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*Институт управления, экономики и финансов
Кафедра иностранных языков в сфере экономики, бизнеса и финансов*

CUSTOMER-DRIVEN MARKETING

READING

Учебно-практическое издание
по дисциплине «Английский язык»
для проведения практических занятий
со студентами II курса направлений
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ВВЕДЕНИЕ

Чтение текстов по специальности достаточно часто представляет значительную трудность для студентов по направлению «Менеджмент». Вот почему проблема обучения пониманию данных текстов и адекватному их анализу является неотъемлемой частью учебного процесса и является актуальной в аспекте формирования у учащихся коммуникативной компетенции.

Данное учебно-практическое издание CUSTOMER-DRIVEN MARKETING (texts) Students' Book предназначено для использования на практических занятиях по английскому языку под контролем преподавателя студентами II курса очного обучения отделения менеджмента, и является способом контроля усвоения лексического материала, формирования коммуникативной и профессиональной компетенций.

Учебно-практическое издание соответствует учебной программе ФГОС ВПО третьего+ поколения по дисциплине «Английский язык», направлению «Менеджмент» 38.03.02.

Настоящее издание состоит из 8 модулей, представляющих собой дополнительный материал к 2 разделу учебного пособия «Learningenglish2.ru» (2013 г.). Каждый модуль состоит из аутентичных текстов, охватывающих разные аспекты маркетинга, и дополнительных заданий, в том числе поиск адекватного перевода терминологических словосочетаний с английского языка на русский и с русского языка на английский; ряд практических заданий направлен на развитие коммуникативных навыков студентов при групповой работе.

В дополнение к 8 основным модулям авторами представлен список бизнес терминов по каждой теме (Business Terms), способствующих формированию лексико-когнитивного восприятия англоязычных текстов в академическом дискурсе.

Рекомендуемая литература содержит зарубежные источники, изданные в англоязычных странах, новейшие источники из интернета, и может быть также использована для самостоятельного углубления знаний по изучаемой тематике.

Module 1.

What is Marketing?

A. Read the text and do the following tasks.

Marketing process of planning and executing the conception, distribution, promotion, and pricing of ideas, goods, services, organizations, and events to create and maintain relationships that satisfy individual and organizational objectives.

Every organization-from profit-seeking firms like BestBuy and Coach to such not-for-profits as Easter Seals and Make-A-Wish-must serve customer needs to succeed. Perhaps retail pioneer J. C. Penney best expressed this priority when he told his store managers, "Either you or your replacement will greet the customer within the first 60 seconds

Marketing is the process of determining customer wants and needs and then providing the goods and services that meet or exceed expectations. In addition to selling goods and services, marketing techniques help people to advocate ideas or viewpoints and to educate others. The American Diabetes Association mails out questionnaires that ask, "Are you at risk for diabetes?" The documents help educate the general public about this widespread disease by listing its risk factors and common symptoms and describing the work of the association.

Department store founder Marshall Field explained marketing quite clearly when he advised one employee to "give the lady what she wants." The phrase became the company motto, and it remains a business truism that reflects the importance of a customer orientation to an organization. This orientation may permit marketers to respond to customer wants that the customers themselves have not yet identified. Moretti Polegato, founder of an Italian shoe company called Geox, identified a need for shoes that increase comfort by keeping feet dry. He developed a sole made of perforated rubber that allows air to circulate, combined with a membrane inside the sole to keep water out. Geox shoes, which combine this modern technology with sophisticated Italian design, are available at shops in Europe, North and South America, Asia, Australia, and South Africa. Geox informs

customers about its products with a message that emphasizes the shoes' high-tech soles.

As these examples illustrate, marketing is more than just selling. It is a process that begins with discovering unmet customer needs and continues with researching the potential market; producing a good or service capable of satisfying the targeted customers; and promoting, pricing, and distributing that good or service. Throughout the entire marketing process, a successful organization focuses on building customer relationships.

When two or more parties benefit from trading things of value, they have entered into an **exchange process**. If you decide to purchase the pack of Wrigley's Spearmint gum shown in Figure 1, you will engage in an exchange process. The other party may be a convenience food store clerk, a person operating the checkout counter at your local supermarket, a gas station attendant, or even a surrogate human in the form of a vending machine. In exchange for a few coins paid to the retail employee or inserted in the vending machine, you receive the gum. But the exchange process is more complex than that; it could not occur if Wrigley's did not market its product and if you were not aware of it and did not have the coins required to purchase it. Because of marketing, your need for a certain flavor-and brand – of gum is satisfied, and the manufacturer's business is successful. This example suggests how marketing can contribute to the continuing improvement of a society's overall standard of living.

How Marketing Creates Utility

Marketing is a complex activity that affects many aspects of an organization and its dealings with customers. The ability of a good or service to satisfy the wants and needs of customers is called utility. A company's production function creates form utility by converting raw materials, component parts, and other inputs into finished goods and services. But the marketing function creates time, place, and ownership utility. **Time utility** is created by making a good or service available when customers want to purchase it. **Place utility** is created by making a product available in a location convenient for customers. **Ownership utility** refers to an

orderly transfer of goods and services from the seller to the buyer. Starbucks, which creates form utility by converting coffee plants into coffee beans and ground coffee, attempts to create time, place, and ownership utility by offering its gourmet coffee beans in selected grocery stores. The upscale coffee marketer creates time utility by offering the coffee beans in a store where consumers can make their purchase while grocery shopping; place utility by offering them in a convenient location that consumers visit anyway; and ownership utility by making the transaction between consumer and seller a smooth, simple one. And there's an extra bonus: once consumers get the coffee beans home, they don't have to make an extra trip outside each time they want a cup of Starbucks coffee.

B. Answer the questions and discuss in groups:

1. What is marketing?
2. What is the exchange process?
3. What is utility?
4. What is time, place and ownership utility?

C. Look through the text and find collocations with the word utility and give Russian equivalents.

D. Find in the text Russian equivalents to the following words and phrases:

executing the conception, profit-seeking firms, not-for-profits, company motto, business truism, exchange process, overall standard of living, time utility, place utility, ownership utility.

E. Find in the text English equivalents to the following words and phrases:

Выполнить концепцию, определить потребности и желания клиента, постоянное улучшение среднестатистического стандарта жизни общества, замена, прописная истина жизни бизнеса, весь маркетинговый процесс, строить отношения с клиентами.

F. Find in the text ing forms and translate them into Russian.

G. Say whether the following statements are true, false or there is no information in the text on the subject.

1. In addition to selling goods and services, marketing techniques does not help people to advocate ideas or viewpoints and to educate others.

2. Throughout the entire marketing process, a successful organization focuses on ruining customer relationships.

3. Marketing always contributes to the continuing improvement of a society's overall standard of living.

4. Customer relationship function creates time, place, and ownership utility.

5. Utility is the ability of a good or service to satisfy the wants and needs of customers.

H. Find the words or expressions in the text which mean the following:

1. Help people to advocate ideas or viewpoints and to educate others

2. Want-satisfying power of a good or service

3. The act of giving something to someone and them giving you something else

4. Utility of a good or service created by its availability at a particular time.

5. The process of increasing the attractiveness of a product to a group of consumers by altering its physical location. In a business context, place utility might involve shipping a finished product to a new location that is more accessible to consumers than the place where it was initially manufactured.

6. Transferring the good or service from the marketer to the consumer

I. Summarize the text and share your own opinion with a partner.

Module 2.

Evolution of the Marketing Concept

A. Read the text and do the following tasks.

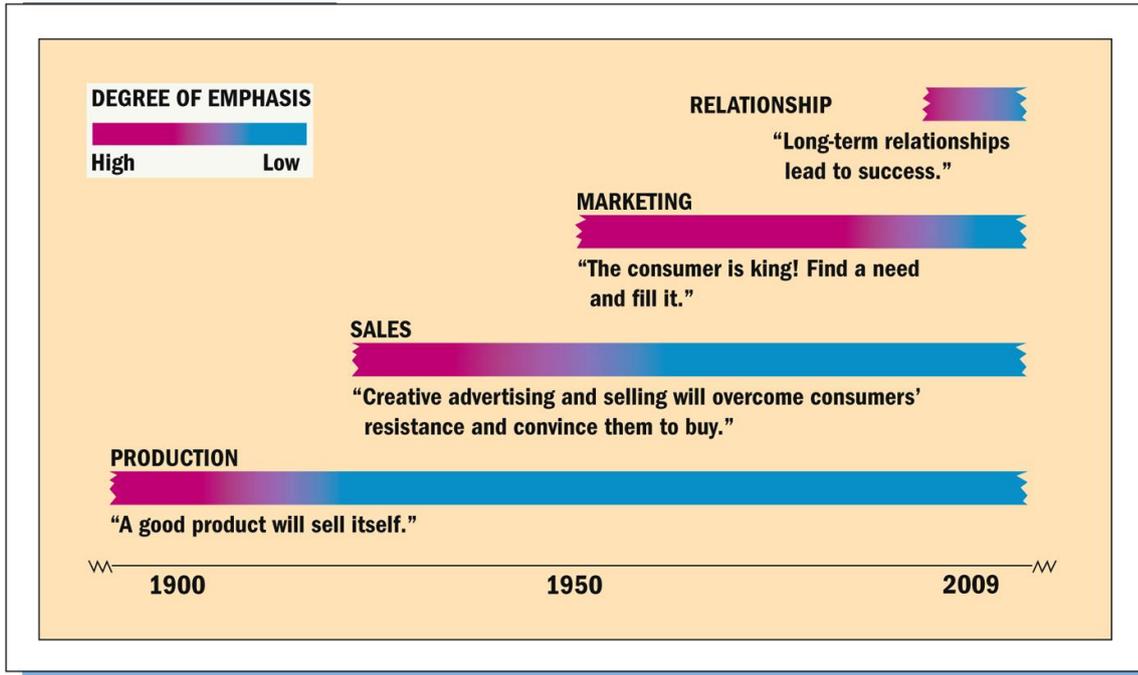
Marketing has always been a part of business, from the earliest village traders to large 21st-century organizations producing and selling complex goods and services. Over time, however, marketing activities evolved through the four eras shown in Figure 1; the production, sales, and marketing eras, and now the relationship era.

For centuries, organizations of the *production era* stressed efficiency in producing quality products. Their philosophy could be summed up by the remark, “A good product will sell itself.” Although this production orientation continued into the 20th century, it gradually gave way to the sales era, in which businesses assumed that consumers would buy as a result of energetic sales efforts. Organizations didn't fully recognize the importance of their customers until the *marketing era* of the 1950s, when they began to adopt a consumer orientation. This focus has intensified in recent years, leading to the emergence of the *relationship era* in the 1990s, which continues to this day. In the relationship era, companies emphasize customer satisfaction and building long-term relationships with customers.

Emergence of the Marketing Concept

The term **marketing concept** refers to a companywide customer orientation with the objective of achieving long-run success. The basic idea of the marketing concept is that marketplace success begins with the customer. In other words, a firm should analyze each customer's needs and then work backward to offer products that fulfill them. The emergence of the marketing concept can be explained best by the shift from a *seller's market* – one with a shortage of goods and services – to a *buyer's market* – one with an abundance of goods and services. During the 1950s, the U.S. became a strong buyer's market, forcing companies to satisfy customers rather than just producing and selling goods and services.

Figure 1



Delivering Added Value through Customer Satisfaction and Quality

What the most important sale for a company? Some assume that it's the first, but many marketers argue that the second sale is the most important, since repeat purchases are concrete evidence of **customer satisfaction**. The concept of a good or service pleasing buyers because it has met or exceeded their needs and expectations is crucial to an organization's continued operation. A company that fails to match the customer satisfaction that its competitors provide will not stay in business for very long. In contrast, increasing customer loyalty by just 5 percent translates into significant increases in lifetime profits per customer.

The best way to keep a customer is to offer more than just products. Customers today want value, their perception that the quality of goods or services is in balance with the prices charged. When a company exceeds value expectations by adding features, lowering its price, enhancing customer service, or making other improvements that increase customer satisfaction, it provides a **value-added** good or service. As long as customers believe they have received value – good quality for a fair price – they are likely to remain satisfied with the company and continue

their relationships. Providing superior customer service can generate long-term success.

Business Tool Kit

The Value of Customer Service

You read about it everywhere – customer service is king. But what exactly constitutes good customer service and how do you go about providing it? *Customer service* can be defined as providing the needed goods or services to the customer in an efficient manner. Good customer service goes beyond that, though; it involves doing it right the first time, communicating well, making on-time deliveries, responding to individual customer needs, and providing customers with knowledge. Customer service means being a team player in developing the appropriate goods and services. Here are three important principles to remember about customer service.

1. Customer service is about establishing relationships. Any store can offer a good deal on pricing to get customers in the door. Superior customer service means going beyond the price tag to establish an ongoing relationship with the customer. Some online companies do this by maintaining e-mail communications throughout the buying process. Other companies remember a customer's birthday and provide discount coupons as a gift. Amazon.com tracks customers' purchases and makes recommendations based on those purchases.

2. Meet or exceed your customers' expectations. Soliciting customer feedback, offering additional incentives for customers to return, and hosting special events or program are a few ways to meet and exceed your customers' expectations. Competing on price alone is a very short-term strategy. To gain repeat customers, companies need to provide incentives that appeal to their customers' needs. Delta Air Lines now provides self-service check-in kiosks, virtual check-in via its Web site, and electronic gate-information screens to shorten the wait at the airport.

3. Providing knowledge can be more valuable to customers than price savings. The increased popularity of home improvement warehouses has

demonstrated this principle. Businesses such as Lowe's or Home Depot don't just sell plumbing fixtures or tools; they sell knowledge, workshops, and expertise for every question the novice may have. Having your questions answered by a professional every time is great customer service.

Quality – the degree of excellence or superiority of an organization's goods and services – is another way firms enhance customer satisfaction. Germany has long been associated with top-quality auto manufacturing, from luxury cars made by Mercedes-Benz to well-engineered workhorses produced by Volkswagen. These companies recently launched ultra luxury models with price tags of more than \$300,000. Spokespeople for the firms note that they aren't worried about making a profit on these autos; rather, they are seeking to reinforce their reputation for superior quality. While a reputation for high quality enhances a firm's competitiveness, a slip in quality can damage a firm's image. In addition to inroads made by competitors, McDonald's has suffered from quality slips in the past few years, despite its rank as the most recognizable corporate logo and one of the most socially responsible companies in the world. And the complaints haven't consisted solely of the drive-thru customer complaints of incorrect orders. A customer from upstate New York recently discovered his Big Mac was burger less, just one of several service mishaps he experienced at his local McDonald's. "It's gotten so bad that we have to double check the bags before leaving the restaurant," he said. Although quality relates to physical product traits, such as durability and reliability, it also includes customer service.

Customer Satisfaction and Feedback

Successful companies share an important characteristic: They make every effort to ensure the satisfaction of their customers. Customer satisfaction is critical for building long-lasting relationships. One of the best ways to find out whether customers are satisfied with the goods and services provided by a company is to obtain *customer feedback* through toll-free telephone hot lines, customer satisfaction surveys, Web site message boards, or written correspondence. Some firms find out how well they have satisfied their customers by calling them or

making personal visits to their businesses or residences.

Customer complaints are excellent sources of customer feedback, since they present companies with an opportunity to overcome problems and improve their services. Customers often feel greater loyalty after a conflict has been resolved than if they had never complained at all. Complaints can also allow firms to gather innovative ideas for improvement.

B. Answer the questions and discuss in groups:

1. What is marketing concept?
2. What is customer satisfaction?
3. What is a value-added product or service?
4. What is customer service? How can a value of customer service be described?
5. What is quality in customer service?
6. What is customer feedback?
7. How does the relationship era of marketing differ from the sales era?
8. Why is customer satisfaction important to businesses?

C. Look through the text and find sentences with the words customer, concept and translate into Russian.

D. Find in the text Russian equivalents to the following words and phrases:

marketing concept, long run success, production era, marketing era, relationship era, buyer's market, seller's market, customer satisfaction, value-added good or service, short-term and long-term strategies, price savings, customer feedback

E. Find in the text English equivalents to the following words and phrases:

Рынок, на котором спрос превышает предложение, конъюнктура рынка, выгодная для покупателя, эпоха производства, удовлетворенность нужд клиентов, обратная связь с клиентами, добавленная стоимость товаров и услуг, качество, экономия на ценах, ожидания клиентов, эпоха отношений.

F. Find in the text phrasal verbs and translate them into Russian.

G. Say whether the following statements are true, false or there is no information in the text on the subject.

1. The emergence of the relationship era began in the 1980s continues to this day

2. Marketing concept refers to a companywide retailer orientation with the objective of achieving long-run success

3. A company that fails to match the customer feedback that its competitors provide will not stay in business for very long.

4. Customer complaints are excellent sources of customer satisfaction, since they present companies with an opportunity to overcome problems and improve their services.

5. Complaints can also allow firms to gather innovative ideas for improvement.

H. Find the words or expressions in the text which mean the following:

1. Market with a shortage of goods and services

2. Market with an abundance of goods and services

3. Result of a good or service meeting or exceeding the buyer's needs and expectations.

4. Providing the needed goods or services to the customer in an efficient manner

5. The degree of excellence or superiority of an organization's goods and services

I. Summarize the text and share your own opinion with a partner.

Module 3.

Expanding Marketing's Traditional Boundaries

A. Read the text and do the following tasks.

The marketing concept has traditionally been associated with products of profit-seeking organizations. Today, however, it is also being applied to not-for-profit sectors and other nontraditional areas ranging from religious organizations to political campaigns.

Not-for-Profit Marketing

Residents of every continent benefit in various ways from the approximately 20 million not-for-profit organizations currently operating around the globe. The largest not-for-profit organization in the world is the Red Cross/Red Crescent, but a multitude of others offer services for their members and clients. They range from the Salvation Army, Appalachian Mountain Club, Childreach, the Museum of Natural History, and the Audubon Society to Yellowstone National Park, the National Science Foundation, and the World Food Program. These organizations all benefit by applying many of the strategies and business concepts used by profit-seeking firms. They apply marketing tools to reach audiences, secure funding, improve their images, and accomplish their overall missions.

Marketing strategies are important for not-for-profit organizations because they are all competing for dollars – from individuals, foundations, and corporations-just as commercial businesses are.

Not-for-profit organizations operate in both public and private sectors. Public groups include federal, state, and local government units as well as agencies that receive tax funding. A state's department of natural resources, for instance, regulates land conservation and environmental programs; the local animal-control officer enforces ordinances protecting people and animals; a city's public health board ensures safe drinking water for its citizens. The private not-for-profit sector comprises many different types of organizations, including labor unions, hospitals, California State University – Fullerton's baseball team, art museums, and local

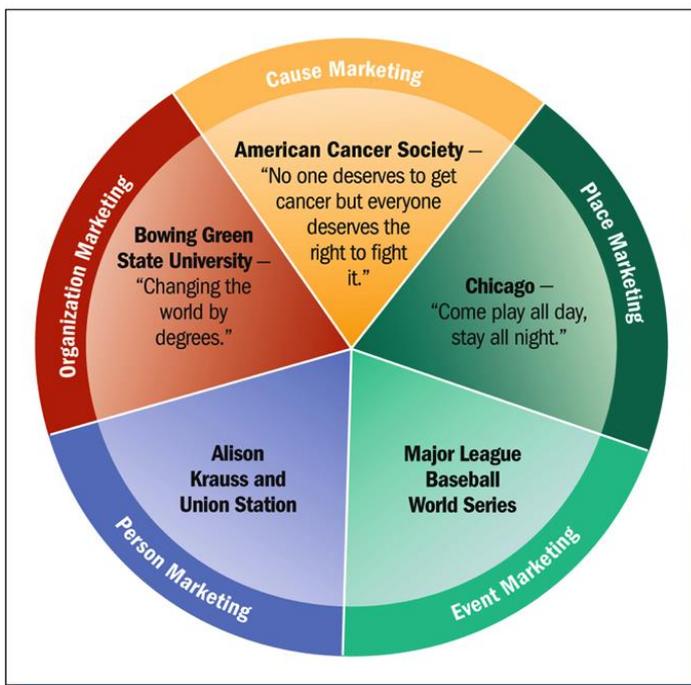
youth organizations. Although some private not-for-profits generate surplus revenue, their primary goals are not earning profits. If they earn funds beyond their expenses, they invest the excess in their organizational missions.

In some cases, not-for-profit organizations form a partnership with a profit-seeking company to promote the firm’s message or distribute its goods and services. This partnership usually benefits both organizations.

Nontraditional Marketing

Growth in the number of not-for-profit organizations has forced their executives to adopt businesslike strategies and tactics to reach diverse audiences and successfully compete with other nontraditional organizations. Figure 2 summarizes the five major categories of nontraditional marketing. Although most involve not-for-profit organizations, profit-seeking organizations conduct special events like FanFests linked with major sporting events and person marketing involving celebrities.

Figure 2



Person Marketing Efforts designed to attract the attention, interest, and preference of a target market toward a person are called **person marketing**. Campaign managers for a political candidate conduct marketing research, identify

groups of voters and financial supporters, and then design advertising campaigns, fund-raising events, and political rallies to reach them.

Many successful job seekers apply the tools of person marketing. They research the wants and needs of prospective employers, and they identify ways they can meet them. They seek employers through a variety of channels, sending messages that emphasize how they can benefit the employer.

Place Marketing As the term suggests, **place marketing** attempts to attract people to a particular area, such as a city, state, or nation. It may involve appealing to consumers as a tourist destination or to businesses as a desirable business location. A strategy for place marketing often includes advertising.

Event Marketing Marketing or sponsoring short-term events such as athletic competitions and cultural and charitable performances is known as **event marketing**. Event marketing often forges partnerships between not-for-profit and profit-seeking organizations. Many businesses sponsor fund-raising events like 10K runs to raise funds for health-related charities. These events require a marketing effort to plan the event and attract participants and sponsors.

Cause Marketing Marketing that promotes a cause or social issue, such as the prevention of child abuse, antilittering efforts, and antismoking campaigns, is **cause marketing**. Profit-seeking companies attempting to enhance their public images often join forces with charities and cases, providing financial, marketing, and human resources, as Toyota does with the Kids Foundation for Developmental Disabilities.

Organization Marketing The final category of nontraditional marketing, **organization marketing**, influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization. Many groups employ this practice, including mutual-benefit organizations like political groups, churches, and labor unions; service organizations such as community colleges, museums, and hospitals; and government organizations like police and fire departments, military services, and the U.S. National Park Service.

B. Answer the questions and discuss in groups:

1. What is Not-for-Profit marketing?
2. Why marketing strategies are important for not-for-profit organizations?
3. What are the two main sectors where not-for-profit organizations operate?
4. What is nontraditional marketing?
5. What are 5 major categories of nontraditional marketing?
6. Why are marketing strategies and marketing tools used by not-for-profit organizations as well as by profit-seeking businesses?
7. What type of marketing do political candidates usually engage in?

C. Look through the text and find sentences with the word “consumers” and translate into Russian.

D. Find in the text Russian equivalents to the following words and phrases:

profit-seeking organizations, not-for-profit sectors, secure funding, accomplish their overall missions, generate surplus revenue, businesslike strategies, person marketing, place marketing, event marketing, fund-raising events, marketing effort, cause marketing, organization marketing, mutual-benefit organizations

E. Find in the text English equivalents to the following words and phrases:

Маркетинговый концепт, маркетинг не для прибыли, погоня за прибылью, персональный маркетинг, организации со взаимной выгодой, усилия, спонсорство, реклама, желаемое местоположение бизнеса, выделить группы избирателей и финансовых сторонников.

F. Find in the text phrasal verbs and translate them into Russian.

G. Say whether the following statements are true, false or there is no information in the text on the subject.

1. Efforts designed to attract the attention, interest, and preference of a target market toward a person are called event marketing.
2. A strategy for place marketing often includes advertising.

3. Marketing strategies are important for not-for-profit organizations because they are all competing for customer value – from individuals, foundations, and corporations-just as commercial businesses are.

4. Organization marketing influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization

5. Not-for-profit organizations operate in only in public sectors.

H. Find the words or expressions in the text which mean the following:

1. marketing activity aimed at creating target market awareness, and a favorable opinion, of a particular person.

2. a practice involving the application of branding and sales strategies to different regions, cities, states or countries. An example of place marketing in business consists of tourism departments and city councils with place marketing teams competing to attract tourists and new residents use branding techniques. Also called territorial marketing or place branding.

3. the activity of designing or developing a themed activity, occasion, display, or exhibit (such as a sporting event, music festival, fair, or concert) to promote a product, cause, or organization. Also called event creation

4. joint funding and promotional strategy in which a firm's sales are linked (and a percentage of the sales revenue is donated) to a charity or other public cause. However, unlike philanthropy, money spent in cause related marketing is considered an expense and is expected to show a return

5. influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization

I. Summarize the text and share your own opinion with a partner.

Module 4.

Developing a Marketing Strategy

A. Read the text and do the following tasks.

Decision makers in any successful organization, for-profit or not-for-profit, follow a two-step process to develop a *marketing strategy*. First, they study and analyze potential target markets and then choose among them. Second, they create a marketing mix to satisfy the chosen market.

Earlier chapters introduced many of the environmental factors that affect the success or failure of a firm's business strategy, including today's rapidly changing and highly competitive world of business, a vast array of social-cultural factors, economic challenges, political and legal factors, and technological innovations. Although these external forces frequently operate outside managers' control, marketers must still consider the impact of environmental factors on their decisions.

A marketing plan is a key component of the firm's overall business plan. The marketing plan out-lines its marketing strategy and includes information about the target market, sales and revenue goals, the marketing budget, and the timing for implementing the elements of the marketing mix.

Selecting a Target Market

Target market group of people toward whom an organization markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences.

The expression “find a need and fill it” is perhaps the simplest explanation of the two elements of a marketing strategy. A firm's marketers find a need through careful and continuing study of the individuals and business decision makers in its potential market. A market consists of people with purchasing power, willingness to buy, and authority to make purchase decisions.

Markets can be classified by type of product. **Consumer products** – often known as business-to-consumer (B2C) products – are goods and services, such as DVDs, shampoo, and dental care, that are purchased by end users. **Business**

products – or business-to-business (B2B) products – are goods and services purchased to be used, either directly or indirectly, in the production of other goods for resale. Some products can fit either classification depending on who buys them and why. A computer or checking account, for example, can be either a consumer or business product.

An organization's **target market** is the group of potential customers toward whom it directs its marketing efforts. Customer needs and wants vary considerably, and no single organization has the resources to satisfy everyone.

Developing a Marketing Mix

Decisions about marketing involve strategies for four areas of marketing activity: product, distribution, promotion, and pricing. A firm's marketing mix blends the four strategies to fit the needs and preferences of a specific target market. Marketing success depends not on the four individual strategies but on their unique combination.

Product strategy involves more than just designing a good or service with needed attributes. It also includes decisions about package design, a brand name, trademarks, warranties, product image, new-product development, and customer service. Think, for instance, about your favorite fruit drink. Do you like it for its taste alone, or do other attributes, such as clever ads, attractive packaging, and over-all image, also contribute to your brand preference? *Distribution strategy*, the second marketing mix variable, ensures that customers receive their purchases in the proper quantities at the right times and locations. *Promotional strategy*, the third marketing mix element, utilizes effective blending of advertising, personal selling, sales promotion, and public relations in achieving its goals of informing, persuading, and influencing purchase decisions.

Pricing strategy, the final mix element, is also one of the most difficult areas of marketing decision making in setting profitable and justifiable prices for the firm's product offerings. Such actions are sometimes subject to government regulation and considerable public scrutiny. They also represent a powerful

competitive weapon and frequently produce responses by the other firms in the industry who match price changes to avoid losing customers.

Developing a Marketing Mix for International Markets

Marketing a good or service in foreign markets means deciding whether to offer the same marketing mix in every market – *standardization* – or to develop a unique mix to fit each market – *adaptation*. The advantages of standardizing the marketing mix include reliable marketing performance and low costs. This approach works best with business goods, such as steel, chemicals, and aircraft, with little sensitivity to a nation's culture.

Adaptation, on the other hand, lets marketers vary their marketing mix to suit local competitive conditions, consumer preferences, and government regulations. Consumer tastes are often shaped by local cultures. Because consumer products generally tend to be more culture dependent than business products, they more often require adaptation. Nestle S.A. is truly a global corporation, operating in dozens of countries as diverse as Australia, Argentina, Germany, China, South Africa, and Thailand. The company produces hundreds of food products, including baby foods, dairy goods, breakfast cereals, ice cream, bottled water, and chocolate products. Sometimes the products themselves are adapted for particular cultures; other times the packaging or advertising is adapted.

Increasingly, marketers are trying to build adaptability into the designs of standardized goods and services for international and domestic markets. Mass customization allows a firm to mass-produce goods and services while adding unique features to individual orders. This technique seeks to retain enough flexibility to satisfy a wide segment of the population without losing a product's identity and brand awareness.

Business Tool Kit

Marketing Research

Marketing research plays a valuable role in the development and marketing of goods and services. It focuses on understanding customers and their buying habits, and consists of both primary and secondary research. Primary research is

research that doesn't exist yet – professional marketing research firms are often used to gather and analyze this data once an objective has been formulated by an organization. Here are a few common sources of secondary research that may be helpful to you in your marketing career.

- Federal, state, and local government agencies and publications
- Competitors' annual reports
- Competitors' employment ads
- Professional associations
- Newspaper, magazine, and journal reports
- Existing marketing research available online or in libraries
- Online marketing research databases such as Dialog/DataStar, Factiva, and LexisNexis
- Trade journals, associations, and trade fairs
- Public exhibitions, conferences, or seminars (search for published reports or papers)
- Statistics from nongovernmental organizations
- Trade literature, brochures, and newsletters
- Trade and industry publications
- Census and statistical information
- Industry directories and databases
- Internet sites of companies and organizations

B. Work with a partner. Make a discussion about which marketing strategy is the most suitable for domestic market (Russia).

C. Answer the questions and discuss in groups:

1. What is marketing strategy?
2. What are the ways of selecting target market and target customer?
3. What is the difference between B2B and B2C products?
4. What are the main strategies in developing a marketing mix? What are the differences between them?

5. What are standardization and adaptation? When and why are they used for?

D. Look through the text and find sentences with the phrase “marketing mix”, translate them into Russian and make up your own sentences.

E. Find in the text Russian equivalents to the following words and phrases:

marketing strategy, promotion strategy, product strategy, distribution strategy, pricing strategy, business products, consumer products, industrial products, standardization, adaptation, international and domestic markets.

F. Find in the text sentences in Passive voice and translate them into Russian.

G. Say whether the following statements are true, false or there is no information in the text on the subject.

1. Marketing success depends only on the four individual strategies and on their unique combination

2. A strategy for place marketing often includes advertising and promotion.

3. A market consists of people with purchasing power, willingness to buy, and authority to make purchase decisions.

4. Mass customization allows a firm to mass-produce goods and services while deducting unique features to individual orders.

5. The advantages of standardizing the marketing mix include reliable marketing performance and low costs.

H. Find the words or expressions in the text which mean the following:

1. group of people toward whom an organization markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences

2. blending the four elements of marketing strategy – product, distribution, promotion, and price – to satisfy chosen customer segments

3. collection and use of information to support marketing decision making

4. goods and services, such as DVDs, shampoo, and dental care, that are purchased by end users.

5. goods and services, such as DVDs, shampoo, and dental care, that are purchased by end users.

I. Concept Check:

1. Make a distinguish between consumer products and business products.
2. Define marketing mix.
3. What are the two methods for designing a marketing mix for international markets?

Module 5.

Marketing Research for Improved Marketing Decisions

A. Read the text and share your opinion about it.

Marketing research involves more than just collecting data. Researchers must decide how to collect the data, interpret the results, convert the data into decision-oriented information, and communicate those results to managers for use in decision making. **Marketing research** is the process of collecting and evaluating information to help marketers make effective decisions. It links marketing decision makers to the marketplace by providing data about potential target markets that help them design effective marketing mixes. Marketers conduct research for five basic reasons:

1. To identify marketing problems and opportunities
2. To analyze competitors' strategies
3. To evaluate and predict customer behavior
4. To gauge the performance of existing products and package designs and assess the potential of new ones
5. To develop price, promotion, and distribution plans

Obtaining Marketing Research Data

Marketing researchers are concerned with both internal and external data. They generate *internal data* within their organizations. Financial records provide a tremendous amount of useful information, such as changes in unpaid bills, inventory levels, sales generated by different categories of customers or product lines, profitability of particular divisions, or comparisons of sales by territories, salespeople, customers, or product lines.

Researchers gather *external data* from sources outside their firms, including previously published data. Trade associations publish reports on activities in particular industries. Advertising agencies collect information on the audiences reached by various media. National marketing research firms offer information through subscription services. Some of these professional research firms specialize in specific markets, such as Teenage Research Unlimited, which recently reported that American teenagers spend \$155 billion on goods and services each year—valuable information for firms interested in reaching these consumers.

The low costs involved and easy access to previously published data lead marketing researchers to begin their search for needed information by exhausting all possible sources of previously collected *secondary data* before investing the time and money required to collect firsthand data. Federal, state, and local government publications are among the marketing researcher's most important data sources. The most frequently used government statistics include census data, containing such population characteristics as age, gender, ethnic background, education level, household size and composition, occupation, employment status, and income. Such information helps marketers assess the buying behavior of certain segments of the population, anticipate changes in the marketplace, and identify markets with above-average growth potential. Most government data can now be accessed over the Internet.

Even though secondary data represent a quick and inexpensive resource, marketing researchers often discover that previously published information gives insufficient insight into some marketing problems. In some cases, the secondary

data may be too old for current purposes. Previously collected data may also be in an inappropriate format for a current marketing research investigation. A researcher may need data divided by city blocks but might find only data for the city as a whole. Other data-particularly data about consumer attitudes or intentions-may be difficult to find or not reflect actual behavior (see the Best Business Practices box). Facing these obstacles, researchers may conclude they must collect *primary data* – data collected for the first time through observation or surveys.

Marketing researchers sometimes collect primary data through observational studies, in which they view the actions of selected subjects either directly or through mechanical devices. Once Famous, a retail laboratory, observes the actions of shoppers in a “real” store setting. For other marketers, Internet sites measure traffic, typically by counting the number of unique visitors to a Web site during a given period. Web-based data collection can also track what links each visitor clicks while at a Web site, as well as what a visitor orders and how much money the visitor spends. But online data collection has its drawbacks, particularly in a global setting.

Simply observing customers cannot provide some types of information. When researchers need information about attitudes, opinions, and motives, they must ask questions by conducting surveys. Survey methods include telephone interviews; mail, fax, and online questionnaires; personal interviews; and focus groups. A focus group brings together 8 to 12 people in a room or over the Internet to discuss a particular topic. Ideas generated during focus group interviews can be especially helpful to marketers in developing new products, improving existing products, and creating effective advertising campaigns. In the case of traditional phone interviews, marketers are discovering that they must find innovative ways to reach consumers, who are increasingly putting up barriers by using caller ID to screen their calls or who just hang up out of frustration with frequent calls from telemarketers.

Applying Marketing Research Data

As the accuracy of information collected by researchers increases, so does the effectiveness of resulting marketing strategies. Heinz applied research data

when it was looking for ways to expand sales of its ketchup, which already is the best-selling brand in a mature product category.

Computer-Based Marketing Research Systems

Computer technology helps many businesses create a strategic advantage in collecting and analyzing research data. Companies can gather detailed data with the *universal product code (UPC)* symbols that appear on most packaging. After scanning the information carried in the fine lines of the bar code, a computer identifies the product, its manufacturer, and its price. Managers use the data to schedule inventory, ordering, and delivery; track sales; and test the effectiveness of promotions and new-product introductions.

The Business Objects software is a type of “business intelligence” software, which crunches enormous amounts of data looking for trends, problems, and even new opportunities for companies. Using the software, Ben & Jerry’s learned that consumers thought its beloved Cherry Garcia ice cream pops had too few cherries. Once marketers traced the problem to its root – again, using the software – they discovered that the photo on the product box depicted frozen yogurt, not ice cream, and thus differed from what customers expected to find in the box. So they changed the photo on the box – and the complaints disappeared.

Data Mining

Using a computer to search through massive amounts of customer data to detect patterns and relationships is referred to as **data mining**. These patterns may suggest predictive models of real-world business activities. Accurate data mining can help researchers forecast recessions, weed out credit card fraud, and pinpoint sales prospects.

Data mining uses data warehouses, which are sophisticated customer databases that allow managers to combine data from several different organizational functions. Wal-Mart’s data warehouse, considered the largest in the private sector, contains over 500 terabytes (trillions of characters) of data. The retail giant uses data mining to assess local preferences for merchandise so that it can tailor the inventory of each store to the tastes of its neighborhood. The number

of data warehouses containing at least a terabyte of data is only in the hundreds, but many companies are applying data-mining tools on a smaller scale. By identifying patterns and connections, marketers can increase the accuracy of their predictions about the effectiveness of their strategy options. One researcher has demonstrated that data mining can show marketers how satisfied customers would be if certain changes were made in products.

B. Work with a partner. Discuss different types of marketing research data and ways to get them.

C. Answer the questions and discuss in groups:

1. What is Marketing research?
2. What is the difference between internal and external research data?
3. What is the difference between primary and secondary data?
4. How are different types of research data collected?
5. What is the best way to collect the information data (internet, calls, interviews, questionnaires, etc)? Why?
6. What is universal product code?
7. What is data mining?
8. Explain how data warehouses are related to data mining

D. Look through the text and find sentences with the phrase “research data”, translate them into Russian and make up your own sentences.

E. Find in the text Russian equivalents to the following words and phrases:

Data mining, research data, marketing research, universal product code, to gauge the performance, internal and external research data, primary and secondary research data.

F. Find in the text complex subject sentences and translate them into Russian.

G. Find the words or expressions in the text which mean the following:

1. collection and use of information to support marketing decision making
2. computer search of massive amounts of customer data to detect patterns and relationships.

3. massive database (typically housed on a cluster of servers, or a mini or mainframe computer) serving as a centralized repository of all data generated by all departments and units of a large organization. Advanced data mining software is required to extract meaningful information from a data warehouse.

4. the process of collecting and evaluating information to help marketers make effective decisions.

5. symbols that appear on most packaging.

H. Discuss the questions in groups

1. In the past, consumers have requested a more healthful fast-food menu, then rejected it. Do you think that McDonald's new entree salads will meet the same fate? Why or why not?

2. What determinants of consumer behavior come into play in deciding whether to visit a fast-food restaurant or not?

Module 6.

Marketing Segmentation

A. Read the text and share your opinion about it.

The information collected by marketing researchers is valuable only when it helps managers make better decisions. Improving the accuracy of information being collected also increases the effectiveness of resulting marketing strategies. Marketing research can cover a broad range, perhaps an entire industry or nation, or it can focus on highly specific details, such as individual purchase patterns. Identifying the characteristics of a target market is a crucial step toward creating a successful marketing strategy. **Market segmentation** is the process of dividing a market into several relatively homogeneous groups. Both profit-seeking and not-for-profit organizations use market segmentation to help them reach desirable target markets.

The television broadcast industry is an excellent example of the process of market segmentation. During the 1960s, most American viewers watched

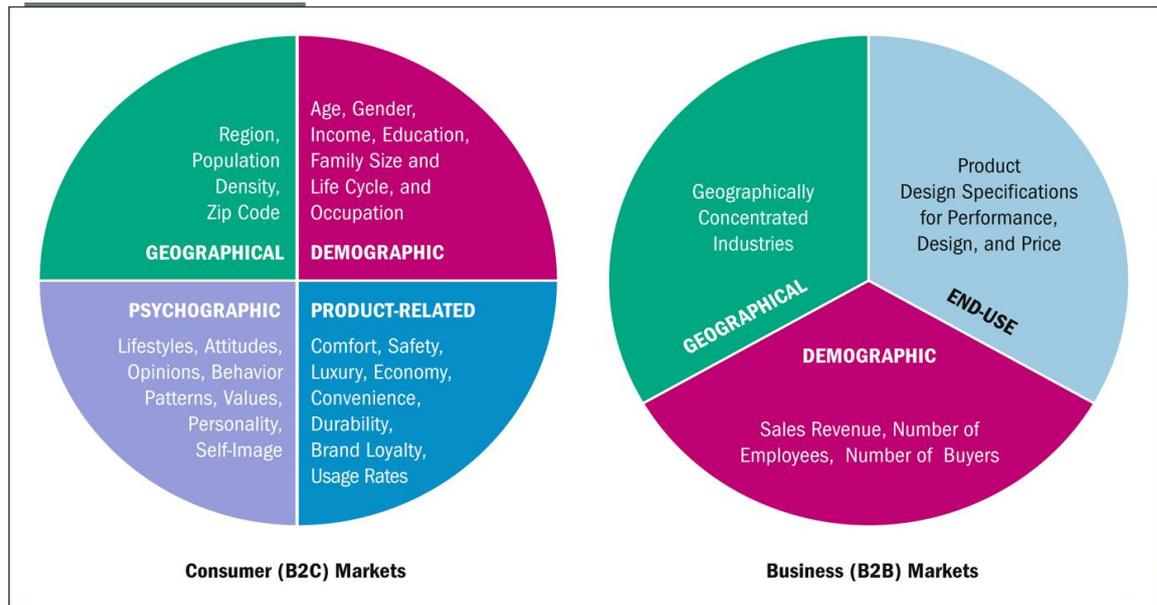
programming from the three major television networks – ABC, CBS, and NBC – and only a few tuned in to the UHF stations. Today, cable networks and direct-broadcast satellites have increased the number of channels to the hundreds; soon, digital broadcasting services and Internet channels will offer more than 1,000 channels.

Market segmentation attempts to isolate the traits that distinguish a certain group of customers from the overall market. However, segmentation does not always promote marketing success. Table 2 lists several criteria that marketers should consider. The effectiveness of a segmentation strategy depends on how well the market meets these criteria. Once marketers identify a market segment to target, they can create an appropriate marketing strategy.

How Market Segmentation Works

An immediate segmentation distinction involves whether the firm is offering goods and services to customers for their own use (the consumer, or B2C, market) or to purchasers who will use them directly or indirectly in providing other products for resale (the business, or B2B, market). Depending on whether their firms offer consumer or business products, marketers segment their target markets differently. Four common bases for segmenting consumer markets are geographical segmentation, demographic segmentation, psychographic segmentation, and product-related segmentation. Business markets are segmented on only three criteria: customer-based segmentation, end-use segmentation, and geographical segmentation. Figure 3 illustrates the segmentation methods for these two types of markets.

Figure 3



Segmenting Consumer Markets

Market segmentation has been practiced since people first produced surpluses and resold the unneeded products to others. Garment producers made some items for men and others for women. Some specialized in producing shoes or clothing for children. A millennium ago, Europeans fell in love with exotic spices and luxurious silk fabrics. Merchants began to serve this untapped market by bringing these precious items thousands of miles by land and sea from production sites in Asia and the Pacific islands to a waiting market in Europe. In addition to demographic and geographical segmentation, today’s marketers also define customer groups based on psychographic criteria as well as product-related distinctions.

Geographical Segmentation Perhaps the oldest segmentation method is **geographical segmentation** – dividing a market into homogeneous groups on the basis of population locations. While geographical location does not ensure that consumers in a particular area will always make the same kinds of buying decisions, this segmentation approach is useful when consumer preferences and purchase patterns for a good or service differ between regions. Suburbanites predictably purchase more lawn-care products than do their urban counterparts. Also, residents of northern states purchase snowblowers and car windshield ice

scrapers and spray deicers, products generally not necessary in warmer climates. Besides looking at patterns of product use, marketers may base geographical segmentation on other regional differences such as the ethnicity of populations. For instance, larger U.S. cities such as New York, Los Angeles, and Chicago, as well as south- western cities in general, have bigger Hispanic populations, so products targeted to Latinos work well there.

Population size, a common geographical segmentation factor, helps define target markets as urban, suburban, and rural. However, businesses also need to consider a wide variety of other variables, such as job growth and migration patterns, before deciding to expand into new areas. Some businesses may decide to combine areas or even entire countries that share similar population and product-use patterns instead of treating each as an independent segment.

Demographic Segmentation By far the most common method of market segmentation, **demographic segmentation** distinguishes markets on the basis of various demographic or socioeconomic characteristics. Common demographic measures include income, age, occupation, household size, stage in the family life cycle, education, ethnic group, and gender. The U.S. Census Bureau is one of the best sources of demographic information for the domestic market.

Gender has traditionally been a simple way to define markets for certain products—perfume and cosmetics for women and hammers and drills for men. However, many products have spread beyond such gender stereotypes. Men no longer dominate purchases of sporting goods, exercise equipment, or automobiles. Women's participation in sports such as running and tennis has resulted in big revenues for smart marketers.

Psychographic Segmentation In recent years, marketing researchers have tried to formulate lifelike portraits of consumers. This effort has led to another strategy for segmenting target markets, **psychographic segmentation**, which divides consumer markets into groups with similar psychological characteristics, values, and lifestyles. Lifestyle is the sum of a person's needs, preferences, motives, attitudes, social habits, and cultural background.

Psychographic studies have evaluated motivations for purchases of hundreds of goods and services, ranging from soft drinks to health-care services. Using the resulting data, marketers tailor their marketing strategies to carefully chosen market segments. A frequently used method of developing psychographic profiles involves the use of *AID statement* – verbal descriptions of various activities, interests, and opinions. Researchers survey a sample of consumers, asking them whether they agree or disagree with each statement. The answers are then tabulated and analyzed for use in identifying various lifestyle categories. Procter & Gamble used a combination of psychographic and demographic data to identify consumers it calls “chatterers,” shoppers who exert considerable influence on the purchase decisions of other people. To launch its Physique line of hair-care products, P&G targeted this segment, sending them samples and inviting them to a Web site that encouraged visitors to tell others about the product line. Within months, the effort had generated a million referrals to the Physique Web site.

Although demographic classifications like age, gender, or income are relatively easy to identify and measure, researchers need to define psychographic categories. Often, marketing research firms conduct extensive studies of consumers and then share their psychographic data with marketers who sign up as clients. Researchers were able to classify women by their life stages-not necessarily their ages-thus identifying some common attitudes, desires, values, and lifestyles. Common themes that surfaced were a desire to have more time and feel organized; a desire for the good life, which may or may not include material possessions; a need to express oneself freely; a desire for convenience, including one-stop shopping; and a desire for services that can solve challenging situations or questions.

Psychographic segmentation can lead marketers to the right consumers for certain categories of products, such as those identified as luxury products. Luxury products may include high-priced autos, glamorous vacations, designer clothing, or gourmet foods. Although affluence is relative – the cost of living continues to rise, along with incomes – marketers are keen to reach consumers who want to enhance

their lives with luxury products. According to industry experts, doing so means offering superior customer service in addition to high-quality goods. “Invitation-only events, limited-edition products, and other types of experiential marketing are key to capturing the attention of today’s affluent consumers,” explains Marian Salzman, director of strategy and planning at Euro RSCG, New York.

Product-Related Segmentation Using **product-related segmentation**, marketers can divide a consumer market into groups based on buyers’ relationships to the good or service. The three most popular approaches to product-related segmentation are based on benefits sought, usage rates, and brand loyalty levels.

Segmenting by *benefits sought* focuses on the attributes that people seek in a good or service and the benefits they expect to receive from it. The ad for Lexan resin hardening agent in Figure 1.9 emphasizes the product’s strength and light weight for high-impact plastics – such as hockey helmets and goal-tenders’ masks. Differences in benefits sought can also shape which products a customer selects or how customers use a given product

A consumer market can also be segmented according to the amounts of a product that different consumers buy and use. Segmentation by *product usage rate* usually defines such categories as heavy users, medium users, and light users. The 80/20 principle states that roughly 80 percent of a product’s revenues come from only 20 percent of its buyers. Companies can now pinpoint which of their customers are the heaviest users – and even the most profitable customers – and direct their heaviest marketing efforts to those customers.

The third technique for product-related segmentation divides customers by *brand loyalty* – the degree to which consumers recognize, prefer, and insist on a particular brand. Marketers define groups of consumers with similar degrees of brand loyalty. They then attempt to tie loyal customers to a good or service by giving away premiums, which can be anything from a logo-emblazoned T-shirt to a pair of free tickets to a concert or sports event.

Segmenting Business Markets

In many ways, the segmentation process for business markets resembles that for consumer markets. However, some specific methods differ. Marketers divide business markets through geographical segmentation; demographic, or customer-based, segmentation; and end-use segmentation.

Geographical segmentation methods for business markets resemble those for consumer markets. Many B2B marketers target geographically concentrated industries, such as aircraft manufacturing, automobiles, and oil-field equipment. Especially on an international scale, customer needs, languages, and other variables may require differences in the marketing mix from one location to another.

Demographic, or customer-based, segmentation begins with a good or service design intended to suit a specific organizational market. To simplify the process of focusing on a particular type of business customer, the federal government has developed a system for subdividing the business marketplace into detailed segments. The six-digit *North American Industry Classification System (NAICS)* provides a common classification system used by the member nations of NAFTA: the U.S., Canada, and Mexico. It divides industries into broad categories such as agriculture, forestry, and fishing; manufacturing; transportation; and retail and wholesale trade. Each major category is further subdivided into smaller segments (such as HMO medical centers and warehouse clubs) for more detailed information and to facilitate comparison among the member nations. Another way to group firms by their demographics is to segment them by size based on their sales revenues or numbers of employees.

End-use segmentation focuses on the precise way a B2B purchaser will use a product. Resembling benefits-sought segmentation for consumer markets, this method helps small and mid-size companies to target specific end-user markets rather than competing directly with large firms for wider customer groups. A marketer might also craft a marketing mix based on certain criteria for making a purchase.

B. Work with a partner. Make your own market segmentation in the district you are living. Choose any kind of product or service.

C. Work in groups. Complete figure 3 according to your marketing research involving segmentation of the market. Compare your results with other groups.

D. Answer the questions and discuss in groups:

1. What is marketing segmentation?
2. What are the segmentation methods to B2B markets?
3. What are the segmentation methods to B2C markets?
4. What is geographical segmentation?
5. What is demographic segmentation?
6. How can psychographic segmentation be characterized?
7. What can be told about product-related segmentation?
8. What is product usage rate?
9. How is segmenting by benefits sought be characterized?
10. What can you say about NAICS? Why is it so famous?
11. What is end-use segmentation?

E. Look through the text and find sentences with the word segmentation, translate into Russian and make your own sentences.

F. Find in the text Russian equivalents to the following words and phrases:

Marketing segmentation, geographical segmentation, demographic segmentation, psychographic segmentation, product-related segmentation, product usage rate, benefits sought, end-use segmentation.

G. Review

1. What is the oldest segmentation method in the consumer market?
2. What is currently the most common method of consumer market segmentation?
3. What is end-use segmentation in B2B market?

Module 7.

Buyer Behavior: Determining What Customers Want

A. Read the text and share your opinion about it.

A fundamental marketing task is to find out why people buy one product and not another. The answer requires an understanding of **buyer behavior**, the series of decision processes by individual consumers who buy products for their own use and organizational buyers who purchase business products to be used directly or indirectly in the sale of other items. In contrast, **consumer behavior** refers more specifically to the actions of ultimate consumers directly involved in obtaining, consuming, and disposing of products and the decision processes that precede and follow these actions.

Determinants of Consumer Behavior

By studying people's purchasing behavior, marketers can identify consumers' attitudes toward and uses of their products. This investigation also helps to improve the effectiveness of marketing strategies for reaching these target markets. Both personal and interpersonal factors influence the behavior of an ultimate consumer. Personal influences on consumer behavior include individual needs and motives, perceptions, attitudes, learned experiences, and their self-concepts. Marketers frequently apply psychological techniques to understand what motivates people to buy and to study consumers' emotional reactions to goods and services. For instance, today's busy consumers are constantly looking for ways to save time, so marketers for all kinds of companies try to fulfill that need with goods and services designed for convenience.

The interpersonal determinants of consumer behavior include cultural, social, and family influences. Because children often influence family purchases, marketers create messages aimed directly to them, which raises ethical questions, as discussed in the Solving an Ethical Controversy box. So marketers must navigate some tricky waters. In the area of convenience foods, cultural, social, and family influences come into play as much as an individual's need to save time.

Understanding that many consumers value the time they spend with their families and want to care for them by providing good nutrition, marketers often emphasize these values in advertisements for convenience food products.

Sometimes external events influence consumer behavior. The 9/11 terrorist attacks, the recession that occurred around the same time, the brief 2003 war with Iraq, and the global SARS epidemic are four examples of these types of events. In fact, all of these events affected the decisions American consumers made about travel-whether to travel at all, whether to fly, and where to go.

Solving and Ethical Controversy

Marketing and Kids – a Bad Combination?

The debate has been raging for years. Should companies market their goods and services to children? This question, of course, raises a flood of others. If it is appropriate to market to children, is there an age limit? Are certain types of products suitable and others not? Should advertising be allowed in schools? And if no marketing to children is appropriate at all, when and how do they learn to become educated consumers?

Is marketing to children ethical?

PRO

1. Marketing to children is ethical if it is done appropriately. For instance, sponsoring sports events, marketing clothing and equipment with logos, and offering loyalty programs that gain rewards for schools or organizations by collecting product labels are all generally considered acceptable activities.

2. Because kids are more involved today in family purchase decisions, they should be able to view marketing messages.

CON

1. Many experts agree that children under the age of 11 are not equipped to make intelligent consumer choices. “It’s unfair. Children don’t even know they’re being advertised to,” argues consumer author Susan Linn.

2. While children may be bombarded by messages elsewhere, “School should be a sanctuary,” says Dan Acuff, president of Youth Marketing Systems Consulting.

SUMMARY

Perhaps the debate should now center more on the children's ages, types of products, content of messages, and location (on school property or not). That's because marketing to children is unlikely to disappear. It's already a \$15 billion business, and it's growing.

Determinants of Business Buying Behavior

Because a number of people can influence purchases of B2B products, business buyers face a variety of organizational influences in addition to their own preferences. A design engineer may help to set the specifications that potential vendors must satisfy. A procurement manager may invite selected companies to bid on a purchase. A production supervisor may evaluate the operational aspects of the proposals that the firm receives, and the vice president of manufacturing may head a committee making the final decision.

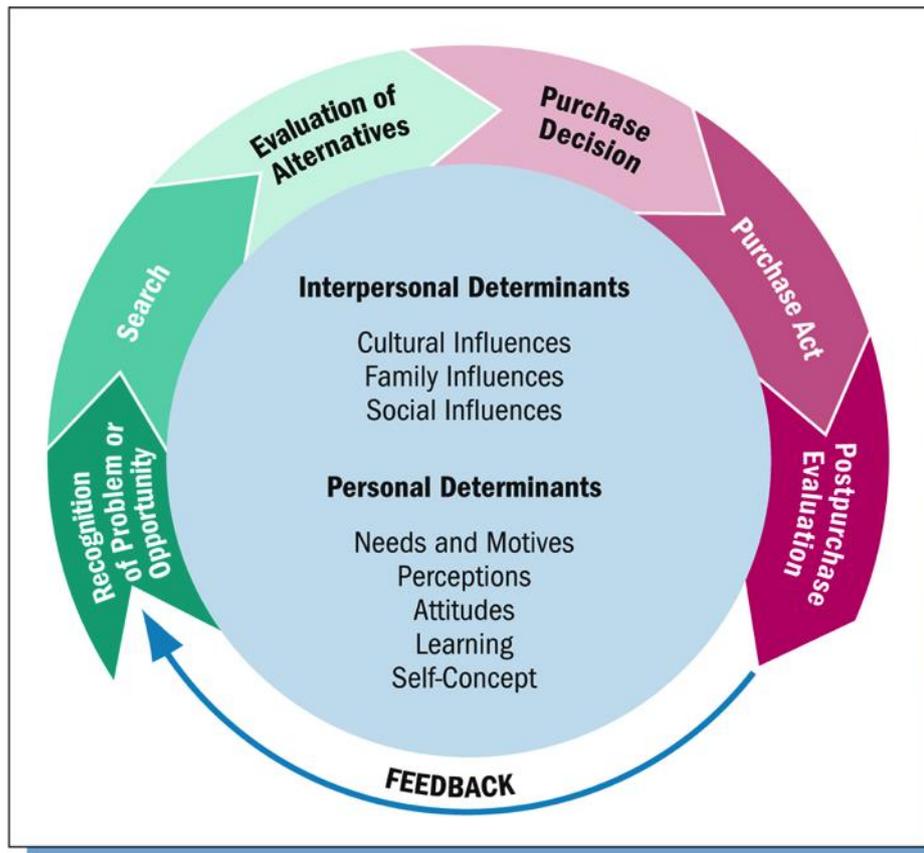
Steps in the Consumer Behavior Process

Consumer decision-making follows the sequential process outlined in Figure 4, with interpersonal and personal influences affecting every step. The process begins when the consumer recognizes a problem or opportunity. If someone needs a new pair of shoes, that need becomes a problem to solve. Should you receive a promotion at work and a 20 percent salary increase, that change may also become a purchase opportunity.

To solve the problem or take advantage of the opportunity, the consumer seeks information about the intended purchase and evaluates alternatives, such as available brands. The goal of this activity is to find the best response to the perceived problem or opportunity.

Eventually, the consumer reaches a decision and completes the transaction – the purchase act. Later, he or she evaluates the experience with the purchase by making a post purchase evaluation. Feelings about the experience serve as feedback that will influence future purchase decisions. The various steps in the sequence are affected by both interpersonal and personal factors.

Figure 4



B. Work with a partner. Make a role play showing buyer's, seller's and consumer's behavior.

C. Divide into groups. Work with figure 4 going through all stages when you want to buy something. Compare your results with other groups.

D. Answer the questions and discuss in groups:

1. What is buyer behavior?
2. What is consumer behavior?
3. What are determinants of consumer behavior?
4. What is the difference between personal and interpersonal determinants of consumer behavior?

5. What are determinants of business buying behavior?

6. What is consumer behavior process?

7. What are the steps in the consumer behavior process?

E. Look through the text and find sentences with the word "behavior", translate into Russian and make your own sentences.

F. Find in the text Russian equivalents to the following words and phrases:

Individual consumer, organizational buyers, business products, ultimate consumers, effectiveness of marketing strategies, target markets, learned experiences, self-concepts, determinants of consumer behavior, recession, business buying behavior, purchase decisions.

G. Find the words or expressions in the text which mean the following:

1. series of decision processes by individual consumers who buy products for their own use and organizational buyers who purchase business products to be used directly Or Indirectly in the sale of other items.

2. actions of ultimate consumers directly involved In obtaining, consuming, and disposing of products and the decision processes that precede and follow these actions.

3. cultural, social, and family influences on consumer behavior

4. individual needs and motives, perceptions, attitudes, learned experiences, and their self-concepts on consumer behavior

H. Review.

1. Distinguish between buyer behavior and consumer behavior.
2. What are some of the determinants of business buying behavior?

Module 8.

Creating, Maintaining, and Strengthening Marketing Relationships

A. Read the text and share your opinion about it.

The past decade has brought rapid change to most industries, as customers have become better informed and more demanding purchasers through closely comparing competing goods and services. They expect, even demand, new benefits from the companies that supply them, making it harder for firms to gain a competitive advantage based on product features alone. Meanwhile, most businesses have traditionally focused on **transaction marketing**, characterized by

buyer and seller exchanges with limited communications and little or no ongoing relationships between the parties. In transaction marketing, the goal is simple: negotiate hard with suppliers to secure the least expensive raw materials and components; then build products and find customers to buy them at prices high enough to cover costs and still earn a profit.

In today's hypercompetitive era, however, businesses need to find new ways of relating to customers if they hope to maintain long-term success. Instead of keeping customers at arm's length, businesses are developing strategies and tactics that draw them into a tighter connection with their customers. Such webs may expand to include stronger bonds with suppliers and employees. As a result, many firms are turning their attention away from managing transactions to the broader issues of relationship marketing. **Relationship marketing** goes beyond an effort for making the sale to a drive for making the sale again and again. To keep particular customers coming back, firms must exceed customers' needs and wants so they will make repeat purchases. As its ultimate goal, relationship marketing seeks to achieve customer satisfaction.

Managing relationships instead of simply completing transactions often leads to creative partnerships. However, customers enter into relationships with marketing organizations only if they are assured that the relationship will be rewarding. As the intensity of commitment increases, so does the likelihood of a business continuing a long-term relationship with its customers. The following list reviews a few of the ways businesses are using relationships to reach corporate goals:

- *Partnering with customers.* At its MasterCare Car Service Web site, Bridgestone/Firestone allows customers to set up their personal Web page called MyMasterCare. The site holds a customer's service history, schedules maintenance reminders via e-mail, and suggests maintenance services tailored to a person's driving habits. The site also has an extensive Customer Feedback link containing testimonials and a satisfaction survey. Customers receive coupons for upcoming services if they provide feedback on the survey.

- *Partnering with suppliers.* Scott Paint buys ingredients for its paint from Gulf Coast Chemical. Gulf Coast won the contract by offering to do much more than ship products to Scott's factory. GulfCoast provides Scott with just-in-time inventory management. It tracks Scott's needs, brings in raw materials from several suppliers, and consolidates them into four monthly shipments. For Scott, partnering with Gulf Coast means lower inventory costs, better prices for consolidated orders, and the ability to focus on paint production rather than inventory.
- *Partnering with other businesses.* Many of the largest pharmaceutical companies collaborate with small research firms that have expertise in a particular field, such as biotechnology. Such arrangements give the pharmaceutical giants access to innovation without requiring them to be leaders in every kind of research. And colleges often partner with companies to lend their logos and colors to everything from polo shirts and sweatshirts to credit cards and custom license plates.

Benefits of Relationship Marketing

Relationship marketing helps all parties involved. In addition to mutual protection against competitors, businesses that forge solid links with suppliers and customers are often rewarded with lower costs and higher profits than they would generate on their own. Long-term agreements with a few high-quality suppliers frequently reduce a firm's production costs. Unlike one-time sales, these ongoing relationships encourage suppliers to offer customers preferential treatment, quickly adjusting shipments to accommodate changes in orders and correcting any quality problems that might arise.

Good relationships with customers can be vital strategic weapons for a firm. By identifying current purchasers and maintaining positive relationships with them, organizations can efficiently target their best customers. Studying current customers' buying habits and preferences can help marketers identify potential new customers and establish ongoing contact with them. Attracting a new customer can cost as much as five times more than keeping an existing one. Not only do marketing costs go down, but long-term customers usually buy more, require less service, refer other customers, and provide valuable feedback. Together, these

elements contribute to a higher **lifetime value of a customer** – the revenues and intangible benefits (referrals and customer feedback) from the customer over the life of the relationship, minus the amount the company must spend to acquire and serve that customer.

Businesses also benefit from strong relationships with other companies. Purchasers who repeatedly buy from one business may find that they save time and gain service quality as the business learns their specific needs. Some relationship-oriented companies also customize goods and services based on customer preferences. Because many businesses reward loyal customers with discounts or bonuses, some customers may even find that they save money by developing long-term relationships. Alliances with other firms to serve the same customers also can be rewarding. The alliance partners combine their capabilities and resources to accomplish goals that they could not reach on their own. In addition, alliances with other firms may help businesses develop the skills and experience they need to successfully enter new markets or improve service to current customers.

Tools for Nurturing Customer Relationships

Although relationship marketing has important benefits for both customers and business, most relationship-oriented businesses quickly discover that not all customers justify equal treatment. Some customers generate more profitable business than others. If 20 percent of a firm's customers account for 80 percent of its sales and profits, a customer in this category undoubtedly has a higher lifetime value than a customer who buys only sporadically or in small amounts.

While businesses shouldn't ignore any customer, of course, their objectives and tactics for managing relationships with individual customers often reflect the overall value to the firm of the resulting business. A firm may choose to custom-manufacture goods or services for high-value customers while working to increase repeat sales of stock products to less valuable customers. An important task in developing relationship strategies is to differentiate between customer groups when seeking ways to pull each one closer to an intense commitment to the firm. The firm can then choose the particular tactics that suit each customer group.

Frequency Marketing and Affinity Marketing Programs Popular techniques through which firms try to build and protect customer relationships include frequent buyer and frequent user programs. Such a marketing initiative, commonly known as a **frequency marketing** program, rewards purchasers with cash, rebates, merchandise, or other premiums. For many years, the airline industry has relied on frequency marketing programs to build customer relationships. Frequent flyer programs have become standard at most carriers. But industry watchers say that frequent flyer programs no longer carry the weight they once did, when other services – such as in-flight meals and on-time schedules – have declined. “I’ve been an [elite-level frequent business traveler] for five years, and enjoyed it up until last year, when [an airline’s] service became just horrible,” complains one customer. Thus, frequent flyer programs create added value – and strengthen relationships – only when they are offered *in addition to* expected service.

Affinity programs are another tool for building emotional links with customers. An affinity program is a marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities. Affinity programs are common in the credit card industry. Under such a program, a person can sign up for a credit card emblazoned with the logo of a favorite charity, sports or entertainment celebrity, or photograph of his or her college. This type of arrangement typically calls for the company to donate a percentage of the person’s charges to the organization displayed on the credit card. Other credit card affinity programs include ones like L. L. Bean's arrangement with Visa. Under this program, customers who apply for an L. L. Bean Visa card are entitled to special offers such as free shipping, free monogramming, and discount coupons from L. L. Bean.

Many businesses also use comarketing and cobranding. In a **comarketing** deal, two businesses jointly market each other’s products. Goodyear and NASCAR have teamed up to create humorous TV commercials promoting Goodyear tires that are used on cars at NASCAR races. When two or more businesses team up to

closely link their names for a single product, **cobranding** occurs. Some fast-food restaurants have joined forces to house more than one restaurant choice under one roof so customers can stop by for, say, Great American Bagels in the morning and Caffe Luna for a smoothie in the afternoon. Kolcraft Enterprises recently began offering a new line of baby strollers bearing the Jeep brand. The Jeep strollers, like their sport-utility vehicle counterparts, have all-terrain tires and cater to upscale families. Parents who wheel around in the top-of-the-line Grand Cherokee model cement their relationship with Jeep while baby plays with the toy steering wheel, key, and push-button radio mounted in front.

One-on-One Marketing The ability to customize product offerings to individual needs and rapidly deliver goods and services has become increasingly dependent on investments in technology like computer-aided design and manufacturing. The Internet offers a way for businesses to connect with customers in a much more intimate manner than was previously available. Not only can companies take orders for customized products, but they can also gather data about customer characteristics and buying histories and then use the data to make predictions about what additional goods or services a given customer might want. Web sites or salespeople can tailor their messages based on those predictions. As long as customers are willing to share this information about themselves, the marketing possibilities are endless.

Computer databases provide strong support for effective relationship marketing. Marketers can maintain databases on customer tastes, price-range preferences, and lifestyles, and they can quickly obtain names and other information about promising prospects. Managers can then use the information in data warehouses to create a centralized, accurate profile of each customer's relationship with the firm as an aid to decision making. The Internet, with its capabilities for interactive electronic commerce, creates additional opportunities for firms to build close customer relationships.

Service industries, such as the airlines, have been in the forefront of relationship marketing, since their employees often personally meet and interact

with customers. However, manufacturing businesses also can apply this technology. By establishing a presence on Yahoo!'s Web site, Ford offers a variety of ways for customers to interact with the company throughout the time they own their car. At the same time, Ford can gather data about what kinds of information its customers look for at the Web page, as well as track service data that customers enter while on the site. These interactions help Ford understand what its customers want in terms of service and features on their autos.

Did You Know?

1. In an effort to boost grapefruit sales, the Florida Citrus Department has hired a team of researchers to find out if the old grapefruit diet of the 1970s really works. They plan to serve grapefruit to overweight test subjects to see if they lose weight. Then they will market the results to women.

2. Fly fishing is now considered a luxury sport, so several companies are targeting wealthier consumers who want to visit exotic destinations, catch big fish, and stay in comfortable surroundings. Total spending on the sport is now nearly \$ 700 million a year.

3. About 50 million dogs live in the U.S., accounting for an annual \$6 billion food bill for their owners.

4. Hoover is such a well-known brand in the U.K. that the British use *hoover* as a verb for vacuuming. Similarly, many Middle Eastern shoppers call laundry detergents *tide*.

5. Want to save on gasoline? The Chase Freedom Card is a Visa card that gives a rebate of 3 percent on gas purchases, regardless of brand.

B. Work with a partner. Create a company which uses both relationship and transaction marketing. How is this company gaining its customers, maintaining relationships with suppliers and other companies?

Discuss the results with the class.

C. Answer the questions and discuss them in groups:

1. What is relationship marketing?
2. What is partnering with customers?

3. What is partnering with suppliers?
4. What is partnering with other businesses?
5. What is a lifetime value of a customer?
6. What is a frequency marketing program?
7. What is an affinity marketing program?
8. What is co marketing?
9. What is co branding?
10. What is one-to-one marketing?

D. Look through the text and find sentences with the word “transaction marketing”, translate into Russian and make your own sentences.

E. Find in the text Russian equivalents to the following words and phrases:

Marketing relationships, competing goods & services, transaction marketing, hypercompetitive era, relationship marketing, exceed customers needs & wants, partnering with customers, partnering with suppliers, partnering with other businesses, lifetime value of a customer, frequency and affinity marketing programs, buying habits, relationship-oriented marketing, co marketing and co branding, one-to one marketing.

F. Find the words or expressions in the text which mean the following

1. developing and maintaining long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefit.

2. a promotional strategy involves focusing on achieving quick sales without a significant attempt to form a long term customer relationship. A transactional marketing strategy tends to be more common for a business that offers a fairly generic product or service with the objective of profiting by making a high volume of efficient sales.

3. the revenues and intangible benefits (referrals and customer feedback) from the customer over the life of the relationship, minus the amount the company must spend to acquire and serve that customer.

4. promotional program aimed at encouraging repeat sales by rewarding customers on buy frequently or on regular basis.

5. marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities. Affinity programs are common in the credit card industry.

6. agreement between two or more marketers with complementary products (such as cosmetics and toiletries) or different seasonal sales cycles (such as raincoats and winter coats) to promote or sell each other's products with their own. Also called cooperative marketing or co-marketing.

7. when two or more businesses team up to closely link their names for a single product.

G. Concept Check

1. What is the lifetime value of a customer?

2. Give an example of a frequency marketing program.

3. Give an example of affinity marketing program.

4. Think of examples of partnering with customers, suppliers and other businesses.

5. Analyze companies in terms of co marketing and co branding: reasons, implementation and results.

Review Questions.

1. Define the four different types of utility and explain how marketing contribute to the creation of utility. Then choose one of the following companies and describe how it creates each type of utility with its goods or services:

- a. Krispy Kreme doughnuts
- b. Sea World
- c. Barnes & Noble bookstore
- d. H&R Block tax preparation service

2. What might be some good ways for a large food manufacturer like General Mills to obtain customer feedback?

3. What constitutes a market? Make a distinguish between B2C and B2B market.

4. Identify the five types of nontraditional marketing and give example of each

5. Identify each of the following as a consumer product or a business product, or classify it as both:

- a. Loaf of bread
- b. Laptop computer
- c. Electricity
- d. Automobile license plates
- e. Concert tickets
- f. Lawn-mowing services

6. Explain each of the basic steps in developing a marketing strategy.

7. What is a target market? Why is target market selection the first step performed in marketing strategy development?

8. What are the five basic reasons that marketers conduct research? Identify the basic methods used in collecting research data.

9. Explain each of the methods used to segment consumer and business markets. Which methods do you think would be the most effective for each of the following and why? (Note that a combination of methods might be applicable)

- a. Supermarket featuring Mexican foods
 - b. Air conditioning units
 - c. Snow tires
 - d. Line of expensive golf clubs
 - e. Nursing home insurance
 - f. Laser eye surgery
10. Explain two ways that businesses use relationships to achieve corporate objectives
11. What are the benefits, both to businesses and their customers, of relationship marketing?

Projects and Applications.

1. Choose one of the following businesses and describe ways in which the owner might add value to the goods or services offered:
 - a. Tanning salon
 - b. For-profit career placement service
 - c. Online apparel retailer
 - d. Supermarket
2. Choose a nonprofit organization that interests you, such as the Red Cross, the Nature Conservancy, National Park Service, or Smithsonian Institution. Research the organization online to learn more about it. Outline your proposed contents for a sample brochure based on the chapter discussion of nontraditional marketing, such as cause marketing or organization marketing.
3. Think of two situations in which you have been a customer: one in which you have been satisfied with the merchandise you received and one in which you have not. Make a list of the reasons you were satisfied in the first case and another list of the reasons you were not satisfied in the second case. Would you say that the failure was the result of marketers not understanding your needs?

4. Imagine that you are a marketer for Heinz, and you think your company has found a terrific new opportunity with its multicolored ketchups. How would you apply the information gained from marketing research conducted for the new ketchups to expand another food line – say, peanut butter, mustard, or mayonnaise?

5. Go online, pick up a magazine, or turn on the TV to search for a promotional effort that uses either co marketing or co branding. Describe the ad, commercial, or special offer and explain whether you think it is effective – and why and why not.

Experimental Exercise.

Background: This book has focused on the importance of building and maintaining relationships with customers. Two techniques for accomplishing this are frequency marketing programs and affinity programs.

Directions: Visit a so-called “big-box” retailer such as WalMart, Target, or Lowe’s. If you can’t make the trip, access one of these firms online.

1. Make yourself familiar with the range of products your retailer offers, including any special services such as free delivery or gift wrapping.

2. Design a frequency marketing program or affinity program for the retailer that is designed to build relationships with the consumers who shop at the store.

3. Present your program to the class and ask your classmates whether it would encourage them to shop at the store – and why or why not.

Business Terms You Need to Know

Marketing – process of planning and executing the conception, distribution, promotion, and pricing of ideas, goods, services, organizations, and events to create and maintain relationships that satisfy individual and organizational objectives (p. 5)

Utility - want-satisfying power of a good or service (p. 5)

Marketing Concept - companywide consumer orientation to promote long-run success (p. 7)

Customer Satisfaction - result of a good or service meeting or exceeding the buyer's needs and expectations (p. 7)

Target Market - group of people toward whom an organization markets its goods, services, or ideas with a strategy designed to satisfy their specific needs and preferences (p. 13)

Marketing Mix - blending the four elements of marketing strategy – product, distribution, promotion, and price – to satisfy chosen customer segments (p. 14)

Marketing Research - collection and use of information to support marketing decision making (p. 16)

Data Mining - computer search of massive amounts of customer data to detect patterns and relationships. (p. 18)

Market Segmentation - process of dividing a total market into several relatively homogeneous groups. (p. 19)

Buyer Behavior - series of decision processes by individual consumers who buy products for their own use and organizational buyers who purchase business products to be used directly or indirectly in the sale of other items. (p. 24)

Consumer Behavior- actions of ultimate consumers directly involved in obtaining, consuming, and disposing of products and the decision processes that precede and follow these actions. (p. 24)

Relationship Marketing - developing and maintaining long-term, cost-effective exchange relationships with individual customers, suppliers, employees, and other partners for mutual benefit. (p. 28)

Other Important Business Terms

Exchange Process - the act of obtaining a desired object from someone by offering something of value in return. The exchange between the person in need (i.e., someone who offers money or some other personal resource) and the organization selling the product, service or idea results in a transaction. (p. 5)

Time Utility – utility of a good or service created by its availability at a particular time. (p. 5)

Place Utility - the process of increasing the attractiveness of a product to a group of consumers by altering its physical location. In a business context, place utility might involve shipping a finished product to a new location that is more accessible to consumers than the place where it was initially manufactured. (p. 6)

Ownership Utility - the utility of possession refers to the benefit customers derive from ownership of a company's product once they have purchased it. (p. 6)

Value-Added - creation of a competitive advantage by bundling, combining, or packaging features and benefits that result in greater customer acceptance. (p. 8)

Person Marketing - marketing activity aimed at creating target market awareness, and a favorable opinion, of a particular person. (p. 11)

Place Marketing - a practice involving the application of branding and sales strategies to different regions, cities, states or countries. An example of place marketing in business consists of tourism departments and city councils with place marketing teams competing to attract tourists and new residents use branding techniques. Also called territorial marketing or place branding. (p. 11)

Event Marketing - the activity of designing or developing a themed activity, occasion, display, or exhibit (such as a sporting event, music festival, fair, or concert) to promote a product, cause, or organization. Also called event creation. (p. 11)

Cause Marketing - joint funding and promotional strategy in which a firm's sales are linked (and a percentage of the sales revenue is donated) to a charity or other public cause. However, unlike philanthropy, money spent in cause related marketing is considered an expense and is expected to show a return. (p. 12)

Organization Marketing - influences consumers to accept the goals of, receive the services of, or contribute in some way to an organization. (p. 12)

Consumer (B2C) Product - often known as business-to-consumer (B2C) products – are goods and services, such as DVDs, shampoo, and dental care, that are purchased by end users. (p. 13)

Business (B2B) Product - often known as business-to-business (B2B) products – are goods and services, such as DVDs, shampoo, and dental care, that are purchased by end users. (p. 13)

Data Warehouse - massive database (typically housed on a cluster of servers, or a mini or mainframe computer) serving as a centralized repository of all data generated by all departments and units of a large organization. Advanced data mining software is required to extract meaningful information from a data warehouse. (p. 18)

Geographical Segmentation - dividing a market into homogeneous groups on the basis of population locations. While geographical location does not ensure that consumers in a particular area will always make the same kinds of buying decisions, this segmentation approach is useful when consumer preferences and purchase patterns for a good or service differ between regions. (p. 21)

Demographic Segmentation - distinguishes markets on the basis of various demographic or socioeconomic characteristics. Common demographic measures include income, age, occupation, household size, stage in the family life cycle, education, ethnic group, and gender. (p. 21)

Psychographic Segmentation - divides consumer markets into groups with similar psychological characteristics, values, and lifestyles. Lifestyle is the sum of a person's needs, preferences, motives, attitudes, social habits, and cultural background. (p. 21)

Product-Related Segmentation - dividing a consumer market into groups based on buyers' relationships to the good or service. The three most popular approaches to product-related segmentation are based on benefits sought, usage rates, and brand loyalty levels. (p. 22)

End-Use Segmentation - focuses on the precise way a B2B purchaser will use a product. Resembling benefits-sought segmentation for consumer markets, this method helps small and mid-size companies to target specific end-user markets rather than competing directly with large firms for wider customer groups. (p. 23)

Transaction Marketing - a promotional strategy involves focusing on achieving quick sales without a significant attempt to form a long term customer relationship. A transactional marketing strategy tends to be more common for a business that offers a fairly generic product or service with the objective of profiting by making a high volume of efficient sales. (p. 27)

Lifetime Value of a Customer - the revenues and intangible benefits (referrals and customer feedback) from the customer over the life of the relationship, minus the amount the company must spend to acquire and serve that customer. (p. 29)

Frequency Marketing - promotional program aimed at encouraging repeat sales by rewarding customers on buy frequently or on regular basis. (p. 29)

Affinity Program - marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities. Affinity programs are common in the credit card industry. (p. 30)

Co-marketing - agreement between two or more marketers with complementary products (such as cosmetics and toiletries) or different seasonal sales cycles (such as raincoats and winter coats) to promote or sell each other's products with their own. Also called cooperative marketing or co-marketing. (p. 30)

Co-branding - when two or more businesses team up to closely link their names for a single product. (p. 30)

ЗАКЛЮЧЕНИЕ

Углубленное изучение текстов по маркетингу, использованных в данном учебно-практическом издании, интегрировано в образовательное пространство студентов экономических специальностей и отвечает требованиям формирования необходимых знаний, умений, навыков и компетенций. Использование текстов и практических заданий, стимулирующих ситуацию общения между участниками устного дискурса в сфере экономики, позволяет осуществлять контроль учебных достижений студентов и корректировать ошибки непосредственно в процессе обучения. Данное учебно-практическое издание призвано давать углубленные знания в сфере маркетинга, направленного на покупателя, путем использования практических заданий на примерах реально существующих компаний.

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