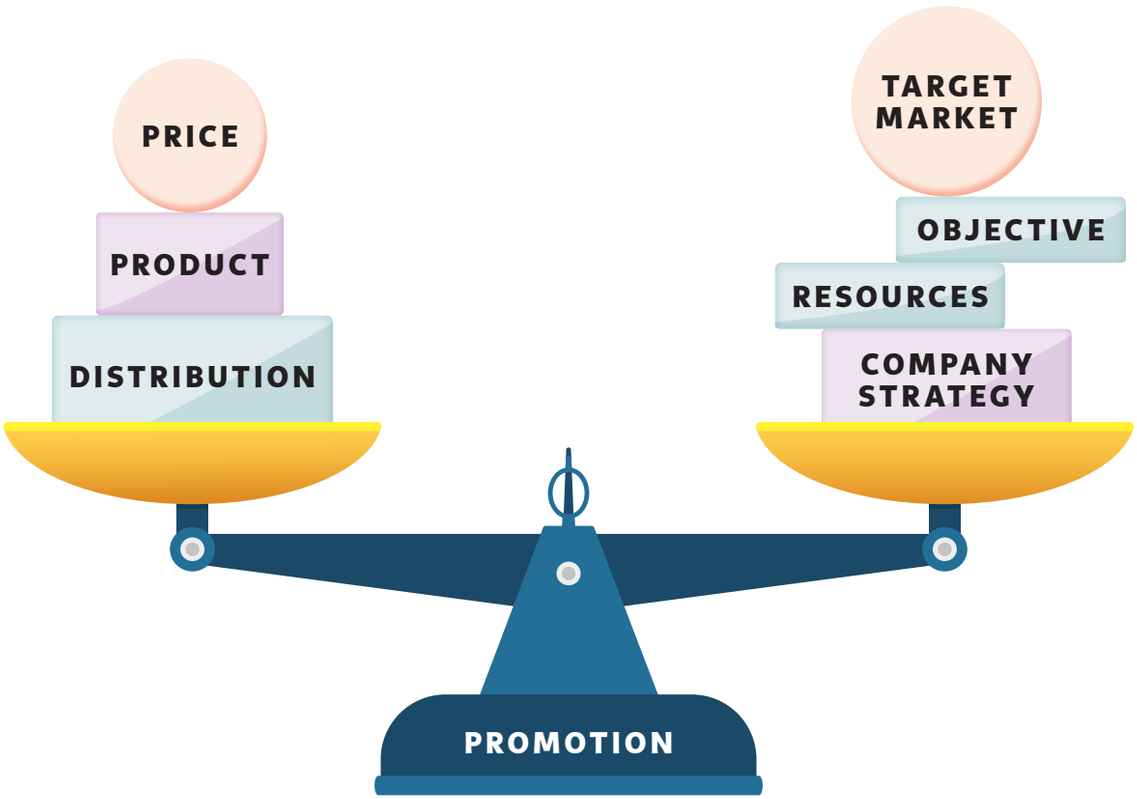


Figure 7-2 Many factors influence promotional plans, which makes developing the right promotional mix a balancing act.

Promotional Objective

There are three possible purposes of communication which are used to promote a product, service, or business: to inform, to persuade, or to remind. Different types of promotions are better suited to different specific objectives. For instance, personal selling is an excellent tool for informing customers and delivering large quantities of information. However, it wouldn't be effective for every product or service, such as to remind people to buy milk at the supermarket.

Do you think online advertising would be the best way for a company that wants to connect with older people? Why / Why not?



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Target Market

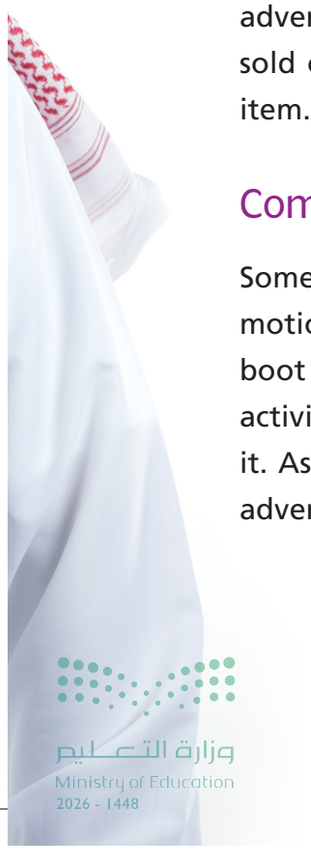
It is critical for marketers to consider the target market when they are formulating a promotional mix. They need to ask themselves questions such as: *Who are the people that the company is trying to reach? What do they find compelling?* If a company's target market is upper-income, health-conscious women, offering coupons for 2 SAR off a nutritional supplement may not be as effective as advertising the product's health benefits. Marketers also need to consider where the target market lives. For example, if a target market is dispersed across the Kingdom, television advertising might be a better approach than a billboard.

Marketing Mix

The type of product, the price, and its distribution channel also affect the promotional mix. Specific types of promotion will be more suitable than other types for one specific product or service. A low-priced product such as bar soap, for example, is not a good candidate for personal selling. However, soap probably would benefit from the distribution of a coupon. On the other hand, consumers want more information before buying expensive items such as a laptop, which is why personal selling is a good fit for that product. Distribution also plays a role. Internet advertising works particularly well for products promoted and sold online because of its ability to link to websites selling the item.

Company Strategy

Some companies believe in certain principles and build their promotional mix based on those principles. For example, a hiking boot company may be very conscious of the impact of human activity on the landscape and feel that outdoor billboards clutter it. As a result, they will not want to use billboards as a form of advertising.



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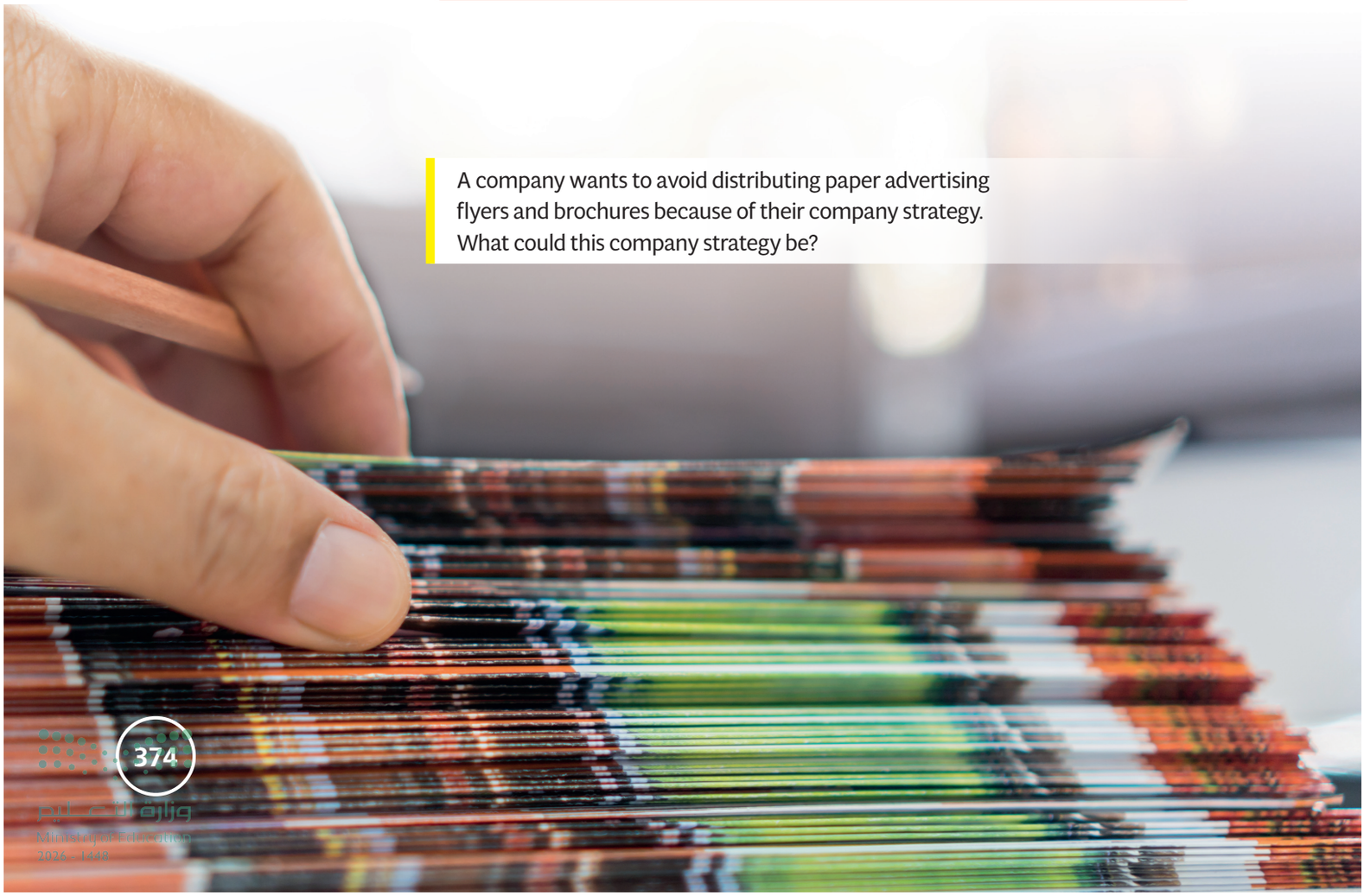
Resources

The final factor to consider is the company's financial situation. Promotion can be expensive and marketers must determine which elements will have the greatest chance of achieving the company's objectives for the least amount of money. Small companies may not have the budget to use all of the promotional tools that are available.

CHECKPOINT

Discuss your answers to the questions with a partner.

1. Why is it important that the elements of a promotional mix complement each other?
2. What aspects of a product might affect the promotional mix that is chosen for it?
3. Summarize the five factors that marketers consider when they are deciding which elements to include in their promotional mix.



A company wants to avoid distributing paper advertising flyers and brochures because of their company strategy. What could this company strategy be?

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7.3.2

The Promotional Planning Process

Each type of promotion serves a different function in the promotional mix and should be used to complement the other methods of promotion. Advertisements, for example, reach large audiences and create awareness. Without them, the personal sales effort would be much more difficult, time-consuming, and expensive. Public relations lends credibility to the message, but it is difficult to control. Personal selling, on the other hand, offers person-to-person contact, can provide any extra information the customer needs, and can close a sale. Without personal selling, the initial interest generated among consumers by advertising might be wasted. Sales-promotion supplements the other methods and fills in the gaps by stimulating short-term sales efforts.

The promotional mix must be carefully planned around a common theme so that all the elements work together, and, when viewed as a whole, deliver the message to the consumer. The blueprint for how the elements of the promotional mix will work together is called **the promotional plan**.

Steps in Promotional Planning

Creating an effective promotional plan takes time. Most large companies plan years in advance to ensure they use their promotion budget as efficiently as possible. Companies of all sizes follow a basic process for developing their promotional mix. They carefully analyze the current situation and identify opportunities. Then they formulate a promotional plan to take advantage of those opportunities. After the plan is implemented, marketers study the results and use what they have learned to guide their future efforts. The steps in the promotional planning process are shown in Figure 7-3.

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Figure 7-3 Marketers follow a step-by-step process to develop a promotional plan that is focused, efficient, and based on achievable goals.

1. Research and Analyze the Market

Marketers can conduct market research or use existing research to gain an understanding of the market. They then analyze the research and identify the strengths and weaknesses of their product, opportunities in the market, and competitive threats.

2. Select the Target Market

Based on the opportunities identified, the marketer can select a specific target market. In this step, the marketer should identify the key characteristics of the target market and fully understand what might motivate consumers to buy the product. This allows them to create an informed promotional strategy.

3. Identify Promotional Objectives

Now that the marketer has a good understanding of the market, they can define the objective of the promotion. They will do this by coming up with answers to questions such as: *What does the company want to achieve with its promotional plan?* The promotional objectives should be both realistic and measurable.

4. Set the Promotional Budget

At this point, the marketer determines what it will cost to meet the proposed objectives. Although, in reality, budgets are sometimes dictated by the amount of funds available, the ideal promotional budget is set to fit the promotional plan and not the other way around. Previous annual budgets or predicted sales are often used to help determine what a reasonable promotional budget would be.



What factors might motivate consumers to buy a luxury brand of tissues?

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5. Develop the Promotional Mix

With the budget set, the marketer can then decide on the appropriate mix of advertising, public relations, personal selling, and sales promotion. The marketer does this while trying to balance all the factors that affect the mix. Once the promotional mix is set, the company can begin to make decisions about which media to use and what vehicles within those media are best suited to the promotional objectives and budget.

6. Implement the Promotional Plan

The company allocates money from the total promotional budget to each promotional mix element. It develops a schedule and makes decisions about when the promotional efforts will take place. After that, the promotional materials are created and the plan is put into effect.

7. Evaluate the Results

Marketers evaluate their promotional plan during and after the promotions by comparing the results with the objectives. They may change the promotional mix, or certain elements of it, based on what they learn from this evaluation. They can use the results to help plan future promotional efforts if deemed necessary.



CHECKPOINT

Write the answers to the questions in your notebooks.

1. Choose two elements of the promotional mix (advertising, personal selling, public relations, or sales promotion). What are the advantages and disadvantages of using each element for marketers?
2. What information do marketers use to identify a target market for a product or service?
3. How would a promotional budget ideally be set?

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MARKETING SCENARIO

Using a Digital Strategy to Make Selling More Personal

A designer sunglasses manufacturer has recently begun manufacturing its products. Its marketers are currently in the process of developing a promotional mix for its sunglasses. The company has already carried out market research to identify the target market for the sunglasses, which is younger people aged 18–35 from middle- or high-income groups in Saudi Arabia, who are image-conscious and keen to look good. The marketers envisage that these consumers are frequent users of social media and enjoy posting photographs of themselves and their friends and relatives on those platforms. The objectives of the company's promotional plan at this early stage are to raise awareness of the brand's existence and establish its brand identity among Saudi consumers. In order to achieve these objectives, the company's marketers select the elements of advertising which will be used to establish the brand image and this will primarily be digital advertising. They will also use personal selling, whereby sales staff in department stores that stock the company's sunglasses have been advised to introduce potential customers to the brand and its identity, in order to raise their awareness of it and persuade customers that their sunglasses provide advantages that other brands of sunglasses do not. These advantages include the lightness of the product, the comfort this brings wearers, as well as the product's trendy look. The company will implement this promotional mix and at the end of the first period of three months, it will evaluate its effectiveness and make changes if deemed necessary.

THINK CRITICALLY

1. What is the target audience for the company's products?
2. What are the company's promotional objectives?
3. What elements have they decided to combine in their promotional mix? Why did they choose these elements?
4. When will the company evaluate the effectiveness of their promotional mix?



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Math in Marketing

Gauging Effectiveness

The success of most promotions ultimately depends on the effect they have on business profits. The difficult part is figuring out which parts of a complex promotional mix are responsible for what portion of subsequent changes in revenue and profits. In most cases, there is no way to tie changes in revenue directly to a specific promotion, so marketers have to use indirect means to estimate a promotion's effectiveness. Magazines and newspapers track paid circulation and total circulation. They also provide readership estimates, which factor in how many people typically read each copy.

Electronic media have developed new ways of measuring success. Website hits are the number of people who log on to a site. Click-through rates are the proportion of viewers who click on an advertisement to see the sponsor's site, where the amount of time each spends at the site is also tracked. Conversion rates are the proportion of viewers who follow through by buying something or registering for whatever is being promoted.

Do the Math

1. The weekly Associated Business Journal has a paid circulation of 5,000, gives out 800 free copies, and estimates that for each copy of the newspaper printed, 5.5 people read it. How many people read the paper each week?
2. If a popular website averages 10 million hits a day, and an advertising agency estimates that a banner ad for a contest promotion on the site will yield a click-through rate of 3% and a conversion rate of 22%, how many people per day can it expect to register for the promotion?

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7.3 LESSON ASSESSMENT

What have you learned?

1. How do a company's financial resources affect the types of promotion it uses? [7.3.1]
2. What is a promotional plan? [7.3.2]

Make academic connections

1. **Technology** Some people say the Internet should be counted as a fifth element in the promotional mix. Do you agree? How many elements of the promotional mix can be fulfilled using the internet? Write a one-page report summarizing your ideas. [7.3.1]
2. **Management** You are the marketing manager for a designer shoe company. You have spent weeks developing the perfect promotional mix that involves all four elements. Today you found out that your budget has been cut in half and you must cut two of the elements. Which two elements would you cut? Why? [7.3.1, 7.3.2]

Connect to the real world



Choose a real company that you are interested in. Research this company online and consider what elements of the promotional mix would be the right fit for it when it markets its products or services. Present a proposed promotional mix, with specific media recommendations as appropriate, to the class. [7.3.1, 7.3.2]

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CHAPTER 7 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. Many customers do not like personal selling. Explain why customers might be put off by this type of selling. [7.1.1]
2. What are the advantages and disadvantages of team selling for the salespeople who do it? [7.1.3]
3. Which sales-promotion method is mostly likely to foster customer loyalty? Give reasons for your answer. [7.2.2]
4. As a consumer, you are often given coupons online. Why do you take advantage of some coupon offers but not others? [7.2.2]
5. Your company is introducing a new pet food product. The company considers pets to be part of the family, to be loved and cared for. What kind of promotion would foster your company strategy and also persuade pet owners to purchase your product? Explain your answer. [7.3.1]
6. There are many steps in promotional planning. Which step do you think is the most important? [7.3.2]
7. Why is it important to carry out each step in the promotional planning process? [7.3.2]

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DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Coupons		**a.** Involves the salesperson joining with people from their company's finance department, engineering department, and other departments, and is appropriate for selling expensive, complex, high-tech business products.
2.	Demonstration		**b.** A promotional method that provides customers with a price reduction for a particular product when they produce a paper or digital token for that product.
3.	Free sample		**c.** Involves building mutually beneficial long-term associations with a customer through regular communication with them over prolonged periods of time.
4.	Money refunds		**d.** Items such as outdoor signs, window displays, counter pieces, etc., which are often supplied by producers to attract attention, inform customers, and encourage retailers to stock particular products.
5.	Point of purchase (POP) Materials		**e.** The blueprint for how the elements of the promotional mix will work together around a common theme to deliver the message to the consumer.
6.	Premium		**f.** A way of getting consumers' attention, which involves showing consumers how a product works and the effects of using it.
7.	Rebate		**g.** A situation where the consumer is sent a specified amount of money for making a single product purchase, which is generally given on more expensive products, and are used to encourage consumers to purchase them.
8.	Relationship selling		**h.** A product that companies give consumers without charging for it, to motivate them to trial the new product and increase the volume of sales.
9.	Team selling		**i.** A situation where consumers submit proof of purchase and are sent a specific amount of money in return.
10.	The promotional plan		**j.** An item, that is offered free or at a minimal cost as a bonus for purchasing a product, which is placed on or inside packages.

MARKETING RESEARCH AND PLANNING

1. Choose a national brand and research how it uses personal selling and sales promotion to grow its business. Prepare a report on the specific promotional efforts of the brand and why they have worked for that company. [7.1.1, 7.2.1]

2. You encounter many types of promotions each day. For promotion in a and b below, make a list of five examples. Write a sentence in your notebooks describing each of the examples.
   - **a.** five examples of personal selling you have witnessed or know about [7.1.1]
   - **b.** five promotions in a local store [7.2.2]

3. Search the Internet for product sites that have sales promotions related to the products listed in items a–d. Write a half-page summary for each product site and the kinds of sales promotions offered. Select the one you think is the most effective and explain why. [7.2.2]
   - **a.** headphones
   - **b.** sports jerseys
   - **c.** computers
   - **d.** home decor products

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4. Select a product or service which you are familiar with. Go through the promotional planning process using the product or service you have selected, and answer the questions you think the company had to answer to create its promotional plan. Go online to research anything you do not know. Outline your findings in a written report. [7.3.2]

MARKETING MANAGEMENT AND DECISION MAKING

1. Promotional displays inform prospective customers about a product, entice them to look at it, and stimulate their buying impulse. The display reflects not only the product being promoted but also the spirit of the sponsoring organization. Some guidelines for creating a display include:

   a. Make sure displays are well-balanced and proportional.

   b. Decide what feelings the display is trying to evoke and choose colors accordingly.

   c. Tailor the design to attract the target audience of the display.

   d. Make sure each item in the display supports its overall theme.

   Using poster board, draft two designs for a display promoting a school event. Ask several people for feedback to determine which design is the most appealing. Refine the display that receives the strongest feedback. Develop a layout of all the elements you would include in the display. Use a diagram or chart to outline why each element was included and how it supports the overall goals of the display. [7.2.2]

2. Marketing managers need to evaluate the results of their promotional plans and analyze what worked and what could be improved. This analysis helps them prepare future objectives and create promotional plans in upcoming years. Select one of the promotional mixes you developed in the previous activity. Assume your promotional plan was a success and that your company wants to be even more aggressive next year. If your plan calls for it, the company will double the money allocated for your promotional efforts. Write a new promotional objective and develop a new promotional mix that will aggressively grow your business. Present your ideas to the class. Be prepared to defend and support your decisions. [7.3.2]

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MARKETING ASSIGNMENT



A small company has just created a new type of greeting card. It looks the same as a typical greeting card you can buy in most retail stores. The unique feature is a microchip in the card on which the sender can record a 30-second personalized message. Initially, the cards are being produced in two categories: Eid cards and weddings. If these cards are successful, the company may choose to expand its line of cards for other holidays, seasons, and special events.

Because of the computer technology and special envelopes needed to protect the card, the company's cost before distribution is higher than other cards at 15 SAR each. The business has decided that the cards will be sold to a select set of specialty retailers throughout the world. A few wholesalers may be used for distribution if they follow a carefully developed marketing plan.

Your task is to work together in a team to develop a promotional mix for the company. Reach decisions about the following points:

a. The characteristics of the company's target market.

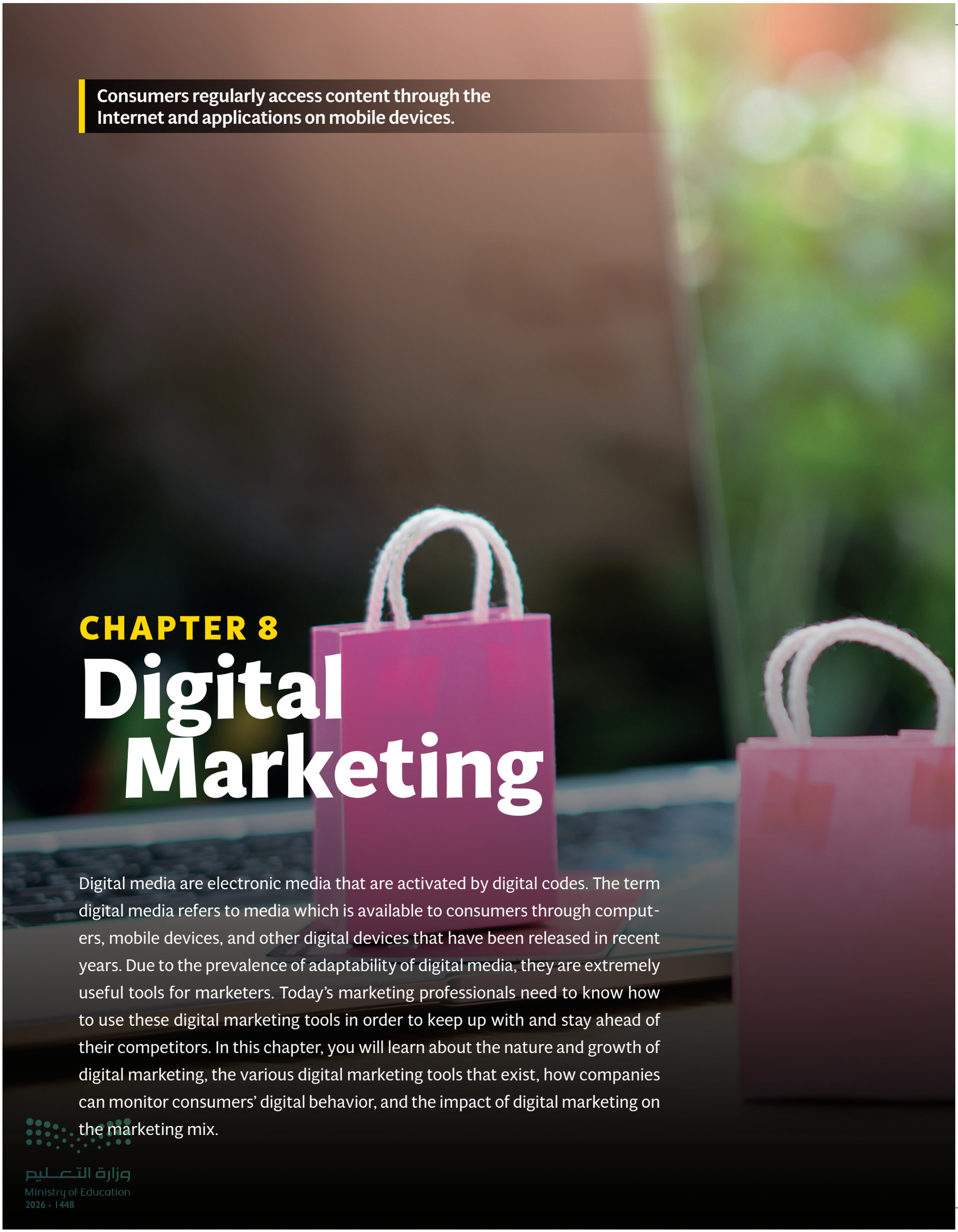
b. The company's promotional objectives.

c. How much budget you think could and should be available.

d. The elements it should include in its promotional mix.

e. How and when the company should evaluate the effectiveness of this promotional mix. [7.3.1, 7.3.2]

Present your ideas and decisions to the class. Use visual aids to help you to do this.



Consumers regularly access content through the Internet and applications on mobile devices.

CHAPTER 8
Digital Marketing

Digital media are electronic media that are activated by digital codes. The term digital media refers to media which is available to consumers through computers, mobile devices, and other digital devices that have been released in recent years. Due to the prevalence of adaptability of digital media, they are extremely useful tools for marketers. Today's marketing professionals need to know how to use these digital marketing tools in order to keep up with and stay ahead of their competitors. In this chapter, you will learn about the nature and growth of digital marketing, the various digital marketing tools that exist, how companies can monitor consumers' digital behavior, and the impact of digital marketing on the marketing mix.

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> In what ways can marketers connect with a consumer through the applications and web browsers on their cellphones?

CHAPTER LESSONS

8.1 The Nature and Growth of Digital Marketing

8.2 Monitoring the Digital Media Behavior of Consumers

8.3 Digital Marketing Strategy

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Link to digital lesson

www.ien.edu.sa

8.1

The Nature and Growth of Digital Marketing

KEY TERMS

- Digital marketing
- User-generated content
- Media-sharing applications
- Podcasting
- Mobile marketing
- Widgets

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

8.1.1 Define digital media and digital marketing and explain the growth and importance of digital marketing.

8.1.2 Evaluate the range of different digital marketing tools available today.

MARKETING MATTERS

Digital media can be very powerful marketing tools. Many companies now use digital media every day to strengthen their relationships with current customers and attract the attention of new ones. To use digital media effectively in marketing, a company needs to develop the right mindset and recognize that strategies that work with traditional marketing methods may not work with digital media.



Activate Your Knowledge

1. How would you define digital marketing for someone who is not familiar with the term?
2. Make a list of at least five specific benefits that digital marketing can bring businesses that use it.
3. What examples of digital media which can be used for marketing purposes do you use regularly? How would you assess the impact of the marketing used in these digital media on your purchase decisions?

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8.1.1

The Nature and Growth of Digital Marketing

The Nature of Digital Marketing

Digital media are mediums of digitized information that are broadcast through a screen and/or a speaker. A number of terms have been coined to describe marketing activities which involve the use of digital media. **Digital marketing** uses all digital media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers.

The Growth of Digital Marketing

The phenomenal growth of the Internet has provided unprecedented opportunities for marketers to forge interactive relationships with consumers online. As the Internet and digital communication technologies have advanced, they have made it possible for marketers to target markets more precisely and reach ones that were previously inaccessible. As the world of digital media continues to grow, digital marketing has developed strategies that embrace all digital media, including television advertising and other mobile and interactive media that do not use the Internet. In fact, marketers are using the term digital marketing as a catch-all term for all digital channels that they employ to reach customers. This area is progressing rapidly and the digital world is evolving into a place for effective cross-platform marketing strategies.

The Benefits of Digital Marketing

One of the most important benefits of digital marketing is the ability of both marketers and customers to share information. Through websites, social networks, and other digital media, consumers can learn about everything they might consume and

use in life. As a result, the Internet is changing the way marketers communicate and develop relationships. Today's marketers can use the Internet to form relationships with a variety of stakeholders, including customers, employees, and suppliers. For example, digital assistants on companies' websites often allow customers to digitally interact with experts and customer service



What impact has the recent success of online retailers had on department stores in your area?

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staff. Due to the existence and widespread use of digital marketing tools, such as digital assistants, companies need to adjust their marketing strategies to a digital world. Digital marketing and social media make it possible for marketers to use innovative forms of communication with consumers, and also co-create content with consumers in relationship-based interactions.

For many businesses, engaging in digital and online marketing activities is essential to maintaining a competitive advantage. Increasingly, small businesses can use digital media to develop strategies to reach new markets and access inexpensive communication channels. Large companies use online catalogs and company websites to supplement their brick-and-mortar stores. At the other end of the spectrum, the big online retailers are challenging traditional brick-and-mortar businesses, even taking on department stores. These have had to close hundreds of stores as a result of online retailers' dominance and some shopping centers have gone out of business entirely.

Social networking sites are advancing digital marketing by providing additional features, such as the ability to view daily deals or purchase items using a social media platform. Finally, some corporate websites and social media sites provide feedback mechanisms through which customers can ask questions, make voice complaints, indicate preferences, and otherwise communicate with the company about their needs and desires.

One of the biggest mistakes a marketer can make when engaging in digital marketing is to treat it like a traditional marketing channel. Digital media offer a whole new dimension to marketing that marketers must consider when developing their marketing strategies. For example, the quality of a website will have a major impact on whether the customer exhibits loyalty to the site. A website's aesthetics, as well as its navigational quality, information content, and information quality positively impact the level of a customer's loyalty to a retailer's website. Some of the characteristics that distinguish digital media from traditional marketing include addressability, interactivity, accessibility, connectivity, and control, and these are shown in Figure 8-1.

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Characteristics	Definition	Example
Addressability	The ability of the marketer to identify customers before they make a purchase	An online retailer installs cookies on a user's computer that allow the company to identify the user when they return to the website
Interactivity	The ability of customers to express their needs and wants directly to the firm in response to its marketing communications	A company that manufactures calculators interacts with its customers through its social media accounts by answering concerns and posting updates
Accessibility	The ability for marketers to obtain digital information	Google can use web searches done through its search engine to learn about customer interests
Connectivity	The ability for consumers to be connected with marketers along with other consumers	A cosmetics company offers users the opportunity to sign up for a system that connects customers with beauty consultants and allows them to develop their own personalized space
Control	The customers' ability to regulate the information they view as well as the rate and exposure to that information	Consumers use a price-comparison website to discover the best travel deals

Figure 8-1 Characteristics of Online Media



CHECKPOINT

Write the answers to the questions in your notebooks.

1. What do marketers typically use the term 'digital marketing' to refer to?
2. What opportunities has the growth in digital marketing given marketers?
3. What would be a serious mistake that marketers could make when using digital marketing in their promotional mix?

8.1.2

Types of Consumer-Generated Marketing and Digital Media

Although digital media and digital marketing have generated exciting opportunities for organizations to interact with consumers, it is also clear that social media are more consumer-driven than traditional media. Consumer-generated material is having a profound effect on marketing today. As the Internet becomes more accessible worldwide, consumers are creating and reading consumer-generated content more than ever before. Social networks and advances in software technology provide an environment in which marketers can use consumer-generated content. Two major trends have caused consumer-generated information to gain importance and these are:

1. The increased tendency of consumers to publish their own thoughts, opinions, reviews, and discussions about products or services through blogs or other forms of digital media.
2. Consumers' tendencies to trust other consumers more than corporations. Consumers are often heavily influenced by the recommendations of friends, family, and fellow consumers when making purchasing decisions.

By understanding where online users are likely to express their thoughts and opinions, marketers can use these forums to interact with consumers, address problems, and promote their companies. The types of digital media in which consumers are likely to participate include social networks, blogs, wikis, media-sharing sites, virtual reality gaming, mobile devices, digital assistants, applications and widgets, among others.

User-Generated Content

User-generated content refers to the results of consumers interacting with a brand or company online when they create content. Consumers create content when they are rating products, collecting redeemable points, joining online groups or communities, interacting with each other about a product, or simply reading its manufacturer's online materials. One well-known example of user-generated content is a blog. Blogs often involve self-disclosure where consumers share their knowledge, interests, and desire to join or associate with others. Participating in discussions to connect and network with others has a significant influence on other people and, therefore, helps to promote an interest or cause.

User-generated content can help to spread brand awareness in a way that feels authentic. There are many critics involved in user-generated content. These consumers comment on different subjects, post evaluations on blogs, and post ratings and reviews. Evaluating what critics of their company's products or service, post should be an important part of a company's digital marketing strategy. Of course, consumers read ratings to aid their shopping purchases, so it is helpful for marketers to collect information from sites with customer ratings. They can then use this information in their marketing research to monitor the perception of their company's reputation.



Working in Teams

Work in a team. Your team has been asked to prepare a social media plan to promote a farm that grows and sells organic fruits and vegetables. Identify three types of social media that could be used and prepare an example message for each type. Present your plan and example messages to the class.

Social Media Marketing

Social media marketing involves communicating with consumers through a social network. A social network is a platform where users can create a profile and interact with other users, post information, and engage in other forms of web-based communication. Social media marketing enables firms to promote a message and create online conversations

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How accurately do the advertisements you see on social networks reflect your needs and wants as a consumer?

through multiple platforms. Marketers can target and reach large markets through paid media, owned media, and earned media. Traditional paid media includes traditional print and broadcast, but these have been joined by paid advertising on social networks. Marketers can place advertisements on Google just like they place advertisements on television.

On social media platforms, brands can pay to boost their posts, create appealing photo carousel advertisements, promote their page, and more. In addition to placing advertisements, marketers can set up their own accounts on social networks and use these to transmit messages to consumers. Most companies have their own websites which they own but they can also develop business profiles through such social networking services, especially those aimed at professional online exchanges. Finally, companies can benefit from posts by consumers that are communicating about their products or services on social networks. These digital word-of-mouth posts or interactions can promote a specific product,

a specific service, or a company or brand. Although companies have no control over this type of advertising, as they do with their own advertising, if the communication is positive, it will still help to increase sales.

Marketers need to analyze their target markets and determine the best social media approach to use to support their marketing objectives. Social media can be used to monitor target market competitors and understand the social and economic

Math in Marketing



Web Analytics

When using social media in marketing, it is important for companies to know how many people they are reaching and the types of interactions that make a difference. Web analytics is the study of how users interact with websites. It can shed light on the effectiveness of a website by providing a variety of measurements or metrics concerning how pages are being shared and how much time visitors spend on a page.

One useful metric indicates the bounce rate, which is the percentage of visitors who leave a website rather than viewing another page within the site. The bounce rate is calculated by dividing the total number of visitors to one page only by the total number of visitors to the website. Another measure that can aid in determining the effectiveness of a page is to track the conversion of a desired goal or action. The most common conversion is a sale, but this also refers to other activities such as submitting contact information. A conversion rate is calculated by dividing the number of goals or actions by the number of visits.

Do the Math

1. Calculate the following bounce rates:
   a. A website has 175 visitors with 146 viewing only one page.
   b. A website has 220 visitors with 90 viewing only one page.
2. Calculate the following conversion rates:
   a. A website has 225 visitors where 57 of them make purchases.
   b. A website has 225 visitors and 163 of them submit contact information.

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environment that the company is operating in as a whole. Social media has the potential to help companies build campaigns that produce promoters and enthusiasts of a firm's products. Marketing should be focused on relationship building, and social media can have a significant and valuable influence on these relationships and on consumer behavior.

Another benefit of social networking is marketers' ability to use it to reach out to new target markets, such as Generation Z and Millennials, which are two popular but difficult demographics for marketers to access. In addition to the global social media giants, many countries have their own, much smaller, social networking sites that marketers should consider when trying to reach global markets.

Adults today use a wide variety of social networks. Most adults in Saudi Arabia use social networks. As social networks evolve, both marketers and the owners of social networking sites are realizing the incredible opportunities that such networks offer, and this is principally a combination of increased sales revenues and a large reach for advertising. In order to unlock the tremendous potential that social media marketing has, companies need to expand the range of social media they use and target a range of stakeholders that should be part of the dialogue. Social media is, therefore, a part of a corporate communication and brand-building strategy.

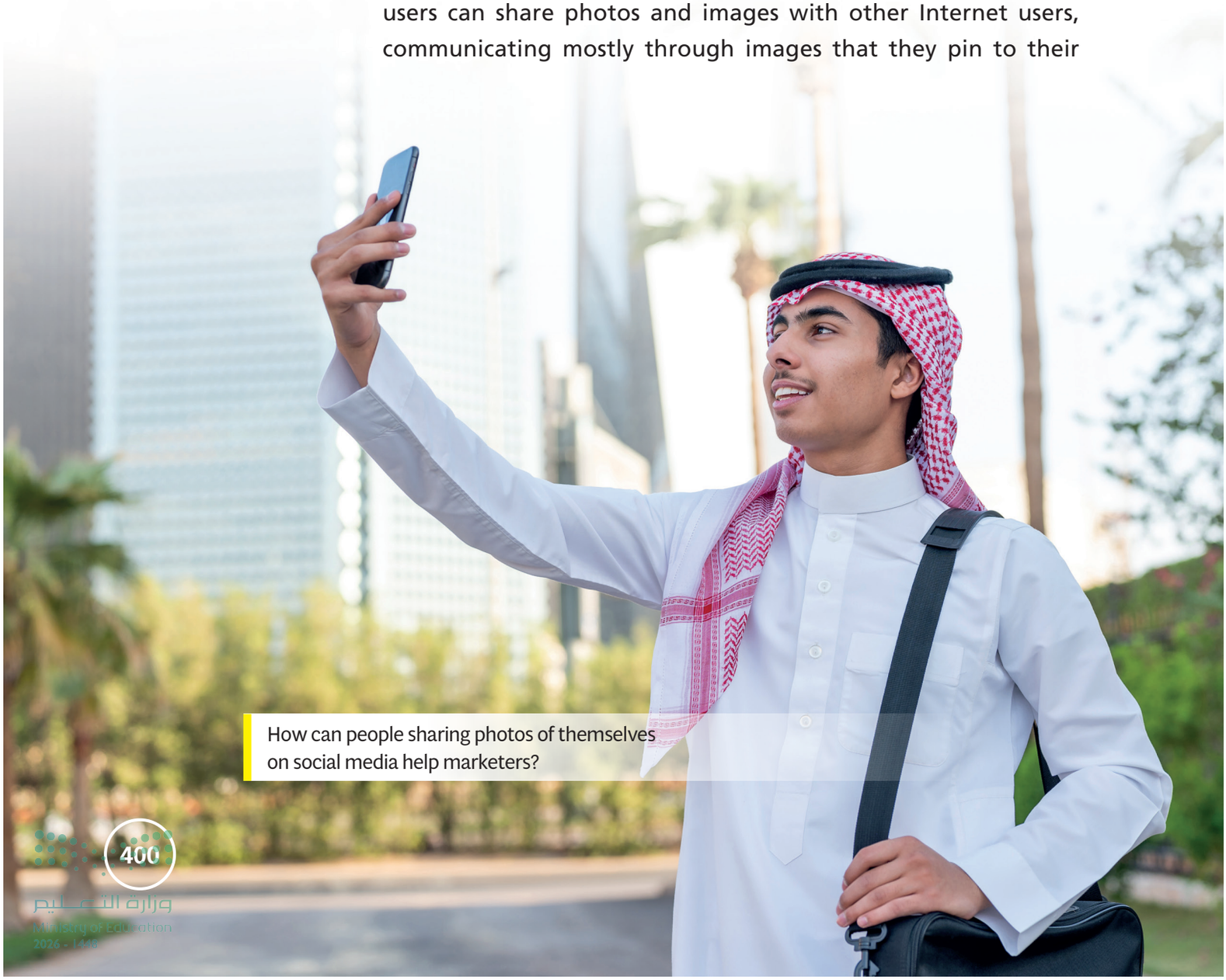
Media-sharing Applications

Marketers can share their corporate messages in more visual ways through media-sharing apps. **Media-sharing applications** allow marketers to share photos, videos, and podcasts but are more limited in scope in terms of how companies interact with consumers. They tend to be more promotional-oriented. This means that while businesses can promote their products through videos or photos, they usually do not interact with consumers through personal messages or responses. At the same time, the popularity of these sites means that they have the potential to reach a global audience of consumers.

Photo-sharing Applications

Photo-sharing applications are a type of media-sharing application which allow users to upload and share their photos with the world. In some cases, these applications have also introduced a function called *Stories*, which users can use to send their friends messages that typically disappear after 24 hours. The most popular photo-sharing applications have hundreds of millions of users worldwide and their reach is, therefore, enormous. With more and more people using mobile applications or accessing the Internet through their smartphones, the use of photo sharing through mobile devices is likely to increase even more in the years to come.

There are also applications that combine photo sharing with elements of bookmarking and social networking. On these sites, users can share photos and images with other Internet users, communicating mostly through images that they pin to their



How can people sharing photos of themselves on social media help marketers?

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boards. Other users can then re-pin these images to their boards, follow each other, like images, and make comments. Marketers have found that an effective way of marketing through these applications is to post images that convey a certain emotion that represents their brand. As application users can do things like creating boards that deal with their interests, marketers also have a chance to develop marketing messages designed to encourage users to purchase the product or brand that interests them. The application creators aim to learn how to influence a customer to go from showing interest in a product to deciding to buy it. The application creators know that this knowledge will be helpful to marketers that want to use their applications to market products or services.

Photo sharing represents an opportunity for companies to market themselves visually by displaying snapshots of company events, company staff, and company products. Many of the world's big global brands have used photo-sharing applications in their digital marketing campaigns. Digital marketing companies also scan photos and images on photo-sharing applications to gather insights about how brands are being displayed or used. These companies hope to offer these insights to big-name companies. The opportunities for marketers to use photo-sharing applications to gather information and promote brands appear to be limitless.

Video-sharing Applications

Another popular type of media-sharing applications are video-sharing applications. These sites allow almost anybody to upload videos, whether they are professional marketers at large corporations or the average Internet user. Video-sharing applications give companies the opportunity to upload advertisements and informational videos about their products. A small number of videos will go viral at any given time and although many of these videos gain popularity because they embarrass their subject in some way, others reach viral status because people find them entertaining. Marketers are seizing upon opportunities to

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use a video's potential to go viral to promote awareness and use of their products or services.

A new trend in video marketing is the use of amateur filmmakers. Video-sharing applications provide would-be video bloggers with the chance to create a name for themselves and this, in turn, could catch the attention of major companies that ask them to become influencers for a particular brand or cause. This typically involves creating video content designed to persuade other people to buy a brand, product, or service. In this video content, influencers usually show the brand, product, or service and talk about the effects it has had on them. If it is a cause that is being promoted, the influencers might talk about how that

How often do you watch videos on your cellphone which involve an element of marketing?



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MARKETING SCENARIO

Using Influencers to Reach Consumers in a More Authentic Way

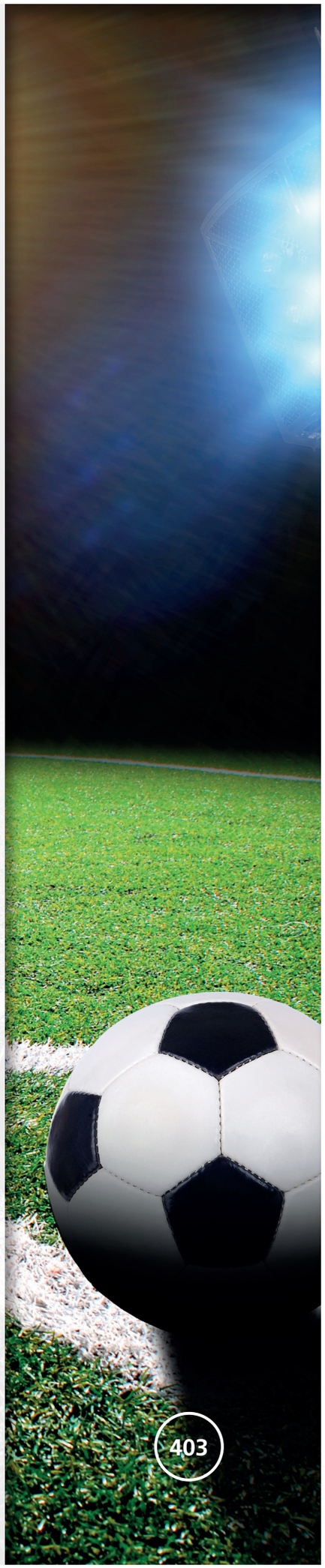
A Saudi Arabian company manufactures and sells soccer clothing and equipment. The company tried creating its own videos and photos of young Saudi men and boys wearing its clothes and using its equipment, and posting these on its social media accounts. However, after about six months, the company noticed that it was failing to connect with its target audience and those consumers that it connected with were not proceeding to purchase the products.

The company decided to change its digital marketing strategy. It used social media to identify young men in Saudi Arabia who appeared to be interested in soccer based on their profiles. The company contacted them to ask if they would be interested in creating videos of themselves playing soccer while wearing or using the company's products, and then sharing these videos on video-sharing applications and social networks. In return, the company would provide these young people with a supply of their clothes and sports equipment.

After executing this strategy, the company evaluated its effectiveness and noticed that the number of application users that were engaging with these new user-created videos was 470% higher than the number of application users that were engaging with the company's own videos. The feedback that the company received was that consumers found the new videos much more authentic, relatable, and persuasive. Consequently, the company continued to use this strategy.

THINK CRITICALLY

1. What type of digital media did the company initially use to market its products online?
2. What did the company do when it decided to change how it uses digital media?
3. What impact did this have on the effectiveness of the company's use of digital media?



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cause has had an impact on their lives and share some evidence of that impact, if this is possible.

Videos created by influencers are more authentic and create enthusiasm for products among consumer participants. They become an electronic word-of-mouth form of communication that supports brand image. With the rise of bloggers and social media stars, brands are turning to influencers to promote their products. They do this by identifying influencers who align with their brand image, and often pay them for an endorsement or send complimentary products in exchange for a video review uploaded to a video-sharing application. Roughly 22% of businesses worldwide see higher customer acquisition rates through influencer marketing than through traditional channels like email. Brands can contact influencers directly or use paid platforms which provide their contact details and portfolio to identify ideal partners and manage campaigns.

Podcasting

Traditionally, podcasting has been used for radio broadcasts, but it is also an important digital marketing tool. **Podcasting** involves the creation of podcasts, which are audio or video files that can be downloaded from the Internet. Users can subscribe to a podcast through a podcasting application so that new episodes automatically appear in their feed on the application. Podcasts offer the benefit of convenience, as they give users the ability to listen to or view content when and where they choose. They have also shown to have a significant influence on consumer buying habits. For instance, listening to nutrition podcasts while in the grocery store increases the likelihood that shoppers will purchase healthier items. Food marketers might use this information to improve how they market the health benefits of foods. Companies can use podcasts to demonstrate how to use their products or to explain certain features of them. As podcasting continues to catch on, many radio and television networks are creating podcasts of their shows to profit from this growing trend. Many

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companies hope to use podcasting to create brand awareness, promote their products, and encourage customer loyalty.

Mobile Marketing

Mobile devices, such as cellphones, tablet computers, and other mobile computing devices allow customers to leave their desktops and access digital networks from anywhere. For example, 92% of Saudis aged 12 to 65 years have a cellphone. Almost all of these cellphones are smartphones, which have the ability to access the Internet, download applications, play games, take photographs, and more.

Mobile marketing is the use of communication through mobile devices to market products or services. Marketers are currently spending huge amounts of money on it. As a form of marketing, mobile marketing is effective in capturing consumers' attention and research suggests that a lot more consumers are able to recall a brand they have seen in a mobile advertisement than a brand they have seen on television.

To avoid being left behind, brands must recognize the importance of mobile marketing. Some of the more common mobile marketing tools include the following:

- **SMS messages:** These are single text messages. SMS messages have been an effective way to send coupons to prospective customers.
- **Mobile advertisements:** these are visual advertisements that appear on mobile devices. Companies might choose to advertise through search engines, websites, or even games accessed on mobile devices.
- **Mobile websites:** Mobile websites are websites designed for mobile devices. Approximately 70% of all online traffic comes from mobile devices.
- **Mobile applications:** Mobile applications are software programs that run on mobile devices and give users access to certain content. Businesses release applications to help consumers access more information about their company or to provide incentives.

Applications and Widgets

Applications are adding an entirely new layer to the marketing environment. The most important feature of applications is the convenience and cost savings they offer the consumer. For example, certain applications allow consumers to scan a product's barcode and then compare its price with the prices of identical products in other stores or download store discounts.

To remain competitive, companies are beginning to use mobile marketing to offer additional incentives to consumers. Another application that marketers find useful is the creation of QR codes, which consumers can use the cameras on their cell phones to scan. QR codes are black-and-white squares that sometimes appear in magazines, posters, and storefront displays. A QR code contains a hidden message which appears as soon as it has been scanned. This often takes the form of the phone redirecting to a particular page on the company's website or to a social media account. Marketers are using QR codes to promote companies and offer consumer discounts.

Increasingly, companies are taking advantage of beacon technology to target and communicate with application users based on their location. For example, retailers can place beacons throughout their stores, so when a shopper approaches one, it activates the retailer's application on the shopper's smartphone with customized messages and promotions. One large barrier is that consumers need the company's application installed on their phone in order to receive these beacon signals. Google aims to lower this barrier by sending Chrome browser-based notifications. The applications for location-based technology will continue to expand as companies determine new ways to deliver value to their customers.

Mobile technology is also helping to transform the shopping experience. Not only can shoppers use mobile applications to compare prices or download electronic discounts, they can also use them to keep track of their purchases and pay for items through their smartphones. As mobile payments gain traction, companies such as Google and Apple are working to invest in

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this opportunity. For instance, Google Wallet and Apple Pay are mobile applications that allow users to pay with their phones.

Widgets are small bits of software on a website, desktop, or mobile device that perform a simple task, such as providing stock quotes or blog updates. Marketers might use widgets to display news headlines, clocks, or games on their webpages. For example, a news platform might use widgets to send alerts and news to its subscribers. Widgets have been used by companies as a form of viral marketing. Users can download the widget and send it to their friends with a click of a button.

Widgets downloaded to a user's desktop can update the user on the latest company or product information. This helps to enhance the relationship between companies and their customers. For example, hotels, restaurants, and other tourist locations can download widgets to their website from an application where people can write reviews. These widgets display the latest company reviews, rewards, and other content from the application directly on their websites. Widgets are an innovative digital marketing tool which help to personalize webpages, alert users to the latest company information, and spread awareness of the company's products.



CHECKPOINT

Discuss your answers to the questions in pairs.

1. How do companies decide which digital marketing tool(s) to use to market a specific brand, product, or service?
2. What advantages does user-generated digital content have over digital content created by a business?
3. What makes podcasting a particularly convenient and useful digital marketing tool for companies?
4. What is mobile marketing able to achieve effectively?
5. What are widgets? What do they do and what might a business use them to do?

8.1 LESSON ASSESSMENT

What Have You Learned?

1. How would you define digital marketing? [8.1.1]
2. Why is digital marketing so important to businesses today? [8.1.1]
3. In what ways can the sharing of media and information online by consumers be helpful for marketers? [8.1.2]

Make Academic Connections

1. **Management** Identify a business in your area that uses digital media to communicate with its customers. Discuss how effectively you think the business uses the types of media in question. Act as the digital marketing manager for the business and write a paragraph explaining how the business could use digital media more effectively. [8.1.2]
2. **Communication** Identify an influencer on social media for a product or category of products you purchase. Find specific examples in social media of messages the influencer has posted. Write a paragraph explaining why the messages are or are not effective. [8.1.2]



Connect to the Real World

Working in a team, prepare a digital marketing plan for promoting a farm in Saudi Arabia that sells organic fruits. Identify three digital marketing tools that you think would be most effective for this business and decide what the nature of the business's interactions with customers would be and what messages they could communicate when they use them. Present your plan and examples to the class. [8.1.2]

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8.2

Monitoring Consumers' Behavior in the Digital Media Age

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

8.2.1 Describe the importance of monitoring the digital media behavior of consumers.

8.2.2 Explain methods for monitoring the digital media behavior of consumers.

KEY TERMS

Social media monitoring
Metrics
Click-through rate (CTR)
Analytics
Predictive analytics
Marketing analytics

MARKETING MATTERS

Companies are only able to create effective digital marketing strategies targeted at consumers if they know what these consumers are doing when they are using and creating digital media. Consequently, companies need to monitor the digital media behavior of consumers. They can then analyze the data they have collected and use this analysis to identify trends, such as the times of the week when the largest number of consumers in the target audience are using social media. There are various methods that companies can use to monitor the digital media behavior of consumers. One example would be using analytics to determine the number of page views, the results of which are displayed live for marketers to see.

Activate Your Knowledge



1. What do you understand by the term *"digital media behavior"* and what examples of it can you think of?

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2. What are possible reasons why a company would be interested in monitoring the digital media behavior of consumers?
3. What tools or processes exist to monitor the digital behavior of consumers?

8.2.1

The Impact of Digital Media on Consumer Behavior

Consumers' ability to filter and select information to view, and to determine the rate and sequence in which they are exposed to information, is greater now than it has ever been. The Internet is sometimes referred to as a pull medium because users can determine which websites they are going to view. As a result, marketers' ability to control the content users are exposed to and in what sequence is limited.

Today, blogs, wikis, podcasts, and online ratings are used to publicize, praise, or challenge companies. Digital media require marketers to approach their jobs differently than they did in the past when traditional marketing was prevalent. However, most companies worldwide do not routinely monitor consumers' postings on online social networking sites. In many cases, this lack of action represents a missed opportunity to gather information from consumers.

On the other hand, some companies are using the power of the consumer to their advantage. While negative ratings and reviews are damaging to a company, positive customer feedback is free publicity that often helps the company more than corporate messages can ever do. As consumer generated content appears to be more authentic than corporate messages, it can make a significant contribution to increasing a company's credibility. In addition, while consumers can use digital media to access more information, marketers can also use the same sites to get information

about the consumer by carrying out online monitoring. In many cases, the amount of information that companies can gain in this way is more than they could obtain through traditional marketing venues. Companies can then examine how consumers are using the Internet so as to target marketing messages at their audience. Finally, marketers can also use the Internet to track the success of their online marketing campaigns. This enables them to create an entirely new and highly effective way of gathering marketing research.

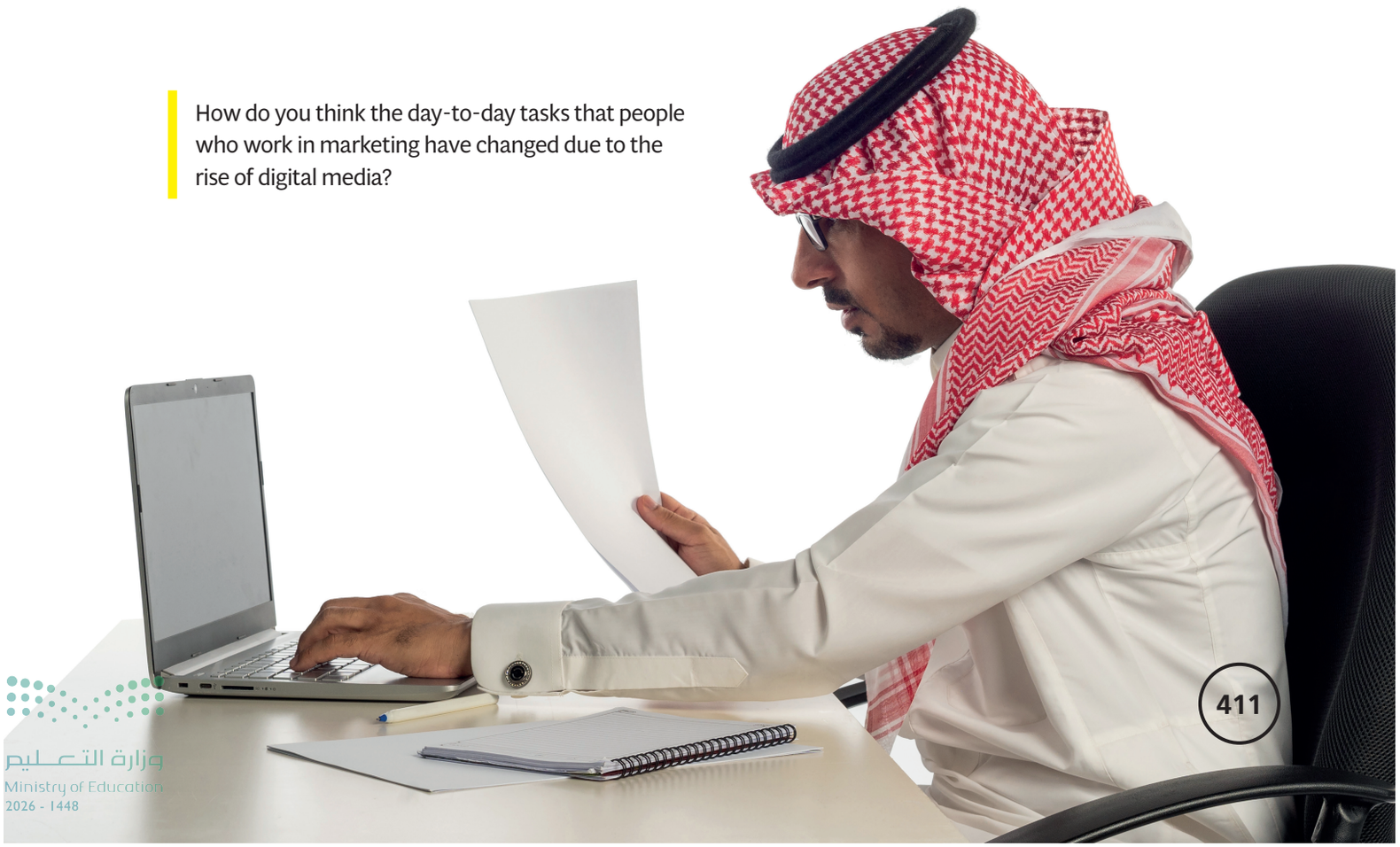


CHECKPOINT

Write the answers to the questions in your notebooks.

1. Why is it so important for companies to monitor the digital media behavior of consumers?
2. Which type of media provides more opportunities for collecting information about consumers: traditional media or digital media? Why do you think this is?
3. How do companies use the information they collect while monitoring the digital behavior of consumers?

How do you think the day-to-day tasks that people who work in marketing have changed due to the rise of digital media?



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8.2.2

Methods for Monitoring the Digital Media Behavior of Consumers

Social Media Monitoring

Without digital media monitoring and evaluation, it is not possible for companies to maximize resources and minimize the costs of digital media marketing. Monitoring and evaluating the digital marketing strategy is a part of the process of strategic performance evaluation which every company executes. **Social media monitoring**, for example, involves undertaking activities to track, measure, and evaluate a business's digital marketing initiatives on social networks.

In comparison to some other activities that companies have to evaluate, it is easier to evaluate digital marketing; methods exist to capture the metrics that indicate the outcome of a company's strategies. The term **metrics** refers to any data or statistics that companies can use to monitor or evaluate their performance. If companies use metrics to establish an expected level of performance, they are able to create a benchmark against which future performance can be compared with.

Metrics for Digital Media Marketing

Metrics for digital media marketing develop from listening to consumers and tracking their activities, for example, tracking how many people use a hashtag on social media that a company has created. Metrics can be quantitative, as with the example of the number of times that consumers use a hashtag, or qualitative. For example, **click-through rate (CTR)** is a quantitative metric because it determines the percentage of consumers who clicked on a link on a site. On the other hand, a qualitative metric will be anything that reveals how consumers feel about a product such as the text contents of a review that a consumer has written about it.

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Analytics

Digital marketing programs can also be managed through analytics. **Analytics** is the systematic analysis of data or statistics using a computer. Analyzing data about performance that comes from websites, social media, or even customer relationship programs can help businesses make decisions about what digital media and digital marketing strategy are the most effective for them. Trends that they notice while analyzing data and changes in the outcomes of their digital marketing activities are important indicators of how they are performing. Companies can only accurately assess what investments in social media marketing they should make in the future if they have access to online analytics and metrics for social networks.

What challenges could the huge amount of data that marketers have access to today pose for them?



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Predictive analytics use historical data with statistical techniques to find answers and solutions to help companies make decisions about what they should do in the future. For example, machine learning can use big data and predictive models to help improve the design and performance of digital marketing. Key performance indicators (KPIs) are quantifiable measures that companies and organizations use to evaluate their own success. KPIs for a company's social media strategy typically include likes, shares, reach, engagement rate, CTR, and conversions. The KPIs that a company wants to focus on when they execute a specific digital media strategy should be embedded in that digital media strategy from the outset, so that they can be measured and evaluated in real-time from the beginning. This provides a foundation for making any necessary adjustments to later versions, or iterations, of a specific digital media strategy.

Marketing analytics uses tools and methods to measure and interpret the effectiveness of marketing activities. Applying analytics to social media performance can help companies to develop better targeted social media campaigns. However, companies can only develop valid metrics if they have specific objectives that the social media strategy is designed to achieve. Objectives that are quantitative could include the number of likes received by an Instagram post or the CTR of a social media post. Figure 8-2 provides a list of quantitative social media metrics that companies can use which are based on exposure, engagement, influence, impact, and advocacy.

Exposure	Engagement	Influence	Impact	Advocacy
Page Visits	Repeat Visits	Links	New Subscribers	Online Ratings
Visitors, Unique Visitors	Time Spent on Site	Association with Brand Attributes	Number of Referrals to Website	Ratio Mentions to Recommendations
Visits per Channel (Source)	Total Interactions on Post/Page	Purchase Consideration	Number of Content Downloads	Number of Brand Fans/Advocates

Figure 8-2 Quantitative Social Media Metrics

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MARKETING SCENARIO

Monitoring Consumers' Reaction to a Steak Producer's Image Change

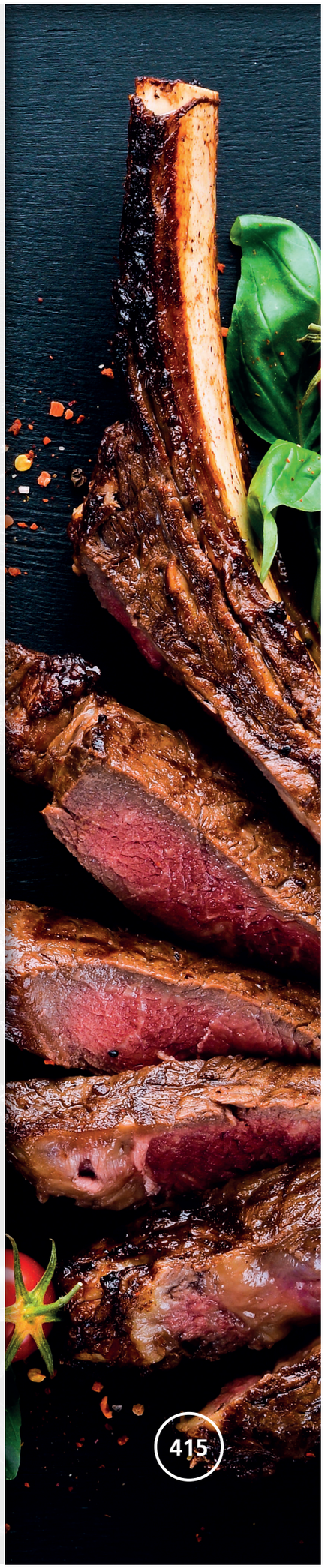
A Saudi company produces steaks and sells them directly to consumers and small businesses. The company wants to improve its sales as revenues have fallen in recent years. It decides to use digital marketing to present its steaks as luxury or exclusive products that are made from premium-quality meat. The key performance indicators (KPIs) that it will monitor during this marketing campaign, and evaluate afterwards, are the quantitative metric of the amount of sales revenues the company receives, and the qualitative metric of consumer perceptions of the brand.

The company launched its digital marketing campaign primarily using social networks and photo- and video-sharing applications. Once the campaign commenced, the company's marketers carefully monitored consumer interactions with the digital media they used. They monitored the number of visits to and interactions with their social media pages, and their account on photo-sharing applications, and also the number of visits to their channel on a video-sharing application. They also monitored how often their designated hashtag was used on social media, the contents of the posts where the hashtag was used, and the users who were creating the posts.

At the end of the campaign, the company evaluated its effectiveness using its chosen metrics. The company discovered that it was reaching a wide range of consumers, and that a large number of them appeared to be perceiving their steaks as premium, high-quality products, as the company had hoped.

THINK CRITICALLY

1. What were the steak company's strategic goals for this marketing campaign?
2. What digital media did they decide to use in the marketing campaign?
3. What metrics did the company use to monitor consumers' response to the campaign?
4. What was the outcome of the campaign?



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Google Analytics

In order to carry out a comprehensive performance evaluation, companies need to gather all the valid metrics they need and be able to understand the way the strategy either meets performance standards or underperforms based on expectations. One way to do this is to use Google Analytics, the largest analytics platform, which monitors more than 30 million websites. The Google Analytics dashboard is divided into five sections: Real-Time, Audience, Acquisition, Behavior, and Conversions.

Figure 8-3 explains the function of each of these sections.

Real-Time	Data updates live so you can see pageviews, top social traffic, top referrals, top keywords, top active pages, and top locations in real time.
Audience	Audience reports provide insight into demographics, interest, geography, behavior, mobile use, and more.
Acquisition	In-bound traffic is monitored through acquisition reports, allowing you to compare traffic from search, referrals, email, and social media.
Behavior	This evaluates your site's content by seeing how visitors interact with your content. It monitors landing pages, exit pages, site speed, bounce rate, and more.
Conversions	Google Analytics allows users to set goals and objectives to monitor web conversions, like signing up for an email newsletter or completing a purchase.

Figure 8-3 Google Analytics

Using Google Analytics allows businesses to identify their website's strengths and weaknesses, and uncover opportunities for growth. For example, a company may find that their organic search traffic is very high, but their social media traffic is quite low. Alternatively, a business may see a spike in weekday traffic while weekend traffic is slow. In the Conversions dashboard, marketers can set up custom conversion goals to see the impact that social media has on their business. By analyzing rich site traffic data, marketers can better understand their customers and measure the effectiveness of their marketing efforts. For example, a media company might use Google Analytics to monitor the web performance for the various media objects it has posted

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online and track key events such as user registrations and video views. Due to the fact that it is monitoring search engine trends in this way, such a media company may receive as much as 30% more site traffic within the first year of its implementation.

Marketing Communication



More on Web Analytics

As marketers develop their websites, they also need to develop ways to analyze the sites' effectiveness. The conversion (goal) is often the number of sales generated by the site. Other goals include identifying how a page performs based on how long a visitor stays or tracking where the visitor goes next. Analytics may even give the marketer the visitor's geographic location. The most popular website statistical service is Google Analytics, which is used by more than 27.3 million websites worldwide.

Although Facebook is best known as a platform for sharing comments and updates with friends, family, and coworkers, businesses also use this platform to build followers. Marketers can use Facebook Audience Insights, which is Facebook's web page analysis tool, to optimize content by accessing sharing metrics and demographic information. It allows users to keep track of page views, unique views, fan statistics, wall posts, video and audio plays, photo views, and other useful information. For example, if a customer links to the company's website in a Facebook status message, that data is included in the analytics for the company's domain. Information can be gathered regularly, allowing content managers to view daily or monthly statistics. Tracking social media platforms such as Facebook through analytics helps companies develop content better aimed at their customers' interests.

Think Critically

1. Why is it important for a business to have a goal for its website or social media accounts? When businesses have set a goal, how can analytics help them?
2. Choose a school event or activity and write two posts for one of its social media accounts about it. Then state the target audience of each post as well as its purpose, such as sales, attendance, or awareness. Prepare to share your posts with the class

Sources: "Google Analytics Usage Statistics." Built With. 2019. https://trends.builtwith.com/analytics/Google-Analytics; "Learn More About the People that Matter to Your Business with Facebook Audience Insights." Facebook Business. May 8, 2014. https://www.facebook.com/business/news/audience-insights

A premium version of Google Analytics, called Google Analytics 360 Suite, has been designed to help companies target potential customers and it can carry out even more in-depth analytics. The tool identifies someone's habits from web and television to mobile marketing.

Social networks have also developed their own online analytics tools which determine where advertisements should be placed on their platforms and provide the key metrics related to the advertisements' performance. Such tools provide customized reports and the opportunity for companies to download insightful data which can help them to develop key performance metrics. A small software company, for example, could use a social network's online analytics tools to optimize its digital advertising and attract a significantly higher number of leads by using mobile video.



CHECKPOINT

Discuss your answers to the questions in pairs.

1. What does social media monitoring involve?
2. What is a CTR? What type of metric is it?
3. What types of decisions do companies use predictive analytics to make?
4. What does marketing analytics help companies to understand?
5. What does Google Analytics allow marketers to do?

What information are marketers able to gain about you because of your interactions with social networks?

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8.2 LESSON ASSESSMENT

What Have You Learned?

1. What are companies able to do more effectively by monitoring the digital behavior of consumers? [8.2.1]
2. Compare predictive analysis with marketing analysis. [8.2.2]
3. What analytics tools have social networks developed? How do these usually work? [8.2.2]

Make Academic Connections

1. **Communication** Work in a team. Decide on a product or cause you would like to support using social media. This can be an actual product, or cause, or one you have made up. Decide which social media platforms you will use to support the product. Discuss how your team will monitor the number of people who engage with your social media activity and evaluate its effectiveness. [8.2.2]
2. **Research** Why are social networks becoming an increasingly important marketing tool? Go online and find an example where a company has improved the effectiveness of its marketing strategy by using social networks and monitoring consumer interactions with them on these social networks. [8.2.2]

Connect to the Real World



As everyone has the right to express their opinion about any company, companies should address criticism publicly without hiding negative online comments. Yet most companies responded to a negative comment by doing nothing or taking it down from their website. Choose a company that you know. You are in charge of that company's website. Write guidelines for the public forum part of the company's site. Make sure the guidelines are clear. The guidelines should address the balance between a customer's desire to be heard and the company's desire to show itself in a positive light. [8.2.1]

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8.3

Digital Marketing Strategy

KEY TERMS

Pay-per-click (PPC)
Influencer marketing

LEARNING OBJECTIVES

Once you have completed this lesson, you should be able to:

8.3.1 Explain how the four variables of the marketing mix can be adapted to a digital marketing strategy.

8.3.2 Summarize the ethical concerns that some people have about the use of digital marketing.

MARKETING MATTERS

Most businesses today find it necessary to use digital marketing to gain or maintain their market share. Some businesses operate solely as online retailers, while physical (or bricks and mortar) stores have also decided to offer online shopping in order to stay ahead of these competitors. This model of combining in-store sales with online sales has become known as the bricks-and-clicks model and is now very common for many businesses from neighborhood family-owned restaurants to national chain retailers. As a result, these businesses need to adapt the conventional marketing mix model to a digital marketing strategy, while also considering the ethical concerns that some parties have about the use of digital marketing.



Activate Your Knowledge

1. What elements of the marketing mix remain the same with both in-store and online sales?
2. What elements of the marketing mix will a company need to adapt when it starts selling its products or services online?
3. What ethical concerns might some people have about the use of digital media to market products or services?

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8.3.1

Adapting the Marketing Mix for a Digital Marketing Strategy

The term "digital marketing strategy" refers to the strategic use of digital media in order to market specific products or services to consumers. About 64.4% of the world's population uses the Internet and this number is growing at a rapid rate all the time. This has resulted in a growing need for businesses to develop an effective digital strategy so that they can reach an increasingly web-savvy population. As more shoppers go online for purchases, the power of traditional bricks-and-mortar businesses becomes less significant. This makes it essential for businesses, whether they are small or large, to learn how to effectively use new digital media to market their products or services. While they are doing this, companies need to consider how to apply the traditional and effective principles of the marketing mix to the digital context.

Product Considerations

In traditional marketing, marketers have to anticipate consumer needs and preferences, and then tailor their products to meet these needs. The same is true with marketing products using digital media. Digital media provide an opportunity to add a service dimension to traditional products, and create new products that are only accessible on the Internet. For example, a digital platform might provide gamers with access to tens of thousands of video games for a PC and Mac, and these represent products that can only be found in the digital realm.

The ability to access information for any product can have a major impact on buyer decision making. However, with larger companies now launching their own extensive marketing campaigns, and with the constant increase in the sophistication of digital technology, many businesses are finding it necessary to

upgrade their product offerings to meet consumer needs. When marketers are managing a product, it is important that they pay attention to consumer-generated brand stories that address the product's quality, performance, and impact image. As has been discussed throughout this chapter, the Internet provides many opportunities for marketers to learn more about consumer wants and needs.

Some companies now use online advertising campaigns and contests to help develop better products, for example, by crowd-sourcing new product ideas from customers. Using its customer base to generate new ideas in this way can help a company to develop unique and innovative products. As consumers share their product ideas on their social networks and receive support from friends and family, awareness of the brand increases within the industry in which the company operates, such as the beauty industry.

Have you ever contributed ideas online to help a company make decisions or develop new products or services? If you haven't, which companies would you be prepared to do this for?



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MARKETING SCENARIO

Crowdsourcing Ideas for a New Video Game from Consumers

A Saudi company that develops video games has decided to crowdsource ideas for new games from its followers on social networks, photo and video-sharing applications, and visitors to its website, or, in short, anyone the company has contact with through digital media. The first reason why the company decided to do this was because it thought that the community of committed gamers that buy its products would provide it with innovative, fresh, and interesting product ideas that would be commercially successful. The second reason for the decision was that the company wanted to generate interest in and interaction with its brand online. The involvement of consumers in this marketing initiative, by submitting and sharing their ideas for new video games, has also helped to increase awareness of the brand among the online gaming community. In fact, the company did receive some excellent and viable ideas through this crowdsourcing initiative and combined several different ideas to create one new game. This new game proved extremely popular with consumers because they felt that they had a degree of ownership over it and because it included scenarios, characters, and game-play methods that were popular with them.

THINK CRITICALLY

1. What did the video game design company decide to do in this marketing initiative?
2. Why did the company decide to use this initiative?
3. How did the company know that the initiative was a success?
4. Do you think the company will decide to repeat this crowdsourcing initiative in the future? Why / Why not?



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Pricing Considerations



What methods can businesses use to promote the price of their products or services through digital media?

Pricing relates to perceptions of value and is the most flexible element of the marketing mix. Digital media marketing facilitates both price-based and non-price-based competition because Internet marketing gives consumers access to more information about products and prices. As consumers become more informed about their options, the demand for low-priced products grows, leading to the creation of daily deal sites. Such sites typically inform users about trends in specific areas, such as fashion, and connect them with the relevant brands and websites in that area. Users can then filter their searches either by price or by other criteria. Several marketers also use buying incentives, such as online coupons or free samples, to generate consumer demand for their product offerings.

Digital connections can help customers find the price of the product available from various competitors in an instant. Websites provide price information and mobile applications can help customers find the lowest price. Consumers can even bargain with retailers in the store by using their cellphone to show the salesman the lowest price available during a transaction. While this new access to price information benefits consumers, it also places new pressures on sellers to be competitive and to differentiate their products in such a way that customers focus on attributes and benefits rather than on price.

Retailers and other organizations are beginning to develop e-commerce stores on social media sites so that customers can purchase the products they want directly from them. Some brands have already taken advantage of this integration. For businesses that want to compete on price, digital marketing provides unlimited opportunities.

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Place Considerations

The role of distribution is to make products available at the right time, in the right place, and in the right quantities. Digital marketing can be viewed as a new distribution channel that helps businesses to increase their efficiency. The ability to process orders electronically, and increase the speed of communications through the Internet, reduces inefficiencies, costs, and redundancies while increasing speed throughout the marketing channel. Shipping times and costs have become an important consideration in attracting consumers. This has led many companies to offer consumers low shipping costs or next-day delivery. Digital marketing is also creating new distribution methods for common products. For instance, an online retailer known for selling perishable goods can expand into the door-to-door deliveries of groceries. Indeed, many online retailers have established a presence in the traditional bricks-and-mortar world because they wanted to create a physical presence for themselves and increase awareness of their brand. In some cases, these physical buildings are only showrooms so customers can only touch and feel the products. If customers want to place an order, they need to do that online. This approach saves companies money in distribution costs and real estate costs associated with large storefronts.

The trend of online retailers establishing a physical presence is a result of increased online competition, as well as a trend toward omnichannel retailing where retailers offer customers a seamless experience across mobile, desktop, and traditional retail spaces. For example, many retailers aim to offer consistent product assortments and pricing on all of their channels and also to streamline the returns process. A customer could research a purchase online, shop in-store while browsing an in-store digital catalog, and then use a coupon from the retailer's application at checkout when paying for the product. Omnichannel retailing synchronizes everything that contributes to the customer experience and, therefore, creates a seamless shopping experience which can differentiate a retailer from its competitors that do



Where do you prefer to shop: online or in physical stores?
If your answer is "it depends", what factors does it depend on?

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not use this approach. According to research, customers are more likely to make a purchase in-store if they were able to research products online prior to making the purchase. This suggests that omnichannel retailers can be profitable for the companies that use this approach.

Promotion Considerations

Social networking sites allow marketers to approach promotion in entirely new, creative ways. For example, a company may only sell its products online and not do any traditional advertising. Instead, it could rely on social buzz that is developed through digital marketing. Such companies tend to attract customers by building a following on social networks and video-sharing or photo-sharing applications. Marketers who choose to take advantage of the opportunity to operate in this way are able to boost their company's brand exposure.

Online advertising includes many types of display advertising, including the use of text, logos, animation, video, photographs, or any other type of graphic display. A major advantage of Internet advertising is the fact that marketers are able to track the advertising statistics for it. High-impact digital advertisements featuring large and interactive formats drive higher response ratios among consumers. Marketers can use what they learn from monitoring Internet advertising to improve the value of their products. Google's Ads, is the dominant player in the **pay-per-click (PPC)** online advertising market, where a company that has placed an advertisement on a website pays an amount of money to the host website when a user clicks on to the advertisement. The advertising revenue that social networks and photo-sharing applications generate has also increased rapidly and continues to rise. Recent growth has been largely fueled by the insertion of advertisements in the Stories function on these sites, which has attracted a large number of advertisers. Stories advertisements are appealing to advertisers because they're more affordable than advertisements in the main feed, which has become saturated with sponsored content.

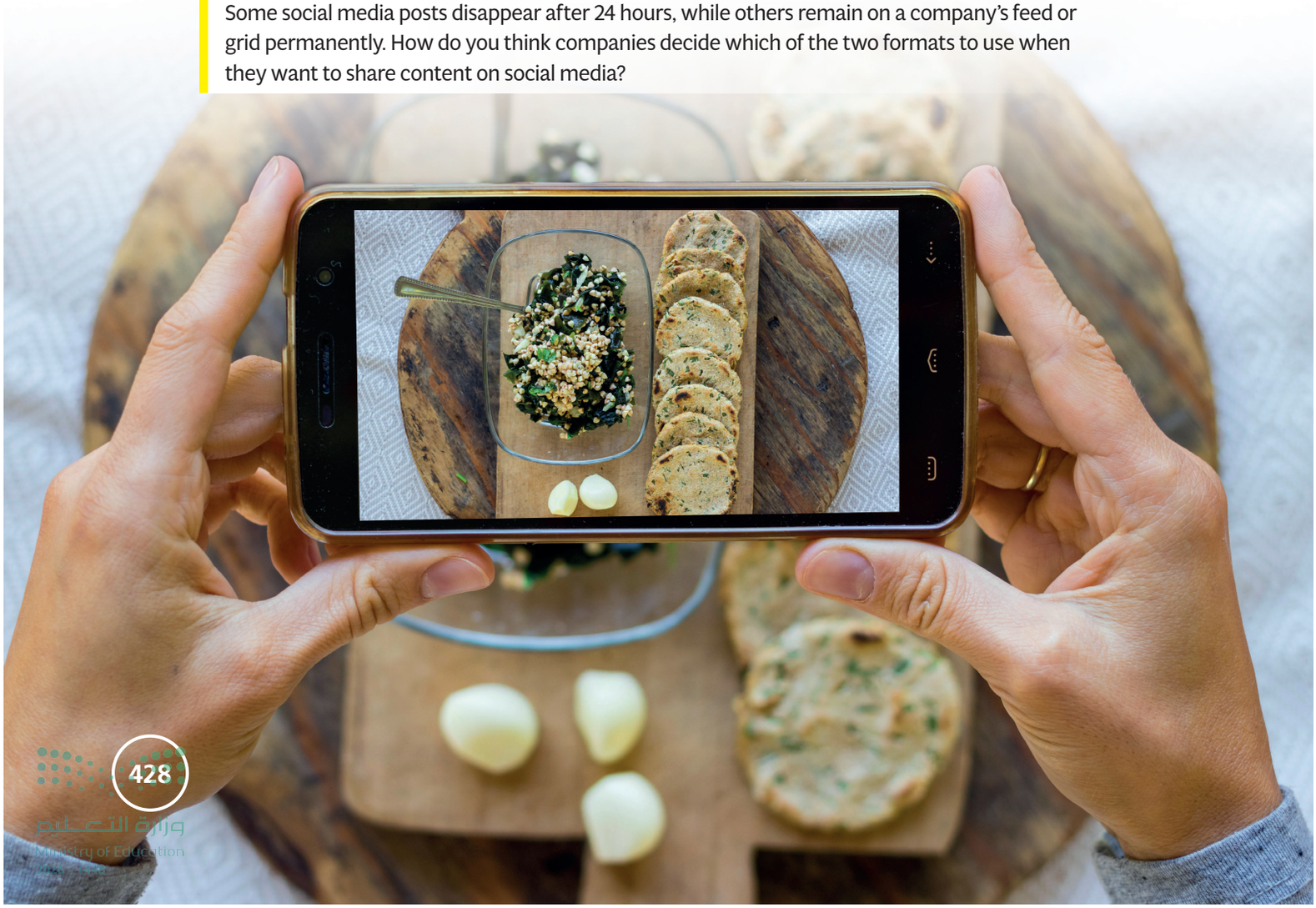
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Despite the extensive use of online promotion from all types of industries, small businesses do not engage in paid Internet advertising as much as larger businesses as they have smaller budgets. Digital companies, therefore, are studying ways to communicate to smaller businesses about how paid advertising can create value for them.

Digital media have also created opportunities for business-to-business promotions. As more companies adopt digital marketing strategies, the need for better platforms and digital solutions has also grown. Digital promotions all try to increase brand awareness and market a product or service to consumers. As a result of online promotion, consumers are better informed than ever before. They read user-generated content before making purchasing decisions and increasingly shop at Internet stores. Consumer consumption patterns are changing radically and marketers must adapt their promotional efforts to meet these new patterns.

Some social media posts disappear after 24 hours, while others remain on a company's feed or grid permanently. How do you think companies decide which of the two formats to use when they want to share content on social media?



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CHECKPOINT

Write the answers to the questions in your notebooks.

1. How can marketers use the characteristics of the Internet to improve the product element of their marketing mixes?
2. Describe how social media affects the push-pull dynamic of distribution.
3. How do the characteristics of digital marketing affect the promotion element of the marketing mix?
4. How have digital media affected the pricing of products? Give examples of the opportunities and challenges presented to marketers in light of these changes.

8.3.2

Ethical Issues Surrounding a Digital Marketing

The methods that marketers employ to gather information using technology—both online and offline—raise numerous legal and ethical issues. The popularity and widespread use of the Internet grew so quickly that global regulatory systems were unable to keep pace. The global regulatory environment is not uniform, with some regions more concerned about online privacy than others. Even today, courts around the world are debating over laws that could affect consumer Internet activities.

Influencer Marketing

Influencer marketing involves well-known personalities using, displaying, and/or talking about products or services in online

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content that they create. It is relatively new compared with other forms of digital marketing and it is an area where there have been a larger than average number of ethical and legal obstacles. Some people have had concerns about dishonest advertising because they believe that certain influencers have not clearly disclosed any connection they have with the brands they promote. Failing to make this kind of disclosure is typically viewed as deceptive advertising. In addition, brand safety is increasingly a concern for online advertisers who are demanding more control over where their advertisements are run. Companies do not want their advertisements to appear alongside questionable or controversial content on social networks or applications.



How effective is influencer marketing in persuading you to purchase products?

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Privacy

Unfortunately, consumers or businesses that try to protect their privacy cannot control the Internet environment where cybercrime exists. The use of consumer data associated with marketing analytics sets the stage for hackers to steal or demand a ransom in return for files. Data breaches can compromise data from hundreds of millions of users. Determining what data are needed and how to protect them is the first step for protecting consumers. In our current environment, data breaches and piracy will continue to occur. All organizations involved in social media marketing have a responsibility to protect consumers by understanding the risks and the developing effective cybersecurity strategies. All organizations need a contingency or crisis management plan to respond if a data breach occurs.

One of the most significant privacy issues involves the use of personal information which companies collect from website visitors in their efforts to foster long-term customer relationships. Some people fear that the collection of personal information from website users violates users' privacy, especially when it is done without their knowledge, and smartphone companies usually resist sharing code that provides access to a person's phone records.

On the other hand, some marketers see opportunities to capitalize on users' discontent with having their data collected. For example, a social networking site might market the fact that it does not collect customer data, or a mobile messaging application might limit the amount of customer data it stores and fully encrypt messages, videos, and voice memos to protect users. Figure 8-4 describes industry best practices for digital marketers to consider before launching digital marketing campaigns.



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1.	Implement privacy during the conceptualization phase of the marketing campaign.
2.	Disclose all passive tracking systems used to collect information.
3.	Data collection involving third parties should involve clear guidelines regarding how the data will be used and who owns it. Provide ways for users to opt-out of tracking or email marketing through visible notices.
4.	Screen age of users if appropriate for the campaign. If marketing to children is allowed, ensure that the content and language is appropriate for the age range targeted.
5.	Ensure that all tracking or data-collection activities that occur do not conflict with the company's online privacy policy.
6.	Adopt security measures for any data collected from users. User information must be protected, particularly if it is identifiable.
7.	Be aware of all legal requirements and industry codes of ethics on digital marketing.

Figure 8-4 Best Practices for Digital Marketing Implementation



CHECKPOINT

Discuss your answers to the questions in pairs.

1. What is the main reason why there is not adequate legislation to deal with legal issues surrounding digital marketing today?
2. Do you believe that influencer marketing is, by its nature, always going to be ethically questionable? Give reasons for your opinion.
3. How comfortable do you feel about websites or applications collecting data about you while you are online? Do you take any action to stop this happening?
4. Identify one key ethical or legal issue surrounding digital marketing other than the issue of influencer marketing. How do you think lawmakers and policy-makers around the world should address this issue?

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8.3 LESSON ASSESSMENT

What Have You Learned?

1. What are the greatest challenges involved in adapting the marketing mix for digital marketing campaigns? [8.3.1]
2. Which types of businesses rarely use digital marketing? Why do you think this is? [8.3.1]
3. Summarize the best practices for digital marketing that companies should follow. [8.3.2]

Make Academic Connections

1. **Communication** You have been asked to be an influencer for a brand. Choose a real brand that you like and know about, or make up your own brand. Then choose a product or service that this brand offers and create a 1-minute short video for social media to promote this product or service to social media users. Consider the ethical issues which surround influencer marketing and aim to promote your chosen product or service ethically, for example, by being transparent about being paid to promote a product or service. [8.3.1]
2. **Law** Go online to research what laws exist in Saudi Arabia to regulate the use of digital media for marketing purposes. Make notes on what you think are the most important laws and then identify one specific law that interests you. Find out more information about this law and present it to the class. [8.3.2]

Connect to the Real World



Work in a team. Use an online survey tool or a word processing program to develop a questionnaire with five questions to determine what consumers like and dislike about digital marketing. Survey at least 15 people of different ages. Summarize the data and prepare a two-page report of your findings. Present the written report to the class and be prepared to answer questions. [8.3.1]

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CHAPTER 8 **ASSESSMENT**

REVIEW MARKETING CONCEPTS

1. In what ways are digital media different to traditional media? In what ways are they the same? [8.1.1]
2. How can marketers exploit the characteristics of digital marketing to improve relations with customers? [8.1.2]
3. Why are social networks becoming an increasingly important marketing tool? [8.1.2]
4. What do you think is the advantage of using user-generated content rather than content created by marketers on social networks? [8.1.2]
5. What does it mean when a marketing message "goes viral" and why does it occur? [8.1.2]
6. How has new media changed consumer behavior? What are the opportunities and challenges that face marketers with this in mind? [8.2.1]
7. Describe the ways marketers can measure digital strategy success. [8.2.2]
8. Explain how marketers can adapt the 4 Ps of the marketing mix to the context of digital marketing? [8.3.1]
9. Name and describe the major ethical and legal issues that have developed in response to the Internet. How should policymakers address these issues? [8.3.2]

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DEVELOP YOUR MARKETING LANGUAGE

Match the terms listed with the definitions.

	Term	Your Choice	Definition
1.	Analytics		**a.** The use of historical data with statistical techniques to find answers and solutions to help companies make decisions about what they should do in the future.
2.	Click-through rate (CTR)		**b.** Involves well-known personalities using, displaying and/or talking about products or services in online content that they create.
3.	Digital marketing		**c.** The creation of audio or video files that can be downloaded from the Internet, which users can listen to and view content when and where they choose..
4.	Influencer marketing		**d.** Small bits of software on a website, desktop, or mobile device that performs a simple task, such as providing stock quotes or blog updates.
5.	Marketing analytics		**e.** Any data or statistics that companies can use to monitor or evaluate their performance.
6.	Media-sharing applications		**f.** The use of communication through mobile devices to market products or services, and capture a consumer's attention.
7.	Metrics		**g.** Involves undertaking activities to track, measure, and evaluate a business's digital marketing initiatives on social networks.
8.	Mobile marketing		**h.** An online advertising market, where a company that has placed an advertisement on a website pays an amount of money to the host website when a user clicks on to the advertisement.
9.	Pay-per-click (PPC)		**i.** The use of media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers.
10.	Podcasting		**j.** The use of tools and methods to measure and interpret the effectiveness of marketing activities.
11.	Predictive analytics		**k.** An application which allows marketers to share photos, videos, and podcasts to promote their products, but are more limited in scope in terms of how companies interact with consumers.
12.	Social media monitoring		**l.** The systematic analysis of data or statistics using a computer.

13.	User-generated content		**m.** The results of consumers interacting with a brand or company online, e.g. by creating content when they are rating products, joining online groups or communities, or interacting with each other about a product.
14.	Widgets		**n.** A quantitative metric which determines the percentage of consumers who clicked on a link on a site.

MARKETING RESEARCH AND PLANNING

1. The growth of the Internet has been remarkable. More and more people have gained access to it and an increasing number of businesses have started using e-commerce. Statistics for Internet use are reported on many websites. Use the Internet to locate two websites that report data on the number of online sales made in Saudi Arabia, or another country, over several years. Using spreadsheet software, prepare a bar chart that presents data from both websites. It is likely that the data will not be the same on each website. Why do you think it is difficult to obtain accurate data from the Internet? [8.1.1]

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2. Some companies are well suited to be online-only businesses, while others are better suited to remain bricks-and-mortar-only businesses. Use a local business directory and identify five businesses that you believe could be effective online-only businesses and five others that you think should operate as bricks-and-mortar businesses. Explain why you selected each business. Compare your lists and answers with other students. [8.1.1]

3. Businesses have many methods for communicating with consumers on social media available to them as they develop their social media presence. Decide what your favorite brand is and then go online to see which methods are utilized by the brand and by consumers of the brand. Discuss how effective the company is in using those different methods. [8.1.2]

4. Companies can creatively utilize digital media in many ways to help promote their brand. Identify a company you think has used social media in a creative fashion. Describe the digital media that the company uses and discuss the strategies you think it employs to provide structure to its use of social media. Do you think the company can continue to use this approach to their use of digital media in the years to come or will they need to make changes? Give reasons for your answer. [8.1.2]

5. Choose a social media platform that interests you and research its history and usage. Use what you have learned about your chosen social media platform to decide what the most effective ways of monitoring the behavior of consumers while they are using this social media network would be. Give reasons for your choices. [8.2.2]

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MARKETING MANAGEMENT AND DECISION MAKING

1. Name and describe three types of digital media. Provide an example of an application, website, or social network which would be particularly effective for using this type of digital media for marketing purposes. Then think of a Saudi company you know of which uses or would benefit from using each of your three types of digital media. Match a suitable application, website, or social network for your chosen type of digital media to each company. Write a set of recommendations for the company. [8.1.2]

2. Understanding marketing will help you to market yourself. Take a look at how you use social media and other media sharing applications and examine the strategies you have in place to market yourself. Then take a look at what you have posted on your various sites to see how you might be perceived. Then think of yourself as a brand. How do you think potential customers of that brand will perceive you? Now, imagine you will be applying for a job and know your potential employer will be reviewing your social media sites. How would you change them? Prepare a written report on how you would present brand "You" via each of the social media or media sharing accounts you have. [8.1.2]

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3. Choose a brand you like and familiarize yourself with how that brand uses social media to convey its messages. What would you do if you were the social media director for that brand and you only had the resources to utilize one social media format? Choose the one you would choose and explain why you would choose it and how you would monitor and evaluate consumers' responses to your social media strategy. Be sure to prepare tables, charts, and graphs to help you make your argument as to why the social media format you've chosen is the best option given the needs of your brand and how it currently uses social media. [8.2.2]

MARKETING ASSIGNMENT



Your school is organizing an event to raise money for a local charity. There will be entertainment and refreshments at the event and the guests will each pay an entrance fee to attend. All of the profits will be donated to the local charity. Your job is to work in a team to develop a digital marketing strategy for this charity event, execute and monitor this digital marketing strategy, and then evaluate its effectiveness.

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a. Start by holding a meeting to discuss which types of digital media would be the most effective ones to use to market the event and which specific platforms or applications you would use them on. During your discussion give reasons to support any suggestions that you make. Also consider how you could integrate the different types of digital media that you have chosen into one cohesive digital marketing strategy.

b. Discuss which metrics you could and should use to monitor and analyze how effective your proposed digital marketing strategy would be and how exactly you would use them.

c. Depending on which types of digital media your team chose in a., write either a social media post, text to accompany the media you want to post, a script for a short video, (such as one presented by an influencer), or another type of digital interaction with consumers that does not fall into any of the categories above.

d. Use the metrics you agreed on in b. to create a possible data set for each one of them. Then analyze this data, for example, by creating graphs or charts. Use your analysis to discuss how effective you think your digital marketing campaign would have been and reach conclusions about its success.

Present your digital marketing campaign to the class. Use visual aids to help you do this. [8.1.2, 8.2.2]

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Glossary

accounting and finance

a company department that carefully monitors and manages financial resources, and maintains records and information relating to a business's finances

advertising appropriation

the total amount of money a marketer allocates for advertising for a specific time period

advertising campaign

a series of related advertisements with a similar look, feel, and theme that centers on a specific product, service, or brand

advertising message

the information about a product, service, organization, person, or cause that an advertisement has been designed to communicate to consumers

advertising plan

documents that outline the activities to be completed and resources needed to create advertising

advocacy advertising

advertising in which a company promotes it's position on a public issue, e.g. sustainability, regulations, or international trade coalitions

analytics

the systematic analysis of data or statistics using a computer

artwork

an advertisement's illustrations and layout

brand

a name, symbol, word, or design that identifies a product, service, or company

brand loyalty

a consumer's commitment to repurchasing, using, and promoting a particular brand over all others

bundling

the practice of combining several related services for one price

business consumers

people who buy goods and services because they plan to resell them or use them in producing and marketing other goods and services

business markets

companies and organizations that purchase products for the operation of a business or the completion of a business activity

buying behavior

the decision processes that consumers use and the actions they take when they purchase products and services

buying motives

the reasons and factors that drive a customer to purchase specific products or services

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capital equipment

items such as a business's land, buildings, and major pieces of equipment, which are usually the most expensive and the most important products that a business purchases

captioned photo

a photograph with a brief description explaining its contents

cause-related marketing

promotes programs that help selected groups, and links the purchase of products to a company's charitable work, or for donations to one or more causes

channel capacity

the limit on the volume of information that each communication channel can handle effectively

click-through rates (CTR)

a quantitative metric which determines the percentage of consumers who clicked on a link on a site

communications channel

the medium of transmission that carries a coded message from the source to the receiver.

comparative advertising

advertising which makes a comparison between the commissioned brand and one or more other competing brands, on the basis of one or more product characteristics

competitive advertising

advertising that aims to stimulate demand for a specific brand by promoting its features, uses, and advantages through indirect or direct comparisons with competing brands

competitors

businesses which sell the same or similar products or services

consumer behavior

the study of factors that influence how people purchase and use products and services

consumer market

a particular group of people in a specific location who buy products or services for their own use or for others to use

consumers

people who buy products or services to satisfy their wants and needs

copy

the verbal or written portion of an advertisement, which may include headlines and subheadings

coupons

a promotional method that provides customers with a price reduction for a particular product when they produce a paper or digital token for that product

customer experience

a part of product usage, referring to how often or how intensively a consumer has used a specific product or service

customer needs

the things that people see as necessary to live

customer retention

a strategy to maintain long-term customer relationships by directing promotional efforts at them instead of trying to acquire new customers

customer satisfaction

the measurement of the positive feeling experienced by a consumer when a product or service meets or exceeds their expectations

decoding

the process by which the receiver interprets the language and symbols that the source is transmitting to them, so they can understand the message

demonstrations

a way of getting consumers' attention, which involves showing consumers how a product works and the effects of using it

digital marketing

the use of media, including the Internet and mobile and interactive channels, to develop communication and exchanges with customers

direct competition

a situation where two or more businesses offer products or services that are synonymous, in that they fulfill the same wants or needs

discretionary purchases

products or services that are not essential, so consumers decide whether or not to buy them

emotional motives

reasons to purchase products or services which are based on feelings and emotions

encoding

the process of converting the source's idea into a message that the receiver can understand

endorsement

an advertisement in which a trustworthy person publicly expresses approval of a product or service

extensive decision making

involves making an expensive purchase choice after spending time and effort evaluating alternatives

feature article

a manuscript of up to 3,000 words prepared for a specific publication

final consumers

people who buy products or services for personal use

free sample

a product that companies give to consumers without charging them for it, for example, to motivate them to trial a new product and increase the volume of sales

heterogeneous

services are heterogeneous because lots of different types of services exist and because services are executed by staff with different skill levels and different levels of enthusiasm for their jobs

indirect competition

a situation when two or more businesses offer broadly comparable or alternative products or services, or operate in related sectors where there is some overlap in their offering

influencer marketing

involves well-known personalities using, displaying, and/or talking about products or services in online content that they create

inseparable

a service that is produced and consumed at the same time

institutional advertising

advertising that promotes organizational images, ideas, and political issues, and may deal with broad image issues, e.g. organizational strengths or the friendliness of employees

intangible

something that cannot be touched, seen, tasted, heard or felt, for example, services are this as they do not have a physical form

intense competition

the most difficult situation that businesses face in which they compete with other businesses offering very similar products

licensed brand

a well-known name or symbol established by one company and sold for use by another company to promote its products

limited competition

a situation where a business has the advantage of offering a product or service with little or no direct competition

limited decision making

involves making a purchase decision after trying out or looking at prices of a few possible alternatives

Management

The on-going responsibilities of managers, such as problem-solving, managing employees, and evaluating the activities of a business

market

a specific group of prospective customers, typically defined by factors such as the age or gender of the customers, where they live, the activities they do, and how often they do them

market opportunity

a market that has been identified as one with excellent potential on the basis of careful research

market position

the unique image of a product or service in a consumer's mind and how they evaluate it in comparison with similar products

market potential

the total revenue that can be obtained from a market segment

market segment

a clearly defined segment of the market to which a business wants to appeal

market share

the portion of the total market potential that each company expects in relation to its competitors

marketing

creating and maintaining a good commercial exchange relationship between the company, organization, or individual that is doing the marketing and the people or companies that receive these marketing messages

marketing analytics

the use of tools and methods to measure and interpret the effectiveness of marketing activities

marketing information management

obtaining, managing, and using information about how to market products and services, and all of the marketing activities

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marketing strategy

an ongoing approach to achieving competitive advantage through implementing the marketing concept

mass marketing

a strategy that involves creating a marketing mix which is designed to appeal to a large and diverse group of consumers

media plan

an outline of the exact vehicles that the advertisers will use, e.g. social media, newspapers, etc., and the dates and times the advertisements will appear

media-sharing applications

an application which allows marketers to share photos, videos, and podcasts to promote their products, but are more limited in scope in terms of how companies interact with consumers

metrics

any data or statistics that companies can use to monitor or evaluate their performance

mobile marketing

the use of communication through mobile devices to market products or services, and capture consumers' attention

money refund

a situation where consumers submit proof of purchase and are sent a specific amount of money in return

monopolistic competition

a situation where many businesses are selling the same products or services in a given market, but try to differentiate them from those of their competitors by modifications to them

native advertising

a type of digital advertising that is meant to resemble the other content on the platform that it appears in, e.g. so that it looks identical or very similar to news articles on the company's website

need

anything that a person requires to live (something to drink)

new introductory promotion

promotion that informs potential customers about a new product: what it is, what it does, how it can be used, and where it can be purchased

niche marketing

a strategy used to target a more specific market segment and identify specific consumer needs and wants

omnichannel marketing

a multi-dimensional way to selling products and services to customers that requires a similarly varied approach to the marketing of these products and services

operating equipment

smaller, less-expensive items used in the operation of a business, or in the production and sale of products and services, such as tools, small machines, and furniture

operations

refers to the ongoing activities that happen in a company to support its primary function (e.g. producing a product or creating a service) and keep it runnning

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packaging

the wrapping materials or container that a product is sold or presented in, which includes physical materials, in addition to the written information and visual imagery it contains

patronage motives

reasons why a consumer decides to purchase a product or service due to their loyalty to a particular brand or company

pay-per-click (PPC)

an online advertising market, where a company that has placed an advertisement on a website pays an amount of money to the host website when a user clicks on to the advertisement

perishable

services that are not used within a given time period, cannot be stored for use beyond that time

personal selling

face-to-face selling technique with well-trained staff who can interact with customers to reduce their uncertainty, give reassurance, and promote the reputation of the service provider

pioneer advertising

advertising that focuses on stimulating demand for a product category (rather than a specific brand) by informing potential customers about the product's features, uses and benefits

place

the locations and methods used to make a product or service available to customers

podcasting

the creation of audio or video files that can be downloaded from the Internet, which users can listen to when and where they choose

point-of-purchase (POP) materials

items such as outdoor signs, window displays, counter pieces, etc., which are often supplied by producers to attract attention, inform customers, and encourage retailers to stock particular products

positioning strategy

a plan which outlines how a company will present its product or service to the consumer and how it will compete in the marketplace with other businesses offering similar products and services

predictive analytics

the use of historical data with statistical techniques to find answers and solutions to help companies make decisions about what they should do in the future

premium

an item that is offered free or at a minimal cost as a bonus for purchasing a product, which is placed on or inside packages

press conference

a meeting called to announce major news events

press release

normally a single page of typewritten copy containing fewer than 300 words and describing a company event or product

price

the amount of money that customers pay for a product or service

pricing

the process of deciding the prices for which the business will sell its products or services

primary data

data collected directly from the source (e.g. by conducting polls and questionnaires)

primary demand

the demand for a product category rather than for a specific brand of product

product

anything offered to a market by a business to satisfy its needs, including physical products, services, and ideas

product advertising

advertising that promotes the uses, features, and benefits of products

product assortment

the complete set of all products a business offers to its market

product classification

the process of associating the product with a particular category of products

product feature

an aspect of a product's features and attributes

product line

a group of similar products with slight variations in the marketing mix to satisfy different needs in a market

product marketing

the full-scale introduction of the product into the market, involving cooperating companies, such as wholesalers, retailers, transportation companies, and advertising agencies

Production

This involves creating or buying products for sale

promotion

the methods used and the information communicated to encourage customers to purchase products and services, and to make them more satisfied with their purchase

prototype

a model of a product which has been developed to test the product's quality and the costs involved before starting full-scale production

public relations

a broad set of communication efforts used to create and maintain positive relationships between an organization and its stakeholders

publicity

communication in the form of news stories about the organization, its products, or both, transmitted through a mass medium at no charge to the organization itself

pull policy

a situation where a company promotes its products directly to consumers to develop a strong consumer demand for them

pure competition

a situation where there are many businesses in a market offering the same or a similar product or service

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push policy

a situation where the producer promotes a product only to the next stage down in the marketing channel, e.g. to a wholesaler or retailer

rational motives

reason to purchase a product or service based on facts and logic (e.g. the need to save time or money, or to obtain a certain level of quality)

rebate

a situation where the consumer is sent a specified amount of money for making a single product purchase, which is generally given on more expensive products, and are used to encourage consumers to purchase them

receiver

the person or people that the message is directed at or any person who understands the message that is sent

reference groups

groups of people or organizations that a person admires, identifies with, and wants to be a part of

reinforcement advertising

advertising which assures current users that they have made the right brand choice, and tells them how to get the most satisfaction from that brand

relationship selling

involves building mutually beneficial long-term associations with a customer through regular communication with them over prolonged periods of time

reminder advertising

advertising which tells customers that an established brand is still around and still offers certain characteristics, uses, and advantages

routine decision making

the process which is used for purchases that are made frequently and do not require much thought

sales promotion

an activity or material that aims to motivate consumers or resellers to purchase or stock a product by offering them added value or another type of incentive to do so

secondary data

data collected from existing information that has already been published elsewhere (e.g. people's opinions shared online via social media)

selective demand

when a company tries to build the demand for a specific brand that it is promoting

social media monitoring

involves undertaking activities to track, measure, and evaluate a business's digital marketing initiatives on social networks

source

a person, group, or organization with a message that it is trying to share with a receiver or an audience

target audience

the group of people that advertisements are aimed at

target market

a clearly identified segment of the market the company wants to appeal to

team selling

involves the salesperson joining with people from their company's finance department, engineering department, and other departments, and is appropriate for selling expensive, complex, high-tech business products

test market

a strategy where a company produces a limited quantity of a new product and implements the marketing mix in a small part of the market to find out if the product is successful and they can start producing and selling it

the marketing concept

a strategy which involves identifying consumers that the business wants to sell its products to, and creating a strategy that will enable the business to make and sell products which meet these consumer needs

the marketing mix

the combination of four different marketing elements, referred to as the 4 Ps, representing actions that a company can take to satisfy a target market

the premise of an advertising campaign

the basic issues or selling points that an advertiser wishes to include in the advertising campaign

the promotional mix

a method used by organizations which combines specific methods to manage the integrated marketing communications for a particular product

the promotional plan

the blueprint for how the elements of the promotional mix will work together around a common theme to deliver the message to the consumer

trademark

a recognizable sign, symbol, phrase or word(s) that identifies a specific product or service and legally protects the identity of that product or service so that other businesses cannot use or copy it

user-generated content

the results of consumers interacting with a brand or company online, e.g. by creating content when they are rating products, joining online groups or communities, or interacting with each other about a product

want

something that people feel they need because of the options that exist in the culture they live in

widgets

small bits of software on a website, desktop, or mobile device that perform a simple task, such as providing stock quotes or blog updates

word-of-mouth marketing

the naturally occuring spread of information about products or service between people through their conversations with each other

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