SCOTT G. DACKO

The Advanced Dictionary of Marketing

Putting Theory to Use

". . . packed with insights and applications. Essential reference for the serious marketer. I highly recommend it."
PHILIP KOTLER

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THE ADVANCED DICTIONARY OF MARKETING

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PUTTING THEORY TO USE

Scott G. Dacko

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absorptive capacity	•				•					•	
accelerator principle					•						mergers and acquistions
achievement motivation theory		•									
acquiescence response set				•						•	
actor–observer difference		•	•			•					
adaptation										•	
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adoption process			•		•						
adoption theory	•		•								
adverse selection	•					•		•			
advertising theory			•								advertising
advertising wearout effect											advertising
affect	•		•								
affiliate marketing								•			

Term	Marketing Strategy	Marketing Management	Consumer Behavior	Marketing Research	Marketing Modeling	Services Marketing	Retail Marketing	Online Marketing	Business-to-Business Marketing	International Marketing	Other Application Areas
affinity marketing	•		•								non-profit marketing
agency theory	•										franchising
agglomeration economies	•						•				
ambush marketing	•										marketing ethics, sponsorship marketing
anchoring and adjustment			•								
anchoring effect			•								
ancient mariner effect								•			
announcement effect	•										
antimarketing	•					•					
approach–avoidance conflict	•	•	•								
arbitrage pricing theory	•										
Asch phemonenon		•									
assimilation–contrast theory			•								pricing
attitudes, functional theory of	•						•				
attribution theory			•			•					
audience effect									•		advertising
averages, law of		•	•								
Averch–Johnson effect	•										
backwash effects							•			•	

balance theory		•	•						•		marketing communication
balanced scorecard	•	•		•							
bandwagon effect	•										technology markets
bargaining theory		•	•		•						
Barnum effect	•	•									
base-rate fallacy			•	•			•				
Baumol’s cost disease	•					•					
Bayesian decision theory	•			•	•						pricing
behavioral decision theory	•	•	•								
below-the-line marketing	•						•				promotions
benchmarking	•	•									
benefits	•					•					promotions, marketing education
bespoke marketing	•	•			•						
better mousetrap fallacy		•							•		new product development
bias				•							
blaming the victim											social marketing
bliss point					•						
blog marketing	•	•									
boomerang effect											social marketing, marketing communication
bottom-up marketing	•							•		•	
boundary spanning	•	•				•					
bounded rationality	•		•		•					•	
brand community	•		•								
brand equity	•	•		•							
brand loyalty	•	•	•								
brand positioning	•			•	•					•	
bundling	•			•		•	•	•			
business-to-business marketing						•		•			
butterfly effect			•		•			•			
buyer decision process	•	•	•	•					•		

Term	Marketing Strategy	Marketing Management	Consumer Behavior	Marketing Research	Marketing Modeling	Services Marketing	Retail Marketing	Online Marketing	Business-to-Business Marketing	International Marketing	Other Application Areas
buyer influence/readiness		•		•		•					advertising, sales
bystander effect								•			boycotts
cannibalization	•										new product introductions, product portfolios
capture theory						•					product regulation
carry over effect	•		•								
catastrophe theory					•	•					
category killer							•	•			
cause-related marketing	•		•								
ceiling effect											advertising
celebrity marketing	•			•							
central place theory							•				
certainty effect			•								pricing
channel arrangement		•			•					•	
channel conflict	•	•		•						•	
chaos theory	•	•		•							
characteristics theory	•			•	•						
Churchill's paradigm				•		•					
clubs, theory of		•	•								

cluster theory											technology transfer, new product development
cocktail party phenomenon			•								advertising
cognitive consistency theory				•		•				•	
cognitive dissonance			•								
cognitive theory	•		•								
cohort effect				•							
collaborative marketing	•						•				non-profit marketing, tourism marketing
commercial marketing	•										social marketing
commodification	•	•									marketing education
common method bias				•							
common ratio effect											decision making
communication-information processing theory											market entry timing, marketing communication
comparative advantage, law of										•	
comparative influence			•								
comparative judgment, law of				•							
comparative marketing				•							global marketing
competition	•										
complexity theory	•	•									
conative	•		•								marketing education
concurrent marketing	•									•	
confirmation bias		•	•								
confusion marketing	•			•							marketing education
congruity theory			•								branding
conjunction fallacy											new product development
conspicuous consumption	•		•	•							
construal-level theory	•		•	•							
consumer behavior, theory of			•								
consumer buyer behavior	•		•					•			
consumer demand theory	•	•		•	•						

Term	*Marketing Strategy*	*Marketing Management*	*Consumer Behavior*	*Marketing Research*	*Marketing Modeling*	*Services Marketing*	*Retail Marketing*	*Online Marketing*	*Business-to-Business Marketing*	*International Marketing*	Other Application Areas
consumer marketing								●			pricing
consumer satisfaction theory			●		●						
consumer sovereignty	●			●							
consumer-to-business		●				●		●			
consumer-to-consumer				●		●		●			
consumerism	●		●								
context effect			●								
contingency theory	●	●									
contingency theory of management accounting		●									
contrast effect			●								
convergence marketing	●										
cooperative marketing	●									●	tourism marketing
corporate marketing	●	●				●				●	
cost	●	●									
counter-marketing	●		●								advertising
country of origin effect			●								
cross-cultural marketing	●	●		●		●				●	
customer equity	●	●		●							
customer-oriented marketing	●	●				●					

customer relationship management	•	•						•			
customer satisfaction	•			•	•						
Darwinian evolution theory			•								marketing planning, organizational change
data types				•							
database marketing	•	•									
decision theory											managerial decision making
decline strategies	•										
defensive marketing	•										
demand, law of					•						
demand				•	•				•		
demand characteristics			•								experimental research
demarketing	•	•									
dialectic process theory							•				strategic change
differentiated marketing	•										
diffusion of innovation											new product development
diffusion of responsibility											ethical decision making
diminishing marginal utility, law of	•		•	•							
diminishing returns, law of			•								advertising, direct marketing
direct marketing	•	•		•	•			•			
direct-to-consumer marketing	•										
Dirichlet model	•			•	•						
diseconomies of scale						•					new product development
disintermediation	•							•		•	
disruptive technology	•			•							
distribution strategies	•						•	•			relationship marketing
division of labour effect		•									innovation, relationship marketing
domino effect	•					•					customer satisfaction

Term	*Marketing Strategy*	*Marketing Management*	*Consumer Behavior*	*Marketing Research*	*Marketing Modeling*	*Services Marketing*	*Retail Marketing*	*Online Marketing*	*Business-to-Business Marketing*	*International Marketing*	Other Application Areas
door-in-the-face technique	•			•							
double jeopardy effect				•	•						promotions
drive theory of social facilitation						•					marketing communications
dynamic capabilities	•									•	new product development
E and O theories of change	•										
eclectic paradigm										•	
economies of growth	•										
economies of scale		•								•	
economies of scope	•					•					
effect, law of			•								
efficient market hypothesis	•			•							
elaboration likelihood model											relationship marketing, advertising
elasticity of demand	•				•						pricing
elation effect		•									
e-marketing	•	•						•		•	marketing education
endowment effect			•								
Engel’s law											forecasting
enlightened marketing	•					•					

entrepreneurial marketing	•										
entry barriers	•										
equity theory	•		•	•					•		
ERG theory			•			•					
escalation of commitment		•									new product development
ethical marketing	•	•		•				•			marketing education
even price effect											pricing
event marketing	•	•									
evoked set	•			•	•						
exchange, law of	•										marketing theory, non-profit marketing
exchange theory	•		•	•							
exclusion principle											societal marketing
exercise, law of											marketing education
expectancy theory		•				•			•		sales, ethics
expectation-disconfirmation model										•	customer satisfaction, customer loyalty
expected utility theory			•								decision making
experience curve effect	•										pricing
experiential marketing	•	•									
experimenter effect				•							
experimenter expectancy effect				•							
fallacy of composition				•	•						public policy
fallacy of misplaced concreteness	•			•							
false consensus effect				•							sponsorship marketing
fan effect	•		•								
field marketing	•										
field theory			•			•					
firm, theory of the	•			•						•	
floor effect				•							
foot-in-the-door technique				•							

Term	*Marketing Strategy*	*Marketing Management*	*Consumer Behavior*	*Marketing Research*	*Marketing Modeling*	*Services Marketing*	*Retail Marketing*	*Online Marketing*	*Business-to-Business Marketing*	*International Marketing*	Other Application Areas
forecasting methods		•		•							
forgetting curve			•								advertising
framing effect			•	•							
free rider effect	•										green marketing
frequency marketing	•		•								
fundamental attribution error			•							•	
fusion marketing						•		•			
fuzzy set theory					•						
gain–loss effect			•								decision making
gambler's fallacy			•								decision making
game theory	•				•						
generalizability theory				•							
generational marketing	•			•							
gestalt theory			•	•							marketing ethics
global marketing	•	•									advertising
glocal marketing	•								•		
Goodhart's law	•									•	
goods	•	•			•	•	•			•	advertising
government marketing	•	•		•		•		•		•	
gravity theory					•						

gray markets	•	•								•	
greater fool theory	•							•			
green marketing	•	•		•							
Gresham's law	•			•							marketing education
group polarization			•								decision making
groupthink		•									
guerrilla marketing	•							•			
halo effect		•			•						branding
Hawthorne effect				•							
Herzberg's theory of motivation		•									
Hick's law								•			
hierarchy of effects					•						advertising
hierarchy of needs theory				•						•	
hindsight bias			•			•					marketing ethics
hockey stick effect	•	•									
honeymoon effect	•		•								sports marketing
house of quality	•			•	•						
hybrid marketing	•	•									
Icarus paradox		•									
iceberg principle											marketing analysis
illusion of control			•								forecasting
imitation effect					•						
inbound marketing	•										
income effect			•								
indirect marketing		•				•		•		•	
industrial buyer behavior	•	•						•		•	
information processing theory	•		•								
information systems theory								•			marketing information systems
innovation effect					•						
inoculation theory											marketing communications

Term	Marketing Strategy	Marketing Management	Consumer Behavior	Marketing Research	Marketing Modeling	Services Marketing	Retail Marketing	Online Marketing	Business-to-Business Marketing	International Marketing	Other Application Areas
institutional marketing	•										marketing education, marketing ethics
integrated marketing communications	•	•									advertising
integration	•										
intellectual property	•										
internal marketing	•					•					
internalization theory										•	
international marketing	•	•						•		•	
intertemporal substitution			•	•							
intrusive marketing	•	•		•							mobile marketing
isolation effect	•		•								
item response theory				•							
job characteristics theory		•									
John Henry effect											marketing education
just world hypothesis											social marketing
key success factors	•			•			•		•		mobile marketing
laddering	•			•							
lagged effect					•						advertising
large numbers, law of					•			•			

lateral marketing	•			•							
leapfrogging	•			•							
learning curve effect		•		•							
learning theory											learning. marketing communications
least effort, principle of			•								
least interest, principle of		•	•	•							
lifestyle marketing	•										marketing ethics
Little’s law		•									
local marketing							•			•	
locality, principle of					•						
location theory							•		•		
lowball technique			•	•							negotiation, non-profit marketing
loyalty effect	•							•			
loyalty marketing	•			•				•			
loyalty ripple effect	•							•			
macroenvironment	•	•									
macromarketing	•	•		•							
magical number seven			•	•							
majority fallacy	•										marketing education
management theory		•									
market entry timing	•	•								•	
market share	•										
market share effect	•										
marketing		•									marketing’s definition
marketing, laws of	•	•									marketing theory
marketing, principles of	•			•		•		•			social marketing
marketing, rules of	•										
marketing, theories of	•	•				•					
marketing approaches	•	•									
marketing management orientation	•	•				•					

Term	*Marketing Strategy*	*Marketing Management*	*Consumer Behavior*	*Marketing Research*	*Marketing Modeling*	*Services Marketing*	*Retail Marketing*	*Online Marketing*	*Business-to-Business Marketing*	*International Marketing*	Other Application Areas
marketing mix	•	•									global marketing
marketing myopia	•					•				•	
marketing research	•	•		•						•	
marketing strategy	•		•								
mass marketing	•						•				public sector marketing
me-too marketing	•	•				•					
megamarketing						•					marketing concept, relationship marketing
mere exposure effect			•								
Metcalfe's law								•			pricing
microenvironment	•	•									
micromarketing	•	•					•		•		
mobile marketing	•		•								
mood effect			•								
Moore's law	•			•				•			
moral hazard		•	•								
multicultural marketing	•										
Murphy's law		•								•	new product development
need	•		•								social responsibility

network effect	•	•		•							
network marketing	•	•								•	
network theory	•			•							
new product	•	•				•					
new product development	•	•				•					marketing education
niche marketing	•			•							
non-profit marketing	•	•									
odd price effect											pricing
offensive marketing	•										
one price, law of			•					•			pricing
one-to-one marketing	•	•		•				•			
online marketing	•	•	•	•						•	marketing education
opinion leader		•	•								
options theory	•	•		•							new product development
order effect			•								forecasting
organization theory		•									
out-of-home marketing	•			•							
outbound marketing	•					•					
outlier effect				•							
overconfidence effect	•			•							marketing education
overlearning			•								advertising
Pareto principle	•				•	•					advertising
Parkinson’s law		•				•					
parsimony, law of				•	•						
permission marketing	•			•				•			mobile marketing
personal construct theory		•	•	•							destination marketing
Peter principle		•									
place marketing	•	•		•						•	public sector marketing
placebo effect				•							
planned behavior, theory of				•				•			
point-of-purchase marketing	•			•							
point-of-sale marketing	•										

Term	*Marketing Strategy*	*Marketing Management*	*Consumer Behavior*	*Marketing Research*	*Marketing Modeling*	*Services Marketing*	*Retail Marketing*	*Online Marketing*	*Business-to-Business Marketing*	*International Marketing*	Other Application Areas
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population ecology theory	•	•									
portfolio theory	•										
positioning	•	•		•		•			•		
power law of forgetting			•								
precision marketing	•	•					•		•		
preference reversal			•								
price discrimination	•						•			•	
price effect	•	•	•	•							
price theory											pricing
pricing strategies					•			•			pricing
primacy, law of											marketing communications
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product classifications, consumer	•	•	•	•			•				
product levels	•			•		•					
product life cycle	•	•		•	•				•	•	
product line	•	•		•	•						

product-market investment strategies	•										
product marketing	•	•						•	•		
product portfolio analysis	•	•							•		
promotion budget setting methods		•							•		
prospect theory	•	•			•	•					sales, advertising
psychic distance										•	
psychoanalytic theory			•								
pull marketing	•	•						•			government marketing
push marketing	•								•		
Pygmalion effect		•									
queuing theory						•					
random-walk theory	•										new product development
ratchet effect	•										
rational choice theory			•								
reader-response theory			•								
reasoned action, theory of			•	•							marketing communications
rebound effect	•			•							technology
recency effect		•	•	•							
recency principle											advertising
red queen effect	•										
reference group			•								
reference price		•									
regression towards the mean	•		•	•							
reinforcement				•							
relationship marketing	•	•				•		•	•		
reliability				•							
remarketing	•					•			•		place marketing
repetition effect											advertising
reputation effect	•		•								

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resource-based view	•	•		•		•		•	•	•	global marketing
resource dependency theory	•	•		•					•		government marketing
retail accordion theory							•				
retail gravitation, law of							•				
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retro-marketing	•	•	•								marketing education
ripple effect											advertising
satisficing	•			•							
scale				•							
segment-of-one marketing	•	•		•	•	•					
segmentation	•	•		•	•				•		
segmentation viability	•	•					•				
selective exposure			•								advertising
self-fulfilling prophecy	•		•								
self-perception theory	•			•							
selling process	•	•		•					•	•	
serial position effect								•			advertising
service, laws of						•					
service characteristics	•	•				•					
services marketing	•	•	•					•			

set theory				•							
share of voice	•	•		•							advertising
shared-cost effect				•							
shareholder value analysis	•	•		•							
skunkworks	•	•									
sleeper effect			•								
small group theory			•		•						
snob effect	•		•								
snowball effect	•										
snowballing	•	•		•				•			
social cognitive theory			•								marketing communications
social exchange theory	•										
social identity theory	•		•								
social learning theory	•	•									social marketing
social loafing		•								•	marketing education
social marketing	•	•									
societal classification of products	•	•	•	•							
spillover effect	•	•									
sponsorship marketing	•	•		•						•	
sports marketing	•	•		•		•					
spurious correlation				•							
stakeholder theory	•										
standardization	•	•								•	global marketing
stealth marketing	•							•			
STP marketing	•	•		•		•		•			
strategic approaches	•	•		•							
strategic asset	•										
strategic competency	•	•									
strategic group	•			•							
strategic marketing	•	•				•		•	•	•	non-profit marketing

Term	Marketing Strategy	Marketing Management	Consumer Behavior	Marketing Research	Marketing Modeling	Services Marketing	Retail Marketing	Online Marketing	Business-to-Business Marketing	International Marketing	Other Application Areas
strategic options	•	•			•		•	•	•	•	
strategic window	•										
strategies, generic	•			•						•	small businesses
strategy	•			•		•			•		
subcultural theory	•	•	•	•						•	
subjective expected utility theory					•						
subliminal advertising											advertising
substitute awareness effect	•							•			
substitute product	•	•		•			•				
substitution effect			•								
sunk cost fallacy											decision making
supply, law of	•				•						
supply and demand, law of	•										
survey research				•							
sustainable competitive advantage	•										
SWOT analysis	•			•							
symbolic interaction theory	•		•								
synergy	•										new product development

systems theory				•							
tactic	•	•	•	•		•					
tactical marketing	•	•				•				•	
takeoff	•			•						•	
target marketing	•	•	•	•							
targeting	•			•							
telemarketing	•			•							public policy
telescoping				•							
temperament theory	•	•	•	•						•	
ten percent, rule of	•										
test marketing	•			•							
testing effect				•							marketing education
top-down marketing	•	•									
total integrated marketing	•	•				•					sales
traditional marketing								•			social marketing
transaction cost theory	•	•							•	•	
transactional marketing	•								•		
tribal marketing	•			•							
trickle down theory			•								
unconventional marketing	•										
undifferentiated marketing	•	•	•								
unintended consequences	•	•		•							social marketing, advertising
unique value effect											pricing
unmet need	•	•		•		•					
unrealistic optimism	•		•							•	marketing communications
upper echelons theory	•	•									
utility	•					•		•			
utility theory					•						
validity				•							
value	•		•			•	•	•	•		

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value-based marketing	•	•									
value chain analysis	•							•	•	•	marketing education
value proposition	•	•				•		•			
variety effect	•										
viral marketing	•		•					•			
von Restorff effect			•								
Wal-Mart effect							•				
Walras' law					•						
want	•		•			•					social marketing
warm/cold effect											marketing education
Web marketing	•										
Weber–Fechner law											pricing, promotion
wheel of retailing theory							•				
wholesale marketing	•	•		•			•				
willingness to pay			•	•		•	•				
winner's curse											auctions
word-of-mouth communication				•		•					
word-of-mouth effect	•				•	•					

The Advanced Dictionary of Marketing Terms

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A

□ a priori validity *see* validity

■ above-the-line marketing

DESCRIPTION

Marketing comprised of activity that, traditionally, entails commission charges by advertising agencies which, mainly, comprises mass media advertising.

KEY INSIGHTS

Above-the-line activity in marketing refers to marketing practices making use of the mass media where, given a firm's use of an advertising agency, the agency would make a commission on advertisements which are placed in media including television, newspapers, billboards, radio, magazines, and cinema, and where the commission charged by the advertising agency typically appears 'above-the-line' on the ad agency's bill to the firm. Above-the-line marketing activity can be contrasted with 'below-the-line' marketing activity, which typically is that where an ad agency would charge a firm a fixed fee. (See **below-the-line marketing**.) *Through-the-line marketing* refers to a marketing approach that makes use of both above-the-line marketing and below-the-line marketing. Above-the-line marketing is generally associated with classic and traditional approaches to marketing where advertising is used to build a brand's image. As such, to some marketers, the approach has been considered one of marketing's 'necessary evils,' but, in some industries (e.g. tobacco), below-the-line marketing approaches have gained momentum, or even overtaken above-the-line marketing in importance, particularly as a result of increased regulatory scrutiny of mass media advertising.

KEY WORDS Advertising, mass media advertising, commissions

IMPLICATIONS

In order to be in a position to evaluate the potential benefits and costs of above-the-line marketing approaches, marketers should seek to understand carefully their competitive and regulatory environments in addition to consumer buying behavior. While there may be clear benefits to above-the-line approaches including that of brand image building, below-the-line approaches may also be beneficial (as when there is considerable advertising clutter in the marketplace), either alone or in being selectively integrated with above-the-line marketing approaches.

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■ absolute cost advantage

DESCRIPTION

A concept referring to the beneficial state where an incumbent firm is able to achieve and sustain lower average total costs for its products or services relative to that achievable by newer entrants.

KEY INSIGHTS

Influential early research on the concept by Bain (1956) suggests that an absolute cost advantage can be achieved as a result of certain actions of the firm including, but not limited to: obtaining access to lower costs of capital, securing exclusive access to scarce raw materials or other inputs, implementing low-cost production techniques through experience, and/or superior management skills. Once obtained, an absolute cost advantage can create a form of entry barrier to the extent that new firms will experience higher costs in comparison to the firm with the absolute cost advantage.

KEY WORDS **Entry barriers**, competitive advantage

IMPLICATIONS

While the concept of this type of firm advantage is ultimately linked to costs achievable by newer entrant firms, research on the concept suggests that an absolute cost advantage does not automatically accrue to an incumbent firm but rather is a result of the firm successfully acting upon opportunities to achieve such an advantage. Firms must also consider the extent that changes in the macroenvironment and microenvironment may lead to the lessening of any absolute cost advantage over time, for example, as a result of a new, lower-cost production technology available for adoption by newer entrants that may be costlier for incumbent firms to adopt due to their previous investment in an existing technology.

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■ absorptive capacity

DESCRIPTION

A conceptual term characterizing a firm's ability to recognize value in information arising outside the firm, internalize and assimilate such information, and apply it for commercial purposes.

KEY INSIGHTS

According to research on the concept of absorptive capacity by Cohen and Levinthal (1990), absorptive capacity as a capability is critical in supporting firms' innovation capabilities and successful innovation processes within firms. In terms of explaining what determines the extent of a firm's absorptive capacity, Cohen and Levinthal (1990) argue the capability is driven to a large extent by the firm's level of related prior knowledge.

KEY WORDS External information, knowledge, innovation, learning

IMPLICATIONS

For those managing innovation within firms, a major implication of the concept is that a greater absorptive capacity capability will lead to strengthened innovation capabilities and a higher likelihood of successfully developing innovations. As such, individuals throughout a firm should strive to develop essential skills and a shared language of related knowledge to be able to more readily identify and comprehend developments outside the firm and assimilate such knowledge with the aim of establishing and pursuing appropriate commercial applications. Having a strong internal R&D capability and conducting the firm's R&D internally can, for example, help to prepare a firm to make better use of external information as part of strengthening the firm's absorptive capacity.

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■ accelerator principle

(also called the accelerator effect, acceleration principle, or acceleration effect)

DESCRIPTION

The idea or theory that aggregate net investment by firms in an industry is dependent on firms' expectations about changes in outputs such as sales, profits, and/or cash flow, and where such a relationship has the effect of amplifying further the magnitude of changes in firms' demands on suppliers.

KEY INSIGHTS

Research on the accelerator principle finds that the principle or effect can and does operate within industries. While the actual extent of the acceleration effect certainly varies among industries, the principle nevertheless suggests that firms' investment practices are influenced at least to some extent by their expectations of their future prospects, where such expectations are shaped by changes in the growth of the economy, for example, and where such investment practices has the potential to accelerate (or decelerate) further industry (and broader economic) growth. Thus, firms will tend to adjust inventories in response to expected changes in consumer demand, for example, where such inventory adjustments are positive when the expected change in demand is positive and negative when the expected change in demand is negative. Such changes to firm inventories and other investments will not only have corresponding influences on suppliers but also further stimulate (or impede) industry growth and also potentially accelerate (or decelerate) broader economic growth or decline.

KEY WORDS Firm investment, economic growth, forecasting

IMPLICATIONS

Decisions to increase/decrease inventory levels, build factories, and invest in plant and equipment, for example, will be influenced by profit and sales expectations and business confidence. Firms must therefore not only strive to accurately forecast expected changes in their outputs (e.g. sales) but also be sensitized to how associated changes to planned investments by the firm or other firms in the industry may potentially accelerate (or decelerate) favorable or unfavorable economic prospects for the industry and the broader economy.

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□ accessibility *see* segmentation viability

□ accordion theory *see* retail accordion theory

■ achievement motivation theory

DESCRIPTION

Theory or theories relating personal characteristics and background to a need for achievement and the associated competitive drive to meet standards of excellence.

KEY INSIGHTS

According to theoretical research by Murray (1938), McClelland, Atkinson, Clark, and Lowel (1953), and McClelland (1961), achievement motivation or need for achievement is influenced by a combination of internal factors including personal drives and external or environmental factors including pressures and expectations of relevant organizations and society. Related to an individual's need for achievement and overall motivation is the individual's need for power and need for affiliation.

KEY WORDS Drive, achievement, motivation, goals, sales, selling

IMPLICATIONS

Understanding and explaining individuals' achievement motivation is important within organizations where such characteristics are strongly associated with ongoing organizational success, most notably in the sales function. Staffing the organization with individuals having backgrounds and personal characteristics that are suggestive of a high need for achievement becomes an important consideration. While many factors are potentially influential and interact, e.g. an individual's values (e.g. valuing the accomplishment of tasks over personal relationships), culture and educational background, providing appropriate external support in the form of organizational systems, structures, and culture (e.g. including opportunities for promotion, recognizing and rewarding successes, ensuring performance feedback, and matching individual control with role responsibilities and role importance) becomes just as important as the organization's assessing and nurturing an individual's personal drives.

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■ acquiescence response set

DESCRIPTION

A form of bias involving a consistent individual tendency to agree with statements such as attitude statements regardless of the content or to consistently answer yes/no questions either in the affirmative (yes) or in the negative (no) irrespective of a question's content.

KEY INSIGHTS

Research on acquiescence response set as a form of bias finds the tendency varies in prevalence in responses to questionnaires and surveys (where, for example, cross-cultural differences in its prevalence are clearly observed). Nevertheless, the potential for its occurrence (with similarly worded questions in particular) is of sufficient concern to experienced researchers including survey researchers and developers of question or statement-based scales and that methods for controlling for and/or compensating for the bias are typically implemented with the aim of obtaining more meaningful responses.

KEY WORDS **Bias**, questionnaires, surveys, scale development

IMPLICATIONS

When acquiescence response set as a form of bias is a potential concern in survey research or in scale development, a common approach for attempting to control or compensate for it when providing multiple statements or asking multiple questions is to have some statements or questions positively worded and others negatively worded in a sense that the two types of questions are far more opposite than similar. In doing so, responding in agreement to all or in responding with a consistent affirmative or negative answer to all would be found to be contradictory and, as such, would require respondents to potentially engage more fully with the statements or questions given.

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□ **action** *see* buyer influence/readiness

□ **actionability** *see* segmentation viability

■ actor–observer difference

DESCRIPTION

The phenomenon where the attributed causes of an individual's action(s) tend to systematically differ depending on whether one is the actor or an observer. More specifically, an observer tends to attribute an actor's behavior to the actor's inherent personality, whereas the actor tends to attribute his/her behavior to situational factors.

KEY INSIGHTS

Based on pioneering research by Jones and Nisbett (1972), explanations for this observable phenomenon include the general fact that actors tend to have more action-related information available than observers; actors and observers have different motives in producing explanations for actions; and a tendency for actors and observers to differ in where they ultimately selectively attend to information concerning actions.

KEY WORDS Observers, actions, attitudes, attributions, sense making

IMPLICATIONS

As the actions of marketing managers and sales staff can sometimes be very visible to customers or others outside an organization (e.g. suppliers, business partners) as well as within the organization, the marketer should not assume that individuals observing his/her (or the company's) action(s) will attribute the action(s) to the same causes as does the marketer him/herself. For example, a bystander at an airport observing a man being told by a ticketing agent that he is unable to check in for a scheduled airline flight because he is thirty seconds late in checking in relative to the airline's policy of requiring check-ins a minimum of thirty minutes before departure may attribute the refusal in being allowed to check in to the ticketing agent's insensitive, stubborn, and unsympathetic personality, whereas the ticketing agent may attribute the service encounter outcome to that of being told to enforce his company's policy. While such an example illustrates the actor–observer difference on a relatively small scale, such difference may certainly be amplified on larger scales as when actions are strategic in nature (e.g. in interpreting motivations of an entire salesforce or in crucial negotiations with a potential business partner). Marketers should therefore seek to understand and perhaps even anticipate possible interpretations of marketing actions from stakeholding observer perspectives and reconcile them with their own perspectives in efforts to reduce misunderstandings that may lead to undesirable marketing outcomes (e.g. customer dissatisfaction, marketer mistrust).

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□ actual product *see* product levels

■ adaptation

DESCRIPTION

The process or strategy of adapting or tailoring an otherwise standardized product or service offering to meet the needs and preferences of a particular market or set of consumers, where such markets and consumers are typically examined and managed within an international marketing context.

KEY INSIGHTS

The subject of marketing strategy and marketing mix element adaptation versus standardization has been the subject of much marketing research and debate. Since there are many potential factors influencing the appropriateness of such a strategy, it is difficult to say when it is best relative to a standardization approach. In international marketing, adaptation is an essential consideration when marketing to multiple countries or cultures where there are likely to be significant differences in consumer wants and needs relative to a particular product or service offering. While adapting marketing strategies and marketing mix elements often takes more time and effort to develop and implement and is often costlier than standardized approaches which benefit from larger economies of scale, the potentially greater market receptivity to adapted offerings may make such a costlier approach worthwhile over the longer term. Ultimately, however, the desirability, extent, and type of adaptation, whether in marketing communications, product packaging, or positioning, will invariably be highly dependent on characteristics of the company, product, industry, and market.

KEY WORDS Marketing mix adaptation

IMPLICATIONS

Marketing managers involved in international or regional marketing should consider the potential for adapted marketing strategies or marketing mix elements. As the decision to adapt such offerings is highly context dependent, research assessing the market, industry, and competition will be essential. Company resources and skills will also be an important consideration to determine whether the assets and competencies of the firm can accommodate and support an adaptation approach for possible competitive advantage. Even highly standardized firms such as McDonald's still find it is strategically desirable to engage in limited adaptations to local tastes for their sandwich offerings, for example.

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■ adaptation-level theory

(also called AL theory or the theory of adaptation level)

DESCRIPTION

A theory positing that an individual's reference point for subjective judgments regarding particular classes of stimuli is determined by the individual's prior exposure to such stimuli as well as recollections of past judgments of similar stimuli.

KEY INSIGHTS

Put forth in pioneering research by Helson (1947), adaptation-level theory posits that one's judgment or evaluation of an outcome is a function of all the previously experienced outcomes. In particular, the theory expresses the relationship mathematically by proposing that one's adaptation level, or reference point for subjective judgments, is the logarithm of the mean of relevant stimuli, where individuals weight such stimuli based on their recency and salience among other criteria. In this sense, adaptation-level theory is a psychological theory of relativity based on the general principle of perceptual contrast where any subjective judgment is influenced by the prevailing norm or adaptation level. The theory also suggests that individuals continually adapt to label the existing level of any stimulus as the norm.

KEY WORDS Adaptation, perception, stimuli

IMPLICATIONS

While adaptation-level theory has been formulated in precise mathematical terms, it also provides a basis for non-mathematical application. For example, the theory can be used to explain why an individual may see a new car model of a particular size and consider it to be 'big,' as it would be judged in relation to the individual's perception of the prevailing norm for new car model size, yet, given a case where most new car models become bigger over time, the individual's reference point for car size judgments will shift to that of a bigger size. Marketers should therefore seek to understand how a consumer's judgment is influenced by his or her prior exposures to related stimuli in order to explain and predict better such judgments. Such knowledge can therefore provide the marketer with insights into appropriate marketing communications or persuasive messages that may be aimed at altering or influencing such consumer judgments.

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■ adaptive strategy

DESCRIPTION

Strategy or strategies that involve making adjustments based on new environmental conditions.

KEY INSIGHTS

While business and marketing strategies are often characterized by consistency in direction and approach over the longer term, the notion of an adaptive strategy incorporates the view that the strategic approach is to some significant extent dependent on environmental conditions encountered by a firm.

KEY WORDS Organization, adaptability

IMPLICATIONS

As strategy development and implementation is an essential part of marketing over the long term, marketers must critically examine the essential characteristics of business and marketing strategies pursued to assess how and to what extent such strategies should be adaptive in nature.

APPLICATION AREAS AND FURTHER READINGS

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□ administered VMS *see* channel arrangement

■ adopter categories

DESCRIPTION

Categorical classifications of individuals or organizations according to when they adopt new product(s) in comparison to others.

KEY INSIGHTS

One of the most commonly used approaches for categorizing adopters is that of Rogers (1995) where he proposes five categories and percentages for each and where the non-cumulative adopter distribution of such individuals forms a bell-shaped curve: (1) innovators (2.5%), (2) early adopters (13.5%), (3) early majority (34%), (4) late majority (34%), and (5) laggards (16%). While the number of categories, the percentages of each, and the method of categorical determination are in many ways somewhat arbitrary, the adopter categories nevertheless provide a means to evaluate new product adoption behavior among individuals (or organizations in the case of business-to-business marketing).

KEY WORDS Innovators, early adopters, early majority, late majority, laggards

IMPLICATIONS

Marketers must be sensitive to differences in adoption timing tendencies among potential customers for products and services and strive to strategically manage marketing efforts to ensure appropriate receptivity among targeted categories. Marketers of really new products, for example, tend to target innovators early on in marketing efforts because receptivity among innovators can lead to favorable follow-on influences in subsequent adopter categories.

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□ **adoption** *see* adoption process

■ adoption process

DESCRIPTION

The process by which a consumer adopts a new product or service.

KEY INSIGHTS

Before adopting, or purchasing, a new product or service, it is generally recognized that a consumer typically moves through different stages of a process of adoption. Commonly recognized stages before *adoption* (actually regularly purchasing the offering) include that of *awareness* (being cognizant of the offering), *interest and information search* (having some receptivity in the offering and seeking information about it), *evaluation* (assessing the offering in relation to adoption aims), and *trial* (using the offering on a temporary basis). While the adoption process is often described as a series of stages that are followed in a non-repeating sequence, it can also be far from such as some consumers may skip certain stages of the process, while others may revisit certain stages in one or more iterations. The process may end with rejection, rather than adoption, and in other versions of the modeled process there is a stage of *symbolic adoption*, where the product is embraced as a notion, following the initial evaluation stage.

KEY WORDS Adoption stages, purchase

IMPLICATIONS

A key task of marketers is to understand what is involved in the psychological adoption process of consumers for particular product and service offerings in order to be able to positively influence such consumers at appropriate stages, thereby encouraging them to successfully complete the adoption process and purchase the offering. For example, product trial may be an important stage to be completed before adopting some new products such as newly flavored soft drinks, prompting marketers to offer free samples of the products in supermarkets. Similarly, marketers may give away to consumers small trial-sized packages of products such as shampoos or laundry detergents to encourage adoption. Yet, in adopting other products such as mobile phones, awareness, interest, and evaluation become more essential, leading marketers to emphasize marketing communications and other means to move consumers successfully through these stages of the adoption process. Finally, it is important for marketers to understand the time and effort consumers take within each stage of the adoption process and the nature of actual succession of adoption stages through consumer research. For example, the fact that *evaluation* and *symbolic adoption* may, in reality, not take place early in a consumer's adoption process, but later after *trial*, can change the dynamics of the marketing communication plans marketers set in relation to commonly held assumptions about the typical consumer adoption process. (See also **buyer influence/readiness**.)

APPLICATION AREAS AND FURTHER READINGS

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■ adoption theory

DESCRIPTION

Theory or theories aimed at understanding, explaining, or predicting how, why, and to what extent individuals or organizations will adopt or purchase new offerings.

KEY INSIGHTS

Theories of adoption recognize the role of multiple factors in influencing product or service adoption by an individual or organization. The extent that a potential adopter values innovativeness, the degree of innovation that is communicated by a new product or service offering, and the knowledge and experience of the prospective adopter are just some examples of potentially influential factors in determining the rate and extent of adoption.

KEY WORDS Adoption, readiness

IMPLICATIONS

While understanding, explaining, and predicting individual or organizational adoption of a new offering is often complex, it behooves marketers to research the drivers and impediments of adoption in an effort to facilitate new product adoption and make appropriate plans for the expected rate of adoption by individuals or organizations in a given market. Knowledge of the adoption process (see **adoption process**) as well as buyer influences and readiness (see **buyer influence/readiness**) can be highly beneficial in this regard.

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■ adverse selection

DESCRIPTION

The tendency for any offering to a market to be most attractive to those most likely to benefit from it.

KEY INSIGHTS

The concept of adverse selection suggests that, when a firm's offering is non-selective, as when health insurance can be obtained by any individual without a medical examination, one should expect that those most likely to benefit from it will accept it (e.g. those in poor health), whereas others that will benefit from it less will be more likely to seek alternative offerings (e.g. those in better health accepting a more selective insurer).

KEY WORDS Offering attractiveness, customer benefit

IMPLICATIONS

Marketers should recognize how, in trying to be non-selective with an offering, adverse selection leads customers posing the greatest risk to the firm to select themselves. To the extent such self-selected high-risk customers lead to higher costs for the firm, marketers should seek to understand such risks and develop strategies and policies for their more effective management. Marketers may also benefit from learning from competitors' introduction of new product and service offerings to understand better the nature and extent of adverse selection relative to the competitor's offerings and customers.

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■ advertising theory

DESCRIPTION

Theory or theories attempting to explain how and why advertising is effective in influencing behaviors and accomplishing its objectives which may include communicating with potential customers and persuading them to adopt a particular attitude or preference toward products or brands and ultimately purchase them.

KEY INSIGHTS

While there are numerous individual theories of advertising and considerable scope and complexity in the large body of knowledge which comprises advertising theory, most theories of advertising implicitly or explicitly adopt a view that advertising's effectiveness is dependent on principles and practices including mere exposure and/or repetition. That is, simply exposing a consumer to a product or brand's advertising can result in increased liking of the product or brand, while repeatedly exposing the consumer to the product or brand's advertising over time can lead to the consumer being, in a sense, conditioned to a potentially greater extent to like a product or brand or to associate particular thoughts or feelings with the product or brand. At the same time, advertising's effectiveness can be highly context specific and dependent on numerous other principles and theory associated with message and media characteristics, consumer characteristics, product/service characteristics, and competitive actions.

KEY WORDS Advertising effectiveness, advertising effects

IMPLICATIONS

As it is often said that 'half of all advertising doesn't work,' aiming to understand and apply the many general and specific principles forming advertising theory may potentially do much to increase the likelihood that any particular advertising campaign or advertising strategy will be effective and accomplish its intended objectives. Marketers must therefore seek to understand the factors that influence advertising's effectiveness and ineffectiveness relative to intended objectives and particular contexts to be able to judiciously apply such knowledge. Even experienced firms can make advertising missteps, such as allowing the firm's ad agency to create an advertisement that is memorable and consistent with some elements of advertising theory (e.g. persuading with emotion for a low-involvement purchase) but not fully realizing until after it has aired that the ad runs counter to other principles associated with advertising theory (e.g. emphasizing those emotions that are desired to be positively associated with the brand).

APPLICATION AREAS AND FURTHER READINGS

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■ advertising wearout effect

DESCRIPTION

The resulting effect when a particular ad is presented to consumers with such frequency and/or duration that the consumers begin to ignore it to a large extent or become tired of it and no longer react favorably to it.

KEY INSIGHTS

The advertising wearout effect is in many ways an acknowledgment that there will be diminishing returns to any form of advertising that is presented to consumers on an ongoing basis. While marketers must consider the possibility of such an effect in determining the exposure characteristics and lifespan of a particular ad, especially with regards to cost effectiveness of advertising, it may not be easy to predict when such an effect will become evident to a large extent, if at all, in the life of an advertising campaign due to the many factors of influence including the ad's likeability and consumer attitudes toward the subject of the ad.

KEY WORDS Advertising, effectiveness, wearout

IMPLICATIONS

Periodic market research studies on consumer reactions to an ad over time is one way in which consumer sentiment can be established to determine if the advertising wearout effect is becoming or has become a significant issue in the life of an ad within a broader advertising campaign.

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■ affect

DESCRIPTION

Subjectively experienced feeling or emotion.

KEY INSIGHTS

While there are numerous subjectively experienced feelings or emotions, such as happiness, anger, sadness, and fear, it is also clearly recognized that individuals may also experience emotions in varying intensity. For example, some individuals may experience particular emotions with reduced intensity while still others may demonstrate a complete or near-absence of emotional expression altogether. Among others and under certain conditions, experienced emotions may also be unstable and fluctuate.

KEY WORDS Emotion, feeling

IMPLICATIONS

As there are many product and service offerings that have a strong emotional appeal to consumers, e.g. the brand of a sports car to be considered for purchase or the particular music that the individual considers for purchase, marketers should seek to know how and to what extent consumers relate to particular product and service offerings through their feelings and emotions. Seemingly tame improvements to products, such as the attempt by Coca-Cola to introduce New Coke to consumers as a better-tasting cola beverage, may ultimately lead to unexpected and even severe emotional responses by consumers if such emotional relationships and attachments to products are not fully understood or appreciated by the marketer.

APPLICATION AREAS AND FURTHER READINGS

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■ affiliate marketing

(also called referral marketing, many-to-many marketing, partner marketing, pay-for-performance marketing, performance-based marketing, or revenue-sharing marketing)

DESCRIPTION

The use of a revenue sharing partnership between a merchant and one or more affiliated or partner firms where the affiliates are paid for referring or leading consumers to the merchant and/or when consumers subsequently purchase from the merchant.

KEY INSIGHTS

Affiliate marketing is a form of marketing that is based on a pay-for-performance approach. While the approach often involves a complex process of tracking, monitoring, and payments, the process has become easier as a result of many organizations now providing such support services to firms seeking to engage in affiliate marketing. Affiliate marketing has become an increasingly common practice among Web-based businesses in particular, where compensation may be on a pay-per-click, pay-per-lead, or pay-per-sale basis. Many organizations with websites containing advertising, for example, use *pay-per-click marketing*, which is where an advertiser compensates the affiliated organization based on the number of times website visitors click on an ad that takes them to the website of the advertiser.

KEY WORDS Revenue sharing, pay-for-performance

IMPLICATIONS

Affiliate marketing provides a firm with a relatively efficient means to promote its offerings in a way where the firm pays for the results obtained. As many marketers view affiliate marketing as an approach that will become increasingly mainstream in e-commerce, marketers may benefit from a greater understanding of how and to what extent the approach may have strategic value to the firm as a means of cost effectively exposing potential customers to the firms' offerings with the aim of encouraging subsequent purchase.

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■ affinity marketing

DESCRIPTION

An approach to marketing that involves the teaming together of organizations to attract customers with particular interests.

KEY INSIGHTS

As part of affinity programs, firms aim to find customers of particular products or services who also have an interest in, or affinity to, certain other areas or topics to allow such customers to be presented with products or services associated with those areas. While affinity marketing originated in the credit card industry, its scope and application now extends well beyond the area to markets ranging from financial services to charities and other non-profit organizations.

KEY WORDS Organizational teaming, customer interests

IMPLICATIONS

Affinity marketing provides a means for marketers to cost effectively leverage their brand and customer base assets by providing an expanded set of offerings to customers through strategic partnerships with other firms rather than through potentially more costly internal development. Marketers seeking to reach new customers with current products as well as current customers with new products may potentially benefit from strategic use of an affinity marketing approach to the extent there exists a common consumer interest on which organizations can build and partner to provide a set of offerings of increased value to consumers identified as sharing common interests.

APPLICATION AREAS AND FURTHER READINGS

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□ affordable method *see* promotion budget setting methods

□ age segmentation *see* segmentation

■ agency theory

DESCRIPTION

Theory aimed at explaining how and why organizations or individuals are best empowered to act as representatives or agents for other organizations or individuals as principals given that the principals have incomplete information regarding the agents and where the agents may have different motives than the principals.

KEY INSIGHTS

Agency theory is concerned with the problems associated with motivating one party (an agent) to act on behalf of another (a principal). Specifically, under conditions where an agent is compensated by a principal for performing certain tasks which are useful to the principal and costly to the agent, and where there are elements of the performance which are costly to observe, the principal often does not know enough about the extent that an agent's performance is in accord with the principal's demands or expectations. The theory is therefore concerned with ways to align better the interests of the agent with those of the principal. Examples of mechanisms for doing so include certain financial incentives such as profit sharing, commissions, and piece-rate compensation. On the other hand, disincentives for an agent acting counter to a principal's interest may include a fear of firing. While agency theory research is considerable, the concepts and issues involved can provide important guidance for contract design and related activities in terms of characteristics including the nature of information involved and used as well as the intensity of incentives and monitoring and the equality of compensation.

KEY WORDS Agents, principals, empowerment, incentives

IMPLICATIONS

Agency theory's broad scope means it may help us to understand, explain, or predict better principal–agent actions in widely varying contexts including between firms as well as within firms. For example, agent firms or individuals may interact with the firm as employee, supplier, subcontractor, selling agent, franchisee, or other distributor. Beyond its benefits for identifying and evaluating the desirability of various agent incentives, the principles and practices suggested by agency theory may find strategic use by marketers in shaping planning efforts involving any form of agent role for, or on behalf of, the marketer's organization.

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■ agglomeration economies

DESCRIPTION

Cost savings or benefits realized as a result of firms clustering together.

KEY INSIGHTS

By locating near one another, some firms and consumers can achieve desirable cost savings and benefits. For example, when retail outlets cluster together, it is easier for consumers to make price and product comparisons with less travel, thereby reducing consumers' acquisition costs and increasing the likelihood of product purchase. In other instances, cost savings can be achieved by firms through the sharing of infrastructure including that for communications and other support services. A characteristic of agglomeration economies is that the activities of any one firm also result in benefits to the other firms in the agglomeration.

KEY WORDS Clustering, location, cost savings, **benefits**

IMPLICATIONS

In deciding where to locate an organization, marketers should evaluate the nature and extent of agglomeration economies in both lowering costs and providing added benefits to the organization. The sharing of infrastructure may reduce operating costs or facilitate mutually beneficial communication in some instances, while in other instances, co-locating with complementary or even similar outlets may increase consumer traffic as well as make it easier for consumers to purchase by lowering their product search and acquisition costs.

APPLICATION AREAS AND FURTHER READINGS

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□ AIDA *see* buyer influence/readiness

□ AIDCA *see* buyer influence/readiness

□ AL theory *see* adaptation-level theory

□ alternative evaluation *see* buyer decision process

□ ambient marketing *see* out-of-home marketing

■ ambush marketing

DESCRIPTION

Marketing intending to give an impression to consumers that a firm or brand is officially associated with an event or cause when, in fact, it is not.

KEY INSIGHTS

The aim of ambush marketing is to obtain more of the gains associated with an official or formal association, as through event sponsorship, but without incurring the same extent of its costs. While another organization may own the legal right to be the official sponsor of an event, for example, a firm engaged in ambush marketing may locate or promote itself in ways that give consumers the impression that it, too, is a sponsor of the event.

KEY WORDS Sponsorship, events

IMPLICATIONS

While the ethics of the ambush marketing approach may be debated, it nevertheless is an approach that firms can and do use in their marketing efforts to associate with events and causes without incurring the full cost of a formal association with them. Marketers must therefore evaluate carefully the benefits and risks of its use by the firm and, should the firm choose to be formally associated with events or causes through means such as official sponsorship, marketers must then seek to identify and implement means to deter other firms from using an ambush marketing approach.

APPLICATION AREAS AND FURTHER READINGS

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■ anchoring and adjustment

DESCRIPTION

An effect relating to the heuristic or commonsensical approach to problem solving that involves making an initial judgment and then adjusting the judgment to arriving at a final judgment, but where the final judgment tends to be biased by the value of the initial judgment.

KEY INSIGHTS

The anchoring and adjustment heuristic effect is a phenomenon of individual problem solving which shows how final judgments can be influenced—and potentially inaccurate—as a result of an individual's tendency to anchor on the initial judgment and subsequently make adjustments which are ultimately insufficient when arriving at a final judgment. First studied by Slovic and Lichtenstein (1971), the heuristic effect has been shown to lead to significantly different final judgments when substantially different values for initial judgments are also suggested in the formulation of the problem. Thus, if consumers are asked how many hours of television they watch in a year where they are first asked to indicate whether an initial number suggested by an interviewer is too low (e.g. 20) or too high (e.g. 2000), and where they are subsequently asked to estimate a final number, those consumers given a low initial number will tend to provide significantly lower final estimates than consumers given a high initial number.

KEY WORDS Problem-solving heuristic, **bias**

IMPLICATIONS

As is suggested by the above example, the anchoring and adjustment effect is a phenomenon that may potentially lead to inaccurate or biased responses by consumers in research including survey research where individuals' initial judgments are given or suggested by others. Alternatively, consumer judgments may be biased when they themselves use the heuristic and make estimates which are too low or too high initially. As such, marketers must be aware of, and attempt to compensate for, the possibility of biased judgments when individuals may be applying an anchoring and adjustment approach in problem solving.

APPLICATION AREAS AND FURTHER READINGS

Consumer Behavior

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■ anchoring effect

DESCRIPTION

Any effect on judgment resulting from consideration of a reference point or anchoring position of judgment.

KEY INSIGHTS

The anchoring effect may be present when individuals make evaluations or comparisons based on a reference point or frame. Thus, consumer evaluations of a new product's overall quality may be influenced by judgments resulting from their knowledge of particular existing products which may be of worse or better quality than that of the new product.

KEY WORDS Judgment, reference points

IMPLICATIONS

As it may be common for individual judgments of product and service offerings to be influenced by earlier points of reference, marketers must recognize how individuals may perceive new information as a result of prior information and current views on which they are anchoring. Price comparisons, features, and benefit comparisons are but a few examples of areas where marketers must aim to understand how and why consumers may systematically respond to particular offerings as a result of anchoring effects.

APPLICATION AREAS AND FURTHER READINGS

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■ ancient mariner effect

(also called the passing stranger effect)

DESCRIPTION

The tendency for individuals to disclose personal information more freely or openly to strangers than to closer acquaintances.

KEY INSIGHTS

While the psychology behind the effect may be quite involved, believing that one is unlikely to relate to an individual on an ongoing basis may potentially lead one to be more open to such an individual as a result of the situation contributing to the belief that one is immune to confrontations of long-term judgment by the individual and that the likelihood that personal information will be disclosed inappropriately will be minimal.

KEY WORDS Personal disclosure

IMPLICATIONS

Such an effect may be useful by a marketing researcher seeking personal and sensitive information from an individual consumer to the extent that the consumer views the researcher as a non-judgmental stranger whom he or she will not be acquainted with over the longer term. At the same time, marketers must be aware of the possibility that an organizations' employees may, particularly while traveling to infrequent destinations, inadvertently disclose sensitive information to passing strangers who just might be associated with a competing organization.

APPLICATION AREAS AND FURTHER READINGS

Online Marketing

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■ announcement effect

DESCRIPTION

Any effect on consumer, market, or firm behavior resulting from an announcement by an organization where effects are evident before the action indicated by the announcement actually takes place.

KEY INSIGHTS

Effects stemming from announcements, whether by firms, industry organizations, or governmental institutions, can be immediate and influential to consumer, firm, and market behaviors to the extent that the individual or organization making the announcement has credibility. For example, a new product pre-announcement, where a firm announces its intention to introduce a particular new product on a particular date, sends signals to both potential customers and current competitors, where the announcement encourages potential customers to wait for the new product to be available and where the announcement also acts to discourage current competitors from entering with a similar new product by signaling that they will be pre-empted. Credibility of the organization making the announcement is often key in determining the extent of its effect.

KEY WORDS Pre-announcements, behavior

IMPLICATIONS

Marketers must be ready to respond to immediate, significant changes in market conditions and consumer behavior that may result from announcement effects. At the same time, marketers may be able to use announcements to create immediate consumer and market effects as well as provide strategic signals to deter or encourage certain competitive actions. Marketers must also recognize how the announcement effect may work against the firm as well, as when announcing the date for a planned introduction of the firm's next-generation product can lead to a dramatic slowing, or even halt, in sales of its current product and produce an excess current product inventory for the firm having immediately reduced resale value.

APPLICATION AREAS AND FURTHER READINGS

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□ Ansoff matrix *see* product-market investment strategies

■ antimarketing

DESCRIPTION

Behaviors or attitudes reflecting the view that a person or organization rejects advocating or using any of an array of practices or principles perceived to be part of marketing.

KEY INSIGHTS

Among the possible reasons for why some individuals and organizations adopt an antimarketing view is that they are unable to see how a marketing approach would be beneficial in helping them to achieve their goals over the short or long term. Understanding how, why, and to what extent such beliefs have been developed in individuals or organizations is the first step in the development of strategies, programs, and practices intended to facilitate individual or organizational recognition of the value of marketing practices and principles in achieving both individual and collective goals.

KEY WORDS Marketing rejection, attitudes, behavior

IMPLICATIONS

The belief that an apparently sound marketing approach has positive value should not be assumed by marketers when developing and implementing organizational marketing strategies. More than just not being enthusiastic about a marketing approach, some individuals and organizations may go so far as to display behaviors that communicate a complete rejection of the view that a marketing approach can be beneficial. Adopting an internal marketing approach is one way that a marketer may attempt to influence internal organizational views of particular marketing strategies or practices as well as encourage the appreciation of the value of any particular marketing approach.

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□ approach *see* selling process

■ approach–avoidance conflict

DESCRIPTION

A tension experienced by an individual who is simultaneously attracted to and repulsed by the same goal.

KEY INSIGHTS

Approach–avoidance, a form of conflict initially examined in research by Lewin (1931), involves ambivalence toward a goal as a result of the goal containing both positive and negative elements. In such situations, an individual may exhibit vacillating behavior as he/she nears the goal, where approach behaviors predominate far from the goal but where avoidance behaviors predominate close to the goal.

A particular type of approach–avoidance conflict is known as the *Rosencrantz and Guildenstern effect*, which is a form of entrapment where a person is kept waiting while attempting to achieve a particular goal. Individuals in such situations experience increasing conflict with the passage of time since time is both an investment that increases the chance that a goal will be attained as well as an expense that may lead the individual to fail to attain the goal. An example is when an individual who waits at a town's empty taxi stand for a taxi to arrive to take him to his nearby destination faces a choice of waiting or walking to his destination but increasingly feels compelled to wait because of the increasing likelihood that a taxi will arrive.

KEY WORDS Goal conflict, tension

IMPLICATIONS

Marketers must consider how consumers attracted to particular goals associated with the marketer's offerings (e.g. the satisfaction of driving a luxury car) may simultaneously be repelled by the negative elements of goal achievement (e.g. anxiety over insurance costs, possible theft, the threat of not being able to make repayments, etc.) and as a result exhibit vacillating behaviors. Marketers must seek to identify such approach–avoidance conflicts facing particular consumers and facilitate in their resolution through appropriate marketing communications in order to achieve satisfaction in both the consumer decision-making process as well as the consumer's buying decision.

APPLICATION AREAS AND FURTHER READINGS

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■ arbitrage pricing theory

DESCRIPTION

A theory holding that expected returns, and hence prices, for financial assets can be modeled as linear functions of multiple, generally macroeconomic factors.

KEY INSIGHTS

In contrast to a modeling approach involving a single systematic risk factor (i.e. the capital asset pricing model), the arbitrage pricing theory-based approach to modeling financial asset returns incorporates sensitivity to changes in multiple factors and, as such, incorporates multiple systematic risk factors. For example, risks related to inflation, interest rates, and industrial output may be appropriate for inclusion in a model of the expected return for a particular financial asset.

KEY WORDS Financial assets, returns, risk

IMPLICATIONS

While acceptance of the arbitrage pricing theory approach to financial asset return modeling is not completely without controversy in the domain of financial economics, the approach can nevertheless be insightful as a result of increased acknowledgment and incorporation of multiple factors of risk. Thus, whether marketing actions are funded by financial asset returns, or whether financial assets themselves are the subject of a firm's marketing efforts, giving modeling consideration to an arbitrage pricing theory-based approach provides an opportunity for an extensive, focused managerial and marketing understanding of multiple risk factors in the macroeconomic environment relative to any of an array of financial assets of importance to a firm.

APPLICATION AREAS AND FURTHER READINGS

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■ Asch phenomenon

DESCRIPTION

The tendency for individual decisions to be influenced by social pressures and forces of conformity stemming from reference groups and group norms.

KEY INSIGHTS

Named after psychologist S. E. Asch who pioneered work on understanding and explaining the phenomenon (Asch 1955), the phenomenon presents a view suggesting that individual decisions are, or can be, influenced by reference group or other group effects to a greater extent than individuals may actually be aware.

KEY WORDS Decision making, social pressure, conformity

IMPLICATIONS

Marketers aiming to understand and/or influence individual decision processes should acknowledge the Asch phenomenon as a relatively broad human decision-making tendency which may help to explain how, why, and to what extent individuals are, or can be, influenced by group actions, opinions, and norms. An individual's purchase decisions, for example, may be influenced by one of his or her reference groups to a large extent, suggesting a benefit to assessing the feasibility of marketing activities focused on particular reference groups which may ultimately hold influence over individual consumers.

APPLICATION AREAS AND FURTHER READINGS

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□ asset *see* strategic asset

■ assimilation–contrast theory

DESCRIPTION

A theory of judgments and attitudes holding that persuasion-related efforts to change judgments or attitudes involve an individual's initial reference point or anchor position and where new positions close to the reference point are assimilated by the individual and positions discrepant from the reference point are contrasted or rejected by the individual.

KEY INSIGHTS

Based on pioneering research by Sherif and Hovland (1961), the theory offers an explanation for why particular items of information of persuasive communication are either accepted by individuals, rejected, or similarly result in minimal change. The researchers relate information not discrepant from an individual's anchor or reference position to falling within a latitude of acceptance and leading to assimilation, whereas information highly discrepant from the reference position falls within either a latitude of neutrality (leading to minimal change) or a latitude of rejection (leading to contrast with the individual's reference position). Furthermore, the theory suggests that the level of ego involvement of the individual is associated with the relative widths of the individual's latitudes of acceptance and rejection where, more specifically, low ego involvement is associated with wide latitudes of acceptance and narrow latitudes of rejection and where high ego involvement is associated with the opposite conditions.

KEY WORDS Persuasion, message acceptance, message rejection

IMPLICATIONS

Marketers involved in efforts to persuade or communicate with current or potential customers should understand how marketing messages and related elements of marketing communication aimed at changing attitudes or judgments may lead to acceptance, rejection, or little change by individuals depending on the message position's distance or degree of discrepancy from an individual's anchor positions or points of reference. Particularly when individuals have a high degree of ego involvement, marketers should be aware of the additional challenge of persuading such individuals to adopt positions which are highly discrepant from their initial positions of attitude or judgment. In contrast, it will be far easier for marketers to persuade individuals under conditions of low ego involvement to accept marketing messages which are less discrepant from individuals' initial points of reference. Evaluating how marketing messages are likely to be received in accordance with assimilation–contrast theory may therefore be a prudent task for marketers prior to implementing particular marketing communications.

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□ **attention** *see* buyer influence/readiness

■ attitudes, functional theory of

DESCRIPTION

A theoretical perspective holding that individual attitudes are developed to satisfy various functional needs or goals of the individual.

KEY INSIGHTS

According to the functional theory of attitudes, the attitudes of individuals are reflections of their underlying motivations. Such a motivational approach to attitudes provides focus on identifying, understanding, and explaining the way in which an individual's attitude helps the individual to satisfy certain individual needs or goals.

KEY WORDS Attitudes, goals, **need(s)**

IMPLICATIONS

The functional theory of attitudes can provide marketers with potential insights into how and why consumers may develop and maintain various attitudes, such as consumers' developing positive or negative attitudes toward the category of luxury goods, for example. Such a perspective may assist marketers in inferring links between individuals' attitudes and their motivations or needs, such as a desire to either acquire or shun luxury goods. As such, marketers can understand the potential consequences, benefits, and limitations of marketing efforts occurring at the time individual attitudes are developing.

APPLICATION AREAS AND FURTHER READINGS

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■ attribution theory

DESCRIPTION

Theory or theories concerned with explaining and predicting the ways in which individuals explain or attribute their own behavior and the behaviors of others, where attributions include both personality-related and situational variables.

KEY INSIGHTS

Based on pioneering and early research in social psychology by individuals such as Fritz Heider (1958), Harold Kelley (1967, 1972), Edward E. Jones (Jones and Harris 1967), and Lee Ross (1977), collective research in the area of attribution theory suggests that individuals attempt to logically explain causality in their environment, where inferences are made which may or may not be entirely accurate or without bias as a result of individual perspective and other factors including the extent to which events tend to vary across individuals, situations, and time. While the theoretical area is very broad and continues to encompass much social psychological research, insights from attribution theory include the views that individuals have a tendency to attribute the causes of other peoples' negative or undesirable behaviors relatively more to their personality than situational characteristics, whereas individuals tend to attribute similar behaviors for themselves relatively more to situational characteristics.

KEY WORDS Causality, personality, behavioral explanations

IMPLICATIONS

Implications of attribution theory include those associated with the actor–observer difference phenomenon (see **actor–observer difference**) yet also extend beyond such specific implications since attribution theory encompasses an even broader body of knowledge. For example, certain attributional biases are observed through cross-cultural research to be more pervasive in individualistic cultures (e.g. northern European) than in collectivistic cultures. As such, international marketers should be sensitized to how and to what extent current and potential customers in different cultures may be likely to attribute the apparent causes of unexpected and/or undesirable service outcomes.

APPLICATION AREAS AND FURTHER READINGS

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■ audience effect

DESCRIPTION

Any effect of an audience on the behaviors or performance of an individual or individuals being observed.

KEY INSIGHTS

In the context of individual(s) engaged in tasks where performance is evaluated, the effect of an audience on task performance may be enhanced or diminished depending on the nature of the task and characteristics of the audience and individual(s) engaged in the task. For example, while live spectator audiences are clearly a motivator to professional sports team play and thus highly encouraged by marketers, an audience of onlookers may diminish the performance of a golfer used to secluded play at an exclusive course. More often than not, however, the audience effect is viewed as a form of social facilitation, whereby the mere presence of others in various capacities (e.g. active or passive, remote or co-located) can act to enhance the performance of individual(s) who are the subject(s) of the audience as a result of the subject(s) feeling motivated to perform better given a desire to stand up to the greater scrutiny of an audience relative to the conditions of no scrutiny or lack of immediate observation.

KEY WORDS Performance, observation, audiences

IMPLICATIONS

Marketers can seek to harness the positive elements of the audience effect by understanding through experience, observation, and knowledge of communication-related theories when and how audiences, in various capacities, can facilitate individual or group performance on a limited or ongoing basis. As examples, enabling either the chefs in a restaurant or a health club's group fitness instructors to be observable behind glass windows to customers or spectators may motivate those performing the tasks to perform more professionally, energetically, and consistently than when their performance is not subject to audiences of spectators or observers.

APPLICATION AREAS AND FURTHER READINGS

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□ augmented product *see* product levels

■ averages, law of

DESCRIPTION

A term expressing the view that, over the long run, probabilities will ultimately dictate and equalize the performance of repeated events.

KEY INSIGHTS

For events which are probabilistically determined, such as where the chance that the flip of a one-cent coin by an indecisive customer will be heads (to decide to buy product A) as opposed to tails (to decide to buy product B) is 50%, there is also the chance of skewed outcomes when events are repeated, such as in obtaining ten heads in ten flips of a similar coin by ten indecisive customers. However, the law of averages view of probabilistic outcomes holds that, in the long term, probabilities will dictate and equalize long-run performance, so that in 1,000 coin flips by 1,000 indecisive customers, for example, the number of heads and tails obtained will tend to equalize to a far greater extent in comparison to ten coin flips.

KEY WORDS Probabilities, events, outcomes, performance

IMPLICATIONS

Many areas of marketing are influenced directly or indirectly by the law of averages, where consumer behavior and marketing research are examples. When consumer behavior is dictated by probabilities, such as in selecting from two equally unknown brands of identical products, or in efforts to obtain equal marketing research samples of males and females, knowledge of the law of averages can guide the actions and estimates of marketers under conditions where events are repeated and long-run performance is a concern.

APPLICATION AREAS AND FURTHER READINGS

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■ Averch–Johnson effect

DESCRIPTION

Overcapitalization among regulated firms that results from their facing a given rate of return on capital.

KEY INSIGHTS

Identified and examined in research by Averch and Johnson (1962) on regulated firms, the Averch–Johnson effect refers to the profit-maximizing response of such firms to choose combinations of inputs that are more capital intensive than would otherwise be employed by the firms in the absence of an allowed rate of return on capital.

KEY WORDS Regulation, capital

IMPLICATIONS

Marketing strategists and public policy makers involved in firm regulation must consider the Averch–Johnson effect as a profit-maximizing response among regulated firms that can be anticipated and expected. To the extent that overcapitalization is inefficient and economically detrimental, firms and public policy makers must address the challenge of altering firm inputs in ways that lessen their capital intensivity.

APPLICATION AREAS AND FURTHER READINGS

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☐ **awareness** *see* adoption process; buyer influence/readiness

B

□ **B2B marketing** *see* business-to-business marketing
□ **B2C marketing** *see* consumer marketing
□ **baby boomer** *see* generational marketing
□ **backward integration** *see* integration

■ backwash effects

DESCRIPTION

Adverse effects on the growth of a region or regions of an economy as a result of the growth of another region of the economy.

KEY INSIGHTS

Backwash effects, where the economic growth of certain region(s) of an economy are adversely affected by the growth of another region, typically arise from the movement of capital and skilled labor from lagging region(s) of an economy toward a more prosperous region. Backwash effects are also viewed as resulting from the increase in production efficiency that is associated with the geographic concentration of activity in the growing region.

KEY WORDS Regional economic growth

IMPLICATIONS

Marketers involved in international marketing or other areas of marketing where the economic growth of a region is an important consideration in a firm's activities may benefit from a greater understanding of the dynamics of backwash effects on regional economic growth. For retailers, manufacturers, and service firms alike, backwash effects may lead to either desirable or undesirable consequences for the firm, depending on the economic strength of the region in relation to the economic strength of surrounding areas.

APPLICATION AREAS AND FURTHER READINGS

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■ balance theory

DESCRIPTION

A motivational theory holding that people desire cognitive consistency in their drive to achieve psychological balance in their thoughts, feelings, and social relationships.

KEY INSIGHTS

Based on pioneering research by Fritz Heider (1946, 1958), balance theory provides a means to evaluate and explain how and why attitudes, values, and behaviors are developed and may or may not be stable and change given various states or degrees of balance/imbalance. The theory enables models to be constructed to explain and predict the outcomes of individual and interpersonal situations involving specified attitudes, beliefs, and relationships, where individuals' motives for cognitive consistency are instrumental.

KEY WORDS Cognitive consistency, psychological balance

IMPLICATIONS

Balance theory provides a rich framework with which to examine, assess, and manage many areas of marketing including customer satisfaction, sales forces, and supply chain relationships. In acknowledging and seeking to understand better individual desires for cognitive consistency and balance in interpersonal relationships, for example, marketers can establish stronger relationships with customers to the extent marketing actions (e.g. persuasive marketing communications) are consistent with such deep-rooted individual desires and personal motives.

APPLICATION AREAS AND FURTHER READINGS

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■ balanced scorecard

DESCRIPTION

An approach to organizational performance evaluation and monitoring that involves using multiple measures including those based on financial, customer, internal process, and employee learning and growth perspectives.

KEY INSIGHTS

Introduced by Kaplan and Norton (1992), the balanced scorecard aims to provide managers with a comprehensive view of organizational performance rather than a view dominated by a financial perspective. As such, the approach emphasizes balance with multiple areas inside and outside the firm that are viewed as potentially influential in achieving successful business performance over the longer term. While the specific measures used in a balanced scorecard approach cannot be generalized but rather are dependent on each organization's particular goals, the process of implementing the approach within the firm is typically viewed as the most beneficial means with which to arrive at useful measures as well as derive strategic insights into their interrelated influences.

KEY WORDS Organizational performance evaluation, monitoring

IMPLICATIONS

While many firms use multiple indicators beyond measures of financial performance as part of organizational performance evaluation and monitoring, the balanced scorecard approach aims to formalize and integrate measures from multiple, important, and interrelated perspectives. As such, marketing managers may benefit from undestanding what measures strategic decision makers consider to be important to the long-term success of the firm to ensure marketing strategies are consistent with such views. In addition, marketing managers may seek to influence the nature of the balanced scorecard planning and evaluation approach within a firm to the extent the approach itself may benefit from refinements drawing upon a stronger marketing perspective.

APPLICATION AREAS AND FURTHER READINGS

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■ bandwagon effect

DESCRIPTION

The phenomenon or observation where individual actions or beliefs are positively influenced and whose adoption is considerably accelerated by the large-scale popularity of the actions or beliefs among individuals or groups.

KEY INSIGHTS

The bandwagon effect tends to occur when individuals or organizations believe that it is in their best interest to take action or adopt views on what has become or is increasingly becoming popular or fashionable.

KEY WORDS Action, belief popularity

IMPLICATIONS

In marketing terms, the bandwagon effect may translate into the view that 'success breeds success,' where popular products, brands, and services can become even more popular in the market as a result of their current state of popularity or fashion appeal. The challenge for marketers is therefore to create a critical level of popularity for a firm's offerings so the bandwagon effect may be realized and stimulate even greater popularity in the marketplace.

APPLICATION AREAS AND FURTHER READINGS

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■ bargaining theory

DESCRIPTION

Theory or theories aimed at understanding and explaining effective interorganizational bargaining in contexts including negotiations and policymaking.

KEY INSIGHTS

While bargaining theory encompasses a broad base of research and concepts grounded in game theory, much of bargaining theory emphasizes examination of the relative bargaining resources (e.g. assets) stakes of those involved in a given bargaining situation. The scope of entities which may be involved in a bargaining situation includes firms, governments, and countries. A focus on resources and stakes as well as corresponding interests and abilities of participants in a bargaining situation enables strategies and/or approaches to be developed and pursued that may increase the likelihood of successful bargaining outcomes (e.g. agreements) for situations having particular characteristics including those of one-time bargaining and time-constrained bargaining.

KEY WORDS Interorganizational bargaining, negotiation

IMPLICATIONS

Marketers involved in strategically important negotiations or policy development for interorganizational negotiations may potentially benefit from a greater knowledge of bargaining theory-based research to increase the effectiveness and/or efficiency of ongoing bargaining efforts of the firm and its management. For example, certain aspects of the theory can provide guidance to managers by helping them to understand better the expected outcomes for a bargaining situation rather than overly focusing on the processes of negotiation itself, whereas in other instances, certain bargaining theory-based approaches advocate specific bargaining procedures for effective outcomes.

APPLICATION AREAS AND FURTHER READINGS

Marketing Management

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■ Barnum effect

(also called the Forer effect)

DESCRIPTION

The tendency for individuals to accept as accurate statements describing their personality when led to believe such descriptions are tailored for them, when in fact such descriptions are vague, ambiguous, and general and may describe the personalities of a wide range of individuals.

KEY INSIGHTS

Pioneering empirical research by Bertram Forer (1949) quantifiably demonstrated the existence and prevalence of the effect, which includes a tendency to accept such statements as true or revealing the basic characteristics of one's personality.

KEY WORDS Personality assessment

IMPLICATIONS

As the Barnum (or Forer) effect as a phenomenon is pervasive among individuals, it offers a possible explanation for the popularity of certain pseudosciences among consumers, where individuals or organizations provide services to such consumers purporting to explain or predict personality-related characteristics by linking them to seemingly unrelated phenomena (e.g. planetary alignments). The effect may also provide a means for unscrupulous marketers to establish greater rapport with various individuals through claims of superior knowledge or understanding of their personalities.

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□ barriers to entry *see* entry barriers

■ base-rate fallacy

DESCRIPTION

The failure of an individual to consider information about the effects of prior probabilities or base rates in making judgment of conditional probabilities, where instead the individual relies upon extraneous or irrelevant information.

KEY INSIGHTS

While information on prior probabilities may be readily available and highly relevant to a conditional probability judgment, such as in a consumer's estimate of the probability that a particular weekly airline flight will depart late when it departed late in 70 of 100 past instances, the consumer may ultimately overlook such information and focus instead on other factors such as the mood of the check-in staff. In doing so, the individual's judgment involves a logical fallacy in that it includes a view that the situation is insensitive to prior probabilities.

KEY WORDS Judgments, probabilities

IMPLICATIONS

When marketing actions or events are sensitive to prior probabilities (e.g. as when determining the probability that products will fail under warranty), marketers should strive to objectively consider and incorporate such information in their analyses, forecasts, and marketing plans. Otherwise, the result may be unwarranted optimism or an irresponsible marketing analysis.

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□ **basement effect** *see* floor effect
□ **basing-point pricing strategy** *see* pricing strategies
□ **Baumol effect** *see* Baumol's cost disease

■ Baumol's cost disease

(also called the Baumol effect)

DESCRIPTION

The phenomenon observed in certain primarily labor-intensive industries where there is little or no gain in productivity over time, resulting in rising production costs.

KEY INSIGHTS

Identified and developed in research by Baumol and Bowen (1966) on the performing arts sector, the phenomenon is generally attributed to conditions where labor intensiveness in the provision of services, combined with other constraints for the provision of services (e.g. desirable service provider-to-customer ratios) make it difficult for productivity gains to be achievable. As a result, increasing labor costs lead to increasing production costs within such industries which may include education, the performing arts, and certain public services such as public hospitals.

KEY WORDS Service productivity, service production costs

IMPLICATIONS

Marketing managers involved in the provision of service-related offerings that tend to be labor-intensive and which have demonstrated little or no gain in productivity over time may benefit from a greater understanding of the causes and consequences of Baumol's cost disease (or the Baumol effect) in order to develop and evaluate strategies for addressing the phenomenon. For example, marketing managers faced with such challenges may therefore need to consider actions and strategies including reductions in offering quality or supply, increases in offering price, complements or alternatives to wage compensation of service providers, or means of increasing productivity through outsourcing, etc., where possible.

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■ Bayesian decision theory

DESCRIPTION

Decision theory involving a fundamental statistical approach to pattern recognition, classification, and conditional probabilities.

KEY INSIGHTS

Bayesian decision theory is well-suited to marketing problems where a decision is required but where there is considerable uncertainty or limited information on which to base a decision. The theory involves the application of probabilities to each of the decision-related elements, where probabilities are typically established as a result of opinion rather than established by fact. The aim of the approach is to arrive at an understanding of an optimal outcome for a decision-making process.

KEY WORDS Decision making, uncertainty, limited information, pattern recognition

IMPLICATIONS

Marketers involved in strategic decision making where there is a high degree of uncertainty or limited information may draw upon Bayesian decision theory-based research to increase the robustness of the strategic decision-making process used as well as to obtain clearer insights into optimal outcomes. At the very least, the approach can be valuable to understand better the relationship between various outcomes and marketing actions involving varying degrees of risk.

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□ BCG growth-share matrix *see* product portfolio analysis

■ behavioral decision theory

DESCRIPTION

Theory or theories for judgment and decision-making evaluation which emphasize individuals' subjective expected utilities, personal utility functions, and personal probability analyses.

KEY INSIGHTS

Behavior decision theory as pioneered by Edwards (1954) provides a systematic approach for describing how individual decision makers' values and beliefs are incorporated into their decisions as well as for prescribing courses of action which reflect closely the values and beliefs of decision makers. Explicit in the theoretical approach is the view that decision makers are able to express preferences given alternatives, where such preferences are able to be systematically evaluated with consideration of subjective expected utilities.

KEY WORDS Judgment, decision making, **utility**

IMPLICATIONS

Behavioral decision theory highlights the critical role of values and beliefs in the judgments and decision making of marketers as well as consumers. As such, marketing efforts aimed at understanding, explaining, and predicting strategically important decisions should consider analytical approaches grounded in behavioral decision theory. Many behavioral decision-based models have been developed by researchers with the purpose of providing ways to evaluate and explain successful marketing decisions and important consumer judgments.

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□ behavioral segmentation *see* segmentation

□ behavioral theory of the firm *see* firm, theory of the

■ below-the-line marketing

DESCRIPTION

Marketing comprising of activity that, traditionally, is commission free or charged at a fixed fee by advertising agencies which, mainly, excludes mass media advertising.

KEY INSIGHTS

Below-the-line activity in marketing generally refers to marketing practices making use of forms of promotion that do not involve the use of mass media, where, in a firm's use of an advertising agency, there is usually no commission charged by the advertising agency, and thus the expense typically appears 'below-the-line' on the ad agency's bill to the firm. Below-the-line marketing activity can be contrasted with 'above-the-line' marketing activity, which typically is that where an ad agency would charge a firm a commission based on advertising placements in mass media such as television, newspaper, and radio. (See **above-the-line marketing**.) *Through-the-line marketing* refers to a marketing approach that makes use of both above-the-line marketing and below-the-line marketing. Below-the-line advertising can involve the use of any form of non-mass media promotion including sales promotions (e.g. premiums, price reductions, displays, and related point-of-sale activity), direct marketing, public relations activity, sponsorship, etc.

Firms may emphasize the use of below-the-line marketing activity for any number of reasons. For example, in the tobacco industry, such activity has been a way that firms in the industry have been able to conduct marketing that attracts less scrutiny from regulators in comparison to heavily regulated mass media advertising. Below-the-line marketing activity is also considered by some of its adopters to encounter a less cluttered communications environment in efforts to communicate with a target market, in contrast to the relatively more cluttered environment of mass media advertising.

KEY WORDS Advertising agencies, commission free, fixed-fee, point-of-sale, sales promotions

IMPLICATIONS

Marketers should seek to understand carefully their competitive and regulatory environments in addition to consumer buying behavior in order to be in a position to evaluate the potential benefits and costs of below-the-line marketing approaches. In a marketplace filled with advertising clutter, for example, below-the-line marketing efforts may be potentially more cost effective and provide the marketer with opportunities to use more sophisticated marketing approaches in comparison to mass media-based approaches. In other instances, a marketing strategy involving the selective integration of below-the-line and above-the-line approaches may be more beneficial than those that rely on below-the-line approaches alone.

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■ benchmarking

DESCRIPTION

A process involving organizational comparisons of processes or performance and particularly comparisons with organizations considered to be following best industry practices or setting the industry standard, with the aim of identifying and implementing process and performance improvements within the organization.

KEY INSIGHTS

The process of benchmarking involves examining how the organization or some part of the organization is performing in comparison to one or more organizations or parts of organizations of strategic interest to the firm and learning from the findings. Whether the comparisons are solely within the firm, with competing firms, or only with those firms or firms considered to have superior performance or that are implementing best practices within the industry for certain processes, the ultimate aim of benchmarking is to identify and adopt methods for improving the performance of the organization.

KEY WORDS Organizational processes, performance evaluation, performance improvement

IMPLICATIONS

Marketers have many opportunities to benchmark an organization's marketing processes and performance with similar or best-performing organizations. Although the process is time consuming and not without development and maintenance costs, the benefits of benchmarking, particularly for organizations in search of new ideas for process and performance improvements, may be such that the gains exceed the costs involved. At the very least, marketers should recognize how their firm compares with others of strategic interest to assess the extent that actions should be pursued for further improvement.

APPLICATION AREAS AND FURTHER READINGS

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□ benefit segmentation *see* segmentation

■ benefits

DESCRIPTION

The particular advantages or gains that are attained by an individual as a result of purchasing or using a particular product or service.

KEY INSIGHTS

While a product or service is commonly viewed as being able to provide one or more functional benefits to a consumer, such as a running shoe's ability to provide its wearer with good traction while running, the same product or service may also possess numerous other non-functional benefits to a consumer. For example, a running shoe's original styling can provide a self-expressive benefit in that it provides a means for allowing consumer self-expression. Similarly, a running shoe's reputable brand name can provide an emotional benefit to a consumer in that it can provide comfort, reassurance, and a sense of trust to the consumer who is new to running but who nevertheless recognizes the running shoe's brand name.

KEY WORDS Product advantages, service advantages

IMPLICATIONS

Marketers of new products and services must seek to understand and strategically manage the range and benefits provided by the offerings. In particular, astute marketers will recognize that, for some offerings, functional benefits can actually be less important to certain consumers than other non-functional benefits including emotional or self-expressive benefits.

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■ bespoke marketing

DESCRIPTION

Marketing that is heavily customized or developed from scratch to meet customer requirements or needs.

KEY INSIGHTS

Bespoke marketing can be potentially beneficial when customer needs are highly distinctive and when more-routinized marketing approaches commonly employed as alternatives tend to lack impact. In developing bespoke marketing strategies and plans for an organizational customer, it is often essential to build a good relationship with the client in order to get a clear understanding of the client organizations' needs.

KEY WORDS Customized marketing plans

IMPLICATIONS

Whether in addressing the marketing needs of an organization or a consumer market, the development of bespoke marketing approaches provides a marketer with an opportunity to tailor and potentially optimize a marketing approach to be most suited to the client or customer.

APPLICATION AREAS AND FURTHER READINGS

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■ better mousetrap fallacy

DESCRIPTION

The myth or mistaken belief in the development and marketing of new products that any given market will more readily adopt technologically advanced or superior products should they ever be developed.

KEY INSIGHTS

While Ralph Waldo Emerson may have held this belief as he is quoted as saying, 'Build a better mousetrap and the world will beat a path to your door,' such a belief is clearly unjustified based on numerous marketing principles and practices. In most instances, superior product offerings do not automatically market themselves and drive consumers to seek them out and acquire them. Consumers may be resistant to change due to their investments in current products or they may view a superior product as overkill relative to their needs and have little or no need for them. The influential role of marketing strategy and functional area strategies of pricing, promotion, and distribution are neglected as well.

KEY WORDS Product development, product superiority, myth, false belief

IMPLICATIONS

When present, such a belief is a symptom that new product developers and/or marketers are so intent on developing products with superior attributes that they often end up making unwarranted assumptions regarding a market's true need for them and/or the marketing challenges associated with bringing such new products to market. While to some it may seem counter-intuitive that markets would not automatically welcome better products, such a view is simplistic given the richness of marketing knowledge regarding successful marketing strategies, new product development practices, consumer behavior, and competitive dynamics. Marketers should be on guard for individuals and organizations adopting such a mistaken belief.

APPLICATION AREAS AND FURTHER READINGS

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■ bias

DESCRIPTION

In a measurement context, any situation where results or conclusions misrepresent what is being studied.

KEY INSIGHTS

Bias in measurement can take many forms. Aside from biases or errors in the choice or implementation of a sampling method (e.g. where a non-random sampling method is used as opposed to a random one), there may also be observation biases where results do not reflect what is observed or, alternatively, what is not observed. Bias from that which is not observed includes non-response bias, where results are skewed as a result of excessive non-response. In such an instance, results obtained are not representative of what is being studied as a result of responses obtained from respondents differing from that which would have been obtained from non-respondents. Another form of bias is late response bias which refers to bias in results due to responses of late respondents differing from responses of early respondents.

Biases may also be associated with particular measurement methods. In mail surveys, for example, respondents are able to see the entire survey before answering any question. Such a situation has the potential for what is referred to as sequence bias, where respondents' replies to certain questions are not independent but rather conditioned by knowledge of, or responses to, other questions and where the result may be distortions in the answers provided.

KEY WORDS Measurement, sampling, misrepresentation, error, surveys

IMPLICATIONS

Marketers should be wary of research designs that introduce bias into the study which ultimately lead to results which misrepresent that which is being studied. Marketers should employ methods of statistical analysis to prevent and identify the many forms of bias. An example is comparing the mean responses of early and late responders of a survey to determine if there is a statistically significant difference. Understanding the relationships among biases present may also provide useful insights, as in the case of research supporting the view that the later the responses of late responders, the more likely they will represent the views that would have been given by non-respondents (Armstrong and Overton 1971).

APPLICATION AREAS AND FURTHER READINGS

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■ blaming the victim

DESCRIPTION

Making the assumption that another person's misfortune is somehow deserved as a result of something they must have done.

KEY INSIGHTS

Individuals having a tendency to blame victims for their misfortunes are operating under the principle that the world is fair and just—that people will always get what they deserve. To the extent that there is a pervasive tendency for individuals to believe the world is just, there will be a tendency to place other people responsible for their mishaps or failures.

KEY WORDS Misfortunes, attributions, justice

IMPLICATIONS

While some marketers may believe that another person's problems are always in some way deserved or brought on by them (as when a customer's new product fails upon their first using it or when a customer is injured in using a product), such a view assumes a just world, which isn't the case in reality. Marketers must strive to be objective and realistic in their assessments of and attributions for the causes of consumer misfortunes which may include the marketers themselves.

APPLICATION AREAS AND FURTHER READINGS

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■ bliss point

DESCRIPTION

A consumer equilibrium point where a consumer's total satiation for a good consumed is within the consumer's budget constraint.

KEY INSIGHTS

The concept of a bliss point most often refers to a point of consumer equilibrium and, as such, may refer to an individual consumer, a household, or the like. A bliss point is possible only when a consumer does not prefer an ever-increasing amount of a good.

KEY WORDS Consumption equilibrium

IMPLICATIONS

Marketers of consumer goods should seek to understand the nature of consumers' consumption of goods offered to determine to what extent it is possible or likely that consumption behavior, combined with consumer budget constraints, may result in a bliss point for the consumer. Such knowledge can provide the marketer with insight into subsequent consumer behavior as well as indications of a possible benefit to modifying or changing the offering (e.g. marketing mix elements) to enable future consumption of goods offered.

APPLICATION AREAS AND FURTHER READINGS

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■ blog marketing

DESCRIPTION

Marketing through the use of a website primarily composed of personal or professional observations and in journal or diary format.

KEY INSIGHTS

Blogs, short for weblogs, which are websites comprising of frequently updated personal or professional observations, can be used by individuals or organizations for marketing purposes. The typically informal journal style of an individual writer's blog can impart to its readers a sense of trust, honesty, credibility, or objectivity that may be somewhat more difficult to achieve through more polished or professionally prepared marketing communications material and media. Even though some blogs may actually be prepared by employees of organizations who are aiming to present their organization or its products or services in a positive light, the approach nevertheless has appeal to some readers as it is seen as communication that is not subject to as much organizational censorship or scrutiny as more mainstream marketing communications or public relations materials.

KEY WORDS Marketing communication, personal websites, professional websites

IMPLICATIONS

Marketers should recognize the growing power of blogs in the marketing of ideas, causes, products, services, brands, and organizations. While marketers can use blogs originating inside the organization to effectively communicate to the general public (or, at least to communicate to those who have discovered the blogger's website), marketers should also be aware of and learn from the growing number and power of independent bloggers' blogs who are informing, persuading, or at least partially influencing reader opinion or knowledge of timely issues that may be relevant to the marketer's organization.

APPLICATION AREAS AND FURTHER READINGS

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■ boomerang effect

DESCRIPTION

A hypothesis or theoretical effect of persuasive communications where the end result is an attitude change by individuals in the direction opposite to that intended.

KEY INSIGHTS

When an individual views a particular form of persuasive communication as being highly discrepant from his/her original attitude, there is the possibility, consistent with assimilation–contrast theory, that such a discrepancy may lead the individual to change his/her attitude in the direction opposite to that intended by the message (see **assimilation–contrast theory**).

KEY WORDS Persuasion, communication, attitudes

IMPLICATIONS

While the boomerang effect may be a valid concern among marketers using persuasive communications, there is limited evidence that the effect occurs in practice. The area most concerned about its presence is social marketing, where marketers seek to persuade individuals in society that certain behaviors are bad (e.g. underage drinking) but are concerned that communications will have the opposite effect of that intended.

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□ Boston Consulting Group matrix (or Boston matrix) *see* product portfolio analysis

■ bottom-up marketing

DESCRIPTION

The process of developing a marketing strategy within an organization by finding a workable tactic and then building on the tactic to create a powerful strategy.

KEY INSIGHTS

Conceptually developed by Ries and Trout (1989) in a popular book by the same name, bottom-up marketing is advocated by the authors as an alternative to traditional top-down marketing which involves deciding what the firm wants to do (i.e. strategy) and then figuring out how to do it (i.e. tactics) (see **top-down marketing**). In support of the approach, the authors provide examples of organizations such as Federal Express, Microsoft, and Little Caesars whose success is explained, according to the author's research, by a bottom-up marketing approach. An example of a tactic used by Domino's Pizza in the creation of its strategy is 'home delivery in 30 minutes, guaranteed.' In further conceptualizing the approach, the authors consider tactics to be 'competitive mental angles' and strategies as 'coherent marketing directions.'

KEY WORDS **Tactic(s)**, strategy development

IMPLICATIONS

Marketers involved in a firm's marketing strategy development should recognize the potential for a bottom-up approach to provide the firm with insights into ways the firm can develop and achieve a sustainable competitive advantage that may not be as evident with a top-down marketing strategy development approach. While there are multiple approaches to developing marketing strategies within an organization and arguably no single best prescriptive approach, the bottom-up approach is certainly consistent with the view that marketers should seek to understand current and prospective customers, competitors, as well as the broader marketing environment and identify ways it can provide customers with offerings of value that are superior in some way relative to competitive offerings. The approach further suggests the need for marketers to focus their efforts in identifying and meeting customer needs to avoid diluting organizational resources which may include the firm's brand itself.

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■ boundary spanning

DESCRIPTION

Effort within an organization that involves activity aimed at bridging one or more recognized organizational boundaries to facilitate the flow of information across such boundaries.

KEY INSIGHTS

Boundary spanning within an organization seeks to facilitate information transfer, frequently but not limited to information from outside the organization to inside the organization. The aim of such activity is to enhance communication and strategic decision-making effectiveness within the firm as a result of employees and managers being able to access and draw upon cross-boundary information that is both relevant and increasingly timely.

KEY WORDS Information transfer, organizational communication

IMPLICATIONS

Marketing managers and strategists should seek to recognize the benefits of organizational boundary spanning activity as a means of supporting effective strategic decision making. Given that such activity relies critically on the actions of key individuals who are routinely in a position to access information across organization boundaries, marketing managers should seek to ensure that systems and processes are in place to encourage and support sustained boundary spanning activity that frequently begins with information access by such individuals.

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■ bounded rationality

DESCRIPTION

Partial rationality in individual decision-making behavior as a result of it being bounded by the limitations of individuals in their ability to handle the complexities of information available to them as well as limitations in the availability of information to such individuals.

KEY INSIGHTS

The concept of bounded rationality in relation to decision making suggests that individuals do not employ optimal decision-making approaches as a result of human limitations in the ability to comprehend and manage complex information as well as a result of challenges associated with limitations in information availability. Rather, the concept suggests that individuals adopt approaches that are more limited and which rely upon heuristics to ultimately make the decision-making process manageable, which includes the process of generating and evaluating alternatives for possible action.

KEY WORDS Decision making, information complexity

IMPLICATIONS

The concept of bounded rationality is far-reaching and is of influence in marketing decision making as much as consumer decision making. Recognizing the sub-optimality of much marketing decision making in marketing, marketers may therefore benefit from examining more critically the decision-making processes in use by the firm with the aim of understanding better the benefits and limitations involved. Similarly, marketers must strive to understand better how and to what extent consumer decision making is also characterized by bounded rationality in decision-making processes involved in their evaluations and, potentially, adoption of the firm's products or services.

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■ brand community

DESCRIPTION

The sense of community developed, shared, and practiced by individuals using or having a common interest in a particular brand.

KEY INSIGHTS

The nature of some branded products and services has led to a following among certain consumers to the point where such individuals feel part of an active community of advocates or users of the brands. Harley-Davidson motorcycles, Saab automobiles, and Tide laundry detergent are just a few examples of branded products that have developed followings of users who are involved with the branded products to such a strong extent that they actively participate in discussions of the brands and their developments, whether via the internet or in person through clubs or associations.

KEY WORDS Community behavior

IMPLICATIONS

Marketers interested in developing a strong community (or community-like) following of consumers of the firm's brand(s) may benefit from understanding better the drivers and consequences of brand community-related research. In particular, recognizing the scope of consumer behaviors associated with brand communities can provide the marketer with insights into how and why particular marketing strategies may or may not be effective for brand community development.

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■ brand equity

DESCRIPTION

The marketing and financial value that is built up and associated with a brand.

KEY INSIGHTS

The concept of brand equity captures the notion that marketing actions can lead to brands possessing equity in the sense that they become valuable strategic assets of a firm. Positive brand equity enables the firm to expect future revenues that are higher than that for an identical non-branded product as a result of the brand's positive influence on consumer purchase behavior. For example, a brand's association with perceived high quality can lead to trust and confidence in the firm's branded products that can increase product purchase likelihood among consumers.

KEY WORDS Brand value

IMPLICATIONS

Marketers should seek to understand and regularly monitor the level and nature of brand equity for each of their brands to determine and ensure their brands' strategic significance to the firm. The dynamic nature of many markets is such that brand equity will decline if not actively managed through coordinated marketing actions involving efforts to maintain or strengthen brand recognition and specific, positive brand associations.

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■ brand loyalty

DESCRIPTION

The extent of consumer preference for a brand in comparison to close substitutes.

KEY INSIGHTS

Brand loyalty, as exemplified through consumer preference for the brand and an associated commitment to repurchasing the brand, is recognized by marketers as an important indicator of a brand's value. While repurchase behavior is clearly associated with brand loyalty, repurchase behavior does not in and of itself demonstrate brand loyalty, as a brand's repurchase may be due to convenience rather than loyalty, for example. In this context, many firms may have loyalty programs that encourage repurchase, but even frequent repurchases do not necessarily indicate that consumers are brand loyal to any degree.

KEY WORDS Consumer preference, brand preference

IMPLICATIONS

Marketers aiming to achieve strong brand loyalty among the firm's customers should seek to understand the extent of consumer preference for the firm's brand(s) in ways that go beyond examining repeat purchase behavior. Such an understanding can enable marketers to benefit from and make strategic use of brand loyalty in ways that include lowering the cost to serve loyal customers and leveraging loyalty to help attract new customers. (See **loyalty ripple effect**.)

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■ brand positioning

DESCRIPTION

The distinctive position adopted by a firm's brand in relation to competing brands.

KEY INSIGHTS

Effective brand positioning enables a firm's brand to be readily distinguishable from competing brands in the marketplace. Distinguishing the brand from other brands can be in terms of associated brand attributes, benefits to users, and/or market segment emphasis, among other factors. Effective brand positioning further emphasizes elements of superiority along one or more distinguishing dimensions which are valued by consumers. By adopting multiple brands, firms also have an opportunity to strategically position brands with respect to each other and those of other competitors, such as when a firm chooses to introduce a *fighter brand* to protect one or more of its higher-priced brands. A fighter brand—a brand that is priced close to that of a competitor's lower-priced offering—can take pressure off the firm to lower the price of its higher-priced brand to compete with the competitor's brand in a market characterized by high price sensitivity.

KEY WORDS Brand distinctiveness, brand superiority

IMPLICATIONS

Marketers concerned with effective brand position for their firm's brands should seek to understand carefully the relevant dimensions along which their brands are able to be distinguishable and distinctive as a result of consumer evaluations of brands in the marketplace. Effective brand positioning is an important aim in a firm's marketing strategy development and associated marketing mix management.

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□ **break-even pricing** *see* pricing strategies

□ **brick(s)-and-mortar marketing** *see entry at* online marketing

□ **brown goods** *see* goods

■ bundling

DESCRIPTION

The marketing strategy or practice that involves offering multiple products or services as a single combined product or service offering.

KEY INSIGHTS

A bundling strategy or practice can be potentially beneficial to a firm under conditions including those where products or services are characterized by high volume and high margins. While the approach helps simplify consumer decision making and further enables consumers to benefit from possessing or consuming the combination offered, the firm may also benefit further from the approach as a result of economies of scale in production and/or economies of scope in distribution. The strategy or practice of bundling has variations including that of offering consumers an inseparable bundled offering (i.e. a pure bundling approach) or a separable bundled offering (i.e. a mixed bundling approach that allows the consumer to purchase one or more elements of the bundle).

KEY WORDS Combined offerings

IMPLICATIONS

Firms may benefit strategically from use of a bundling approach for their product or services to the extent the practice provides economic benefits to the firm and consumption-related benefits to consumers (e.g. financial, simplified decision making) in relation to benefits provided by unbundled offerings. Given the wide array of bundles that a firm may potentially offer its customers, marketing managers and strategists must seek to understand and manage carefully the characteristics of production, distribution, pricing, and promotion of its products and/or services that may make particular bundled offerings highly attractive to both the firm and its customers.

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- business analysis *see* new product development
- business buyer behavior *see* industrial buyer behavior
- business buying process *see* industrial buyer behavior
- business marketing *see* business-to-business marketing

■ business-to-business marketing

(also called B2B marketing, business marketing, industrial marketing, organizational marketing, and trade marketing)

DESCRIPTION

The marketing of products and services by one organization to another and where such products and services are typically used in the production of other products for resale purposes or in support of service offerings provided to other customers.

KEY INSIGHTS

Business-to-business (B2B) marketing is often characterized by sophisticated buyers and complex products and constitutes a major proportion of all marketing activity. The scope of B2B marketing not only encompasses the marketing of products and services to other businesses, but to governments, institutions (e.g. hospitals) and other agencies, organizations, and authorities (e.g. those for airports) as well.

KEY WORDS Industrial marketing, organizational marketing

IMPLICATIONS

In many ways, B2B marketing approaches can be quite different than business-to-consumer marketing approaches, such as the frequently greater use of personal selling approaches in generating interest among potential customers. It is therefore imperative for B2B marketers to understand better the intricacies of business buyer behavior and the business buying process (see **industrial buyer behavior**) in order to accomplish the firm's B2B marketing objectives.

APPLICATION AREAS AND FURTHER READINGS

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□ **business-to-consumer marketing** *see* consumer marketing

■ butterfly effect

DESCRIPTION

An effect in dynamic systems where small variations in the system can cause large variations over time.

KEY INSIGHTS

Examined and termed in pioneering research by Lorenz (1963), the butterfly effect has since been extended from the study of complex systems such as weather (e.g. where the breeze from a fluttering butterfly in China changes the weather in Chicago) to a wide range of phenomena also characterized by dynamic systems. The more technical term for the phrase in its relation to chaos theory is 'sensitive dependence on initial conditions'. (See **chaos theory**.)

KEY WORDS Dynamic systems, complex systems

IMPLICATIONS

Whether examined mathematically or conceptually, knowledge of the butterfly effect phenomenon can provide the marketer with potential insights into understanding and explaining the behavior of an array of complex, dynamic systems as well as a greater recognition of the limits of any such understanding. In particular, the phenomenon should be viewed by marketers as a contributing impediment to the marketer's ability to make reasonable or accurate predictions beyond a certain range of time for a given dynamic system (e.g. weather-dependent consumption behavior).

APPLICATION AREAS AND FURTHER READINGS

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□ **buyclass** *see* industrial buyer behavior

□ **buyer concentration** *see* competition

■ buyer decision process

DESCRIPTION

The decision-making process followed by a buyer of a good or service.

KEY INSIGHTS

The decision-making process of a buyer of a good or service can be characterized in many ways including a process involving the following elements: *problem recognition* (being cognizant of a problem that can be potentially solved by purchasing some offering); *information search* (the state of motivation to search for more information); *alternative evaluation* (using information to evaluate alternative offerings in one's choice set); *purchase decision* (deciding which offering to purchase); and *post-purchase behavior* (taking further action after purchase based on degree of satisfaction with the offering). While such elements may be common to many decision-making processes, it is widely accepted that buyer decision processes can vary considerably depending on characteristics of the decision maker as well as the nature of both the problem and the offering. The outlined process mostly reflects the purchase decision making of a consumer, whereas the industrial buyer's decision-making process, also known as the business buyer's (or the organizational buying) decision-making process, may somehow vary. This is clearly because the objectives and the players are both different in this case. (See **industrial buyer behavior**.)

KEY WORDS Decision making

IMPLICATIONS

A key task of marketers is to understand the elements of the decision-making process for the firm's offerings with the aim of successfully influencing the process. In addition, marketers need to draw upon empirical and offering-specific research on whether consumers actually follow a particular (e.g. standard) decision process, as this can influence the strategic timing of marketing communication approaches as well as that for other marketing actions. In some industrial buying situations, for example, efforts to establish a long-term supplier may involve extensive alternative evaluation, whereas in other buying situations where price is the only factor considered, alternative evaluation may be very simple. (See also **buyer influence/readiness**.)

APPLICATION AREAS AND FURTHER READINGS

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■ buyer influence/readiness

DESCRIPTION

The general concept referring to the systematic understanding or characterization of the influence process on buyer behavior as well as the buyer's readiness to buy.

KEY INSIGHTS

One common characterization of the buyer influence process is a formulaic approach referred to as AIDA (*attention*, *interest*, *desire*, and *action*): getting the consumer's attention or awareness, generating interest, fostering desire, and encouraging action to buy the product or service. A common characterization of buyer readiness is referred to as AIDCA (*attention*, *interest*, *desire*, *conviction*, and *action*): being aware, being interested in buying, having a desire to buy, possessing conviction to buy, and taking action to buy. Similarly, buyer readiness can be characterized by the consumer's *awareness*, *knowledge*, *liking* of the offering, *preference* for the offering, *conviction* in the offering, and finally *purchase* of the offering.

KEY WORDS Influence process, buyer readiness

IMPLICATIONS

Understanding the buyer influence process and buyer readiness states is in many ways central to much of marketing theory and effective marketing practice. While there are numerous models of buyer influence and readiness, it is imperative for the astute marketer to be able to identify and manage the most relevant buyer influences and understand buyer readiness stages in establishing responsive marketing strategies, management processes, and marketing tactics. (See also **buyer decision process**; and **adoption process**.)

APPLICATION AREAS AND FURTHER READINGS

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□ **buygrid** *see* industrial buyer behavior

□ **buying center** *see* industrial buyer behavior

□ **buyphase** *see* industrial buyer behavior

□ **buzz marketing** *see* word-of-mouth marketing

□ **by-product pricing** *see* pricing strategies

□ **by-the-book marketing** *see* traditional marketing

■ bystander effect

(also known as the bystander apathy effect)

DESCRIPTION

The tendency for groups of bystanders to either not respond or respond more slowly to others' problems than individuals observing the same problem situations alone.

KEY INSIGHTS

Based on pioneering work by Latane and Darley (1968) where the bystander effect was empirically examined, research findings clearly show that the presence of others increases response times to problem situations as well as diminishing the likelihood that such individuals will choose to respond to problem situations at all. The bystander effect may be explained in part by the views that, even when facing emergencies, individuals have a dampened sense of personal responsibility when in groups than when alone and that there is a lesser perceived need for personal action as there are many others that can and will or should take action.

KEY WORDS Group behavior, helping behavior

IMPLICATIONS

When individuals face problem situations, help from bystanders may not always be as immediate or forthcoming as one would expect. Thus when marketers (or consumers) hope to rely on the helping behavior of groups of individuals to remedy problem situations of others, they may need to compensate for possible inaction or slowness through appropriate communications or other marketing initiatives. As an example, consumers are increasingly using the internet in requests for assistance in product selections and internet marketers are increasingly providing opportunities for consumers to do so more easily. As such, marketers should be aware of how consumer and market environments involving bystanders, live or virtual, may reduce helping behavior and attempt to compensate accordingly in their strategic and tactical actions.

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C

- C2B *see* consumer-to-business
- C2C *see* consumer-to-consumer

■ cannibalization

DESCRIPTION

The situation where the result of a firm's new product introduction is a reduction in sales of its existing products.

KEY INSIGHTS

Ultimately, the extent of cannibalization depends on the extent that new products are substitutes for existing products. The cannibalization effect can be either intentional, as when a firm expects to replace its existing products with new ones, or unintentional, as when a firm only realizes after the introduction of a new product that sales for existing products are reduced.

KEY WORDS New products, existing products, sales

IMPLICATIONS

Marketers must aim to anticipate cannibalization effects of new product introductions in strategic marketing planning and implementation. Careful coordination of marketing strategies for new and existing products is needed to ensure that gains made with new products are not offset by losses in existing product sales and their value to the point where the firm is worse off as a result of introducing new products.

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☐ capital goods *see* goods

☐ captive-product pricing *see* pricing strategies

■ capture theory

DESCRIPTION

A theory of regulation that posits a regulated industry can actually gain from being regulated by 'capturing' the regulatory agency involved.

KEY INSIGHTS

Initially put forth by Stigler (1971), the capture theory of regulation suggests that regulated firms are able to benefit from regulation as a result of actions that essentially capture, or encompass, the regulatory body. For example, a regulatory body may be dependent on technical knowledge found only within the industry. Other means of capture may be related to general political influence or actions including the appointment of regulatory body members which are selected from within the regulated industry.

KEY WORDS Regulation, industry regulation

IMPLICATIONS

Marketers in regulated industries may benefit from a deeper knowledge of capture theory to understand and explain better the nature of the firm's—and industry's—relationship with a regulatory body. While the extent of 'capture' may be a topic of debate and depend also on the perspective adopted, the theory may nevertheless be influential in shaping regulatory policies of influence to the marketer's regulated organization.

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■ carry over effect

DESCRIPTION

Any effect of an action measured across multiple periods where the effect of the action extends beyond the initial period and has influence in subsequent periods.

KEY INSIGHTS

While there is certainly considerable scope for variation in the characteristics of carry over effects as they are of course context dependent, carry over effect considerations often occur when the effect of an action (e.g. remembering a product shown in an advertisement) is strong initially relative to a particular time frame or duration of interest and where the effects diminish over time yet are still present at the end of the period of measurement.

KEY WORDS Measurement, time frames

IMPLICATIONS

Carry over effects can be a consideration in planning and modeling the effects of many different marketing mix variables over time, as when the effect of reducing product prices to increase sales in a given year has the effect of decreasing demand for products in the subsequent year or when the effects of a safe winter driving campaign on consumer's driving behavior extend beyond the season and into subsequent winter seasons.

APPLICATION AREAS AND FURTHER READINGS

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□ cash cow *see* product portfolio analysis

■ catastrophe theory

DESCRIPTION

The area of mathematical theory or theories involving the study of dynamical systems where sudden, dramatic changes in system behavior are able to arise from small changes to the system.

KEY INSIGHTS

Based on pioneering mathematical research in the 1960s by Thom (1989), catastrophe theory has since been extended from the study of engineering phenomena to a wide range of phenomena including phenomena within marketing. Common to all areas of catastrophe theory study is the characteristic where small changes to a non-linear system are able to result in catastrophic change to the system. For example, the dramatic changes in the levels of tourism in particular cities and countries in Asia that resulted from a 2003 epidemic in the area has been examined and found to be consistent with the results predicted by catastrophe theory (Mao, Ding, and Lee 2006).

KEY WORDS Dynamical systems

IMPLICATIONS

Marketers involved in the study and modeling of any of a range of dynamical systems, whether involving consumer behavior, economic behavior (e.g. behavior within financial markets), or political behavior, may benefit from a deeper understanding of catastrophe theory if the aim of the marketer is to understand, explain, and predict the behavior of such systems. While catastrophe theory may not always apply to such systems, the theory is rich enough to enable a range of modeling approaches and thus may provide a means to break new ground in explaining and predicting complex system behavior.

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■ category killer

DESCRIPTION

The term given to any generally large retail store that specializes in deep assortments of one or more product lines and which complements such offerings with a highly knowledgeable sales floor staff.

KEY INSIGHTS

The category killer term, of course, conveys the notion that smaller retail outlets—and particularly those with product lines of less depth—are likely to face a major challenge from larger stores with deep product lines and equally knowledgeable employees. In particular, the danger to smaller retail outlets is that savvy consumers may forgo visits to their outlets if they view a larger store in reasonable proximity as being more of a one-stop shop for finding—or learning about—any, or many, products within a particular product category.

KEY WORDS Superstores, product line assortments

IMPLICATIONS

As category killer stores now exist for a tremendous range of product categories (e.g. from baby products to automotive supplies), marketers must seek to understand how and why particular customers may or may not be attracted to such offerings and emphasize appropriate value propositions in response. A baby supercenter, for example, may draw in customers (e.g. expectant parents) from a 100-mile radius if such customers wish to make in-depth examinations of possible products for purchase. On the other hand, a smaller store offering a limited selection of baby product may appeal to customers who are less willing to travel and who are far less selective about particular baby products.

APPLICATION AREAS AND FURTHER READINGS

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□ causal marketing research *see* marketing research

□ cause marketing *see* cause-related marketing

■ cause-related marketing

(also called cause marketing or social cause marketing)

DESCRIPTION

A marketing approach whereby an organization associates itself publicly with a particular cause, demonstrating support for it through activity that may include the donation of time, money, or expertise.

KEY INSIGHTS

Cause-related marketing in the broadest sense is when a firm's marketing strategy is co-aligned with corporate philanthropy. At the level of implementation, the approach involves a firm supporting a particular cause, often in conjunction with a non-profit organization, with some of its own resources or some proportion of its revenues in exchange for being allowed to publicize or commercialize the value from its association with the cause. Firms can use the approach to enhance the image of itself or its products or brands among current and potential customers.

KEY WORDS Corporate philanthropy, non-profit organizations

IMPLICATIONS

Marketers may use cause-related marketing in many ways, ranging from pure corporate philanthropy to the pursuit of pure commercial gain. In contrast to the more overt approach of a sponsorship agreement, cause-related marketing enables the organization to be perceived as demonstrating corporate philanthropy to a greater extent. In considering the benefit of the approach, marketers must therefore seek to understand how and to what extent associating with a cause may appeal to and benefit stakeholders that are both inside as well as outside the organization.

APPLICATION AREAS AND FURTHER READINGS

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■ ceiling effect

DESCRIPTION

Any effect on measurement or response where an upper limit to the range of possible responses leads to a skewing of the distribution of responses.

KEY INSIGHTS

The ceiling effect becomes an issue in measurement and response when the imposition of an upper limit on possible responses impedes understanding the true nature of responses for a phenomenon as a result of its prominent effects on statistical analyses. Oftentimes, the existence of the ceiling effect in a set of measurements means only limited insights can be drawn about a phenomenon. For example, if consumers were surveyed to indicate the number of car brands they are able to name, where the range of choices given to them is, say, from five or fewer to ten or more, information from the survey would be lost if a relatively large proportion of respondents indicated an answer of ten or more.

KEY WORDS Measurement, response, statistical analysis

IMPLICATIONS

Marketers should be aware of the possibility of a ceiling effect in conducting marketing research when the upper limit to a range of possible responses to be collected or measured is essentially arbitrary.

APPLICATION AREAS AND FURTHER READINGS

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□ celebrity endorsement *see* celebrity marketing

■ celebrity marketing

DESCRIPTION

Marketing involving the use of a widely known person.

KEY INSIGHTS

Celebrities, or well-known individuals, can be used in a firm's marketing efforts in many ways. The most common means, of course, is that of *celebrity endorsement*, where the firm establishes a contract with a relatively famous individual to have the individual give support or approval to one or more of the firm's offerings. The popularity of celebrity endorsements actually makes the term 'celebrity endorsement' much more widely used than that of 'celebrity marketing.' In using celebrity endorsement, there is the opportunity for the celebrity to associate his or her unique character and personality with that of the firm's offering which, assuming the celebrity is not endorsing competitors' offerings, allows the firm to market the offering in a way that cannot be imitated in that the individual imparts a unique meaning to the firm's offering in the minds of consumers.

While the bulk of celebrity marketing is in the context of endorsements of a firm's offerings, one should not forget that celebrities themselves are also engaged in their own marketing. In this sense, celebrity marketing can be viewed as a special case of *person marketing*, which involves marketing activity directed at creating a favorable attitude or impression of a particular individual and encouraging others (individuals or organizations) to act in ways that support the individual's marketing objectives.

KEY WORD Endorsements

IMPLICATIONS

Celebrity marketing, or celebrity endorsement more specifically, provides a marketer with an alternative to marketing involving the communication of emotional and/or logical appeals in the mass media. Since a firm has no real control over a celebrity's future status and perception, however, the marketer must give careful consideration to how and to what extent changes in the celebrity's public perception may positively, or negatively, influence the effective marketing of the firm's offerings. Marketers must also take care to consider the regulatory environment involving the use of celebrity endorsers, such as where advertisements cannot use celebrities to endorse products that they do not personally believe to be beneficial. Finally, marketers may also wish to consider the use of expert endorsers or lay endorsers as alternative to famous individuals for the endorsement of their offerings.

APPLICATION AREAS AND FURTHER READINGS

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□ cell phone marketing *see* mobile marketing

■ central place theory

DESCRIPTION

Theory that aims to explain the spatial distribution of establishments, market areas, and settlements as well as their size and organization and further including the locational tendencies and preferences of businesses.

KEY INSIGHTS

Pioneering research by Christaller (1933) on city and town spacing provides a basis for essential elements of central place theory which suggests that located entities function as markets and are most effectively evaluated when they are viewed as part of competitive and interdependent systems. (See also **location theory**.)

KEY WORDS Location preference, location tendencies, retailing

IMPLICATIONS

Marketers involved in business location selection, whether for retailing or other purposes, can draw upon central place theory-based concepts to guide their analyses and evaluations. For example, it is recognized that consumers visiting shopping centers often have a preference for visiting multiple stores on a given shopping trip, so locating a business next to a popular retail outlet may increase the likelihood that one's store will be visited.

APPLICATION AREAS AND FURTHER READINGS

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■ certainty effect

DESCRIPTION

The tendency for individuals to underweight outcomes which are merely probable relative to outcomes which are certain.

KEY INSIGHTS

In comparing uncertain vs. certain outcomes, as in choosing between a certainty of receiving a $100 store gift certificate and a gamble involving a 50% chance of not receiving one at all and a 50% chance of receiving a gift certificate of $110, the certainty effect predicts that most individuals will prefer the certain outcome rather than the uncertain one, even though the expected value of the uncertain one ($105) is more than the certain one ($100). The explanation for the certainty effect is based on a tendency for individuals to be risk averse, consistent with prospect theory. (See also **prospect theory**.)

KEY WORDS Decision making, probabilities

IMPLICATIONS

Marketers involved in the development of pricing strategies may benefit from a greater knowledge of the certainty effect in being able to understand, explain, and predict consumer behavior in relation to price evaluations and preferences to a greater extent.

APPLICATION AREAS AND FURTHER READINGS

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□ change, E and O theories of *see* E and O theories of change

■ channel arrangement

DESCRIPTION

The general means by which a firm chooses to arrange the distribution of its offerings in conjunction with other intermediary firms.

KEY INSIGHTS

There are several different channel arrangements which marketers may use in the distribution of their offerings. Two common channel arrangements, or marketing systems, are the *horizontal marketing system* and the *vertical marketing system*. A *horizontal marketing system* is where multiple organizations collaborate in distribution to pursue market opportunities. In contrast, *vertical marketing systems* are where manufacturers and downstream distributors (e.g. wholesalers and retailers) coordinate distribution efforts for mutual benefit. Variations of the vertical marketing system (VMS) include: *contractual VMSs*, where firms at different levels of the distribution system rely on contractual arrangements to coordinate efforts and where the aim is to achieve collective results that are superior in relation to when the same firms were to act independently; *corporate VMSs*, where multiple levels of the distribution system are under common ownership, thereby enabling the owner to lead the distribution effort for the distribution stages owned; and *administered VMSs*, where multiple levels of the distribution system are coordinated by the most influential firm(s) in the system (e.g. as a result of their size or power).

KEY WORDS Marketing system, distribution systems, supply chain management

IMPLICATIONS

The particular channel arrangement selected by a marketer is dependent on many factors including the characteristics of the product being distributed, the characteristics of the customer and market (e.g. geographic concentration), and the assets and competencies of other firms in the channel (e.g. proximity to the customer and relationships with other channel members). Marketers involved in the choice of channel arrangement must therefore weigh the advantages and disadvantages of the various approaches, recognizing as well that multiple approaches may also be an option for reaching particular segments of the market.

APPLICATION AREAS AND FURTHER READINGS

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■ channel conflict

DESCRIPTION

Discord or disagreement among member firms in a particular channel of distribution regarding distribution roles and goals.

KEY INSIGHTS

Channel conflict can potentially occur at any point in a channel of distribution. For example, there can be goal or role conflict among multiple firms at the same level of distribution (e.g. two retailers) or at different levels of the distribution channel (e.g. a wholesaler and a retailer). A common source of channel conflict is when the traditional channel of distribution becomes increasingly challenged by new, alternative channels of distribution, such as where a firm's products are made available to consumers through online retailers as well as traditional 'bricks and mortar' retailers. In such instances, it is essential that channel conflicts be addressed quickly to avoid disillusionment and dissatisfaction with the incentives to distribute a firm's offerings.

KEY WORDS Distributor conflict

IMPLICATIONS

Marketers involved in distribution channel management must recognize that channel conflict may not only be detrimental to a subset of firms in a distribution system but to the distribution system as a whole. Utimately, channel conflicts can jeopardize the effective and efficient distribution of a firm's offerings to current and/or prospective customers, such as where customers can be confused about what to expect in terms of presale guidance or after-sales support from different distributors of a firm's products.

APPLICATION AREAS AND FURTHER READINGS

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■ chaos theory

DESCRIPTION

Theory aimed at understanding the behavior of certain phenomena that appear random, but in fact have an element of underlying order, or regularity, which can be mathematically modelled.

KEY INSIGHTS

Building upon the research of early pioneers of chaos theory such as Lorenz (1963), chaos theory has subsequently expanded its scope from the study of phenomena such as the atmosphere and weather to a wide range of non-linear dynamical systems which may appear chaotic or random but are orderly to some degree. Numerous phenomena within the social sciences and marketing have since been studied from a chaos theory perspective, which has provided marketing researchers with a mathematics-based theoretical lens to study the behaviors of non-linear dynamical systems in contexts including marketing channel dynamics and the behavior of consumers.

KEY WORDS Dynamic systems, disorder

IMPLICATIONS

While chaos theory holds promise to provide fresh insights into the behavior of complex systems, particularly ones that appear to be characterized by complete disorder, the challenge remains to many marketers to model the precise relationships that can be found within complex systems. Still, chaos theory-based research and modeling is credited with benefits including spotting credit card fraud and facilitating consumer credit risk assessments by credit card issuers.

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■ characteristics theory

(also called Lancaster's characteristics theory, characteristics theory of consumer choice, characteristics theory of demand, characteristics theory of value, goods-characteristics theory, or product characteristics theory)

DESCRIPTION

A theory adopting the view that consumers do not demand products but rather the characteristics of products.

KEY INSIGHTS

Based on pioneering research by Lancaster (1966), characteristics theory adopts the view that the characteristics of products, as opposed to simple use of their broader categorical descriptions, provide a more beneficial means for understanding, explaining, and predicting consumer demand. Thus, in terms of the demand for detached houses, the theory suggests that the demand is not for detached houses but rather for privacy, quiet neighborhoods, spaces for children to play, gardens for outdoor relaxation, off-street parking for one's cars, etc.

While similar in terminology, Lancaster's goods-characteristics theory is not to be confused with job characterstics theory. (See **job characteristics theory**.)

KEY WORDS Product characteristics, good characteristics

IMPLICATIONS

A benefit of the characteristics theory approach to understanding, explaining, and predicting the demand for products is that it helps marketers to focus on the characteristics of products that are, and are not, being offered by existing products in the market. For new products in particular, where demand cannot be so easily assessed as with existing products, understanding the demand for various product characteristics (which may include undesirable characteristics as well) can assist marketers in determining overall product demand.

APPLICATION AREAS AND FURTHER READINGS

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□ choice shift *see* group polarization

■ **Churchill's paradigm**

DESCRIPTION

A paradigm for the measurement of marketing phenomena as developed and proposed by Gilbert Churchill.

KEY INSIGHTS

Paradigmatically developed by Churchill (1979) in what is now widely considered one of the seminal works in the measurement of marketing phenomena, Churchill's paradigm outlines an approach that marketing researchers are often advised to follow to ensure robustness in measurement. For any given construct in marketing (e.g. customer satisfaction, service quality) to be measured, Churchill's paradigm, as presented in his seminal journal article, provides an approach that has received widespread acknowledgment and praise among marketing researchers as a highly beneficial way in which marketing construct measurement should be understood and addressed.

KEY WORDS Scale development, marketing constructs, measurement

IMPLICATIONS

Churchill's paradigm provides marketers with both a means to develop potentially better measures of marketing constructs and a means with which to analyze and critique any given measure of a marketing construct that has been developed and applied in marketing research. While adoption of the paradigm for any given marketing scale development initiative is not entirely without difficulty (Smith 1999), it nevertheless provides essential guidance to marketers seeking to break new ground in scale development and measurement for use in any area of marketing research.

APPLICATION AREAS AND FURTHER READINGS

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□ **click(s)-and-brick(s) marketing** *see entry at* online marketing

□ **click(s)-and-mortar marketing** *see entry at* online marketing

□ **closing** *see* selling process

■ clubs, theory of

(also called the economic theory of clubs)

DESCRIPTION

A theory aimed at understanding, explaining, and predicting consumption-related club behavior including optimal club size and provision of goods within a club.

KEY INSIGHTS

Clubs are characterized by the ability to exclude whole groups of others from the consumption of goods within a club as well as the situation where the consumption of such goods by an individual does not substantially limit consumption by others within the club (e.g. health clubs, sporting clubs). For any given club offering, however, there is a point where excessive club membership leads to congestion in the consumption of club offerings. Club theory aims to determine optimal club membership in relation to the offerings of any particular club. Beyond such specific aims, club theory also seeks to understand and explain certain social and collective behaviors of consumers, such as when consumers adopt new fashions and later change fashions.

KEY WORDS Collective behavior, exclusive offerings

IMPLICATIONS

Marketers concerned with determining optimal club membership may benefit from a greater understanding of the economic principles of club theory. In addition, a deeper understanding of the considerable research on club theory can potentially provide marketers with an enhanced ability to understand and explain broad collective behaviors of consumers as well as specific consumption behaviors for particular club goods.

APPLICATION AREAS AND FURTHER READINGS

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■ cluster theory

DESCRIPTION

Theory or theories about geographic concentrations of interconnected companies, where such companies include specialized suppliers, service providers, firms in related industries, and associate institutions, and where the companies are in a particular field that competes but also cooperates.

KEY INSIGHTS

Research by Porter (2000) and others suggests that the study of company clusters reveals important insights about the microeconomics of competition and the role of location in competitive advantage and necessitates new roles for companies and governments to enhance competitiveness. In many ways, clusters can facilitate innovation, but in others they can retard innovation, as when they share a uniform approach to competing which creates rigidities impeding adoption of improvements or when threats to existing infrastructure impede radical innovation.

KEY WORDS Firm concentrations, location, competitive advantage

IMPLICATIONS

Marketers established or seeking to establish associations with organizational clusters could benefit from the insights of cluster theory as it raises ideas and issues that are potentially relevant to longer-term innovation and competitive advantage. For example, the nature of organization clusters suggests new roles for its members including interacting with government to promote and facilitate favorable microeconomic conditions for the cluster as well as conditions supporting its competitive advantages.

APPLICATION AREAS AND FURTHER READINGS

Technology Transfer

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■ cocktail party phenomenon

DESCRIPTION

The phenomenon of, and associated theories for, the situation where information not receiving primary attention by an individual is still attended to by the individual, though at a shallower level of processing.

KEY INSIGHTS

The phenomenon of being able to listen to, and follow, one speaker in the presence of others is one that is recognized as being common and essentially taken for granted, yet would stretch the capability of any automated system. Understanding and explaining ability to attend to sound under such conditions essentially involves the ability to filter and, more specifically, attenuate specific sounds.

KEY WORDS Attention, perception

IMPLICATIONS

Marketers concerned with the effectiveness of their communications, and advertising more specifically as it is often associated with a context of clutter and competing messages, may potentially benefit from understanding the mechanisms of, and abilities for, the cocktail party phenomenon at an individual level. For example, understanding the limits of individual abilities in this area may help marketers understand better when their communications become essentially ineffective in terms of reaching and influencing members of a target audience.

APPLICATION AREAS AND FURTHER READINGS

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■ cognitive consistency theory

DESCRIPTION

Theory concerned with the effects of cognitions and inconsistent cognitions in particular, where cognitions are viewed as representing beliefs or items of knowledge, and where cognitions which are dissonant are viewed as motivating states of tension leading to dissonance-reducing behavior.

KEY INSIGHTS

Pioneering research by Festinger (1957) suggests that inconsistent cognitions lead to behaviors to reduce cognitive tension. Such behaviors can include changing one of the cognitions, decreasing the perceived importance of the dissonance, and creating justifications through additional cognitions. Thus, cognitions including 'I gamble' and 'Gambling is bad for me as I seem to be addicted' may lead to changing the first cognition by giving up gambling; changing the second cognition by playing down the evidence; or adding justifying cognitions such as 'But some people say I am good at it and I can still pay my bills,' where the latter behavior in general is potentially the most common behavioral approach to reduce cognitive tension.

KEY WORDS Cognitions, dissonance reduction

IMPLICATIONS

Marketers concerned with developing communications and implementing other actions aimed at changing consumers' dissonant cognitions, which may include, for example, consumers smoking and recognizing that smoking is bad for one's health or, alternatively, enabling consumers to more readily accept dissonant cognitions, should seek to understand how consumers may respond to such situations by drawing upon concepts stemming from cognitive consistency theory. Depending on the nature of the linkage between consumer cognitions and consumer behavior, consumers may, for example, find it easier to alter cognitions than behavior and marketing actions may therefore focus on communications aimed at altering their cognitions.

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■ cognitive dissonance

DESCRIPTION

A state of psychological discomfort where an individual has cognitions which are inconsistent.

KEY INSIGHTS

Cognitive dissonance is a key concept in Festinger's (1957) cognitive consistency theory and therefore is often examined and considered in the context of cognitive consistency. Cognitive dissonance is important in that it can ultimately lead to individuals changing their beliefs rather than behaviors which may have created or contributed to the inconsistency.

KEY WORDS Cognitions, inconsistency, consumer behavior

IMPLICATIONS

Marketers often speak of cognitive dissonance as a possible outcome of purchases that do not meet consumers' expectations. In this context, such consumers may decide not to purchase the same product again; they may convince themselves of the merits of the purchase by deciding to dismiss the problems or disappointments encountered; or they may add justifying cognitions (e.g. 'but the price was right.') In this context, marketers must consider how their communications and actions can potentially reduce cognitive dissonance occurring after a consumer's product purchase by, for example, providing appropriate messages of reassurance.

APPLICATION AREAS AND FURTHER READINGS

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■ cognitive theory

DESCRIPTION

Theory or theories aimed at understanding and explaining the relationship between mental processes and social behavior.

KEY INSIGHTS

Cognitive theory encompasses a broad range of theoretical perspectives, all of which are aimed at relating mental processes such as memory and perception to behavior. More specific theoretical perspectives include attribution theory (see **attribution theory**), cognitive balance theory (see **balance theory**), cognitive dissonance (see **cognitive dissonance**), and personal construct theory (see **personal construct theory**). Common to all such perspectives is the view that individuals engage in processes of actively making sense of their surroundings.

KEY WORDS Mental processes

IMPLICATIONS

While the body of theory referred to as cognitive theory is relatively large, the many theories within cognitive theory provide marketers with multiple perspectives with which to understand and explain better the drivers of social behaviors as well as the behavioral outcomes of the various mental processes of individuals.

APPLICATION AREAS AND FURTHER READINGS

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■ cohort effect

DESCRIPTION

An effect on the findings of a statistical study which is attributable to cohort membership, where cohorts are groups of individuals having certain meaningful characteristics in common.

KEY INSIGHTS

Cohort effects are a concern in statistical analyses; insufficient consideration of their effects may lead to inappropriate conclusions. For example, a study concluding that consumer attitudes to fast food become dramatically more negative with age after conducting a cross-sectional study comparing attitudes of multiple age cohorts may, in fact, be inaccurate in portraying such an attitudinal change with age and instead be a result of cohort membership characteristics.

KEY WORDS Groups, statistical analysis

IMPLICATIONS

In planning, implementing, and analyzing marketing research studies, marketers should be aware of the possibility of inaccurate or confounding results in studies where cohorts are a focus or essential element. In particular, studies of how consumer attitudes or behaviors change over time may be influenced by cohort effects and should therefore address how such effects can explicitly considered and controlled for.

APPLICATION AREAS AND FURTHER READINGS

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■ collaborative marketing

DESCRIPTION

Generally, the process of working together with customers to create value in marketing exchanges and where customers may be an integral part of a firm's marketing activities.

KEY INSIGHTS

Collaborative marketing can be a viable and effective approach of firms in support of many areas of marketing and particularly new product development efforts. A collaborative marketing approach involves integrating the customer into the organization's marketing activities to a significant extent, thereby allowing the organization to understand customer needs and make use of customer knowledge to a far greater extent in comparison to an approach where there is a low-level relationship with customers. A motivation for customers to collaborate is the opportunity for them to receive firm-generated marketing offerings of significantly greater value in relation to that achievable with a more distant relationship with the firm.

KEY WORDS Customer alliances, customer integration

IMPLICATIONS

While some customers prefer more distant relationships with supplier organizations, marketers should recognize that there are some customers that may actually welcome an ongoing collaborative relationship with the marketer's firm if they believe they can receive offerings of superior value. Understanding better the nature, process, and benefits of collaborative marketing can enable marketers to initiate and manage collaborative relationships with customers to potentially obtain a sustainable competitive advantages over competitors who do not rely on such an approach, particularly in the area of new product or service development.

APPLICATION AREAS AND FURTHER READINGS

Retail Marketing

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□ comarketing *see* cooperative marketing

■ commercial marketing

(also called for-profit marketing or private sector marketing)

DESCRIPTION

Marketing by an organization engaged in commerce where the emphasis is primarily on organizational profit making.

KEY INSIGHTS

Commercial marketing encompasses the set of marketing approaches conducted by firms which are engaged in the buying and selling of goods and/or the provision of services and where one of the aims of such firms is to make a profit. The pervasiveness of such activity leads many individuals in the field of marketing to simply omit the term 'commercial' when referring to any number of marketing approaches. However, the distinction provided by the term is beneficial when comparing and contrasting such approaches with marketing approaches used in other contexts (particularly non-profit, or not-for-profit, firms) as well as when marketing approaches are not well understood in general.

KEY WORD Profit

IMPLICATIONS

In communicating with individuals unfamiliar with marketing practice, it may be beneficial for marketers to refer to the term 'commercial marketing' when describing or discussing 'marketing' to ensure the term's emphasis on a profit motive (e.g. profit maximization) is given appropriate emphasis. In addition, marketers concerned with the identification, evaluation, and implementation of marketing approaches for other contexts (e.g. non-profit marketing, social marketing) or for cross-contextual comparisons or applications (e.g. for-profit marketing practices applied to marketing in non-profit organizations), may benefit from a better understanding of the many marketing approaches that have greater firm profitability as a key aim.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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□ **commercialization** *see* new product development

■ commodification

DESCRIPTION

The transformation of non-commodity offerings into ones that are generally regarded as commodities (also called commoditization).

KEY INSIGHTS

While commodities are goods that are almost solely bought and sold on the basis of price and not on the basis of quality or features, many other products are marketed in a way that differentiates them from competing offerings, as when a brand is used in conjunction with product features or qualities that are in some way different than competing offerings. Yet, over time, many non-commodity products (e.g. personal computers) are sought and bought by consumers increasingly on the basis of price, thereby making them quite commodity like. While such products may not be pure commodities, they nevertheless have lost some of their distinctiveness as perceived by consumers, making it increasingly challenging for the products to compete on characteristics other than price.

KEY WORDS Commodities, price competition

IMPLICATIONS

The challenge to marketers of offerings that are, or have become, commodity like (e.g. orange juice) is to either accept the commodity-like perception among consumers and compete accordingly or find ways to differentiate the offering from competing offerings in an effort to increase the perceived value of the offering. Orange juice, for example, can be differentiated in terms of source of the oranges, freshness, and even additives such as calcium.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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□ **commoditization** *see* commodification

■ common method bias

(also called common methods bias)

DESCRIPTION

A problem of research methodology leading to the outcome where data are related simply because they come from the same source, thereby making them subject to distortion.

KEY INSIGHTS

Common method bias, where the methodology employed by a researcher affects the measures being gathered, is essentially a methodological artefact. A solution to such a problem is to use multiple methods of data collection. For example, in the study of marketing strategy phenomena, methods including interviews, observation, and archival data could be used in combination, with the results triangulated to increase the robustness of the findings.

KEY WORDS Research method bias

IMPLICATIONS

Marketing researchers must be wary of developing and implementing research methodologies that ultimately suffer from common method bias, thereby leading to skewed, biased, questionable, or even useless findings. Experienced marketing researchers are much more likely to recognize the value and benefit of adopting multiple methods in studying any given marketing phenomenon, even though the approach clearly increases the complexity and scope of the research.

APPLICATION AREAS AND FURTHER READINGS

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■ common ratio effect

DESCRIPTION

The effect where an individual's choices change when the probabilities of a pair of gambles are scaled by a common factor.

KEY INSIGHTS

Pioneering research by Allais (1953) identified the effect as clearly indicating a systematic violation of expected utility theory since actual observed choices under the above conditions are inconsistent with expected utility theory's predictions. Such a difficulty gives rise to alternatives to the theory including Kahneman and Tversky's (1979) prospect theory. Also relevant in explaining the effect is the role of framing where identical items will result in different choices if presented differently (e.g. 80% chance of living vs. 20% chance of dying).

KEY WORDS Decision making, choice, probabilities

IMPLICATIONS

Marketers must recognize that a consumer's choice behavior will not always be governed by expected utilities. Anticipating how consumers will make choices may therefore not only consider the possible benefits of applying theoretical knowledge to identify systematic behavioral tendencies but also the results of earlier empirical research as well as applied marketing research.

APPLICATION AREAS AND FURTHER READINGS

Decision Making

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■ communication-information processing theory

(also called communication theory, information processing theory, or communication and information processing theory)

DESCRIPTION

Theory or theories related to how communication is transmitted and received relative to a sender and a receiver, respectively, and how characteristics of each as well as other factors can facilitate or hinder effective communication and information processing.

KEY INSIGHTS

Pioneers in communication-information processing theory include Shannon and Weaver (1948) who developed the theory and related concepts including transmitters, receivers, and noise. One of the most important principles of effective communications based on the theory is to try to eliminate or control for noise in the communication system since background noise can reduce the quality of communication through information distortion.

KEY WORDS Communication, information

IMPLICATIONS

Marketers are constantly seeking ways to communicate with current and potential customers more effectively. From a competitive standpoint, marketers are also interested in extracting information from the external environment (e.g. information on competitive developments) and to be in a position to respond to such information quickly and effectively. Principles of communication-information processing theory can be applied in both situations as the theory contributes elements of the communication process that can be examined individually or collectively to identify potentially weak information links in the process. For example, understanding why a firm may be slow to respond to competitive actions may be due to the stage of the communication process related to communicating external information up through the organization to key decision makers rather than sensing information from the market to begin with. As another example, ineffective marketing communications may be due to the firm's message not being received or understood by the firm's target market to a significant extent if there is considerable competing information being transmitted (e.g. advertising clutter) in the marketplace at the same time.

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■ comparative advantage, law of

(also called the theory of comparative advantage)

DESCRIPTION

An economic principle stating that people and countries should specialize in whatever leads them to give up the least, thereby providing their comparative advantage.

KEY INSIGHTS

Developed and advocated by economist David Ricardo, the law of comparative advantage is consistent with the observation that many countries tend to export those economic goods in the production of which they have a comparative advantage (e.g. ability to produce inexpensively) and import those economic goods in the production of which they have a comparative disadvantage (e.g. ability to produce but at high cost).

KEY WORDS Exporting, importing, production, trade policy

IMPLICATIONS

The law of comparative advantage clearly has implications for country export and import policies, including the views that a country should tend to produce those products for which it has the least comparative advantage even if it has no comparative advantage at all and additionally that a country is still able to gain from trade with other countries even if it has an absolute disadvantage in the production of all of its goods. Marketers should therefore seek to understand country trade and import/export policies and exploit advantages associated with international trade under these and other circumstances.

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■ comparative influence

DESCRIPTION

Influence on a consumer by a reference group where the consumer compares his or her attitudes, beliefs, and behaviors to those of the reference group.

KEY INSIGHTS

The greater the similarity between a consumer's attitudes, beliefs, and/or behaviors and those of a particular reference group, the greater the comparative influence of the reference group on the consumer.

KEY WORDS Reference groups, influence

IMPLICATIONS

Understanding the extent of comparative influence by reference groups can be critical in certain marketing situations, such as in a retail clothing store understanding and being able to anticipate what brands of clothing for skateboarding will likely be considered fashionable by individuals closely associating with serious skateboarding. Brand attitudes and purchase intentions of many different consumer segments are potentially affected by reference groups' comparative influence.

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■ comparative judgment, law of

DESCRIPTION

A term referring to the specific mathematically represented conceptualization and measurement model of L. L. Thurstone for a particular process of judgment involving making comparisons and, more specifically, for such a process involving the judgment of noticeable differences on a continuum scale.

KEY INSIGHTS

Conceived by Thurstone (1927) as a way to mathematically model the process of making comparisons between pairs of a collection of entities, e.g. as in a consumer making comparisons between pairs of items of clothing in a collection of clothing in a retail store, the approach characterized by the law of comparative judgment (LCJ) enables pairwise comparisons to be used to scale the collection of entities along a continuum. The LCJ approach can be applied not only to physical entities but also psychological ones such as attitudes.

KEY WORDS Judgment, comparisons, attitudes

IMPLICATIONS

As marketing researchers are often concerned with discerning consumer attitudes, an LCJ-based approach could potentially be applied for this purpose. For example, an LCJ-based approach would be used by a researcher if he or she took a list of statements compiled from interviewing different consumers, where each statement in the list reflected an attitude of a particular intensity, and used a process involving making pairwise comparisons of statements in the list to create a list in the order of highest to lowest attitude intensity. As such, LCJ-based approaches can form the basis for an array of research methods aimed at modeling marketing or consumer phenomena.

APPLICATION AREAS AND FURTHER READINGS

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■ comparative marketing

DESCRIPTION

Marketing that is focused on understanding how and why the marketing systems of different nations perform and interact.

KEY INSIGHTS

Comparative marketing entails the systematic study of similarities and differences between national marketing systems. As such, the area clearly has relevance to marketing strategists and managers within firms operating in international and global marketing contexts. The emphasis of research in the area is far broader than that which is typically conducted within an internationally operating business, however, as the area emphasizes the study of national marketing system similarities and differences across time, space, and industry sector for the purpose of building theory and applying theory. Comparative marketing thus encompasses research on areas ranging from marketing institutions and associated marketing activities to consumer behavior, where the aim is a better understanding and explanation of different nations' marketing systems and the way they interact for the provision of goods for public consumption. Methodologies for the study of comparative marketing systems include that of institutional analysis.

KEY WORDS National marketing systems, **global marketing**

IMPLICATIONS

Marketers seeking a deeper theoretical and conceptual understanding of global and international marketing issues may clearly benefit from a better understanding of comparative marketing as a result of the area's broad research emphasis. While the area consists of multiple research methodologies and theoretical perspectives, a greater knowledge of the area provides marketers with an opportunity to focus either broadly or more narrowly on particular elements of national marketing system similarities and differences such as distribution (e.g. wholesaling, retailing) or economic development.

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□ competency *see* strategic competency

■ **competition**

DESCRIPTION

Rivalry in the provision of products and services to current and prospective customers.

KEY INSIGHTS

Competition can take many forms, as indicated by the many different competitive environments that a firm may face. Competitive environments can be characterized by terms including:

Buyer concentration—the extent to which a market is dominated by a small number of typically large buyers.

Duopoly—a market structure in which two suppliers of a product compete with each other, or, more generally, a market structure in which two suppliers of a product dominate competition in the market.

Monopolistic competition—a market structure where there are a large number of firms supplying similar but not identical products.

Monopoly—a market structure in which there is only one supplier of a product for which there are no real substitutes and where there are many buyers, or, more generally, a market structure in which one supplier substantially dominates competition in the market.

Monopoly power—the ability of a firm or a set of firms to substantially dictate the price or other attributes of a product or service in a market.

Monopsony—a market structure in which there is a single buyer for a product or service.

Non-price competition—the use of factors other than price (e.g. product quality, advertising) by a firm to compete in a given market.

Oligopolistic competition—a market structure in which only a few suppliers of a product compete with each other for a substantial share of the market.

Oligopoly—a market structure in which only a few suppliers of a product compete with each other and where such a small number of suppliers leads to mutual interdependencies in their production and sales as well as the anticipation of any single supplier's competitive actions on other suppliers and the market.

Oligopsony—a market structure in which a large number of suppliers compete with each other for the business of a relatively small number of buyers.

Perfect competition—a market structure characterized by conditions including: there are a large number of suppliers in a market; each supplier has a relatively insignificant share of the market; all suppliers produce the same product using the same production processes; and all suppliers possess perfect information (or complete knowledge and foresight) about the market.

Pure competition—a market structure where price is the dominant factor in the preference of a product by its customers and where the relatively insignificant share of the market by each supplier is such that each is relatively powerless to affect the product's market price.

Pure monopoly—a market structure where there is a single firm that is able to dictate completely the price and other attributes of a product or service in the market.

KEY WORDS Competitive environment

IMPLICATIONS

Given the considerable diversity in competitive environments facing firms involved in the marketing of their offerings, whether in competing locally, regionally, nationally, or worldwide, it is imperative that marketers understand the nature and composition of their competitive environments to enable realistic assessments of the challenges and opportunities for competing successfully over the long term. Futhermore, the dynamic nature of most competitive environments necessitates an ongoing assessment of the firm's broad competitive environment to ensure maximum responsiveness to changing competive demands.

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□ **competition-based pricing** *see* pricing strategies
□ **competitive advantage** *see* sustainable competitive advantage
□ **competitive parity method** *see* promotion budget setting methods
□ **complex buying behavior** *see* consumer buyer behavior

■ complexity theory

DESCRIPTION

Theory or theories concerned with the study of complex systems and their simplification.

KEY INSIGHTS

Complexity theory encompasses the study of a wide range of complex systems phenomena, ranging from biological, chemical, and atmospheric systems to those of complex organizations. In a marketing context, complexity theory is primarily concerned with the simplification of systems exhibiting, among other characteristics, relative complexity, non-linear interactions among elements in the system, self-organizing networks, and near-chaotic behavior. As such, complexity theory and chaos theory are related and sometimes either theory is referenced by the use of the other term. (See **chaos theory**.) Considerable marketing research focuses on how principles of complexity theory can provide insights into how organizations can become more effective and adaptive.

KEY WORDS Complex systems, organizations

IMPLICATIONS

At one level, a greater knowledge of complexity theory can provide marketers with a useful, albeit broad, metaphor for organizational analysis. At a deeper level, the theory can provide marketing strategists with a basis for a rigorous approach to extensive organizational analyses, recognizing, however, that the theoretical approach rests on assumptions (e.g. systems that are self-organizing) that may or may not be present in organizational systems examined and that organizational systems may possess characteristics that are not fully captured by complexity theory (e.g. organizational politics).

APPLICATION AREAS AND FURTHER READINGS

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■ conative

DESCRIPTION

A term used to characterize the part of an individual's psychological processes that involves purposeful action.

KEY INSIGHTS

In contrast to cognitive (thinking, learning, processing information) and affective (feeling and emotion), the term conative is used in characterizing action that is inclined, attempted, or undertaken by an individual. Loyalty to a brand, for example, may be examined conatively as well as cognitively and affectively.

KEY WORDS Action, psychological processes

IMPLICATIONS

Marketers concerned with understanding consumer attitudes and preferences need to recognize how concepts or constructs such as brand loyalty may have multiple components, including a conative component, and not merely a cognitive or affective component. More generally, understanding consumers' psychological processes inclining them toward action is essential if the aim of the marketer is to influence consumer behavior.

APPLICATION AREAS AND FURTHER READINGS

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□ concentrated marketing *see* niche marketing
□ concept testing *see* new product development
□ concorde fallacy *see* sunk cost fallacy

■ concurrent marketing

(also called integrated marketing)

DESCRIPTION

Marketing characterized by the systematic and simultaneous integration, planning, and development of marketing activities implemented by a firm over time.

KEY INSIGHTS

The major premise of concurrent marketing, as opposed to marketing efforts where the various steps and stages (e.g. new product development, production, new product introduction and promotion, and after-sales service) are viewed linearly, and planned sequentially and separately, is that the entire marketing process may be enhanced from the firm's as well as the customer's perspective if such steps or stages are planned simultaneously and systematically integated. Similar to the notion of concurrent engineering which is aimed at reducing product development lead time and eliminating subsequent quality problems, current marketing, as advocated by Cespedes (1995), argues that marketing may also benefit in many ways by emphasizing simultaneous integration of marketing activities at the outset of, and throughout, marketing planning and implementation. When marketing activities and responsibilities are integrated throughout the organization and permeate every organizational function, the firm may be said to be adopting a total integrated marketing approach (see **total integrated marketing**).

KEY WORDS Marketing planning, marketing integration

IMPLICATIONS

Marketers should recognize that, while many marketing activities appear sequential, their effectiveness may be significantly enhanced by a concurrent marketing effort. Whether the emphasis is on new product marketing or in analyzing existing marketing activities, a current marketing approach is becoming increasingly imperative to ensure both marketing effectiveness and efficiency.

APPLICATION AREAS AND FURTHER READINGS

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□ concurrent validity *see* validity

■ **confirmation bias**

DESCRIPTION

The tendency to seek out and select evidence in support of a belief, conjecture, or hypothesis and to ignore evidence or opportunities to gather evidence that could potentially work to disconfirm such views.

KEY INSIGHTS

Research on the confirmation bias suggests the tendency is one that is pervasive in human nature, where such a bias has the effect of maintaining one's beliefs, which may include views that are untrue (e.g. stereotypical views). As a result, approaches to compensate for the phenomenon have been developed, including the use of the scientific method which emphasizes efforts to disprove one's hypotheses.

KEY WORDS Decision making, judgment, **bias**, hypothesis testing

IMPLICATIONS

Marketers as well as consumers are equally prone to the human tendency to adopt the confirmation bias in their analyses and decision-making processes whenever beliefs, conjectures, or hypotheses (whether implicit or explicit) are evaluated or put to the test. For example, marketers that have developed an advertising campaign may seek out information that confirms the campaign is effective in creating excitement toward a particular brand and ignore information that suggests the campaign is largely ineffective or is even creating the opposite effect.

APPLICATION AREAS AND FURTHER READINGS

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■ confusion marketing

DESCRIPTION

A strategic marketing approach which involves making it difficult for consumers to make direct comparisons between a firm's and competitive offerings, thereby giving the firm a means of maintaining higher prices and profit margins than would otherwise be possible under conditions of easy comparisons of offerings.

KEY INSIGHTS

Research on the concept suggests that the concept of confusion marketing has been actively used by firms with offerings including credit cards, cellular (mobile) telephones, and banking products, with results that have had the effect of contributing to the maintenance of high product and service profit margins. When such conditions are present in a firm's marketing strategy, it may of course be questioned to what extent confusion marketing is actually intentional as opposed to an unintentional part of the strategy. Ultimately, negative consumer reactions may arise with such conditions to the extent consumers are dissatisfied or frustrated in their inability to make clear product comparisons on price and other important attributes given information provided by marketers. However, not all consumers are aware that such conditions may be the result of such an intentional marketing strategy.

KEY WORDS **Marketing strategy**, confusion, **value**

IMPLICATIONS

A strategic approach involving confusion marketing may be a completely viable approach to any firm operating in an industry characterized by wide arrays of niche offerings, for example. However, the approach is ethically questionable as intentionally clouding transparency for product comparisons will ultimately work to a consumer's disadvantage in that the approach seeks to hide rather than expose the true value of various product offerings.

APPLICATION AREAS AND FURTHER READINGS

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■ congruity theory

DESCRIPTION

The name given to the quantitative model of Osgood and Tannenbaum (1955) of how a third-party observer might react, in terms of judgment, to a situation involving two contradicting parties or contradictory beliefs or behaviors.

KEY INSIGHTS

Congruity theory as formulated by Osgood and Tannenbaum (1955) proposes that an individual's observation of such a contradictory or inconsistent situation will lead to a motivation to reduce the associated dissonance by changing a judgment. If there were no incongruities, the individual would not experience any pressure to change a judgment but if there are incongruities, the level of pressure to change a judgment would be in relation to the level of incongruity.

KEY WORDS Judgment, contradictions, incongruity

IMPLICATIONS

As consumers are exposed to a tremendous amount of information about new and existing products, services, and brands, it is inevitable that consumers will at various points in time observe situations involving incongruities in behaviors, beliefs, or attitudes. For example, to the extent consumers believe that incongruities exist in a set of brand names, their evaluations of brand extensions may be influenced. Under such circumstances, concepts based on congruity theory may be useful to help understand the different ways in which consumers might react.

APPLICATION AREAS AND FURTHER READINGS

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■ conjunction fallacy

DESCRIPTION

A judgment bias where an individual overestimates the probability or likelihood for something involving two or more conditions relative to the probability or likelihood for something involving either condition alone.

KEY INSIGHTS

Pioneering research by Tversky and Kahneman (1982) identified and characterized the conjunction fallacy as a bias or judgment error that is a widespread human tendency. Specifically, the fallacy represents a violation of probability theory as the probability of two joined events A and B occurring can never exceed the probability of A or the probability of B. The conjunction fallacy is said to arise as a result of individuals using a representativeness heuristic in their judgment.

KEY WORDS Judgment, **bias**, fallacy, probabilities

IMPLICATIONS

Marketers must be aware of committing the conjunction fallacy in their judgments whenever they are involved in estimating probabilities associated with complex conditions. For example, the conjunction fallacy would occur in a manager's judging his or her young, professional customers as more likely to be people who read the *Financial Times* and own BMWs than individuals who own BMWs. Alternatively, in developing a new product, the conjunction fallacy would be committed if a marketer's estimate of the probability of successfully completing a multi-step new product development project was greater than the probabilities associated with successfully completing the project's individual steps.

APPLICATION AREAS AND FURTHER READINGS

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□ consensual validity *see* validity

■ conspicuous consumption

DESCRIPTION

Purchasing or consuming goods for the purposes of displaying status or wealth and impressing others as opposed to satisfying a utilitarian need.

KEY INSIGHTS

Conceptually developed by economist Thorstein Veblen, conspicuous consumption captures the notion that some consumption behaviors are motivated fully by social factors. Originally examined in relation to the consumption behavior of upper-class society and supporting Veblen's theory of the leisure class (Veblen 1899), the term has since become used more broadly to refer to consumption behavior motivated strongly by the desire to display social status, prestige, or wealth.

KEY WORDS Social influences, consumption behavior

IMPLICATIONS

When a consumer's motivation to purchase or use a product or service is motivated more by social factors than need, conspicuous consumption can be said to be present in the consumer's buying and consumption behavior. An extreme example (based on fact) is when a consumer, in a highly social and mobile society, drives alone in a car and pretends to talk on his mobile phone, just to be seen by others doing so, but does so without having the telephone turned on! Marketers of products whose current and prospective consumers may potentially associate with status, prestige, and wealth should therefore seek to understand fully consumer motivations for purchase and consumption and leverage accordingly such knowledge in the development and implementation of such offerings as well as the associated strategies for their positioning, pricing, promotion, and distribution.

APPLICATION AREAS AND FURTHER READINGS

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■ construal-level theory

DESCRIPTION

A theory proposing that individuals use more abstract and global mental models to represent information about distant future events and more concrete and local mental models to represent information about near future events.

KEY INSIGHTS

Construal-level theory (CLT), as developed in research by Trope and Liberman (2000, 2003), suggests that the spatial or temporal distance of social objects or events influences how individuals represent such objects or events. Specifically, when evaluating spatially distant events, CLT suggests that individuals will tend to use more central, abstract, and global features (i.e. high-level construals), and when evaluating near events, individuals will tend to use more peripheral, concrete, and local features (e.g. low-level construals). Supporting the theory is the view that removing an individual from the direct experience of an event makes information about the event less available and reliable, thereby leading individuals to rely more on prototypical information. When individuals use abstract mental models to characterize information concerning a distant event, they rely on general, superordinate, and essential features of the event. On the other hand, when individuals use concrete mental models to characterize information concerning a near event, they rely on contextual and incidental features of the event.

KEY WORDS Temporality, spatial distance

IMPLICATIONS

Marketers seeking to understand temporal influences on consumer behavior, such as how time can influence consumer evaluations of a new product for possible adoption, can benefit from a deeper knowledge of construal-level theory in that they may potentially be able to identify and predict systematic temporal influences on consumer behavior. In the context of consumer evaluation of new products or services, for example, it is found that, when thinking of using a new product in a distant future, consumers tend to put more weight on the benefits and less on the cost, or hassles, of using the new product. CLT, therefore, suggests important implications for marketers including the timing of market research and time-based advertising strategies.

APPLICATION AREAS AND FURTHER READINGS

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□ construct validity *see* validity

■ consumer behavior, theory of

DESCRIPTION

Theory or theories aimed at understanding, explaining, and predicting the behavior of consumers.

KEY INSIGHTS

As consumer behavior encompasses an extremely broad set of phenomena, consumer behavior theory is equally broad. While the aim of much consumer behavior theory is to provide a comprehensive theory for understanding, explaining, and predicting the bulk of consumer behavior, there have nevertheless been, and continue to be, many competing and complementary consumer behavior theories developed and advocated. Some economics-based consumer behavior theories, for example, adopt the view that consumers have utility functions which indicate their levels of satisfaction with any and all possible sets of goods and where such consumers then purchase goods to maximize those utilities within price and income constraints. Yet, it is also recognized in other theoretical perspectives on consumer behavior that consumers sometimes engage in satisficing behaviors (see **satisficing**), where they may use trial-and-error approaches in the purchase of goods, for example.

KEY WORDS Behavior, consumption

IMPLICATIONS

Marketers seeking a rigorous and critical understanding of consumer behavior may potentially benefit from a greater immersion in the rich body of consumer behavior theory-based research. Explaining and predicting consumer behavior is often very challenging, but adopting one or more theoretical perspectives provides the marketers with a means to test, evaluate, and compare actual behaviors with those suggested by particular consumer behavior theories.

APPLICATION AREAS AND FURTHER READINGS

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■ consumer buyer behavior

DESCRIPTION

The purchase-related behavior of consumers.

KEY INSIGHTS

Consumer buyer behavior can be characterized in many ways, but primarily by the degree of consumer involvement and extent of perceived differences among brands. Common behavioral characterizations include: *complex buying behavior*, where consumer involvement in the purchase is high and where the consumer perceives many important differences among brands; *habitual buying behavior*, where consumer involvement in the purchase is low and where the consumer perceives few important differences among brands; *variety-seeking buyer behavior*, where consumer involvement in the purchase is low and where the consumer also perceives many important differences among brands, thereby leading to instances of brand switching for the purpose of experiencing variety; and *dissonance-reducing buyer behavior*, where consumer involvement in the purchase is high and where the consumer perceives few important differences among brands, thereby leading to instances where consumers are compelled to shop around for an expensive, infrequent, or risky purchase but then buy relatively quickly as a result of seeing little difference among brands.

KEY WORDS Buying decision behavior

IMPLICATIONS

Marketers must seek to understand the type of behavior involved in the consumer buying decision in order to be able to be effective in its timely influence. Recognizing the extent of buyer deliberation in the buying decision process can enable the marketer to provide appropriate marketing communications, such as where communications for toothpaste may be through a large shelf display denoting a good price but where communications for a new electric toothbrush may be through print ads in health magazines where its benefits are able to be elaborated upon.

APPLICATION AREAS AND FURTHER READINGS

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□ consumer choice, characteristics theory of *see* characteristics theory

■ consumer demand theory

DESCRIPTION

Theory or theories aimed at understanding, explaining, and predicting how consumer demand changes in response to changes in related variables including the characteristics of goods and consumer purchasing ability.

KEY INSIGHTS

Consumer demand theory encompasses a broad base of theoretical research where the common aim is to understand, explain, and predict consumer demand in response to changes in one or more variables of influence including product price, competing product prices, and consumer income. While the foundation of consumer demand theory is based solidly in economics, application and extension of the theory now encompass a range of strategic marketing variables including branding and advertising.

KEY WORDS **Demand**, consumer response

IMPLICATIONS

An understanding of the basic principles of consumer demand theory as well as the associated methodological approaches involved can assist the marketer with performing a number of key tasks, namely, anticipating, stimulating, and meeting consumer demand for the firm's offerings. While there is a considerable body of theory on which to draw, marketers can rely on the particular chacteristics of their offerings to narrow their focus in putting relevant consumer demand theory to practical use.

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□ consumer goods *see* goods

■ consumer marketing

(also called business-to-consumer marketing or B2C marketing)

DESCRIPTION

Marketing aimed at the consumers who are making marketplace decisions about a product or service and who are typically also users of the product or service.

KEY INSIGHTS

Consumer marketing encompasses all marketing activity where individuals, families, households, and the like—as opposed to businesses, governments, and other institutions—comprise the market for the organization's products or services and are the focus of its marketing efforts. In contrast to business-to-business marketing, where buyers tend to be sophisticated and products complex, consumer marketing may involve less critical customers and simpler products. Yet, the range of consumer offerings is so diverse and competition often so intense that marketers need to understand carefully consumer buyer behavior in order to develop marketing strategies that enable the firm to meet customer needs more effectively and profitably than competitors.

KEY WORDS Consumers, users

IMPLICATIONS

Marketing to consumers presents the marketer with many challenges and opportunities in terms of identifying, reaching, and meeting the needs of potential customers. It is therefore imperative for consumer marketers to understand better the intricacies of consumer buyer behavior (see **consumer buyer behavior**), the buyer decision process (see **buyer decision process**), and buyer readiness (see **buyer influence/readiness**) in order to achieve the firm's consumer marketing objectives.

APPLICATION AREAS AND FURTHER READINGS

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□ consumer-oriented marketing *see* enlightened marketing

□ consumer product classifications *see* product classifications, consumer

■ consumer satisfaction theory

DESCRIPTION

Theory or theories aimed at understanding and explaining the satisfaction of consumers in terms of their evaluations of product performance or service use relative to pre-purchase expectations.

KEY INSIGHTS

Consumer satisfaction theories offer the view that satisfaction/dissatisfaction occurs in relation to the extent there is a case of confirmation or a certain type of disconfirmation. More specifically, confirmation occurs when the product or service conforms to exactly what was expected. In contrast, there may also be a form of disconfirmation, where disconfirmation is said to be negative when the product or service performance is worse than expected and positive when performance is better than expected. In addition to the development of broad theoretical perspectives on consumer satisfaction, there is also a considerable amount of attention by both researchers and practitioners on conceptual and practical issues associated with satisfaction management and measurement, where such efforts are often examined in terms of customer satisfaction. (See **customer satisfaction**.)

KEY WORDS Product evaluations, confirmation

IMPLICATIONS

Satisfaction of consumers is often a key consideration in evaluating the degree of success for a firm's marketing strategies and offerings. As such, marketers should not only seek to understand better how consumers make judgments about satisfaction but how to appropriately measure consumer satisfaction to obtain sufficiently strong insights regarding the process and state of consumer satisfaction for any of a firm's product or service offerings.

APPLICATION AREAS AND FURTHER READINGS

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■ consumer sovereignty

DESCRIPTION

The notion that consumers are the best judge of their own welfare.

KEY INSIGHTS

As most goods are produced to satisfy consumer wants, the concept of consumer sovereignty embraces the notion that consumers, as opposed to goods producers, are in the best position to dictate which goods producers are to provide. The principle is central in much of economic analysis where consumers are viewed as having power in directing market economies.

KEY WORDS Consumer welfare

IMPLICATIONS

As a common saying in marketing is 'the customer is king,' most marketers recognize and accept the power of the consumer in dictating the provision of offerings by a firm. Yet, astute marketers also recognize the power of marketing to influence consumer behavior through advertising and other means where consumer demands are driven to some extent by marketing efforts.

APPLICATION AREAS AND FURTHER READINGS

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■ **consumer-to-business**

(also called C2B)

DESCRIPTION

Transactional or other marketing activity originating from consumers and directed to business.

KEY INSIGHTS

While consumer-to-business (C2B) transactions occur in a wide range of marketing contexts, C2B mainly refers to transactions and marketing activity conducted online. In particular, the term builds upon the notion that the internet provides consumers with an enhanced ability to transact their business effectively and efficiently in comparison to that which is typically possible through traditional transaction channels (e.g. via retail or bricks-and-mortar firm transactions).

KEY WORD Transactions

IMPLICATIONS

Although the C2B concept is not entirely limited to application and relevance to online marketing, the term emphasizes the need for marketers to manage, facilitate, and respond effectively to consumer-to-business transactional activity. Whether by providing the consumer with an online means to submit new product ideas to the firm or offer suggestions for the incremental improvement of existing offerings, marketers may clearly benefit by balancing business-to-consumer marketing with a C2B approach as well.

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■ consumer-to-consumer

(also called C2C)

DESCRIPTION

Transactional or other marketing-related activity originating from consumers and directed to other consumers.

KEY INSIGHTS

While consumer-to-consumer (C2C) transactions occur in a wide range of marketing contexts (as with C2B transactions), the main emphasis of the C2C concept is online transactional and marketing-related activity. In particular, the term builds on the notion that the internet provides consumers with an enhanced ability to articulate their views, needs, or wants regarding any marketing-related topic or general business transaction with other consumers relative to traditional or offline means (e.g. simple word-of-mouth communication).

KEY WORDS Transactions, communication

IMPLICATIONS

Although the C2C concept is not entirely limited to application and relevance to online marketing, the term clearly suggests an opportunity for marketers to incorporate consumer-to-consumer transactional activity into the firm's marketing processes. Whether by providing consumers with an online means to conduct business transactions with each other as an integral part of a firm's business model or by facilitating consumer-to-consumer communications regarding any marketing-related issue whatsoever, marketers clearly have an opportunity to integrate both traditional and online marketing approaches with a growing array of C2C approaches.

APPLICATION AREAS AND FURTHER READINGS

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■ consumerism

DESCRIPTION

Activity advocating the rights and power of consumers in relation to sellers.

KEY INSIGHTS

The most commonly understood meaning of the concept of consumerism is that of a movement of organized advocacy of consumer rights and power relative to sellers, where the aim is to protect and improve consumer rights. Yet an alternate meaning of the term is that of equating personal happiness with the purchase and consumption of material goods. However, in the narrower marketing context, the term emphasizes activities by governments, independent organizations, or businesses to enhance consumer rights.

KEY WORDS Consumer rights, consumer advocacy

IMPLICATIONS

As most marketers face a dynamic external environment, it is essential that marketers ongoingly monitor, assess, anticipate, and respond effectively to general consumerism trends as well as specific externally led activities aimed at protecting or improving consumer rights. While the demands consumerism places upon marketers are clearly context specific, marketers should seek to continually understand the customer perspective as well as that of organizations involved in the advocacy of consumer rights, whether independent or within the marketer's regulatory or legal environment.

APPLICATION AREAS AND FURTHER READINGS

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□ content validity *see* validity

■ **context effect**

DESCRIPTION

Any influence of circumstances, conditions, events, objects, or information surrounding an event or other stimulus on an individual's response to the stimulus, where responses include an individual's perceptions and cognitions.

KEY INSIGHTS

To the extent that an individual's response to a stimulus is influenced by its context, the ability to generalize how individuals will respond to the same stimuli given other contexts will be an issue. As such, a primary concern with context effects is that their presence may not be sufficiently recognized, considered, or controlled for when seeking to generalize beyond a particular context. For example, the effect of the ambience of an upscale restaurant may influence a consumer's perception of the food's taste to such a point that the same food may be perceived as less tasty when served at a very plain restaurant.

KEY WORDS Cognition, perception

IMPLICATIONS

As context may have an influence on the cognitions and perceptions of consumers for a variety of product and service evaluations, marketers should strive to be aware of the ways in which different contexts might affect consumer responses favorably and unfavorably. Where marketers have control over context, the context itself may be potentially manipulated to achieve a desired effect. Where there is little or no control over context, marketers may seek to consider how context effects may act to limit understanding, explaining, or predicting consumer responses to particular marketing actions. For example, adverse weather at the time of a consumer survey on holiday travel planning may lead to different consumer views on desirable locations for travel.

APPLICATION AREAS AND FURTHER READINGS

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■ contingency theory

DESCRIPTION

Theory or theories adopting the view that no single organizational structure or strategic approach is inherently more effective or efficient than all others.

KEY INSIGHTS

The contingency theory view of organization and strategy is that there is no one best way to devise a given organizational (or otherwise technical) process within the organization. Rather, appropriate structures and strategies to be adopted are viewed as contingent on a variety of contextual factors such as the nature of the technological environment in which the firm operates, the size of the organization, etc.

KEY WORDS Organizational design, strategy development

IMPLICATIONS

The widely varying nature of marketers' operating environments clearly suggests an appreciation by marketers for a contingency theory perspective to organizational process and strategy. While the approach recognizes the organizational and decision-making challenges facing a manager, knowledge of research adopting such a view can also provide managers with a basis for understanding better and evaluating different organizational and strategic options available to the firm.

APPLICATION AREAS AND FURTHER READINGS

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■ contingency theory of management accounting

DESCRIPTION

A theory in which many variables are considered to have a conceptual relationship with the design of appropriate management approaches, including approaches for performance measurement, thereby suggesting considerable room for the exercise of managerial judgment.

KEY INSIGHTS

Based on research by Otley (1980), the theory puts forth the view that there is no universally appropriate accounting system applicable to all organizations in all circumstances. As such, the theory's contingency-based view suggests an imperative for management accountants to identify and assess the impact of contingent variables on the design of a management control system. Contributions of the theory, however, are more along the lines of being able to identify better certain contingent variables than on increased ability to assess their impact.

KEY WORDS Management approaches, control, contingencies

IMPLICATIONS

The theory provides a broad basis for identifying and evaluating appropriate approaches for marketing as well as organizational management and control. For example, the theory may suggest that the effectiveness of managerial use of a directive, authoritarian leadership style is highest only under certain conditions, such as when leader–member relations are either very favorable or very unfavorable but not under intermediate conditions. Marketing managers and strategists may therefore benefit from understanding how various conditions suggested by theory can potentially influence the choice for and effective use of different managerial control approaches.

APPLICATION AREAS AND FURTHER READINGS

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□ contractual VMS (vertical marketing system) *see* channel arrangement

□ contrarian marketing *see* unconventional marketing

■ contrast effect

DESCRIPTION

Any effect of contrasting stimuli on individual perception, cognition, or resulting individual performance or action.

KEY INSIGHTS

In many ways, contrast effects are widely present in terms of their role in, and influence on, individual perception and cognition. The study and influence of contrast effects encompasses a wide range of consumer behavior research, although a primary aim of much contrast effect-related research is concerned with implications for consumer judgment.

KEY WORDS Stimuli, perception

IMPLICATIONS

Marketers seeking a deeper understanding of consumer behavior relative to their offerings may potentially benefit from a greater knowledge of contrast effect-related research by obtaining insights into more effective marketing strategies and/or tactical practices. For example, to the extent that marketer-controllable contrast effects are systematically related to elements of consumer behavior, such as in the use of a contrasting color to enhance awareness of a firm's product relative to those of competitors, marketers can develop communication approaches that not only use but seek to amplify such effects.

APPLICATION AREAS AND FURTHER READINGS

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□ convenience product *see* product classifications, consumer

■ convergence marketing

DESCRIPTION

Marketing emphasizing strategies for reaching 'the new hybrid' consumer who combines e-business and traditional business offerings to suit their tastes.

KEY INSIGHTS

Developed by Wind, Mahajan, and Gunther (2002) in a book by the same name, convergence marketing is characterized by five areas termed the 'five Cs': customerization, or convergence of customized and standardized offerings; community, or convergence of virtual and physical communities; channels, or seamless convergence of call, click, and visit; competitive value, or convergence of new and traditional competitive value equations and pricing models; and choice tools, or convergence of new search engines and decision tools for consumers and company-provided advice. In essence, convergence marketing advocates the view that marketers should develop marketing strategies to allow consumers to 'pick and choose' how they wish to receive and use information which, increasingly, involves online and offline approaches.

KEY WORDS Hybrid consumers

IMPLICATIONS

While many firms are increasingly engaging in online marketing activities, convergence marketing suggests that firms should find ways to seamlessly integrate their online and offline (e.g. traditional) marketing activities to satisfy the needs of the growing numbers of 'hybrid' consumers. To be sure, some offerings such as music are increasingly evaluated and purchased online and offline, while other traditional offerings such as toothpaste may have little need for online marketing support, but as the scope of the marketing effort increases to encompass information and value-added offerings surrounding basic product offerings (e.g. dental hygiene information in association with toothpaste), a convergence marketing approach is increasingly suggested. (See also **hybrid marketing** and **fusion marketing** for approaches conceptually similar to convergence marketing).

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□ **convergent validity** *see* validity
□ **conviction** *see* buyer influence/readiness
□ **cooperative game theory** *see* game theory

■ cooperative marketing

(also called comarketing, cross-marketing, joint marketing, partnership marketing, reciprocal marketing, or symbiotic marketing)

DESCRIPTION

Alliances between organizations for sharing in the responsibility of marketing their respective offerings with the aim of achieving a common objective.

KEY INSIGHTS

Firms engaging in cooperative or comarketing alliances and partnerships with other firms, whether in the same or different industries, may do so for any number of reasons including achieving greater marketing scale economies, pooling complementary assets or competencies, and more easily accessing new markets or market segments. Such marketing alliances among firms may be short or long term in duration, with the stability of the alliance often being dependent on the relative balance of power between the alliance partners as well as the ongoing strategic importance of the common marketing objectives to each.

Another meaning of cooperative marketing refers to the marketing efforts of cooperatives, or enterprises or organizations owned collectively by individual or organizational members and where it is operated for the benefit of its members (e.g. farm cooperatives, electrical cooperatives). While discussed less frequently in the marketing literature, the ambiguity associated with the term suggests it is essential to know the context in which the term is used in order to understand its intended meaning.

KEY WORDS Marketing alliances, partnerships

IMPLICATIONS

While it may be easy to view other firms in the same industry as competitors, or even fierce adversaries, marketers should also consider the possibility that marketing objectives may be able to be effectively pursued through a comarketing approach with one or more of such firms. An example is the case of two competing newspaper firms in Seattle that decided to engage in comarketing by sharing distribution resources (e.g. trucks) as a means to reduce their respective distribution costs while also making it easier to expand the distribution of their respective newspapers.

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□ copycat marketing *see* me-too marketing

□ copyright *see* intellectual property

□ core benefit *see* product levels

■ corporate marketing

DESCRIPTION

A marketing philosophy and function emphasizing an integrated approach to marketing at the institutional level.

KEY INSIGHTS

Corporate marketing is considered by its proponents including Balmer (1998) to be more of a philosophy of marketing than a marketing function. Its philosophical emphasis is a strong organizational concern with multiple past, present, and future exchange relationships of the organization with multiple stakeholders, where stakeholders may be individuals, groups, and/or networks. While the term suggests applicability to corporations defined in the narrow sense (i.e. registered legal entitities which are given similar legal rights to that of a natural person), the term adopts a broader definition of corporate (e.g. any group of individuals acting as a whole) and therefore suggests that the philosophical approach is applicable to a wide range of entitities including non-profit organizations and business alliances. As there are a number of marketing concepts that are concerned with marketing activities at the corporate level (e.g. corporate branding, corporate identity, and corporate communications), corporate marketing can therefore be viewed as an 'umbrella' concept that seeks to synthesize multiple corporate-level concepts.

KEY WORDS Institutions, marketing integration

IMPLICATIONS

Marketers concerned with increased organizational effectiveness in exchange relationships with multiple stakeholders may benefit from a greater understanding of the concept and principles of corporate marketing. Even though corporate marketing is much more of a philosophy than a function, increased adoption of the philosophy by marketers within the organization may ultimate lead marketers to become more effective at orchestrating multiple marketing elements at the corporate level and below.

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□ corporate VMS (vertical marketing system) *see* channel arrangement

■ cost

DESCRIPTION

Financial or other resources which are given up to obtain something via purchase, exchange, or production.

KEY INSIGHTS

Costs can be characterized many ways. Common characterizations of costs include: *fixed costs*—costs that remain the same regardless of a firm’s production output or sales volume; *variable costs*—costs that vary in proportion to a firm’s production output or sales volume; *sunk costs*—costs which cannot be recovered (as when a firm has unrecoverable costs when it withdraws a product from a market); *opportunity costs*—the value of forgone alternative actions (e.g. actions implemented at the expense of others); *transaction costs*—costs other than price (e.g. time) which are incurred in the purchase or exchange of products or services; and *switching costs*—costs (e.g. financial, time) that are incurred by a consumer in the process of changing from one product to another.

KEY WORDS Purchase, exchange, production

IMPLICATIONS

As cost management is often part of a marketer's responsibility, a detailed knowledge of the nature of the various costs associated with marketing efforts is essential. In addition, beyond price, marketers need to understand and appreciate the extent of different types of costs that a consumer incurs or experiences in relation to the purchase of the firm's offerings. For example, consumers may pay a low ticket price when flying on a low-cost airline but the transaction may also involve experiencing extremely long queues and delays when checking in. In other instances, switching costs may be a deterrent to consumers, as in the case of banking, where consumers may experience significant switching costs (e.g. time and effort) to change from one bank to another.

APPLICATION AREAS AND FURTHER READINGS

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□ cost-plus pricing *see* pricing strategies

□ cost strategy *see* strategies, generic

■ counter-marketing

DESCRIPTION

Marketing that is aimed at nullifying the marketing efforts of another.

KEY INSIGHTS

In contrast to demarketing's emphasis on reducing demand (see **demarketing**), counter-marketing's aim is the elimination or reversal of demand created by the marketing efforts of another (e.g. firm, organization, industry). Thus, some public health organizations engage in counter-marketing to nullify the demand for cigarettes created by tobacco industry marketing. In an effort to do so, a counter-marketing approach can involve drawing consumers' attention to the marketing strategies employed by the marketer(s) (e.g. using advertising that shows smokers as beautiful, popular, intelligent, and sophisticated) and then providing information demonstrating the inaccuracy of such images and messages. When consumers exposed to counter-marketing realize that marketing plans have been created specifically to influence their attitudes and consumption behaviors, they may realize they have been tricked or unfairly manipulated and subsequently change their attitudes and behaviors.

KEY WORDS Demand elimination

IMPLICATIONS

Marketers concerned with nullifying the demand created by other marketers may benefit from a greater understanding of counter-marketing strategies and tactics. At the same time, marketers must also recognize that responses to the firm's marketing efforts may include that of counter-marketing and, as such, marketers must evaluate carefully the firm's marketing strategies for susceptibility to nullification by various counter-marketing strategies.

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■ country of origin effect

DESCRIPTION

Any influence of knowledge of a product's country of origin, or where it was produced, manufactured, assembled, grown, or otherwise created, on an individual's perceptions and evaluations of the product's attributes.

KEY INSIGHTS

Because manufacturers usually disclose the country where a product is made, individuals evaluating the product may use such information to infer product characteristics which are otherwise difficult to observe. More specifically, individuals may make associations between countries and product attributes including quality, reliability, durability, style, value, and cheapness. Associations between a product's country of origin and particular product attributes are sometimes justifiable; yet, in other instances, they may not be since location of manufacture may not have any relationship whatsoever with the expertise or quality of materials or manufacturing processes used for the product.

KEY WORDS Perceptions, evaluations, product quality

IMPLICATIONS

To the extent knowledge of a country of origin enhances product perceptions, the marketability of a product is enhanced. When there is a negative influence on product perceptions, the marketer's task is made more difficult, especially when negative perceptions do not correspond to a product's actual quality. Marketers should seek to understand how and to what extent a product's evaluation is influenced by consumer perceptions of its country of origin.

APPLICATION AREAS AND FURTHER READINGS

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□ credence goods *see* goods

□ Crespi effect *see* elation effect

□ criterion validity *see* validity

□ CRM *see* customer relationship management

■ cross-cultural marketing

DESCRIPTION

Marketing concerned with efforts to span cultural boundaries.

KEY INSIGHTS

Cross-cultural marketing's emphasis is on understanding and explaining cross-cultural differences along multiple dimensions (e.g. beliefs, attitudes, purchase behaviors) and using such knowledge to develop effective marketing strategies, methods, and tactics that help an organization accomplish its marketing objectives. While cross-cultural marketing has much in common with international marketing (see **international marketing**) in its emphasis on spanning and/or bridging markets that differ in important broad respects, cross-cultural marketing may also be performed within a single domestic or country market where multiple cultures exist. Nevertheless, many cross-cultural differences exist across national borders. At the same time, there are also similarities with multicultural marketing in terms of the marketing emphasis on understanding cultural differences. (See **multicultural marketing**.) However, in contrast to multicultural marketing's emphasis on efforts to concurrently market to individuals situated within and among multiple cultures, cross-cultural marketing's emphasis is more on comparisons of differences that exist across cultures which are typically more geographically diverse or dispersed and which are more prevalent across national boundaries.

KEY WORDS Cultural differences

IMPLICATIONS

Marketers of firms with objectives to span cultural boundaries may benefit from a greater understanding of the many dimensions along which cultural differences can be assessed. Knowledge of cultural similarities and difference can therefore enable the marketer to develop effective marketing methods (e.g. research tools, communications strategies, channels of distribution) that are more closely aligned with the cultural characteristics of the firm's target markets.

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□ cross-elasticity of demand *see* elasticity of demand
□ cross-marketing *see* cooperative marketing
□ cultural marketing *see* multicultural marketing
□ custom marketing *see* one-to-one marketing
□ customer-centric marketing *see* customer-oriented marketing

■ customer equity

DESCRIPTION

The value to a firm of its entire set of customers for the duration of their relationships with the firm.

KEY INSIGHTS

Customer equity equates to a firm's net ownership interest of its customers as indicated by their overall value to the firm. Given that each customer has a lifetime value, or *customer lifetime value*, where a firm is able to estimate a value to the stream of purchases the consumer is likely to make over the duration of their relationship with the firm, customer equity can be viewed as the summation of the customer lifetime values of individual customers. As such, an explicit or implicit objective of the firm may be to maximize customer equity, either at a very broad level or at a more detailed level by basing marketing efforts on a function of the customer lifetime value of each individual customer. With the latter approach, marketers seek to calculate and manage customer lifetime values by taking into account such factors as acquisition costs, retention costs, time period of customer relationship, revenue, and profit margins.

KEY WORDS Customer value, customer relationships

IMPLICATIONS

Customer equity and customer lifetime values are influenced by many factors which vary in the degree they are controllable by the marketer. Vibrant competition in some service industries, such as mobile telecommunication services, may be characterized by high churn rates, where customers frequently come and go, leading to short time periods for customer relationships. Nevertheless, operating on the assumption that it is usually less costly to keep a customer than to acquire a new one, many marketers recognize a benefit in pursuing marketing approaches aimed at customer retention as a way to extend customer lifetime values and, hence, enhance customer equity, where it is explicitly calculated or simply held as a strategic focus of the firm.

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□ customer experience marketing *see* experiential marketing

□ customer lifetime value *see* customer equity

■ customer-oriented marketing

(also called customer-centric marketing)

DESCRIPTION

Marketing based on a major organizational mission of developing and delivering offerings and associated marketing approaches that provide customers with unrivaled value and satisfaction.

KEY INSIGHTS

A customer-oriented marketing approach, where the customer is at the center of a firm's marketing efforts, ultimately requires the firm to be highly adept at understanding, anticipating, and responding to its customer's needs and wants on an ongoing basis. In many ways, customer-oriented marketing is the most common form of marketing pursued by organizations today. Even with the high commonality among firms in adopting such an emphasis, however, there remains, of course, considerable variation in firms' actual abilities in terms of identifying, predicting, and meeting customer needs and wants both effectively and efficiently.

KEY WORDS Customer focus

IMPLICATIONS

While customer-oriented marketing may seem to be an obvious emphasis in marketing practice, the extent of its achievement is another matter. Marketers may aim to keep the customer central in the firm's efforts but responding to customer wants and needs, even if they are well understood, usually involves tradeoffs and scarce resources. Anticipating changes in customer needs over the longer term also poses marketers with the challenge of both their timely understanding and profitable or otherwise effective accommodation.

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■ customer relationship management

DESCRIPTION

Emphasis within a firm on developing, enhancing, and maintaining effective customer relationships.

KEY INSIGHTS

Customer relationship management (CRM) involves an emphasis on multiple, interdependent processes within the firm which support mutually beneficial relationships between firms and customers. Whether the processes are pre-sales, sales, service, or other processes directly or indirectly supporting marketing, CRM seeks to deepen and extend customer relationships with the firm through the development of processes which facilitate customer satisfaction and loyalty. By integrating customer-specific information into many of the firm's marketing processes, as opposed to making fragmented use of such information, the firm may not only increase its marketing effectiveness and efficiency but also enhance substantially the customer's experience with the firm. When the focus of the firm's marketing is based on CRM, the firm's approach to marketing may be referred to as customer relationship marketing or simply relationship marketing. (See **relationship marketing**.)

KEY WORDS Relationships, customer integration

IMPLICATIONS

A firm's relationship with its customers may be short or long or close or distant. To the extent the firm sees a benefit in strengthening customer relationships by extending them and making them closer through integrating information on customer needs and wants into its processes, CRM can increasingly become a strategic focus of the firm. A greater knowledge of the many multidisciplinary processes supporting CRM can assist marketers in evaluating the benefits and costs associated with extensive or limited CRM adoption among current and future customers.

APPLICATION AREAS AND FURTHER READINGS

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□ customer relationship marketing *see* relationship marketing

■ customer satisfaction

DESCRIPTION

The extent to which a customer's perceived performance of an organization's offering matches the customer's expectations.

KEY INSIGHTS

Satisfying consumers by meeting their expectations is a key aspect of much of marketing practice. As such, there is considerable theoretical, conceptual, and empirical research aimed at understanding, explaining, and predicting the satisfaction of consumers generally (see **consumer satisfaction theory**) as well as an organization's existing customers more specifically. Satisfied customers can benefit a firm in many ways including higher levels of repeat buying by such customers as well as increased positive word-of-mouth communication regarding the firm's offerings.

KEY WORDS Expectations, performance

IMPLICATIONS

An imperative for marketers is satisfying customers. However, how and to what extent is a matter of debate among marketers. Some firms may adopt the view that customers should be 'barely satisfied' while others advocate efforts aimed at meeting or exceeding customer expectations. Either way, marketers also have an opportunity to influence customer expectations themselves, which may involve lowering expectations so that they are met more easily. Marketers should therefore seek to understand and appreciate the broad scope of customer satisfaction research to enable the identification and evaluation of multiple marketing strategies and tactics aimed at satisfying customers.

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☐ **customer value marketing** *see* value-based marketing

☐ **customer volume effect** *see* loyalty effect

☐ **customized marketing** *see* one-to-one marketing

☐ **cybermarketing** *see* online marketing

☐ **cyberspace marketing** *see* online marketing

D

■ Darwinian evolution theory

(also called natural selection theory)

DESCRIPTION

The theory that species evolve through a process of natural selection.

KEY INSIGHTS

Evolution commonly refers to the change in the traits of living organisms over generations as well as the emergence of new species. Darwinian evolution, as pioneered by Charles Darwin (1859), essentially adopts a ‘survival of the fittest’ perspective. The theory and the application of its insights have since extended well beyond the purely biological domain to that of organizations as living organisms as well as other areas including new products.

KEY WORDS Evolution, adaptation, change

IMPLICATIONS

In the context of organizations and products, the approach provides a basis for modeling how such entities may evolve over time, where, beyond the influence of natural forces (e.g. climate and natural resources), market forces provide a further or analogous basis for natural selection. Concepts drawing upon Darwinian evolution theory may therefore assist marketers in understanding and managing such dynamics in helping to ensure long-term success of the organization and its products.

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■ data types

DESCRIPTION

Particular categories of factual information.

KEY INSIGHTS

Factual information collected and used in marketing is frequently characterized as one of two types: *primary data* or *secondary data*. Primary data are those which are non-existent prior to the conduct of research and are collected specifically for the purpose of a particular research effort. Examples of primary data include those obtained in response to an interviewer's questioning of subjects in a research study and observations of subject's behaviors in an experiment. Secondary data are those which already exist and are in essence, secondhand in that they have already been collected or have become available as a result of a different purpose. Examples of secondary data include census data and company sales data collected or compiled prior to and independent from a research study in which they are put to use.

KEY WORD Information

IMPLICATIONS

Marketers conducting marketing research face tradeoffs in the collection and use of factual information. While secondary data is often inexpensive to obtain and readily available, it may not always provide the marketer with the insights desired. On the other hand, primary data can provide rich insight but often at a greater cost and/or effort relative to that for secondary data. Robust marketing research may involve a combination of both data types, where the research objectives and researcher's resources dictate the relative emphasis on each.

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■ database marketing

DESCRIPTION

A particular form of direct marketing where databases of customers and their profiles are used to generate tailored or personalized offerings as a central part of a firm's marketing efforts.

KEY INSIGHTS

Database marketing often takes advantage of flexible and efficient information technologies and its use for personalization may enable marketers to target customers with greater effectiveness relative to more traditional marketing approaches. An essential element of database marketing is the analysis of customer data to obtain insights useful to the marketer, which may include segmenting customers based on purchase behaviors such as purchase frequency, recency, or amount, thereby enabling the marketer to develop and implement marketing approaches that are more closely aligned with such behaviors.

KEY WORDS Information technologies

IMPLICATIONS

Advances in various information technologies make database marketing an increasingly attractive approach to marketers. Still, the effort can only be effective to the extent that analyses of customer data influence the development and implementation of personalized or other (e.g. direct) marketing practice. While much can potentially be gained from such an approach, database marketers must also ensure company practices conform to restrictions imposed by the firm's legal and regulatory environments regarding the appropriate use and retention of customer data.

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□ deciders *see* industrial buyer behavior

■ decision theory

DESCRIPTION

Theory or theories concerned with understanding and explaining how decision makers make real decisions and with how optimal decisions can be reached.

KEY INSIGHTS

Choices under uncertainty, social decisions, choices where payoffs occur at different points in time, and complex decisions are just some areas where decision theories have been developed and applied to either prescribe approaches for identifying the best decision to take or to describe how such decisions are typically made. Much of decision theory makes the assumption that the decision taker is fully informed and fully rational.

KEY WORDS Decision making, optimal decisions

IMPLICATIONS

Decision theory is interdisciplinary and therefore has implications for marketing that draw upon economics, psychology, mathematics, statistics, and management. Knowledge of numerous decision theory-based models can be drawn upon to describe or explain how marketing decisions of various types are or should be made.

APPLICATION AREAS AND FURTHER READINGS

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□ decline stage *see* product life cycle

■ decline strategies

DESCRIPTION

Organizational strategies for competing in a declining market.

KEY INSIGHTS

When there is a fall in demand in a market, perhaps as a result of a change in some technology, consumer preferences, or government policy, a firm competing in such a market must select a strategy that makes the best of the situation. Strategies that a firm may wish to consider in facing a declining market include a *leadership strategy*, where the firm pursues initiatives aimed at achieving or maintaining leadership in the market (e.g. by buying competitors) while the market is still profitable, even though it is in decline; a *niche strategy*, where the firm identifies and pursues the segment of the market that demonstrates the most favorable conditions for the firm (e.g. highest return, slowest rate of decline); a *harvest strategy* or *milking strategy*, where the firm cuts back on its costs and investments in the market, where the aim is to generate cash flow, even if a reduction in sales and market share results, since the cash generated could then be put to better use elsewhere; and a *divestment strategy*, where the firm opts to liquidate its position in the market, as a result of factors including expected extreme price pressure, rapid market decline, and dominant competitors with an irreversible advantage.

KEY WORDS Market decline, competitive strategy

IMPLICATIONS

Clearly, a firm has several strategies from which to choose when facing a declining market. Ultimately, in determining the most desirable (or least undesirable) strategy or strategies, marketing managers in a firm will need to assess carefully the strategic uncertainties facing the firm, including uncertainties associated with: the market, competitive intensity, firm performance and strengths, firm relationships with other businesses, and barriers to implementation including exit barriers and the firm's management ability.

APPLICATION AREAS AND FURTHER READINGS

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■ defensive marketing

(also called status quo marketing)

DESCRIPTION

Marketing strategies aimed at protecting a company's status quo situation from change by competitors or other market forces.

KEY INSIGHTS

Companies may use any of an array of defensive marketing strategies, ranging from pre-emptive moves for keeping competitors out of its product-market segment to contraction moves for consolidating market strength, in an attempt to maintain or stem erosion in its current market share, profitability, or positioning. A defensive marketing approach in which the firm chooses to redefine its business as a result of market or technological change, for example, involves the identification of new product markets that the firm moves into as a result of innovative activity within the firm. In contrast, one of the riskiest forms of defense is that of remaining stationary in terms of the firm's offerings, thereby leaving the firm vulnerable to competitors with more dynamic strategies.

KEY WORDS Market position

IMPLICATIONS

There are many unique options available to the marketer concerned with defending the firm's position, where each approach must be evaluated relative to the strengths and weaknesses of the firm in relation to competitors as well as assessments of opportunities and threats posed by the firm's external environment. Regardless of the need for a defensive marketing strategy, marketers must recognize that adopting a fortress-like approach to defending the firm—even if it is the current market leader—may ultimately be short-sighted in highly competitive markets.

APPLICATION AREAS AND FURTHER READINGS

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□ deficient products *see* societal classification of products

□ delayed response effect *see* lagged effect

□ Delphi technique *see* forecasting methods

■ demand

DESCRIPTION

The amount of something that is sought after for purchase, use, or consumption.

KEY INSIGHTS

Demand, as it relates to the extent that products or services are needed or wanted by their markets, may be characterized any number of ways including primary, secondary, latent, incipient, derived, and negative.

Primary demand refers to instances where products are demanded by the customers themselves, as where canned soft drinks are purchased by consumers for their own consumption or for consumption by their families.

Secondary demand refers to the demand for a particular brand or product within a broader product category, as where, within demand for the product category of running shoes, there is secondary demand for Nike running shoes.

Latent demand refers to demand that is dormant, not observable, or not yet realized, as in the case where demand for a product exists but is constrained because of a lack of product supply or availability.

Incipient demand refers to demand which is emerging and only partly in existence as it is early in its development, as where new technologies have created an incipient demand for movies delivered directly via the World Wide Web.

Derived demand refers to instances where the demand for a product arises indirectly from some other downstream demand, as where demand for passenger jet fuel is derived from consumers' demand for air travel.

Negative demand refers to instances where consumers would prefer not to have a product in that they would go out of their way to avoid it and also pay more than its value to not have it, as would be the case for certain painful medical treatments.

Further characterizations of demand include those by Kotler (1973) which are: non-existent, irregular, faltering, full, overfull, and unwholesome demand.

KEY WORDS Market needs, **need(s)**, **want(s)**, consumption

IMPLICATIONS

Much of marketing is focused on meeting, stimulating, and creating demand in the marketplace. Additionally, where consumption of a product or service is to be societally discouraged (e.g. excessive water consumption or wastage), marketing's focus then becomes reducing demand. Understanding the many dimensional characteristics of demand for a marketer's product or service is essential in managing market demand effectively through appropriate marketing strategies.

APPLICATION AREAS AND FURTHER READINGS

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□ demand, characteristics theory of *see* characteristics theory

■ **demand, law of**

DESCRIPTION

The economic principle that states the amount of a product demanded increases with a fall in price and diminishes with a rise in price.

KEY INSIGHTS

Developed by economist Alfred Marshall, the law of demand suggests that the demand for most products will tend to vary inversely with their prices. Although since its inception, it has been recognized that there are other factors beside price that are able to influence demand, the general relationship suggested is consistent with the demand–price relationship observed for most products and services.

KEY WORDS **Demand**, price, modeling

IMPLICATIONS

All else equal, the law of demand predicts that consumers will typically buy more of a product at a low price than at a high price. Models based on the law of demand can thus be developed that enable further analyses of the sensitivity of product demand to changes in its price.

There are, of course, exceptions to the law of demand, where it is observed that demand for a product or service actually increases when price increases, as where demand for enrolling in a leading university's MBA program is observed to increase after the program announces an increase in its tuition fees. Exceptions to the law of demand can sometimes be explained by the signaling effect of price on quality, where a higher price suggests even higher quality, thereby attracting more quality-conscious consumers. Similarly, demand for a product may decrease when price decreases, if, for example, quality-conscious consumers suspect that the quality of an offering is being compromised.

APPLICATION AREAS AND FURTHER READINGS

Marketing Modeling

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■ demand characteristics

DESCRIPTION

Undesirable and unintended characteristics of an experimentally based research study where the outcome is influenced by conditions or cues which have assisted in leading subjects to perform certain behaviors, as in doing what was desired or expected of them.

KEY INSIGHTS

The actual or possible presence of demand characteristics presents a confounding influence in the interpretation of experimental research findings. Approaches for uncovering the extent of demand characteristics in a particular research design can be through methods including those aimed at assessing subjects' thoughts on an experiment's intent, as in interviewing subjects upon the experiment's completion or re-enacting experimental procedures with new subjects from the population of subjects or using multiple, different methods for examining the phenomena in question to increase the robustness of experimental findings.

KEY WORDS Experimental research, **bias**

IMPLICATIONS

Marketers must be aware of the possibility of demand characteristics being present in experimental research designs and should consider evaluating and adopting recognized approaches for their elimination or control if the aim is to obtain robust research findings.

APPLICATION AREAS AND FURTHER READINGS

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□ **demand pull** *see* pull marketing

■ demarketing

DESCRIPTION

Marketing aimed at discouraging customer demand.

KEY INSIGHTS

While uncommon in mainstream marketing, demarketing involves the application of marketing principles and practices to curtail customer purchase and use of particular products and services which are typically considered undesirable from a societal perspective. Some products or services are sought to be demarketed out of scarcity in supply or a perceived need for rationing (e.g. water). For other products, however, the issue driving demarketing isn't product scarcity but rather the spill-over effects of product consumption, such as the pollution caused by automobiles.

KEY WORDS Demand reduction

IMPLICATIONS

Whether a government agency is concerned with reducing the level of cigarette smoking by the general public out of concern for its burden on the public healthcare system, or whether a government-regulated water supplier is tasked by the government to encourage its customers to use less water during a drought, a demarketing approach, as with marketing itself, necessarily involves the development of a set of clear marketing objectives, a deep understanding of consumer behavior, and effective marketing strategy development and implementation. Marketers concerned with demarketing may not only benefit from understanding the many principles of effective marketing but also by examining effective and ineffective demarketing approaches for analogous products and services as developed and implemented by a range of organizations worldwide.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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☐ **demographic segmentation** *see* segmentation

☐ **derived demand** *see* demand

☐ **descriptive marketing research** *see* marketing research

☐ **desirable products** *see* societal classification of products

☐ **desire** *see* buyer influence/readiness

☐ **destination marketing** *see* place marketing

■ dialectic process theory

DESCRIPTION

A theory of organizational development and change whereby new organizational characteristics arise through the adoption of characteristics of other organizations.

KEY INSIGHTS

Dialectic process theory as developed by van de Ven and Poole (1995) is based on the premise that organizations evolve. Thus, new organizational formats as well as episodes of change within an organization can be explained in relation to characteristics adopted from other organizations.

KEY WORDS Organizational evolution, development, change

IMPLICATIONS

Marketers can seek to understand and explain change in their own organizations as well as those of competitors by drawing upon concepts found in dialectic process theory. The development of new specialty retail formats, for example, can be understood better in terms of their relationship to the formats of existing retailers and the adoption of characteristics from such retailers.

APPLICATION AREAS AND FURTHER READINGS

Strategic Change

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☐ **differential threshold** *see* Weber–Fechner law

■ differentiated marketing

(also called segmented marketing or selective marketing)

DESCRIPTION

The strategic approach of focusing on two or more groups of consumers and using a different marketing approach for each.

KEY INSIGHTS

Differentiated marketing's scope ranges from the use of different retailing approaches for different consumer groups to the provision of different product or service offerings. The aim of differentiated marketing is to achieve a strong competitive position within each segment pursued, where the net result is superior individual and aggregate performance in relation to that achievable by an undifferentiated marketing approach reaching all segments in a market. Such an approach, however, does result in higher marketing costs relative to that for undifferentiated marketing since there is a need to develop and implement distinct marketing plans and strategies for each segment.

KEY WORDS Market segmentation

IMPLICATIONS

Many firms, particularly large consumer products firms, use a differentiated marketing approach by offering multiple products or services to carefully defined customer segments, as where a clothing manufacturer and retailer uses several retail store formats as a means for each to provide greater appeal to a specific customer segment. Ultimately, however, the relative emphasis a firm gives to differentiated marketing must depend on projections of its development and implementation costs versus the potential to increase sales in relation to an undifferentiated marketing approach.

APPLICATION AREAS AND FURTHER READINGS

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□ differentiation strategy *see* strategies, generic

■ diffusion of innovation

DESCRIPTION

The concept that adoption of innovations by individuals or other customers in a market is generally spread out over time as a result of, among other factors, variation in individuals' willingness and readiness to adopt innovations.

KEY INSIGHTS

The diffusion of innovation concept recognizes and highlights the importance of consumer readiness to adopt innovations. A common characterization of groupings of innovation adoption readiness in any given population is that of innovators (2.5%), early adopters (13.5%), early majority (34%), late majority (34%), and laggards (16%).

KEY WORDS Innovation, adoption, readiness

IMPLICATIONS

Marketers involved in new product development (NPD) efforts must seek to understand how, why, and to what extent new products are likely to diffuse in the market given their particular innovative characteristics when the aim is to maximize as well as accelerate diffusion in the market. To the extent that factors facilitating as well as hindering the diffusion of particular innovations are understood, models can be constructed which take into account a potentially rich set of factors, including that of variation in consumers' willingness and readiness to adopt innovations.

APPLICATION AREAS AND FURTHER READINGS

New Product Development

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■ diffusion of responsibility

DESCRIPTION

A social phenomenon associated with groups where responsibility is not explicitly assigned, whereby individuals in the group perceive less personal responsibility and accountability for actions taken or to be taken.

KEY INSIGHTS

While the phenomenon of diffusion of responsibility does not occur in all groups, it nevertheless has the potential to manifest itself in groups of varying size and member composition in ways that include a mindset of reduced personal responsibility and accountability as well as group actions or inactions that individuals would tend not to allow to occur on their own.

KEY WORDS Group behavior, responsibility, accountability

IMPLICATIONS

Marketers must be aware of, and strive to mitigate, potential dangers associated with diffusion of responsibility when part of larger groups where responsibility is not explicitly assigned. Dangers include prolonged inaction (e.g. a prolonged delay in publicly acknowledging and responding to a problem of product contamination) as well as taking inappropriate action (e.g. immediately denying publicly that there is a problem with product contamination).

APPLICATION AREAS AND FURTHER READINGS

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□ digital marketing *see* e-marketing

■ diminishing marginal utility, law of

DESCRIPTION

An economic principle summarizing the situation where, in each additional unit of a good consumed by an individual, less and less utility is derived from the consumption.

KEY INSIGHTS

As utility in the context of the consumption of goods is often associated with benefits including satisfaction, pleasure, enjoyment, and the like, the law of diminishing marginal utility essentially summarizes the frequent observation in human nature that individuals tend to perceive and obtain less incremental benefit from a good as more and more of it is consumed.

KEY WORDS Consumption, **utility**, satisfaction, **value**

IMPLICATIONS

Marketers should seek to understand how a consumer of a given product or user of a particular service is likely to experience decreased utility from increased consumption on any given occasion or over a longer period of time. In doing so, marketers can attempt to assign values to incremental and successive units of consumption over time, which may be of assistance in establishing the most appropriate quantities and prices for the offering, among other marketing mix elements.

APPLICATION AREAS AND FURTHER READINGS

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■ diminishing returns, law of

(also called the law of increasing opportunity cost; sometimes referred to as the law of variable proportions)

DESCRIPTION

An economic principle summarizing the situation where the output for a given unit of input increases but at a decreasing rate with each additional unit of input.

KEY INSIGHTS

The law of diminishing returns is widely recognized outside of economics given the extent it appears to apply to a wide array of phenomena including consumption situations as described in the law of diminishing marginal utility. In its simplest form, the law refers to the effect on output when there is only one input involved. When there are multiple inputs involved, the effect generally refers to the situation where one input is increased but where all other inputs remain the same.

KEY WORDS Processes, decreasing returns, outputs, inputs

IMPLICATIONS

As marketers seek to make the best use of marketing resources in support of marketing strategies aimed at achieving particular objectives, marketers must seek to avoid a 'more is better' mentality of marketing resource use. Whether in efforts to establish appropriate advertising expenditures or an appropriate number of product options to present to consumers, the law of diminishing returns suggests marketers must attempt to establish what level of inputs is ultimately optimal given the effect on outputs such as consumer awareness or purchase interest.

APPLICATION AREAS AND FURTHER READINGS

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□ direct mail marketing *see* direct marketing

■ direct marketing

(also called direct response marketing)

DESCRIPTION

Marketing that is aimed directly at a consumer at any location and which intends to elicit and obtain a measurable response from the consumer.

KEY INSIGHTS

As a result of the increasing use of specialized databases by marketers in the direct marketing industry, direct marketing applications involving brochures, letters, coupons, print ads, and the like continue to expand. Yet, direct marketing can involve virtually any medium provided it includes an element of communication asking the consumer to take some specific action (e.g. visit a website, call a telephone number, etc.). As such, in contrast to many other marketing efforts, a major appeal of direct marketing to a firm is the relatively greater ease by which the firm can measure directly the consumer response to any given direct marketing campaign. Firms can be said to use an *integrated direct marketing* approach when they explicity coordinate the use of multiple direct marketing methods to increase response rates in an effort to achieve even greater marketing effectiveness and firm profitability. Such methods may include: *e-mail marketing*—sending electronic messages containing marketing material from one computer to one or more consumer computers on a network; *fax marketing*—using facsimile equipment to electronically transfer written or graphic marketing material over telephone lines to consumer locations; *direct mail marketing*, *mail marketing*, or *postal marketing*—using the mail or postal system to send marketing material directly to one or more consumers; *telemarketing*—using the telephone as an interactive medium for communicating directly with consumers; *voice mail marketing*—using telecommunications equipment and telephone networks as a one-way medium for communicating indirectly with consumers by leaving voice messages on centralized voice mail systems or individual telephone answering machines; and *door-to-door marketing*—using marketing personnel to make in-person visits at consumers' residences.

KEY WORDS Consumer response, information

IMPLICATIONS

Marketers seeking greater measurability of the effectiveness of their marketing efforts may benefit from greater use of direct marketing approaches. While the use of direct marketing by a firm depends in part on the characteristics of the firms' offerings, marketers must also be sensitive to consumer preferences and attitudes to the approach, which may include negative attitudes if consumers perceive the approach as being both intrusive and wasteful as with some firms' large-scale direct mail campaigns.

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□ direct response marketing *see* direct marketing

■ direct-to-consumer marketing

DESCRIPTION

Marketing by a manufacturer or other organization that involves direct communications with consumers, particularly in markets where the relationship between such organizations and consumers is typically indirect.

KEY INSIGHTS

While the scope of direct-to-consumer marketing is broad, manufacturers operating in markets where consumers traditionally rely on the advice of professional intermediaries in particular (e.g. physicians) may find benefit in using direct-to-consumer marketing methods to increase awareness, preference, purchase, and use of their offerings. Direct-to-consumer marketing is therefore able to educate consumers about the firm's offerings to a greater extent than is possible or likely through intermediaries. At the same time, the approach may involve oversight by legal or regulatory bodies concerned also with the net effect of its influence, such as where there may be concern that the approach may also lead to higher prices or over-prescription of certain medical devices, for example.

KEY WORDS Direct communication

IMPLICATIONS

In being able to communicate directly to consumers, direct-to-consumer marketing enables firms to increase awareness and interest in its branded offerings in relation to perceptions of the offering's benefits—something that may not be as effective or controllable when performed through intermediaries. Such knowledge may then lead consumers to enquire about, prefer, or specify directly the branded offerings when interacting with other intermediaries.

APPLICATION AREAS AND FURTHER READINGS

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■ Dirichlet model

DESCRIPTION

A modeling approach for gaining insight into habitual, near-steady state consumer behaviors.

KEY INSIGHTS

A Dirichlet modeling approach (named after a prominent nineteenth-century German mathematician) describes and characterizes consumer buying behavior using five relatively simple assumptions regarding purchase incidence and brand choice for the market being examined:

(1) each buyer or buying unit has a steady as-if-random buying probability (i.e. these probabilities are Poisson distributed across the market); (2) there is a smooth (gamma) distribution of light, medium, and heavy buyers; (3) each buyer uses a portfolio of brands with steady probabilities and these probabilities are represented by a multinomial distribution across those in the market; (4) individuals' buying probabilities follow a smooth beta distribution across the market; and (5) brand choice is independent of purchase incidence. These assumptions enable analysis and prediction of a wide range of brand performance measures such as penetration, purchase frequency, and loyalty. There are a number of generalizations stemming from research involving the Dirichlet modeling approach, and one of the most notable is an effect termed 'double jeopardy.' (See **double jeopardy effect**.)

KEY WORDS Loyalty, brand choice

IMPLICATIONS

Marketers concerned with the study of loyalty and brand choice through the development and use of sophisticated marketing models may benefit from a greater understanding of the Dirichlet modeling approach as it can assist the marketer with identifying many buying patterns with minimal inputs. As its applicability has been demonstrated across a range of product markets, marketers wishing to adopt a modeling approach that is not only simple and easy to operationalize but relatively robust may find the Dirichlet modeling approach to be particularly beneficial.

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□ discriminant validity *see* validity

■ diseconomies of scale

DESCRIPTION

Increases in unit product costs resulting from an increase in production output.

KEY INSIGHTS

In contrast to economies of scale in a production process (see **economies of scale**), diseconomies of scale may arise when an organization's size and scale of output, perhaps beyond a certain point, result in inefficiencies rather than efficiencies that affect the firm's costs. As the scale of a firm's operations increases, factors leading to greater inefficiencies may be related to the increased cost and effort needed for effective communication and employee management as well as the decreased ability of the firm to respond quickly and flexibly to changes in the external environment.

KEY WORDS Production output, **cost(s)**, **scale**

IMPLICATIONS

Marketers seeking to reduce unit production costs for goods or services through economies of scale in any process, whether research and development or customer service operations, should be cognizant of how the increased scale of the firm's operations may also lead to increases in the firm's unit production costs. In particular, marketing managers should be aware of costs incurred as a result of the increased difficulty in organization-wide communication as well as effective and timely organizational decision making.

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■ disintermediation

DESCRIPTION

The process of removing or eliminating intermediaries from a supply chain in the accomplishment of a transaction.

KEY INSIGHTS

In relation to traditional supply chains comprising distributors, wholesalers, brokers, or agents, the process of disintermediation enables the supplier of an offering to bypass such intermediaries and engage in transactions directly with the end-customer. Factors leading to disintermediation in many industries such as airline ticketing, where consumers can purchase airline tickets directly from an airline instead of having to buy from a travel agent, include decreases in the costs incurred by firms in providing services directly to consumers as well as increases in the transparency of markets (e.g. knowledge of supplier prices)—both of which are associated with advances in the use and scope of e-commerce, for example.

KEY WORDS Intermediaries, supply chain

IMPLICATIONS

While developments in many product markets (e.g. personal computers, travel services) include that of increased disintermediation activity, marketers should recognize that disintermediation is not an absolute and inevitable trend for every product market. In particular, marketers should seek to understand how and to what extent intermediaries add value in the exchange process and compare the costs and benefits of intermediary-based approaches with that of disintermediation as part of a critical evaluation of the firm's marketing strategies. Firms must recognize as well the limitations imposed by the legal and regulatory environments in some country markets, where such restrictions on disintermediation are in place to guard against possible adverse market competition even though there may be benefits of disintermediation to consumers.

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□ disruptive innovation *see* disruptive technology

■ **disruptive technology**

(also known as disruptive innovation)

DESCRIPTION

A new technology or technological innovation that has the effect of radically transforming a market involving an existing or dominant technology.

KEY INSIGHTS

While there may be few technologies that are intrinsically disruptive, there are certainly countless examples of markets that have been transformed by disruptive innovations (e.g. automobiles replacing the horse for transport; PCs replacing minicomputers; digital photography replacing chemically based photography). As such, disruptive innovations may be viewed as a narrower term capturing the same notion as disruptive technology but one that also recognizes how strategy is influential in its impact. It is also recognized that disruptive innovations can encroach on markets in different ways, such as where a disruption encroaches on a market from its low end or where a disruptive innovation transforms a market through its initial appeal to a new or emerging market segment.

KEY WORDS Technology, innovation, market transformation

IMPLICATIONS

Disruptive technologies and innovations can clearly have a dramatic effect on a product market, but marketers must acknowledge that such disruptions may be difficult to recognize given their significance takes time to become established. As such, marketers should continually scan the marketing environment for disruptive influences, where such efforts may involve proactive efforts (e.g. joint investments with innovative suppliers and/or customers) to understand better not only how various innovations are influencing the value provided by a firm's offerings to its customers but also how such innovations may be able to meet current and future customer wants and needs in ways that the firm's offerings do not.

APPLICATION AREAS AND FURTHER READINGS

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□ **dissonance-reducing buyer behavior** *see* consumer buyer behavior

□ **distinctiveness effect** *see* von Restorff effect

■ distribution strategies

DESCRIPTION

Approaches to the distribution of a firm's offerings which are driven by strategic considerations and which have strategic implications for a firm.

KEY INSIGHTS

There are three general distribution approaches open to a firm. These are: *exclusive distribution*, where a firm gives a relatively small number of dealers an exclusive right to distribute the firm's offerings within the dealers' territories; *selective distribution*, where a firm chooses to distribute its offerings selectively through multiple (though not all possible) distributors; and *intensive distribution*, where a firm aims to distribute the firm's offerings in as many places or outlets as possible through an extremely wide range of distributors. The choice of a particular distribution strategy depends on many factors, of course, including the product characteristics. Exclusive distribution, for example, is consistent with the characteristics of exclusive products such as luxury watches. On the other hand, the distribution of Coca-Cola—a frequently purchased and relatively inexpensive product—clearly benefits from an intensive distribution strategy.

KEY WORDS Distribution intensity

IMPLICATIONS

Marketers must clearly understand the characteristics of their offerings (e.g. market segment appeal) as well as consumer buyer behavior to determine the most suitable distribution strategy. At the same time, marketers must give consideration to competitors' distribution strategies, which, for an increasing number of consumer products, involves intensive distribution through a combination of online retail distribution and traditional retail outlet distribution.

APPLICATION AREAS AND FURTHER READINGS

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□ divergent validity *see* validity

□ diversification *see* product-market investment strategies

□ diversity marketing *see* multicultural marketing

□ divestment *see* decline strategies

■ division of labor effect

DESCRIPTION

The tendency for increased efficiency and productivity as a result of decomposing the steps of a complex production process and dividing the tasks and responsibilities across multiple workers, where individual workers repeatedly engage in the same specialized tasks.

KEY INSIGHTS

A significant driver of increases in efficiency and productivity with a division of labor approach to production processes is the need for workers to only perfect particular sets of skills rather than many skills in the accomplishment of their tasks. Such an approach may lead to higher quality as specialized knowledge can be developed while at the same time a lower-cost workforce might be possible as a result of requiring workers with less overall skill. A recognized concern over the approach, however, is that overly simple and repetitive tasks may be detrimental to workers.

KEY WORDS Specialization, production processes

IMPLICATIONS

Marketers involved in establishing and managing complex marketing processes such as those supporting new product introductions may benefit in applying a division of labor approach to the extent that the approach leads to greater efficiencies as well as cost reductions and quality increases. Ultimately, marketers must consider how and to what extent division of labor within as well as outside the organization may lead to such benefits.

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□ dog *see* product portfolio analysis

■ domino effect

DESCRIPTION

The effect of an action or other change in state where it precipitates a sequence or chain of similar actions or changes.

KEY INSIGHTS

In a domino effect, the action or change precipitating subsequent changes may potentially be small in and of itself and thus have a potential for a much larger overall effect, as when the effect of one person's applause in the middle of a theatrical performance acts to initiate the applause of nearby individuals and subsequently most of the audience.

KEY WORDS Change, action, reaction

IMPLICATIONS

While anticipating possible domino effects in the marketing of products and services may be difficult, marketers should nevertheless not underestimate the potential for small actions to produce relatively large overall effects, either positive or negative. For example, a negative domino effect would be observed when one consumer's voice of dissatisfaction for waiting in a long check-out line in a supermarket leads to numerous consumers also in the line also voicing their dissatisfaction.

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■ door-in-the-face technique

(also called the rejection-then-retreat technique)

DESCRIPTION

A technique for persuading an individual to accept or adopt a particular course of action where the individual is first presented with a request to accept a much larger course of action which the individual is almost certain to reject.

KEY INSIGHTS

Based on pioneering research by Cialdini et al. (1975), the door-in-the-face technique was observed to be more effective in obtaining volunteers for particular causes relative to the condition where volunteers were sought for the same causes without using the technique. The technique therefore involves presenting an option that is so extreme as to be unacceptable, thereby making lesser alternatives appear more acceptable in comparison.

KEY WORDS Persuasion, compliance, negotiation, selling

IMPLICATIONS

While the technique may certainly not be appropriate for use in all or even in most instances where marketers seek to persuade as it is one technique among many, it nevertheless may be an alternative, and marketers may wish to explore its viability in areas of persuasive communication including personal selling and negotiations.

APPLICATION AREAS AND FURTHER READINGS

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□ door-to-door marketing *see* direct marketing

■ double jeopardy effect

DESCRIPTION

The phenomenon where big-share brands benefit in two ways when compared to small-share brands, namely, (1) having more buyers than small-share brands and (2) being bought slightly more frequently than small-share brands, where both effects occur within the same timeframe.

KEY INSIGHTS

The double jeopardy effect is present in a product category where it is observed that high market penetration tends to coincide with slightly higher purchase frequencies. Confirmed observations of the phenomenon make it an empirical generalization across a number of branded product categories, ranging from detergents to pet foods to pharmaceutical prescribing, in the UK, the USA, Europe and Japan.

KEY WORDS Brands, size, purchase frequency, loyalty

IMPLICATIONS

Marketers involved in brand management should strive to understand purchase behaviors for all brands in a particular product category and whether the double jeopardy pattern is visible. To the extent it is observed, marketers may be able to anticipate better how changes to encourage more buyers may also coincide with greater purchase frequency.

APPLICATION AREAS AND FURTHER READINGS

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■ drive theory of social facilitation

DESCRIPTION

A theory aimed at explaining how and why a social presence, such as that of a passive audience, may facilitate or hinder the performance of an individual's task.

KEY INSIGHTS

Based on pioneering research by Zajonc (1965), the theory suggests that the unpredictable nature of people leads one to be in a more alert or aroused state when performing a task. When an individual performs a task that is well learned or simple, a social presence may lead to enhanced performance as such a presence may facilitate eliciting dominant responses from the individual. On the other hand, performance may be reduced by a social presence when an individual performs an inadequately learned or difficult task as a result of incorrect responses dominating.

KEY WORDS Audiences, social facilitiation, motivation, performance

IMPLICATIONS

Marketers should be sensitive to how audiences or other forms of social presence may facilitate or hinder the performance of particular individuals engaged in particular tasks, as when a marketing executive is interviewed before a live audience. In such a case, consideration should be given to not only the nature of the social presence (e.g. audience receptivity, friendliness) but also the abilities of the individual relative to the task (e.g. public speaking ability) and the relative simplicity or difficulty of the task (e.g. whether it is a well-known or difficult and controversial topic).

APPLICATION AREAS AND FURTHER READINGS

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□ Dunning's eclectic paradigm *see* eclectic paradigm

□ durable good *see* goods

■ dynamic capabilities

DESCRIPTION

Processes within a firm aimed at maintaining consistency with, or creating changes to, the firm's markets.

KEY INSIGHTS

As markets are rarely static, but rather are often in a state of constant change in terms of their evolution (e.g. they emerge, merge, divide, or die out), dynamic capabilities capture the notion that there are processes within a firm that assist it with maintaining compatibility with, or proactively changing, market conditions. In particular, firms can be viewed as having organizational and strategic routines that enable the firm to harness, integrate, or reconfigure resources, as well as establish or release new resources, aimed at ensuring market consistency or its focused change, and where the ultimate aim is that of developing and achieving competitive advantages. While the term may be vaguely or generally applied in characterizations of the relative strength of the organization's overall capabilities, it can also be used in the identification of specific capabilities, such as those facilitating effective new product development efforts (e.g. via the presence and development of technological skills among workers) or effective strategic decision making (e.g. via the pooling of functional expertise among managers), for example.

KEY WORDS Competitive advantage, dynamic markets

IMPLICATIONS

As markets clearly vary in the nature and extent of their dynamic change, marketers must assess how and to what extent dynamic capabilities within the firm may contribute to maintaining consistency between the firm and its markets and/or influencing market change. At the extreme, a market may be so volatile that a firm's dynamic capabilities become unstable. At the very least, however, a firm may benefit from understanding, evaluating, and integrating 'best industry practices' as part of its efforts to develop and implement value-creating strategies given its specific resources.

APPLICATION AREAS AND FURTHER READINGS

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□ dynamic pricing *see* pricing strategies

E

□ E, theory *see* E and O theories of change

■ E and O theories of change

DESCRIPTION

A set of two dramatically different theories of organizational change, with theory E focusing on the creation of economic value and with theory O focusing on the development of the organization's human capabilities.

KEY INSIGHTS

Put forth and developed by Beer and Nohria (2000), the two different approaches to organizational change emphasize differences in both the purpose and means of organizational change. With theory E's purpose being that of creating economic value (e.g. shareholder value), the means of change associated with theory E is viewed as including, among other factors, top-down leadership, an organizational emphasis on structure and systems, and programmatic planning. In contrast, theory O's purpose of developing human capabilities within the organization for effective strategy implementation and learning from organizational change leads the organization to adopt a cultural focus with participative leadership and rely on an emergent approach to planning. Given that arguments for both approaches to organizational change are equally legitimate and plausible, each has shortcomings relative to the other, however. As such, combining the two approaches, while somewhat paradoxical, may lead to more effective organizational change in comparison to the adoption of only one approach or the other. Still, the daunting challenge associated with the effective integration of the two approaches (either by simultaneous or sequential means) suggests that firms lacking the overall skills to integrate them may be better adopting only a single approach with recognition of its particular costs and benefits.

KEY WORDS Organizational change, **value**, capabilities

IMPLICATIONS

Marketing managers and strategists involved in major efforts to develop and implement organizational change may find a greater knowledge of the E and O theories of change to understand and evaluate better the change options and approaches open to the firm. In particular, managers must assess to what extent the firm may be able to integrate the approaches or implement either in an effort to identify the most suitable means of pursuing particular organizational changes.

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☐ early adopters *see* adopter categories

☐ early follower *see* market entry timing

☐ early majority *see* adopter categories

■ eclectic paradigm

(also called Dunning's eclectic paradigm or the OLI paradigm)

DESCRIPTION

A paradigmatic view for the consideration of foreign direct investment which suggests that ownership-specific advantages, location-specific advantages, and internalization advantages are three factors that are important in establishing whether a firm pursues direct investment in international operations.

KEY INSIGHTS

The eclectic paradigm as advanced by Dunning and developed in subsequent internationalization research suggests that the combination of ownership-specific advantages (i.e. advantages specific to the firm which enable them to compete against firms in the target country), location-specific advantages (advantages associated with the conditions prevailing in the target country), and internalization advantages (advantages associated with abilities to manage assets within the firm rather than license their use) often requires foreign direct investment, as in requiring a firm to establish production facilities where its foreign assets and resources are located.

KEY WORDS Internationalization, foreign direct investment, multinational enterprises, international operations

IMPLICATIONS

Marketers involved in international marketing strategy development and international marketing management may benefit from understanding mechanisms of internationalization which draw upon the eclectic paradigm when the aim of a firm is to ascertain the need for foreign direct investment given a firm's particular ownership, locational, and/or internalization advantages. Such knowledge may be beneficial, for example, in assisting marketers with decisions regarding the best way of meeting customer needs in different country markets (e.g. through a local presence versus a contractual arrangement with another organization).

APPLICATION AREAS AND FURTHER READINGS

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□ **ecological validity** *see* validity

□ **eco-centric marketing** *see* green marketing

□ **eco-marketing** *see* green marketing

□ **economic environment** *see* macroenvironment

□ **economic theory of clubs** *see* clubs, theory of

■ economies of growth

DESCRIPTION

Advantages accruing to a growing firm as a consequence of its current or earlier economic growth.

KEY INSIGHTS

Independent of other factors such as scale or scope, a growing firm may experience certain advantages relative to that experienced by a stationary firm. Beyond a certain rate of growth, a growing firm may find it is easier to retain and attract high-quality management, for example.

KEY WORD Growth

IMPLICATIONS

Depending on the current or past growth rate of their firm, marketers may find that such a measure of organizational performance provides the firm with certain advantages that are not achievable or evident in relation to other organizational performance indicators or strategies.

Given such favorable circumstances, marketing managers may wish to actively explore ways to put such advantages to use, such as in the area of recruitment of new management and related negotiations.

APPLICATION AREAS AND FURTHER READINGS

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■ economies of scale

DESCRIPTION

Reductions in unit production costs resulting from an increase in production output.

KEY INSIGHTS

Economies of scale in a production process can be achieved with higher output levels in a production process when the higher levels of output enable the use of more productive technologies, greater specialization of labor, lower per-unit material costs, more efficient equipment, better management utilization, and the like. In the context of economies of scale, production processes may include activities beyond the traditional manufacture of goods such as product distribution and services marketing and management. A benefit of economies of scale is that they enable a producer to offer products or services at more competitive prices or to obtain higher per-unit profit margins.

KEY WORDS Production output, **cost(s)**, **scale**

IMPLICATIONS

Marketers seeking to reduce unit production costs for goods or services in any process should consider how increasing output to specifically higher levels can provide opportunities to incorporate new or different approaches into the production process that could result in predictable cost reductions.

APPLICATION AREAS AND FURTHER READINGS

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■ economies of scope

DESCRIPTION

Reductions in unit production costs resulting from an increase in the range of goods produced.

KEY INSIGHTS

Given that the production of goods can be broadly defined to include the provision of any product or service by a firm, economies of scope are present any time a change in the scope of the firm's offerings leads to a reduction in the unit costs associated with the provision of the offerings. Thus, an economy of scope is evident when it is more efficient for a salesperson to sell several of the firm's products rather than just one product. Typically, economies of scope arise when multiple activities of the firm are related and where common or shared resources such as equipment or personnel are involved.

KEY WORDS Product range, **cost(s)**

IMPLICATIONS

Marketing managers may benefit from examining the range of the firm's offerings for possible expansion if the aim is to manage and reduce such unit marketing costs. However, marketers should also seek to understand how and when there may be limits to the achievement of scope economies in certain marketing efforts (as when a salesperson is responsible for the sale of greater numbers of specialized products to the point where product knowledge suffers).

APPLICATION AREAS AND FURTHER READINGS

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□ edge effect *see* serial position effect

■ effect, law of

DESCRIPTION

The psychological principle that states, of the several responses made to the same situation, that which is accompanied or closely followed by satisfaction, other things being equal, will more likely be repeated, and the connections learned, whereas those responses that are followed by punishment will be extinguished.

KEY INSIGHTS

Based on pioneering research by Thorndike (1927), the law of effect is a way to explain how people learn, which involves the selection of behaviors based on their consequences. According to this view, responses that lead to reward tend to increase in strength, whereas those that lead to punishment tend to decrease in strength. The first part of the law has been amply corroborated by empirical studies, while the second part of the law has received less corroboration.

KEY WORDS Learning, behavioral consequences, satisfaction

IMPLICATIONS

Based on the law of effect, marketers would expect consumers to be much more likely to repeatedly purchase a brand if they were satisfied with it and be much more likely to discontinue purchase if dissatisfied. In any offering, whether goods purchased or services used, future consumer behaviors may be dependent on consumers' views of the likely consequences of their particular consumption choice behaviors.

APPLICATION AREAS AND FURTHER READINGS

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■ efficient market hypothesis

DESCRIPTION

The view that asset prices in a market reflect fully all known information and therefore are the best available estimates of their real values.

KEY INSIGHTS

The efficient market hypothesis, largely examined in relation to the prices of securities in the stock market, provides a basis for economic assessments of market asset prices more generally. The hypothesis has both economic advocates and critics, with critics including many market analysts concerned with predicting share prices to identify those likely to achieve the best returns, for example. The hypothesis is further recognized as involving several forms (i.e. weak, semi-strong, and strong form efficiency), where weak form efficiency has received the broadest acceptance.

KEY WORDS Market efficiency, asset valuation

IMPLICATIONS

Marketers concerned with the accurate assessment (e.g. prediction or estimation) of asset prices may benefit from a greater understanding of the efficient market hypothesis in its various forms. While the overall hypothesis itself remains controversial, knowledge of its theoretical assumptions as well as its use in settings ranging from share price evaluations to currency exchange rate assessments may nevertheless provide the marketer with insights into alternative perspectives on asset valuations.

APPLICATION AREAS AND FURTHER READINGS

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□ eighty-twenty principle *see* Pareto principle

□ eighty-twenty rule *see* Pareto principle

■ elaboration likelihood model

DESCRIPTION

A model of persuasion and attitude formation and change that proposes that an individual's process for attitude change is dependent on the individual's level of motivation.

KEY INSIGHTS

According to the elaboration likelihood model (ELM) as developed by Petty and Cacioppo (1983, 1986), a high level of individual motivation leads an individual to pay more attention to the quality of arguments presented in a persuasive message, whereas a low level of motivation leads an individual to be more likely to respond to peripheral elements of the message. Examples of peripheral elements in advertising include background music or spokesperson attractiveness. The model further suggests that individuals responding to peripheral elements of a message will experience attitude changes that are much more short-lived relative to the case of the individuals' focusing on, and responding positively to, the quality of a message's arguments which may lead to longer lasting attitude changes.

KEY WORDS Persuasion, attitudes, motivation

IMPLICATIONS

Marketers may benefit from understanding the extent that consumers are likely to have high or low motivations to process persuasive messages since such knowledge can enable marketers to adjust the content and composition of persuasive messages accordingly to achieve greater persuasive effectiveness.

APPLICATION AREAS AND FURTHER READINGS

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□ elastic demand *see* elasticity of demand

■ elasticity of demand

DESCRIPTION

The change in demand for a good which results from a change in the price of the good itself or that of another related good.

KEY INSIGHTS

While elasticity of demand usually refers to the *price elasticity of demand* of a firm's own goods and thus is an indicator of the responsiveness of demand for the good relative to a change in its price, the term may also refer to *cross-elasticity of demand*, which is an indicator of the responsiveness of demand for the good relative to a change in the price of another related good. As such, users of the term may benefit from adopting greater specificity in terminology in avoiding any confusion or ambiguity.

Referring to price elasticity of demand, *elastic demand* is present when the elasticity of demand is greater than one (i.e. the percentage change in the quantity demanded is greater than that for its price), whereas *inelastic demand* is present when the elasticity of demand is less than one (i.e. the percentage change in the quantity demanded is less than that for its price). In assessing changes in demand attributable to the price change of another good, the relationship between goods (i.e. substitutes or complements) should be taken into account when determining cross-elasticity of demand.

KEY WORDS **Demand**, price

IMPLICATIONS

Marketers should clearly understand to what extent the demand for their goods is generally elastic or inelastic if the aim is to manage their current and future demand in response to price changes in the good or that of related goods. Relating the conceptual bases of elasticity of demand to that observed for a firm's good can provide the marketer with such insight. Beyond a general understanding, marketers should master the relatively straightforward methodologies required for their mathematical calculation to assist the firm in managing demand and price changes with even greater effectiveness.

APPLICATION AREAS AND FURTHER READINGS

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■ elation effect

(also called the Crespi effect)

DESCRIPTION

The phenomenon whereby increasing the reward to an individual for a particular response leads to a greater rate of response by the individual.

KEY INSIGHTS

Based on pioneering research by Crespi (1942), a further characteristic of the elation effect is that, in comparison to responses obtained with a smaller reward, the rate of response to a larger reward is observed to increase to a greater extent than if the larger reward were given initially.

KEY WORDS Incentives, rewards, behavior

IMPLICATIONS

The phenomenon characterized as the elation effect has implications for the nature of incentives given to individuals as rewards for behaviors where the elicitation of similar future behaviors is also a consideration. The implications are therefore broad and may range from the nature of incentives given to salespeople to service staff as a means to encourage particularly desirable behaviors.

APPLICATION AREAS AND FURTHER READINGS

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□ electronic marketing *see* e-marketing

□ electronic word-of-mouth marketing *see* viral marketing

□ e-mail marketing *see* e-marketing; direct marketing

■ e-marketing

(also known as digital marketing electronic marketing, or interactive marketing)

DESCRIPTION

Marketing that makes use of any interactive electronic communications technology or media in order to accomplish marketing objectives.

KEY INSIGHTS

In the broader context of e-commerce, e-marketing emphasizes the set of efforts by a firm that are focused on promoting its offerings and making them accessible to current and prospective customers by means involving electronic interactive communication. While e-marketing is often most closely associated with online marketing, as in marketing via the internet or Web (see **online marketing**; **Web marketing**), the scope of e-marketing and its applications continue to grow in areas including mobile communications (see **mobile marketing**), interactive television, and touch-screen electronic kiosks. As such, e-marketing approaches may include marketing approaches commonly associated with direct marketing (see **direct marketing**) including *e-mail marketing*, which involves sending electronic messages containing marketing material from one computer to one or more consumer computers on a network, and *fax marketing*, which involves using facsimile equipment to electronically transmit written or graphic marketing material over telephone lines to and from consumer and marketer locations.

KEY WORDS Communication technology

IMPLICATIONS
Marketers seeking to identify and evaluate e-marketing approaches as either a central or peripheral means by the firm to market its offerings should recognize the broad and growing scope of e-marketing. Since the key benefits of electronic communications technology include opportunities for cost-effectively expanding both the reach and richness of marketing communications relative to approaches not making use of such technology, a marketer's efforts may benefit from ongoing assessments of a wide array of the firm's marketing processes for possible e-marketing adoption and integration.

APPLICATION AREAS AND FURTHER READINGS

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□ **end effect** *see* serial position effect

■ endowment effect

(also called status quo bias)

DESCRIPTION
The phenomenon whereby individuals tend to value objects more when they are owned than when not owned.

KEY INSIGHTS

Based on pioneering research by Thaler (1980), an individual's ownership of an object tends to lead the individual to demand more for the object to give it up in comparison to the amount that the individual is willing to pay to acquire it. The phenomenon suggests that evaluations of preferences should give consideration to reference points of the status quo.

KEY WORDS Ownership, valuation

IMPLICATIONS

Marketers seeking to understand and influence consumer choices and preferences for any number of objects or items of personal property should consider how the status quo situation of a consumer may ultimately be influential in product valuations and choices. For example, a marketer may find that consumers seeking to acquire prints created by a popular artist will be willing to pay lesser amounts for the prints in comparison to prices demanded by individuals who already own the prints and who are asked to sell them.

APPLICATION AREAS AND FURTHER READINGS

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■ Engel's law

DESCRIPTION

The economic observation that individuals tend to spend a lesser proportion of their income on food as their income rises.

KEY INSIGHTS

Originally formulated by Ernst Engel in 1857, the law or tendency is based on observations that lower-income individuals tend to spend a relatively greater proportion of their income on food in comparison to higher-income individuals whose incomes also tend to be spent across a wider range of goods and services.

KEY WORDS Income, spending, food, forecasting

IMPLICATIONS

The observation embodied in Engel's law provides one basis on which marketers may seek to establish predictions or forecasts of consumer food expenditures relative to consumer incomes.

APPLICATION AREAS AND FURTHER READINGS

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■ enlightened marketing

DESCRIPTION

A marketing philosophy which holds that a company's marketing should optimally support the long-run performance of the overall marketing system.

KEY INSIGHTS

Enlightened marketing reflects business actions toward socially responsible marketing. In the pursuit of its broad aim, enlightened marketing advocates the adoption of five key principles or organizational philosophies: *consumer-oriented marketing*—where the firm is committed to viewing and organizing marketing activities from the consumer's perspective; *innovative marketing*—where the firm is committed to pursuing substantive product and marketing improvements; *sense-of-mission marketing*—where the firm emphasizes objectives having broad social implications as opposed to ones which are product focused; *societal marketing*—where the firm is committed to making marketing decisions which are based not only on interests of the firm but on the long-run interests of consumers and society; and *value marketing*—where the firm commits itself to actions and investments which create and build marketing value.

KEY WORDS Social responsibility

IMPLICATIONS

While much of marketing in many firms is clearly profit driven and market share focused over the short term, marketers should recognize how the adoption of an enlightened marketing philosophy may ultimately benefit the firm, consumers, and society over the long term. In particular, marketers should seek to understand and examine critically each of the philosophy's five supporting principles if the aim of the enlightened marketer is to move the firm's marketing efforts more in the direction of enlightened marketing.

APPLICATION AREAS AND FURTHER READINGS

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■ entrepreneurial marketing

DESCRIPTION

Marketing adapted to small and medium-sized enterprises and particularly where the entrepreneur has a pivotal role in the firm's marketing activities.

KEY INSIGHTS

In general terms, entrepreneurial marketing seeks to integrate the best of entrepreneurial and marketing perspectives, e.g. entrepreneurship's emphasis on opportunity identification and marketing's emphasis on value creation. Thus, entrepreneurial marketing emphasizes the set of approaches to marketing that acknowledge the resource-constrained nature of small and medium-sized enterprises and additionally focuses on the role of the entrepreneur in both marketing and entrepreneurial success. For example, entrepreneurial marketing recognizes a need for such firms to often pursue more creative and less sophisticated marketing approaches relative to those of larger firms. In such a context, one area which entrepreneurial marketing has focused on is that of the marketing networks, where a firm's relationships with other firms enable it to partially overcome resource constraints in its pursuit and accomplishment of marketing objectives.

KEY WORDS Small firms, medium-sized enterprises

IMPLICATIONS

Marketers concerned with the constraints faced by small and medium-sized firms as well as the opportunities afforded entrepreneurs in such firms may benefit from a deeper understanding of entrepreneurial marketing's scope and range of practices. In addition, to the extent marketers in larger organizations have some degree of autonomy and are interested in proactively pursuing marketing efforts that involve some degree of innovation and risk taking, a greater knowledge of entrepreneurial marketing may also provide insights to actions and processes not previously considered within the organization.

APPLICATION AREAS AND FURTHER READINGS

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■ entry barriers

(also called barriers to entry)

DESCRIPTION

Factors which make it more difficult for a firm to begin operating in an industry or market.

KEY INSIGHTS

Entry barriers, whether natural or ones created by firms already operating in an industry or market, generally have the effect of putting new or would-be entrants at a cost disadvantage relative to an industry's or market's established firms. Large initial capital requirements and established firms' economies of scale (leading to lower costs) are examples of two common entry barriers that can put smaller firms desiring industry or market entry at a significant disadvantage. When such conditions are combined with an incumbent strategy of sufficiently low product pricing, for example, it can be very difficult for would-be entrants to profit from their entry.

KEY WORDS Industry entry, market entry

IMPLICATIONS

As part of an ongoing effort to assess the firm's competitive environment, marketers in incumbent firms should understand carefully how and to what extent natural entry barriers, as well as those created by strategic actions, can deter other firms from entering (or competing profitably in) an industry or market. The dynamic nature of many markets is such that entry barriers will change over time as well, leading marketers at both would-be entrant firms and incumbent firms to constantly look for barriers that are sufficiently low to provide an opportunity for firms' market entry. Advances in technology that decrease the investment required for industry entry, for example, as shown in the desktop publishing industry, may lead to relatively rapid changes in the levels of certain key entry barriers.

APPLICATION AREAS AND FURTHER READINGS

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□ **environmental marketing** *see* green marketing

□ **environmentally responsible marketing** *see* green marketing

■ equity theory

DESCRIPTION

A theory of social justice suggesting that individuals strive toward social equity where inputs and outputs are considered by individuals to be fair in relation to those with whom they compare themselves.

KEY INSIGHTS

Based on pioneering research by Homans (1950) and developments by subsequent researchers, equity theory includes the view that fairness is perceived by individuals to the extent that the ratio of outcomes to inputs for a social interaction or exchange is the same as others with whom they are making comparisons. The theory further suggests that inequities felt by individuals, even if in their favor, tend to lead individuals to behaviors which try to restore equity.

KEY WORDS Fairness, social justice

IMPLICATIONS

As a key tenet of marketing involves the creation of mutually beneficial exchanges, equity theory principles and concepts can be applied by marketers in an array of situations where a marketing aim is to create mutually satisfying and equitable exchanges and exchange relationships between specific buyers and sellers in a variety of contexts.

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■ ERG theory

DESCRIPTION

A theory or model of human needs involving the three categories of needs comprising existence, relatedness, and growth and their influence on individual behavior.

KEY INSIGHTS

Formulated by Clayton Aldefer in 1969, the model involves three non-stepped need categories of existence (e.g. physiological and safety needs such as hunger, thirst, and sex), relatedness (e.g. social and external esteem needs such as family and co-worker involvement), and growth (e.g. internal esteem and self-actualization such as the desire to be creative) where the relative importance of the three categories varies among individuals. According to the theory, an unfulfilled need may result in frustration and regression to attending to needs that appear easier to satisfy.

KEY WORDS **Need(s)**, behavior

IMPLICATIONS

Concepts from ERG theory may be potentially useful to marketers seeking to satisfy consumer needs as well as marketing managers involved in meeting the needs of employees as it provides a basis for systematic evaluations of individual needs and how such needs may impinge upon individual behaviors.

APPLICATION AREAS AND FURTHER READINGS

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■ escalation of commitment

DESCRIPTION

Becoming increasingly locked into a particular course of action where ever greater commitments of resources to the course of action are made in an effort to recoup past losses or investments.

KEY INSIGHTS

A cycle of escalating commitment can be produced when individuals or organizations make ongoing efforts to recoup some or all prior investment through increasing commitments of resources to a particular course of action irrespective of its likelihood of success. Explanations for escalations of commitment include the need for internal justification (e.g. protecting one's own self-image), external justification (e.g. proving to others that they were not wrong in an earlier decision), and possible norms of consistency, where, in the case of managers, those who are more consistent in their actions may be viewed as better managers than those switching from one line of behavior to another.

KEY WORDS Action, commitment, investment

IMPLICATIONS

Escalation of commitment may potentially occur in any area of marketing where resource commitments are required to accomplish objectives. One area particularly prone to escalation of commitment is that of new product development, where an individual or an organization may continue to pursue a development effort which has received considerable past investment to a point beyond economic desirability.

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■ ethical marketing

(also called responsible marketing or sociomarketing)

DESCRIPTION

Marketing concerned with conformance to morally acceptable standards of conduct.

KEY INSIGHTS

Even though marketing may adhere to laws and regulations governing its practice, certain practices of marketing that are within the law may nevertheless be questionable from an ethical perspective. Examples of such practices might include 'confusion marketing' (see **confusion marketing**) and the use of the 'lowball technique' (see **low-ball technique**). Ethical marketing is therefore concerned with making and implementing ethical marketing decisions. The values, attitudes, and beliefs of marketers that influence marketing decisions, the culture of a marketer's firm, the decision-making processes within the firm, the decision criteria, the marketing decisions themselves, the actions associated with marketing decisions, and the outcomes and consequences of marketing actions can all be evaluated from an ethical standpoint as opposed to one of simple legality.

KEY WORDS Ethics, marketing ethics, standards of conduct, moral conduct

IMPLICATIONS

The practice of marketing involves many ethical decisions. While consumers are tolerant of (or resigned to seeing) many marketing practices that present a firm's offering in a favorable light (e.g. packaging for bacon showing the meat but concealing the fat), ethical marketing recognizes that such practices and others may benefit from greater scrutiny to ensure they are morally acceptable. Marketers concerned with such evaluations, where the perspectives of multiple stakeholders (e.g. the firm's employees, consumers, broader society) and multiple timeframes (past, present, near future, distant future) are taken into account, may therefore benefit from a greater understanding of the growing body of research on ethical marketing. In addition, a greater knowledge of the ethical codes of professional marketers (e.g. the code of ethics of the American Marketing Association, available online at **marketingpower.com**) may also assist the marketer in making ethical decisions.

APPLICATION AREAS AND FURTHER READINGS

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□ **ethnic marketing** *see* multicultural marketing

□ **ethnomarketing** *see* multicultural marketing

□ **evaluation** *see* adoption process

□ **evangelism marketing** *see* word-of-mouth marketing

■ even price effect

DESCRIPTION

Any effect on product purchase amounts or purchase frequencies resulting from a product's price ending in even-numbered digits.

KEY INSIGHTS

Pricing decisions involving setting product prices where even-numbered prices are sought or avoided indicates that the pricing approach is a form of psychological pricing, where there is an effort to manipulate consumers' perceptions of price desirability through the selection of a price's ending digits. Research on the topic of price-setting behaviors for a wide array of products clearly suggests that most managers believe that price endings are important in influencing product sales as a result of believing that most customers are more receptive to some price endings over others. While some managers advocate the use of even pricing to increase sales, particularly where endings of zero are used, other managers are observed to advocate the use of odd pricing, especially where endings of nine are used. Actual influences of price endings are observed to vary among product categories and price amounts. Beyond operational considerations, explanations for managerial use of price endings to achieve desired effects include the acknowledgment of consumer behaviors such as tendencies for consumers to round prices down, limited consumer memories, and consumers using price endings to draw conclusions about whether or not a product is on sale.

KEY WORDS Pricing, perception

IMPLICATIONS

Marketers involved in price setting should seek to understand both through prior research and experience how price endings can be used as a means to influence subtly a consumer's perceptions of a product's price or the product's attributes such as its value or quality.

APPLICATION AREAS AND FURTHER READINGS

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■ event marketing

DESCRIPTION

Marketing aimed at consumers attending or similarly exposed to a particular public or private event.

KEY INSIGHTS

While event marketing overlaps with sponsorship marketing to some extent, sponsorship marketing does not necessarily need to involve an event, whereas event marketing makes the event—that something which happens at a particular place and time—focal to the firm's marketing efforts. Events marketed may be large (e.g. a major charity concert) or quite small (e.g. an in-store product tasting). Common to all events, however, is their ability to provide consumers with positive experiences, particularly ones that stimulate multiple senses, and an opportunity to use personal contact with the consumer to communicate the organization's brand identity. Instead of learning about a new branded cola product through a television advertisement, for example, an in-store tasting enables consumers to see, taste, and smell the branded product. In addition, when an event is associated with a single organization (e.g. a charity run organized to raise funds for a specific charitable cause led by a specifically named charitable organization), the consumer's attention is relatively captive in that it is directed to, or at least connected to, the organization without interference from competing organizations.

KEY WORDS In-person communication, sensory experience

IMPLICATIONS

Whether an event is pre-communicated with controlled attendance or it merely 'happens' with any and all passers-by observing or taking part, event marketing provides the marketer with an opportunity to communicate in person the firm's brand identity. Marketers seeking to provide consumers with rich sensory experiences as an alternative or supplement to other marketing approaches may clearly benefit from a greater understanding of event marketing approaches spanning a wide range of events.

APPLICATION AREAS AND FURTHER READINGS

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■ evoked set

DESCRIPTION

The set of alternatives that are activated directly from consumer memory in response to some stimuli, where such alternatives are typically products or brands considered by the consumer in a buying decision process.

KEY INSIGHTS

In the context of a consumer's buying decision process, an evoked set can be viewed as a selected shortlist or top-of-mind set of alternatives that the consumer generates. In order for a firm's products or brands to have a chance of being evaluated by a consumer, such products or brands need to be in the consumer's evoked set.

KEY WORDS Buying decision process

IMPLICATIONS

Given the importance of evoked set inclusion in subsequent consumer evaluation of buying alternatives, marketers should seek to understand through marketing research to what extent their products or brands are likely to be found in consumers' evoked sets for the category (or categories) associated with the products or brands. Beyond influencing their products' and brands' mere inclusion in such sets with marketing communications, however, marketers should additionally be concerned with understanding consumers' evoked set sizes and influencing the relative standing of their products and brands in such sets.

APPLICATION AREAS AND FURTHER READINGS

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□ exchange *see* exchange theory

■ exchange, law of

DESCRIPTION

A view that exchange can take place between two entities, under conditions where one entity holds assortment A and the other assortment B, with elements *x* and *y* within assortments A and B respectively when: (a) *x* is different than *y*, (b) the potency of assortment A is increased by dropping *x* and adding *y*, and (c) the potency of assortment B is increased by dropping *y* and adding *x*.

KEY INSIGHTS

Put forth by Alderson and Martin (1967), the law of exchange addresses the situation where two parties each give something of value to the other to satisfy needs. In broadly characterizing that which is exchanged, that which has value may include money, tangible goods, intangible services, or even an individual's support for a cause. While the law of exchange limits the exchange context to just two entities—even though more are possible—it is nevertheless considered influential to the field of marketing as marketing itself can be viewed as involving organized systems of exchange.

KEY WORDS **Value**, **need(s)**

IMPLICATIONS

To marketers, the law of exchange can be viewed as identifying conditions necessary for exchange to occur. However, the complexities of exchange in terms of that which has value and the number of entities involved (e.g. individuals, organizations, or social actors more generally) also suggests that many exchange processes may involve dimensions which are not necessarily captured by the law of exchange. Nevertheless, given that exchange can be viewed as a fundamental 'building block' in marketing, the law of exchange provides marketers with one starting point on which to base further marketing theory and practice.

APPLICATION AREAS AND FURTHER READINGS

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■ exchange theory

DESCRIPTION

Theory or theories aimed at understanding, explaining, and/or predicting exchange events and relationships.

KEY INSIGHTS

The concept of *exchange*, or the process of giving something in return for something received, is considered by many to be at the core of marketing. While much of marketing is focused on exchanges involving the direct transfer of tangible entities between two parties, there are also many exchanges in marketing that are indirect, intangible, or symbolic, and involve more than two parties. Exchange therefore exists in many forms and is not limited to simple money-for-product transactions, nor is it limited to marketing-related contexts. For example, exchange theory is also an alternative term for social exchange theory, a theory of human relationships and social interaction which also has tremendous significance to marketing. (See **social exchange theory**.) In a marketing context, elements of exchange theory can be considered to include understandings, explanations, and predictions for: prerequisites for exchange (e.g. there are at least two parties and where each party is free to accept or reject an exchange offer), forms that value can take (e.g. goods, services, ideas, places), assessments of value, and conditions that may turn exchange events into exchange relationships.

KEY WORDS Transactions, **marketing**

IMPLICATIONS

Given the centrality of exchange in marketing, marketers should seek to understand carefully the nature of exchanges the firm has not only with its customers but all others in the marketing system (e.g. distributors and suppliers). For example, marketers should not underestimate the significance to the firm of creating satisfying indirect exchanges and multi-party exchanges in support of accomplishing the firm's marketing objectives. While exchange theory embraces a relatively pervasive phenomenon, a better understanding of exchange theory elements and related research can potentially provide the marketer with insights into not only the many different types of exchanges but a greater knowledge of exchange characteristics useful for managing their effectiveness in a wide range of marketing contexts.

APPLICATION AREAS AND FURTHER READINGS

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■ exclusion principle

DESCRIPTION

A criterion used to distinguish a public good from a non-public good, where the ability of a producer to prevent others, particularly non-buyers, from consuming the product is indicative of a non-public good.

KEY INSIGHTS

Not to be confused with the physics-based exclusion principle, the principle provides one means of distinguishing between public goods and non-public (or private) goods, where public goods are those goods that, once supplied to one individual, can be consumed by others at no extra cost and where the individual's consumption precludes the consumption of the good by others.

KEY WORDS Public goods

IMPLICATIONS

Marketers concerned with the provision of goods that are of broader economic or social benefit may gain additional decision-making and policy insights from an understanding of the exclusion principle criterion. Of particular concern in evaluating the public/non-public good distinction is in identifying the extent to which individuals will have no incentive to pay for particular goods but will be able to benefit from them and where government action and intervention may be required.

APPLICATION AREAS AND FURTHER READINGS

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□ exclusive distribution *see* distribution strategies

■ exercise, law of

DESCRIPTION

A principle stating that repetition tends to strengthen the association between a stimulus and a response, thereby making a response more likely to occur on the next presentation of a stimulus.

KEY INSIGHTS

Formulated by psychologist Edward Lee Thorndike, the law of exercise suggests that, as the association between a stimulus and a response is strengthened through repetition, presentation of the next stimulus will make the response increasingly likely to occur.

KEY WORDS Behavior, stimulus, response, education

IMPLICATIONS

The law of exercise clearly has many implications for marketing, where marketing stimuli (e.g. television commercials showing happy people eating a particular brand of ice cream) are intended by marketers to have the effect of responses such as a positive attitude toward a product, a desire to purchase the product, and/or associations with satisfaction as a result of consuming the product. Given that a consumer's initial response to a particular marketing initiative is favorable, the implication of the law of exercise is that further repetition of the marketing stimuli will be increasingly beneficial in that such a favorable response (e.g. desire to purchase the brand of ice cream) will become increasingly likely to occur upon subsequent presentation of the stimuli. Of course, a limitation to the strengthening effects of repetition is suggested with the law of diminishing returns and the possibility of burnout occurring as a result of too much repetition.

APPLICATION AREAS AND FURTHER READINGS

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■ expectancy theory

(also called expectancy-value theory)

DESCRIPTION

A theory of motivation aimed at explaining why individuals follow particular courses of action, where motivation is viewed as a function of an individual's beliefs characterized in terms of expectancy, valence, and instrumentality.

KEY INSIGHTS

Expectancy theory as developed by Victor Vroom in 1964 views a motivational force F to be equal to the products of Expectancy, Instrumentality, and Valence, that is, $F = E(I \times V)$. In the equation, Valence refers to the emotional orientations an individual holds about outcomes or rewards such as money or intrinsic satisfaction. Expectancy refers to expectations and levels of confidence about what one is capable of doing. Instrumentality refers to the expressed probability that a particular reward will actually be associated with a particular course of action.

KEY WORDS Motivation, behavior, beliefs

IMPLICATIONS

The expectancy theory of motivation has implications for understanding and explaining better many areas of employee management including an individual's view of job satisfaction, the likelihood of an individual staying in a particular job, and the level of effort that an individual may put into their job.

APPLICATION AREAS AND FURTHER READINGS

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□ expectancy–value theory *see* expectancy theory

■ expectation–disconfirmation model

DESCRIPTION

A cognitive model of satisfaction involving the view that satisfaction depends on the consistency between an individual's expectations regarding the performance of something (e.g. a product or a service) and actual performance.

KEY INSIGHTS

Cognitive models based on an expectation–disconfirmation view consider satisfaction to be a consequence when actual performance equals or exceeds an individual's expectations and dissatisfaction to be a consequence when performance is below the individual's expectations.

KEY WORDS Expectations, performance, satisfaction

IMPLICATIONS

Marketers can benefit from understanding the expectation–disconfirmation modeling approach in knowing more about how customer satisfaction may be determined. The model suggests that customer expectations for product or service performance are just as important as the actual product or service experience in establishing the degree of a customer's satisfaction or dissatisfaction.

APPLICATION AREAS AND FURTHER READINGS

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■ expected utility theory

DESCRIPTION

An economic theory of individual choice for situations involving uncertainty, risk, and/or ambiguity whereby an individual's utility for a situation is calculated by considering the individual's utility in each possible state and arriving at a weighted average.

KEY INSIGHTS

The expected utility theory (EUT) view of decision making is that a decision maker chooses between risky or uncertain prospects by comparing their expected utility values. Quantitatively, such expected utility values are weighted sums obtained by adding the utility values of outcomes multiplied by their respective probabilities. EUT is accepted as the standard theory of individual decision making in economics and, as such, constitutes a key building block of a vast range of other economic theories.

KEY WORDS Choice, decision making, risk, uncertainty

IMPLICATIONS

Expected utility theory provides a basis for many different models of decision making under risk or uncertainty. Marketers involved in the development of any such model, as when seeking to model possible consumer purchase behavior, may therefore benefit from understanding EUT's assumptions, variable relationships, and associated concepts in establishing explanations or forecasts of individual choice.

APPLICATION AREAS AND FURTHER READINGS

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□ experience, law of *see* experience curve effect

■ experience curve effect

DESCRIPTION

The effect of accumulated production experience in systematically reducing per-unit product costs.

KEY INSIGHTS

The experience curve effect is a widely recognized phenomenon in production operations. Increases in cumulative production experience provide opportunities for increased labor efficiency due to learning; cost reductions due to adoption of technological innovation in the use of production inputs or processes; and increased efficiency due to economies of scale resulting from production operations size increases. Quantification of the experience curve effect is typically in the form of a percentage reduction in unit costs (e.g. 20%) each time accumulated production is doubled. Such quantifications can be portrayed numerically or graphically to show how expected cost reductions can be determined for any given future volume of production. The general relationship observed by the experience curve effect is also what the Boston Consulting Group has termed the law of experience, or BCG's law of experience, where the doubling of cumulative production is associated with costs reducing by a constant percentage.

The experience curve concept is closely related to the learning curve concept in that both emphasize the change that occurs with learning. Thus, the experience curve effect is sometimes called the learning curve effect. Unlike the learning curve effect, however, which emphasizes changes in human performance due to learning, the experience curve effect refers to a production context where the emphasis is on understanding changes in cost, which may be due in part to a learning curve effect among production workers. (See **learning curve effect**.)

KEY WORDS Production, cost reductions, experience

IMPLICATIONS

Marketers understanding the extent that unit production costs will predictably decline due to the experience curve effect can use such knowledge in establishing more appropriate pricing strategies for new products where such costs may be very high initially but much lower over planned time horizons corresponding to planned production volume and experience increases.

APPLICATION AREAS AND FURTHER READINGS

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□ experience goods *see* goods

□ experience marketing *see* experiential marketing

■ experiential marketing

(also called customer experience marketing or experience marketing)

DESCRIPTION

Marketing aimed at getting customers to sense, feel, think, act, and relate strongly to a brand or a company.

KEY INSIGHTS

Experiential marketing attempts to build an emotional bond between the company's brand and its customers via a sensory-rich experience. Experiential marketing approaches to marketing communication are characterized by a relatively high level of interactivity, multi-sensory communication (e.g. sight, sound, touch), and personal engagement with consumers and where such conditions are directed at eliciting favorable emotional responses on the part of the consumer. An example is an agricultural firm's use of an interactive, multi-media exhibit at a regional fair which consumers can walk through and experience, where the many elements of the exhibit demonstrate and communicate to consumers how the firm and its brands have improved the quality of life. Experiential marketing's effectiveness stems from the ability of the totality of such experiences to communicate the essence, or identity, of a brand or a firm, thereby enhancing the firm's relationship with the consumer.

KEY WORDS Senses, sensory communication, interactivity, engagement

IMPLICATIONS

Marketers can develop and implement experiential marketing approaches on a relatively large scale (e.g. a walk-through branded pavilion at a theme park) or small scale (e.g. a small traveling display for the company's brand). Further, it can be the primary marketing methodology of the firm or it can be one of its complementary methodologies. Regardless of the way in which an experiential marketing opportunity is developed and presented to consumers, the approach gives marketers an opportunity to communicate with and involve consumers in a way that may be much more holistic relative to that provided by traditional marketing media (e.g. television or print advertising).

APPLICATION AREAS AND FURTHER READINGS

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■ experimenter effect

DESCRIPTION

Any generally unintended influence or bias of an experimenter on his or her results.

KEY INSIGHTS

Systematically examined by Rosenthal (1966), experimenter effects are viewed as undesirable in experimental research studies where it is recognized that experimental results or outcomes may be a result of systematic, inadvertent experimenter influence. Ultimately, there are many possibilities and opportunities for unintended experimenter influence, as where subjects interviewed by a researcher are inadvertently influenced by the researcher’s manner of relating to the subjects.

KEY WORDS Research, experiments, **bias**

IMPLICATIONS

Marketers must be aware of the possibility of experimenter effects influencing or confounding research findings. An emphasis on robust methodologies aimed at combating experimenter effects is desirable to the extent marketers seek to eliminate or control for such effects, as when subjects are interviewed by a researcher who has expectations regarding the desired outcome of the research.

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■ experimenter expectancy effect

(also called the Rosenthal effect)

DESCRIPTION

A particular type of experimenter effect whereby the experimenter's expectations act to influence or bias the findings of an experiment.

KEY INSIGHTS

Experimenter expectancy effects may be present in experimental research in many forms including unconscious experimental manipulation on the part of the experimenter as a result of knowledge of expected findings or selective interpretation or misinterpretation of data aimed at obtaining results which support an experimenter's established expectations.

KEY WORDS Research, expectations, **bias**, influence

IMPLICATIONS

When experimenters or researchers have clear expectations about the outcome of their research activities, experimenter expectancy effects may be a concern when assessing the adequacy of research designs and interpreting research findings.

APPLICATION AREAS AND FURTHER READINGS

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□ exploratory marketing research *see* marketing research

□ extensive distribution *see* distribution strategies

□ external validity *see* validity

F

□ **face validity** *see* validity

□ **factorial validity** *see* validity

■ fallacy of composition

DESCRIPTION

The mistaken assumption that, if something is true for the individual parts of a whole (e.g. members of a group), it will also hold true for the whole (e.g. group).

KEY INSIGHTS

The fallacy of composition can lead individuals or groups of individuals to mistakenly draw incorrect conclusions concerning the relationship between individual and collective behaviors. For example, the fallacy may lead an individual to believe that actions taken that are in the best interest of individuals in a group will also be in the best interest of the group—something which is inappropriately inferred. An economic illustration is the case where increased savings by an individual can clearly be beneficial to the individual but may actually be detrimental to an economy if such collective action leads to a reduction in consumer demand.

KEY WORDS Decision making, beliefs

IMPLICATIONS

Marketers concerned with the study of individual and group beliefs regarding the relationship between individual and group actions may benefit from a deeper understanding of the fallacy of composition concept. Given the broad range of phenomena where the fallacy of composition has been both observed and demonstrated (e.g. small group behaviors, economic policy), marketers should not assume that the decision-making assumptions of others will always exclude this fallacy.

APPLICATION AREAS AND FURTHER READINGS

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■ fallacy of misplaced concreteness

DESCRIPTION

Fallaciously believing that an abstraction is actually something material or concrete.

KEY INSIGHTS

The fallacy of misplaced concreteness involves the concept of *reification*, or the process whereby concepts become material. As a fallacy, misplaced concreteness can lead individuals to mistakenly draw incorrect conclusions concerning the nature of ideas, concepts, and models. For example, the fallacy may lead a marketing manager to treat an ideal conceptual model of the consumer buying decision process as if it were a description of a real or actual consumer buying decision process.

KEY WORDS Abstractions, concepts

IMPLICATIONS

Marketers should be wary of the fallacy of misplaced concreteness when examining conceptual material to avoid drawing incorrect conclusions about the true nature of such material. In addition, in an effort to ensure a sense of realism in understanding and evaluating a wide range of marketing phenomena in terms of concepts and models, marketers should also be wary of the possibility that the views of others may inappropriately embody such a fallacy.

APPLICATION AREAS AND FURTHER READINGS

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■ false consensus effect

DESCRIPTION

The tendency for individuals or groups of individuals to overestimate the extent that others are in agreement with their views.

KEY INSIGHTS

The false consensus effect is a cognitive bias among individuals or groups of individuals that leads them to believe that the collective view of others is more likely to reflect their view than is actually the case. In other words, it is the tendency to see oneself as more representative of others than one really is. While there may be multiple causes for the effect's prevalence among both individuals and groups in the general population, one explanation for the effect's prevalence among groups is the tendency for some groups to be in consensus on matters of group opinion but where the opinion is unchallenged to a large extent by others outside the group.

KEY WORDS Cognitive bias, consensus

IMPLICATIONS

In the conduct of marketing research, management, and strategy development, marketers should be aware of the general human tendency for an individual to believe their views are shared by others to a greater extent than they really are, since the existence of the false consensus effect can lead to biased perceptions and inaccurate conclusions by the marketer. For example, the effect may lead a group of marketing strategists in a firm to believe that certain views regarding consumers are also shared to a great extent by competing firms in the industry when it may not be the case at all, thereby leading the firm to fail to predict certain competitive actions.

APPLICATION AREAS AND FURTHER READINGS

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■ fan effect

DESCRIPTION

A tendency in individual learning and long-term memory retrieval where the greater the number of specific facts an individual links to a general mental construct, the less likely it is that any particular fact will be retrieved or recalled by the individual when the general mental construct is present later on.

KEY INSIGHTS

According to pioneering research by Anderson (1974) on the fan effect, when an increasingly large number of facts is associated with a particular category or mental construct by an individual (e.g. the category of 'currency' in contrast with the category of 'tableware'), the retrieval of any given fact by the individual becomes increasingly difficult when the mental construct is subsequently present. Retrieval difficulty, for example, may be in terms of the time it takes the individual to verify that any particular fact is, in fact, linked to the particular category or general mental construct.

KEY WORDS Learning, memory retrieval

IMPLICATIONS

Marketers concerned with how and to what extent consumers may ultimately retrieve information learned regarding a category (e.g. a product category, a service provider category, an industry, or a market) may benefit from a greater appreciation and understanding of the fan effect. In particular, the prevalence of the fan effect in memory retrieval suggests that marketers should seek to understand how and when it may work to the marketer's disadvantage or advantage as well as how and when the effect may be increased or decreased. The fan effect is decreased, for example, when an individual, through increased expertise, creates subcategories or additional mental constructs that are linked with smaller sets of facts that would otherwise be associated with larger categories or broader mental constructs.

APPLICATION AREAS AND FURTHER READINGS

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□ **fast follower** *see* market entry timing

□ **fast moving consumer goods** *see* goods

□ **fax marketing** *see* e-marketing; direct marketing

■ field marketing

DESCRIPTION

A marketing approach involving the deployment of marketing, sales, or other staff by a firm to engage in person-to-person interaction in the field, such as at locations visited by customers.

KEY INSIGHTS

A field marketing approach enables a firm's staff to use and offer their personal expertise to enhance distributor effectiveness and/or customer experiences. Field marketing encompasses a range of approaches and activities that take place at or closer to places where customers engage with the firm's offerings. Field marketing can therefore be said to encompass marketing approaches including event marketing and experiential marketing. (See **event marketing; experiential marketing**.)

KEY WORDS Customer interaction, distributor interaction

IMPLICATIONS

Marketers seeking a greater marketing presence in the field where distributors and/or customers are present can benefit from a deeper understanding of the scope and range of the field marketing concept and approaches. In particular, knowing how the approach has been used effectively by other firms in marketing efforts for a variety of other product and service categories can provide the marketer with a rich set of field marketing strategies, techniques, and tactics to subsequently evaluate for use in the marketing of the firm's own products or services.

APPLICATION AREAS AND FURTHER READINGS

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■ field theory

DESCRIPTION

Theory or theories viewing behavior as being determined by the totality of an individual's situation.

KEY INSIGHTS

Field theory approaches to the study of phenomena in the social sciences involve focusing on the interactions that occur in the space between various objects of analysis as opposed to focusing on relations within the objects of analysis. In the context of individual behavior, field theory views individual behavior as being determined by an individual's entire situation or life space, including the individual's goals, needs, and perceptions of the environment.

In addition to marketing, field theory research spans disciplines in the social sciences including psychology, sociology, and anthropology. Field theory is also an area of study in both physics and mathematics, but the field theory term has different emphases in each of these other fields and is not directly relevant to marketing even though both fields can be said to have contributed to field theory application in the social sciences. One of the early pioneers of field theory development in the social sciences is Lewin (1951) and much of field theory in the social sciences is therefore referred to as *Lewin's field theory*.

KEY WORDS Behavior, goals, **need(s)**

IMPLICATIONS

Marketers recognizing the complexity of consumer behavior may benefit from a greater understanding of individual behaviors by adopting a field theory perspective in their analysis and research efforts. In particular, insights gained from a field theory perspective may enable marketers to offer products and services which are more closely aligned with consumer goals, needs, and perceptions of their purchase, service use, and consumption environments.

APPLICATION AREAS AND FURTHER READINGS

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□ **fighter brand** *see* brand positioning
□ **final goods** *see* goods
□ **firm, behavioral theories of the** *see* firm, theory of the
□ **firm, managerial theories of the** *see* firm, theory of the

■ firm, theory of the

DESCRIPTION

Theory or theories aimed at understanding, explaining, and predicting the conduct and behavior of firms.

KEY INSIGHTS

Theories of the firm comprise multiple theoretical perspectives on the nature of the firm, with more specific emphases including firm pricing decisions, investment decisions, choice of production process, output decisions, and dividend policy. Major distinctions in various theories of the firm include that of *managerial theories of the firm*, where the emphasis is on analyses of the consequences of the firms' conduct when managers emphasize objectives other than that of profit maximization, and *behavioral theories of the firm*, where the emphasis is on consideration of the objectives and motives of multiple individuals and groups within the firm.

KEY WORDS Management objectives, organizational behavior

IMPLICATIONS

Although there are multiple theories of the firm and specific research emphases, an understanding of perspective associated with each can potentially sensitize the marketer to issues and practices that may be otherwise under-appreciated drivers, or consequences, of firm- and strategic marketing-related actions. For example, the various theories may help to gain insight into issues important to small firms (e.g. extent of ambition within the firm to actually grow) as well as large firms (e.g. the possibility that managers may engage in empire building at the expense of overall firm profitability).

APPLICATION AREAS AND FURTHER READINGS

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□ **first law of marketing** *see* marketing, laws of

□ **first-mover advantage** *see* market entry timing

□ **fixed cost** *see* cost

■ floor effect

(also called basement effect)

DESCRIPTION

Any effect on measurement or response where a lower limit to the range of possible responses leads to a skewing of the distribution of responses.

KEY INSIGHTS

The floor effect becomes an issue in measurement and response when the imposition of a lower limit on possible responses impedes understanding the true nature of responses for a phenomenon as a result of its prominent effects on statistical analyses. Oftentimes, the existence of the floor effect in a set of measurements means only limited insights can be drawn about a phenomenon. For example, if consumers were surveyed to indicate the number of car brands they are able to name, where the range of choices given to them is, say, from five or fewer to ten or more, information from the survey would be lost if a relatively large proportion of respondents indicated the answer of five or fewer.

KEY WORDS Measurement, response, statistical analysis

IMPLICATIONS

Marketers should be aware of the possibility of a floor effect in conducting marketing research when the lower limit to a range of possible responses to be collected or measured is essentially arbitrary.

APPLICATION AREAS AND FURTHER READINGS

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□ FMCGs *see* goods

□ focus group *see* marketing research

□ focus strategy *see* strategies, generic

□ follow-up *see* selling process

□ follower advantage *see* market entry timing

□ follower firm *see* market entry timing

■ foot-in-the-door technique

DESCRIPTION

A technique for persuading an individual to accept or adopt a particular large course of action where the individual is first presented with a request to accept a much smaller course of action which has the effect of making the individual more amenable to subsequently accepting the larger course of action.

KEY INSIGHTS

Based on pioneering research by Freedman and Fraser (1966), the foot-in-the-door technique was observed to be more effective in obtaining individuals' commitments to particular causes relative to the condition where individuals were sought for the same causes without using the technique. The technique therefore involves presenting a small request that is relatively palatable to an individual and where the individual's commitment to accepting the request weakens the individual's interest in rejecting a subsequently larger request.

KEY WORDS Persuasion, compliance, negotiation, selling

IMPLICATIONS

While the technique may certainly not be appropriate for use in all or even in most instances where marketers seek to persuade as it is one technique among many, it nevertheless may be an alternative; marketers may wish to explore its viability in areas of persuasive communication including personal selling and negotiations.

APPLICATION AREAS AND FURTHER READINGS

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□ for-profit marketing *see* commercial marketing

■ forecasting methods

DESCRIPTION

Any of an array of methods for estimating or predicting future events or conditions.

KEY INSIGHTS

Marketers have a range of methods to draw upon in making forecasts concerning events and conditions which vary in the likelihood of their occurrence in both the short and long term. Three notable forecasting methods used in marketing are: the *market factor index method*, where market factors found to correlate with market potential are identified and then combined to form a weighted index; the *Delphi method*, where the views of individual experts forming an expert panel are obtained, summarized, and fed back to individuals for reconsideration and where successive iterations of the process are aimed at arriving at panel consensus; and the *jury method*, where the views of a certain number of customers (e.g. 50 to 100) are used to establish a collective opinion about an event's or condition's likelihood of occurrence, which may include opinions regarding the degree of consumer acceptance of a new offering by the firm. No single method is considered superior to any other as each has benefits and limitations which must be weighed in accordance with the marketer's objectives.

KEY WORDS Estimates, predictions

IMPLICATIONS

In forecasting, marketers should evaluate multiple methods for characteristics including accuracy and bias potential, resource requirements (e.g. time, money, effort), and potential for contribution to the firm's marketing objectives. To the extent that stakes are high regarding the accuracy and usefulness of an estimate or prediction, marketers may benefit from the adoption of multiple forecasting methods, which may further include a combination of both quantitative and qualitative approaches.

APPLICATION AREAS AND FURTHER READINGS

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□ Forer effect *see* Barnum effect

□ forgetting, law of *see* forgetting curve

■ forgetting curve

(also called the Ebbinghaus forgetting curve, Ebbinghaus curve of forgetting, Ebbinghaus forgetting function, Ebbinghaus effect, Ebbinghaus's law of forgetting, or, more generally, the law of forgetting)

DESCRIPTION

A curve depicting the outcome of Ebbinghaus's recall experiments relating the time since a learning session to the percentage of recall.

KEY INSIGHTS

Ebbinghaus (1913) conducted pioneering experimental research on memory. As a result of experiments which involved using sets of items to be committed to memory that had no previous associations, he produced a now-famous curve summarizing his findings. With time since learning session on the *x*-axis and percentage of recall on the *y*-axis, a plot of the following numbers can be used to show the Ebbinghaus forgetting curve:

Time since Learning Session	Percentage of Recall
28 minutes	58.2%
1 hour	44.2%
9 hours	35.8%
1 day	33.7%
2 days	27.8%
6 days	25.4%
31 days	21.1%

The forgetting curve involves recall, which is simply trying to recall each item. Ebbinghaus also examined recollection, which involves trying to recognize which items had been on the list studied, and found that recollection is a more sensitive test of memory than recall as people may be able to recognize items that they cannot recall.

Ebbinghaus further developed the concept of savings in relation to rememorization. Specifically, in trying to rememorize a list of items after some long period of time (i.e. after a time when neither recall nor recollection demonstrate much evidence of prior learning), an individual can attempt to rememorize the list through further trials. By comparing the number of trials required to rememorize the list (e.g. five trials) to the number of trials required to memorize the list the first time (e.g. ten trials), a percent savings can be calculated (e.g. 5/10 or 50%). Ebbinghaus views the concept of savings to be the most sensitive test of memory, as it characterizes a residual effect of previous learning, especially when recall and recognition show little evidence of prior learning. The savings concept of Ebbinghaus is often referred to in research as the Ebbinghaus savings function.

It is important to note that the forgetting curve should not be confused with the power law of forgetting which mathematically characterizes the forgetting function as a specific power function. (See **power law of forgetting**.)

Note also that the forgetting curve should not be confused with the *forgetting law*, also known as *Jost's law*, or Jost's law of forgetting. The forgetting law encompasses two specific, formal ideas developed by Jost (1897) concerning aspects of memory. Specifically, the forgetting law states that if two associations or memories are of the same strength but different ages, the older will (a) benefit more from a learning trial and (b) decay more slowly in a given period of time than the younger one. While of interest in the field of psychology, the forgetting law as developed by Jost has not received significant research attention in marketing.

KEY WORDS Forgetting, memory, recall

IMPLICATIONS

Much marketing practice is aimed at encouraging consumer recall and recognition of a marketer's products and brands. Recognizing that consumers have a systematic tendency to forget part of what they learn over time, knowledge of such tendencies, and its quantification can form the basis for marketing models, policies, and practices that help to make the best use of marketing resources and strategies for particular marketing objectives for short- and long-term consumer learning. Advertising policies and practices are particularly influenced by a careful understanding of consumers' forgetting tendencies.

APPLICATION AREAS AND FURTHER READINGS

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□ **forgetting law** *see* forgetting curve

□ **forward integration** *see* integration

□ **four Ps** *see* marketing mix

■ framing effect

DESCRIPTION

Any effect of how a problem is described, presented, or labeled on an individual's response to it.

KEY INSIGHTS

Based on pioneering research by Tversky and Kahneman (1981), the framing effect is observable when significantly different responses (e.g. decisions) are obtained by individuals when the same problem is merely presented in different ways, as when saying a surgical operation has a 10% chance of failure vs. a 90% chance of success. How problems are framed can therefore influence the way problems are evaluated, which may include leading individuals to pay more or less attention to their tendencies to be either risk averse or risk seeking.

KEY WORDS Problem framing, choice, decision making

IMPLICATIONS

Marketers should seek to understand how the framing of particular problems presented to individuals for their consideration may systematically influence their decision making. Whether in using persuasive communications with consumers or internal marketing communications in efforts to persuade employees within an organization, a better understanding of the relative influence and importance of framing effects may assist the marketer in proactively developing effective marketing message content for both tactical and strategic marketing communications.

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■ free rider effect

DESCRIPTION

A situation where an individual or organization is able to benefit from the actions of another without contributing to the cost associated with such actions.

KEY INSIGHTS

The free rider effect, where one outcome of an action is that others are able to benefit from the action without contributing to its cost, is typically viewed as a problem for those bearing the cost of the action and an opportunity for those who are able to benefit from the action. A firm choosing to be a market pioneer, for example, typically bears a higher cost to develop a new product than those that follow with a copy of the product since follower firms can frequently reverse-engineer, or at least learn from, the pioneer's product.

KEY WORDS **Cost(s), benefits**

IMPLICATIONS

Whether involved in new product development efforts or in the management of public goods and services, a marketer should be concerned with the extent to which free rider effects are either created by the actions of the marketer's organization or by the actions of others. In doing so, the marketer will be in a better position to assess the extent that free rider effects create problems or opportunities for the firm.

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□ freight-absorption pricing *see* pricing strategies

■ frequency marketing

DESCRIPTION

Marketing which involves rewarding customers for the volume or frequency of their purchases in order to enhance customer profitability.

KEY INSIGHTS

Frequency marketing emphasizes the development and implementation of marketing strategies and tactics aimed at increasing the frequency of customer purchases, visits, orders, and the like in an effort to maximize the profit contributions of customers. Frequency marketing can therefore involve a process of identifying 'best,' or most valuable customers, recognizing that the Pareto principle may apply to customer profitability (where, for example, 80% of the firm's profits may be attributed to 20% of the firm's customers). The practice of frequency marketing by many firms is typically through formal loyalty programs, which aim to encourage repeat purchase and increase customer retention.

KEY WORDS Purchase frequency, loyalty, customer retention

IMPLICATIONS

Marketers concerned with increasing repeat purchases by customers valued by the firm may benefit from a greater understanding of the benefits, costs, and limitations associated with the practice of frequency marketing. For example, marketers should recognize that, while customers may increase their purchase frequency in response to a marketer's frequency program and ultimately become habitual or steadfast buyers, it is also possible that customer loyalty may be short-lived among other customers, particularly if the frequency marketing programs of competitors become relatively more attractive to such customers.

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□ **functional area strategy** *see* marketing strategy

□ **functional theory of attitudes** *see* attitudes, functional theory of

■ fundamental attribution error

DESCRIPTION

The common tendency for individuals to underestimate the influences of external circumstances in interpretations of others' behaviors as well as to overestimate the importance of others' dispositions in such interpretations.

KEY INSIGHTS

The pervasive phenomenon of the fundamental attribution error is a major area of focus in the broader area of attribution theory. The phenomenon is a form of dispositional bias which may result in significant misjudgments of others' attitudes and behaviors.

KEY WORDS Causality, circumstances, behavioral explanations

IMPLICATIONS

Particularly in service encounters, marketers must be aware of how consumers may fail to consider sufficiently how external circumstances have influenced particular individual behaviors (as in explaining the slowness of a department store cashier) as well as how the same consumers may also give excessive attention to the influence of other's personality characteristics and related dispositions. Adjusting marketing communications to draw attention to the influences of external conditions may be a means to counter individual tendencies for making a fundamental attribution error.

APPLICATION AREAS AND FURTHER READINGS

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■ fusion marketing

DESCRIPTION

Marketing involving the use of multiple forms of promotion, communication, and/or interactivity.

KEY INSIGHTS

The emphasis on fusion marketing is that of combining alternate means of marketing to enhance overall marketing effectiveness. In an online marketing environment, a fusion marketing approach may therefore involve a coherent mix of e-mail advertising, banner ad presentations, and relevant web page-based content in an effort to achieve a firm's marketing objectives. The approach may also involve efforts to coordinate and profit from marketing performed across firms, as where two firms endorse or promote each other's products. As the term is used by practitioners to indicate marketing activities that vary in their emphasis (e.g. as part of online marketing, as part of guerrilla marketing), the actual scope of fusion marketing remains relatively vague and certainly overlaps with hybrid marketing and convergence marketing (see **hybrid marketing**; **convergence marketing**).

KEY WORDS Multiple marketing approaches

IMPLICATIONS

While conceptually vague, fusion marketing nevertheless provides the marketers with a perspective suggesting the possibility of increased marketing effectiveness as a result of the adoption of multiple marketing methods. In addition, given that the term is used in certain contexts (e.g. guerrilla marketing) to achieve increased cost effectiveness, the concept also lends itself to the notion that there may be multiple low-cost methods that the marketer can employ given limited marketing resources.

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■ fuzzy set theory

DESCRIPTION

Theory relating to fuzzy sets, where elements' membership in relation to a set is viewed as gradual or continuously graded.

KEY INSIGHTS

The notion of fuzzy sets was developed in pioneering research by Zadeh (1965) as a result of the observation that many phenomena (e.g. attractiveness, newness) involve categories with indistinct boundaries. In contrast to a view that elements either are or are not members of a set, fuzzy sets enable elements to have graded degrees of set membership ranging from zero to one, where zero indicates non-membership and one indicates full membership.

KEY WORDS Sets, models, membership

IMPLICATIONS

Fuzzy set theory has potential for use in the development and application of marketing models where categories are viewed as having indistinct boundaries, as in categorizations of products or in characterizations of consumer choice behavior.

APPLICATION AREAS AND FURTHER READINGS

Marketing Modeling

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G

■ gain–loss effect

DESCRIPTION

An effect characterizing situations whereby an outcome is more dependent on the degree of increase or decrease of an influencing factor than the overall level of the influencing factor.

KEY INSIGHTS

Based on pioneering experimental research by Aronson and Linder (1965), the gain–loss effect is embodied in the finding that an individual's attraction to another is commonly observed to be more dependent on the degree that the other individual's liking of them has increased or decreased rather than the overall level of the other's degree of liking. In such a context, an individual's attraction to another tends to be high when the other's liking of the individual has appeared to increase and low when the other's liking of the individual has appeared to decrease.

KEY WORDS Decision making, gains, losses

IMPLICATIONS

Marketers should consider how gains or losses associated with a customer relationship or product or service offering, whether experienced or simply perceived by a consumer or other individual, may have more influence on the individual's behaviors or decisions than the overall level of a factor of influence. As such, the gain–loss effect may embody itself in elements of marketing relationships with consumers as well as in decision-maker evaluations of problems involving gains or losses.

APPLICATION AREAS AND FURTHER READINGS

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■ gambler's fallacy

DESCRIPTION

The misconception that future occurrences of a repeating random event are influenced by past occurrences.

KEY INSIGHTS

The gambler's fallacy characterizes an error in understanding probabilities where an individual believes that the frequency or recency of repeated random events of the past is influential in determining the outcome of a future random event. The fallacy is therefore present in believing that a random event is more or less likely to occur because it has not happened for a long time or because it recently happened. A common example is when believing that not winning a jackpot on a slot machine after playing it for a long period of time means that the next time the slot machine is played, the chances of winning a jackpot are greater.

KEY WORDS Probabilities, random events

IMPLICATIONS

Consumers who fail to understand the nature of random events may make an error of reasoning in the form of the gambler's fallacy. Such a misconception may influence consumer behavior in activities such as gambling. Marketers and consumers should seek to understand the nature of random events to ensure that actions are consistent with actual probabilities as opposed to misconceived probabilities.

APPLICATION AREAS AND FURTHER READINGS

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■ game theory

DESCRIPTION

Theory relating to the study of decision making, strategy, and competition in situations typically characterized by interaction and interdependence among rival players under conditions of imperfect information about other rivals' intentions.

KEY INSIGHTS

Game theory, based on pioneering research by von Neumann and Morgenstern (1944), draws upon principles and concepts in mathematics and economics and aims to understand, explain, and predict how and why interdependent rival players will choose from among different courses of action in an effort to maximize their returns under specific conditions and rules for interaction. As such, models based on game theory involve player interaction and are concerned with optimal decisions and strategies under situations where costs and benefits are not fixed but rather are dependent on other players' choices. For example, one outcome of a game-theoretic model involving several interacting players may be that of *Nash equilibrium*, where there exists a stable state in which no participant can gain by a change of strategy as long as the strategies of all the other participants remain unchanged.

Particular characterizations of game theory can be a focus of further theory in the study of games, as in the cases of cooperative and non-cooperative game theory, where *cooperative game theory* involves the study of games where cooperative behavior through coalitions of groups of players is allowed and enforceable and *non-cooperative game theory* where such behavior is not allowed. Games within game theory can be characterized in many other ways as well, including whether the game is zero sum vs. non-zero sum (where a *zero-sum game* is one where a player's gain is at the equal expense of others), sequential vs. simultaneous (where sequential indicates a player has knowledge of earlier actions as opposed to no knowledge), symmetric vs. asymmetric (where symmetric indicates that payoffs are dependent only on strategy and not on who is playing), and fixed duration vs. infinitely long.

One of the better-known games within game theory is the Prisoner's Dilemma, which in game theory terminology is a two-person, non-zero-sum, symmetric, fixed duration, simultaneous game of cooperative behavior. The game involves an intriguing tension through the incentives presented to the players. Specifically, two persons suspected of a crime are caught and interrogated, but there is not enough evidence to convict them unless one of them confesses. If both remain silent, they both will be released. But if one confesses and the other is silent, the one who confesses will be released while the other will be sentenced to prison for a long time.

A major contribution of game theory research, models, and particular games such as the Prisoner's Dilemma is in making sense of particular situations where costs and benefits for various courses of action are not fixed but rather are dependent on the choices of other competitors.

KEY WORDS Games, decision making, **strategy**, uncertainty, **competition**, cooperation

IMPLICATIONS

Research into game theory provides a rich set of principles and concepts that may be drawn upon to model areas of marketing including competitive dynamics and strategic choices. Marketers can benefit from understanding how game theory can potentially provide useful insights through modeling to assist with decision making, strategy formulation, and understanding, explaining, and predicting competitive responses and other behaviors.

APPLICATION AREAS AND FURTHER READINGS

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□ gatekeepers *see* industrial buyer behavior

□ gender segmentation *see* segmentation

□ general systems theory *see* systems theory

■ generalizability theory

DESCRIPTION

A theoretical approach in quantitative measurement where analysis of variance is used to estimate the extent that derived results are applicable beyond the specific conditions under which they were obtained.

KEY INSIGHTS

Generalizability theory as a theory of measurement focuses on the identification and quantification of multiple sources of measurement error. As such, generalizability theory enables a researcher to examine the influences of sources of error within the context of a measurement situation and use such information to tailor the measurement conditions of subsequent studies to maximize reliability within the constraints of the measurement situation.

KEY WORDS Measurement, generalizability, analysis of variance, **reliability**

IMPLICATIONS

Generalizability theory provides a basis for the development and application of measurement analysis frameworks and methods in the area of testing (e.g. psychometric testing) and other approaches to data collection for an array of measures. In particular, marketers concerned with assessing or improving the reliability or dependability of marketing measures in data analyses may benefit from understanding the principles and elements of generalizability theory.

APPLICATION AREAS AND FURTHER READINGS

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□ generation X/Y/Z *see* generational marketing

■ generational marketing

DESCRIPTION

Marketing to a group of individuals who are born and live at the same general time.

KEY INSIGHTS

Generational marketing emphasizes the tailoring of marketing approaches to appeal to the characteristics of particular generations of individuals. Of relevance to marketers are generations given particular names, even though such generational cohorts are not always well defined. Popularly named generations include: *baby boomers*—individuals born in a period of increased birth rates (e.g. 1946–64); *generation X* (or *X-generation*)—the generation following the baby boom generation, comprising individuals born in the 1960s and 1970s (with definitions including 1965–75, 1965–76, and 1963–78); *generation Y* (or *Y-generation*)—the generation following generation X (with definitions including 1976–85, 1977–94, and 1977–97); and *generation Z* (or *Z-generation*)—the generation following generation Z (defined generally as being from the mid-2000s to a date estimated at 2017). According to various marketing researchers, each of the above generational cohorts shares certain characteristics that enable them to have identifiable influences in the societies in which they live.

KEY WORDS Age, cohorts

IMPLICATIONS

Marketers of offerings that have generational appeal may benefit from a greater understanding of the different characteristics of generational cohorts. Whether the marketer is concerned with targeting a single generation or multiple generations, a greater awareness of the many different generational differences, expectations, and influences can assist the marketer in being responsive to changes that, while occurring relatively slowly, may nevertheless be important influences to the firm's longer-term marketing strategy.

APPLICATION AREAS AND FURTHER READINGS

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□ **generic strategies** *see* strategies, generic

□ **geographic segmentation** *see* segmentation

■ gestalt theory

DESCRIPTION

Theory aimed at understanding and explaining phenomena that are perceived as possessing qualities which transcend the sum of their elements and which are unable to be described only in terms of their elements.

KEY INSIGHTS
Based on research by Wertheimer (1912) and others, gestalt theory encompasses a range of psychological and philosophical principles involving perceptions in their relation to forms, complete patterns, organized wholes in experience or other characterizations of phenomena. For example, one principle of gestalt perception is that the perception of ambiguous stimuli tends to be as good (e.g. meaningful, simple, or strong) as the sensory input allows.

KEY WORDS Systems, forms, elements, organization

IMPLICATIONS
Gestalt theory's emphasis on understanding and explaining perceptions of phenomena where perceptions of qualities transcend the sums of their respective elements suggests the potential for the theory to provide unique marketing insights into complex phenomena ranging from ethics to consumption behavior.

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□ Giffen goods *see* goods

■ global marketing

(also called worldwide marketing)

DESCRIPTION
Marketing by a firm on a worldwide scale.

KEY INSIGHTS
Firms engaged in global marketing commit themselves to applying their assets and competencies on a broad international scale where global operations are managed and coordinated to meet global objectives. While a global marketing approach sometimes conveys the view that the firm's

marketing is performed in essentially the same way globally, a firm's global marketing strategy and practice can be far more complex and adaptations based on global differences are clearly within the broad scope of global marketing.

KEY WORDS Worldwide operations

IMPLICATIONS

Whether a firm is seeking to expand marketing operations to a worldwide scale or the firm is already operating on such a scale, a greater knowledge of the many marketing strategies and practices within the domain of global marketing can be beneficial for increasing the firm's global marketing effectiveness as well as in country and regional markets. For example, global marketing concepts and frameworks can assist the global marketer with assessing better the extent to which the firm's offerings are sensitive to different economic and sociocultural environments, thereby providing the marketer with insight into how and to what extent the interactions of the firm's offerings with such environments can and should be managed.

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□ glocal *see* glocal marketing

■ glocal marketing

DESCRIPTION

Marketing on a global scale that emphasizes customization at the level of local culture.

KEY INSIGHTS

Glocal marketing involves a combination of global marketing and local marketing. Firms adopting such an approach thus have clear global aspirations yet also recognize the benefit of understanding and working with local culture in the development and provision of their offerings. Despite the fact that the approach has significant intuitive appeal among marketers, the term is rarely used in conveying the concept and implications that it represents.

KEY WORDS **Global marketing**, **local marketing**, culture

IMPLICATIONS

As global marketing presents numerous challenges and opportunities to marketers with global aspirations, a better understanding of the glocal marketing concept can help to focus the marketer's efforts in achieving an appropriate balance between global and local marketing. Whether the marketer's efforts rely on global information technologies or a global presence of the firm's personnel, the need to establish a compromise between global and local efforts should clearly be examined as a means to increase overall marketing effectiveness.

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□ golden rule *see* marketing, rules of

■ Goodhart's law

DESCRIPTION

The general principle that, once an economic or social indicator is made a target as part of an economic or social policy, the target becomes distorted by the very act of targeting it.

KEY INSIGHTS

Developed in the context of monetary policy by Goodhart (1975), Goodhart's law has since expanded in scope to include target indicators for any policy having social or economic consequences. In essence, the law asserts that any effort to develop specific rules aimed at pursuing a particular economic or social initiative will inevitably foster rational behaviors to evade such rules. Indicators, measures, or surrogate measures considered to have valuable information content for the purpose of assessing or evaluating economic or social performance will ultimately lose their usefulness as a result of the visibility given to them and the ensuing rational behavior of individuals or organizations to use such information in ways that run counter to the original purpose of using such measures.

KEY WORDS Economic indicators, social indicators, targets, policy, performance measures

IMPLICATIONS

Marketers involved in establishing measures and indicators for the purpose of pursuing particular economic or social agendas must be aware of the possibility for such measures to lose usefulness as a result of the very act of targeting such measures. Marketers must recognize that Goodhart's law may apply at a level influencing the actions of groups or individuals in an organization as well. For example, if a large firm were to assess the value of subsidiaries' research and development efforts by counting the number of patents each subsidiary generates per year, such a target might lead subsidiaries to diminish the quality of their research and development efforts and focus instead on increasing the quantity of patents generated, even though patent quality forms part of the firm's valuation of the research itself.

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■ goods

DESCRIPTION

Tangible, physical entities that increase utility or, more generally, anything pertaining to commerce that increases utility.

KEY INSIGHTS

Goods are often associated with tangible physical products but broader use of the term includes that which is intangible, e.g. services. Key characterizations of goods include:

Brown goods—televisions, stereos, and more generally, audio, video, telecommunications, computing and printing goods (the term being derived from the historically brown finish of television and stereo cabinets).
Capital goods—fixed assets (e.g. machinery, equipment) used in the production of other goods.
Consumer goods—goods purchased for individual or household use.
Credence goods—goods for which the utility derived from its use or consumption is almost equally difficult to ascertain at all points in time (e.g. vitamin supplements).
Durable goods or *hard goods*—goods that do not wear out quickly and are used over time as opposed to being consumed all at once (e.g. automobiles, appliances).
Experience goods—goods with features and characteristics which are difficult to observe in advance of purchase but are easily observable upon use or consumption.
Fast moving consumer goods (or *FMCGs*)—frequently purchased consumer goods further characterized by low prices and low purchase risk (e.g. toiletries, detergent, batteries, light bulbs).
Final goods—goods which are ready to use or consume and require no further processing.
Giffen goods—goods for which demand decreases as their price decreases and for which demand increases and their price increases (e.g. inferior-quality staple foods where demand is driven by poverty).
Inferior goods—goods for which demand decreases as income increases.
Intermediate goods—goods used as inputs in the production of other goods (e.g. raw materials, partly finished goods).
Luxury goods—goods at the high end of the market in terms of quality and price and for which demand increases as income increases but to an extent proportionally more than income (e.g. luxury automobiles).
Non-durable goods or soft goods—goods that are used up when consumed and which generally last three years or less (e.g. food, clothing).
Normal goods—goods for which demand increases as income increases.
Private goods—goods for which one person's consumption reduces the quantity available to others and for which there can be exclusion by both producers and consumers in the sense that the producer can restrict use of the product to those willing to pay for it and where the consumer is not forced to consume the good.
Public goods—commodities or services which, if supplied to one person, can be made available to others at no extra cost.
Search goods—goods with features and characteristics easily observable before purchase.
Service goods—goods characterized by their inherent intangibility as well as their inability to be stored, and with their production occurring at the same time as consumption (see **service characteristics**).
Superior goods—goods which make up a larger proportion of consumption as income rises.

Veblen goods—goods (e.g. certain expensive wines or perfumes) where consumers' preference for buying the goods increases as their price increases and for which consumers' preference for buying them decreases as their price falls, a phenomenon also referred to as the *Veblen effect* as it indicates that such goods are sought precisely because of their expensiveness.

White goods—large electrical home appliances such as refrigerators, freezers, washing machines, diswashers, and dryers (the term being derived from their typical white enamel finish).

Yellow goods—goods associated with construction and earth-moving equipment, quarrying equipment, and forklift trucks.

KEY WORDS Products, services, **utility**

IMPLICATIONS

Clearly, goods can be viewed as varying categorically including the extent to which the utility derived from their use can be observed before purchase and upon consumption and in the change in their demand with price and consumer income. As such, it is imperative that the marketer of the firm's offerings understand such characteristics and more in order to stimulate and manage better the demand for the offerings in competitive markets. For example, when firms in an industry offer consumers a range of high- and low-value credence goods, there may clearly be instances where some firms offer low-value goods at high prices as consumers are unable to assess value easily. At the same time, marketers should seek to understand carefully how and to what extent demand for their goods is sensitive to changes in price—something that may vary dramatically between, and within, given categories of goods.

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□ goods-characteristics theory *see* characteristics theory

■ government marketing

(also called public sector marketing or governmental marketing)

DESCRIPTION

Marketing efforts associated with the legislative and public administration activities of organizations and institutions.

KEY INSIGHTS

Government marketing encompasses a range of activity in organizations tasked with the provision of offerings for the good of the public. Such organizations may be in areas of the public sector and at any level, including central government (e.g. federal), regional government, and local or municipal government. For any government organization, government marketing is therefore concerned with enhancing the effectiveness and efficiency of the organization in terms of its ability to identify and meet the needs and wants of the set of individuals that it has been tasked to serve. In the provision of health services, for example, a government organization may be involved in the promotion practices supporting healthy lifestyles (e.g. eating five servings of vegetables a day) while at the same time involved in counter-marketing initiatives (e.g. in efforts to target smoking—see **counter-marketing**). Still other organizations serving the public may be involved in demarketing initiatives (e.g. to reduce road congestion in a city—see **demarketing**). In addition, while firms in the private sector are regularly engaged in marketing activities to fend off competition from other firms in their industries, government organizations may also use marketing initiatives as a means to respond to private and public competition, as when a government postal service faces increasingly stiff competition from private parcel delivery firms.

KEY WORDS Public administration, government operations

IMPLICATIONS

A greater understanding of government marketing may assist marketers engaging in such efforts to become increasingly effective and efficient in meeting public needs and wants in relation to their organizations' aims and objectives and overall charters. While the institutional nature of many government organizations may pose certain unique challenges (see **institutional marketing**), marketers in such organizations nevertheless have a wide range of marketing approaches to consider and pursue in developing effective marketing strategies and programs for the benefit of their constituents and their own organizations.

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□ governmental marketing *see* government marketing

□ grassroots marketing *see* word-of-mouth marketing

■ gravity theory

DESCRIPTION

In the context of trade, a view which holds that the amount of trade between any two entities is negatively influenced by their distance apart and positively influenced by the product of their respective outputs.

KEY INSIGHTS

According to gravity theory, distance is viewed as a deterrent to travel. Shorter distances between trading partners will be likely to result in more trade than that for longer distances. Such a view finds empirical support in many urban and international trade studies and provides a basis for much site location analysis in evaluating the relationship between trade and travel for destination locations of the same type and size.

KEY WORDS Location analysis, distance, trade

IMPLICATIONS

Gravity theory provides a basis for evaluating business locations in relation to customer locations or trading partner locations. As such, analytical models drawing upon gravity theory can be used to establish the attractiveness of a location for trade, as in establishing the best location for a new grocery store in a particular city.

APPLICATION AREAS AND FURTHER READINGS

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■ gray markets

(also referred to by the alternate spelling 'grey markets')

DESCRIPTION

Markets involving the flow and purchase of new goods through channels of distribution other than those intended by the supplier.

KEY INSIGHTS

Gray markets, as opposed to black markets, can potentially provide purchasers with an alternative legal means of acquiring goods from a supplier. Thus, although a producer of denim jeans varies the wholesale prices of its jeans across countries in a way that seeks to maximize its profits from retailers in each country, it may also be the case that a retailer in one country could purchase large quantities of the jeans in another country and resell them at a greater profit in its home country relative to the practice whereby most retailers purchase them at wholesale prices in supplier-intended channels.

KEY WORDS Distribution, channels of distribution

IMPLICATIONS

Marketers concerned with distribution strategy and management should examine the distribution channels for their firm's—and competitor firms'—offerings to determine to what extent there may be opportunities for purchasers to acquire the offerings through gray market. Given that gray markets vary significantly by industry (being relatively prevalent, for example, in the automobile, wine, and photographic equipment industries), marketers may benefit from a greater understanding of gray market issues (e.g. their legal status and competitive implications) to assess better the marketing and financial risks and opportunities facing the firm from their current or possible use.

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■ greater fool theory

DESCRIPTION

The view that investing in a fully valued or questionable asset can still be worthwhile if one can soon find a 'greater fool' in the market to whom the investment can be resold.

KEY INSIGHTS

The greater fool theory provides a basis for the investment practices of some investors in the stock market and other investment markets where, although a certain investment may appear to be high, fully priced, or overpriced by one or more measures, the investor thinks he or she can still profit from it by soon reselling it at a higher price to a 'greater fool.' Clearly, investors vary in the extent that they adopt the theory in investment practice, but the theory is often used to partially explain the existence of 'bubbles,' or large increments to asset prices that are present only because the prices are expected to be even higher in the near future. In such an instance, individuals believe they might be a fool to purchase such assets but they believe they can soon find a greater fool to sell to at a higher price. While the theory is often cited in reference to stock market investing and stock market bubbles in particular, it can also help to explain investment behaviors concerning a range of investment opportunities.

KEY WORD Investments

IMPLICATIONS

Marketers concerned with investment opportunity evaluation and participation who seek to understand better investment motives and behaviors should recognize that some investors may be adopting the greater fool theory either implicitly or explicitly. As there may not always be a 'greater fool' for any given investment, marketers must, of course, exercise caution in their advocacy of investment opportunities, particularly ones seemingly characterized by 'bubbles.'

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■ green marketing

(also called eco-marketing, eco-centric marketing, environmental marketing, environmentally responsible marketing, or responsible marketing)

DESCRIPTION

Marketing strategies and activities that emphasize sensitivity to environmental impact.

KEY INSIGHTS

Green marketing strategies and activities may involve any number of means to protect, improve, or reduce damage to the natural environment as well as human health. While green marketing seeks to maintain the quality of the natural world in some way, a major benefit of its use is often in its appeal to environmentally conscious consumers.

KEY WORDS Environmental impact

IMPLICATIONS

Marketers concerned with environmental impact may benefit from a better understanding of green marketing strategies and tactics to enable the firm to appeal to a greater extent to consumers with similar concerns. At the same time, marketers will be in a better position to evaluate the extent that green marketing can potentially provide the firm with reputational, financial, and competitive advantages over firms that are less environmentally focused in their marketing efforts.

APPLICATION AREAS AND FURTHER READINGS

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■ Gresham's law

DESCRIPTION

The term characterizing the view that 'bad money drives out good money' and originally referencing money in circulation but further used with reference to instances where bad practices or products drive good ones out of markets.

KEY INSIGHTS

Named after English financier Sir Thomas Gresham, Gresham's law encompasses the observation that individuals spending money prefer to hand over bad money and keep the good, where bad money is money that has a commodity market value lower than its exchange value and where good money has little difference between its commodity market value and exchange value. An example is in the case of a gold coin and a gold bar or ingot having the same commodity market value but where people prefer to trade in gold coins rather than in gold bars as they attribute less intrinsic value to bullion and more intrinsic value to coins, thereby leading to situations where coining frequently becomes profitable.

KEY WORDS **Value**, exchange, market practice

IMPLICATIONS

While Gresham's law originally applied to the specific context of money in circulation, the view it encompasses can be used to characterize any of a variety of instances where bad market practices are observed to drive out good ones, as where an inferior product may drive a superior product out of a market. In this context, Gresham's law can be used to characterize and provide additional insight to a range of phenomena within domains including ethical decision making and competition in the marketing of products and services.

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■ group polarization

DESCRIPTION

The tendency for discussion among members of a group to result in more extreme attitudes, opinions, inclinations, and decisions of group members.

KEY INSIGHTS

Based on research by Moscovici and Zavalloni (1969) and earlier researchers, the group polarization phenomenon has been experimentally observed as a significant tendency in many groups. A particular form of group polarization is the risky shift effect, also referred to as choice shift, where group decisions are found to be riskier than the average of the individual decisions of the members before the group has met. Explanations for the group polarization phenomenon tend to be based on mechanisms related to social comparison (e.g. where culturally, people tend to admire riskiness rather than caution in most circumstances) as well as informational influences (e.g. where individual choices are based on weighing remembered pro and con arguments).

KEY WORDS Groups, decision making, choice, risk

IMPLICATIONS

Marketers must be aware of how participation in groups, whether in a group of an organization's employers or in a group of consumers, can lead to views which are more extreme than those of individuals prior to group participation or where views are amplified and shift in the direction of dominant norms. The effect may present itself in the form of more extreme attitudes, opinions, or riskier decisions. Assessing individual views prior to group discussions and decision making and comparing individual views with group views is one way to identify the extent of group polarization.

APPLICATION AREAS AND FURTHER READINGS

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■ groupthink

DESCRIPTION

A term characterizing the situation where a group's drive for consensus overrides the drive to realistically evaluate alternative courses of action, ultimately distorting the testing of reality, lessening critical thinking, and generally rationalizing a shared illusion of invulnerability and infallibility. The result of groupthink is typically poor or irrational decisions.

KEY INSIGHTS

Based on pioneering research by Janis (1972) and subsequent researchers, groupthink is a potential risk in group decision making which may increase in likelihood under conditions including that where the group is acting in relation to and constrained by certain characteristics of an external threat, being generally insulated from outside sources of information, the group is cohesive and homogeneous, and the group has a persuasive, directive leader. In addition, symptoms indicative of groupthink include illusions of invulnerability, unquestioned belief in the group's inherent morality, collective rationalization of group decisions, shared stereotypes of other groups including opponents, self-censorship where members withhold criticisms, illusion of unanimity, pressure on dissenters to conform to the group, and self-appointed individuals who protect the group from negative information. Symptoms of decisions affected by groupthink include incomplete surveys of alternatives, incomplete surveys of objectives, failures to examine risks of preferred choices, failures to reappraise rejected alternatives, poor information search, selective bias in information processing, and failures to develop contingency plans.

Mechanisms suggested for the prevention of groupthink include appointing a devil's advocate within a group whose purpose is to disagree with any suggestion presented, allowing anonymous feedback as through a suggestion box, and placing decision-making responsibility and authority with one group member who is able to consult with other members of the group.

KEY WORDS Groups, decision making, rationality

IMPLICATIONS

Marketers involved in group decision-making processes, as when formulating marketing strategies, must be vigilant for various symptoms of groupthink as well as its resultant influence on decision-making processes and decisions. Adopting means to prevent or reduce the possibility of groupthink in groups may result in higher-quality decisions than would otherwise be achieved.

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□ **growth-share matrix** *see* product portfolio analysis

□ **growth stage** *see* product life cycle

□ **growth strategies** *see* product-market investment strategies

■ guerrilla marketing

(also referred to by the alternate spelling of guerilla marketing and sometimes incorrectly referred to as gorilla marketing)

DESCRIPTION

Guerrilla marketing involves the use of unconventional, creative marketing strategies and activities to accomplish a firm's objectives and where such approaches typically require lower marketing expenditures in comparison to more traditional means.

KEY INSIGHTS

Guerrilla marketing, with its emphasis on marketing approaches not traditionally employed by other established firms in an industry, is often associated with opportunities for use by smaller and/or 'upstart' firms in an industry to compete more effectively with larger or traditional competitors in their promotional and broader marketing efforts. In support of a firm's strategic objectives, guerrilla marketing approaches may therefore assist the firm in acquiring market share from a larger competitor by discrediting the larger competitor in the minds of consumers. An example is where a small, new airline labels a larger, established airline as a 'bully always trying to keep out new competition' in periodic public relations attacks, thereby swaying public opinion against the larger airline and also demoralizing the larger airline's staff in the process, and where the outcome of the approach is to ultimately allow the small airline to expand its flight operations and increase market share.

KEY WORDS **Unconventional marketing**, promotion

IMPLICATIONS

While the ethics associated with various guerrilla marketing strategies and tactics may be a matter of debate among marketers, it nevertheless is an approach that some firms can—and do—incorporate into their marketing and promotion efforts. To be sure, the approach carries marketing risks as well as the potential for greater cost-effectiveness. At the same time, astute marketers will recognize that, regardless of whether or not guerrilla marketing approaches are adopted to, say, discredit a competitor through the media, the firm must ultimately deliver real value to its customers if it is to remain viable in the longer term.

APPLICATION AREAS AND FURTHER READINGS

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H

□ habitual buying behavior *see* consumer buyer behavior

■ halo effect

(also called the horns and halo effect)

DESCRIPTION

A cognitive bias where a perception of a particular characteristic or quality has an aural influence on perceptions and judgment beyond the characteristic or quality as a result of some association.

KEY INSIGHTS

Based on pioneering research by Thorndike (1920), the halo effect characterizes the situation where positive trait perceptions influence judgments of related traits, while the 'horns and halo effect' term characterizes any such influence. The effect is a form of cognitive bias which may present itself in perceptions of judgments of individuals, organizations, products, brands, service experiences, and the like. An example is where individuals perceiving a brand to be strong in an aspect such as name recognition or aesthetics in product design have subsequent positive perceptions of lesser-known qualities such as product durability and reliability. Whereas halo effect refers to positive aural influences, negative influences are sometimes referred to by the 'horns effect' term.

KEY WORDS **Bias**, perception, judgment, quality

IMPLICATIONS

Marketers must seek to be aware of halo effects in the consumer's perceptions of a marketer's offerings and should strive to leverage such effects. In the case of a brand, certain halo effects may be used strategically, as in the case where a well-received new product under the company's brand name enhances the perceived value of all of the company's same-branded products and enables the firm to introduce more easily another new product under the same brand as well.

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□ **handling objections** *see* selling process

□ **hard goods** *see* goods

□ **harvest strategy** *see* decline strategies

■ Hawthorne effect

DESCRIPTION

The apparent phenomenon in group-based observational research where behaviors of individuals in a group being studied change as a result of their being aware that they are participating in a study as opposed to behaviors changing as a result of any actual treatment or changes being made. More broadly, the term is used in referring to unexpected influences of non-experimental variables in experiments.

KEY INSIGHTS

Named after the plant where the effect was first observed and described in the 1920s–1930s, the Hawthorne effect leads to a confounding situation where experimental effects are observed in the direction expected but not necessarily for the reason expected, where effects may be attributed to participants' knowing they are being studied. Explanations for the effect include the view that the extra attention given to individuals as a result of their participation in a study positively motivates the individuals to change their behaviors which may include their working harder, faster, or more efficiently. Subsequent research focused on replicating the Hawthorne effect in work situations has resulted in mixed and alternatives interpretations of findings, however, as in cases where it can be argued that individuals' performance improved as a result of receiving performance feedback that they would not have otherwise received and where such feedback improved individuals' learning.

KEY WORDS Experiments, observation, behavior, confounding influences

IMPLICATIONS

Given the ambiguity and controversy surrounding the original interpretations of the Hawthorne effect and the prevalence of alternative explanations, the effect's implications for marketers extend to the development of proper research methodologies for experimental research as much as actual influences of experimental observation on the behaviors of individuals being studied. Marketing researchers must strive to eliminate confounding influences in their research through appropriately rigorous methods.

APPLICATION AREAS AND FURTHER READINGS

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□ heavy half, law of the *see* Pareto principle

■ Herzberg's theory of motivation

DESCRIPTION

The theory of motivation proposed by Herzberg which characterizes factors affecting people's attitudes about work.

KEY INSIGHTS

Herzberg's theory of motivation distinguishes between hygiene factors (e.g. working conditions, interpersonal relationships) and motivators which enrich a person's job. According to Herzberg, the absence of hygiene factors can create dissatisfaction but their presence does not motivate. Motivators include achievement, recognition, the work itself, responsibility, and advancements. As such, motivators are satisfiers associated with long-term effects in job performance while hygiene factors are dissatisfiers which produce only short-term changes.

KEY WORDS Work motivation, motivation, satisfaction

IMPLICATIONS

The principles and concepts found in Herzberg's theory of motivation can be applied to obtain useful insights into work motivation in marketing organizations. Distinguishing between hygiene factors and motivators provides a means to understand better how motivated and satisfied individuals may be in performing particular jobs such as those in the sales function of an organization.

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■ Hick's law

DESCRIPTION

The general proposition that one's reaction time for making a choice increases as the logarithm of the number of alternatives.

KEY INSIGHTS

Hick's law indicates a systematic and generally predictable non-linear relationship between the time required by an individual to choose from a set of alternatives and the number of alternatives in the choice set. It is often more formally expressed by the formula $RT = a + b\log_2(n + 1)$ (where RT is reaction time, a is a constant representing the intercept of the function, b is a constant representing the slope of the function, and n is the number of alternatives). Hick's law is sometimes referred to as Merkel's law as a result of Merkel's earlier research on the relationship.

KEY WORDS Choice, reaction time

IMPLICATIONS

Hick's law suggests that each additional choice available to a person makes it increasingly difficult for people to make choices. Marketers involved in the establishment of choices available to individual consumers must be aware of how individual reaction time will increase with the number of alternatives. In computer–human interaction, for example, such an issue may influence consumer participation and satisfaction.

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■ hierarchy of effects

(also called the hierarchy of effects model)

DESCRIPTION

The view that advertising is effective to the extent that it moves individuals through a series of defined stages in consumer purchasing.

KEY INSIGHTS

Based on pioneering research by Lavidge and Steiner (1961), a hierarchy of effects modeling approach for predicting advertising effectiveness considers the effect of advertising to be that of moving consumers through purchasing stages including awareness, knowledge, liking, preference, conviction, and purchase. Similarly, Palda (1966) considers the critical stages to be attention, interest, desire, and action (AIDA). More generally, the view can be said to extend to broader models of information response including, for example, consumer response to information presented through persuasive methods of personal selling.

KEY WORDS Advertising effectiveness, persuasion, consumer purchasing, stages, models

IMPLICATIONS

The hierarchy of effects model suggests an approach for the structured development of persuasive marketing communications where the ultimate aim is to persuade consumers to take action through purchase. In essence, the approach suggests that composition and presentation of marketing messages must be carefully developed and evaluated for the extent that they encourage, persuade, and reinforce consumers to move successfully through a set of distinct stages of consumer purchasing.

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□ hierarchy of effects model *see* hierarchy of effects

■ hierarchy of needs theory

(also called Maslow's theory of motivation, need hierarchy theory, Maslow's need hierarchy, or Maslow's theory of self-actualization)

DESCRIPTION

The view that human needs are categorical and hierarchical, where it is not until certain categories of lower-level needs are met or reasonably well satisfied that other higher-level categories of needs can be attended to.

KEY INSIGHTS

The hierarchy of needs theory as developed by Maslow (1943, 1954, 1970) considers human needs as consisting of five categories in ascending order: physiological or biological needs (e.g. food, water, sleep), safety needs (e.g. physical security, financial security), belongingness and love needs (e.g. friends, relationships, intimacy), esteem needs (respect, status), and self-actualization needs (e.g. making the most of one's unique abilities). While the theory is viewed as having merit over earlier theories, some subsequent research including that of Wahba and Bridwell (1976) has questioned elements of the view including support for the existence of a definite hierarchy and further has drawn attention to vagueness in terminology including that for the self-actualization concept.

KEY WORDS **Need(s)**, need categories, need hierarchy

IMPLICATIONS

While the hierarchy of needs theory is not without detractors, it nevertheless provides a means with which to categorize and analyze human needs in ways suggestive of priorities for needs being met. Marketers should seek to understand how consumers define and prioritize their own particular needs in relation to those that can be met through the marketer's offerings.

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■ hindsight bias

(also called the I-knew-it-all-along effect)

DESCRIPTION

A tendency where an individual's knowledge of the occurrence of a past event leads them to overestimate in hindsight the likelihood that it would have been predicted in foresight.

KEY INSIGHTS

The hindsight bias phenomenon was first studied in pioneering research by Fischhoff and Beyth (1975) where it was found that individuals' recall of their predictions tended to be biased in the direction of events which have actually occurred. Mechanisms leading to a hindsight bias tendency in an individual include the view that actual events are more available to the individual in their recall when compared to that for events which did not occur. Hindsight bias has been observed to be a tendency in a variety of settings where past events are reflected upon.

Formal examinations of possible alternatives by individuals may lead to reductions in hindsight bias.

KEY WORDS **Bias**, perception, hindsight, event likelihood

IMPLICATIONS

Marketers must be aware of how individuals' assessments of past events may be affected by hindsight bias, where the result is a distorted current view of what could, or should, have been able to be predicted in foresight. Consumer and managerial perceptions alike may be subject to hindsight biases. Efforts to remove, control for, or draw attention to such biases to a greater extent may include engaging an individual in critical evaluations of possible alternatives.

APPLICATION AREAS AND FURTHER READINGS

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■ hockey stick effect

DESCRIPTION

A phenomenon where an organization's quarterly performance (e.g. sales) is characterized by a steep upturn in the performance measure as a fiscal period nears a close.

KEY INSIGHTS

The hockey stick effect, named after the hockey stick-shaped graph that results when daily performance is plotted over a fiscal period (e.g. one quarter), is an artificial phenomenon that is observed among some firms in different industries and markets (e.g. computing and business software). Explanations for the phenomenon vary and include the view that increases in sales at the end of each quarter may be a result of managers of firms in buying situations making purchases to avoid the loss of budget money within their firms.

KEY WORDS Buying cycle, fiscal performance

IMPLICATIONS

To the extent the phenomenon of the hockey stick effect is present in a firm's industry and market, there may be important implications for the firm's internal operations. In particular, the cyclical nature of the aggregate customer buying cycle may require the marketer's firm to adopt more flexible manufacturing practices. At the same time, the phenomenon may present an opportunity to the marketer to adopt marketing practices aimed at smoothing the customer buying cycle.

APPLICATION AREAS AND FURTHER READINGS

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■ honeymoon effect

DESCRIPTION

A positive initial effect on performance attributed to conditions that are most favorable at the early stages of a new relationship or venture in comparison to conditions encountered as the relationship or venture continues.

KEY INSIGHTS

Any time a new relationship or ventures is established by an organization with customers, suppliers, or firms in alliance with the organization, there is a possibility that performance may be enhanced initially as the newness of the relationship or venture may be chacterized initially by harmony, euphoria, calmness, or similar qualities analogously associated with that of a marital honeymoon. As honeymoons, by definition, are temporary, however, perceptions of the relationship or venture and associated actions of the participants may change over time resulting in differences (e.g. decreases) in performance relative to that demonstrated during the honeymoon period.

KEY WORDS Performance, relationships, ventures

IMPLICATIONS

Marketers involved in developing or managing any new venture or relationship of the firm with others, whether it is in constructing a new stadium to draw sports fans or engaging in a new comarketing alliance with another organization, may benefit from anticipating the occurrence of honeymoon effects in managing and measuring new venture or relationship performance over time. Depending on the context, performance measures, and information available, the effect may be assessed (e.g. predicted or retrospectively examined) either qualitatively or through rigorous and systematic quantitative methods.

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□ **horizontal integration** *see* integration

□ **horns and halo effect** *see* halo effect

■ house of quality

DESCRIPTION

A house-shaped planning matrix that is developed during organizational decision making involving customer needs assessments and shows the relationship of customer requirements to the means of achieving those requirements.

KEY INSIGHTS

The house of quality, a graphical planning tool, helps to define the relationship between customer preferences and the way the firm is able to fulfill such preferences. The specific planning approach is considered to be most effective when it is used as part of a broader planning process involving flexible and comprehensive group decision making focused on developing products or services that are aligned closely with customer needs.

KEY WORDS Quality, customer needs, product development, service development

IMPLICATIONS

Marketers involved in new product and service development efforts may benefit from adopting a house of quality-based planning approach to help ensure the firm's offerings are well matched with customer needs. In particular, mastering the methodology provides the marketer with a means to develop and articulate critical product or service plans collaboratively with others in a range of organizational functions.

APPLICATION AREAS AND FURTHER READINGS

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■ hybrid marketing

(also called multimarketing)

DESCRIPTION

Marketing involving multiple strategies, methods, processes, and/or tactical approaches in order to achieve the firm's marketing objectives.

KEY INSIGHTS

Hybrid marketing encompasses many areas of marketing ranging from the combined use of multiple strategic planning processes to the strategic use of multiple, distinct distribution channels. *Multimarketing* may be viewed as an equivalent term to hybrid marketing as it conveys the use of more than one marketing approach, although the term is also used by Weigand (1977) to refer more specifically to the use of multiple marketing channels to distribute the same product to markets differing in some important way. When the firm's objectives involve reaching and influencing a firm's target market, hybrid marketing may be used to increase the likelihood that those within the firm's target market will be successfully reached and persuaded at some point in their purchase deliberations. On the other hand, hybrid marketing may also be beneficial when a single marketing approach is insufficient to reach multiple market segments.

KEY WORDS Multiple marketing approaches, channels, distribution

IMPLICATIONS

While it may be tempting to conclude that some distinct marketing approaches (e.g. distribution strategies) are most effective when adopted to the mutual exclusion of other approaches, hybrid marketing emphasizes the view that superior results may be achievable through the interactions of multiple marketing approaches. Convergence marketing, for example, adopts such a view, as does fusion marketing (see **convergence marketing**; **fusion marketing**). Toward assisting efforts evaluating alternative combinations, marketers may therefore benefit from a greater knowledge of research examining not only the relative effectiveness of hybrid approaches but the many issues associated with their development and implementation as well.

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I

■ Icarus paradox

DESCRIPTION

The situation where an organization's great success precedes its severe decline.

KEY INSIGHTS

The Icaraus paradox phenomenon as developed and researched by Miller (1990) views an effect of organizational success as contributing to blinding it to future threats, thereby increasing the likelihood of failure in the future. Such organizations become slow in their ability to react to changing environments as a result of success contributing to an overall sense of organizational superiority.

KEY WORDS Success, failure

IMPLICATIONS

Marketers must be aware of how an organization's successes may ultimately contribute to its vulnerability to decline. Anticipating competitive moves, for example, is an activity that could increase in importance and scope as an organization becomes increasingly successful.

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■ iceberg principle

DESCRIPTION

A general view that only a small part of an issue will often be visible initially. More specifically, the view that in aggregate or summary data, there can be hidden much good or important information.

KEY INSIGHTS

As where approximately 90% of an iceberg is below the surface of the water, the iceberg principle points to how initial or summary views of a phenomenon may miss drawing attention to details which may be deemed important upon further inspection or analyses.

KEY WORDS Data analysis, information, aggregate data

IMPLICATIONS

Marketers must consider how summary data and information obtained in research may potentially conceal further findings which may be important or essential. For example, while summary knowledge of average consumer responses to a marketer's offerings may be useful for marketing planning, it can also be misleading if such information hides important understandings of dramatic variation in the range of responses.

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□ idea generation *see* new product development

□ idea marketing *see* social marketing

□ idea screening *see* new product development

□ I-knew-it-all-along effect *see* hindsight bias

■ illusion of control

DESCRIPTION

The tendency for individuals to believe they have the ability to control or influence outcomes over which they have no demonstrable influence, as where outcomes are actually determined by chance.

KEY INSIGHTS

Based on pioneering research by Langer and Roth (1975), the illusion of control phenomenon characterizes the finding that people often behave as if chance events have a potential for influence through personal control. The likelihood of the phenomenon occurring may increase under situations where there is a resemblance to situations where skill is involved and where situations appear familiar and involve free choice among other factors. Some research (e.g. Taylor and Brown 1988) argues that the illusion of control, when positive, is adaptive in that it acts to increase motivation and persistence. The illusion of control is often evident in gambling and lottery play.

KEY WORDS Control, influence, behavior, chance

IMPLICATIONS

While marketers may perceive and sometimes act in ways that reinforce the illusion of control among consumers as in certain cases of gambling and lottery play, where it may contribute to consumers' anticipation and enjoyment of participating, for example, marketers must recognize how the illusion of control may also contribute to irrational behaviors. Beyond consumers, the illusion of control may also be present in activities within a firm, as where it may influence organizational forecasts.

APPLICATION AREAS AND FURTHER READINGS

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■ imitation effect

DESCRIPTION

An effect of social influence in the diffusion of innovations whereby an innovation's diffusion in the marketplace is a result of the interaction of non-adopters with adopters.

KEY INSIGHTS

The imitation effect is considered to be one of two important parameters in models of demand and diffusion of innovation, where the other key parameter is the innovation effect. The new-product growth model developed by Bass (1969) is one of the first to formally characterize its role in diffusion of innovation descriptions, explanations, and predictions. In essence, the imitation effect is due to what has also been referred to as social contagion, where in the case of innovation diffusion, the spread of an innovation is due to non-adopters interacting with and learning about an innovation (e.g. in terms of its features and benefits) through its adopters, with some non-adopters subsequently adopting the innovation themselves, thereby leading to further innovation diffusion in the marketplace.

KEY WORDS Diffusion, imitation, social influence

IMPLICATIONS

Marketers should seek to understand how the imitation effect may assist in explaining the rate and extent of diffusion of an innovation such as a new product if the aim is to enhance an innovation's diffusion. Such an effect may be critical in some instances, as where positive word-of-mouth is a primary driver of new product or service acceptance in a marketplace. The overall popularity of a new restaurant, for example, may be highly dependent on communication dynamics characterized by the imitation effect.

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■ inbound marketing

(also referred to as in-bound marketing)

DESCRIPTION

Any marketing approach where it is the current or prospective customer that initiates contact with an organization.

KEY INSIGHTS

Inbound marketing, as where current or prospective customers can call a company call center, reach an interactive voice response system, and/or visit a company website, can be considered in some ways to be more effective than outbound marketing where the organization initiates contact with the customer. Specifically, inbound marketing approaches may be a relatively effective way of meeting customers' personal needs and helping to build customer relationships, since individuals who contact a company are more apt to give the organization their time and attention in comparison to approaches where the organization cold-calls its customers on the telephone, for example. In addition, inbound marketing provides a means for the firm to obtain information from customers that customers wish to share with the firm (e.g. ideas, complaints, compliments).

KEY WORDS Customer contact

IMPLICATIONS

Inbound marketing provides marketers with a means to become acutely aware of current and prospective customers' particular needs and wants, where such information can be used by the marketers' firm to build stronger relationships with such individuals as well as to become more responsive to overall customer needs.

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□ incipient demand *see* demand

■ income effect

DESCRIPTION

Any effect on consumer behaviors as a result of a consumer's change in real income. In economic terms, the income effect may also be viewed as any change in a consumer's real income resulting from a change in the price of a good or service.

KEY INSIGHTS

As a consumer's real income changes, consumer purchasing and consumption behaviors may also change. For example, when a consumer faces greater increased real income, such a change may prompt him or her to eat more often at restaurants as opposed to eating at home. Beyond actual consumption behavior, consumer perceptions of products and services may also be influenced by income, as when a consumer's income influences his or her perceptions of product quality (Wheatley and Chiu 1991).

KEY WORDS Consumer behavior, consumption, perception

IMPLICATIONS

For many products and services, an understanding of the income effect may be essential for understanding how consumer purchase behaviors and consumer perceptions may change with real income. When an individual receives additional income through a new job after a university education, for example, the income effect on consumption behavior and perceptions of product quality can be quite dramatic.

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□ income segmentation *see* segmentation
□ increasing opportunity cost, law of *see* diminishing returns, law of
□ incremental validity *see* validity
□ in-cultural marketing *see* multicultural marketing

■ indirect marketing

DESCRIPTION

Marketing activities that rely on any indirect means for attracting, persuading, or otherwise influencing and eliciting a desired response from a firm's customers or end-users of its offerings.

KEY INSIGHTS

Indirect marketing encompasses any of a range of marketing approaches where there is a reliance on intervening marketing approaches to reach and interact with the customer. Thus, firms using wholesalers, brokers, or other independent distributors as part of their marketing channels engage indirect marketing, where such firms rely upon motivating such intermediaries to market the firm's offerings to consumers. A benefit of the approach is that, compared to direct marketing approaches, it may take less time and marketing effort, involve a lower capital expenditure, and allow the firm to reach a larger number of customers.

Another less common meaning attached to indirect marketing relates to the marketing value of any firm activity or action that is not directly associated with the firm's main marketing activities, as where spotless offices, well-dressed staff, and courteous receptionists can indirectly create positive, lasting impressions or influences on customers, or any other instance where elements of a firm's service quality indirectly facilitate its major efforts in product marketing.

KEY WORDS Intermediaries, marketing intermediaries

IMPLICATIONS

Given that marketing exchanges are often indirect, marketers should seek to understand how such exchanges can be enhanced by the firm's many indirect marketing efforts. In particular, marketers may find it beneficial to compare indirect marketing approaches with those of direct marketing (see **direct marketing**) to determine to what extent either or both contribute to the marketer's objectives, which may include expanding customer reach as well as cost-effectively meeting individual customer needs.

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□ individual marketing *see* one-to-one marketing

■ industrial buyer behavior

(also called business buyer behavior or organizational buyer behavior)

DESCRIPTION

The buying behavior of organizations involved in the purchase of goods or services for resale or for use in the production of other goods or services by the firm.

KEY INSIGHTS

Given that a major proportion of all marketing activity is in the area of business-to-business marketing, industrial buyer behavior constitutes a major area of research in marketing and involves many related concepts. The *buygrid* framework, for example, is a common way of characterizing the organizational buying process and the associated behavior of industrial buyers, where the framework comprises two dimensions: *buyclass* and *buyphase*. Buyclass categorizes or frames the nature of the business buying situation: *new task*—situations where the buyer is a first-time buyer of a product or service; *straight rebuy*—situations where the buyer is reordering the same product or service previously purchased; and *modified rebuy*—situations where the buyer wants to make adjustments to product or service specifications relative to a previous purchase. Buyphase relates to the stages in the industrial buying process—i.e. need recognition, need definition, need description, seller identification, proposal solicitation, proposal evaluation, proposal selection, ordering procedures, and a review of performance.

Further concepts related to the *business buying process*—the business process comprising multiple stages of business-to-business buying activity—include that of *product specification* (the stage where the organization establishes the desired specifications or characteristics according to which purchased products or services are needed and to which they must conform) and *order-routine specification* (the stage where the buyer incorporates such specifications, along with further requirements for delivery, service, and warranty, into a final order with chosen supplier(s)). Finally, the concept of the *buying center* is key to much of industrial buyer behavior as it focuses on the roles that multiple individuals perform in the customer organization in industrial buying. Given that the buying center comprises the set of individuals involved in business buying in the customer organization, such roles can be further decomposed into: *deciders*—those individuals with formal or informal influence over the final selection of a supplier; *influencers*—those individuals who affect the buying decision through specification definition or alternative evaluation, for example; and *gatekeepers*—those individuals who, through their position in the buying organization, are able to restrict external access to key individuals in the organization or, similarly, impede or facilitate the flow of information to key others in the organization.

KEY WORDS Organizations, buying behavior

IMPLICATIONS

As much of industrial buying is characterized by sophisticated buyers and complex product and services, an in-depth understanding of the buyer behavior and the decision process actually followed for a firm's products or services can help to increase both the effectiveness and efficiency of the firm's business-to-business marketing efforts. Drawing upon conceptual and empirical research on industrial buyer behavior can not only assist the marketer in evaluating and refining the firm's current strategic and tactical approaches to be consistent with such buying behavior, but also help to increase buying receptivity to the firm's business-to-business marketing initiatives, given diverse customer needs and a highly competitive marketing environment (See also **buyer decision process**).

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□ **industrial marketing** *see* business-to-business marketing

□ **inelastic demand** *see* elasticity of demand

□ **inferior goods** *see* goods

□ **influencers** *see* industrial buyer behavior

■ information processing theory

DESCRIPTION

Theory or theories related to describing, understanding, and explaining how individuals or organizations process, analyze, or change information, as where information is gathered, stored, retrieved, manipulated, and transformed for some purpose.

KEY INSIGHTS

Information-processing theory encompasses a broad base of research sharing a view that cognition can be characterized as computational in nature, with information being transformed and converted. Information-processing theory is often concerned with the depth with which incoming information is processed as well as its quality (e.g. processed free of distortion), and its short- and long-term influences. Such a view further suggests that the properties of information have an influence on the way information is processed.

KEY WORDS Information, communication, processing

IMPLICATIONS

Information-processing theory provides a means to model and frame a wide range of phenomena involving both consumers and organizations. For example, viewing individuals or organizations as information processors enables marketers to focus attention on the ways that the means by which information is communicated (e.g. formally or informally) may influence the nature and extent of information reception and processing and its effects on individual or organization behaviors. Consumer responses to advertising and an organization's competitive response time are specific areas that may be viewed in terms of information-processing dynamics.

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□ information search *see* buyer decision process

■ information systems theory

DESCRIPTION

Theory or theories of information systems where information or data are collected, transmitted, processed, or disseminated by some means.

KEY INSIGHTS

Information systems theory, of which an earlier contributor was Shannon (1948), currently encompasses a broad base of research where a common aim is the examination of information systems in relation to their role in obtaining or developing meaningful information. Information processing is a key concept within information systems theory. Characteristics of information systems examined by theory in the area include structures or repositories for holding data, interfaces for exchanging information, channels for connecting repositories, and the subsequent meanings and value provided to its users.

KEY WORDS Systems, information, data, processing, **value**

IMPLICATIONS

The effective development of marketing information systems owes much to information systems theory. Subsequent developments of effective marketing information systems and, more broadly, effective systems for electronic commerce may also draw upon information systems theory-related research to obtain potentially useful insights for increased value to their developers and users.

APPLICATION AREAS AND FURTHER READINGS

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■ innovation effect

DESCRIPTION

An effect in the diffusion of innovations whereby an innovation's diffusion and adoption in the marketplace are the result of a tendency for individuals in a population to innovate, where such activity is independent of the availability of social influence.

KEY INSIGHTS

The innovation effect is considered to be one of two important parameters in models of demand and diffusion of innovation, where the other key parameter is the imitation effect. The new-product growth model developed by Bass (1969) formally characterizes its role in diffusion of innovation descriptions, explanations, and predictions. In essence, the innovation effect is due to individuals in a population acting mainly on external sources of influence (e.g. new product advertising), as opposed to social influences, in adopting innovations as a result of the innovations' differences in comparison to existing products or services. Thus, to the extent that a population is receptive to an innovation independent of social influence, the innovation's diffusion is facilitated.

KEY WORDS Diffusion, innovation, adoption

IMPLICATIONS

Marketers should seek to understand how the innovation effect may contribute to explaining or anticipating the rate and extent of diffusion of an innovation among any given target population. Whether the population of the firm's current product users or the population of an entire country, the innovation effect resulting from communicating the nature of a product's or service's innovative features and benefits may have significant influence on the innovation's diffusion and overall market acceptance.

APPLICATION AREAS AND FURTHER READINGS

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□ innovative marketing *see* enlightened marketing

□ innovators *see* adopter categories

■ inoculation theory

DESCRIPTION

A theory of resistance to persuasion where a belief or attitude is made stronger through a series of repeated mild attacks.

KEY INSIGHTS

Based on pioneering research by McGuire (1964), inoculation theory represents a view that an individual's resistance to persuasion can be increased through a pre-established process of inoculative communications. Specifically, communication steps which may lead to increased resistance to persuasion by the individual when he or she is ultimately exposed to a future persuasive argument include: providing a warning to the individual of future efforts aimed at persuading so as to lead the individual to psychologically prepare, or even over-prepare, to resist them; subjecting the individual to a weak persuasive argument aimed at overcoming the individual's defenses, yet where the argument is sufficiently strong to encourage the individual to defend it; and encouraging the individual to actively defend the argument through words or actions as opposed to merely thoughts.

KEY WORDS Persuasion, arguments, resistance

IMPLICATIONS

Marketers aiming at changing or reinforcing particular consumer behaviors can draw upon inoculation theory to design potentially more effective marketing communications. For example, providing inoculative arguments to consumers may prevent their switching to a competitor's product. When a firm knows a competitor will soon be introducing an alternative product aimed at taking away the firm's current customers, the firm can use communications aimed at warning them that a competitor will soon be trying to persuade them to switch as well as providing them with reasons why they should still prefer the firm's product over any competitor's product.

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□ inseparability *see* service characteristics

■ institutional marketing

DESCRIPTION

Organizational marketing efforts aimed at influencing broad audiences within a common industry, function, or issue orientation, with particular emphasis on the marketing efforts of large public organizations.

KEY INSIGHTS

Institutional marketing, being concerned with the marketing efforts of organizations such as higher education institutions, hospitals, and other public organizations, emphasizes marketing to accomplish institutional aims and objectives. As such, institutional marketing can be viewed as an imperative for institutions seeking to increase institutional awareness in the marketplace, stimulate interest in the institution among prospective customers, facilitate positive evaluations among such individuals as well as diverse publics (e.g. employers, government agencies), and ultimately encourage customers to adopt the institution's offerings. Yet, the nature of some institutions, given characteristics such as large size and public status, is such that institutional marketing efforts may lead certain organizations to be slow or unresponsive in the development and implementation of their marketing efforts. Furthermore, individuals on the receiving end of such efforts may view the institution as being impersonal, necessitating a challenge for marketers at such institutions to implement approaches to encourage greater responsiveness to marketplace needs.

KEY WORDS Large organizations, public organizations

IMPLICATIONS

A greater understanding of institutional marketing enables marketers engaging in such efforts to recognize more clearly the many challenges and opportunities that are associated with large public institutions, which may include timely responsiveness to changes in market conditions. In addition, marketers within such organizations may benefit from leveraging the institution's marketing efforts in reaching and engaging with current and prospective customers on a more personal level—something that may facilitate the development of stronger (and more profitable) customer relationships.

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□ in-store marketing *see* retail marketing

□ intangibility *see* service characteristics

□ integrated direct marketing *see* direct marketing

□ integrated marketing *see* concurrent marketing

■ integrated marketing communications

DESCRIPTION

Marketing emphasizing the full integration or merging of multiple, different marketing communication approaches with the aim of achieving synergistic effects and superior results relative to approaches where multiple marketing communication activities are pursued but not coordinated.

KEY INSIGHTS

An integrated marketing communications (IMC) approach is aimed at assisting the firm in communicating with customers and other stakeholders in a clear, consistent, and compelling manner. Given an understanding of customer and stakeholder profiles (e.g. demographics, psychographics), a firm adopting an IMC approach is then able to draw upon such information to develop communication strategies involving the integrated use of multiple communication methods including advertising, sales promotions, and public relations, where the net effect of the approach is a strengthening of the firm's relationships with its customers and/or stakeholders.

KEY WORDS Marketing communication, communications integration, **integration**

IMPLICATIONS

As a central part of marketing involves effective marketing communication with current or potential customers and other stakeholders, marketers may benefit from a better understanding of the both the breadth and depth of integrated marketing communications research. For example, in the development and implementation of effective advertising and sales promotions, IMC-related research can assist the marketer with understanding how and to what extent the two approaches may be used in combination to achieve a superior customer response.

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■ integration

DESCRIPTION

A process whereby firms combine or merge for a strategic purpose.

KEY INSIGHTS

Integration among firms can take place along several dimensions. Common characterizations of integration include *vertical integration*, where two firms at different stages in a production processs merge to form a single business entity, and *horizontal integration*, where two firms at the same stage of the production process merge to form a single business entity. In addition, firms vertically integrating can be said to engage in either *backward integration*, where a firm merges with (or acquires) an upstream supplier for its production process, or *forward integration*, where a firm merges with (or acquires) a downstream distributor or customer. Firms pursuing vertical integration often do so to control sources of supply or demand and/or as a means to increase profit potential, whereas firms pursuing horizontal integration may do so to achieve greater economies of scale.

KEY WORDS Mergers, acquisitions

IMPLICATIONS

Marketing strategists seeking to understand better the benefits as well as risks associated with different integration approaches may benefit from greater knowledge of integration processes. Such knowledge may assist the marketer in understanding how and to what extent different approaches may provide the firm or others in the firm's industry with a possible competitive advantage. At the same time, marketers must take care to weigh such options with alternatives that may include strategic alliances, technology license agreements, and franchises, for example.

APPLICATION AREAS AND FURTHER READINGS

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■ intellectual property

DESCRIPTION

Products of intellectual work that have commercial value.

KEY INSIGHTS

Firms engaged in creative endeavors, whether developing innovative new products or simply a new brand name, have a potential ownership stake in intellectual property. Major forms of intellectual property include *patents*, which are legal rights to exclude others from making, using, or selling some combination of elements that are new, useful, and unobvious; *copyrights*, which are protective legal rights covering literary, musical, and artistic works; *trademarks*, which are protective legal rights covering words, symbols, phrases, names, or other devices or combinations of such devices associated with ownership of a product or service, and *trade secrets*, which are processes, patterns, formulas, devices, information, and the like that are known only to their owner (or, in the case of a firm, the owner's employees). Trade secrets are often viewed as an alternative to the legal and public registration of intellectual property, where trade secrets have strategic and commercial value to the extent that they are not known or knowable to competitors of the firm.

KEY WORDS Property rights, legal protection

IMPLICATIONS

As much of marketing involves creative initiatives within an organization, marketers should seek to understand the many options available to the firm for protecting and exploiting the firm's intellectual property. Just as importantly, marketers should seek to understand how and to what extent different options have potential benefits, costs, risks, and limitations for the firm from marketing, competitive, and legal standpoints.

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□ **intensive distribution** *see* distribution strategies

□ **interactive marketing** *see* online marketing

□ **interest** *see* adoption process

□ **intermarket segmentation** *see* segmentation

□ **intermediate good** *see* goods

■ internal marketing

DESCRIPTION

Marketing efforts within a firm that are directed at its internal stakeholders.

KEY INSIGHTS

Just as most firms recognize that marketing principles and practices enable a firm to accomplish marketplace objectives when they are directed at current and prospective customers and other external stakeholders, internal marketing is viewed as beneficial when a firm's management seeks to gain support for some initiative from its internal stakeholders (e.g. employees, organizational volunteers). Internal marketing therefore adopts the view that it is important to understand the needs and wants of internal stakeholders and that the firm should consider how communications and other elements of marketing (e.g. compensation, working conditions, job responsibilities) may be used to encourage such stakeholders to buy into what the firm's management has to offer. Unlike external offerings, however, the firm's internal offerings may consist of a new marketing strategy that the firm's management would like to pursue or a new programme that the firm would like to implement in support of a new or different marketing strategy.

KEY WORDS Employees, organizational buy-in

IMPLICATIONS

Marketing managers and strategists should not assume that their enthusiasm and commitment for new firm initiatives will be shared to the same extent with other internal stakeholders. To overcome resistance to change, management should consider developing and implementing internal marketing strategies that encourage appropriate organizational internal stakeholder buy-in to the marketer's proposed (or in-progress) strategies, plans, and tactics.

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□ internal validity *see* validity

■ internalization theory

DESCRIPTION

A theory aimed at explaining and predicting the growth and structure of multinational enterprise where internalization of imperfections in external markets across national boundaries is viewed as leading to the creation of multinational enterprises.

KEY INSIGHTS

Based on pioneering research by Buckley and Casson (1976), the development of internalization theory emphasizes the role of imperfections in intermediate product markets, such as those associated with knowledge, expertise, intellectual property, and human capital, in the creation of multinational enterprises (MNEs). Such market imperfections generate benefits of internalization. Furthermore, the theory suggests that internalization occurs only to the point where benefits equal the costs. While the internalization decision for a firm may be complex, it can be viewed as influenced by factors related to the industry, region, nation, and the firm. The theory therefore can be used to support suggestions including that where MNEs choose to set up subsidiaries to exploit technological advantages abroad as a result of licensing arrangements being too difficult with indigenous firms.

KEY WORDS Multinational enterprise, international operations

IMPLICATIONS

Internalization theory provides a rich set of concepts and perspectives with which to analyze current states of multinational enterprise and anticipate future states. Marketers may therefore aim to achieve relevant knowledge of particular firms, industries, regions, and nations to enable analyses supporting strategic decisions related to MNE structure and growth.

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■ international marketing

DESCRIPTION

Marketing concerned with developing and managing trade across international boundaries.

KEY INSIGHTS

While international marketing has much in common with cross-cultural marketing (see **cross-cultural marketing**) in its emphasis on spanning and/or bridging markets that differ in important broad respects, international marketing may involve efforts that span multiple countries but where countries do not differ significantly on a cultural dimension as much as on other characteristics (e.g. legal or economic dimensions). Nevertheless, international marketing is necessarily concerned with any and all country market differences that may ultimately influence the accomplishment of the firm's marketing objectives. As most firms do not initiate operations in multiple countries all at once but rather internationalize incrementally, a considerable amount of international marketing research is focused on criteria and approaches for expanding a firm's international market presence.

KEY WORDS Trade, country markets

IMPLICATIONS

While there are many major issues facing international marketers (e.g. assessments of country market attractiveness, international market distribution strategy development) an important broad issue facing many international marketers is the extent to which the firm's offerings should be standardardized across countries versus adapted to account for country-specific conditions. Given that such decisions may be influenced by both macroenvironmental and microenvironmental criteria, a greater knowledge of international marketing issues, frameworks, and methods may clearly assist the international marketer with more effective decision making.

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□ **internet-centric marketing** *see* online marketing

□ **internet marketing** *see* online marketing

■ intertemporal substitution

DESCRIPTION

The extent to which similar goods offered at different times can take the place of each other.

KEY INSIGHTS

Products or services may be characterized by varying intertemporal substitutability among consumers. In the case of air fares to a travel destination being higher on weekdays and lower on weekends, for example, intertemporal substitutability is lower for a consumer flying to a business meeting than for a leisure traveler. High intertemporal substitutability for a product or service may thus lead consumers to delay purchase or consumption of an offering to a time that is more favorable, such as where travel to the same destination can be made off-peak at a lower price.

KEY WORDS Time, substitutability

IMPLICATIONS

When a product or service is offered to consumers at an array of times, marketers should seek to understand how and to what extent such offerings are intertemporally substitutable among consumers in order to explain and predict consumer demand to a greater extent. Such knowledge can have important implications for price setting involving services that vary regularly in both supply and demand, for example, as when daily train commuters with little time flexibility are more resigned to paying higher fares on weekday mornings.

APPLICATION AREAS AND FURTHER READINGS

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□ **interval scale** *see* scale

□ **introduction stage** *see* product life cycle

■ intrusive marketing

DESCRIPTION

Exposing consumers to marketing without their permission or invitation.

KEY INSIGHTS

Intrusive marketing may involve any number of specific marketing approaches which are aimed at current or prospective consumers without their consent and which may be perceived by a consumer as an invasion of privacy. Outbound telemarketing is intrusive as it encroaches on an individual's privacy when it involves calling a consumer at his or her residence and where the consumer must listen at least for a moment to the caller's message. Free newspapers delivered to one's door are intrusive as the consumer must inevitably pick them up to read or toss. In out-of-home marketing, intrusive marketing may take the form of flat panel television screens running a series of advertisements that a consumer cannot help but watch while standing in line at a shop waiting for service.

KEY WORDS Uninvited marketing, unwelcome communication

IMPLICATIONS

Intrusive marketing's aim is to get in the way of the consumer so as to capture the consumer's attention. In some cases, approaches may involve forms of direct marketing (see **direct marketing**) or out-of-home marketing where marketing messages, either through sight or sound, are displayed or broadcast in places that consumers happen to be and where they cannot help but be exposed to them. In many instances, such marketing communications may be unwelcome to a consumer but the consumer may nevertheless tolerate it. Marketers seeking to reach consumers through an intrusive marketing approach must therefore give consideration to how such communications may be received by the target audience, lest they become turned off or tuned out prematurely to the marketer's message. On a larger scale, marketers must be concerned about the possibility of a consumer backlash against a particular intrusive marketing approach.

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■ isolation effect

DESCRIPTION

A tendency in individual evaluations of alternatives where an individual generally disregards components that the alternatives share and focuses on the components that distinguish them.

KEY INSIGHTS

Based on pioneering research by Tversky (1972) and Kahneman and Tversky (1979), the isolation effect is a phenomenon that stems from people's need or desire to simplify the choice between alternatives. Such an approach to choice problems may, however, result in inconsistent preferences to the extent that alternatives are able to be decomposed into common and distinctive components in more than one way, with different decompositions thereby leading to potentially different preferences.

NOTE

The isolation effect as described here should not be confused with the Restorff effect or von Restorff effect, which is also referred to as the isolation effect. (See **von Restorff effect**.)

KEY WORDS Alternative evaluation, choice

IMPLICATIONS

Whether marketer or consumer, individuals evaluating alternatives are prone to the isolation effect. As a result, there is potential for bias in evaluations of alternatives where individuals tend to overly focus on features that differentiate alternatives and under-focus on features that the alternatives share, even if the shared features have an important influence on the desirability of, or satisfaction with, the outcome associated with the evaluation. Consumers evaluating risk in financial products may, for example, not give sufficient attention to the degree of risk that is common to all alternatives examined, instead overly focusing on differentiating features. Marketers concerned with alternative evaluations should therefore be aware of potential biasing tendencies and strive to provide greater attention to important features shared by all alternatives. Similarly, marketers seeking to understand better how consumers evaluate alternatives should be aware of such tendencies in consumer behavior. Such tendencies in alternative evaluations may, for example, lead to consumers considering two similar products to view one product more favorably if it is placed next to a more expensive alternative.

APPLICATION AREAS AND FURTHER READINGS

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■ item response theory

(also called latent trait theory)

DESCRIPTION

A theoretical approach to the scaling of items and persons based on responses to items contained within assessments or other related data collection instruments.

KEY INSIGHTS

An item response theory-based approach to measurement and analysis is based on the assumption that the probabilities of responses to items are joint functions of individual characteristics as well as other items. A benefit of the approach is that it not only facilitates the development of formal data collection instruments but allows more systematic comparisons of results over successive occasions of use.

KEY WORDS Measurement, response, items

IMPLICATIONS

Item response theory provides a basis for the development and evaluation of a range of data collection instruments including surveys and tests. The theory enables marketing scales to be developed and appropriately interpreted as well.

APPLICATION AREAS AND FURTHER READINGS

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J

□ JND *see* Weber–Fechner law

■ job characteristics theory

DESCRIPTION

Theory relating job design to work motivation, satisfaction, and performance.

KEY INSIGHTS

Job characteristics theory as originally developed by Hackman and Oldham (1976) views the relationship between job characteristics and their outcomes as a three-stage model where certain job characteristics ultimately lead to certain end states of motivation and satisfaction. More specifically, job characteristics such as skill variety, task significance, task identity, autonomy, and feedback are viewed as contributing to certain intermediate psychological states including experienced meaningfulness, experienced responsibility, and knowledge of results. These psychological states, in turn, act to influence outcomes including satisfaction, growth satisfaction, and motivation. Such views have subsequently stimulated a wide range of studies on job characteristics including those aimed at evaluating the relationships involved in the above factors as well as the inclusion and influences of other factors into broader job characteristics-related theory such as work pressure and its effects.

While similar in terminology, job characteristics theory is not to be confused with goods-characterstics theory. (See **characteristics theory**.)

KEY WORDS Job design, satisfaction, motivation, performance

IMPLICATIONS

Marketers involved in job design can potentially benefit from understanding the concepts and relationships suggested in job characteristics theory if the aim of a job's design is to achieve high levels of job satisfaction, motivation, and performance. Whether a job involves individual performance or team performance, the theory may potentially provide insights into more effective designs for a range of marketing functions and jobs.

APPLICATION AREAS AND FURTHER READINGS

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■ John Henry effect

DESCRIPTION

A possible adverse experimental effect where the actions and outcomes of members of a control group are influenced by members' knowledge of an experiment involving an experimental group where specifically, the control group members engage in competing with the experimental group in an effort to obtain increased performance.

KEY INSIGHTS

Named after a worker who outperformed a machine because he knew his performance was being compared to the machine, the John Henry effect is a potential threat to the internal validity in experiments where control of control groups is an issue. While an experimenter may wish to simply compare the performance of one means of accomplishing a task with another to assess the extent of difference if any, individuals involved in accomplishing the task by the original means may feel threatened by the new approach and become competitive, thereby increasing their performance to levels not normally achieved. The effect is also referred to by some as a reverse-Hawthorne effect.

KEY WORDS Experiments, control

IMPLICATIONS

Marketers involved in the development and testing of new means to accomplish tasks involving individuals or teams (e.g. in comparing the efficiency of a bank teller with an automated teller for certain complex transactions) may wish to consider the possibility of the John Henry effect potentially confounding the results of a study. Carefully controlling conditions so as to eliminate or compensate the effect should be considered, as where individuals or teams have no knowledge of efforts to compare different methods for accomplishing a task.

APPLICATION AREAS AND FURTHER READINGS

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☐ joint marketing *see* cooperative marketing

☐ Jost's law *see* forgetting curve

☐ junk e-mail marketing *see* mass marketing; viral marketing

☐ jury method *see* forecasting methods

☐ just noticeable difference *see* Weber–Fechner law

■ just world hypothesis

(also called the just world effect or the just world phenomenon)

DESCRIPTION

The tendency for people to falsely believe that the world is essentially fair and just, with the result being that people get what they deserve.

KEY INSIGHTS

With the just world hypothesis, people believe that the good will be rewarded and the bad will be punished. The view also leads to people who suffer misfortunes to blame themselves. Conceptually developed by Lerner (1965), the view is usually explained as a result of an illusion of control.

KEY WORDS Attributions, justice, control

IMPLICATIONS

As the view of the world being just is a relatively widespread belief among individuals, marketers must recognize that individuals may hold biased and false perspectives about the causes and consequences of events. Such a view may reinforce a belief that nothing bad should happen to a person who does nothing wrong as well as that persons who experience misfortunes must have done something wrong to deserve it. (See **blaming the victim**.) Carrying such a view over to individual and collective consumption behaviors, consumers may hold false beliefs about both causes of consumption problems as well as solutions to consumption problems. Particularly in the context of social marketing, marketers seeking to influence such beliefs and encourage rational thought and action can understand better consumer motivations and tendencies with further knowledge of the phenomenon characterized by the just world hypothesis.

APPLICATION AREAS AND FURTHER READINGS

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K

■ key success factors

(also abbreviated as KSFs)

DESCRIPTION

Any asset or competence that is needed to compete successfully in the marketplace.

KEY INSIGHTS

Key success factors are those that any firm in a particular market should possess in order to be a viable competitor in the market. Thus, when introducing a new product into an existing market, the success of the introduction may hinge on the extent to which the firm has certain assets and competencies that enable it to compete successfully. Assets forming KSFs may include a strong brand name and financial resources. Competencies forming KSFs may include personal selling competence or online marketing competence. More specific uses of the key success factors term are also found in relation to particular aspects of marketing such as new product development.

KEY WORDS Marketplace competitiveness, firm success

IMPLICATIONS

Marketers should consider understanding key success factors to be an essential input to marketing strategy development. For example, in being able to compete successfully in the e-commerce marketplace, marketers should recognize that KSFs include abilities such as being able to monitor and track individual buying behavior and motivations and being able to tailor the firm's marketing to individual customers.

APPLICATION AREAS AND FURTHER READINGS

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□ **knowledge** *see* buyer influence/readiness

□ **KSFs** *see* key success factors

L

■ laddering

DESCRIPTION

A knowledge acquisition technique where the core attributes and values that drive the consumer of a product are identified through a form of in-depth interview.

KEY INSIGHTS

The laddering technique aims to establish underlying motivations for the purchase of an offering (e.g. a product) by asking a consumer why he or she buys the product and then, given the response, asking 'why' to that response and each subsequent response until the respondent can no longer provide an explanation. The approach therefore enables a marketer to understand why the consumer *really* buys the product.

KEY WORDS Interviewing, in-depth interviewing, purchase drivers

IMPLICATIONS

The laddering technique can be very useful to marketing researchers conducting in-depth interviews of product consumers or service users to understand the real drivers behind product or service purchase. Marketers must exercise caution, however, to ensure that interviewees are sufficiently comfortable with such lines of questioning.

APPLICATION AREAS AND FURTHER READINGS

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□ laggards *see* adopter categories

■ lagged effect

(also called lagged response or delayed response effect)

DESCRIPTION

Any delay in time between an action and its intended effect.

KEY INSIGHTS

Lagged effects represent a lack of synchronism between cause and effect. In the context of consumer purchase as the intended effect for which there is a delay in its occurrence, reasons for why the effect is not always immediate and fully realized in the period for which the change takes place include: delays in response, as when there is a delay in execution of a marketing action, a delay in the time the marketing action is observed by a consumer, a delay in a consumer's decision to purchase, or a delay in fulfillment of a customer order; customer holdover effects where marketing actions have an effect which carries over to periods beyond the period of study; and anticipatory response effects, such as consumer anticipation of a marketing action (e.g. a delay in sales due to an anticipated price reduction).

KEY WORDS Delay, lag time, effect

IMPLICATIONS

Marketers will invariably face lags in the time between marketing actions and the action's effects. Marketers should consider the various causes of lagged effects to ensure realistic planning and implementation as well to be able to proactively take action to control and reduce undesirable delays. Marketers should also consider how current marketing actions may be affected by earlier marketing actions (e.g. previous advertising campaigns) which have produced lagged effects as well.

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□ **lagged response** *see* lagged effect

□ **Lancaster's characteristics theory** *see* characteristics theory

■ large numbers, law of

DESCRIPTION

A principle of probability and statistics which indicates that the average of a random sample of a population is increasingly likely to be close to the mean of the population as the sample size becomes increasingly large.

KEY INSIGHTS

The law of large numbers enables conclusions, such as estimates and forecasts, to be drawn about populations based on random samples. More specifically, as the number in a sample increases, the more likely it will be that the estimate obtained, i.e. the average of the sample, will reflect the actual value for the larger population, including that for what is not measured.

KEY WORDS Sampling, probabilities, statistical analysis

IMPLICATIONS

Marketers involved in making forecasts and estimates from random samples can understand better to what extent findings are likely to be representative of larger populations based on the statistical principle embodied in the law of large numbers. The law also provides insight into appropriate sample design in support of marketing research and marketing model development for new marketing initiatives including online marketing.

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□ late follower *see* market entry timing
□ late majority *see* adopter categories
□ late response bias *see* bias
□ latent demand *see* demand
□ latent trait theory *see* item response theory
□ later market entrant *see* market entry timing

■ lateral marketing

DESCRIPTION

A marketing approach involving exploration and creativity in the restructuring of a good by adding needs, uses, situations, or targets that would otherwise be unreachable without the appropriate changes.

KEY INSIGHTS

Developed by Kotler and de Bes (2003) in a book by the same name, the approach emphasizes the opportunity for a firm's offerings to reach beyond its current boundaries. An example is that of organic food, which is defined based on specially labelled and regulated products. If firms in the organic food industry were to claim and build upon a 'well-being' positioning, the organic food industry could aim to develop new products, uses, and situations that might not only add to industry sales volume but might also lessen their cannibalization with existing organic food offerings.

KEY WORDS Repositioning, product repositioning, creativity

IMPLICATIONS

Marketers looking for ways to move the firm's offerings beyond their traditional boundaries may benefit from a greater understanding of the lateral marketing approach and its associated exploration-based and creativity-based methods. In using the approach to reposition and restructure their offerings, marketers may identify not only multiple new repositioning directions but also particular ones that potentially provide the firm with higher growth prospects than that constrained by the firm's current offerings.

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□ law(s) of . . . *see specific entries, e.g.* diminishing returns, law of

□ leadership strategy *see* decline strategies

□ lean-over marketing *see* stealth marketing

■ leapfrogging

DESCRIPTION

Strategic action involving the skipping of a strategic move that is inferior, less efficient, or more costly than that of a subsequent strategic move adopted.

KEY INSIGHTS

Given the steady or rapid pace of technological change affecting many markets today, some firms, organizations, and even countries that have (intentionally or unintentionally) not kept up with more nimble competitors who are continually adopting the latest technology may find their organizations are in a position to bypass the adoption of certain technologies altogether and embrace instead a more advanced technology that is superior, more efficient, or less costly than that currently adopted by competitors. In this sense, the organization is said to be engaged in a process of technological leapfrogging over competitors. Leapfrogging as a strategy is not necessarily limited to that of technological influence, however.

KEY WORDS Competitive strategy, strategic moves

IMPLICATIONS

While opportunities for leapfrogging clearly vary depending on the rate and extent of change of technological and other factors, and factors internal to the organization as well, the approach as a strategy is something that marketers in organizations operating in a dynamic marketing environment need to give careful consideration to if the aim is to remain competitive over the longer term. The long-term evolution of many markets is such that leapfrogging may enable currently weak competitors to become future strong competitors in terms of their processes used, their offerings, or both.

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■ learning curve effect

DESCRIPTION

The systematic positive effect on human performance of accumulated learning through practice.

KEY INSIGHTS

Developed in pioneering research by Thurstone (1919), the learning curve effect emphasizes the view that systematic changes in human performance as a result of accumulations in learning can be mathematically examined and graphically illustrated. Depiction of the systematic effects of learning is typically through a graph of accumulated learning on the *x*-axis and some performance measure on the *y*-axis. Performance may be measured any number of ways including time it takes to complete a task or the number of errors made in performing a task, both of which would be shown to systematically decrease with cumulative learning as indicated over time or the number of tasks performed.

The learning curve effect may also be described through a percentage term for a given performance measure, as where an 80% learning curve for the time to complete a task means that the average time to complete the task falls to 80% of the previous average for every doubling in the number of tasks completed.

The learning curve concept is closely related to the experience curve concept in that both emphasize the change that occurs with learning. Unlike the experience curve effect, however, the learning curve effect refers to changes in the performance of individuals or, more broadly, organizations through learning, whereas the experience curve more often than not relates to the context of changes in production outcomes as a result of accumulated production experience, which may be due in part to a learning curve effect among production workers. (See **experience curve effect**.)

KEY WORDS Learning, performance, individuals, organizations

IMPLICATIONS

As marketers are engaged in a process of encouraging consumers to learn about their brands, products, and services, the learning curve effect has relevance for the development and design of marketing communications aimed at systematically increasing a consumer's learning about the marketer's offerings which enables the consumer to respond more effectively to the offerings. In addition, learning within the marketing manager's own organization becomes an issue when the organization seeks to be able to respond better and faster to information originating from outside the organization including that from the firm's own customers (e.g. responding to customer complaints).

APPLICATION AREAS AND FURTHER READINGS

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■ learning theory

DESCRIPTION

Theory or theories aimed at explaining the individual learning process.

KEY INSIGHTS

There are multiple theories of learning, including those characterized by constructivism and behaviorism. Constructivism is where a learner is viewed as constructing ideas based upon past and current knowledge. Behaviorism is where a learner is viewed as being conditioned to learn as a result of environmental reinforcement or punishment. There are also more specialized theories of learning such as Hullian learning theory as developed by Hull (1943), which elaborately relates concepts including work, energy, reinforcement, and response. While the aim of all such theories is to help understand and explain the process of learning, the diversity of learning approaches and contexts makes any particular learning theory difficult to generalize.

KEY WORDS Learning processes, individuals

IMPLICATIONS

Theoretical perspectives on learning continue to attract the interest and attention of marketers as such perspectives can often provide unique insights into how marketing activities can be developed and implemented to enhance consumer learning about the marketer's offerings. While there are multiple theoretical approaches, marketers can nevertheless aim to understand better such approaches, particularly when their views are argued to be relevant to particular marketing activities such as sales promotions or advertising.

APPLICATION AREAS AND FURTHER READINGS

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■ least effort, principle of

DESCRIPTION

The view that in an individual's efforts to achieve a goal, the individual will generally seek a method involving the minimum expenditure of effort or energy.

KEY INSIGHTS

The principle of least effort has been put forth in contexts including human ecology (Zipf 1949), cognitive processes (Allport 1954), and, most recently, information search (Mann 1987). While each of these contexts shares the same general view of individuals minimizing their effort when striving to achieve their goals, the differing contexts suggest different methods of goal achievement. Mann (1987), for example, considers the principle in the context of search approaches, and therefore emphasizes that individuals will tend to use the most convenient search method and in the least exacting mode available.

KEY WORDS Behavior, effort, individuals

IMPLICATIONS

The principle of least effort is of considerable importance to marketers since it suggests consumers will tend to follow the path of least resistance in their search and purchase behaviors, all else being equal. Minimizing consumer search effort and maximizing convenience and ease of use (e.g. in terms of physical distance traveled or time required to find sought-after information) can therefore be strategic aims of marketers who seek to take advantage of consumers' systematic tendencies to minimize effort and energy in their goals to be satisfied.

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■ least interest, principle of

DESCRIPTION

A principle stating that the person who is the least interested in the continuation of a relationship is able to dictate the conditions of association.

KEY INSIGHTS

Put forth and developed by Waller (1938), the principle of least interest suggests that power in any relationship lies with the least interested individual. The principle also suggests that such an individual is in a position to exploit those most interested in the relationship's continuation. As such, the principle can be considered to be a generalized view of what Ross (1921) termed the 'law of personal exploitation,' namely, that 'in any sentimental relation, the one who cares less can exploit the one who cares more.' While such views originated in a sociological context, they have since been extended to contexts beyond marital relationships to provide insights into areas including effective working relationships and bargaining.

KEY WORDS Exchange relationships, power

IMPLICATIONS

Marketers concerned with understanding or evaluating the nature of power in any exchange relationship may benefit from a greater knowledge of the principle of least interest. In particular, the principle suggests that power depends on the relative interests of parties to an exchange relationship. As such, the principle can be viewed as applicable in explaining power in exchange relationships occurring not only at the level of the individual but also the level of the organization as well as the level of broader economic or political entities such as nations where exchange relationships are present.

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□ **leisure class, theory of the** *see* conspicuous consumption
□ **Lewin's field theory** *see* field theory
□ **life cycle** *see* product life cycle
□ **life-cycle segmentation** *see* segmentation

■ lifestyle marketing

DESCRIPTION

Marketing based on knowledge of individuals' actual or desired patterns of living, in areas including their activities and interests.

KEY INSIGHTS

Lifestyle marketing is concerned with understanding the lifestyles of consumers, as demonstrated by consumers' preferences and behaviors in their social relations, consumption, entertainment, dress, and the like, and using such an understanding as a central element in an organization's marketing efforts. Given that consumers' lifestyles are determined in part by their values and attitudes, lifestyle marketing necessarily involves understanding not only particular lifestyle patterns but an understanding of the drivers of such patterns as well. Lifestyle marketing can emphasize how a firm's offerings can assist consumers with leading lifestyles they would like to have or it can be based on reinforcing a lifestyle a consumer is already leading. Lifestyle marketing may be the primary focus of a firm's efforts or it may be a part, as when lifestyle market segmentation is combined with other segmentation approaches. (See **segmentation**.)

KEY WORDS Consumer interests, consumer activities, consumer values

IMPLICATIONS

Marketers may benefit from assessing how and to what extent a marketing approach based on lifestyle marketing may assist the marketer's firm in reaching existing markets and developing new markets for the firm's offerings.

APPLICATION AREAS AND FURTHER READINGS

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□ lifestyle segmentation *see* segmentation
□ Likert scale *see* scale
□ liking *see* buyer influence/readiness
□ limit pricing *see* pricing strategies

■ Little's law

(also called Little's result or Little's theorem)

DESCRIPTION

A queuing formula for a stable system stating that the average number of customers in a system (over some interval) is equal to their average arrival rate multiplied by their average time in the system.

KEY INSIGHTS

Based on pioneering research by John D. C. Little, the relationship presented in Little's law is demonstrated through his proof of the queuing formula $L = \lambda W$ (Little 1961). While Little's law may appear to be somewhat intuitive, a key contribution is that it is proven to hold independent of assumptions about customers' arrival schedules, service schedules, or service order. One constraint for the relationship is that the system must be stable (e.g. not in a transition state of starting up or shutting down).

Applied more broadly to any production system, as opposed to that for a customer queuing system context, Little's law can also be used to support the view that average throughput time through a production system is directly proportional to average work-in-progress (WIP) inventory. Hence, in the context of a production system for manufacturing, as capacity utilization increases, WIP inventory increases, throughput time increases, and delivery performance declines.

Little's law also has corollary. Again referring to the context of a customer queuing system, the corollary statement added to the law is: the average time in the system is equal to the average time in queue plus the average time it takes to receive service.

To illustrate Little's law with an example, assume that customers arrive at a set of supermarket checkout counters at an average rate of one customer every 15 seconds. Assume also that each customer ends up spending an average of 8 minutes in the queue and 4 minutes actually checking out or receiving service. Little's law can be used to calculate the average number of customers that will be in the system:

Avg. arrival rate = 1 customer every 15 seconds = 4 customers per minute

$$\begin{aligned}\text{Avg. time in the system} &= \text{avg. time in queue} + \text{avg. time to receive service}\\ &= 8 \text{ minute} + 4 \text{ minutes} = 12 \text{ minutes}\end{aligned}$$

$$\begin{aligned}\text{Avg. no. of customers in queue} &= \text{avg. arrival rate} \times \text{avg. time in the system}\\ &= 4 \text{ customers per minute} \times 12 \text{ minutes}\\ &= 48 \text{ customers}\end{aligned}$$

KEY WORDS Queuing, systems, performance, production, service

IMPLICATIONS

The principle embodied by Little's law has clear implications for customer queuing systems as well as most systems of production and manufacturing. When capacity utilization and system performance are of strategic importance, Little's law provides valuable insights into how these systems will function when stable.

APPLICATION AREAS AND FURTHER READINGS

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■ local marketing

DESCRIPTION

Marketing tailored to the wants and needs of local markets such as cities, neighborhoods, or stores.

KEY INSIGHTS

Local marketing emphasizes a perceived net marketing benefit to tailoring certain aspects of a firm's offerings (e.g. promotions, product prices, brands) to reflect the wants and needs of local organizations or communities of consumers. Local marketing may vary in the extent of such tailoring in terms of the firm's offerings as well as a local area's size and other characteristics (e.g. city vs. neighborhood marketing).

KEY WORDS Tailored offerings, local needs, neighborhoods, cities

IMPLICATIONS

Firms with offerings that may vary in their appeal among local markets may benefit from a greater understanding of local marketing-based approaches. In the case of firms providing local markets with multiple offerings, for example, such as where a food and snack foods firm supplies many neighborhood stores, local marketing practices may include the careful tailoring of the mix of offerings provided to each local retailer.

APPLICATION AREAS AND FURTHER READINGS

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■ locality, principle of

DESCRIPTION

A general principle stating that, when reasoning, an individual does not use all he or she knows about the world, but only a subset of it.

KEY INSIGHTS

Not to be confused with the physics-based principle of locality (i.e. 'no action at a distance'), the sociological-based principle of locality (i.e. the empowerment of localities to make decisions of local concern and the acknowledgment and respect of such rights), or the computing-based principle of locality for local computational resource usage, the principle of locality emphasizes the role and influence of context in determining how and to what extent individuals reason in accomplishing tasks or for achieving goals. Whether acting for themselves or acting as agents on behalf of others (e.g. managers employed to pursue the goals of the firm's owners), the principle of locality indicates that individuals will draw upon only part of their total knowledge when reasoning, where such knowledge drawn is heavily influenced by the context in which the need for reasoning occurs.

KEY WORDS Individual reasoning, decision making

IMPLICATIONS

While the principle of locality is a very general principle of reasoning, it nevertheless emphasizes the importance of local context in determining how and to what extent individuals will draw upon their base of knowledge. Marketing models of consumer behavior can therefore draw upon the principle of locality in establishing assumptions about decision-making behavior and implications for consumer action.

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□ location marketing *see* place marketing

■ location theory

DESCRIPTION

Theory aimed at understanding, explaining, and predicting the locational and spatial choices of economic entitities.

KEY INSIGHTS

Location theory encompasses a broad base of research aimed at understanding, explaining, and/or predicting firms' geographic location choices in relation to such factors as sources of supply and demand. Taking into account the nature of the firm's production processes, for example, location theory as developed by Weber (1929) supports the view that (1) firms will locate near raw material sources when the goods produced are not as heavy, bulky, or perishable as the raw materials from which they are manufactured, (2) firms will locate near markets for their goods when the goods produced are heavier, bulkier, or more perishable than the raw materials from which they are produced, and (3) firms will not locate at intermediate points as such locations incur additional costs. Theories of location with more specific emphases include *retail location theory*, which is concerned with understanding, explaining, and predicting the locational and spatial choices of retailers. More broadly, central place theory is an area of study with theoretical perspectives which are related to location theory. (See **central place theory**.)

KEY WORDS Physical locations, spatial locations

IMPLICATIONS

Marketers in firms evaluating choice of firm location may benefit from a greater knowledge of location theory-based research. In addition, the theory may also provide marketers with insights into the possible and likely locational choices of industry and market competitors as a result of a greater understanding of the different factors influencing firm location choice.

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□ loss leader pricing *see* pricing strategies

■ low-ball technique

(also called the low-ball procedure)

DESCRIPTION

A technique for persuading an individual to accept or adopt a particular course of action, where the individual is first induced to agree to the action through presentation of a favorable proposition which, soon after but before final commitment, is then disclosed less favorably.

KEY INSIGHTS

Based on pioneering research by Cialdini, Cacioppo, Bassett, and Miller (1978), the low-ball technique (or procedure) was observed to be more effective in obtaining individuals' commitments to volunteer under conditions disclosed subsequently as less desirable than initially disclosed relative to instances where individuals were sought as volunteers for the immediately disclosed less desirable condition. The technique therefore involves obtaining a commitment to an action prior to disclosing the full and true cost, where the initial commitment acts to increase the likelihood of sustained agreement, and likewise reduce the likelihood that the individual will subsequently reverse his or her initial decision, even under conditions of greater cost or other less favorable conditions.

KEY WORDS Persuasion, compliance, negotiation, selling

IMPLICATIONS

While the technique clearly has ethical implications which should be examined by marketers in considering its use, its effectiveness nevertheless suggests it may be an alternative that marketers may wish to explore in personal selling, negotiation, and other forms of persuasion.

APPLICATION AREAS AND FURTHER READINGS

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■ loyalty effect

DESCRIPTION

Beneficial effects to a firm and its marketing efforts that are attributed to brand loyalty by customers.

KEY INSIGHTS

Research by Reichheld (1996) argues that marketing costs for serving loyal customers are lower than those for attracting new customers because loyal customers are familiar with the firm's products or services and are less dependent on the firm and its employees for assistance and information. As a result, loyal customers contribute much to the bottom line of a firm. In quantifying the contribution of loyalty, Reichheld's (1996) research suggests that in certain industries such as automobile and life insurance and credit cards, attracting new customers can cost up to five times the cost associated with retaining current customers.

More broadly, effects of increases in customer loyalty to a firm include: increases in the long-term and continuous profit accumulation from individual customers, reduced marketing costs as a result of less marketing effort to attract new customers, increases in per-customer revenue growth as loyal customers tend to increase their spending over time, lower operating costs as a result of less employee time spent on answering the queries of loyal customers, increases in referrals by loyal customers to friends and others, a greater willingness to pay and a reduced sensitivity to price increases as a result of loyal customers' perceptions of unique value in the brand.

While there are many benefits associated with customer loyalty, the two major dimensions of the loyalty effect according to Reichheld (1996) are the 'customer volume effect' (also called the 'volume effect') and the 'profit-per-customer effect.' The *customer volume effect* is the effect on the growth rate of a firm resulting from adding new customers each year while also reducing the rate at which it is losing customers. Thus, while two firms may have identical customer acquisition rates, the firm with the lower customer attrition rate has the advantage in terms of increasing its installed base is of customers more quickly over time. The *profit-per-customer effect* is the effect of increasing profits the longer a customer stays with a company, where such increasing profits are due to greater customer spending and lower operating costs in serving loyal customers.

KEY WORDS Loyalty, growth, profit, **value**

IMPLICATIONS

Marketers should not underestimate the beneficial effects of customer loyalty to a firm and its marketing efforts. Marketing aimed at maintaining and increasing customer loyalty is likely to produce far greater rewards than marketing of a similar financial expenditure that is aimed at attracting new customers.

APPLICATION AREAS AND FURTHER READINGS

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■ loyalty marketing

DESCRIPTION

Marketing that is aimed at encouraging or increasing customer loyalty to a firm and its branded offerings.

KEY INSIGHTS

Loyalty marketing seeks to create and take strategic advantage of the loyalty effect (see **loyalty effect**) and/or the loyalty ripple effect (see **loyalty ripple effect**). As such, a firm may make loyalty marketing central to the firm's marketing efforts, such as when a new airline opts to compete by offering highly favorable terms to its frequent flyers, or in combination with other marketing approaches, such as a supermarket offering shoppers a loyalty program to encourage repeat shopping but also to learn about ongoing customer purchase behavior.

KEY WORDS Loyalty, competitive advantage

IMPLICATIONS

Given that customer loyalty can have strategic value to a firm operating in a highly competitive industry, marketers may benefit from a greater understanding of loyalty marketing approaches. While in some markets, loyalty marketing may simply provide a firm with a means to achieve and maintain competitive parity, in other industries the approach may provide the firm with a competitive advantage that is not easily eroded over the longer term.

APPLICATION AREAS AND FURTHER READINGS

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■ loyalty ripple effect

DESCRIPTION

Direct and indirect influences that customers have on a firm as a result of their generating interest in the firm by encouraging patronage from new customers as well as any other of their actions or behaviors that create value for the organization.

KEY INSIGHTS

Conceptually developed by Gremler and Brown (1999), the loyalty ripple effect conveys the notion that there is a gradually spreading effect or influence of customer loyalty to an organization. Beyond loyal customers' influence on a company's ongoing revenues, actions including positive word-of-mouth communication add further value to a firm and reduce the firm's costs.

KEY WORDS Loyalty, **value**, **word-of-mouth communication**

IMPLICATIONS

Marketers concerned with developing customer loyalty should not underestimate its ripple effect, which can include not only generating more customers but also more customers that are also loyal. Appreciating and understanding better the loyalty ripple effect may therefore help firms to exploit more of the true value of loyalty.

APPLICATION AREAS AND FURTHER READINGS

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☐ luxury goods *see* goods

M

□ **m-marketing** *see* mobile marketing
□ **macro marketing environment** *see* macroenvironment

■ macroenvironment

DESCRIPTION

The set of societal forces that have a major influence on industries and markets. (also called macro marketing environment)

KEY INSIGHTS

The macroenvironment can be considered to consist of multiple forces of influence to industries and markets. Examples of such forces, or pressures on the firm, include political, economic, social, cultural, demographic, technological, legal, regulatory, environmental, and natural forces. To ensure that a firm's marketing efforts are compatible with these and other broad societal forces, an analysis of the macroenvironment is recommended, where the implications for the firm's marketing efforts receive critical attention. Aside from the general term environmental analysis, there are a number of generally equivalent terms used for such an analysis, including *PEST analysis* (also called *STEP analysis*), which involves an analysis of political (including legal and regulatory), economic, social, and technological forces of the macronenvironment, and *PESTLE analysis*, which also involves analysis of the same set of forces as for PEST but makes legal forces distinct from political forces and further includes environmental forces. What is most important in the environmental analysis is not so much the precise categorizations used but the identification of important forces of influence, both current and potential, to the firm's marketing efforts. For example, a firm involved in developing new teleworking products may find that there are numerous important influences in the area of technological forces, which may further include influences associated with technological advances in both communications hardware and software. At the same time, the firm would not want to neglect analyses of cultural forces and economic forces, both of which may be important in the firm's plans to offer the product in multiple countries.

KEY WORDS Societal forces

IMPLICATIONS

While the marketing strategies supporting a firm's offerings must clearly take into account the firm's immediate operating environment (e.g. competitor and customer environment), astute marketers recognize the importance of understanding the firm's macroenvironment to ensure the firm's marketing strategy fits with broader forces of influence. Such forces cannot be influenced but trends and events associated with such forces may have a profound impact on firm success, as when a food products firm anticipates a cultural trend toward healthier eating and incorporates knowledge of the trend into new food offerings and their supporting marketing communications.

APPLICATION AREAS AND FURTHER READINGS

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■ macromarketing

DESCRIPTION

Marketing focused on issues relating to the broader environmental influences on societies and economies.

KEY INSIGHTS

Macromarketing is concerned with the interplay between marketing actions and the broad needs of societies and economies. As such, issues such as quality of life, societal well-being, and sustainable consumption receive primary (as opposed to secondary) focus in terms of how marketing-led actions positively or negatively influence their current and future levels and vice versa.

KEY WORDS Societal needs, economies

IMPLICATIONS

As marketing is performed in a broader societal context, it behooves marketers to understand a broad range of issues having a possible influence on marketing as well as the broad societal and economic issues that are influenced, directly or indirectly, by marketing practice. A greater understanding of macromarketing-based research provides the marketer with such a perspective and may further assist the marketer with considering the longer-term consequences of the firm's marketing actions.

APPLICATION AREAS AND FURTHER READINGS

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■ magical number seven

DESCRIPTION

A term capturing the notion that individuals are limited in their capacity for processing information, where the limitation consists of spans involving of about seven distinct categories or items of information.

KEY INSIGHTS

Based on pioneering research by Miller (1956), evidence suggests that an individual's ability to process information is strictly limited. More specifically, individual attention spans tend to encompass about six items of information at any given time, while spans of short-term memory tend to encompass about seven items, and spans of judgment tend to distinguish about seven categories. One recognized approach for helping to overcome such limitations involves grouping together items of information into chunks, an approach referred to as chunking, where the individual items of information can be more easily perceived, interpreted, and remembered. An example is the telephone number 118 TAXI, which is more easily remembered than the seven-digit telephone number 118 8294.

KEY WORDS Information processing capacity, individuals

IMPLICATIONS

Marketers should be critically sensitive to how individual's information processing capacities are limited and how such limitations may influence memory, attention, and judgments of a marketer's offerings. Specifically, marketers should be wary of overloading consumer's processing capability and emphasize marketing communications and other actions that are easily remembered, attended to, and judged as a result of being within individual limits of information processing capacity.

APPLICATION AREAS AND FURTHER READINGS

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□ mail marketing *see* direct marketing

■ majority fallacy

DESCRIPTION

Generally, an error in logical reasoning stemming from inappropriate consideration of a popular or majority view. In a more specific marketing context, the view that larger markets or market segments will be more profitable than smaller ones simply due to their size.

KEY INSIGHTS

The majority fallacy encompasses the notion that one's actions, attitudes, or beliefs can be inappropriately influenced by perceptions of behaviors, attitudes, and beliefs held by a majority or sufficiently large-sized population. Examples are when an individual views an action as more acceptable as a result of its practice by the majority, or when an individual views an action to be more commonly practiced by a majority in comparison to the individual. Similarly, an individual deliberating an action may view it as increasingly acceptable to the extent that the action is increasingly practiced by a large enough number of others.

KEY WORDS Judgment, errors

IMPLICATIONS

Marketers can fall prey to the majority fallacy when erroneously adopting the view that large markets and market segments are always better than small ones (e.g. in terms of attractiveness, profitability, etc.), or in believing that the majority position adopted by competitors in terms of product attributes is likely to be best and should therefore be adopted as well. In the former example, large markets may be less attractive due to a greater number of competitors, while in the latter example, adopting such a position results in a lack of product differentiation. At the same time, consumers can fall prey to the fallacy in persuasive arguments, as when told that, since the majority of consumers have purchased a particular brand, the brand is clearly the right one for them (e.g. '50 million consumers can't be wrong'). Marketers should therefore understand how the majority fallacy can intentionally or inadvertently influence marketing or consumer judgments, where knowledge or beliefs about majority views or actions have an influence on personal views, decisions, and actions.

APPLICATION AREAS AND FURTHER READINGS

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■ management theory

DESCRIPTION

Theory or theories of effective and efficient management.

KEY INSIGHTS

While management theory encompasses a broad base of research and continues to receive considerable research attention, many theories of management often refer to, and are based upon, the scientific view of management theory as put forth by Taylor (1911). Principles embodied in the classic view of management theory include: assuming full responsibility for work planning, applying scientific methods to work design to achieve maximum efficiency, staffing jobs with the most appropriate individuals, adequately training such individuals, and providing such individuals with feedback to ensure desired performance. Management theory continues to advance beyond the classic view and now encapsulates many complementary as well as competing views.

KEY WORDS Management, effectiveness, efficiency

IMPLICATIONS

Management theories, whether explicit or implicit, form a basis for much marketing management practice. Issues such as determining the most effective means to motivate a sales force (e.g. salary, commission, or a combination), are the subject of debate and discussion in organizations that are ultimately dependent on managerial views on what constitutes effective and efficient management. The topic of management theory therefore provides marketers with an ongoing source of concepts for consideration in establishing effective and efficient marketing management practices.

APPLICATION AREAS AND FURTHER READINGS

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☐ managerial theories of the firm *see* firm, theory of the

☐ many-to-many marketing *see* affiliate marketing

☐ marginal cost pricing *see* pricing strategies

☐ market development *see* product-market investment strategies

■ market entry timing

DESCRIPTION

The time at which a firm enters a market, either chronologically or in relation to competitors or other market conditions.

KEY INSIGHTS

Market entry timing is an important element in a firm's marketing strategy when the firm seeks to make the most of its limited resources in relation to perceived market opportunities. Being 'too early' to market can waste a firm's resources, whereas being 'too late' to market can reduce the opportunity available to a firm. In relation to other firms entering a market, a firm may be a *pioneer*—the very first to enter a market, or one of the first firms collectively entering a market in close temporal proximity, or a *follower firm*—a firm which enters a market after the market pioneer(s). A follower firm may be further characterized as being an *early follower*—a firm that enters a market sooner after the market pioneer(s) or a *late follower* or *later market entrant*—a firm that enters a market some time after both the market pioneer(s) and after early follower firms. Firms may therefore pursue a *pioneering*, or *market pioneering* strategy—where the aim is to be first among competitors to enter a market, or a *market follower* strategy—where the aim is to let other firms pioneer markets before entering them. In deliberating pursuing a particular market entry timing strategy a firm is either implicitly or explicitly concerned with achieving particular advantages associated with time of market entry in relation to competitors. Specifically, pioneers seek an opportunity to pursue and exploit some form of *first mover advantage*, where the firm's entry timing enables it to reap greater economic or behaviorally based benefits in relation to those achieveable by follower firms, such as more favorable distribution terms with retailers or increased ability to shape consumer preferences. On the other hand, a firm either implicitly or explicitly pursuing a market follower strategy seeks opportunities to pursue and exploit some form of follower advantage, where the firm's entry strategy enables it to obtain greater economic or behavior benefits in comparison to those achievable by pioneering firms, such as lower-cost product development (as a result of evaluations of the pioneer's new product) or more effective product positioning (as a result of learning from the pioneer's marketing mistakes).

As it is usually the case that multiple firms enter a given market with their new products once the markets are pioneered, it is almost always the case that there will be many more followers in the market than pioneers. In such a case, *order-of-entry effects*, or those effects on marketing performance that are directly attributable to the precise sequence of entry of a firm into a market relative to that of competitors, can also be an important consideration having both strategic and tactical implications. For example, research on frequently purchased consumer goods has found that, as a firm's order-of-entry increases (e.g. the later it enters in relation to competitors), market share, probability of consumer trial and probability of repeat purchase by the consumer are all observed to decrease, but at different relative rates (Kalyanaram and Urban 1992).

KEY WORDS Timing, order of entry

IMPLICATIONS

In order to make the most of a firm's limited resources in accomplishing the firm's objectives, marketers should take care to consider market entry timing strategy in their overall marketing strategy. As there are benefits, costs, and risks associated with each of the different approaches, marketers should analyze factors including the firm's objectives, characteristics of the firm, its current products, competitors, competitors' products, and characteristics of the market to enable the firm to identify, evaluate, and pursue market entry timing strategies that may be more beneficial to the firm than others.

APPLICATION AREAS AND FURTHER READINGS

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☐ market expansion *see* product-market investment strategies

☐ market factor index method *see* forecasting methods

☐ market follower *see* market entry timing

☐ market penetration *see* product-market investment strategies

☐ market pioneering *see* market entry timing

☐ market segmentation *see* segmentation

■ market share

DESCRIPTION

Expressed in percentage terms, a firm's or brand's sales (or unit) volume divided by the total category sales (or unit) volume for the market or market segment within which the firm or brand competes.

KEY INSIGHTS

Market share-based objectives (such as capturing a certain market share or maintaining a particular market share) are among the most common marketing objectives as such objectives enable relative performance comparisons with other firms or brands. Additionally market share measures of firm performance, as opposed to total sales or total unit volume measures may be generally less dependent on, or sensitive to, fluctuations in macroeconomic conditions to the extent that other firms or brands competing in the same market or market segment and similarly affected by the same fluctuating conditions.

KEY WORDS Markets, share, competitive position

IMPLICATIONS

Marketers often use market share-based measures as part of firm objectives. Market share calculations, however, depend on the marketer's definition of the market in which the firm or brand competes, which may broadly include substitute products or narrowly be restricted to a group of well-defined competitors within a particular industry who are competing in a specific market segment. As such, the ultimate choices of market definitions should be those which provide the marketer with the most strategic insight into a firm's or brand's competitive position.

APPLICATION AREAS AND FURTHER READINGS

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■ market share effect

DESCRIPTION

The enhancing effect of a high market share on firm performance.

KEY INSIGHTS

Some research on the effect of market share on firm performance has suggested that firm performance is enhanced to the extent a firm achieves a high market share. While results of studies suggesting evidence of such a linkage are a subject of debate among marketing researchers, theories have nevertheless been put forth to explain possible mechanisms for such an effect. Specifically, there is the quality explanation, where high market share can act as a signal of superior quality to consumers; there is the market power explanation, where high market share creates the ability to command higher prices, more favorable vendor terms, better shelf space, etc.; and there is the efficiency explanation, where the scale and experience associated with high market share can lead to lower costs and higher profits. Ultimately, multiple explanations may apply in explaining such a relationship, where unobservable factors such as luck may also be a contributor.

KEY WORDS Firm performance, **market share**

IMPLICATIONS

While strategic efforts to increase market share by a firm may be a goal in and of itself, it is also possible that a firm's increased market share may positively influence other firms' performance measures. Yet, what is most important for marketing managers to understand is the mechanism or mechanisms by which market share may have a possible facilitating effect. Understanding the state of research on the market share effect and exploring competing theories on the topic may provide marketers with insights into likely mechanisms given the context of their firm's product offerings, market, and competitors.

APPLICATION AREAS AND FURTHER READINGS

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□ market-skimming pricing *see* pricing strategies

■ marketing

DESCRIPTION

An organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

KEY INSIGHTS

The definition of marketing has changed over the years. Defined by the Board of Directors of the American Marketing Association (AMA) in July 2004, the current definition of marketing reflects the changes in the nature of marketing which have occurred in the last two decades. Prior to the current definition, marketing was defined by the AMA in 1985 as the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives. In 1935, the AMA originally defined marketing as the performance of business activities that direct the flow of goods and services from producers to consumers. Unlike previous definitions, the current definition reflects a paradigm that accounts for the continuous nature of relationships among marketing actors.

KEY WORDS Organizational function, processes, **value**, customer relationships, stakeholders

IMPLICATIONS

While some marketers may have a different personal definition of marketing, the current view of marketing emphasizes a need to deliver value to customers and managing customer relationships, where the ultimate aim of such activity is to benefit the organization and its many stakeholders. In this regard, marketing can be viewed as having a broad charter within an organization. As such, regardless of the nature of an organization's marketing function and offerings, it is imperative that marketers strive to actively manage the organization's many value delivery processes as well as its ongoing relationships with its customers to ensure maximum organizational and stakeholder benefits.

APPLICATION AREAS AND FURTHER READINGS

Marketing's Definition

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■ marketing, laws of

DESCRIPTION

Broad generalizations concerning the nature or practice of effective marketing.

KEY INSIGHTS

Unlike disciplines and practices governed by one or more physical laws or laws of nature which are widely accepted as a result of extensive empirical observation and scientific investigation, marketing has at most laws consisting of broad generations which appear to have considerable merit based on empirical observation and scientific investigation into the domain and practice of marketing.

One of the earliest statements in a marketing-related journal referring to a law of marketing is the *First Law of Marketing*, given by Dik Warren Twedt, Director of Marketing Research, Oscar Mayer & Company, which reads:

> 'The consumer psychologist helps the manufacturer to observe the First Law of Marketing, "Make what people want to buy, don't try to sell what you happen to make" ' (Twedt 1965).

In a subsequent publication in the *Journal of Marketing* by the same author (Twedt 1966), the law is again referenced:

> 'The First Law of Marketing has been suggested as, "Make what people want to buy; don't try to sell what you happen to make." '

Another indication of a marketing law is given in a journal article discussing distance education which states:

> 'understanding the nature of products and services that one is attempting to sell constitutes the first law of marketing' (Michael 1997).

Beyond laws of marketing which are explicitly presented in marketing and marketing-related journals, there are also a number of 'laws of marketing' that have been put forth in books on marketing and other publications about marketing. These include a reference to a law of marketing in a book on internal marketing, which is referred to as:

> 'Cahill's First Law of Marketing: Take care of the Customer and Profits Will Take Care of Themselves' (Cahill 1996).

and another in a book on strategic marketing planning, which, in a chapter entitled 'The Formulation of Strategy 3: Strategies for Leaders, Followers, Challengers, and Nichers', has a section entitled

> 'The inevitability of strategic wearout (or, the law of marketing gravity and why dead cats only bounce once)' (Gilligan and Wilson 2003);

and, finally, receiving much popular attention, a book on twenty-two "immutable' marketing laws by Ries and Trout (1993).

Still other laws of marketing have been put forth by individuals in less-formal publications including one on website design which states:

> 'It's the first law of marketing: if they can't find you, then they won't buy your products' (Dysart 2003).

Beyond laws referring specifically to marketing, there are also laws related to particular aspects and elements of marketing such as the 'Laws of Service' (see **service, laws of**) and the 'Law of Exchange' (see **exchange, law of**).

KEY WORDS Marketing generalizations, effective marketing

IMPLICATIONS

Laws of marketing, or broad generalizations about effective marketing, provide marketers with perspectives worthy of reflection. While the merits of any generalization may vary depending on the context in which it is considered (e.g. online marketing versus internal marketing), marketers may wish to give particular attention to Twedt's reference to the First Law of Marketing, as it reflects a dominant view of that which constitutes effective marketing.

APPLICATION AREAS AND FURTHER READINGS

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■ marketing, principles of

DESCRIPTION

Basic marketing generalizations that are frequently accepted as true and which can be used as a basis for reasoning and/or marketing conduct.

KEY INSIGHTS

A more-specific view on the definition and scope of 'principles of marketing' is that given by Armstrong and Schultz (1993), namely, 'principles of marketing are normative statements about marketing that specify a condition followed by a suggested action.' However, there are a great many academic and practitioner-generated texts, journal articles, and written works that espouse principles of marketing in the sense that they each provide bases for marketing reasoning and action. What varies within each, however, are indications of the extent that such principles generalize across different areas of marketing. Clearly, it would be a challenge for any single written work to present, address, evaluate, and critique the many principles of marketing as developed and advocated by multiple authors. As such, those interested in understanding the different principles of marketing will find benefit in reading influential and popular texts and articles concerning marketing, either generally, or any of marketing's topical areas (e.g. services marketing, social marketing).

Examples of principles of marketing put forth in the academic marketing-related literature include:

> '... a basic principle of marketing [is] that business performance is enhanced by satisfying customers.' (Yeung and Ennew 2001)
>
> '... the underpinning principle of marketing is that the buyers ... know what is best for themselves.' (Nims 1999)
>
> '... the guiding principle of marketing practice is "market segmentation." ' (Nagle 1984)
>
> 'A centrally important principle of marketing is that all marketing activities should be geared towards what the customers want.' (Binsardi and Ekwulugo 2003)
>
> '... the fundamental principle of marketing—namely orientation towards the customer in particular and society in general— ... ' (Bauer, Huber, and Herrmann 1996)
>
> 'The first principle of marketing, and the foundation and basis for all success in marketing, is concentration or focus.' (Keegan 1984)

KEY WORDS Basic marketing generalizations, effective marketing

IMPLICATIONS

Principles of marketing, as advocated by academicians and practitioners alike, provide individuals serious about the study of marketing with 'food for thought' about the nature and practice of marketing. Developing a greater understanding of the many principles of marketing may ultimately assist marketers with the identification, evaluation, selection, and implementation of effective marketing practice.

APPLICATION AREAS AND FURTHER READINGS

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Online Marketing

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Nims, J. (1999). 'Marketing Library Instruction Services: Changes and Trends,' *Reference Services Review*, 27(3), 249–253.

■ marketing, rules of

DESCRIPTION

Authoritative statements concerning the conduct of effective marketing.

KEY INSIGHTS

While much academic and practitioner marketing research has focused on the search for laws and principles of marketing, there are also advocates of effective marketing practice who offer guidance in the form of rules governing effective marketing practice. One example from the business literature is:

> '... the golden rule of marketing, i.e., that marketing activities should always take place in the language of the customer.' (Guillen 2002)

Examples of rules of marketing put forth in the broader academic literature include:

> 'The first rule of marketing is to understand the target audience.' (Brown, Long, Gould, Weitz, and Milliken 2000)

> 'A general rule of marketing, borne out by years of practical experience and research, is that if you want to sell more of something, target the people (or type of people) who are already buying it.' (Buford 2000)

Beyond references to rules of marketing in academic journals, there are also a number of rules of marketing that are presented in books on marketing topics. Examples include:

> 'What's the first rule of marketing? Understand your market. The second rule? Understand your consumer.' (Barletta 2003).

and a book on the practice of marketing by Lewis Kornfeld of Radio Shack, where he provides 129 rules of marketing including:

> 'The First Rule of Marketing: Without a product, you don't have a business; the formula is $0 \times 1 = 0$' (Kornfeld 1992)

Finally, beyond rules 'of' marketing, there are also a number of rules 'for' marketing, in that they are viewed as facilitating effective marketing and are linked with the success of the organization. Notable examples of such rules include:

The Ten Foot Rule—a rule of customer service strongly advocated by Wal-Mart founder Sam Walton, which stated that, whenever an associate is within ten feet of a customer, the associate should look the customer in the eye, greet the customer, and ask if they can help the customer. Today, Wal-Mart considers the Ten Foot Rule to be one of its 'secrets' to customer service.

The Sundown Rule—a rule supporting an organizational culture promoting a respect for other's time, a sense of urgency, and a desire to exceed customer expectations, also advocated by Wal-Mart founder Sam Walton, which states that the organization should try to answer requests (from, quite simply, anyone) by the close of business on the day which they are received.

KEY WORDS Authoritative marketing statements, effective marketing

IMPLICATIONS

The experiences and views of other marketers provide yet another means for marketers to obtain perspectives on effective marketing for further reflection. While some espoused rules of marketing overlap to some extent with 'laws of marketing' and 'principles of marketing,' and where others are not as formal or rigorous, such statements can nevertheless assist the marketer further by providing points of reference for marketers engaged in processes of developing and evaluating marketing alternatives for their potential effectiveness. Finally, while not a law, principle, or rule, marketers may also want to take heed of what is referred to in the marketing literature as both an 'adage' and 'venerable phrase': 'Know thy customer.'

APPLICATION AREAS AND FURTHER READINGS

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■ marketing, theories of

DESCRIPTION

Theory or theories aimed at understanding, explaining, and/or predicting the nature of marketing and/or its conduct.

KEY INSIGHTS

According to Hunt (1991), a theory is a 'systematically related set of statements, including some law-like generalizations, that is empirically testable.' Given that the scope of marketing is unquestionably broad, it should come as no surprise that agreement upon a general theory of marketing remains elusive. There are, however, theories of marketing that have been suggested for areas within marketing, such as marketing ethics (Hunt and Vitell 1986) and marketing control (Jaworski 1988). Marketing theory therefore comprises a collection of theoretical perspectives, with each varying in the extent that they fit the rigorous definition of theory as given by Hunt (1991).

KEY WORDS Nature of marketing, marketing conduct, effective marketing

IMPLICATIONS

Marketers seeking a greater understanding of broad marketing theory may benefit from a deeper understanding of the many issues associated with its development as discussed and developed in marketing theory research. In support of a better understanding of effective marketing practice, marketers may also wish to obtain greater knowledge of particular theoretical perspectives in marketing, such as those focusing on relationship marketing or internal marketing. While theories continue to develop in many areas of marketing, recognizing that a major source of inspiration of theory development is found in the practice of marketing can assist the marketer in appreciating how the marketer's own actions ultimately contribute to marketing theory development and theoretical knowledge dissemination.

APPLICATION AREAS AND FURTHER READINGS

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Marketing Management

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■ marketing approaches

DESCRIPTION

Marketing characterized by emphases on different purposes, methodologies, strategies, tactics, or techniques which may further involve an emphasis on a particular type or form of offering characteristic, organizational arrangement, information technology, communication approach, communication technique, marketing channel, market emphasis, or market relationship.

KEY INSIGHTS

The increasingly advanced nature of marketing has led to numerous, specific characterizations of marketing. Each, in turn, has resulted in research emphases and practical developments aimed at understanding and explaining better their usefulness and scope for more effective and efficient marketing management and strategy. The following alphabetized list identifies the many different approaches, types, or forms of marketing which are elaborated upon in this dictionary:

above-the-line marketing
affiliate marketing
affinity marketing
ambient marketing *see* **out-of-home marketing**
ambush marketing
antimarketing
B2B marketing *see* **business-to-business marketing**
B2C marketing *see* **consumer marketing**
below-the-line marketing
bespoke marketing
blog marketing
bottom-up marketing
brick(s)-and-click(s) marketing *see entry at* **online marketing**
brick(s)-and-mortar marketing *see entry at* **online marketing**

retail marketing
retro-marketing
revenue-sharing marketing *see* **affiliate marketing**
right-time marketing *see* **outbound marketing**
search engine marketing *see entry at* **Web marketing**
segment-of-one marketing
segmented marketing *see* **differentiated marketing**
selective marketing *see* **differentiated marketing**
sense of mission marketing *see* **enlightened marketing**
services marketing
short message service marketing/short messaging service marketing *see entry at* **mobile marketing**
SMS marketing *see entry at* **mobile marketing**
social cause marketing *see* **cause-related marketing**; **social marketing**
social idea marketing *see* **social marketing**
social marketing
socially responsible marketing *see* **social marketing**
societal marketing *see* **enlightened marketing**
spam marketing *see* **mass marketing**; **viral marketing**
sponsorship marketing
sports marketing
status quo marketing *see* **defensive marketing**
stealth marketing
STP marketing
strategic marketing
supermarketing *see* **retail marketing**
symbiotic marketing *see* **cooperative marketing**
tactical marketing
tailored marketing *see* **one-to-one marketing**
target marketing
telemarketing
telephone marketing *see* **telemarketing**
test marketing
text marketing *see entry at* **mobile marketing**
third sector marketing *see* **non-profit marketing**
through-the-line marketing *see entry at* **above-the-line marketing**; **below-the-line marketing**
top-down marketing
total integrated marketing
trade marketing *see* **business-to-business marketing**
traditional marketing
transactional marketing
tribal marketing
text marketing *see entry at* **mobile marketing**
unconventional marketing
undercover marketing *see* **stealth marketing**
under-the-radar marketing *see* **stealth marketing**
undifferentiated marketing
value-based marketing
value marketing *see* **enlightened marketing**
viral marketing
virtual marketing *see* **online marketing**
voice mail marketing *see* **direct marketing**
voluntary sector marketing *see* **non-profit marketing**
Web marketing
Web-based marketing *see* **Web marketing**; **online marketing**
Web-centric marketing *see* **Web marketing**; **online marketing**
wholesale marketing

wikimarketing *see entry at* **online marketing**
wireless marketing *see* **mobile marketing**
word-of-mouse marketing *see* **viral marketing**
word-of-mouth marketing
World Wide Web marketing *see* **Web marketing**; **online marketing**
worldwide marketing *see* **global marketing**
WWW marketing *see* **Web marketing**; **online marketing**

There are also further marketing approaches that are primarily practitioner-generated and, as such, are termed and characterized by businesspersons and business writers through popular books. While not included in this dictionary, they nevertheless provide additional perspectives on marketing. Examples of marketing approaches for which such books exist include:

Accountable Marketing, by Peter Rosenwald
Ageless Marketing, by David B. Wolfe and Robert Snyder
Connected Marketing, by Justin Kir and Paul Marsden
Credibility Marketing, by Larry Chambers
Duct Tape Marketing, by John Jantsch
Gonzo Marketing, by Christopher Locke
Hot Button Marketing, by Barry Feig
Method Marketing, by Denny Hatch
Outrageous Marketing, by Joe Vitale
Power Marketing, by Peter Urs Bender and George Torok
Predatory Marketing, by C. Britt Beemer and Robert L. Shook
Red Zone Marketing, by Maribeth Kuzmeski
Robin Hood Marketing, by Katya Andresen
Seven Second Marketing, by Ivan Misner
Simplicity Marketing, by Steven M. Cristol and Peter Sealey
Testosterone-Free Marketing, by Denise Michaels

Finally, there are still other marketing approaches which are characterized by the marketing of a *highly specific* product, service, or other characteristic. While such terms are also not elaborated upon in this dictionary, due to either their specialized nature or more obvious meaning, individuals interested in their marketing may refer to any number of books on the topics. Examples of highly specific marketing topics for which various books have been written include:

aquaculture marketing
arts marketing
catalog marketing
church marketing
destination marketing
e-mail marketing
ethical marketing
exhibit marketing

fashion marketing
food marketing
furniture marketing
government marketing
guest-based marketing
healthcare marketing
hospitality marketing
leisure marketing
location marketing
membership marketing
multicultural marketing
pharmaceutical marketing
political marketing
search engine marketing
small business marketing
tourism marketing
venue marketing
white paper marketing
youth marketing

KEY WORDS Marketing characteristics, marketing forms, marketing types, marketing purposes, marketing methodologies, marketing techniques

IMPLICATIONS

Marketers have a wide array of marketing approaches, methods, techniques, and tools at their disposal in their efforts to fulfill intended purposes and accomplish specific organizational and marketing objectives. Understanding the benefits and costs associated with the many marketing approaches, as well as assessing the extent of strategic marketing opportunity or threat associated with each, may ultimately benefit organizations and individuals seeking to make the most of their marketing efforts through effective and efficient marketing management and strategies.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

Coviello, N. E., Brodie, R. J., and Munro, H. J. (2000). 'An Investigation of Marketing Practice by Firm Size,' *Journal of Business Venturing*, 15(5–6), 523–545.

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Marketing Management

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□ marketing concept *see* marketing management orientation

■ marketing management orientation

DESCRIPTION

An organization's conceptualization of the way that marketing should be managed to achieve its organizational goals.

KEY INSIGHTS

There are four distinct philosophies concerning how an organization conceives of and manages marketing in the pursuit of organizational goals: the *product concept*—the view that consumers are mainly concerned with purchasing products having the highest levels of performance, quality, or features, thereby prompting the organization to develop such products; the *production concept*—the view that consumers are mainly concerned with purchasing affordable products which are readily available, thereby prompting the organization to develop and implement production and distribution approaches that accommodate such needs; the *selling concept*—the view that consumers will only be motivated to purchase the organization's products in sufficient quantities if the organization engages in extensive sales and promotion efforts; the *marketing concept*—the view that determining the wants and needs of a firm's target market and satisfying customers more effectively and efficiently than competitors is central to the achievement of the organization's goals; and the *societal marketing concept*—the view that the organization should determine the wants and needs of a firm's target market and satisfy customers more effectively and efficiently than competitors in a way that considers company, consumer, and societal interests and ultimately seeks to maintain or improve the well-being of consumers and society. Although each of the concepts has certain merits depending on the nature of the organization and its marketplace, it can also be argued that, by embracing the marketing concept and societal marketing concepts to a greater extent, a firm may be able to enhance its organizational and marketing effectiveness in ways that are more sustainable over the longer term.

KEY WORDS Organizational philosophies, firm orientations

IMPLICATIONS

In support of achieving greater organizational and marketing effectiveness, marketers should seek to understand carefully the conceptual orientations of their organizations toward marketing management. For example, in organizations with diverse functional areas, marketers may find that multiple strong orientations exist within the firm, thereby necessitating initiatives by the marketer to consolidate the firm's orientations to achieve greater focus, as when the firm primarily adopts either the marketing concept or societal marketing concept.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

Avlonitis, G. J., and Gounaris, S. P. (1999). 'Marketing Orientation and its Determinants: An Empirical Analysis,' *European Journal of Marketing*, 33(11/12), 1003–1037.

Marketing Management

Gummesson, Evert (1991). 'Marketing-Orientation Revisited: The Crucial Role of the Part-Time Marketer,' *European Journal of Marketing*, 25(22), 60–75.

Services Marketing

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■ marketing mix

(also called the Four Ps or the Seven Ps)

DESCRIPTION

The set of controllable marketing elements that marketers are able to blend either tactically or in support of broader marketing strategies.

KEY INSIGHTS

The marketing mix is traditionally known as consisting of the *Four Ps* (4Ps) of marketing—price, product, promotion, and place (or distribution)—a classification suggested by McCarthy (1960). Yet the marketing mix may certainly have elements beyond the 4Ps when one considers that the marketing of an offering may be influenced by other vitally important elements. Some marketers, therefore, refer to the marketing mix by the Five Ps, where 'people' is added as another key element. Further extensions of the marketing mix found in the academic literature include a reference to a sixth P—'point in time,' i.e. the marketing effort must involve the right point in time (Seiss 2003).

The service marketing mix, also called the extended marketing mix, is traditionally recognized as comprising the *Seven Ps*, namely, the Four Ps plus people, process, and physical evidence. The Ps of marketing have many variations, however. Sets of Ps put forth by marketers include the '9Ps of the consultant's marketing mix'— planning, price, place, packaging, positioning, people, product, promotion, and professionalism (Greenbaum 1990) and variously suggested new Ps for e-marketing, including penetration, permission, personalization, and profitability.

Alternatives to the consideration of marketing mix Ps also are raised by various marketers. Adopting a relationship marketing perspective, Gummesson (1999) advocates the use of '30Rs' instead of the 4Ps. Adopting a customer perspective to the original four Ps of the marketing mix, 'four Cs' have also been put forth—customer solution, customer cost, convenience, and communication, where they are customer equivalents to product, price, place, and promotion, respectively (Lauterborn 1990).

KEY WORDS Ps, controllable marketing elements

IMPLICATIONS

The Four Ps classification of the marketing mix may certainly assist marketers with the identification and evaluation of combinations of marketing elements in support of a firm's tactical and strategic marketing approaches. At the same time, marketers should not be constrained by its use, or even led to believe that the focus of a successful marketing effort resides in the Four Ps alone. Understanding alternative marketing mix classifications to a greater extent can provide the knowledge with additional perspectives that may lead to the development of marketing plans and strategies of greater effectiveness.

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■ marketing myopia

DESCRIPTION

Short-sightedness in marketing planning and strategy development and, more specifically, a failure to define adequately the scope of the firm's business.

KEY INSIGHTS

Coined and characterized by Levitt (1960), marketing myopia encompasses the view that firms can be short-sighted in their planning and strategy efforts, where short-sightedness involves overly narrow definitions of a firm's markets and excessive attention to present circumstances as opposed to future considerations. Ultimately, a narrow view of a firm's mission leads it to focus excessively on products as opposed to customer wants or needs, thereby posing a threat to the firm's existence as customer wants and needs change over the longer term.

KEY WORDS Marketing planning, **marketing strategy**, short-sightedness

IMPLICATIONS

In an effort to ensure the long-term viability of their firm, marketers should be wary of overly narrow definitions of their business shaping marketing planning and strategy development. In addition, rather than discounting the impact of possible future events and trends due to their unpredictability, marketers should strive to adopt methods that enable them to systematically incorporate knowledge of future possibilities into their ongoing marketing planning and strategy development efforts.

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■ marketing research

DESCRIPTION

The process of systematically gathering and analyzing data in support of more effective marketing decision making.

KEY INSIGHTS

Marketing reseach, involving the collection and interpretation of data from sources including customers, competitors, and the broader market of the firm, can be characterized several ways. For example, the marketing research that an organization conducts may be causal, exploratory, or descriptive. Firms engage in *causal marketing research* when they seek to understand the cause-and-effect nature of a phenomenon; e.g. the phenomenon is either influenced by the firm's marketing efforts or influences the firm's marketing efforts and the aim is to understand to what extent and why such relationships occur. Firms pursue *descriptive marketing research* when they wish to merely understand more about the nature of a phenomenon on its own (e.g. what habits consumers follow when they get up in the morning). Firms pursuing *exploratory research* seek to understand little-known or emerging phenonomena, where there is no real indication or expectation of what understanding will be obtained (e.g. exploring consumer's game-playing experiences as a means to gain insight into possible trends in game playing).

In addition, firms conducting marketing research often have multiple methods from which to choose. For example, firms may conduct *observational marketing research*, where the research methods involve first-hand observations of consumer's interactions with products and services (e.g. watching how female consumers go about shopping for casual shoes); firms may use *syndicated research*, where data is obtained from an independent research organization whose efforts are financed by member firms in a particular industry (e.g. sales trends in retail shopping by teenagers); firms may use a *focus group*, where a small group of, say, six to ten individuals is personally interviewed by the marketer and, as a result of focusing the group's attention on particular topics, the marketer can listen to the group's views on the topics (e.g. consumer evaluations of a new hybrid automobile); and firms may use *panel data*, where data is collected over an extended period of time from the same sample of respondents (e.g. where multiple consumers comprising a panel keep track of their individual beverage purchase habits over several months).

KEY WORDS Research characteristics, research methods, data collection methods

IMPLICATIONS

Sound marketing research is essential for effective marketing decision making. Marketers involved in the planning, implementation, or use of marketing research initiatives will find considerable benefit in developing a deeper understanding of general marketing research approaches as well as specific data collection methods. Such knowledge will enable the marketer to target efforts which are likely to be both meaningful and relatively cost effective.

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■ marketing strategy

DESCRIPTION

The set of marketing decisions made by a firm determining its choice of product markets in which to invest and compete and how the firm decides to compete in terms of its customer value proposition, assets and competencies, and functional area strategies and programs.

KEY INSIGHTS

Marketing strategy comprises decisions that have a major impact on an organization over a long-term time horizon. Firms with a strategic marketing focus (see **strategic marketing**) are concerned with marketing strategy development and implementation to enable the firm to achieve and sustain a competitive advantage. A comprehensive marketing strategy provides the basis for sound marketing planning, as opposed to being mere aspirations for a firm. As such, marketing strategy development necessarily involves external analyses including that for customers, competitors, markets/submarkets, and the environment as well as analyses of the internal organization. Outputs of strategic analyses include identification of opportunities, threats, trends, and strategic uncertainties as well as strategic strengths, weaknesses, problems, constraints, and uncertainties. In the identification, selection, and implementation of a firm's marketing strategy, the choice of where and how a firm decides to compete includes decisions about the nature of product-market investment by the firm, its value proposition, its assets, competencies, and synergies, and its functional area strategies and programs. Examples of *functional area strategies*, where a functional area strategy can be viewed as any strategy within an organization concerned with a particular function or related activity that is part of a process, are those for individual elements of the firm's marketing mix (e.g. product strategy, pricing strategy, promotion strategy, and distribution strategy) as well as areas often highly influential to marketing strategy development and implementation such as manufacturing strategy and information technology strategy.

KEY WORDS **Strategy**, product markets, **value**, assets, competencies, functional strategies

IMPLICATIONS

Marketing strategy is an area of marketing that receives considerable attention as a result of its importance in enabling a firm to achieve major long-term objectives. As such, marketers should strive to understand the different strategic options available to a firm as well as the processes by which the firm's marketing strategy is developed and implemented.

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☐ markets-of-one marketing *see* one-to-one marketing

☐ Maslow's theory of motivation *see* hierarchy of needs theory

■ mass marketing

DESCRIPTION

A marketing approach involving an offering intended for wide appeal among a large market of consumers.

KEY INSIGHTS

Mass marketing involves marketing to a very large group of individuals. Such an approach frequently involves standardization in one or more elements of the firm's offering (see **undifferentiated marketing**). In the area of marketing communications, for example, mass marketing involves the use of *mass media marketing*, an approach where marketing efforts emphasize the use of one or more mass media including television, radio, magazines, books, newspapers, and movie theaters for purposes including advertising and sales promotion. Mass marketing involving the use of the internet can also take many forms, including *spam marketing*, or *junk e-mail marketing*, which involves indiscriminately sending unsolicited and unwanted e-mails in mass quantities in the hope that at least some recipients will respond favorably to the e-mail messages. A mass marketing approach can be contrasted with a niche marketing approach (see **niche marketing**) in that the aim is to profit from standardized marketing efforts conducted on a large scale as opposed to profiting from uniquely serving the needs of one or a few segments.

KEY WORDS Large markets, broad appeal

IMPLICATIONS

The offerings of many firms are intended for mass market appeal where the aim is to benefit from economies of scale associated with serving a large market. Yet, astute marketers also recognize that the effective mass marketing of offerings with broad appeal also involves market segmentation and targeting to at least some or even a great extent. Such a view distinguishes mass marketing practices in the early-to-mid twentieth century from those in much of marketing today.

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□ mass media marketing *see* mass marketing

☐ **matrix marketing** *see* network marketing
☐ **maturity stage** *see* product life cycle

☐ **meaningless differentiation** *see* positioning
☐ **measurability** *see* segmentation viability

■ megamarketing

DESCRIPTION

The strategically coordinated application of economic, psychological, political, and public relations skills to gain the cooperation of a number of parties in order to enter and/or operate in a given market.

KEY INSIGHTS

Coined and developed by Kotler (1986), megamarketing takes an enlarged view of marketing where activities, resources, and skills beyond those ordinarily used in marketing are needed to enter and operate in certain markets. An example is when there is a need to use inducements or sanctions to gain the desired response of a market's gatekeepers. As such, public relations and power need to be added to marketing's four Ps of price, promotion, product, and place. Power refers to the art of managing power in relation to the power structures involved and, along with public relations, enables a firm to manage better certain elements of its external environment such as governments, media, or pressure groups. Megamarketing therefore helps a firm in its efforts to enter as well as stay in difficult markets such as those characterized by various forms of protectionism.

KEY WORDS Broadened marketing concept, market entry, market operations

IMPLICATIONS

Marketers seeking to expand a firm's efforts to enter or operate in difficult markets may benefit from understanding and applying concepts found in megamarketing. More broadly, the concept may be a vehicle to help broaden the thinking of marketers about the nature and scope of marketing itself.

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■ mere exposure effect

DESCRIPTION

An effect where the familiarity obtained simply by being exposed to something results in its increased liking.

KEY INSIGHTS

First quantitatively examined by Zajonc (1968), the mere exposure effect characterizes the phenomenon where individuals demonstrate an increased liking for something simply as a result of their being familiar with it. The effect has been further demonstrated even under conditions where individuals are not able to consciously remember the exposure. One explanation given for the phenomenon is that a greater feeling of safety results from the recognition of a familiar environment.

KEY WORDS Exposure, liking, attitudes

IMPLICATIONS

The phenomenon where an increased liking of something results merely by being exposed to it forms the basis for much of advertising and other forms of promotion and marketing communication. While measurement of the effect in marketing practice is much more difficult than that which could be achieved experimentally, marketers should nevertheless seek to understand the extent to which increased liking of their offerings results from consumers' exposure to various forms of marketing, which may even include a consumer's seeing a product in use by another consumer.

APPLICATION AREAS AND FURTHER READINGS

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□ Merkel's law *see* Hick's law

■ Metcalfe's law

DESCRIPTION

The assertion that the value, utility, or usefulness of a network is proportional to the square of the network size.

KEY INSIGHTS

Named after Robert Metcalfe, inventor of the Ethernet, who originated the idea in 1970, the law's emphasis has been that of telecommunications networks, with the internet, World Wide Web, and fax machines being a few prominent examples of such networks. With a fax machine example, the law conveys the notion that the value of every fax machine increases to the extent there are more fax machines in a given network as a result of there being more total people who are able to receive and send documents. While Metcalfe's law has received widespread acceptance among telecommunications network researchers, the mathematical relationship contained within Metcalfe's law is not without relatively recent critics, some of whom have proposed different mathematical relationships that, in some instances, reflect the view that a network's value may be overstated when equated with the square of the network size. Nevertheless, few argue with the fundamental basis of Metcalfe's law.

KEY WORDS Networks, size, **value**

IMPLICATIONS

Marketers seeking to take advantage of new or existing telecommunication technologies or systems (e.g. e-commerce use by a service industry) can understand better the notion of network value, and hence, value to the network's users, by assessing value in relation to Metcalfe's law.

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■ me-too marketing

(also called copycat marketing or parity marketing)

DESCRIPTION

Marketing involving approaches, programs, and techniques that are essentially identical to those of others in a particular industry.

KEY INSIGHTS

Firms with me-too marketing approaches demonstrate little inventiveness and instead rely on practices adopted by many other firms, even though such practices may ultimately reduce differentiation from competitors from a customer perspective. An example is where the marketing efforts of most firms involved in wine tourism have relied on minor changes in branding and packaging along with wine tastings and cellar tours. Such an approach does very little to accommodate variety-seeking behavior among wine consumers. While there are many reasons why firms may pursue me-too marketing, one possible contributor is the existence of the *me-too syndrome* among marketing managers—that if so many others are following a certain practice (e.g. using a particular marketing strategy), they should as well. One suggested alternative to me-too marketing practices in service-related markets is the pursuit of marketing initiatives aimed at creating memorable or 'extraordinary' experiences (Arnould and Price 1993).

KEY WORDS Conventional marketing strategy

IMPLICATIONS

Marketers should recognize that me-too marketing strategies may enable a firm to remain on-par with competitors but that such a strategic approach can have clear limitations for the firm in that it may lead to being blandly associated with competitors. Thus, marketers should assess carefully their marketing strategies for adverse effects when such strategies become common among competitors.

APPLICATION AREAS AND FURTHER READINGS

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□ **me-too syndrome** *see* me-too marketing

□ **micro marketing environment** *see* microenvironment

■ microenvironment

(also called micro marketing environment)

DESCRIPTION

The set of actors close to the organization that influence its ability to meet the wants and needs of its customers.

KEY INSIGHTS

An organization's microenvironment consists of multiple influential actors which, including the organization itself and its customers, may also include suppliers, competitors, distributors, and other marketing intermediaries, and various publics (e.g. media organizations, citizen groups, etc.). Such influences will be unique to each organization operating in a particular market.

KEY WORDS Actors, organizational relationships

IMPLICATIONS

Astute marketers recognize that there are multiple influences in the firm's macroenvironment that can have a major impact on the firm's marketing effectiveness. In support of accomplishing the firm's marketing objectives, the marketer may find a benefit in identifying more clearly the many different influential macroenvironmental actors and then striving to proactively manage the firm's relationships with such actors as needed.

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■ micromarketing

DESCRIPTION

Marketing emphasizing the tailoring of an organization's offerings to meet the wants and needs of local customers and specific individuals.

KEY INSIGHTS

Micromarketing's emphasis on tailoring to local and individual wants and needs means that its scope clearly includes both local marketing and one-to-one (or individual) marketing. (See **local marketing**; **one-to-one**

marketing.) Drivers of its use, which is generally on the rise, include the fragmentation of customer markets, increasing competition, and the proliferation of technologies which make it more cost effective for firms to tailor its offerings to the local and individual level. Firms providing offerings to multiple local retailers, for example, often customize their marketing mixes to the level of individual stores.

KEY WORDS Customization, marketing mix tailoring

IMPLICATIONS

Given such factors as increasing market fragmentation and advances in information technologies, marketers should assess regularly their macroenvironment and microenvironment for opportunities to adopt micromarketing approaches in their marketing efforts. While the level at which such approaches may vary from the individual to that of groups of customers, marketers may find that its use, either selectively or as a major focus of the firm, may provide a means of achieving greater customer satisfaction and increased profitability.

APPLICATION AREAS AND FURTHER READINGS

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□ milking strategy *see* decline strategies

□ minority marketing *see* multicultural marketing

□ mission-based marketing *see* non-profit marketing

■ mobile marketing

(also called mobile phone marketing, m-marketing, wireless marketing, or cell phone marketing)

DESCRIPTION

Marketing aimed at consumers who move readily from place to place or, similarly, any form of marketing by the firm that moves readily to different consumer locations.

KEY INSIGHTS

Mobile marketing is widely viewed as marketing that makes use of mobile communications technologies to reach consumers on the go. Yet, mobile marketing may also involve marketers on the go, as when a firm uses traveling promotional tours to communicate its offerings to consumers at places where consumers are congregated or when a company car carrying an oversized replica of one of the firm's products is driven regularly around a city. Nevertheless, the ability of firms to communicate with consumers on the go, particularly through consumers' mobile telephones and other wirelessly connected communications devices (e.g. notebook computers), is the area that is receiving by far the most attention from firms interested in mobile marketing. For example, *SMS marketing* (or *short message service marketing*, *short messaging service marketing*, *text message marketing*, or *txt marketing*) involves the sending and receiving of short alphanumeric text messages (i.e. up to 160 characters) over a wireless network, where such messages may be initiated or responded to by either the marketer or current or potential customers of the marketer's offerings. While many factors may ultimately influence the successful use of mobile marketing approaches, an area that mobile marketers tend to give considerable attention is the extent that consumers implicitly and/or explicitly agree to be willing recipients of mobile marketing communications.

KEY WORDS Mobile consumers

IMPLICATIONS

Firms offering both products and services aimed at meeting the current or unmet needs and wants of consumers on the go may benefit from a greater understanding of the considerable body of research in the area of mobile marketing. Furthermore, as mobile communications technologies continue their rapid pace of advancement, marketers should strive to remain up to date in their knowledge of a growing array of tactical mobile marketing approaches in addition to those approaches of a more strategic nature, recognizing that consumer receptivity to mobile marketing is evolving simultaneously with its use.

APPLICATION AREAS AND FURTHER READINGS

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□ mobile phone marketing *see* mobile marketing
□ modified rebuy *see* industrial buyer behavior
□ monopolistic competition *see* competition
□ monopoly *see* competition
□ monopoly power *see* competition
□ monopsony *see* competition

■ mood effect

DESCRIPTION

Any influence on an individual's behavior, attitudes, or recall characteristics that is attributed to the individual's affective state or disposition.

KEY INSIGHTS

Moods, as affective states, can have influences on an individual's cognitive processes which lead to observable influences on behaviors, attitudes, and the nature of recall. Positive moods, for example, can lead to less cognitive elaboration and observable biases in evaluations of argument quality. More generally, extensive research on consumer moods suggests that consumers' mood states have direct and indirect effects on a range of consumer behaviors, evaluations, and recall characteristics. In particular, mood effects are most evident in areas involving service encounters, point-of-purchase situations, and marketing communications. Negative moods involving anger and uncertainty which result from service delays, for example, are found to clearly influence evaluations of service quality.

KEY WORDS Affective state, behavior, attitudes

IMPLICATIONS

Understanding, explaining, and predicting the influence of consumer mood states on individual actions and attitudes constitutes a significant area of consumer behavior research which marketers may draw upon to increase the effectiveness of various marketing strategies and tactics. From enhancing evaluations of new brand extensions to service quality, the pervasiveness and importance of consumers' mood state influences should not be underestimated.

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■ Moore's law

DESCRIPTION

The observation that the number of transistors occupying a square inch of integrated circuit material doubles approximately every eighteen months.

KEY INSIGHTS

Attributable to Gordon E. Moore, co-founder of Intel, based on his earlier observations and predictions (Moore 1965), Moore's law reflects the view that the power of microprocessor technology doubles about every eighteen months. While early observations saw the complexity of integrated circuits doubling about every year since its invention—an observation which held into the late 1970s—the current rate of doubling is expected to hold for at least another decade.

For technology-intensive industries and markets, and especially for semiconductor and other computer component suppliers, Moore's law is as much an important observation as it is a benchmark in technological and competitive goal setting which is influencing the rate of development of next-generation components. Organizations directly or indirectly dependent on such technologies for their success therefore face enormous pressure to develop and launch new products according to windows of time where lateness—and uncompetitiveness—may occur in as little as two to three months.

KEY WORDS Technology, rate of change

IMPLICATIONS

As many new products and services are becoming increasingly influenced by technological developments, Moore's law provides a clear indication of the current and expected rate of change of integrated circuit-related technologies. Marketers must seek to understand the cost and value implications of the rapid yet predictable rate of such change for their products and services to ensure timely provisions of value to customers and industry competitiveness. Moore's law also suggests the imperative of careful planning of next-generation product and service development to ensure future competitiveness and to avoid technological obsolescence.

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■ moral hazard

DESCRIPTION

The risk associated with the presence of an incentive for a party to an agreement or understanding to act in a way that may lead to the party's gain but would not result in its incurring the action's full costs.

KEY INSIGHTS

Moral hazards represent incentives for individuals to breach agreements out of self-interest where there is an absence of sufficient penalties for such behavior and where it is unrealistic for all parties involved to establish conditions which would prevent fully any possibility of such behavior. The concept of the moral hazard is a particularly important one to individuals and organizations operating under contracts, agreements, or other understandings where the nature of the transactions and relationships involved includes a risk of problematic behavior by others which must be carefully managed to avoid a financial loss. Examples of moral hazards include cases where consumers have little incentive to disclose certain pre-existing health conditions prior to their obtaining insurance that would cover them as well as cases where insured automobile drivers may act more recklessly as a result of their having a high level of automobile insurance coverage.

KEY WORDS Risk, self-interest behavior, agreements, contracts

IMPLICATIONS

Marketers should seek to identify and manage moral hazard situations in their business transactions and relationships with customers as well as suppliers, distributors, and other business stakeholders as such problems often cannot be eliminated but can be sought to be minimized. Providing incentives and imposing conditions which help to minimize moral hazards cost-effectively should be the aim of marketers affected by their presence outside and/or within the organization.

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□ **motivation, Herzberg's theory of** *see* Herzberg's theory of motivation

□ **multi-level marketing** *see* network marketing

■ multicultural marketing

(also called cultural marketing, diversity marketing, ethnic marketing, ethnomarketing, in-culture marketing, or minority marketing)

DESCRIPTION

Marketing aimed at consumers of one or more ethnicities and/or cultural backgrounds.

KEY INSIGHTS

Multicultural marketing's emphasis is on efforts to concurrently market to individuals situated within and among multiple cultures. As culture relates to sets of learned behaviors of groups of people, which may therefore include associated values, attitudes, beliefs, traditions, and habits, multicultural marketing emphasizes understanding, whereas ethnicity relates to an individual's identification or affiliation with certain others as a result of one or more factors that may include cultural or racial ties, language, religion, and national origin, multicultural marketing recognizes the benefit of developing and implementing customized marketing initiatives for communicating with and meeting the needs of culturally or ethnically diverse consumers. Growing cultural and ethnic diversity in many cities, regions, and countries is often cited for an increasing interest in multicultural and ethnic marketing by marketers.

While there is much similarity between multicultural marketing and cross-cultural marketing in terms of the marketing emphasis on understanding cultural differences, cross-cultural marketing places greater emphasis on comparisons of differences that exist across cultures which are typically more geographically diverse or dispersed and which are more prevalent across national boundaries. (See **cross-cultural marketing**.)

KEY WORDS Cultural diversity, ethnic diversity

IMPLICATIONS

To the extent that a marketer recognizes diversity among current and prospective customers, which may include differences in beliefs, values, expectations, or preferences for particular products and services, the marketer has an opportunity to develop and implement multicultural or ethnic marketing approaches in the firm's strategies and tactics. While a firm may choose to maintain standardized offerings in response to growing ethnic diversity, for example, such an approach can still involve marketing communications which are customized along some aspect of cultural diversity, such as when a firm develops several outdoor ads for a single product but where the individuals shown in each of the ads differ in ethnicity according to where the ad is displayed.

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■ Murphy's law

DESCRIPTION

The popular adage often stated as, 'whatever can go wrong, will go wrong.'

KEY INSIGHTS

Although it is not clear who originated the phrase, with its origins possibly being 1948 at Edwards Air Force Base, Murphy's law remains a topic of ongoing attention, particularly in Western cultures, as a result of its proverbial nature made memorable through long and repeated use by both individuals and organizations. Originally relating to a product development context, Murphy's law has since been adopted by individuals and organizations to characterize the prediction that, if something is given a chance to go wrong, it will go wrong.

KEY WORDS Planning, problems

IMPLICATIONS

Marketers involved in any marketing initiative, whether product development or promotion implementation, must strive to anticipate possible problems and, if such problems are critical to the effort's success, make room for their occurrence in marketing plans. In particular, marketers should recognize that the likelihood of marketing problem occurrence increases as the complexity of marketing plans increase.

APPLICATION AREAS AND FURTHER READINGS

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□ **myopia** *see* marketing myopia

N

□ **Nash equilibrium** *see* game theory

□ **natural selection theory** *see* Darwinian evolution theory

■ need

DESCRIPTION

An innate feeling of deprivation in a person.

KEY INSIGHTS

Humans have a variety of needs, which may be described, categorized, and related in any number of ways. Examples are needs for safety, love/belonging, and esteem which have been proposed as hierarchically related by Maslow (1943). (See **hierarchy of needs theory**.) It is clearly within the scope of marketing to aim to satisfy human needs as well as wants, yet it is also recognized within the marketing discipline that consumption needs are just one of several types of human needs. Beyond recognized needs, astute marketers further strive to be sensitive to consumes' unmet needs in efforts to achieve competitive advantages through their offerings.

KEY WORDS Consumer deprivation

IMPLICATIONS

Within marketing is an implicit concern with sensitively serving and satisfying human needs. In terms of the process by which consumers may seek to satisfy their needs through a marketer's offerings, need recognition is a considered a key phase in the buyer decision process. In addition, marketers should also focus on the identification of unmet needs in the development of marketing strategies to assist in achieving competitive advantages.

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□ need hierarchy theory *see* hierarchy of needs theory
□ need recognition *see* buyer decision process
□ negative demand *see* demand

■ network effect

(also called network externality)

DESCRIPTION

The change in value or utility that is derived from a product or service as a result of it also being used or consumed by others.

KEY INSIGHTS

When a good is influenced by network effects, new users or consumers of it indirectly influence the value of the good to other users or consumers. Typically, the value to those using such offerings (whether individuals or organizations) increases to the extent others also use such offerings as a result of certain benefits associated with a large number of users. Physical connectedness of products, compatibility of a product's use among others in a diverse network, standardization of components, and the availability of post-purchase service for a durable good are just a few examples of where a product or service functions better when large numbers of others are also involved in its consumption or use. Yet, not all network effects are positive. Network effects can be negative when problems associated with networks influence its member users, as when too high a call volume on a mobile telephone network leads to delays for all users.

KEY WORDS Networks, **utility**, **value**, users

IMPLICATIONS

Marketers should seek to understand how and to what extent consumers' use of their offerings is influenced by network effects in order to assess better such effects on customer purchase motivations, adoption likelihoods, and post-purchase evaluations. Managing network effects to leverage positive influences and reduce adverse influences over the life cycle of a product or service should be the aim of the marketer involved in managing the offerings' perceived and actual value among customers in the firm's market. Understanding positive and negative network effects associated with competitive offerings, irrespective of the offerings' actual superiority/inferiority, may also be beneficial to a firm in developing appropriate marketing strategies.

APPLICATION AREAS AND FURTHER READINGS

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□ network externality *see* network effect

■ network marketing

(also called matrix marketing or multi-level marketing)

DESCRIPTION

Marketing involving the use of an interconnected system of distributors as the primary means to accomplish an organization's marketing objectives.

KEY INSIGHTS

While network marketing may take many forms, the common element in any network marketing approach is the use of an interconnected system of firms or other individuals outside the organization who essentially act as agents of the firm in facilitating the distribution of the firm's offerings and in securing sales from end-customers. (The scope of network marketing can thus be said to overlap with many aspects of affiliate marketing—see **affiliate marketing.**) Organizations or individuals in the firm's marketing network may be franchisees of the firm or independent contractors who are compensated by the firm based on their sales of the firm's offerings. 'Multi-level,' as a concept, simply refers to the use of multiple levels of distribution by the firm in providing its offerings to current and potential customers and in achieving revenue. Contrary to what some have been led to believe, multi-level marketing is not illegal strictly by definition. It becomes illegal, however, when most of the firm's revenue comes from the recruitment of network members as opposed to revenue which comes from end-customers. In such a case, the firm can be said to be engaging in an illegal 'pyramid scheme' or 'Ponzi scheme.' Firms engaged in network marketing frequently assist with the management of the firm's marketing network by providing support to network members including product storage and distribution as well as information systems to manage network member compensation. In addition, given the trend of increased use of online marketing, network marketing arrangements have the opportunity to become increasingly sophisticated in terms of how online and offline network interactions are facilitated and integrated.

KEY WORDS Marketing networks, distribution systems

IMPLICATIONS

Firms in any number of markets may use a network marketing approach as their primary means of marketing. (Avon and Tupperware are two of many notable firms using the approach.) Marketers therefore have an opportunity to evaluate the network marketing approach for its benefits and costs as part of a major focus of the firm or a supplemental emphasis. Assuming the approach is implemented, marketers must take care to ensure they conform to laws regarding its use, which may include proper disclosures to new or potential network members of the likelihood that network members may actually profit from being part of the firm's marketing network as well as how profitability is to be calculated.

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■ network theory

DESCRIPTION

Theory aimed at understanding and explaining how, why, and to what extent networks of organizations or individuals in various forms are, or are likely to be, effective and/or efficient means to achieve the particular goals and aims of one or more organizations or individuals associated with a network.

KEY INSIGHTS

From the perspective of the ongoing performance and capabilities of a particular actor, whether organization or individual, network theory recognizes that the actor's relationships with other organizations or individuals is an important dimension that is interrelated to the dimension characterized by the actor's own activities and resources. Given this view, numerous strategic issues can be explored and understood better within various theoretical frameworks, such as in understanding and explaining better the relevance of network connectivity in combining common and complementary skills, resources, assets, and/or competencies found within inter-firm relationships to enhance a particular firm's production levels and capabilities. The scope of network theory is therefore broad and encompasses a range of theoretical frameworks on which to base examinations of issues in more specific contexts.

KEY WORDS Networks, interorganizational relationships, connectivity

IMPLICATIONS

Frameworks and concepts grounded in network theory can be potentially useful to marketers seeking to understand, explain, or predict the effectiveness and/or efficiency of strategic actions and initiatives ranging from firm-level marketing activities to the development of international markets. Of particular growing interest to many marketers is the view that the broader market economy can be increasingly viewed as being networked and therefore able to analyzed and evaluated from network theory-based perspectives.

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□ **new economy marketing** *see* online marketing

■ new product

DESCRIPTION

A good, either a product or service or product and service combination, that is perceived as new by some potential customers in the marketplace.

KEY INSIGHTS

New products, in being viewed as new by potential consumers along at least one dimension or attribute, may range from products incrementally different from the firm's current products to the radically different. At one end of the spectrum, a new product may involve a simple change in aesthetics, as when it has a more appealing package. At the other end of the spectrum, the new product may be a new-to-the-world product, where there is nothing quite like it anwhere, thereby making it very difficult for potential customers to evaluate. Such products are rare, however. In between are new products that typically involve a change in value, such as when a new product has twice the performance of an existing product but where it is also offered at less than twice the existing product's price. In addition to decisions about the type and degree of product newness, marketers also face many other decisions regarding the development and effective use of such products (see **product levels**; **new product development**), for example) in support of achieving the firm's broader objectives. Clearly, the pursuit and adoption of practices and approaches associated with effective marketing will likely provide the marketer with considerable assistance in making the most of all of the firm's new products.

KEY WORDS Original products, recent products

IMPLICATIONS

Given the dynamic of most markets, new products are the life blood of most organizations. Marketers may therefore benefit tremendously from a greater understanding of the many options and issues associated with the use of new products as part of the firm's marketing and business strategies and broader organizational aims.

APPLICATION AREAS AND FURTHER READINGS

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■ new product development

DESCRIPTION

The set of actions of an organization aimed at developing a new product intended for introduction into the market.

KEY INSIGHTS

While every organization differs in its specific approach to new product development (NPD), the process of developing new products is often viewed as consisting of a number of interrelated and overlapping activities. These activities may include: *idea generation*, where the firm systematically searches for new ideas and seeks to generate a large number of ideas from which to draw upon for further development; *idea screening*, where the firm performs an initial cut to filter out the many bad ideas and keep the smaller number of good ones; *business analysis*, where the firm conducts reviews of sales, cost, and profit projections for the envisioned new product to determine if it is likely to contribute sufficiently to meeting the firm's overall objectives; *concept testing*, where the firm tests new product concepts with small numbers of consumers to assess better the appeal associated with each concept; *product development*, where the product concept is transformed into a physical product; *test marketing*, where the product is marketed realistically on a small scale and in a controlled manner so as to be able to learn about the new product's receptivity and fine-tune the overall marketing approach; and *commercialization*, where the firm enters the new product into the market on a larger scale than the test marketing and where the firm commits to competing with the new product for some substantial period of time. Depending on the nature of the good to be developed and the preferences of the firm's management, a firm may choose to pursue such NPD activities either sequentially, where a next step in the process is only begun when the previous step is completely finished, or simultaneously, where the firm performs multiple activities in parallel. One advantage of a simultaneous approach is that it may help the firm to reduce the overall time of NPD.

Aside from the many possible benefits accruing from new product development, there are, of course, many challenges and risks associated with NPD. One general challenge that may be encountered across one or more areas of NPD within the organization is the *not-invented-here syndrome* (or *NIH syndrome*), where there is resistance to the acceptance or adoption of others' new ideas or actions as a result of such ideas or actions not having been developed within the organization already (e.g. 'if we didn't think of it or do it already, it must not be worth doing'). In addition, there are clear risks associated with individual NPD activities that must also be managed. In idea generation, too few ideas may be generated and/or such ideas may be of insufficient quality. In idea screening, there is the risk of rejecting a good idea as well as the risk of accepting a bad idea. In business analysis, there are risks of bias or inadequate analysis. In concept testing, there is the risk that the concepts developed are sub-optimal in some way. In product development, there is the risk that quality problems are missed that only surface when larger quantities are produced later on. In test marketing, there is a risk that competitors may learn from the presence of the offering in the market and gain from the knowledge to develop a more effective competitive response. In commercialization, there is the risk that the product will fail to meet either the expectations of customers or the firm's management or both.

KEY WORDS Product development, market introduction process

IMPLICATIONS

In order to increasing the likelihood of success of a firm's NPD efforts, marketers may benefit from developing a greater knowledge of the different considerations and risks associated with NPD. For example, astute marketers will recognize that not only are time and money required for effective NPD, commitment from the organization is essential, and gaining commitment is a responsibility of management that can be facilitated by many different managerial actions (e.g. showing how the effort is aligned with the firm's strategy, encouraging risk-taking behavior, providing managerial guidance).

APPLICATION AREAS AND FURTHER READINGS

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□ new task *see* industrial buyer behavior

■ niche marketing

(also called concentrated marketing)

DESCRIPTION

The approach of making a particular small group or segment of buyers the focus of a firm's marketing efforts.

KEY INSIGHTS

Marketers often engage in niche marketing with the aim of uniquely serving the needs of one or a few segments and achieving niche dominance. When firms serve the needs of particular niches, they also have the opportunity to develop specialized knowledge of the needs and wants of customers in the niches, which may provide them with a competitive advantage relative to firms focusing their marketing efforts more broadly. In addition, the small size of some niches can also mean there is relatively little competition as a result of the niches being either ignored or overlooked by competitors. Finally, niche marketing may be beneficial to firms having relatively limited resources since the approach enables the firm to concentrate their resources on a niche with greater effectiveness.

KEY WORDS Focused marketing, market segments

IMPLICATIONS

Increasing market fragmentation in some markets may provide the marketer with an opportunity to identify and ultimately serve certain emerging market niches more profitably than competitors. Given the attractiveness of niche marketing to firms with limited resources, marketers should also recognize that new competitors may enter a market using a niche marketing approach but eventually expand to become competitors in the broader market for a firm's offerings.

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□ **niche strategy** *see* decline strategies

□ **NIH syndrome** *see* new product development

□ **nine effect** *see* odd price effect

□ **nominal scale** *see* scale

□ **nomological validity** *see* validity

□ non-cooperative game theory *see* game theory
□ non-durable goods *see* goods
□ non-price competition *see* competition

■ non-profit marketing

(also referred to as nonprofit marketing; also called non-profit sector marketing, non-profit marketing, not-for-profit marketing, mission-based marketing, third sector marketing, or voluntary sector marketing)

DESCRIPTION

Marketing with an emphasis on achieving organizational objectives that are not commercially motivated, where income generated is for its operations and stated purpose rather than for the private gain of any individual having an interest in the organization.

KEY INSIGHTS

Given that a non-profit organization's goals are not focused directly on profitability, the organization's purpose or mission clearly becomes prominent in guiding and shaping the non-profit firm's marketing efforts. At the same time, there are also markets where multiple non-profit firms vie for the same customers, thereby creating a need within the firm to increase its competitiveness. Adopting this perspective of non-profit marketing, Brinckerhoff (1997) uses the term *mission-based marketing* to denote the set of mission-directed marketing actions that help a non-profit organization pursue its organizational goals more effectively in relation to the marketing actions of competitors. Non-profit marketing may therefore involve marketing activities directed at individuals whom it seeks to serve or other individuals or organizations which may, for example, serve as sources of funding for the non-profit organization's activities. Numerous marketing approaches are therefore potentially relevant to the non-profit organization, with affinity marketing, event marketing, internal marketing, counter-marketing, and demarketing being just some examples. (See **affinity marketing**; **event marketing**; **internal marketing**; **counter-marketing**; **demarketing**.)

KEY WORDS Mission, organizational mission

IMPLICATIONS

The increasingly competitive environment facing many non-profit organizations is leading some to adopt marketing practices that have been traditionally associated with commercial or for-profit marketing. Marketers within non-profit organizations thus have an opportunity to become more familiar with a wide array of marketing approaches as a means to evaluate better their appropriateness in supporting their organization's mission.

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□ non-profit sector marketing *see* non-profit marketing

□ non-response bias *see* bias

□ normal goods *see* goods

□ not-for-profit marketings *see* non-profit marketing

□ not-invented-here syndrome *see* new product development

□ NPD *see* new product development

O

☐ O, theory *see* E and O theories of change
☐ objective-and-task method *see* promotion budget setting methods
☐ observation bias *see* bias
☐ observational marketing research *see* marketing research
☐ Occam's razor *see* parsimony, law of
☐ occasion segmentation *see* segmentation

■ odd price effect

DESCRIPTION

Any effect on product purchase amounts or purchase frequencies resulting from a product's price ending in odd-numbered digits.

KEY INSIGHTS

Pricing decisions where odd numbered prices are used (or avoided) indicates that the pricing approach is a form of psychological pricing, where the aim is to manipulate consumers' perceptions of price desirability through the selection of a price's ending digits. Research on the topic for a wide array of products clearly suggests that most managers believe that price endings are important in influencing product sales as a result of believing that most customers are more receptive to some price endings over others. While many managers are found to advocate the use of odd pricing to generate additional demand and increase sales at the level of an individual brand, particularly where endings of five or nine are used as means to make the product appear significantly cheaper in comparison to pricing to the next round number or even number, other managers are also observed to advocate the use of even-numbered pricing. Actual influences of price endings are observed to vary among product categories and price amounts. Beyond operational considerations, explanations for managerial use of price endings to achieve desired effects include the acknowledgment of consumer behaviors such as tendencies for consumers to round prices down, limited consumer memories, and consumers using price endings to draw conclusions about whether or not a product is on sale.

KEY WORDS Pricing, perception

IMPLICATIONS

Marketers involved in price setting should seek to understand both through prior research and experience how price endings can be used as a means to influence subtly a consumer's perceptions of a product's or brand's price or its attributes such as value or quality.

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■ offensive marketing

DESCRIPTION

Marketing focused on attacking, directly or indirectly, the strategic positions of any number of a firm's competitors.

KEY INSIGHTS

In adopting an offensive marketing approach, a firm may use any number of 'attack' or 'assault' strategies to strengthen its own position and weaken the positions of its current or future competitors in the marketplace. In some situations, offensive marketing may be used to challenge a firm which is either dominant or which has greater dominance in the marketplace. In this context, examples of offensive marketing approaches—where each is based on a military analogy—include: a 'frontal attack,' where the firm matches the dominant firm's marketing in some area (e.g. pricing, product features, or promotions); a 'flanking assault,' where the firm pits its strengths against a competitor's identified weaknesses (e.g. entering a geographic market where the competitor's presence is very limited); an 'encirclement attack,' where the firm pursues a multi-pronged onslaught against the competitor to dilute its resources (e.g. introducing numerous new product lines to overwhelm the competitor's ability to respond in any one area); a 'bypass attack,' where the firm pursues markets where the competitor is absent (e.g. diversifying into an unrelated product market), and 'guerrilla warfare,' where the firm engages in a series of small intermittent attacks on the competitor's position in an effort to disorient the competitor and ultimately obtain some kind of concession from the competitor (e.g. using public relationships campaigns to put a market-monopolizing competitor in a bad light in the eyes of the public, prompting the competitor to loosen its stranglehold on the market; see **guerrilla marketing**).

In other situations, offensive marketing may be used by a market leader to defend its position, such as when a firm initiates a 'pre-emptive strike' against one or more firms who are encroaching on its position. An example of a pre-emptive strike in this context is when a firm engages in a strategy of saturating the market with multiple product offerings, thereby leaving less space for current and future competitors to gain a foothold. Such an approach may be viewed as an 'offensive defense' marketing strategy.

KEY WORDS Attack strategies, proactive marketing strategy

IMPLICATIONS

There are a number of proactive strategies available to the marketer seeking to strengthen its firm's position in the marketplace through offensive means. Ultimately, marketers must evaluate such approaches for their benefits and costs—not only in relation to other offensive strategies but perhaps in relation to different defensive strategies as well. In addition, as there are many marketing strategies that correspond to different military strategies, marketers may benefit from a greater understanding of military analogies for marketing and business strategy. One marketing lesson to be reinforced from military strategy, for example, is that frontal attacks have a number of disadvantages when compared to other strategies, including that of an increased likelihood that they will provoke strong competitor retaliation.

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☐ **offline marketing** *see entry at* online marketing

☐ **OLI paradigm** *see* eclectic paradigm

☐ **oligopolistic competition** *see* competition

☐ **oligopoly** *see* competition

☐ **oligopsony** *see* competition

☐ **omnibus survey** *see* survey research

■ one price, law of

DESCRIPTION

The economic view that in an efficient market, all identical goods will have only one price at any given time.

KEY INSIGHTS

The law of one price encapsulates the view that the forces of competition operating in an efficient market act to ensure that any given good will be sold for the same price everywhere after adjusting for exchange rates and allowing for transport and transaction costs. While the law is observed to hold most strongly for commodities that are standardized and heavily traded internationally, the law is also observed to be violated in many empirical research studies. Factors that may explain observed deviations from the law include those related to the costs of firms ascertaining rivals asking prices, buyers' search costs, and the occurrence of new and inexperienced buyers and sellers entering a market. Other studies finding deviations from the law suggest that price differences between locations are attributable to the markets not being fully integrated.

KEY WORDS Pricing, efficient markets, international markets, **goods**, commodities

IMPLICATIONS

Marketers involved in pricing decisions, particularly ones involving international markets, should seek to understand through careful market analysis the extent that market characteristics support adherence to, or deviations from, the law of one price for the firm's good. At the same time, to the extent that a firm's goods are commodity-like, marketers may wish to explore opportunities for de-commoditizing or differentiating such goods if an important aim is to enable further pricing flexibility by the firm.

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□ one-to-many marketing *see* traditional marketing

■ one-to-one marketing

(also called custom marketing, customized marketing, individual marketing, markets-of-one marketing, personal marketing, personalized marketing, or tailored marketing)

DESCRIPTION

Tailoring a firm's offerings to meet the specific needs of individual customers.

KEY INSIGHTS

In contrast to a mass marketing or even differentiated marketing approach where the wants or needs of all or some customers are provided with the same marketing approach, one-to-one marketing involves an approach that tailors the marketing effort according to the wants or needs of individual customers. Customization of marketing frequently occurs in business-to-business marketing, for example, when customers express unique wants or needs and the magnitude of customer purchases (e.g. order size) is relatively high, thereby providing a greater incentive for a firm to supply business customers with tailored offerings. At the same time, one-to-one marketing is clearly not just business-to-business marketing's domain; it can be a viable option in business-to-consumer marketing where, even though customer purchase quantitites may be low, the expense of tailored marketing offerings can also be held low such as through the use of advanced information technologies, for example.

KEY WORDS Tailored offerings, unique offerings

IMPLICATIONS

Firms pursuing one-to-one marketing approaches may be involved in the tailoring or customization of any number of elements of the firm's offerings to meet the unique needs and wants of its individual customers in both industrial and consumer markets. Given the increasing ease with which customer knowledge can be understood and managed as a result of advances in information technologies, marketers may find that one-to-one marketing will only grow in importance.

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■ online marketing

(also called cybermarketing, cyberspace marketing, interactive marketing, internet marketing, internet-centric marketing, new economy marketing, Web marketing, Web-based marketing, Web-centric marketing, World Wide Web marketing, or WWW marketing)

DESCRIPTION

Marketing making use of a connection to a computer network and the internet in particular.

KEY INSIGHTS

The scope of online marketing is markedly broad. In its simplest form, online marketing may involve the active diplay of user-accessible marketing material on a computer screen that results from a computer connection. In actuality, online marketing has become synonymous with internet marketing, which involves any number of marketing uses of the internet, the vast network of globally connected computers, where such connections are established by copper wire, fiber-optic cable, and wireless connectivity, and for which there is a common set of communications protocols. Thus, a key benefit of online marketing to firms is the ability to reach and interactively communicate with large numbers of network-connected individuals in ways that would be relatively more involved or resource intensive (in terms of time, effort, resources) if conducted via offline marketing methods. While simple text may be used in internet marketing communication, the World Wide Web also provides a rich set of more advanced graphics-based approaches from which to choose (see **Web marketing**). In accomplishing online marketing, firms may therefore adopt and pursue multiple marketing strategies, ranging from e-mail marketing as a form of direct marketing to viral marketing to blog marketing (see **direct marketing**; **viral marketing**; **blog marketing**).

Many marketing concepts and approaches are continuing to emerge in the area of online marketing. For example, *wikimarketing* is a term that is starting to be used in practice but with several different meanings including: (1) using wikipedia.com as a starting point in online searches to gain a basic understanding of unfamiliar topics that may have marketing relevance, while also recognizing its potential for inaccuracies, (2) using a ‘wiki’ approach in conjunction with marketing, where an online collaboration model or specific Web application is used that allows multiple individuals to add content to a website as well as freely edit such content, and (3) in the writing and editing of an entry contained within **wikipedia.com**, deleting all material that is negative and further including material that has the purpose of advertising or promoting something.

Online marketing can also, of course, be compared and contrasted with *offline marketing*, also called *brick(s)-and-mortar marketing*, which consists of marketing activities that do not involve the use of, or connection to, a computer or computer network. Given that the use of either approach does not necessarily exclude the use of the other, *click(s)-and-mortar marketing*, or *click(s)-and-brick(s) marketing*, refers to marketing that combines online marketing and offline marketing approaches. While there is an enormous amount of research into online marketing, most references to 'offline marketing' as a marketing approach are found in discussions of comparisons and contrasts between online and offline marketing.

KEY WORDS Internet, interactivity, computer network, web

IMPLICATIONS

Online marketing provides marketers with a rich and growing set of marketing opportunities. In using an affiliate marketing approach, *pay-per-click marketing* is just one example (see **affiliate marketing**). While its use may be a cost-effective means of achieving many of the firm's marketing objectives, it is also widely viewed as an approach that affords considerable flexibility and speed. It is, however, not suited to many areas of marketing where in-person, face-to-face interaction is highly beneficial, or when consumers prefer to see, touch, and feel products they are considering for purchase. For some products such as many luxury goods, for example, part of the experience consumers seek when shopping is that of also being seen by other shoppers.

APPLICATION AREAS AND FURTHER READINGS

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□ on-the-edge marketing *see* unconventional marketing

□ OOH marketing *see* out-of-home marketing

■ opinion leader

DESCRIPTION

Individuals that wield a disproportionately large influence over the attitudes, opinions, and behaviors of others and where such individuals are ones to whom others turn for advice or information.

KEY INSIGHTS

In the context of purchase intentions and purchase decisions, opinion leaders are those that have influence over others as a result of their personal characteristics, which may include their product or service experience, expertise, or knowledge, their interest in seeking out and communicating information on new products or services, their interest and vocal ability in persuading others to adopt their personal views, and their status in a particular group or community.

KEY WORDS Consumer influence, advice, information, attitudes, opinions, behavior

IMPLICATIONS

Whether through their abilities to influence large-scale public opinion through communication channels such as the internet, or key groups of individuals through face-to-face communication, marketers may benefit from identifying individuals who are likely to be opinion leaders for the firm's offerings and targeting them with effective marketing communications. 'Winning over' such individuals may facilitate the firm's efforts to accelerate the diffusion of positive information about the firm's offerings in the marketplace.

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□ opportunity cost *see* cost
□ opt-in marketing *see* permission marketing
□ opt-out marketing *see* permission marketing

■ options theory

DESCRIPTION

Theory or theories aimed at understanding, explaining, and predicting phenomena where an individual or organization has the freedom or right, but not the obligation, to pursue one or more courses of action.

KEY INSIGHTS

Options theory comprises an area of study concerned with phenomena involving choice. The theory has a grounding in finance when one considers the scope of financial options involving contracts or agreements between buyers and sellers where a buyer has a right, but not an obligation, to a purchase or sale of a financial asset. When one considers options as not being limited to those that are purely financial or restricted to trade, the scope of the theory becomes that of *real options theory*, where the emphasis is on a phenomenon where an individual, or more commonly a business entity, has the freedom, but not the obligation, to undertake one or more courses of action, such as the freedom to either double or quadruple production capacity in response to market demand, for example.

KEY WORDS Choice, freedom of choice

IMPLICATIONS

While phenomena involving real options are not new, there have been many recent advances in analytical methodologies concerning their study. Marketers desiring to be more rigorous in the identification and analysis of real options as a means to increasing both marketing and organizational effectiveness may benefit from a deeper understanding of real options theory-related research.

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■ order effect

(also called placement effect)

DESCRIPTION

Any effect of the serial order or placement of stimuli on the response of an individual.

KEY INSIGHTS

Order effects are of particular concern in research designs where the influence of the order of questions in questionnaires and other data collection instruments must be considered if results are to be interpreted accurately. Over the course of completing a long questionnaire, for example, individuals may express less accurate views later in the questionnaire as a result of their experiencing fatigue, or individuals' responses to later questions may change as a result of their learning in certain ways from earlier questions.

KEY WORDS Individual responses, data collection

IMPLICATIONS

Marketers must be sensitive to order effects possibly confounding the interpretation of results of particular research approaches and should consider methods to control for such effects, such as by presenting different randomizations of question orders to different respondents of a survey.

APPLICATION AREAS AND FURTHER READINGS

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□ order of entry effect *see* market entry timing

□ order-routine specification *see* industrial buyer behavior

■ organization theory

DESCRIPTION

Theory or theories aimed at understanding, explaining, and predicting how, why, and to what extent various organizational designs, structures, and decision-making processes are, or are likely to be, effective for achieving particular aims.

KEY INSIGHTS

Organization theory views organizations as social systems and is therefore concerned with understanding and explaining relationships within such systems. The role and influence of organizational politics on individual and group decision making is one of many topics examined within the domain of organization theory.

KEY WORDS Organization, design, structure, decision making

IMPLICATIONS

While the scope of organization theory is very broad, it encompasses numerous frameworks and concepts on which marketers can draw to help understand, explain, or predict the usefulness of particular approaches for organizing marketing or the broader organization. Marketers may also draw upon organization theory-based concepts in seeking to understand how organizational politics may influence marketing decision making.

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□ **organizational buyer behavior** *see* industrial buyer behavior
□ **organizational marketing** *see* business-to-business marketing

■ out-of-home marketing

(also called OOH marketing, outdoor marketing, ambient marketing, or place-based marketing)

DESCRIPTION

Any and all marketing activity directed at consumers where they happen to be, in places other than their places of residence.

KEY INSIGHTS

Out-of-home marketing (OOH marketing) encompasses a broad range of more specific marketing activities, with many of such activities being in the areas of advertising and sales promotion. As such, a more common term for OOH marketing is out-of-home advertising or OOH advertising. Such efforts may involve, for example, advertising via billboards, street furniture, or transit (e.g. buses). Out-of-home advertising need not necessarily take place outdoors, as practices including advertising in shopping malls and in shops via flat screen television displays are also within the scope of out-of-home advertising. Such displays may be used alone or in conjunction with other displays, where a closed-circuit television network is used for broadcasting or displaying marketing-related information to be seen and/or heard by current and prospective customers.

Ambient marketing refers to marketing in a consumer's surrounding environment. Ambient marketing may therefore involve advertising anywhere a consumer might be including bus shelters, toilets, or on the sidewalk along a city street. It may involve the use of small posters or flyers on lamp-posts or something more dramatic such as branded hot air balloons. While the term is often used synonymously with outdoor marketing and OOH marketing, it also has more specific meanings including that of marketing activities that blend in closely with the consumer's surrounding environment (e.g. writing the marketer's message in the sand at a public beach), marketing activities in the natural environment that also convey a sense of being special (e.g. a salesperson handing out leaflets in a public place to selected individuals, as opposed to all, as a means to suggest such activities are special to those encountering them), and marketing activities where consumers are located which are implemented in ways that try to catch consumers when they will be highly receptive to the marketer's message.

KEY WORDS Marketing communication, advertising, outdoors

IMPLICATIONS

Marketers seeking to reach consumers outside their homes have a wide range of more specific marketing approaches from which to choose. Even though many forms of mass media, such as newspapers and magazines, are available outside the home, they are differentiated from out-of-home approaches in that they are usually for home or office viewing. To the extent that out-of-home approaches involve reaching and communicating with consumers at places and times when they are likely to be receptive to the marketer's message, such approaches may be a beneficial component of the firm's marketing strategy.

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■ outbound marketing

(also referred to as out-bound marketing)

DESCRIPTION

Any marketing approach where it is the marketer or the marketer's organization that initiates contact with current or potential customers.

KEY INSIGHTS

Outbound marketing, as where a company has a dedicated call center engaged in cold-calling potential customers, emphasizes marketing where it is the firm that takes the initiative to reach out to customers rather than the other way around (see **inbound marketing**). What varies in outbound marketing approaches and techniques among firms is the extent to which the firm uses technologies or processes that help to increase the effectiveness of its targeting of potential customers and/or increase the receptivity of targeted customers to the firm's offerings. A significant fraction of firms using outbound marketing calls in their marketing efforts, for example, rely on predictive dialing technologies, whereas many other firms do not use such technologies. A major aim of much outbound marketing is therefore increasing its effectiveness by reducing its intrusiveness and privacy-insensitivity as perceived by its recipients. Goldstein and Lee (2005), for example, refer to this as *right-time marketing*, where firms adopt approaches that accommodate customer demands for when and how marketers should communicate with them.

KEY WORDS Proactive marketing, firm-initiated marketing

IMPLICATIONS

Outbound marketing provides marketers with a means to proactively contact and engage with current and potential customers. Rather than 'blanketing' or sporadically targeting markets with such efforts, however, astute marketers recognize the value of adopting approaches that increase the receptivity of targeted customers, such as when database marketing approaches are used in combination with telemarketing approaches (see **database marketing**; **telemarketing**).

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□ outdoor marketing *see* out-of-home marketing

■ outlier effect

DESCRIPTION

Any biasing or otherwise adverse effect on the conclusions drawn regarding the relationships between variables that is directly attributable to the presence within numerical data of data that are markedly smaller or larger than other values.

KEY INSIGHTS

Outlier effects are a possible concern in marketing research that seeks to draw useful conclusions from analyses of numerical data. Inattention to outliers can lead to misleading conclusions, either by the researcher or by individuals interpreting and using the research findings. To ensure that marketing research findings are representative of the phenomenon being studied, care needs to be taken to determine to what extent outlier data should be included or excluded in the numerical analyses and, at the very least, the methods employed in their treatment should be made explicit when communicating the findings.

KEY WORDS Numerical data, data analysis

IMPLICATIONS

Marketing researchers should always examine numerical data for the presences of outliers to ensure that appropriate methods are used for their treatment. As marketing researchers vary in the way they treat and report outliers in their research studies, care should be taken in their interpretation and use, whether such studies are used individually or in broader comparisons.

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■ overconfidence effect

DESCRIPTION

Any effect resulting from an individual having greater certainty in the correctness of his or her beliefs or judgments than circumstances warrant.

KEY INSIGHTS

Empirical research on individual probability judgments finds overconfidence to be a relatively pervasive phenomenon. While the nature and extent of overconfidence varies considerably among individuals, the cognitive process of anchoring and adjustment, where individuals make initial judgments and then adjust the judgments to arrive at a final judgment but where final judgments tend to be biased by the value of the initial judgments, is believed by some to account for much of the phenomenon.

KEY WORDS Confidence, certainty, beliefs, judgment

IMPLICATIONS

Since overconfidence is a relatively pervasive tendency among individuals, marketers, too, must be wary of being overconfident in their beliefs and judgments. Making efforts to perform 'reality checks,' for example, by confirming or verifying the consistency of one's views with those of a number of objective others, is one way of seeking to minimize the overconfidence effect in individual and organizational decision making.

APPLICATION AREAS AND FURTHER READINGS

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■ overlearning

DESCRIPTION

The additional learning achieved after something has already been learned to a high standard.

KEY INSIGHTS

While research studying the influence of overlearning, as in learning a particular concept, association, or skill, has found that it is not generally associated with improvements in individual performance in the short term, it is found to be associated with improvements in long-term retention. In addition, research on overlearning has found it can help increase one's resistance to distractive influences.

KEY WORDS Learning, performance, retention

IMPLICATIONS

Marketers concerned with the extent of consumer learning about a firm's offerings should seek to understand how, why, and to what extent consumer overlearning through marketing communications, and advertising in particular, may be beneficial in consumers' responding favorably to a firm's offerings over the longer term. At a minimum, the concept of overlearning and evidence of its demonstrated effects suggests a reason for extending marketing communications beyond the point in time where a high degree of consumer learning has already occurred.

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□ own label *see* private label

P

□ **panel data** *see* marketing research

■ Pareto principle

(also called Pareto rule, Pareto effect, Pareto's law, eighty-twenty principle, eighty-twenty rule, or the law of the heavy half)

DESCRIPTION

The Pareto principle characterizes the situation where a disproportionately large percentage (e.g. 80%) of a particular phenomenon is caused by a disproportionately small percentage (e.g. 20%) of another phenomenon. (For example, 80% of company profit is derived from 20% of the company's customers.)

KEY INSIGHTS

The Pareto principle was originally developed by economist Vilfredo Pareto to understand and explain the relationship between national income and the benefit of such income to the population. The principle is now more broadly understood and interpreted to suggest there are often many instances where it is a relatively small fraction of some phenomenon, rather than the larger fraction, that has the most significant effect on some other phenomenon, such as where it may be found that 80% of a firm's sales volume is a result of the purchases of 20% of a firm's customers.

KEY WORDS Cause, effect, disproportional influence

IMPLICATIONS

The Pareto principle can be used as a guide to managers in deciding how to allocate limited resources. In particular, the principle suggests that priority should be given to identifying and acting upon the most significant 20% of a cause as it may have a large (e.g. 80%) influence over the desired effect. Quantitative analyses (e.g. cost analyses and profitability analyses) may be useful to identify cause and effect relationships that are found to generally follow the Pareto principle, where the exact proportion of an observed or desired effect stemming from a proportion of a particular cause may, of course, vary from 80% to 20%. The Pareto principle can be widely extended to apply to numerous areas of marketing and management ranging from advertising to marketing strategy development where the aim is to accomplish particular objectives with limited resources.

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☐ Pareto's law *see* Pareto principle

☐ parity marketing *see* me-too marketing

■ Parkinson's law

DESCRIPTION

Most commonly, the proposition that, in the context of office organization, work expands so as to fill the time available for its completion, along with other propositions of Parkinson including the proposition that the number of subordinates increase at a fixed rate regardless of the amount of work produced.

KEY INSIGHTS

Put forth and developed by C. Northcote Parkinson (1957) in his book *Parkinson's Law*, the laws of Parkinson are viewed by many to be facetious-but-true aphorisms that are most applicable to office organization and to that of large organizations in particular. The view that work expands to fill the time available is also referred to more generally as the 'excess time effect' in the field of social psychology (Aronson and Gerard 1966; Aronson and Landy 1967).

KEY WORDS Organization, management, time, work, staffing

IMPLICATIONS

Marketers involved in the management of marketing, particularly in large organizations, must strive to take steps to ensure that organizational tendencies raised in the laws of Parkinson are minimized if the aim is an effective and efficient organization. In particular, issues related to service quality within large organizations, as with public administration, may be particularly prone to the tendencies suggested by Parkinson's laws.

APPLICATION AREAS AND FURTHER READINGS

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■ parsimony, law of

(also called the principle of parsimony, Occam's razor, or Ockham's razor)

DESCRIPTION

The view that the simplest explanation for a phenomenon is preferable, unless it is known to be wrong.

KEY INSIGHTS

The law of parsimony, in its earliest form referred to as Occam's razor, based on the fourteenth century philosophical tenet of logician William of Ockham that advocates the 'shaving off' of assumptions that make no difference to a theoretical explanation, is mainly viewed today as a heuristic maxim that advises simplicity in explanation. The law of parsimony is often cited to further prescribe that, given two equally valid competing explanations, the simplest one should be embraced.

While the law of parsimony is considered to be of significant value in the development of theories, in arriving at explanations, and in advocating empirical generalizations (where precision and scope are also valued), it is also recognized that there may be a fine line between parsimony and oversimplification. In addition, in achieving parsimony, there may also be a tradeoff with richness of explanation. As such, any judgments about parsimony in explanation should depend on the explicit goals of a researcher.

KEY WORDS Explanation, simplicity, theories

IMPLICATIONS

The law of parsimony provides guidance to marketing researchers to strive for explanations in research that are not overly complicated. As a result, many marketing models in use today are parsimonious. At the same time, however, marketers must be wary of explanations that are overly simplistic and neglect the value of richness. Marketers should strive to resolve such issues by making the implications of their research goals explicit in terms of the value placed on parsimony.

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☐ **partner marketing** *see* affiliate marketing

☐ **partnership marketing** *see* cooperative marketing

☐ **passing stranger effect** *see* ancient mariner effect

☐ **patent** *see* intellectual property

☐ **pay-for-performance marketing** *see* affiliate marketing

☐ **pay-per-click marketing** *see* affiliate marketing

☐ **peak-load pricing** *see* pricing strategies

☐ **peer-to-peer marketing** *see* word-of-mouth marketing

☐ **penetration pricing** *see* pricing strategies

☐ **percent-of-sales method** *see* promotion budget setting methods

☐ **perfect competition** *see* competition

☐ **performance-based marketing** *see* affiliate marketing

☐ **perishability** *see* service characteristics

■ permission marketing

DESCRIPTION

Marketing where there is an emphasis on securing customers' consent or approval prior to engaging in further marketing activity with, or involving, the customer and/or customer information.

KEY INSIGHTS

Permission marketing essentially involves one of two approaches. Opt-in marketing is where the firm will only engage in further marketing activity with a customer, or use customer information, if the customer has given clear permission to do so by signing up to the arrangement. Opt-out marketing is where the firm will automatically engage in such activity unless the customer has given a clear indication that they do not wish to participate. As either approach involves a voluntary choice on the part of the customer to participate or not, much of permission marketing is concerned with marketing approaches aimed at increasing the likelihood that a customer will decide to participate initially and will want to continue doing so.

KEY WORDS Customer consent, customer approval

IMPLICATIONS

A greater knowledge of permission marketing approaches can be beneficial to marketers in industries or markets facing legal or regulatory constraints regarding the marketing use of customer information, as when there are restrictions in giving customer information to third party firms. In other instances, a greater knowledge and use of permission marketing approaches may provide the marketer with means to increase the effectiveness of the firm's marketing, as when the firm is able to avoid focusing its efforts on those customers who are clearly unreceptive to the firm's offer. Finally, permission marketing has potential benefits in terms of increasing consumer receptivity to subsequent marketing offers as a result of the marketer having the 'courtesy' to ask for the customer's permission to begin with.

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□ **person marketing** *see* celebrity marketing

□ **person-to-person marketing** *see* word-of-mouth marketing

■ personal construct theory

DESCRIPTION

A social psychological theory of personality concerned with the way that individuals construct meanings and more specifically positing that an individual's personal constructs, or categories used by an individual in ordering relationships and roles, stem from the individual's anticipation of events.

KEY INSIGHTS

Put forth in pioneering research by Kelly (1955), personal construct theory was initially concerned with mental disorder detection but has since been expanded in scope to examine a range of marketing phenomena. A particular approach advocated in personal construct theory is that of repertory grid analysis, which involves evaluating an individual's responses given a researcher's task concerning the ordering of individual relationships and roles. A topic in marketing for which the theoretical approach has been put to considerable use is in the evaluation of consumer perceptions of travel destinations.

KEY WORDS Personality, interpersonal relationships

IMPLICATIONS

Greater knowledge of personal construct theory can potentially provide the marketer with both a theoretical lens and research methodology to understand better the nature of individuals' meanings and perceptions of a marketer's offerings, including that of travel destinations. Beyond additional consumer insight, the theory potentially enables marketers to obtain insights into how an individual's personal constructs are related to the effectiveness of marketing processes managed within the marketer's organization.

APPLICATION AREAS AND FURTHER READINGS

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□ personal exploitation, law of *see* least interest, principle of
□ personal marketing *see* one-to-one marketing
□ personalized marketing *see* one-to-one marketing
□ PEST analysis *see* macroenvironment
□ PESTLE analysis *see* macroenvironment

■ Peter principle

DESCRIPTION

A colloquial principle of competence of human resources in a hierarchical organization that states that, in a hierarchy, every employee tends to rise to his or her level of incompetence.

KEY INSIGHTS

The Peter principle, as developed by Laurence J. Peter (Peter and Hull 1969), suggests that individuals in organizational hierarchies tend to advance based on competence to a point where they achieve positions where they lack competence for such positions, and in such positions they tend to remain, lacking the necessary competencies or skills as a result of the positions being either more difficult or simply different than previous positions. To the extent that the principle reflects promotion practices in an organization, those responsible for promotion decisions should strive to assess the extent that a promotion candidate already possesses the needed competencies and skills for a higher-level position.

KEY WORDS Organization, hierarchies, promotion, competence

IMPLICATIONS

Marketing managers involved in staffing and promotion decisions should take heed of the competence issue identified in the Peter principle to ensure the marketing organization remains viable. By seeking to ensure in promotion decisions that individuals filling higher-level roles possess the needed skills, the Peter principle may be potentially mitigated.

APPLICATION AREAS AND FURTHER READINGS

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☐ **pioneer** *see* market entry timing

☐ **pioneering, market** *see* market entry timing

☐ **place-based marketing** *see* out-of-home marketing

■ place marketing

(also called destination marketing or location marketing)

DESCRIPTION

Marketing activity directed at creating a favorable attitude or impression of a particular area, region, or location and attracting individuals or organizations to such places.

KEY INSIGHTS

Whether a 'place' in question is for purposes of tourism, travel, investment, eating, working, learning, recreating, socializing, or living, either permanently or temporarily, place marketing emphasizes marketing approaches where the dominant element of the marketer's offering is a definable place, topographically, geographically, or otherwise. As such, places may be countries, regions, cities, towns, private properties, attractions, shopping malls, shopping mall food courts, shopping centers, office complexes, recreational complexes, parks, or any other area, region, or location. Places may be viewed as destinations that a marketer wishes to market to individuals or organizations located elsewhere, or they may be places that a marketer wishes to market to individuals or organizations already in residence.

KEY WORDS Areas, regions, physical locations

IMPLICATIONS

Marketers involved in place marketing may or may not have control over the actual physical elements or other features that are an integral part of a particular place. To be sure, much of place marketing involves modifications to, or management of, infrastructure that makes a place more amenable to its target markets. While any given place will vary in what it has to offer and in what it can possibly offer, many well-established marketing principles and practices are applicable to the marketing of any place, particularly when the marketer adopts the view that a place is a good (product or service), albeit fixed in location, to be purchased, consumed, and/or used. At the same time, in place marketing, there is clearly a strong experiential element to the offering. Thus, effective place marketing necessarily entails developing marketing strategies based on appropriate positioning strategies and the communication of its experiential value, recognizing that any place will have both an actual value and a perceived value in the minds of current and potential customers.

APPLICATION AREAS AND FURTHER READINGS

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■ placebo effect

DESCRIPTION

A positive effect that results from administering an action or treatment that is inert or inactive but is believed by the recipient to have a benefit.

KEY INSIGHTS

While the placebo effect was initially identified and observed in the context of medical treatments by Beecher (1955), the concept and phenomenon has since been extended beyond medicine into marketing as well as other related individual and organizational areas. Explanations for why placebo actions or treatments are observed to work (as when 30–40% of a range of symptoms from medical ailments are shown to improve as a result of administering placebos) are generally based on recipient expectancies, e.g. that it is because its recipients believe and expect the actions or treatments will work. Although the phenomenon is not fully understood, it is nevertheless recognized as a valuable concept that is shown to be present in a range of situations. Marketing research by Shiv, Carmon, and Ariely (2005) finds, for example, that consumers who paid a discounted price for an energy drink thought to increase mental acuity actually derived less benefit from it (e.g. they solved fewer puzzles) than those paying its full price.

KEY WORDS Cause, effect, expectancy

IMPLICATIONS

Like physicians, marketers, too, have tools, techniques, and methods at their disposal that include the use of placebo-like elements in offerings to their target audience. In the case of marketers, placebo effects may arise, for example, as a result of a price alteration that changes the actual customer-perceived usefulness of products or services to which they are applied.

APPLICATION AREAS AND FURTHER READINGS

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□ placement effect *see* order effect

■ planned behavior, theory of

DESCRIPTION

A theory linking attitudes and behavior that builds upon the theory of reasoned action by further incorporating the notion of an individual's perceived behavioral control.

KEY INSIGHTS

Based on pioneering research by Ajzen (1988, 1991; Ajzen and Madden 1986), the theory of planned behavior holds that individual actions are guided by beliefs about the likely outcomes of behaviors, beliefs about the expectations of others, and beliefs about the nature of control that the individual has over conditions that may facilitate or impede performing the behaviors. In relating these areas, the theory suggests, for example, that individuals' behavioral intentions will be stronger to the extent they are supported by favorable beliefs about the outcome and other's expectations. Such individuals may then carry out their intentions to perform certain behaviors when appropriate opportunities arise as a result of their beliefs that they have a sufficient actual degree of control over the behavior.

KEY WORDS Behavior, attitudes, control

IMPLICATIONS

For marketers seeking to understand and relate consumer behavior to a firm's product and service offerings, the theory of planned behavior and its associated concepts can provide a basis for analyzing how individuals' beliefs about actions, expectations of others, and personal control influence their preferences for consumption behavior as well as their actual consumption behaviors. Whether in making choices about leisure decisions or online shopping, the theory highlights the potentially important area of perceived individual control for a range of consumer actions that marketers can seek to influence and facilitate with their product and service offerings.

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□ **pleasing products** *see* societal classification of products

■ point-of-purchase marketing

DESCRIPTION

Marketing where there is an emphasis on strategies and tactics involving the precise locations of purchase activity.

KEY INSIGHTS

Point-of-purchase marketing is concerned with increasing a firm's marketing effectiveness by focusing marketing efforts on the precise spots where products or services are able to be acquired by current and/or prospective customers. In retail stores, for example, point-of-purchase marketing activity involves attention to shelf space considerations (e.g. positioning a large quantity of the firm's products at eye level) and displays (e.g. colorful, eye-catching signs and other promotional materials). In some industries, such as tobacco, the majority of a firm's marketing efforts may be in point-of-purchase marketing.

KEY WORDS Purchase locations

IMPLICATIONS

Particularly in retail environments, point-of-purchase marketing can be an important strategic as well as tactical consideration in the marketing of a firm's offerings. In addition, when product purchases are sometimes the result of spontaneous or impulse purchase decisions of consumers, a strong emphasis on point-of-purchase marketing may lead to higher overall marketing effectiveness by the firm.

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■ point-of-sale marketing

DESCRIPTION

Marketing where there is an emphasis on strategies and tactics involving the precise locations of selling activity for the firm's offerings.

KEY INSIGHTS

Point-of-sale marketing overlaps strongly with point-of-purchase marketing, although the former is far more inclusive of marketing to retailers and other organizations that offer the firm's products or services for sale to current and prospective customers. As such, point-of-sale marketing may include incentives to a specific retailer to market the firm's offerings in a certain way. In addition, point-of-sale marketing may also involve approaches that systematically translate knowledge of consumer buying behavior (e.g. customer purchase histories) into the marketing plans and actions of retailers—something that is the subject of claims of a number of patents, for example.

KEY WORDS Sales locations

IMPLICATIONS

In implementing point-of-purchase marketing, particularly in retail environments, marketers must also engage in point-of-sale marketing. At the same time, marketers may engage in point-of-sale marketing but also leave the seller of the firm's offerings with a relative amount of freedom to determine appropriate point-of-sale marketing activity. In either case, a greater knowledge of point-of-sale marketing approaches provides the marketer with an opportunity to increase the firm's marketing effectiveness by focusing its efforts on key factors of influence in sales location success.

APPLICATION AREAS AND FURTHER READINGS

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□ political environment *see* macroenvironment

■ Pollyanna effect

(also called the Pollyanna hypothesis)

DESCRIPTION

The phenomenon where pleasant information is processed more easily and recalled better than unpleasant information, as well as the tendency for individuals to give more attention to pleasant information relative to unpleasant information in their thought and speech.

KEY INSIGHTS

The Pollyanna effect, as researched by C. E. Osgood (Boucher and Osgood 1969), where it was named after a fictional female character in a novel series, involves the tendency to process and recall positive information more easily than negative information and, more generally, the pervasive human tendency to define the experience of reality as more good than bad. At the extreme, an individual exhibiting the Pollyanna effect may recall only positive information about a past event, for example. While there are individual differences as to what is termed Pollyannism, the generally pervasive tendency associated with the phenomenon has led to a much higher frequency of certain common positive words in written language in comparison to that for certain common negative words.

KEY WORDS Information processing, recall, positive information

IMPLICATIONS

Marketers seeking to enhance consumer recall of a firm's offerings may find that consumers are much more likely to process and recall such information more easily when the information is positive or pleasant as opposed to negative or unpleasant. At the same time, marketers conducting consumer research must consider its possible effects in obtaining and evaluating positive and negative consumer views regarding their past experiences.

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■ population ecology theory

DESCRIPTION

A theory holding that most of the variability in organizational structures comes about through the creation of new organizations and organizational forms and the replacement of old ones.

KEY INSIGHTS

Put forth in research by Hannan and Freeman (1977), Freeman and Hannan (1983), and McKelvey (1982), population ecology theory provides an ecologically based perspective for understanding, explaining, and predicting organizational change in terms of organizational changes occurring in a firm's industry and markets. More broadly, the theory is based on the study of the dynamics of species populations and how such populations interact with their environment.

KEY WORDS Organizational structure, organizational change

IMPLICATIONS

Marketers looking for additional perspectives for understanding how and why organizational forms and structures develop and contribute to sustaining the organization may benefit from a greater knowledge of population ecology-related research. While acceptance of the theory among marketing researchers remains variable, it nevertheless provides marketers with a broader perspective, and one which draws upon ecological analogy, that is often lacking in mainstream marketing.

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□ population validity *see* validity

□ portfolio analysis *see* product portfolio analysis

■ portfolio theory

DESCRIPTION

Theory and mathematical frameworks that are concerned with the use of investment portfolios of holdings to manage risks and financial returns.

KEY INSIGHTS

Portfolio theory, as developed by Markovitz (1959), is based on the views that diversifying holdings can reduce risks, that financial returns are dependent on expected risks, and that risk-averse investors will only take increased risks if compensated by adequately higher expected returns. The theory and mathematical frameworks facilitate investors' minimizing risks and maximizing returns and establishing an efficient set of portfolios from which to choose based on an investor's risk preferences.

KEY WORDS Portfolios, investments, risk, financial return

IMPLICATIONS

Marketers may benefit from understanding the theoretical frameworks and concepts of portfolio theory in assisting with a firm's efforts to minimize risks and maximize returns in its various investments, whether at the firm level or strategic marketing level. Marketers may also use the theory to gain insights into appropriate practices for managing portfolios of customers as well.

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■ positioning

DESCRIPTION

The way a firm's offering is perceived by its target market in relation to that of competitor offerings.

KEY INSIGHTS

Whether a firm's offering is a product, service, or brand, the firm frequently has a choice regarding how the offering should be positioned in the market. Offerings may be positioned along a few or many dimensions, where the specific dimensions considered and used are ones that are meaningful to consumers and strategically important to the firm. When there are many competitors in the marketplace, the firm must consider carefully how current and potential consumers will perceive the offering in relation to competing offerings. A key aim of positioning is to differentiate the firm's offerings from those of competitors, as there is often little to be gained by positioning in a completely identical way to a competitor. Just two examples of positioning dimensions are attribute positioning (or functional benefit positioning), where the firm seeks to position itself in a superior way relative to competitors on a product attribute valued by customers (e.g. cavity-fighting ability for a toothpaste) and product line breadth positioning, where the firm seeks to position itself in a desirable way relative to competitors on the sheer number of products that the firm offers (as a means to signal convenience and market leadership, for example). There are, of course, any number of ways a firm can position its offerings, including the important dimensions of price and quality. Additionally, firms may adopt a position that the firm is able to make meaningful in the minds of consumers, even though such a position may have no real substance. Thus, *meaningless differentiation* involves positioning an offering on an attribute that may be unique to offering but in actuality is not related to its performance (e.g. the unique but ultimately meaningless attribute of 'coffee crystals' in a firm's instant coffee offering).

KEY WORDS Attributes, **benefits**, product perceptions, competitive positioning, strategic positioning

IMPLICATIONS

While it is certainly easy to focus on major positioning dimensions such as price and quality, marketers have a wide array of positioning approaches from which to choose. As many product and service offerings involve the use of three to five important positioning dimensions, marketers must be sure to give sufficient attention to the broader set of positioning dimensions that the firm and its competitors are currently using and may use at some future point for strategic advantage.

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□ **postal marketing** *see* direct marketing

□ **post-purchase behavior** *see* buyer decision process

■ power law of forgetting

DESCRIPTION

Specific characterization of the decline in memory performance with time by a mathematical power function.

KEY INSIGHTS

Studies by several memory researchers view the decline in memory performance with time or intervening events as being well fit by a mathematical power function (Wickelgren 1974, 1977; Wixsted 1990; Wixsted and Ebbesen 1997). A power function is a function with a variable base and a constant exponent (e.g. $f(x) = ax^b$). As different researchers have different views on the form and parameters of forgetting functions, the power law of forgetting is sometimes referred to more specifically as the Wickelgren power law or Wixsted's power law, for example. In studies of forgetting behavior, the power law of forgetting is typically applied to situations where forgetting is from long-term memory.

It is important to note that the power law of forgetting should not be confused with the forgetting curve, sometimes called the law of forgetting, as developed by Ebbinghaus (1885). The forgetting curve of Ebbinghaus is an empirical result based upon specific experimental conditions for learning and recall.

KEY WORDS Memory, forgetting, mathematical modeling

IMPLICATIONS

Marketers seeking to understand, explain, and predict forgetting behaviors and tendencies of consumers may potentially obtain useful insights in the modeling of consumer behaviors through applications of the power law of forgetting. As consumer choice is often dependent on what consumers have remembered as well as forgotten, knowledge of consumer forgetting over time may be critical in establishing policies for appropriate marketing communications.

APPLICATION AREAS AND FURTHER READINGS

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□ **preapproach** *see* selling process

■ precision marketing

DESCRIPTION

Marketing concerned with increasing the degree to which marketing outcomes are able to be sharply defined and distinguished by their exactness.

KEY INSIGHTS

Precision marketing has much in common with target marketing when the concern is targeting prospective customers with precision (see **target marketing**). Yet, the scope of precision marketing is broader when one considers that marketers may be concerned about the extent to which their efforts can lead to sharply definable outcomes in other areas of marketing, such as in selecting marketing research approaches that help the firm to fine-tune its marketing mix in an effort to increase the retention of existing customers. Nevertheless, there remains considerable opportunity in marketing to adopt approaches that enable the firm to identify, attract, and retain its most profitable customers.

KEY WORDS Marketing refinements, marketing enhancements

IMPLICATIONS

Marketers facing limited firm resources may find that the adopting of precision marketing approaches will enable them to market their offerings more cost-effectively. In firms engaged in direct mail marketing, for example, there can be considerable waste involved when the firm's brochures are sent year after year to individuals who will never have an interest in the firm's products. In such a case, a greater knowledge of precision marketing approaches may enable the firm to refine or enhance its approach to achieve greater overall effectiveness.

APPLICATION AREAS AND FURTHER READINGS

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□ **predatory pricing** *see* pricing strategies

□ **predictive validity** *see* validity

□ **preference** *see* buyer influence/readiness

■ preference reversal

DESCRIPTION

The tendency, in facing a choice between particular types of risky ventures involving nearly equal expected payoffs, to have a non-monetary preference for one approach but to prefer to place a higher monetary stake on the other.

KEY INSIGHTS

Based on pioneering research by Slovic and Lichtenstein (1968, 1983), reversals of preference occur when there is one venture, or gamble, involving a high probability of receiving a small payoff and another venture involving a low probability of receiving a high payoff. In other words, individuals have tendencies to rate risky ventures as attractive based on a stronger association with winning than with payoff size, but ultimately individuals tend to place higher monetary values on risky ventures involving stronger associations with payoff size than with winning. Explanations offered for preference reversals include that of individual anchoring and adjustment on monetary scales leading to overpricing of low-probability gambles relative to the individual's choice preference.

KEY WORDS Risk, preference, probabilities, outcomes, payoffs

IMPLICATIONS

To the extent that marketers evaluating the attractiveness of risky ventures desire to understand fully the rationales and implications for their choices, recognizing the tendency for, and occurrence of, preference reversals may be an important consideration. In understanding consumer behavior regarding particular forms of gambles, understanding the preference reversal phenomenon may also provide the marketer with useful insights into general tendencies in consumer choice.

APPLICATION AREAS AND FURTHER READINGS

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☐ premium pricing *see* pricing strategies

☐ presentation *see* selling process

☐ prestige pricing *see* pricing strategies

☐ price, law of one *see* one price, law of

■ price discrimination

DESCRIPTION

A marketing approach where a firm charges different customers different prices for identical offerings.

KEY INSIGHTS

Price discrimination is a valid marketing practice in marketplaces characterized by imperfect information and where firms consider current and potential customers to vary in their willingness and ability to pay certain prices for certain offerings. By charging different customers different prices for the same offering, as when an airline charges one price for a seat on its own website and a lower price for the exact same seat on another website, the firm aims to pursue its marketing objectives (e.g. profitability, sales) by taking advantage of marketplace conditions that involve variation in search costs while also taking into account the variability in the firm's costs to supply its offering to different areas of the market.

KEY WORDS Discriminatory pricing

IMPLICATIONS

As a means to increase overall marketing effectiveness, marketers should recognize how, when, and to what extent price discrimination strategies and tactics can be used beneficially by the marketer's firm. Given the complex nature of pricing decisions, a greater knowledge of price discrimination-related research can help to simplify and guide effective marketing practice.

APPLICATION AREAS AND FURTHER READINGS

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■ price effect

DESCRIPTION

A change in consumption or any other marketing-related variable of interest that is directly attributable to a change in the price of an offering.

KEY INSIGHTS

Price may not only be influential to the demand for an offering but to other marketing-related variables as well, such as consumer perceptions of a product's quality. Considerable marketing research is therefore directed at establishing the extent of price effects on other factors that are either directly or indirectly controllable by the marketer. Aside from price effects involving price increases or decreases, there are also price-related effects related to odd versus even pricing. (See **even price effect**; **odd price effect**.)

KEY WORDS Pricing, price changes

IMPLICATIONS

For a great many goods, price is a prime consideration in consumers' product purchase evaluations. Yet, price acts in many different ways to facilitate or hinder effective marketing. Price, for example, can be a means to communicate product quality to consumers who are unable to assess reliably a product's quality. A greater understanding of the many different types of price effects as well as the nature and scope of their influence can be beneficial to marketers who are involved directly in pricing decisions.

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□ **price elasticity of demand** *see* elasticity of demand

□ **price skimming** *see* pricing strategies

■ price theory

DESCRIPTION

Theory or theories that seek to understand, explain, and predict prices and pricing decisions relative to customer demand, firm supply, and market characteristics.

KEY INSIGHTS

Price theory is central in much research grounded in economics, as where market prices are often viewed as reflecting the interaction between demand considerations based on marginal utility and supply considerations based on marginal cost. Given the diversity of conditions under which products and services are supplied and demanded in the marketplace, price theory has become a rich area of study in marketing research as well, where the emphasis is typically on how managers should set prices as opposed to how markets behave. Numerous models and frameworks for pricing have subsequently been developed based on theories of pricing.

KEY WORDS Prices, pricing

IMPLICATIONS

Since price is an essential element in the marketing mix for a product or service, the area of price theory provides a marketer with a rich set of concepts and frameworks on which to draw to facilitate pricing strategy and management in marketing. Price theory-based frameworks and concepts may enable a marketer to understand better the complex interactions of firms, customers, and markets in product or service pricing.

APPLICATION AREAS AND FURTHER READINGS

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■ pricing strategies

DESCRIPTION

Approaches to pricing offerings which are driven by strategic considerations and which have strategic implications for a firm.

KEY INSIGHTS

There are numerous strategic pricing approaches. Notable approaches include:

Basing-point pricing—a pricing approach that involves designating a particular geographic location as a basing point and then charging customers the freight cost from that location to the location of the customer.

Break-even pricing—the practice of setting a price to break even on the marketing of the product given its costs of manufacture and marketing.

By-Product Pricing—the practice of setting a price on products produced as a result of producing a main product that allows the main product to be marketed at a more competitive price.

Captive-product pricing—price setting for those products that must be used in conjunction with a main product, such as ink cartridges for a digital photo printer.

Competition-based pricing—the practice of setting prices based on the prices that competitors are charging for their (similar) products.

Cost-plus pricing—a pricing approach that involves adding a set mark-up to the cost of a product.

Dynamic pricing—the practice of charging difference prices to different customers depending on their characteristics and situations.

Freight-absorption pricing—a geographic pricing practice where the seller chooses to absorb part or all of the freight costs, typically as part of a pricing strategy to secure a particular sale or contract.

Loss leader pricing—adopting the practice of pricing particular product(s) below cost, below their normal mark-up price, or, more generally, at a very low price with the aim of drawing a greater number of customers to the seller's location than would otherwise be achieved without loss leader products.

Market skimming pricing—also called *price skimming*, the practice of setting a high initial price for a new product to enable high revenues and margins to be obtained from those in the market that are willing to pay the high initial price.

Peak-load pricing—the practice of charging a higher price for the peak period of demand for an offering relative to periods of lesser demand given a situation where the offering cannot be stored and where production capacity for the offering is not able to vary appreciably over time.

Penetration pricing—the strategy of deliberating assigning a low price to an offering, which is often new to the market, as a means to accomplish objectives including rapidly gaining market share (which may further lead to scale economies for the firm) and discouraging other firms from entering the market with competing products.

Predatory pricing—a pricing practice, typically by a leading firm in the market, that involves offering products at such low prices that other firms are discouraged from competing in the market and ultimately exit, after which prices may be raised again.

Prestige pricing—also called *premium pricing*, pricing a product sufficiently high (as when setting the price for an offering so that it is at or near the high end of a price range for a particular range of offerings) in order to associate its purchase and ownership with prestige as well as to give an impression of a high level of quality in the product and further avoid conveying a low level of quality that could arise when a product is priced much lower.

Product line pricing—a pricing approach that involves setting the steps in price between products in a product line by taking into account such factors as differences in product cost, features, customer preferences, and competing product prices.

Profit maximization pricing—efforts by a firm to price an offering, or vary the price of an offering, for particular levels of output in such a way that the firm would ultimately maximize its profitability for the offering.

Promotional pricing—temporarily lowering the price of a product relative to that which it is typically offered in an effort to increase short-term sales.

Psychological pricing—pricing that reflects the psychological influence of buyer beliefs and perceptions, including irrationalities, in the evaluations of prices, as when consumers tend to perceive that prices ending in odd numbers are significantly less expensive than those ending in even numbers or when consumers tend to associate high prices with high quality.

Target costing—an approach that assists the marketer in offering a product at an ideal or desired selling price as a result of setting targets for product costs to ensure that the desired selling price is met.

Target profit pricing—the practice of setting a price to make a target profit on a product given its costs of manufacture and marketing.

Uniform-delivered pricing—a pricing strategy that involves charging all customers the same price plus freight for a product, regardless of a customer's location.

Value pricing—a pricing approach that involves offering a product or service at a fair price relative to its quality and associated benefits.

Value-based pricing—the practice of setting the price of an offering based on buyers' perception of its value as opposed to that which is based on the seller's costs.

Zone pricing—a pricing practice that involves establishing multiple geographic zones and charging all customers in a particular zone the same total price.

KEY WORDS Price setting, pricing approaches

IMPLICATIONS

Marketers have a wide array of pricing approaches from which to choose in determining the appropriate prices for their offerings. Central to the choice and use of one or more particular strategies is, of course, the set of objectives to be accomplished through the use of price. While certain levels of profitability and/or market share are common objectives for many firms, it is also important for marketers to understand how and why particular pricing approaches can facilitate or hinder accomplishing such objectives given an understanding of consumer buying behavior as well as competitive dynamics. Finally, it is essential that marketers strive to anticipate and plan for competitive responses to particular pricing strategies adopted.

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■ primacy, law of

DESCRIPTION

The view that, in presenting two sides of an issue involving persuasive arguments, the side presenting first will have greater effectiveness than the side presenting second.

KEY INSIGHTS

Named by Lund (1925) in his research on persuasion, the law of primacy was put forth based on the finding that communications presented first (whether pro or con to the issue) influenced an audience more than communications presented second. Subsequent research, however, has only shown limited support for the law of primacy under similar and varying conditions, suggesting that considerations of variables related to primacy in persuasion are more appropriate than a general law of primacy. For example, the findings of various research studies suggest that in persuasion efforts involving two-sided communications, non-salient, controversial topics, topics with an interesting subject matter, and highly familiar issues appear to meet with more success when presented first, where the mechanism for their effectiveness is distinctly different than that for the primacy effect involving serial learning.

KEY WORDS Persuasion, communication, arguments, primacy

IMPLICATIONS

In considering the effectiveness of persuasive communications, marketers should seek to understand through prior research and experience to what extent the characteristics of the persuasive message enable such communications to be presented first, as opposed to second in efforts to persuade receiving audiences. For example, persuasive communications involving controversial topics or interesting subject matter may benefit from being presented first to audiences, as opposed to second, in a marketer's efforts to influence and persuade its target audience through the use of persuasive arguments under conditions where both sides of the argument are presented.

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■ primacy effect

DESCRIPTION

A cognitive bias in individual learning where, in a series of observations or other stimuli, initial observations or stimuli become disproportionately salient to the individual relative to those in the middle of the series.

KEY INSIGHTS

The primacy effect is considered to be a common phenomenon in individual learning, where information presented first in a series is more easily remembered than that in the middle of the series. Similarly, in forming impressions of individuals, the primacy effect is present when initial observations have a larger effect on the overall impression of an individual relative to later observations. One explanation given for the primacy effect is that short-term memory is 'less crowded' when pondering the initial observations, enabling them to be transferred more easily into long-term memory.

KEY WORDS Information, stimuli, learning, memory, primacy

IMPLICATIONS

Marketers can take advantage of the primacy effect in individual learning and impression formation by ensuring that the most important information or other stimuli is at the beginning of any series of information or stimuli that marketers wish consumers to remember. Alternatively, marketing researchers should recognize the primacy effect as a bias among consumers when they are asked to recall serial information that they have previously encountered.

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□ **primary data** *see* data types

□ **primary demand** *see* demand

□ **principle(s) of** *see specific entries, e.g.* least effort, principle of

□ **prisoner's dilemma** *see* game theory

□ **private brand** *see* private label

□ **private goods** *see* goods

■ private label

(also called own label, private brand, or store brand)

DESCRIPTION

The offering of a good under the brand of a retailer.

KEY INSIGHTS

While almost all retailers carry goods offered under any number of regional, national, or international brands (also called 'name brands' and with some of these called 'leading brands'), it is increasingly common for retailers to also carry goods under their own brand name. Today, some retailers are even pursuing marketing strategies where they offer almost all of their goods under their own label. Many of such brands are positioned as lower-priced alternatives to major brands within a product category, although some privately branded products are also positioned as higher in quality and are also offered at a higher price.

In addition to offering goods under a private label, firms may also offer goods under a *generic brand*, which is where there is only an indication of a product's category (e.g. cola, potato chips, milk) and a complete absence of any brand or brand name on its packaging. Such offerings can provide retailers with yet another way of providing customers with alternatives to well-known brands in terms of price, quality, or value.

KEY WORDS Retail, branding

IMPLICATIONS

Private label goods may be used by a retailer for any number of reasons including obtaining higher overall sales volumes and higher profit margins in relation to those for name brands. At the same time, many manufacturing firms find profitable niches in manufacturing private label goods for retailers. Some manufacturing firms even produce goods offered under both their own international brand and private labels as a means to increase their production volumes and achieve scale economies that can lower their costs. Thus, whether a marketer's firm produces and offers a product under a leading brand or one to be offered under one or more private labels, a greater knowledge of the strategies and tactics associated with the use of private label goods may assist the marketer with identifying feasible strategic options and developing competitive marketing strategies.

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□ **private sector marketing** *see* commercial marketing

□ **problem child** *see* product portfolio analysis

□ **problem recognition** *see* buyer decision process
□ **product characteristics theory** *see* characteristics theory

■ product classifications, consumer

DESCRIPTION

Products purchased for individual or household use arranged into meaningful categories according to specific marketing-related criteria.

KEY INSIGHTS

Consumer product classifications arrange consumer offerings into categories that are meaningful to marketers. Common product classifications of consumer products include: *convenience products*—items that customers typically buy often, quickly, and with very little effort (including effort to make brand comparisons); *shopping products*—items for which consumers typically make product and/or brand comparisons using criteria such as price and quality; *specialty products*—items which consumers perceive to be unique in one or more characteristics, including brand identification and thereby leading a sizeable number of such consumers to make a special effort to purchase; and *unsought products*—items that are unknown to consumers or ones that the consumers do not typically think of purchasing. While such products are characterized according to criteria relating to consumer buying behavior, there are still other means of classifying consumer products including those that consider product qualities from a societal perspective (see **societal classification of products**) as well as by characteristics that may or may not be restricted to consumer products (see **goods**).

KEY WORDS Product categories

IMPLICATIONS

A better understanding of the nature of consumer products can provide marketers of such products with insights that may lead to more effective marketing strategies and tactics. For example, most makers of inkjet printers market their ink cartridges and photopaper for such printers in such a way that emphasizes their uniqueness as a means to dissuade consumers from making brand comparisons involving price, even though other such brands may be perfect equivalents.

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□ product concept *see* marketing management orientation

□ product development *see* new product development; product-market investment strategies

□ product development stage *see* product life cycle

□ product expansion *see* product-market investment strategies

■ product levels

DESCRIPTION

Characteristically different ways that a firm's offering is able to add customer value.

KEY INSIGHTS

The offerings of a firm are able to add customer value in three basic ways. First, any product offering ultimately has a *core benefit*, or essence, that a customer wishes to obtain. A buyer of a treadmill, for example, may ultimately be purchasing it for the core benefit of increased cardiovascular fitness, or even more generally, a greater sense of well-being. Second, any offering involves an *actual product*, which is a product in some real form (e.g. features, packaging, brand name, design, level of quality). All electric treadmills, for example, have a speed adjustment control, with some also having an elevation adjustment control. Third, an offering also involves an augmented product, which is the set of additional services and benefits that accompany the offering's purchase (e.g. warranty, installation, after-sales service, delivery, financing). Two treadmills may be identical in terms of both their core benefit and actual product, for example, but may differ in terms of the length of the warranty as well as what particular parts are covered by the warranty. Starting with the core benefit, each of the two successive levels provides a means for marketers to add more customer value

KEY WORDS **Benefits**, features, value-added characteristics

IMPLICATIONS

While some marketers focus on how a product's features provide value to a customer and others focus on what the product's core benefit is, marketers should recognize that a product can add customer value in several interrelated ways—ways which include augmented product offerings. Thus, by giving greater attention to the many different ways that an offering can create customer value, marketers have an opportunity to develop and provide offerings in ways that not only increase their value but also in the ability of the firm to increase the profitability that corresponds with the added value.

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■ product life cycle

DESCRIPTION

A series of states in a product's existence described in terms of its sales and profitability.

KEY INSIGHTS

The life cycle of a product is often viewed as being characterized by a number of states, or stages, including the *product development stage*, where there are development costs and no sales as yet; the *introduction stage*, where sales growth is slow and profitability is negative due to high product introduction costs; the *growth stage*, where sales dramatically increase due to rapid market acceptance and where profits increase as well; the *maturity stage*, where sales growth slows, plateaus, and may begin to decline as a result of product saturation in the market and where profits plateau and may begin to decline as a result of increased marketing costs to defend the product against competing offerings; and the *decline stage*, where both sales and profits are falling. It is often acknowledged that there are different marketing strategies that are appropriate for different stages. However, as appealing as the product life cycle concept is to many marketers, there remains the difficulty of determining just what stage a product is actually in (e.g. one may not be able to tell whether sales have plateaued permanently or temporarily). Additionally, it is also recognized that marketers have means to lengthen or shorten a product life cycle, adding further complexity to decisions about when to develop and introduce new products to take the place of others in decline.

KEY WORDS Life cycle, sales, profitability

IMPLICATIONS

The product life cycle provides a useful means of conceptualizing the life stages of a product that a marketer might expect to observe from the time of a product's inception to its demise. In addition, the conceptualization may provide a useful means of making sense of past events associated with product sales and profitability performance. Its ability to assist with the proactive development of appropriate marketing strategies is far more limited, however, as a result of the inability to understand a product's precise location within its own in-process life cycle.

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■ product line

DESCRIPTION

Among a firm's offerings, a group of individual offerings that share one or more meaningful characateristics.

KEY INSIGHTS

A product line comprises offerings with something meaningful in common. At the same time, that which is meaningful can be described any number of ways. It is common to characterize a product line by several key dimensions. *Product line length* refers to the number of items in the product line (e.g. the number of distinctly different styles of running shoes). *Product line depth* refers to the number of versions offered for each product in the product line (e.g. the number of sizes and colors for each distinctly different style of running shoe). Additionally, when firms have multiple product lines, such lines can be characterized by *product line mix width*, which refers to the number of different product lines carried by the firm (e.g. running shoes and walking shoes).

KEY WORDS Product group, line

IMPLICATIONS

Marketers have many strategic decisions to make regarding a product line's length and depth as well as the width associated with product line mixes. While such decisions are clearly dependent on both consumer demand and the firm's assets and competencies, a greater understanding of product line-related research, and modeling approaches in particular, can potentially assist the marketer in making product line decisions that may also lead to sustainable competitive advantages.

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□ product line pricing *see* pricing strategies

□ product-market expansion grid *see* product-market investment strategies

■ product-market investment strategies

(also called growth strategies)

DESCRIPTION

Generic strategies of the firm in the pursuit of growth.

KEY INSIGHTS

Firms seeking to grow for any reason (management directive, shareholder pressure, etc.) typically need to make strategic investments in one or more areas of their operations. To understand where to invest, firms must, either explicitly or implicitly, establish a strategic direction for growth. One explicit means for analyzing a firm's growth options involves the use of a *product-market expansion grid*, or *Ansoff matrix* more specifically, which characterizes options for growth and investment along 'market' and 'product' dimensions, where each is distinguished further by either being 'existing' or 'new.' The four common categories for product-market investment are therefore: *market penetration*, where the firm's growth is directed at existing markets and the use of present or existing products; *market development* (or *market expansion*), where the firm's growth is directed at new markets and the use of present or existing products; product development (or *product expansion*), where the firm's growth is directed at new product development for present or existing markets; and *diversification*, where the firm's growth is directed at new product development for new markets. In the latter category, while diversification can be considered to be a matter of degree, it is also not uncommon to distinguish conceptually between related and unrelated diversification, where *related diversification* is where there are certain assets and competencies within the firm that can be leveraged in its pursuit of synergy with its other products and/or market operations and where *unrelated diversification* is where the area of investment involves no real synergistic relationship with the firm's other products and/or market operations. An extension of the Ansoff matrix's four-quadrant approach to product-market investment analysis is to consider as well the possibility of integration as yet another avenue of firm growth, such as where a firm engages in vertical integration to acquire both suppliers and customer organizations. (See **integration**.)

KEY WORDS Investment, generic growth strategies

IMPLICATIONS

A challenging question faced by many marketers is in what direction the firm should grow. Addressing such a question requires marketers to identify feasible options for growth and engage in analyses to understand better their possible benefits and costs in relation to the firm's marketing and business objectives. As such, a greater understanding of the many different product-market investment strategies and the many issues associated with each can assist the marketer with making growth-related decisions that ultimately meet a set of important criteria including being feasible, generating an attractive return on investment, and supporting a sustainable competitive advantage.

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■ product marketing

DESCRIPTION

Marketing efforts involving tangible, physical offerings.

KEY INSIGHTS

While the term 'product' conveys that which is tangible, its broader usage also includes any item of commerce more generally (e.g. services). Nevertheless, product marketing is most often used to refer to the marketing of tangible objects or items which are created through processes of production. As such, the term is often used in comparisons and contrasts with services marketing (see **services marketing**). Unlike service offerings, for example, tangible offerings are able to be described precisely as they can be subject to quantitative measure. Because physical offerings are able to be perceived by the senses, their marketing necessarily involves giving considerable attention to their observable elements (e.g. how such products look to the eye, feel to the touch, taste to the tongue, sound to the ear, and/or smell to the nose). Thus, for some products, aesthetics becomes a critically important marketing consideration in addition to product functionality and performance. In addition to attention to physical characteristics, however, effective product marketing may also involve approaches that seek to enhance such characteristics through abstract associations, as where a relatively good-tasting carbonated drink consisting of flavored sugar water is associated with youthfulness and authenticity.

KEY WORDS Tangible goods, physical objects, items of commerce

IMPLICATIONS

Clearly, products take many shapes and forms and can be described in numerous ways (see **product classifications, consumer**; **goods**; **societal classification of products**). Understanding such characteristics is often critical to product marketing success since the actual product is a major focus of marketing attention. Yet, effective product marketing recognizes that there are other aspects of the product that also add customer value (see **product levels**). While, in comparison to service offerings, there is often less attention to people in the firm's marketing mix (see **marketing mix**) as perceived by current and potential customers, astute product marketers also recognize that effective product marketing often requires careful attention to the firm's related intangible offerings (e.g. after-sales service) as well as product positioning that involves associations with abstract concepts as a means to enhance perceived product value.

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■ product portfolio analysis

(also called portfolio analysis)

DESCRIPTION

The systematic analysis and evaluation of a firm's set of offerings.

KEY INSIGHTS

A product portfolio analysis examines the firm's portfolio of product offerings to understand what, if anything, the firm should do to strengthen its portfolio. For example, many firms try to create and maintain a balanced portfolio in terms of their perceived product life-cycle stages, thereby working toward establishing a portfolio where, while some products are being developed, the firm's existing products are spread across the introduction, growth, maturity, and/or decline stages.

Another strategically important way of assessing the strength of the overall product portfolio, as well as the relative strengths and weaknesses of individual offerings within the portfolio, involves the use of market attractiveness and business position criteria to assess where the firm's offerings are in relation to one or more measures of market attractiveness and one or more measures of the firm's standing among competitors. A notable framework for product portfolio analyses (and, more broadly, for the analyses of the firm's strategic business units or divisions) is the *growth-share matrix* (also called the *Boston Consulting Group matrix*, the *Boston matrix*, and the *BCG growth-share matrix*) more specifically, which relies upon dimensions of market growth rate and relative market share to determine to what extent each of the firm's offerings is a star, cash cow, question mark, or dog. Adopting the terminology of the BCG growth-share matrix approach, an offering is a *star* when it has a high relative market share and the market growth rate is also high; an offering is a *cash cow* when it has a high relative market share and the market growth rate is low; an offering is a *question mark* (or *problem child*) when it has a low relative market share and the market growth rate is high; and an offering is a *dog* when it has a low relative market share and the market growth rate is low. Despite the framework's widespread recognition, however, a key issue to be addressed in its use is where the lines should be drawn along each dimension (a decision that some argue is rather arbitrary) to distinguish between market growth rates that are high vs. low and relative market shares that are high vs. low. Depending on where the line is drawn for market growth rate, for example, an offering may be a star or it may be a cash cow. An alternative to describing and evaluating the firm's offerings in terms of such categories is therefore an analysis that relies upon the major dimensions to assess the relative standings of the firm's offerings in relation to other offerings of the firm as well as those of competitors in the marketplace but avoids the step of partitioning or categorization.

KEY WORDS Balanced offerings

IMPLICATIONS

Astute marketers involved in strategy development recognize the ongoing need to analyze systematically the firm's portfolio offerings to identify relative strengths and weaknesses as well as opportunities or problems. A greater understanding of the many different approaches to product portfolio analysis put forth in the marketing literature can therefore provide the marketer with an opportunity to engage in such analyses with increased rigor and potentially greater effectiveness. For example, many different techniques have been developed for portfolio analyses involving products of different characteristics and where many of these techniques have been incorporated into commercially available decision support software packages.

APPLICATION AREAS AND FURTHER READINGS

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□ **product specification** *see* industrial buyer behavior

□ **production concept** *see* marketing management orientation

□ **profit-per-customer effect** *see* loyalty effect

■ promotion budget setting methods

DESCRIPTION

Approaches for establishing the amount of a firm's expenditure on marketing activities aimed at communicating the merits of the firm's offerings and persuading target customers to purchase or use the firm's offerings.

KEY INSIGHTS

Firms can determine the amount to be allocated to its promotional activities using any number of methods. Recognized methods for promotion budget setting include: the *affordable method*, which is where the firm sets a budget based on what the firm's management believes the firm can bear without serious detriment; the *competitive-parity method*, which is where the firm's budget matches the promotional spending of competing firms; the *objective-and-task method*, which is where the firm defines its promotion objectives, identifies tasks required for their accomplishment, estimates the costs associated with the tasks, and then sums all such costs; and the *percentage-of-sales method*, which is where the firm bases the budget amount on a specified percentage of current or expected firm sales or unit selling price.

KEY WORDS Marketing expenditures, budget setting

IMPLICATIONS

Marketers involved in setting promotion budgets have a range of methods from which to consider. While the nature of the firm's marketing objectives is often key in determining which approach or approaches may be beneficial to adopt, a greater understanding of the advantages and disadvantages associated with each, along with an appreciation of the many different pitfalls in planning and implementation more generally (e.g. stubbornly adhering to a budgeting setting method in the face of strategically important changes in the marketplace) may do much to assist the marketer with making more effective promotion budget decisions.

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□ promotional pricing *see* pricing strategies

■ prospect theory

DESCRIPTION

A theory relating individual risk-aversion and risk-seeking tendencies to gain and loss situations, where it is theorized and experimentally demonstrated that individuals are significantly more risk averse when facing gains and significantly more risk seeking when facing losses.

KEY INSIGHTS

According to prospect theory as developed and researched by Kahneman and Tversky (1979), individuals facing favorable conditions tend to be more risk averse, as opposed to risk seeking, because they feel they have more to lose than to gain. Conversely, individuals facing unfavorable circumstances tend to be more risk seeking, as opposed to risk averse, because they feel they have little to lose. The theory has received support as a result of experiments conducted by the founders and subsequent academic researchers on individuals confronted with gain and loss situations under a wide variety of controlled conditions.

KEY WORDS gains, losses, risk taking, risk seeking, risk, return, decision making, framing

IMPLICATIONS

The theory has implications for explaining and predicting the tendencies of people in evaluating information. Specifically, the theory provides an explanation for why individuals and organizations may make decisions that vary from what might be considered purely rational based on maximizing expected utilities.

In the context of organizational decision making, executives facing external threats might be expected to be risk seeking, and executives facing external opportunities might be expected to be risk averse (Fiegenbaum and Thomas 1988; Wiseman and Gomez-Mejia 1998; Chattopadhyay, Glick, and Huber 2001). Executives and managers should, therefore, attempt to compensate for the possibility of inadvertent biases in their decision making as a result of the way a decision is framed in terms of gains and losses.

In the context of influencing consumer decision making, marketers should consider the fact that consumers are likely to make product and service purchase decisions based on personal valuations of gains and losses that differ significantly from a purely rational perspective. Specifically, whereas losing a dollar should be just as painful as the pleasure of gaining a dollar, experiments based on prospect theory suggest that losing a dollar is about twice as painful as the pleasure of gaining a dollar (Kahneman and Tversky 1991). Thus, according to the theory, consumers buying and holding financial market instruments will tend to hold on to losing positions in the hope of a recovery while also tending to move too quickly to sell to secure any financial gains.

Astute marketers of a wide range of products and services (e.g. financial instruments, disability insurance, electric utility services, equipment warranties) should therefore recognize consumer biases in psychologically valuing gains and losses and make adjustments to their marketing strategies and tactics in order to provide stronger psychological and actual tangible appeals. In advertising and promotions, for example, marketers may potentially increase consumer receptivity to a product or service by emphasizing the risk of significant losses without the product or service as opposed to the opportunity for significant gains with the same product or service.

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□ prospecting *see* selling process

■ psychic distance

DESCRIPTION

In the internationalization of a business, the perceived and understood degree of closeness between a home market and a foreign market in terms of cultural and business differences.

KEY INSIGHTS

In terms of a business contemplating internationalization, psychic distance is considered to be an important factor in determining its sequence of foreign market entry, where psychically close foreign markets tend to be entered before psychically distance foreign markets. According to this view, closeness in psychic distance reduces uncertainties associated with foreign markets and makes it easier for a firm to learn from its gradual experiences in foreign markets as well. While research tends to support such a view, it may also be the case, however, that firm choices of foreign markets based on psychic distance criteria, which include both perceived cultural closeness and business closeness (e.g. closeness in business practices, industry structure, and economic legal and political climate) may not necessarily result in desired high levels of performance if such firms paradoxically underestimate cultural and business differences and fail to adapt sufficiently (O'Grady and Lane 1996).

KEY WORDS Internationalization, foreign market entry, culture

IMPLICATIONS

Marketing managers in firms contemplating internationalization, as well as those seeking to understand and explain or predict the internationalization of other firms, may benefit from understanding better the pivotal role of psychic distance in firms' decision-making processes for internationalization. Closeness in terms of psychic distance between a firm's home market and a foreign market may make learning about the foreign market much easier, yet management must also exercise caution in adopting standardized marketing practices across markets.

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■ psychoanalytic theory

DESCRIPTION

A view of individual drives and motivations that emphasizes the role of the unconscious, or beyond awareness, and heavily influenced by emotion.

KEY INSIGHTS

Psychoanalytic theory, as developed by Freud (1955) as a psychological theory, ascribes a significant role to the unconscious in establishing individual drives and motivations. As such, certain motivational influences are viewed as being beyond awareness and may be in the form of unconscious desires, instinctual urges, and conflicts. While not initially developed as a personality theory per se, its basis and development nevertheless provide a coherent approach for explaining better individual characteristics or actions that are difficult to understand.

KEY WORDS Individual motivation, personality, unconscious drives

IMPLICATIONS

Marketers seeking to understand and explain consumer personalities and/or complex, difficult-to-understand behaviors may potentially obtain key insights through the lens of psychoanalytic theory and its associated concepts. Understanding better the early experiences of individuals, for example, may be one way to achieve insight into certain complex consumer behaviors.

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□ psychographic segmentation *see* segmentation

□ psychological pricing *see* pricing strategies

□ public good *see* goods

□ public sector marketing *see* government marketing

■ pull marketing

DESCRIPTION

A strategic approach where a firm emphasizes marketing activities aimed at building up consumer demand, thereby prompting consumers to demand the offerings from intermediaries (e.g. retailers who, in turn, demand the offerings from wholesalers) who, in turn, demand the offerings from the firm.

KEY INSIGHTS

Pull marketing emphasizes a *demand pull* (or pull strategy) approach to marketing, which is where marketing activities such as advertising and consumer promotion are directed strategically at consumers as a way to encourage them to buy the firm's offerings, thereby prompting demand for the firm's offerings from channel intermediaries such as retailers and wholesalers—a demand which is then ultimately met by the firm. Pull marketing is in contrast to push marketing which is where the firm's marketing is directed at intermediaries who, in turn, promote the offerings to consumers. (See **push marketing**.) While pull marketing strategies may be used by any firm that relies upon intermediaries, such strategies are common in consumer marketing, where advertising and sales promotions are dominant as a result of such goods typically being inexpensive or low risk and where there are often many buyers and sellers in the marketplace. Ultimately, however, many large companies use both pull marketing and push marketing approaches.

KEY WORDS Consumer demand, demand creation, advertising, sales promotion

IMPLICATIONS

Marketers in any firm should seek to understand how and to what extent pull marketing may be used to the firm's strategic advantage given the characteristics of the firm's offerings and the firm's customers. In many consumer product markets in particular, pull marketing becomes a prominent strategic approach, but one that is also supplemented by push marketing. When a consumer products firm engages in push marketing, however, the astute marketer in such a firm will recognize that it may also involve certain marketing disadvantages, including diminishing the firm's efforts to build long-term brand equity that result from more intensive pull marketing efforts.

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☐ purchase *see* buyer influence/readiness; buyer decision process
☐ pure competition *see* competition
☐ pure monopoly *see* competition

■ push marketing

DESCRIPTION

A strategic approach where the firm's marketing is directed at intermediaries who, in turn, promote the firm's offering to consumers.

KEY INSIGHTS

Push marketing emphasizes a *supply push* (or push strategy) approach to marketing, which is where marketing activities such as personal selling and trade promotion are directed strategically at intermediaries as a way to encourage them to buy the firm's offerings and subsequently promote them to consumers via advertising, sales promotion, and other means. Push marketing is in contrast to pull marketing, which is where the firm's marketing activities are directed at consumers, thereby prompting demand for the firm's offerings from channel intermediaries such as retailers and wholesalers—a demand which is then ultimately met by the firm. (See **pull marketing**.) While push marketing strategies may be used by any firm that relies upon intermediaries, such strategies are common in business-to-business marketing involving industrial goods, where personal selling practices dominate as a result of such goods being expensive and/or risky and where there may also be relatively few buyers and sellers. Ultimately, however, many large companies use both pull marketing and push marketing approaches.

KEY WORDS Personal selling, trade promotion

IMPLICATIONS

As with pull marketing, marketers in any firm should seek to understand how and to what extent push marketing may be used to the firm's strategic advantage given the characteristics of the firm's offerings and the firm's customers. In many business-to-business markets in particular, push marketing becomes a prominent strategic approach, but one that is also supplemented by pull marketing. In some cases, push marketing may be relatively more effective than pull marketing for stimulating short-term sales, but the astute marketer will recognize the need to consider the long-term implications of either approach as well.

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■ Pygmalion effect

(also called the Rosenthal effect)

DESCRIPTION

The phenomenon where an individual's performance and achievements are enhanced as a result of what is expected of them, independent of their abilities.

KEY INSIGHTS

Based on pioneering research by Rosenthal and Jacobson (1968) on the Pygmalion effect in the classroom, where enhanced teacher expectations for students led the students to achieve higher levels of intellectual development independent of their actual ability, the Pygmalion effect demonstrates the power of expectations and beliefs in shaping outcomes as a result of their subtle influences on behaviors that help lead to those outcomes. In this context, the Pygmalion effect can be viewed as similar to that of a self-fulfilling prophecy. While the extent of the effect is observed to vary based on context, subsequent research has confirmed the presence of the Pygmalion effect in settings including the classroom, industry, and the military.

KEY WORDS Expectations, beliefs, performance, outcomes

IMPLICATIONS

As the Pygmalion effect has been observed in many diverse settings, astute marketing managers, too, will recognize the potential for enhanced expectations of others leading to others' enhanced performance. Whether in sales or new product development, marketers may therefore seek to leverage the power of expectations, in conjunction with other facilitating actions, in shaping desired outcomes.

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Q

□ **question mark** *see* product portfolio analysis

■ queuing theory

(also called waiting line theory)

DESCRIPTION

Theory or theories of queuing involving a system or systems having multiple inputs waiting to be processed.

KEY INSIGHTS

Queuing theory involves the use of mathematical modeling approaches to obtain insights into the efficiency and effectiveness of various queuing methods, processes, and systems. The theory enables types of queuing systems such as first-in/first-served, last-in/first-served, random order service, and service sharing systems to be examined in terms of their performance in relation to characteristics including arrival rates, arrival probabilities, server numbers, and system capacity.

KEY WORDS Queues, waiting lines, efficiency, effectiveness

IMPLICATIONS

Services marketing remains the major area of marketing where mathematical models based on queuing theory are able to provide insights into various queuing system behaviors. Marketers seeking to establish appropriate queuing systems in any area of services involving the queuing of customers can therefore potentially benefit from applying queuing theory principles and methods to both queuing system design and evaluation. (See also **Little's Law**.)

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R

□ radical marketing *see* unconventional marketing

■ random-walk theory

DESCRIPTION

A theory that share price movements in the financial markets over the short term are random in that they do not follow any predictable pattern.

KEY INSIGHTS

Random-walk theory is based on the view that the market is efficient, where any strategies that are found to work will be soon discovered and rendered unprofitable. As such, movements of share prices in the short term are considered to be unrelated to their previous movements.

KEY WORDS Firm share price, short-term performance

IMPLICATIONS

Random-walk theory provides a perspective on changes in short-term financial indicators that suggests a limitation on being able to make forecasts or predictions. Marketers seeking to relate marketing actions to short-term financial indicators of a firm may therefore benefit from understanding more fully the methods associated with short-term performance analyses as well as the potential limitations in such analyses which are suggested by the theory and its supporting assumptions.

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■ ratchet effect

DESCRIPTION

An outcome of an action that results in a change in state to some higher level that is resistant to returning to a previous lower level.

KEY INSIGHTS

One of the most notable ratchet effects in marketing is that where the use of a series of advertising campaigns in tandem with a series of sales promotions is commonly observed to result in higher levels of sustained sales in comparison to sales levels sustained by a series of sales promotions alone. In the former case, the advertising may reach other brand users or non-brand users, for example, whereas in the latter case, sales promotions may merely bring forward the buying of current brand users, leading to drops in sales to even lower levels than prior to the sales promotion. Moran (1978) suggests that ratchet effects are observable in a range of consumer and services markets.

Beyond the use of the term in marketing to describe the resulting pattern of sales achieved through the combination of advertising and sales promotions, the term is used in other contexts to describe ratchet-like response functions. For example, in economics, the term is used to describe the phenomenon where many households find it easier to adjust to rising incomes than to falling incomes.

KEY WORDS Cause, effect, asymmetric response functions, advertising, sales promotions

IMPLICATIONS

Given the enhancing effect on sales resulting from a combination of advertising and sales promotions as a prime example, marketers should seek to understand how marketing actions—and combinations of such actions in particular—may predictably produce desirable ratchet-like effects in the marketplace. Establishing the magnitude of such effects as well as determining their strategic and tactical importance should also be an important consideration in the development of marketing models aimed at explaining and predicting the corresponding cause-and-effect relationships.

APPLICATION AREAS AND FURTHER READINGS

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□ ratio scale *see* scale

■ rational choice theory

DESCRIPTION

A theoretical view of decision making that is based on the rational evaluation of options or alternatives to arrive at the best possible choice from the perspective of the decision maker.

KEY INSIGHTS

Rational choice theory assumes that decision makers are rational in that their aims are to maximize the expected utilities that result from their decision. Further assumptions about rationality typically include time consistency in decision making over time, and a decision-maker ability to consistently compare all alternatives. Other simplifying assumptions may also be employed in the use of the theory in decision-making models such as decision-maker awareness of all possible choices and having reliable or precise information about the consequences of any given choice. While such latter assumptions may be considered unrealistic for many types of decisions, the theory nevertheless provides a significant and influential basis for describing, explaining, and predicting a range of decision-making approaches, outcomes, and behaviors from perspectives spanning economics to psychology.

KEY WORDS Decision making, rationality, alternative evaluation

IMPLICATIONS

In explaining and predicting various consumer (or organizational) behaviors, marketers must seek to understand better what assumptions of rationality are being made of the target market. To the extent that the decision making of current and potential customers demonstrates elements of rationality (e.g. in choosing where one will obtain a university education), marketers may benefit from a greater knowledge of rational choice theory-based perspectives for decision making by being able to facilitate decision making toward desired ends.

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■ reader-response theory

DESCRIPTION

A theoretical view in the study of the reading of literature that emphasizes the role of the reader in actively creating and completing the meaning of a literary work through his or her interpretations.

KEY INSIGHTS

A reader-response theory-based view of literature and written work including that of written advertising suggests that their involvement with the reader is not unlike a 'performing art' in that a reader is able to create his or her own unique performance. In the context of understanding better consumer response to an ad, for example, the theory allows greater attention to be drawn to possible rich and complex interplays between elements of an ad and consumers' responses.

KEY WORDS Literature, written advertisements, interpretation, meaning, consumer response

IMPLICATIONS

Marketers may benefit from understanding the basis for and concepts of reader response theory in developing more-effective marketing communications. For example, the theory suggests that marketers may elicit stronger consumer responses to written advertisements that are aimed at drawing the consumer into the ad as opposed to ads that are relatively easy for a consumer to understand.

APPLICATION AREAS AND FURTHER READINGS

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□ real options theory *see* options theory

■ reasoned action, theory of

DESCRIPTION

A theory relating attitudes to behavior where behaviors are viewed as being determined by behavioral intentions which, in turn, are determined by attitudes to the behaviors and subjective norms.

KEY INSIGHTS

Developed in pioneering research by Fishbein and Ajzen (1975) and Ajzen and Fishbein (1977, 1980), the theory of reasoned action is based on the assumption that the most important cause of a person's behavior is his or her behavioral intent. Intentions to perform a behavior are viewed as being driven by both an individual's attitudes toward the behavior and subjective norms, or influences and motivations of the individual to comply with normative beliefs. Models based on the theory provide a basis for systematically describing, explaining, and predicting behaviors or behavioral intentions given appropriately specific characterizations of behavioral attitudes and subjective norms.

The theory is well supported in research and has considerable scope in both implications and applications. At the same time, it is generally recognized as being most applicable to completely voluntary behaviors (e.g. where individuals perceive themselves as having complete control over their choices). In an effort to address this latter limitation, the theory of planned behavior was subsequently developed which builds upon the theory of reasoned action and further includes the concept of perceived behavioral control. (See **planned behavior, theory of**.)

KEY WORDS Behavior, behavioral intentions, attitudes, subjective norms

IMPLICATIONS

Marketers seeking to understand, explain, or predict voluntary consumer behaviors may potentially obtain rich insights into behavioral intentions through application of concepts, modeling, and research approaches which are based upon the theory of reasoned action. For example, marketers may gain insights into consumer attitudes and subjective norms through consumer surveys where consumers respond to questions scaled with terms such as good/bad, like/unlike, or agree/disagree. Given the appropriate information, indications of positive intentions by consumers to perform certain behaviors can be identified when measures of both attitudes and subjective norms are positive.

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■ rebound effect

DESCRIPTION

A less-than-desired outcome of an action intended to create a change in state in a particular direction where the action also has the partial effect of creating a change in state in the opposite direction as well.

KEY INSIGHTS

Some actions aimed at particular changes in state also include effects opposite to the direction intended, as where laws to increase fuel efficiency in cars are intended to reduce a country's overall fuel consumption but where the greater fuel efficiency also leads people to drive more than they otherwise would. In this context, a rebound effect can be either qualitatively acknowledged or quantitatively evaluated. A rebound effect is typically quantified as the extent of deviation from the proportional change in an outcome expected by an action. Rebound effects are most often an issue in technology developments regulatory changes and their influence on consumption behaviors.

KEY WORDS Consumption behavior, technology

IMPLICATIONS

Marketers involved in estimating the effects of particular technology developments, regulations, or laws on the consumption behaviors of individuals, households, or broader geographic regions should consider how the rebound effect may be present as a result of changes in consumer behavior, thereby reducing the gains sought or behavioral changes desired. Whether for energy-intensive products such as those for home cooling or transportation or for energy-saving products such as home insulation, the rebound effect can present itself in ways that should be anticipated in the marketing of new products and services.

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■ recency effect

DESCRIPTION

A cognitive bias in individual learning where, in a series of observations or other stimuli, the last or final observations or stimuli become disproportionately salient to the individual relative to those in the middle of the series.

KEY INSIGHTS

The recency effect is considered to be a common phenomenon in individual learning, where information presented last in a series is more easily remembered than that in the middle of the series. One explanation for the recency effect is that earlier information (e.g. that in the middle of a series) encounters associative interference from subsequent, competing information in individuals' efforts to remember such information, something that is reduced in the process of individuals' remembering the most recent information.

While the recency effect as described above generally refers to a specific effect in individual learning given a series of information to learn over a relatively short period of time, the phenomenon is sometimes referred to more generally as the 'recency rule' in the context of learning occurring over a relatively longer period of time or other less constrained learning conditions. The use of the term 'recency rule' generally refers to the view that information that is learned last is that which is best remembered. Note also the recency effect term as described above should not be viewed as having the same meaning or implications as that for the related term recency principle. (See **recency principle**.)

KEY WORDS Information, stimuli, learning, memory, recency

IMPLICATIONS

Marketers can take advantage of the primacy effect in individual learning by ensuring that the most important information or other stimuli is at the end of any series of information or stimuli that marketers wish consumers to remember. Alternatively, marketing researchers should recognize the recency effect as a potential bias among consumers when they are asked to recall serial information that they have previously encountered or when they are evaluating service experiences. Finally, marketing managers should also be aware of the potential for recency effects influencing and potentially biasing their evaluations of the performance of others.

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■ recency principle

DESCRIPTION

The view that consumer exposure to advertising that is positioned close in time to a purchase occasion will be more beneficial to purchase than exposure to advertising positioned further away in time.

KEY INSIGHTS

Research on exposure to advertising among consumers suggests that recency of advertising exposure relative to a purchase occasion may be more beneficial in eliciting a desired consumer response than the same advertising exposure occurring with less recency. Recognizing the potential for recent ad exposure to be more effective than less recent exposures, the recency principle has been used to argue that it is not necessarily more beneficial to expose consumers to multiple (e.g. three) advertisements over time in comparison to a single recent exposure.

Note: The recency principle as described above should not be confused with the term of the same name established in research by psychologist John Broadus Watson (1930) which states that 'the most recent response is strengthened more by its frequent occurrence than is an earlier response.' While of interest to psychology researchers, the recency principle as defined by Watson (1930) is found to be lacking in interest among marketing researchers. Note also the recency principle term as described above should not be viewed as having the same meaning or implications as that for the related term recency effect. (See **recency effect**.)

KEY WORDS Advertising, exposure, recency, effectiveness

IMPLICATIONS

Marketers should clearly consider the possible enhancing effect of advertising exposures occurring close in time to a consumer's purchase occasion. Marketers may therefore benefit from marketing research aimed at relating the degree of recency to effects on purchase for a particular product or service offering.

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□ recency rule *see* recency effect

□ reciprocal marketing *see* cooperative marketing

■ red queen effect

(also called the red queen hypothesis, the red queen theory, the red queen principle, the red queen metaphor, the red queen trap, the red queen syndrome, the red queen game, the red queen's race, red queen evolution, or simply the red queen)

DESCRIPTION

The effect of certain dynamics associated with a highly competitive environment on an organizational entity or strategic approach where, increasingly, there is a need to expend high levels of exhausting effort or resources in order for the organization or strategy to remain viable.

KEY INSIGHTS

The red queen effect originally received attention as an evolutionary hypothesis in biology based on research by Van Valen (1973) but has subsequently been examined in the context of a range of areas including marketing. The term 'red queen' refers to the situation in the children's story *Through the Looking Glass, and What Alice Found There* by Lewis Carroll (1871) in which the Red Queen, a life-size chess piece, had prompted Alice to run faster and faster, saying, 'Now, *here* you see, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!' In a biological context—which may be aptly extended to numerous organizational and marketing contexts—the term refers to the view that enemies of an organism continuously track its defences and evolve to bypass them, eventually leading to a situation where the organism must run all-out merely to maintain a successful defense. More broadly, the term refers to competitive dynamics where there is intense pressure or a deleterious effect on the subsequent development or evolution of an entity (e.g. organization), strategy, or marketing strategy resulting from competitive actions.

KEY WORDS **Strategy**, organization, evolution, competitive dynamics, resources

IMPLICATIONS

Marketers in firms encountering the red queen effect as a result of fierce or shrewd competition may find that levels of marketing resources required to simply cope with the competition will be at near-hemorrhaging levels or beyond. In such situations, it is imperative for the viability of the firm or strategy involved to devise and employ a breakthrough approach or response. At the same time, marketers involved in the development of competitive strategies should strive to recognize and anticipate possible red queen dynamics in an effort to avoid such situations altogether.

APPLICATION AREAS AND FURTHER READINGS

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■ reference group

DESCRIPTION

The people that an individual uses as a point of reference in determining his or her own judgments, beliefs, preferences, and behaviors.

KEY INSIGHTS

Considerable research based in the social sciences suggests that reference groups both large and small can have significant influences on a range of individual judgments, beliefs, attitudes, preferences, and behaviors. In the context of many product or brand purchase decisions where individuals look to one or more others for guidance on such purchase decisions, identifying the nature and extent of reference group influences is often a vital consideration among marketers. Depending on the purchase situation, a sports group, volunteer group, church group, political group, a group of student peers, or one or more of many other groups may ultimately play a significant role in influencing an individual's attitudes and preferences, regardless of whether or not one is a member of such groups and whether or not one even aspires to become a member.

KEY WORDS Groups, influence, behavior, judgment, attitudes, beliefs, preference

IMPLICATIONS

While individuals may vary on the extent that they are susceptible to reference group influences, marketers must actively seek to understand consumer behaviors in relation to their offerings in order to leverage possible reference group influences. Tailoring marketing messages and media to either reach such groups or to acknowledge such positive or negative influences by others may enhance the effectiveness of marketing communications aimed at influencing consumer purchase decision making.

APPLICATION AREAS AND FURTHER READINGS

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■ reference price

DESCRIPTION

An internal standard against which observed prices are compared.

KEY INSIGHTS

Reference prices are psychological points of reference used by consumers that have been empirically demonstrated to be influential in brand choice. The reference price formation process typically involves reliance on past prices and, as such, may vary in accuracy as a result of limitations in consumers' ability to recall prices paid, but is nevertheless an influential process in its effect on consumer judgments of price acceptability.

KEY WORDS Psychological reference point, price comparison

IMPLICATIONS

Marketers should be concerned about reference prices held by consumers for particular offerings out of consideration for reference price effects on consumer evaluations of the acceptability and desirability of future prices. For example, consistent price promotions are found to lower consumers' reference prices and, as a result, consumers tend to see non-promotion prices much more as price increases than prices which are returning to normal.

APPLICATION AREAS AND FURTHER READINGS

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□ referral-based marketing *see* affiliate marketing

■ **regression towards the mean**

DESCRIPTION

A statistical phenomenon or artifact where there is a tendency for values of variables probabilistically predicted and with random error to be closer to their means than predicted.

KEY INSIGHTS

The regression towards the mean phenomenon, where there is a tendency in related measurements for the expected value of a subsequent measurement to be closer to the mean than the observed value of an initial measurement, occurs when there is asymmetric or non-random sampling from a population and measures that are imperfectly correlated. Often considered counter-intuitive, the regression towards the mean phenomenon is important in that a researcher may mistakenly interpret a measurement as occurring as a result of a treatment or stimulus when, in fact, it is due to chance.

KEY WORDS Measurement, response, prediction

IMPLICATIONS

The regression towards the mean phenomenon has important implications for marketing researchers in establishing expectations about future measures in relation to initial measures. For example, relative to a recognized average response rate for a mail survey, an extremely high response rate for a subsequent survey will not necessarily be followed by another high response rate for yet another survey but rather a response rate that is closer to the mean.

APPLICATION AREAS AND FURTHER READINGS

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□ reification *see* fallacy of misplaced concreteness

□ Reilly's law *see* retail gravitation, law of

■ reinforcement

DESCRIPTION

Anything accompanying a behavior that leads to an increase in the likelihood that the behavior will occur again or with increased frequency.

KEY INSIGHTS

Pioneering research by Thorndike (1911) demonstrated that a stimulus, either in the form of a reward or the removal of something unpleasant, presented to a subject immediately following a desired response increased the probability that the response will occur again. Subsequent research on reinforcement recognizes the value and role of a general reinforcement approach for systematically encouraging and obtaining the desired behaviors of individuals under a range of conditions.

KEY WORDS Behavior, stimulus, rewards

IMPLICATIONS

A greater understanding and appreciation of the concepts and principles associated with a reinforcement approach to learning may benefit marketers who are concerned with developing effective and efficient approaches that reinforce particular consumer behaviors. Encouraging regular purchase or frequent service usage through formal reward programs that give financial incentives to consumers who demonstrate desired purchase behaviors is but one way that reinforcement may potentially be put to effective use by marketers. Product and service usage experiences that provide customers with an immediate sense of satisfaction may reinforce repeat purchase or service use as well.

APPLICATION AREAS AND FURTHER READINGS

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□ **rejection-then-retreat technique** *see* door-in-the-face technique

□ **related diversification** *see* product-market investment strategies

■ relationship marketing

(also called customer relationship marketing)

DESCRIPTION

Marketing characterized by an emphasis on building long-term customer relationships with selected customers.

KEY INSIGHTS

Relationship marketing adopts the view that it can be in the best interest of a firm and selected customers of the firm to maintain long-term mutual relationships as opposed to the firm and such customers simply engaging in a series of individual commercial transactions. While not appropriate for all product markets, the relationship marketing's emphasis on customer retention may have cost advantages to a firm when compared to the potentially higher costs associated with attracting new customers to the firm. When customer acquisition costs are high relative to costs associated with their retention, customer relationship management becomes increasingly important (see **customer relationship management**). Nevertheless, characteristics of the firm's offerings, the market, and the customer may ultimately determine how beneficial it may be. For example, when the value of products purchased is relatively high, when there are relatively high switching costs associated with a product, and when customers' level of involvement with the firm's products and their production is relatively high, a relationship marketing approach may be more beneficial than transactional marketing than when the converse is true. As an example, a specialty car manufacturer in the UK would clearly benefit from relationship marketing with current and potential customers when one considers that customers must wait patiently for up to five years to have their cars made from the time they place their order. At the same time, relationship marketing recognizes that a firm need not seek to establish long-term relationships with all of its customers, as not only do some customers prefer to avoid such relationships, but other customers, depending on their wants, needs, purchase histories, and expected future purchases, may not provide the firm with sufficient value as to warrant the effort.

KEY WORDS Customer retention, long-term relationships

IMPLICATIONS

A better understanding of the relationship marketing approach, as expressed in the considerable amount of marketing research devoted to the study of its effective use, can do much to assist a marketer with identifying, developing, and implementing strategies, methods, techniques, and tactics that help the marketer's firm to identify, create, and retain profitable customers. Given that the offerings of many firms are the subject of ongoing, periodic desire by their customers, it behooves marketers to look regularly for ways that relationship marketing approaches can be put to effective use.

APPLICATION AREAS AND FURTHER READINGS

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■ reliability

DESCRIPTION

The extent to which a measurement approach is able to obtain consistent, stable, and uniform measurements on repeated occasions under the same measurement conditions.

KEY INSIGHTS

Research in marketing is often concerned with reliable measurement. If, for example, a survey is developed to measure consumers' interest in using the internet for luxury goods purchases, then each time the survey is administered, the results should be approximately the same. While it is impossible to calculate reliability exactly, however, it can be estimated in different ways.

KEY WORDS Accuracy, consistency, repeatability

IMPLICATIONS

Marketers involved in marketing research should take great care to develop measurement methods that are sufficiently reliable to ensure that results are useful and that the research is able to provide sufficient insight given its cost, time, and effort. A better understanding of the different ways that reliability can be estimated may do much to assist the marketer with effective research designs. In addition, marketers making use of marketing research should be sure to understand to what extent the measurement methods employed are reliable if such findings are to be used as inputs to strategically important marketing decisions.

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■ remarketing

DESCRIPTION

Marketing efforts by an organization to market an offering again after it has been marketed, unsuccessfully or successfully, on an earlier occasion.

KEY INSIGHTS

The nature of some firm's offerings is such that the firm may have a need to remarket them after an earlier marketing effort which may or may not have been successful. In the case of firms offering tangible leased property, for example, the firm would have a need to remarket the property when a lessee turns in the property at the end of the lease or if the lessor defaulted on the lease. Yet, the remarketing efforts of a firm may not necessarily be concerned with tangible goods, as it may involve a service or even an idea. In the instance where earlier marketing efforts were successful, it is, of course, easier to remarket an offering as there is a success story to draw upon. On the other hand, when an earlier marketing effort is unsuccessful, the firm must often find a new, alternative way of marketing its offering.

KEY WORDS Subsequent marketing strategies

IMPLICATIONS

In the case of offerings that are remarketed as a result of having seen previous use, remarketing may, of course, use any number of marketing approaches (e.g. using auctions for automobile remarketing) to reach new customer markets. However, in the case of offerings that are remarketed out of a lack of success on an earlier occasion, marketers must usually adopt new marketing strategies that emphasize different strategic positions and value propositions. For example, when the Coca-Cola Company introduced new Coke and simultaneously withdrew its original Coke in 1985, many customers were extremely dissatisfied with the new Coke and stopped buying it. In response to the crisis, the company reintroduced the original Coke, remarketing it, very successfully, as 'Coke Classic.'

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■ repetition effect

DESCRIPTION

Any effect or response resulting from repetition in exposure to a stimulus.

KEY INSIGHTS

Repetition in communication, particularly advertising, is a recognized approach by marketers seeking the effect of increased recall or recognition of a stimulus (e.g. product name, brand name, or message). While any effect of repetition will vary with the amount and timing associated with the process of exposing consumers to a message on multiple occasions, the way that consumers process information from the message can also be influential in establishing the degree of a repetition effect.

KEY WORDS Message repetition, stimulus, response

IMPLICATIONS

Marketers seeking to influence consumer behavior through message repetition may benefit from understanding not only how such an approach may encourage desired behaviors but also how factors related to message repetition such as ease of message processing may have important moderating influences on repetition effects as well.

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■ reputation effect

DESCRIPTION

Any effect or response resulting from a perceived reputation of an organization, individual, product, service, or brand.

KEY INSIGHTS

Perceptions of the quality, character, or standing of an organization, individual, or marketing offering can have influences on the attitudes, judgments, and behaviors of a stakeholder (e.g. customer, shareholder) that extend beyond the stakeholder's immediate relationship with the organization, individual, or offering. Positive reputation effects stemming from favorable particular firm or brand evaluations, for example, may lead consumers to be more receptive to evaluating or adopting new, yet unfamiliar offerings of a firm relative to situations where existing firm or brand reputation effects are either neutral or negative.

KEY WORDS Perception, firm performance, brand quality

IMPLICATIONS

While the nature and extent of a reputation effect is clearly context-specific, firm and brand reputation effects in particular are considered by marketing researchers to be important areas to manage in efforts to achieve strong financial performance and customer satisfaction.

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■ resource-based view

DESCRIPTION

The view that the competitive advantage of a firm is grounded in the way it uses the collection of valuable resources that is available to the firm.

KEY INSIGHTS

Developed in research by Wernerfelt (1984), the resource-based view (or RBV) argues that attention to a firm's resources, which may include assets, capabilities, processes of the firm, and knowledge within the firm, is critically important in determining how and to what extent a firm can potentially achieve a competitive advantage. Further, given that any competitive advantage can vary in the time horizon over which it is more or less sustainable, the theory puts forward the view that understanding what key resources the firm should possess and how such resources should be configured are vitally important steps in a firm's pursuit of competitive advantage that are increasingly sustainable. More specifically, the theory suggests that, to the extent that key resources are valuable (e.g. able to create value, strengthen the firm's weaknesses, and/or neutralize competitor's strengths), rare (e.g. uncommon or not widely available among competitors), imperfectly imitable (e.g. not being able to be duplicated by competitors in the same way, as a result of being based on knowledge exclusively available within the firm, for example), and imperfectly substitutable (e.g. where other resources which are available cannot be used easily to replace the key resources).

KEY WORDS Assets, competencies, competitive advantage

IMPLICATIONS

In a firm's efforts to pursue and achieve sustainable competitive advantage, the resource-based view highlights the need for marketers to manage strategically the firm's scarce resources. A greater knowledge of the considerable body of marketing research based on the resource-based view may therefore be very useful to the marketer seeking to identify potential key resources, evaluate them for strategic importance, and ensure that the most important ones are adequately protected by the firm to prevent their loss in value.

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■ resource dependency theory

DESCRIPTION

The view that organizations lacking in needed resources will be prompted to establish relationships with other organizations in order to strengthen their resource positions while at the same time striving to minimize their dependencies.

KEY INSIGHTS

Put forth in pioneering research by Aldrich (1976) and Aldrich and Pfeffer (1976), resource dependency theory adopts the view that increasing a firm's dependence on other firms for their resources decreases the firm's chances for survival in the long run. Given that many firms must rely on others for their resources to some extent, the theory further indicates that such firms will seek ways to keep control of such relationships in an effort to lessen their dependencies.

KEY WORDS Interorganizational relationships, business relationships

IMPLICATIONS

Marketers may find that a greater knowledge of resource dependency theory and resource dependency theory-based research may help the marketer to understand and evaluate better the firm's many different interorganizational relationships and assist with the development of relationships involving greater control. As a means to establish greater control over a firm's suppliers, for example, the firm may opt to perform some of the work in-house. Terms with suppliers may be able to be renegotiated as well, further enabling the firm to obtain more power over suppliers. In addition, being in a position to switch to alternate suppliers may yet be another means to minimize the firm's resource dependencies.

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□ **responsible marketing** *see* ethical marketing; social marketing; green marketing

□ **Restorff effect** *see* von Restorff effect

■ retail accordion theory

(also called accordion theory)

DESCRIPTION

The view that retail institutions change systematically over time, moving from outlets with wide assortments to outlets with narrow, more specialized assortments, but then over time moving back again to outlets with wide assortments.

KEY INSIGHTS

Based on pioneering research by Hollander (1966), the accordion theory was put forward to explain observed and expected changes in retail institution behavior over time. While not all retailers may change their assortments in ways that are completely consistent with retail accordion theory, the theory nevertheless highlights the importance of assortment width in the long-term marketing strategy of a retailer.

KEY WORDS Retailing, organizational change, product assortments, width

IMPLICATIONS

Marketers concerned with retail strategy development may potentially benefit from a better understanding of the role of product assortment in the context of retail accordion theory in terms of its relationship to possible retail organization change. In particular, a retailer's viability and competitiveness may be influenced by how the relative width of its product assortment changes over time and, as such, must be appropriately managed for optimization or maximum effectiveness.

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■ retail gravitation, law of

(also called Reilly's law or Reilly's law of retail gravitation)

DESCRIPTION

The view that larger cities will have larger trade areas than smaller ones, thereby leading people to travel further to reach larger cities for trade relative to smaller ones.

KEY INSIGHTS

Put forth by Reilly (1931), the view summarizes research findings aimed at explaining variations in retail sales between cities and related phenomena. Reilly's law considers population and distance to be key elements related to retail trade. Key assumptions of the relationship put forward include the same ease of travel conditions between cities and consumer indifference between cities.

KEY WORDS Retail, travel, distance, trade, cities

IMPLICATIONS

While the law does not hold in all cases and is also limited by its geographical assumptions for city-to-city travel, the law of retail gravitation nevertheless highlights the importance of city size in attracting consumers for retail shopping. Marketers seeking to model expected consumer travel and retail shopping patterns may therefore benefit from the research findings that have established the relationships posed in Reilly's law.

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□ retail location theory *see* location theory

■ retail marketing

DESCRIPTION

Marketing involving the direct sale of offerings to customers, with such offerings not intended for resale.

KEY INSIGHTS

Retail marketing encompasses a broad set of marketing activities as it may, for example, involve the offering of goods and services online, in stores, malls, and/or markets. In addition, regardless of location, retailers may also position themselves in any number of ways including specialty retailers, discounters, and superstores. The term *supermarketing* is sometimes used to refer to retail marketing involving large, primarily self-service retail stores offering wide varieties of regularly consumed food products and other selected products and services. Purchasers of retail offerings may be individual consumers or businesses. By obtaining sets of offerings in larger quantities from upstream distributors (e.g. wholesalers) and manufacturers, retailing firms are then able to offer them in smaller quantities to customers in ways that add value (e.g. making the offerings more easily obtainable). Retailers have a range of marketing approaches at their disposal in an effort to achieve marketing effectiveness. When a retailer has a physical presence, *in-store marketing* is essential, which is where the retailer engages in marketing practices that aim to increase the appeal of their offerings to current and potential customers who have entered a retailer's store or shop. Such practices may include attention to store ambience (e.g. appealing music, colorful wall displays), making strategic and tactical use of product signage, end-of-aisle product displays, and adopting attractive pricing practices. Still other marketing approaches, used independently or in conjunction with wholesalers and manufacturers, involve making strategic use of point-of-purchase and point-of-sale marketing approaches. (See **point-of-purchase marketing**; **point-of-sale marketing**.)

When a retailer has an online presence (see **online marketing**), the marketer is similarly concerned with the retail outlet's virtual appearance (e.g. visual appeal, ease of navigability). In contrast to bricks-and-mortar retail marketing, however, a key issue to many online retailers is identifying causes and solutions to the relatively pervasive problem of *shopping cart abandonment*, which is where site visitors take time to evaluate the firm's offerings and pick out some by placing them in their virtual shopping carts only to leave the website at the stage where such offerings are to be paid for by website visitors' credit cards or other means.

KEY WORDS Retailing, direct sales

IMPLICATIONS

Retail marketing enables retailers to engage more effectively with current and prospective customers in retail settings. Yet, retail marketing is not limited to the marketing activities of retailers, since manufacturers and wholesalers may also engage in retail marketing to some degree, where such activity may be either through actual physical locations or an online presence. As such, a greater understanding of retail marketing approaches may potentially provide retailers and non-retailers alike with strategic and tactical knowledge that enables their firms to achieve their marketing objectives more effectively and efficiently, either alone or in conjunction with retail organizations.

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■ retro-marketing

DESCRIPTION

Marketing approaches involving re-representations of the past in one or more areas of marketing activity.

KEY INSIGHTS

Retro-marketing involves taking one or more aspect of marketing associated with any bygone era and reviving it for use in a firm's current marketing practice. A retro-marketing approach may, for example, involve a revived and reconfigured product (e.g. a new automobile but with styling from the 1960s) or an advertising approach adopting elements from an earlier time (e.g. a television advertisement with 1950s music and visual effects). In essence, retro-marketing adopts the view that that which is old can come back again to become the new 'new.' Going beyond mere adoptions of tangible elements of the past, however, retro-marketing suggests further that marketers have an opportunity to adopt marketing practices that may even be antithetical to modern marketing principles including that of customer centricity. Brown (2001a) argues, for example, that some consumers are tired of being 'pandered to,' and actually 'yearn to be teased, tantalized, and tortured by marketers and their wares . . . just like in the good old days.'

KEY WORDS Bygone marketing practices, nostalgic offerings

IMPLICATIONS

A retro-marketing approach involves looking to the past for marketing inspiration. Clearly, the approach suggests there are numerous opportunities to offer revived products and services incorporating elements of past eras that ultimately went out of fashion or which were superseded by other offerings in the marketplace but nevertheless are associated with nostalgia. Despite the relative pervasiveness in many product markets of resurrected products and services, however, marketers should be wary of only looking at the past for all future inspiration. Finally, taking knowledge of bygone marketing a step further, retro-marketing also suggests an opportunity for marketers to adopt (long-past) marketing approaches that may actually appear to run counter to the customer-centric principle associated with modern marketing.

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□ revenue-sharing marketing *see* affiliate marketing

□ right-time marketing *see* outbound marketing

□ Ringelmann effect *see* social loafing effect

■ ripple effect

DESCRIPTION

Any effect gradually spreading beyond that which is primarily intended.

KEY INSIGHTS

While any possible ripple effect is clearly context specific, a recognized ripple effect of advertising is a general increase in word-of-mouth communication resulting from advertising. Such an effect can enhance the immediate effectiveness of advertising by creating awareness among individuals who are not reached directly by advertising. As ripple effects may be unintentional or intentional, such effects are important to identify in determining the broader impact of any given marketing action. Another specific type of ripple effect is that attributed to loyalty. (See **loyalty ripple effect**.)

KEY WORDS Influence, spreading effect, advertising

IMPLICATIONS

Marketers concerned with assessing the full impact of marketing actions need to anticipate possible ripple effects in marketing planning and strategy development. Ripple effects of marketing actions such as that from advertising can have significant behavioral as well as economic consequences and can vary across cultures as well.

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□ **risky shift phenomenon** *see* group polarization

□ **Rosencrantz and Guildenstern effect** *see* approach–avoidance conflict

□ **Rosenthal effect** *see* experimenter expectancy effect

□ **rule(s) of . . .** *see specific entries, e.g.* ten percent, rule of

S

- ☐ **sagacity segmentation** *see* segmentation
- ☐ **salutory products** *see* societal classification of products
- ☐ **sampling bias or error** *see* bias
- ☐ **satisfaction** *see* customer satisfaction

■ satisficing

DESCRIPTION

A cognitive heuristic for simplifying decision making that involves making decisions that are considered likely to lead to satisfactory or sufficiently acceptable results as opposed to optimal results.

KEY INSIGHTS

Based on research by Simon (1955, 1956), the concept of satisfying reflects the view that individual cognitive capacities and decision processes are not strictly rational and, as such, are not guaranteed to arrive at optimal results. Deviations from rationality arise due to limitations in individual information-processing ability and the costs involved in comparing all available options. Individual decision making, as well as group and organizational decision making, may therefore involve satisficing as a means to cope or work more easily within limitations on information-processing capabilities and lessen the cost of comparing available options. With satisficing, the aim of decision making may therefore be to achieve some minimal level of performance rather than optimal performance. As an example, individuals and organizations engaged in satisficing behaviors may choose to regularly adopt plans for future action in much the same way they have always done in the past if past performance has always been minimally satisfactory.

KEY WORDS Decision making, satisfactory outcomes

IMPLICATIONS

Marketers involved in making strategic as well as tactical decisions should consider the extent to which objectives of the decisions involve satisficing as opposed to optimization. Drawing explicit attention to satisficing in marketing decision making and decision-making processes can potentially assist decision makers interested in achieving results further in the direction of optimality to evaluate more critically the decision-making processes involved and its associated costs and benefits.

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□ SCA *see* sustainable competitive advantage

■ scale

DESCRIPTION

A scheme of rank or order for purposes of measurement and analysis.

KEY INSIGHTS

There are a number of scales that can be used in marketing research to assist with a data collection effort: a *nominal scale*, where data are categorized (e.g. for gender, being either female or male, for industry sector, being either public or private); an *ordinal scale*, where data can be ordered or ranked (e.g. for firm size, being small, medium, or large); an *interval scale*, where the distance or interval between numbers on a scale is constant to allow precise comparisons of responses (e.g. consumer satisfaction on a scale of 1 to 10, where 1 is extremely dissatisfied and 10 is extremely satisfied); and a *ratio scale*, where values can be compared in terms of ratios (e.g. the prices consumers are willing to pay for several different memory sticks differing in storage capacity). In addition, a *Likert scale* is a scale of consecutive numbers that is used to enable a respondent to specify their level of agreement to a statement. An example is when respondents are asked to indicate their level of agreement with the following statement: cars should be taxed according to their fuel efficiency, where 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree.

KEY WORDS Measurement, analysis

IMPLICATIONS

Marketers engaged in marketing research must choose carefully the scales used in data collection since each scale varies in its power for statistical analysis. While data collection using nominal scales contains the least information and that using ratio scales contains the most, the choice of scale ultimately depends on the marketer's objectives, where, for example, interval scales may be all that are needed to gain important marketing insights.

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□ search engine marketing *see* entry at Web marketing

□ search goods *see* goods

□ secondary data *see* data types

□ secondary demand *see* demand

■ segment-of-one marketing

DESCRIPTION

A marketing approach involving segmentation which starts with an individual customer and builds on that profile.

KEY INSIGHTS

Segment-of-one marketing involves a 'bottom-up' segmentation approach. In the context of micromarketing (see **micromarketing**), segment-of-one marketing is an approach where solutions are tailored for individual customers through unique and individualized products or services.

KEY WORDS Individualized offerings, mass customization

IMPLICATIONS

Segment-of-one marketing entails understanding the specific needs of an individual customer representing a target segment, one where a one-to-one relationship is established (Pitta 1998). In the context of a service, effective communication and efficient customer service can be very important in its use. As part of a broader marketing strategy, segment-of-one marketing can help track, understand, and respond to behaviors of individual customers.

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■ segmentation

(also called market segmentation)

DESCRIPTION

Dividing a market into distinct groups of buyers who have relatively distinct behaviors, needs, or other characteristics.

KEY INSIGHTS

Segmentation refers to the process of aggregating customers into groups based on common characteristics and needs, where they are expected to respond similarly to marketing actions. Segmentation can be beneficial to the extent the approach provides the marketer with insights and opportunities to offer one or more distinct market segments a particular market offering. Offerings corresponding to particular segments may vary in any number of ways including distinct products or services, or other elements of the marketing mix such as price, promotion, or distribution. There are many different ways that segmentation may be performed including:

Age segmentation—a type of demographic segmentation, dividing a market into groups based on consumers' ages (e.g. under 18, 18–25, 25–45, 46 and over).

Behavioral segmentation—dividing a market into groups based on consumers' knowledge, attitudes, or product or service usage behaviors (e.g. heavy product users, light product users).

Benefit segmentation—dividing a market into groups based on the different gains to be derived from purchase and consumption (e.g. using a bicycle for fitness versus transportation to and from work).

Demographic segmentation—dividing a market into groups based on demographic variables (e.g. age, gender, income, family size, education, occupation).

Gender segmentation—a type of demographic segmentation, dividing a market into males and females.

Geographic segmentation—dividing a market into different geographic units (e.g. states, cities, neighborhoods).

Income segmentation—a type of demographic segmentation, dividing a market into groups based on consumers' annual incomes (e.g. under $100,000, over $100,000).

Intermarket segmentation—segmentation involving the identification of particular groups of consumers who have similar needs or characteristics even though consumers in such groups are located in different country markets (e.g. babies, teenagers).

Life-cycle segmentation—a type of demographic segmentation, dividing a market into groups based on life-cycle stages (e.g. babies, toddlers, children, young adults, adults).

Lifestyle segmentation—a type of psychographic segmentation, dividing a market into groups based on preferences for the way one wishes to live one's life (e.g. active, passive, outdoor, indoor).

Occasion segmentation—dividing a market into groups based on situational factors or contingencies driving purchase and consumption (e.g. buying chocolate for a Valentine's Day gift vs. everyday consumption).

Psychographic segmentation—dividing a market into different groups based on psychological traits or characteristics (e.g. personality, values).

Sagacity segmentation—dividing a market into groups based on how discerning and discriminating consumers are in their judgments in relation to some activity (e.g. in drinking a fine wine, those that are highly discerning and those that are relatively undiscerning).

KEY WORDS Consumer groups, consumer characteristics

IMPLICATIONS

Segmentation forms a basis for much of marketing strategy. Studying markets to identify their segments before choosing target groups is a process that can be vital to the success of subsequent marketing actions. Choosing the right product or service, price, promotional programs, and distribution channels, for example, are all areas that can be dictated by the needs of consumer groups identified through market segmentation.

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■ segmentation viability

DESCRIPTION

The extent to which a particular form of segmentation is useful or workable from multiple perspectives including having characteristics of sufficient accessibility, substantiality, measurability, and actionability.

KEY INSIGHTS

The four major characteristics of *accessibility*, *substantiality*, *measurability*, and *actionability* are often used to define and establish segmentation viability. The notion of accessibility suggests that the targeted segment must be sufficiently reachable and servable via the firm's various marketing efforts. Substantiality, or significance, relates to the notion that the targeted segment must be sufficiently large or significant to enable profitability. Measurability, or identifiability, relates to the extent to which the targeted segment's buying power and overall size can be adequately assessed. Actionability relates to the notion that the firm must have necessary and sufficient marketing resources to be able to manage the targeted segment given its characteristics including its size.

KEY WORDS Segmentation implementation, segmentation feasibility

IMPLICATIONS

Segmentation viability necessarily involves assessing accessibility, substantiality, measurability, and actionability to determine appropriateness for inclusion as part of a firm's marketing strategy. Tradeoffs are likely to be necessary as well, as different segmentation approaches will inevitably possess different levels of attractiveness relative to these four characteristics.

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□ segmented marketing *see* differentiated marketing

□ selective distribution *see* distribution strategies

■ selective exposure

DESCRIPTION

The tendency for individuals to expose themselves to information that reinforces their current beliefs or attitudes.

KEY INSIGHTS

Individuals tend to seek out and pay more attention to information that supports their current beliefs and attitudes relative to information that is not supportive or to that which runs counter to current beliefs and attitudes. As individuals are typically exposed to a considerable amount of information in the course of a day, selective attention allows individuals to give relatively more time to information and messages that reinforce their pre-existing views relative to that which does not. As a result, selective exposure among individuals may lead to individuals selectively watching television programs, reading newspaper editorials, and attending to advertisements that tend to reinforce, as opposed to not reinforce or contradict, their beliefs and attitudes.

KEY WORDS Information, beliefs, attitudes, reinforcement

IMPLICATIONS

Marketers developing advertising and marketing communications as well as those involved in evaluating the effectiveness of such communication may benefit from a greater understanding of the extent to which consumers are selectively exposing themselves to certain communications as a result of the communication's ability to reinforce their beliefs and attitudes. Such an understanding may help marketers gauge to a better degree the actual and anticipated composition of consumer audiences for marketing messages.

APPLICATION AREAS AND FURTHER READINGS

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□ selective marketing *see* differentiated marketing

□ self-actualization, Maslow's theory of *see* hierarchy of needs theory

■ self-fulfilling prophecy

DESCRIPTION

A prediction that becomes true as a result of the prediction having been made.

KEY INSIGHTS

Self-fulfilling prophecies involve predictions that in and of themselves are not necessarily true but become true as a result of the prediction evoking behaviors that lead to the prediction becoming true. For example, an industry expert predicting a shortage of a popular new children's toy just before Christmas may result in such a shortage if it encourages parents to rush out and buy the product in anticipation of a possible shortage.

KEY WORDS Prediction, forecast, self-fulfillment

IMPLICATIONS

Marketers involved in forecasting, planning, and marketing strategy development should be cognizant of potential self-fulfilling prophecies as a result of actions evoked from predictions. To the extent that such actions are unintended, anticipating possible self-fulfilling prophecies may result in more effective planning efforts.

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■ self-perception theory

DESCRIPTION

A theory that views an individual's attitudes and opinions as being inferred partly as a result of the individual's observations of their own behaviors and the circumstances surrounding the behaviors.

KEY INSIGHTS

Based on pioneering research by Bem (1965, 1967), self-perception theory considers an individual's attitude development to be a result of self-observed behaviors, where such observations are used by the individual to draw conclusions about what attitudes must have caused them. An example is where a consumer is asked if she likes cappuccino and she responds, 'I must like it; I'm always drinking it.' Self-perception theory further asserts that the use of behavioral observation for interpreting internal states has inherent strengths over introspection for the same purpose in that internal cues are often weak or ambiguous.

KEY WORDS Behavior, self-observation, attitude formation

IMPLICATIONS

Self-perception theory provides an explanatory perspective that may be beneficial in understanding better consumer attitudes and opinions as well as consumer changes in attitudes and opinions. Specifically, since the theory asserts that attitudes and opinions are inferred by consumers from their own behaviors, marketing research on a particular topic that draws a consumer's attention to his or her current or past behaviors may assist the consumer in expressing his or her attitudes and opinions toward the topic.

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□ selling concept *see* marketing management orientation

■ selling process

DESCRIPTION

A series of steps undertaken by a salesperson to sell a firm's product or service to a potential customer.

KEY INSIGHTS

The selling process as implemented by a salesperson is composed of multiple steps. Common characterizations of the steps in a selling process include: *prospecting*—the step of identifying qualified potential customers; *preapproach*—the step of preparing for a sales call by researching the potential customer's need and background; *approach*—the step of meeting with a potential customer at a particular time and place; *presentation*—the step of making a sales pitch to a potential customer, where the benefits of the offering to the potential customer are raised; *handling objections*—the step of identifying, clarifying, and overcoming a potential customer's objections or obstacles to the purchase of the offering; *closing*—the step of asking for a potential customer's order for the offering and getting him or her to say 'yes'; and *follow-up*—after the sale of the firm's offering to a customer, the step of checking with the customer about the customer's satisfaction with the offering as a means to building a long-term relationship with the customer and encouraging repeat business. The selling process is not always a straightforward and linear process, however, as the implementation involves iterating back and forth between the different steps.

KEY WORDS Sales, sales force

IMPLICATIONS

The success of a firm's personal selling efforts often relies on effective salespeople. As such, the development and training of salespeople can be a vital part of the firm's marketing planning. Issues that should be given consideration by marketers involved in the selling process include salespersons' knowledge of the product or service they are selling, understanding the firm's potential customers prior to approaching them, and identifying various strategies to change potential customers' attitudes favorably towards the product or service. Managing salespeople also requires their motivation, which has clear implications for sales managers in terms of selecting, training, and compensating sales personnel.

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□ sense-of-mission marketing *see* enlightened marketing

□ sequence bias *see* bias

■ serial position effect

(also called edge effect or end effect)

DESCRIPTION

A tendency in serial learning for individuals to recall better items at the beginning and end of the series than items in the middle of the series.

KEY INSIGHTS

The serial position effect is characterized by a U-shaped curve in a plot of item recall versus serial position, where item recall is highest for beginning and end items and lowest for middle items. In essence, the effect can be considered to be a combination of the primacy effect and recency effect (see **primacy effect**; **recency effect**) and potentially the von Restorff effect (see **von Restorff effect**). A possible explanation for the effect is that items at the beginning of a series are more easily taken into long-term memory relative to other items and items at the end of the series are more easily kept in short-term memory relative to other items, and items in the middle of the series, as a result of their intermediate serial position, are not kept or taken into either short- or long-term memory as effectively.

KEY WORDS Recall, serial position

IMPLICATIONS

Marketers concerned with maximizing the likelihood that information will be remembered by consumers exposed to serial information, as when a series of commercials are presented to consumers, can benefit from awareness of the serial position effect phenomenon by placing information to be remembered either at the beginning or end of a series and avoiding the middle of a series.

APPLICATION AREAS AND FURTHER READINGS

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■ service, laws of

DESCRIPTION

A set of three assertions relating to services marketing comprising (1) satisfaction equals perception minus expectation, (2) first impressions are the most important, and (3) a service-oriented attitude alone will not achieve good service.

KEY INSIGHTS

Developed and asserted by Davidoff (1994), the three laws of service are intended to summarize key marketing considerations in the provision of services. The three laws are considered to be most applicable in the context of hospitality and tourism in particular.

KEY WORDS Service offerings

IMPLICATIONS

According to Davidoff (1994), implications of the three laws of service are that, in a firm's provision of service, basic customer expectations will include service accessibility, courtesy, personal attention, empathy, job knowledge, consistency, and teamwork. In addition, marketers should recognize that first impressions in service can make lasting impressions and that service staff attitudes must be backed up with knowledge and training.

APPLICATION AREAS AND FURTHER READINGS

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■ service characteristics

DESCRIPTION

Factors associated with service offerings which are influential to their effective marketing.

KEY INSIGHTS

Service offerings can be characterized in any number of ways, yet it is also recognized that there are several characteristics that make services relatively unique in comparison to non-service offerings. Specifically, services can be said to involve: *inseparability*—where services are usually produced and consumed at the same time and place (e.g. in the presence of the customer); *intangibility*—where services do not have physical substance in that they cannot be touched; *perishability*—where unused service capacity cannot be stored for future use or sale; and *variability*—where the quality of a service can vary by many factors, including who provides it, where it is provided, when it is provided, and how it is provided. This latter factor arises because service businesses rely on people for delivering services.

KEY WORDS Service factors

IMPLICATIONS

The characteristics of services should be carefully understood in developing competitive service strategies and marketing plans. Customer service and continuous assessment of customer satisfaction are important aspects in the provision of services. Unlike products, services do not have tangible qualities that enable physical observation and evaluation by prospective customers, so service firms have to provide marketing communications about the firm's services through an array of sources. Researching demand and supply and timing of shifting service demand levels is important to develop pricing and promotional strategies to stimulate demand. To deal with variability of services, firms need to establish standard procedures and implement training practices among personnel in order to ensure consistent service delivery.

APPLICATION AREAS AND FURTHER READINGS

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■ services marketing

DESCRIPTION

Marketing involving the provision of intangible offerings to consumers.

KEY INSIGHTS

A services marketing approach relies on the notion that differences among services are as important as differences between products and services. Marketing a service-base business differs from marketing a product-base service in that what the customer buys is intangible and cannot be returned, it is harder to compare the quality of similar services, production and consumption are inseparable, and the consumer purchase is perishable. In addition, that which is offered by a firm may also be characterized by more variability. As such, the marketing of services often involves finding means to make a service more tangible and providing evidence and indicators of service quality to consumers.

KEY WORDS Intangible offerings

IMPLICATIONS

In comparison to product marketing (see **product marketing**), services marketing typically requires far more marketing attention to the marketing mix elements of people, process, and physical evidence (see **marketing mix**). As such, the personnel providing the services, the physical environment in which a service is offered, and the service process itself must all be strategically as well as tactically managed by the service marketer.

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■ set theory

DESCRIPTION

Mathematical theory or theories for characterizing and examining sets or collections of abstract objects.

KEY INSIGHTS

In broad terms, set theory constitutes a major branch of mathematics involving the study of sets or collections of abstract objects. Key concepts of set theory include sets (collections of objects) and membership (elements contained within a set), with the theory providing a rich language for analyzing and evaluating both. While there are numerous mathematical approaches within the domain of set theory—so many that their descriptions and insights are best covered in textbooks—it should be noted that there are also alternatives to standard set theory approaches, such as fuzzy set theory. (See **fuzzy set theory**.)

KEY WORDS Sets, objects

IMPLICATIONS

Set theory provides a means to mathematically describe and characterize sets in marketing models in numerous areas of marketing. Complex marketing research studies in particular may draw upon set theory in order to facilitate effective examinations of data associated with specific marketing phenomena.

APPLICATION AREAS AND FURTHER READINGS

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□ seven Ps *see* marketing mix

■ share of voice

DESCRIPTION

The percentage of a brand's advertising relative to the overall advertising weight of the associated product category in a market over a given period.

KEY INSIGHTS

Also known as SOV, share of voice reflects the advertising expenditure of a firm's brand expressed as a weight in the total competitive spending in the market for the category. It is usually calculated as a ratio of the brand's annual advertising expenditures to those of the entire industry (including all other brands).

KEY WORD Advertising

IMPLICATIONS

SOV can be a potentially important indicator to a firm as it may be influential to market share, in addition to brand differentiation (Jones

1990). As it results from advertising expenditures, it may also influence the relative price of the product or service.

APPLICATION AREAS AND FURTHER READINGS

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■ shared-cost effect

DESCRIPTION

In market situations where the customer is not the payer but rather some other party is the payer, the resultant effect where price sensitivity is reduced.

KEY INSIGHTS

The observation of the shared-cost effect in a range of market conditions suggests that, in determining price sensitivity, it is important to know who the payer of a product or service is. When the individual choosing a product or service is not the payer, price sensitivity is lower than when the individual is both the chooser and the payer. In instances where the individual is not the payer, the payer may be another individual, or it may be an organization that may or may not be employing the individual.

KEY WORDS Price sensitivity

IMPLICATIONS

Marketers seeking to understand price sensitivity among consumers or buyers should clearly understand whether or not such individuals are also the actual payers. Such knowledge can be vital for the development and implementation of optimal pricing strategies and tactics.

APPLICATION AREAS AND FURTHER READINGS

Marketing Research

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■ shareholder value analysis

DESCRIPTION

An analysis method used in marketing-related value-based management to assess the firm's value to investors, taking into account the sources of value creation and the time horizon over which the firm enjoys competitive advantages over its rivals.

KEY INSIGHTS

Also known as SVA, shareholder value analysis values the company and its strategies based on cash generated and not on accounting conventions. Marketing managers can use it to identify the value of their strategies relative to future cash flow as this reflects the value to investors.

KEY WORDS Shareholders, analysis, **value**

IMPLICATIONS

Shareholder value analysis can be a potentially valuable method in developing and justifying marketing strategies. It can provide a highly effective way of demonstrating the contribution of marketing to the firm's overall financial performance. SVA shows that value creation relies heavily on how effective the firm is in developing its marketing assets (Doyle 2000). This is because marketing assets drive the four determinants of shareholders' value, which are future cash flow, its timing, the risk attached to the business, and its continuing value.

APPLICATION AREAS AND FURTHER READINGS

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☐ shopping cart abandonment *see* retail marketing

☐ shopping product *see* product classifications, consumer

☐ short message service marketing/short messaging service marketing *see* mobile marketing

☐ skimming *see* pricing strategies

■ skunkworks

DESCRIPTION

An approach to product development and innovation that utilizes firm resources, design activities, and team relationships in a more timely and effective manner by breaking away from organizational bureaucracy and standard frameworks.

KEY INSIGHTS

Skunkworks involve organizing a subset of the firm's product development initiatives in a way that insulates the product developers engaged in such initiatives from many of the mainstream demands and constraints imposed on the rest of the organization. Skunkworks are often associated with relatively secretive new product development projects and are viewed as a way of fostering successful innovations (Quinn 1996).

KEY WORDS **New product development**, innovation, bureaucracy

IMPLICATIONS

Marketers involved in new product development may potentially benefit from initiating a skunkworks structure within their organization as it is an approach to structuring new product development that provides a means to eliminate bureaucracy, permit creative communication, create high motivation, emphasize group identity, and enable a loose operating structure (Tushman and O'Reilly 1999). It involves breaking the rules, where the structure, planning of resources and budgets, and decisions lie within the product development team.

APPLICATION AREAS AND FURTHER READINGS

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■ sleeper effect

DESCRIPTION

An effect where the persuasiveness of a message increases with time.

KEY INSIGHTS

While there may be many explanations for the occurrence of a sleeper effect in persuasive communication, some predictions of the occurrence of a sleeper effect in persuasion are based on the view that low source credibility or some other discounting factor inhibits the immediate persuasiveness of an otherwise compelling message but, with the passage of time, the source becomes dissociated from the message, thereby leading to increased message influence. Research on the effect has been somewhat mixed in both findings and interpretation, however, resulting in a degree of controversy over its existence and the conditions under which it may occur, if at all.

KEY WORDS Persuasion, communication, time

IMPLICATIONS

While research on the sleeper effect may be controversial and somewhat inconclusive, the concept of the sleeper effect and the possible mechanisms in support of it nevertheless provide marketers involved in researching persuasive communication methods with additional perspectives that may potentially assist in understanding and explaining the many factors that influence their effectiveness.

APPLICATION AREAS AND FURTHER READINGS

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■ small group theory

DESCRIPTION

Theory or theories aimed at understanding, explaining, and/or predicting small group behavior.

KEY INSIGHTS

Small group theory is concerned with the study of small groups of psychologically interrelated individuals. Such groups are considered to consist of interdependent relationships among individuals in terms of beliefs, attitudes, and behaviors. The many conceptualizations and hypotheses comprising the theory provide a basis for small group evaluations.

KEY WORDS Small groups, behavior

IMPLICATIONS

Marketers seeking to understand better the small group behavior of consumers may potentially obtain insights into such behaviors through greater knowledge of small group theory. Whether in exploratory marketing research or the development of marketing models aimed at explaining and predicting small group consumer behavior, the concepts contained within small group theory can assist the marketing researcher in systematically examining a range of small group phenomena associated with the evaluation, purchase, and repeat purchase of a marketer's offerings.

APPLICATION AREAS AND FURTHER READINGS

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□ SMS marketing *see* mobile marketing

■ snob effect

DESCRIPTION

Buying behavior characterized by the desire to own goods which are uncommon, where consumers' preference for buying such goods increases as their exclusivity increases and for which consumers' preference for buying them decreases as their exclusivity diminishes.

KEY INSIGHTS

The snob effect is a phenomenon observable with certain products and services among certain groups of consumers. For example, when a new night club strictly limits who can get in, its exclusivity will have a strong appeal to certain individuals, but if the same night club were to suddenly throw its doors open to the general public, the night club would be completely unappealing to the same individuals.

KEY WORDS Exclusive offerings, prestige, luxury goods

IMPLICATIONS

Marketers should seek to understand carefully consumer buying behavior for their offerings, which may include the snob effect phenomenon. For some offerings, the prevalence of the snob effect may mean that limiting an offering's availability may increase its desirability among certain consumers and vice versa.

APPLICATION AREAS AND FURTHER READINGS

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■ snowball effect

DESCRIPTION

Any accumulating effect originating from an action of smaller relative significance.

KEY INSIGHTS

While the snowball effect term is figurative and based on the analogy of a rolling snowball picking up more snow and thereby increasing in size, mass, and momentum, the term nevertheless captures the notion that some processes starting from small states of significance can build upon themselves to ultimately produce highly significant outcomes, where such outcomes may be either beneficial or detrimental.

KEY WORDS Effect, significance

IMPLICATIONS

Marketers considering particular marketing strategies to achieve a set of objectives, such as awareness of a new product in the market, should consider to what extent particular strategies exhibit properties characteristic of snowball effects. Word-of-mouth communication, for example, has significant potential to build upon itself in establishing further word-of-mouth communication.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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■ snowballing

DESCRIPTION

A technique for sample identification in research which involves identifying subjects through a referral system whereby existing subjects suggest others for interviewing or responding to surveys.

KEY INSIGHTS

The snowballing technique is one way of conducting convenience sampling, where the sample selected is not random. After administering the research on a set of subjects, the subjects are then asked to refer others who would be willing and interested to also take part in the research.

KEY WORDS Research sampling, referrals

IMPLICATIONS

Snowballing has the advantage of convenience and low cost as a sampling technique. However, the risk that the selected convenience sample is not representative of the population of concern is high. Researchers using this technique have to be careful about the limitations it poses on their findings.

APPLICATION AREAS AND FURTHER READINGS

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□ social cause marketing *see* cause-related marketing; social marketing

■ social cognitive theory

DESCRIPTION

A psychological theory of social learning that views individual behavior in terms of dynamic and reciprocal interactions between environment, behavior, and personal factors including cognitive, affective, and biological events.

KEY INSIGHTS

Social cognitive theory, developed by Bandura (1986), views individual behavior as something that is learned, regulated, and changing with time. In addition, vicarious learning is considered to be a key means of learning a behavior. In the theory, behaviors are understood and explained through interactions of person–behavior, person–environment, and behavior–environment. As such, the theory provides a means for understanding and predicting individual as well as group behavior. Its theoretical and conceptual basis further provides a means for identifying methods for changing or modifying behaviors. The theory is considered to be an advancement to social learning theory (see **social learning theory**).

KEY WORDS Behavior, social learning, cognition

IMPLICATIONS

Marketers seeking to understand, explain, predict, or influence consumer behavior to a greater extent may obtain potentially valuable insights as a result of examining behavioral, environmental, and personal interactions from the perspective of social cognitive theory. In particular, the theory has been found to be of significant benefit in health promotion development and in explaining health-related consumer behaviors.

APPLICATION AREAS AND FURTHER READINGS

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□ social environment *see* macro environment

■ social exchange theory

(also called exchange theory)

DESCRIPTION

A theory of human relationships and social interaction based on the view that individuals expect equity in the costs and benefits associated with social exchanges.

KEY INSIGHTS

Pioneered by Homans (1950, 1961) and developed further by subsequent researchers, social exchange theory considers the notion of equity to be central in human relationships and social interactions. Equity in costs and benefits leads to stability in such relationships, whereas mismatches lead to instabilities. The theory therefore predicts that an individual would choose to discontinue a social relationship where subjective costs exceed subjective benefits or rewards.

KEY WORDS Social interaction, relationships, equity, **cost(s)**, **benefits**

IMPLICATIONS

As social exchange theory is concerned with explaining and predicting stability in social relationships, marketers seeking to establish and maintain strong relationships should consider carefully the nature and full extent of relationship costs and benefits from the other party's perspective. Whether the relationship is a buyer–seller relationship or a relationship among firms jointly seeking to meet customer needs, satisfaction with the relationship and its stability may ultimately hinge upon the balance of costs and benefits.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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□ social idea marketing *see* social marketing

■ social identity theory

DESCRIPTION

A psychological theory of social categorization, identification, and comparison based on individual self-concept derived from group membership.

KEY INSIGHTS

Developed by Tajfel (1978) and Tajfel and Turner (1986), social identity theory is concerned with understanding and explaining the cognitive and motivational bases for intergroup differentiation. Originally developed to understand the psychological bases for intergroup discrimination, the theory has since developed to encompass broader issues related to social identity. The major elements of the theory consist of social categorizations or labels, social identification and its relationship to self-esteem, and social comparisons including favorability biases to one's own group. The theory suggests, for example, that social categories provide individuals with a sense of identity, that social identities involve prescriptions of appropriate behaviors, and that group memberships provide bases for behavioral evaluations.

KEY WORDS Social categorizations, social identification, social comparison

IMPLICATIONS

Marketers seeking to understand better how consumers' social identities are related to their identifications with group memberships, categorizations of group memberships, and comparisons of groups may benefit from understanding the principles and concepts of social identity theory. Such understandings may enable marketers to develop offerings of a social nature which resonate more strongly with consumers. Similarly, marketing managers concerned with developing effective organizations may benefit from an understanding of the theory's concepts in terms of the social identities of their employees.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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■ social learning theory

DESCRIPTION

A psychological theory concerned with the study of individual learning in a social context, where behaviors are learned by individuals through observation, imitation, and/or modeling of others' behaviors.

KEY INSIGHTS

Social learning theory recognizes that individuals can learn from one another and views learning as something that can occur without a change in an individual's behavior. The social learning perspective as developed by Bandura (1977) focuses on how and why individuals can learn from others through means including observation of other people's behaviors, imitation of others' behaviors, and modeling their own behavior after the behavior of others. Concepts within the theory such as attention, retention, and motivation further explain the conditions under which effective social learning occurs.

KEY WORDS Individual learning, social context, observation, imitation, behavioral modeling

IMPLICATIONS

Marketers concerned with understanding and explaining how individuals—whether consumers or employees in one's organization—can learn either desirable or undesirable behaviors in a social context may benefit from a greater knowledge of social learning theory. Such knowledge may ultimately enable marketers to increase both the effectiveness and efficiency associated with individual learning in support of accomplishing organizational and marketing objectives which may include social marketing objectives. To the extent a marketer's actions are aimed at influencing individual learning through social settings, marketers should therefore strive to create and responsibly manage the conditions supporting the learning of desirable behaviors and discouraging undesirable behaviors, such as by making more evident the consequences of both types of behaviors.

APPLICATION AREAS AND FURTHER READINGS

Marketing Strategy

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■ social loafing

(also called the Ringelmann effect)

DESCRIPTION

The phenomenon where individuals are observed to exert less effort when working cooperatively within a group than when working individually.

KEY INSIGHTS

Based on pioneering research by Ringelmann (1913) and by subsequent researchers including Latane (Latane, Williams, and Harkins 1979), social loafing is an observable phenomenon under a range of tasks. Experiments examining the phenomenon have found that individuals engaged in group tasks tend to exert less effort (e.g. physically, mentally) on average in contributing to group outcomes than when the same individuals are sole contributors to task outcomes. Social loafing tends to occur under conditions where individuals contribute in a group setting to produce a group product, as opposed to conditions where individuals contribute in a group setting to produce individual products. Social loafing as a phenomenon can be reduced when individual contributions in a group setting are made easily identifiable.

KEY WORDS Cooperative work, cooperative effort, individual behavior

IMPLICATIONS

Marketing managers and educators concerned with the possibility of social loafing in group settings should seek to implement means where individual contributions are more easily identifiable. Explicit discussions of the phenomenon may also contribute to its reduction to the extent it encourages individuals to reflect on its individual and collective implications. Understanding the extent to which the phenomenon varies across cultures may also be of benefit to marketers involved in effective international marketing management.

APPLICATION AREAS AND FURTHER READINGS

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■ social marketing

(also called idea marketing, responsible marketing, social idea marketing, social cause marketing, or socially responsible marketing)

DESCRIPTION

Marketing concerned with influence on the voluntary behavior of individuals and the promotion of personal and societal welfare.

KEY INSIGHTS

Social marketing is characterized by having a customer orientation where the marketing principles are drawn upon to design behavior change interventions. Critical to the success of social marketing efforts is research into the desires and needs of the target market segment. At the same time, social marketing also involves recognizing competitive influences and ensuring continuous monitoring and revision of marketing programs and tactics in order to achieve desired outcomes.

KEY WORDS Voluntary behaviour, societal welfare, personal welfare

IMPLICATIONS

Social marketing places consumers in the centre of the exchange process, where consumers act primarily out of self-interest. In commercial programs, firms design marketing messages to promote a social concern or idea as well as the 'product,' where the focus is on the behavior associated with such a product.

In pursuing a social marketing approach, marketers must therefore take an active interest in people's aspirations and desires in addition to their social and commercial needs.

APPLICATION AREAS AND FURTHER READINGS

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□ socially responsible marketing *see* social marketing

■ **societal classification of products**

DESCRIPTION

The grouping of products according to the extent that they provide consumers with certain short-term and long-term benefits.

KEY INSIGHTS

The societal classification of products is based on two dimensions, one of which addresses immediate satisfaction and the other long-run consumer benefit (Kotler 1972). *Deficient products* offer neither short nor long-term benefits; *desirable products* combine immediate satisfaction with long-run benefit; *salutary products* have low immediate appeal but offer long-term consumer benefits; and *pleasing products* have a high immediate appeal but can cause long-term harm to consumers.

KEY WORDS Short-term benefits, long-term benefits

IMPLICATIONS

The societal marketing concept suggests that firms should identify the current classification of their products and examine how to modify their products, if any, if they are to apply the societal marketing concept to their businesses. For example, in applying the societal marketing concept, deficient products should be deleted from product ranges and salutary and pleasing products should have to undergo modifications to upgrade them to the desirable products level, which should be the ultimate goal of the marketer.

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□ societal marketing *see* enlightened marketing

□ societal marketing concept *see* marketing management orientation

□ soft goods *see* goods

□ spam marketing *see* mass marketing; viral marketing

□ specialty product *see* product classifications, consumer

■ spillover effect

DESCRIPTION

Any effect of an action that has an effect on a different area than the area where the action, especially when it is performed in excess, is clearly expected, intended, and desired to have a significant effect.

KEY INSIGHTS

Spillover effects, in essence, are those effects that 'spill over' to areas other than the areas where effects are widely anticipated, particularly when such actions are performed in excess. Such effects may be beneficial or detrimental to another area. In marketing, for example, a firm engaged in a strategic alliance with another firm may experience negative spillover effects in the form of increased consumer mistrust from certain negative (e.g. unethical) behaviors of the other firm. Spillover effects may also occur in the area of consumer buying behavior. According to research on spillover effects by Janakiraman, Meyer, and Morales (2006), for example, both unexpected price increases and decreases in quality cause people to buy fewer discretionary items, and to pass up other goods offered at attractive, discounted prices.

KEY WORDS Marketing planning, unexpected consequences

IMPLICATIONS

While the planning of marketing activity necessarily involves developing an understanding and expectation about the intended effects of such activity, it may also be the case that such activity extends to areas beyond that which is given primary consideration. At the same time, certain unplanned actions (e.g. unethical behavior of a strategic alliance partner) may have effects on areas other than those where the effect is clearly expected. While spillover effects may occur in virtually any area of marketing, marketers must strive to consider how and to what extent marketing-related actions, whether planned or unplanned, may positively or negatively influence strategic outcomes desired by the marketer. In some strategic planning efforts, for example, consideration of spillover effects may lead firms to develop contingency plans to address their possible occurrence.

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■ sponsorship marketing

DESCRIPTION

A marketing approach involving a firm's support of an event, activity, or unrelated organization.

KEY INSIGHTS

Unlike other marketing approaches which involve a clearly explicit message communicated to consumers (e.g. direct marketing—see **direct marketing**), sponsorship marketing is a marketing approach involving communication via indirect argument and emotional appeal. Thus, by sponsoring sports, competitions, performing arts, or charities, for example, consumers associate characteristics of such events, activities, or organizations with those of the sponsoring organization. A benefit of sponsorship marketing to some organizations that use it is that it can be less expensive than advertising. In addition, it may act as a morale booster to the organization's employees.

KEY WORDS Activities, events, unrelated organizations, organizational support

IMPLICATIONS

Sponsorship marketing's effectiveness stems from the recognition and acceptance of an event, activity, or organization by the target market of interest to a firm. To the extent the sponsored event, activity, or organization sponsored has a quality reputation, sponsorship marketing's effectiveness is enhanced.

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■ sports marketing

(also called sport marketing)

DESCRIPTION

Marketing involving associations with, or promotion of, sports-related events, activities, and organizations.

KEY INSIGHTS

While sports marketing clearly involve the use of any number of marketing approaches for the benefit of a sports organization, activity, event, or cause, and their stakeholders, sports marketing may also involve organizational associations with sports entities and phenomena for the marketing benefit of an organization not directly involved in such activities or initiatives. An organization's association with sports in any form may be through sponsorship, for example (see **sponsorship marketing**), or by affinity, where the firm aims to make use of fans' affinities with particular sports organizations or activities to present such individuals with products or services associated with those areas (see **affinity marketing**).

KEY WORDS Sponsorship, events, activities, sports organizations, athletics

IMPLICATIONS

Given that sports marketing encompasses a broad range of marketing approaches, it can potentially provide the marketer with multiple means of effectively reaching and interacting with the firm's target market in support of the firm's marketing objectives. As the appeal of many sports-related events, activities, and organizations is related to sport's characteristic elements of structured competition, teamwork, physical dexterity, physical exertion, and the pursuit of superior physical performance, the area provides marketers with numerous opportunities to create and attach rich meanings to their product and service offerings.

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■ spurious correlation

DESCRIPTION

A misleading conclusion that a correlation exists between data when in fact there is no such relationship.

KEY INSIGHTS

A spurious correlation between two variables may be a result of a statistical aberration, as opposed to a true causal relationship, or it may be due to a situation where a third variable influences each of the variables in the same way, thereby making it appear that the two variables are related. Efforts to reduce the possibility of spurious correlations include research designs that hold relevant variables constant in order to more readily observe causal effects on given variables of interest.

KEY WORDS Statistical analysis, correlations, misleading conclusions

IMPLICATIONS

Marketing researchers must be concerned about research conclusions that may involve spurious correlations. Robust research designs with suitable controls must be developed and implemented to minimize their possible occurrence.

APPLICATION AREAS AND FURTHER READINGS

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■ stakeholder theory

DESCRIPTION

Theory concerned with the identification and evaluation of groups of stakeholders of a firm for subsequent managerial attention and action.

KEY INSIGHTS

Stakeholder theory as advocated by researchers including Freeman (1984) recognizes the potential importance of stakeholder groups beyond the traditionally acknowledged groups comprising employees, suppliers, customers, and investors. Communities, political groups, government bodies, and trade associations are examples of such stakeholders. Conceptual elements of stakeholder theory enable the identification of such groups as well as assisting in firm decisions to treat such groups as important stakeholders to which the firm should be responsible and accountable. Issues such as stakeholder power, legitimacy, and urgency of stakeholder claims are developed and integrated in stakeholder theory. While it can be argued that it may not be possible to balance the needs of all stakeholders against each other, the theory nevertheless provides a basis for understanding and negotiating possible stakeholder conflicts.

KEY WORDS Organizational stakeholders, marketing stakeholders, groups

IMPLICATIONS

Beyond meeting customer needs and balancing such needs with those of the firm, its employees, and its investors, marketing has become increasingly concerned with meeting the needs of its many and varied stakeholders. Stakeholder theory provides a means for marketers to identify and evaluate better groups and parties that should be considered key stakeholders relative to the firm as a whole as well as any marketing strategy approach initiative.

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■ standardization

DESCRIPTION

The process or strategy of developing standardized goods or services to meet the needs and preferences of a particular market or set of consumers, where such markets and consumers are typically examined and managed within an international marketing context.

KEY INSIGHTS

As an element of a firm's international marketing strategy, standardization relies on a uniform marketing effort over similar worldwide segments. As opposed to adaptation or customization in the firm's marketing strategies, standardization aims to benefit from 'marketing universals,' which are consumer behaviors within a segment and consumer preferences within a particular product category that are invariant across cultures (Dawar and Parker 1994).

KEY WORDS Uniform marketing, marketing universals

IMPLICATIONS

The choice between standardization and adaptation across markets must explicitly consider the similarities and differences in consumer attitudes and behavior in a particular market (Dawar and Parker 1994). Pursuing the international marketing approach of standardization entails the identification of a segment of consumers who do not differ across cultures in their preferences for a particular good or service offering, allowing for a standardized marketing program across countries and cultures. In considering standardization, marketers must be careful in drawing conclusions about the similarities between markets, where too much standardization, for example, may leave room for competitors to meet local needs to a greater extent.

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☐ **star** *see* product portfolio analysis

☐ **statistical validity** *see* validity

☐ **status quo bias** *see* endowment effect

☐ **status quo marketing** *see* defensive marketing

■ stealth marketing

(also called undercover marketing or under-the-radar marketing)

DESCRIPTION

Marketing that is not immediately perceived as marketing.

KEY INSIGHTS

Stealth marketing is a relatively unconventional marketing approach where customers are targeted without realizing they are being marketed to. It has similarities with guerrilla marketing in that promotional activities may be unobvious to the marketer's target market and of relatively low cost, but where the effects of the effort can be widespread (see **guerrilla marketing**). Stealth marketing is often performed on a face-to-face basis in ways where customers are usually unaware of such activities as being marketing attempts, since the approach involves interaction with customers at places or times when their defences are most likely to be down (Kaikati and Kaikati 2004). An example is when a celebrity drinks a certain branded beverage in public but where consumers are unaware that the celebrity is being paid to do so. The goal of an undercover stealth marketing campaign is to generate a buzz in the market that can reach consumers and spread among them spontaneously. It may actually rely more on consumer trust than more conventional marketing approaches if, for example, it involves a trusted celebrity who endorses the product in public and the behavior passes unconsciously to consumers. A variant of under-the-radar marketing is *lean-over marketing*, where individuals are paid by a firm to intentionally situate themselves within earshot of the firm's target market and then begin talking about the merits of the firm's particular product or service offering, where the aim is to catch attention and interest and generate a subsequent market buzz.

KEY WORDS Hidden marketing, unobvious marketing, questionable marketing practice

IMPLICATIONS

Stealth marketing may involve less financial risk and can be cost effective if it generates the sought-after buzz in the market. Its problems reside in its ethical implications. If consumers conclude that they are being manipulated into liking the product, the company runs the risk of a backlash. Thus, the ethics of a stealth marketing approach is a topic worthy of debate in a marketer's firm. Nevertheless, the appeal of its use revolves around the possibility that its effects, while very hard to predict, may ultimately be a high level of buzz or word-of-mouth communication that spreads very quickly.

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□ STEP analysis *see* macroenvironment
□ store brand *see* private label

■ STP marketing

DESCRIPTION

A methodical approach in marketing planning whereby a marketer follows a three-step process involving segmentation, targeting, and positioning.

KEY INSIGHTS

STP marketing adopts the view that segmentation is a key part of the competitive strategy of many organizations. As such, it can be argued that the tasks of identifying, characterizing, and targeting appropriate marketing segments form the basis for much of strategic marketing and an organization's strategic thinking more generally. In the process of STP marketing, the marketer gives critical consideration to segmentation, which is the identification of groups of customers that have similarities in characteristics or needs who are likely to exhibit similar purchase behavior (Smith 1956); targeting, or selecting particular segments to target; and positioning, which necessarily involves selecting a desirable positioning strategy (see **positioning**) and subsequently developing marketing programs that convey the desired brand position.

KEY WORDS Marketing planning, planning process, **segmentation**, **targeting**, **positioning**

IMPLICATIONS

As part of the overall strategic marketing planning process, a marketer may conduct an internal analysis of the firm, a competitive analysis, and a market analysis. All such marketing research efforts may support the firm's efforts to engage in STP marketing, where, after establishing market segments and targeting appropriate segments, positioning plays a centrally important role after segmenting and targeting the appropriate market segments. As a follow-on to the STP marketing process, marketers must then ensure the development of effective marketing programs and mixes, implement such efforts, and then ensure their adequate control.

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□ straight rebuy *see* industrial buyer behavior

■ strategic approaches

DESCRIPTION

Substantially different ways of focusing the firm's strategic marketing management efforts.

KEY INSIGHTS

In strategic marketing management, firms are faced with varying strategic approaches to pursue. Two notable approaches include strategic vision and strategic opportunism. Strategic vision defines a company's direction with respect to the scope of the product/service markets in which it will compete, orientation in terms of product or service positioning, and scale of operation. A strategic vision is focused on the future, where it involves an insightful analysis of the current and anticipated market environment to determine where the greatest opportunities and threats are at present and where they will be in the future. Strategic opportunism, on the other hand, focuses mainly on identifying and exploiting the immediate market opportunities at hand. This strategy seeks to leverage the company's existing strategic assets and competencies and avoid commitment, as the future is viewed as uncertain due to the dynamic nature of the changing business environment.

KEY WORDS Vision, opportunism

IMPLICATIONS

While each strategic approach clearly has certain benefits attached to it, each also carries certain strategic risks. Strategic vision faces a danger of strategic stubbornness whereas strategic opportunism faces a danger of strategic drift. For either approach, marketers must therefore be vigilant of problems arising as a result of the firm ultimately reacting too slowly or too quickly to environmental change.

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■ strategic asset

DESCRIPTION

A resource of the firm that is strong relative to competitors.

KEY INSIGHTS

In a marketing strategy context, strategic assets, such as a firm's brand or its installed customer base, provide the firm with resources with which to pursue a sustainable competitive advantage.

KEY WORDS Firm resource

IMPLICATIONS

In formulating marketing strategies, marketers should consider the cost and feasibility of the firm creating or maintaining strategic assets, in addition to any strategic competencies, to achieve sustainable competitive advantages. When a firm chooses to not use its well-known and highly regarded brand in support of a new product introduction, for example, it is losing a resource on which to draw in pursuing and achieving a sustainable competitive advantage.

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■ strategic competency

DESCRIPTION

A combination of distinctive capabilities that assists the firm in obtaining a sustainable competitive advantage.

KEY INSIGHTS

Strategic competencies involve combined intellectual abilities in skills, processes, and knowledge bases, in addition to the provision of significant customer value. It is not just about a unique product, current market strength, or asset but rather a sustained ability that differentiates it from the competition. Examples include a production process that allows the development of creative products or partnerships with other firms that allow for a capability gap that endures over time.

KEY WORDS Distinctive capabilities, **sustainable competitive advantage**

IMPLICATIONS

An in-depth identification of the key strategic competencies of a firm is essential, ensuring that these are not mixed with basic competencies or strengths. Effectively formulating a company's overall marketing strategy relies on determining those strategic competencies as well as those of competitors.

APPLICATION AREAS AND FURTHER READINGS

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■ strategic group

DESCRIPTION

A set of firms within an industry that follow the same basic strategy or business model and have similar reactions to environmental changes.

KEY INSIGHTS

The number of groups within an industry and their composition depend on what dimensions are used to define the groups. Strategic groups are influenced by market entry barriers that deter a firm's mobility in shifting its strategic position to diversification in new products, segments, or distribution channels. Mobility barriers define the strategic groups in that they reinforce patterns of rivalry among group members (Day and Wensley 1983). Strategic groups are influenced by the stability of mobility barriers and the ability of the firms in the group to resist the pressure on profits from direct competitors.

KEY WORDS Competitive analysis, industry structure

IMPLICATIONS

The membership and classification of strategic groups are not stable over time (Hatten and Hatten 1985). As such, in using the strategic group concept in evaluations of a firm's strategic options, it is important to be clear about the theoretical and methodological grounds for the common strategies and mobility barriers in one's industry.

APPLICATION AREAS AND FURTHER READINGS

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■ strategic marketing

DESCRIPTION

Marketing with an emphasis on achieving important long-term marketing aims and objectives that further provide a basis for competitive advantage.

KEY INSIGHTS

Strategic marketing emphasizes decisions and actions that have a major impact on an organization over a long-term time horizon. More specifically, it is a marketing approach that involves setting the strategic direction for the firm with a long-term vision to guide investments in marketing assets and competencies, which can be leveraged within business processes towards providing sustainable competitive advantages. Actual time horizons associated with strategic marketing initiatives are broad, however, and might range anywhere from six months to one year in the future, to three to five years or beyond. Firms engaged in strategic marketing are concerned with the development and implementation of marketing strategies (see **marketing strategy**) that are focused on particular future timeframes having important competitive advantage implications. Models, frameworks, concepts, and analytical tools used in strategic marketing help the analysis of marketing decisions from an organizational perspective. Along with competencies of the firm, strategic marketing deals with long-term assets such as brand equity and customer equity (Rust et al. 2004), out of which marketing actions are derived. Firms can make decisions about which strategic marketing orientations to take based on developing competitive benchmarking and investigating the business environment. An integrative strategic marketing-planning framework enables the company to formulate effective marketing policies. For example, such a framework enables the firm to take into account total quality management issues using feedback from the major forces that impact the company such as customers, employees, and competitors (Lu et al. 1994).

KEY WORDS Competitive advantage, long-term horizon, planning

IMPLICATIONS

While the scope of marketing is sufficiently broad as to encompass day-to-day marketing initiatives as well as the very long term, marketers should recognize the importance of planning and implementing marketing initiatives concerning any timeframe in such a way that they provide the marketer's organization with a possible source of competitive advantage. Such a focus can assist the marketer with efforts aimed at not only achieving appropriate short-term objectives (e.g. reducing inventory) but also ensuring such efforts give sufficient consideration to the evolutionary dynamics of competition and customer wants and needs.

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■ strategic options

DESCRIPTION

The options available to a firm at any level that assist it with achieving important long-term marketing aims and objectives that further provide a basis for competitive advantage.

KEY INSIGHTS

In support of a firm's business and marketing strategies, strategic options are any of a set of particular value propositions for a specific product market along with supporting assets, competencies, and functional area strategies and programs. Firms may pursue any number of strategic options as part of their broader business and marketing strategies. Examples of strategic options include an emphasis on: quality, value, innovation, a particular product attribute (e.g. safety), product design (e.g. aesthetics), product line breadth (e.g. an array of home entertainment products), corporate social responsibility, brand familiarity, customer intimacy. Ultimately, the strategies of most firms involve a combination of strategic options.

KEY WORDS Value propositions, competitive advantage, product markets

IMPLICATIONS

In identifying and characterizing its strategic options, a firm is able to more clearly evaluate them as part of marketing strategy formulation. When they become part of the firm's strategy, the particular strategic options pursued can then be articulated more clearly to all of the firm's key stakeholders (e.g. employees, investors, customers).

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■ strategic window

DESCRIPTION

Also called a window of opportunity, the period of time where propitious or desirable conditions exist for a firm to implement a strategic action aimed at taking advantage of a particular marketing opportunity.

KEY INSIGHTS

The strategic window concept provides a basis for anticipating and responding to changes in the marketplace. The classic journal article on the subject by Abell (1978), for example, advocates that firms should time their investments in products or markets when such strategic windows are open. In this sense, the concept captures the notion that there are only limited periods of time when there is a good fit between market conditions and a firm's capabilities and competencies relative to a particular strategic marketing objective.

KEY WORDS Window of opportunity, timing, strategic action

IMPLICATIONS

Marketers engaged in planning processes aimed at anticipating and responding to changes in the marketing environment may benefit from a greater appreciation and understanding of the strategic windows concept. For example, the timing and size of commitments of marketing funds to new marketing initiatives and the phasing out of funding to current initiatives are just some of the issues that marketing strategists must address. Identifying and evaluating strategic windows in such contexts can be of major importance to the long-term viability of a firm.

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■ strategies, generic

DESCRIPTION

Logical frameworks endorsed by firms which are definable according to dimensions of strategic scope and strategic strength.

KEY INSIGHTS

Put forth by Porter (1980), strategic scope looks at the size and composition of the market the firm intends to target from a demand-side perspective, whereas strategic strength looks at the strengths or core competencies of the firm from a supply-side perspective. Types of generic strategies in marketing can be said to include a product differentiation strategy, a cost leadership strategy, and a focus/market segmentation strategy, where the first two are broad in market scope and where the focus strategy has a narrow target market focus. Each strategy has its own direction, conditions, and implications for an organization's objectives. For example, a product differentiation strategy would focus on producing a product that is unique and providing superior value to customers. As customers perceive its uniqueness and value, it is unrivaled by competitors and creates brand loyalty, unaffected by the price. A cost leadership strategy would focus on large-volume production of a standardized product, relying on economies of scale to achieve efficiency. The product is usually basic, addressing a large customer base, and the firm's reduced cost results in a lower price that differentiates it in the market. It requires heavy investments to produce large volume and good relationships with suppliers. A market segmentation strategy, also called a focus or niche strategy, would require the firm to focus on only a few selected target markets. It seeks to identify and meet the specific needs of one or two market segments, tailoring appropriate marketing mix plans for each, focusing on effectiveness rather than efficiency.

KEY WORDS Strategic frameworks, cost leadership, focus, product differentiation

IMPLICATIONS

Each of the generic strategies entails different costs, skills, and resources. Differentiation strategy may dictate a premium pricing approach due to the high R&D costs involved, and it requires skills, creativity and a strong R&D department in the firm. To maintain cost leadership strategy, the firm has to seek all possible cost reductions in all business aspects, with a considerable market share advantage and preferential access to resources, such as material, labour, and other process inputs. Losing on such advantages can subject it to being copied by competitors. Market segmentation strategy entails finding target segments least approached by competitors and, as such, is often suitable for smaller firms, although it can be used by any firm. Generic strategies have received criticism on the basis of their lack of specificity, flexibility, and having a limiting approach. Some firms move between strategies along their growth and development.

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■ strategy

DESCRIPTION

A long-term approach or logical framework advancing a plan of action designed to achieve a particular goal.

KEY INSIGHTS

Strategies, as reflected in marketing strategies, are the foundations set before any marketing plans or actions are undertaken. They provide long-term direction in achieving marketing goals and objectives. The viability of any strategy is enhanced to the extent that it is aligned with the overall business strategy of the organization.

KEY WORDS Plans, long-term plans

IMPLICATIONS

Among other elements, developing strategies requires careful consideration of the main players in a market environment (sometimes referred to as the 'three Cs')—the company, customers, and competitors. Marketing strategies are usually consciously adapted to improve performance through constant monitoring of the market in terms of market trends, competitive reactions, and buying behavior. Ideally, every individual in an organization, and not just within the marketing function, should understand the overall marketing strategy driving any tactical marketing programs undertaken. This is also the essence of a total integrated marketing approach (see **total integrated marketing**).

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■ subcultural theory

DESCRIPTION

A theory that certain groups or subcultures in society share values and attitudes that influence them in assimilating dominant cultural consumption patterns.

KEY INSIGHTS

While subcultural theory receives considerable attention in anthropology and psychology, it also provides a basis for marketing research. For example, groups of people forming subcultures may share demographic and social characteristics and values, but they may also share common motivations, consumption attitudes, and consumption behaviors.

KEY WORDS Values, attitudes, culture

IMPLICATIONS

Consumer typologies which are based on subcultural theory can help enhance an understanding of subcultures' common needs and motives and assist in predicting consumption behavior. This can help target communication strategies and marketing mix plans towards specific subcultures more effectively.

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■ subjective expected utility theory

DESCRIPTION

A theory of decision making under risk involving making choices among alternatives in order to maximize a decision maker's subjective expected utility.

KEY INSIGHTS

Developed in pioneering research by Savage (1954), subjective expected utility theory views decision making under uncertainty in terms of two major subjectivities of an individual decision maker: the individual's personal utility function and the individual's personal probability analysis. In contrast to decision-making where objective probabilities can be established based on the relative frequencies of observable events, subjective probabilities are used in the decision-making process. The theory enables decision making to be characterized by the determination and use of such probabilities in combination with the decision maker's subjective utility function to maximize the decision maker's overall subjective expected utility.

KEY WORDS Decision making, uncertainty, subjective probability, subjective utility

IMPLICATIONS

Marketers concerned with the modeling of decision making under risk where probabilities are based on a decision maker's beliefs, as opposed to being purely objective, may benefit from a greater understanding of subjective expected utility theory. In particular, where there is significant ambiguity involved in the decision-making process, as in strategic marketing decisions involving uncertain future events, the theoretical approach to modeling the decision may be beneficial to provide structure and rigor for greater clarity and consistency in the decision-making process.

APPLICATION AREAS AND FURTHER READINGS

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■ subliminal advertising

DESCRIPTION

The incorporation of persuasive messages in advertising which are presented at a level that is below the threshold of a viewer's consciousness.

KEY INSIGHTS

While early uses of subliminal advertising with consumer audiences considered the approach to be effective in influencing consumer behavior, subsequent research on subliminal advertising suggests a lack of robust results on which to draw any such conclusion. Nevertheless, claims of its use in advertising periodically arise resulting in public controversy over the ethical nature of its use as well as its actual effect.

KEY WORDS Advertising, persuasive messages, unconscious processing

IMPLICATIONS

Marketers involved in the development of advertising campaigns should avoid practices that either use such a method or give the appearance of using such a method in order to ensure the advertising is evaluated fairly on the basis of accepted practices by individuals or organizations that represent consumer interests.

APPLICATION AREAS AND FURTHER READINGS

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□ substantiality *see* segmentation viability

■ substitute awareness effect

DESCRIPTION

An effect on consumer price sensitivity resulting from a consumer's awareness of one or more substitutes for a particular product or service offering.

KEY INSIGHTS

Consumer awareness of alternatives to a given product or service offering has the potential to significantly influence the consumer's price sensitivity to the offering. In particular, increased awareness of substitutes is associated with a reduction in the price the consumer is willing to pay for the offering.

KEY WORDS **Substitute product(s)**, consumer awareness, price sensitivity

IMPLICATIONS

Marketers involved in price setting should strive to understand consumer price sensitivity for any given offering in order to set and manage prices effectively. Recognizing how and to what extent price sensitivity is due to consumer awareness of substitutes can be beneficial in dynamically setting prices as consumer knowledge of substitute offerings also changes with time.

APPLICATION AREAS AND FURTHER READINGS

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■ substitute product

DESCRIPTION

A product perceived by the consumer as an alternative to another product.

KEY INSIGHTS

A substitute product, as an alternative to a product that it is able to replace, may vary from the original product in price or availability, but it usually meets the required utility. An understanding of brand-switching behavior relies on studies related to motivations behind seeking substitutes, which can relate to variety-seeking behaviour, complementarity among brands, brand unavailability, changing prices, or shifting consumer needs.

KEY WORD Alternative products

IMPLICATIONS

Identifying competitive substitutes and studying them is essential for marketers. Substitute products pose threats such as competitive pricing that can impose a ceiling on prices companies charge for their products. The presence of close substitutes also gives consumers a chance to make quality, performance, and price comparisons, having the luxury of another alternative to shift to. Lower switching costs also entice consumers to move to substitutes.

APPLICATION AREAS AND FURTHER READINGS

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■ substitution effect

DESCRIPTION

An effect of a price change that causes a consumer to purchase another good of similar utility as a substitute for a good that becomes comparatively more expensive. More generally, any effect on buyer behavior resulting from the availability of substitutes for a good.

KEY INSIGHTS

The substitution effect suggests that, as the price of a product or service rises, a consumer will tend to shift purchases to substitute products or services of similar utility to the consumer in its place. While the availability of substitute products or services enables the consumer to switch, the costs associated with switching are also a factor that must be taken into consideration. When switching costs are low and when there are multiple substitutes available that provide consumers with similar utility to the original product or service, substitution effects may be most pronounced.

KEY WORDS **Substitute product(s)**, price changes

IMPLICATIONS

Marketers involved in setting prices and managing price changes should seek to understand how and to what extent price changes may lead consumers to shift to substitute products. As many products or services do not have perfect substitutes, understanding in what way other products or services are substitutes (e.g. in form and function) may also be beneficial to marketers considering price changes.

APPLICATION AREAS AND FURTHER READINGS

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□ sundown rule *see* marketing, rules of

□ sunk cost *see* cost

■ sunk cost fallacy

(also called the Concorde fallacy)

DESCRIPTION

The mistaken belief that a continued investment in a project or similar initiative is warranted based on past investment in it.

KEY INSIGHTS

As sunk costs, by definition, have already occurred and cannot be recovered to any significant degree, the fallacy involves inappropriately considering what investment has already occurred as opposed to assessing the current rationality for any additional investment.

KEY WORDS Decision making, judgment, **bias**, error

IMPLICATIONS

Marketers making investments in marketing strategies and programs must be aware of committing the sunk cost fallacy in making judgments lest further investment becomes at risk of becoming sunk costs as well. For example, the term is referred to as the Concorde fallacy due to the observed behaviors of investors supporting the development of the Concorde supersonic jet: after a point was reached where the high development costs made continued investment clearly uneconomical, the British and French governments ultimately supported the project to justify the past investments.

APPLICATION AREAS AND FURTHER READINGS

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□ superior goods *see* goods

□ supermarketing *see* retail marketing

■ supply, law of

DESCRIPTION

An economic principle that holds that, all else equal, the quantity of a good supplied rises as the price of the good rises and falls as the price of the good falls.

KEY INSIGHTS

Developed by economist Alfred Marshall, the law of supply asserts that the supply and price of a good are directly proportional. That is, the amount of a good that a producer or supplier will be willing to bring to market to sell at a given price at a given time will be in proportion to the price of the good. Higher prices will lead a supplier to offer more of the product in the market, whereas lower prices will lead a supplier to offer less of the product.

KEY WORDS Supply, price, modeling

IMPLICATIONS

In order to manage effectively both the price and supply of an offering, marketing strategists should seek to understand the nature and extent of the price–supply relationship. While there may be deviations from the law of supply based on market and/or product characteristics that the marketer should also seek to appreciate and understand fully, the law of supply nevertheless emphasizes an important economic principle of influence to marketing strategy development and management over time.

APPLICATION AREAS AND FURTHER READINGS

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■ supply and demand, law of

DESCRIPTION

An economic principle of free markets in equilibrium that holds that prices are determined such that demand equals supply, and where changes in prices are a result of a shift in demand and/or supply.

KEY INSIGHTS

In free markets, the law of supply and demand asserts that the prices and quantities of goods produced are determined by the relationship between supply and demand. When either the demand or supply for goods changes, the result will be either changes in prices or in the quantities of goods produced, or both, in order to achieve equilibrium in the market.

KEY WORDS **Demand**, supply, prices, market equilibrium

IMPLICATIONS

Marketers involved in marketing strategy development and implementation should strive to understand how and to what extent the relative balance or imbalance between demand and supply may potentially influence the prices of the marketer's offerings. As marketers are constantly engaged in managing demand relative to supply for products and additionally frequently concerned with setting prices, an appreciation of the law of supply and demand and its implications for the marketing strategies of the firms' offerings is essential.

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□ supply push *see* push marketing

■ survey research

DESCRIPTION

In marketing research, a method of collecting data about a certain population using a systematic approach for measurement.

KEY INSIGHTS

Research involving surveys, also called questionnaires, can be conducted with varying levels of interaction with the subjects of interest. Examples are *omnibus surveys*, which are surveys covering a number of topics that can be answered by a national and general sample of the population; telephone surveys, which are typically calls to respondent's residences and involve questioning the respondents over the phone; mail surveys, which are sent by mail to selected respondents to be filled out and sent back (or similarly, e-mail surveys sent via the internet); in-person or face-to-face surveys, which involve direct questioning by an interviewer. Questions asked can be very structured, especially in mail surveys, or less structured, which is often the case in face-to-face surveys. The data generated varies along a continuum of highly quantitative data for purposes of statistical analysis to highly qualitative data for sense making and exploratory interpretation.

KEY WORDS Data gathering, information, measurement, research

IMPLICATIONS

The use of surveys in marketing research has been a long-held method of conducting field studies. The choice of the specific method depends on the research question, the population of interest, and its accessibility. As all types of surveys involve a cost in collecting the information required, in terms of time, effort, and money, the detailed planning of survey questions and layout must be based not only on the research objectives but also on its means of administration (e.g. e-mail, mail, or face to face).

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□ sustainability *see* segmentation viability

■ sustainable competitive advantage

(also abbreviated as SCA)

DESCRIPTION

An element of a business or marketing strategy that provides a meaningful advantage over both existing and future competitors.

KEY INSIGHTS

While there are many possible strategic options that provide routes to a sustainable competitive advantage or SCA (e.g. quality, product design, value through low production costs, etc.) obtaining a highly effective SCA is often difficult to achieve as it means the SCA is both substantial and difficult to imitate or replicate by competitors. An SCA provides a firm with an advantage relative to competing firms that is able to be sustained by the firm and not easily eroded by competitors over time. As such, a firm may have a *competitive advantage* in that they are able to offer consumers greater value (e.g. through low prices or more benefits at a higher price) relative to that of competing firms, but such competitive advantages may not be sustainable, as when the rate and benefits of technological change outpace the firm's abilities to take advantage of such changes. Whatever strategic options are chosen by a firm, managers should recognize that the strategy should exploit organizational assets and competencies and neutralize weaknesses. Much of marketing strategy development and implementation is concerned with the pursuit of SCAs by a firm.

KEY WORDS Competitive advantage, sustainability, **marketing strategy**

IMPLICATIONS

Marketers should recognize that a major aim of a firm's marketing strategy should be to achieve and maintain a sustainable competitive advantage. While almost all SCAs may be only temporarily achieved in the long run, their pursuit should nevertheless be the foremost consideration in strategic decisions including the way the firm decides to compete (e.g. its product strategy, manufacturing strategy), its basis of competition in terms of assets and competencies, what is offered in terms of its value proposition, and its choice of where to compete in terms of product-market and competitor selection.

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□ switching cost *see* cost

■ SWOT analysis

DESCRIPTION

An internal and external assessment of a firm in terms of its strengths, weaknesses, opportunities, and threats of its operations in a market.

KEY INSIGHTS

As a situational scanning of a firm's internal and external environment, SWOT analysis helps match a firm's internal capabilities with its external prospects. It is a framework used extensively in marketing management as it entails an in-depth view of a firm. This involves looking at the political and legislative environment, socioeconomic variables, industry trends, technological advances, competitive advantages, competitors, and all organizational factors that may impact its strategy and plans. Strengths and weaknesses are related to factors in the firm's internal environment, whereas opportunities and threats are linked to its external environment.

KEY WORDS Strengths, weaknesses, opportunities, threats

IMPLICATIONS

A SWOT analysis can potentially provide some important insights into the factors that are encouraging or hampering the achievement of a firm's objectives. It can help answer questions related to where the firm is currently and where it is planning to move and it can be of value in helping direct a firm's strategy development.

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□ symbiotic marketing *see* cooperative marketing

□ symbolic adoption *see* adoption process

■ symbolic interaction theory

DESCRIPTION

Sociological theory or theories aimed at describing and explaining human action and interaction through the exchange of symbols or meaningful communication.

KEY INSIGHTS

Symbolic interaction theory, or more broadly symbolic interactionism as developed and advocated by Blumer (1969) and other researchers, adopts the view that individual action is based on the meanings that the action has for the individual, where such meanings arise out of social interactions, and where social actions are a result of the combination of individual actions. The emphasis of the theory is thus not on characterizing the objective reality of individuals and society but rather on the meanings individuals associate with subjectively defined objects.

KEY WORDS Symbolic interactionism, individual action, social interaction

IMPLICATIONS

In adopting a symbolic interaction perspective to product consumption and use, marketers can obtain potentially useful insights into complex areas of consumer behavior. In particular, the theoretical perspective suggests that there are psychological and social meanings that individual consumers attach to products, where such meanings are a result of the interactions between the individual and others and their associated actions with the products. Such knowledge, in turn, can inform the development of appropriate marketing strategies aimed at increasing a product's perceived value among consumers.

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□ syndicated research *see* marketing research

■ synergy

DESCRIPTION

A harmonious combination of parts that achieves coordination and which results in enhanced joint outcomes.

KEY INSIGHTS

Within many firms with marketing functions, improving cooperation between the firm's marketing department and other functions is viewed as important in achieving combined goals. An example is how many leading firms recognize that marketing and R&D functions need to work together in harmony in order for the firm to continue to be successful (Rein 2004).

KEY WORDS Enhanced performance

IMPLICATIONS

Synergy leads to increased customer value, lower operating costs, and reduced investment. A lack of synergy within a firm can result in tensions and struggles within functional areas of the firm. As marketing involves identifying and serving customers, the requirements of marketing often have implications for many other business functions, such as R&D, production, and finance. Harmoniously integrating the work of business functions operating at the front and the back ends of the firm's business processes through improved organizational interactions can therefore provide a basis for greater marketing success.

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■ systems theory

(also called general systems theory)

DESCRIPTION

A theory aimed at understanding, explaining, and predicting the behaviors of complex systems where the emphasis is on studying systems as a whole.

KEY INSIGHTS

Based on pioneering research by von Bertalanffy (1968) on general systems theory, the theory adopts a holistic view of systems behavior, where systems are more than the sums of their parts. In the theory, the term systems is viewed broadly and as such, encompasses the study of organizations, management, and marketing from perspectives including that of economics, psychology, and sociology. Systems theory views a system as being composed of interacting and interdependent parts where relationships emerge to form the whole.

KEY WORDS Systems, holistic perspective, complexity

IMPLICATIONS

Principles and concepts from systems theory can be potentially applied to obtain insights into many areas of marketing where systems are present. Such systems may be relatively focused and defined (e.g. departments within organizations) or quite broad (e.g. all of marketing practice). Recognizing principles including that where every system is an interaction of elements manifesting as a whole allows the potential to study relationships among elements and interactions among elements that may be otherwise overlooked without such a holistic view. Some services within marketing, for example, are sufficiently complex as to warrant consideration of a systems approach for measuring service quality.

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T

■ tactic

DESCRIPTION

Tools or actions designed to operationalize a higher-level strategy.

KEY INSIGHTS

Marketing plans which are established to meet strategic goals are, in essence, tactics. They can be viewed as short-term measures for addressing or solving a specific problem, such as increasing sales or enhancing the market share of a product.

KEY WORDS Tools, plans, operationalization, resource deployment

IMPLICATIONS

Tactics have direct implications on the firm and its consumers as they represent detailed plans of action for accomplishing higher-level objectives. While some marketing tactics may be perceived by consumers as acceptable marketing practice (e.g. see **price discrimination**), other tactics may be seen as unethical and manipulative (e.g. see **low-ball technique**).

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■ tactical marketing

DESCRIPTION

An approach that moves marketing from the strategic to the operational level, designing and implementing plans for the short term.

KEY INSIGHTS

Marketing strategies are usually the driver of tactical marketing actions that influence the consumer directly, such as advertising programs and other operational actions that require marketing expenditure (Rust, Ambler, Carpenter, Kumar, and Srivastava 2004). In some firms, however, marketing strategy initiatives may take a back seat to that which is urgent, resulting in fire-fighting activity which resembles tactical marketing but where such activity may or may not be as effective as when it is based on a sound marketing strategy.

KEY WORDS Operationalization, short-term plans

IMPLICATIONS

Setting tactical marketing plans directly affects the firm's financial resources as it relates to marketing mix programs to be implemented. As such, marketers should seek to develop a sound understanding of tactical marketing approaches as it is clearly the implementation of the firm's marketing in the marketplace.

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□ tailored marketing *see* one-to-one marketing

■ takeoff

DESCRIPTION

The transitional point in the life cycle of a new product or service where it moves from introduction to growth to achieve its viability.

KEY INSIGHTS

Takeoff is a concept in diffusion models of new products or services that represents an important stage in the product's market development. It is usually represented by a dramatic increase in sales. It requires an increase in support of the offering, through investing more resources where marketers make decisions on issues including investing in research on the product/process, spending more on promotion, and enhancing distribution (Golder and Tellis 1997).

KEY WORDS New product introductions, growth, product viability

IMPLICATIONS

The concept of takeoff is in opposition to the assumption of constant and linear growth pattern of new products. Hence, takeoff and its implications have to be foreseen and accounted for from early planning stages. A better understanding of its nature, drivers, systematic patterns, and when it takes place can provide the marketer with highly beneficial insights for marketing planning and strategy development.

APPLICATION AREAS AND FURTHER READINGS

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□ target costing *see* pricing strategies

■ target marketing

DESCRIPTION

A marketing approach involving evaluations of different market segments' attractiveness and selecting one or more segments to enter.

KEY INSIGHTS

Target marketing involves the use of market segmentation for subsequently directing marketing efforts at one or more specific groups of customers considered beneficial or desirable by the marketer. The aim of target marketing is to identify the most viable segments—ones where a firm can profitably generate the most customer value and sustain such value over time. Through such focus, marketers are able to develop and provide offerings that may be positioned as attractive or appealing to the target market.

KEY WORDS Segment attractiveness

IMPLICATIONS

Target marketing necessarily involves effective targeting, one of the most important concepts in marketing. As such, marketers should strive to develop a strong working knowledge of targeting strategies along with a solid understanding of targeting's conceptual and practical relationship with segmentation and positioning as a means to ensure the development and pursuit of viable marketing strategies.

APPLICATION AREAS AND FURTHER READINGS

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□ target profit pricing *see* pricing strategies

■ targeting

DESCRIPTION

The process of selecting one or more market segments that the firm decides to serve with its offerings.

KEY INSIGHTS

Targeting involves the process of defining the specific needs and profiles of customer market segments and selecting from those segments the ones to target with appropriate offerings, strategies, and marketing programs. The process of targeting involves a number of strategies from which marketers may select, including concentrated targeting (e.g. focusing on a particular niche), undifferentiated targeting (e.g. adopting a mass marketing strategy), and differentiated targeting (e.g. adopting a selective marketing strategy). Advertising, along with many other forms of marketing communication, for example, may involve targeting particular groups of consumers with particular messages which are specifically aimed at audiences possessing the characteristics of such consumer groups.

KEY WORDS Segment selection

IMPLICATIONS

At a strategic level, making choices about targeting strategies to use in relation to chosen customer segments is something that can have a major influence on a firm's overall operations in the selected markets. At an operational level, appropriate targeting in, say, advertising has the potential to improve the advertiser's return on investment and make an advertising campaign efficient in accomplishing its objectives.

APPLICATION AREAS AND FURTHER READINGS

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□ technological environment *see* macroenvironment

■ telemarketing

(also called telephone marketing)

DESCRIPTION

A direct marketing approach that involves using the telephone as a medium to market products or services to consumers.

KEY INSIGHTS

Telemarketing is a form of direct marketing (see **direct marketing**). There are two forms of telemarketing: inbound and outbound. In inbound telemarketing, prospective customers call the company to seek assistance to get a product or ask for information in response to an advertisement or offer (see **inbound marketing**). In outbound telemarketing, the company proactively calls potential customers, which can be businesses or consumers, to offer its product or service to them (see **outbound marketing**). Some companies use their own telemarketing built-in capabilities whereas others use other telemarketing firms when it is more cost effective.

KEY WORD Telephone

IMPLICATIONS

The telemarketing approach is an 'invisible medium' that has grown to be largely and successfully used as a direct marketing technique. Its advantage to a firm is that its high cost can be offset by the maximum consumer selectivity and interactivity it offers. The power to capture the attention of the prospect and hold them in place represents both its strengths and weaknesses, the latter being because if the message is poorly timed, perceived, or executed, it can end long-term customer relationships (Nash 2000).

APPLICATION AREAS AND FURTHER READINGS

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□ telephone marketing *see* telemarketing

■ telescoping

DESCRIPTION

Among individuals asked to place the time of a past event, the systematic tendency for individuals to recall that recent events occurred farther back in time and distant events occurred more recently than is actually the case.

KEY INSIGHTS

Telescoping, where individuals systematically err in their recall and reporting of the timing of events, is a generally pervasive phenomenological tendency among individuals. Backward telescoping is where individuals recall that recent events occurred farther back in time than is actually the case. Forward telescoping is where individuals recall that distant events occurred more recently in time than is actually the case. An example of forward telescoping is when a respondent who is asked if she had purchased an expensive pair of shoes in the past year recalls and reports on an expensive shoe purchase that actually occurred eighteen months prior.

KEY WORDS Event recall, reporting, time

IMPLICATIONS

Telescoping has important implications for marketing researchers concerned with accurately understanding and predicting consumer behavior. For example, research by Morwitz (1997) suggests that on average, consumers underestimate the time since purchasing a durable good. Further, findings by Morwitz (1997) suggest that the magnitude of forward telescoping errors increases and the propensity to make backward telescoping errors decreases with the time since the purchase of a good. Marketing researchers should be cognizant of telescoping errors in recall and reporting since telescoping can have a significant effect on future purchase intentions. At the same time, marketing researchers should also consider that telescoping biases are observed to vary across different demographic segments.

APPLICATION AREAS AND FURTHER READINGS

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■ temperament theory

DESCRIPTION

A theory that models human behavior into personality types, where it predisposes individuals to think, act, relate, learn, and be motivated in systematically varying ways.

KEY INSIGHTS

Temperament theory falls within the realms of behavioral studies and psychological influences on personalities. The different dimensions of temperament, such as emotionality and sociability, are tested in research for their influence on receptivity to marketing communication activities, such as advertising responses, consumer preferences and lifestyles (Moore and Homer 2000).

KEY WORDS Personality, behavior

IMPLICATIONS

As marketing involves a study of consumer psychology in understanding behavior, attitudes, and forecasted actions, a greater knowledge of temperament theory-based research on personality types may potentially provide the marketer with fresh insights which are ultimately useful for developing segmentation and positioning strategies.

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□ ten foot rule *see* marketing, rules of

■ ten percent, rule of

DESCRIPTION

The generalization that it is almost impossible for any single research study to come up with a variable which accounts for more than ten percent of the variation in any particular measure of business performance.

KEY INSIGHTS

Put forth by Wensley (1997), the rule of ten percent (or rule of 10%) is a generalization that draws upon decades of research on factors that seek to explain business performance. In particular, reviews of such studies lead to the generally accepted conclusion among marketing researchers that the number of factors which account for business performance is so many that it is extremely unlikely that any single research study will ever be able to explain more than 10% of the variability in any business performance measure (e.g. return on investment). While the inclusion of additional measures has been shown to explain a considerably greater amount of variation in performance between different businesses—in some cases between 25% and 33%—the disadvantage of the complexity introduced by such studies is that they present a far greater challenge to providing managerially useful guidance.

KEY WORDS **Marketing research**, firm performance, management guidance

IMPLICATIONS

Based upon the rule of 10%, marketers should be wary of pursuing strategies based on the assumption that there exists a simple relationship between a particular business approach and the achievement of strong business performance. Instead, marketers should recognize that there are, more often than not, multiple and interacting factors that influence business performance and any strategy based on the pursuit of a single approach to achieve success is likely to be poorly guided and ultimately insufficient.

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■ test marketing

DESCRIPTION

A pilot trial of a firm's offering on a small scale in actual or simulated market conditions at a time before its full-scale introduction and commercialization.

KEY INSIGHTS

The aim of test marketing is to understand better the market's acceptance of the offering and how well the marketing will perform if fully commercialized. Test marketing further allows the opportunity for fine-tuning the marketing strategy and marketing mix elements developed in support of a new product development effort. (See also **new product development**.) Test marketing can be done in certain representative geographic areas in the market or otherwise done through the use of product development simulation models.

KEY WORDS Market testing, new product introduction

IMPLICATIONS

The aim of market testing before introducing the new offering to the market on a much larger scale is to reconcile the difference between what marketers think consumers want and what consumers actually want. Test marketing can help define the difference or similarity in order to improve any of the marketing mix elements before commercial market introduction. Problems in using simulated test marketing techniques may arise, however, out of the inability of some models and techniques to capture realistic market dynamics. On the other hand, when an offering is test marketed in the actual market, there is the risk that competing firms may become aware of the firm's plans and learn from the effort in a way that gives the competitor a head start in developing a competitive response.

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■ testing effect

DESCRIPTION

Any effect of testing or test taking on the responses of an individual.

KEY INSIGHTS

In the measurement of responses of individuals exposed to some stimuli or experimental treatment, respondent views are often obtained through comparisons of pre-treatment and post-treatment tests. Yet, such an approach is vulnerable to a testing effect where the pre-treatment test may sensitize and distort consumer reactions to the treatment itself.

Another type of testing effect is where, relative to information that is to be remembered by an individual, the likelihood of retrieving such information from memory is enhanced when an individual engages in periodic self-testing activity.

KEY WORDS Testing, measurement, **bias**

IMPLICATIONS

Marketers engaged in marketing research should be aware of possible testing effects adversely influencing or biasing the findings and interpretations of research studies. Designing research studies that control for such effects, such as through studies that include the use of control groups, may be beneficial in obtaining more meaningful research results.

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☐ text message marketing *see* mobile marketing

☐ theory . . . *see specific entries, e.g.* X, theory

☐ theory of/theories of . . . *see specific entries, e.g.* marketing, theory of

☐ third sector marketing *see* non-profit marketing

☐ through-the-line marketing *see* above-the-line marketing; below-the-line marketing

■ top-down marketing

DESCRIPTION

An approach to market analysis, market definition, and marketing strategy development that tends to specify markets in terms of competitive capabilities and resource transferability.

KEY INSIGHTS

The top-down marketing approach reflects the need of corporate and business level management to understand the capacity of a business unit to compete and apply resources to secure a sustainable competitive advantage (Day 1981). The other approach to market analysis is a bottom-up approach emphasizing customer requirements or usage patterns when defining markets (see **bottom-up marketing**). While the latter is employed by marketing planners and programme managers within the framework of a chosen product market, the top-down approach is more at a corporate strategic planning level.

KEY WORDS Capabilities, resources

IMPLICATIONS

The top-down approach involves viewing markets as arenas of profitable competition where corporate resources can be utilized to achieve differential advantage (Day 1981). Using this approach involves defining the scope of the business, the broad strategic thrust of each strategic business unit, its opportunities in new markets as well as current and forecasted performance within served markets. Achieving a clearer, deeper, and more comprehensive market definition and understanding, however, often calls for integrating the top-down and the bottom-up approaches to market analysis and marketing strategy development.

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■ total integrated marketing

DESCRIPTION

An integrated approach for firms to manage change in the marketplace and maintain competitiveness by integrating marketing imperatives into all functions in the firm creating an integrated system.

KEY INSIGHTS

Rather than viewing marketing as the domain of the marketing department of a firm, the total integrated marketing approach establishes the primacy of marketing by requiring that every single person in the firm work toward winning and keeping customers. The lack of integration of all the firms' capabilities towards this goal is considered to be the main reason why firms fail (Hulbert, Capon, and Piercy 2003).

KEY WORDS Integration, functional integration

IMPLICATIONS

The total integrated marketing approach implies dropping long-held marketing assumptions and moving towards accepting an integrated change process aimed at improving profits and increasing sales. In adopting the total integrated marketing approach, the firm puts the focus of marketing within the implicit functions of each of the firm's departments. Attracting and keeping customers becomes the overriding goal emanating from a customer-centric organization, with integrated planning towards that starting at the firm's top level.

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□ trade marketing *see* business-to-business marketing

□ trade secret *see* intellectual property

□ trademark *see* intellectual property

■ traditional marketing

(also called by-the-book marketing or one-to-many marketing)

DESCRIPTION

The use of marketing approaches that rely on conventional wisdom and where such practices have typically proven to be sufficiently effective in the past.

KEY INSIGHTS

Such a marketing approach, which may include the use of traditional mass promotion (a one-to-many marketing approach), may be adopted by organizations that are interested in relying on traditional practices for their marketing but they may miss out on opportunities in pioneering new approaches and can be vulnerable to competitors who do so.

KEY WORDS Conventional wisdom, tradition

IMPLICATIONS

While an organization may embrace tradition in selecting its marketing approaches, the current rate of change in marketing practice suggests that marketers should not discount adopting pioneering new approaches—even when pursuing the firm's traditional strategic marketing objectives. In particular, marketers should continually seek to identify and understand new approaches to marketing in order to be able to evaluate their costs and benefits relative to approaches traditionally adopted and pursued by the organization.

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□ **trait centrality** *see* warm/cold effect

□ **trait validity** *see* validity

□ **transaction cost** *see* cost

■ transaction cost theory

DESCRIPTION

A theory that departs from the view of the firm as a complex structure of marketing exchanges to one that is based on governance mechanisms that improve efficiency of operations and internal resource allocations, reducing transaction costs.

KEY INSIGHTS

The theory as applied to marketing addresses mechanisms for interorganizational governance in marketing channels. It accounts for the efficiency implications of organizing relationships in marketing channels through means for reducing potential costs related to carrying out safeguarding, adaptation, and evaluation processes of marketing relationships (Heide 1994).

KEY WORDS Governance, channels, interorganizational relationships

IMPLICATIONS

A greater knowledge of transaction cost theory-based research can potentially assist the marketer with the more effective structuring of inter-firm relationships. Decisions about where decision-making should lie, for example, are focal issues which are directly assessed with the transaction cost theory perspective.

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■ transactional marketing

DESCRIPTION

Marketing focused on transactions with customers as opposed to ongoing relationships with customers.

KEY INSIGHTS

The emphasis of transactional marketing is on single transactions or individual exchange events. By being only concerned with each individual transaction independent of other transactions with a customer, the marketing approach is not concerned with the firm's relationship with the customer. In business-to-business marketing, it is an approach to marketing that relies on selling to intermediaries in one-off transactions, where competition between those intermediaries creates higher value for the transaction marketer and improved choice for the end buyer. Compared to relationship marketing that relies on maintaining interdependence and partnering between value chain players, transaction marketing focuses on the independence of marketing actors. This allows freedom of choice to those marketing actors to choose transaction partners on the basis of self-interest when making their decisions (Sheth and Parvatiyar 1994).

KEY WORDS Individual transactions

IMPLICATIONS

In business-to-business marketing, the transactional marketing approach allows for bargaining and bidding and resultant efficiencies in support of lower-cost purchases. The rationale behind using it is that competition and self-interest are the drivers of creating value. Relationships between marketing actors are kept at a distance. It is challenged by the emergence of relationship marketing, where it is based on creating higher quality and reducing transactional costs by sharing resources, hence improving marketing productivity (Sheth and Sisodia 1995). In consumer marketing, transaction marketing is also challenged by relationship marketing, where the view is that, in certain product markets, it can be more expensive to attract new customers than to keep existing customers.

APPLICATION AREAS AND FURTHER READINGS

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□ **trial** *see* adoption process

■ tribal marketing

DESCRIPTION

A marketing approach which presents consumers with offerings that not only satisfy their specific needs for it, but also allows them to connect to others.

KEY INSIGHTS

The tribal marketing approach focuses on the importance for consumers to link in to their surroundings and to a communal co-presence through the offerings they consume. It is represented through a micro-social group of individuals who share similar experiences and emotions and form links together in loosely interconnected communities (Cova and Cova 2002).

KEY WORDS Connecting, community

IMPLICATIONS

The tribal marketing approach is most suitable for specific products and services that can hold people together, strengthening community links and fostering a sense of tribal integration and belongingness (Muniz and O'Guinn 2001). (See **brand community**.) In adopting the approach, the marketer should then focus on the creation of a linking value rather than a use value particular only to such products and services. In a sense, the tribal marketing approach abandons certain traditional notions of marketing, as it emphasizes the importance of identifying shared experience of consumers in their tribal groupings and puts such knowledge at the center of the firm's business model and marketing.

APPLICATION AREAS AND FURTHER READINGS

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■ trickle down theory

DESCRIPTION

A theory of fashion propagation or diffusion positing a social pattern of influence in which each social class is influenced by a higher social class.

KEY INSIGHTS

Proposed and developed by Simmel (1904), trickle down theory posits a social class influence on fashion propagation and change, where new styles are first adopted by upper class elites and then spread gradually to lower classes. In this context, fashion is viewed as a social institution that allows individuals to emulate others (e.g. others of higher social status) as well as differentiate themselves from others as a member of a particular social class or group. While the theory has received considerable attention in fashion research, it is now generally accepted among fashion researchers that fashions propagate more across social classes rather than down (or up). Nevertheless, the trickle down theory remains important in fashion research due to its pioneering nature, its conceptual development, and its use in supporting subsequent and related explanations of fashion diffusion and change.

KEY WORDS Fashion, diffusion, social class

IMPLICATIONS

Marketers seeking to understand better the process of diffusion for particular fashion goods can potentially benefit from a greater knowledge of trickle down theory as it provides a basis for developing similar or complementary explanations and an approach for comparing with alternative or competing explanations.

APPLICATION AREAS AND FURTHER READINGS

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□ txt marketing *see* mobile marketing

U

■ unconventional marketing

(also called on-the-edge marketing, contrarian marketing, or radical marketing)

DESCRIPTION

Marketing approaches that depart from accepted standard practice in marketing.

KEY INSIGHTS

A firm's marketing approach is clearly unconventional when it is contrary to the practices of other firms in the same industry or market. Durgee (1992) calls this *contrarian marketing*, where a firm adopts a marketing approach that is diametrically opposed to contemporary marketing strategies. Firms adopting unconventional marketing approaches may find that going 'against the grain' of standard practice or commonly defined attributes relative to a product or service category, for example, enables the firm to position its offering in a nonconformist way. According to Hill and Rifkin (1999), any marketing approach or strategy that challenges existing long-held conventional marketing approaches can be considered to be 'radical marketing,' with guerrilla marketing being a notable example (see **guerrilla marketing**).

KEY WORDS Counter-intuitive marketing, non-traditional marketing

IMPLICATIONS

The changing face and role of marketing in a global environment characterized by relative instability has made it inevitable that new marketing approaches, strategies, and tactics will evolve. While the benefits of any unconventional marketing approach ultimately depend on the nature of the offering and the target audience, the adoption of such approaches may ultimately depend on how conservative the firm is in trying and accepting new means of reaching and engaging customers.

APPLICATION AREAS AND FURTHER READINGS

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□ undercover marketing *see* stealth marketing

□ under-the-radar marketing *see* stealth marketing

■ undifferentiated marketing

DESCRIPTION

A marketing approach that forgoes segmentation and product tailoring, targeting an audience with a single offering and a single marketing mix.

KEY INSIGHTS

Undifferentiated marketing was a prevailing approach of the product-oriented era of marketing, where businesses viewed the marketplace as an aggregate market and, hence, focused on the common needs of customers rather than their differences. Today, such an approach is often associated with serving commodity markets where firms strive to be a low-cost producer (Jain 1985).

KEY WORDS Single offering

IMPLICATIONS

As a marketing approach, undifferentiated marketing can provide the advantage of cost leadership through producing a comparatively standard and low-cost product and offering it to customers at the lowest prevailing market price (Dalgic and Leeuw 1994). As such, the marketer's firm can pursue higher sales volumes in comparison to firms using a niche marketing strategy which are in the pursuit of higher profit margins (see also **niche marketing**).

APPLICATION AREAS AND FURTHER READINGS

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□ uniform-delivered pricing *see* pricing strategies

■ **unintended consequences**

DESCRIPTION

Situations where marketing activities result in organizational or consumer outcomes which are unexpected or unanticipated, which can be positive or negative.

KEY INSIGHTS

It is not always possible to foresee the full consequences of many marketing actions. At the firm level, in responding to economic uncertainties with pricing decisions, some marketing managers follow risk-averse policies which can result in unanticipated consequences that entail a good deal of risk (Guiltinan 1976). Among consumers, unintended exposure to media and promotional messages can bring unexpected benefits of better information and learning gains to the consumers, even though such media and message exposures may be seen as intrusive at times (Redmond 2005). In other situations, successful marketing activities by firms can result in negative impact on consumers, society, or other stakeholders in an unanticipated way as they have not taken into consideration the wider exchange process (Fry and Polonsky 2004). Environmental impact of production processes can be an example, which involves a wider responsibility on the part of a business.

KEY WORDS Unexpected consequences, unanticipated consequences

IMPLICATIONS

Outcomes that are not expected can be seen in some situations as side effects of marketing approaches or strategies. They imply that marketing approaches and tactics have to be analyzed in depth to avoid negative unanticipated consequences. In a marketplace, dyadic relationships only encompassing the firm and its customers may result in unintended consequences for other parties. This implies that it is imperative for firms to make effective decisions based on a trade off between the positive and the negative outcomes that may result from their operations. Allowing for a wider process of exchange through taking all possible stakeholders into consideration can reduce the probability of unanticipated negative outcomes.

APPLICATION AREAS AND FURTHER READINGS

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■ unique value effect

DESCRIPTION

An effect on consumer price sensitivity resulting from a product or service offering's unique features and benefits.

KEY INSIGHTS

When a product or service offers unique value to potential customers as a result of having one or more desirable features or benefits that are not available or replicated in competing products in the market, the unique value of the product or service has the potential to significantly influence the consumer's price sensitivity toward the offering. In particular, uniqueness in the value of an offering is associated with a lowering of consumer price sensitivity to the offering as well as an increase in the price the consumer is willing to pay for it.

KEY WORDS **Value**, uniqueness, price sensitivity, willingness-to-pay

IMPLICATIONS

Marketers involved in developing new product or service offerings as well as in setting their prices should strive to understand consumer price sensitivity to the offering in order to manage its price effectively.

Recognizing how and to what extent lower price sensitivity and higher willingness-to-pay may be achievable as a result of developing and providing an offering of unique value can be beneficial in setting prices and in managing price changes when a product's unique value varies as competing product characteristics change.

APPLICATION AREAS AND FURTHER READINGS

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■ unmet need

DESCRIPTION

An unsatisfied utility that can initiate firms to strategically develop products or services that can fill that gap for customers.

KEY INSIGHTS

A firm searching for a distinctive competitive advantage can find marketing opportunities in pursuing unmet needs for existing target segments or other previously untargeted segments in the market. This can be done by studying consumers' unmet needs and finding ways to meet them through new or modified product or service offerings. Consumers are sometimes unaware of such needs, and marketing efforts and communication tactics can help bring these to the conscious level, stressing their importance and converting them into effective demand.

KEY WORDS **Needs**, gaps

IMPLICATIONS

Using unmet needs as a base for developing marketing strategies may involve a need-based segmentation analysis (Peltier and Schribrowsky 1997) that studies specific target segments for the benefits they seek and the motives underlying their purchases. To the extent that such knowledge is translated expediently into a commercialized offering by the marketer's firm, the firm has the opportunity to have a distinctive first-mover advantage among competitors in the marketplace.

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■ unrealistic optimism

DESCRIPTION

A judgmental bias in an individual's estimation of the likelihood of future events or outcomes where the likelihood of positive events occurring is overestimated and the likelihood of negative events occurring is underestimated.

KEY INSIGHTS

Based on pioneering research by Lund (1925) and Cantril (1928) and subsequent research by Weinstein (1980), unrealistic optimism is considered to be a pervasive phenomenon, where individuals tend to believe that desirable events or outcomes are more likely to happen to them than others and undesirable events or outcomes are less likely to happen to them than others. Such a bias leads individuals to have a distorted, overly optimistic view of the future that, while serving to enhance an individual's sense of well-being, may nevertheless be potentially detrimental to others to the extent others perceive such assessments as providing them with unbiased, albeit subjective, guidance on the likelihood of occurrence of future events.

KEY WORDS **Bias**, optimism

IMPLICATIONS

As experts are prone to the judgmental bias of unrealistic optimism, marketing strategists should be concerned about the possibility of an expert providing overly optimistic forecasts of future events. Obtaining a mix of views by outsiders—i.e. individuals not having close, personal stakes attached to the occurrence of particular future events or outcomes—may help to reduce unrealistic optimism. Marketers should also recognize that consumers may have this judgmental bias which may, in turn, influence consumers' beliefs, attitudes, or consumption behaviors associated with beneficial personal activities (e.g. need for healthy eating) and harmful personal activities (e.g. smoking). Understanding and overcoming such a judgmental bias among consumers enables the phenomenon to be recognized as an explicit challenge for marketers to address through effective marketing communications.

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☐ **unrelated diversification** *see* product-market investment strategies

☐ **unsought product** *see* product classifications, consumer

■ upper echelons theory

DESCRIPTION

A theory that considers organizational outcomes to be partially predicted by top managements' background characteristics.

KEY INSIGHTS

Based on research by Hambrick and Mason (1984) and subsequent researchers, upper echelons theory posits that, as upper level managers are selectively perceptive and boundedly rational, a behavioral element derived from managements' idiosyncratic characteristics should be evident in the outcomes of the organization. In this context, the theory provides a rationale for examining the nature and extent of the relationship between various managerial backgrounds and organizational outcomes.

While the strength of research findings for the theory may ultimately be dependent on the specific management background characteristics examined (e.g. career experience, gender) as well as specific organizational outcomes examined (e.g. profitability, diversification posture), there is general support for the view that certain organizational outcomes can be at least partially predicted by certain top management characteristics.

KEY WORDS Top management, background characteristics, organizational performance

IMPLICATIONS

Marketing strategists should recognize the possibility that organizational outcomes may be influenced to a significant degree by the background characteristics of the organization's top management. To the extent that marketing strategy development is also influenced by top management backgrounds, marketing strategy outcomes may be affected as well. While it is difficult to generalize how and to what extent there may be such influences, knowledge of upper echelons theory-based research may provide marketers with insights that may influence top management selection and/or more effective marketing management and strategy development and implementation.

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■ utility

DESCRIPTION

A satisfaction derived from acquisition and consumption of an offering.

KEY INSIGHTS

In making choice decisions, consumers seek to achieve maximum utility. However, as this may involve higher sacrifices which they may not be able to afford, they may seek alternatives that are optimizing (choices that achieve the most out of available resources) or satisficing (choices that provide at least a satisfactory outcome—see **satisficing**). Different utility models, such as the Stochastic Utility model (Chapman and Staelin 1982), the Reference Price model (Winer 1986), and the Random Utility (RU) model (Baltas and Doyle 2001), have been proposed in the marketing literature to explain choice behavior based on utility.

KEY WORDS Satisfaction, acquisition, consumption

IMPLICATIONS

Increasing perceived utility for consumers is an important challenge for marketers. In evaluating alternatives and making choices among brands, consumers use a number of different heuristics to arrive at optimal, if not maximum, utility. A greater understanding of the utility concept and its link with offering complexity, price, and value may therefore be very beneficial in assisting the marketer's efforts to provide attractive offerings (e.g. offerings providing possession utility as well as place and time utility) that fit the consumer's choice criteria.

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■ utility theory

DESCRIPTION

Theory or theories concerned with understanding, explaining and predicting an individual's choices and decisions in relation to the individual's preferences, values, and judgments of preferability, worth, or value.

KEY INSIGHTS

Utility theory emphasizes the numerical or quantitative representation of an individual's preferences, values, and judgments to provide insights into choice and decision making. The theory provides a basis for the development and evaluation of numerical models of an individual's preferences, preference–indifference relationships, decision alternatives, and associated assumptions. In particular, the theory enables risk analyses to be performed where such analyses involve the subjective views of individuals about the benefits or personal utility associated with taking certain risks.

KEY WORDS Choice, decision making, preference, values, judgment, **utility**

IMPLICATIONS

Strategic marketers seeking to develop numerical models of decision making and choice involving risk may benefit from an understanding of the concepts associated with utility theory. In addition, while there are many variants of utility theory, a working knowledge of the rigorous and commonly accepted modeling methods can enable marketers to more clearly specify and articulate preferences, values, and judgments leading to choices and decisions.

APPLICATION AREAS AND FURTHER READINGS

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V

■ validity

DESCRIPTION

A criterion in measurement research referring to the degree to which an instrument measures what it is intending to measure.

KEY INSIGHTS

Validity measurement is one of the three standard measurement criteria (in addition to reliability and sensitivity) that are drawn upon in facilitating the conduct of high-quality research (Churchill 1979). There are a number of different validity measures used in marketing research, including those referred to by the following terms:

A priori validity—see *face validity* (below).
Concurrent validity—a type of *criterion validity* in that it is validity based on the degree to which a measurement approach predicts an outside criterion, or established standard against which other things can be compared and evaluated, where such criterion measures are obtained at the same time as the measurement.
Consensual validity—the degree to which there is agreement of validity among a knowledgeable community or group of individuals.
Construct validity—the degree to which a measurement approach actually measures the underlying theoretical construct it is supposed to be measuring.
Content validity—based on expert judgment, the degree to which a measurement scale contains items which experts consider to be representative of that which is to be measured.
Convergent validity—validity that is based on hypotheses and examinations of the overlap between different measurement approaches which are presumed to measure the same construct.
Criterion validity—validity based on the degree to which a measurement approach predicts an outside criterion, or established standard against which other things can be compared and evaluated.
Discriminant validity—also known as *divergent validity*, discriminant validity is the opposite of *convergent validity* as it is validity based on the degree to which the construct fails to correlate with other theoretically distinct constructs.
Divergent validity—see *discriminant validity* (above).

Ecological validity—the degree to which the settings, methods, and materials used in a study approximate the larger, real-life situation that is being studied.
External validity—the degree to which the results of the findings of a study are generalizable in that they are relevant to subjects and settings beyond those used in the study.
Face validity—also called *a priori validity*, the degree to which, by the face of it, a measure seems to make sense in that it looks like it is going to measure what it is intended to measure on the basis of reason as opposed to experience.
Factorial validity—a form of *construct validity* (see above) established through factor analysis where multiple measurement approaches purported to be measuring the same constructs are factor analyzed to determine the degree to which they share common variance and thus can be said to be tapping into the same underlying construct.
Incremental validity—the degree to which a measure is able to explain or predict a phenomenon of interest, relative to other measures having the same purpose.
Internal validity—the degree to which an experiment is able to demonstrate a causal relationship between two variables, i.e. that ‘cause’ precedes ‘effect’ in time, ‘cause’ and ‘effect’ are shown to be related, and there is a lack of alternative explanations (e.g. problems in the research design) for the relationship observed between the two variables.
Nomological validity—the degree to which the correlation between a measure and another related construct behaves as expected in theory, in that a construct predicts measures of other constructs from the perspective of a formal theoretical network of relationships.
Population validity—the degree to which the findings of a study are generalized from the sample to the larger population.
Predictive validity—a type of *criterion validity* in that it is validity based on the degree to which a measurement approach predicts an outside criterion, or established standard against which other things can be compared and evaluated, where such criterion measures are obtained at a time after the measurement.
Statistical validity—the degree to which appropriate choices are made concerning the statistical methods and tests used in relation to the measurement approach and the nature of the data collection process.
Trait validity—the degree to which a construct and its measures are in accordance with theory only at the level of a single trait or distinguishing characteristic (i.e. theory that does not consider the interrelationships of constructs within a nomological network).

KEY WORDS Measurement, intended measurement, **marketing research**

IMPLICATIONS

A greater knowledge of all measures of validity can clearly be beneficial in assisting the marketing researcher with designing, implementing, and evaluating marketing research—whether one's own or those of others—for appropriate usability by the marketer. While some measures of validity may be potentially more of an issue in quantitative research and others more of an issue in qualitative research, understanding better the many different perspectives on measurement validity further allows the marketing researcher to conduct tradeoffs in the selection and use of a wide range of marketing research approaches.

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■ value

DESCRIPTION

What something is perceived to be worth.

KEY INSIGHTS

The value of an offering, as perceived by a consumer, is the estimation of the merit of the offering in terms of money, quality, or any other measure of worth. For example, value can be assessed in terms of the offering's perceived benefits in relation to its price or perceptions of actual quality in relation to expected quality. The notion of value provides a basis for most marketing approaches. For example, it strongly links to relationship marketing, where providing superior value to the customer is the way to establish and maintain long-term relationships. If the ultimate aim is to enhance customer loyalty, value-adding attempts have to be customer oriented, rather than focused only on investing more on product development (Ravald and Groenroos 1996). Shareholder value is also an important outcome achievable through value chain analysis, for example (see **value chain analysis**).

KEY WORDS Worth, perceived value, added value

IMPLICATIONS

Adding value to products and services entails not only improving customers' perceived value through increasing benefits, but also working to reduce costs or customer-perceived sacrifices (Monroe 1991). Such a view suggests that marketers' firms may benefit in pursuing cost leadership in combination with differentiation strategies aimed at providing value to the firm's customers.

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□ value, characteristics theory of *see* characteristics theory

■ value-based marketing

(also called customer value marketing)

DESCRIPTION

A marketing approach that involves the pursuit of marketing strategies and tactics that provide a high degree of meaningful value and satisfaction to customers as well as achieving improved business leverage.

KEY INSIGHTS

Value-based marketing entails a strategy that focuses on ongoing analysis of the company, the competition, and the customer, observing opportunities to deliver superior value to customers based on the company's niche competencies. The approach recognizes that the firm must also be responsive to changes in the competitive environment, where the firm strives to remain competitive with sustainable advantages, while providing consumers with credible offerings that are value based. As such, the company's value proposition becomes a primary organizing force for doing business and creating shareholder value.

KEY WORDS **Value**, ongoing analysis

IMPLICATIONS

Value-based marketing emphasizes the need for marketers to consistently develop and implement marketing approaches that are of high value in multiple stakeholders—to the organization and its employees, to the organization's shareholders, and to customers. A greater understanding of value-based marketing approaches may therefore be potentially beneficial to marketers involved in any area of marketing, including strategy development, brand management, pricing, and marketing communications, as it may assist with the identification and pursuit of high-value marketing initiatives from multiple perspectives.

APPLICATION AREAS AND FURTHER READINGS

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■ value chain analysis

DESCRIPTION

An in-depth scan of a firm's value chain activities and functions aimed at a better understanding of areas of improvement towards higher levels of efficiency and effectiveness.

KEY INSIGHTS

A value chain analysis is a method for decomposing the firm into strategically important activities and understanding their impact on cost behavior and differentiation (Hergert and Morris 1989, Porter 1985). Activities analyzed may include primary activities associated with inbound and outbound logistics, operations, marketing and sales, and service, as well as support activities associated with firm infrastructure, human resource management, technology development, and procurement.

KEY WORDS **Value**, organizational activities, strategic analysis

IMPLICATIONS

A marketer's examination of the firm's value chain allows it to optimize its activities economically, efficiently, and effectively, where the interdependencies between activities in the chain, buyers and sellers, as well as between the different strategic business units are analyzed and coordinated. As this entails better management of market-based assets, incorporation of value chain analyses into the firm's marketing strategy development and evaluation processes may ultimately act to increase shareholder value.

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□ value marketing *see* enlightened marketing

□ value pricing *see* pricing strategies

■ value proposition

DESCRIPTION

An element of a firm's marketing strategy that is a definable statement which spells out what value a firm's offering provides a buyer and user of the offering.

KEY INSIGHTS

The value proposition of a firm's offering is ultimately that which it provides to its customers. As such, the value proposition is not limited to an offering's functional benefits but can include benefits which are social, emotional, or self-expressive, for example.

KEY WORDS Proposed value, value provision, **benefits**

IMPLICATIONS

As part of the firm's marketing strategy, the value proposition of an offering should also strive to be consistent with the overall business strategy (Lawler 2005) and the firm's overall value proposition. Marketers should seek to develop value propositions that not only highlight important consumer needs and wants but also take into consideration the firm's distinctive competencies, resources, capabilities, and limitations and assist with the firm's efforts to achieve a competitive advantage that is sustainable. In support of its effective delivery in the marketplace, marketers should ensure that the firm's value propositions are also communicated effectively throughout the organization.

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□ variability *see* service characteristics
□ variable costs *see* cost
□ variable proportions, law of *see* diminishing returns, law of

■ variety effect

DESCRIPTION

Any effect where the existence and availability of product or brand variety results in an increased benefit to consumers.

KEY INSIGHTS

Consumers of a particular product or brand may benefit from another firm's new product or brand introduction when such an introduction provides the consumer with consumption variety. Given the availability of variety, a consumer may periodically choose the new alternative to experience diversity in consumption where, previously, all consumption experiences were the same. At the same time, the availability of variety may also act to enhance consumer perceptions of current products or brands as well as potentially give consumers greater satisfaction with the overall set of products or brands for which there is increased variety.

KEY WORDS Product variety, brand variety, consumer benefit

IMPLICATIONS

Marketers should strive to understand through research how and to what extent expanded product or brand variety, whether offered by competitors or within a firm, may lead to an increase in particular consumer benefits. For example, increased variety may lead to expanded consumption from a product category while in other instances the effect may be greater consumer satisfaction with one or more of the alternatives within a particular category.

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□ variety-seeking buying behavior *see* consumer buyer behavior

□ Veblen effect *see* goods

□ Veblen goods *see* goods

□ vertical integration *see* product-market investment strategies; integration

□ vertical marketing system *see* channel arrangement

■ viral marketing

(also called electronic word-of-mouth marketing, or word-of-mouse marketing)

DESCRIPTION

An approach involving the dissemination of marketing messages or brand information via online channels that develop through social networks.

KEY INSIGHTS

Viral marketing relies on a strategy that encourages individuals to pass on marketing messages in a form that multiplies with a virus-spreading effect. Its use can involve any number of internet marketing or stealth marketing approaches (see **online marketing**; **stealth marketing**) to have a network effect that reaches a large base of consumers. Off the internet, it can have a buzz effect that is more closely associated with word-of-mouth marketing (see **word-of-mouth marketing**). Because recipients of the message are the ones who take action to pass on the message to friends, family, and/or colleagues, viral marketing tends to avoid problems associated with *spam marketing*, or *junk e-mail marketing*, which involves indiscriminately sending unsolicited and unwanted e-mails in mass quantities in the hope that at least some recipients will respond favorably to the e-mail messages.

KEY WORDS Social networks

IMPLICATIONS

Viral marketing has several possible benefits including relative ease of implementation, potential for broad reach, and low cost. To the extent that marketers using viral marketing target the proper audience with a salient message, the marketer's message can potentially 'explode' with exponential growth to reach thousands of interested people.

APPLICATION AREAS AND FURTHER READINGS

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□ virtual marketing *see* online marketing

□ VMS *see* channel arrangement

□ voice mail marketing *see* direct marketing

□ volume effect *see* loyalty effect

□ voluntary sector marketing *see* non-profit marketing

■ von Restorff effect

(also called distinctiveness effect, Restorff effect, isolation effect)

DESCRIPTION

The tendency for individuals to have superior recall for items having a high degree of salience.

KEY INSIGHTS

Named after Hedwig von Restorff, a pioneer of research on the phenomenon (von Restorff 1933), the von Restorff effect finds that items such as words to be learned are more likely to be remembered when such items are salient in some way. The salience may be a result of the words being in a different color ink or any other way in which the items are distinctive in relation to other items to be learned.

Note: While the von Restorff effect is also called the isolation effect, the description and discussion of the effect present here should not be confused with that for another, more common meaning of the isolation effect term. See **isolation effect**.

KEY WORDS Memory, recall, salience, distinctiveness

IMPLICATIONS

Marketers concerned with facilitating superior recall of a message or information associated with a marketer's offerings may benefit from making such information distinctive or salient in some way from the perspective of the consumer. Marketers can employ a variety of means to make such information stand out, which may include placement of an item where it is unexpected or making such information unique to surrounding or previously encountered messages through the use of distinctive language or graphic design.

APPLICATION AREAS AND FURTHER READINGS

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W

□ waiting line theory *see* queuing theory

■ Wal-Mart effect

DESCRIPTION

Any of a range of effects stemming from Wal-Mart's way of doing business and its large market share.

KEY INSIGHTS

Wal-Mart, a large US and international retailer with annual sales that consistently put it in the top rankings of retailers in the USA and the world, is credited with having an influence on business as well as local and national economies. Wage rates, prices, pricing practices, and supplier relations are just some of the areas influenced. The Wal-Mart effect also includes an economy-wide effect of lower inflation and increased productivity that have resulted from the operating practices of Wal-Mart that have been replicated by the retailer on a large scale. On a local level, the Wal-Mart effect includes a tendency for communities with Wal-Marts to have faster per-capita retail sales and tax increases than communities without Wal-Marts, and where non-competing businesses in Wal-Mart communities experienced significant benefits while competing businesses experienced substantial revenue losses. On an industry level, Wal-Mart's use of information and communication technologies, combined with automation and centralization of warehousing as well as the scale of their retailing operations, has resulted in industry changes that have made many previous industry operations obsolete or unrecognizable.

KEY WORDS Retailing, operational innovation, economic impact

IMPLICATIONS

Marketers should not underestimate the significance of the array of Wal-Mart effects on firm and industry practices (particularly in the retail industry), as well as local and national economies. The success of the innovations introduced by Wal-Mart, combined with the scale of their operations, continues to put considerable pressure on firms to find ways to reduce their costs and to meet customer expectations of a firm providing offerings at prices that move continually lower. While Wal-Mart effects to particular firms depend on the extent that firms are or are not direct competitors with Wal-Mart, marketers should seek to understand

and anticipate such effects in preparation for future competitive moves (operationally or geographically) by the firm.

APPLICATION AREAS AND FURTHER READINGS

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■ Walras' law

DESCRIPTION

An economic principle of general equilibrium that states that, for a given number of markets, if all but one are observed to be in equilibrium, then the last one must also be in equilibrium because there cannot be a net excess of supply or demand for the goods, including money.

KEY INSIGHTS

Developed by Leon Walras in the late 1800s, Walras' law says that markets cannot be in a one-sided disequilibrium (with disequibrium being where the quantity demanded is not equal to the quantity supplied at the going price). Thus, the law asserts that if there is disequilibrium in a market such as the labor market, there must also be disequilbrium in another market such as in the market demand for goods.

KEY WORDS Economics, general equilibrium

IMPLICATIONS

Marketers seeking to create advanced economic models of markets may benefit from a greater understanding of the principles and concepts associated with Walras' law. Whether modeling markets where there is a single good or multiple goods, the market equilibrium implications of Walras' law may provide the modeler with an important basis for subsequent model development that may ultimately assist decision makers in evaluating policies and practices influencing both markets and industries.

APPLICATION AREAS AND FURTHER READINGS

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■ want

DESCRIPTION

A personal feeling of desire for something.

KEY INSIGHTS

Beyond the many needs of individuals (see **need**), individuals also have many wants, which may include, for example, favorite foods, stylish clothes, and internet connectivity. While the nature and scope of wants clearly varies from individual to individual, it can also be said that most individuals have an insatiable appetite for wants. Because most individuals are restricted in their ability to obtain their wants as a result of personal resource limitations, individuals must ultimately prioritize their wants. That which a consumer wants may, of course, be influenced by any number of factors, including the values, attitudes, and behaviors of family, friends, and individuals in broader society. As such, much of marketing is aimed at understanding the various factors influencing the strength of consumer wants and developing appropriate marketing approaches in response.

KEY WORD Desire

IMPLICATIONS

A significant part of marketing involves the identification of consumer wants and the factors that influence such wants. Building on such knowledge is often considered to be essential in developing effective marketing strategies and tactics for the provision of any offering that is to be the focus of an individual's desire.

APPLICATION AREAS AND FURTHER READINGS

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■ warm/cold effect

DESCRIPTION

The tendency for the perception of a warm/cold personality trait of an individual to have an overwhelming effect on the formation of an impression of the individual's personality and expectations for associated behaviors.

KEY INSIGHTS

Pioneering research on the warm/cold effect by Asch (1946) and Kelley (1950) has determined that individuals' impressions of the personality of another individual can be significantly altered merely by describing the individual as either 'warm' or 'cold' when the warm/cold trait is included with other personality trait descriptions such as intelligent, industrious, and skilful. The broader term for the phenomenon is *trait centrality*, where such traits are observed to have a profound effect on impression formation in comparison to the contributing effects of other personality trait descriptions. In particular, observed traits descriptions that individuals associate with the 'warm' trait include popular, sociable, humorous, and happy. On the other hand, the 'cold' trait description is associated with a lack of such traits and, instead, associations with traits including restrained, persistent, and serious. The effect is explained in terms of the trait's centrality, where such traits possess the property of centrality as a result of being highly correlated with other personality traits in individual evaluators' implicit theories of personality.

KEY WORDS Personality, impression formation, trait centrality

IMPLICATIONS

Research on the warm/cold effect and trait centrality suggests that it is important for marketers to recognize that impressions of personality along the lines of a single trait such as warm/cold can have a significant effect on customer expectations and satisfaction with a service. For example, research by Widmeyer and Loy (1988) demonstrates how teaching effectiveness perceptions and expectations can be influenced by perceptions of the warm/cold personality trait among teachers. As such, any marketer involved in the development, delivery, and evaluation of a service offering where individual personality has a prominent role in the service should seek to understand better how customer perceptions of the service provider's personality may ultimately influence consumer expectations and satisfaction with the service.

APPLICATION AREAS AND FURTHER READINGS

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■ Web marketing

(also called cybermarketing, cyberspace marketing, interactive marketing, internet marketing, internet-centric marketing, new economy marketing, online marketing, Web-based marketing, Web-centric marketing, World Wide Web marketing, or WWW marketing)

DESCRIPTION

Marketing focusing on the use of a large-scale, hypermedia-based computer network of internet sites enabling functionality including text, hypertext links, graphics, sound, and animation.

KEY INSIGHTS

Developed in 1989 at the CERN research institute in Switzerland, the World Wide Web (or Web or WWW) is a hypertext-based distributed information system that has subsequently been widely adopted by countless marketers and consumers worldwide. As such, the World Wide Web is a vast collection of interconnected documents and other resources that is accessible via the internet, which is itself a collection of interconnected computer networks. Approaches to marketing via the web are wide-ranging and may consist of simple text-based informational advertising to highly sophisticated, interactive, multi-media marketing aimed at encouraging frequent and regular customer participation. Web-based marketing is characterized by its potential for considerable audience reach as well as richness of content.

Marketing strategies and tactics for use of the Web continue to develop at a rapid pace. For example, many firms find it highly beneficial for their business to be found readily when searched for using any number of online search engines. Such a concern has led to developments in *search engine marketing*, which is a marketing approach involving the use of search engine capabilities to reach prospective customers, where the aim is to appear as high as possible on the list of a search engine's search results (e.g. on the first page) when consumers use any number of relevant key words related to the firm or its offerings. Search engine marketing may also involve initiatives by the firm to appear in 'sponsored' search results as a result of payment to search engine organizations.

While the terms internet marketing, online marketing, and Web marketing are often used interchangeably in marketing practice, *online marketing* may be viewed as the broadest term in terms of its scope, as it can be viewed as encompassing marketing via stand-alone computer connections to marketing via the internet to that which emphasizes the use of the many advanced features of the World Wide Web. As internet marketing as a term is used far more often in practice than Web marketing to convey any of a range of online marketing approaches, internet marketing has become synonymous with online marketing despite differences in any strict definitions. (See **online Marketing**.)

KEY WORDS **Online marketing**, hypermedia computer network

IMPLICATIONS

Increasingly, marketing via the Web is an imperative for firms competing in most markets today. Such a strategic approach, whether used alone or in combination with other forms of marketing, can enable the firm to remain accessible to current and potential customers around the clock and to individuals and organizations increasingly independent of geography—assuming, of course, that such individuals and organizations have access to and are able to use it. Customers flying on EasyJet, for example, have to find a computer to access the company's website in order to rebook an Easyjet flight that is cancelled—even though they are still at the airport and within easy reach of the company's personnel.

APPLICATION AREAS AND FURTHER READINGS

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□ Web-based marketing *see* online marketing; Web marketing

□ Web-centric marketing *see* online marketing; Web marketing

□ Weber's law *see* Weber–Fechner law

■ Weber–Fechner law

(also called Weber–Fechner's law, Fechner's law, Weber's law, or Weber–Fechner theory)

DESCRIPTION

The thesis that a just noticeable difference in a stimulus is proportional to the magnitude or intensity of the original stimulus.

KEY INSIGHTS

Based on pioneering research by Ernst Weber in 1834 on perceptions of change in stimuli and subsequent development in collaboration with Gustav Fechner (Fechner 1964), the relationship between physical magnitudes of stimuli and their perceived intensity was developed and quantified. In studying such relationships, Fechner concluded, 'In order that the intensity of a sensation may increase in arithmetical progression, the stimulus must increase in geometrical progression.' Such a conclusion has since formed the basis of the Weber–Fechner law.

Sensory perceptions of weight, vision (brightness), and sound, among other areas, have since been the subject of considerable research examination, where the relationship between stimulus and perception is typically observed to be logarithmic. In particular, research on perception of stimuli finds that the *just noticeable difference* (abbreviated *JND*), or *differential threshold*, which is the smallest detectable change or difference in a sensory input that is perceivable by an individual, is a constant fraction of the level of stimulation. Marketing researchers have subsequently examined the law for its usefulness to understand pricing perception for, among other topics, different magnitudes of pricing and price comparisons in relation to reference prices as well as consumer perceptions of other sensory stimuli, and have found the law's predicted relationships to be consistent with research findings in many markting-related areas.

KEY WORDS Stimuli, perception, detectable change

IMPLICATIONS

Marketers seeking to understand better how and to what extent consumers may perceive pricing levels and pricing changes may benefit from a greater knowledge of the relationships indicated by the Weber–Fechner law. Ultimately, consumer responses to pricing strategies and tactics may be a function of relationships between stimuli and perception that are predicted by the Weber–Fechner law. Similarly, consumer responses to promotions and other marketing stimuli may also be potentially understood better by examining such stimuli in terms of consumer perceptions and the relationships expected given the Weber–Fechner law and the just noticeable difference (JND) or differential threshold concept.

APPLICATION AREAS AND FURTHER READINGS

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■ wheel of retailing theory

(also called the wheel of retailing or the wheel of retailing hypothesis)

DESCRIPTION

A theory of change among retail institutions putting forth the view that retail institutions follow a consistent and predictable cycle of evolution in the way they compete strategically in the retail environment.

KEY INSIGHTS

Developed in pioneering research by McNair (1957) and Hollander (1960), wheel of retailing theory proposes that retail institutions evolve systematically. In particular, the theory argues that new retailers are able to gain a foothold in the retail market and compete successfully with existing retailers by offering lower prices that are achievable as a result of productivity gains and certain reductions in customer service. As such firms become established, however, there is a tendency for them to lose their competitive edge as a result of their raising prices, moving upmarket in their product mixes and in the customers they wish to attract, and increasing levels of customer service. Such actions, however, result in strategic problems for the firms as new, low-priced retailers attack the firms from below.

KEY WORDS Retailing, evolution, institutional change

IMPLICATIONS

The wheel of retailing theory and its associated concepts can potentially help strategic marketers to understand, explain, and predict better how particular retail organizations may evolve given their particular stage of evolutionary development. While it may be difficult to identify exactly when retail organizations may undergo certain evolutionary changes, the theory is nevertheless useful in supporting analyses of one's own retail organization as well as competitor organizations in an effort to identify predictable evolutionary paths.

APPLICATION AREAS AND FURTHER READINGS

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□ white goods *see* goods

■ wholesale marketing

DESCRIPTION

Marketing involving the sale of offerings intended for resale and where customers may be retailers or other marketing intermediaries.

KEY INSIGHTS

While wholesale marketing is most often associated with the sale of offerings to retailers for subsequent resale to consumers, it may also involve the provision of the firm's offerings to any number of marketing intermediaries or business organizations who may also be wholesalers themselves. Thus, the firm's customers may be industrial, institutional, commercial, and professional organizations. Wholesalers may also act as agents or brokers facilitating exchanges among such organizations. A common practice in wholesale marketing is to supply goods to customers in relatively large quantities and at bulk prices, where such customers, in turn, offer them to their customers in smaller quantities and at marked-up prices. Wholesale marketing may add value to a firm's offerings in any number of ways including providing storage for the firm's customers, sorting, repacking, and redistributing offerings, and delivering offerings to the firm's customers. Marketing communication methods may vary as well, although sales promotions and personal selling are common approaches in wholesale marketing.

KEY WORD Reselling

IMPLICATIONS

As wholesale marketing can involve interactions with any number of channel members, marketers involved in wholesale marketing may benefit from a greater knowledge of wholesale channel strategies as well as approaches for establishing effective relationships wth channel members. Understanding, too, the range of opportunities a wholesaler has to provide value-added services can further benefit the wholesale marketer seeking to enhance firm profitability.

APPLICATION AREAS AND FURTHER READINGS

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□ wikimarketing *see* online marketing

■ willingness to pay

DESCRIPTION

The maximum amount a consumer would pay for an offering based on the consumer's perception of the offering's value.

KEY INSIGHTS

Willingness to pay (or WTP) for an offering, being an indicator of the offering's perceived value by a consumer, can be viewed as the consumer's valuation of the gross benefits the consumer perceives in the offering, quantified in monetary terms. In marketing research, WTP can be a practical measure of the strength of a brand as it is indicative of consumers' attachment to the branded offering.

KEY WORDS Perceived value, product worth

IMPLICATIONS

Willingness to pay is an important consideration in research into the demand for a wide range of offerings and consumer products in particular. Marketers should seek to understand better consumers' willingness to pay for their offerings in an effort to manage the demand of such offerings through means not only including pricing but other areas of marketing that are able to enhance and communicate value that is to be perceived by customers.

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□ window of opportunity *see* strategic window

■ winner's curse

DESCRIPTION

The tendency for the highest bid at an auction to exceed the true market value of the item or lot being auctioned.

KEY INSIGHTS

Originally discussed by Capen, Clapp, and Campbell (1971) and subsequently developed in research by Thaler (1992), the winner's curse phenomenon arises when bidders' estimates of the true market value of an auctioned item (or lot) are unreliable as a result of incomplete information and when each bidder independently estimates the value of the item before bidding. In such circumstances, some bidders will underestimate the item's value while others will overestimate its value. While the average bid for an auctioned item is often less than its true market value, reflecting risk averseness among bidders, the bidder overestimating the item's true market value to the greatest extent among all bidders becomes the victim of the winner's curse. In general, the severity of the winner's curse increases as the number of bidders at an auction increases. When an auctioned item is sought for its private value, however, as when a bidder desires an object of art to complete his or her art collection, the winner's curse is not said to apply as private valuation is more important to the bidder than market valuation. Bidders seeking to avoid the winner's curse tend to make efforts to revise downward their ex ante estimations of an item's value to explicitly take into account the effect of the winner's curse.

KEY WORDS Auctions, valuation, bidding

IMPLICATIONS

Marketers involved in auction bidding should seek to understand the extent the winner's curse phenomenon may occur as a result of incomplete information concerning an item's value and knowledge of the number of an auction's participants. Marketers may then more judiciously make efforts to avoid the winner's curse by revising their ex ante value estimates downward as one possible practice. On the other hand, marketers running auctions should seek to understand the extent that a consumer participating in an auction may become a victim of the winner's curse and, while contributing positively to auction profitability, how such an outcome may influence the consumers' subsequent auction participation and bidding behaviors.

APPLICATION AREAS AND FURTHER READINGS

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□ wireless marketing *see* mobile marketing

□ word-of-mouse marketing *see* viral marketing

■ word-of-mouth communication

DESCRIPTION

Communication by and among consumers about particular product or service offerings, promotions, firms, or markets that is generally informal and frequently person to person.

KEY INSIGHTS

Word-of-mouth (or WoM) communication among consumers regarding a particular product or service offering, promotion, firm, or market typically involves verbal and informal person-to-person communication. However, the scope of word-of-mouth communication also includes communication by electronic means such as e-mail, blogs, and message boards on the World Wide Web. Such communication may emphasize users' experiences with products or services, opinions of them, recommendations, or it may consist solely of unbiased information. Word-of-mouth communication may be characterized as being positive/negative, favorable/unfavorable, or indifferent. Positive word-of-mouth communication can be viewed as the addition of a free flow of information which augments the flow of information provided by advertising. Negative word-of-mouth communication may take many forms including communication of unsatisfactory experiences or adverse rumors about a brand, offering, firm, or industry.

KEY WORDS Verbal communication, informal communication

IMPLICATIONS

Knowledge of the type of information communicated via word of mouth is often considered important to marketers since, for many products and services, negative word-of-mouth communication is more common than positive communication. In addition, since unfavorable information tends to carry more weight than favorable information among prospective consumers for many products and services, marketing managers should strive to actively monitor as well as influence both the type and level of word-of-mouth communication.

APPLICATION AREAS AND FURTHER READINGS

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■ word-of-mouth effect

DESCRIPTION

Any effect resulting from word-of-mouth communication among consumers.

KEY INSIGHTS

The effects of word-of-mouth communication may be positive, negative, or neutral depending on its magnitude and content. The effects may also be limited to a particular brand, product, service, promotion, or firm but may also encompass entire industries or markets. The strategic importance of word-of-mouth communication effects may also vary, where, for some firms and some products (e.g. a local manufacturer of a new popcorn snack), its positive effect is counted upon as the sole means to spread awareness and interest in the product, while for other firms and products (e.g. Coca-Cola) its positive effect may be dwarfed by ongoing advertising by the firm.

KEY WORDS Informal communication effects

IMPLICATIONS

Marketing strategists often have an opportunity to create and leverage positive word-of-mouth communication for new offerings or promotions to achieve significant effects on the awareness, interest, evaluation, and/or purchase of a particular offering, where word of mouth can be generated either to augment other marketing communication approaches or to substitute for them. At the same time, marketers should seek to understand how and to what extent possible negative word-of-mouth communication may be generated through a strategy relying upon the approach and be prepared to weather responses that are unexpectedly negative.

APPLICATION AREAS AND FURTHER READINGS

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■ word-of-mouth marketing

(also called buzz marketing, grassroots marketing, peer-to-peer marketing, person-to-person marketing, evangelism marketing, or referral marketing)

DESCRIPTION

An approach aimed at leveraging the use of personal recommendations and referrals in the marketplace as a major basis for the firm's marketing efforts and where a desirable effect is a marketplace buzz, or intense and interactive word-of-mouth communication in the marketplace.

KEY INSIGHTS

A word-of-mouth marketing approach often involves identifying and cultivating opinion leaders for the firm's offerings and encouraging them to spread positive information about the offering to others. While buzz marketing is frequently used interchangeably with word-of-mouth marketing, a similar but little-used term is that of *evangelism marketing*, which may be viewed as a somewhat more extreme version of word-of-mouth marketing characterized by a marketing emphasis on developing customers with exceptionally strong convictions in the firm's offerings—to such an extent that such customers actively and voluntarily persuade others to adopt the offerings. As a word-of-mouth marketing approach benefits from source credibility and may involve little marketing expenditure, the approach is considered to be valuable by many marketers. A variation of word-of-mouth marketing is viral marketing, which makes use of the internet for its effectiveness (see **viral marketing**).

KEY WORDS Verbal communication, informal communication

IMPLICATIONS

As the intent of marketers using word-of-mouth marketing is to produce highly beneficial and dramatic word-of-mouth effects (see **word-of-mouth effect**) through word-of-mouth communication (see **word-of-mouth communication**), marketers should seek to understand better how and to what extent such effects may be produced by the firm's efforts relative to its particular product offerings in order to leverage such knowledge in the firm's strategies and tactics. For example, a firm's word-of-mouth marketing strategy may involve use of traditional informal communication channels as well as communication via the internet.

APPLICATION AREAS AND FURTHER READINGS

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□ World Wide Web marketing *see* online marketing; Web marketing

□ worldwide marketing *see* global marketing

□ WWW marketing *see* online marketing; Web marketing

X

■ X, theory

DESCRIPTION

A theory of human motivation that views individuals as inherently lazy and selfish.

KEY INSIGHTS

Developed as one of two competing theories by McGregor (1960), with the other theory being theory Y (see **Y, theory**), theory X views individuals as uninterested in work and eager to avoid responsibility. Based upon a pessimistic view of human nature, the theory provides a basis for a set of management practices for workforce motivation that includes the use of a more authoritarian management style, close supervision, and comprehensive controls where there is a threat of punishment for undesirable behaviors. Organizations adopting a theory X perspective are generally command-and-control organizations, where compliance is achieved through a combination of employee rewards and punishments. While many employee behaviors and corresponding management practices are not as extreme as those characterized by theory X, the theory nevertheless is influential in facilitating managements' understanding of the scope and range of management practice.

KEY WORDS Employee motivation, management practice

IMPLICATIONS

While many managers and employees discount the extreme views advocated by theory X, understanding the perspective can be beneficial to evaluate current and desired marketing management practices in an organization. Whether a marketing manager is seeking to evaluate a prospective organization with which to work or manage the firm's marketing workforce, greater knowledge of the theory can help in identifying and understanding pessimistic management perceptions of employees at the very least.

APPLICATION AREAS AND FURTHER READINGS

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□ X-generation see generational marketing

■ x-inefficiency

(also called x-[in]efficiency or the theory of x-inefficiency)

DESCRIPTION

Inefficiency in a firm arising when the average cost of producing a product at a particular level of output exceeds the lowest possible average cost of producing that output.

KEY INSIGHTS

Developed in pioneering research by Leibenstein (1966), x-inefficiency, or the theory of x-inefficiency, contrasts with x-efficiency (or allocative economic efficiency) where price equals marginal cost. While owners of firms seek to maximize profits, x-inefficiencies may arise when management practices of firms conflict with such a goal (e.g. where management practices are aimed at increasing salaries, departmental power, etc.) and where the result is that the firm produces at an average cost above the average total cost where price equals marginal cost.

KEY WORDS Economic efficiency, production costs, price

IMPLICATIONS

In highly competitive industries, the survival of a firm may be jeopardized if it is x-inefficient. Marketing managers must therefore be aware of the pursuit and implementation of management practices that are likely to result in excessive costs that ultimately become the source of x-inefficiency.

APPLICATION AREAS AND FURTHER READINGS

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Y

■ Y, theory

DESCRIPTION

A theory of human motivation that views individuals as innately productive and cooperative.

KEY INSIGHTS

Developed as one of two competing theories by McGregor (1960), with the other theory being theory X (see **X, theory**), theory Y views individuals as motivated, ambitious, and eager to accept responsibility and exercise self-control and self-direction. Based upon an optimistic view of human nature, the theory provides a basis for a set of management practices for workforce motivation that includes striving to remove barriers that prevent workers from reaching their full potential and providing conditions that give employees freedom to be their best. While most employee behaviors and corresponding management practices do not reach such an extreme as that characterized by theory Y, the theory nevertheless is influential through its incorporation into other management theories, practices, and styles which can be described in many other ways including hard vs. soft and tough vs. lenient. Organizations characterized as theory Y organizations, for example, can be described as relatively loose and free, where control is achieved through voluntary compliance that is gained through persuasion and affiliation.

KEY WORDS Employee motivation, management practice

IMPLICATIONS

Marketing managers involved in the development and implementation of management practices that seek to make the most of employees' full potential may benefit from an understanding of the principles and concepts associated with theory Y. While the theory Y view is characteristically extreme, an understanding of theory nevertheless enables the marketer to assess better its positive contribution to the development of beneficial marketing management practice.

APPLICATION AREAS AND FURTHER READINGS

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□ Y-generation *see* generational marketing
□ yellow goods *see* goods

■ Yerkes–Dodson law

DESCRIPTION

A theoretical inverted U-shaped relationship between an individual's cognitive arousal and his or her task performance, where the individual's task performance is highest at medium levels of arousal and lowest at both low and high levels of cognitive arousal.

KEY INSIGHTS

Developed in pioneering research by Yerkes and Dodson (1908), the Yerkes–Dodson law relates an individual's cognitive arousal to his or her task performance and proposes that medium intensity stimulation provides an optimum level of arousal for the fastest and most effective learning by the individual. Drawing upon research in neuroscience and biopsychology, the law posits that too little stimulation results in a lack of motivation to perform a task, whereas too much stimulation results in distraction. The relationship proposed by the Yerkes–Dodson law, which is generally supported by research in marketing and psychology, suggests that two different processes influence task performance, the first being an energizing effect of cognitive arousal and the second being arousal's negative, stress-inducing effect. Low arousal levels make it difficult for an individual to distinguish between relevant and irrelevant information, leading to information overload and a lack of response by an individual. Medium levels of arousal, on the other hand, enable an individual to ignore irrelevant information and focus better on the task at hand, while higher levels of arousal can lead to over-sensitization by an individual where the individual disregards relevant as well as irrelevant information.

KEY WORDS Marketing stimuli, cognitive arousal, task performance

IMPLICATIONS

Marketers involved in presenting consumers with stimuli for inducing cognitive arousal as a means to encourage particular consumer actions can benefit from the communication principles suggested by the Yerkes–Dodson law. In particular, the law suggests that marketers should strive to avoid overwhelming consumers with relevant stimuli and information in marketing communications (e.g. sales pitches, advertising) as well as underwhelming them with information providing insufficient motivations for action, if the aim is to provide optimal levels of marketing stimuli to induce desired consumer actions.

APPLICATION AREAS AND FURTHER READINGS

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Z

■ Z, theory

DESCRIPTION

An approach to human resource management that emphasizes the adoption and integration of a 'Japanese' style of management and associated management practices.

KEY INSIGHTS

Developed by Ouchi (1981), who builds upon concepts developed and subsequently published by Deming (1986), theory Z is based on the premise that employees consider work as something that is natural and can be satisfying to the extent it meets their work-related psychological needs. In adopting a theory Z perspective, organizations therefore strive to develop employee loyalty through total concern for the person. Employment security and stable career prospects are key characteristics of theory Z organizations. A theory Z management approach emphasizes employee involvement in decision making, seeks to develop employee team spirit, recognizes employee contributions, and aims to develop mutual employee–management respect. In addition, while control systems may be implicit and informal, there is also an emphasis on the use of explicit and formal measures for evaluation.

KEY WORDS Employee motivation, management practice

IMPLICATIONS

While many organizations may find it challenging to adopt fully a management style based on theory Z, knowledge of the theory and its supporting concepts can be invaluable to marketing managers seeking to understand the many possible benefits as well as costs stemming from its implementation. At the very least, understanding better the theory and its principles can provide marketing managers with a basis of comparison for alternative managerial approaches as well as guidance for gradually transforming their organizations in ways that enable greater long-term effectiveness.

APPLICATION AREAS AND FURTHER READINGS

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☐ **Z-generation** *see* generational marketing

☐ **zero-sum game** *see* game theory

☐ **zone pricing** *see* pricing strategies

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APPENDIX

Classification of Key Terms

The following lists categorize all the dictionary entries as laws, theories, concepts, and effects. Sub-categorizations are also provided. For an explanation of these categories, please see the Introduction.

1. Laws (along with principles and rules)
2. Theories (along with hypotheses, models, paradigms, and paradoxes)
3. Concepts (along with marketing approaches and techniques)
4. Effects (along with biases, fallacies and errors, phenomena, and syndromes)

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1. Laws (along with principles and rules)

LAWS

averages, law of
comparative advantage, law of
comparative judgment, law of
demand, law of
diminishing marginal utility, law of
diminishing returns, law of
effect, law of
Engel's law
exchange, law of
exercise, law of
experience, law of *see* **experience curve effect**
first law of marketing *see* **marketing, laws of**
forgetting law *see* **forgetting curve**
forgetting, law of *see* **forgetting curve**
Goodhart's law
Gresham's law
heavy half, law of the *see* **Pareto principle**
Hick's law
increasing opportunity cost, law of *see* **diminishing returns, law of**
Jost's law *see* **forgetting curve**
large numbers, law of
law(s) of... *see specific entries, e.g.* **diminishing returns, law of**
Little's law
marketing, laws of
Merkel's law *see* **Hick's law**
Metcalfe's law
Moore's law
Murphy's law
one price, law of
Pareto's law *see* **Pareto principle**
Parkinson's law
parsimony, law of
personal exploitation, law of *see* **least interest, principle of**
power law of forgetting
price, law of one *see* **one price, law of**
primacy, law of
Reilly's law *see* **retail gravitation, law of**
retail gravitation, law of
service, laws of
supply and demand, law of
supply, law of
variable proportions, law of *see* **diminishing returns, law of**
Walras' law

Weber–Fechner law
Weber's law *see* **Weber–Fechner law**
Yerkes–Dodson law

PRINCIPLES

accelerator principle
eighty-twenty principle *see* **Pareto principle**
exclusion principle
iceberg principle
least effort, principle of
least interest, principle of
locality, principle of
marketing, principles of
Pareto principle
Peter principle
principle(s) of... *see specific entries, e.g.* least effort, principle of
recency principle

RULES

eighty-twenty rule *see* **Pareto principle**
marketing, rules of
recency rule *see* **recency effect**
rule(s) of... *see specific entries, e.g.* **ten percent, rule of**
sundown rule *see* **marketing, rules of**
ten foot rule *see* **marketing, rules of**
ten percent, rule of

2. Theories (along with hypotheses, models, paradigms, and paradoxes)

THEORIES

accordion theory *see* **retail accordion theory**
achievement motivation theory
adaptation-level theory
adoption theory
advertising theory
agency theory
AL theory *see* **adaptation-level theory**
arbitrage pricing theory
assimilation-contrast theory
attitudes, functional theory of
attribution theory
balance theory
bargaining theory
Bayesian decision theory
behavioral decision theory
behavioral theory of the firm *see* **firm, theory of the**
capture theory
catastrophe theory
central place theory
change, E and O theories of *see* **E and O theories of change**
chaos theory
characteristics theory
clubs, theory of
cluster theory
cognitive consistency theory
cognitive theory
communication-information processing theory
complexity theory
congruity theory
construal-level theory
consumer behavior, theory of
consumer choice, characteristics theory of *see* **characteristics theory**
consumer demand theory
consumer satisfaction theory
contingency theory
contingency theory of management accounting
cooperative game theory *see* **game theory**
Darwinian evolution theory
decision theory
demand, characteristics theory of *see* **characteristics theory**
dialectic process theory
drive theory of social facilitation
E and O theories of change
E, theory *see* **E and O theories of change**
economic theory of clubs *see* **clubs, theory of**
equity theory
ERG theory
exchange theory
expectancy theory

value, characteristics theory of *see* **characteristics theory**
waiting line theory *see* **queuing theory**
wheel of retailing theory
X, theory
Y, theory
Z, theory

HYPOTHESES

efficient market hypothesis
just world hypothesis

MODELS

Dirichlet model
elaboration likelihood model
expectation-disconfirmation model
hierarchy of effects model *see* **hierarchy of effects**

PARADIGMS

OLI paradigm *see* **eclectic paradigm**
Churchill's paradigm
Dunning's eclectic paradigm *see* **eclectic paradigm**
eclectic paradigm

PARADOXES

Icarus paradox

3. Concepts (along with marketing approaches and techniques)

CONCEPTS

a priori validity *see* **validity**
absolute cost advantage
absorptive capacity
accessibility *see* **segmentation viability**
acquiescence response set
action *see* **buyer influence/readiness**
actionability *see* **segmentation viability**
actor–observer difference
actual product *see* **product levels**
adaptation
adaptive strategy
administered VMS *see* **channel arrangement**
adopter categories
adoption *see* **adoption process**
adoption process
adverse selection
affect
affordable method *see* **promotion budget setting methods**
age segmentation *see* **segmentation**
agglomeration economies
AIDA *see* **buyer influence/readiness**
AIDCA *see* **buyer influence/readiness**
alternative evaluation *see* **buyer decision process**
anchoring and adjustment
Ansoff matrix *see* **product-market investment strategies**
approach *see* **selling process**
approach–avoidance conflict
asset *see* **strategic asset**
attention *see* **buyer influence/readiness**
augmented product *see* **product levels**
awareness *see* **adoption process**; **buyer influence/readiness**
baby boomer *see* **generational marketing**
backward integration *see* **integration**
balanced scorecard
barriers to entry *see* **entry barriers**
base-rate fallacy
basing-point pricing strategy *see* **pricing strategies**
Baumol's cost disease
BCG growth-share Matrix *see* **product portfolio analysis**
behavioral segmentation *see* **segmentation**
benchmarking
benefit segmentation *see* **segmentation**
benefits
better mousetrap fallacy
bias
blaming the victim
bliss point
Boston Consulting Group matrix (or Boston matrix) *see* **product portfolio analysis**
boundary spanning
bounded rationality

selling concept *see* **marketing management orientation**
selling process
service characteristics
service goods *see* **goods**
seven Ps *see* **marketing mix**
share of voice
shareholder value analysis
shopping cart abandonment *see* **retail marketing**
shopping product *see* **product classifications, consumer**
skimming *see* **pricing strategies**
skunkworks
snowballing
social environment *see* **macroenvironment**
social loafing
societal classification of products
societal marketing concept *see* **marketing management orientation**
soft goods *see* **goods**
specialty product *see* **product classifications, consumer**
spurious correlation
standardization
star *see* **product portfolio analysis**
statistical validity *see* **validity**
status-quo bias *see* **endowment effect**
STEP analysis *see* **macroenvironment**
store brand *see* **private label**
straight rebuy *see* **industrial buyer behavior**
strategic approaches
strategic asset
strategic competency
strategic group
strategic market management *see* **strategic marketing**
strategic options
strategic window
strategies, generic
strategy
subliminal advertising
substantiality *see* **segmentation viability**
substitute product
sunk cost *see* **cost**
superior goods *see* **goods**
supply push *see* **push marketing**
survey research
sustainability *see* **segmentation viability**
sustainable competitive advantage
switching cost *see* **cost**
SWOT analysis
symbolic adoption *see* **adoption process**
syndicated research *see* **marketing research**
synergy
tactic
takeoff
target costing *see* **pricing strategies**
target profit pricing *see* **pricing strategies**
targeting
technological environment *see* **macroenvironment**
telescoping
trade secret *see* **intellectual property**
trademark *see* **intellectual property**
trait centrality *see* **warm/cold effect**
trait validity *see* **validity**
transaction cost *see* **cost**
trial *see* **adoption process**
uniform-delivered pricing *see* **pricing strategies**
unintended consequences
unmet need
unrealistic optimism
unrelated diversification *see* **product-market investment strategies**
unsought product *see* **product classifications, consumer**
utility
validity
value
value-based pricing *see* **pricing strategies**
value chain analysis
value pricing *see* **pricing strategies**
value proposition
variability *see* **service characteristics**
variable cost *see* **cost**
variety-seeking buying behavior *see* **consumer buyer behavior**
Veblen goods *see* **goods**

MARKETING APPROACHES

cybermarketing *see* **online marketing**; **Web marketing**
cyberspace marketing *see* **online marketing**; **Web marketing**
database marketing
defensive marketing
demarketing
destination marketing *see* **place marketing**
differentiated marketing
digital marketing *see* **e-marketing**
direct mail marketing *see* **direct marketing**
direct marketing
direct response marketing *see* **direct marketing**
direct-to-consumer marketing
diversity marketing *see* **multicultural marketing**
door-to-door marketing *see* **direct marketing**
eco-centric marketing *see* **green marketing**
eco-marketing *see* **green marketing**
electronic marketing *see* **e-marketing**
electronic word-of-mouth marketing *see* **viral marketing**
e-mail marketing *see* **e-marketing**; **direct marketing**
e-marketing
enlightened marketing
entrepreneurial marketing
environmental marketing *see* **green marketing**
environmentally responsible marketing *see* **geen marketing**
ethical marketing
ethnic marketing *see* **multicultural marketing**
ethnomarketing *see* **multicultural marketing**
evangelism marketing *see* **word-of-mouth marketing**
event marketing
experience marketing *see* **experiential marketing**
experiential marketing
fax marketing *see* **e-marketing**
field marketing
for-profit marketing *see* **commercial marketing**
frequency marketing
fusion marketing
generational marketing
global marketing
glocal marketing
government marketing
governmental marketing *see* **government marketing**
grassroots marketing *see* **word-of-mouth marketing**
green marketing
guerrilla marketing
hybrid marketing
idea marketing *see* **social marketing**
inbound marketing
in-cultural marketing *see* **multicultural marketing**
indirect marketing
individual marketing *see* **one-to-one marketing**
industrial marketing *see* **business-to-business marketing**
innovative marketing *see* **enlightened marketing**
institutional marketing
in-store marketing *see* **retail marketing**
integrated direct marketing *see* **direct marketing**
integrated marketing *see* **concurrent marketing**
interactive marketing *see* **e-marketing**; **online marketing**; **Web marketing**
internal marketing
international marketing
internet marketing *see* **online marketing**; **Web marketing**
internet-centric marketing *see* **online marketing**; **Web marketing**
intrusive marketing
joint marketing *see* **cooperative marketing**
junk e-mail marketing *see* **mass marketing**; **viral marketing**
lateral marketing
lean-over marketing *see* **stealth marketing**
lifestyle marketing

relationship marketing
remarketing
responsible marketing *see* **ethical marketing**; **social marketing**; **green marketing**
retail marketing
retro-marketing
revenue-sharing marketing *see* **affiliate marketing**
right-time marketing *see* **outbound marketing**
search engine marketing *see entry at* **Web marketing**
segment-of-one marketing
segmented marketing *see* **differentiated marketing**
selective marketing *see* **differentiated marketing**
sense-of-mission marketing *see* **enlightened marketing**
services marketing
short message service marketing/short messaging service marketing *see entry at* **mobile marketing**
SMS marketing *see entry at* **mobile marketing**
social cause marketing *see* **cause-related marketing**; **social marketing**
social idea marketing *see* **social marketing**
social marketing
socially responsible marketing *see* **social marketing**
societal marketing *see* **enlightened marketing**
spam marketing *see* **mass marketing**; **viral marketing**
sponsorship marketing
sports marketing
status quo marketing *see* **defensive marketing**
stealth marketing
STP marketing
strategic marketing
supermarketing *see* **retail marketing**
symbiotic marketing *see* **cooperative marketing**
tactical marketing
tailored marketing *see* **one-to-one marketing**
target marketing
telemarketing
telephone marketing *see* **telemarketing**
test marketing
text message marketing *see entry at* **mobile marketing**
third sector marketing *see* **non-profit marketing**
through-the-line marketing *see entry at* **above-the-line marketing**; **below-the-line marketing**
top-down marketing
total integrated marketing
trade marketing *see* **business-to-business marketing**
traditional marketing
transactional marketing
tribal marketing
txt marketing *see entry at* **mobile marketing**
unconventional marketing
undercover marketing *see* **stealth marketing**
under-the-radar marketing *see* **stealth marketing**
undifferentiated marketing
value-based marketing
value marketing *see* **enlightened marketing**
viral marketing
virtual marketing *see* **online marketing**
voice mail marketing *see* **direct marketing**
voluntary sector marketing *see* **non-profit marketing**
Web marketing
Web-based marketing *see* **Web marketing**; **online marketing**
Web-centric marketing *see* **Web marketing**; **online marketing**
wholesale marketing
wikimarketing *see entry at* **online marketing**
wireless marketing *see* **mobile marketing**
word-of-mouse marketing *see* **viral marketing**
word-of-mouth marketing

World Wide Web marketing *see* **Web marketing**; **online marketing**
worldwide marketing *see* **global marketing**
WWW marketing *see* **Web marketing**; **online marketing**

TECHNIQUES
door-in-the-face technique
foot-in-the-door technique
low-ball technique
rejection-then-retreat technique *see* **door-in-the-face technique**

4. Effects (along with biases, fallacies and errors, phenomena, and syndromes)

EFFECTS
advertising wearout effect
anchoring effect
ancient mariner effect
announcement effect
audience effect
Averch–Johnson effect
backwash effects
bandwagon effect
Barnum effect
basement effect *see* **floor effect**
Baumol effect *see* **Baumol's cost disease**
boomerang effect
butterfly effect
bystander effect
carry over effect
ceiling effect
certainty effect
cohort effect
common ratio effect
context effect
contrast effect
country of origin effect
Crespi effect *see* **elation effect**
customer volume effect *see* **loyalty effect**
delayed response effect *see* **lagged effect**
distinctiveness effect *see* **von Restorff effect**
division of labor effect
domino effect
double jeopardy effect
edge effect *see* **serial position effect**
elation effect
end effect *see* **serial position effect**
endowment effect
even price effect
experience curve effect
experimenter effect
experimenter expectancy effect
false consensus effect
fan effect
floor effect
Forer effect *see* **Barnum effect**
framing effect
free rider effect
gain–loss effect
halo effect
Hawthorne effect
hierarchy of effects
hockey stick effect
honeymoon effect
horns and halo effect *see* **halo effect**
I-knew-it-all-along effect *see* **hindsight bias**
imitation effect
income effect
innovation effect
isolation effect
John Henry effect
lagged effect
lagged response *see* **lagged effect**
learning curve effect
loyalty effect
loyalty ripple effect
market share effect
mere exposure effect
mood effect
network effect
nine effect *see* **odd price effect**
odd price effect
order effect

order of entry effect *see* **market entry timing**
outlier effect
overconfidence effect
passing stranger effect *see* **ancient mariner effect**
placebo effect
placement effect *see* **order effect**
Pollyanna effect
price effect
primacy effect
profit-per-customer effect *see* **loyalty effect**
Pygmalion effect
ratchet effect
rebound effect
recency effect
red queen effect
repetition effect
reputation effect
Restorff effect *see* **von Restorff effect**
Ringelmann effect *see* **social loafing**
ripple effect
Rosencrantz and Guildenstern effect *see* **approach–avoidance conflict**
Rosenthal effect *see* **experimenter expectancy effect**
serial position effect
shared-cost effect
sleeper effect
snob effect
snowball effect
spillover effect
substitute awareness effect
substitution effect
testing effect
unique value effect
variety effect
Veblen effect *see* **goods**
volume effect *see* **loyalty effect**
von Restorff effect
Wal-Mart effect
warm/cold effect
word-of-mouth effect

BIASES

common method bias
confirmation bias
hindsight bias
late response bias *see* **bias**
non-response bias *see* **bias**
sequence bias *see* **bias**

FALLACIES AND ERRORS

Concorde fallacy *see* **sunk cost fallacy**
conjunction fallacy
fallacy of composition
fallacy of misplaced concreteness
fundamental attribution error
gambler's fallacy
sunk cost fallacy

PHENOMENA

Asch phemonenon
cocktail party phenomenon

SYNDROMES

me-too syndrome *see* **me-too marketing**
NIH syndrome *see* **new product development**
not invented here syndrome *see* **new product development**