

Marketing Dynamics

CANADIAN EDITION

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(Sample Chapters 5 & 9)



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5

Targeting a Market

Why do you think marketers are interested in teens as a market?

Marketing Terms

business opportunity
mass marketing
target marketing
market segmentation
segmentation variable
geographic segmentation
census
demographic information
demographic segmentation
generation
disposable income
discretionary income
psychographic segmentation
behavioural segmentation
80/20 rule
market segment or consumer profile

Learning Goals

- define business opportunity
- explain the components of a marketing strategy
- describe the four qualities of a target market
- identify the four strategies in the marketing mix
- define mass marketing and target marketing and state the advantages and disadvantages of each
- explain how segmentation helps to determine which market to target
- explain each of the four segmentation categories and list the variables for each
- describe how marketers create and use a market segment profile

The diversity of the Canadian market provides many business opportunities. An *opportunity* is a chance for success. What is a business opportunity? A business opportunity occurs when you see a need that your company can fulfill. A **business opportunity** is the chance for success provided by the combination of a product idea and a market that is willing and able to buy the product. (Remember that a product can be a good, a service, or an idea.)

Many great business ideas start with one person who has a need or observes a need



5-1

Some people develop a business based on a need they observe or a need they have themselves. Many people develop business ideas based on their hobbies or interests.

in others. For example, suppose you are a hairdresser. You observe that there are many people who cannot get out to get haircuts, such as older adults. You develop a business that goes to people's homes to cut their hair. Many product ideas come from personal hobbies or interests, 5-1. For example, a college student enjoyed watching Japanese animations. He developed a business selling Japanese animation videos, and toys.

Marketing Strategy

Once you find a business opportunity, you need to develop a way to turn the opportunity into a successful business. One of the first steps is to develop a business plan and a marketing plan.

An important part of the marketing plan is the marketing strategy. A *strategy* is a plan developed to reach a goal. For businesses that follow the marketing concept, the overall goal is to make a profit by satisfying customers' wants. In order to reach that goal,

marketers develop a marketing strategy. As you learned in Chapter 1, a *marketing strategy* consists of the target market and all the decisions in the marketing mix.

Target Market + Marketing Mix = Marketing Strategy

Marketers develop a marketing strategy by selecting a target market and developing the marketing mix with the target market in mind. Suppose you want to pursue your idea of providing hair care services to people who have limited mobility. Your target market would be senior citizens and people with physical challenges. Your marketing mix would be as follows: product—hair care services such as wash, cut, colour, and style; price—competitive with local salons plus a service fee; place—customers' homes in your region; promotion—direct mail and ads in local newspaper.

Target Market

When you develop a marketing strategy, you must first choose your target market. A *target market* is the specific group of customers whose wants and needs you will try to meet with a specific marketing mix. A target market should have the following four qualities:

- clearly defined wants and needs that your company can meet
- money to buy your product
- willingness and authority to buy your product
- enough customers in the market to be profitable

Choosing a target market is one of the most important decisions a marketer makes, 5-2. If the target market does not want or need your product, your product will not be successful. You might also miss the opportunity to be successful with a different target market. If the target market does not have the money to buy your product, your



5-2

Identifying the target market is a key decision. A marketer without a target market is working in the dark.

product will not be successful. If your target market is too small, you will not sell enough products to make a profit.



Connect...

Think of your favourite store. Who do you think the target market is for this store? Describe the typical customer.

Marketing Mix

The *marketing mix* consists of the decisions made about product, place, price, and promotion for one product. Once you have decided on your target market, you will make your marketing mix decisions with that target market in mind. When you plan your marketing mix, you will think, “How will my target market respond to this?” What happens if you do not have a target market? Imagine that the marketer is a quarterback. Imagine the quarterback trying to throw a pass, but he is blindfolded! That is how a marketer without a target market is.

Marketing mix decisions are often called marketing mix strategies. In other words, for each P in the Four Ps, there is a strategy. These strategies will be explored in more detail in other parts of this text. Here is an overview of marketing mix strategies:

- **Product Strategies.** These strategies include all the decisions made about what product to offer. Keep in mind that the term *product* includes goods, services, and ideas. Product strategies include decisions about quality, quantity, size, colour, features, technical support, packaging, warranties, brand name, and image.
 - **Price Strategies.** These strategies include all the decisions made about pricing a product. Price strategies include decisions made about profit, discounts, and the selling prices. Pricing can also have an impact on the image of a product.
 - **Place Strategies.** These strategies include all the decisions made about where the product will be sold. It includes decisions about how to transport the product, warehousing, inventory control, and order processing, 5-3.
 - **Promotion Strategies.** These strategies include all the decisions made about how to tell customers about the company and the product. It includes decisions about advertising, such as the type of ads and where to place them. It also includes decisions about personal selling, customer service, publicity, promotional events, and design and layout of stores.
- Usually, marketing mix decisions are interrelated, 5-4. In other words, a decision made for one of the Ps will affect the decisions made for the other Ps. As a result, decisions for two or more of the Ps may be made at the same time. For example, if the target market wants low prices, the number of product features may have to be reduced



5-3

Place strategies include the decisions about how to transport products from factory to warehouse or warehouse to retail store.

so that the company can sell the product at a lower price. Product decisions, such as brand name and packaging, are often chosen because they will work well in promotions.

Mass Marketing

A *mass market* consists of all the customers for a specific type of product. For example, everyone who wants a car and is able and willing to buy a car is part of the mass market for cars. **Mass marketing** is the development of only one marketing mix for a specific product. Mass marketing assumes that everyone has exactly the same wants and needs for the product. This type of marketing presents two problems. One problem is related to the nature of consumer markets. The other is related to profitability.



Connect...

Name a product for which there is a mass market.



5-4

Marketing mix decisions are interrelated. A decision about one P affects decisions for the other Ps.

Nature of Consumer Markets

The nature of consumer markets is that they are diverse. That is, most consumer markets consist of many groups of consumers with many different needs. Mass marketing looks at the market as a mass. It assumes that all customers have the same needs and wants for the product. In reality, there are very few consumer mass markets in which everyone has the same needs and wants for a specific product.

Think of the current market for cars. Can you imagine a car manufacturer making one car that would meet the needs of everyone in the mass market for cars? Think of the different needs customers have for automobiles, 5-5. Here are some examples. One group of car customers wants an expensive luxury car. Another group wants a minivan to hold a team of kids and all their soccer gear. Another group wants the cheapest car possible. Another group wants

a pick-up truck. In most consumer markets, the mass market is made of customers with different needs for the product.



Connect...

Name a product for which different groups of consumers have different needs.

Profitability

Every business wants to make a profit. Mass marketing is often very inefficient and expensive. For example, advertising to a mass market through television

commercials is very expensive. As a result, mass marketing may not result in profits. In addition, every business has limited resources. Each business has to decide where it will spend its limited resources.

Here is a hypothetical example for the purpose of illustrating the point. Suppose you decide to start a house-cleaning business. You also decide on a mass market approach. Your one product will be four hours of cleaning. The price will be \$100. You will advertise on TV. TV advertising is very expensive. If you advertise on all shows and at all times, your cost of advertising will be very high. You will be spending money to reach many people who are not potential customers. You will spend more on advertising than you would ever earn from your business.



Target Marketing

As a result of these two problems, marketers developed an approach called target marketing. In the target marketing approach, marketers analyze the mass market. They then *segment* (divide up) the market based on the different needs and wants of the customers in that market. The company will then choose one of those segments. It will develop a marketing mix—product, place, price, and promotion—to meet the unique wants and needs of that market segment. The development of a unique marketing mix for a target market is called **target marketing**. Some companies will choose two or more segments to target, but will develop a unique marketing mix for each segment.

What makes a marketing mix unique? One or more of the Four Ps are changed to meet the target market's unique needs and wants. The product can be changed by adding different features. The price can be changed to match the new level of features. The place where a product is offered can be changed; for example, an Internet website can be added as a way for customers to obtain the product. Last but not least, the

5-5

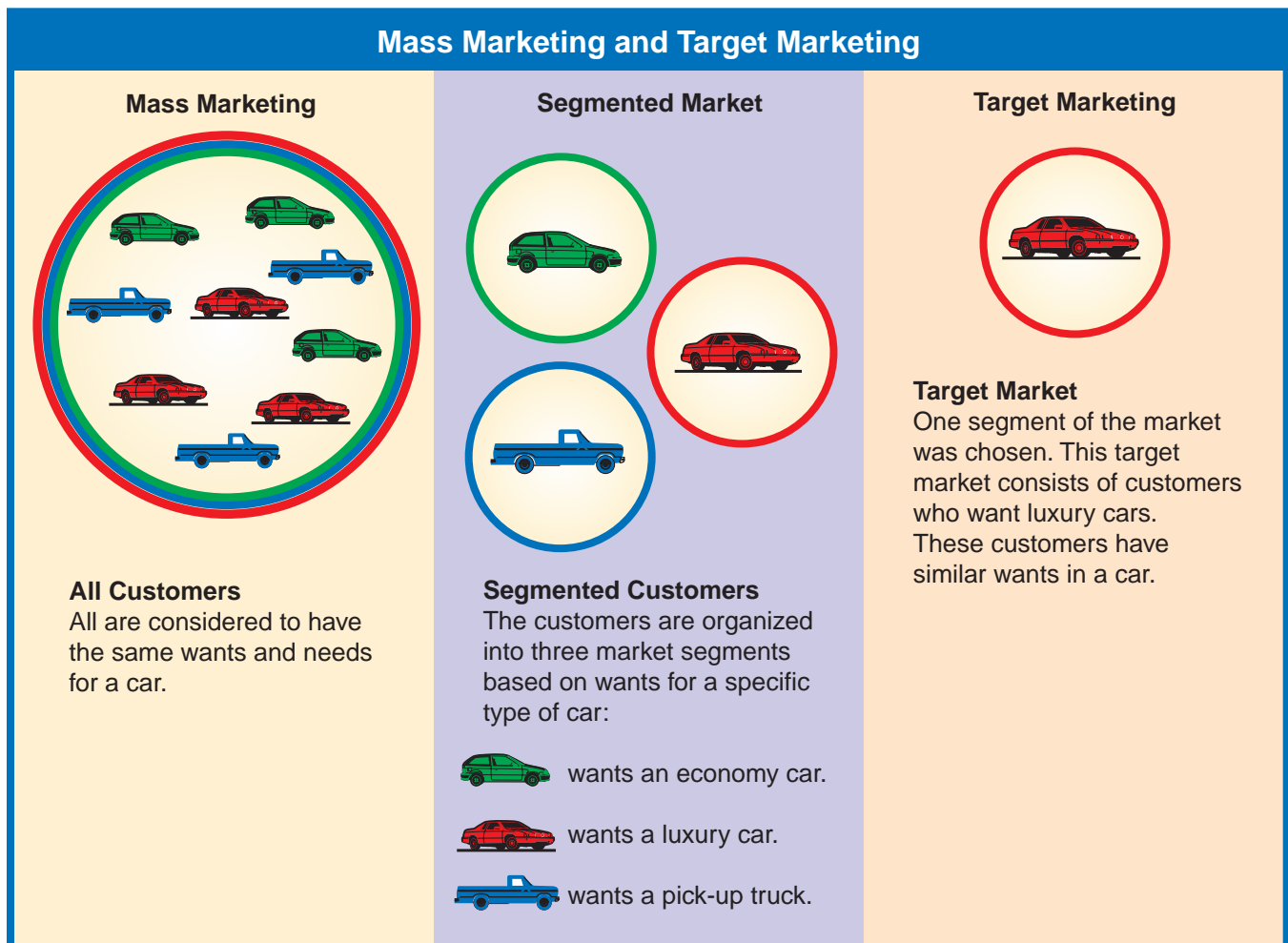
Could one style of car meet the needs of everyone in the market for a car?




promotion can be changed to appeal to the target market's unique wants and needs.

The modern automobile industry segments and targets specific markets, 5-6. For example, General Motors has developed many brands and models of cars to meet the needs of various market segments. Here are a few examples. The Chevrolet Sonic is a small economy car with a low price. It is targeted to first-time car buyers and people who do a lot of city driving. The Cadillac XTS is a larger, high-performance luxury sedan with

a high price. Its target market is wealthy adults who want a luxury car that is also a status symbol. The GMC Sierra 1500 is a pick-up truck of moderate price. It is targeted at people who want a truck with some extra features and performance.

How would target marketing work for your house-cleaning business? First, you would analyze the market for cleaning services. What segments are there? What are their needs? Which segment of the market would you like to focus on? Here are some



Legend:  = People who want economy cars
 = People who want luxury cars
 = People who want pick-up trucks

5-6

The automobile industry segments the market and then targets specific segments with specific types of cars. This diagram shows a simplified version of the thought process for segmenting a market.

segments: senior citizens who want regular heavy cleaning but no light cleaning at the lowest price; busy adults who want thorough but reasonably priced regular cleaning; and luxury homeowners who want their large homes thoroughly cleaned on a regular basis and are willing to pay higher prices.

You decide on the busy adults segment. You then research this market to find out what they need and are willing to pay for, so that you can customize the Four Ps to meet their needs. You find that most want four-hour weekly cleaning. You also find out that they are willing to pay between \$60 and \$100, depending on the size of the home. So you set up a price scale depending on the total area of the home. You also find out that these busy adults listen to the local radio station on their way to work and read the Thursday newspaper for the ads. So you decide to change your promotion to a morning radio ad plus an ad in the Thursday local paper, which appears in print and online.



Connect...

Name another industry that segments and targets markets. Give an example of two products and their different features and target markets.

Choosing Your Target Market

There are four general approaches to choosing a target market: (1) decide on the target market first and then develop a product, (2) develop a great product idea and then look for a target market that would like it, (3) develop the product idea and target market together, and (4) take a current product whose sales are falling and then look for a new target market for the product. Here are several examples.

- **Target Market First.** A very popular target market is young people! It is a large market with money to spend. In Canada, there are more than 4.5 million young people between the ages of 15 and 24, many with part-time or full-time jobs. Many companies decide first that they want to market to this group of young people. They then develop new products or modify old ones to meet young people's wants and needs, 5-7.
- **Product Idea First.** In the 1940s, an engineer researching a synthetic substitute for rubber mixed a bunch of chemicals together. The result was a sort of liquid, sort of solid goo that bounced when dropped. Everyone thought the stuff was cool, but no one could think of an industrial or practical use for it. A marketer, Paul Hodgson, saw the invention and decided it had great potential as a toy. He named it "Silly Putty" and packaged it in a plastic egg. Silly Putty became one of the most popular North American toys with hundreds of millions in sales since 1950. The target market for that toy is children.



5-7

Many companies target the youth market, especially teens and people in their early to mid-twenties.

- **Product and Target Market Together.** Products are often developed with the needs of a particular market in mind. For example, the cosmetics company M·A·C was started in Canada when a fashion photographer and a make-up artist realized that stage make-up often failed under the bright lights of the studio. The M·A·C cosmetic line originally targeted professional make-up artists. Only later did it become a favourite with consumers.
- **Old Product, New Target Market.** Volkswagen automobiles have been around for a long time. However, in 1997 Volkswagen in North America wanted to target a market called “Generation X,” that is, people born between 1966 and 1976. Volkswagen modified their Golf model by adding a custom roof rack and K2 brand skis or snowboard, and named the new edition Golf K2. They also designed a promotion campaign that would appeal to the adventurousness of many Generation Xers.

Advantages and Disadvantages of Targeting a Market

For a business to be successful, it does not have to sell to every customer in the mass market. Businesses have discovered that when they try to meet the needs of a mass market with a single marketing strategy, they may satisfy very few customers. Such businesses may not make a profit. Many businesses have discovered that focusing on a particular market segment leads to more success and more profits. By focusing on one segment of the market, the business can develop a marketing mix that satisfies the needs of most of the customers in that market

segment. After gaining success with one market segment, the business can then expand to another segment.

Target marketing also enables small businesses to compete with larger companies. The small business looks for a segment of the market whose needs are not being met. Often, a small segment of a market can be very profitable, especially if you have almost that entire market segment. This small market is called a *market niche*.

Kaepa, Inc., for example, is a sneaker manufacturer. In the 1980s, larger companies such as Nike and Reebok took most of its sales away. Kaepa’s sales of sneakers fell and the company was losing money. Then, Kaepa decided to focus on the shoe needs of cheerleaders. Kaepa developed shoes that meet the specific needs of cheerleaders. For example, their shoes have grooves in the soles for the cheerleaders’ fingers when they make human pyramids. Kaepa also makes custom shoes with team colours and logos. Kaepa, Inc., became very successful by targeting a small segment of the athletic shoe market, and then meeting that segment’s specific needs, 5-8.

There are two potential problems with target marketing. First, you may choose a market that is too small. As a result, there are not enough customers to make your business profitable. The second problem with target marketing is that you may choose the wrong target market. In this case, you also will not make a profit. You may also miss the opportunity to make a profit from a different target market that would be larger and more profitable. These two problems can be avoided by appropriate market segmentation and marketing research.

The other potential problem with target marketing occurs when all of the company’s business depends on one market segment. Suppose that market segment suffers financial losses. That segment will reduce or stop buying products from the company. The company will then also have financial losses.

**5-8**

Small companies can compete by finding a niche market, that is, a small segment of the larger market whose needs are not being served. Kaepa, an athletic shoe manufacturer, focuses on shoes for cheerleaders and is very successful in this market niche.

Segmenting a Market

As you have discovered, marketers have developed ways to analyze a large mass market and break it up into segments, 5-9. This process of dividing a large market into smaller parts is called **market segmentation**. Each *market segment* is made of customers with similar wants and needs for a specific product. Marketers often segment the market, study the segments, then choose one (or more) of the segments as their target market.

In the consumer market, marketers use characteristics of customers to segment the market. For example, a marketer might segment a market based on the age of

the customers. A customer characteristic that is used to segment a market is called a **segmentation variable**. Age is a segmentation variable. Some other segmentation variables are income level (how much money the customer makes) and gender (whether the customer is male or female). The assumption is that based on these variables, the customers in the segment have similar wants and needs for products.

There are over 25 different variables that marketers commonly use to segment the consumer market. Marketers have organized these variables into four categories: (1) geographic, (2) demographic, (3) psychographic, and (4) behavioural. Business marketers also segment their markets.

Connect...

Imagine that \$100 are available to spend. How might a teenaged male spend the money? A teenaged female? A 30-year-old parent with two children? A wealthy 40-year-old? A retired person on a very small fixed income?

live in the same country often need different products from those who live in a different country. For example, Canadian cars—as opposed to American cars—must use the metric system to show distance travelled and gas consumed. So a company that produces cars for the world market would segment the market by countries that use the metric system and those that do not.

Geographic Variables

Segmenting a market based on where customers live is called **geographic segmentation**. Commonly used geographic variables include location, climate, and community size.

Location

Customers' needs for products often vary based on where they live. Customers who

Climate

Climate has a huge impact on what customers need. Customers who live in climates where it never gets colder than 15°C do not need warm coats. Customers who live where the average winter temperature is -6°C need warm coats. Therefore, a coat manufacturer might segment the market based on average winter temperatures, **5-10**.



5-9

Think about the people you see in the mall. How do their wants and needs differ? Marketers have developed ways to analyze a large mass market and break it up into segments.



5-10

Marketers of certain products, such as coats, segment the market based on climate.

Community Size

Many marketers have discovered that market size varies with the size of the community. Some communities are too small to be profitable for certain businesses. For example, one restaurant chain will locate restaurants only in cities of 200 000 or more people. Smaller cities do not provide enough customers for this particular business. Other businesses prefer to focus on the needs of a small city or town. Walmart is the classic example. When Walmart started, it located its stores in small towns.



Connect...

Choose a geographic variable. Think of a product that can be segmented based on that variable. Name the product and the geographic variable. Then describe the market segment.

Demographic Variables

Most countries want to know basic information about their citizens, such as how many people are in each age group. As a result, most countries count the number of people in their countries. A **census** is a count of the people in a country made by the government on a regular basis. Statistics Canada conducts a census every five years.


A census collects demographic information. **Demographic information** consists of statistics (numbers) that describe the characteristics of a population, for example, the age of people. It will then compile a graph that shows how many people in the country are in each age group.

The categories that this information is divided into are called *demographic variables*. Segmenting a market based on demographic variables is called **demographic segmentation**. Demographic variables commonly used by marketers include age, gender, ethnicity, income, and family size.

Age

Age is a commonly used segmentation variable because people at different ages have different needs and wants. For example, babies require special food, so a number of companies specialize in producing baby food. Clothing is another area where age affects wants and needs.

An important variable related to age is generation. A **generation** is a group of people born during a particular period of history. The period of history that a group of people grew up in has a major effect on their attitudes, wants, and needs. For example, people born between 1977 and 1994 are known as the “Millennials.” Millennials were the first generation to grow up with a computer in their home and use social networking. Both Generation Y (1977–1994) and Generation Z (1995–present) are Millennials.



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5-11

This Syncrude Canada recruitment poster targets Aboriginal youth. Aboriginal youth represent a growing target market for products and employers in Canada.

Aboriginal peoples represent a growing market in Canada. According to Statistics Canada, the population of First Nations, Métis, and Inuit people increased by 47 percent between 1996 and 2006—about six times the rate of increase for the rest of the population.

With respect to age, 48 percent of Aboriginal peoples are 25 years of age or under, compared to 31 percent in the general population. Aboriginal youth have become an important target market for businesses seeking to market products or recruit this group as partners or employees, **5-11**.

**Connect...**

Name a product whose market is segmented by age. Describe the different market segments and describe how the product differs for each age segment.

Gender

Men and women differ in their wants and needs for many products. Marketers use these differences to develop products that meet the specific needs of men or the specific

needs of women. For example, the Lady Foot Locker stores provide running shoes and other athletic equipment that meet the specific needs of women.

Ethnicity

Canada is composed of people from a variety of ethnic backgrounds. The need for jeans does not vary based on a person's ethnic background. However, needs for other products may vary with ethnic heritage. For example, people may want certain products because they cook traditional dishes with them. Or people may enjoy the cuisine of another ethnic group. Many marketers have found success by segmenting the market based on ethnicity. They then develop products to meet the needs of a specific ethnic group and the wants of people interested in that ethnic group.

Income

Income level has a major influence on what people buy, so marketers often segment the market based on income level. People with similar income levels often buy similar types of products. People in the

lower income groups tend to spend a larger percentage of their incomes on necessities, such as food, clothing, and shelter. People with higher incomes tend to spend relatively more on recreation, education, and luxuries.

There are two categories of income that marketers are interested in: disposable and discretionary. **Disposable income** is the income a person has available to spend (dispose of) after taxes have been taken out. Usually, the first things that disposable income is spent on are the necessities of life—food, clothing, shelter, and transportation. **Discretionary income** is the income left after taxes and after the necessities of life have been paid for. Discretionary income is the money a person can spend at his or her discretion, that is, however he or she wants. Discretionary income is often spent on entertainment, vacations, restaurant meals, and similar products.

Some marketers decide they want to focus on luxury items. In order to be able to afford various luxury items, one must have a fairly high income. Marketing research can determine which areas of the country have the highest average incomes. The marketers of luxury items can then target advertising campaigns to those areas.

Family Make-up

Marketers have discovered that a household consisting of one person has quite different needs and wants from a household consisting of one or two parents and one or more children. In addition, a household headed by an LGBT (lesbian, gay, bisexual, or transgendered) couple may have different needs and wants than a household headed by a heterosexual couple. LGBT couples have higher than average household incomes and rates of employment, but only about 25 percent of LGBT couples have children, 5-12. As a result, marketers often segment the market based on family composition, including size. For example, many convenience food manufacturers have developed single-serving packaging

to meet the needs of single-person or two-person households.



Connect...

Choose a demographic variable. Think of a product that can be segmented based on that variable. Name the product and the demographic variable. Describe each market segment.

Psychographic Variables

Customers have psychological and emotional characteristics that affect their needs and wants for products. Segmenting a market based on psychological characteristics of customers is called **psychographic segmentation**. Aspects that are considered in psychographic segmentation are hobbies, social activities, lifestyle, interests, and attitudes. Psychographic information about target markets is very useful when planning promotion. If you show the target market in the ad, people see themselves and can relate better to the promotional message.



5-12

There are an estimated 17 million LGBT persons in Canada and the United States, a sizeable market.

Hobbies and Activities

People who participate in the same activities or have the same hobbies tend to have similar buying patterns. Examples of hobbies include photography, building model planes or boats, and stamp collecting. Examples of activities include all types of sports, playing computer games, visiting museums, and attending concerts.

Lifestyle

Lifestyle and values are often difficult to measure and define. In order to group people in this way, some marketing researchers administer surveys that ask participants to agree or disagree with a variety of statements called *AIO statements*. AIO stands for activities, interests, and opinions. A consulting company well-known for its psychographic research and data is Strategic Business Insights (SBI). Their VALS™ system is based on psychological characteristics that correlate with purchase behaviour and four key demographics. Here are some sample statements from a VALS™ Survey:

- I follow the latest trends and fashions.
- I would rather make something than buy it.
- I consider myself an intellectual.

VALS™ divides adult consumers into eight segments, 5-13. Each segment has distinctive consumer psychology that correlates with buying behaviour. These segments are organized on the VALS™ Framework. The variable from top to bottom is level of resources: high to low, and includes education, income, and willingness to take a risk. The variable from left to right is primary motivation: ideals, achievement, and self-expression. For example, one group is called *Achievers*. This group is concerned about status and accomplishment, tends to buy prestige products, and watches an average amount of TV and other media. Another group is called *Survivors*. This group is concerned about safety, has

relatively little income, tends to be loyal to brands, and watches a more-than-average amount of TV and other media. Marketers would use the information about these groups to choose a target market. They would then customize the marketing mix to meet the unique needs of the market they targeted. A product for the *Achievers* would have a different marketing mix from a product for *Survivors*.



Connect...

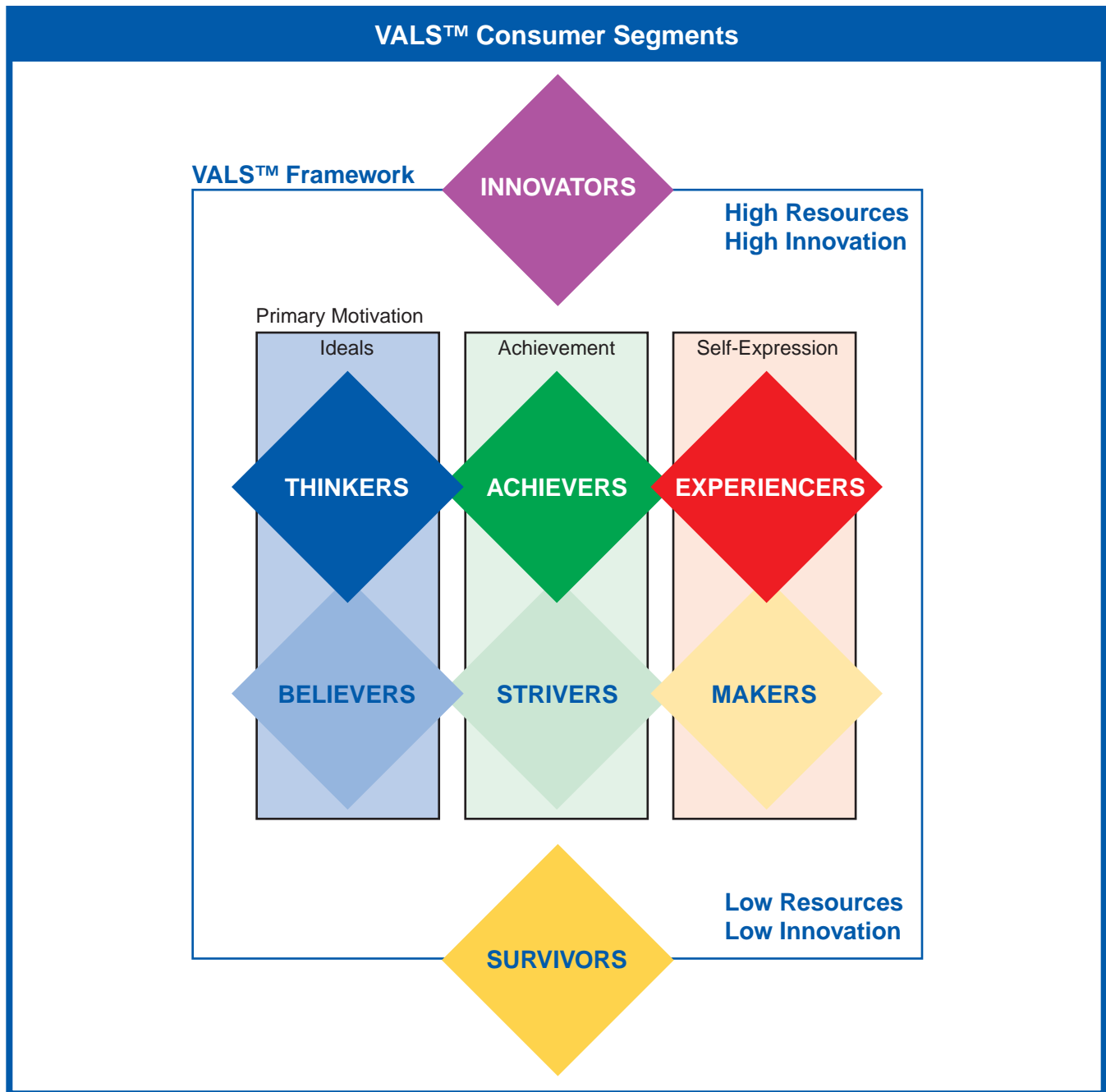
Choose a psychographic variable. Think of a product that can be segmented based on that variable. Name the product and the psychographic variable. Describe each market segment.

Behavioural Variables

Customers differ in the way they use products. Segmenting a market based on the way customers use a product or behave toward a product is called **behavioural segmentation**. Common behavioural variables include features desired, usage rate, and brand loyalty.

Features Desired

Customers vary in the features they want from a product. For example, the mass market for home personal computers is huge. However, one type of computer will not meet the needs of all computer users. Some computer users want a basic computer for word processing and e-mail only. Other computer users want a computer with a few more features so that they can play games and surf the Net. Other computer users want advanced features so that they can edit video and have three-dimensional graphics. As a result, home computer manufacturers often segment their market based on the features that the customer wants, 5-14.

**5-13**

VALS™ divides adults into eight segments.

Usage Rate

As amazing as it might seem, research shows that for many businesses, 80 percent of the sales come from 20 percent of the customers. This observation is called the **80/20 rule**: the majority of a business's profits

come from a small number of customers. For this reason, marketers often segment the market based on how often the customer uses or buys the product (*usage rate*). Usage rate categories include heavy, moderate, light, and nonuser.

Brand Loyalty

Customers vary in how loyal they are to a particular brand. The value of brand loyalty is related to the 80/20 rule. Loyal customers often are the source of most of a company's sales. As a result, marketers often segment the market based on degree of loyalty. For example, airlines have developed frequent flyer programs to reward airline customers who use the airline frequently. The frequent flyer programs also encourage customers to use one airline for all their travel needs.



5-14

Computer manufacturers may segment the market based on the features that customers want. Some customers want a basic computer. Others want advanced features.



Connect...

Choose a behavioural variable. Think of a product that can be segmented based on that variable. Name the product and the behavioural variable. Describe each market segment.

Combining Variables

Often, marketers find it useful to target a market based on two or more segmentation variables. A common combination is geographic location with a demographic variable, such as income. Marketers of luxury products can get the postal codes of people with the highest income levels.

Figure 5-15 provides an overview of the segmentation categories and variables. There are many other variables that do not appear in this figure.



Connect...

Think of a product that has a large market. Think of two or more segmentation variables for that market. Name the product. Then list the segmentation variables and the market segments based on them.

Market Segment Profile

Once marketers have divided a market into segments, they must choose the segment or segments to target. To help them make this decision, they often develop a market segment profile for each segment. A **market segment profile**, (sometimes called a **consumer profile**), is a detailed description of the typical consumer in a market segment. This profile will include geographic location, demographics, psychographics, and behaviour relevant to the product.

The segment profiles can then be used when the segments are chosen. In order to plan a marketing mix that meets the target market's needs, the marketer needs to know

as much as possible about the customers in the market. The marketer should be able to “see” the typical customer in his or her mind.

Some Variables Used To Segment the Consumer Market

Category	Variable	Examples
Geographic	Location	<ul style="list-style-type: none"> • Domestic/foreign • Local/regional/national
	Climate	<ul style="list-style-type: none"> • Warm/cold • Humid/dry
	Community Size	<ul style="list-style-type: none"> • Under 200 000 population • Over 200 000 population
Demographic	Age	<ul style="list-style-type: none"> • Senior/adult/teen/child/infant
	Generation	<ul style="list-style-type: none"> • Baby Boomer/Generation X/Generation Y/Generation Z
	Gender	<ul style="list-style-type: none"> • Male/female
	Ethnicity	<ul style="list-style-type: none"> • First Nations, Métis, Inuit, European, British Isles, African, Arab, Asian • Indo-Canadian, Chinese, Filipino, Vietnamese, Korean • Jamaican, Haitian, West Indian, Guyanese
	Household Income	<ul style="list-style-type: none"> • Under \$100 000 annual • Over \$100 000 annual
	Family Size & Composition	<ul style="list-style-type: none"> • One person/two people/three or more people • Children/no children • Same sex, heterosexual
	Psychographic	Hobbies
Sports		<ul style="list-style-type: none"> • Basketball/bicycling/skiing/swimming
VALS™		<ul style="list-style-type: none"> • Innovator/thinker/believer/achiever/striver/experiencer/maker/survivor
Behavioural	Features Desired	<ul style="list-style-type: none"> • Basic features/one or two special features/advanced features
	Usage Rate	<ul style="list-style-type: none"> • Heavy/moderate/light/nonuser
	Brand Loyalty	<ul style="list-style-type: none"> • Totally loyal/mostly loyal/not loyal

5-15

These are some of the segmentation variables that marketers use to segment a market.

CHAPTER 5 REVIEW

Key Learnings

- A business opportunity occurs when you see a need that your company can fulfill.
- Marketing strategy is target market plus marketing mix.
- After choosing a target market, all marketing decisions are made with the target market in mind.
- In mass marketing, one marketing mix may not meet the needs of many customers. As a result, the business may not make a profit.
- Target marketing helps companies meet the needs of the target market; however, problems may occur if you choose the wrong target market or become too dependent on it.
- Market segmentation is a process that helps marketers find an appropriate target market.
- Consumer markets are often segmented based on the following four categories of variables: (1) geographic, (2) demographic, (3) psychographic, and (4) behavioural.
- Marketers often use more than one segmentation variable to segment a market.

Knowledge & Understanding

1. Why is the target market part of a marketing strategy?
2. List the four qualities that a target market should have.
3. Why is the marketing mix part of a marketing strategy?

4. What is the difference between mass marketing and target marketing?
5. What is the relationship between segmenting a market and target marketing?
6. List the four general approaches to choosing a target market.
7. Explain two potential problems with target marketing.
8. What do you call the process of dividing a large market into smaller parts?
9. What do you call a customer characteristic used to segment the market?
10. List three geographic variables.
11. List five demographic variables.
12. Why do marketers use generation to segment a market?
13. Why might a marketer segment the market based on family size? Give an example.
14. List five psychographic variables.
15. Why might a marketer segment the market based on hobbies? Give an example.
16. List three behavioural variables.
17. How might a marketer segment a market based on features desired?

Thinking

1. Where can you find business opportunities? Give reasons for your answer.
2. Why is choosing a target market one of the most important marketing decisions?
3. Marketing mix decisions are interrelated. Explain what this means.

CHAPTER 5 REVIEW

4. How does target marketing enable a small business to compete with larger businesses?
 5. Why do marketers segment a market?
 6. Name three products for which geographic segmentation would help determine the appropriate target market.
 7. “Marketers are still interested in marketing to Baby Boomers—the people born between 1946 and 1964.” Assess how valid this statement is. Give reasons for your answer.
 8. Name six products that are not gender-specific.
 9. How might a marketer use income information to segment a market?
 10. Do you think that determining a target market can ever lead to stereotyping or excluding? For example, if marketers conclude that able-bodied people play sports, could they be excluding athletes with physical challenges as part of the target market?
- the market segment that this ad targets. Use the segmentation variables in your description.
4. Old York Footwear has been selling men’s penny loafers for years. These shoes, available in black, brown, and burgundy, are coming back in popularity and other stores are beginning to carry them. Lately, however, Old York’s marketers have noticed that sales are down. Which of the four approaches to targeting a market did the company use? What should the company do now? Support your answer.
 5. Create a brief profile of a market segment that would include you. Cover at least one of each of the four segmentation variables in your profile.

Application

1. Think of your own part-time job or a business with which you are familiar. What is the business’s product? Describe its target market.
 2. Visit a grocery store. Study the shelves where the cereal is displayed. How is the cereal market segmented? Write a description of at least three segments in the cereal market. Describe each market segment and the type of cereal that segment prefers. Use the segmentation variables in your description.
 3. Find an ad in a newspaper or magazine. Based on the ad, describe
1. Visit the website of the company that developed the VALS™ Survey (SBI), or go to the *Marketing Dynamics* student website. Take the survey. What is your VALS™ type? Do you see yourself this way? Create a “My VALS™” summary of yourself using a medium of your choice—print, pictorial, audio, or video.
 2. Use the library or Internet to find the story of an entrepreneur. How did this person find a business opportunity? How did he or she turn it into a successful business? What were the product, the target market, and the marketing mix? What kinds of problems did the person encounter, and how did he or she overcome them? Create a brief report or presentation of your findings.

9

Information Technology and Social Media

You have the choice to shop either online or shop in stores for the rest of your life. You cannot do both. Which would you choose? Why?

Marketing Terms

e-commerce
search engine
dot-com
bricks-and-mortar business
electronic data interchange (EDI)
information technology (IT)
e-tailing
social media
e-marketing
microblogging
nonsecure connection
encryption
secure connection

Learning Goals

- explain the difference between a dot-com and a bricks-and-mortar business
- describe how B2B businesses use the Internet
- list the components of successful e-tailing
- describe e-marketing and the role of social media in e-marketing
- explain the challenges to e-tailing
- outline eight advantages and seven disadvantages of e-tailing

Imagine that you are a teenager living in the year 1990. You would not e-mail your friends. You would not buy anything over the Internet. You would not do research for homework assignments on the World Wide Web. Why not? At that time, the World Wide Web did not exist, and the Internet was not available to the general public.

Today the Internet and the World Wide Web are available to the general public around the world. All you need is an Internet-enabled device such as a computer or smartphone, an Internet connection, and the appropriate software. You can e-mail your friends, buy products, and do research for your homework via the Internet and the World Wide Web.

The Internet and the World Wide Web are also changing how companies do business. **E-commerce** (short for *electronic commerce*) is business activities conducted via the Internet. Business activities include buying, selling, promoting, product research, competition research, and customer service, 9-1.



9-1

Consumer and business activities that take place over the Internet are called e-commerce.



How do you use the Internet? How old were you when you first used the Internet?

E-Commerce Basics

E-commerce is possible because of the Internet and the World Wide Web. The Internet is a computer-based communications network. The word *Internet* comes from the words *interconnected networks*. The Internet is a powerful means of communication because it connects millions of computers around the world. Computers from individuals, businesses, organizations, and governments are all connected. The Internet was developed in the 1950s as a research and military tool. Now it is used by all types of people in all walks of life, almost everywhere.

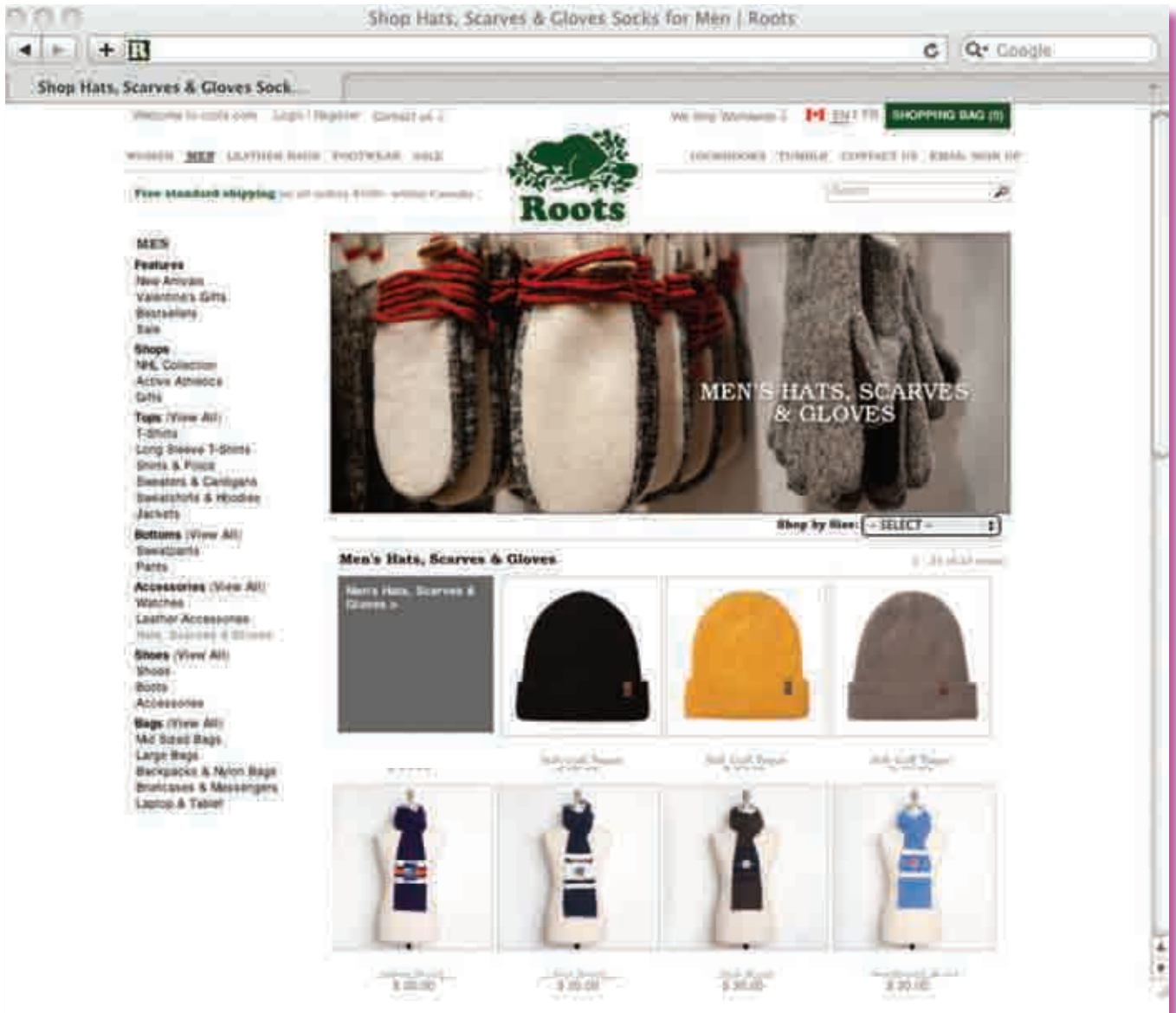
The World Wide Web (Web) is the network of information sources that is available over the Internet. The Web was developed in 1993. The Web is part of the Internet. The software for the Web enables users to see text, pictures, video, and animation and hear sound. *Online* is the condition of being connected to the Internet or being available on the Internet. For

example, online shopping is shopping that is done over the Web, 9-2.

Information on the Web is organized into web pages. A web page is the smallest unit of information that can be accessed on the Web. One or more web pages from the same source and connected by hyperlinks are a website. Individuals, companies, organizations, governments, and the military can have websites. The first page of a website is the *home page*.

Hyperlinks are used to connect the pages of a website together. Hyperlinks make it easy to navigate through a website and to move from one website to other websites.

A website is identified and located on the Web by a unique set of letters, numbers, and symbols, called a web address. The format for a typical business web address is `www.companyname.ca`. The letters “www” indicate that the address is on the Web. (Some web addresses function without the “www.”) The “companyname” is a unique set of words, letters, words and numbers, or letters and numbers chosen by the business. The “.ca” or “.com” indicates that the source is a commercial business. If the source is not a business, there are other letters that appear after the dot instead of “.ca” or “.com.” Figure 9-3 shows several types of



9-2

This web page is from the Roots online shopping site. There are several links on the page that take you to more information about the items displayed.

web addresses. Country codes are also available, for example, UK for United Kingdom or JP for Japan.

If you do not have the specific web address for a company, you can find it just like you do information for school projects—by using a search engine. A **search engine** is software that searches the Web to find websites on your topic. You type a name or keywords into the input box. The search

engine searches the World Wide Web, and then displays a list of web addresses for you to visit.



Connect...

Name the search engine that you use most often. Describe a search that you have performed.

Some Types of Web Addresses

Type	Code
Commercial organization (business)	.com
Colleges and universities	.edu
Government institutions and agencies	.gc
Organizations not included above, such as not-for-profit organizations	.org

9-3

The format of an Internet address can give you an idea of what type of organization it is.

Marketing on the Internet

Two types of businesses use the Internet: dot-coms and bricks-and-mortar businesses. The term *dot-com* comes from the fact that the web addresses for commercial businesses in the United States (where the Internet was invented) end in “.com.” A **dot-com** is a business that conducts all of its sales and most of its promotion online via a website. A dot-com has no buildings that customers physically visit. For example, Amazon is a dot-com that sells books, music, and other goods. It has no buildings or stores where customers can go to see and buy the books and other goods.

A **bricks-and-mortar business** is a business that serves customers from a building or store, 9-4. Sometimes a bricks-and-mortar business is referred to as a *traditional business*. Canadian Tire is a bricks-and-mortar business that sells sporting goods, household tools, and other goods. There are many Canadian Tire stores that you can go to. Many bricks-and-mortar businesses have added websites and now also do some of their sales and marketing on the Internet.



9-4

A bricks-and-mortar business has a location where customers can go to buy products.



Connect...

What bricks-and-mortar business do you know that also has a website? Which do you do more often—go into the store or buy from the website? Why?

Business-to-Business on the Internet

Business-to-business companies were the first to use the Internet extensively. For

example, many businesses use **electronic data interchange (EDI)**. EDI is a business-to-business exchange of information via computer using standard formats. EDI messages usually consist of information that would otherwise have to be sent as paper documents. EDI messages include purchase orders, shipping notices, invoices, credit memos, and other documents.

When businesses connect their computers and load the appropriate software, they can communicate by EDI—much more efficiently than faxing or mailing paper. Some inventory management strategies also rely on the Internet. You will read about these strategies in Chapter 14. When businesses use computer technology to store and transmit information, they are using **IT**, which stands for **information technology**.

Companies also use the Internet and the Web to research and purchase items for their businesses. Websites contain product information, similar to a paper catalogue. The advantage of a catalogue on a website is that it can be updated quickly, more information can be provided, and videos or animations can be presented. For example, a manufacturer can find out the specifications, prices, and availability of materials it needs for production. That same manufacturer can show its line of finished goods on its own website to interested retailers.

Companies that have field sales representatives also use the Internet, **9-5**. Sales representatives can use their computers or tablets to check availability of products before promising shipment. Orders can also be placed instantly from any location. The computer then can deduct the new orders from inventory, so that the next salesperson will have an accurate count of products available. Sales representatives and customer service representatives also use the Internet to locate shipments and inform customers when to expect shipment arrival.

IT has revolutionized the flow of information within companies and between vendors and customers. Different divisions



9-5

The Internet is especially useful for business-to-business (B2B) sales. For example, a sales representative visiting a client can use the Internet and a computer or tablet to check on product availability and place an order.

of the same company can communicate via the Internet. Data, such as new product designs, sales results, or financial numbers, can be sent instantly. Confidential information can only be accessed by people who know the password.

Shopping on the Internet

Today, consumers can buy almost anything over the Internet. Just enter the name of the item you would like to buy into a search engine. The search engine will generate a list of websites where you can buy that item.

Selling products to consumers over the Internet is called **e-tailing**, from the words *electronic retailing*. Companies that sell to consumers online are often referred to as *e-tailers*. E-tailing is also called *online retailing*. All a consumer needs to shop online is an Internet-enabled device, an Internet connection and software, and a credit card.



Connect...

Describe an experience you have had purchasing a product over the Internet.

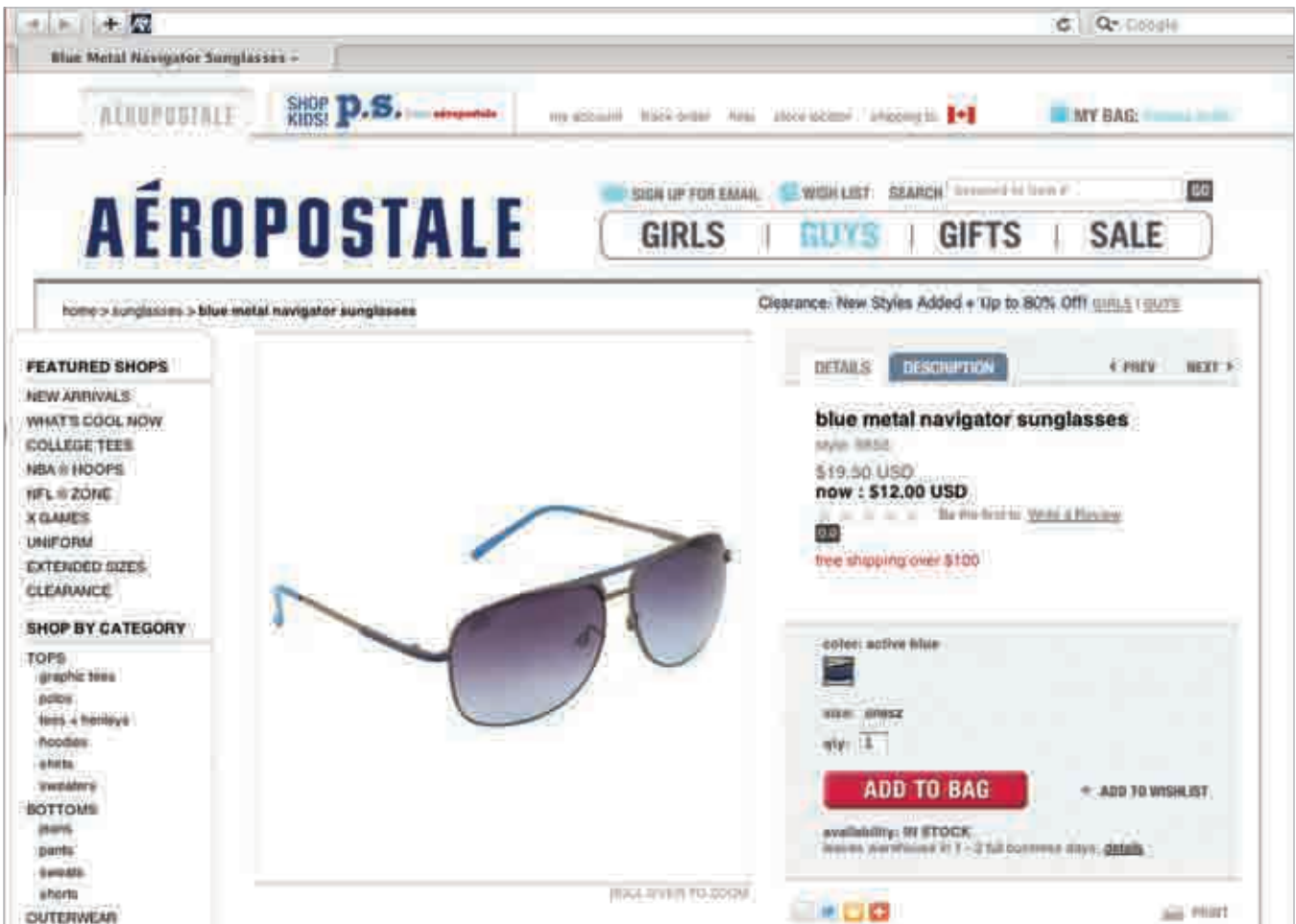
Successful E-tailing

In order for e-tailing to be successful, customers have to be able to easily do the things they do in a bricks-and-mortar store. Businesses that sell products online want to ensure that customers are able to look at and select products, can receive product promotions, will return to purchase other products, can get help if they need it, and

can pay for the products and return them if they need to.

Looking at Products

The website must provide information about the products for sale. Since the customer cannot touch the products, other means must be used. Many websites present their merchandise in a format similar to a paper catalogue. There is often a list of product types from which to choose. Once a category is chosen, photographs of the items are shown, with written descriptions and prices, 9-6. Often, customers can click on the photograph for an enlarged photo and more detailed information.



9-6

E-tailing sites give descriptions and prices of items, along with photos that sometimes can be enlarged or that show the item from different angles.

Evaluating Products

Another service that many websites provide is reviews or evaluations of their products by other customers. For example, Amazon provides reviews for many of its books, plus a ranking based on how many of that title were purchased by Amazon customers. These reviews were one of the first examples of social media being used to market products. **Social media** are interactive forms of media that let users communicate with each other online. Examples include Facebook and Twitter; online communities such as Amazon, Flickr, and Rotten Tomatoes; and blogs, 9-7. Social media are described in more detail on the next page.

Selecting Products

The website must have a way for customers to indicate which products they want to buy. Many websites use the metaphor of a shopping cart or a shopping bag. There is no actual shopping cart or bag on a website; however, a virtual one is used to keep track of the customer's selections. The customer clicks on a link that says "Add to shopping cart" or "Add to bag." The virtual shopping cart or bag keeps a



9-7

A wide variety of social media are being used by marketers to reach customers and create buzz about products.

list of the items the customer has selected. The customer can also delete items from the shopping cart.

Promotions and Social Media

Today, customers expect to be as engaged on a website as they would be strolling through a bricks-and-mortar store. As a result, businesses need more strategies to retain their customers and persuade them to consider their products. One of these strategies is e-marketing. **E-marketing** is marketing using computer technology, including websites, e-mail, and mobile phones.

You may wonder why a business would need e-marketing if it already has a website, but a website is just a platform for reaching the customer through e-marketing. On the website, the business may invite customers to sign up for weekly e-mails that promote products of interest. Usually, customers can select which products they would like to hear about by checking a box. These e-mails can also be directed to a customer's mobile phone. This kind of e-marketing is known as opt-in marketing because the customer agrees to it, unlike pop-up ads that suddenly appear on the website. Marketers have learned that many customers prefer opt-in marketing.

Once customers have shopped, the website may prompt them to continue shopping by suggesting other products of interest. These products are chosen according to the characteristics of the products the customer has already bought or viewed. Although it is possible to recommend products in person, the Internet allows businesses to suggest more products more quickly, based on more shopping preferences than one salesperson could ever suggest in person.

Many businesses with websites also have an accompanying Facebook page and Twitter account. Social media help businesses reach out to customers in a personal way and create a sense of community around a

brand. Within these communities, customers can share their experiences using different products and connect with others who have had similar experiences.

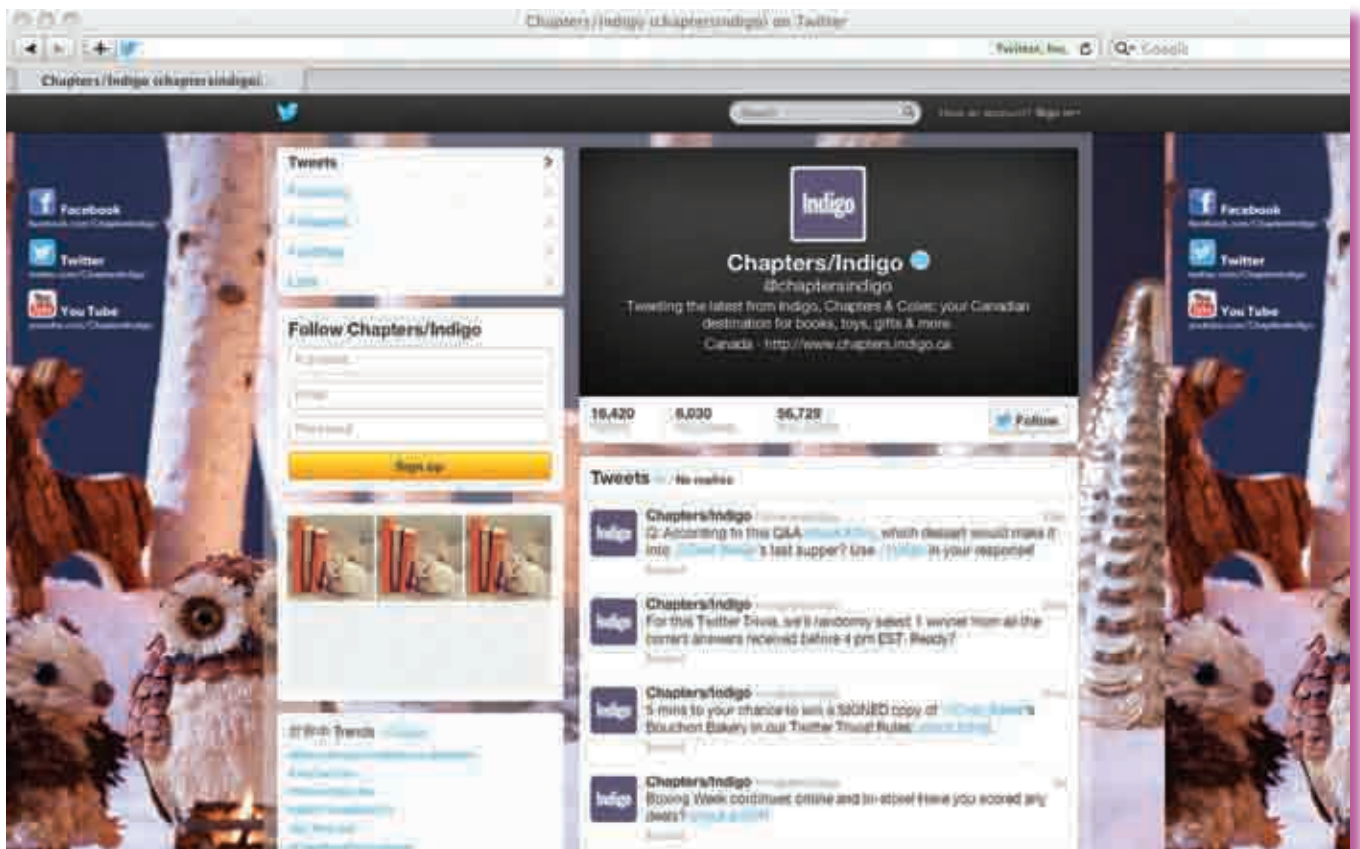
Social media are also an excellent way for businesses to gather additional research about customer needs and wants. On a Facebook page, for example, a business can pose a question to customers or conduct a survey. Many businesses run regular online contests that they announce on Facebook or Twitter keeping customers engaged with the business brand and its products.

Sometimes businesses pay bloggers to write about their products. They may send free samples in return for a positive review, hoping that many potential customers will read the blog post and try their product. The microblogging site Twitter

is useful for updating customers about product developments and events, such as contests, gift ideas, and store openings. **Microblogging** is a short, immediate form of blogging—usually about 20 to 25 words. Sometimes businesses hire a social media expert to microblog and sometimes they contract the work out to a variety of loyal customers, 9-8.

Getting Help

When customers are shopping, they may have questions about the products and questions about using the website. Most websites have a page of FAQs, which stands for *frequently asked questions*. The page provides answers to the most common questions customers have asked.



9-8

This is the Twitter feed of Chapters/Indigo. The bookstore chain tweets about new products, promotions, and contests.

Most websites provide an e-mail address for e-mailing questions to the company. Many websites provide a toll-free number that customers can call to speak with a customer representative.

Some websites provide real-time online help. Special software enables the customer to communicate with a live customer service representative, while online. One type of software that enables this type of interaction is Instant Messaging. The customer types a question in an input box on the website. The question appears on the computer screen of the customer service representative. The customer service representative then types an answer, and sends it to the customer to see on his or her screen.

Paying for Products

In a bricks-and-mortar store, the customer goes to the checkout counter and hands the cashier the products selected. The cashier totals the prices, adds in any taxes or other charges, and then tells the customer the total owed. The customer then hands the cashier cash or a credit or debit card. The cashier hands back a receipt. Mail order catalogues and TV shopping channels use paper cheques or a credit/debit card number, provided either through the mail or over the phone.

How does an online shopper, sitting in his or her home, provide payment to the online retailer? Many websites have a virtual checkout. When the customer is done shopping, he or she can click on a link that says "Proceed to checkout" or just "Checkout." The checkout screen provides the list of items purchased, the prices, and any additional charges. The most common way to pay is through a credit card number. Some shoppers use online payment services, such as PayPal. Digital cash systems and digital wallets are also available. After the order is confirmed and payment is received, a receipt is usually sent to the customer's e-mail address. The customer can then print a receipt.

Returning Merchandise

As with products ordered through the mail or from a TV shopping channel, the goods might be defective or damaged in transit. The goods may also not be what the customer expected or wanted. A business with a website must provide a reasonably easy way for goods to be returned and to ensure that the money is refunded to the customer.



Connect...

Name an e-tailer with which you are familiar. How does that e-tailer's website accomplish the above components?

Receiving Purchases Promptly

Most e-commerce customers expect their online orders to be filled immediately. For example, suppose you order something in the middle of the night, but the item does not arrive for two months. In this situation, the Internet is not making shopping faster and more convenient for you. As a result, you might decide not to use that e-tailer or the Internet for shopping.

Finding the Website

Customers also have to know that the business website exists and where to find it. Many companies advertise their websites through traditional print, radio, and television advertising. Many people's business cards include the web address of the company. E-tailers also advertise on other websites.

Challenges to E-tailing

When retailers began using the Internet in the mid-1990s, retailers used their websites more for promotion than selling. A number of concerns discouraged consumers from actually buying products over the Internet. Many of these concerns have been resolved

to the satisfaction of some customers. Other customers are still reluctant to actually purchase over the Web. These challenges include the following:

Security

Security of personal financial and other information continues to be a concern for many Internet shoppers. Typically, when a person logs onto the Internet and visits a website, any information exchanged can be seen by anyone on the Internet. An Internet connection over which anyone can see any of the information is called a **nonsecure connection**.

In order for an e-tailer to receive payment, the customer must send a credit card number over the Internet. Mailing address, phone number, and other personal information are often requested. Internet customers do not want their credit card numbers or other personal information to be generally available. To address this concern, Internet providers and retailers developed a process called encryption. **Encryption** is a process that converts data into a form that can be read only by a person with an authorized code. An Internet connection that uses encryption is called a **secure connection**. No one else can see your information when you use a secure connection. When you are using a secure connection, a small icon of a closed lock appears on the web page. Secure Internet connections guarantee customers that their personal financial information is safe.

Other security technologies are being developed. For example, Visa has developed “Verified by Visa.” This technology verifies that the Visa card number is authentic and only the authorized cardholder is placing the order.

Privacy

A related but separate concern from security is privacy. When a person visits a website, the technology can keep records of every purchase and every click. Many

customers are uneasy about a company having this type of information about them. Many e-tailers develop a policy that protects the privacy of customers.

Most e-tailers have a link on their home pages called “Security” or “Security & Privacy.” Clicking on this link will take the customer to a web page that describes how that website ensures security and privacy.

The Better Business Bureau has developed a program to promote trust and confidence in e-tailing. The program has published a code of online business practices, and also provides reliability and privacy seals to businesses that meet its criteria.

Complaints

When customers visit an e-tailing website that misrepresents products or collects too much personal information, they should be able to lodge a complaint. Most e-tailers display a “Contact Us” button on their website that lets customers connect with a Customer Service department by e-mail or phone. When customers do not receive a satisfactory response from an e-tailer about unacceptable products or marketing activities—whether online or in-store—they can take their complaint to the Consumers’ Association of Canada.

Website Effectiveness

There are many components to website effectiveness. One technological requirement is that the website load quickly.

The first page of a retail website is often called the storefront. This first page must be designed to attract customers. The website must also be easy to use. It must be easy to view the products, select them, and purchase them. More than half of online shoppers leave a website without making an intended purchase. The reasons are usually variations of “I did not understand what to do.”

Websites should also strive to make the online shopping experience pleasant

and unique, 9-9. The online experience should provide benefits not available from bricks-and-mortar shopping. Possible benefits include speed and ease of purchase, customized notices of products on sale, special prices or items available only through the website, and newsletters and other information related to the product.

Slow Connections

Slow and inconsistent connections interfere with the online shopping experience. When storefronts take a long time to load, customers get impatient. If an Internet connection breaks while making a complex purchase, such as an airline ticket, the customer gets frustrated. In order to buy the ticket online, the customer will have to reconnect and go through the selection and purchasing procedure again. The availability of high-speed Internet connections has reduced these problems.



9-9

Websites need to make the online shopping experience as enjoyable as the real-life one. Customers are looking for efficient service, but the whole experience must be pleasant and memorable.

Preference for Traditional Stores

Some customers just prefer to go to a traditional bricks-and-mortar store or a store with which they are familiar. Many customers research their purchases on the Internet, and then make the actual purchase in a bricks-and-mortar store. As brands of e-tailers establish good reputations, more customers will be willing to shop and purchase online.



Connect...

Describe at least one problem you have had when buying something over the Internet.

Future of E-tailing

The volume of purchases by consumers has grown a great deal since Internet shopping first started in the mid-1990s and continues to grow at a very fast pace. E-commerce has also created jobs and lowered expenses for businesses and consumers. Websites enable businesses to offer better customer service and information, even if they do not sell products online. Today consumers expect that every respectable business will have a website that at least provides information.

Advantages

E-commerce provides many advantages. More advantages will develop as e-commerce specialists improve technology and develop innovations.

- **Low Initial Investment.** An e-business does not have to buy, rent, or build a building to get started. As a result, it is often easier and less expensive to start an e-business.
- **Worldwide Exposure.** The Internet provides access to prospective customers anywhere in the world.
- **Constant Availability.** The Internet can be accessed at any time of the day

or night. Information can be added or changed at any time. Customers can access the Internet whenever it is convenient for them. International time zone differences do not matter.

- **Instant Updating.** Information can be updated instantly. For example, new prices can be added. Old information can be deleted instantly. The e-tailer does not have to worry that the customer is using an old, out-of-date catalogue.
- **Equalized Market Access.** Small companies have the same access to potential customers as large companies.
- **Easy Information Access.** Free information is available on websites sponsored by businesses, government agencies, universities, and trade associations. Businesses can gather information about competitors and customers. Customers can gather information about products and the companies that offer them.
- **Ability to Collect Customer Information.** Every time a customer visits a website, information about that customer can be gathered into a database. Information is often gathered through site registration, questionnaires, and as a part of taking an order.
- **Ability to Target Marketing Messages.** The information gathered about customers can be used to tailor specific messages to specific types of customers. For example, some websites greet you by name when you open the home page, and list personalized product suggestions, based on your previous purchases.

Disadvantages

There are some disadvantages to e-commerce, but the developments in technology are decreasing the disadvantages.

- **Security.** Despite the development of encryption and other security technologies,

many consumers are still reluctant to provide credit card numbers and other personal information over the Internet.

- **Privacy.** Despite privacy policies, many consumers do not trust e-tailers to maintain customer privacy.
- **Cost of Website Setup and Maintenance.** Many businesses do not have the expertise to set up their own websites. These businesses often hire outside contractors to develop and maintain their websites. The costs of setting up and maintaining a website must be figured into the company's budget and profit calculations. However, many small businesses do set up and maintain their own websites at relatively little expense.
- **Distribution Problems.** Many e-businesses still have not developed good physical distribution systems. When customers do not receive products in a timely fashion, they are discouraged from using that e-business. You will read about distribution in Chapter 14.
- **Product Quality Problems.** Customers can be disappointed at the quality of the products received from an e-business. However, these problems seem to be about equal to the problems of direct-mail marketers and TV marketers. Simplified methods for returns also help reduce this problem.
- **Consumer Reluctance.** Many consumers are still reluctant to purchase over the Internet, for some of the reasons described in this passage. In addition, some consumers prefer to go to a bricks-and-mortar store where they can handle or try out the goods they plan to buy. Others simply prefer to use bricks-and-mortar businesses that they are familiar with and trust.

Despite these disadvantages, e-tailing remains a viable means of selling goods.

CHAPTER 9 REVIEW

Key Learnings

- A dot-com is a business that does all of its selling on the Internet; it does not have an actual store. A bricks-and-mortar business serves customers at a store; it may also have a website.
- B2B businesses use the Internet to exchange information and to manage information in systems such as inventory.
- Successful e-tailing helps customers look at and select products; encourages them to continue shopping or learn about other products; offers help; provides a way to pay for products and get a receipt; and provides a way to return merchandise.
- To be successful, an e-tailer must also fulfill and ship orders promptly and attract customers to the website.
- Five challenges to e-tailing are: (1) security, (2) privacy, (3) website effectiveness, (4) slow connections, and (5) customer preference for traditional stores.
- E-marketing is marketing using computer technology, including websites, e-mail, and mobile phones.
- Social media help businesses reach out to customers in a personal way and create a sense of community around a brand. Within social media communities, customers can share their experiences using different products.
- Social media are also an excellent way for businesses to gather additional research about customer needs and wants.
- There are advantages and disadvantages to e-tailing and e-marketing. However, most customers expect businesses to have a website.

Knowledge & Understanding

1. What business activities can take place on the Web?
2. What is the difference between a dot-com and a bricks-and-mortar business?
3. How do B2B businesses use the Internet?
4. What can customers do on a website for e-tailing? List six actions.
5. What does a virtual shopping cart do for the customer who is shopping on a website?
6. What is the most common way for an online shopper to pay for products?
7. How does an online shopper get a receipt for products purchased online?
8. Why do online shoppers want to use secure connections for their transactions?
9. List five products that can be delivered over the Internet.
10. Define e-marketing and provide examples.
11. Describe how businesses can use social media to their advantage.
12. Explain two advantages and two disadvantages of e-tailing.

Thinking

1. Imagine that you are the owner of a company that is setting up a website. What would you want your web address to be?
2. Give an example of how you might use a search engine.
3. Compare and contrast the home page of an e-tailer's website with the storefront of a bricks-and-mortar retail store.

4. Why would a bricks-and-mortar business want a website?
5. "These days, businesses must use social media to reach customers." Agree or disagree with this statement. Give reasons for your opinion.
6. Why do consumers worry about security and privacy when visiting a website?

Application

1. Talk with the manager or owner of a local business or store department. Find out if it has a website. How long has it had the website? Does someone in the company run the website, or has it hired an outside firm to do this? What percentage of total sales comes from the website?
2. Imagine that you are a web marketing specialist. You have been hired by a business—a bricks-and-mortar store—to improve its e-marketing activities on its website.
 - Name the type of store that has hired you. Possibilities include hair salon; book/music store; car dealership; clothing store; print/copy shop; or restaurant.
 - Describe the products offered.
 - How could you get customers' e-mail addresses?
 - Describe how you would use e-mail to get customers into the store and build their loyalty. State at least two things that you would do.
3. You propose a weekly e-mail promotion to customers who opt in.
 - What kind of information does this e-mail provide?
 - How would you make your weekly e-mail appealing so that people will be happy to get it and eager to open it?
4. You propose a Facebook page to the business. The Facebook link will appear on the website and in the e-mail.
 - How will you use the Facebook page to attract customers?
 - How will the information on the Facebook page be different from the information sent in the weekly e-mails? Describe at least two differences.

Communication

1. Visit the website of a local business and identify the ways in which the business provides successful e-tailing. Prepare a visual display to show your findings.
2. Fifteen years ago, the career of website developer did not exist. What new careers will be available in the future? Use library and Internet resources to find out. Use keywords "cybercareers" and "careers of the future." Present your information in a two-minute oral report to the class.
3. Hold a class discussion or debate on whether the instantaneous nature of e-tailing and e-marketing results in too much consumerism and too many fads.