Marketing for Golf Management

Marketing for Golf Management

An Introduction

COLIN ROBERTSON

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- 9.5 MILLIONS Flywheel Model
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About this Book

Marketing is a textbook intended to introduce marketing students to the world of digital marketing. The book covers fundamental frameworks, practical applications, and online tools that can all be applied to build and execute a cohesive digital marketing strategy. The book covers the fundamental aspects of digital marketing, including areas such as:

- visual storytelling,
- design principles and frameworks,
- search engine optimization and marketing,
- website and landing page optimization,
- content marketing,
- content creation tools and technologies,
- paid advertising,
- social media marketing,
- mobile marketing,
- email marketing,
- attribution,
- conversion rate optimization,
- data and marketing analytics, and
- the future of digital marketing.

Features

The book features chapter learning objectives, videos, and discussion questions. Golf-specific examples can be found in the call-out boxes shown below.

Golf Example

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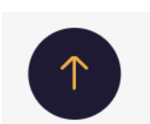

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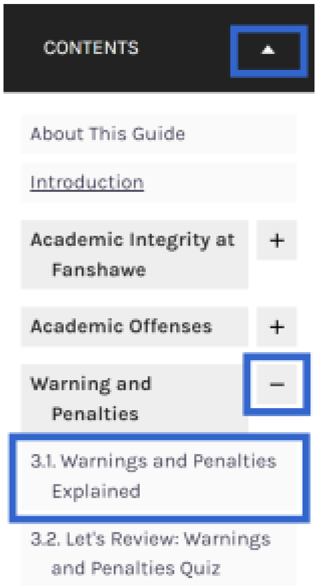

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CHAPTER 1: WHAT IS MARKETING?

Chapter Content

[1.0 Learning Objectives]
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[1.4 Typical Marketing Channels]
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1.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Define marketing.
- Outline the 4P's of marketing.
- Define what value means in marketing.
- Discuss the scope and size of the golf industry.
- Identify business opportunities within the golf industry.
- Explore stakeholders in golf marketing.
- Identify the differences between market-oriented, product-orientated, and selling-oriented companies within the golf industry.
- Describe the basic types of channels in business-to-consumer (B2C) and business-to-business (B2B) markets.

1.1 Defining Marketing

Marketing is defined by the American Marketing Association as; the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (American Marketing Association, n.d.).

Marketing is more than just banner ads, television commercials, and people standing on roadsides dressed up like the Statue of Liberty during tax time. It's a complex set of activities and strategies that influences where we live, what we wear, how we conduct business, and how we spend our time and money. Marketing activities are conducted in an environment that changes quickly both in terms of customer demand and the methods by which consumers obtain information and make purchases. In the golf industry, loyalty is worth every dollar spent in an effort to achieve; therefore, building relationships is the first step to realizing profits. The following video has some working definitions of marketing.

What Is Marketing?

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=5#oembed-1

Video: "What is Marketing? Two Answers To This One Question" [3:44] by Mirasee is licensed under the Standard YouTube License. Captions and transcripts are available on YouTube.

There are four activities, or components, of marketing:

1. **Creating.** The process of collaborating with suppliers and customers to create value offerings.
2. **Communicating**. Broadly, describing those offerings, as well as learning from customers.
3. **Delivering**. Getting those offerings to the consumer in a way that optimizes value.
4. **Exchanging.** Trading value for those offerings.

The traditional way of viewing the components of marketing is via the **four Ps**:

1. **Product**. Goods and services (creating offerings).
2. **Promotion**. Communication.
3. **Place**. Getting the product to a point at which the customer can purchase it (delivering).
4. **Price.** The monetary amount charged for the product (exchanging).

Introduced in the early 1950s, the four Ps were called the **marketing mix**, meaning that a marketing plan is a mix of these four components.

If the four Ps are the same as creating, communicating, delivering, and exchanging, then you might be wondering why there was a change. The answer is that they are *not* exactly the same. Product, price, place, and promotion are nouns. As such, these words fail to capture all the activities of marketing. For example, exchanging requires mechanisms for a transaction, which consist of more than simply a price or place. Exchanging requires, among other things, the transfer of ownership. For example, when you buy a car, you sign documents that transfer the car's title from the seller to you. That's part of the exchange process.

Even the term *product*, which seems pretty obvious, is limited. Does the golf membership include services at the golf club (such as a free locker or club storage for a certain period of time)? Or does the product mean only the use of the golf facilities only?

None of the four Ps describes particularly well what marketing people do. However, one of the goals of this book is to focus on exactly what it is that marketing professionals do specifically for the golf industry to maximize customer value and loyalty while cashing in.

Value

Value is at the centre of everything marketing does (Figure 1.1.1). What does value mean? When we use the term value, we mean *the benefits buyers receive that meet their needs*. In other words, value is what the customer gets by purchasing and consuming a company's offering.

So, although the company creates the offering, the value is determined by the customer.

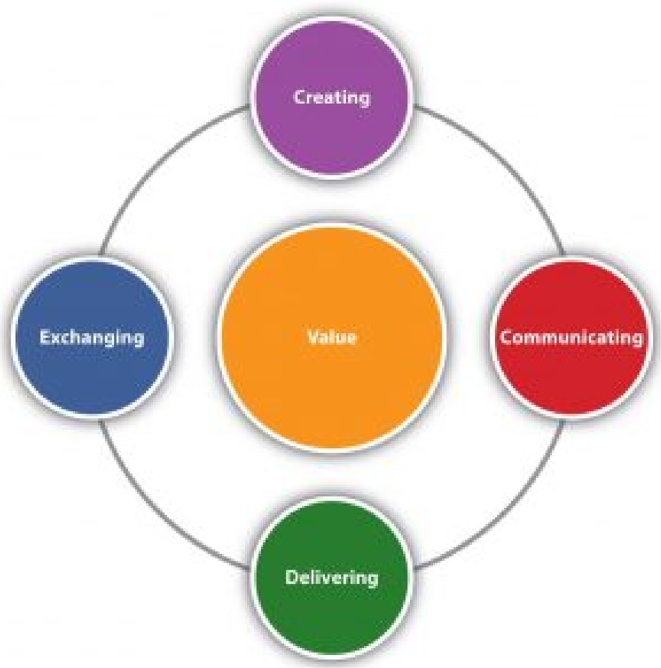

Figure 1.1.1 *Marketing comprises four activities centred on customer value: creating, communicating, delivering, and exchanging value.*

Furthermore, as marketers, we aim to create a profitable exchange for consumers. By profitable, we mean the consumer's personal value equation is positive. The personal value equation is:

$$\text{value} = \text{benefits received} - [\text{price} + \text{hassle}]$$

Hassle is the time and effort the consumer puts into the shopping process. The equation is a personal one because how each consumer judges the benefits of a product will vary, as will the time and effort he or she puts into shopping. Value, then, varies for each consumer.

One way to think of value is to think of a meal in a restaurant. If you and three friends go to a restaurant and order the same dish, each of you will like it more or less, depending on your tastes. Yet the dish was exactly the same, priced the same, and served exactly the same way. Because your tastes vary, the benefits you receive vary. Therefore, the value varied for each of you. That's why we call it a **personal value equation**.

Value varies from customer to customer based on each customer's needs. The **marketing concept**, a philosophy underlying all that marketers do, requires that marketers seek to satisfy customer wants and needs. Firms operating with that philosophy are said to be **market-oriented**. At the same time, market-oriented firms recognize that exchange must be profitable for the company to be successful. A marketing orientation is not an excuse to fail to make a profit.

Firms don't always embrace the marketing concept and a market orientation. Beginning with the Industrial Revolution in the late 1800s, companies were **production-orientated**. They believed that the best way to compete was by reducing production costs. In other words, companies thought that good products would sell themselves. Perhaps the best example of such a product was Henry Ford's Model A automobile, the first product of his production line innovation. Ford's production line made the automobile cheap and affordable for everyone.

From the 1920s until after World War II, companies tended to be **selling-orientated**, meaning they believed pushing their products by heavily emphasizing advertising and selling was necessary. Consumers during the Great Depression and World War II did not have as much money, so the competition for their available dollars was stiff. The result was this push approach during the selling era. Companies like the Fuller Brush Company and Hoover Vacuum began selling door-to-door, and the vacuum cleaner salesman (who were always men) was created. Just as with production, some companies still operate with a push focus.

In the post–World War II environment, demand for goods increased as the economy soared. Some products, limited in supply during World War II, were now plentiful to the point of surplus. Companies believed that a way to compete was to create products that were different from the competition, so many focused on product innovation. This focus on product innovation is called **product orientation**. Companies like Procter & Gamble created many products that served the same basic function but with a slight twist or difference in order to appeal to a different consumer, and as a result, products proliferated. However, as consumers had many choices available to them, companies had to find new ways to compete. Which products were best to create? Why create them? The answer was to create what customers wanted, leading to the development of the marketing concept. During this time, the **marketing concept** was developed, and from about 1950 to 1990, businesses operated in the marketing era.

So, what era would you say we're in now? Some call it the **value era**: a time when companies emphasize creating value for customers. Is that really different from the marketing era, in which the emphasis was on fulfilling the marketing concept? Maybe not. Others call today's business environment the **one-to-one era**, meaning that the way to compete is to build relationships with customers one at a time and seek to serve each customer's needs individually.

For example, the longer you are a customer of Amazon, the more detail they gain in your purchasing habits and the better they can target you with offers of new products. With the advent of social media, AI, and the empowerment of consumers through ubiquitous information that includes consumer reviews, there is clearly greater emphasis on meeting customer needs.

Still, others argue that this is the time of service-dominant logic and that we are in the **service-dominant logic era**. Service-dominant logic is an approach to business that recognizes that consumers want value no matter how it is delivered, whether it's via a product, a service, or a combination of the two. Although there is merit in this belief, there is also merit to the value approach and the one-to-one approach. As you will see throughout this book, all three are intertwined. Perhaps, then, the name for this era has yet to be devised.

Creating Offerings That Have Value

Marketing creates those goods and services that the company offers at a price to its customers or clients. That entire bundle consists of the tangible good, the intangible service, and the price, which is the company's offering. When you compare one golf club or set of clubs to another, for example, you can separately evaluate each of these dimensions—the tangible, the intangible, and the price. However, you can't buy one manufacturer's golf clubs, another manufacturer's service, and a third manufacturer's price when you actually make a choice. Together, the three make up a single firm's offer.

Marketing people do not create the offering alone. For example, Apple engineers were also involved in the design of the iPad. Apple's financial personnel had to review the costs of producing the offering and provide input on how it should be priced. Apple's operations group needed to evaluate the manufacturing requirements the iPad would need. The company's logistics managers had to evaluate the cost and timing of getting the offering to retailers and consumers. Apple's dealers also likely provided input regarding the iPad's service policies and warranty structure. Marketing, however, has the biggest responsibility because it is marketing's responsibility to ensure that the new product delivers value.

Golf Example

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Video: "The Experts' Take | Episode 5 | The Value Proposition in Golf" by Play Golf Myrtle Beach [10:43] is licensed under the Standard YouTube License. Captions and transcripts are available on YouTube.

Communicating Offerings

Communicating is a broad term in marketing that means *describing the offering and its value to your potential and current customers, as well as learning from customers what it is they want and like*. Understanding market segments and their unique desires is necessary for effective communication.

Sometimes, communicating means educating potential customers about the value of an offering, and sometimes, it means simply making customers aware of where they can find a product. Communicating also means that customers get a chance to tell the company what they think. Today, companies are finding that to be successful, they need to have a more interactive dialogue with their customers. For example, Comcast customer service representatives monitor Twitter. When they observe consumers tweeting problems with Comcast, the customer service reps will post resolutions to their problems. Similarly, JCPenney has created consumer groups that talk among themselves on JCPenney-monitored websites. The company might post questions, send samples, or engage in other activities designed to solicit feedback from customers.

Mobile devices, like iPads and Droid smartphones, make mobile marketing possible, too. For example, if consumers check in at a shopping mall on Foursquare or Facebook, stores in the mall can send coupons and other offers directly to their phones and pad computers.

Companies use many forms of communication, including advertising on the web or television, on billboards or in magazines, through product placements in movies, and through salespeople.

Delivering Offerings

Marketing can't just promise value; it also has to deliver value. Delivering an offering that has value is much more than simply getting the product into the hands of the user; it is also making sure that the user understands how to get the most out of the product and is taken care of if he or she requires service later.

Value is delivered in part through a company's **supply chain**. The supply chain includes a number of organizations and functions that mine, make, assemble, or deliver materials and products from a manufacturer to consumers. The actual group of organizations can vary greatly from industry to industry, including wholesalers, transportation companies, and retailers. **Logistics,** or the actual transportation and storage of materials and products, is the primary component of supply chain management.

Exchanging Offerings

In addition to creating an offering, communicating its benefits to consumers, and delivering the offering, there is the actual transaction, or exchange, that has to occur. In most instances, we consider the exchange to be cash for products and services. However, if you were to fly to Louisville, Kentucky, for the Kentucky Derby, you could "pay" for your airline tickets using frequent-flier miles. You could also use Hilton Honors points to "pay" for your hotel and cashback points on your Discover card to pay for meals. None of these transactions would actually require cash, but loyalty or long-term residual business is required. Other exchanges, such as information about your preferences gathered through surveys, might not involve cash.

When consumers acquire, consume, and dispose of products and services, exchange occurs, including during the consumption phase. For example, via Apple's "One-to-One" program, you can pay a yearly fee in exchange for additional periodic product training sessions with an Apple professional. So, each time a training session occurs, another transaction takes place. A transaction also occurs when you are finished with a product. For example, you might sell your old iPhone to a friend, trade in a car, or ask the Salvation Army to pick up your old refrigerator.

Stores like Dick's Sporting Good's and Golf Town offer trade-in programs along with most private golf clubs, which allow the customer to recycle old equipment, earn value toward new equipment, and add value to the purchasing cycle for a loyal golfer.

Key Takeaways

The focus of marketing has changed from emphasizing the product, price, place, and promotion mix to one that emphasizes creating, communicating, delivering, and exchanging value. Value is a function of the benefits an individual receives and consists of the price the consumer paid and the time and effort the person expended making the purchase.

1.2 Marketing for the Golf Industry

The Industry of Golf

In 2019, the National Golf Course Owners Association Canada (NGCOA) shared that 150,000 new golfers and 57 million rounds of golf were played in Canada, signifying the most significant increase since the Tiger Wood's influence of the early 2000's (Golf Course Industry Staff, 2020). Golf is the most popular sport in Canada by participation, with an estimated 6 million people taking up the game in 2020 and an increase to 63 million rounds played or 14 rounds average per golfer (Golf Canada, 2020). The golf industry is worth more than $18.2 billion annually to the Canadian economy and is steadily growing (Golf Course Industry Staff, 2020).

New technology, such as golf simulators, online gaming, international betting, fashion trends, media coverage, social media, and official rules of golf revisions intended to make the game more enjoyable, have provided fresh marketing opportunities for the industry. Obstacles to golf participation, such as affordability, time consumption, difficulty learning, and seasonality, are continually being overcome to attract more people to golf and create growth for the industry.

Golf is an international game; after all, we have the Dutch and Scottish to thank for introducing what we now call golf. The same marketing trends that have swept the business world are making their way into the golf industry: the global shift, increasing participation of minority groups, urbanization, environmental sustainability, digital technology, and corporate sponsorship have turned the game into a vehicle for profit and growth.

The Country Club

A **private country club** is a membership organization for golf, recreation and social activities. Clubs often boast expansive facilities with top-rate golf courses, dining options, pro shops and more. Some organizations bill themselves as country clubs. Others refer to themselves as golf clubs. Is there a difference? Although the terms are essentially interchangeable, as a general rule, a golf club's main focus is golf, while a country club offers a broader range of programs or facilities.

"London Hunt and Country Club" by Richard Bain, CC BY-NC 4.0.

Private membership can carry a high price tag and high expectations for member engagement, social atmosphere, and services offered by the club. The investment of membership for an individual or family becomes an extension of their home as many country clubs have an exclusive atmosphere, high-end facilities, food and beverage, and private functions for members, guests, and clients.

Marketing at a country club serves many purposes: as a communication tool, for promotional opportunities, for revenue generation, for club atmosphere, and for honouring tradition. Private clubs can be non-profit (member-owned shares) or for-profit (owned by an individual, corporation, or group). Golf club memberships can be equity or non-equity-owned.

Read more at [How Country Clubs Work: What You Should Know Before Joining One (stgeorgesgolf.com)]

Public Golf Facilities

Public golf courses are open to the public and do not require a membership to book a tee time or use the facilities. Public facilities are owned by individuals, buying groups, and corporations and rely heavily on daily traffic, greens fees, food and beverage sales, and events such as weddings for annual revenues and operating budgets. Many public golf courses offer dynamic pricing such as peak times, twilight, 9-holes, 18-holes, junior, intermediate, senior, and more to attract different demographics and target audiences. Online booking, point of sale, on-course, golf cart, social media, and email campaigns are popular and effective ways to communicate with guests and create revenue.

To increase traffic generation at a public facility, many public courses offer rewards and loyalty programs such as golf and F&B packages, custom annual green fee packages, branded merchandise, leagues, contests, pro shop promotions, sponsorship opportunities, and more. Custom annual memberships (green fees) create value and are priced dynamically to the individual's personal needs, such as how often they golf, use of a cart, F&B requirements, locker services, corporate affiliation, local residents, etc.

Image from [Grandview Golf Club Facebook page.] Included for educational purposes under fair dealing.

Practice Facilities

"*[TopGolf Vegas Tees](#)*" *by [Jax 0677](#), [CC BY-SA 4.0](#).*

Practice facilities offer an alternative to playing golf on a golf course, including driving ranges, short-game facilities, mini-golf, simulators, and gyms. These facilities are often the first opportunity for people to swing a club and their first practical exposure to golf.

Golf is more than a sport; it's an activity, a social connection, a gathering, an occasion, exciting and fun.

Municipal Facilities

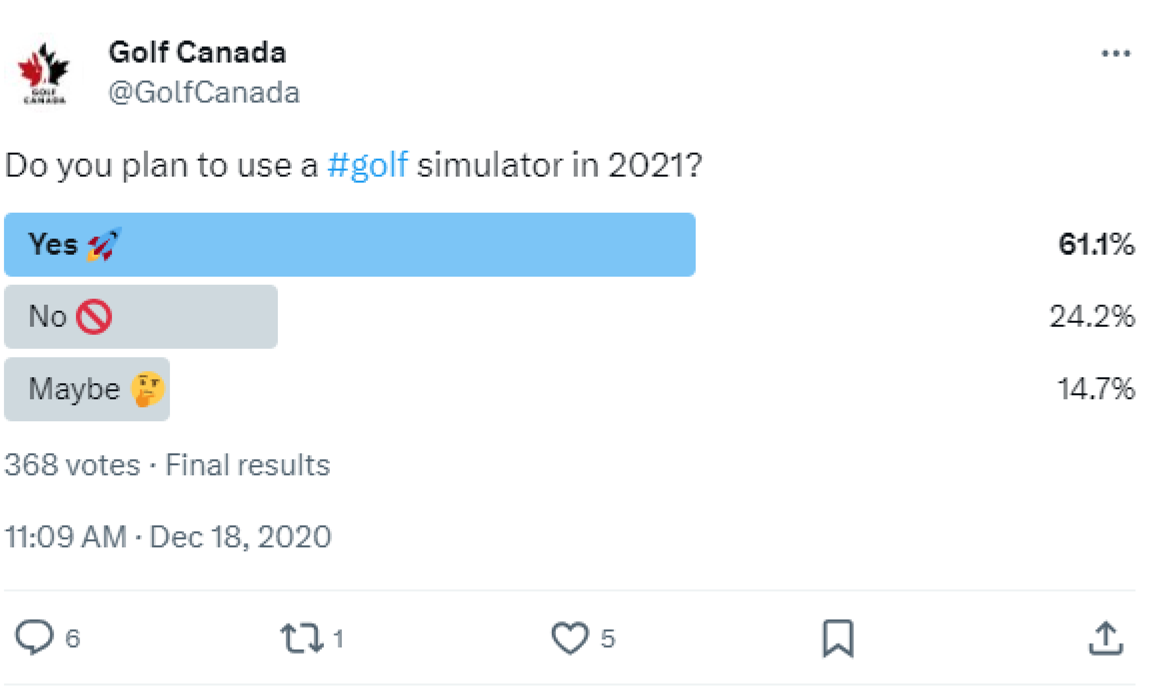
Municipal facilities owned by the local municipal government, paid for by the taxpayers, are open to the public and are often the most cost-effective option to play the game; some courses even offer golf for free! Typically, municipal golf courses provide annual membership options and golf packages, pay-as-you-play daily fee options, tournaments, and practice facilities throughout the golf season. Revenue sources from municipal facilities include daily green fees, tournaments, golf shop sales, golf camps, golf carts, and food and beverage (often contracted to a third party).

Municipalities play a significant role in youth golf development as many junior golfers do not grow up as private club members and seek municipal courses to learn and play. Junior golf camps, lessons, and tournaments are key to sustaining a life-long interest in golf. Government grants, bursaries, and initiatives through Golf Canada for long-term player development rely on municipal golf courses and professional staff to facilitate growth opportunities.

For convenience and affordable access, many city-owned golf courses are on public transit routes to offer safe and affordable access for all ages and abilities. In London, ON, Fanshawe Golf Course has 36 holes of championship and nine holes of executive golf. The Parkside 9 is the first in Canada to be fully accessible to physically challenged golfers and offers engagement for the entire family to learn and enjoy the game. There is no charge to play as a municipal golf course; golfers can use it on a first-come, first-serve basis. [Golf courses | City of London](#)

Golf Simulators

If you watch golf on TV, you've undoubtedly seen players on the range, hitting a shot and then looking down at what appears to be an iPad. No, they're not checking their email or Facetiming their friends. They check their club path, spin rate, club head speed, launch angle, carry and total distance, smash factor and much more on a launch monitor. And, more than likely, they have a full golf simulator at home.



"Golf Canada Twitter Post" surveyed planned golf simulator use in 2021, where 61.1% of respondents planned to use a simulator, 24.2% did not and 14.7% said they might—included for educational purposes under fair dealing.

What's the Difference?

> "The best way I can describe it is that the launch monitor is the engine, and the simulator is the entire car." — Aaron Hardy of *Foresight Sports Canada* (Foresight Sports, 2023).

Hardy is the exclusive Canadian distributor of Foresight, a product used by more than 170 PGA TOUR pros. TrackMan and SkyTrak are other popular products golfers and instructors use worldwide, among other reputable brands. While a monitor is portable, a simulator is a permanent or semi-permanent installation that may include some or all of the following: a monitor, net or screen, hitting mat, laptop computer, projector and, of course, a suitable indoor space. You can virtually play some of the world's most famous courses. Foresight even offers a "Canadian course mega-deal" software package that bundles Glen Abbey Golf Club, Essex Golf and Country Club and Cobble Beach Golf Links.

Do you need a launch monitor and a simulator?

Yes, if you're a serious golfer, according to Harry Nodwell, Senior Director of Product Testing at My Golf Spy, an independent online reviewer and evaluator of all things golf. "It's a must-have to get feedback and dial in your game all year round." That last bit is significant for golfers trapped indoors during a Canadian winter (Gordon, 2021).

Golf simulators have revolutionized how golf enthusiasts experience and engage with the sport, offering many benefits that extend far beyond the traditional greens. Whether driven by adverse weather conditions, time constraints, or a desire for continuous improvement, golfers are increasingly turning to these high-tech setups. In this exploration, we delve into the myriad advantages of utilizing a golf simulator, from weather-independent play to the unparalleled opportunity for year-round practice and entertainment.

Ten key points that underscore the significance of incorporating a golf simulator into one's golfing lifestyle:

1. **Weather Doesn't Matter:**

   Golf simulators provide the flexibility to play and practice regardless of weather conditions. Whether it's raining, snowing, or too hot outside, golf enthusiasts can still enjoy the game within the comfort of their own home or indoor facility.

2. **Game Improvement 24/7:**

   With a golf simulator, players have the opportunity to work on their game at any time of day or night. This accessibility enables consistent practice, leading to improved skills and overall performance. Players can focus on specific aspects of their game, such as putting, driving, or iron play, without limitations imposed by traditional outdoor constraints.

3. **Entertainment 365 Days A Year:**

   Beyond practice, golf simulators offer a wide range of entertainment options. Users can play virtual rounds with friends, participate in online tournaments, or even engage in mini-games and challenges. This constant availability enhances the overall enjoyment of the sport.

4. **Course Selection – Unlimited Options:**

   Golf simulators typically come with a vast library of virtual courses from around the world. This allows players to experience different terrains, challenges, and designs without leaving their location. The variety adds an exciting dimension to the game, offering a virtual golfing tour from the convenience of one's home.

5. **Play in a 1/4 of the Time:**

   Unlike traditional golf rounds, which can take several hours, using a simulator allows players to complete a round much more quickly. This time efficiency is appealing to individuals with busy schedules who still want to enjoy a full golfing experience in a fraction of the time.

6. **Quality Data and Feedback:**

   Golf simulators provide detailed data and analytics on each swing, including club speed, ball speed, launch angle, and spin rate. This information is invaluable for players looking to refine their technique, identify weaknesses, and track their progress over time.

7. **Easy To Record Your Swing:**

   Most golf simulators come equipped with recording capabilities, allowing players to analyze their swings in real time or review them later. This feature facilitates self-correction and provides a visual reference for understanding and refining the mechanics of one's golf swing.

8. **Affordable – Cost Per Round is Incredible:**

   While the initial investment in a golf simulator might seem significant, the long-term cost per round is often much lower than traditional golfing expenses. Players save money on green fees, travel, and other associated costs, making it a cost-effective alternative in the long run.

9. **Stay Sharp Year Round:**

    Golf simulators enable players to maintain their skills and stay in golfing shape throughout the entire year. This consistency helps prevent skill degradation during off-seasons, ensuring that players can return to the course at their best when outdoor conditions permit.

10. **Become An Elite Ball Striker:**

    The continuous feedback, practice opportunities, and detailed performance metrics provided by golf simulators contribute to the development of elite ball-striking skills. Players who consistently use simulators have the potential to refine their technique, leading to more accurate and powerful shots on the golf course.

(Cero Golf, 2024)

Golf on TV

According to Ed Desser, a sports media consultant and rights expert, "media rights are important in two fundamental ways; first and foremost, it's the way the vast majority of consumers experience the sport. So, that's at the top of the pyramid. Secondarily, it's one of the largest revenue streams that any sport generates" (Colgan, 2022).

Golf Gambling

This latest surge in legal sports betting dates to 2018, when the U.S. Supreme Court overturned the Professional and Amateur Sports Protection Act of 1992. Since 2018, 21 states and D.C. have joined Nevada in permitting legal sports betting. Gamblers legally bet more than $13 billion on sports in 2019, up from $6.6 billion in 2018.

Golf still represents just a tiny sliver of that pie. It accounted for about 1 percent of all legal sports betting in 2019, or roughly $150 million in wagers. But betting companies, known as sportsbooks, are bullish on its growth potential. "We always treated golf like NASCAR or auto racing—somewhat ancillary sports," says Jeff Sherman, vice president of risk management and an oddsmaker at Las Vegas-based Superbook USA. "Lately, golf has accelerated past NASCAR. It'll never touch betting interest in major sports and college football and basketball, but it's right behind it. People love to bet a little to win a lot, and that's exactly what golf offers with so many different golfers, often at high odds." (Hennessey, n.d.)

Key Takeaways

The game of golf is growing in popularity and economic value. The industry growth has provided marketing opportunities with new demographics. The country club is a social environment designed to provide familiar comfort and community.

1.3 Why Study Marketing?

Effective Marketing: Why Loyalty?

Products don't, contrary to popular belief, sell themselves. Generally, the "build it and they will come" philosophy doesn't work. Good marketing educates customers so that they can find the products they want, make better choices about those products, and extract the most value from them. In this way, marketing helps facilitate exchanges between buyers and sellers for the mutual benefit of both parties. Likewise, good **social marketing** provides people with information and helps them make healthier decisions for themselves and others.

Of course, all business students should understand all functional areas of the firm, including marketing. There is more to marketing, however than simply understanding its role in the business. Marketing has a tremendous impact on society.

Marketing Benefits Society

Marketing benefits society in general by improving people's lives in two ways. First, as we mentioned, it facilitates trade. In economics, being able to trade makes people's lives better. Otherwise, people wouldn't do it. In addition, because better marketing means more successful companies, jobs are created. This generates wealth for people, who can then make purchases, which, in turn, creates more jobs.

The second way in which marketing improves the quality of life is based on the value delivery function of marketing but in a broader sense. When you add all the marketers together who are trying to deliver offerings of greater value to consumers and are effectively communicating that value, consumers are able to make more informed decisions about a wider array of choices. From an economic perspective, more choices and smarter consumers are indicative of a higher quality of life.

Marketing Costs Money

Marketing can sometimes be the largest expense associated with producing a product. In the soft drink business, marketing expenses account for about one-third of a product's price—about the same as the ingredients used to make the soft drink itself. At the bottling and retailing level, the expenses involved in marketing a drink to consumers like you and me make up the product's largest cost.

Some people argue that society does not benefit from marketing when it represents such a huge chunk of a product's final price. In some cases, that argument is justified. Yet when marketing results in more informed consumers receiving a greater amount of value, then the cost is justified.

Marketing Offers People Career Opportunities

Marketing is the interface between producers and consumers. In other words, it is the one function in the organization in which the entire business comes together. Being responsible for both making money for your company and delivering satisfaction to your customers makes marketing a great career. In addition, because marketing can be such an expensive part of a business and is so critical to its success, companies actively seek good marketing people. At the beginning of each chapter in this book, we profile a person in the marketing profession and let that person describe for you what he or she does. There's a great variety of jobs available in the marketing profession. These positions represent only a few of the opportunities available in marketing.

- **Marketing research.** Personnel in marketing research are responsible for studying markets and customers in order to understand what strategies or tactics might work best for firms.
- **Merchandising.** In retailing, merchandisers are responsible for developing strategies regarding what products wholesalers should carry to sell to retailers such as Target and Walmart.
- **Sales.** Salespeople meet with customers, determine their needs, propose offerings, and make sure that the customer is satisfied. Sales departments can also include sales support teams who work on creating the offering.
- **Advertising.** Whether it's for an advertising agency or inside a company, some marketing personnel work on advertising. Television commercials and print ads are only part of the advertising mix. Many people who work in advertising spend all their time creating advertising for electronic media, such as websites and their pop-up ads, podcasts, and the like.
- **Product development.** People in product development are responsible for identifying and creating features that meet the needs of a firm's customers. They often work with engineers or other technical personnel to ensure that value is created.
- **Direct marketing.** Professionals in direct marketing communicate directly with customers about a company's product offerings via channels such as e-mail, chat lines, telephone, or direct mail.
- **Digital media.** Digital media professionals combine advertising, direct marketing, and other areas of marketing to communicate directly with customers via social media, the web, and mobile media (including texts). They also work with statisticians to determine which consumers receive which message and with IT professionals to create the right look and feel for digital media.
- **Event marketing.** Some marketing personnel plan special events, orchestrating face-to-face conversations with potential and current customers in a special setting.
- **Nonprofit marketing.** Nonprofit marketers often don't get to do everything listed previously, as nonprofits typically have smaller budgets. But their work is always very important as they try to change behaviours without having a product to sell.

A career in marketing can begin in several different ways. Entry-level positions for new college graduates are available in many previously mentioned positions. A growing number of CEOs are people with marketing backgrounds.

Key Takeaways

By facilitating transactions, marketing delivers value to both consumers and firms. At the broader level, this process creates jobs and improves the quality of life in a society. Marketing can be costly, so firms need to hire good people to manage their marketing activities. Being responsible for both making money for your company and delivering satisfaction to your customers makes marketing a great career.

1.4 Typical Marketing Channels

The Alignment of B2B Marketing and the Game of Golf

Read the golf analogy about B2B Marketing at [6 Ways B2B Marketing & Golf Disciplines Coincide (barkb2b.com)]

Figure 1.4.1 shows the typical channels in business-to-consumer (B2C) markets. As we explained, the shortest marketing channel consists of just two parties—a producer and a consumer. A channel such as this is a **direct channel**. By contrast, a channel that includes one or more intermediaries—say, a wholesaler, distributor, broker or agent—is an indirect channel. In an **indirect channel**, the product passes through one or more intermediaries. That doesn't mean the producer will do no marketing directly to consumers. Levi's runs ads on TV that are designed to appeal directly to consumers. The makers of food products run coupon ads. However, the seller must also focus its selling efforts on these intermediaries because the intermediary can help with the selling effort. Not everyone wants to buy Levi's online.

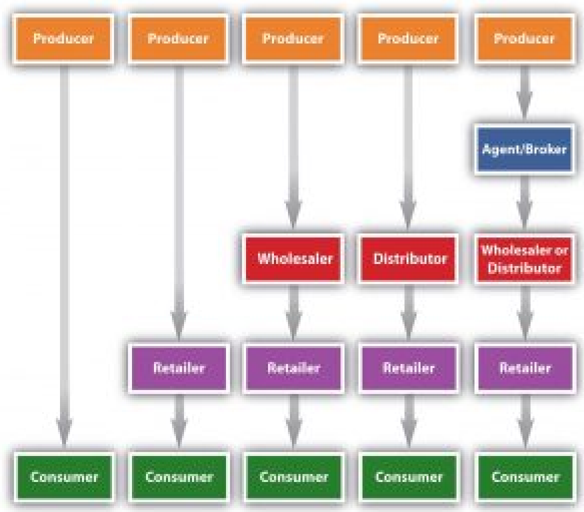


Figure 1.4.1: Typical Channels in Business-to-Consumer (B2C) Markets

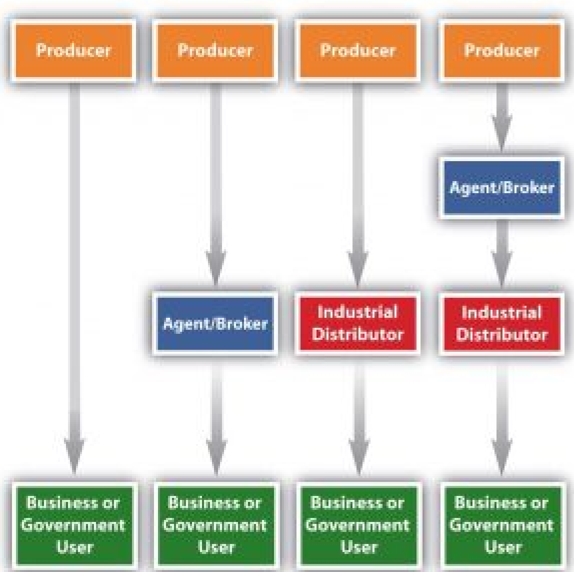


Figure 1.4.2: Typical Channels in Business-to-Business (B2B) Markets

Figure 1.4.2 shows the marketing channels common in business-to-business (B2B) markets. Notice how the channels resemble those in B2C markets, except that the products are sold to businesses and governments instead of consumers like you. The **industrial distributors** shown in Figure 1.4.2 are firms that supply products that businesses or government departments and agencies use but don't resell. Grainger Industrial Supply, which sells tens of thousands of products, is one of the world's largest industrial distributors. Nearly two million businesses and institutions in 150 countries buy products from the company, ranging from padlocks to painkillers.

Disintermediation

You might be tempted to think middlemen or intermediaries are bad. If you can cut them out of the deal—a process marketing professionals call **disintermediation**—products can be sold more cheaply, can't they? Large retailers, including Target and Walmart, sometimes bypass middlemen. Instead, they buy their products directly from manufacturers and then store and distribute them to their own retail outlets. Walmart is increasingly doing so and even purchasing produce directly from farmers around the world (Birchall, 2010). However, sometimes cutting out the middleman is desirable, but not always. A wholesaler with buying power and excellent warehousing capabilities might be able to purchase, store, and deliver a product to a seller more cheaply than its producer could, acting alone. Walmart doesn't need a wholesaler's buying power, but your local In 'n Out convenience store does. Likewise, hiring a distributor will cost a producer money. However, if the distributor can help the producer sell greater quantities of a product, it can increase the producer's profits.

Moreover, when you cut out the middlemen you work with, you have to perform the functions they once did. Maybe it's storing the product or dealing with hundreds of retailers. More than one producer has ditched its intermediaries and only rehired them later because of the hassles involved.

The trend today is toward disintermediation. The Internet has facilitated a certain amount of disintermediation by making it easier for consumers and businesses to contact one another without going through any middlemen. The Internet has also made it easier for buyers to shop for the lowest prices on products. Today, most people book trips online without going through travel agents. People also shop for homes online rather than using real estate agents. To remain in business, resellers need to find new ways to add value to products.

However, disintermediation via the Internet doesn't work so well for some products. Insurance is an example. You can buy it online directly from companies, but many people want to buy through an agent they can talk to for advice.

Sometimes, it's simply impossible to cut out middlemen. Would the Coca-Cola Company want to take the time and trouble to personally sell you an individual can of Coke? No. Coke is no more capable of selling individual Cokes to people than Santa is capable of delivering toys to children around the globe. Even Dell, which initially made its mark by selling computers straight to users, now sells its products through retailers such as Best Buy as well. Dell found that to compete effectively, its products needed to be placed in stores alongside Hewlett-Packard, Acer, and other computer brands (Kraemeer & Dedrick, 2008).

Multiple Channels and Alternate Channels

Marketing channels can get a lot more complex than the channels shown in Figure 1.4.1 and Figure 1.4.2 though. Look at the channels in Figure 1.4.3. Notice how, in some situations, a wholesaler will sell to brokers, who then sell to retailers and consumers. In other situations, a wholesaler will sell straight to retailers or straight to consumers. Manufacturers also sell straight to consumers and, as we explained, sell straight to large retailers like Target.

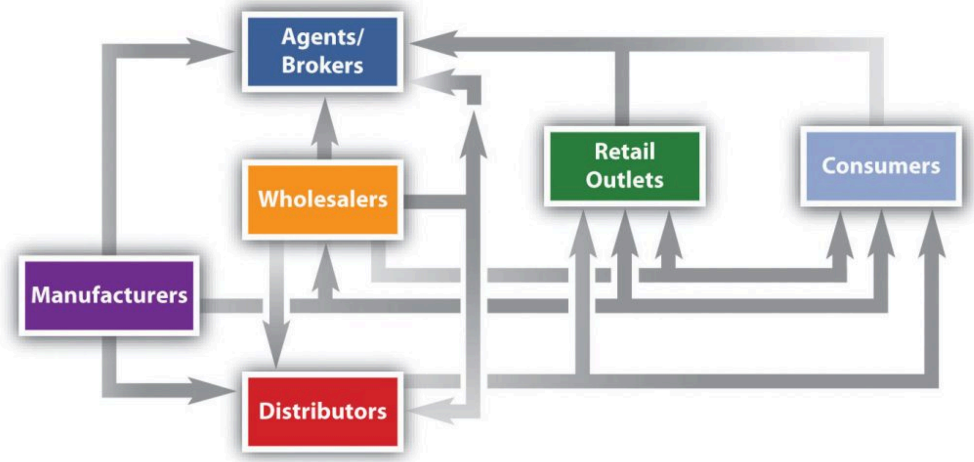


Figure 1.4.3: Alternate Channel Arrangements

The point is that firms can and do utilize multiple channels. Take Levi's, for example. You can buy a pair of Levi's from a retailer such as Kohl's, or you can buy a pair directly from Levi's at one of the outlet stores it owns around the country. You can also buy a pair from the Levi's website.

The key is understanding the different target markets for your product and designing the best channel to meet the needs of customers in each. Is there a group of buyers who would purchase your product if they could shop online from the convenience of their homes? Perhaps there is a group of customers interested in your product, but they do not want to pay full price. The ideal way to reach these people might be through an outlet store with low prices. Each group then needs to be marketed accordingly. Many people regularly interact with companies via numerous channels before making buying decisions.

Segmentation in B2B Markets

Many of the same bases used to segment consumer markets are also used to segment B2B markets. For example, Goya Foods is a U.S. food company that sells different ethnic products to grocery stores, depending on the demographic groups the stores serve—Hispanic, Mexican, or Spanish. Likewise, B2B sellers often divide their customers by geographic areas and tailor their products to them accordingly. Segmenting by behaviour is common as well. B2B sellers frequently divide their customers based on their product usage rates. Customers who order many goods and services from a seller often receive special deals and are served by salespeople who call on them in person. By contrast, smaller customers are more likely to have to rely on a firm's website, customer service people, and salespeople who call on them by telephone.

Researchers Matthew Harrison, Paul Hague, and Nick Hague have theorized that there are fewer behavioural and needs-based segments in B2B markets than in business-to-consumer (B2C) markets for two reasons: (1) business markets are made up of a few hundred customers, whereas consumer markets can be made up of hundreds of thousands of customers, and (2) businesses aren't as fickle as consumers. Unlike consumers, they aren't concerned about their social standing or influenced by their families and peers. Instead, businesses are concerned solely with buying products that will ultimately increase their profits. According to Harrison, Hague, and Hague, the behavioural, or needs-based, segments in B2B markets include the following:

- *A price-focused segment* is composed of small companies that have low profit margins and regard the good or service being sold as not being strategically important to their operations.

- *A quality and brand-focused segment* is composed of firms that want the best possible products and are prepared to pay for them.
- *A service-focused segment* is composed of firms that demand high-quality products and have top-notch delivery and service requirements.
- *A partnership-focused segment* is composed of firms that seek trust and reliability on the part of their suppliers and see them as strategic partners (Harrison & Hague, 2010).

B2B sellers, like B2C sellers, are exploring new ways to reach their target markets. Trade shows and direct mail campaigns are two traditional ways of reaching B2B markets. However, firms find they can target their B2B customers more cost-effectively via e-mail campaigns, search engine marketing, and “fan pages” on social networking sites.

International Marketing Channels

Consumer and business markets in the United States are well-developed and are slowly growing. However, the growth opportunities abound in other countries. Coca-Cola, in fact, earns most of its income abroad—not in the United States. The company’s latest push is into China, where the per-person consumption of ready-to-drink beverages is only about a third of the global average (Waldmeir, 2009).

The question is how to enter these markets. Via what marketing channels? Some third-world countries lack good intermediary systems. In these countries, firms are on their own in selling and distributing products downstream to users. Other countries have elaborate marketing channels that must be navigated. Consider Japan, for example. Japan has an extensive, complicated system of intermediaries, each of which demands a cut of a company’s profits. Carrefour, a global chain of hypermarkets, tried to expand there but eventually left the country because its marketing channel system was so complicated.

Walmart managed to develop a presence in Japan only after acquiring the Japanese supermarket operator Seiyu (Boyle, 2009). Acquiring part or all of a foreign company is a common strategy for companies. It is referred to as making a direct foreign investment. However, as you learned, some nations don’t allow foreign companies to do business within their borders or buy local companies. The Chinese government blocked Coca-Cola from buying Huiyuan Juice, the country’s largest beverage maker.

Corruption and unstable governments also make it difficult to do business in some countries. The banana company Chiquita found itself in the bad position of having to pay off rebels in Colombia to prevent them from seizing the banana plantations of one of its subsidiaries.

A joint venture is one of the easier ways of utilizing intermediaries to expand abroad. A joint venture is an entity created when two parties agree to share their profits, losses, and control with one another in an economic activity they jointly undertake. The German automaker Volkswagen has struggled to penetrate Asian markets. It recently signed an agreement with Suzuki, the Japanese company, in an effort to challenge Toyota’s dominance in Asia. Will it work? Time will tell. Many joint ventures fail, particularly when they involve companies from different countries. Daimler-Chrysler, the union between the German car company and U.S. automaker Chrysler, is one of many joint ventures that fell by the wayside (Shafer & Reed, 2009). However, in some countries, such as India, it is the only way companies are allowed to do business within their borders.

Figure 1.4.4: McDonald's opened a franchise in the Louvre. How about a little art with your Big Mac? "Louvre" by Juan Salmoral, CC BY-NC-ND 2.0.

An even easier way to enter markets is to simply export your products. Microsoft hasn't done well with its Zune MP3 player in the United States. It subsequently redesigned the product and launched it in other countries (Bradshaw, 2009). Companies can sell their products directly to other firms abroad, or they can hire intermediaries such as brokers and agents who specialize in international exporting to help them find potential buyers for their products.

Recall that many companies, particularly those in the United States, have expanded their operations via franchising. Franchising grants an independent operator the right to use a company's business model, name, techniques, and trademarks for a fee. McDonald's is the classic example of a franchise. Unlike Walmart, McDonald's has had no trouble making headway in Japan. It has done so by selling thousands of franchises there. Japan is McDonald's second-largest market after the United States. The company also has thousands of franchises in Europe and other countries. There is even a McDonald's franchise in the Louvre, the prestigious museum in Paris that houses the *Mona Lisa*. Licensing is similar to franchising. For a fee, a firm can buy the right to use another firm's manufacturing processes, trade secrets, patents, and trademarks for a certain period.

Key Takeaways

A direct marketing channel consists of just two parties—a producer and a consumer. By contrast, a channel that includes one or more intermediaries (wholesaler, distributor, broker or agent) is an indirect channel. Firms often utilize multiple channels to reach more customers and increase their effectiveness. Some companies find ways to increase their sales by forming strategic channel alliances with one another. Other companies look for ways to cut out the middlemen from the channel, a process known as disintermediation. Direct foreign investment, joint ventures, exporting, franchising, and licensing are some of the channels by which firms attempt to enter foreign markets.

1.5 Market Segmentation

The segments or groups of people and organizations you decide to sell to are called a **target market**. Targeted marketing, or differentiated marketing, means that you may differentiate some aspect of marketing (offering, promotion, price) for different groups of customers selected. It is a relatively new phenomenon. Mass marketing, or undifferentiated marketing**,** came first. It evolved with mass production and involves selling the same product to everybody. You can think of mass marketing as a shotgun approach: you blast out as many marketing messages as possible on every medium available as often as you can afford (Spellings, 2009). Contrastingly, targeted marketing is more like shooting a rifle; you carefully aim at one type of customer with your message.

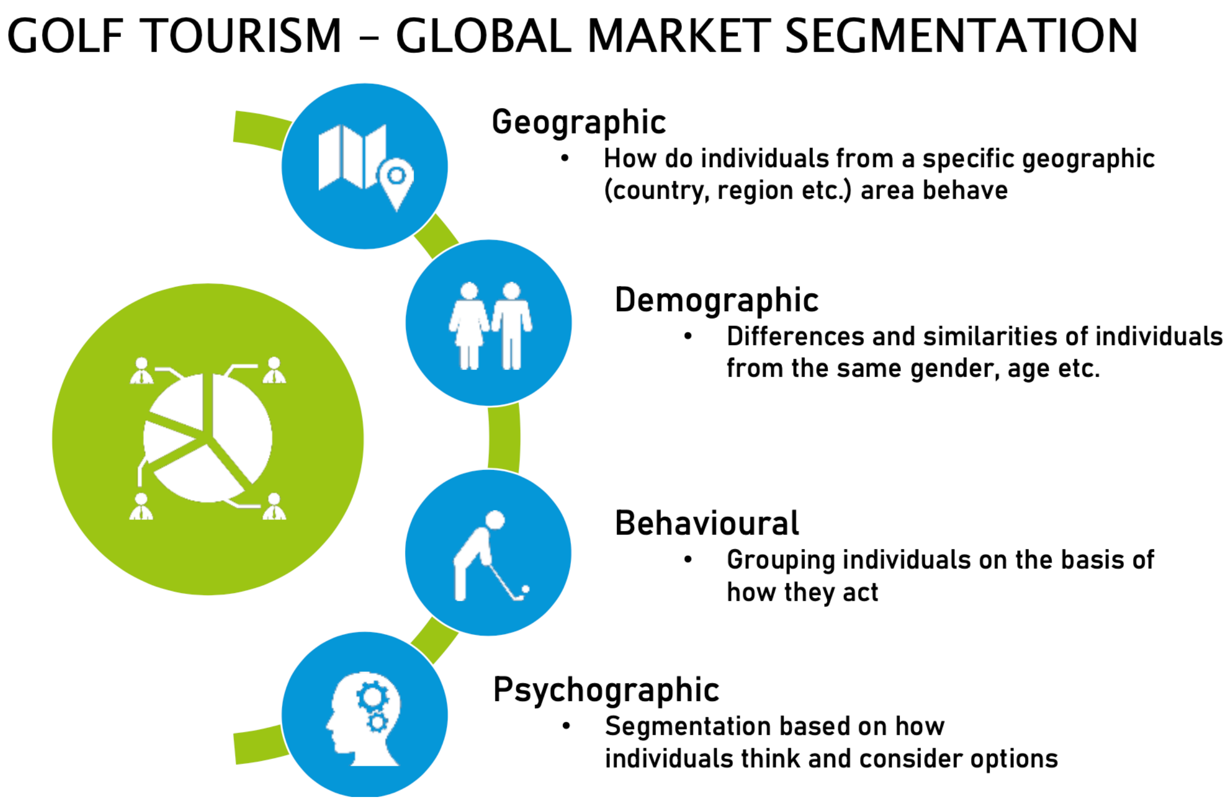


Figure 1.5.1. "Golf Tourism – Global Market Segmentation" by Sporting Insights. Included for educational purposes under fair dealing. Global Market Segmentation includes Geographic(How do individuals from a specific geographic (country, region, etc.) area behave); Demographic (Differences and similarities of individuals from the same gender, age, etc.); Behavioural (Grouping individuals based on how they act); Psychographic (Segmentation based on how individuals think and consider options)

Age and Lifecycle Segments

Consumer needs and desires change with age. Many tourism organizations offer different marketing strategies to target various age and family lifecycle (or life stage) segments.

Example

An example is the tourism organization Retallack Resort, situated in Cornwall, south-west England, a luxury holiday resort catering for children and teenagers. Tour operators such as Saga Holidays and Contiki Tours (formerly Contiki Holidays for 18–35s) specialize by age. Saga Holidays specializes in holidays for the over-50s, whereas Contiki Tours targets youth and young adult travellers. Many tour operators, such as Exodus Travels, Wild Frontiers, and Highland Fling Bungee, target adventure-type holidays (bungee-jumping, cycling and white-water rafting, for example) aimed at consumers aged between 25 and 45. Similarly, the travel agency chain Student Flights targets the under 35s, the tour operator Contiki Tours 18–35s aims at the 18 to 35 market and the travel company Topdeck targets the "18 to 30 southings". Tourism marketers must, however, be careful not to stereotype when using age and life cycle segmentation.

Some 75-year-olds might require disabled facilities at service providers such as B&Bs, while other 70-year-olds may take active sporting holidays. Similarly, some 40-year-old couples are sending their children off to university while others are beginning new families. Indeed, a marketer's expectation that age equates to a life stage is eroding; the 30-year-old of the future may not be forming a family, and the 60-year-old is as likely to be running a business from their garage. Age should, therefore, not be used as an indicator of a person's life cycle stage, family status, health, or buying power.

Types of Segmentation Bases

There are standard ways of segmenting buyers used to segment markets. Notice that the characteristics fall into one of four segmentation categories: *behavioural*, *demographic*, *geographic*, or *psychographic*. We'll discuss each of these categories in a moment. For now, you can get a rough idea of what the categories consist of by looking at them in terms of how marketing professionals might answer the following questions:

- **Behavioural segmentation.** What benefits do customers want, and how do they use our product?
- **Demographic segmentation.** How do the ages, races, and ethnic backgrounds of our customers affect what they buy?
- **Geographic segmentation.** Where are our customers located, and how can we reach them? What products do they buy based on their locations?
- **Psychographic segmentation.** What do our customers think about and value? How do they live their lives?

Segmenting by Behaviour

Behavioural segmentation divides people and organizations into groups according to how they behave with or act toward products. *Benefits segmentation*—segmenting buyers by the benefits they want from products—is very common. Take toothpaste, for example. Which benefit is most important to you when you buy a toothpaste: The toothpaste's price, ability to whiten your teeth, fight tooth decay, freshen your breath, or something else? Perhaps it's a combination of two or more benefits. If marketing professionals know what those benefits are, they can tailor different toothpaste offerings to you (and others like you). For example, Colgate 2-in-1 Toothpaste & Mouthwash and Whitening Icy Blast are aimed at people who want the benefits of both fresher breath and whiter teeth.

Another way in which businesses segment buyers is by their usage rates—that is, how often, if ever, they use certain products. Harrah's, an entertainment and gaming company, gathers information about the people who gamble at its casinos. High rollers, or people who spend a lot of money, are considered "VIPs." VIPs get special treatment, including a personal "host" who looks after their needs during their casino visits. Companies are interested in frequent users because they want to reach other people like them. They are also keenly interested in nonusers and how they can be persuaded to use products. The membership model is based on repeat business driven by loyalty and member incentives to concentrate spending activity at the club.

Example

Glad, the company that makes plastic wrap and bags found customers were using its Press'n Seal wrap in ways the company could never have imagined. The personnel in Glad's marketing department subsequently launched a website called 1000uses.com that contains tips on both the company's and consumers' use. Some of the ways people use the product are pretty unusual, as evidenced by the following comment on the site: "I have a hedgehog who likes to run on his wheel a lot. After cleaning a gross wheel every morning, I got the tip to use 'Press'n Seal wrap' on his wheel, making cleaning up much easier! My hedgie can run all he wants, and I don't have to think about the cleanup. Now we're both GLAD!" (What a marketing dream!)

Segmenting by Demographics

Demographic segmentation segments buyers by personal characteristics such as age, income, ethnicity and nationality, education, occupation, religion, social class, and family size. Demographics are commonly utilized to segment markets because demographic information is publicly available in databases worldwide.

Age

Table 1.5.2-U.S. Generations and Characteristics

Generation	Also Known As	Birth Years	Characteristics
Seniors	“The Silent Generation,” “Matures,” “Veterans,” and “Traditionalists”	1945 and prior	• Experienced very limited credit growing up • Tend to live within their means • Spend more on health care than any other age group • Internet usage rates are increasing faster than any other group
Baby Boomers		1946-1964	• Second-largest generation in the United States • Grew up in prosperous times before the widespread use of credit • Account for 50 percent of U.S. consumer spending • Willing to use new technologies as they see fit
Generation X		1965-1979	• Comfortable but cautious about borrowing • Buying habits characterized by their life stages • Embrace technology and multitasking
Generation Y	“Millennials,” “Echo Boomers,” includes “Tweens” (preteens)	1980–2000	• Largest U.S. generation • Grew up with credit cards • Adept at multitasking; technology use is innate • Ignore irrelevant media
Note: Not all demographers agree on the cutoff dates between the generations.			

Although it’s hard to be all things to all people, many companies try to broaden their customer bases by appealing to multiple generations so they don’t lose market share when demographics change. Several companies have introduced lower-cost brands targeting Generation Xers with less spending power than boomers.

Golf Example

GGA Partners, the National Collegiate Club Golf Association (NCCGA), and The City Tour have jointly published a research study titled “Beyond Millennials: Emerging Generations and the Impact of Family” in the context of the contemporary golf landscape.

The surge in golf's popularity amid the COVID-19 pandemic is widely acknowledged. In both 2020 and 2021, golf emerged as a low-risk outdoor activity, with 60% of respondents in our 2021 Industry Survey expressing an increased significance of golf in their lives due to the pandemic. While the figure dipped to 53% in 2022, the sustained interest in golf remains evident despite the easing of pandemic threats and associated restrictions. As the sport gains more attention, novel challenges are concurrently exerting additional pressures on golf enthusiasts.

Here are three notable insights derived from this year's research:

1. Millennials exhibit a notably lower engagement in golf compared to both Gen X and Gen Z. Intriguingly, singles tend to play slightly more golf than their partnered counterparts, with the highest participation observed among widowed, separated, or divorced players within this demographic.
2. Generation Z is inclined to play golf more frequently with family members, in contrast to Gen X. Millennials, on the other hand, tend to favour playing with friends over family. Generation X is more likely to play with fellow members, while Generation Z exhibits lower-than-expected interest in playing with members.
3. Gen Z golfers are identified as the group that spends the least on greens fees and additional expenses at the course. Conversely, millennials express the highest interest in investing more in greens fees, while Gen X is positioned as the cohort that spends the most during their time at the course.

Furthermore, survey findings reveal that two-thirds of respondents are willing to increase their spending on golf-related activities, with 50% expressing a willingness to invest up to $5,000 to join a private club. Interestingly, Gen X demonstrates a higher spending threshold ($6,758 USD) compared to both Gen Z and Millennials, who indicate a slightly lower willingness to spend ($6,100 USD). Respondents who are widowed or divorced express the highest willingness to spend ($6,818 USD), while singles exhibit the lowest willingness to spend ($6,022 USD) (GGA Partners, 2022).

Income

Income is a segmentation variable because it indicates a group's buying power and may partially reflect their education levels, occupation, and social classes. Higher education levels usually result in higher-paying jobs and greater social status. The makers of upscale products such as Rolexes and Lamborghinis aim their products at high-income groups. However, a growing number of firms today are aiming their products at lower-income consumers. The fastest-growing product in the financial services sector is prepaid debit cards, most of which are bought and used by people who don't have bank accounts. Firms find this group is a large, untapped pool of customers who tend to be more brand loyal than most. If you capture enough of them, you can earn a profit. Based on the targeted market, businesses can determine the location and type of stores where they want to sell their products. Sometimes, income isn't always indicative of who will buy your product. Companies know that many consumers want to be in higher income groups and behave like they are already part of them.

Golf Example

Figure 1.5.2 Callaway Golf Hat by Andre Pan, CC BY-NC-ND 2.0.

Callaway Golf sells a wide range of golf clubs to cater to all income and skill levels. Callaway chooses appropriate distribution channels to target their audience effectively and create value. Higher-end clubs such as forged club heads, tour designs, and upgraded shafts are distributed through golf courses in pro shops and golf-specific stores such as Golftown. At these locations, the golfer engages with a product representative to get educated and custom fit for personal golf clubs, which are then ordered from the manufacturer and carry a higher price tag. Callaway recognizes the massive opportunity that remains for golfers who may be at a lower income level or interest level yet still seek to participate in the sport and invest in equipment. Stores such as Costco and Canadian Tire sell Callaway golf clubs that are aimed at the price-conscious consumer seeking brand value. These golf clubs generally cost less to manufacture, they are standardized for mass production and are sold 'off the rack' without the frills and service of a golf store.

Geography

Suppose your great new product or service idea involves opening a local store. Before opening the store, you will probably want to research to determine which geographical areas have the best potential. For instance, if your business is a high-end restaurant, should it be near the local college or country club? If you sell ski equipment, you probably will want to locate your shop in the vicinity of a mountain range with skiing. You might see a snowboard shop in the same area, but probably not a surfboard shop. By contrast, a surfboard shop will likely be located along the coast, but you probably would not find a snowboard shop on the beach.

Geographic segmentation divides the market into areas based on location and explains why the checkout clerks sometimes ask for your postal code. It's also why businesses print codes on coupons that correspond to postal codes. When the coupons are redeemed, the store can find out where its customers are or are not. Geocoding is a process that takes data such as this and plots it on a map. Geocoding can help businesses see where prospective customers might be clustered and target them with various ad campaigns, including direct mail.

Proximity marketing is an interesting new technology firms use to segment and target buyers geographically within a few hundred feet of their businesses using wireless technology. In some areas, you can switch your mobile phone to a "discoverable mode" while you're shopping and, if you want, get ads and deals from stores as you pass by them, which is often less expensive than hiring people to hand you a flier as you walk by.

In addition to figuring out where to locate stores and advertise to customers in that area, geographic segmentation helps firms tailor their products. Chances are you won't be able to find the same heavy winter coat you see at a Walmart in Montana at a Walmart in Florida because of the climate differences between the two places. Market researchers also look at migration patterns to evaluate opportunities.

Psychographics

If your offering fulfills the needs of a specific demographic group, then the demographic can be an important basis for identifying groups of consumers interested in your product. What if your product crosses several market segments?

Example

For example, the group of potential consumers for cereal could be "almost" everyone, although groups of people may have different needs for their cereal. Some consumers might be interested in the fibre, some consumers (especially children) may be interested in the prize that comes in the box, other consumers may be interested in the added vitamins, and still other consumers may be interested in the type of grains.

Associating these specific needs with consumers in a particular demographic group could be difficult. Marketing professionals want to know *why* consumers behave the way they do, what is of high priority to them, or how they rank the importance of specific buying criteria. Psychographic segmentation can help fill in some of the blanks.

Psychographic information is frequently gathered via extensive surveys that ask people about their activities, interests, opinions, attitudes, values, and lifestyles. Based on responses to different questions, consumers were divided up into the following categories, each characterized by certain buying behaviours.

- *Innovators.* Innovators are successful, sophisticated, take-charge people with high self-esteem. Because they have such abundant resources, they exhibit all three primary motivations in varying degrees. They are change leaders and are the most receptive to new ideas and technologies. Innovators are very active consumers, and their purchases reflect cultivated tastes for upscale, niche products and services. Image is important to Innovators, not as evidence of status or power but as an expression of their taste, independence, and personality. Innovators are among the established and emerging leaders in business and government, yet they continue to seek challenges. Their lives are characterized by variety. Their possessions and recreation reflect a cultivated taste for the finer things in life.
- *Thinkers.* Thinkers are motivated by ideals. They are mature, satisfied, comfortable, and reflective people who value order, knowledge, and responsibility. They tend to be well-educated and actively seek out information in the decision-making process. They are well-informed about world and national events and are alert to opportunities to broaden their knowledge. Thinkers have a moderate respect for the status quo institutions of authority and social decorum but are open to considering new ideas. Although their incomes allow them many choices, Thinkers are conservative, practical consumers; they look for durability, functionality, and value in the products they buy.
- *Achievers.* Motivated by the desire for achievement, Achievers have goal-oriented lifestyles and a deep commitment to career and family. Their social lives reflect this focus and are structured around family,

their place of worship, and work. Achievers live conventional lives, are politically conservative, and respect authority and the status quo. They value consensus, predictability, and stability over risk, intimacy, and self-discovery. With many wants and needs, Achievers are active in the consumer marketplace. Image is important to Achievers; they favour established, prestigious products and services that demonstrate success to their peers. Because of their busy lives, they are often interested in a variety of time-saving devices.

- *Experiencers.* Experiencers are motivated by self-expression. As young, enthusiastic, and impulsive consumers, Experiencers quickly become enthusiastic about new possibilities but are equally quick to cool. They seek variety and excitement, savouring the new, the offbeat, and the risky. Their energy finds an outlet in exercise, sports, outdoor recreation, and social activities. Experiencers are avid consumers and spend a comparatively high proportion of their income on fashion, entertainment, and socializing. Their purchases reflect the emphasis they place on looking good and having "cool" stuff.
- *Believers.* Like Thinkers, Believers are motivated by ideals. They are conservative, conventional people with concrete beliefs based on traditional, established codes: family, religion, community, and the nation. Many Believers express moral codes that are deeply rooted and literally interpreted. They follow established routines, organized in large part around home, family, community, and social or religious organizations to which they belong. As consumers, Believers are predictable; they choose familiar products and established brands and are generally loyal.
- *Strivers.* Strivers are trendy and fun-loving. Because they are motivated by achievement, Strivers are concerned about the opinions and approval of others. Money defines success for Strivers, who don't have enough of it to meet their desires. They favour stylish products that emulate the purchases of people with greater material wealth. Many see themselves as having a job rather than a career, and a lack of skills and focus often prevents them from moving ahead. Strivers are active consumers because shopping is both a social activity and an opportunity to demonstrate to peers their ability to buy. As consumers, they are as impulsive as their financial circumstances will allow.
- *Makers.* Like Experiencers, Makers are motivated by self-expression. They express themselves and experience the world by working on it—building a house, raising children, fixing a car, or canning vegetables—and have enough skill and energy to carry out their projects successfully. Makers are practical people who have constructive skills and value self-sufficiency. They live within a traditional context of family, practical work, and physical recreation and have little interest in what lies outside that context. Makers are suspicious of new ideas and large institutions such as big business. They are respectful of government authority and organized labour but resentful of government intrusion on individual rights. They are unimpressed by material possessions other than those with a practical or functional purpose. Because they prefer value to luxury, they buy basic products.
- *Survivors.* Survivors live narrowly focused lives. With few resources with which to cope, they often believe that the world is changing too quickly. They are comfortable with the familiar and are primarily concerned with safety and security. Survivors do not show a strong primary motivation because they must focus on meeting needs rather than fulfilling desires. Survivors are cautious consumers. They represent a very modest market for most products and services. They are loyal to their favourite brands, especially if they can purchase them at a discount (Strategic Business Insights, n.d.).

VALS surveys have been adapted and used to study buying behaviour in other countries, too. Note that both VALS and PRIZM group buyers are based on their values and lifestyles, but PRIZM also overlays the information with geographic data. As a result, you can gauge the buying habits of people in specific postal codes, which can be helpful if you are trying to figure out where to locate stores and retail outlets (Strategic Business Insights, n.d.).

Key Takeaways

Segmentation bases are criteria used to classify buyers. The buyer characteristics used to segment consumer markets are behavioural, demographic, geographic, and psychographic. Behavioural segmentation divides people and organizations into groups according to how they behave with or toward products. Segmenting buyers by personal characteristics such as their age, income, ethnicity, family size, and so forth is called demographic segmentation. Geographic segmentation involves segmenting buyers based on where they live. Psychographic segmentation seeks to differentiate buyers based on their activities, interests, opinions, attitudes, values, and lifestyles. Often, a firm uses multiple bases to get a fuller picture of its customers and create value for them. Marketing professionals develop consumer insight when they gather both quantitative and qualitative information about their customers. Many of the same bases used to segment consumer markets are used to segment business-to-business (B2B) markets. However, there are generally fewer behavioural-based segments in B2B markets.

1.6 Chapter Summary

Marketing, as defined by the American Marketing Association, extends beyond conventional methods to include a range of activities influencing our daily lives. The golf industry serves as an example, emphasizing the importance of loyalty and relationships for profitability. The chapter discusses the growth of golf in Canada and explores new marketing opportunities driven by technology.

Despite challenges, efforts are underway to attract more participants to the golf industry—global trends such as urbanization and sustainability impact marketing strategies. The chapter highlights marketing's societal benefits, including facilitating trade, creating jobs, and enhancing the quality of life by providing informed choices. It concludes by introducing the significance of marketing channels based on demographics and value.

Review Questions

- What is the marketing mix?
- Describe the value-based marketing perspective.
- What is the personal value equation?
- How does marketing provide value?
- Why does marketing cost so much? Is marketing worth it?
- Why are direct marketing channels possible for some products and not others?
- Explain the value middlemen can add to products.
- Name some golf-related companies that have multiple marketing channels for their products. What are those channels?
- What buyer characteristics do companies look at when they segment markets?
- What two types of information do market researchers gather to develop consumer insight?

Activities

1. One of your friends is contemplating opening a golf simulator near your college campus. She seeks your advice about the size of the prospective customer base and assistance in running a marketing analysis using PESTEL. What strategies can you share with your friend to assist in launching the business?
2. You are considering working for United Way upon graduation. Explain how the nonprofit's marketing goals, strategies, and markets differ from those of a for-profit organization.
3. Think about the last time you ate at McDonald's. Evaluate your experience using the personal

value equation.

4. Marketing benefits organizations, customers, and society. Explain how an organization like the PGA Tour benefits the community in which it operates as well as society at large.
5. New market segment: Research statistics on new Canadians and brainstorm some strategies to grow the game to this segment of the population.

Key Terms

4 Ps of Marketing: A traditional view of marketing that a marketing plan is a mix of four components: product, promotion, place, and price.

Advertising: Is defined as promoting a product or service through the use of paid announcements (Dictionary.com, n.d.).

Behavioural Segmentation: What benefits do customers want, and how do they use the product?

Communicating: Means describing the offering and its value to your potential and current customers, as well as learning from customers what it is they want and like.

Creating: The process of collaborating with suppliers and customers to create offerings that have value.

Delivering: Providing offerings to the consumer in a way that optimizes value.

Demographic Segmentation: Segmenting buyers by personal characteristics such as age, income, ethnicity and nationality, education, occupation, religion, social class, and family size.

Digital Media: Combine advertising, direct marketing, and other areas of marketing to communicate directly with customers via social media, the web, and mobile media (including texts). They also work with statisticians in order to determine which consumers receive which message and with IT professionals to create the right look and feel of digital media.

Direct Channel: The shortest marketing channel consists of just two parties—a producer and a consumer.

Direct Marketing: Professionals in direct marketing communicate directly with customers about a company's product offerings via channels such as e-mail, chat lines, telephone, or direct mail.

Disintermediation: You might be tempted to think middlemen or intermediaries are bad. If you can cut them out of the deal—a process marketing professionals call disintermediation—products can be sold more cheaply, can't they? Large retailers, including Target and Walmart, sometimes bypass middlemen. Instead, they buy their products directly from manufacturers and then store and distribute them to their own retail outlets.

Event Marketing: Some marketing personnel plan special events, orchestrating face-to-face conversations with potential and current customers in a special setting.

Exchange/ Exchanging: Trading value for offerings, which can include cash for products and services; however, other exchanges can include trading information.

Geographic Segmentation: Divides the market into areas based on location and explains why the checkout clerks at stores sometimes ask for your zip code.

Hassle: Is the time and effort the consumer puts into the shopping process.

Indirect Channel: Channel that includes one or more intermediaries—say, a wholesaler, distributor, broker or agent.

Industrial Distributors: Firms that supply products that businesses or government departments and agencies use but don't resell.

Logistics: The processes and networks used to move and store materials within supply chains and move products to their final destination.

Marketing: Is defined by the American Marketing Association as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

Marketing Concept: A philosophy underlying all that marketers do requires that marketers seek to satisfy customers' wants and needs.

Marketing Mix: A marketing plan is a mix of product, promotion, place, and price.

Market-Oriented: Firms operating with the marketing concept.

Marketing Research: Personnel in marketing research are responsible for studying markets and customers in order to understand what strategies or tactics might work best for firms.

Merchandising: Merchandisers are responsible for developing strategies regarding what products wholesalers should carry to sell to retailers and how those products are displayed in stores.

Municipal facilities owned by the local municipal government, paid for by the taxpayers, are open to the public and are often the most cost-effective option to play the game.

Nonprofit Marketing: When an organization that is not pursuing a profit motive engages in marketing activities.

One-to-One Era: Competition is based on building relationships with customers one at a time and looking to serve each customer's needs individually.

Personal Value Equation: lValue = benefits received − [price + hassle].

Place: Getting the product to a point at which the customer can purchase it (delivering).

Practice facilities offer an alternative to playing golf on a golf course, including driving ranges, short-game facilities, mini-golf, simulators, and gyms.

Private country club: is a membership organization for golf, recreation and social activities.

Product: Goods and services (creating offerings).

Product Development: People in product development are responsible for identifying and creating features that meet the needs of a firm's customers. They often work with engineers or other technical personnel to ensure that value is created.

Production Orientated: Companies believed that a way to compete was to create products that were different from the competition, so many focused on product innovation. This focus on product innovation is called product orientation.

Promotion: An attempt by marketers to inform, persuade, or remind consumers to influence their opinion or elicit a response.

Price: The monetary amount charged for the product (exchanging).

Proximity Marketing: An interesting new technology firms are using to segment and target buyers geographically within a few hundred feet of their businesses using wireless technology

Psychographic Segmentation: What do customers think about and value? How do they live their lives?

Public golf courses: Courses open to the public and do not require a membership to book a tee time or use the facilities

Sales: Salespeople meet with customers, determine their needs, propose offerings, and make sure that the customer is satisfied. Sales departments can also include sales support teams who work on creating the offering.

Selling Orientation/Orientated: Companies who believe it is necessary to push products by heavily emphasizing advertising and selling.

Service-Dominant Logic: An approach to business that recognizes that consumers want value no matter how it is delivered, whether it's via a product, a service, or a combination of the two.

Service-Dominant Logic Era: This is an approach to business that recognizes that consumers want value no matter how it is delivered, whether it's via a product, a service, or a combination of the two.

Social Marketing: Marketing that is conducted in an effort to achieve certain social objectives.

Supply Chain: A number of organizations and functions that mine, make, assemble, or deliver materials and products from a manufacturer to consumers.

Target Market: The segment(s) or group(s) of people and organizations you decide to sell to.

Value: The benefits buyers receive that meet their needs- what the customer gets by purchasing and consuming a company's offering.

Value Era: A time when companies emphasize creating value for customers.

CHAPTER 2: SOCIAL MEDIA MARKETING

Chapter Outline

2.0 Learning Objectives
2.1 Social Media Marketing
2.2 Social Media Platforms and Use
2.3 Social Media in the Club Environment
2.4 A 6-step Social Media Marketing Framework
2.5 The Influence of Social Media on Marketing in the Golf Industry
2.6 Chapter Summary

2.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Define social media marketing.
- Differentiate between the various types of social media networks.
- Discuss how social media marketing is important to business.
- Explain the 6-step Social Media Marketing Framework.
- Detail how social media can be an effective tool within the club industry.

2.1 Social Media Marketing

What is Social Media Marketing?

Social Media Marketing encompasses online applications, networks, blogs, wikis, and other collaborative media for communicating brand messaging, conducting marketing, public relations, and creating rapport. Social media are distinctive for their networking capabilities: they allow people to reach and interact with one another through interconnected networks. This "social" phenomenon changes the power dynamic in marketing: no longer is the marketer the central gatekeeper for all communication about a product, service, brand, or organization. Social media allows organic dialogue and activity to happen directly between individuals, unmediated by a company. Companies can (and should) listen, learn, and find ways to participate authentically.

Social media marketing focuses on three primary objectives:

1. *Creating buzz***:** Developing and publishing messages (in a variety of formats–e.g., text, video, and images) that are disseminated via user-to-user contact
2. *Fostering community***:** Building ways for fans to engage with one another about a shared interest in a brand, product, or service
3. *Facilitating two-way communication:* Online conversations are not controlled by the organizations. Instead, social media promotes and encourages user participation, feedback, and dialogue.

How Social Media Marketing Works

Organizations have opportunities to use social media for marketing purposes in several ways: paid, earned, and owned social media activity.

- *Paid:* Paid social media activity includes advertisements on social media (placed in various locations), sponsored posts or content, and retargeting advertisements that target ads based on a consumer's previous actions. This social media activity is best suited for sales, lead generation, event participation, and incorporation into IMC campaigns.
- *Earned***:** Earned social media activity involves news organizations, thought leaders, or other individuals who create content about an organization. It is particularly suited to supporting public relations efforts.
- *Owned***:** Owned social media activity happens through social media accounts that an organization owns (e.g., Facebook page, Twitter handle, Instagram name, etc.). This activity is ideal for brand awareness, lead generation, and goals around engaging target audiences.

Effective use of social media to reach your target audience requires more effort by an organization than traditional marketing methods. An organization must create unique content and messaging and be prepared to engage in two-way communication regarding the content it produces and shares on social media. To be effective at using social media to reach target audiences, an organization must:

- *Create unique content, often***.** Social media, unlike traditional methods, cannot rely on static content. An organization must regularly publish new, unique content to stay relevant on any social media platform.
- *Ask questions.* To foster engagement, an organization must solicit feedback from users, customers, and prospects. This is critical to creating conversation, insight, and discussion on social media platforms.
- *Create short-form media***.** Most social media platforms have character limits per post. Users on social media expect to be able to scan their feed. Long posts (even within character limits) tend to underperform.

The more succinct an organization can be, the better.

- *Try different formats***.** Most social media platforms provide users with the option to add images and video to text. Social media is becoming an increasingly visual medium, where content that performs the best usually includes an image or video. Try to convert messages into images and video when possible for maximum reach.
- *Use a clear, immediate call to action***.** Social media works best for achieving marketing goals with a clear call to action that a user can do immediately from their computer or mobile device. Examples include 1) web traffic (click-through), 2) downloads of content (e.g., white papers, articles, etc.), 3) online purchases, and 4) engagement (comment, like, share, view, read).

Golf Example

In 2022, over 4.59 billion people were using social media worldwide, and this number is projected to increase to almost 6 billion by 2027 (Dixon, 2023). To increase social media engagement, golf courses should adopt various strategies. According to an article by Fore (n.d.), golf courses can share valuable information like news updates and tee-time registration links and develop engaging video ads. Diversifying posts with a mix of topics relevant to golf, including equipment reviews and tournament coverage, keeps the audience engaged. Another idea suggested by the article is to host giveaways that require participation. Social media channels can also be used to engage with the customer and answer important questions (Fore, n.d.).

Read: Best Ways for Golf Courses to Increase Social Media Engagement

Advantages and Disadvantages of Social Media Marketing

The advantages and benefits of social media marketing focus heavily on two-way and even multidirectional communication between customers, prospects, and advocates for your company or brand. Organizations are better equipped to understand and respond to market sentiment by listening and engaging in social media. Social media helps organizations identify and cultivate advocates for its products, services, and brand, including the emergence of customers who can become highly credible, trusted voices to help you sell. Unlike many other forms of marketing, social media are very measurable, allowing marketers to track online customer behaviour and how target audiences respond to content created by the organization. Social media offers a virtually unlimited audience for communicating and sharing key messages in the market. It also offers marketers the ability to relatively easily target and test the effectiveness of content using the various targeting capabilities of social media for location, interests, income, title, industry, and other sociographic differentiators.

Social media also carries a number of inherent challenges. Social media is a dynamic environment that requires significant effort to monitor and stay current. It is also difficult to continually create “share-worthy” content. The variety of social media tools makes it a challenge to understand which platforms to use for which target audiences and calls to action. Crisis communications can be difficult, too, particularly in the public environment of social media, in which it is difficult to contain or control communication. This means it can be difficult to mitigate the impact of a crisis on the brand.

One of the biggest challenges facing organizations is determining who should "own" the social media platforms for the organization. Too few hands to help means the burden of content creation is high on a single individual. However, having too many people often results in the duplication of efforts or conflicting content.

Key Takeaways

Social media marketing involves using platforms like networks, blogs, and wikis for brand messaging, marketing, and public relations. It stands out for its networking capabilities, allowing direct interaction between individuals rather than being mediated by a company. This shift changes the marketing power dynamic, making organic dialogue and activity key elements. The main goals are creating buzz through user-to-user message dissemination, fostering community engagement about a brand or product, and facilitating two-way communication, where online conversations are user-driven rather than organization-controlled.

Organizations should regularly create unique content, engage in two-way communication, use short-form media, try various formats (images, videos), and have clear calls to action. Benefits include two-way communication, better market sentiment understanding, cultivation of brand advocates, measurable customer behaviour, broad audience reach, and targeted content delivery. Challenges include the dynamic nature of social media, difficulty in creating engaging content, choosing appropriate platforms for target audiences, managing crisis communications, and deciding who should manage the social media presence.

2.2 Social Media Platforms and Use

Social Media Usage

Social media is complex and rapidly changing. While there is some overlap between personal and business, one way to improve the understanding of social media is to think about social media zones. Social media zones include social communities, publishing, entertainment, and commerce. Consider the different ways you use social media and the zones you utilize. You probably use all of the zones.

Social communities focus on activities and relationships and include social networking sites (online hosts such as Facebook and LinkedIn), forums, wikis, and message boards, channels where you may already participate. Think about your profile. Whatever you type becomes a digital version of you. In social communities, you communicate and socialize with others. While you may share information with others, you must be careful how much and what information you post.

Common Social Media Platforms

What's hot in social media is a moving target, but the following table lists and describes primary social media platforms.

Table 2.2.1 Common Social Media Platforms

Tool	Description
Blogs	Long- or short-form medium for communicating with audiences
YouTube	Video-hosting social media site
X	Short-form (140 characters) "microblogging" medium that is intended for text and image sharing
Facebook	Long-form (up to 2,000 characters per post) medium for sharing text, images, videos, and other multimedia content
TikTok	Short-form video content, where users can create, share, and view videos ranging from 15 seconds to three minutes in length.
Instagram	An image-based social network that is intended as a visual medium. Does not have capabilities to drive click-through rate (CTR) because posts offer no link option
Pinterest	Medium for sharing photos and visual content categorized by theme
LinkedIn	Long- or short-form medium for sharing text, images, videos, and other multimedia content targeted to the business community

Facebook

Facebook is a tool for sharing information and keeping in touch with people. According to Hubspot, Facebook is the most popular platform among marketers (Iskiev, 2024). Many of Facebook's 2.9 billion monthly users use the social media platform to engage with brands and discover new products. Shopify's Commerce Trends 2023 report also notes that 70% of global social media shoppers make purchases on Facebook either sometimes or all the time (Piccioli, 2023).

Instagram

Instagram has provided a platform for creators to access massive audiences and monetize their talents. Businesses, too, benefit from having a presence on the social platform that's a go-to for product discovery.

Boasting more than two billion monthly active users, Instagram continues to be a favourite among marketers for reaching potential customers. Even as TikTok and Snapchat maintain popularity with coveted Gen Z consumers, Instagram is expected to catch up in adoption by this demographic by 2025. Instagram's business and creator tools give you access to audience insights and other features to help you build your following and make sales.

Instagram marketing is the practice of using the platform to promote a business or personal brand to grow followers, drive traffic, generate brand awareness, or make sales. As with social media marketing on other channels, Instagram offers brands, businesses, and creators a number of ways to market to its users. These include Instagram Ads, sponsored posts and partnerships, and organic marketing through Instagram Stories, Reels, and posts.

X (formerly Twitter)

With its global reach spanning hundreds of millions of users, Twitter (now X) can give you access to a worldwide audience. Yet, the key to unlocking the app's business potential doesn't just lie in posting frequently or having a knack for viral social media content; it's rooted in understanding the analytics behind these tweets. X Analytics can help you gain data-driven insights that inform and elevate your content marketing strategy.

X Analytics is a powerful suite of tools for gauging the performance of your content on the social media platform. It gathers and visualizes data associated with your X profile and posts, providing valuable insights to shape your X marketing approach.

LinkedIn

All of the major social media platforms serve different audience segments. LinkedIn explicitly brands itself as a professional platform. For small business owners, it's a critical channel for both customer acquisition and business development. LinkedIn is a professional social network focused on business and employment-related content and connections. LinkedIn was founded in 2002, and as of 2023, the platform has over 900 million members in 200 countries worldwide.

Private LinkedIn users rely on the platform to find job opportunities, build their professional networks, build skills, and keep up to date with industry trends. Business owners use it for these purposes as well. They reach prospective customers and bring in new business, build relationships with other professionals in their industry, build their personal brands, and connect with job seekers. Business owners can use LinkedIn to reach new clients, increase brand loyalty by providing value to target customers, acquire new connections, and strengthen their professional networks. These best practices can help you effectively leverage LinkedIn for your business:

Snapchat

Snapchat is a social media platform that allows users to send photos, videos, and text messages on a one-to-one basis or to a group of people. The differentiator is that content disappears within 10 seconds, making it the perfect place to share authentic snaps. Utilizing Snapchat allows brands to reach a younger audience and foster a close-knit community. And, with more than 616 million users, there's plenty of opportunity for that. Instead of building a huge follower count, Snapchat lets you engage a smaller community of your most engaged followers to create an authentic relationship like no other platform. This is valuable, not just because an existing customer is 60-70% more likely to buy than a new one, but because these people are more likely to become advocates of your brand.

Old Milwaukee's Super Bowl XLVI Commercial

To see social media's impact, consider the buzz created by Old Milwaukee's commercial shown during Super Bowl XLVI, which only aired locally in North Platte, Nebraska. North Platte is the second smallest television market in the country, with only 15,000 homes. Still, it is the hometown of New England Patriot Danny Woodhead. At the same time, the thirty-second spot only targeted a small audience for $700–$1500 in the local market (compared to $3.5 million for the national thirty-second spot), and the commercial created more buzz than many nationally broadcast commercials (Gillette, 2012). The YouTube version shown in the following video has been viewed over a million times, much more than the always-popular Budweiser commercials. The commercial became so popular that Old Milwaukee linked it to the commercial on their web site. Talk about the impact of social media and bragging rights!

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=48#oembed-1

Video: "Will Ferrell Super Bowl Ad (Hi-Res) – Old Milwaukee" by Mediabistro [0:32] is licensed under the Standard YouTube License. A transcript *is not available*.

Key Takeaway

Social media uses technology and mobility to provide an interactive means of communication among people, organizations, and communities that are interconnected and interdependent. Social media zones include social communities, publishing, entertainment, and commerce. More companies are using social media to promote their products as well as to recruit.

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2.3 Social Media in the Club Environment

Technology is a Vehicle for Growth

Technology is integrated into every aspect of our society. In particular, social media dominates how people connect and develop personal or professional relationships. It's becoming increasingly rare to meet someone new through a casual conversation over coffee or a walk through the local park. From Facebook to X (formerly Twitter) or Tikok, youth engage each other through social media. In an always-connected world, golf allows our kids to develop genuine human relationships through physical encounters and unforgettable memories (Day, 2019).

Before diving into specific strategies and tactics of social media, let's review why social media is important to digital marketing. There are many advantages to using social media for professional purposes and to promote your organization, products, and services. Here are several areas where social media shines:

Connecting with New Audiences

Billions of people worldwide use social networks daily. Therefore, organizations need to be present for these online conversations and discussions. For example, 60% of Instagram users said they find new products on the platform, making it worthwhile to be there.

Building Relationships

Now, more than ever, it's critical for organizations to have a unique voice and engage with customers on a human level. Social media provides an easy way to do this, allowing marketers to create a brand personality as well as a voice that communicates brand values and engages the community.

Increasing Website Traffic

Suppose your community likes your social media content. In that case, they may seek out more information about your products and services on your website, which will result in more website traffic and potentially more sales.

Distributing Targeted Messaging

It's very easy to distribute ads on social platforms. Moreover, marketers can narrowly target their ads and messaging to match the specific needs and interests of their target audiences. Studies have shown that customers react better when advertisements are customized to their specific needs, and this strategy can result in increased interactions and interest.

Conducting Market Research

Social media isn't just great for interacting with your community; marketers can also use it to stay on top of what their competitors are doing. By listening to social media conversations, marketers can glean what is working well (or not) for their competitors. They can then build these insights into their social media marketing strategies and tactics.

Sharing Expertise

Social media sites provide many opportunities for organizations to both hear about and differentiate themselves from their competitors. Organizations can do this by showcasing themselves as industry leaders via engaging, insightful, and relevant content, e.g., by sharing creative visual content on Instagram, composing thoughtful blog posts on LinkedIn, or revealing a fresh viewpoint on Twitter.

Managing Reputation

Reputation is everything; social media sites provide a direct way to interact with customers and resolve problems swiftly. For example, marketers can develop unique hashtags that highlight concerns or interests and ensure that the right people see and address these issues quickly. Social media sites can also be leveraged to share positive reviews, testimonials, and customer feedback.

Evaluating Analytics and Insights

Most social media platforms have their own analytics tools, which allow you to keep track of what your community is interested in, who is engaged, and what activities and content are best performing. This data can help determine which content to promote and how to appropriately modify any advertising or marketing activities.

Now that we understand why social media is a key component of a digital marketing strategy, let's look at how marketers can successfully implement a social media plan.

Key Takeaways

The advantages of using social media are connecting with new audiences, building relationships, increasing website traffic, distributing targeted messaging, conducting market research, sharing expertise, managing reputation, and evaluating analytics and Insights.

2.4 A 6-Step Social Media Marketing Framework

Walk the Walk; Improve the Talk

This 6-step Social Media Marketing Framework aims to ensure your social media strategy and activities are optimized to convert prospective customers into satisfied, paying customers and brand advocates. As you learn more about digital marketing, you will be presented with various frameworks. Being able to understand what is similar and what is different will be important. Ultimately, you may come up with your own framework, which will likely be a combination of several frameworks. However, using a framework gives you the best chance of implementing the right strategy for your circumstances. This framework will also provide alignment between your chosen strategy and your activities. Let's take a closer look at each of the following steps:

Figure 2.4.1 Social Media Marketing Framework.

Step 1: Listen and Learn

Social media allows marketers to listen to what their target audiences are saying and doing. Marketers can now listen to their customers' needs, wants, and desires without any prompting. We no longer have to guess!

Listening is the first place for marketers to start when developing a social media strategy. Listening is key to understanding your target audience's perceptions related to:

- *Brand, Products, and Services*
  Since social media conversations are happening in real time and directly from your community, you no longer need to guess why people are behaving a certain way; they will tell you.

- *Competitors' Brands, Products, or Services*
  If you find out what your competitors are good or bad at, you can position your organization to meet some of those customer needs better. Or, perhaps you can identify new products and services you can offer.
- *General topics and trends*
  If you can find out what's popular, you may be able to take advantage of emerging opportunities and generate new revenue streams. The seasonality of golf in Canada has long been an obstacle to revenue and club activity. As any entrepreneur will tell you, "it's not a problem; it's an opportunity." A strategic social media marketing campaign from a golf club will take this into account and showcase a seasonal menu change, seasonal activities, corporate sales, and indoor golf instruction.

Listening and learning from your target audiences is the first important step when implementing a social media strategy.

Step 2: Define Goals, Objectives, and Target Audiences

With a well-defined scope, which includes specific goals, objectives, and target audiences, it is possible to achieve positive outcomes since you know what you are aiming for. If you know what you want, you can put the steps in place to get there. Successful marketers and organizations know what they want to achieve, and a clear focus on goals and objectives is what ultimately guides all their actions.

Identifying goals, objectives, and target audiences is a critical step in getting buy-in from key decision-makers, assigning resources (human, financial, and technological), and planning social media campaigns and ongoing activities. Everyone in an organization should work and plan toward achieving these goals and objectives, so it is important to get this step right.

Ideally, digital marketers should plan to complete this step collaboratively because some of the required information might exist in different areas of the organization. This information should include:

- Lessons learned from the listening step of the framework: what the community is saying about your products, your competitors, and trends
- Customer personas and customer journey maps developed
- Competitive intelligence learned in the listening step or through other research/studies
- Knowledge about the preferences of online communities
- Lessons learned from previous social media campaigns/ongoing activities
- Organizational goals and objectives

Organizations that don't align their goals, objectives, and strategies will waste money, time, resources, and effort.

Step 3: Choose Channels

While setting goals and objectives is a critical part of planning, how you achieve them has more to do with your implementation plan. Therefore, focusing on achieving those goals and objectives by selecting the appropriate digital marketing channels and platforms is important.

Since there are so many social media options, marketers often struggle to select the appropriate social media platform to use. Instead of trying to pick specific social media sites, organizations should focus on the type of social media marketing that will work best for their target audiences and build a presence on 2 – 3 platforms that support those activities and cater to those audiences. Remember market segmentation and associate the most appropriate media platform.

Step 4: Create Content

After choosing your channels, the next step in the 6-Step Social Media Marketing Framework is content creation. After selecting the appropriate social media networks, marketers can focus on creating the content that works best for that specific channel and the target audience. Questions to consider include:

- What do you want the community to do?
- What does the target audience find most engaging?

This is not about creating content for the sake of it. Think strategically about what you are trying to achieve, which should be clear after the listening stage, and then deliver content based on that. Also, remember to follow the content strategy, content calendar (seasonal activities), and recommendations.

Step 5: Engage the Community

Listening is just one side of the equation. Once you have listened to your community, you will need to go out and build positive relationships that last. This is done by engaging your customers with content they find valuable. However, simply pushing out content and hoping that your community will like, comment, and share the content is somewhat unrealistic and unproductive. To get the best out of content and to develop meaningful relationships and trust, it is necessary to engage with your community.

Usually, the key to successful engagement is conversation. Engagement can take on other forms, such as sharing, liking and posting and to a certain extent, your community will determine which form is most suitable. However, conversations lie at the heart of social media. It is a central facet: people want to talk to each other. This then leads to the following questions about conversations:

- *What is a **conversation**?*
  Simply defined, it is a dialogue between at least two people, possibly more.
- *Why are conversations important?*
  Conversations communicate who we are, our needs, and our feelings.
- *How do conversations impact business?*
  Conversations in business are not new; commerce has revolved around conversations for millennia. The rules that applied to good conversation back then also apply to today's social media business conversations. In 44 BC, Cicero put forward the following rules for good conversation:

  1. Speak clearly.
  2. Speak easily, but not too much, and give others their turn.
  3. Do not interrupt.
  4. Be courteous.
  5. Deal seriously with serious matters gracefully with lighter ones.
  6. Never criticize people behind their backs.
  7. Stick to subjects of general interest.
  8. Do not talk about yourself.
  9. Never lose your temper.

All these rules still apply to maintaining good conversations on social media. For example, although you or your organization may want to talk about your brand, it is best to avoid direct marketing and sales via social media as part of a conversation or dialogue. Feel free to bring it up as part of a conversation if it makes sense. But remember, no hard selling!

In addition to Cicero's rules for conversation, there are three more pertinent social media conversation guidelines to consider:

1. Get to know who you are talking to.
2. Listening is more important than talking.
3. If you're going to be talking, you have something important to say.

Again, the secret to successful conversation and engagement is to listen to your community and find out what they like to talk about and in what manner. Knowing this, you can have more impact when it is time to say something since you already speak their language and are part of the community. As part of your content strategy, write down what tone of conversation is relevant to your community. For example, do you want to be light and informal, or are you required to be more serious and formal? Develop your conversational style according to your community.

Engagement Pyramid

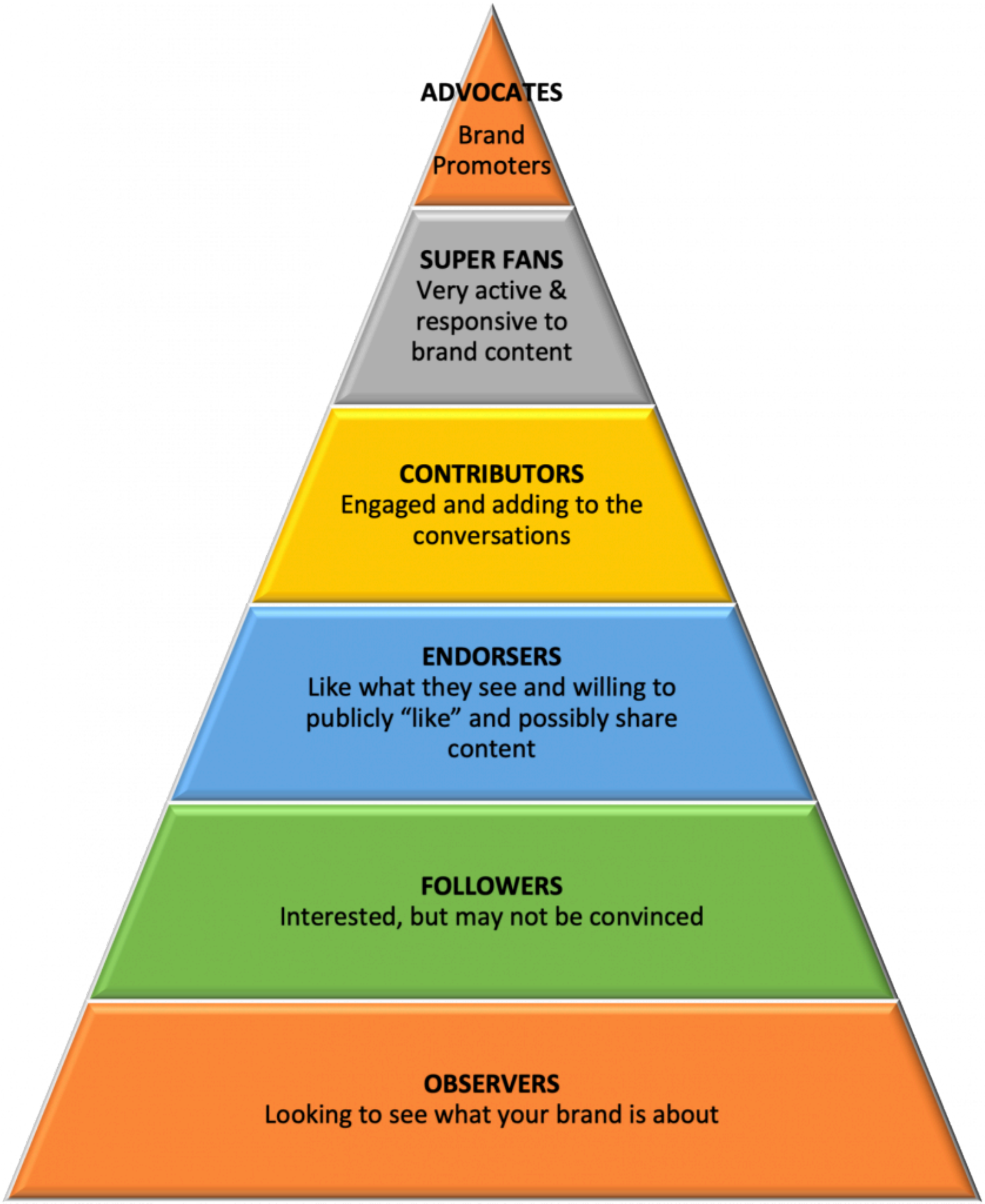


Figure 2.4.2: Engagement Pyramid.

Marketers should also be aware of the engagement pyramid and the passive majority. Not everyone on social media will engage. According to the engagement pyramid, most of the community will be passive. This means that those individuals doing the talking represent a small percentage of your target audience. The digital marketing team needs to be aware of this as it will affect responses to your content as well as engagement around your posts.

- **Passive behaviours** represent most people who see, view, and even read, watch, or listen to content but choose not to comment or share it. In fact, in many of the larger social networks, a good engagement level (Facebook uses the term 'people talking about this') is usually anything above 10%. Here, engagement refers to liking, sharing, and commenting on posts.

- **Active behaviours** refer to the types of action most digital marketers seek, e.g., liking, commenting, and sharing. This primarily refers to the endorsers, contributors, and super fans in the pyramid. Advocates are the ones who take engagement to another level. They are the ones creating their own posts about your brand and promoting your brand to their own social networks.

The key takeaway is that 10% may be a rough guide as to the level of engagement to expect for your content. Clearly, this will differ depending on the industry and how inherently social your product is. For example, a social media post about improving slow play on the golf course may not get much engagement in the form of shares or likes. Ensure you allow the most engaged members of your target audience to flourish. Offer them rewards and incentives for their hard work. Tell them you appreciate their efforts and give them something back in return. This could even drive user-generated content and/or competition.

Another key goal of social media is **virality**, as well as conversations. Most organizations want their content to go viral. Many marketers have studied why a piece of social media content goes viral, and there does not seem to be one definitive answer. However, there are some commonalities. Apparently, most viral content pieces tend to be in one or more of the following four categories:

1. Very helpful/practical
2. Unique/amazing/spectacular
3. Funny
4. Controversial

Viral content can combine any of the above categories, but generally, at least one is involved. However, from a business perspective, before trying to make engaging content, determine what is appropriate for your target audience. For example, while edgy and causing more buzz and reach, does a controversial video fit with your community's sensibilities/personalities, your content strategy, and your overall brand image and personality? During the engagement stage, marketers need to be aware of how to build and foster trust in their online relationships. To tap into virality and achieve massive reach, marketers will need to understand which content types are most likely to engage their target audiences truly.

Step 6: Measure, Analyze, and Optimize

Measuring is crucial to social media's impact on an organization. Without measurement, marketers have no yardstick and no means of understanding whether their activities are succeeding or not. Through analytics, surveys, and content analysis, it is now possible to measure the success of your social media activities. Collate and collect all your data so that you can analyze how things went during the current cycle of the framework. In addition to your social media analytics and insights, you will potentially need other information, such as:

- online web analytics
- a timeline of important events or activities that may have affected the organization in the online, social, and offline worlds
- financial data regarding sales
- email clickthrough

Once you have all the data, assess the success of your social media marketing campaigns and ongoing activities by examining how they all fit together. Review any lessons learned and optimize your strategy for the next iteration of the cycle. Once again, start with a listening phase to find out if there is anything new and/or what's changed for your target audiences. For example, if you found out that one product was less popular in terms of engagement and sharing, you may want to focus your attention on monitoring keywords associated with that product in the next listening phase. Measure, analyze, and optimize your activities so that you can properly evaluate what worked and what didn't. This is crucial for future planning of your social media activities.

Key Takeaways

The six steps in the social media marketing framework are:

1. Listen to and learn from the community
2. Define your goals, objectives, and target audiences
3. Choose the appropriate social media channels
4. Create content that your target audiences will find compelling
5. Engage with the community via meaningful conversations
6. Measure, analyze, and optimize your results

2.5 The Influence of Social Media on Marketing in the Golf Industry

Social Media is About Influence

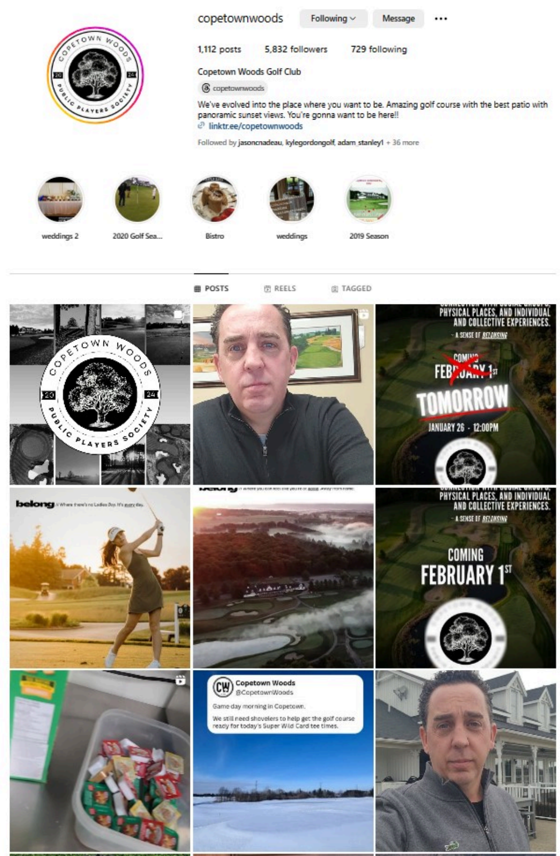
Social media platforms have enabled golf courses to foster online communities. Platforms are effective mediums for sharing information about the golf course, such as leagues, tournaments, promotions, and membership details. This level of interaction enhances customer service and strengthens the relationship between the club and their customers.

Specifically, YouTube has transformed how golf content is shared and consumed online. It allows anyone to upload golf-related videos, ranging from mini-tour events and lessons to podcasts and tourism. This benefits the consumer by providing additional value and helps expand the sport by introducing the sport to new people (Lee, 2022).

Social media plays a crucial role in connecting with the younger and older generations. Platforms like Instagram and TikTok have made the sport appealing to younger audiences, inspiring them to take up golf after seeing engaging content from professional players. Additionally, social media fosters communal experiences, enabling groups of friends, regardless of age, to come together and enjoy golf, making it a unifying activity for many.

Golf Example

Copetown Woods Golf Club in Southwestern Ontario has one of the hottest social media accounts in the industry. Social media has reached a new market segment with a passionate and youthful GM, a terrific golf course and location, great food and activities, and a golf-addicted local population. Copetown Woods's social media accounts came alive during COVID as a means of communication in an uncertain time and began to post content, good, bad, and ugly. Now, Copetown does most of their staff hiring from social media; out with the resume, in with the 2-minute video pitch, they communicate everything at the Club over their platforms, and they go live to capture the magic of a moment for the audience.



[Copetown Woods Golf Club (@copetownwoods) • Instagram photos and videos]() *included for educational purposes under fair dealing.*

Social media platforms have also addressed some serious topics related to being a famous athlete. While social media can be heavily one-sided, it only highlights the good. It's rare to see what's behind the veil of everyday life. Social media has opened a place where athletes can show some vulnerability. A snapshot into their lives, the high success you see on the course and the daily grind. For the good and evil, social media has humanized many professional golfers. Netflix created the popular show 'Full Swing', a look inside a professional golf tour, inside the ropes with everyone's favourite golfers/influencers. This allows fans to glimpse the tour life and professional golf, as well as an opportunity to measure engagement and new reach with the brand, creating a marketing dream.

Social media is about influence and persuasion using appealing language to the consumer. With the rapid advance in technology for golf equipment and data analysis in today's golf industry, influencers can create loyalty and trust with a brand by using accurate data. Take Titleist, for example; each week on the PGA tour, they are the number one ball manufacturer as chosen by the golfers in the field.

2.6 Chapter Summary

Social Media Marketing (SMM) involves using online platforms for brand communication, marketing, and relationship-building. It shifts marketing dynamics by enabling direct communication between individuals. SMM focuses on creating buzz, fostering community, and facilitating two-way communication, especially in the golf industry on platforms like Facebook, Twitter, and Instagram.

The significance of social media in digital marketing includes connecting with new audiences, building relationships, driving website traffic, distributing targeted messaging, conducting market research, sharing expertise, managing reputation, and evaluating analytics. A six-step framework involves listening, defining goals, choosing channels, creating content, engaging the community, and evaluating analytics.

In the golf industry, social media engages both younger and older generations, fostering a sense of community and contributing to the game's growth. Platforms like Instagram and TikTok play a crucial role in attracting younger audiences, encouraging them to take up golf and fostering connections across age groups.

Review Questions

1. What social media platforms are most valuable for each category of golf facility: Resort, Public, Semi-Private, and Private?
2. Why is Facebook the most popular social media platform?
3. Based on your answer to question 2, Do you anticipate this to change in the next ten years? If so, how?
4. How can social media be utilized to combat the seasonality of golf in Canada?
5. How can social media efforts be enhanced?
6. Plan a social media campaign for July at your club of choice. Describe what strategies will work best for your club.

Key Terms

Active behaviours: Refer to the types of action most digital marketers seek, e.g., liking, commenting, and sharing.

Conversation: A dialogue between at least two people, possibly more.

Passive behaviours: Represent most people who see, view, and even read, watch, or listen to content but choose not to comment or share it.

Social communities: Focus on activities and relationships and include social networking sites (online hosts such as Facebook and LinkedIn), forums, wikis, and message boards, channels where you may already participate.

Social Media Marketing: Encompasses online applications, networks, blogs, wikis, and other collaborative media for communicating brand messaging, conducting marketing, public relations, and creating rapport.

Virality: Is a key goal of social media.

CHAPTER 3: DIGITAL MARKETING

Chapter Outline

3.0 Learning Objectives
3.1 Technology
3.2 Email Marketing
3.3 Nine Steps to Executing an Email Campaign
3.4 Pay-Per-Click Advertising
3.5 Chapter Summary

3.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Review different marketing technologies within the golf industry.
- List the nine steps of an e-mail campaign.
- Demonstrate best practices for executing an e-mail campaign.
- Describe how PPC (pay-per-click) works.
- Outline what makes up a PPC advertisement.
- Explain why e-CRM (electronic customer relationship management) is an important part of business.
- Discuss how businesses put a value on CRM (customer relationship management) for their organizations.

3.1 Technology

Technological advancements have transformed the golfing world, bringing about significant changes, including equipment upgrades and fan engagement strategies. Let's delve into the key transformations.

Digital Connectivity and Mobile Apps

Golf-centric apps have simplified tasks like booking tee times, tracking scores, and engaging in sports betting. Real-time weather updates and user-friendly mobile interfaces have made planning and enjoying their rounds easier for golfers.

> *"The most recent version of Golf Canada's Mobile App includes several enhancements that help golfers stay connected off the course, including a new friending system. The new version of the mobile app will also enable golfers to post images and videos to document, log and share great moments from their rounds"* (Stanley, 2023, para. 2).

Read: New Golf Canada Mobile App Features Help Golfers Stay Connected Off the Course

Golf Equipment Enhancements

Breakthroughs in materials and engineering have led to the creation of lighter, more durable golf clubs with larger sweet spots, enhancing players' performance. Customization options and advancements in ball technology contribute to optimizing players' capabilities.

> "*Wooden drivers and woods were the most popular choice for the better part of a century, until steel or metal drivers came along, followed by titanium and even carbon products"* (Harig, 2023, para. 2).

Read: How Has Technology Changed Golf? Watch Rory McIlroy Hit a Persimmon Driver

Swing Analysis Technology

Through high-speed cameras, launch monitors, and pressure-sensitive mats, golfers can gain detailed insights into their swings, enabling them to identify and address flaws effectively. These tools empower both players and coaches to refine techniques for improved results.

> "Launch monitor technology revolutionized equipment testing and golf instruction a decade ago," said Gerent. "We learned things we could never see with our own eyes, and it revolutionized both instruction and club-fitting in several ways. Because of it, we better understand how clubs interact at impact, how the swing path and clubface angles function, and perhaps most importantly, launch monitors have made it easier and faster for more golfers to get properly fit for the right gear" (Noll, 2023, para. 5).

Read: The secrets behind Foresight Sports' unprecedented success

Golf Course Management

Modern methods such as advanced irrigation systems, GPS-guided mowers, and drones have revolutionized golf course maintenance, ensuring optimal playing conditions while minimizing environmental impact. Automated controls and aerial imagery contribute to efficient course upkeep.

Read: Using Drones for Golf Course Management

Live Streaming and Virtual Reality

The availability of golf tournaments through live streaming platforms has expanded the sport's audience, while virtual reality experiences offer immersive engagement for fans and valuable training opportunities for players. A good website to illustrate the expansion of golf through LIV Golf and Livestream is livgolf.com.

Read: Live LIV Golf Event

Wearable Technology

Tailored smartwatches and fitness trackers provide golfers with valuable performance metrics, promoting overall well-being and facilitating targeted training programs for skill enhancement.

Environmental Sustainability

Embracing eco-friendly solutions like solar-powered golf carts and water-efficient irrigation systems underscores the industry's commitment to sustainability. Drones are crucial in monitoring and maintaining course conditions in an environmentally conscious manner.

Read: [How can golf courses use less water? This club's forward-thinking tactics offer clues]

Future Technological Innovations

Anticipated advancements in artificial intelligence, robotics, and augmented reality hold promise for further enhancing golf technology. These innovations are poised to redefine equipment standards, training methodologies, and fan experiences in exciting ways.

As technology continues to evolve, its integration into the golfing realm will redefine the sport, attracting more participants and enthusiasts while promoting sustainable practices and operational efficiency across all facets of the game.

Key Takeaways

- Evolving technologies have changed the way the game of golf is played and understood.
- Awareness of emerging industry trends will benefit any business that wishes to remain competitive.

3.2 Email Marketing

What is Email Marketing?

Email Marketing is a form of direct marketing that utilizes electronic means to deliver commercial messages to an audience. At its core, email marketing is a tool for customer relationship management (CRM). Used effectively, this extension of permission-based marketing can deliver one of the highest returns on investment (ROI) of any eMarketing activity. It is one of the oldest yet still one of the most potent eMarketing tactics. The power comes from the fact that it is the following:

- Extremely cost-effective due to a low cost per contact
- Highly targeted
- Customizable on a mass scale
- Completely measurable

Email marketing is a tool for building relationships with existing and potential customers. It should maximize the retention and value of these customers, ultimately leading to greater profitability. Direct marketing has long played an integral part in marketing campaigns, but the high cost meant that only large companies could pursue it. However, technology is changing this.

Email Categories and Types

The following are some examples of emails a customer may receive.

- **Transactional emails**. This may include order confirmations, invoicing, or shipping notifications.
- **Newsletters**. These are e-mails that are sent to provide information and keep customers informed. They do not necessarily carry an overt promotion but ensure that a customer is in regular contact with the brand. These build relationships and foster trust between customers and their chosen brands.
- **Promotional emails**. Highlight any sales or promotions that a customer may be interested in.

There are two types of commercial emails:

1. *Promotional Emails:* These are more direct and geared at enticing the user to take immediate action. These are more direct and are geared at enticing the user to take immediate action. They always feature a call to action designed around a specific goal.
2. *Retention-based Emails*: Also referred to as newsletters, these may include promotional messages but should be focused on providing valuable information to the user geared at building a long-term relationship. Also referred to as newsletters, these may include promotional messages but should be focused on providing valuable information to the user, geared at building a long-term relationship.

As with all eMarketing activities, careful planning is required. Email marketing may be highly cost-effective, but the cost of getting it wrong can be very high.

Key Takeaways

- Email can be categorized as follows: transactional emails, newsletters, and promotional emails.
- There are two types of commercial emails: promotional emails and retention-based emails.

3.3 Nine Steps to Executing an Email Campaign

Preparation and Communication = Success

There are nine steps to executing an email campaign properly.

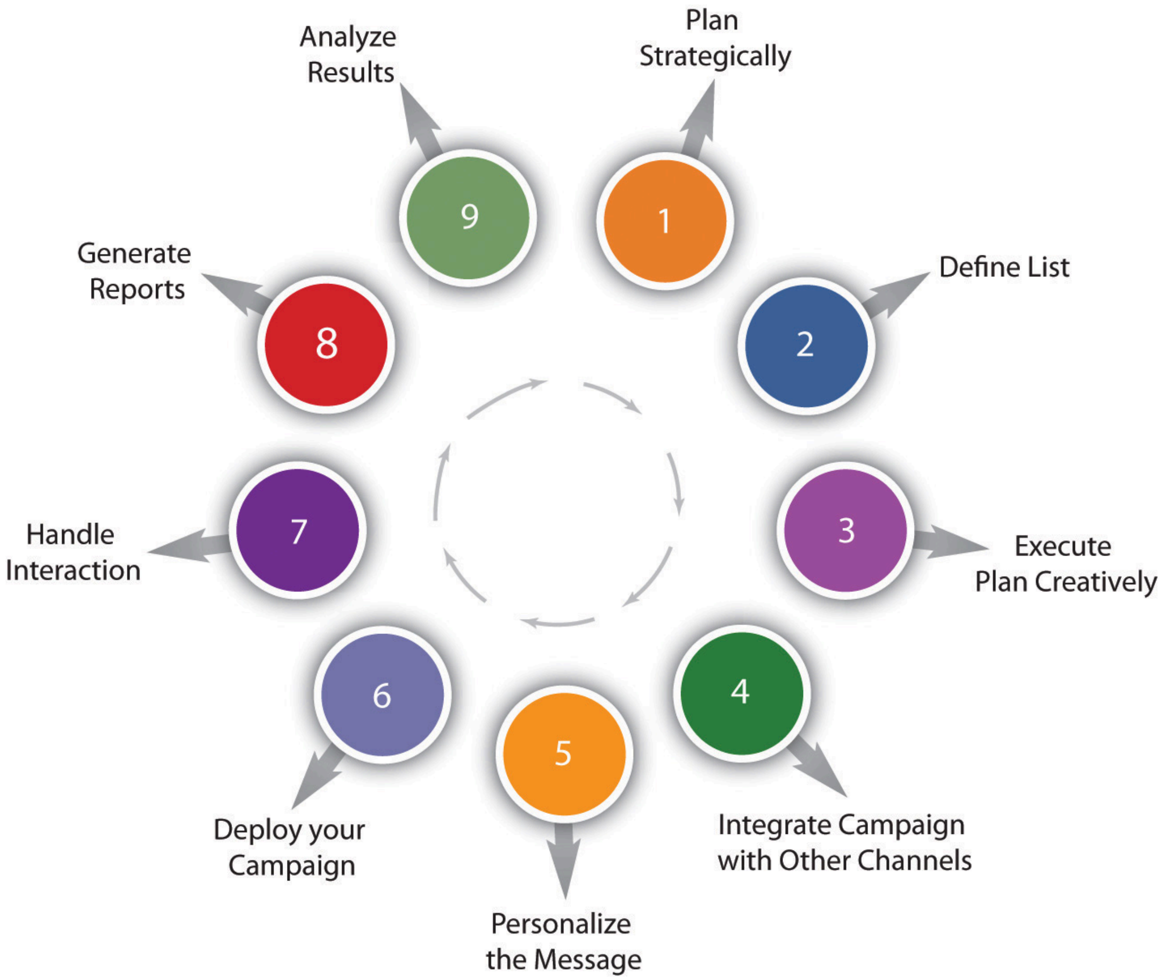


Figure 3.3.1: 9 Steps to Executing an Email Campaign: Strategic planning, Definition of list, Creative execution, Integration of the campaign with other channels, Personalization of the message, Deployment, Interaction handling, Generation of reports, and Analysis of results.

Step 1: Strategic Planning

The first part of any email campaign should involve planning around the goals you want to achieve. You will decide on the key performance indicators (KPIs), also known as key success indicators (KSIs); these help an organization define and measure progress toward organizational goals. Promotional emails will usually have an immediate goal:

- Users make a purchase
- Users download information
- Users request further information

Newsletters focus on longer-term goals, so your KPIs become more important here. KPIs include the following:

- **Open rate:** The percentage of emails determined as opened out of the total number of emails sent.
- **Click-through rate** is expressed as a percentage; this refers to the total clicks on a link divided by the number of times that link was shown.
- Number of emails forwarded
- **Return on investment (ROI):** The ratio of cost to profit. An example of this is advertising spending as a percentage of the revenue that it generates. ROI can be a campaign goal and can be used as a KPI.

A successful email campaign is most likely geared toward retaining and creating a long-term relationship with the reader.

Step 2: Definition of List

Running a successful email campaign requires that a business has genuine opt-in permission for emails to be sent to your database. This database, the list of subscribers who have agreed to allow a company to send them emails with marketing messages, is the most valuable asset of an email campaign. Permission must be explicitly given by all people to whom emails are sent. Companies that abuse this can jeopardize their reputation, and in some countries, legal action can be taken against companies that send unsolicited bulk emails—spam.

Growing this database while keeping it targeted is a key factor in any email campaign. The database needs only one entry—the prospect's email—but the following should also be considered:

- First name, surname, and title
- Date permission granted
- Source of permission
- Country
- Telephone number
- Date of birth

Fields such as name, surname, and title should be separated in your database. You should also gather the date of birth instead of a prospect's age—it ensures your database stays current. However, don't be tempted to ask for more information than is required. The more information marketers can gather, the better they can customize their marketing messages. However, the more information a prospect must give, the more apprehensive he will be about parting with these details. This is in part because of the hassle involved and, in part, as a result of fear around Internet fraud. Following the initial sign-up, further information can be requested over some time.

There are many ways to attract prospects to opt into a database. An email sign-up form on a company website is key. Visitors to a website have already expressed an interest in a company by clicking through to the website—this is an opportunity to develop that interest further and collect valuable data.

An important aspect of CRM is the ease of access or use for the customer. Online booking tee times, payment of invoices, and league registration are common functions of a club's website. Leagues and member events are an important part of any golf club's traditions and require savvy bookkeeping and organization to execute properly. The first step to this is online registration.

The best practice for online registration forms is as follows:

- Put the sign-up form where it can be seen on the computer screen for a particular Web page without needing to scroll down. All your critical or most important information should lie above the fold in order to ensure maximum exposure and entice the user to read more. (i.e., on the page where it can be seen without scrolling down).
- State your antispam stance explicitly, and be clear about how you value subscribers' privacy.
- Catch the reader's attention with a phrase written to motivate the reader to take action (e.g., sign up for our newsletter and book car hire today).
- Tell subscribers what they will get and how often they will get it. Include a benefit statement.
- Ensure the email address is correct by checking the syntax.
- Test to see what works best.

Opt-in and Double Opt-in

The integrity of the database can be safeguarded with a double opt-in process. An email is sent to the email address supplied, and the user has to click on a link within that email to confirm their subscription. This means that invalid email addresses are kept out of the database and that the user has been granted explicit permission. This is important to reduce spam and mitigate virus risk to club members.

Step 3: Creative Execution

Emails can be created and viewed as hypertext markup language (HTML) emails. HTML emails usually contain graphics and can be interactive, or text emails which do not include graphics or any markup. Remember, though, that sometimes HTML emails are rendered as text emails. The different language formats allow for email access across multiple devices. Text emails are the plain ones—text only, as the name suggests. If you have a Windows computer and you open up Notepad and type there, then you will be creating a text file. These emails are smaller and plainer. HTML emails are the emails with all the bells and whistles. These emails can contain images, different fonts, and hyperlinks.

Step 4: Integration of the Campaign with Other Channels

While email marketing can operate as a stand-alone marketing campaign, integrating it with other channels, both online and offline, will serve to reinforce a brand's message and increase responses.

There should never be a disparity between the content, tone, or design of an email when compared to the rest of a company's offerings. In-store promotions can be reinforced and promoted to an email database, or website information can be summarized by email.

Custom landing pages, as required, should be created for any promotions that are communicated via email.

Step 5: Personalization of the Message

Email marketing technology allows for mass customization—one-to-one marketing on a macro scale. Even simple personalization can see improved results. Customization starts with using the recipient's name and sending either HTML or text emails based on preference, to the sophisticated measurement of a recipient's preferences and tailoring content to suit them. Segmenting a database can allow for customization across demographics or purchase history. Being able to reconcile browsing activity to an email recipient can give further opportunities for customization using artificial intelligence (AI).

Step 6: Deployment

By creating valuable content, establishing the correct frequency, and testing an email for display and deliverability, an email marketer should be able to ensure an excellent delivery rate. Consistency in deploying newsletters also aids in fostering trust and fulfilling expectations. Emails should be delivered consistently, but the optimum time for best results should be tested.

Email reputation can determine whether or not your message is regarded as spam. It can relate to a sender's Internet protocol (IP) address, an exclusive number used to represent every computer in a network, sending domain, or both. This means that if someone sends an email using the same server you use, you could be damaged if they spam. This opinion is a reputation score created by an internet service provider (ISP) or a third-party provider. If the sender's score falls within the ISP's thresholds, a sender's message will be delivered to the inbox. If not, the sender's emails may arrive in the bulk folder, be quarantined, or be returned to the sender.

Becoming an effective email marketer requires constant list cleansing and hygiene. Most lists shrink by 15 percent yearly due to subscribers changing email addresses. Ensure you diligently maintain a current opt-in list to achieve maximum deliverability via reputation.

Tips to help a reputation score include the following:

- ISPs offer various sender authentication standards, such as the Sender IDA method used by major ISPs to confirm that emails do originate from the domain from which it claims to have been sent.
- Keep your database clean out with the old and in with the new.
- Remove hard bounces: The failed delivery of email communication due to an unchanging reason like a nonexistent email address.
- Remember that a huge but inaccurate and outdated database is far less useful to an email marketer than a tightly maintained, smaller database. Strive to boost your database, but don't forget to clean it up as you go.
- Ensure email broadcast rates are not too high.
- Respond to complaints and unsubscribe requests—if someone requests to be unsubscribed, do so.

An email white list is a list of contacts that the user deems are acceptable to receive email from and should not be sent to the trash folder.

When should you send emails? Common sense tells you not on Monday morning or Friday afternoon, but it varies by audience. Testing will guide you.

When is an email an email, and when is it spam? Spam is unsolicited bulk email—it means that the recipient never gave permission to be sent that email.

If the recipient has given permission to send marketing messages by email, then it is not spam. Users give permission when they check a box that says, “Yes, please send me offers from your company by email.” The e-mail address can only be provided to another company if the user ticks a box that says, “Yes, please send me offers from third parties selected by you by email.”

Permission must be explicitly given to the company to be allowed to market to that user. Trying to gain explicit permission in a sneaky way will only annoy your users and might result in your e-mails being marked as spam, which subsequently damages your reputation.

Step 7: Interaction Handling

As well as the emails strategically planned as part of a campaign (promotional emails and newsletters), every interaction via email should be considered as part of a company’s email marketing practice. Automated emails, such as order confirmations and even out-of-office replies, are all opportunities to engage with customers. If a company has a particular tone or content style, this must be reinforced in these interactions. These emails can also be an opportunity to cross-advertise other promotions that a company is offering.

Step 8: Report Generation

As with eMarketing, tracking, analyzing, and optimizing is key to growth. Email tracking systems produce statistics in a user-friendly manner.

The following are key measurables for understanding the performance of email campaigns:

- Number of *emails delivered*.
- Number of *bounces*. This should be separated into hard bounces and soft bounces.
- Number of unique *emails opened*. An email can be delivered, but that does not necessarily mean it was opened.
- *Unsubscribes*: When a user unsubscribes from an email they opted in to receive. Significant or consistent loss in subscribers is a key indication that you are not meeting the needs of your subscribers.
- *Pass-on rate:* The percentage of e-mails that are forwarded. A high pass-on rate (forwards) indicates that your list values the content enough to constantly share with others. Putting an easy “forward to a friend” link in every email can increase this. Adding a sign-up link to forwarded emails will organically grow the opt-in list.
- *Click-through rates and conversion*. This measures the effectiveness of an email via the links placed in the content. When a reader clicks through to a Web page, these can be easily measured as a percentage against the number of delivered, opened, or sent emails. It reveals which content or promotion was the most enticing for the reader.

Open rate does not necessarily indicate whether or not an email has been read. How do you think a marketer can determine if emails are being read?

Step 9: Analysis of Results

Once the reports have been generated, it is time to work out what the numbers reveal and use this information to improve the next e-mail sent out.

With email marketing, split testing across various factors will enable campaign optimization. The following are some factors to test:

- Open rates across different subject lines and delivery times
- The optimal number of links in an email for click-through rates and conversions
- Different copy styles and copy length
- The effect of video on delivery rates, open rates, and conversions

First, an email campaign needs a database. A plan for growing this database needs to be put in place. Most email service providers will also provide tools for managing this database. Once an email has been sent, results need to be analyzed to pinpoint areas for growth for the next campaign.

Key Takeaways

- ROI can be a goal of the campaign, and it can be used as a KPI.
- Growing a database while keeping it targeted is a key factor in any email campaign.
- Failure to obtain permission to send emails to a person may result in legal action or may jeopardize a company's reputation. Gaining explicit permission to send email marketing to a person is a prerequisite for successful email marketing; however, all emails sent by an organization and the individuals in that organization can be seen as marketing opportunities.
- There are six main parts of an email: the header, subject line, personalized greeting, body, footer, and unsubscribe link.
- Successful email marketing requires careful planning and testing. HTML e-mails need to be tested across a range of email clients and should be tested for a spam score before being deployed.
- Being able to reconcile browsing activity to an email recipient can give more customization opportunities.
- Valuable content should produce an excellent delivery rate.
- The integrity of the database can be safeguarded with a double opt-in process.
- Campaigns can track a certain level of data. These data can give insight into the success of the campaign.

3.4 Pay-Per-Click Advertising

Pay-per-click (PPC) advertising is an advertising system where the advertisers pay only for each click on their advertisements. While it is most often used as an advertising system offered by search engines, it can also be used for banner advertising (where the advertiser pays for clicks on the advertisement instead of impressions). PPC is also the system on which many shopping engines and directories are based. Sometimes, PPC advertising on search engines is referred to as paid search. PPC advertising revolutionized the online advertising industry. The focus of this section will be on paid-search advertising, that is, PPC advertising provided by search engines, but we will touch briefly on other advertising systems based on PPC. PPC advertisements on search engines are easy to spot—they're the results listed as "sponsored links." They can appear at the top of the results page, usually in a box, and on the right-hand side of the results page.

Figure 3.4.1: The Location of PPC Advertisements. Google and the Google logo are trademarks of Google LLC.

PPC advertising is keyword-based, which is based on the search term that a user enters into a search engine. A search term can have one word or be made up of many words. Sometimes a multiword search term is referred to as a key phrase. Advertisers target those keywords for which they want their advertisement to appear. For the advertiser, the beauty of PPC advertising on search engines is that their advertisements are displayed when potential customers have already expressed intent—they are searching for a product or service. It allows advertisers to present their offering to a potential customer already in the buying cycle.

History

Search engines display results to search queries based on proprietary algorithms. Each major search engine uses its own formula to determine what results to show for any term. In 1996, the Open Text Index search engine began allowing websites to pay for a preferred ranking in selected results pages, to mixed responses from business owners and other search engines. However, this was pay for placement, not that different from paid inclusion, where advertisers were paying to appear in the search results, whether or not a user clicked through to their site.

In February 1998, GoTo.com was launched. This new search engine allowed website owners to bid for placement in the search results pages for specific search terms. Results were ranked according to how much the Web site owners were willing to bid, with the highest bid appearing at the top of the page. The Web site owner would only pay for each click, as opposed to for appearing on the results page. By July 1998, advertisers paid up to a dollar for each click! GoTo.com changed its name to Overture Services, Inc., in 2001 and was acquired by Yahoo! in 2003. GoTo.com partnered with Yahoo! and MSN portals to monetize their search queries.

Overture successfully patented their PPC mechanism for search engines ("system and method for influencing a position on a search result list generated by a computer network search engine" was patented in 2001) and has since then pursued, successfully, lawsuits against other PPC providers, including Google. Overture initiated infringement proceedings under this patent in 2002 and settled with Google after Yahoo had acquired it! Google agreed to issue 2.7 million shares of common stock to Yahoo! in exchange for a perpetual license (Forbes, 2004).

How It Works

Search engines have pay-per-click (PPC) advertising; for instance, Google has AdWords. While the basic process remains the same for each one, some differences exist.

With PPC advertising, the advertiser does the following:

- Creates the content for an advertisement
- Select the keywords. This is a word found within a search query. For example, searching for "blue widgets" includes the keywords "blue" and "widgets." for which that advertisement should appear
- Chooses the maximum amount they are willing to pay for a click on the advertisement (this amount can be unique to each keyword they have selected for an advertisement)

The search engine algorithm does the following:

- Check the advertisement for compliance with editorial guidelines
- Advertises relevant search queries
- Determines the rank, or position, of the advertisement based on the advertiser's maximum bid and the relevance of the advertisement (which includes factors such as click-through rate [CTR], ad copy, keywords, and landing-page relevance to the search)

Search and Content Networks

Advertisers can choose to display their advertisements on the search network only (which means on search engines), or they can select to have the advertisements displayed on the content network. The **search network** will include the search engine that owns the platform (Google for AdWords) and other search engines for which that platform provides paid results (e.g., currently, Ask.com uses the AdWords platform for paid results).

The **content network** refers to websites other than search engines displaying PPC advertisements. For Google AdWords, these are the websites and blogs that have joined Google AdSense, Google's publishers' platform. Google determines the content of the website and then displays appropriate PPC advertisements. The CPC (cost per click) for text ads is lower than on the search network, but the CTR and conversion rate can be much lower. The Google content network also allows image, video, and mobile ads.

What Makes Up a PPC Advertisement?

Text PPC advertisements follow the same basic structure:

- Heading

- Two lines of advertisement copy,
- Which can be displayed on one line
- www.DisplayURL.com

The URL (uniform resource locator) shown is not necessarily the URL that the user will click through to. When writing the copy, these are known as the display URL (what is shown on the advertisement) and the destination URL (what the actual URL of the page is). The display URL is sometimes also called a vanity URL. The aim should be to send users to a web page that is specific to their search and a PPC advertisement. This is known as deep linking. Make a hyperlink that points to a particular page or image on another website instead of that Website's main or home page.

Which Platform Should I Choose?

There is some theory that different platforms are better for various industries. Most large advertisers will run PPC campaigns on several platforms. As with most things in eMarketing, it is all about testing. There are some slight differences with each platform regarding editorial policy, and each system has a different user interface. Google AdWords, perhaps the most well-known, allows users to transact in the currency of their choice and also offers training programs and certifications. Google AdWords also currently has the best geotargeting worldwide, although geotargeting is offered by both Microsoft adCenter and Yahoo! Search Marketing.

The Long Tail

Google has estimated that 50 percent of searches are unique. This means that the sum of unique searches is about the same as the sum of nonunique searches. Looking a little more closely at search terms will show a small number of high-volume searches and then a large number of lower-volume searches stretching out to those unique searches.

Figure 3.4.2: The long tail diagram showing how the sum of unique searches roughly equals the sum of non-unique searches.

In the **long tail**, the sum of the low-volume searches matches the high-volume searches.

This is sometimes referred to as the long tail of search. Those low-volume, niche search terms can do wonders for a PPC campaign. Generally, there is not much competition for those search terms, and the search terms themselves are very targeted.

Key Takeaways

- In PPC (pay-per-click), an advertiser develops the content for an ad, selects keywords for the ad, and chooses the maximum amount they are willing to pay for a click.
- A search algorithm checks the ad for compliance with editorial guidelines, displays the ad for relevant search queries, determines the rank of the ad based on the max bid, and determines the relevance of the ad.
- Search engines have specific guidelines for advertisements.
- Advertisers can define keywords for which their ads should appear.
- Google uses the following match types:
    - Broad
    - Phrase
    - Exact
    - Negative
- Advertisers can assign as many keywords as they wish to an ad, but only one ad for each URL (uniform resource locator) can be shown.
- Advertisers can target by location and language for added relevancy.
- Advertisers can determine the maximum they are willing to pay for a click on their ad. This is known as bidding, and it determines the ranking.
- Every time a search query is entered, the search engine runs an auction to determine the placement of the advertisements where advertisers have bid on that search term.
- The Quality Score is determined by four main factors:
    - The relevance of the keyword to the search term
    - The relevance of the advertisement copy to the search term
    - The relevance of the landing page to the search term
    - The historic CTR (click-through rate) of that advertisement
- There are many things in a PPC (pay-per-click) campaign that can affect conversion rates and CTRs. An advertiser needs to evaluate goals to see what is best.
- Budgets are based on CPC (cost-per-click) bids. Advertisers have flexibility in how their budgets run.
- Testing is essential in determining what search platform is best.
- It is important to consider long-tail keywords in a campaign

3.5 Chapter Summary

Chapter three provides a comprehensive overview of the technological shifts in the world of golf, highlighting the significant impact of technology on various aspects of the sport. Technology has revolutionized golf, including digital connectivity, equipment advancements, swing analysis tools, course management innovations, live streaming, virtual reality, wearable tech, and environmental sustainability. It anticipates future developments that will redefine the golfing experience.

E-mail marketing is presented as a cost-effective CRM tool, emphasizing measurability and utilizing a customer's inbox as a vital touch point. The chapter covers the historical context, types of e-mails, and commercial applications, underscoring the importance of strategic planning and evaluation.

The chapter also defined PPC advertising, highlighting its revolutionary impact on online advertising, particularly in search engine results. It introduces the concept of advertisers paying for each click on their ads and sets the stage for a deeper exploration of PPC's significance in online marketing.

Review Questions

1. Why is it important for permission to be gained before marketing by e-mail to a prospect?
2. What are the parts of an e-mail? Why should all marketers follow this format? Why is unsubscribe functionality important? Can you guess what might happen if a marketer fails to include this feature?
3. As discussed in the text, marketers avoid words like “free,” “buy now,” and “discount” in order to prevent being marked as spam. What words might a marketer use instead?
4. E-mail list cleansing and hygiene is very important to any marketer. Review the reasons why it is important. What do you think would happen if list cleaning and hygiene techniques were not applied regularly?
5. A lot of testing goes into an e-mail marketing campaign. Describe one situation where testing is important. Describe how testing would improve campaign results in that particular situation.
6. What is meant by “mass customization,” and why is this so beneficial?
7. E-mails that are expected and recognized are more likely to be read. How can a marketer use this knowledge to increase the readership of e-mails?
8. What do you think might be happening if you have high click-through rates but low conversion rates?
9. Why do you think it is important to test different factors in an e-mail? What knowledge does a marketer hope to gain?
10. What is the difference between the display URL and the landing page URL, and what is the function of each?
11. How is the content network different from the search network? How do the differences affect the advertiser?
12. What is the importance of long-tail keywords in a PPC (pay-per-click) campaign?

13. Following the examples above, give examples of when you'd use exact match and negative match. When is it OK to use broad match?
14. Why do you think the CTR and conversion rate are lower on content PPC advertisements than on search PPC advertisements?
15. What is the function of the display URL? Do you think that this is misleading to a searcher? Why do you think the display and the destination URL are different?

Key Terms

Click-through rate: Is expressed as a percentage; this refers to the total clicks on a link divided by the number of times that link was shown.

Content network: Refers to websites other than search engines displaying PPC advertisements.

Email Marketing: Is a form of direct marketing that utilizes electronic means to deliver commercial messages to an audience.

Long tail: The sum of the low-volume searches matches the high-volume searches.

Newsletters: E-mails that are sent to provide information and keep customers informed.

Open rate: The percentage of emails determined as opened out of the total number of emails sent.

Pay-per-click (PPC): Advertising system where the advertisers pay only for each click on their advertisements.

Promotional emails: Highlight any sales or promotions that a customer may be interested in.

Return on investment (ROI): The ratio of cost to profit.

Search network: Will include the search engine that owns the platform (Google for AdWords) and other search engines for which that platform provides paid results (e.g., currently, Ask.com uses the AdWords platform for paid results).

Transactional emails: This may include order confirmations, invoicing, or shipping notifications.

CHAPTER 4: SERVICE AND RELATIONSHIP MARKETING

Chapter Outline

4.0 Learning Objectives
4.1 Defining Customer Relationship Management
4.2 Developing Rapport
4.3 Loyalty Management
4.4 Customer Satisfaction
4.5 Chapter Summary

4.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Learn why e-CRM (electronic customer relationship management) is an important part of business.
- Describe the differences between the three types of e-CRM.
- Describe the value of customer loyalty.
- Distinguish attitudinal loyalty from behavioural loyalty.
- Describe the components of a successful loyalty program.
- Interpret satisfaction and recommend satisfaction strategies.
- Design a customer satisfaction measurement system.
- Brainstorm complaint management strategies.

4.1 Defining Customer Relationship Management

Customer Relationship Management (CRM)

CRM is about managing customer relationships. It should imply a customer-focused approach to business for fostering genuine relationships with these critical stakeholders: customers. Often, online marketing is referred to as e-CRM (electronic customer relationship management). This appears to underline the importance of technology in CRM. The Internet and the web have highlighted the importance of a customer-focused approach to business and marketing. It may seem obvious now, but the heydays of mass media marketing seemed to assume that people could be persuaded to purchase anything, provided there was sufficient advertising to promote a product. While signs declaring “The Customer Is Always Right” may have been stuck to the walls of shops and restaurants, the customer did not have much of a voice outside of that shop or restaurant. Moving forward a few decades to an increasingly connected society and marketplace, the customer’s voice is being heard in blogs, forums, reviews, and other forms of social media. It is easier for consumers to connect, albeit virtually, to share experiences with services and products.

Why Electronic Customer Relationship Management?

Customers are the most important stakeholders in a business’s success. Most companies would not have a revenue stream without customers purchasing goods or services. However, shifting from realizing this important fact to implementing it into day-to-day business decisions and strategy can be difficult. A successful relationship with a customer is based on meeting (and perhaps even exceeding) his or her needs. It is in determining the customer’s problems and providing solutions to those problems. Maintaining good customer relationships is critical to the success of a business. The costs of acquiring a new customer are generally far higher than retaining an existing customer relationship. This is why investing in customer relationship management (CRM) should increase revenue for the business.

The CRM cycle starts with determining potential customer problems and then presenting solutions to those problems. Solutions are implemented, and ongoing service maintains the relationship with the customer.

Customer Service Example

Take, for example, two people booking an overseas holiday. One is a twenty-three-year-old recent graduate visiting Argentina for three months with a friend; the other is a thirty-eight-year-old mother of two young children planning a family holiday to Thailand. If they both walked into a travel agency, the travel agents would make judgments on their dress and appearance to determine how they would aid each of them in booking their holiday (and how much commission the agent would earn). The travel agent will also ask further face-to-face questions to sell these two customers additional services. For the twenty-three-year-old, other services might include travel insurance that covers extreme sports activities. Additional services for the thirty-eight-year-old could include babysitting services included in a hotel reservation.

Seat the two potential travellers in front of their computers, and you no longer have human travel agents to make snap judgments based on appearance or try to sell additional services based on the type of traveller they see. Of course, you also no longer have the overhead costs of a travel agency and agents. However, web technology allows for similar, often superior, judgments and sales opportunities.

- For example, both travellers will likely have started researching their trips using a search engine. Creating landing pages tailored to the types of searches being made can allow the opportunity to tailor the products being presented to each traveller.
- Technology can also allow the online business to interact personally with a web visitor and provide the visitor with information she might not get in a travel agency—unbiased reviews from other customers. Technology can and should be used to treat different customers differently.
- Web technology allows customer-related marketing decisions to be made and tested relatively quickly and adjusted as required.

Electronic customer relationship management (e-CRM) uses technology in several ways to cement CRM into how organizations conduct themselves. Once a business shifts its focus to consumer needs, it will find that all these technologies feed each other. However, the fundamental principle of e-CRM is to remember that technology should be used to enable customer relationships, not replace meaningful relationships.

Purchasing Customer Keywords and the CRM

The data collected online should be used to build meaningful profiles of potential customers, and that information should be used to foster relationships. **Web analytics tools** gather a wealth of data that can inform customer relationships, from search keywords used to reach a website to navigation paths on a website. It is even possible to capture this information about specific customers when they act, such as purchasing or subscribing to a website. Without the customer knowing, the referral source of their visit and even an indication of their navigation path can be captured, along with their order or registration details, and stored for future use.

CRM software enables businesses to manage all customers and potential leads in a centralized place. No matter whom a customer speaks to within a company, all employees can access the same information recorded over time—a 360-degree view of the customer. This means that any time someone inside the organization looks up the customer, he can see every interaction the organization has had with the customer, what previous queries have been raised, and how these have been solved in the past. CRM software also enables businesses to automate much of the sales cycle, freeing salespeople to spend time on creating personal relationships where it matters—with potential and existing customers.

Technology, of course, has also changed the ways that customers can contact companies. Customer relationships are no longer driven by telephone call centers but instead by social media and instant messenger (IM). These are all used as customer-service channels, both pre- and post-sale.

Key Takeaways

- A successful relationship with a customer is based on meeting or exceeding his or her needs.
- Maintaining good customer relationships is critical to the success of a business, as costs for most new relationships are more expensive than maintaining existing relationships.
- The cycle of CRM starts with determining what problems potential customers may have and then presenting solutions to them.
- Technology can be used to allow an online business to interact personally with a web visitor. Customers can get unbiased reviews from others online.
- Customer relationships are no longer driven by telephone contact centers, but instead by blogs, Twitter, e-mail, and IM, as well as CRM channels both pre- and postsale.
- There are several types of CRM in organizations: operational, analytical, sales-force automation, and collaborative CRM.

4.2 Developing Rapport

Rapport is a relationship or connection you build with others. In everyday life, two people have a rapport when they get along well and are friends. Building rapport is essential in marketing.

Relationship Marketing in the Digital Age

Watch the video below, in which Lena Steinhoff discusses her research on how companies can manage their relationships with online customers more effectively. Five key elements that are unique to online customer-company relationships are identified.

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=336#oembed-1

Video: "Relationship Marketing in the Digital Age" by Latest Thinking [9:00] is licensed under the Standard Youtube License. Captions and transcripts are available on YouTube.

Steinhoff's research has found that reciprocity and trust are important aspects of e-commerce relationships, electronic word-of-mouth via the social web can have a positive and negative effect on company sales, privacy concerns and data breaches can have a negative effect on company performance, and service robots can be off-putting to customers.

Key Takeaways

- Online relationships are seamless – Customers can access the company anytime or anywhere.
- Online relationships are networked – Companies need to be aware of the effect of social media since one customer can positively and negatively affect their sales with other customers.
- Online relationships are omni-channel – Customers not only use different types of devices to access the company, but they access it in different ways, such as through Facebook and Instagram.
- Online relationships are more personalized – Companies can customize their offerings on a

one-to-one basis using customer profiles.

- Online relationships are getting anthropomorphized – Customers may talk to a chatbot or a machine when they contact the company.

4.3 Loyalty Management

Loyalty Marketing

It's 8:00 p.m., and you're starving. You open the refrigerator and find a leftover chicken breast, half an onion, and some ketchup. But what can you do with these ingredients? You could search online for recipes containing them or post a question about what to do with them at a website like Kraft.com. Companies like Kraft build Web sites such as Kraft.com to create the types of communities we discussed earlier. If you posted your question at Kraft.com, you might have an experience like one woman did—in 24 hours, 853 people viewed the question, and she had 22 answers. Another question had 3,341 viewers over ten days. Why has Kraft's web marketing team worked so hard to create an environment where people can do this?

One important reason is loyalty. Kraft wants loyal customers who buy Kraft products instead of other brands at every opportunity, recommend its products to their friends and are willing to pay a little more to get Kraft quality. Early research on loyalty showed that loyal customers were less expensive to market to, more willing to pay a premium for a particular brand, more willing to try new products under the brand name, more likely to recommend the brand to their friends, and more willing to overlook a problem related to the brand (Reicheld & Teal, 2001). That said, more recent research shows that the benefits that come from loyal customers are not automatic and that it takes careful management for those benefits to be sustained (Reinartz & Kumar, 2003).

Loyalty has two dimensions. One dimension of loyalty is **behavioural loyalty,** meaning the customer buys the product regularly and does not respond to competitors' offerings. The second dimension is **attitudinal loyalty**, which is the degree to which the customer prefers or likes the brand.

Behavioural Loyalty

Most marketers would be happy with behavioural loyalty because it does, after all, result in sales. Yet behavioural loyalty doesn't mean that the customer is immune to your competitors' offerings. Nor does it mean the customer is willing to pay more for your brand. For example, a business person might regularly book trips on American Airlines because it flies to one or two destinations the traveller has to visit periodically. However, a lower price on another airline or one scheduled at a more convenient time might persuade the flier to switch to another carrier.

Habitual purchases are a form of behavioural loyalty. Comparison shopping takes time and effort, so buyers are often willing to forego looking for substitute products. Habitual purchases are commonly made for low-involvement offerings. You might regularly purchase a Coke at a drive-thru restaurant near your house rather than take the time, energy, and gasoline to look for a cheaper Coke. In this instance, you display behavioural loyalty to the restaurant simply because it is convenient.

Marketers engage in many activities to both encourage and discourage behavioural loyalty. Loyalty programs, such as an airline offering travellers frequent-flier miles, can encourage behavioural loyalty. However, coupons and other special price promotions can break behavioural loyalty patterns. We'll discuss loyalty programs in more detail later in this chapter.

Attitudinal Loyalty

As we explained, attitudinal loyalty refers to how much someone likes a brand and is willing to act on that preference. However, remember that a person's *willingness* to act on a preference doesn't necessarily mean she will purchase your product: If you sell Ferraris, and she is unemployed, she might be unable to afford one.

Cause-related marketing can foster attitudinal loyalty among a company's community of customers. Companies that engage in cause-related marketing choose causes that are important to the customer communities in which they operate. American Airlines sponsors the Susan G. Komen Foundation, an organization working to cure breast cancer. KitchenAid sponsors Cook for the Cure, which also benefits the foundation. Both companies support breast cancer awareness because the cause is essential to their female customers.

Figure 4.3.1: American Airlines is a Lifetime Promise Partner, a program designed to support breast cancer awareness and the Susan G. Komen Foundation. The company has painted Komen's signature pink ribbon on planes as a way to support the foundation. Companies support charities that are important to the communities in which they operate.
"American B777-200ER"' by Kentaro Iemoto, CC BY-SA 2.0.

Note, however, that cause-related marketing should be sincere. You can probably quickly tell when a person or organization is insincere. So can your customers. Sincerity also breeds trust. For example, when Eunice Azzani volunteered for the San Francisco AIDS Foundation, she did so because the cause was important to her and Korn/Ferry International, the executive search firm for which she is a managing director. While working for the cause, Azzani met executives with Mervyn's, Wells Fargo, and other major corporations who later engaged her company to conduct executive searches. They knew they could trust her to do high-quality work and that she was sincere about her place in the community (Van Yoder, n.d.).

Of course, there are many other methods of building attitudinal loyalty. As mentioned, advertising can create feelings for a brand, as can sponsoring a sports team or cultural event. In the next section, we discuss loyalty programs, which are one way companies try to manage both affective and behavioural dimensions of loyalty.

Loyalty Programs

Loyalty programs are marketing efforts that reward a person or organization for frequent purchases and the consumption of offerings. The data a firm collects from a loyalty program can be instrumental in designing and improving the company's offerings. When members initially sign up for a loyalty program, they provide a great deal of demographic information to the organization. Their behaviour can then be tracked, as well.

Cross-promotion marketing can be used to introduce new marketing members to a community. Cross-promotion creates credibility for the new member, just as you are more likely to accept a recommendation from a friend.

Golf Example

TravisMathew, an apparel company, recently launched its [TravisMathew TM Rewards program.](#) The program gives members tiered benefits, meaning if they spend more, they earn more, and it is free to join (Melton, 2020).

The Positive Effects of Loyalty Programs

When loyalty programs work, they result in one or more of the four effects of loyalty: the blocker effect, the spreader effect, the accelerator effect, and the longevity effect. We'll start by describing the longevity effect.

Table 4.3.1 The Positive Effects of Loyalty Programs

Longevity Effect	Good loyalty programs lengthen the lifetime value of customers by increasing their switching costs.
Blocker Effect	Loyal customers don't pay attention to competitors' messages.
Spreader Effect	Loyal customers buy additional products from vendors to which they are loyal.
Accelerator Effect	Loyal customers buy products more frequently in order to move to the next level of their loyalty programs.

The Longevity Effect

The **longevity effect** is lengthening the lifetime value of a customer. We discussed customer lifetime value (CLV) in earlier chapters. One result of a good loyalty program is that your buyers remain your customers for longer. Because a loyalty company has better information about its customers, it can create offerings that are more valuable to them and keep them coming back. Consider a loyalty program aimed at customers as they progress through their life stages. A grocery store might send diaper coupons to the mother of a new baby and then, five years later, send the mother coupons for items she can put in her child's school lunches.

Loyalty programs also affect the longevity of customers by increasing their switching costs. **Switching costs** are the costs associated with moving to a new supplier. For example, if you are a member of a frequent-flier program, you might put up with some inconveniences rather than switching to another airline. So, if you are a member of American's AAdvantage program, you might continue to fly American even though it cancelled one of your flights, made you sit on a plane on the ground for two hours, and caused you to miss an important meeting. Rather than starting over with Continental's Elite Pass program, you might be inclined to continue to book your flights on American so you can take a free trip to Europe sooner.

The Blocker Effect

The **blocker effect** is related to switching costs. The blocker effect works this way: The personal value equation of a loyalty program member is enhanced because he or she doesn't need to spend any time and effort shopping around. And because there is no shopping around, there is no need for the member to be perceptive to competitors' marketing communications. In other words, the member of the program "blocks" them out. Furthermore, the member is less **deal-prone** or willing to succumb to a special offer or lower price from a competitor.

The blocker effect can be a function of switching costs—the costs of shopping around as well as the hassles of having to start a new program over. However, the effect can also be a function of relevance. Because the loyalty marketer has both information on whom the buyer is and data on what the buyer has already responded to, more relevant communications can be created and aimed at the buyer. In addition, because belonging to the program has value, any communication related to the program is already more relevant to the buyer.

The Spreader Effect

The **spreader effect** refers to the fact that members of a loyalty program are more likely to try related products offered by the marketer. For example, an American Airlines AAdvantage member who also joins the company's Admiral's Club airport lounge creates additional revenue for the airline, as does the member's purchase of a family vacation through American's Vacation services.

The spreader effect becomes even more pronounced when a cross-promotion is added to the mix. Earlier we mentioned Lone Star Park might team with American to offer a trip package to the Kentucky Derby. Another example is Citibank offering you AAdvantage miles if you get a Citibank Visa card through American's AAdvantage program. Cross-promotions such as these encourage loyalty program members to try even more products from more producers.

The Accelerator Effect

When rats running in a maze get closer to the cheese, they speed up. Like rats in a maze, consumers speed up or accelerate, purchases when they are about to reach a higher award level in a loyalty program, called the **accelerator effect** of a loyalty program. In American's AAdvantage program, for example, a member gets "Platinum" status after flying sixty flights or fifty thousand miles. Platinum members get special awards, like more frequent upgrades to first class, boarding ahead of everyone else, not having to pay for luggage and other fees, and double mileage toward free flights. Someone who has fifty flights and just needs ten more to become Platinum will start to fly American more frequently until the Platinum level is reached. Then, American hopes that the other effects (blocker, spreader, etc.) will occur.

Companies can capitalize on the accelerator effect by making it easy for members to track their progress and notify them when they are close to reaching subsequent levels. American helps its Advantage fliers track their progress by sending them monthly updates on their levels. Couple such a notification with a special offer, and a company is likely to see even greater acceleration. The accelerator effect can also be used with promotions that create short-term, loyal behaviour. Pepsi created a promotion with Amazon in which purchasers could accumulate points toward free music downloads. The promotion, launched with a Justin Timberlake Super Bowl ad, was a knock-off of Coca-Cola's MyCokeRewards.com. Although they weren't formal loyalty programs, both promotions led to an accelerator effect as customers got close to the award levels they needed to redeem prizes.

Criteria for Successful Loyalty Programs

Just having a loyalty program is no guarantee of success, though. Eight studies of more than a dozen grocery-store loyalty programs in the United States and Europe showed that five programs had no impact on the loyalty of customers, two increased sales but not profits, two had mixed results, and five had positive results (Tanner & Morris, 2009). However, several characteristics of loyalty programs can make them effective, each of which is discussed next.

Good Performance by a Company

The first characteristic of an effective loyalty program is performance. No loyalty program can overcome a company's poor performance. Even the most loyal buyer can put up with subpar performance for only so long.

Responsiveness by a Company

Responsiveness is how well a company can take customer information (such as complaints) and alter what they do to satisfy the customer. Loyal customers are more willing to complete surveys and participate in market research, but they expect companies to use the information wisely. For example, when customers complain, they expect their problems to be fixed and the company to use the information so that the same problems don't reoccur. Likewise, the members of influencer panels expect to be listened to. If you ignore their input, you are likely to alienate them, causing them to switch to other brands.

A company's responsiveness—or lack thereof—also becomes evident to buyers when they spot a better offer. Precisely at that moment, they realized that the company that created the better offer was more responsive and worked harder to meet their needs.

Shared Identity among Participants

Loyal customers are like sports fans—they wear their "team's" colours. That's why loyalty programs have names that sound prestigious, like Continental's "Elite Pass" program or American's "Executive Platinum" program. Loyal customers also want to be recognized for their loyalty. Hampton Inn, which is part of the Hilton family of hotels, is one company that could do a better job of recognizing its customers—literally. One of the authors stays regularly at the same Hampton Inn, only to be greeted every time on arrival with the question, "Is this your first stay with us?" The author is not only a regular guest at that hotel but a member of Hilton Honors, the hotel's loyalty program. But apparently, the Hampton Inn's reservation system doesn't provide that information to its front desk clerks. If you fail to recognize loyal customers, you are essentially telling them that their business isn't that important to you.

Clear Benefits

What are the benefits of being loyal? A loyalty program should make those benefits clear. For example, Continental Airlines has a special boarding lane for its Elite Pass members. Travellers who are not Elite Pass members can easily see the special treatment members receive. If the elements of scarcity and status can be created by a loyalty program, the benefits of belonging to it will be obvious to customers.

Community Development

Finally, marketers who can put loyal customers together with other loyal customers are likely to build a community around the common experience of consumption. At Lone Star Park or American Airlines, common consumption is obvious—people are actually together. Building a community in which people don't actually consume goods and services together can be a bit more difficult, but recall that Kraft has done so with its online presence. Members of Kraft.com still share their experiences, recipes, questions, and answers, thereby creating a sense of "we're in this together." Some of the postings might be related directly to Kraft products, whereas others might only be indirectly related. Nonetheless, they all provide Kraft with insight into what its customers are thinking. Meanwhile, its customers have become more loyal as they participate in the Website.

Keep in mind that a loyalty program isn't necessary to create loyalty. Lexus doesn't have a formal loyalty program. Yet studies show that Lexus owners are the most loyal luxury car buyers. Over half of all Lexus owners buy another Lexus. (The brand's slogan is "Once a Lexus buyer, always a Lexus buyer.") By contrast, Mercedes-Benz has a loyalty program, but only 40 percent of its buyers purchase another Mercedes (Ireson, 2008).

A company can also offer its customers loyalty benefits that are not a part of a formal loyalty program. For example, Mercedes-Benz gives loyal buyers an opportunity to suggest new features via a contest, for which there is no prize other than the recognition the winner gets because his idea was selected. And like many other car manufacturers, Mercedes offers owners special trade-in deals. The challenge with loyalty promotions that lie outside loyalty programs is collecting the information marketers need to target customers.

Key Takeaways

Customer loyalty is both behavioural and attitudinal. Habitual purchases are a form of behavioural loyalty. Cause-related marketing can foster attitudinal loyalty among a company's community of customers, as can loyalty programs. Loyalty programs can have four positive effects: They can increase the longevity, or lifetime value, of customers, block competitors' marketing efforts, encourage customers to buy related offerings and accelerate their purchases. Loyalty programs don't automatically create loyalty among customers, though. Loyalty is created when a company performs well, responds to its customers, identifies its loyal customers, makes the benefits of its loyalty program transparent (obvious), and when the firm builds a community among its customers.

4.4 Customer Satisfaction

What comes to mind when someone says, “A satisfied customer”? Perhaps it is an image of someone smiling with the pride of knowing he got a good deal. Or maybe it is the childlike look of happiness someone exhibits after purchasing a new pair of shoes that are just the right colour. Whatever your picture of a satisfied customer is, **customer satisfaction** is typically defined as the feeling a person experiences when an offering meets his or her expectations. When an offering meets the customer’s expectations, the customer is satisfied.

Improving customer satisfaction is a goal sought by many businesses. Some companies evaluate their salespeople based on how well they satisfy their customers; in other words, not only must the salespeople hit their sales targets, they have to do so in ways that satisfy customers. Teradata is one company that pays its salespeople bonuses if they meet their customer satisfaction goals.

There is also a downside to continuously spending more to satisfy your customers. Recent research shows that firms that do so can experience higher sales revenues. However, after the additional spending costs are factored in, the net profits that result are sometimes marginal or even negative. Nonetheless, satisfaction is not unimportant. A company’s performance on key factors is critical both in terms of the loyalty and satisfaction it generates among its customers (Souki & Goncalves Filho, 2008).

Customer Satisfaction Strategies

So what or how much should you do to improve the satisfaction of your customers? If customer satisfaction can be defined as the feeling a person experiences when an offering meets his or her expectations, then there are two critical ways to improve customer satisfaction. The first is to establish appropriate expectations in the minds of customers. The second is to deliver on those expectations.

We know that dissatisfied customers are likely to tell many more friends about their negative experiences than satisfied customers are about good experiences. Why? Because there’s more drama in unmet expectations. A story about meeting expectations—telling a friend about an average night out, for example—is boring. Jan Carlson, a former Scandinavian Airlines executive, was famous for promoting the concept of “delighted” customers. Carlson’s idea was that delighting customers by exceeding their expectations should result in both repeat business and positive word of mouth for a firm. The fact that stories about plain old satisfaction are boring is also why influencer communities, such as JCPenney’s Ambrielle community, are so important. Influencers have new offerings to talk about, which are interesting topics, and other buyers want to know their opinions.

Establishing appropriate expectations in the minds of customers is a function of the prepurchase communications the seller has with them. If you set the expectations too low, people won’t buy your offering. But if you set the expectations too high, you risk your buyers being dissatisfied. A common saying in business is “underpromise and overdeliver.” In other words, set consumers’ expectations a bit low and then exceed those expectations to create delighted customers who are enthusiastic about your product. A seller hopes that enthusiastic customers will tell their friends about the seller’s offering, spreading lots of positive word of mouth about it.

One customer satisfaction strategy that grew out of Carlson’s idea of delighting customers is to empower customer-facing personnel. **Customer-facing personnel** are employees who meet and interact with customers. At a golf club, this might include desk clerks, servers, golfer services, pro shop staff, and even the GM. Empowering these employees to drop what they’re doing in order to do something special for a customer, for example, can certainly delight customers. In some organizations, employees are even given a budget for such activities.

Examples

Figure 4.4.1: Ritz-Carlton's employees are empowered and even given a budget to provide services that delight customers—not just meet their expectations.
"[Hotel Avery]" by [Boston Public Library], [CC BY-NC-ND 2.0].

Ritz-Carlton employees each have an annual budget that can be spent on customer service activities, such as paying for dry cleaning if a customer spills red wine on a dress in the hotel's restaurant. Sewell Cadillac is famous for how its employees serve its customers. An employee will even pick up a customer on a Sunday if a Sewell-purchased car breaks down. Other dealers might delegate such a service to another company, but at Sewell, the same salesperson who sold the car might be the person who handles such a task. To Sewell, customer service is too important to trust another company. This company perhaps won't feel the same sense of urgency to keep car buyers as satisfied as Sewell does.

Companies like Ritz-Carlton also monitor X (formally known as Twitter) and other social media to identify any problems in real-time. For example, one newlywed tweeted that the view outside her window of another wall was no way to spend a honeymoon. A Ritz-Carlton employee caught the tweet, and employees at the hotel responded with a room upgrade.

Empowerment is more than a budget and a job description—frontline employees also need customer skills. Companies like Ritz-Carlton and Sewell spend a great deal of time and effort to ensure that employees with customer contact responsibilities are trained and prepared to handle small and large challenges with equal aplomb.

Another customer satisfaction strategy involves offering customers warranties and guarantees. Warranties serve as an agreement that the product will perform as promised or some form of restitution will be made to the customer. Risk-averse customers find warranties reassuring.

Measuring Customer Satisfaction

To measure customer satisfaction, you need to be able to understand what creates it. Just asking customers, "Are you satisfied?" won't tell you much. Yet many companies often measure the satisfaction of their customers on the basis of only a few questions: "How satisfied were you today?" "Would you recommend us to your friends?" and "Do you intend to visit us again?"

Effective customer satisfaction measures have several components. The two general components are the customer's expectations and whether the organization performed well enough to meet them. A third component is the degree of satisfaction, or to put it in terms we've used to describe exceptional performance, is the customer delighted?

To figure out if a customer's expectations were met and they are delighted, more detail is usually required. Companies might break the offering into major components and ask how satisfied customers were with each. For example, a restaurant might ask the following:

- Were you greeted promptly by a host? By your server at your table?
- Was your order taken promptly?
- How long did you wait for your food?
- Was the food served at the appropriate temperature?

These questions assume that each aspect of the service is equally important to the customer. However, some surveys ask customers to rate how important they are. Other surveys simply "weight," or score, questions so that aspects that are known to be more important to customers have a greater impact on the overall satisfaction score. For example, a restaurant might find that prompt service, good taste, and large portions are the only three factors that usually determine customers' overall satisfaction. In that case, the survey can be shortened considerably. At the same time, however, space should be left on the survey so customers can add any additional information that could yield important insight. This information can be used to find out if there are customer service problems that a firm wasn't aware of or if the preferences of consumers in general are changing.

You will still find customer satisfaction survey cards that ask, "How satisfied were you today?" "Would you recommend us to your friends?" and "Do you intend to visit us again?" The information obtained from these surveys can still be useful if it's paired with a more comprehensive measurement program. For instance, a sample of customers could be given the opportunity to provide more detailed information via another survey, and the two surveys could be compared. Such a comparison can help the company pinpoint aspects that need improvement. In addition, the company has given every customer an opportunity to provide input, which is an important part of any empowerment strategy.

Complaint Management Strategies

When buyers want to complain about products or companies, they have many ways to do so. They can complain to the companies they're upset with, tell their friends, or broadcast their concerns on the Internet. People who use every Internet site possible to bash a company are called **verbal terrorists**. The term was coined by Paul Greenberg, a marketing analyst who authored the wildly popular book *CRM at the Speed of Light*.

Should companies worry about verbal terrorists? Perhaps so. A recent study indicates that customer satisfaction scores could be less important to a firm's success or failure than the number of complaints it gets (Lou & Homburg, 2008). To measure the tradeoff between the two, customer satisfaction guru Fred Reicheld devised something called the net promoter score**.** The **net promoter score** is the number of recommenders an offering has minus the number of complainers (Reicheld, 2006). The more positive the score, the better the company's performance. According to another recent study, a company with fewer complaints is also more likely to have better financial performance.

Studies also show that if a company can resolve a customer's complaint well, then the customer's attitude toward the company is improved, possibly even beyond the level of his or her original satisfaction. Some experts have argued, perhaps jokingly, that if this is the case, a good strategy might be to make customers mad and then do a good job of resolving their problems. Practically speaking, though, the best practice is to perform at or beyond customer expectations so fewer complaints will be received in the first place.

Customers will complain, though, no matter how hard firms try to meet or exceed their expectations. Sometimes, the complaint is in the form of a suggestion and simply reflects an opportunity to improve the experience. In other instances, the complaint represents a service or product failure.

When a complaint is made, the process for responding to it is as important as the outcome. Consumers judge companies as much for whether their response processes seem fair and whether they got what they wanted. For that reason, some companies create customer service departments with specially trained personnel who can react to complaints. Other companies invest heavily in preparing all customer-facing personnel to respond to complaints. Still, other companies outsource their customer service. When the service is technical, marketers sometimes outsource the resolution of complaints to companies that specialize in providing technical service. Computer helplines are an example. Technical support companies often service the computer help lines of multiple manufacturers. A company that outsources its service, nonetheless, has to make sure that customer complaints are handled as diligently as possible. Otherwise, customers will be left with a poor impression.

Handling the Complaint Process

A good customer complaint-handling process involves the steps listed below. Note that one step is to acknowledge the customer's feelings. A customer who is angry or upset due to a failure does not want to be patronized or have his or her problems taken lightly. The situation is important to the customer and should be important to the person listening and responding to the complaint. When handling Handling complaints you should:

- Listen carefully to the complaint.
- Acknowledge the customer's feelings.
- Determine the root cause of the problem.
- Offer a solution.
- Gain agreement on the solution and communicate the process of resolution.
- Follow up, if appropriate.
- Record the complaint and resolution.

Note that the complaint-resolution process involves communicating that process and gaining agreement on a solution, even if the customer sometimes might not like the outcome. He or she still needs to know what to expect.

Finally, the complaint process includes recording the complaint. We stated earlier that a firm's best strategy is to perform at or beyond the customer's expectations so as to minimize the number of complaints it receives in the first place. Analyzing your company's complaints can help you identify weak points in a service process or design flaws in a product, as well as potential miscommunications that are raising customer expectations unreasonably. To conduct this analysis, however, you need a complete record of the complaints made.

A complaint record should reflect the main reason an offering failed. Typically, the failure can be attributed to one (or more) of the following four gaps (Levy & Weitz, 2009):

- The **communication gap**. Overstating the offering's performance level, thereby creating unrealistic expectations on the part of customers.
- The **knowledge gap**. Not understanding the customer's expectations or needs, which then leads a company to create a product that disappoints the customer.
- The **standards gap**. Setting performance standards that are too low despite what is known about the customers' requirements.

- The **delivery gap**. Failing to meet the performance standards established for an offering.

You can attribute the complaints your company receives to one of the four gaps and then use the information to figure out what must be done to fix the problem, assuming you have one. If the problem is overstating the performance, then perhaps your firm's marketing promotions materials should be reviewed. If it appears that the offering simply does not meet your customers' needs, then more work should be done to identify exactly what they are. If your firm is aware of the needs of its customers, but there is a gap between their requirements and the standards set for your firm's performance, then standards should be reviewed. Finally, your company's processes should be examined to ensure that standards are being met.

Keep in mind that the complaint handling process itself is subject to complaints. As we mentioned, customers want a fair process, even if the outcome isn't what they hoped for. Consequently, monitoring your firm's customer satisfaction levels also means you must monitor how satisfied customers are with how their complaints were handled.

Key Takeaways

Measuring customer satisfaction is an important element of customer empowerment. But satisfaction alone is a minimal level of acceptable performance. It means that the customer's expectations were met. Getting positive word of mouth requires exceeding those expectations. To minimize the number of complaints, a company needs an effective process for handling complaints and understanding their causes so that any problems can be corrected. Because the complaint process itself is subject to complaints, monitoring your firm's customer satisfaction levels also means you must monitor how satisfied customers are with your company's complaint handling system.

4.5 Chapter Summary

Service and relationship marketing continues to evolve in the digital age. This chapter highlights the shift from mass media to a customer-focused approach, emphasizing electronic customer relationship management (e-CRM). Key points include the importance of technology in personalized interactions, leveraging customer data for profiling, and the cost-effectiveness of retaining existing customers. The discussion covers CRM software's role in centralizing information and automating sales cycles, along with the changing landscape of customer communication. Loyalty and customer satisfaction are key focuses, with strategies like cause-related marketing highlighted for building and sustaining customer loyalty. Overall, the text underscores the vital role of service and relationship marketing in today's digitally connected world.

Review Questions

1. Sales-force automation uses CRM software to manage sales cycles. Consider how this may impact business. How do you think businesses managed this type of data before CRM software existed?
2. Should a company be happy or concerned if most customers are satisfied?
3. Why have customer satisfaction scores remained relatively steady over the past few years?
4. What are the desired outcomes, from a marketer's perspective, of a complaint management process?
5. How would marketing management use customer satisfaction survey results?
6. What are the benefits of having loyal customers? Why or how do those benefits occur?
7. What is the difference between loyalty and loyalty programs?
8. How can you create loyalty without having a loyalty program?

Key Terms

Accelerator Effect: Like rats in a maze, consumers speed up or accelerate, purchases when they are about to reach a higher award level in a loyalty program.

Attitudinal loyalty: Is the degree to which the customer prefers or likes the brand.

Behavioural loyalty: The customer buys the product regularly and does not respond to competitors' offerings.

Blocker Effect: Is related to switching costs. The blocker effect works this way: The personal value equation of a loyalty program member is enhanced because he or she doesn't need to spend any time and effort shopping around. And because there is no shopping around, there is no need for the member to be perceptive to competitors' marketing communications. In other words, the member of the program "blocks" them out. Furthermore, the member is less deal-prone, or willing to succumb to a special offer or lower price from a competitor.

Cause-related marketing: Can foster attitudinal loyalty among a company's community of customers. Companies that engage in cause-related marketing choose causes that are important to the customer communities in which they operate.

Communication Gap: Overstating the offering's performance level, thereby creating unrealistic expectations on the part of customers.

CRM software: Enables businesses to manage all customers and potential leads a centralized place.

CRM: Is about managing customer relationships.

Cross-promotion marketing: Can be used to introduce new marketing members to a community. Companies that engage in cause-related marketing choose causes that are important to the customer communities in which they operate.

Customer Satisfaction: The feeling that a person experiences when an offering meets his or her expectations.

Customer-facing personnel: Employees who meet and interact with customers.

Deal-prone: Willing to succumb to a special offer or lower price from a competitor.

Delivery Gap: Failing to meet the performance standards established for an offering.

Electronic customer relationship management (e-CRM): Uses technology in several ways to cement CRM into how organizations conduct themselves.

Knowledge Gap: Not understanding the customer's expectations or needs, which then leads a company to create a product that disappoints the customer.

Longevity Effect: Lengthening the lifetime value of a customer.

Loyalty programs: Are marketing efforts that reward a person or organization for frequent purchases and the consumption of offerings.

Net promoter score: Is the number of recommenders an offering has minus the number of complainers (Reicheld, 2006)—the more positive the score, the better the company's performance.

Rapport: Is a relationship or connection you build with others.

Responsiveness: How well a company can take customer information (such as complaints) and alter what they do to satisfy the customer.

Spreader Effect: The fact that members of a loyalty program are more likely to try related products offered by the marketer.

Standards Gap: Setting performance standards that are too low despite what is known about the customers' requirements.

Switching Costs: The costs associated with moving to a new supplier.

Verbal terrorists: People who use every Internet site possible to bash a company.

Web analytics tools: Gather a wealth of data that can inform customer relationships, from search keywords used to reach a website to navigation paths on a website.

CHAPTER 5: INTEGRATED BRAND PARTNERSHIP, PR, AND SPONSORSHIP

Chapter Outline

5.0 Learning Objectives
5.1 Industry Partnerships in the Golf Industry
5.2 Public Relations Activities and Tools
5.3 Corporate Sales and Merchandising
5.4 Chapter Summary

5.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Contrast the different marketing strategies to understand relationship opportunities.
- Describe the concept of public relations and why organizations allocate part of their promotional budgets to it.
- Outline how sponsorship is the backbone of success for events in golf.
- Explore the strategy of cause-related marketing.
- Explain how corporate sales can enhance customer loyalty.

5.1 Industry Partnerships in the Golf Industry

Partner Marketing Defined

Partner marketing is a strategic approach to advertising and promotion wherein two entities, whether two companies or a company and an individual, join forces to promote their respective products, services, or brands. The essence of successful partner marketing lies in ensuring mutual benefits for both collaborating parties (Manginelli, 2022). This collaborative effort can manifest in various forms, including affiliate programs, influencer collaborations, distribution partnerships, referrals, and sponsorships. Prominent companies such as Uber, Spotify, Red Bull, Nike, and others have effectively employed partner marketing strategies to generate interest and target specific audiences (Manginelli, 2022).

Why Golf Courses Should Embrace Partner Marketing Tactics

The surge in golf's popularity following the COVID-19 pandemic highlights the critical importance of collaborative efforts within and beyond the industry to promote a golf course's services effectively. With growing on-course participation, especially among previously marginalized demographics, now is an opportune moment for golf courses to diversify, explore innovative strategies, and establish fruitful partnerships that can attract new audiences to their courses (Manginelli, 2022).

Listing on Tee Time Marketplaces

Partnering with third-party tee time marketplaces is a well-known and effective example of partner marketing. These platforms enable golf courses to reach large audiences through aggregator websites, showcasing available tee times, course information, reviews, and more. This strategic collaboration provides exposure to golfers without incurring additional costs, making it a valuable approach for increasing visibility, reaching new audiences, and creating demand for off-peak times (Manginelli, 2022).

Golf Equipment Demo Days and Fittings

Hosting golf demo days represents a golf-specific, in-person partner marketing initiative. While it may require temporarily relinquishing course areas, the benefits include building relationships with equipment brands, delivering unique customer experiences, and boosting pro shop sales. Golf demo days involve equipment manufacturers sending representatives and fitting experts to engage directly with golfers, allowing them to try out products, receive fitting services, and even interact with PGA professionals. This initiative presents an excellent opportunity for golf courses to upsell rounds, showcase their facilities, and run promotions (Manginelli, 2022).

Community Partner Marketing Opportunities

Golf courses, serving as community hubs, can forge partnerships with local businesses, particularly in the food and drink sector (Manginelli, 2022). Collaborating with restaurants, breweries, wineries, and distilleries for sponsorship opportunities or co-run events such as tournaments, trivia nights, and tastings can significantly enhance community engagement. Establishing meaningful relationships with local businesses, using joint giveaways or promotions, and hosting events together can be pivotal in growing the game and expanding the course's business locally (Manginelli, 2022).

In summary, partner marketing proves to be a dynamic strategy that not only fosters collaborative success but also provides a platform for efficient resource utilization, expanded market reach, and enhanced brand reputation.

5.2 Public Relations Activities and Tools

Public relations efforts can help a firm create rapport with its customers, promote what it offers, and supplement its sales efforts. PR puts a positive spin on news stories and is often perceived as more neutral and objective than other forms of promotion because much of the information is tailored to sound as if it has been created by an organization independent of the seller. Public relations materials include press releases, publicity, and news conferences. Companies also use PR to promote products and to supplement their sales efforts.

Many organizations that engage in public relations have in-house PR departments, media relations groups, or investor relations groups. Other organizations sometimes hire external PR firms or advertising agencies to find and create public relations opportunities for them. PR specialists must build relationships with people at different media outlets to help get their stories placed. Universities, hospitals, government organizations, and charitable organizations often hire PR people to help disseminate positive information about their services and to increase interest in what they do. As such, PR is part of a company's promotion budget and its integrated marketing communications.

PR specialists also help political campaign managers generate positive information in the press. PR specialists can handle crisis communication and put a positive view on situations when something bad happens to an organization or person. In foreign markets, PR agencies may help ensure product concepts are understood correctly. Getting all PR stories placed in desired media is not guaranteed. A lot of time and effort is spent getting to know people who can help publish or announce the information to the public.

Companies use a variety of tools for their public relations purposes, including annual reports, brochures and magazines for both employees and the public, Web sites to show good things they're doing, speeches, blogs, and podcasts. Some of the most commonly used PR tools include press releases, news conferences, and publicity. Sponsorships, product placements, and social media also generate a lot of positive PR.

Press Releases

A company's public relations efforts include putting a positive spin on news stories. A **press release** is a news story written by an organization to promote a product, organization, or person. Consider how much better a story or a product recommendation is likely to be perceived when the receiver thinks the content is from an objective third party rather than an organization writing about itself. Public relations personnel frequently prepare press releases in hopes that the news media will pick them up and disseminate the information to the public. However, there is no guarantee that the media will use a press release. Some of the PR opportunities that companies may seek to highlight in their press releases include charity events, awards, new products, company reports, and things they are doing to improve the environment or local community.

Read the following two examples of press releases. The first story sounds like it was written by a news organization, but it was created by Apple and their public relations people to highlight the introduction of the new iPhone 3G. The second press release provides an example of how a company like Stubb's Bar-B-Q teams up with Mobile Loaves & Fishes, a charity that helps feed the hungry, to help feed homeless and poor people and restocks food banks around the country. The story enhances the positive image of both organizations.

An Example of a Press Release to Introduce a New Product

Apple Introduces the New iPhone 3G Twice as Fast at Half the Price

SAN FRANCISCO—June 9, 2008—Apple® today introduced the new iPhone™ 3G, combining all the revolutionary features of the iPhone with 3G networking that is twice as fast* as the first generation iPhone, built-in GPS for expanded location-based mobile services, and iPhone 2.0 software which includes support for Microsoft Exchange ActiveSync and runs the hundreds of third-party applications already built with the recently released iPhone SDK. In the US the new iPhone 3G is priced at a stunning $199 for the 8GB model and just $299 for the 16GB model.** iPhone 3G will be available in more than 70 countries later this year, beginning with customer availability in 22 countries—Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and the US—on July 11.

*Based on 3G and EDGE testing. Actual speeds vary by site conditions.

**Based on iPhone 3G (8GB) and first-generation iPhone (8GB) purchases. Requires a new two-year AT&T rate plan, sold separately (Apple Inc., 2021).

An Example of a Press Release to Show How a Company Helps Feed the Hungry and Restock Food Banks around the Country

Stubb's Teams Up with Mobile Loaves & Fishes to Launch "Feed the World Tour"

Tuesday, May 26, 5 p.m. @ Wooldridge Park

AUSTIN—Stubb's Legendary Kitchen will kick off its 12-city "Feed the World Tour" this Tuesday, May 26 at 5 p.m. in Wooldridge Square Park, 9th and Guadalupe Streets, by serving chopped beef sandwiches with famous Stubb's barbecue sauce to homeless and working poor people from one of Mobile Loaves & Fishes' special catering trucks, which serve people in six cities every day.

Kurt Koegler, president of Stubb's Legendary Kitchen, will join Alan Graham, Mobile Loaves' founder/president, as well as volunteers from the company and MLF volunteers to serve the sandwiches and distribute Stubb's T-shirts. The Austin-based company chose Mobile Loaves as its partner to kick off the "Feed the World Tour," which is named for the stated mission of Texas Bar-B-Q legend, C.B. "Stubb" Stubblefield, who said: "I was born hungry I want to feed the world." After leaving Austin, the tour will swing through the Southeast, up the East Coast and into Washington, D.C., where the Stubb's team will compete at the annual BBQ Battle on Pennsylvania Avenue. In each city, Stubb's Legendary Kitchen and company president Koegler will barbecue for the homeless and help restock depleted food banks.

"Stubb was a cook but, more than that, a lover of people. The values that guided his life still guide the company that bears his name. Stubb's life truly is in every bottle of sauce and marinade we make. All of us at Stubb's are thrilled to be working with Mobile Loaves and bringing all of Stubb's Love and Happiness to those who all too often need it most," said Koegler. "The economy has placed greater demand on organizations like Mobile Loaves and local food banks, so we couldn't think of a better time to show our support," "Stubb's greatest joy was feeding the people who came from all around for a taste of his famous barbecue, and it is an honor for us to fulfill his mission with our Feed the World Tour." "We're honored to be selected as Stubb's charity partner for the kick-off of this awesome tour," Graham said. "As someone who once was poor and hungry, C.B. 'Stubb' Stubblefield is smiling in heaven to know that his creation is helping feed brothers and sisters on the street here in Austin and around the country. We look forward to connecting Stubb's with people on the streets here and in the other cities we serve (Mobile Loaves & Fishes Blog, 2009)."

Press releases and other PR activities can also be used for damage control purposes. **Crisis communication** is the process of countering the extreme negative effects a company gets when it receives bad publicity. Domino's Pizza was forced to engage in damage control after two of its employees created a video that showed disgusting things to pizzas and then posted it on YouTube. If the publicity is particularly bad, as it was for Domino's, a company might hold a press conference or prepare a speech for the top executive to give. For example, the president of Domino's spoke on video to try to control the damage to Domino's business. The company then posted the following video on YouTube.

Sponsorships

A sponsorship involves paying a fee to have your name associated with different things, such as the following:

- A particular venue (Wrigley Field; the Staples Center)
- A superstar's apparel (Tiger Woods wearing Nike hats and shirts)
- An event (the AT&T National Golf Tournament; the Chick-fil-A Peach Bowl)
- A cause (M&M's support of the Special Olympics)
- An educational workshop or information session
- A NASCAR vehicle (by Pfizer, the maker of Viagra; see Figure 5.2.1)

At the Club

Corporate and community sponsors fulfill a critical role in any successful golf tournament fundraiser. These corporations and local businesses help increase awareness of an event by promoting it to their employees and customers via social media, which is helpful when it is time to attract the attention of local media and recruit golfers. Most importantly, sponsors create a financial backbone by helping to offset tournament costs, which are generally quite high. Below are some useful guidelines for attracting golf tournament sponsors for your tournament.

Read more about club sponsorships at [How to Attract Golf Tournament Sponsors](#).

On the Tour: RBC

> *"RBC has a longstanding commitment to the game of golf in both Canada and the U.S., and our sponsorship allows us to give back to our communities in a meaningful way. Through our two PGA TOUR title tournaments, the RBC Heritage and the RBC Canadian Open, we've proudly helped the Heritage Classic Foundation and Golf Canada Foundation raise more than $35 million in support of local charities in Canada and the U.S. RBC is the Official Banking and Financial Services partner of touring professionals from around the world. Team RBC embodies the pinnacle of golf performance and supports our initiatives to create memorable experiences for our clients" (RBC, n.d.).*

RBC sponsors not only events on the PGA tour but also golfers on the PGA and LPGA tours. In the case of the RBC Canadian Open and RBC Heritage Classic, the professionals under sponsorship contractually agree to participate, which results in a more talented competition, increased audience, and taking the consumer closer to the action. PR.

To learn more about how RBC attracts sponsorships, read [RBC – Golf Sponsorships and Support](#).

In Other Sports

Even though sponsorships are expensive, they are growing in popularity as corporations seek ways to strengthen their corporate image, increase their brand awareness, differentiate their products, and reach their target markets. Worldwide, corporations spent over $43 billion on sponsorships in 2008. (Marketing News, 2008). however, the recession has taken a toll, and the new stadium for the Dallas Cowboys still doesn't have a sponsor with naming rights. Over two-thirds of the sponsorships in North America are for sports, followed by entertainment (e.g., music and performing arts) and causes (e.g., the Susan G. Komen Race for the Cure and "alternative spring breaks" for college students). Other organizations and structures, such as buildings and bridges, may seek sponsorships as a means of generating revenue. Imagine how many people drive across the Brooklyn Bridge in New York or the Golden Gate Bridge in San Francisco and how much awareness an organization would get if they were allowed to pay to have their name on either of the bridges.

Figure 5.2.1: Pfizer, the maker of Viagra, is one of the many companies that sponsor NASCAR racing teams. "[scan0070](#)" by [Jay Bonvouloir](#), [CC BY-NC-ND 2.0](#).

Cause-related marketing is one of the fastest-growing types of sponsorships. It occurs when a company supports a nonprofit organization in some way. For example, M&M sponsors the Special Olympics and American Airlines raises money for breast cancer research with an annual celebrity golf and tennis tournament. The airline also donates frequent flier miles to the cause. Yoplait Yogurt donates money for breast cancer research for every pink lid that is submitted. Cause-related marketing can have a positive PR impact by strengthening the affinity people have for a company that does it.

Product Placements

Getting a company's product included as part of a television show, movie, video game, special event, or book is called a **product placement**. When you watch reruns of *Seinfeld*, you often see different Coca-Cola products being consumed. Likewise, you might see a Nissan Maxima on *Desperate Housewives*. Over four hundred product placements typically appear in each episode of *The Biggest Loser*.

Key Takeaways

Public relations (PR) are the activities organizations engage in to create a positive image for a company, product, service, or person. Press releases, a commonly used PR tool, are designed to generate publicity, but there is no guarantee the media will use them in the stories they write. Sponsorships are designed to increase brand awareness, improve corporate image, and reach target markets. Product placements are designed to generate exposure, brand awareness, and interest.

5.3 Corporate Sales and Merchandising

It is often said that a golf membership is valued as an extension of one's home. Many golf clubs aim to accommodate their members and customers with a one-stop-shop facility for recreational activities, fitness, dining, corporate hospitality, personal instruction, sales, and more. Corporate sales at a club is a revenue generation tool with unlimited potential and growth opportunities. Why should a pro shop or retail outlet be limited to daily foot traffic and online sales? By offering access to personalized products, large quantity orders, discounts, and unrepresented brands, members and customers can purchase corporate sales for their business through the club.

> "Finding that unique item that speaks to your vision as a company and experiencing top-level service are what you can expect in the process of working with us. With the broad range of companies we have access to, you'll find something for any event, group, or individual you are looking for. Our corporate catalogue will help you to find the perfect items to engage your audience and allow us to present your brand in the best way possible" — (Elk Ridge Resort, n.d.).

Read: ClubLink's Corporate Merchandise Catalogue

Products and Services for Corporate Sales

- Apparel
- Golf Balls
- Golf Clubs
- Golf Bags
- Golf Gloves
- Headwear
- Sunglasses
- Footwear
- Travel Accessories
- Gift Ware
- And more...

Merchandising

Merchandising is everything you do to promote and sell your products once the potential customer is in your store. When we talk about merchandise, we talk about products available for sale, typically in retail. Since the sales process often starts with the eyes, retail merchandising typically involves presenting products in a visually favourable light to try and encourage purchases and engage the customer to spend time shopping.

"Pro shop" by Tim Evanson CC BY-SA 2.0.

Merchandising Strategies

Some of the most popular ways to entice buyers to purchase include:

- Window and in-store displays
- Grouping related products together
- Shelf signage
- In-store ads featuring the merchandise
- Samples and giveaways
- In-store demonstrations
- Well-stocked shelves
- Spotlighting promotional items

Key Takeaways

- Sales is a highly visual-driven activity; understanding what is appealing to customers can, therefore, drive sales.
- Merchandising can give your business a sense of identity and brand.
- Effective merchandising can distinguish you from your business competitors.

5.4 Chapter Summary

A meaningful relationship built on trust is an integral piece of a successful marketing campaign. Sponsorship, PR, corporate sales, merchandising, and industry partnerships are necessary opportunities for exclusive service and unique fulfillment to build trust and gain loyalty. Sponsorship is not charity; it is intentional and meaningful support that goes beyond monetary benefit. Image and brand positioning related to PR is directly tied to sponsorship and can take the consumer closer to the action.

Review Questions

1. Why is PR important to a golf entity?
2. Describe how sponsorships are a useful marketing tool.
3. How does Partner Marketing increase brand awareness?
4. What are examples of Cause-related Marketing opportunities within the golf industry?

Key Terms

Cause-related marketing: One of the fastest-growing types of sponsorships. It occurs when a company supports a nonprofit organization in some way.

Crisis Communication: The process of countering the extreme negative effects a company gets when it receives bad publicity.

Influencer marketing: A more organic form of affiliate marketing, involves leveraging individuals' personal brand authority to promote products and experiences.

Merchandising: Is everything you do to promote and sell your products once the potential customer is in your store.

Partner marketing: A strategic approach to advertising and promotion wherein two entities, whether two companies or a company and an individual, join forces to promote their respective products, services, or brands.

Press Release: A news story written by an organization to promote a product, organization, or person.

Product Placement: Getting a company's product included as part of a television show, movie, video game, special event, or book.

CHAPTER 6: EVALUATING THE EXTERNAL ENVIRONMENT

Chapter Outline

6.0 Learning Objectives
6.1 The Relationship Between an Organization and its Environment
6.2 Golf Tourism
6.3 The Macro Environment
6.4 The Micro Environment
6.5 Chapter Summary

6.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Define what is the general environment and why it is important to organizations.
- Describe what strategic groups are and how they are useful in evaluating the environment.
- Identify the drivers and challenges the golf tourism industry faces
- Differentiate between the macro and micro environments within the golf industry
- Explain how an organization and its environment affect each other.

6.1 The Relationship Between an Organization and its Environment

What Is the Environment?

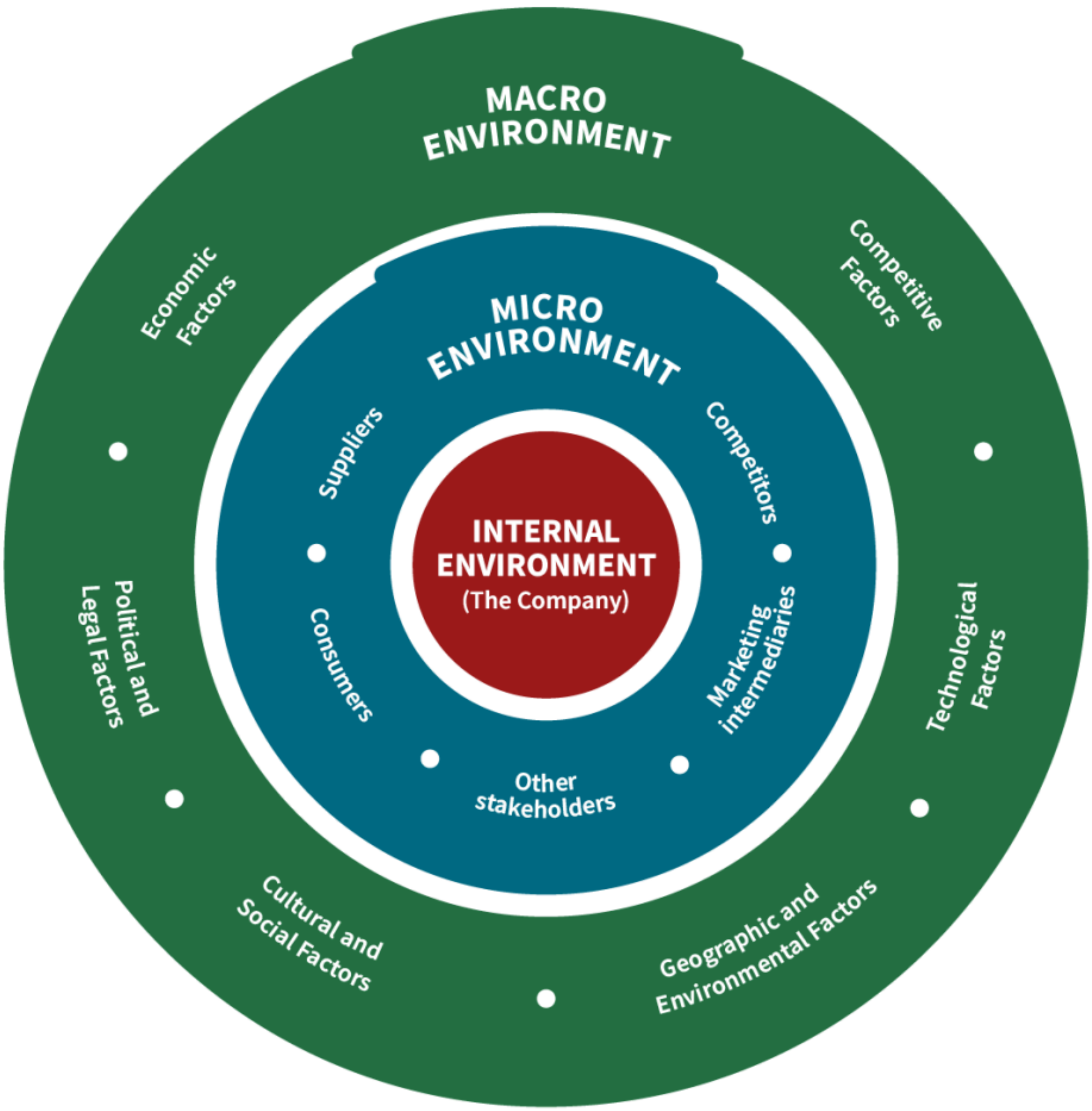


Figure 6.1.1 "Organization and its Environment" by Freddy Vale, [CC BY-NC-SA 4.0](https://creativecommons.org/licenses/by-nc-sa/4.0/) The microenvironment includes competitors, intermediaries, stakeholders, consumers, and suppliers. The macroenvironment includes competitive, technological, geographic and environmental, cultural and social, political and legal, and economic factors.

Organizations don't operate in a vacuum. They're not self-contained, self-sufficient machines; they are complex systems that require interaction with facets of their internal and external environments to survive and prosper.

The marketing **environment** comprises the external and internal factors and forces that influence an organization's decision regarding its marketing activities. Some of these factors—internal factors— are within the organization's control. Other factors—external factors—are outside the control of the organization. In the case of Subway, for example, the environment contains its customers, its rivals such as McDonald's and Kentucky Fried Chicken, social trends such as the shift in society toward healthier eating, political entities such as the U.S. Congress, and many additional conditions and forces.

It is useful to break the concept of the environment down into two components. The '**General Environment or Macro-Environment**' includes overall trends and events in society, such as social trends, technological trends, demographics, and economic conditions. The '**industry or competitive environment**' consists of multiple organizations that collectively compete with one another by providing similar goods, services, or both.

Every action that an organization takes, such as raising its prices or launching an advertising campaign, creates some degree of change in the world around it. Most organizations are limited in their influence on their industry. For example, Subway's move to cut salt in its sandwiches may lead other fast-food firms to revisit the amount of salt contained in their products. A few organizations wield such power and influence that they can shape some elements of the general environment. While most organizations simply react to major technological trends, the actions of firms such as Intel, Microsoft, and Apple help create these trends. Some aspects of the general environment, such as demographics, simply must be taken as a given by all organizations. Overall, the environment has a far greater influence on most organizations than most organizations have on the environment.

Why Does the Environment Matter?

Understanding the environment that surrounds an organization is essential to the executives in charge of the organization. There are several reasons for this.

Resources

First, the environment provides resources that an organization needs to create goods and services. In the 17th century, British poet John Donne famously noted that "no man is an island." Similarly, it is accurate to say that no organization is self-sufficient. As the human body must consume oxygen, food, and water, an organization needs to take in resources such as labour, money, and raw materials from outside its boundaries. Subway, for example, simply would cease to exist without the contributions of the franchisees that operate its stores, the suppliers that provide food and other necessary inputs, and the customers who provide Subway with money through purchasing its products. An organization cannot survive without the support of its environment.

Opportunities

Second, the environment is a source of opportunities and threats for an organization. **Opportunities** are events and trends that create chances to improve an organization's performance level. In the late 1990s, for example, Jared Fogle's growing fame created an opportunity for Subway to position itself as a healthy alternative to traditional fast-food restaurants. Threats are events and trends that may undermine an organization's performance. Subway faces a threat from some upstart restaurant chains. Salad-works, for example, offers a variety of salads that contain fewer than 500 calories. Noodles and Company offers a variety of sandwiches, pasta dishes, and salads that contain fewer than 400 calories. These two firms are much smaller than Subway, but they could grow to become substantial threats to Subway's positioning as a healthy eatery.

Decision Making

Third, the environment shapes the various strategic decisions that executives make as they attempt to lead their organizations to success. For example, the environment often places important constraints on an organization's goals. A firm that sets a goal of increasing annual sales by 50 percent might struggle to achieve this goal during an economic recession or if several new competitors enter its business. Environmental conditions also need to be considered when examining whether to start doing business in a new country, acquire another company, or launch an innovative product, to name just a few.

Key Takeaway

An organization's environment is a significant consideration. The environment is the source of resources that the organization needs. It provides opportunities and threats, and it influences the various strategic decisions that executives must make.

6.2 Golf Tourism

The global golf tourism market is expected to be valued at 23.1 billion USD in 2023 and continue to grow at a rate of 5.8% between 2023 and 2033 to reach a value of 40.4 billion USD (Play it Right, 2023). This growth is driven by the increasing number of tournaments globally, encouraging significant spending on sporting infrastructure and increasing the number of professional and amateur players worldwide. Sports authorities and governments organize tournaments to attract golfers to their local economies (Play it Right, 2023). This comes after a significant impact on the golf industry experienced during the COVID-19 pandemic. Government support for golf tourism is helping to fuel the forecasted growth.

Government Investment

In August 2022, the Canadian Government invested 4.4 million USD in Golf Canada's professional tournaments, the RBC Canadian Open and the CP Women's Open (Grand View Research, n.d.). This investment brought economic benefits and tourists to the region after the industry saw a decrease in golf travellers during the pandemic. The pandemic travel restrictions affected all sports tourism, with the Asia Pacific region affected most significantly due to the strictness of the limits (Grand View Research, n.d.). The World Tourism Organization (UNWTO) World Tourism Barometer calculated an estimated loss of 1.3 trillion USD in export revenues (Grand View Research, n.d.). To recover from these losses, the golf tourism section must focus on creating engaging, integrated experiences for tourists.

Other countries are signifying the importance of golf tourism by investing in industry development strategies.

Read: New Scottish Golf Tourism and Visitor Strategy Launched

Drivers of Golf Tourism

"*Golf at Pinnacle Point, Western Cape*" *by South African Tourism CC BY 2.0.*

- *Golf infrastructure*. Investment in golf infrastructure is essential for the growth of the industry. In 2020, there were approximately 38,000 golf courses globally, with North America accounting for roughly half of the total global golf course supply (Golf Industry Network, n.d.).
- *Increase in professional golfing tours*. North America accounted for the largest revenue share due to the increasing number of professional golfing tours and tournaments.
- *Demand for outdoor leisure activity*. A rising customer demand for outdoor leisure activity after the pandemic is helping to drive growth in golfing (Bruton, 2023).

Read: [Golf Tourism Market Size Analysis and Key Available at Future Market Insights]

Key Takeaways

- The global golf tourism market is projected to grow from $23.1 billion in 2023 to $40.4 billion by 2033, driven by an increase in golf tournaments, infrastructure investments, and rising numbers of golfers worldwide, alongside government and sports authorities' efforts to boost local economies through these events.
- Additionally, following a pandemic-induced downturn, significant government investments, like Canada's $4.4 million funding for major tournaments, are aimed at revitalizing the golf tourism sector and compensating for massive losses in sports tourism revenues.

6.3 The Macro Environment

The **macro-environment** contains elements that can impact a business but are generally beyond its control. These elements are characteristics of the world at large and are factors that all businesses must contend with, regardless of their industry or the type of business they are. A firm must confront, adapt to, take advantage of, and defend itself against what is happening in the world to succeed. To make gathering and interpreting information about the external environment easier, strategic analysts have defined several general categories of activities and groups that managers should examine and understand:

- **Demographic factors** include population, education, gender, ethnicity, income, age, and family formation and structure.
- **Economic factors** include the amount of money people spend and the financial environment, such as loans, mortgages, interest rates, etc.
- **Political and Legal factors** include government laws and regulations, building codes, municipal, provincial and federal laws, labour climate, taxes, health care, and war.
- **Cultural & Social factors** include things such as drinking and driving, racism, smoking, senior affluence, wine for good health, and healthy food and diets.
- **Natural factors** include global warming, urban sprawl, weather, drought, water, flooding, wildfires, and energy.
- **Technological factors** include computers, smartphones, apps, and advances in all types of technology, which are changing consumer needs and in turn, business needs
- **Competitive factors** include the answers to questions such as who your competitors are, what new competition may enter the market, and what other forms of competition need consideration.

Key Takeaways

- Factors that affect the state of the macro environment come from a variety of sources.
- Factors from multiple categories can combine in unforeseen ways to affect businesses in ways that may not be immediately apparent.
- Consider the ways in which the influence of these factors can combine to create environments that require navigation in unique ways to ensure success.

6.4 The Micro Environment

A firm's **microenvironment** includes factors that directly impact an organization's operations. A company must understand its microenvironment to compete successfully in an industry. These factors include customers, competitors, supplies and intermediaries.

- *Customers:* essential to the business as they purchase the goods or services.
- *Competitors:* offer similar goods or services and help encourage innovation in an industry.
- *Suppliers:* impact the availability of products needed to operate a business.
- *Intermediaries:* middlemen such as retailers and distributors facilitate product distribution.

Strategies

Strategies to help navigate the microenvironment include:

- *Customer-Centric* Approach: Listen to customers, understand their needs, and tailor products or services to foster loyalty.
- *Competitive Edge*: Stand out from competitors by offering superior quality, features, or service.
- *Supplier Partnerships*: Build strong relationships with suppliers to ensure a smooth flow of materials and possibly secure better prices.
- *Effective Intermediaries*: Collaborate with retailers and distributors to reach a wider audience and make products available where customers need them.
- *Employee Engagement:* Foster a positive work environment by communicating well, involving employees in decisions, and recognizing their efforts (Bragina, n.d.).

Key Takeaways

- A firm's microenvironment, crucial for successful competition within an industry, includes direct influences such as customers, competitors, suppliers, and intermediaries—each playing a vital role from purchasing and innovation to product availability and distribution.
- Effective strategies to manage these factors include adopting a customer-centric approach to build loyalty, maintaining a competitive edge, forming strong supplier partnerships, collaborating effectively with intermediaries, and engaging employees to foster a positive work environment.

6.5 Chapter Summary

This chapter underscores the significance of the environment in shaping organizations, using Subway as an example. It delineates the general and industry environments, emphasizing how organizations like Subway can influence and be influenced by societal trends, competitors, and external forces.

Executives must understand the environment for resource acquisition, identifying opportunities and threats, and making strategic decisions. The narrative then shifts to the Golf Tourism Market, projecting its growth to US$40.4 billion by 2033. Challenges, including the rise of fantasy golf, are highlighted, and regional insights point to North America leading in 2021, while Asia-Pacific shows the fastest growth.

The conclusion introduces the macro environment of hospitality, encompassing demographic, economic, political, cultural, natural, technological, and competitive factors. The microenvironment, focusing on customers, suppliers, and competitors, is emphasized for its impact on marketing strategies and business success.

Review Questions

1. What are the three reasons that the environment matters?
2. Which of these three reasons is most important? Why?
3. Can you identify an environmental trend that no organizations can influence?

Key Terms

Competitive factors: Include the answers to questions such as who your competitors are, what new competition may enter the market, and what other forms of competition need consideration.

Cultural & Social factors: Include things such as drinking and driving, racism, smoking, senior affluence, wine for good health, and healthy food and diets.

Demographic factors: Include population, education, gender, ethnicity, income, age, and family formation and structure.

Economic factors: Include the amount of spending money people have, the financial environment, loans, mortgages, and interest rates, etc.

Environment: The set of external conditions and forces that have the potential to influence the organization.

Fantasy sport: Also known as rotisserie or roto, it is an online game in which players create virtual and imaginary teams made up of real players.

General Environment or Macro-Environment: Includes overall trends and events in society, such as social trends, technological trends, demographics, and economic conditions.

Industry or competitive environment: Consists of multiple organizations that compete collectively by providing similar goods, services, or both.

Macro environment: The environment within which we do business, and it is the environment that affects how we do business.

Micro environment: Includes your customers, your suppliers, your competitors and other elements of your distinct business world. Micro-environment marketing takes these elements into account when figuring out what will boost your branding and sales.

Natural factors: Include global warming, urban sprawl, weather, drought, water, flooding, wildfires, and energy.

Opportunities: Events and trends that create chances to improve an organization's performance level.

Political and Legal factors: Include government laws and regulations, building codes, municipal provincial and federal laws, labour climate, taxes, health care, and war.

Technological factors: Include computers, smartphones, apps, and advances in all types of technology, which are changing consumer needs and, in turn, business needs.

CHAPTER 7: CONSUMER BUYING BEHAVIOUR

Chapter Outline

7.0 Learning Objectives
7.1 Factors That Influence Consumers' Buying Behaviour
7.2 Low-Involvement Versus High-Involvement Buying Decisions and the Consumer's Decision-Making Process
7.3 Stages in the Buying Process
7.4 Psychological Factors
7.5 Revenue Generation in the Golf Industry
7.6 Chapter Summary

7.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Describe the personal and psychological factors that may influence what consumers buy and when they buy it.
- Explain what marketing professionals can do to influence consumers' behaviour.
- Explain how culture, subcultures, social classes, families, and reference groups affect consumers' buying behaviour.
- Contrast low-involvement and high-involvement buying decisions
- Distinguish between the stages of the buying process and identify what happens in each stage.

7.1 Factors That Influence Consumers' Buying Behaviour

People have developed rules of thumb or mental shortcuts, providing a systematic way to choose among alternatives, even if they aren't aware of it. Other consumers follow a similar process, but different people make different purchasing decisions, no matter how similar they are. Bill might be very interested in purchasing a Smart Car, but his best friend might want to buy a Ford F-150 truck. What factors influenced their decisions?

Consumer behaviour is influenced by many things, including environmental and marketing factors, the situation, personal and psychological factors, family, and culture. Businesses try to figure out trends so they can reach the people most likely to buy their products in the most cost-effective way possible. Businesses often try to influence a consumer's behaviour with things they can control, such as the layout of a store, music, grouping and availability of products, pricing, and advertising. While some influences may be temporary and others are long-lasting, different factors can affect how buyers behave—whether they influence you to make a purchase, buy additional products, or buy nothing at all.

Situational Factors

Have you ever been in a department store and couldn't find your way out? No, you aren't necessarily directionally challenged. Marketing professionals take physical factors such as a store's design and layout into account when they are designing their facilities. Presumably, the longer you wander around a facility, the more you will spend. Grocery stores frequently place bread and milk products on the opposite ends of the stores because people often need both types of products. To buy both, they have to walk around an entire store, which, of course, is loaded with other items they might see and purchase.

Starbucks

For 23 years, Starbucks famously operated two coffee shops in Vancouver, B.C., that were across the street from each other. Located on trendy Robson Street, Starbucks finally decided to close one of the shops in 2012 (CBC News, 2012).

Store locations also influence behaviour. Starbucks has done a good job in terms of locating its stores. It has the process down to a science; you can scarcely drive a few miles down the road without passing a Starbucks. You can also buy cups of Starbucks coffee at many grocery stores and in airports—virtually any place where there is foot traffic.

Physical factors that firms can control, such as the layout of a store, music played at stores, the lighting, temperature, and even the smells you experience, are called **atmospherics**. Perhaps you've visited the office of an apartment complex and noticed how great it looked and even smelled. It's no coincidence. The complex managers were trying to get you to stay for a while and look at their facilities. Research shows that "strategic fragrancing" results in customers staying in stores longer, buying more, and leaving with better impressions of the quality of stores' services and products. Mirrors near hotel elevators are another example. Hotel operators have found that when people are busy looking at themselves in the mirrors, they don't feel like they are waiting as long for their elevators (Moore, 2008).

Not all physical factors are under a company's control, however. Take the weather, for example. Rainy weather can be a boon to some companies, like umbrella makers such as Totes, but a problem for others. Beach resorts, outdoor concert venues, and golf courses suffer when it is raining heavily. Businesses such as automobile dealers also have fewer customers. Who wants to shop for a car in the rain?

Firms often attempt to deal with adverse physical factors such as bad weather by offering specials during unattractive times. For example, many resorts offer consumers discounts to travel to beach locations during hurricane season. Having an online presence is another way to cope with weather-related problems. What could be more comfortable than shopping at home? If it's raining too hard to drive to the GAP, REI, or Abercrombie & Fitch, you can buy products from these companies and many others online. You can shop online for cars, too, and many restaurants take orders online and deliver.

Crowding is another situational factor. Have you ever left a store and not purchased anything because it was just too crowded? Some studies have shown that consumers feel better about retailers who attempt to prevent overcrowding in their stores. However, other studies have shown that to a certain extent, crowding can have a positive impact on a person's buying experience. The phenomenon is often referred to as "herd behaviour." (Gaumer & LaFief, 2005)

If people are lined up to buy something, you want to know why. Should you get in line to buy it too? Herd behaviour helped drive up the price of houses in the mid-2000s before the prices for them rapidly fell. Unfortunately, herd behaviour has also led to the deaths of people. In 2008, a store employee was trampled to death by an early morning crowd rushing into a Walmart to snap up holiday bargains.

Social Situation

The social situation you're in can significantly affect your purchase behaviour. Perhaps you have seen Girl Scouts selling cookies outside grocery stores and other retail establishments and purchased nothing from them, but what if your neighbour's daughter is selling the cookies? Are you going to turn her down or be a friendly neighbour and buy a box (or two)?

Companies like Pampered Chef that sell their products at parties understand that the social situation makes a difference. When you're at a friend's Pampered Chef party, you don't want to look cheap or disappoint your friend by not buying anything. Certain social situations can also make you less willing to buy products. You might spend quite a bit of money each month eating at fast-food restaurants like McDonald's and Subway. Where do you take someone for your first date? Some people might take a first date to Subway, but other people would perhaps choose a more upscale restaurant. Likewise, if you have turned down a drink or dessert on a date because you were worried about what the person you were with might have thought, your consumption was affected by your social situation (Matilla & Wirtz, 2008).

Time

The time of day, time of year, and how much time consumers feel like they have to shop affect what they buy. Researchers have even discovered whether someone is a "morning person" or "evening person" affects shopping patterns. Have you ever gone to the grocery store when you are hungry or after payday when you have cash in your pocket? When you are hungry or have cash, you may purchase more than you would at other times.

Seven-Eleven Japan is a company that's extremely in tune with time and how it affects buyers. The company's point-of-sale systems at its checkout counters monitor what is selling well and when, and stores are restocked with those items immediately—sometimes via motorcycle deliveries that zip in and out of traffic along Japan's crowded streets. The goal is to get the products on the shelves when and where consumers want them. Seven-Eleven Japan also knows that, like Americans, its customers are "time-starved." Shoppers can pay their utility bills, local taxes, and insurance or pension premiums at Seven-Eleven Japan stores and even make photocopies (Bird, 2002).

Companies worldwide are aware of people's lack of time and are finding ways to accommodate them. Some doctors' offices offer drive-through shots for patients who are in a hurry and for elderly patients who find it difficult to get out of their cars. Tickets.com allows companies to sell tickets by sending them to customers' mobile phones when they call in. The phones' displays are then read by barcode scanners when the ticket purchasers arrive at the events they're attending. Likewise, if you need customer service from Amazon.com, there's no need to wait on the telephone. If you have an account with Amazon, you just click a button on the company's website, and an Amazon representative calls you immediately.

Reason for the Purchase

The reason you are shopping also affects the amount of time you will spend shopping. Are you making an emergency purchase? What if you need something for an important dinner or a project and only have an hour to get everything? Are you shopping for a gift or a special occasion? Are you buying something to complete a task/project and need it quickly? In recent years, emergency clinics have sprung up in strip malls all over the country. Convenience is one reason. The other is a sheer necessity. If you cut yourself and you are bleeding badly, you're probably not going to shop around much to find the best clinic. You will go to the one that's closest to you. The same thing may happen if you need something immediately.

Purchasing a gift might not be an emergency situation, but you might not want to spend much time shopping for it, either. Gift certificates have been popular for years. You can purchase gift cards for numerous merchants at your local grocery store or online. By contrast, suppose you need to buy an engagement ring. Sure, you could buy one online in a jiffy, but you probably wouldn't do that. What if the diamond was fake? What if your significant other turned you down, and you had to return the ring? How hard would it be to get back online and return the ring (Hornik & Miniero, 2009)?

Mood

Have you ever felt like going on a shopping spree? At other times, wild horses couldn't drag you to a mall. People's moods temporarily affect their spending patterns. Some people enjoy shopping. It's entertaining for them. At the extreme are compulsive spenders who get a temporary "high" from spending.

A sour mood can spoil a consumer's desire to shop. The crash of the U.S. stock market in 2008 left many people feeling poorer, leading to a dramatic downturn in consumer spending. Penny pinching came into vogue, and conspicuous spending was out. Costco and Walmart experienced heightened sales of their low-cost Kirkland Signature and Great Value brands as consumers scrimped (Birchall, 2009). Saks Fifth Avenue wasn't so lucky. Its annual release of spring fashions usually leads to a feeding frenzy among shoppers, but spring 2009 was different. "We've definitely seen a drop-off of this idea of shopping for entertainment," says Kimberly Grabel, Saks Fifth Avenue's senior vice president of marketing (Rosenbloom, 2009). To get buyers in the shopping mood, companies resorted to different measures. The upscale retailer Neiman Marcus began introducing more mid-priced brands. By studying customer loyalty cards, the French hypermarket Carrefour hoped to find ways to get its customers to purchase nonfood items that have higher profit margins.

The glum mood wasn't bad for all businesses, though. Discounters like Half-Priced Books saw their sales surge. So did seed sellers as people began planting their own gardens. Finally, what about those products (Aqua Globes, Snuggies, and Ped Eggs) you see being hawked on television? Their sales were the best ever. Apparently, consumers who were too broke to go on vacation or shop at Saks were instead watching television and treating themselves to the products (Ward, 2009).

Personality and Self-Concept

Personality describes a person's disposition, helps show why people are different and encompasses a person's unique traits. The "Big Five" personality traits that psychologists discuss frequently include **openness**, or how open you are to new experiences, conscientiousness or how diligent you are, extraversion or how outgoing or shy you are, **agreeableness** or how easy you are to get along with, and **neuroticism** or how prone you are to negative mental states.

Do personality traits predict people's purchasing behaviour? Can companies successfully target certain products to people based on their personalities? How do you find out what personalities consumers have? Are extraverts wild spenders and introverts penny pinchers?

The link between people's personalities and their buying behaviour is somewhat unclear. Some research studies have shown that "sensation seekers," or people who exhibit extremely high levels of openness, are more likely to respond well to advertising that's violent and graphic. The problem for firms is figuring out "who's who" in terms of their personalities.

Marketers have had better luck linking people's self-concepts to their buying behaviour. Your **self-concept** is how you see yourself—be it positive or negative. Your **ideal self** is how you would *like* to see yourself—whether it's prettier, more popular, more eco-conscious, or more "goth," and others' self-concept, or how you think others see you, also influences your purchase behaviour. Marketing researchers believe people buy products to enhance how they feel about themselves—to get themselves closer to their ideal selves.

The slogan "Be All That You Can Be," which was used by the U.S. Army for years to recruit soldiers, is an attempt to appeal to the self-concept. Presumably, by joining the U.S. Army, you will become a better version of yourself, which will, in turn, improve your life. Many beauty products and cosmetic procedures are advertised in a way that's supposed to appeal to the ideal self people seek. All of us want products that improve our lives.

Lifestyle

If you have ever watched the television show *Wife Swap*, you can see that despite people's similarities (e.g., being middle-class Americans who are married with children), their lifestyles can differ radically. To better understand and connect with consumers, companies interview or ask people to complete questionnaires about their lifestyles or their activities, interests, and opinions (often referred to as AIO statements). Consumers are not only asked about products they like, where they live, and what their gender is but also about what they do—that is, how they spend their time and what their priorities, values, opinions, and general outlooks on the world are. Where do they go other than work? Who do they like to talk to? What do they talk about? Researchers hired by Procter & Gamble have gone so far as to follow women around for weeks as they shop, run errands, and socialize with one another (Berner, 2006). Other companies have paid people to keep a daily journal of their activities and routines.

A number of research organizations examine the lifestyle and psychographic characteristics of consumers. **Psychographics** combines the lifestyle traits of consumers and their personality styles with an analysis of their attitudes, activities, and values to determine groups of consumers with similar characteristics. One of the most widely used systems to classify people based on psychographics is the VALS (Values, Attitudes, and Lifestyles) framework. Using VALS to combine psychographics with demographic information such as marital status, education level, and income provides a better understanding of consumers.

Psychological Factors

Motivation

Motivation is the inward drive we have to get what we need. In the mid-1900s, Abraham Maslow, an American psychologist, developed the hierarchy of needs shown in Figure 7.1.1.

Figure 7.1.1: Maslow's Hierarchy of Needs, A triangular diagram of human necessities, shows typical prioritization of needs in order of physiological, safety, social, fulfillment, and self-actualization.

Maslow theorized that people have to fulfill their basic needs—food, water, and sleep—before they can begin fulfilling higher-level needs. Have you ever gone shopping when you were tired or hungry? Even if you were shopping for something that would make you the envy of your friends (maybe a new car) you probably wanted to sleep or eat even more. (Forget the car. Just give me a nap and a candy bar.)

The need for food is recurring. Other needs, such as shelter, clothing, and safety, tend to be enduring. Other needs still arise at different points in a person's life. For example, your social needs probably rose to the forefront during grade school and high school. You wanted to have friends and get a date. Perhaps this prompted you to buy certain types of clothing or electronic devices. After high school, you began thinking about how people would view you in your "station" in life, so you decided to pay for college and get a professional degree, thereby fulfilling your need for esteem. If you're lucky, at some point, you will realize Maslow's state of self-actualization. You will believe you have become the person in life that you feel you were meant to be.

Following the economic crisis that began in 2008, the sales of new automobiles dropped sharply virtually everywhere around the world—except the sales of Hyundai vehicles. Hyundai understood that people needed to feel secure and safe and ran an ad campaign that assured car buyers they could return their vehicles if they couldn't make the payments on them without damaging their credit. Seeing Hyundai's success, other carmakers began offering similar programs. Likewise, banks began offering "worry-free" mortgages to ease the minds of would-be homebuyers. For a fee of about $500, First Mortgage Corp., a Texas-based bank, offered to make a homeowner's mortgage payment for six months if he or she got laid off (Jares, 2010).

While achieving self-actualization may be a goal for many individuals in the United States, consumers in Eastern cultures may focus more on belongingness and group needs. Marketers look at cultural differences in addition to individual needs. The importance of groups affects advertising (using groups versus individuals) and product decisions.

Perception

Perception is how you interpret the world around you and make sense of it in your brain. You do so via stimuli that affect your different senses—sight, hearing, touch, smell, and taste. How you combine these senses also makes a difference. For example, in one study, consumers were blindfolded and asked to drink a new brand of clear beer. Most of them said the product tasted like regular beer. However, when the blindfolds came off, and they drank the beer, many of them described it as "watery" tasting (Ries, 2009).

Consumers are bombarded with messages on television, radio, magazines, the Internet, and even bathroom walls. The average consumer is exposed to about three thousand advertisements per day (Lasn, 1999). Consumers are surfing the Internet, watching television, and checking their cell phones for text messages simultaneously. Some, but not all, information makes it into our brains. Selecting information we see or hear (e.g., television shows or magazines) is called selective exposure.

Have you ever read or thought about something and then started noticing ads and information about it popping up everywhere? Many people are more perceptive to advertisements for products they need. **Selective attention** is the process of filtering out information based on how relevant it is to you. It's been described as a "suit of armour" that helps you filter out information you *don't* need. At other times, people forget information, even if it's quite relevant to them, which is called **selective retention**. Often, the information contradicts the person's belief. A longtime chain smoker who forgets much of the information communicated during an anti-smoking commercial is an example. To be sure their advertising messages get through to you and you remember them, companies use repetition. How tired of iPhone commercials were you before they tapered off? How often do you see the same commercial aired during a single television show?

Another potential problem that advertisers (or your friends) may experience is **selective distortion** or misinterpretation of the intended message. Promotions for weight loss products show models that look slim and trim after using their products, and consumers may believe they will look like the model if they use the product. They misinterpret other factors, such as how the model looked before or how long it will take to achieve the results. Similarly, have you ever told someone a story about a friend, and that person told another person who told someone else? By the time the story gets back to you, it is completely different. The same thing can happen with many types of messages.

Using surprising stimuli or **shock advertising** is also a technique that works. One study found that shocking content increased attention, benefited memory, and positively influenced behaviour among a group of university students (Dahl et al., 2003).

Subliminal advertising is the opposite of shock advertising and involves exposing consumers to marketing stimuli such as photos, ads, and messages by stealthily embedding them in movies, ads, and other media. Although there is no evidence that subliminal advertising works, years ago, the words *Drink Coca-Cola* were flashed for a millisecond on a movie screen. Consumers were thought to subconsciously perceive the information and be influenced to buy the products shown. Many people considered the practice to be subversive, and in 1974, the Federal Communications Commission condemned it. Much of the original research on subliminal advertising, conducted by a researcher trying to drum up business for his market research firm, was fabricated (Crossen, 2007). However, people are still fascinated by subliminal advertising. To create "buzz" about the television show *The Mole* in 2008, ABC began hyping it by airing short commercials composed of just a few frames. If you blinked, you missed it. Some television stations actually called ABC to figure out what was going on. One-second ads were later rolled out to movie theatres (Adalian, 2008).

Different consumers perceive information differently. A couple of frames about *The Mole* might make you want to see the television show. However, your friend might see the ad, find it stupid, and never tune in to watch the show. One man sees Pledge, an outstanding furniture polish, while another sees a can of spray that is no different from any other furniture polish. One woman sees a luxurious Gucci purse, and the other sees an overpriced bag to hold keys and makeup (Chartrand, 2009).

Social Class

A **social class** is a group of people who have the same social, economic, or educational status in society (Princeton University, n.d.). While income helps define social class, the primary variable determining social class is occupation. Consumers in the same social class exhibit similar purchasing behaviour to some degree. In many countries, people are expected to marry within their own social class. When asked, people tend to say they are middle class, which is not always correct. Have you ever been surprised to find out that someone you knew who was wealthy drove a beat-up old car or wore old clothes and shoes or that someone who isn't wealthy owns a Mercedes or other upscale vehicle? While some products may appeal to people in a social class, you can't assume a person is in a certain social class because they either have or don't have certain products or brands.

Table 7.1.1 shows seven classes of American consumers, along with the types of car brands they might buy. Keep in mind that the U.S. market is just a fraction of the world market. The rise of the middle class in India and China is creating opportunities for many companies to successfully sustain their products. For example, China has begun to overtake the United States as the world's largest auto market (France24, 2009).

Table 7.1.1 An Example of Social Classes and Buying Patterns

Class	Type of Car	Definition of Class
Upper-Upper Class	Rolls-Royce	People with inherited wealth and aristocratic names (the Kennedys, Rothschilds, Windsors, etc.)
Lower-Upper Class	Mercedes	Professionals such as CEOs, doctors, and lawyers
Upper-Middle Class	Lexus	College graduates and managers
Middle Class	Toyota	Both white-collar and blue-collar workers
Working Class	Pontiac	Blue-collar workers
Lower but Not the Lowest	Used Vehicle	People who are working but not on welfare
Lowest Class	No vehicle	People on welfare

In a recession when luxury buyers are harder to come by, the makers of upscale brands may want their customer bases to be as large as possible. However, companies don't want to risk "cheapening" their brands. That's why, for example, Smart Cars, which are made by BMW, don't have the BMW label on them. For a time, Tiffany's sold a cheaper line of silver jewellery to a lot of customers. However, the company later worried that its reputation was being tarnished by the line. Keep in mind that a product's price is, to some extent, determined by supply and demand. Luxury brands, therefore, try to keep the supply of their products in check so their prices remain high.

Some companies, such as Johnnie Walker, have managed to capture market share by introducing "lower echelon" brands without damaging their luxury brands. The company's whiskeys come in bottles with red, green, blue, black, and gold labels. The blue label is the company's best product. Every blue-label bottle has a serial number and is sold in a silk-lined box, accompanied by a certificate of authenticity.

Figure 7.2.2: The whiskey brand Johnnie Walker has managed to expand its market share without cheapening the brand by producing a few lower-priced versions of the whiskey and putting them in bottles with different labels.
"Johnnie Walker Black Label" by Carlos Ayala, CC BY-NC 2.0.

Reference Groups and Opinion Leaders

Reference groups are groups (social groups, workgroups, family, or close friends) a consumer identifies with and may want to join. They influence consumers' attitudes and behaviour. If you have ever dreamed of being a professional player of basketball or another sport, you have an aspirational reference group. That's why, for example, Nike hires celebrities such as Michael Jordan to pitch the company's products. There may also be **dissociative groups** or groups where a consumer does not want to be associated.

Opinion leaders are people with expertise in certain areas. Consumers respect these people and often ask their opinions before they buy goods and services. An information technology (IT) specialist with a great deal of knowledge about computer brands is an example. These people's purchases often lie at the forefront of leading trends. The IT specialist is probably a person who has the latest and greatest tech products, and his opinion of them is likely to carry more weight with you than any sort of advertisement.

Today's companies are using different techniques to reach opinion leaders. Network analysis using special software is one way of doing so. Orgnet.com has developed software for this purpose. Orgnet's software doesn't mine sites like Facebook and LinkedIn, though. Instead, it's based on sophisticated techniques that unearthed the links between Al Qaeda terrorists. Explains Valdis Krebs, the company's founder: "Pharmaceutical firms want to identify who the key opinion leaders are. They don't want to sell a new drug to everyone. They want to sell to the 60 key oncologists" (Campbell, 2009, para. 7).

Family

Most market researchers consider a person's family to be one of the most important influences on their buying behaviour. Like it or not, you are more like your parents than you think, at least in terms of your consumption patterns. Many of the things you buy and don't buy are a result of what your parents bought when you were growing up. Products such as the brand of soap and toothpaste your parents bought and used and even the "brand" of politics they leaned toward (Democratic or Republican) are examples of the products you may favour as an adult.

Companies are interested in which family members have the most influence over certain purchases. Children have a great deal of influence over many household purchases. For example, in 2003, nearly half (47 percent) of nine- to seventeen-year-olds were asked by parents to go online to find out about products or services, compared to 37 percent in 2001. IKEA uses this knowledge to design its showrooms. The children's bedrooms feature fun beds with appealing comforters, so children will be prompted to identify and ask for what they want (Mediamark Research, 2003).

Marketing to children has come under increasing scrutiny. Some critics accuse companies of deliberately manipulating children to nag their parents for certain products. For example, even though tickets for Hannah Montana concerts ranged from hundreds to thousands of dollars, the concerts often still sold out. However, as one writer put it, exploiting "pester power" is not always ultimately in the long-term interests of advertisers if it alienates kids' parents (Waddell, 2009).

Key Takeaways

- Situational influences are temporary conditions that affect how buyers behave. They include physical factors such as a store's buying locations, layout, music, lighting, and even scent. Companies try to make the physical factors in which consumers shop as favourable as possible. If they can't, they utilize other tactics such as discounts. The consumer's social situation, time factors, the reason for their purchases, and their moods also affect their buying behaviour.
- Your personality describes your disposition as other people see it. Market researchers believe people buy products to enhance how they feel about themselves. Your gender also affects what you buy and how you shop. Women shop differently than men. However, there's some evidence that this is changing. Younger men and women are beginning to shop more alike. People buy different things based on their ages and life stages. A person's cognitive age is how old one "feels" oneself to be. To further understand consumers and connect with them, companies have begun looking more closely at their lifestyles (what they do, how they spend their time, what their priorities and values are, and how they see the world).
- Psychologist Abraham Maslow theorized that people have to fulfill their basic needs—like the need for food, water, and sleep—before they can begin fulfilling higher-level needs. Perception is how you interpret the world around you and make sense of it in your brain.
- Companies often resort to repetition to ensure their advertising messages get through to you. Shocking advertising and product placement are two other methods. Learning is the process by which consumers change their behaviour after they gain information about or experience with a product. Consumers' attitudes are the "mental positions" people take based on their values and beliefs. Attitudes tend to be enduring and are often difficult for companies to change.
- Culture prescribes the way in which you should live and affects the things you purchase. A subculture is a group of people within a culture who are different from the dominant culture but have something in common with one another—common interests, vocations or jobs, religions, ethnic backgrounds, sexual orientations, and so forth.
- Consumers in the same social class exhibit similar purchasing behaviour to some degree. Most market researchers consider a person's family to be one of the biggest determinants of buying behaviour.
- Reference groups are groups that a consumer identifies with and wants to join. Companies often hire celebrities to endorse their products to appeal to people's reference groups. Opinion leaders are people with expertise in certain areas. Consumers respect these people and often ask their opinions before they buy goods and services.

7.2 Low-Involvement Versus High-Involvement Buying Decisions and the Consumer's Decision-Making Process

Depending on a consumer's experience and knowledge, some consumers may be able to make quick purchase decisions, and other consumers may need to get information and be more involved in the decision process before making a purchase. The **level of involvement** reflects how important or interested you are in consuming a product and how much information you need to decide.

The level of involvement in buying decisions may be considered a continuum from fairly routine decisions (consumers are not very involved) to decisions that require extensive thought and a high level of involvement. Whether a decision is low, high, or limited, involvement varies by consumer, not by product, although some products, such as purchasing a house, typically require a high involvement for all consumers. Consumers with no experience purchasing a product may have more involvement than someone who is replacing a product.

Low Involvement Purchasing

You have probably thought about many products you want or need but never did much more than that. At other times, you've probably looked at dozens of products. Consumers often engage in routine response behaviour when they make low-impulse buying involvement decisions—that is, they make automatic purchase decisions based on limited information or information they have gathered in the past. For example, if you always order a Diet Coke at lunch, you're engaging in routine response behaviour. You may not even think about other drink options at lunch because your routine is to order a Diet Coke, and you simply do it. Similarly, if you run out of Diet Coke at home, you may buy more without any information search.

Some low-involvement purchases are made with no planning or previous thought. These buying decisions are called **impulse buying.** While you're waiting to check out at the grocery store, perhaps you see a magazine with a famous person on the cover and buy it on the spot simply because you want it. You might see a roll of tape at a check-out stand and remember you need to impulse buy one, or you might see a bag of chips and realize you're hungry or just want them. These are items that are typically **low-involvement decisions**. Low-involvement decisions aren't necessarily products purchased on impulse, although they can be.

High-Involvement Purchasing

By contrast, **high-involvement decisions** carry a higher risk to buyers if they fail, are complex, and/or have high price tags. A car, a house, and an insurance policy are examples. These items are not purchased often but are relevant and important to the buyer. Buyers don't engage in routine response behaviour when purchasing high-involvement products. Instead, consumers engage in what's called **extended problem solving**, where they spend a lot of time comparing different aspects, such as the features of the products, prices, and warranties.

High-involvement decisions can cause buyers a great deal of postpurchase dissonance (anxiety) if they are unsure about their purchases or if they have a difficult time deciding between two alternatives. Companies that sell high-involvement products are aware that postpurchase dissonance can be a problem. Frequently, they try to offer consumers a lot of information about their products, including why they are superior to competing brands and how they won't let the consumer down. Salespeople may be utilized to answer questions and do a lot of customer "hand-holding."

Customers Limit Involvement When Able

Limited problem-solving falls somewhere between low-involvement (routine) and high-involvement (extended problem-solving) decisions. Consumers engage in limited problem-solving when they already have some information about a good or service but continue to search for a little more information. Assume you need a new backpack for a hiking trip. While you are familiar with backpacks, you know that new features and materials have been available since you purchased your last backpack. You're going to spend some time looking for one that's decent because you don't want it to fall apart while you're travelling and dump everything you've packed on a hiking trail. You might do a little research online and come to a decision relatively quickly. You might consider the choices available at your favourite retail outlet but not look at every backpack at every outlet before making a decision. Or you might rely on the advice of a person you know who's knowledgeable about backpacks. In some way, you shorten or limit your involvement and the decision-making process.

Advertising Considerations

Products, such as chewing gum, which may be low-involvement for many consumers, often use advertising, such as commercials and sales promotions, such as coupons, to reach many consumers at once. Companies also try to sell products such as gum in as many locations as possible. Many products that are typically high-involvement, such as automobiles, may use more personal selling to answer consumers' questions. Brand names can also be very important regardless of the consumer's level of purchasing involvement. Consider a low- versus high-involvement decision—say, purchasing a tube of toothpaste versus a new car. You might routinely buy your favourite brand of toothpaste, not thinking much about the purchase (engage in routine response behaviour), but not be willing to switch to another brand either. Having a brand you like saves you "search time" and eliminates the evaluation period because you know what you're getting.

When it comes to the car, you might engage in extensive problem-solving but, again, only be willing to consider a certain brand or brand. For example, in the 1970s, American-made cars had such a poor reputation for quality that buyers joked that a car that's "not Jap [Japanese made] is crap." The quality of American cars is very good today, but you get the picture. If it's a high-involvement product you're purchasing, a good brand name is probably going to be very important to you. That's why the manufacturers of products that are typically high-involvement decisions can't become complacent about the value of their brands.

1970s American Cars

Today, Lexus is the automotive brand that experiences the most customer loyalty. For a humorous, tongue-in-cheek look at why the brand reputation of American carmakers suffered in the 1970s, check out this clip.

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=94#oembed-1

Video: "Why 1970s American Cars are Awful | Jeremy Clarkson's Motorworld" by Top Gear [2:18] is licensed under the Standard Youtube License. Captions and transcripts are available on YouTube.

Key Takeaways

- Consumer behaviour looks at the many reasons why people buy things and later dispose of them.
- A consumer's level of involvement is how interested he or she is in buying and consuming a product.
- Low-involvement products are usually inexpensive and pose a low risk to the buyer if he or she makes a mistake by purchasing them.
- High-involvement products carry a high risk to the buyer if they fail, are complex, or have high price tags. Limited-involvement products fall somewhere in between.

7.3 Stages in the Buying Process

Figure 7.3.1 outlines the buying stages consumers go through. At any given time, you're probably in a buying stage for a product or service. You're thinking about the different types of things you want or need to eventually buy, how you are going to find the best ones at the best price, and where and how will you buy them. Meanwhile, there are other products you have already purchased that you're evaluating. Some might be better than others. Will you discard them, and if so, how? Then what will you buy? Where does that process start?

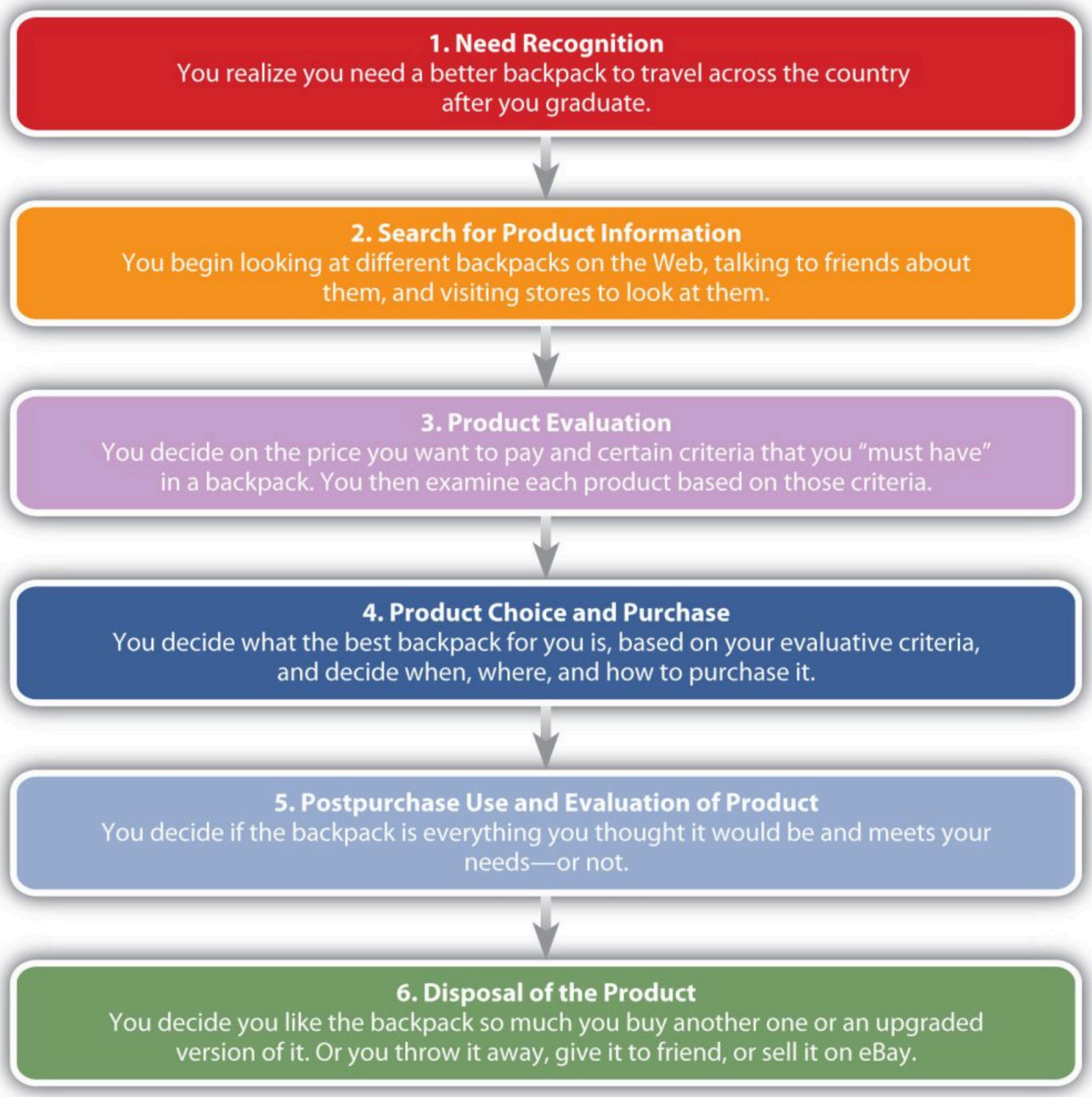


Figure 7.3.1: Stages in the Consumer's Purchasing Process

Stage 1. Need Recognition

You plan to backpack around the country after you graduate and don't have a particularly good backpack. You realize that you must get a new backpack. You may also be thinking about the job you've accepted after graduation and know that you must get a vehicle to commute. Recognizing a need may involve something as simple as running out of bread or milk or realizing that you must get a new backpack or a car after you graduate. Marketers try to show consumers how their products and services add value and help satisfy needs and wants. Do you think it's a coincidence that Gatorade, Powerade, and other beverage makers locate their machines in gymnasiums so you see them after a long, tiring workout? Previews at movie theatres are another example. How many times have you heard about a movie and had no interest in it—until you saw the preview? Afterward, you felt like you had to see it.

Stage 2. Search for Information

For products such as milk and bread, you may simply recognize the need, go to the store, and buy more. However, if you are purchasing a car for the first time or need a particular type of backpack, you may need to get information on different alternatives. Maybe you have owned several backpacks and know what you like and don't like about them. Or there might be a particular brand that you've purchased in the past that you liked and want to purchase in the future. This is a great position for the company that owns the brand to be in—something firms strive for. Why? Because it often means you will limit your search and simply buy their brand again.

If what you already know about backpacks doesn't provide you with enough information, you'll probably continue to gather information from various sources. Frequently, people ask friends, family, and neighbours about their experiences with products. Magazines such as *Consumer Reports* (considered an objective source of information on many consumer products) or *Backpacker Magazine* might also help you. Similar information sources are available to learn about different car makes and models.

Internet shopping sites such as Amazon.com have become a common source of information about products. Epinions.com is an example of a consumer-generated review site. The site offers product ratings, buying tips, and price information. Amazon.com also offers product reviews written by consumers. People prefer "independent" sources such as this when they are looking for product information. However, they also often consult non-neutral sources of information, such as advertisements, brochures, company websites, and salespeople.

Stage 3. Product Evaluation

Figure 7.3.2: Osprey backpacks are known for their durability. The company has a special design and quality control centre, and Osprey's salespeople annually take a "canyon testing" trip to see how well the company's products perform. "break" by melanie Innis, CC BY-NC-ND 2.0.

Obviously, there are hundreds of different backpacks and cars available. You can't examine all of them. In fact, good salespeople and marketing professionals know that providing you with too many choices can be so overwhelming that you might not buy anything at all. Consequently, you may use choice heuristics or rules of thumb that provide mental shortcuts in the decision-making process. You may also develop evaluative criteria to help you narrow down your choices. Backpacks or cars that meet your initial criteria before the consideration will determine the set of brands you'll consider for purchase.

Evaluative criteria are certain characteristics that are important to you, such as the price of the backpack, the size, the number of compartments, and colour. Some of these characteristics are more important than others. For example, the size of the backpack and the price might be more important to you than the colour—unless, say, the colour is hot pink and you hate pink. You must decide what criteria are most important and how well different alternatives meet the criteria.

Companies want to convince you that the evaluative criteria you are considering reflect the strengths of their products. For example, you might not have thought about the weight or durability of the backpack you want to buy. However, a backpack manufacturer such as Osprey might remind you through magazine ads, packaging information, and its Web site that you should pay attention to these features—features that happen to be key selling points of its backpacks. Automobile manufacturers may have similar models, so don't be afraid to add criteria to help you evaluate cars in your consideration set.

Stage 4. Product Choice and Purchase

With low-involvement purchases, consumers may go from recognizing a need to purchasing the product. However, for backpacks and cars, you decide which one to purchase after you have evaluated different alternatives. In addition to which backpack or which car, you are probably also making other decisions at this stage, including where and how to purchase the backpack (or car) and on what terms. Maybe the backpack was cheaper at one store than another, but the salesperson there was rude. Or maybe you decide to order online because you're too busy to go to the mall. Other decisions related to the purchase, particularly those related to big-ticket items, are made at this point. For example, if you're buying a high-definition television, you might look for a store that will offer you credit or a warranty.

Stage 5. Postpurchase Use and

Evaluation

At this point in the process, you decide whether the backpack you purchased is everything it was cracked up to be. Hopefully, it is. If it's not, you're likely to suffer what's called **postpurchase dissonance**. You might call it *buyer's remorse*. Typically, dissonance occurs when a product or service does not meet your expectations. Consumers are more likely to experience dissonance with products that are relatively expensive and that are purchased infrequently.

You want to feel good about your purchase, but you don't. You begin to wonder whether you should have waited to get a better price, purchased something else, or gathered more information first. Consumers commonly feel this way, which is a problem for sellers. If you don't feel good about what you've purchased from them, you might return the item and never purchase anything from them again. Or, worse yet, you might tell everyone you know how bad the product was.

Companies do various things to try to prevent buyer's remorse. For smaller items, they might offer a money-back guarantee, or they might encourage their salespeople to tell you what a great purchase you made. How many times have you heard a salesperson say, "That outfit looks so great on you!" For larger items, companies might offer a warranty, along with instruction booklets and a toll-free troubleshooting line to call, or they might have a salesperson call you to see if you need help with the product. Automobile companies may offer loaner cars when you bring your car in for service.

Companies may also try to set expectations in order to satisfy customers. Service companies such as restaurants do this frequently. Think about when the hostess tells you that your table will be ready in 30 minutes. If they seat you in 15 minutes, you are much happier than if they told you that your table would be ready in 15 minutes, but it took 30 minutes to seat you. Similarly, if a store tells you that your pants will be altered in a week and they are ready in three days, you'll be much more satisfied than if they said your pants would be ready in three days, yet it took a week before they were ready.

Stage 6. Disposal of the Product

There was a time when neither manufacturers nor consumers thought much about how products got disposed of, so long as people bought them. But that's changed. How products are disposed of is becoming extremely important to consumers and society. Computers and batteries, which leech chemicals into landfills, are a huge problem. Consumers don't want to degrade the environment if they don't have to, and companies are becoming more aware of this fact.

Take, for example, Crystal Light, a water-based beverage that's sold in grocery stores. You can buy it in a bottle. However, many people buy a concentrated form of it, put it in reusable pitchers or bottles, and add water. That way, they don't have to buy and dispose of plastic bottle after plastic bottle, damaging the environment in the process. Windex has done something similar with its window cleaner. Instead of buying new bottles of it all the time, you can purchase a concentrate and add water. You have probably noticed that most grocery stores now sell cloth bags that consumers can reuse instead of continually using and discarding new plastic or paper bags.

Figure 7.3.3: The hike up to Mount Everest used to be pristine. Now, it looks more like this. Who's responsible? Are consumers or companies responsible, or both? "[Recycling Center Pile](#)" by [jqpubliq](#), [CC BY-SA 2.0](#).

Other companies are less concerned about conservation than they are about planned obsolescence. **Planned obsolescence is a deliberate effort by companies to make their products obsolete or unusable after a period of time.** The goal is to improve a company's sales by reducing the amount of time between the repeat purchases consumers make of products. When a software developer introduces a new version of a product, it is usually designed to be incompatible with older versions of it. For example, not all the formatting features are the same in Microsoft Word 2007 and 2010. Sometimes, documents do not translate properly when opened in the newer version. Consequently, you will be more inclined to upgrade to the new version so you can open all Word documents you receive.

Figure 7.3.4: Disposable lighters came into vogue in the United States in the 1960s. You probably don't own a cool, nondisposable lighter like one of these, but you don't have to bother refilling it with lighter fluid, either. "A trench art lighter" by Europeana 1914-1918 project, CC BY-SA 3.0.

Disposable products are another way in which firms have managed to reduce the amount of time between purchases. Disposable lighters are an example. Do you know anyone today who owns a nondisposable lighter? Believe it or not, prior to the 1960s, scarcely anyone could have imagined using a cheap disposable lighter. There are many more disposable products today than there were in years past—including everything from bottled water and individually wrapped snacks to single-use eye drops and cell phones.

Key Takeaway

Consumers go through distinct buying phases when they purchase products: (1) realizing the need or wanting something, (2) searching for information about the item, (3) evaluating different products, (4) choosing a product and purchasing it, (5) using and evaluating the product after the purchase, and (6) disposing of the product.

7.4 Psychological Factors

Cognitive Awareness

Why do you buy the things you do? How did you decide to go to the college you're attending? Where do you like to shop and when? Do your friends shop at the same places or different places? Do you buy the same brands multiple times or eat at the same restaurants frequently? Marketing professionals who have the answers to those questions will have a much better chance of creating, communicating about, and delivering value-added products and services that you and people like you will want to buy. That's what the study of consumer behaviour is all about. **Consumer behaviour** considers the many reasons – personal, situational, psychological, and social – why people shop for products, buy and use them, sometimes become loyal customers, and then dispose of them.

Companies spend billions of dollars annually studying what makes consumers "tick." Although you might not like it, search engines monitor your web patterns. The companies that pay for search advertising, or ads that appear on the web pages you pull up after doing an online search, want to find out what kind of things interest you. Doing so allows these companies to send you pop-up ads and coupons you might be interested in instead of ads and coupons for things such as retirement communities.

In conjunction with a large retail center, the Massachusetts Institute of Technology (MIT) has tracked consumers in retail establishments to see when and where they tended to dwell or stop to look at merchandise. How was it done? By monitoring the position of the consumers' mobile phones as the phones automatically transmitted signals to cellular towers, MIT found that when people's "dwell times" increased, sales increased, too" (The Economist, 2008).

Researchers have even looked at people's brains by having them lie in scanners and asking questions about different products. What people say about the products is then compared to what their brain scans show – what they think. Scanning people's brains for marketing might sound nutty, but maybe not when considering that eight out of ten new consumer products fail, even when they are test-marketed. Could it be possible that what people say about potential new products and what they think about them differ? Marketing professionals want to find out.

Studying people's buying habits isn't just for big companies. Small businesses and entrepreneurs can study the behaviour of their customers with great success. By figuring out what postal codes their customers are in, a business might determine where to locate an additional store. Small companies, such as restaurants, often use coupon codes. For example, coupons are given different codes based on the other delivery mechanisms. Then, when the coupons are redeemed, the restaurants can tell which marketing avenues have the most significant effect on their sales.

Environmental factors (such as the economy and technology) and marketing actions taken to create, communicate, and deliver products and services (such as sale prices, coupons, Internet sites, and new product features) may affect consumers' behaviour. However, a consumer's situation, personal factors, and culture also influence what, when, and how he or she buys things.

Key Takeaways

- To effectively market your business to customers, you must learn about their behavioural patterns.
- Where people live, what they engage with, how they spend their time, and how their environments influence them are all factors to study and consider when planning.

7.5 Revenue Generation in the Golf Industry

Golf courses face tough competition — not just from other courses in the area but also from other recreation facilities and hobby-focused venues nearby. Courses located in an area with ample recreation opportunities may find themselves struggling to capture the attention of athletes, adventure seekers, outdoor enthusiasts, and so many other types of customers.

Club Revenue Generation

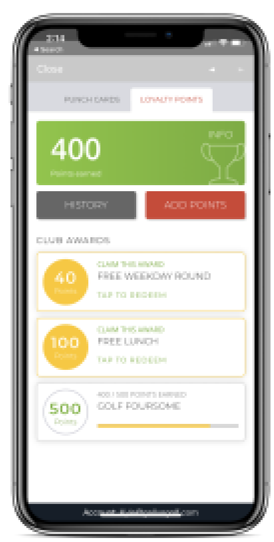
Membership Options

The green fee "is the set fee golfers must pay at the pro shop or clubhouse in order to gain access to the course. In literal terms, a green fee is the fee you must pay to be allowed to get on the green" (Falduto, 2023, para. 3). Golfers can also prepay their green fees through public course passes or private course memberships (Falduto, 2023).

Companies such as Golf North and Clublink have added variety to membership by offering several golf course options for players to play for one fee. This is a popular membership option since it allows the members to choose where they play. However, it yields drawbacks such as geographics and environment.

Loyalty Programs

Loyalty programs are heavily used in the hospitality industry, especially airlines and hotels, as part of their Customer Relationship Management programs. Some examples of popular Canadian Loyalty programs include Air Miles, Canadian Tire Rewards, Aeroplan, HBC Rewards, and PC Optimum. Airline loyalty programs such as Air Canada Loyalty, are often targeted to high-value business travellers with less price sensitivity. They achieve loyalty status and perks while travelling as well as earning points to use for personal travel rewards. Once a loyalty program member obtains elite status with significant associated perks such as guaranteed room availability, airport club lounge access, etc., the customer is much less likely to use other brands.



7.5.1. Example of a loyalty program app. [Image] by [Gallus]. Used under fair dealing for educational purposes.

This is a concept that has been embraced at golf courses as well. Whether it is collecting customer data through VIP cards or special promotions, obtaining customer information is very important. Once members and guests have opted to receive communications, golf courses can provide special offers to keep bringing them back to the course. Loyalty can be gained through tracking golfers' spending and rewarding them for their business.

Read: [8 Ways You Can Attract and Retain Golfers with a Loyalty Program]

Other Fees

Some courses have player fees, which include a cart rental; if this is not the case, an additional fee will apply (Faldutio, 2023). If the course does not have a player fee that includes the motorized cart rental, charges will apply. You may also be able to rent a pull or push cart, depending on the course (Faldutio, 2023).

Tournaments

Golf tournaments are a good way to raise money while also promoting the organization. People who love the game and can afford to attend these types of events are often able to become donors (Ensor, 2024).

Golf Tournament Fundraiser Ideas for Nonprofits

- Mulligans.
- Donation Appeal.
- Hole Sponsorship.
- Hole-in-One Contest.
- Putting Contest.
- Matching Gift Request.
- Pink Ball Contest.
- Logo Accessories.

Other revenue Pro Shop revenue streams include

- Hard goods
- Corporate sales
- Lessons
- Camps
- Food and Beverage
- Banquets
- Weddings
- Events
- On-Course sales
- Online sales
- Branded apparel

Key Takeaways

- Clubs must diversify their revenue streams in order to remain competitive
- Appealing offers such as loyalty programs may not directly generate profit, but they encourage club members to attend more frequently. Thus, revenue from other streams increases.

7.6 Chapter Summary

Review Questions

1. Explain what physical factors, social situations, time factors, and/or moods have affected your buying behaviour for different products.
2. Explain how someone's personality differs from his or her self-concept. How does the person's ideal self-concept come into play in a consumer behaviour context?
3. Describe how buying patterns and purchase decisions may vary by age, gender, and stage of life.
4. Why are companies interested in consumers' cognitive ages and lifestyle factors?
5. How does the process of perception work, and how can companies use it to their advantage in their marketing?
6. How does Maslow's hierarchy of needs and learning affect how companies market to consumers?
7. Why do people's cultures and subcultures affect what they buy?
8. How do subcultures differ from cultures? Can you belong to more than one culture or subculture?
9. How are companies trying to reach opinion leaders?
10. How do low-involvement decisions differ from high-involvement decisions in terms of relevance, price, frequency, and the risks their buyers face? Name some products in each category that you've recently purchased.
11. What stages do people go through in the buying process for high-involvement decisions? How do the stages vary for low-involvement decisions?
12. What is postpurchase dissonance, and what can companies do to reduce it?

Maybe you already thought of examples from your own decision-making while reading this chapter. Use the below exercise to think through a decision in detail.

An interactive H5P element has been excluded from this version of the text. You can view it online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=437#h5p-18

Understanding consumer behaviour is essential in marketing. Companies invest in studying online patterns, analyzing brain scans, and monitoring physical movements. Small businesses also benefit from studying customer behaviour through methods like zip code analysis and coupon code tracking.

Businesses, including startups, leverage blogs and social networking sites to connect with customers, share information, and gather feedback at a low cost. This engagement fosters a sense of connection and customer loyalty.

The chapter concludes by highlighting the multifaceted factors influencing consumer behaviour, including environmental factors and marketing actions. Upcoming sections will delve into specific factors and explore low-involvement versus high-involvement buying decisions and the consumer's decision-making process.

Key Terms

Agreeableness: How easy you are to get along with.

Atmospherics: Physical factors that firms can control, such as the layout of a store, music played at stores, the lighting, temperature, and even the smells you experience.

Conscientiousness: How diligent you are.

Consumer behaviour: It considers the many reasons – personal, situational, psychological, and social – why people shop for products, buy and use them, sometimes become loyal customers, and then dispose of them.

Dissociative groups: Groups where a consumer does not want to be associated.

Extended Problem Solving: Customers spend a lot of time comparing different aspects, such as the features of the products, prices, and warranties.

Extraversion: How outgoing or shy you are.

High-Involvement Decisions: Carry a higher risk to buyers if they fail, are complex, and/or have high price tags.

Ideal Self: Is how you would like to see yourself—whether it's prettier, more popular, more eco-conscious, or more "goth,".

Impulse Buying: Some low-involvement purchases are made with no planning or previous thought.

Level of Involvement: It reflects how personally important or interested you are in consuming a product and how much information you need to make a decision

Low-Involvement Decisions: Typically, products that are relatively inexpensive and pose a low risk to the buyer if they make a mistake by purchasing them.

Motivation: Is the inward drive we have to get what we need.

Neuroticism: How prone you are to negative mental states.

Openness: How open you are to new experiences.

Opinion Leaders: Are people with expertise in certain areas.

Perception: Is how you interpret the world around you and make sense of it in your brain.

Personality: Describes a person's disposition, helps show why people are different and encompasses a person's unique traits.

Planned obsolescence: A deliberate effort by companies to make their products obsolete or unusable after a period of time.

Postpurchase dissonance: Occurs when a product or service does not meet your expectations.

Consumers are more likely to experience dissonance with products that are relatively expensive and that are purchased infrequently.

Psychographics: Combines the lifestyle traits of consumers and their personality styles with an analysis of their attitudes, activities, and values to determine groups of consumers with similar characteristics.

Reference Groups: Are groups (social groups, work groups, family, or close friends) a consumer identifies with and may want to join. They influence consumers' attitudes and behaviour.

Selective Attention: Is the process of filtering out information based on how relevant it is to you. It's been described as a "suit of armour" that helps you filter out information you don't need.

Selective Distortion: Misinterpretation of the intended message.

Selective Retention: People forget information, even if it's quite relevant to them.

Self-Concept: Is how you see yourself—be it positive or negative.

Shock Advertising: Using surprising stimuli or shock advertising. One study found that shocking content increased attention, benefited memory, and positively influenced behaviour among a group of university students (Dahl et al., 2003).

Social Class: Is a group of people who have the same social, economic, or educational status in society.

Subliminal Advertising: Is the opposite of shock advertising and involves exposing consumers to marketing stimuli such as photos, ads, and messages by stealthily embedding them in movies, ads, and other media.

CHAPTER 8: BUSINESS BUYING BEHAVIOR

Chapter Outline

8.0 Learning Objectives
8.1 The Characteristics of Business-to-Business (B2B) Markets
8.2 Stages in the B2B Buying Process and B2B Buying Situations
8.3 Ethics in the Club Industry
8.4 Chapter Summary

8.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Identify the ways in which business-to-business (B2B) markets differ from business-to-consumer (B2C) markets.
- Explain why business buying is acutely affected by the behaviour of consumers.
- Explain how the ethical dilemmas B2B marketers face differ from the ethical dilemmas B2C marketers face.
- Outline the measures companies take to encourage their employees and executives to act in ethical ways.
- Outline the stages in the B2B buying process.
- Explain the scorecard process of evaluating proposals.
- Describe the different types of B2B buying situations and how they affect sellers.

8.1 The Characteristics of Business-to-Business (B2B) Markets

Business-to-business (B2B) markets differ from business-to-consumer (B2C) markets in many ways. For one, the number of products sold in business markets dwarfs the number sold in consumer markets. Suppose you buy a five-hundred-dollar computer from Dell. The sale amounts to a single transaction for you. But think of all the transactions Dell had to go through to sell you that one computer. Dell had to purchase many parts from many computer component makers. It also had to purchase equipment and facilities to assemble the computers, hire and pay employees, pay money to create and maintain its website and advertising and buy insurance and accounting and financial services to keep its operations running smoothly.

Many transactions had to happen before you could purchase your computer. Each of those transactions needed a salesperson. Each of those companies has a marketing department. Thus, there are a lot more college marketing graduates going into B2B companies than in B2C, which is reason enough to spend some time studying the subject. There are other differences, too. Business products can be very complex. Some need to be custom-built or retrofitted for buyers. The products include everything from high-dollar construction equipment to commercial real estate and buildings, military equipment, and billion-dollar cruise liners in the tourism industry. A single customer can account for a considerable amount of business. Some businesses, like those that supply the U.S. auto industry around Detroit, have just a handful of customers—General Motors, Chrysler, and Ford. Consequently, you can imagine why these suppliers worry when the automakers fall on hard times.

Not only can business products be complex, but so can figuring out the buying dynamics of organizations. Many people within an organization can be part of the buying process and have a say in ultimately what gets purchased, how much of it, and from whom. Having different people involved makes business marketing much more complicated. And because of the quantities each business customer can buy, the stakes are high. For some organizations, losing a big account can be financially devastating and winning one can be a financial bonanza.

How high are the stakes? Table 8.1.1, "Top Five Corporations Worldwide in Terms of Their Revenues," shows a recent ranking of the top five corporations in the world in terms of annual sales. Believe it or not, these companies earn more in a year than all the businesses of some countries do. Imagine the windfall you could gain as a seller by landing an exclusive account with any one of them.

Table 8.1.1 Top Five Corporations Worldwide in Terms of Their Revenues. Source: Wikipedia (accessed July 22, 2021).

Company	Revenue (Billions of Dollars)
Walmart Stores	559
Sinopec Group	407
Amazon	386
China National Petroleum	379
State Grid	363
Note: Numbers have been rounded to the nearest billion.	

Generally, the more high-dollar and complex the item being sold is, the longer it takes for the sale to be made. The sale of a new commercial jet to an airline company such as Southwest Airlines, Delta, or American

Airlines can literally take years to be completed. Purchases such as these are risky for companies. The buyers are concerned about many factors, such as the safety, reliability, and efficiency of the planes. They also generally want the jets customized in some way. Consequently, a lot of time and effort is needed to close these deals.

Unlike many consumers, most business buyers demand that the products they buy meet strict standards. Take, for example, the Five Guys burger chain based in Virginia. The company taste-tested eighteen different types of mayonnaise before settling on the one it uses. Would you be willing to taste eighteen different brands of mayonnaise before buying one? Probably not (Steinberg, 2009).

Another characteristic of B2B markets is the level of personal selling that goes on. Salespeople personally call on business customers to a far greater extent than they do consumers. Most of us have had door-to-door salespeople call on us occasionally. However, businesses often have multiple salespeople call on them in person daily, and some customers even provide office space for key vendors' salespeople. Table 8.1.2, "Business-to-Consumer Markets versus Business-to-Business Markets: How They Compare," outlines the main differences between B2C and B2B markets.

Table 8.1.2 Business-to-Consumer Markets versus Business-to-Business Markets: How They Compare

Consumer Market	Business Market
Many customers, geographically dispersed	Fewer customers, often geographically concentrated, with a small number accounting for most of the company's sales
Smaller total dollar amounts due to fewer transactions	Larger dollar amounts due to more transactions
Shorter decision cycles	Longer decision cycles
More reliance on mass marketing via advertising, Web sites, and retailing	More reliance on personal selling
Less-rigid product standards	More-rigid product standards

The Demand for B2B Products

Even though they don't sell their products to consumers like you and me, B2B sellers carefully watch general economic conditions to anticipate consumer buying patterns. The firms do so because the demand for business products is based on derived demand. **Derived demand** is demand that springs from, or is derived from, a source other than the primary buyer of a product. When it comes to B2B sales, that source is consumers. If consumers aren't demanding the products produced by businesses, the firms that supply products to these businesses are in big trouble.

Fluctuating demand is another characteristic of B2B markets: a small change in demand by consumers can have a big effect throughout the chain of businesses that supply all the goods and services that produce it. Often, a bullwhip type of effect occurs. If you have ever held a whip, you know that a slight shake of the handle will result in a big snap of the whip at its tip. Essentially, consumers are the handlers, and businesses along the chain compose the whip, hence the need to keep tabs on end consumers. They are a powerful purchasing force.

Example

For example, Cisco makes routers, which are specialized computers that enable computer networks to work. If Google uses five hundred routers and replaces 10 percent of them each year, it will usually buy fifty routers in a given year. What happens if consumer demand for the Internet falls by 10 percent? Then Google needs only 450 routers. Google's demand for Cisco's routers, therefore, becomes zero. Suppose the following year, the demand for the Internet returns to normal. Google now needs to replace the fifty routers it didn't buy in the first year, plus the fifty it needs to replace in the second year. So, in year two, Cisco's sales went from zero to a hundred, or twice the normal. Thus, Cisco experiences a bullwhip effect, whereas Google's sales vary by only 10 percent.

Because consumers are such a powerful force, some companies go so far as to try to influence their B2B sales by directly influencing consumers even though they don't sell their products to them. Intel is a classic case. Do you really care what sort of microprocessing chip gets built into your computer? Intel would like you to, which is why it has run a long series of commercials on TV to think about what chip is inside your computer. The following video clip shows how they've continued to promote "Intel Inside" even though their actual product has changed. The commercial will not likely persuade a computer manufacturer to buy Intel's chips. But the manufacturer might be persuaded to buy them if it's important to you. Derived demand is also why Intel demands that its chips' buyers put a little "Intel Inside" sticker on each computer they make—so you get to know Intel and demand its products.

Key Takeaways

B2B markets differ from B2C markets in many ways. There are more transactions in B2B markets and more high-dollar transactions because business products are often costly and complex. There are also fewer buyers in B2B markets, but they spend much more than the typical consumer does and have more rigid product standards. The demand for business products is based on derived demand. Derived demand is demand that springs from, or is derived from, a secondary source other than the primary buyer of a product. For businesses, this source is consumers. Fluctuating demand is another characteristic of B2B markets: a small change in demand by consumers can have a big effect throughout the chain of businesses that supply all the goods and services that produce it.

8.2 Stages in the B2B Buying Process and B2B Buying Situations

B2B Buying Process Stages

The stages of the B2B buying process are similar to the stages in the consumer's buying process.

1. A need is recognized

Someone recognizes that the organization has a need that can be solved by purchasing a good or service. Users often drive this stage, although others can serve the initiator role. In the case of the electronic textbook, it could be, for example, the professor assigned to teach the online course. However, it could be the dean or chairman of the department in which the course is taught.

2. The need is described and quantified

Next, the buying center or group of people brought together to help make the buying decision works to put some parameters around what needs to be purchased. In other words, they describe what they believe is needed, the features it should have, how much of it is needed, where, and so on. The buyer will define the product's technical specifications for more technical or complex products. Will an off-the-shelf product do, or must it be customized?

Users and influencers come into play here. In the case of our electronic book, the professor who teaches the online course, his teaching assistants, and the college's information technology staff would try to describe the type of book best suited for the course. Should the book be posted on the web as this book is? Should it be downloadable? Maybe it should be compatible with Amazon's Kindle.

3. Potential suppliers are searched for

At this stage, the people involved in the buying process seek information about the products they are looking for and the vendors that can supply them. Most buyers look online first to find vendors and products, then attend industry trade shows and conventions and telephone or e-mail the suppliers with whom they have relationships. The buyers might also consult trade magazines and industry experts' blogs and perhaps attend Webinars conducted by vendors or visit their facilities. Purchasing agents often play a key role when it comes to deciding which vendors are the most qualified. Are they reliable and financially stable? Will they be around in the future? Do they need to be located near the organization, or can they be in another region of the country or a foreign country? The vendors that don't make the cut are quickly eliminated from the running.

4. Qualified suppliers are asked to complete responses to requests for proposals (RFPs)

Each vendor that makes the cut is sent a request for proposal (RFP), which is an invitation to submit a bid to supply the good or service. An RFP outlines what the vendor is able to offer in terms of its product—its quality, price, financing, delivery, after-sales service, whether it can be customized or returned, and even the product's disposal, in some cases. Good sales and marketing professionals do more than provide basic information to potential buyers in RFPs. They focus on the buyer's problems and how to adapt their offers to solve those problems.

Oftentimes, the vendors formally present their products to the people involved in the buying decision. If the good is a physical product, the vendors generally provide the purchaser with samples, which are then inspected and sometimes tested. They might also ask satisfied customers to make testimonials or initiate a discussion with the buyer to help the buyer get comfortable with the product and offer advice on how best to go about using it.

5. The proposals are evaluated, and supplier(s) selected

During this stage, the RFPs are reviewed, and the vendor or vendors are selected. RFPs are best evaluated if the members agree on the criteria being evaluated and the importance of each. Different organizations will weigh different parts of a proposal differently, depending on their goals and the products they purchase. The price might be very important to some sellers, such as discount and dollar stores. Other organizations might be more focused on top-of-the-line goods and the service a seller provides. Recall that the maker of Snapper mowers and snowblowers was more focused on purchasing quality materials to produce top-of-the-line equipment that could be sold at a premium. Still, other factors include the availability of products and the reliability with which vendors can supply them. The reliability of supply is extremely important because delays in the supply chain can shut down a company's production of goods and services and damage the firm's customers and reputation.

For high-priced, complex products, after-sales service is likely to be important. A fast-food restaurant might not care too much about the after-sales service for the paper napkins it buys—just that they are inexpensive and readily available. However, if the restaurant purchases a new drive-thru ordering system, it wants to be assured that the seller will be on hand to repair the system if it breaks down and perhaps train its personnel to use the system.

A scorecard approach can help a company rate the RFPs. Figure 8.2.2 is a simple example of a scorecard completed by one member of a buying team. The scorecards completed by all the members of the buying team can then be tabulated to help determine the vendor with the highest rating.

Table 8.2.1: A scorecard used to evaluate RFPs

Reviewer: Jose Martinez		Vendor A		Vendor B		Vendor C	
Criteria	**Weight**	**Score (scale of 1-3)**	**Points (score X weight)**	**Score (scale of 1-3)**	**Points (score X weight)**	**Score (scale of 1-3)**	**Points (score X weight)**
Product Performance	3	1	3	3	9	2	6
Product Durability	3	3	9	2	6	3	9
Price	3	3	9	2	6	2	6
On-Time Delivery	3	3	9	2	6	2	6
Customer Service	3	2	6	2	6	2	6
Returns Policy	2	2	4	2	4	2	4
TOTAL SCORE			40		37		37

They are selecting Single versus Multiple Suppliers. Sometimes, organizations select a single supplier to provide the goods or services. This can help streamline a company's paperwork and other buying processes. With a single supplier, instead of negotiating two contracts and submitting two purchase orders to buy a particular offering, the company only has to do one of each. Plus, the more the company buys from one vendor, the bigger the volume discount it gets. Single sourcing can be risky, though, because it leaves a firm at the mercy of a sole supplier. What if the supplier doesn't deliver the goods, goes out of business, or jacks up its prices? Many firms prefer to do business with more than one supplier to avoid problems such as these, but doing business with multiple suppliers keeps them on their toes. If they know their customers can easily switch their business over to another supplier, they are likely to compete harder to keep the business.

6. An order routine is established

This is the stage in which the actual order is put together. The order includes the agreed-upon price, quantities, expected delivery time, return policies, warranties, and any other negotiation terms (Brauner, 2008). The order can be made on paper, online, or sent electronically from the buyer's computer system to the seller's. It can also be a one-time or multiple orders made periodically as a company needs a good or service. Some buyers order products continuously by having their vendors electronically monitor their inventory for them and ship replacement items as the buyer needs them.

7. A postpurchase evaluation is conducted, and the feedback is provided to the vendor

Just as consumers go through an evaluation period after they purchase goods and services, so do businesses. The buying unit might survey users of the product to see how satisfied they were with it. Cessna Aircraft Company, a small U.S. airplane maker, routinely surveys the users of the products it buys so they can voice their opinions on a supplier's performance (Purchansing, 2009).

Some buyers establish on-time performance, quality, customer satisfaction, and other measures for their vendors to meet and provide those vendors with the information regularly, such as trend reports that show if their performance is improving, remaining the same, or worsening. (The process is similar to a performance evaluation you might receive as an employee.) For example, Food Lion shares a wide variety of daily retail data and performance calculations with its suppliers in exchange for their commitment to closely collaborate with the grocery store chain.

Keep in mind that a supplier with a poor performance record might not be entirely to blame. The purchasing company might play a role, too. For example, if the U.S. Postal Service contracts with FedEx to help deliver its holiday packages on time, but a large number of the packages are delivered late, FedEx may or may not be to blame. Perhaps a large number of loads the U.S. Postal Service delivered to FedEx were late, weather played a role, or shipping volumes were unusually high. Companies need to collaborate with their suppliers to look for ways to improve their joint performance. Some companies hold annual symposiums with their suppliers to facilitate cooperation among them and to honour their best suppliers (Copacino, 2009).

Types of B2B Buying Situations

To some extent, the stages an organization goes through and the number of people involved depend on the buying situation. Is this the first time the firm has purchased the product or the fiftieth? If it's the fiftieth time, the buyer is likely to skip the search and other phases and simply make a purchase. A **straight rebuy** is a situation in which a purchaser buys the same product in the same quantities from the same vendor. Nothing changes, in other words. Postpurchase evaluations are often skipped unless the buyer notices an unexpected change in the offering, such as a deterioration of its quality or delivery time.

Sellers like straight rebuys because the buyer doesn't consider any alternative products or search for new suppliers. The result is a steady, reliable stream of revenue for the seller. Consequently, the seller doesn't have to spend a lot of time on the account and can concentrate on capturing other business opportunities. Nonetheless, the seller cannot ignore the account. The seller still has to provide the buyer with top-notch, reliable service, or the straight-rebuy situation could be jeopardized.

If an account is especially large and important, the seller might go so far as to station personnel at the customer's place of business to be sure the customer is happy, and the straight-rebuy situation continues. IBM and the management consulting firm Accenture station employees all around the world at their customers' offices and facilities.

By contrast, a **new-buy selling** situation occurs when a firm purchases a product for the first time. Generally speaking, all the buying stages we described in the last section occur. New buys are the most time-consuming for both the purchasing firm and the firms selling to them. If the product is complex, many vendors and products will be considered, and many RFPs will be solicited.

New-to-an-organization buying situations rarely occur. What is more likely is that a purchase is new to the people involved. For example, a school district owns buildings. However, when a new high school needs to be built, there may not be anyone in management who has experience building a new school. That purchase situation is a new buy for those involved.

A **modified rebuy** occurs when a company wants to buy the same type of product it has in the past but makes some modifications to it. Maybe the buyer wants different quantities, packaging, or delivery, or the product is customized slightly differently. For example, your instructor might have initially adopted this textbook "as is" from its publisher but then decided to customize it later with additional questions, problems, or content that he or she created or that was available from the original publisher.

However, a modified rebuy doesn't necessarily have to be made with the same seller. Your instructor may have taught this course before, using a different publisher's book. High textbook costs, lack of customization, and other factors may have led to dissatisfaction. In this case, she might visit some other textbook suppliers and see what they have to offer. Some buyers routinely solicit bids from other sellers when they want to modify their purchases in order to get sellers to compete for their business. Likewise, savvy sellers look for ways to turn straight rebuys into modified buys so they can get a shot at the business. They do so by regularly visiting with customers and seeing if they have unmet needs or problems a modified product might solve.

Key Takeaway

The stages in the B2B buying process are as follows: Someone recognizes that the organization has a need that can be solved by purchasing a good or service. The need is described and quantified. Qualified suppliers are searched for, and each qualified supplier is sent a request for proposal (RFP), which is an invitation to submit a bid to supply the good or service. The proposals that the suppliers submit are evaluated, one or more supplier(s) are selected, and an order routine for each is established. A postpurchase evaluation is later conducted, and the feedback is provided to the suppliers. An organization's buying stages often depend on the buying situation—whether it's a straight rebuy, new buy, or modified rebuy.

8.3 Ethics in the Club Industry

It's in the best interest of a company to operate ethically. Trustworthy companies are better at attracting and keeping customers, talented employees, and capital. Those tainted by questionable ethics suffer from dwindling customer bases, employee turnover, and investor mistrust.

What Is Ethics?

You probably already know what it means to be ethical, to know right from wrong and to know when you're practicing one instead of the other. **Business ethics** is the application of ethical behaviour in a business context. Acting ethically in business means more than simply obeying applicable laws and regulations. It also means being honest, doing no harm to others, competing fairly, and declining to put your interests above those of your company, its owners, and its workers. If you're in business, you need a strong sense of right and wrong. You need the personal conviction to do what's right, even if it means doing something difficult or personally disadvantageous.

Ideally, prison terms, heavy fines, and civil suits would discourage corporate misconduct, but, unfortunately, many experts suspect this assumption is a bit optimistic. Whatever the condition of the ethical environment, one thing seems clear: the next generation entering the business—which includes most of you—will find a world much different than the one that waited for the previous generation. Recent history tells us in no uncertain terms that today's business students, many of whom are tomorrow's business leaders, need a much sharper understanding of the difference between what is and isn't ethically acceptable. As a business student, one of your key tasks is learning how to recognize and deal with the ethical challenges that will confront you. Asked what he looked for in a new hire, Warren Buffet, the world's most successful investor, replied: "I look for three things. The first is personal integrity, the second is intelligence, and the third is a high energy level." He paused and then added: "But if you don't have the first, the second two don't matter" (Gostick & Telford, 2003).

People have very different ideas about what's ethical and what's not. So, how does a business get all of its employees on the same page regarding how they behave? Laws and regulations—state, federal, and international—are an obvious starting point for companies, their executives, and employees wanting to do the right thing.

Further, companies that sell to the government must, by law, follow stringent ethical guidelines. These companies tend to make such guidelines their policy because it is easier to ensure that the federal regulations are followed all of the time than only when selling to the government; this is true for golf suppliers and distributors.

Companies are also adopting ethics codes that provide general guidelines about how their employees should behave. Many firms require employees to undergo ethics training to know what to do when they face tricky ethical dilemmas. Large corporations have begun hiring "chief ethics officers" to ensure ethics are correctly implemented within their organizations. The American Marketing Association has also developed a code of ethics that discourages bribery and other practices, such as disparaging a competitor's products unfairly and encouraging treating one's suppliers equitably.

All things equal, companies want to do business with responsible firms. They don't want to be associated with firms that are not. Why is this important? Because that's what consumers are increasingly demanding. A few years ago, Nike and a number of other apparel makers were lambasted when it came to light that the factories they contracted with were using child labour and keeping workers toiling for long hours under terrible conditions. Nike didn't own the factories, but it still got a bad rap. Today, Nike, Inc. uses a "balanced scorecard." When evaluating suppliers, it looks at their labour-code compliance along with measures such as price, quality, and delivery time. During crunch times, it allows some Chinese factories latitude by, for example, permitting them to adjust when employees can take days off (Roberts et al., 2006).

Ethics at the Club

> *"Social interactions and service are created by the employee at the same time it is consumed by the customer. At the club, members expect and value service, advice, rapport, and attention, and above all, they want to trust. Old-fashioned word-of-mouth marketing is a prevalent part of a social environment and the genesis of Public Relations (PR). Ethical behaviour and ethical code of conduct guidelines for members, guests, and staff help to ensure a Club's positive reputation needed for effective marketing strategy."* – Colin Robertson

A Manager's "Cautionary Tale"

York Downs, a Markham, Ontario golf course, was defrauded of more than $600,000 by the club's general manager, Leonardo De La Fuente. De La Fuente apparently used the money to pay for his personal home renovations and support his lavish lifestyle. The fraud was discovered when De La Fuente paid an electrician working on his family's home with a club cheque that included incorrect information. Club administrators were notified when the information required verification. They then hired a forensic accountant who discovered this was not the only instance of fraud. According to the former club's president, Donald Matheson, De La Fuente "has not only shattered the trust and faith of the club and its members but has systematically unravelled the structure in which the club has always operated… Faith has been eroded… Seeds of doubt have been sewn within the greater community of the club". De La Fuente was found guilty and served time in jail. He was also ordered to pay restitution to the club. In 2015, the club was sold (Grimaldi, 2017).

Key Takeaways

Ethics come into play in almost all business settings. Business-to-business markets are no different. For example, unlike B2C markets, offering customers perks is very common in B2B settings. In many foreign countries, government buyers demand bribes to be paid if a company wants to do business with them. Understanding the laws and regulations that apply to their firms is an obvious starting point for companies, their executives, and employees in terms of knowing how to act ethically. Companies are also adopting ethics codes that provide general guidelines about how their employees should behave, requiring their employees to go through ethics training and hiring chief ethics officers. Companies want to do business with firms that are responsible. They don't want to be associated with firms that are not. Why? Because they know ethics are important to consumers and that they are increasingly demanding firms to behave responsibly.

8.4 Chapter Summary

Chapter Eight explores the distinctions between B2B and B2C markets, emphasizing the complexity of B2B transactions. It highlights the detailed processes involved in B2B operations, such as purchasing parts, assembling products, and managing marketing efforts. The role of salespeople and marketing departments in B2B is discussed, and the unique characteristics of business products are outlined, along with the importance of ethical behaviour.

Ethical considerations are emphasized as critical for business success, linking ethical practices to customer retention, employee satisfaction, and financial stability. The chapter underscores the importance of trustworthiness in B2B operations.

The vulnerability of B2B companies, particularly those reliant on a few major clients, is illustrated using examples from industries like the U.S. auto sector. The concept of a "straight rebuy" and the influence of the buying situation on organizational decisions are similarly explored.

Review Questions

1. Assume your company makes shop towels, hand-washing stations, and similar products. Make a list of all the golf courses that could be potential customers of your firm. Then identify all the markets from which their demand is derived. (Who are their customers and their customers' customers?) What factors might influence the success or failure of your business in these markets?
2. Imagine you are a salesperson for a company that sells turf maintenance items used in keeping a golf property landscaped. There is a large buying group such as Clublink that buys 60 percent of its products from one competitor and the other 40 percent from another competitor. What could you do to try to make a sale if they have never purchased from you before? How would your answer change if you were the 40 percent vendor and wanted to increase your share of the buyer's business? Would your answer change if you were the other vendor? Why or why not?
3. When your family makes a major purchase, such as choosing a vacation destination or buying furniture, does it resemble a buying center? If so, who plays what roles?
4. How does a code of conduct affect ethical culture at a Club?
5. Why are there more transactions in B2B markets than B2C markets? Why are there fewer buyers?
6. Explain what derived demand is.
7. Why do firms experience a bullwhip effect in the demand for their products when consumers' demand changes?
8. What buying stages do buying centers typically go through?
9. Why should business buyers collaborate with the companies they buy products from?
10. Explain how a straight rebuy, new buy, and modified rebuy differ from one another.

Key Terms

Business Ethics: Is the application of ethical behaviour in a business context.

Derived Demand: Demand that springs from, or is derived from, a source other than the primary buyer of a product.

Fluctuating Demand: Is a characteristic of B2B markets, and a small change in demand by consumers can have a big effect throughout the chain of businesses that supply all the goods and services that produce it.

Modified Rebuy: Occurs when a company wants to buy the same type of product it has in the past but makes some modifications to it.

New-buy Selling: Occurs when a firm purchases a product for the first time.

New-to-an-organization Buying: A purchase is new to the people involved.

Straight Rebuy: A situation in which a purchaser buys the same product in the same quantities from the same vendor.

CHAPTER 9: PRICING AND MEMBERSHIP STRUCTURE

Chapter Outline

9.0 Learning Objectives
9.1 The Marketing Mix: Applied to the Golf Industry
9.2 Golf Memberships
9.3 Understanding External Factors
9.4 Customer Segmentation: Knowing the Customer
9.5 MILLIONS Flywheel Model
9.6 Fan Theory
9.7 Chapter Summary

9.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Describe how the Marketing Mix should be considered during a membership drive.
- Apply the marketing mix to various distribution channels within the golf industry, such as hard goods, soft goods, and services.
- List some of the factors impacting the cost of a golf membership.
- Explain how PESTEL analysis is useful to organizations.
- Define the five-step process to getting to know your customers in the golf industry.
- Identify revenue streams at a country club/golf facility subjective to the target market.

9.1 The Marketing Mix

Reaching Customers through the Marketing Mix

The value proposition is a simple, powerful statement of value, but it is only the tip of the iceberg. How do marketing professionals ensure they reach and deliver value to the target customer?

Target Customer Example

Take yourself as a "target customer." Think about your cell phone. What would make you want to buy a new one? How might the following issues affect your purchasing decision? Factors that might influence your decision include the following:

- Features: A company has just released a new phone with amazing features that appeal to you.
- Price: You're concerned about the price—is this phone a good deal? Too expensive? So cheap that you suspect there's a "catch"?
- Information: How did you find out about this phone? Did you see an ad? Did you hear about it from a friend? See pictures and comments about it online?
- Customer service: Is your cell service provider making buying this phone easier with a new plan or an upgrade?
- Convenience: Could you easily buy it online in a moment of indulgence?

You can see there are multiple factors that might influence your thinking and decision about what to buy—a *mix* of factors. Taken together, these factors are all part of the "marketing mix."

Organizations must find the right combination of factors that allow them to gain an advantage over their competitors. This combination—the marketing mix—is the combination of factors that a company controls to provide value to its target customers.

How the Marketing Mix Changes

The following video illustrates how the marketing mix changes depending on the target customer:

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=710#oembed-1

Video: Value Creation Through the Marketing Mix by Waterbergh Management [3:05] is licensed under the Standard YouTube License. A transcript is available in the appendix of this book.

Evolving Definitions of the Marketing Mix

There are a few different ways the marketing mix is presented. During the 1950s, the components of the marketing mix were conceived as the "four Ps" and were defined as follows:

1. **Product:** the goods and services offered
2. **Promotion:** communication and information
3. **Place:** distribution or delivery
4. **Price:** ensuring fair value in the transaction (McCarthy, 1964)

Figure 9.1.1: "The Marketing Mix" is a diagram of the activities associated with marketing

Today, this categorization continues to be useful in understanding the basic activities associated with marketing. The marketing mix represents the way an organization's broad marketing strategies are translated into marketing programs for action.

Over time, new categories of the marketing mix have been proposed. Most are more consumer-oriented and attempt to better fit the movement toward a marketing orientation and a greater emphasis on customer value. One example is the four Cs, proposed by Robert F. Lauterborn in 1990:

- **Customer solution:** what the customer wants and needs
- **Communication:** a two-way dialogue with the customer
- **Convenience:** an easy process to act or buy
- **Cost:** the customer's cost to satisfy that want or need (Lauterborn, 1990)[1]

The four Cs focus more on the customer but align nicely with the older four Ps. They also enable one to think about the marketing mix for services, not just products. While it is difficult to think about hotel accommodations as a distinct *product*, it is much easier to think about a hotel creating a *customer solution*.

1.

You can see how the four Ps compare with the four Cs in the chart below.

The Four Ps Alignment with the Four Cs

Table 9.1.1 The Four Ps Alignment with the Four Cs

Four Ps	Four Cs	Definition
Product	Consumer solution	A company will only sell what the consumer *specifically* wants to buy. So, marketers should study consumer wants and needs in order to attract them one by one with something they want to purchase.
Price	Cost	Price is only a part of the total *cost to satisfy* a want or a need. For example, the total cost might be the *cost of time* in acquiring a good or a service, along with the *cost of conscience* in consuming it. It reflects the total cost of ownership. Many factors affect the cost, including but not limited to the customer's cost to change or implement the new product or service and the customer's cost for not selecting a competitor's product or service.
Promotion	Communication	Communications can include advertising, public relations, personal selling, viral advertising, and any other form of communication between the organization and the consumer.
Place	Convenience	In the era of the Internet, catalogs, credit cards, and smartphones, people often don't have to go to a particular place to satisfy a want or a need, nor are they limited to a few places to satisfy them. Marketers should know how the target market prefers to buy, how to be there, and be ubiquitous in order to provide the *convenience of buying*. With the rise of the Internet and hybrid models of purchasing, "place" is becoming less relevant. Convenience takes into account the ease of buying the product, finding the product, finding information about the product, and several other factors.

Whether we reference the four Ps or the four Cs, it is important to recognize that marketing requires attention to various approaches and variables that influence customer behaviour. Getting the right mix of activities is essential for marketing success.

Competitors and the Marketing Mix

The challenge of getting the right marketing mix is magnified by the existence of competitors, who exert market pressures using strategies defined by their marketing mix alternatives. Remember, the purpose of the marketing mix is to find the right combination of product, price, promotion, and distribution (place) so that a company can gain and maintain an advantage over competitors.

Key Takeaways

- Understanding the marketing mix will help drive sales for your business.
- A combination of factors, including customer interests, customer locations, the affordability of your product, customer spending habits, and how much you promote your products, factor into the marketing mix.
- The "Four Ps" and "Four Cs" provide helpful itemizations of factors to consider.

9.2 Golf Memberships

A golf club membership offers a range of privileges extending beyond the fairways. Typically structured as 5 or 7-day memberships, players enjoy unlimited golf, exempt from green fees based on the club's activity level. Additionally, integration with the Golf Canada Handicap System ensures members receive an official handicap, enhancing their competitive experience.

Memberships grant access to diverse events, from monthly medals to social gatherings, providing opportunities for competition and camaraderie. Access extends to practice facilities like putting greens and driving ranges, often at no extra cost. Clubhouse privileges include amenities like bars, restaurants, and changing rooms, with professional staff offering lessons. Members also benefit from discounted rates at the pro shop and bar, fostering community engagement.

A golf club membership offers a comprehensive package, blending golfing opportunities, social engagement, and elite access for families. However, these benefits come at a cost, which varies widely depending on the club's quality and location.

Cost

In Canada, the average cost of a golf membership ranges from $1000 to $50,000. However, costs vary globally, with exclusive clubs like Augusta National estimating initiation fees of around $40,000 and annual dues in the thousands (Detheir, 2019). Membership consideration often favours influential individuals, giving average golfers more accessible options. Despite recent declines in golf memberships, opportunities for good deals abound, especially at local and municipal courses with no waiting lists or initiation fees.

Factors Impacting Cost

Understanding the breakdown of costs is crucial for prospective members:

- *Initiation Fee: A one-time fee ranging from $1000 to $50,000 initiates membership at most clubs.* Some clubs offer refunds upon leaving, but not all.
- *Annual Dues:* Regular payments to maintain membership, ranging from hundreds to thousands of dollars monthly. Dues may include non-refundable food and beverage minimums, encouraging member patronage.
- *Additional Charges*: Clubs may impose extra fees, such as monthly spending requirements or locker and cart rentals. Assessments cover major expenses like renovations.

The cost-effectiveness of a golf membership depends on factors like frequency of play and usage of club amenities. For frequent players, memberships often offer economic benefits compared to paying green fees per round. However, associate memberships with discounted fees may be more suitable for infrequent players.

Considerations for Membership

- *Importance of Handicap:* Acquiring and maintaining an official handicap may necessitate club membership and granting access to competitions and certain courses. For those prioritizing an official handicap, membership may justify the financial commitment. View the World Handicap System website.
- *Social Aspect:* Golf clubs serve as hubs for individuals with shared interests, fostering social connections

and networking opportunities. Exclusive clubs often extend beyond golf-related activities, enriching the membership experience.

Alternative Options

- *Booking Online:* Platforms like GolfNow offer discounted tee times, especially during off-peak hours. Negotiating directly with clubs for discounted rates may also yield savings.
- *Joining Golf Societies:* Golf societies provide a membership-like experience without hefty dues, organize competitions at public courses and facilitate social interaction among members.

Read: Is A Golf Membership Worth It? Factors To Consider, Financial Considerations, And More by Brenda Draughn

Key Takeaways

- Golf club memberships typically provide unlimited access to the golf course, exempt from green fees, and include integration with the Golf Canada Handicap System to maintain an official handicap for competitive play.
- Members enjoy various social events and full use of practice facilities like putting greens and driving ranges at no extra cost, alongside clubhouse amenities such as bars, restaurants, and changing rooms, with professional instruction available.
- Membership costs in Canada range from $1,000 to $50,000, influenced by the club's location and status, with exclusive clubs often charging high initiation fees and annual dues but offering significant social prestige.
- The financial justification for membership depends on the frequency of golf play and use of club amenities; infrequent players might find better value in alternative options such as discounted online bookings or joining golf societies.
- Members benefit from discounts at the pro shop and bar, and the social environment of golf clubs provides networking opportunities and fosters a sense of community among enthusiasts.

9.3 Understanding External Factors

PESTEL analysis is an important tool for organizing factors within the general environment and identifying how they influence industries and firms. PESTEL is an anagram, meaning it is a word that is created by using parts of other words. In particular, PESTEL reflects the names of the six segments of the general environment: (1) political, (2) economic, (3) social, (4) technological, (5) environmental, and (6) legal. Wise executives carefully examine each of these six segments to identify significant opportunities and threats and then adjust their firms' strategies accordingly.

Political Factors

Political factors center on the role of governments in shaping business. This segment includes elements such as tax policies, changes in trade restrictions and tariffs, and the stability of governments. Immigration policy is an aspect of the political segment of the general environment that offers important implications for many different organizations.

Economic Factors

Economic factors center on the economic conditions within which organizations operate. It includes elements such as interest rates, inflation rates, gross domestic product, unemployment rates, levels of disposable income, and the general growth or decline of the economy.

Social Factors

Social factors include demographics such as population size, age, and ethnic mix, as well as societal norms, customs, and values prevalent in the population where an organization functions.

Technological Factors

Technological factors focus on improvements in products and services provided by science. Relevant factors include, for example, changes in the rate of new product development, increases in automation, and advancements in service industry delivery.

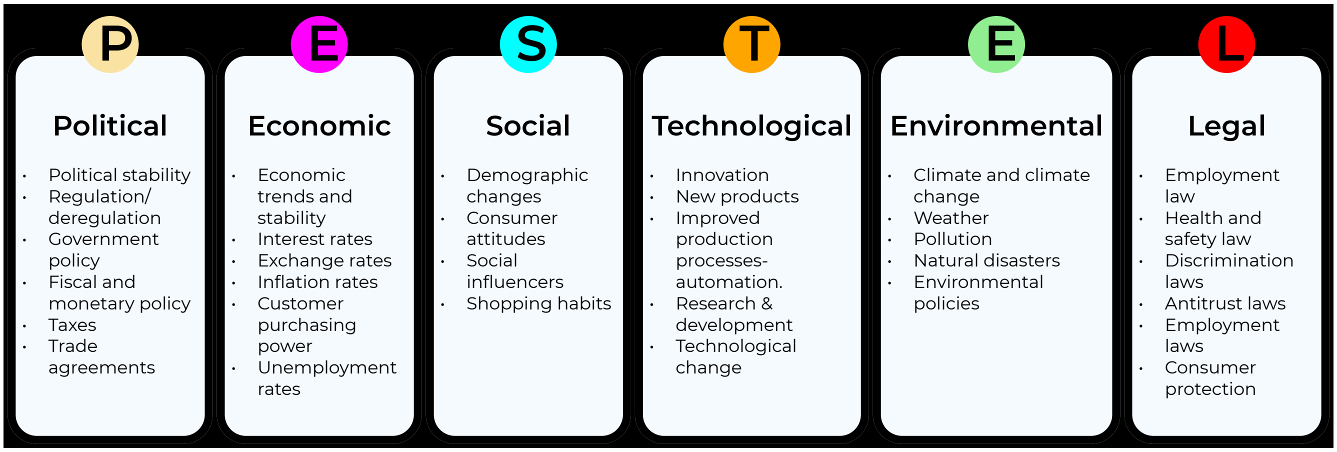
Environmental Factors

Environmental factors involve the physical conditions within which organizations operate. It includes natural disasters, pollution levels, and weather patterns. Heightened awareness of climate change impacts has compelled companies to modify their operations and product offerings, leading to increased engagement in corporate social responsibility (CSR) and sustainability practices.

Legal Factors

Legal factors consider how the courts influence business activity. Examples of important legal factors include employment laws, health and safety regulations, discrimination laws, and antitrust laws. A clear understanding of legal boundaries is crucial for companies to trade successfully and ethically. Global trade poses additional challenges as each country has its own set of rules and regulations.

Figure 9.3.2: Ways in which external factors can manifest. "PESTEL" by Jason Benoit [CC BY-SA 4.0] modified from [PEST Analysis] by [BronHiggs], [CC BY-SA 4.0].



Recognizing that numerous additional factors could impact a particular enterprise is essential. Moreover, the significance of these factors tends to differ across industries and nations. For instance, the software industry may be less affected by environmental and ecological considerations compared to the oil or automotive sector. Golf is a global sport, and many top equipment manufacturers do business in several countries, subjecting themselves to different political landscapes, tax laws, and cultural trends. Golf, like other sectors, is reliant on global trade, supply chain logistics, raw material cultivation, and political stability.

Key Takeaway

The PESTEL model of analysis provides a framework for determining the ways in which external factors can affect the performance of an organization. These factors can overlap and combine, sometimes in unpredictable ways that a business will need to be aware of.

9.4 Customer Segmentation: Knowing the Customer

Customer Segmentation is a cornerstone marketing strategy, dividing a company's customer base into distinct groups based on shared characteristics like demographics, behaviours, needs, and preferences. Recognizing customer diversity, this strategy enables businesses to customize their marketing endeavours, thus heightening campaign efficacy and bolstering customer satisfaction.

Key Objectives

1. Targeted Marketing: Tailor marketing messages and offers to specific customer segments.
2. Improved Customer Experience: Address the unique needs and preferences of each segment.
3. Increased Sales and Retention: Tailor products, services, and incentives to match customer expectations.
4. Efficient Resource Allocation: Direct marketing resources where they are most effective.

Recall: Chapter 1.5 Market Segmentation

In the realm of customer satisfaction, if we define it as the sense of fulfillment experienced when a service or product aligns with expectations, then there are two pivotal avenues to enhancing it. Firstly, it entails establishing appropriate anticipation among customers. Secondly, it involves delivering on those promises. Effective customer relationship management (CRM) plays a vital role in the hospitality and golf sectors as it directly correlates with ensuring the well-being of customers, members, and guests. Understanding customers through segmentation opens avenues to optimize marketing strategies with a tailored approach.

The golf management sector emphasizes the importance of cultivating and sustaining relationships. Whether dealing with players, members, or guests, establishing a personal connection takes precedence before showcasing expertise. The most rewarding strategy, boasting the highest return on investment, revolves around nurturing relationships and educating customers about the value proposition of choosing your establishment. Amidst technological advancements and evolving services, people's enduring desire for recognition and care remains constant. Failure to convey this sentiment might prompt customers to explore alternatives where they feel appreciated. Once genuine connections are forged, revenue opportunities arise through meaningful customer dialogues. Engaging in insightful conversations enables understanding of their preferences and needs, aligning your offerings with their expectations and enhancing customer loyalty.

Facility growth in the golf industry hinges on three primary methods:

1. Encouraging existing customers to increase their rounds.
2. Implementing player development programs to attract new golfers.

3. Marketing the facility to raise awareness among local golfers.

Building relationships with existing customers is more cost-effective than conventional advertising methods. Recognizing the significance of customer retention over acquisition, it becomes essential to assess the profitability of retaining each customer vis-à-vis the costs of acquiring new ones through advertising. An emphasis on relationship building emerges as a pivotal approach to fostering facility growth, which can be facilitated by the strategies and tools below:

- *A robust customer database* is valuable for golf professionals, owners, and operators. Its establishment and maintenance rely on the concerted efforts of the facility's team rather than solely on online tools. Such a database is a precursor to revenues, a marketing platform, a profiling tool for customer prospecting, a guide for operational decisions, and a means to evaluate the efficacy of marketing campaigns.
- *Annual member feedback meetings* are crucial in understanding club operations' efficacy. Despite potential logistical challenges, these one-on-one sessions are indispensable for gauging member satisfaction and usage patterns. Addressing standard questions related to member happiness, areas for improvement, and concerns enables golf professionals to engage in personalized communication, showcasing a commitment to enhancing the member experience.
- *Customer communication*. Tailoring messages to accentuate facility benefits, ongoing events, future plans, player development programs, and special offers can significantly bolster customer retention and facility utilization.

Key Takeaways

- Customer segmentation is a key marketing strategy that divides a company's customer base into groups based on shared characteristics such as demographics and behaviours, enhancing marketing effectiveness and customer satisfaction.
- The primary goals of customer segmentation include targeted marketing to meet the specific needs of each segment, improving customer experiences, increasing sales and retention by tailoring products and services, and allocating resources more efficiently.
- Customer relationship management is crucial for meeting customer expectations and fostering loyalty in sectors like hospitality and golf.
- Establishing personal connections, understanding customer preferences, and nurturing these relationships are fundamental for growth and retaining customers.
- Effective use of customer data, regular feedback, and personalized communication are essential tools in maintaining strong relationships and promoting facility utilization in the golf industry.

9.5 MILLIONS Flywheel Model

MILLIONS is the world's leading e-commerce-enabled media platform that connects the world of sports. Their custom-built platform offers a "one-stop shop" for its users, including sports fans, athletes, agencies, content creators and brands. How? MILLIONS is a perfect example of the flywheel business model. Let me explain.

MILLIONS is fully e-commerce and live shopping enabled. This means that a profile can list and sell a variety of products. You can design your custom merchandise line (with the help of MILLIONS in-house design team) with zero inventory risk through a print-on-demand model, list or auction memorabilia, offer personalized videos, or even list "experiences" which can range from a one-on-one virtual meet and greet, to an in-person training session, to a keynote speech!

MILLIONS is also live streaming enabled. This unlocks a content engine that fuels the fire for a profile's productization and monetization and opens the door to brand opportunities. How? Athletes, podcasters, content creators and gyms can stream LIVE on MILLIONS (and even charge a Pay-Per-View if they like) or upload offline content to their Media feed, knowing that if it meets quality standards, it will enter MILLIONS Media Lab. MILLIONS have dedicated teams focused on streaming, content production, and digital strategy (including social media). Working collaboratively, these teams will create short-form content from the longer streams and distribute it through their vast network of social media properties. How does this aid monetization? The short-form content has CTA's to a profile's next stream, a newly dropped merchandise line, or an upcoming memorabilia auction.

And how does this open the door to brand opportunities? Athletes were the original influencers. Brands know the inherent value of having sports personalities market their products. With MILLIONS being LIVE Streaming enabled, having a dedicated media feed showcasing both long and short-form content, and an extensive network of social media properties, brands know that through partnering with MILLIONS, they will receive high-quality content delivered to an audience that identifies strongly with the talent.

So, how does the flywheel work? Here's an example. An Athlete joins MILLIONS and creates Media (a WatchParty, podcast, etc). Their fans consume the stream and follow the Athlete on the platform. The fan is now notified of all future activity by this athlete on the platform. The fan purchases the athlete's merchandise, and a brand offers sponsorship for the athlete to create more content and have MILLIONS distribute it to them. The fans, athletes and brands all have positive experiences through these processes. Through word of mouth and strategic email campaigns, more athletes join and create content. More fans are brought to the platform. More brands offer sponsorship. And so on and so on.

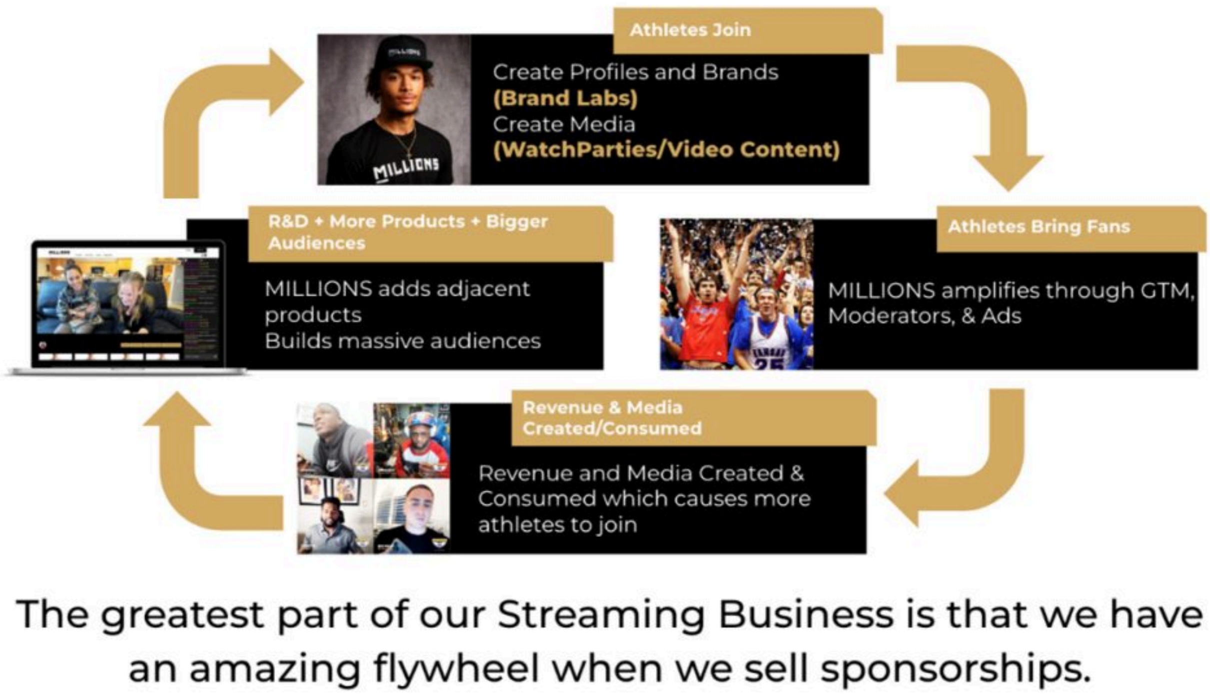


Figure 9.5.1 The Flywheel process: Athletes join, Athletes bring fans, Revenue and Media created/consumed, and R&D/More products development/Bigger Audiences.

Content Marketing

While more and more apps and AI tools are being created to assist in this space, distributing authentic content on social media can be a very manual process. Leveraging existing networks is an important strategy that can aid reach, traffic and engagement for campaigns. In sports marketing, selective collaborator requests on social media posts can result in significant growth in impressions. This can be with targeted athletes or brands, as well as sports fan pages. Some fan pages have hundreds of thousands of loyal, engaged followers, and just one post can be leveraged to reach an incredibly large audience. Building relationships with these pages can also be mutually exclusive. You, as a marketer, want your content to reach more people, and they want more content for their page, especially if they don't need to create it. It's a win-win and a great way to scale your reach and following.

Website traffic is critical to the success of an e-commerce platform. Strategies that increase reach are important, but reach without conversion to new users is an unsustainable model. Sports fans are motivated to consume sports content that provides informative knowledge about their favourite teams and athletes. MILLIONS has seen the most success through providing its users with unique and timely content. Two examples are through LIVE interviews and capitalizing on moments. LIVE interviews provide fans with exclusive insight into an Athlete's day-to-day life and a platform for them to engage with the Athlete and Host in real-time. These interviews can be clipped and distributed through the platform's social network to bring fans back to the platform. Other clips that can be leveraged to bring people back to the platform are ones based on newsworthy moments that happen external to the business. For example, an athlete with a profile on the platform has a huge moment in a game. Clips can be made of this moment, with CTA's back to their profile related to other forms of content or products. The fan's attention is captured by the moment, and once engaged, you are more likely to induce follow-up action as opposed to sharing the same CTA at a different time. This also highlights the need for a focus on SEO. The more your platform can be visible when moments external to your initiatives occur, the more passive traffic you will receive. Ensuring your content indexes correctly and that you invest time in blogs and other strategic copywriting is worth its weight in gold.

9.6 Fan Theory

MILLIONS Vice President of Media Tyler Hosie completed his MBA thesis on sports fandom. Here are some of his findings that have impacted the strategies used by MILLIONS. While some relate to "team" fandom, they can be applied to individual Athletes too, as well as conceptualized where MILLIONS is an entity similar to a team.

- In a study of Australian Football League fans, team identification was the key determining variable observed in consumption behaviours. *Team identification* is the perceived oneness with the team, where parts of individual identity, the sense of self, are attached to the identity of the supported team.
- *Drama and skill* were the universal motivators for an AFL fan to engage with the sport regardless of their degree of identification with the team, level of positive attitude towards the club or consumption behaviours. Fans enjoy the sport because pleasure is derived from the unpredictability in every moment during play, the uncertainty of the outcome and the superior skill mastery displayed by professional athletes.
- Of the six motives studied in this research, *Social, Escape and Knowledge* showed statistically significant correlation with consumption behaviours.
    - *Knowledge and Escape* were associated with higher mobile media consumption as fans wanted to know more or stay updated with AFL news.
- For transactional products, AFL fans are willing to exchange monetary resources for products that provide social experiences and informative knowledge.
- An AFL fan can consume sports because the team is perceived as an extension of their *personal identity* and not just fulfilling an unmet need.
- The feelings of *personal connectedness* are key to a supporter transitioning into becoming a financial member.
- AFL fans want to feel like an active member and connected to their club; they are curious about their club and want to consume digital media about their club.
- Success in creating a sense of *inclusiveness and connection* with AFL fans will improve team identification. When combined with strategies that provide engaging AFL media content and campaigns that facilitate community through socialization, this important psychometric variable will improve consumption behaviour and attitudinal loyalty. This will improve the club's revenue and profitability of each fan.
- Today's fans want *rewards for engagement*, a hub of information and social profiles connected to their club, and a way to communicate with other fans and the team they support. Simply following a team's social media account does not provide today's fans with enough connectedness, even with the ability to comment on posts. Clubs need to provide their fans with information that is not readily accessible online and feels personalized, almost exclusive to the fans consuming it.
- Our research shows that for social media consumption, the online content of AFL clubs would need to consist of frequent snippets of AFL-related news or information that entices AFL fans.
- *Organizational psychology* forms the foundation of a sport's experiential ecosystem that details how modern sports consumers are not merely spectators but are fans who feel like active members of an organization who also produce their own content (Singleton 2017).
- A rise in eSports participation has significantly impacted consumers' expectations in terms of connectivity and the ability to shape the content they consume. Singleton (2017) defines a '*Smart Fan*' as a contemporary, modish user who is always connected and always looking for more authentic media. Participation in the experience adds to their self-esteem, and they expect this to happen rapidly.
- The concept of a '*Smart Fan*' builds on connectivity as a necessary consideration for organizations in

today's digital media environment and introduces the need to further assess the content itself and its distribution. The prevalence of technology and new patterns of digital media consumption result in social media playing a pivotal role in fans identifying with particular teams (Singleton 2017). Our study confirmed this with significantly higher social media use in those with higher identification levels.

- The more *exposure* a fan has to content from any particular organization that they identify with, the more important this organization becomes to the fan (Stevens and Rosenberger 2012). The challenge for sporting organizations resides in maintaining 'conversations' with their fans and leveraging their content to not only attract but also retain the interest of their fans (Dart 2014).
- Consumers *now value experiences* more than simple goods and services. This preference for experiences also extends beyond the result of the games themselves, with variables such as group membership, loyalty, interaction, etc, seemingly more important (Singleton 2017).
- Even *non-sports fans* can be motivated to consume sports content. This is driven by what sport can provide their identity and how it can act as a catalyst for social needs, i.e. group status (Singleton 2017).
- AFL clubs should use social media to provide more information about their club. Social media platforms can be utilized to provide an inside story on their players and even incorporate designated times when the players will be monitoring their social media accounts to answer questions from fans. Not only does this entertain fans, but it can also enhance their experience and feelings of inclusiveness and connectedness (Witkemper et al. 2012).
- Today's sports consumers want *engaging consumption experiences*. They are also willing to pay for them, and their affiliated organization is ultimately the beneficiary of this additional spending. As noted repeatedly above; the higher the identification, the higher the fan's purchase and consumption behaviour (Singleton 2017). Highly engaged fans also endorse their team's corporate sponsors and affiliates.

9.7 Chapter Summary

Chapter 9 introduces the core concepts of marketing within the context of golf club memberships. It begins by discussing the traditional marketing mix, commonly known as the 4 P's (Product, Price, Place, Promotion), and how they apply to golf clubs. It then delves into the modern perspective of marketing, which emphasizes the 4 C's (Customer Solution, Customer Cost, Convenience, Communication), and their relevance to golf club marketing strategies. The various structures of golf memberships commonly offered by clubs, such as shareholder memberships, family memberships, corporate memberships, and social memberships, create a dynamic marketing environment. Golf memberships are significant industry drivers not only in terms of revenue generation but also in fostering a sense of community and exclusivity within the club.

External factors that can influence the marketing strategies of golf clubs, such as economic conditions, technological advancements, legal and regulatory issues, and socio-cultural trends, and how clubs can adapt their marketing efforts to navigate these external influences effectively, are explored. Market segmentation is crucial for golf clubs to identify and target specific groups of potential members effectively. This chapter explores the various segmentation criteria that clubs can utilize, such as demographics, psychographics, and behavioural patterns, to tailor their marketing messages and offerings to different segments of the market.

Building upon the concepts of market segmentation, chapter 9 discusses strategies for gathering customer data, analyzing preferences and behaviours, and implementing personalized marketing initiatives to enhance customer satisfaction and loyalty. MILLIONS Flywheel Model introduces the concept of fan theory, which emphasizes the emotional and digital connection between customers and brands also explores how golf clubs can cultivate a passionate fan base by delivering exceptional experiences, fostering community engagement, and creating profound memorable moments.

Review Questions

1. In the context of the marketing mix, what are the key differences between the "Four Ps" and the "Four Cs," and how do these frameworks contribute to understanding customer behaviour and market dynamics?
2. What are the key factors influencing the cost of golf club memberships, and how do these factors impact the decision-making process for prospective members?
3. Describe the six segments of the PESTEL framework and explain how each segment can impact the performance of organizations. Additionally, discuss the importance of considering these external factors in strategic decision-making processes.
4. How does customer segmentation contribute to targeted marketing, improved customer experiences, and increased sales and retention in the golf industry? Additionally, why is customer relationship management important for fostering loyalty and driving growth in this sector?
5. How does MILLIONS use the flywheel model to drive its e-commerce-enabled sports media platform? Discuss its key components and their roles in athlete engagement, fan interaction, revenue generation, and brand partnerships.

Key Terms

Customer Satisfaction: The feeling a person experiences when an offering meets his or her expectations

Equity Membership: The member owns a portion of the golf club along with other members.

Golf Club Membership: Encompasses a comprehensive package, seamlessly blending golfing prowess, social engagement, and elite access to create a holistic and enriching experience for everyone in the family.

Non-equity Model: The club and all of the amenities are owned by an entity other than the members. This could be the developer or an organization that specializes in owning and operating club facilities.

PESTEL Analysis: Formerly known as PEST analysis, serves as a vital framework or tool for systematically evaluating and monitoring macro-environmental factors that can significantly influence an organization's performance.

Place: Distribution or delivery.

Price: Ensuring fair value in the transaction (McCarthy, 1964).

Product: The goods and services offered.

Promotion: Communication and information.

CHAPTER 10: MARKETING RESEARCH

Chapter Outline

10.0 Learning Objectives
10.1 The Marketing Research Process
10.2 Marketing Information Systems
10.3 Types of Research Design
10.4 Primary and Secondary Research
10.5 Online Surveys: Gathering Data
10.6 Chapter Summary

10.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Explain the role of marketing research.
- Outlinethe marketing research process and the techniques employed.
- Describe the difference between Quantitative and Qualitative research.
- Differentiate between primary and secondary research.
- Apply marketing research to the everyday club environment.
- Design survey and data collection methods.

10.1 The Marketing Research Process

The word research refers to the process of looking for answers to problems. In the context of marketing, these problems are typically related to changes in consumer and competitor behaviour. The basic steps used to conduct marketing research are shown below. Next, we discuss each step.

Steps in the Market Research Process

1. Define the Problem (or Opportunity)
⇓
2. Design the Research
⇓
3. Design the Data Collection Forms
⇓
4. Specify the Sample
⇓
5. Collect the Data
⇓
6. Analyze the Data
⇓
7. Write the Research Report and Present Its Findings

Step 1: Define the Problem (or Opportunity)

There's a saying in marketing research that a problem half defined is a problem half solved. Defining the "problem" of the research sounds simple. They are problems insofar as they cause you headaches, but are they really *the* problem? Or are they the symptoms of something bigger? Businesses look at symptoms and try to drill down to the potential causes. The key is to look at all potential causes to narrow the study's parameters to the information you need to make a good decision about how to fix your business if revenues have dropped or whether or not to expand it if your revenues have exploded.

The next task for the researcher is to write the research objective. The research objective is the goal(s) the research is supposed to accomplish. Many marketing research efforts are doomed from the start because the problem was improperly defined. Coke's ill-fated decision to change the formula of Coca-Cola in 1985 is a case in point: Pepsi had been creeping up on Coke in terms of market share over the years as well as running a successful promotional campaign called the "Pepsi Challenge," in which consumers were encouraged to do a blind taste test to see if they agreed that Pepsi was better. Coke spent four years researching "the problem." Indeed, people seemed to like the taste of Pepsi better in blind taste tests. Thus, the formula for Coke was changed. But the outcry among the public was so great that the new formula didn't last long—a matter of months—before the old formula was reinstated. Some marketing experts believe Coke incorrectly defined the problem as “How can we beat Pepsi in taste tests?” instead of “How can we gain market share against Pepsi?” (Burns & Bush, 2010)

Step 2: Design the Research

The next step in the marketing research process is a research design. The **research design** is your “plan of attack.” It outlines what data you will gather and from whom, how and when you will collect the data, and how you will analyze it once it’s been obtained. Let’s look at the data you’re going to gather first.

There are two basic types of data you can gather. The first is primary data. **Primary data** is information you collect yourself, using hands-on tools such as interviews or surveys, specifically for your research project. **Secondary data** is already collected by someone else or data you have already collected for another purpose. Primary data is more time-consuming, work-intensive, and expensive than secondary data.

Consequently, you should always try to collect secondary data first to solve your research problem. A great deal of research on a wide variety of topics already exists. If this research contains the answer to your question, you do no need to replicate it. Why reinvent the wheel?

Sources of Secondary Data

Your company’s internal records are a source of secondary data. So are any data you collect as part of your marketing intelligence-gathering efforts. You can also purchase syndicated research. **Syndicated research** is primary data that marketing research firms collect on a regular basis and sell to other companies. J.D. Power & Associates is a provider of syndicated research. The company conducts independent, unbiased surveys of customer satisfaction, product quality, and buyer behaviour for various industries. The company is best known for its research in the automobile sector. One of the best-known sellers of syndicated research is the Nielsen Company, which produces the Nielsen ratings. The Nielsen ratings measure the size of television, radio, and newspaper audiences in various markets. You have probably read or heard about TV shows that get the highest (Nielsen) ratings. (Arbitron does the same thing for radio ratings.) Nielsen, along with its main competitor, Information Resources, Inc. (IRI), also sells business scanner-based research. **Scanner-based research** is information collected by scanners at checkout stands in stores. Each week, Nielsen and IRI collect information on the millions of purchases made at stores. The companies then compile the information and sell it to firms in various industries that subscribe to their services. The Nielsen Company has also recently teamed up with Facebook to collect marketing research information. Via Facebook, users will see surveys in some of the spaces in which they used to see online ads (Rappeport & Gelles, 2009).

A **marketing research aggregator** is a marketing research company that doesn’t conduct its own research and sell it. Instead, it buys research reports from other marketing research companies and then sells the reports in their entirety or in pieces to other firms.

Your local library is a good place to gather free secondary data. It has searchable databases as well as handbooks, dictionaries, and books, some of which you can access online. Government agencies also collect and report information on demographics, economic and employment data, health information, and balance-of-trade statistics, among a lot of other information. The U.S. Census Bureau collects census data every ten years to gather information about who lives where. Basic demographic information about sex, age, race, and types of housing in which people live in each U.S. state, metropolitan area, and rural area is gathered so that population shifts can be tracked for various purposes, including determining the number of legislators each state should have in the U.S. House of Representatives. For the U.S. government, this is primary data. For marketing managers, it is an important source of secondary data.

“Examples of Primary Data Sources versus Secondary Data Sources” shows some examples of primary versus secondary data sources.

Table 10.1.1 Examples of Primary Data Sources versus Secondary Data Sources

Primary Data Sources	Secondary Data Sources
Interviews	Census data
Surveys	Web sites
	Publications
	Trade associations
	Syndicated research and market aggregators

Gauging the Quality of Secondary Data

When you are gathering secondary information, it’s always good to be a little skeptical of it. Sometimes, studies are commissioned to produce the result a client wants to hear—or wants the public to hear. For example, throughout the twentieth century, numerous studies found that smoking was good for people’s health. The problem was the studies were commissioned by the tobacco industry. Web research can also pose certain hazards. Many biased sites try to fool people into believing that they are providing good data. Often, the data is favourable to the products they are trying to sell. Beware of product reviews as well. Unscrupulous sellers sometimes get online and create bogus ratings for products. See below for questions you can ask to help gauge the credibility of secondary information.

Gauging the Credibility of Secondary Data: Questions to Ask

- Who gathered this information?
- For what purpose?
- What does the person or organization that gathered the information have to gain by doing so?
- Was the information gathered and reported in a systematic manner?
- Is the source of the information accepted as an authority by other experts in the field?
- Does the article provide objective evidence to support the position presented?

Step 3: Design the Data-Collection Forms

If the behaviour of buyers is being formally observed, and a number of different researchers are conducting observations, the data obviously need to be recorded on a standardized data-collection form that’s either paper or electronic. Otherwise, the data collected will not be comparable. The items on the form could include a shopper’s sex; his or her approximate age; whether the person seemed hurried, moderately hurried, or unhurried; and whether or not he or she read the label on products, used coupons, and so forth.

The same is true when it comes to surveying people with questionnaires. Surveying people is one of the most commonly used techniques to collect quantitative data. Surveys are popular because they can be easily administered to large numbers of people fairly quickly. However, to produce the best results, the questionnaire for the survey needs to be carefully designed.

Questionnaire Design

Most questionnaires follow a similar format: They begin with an introduction describing what the study is for, followed by instructions for completing the questionnaire and, if necessary, returning it to the market researcher. The first few questions that appear on the questionnaire are usually a basic, warm-up type of questions the respondent can readily answer, such as the respondent's age, level of education, place of residence, and so forth. The warm-up questions are then followed by a logical progression of more detailed, in-depth questions that get to the heart of the question being researched. Lastly, the questionnaire wraps up with a statement that thanks the respondent for participating in the survey and information and explains when and how they will be paid for participating.

How the questions themselves are worded is extremely important. It's human nature for respondents to want to provide the "correct" answers to the person administering the survey so as to seem agreeable. Therefore, there is always a hazard that people will try to tell you what you want to hear on a survey. Consequently, care needs to be taken that the survey questions are written in an unbiased, neutral way. In other words, they shouldn't lead a person taking the questionnaire to answer a question one way or another by virtue of the way you have worded it. The following is an example of a leading question*:* "Don't you agree that teachers should be paid more?" The questions also need to be unambiguous. Many people don't like to answer questions about their income levels. Asking them to specify income ranges rather than divulge their actual incomes can help.

Other research questions "do nots" include using jargon and acronyms that could confuse people. "How often do you IM?" is an example. Also, don't muddy the waters by asking two questions in the same question, something researchers refer to as a **double-barreled question**. "Do you think parents should spend more time with their children and/or their teachers?" is an example of a double-barreled question.

Open-ended questions, or questions that ask respondents to elaborate, can be included. However, they are harder to tabulate than **closed-ended questions**, or questions that limit a respondent's answers. Multiple-choice and yes-and-no questions are examples of closed-ended questions.

Testing the Questionnaire

You have probably heard the phrase "garbage in, garbage out." If the questions are bad, the information gathered will be bad, too. One way to make sure you don't end up with garbage is to test the questionnaire before sending it out to find out if there are any problems with it. Is there enough space for people to elaborate on open-ended questions? Is the font readable? To test the questionnaire, marketing research professionals first administer it to a number of respondents face to face. This gives the respondents a chance to ask the researcher about questions or instructions that are unclear or don't make sense to them. The researcher then administers the questionnaire to a small subset of respondents in the actual way the survey is going to be disseminated, whether it's delivered via phone, in person, by mail, or online.

Getting people to participate and complete questionnaires can be difficult. If the questionnaire is too long or hard to read, many people won't complete it. So, by all means, eliminate any questions that aren't necessary. Of course, including some sort of monetary incentive for completing the survey can increase the number of completed questionnaires a market researcher will receive.

Step 4: Specify the Sample

Once you have created your questionnaire or other marketing study, how do you figure out who should participate in it? Obviously, you can't survey or observe all potential buyers in the marketplace. Instead, you must choose a sample. A **sample** is a subset of potential buyers that are representative of your *entire* target market or population being studied. Sometimes, market researchers refer to the **population** as the *universe* to reflect the fact that it includes the entire target market, whether it consists of a million people, a hundred thousand, a few hundred, or a dozen. "All unmarried people over the age of eighteen who purchased Dirt Devil steam cleaners in the United States during 2011" is an example of a population that has been defined.

Obviously, the population has to be defined correctly. Otherwise, you will be studying the wrong group of people. Not defining the population correctly can result in flawed research or sampling error. A **sampling error** is any type of marketing research mistake that results because a sample was utilized. One criticism of Internet surveys is that the people who take these surveys don't really represent the overall population. On average, Internet survey takers tend to be more educated and tech-savvy. Consequently, if they solely constitute your population, even if you screen them for certain criteria, the data you collect could end up being skewed.

The next step is to put together the **sampling frame**, which is the list from which the sample is drawn. The sampling frame can be put together using a directory, customer list, or membership roster (Wrenn et al., 2007). Keep in mind that the sampling frame won't *perfectly* match the population. Some people will be included on the list who shouldn't be. Other people who should be included will be inadvertently omitted. It's no different than if you were to conduct a survey of, say, 25 percent of your friends, using friends' names you have in your cell phone. Most of your friends' names are likely to be programmed into your phone, but not all of them. As a result, a certain degree of sampling error always occurs.

There are two main categories of samples in terms of how they are drawn: probability samples and nonprobability samples. A **probability sample** is one in which each would-be participant has a known and equal chance of being selected. The chance is known because the total number of people in the sampling frame is known. For example, if every other person from the sampling frame were chosen, each person would have a 50 percent chance of being selected.

A **nonprobability sample** is any type of sample that's not drawn in a systematic way. So the chances of each would-be participant being selected can't be known. A **convenience sample** is one type of nonprobability sample. It is a sample a researcher draws because it's readily available and convenient to do so. Surveying people on the street as they pass by is an example of a convenience sample. The question is, are these people representative of the target market?

For example, suppose a grocery store needed to quickly conduct some research on shoppers to get ready for an upcoming promotion. Now suppose that the researcher assigned to the project showed up between the hours of 10 a.m. and 12 p.m. on a weekday and surveyed as many shoppers as possible. The problem is that the shoppers wouldn't be representative of the store's entire target market. What about commuters who stop at the store before and after work? Their views wouldn't be represented. Neither would people who work the night shift or shop at odd hours. As a result, there would be a lot of room for sampling error in this study. For this reason, studies that use nonprobability samples aren't considered as accurate as studies that use probability samples. Nonprobability samples are more often used in exploratory research.

Lastly, the size of the sample has an effect on the amount of sampling error. Larger samples generally produce more accurate results. The larger your sample is, the more data you will have, which will give you a more complete picture of what you're studying. However, the more people surveyed or studied, the more costly the research becomes.

Statistics can be used to determine a sample's optimal size. If you take a marketing research or statistics class, you will learn more about how to determine the optimal size.

Of course, if you hire a marketing research company, much of this work will be taken care of for you. Many marketing research companies, like ResearchNow, maintain panels of prescreened people they draw upon for samples. In addition, the marketing research firm will be responsible for collecting the data or contracting with a company that specializes in data collection. Data collection is discussed next.

Step 5: Collect the Data

As we have explained, primary marketing research data can be gathered in a number of ways. Surveys, taking physical measurements, and observing people are just three of the ways we discussed. If you're observing customers as part of gathering the data, keep in mind that if shoppers are aware of the fact, it can have an effect on their behaviour. For example, if a customer shopping for feminine hygiene products in a supermarket aisle realizes she is being watched, she could become embarrassed and leave the aisle, which would adversely affect your data. To get around problems such as these, some companies set up cameras or two-way mirrors to observe customers. Organizations also hire mystery shoppers to work around the problem. A **mystery shopper** is someone who is paid to shop at a firm's establishment or one of its competitors to observe the level of service, cleanliness of the facility, and so forth, and report his or her findings to the firm.

Watch this video to get an idea of how mystery shopping works.

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/mktggolfmanagement/?p=462#oembed-1

Video: "Make Extra Money as a Mystery Shopper" by KSSAyisha [2:40] is licensed under the Standard Youtube License. Captions and transcript are available on YouTube.

Survey data can be collected in many different ways and combinations of ways. The following are the basic methods used:

- Face-to-face (can be computer-aided)
- Telephone (can be computer-aided or completely automated)
- Mail and hand delivery
- E-mail and the Web

Face-To-Face

A face-to-face survey is, of course, administered by a person. The surveys are conducted in public places such as in shopping malls, on the street, or in people's homes if they have agreed to it. In years past, it was common for researchers in the United States to knock on people's doors to gather survey data. However, randomly collected door-to-door interviews are less common today, partly because people are afraid of crime and are reluctant to give information to strangers (McDaniel & Gates, 1998).

Nonetheless, "beating the streets" is still a legitimate way for questionnaire data to be collected. When the U.S. Census Bureau collects data on the nation's population, it hand delivers questionnaires to rural households that do not have street names and house number addresses. Census Bureau workers personally survey the homeless to collect information about their numbers. Face-to-face surveys are also commonly used in third-world countries to collect information from people who cannot read or lack phones and computers.

A plus of face-to-face surveys is that they allow researchers to ask lengthier, more complex questions because the people being surveyed can see and read the questionnaires. The same is true when a computer is utilized. For example, the researcher might ask the respondent to look at a list of ten retail stores and rank the stores from best to worst. The same question wouldn't work so well over the telephone because the person couldn't see the list. The question would have to be rewritten. Another drawback with telephone surveys is that even though federal and state "do not call" laws generally don't prohibit companies from gathering survey information over the phone, people often screen such calls using answering machines and caller ID.

Probably the biggest drawback of both surveys conducted face-to-face and administered over the phone by a person is that they are labour-intensive and, therefore, costly. Mailing out questionnaires is costly, too, and the response rates can be rather low. Think about why that might be so: if you receive a questionnaire in the mail, it is easy to throw it in the trash; it's harder to tell a market researcher who approaches you on the street that you don't want to be interviewed.

By Telephone or Over the Net

By contrast, gathering survey data collected by a computer, either over the telephone or on the Internet, can be very cost-effective and in some cases free. Like a face-to-face survey, an Internet survey can enable you to show buyers different visuals such as ads, pictures, and videos of products and their packaging. Web surveys are also fast, which is a major plus. Whereas face-to-face and mailed surveys often take weeks to collect, you can conduct a Web survey in a matter of days or even hours. And, of course, because the information is electronically gathered it can be automatically tabulated. You can also potentially reach a broader geographic group than you could if you had to personally interview people.

Another plus for Web and computer surveys (and electronic phone surveys) is that there is less room for human error because the surveys are administered electronically. For instance, there's no risk that the interviewer will ask a question wrong or use a tone of voice that could mislead the respondents. Respondents are also likely to feel more comfortable inputting the information into a computer if a question is sensitive than they would divulging the information to another person face-to-face or over the phone. Given all of these advantages, it's not surprising that the Internet is quickly becoming the top way to collect primary data. However, like mail surveys, surveys sent to people over the Internet are easy to ignore.

Considerations for Interviewers

Before the data collection process begins, the surveyors and observers need to be trained to look for the same things, ask questions the same way, and so forth. If they are using rankings or rating scales, they need to be "on the same page," so to speak, as to what constitutes a high ranking or a low ranking. As an analogy, you have probably had some teachers grade your college papers harder than others. The goal of training is to avoid a wide disparity between how different observers and interviewers record the data.

Figure 10.1.1: Training people so they know what constitutes different ratings when they are collecting data will improve the quality of the information gathered in a marketing research study. – [Satisfaction survey]() by Ricardo Rodriquez, [CC BY-NC-ND 2.0]().

For example, if an observation form asks the observers to describe whether a shopper's behaviour is hurried, moderately hurried, or unhurried, they should be given an idea of what defines each rating. Does it depend on how much time the person spends in the store or in the individual aisles? How fast do they walk? In other words, the criteria and ratings need to be spelled out.

Step 6: Analyze the Data

Step 6 involves analyzing the data to ensure it's as accurate as possible. If the research is collected by hand using a pen and pencil, it's entered into a computer. Or respondents might have already entered the information directly into a computer. For example, when Toyota goes to an event such as a car show, the automaker's marketing personnel ask would-be buyers to complete questionnaires directly on computers. Companies are also beginning to experiment with software that can be used to collect data using mobile phones.

Once all the data is collected, the researchers begin the data cleaning, which is the process of removing data that have accidentally been duplicated (entered twice into the computer) or correcting data that have obviously been recorded wrong. A program such as Microsoft Excel or a statistical program such as Predictive Analytics Software (PASW, which was formerly known as SPSS) is then used to tabulate or calculate the basic results of the research, such as the total number of participants and how collectively they answered various questions. The programs can also be used to calculate averages, such as the average age of respondents, their average satisfaction, and so forth. The same can done for percentages and other values you learned about, or will learn about, in a statistics course, such as the standard deviation, mean, and median for each question.

The information generated by the programs can be used to draw conclusions, such as what *all* customers might like or not like about an offering based on what the sample group liked or did not like. The information can also be used to spot differences among groups of people. For example, the research might show that people in one area of the country like the product better than people in another area. Trends to predict what might happen in the future can also be spotted.

If there are any open-ended questions respondents have elaborated upon—for example, "Explain why you like the current brand you use better than any other brand"—the answers to each are pasted together, one on top of another so that researchers can compare and summarize the information. As we have explained, qualitative information such as this can give you a fuller picture of the results of the research.

Part of analyzing the data is to see if it seems sound. Does the way in which the research was conducted seem sound? Was the sample size large enough? Are the conclusions that become apparent from it reasonable?

The two most commonly used criteria used to test the soundness of a study are (1) validity and (2) reliability. A study is valid if it actually tested what it was designed to test. For example, did the experiment you ran in Second Life test what it was designed to test? Did it reflect what could really happen in the real world? If not, the research isn't valid. If you were to repeat the study and get the same results (or nearly the same results), the research is said to be reliable. If you get a drastically different result if you repeat the study, it's not reliable. The data collected, or at least some of it, can also be compared to, or reconciled with, similar data from other sources either gathered by your firm or by another organization to see if the information seems on target.

Stage 7: Write the Research Report and Present Its Findings

If you end up becoming a marketing professional and conducting a research study after you graduate, hopefully, you will do a great job putting the study together. You will have defined the problem correctly, chosen the right sample, collected the data accurately, analyzed it, and your findings will be sound. At that point, you will be required to write the research report and perhaps present it to an audience of decision makers. You will do so via a written report and, in some cases, a slide or PowerPoint presentation based on your written report.

Elements of a Research Report

The six basic elements of a research report are as follows:

1. Title Page – The title page explains what the report is about, when it was conducted and by whom, and who requested it.
2. Table of Contents – The table of contents outlines the major parts of the report, as well as any graphs and charts and the page numbers on which they can be found.
3. Executive Summary – The executive summary summarizes all the details in the report quickly. Many people who receive the report—both executives and nonexecutives—won't have time to read the entire report. Instead, they will rely on the executive summary to quickly get an idea of

the study's results and what to do about those results.

4. Methodology and Limitations –The methodology section of the report explains the technical details of how the research was designed and conducted. The section explains, for example, how the data was collected and by whom, the size of the sample, how it was chosen, and whom or what it consisted of (e.g., the number of women versus men or children versus adults). It also includes information about the statistical techniques used to analyze the data.
    1. Every study has errors—sampling errors, interviewer errors, and so forth. The methodology section should explain these details so decision-makers can consider their overall impact. The margin of error is the overall tendency of the study to be off-kilter—that is, how far it could have gone wrong in either direction. Remember how newscasters present the presidential polls before an election? They always say, "This candidate is ahead 48 to 44 percent, plus or minus 2 percent." That "plus or minus" is the margin of error. The larger the margin of error is, the less likely the results of the study are accurate. The margin of error needs to be included in the methodology section.
5. Finding – The findings section is a longer, fleshed-out version of the executive summary that goes into more detail about the statistics uncovered by the research that bolsters the study's findings. If you have related research or secondary data on hand that backs up the findings, it can be included to help show the study did what it was designed to do.
6. Recommendations – The recommendations section should outline the course of action you think should be taken based on the research findings and the project's purpose. For example, if you conducted a global market research study to identify new locations for stores, make a recommendation for the locations (Mersdorf, 2009).

As we have said, these are the basic sections of a marketing research report. However, additional sections can be added as needed. For example, you might need to add a section on the competition and each firm's market share. If you're trying to decide on different supply chain options, you will need to include a section on that topic.

As you write the research report, keep your audience in mind. Don't use technical jargon that decision makers and other people reading the report won't understand. Explain if technical terms must be used. Also, proofread the document to ferret out any grammatical errors and typos, and ask a couple of other people to proofread behind you to catch any mistakes you might have missed. If your research report is riddled with errors, its credibility will be undermined, even if the findings and recommendations you make are extremely accurate.

Many research reports are presented via PowerPoint. If you're asked to create a slideshow presentation from the report, don't try to include every detail in the report on the slides. The information will be too long and tedious for people attending the presentation to read through. And if they do go to the trouble of reading all the information, they probably won't be listening to the speaker who is making the presentation.

Instead of including all the information from the study in the slides, boil each section of the report down to key points and add some "talking points" only the presenter will see. After or during the presentation, you can give the attendees the longer, paper version of the report so they can read the details at a convenient time if they choose to.

Key Takeaways

- Step 1 in the marketing research process is to define the problem. Businesses take a look at what they believe are symptoms and try to drill down to the potential causes so as to precisely define the problem. The next task for the researcher is to put into writing the research objective, or goal, the research is supposed to accomplish.
- Step 2 in the process is to design the research. The research design is the "plan of attack." It outlines what data you are going to gather, from whom, how, and when, and how you're going to analyze it once it has been obtained.
- Step 3 is to design the data-collection forms, which need to be standardized so the information gathered on each is comparable. Surveys are a popular way to gather data because they can be easily administered to large numbers of people fairly quickly. However, to produce the best results, survey questionnaires need to be carefully designed and pretested before they are used.
- Step 4 is drawing the sample or a subset of potential buyers who are representative of your entire target market. If the sample is not correctly selected, the research will be flawed.
- Step 5 is to actually collect the data, whether it's collected by a person face-to-face, over the phone, or with the help of computers or the Internet. The data-collection process is often different in foreign countries.
- Step 6 is to analyze the data collected for any obvious errors, tabulate the data, and then draw conclusions from it based on the results. The last step in the process, Step 7, is writing the research report and presenting the findings to decision-makers.

10.2 Marketing Information Systems

In the context of the golf industry, a marketing information system (MIS) plays a crucial role in organizing and managing the wealth of information available to these businesses. This information is essential for marketing professionals and managers to make informed decisions tailored to the industry's unique characteristics. The application of a marketing information system in the golf industry should encompass the following key components:

1. *Recording Internally Generated Data and Reports:* Golf courses and country clubs generate significant internal data during their daily operations. This includes information on memberships, green fee revenues, pro shop sales, event bookings, customer feedback, and maintenance records. Capturing and storing this data efficiently is essential for understanding the performance of different business aspects and identifying improvement areas.

TeeOn Golf Software

Tee-On presents itself as a comprehensive golf point of sale (POS) software solution designed to cater to the unique needs of golf clubs since 2001. This software aims to provide maximum flexibility and industry-leading support to address club owners, managers, and golf professionals' specific challenges. With an emphasis on improved inventory control, reporting, and golf-specific functionalities, Tee-On seeks to streamline operations at golf courses.

Read: This article will explore Tee-On's offerings, benefits, and considerations to assist golf course operators in determining if this technology aligns with their operational goals and needs.

2. *Collecting Ongoing Market Intelligence*: Keeping abreast of external factors that impact the golf industry is crucial for staying competitive. A robust marketing information system for golf businesses should continuously gather market intelligence from sources such as industry reports, golf tourism trends, competitor analysis, and customer feedback. This information can help golf courses and country clubs adapt their offerings to meet changing customer preferences and stay ahead of industry trends.
3. *Utilizing Marketing Analytics Software:* Marketing analytics software can provide valuable insights into customer behaviour, pricing strategies, marketing campaign effectiveness, and revenue optimization for golf businesses. By leveraging data analytics tools, golf courses and country clubs can make data-driven decisions to enhance customer satisfaction, increase revenue, and improve operational efficiency.
4. *Recording Marketing Research Information:* Conducting market research studies specific to the golf industry can provide valuable insights into customer demographics, preferences, and behaviour. A marketing information system for golf businesses should have provisions for storing and analyzing data obtained from market research efforts, such as surveys, focus groups, and customer interviews. This information can help golf courses and country clubs tailor their marketing strategies and offerings to better meet their target audience's needs.

A well-designed marketing information system tailored to the golf industry can help golf courses and country clubs effectively manage internal data, gather relevant market intelligence, utilize analytics tools, and leverage marketing research insights to make informed decisions and drive business success in a competitive market landscape.

Key Takeaways

- In the golf industry, a marketing information system (MIS) is essential for collecting, storing, and analyzing data to help managers and marketing professionals make informed decisions.
- Such systems should integrate functions like recording internal operations data, continuous market intelligence gathering, and using marketing analytics software to analyze customer behaviour and optimize marketing strategies.
- Additionally, the MIS should support the capture and analysis of market research information to align offerings with customer preferences and trends, thereby enhancing competitiveness and operational efficiency in golf businesses.

10.3 Types of Research Design

By understanding different research designs, a researcher can solve a client's problems more quickly and efficiently without jumping through more hoops than necessary. Research designs fall into one of the following three categories:

1. Exploratory research design
2. Descriptive research design
3. Causal research design (experiments)

Exploratory Research Design

An **exploratory research design** is useful when you are initially investigating a problem but you haven't defined it well enough to do an in-depth study of it. Perhaps via your regular market intelligence, you have spotted what appears to be a new opportunity in the marketplace. You would then do exploratory research to investigate it further and "get your feet wet," as the saying goes. Exploratory research is less structured than other types of research, and secondary data is often utilized.

One form of exploratory research is qualitative research. **Qualitative research** is any form of research that includes gathering data that is not quantitative, and often involves exploring questions such as "why", as "much", as "what," or "how much". Different forms, such as depth interviews and focus group interviews, are common in marketing research.

The **depth interview**—engaging in detailed, one-on-one, question-and-answer sessions with potential buyers—is an exploratory research technique. However, unlike surveys, the people being interviewed aren't asked a series of standard questions. Instead, the interviewer is armed with some general topics and asks open-ended questions, meaning that they allow the interviewee to elaborate. "How did you feel about the product after you purchased it?" is an example of a question that might be asked. A depth interview also allows a researcher to ask logical follow-up questions such as "Can you tell me what you mean when you say you felt uncomfortable using the service?" or "Can you give me some examples?" to help dig further and shed additional light on the research problem. Depth interviews can be conducted in person or over the phone. The interviewer either takes notes or records the interview.

Focus groups and case studies are often utilized for exploratory research as well. A **focus group** is a group of potential buyers who are brought together to discuss a marketing research topic with one another. A moderator is used to focus the discussion, the sessions are recorded, and the main points of consensus are later summarized by the market researcher. Textbook publishers often gather groups of professors at educational conferences to participate in focus groups. However, focus groups can also be conducted on the telephone, in online chat rooms, or both, using meeting software like WebEx.

A **case study** examines how another company solved the problem being researched. Sometimes, multiple cases or companies are used in a study. Case studies, nonetheless, have a mixed reputation. Some researchers believe it's hard to generalize or apply the results of a case study to other companies. Nonetheless, collecting information about companies that have encountered the same problems your firm is facing can give you a certain amount of insight into what direction you should take. In fact, one way to begin a research project is to study a successful product or service carefully.

Two other types of qualitative data used for exploratory research are ethnographies and projective techniques.

In an **ethnography**, researchers interview, observe, and often videotape people while they work, live, shop, and play. The Walt Disney Company has recently begun using ethnographers to uncover the likes and dislikes of boys aged six to fourteen, a financially attractive market segment for Disney but one in which the company has been losing market share. The ethnographers visit the homes of boys, observe the things they have in their rooms to get a sense of their hobbies and accompany them and their mothers when they shop to see where they go, what the boys are interested in, and what they ultimately buy. (The children get seventy-five dollars out of the deal, incidentally.) (Barnes, 2009)

Projective techniques are used to reveal information research respondents might not reveal by being asked directly. The person might be asked to finish a story that presents a certain scenario, and word associations are also used to discern people's underlying attitudes toward goods and services. Using a word-association technique, a market researcher asks a person to say or write the first word that comes to his or her mind in response to another word. If the initial word is "fast food," what word does the person associate it with or respond with? Is it "McDonald's"? If many people reply that way, and you're conducting research for Burger King, that could indicate Burger King has a problem. However, if the research is being conducted for Wendy's, which recently began running an advertising campaign to show that Wendy's offerings are "better than fast food," it could indicate that the campaign is working.

In some cases, your research might end with exploratory research. Perhaps you have discovered your organization lacks the resources needed to produce the product. In other cases, you might decide you need more in-depth, quantitative research, such as descriptive research or causal research, which are discussed next. Most marketing research professionals advise using both types of research if it's feasible. On the one hand, the qualitative-type research used in exploratory research is often considered too "lightweight." Remember earlier in the chapter when we discussed telephone answering machines and the hit TV sitcom *Seinfeld*? Focus groups initially rejected both product ideas. On the other hand, relying solely on quantitative information often results in market research that lacks ideas.

Descriptive Research

Anything that can be observed and counted falls into the category of descriptive research design. A study using a **descriptive research** design involves gathering hard numbers, often via surveys, to describe or measure a phenomenon so as to answer the questions of who, what, where, when, and how. "On a scale of 1–5, how satisfied were you with your service?" is a question that illustrates the information a descriptive research design is supposed to capture.

Physiological measurements also fall into the category of descriptive design. Physiological measurements measure people's involuntary physical responses to marketing stimuli, such as advertisements.

A strictly descriptive research design instrument—a survey, for example—can tell you how satisfied your customers are. It can't, however, tell you why. Nor can an eye-tracking study tell you why people's eyes tend to dwell on certain types of banner ads—only that they do. To answer "why" questions, an exploratory or causal research design is needed (Wagner, 2007).

Casual Research

Causal research design examines cause-and-effect relationships. Using a causal research design allows researchers to answer "what if" types of questions. In other words, if a firm changes X (say, a product's price, design, placement, or advertising), what will happen to Y (say, sales or customer loyalty)? To conduct causal research, the researcher designs an experiment that "controls," or holds constant, all of a product's marketing elements except one (or, using advanced techniques of research, a few elements can be studied at the same time). The one variable is changed, and the effect is then measured. Sometimes, the experiments are conducted in a laboratory using a simulated setting designed to replicate the conditions buyers would experience. The experiments may also be conducted in a virtual computer setting. You might think setting up an experiment in a virtual world, such as the online game Second Life, would be a viable way to conduct controlled marketing research.

An experiment conducted in a natural setting, such as a store, is referred to as a **field experiment**. Companies sometimes do field experiments either because it is more convenient or because they want to see if buyers will behave the same way in the "real world," as in a laboratory or on a computer. The place where the experiment is conducted or the demographic group of people the experiment is administered to is considered the test market. Before a large company rolls out a product to the entire marketplace, it will often place the offering in a test market to see how well it will be received. For example, to compete with MillerCoors' sixty-four-calorie beer MGD 64, Anheuser-Busch recently began testing its Select 55 beer in certain cities around the country (McWilliams, 2009).

Quantitative vs. Qualitative Research

Qualitative research explores ideas, perceptions, and behaviours in-depth with relatively few research participants. It aims to answer questions with more complex, open-ended responses such as, "What does this mean to you…?" or "Why do you believe…?" or "How do you like to…?" Qualitative research doesn't yield easily tabulated data and translated into tidy percentages. Instead, provides information that can help marketers understand the big picture of how customers perceive or experience something.

Qualitative research can also give an organization directional information. That is, it can help an organization tell whether it's on the right track with its approach or solution to a problem. Qualitative research techniques tend to be loosely structured and less formal since the topical exploration may head in very different directions depending on the person or group participating. These techniques can provide great insights to marketers, but because they involve relatively few participants, the results can be very subjective and idiosyncratic. The risk is in assuming what you learn from a handful of individuals pertains to your target audience as a whole.

In contrast, **quantitative research** collects information that can easily be counted, tabulated, and statistically analyzed. Quantitative research is necessary when organizations need to understand (or quantify) the exact percentage of people who believe or act in a certain way. Quantitative methods allow researchers to test and validate a hypothesis or what they believe is the best course of action. These methods collect enough data to provide statistically valid results, and managers use them to inform the choices they make.

Marketing research projects often start with qualitative research activities to get a more complete picture of an issue or problem and how customers/consumers think about it. With a better understanding of the issue, they follow up with quantitative research that provides more specificity about what proportion of the population shares common preferences, beliefs, or behaviours. This information provides insights to help marketers refine their segmentation and targeting strategy, the marketing mix, or other considerations related to marketing effectiveness.

Takeaways for the Golf Industry

In the context of the golf industry, the information provided in the text can be applied to marketing strategies and research in the following ways:

1. *Exploratory Research Design:*
   For golf industry businesses looking to explore new opportunities or market trends, using exploratory research methods such as qualitative research, in-depth interviews, focus groups, and case studies can be beneficial. Conducting exploratory research can help golf businesses uncover new market segments, understand customer preferences, identify emerging trends, and gain insights into competitors' strategies in the industry.
2. *Qualitative Research:* Qualitative research methods such as in-depth interviews and focus groups can be used by golf businesses to gather in-depth insights into golfers' behaviours, motivations, preferences, and attitudes toward golf products, services, and experiences. By conducting qualitative research, golf businesses can uncover valuable information on why customers choose certain golf brands, what influences their purchasing decisions, and how they perceive the overall golfing experience.
3. *Projective Techniques:* Projective techniques can be applied in the golf industry to uncover golfers' subconscious thoughts, attitudes, and perceptions toward golf products and services. For example, completing sentences, word associations, or cartoon-completion exercises can reveal hidden insights that traditional survey questions may not capture. By using projective techniques, golf businesses can gain a deeper understanding of golfers' emotional connections to the sport, brand loyalty factors, and potential areas for marketing innovation and improvement.
4. *Quantitative Research:* Quantitative market research methods such as surveys, questionnaires, and polling can be utilized by golf businesses to collect large-scale data on golf consumer preferences, market trends, and competitive analysis. Quantitative research in the golf industry can help businesses measure customer satisfaction, track market share, assess brand awareness, and evaluate the effectiveness of marketing campaigns and promotions.

Incorporating a mix of exploratory qualitative and quantitative research methods, golf businesses can comprehensively understand the market landscape, consumer behaviour, and competitive dynamics to inform their marketing strategies, product development efforts, and overall business decisions in the dynamic and competitive golf industry.

Key Takeaways

- There are a variety of approaches to collecting information, even within the subcategories of

- qualitative and quantitative methodologies.
- A combination of perspectives and techniques will assist you in developing useful and comprehensive information packages.
- Understanding what approach will succeed in analyzing a particular problem and why it will succeed can be determined in many ways. Knowing how to determine which ones to use and when is your goal.

10.4 Primary and Secondary Research

Primary Research

Primary sources are texts that arise directly from a particular event or time period. They may be letters, speeches, works of art, works of literature, diaries, direct personal observations, newspaper articles that offer direct observations of current events, survey responses, tweets, other social media posts, original scholarly research (meaning research that the author or authors conduct themselves) or any other content that comes out of direct involvement with an event or a research study.

Primary research is information that has not yet been critiqued, interpreted or analyzed by a second (or third, etc) party.

Primary sources can be popular (if published in newspapers, magazines or websites for the general public) or academic (if written by scholars and published in scholarly journals).

Examples of Primary Sources

- journals, diaries
- blog posts
- a speech
- data from surveys or polls
- scholarly journal articles in which the author(s) discuss the methods and results from their own
- original research/experiments
- photos, videos, sound recordings
- interviews or transcripts
- poems, paintings, sculptures, songs or other works of art
- government documents (such as reports of legislative sessions, laws or court decisions, financial or economic reports, and more)
- newspaper and magazine articles that report directly on current events (although these can also be considered Secondary)
- Investigative journalism (sometimes considered Secondary as well)

The Internet and Primary Research

Primary research involves gathering data for a specific research task. It is based on data that have not been gathered beforehand. Primary research can be either qualitative or quantitative.

Primary research can be used to explore a market and can help develop the hypotheses or research questions that must be answered by further research. Generally, qualitative data are gathered at this stage. For example, online research communities can be used to identify consumer needs that are not being met and brainstorm possible solutions. Further quantitative research can investigate what proportion of consumers share these problems and which potential solutions best meet those needs.

Figure 10.4.1: Primary and Secondary data. The arrows between the two circles representing primary and secondary data show the data flow between the two sets. Web analytics, surveys, and listening labs are shown to be examples of primary data, while published articles, blogs, and white papers are examples of secondary data.

Secondary Research

Secondary sources summarize, interpret, critique, analyze, or offer commentary on primary sources.

In a secondary source, an author's subject is not necessarily something he or she experienced directly. The author of a secondary source may be summarizing, interpreting or analyzing data or information from someone else's research or offering an interpretation or opinion on current events. Thus, the secondary source is one step away from the original primary topic/subject/research study.

Secondary sources can be popular (if published in newspapers, magazines or websites for the general public) or academic (if written by scholars and published in scholarly journals).

Examples of Secondary Sources

- book, movie or art reviews
- summaries of the findings from other people's research
- interpretations or analyses of primary source materials or other people's research histories or biographies
- political commentary
- newspaper and Magazine articles that mainly synthesize others' research or primary materials (remember, newspaper and magazine articles can also be considered primary, depending on the content)

The Internet and Secondary Research

Market research based on secondary resources uses data that already exist for analysis. This includes both internal and external data and is useful for exploring existing market and marketing problems.

Research based on secondary data should precede primary data research. It should be used to establish the context and parameters for primary research.

Secondary Data

Uses of secondary data include the following:

- The data can provide enough information to solve the problem at hand, thereby negating the need for further research.
- Secondary data can provide sources for hypotheses that can be explored through primary research.
- Sifting through secondary data is a necessary precursor for primary research, as it can provide information relevant to sample sizes and audience, for example.
- The data can be used as a reference base to measure the accuracy of primary research.

Companies that transact online have a wealth of data that can be mined due to the nature of the Internet. Every action that is performed on the company Website is recorded in the server logs.

Customer communications are also a source of data that can be used, particularly communications with a customer service department. Committed customers who complain, comment, or compliment provide information that can form the foundation for researching customer satisfaction.

Social networks, blogs, and other forms of social media have emerged as forums where consumers discuss their likes and dislikes, and customers can be particularly vocal about companies and products. These data can and should be tracked and monitored to establish consumer sentiment. If a community is established for research purposes, this should be considered primary data, but using social media to research existing sentiments is considered secondary research.

The Internet is an ideal starting point for conducting secondary research based on published data and findings. But with so much information out there, it can be a daunting task to find reliable resources.

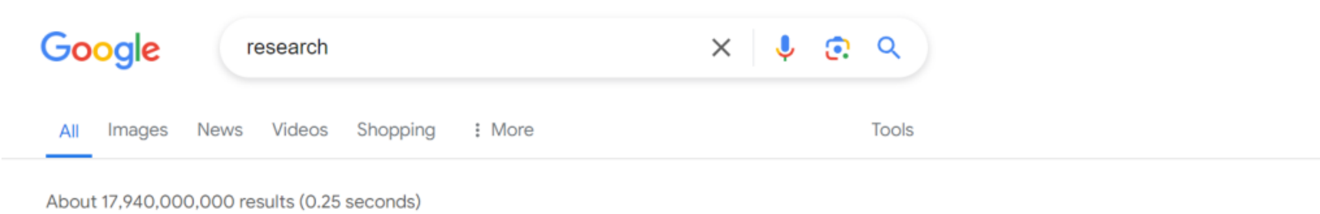


Figure 10.4.2: Google shows 17,940,000,000 entries for “research.”

The first point of call for research online is usually a search engine, such as Google or Yahoo. Search engines usually have an array of advanced features that can aid online research. For example, Google offers Advanced Search, Google Scholar, and Google Book Search.

Key Takeaways

- The Internet is an ideal way to reach a large number of people at a relatively low cost.
- Market research based on secondary resources uses data that already exist for analysis.
- Research based on secondary data should precede primary data research.
- There are four main uses of secondary data:
    1. Data can provide enough information to solve the problem, negating the need for further research.
    2. Secondary data can provide sources for hypotheses that can be explored through primary research.
    3. Sifting through secondary data is a necessary precursor for primary research, as it can provide information relevant to sample sizes and audiences.
    4. The data can be used as a reference base to measure the accuracy of primary research.
- Companies that transact online have a wealth of data available to them.
- Social media have emerged as a forum where consumers discuss their likes and dislikes.

10.5 Online Surveys: Gathering Data

Online Surveys: Gathering Data

When creating surveys, the integration of both qualitative and quantitative data is achievable, contingent upon the formulation of the questions. **Online surveys**, a method of quantitative research conducted through the Internet to gather information about a population, offer the advantage of immediate data capture and facilitate swift and straightforward data analysis. Utilizing email or the web for survey administration proves to be a cost-effective means of overcoming geographical constraints in data collection.

Advancements in technology further enable the creation of sophisticated and user-friendly surveys. For instance, instead of merely expressing opinions on a sliding scale, respondents can convey their emotional responses, adding nuance and depth to the gathered data.

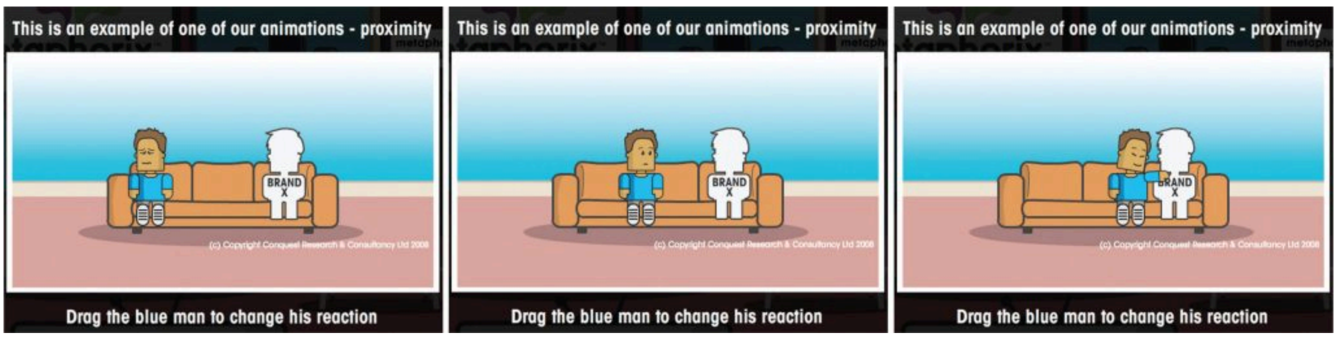


Figure 10.5.1: Metaphorix uses animations when creating surveys.

Compare the images above to the following survey question:

Table 10.5.1: Survey question gauging feelings toward a brand

Rate how you feel about a brand:		
negative	neither positive nor negative	positive

Developing Surveys: Asking Questions

The effectiveness of a survey in collecting valuable data depends significantly on the survey's design, with a particular emphasis on the formulation of questions. A survey may include various types and quantities of questions, and it is crucial to organize them to ensure more complex questions are presented only after respondents have acclimated to the survey.

Exercise caution during the question creation process to avoid introducing bias, which can influence the research process and compromise the objectivity of analyzing research results. This risk is particularly pertinent when formulating leading questions.

Example of Leading Question Bias

An illustrative query could be as follows:

> "Recent enhancements have been implemented on the website to elevate its status as a premier online destination. What are your reflections on the modifications made to the site?"

Transform this into a more neutral version:

> "What are your thoughts on the alterations to the website?"

Survey queries should be concise, easily comprehensible, and above all, straightforward to respond to.

Types of Survey Questions

Open-Ended Types

Open-ended questions allow respondents to answer in their own words. This usually results in qualitative data. Take the following example:

Example Open-Ended Questions

What features would you like to see on the eMarketing textbook's website?

If there are enough respondents to an open-ended question, the responses can be used quantitatively. For example, you can confidently say that "37 percent of people thought that case studies were an important feature."

Closed-Ended Types

Closed-ended questions give respondents specific responses to choose from (i.e., they are multiple-choice, with one answer or multiple answers). This results in quantitative data. Take the following examples:

Example Closed-Ended Questions

Do you use the eMarketing textbook website? Choose one that applies.

- Yes
- No

What features of the eMarketing textbook website do you use? Check all that apply.

- Blog
- Case Studies

- Free Downloads
- Additional resources

Ranked or Ordinal Questions

These questions ask respondents to rank items in order of preference or relevance. Respondents are given a numeric scale to indicate order. This results in quantitative data. Take the following example:

Example: Ranked / Ordinal Questions

Rate the features of the eMarketing textbook Web site, where 1 is the most useful, and 4 is the least useful:

- Blog
- Case studies
- Free downloads
- Additional resources

Matrix and Rating Types

These types of questions can be used to quantify qualitative data. Respondents are asked to rank their behaviour or attitude. Take the following example:

Example: Matrix and Rating Questions

Table 10.5.2: A Matrix question with value words attached to all possible choices. The participant does not need to infer the value attached to any choice.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

OR

Table 10.5.3: A Matrix question with value words attached to only the two extreme options, Strongly Agree and Strongly Disagree. The participant is expected to infer the qualities of the in-between answers

Strongly Disagree				Strongly Agree
1	2	3	4	5

Rating scales can be balanced or unbalanced. When creating the questions and answers, choosing balanced or unbalanced scales will affect whether you collect data where someone can express a neutral opinion.

Table 10.5.4: Example of a balanced rating scale with equal positive and negative response choices and a neutral answer between them.

Balanced				
Very Poor	Poor	Neutral	Good	Very Good
1	2	3	4	5

OR

Table 10.5.5: Example of an unbalanced rating scale with unequal positive and negative responses. Compared to table 10.5.4, the neutral option is replaced with an additional positive response, and additional colour coding is added to mark it as such.

Unbalanced				
Very Poor	Poor	Good	Very Good	Excellent
1	2	3	4	5

How to Get Responses: Incentives and Assurances

As the researcher, you know what's in it for you in sending out a survey: you will receive valuable data that will aid in making business decisions. But what is in it for the respondents?

According to SurveyMonkey, the ways in which the surveys are administered play a role in response rates for surveys, and these can be relative:

- Mail – 50 percent adequate, 60 to 70 percent good to very good.
- Phone – 80 percent good.
- E-mail – 40 percent average, 50 to 60 percent good to very good.
- Online – 30 percent average.
- Classroom pager – More than 50 percent good.
- Face-to-face – 80 to 85 percent good (SurveyMonkey, 2008, June 12).

Response rates can be improved by offering respondents an incentive for completing the survey, such as a chance at winning a grand prize, a lower-priced incentive for every respondent, or even the knowledge that they are improving a product or service that they care about.

There is a train of thought that paying incentives is not always a good thing. It may predispose less affluent or educated respondents to feel that they need to give so-called good or correct answers that may bias your results. Alternatively, you may attract respondents who are interested in it just for the reward. One approach could be to run the survey with no incentive, with the option to offer one if responses are limited.

Figure 10.5.2: A promotional offer rewarding survey participation Image by Kindel Media, Pexels License. Modified into promotional example.

Designing the survey so as to assure respondents of the time commitment and privacy implications of completing the survey can also help increase responses.

Conducting Research Surveys: A Step-by-Step Guide

As with all things eMarketing, careful planning goes a long way to determining success. As market research can be an expensive project, it is important that planning helps to determine the cost versus the benefit of the research. Qualitative research and secondary research are critical steps in determining whether a larger-scale research project is called for.

Bear in mind that many tasks that fall under the umbrella of research should be ongoing requirements of eMarketing activities, such as conversion testing and optimizing and online reputation management. Polls and small surveys can also be conducted regularly and non-intrusively among visitors to your website.

Step 1: Establish the Goals of the Project—What You Want to Learn

Secondary research can be used to give background and context to the business problem and the context in which the problem can be solved. It should also be used to determine alternative strategies for solving the problem, which can be evaluated through research. Qualitative research, particularly using established online research communities, can also help determine what business problems need to be solved. Ultimately, determine what actions you will be considering after the research is completed and what insights are required to make a decision on those actions.

Step 2: Determine Your Sample—Whom You Will Interview

You do not need to survey the entire population of your target market. Instead, a representative sample group of people is used to represent the population referred to in the research. It can be used to determine statistically relevant results. In selecting a sample, be careful to try to eliminate bias from the sample. Highly satisfied customers, for example, could give very different results than highly dissatisfied customers.

Step 3: Choose Research Methodology—How You Will Gather Data

The Internet provides a multitude of channels for gathering data. Surveys can be conducted online or via e-mail. Online research panels and online research communities can all be used to gather data. Web analytics can also be used to collect data, but this is a passive form of data collection. Determine what will provide you with the information you need to make decisions. Be sure to consider whether your research calls for qualitative or quantitative data, as this also determines the methodology.

Step 4: Create Your Questionnaire—What You Will Ask

Keep the survey and questions simple, and ensure that the length of the survey does not overwhelm respondents. A variety of questions can be used to make sure that the survey is not repetitive.

Be sure when creating the questions that you keep your goals in mind: don't be tempted to try to collect too much data, or you will likely overwhelm respondents.

Step 5: Pretest the Questionnaire, If Practical—Whether You Are Asking the Right Questions

Test a questionnaire to determine if it is clear and renders correctly in various browsers or e-mail clients. Ensure that test respondents understand the questions and that they are able to answer them satisfactorily.

Step 6: Conduct Interviews and Enter Data—How You Will Find Out Information

Run the survey! Online surveys can be completed by respondents without your presence; you need to make sure that you get them in front of the right people. A survey can be sent to an e-mail database or can be advertised online.

Step 7: Analyze the Data—What You Find Out

Remember that quantitative data must be analyzed for statistical significance. The reports should aid in the decision-making process and produce actionable insights.

Room for Error

With all research, a given amount of error needs to be dealt with. Errors may result from the interviewers administering a questionnaire (and possibly leading the respondents) to the design and wording of the questionnaire itself, sample errors, and respondent errors. Using the Internet to administer surveys and questionnaires removes the bias that may arise from an interviewer. However, with no interviewer to explain questions, there is potential for greater respondent error. This is why survey design is so important and why it is crucial to test and run pilots of the survey before going live.

The Types of Errors

Respondent error: An error that occurs when respondents become desensitized to the research process. It also arises when respondents become too used to the survey process. There is the possibility of respondents becoming desensitized. There is even a growing trend of professional survey takers, especially when an incentive is involved. The general industry standard is to limit respondents to being interviewed once every six months.

Sample error: Inaccuracy in the results of research occurs when a population sample is used to explain the behaviour of the total population. Is a fact of market research. Some people are just not interested in, nor will ever be interested in, taking part in surveys. Are these people fundamentally different, with different purchasing behaviour, from those who do? Is there a way of finding out? To some extent, Web analytics, which tracks the behaviour of all visitors to your website, can be useful in determining the answer to this question.

When conducting any survey, it is crucial to understand who is in the target universe and the best way to reach it. Web surveys exclude elements of the population due to access or ability. It is vital to determine if this is acceptable to the survey and to use other means of capturing data if it is not.

Conducting Research: Who's Going to Pay?

Regular research is an important aspect of the growth strategy of any business, but it can be tough to justify the budget necessary for research without knowing the benefit to the business. Conducting research can cost little more than the time of someone who works for a company, depending on the skills base of employees, or it can be an expensive exercise involving external experts. Deciding where your business needs are on the investment scale depends on the depth of the research required and what the expected growth will be for the business. When embarking on a research initiative, the cost-to-benefit ratio should be determined.

Testing should be an ongoing feature of any eMarketing activity. Tracking is a characteristic of most eMarketing that allows for constant testing of the most basic hypothesis: is this campaign successful in reaching the goals of the business?

Key Takeaways

- Conducting surveys online allows for data to be captured immediately.

- Developing technology allows for sophisticated and user-friendly surveys to be compiled.
- The success of a survey can be determined by how the survey is designed.
- Questions should be worded in a way that allows for an honest answer from the user. All questions should be easy to understand and answer.
- There are four main types of survey questions:
  1. Open-ended
  2. Closed-ended
  3. Ranked or ordinal
  4. Matrix and rating
- Survey respondents should get something in return for the data they provide you.
- Response rates improve greatly when there is an incentive for the respondents. However, some people do not believe this is good to do, as responses may be biased. Survey takers may be in it just for the incentive.
- Careful planning is essential to any market research initiative.
- The steps to executing market research properly are as follows:
  1. Establish the goals of the project.
  2. Determine your sample.
  3. Choose research methodology.
  4. Create your questionnaire.
  5. Pretest the questionnaire if practical.
  6. Conduct interviews and enter data.
  7. Analyze the data.
- Be aware that there is room for error.
- Costs for a research initiative can vary, depending on the scope of the project. It may be appropriate to do the study from within the company, or it may be necessary to hire external experts.

10.6 Chapter Summary

Exercises

1. Develop survey question examples for each of the types of survey questions outlined in this section.
2. Evaluate the seven steps to conducting research. What do you think might happen if one of these steps is missed or poorly handled? Give an example.
3. How does the Internet change the role of the researcher when it comes to market research?
4. Brainstorm incentive options and evaluate value for the interviewee.
5. Explain why it's important to carefully define the problem or opportunity a marketing research study is designed to investigate.
6. Describe the different types of problems that can occur when marketing research professionals develop questions for surveys.
7. How does a probability sample differ from a nonprobability sample?
8. What makes a marketing research study valid? What makes a marketing research study reliable?
9. What sections should be included in a marketing research report? What is each section designed to do?

Key Terms

Case Study: Looks at how another company solved the problem that's being researched.

Causal Research Design: Examines cause-and-effect relationships.

Closed-Ended Questions: Questions that limit a respondent's answers.

Convenience Sample: Is one type of nonprobability sample. It is a sample a researcher draws because it's readily available and convenient to do so.

Depth Interview: Engaging in detailed, one-on-one, question-and-answer sessions with potential buyers—is an exploratory research technique.

Descriptive Research Design: Involves gathering hard numbers, often via surveys, to describe or measure a phenomenon so as to answer the questions of who, what, where, when, and how.

Double-Barreled Question: Don't muddy the waters by asking two questions in the same question.

Ethnography: Researchers interview, observe, and often videotape people while they work, live, shop, and play.

Exploratory Research Design: An exploratory research design is useful when you are initially investigating a problem but you haven't defined it well enough to do an in-depth study of it.

Field Experiment: An experiment conducted in a natural setting such as a store.

Focus Group: Is a group of potential buyers who are brought together to discuss a marketing research topic with one another.

Marketing Information System (MIS): Is a way to manage the vast amount of information firms have on hand—information marketing professionals and managers need to make good decisions.

Marketing Research Aggregator: Is a marketing research company that doesn't conduct its own research and sell it. Instead, it buys research reports from other marketing research companies and then sells the reports in their entirety or in pieces to other firms.

Mystery Shopper: Someone who is paid to shop at a firm's establishment or one of its competitors to observe the level of service, cleanliness of the facility, and so forth, and report his or her findings to the firm.

Nonprobability Sample: Any type of sample that's not drawn in a systematic way.

Online Surveys: a method of quantitative research conducted through the Internet to gather information about a population, offer the advantage of immediate data capture and facilitate swift and straightforward data analysis.

Open-Ended Questions: Questions that ask respondents to elaborate.

Physiological Measurements: Measure people's involuntary physical responses to marketing stimuli, such as an advertisement.

Population: The universe to reflect the fact that it includes the entire target market, whether it consists of a million people, a hundred thousand, a few hundred, or a dozen.

Primary Data: Is information you collect yourself, using hands-on tools such as interviews or surveys, specifically for the research project you're conducting.

Primary Research: Involves gathering data for a specific research task. It is based on data that have not been gathered beforehand. Primary research can be either qualitative or quantitative.

Probability Sample: Is one in which each sample would-be participant has a known and equal chance of being selected.

Qualitative Market Research: Involves determining customer motivation through close observation — typically in a small group or face-to-face encounter.

Qualitative Research: Is any form of research that includes gathering data that is not quantitative, and often involves exploring questions such as why as much as what or how much.

Quantitative Market Research: Refers to the process of collecting large amounts of data through surveys, questionnaires, and polling methods.

Research Objective: It outlines what data you are going to gather and from whom, how and when you will collect the data, and how you will analyze it once it's been obtained.

Respondent Error: An error that occurs when respondents become desensitized to the research process.

Sample Error: inaccuracy in the results of research that occurs when a population sample is used to explain the behavior of the total population. is a fact of market research.

Sample: Is a subset of potential buyers that are representative of your entire target market.

Sampling Error: Any type of marketing research mistake that results because a sample was utilized.

Sampling Frame: The list from which the sample is drawn.

Scanner-Based Research: Is information collected by scanners at checkout stands in stores.

Secondary Data: Is data that has already been collected by someone else, or data you have already collected for another purpose.

Secondary Research: Involves the synthesis of existing data and literature, utilizing sources like journals, books, and various data repositories.

Syndicated Research: Is primary data that marketing research firms collect on a regular basis and sell to other companies.

Test Market: The place the experiment is conducted or the demographic group of people the experiment is administered to.

CHAPTER 11: THE MARKETING PLAN

Chapter Outline

11.0 Learning Objectives
11.1 The Marketing Plan
11.2 Marketing Planning Roles
11.3 Functions of the Marketing Plan
11.4 Forecasting
11.5 Ongoing Marketing Planning and Evaluation
11.6 Chapter Summary

11.0 Learning Objectives

Learning Objectives

By the end of this chapter, you should be able to:

- Explain the functions of a marketing plan.
- Develop a marketing plan.
- Identify types of forecasting methods and their advantages and disadvantages.
- Apply marketing planning processes to ongoing business settings.
- Identify the role of measuring success and gaining feedback on marketing efforts.

11.1 The Marketing Plan

The average tenure of a chief marketing officer (CMO) can be measured in months—about twenty-six months or less, in fact (Mummert, 2008). Why? Because marketing is one of those areas in a company in which performance is obvious. If sales go up, the CMO can be lured away by a larger company or promoted.

Indeed, a successful marketing experience can be a ticket to the top. The experience of Paul Polman, a former marketing director at Procter & Gamble (P&G), illustrates as much. Polman parlayed his success at P&G into a division president's position at Nestlé. Two years later, he became the CEO (chief executive officer) of Unilever (Benady, 2008).

However, if sales go down, CMOs can find themselves fired. Oftentimes, nonmarketing executives have unrealistic expectations of their marketing departments and what they can accomplish. "Sometimes CEOs don't know what they really want, and in some cases, CMOs don't really understand what the CEOs want," says Keith Pigues, a former CMO for Cemex, the world's largest cement company. "As a result, it's not surprising that there is a misalignment of expectations, and that has certainly led to the short duration of the tenure of CMOs" (Maddox, 2007, p. 3-4).

Moreover, many CMOs are under pressure to set rosy sales forecasts in order to satisfy not only their executive teams but also investors and Wall Street analysts. "The core underpinning challenge is being able to demonstrate you're adding value to the bottom line," explains Jim Murphy, former CMO of the consulting firm Accenture (Maddox, 2007). The problem is that when CMOs over-promise and underdeliver, they set themselves up for a fall.

Much as firms must set their customers' expectations, CMOs must set their organization's marketing expectations. Marketing plans help them do that. A well-designed marketing plan should communicate realistic expectations to a firm's CEO and other stakeholders. Another function of the marketing plan is to communicate to everyone in the organization who has what marketing-related responsibilities and how they should execute those responsibilities.

Key Takeaways

- The person in a business responsible for setting a marketing plan is their chief marketing officer.
- They must set a plan that can satisfy the demands of executives, stakeholders, and analysts.
- Over-promising on sales can lead to failure, but a successful marketing plan can lead to promotions or competing offers since the results of marketing plan successes are apparent to those who are tracking the success of the business – internally or externally.

11.2 Marketing Planning Roles

Who, within an organization, is responsible for creating its marketing plans? From our discussion above, you might think the responsibility lies with the organization's chief marketing officer (CMO). The reality is that a team of marketing specialists is likely to be involved. Sometimes, multiple teams are involved. Many companies create marketing plans at the divisional level. For example, Rockwell International has many different business areas, each with its own strategic planning. For instance, the division responsible for military avionics creates its own marketing plans and strategies separately from the division that serves the telecommunications industry. Each division has its own CMO.

Figure 11.2.1: Rockwell International's many divisions serve a diverse set of industries, from military avionics and communications to consumer and business telecommunications. That's why Rockwell develops marketing plans at the division level (business-unit level).
"MAPS Air Museum" by 5chw4r7z, CC BY-SA 2.0.

Some of the team members specialize in certain areas. For example, the copier company Xerox has a team that specializes in competitive analysis. The team includes an engineer who can take competitors' products apart to see how they were manufactured and a systems analyst who tests them for their performance. Also on the team is a marketing analyst who examines the competition's financial and marketing performance.

Some marketing-analyst positions are entry-level positions. You might be able to land one of these jobs straight out of college. Other positions are more senior and require experience, usually in sales or another area of marketing. Marketing analysts, who are constantly updating marketing information, are likely to be permanent members of the CMO's staff.

In some consumer-goods companies with many brands (such as P&G and SC Johnson), product—or brand—managers serve on their firm's marketing planning teams on an as-needed basis. These individuals are not permanent members of the team but participate only to the extent that their brands are involved. Many other members of the firm will also participate on marketing planning teams as needed. For example, a marketing researcher will likely be part of such a team when data is needed for the planning process.

Key Takeaways

- The CMO of a business unit is likely to be responsible for the creation of its marketing plan.
- The CMO is generally assisted by marketing professionals and other staff members, who often work on marketing planning teams as needed.
- Marketing analysts, however, are permanent members of the CMO's staff.

11.3 Functions of the Marketing Plan

In Chapter 1 “What Is Marketing?”, we introduced the marketing plan and its components. Recall that a marketing plan should do the following:

What a Marketing plan needs to do

- Identify customers’ needs.
- Evaluate whether the organization can meet those needs in some way that allows for profitable exchanges with customers to occur.
- Develop a mission statement, strategy, and organization centred on those needs.
    - Create offerings that are the result of meticulous market research.
    - Form operations and supply chains that advance the successful delivery of those offerings.
- Pursue advertising, promotional, and public relations campaigns that lead to continued successful exchanges between the company and its customers.
- Engage in meaningful communications with customers on a regular basis.

The Marketing Plan’s Outline

The actual marketing plan you create will be written primarily for executives who will use the forecasts in your plan to make budgeting decisions. These people will make budgeting decisions not only for your marketing activities but also for the firm’s manufacturing, ordering, and production departments, as well as other functions based on your plan.

In addition to executives, many other people will use the plan. Your firm’s sales force will use the marketing plan to determine its sales strategies and how many salespeople are needed. The entire marketing staff will rely on the plan to determine the direction and nature of their activities. The advertising agency you hire to create your promotional campaigns will use the plan to guide its creative team. Figure 11.3.1 shows a complete outline of a marketing plan. Next, we will discuss the elements in detail so you will know how to prepare a marketing plan.

The Marketing Plan: An Outline

I. Executive Summary
II. The Business Challenge
   a. A brief description of the offering and the goals of the plan. This section serves as an introduction.
III. The Market
   a. Customers: Who are they, and what do they need?
   b. Company analysis: Your firm's strengths and weaknesses relative to this market and the offering.
   c. Collaborators: Your collaborators could include suppliers and/or distributors or retailers.
   d. Competitors: Who are they, and what are they doing?
   e. Business climate: The business climate includes the opportunities and threats created by environmental forces, such as government regulations and legislation, the economy, and social, cultural, and technological forces.
IV. The Strategy
   a. The strategy: Why did you choose the strategy you did? Consider including a brief discussion of alternatives that were considered and discarded.
   b. The offering: Provide details on the features and benefits of the offering, as well as its pricing options.
   c. The communication plan: How will the offering be launched? What will the ongoing communication strategies be? This section is likely to be fairly broad and will require collaboration with communication partners such as your firm's advertising agency.
   d. Distribution: How will the offering be sold? Who will sell it? Who will ship it? Who will service it?
V. Budget
   a. Investment: Provide details about the budget needed to launch and maintain the offering.
   b. Return: List both the short-term and long-term financial goals of the offering, including its projected sales, costs, and net income.
   c. Other resources required.
VI. Conclusion

Figure 11.3.1 Marketing Plan Outline.

The Executive Summary

A marketing plan starts with an executive summary. An executive summary should provide all the information your company's executives need to make a decision without reading the rest of the plan. The summary should include a brief description of the market, the product to be offered, the strategy behind the plan, and the budget. Any other important information, such as how your competitors and channel partners will respond to the actions your firm takes, should also be summarized. Because most executives will be reading the plan to make budgeting decisions, the budgeting information you include in the summary is very important. If the executives want more detail, they can refer to the "budget" section, which appears later in the plan. The executive summary should be less than one page long; ideally, it should be about a half page long. Most marketing plan writers find it easier to write a plan's summary last, even though it appears first in the plan. A summary is hard to write when you don't know the whole plan, so waiting until the plan is complete makes writing the executive summary easier.

The Business Challenge

In the "business challenge" section of the plan, the planner describes the offering and provides a brief rationale for why the company should invest in it. In other words, why is the offering needed? How does it fit in with what the company is already doing and further its overall business goals? In addition, the company's mission statement should be referenced. How does the offering and marketing plan further the company's mission?

Figure 11.3.2: The Horasis Global China Business Meeting. Many marketing officers are trying to convince each other of the suitability of their marketing plans. "Horasis Global China Business Meeting 2013" by Richter Frank-Jurgen, CC BY-SA 2.0.

Remember that a marketing plan is intended to be a persuasive document. You are trying not only to influence executives to invest in your idea but also to convince other people in your organization to buy into the plan. You are also trying to tell a compelling story that will make people outside your organization—for example, the director of the advertising agency you work with or a potential supplier or channel partner—invest money, time, and effort into making your plan a success. Therefore, as you write the plan, you should constantly answer the question, "Why should I invest in this plan?" Put your answers in the business challenge section of the plan.

The Market

The market section of the plan should describe your customers and competitors, any other organizations with which you will collaborate, and the state of the market. We suggest that you always start the section by describing the customers who will purchase the offering. Why? Because customers are central to all marketing plans. After that, discuss your competitors, the climate, and your company in the order you believe readers will find most persuasive. In other words, discuss the factor you believe is most convincing first, followed by the second-most convincing factor, and so on.

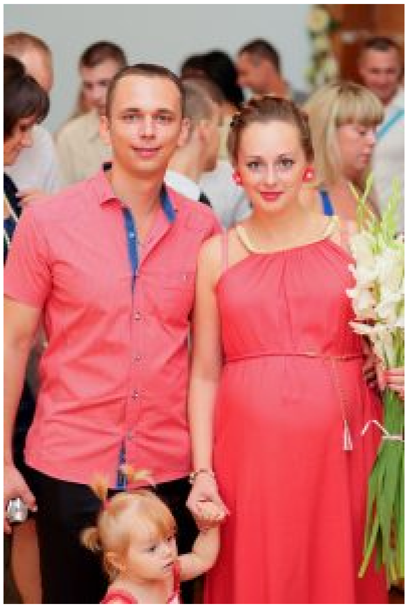


Figure 11.3.3: Progresso Soups may divide their market into several groups. "[Family](#)" by [Vladimir Pustovit](#), [CC BY 2.0](#).

Customers

The family in Figure 11.3.3 might actually represent three different markets: a person who eats lunch at his or her desk at work and needs something quick and filling; a retired but active couple that wants something hot and nourishing; and a busy young family looking for easy meals to prepare.

What does your market consist of? What makes these people decide to buy the products they do, and how do they fulfill their personal value equations? What is their buying process like? Which of their needs does your offering meet?

Break the market into customer segments and describe each segment completely, answering those questions for each segment. When you write your plan, begin with the most important segment first and work your way to the least important segment. Include in your discussion the market share and sales goals for each segment.

For Example...

Progresso Soups' primary market segments might include the following:

- Families in colder regions
- People who need a good lunch but have to eat at their desks
- Busy young singles
- Older, perhaps retired, empty-nesters

These segments would be based on research that Progresso has completed, which shows that these are the groups that eat the most soup.

Your discussion of each segment should also include how to reach the customers within it, what they expect or need in terms of support (both presales and postsales support), and other information that helps readers understand how each segment is different from the others. After reading the section, a person should have a good grasp of how the segments differ yet understand how the needs of each are satisfied by the total offering.

Company Analysis

Include the results of your analysis of your company's strengths and weaknesses in this section. How is the company perceived by the customers you described earlier? Why is the company uniquely capable of capitalizing on the opportunity outlined in the plan? How sustainable is the competitive advantage you are seeking to achieve?

You will also need to identify any functional areas your company might need to invest in for the plan to succeed. For example, money might be needed for new production or distribution facilities, hiring new marketing or sales employees, and training existing ones.

One tool that is useful for framing these questions is the **SWOT analysis.** SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal, meaning they are the conditions of the company. Either these conditions are positive (strengths) or negative (weaknesses). Opportunities and threats are external to the company and could be due to potential or actual actions taken by competitors, suppliers, or customers. Opportunities and threats could also be a function of government action or changes in technology and other factors.

When working with executives, some consultants have noted the difficulty executives have in separating opportunities from strengths and weaknesses from threats. Statements such as "We have an opportunity to leverage our strong product features" indicate such confusion. An opportunity lies in the market, not in strength. Opportunities and threats are external; strengths and weaknesses are internal. Assuming demand (an external characteristic) for a strength (an internal characteristic) is a common marketing mistake. Sound marketing research is therefore needed to assess the opportunities.

Other factors that make for better SWOT analysis are these:

- *Honest*. A good SWOT analysis is honest. A better way to describe those "strong" product features mentioned earlier would be to say "strong reputation among product designers," unless consumer acceptance has already been documented.
- *Broad*. The analysis has to be broad enough to capture trends. A small retail chain would have to look beyond its regional operating area in order to understand larger trends that may impact the stores.
- *Long term*. Consider multiple time frames. A SWOT analysis that only looks at the immediate future (or the immediate past) is likely to miss important trends. Engineers at Mars (makers of Skittles, M&Ms, and Snickers) visit trade shows in many fields, not just candy so that they can identify trends in manufacturing that may take a decade to reach the candy industry. In this way, they can shorten the cycle and take advantage of such trends early when needed.
- *Multiple perspectives*. SWOT analyses are essentially based on someone's perception. Therefore, a good SWOT should consider the perspective of all areas of the firm. Involve people from shipping, sales, production, and perhaps even from suppliers and channel members.

The SWOT analysis for a company, or any organization, is both internal and external in focus. Some of the external areas for focus are collaborators (suppliers, distributors, and others), competitors, and the business climate.

Collaborators

Along with company strengths and weaknesses, identify any actual or potential partners needed to pull the plan off. Note that collaborators are more than just a list of suppliers and distributors. **Collaborators** are those organizations, either upstream or downstream, in the value chain you need to partner with to co-create value.

Recall: 9.5 MILLIONS Flywheel Model

For example, Nicklaus and Vice Golf have collaborated to create a special logo combining Vice Golf's crest with a bear motif, highlighting the "Golden Bear" trademark. The Vice Pro Bear is designed for players to "unleash their inner bear (para. 5) and feature one gold ball in every dozen (The F1rst Call, 2023).

Read: Iconic Vice Golf + Nicklaus Brands Team Up In Legendary Collaboration.

Competitors

Your marketing plan, if it is any good at all, is likely to spark retaliation from one or more competitors. For example, Teradata and Unica operate in the same market. Both sell data-warehousing products to companies. Teradata primarily focuses on the information technology departments that support the data warehouse, whereas Unica focuses on the marketing departments that actually use the data warehouse. Nonetheless, Teradata is well aware of Unica's marketing strategy and is taking steps to combat it by broadening its own market to include data-warehousing users in marketing departments. One step was to teach their salespeople what marketing managers do and how they would use a data warehouse as part of their job so that when these salespeople are talking to marketing managers, they can know what they're talking about.

Teradata marketing planners also have to be aware of potential competitors. What if IBM or HP decided to enter the market? Who is most likely to enter the market, what would their offering look like, and how can we make it harder for them to want to enter the market? If your company captures their market before they can enter, then they may choose to go elsewhere.

Identify your competitors and be honest about both their strengths and weaknesses in your marketing. Remember that other people, and perhaps other organizations, will be using your plan to create their own plans. If they are to be successful, they have to know what competition they face. Include, too, in this section of the plan how quickly you expect your competitors to retaliate and what the nature of that retaliation will be. Will they lower their prices, create similar offerings, add services to drive up the value of their products, spend more on advertising, or a combination of these tactics?

A complete competitive analysis not only anticipates how the competition will react; it also includes an analysis of the competition's financial resources. Do your competitors have money to invest in a competitive offering? Are they growing by acquiring other companies? Are they growing by adding new locations or new sales staff? Or are they growing simply because they are effective? Maybe they are not growing at all. To answer these questions, you will need to carefully review your competitors' financial statements and all information publicly available about them. This can include an executive quoted in an article about a company's growth for a particular product or an analyst's projection for future sales within a specific market.

Business Climate

You may have already addressed some of the factors in the business environment that are creating the opportunity for your offering. For example, when you discussed customers, you perhaps noted a new technology they are beginning to use.

PEST Analysis

A complete coverage of the climate would include the following (the PEST analysis):

- Political climate
- Economic climate
- Social and cultural environment
- Technological environment

A scan of the political climate should include any new government regulations as well as legislation. For example, will changes in the tax laws result in more or less disposable income among our customers? Will tightening government regulations affect how salespeople can call on doctors, for example, hindering your marketing opportunity? Will federal policies that affect exchange rates or tariffs make global competitors stronger or weaker? For example, the government introduced the Cash for Clunkers program to encourage people to buy new cars. Within only a few weeks, 250,000 new cars were sold through the program and it ran out of money. Auto dealers were caught unprepared and many actually ran out of popular vehicles.

The Strategy

The next section of the plan details the strategy your organization will use to develop, market, and sell the offering. This section is your opportunity to create a compelling argument as to what you intend to do and why others should invest in the strategy. Your reader will be asking, “Why should we adopt this strategy?” To answer that question, you may need to include a brief discussion of the strategic alternatives that were considered and discarded. When readers complete the section, they should conclude that the strategy you proposed is the best one available.

The Offering

Provide details on the features and benefits of the offering, including pricing options, in this section. For example, in some instances, your organization might plan for several variations of the offering, each with different pricing options. The different options should be discussed in detail, along with the market segments expected to respond to each option. Some marketing professionals like to specify the sales goals for each option in this section, along with the associated costs and gross profit margins for each. Other planners prefer to wait until the budget section of the plan to provide that information.

The plan for the offering should also include the plan for introducing offerings that will follow the initial launch. For example, when should Progresso introduce new soup flavours? Should there be seasonal flavours? Should there be smaller sizes and larger sizes, and should they be introduced all at the same time or in stages?

Part of an offering is the service support consumers need to extract the offering's full value. The support might include presales support as well as post-sales support. For example, Teradata has a team of finance specialists who can help customers document the return on investment they would get from purchasing and implementing a Teradata data warehouse. This presales support helps potential buyers make a stronger business case for buying Teradata's products with executives who control their companies' budgets.

Figure 11.3.6: Prior to launching a new offering, the presales and postsales support personnel for it have to be trained and the appropriate work processes created so that the right level of support is provided. These call centre technicians had to first learn the offering's technical processes before it could be launched. "customer service assistant on phone" by CWCS Managed Hosting, CC BY 2.0.

Postsales support can include technical support. In B2B (business-to-business) environments, sellers frequently offer to train their customers' employees to use products as part of their postsales support. Before you launch an offering, you need to be sure your firm's support services are in place. That means training service personnel and creating the appropriate communication channels for customers to air their technical concerns and other processes.

Distribution

This section should answer questions about where and how the offering will be sold. Who will sell it? Who will ship it? Who will service and support it? In addition, the distribution section should specify the inventories that need to be maintained in order to meet customer expectations for fast delivery and where those inventories should be kept.

Budget

The budget section is more than just a discussion of the money needed to launch the new offering. A complete budget section will cover all the resources, such as new personnel, new equipment, new locations, and so forth, for the launch to be a success. Of course, these resources have costs associated with them. In some instances, the budget might require that existing resources be redeployed and a case made for doing so.

The first portion of the budget will likely cover the investment required for the launch. The plan might point out that additional funds must be allocated to the offering to prepare it for the market. For example, perhaps additional beta testing or product development over and above what the firm normally commits to new products is needed. Certainly, marketing funds will be needed to launch the offering and pay for special events, advertising, promotional materials, etc. Funds might also be needed to cover the costs of training salespeople and service personnel and potentially hiring new staff members. For example, Teradata introduced a new offering that was aimed at an entirely new market. The new market was so different that it required a new sales force. Details for the sales force, such as how many salespeople, sales managers, and support personnel will be needed, would go in this section.

The budget section should include the costs associated with maintaining the product's inventory to meet customers' needs. The costs of providing customers with support services should also be estimated and budgeted. Some products will be returned, some services will be rejected by the consumer, and other problems will occur. The budget should include projections and allowances for these occurrences.

The budget section is also the place to forecast the product's sales and profits. Even though the plan likely mentioned the sales goals set for each market segment, the budget section is where the details go. For example, the cost for advertising, trade shows, special events, and salespeople should be spelled out. The projections should also include timelines. The sales costs for one month might be estimated, as well as two months, six months, and so forth, as Figure 11.3.7 shows.

Note that Figure 11.3.7 shows that the product's costs are high early on and then decrease before levelling out. That cost line assumes there is a heavy upfront investment to launch the offering, which is usually true for new products. The sales of the offering should grow as it gathers momentum in the market. However, the market potential stays the same, assuming that the potential number of customers stays the same. That might not always be the case, though. If we were targeting mothers of babies, for example, the market potential might vary based on the projected seasonality in birth rates because more babies tend to be born in some months than others.

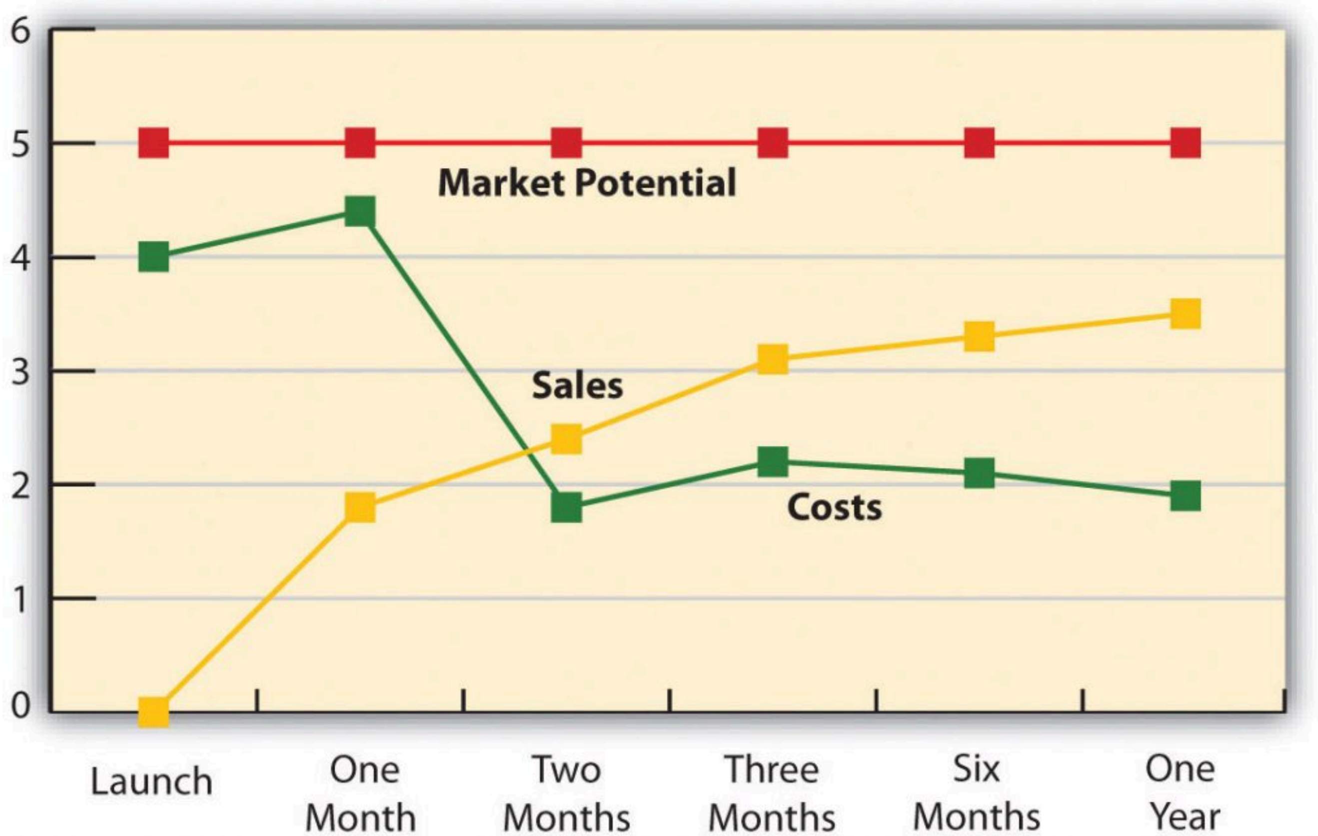


Figure 11.3.7: A Marketing Plan Timeline Illustrating Market Potential, Sales, and Costs.

Conclusion

In the conclusion, repeat the highlights. Summarize the target market, the offer, and the communication plan. Your conclusion should remind the reader of all the reasons why your plan is the best choice.

Of course, the written plan is itself a marketing tool. You want it to convince someone to invest in your ideas, so you want to write it down on paper in a compelling way. Figure 11.3.8 offers some tips for effectively doing so. Also, keep in mind that a marketing plan is created at a single point in time. The market, though, is dynamic. A good marketing plan includes how the organization should respond to various scenarios if the market changes.

In addition, the plan should include "triggers" detailing what should happen under the scenarios. For example, it might specify that when a certain percentage of market share is reached, then the price of the product will be reduced (or increased). Or the plan might specify the minimum amount of the product that must be sold by a certain point in time—say, six months after the product is launched—and what should happen if the mark isn't reached. Also, it should once again be noted that the marketing plan is a communication device. For that reason, the outline of a marketing plan may look somewhat different from the order in which the tasks in the outline are actually completed.

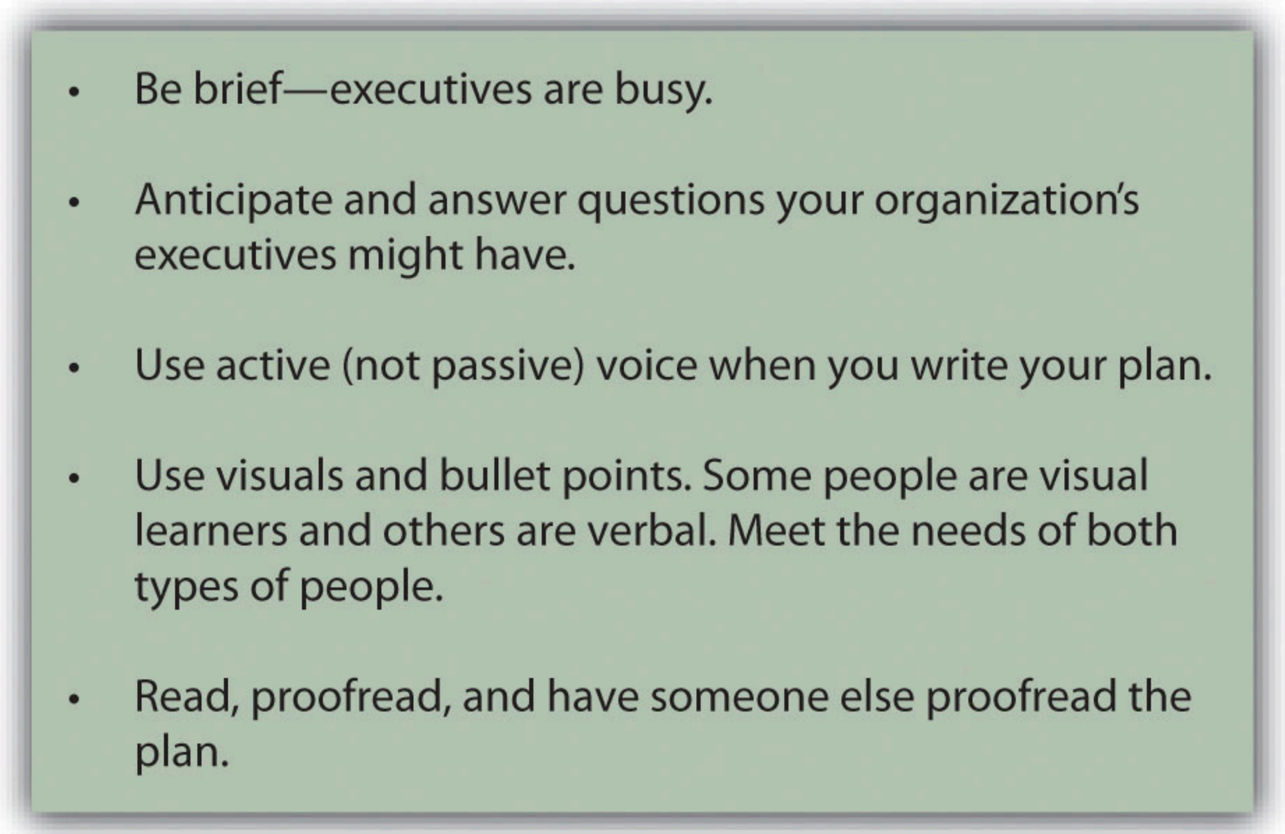


Figure 11.3.8: Tips for Writing an Effective Marketing Plan.

Key Takeaways

- A marketing plan's executive summary should include a brief summary of the market, the product to be offered, the strategy behind the plan, and the budget, as well as any other important information.
- In this section of the plan, the planner describes the offering and a brief rationale for why the

company should invest in it.

- The market section of the plan should describe a firm's customers, competitors, any other organizations with which it will collaborate, and the climate of the market.
- The strategy section details the tactics the organization will use to develop, market, and sell the offering. When readers complete the strategy section, they should conclude that the proposed strategy is best.
- The budget section of the marketing plan covers all the resources, such as new personnel, new equipment, new locations, and so forth, needed to successfully launch the product, as well as details about the product's costs and sales forecasts.

11.4 Forecasting

Creating a marketing strategy is not a single event, nor is the implementation of a marketing strategy something only the marketing department has to worry about. When the strategy is implemented, the rest of the company must be poised to deal with the consequences. As we have explained, an important component is the sales forecast, which is the estimate of how much the company will actually sell. The rest of the company must then be geared up (or down) to meet that demand. In this section, we explore forecasting in more detail, as there are many choices a marketing executive can make in developing a forecast.

Accuracy is important when it comes to forecasts. If executives overestimate the demand for a product, the company could end up spending money on manufacturing, distribution, and servicing activities it won't need. The software developer Data Impact recently overestimated the demand for one of its new products. Because the sales of the product didn't meet projections, Data Impact lacked the cash available to pay its vendors, utility providers, and others. Employees had to be terminated to trim costs in many areas of the firm.

Underestimating demand can be just as devastating. When a company introduces a new product, it launches marketing and sales campaigns to create demand for it. However, if the company isn't ready to deliver the amount of the product the market demands, then other competitors can steal sales the firm might otherwise have captured. Sony's inability to deliver the e-reader in sufficient numbers made Amazon's Kindle more readily accepted in the market; other features then gave the Kindle an advantage that Sony is finding difficult to overcome.

How Can This Be Accomplished?

The marketing leader of a firm has to do more than just forecast the company's sales. The process can be complex because how much the company can sell will depend on many factors, such as how much the product will cost, how competitors will react, and so forth—in fact, much of what you have already read about in preparing a marketing strategy. Each of these factors has to be taken into account in order to determine how much the company is likely to sell. As factors change, the forecast has to change as well. Thus, a sales forecast is a composite of a number of estimates and must be dynamic as those other estimates change.

A common first step is to determine **market potential**, or total industry-wide sales expected in a particular product category for the time period of interest. (The time period of interest might be the coming year, quarter, month, or some other time period.) Some marketing research companies, such as Nielsen, Gartner, and others, estimate the market potential for various products and then sell that research to companies that produce those products.

Once the marketing executive has an idea of the market potential, the company's sales potential can be estimated. A firm's sales potential is the maximum total revenue it hopes to generate from a product or the number of units the company can hope to sell. The **sales potential** for the product is typically represented as a percentage of its market potential and equivalent to the company's estimated maximum market share for the time period. As Figure 11.3.7 demonstrates, companies sell less than potential because not everyone will make a decision to buy their product: some will put off a decision; others will buy a competitor's product; still others might make do with a substitute product. In your budget, you'll want to forecast the revenues earned from the product against the market potential, as well as against the product's costs.

Forecasting Methods

Forecasts, at their basic level, are simply someone's guess as to what will happen. Each estimate, though, is the product of a process. Several such processes are available to marketing executives, and the final forecast is likely to be a blend of results from more than one process. These processes are judgment techniques and surveys, time series techniques, spending correlates and other models, and market tests.

Judgment and Survey Techniques

At some level, every forecast is ultimately someone's judgment. Some techniques, though, rely more on people's opinions or estimates and are called **judgment techniques**. Judgment techniques can include customer (or channel member or supplier) surveys, executive or expert opinions, surveys of customers' (or channel members') intentions or estimates, and estimates by salespeople.

Customer and Channel Surveys

In some markets, particularly in business-to-business markets, research companies ask customers how much they plan to spend in the coming year on certain products. Have you ever filled out a survey asking if you intend to buy a car or refrigerator in the coming year? Chances are your answers were part of someone's forecast. Similarly, surveys are done for products sold through distributors. Companies then buy the surveys from the research companies or do their own surveys to use as a starting point for their forecasting. However, surveys are better at estimating market potential than sales potential because potential buyers are far more likely to know they will buy something—they don't know which brand or model. Surveys can also be relatively costly, particularly when they are commissioned for only one company.

Sales Force Composite

A **salesforce composite** is a forecast based on estimates of sales in a given time period gathered from all of a firm's salespeople. Salespeople have a pretty good idea about how much can be sold in the coming period (especially if they have bonuses riding on those sales). They've been calling on their customers and know when buying decisions will be made.

Estimating the sales for new products or new promotions and pricing strategies will be harder for salespeople to estimate until they have had some experience selling those products after they have been introduced, promoted, or repriced. Further, management may not want salespeople to know about new products or promotions until these are announced to the general public, so this method is not useful in situations involving new products or promotions. Another limitation reflects salespeople's natural optimism. Salespeople tend to be optimistic about what they think they can sell and may overestimate future sales. Conversely, if the company uses these estimates to set quotas, salespeople are likely to reduce their estimates to make it easier to achieve quota.

Salespeople are more accurate in their near-term sales estimates, as their customers are not likely to share plans too far into the future. Consequently, most companies use sales force composites for shorter-range forecasts in order to more accurately predict their production and inventory requirements. Konica-Minolta, an office equipment manufacturer, has recently emphasized improving the accuracy of its sales force composites because the cost of being wrong is too great. Underestimated forecasts result in some customers having to wait too long for product deliveries, and they may turn to competitors who can deliver faster. By contrast, overestimated forecasts result in higher inventory costs.

Executive Opinion

Executive opinion is exactly what the name implies: the best-guess estimates of a company's executives. Each executive submits an estimate of the company's sales, which are then averaged to form the overall sales forecast. The advantages of executive opinions are that they are low cost and fast and have the effect of making executives committed to achieving them. An executive-opinion-based forecast can be a good starting point. However, there are disadvantages to the method, so it should not be used alone. These disadvantages are similar to those of the sales force composites. If the executives' forecast becomes a quota upon which their bonuses are estimated, they will have an incentive to underestimate the forecast so they can meet their targets. Organizational factors also come into play. A junior executive, for example, is not likely to forecast low sales for a product that his or her CEO is pushing, even if low sales are likely to occur.

Expert Opinion

Expert opinion is similar to executive opinion except that the expert is usually someone outside the company. Like executive opinion, expert opinion is a tool best used in conjunction with more quantitative methods. However, expert opinions are often very inaccurate as a sole method of forecasting. Just consider how preseason college football rankings compare with the final standings. The football experts' predictions are usually not very accurate.

Time Series Techniques

Time series techniques examine sales patterns in the past in order to predict sales in the future. For example, with a **trend analysis**, the marketing executive identifies the rate at which a company's sales have grown in the past and uses that rate to estimate future sales. For example, if sales have grown 3 percent per year over the past five years, trend analysis would assume a similar 3 percent growth rate next year.

A simple form of analysis such as this can be useful if a market is stable. The problem is that many markets are not stable. A rapid change in any one of a market's dynamics is likely to result in wide swings in growth rates. Just think about auto sales before, during, and after the government's Cash for Clunkers program. What was sold the previous month could not account for the effects of the program. Consequently, if an executive were to have estimated auto sales based on the rate of change for the previous period, the estimate would have been way off.

The Cash for Clunkers program was unusual; many products may have wide variations in demand for other reasons. Trend analysis can still be useful in these situations, but adjustments have to be made to account for the swings in rates of change. Two common adjustments are the **moving average**, whereby the rate of change for the past few periods is averaged, and **exponential smoothing**, a type of moving average that puts more emphasis on the most recent period.

Correlates and Other Models

A number of more sophisticated models can be useful in forecasting sales. One fairly common method is a **correlational analysis**, which is a form of trend analysis that estimates sales based on the trends of other variables. For example, furniture-company executives know that new housing starts (the number of new houses that are begun to be built in a period) predict furniture sales in the near future because new houses tend to get filled up with new furniture. Such a correlate is considered a **leading indicator**, because it leads, or precedes, sales. The Conference Board publishes an Index of Leading Indicators, which is a single number that represents a composite of commonly used leading indicators. Some of these leading indicators are housing starts, wholesale orders, orders for durable goods (items like refrigerators, air conditioning systems, and other long-lasting consumer products), and even consumer sentiment, or how consumers think the economy is doing.

Response Models

Some companies create sophisticated statistical models called **response models**, which are based on how customers have responded in the past to marketing strategies. JCPenney, for example, takes previous sales data and combines it with customer data gathered from the retailer's Web site. The models help JCPenney see how many customers are price sensitive and only buy products when they are on sale and how many customers are likely to respond to certain offers. The retailer can then estimate the sales for products by market segment based on the offers and promotions directed at those segments.

Market Tests

A **market test** is an experiment in which the company launches a new offering in a limited market in order to gain real-world knowledge of how the market will react to the product. Since there isn't any historical data on how the product has done, response models and time-series techniques are not effective. A market test provides some measure of sales in response to the marketing plan, so in that regard, it is like a response model, just based on limited data. The demand for the product can then be extrapolated to the full market. However, remember that market tests are visible to your competitors, and they can undertake actions, such as drastic price cuts, to skew your results.

Building Better Forecasts

At best, a forecast is a scientific estimate, but really, a forecast is still just a sophisticated guess. Still, there are steps that can enhance the likelihood of success. The first step is to commit to accuracy. At Konica-Minolta, regional vice presidents are rewarded for being accurate and punished for being wrong about their forecasts, no matter what the direction of them is. As we mentioned earlier, underestimating is considered by Konica-Minolta leadership to be just as bad as overestimating sales.

We've also mentioned how salespeople and managers will lower estimates if the estimates are used to set quotas. Using forecasts properly is another factor that can improve forecasting accuracy. But there are other ways to make forecasts more accurate. These begin with picking the right methods for your business.

Pick the Right Method(s) for Your Business and Your Decision

Some products have very short selling cycles; others take a long time to produce and sell. What is appropriate for a fast-moving consumer good like toothpaste is not appropriate for a durable good like a refrigerator. A response model might work for Crest toothpaste in the short term, but longer-term forecasts might require a sophisticated time-series technique. By contrast, Whirlpool might find, for example, that channel surveys are better predictors of refrigerator sales over the long term.

Use Multiple Methods

Since forecasts are estimates, the more estimates generated from various methods, the better. For example, combining expert opinions with a trend analysis could help you understand what is happening and why. Every forecast results in decisions, such as hiring more people, adding manufacturing capacity, ordering supplies, and so forth. In addition, practice makes perfect, as they say. The more forecasts you have to make and resulting decisions you have to live with, the better you will get at forecasting.

Use Many Variables

Forecasting for smaller business units first can result in greater accuracy. For example, JCPenney may estimate sales by region and then roll that information into a national sales forecast. By forecasting locally, more variables can be considered, and with more variables comes more information, which should help the company's overall sales forecast accuracy. Similarly, JCPenney may estimate sales by market segment, such as women over age fifty. Again, forecasting in a smaller segment or business unit can then enable the company to compare such forecasts to forecasts by product line and gain greater accuracy overall.

Use Scenario-Based Forecasts

One forecast is not enough. Consider what will happen if conditions change. For example, how might your forecast change if your competitors react strongly to your strategy? How might it change if they don't react at all? Or if the government changes a policy that makes your product tax-free? All of these factors will influence sales, so the smart executive considers multiple scenarios. While the executive may not expect the government to make something tax-free, scenarios can be created that consider favourable government regulation, stable regulation, and negative regulation, just as one can consider light competitive reaction, moderate reaction, or strong reaction.

Track Actual Results and Adjust

As time goes on, forecasts should be adjusted to reflect reality. For example, Katie Scallan-Sarantakes may have to do an annual forecast for Scion sales, but as each month goes by, she has hard sales data with which to adjust future forecasts. Further, she knows how strongly the competition has reacted and can adjust her estimates accordingly. So, even though she may have an annual forecast, the forecast changes regularly based on how well the company is doing.

Key Takeaways

- A forecast is an educated guess, or estimate, of sales in the future. Accuracy is important because so many other decisions a firm must make depend on the forecasts.
- When a company forecasts sales, it must consider market and sales potential. Many methods of forecasting exist, including expert opinion, channel and customer surveys, sales force composites, time series data, and test markets.
- Better forecasts can be obtained by using multiple methods, forecasting for various scenarios, and tracking actual data (including sales) and adjusting future forecasts accordingly.

11.5 Ongoing Marketing Planning and Evaluation

An Ongoing Process

As previously mentioned, a marketing plan should be regarded as a dynamic document that evolves over time; it should incorporate mechanisms that prompt a company to reassess its strategies in response to various scenarios.

These scenarios may unfold promptly. For instance, when a product is introduced to the market, it elicits reactions. Journalists start covering the launch, competitors react, and regulators may take notice. In such a situation, several questions arise: What actions should be taken if the product exceeds its sales targets by a significant margin? Should its pricing be adjusted upwards or downwards? Should subsequent offerings be introduced sooner? What if a competitor launches a similar product a week later? Or worse, what if the competition introduces a vastly superior product? The essence of a successful ongoing marketing strategy lies in two key elements: grasping causality and effectively executing the marketing plan. Each of these aspects will be elaborated upon in the subsequent discussion.

Causality

Causality denotes the relationship between two variables, where one variable directly influences the other. For a scientist conducting experiments in a laboratory, establishing causality is relatively straightforward since the causal variable can be controlled, and its effects can be observed. However, for marketers, achieving such control is more of an aspiration than a reality. Consequently, identifying causality poses a significant challenge.

Why is causality of paramount importance? Consider a scenario where a decline in sales is attributed to a competitor offering lower prices. If you respond by lowering your prices to match the competitor's, without recognizing that the poor sales are actually a result of seasonal factors, consumers may perceive your product as inferior or cheap. This misconception could further exacerbate the decline in sales. Drawing erroneous conclusions about causality can lead to detrimental outcomes.

Control represents a closely related concept. In this context, control refers not to the extent of influence over an outcome but rather to the ability to isolate the impact of a variable on a particular outcome. For instance, you have full control over the pricing of your product, allowing you to manipulate this aspect. Conversely, you lack control over seasonal variations. Nonetheless, you can identify and factor in the influence of these seasonal fluctuations.

There are two types of control to consider. First, managerial control empowers you to dictate how variables within a marketing plan are implemented. For instance, you can decide the number of stores that will carry your product, and adjusting this number can impact sales. Second, statistical control enables you to mathematically eliminate the impact of a variable on an outcome. For example, you cannot control the seasonality effect. If your product targets babies and more babies are typically born in August compared to other months, sales may surge in September. Statistical control allows you to mitigate the impact of seasonal fluctuations on sales, thereby enabling you to ascertain the extent to which changes in sales are attributable to other factors, particularly those within your sphere of influence. While statistical control entails techniques learned in regression analysis, the numerical calculations involved can be simplified without necessitating complex equations.

Consider the following scenario:

- Over the past five years, you have observed an average decline of 20 percent in sales for the months of June, July, and August, which also happen to be months in which many salespeople and buyers vacation.
- This year, the decline was 28 percent.
- You can, therefore, safely assume that about 20 percent of the decline this year was due to people taking vacations, as they have in years past; you can further assume that the amount of the decline due to factors other than vacations was about 8 percent.

Doing a simple analysis such as this at least gives you some idea that something new is going on that is lowering your sales. You can then explore the problem more completely.

So how do you figure out exactly what *is* the cause of such a decline? In some instances, marketing executives speculate about the potential causes of problems and then research them. For example, if the product's price is perceived to be the problem, conversing with a number of former customers who switched to competing products could either verify this hunch or dispel it. In a B2B environment, salespeople who are aware of a competitor's new lower prices might be the first to identify the problem, rather than marketing executives. Nonetheless, the firm's marketing executives can then try to verify that lower prices led to the sales decline. In consumer-goods markets, there are often many segments of consumers. Rather than asking a few of them what they think, formal market research tools such as surveys and focus groups are used.

The Marketing Audit

Another investigative tool that can be used to research a drop in a company's sales performance is a marketing audit. A **marketing audit** is an examination or snapshot of the state of a company's marketing strategies as they are actually implemented. Here, managerial control becomes important. Was the strategy implemented as intended? Is the strategy working?

For example…

When Xerox launched a new workstation, the company ran a promotion giving a customer who bought a workstation a discount on a copier. Despite the promotion, the overall sales of the workstation failed to meet Xerox's expectations. There were, however, geographical areas in which the sales of the product were quite good. What was up? Upon closer examination, Xerox's managers learned that the firm's salespeople in these areas had actually developed a much more effective selling strategy: they sold the copiers first and then offered the workstation for free by applying the amount of the discount to the workstation, not the copier. Xerox's marketing quickly revamped the promotion and communicated it effectively to the rest of the sales staff.

Fidelity is the degree to which the plan is being implemented as it is supposed to be. In the example of the Xerox workstation, there was substantial fidelity—the plan was being implemented right—but the plan was poor. Usually, though, the problem is that the plan is not executed properly.

More serious issues require more in-depth study. When Mark Hurd took over as Hewlett-Packard's CEO in 2005, he ordered an immediate audit of HP's sales and marketing activities. Metrics such as the win/loss ratios of business deals, the length of time it took to get a proposal approved and presented to a customer, and other factors exposed numerous problems Hurd needed to fix. The audit identified the causes, many of which Hurd and his team were able to deal with quickly. As a result, HP increased market share and captured the lead in the PC market in the first year following Hurd's appointment.

What Factors Should a Marketing Audit Consider?

According to the marketing consulting company Copernicus, a marketing audit should assess many factors, but especially those listed below. Does any of the information surprise you?

Top Ten Factors a Marketing Audit Should Assess

1. Key factors that impacted the business for good or for bad during the past year.
2. Customer satisfaction scores and the number and type of customer complaints.
3. The satisfaction levels of distributors, retailers, and other value chain members.
4. The marketing knowledge, attitudes, and satisfaction of all executives involved in the marketing function.
5. The extent to which the marketing program was marketed internally and "bought into" by top managers and nonmarketing executives.
6. The offering: Did it meet the customer's needs as expected, and was the offering's competitive advantage defensible?
7. The performance of the organization's advertising, promotion, sales, marketing, and research programs with an emphasis on their return on the money invested in them.
8. Whether the marketing plan achieved its stated financial and nonfinancial goals.
9. Whether the individual elements of the marketing plan achieved their stated financial and nonfinancial goals.
10. The current value of the brand and customer equity for each brand in the product portfolio.

(Copernicus Marketing Consulting, 2011)

You were probably surprised by a few items on the list. For example, did your marketing plan include a plan to market the marketing program to important internal parties, such as the company's managers and employees? We discussed earlier that the marketing plan should persuade others to invest in the plan's success. Part of that persuasion process could actually include a plan to communicate the plan! A marketing audit should assess the extent to which the plan was successful in achieving the goal of getting important people and departments within an organization to buy into the plan.

Do you think the "top ten" list above is prioritized correctly? Some people would argue that the first four or five factors that need to be examined are the most important. Other people would argue that only the financial factors (factors 7–10) matter. Which group is right?

The answer really depends on what's important at the time to a company. Because HP hired Hurd to improve the company's poor financial performance, financial issues were likely his top priority. He knew, however, that the causes of the poor financial performance probably lay elsewhere, so he had his team look deeper. Financial problems are usually the first to prompt a marketing audit.

Many firms don't wait for problems before conducting an audit. Either they hire consultants like Copernicus Marketing Consulting to conduct the audit, or they do the audits themselves. If a firm's budget doesn't allow for a complete audit annually, the company will often focus on one particular area at a time, such as levels of satisfaction among its customers and channel partners. The following year, the company's communications strategy might be audited. Rotating the focus ensures that every aspect is audited regularly, if not annually.

Key Takeaway

- The key to a successful ongoing marketing strategy is twofold: understanding causality and good marketing plan execution.
- Drawing the wrong conclusions about causality, or what actually causes a change in a company's sales performance, can lead to disastrous results. That's why companies investigate the causes by gathering market feedback and conducting market research.
- Another tool that can be used to research a change in a company's sales performance is a marketing audit. A marketing audit is an examination or a snapshot of the state of a company's marketing strategies as they are actually implemented.
- Complete and partial audits can be done internally or by a consulting firm in order to find areas for improvement.

11.6 Chapter Summary

Exercises

1. Who is involved in the creation of a marketing plan?
2. In addition to marketing analysts, what other members of an organization help create marketing plans?
3. What is a marketing plan, and how is it used?
4. What is the purpose of scenario planning?
5. How can forecasting accuracy be improved?
6. What is the difference between managerial control and statistical control? How is statistical control used?
7. What should a marketing audit accomplish?
8. What is the most important part of a marketing plan? Why? What is the least important? Why?
9. How can these strategies be utilized at a country club?

Activities

1. Pick a product with which you are very familiar and create a simple marketing plan for it. Focus on one market segment.
2. Conduct an audit of a company's marketing plan as if you were a consultant. Selecting a relatively new consumer product may be easier because it is likely to have more press available that you can use for data.

Key Terms

Causality: The relationship between two variables whereby one variable is a direct consequence of the other.

Collaborators: Are those organizations, either upstream or downstream in the value chain, you need to partner with to co-create value.

Control: The degree to which you can separate the effects of a variable on a consequence.

Correlational Analysis: A form of trend analysis that estimates sales based on the trends of other variables.

Executive Opinion: The best-guess estimates of a company's executives.

Expert Opinion: Is similar to executive opinion except that the expert is usually someone outside the company. Like executive opinion, expert opinion is a tool best used in conjunction with more quantitative methods. As a sole method of forecasting, however, expert opinions are often very inaccurate.

Exponential Smoothing: A type of moving average that puts more emphasis on the most recent period.

Fidelity: The degree to which the plan is being implemented as it is supposed to be.

Judgment Techniques: Rely more on people's opinions or estimates. Judgment techniques can include customer (or channel member or supplier) surveys, executive or expert opinions, surveys of customers' (or channel members') intentions or estimates, and estimates by salespeople.

Leading Indicator: Which is a single number that represents a composite of commonly used leading indicators. Some of these leading indicators are housing starts, wholesale orders, orders for durable goods (items like refrigerators, air conditioning systems, and other long-lasting consumer products), and even consumer sentiment, or how consumers think the economy is doing.

Managerial Control: The first type of control whereby you have control over how variables in a marketing plan are implemented.

Managerial Control: Whereby you have control over how variables in a marketing plan are implemented.

Market Potential: Total industry-wide sales expected in a particular product category for the time period of interest.

Market Test: An experiment in which the company launches a new offering in a limited market in order to gain real-world knowledge of how the market will react to the product.

Moving Average: The rate of change for the past few periods is averaged.

Response Models: Sophisticated statistical models which are based on how customers have responded in the past to marketing strategies.

Sales Force Composite: Is a forecast based on estimates of sales in a given time period gathered from all of a firm's salespeople.

Sales Potential: The sales potential for the product is typically represented as a percentage of its market potential and equivalent to the company's estimated maximum market share for the time period.

Statistical Control: Whereby you can remove the influence of the variable on the outcome mathematically.

SWOT Analysis: SWOT stands for strengths, weaknesses, opportunities, and threats.

Technology: Is the application of science to solve problems. It encompasses more than just information (computer) technology.

Time Series Techniques: examine sales patterns in the past in order to predict sales in the future.

Trend Analysis: The marketing executive identifies the rate at which a company's sales have grown in the past and uses that rate to estimate future sales.

Appendix: Transcripts

Chapter 9.1 The Marketing Mix: Applied to the Golf Industry

Video: Value Creation Through the Marketing Mix by Waterbergh Management

Value Creation Through the Marketing Mix
[MUSIC PLAYING]

[Text on screen: "Value Creation Through marketing. McGraw Hill education. iSeeit!"]

NARRATOR: The Hernandez family is dropping their youngest daughter, Gabby, off for her freshman year at college. But before the proud parents say their goodbyes, they decide to head down the block to grab a cup of coffee. It sounds like a simple proposition. But for the Hernandez family and billions of other consumers, a cup of coffee means different things to different people.

Gabby loves a good independent coffee spot that utilizes artisanal beans. Her mom, Marsha, prefers a coffee chain like Starbucks that delivers a consistent experience no matter what city she's in. And Gabby's dad just wants a plain cup of decaf. To him, coffee is best when it's plain, hot, and cheap– three consumers, three very different ideas about the value of that cup of joe.

Value looks at what the customer gets relative to what they give up. If the customer gets back more than what he gives up, that's a successful value exchange. But if the customer gets back less than what he gave up, well, he's not likely to make a return visit. Creating value is essential. In fact, it is the fundamental purpose of marketing.

Businesses depend on the right marketing mix comprised of the four P's to create the maximum value for their target customers.

[Text on screen: Product, price, place, promotion]

Gabby thinks of coffee in terms of an experience. She enjoys independent coffee places that cultivate a cozy vibe, offer free Wi-Fi [PLACE], and use only local artisanal beans [PRODUCT]. She knows her coffee is going to take longer to make and cost more [PLAIN COFFEE $3.00: PRICE]. But in Gabby's mind, she's getting back more than what she's giving up. It's a positive value exchange.

When Marsha thinks about coffee, she sees the value in a business model like $5– high quality coffee drinks made to order quickly conveniently [FOOD MART FIVEBUCKS EXPRESS: PLACE] and consistently [COFFEE: PRODUCT] for what she considers a fair price [PRICE], whether she's inside her local grocery store or visiting someone on the other side of the country. Gabby's dad, however, has no interest in all that fancy stuff. He's happy refilling his travel mug for $0.25 [REFILLS ONLY 25 CENTS WITH PURCHASE: PROMOTION] at his local donut shop [PLACE] and moving on with his day. It's no frills, just straight drip [PRODUCT] that's priced right [PRICE] and hits the spot.

Each family member relies on promotions to become aware of the different value propositions coffee marketers offer, as well as the availability of product attributes and benefits that matter to them. So the definition of value shifts depending on what each customer is looking for. It's up to every business, whether they provide a good, service or idea, to maximize value and satisfy their customers' needs by creating their own special blend of the four P's.

[MUSIC PLAYING]

[Text on screen: “McGraw Hill Education. iSeeit!”]

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Version History

This page provides a record of edits and changes made to this book since its initial publication. Whenever edits or updates are made in the text, we provide a record and description of those changes here. If the change is minor, the version number increases by 0.1. If the edits involve a number of changes, the version number increases to the next full number.

The files posted alongside this book always reflect the most recent version.

Version	Date	Change	Affected Web Page
1.0	1 May 2024	First Publication	N/A