1 The marketing mix 1

A The Ps

The **marketing mix** is the combination of techniques used to **market a brand**. The techniques are often called **the Ps**. Originally there were four Ps:

- **Product** (or service): what you sell, and the variety or **range** of products you sell. This includes the **quality** (how good it is), **branding** (see Units 16–18), and **reputation** (the opinion the consumers have) of the product. For a service, **support** for the client after the purchase is important. For example, travel insurance is often sold with access to a telephone helpline in case of emergency.
- **Price:** how much the product or service costs.
- **Place:** where you sell the product or service. This means the **location** of your shop, or **outlet**, or the **accessibility** of your service – how easy it is to access.
- **Promotion:** how you tell consumers about the product or service. The **promotional mix** is a blend of the **promotional tools** used to communicate about the product or service – for example, TV **advertising**.

Today some marketers talk about an additional four Ps:

- **People:** how your **staff** (or employees), are different from those in a competitor's organization, and how your clients are different from your competitor's clients.
- **Physical presence:** how your shop or website looks.
- **Process:** how your product is built and delivered, or how your service is sold, delivered and accessed.
- **Physical evidence:** how your service becomes **tangible**. For example, tickets, policies and brochures create something the customers can touch and hold.

B Marketing a new product

A small educational games company is launching a new game to teach English vocabulary to beginner learners. The marketing manager, Dominic Dangerfield, is making a presentation using PowerPoint slides.

> ### The Turnover Game
>
> **PRODUCT:**
> - Innovative way to learn new vocabulary
> - **Launch:** how we are planning to introduce the product onto the market
>
> **PLACE**
> - **Distribution:** high street retailers and mail order via website and catalogues
> - **Delivery:** five days by mail order or straightaway in shops
>
> **PROMOTION**
> - **Advertising:** in children's magazines
> - **Direct marketing:** insert catalogue in *Parent* magazine
>
> **PEOPLE**
> - **Customers:** educated, city-dwellers with pre-teen children, school teachers
> - **Competitors:** they have a larger **sales force** to sell their products
>
> **PRICE**
> - **Premium pricing:** 20% above market average for a CD-ROM
> - **Special deals:** 15% discount for schools

Note: For more information on sales promotion, see Unit 41.

1.1 A marketing manager is talking about the marketing mix for a brand of cleaning products. Choose the correct words from the brackets to complete the text, and then match each speech bubble with one of the Ps. Look at A opposite to help you.

1
> Our (staff / reputation / competitors) are highly motivated. We really believe in our brand. For example, our (consumers / employees / customers) are always trying to improve what we do.

2
> Our (tools / range / support) includes detergent, toilet cleaner and sponges.

3
> We use a lot of (advertising / presence / promotional), usually in women's magazines.

4
> You can find the brand in supermarkets and local shops. The (tangible / accessibility / process) of our (staff / mix / outlets) is important. We need to be in a lot of (locations / supports / distributions) so that we are easy to find.

5
> We are more (accessibility / reputation / expensive) than our (competitors / staff / sales) but we offer good credit terms and we sometimes run special (deals / processes / support).

1.2 Complete the text using words from the box. Look at A opposite to help you.

advertising	mix	price	products	promotional

Marie Curie Cancer Care is reviewing its marketing strategy in an attempt to attract a wider audience. It will stop using (1) .... techniques, such as mailings and events. Television (2) .... and face-to-face marketing are both being tested in a bid to supplement the charity's typical over-60s donor base with younger supporters. If tests prove successful, they will become part of Marie Curie's marketing (3) ....

In addition, Marie Curie Cancer Care is expanding its online shop. Stylish handbags at a (4) .... of £10 are attractive to younger customers. Marie Curie Cancer Care says it is responding to customers' needs and wants by selling elegant fashionwear (5) ....

1.3 Do the following words and expressions refer to product, price, place, promotion, or people? Look at A and B opposite to help you.

accessibility	customers	discounts	location	sales force
branding	delivery	distribution	quality	special deals
competitors	direct marketing	launch	reputation	support

Product	Price	Place	Promotion	People

Over to you

Think about an expensive brand and a less expensive alternative – for example, Bang & Olufsen compared to Sony. What are the differences in the marketing mix for the two brands?

2 The marketing mix 2

A The four Cs, As and Os

Some marketers have supplemented the four Ps (see Unit 1) with new ways of thinking about marketing. The Ps, **Cs**, **As** and **Os** can be combined when looking at the marketing mix.

4Ps	4Cs	4As	4Os
Product	**Customer needs** What does the customer need to **solve a problem**? For example, people don't have time to cook – we offer the solution of frozen dinners. The company must **identify customer needs** so that products that **meet these needs** can be developed (see Units 10–11).	**Acceptability** How **acceptable** is the product, and do people approve of the product? Is it **socially acceptable** – **fashionable** and **attractive**? Does the product respect the laws of the country – is it **legally acceptable**?	**Objects** What do you sell? How is it **manufactured**, or made? Is it a **high quality** (or excellent) product, or is it **bottom end**?
Price	**Cost to user** Does the customer **perceive the cost** of the product as fair, or is it too expensive?	**Affordability** Does the customer have enough money to buy the product – can he / she **afford** the product?	**Objectives** **Revenue objectives** concern the income you want to generate. **Price objectives** concern the price you want to sell at.
Place	**Convenience** How **convenient** is it to find your product? Is it easy, or does the customer have to **make an effort**?	**Accessibility** Is the product **easy to access**? Is the product **accessible** for people with disabilities?	**Organization** How should you **organize** the sale and distribution of your product? Which **distribution methods** (see Unit 26) will work best?
Promotion	**Communication** How should you **communicate** with your customers?	**Awareness** How many people know about, or are **aware of**, the product? Is awareness **high**?	**Operations** Which kind of **promotional operations**, such as direct mail, will work best for the product? (See Units 32–43)

Note: **Customer** or **client**? See Appendix I on page 108.

## B AIDA

AIDA is an acronym which represents the steps a marketer takes in order to persuade customers to buy a product or service.

Attention	Marketing must first **attract** the customers' **attention to** the product. Customers **become aware of** a product and know it is available.
Interest	Then, marketing must **create an interest in** the product. Customers will **develop an interest in** the product.
Desire	Next, marketing must **develop a desire** to own or have the product so that customers **actively want** the product.
Action	Finally, marketing must **prompt action** to purchase, so that customers **take steps** to buy the product – for example, by going to the shop or ordering it online.

2.1 Put the words and expressions from the box into the correct columns. Look at A opposite to help you.

acceptability	awareness	cost to user	objects
accessibility	communication	customer needs	operations
affordability	convenience	objectives	organization
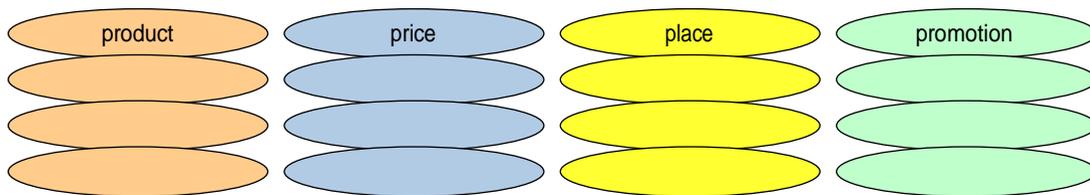
2.2 Complete the article about a supermarket in-store event using words from the box. Look at A opposite to help you.

awareness	customers	identified	meet	promotional

This week, Tesco launches its biggest ever 'Health Event' – illustrating its commitment to helping (1) .... lead a healthy and active lifestyle. The supermarket has (2) .... health as an important customer concern and is working to (3) .... the needs of its customers.

Hundreds of (4) .... operations for healthy products will run all over the store, from fresh produce through to grocery and healthcare lines. Tesco hopes that (5) .... of its initiative will be high.

2.3 Replace the underlined words and expressions with alternative words and expressions from the box. Look at A opposite to help you.

afford	high quality	revenue objectives
convenient	price	socially acceptable

1 Mobile phones are <u>fashionable and attractive</u> to the youth market.
2 We have a reputation for providing <u>good standard</u> mobile phones.
3 The <u>cost to user</u> of mobile phones is kept down because they are subsidized by the network providers.
4 This means more people can <u>have the money to buy</u> the product.
5 More and more, customers buy mobile phones online because it is more <u>accessible</u>.
6 <u>Expected earnings</u> from 3G phones were not met when the products were first launched.

2.4 Put the words in each sentence in the correct order. Look at B opposite to help you.

1 attention attract must product the to We.
2 aware become of People brand the will.
3 an create in interest need product the to We.
4 an customers develop in interest product the to want We.
5 a desire develop must our own product to We.
6 People steps take it to try will.
7 action buy must prompt it to We.

Over to you

Think about the most recent product you bought. Describe the marketing mix using the 4Cs, the 4As or the 4Os.

3 SWOT analysis

A SWOT analysis

Before entering the marketplace it is essential to **carry out** a **SWOT analysis**. This **identifies** the **strengths** and **weaknesses** of a product, service or company, and the **opportunities** and **threats** facing it. Strengths and weaknesses refer to the product itself and are considered as **internal factors**. The **external factors**, referring to the marketplace, are opportunities and threats.

This is a SWOT analysis of PetraServe, a company which runs motorway service stations.

STRENGTHS	WEAKNESSES
Superior distribution network – we have one of the best. We are the specialist in long-distance petrol needs for lorry and truck drivers – we have experience, knowledge and skill. Consumers see us as a quality brand. Innovative loyalty programme that's unique in the market. We are a profitable company – we're making money. Highly recognizable brand. A global brand.	Undifferentiated offer in terms of basic product – petrol is the same whatever the brand. Lack of new products – we need more. Ineffective leverage of specialist image – we don't use our specialist image well. Inferior communication – we could communicate better. Damaged reputation for petrol and fossil fuels – they have a bad image. Consumer loyalty is weak.
OPPORTUNITIES	THREATS
Developing market for service station shop (confectionery, car maintenance products, etc.). Gap in the market: hybrid cars and electric cars will need fuel. Huge potential for growth – there is a lot of room to expand into new markets.	Our main competitor is strong. Price war in the fuel market is becoming more threatening – all our competitors are cutting prices. Emerging trend towards hybrid cars and electric cars. Consumer fears about environment and pollution.

B SWOT and marketing strategy

Pat Albright is the senior marketing manager for PetraServe. She's presenting her marketing strategy to the board. The strategy was shaped by the SWOT analysis above.

'We need to **exploit** our **strengths** by making the most of our distribution network and loyalty programme. If we can also **build on strengths** such as our brand image and current profitability, then it'll be easier to **address**, or deal with, **weaknesses** such as the lack of new products. We need to **anticipate the threat** of new hybrid cars and **seize** the new **opportunities** this will bring in terms of providing service points for these cars. The potential price war in the fuel market **poses a serious threat** and we will need to **minimize** the **weaknesses** this may create. Our sector **is** also **under threat from** the trend towards greater consumer concerns about the environment, but I believe we can **create an opportunity** by **strengthening** our **communication** and **informing consumers** about what we're doing to preserve the environment.'

Professional English in Use Marketing

3.1 The extracts below are from a SWOT analysis. Do they describe strengths, weaknesses, opportunities or threats? Look at A opposite to help you.

1
> Competition is growing in this market, which could lead to a price war. There are now a lot of sites that offer the same service and product categories as Amazon. Amazon is a global brand but in some local markets the main competitor could be stronger and preferred by consumers.

2
> Amazon has added a lot of new categories, but this may damage the brand. For example, offering automobiles may be confusing for customers. Due to increased competition, the offer is undifferentiated.

3
> In 2004 Amazon moved into the Chinese market. There is huge potential here. In 2005 Amazon launched a new loyalty programme, AmazonPrime, which should maximize purchases from the existing client base.

4
> Amazon is a global brand, operating in over ten countries. It was one of the first online retailers and today it has an enormous customer base. It has built on early successes with books, and now has product categories that include jewellery, toys and games, food and more. It has an innovative Customer Relationship Management programme.

3.2 Complete the table with words from A and B opposite and related forms. Then complete the sentences below using words from the table.

Verb	Noun	Adjective
		opportune
strengthen		
threaten		
weaken		

1 Currently, the company is under .... from its main competitors.
2 In order to grow, the company will have to create new .... , not just exploit existing ....
3 We need to minimize .... and ....
4 To remain ahead of the competition we will need to anticipate .... such as increased raw material costs.

3.3 Correct the mistakes using words and expressions from A and B opposite.

1 The brand is very strengthened.
2 Today, competitor fears about health are one of the biggest threats to the processed food sector.
3 An undifferentiated offer will weakness the company in the short term.
4 A clear opportunity is a gape in the market.
5 We may be threated by the emerging trend towards online shopping.
6 A war of prices has weakened our profitability.

Over to you

Think about the company you work for, or one you would like to work for. Carry out a SWOT analysis of the company. Do the same for a company you would never want to work for.

4 Marketing strategy and the marketing plan

A Marketing strategy vs. marketing plan

A company's **marketing strategy** describes how it will position itself and the **products** it **sells** or the **services** it **provides** in the **competitive marketplace**. The strategy includes a discussion of target markets, product and pricing policies, and proposed marketing and promotional initiatives (see Units 1–2 for more about the **marketing mix**).

The company's **marketing plan** is the written document which details the **marketing methods** selected (advertising, price promotions, etc.) and specific **marketing actions** or **marketing activities** (for example, a back-to-school promotional offer). It also examines the **resources** needed (both financial and human) to achieve specified **marketing objectives**, such as an increase in sales or a successful product launch, over a given period of time.

B Developing the marketing plan

You can **develop a marketing plan** using the stages known as **AOSTC** (Analysis, Objectives, Strategies, Tactics and Control).

Analysis	Current market situation	Information on the competitors and the marketplace.
	Competitor analysis	The competition in the marketplace. You will also need to include information on their **positioning** – how they control the way the customers see the products or services.
	Product / service analysis	What you sell or provide, and your **Unique Selling Point (USP)** – that is, what distinguishes your product or service from others on the market. Originally USP stood for Unique Selling Proposition, a concept developed by Rosser Reeves in the 1940s.
	Target market	Your **customer groups** or **segments** – for example, teenagers or business people (see Unit 19).
Objectives	Marketing **goals**	What you want to achieve, in terms of image and sales.
	Set **SMART** objectives	• **Specific** – Be precise about what you are going to achieve. • **Measurable** – Quantify your objectives. • **Achievable** – Are you attempting too much? • **Realistic** – Do you have the resources to make the objective happen (manpower, money, machines, materials, minutes)? • **Timed** – When will you achieve the objective? (Within a month? By February 2015?)
Strategies	The approach to meeting the objectives	• Which **market segment**? • How will we target the segment? • How should we position within the segment?
Tactics	Convert your strategy into the marketing mix, including the 4 Ps	• Product • Price • Place • Promotion
Control	**Tracking**	How the success of the marketing plan will be measured (see Unit 24). How each marketing activity will be assessed.

A summary of the marketing plan, known as the **executive summary**, is included at the beginning of the document. For a list of questions to ask when preparing a marketing plan, see Appendix II on page 109.

4.1 Make word combinations with *market* and *marketing* using words from the box. Then match the word combinations with the definitions below. Look at the page opposite and Appendix II on page 109 to help you.

methods	mix	plan	segments	strategy	target

....

market

....

....
....

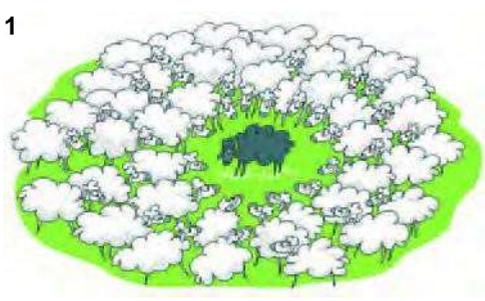**marketing**

....
....

1 groups of consumers with similar needs or purchasing desires
2 the consumers, clients or customers you want to attract
3 a definition of the company, the product / service and the competition
4 detailed information about how to fulfil the marketing strategy
5 the techniques you can use to communicate with your consumers
6 the combination of different elements used to market a product or service

4.2 You are preparing some slides for a presentation of next year's marketing plan. Choose a title from the box for each image. Look at B opposite to help you.

Competitor Analysis	Target Market	USP

1

3

2

Over to you

Think about a product or service that you use every day. Answer the questions from Appendix II on page 109 in relation to this product or service.
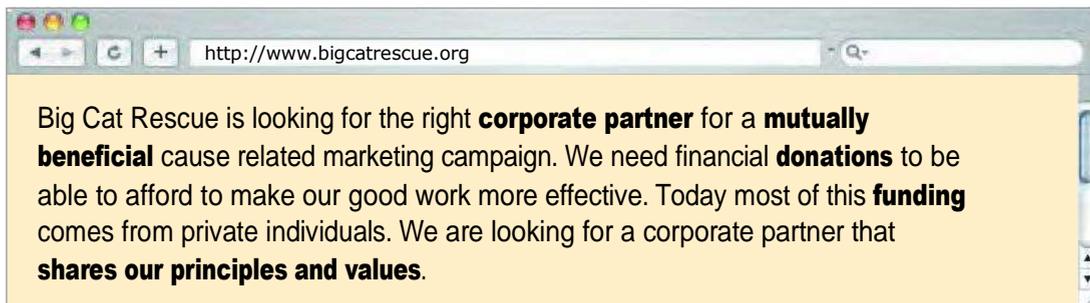
5 Marketing ethics

A Social marketing

Social marketing is the use of marketing techniques to **convince** people to change their behaviour for their own good or for the benefit of society. Encouraging smokers to stop smoking or persuading people to eat more fresh fruit and vegetables are examples. The aim of social marketing is to minimize **social problems** such as crime or poverty.

B Corporate social responsibility (CSR)

The advantages for a company of being **socially responsible** – that is, taking positive actions for the benefit of its staff and society as a whole – include enhanced brand image, and greater ease in attracting staff. There are different ways for a company to show **corporate social responsibility (CSR)**.
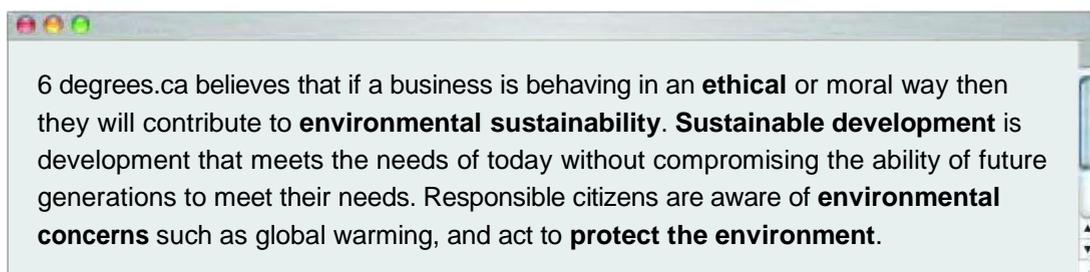
- **Cause related marketing (CRM)** is when a company **donates money to a charity**, a **non-profit organization** or a good cause, such as UNICEF or Oxfam. The brand is then associated with the charity. For example, a US non-profit wild cat sanctuary, Big Cat Rescue, wants to create a **marketing partnership** with another organization:

> http://www.bigcatrescue.org
>
> Big Cat Rescue is looking for the right **corporate partner** for a **mutually beneficial** cause related marketing campaign. We need financial **donations** to be able to afford to make our good work more effective. Today most of this **funding** comes from private individuals. We are looking for a corporate partner that **shares our principles and values**.

Note: The abbreviation **CRM** also refers to Customer Relationship Management – see Unit 23.

- **Green marketing** is the development and distribution of **eco-friendly**, or **environmentally friendly**, goods – for example, washing powder that is not harmful to the environment.

6 degrees.ca is a Canadian web-based forum that promotes green marketing and **environmental protection**:

> 6 degrees.ca believes that if a business is behaving in an **ethical** or moral way then they will contribute to **environmental sustainability**. **Sustainable development** is development that meets the needs of today without compromising the ability of future generations to meet their needs. Responsible citizens are aware of **environmental concerns** such as global warming, and act to **protect the environment**.

- **Responsible purchasing** is another way that a company can **build** or **maintain a good reputation**. Companies can refuse to buy materials or goods made using **child labour** or that have been **tested on animals**. As well as showing concern for **human rights** and **animal testing**, a company can implement a policy of **sustainable purchasing** and only buy products that come from renewable sources.

5.1 Make word combinations using a word from each box. Two words can be used twice. Look at A and B opposite to help you.

| animal |
| donate |
| environmental |
| mutually |
| responsible |
| social |
| socially |

| beneficial |
| money |
| problems |
| purchasing |
| responsible |
| sustainability |
| testing |

5.2 Complete the texts describing examples of CSR. Then decide whether the companies are involved in CRM, green marketing or social marketing. Look at A and B opposite to help you.

a

In 2008, we are proud to continue our marketing (1) .... with the Arlette Foundation. We will promote the (2) .... in our stores and we will sell a range of products displaying the charity's distinctive logo.

For each product sold, we will (3) .... money to the Arlette Foundation, with a minimum (4) .... of £250,000. We are committed to being (5) .... responsible.

b

The Push Play campaign in New Zealand has successfully (6) .... New Zealanders to do more exercise. The campaign aimed to limit the twin epidemics of obesity and diabetes, (7) .... problems now affecting countries worldwide.

c

CASE STUDY: *Woody Pens – Designed for the Environment*

Instead of making its pens from plastic, Goodkind Pen Company uses wood scraps from local furniture makers, and its pens are designed to be refillable.

By carefully designing its product to be eco-(8) .... and of high quality, it is mutually (9) .... for the environment and the consumer. Goodkind has made a product with a super-green profi le and, in the process, enjoys a high level of satisfaction from environmentally conscious consumers and companies with a responsible (10) .... policy. Goodkind embraces environmental (11) ....

5.3 Complete the table with words from A and B opposite and related forms. Put a stress mark in front of the stressed syllable in each word. The first one has been done for you.

Noun	Adjective	Adverb
en'vironment		
		responsibly
society		socially
		sustainably

Over to you

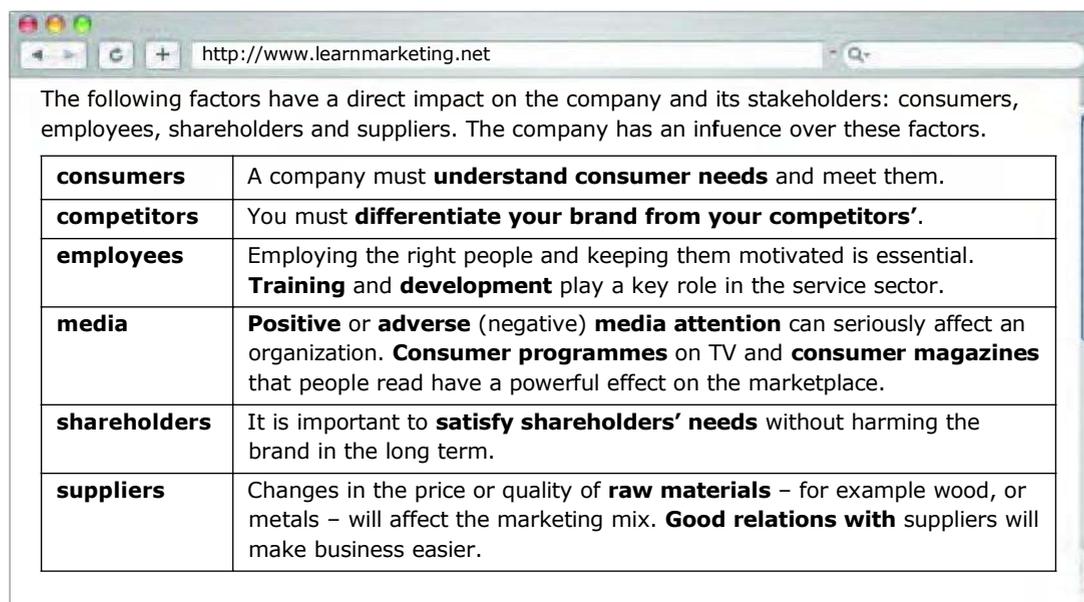**Think about the brands you buy. How does ethical marketing influence your purchasing decisions?**

6 The market environment

A The micro environment

Learnmarketing.net provides information for marketing students. Its website says the following about the **micro environment**:

http://www.learnmarketing.net

The following factors have a direct impact on the company and its stakeholders: consumers, employees, shareholders and suppliers. The company has an infuence over these factors.

consumers	A company must **understand consumer needs** and meet them.
competitors	You must **differentiate your brand from your competitors'**.
employees	Employing the right people and keeping them motivated is essential. **Training** and **development** play a key role in the service sector.
media	**Positive** or **adverse** (negative) **media attention** can seriously affect an organization. **Consumer programmes** on TV and **consumer magazines** that people read have a powerful effect on the marketplace.
shareholders	It is important to **satisfy shareholders' needs** without harming the brand in the long term.
suppliers	Changes in the price or quality of **raw materials** – for example wood, or metals – will affect the marketing mix. **Good relations with** suppliers will make business easier.

B The macro environment: STEP analysis

A **STEP analysis** (also known as a **PEST analysis**) looks at **sociological**, **technological**, **economic** and **political** factors in the market environment on a **macro** level – often looking at a particular country or region. The relationship between the company and these factors is indirect. This is a STEP analysis for an online supermarket in Britain.

SOCIOLOGICAL FACTORS
Dominant **religions**: Mainly Christian, with significant minorities in some regions.
Special diets in some areas.
Leisure activities: Watching TV, cooking, socializing.
Gender roles: Now that younger men shop as much as women, we need to target both sexes equally.
Birth rates: Birth rates are continuing to decline, with fewer babies born every year.
Average life expectancy: This is increasing so we should think about products for older customers.
Attitudes to foreign products: Consumers like to experiment with foreign food and drink.
Opinions on environmental issues: We should use only recyclable packaging and hybrid-fuel delivery vans.

TECHNOLOGICAL FACTORS
Innovation and technological advances:
Production: New product lines and product types are continually coming onto the market.
Offer: We now offer a new service – ordering by mobile phone.
Distribution: Online ordering has changed the way supermarkets operate. We no longer need actual shops.
Communication with consumers: Broadband internet connections make it possible to include more product photos on our site. We could even think about adding video.

ECONOMIC FACTORS
The economic forecast is good:
Interest rates: stable at 5%
Unemployment rate: less than 9% of people are out work
GDP (Gross Domestic Product): growing steadily

POLITICAL FACTORS
Political stability: Very good. Consumers feel relaxed about the political situation and ready to use consumer credit.
New tax / business **legislation**: No changes to the law for our business sector in the near future.
International trade agreements: We can import products from the EU without paying extra import duties.

6.1 Decide whether the following market environment characteristics are micro factors or macro factors. Look at A and B opposite to help you.

	Micro	Macro
1 High unemployment in a region reduces spending on leisure activities.		
2 The internet has opened up new distribution and marketing channels.		
3 Good relations between a supplier and a company mean that goods are always delivered on time.		
4 Legislation in European countries is restricting the right to smoke in public places.		
5 Positive reports in the national press about a brand.		
6 The staff for the telephone hotline of an internet bank are trained to be polite and friendly.		
7 During the FIFA World Cup, more snack food is consumed in front of the TV set.		

6.2 Complete the action plans (1–6) and then match them with the micro factors (a–f). Look at A opposite to help you. The first one has been done for you.

1 Convince shareholders that the best way to ......<u>satisfy</u>....... their needs in the long term is to invest in research and development.
2 Carry out market research to better .... needs and desires.
3 Prepare a press release for a .... magazine about the launch of a new product.
4 Build and maintain good .... by always paying on time.
5 Do a SWOT analysis to assess how to .... your brand from your competitors'.
6 Implement a training and .... plan to motivate and keep good members.

a competitors   **c** employees   **e** shareholders
b consumers   **d** media   **f** suppliers

6.3 Complete the STEP analysis of France. Look at B opposite to help you.

France is a member of the European Union and as such has trade (1) .... with the other members. It has one of the worst unemployment (2) .... in Europe and the government is keen to bring this down.

France has one of the highest (3) .... rates in Europe (1.9 children per woman) and a large proportion of French mothers go back to work, reflecting changes in (4) .... roles. Men are almost as likely as women to do the shopping for the family and take care of the children.

The dominant (5) .... is Catholicism, but there is a large Muslim community. The religious beliefs do not significantly affect the marketplace, except at Christmas and Easter time when the demand for Christmas trees and chocolate increases dramatically.

Internet penetration is high: most households own a computer and have high speed internet access. This has opened up new channels of (6) .... and there are now several internet grocery stores.

Nearly all teenagers own a mobile phone and they are increasingly using SMS messages to keep in touch with their peers. Marketing campaigns are beginning to exploit this line of (7) .... by sending SMS messages to their audience.

Over to you

Prepare a STEP analysis for the country or region you live in.

7 Legal aspects of marketing

A Legal definitions

The World Intellectual Property Organization gives the following definitions:

Intellectual property refers to creations of the mind: inventions, literary and artistic works, and symbols, names, images and designs used in commerce. Intellectual property is divided into two categories:

1 **Industrial property** includes **patents**, which give the **exclusive right** to make, use and sell an invention in a given geographical area; **trademarks** (words or symbols that differentiate a company); and industrial designs. A **granted patent** gives **patent protection** for 20 years in the UK. After that time you must **renew the patent**. In order to **trademark**, or **register your trademark**, you will need to complete a registration process.
2 **Copyright protects** literary and artistic works. **Copyright protected work** includes novels, plays, films, musical works, artistic works such as drawings, photographs, and architectural designs. Copyright protected work is said to be **subject to copyright**.

Note: The copyright symbol: ©
The trademark symbol: ™
The registered trademark symbol: ®

B Legal problems

Legal problems may arise if another person has used copyright protected work without the **copyright owner's** (or **holder's**) permission. The UK Patent Office says:

'**Intellectual property (IP) crimes** include **counterfeiting** and **piracy**. Counterfeiting is deliberate or **wilful trademark infringement** and piracy is **wilful copyright infringement**. Infringement means **reproducing copyrighted work** without permission from the **IP owner**.'

If a trademark or copyright holder believes that another person has **made unauthorized use of** a trademark or copyright, then this may lead to a **lawsuit**, where one company takes another to court to **enforce the trademark** or **copyright**. The **infringer**, the person who has broken the copyright, may have to **pay damages** or **compensation** to the trademark holder, normally financial.

Most company websites include a page called **terms and conditions** or **copyright information**. Visitors to the site must **agree to the terms and conditions**. The terms and conditions usually contain what a visitor may **download** or take from the web page and **post** or **upload** to the web page, and a **disclaimer** to say the company is not legally responsible for the misuse of its web pages.
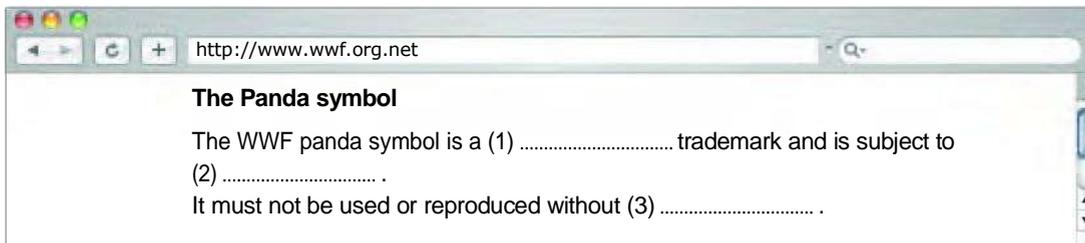
C The Consumer Protection Act

The **Consumer Protection Act** is a law in the UK that protects the consumer from faulty or **defective products**, or products that are not as safe as they are generally expected to be. Consumers are **legally entitled to** goods of a **satisfactory quality**. Producers, suppliers and importers are **liable for** – that is, responsible for – the products they sell. Death, **personal injury** – involving physical **damage** to a person – and damage to **private property** are covered under the act.

Enforcement of the act – that is, making sure the act is respected – is the job of the **trading standards officer**. Businesses need to monitor and control their produce to make sure they are **fulfilling**, or carrying out, all **safety regulations**.

A central part of the law is **product liability**, which means that any person who is **injured** or physically hurt by a defective product does not have to **prove a manufacturer negligent** – that is, at fault – before **suing**, or taking the manufacturer to court.

7.1 Complete the copyright information from the WWF-UK web page. Look at A and B opposite to help you.

http://www.wwf.org.net

The Panda symbol

The WWF panda symbol is a (1) .... trademark and is subject to
(2) ....
It must not be used or reproduced without (3) ....

7.2 Make sentences using one part from each column. Look at A and B opposite to help you.

1 Patent	must read and agree to the terms	renewed regularly.
2 A granted	protection gives a company the exclusive	to a lawsuit.
3 Wilful trademark	copyright cannot be used without	right to market a product.
4 Visitors to the website	patent must be	permission.
5 Material that is subject to	infringement may lead	and conditions.

7.3 Complete the newspaper report and then match the problems (a–c) with the offered solutions (i–iii). Look at C opposite to help you.

FIGHT FOR YOUR RIGHTS WHEN A DEAL GOES WRONG

By Ruki Sayid

Stores do their best to part us from our cash, but they are not always as friendly if a (1) .... is defective. We have teamed up with consumer watchdog *Which?* to offer some help.

a The iron I bought was faulty and I was given a replacement, but that also stopped working after a week. The shop has refused to exchange it, saying the second iron was a gift. Is this correct?

b My parents bought us a washing machine as a present but it exploded when we were out. The smoke and fire damage is extensive. Who is responsible for this?

c I have written many letters to a local supermarket after having found bits of glass in their fresh fruit. I still don't have a satisfactory response.

Which? **answers:**

i As you did not buy the machine yourself, you have no contract with the shop. But you can claim against the manufacturer under the Consumer Protection Act 1987 for (2) .... to your house and any (3) .... injury. Your parents, however, can claim for the machine from the retailer.

ii Try contacting the trading (4) .... officer. He / she is responsible for (5) .... of the Consumer Protection Act.

iii No, you are legally (6) .... to goods of a (7) .... quality.

Over to you

Think about intellectual property owned by your business, school or family. What is it, and how is it protected?

8 Research 1

A Types of research

Marketing research is the process of gathering information about a market, analysing it and interpreting it. Although the term **market research** is often used to mean the same thing, technically it only refers to research into a specific market. **Consumer research** – used to discover **behaviour patterns** (how people act) and **customer needs** (see Unit 20) – is an essential element of marketing research. **Motivation research** investigates the psychological reasons why individuals buy specific types of merchandise, or why they respond to specific advertising appeals.

There are two main methods of consumer research:

- **desk** (**desktop**) **research** or **secondary research:** an analysis of the information you can find easily without leaving your desk. Examples include the internet, books, newspapers, magazines, and government statistics.

- **field research** or **primary research:** involves talking to people and finding out what they think about a market, a product, a business sector, etc. It is usually **carried out** by market research institutes.

Consumer research can be either **qualitative** or **quantitative**. In qualitative research, small **group discussions** or **in-depth interviews** with consumers are used to understand a problem better. Quantitative research involves **collecting**, or **gathering**, large **samples of data** (for example, on how many people use different products), followed by **statistical analysis** – examining, or **analysing**, the data. Quantitative research is often used to investigate the findings from qualitative research.

Note: The singular noun is (an) **analysis**, and the plural is **analyses**. **Data** is used as both an uncountable noun and as a plural noun. *The data is interesting. The data show interesting trends.* The activity of **analysing data** can also be referred to as **mining data**.

B Research methodology

A student has made notes while reading a book on marketing research techniques.

Focus groups: small groups from the target group plus one moderator to mediate or run the session. The moderator prepares questions for the session.

Package test: used to test ideas for new packaging; could be in a focus group.

Taste test: used to test what consumers think about new flavours.

Home test: consumers try the products at home, in a real situation.

A self-administered questionnaire is completed (or filled in) by the respondent, and an interviewer-administered questionnaire is filled in on behalf of the respondent by an interviewer.

Telephone surveys are carried out by telephoning the respondent and asking questions.

A mail survey is mailed to the respondent, who completes it and posts it back.

Online surveys are administered on the internet.

Mystery shopping: a person poses as a consumer and checks the level of service and hygiene in a restaurant, hotel or shop.

Omnibus surveys: a market research institute carries out (or conducts) research for several companies at the same time. A long survey is given to respondents; some institutes have a panel of existing respondents who are accustomed to answering the surveys.

8.1 Match the types of research in the box with the research problems below. Look at A and B opposite to help you.

desktop + secondary	qualitative + field
motivation + primary	quantitative + primary

1 The R&D department want to know why people buy mobile phones so that they can develop a new model that answers all the major needs.
2 The design team want to know how consumers feel about the new layout of the company website before they finalize and launch the new homepage.
3 A manager wants to have financial data on her company, her competitors and the economy in general.
4 The marketing team want to have a lot of data on their consumers: age, shopping habits, email address, etc.

8.2 Complete the sentences. Look at B opposite to help you.

1 A lot of marketing research institutes carry out .... surveys. They ring people at home and ask them questions.
2 A .... is a small discussion group, led by a .... who asks questions to get detailed and qualitative information.
3 A marketing research institute may prepare a lengthy .... survey which it posts to consumers at their homes. These .... surveys have questions from several different companies on them.
4 Some questionnaires are completed by the .... (self-administered questionnaires) and some are completed by the interviewer (...........................-........................... questionnaires).
5 .... surveys are usually carried out in-store to assess the levels of service quality and cleanliness.
6 A .... test is designed to find out what consumers think about packaging, and a .... test is to find out what they think about the flavour of a product.

8.3 Cross out the incorrect sentence in each group. Look at A and B opposite to help you.

1
a We carried out the research last week.
b We conducted the research last week.
c We collected the research last week.

2
a The respondents completed a questionnaire.
b The respondents analysed a questionnaire.
c The respondents filled in a questionnaire.

3
a We must run the data quickly.
b We must collect the data quickly.
c We must gather the data quickly.

4
a It can take a long time to mine data.
b It can take a long time to carry out data.
c It can take a long time to analyse data.

5
a We are filling in three focus groups.
b We are mediating three focus groups.
c We are running three focus groups.

Over to you

Think about how you would carry out market research for a completely new product (for example, a light bulb that works without electricity). What kind of research would you conduct during the development phase of the product, and what kind just before the product launch?

9 Research 2

A Describing survey results

There are number of different ways to talk about survey results.

Recent research The survey The latest figures The key findings	highlight(s) indicate(s) reveal(s) show(s) suggest(s)	the need to … that the respondents feel strongly about … that the trend is upward ↑ / downward ↓ … satisfaction with the service – people are happy with it. dissatisfaction with the product range – people don't like it. that our consumers would prefer to see …

| A mere 5% Ten percent Over half Almost 60% Nearly two thirds	of the respondents	said taste was very important. claimed taste influenced their purchase. cited taste as an important part of the decision to buy. rated the new taste better than the old one. thought the taste was much better.

Note: The **key findings** are the most important findings.
We use **mere** when we want to emphasize that the amount is not large, or not important.
For more information on talking about figures see Appendix III on page 110.
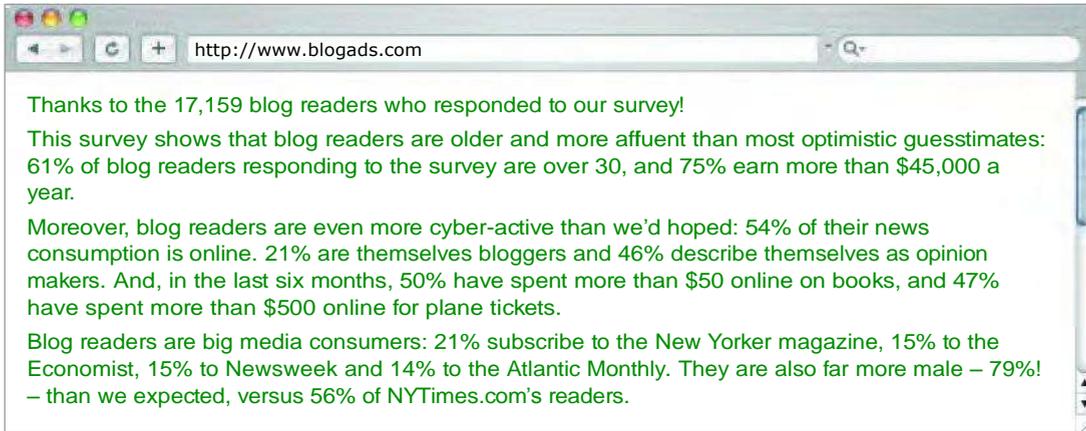
B Understanding trends and changes

Maggie Potters has just completed a survey of consumer ratings for a brand of mobile phones and is making a presentation to the phone manufacturers.
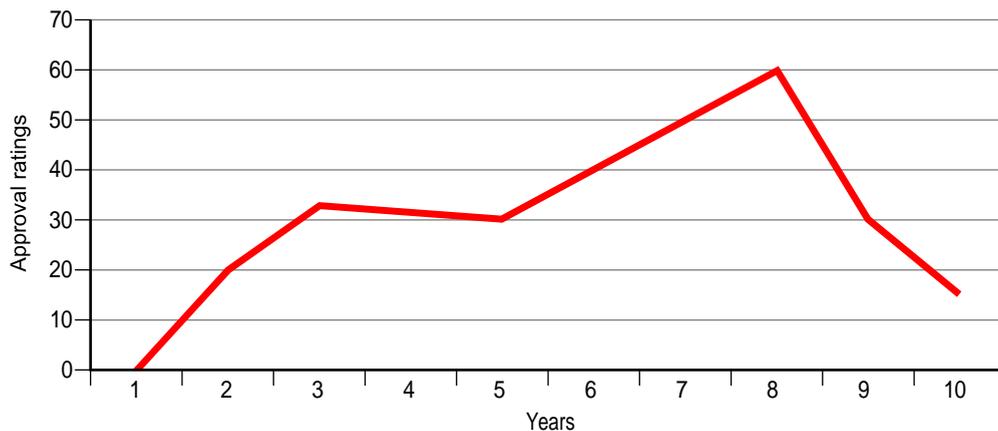

'The **graph** shows consumer ratings of the product **over a ten-year period**. You can see that after the launch of the product the ratings **rose to** 33%. The trend was **stable** until the arrival of a major competitor in the market. This led to a **slight fall** in approval ratings. The relaunch of the brand invigorated the product and so you can see ratings **rising to** 60%, the ratings **doubled**. However, reports in the national press have had a negative effect on the brand image and approval ratings have **plummeted**. Compared to **the same period last year**, a **significantly** higher number of consumers have a low opinion of the product and the brand image. The percentage of dissatisfied respondents has **trebled**. Although this seems to be very negative, your initial **guesstimates**, your predictions before you had the figures, were much worse.'

9.1 Read the extract from a survey of blog readers by Blogads, and correct any mistakes in the sentences below. Look at A opposite and Appendix III on page 110 to help you.

http://www.blogads.com

Thanks to the 17,159 blog readers who responded to our survey!

This survey shows that blog readers are older and more affuent than most optimistic guesstimates: 61% of blog readers responding to the survey are over 30, and 75% earn more than $45,000 a year.

Moreover, blog readers are even more cyber-active than we'd hoped: 54% of their news consumption is online. 21% are themselves bloggers and 46% describe themselves as opinion makers. And, in the last six months, 50% have spent more than $50 online on books, and 47% have spent more than $500 online for plane tickets.

Blog readers are big media consumers: 21% subscribe to the New Yorker magazine, 15% to the Economist, 15% to Newsweek and 14% to the Atlantic Monthly. They are also far more male – 79%! – than we expected, versus 56% of NYTimes.com's readers.

1 Three quarters of the respondents earn more than $45,000 a year.
2 Almost half of their news consumption is online.
3 A mere 79% of respondents are male.
4 One out of two respondents has spent more than $50 online on books.
5 The survey suggests that all bloggers are over 30.

9.2 Complete the description of the graph. Look at B opposite to help you.
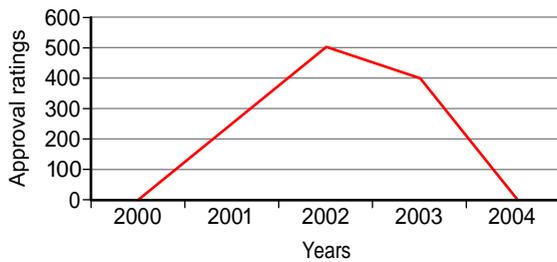
The graph represents intentions to buy (1) .... a five-year period. The new insurance policy was launched in 2000. After the launch, the intention to buy (2) .... sharply. A (3) .... higher number of consumers expressed a strong interest in the policy. This upward trend was (4) .... for a two-year (5) .... In 2003 the company started to suffer from a damaged reputation, following allegations of illegal trading on the stock market. This is reflected in the number of intentions to buy, which (6) .... just before the company name was changed and the policy dropped.
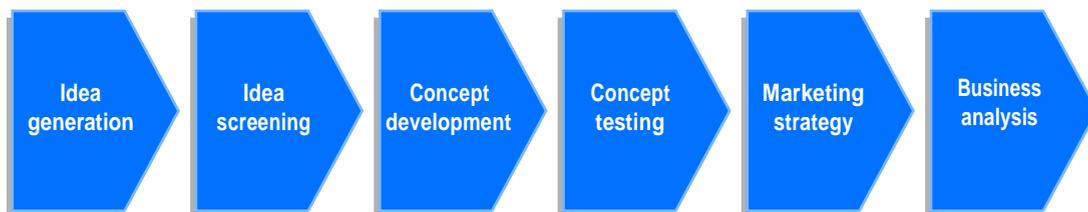
Over to you

Look at this extract from the blog reader survey mentioned in 9.1 above. Describe the results of the survey as if to your team or manager.

Have you clicked on a blog ad?	Response Percent	Response Total
Yes	66.7%	10161
No	22.4%	3412
Can't recall	10.9%	1661
Total Respondents		15234
(Skipped this question)		1925

10 New product development 1

| Idea generation | Idea screening | Concept development | Concept testing | Marketing strategy | Business analysis |

A Idea generation

Idea generation is the systematic search for **new product ideas**. It is the first step in the **new product development** (**NPD**) process. NPD is essential for companies to **stay competitive**. Ideas for **product innovation** can come from many sources – for example, internal brainstorming (see Unit 12), distributors, or increasingly from customers. Many companies are adopting a **customer-driven** or **customer-centric** marketing approach, focused on **identifying customer demands** (what customers are asking for) and understanding **consumer needs** (what customers require to solve a particular problem). Market research techniques (see Unit 8) are used to **identify gaps in the market**.

Throughout the NPD process, marketers work closely with **research and development** (**R&D**) to create original products or to modify or improve existing products. **New recipes** (for example, Vanilla Coke) and **limited** or **special editions** (for example, Christmas tea) are examples of **product improvements** and **product modifications**. The product innovation may target a **mass market** or a specific **niche market** – products for left-handed people, for example.

B Idea screening

Launching new products is a risky business, so new product ideas are **screened** to select, or **spot, potentially successful product ideas**. A company has to assess which ideas are **viable** (will survive in a competitive marketplace), **technically feasible** (the company has the skills and resources to produce them), and **profitable** (will make money). The company also considers **overall demand** – how much they can expect to sell.

C Concept development and testing

An attractive idea is developed into several different product concepts. **Concept testing** measures **customer response** to a new product – what customers think of it – and gives an indication of the **level of consumer acceptance** – that is, how readily consumers will use the product. The objective is to successfully introduce the new product onto the market or **penetrate the market**, and to **minimize the research and development costs**.

D Marketing strategy and business analysis

The marketing strategy (see Unit 4) describes how to penetrate the market. You must decide which **route to market** is best for your product or service. You can **produce** it yourself, you can **sell the idea**, or you can **license the product to** another company to produce and market.

Before moving on to the **product development phase** (see Unit 11), businesses need to assess the financial attractiveness of the new product idea. Companies estimate the **sales volume** (how much they will be able to sell), the **selling price** (what consumers will pay for the product or service) and **revenue expectations** (how much income the product will generate).

> BrE: licence (noun), license (verb); AmE: license (noun), license (verb)

10.1 Find words and phrases in A, B, C and D opposite to make word combinations with the words below.

(**product**)   ....   (**market**)
....
....
....
....

10.2 Complete the sentences about new product ideas. Look at A and B opposite to help you.

1 A .... edition pack could be good to celebrate the fiftieth anniversary of the product.

2 We must be responsive and ....-driven. Have we identified the customer needs and demands?

3 A .... recipe would work well for a short time, but does it really show added value?

4 I don't think that would be .... feasible. We just couldn't produce it.

5 Is that really going to work? I mean, is it really .... in our marketplace?

10.3 Complete the text. Look at A, B, C and D opposite to help you.

Here's how I exploited a (1) .... *in the market*

Gecko Headgear Ltd is a designer and manufacturer of marine safety helmets, founded in 1993 by Jeff Sacrée. Jeff explains how he spotted a gap in the niche water sports (2) ....

'As a surfer, I could see a potentially (3) .... product, a helmet that was both lightweight and heat-retaining.'

'However, surfing is a relatively small market and I began wondering if I could (4) .... other markets with my helmet design.'

Jeff adds, 'A good relationship with the bank is crucial when you're trying to bring an innovative product to market. In our case the product (5) .... phase took three years – far longer than we initially expected.' Jeff decided the best (6) .... to market was to grow his business and produce the helmets himself.

Over to you

Imagine you are talking to Steve Jobs at Apple about his next i-product. Think of three questions to ask him about the product. Think of three more questions you could use to screen his ideas.

11 New product development 2

A Workflow

Companies need to organize their **workflow** efficiently to move quickly through the new product development process and **beat the competitors to market** – that is, get to market first with a **successful product launch**. Efficient product development processes increase the chance of doing well, or **likelihood of success**. The amount of time a new product or service spends **in the development pipeline** – or how long it takes to develop – is referred to as **time to market**.

During the process, the **project team**, made up of a **project leader** and the people needed to complete the project, completes **key activities** (for example, carrying out market research) to advance the project and collects information to **manage risk** – to make decisions that will reduce the risk of failure in the future. **Prioritization decisions** are made to identify the most important things to do next and **resources** are **allocated** to the best projects. An **action plan**, a list of what needs to be done next, is defined.

B Product development and optimization

Many product concepts exist only as a description – a drawing, or a very basic model known as a **mock-up**. For example, car makers prepare clay models of new car designs. **Product modelling** uses **CAD** (computer aided design) to turn ideas into **3D representations**. The R&D team **creates a prototype**, a first example of the product, to test its functionality and to eliminate **product flaws**. Prototyping helps cut costs and allows for market testing.

Clay model of a new car design

For software, the first stage is an **alpha test**, where the program is tested by company employees to remove any errors, or **bugs**. Then the software is sent for external testing; this is known as **beta testing**.

Product optimization studies are carried out to improve the product or service as it is being developed. They may include **sensory research** to evaluate how a product smells, tastes or feels.

C Test marketing

The next step is to collect information on how the proposed product or service will **perform in the marketplace**. The company tests the product and its marketing plan on a small **test market** before a **full launch**. This allows the company to **forecast** or predict **sales, uncover problems** with the product, and to **fine-tune**, or adjust, the **marketing plan** (see Unit 4). The amount and type of testing depends on the **costs and risks** of introducing the product.

D Commercialization

Commercialization, also known as **market introduction**, is the final stage in the new product development process. The **distribution network** and **marketing communications action plan** must be ready by the **launch date** or **commercialization date** – the date the product goes on sale. The company may launch the product simultaneously in all markets or prepare a step-by-step **market rollout** in different cities and countries.

Note: For more on distribution, see Unit 26.
    For more on publicity and promotion, see Units 32–43.

11.1 Make sentences using one part from each column. Then match the sentences (1–5) with the stages of the development process (a–c). Look at B, C and D opposite to help you.

1 We should carry	date and now need to prepare the distribution	plan.
2 We have completed the alpha	rollout across	research.
3 The results will allow us to fine-	test and are now ready for beta	network.
4 We have planned the market	tune our marketing	testing.
5 We have set a launch	out some sensory	Europe.

a test marketing
b commercialization
c product development and optimization

11.2 Complete the description of product development using words from the box. Look at A, B, C and D opposite to help you.

date	forecast	manage	prototype	resources	time
flaws	launch	product	representations	success	

After we get the OK for the product concept we need to allocate (1) .... to the next stage: product development. We start by (2) .... modelling. We have to create a (3) .... which we use to identify and eliminate product (4) .... in order to increase the likelihood of (5) .... We use CAD to create 3D (6) .... Although there is always pressure to reduce our (7) .... to market, I think it is important to (8) .... risk well so that the product launch is a success. At the end of the product development and optimization stage, the project moves into test marketing, used to (9) .... sales. In the last project we worked on, we carried out a test of the market before the full (10) .... At the end, a commercialization (11) .... is set and the product is launched, successfully we hope.

11.3 Correct the mistakes in the sentences about the launch of PS3, Sony's gaming console, using words from A, B and D opposite.

1 PS3 spent a long time in the development pipe.
2 The marketing introduction stage did not go smoothly for PS3.
3 The original launch day for PS3 was in the spring.
4 The action rollout in Europe for PS3 was delayed.
5 The launch event in France was a failure because the marketing communications test plan was poorly prepared.
6 Sony is also launching an international e-distribution net to provide online content.

Over to you

Present the different stages of product development. Use a fictional or real product to illustrate your talk.

12 Brainstorming

A The brainstorming session

Brainstorming is a technique used by marketers during **product naming** to find new names for products, or during **product development** (see Unit 10) to find new products and to **generate ideas**.

There are three roles for **participants** in a **brainstorming team**: leader, scribe and **team members**.

Before the session, the leader needs to define a **problem statement** – for example, 'how to sell more of our biscuits'. The problem statement needs to **focus on** the aim of the session, but it must be open enough to allow **innovative thinking**.

The leader must also set **the ground rules** for brainstorming:

- All ideas are welcome. During **brainstorming** sessions, no **judgements** or **criticisms** should be **made** of ideas. Do not **criticize** ideas. Do not **evaluate** ideas. They can be **modified** later.
- Change involves **risk-taking**, so it's important to be open to original ideas. The **quantity of ideas** (how many there are) is more important than the **quality** (how good they are).
- There is **no ownership of ideas** – the ideas belong to the group. Participants should 'hitchhike' on, or **build on**, other people's **creative ideas**.

The scribe needs to write down, or **note down**, every idea – clearly, where all the team members can see them.

B Brainstorming techniques

You may need to **get the creative juices flowing** (get people thinking more creatively), and encourage people to **think out of the box** – look at a problem from a new or different angle.

One common technique is to use a **random word** as a **starting point** for possible solutions. There are many **random word generators** on the internet.

Michael Michalko is a creative thinking expert. He uses a technique called **combinatory play**. Random words are listed and then put together. You play with the **combinations** until you find a promising new combination. For example, suntan lotion and insect repellent **combine** to form a new product – one lotion that protects against both the sun and insects.

One final technique is to **ask novel questions** (new or different questions) that will stimulate creative answers, for example: 'Which noises do you associate with pencils?' or 'What other uses do people have for pencils?'

C Suggesting and building on ideas

During a brainstorming session for the name of a new toothpaste, the brainstorming team say the following things:

> This is probably crazy, but what about using an animal name for the paste?

> Interesting suggestion. Let's go back to Sally's idea about using the word 'cool'.

> 'Cool White' is a good name. It makes me think of white teeth.

> It's a bit obvious, isn't it? Just a suggestion – couldn't we try a different colour? Blue perhaps?

> I've got it! I have the perfect solution.

> If we combine your idea with Sally's, we'll have 'Cool Blue'.

12.1 Choose the correct words from the brackets to complete the brainstorming rules. Look at A and B opposite to help you.

1 It's a (brainstormer / brainstorming / brainstorm) session. The purpose is to (generate / evaluate / generalize) ideas.
2 Please don't (criticize / define / diagnose) or judge the quality of other people's ideas.
3 We're looking for quantity, rather than quality. We can (modernize / moderate / modify) ideas later.
4 Build (up / over / on) each other's ideas. It is this building of ideas that leads to (outer / out of / over) the box thinking and fantastic ideas.

12.2 Complete the sentences (1–4), and then match each sentence with the participant who says it in a brainstorming session (a–c). Look at C opposite to help you.

1

Hey, I've .... it!

3

I've noted .... all
the ideas. Thanks, everyone.

2

Thanks, John. Let's go ....
to Peter's idea about the ...

4

OK everyone, try to stay focused
.... the problem.

a the leader
b the scribe
c a team member

12.3 Match the two parts of the sentences from a brainstorming session. Look at A and B opposite to help you.

1 I'd like to remind you all of the ground
2 I hope you've been thinking about the problem
3 Today we need innovative
4 Don't be afraid to take
5 So, the random
6 Thanks for a very productive brainstorming

a risks – no one will criticize you.
b session.
c word is 'butter'.
d statement I emailed you.
e rules before we start.
f thinking for a new product name.

12.4 A company called Speechmark is brainstorming ideas for the title of their internal newsletter. Complete the sentences. Look at C opposite to help you.

1 Today we're looking for a two-word title for the newsletter. You all know the .... rules – let's get started.
2 Here's a list of keywords to get your creative .... flowing.
3 .... we use the company name in the title?
4 Good suggestion. What .... the other word?
5 Just a .... – couldn't we try 'inside'?
6 I like that – it .... me think about being at home.
7 So, if I .... those two ideas, we'll have 'Speechmark Inside'.

Over to you

Brainstorm a new product for the silver market (see Appendix V on page 112). Use a random word generator from the internet to help you get your creative juices flowing.

13 Product and service types

A Product types

Raw materials – such as cotton, gold and oil – are used to make, or **manufacture**, other products. A group of related products made and marketed by a **manufacturer** is a **product line**. There is usually a **logical grouping** of products – for example, Faber-Castell produce writing instruments, both high quality pencils for children and adults, and also high quality pens. A **product type** is a group of products **offered** by different companies which are technically similar. However, there will be variations in terms of price, appearance and marketing. A good example is cosmetics and make-up. A **product class** is a group of products that may be considered as substitutes for one another. H&M and Zara clothes are in the same class. Christian Dior is the same product type but not in the same class.

B Word combinations with 'goods' and 'products'

convenience fast moving consumer consumer packaged	goods	= products with a high turnover and relatively low price, such as table salt or shampoo
white		= major household electrical goods which are usually white, such as freezers, washing machines and dishwashers
brown		= major household electrical goods that are not usually white, such as camcorders, televisions and DVD players
perishable		= goods that have a limited shelf life and must be consumed relatively quickly, such as fresh fruit, fresh meat and eggs
durable / hard		= goods that last for a long time – they cannot be easily worn out or used up, such as cars, furniture and white goods
nondurable / soft		= goods that are used up or last for less than three years – for example, perishable goods, **consumable supplies** such as CD ROMs, or ink for a printer

green	products	= products that are not harmful for the environment (see Unit 5)
generic		= products sold without a brand name, usually in a supermarket or in a pharmacy as alternatives to brand name drugs (see Unit 16)
healthcare		= products that are beneficial for your health and well-being – for example, vitamins and plasters

Note: The expressions **fast moving consumer goods** and **consumer packaged goods** are often abbreviated to **FMCG** and **CPG**. Perishable products and goods can also be called **perishables**. Durable goods can also be called **durables**.

C Types of service

A **service** is a non-material good, **provided** by a company or an individual.

Common service types are:

childcare (childminders, kindergartens)
financial (banking, real estate)
consulting (business and financial advisors)
risk management (insurance and security)
cleaning and maintenance (office cleaners, gardeners)
education and training (private schools, adult colleges)

healthcare (doctors, hospitals)
hairdressing (small salons and large groups)
telecommunications (mobile phones, fixed lines)
entertainment (cinemas, theatres)
tourism (hotels, airlines)
marketing and advertising (consultancies and agencies)

Complete the magazine article. Look at A opposite to help you.

Artificial diamonds may outsparkle genuine articles

Diamonds, one of the world's most beautiful and sought-after (1) ....raw........ ....materials........ , are now facing stiff competition from artificial gems.

Apollo Diamonds, based in Boston, and Florida-based Gemesis both (2) ....manufacture........ artificial diamonds with equipment that replicates the high pressure and temperatures found within the earth. This new (3) ....product type........

is attracting interest from jewellers and (4) ....manufacturers........ of semi-conductors.

De Beers Diamond Trading Company denies claims that the artificial diamonds are in the same (5) ....product class........ as natural diamonds. Natural gems 'have a mystique and an emotional value to them with which synthetics can never compete', said Gareth Penny, of De Beers.

13.2 Make word combinations with *goods* and *products* using words from the box. One word can be used twice. Then match the word combinations with the pictures (1–7) below. Look at B opposite to help you.
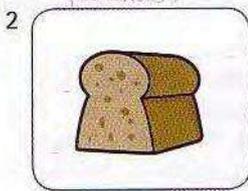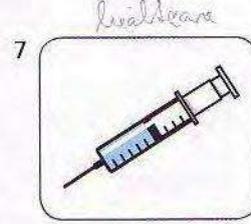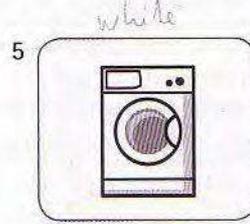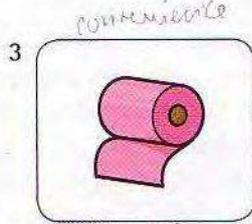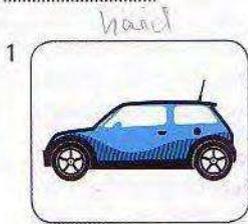
| brown | convenience | hard | healthcare | nondurable | perishable | white |

brown
convenience
hard
nondurable
perishable
white

goods

healthcare
perishable

products

1 hard

3 convenience

5 white

7 healthcare

2 perishable

4 nondurable

6 brown
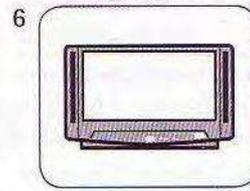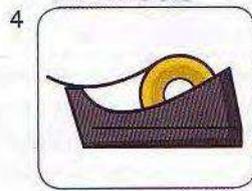
Over to you

Keep a purchasing diary for a week and note down all the product and service types you buy. Which ones do you spend most money on? Which ones do you purchase most often?

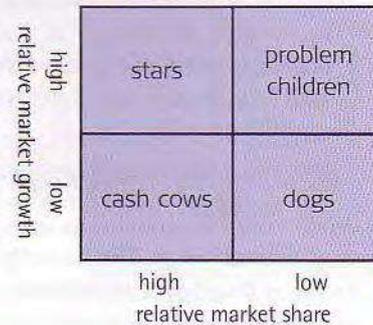| Purchasing diary				
Date	Price	Quantity	Brand	Item description
12/06	£1.20	1	Danone	Four pack of natural yoghurt

14 Product life cycles

The Boston Consulting Group Matrix

The Boston Consulting Group Matrix was devised in the 1970s as a **planning tool** for marketers to help them analyse their product lines and decide where to allocate money. **Market growth rate**, the speed at which the market is expanding, is plotted against **relative market share** – the percentage of consumers in the market that buy your service or product. Products or services have either **high** or **low market growth rates** or relative market shares.

Inside the Boston Box

In the matrix, products or services are divided into four different types. They relate to four stages in the **product life cycle** (PLC).

Note: **Problem children** are also known as **question marks**; **stars** are also known as **rising stars**.

	high relative market growth low	
	stars	problem children
	cash cows	dogs
	high	low
	relative market share	

Stage of PLC	Position in the matrix
Product launch	**Problem children** are products or services that are not yet **established**, or well known, in the market. They will **consume resources** – for example, time or money – before giving a **return on investment** (ROI). In some cases these products or services may never be **profitable** – make the company money – especially if they are in a **slow-growing** business sector or a **saturated market**, such as diet drinks or the mobile phone market.
Growth	**Stars** have both high market growth rate and high relative market share. These products or services are probably in a **fast-growing** business sector. They **generate high cash flows**, but are not always profitable. **Profitability** depends on the amount **invested** in the star.
Maturity	**Cash cows** have high relative market share, but little market growth. They are products or services that consumers know, trust and consume. They **generate profit** as they don't need much investment. They can be used to **feed research and development** for other products.
Decline	**Dogs** are products or services that have low relative market share and low market growth. They consume resources and do not create profit. They may **generate a negative cash flow** – that is, they **make a loss**. The best course of action is to raise prices to maximize income, known as **harvesting**, before finally **dropping the line** – taking the product or service off the market.

The product life cycle
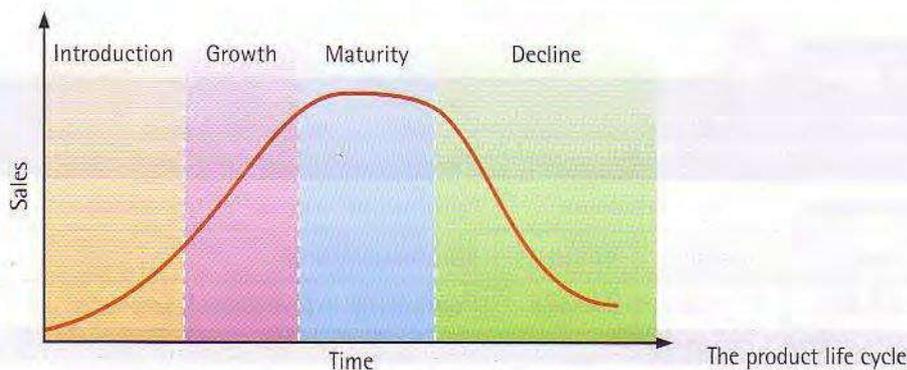
14.1 Put the words in italics in the correct order to complete the sentences. Look at A and B opposite to help you.

1 *Boston Consulting Matrix The Group* is used as a planning tool.
2 It concerns the *cycle life product*.
3 A product with a *market relative high share* and *market growth rate low* is a cash cow.
4 Cash cows can be used to fund *development research and* for new products.
5 Stars may *cash high flows generate* but are not always profitable.
6 Dogs may *cash negative flow generate*.
7 It may be necessary to *line the drop*.
8 Question marks will consume resources before *a return investment on giving*.

14.2 Decide where the following services can be placed on the Boston matrix: as question mark / problem child, star, cash cow or dog. Look at B opposite to help you.

1

star

Network protection

Protect your network from hackers and viruses.
Contact us today for the latest in network protection.
Now over 5,000 happy clients.
Join the fastest growing safe online community.

3

cash flows
dog

SUMMER SALE
BOOK NOW

Visit our online store to find reductions on weekend breaks in North Wales
Hurry: some of our hotels are being converted into private apartments
Offer ends October 31st

2

cash cows

Join The Diet Club

Lose weight quickly and safely
Millions of slimmer clients
Read their testimonials
The Diet Club: trusted nutritionists delivering sound advice for generations

4

question mark problem child

New service

You can now raise money for your favourite charities by using CharitySearchClick.com. All you need to do is use **CSC** every time you search on the web, and we will donate half our profit to your selected charity.

Try it today and tell your friends.

14.3 Find nouns and expressions in A and B opposite that can be used to make word combinations with the words below.

(generate) *profit* *high* *cash flows*

(market) *rate* *share* *growth* *rate*

Over to you

Search on the internet or look in a supermarket for products and services to complete a Boston Box. Try to find at least one example of a star, a problem child, a cash cow and a dog.

15 Selling products and services

A The seller

The **sales force** (see Unit 31) are the people who **sell a product** or **sell a service**. Their goal is to **close a deal** and **make a sale**. These people are trained to push back, or counter, **arguments against** their **sales pitch** (how they try to sell to you).

The general term for a person who sells for a living is **salesperson**. However, several other variations of the job title exist, depending on the job itself. For more information, see Appendix I on page 108.

B The purchaser

Type of selling		Description of purchaser and supplier
business to business	B2B	A **purchaser** (or buyer) in the **procurement department** is employed by a company to **get the best deal from their suppliers** (the lowest price or best payment terms).
		Retail buyers work for supermarkets or other types of **retail outlet**. They negotiate **retail listings** or **supermarket listings** with suppliers, meaning that the retailer agrees to list the product as something they sell. The supplier needs to **secure a listing** or **get the products listed** or the outlet will not **give shelf space** to the product – that is, display the product in the store.
business to consumer	B2C	Individual clients or customers buy from a shop or an online store (see Units 26 and 30).
consumer to consumer	C2C	Individual people sell to other individuals. The classified ads in local newspapers are a good example. C2C has become more common thanks to internet sites such as eBay.

C Selling a service

A product is **tangible**, meaning it can be touched. A service, such as business consulting or healthcare, is **intangible** and does not have a physical presence. Packaging your service to make it look like a product is a frequently used marketing technique.

A marketing student is making notes from an article offering advice on selling services:

- Package your different **service levels**. Create **bundles** that are easily sellable and that **cater to your customers'** varying **needs** and budgets. A **high-end package** for a car maintenance plan may include picking up the car for service and cleaning the interior. A **low-end, prepaid package** could include a reminder phone call for service and an oil change. These levels are differences in the **actual deliverables** and the **total value**.

- **Combine services** to **create a new offering**. For instance, as a marketing consultant, you could join forces with a copywriter and a graphic designer to create a 'Business Start-up Success' package.

service levels = differently priced levels of service, at different quality levels

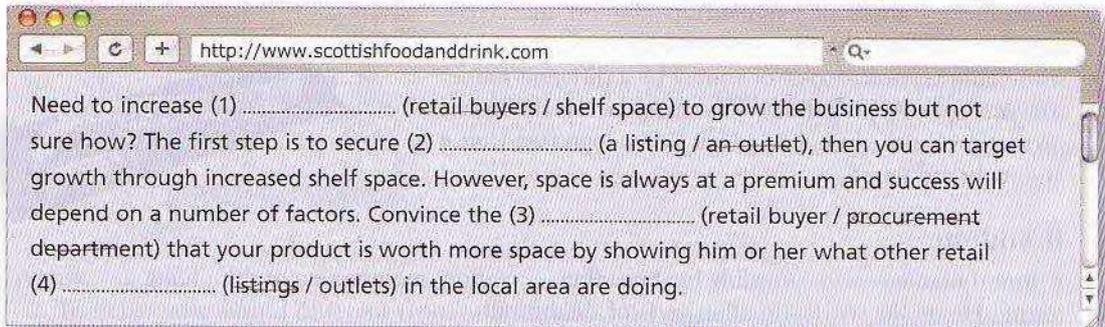bundles = services in groups that are sold together

actual deliverables = what the consumer receives, i.e. a clean car

total value = the sum of the value of the individual services in the bundle

15.1 Complete the sentences. Look at A opposite and Appendix I on page 108 to help you.

1 Our sales ...*force*... is very effective. They sell a lot of products.
2 A sales ...*rep*... came to the office yesterday. I didn't like his sales ...*pitch*... at all – he just talked and talked and didn't listen to what I was saying.
3 I'm a sales ...*agent*... . I work for an insurance company in Geneva.
4 As soon as a customer walks in, I know if I am going to ...*make*... a sale.

15.2 Choose the correct words from the brackets to complete the advice for food and drink companies on the Scottish Food and Drink website. Look at B opposite to help you.

http://www.scottishfoodanddrink.com

Need to increase (1) .... (retail buyers / shelf space) to grow the business but not sure how? The first step is to secure (2) .... (a listing / an outlet), then you can target growth through increased shelf space. However, space is always at a premium and success will depend on a number of factors. Convince the (3) .... (retail buyer / procurement department) that your product is worth more space by showing him or her what other retail (4) .... (listings / outlets) in the local area are doing.

15.3 Two marketers are talking about how to market their investment services. Match the two parts of the sentences. Look at C opposite to help you.

D 1 Let's start by looking at turning the service into a product. Our investment services are
A 2 Yes, we could try to create
E 3 I don't know, our business is really too complicated for prepaid
G 4 Our clients really need us to cater
B 5 Well, we could think about different service
F 6 Do you mean high and low
C 7 Yes, and we could combine different services to provide a new

a bundles of different investment services.
b levels for differing budgets.
c offering. Say, life insurance, real estate, shares, bonds, savings accounts combined into one easy to manage portfolio.
d intangible so it might be an interesting approach for our clients.
e packages.
f end packages?
g to their individual budgets and needs.

Over to you

Create a sales pitch for a small business. Think about how to package the service and the selling points. Look at the example to help you.

Phil's Cool Pool Service

Weekly or monthly cleaning. Equipment checked and all chemicals included for £65 a month. Chemical only service £35 per month. Fully trained pump repair staff. Call Phil on 07785 254872

16 Branding 1

A What is a brand?

Most companies decide to **brand** their products or services by using a name, a symbol or a design to identify it and **differentiate** it from the **competitive set** – that is, rival brands. Consumers can easily recognize the brand and the **brand values** – what it stands for (see Unit 18).

A **brand name** is the name given to a product or a **range** of products – goods of a similar type that are marketed together. This may be the same name as the company (for example, Coca-Cola) or it may be a different name (for example, Apple's iPod). The **trademark** is the legal protection for the brand (see Unit 7), its logo (see Unit 44) and its brand name.

B Branding

A **brand manager** is responsible for **branding** – creating, maintaining and building a brand. He or she works on all **aspects** of the brand:

| the **brand image** | How the consumers see the brand: the values they associate with it. |
the **brand essence**	One core concept which defines the brand. It is normally expressed in a short phrase or just one word. A good example is 'Volvo equals safety'.
the **brand promise**	The explicit promise the organization makes to its target audiences, including employees, about the quality and use of the brand.
the **brand vision**	The brand vision communicates where the brand is and where the brand can go. It talks about the values the brand has today and the values it will need in the future, as well as the communication tools needed to achieve this.

C Word combinations with 'brand'

a **premium brand**	a high quality brand, more expensive than its competitors
an **economy brand**	a brand that is cheaper than its competitors
an **own brand**	a brand that is made exclusively for the retailer that sells it; also known as an **own-label brand** or a **private label brand**
a **brand leader**	the best-selling brand in a particular market
a **no brand**	a product that doesn't have a brand associated with it; also known as a **generic brand**
the **flagship brand**	the brand for which a business is best known, and which represents its image most appropriately
co-branding	two brands working together to create a new product – for example, Intel Corporation and Apple Computers Inc.

Note: We can also talk about a **flagship store** or a **flagship shop**.

16.1 Complete the crossword. Look at A and C opposite to help you.
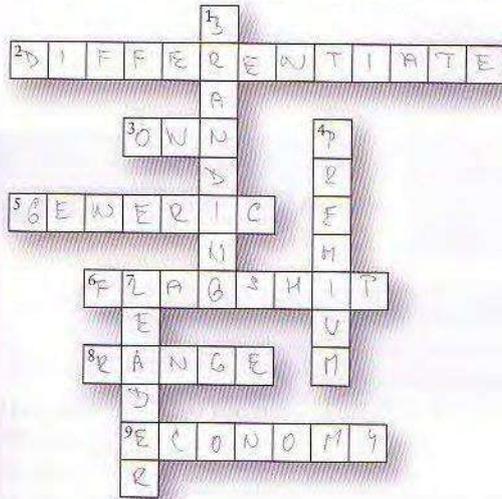
Across

2 To make your brand different from other brands. (13)

3 This type of brand is produced for and sold in supermarkets: ......*own*......-label. (3)

5 A ...*generic*.... brand is also known as a no brand. (7)

6 A well-known product that best represents the brand. (8)

8 A set of products grouped under the same brand. (5)

9 A type of brand that is less expensive than some similar products. (7)

Down

1 Using a name, symbol, logo or design to identify a product. (8)

4 This type of brand is luxurious and more expensive than some similar products. (7)

7 The best-selling brand in a product category is the brand ...*LEADER*.... . (6)

16.2 Read what the brand manager says about the brand and identify whether she is talking about the brand image, essence, promise or vision. Look at B opposite to help you.
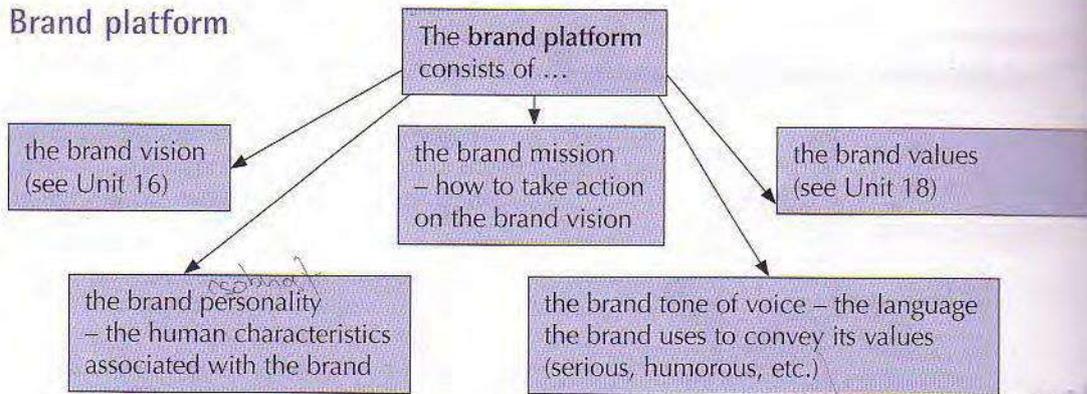
1 It's fine contemporary chocolate. — *essence*

2 When the consumers buy our chocolate they are making a statement about how much they enjoy the finer things in life. It's about treating yourself to a moment of indulgence. You can share the chocolate with someone close. It's about pleasure. — *promise*

3 It's luxury, sure, but it's also really trendy and modern. In a recent survey consumers said our chocolate was 'upmarket', 'classy' and 'distinctive'. — *image*

4 Chocolate in general is considered to be bad for your health and body. We need to convince our consumers that it can also be good. It's full of magnesium and it's nearly 80% pure cocoa content. It's a luxury product, so we will work on packaging and maybe do some artistic colour ads in glossy magazines, such as *Vogue*. — *vision*

Over to you

Think about your favourite brand. Prepare a presentation of its brand image. Use information from the company's website.

Branding 2

A Brand platform

The brand platform consists of …

- the brand vision (see Unit 16)
- the brand mission – how to take action on the brand vision
- the brand values (see Unit 18)
- the brand personality – the human characteristics associated with the brand
- the brand tone of voice – the language the brand uses to convey its values (serious, humorous, etc.)

B Brand management

Brand management, the application of marketing techniques to a brand, was first used by Proctor and Gamble in the 1930s. The **brand strategy** (see C below) shows how the brand will meet its objectives. It influences the overall business strategy of a company to ensure consistent **brand behaviour**, meaning what the brand does and how it acts in all advertising media, and consistent **brand experience** – the exposure and interaction a consumer has with the brand. **Total branding** refers to a consistent approach to brand behaviour and brand experiences across all possible **touchpoints** – wherever the consumer has a brand experience: TV, out-of-home, at a friend's house, etc.

C Brand strategy

A marketing manager writes an email about brand strategy to his contact in a communications agency.

New Message

… Last year we **launched the brand** in a new market; this year we need to **establish the brand** and make it stronger. It's too early to **rebrand** – change the name – but we could **stretch the brand** to include holiday reservations as well as holiday insurance. This **brand extension** will help us to **market the brand** to new consumers. Our **brand positioning** of reliable holidays allows us to **enhance the brand**, improving it in this way. …

D More word combinations with 'brand'

using **brand leverage**	using the power of a brand name or part of a brand identity (colour, similar name, typeface, etc.) to build or launch another brand
maintaining **brand equity**	protecting the value of the brand name
building **brand preference**	increasing the number of consumers who prefer the brand over another
building **brand loyalty**	making sure your consumers want to buy your brand again and again (also known as increasing **brand retention**)
building **brand awareness**	increasing the number of consumers who know about your brand
building **brand consideration**	increasing the number of consumers who consider buying your brand

17.1 Read the notes made during a brainstorming session on an online supermarket's brand platform, and say which part of the brand platform they refer to. Look at A opposite to help you.

1 *B. personality*

Friendly
Efficient
Careful

2 *b. values*

Cheap
Good quality
Reliable

3 *b. tone of voice*

Amusing online ads
Modern website design
Bright colours
– funky, youthful look

4 *b. mission*

Build consideration by direct emailing campaign
Develop retention with special offers

17.2 Match the examples (1–4) with the summaries (a–d). Look at C opposite to help you.

C 1 Apple invented the iPod. They started to market it.
B 2 After a successful launch, Google got more and more market share.
D 3 Coca-Cola created new products (Diet Coke, BlaK, etc.) using the same brand.
A 4 Beaner's coffee changed the company name to Biggby Coffee at the beginning of 2008. The new name appears on signs and marketing material.

a They rebranded.
b The brand became established. *branding*
c They launched the brand.
d They stretched the brand.
ranging

17.3 Decide if the sentences below are true or false, and correct the false sentences. Look at A, B and C opposite to help you.

behaviour

1 An advertising campaign is an example of brand values.
2 The brand strategy is a statement of the human characteristics of a brand. *(personality)*
✓3 Cinema advertising, packaging and website design are all examples of touchpoints.
4 You stretch a brand when you start communicating in a new advertising channel. *increase a range of products in one brand*
✓5 A brand that uses the same style in all its communications is doing total branding.
6 Brand management, brand vision and brand personality are all part of the brand platform.
tone of voice *values* *missions*

17.4 Label the sections of the purchase funnel. Look at D opposite to help you.
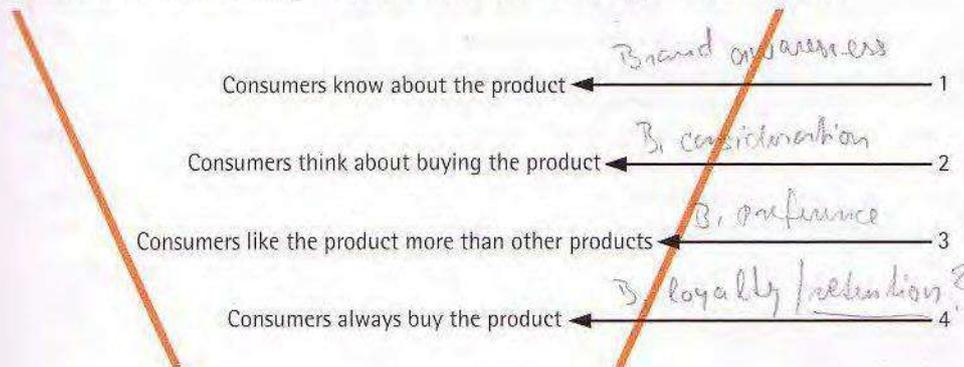
Consumers know about the product ◄——— 1 *Brand awareness*

Consumers think about buying the product ◄——— 2 *B. consideration*

Consumers like the product more than other products ◄——— 3 *B. preference*

Consumers always buy the product ◄——— 4 *B. loyalty / retention?*

18 Brand values

A Common brand values

Brand values are the code by which the brand lives and operates. They express how the brand wants to be seen by its consumers. Every brand has its own values, but there are some common brand values, which can be divided into subsets:

> Trust me.

A brand may be **respected** because it shows it is **knowledgeable about**, or has a very good **understanding of**, its **area of expertise** (for example, computing or finance) or its consumers. Many quality national newspapers have a **strong heritage** – they have built strong, lasting values over many years. They are **trustworthy** and **dependable** brands, often with an **international outlook** – reporting news from other countries. Some brands speak about their **trustworthiness** – their **integrity**, **honesty** and **responsibility** – and act in ways that are **fair** for the consumer and the environment. Other brands demonstrate their **leadership qualities** – the skills and knowledge to lead others. The Linux operating system and some open source software organizations allow consumers to contribute to their brand values: being **accessible**, **diverse**, **inclusive** and **independent**.

> I am good for you.

Customer satisfaction is key for brands that offer values like **great taste**, **low cost**, **value for money** or **good quality**. Brands speak about **flexibility**, **simplicity** and **practicality**. Being **easy to use** is a positive value. Some brands focus on a **healthy lifestyle** and are **nutritional**, **fresh** and **natural**. Some brands show they are **caring** and want to look after their consumers. A good example is the toy retailer Toys "R" Us, which includes **educational** as one of its values.

> I make you feel good.

Companies can use experiences and qualities as brand values:
discovery: the brand helps you discover or find out about things
pleasure: the brand gives you an enjoyable experience
passionate: the consumer and the brand share the same passions or strong feelings
inspirational: the brand can inspire the consumer to think about new things
vibrant or **fun**: the brand offers amusing experiences
active or **dynamic**: the brand is enthusiastic and has a lot of energy; it is constantly changing and adapting to the consumer
luxury: the brand promises high levels of comfort and beauty at a high price

> I am your contemporary.

Brands often mirror their consumers' values with their own. Young and modern brands will list in their brand values qualities like **modern**, **innovative**, **creative** and **technological**. More traditional brands will give their values as **classic**, **heritage**, **authentic** and **original**.
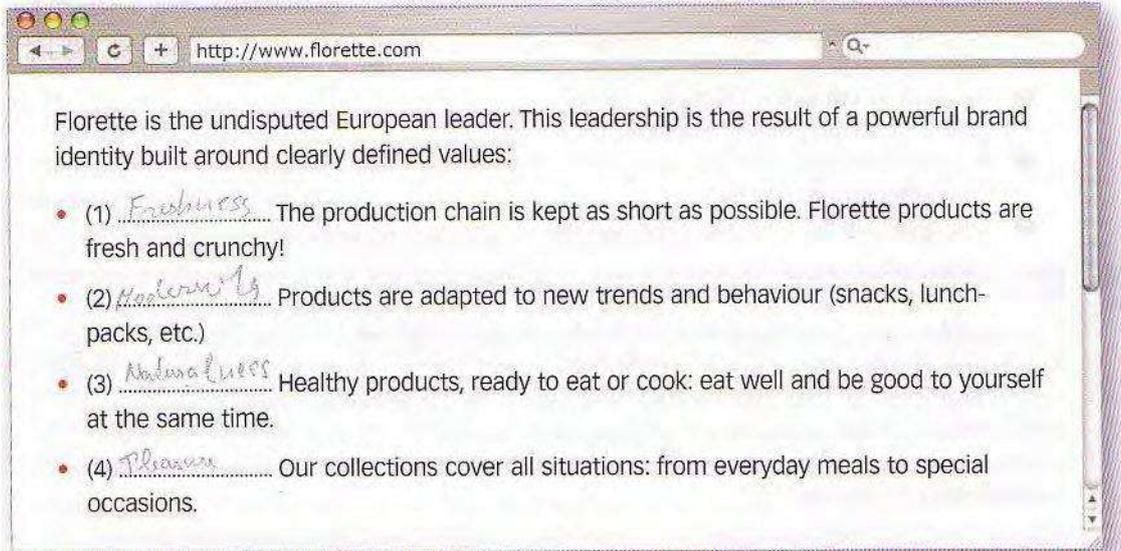
B Describing brand values

When describing brand values we can use both adjectives and nouns. We can say 'We are a modern and innovative brand' or 'Our values are modernity and innovation'.

For a list of adjectives and nouns to describe brand values, see Appendix IV on page 111.

18.1 Florette produce a range of ready-to-eat salads and salad dressings. Read what they say on their website about their brand values, and choose the correct heading from the box for each section. Look at A and B opposite and Appendix IV on page 111 to help you.

1 Educational	Dynamic	Freshness
2 International	Modernity	Value for money
3 Innovation	Naturalness	Honesty
4 Pleasure	Fun	Knowledgeable

http://www.florette.com

Florette is the undisputed European leader. This leadership is the result of a powerful brand identity built around clearly defined values:

- (1) _Freshness_ The production chain is kept as short as possible. Florette products are fresh and crunchy!

- (2) _Modernity_ Products are adapted to new trends and behaviour (snacks, lunch-packs, etc.)

- (3) _Naturalness_ Healthy products, ready to eat or cook: eat well and be good to yourself at the same time.

- (4) _Pleasure_ Our collections cover all situations: from everyday meals to special occasions.

18.2 Choose the correct word from the brackets to complete each brand value statement. Look at A and B opposite to help you.

1 Our (trustworthiness / outlook / flexibility) means you can easily adapt the service to your needs.
2 We value (fresh / simplicity / inspirational) and we design our products with this in mind.
3 Our product is (easy to be / easy to use / easy to cost).
4 We are (knowledgeable / luxury / heritage) about food.
5 We are a low cost, value for (lifestyle / fun / money) brand.

18.3 Complete the brand value statements using words from the box. Look at A opposite to help you.

innovative	Inspirational	Luxury	Respected

1 Technology: we are _innovative_ and creative from product concept to packaging and delivery.
2 _Respected_ : we have a strong heritage in our area and we are knowledgeable.
3 _Inspirational_ : we value creativity, ours and yours. Together we build a more vibrant world.
4 _Luxury_ : we believe that beautiful things have a high value and are worth the investment.

Over to you

Think about a brand you buy. What are the brand's values and how do they reflect your own values?

19 Market segmentation

A What is market segmentation?

Market segmentation identifies groups of buyers within a market who share similar needs and demonstrate similar purchasing behaviour. **Market segments** are described by **demographics** and **psychographics**.

Demographics
- **Age group** or **age bracket**: their age, for example 21–25
- **Sex**: **male / female split** – for example, 75% of *Elle* readers are women
- **Religion** or **ethnicity**: Hispanic, Asian, American, white, black, Muslim, Jewish, etc.
- **Income**: how much money a person earns; how **affluent**, or rich, they are
- **Life cycle**: single, married, with children

Psychographics
- **Education**: the highest qualification that a person has, such as a diploma or a degree
- **Attitudes** and **opinions**: how a person feels or thinks about issues, people, brands, etc.
- **Lifestyle**: a way of life that reflects a person's values and attitudes

B How does market segmentation work?

Demographics and psychographics are used to **target a segment** by using data to build up a **customer profile** – the image of a typical consumer. People can be targeted as individuals or as a family group that lives together and makes up a **household**. Marketers use the **ABC socio-economic categories** to target groups. In the UK this is known as **ACORN**, which stands for A Classification Of Residential Neighbourhoods. For a list of categories, see Appendix V on page 112.

ABs are a prized **customer segment**, as they have a **high disposable income** and **strong economic power** – that is, they have money to spend. **Housewives** who stay at home and look after the family are often the **main shoppers** for a household and are frequently targeted by marketers for certain types of products. Marketing messages that **appeal to singles** (unmarried people) will not be the same as the messages that appeal to the **specific tastes** of people **married with kids**. **City dwellers**, also known as **urbanites** – people who live in a city or a large **conurbation** or **metropolis** – will have different **preferences** from **country dwellers**. **Commuters** travel to their place of work from the country or suburbs and can be targeted on public transport or on out-of-home advertising along roadsides (see Unit 35).

> BrE: conurbation;
> AmE: metropolis

C Common market segments

Although every marketing department has its own definitions and names for the market segments they target, there are some common terms. In 1962 Everett Rogers described five market segments in his book *Diffusion of Innovations*:

Innovators
Early adopters
Early majority
Late majority
Laggards
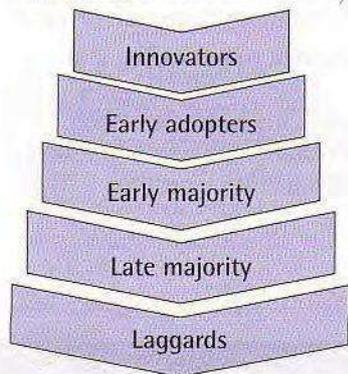
Innovators create something new and start a new trend.

Early adopters identify trends early and like to be associated with the start of a trend.

Early majority follow the trends set by the early adopters.

Late majority follow the trends that have been tested by the early majority.

Laggards are the last group of people to buy a product or brand: indeed they may never buy it.

Market segments may also be divided according to professions, lifestyles or age groups. For a list, see Appendix V on page 112.

19.1 Delete the incorrect word combination in each group. Then use the correct word combinations to complete the sentences below. Look at A, B and C opposite and Appendix V on page 112 to help you.

1	2	3	4
a customer segment ✓	a early adopters	a market adopters	a ~~married majority~~
b ~~customer household~~	b early majority	b ~~silver market~~	b late majority ✓
c customer profile ✓	c ~~early market~~	c market segment ✓	c early majority ✓

1 ...Early adopters... like to try out new trends and products.
2 The ...silver market... is getting bigger as people live longer.
3 The ...late majority... try products that are well established in the marketplace.
4 Companies can build up a ...customer profile... using market research.

19.2 Complete the text describing market segmentation for children's art supplies. Look at the page opposite and at Appendix V on page 112 to help you.

Kids' arts and crafts market growing

Kids' arts and crafts is brighter than ever, say many retailers. 'This (1) ...market... segment is growing without question. We're seeing a larger population of young kids entering school than in previous years and creating a great opportunity,' said Walgreens' spokesperson Yvette Anne Venable.

An increasing number of products are (2) ...targeted... at parents and grandparents who want their kids to be smart and creative, not just television junkies. Grandparents are a customer segment with strong economic (3) ...power... . It is relatively easy to (4) ...appeal... to them using positive images of their grandchildren.

Steven Jacober, SHOPA's president, agrees: 'Art supplies and crafts continue to grow. This ties into the baby (5) ...boomer... generation, the way they are raising their children and their tendency to make everything a learning experience. There are a lot of different factors, and the demographics support continuing growth of the marketplace.'

Arts and crafts are targeted at households with (6) ...tweens... , kids aged 12 years and under.

19.3 Complete the descriptions (1–5) using words from the box. Then match the products with the market segments (a–e). Look at Appendix V on page 112 to help you.

affluent	appeal	income	life cycle	lifestyle

1 health insurance that covers the needs of people late in the ...life cycle... – (b)
2 a hair care range for men with a modern ...lifestyle... and a self-indulgent attitude – metrosexuals (e)
3 a new TV channel broadcasting programmes that ...appeal... to homosexuals (a)
4 a luxury range of executive stationery for an ...affluent... market segment (e)
5 cheap to produce but fashionable sports shoes for a low ...income... segment (c)

a gay and lesbian market   c teenagers   e C-level executives
b the silver market   d metrosexuals

Over to you

Think about yourself. Which market segment(s) are you in? Is it the same for your friends and colleagues? List some products or brands that are targeted at you.

20 Customer needs and behaviour

A | Maslow's Hierarchy of Needs

Abraham Maslow was a twentieth-century social
psychologist. His pyramid of basic needs is one
of the most cited models in marketing. Matt
Robinson, a senior marketer for a high street
bank, uses the model in a talk to the management
team:

'Imagine that Mr Singh comes to see us about his
pension plan. Of course, we talk about his **hopes
and desires** for his retirement. We usually start
with how to meet his **physiological needs**; by
this we mean how he will pay for his food and
housing – this is a **major customer concern**. We
will also talk about **safety needs**, how our client will protect himself and his family when
he is retired. We think about **social needs**: will he still be able to afford membership of
the golf club? Then there is the Porsche that he drives to the golf club. This is an example
of an **esteem need** – to maintain his lifestyle and social status. We talk a lot about golf in
fact! There are also **self-fulfilment needs**: here we consider all Mr Singh's personal projects
and dreams. We have to work out how much money he will need to invest today in order,
for example, to be able to travel the world when he retires.'

Marketers are interested in **customer needs** as these can explain customer wants or desires
for a specific product or service.
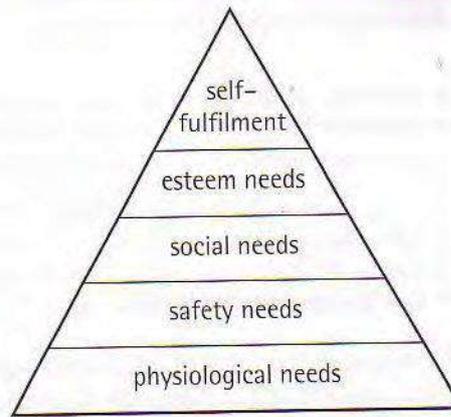
B | Consumer Life Cycle (CLC)

Just as products have a life cycle, so do consumers – the **Consumer Life Cycle**, or **CLC**.
Matt Robinson talks about this:

'Of course, the banking sector is highly **attuned to** consumer life cycles – we're able to
understand how a customer's needs change over time. We exploit this by offering different
services as our clients age, from their first savings account as a child, to a first current
account, to mortgages, life insurance and retirement plans. Some people criticize us for
creating needs, for making people believe they need products that they don't. But I really
think we try to **fulfil**, or satisfy, customer needs as they change over the years. Younger
customers do not have the same desires as retired people.'

C | Purchasing behaviour

Purchasing behaviour or **purchasing patterns** refer to what a consumer buys, and when
and how they make their **final purchasing decision**. The first step is usually awareness of
the brand (see Unit 17). The consumer forms **purchase intentions** – plans to buy things
– which they may or may not act on. **Routine purchases** of the same products on a
repetitive basis (for example, coffee from the coffee machine at the office) have low levels
of **personal involvement**. Major investments (such as buying a car) or **impulse purchasing**
(such as buying some new shoes or a CD on the way home) have higher levels of personal
involvement. Some consumers have very high levels of **loyalty** to a brand or product and
they will always buy the same brand.

20.1 Match the needs from Maslow's pyramid (1–5) with the reasons for buying certain products (a–e). Look at A opposite to help you.

1 physiological needs
2 safety needs
3 social needs
4 esteem needs
5 self-fulfilment needs

a A consumer buys a smoke alarm for her house because she wants to be warned if there is a fire.
b A consumer buys a yearly subscription to a swimming pool because she would like to train and win a gold medal at the next Olympic Games.
c A consumer buys popcorn and drinks because he has invited his friends round to watch an important football match on the television.
d A consumer buys a chocolate bar because he is hungry.
e A consumer buys the latest fashion accessory so that she can look and feel good.

20.2 Correct the mistakes using words and expressions from A and B opposite.

1 Customers like to maintain a certain ~~style for life~~ lifestyle.
2 A major customer's concern is how to provide for the immediate family.
3 Buying food and drink is an example of satisfying a physiological ~~lifestyle~~. need
4 Some service sectors are highly attuned ~~with~~ to customer needs.
5 The Consumer ~~Cycle~~ Life shows how consumer needs change over a period of time.

20.3 A marketing specialist is talking about purchasing behaviour. Replace the underlined expressions with alternative expressions from C opposite. One question has two possible answers.

The (1) <u>actual decision to buy a product</u> depends on the type of product or service. With yoghurt, for example, many customers wait until they are in the supermarket, in front of the row of yoghurts, before they decide. On the other hand, for a more expensive product, with higher (2) <u>thought and psychological investment from the consumer</u>, it may take place a long time before the purchase. Our research shows that some customers spend three years thinking about the next type of car they will buy. Obviously, over these three years the (3) <u>plans to buy</u> may change a lot. Then there are those (4) <u>purchases without any thought because they are a habit</u> that we all make without thinking. I always get pasta, eggs and milk at the supermarket so I never write them on the list and I always look out for special offers and promotions. This kind of (5) <u>shopping habit</u> is very difficult for a marketing team to change. However, (6) <u>buying something you like when you see it</u> is created by different customer needs, and here we can really make a difference.

1 final purchasing decision
2 personal involvement
3 purchase intentions
4 routine purchases
5 purchasing behaviour / patterns
6 impulse purchasing

Over to you

Think about some products you have bought recently and plot them on the line below.

high involvement   low involvement

What kinds of needs were you satisfying with each purchase?

A Customer loyalty

Customer loyalty is critical to business success and profitability. **Loyal customers** buy more, and so improve **sales** and **profit margins**. However, customers are becoming increasingly **fickle** or **disloyal** – they no longer **hesitate** to **switch**, or change, retailers and brands.

> **loyal** /ˈlɔɪ.əl/ *adjective* firm and not changing in your support for a person, a company, an organization or a brand
>
> **,customer 'loyalty** *noun* [U] the tendency to **repurchase** a particular product, service or brand, or **revisit** a particular company, shop or website

B Loyalty programmes

Marketers **implement loyalty programmes**, such as **frequent flyer** programmes, to **maximize customer loyalty** and to **minimize customer defection**. The purpose of a loyalty programme is to allow marketers to **identify** and **retain**, or keep, **preferred customers** and to **reward** them with **discounts** and **special offers**.

Most supermarkets and department stores have a **retail loyalty programme** in the form of a **store card** or **loyalty card**. Customers **complete** an **application form** with demographic data and receive a plastic card which is used firstly to **record information** about what the customer buys on their **transaction record**, and secondly to **reward** them with **vouchers**, **points** or **coupons**, which can all be used, or **redeemed**, to get gifts or money off future purchases.

> BrE: loyalty programme; AmE: loyalty program

Note: A loyalty card can also be called a **rewards card**, a **points card**, or a **club card**. Loyalty programmes are also known as **loyalty schemes**.

C Talking about loyalty programmes

> Loyalty programmes are an effective tool to **build relationships** with customers.

> Our loyalty card is suffering from **fatigue**. I mean, it's just one more card fighting for **wallet space**.

> We operate an '**earn and burn**' scheme with our credit card. Customers **earn points** each time they pay with their card and **burn** them when they choose a **redemption option** from our catalogue – for example, a gift or a discount.

> E–loyalty, a marketing company, has signed up several new partners for its **online loyalty programme**. Each company will use E–loyalty to **reward purchases** with **e–vouchers** that can be used online.

21.1 Choose the correct words from the brackets to complete the sentences. Look at A, B and C opposite to help you.

1 Market research shows that a satisfied customer does not automatically become a (loyalty / loyal) customer.
2 All retailers want customers to (repurchase / reward).
3 Loyalty programmes (reward / revisit) preferred customers.
4 Loyalty cards should maximize customer (defection / loyalty).
5 Customers (earn / burn) points when they pay using their credit card.
6 A great number of retailers (identify / implement) loyalty programmes.
7 (Transaction records / Special offers) track what customers buy.
8 To get a loyalty card, customers complete the (application form / demographic data).
9 Customers can (redeem / reward) their points at any of our partner stores.
10 Electronic goods are popular (reward purchases / redemption options).

21.2 Complete the newspaper article using words and expressions from the box. Look at A, B and C opposite to help you.

build	earn	preferred	retain
card	points	programmes	special offers

How loyal can you be?

Remember the first time you got a loyalty (1) _card_ from a retail store? You must have been on top of the world to be treated as a (2) _preferred_ customer. You looked for opportunities to shop only in that particular store to redeem your (3) _points_ and take advantage of discounts and (4) _special offers_?

With customer relationship management (CRM) becoming the buzzword of Indian industry, loyalty programmes are considered an effective tool to (5) _build_ relationships with customers across categories.

While loyalty (6) _programmes_ are popular among retail stores, the trend which is catching up is mall loyalty programmes. Ansal Plaza is among the first few Indian malls to offer a loyalty programme. Called the Ansal Plaza Privileges Program, it has more than 18 stores as programme partners. The programme enables the members to (7) _earn_ and spend privilege points at any of these stores. It is a cost-efficient and cost-effective way for the programme partners to (8) _retain_ customers. A stand-alone loyalty programme would need huge investments.

Over to you

Open your wallet or purse. How many loyalty cards are you carrying? What advantages do these cards give you?

Motivation marketing

A What is motivation marketing?

For most organizations, staff are the **key to success** – the most important tool for the organization's success – and they can be **motivated** to promote their company's product or service. Motivation marketing engages staff and gets them interested by using **events** or **incentives** (see below). It also aims to **recognize** and **reward staff efforts** by offering prizes or **rewards** for good performance – for example, with a **monthly incentive**.

Other benefits of motivation marketing include:

- **increased job satisfaction**: happier people at work
- **improved productivity**: more work done in less time
- **improved performance**: the work is done better
- **encouraging behaviour changes**: for example, introducing new work practices
- **increased sales force effectiveness**: for example, to achieve higher sales figures
- **improved product launches**: **boost market penetration** and gain market share more quickly.

B Staff incentive schemes

Staff incentive schemes, also known as **incentive programmes** – formal schemes designed to encourage staff to act in a certain way – are used by a wide range of companies in order to improve staff and distributor performance. **Incentives** such as prizes, rewards or gifts can **boost morale** (make staff feel more positive about their job and their employer). **Building staff loyalty** will result in lower **staff turnover** or **churn** – that is, fewer people leaving the company. Another benefit is **reduced staff absenteeism**, a reduction in the number of days when employees are not at work through sickness. Measuring **staff reaction** and **getting feedback** – finding out what staff think about the programme – are essential to getting it right.

Ipoints, a company that runs trade and staff incentive programmes, developed a prize-winning staff loyalty programme for **Healthcare Staffers**, an agency that places temporary medical staff in clinics and hospitals.

Best Staff Loyalty Programme

WINNER: VIPpoints, developed for HealthCare Staffers

Healthcare Staffers wanted to attract and retain temporary medical staff for placement in hospitals.

The agency developed VIPpoints. A **welcome pack** (containing valuable information for new members) and **membership card** (used to identify the worker and to **collect points**) were sent to temporary medical staff. Members **earned points** every time they worked for Healthcare Staffers.

Healthcare Staffers' **internal staff** were also **included in the points scheme** and could also choose rewards from the **points catalogue**.

Note: **Loyalty schemes** are used to motivate customers – see Unit 21.

C Incentives: travel and events

In order to motivate staff, a company may choose to use **cash substitutes** or **noncash awards** such as a **travel incentive** – sending staff on a short trip or holiday.

Big ticket giveaways, such as cars or very expensive holidays, are effective **sales incentives** – they can help motivate staff to sell more. During the **qualifying period** for an award or prize, teams are usually more motivated. **Nominations** for awards can come from colleagues. Sometimes an employee may be **nominated** by a manager, perhaps because of high sales figures.

Events, such as parties, weekends away, games and competitions, can be very successful for **team building** – increasing effective **teamwork** within a company or department.

22.1 Complete the sentences using words from the box. Look at A, B and C opposite to help you.

| build | internal | reaction | recognizing | sales | turnover |

1 Motivation marketing is a good way to _build_ staff loyalty.
2 It can increase motivation levels by _recognizing_ staff efforts.
3 A good incentive scheme means that people want to stay with the company, there is lower staff _turnover_ .
4 Travel is an effective _sales_ incentive.
5 People working inside the company, the _internal_ staff, benefit from incentive schemes.
6 A good incentive scheme measures staff _reaction_ to make sure everything is going well.

22.2 The following lines (1–6) are from an article about incentive programmes. Put them in the correct order, then say if the sentences (a–c) below are true or false. Look at B opposite to help you. 3 2 5 6 1 4

1 and flowers. Up For It! reinforces the agency's dynamic culture. Staff
2 incentive for individuals and teams which rewards and
3 The programme, Up For It!, was launched at the start of last year. There is a monthly
4 absenteeism decreased significantly during the year.
5 recognizes those who represent the company's values. Employees can be nominated
6 by colleagues for rewards including perfume, free parking at the office,

a Absenteeism went up while the incentive scheme was running. _False_
b Points were awarded to staff. _False_
c Employees cannot nominate themselves for rewards. _True_

22.3 Complete the descriptions of incentive schemes using words from the box. Look at A, B and C opposite to help you.

| collected | encourage | membership | scheme |
| earned | force | qualifying | welcome |

1 Incentivise is a knowledge-based staff training and incentive _scheme_ that rewards staff for learning. Every member of staff receives a _membership_ card and a _welcome_ pack. When enough points have been _earned_ , staff can exchange their points for gifts.
2 A large employer is concerned when absenteeism climbs above the national average. The company launches an incentive scheme to _encourage_ behaviour changes. All employees who have taken no days off each quarter are entered into a draw to win prizes, including holidays. During the _qualifying_ period staff attendance rose dramatically.
3 The Australian Tourist Commission has launched an incentive scheme to increase sales _force_ effectiveness. Sales staff who sell a luxury holiday can enter to win a new car. Initial reactions suggest that it will really help to energize the team and make them more dynamic.

Over to you

Think about an organization or company you know well. What kind of team building event would work best for the staff? Prepare some notes to present your idea to the head of the company.

23 Customer Relationship Management

A One-to-one marketing

Don Peppers, a marketing guru, answers questions in an online interview.

> What is **one-to-one marketing**, and how does it differ from traditional marketing?

'In a nutshell, one-to-one marketing, also known as **Customer Relationship Management** or **CRM**, is based on the idea of treating different customers differently. Companies in all industries today are faced with the double problems of declining customer loyalty and shrinking profit margins. One-to-one marketing strategies enable companies to **create long-term, mutually beneficial relationships with customers**. These result in greater customer loyalty and improved margins.'

Don Peppers, the one-to-one marketing guru

> What are some steps a company could take to **implement one-to-one marketing** effectively?

'One-to-one organizations create a **customer feedback loop** in which they say, 'I know you. You tell me what you want. I'll make it – and I'll remember next time.' We call this process a **learning relationship**, and it has four basic implementation steps (IDIC):

- **IDENTIFY your customers** at all points of contact.
- **DIFFERENTIATE** between your customers based on their individual needs and value to your organization.
- **INTERACT** with your customers in a **two-way dialogue**.
- **CUSTOMIZE** or **TAILOR** some aspect of your products or services based on what you learn from your customers.'

B CRM technology

CRM technology supports a CRM strategy by **gathering**, **storing** and **analysing customer data**. **Front office systems**, such as call centres or loyalty cards (see Unit 21), **gather** information directly from clients, which is then **stored** and **processed** in a **back office system** called a **database** or **data warehouse**. (A data warehouse contains information from different databases.) Back office systems make it possible for a company to follow sales and fulfill orders.

The marketing department can use software tools to **mine the data** (analyse the data) stored in the data warehouse. **Data mining reveals patterns** in customer behaviour. For example, fathers have a tendency to buy branded food products, whilst mothers prefer private labels (see Unit 16). Relationship marketers can then **tailor** or **customize their marketing efforts** towards the customer. With CRM technology, **mass customization** is possible. This means that each customer will receive slightly different offers and discounts.

C Privacy

Consumer protection groups or **watchdogs** are concerned about the gathering and storing of large quantities of customer information. A company should **protect** its customers' **privacy**. Customers may wish to keep their purchases **confidential**, or secret. Most companies have a **privacy policy**. They promise not to **disclose customer data** by **revealing** it to other people, or to **share customer records** with other companies. Companies **encrypt the information**, changing it into a secret code. This ensures that it is not available to people outside the company, and so prevents accidental **disclosure of information**.

Note: To find out more about privacy laws in the UK, search online for information about the Data Protection Act.

23.1 Find verbs and prepositions in A, B and C opposite that can be used to make word combinations from the opposite page with the nouns below.

[handwritten:] identify
differentiate between ....
interact with .... **customers**

[handwritten:] mine
disclose – mine
process – readout
store – **data**
analyse
gather – download it

23.2 Complete the sentences using word combinations from 23.1 above. Then decide if the statements were made by CRM marketers, consumers, or representatives of a consumer watchdog.

1 Our privacy policy guarantees that we will not *disclose* data or share customer records with other companies.
2 Purchasing records can be used against consumers. In one recent divorce case a woman used the data *stored* when her husband used a loyalty card to prove he had a high income.
3 I like to receive discounts and vouchers. To be honest, I don't mind if someone *gathers* data on how much coffee and tea I buy.
4 We can, for example, *differentiate* between customers who have small children and those with teenagers.

23.3 Patricia Clement is in charge of CRM for an online cosmetics boutique. She is explaining their marketing strategy to potential investors. Choose the correct words from the brackets to complete the presentation. Look at A and B opposite to help you.

'… At BigChoiceCosmetics.com, we believe that customer loyalty is key. We concentrate on building long-term (1) .... (needs / relationships / feedback loops) with our customers.

How do we do it? Like many successful dotcom companies, we have implemented a one-to-one or (2) .... (CRM / data warehousing / data mining) approach. The first step is to (3) .... (gather / identify / analyse) our customers – before buying cosmetics from our website, customers register their personal details and preferences. We (4) .... (differentiate / store / customize) this information in a (5) .... (database / front office system / watchdog) so the next time the customer visits, we know who they are. Over time we build up a customer (6) .... (value / record / pattern). We can (7) .... (differentiate / customize / implement) between our customers based on their needs – what they buy, and on their value – how much they spend.

People often ask me about our communication strategy. At BigChoiceCosmetics.com we prefer to talk about (8) .... (learning / interacting / treating) with our customers in a two-way (9) .... (loop / data warehouse / dialogue). Let me give you an example. Last year we launched an e-magazine called the BigChoiceCosmetics Guide. We emailed over 500 versions of the Guide! This is what the CRM expert, Don Peppers, calls mass (10) .... (customization / marketing / data mining). Take, for instance, Miss Brown: she is 17, and recently bought lipstick from our Fashion range. She received articles about top models and a competition to win free samples of a new lipstick. We didn't send her discount vouchers for anti-ageing cream, but we did send them to her grandmother!

As I said, we have (11) .... (gathered / tailored / revealed) a huge amount of information. Today, our major challenge is to exploit the data stored in our (12) .... (database / pattern / front office system). We need your help to invest in sophisticated (13) .... (data mining / learning / relationship) software …'

Over to you

Find three offers that you have received from companies by email or post. Were these offers tailored to you? If so, how did the company obtain your personal information?

24 The marketing budget

A The marketing budget

Marketing must contribute to the **profitability** of a business – how much profit it makes. The **marketing budget** presents the cost of the marketing plan (see Unit 4). It can include the cost of distribution and different **marketing actions**, such as advertising or market research. The **annual marketing budget** shows what the marketing department is planning to spend over the year. Management may ask the marketing team to **justify** or **modify the budget** before **giving approval**.

B Budgeting approaches

There are several approaches to **setting the marketing budget** – that is, fixing spending on marketing – for example, investment in research or advertising:

- the **affordable approach**
  The company **forecasts revenues** (predicts the amount of money it expects from sales), deducts costs, and **allocates** a part of the remaining funds to promotion. Marketing is considered as a cost that can be **cut** (reduced), depending on what the company can **afford** – that is, how much money it has left.

- the **percentage of sales approach**
  A percentage of current or **anticipated sales** (what a company expects to sell) is **allocated** to marketing actions. Typically, ten **percent of net sales** is spent on promotion.

- the **objective-and-task approach**
  The company **costs out**, or calculates, the cost of reaching its **marketing objectives**. For example, new products will need large advertising budgets to build awareness.

- **competitive parity**
  Competitor investment is **tracked**, or monitored, and used as a **rule of thumb** (a guideline) to set the promotion budget. The objective is to **beat** (spend more than) or **match** (spend the same as) the investment of competitors.

Whichever approach is chosen, marketers need to **respect the budget** – that is, not **go over budget** (spend more than planned) or **be under budget** (invest less than planned).

Note: Another way of saying **respect the budget** is **be on budget**. For information on language for presenting a budget, see Unit 9 and Appendix III on page 110.

C Return on investment (ROI)

Marketers are **accountable for** – that is, responsible for – their budget. They must demonstrate that their marketing actions are **cost-effective** (productive relative to the cost) and not a **waste of money**. The marketing plan establishes how to measure the **return on investment (ROI)** or the **cost-effectiveness** of different marketing actions – the amount of profit made based on the amount of resources needed to make it. **Monthly**, **quarterly** and **annual reviews of performance against budget** measure **projected**, or forecast, results against **real performance** – how the company actually performed. Many companies use statistics called **marketing metrics** to **quantify** the performance of their marketing activities. They can include items such as market share, advertising spend or response rates for direct marketing.

> Half the money I spend on advertising is wasted; the trouble is I don't know which half.

John Wanamaker, 19th century American department store owner

To talk about the cost-effectiveness of marketing actions, marketers say:

If we analyse the **cost per**	lead, client, response,	we can see that this	is a / isn't a	cost-effective	way of spending our marketing budget.