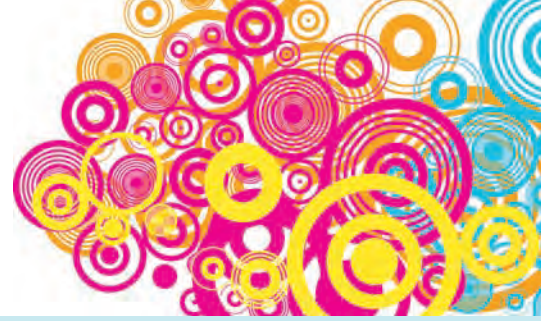


GLOSSARY



4 Ps The basic elements of the marketing mix: product, place (distribution), price and promotion; also called the controllable variables of marketing, because they can be controlled and manipulated by the marketer.

above-the-line advertising Advertising in the mass media, including press, radio, television and posters.

adoption process The mental and behavioural stages through which a consumer passes before making a purchase or placing an order. The stages are awareness, interest, evaluation, trial and adoption.

advertising Non-personal communication that is paid for by an identified sponsor, and involves either mass communication via newspapers, magazines, radio, television, and other media (e.g. billboards, bus stop signage) or direct-to-consumer communication via direct mail.

advertising agency A marketing services firm that assists companies in planning, preparing, implementing and evaluating all or portions of their advertising programmes.

advertising objective A specific communication task to be accomplished with a specific target audience during a specific period of time.

affordable approach Setting the promotion budget at the level management thinks the company can afford.

agent A marketing intermediary who does not take title to the products but develops a marketing strategy and establishes contacts abroad.

AIDA Awareness, interest, desire, action – the stages through which a consumer is believed to pass before purchasing a product.

allowance Promotional money paid by manufacturers to retailers in return for an agreement to feature the manufacturer's products in some way.

always-a-share customers Customers who have low switching costs and do not value long-term relationships with suppliers, making them more suited to transaction marketing.

baby boom The major increase in the annual birth rate following the Second World War and lasting until the early 1960s. The 'baby boomers', now moving into middle age, are a prime target for marketers.

below-the-line promotion Point-of-sale material, direct mail, exhibitions, i.e. any promotion which does not involve paid-for media channels.

benchmarking The process of comparing the company's products and processes to those of competitors or leading firms in other industries to find ways to improve quality and performance.

benefit segments Dividing the market into groups according to the different benefits that consumers seek from the product.

blue oceans The unserved market, where competitors are not yet structured and the market is relatively unknown. Here it is about avoiding head-to-head competition. See also *red oceans*.

bottom-up method A sales forecasting method that starts with small-scale estimates (e.g. product estimates) and works up to larger-scale ones. See also *top-down method*.

brand An identifying feature that distinguishes one product from another; more specifically, any name, term, symbol, sign or design, or a unifying combination of these.

brand equity The value of a brand, based on the extent to which it has high brand loyalty, name awareness, perceived quality, strong brand associations and other assets such as patents, trademarks and channel relationships.

brand extension Using a successful brand name to launch a new or modified product in a new category.

break-even analysis The calculation of the quantity needed to be sold to cover total costs.

break-even pricing Setting price to break even on the costs of making and marketing a product; or setting price to make a target profit.

bricks and mortar Physical retail stores.

broker A wholesaler who does not take title to goods and whose function is to bring buyers and sellers together and assist in negotiation.

business cycle Recurrent fluctuations in general economic activity. The four phases of the business cycle are prosperity, recession, depression and recovery.

business model The fundamental strategy underlying the way a business unit operates.

business-to-business (B2B) Marketing which involves exchange relationships between two or more business customers and suppliers.

business-to-consumer (B2C) Marketing which involves exchange relationships between a firm and its end customers, perhaps via retailers.

buy grid model The organisational buying process – consisting of eight buying stages – can be mapped like a grid, where the other dimension is the complexity of the buying (new task, modified rebuy and straight rebuy).

buying centre A group involved in the buying decision for purchasing an item or system solution for a company. Also known as a decision-making unit (DMU). Members of such a group are normally: initiator, influencer, decider, purchaser, user and gatekeeper.

bypass attack Circumventing the defender's position, usually through technological leap-frogging or diversification.

cannibalisation A situation where a new brand gains sales at the expense of another of the company's brands.

cash cow A high market share product in a low-growth market.

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

category management The management of brands in a group, portfolio or category with specific emphasis on the retail trade's requirements.

celebrity endorsement The use of famous spokespersons or celebrities in marketing communications. The companies hire celebrities from a particular field to feature in its advertisement campaigns. The promotional features and images of the product are matched with the celebrity image, which tends to persuade a consumer to fix up their choice from a plethora of brands. The design of such campaigns and the subsequent success in achieving the desired result calls for an in-depth understanding of the product, the brand objective, choice of a celebrity, associating the celebrity with the brand, and a framework for measuring the effectiveness.

chain store One of a group of two or more stores of a similar type, centrally owned and operated.

channel conflict Disagreement among marketing channel members on goals and roles – who should do what and for what rewards. A significant threat arising from the introduction of an Internet channel is that, while disintermediation gives the opportunity for a company to sell direct and increase the profitability of products, it also threatens distribution arrangements with existing partners.

channel length Number of levels (middlemen) in the distribution channel.

channel member A layer of intermediaries that performs some work in bringing the product and its ownership closer to the final buyer.

churn rate Refers to the proportion (%) of contractual customers or subscribers who leave a supplier during a given time period. A churn rate of 20% means that a company's customers on average stay with the supplier for 5 years.

clicks and mortar Online retailers who also have physical retail stores.

closing The step in the selling process in which the salesperson asks the customer for an order.

co-branding The practice of using the established brand of two different companies on the same product with a common marketing message.

cognitive dissonance Buyer discomfort caused by post-purchase conflict.

competitive benchmarking A technique for assessing relative marketplace performance compared with main competitors.

competitive intelligence Gathering, analysing and distributing information about products, customers, competitors and any aspect of the environment needed to support executives and managers in making strategic marketing decisions for an organisation

competitive parity approach Setting the promotion budget to match competitors' outlays.

competitive triangle Consists of a customer, the firm and a competitor (the 'triangle'). The firm or competitor 'winning' the competition depends on perceived value offered to the customer compared to the relative costs between the firm and the competitor.

competitor analysis The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and selecting which competitors to attack or avoid. This analysis provides both an offensive and defensive strategic context through which to identify opportunities and threats.

competitor intelligence (CI) The process of identifying key competitors; assessing their objectives, strategies, strengths and weaknesses, and reaction patterns; and selecting which competitors to attack or avoid. This analysis provides both an offensive and defensive strategic context through which to identify opportunities and threats.

contract manufacturing An agreement by which a domestic company allows a foreign producer to manufacture its product according to its specifications. Typically, the domestic company then handles foreign sales of the product.

control The process by which managers ensure that planned activities are completely and properly executed.

convenience product A relatively inexpensive, regularly purchased consumer product bought without much thought and with a minimum of shopping effort.

convenience store A small grocery store stressing convenient location and quick service and typically charging higher prices than other retailers selling similar products.

convergent forces Factors driving developments in the same direction.

cookies Bits of information about website visitors created by websites and stored on client computers.

core competences The principal distinctive capabilities possessed by a company – what it is really good at.

corporate social responsibility (CSR) The continuing commitment by companies to behave ethically and contribute to worldwide economic development while improving the quality of life of the workforce and their families as well as of the local community and the international society at large.

cost leadership The achievement of the lowest cost position in an industry, serving many segments

cost per thousand (CPM) Calculated by dividing the cost of an ad placed in a particular advertising vehicle (e.g. certain magazine) by the number of people (expressed in thousands) who are exposed to that vehicle.

criteria for successful segmentation Includes target markets that are heterogeneous, substantial, actionable and accessible.

CRM Customer relationship management.

cross-functional team A team made up of individuals from various organisational departments who share a common purpose.

cross-selling Selling an additional product or service to an existing customer

customer lifetime value (CLTV) It is the present value of the future cash flows attributed to the customer relationship or the amount by which revenue from a given customer over time will exceed the company's costs of attracting, selling and servicing that customer. Use of customer lifetime value as a marketing metric tends to place greater emphasis on customer service and long-term customer satisfaction, rather than on maximising short-term sales.

customer value The difference relation between the values the customer gains from owning and using a product and the costs of obtaining the product.

customisation Making something (product/service) according to a customer's individual requirements.

database marketing An interactive approach to marketing which uses individually addressable marketing media and channels to provide information to a target audience, stimulate demand and stay close to customers.

data warehousing (or mining) The storage and analysis of customer data gathered from their visits to websites

for classification and modelling purposes so that products, promotions and price can be tailored to the specific needs of individual customers. The use of powerful computers to work through large volumes of data to discover purchasing patterns among an organisation's customers.

decider The buying-centre role played by the organisational member who makes the actual purchasing decision.

decision-making unit (DMU) The initiator, the decider, the influencers, the purchaser, the gatekeeper and the users. Often identical with the buying centre in B2B.

decision support system A computer system that stores custom data and transforms them into accessible information. It includes databases and software.

demographics Measures such as age, gender, race, occupation and income that are often used as a basis for selecting focus group members and market segments.

derived demand Demand for a product that depends on demand for another product.

diffusion The spread of a new product through society.

disintermediation The elimination of a layer of intermediaries from a marketing channel or the displacement of traditional resellers by radically new types of intermediaries.

dissolution phase 'Divorce' is the termination of the relationship. It can make the assets dedicated to the relationship obsolete

divergent forces Forces driving developments apart from each other.

diversification The market and product development strategy that involves expansion to a relatively large number of markets and products.

divest To improve short-term cash yield by dropping or selling off the product.

early adopter A member of the group of consumers who purchase a product soon after it has been introduced, but after the innovators have purchased it.

early majority A group of consumers, usually solid, middle-class people, who purchase more deliberately and cautiously than early adopters.

e-commerce Electronic commerce or business dealings using electronic media, such as the Internet.

economic value added (EVA) $EVA = \text{Net profit} - (\text{Total assets} \times \text{Cost of capital})$. A smaller invested capital balance (smaller total assets) results in a higher EVA. Similarly, higher net profit also results in a higher EVA.

economies of scale and economies of scope Obtained by spreading the costs of distribution over a large quantity of products (scale) or over a wide variety of products (scope).

effectiveness Doing the right thing, making the correct strategic choice.

efficiency A way of managing business processes to a high standard, usually concerned with cost reduction.

electronic commerce (e-commerce) The general term for a buying and selling process that is supported by electronic means.

electronic data interchange (EDI) Electronic links between suppliers and retailers allowing purchase orders, packing lists, delivery.

entrepreneur A risk-taking individual who sees an opportunity and is willing to undertake a venture to create a new product or service.

estimation by analogy A correlation value (between a factor and the demand for the product) for one market is used in another international market.

e-tailers Online retailers.

exclusive distribution An extreme form of selective distribution where only one wholesaler, retailer or industrial distributor is used in a geographical area to sell products of a supplier.

exhibition An event which brings buyers and sellers together in a commercial setting.

exit barrier The barriers to leaving an industry, e.g. cost of closing down plant.

experience curve (learning curve) The drop in the average per-unit production cost that comes with accumulated production experience.

extranet Connects computers outside the firm with the intranet at the firm. The portions of an organisation's intranet that are shared by external collaborators, such as suppliers or customers.

fads Fashions that enter quickly are adopted with great speed, peak early and decline very fast.

family lifecycle A series of time stages through which most families pass.

feedforward control The active anticipation and prevention of problems, rather than passive reaction.

five sources model Corresponding to Porter's five competitive forces, there are also five potential sources for building collaborative advantages together with the firm's surrounding actors.

franchise A contractual association between a manufacturer, wholesaler or service organisation (a franchiser) and independent businesspeople (franchisees) who buy the right to own and operate one or more units in the franchise system.

frequency Average number of times within a given timeframe that each potential customer is exposed to the same ad.

gap analysis A technique which compares future likely company performance against desired performance outcomes in order to identify any gaps.

gatekeeper Those who control the flow of information, e.g. secretaries who may allow or prevent access to a DMU member, or a buyer whose agreement must be sought before a supplier can contact other members of the DMU.

generic The term generic means that the strategy can be applied to any organisation, regardless of size, industry sector, or product or service.

generic product, or generic brand A product that carries neither a manufacturer nor a distributor brand. The goods are plainly packaged with stark lettering that simply lists the contents.

global firm A firm that by operating in more than one country gains marketing, production, R&D and financial advantages in its costs and reputation that are not available to purely domestic competitors.

glocalisation The development and selling of products or services intended for the global market, but adapted to suit local culture and behaviour. (Think globally, act locally.)

green marketing Marketing ecologically sound products and promoting activities beneficial to the physical environment.

grey markets The marketing of authentic, legally trademarked goods through unauthorised channels.

gross margin The difference between net sales and cost of goods sold.

gross national product (GNP) The total value of all the goods and services produced by a nation's residents or corporations, regardless of their location.

gross rating points (GRPs) Reach multiplied by frequency. GRPs may be estimated for individual media vehicles. Media planning is often based on 'cost per 1000 GRPs'.

gross sales The total amount that a company charges during a given period of time for merchandise (before any discounts).

guanxi Describes a personal connection between two people in which one is able to prevail upon another to perform a favour or service, or be prevailed upon. It is based on a complex nature of personalised networks of influence and social relationships, and is a central concept in Chinese society.

horizontal integration Seeking control of channel members at the same level of the channel, e.g. the manufacturer's acquisition of the competitor.

idea generation stage The stage in new product development in which a marketer engages in a continuing search for product ideas consistent with target market needs and the organisation's objectives.

idiosyncratic investment Specific investment in a single relationship.

impact Depends on the compatibility between the medium used and the message (the 'impact' on the consumer's brain).

influencer The buying-centre role played by organisational members (or outsiders) who affect the purchase decision by supplying advice or information.

inseparability A characteristic of services, namely that their production cannot be separated from their consumption.

intangibility A characteristic of services, namely that they cannot be touched, seen, tasted or smelled.

integrated marketing communications (IMC) A system of management and integration of marketing communication elements – advertising, publicity, sales promotion, internet marketing, sponsorship marketing and point-of-sale communications – with the result that all elements adhere to the same message.

intensive distribution Stocking the product in as many outlets as possible.

internal marketing Involves treating employees as internal customers with the goal of increasing employees' motivation and customer focus.

international marketing information system An interacting organisation of people, systems and processes devised to create a regular, continuous flow in information essential to the international marketer's problem-solving and decision-making activities around the world.

Internet A worldwide network of interconnected computer networks that carry data and make information exchange possible.

intranets Connects the computers within a business together.

joint decisions Decisions made that are shared by all or some members of a group. Often, one decision maker dominates the process.

joint ventures The participation of two or more companies in an enterprise in which each party contributes assets, owns the new entity to some degree, and shares risk.

just-in-time (JIT) Aims to minimise stocks by organising a supply system which provides materials and components as they are required.

key account management (KAM) An approach to selling which focuses resources on major customers and uses a team selling approach in taking care of the total relationship with such an important customer.

key account manager A manager who is responsible for taking care of the total relationship with a special group of customers, or sometimes only one important customer.

key success factors (KSF) Those factors in a market which determine competitive success or failure in that market.

lead-lag analysis Determinants of demand and the rate of diffusion are the same in two countries, but time separates the two.

lead time The time from the moment the customer places an order to the moment it is received by the customer.

learning A change in the content of long-term memory. As humans, we learn because what we learn helps us respond better to our environment.

learning curves Track the decreasing cost of production and distribution of products or services over time as a result of learning by doing, innovation and imitation.

licensing agreement An agreement in which one firm permits another to use its intellectual property in exchange for compensation, typically a royalty.

lifestyle An individual's activities, interests, opinions and values as they affect his or her mode of living.

limited problem solving An intermediate level of decision making between routine response behaviour and extensive problem solving, in which the consumer has some purchasing experience, but is unfamiliar with stores, brands or price options.

line extension Using a successful brand name to introduce additional items in a given product category under the same brand name, such as new flavours, forms, colours, added ingredients or package sizes.

logistics The activities involved in moving raw materials and parts into a firm, moving in-process inventory through the firm, and moving finished goods out of the firm.

long tail Refers to a graph showing fewer products selling in large quantities versus many more products that sell in low quantities. The low-quantity items (the very broad product range) stretch out on the x-axis of the graph, creating a very long tail that generates more revenue overall. Even though a smaller quantity of each item is sold, there is a much greater variety of these items to sell and these 'rare' items are very easy to find via online search tools.

loss leader A product priced below cost to attract consumers, who may then make additional purchases.

lost-for-good customers Customers who have high switching costs and long-term horizons making them suitable for relationship marketing (RM).

loyalty card Usually a plastic card which is issued by a company to a customer and is used to record the frequency of the customer's purchases and calculate resulting discounts, rewards or allowances.

LSEs Large-scale enterprises. See also *SMEs*.

macroenvironment Broad societal forces that shape the activities of every business and non-profit marketer. The physical environment, sociocultural forces, demographic factors, economic factors, technical knowledge,

and political and legal factors are components of the macroenvironment.

market coverage Coverage can relate to geographical areas or number of retail outlets. Three approaches are available: intensive, selective or exclusive coverage.

market development A strategy by which an organisation attempts to draw new customers to an existing product, most commonly by introducing the product in a new geographical area.

market growth rate The theory behind the BCG model assumes that a higher growth rate is indicative of accompanying demands on investment. Inflation and/or gross national product have some impact on the range and thus the vertical axis can be modified to represent an index where the dividing horizontal line between low and high growth is at e.g. 5%. Industries expanding faster than inflation or GNP would show above the line and those growing at less than inflation or GNP would be classed as low growth and show below the line. The theory behind the BCG model assumes that a higher growth rate is indicative of accompanying demands on investment.

market orientation view (MOV) Outside-in perspective. Adapting the firm's resources to market conditions and the competitive environment.

market penetration A strategy for company growth by increasing sales of current products to current market segments without changing the product.

market potential The upper limit of industry demand. That is, the expected sales volume for all brands of a particular product during a given period.

market space A virtual marketplace such as the Internet in which no direct contact occurs between buyers and sellers.

marketing audit An analysis and evaluation of the internal and external marketing environment of the company.

marketing control A system of methods, procedures and devices used to ensure compliance with marketing policies and strategies.

marketing information system (MIS) A system in which marketing information is formally gathered, stored, analysed and distributed to managers in accord with their informational needs on a regular, planned basis.

marketing management The process of planning, executing and controlling marketing activities to attain marketing goals and objectives effectively and efficiently.

marketing myopia The failure of a company to define its organisational purpose from a broad consumer orientation.

marketing objective A statement of the level of performance that an organisation, strategic business unit

(SBU) or operating unit intends to achieve. Objectives define results in measurable terms.

marketing plan A marketing plan is a written document that details the necessary actions to achieve the company's marketing objectives. It can be for a product or service, a brand or a product line. Basically a marketing plan describes the marketing activities of a company in order to produce sales at the customer level. Marketing plans cover between one and five years. A marketing plan may be part of an overall business plan.

marketing planning The process by which businesses analyse the environment and their capabilities, decide upon courses of marketing action and implement those decisions.

mark-up A mark-up expressed as a percentage of the cost of an item.

marriage metaphor The process of reducing the psychic distance + increasing dependence between buyer and seller = shared values and joint investments in the relationship.

mass customisation The ability to create tailored marketing messages or products for an individual customer or a group of similar customers yet retain the economies of scale and the capacity of mass marketing of production.

mass marketing One-to-many communications between a company and potential customers with limited tailoring of the message.

microenvironment A company, its customers and the other economic actors that directly and regularly influence its marketing practices.

micro-segmentation Segmentation according to choice criteria, decision-making unit structure, decision-making process, buying class, purchasing structure and organisational innovativeness.

modified rebuy A purchase where the buyers have experience in satisfying the need, but feel the situation warrants re-evaluation of a limited set of alternatives before making a decision.

moments of truth A critical or decisive time on which much depends; a crucial moment when seller's staff meets the customer.

monopoly Exists if there is one seller in the market, such as a state-owned company, e.g. a local electricity supplier, postal service company or a gas company. The seller has the control over the market and can solely determine the price of its product.

multiple channel strategy A product/service is available to the market through two (dual distribution) or more channels of distribution. Multiple channels may include the Internet, sales force, distributors, call centres, retail stores and direct mail.

nano-relationships Relations between internal customers, internal markets, divisions and business areas within organisations.

national account Large and important customers who may have centralised purchasing departments that buy or coordinate buying for decentralised, geographically dispersed business units.

net present value (NVP) Represents total present value (PV) of a time series of future cash flows

new task buying An organisational buying situation in which a buyer is seeking to fill a need never before addressed. Uncertainty and lack of information about products and suppliers characterise this situation.

niche marketing The process of targeting a relatively small market segment with a specific, specialised marketing mix.

non-tariff trade barriers Non-monetary barriers to foreign products, such as biases against a foreign company's bids, or product standards that go against a foreign company's product features.

not-for-profit organisation An organisation which attempts to achieve an objective other than profit, for example relief of famine, animal rights or public service.

objective and task approach Developing the promotion budget by defining specific objectives, determining the tasks that must be performed to achieve these objectives, and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

OEM Original equipment manufacturer. In the OEM contract the customer is called the OEM or 'sourcer' whereas the parts suppliers are called manufacturers of OEM products.

oligopoly A market structure characterised by a small number of sellers who control the market.

omnibus study A regular survey usually operated by a market research specialist company which asks questions of respondents.

open-ended questions Allow respondents to determine the direction of the answer without being led by the question. They also prevent 'yes' or 'no' answers.

opinion leader Person within a reference group, who, because of special skills, knowledge, personality or other characteristics, exerts influence on others.

order point The level of inventory at which re-ordering is advisable to avoid out-of-stocks caused by the leadtime to resupply.

organisational buying behaviour The decision-making activities of organisational buyers that lead to purchases of products.

organisational culture Manifests in (1) the ways the organisation conducts its business, treats its employees, customers and the wider community, (2) the extent to which autonomy and freedom is allowed in decision making, developing new ideas and personal expression, (3) how power and information flow through its hierarchy, and (4) the strength of employee commitment towards collective objectives. It is termed 'strong' or 'weak' to the extent it is diffused through the organisation.

OTS Opportunity to see – total number of people in the target market exposed to at least one ad in a given time period ('reach').

outsourcing Using another firm for the manufacture of needed components or products or delivery of a service.

packaging An auxiliary product component that includes labels, inserts, instructions, graphic design, shipping cartons, and sizes and types of containers.

paradigm A shared way of thinking, or meta-theory that provides a framework for theory.

parallel importing When importers buy products from distributors in one country and sell them in another to distributors who are not part of the manufacturer's normal distribution; caused by big price differences for the same product between different countries.

penetration Entering a new market of customers.

penetration price A low introductory price meant to quickly establish a product in the market.

perceived risk Consumers' uncertainty about the consequences of their purchase decisions; the consumer's perception that a product may not do what it is expected to do.

perceived value The customer's overall evaluation of the product/service offered by a firm compared to a price paid.

percentage of sales Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price.

perception The process by which people select, organise and interpret sensory stimulation into a meaningful picture of the world.

personal selling Person-to-person interaction between a buyer and a seller wherein the seller's purpose is to persuade the buyer to accept a point of view, to convince the buyer to take a course of action, or to develop a customer relationship.

point-of-sale displays Includes all signage – posters, signs, shelf cards and a variety of other visual materials – that are designed to influence buying decisions at the point of sale.

portal A website that acts as a gateway to the information on the Internet by providing search engines, directories and other services such as personalised news or free e-mail.

Porter's diamond The characteristics of the 'home base' play a central role in explaining the international competitiveness of the firm – the explaining elements consist of factor conditions, demand conditions, related and supporting industries, firm strategy, structure and rivalry, chance and government.

Porter's five forces model The state of competition and profit potential in an industry depends on five basic competitive forces: new entrants, suppliers, buyers, substitutes and market competitors.

portfolio planning Managing groups of brands and product lines.

positioning How a product/service is perceived in the mind of the consumers in relation to other products in the market.

post-testing In the context of advertising, testing that takes place after an advertisement has been run, to determine whether it has met the objectives set for it by management.

pretesting Conducting limited trials of a questionnaire or some other aspect of a study to determine its suitability for the planned research project. In the context of advertising, research carried out beforehand on the effectiveness of an advertisement. It begins at the earliest stages of development and continues until the advertisement is ready for use.

price bundling A strategy whereby the price of a group of products is lower than the total of the individual prices of the components. An example is selling a new car with an 'options package'.

price escalation The tendency of prices to creep upwards when marketing products and services abroad through several middlemen.

primary data Data collected for the first time for the specific purpose of a particular market research study.

private brand (or label) A brand created and owned by a reseller (retailer) of a product or service.

product concept The end result of the marketing strategist's selection and blending of a product's primary and auxiliary components into a basic idea emphasising a particular set of consumer benefits; also called the product positioning concept.

product lifecycle (PLC) The course of a product's sales and profits over its lifetime. It involves five distinct stages: product development, introduction, growth, maturity and decline.

product line pricing Setting the price steps between various products in a product line based on cost differences between the products, customer evaluations of different features, and competitors' prices.

product portfolio A collection of products balanced as a group. Product portfolio analysis focuses on the interrelationships of products within a product mix. The performance of the mix is emphasised rather than the performance of individual products.

profit-and-loss statement (operating statement, income statement) A financial statement that shows company sales, cost of goods sold, expenses and profits during a given period of time.

profitability analysis The calculation of sales revenues and costs for the purpose of calculating the profit performance of products, customers and/or distribution channels.

Profit Impact of Marketing Strategy (PIMS) An empirical study, which seeks to identify the key factors underlying profitability and strategic success in an industry.

prospect An individual or organisation that is a possible buyer of a product.

prosumer A contraction of *producer* and *consumer*. Prosumers are half consumers and half proactive producers of the value creation.

psychic distance Refers to the *perceived* degree of similarity or difference between the business partners in two different markets. Psychic distance is operationalised in terms of both cultural and business distance.

psychographics The characteristics of individuals that describe them in terms of their psychological and behavioural make-up.

pull strategy Involves a relatively heavy emphasis on consumer-oriented advertising to encourage consumer demand for a new brand and thereby obtain retail distribution. The brand is pulled through the channel system in the sense that there is a backward tug from the consumer to the retailer.

push strategy A promotional strategy whereby a supplier promotes a product to marketing intermediaries, with the aim of pushing the product through the channel of distribution.

qualitative research Provides a holistic view of a research problem by integrating a larger number of variables, but asking only a few respondents.

quantitative research Data analysis based on questionnaires from a large group of respondents.

reach The number of people exposed to an advertisement carried by a given medium.

red oceans Tough head-to-head competition in mature industries often results in nothing but a bloody red ocean of rivals fighting over a shrinking profit pool. See also *blue oceans*.

reference group A group of people that influences an individual's attitude or behaviour.

referrals Usually obtained by the salesperson asking current customers if they know of someone else, or another company, who might have a need for the salesperson's product.

relationship marketing (RM) The process of creating, maintaining and enhancing strong long-term relationships with customers and other stakeholders through mutual exchange and trust. RM seeks to build a chain of relationships between the firm and its main stakeholders.

relative cost advantage A firm's cost position depends on the configuration of the activities in its value chain versus that of the competitors.

relative market share Comparing your market share with that of your biggest competitor. Having a relative market share of >1 means you are the market leader that outperforms the next biggest by this factor. A relative market share <1 shows how far away you are from being the market leader.

reliability If the same phenomenon is measured repeatedly with the same measurement device and the results are similar then the method is reliable (the 'how' dimension).

repositioning A product strategy that involves changing the product design, formulation, brand image or brand name so as to alter the product's competitive position.

resource-based view (RBV) Inside-out perspective. Proactive quest for markets that allows exploitation of the firm's resources.

retention rate The percentage of customers who continue to purchase from the supplier in a subsequent year. Retention rate = 100% – churn rate (%). If churn rate is 20%, the retention rate is 80%.

return on investment (ROI) A common measure of managerial effectiveness – the ratio of net profit to investment.

reverse auction A type of auction in which sellers bid prices for which they are willing to sell items or services.

reverse marketing The buyer (and not the seller as in traditional marketing) takes the initiative of searching for a supplier that is able to fulfil the buyer's needs.

reverse segmentation The buyer (and not the seller, as in traditional marketing) takes the initiative for searching out a supplier that is able to fulfil the buyer's needs.

royalty The remuneration paid by one firm to another under licensing and franchising agreements.

sampling plan A scheme outlining the group (or groups) to be surveyed in a marketing research study, how many individuals are to be chosen for the survey, and on what basis this choice is made.

scenarios Stories about plausible alternative futures.

screening The stage in new product or market development in which a marketer analyses ideas to determine their appropriateness and reasonableness in relation to the organisation's goals and objectives.

secondary data Data which already exist but were collected in the first instance for another purpose.

selective distribution The use of a limited number of outlets in a geographical area to sell products of a supplier.

share of voice (SOV) The communication expenditures (advertising, PR, sales force, etc.) for the firm's brand in percentage of the total communication expenditures for all brands in a product category.

single sourcing Purchasing a product on a regular basis from a single vendor.

situational analysis The interpretation of environmental attributes and changes in light of an organisation's ability to capitalise on potential opportunities.

skimming price A relatively high price, often charged at the beginning of a product's life. The price is systematically lowered as time goes by.

SMEs Small and medium-sized enterprises. In the EU, SMEs are characterised as having 250 employees or less. They comprise approximately 99 per cent of all firms.

social marketing Planning, execution and evaluation of programmes to influence the voluntary behaviour of target audiences in order to improve their personal welfare (e.g. encouraging people to give up smoking).

social responsibility The collection of marketing philosophies, policies, procedures and actions intended primarily to enhance society's welfare.

socialisation process The process by which a society transmits its values, norms and roles to its members.

societal objectives Organisational philosophy that stresses the importance of considering the collective needs of society as well as individual consumers' desires and organisational profits.

sponsorship A business relationship between a provider of funds, resources or services and an individual, event or organisation which offers in return some rights and association that may be used for commercial advantage.

stakeholders Individuals or groups having a stake in the organisation's well-being, e.g. shareholders, employees.

standardised concept The approach to international marketing in which the 4 Ps are marketed with little or no modification.

star A high market share product in a high-growth market.

STP-approach Principle of segmentation, targeting and positioning in order to select a distinct group of consumers who require a special marketing mix.

straight commission Remuneration based strictly on sales performance.

straight rebuy A type of organisational buying characterised by automatic and regular purchases of familiar products from regular suppliers.

straight salary Compensation at a regular rate, not immediately tied to sales performance.

strategic alliances Informal or formal arrangements between two or more companies with a common business objective.

strategic business unit (SBU) A unit of the company that has a separate mission, strategy and objectives and that can be planned independently from other company businesses. An SBU can be a company division, a product line within a division, or sometimes a single product or brand.

subculture A group within a dominant culture that is distinct from the culture. Members of a subculture typically display some values or norms that differ from those of the overall culture.

subsidiary A company which is owned by another.

supply chain management How products are moved from the producer to the ultimate consumer with a view to achieving the most effective and efficient delivery system.

switching costs The costs to a buying organisation of changing from one supplier to another.

tacit knowledge Consists of things customers know, but which are difficult or nearly impossible to articulate. This intuitive information, while frequently critical to product success in the marketplace, is the most difficult to provide to the NPD team during product development.

tariff A tax levied by a government against certain imported products. Tariffs are designed to raise revenue or to protect domestic firms.

team selling Using teams of people from sales, marketing, engineering, finance, technical support and even upper management to service large, complex accounts.

telemarketing Using the telephone as the primary means of communicating with prospective customers. Telemarketers often use computers for order taking.

test marketing The stage of new product development where the product and marketing programme are tested in realistic market settings, such as a well-defined geographic area.

testimonial A type of advertising in which a person, usually a well-known or public figure, states that he or she owns, uses or supports the product being advertised.

third-party logistics provider An independent logistics provider that performs any or all of the functions required to get its client's product to market.

time-based competition Competition based on providing time utility by delivering a product when the consumer wants it.

time to market The time it takes for a company to develop a new product and turn it into a product which people can buy.

top-down method A forecasting/planning approach based on objectives and works down to product/market estimates. See also *bottom-up method*.

total cost Fixed costs plus variable costs.

total quality management (TQM) Programmes designed to constantly improve the quality of products services and marketing processes.

trade marketing Marketing to the retail trade.

trade-off Balancing of two different options. If you have chosen a certain option, with certain advantages you also have to live with some disadvantages.

trade show A meeting or convention of members of a particular industry where business-to-business contacts are routinely made.

transaction A trade of values between two parties.

transaction costs The total of all costs incurred by a buyer and seller as they gather information and negotiate a transaction.

transactional marketing (TM) The major focus of the marketing programme (the 4 Ps) is to make customers buy. Independence among marketing actors ('arm's length') is considered vital for marketing efficiency.

undifferentiated marketing A marketing effort not targeted at a specific market segment, but designed to appeal to a broad range of customers. The approach is appropriate in a market that lacks diversity of interest.

unique selling proposition (USP) A unique characteristic of a product or brand identified by the marketer as the one on which to base a promotional campaign. It is often used in a product-differentiation approach to promotion.

up-selling A sales technique whereby a salesperson attempts to have the customer purchase more expensive items, upgrades or other add-ons in an attempt to make a more profitable sale.

user The buying-centre role played by the organisational member who will actually use the product.

validity If the measurement method measures what it is supposed to measure, then it has high validity (the 'what'

dimension). There are three types of validity: construct, internal and external.

value chain Chain of activities by which a company brings in materials, creates a good or service, markets it and provides service after a sale is made. Each step creates more value for the consumer.

value chain based view (VBV) Building sustainable competitive advantages based on the firm's positioning in the value chain.

value innovation A strategic approach to business growth involving a shift away from a focus on the existing competition to one of trying to create entirely new markets. Value innovation can be achieved by implementing a focus on innovation and creation of new market space.

value network The formation of several firms' value chains into a network, where each company contributes a small part to the total value chain.

value shop A model for solving problems in a service environment. Similar to workshops. Value is created by mobilising resources and deploying them to solve a specific customer problem.

variability The characteristic of services referring to the fact that services are heterogeneous – that is, the quality of delivered services can vary widely.

variable cost A cost that varies directly with an organisation's production or sales. Variable costs are a function of volume.

vertical integration Seeking control of channel members at different levels of the channel, e.g. the manufacturer's acquisition of the distributor (= forward integration).

vertical marketing system A network of vertically aligned establishments that are managed professionally as a centrally administered distribution system.

viral marketing Online word-of-mouth is a marketing technique that seeks to exploit existing social networks to produce exponential increases in brand awareness.

web browser Computer program such as Microsoft Internet Explorer, Mozilla Firefox, Google Chrome and Apple Safari that enables users to view web pages.

wholesaler An organisation or individual that serves as a marketing intermediary by facilitating transfer of products and title to them. Wholesalers do not produce the product, consume it or sell it to ultimate consumers.

world-class brand A product that is widely distributed around the world with a single brand name that is common to all countries and is recognised in all its markets.

World Wide Web A portion of the Internet; a system of Internet servers – computers that support specially formatted documents.