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Marketing Management
ARAB WORLD EDITION

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Philip Kotler is one of the world’s leading authorities on marketing. He is the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master’s degree at the University of Chicago and his Ph.D. at MIT, both in economics. He did postdoctoral work in mathematics at Harvard University and in behavioral science at the University of Chicago.

Dr. Kotler is the coauthor of Principles of Marketing and Marketing: An Introduction. His Strategic Marketing for Nonprofit Organizations, now in its seventh edition, is the best seller in that specialized area. Dr. Kotler’s other books include Marketing Models; The New Competition; Marketing Professional Services; Strategic Marketing for Educational Institutions; Marketing for Health Care Organizations; Marketing Congregations; High Visibility; Social Marketing; Marketing Places; The Marketing of Nations; Marketing for Hospitality and Tourism; Standing Room Only—Strategies for Marketing the Performing Arts; Museum Strategy and Marketing; Marketing Moves; Kotler on Marketing; Lateral Marketing: Ten Deadly Marketing Sins; and Corporate Social Responsibility.

In addition, he has published more than one hundred articles in leading journals, including the Harvard Business Review, Sloan Management Review, Business Horizons, California Management Review, the Journal of Marketing, the Journal of Marketing Research, Management Science, the Journal of Business Strategy, and Futurist. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article published in the Journal of Marketing.

Professor Kotler was the first recipient of the American Marketing Association’s (AMA) Distinguished Marketing Educator Award (1985). The European Association of Marketing Consultants and Sales Trainers awarded him their Prize for Marketing Excellence. He was chosen as the Leader in Marketing Thought by the Academic Members of the AMA in a 1975 survey. He also received the 1978 Paul Converse Award of the AMA, honoring his original contribution to marketing. In 1995, the Sales and Marketing Executives International (SMEI) named him Marketer of the Year. In 2002, Professor Kotler received the Distinguished Educator Award from The Academy of Marketing Science. He has received honorary doctoral degrees from Stockholm University, the University of Zurich, Athens University of Economics and Business, DePaul University, the Cracow School of Business and Economics, Groupe H.E.C. in Paris, the Budapest School of Economic Science and Public Administration, and the University of Economics and Business Administration in Vienna.

Professor Kotler has been a consultant to many major U.S. and foreign companies, including IBM, General Electric, AT&T, Honeywell, Bank of America, Merck, SAS Airlines, Michelin, and others in the areas of marketing strategy and planning, marketing organization, and international marketing.

He has been Chairman of the College of Marketing of the Institute of Management Sciences, a Director of the American Marketing Association, a Trustee of the Marketing Science Institute, a Director of the MAC Group, a member of the Yankelovich Advisory Board, and a member of the Copernicus Advisory Board. He was a member of the Board of Governors of the School of the Art Institute of Chicago and a member of the Advisory Board of the Drucker Foundation. He has traveled extensively throughout Europe, Asia, and South America, advising and lecturing to many companies about global marketing opportunities.
Kevin Lane Keller is the E. B. Osborn Professor of Marketing at the Tuck School of Business at Dartmouth College. Professor Keller has degrees from Cornell, Carnegie-Mellon, and Duke universities. At Dartmouth, he teaches MBA courses on marketing management and strategic brand management and lectures in executive programs on those topics.

Previously, Professor Keller was on the faculty of the Graduate School of Business at Stanford University, where he also served as the head of the marketing group. Additionally, he has been on the marketing faculty at the University of California at Berkeley and the University of North Carolina at Chapel Hill, been a visiting professor at Duke University and the Australian Graduate School of Management, and has two years of industry experience as Marketing Consultant for Bank of America.

Professor Keller’s general area of expertise lies in marketing strategy and planning, and branding. His specific research interest is in how understanding theories and concepts related to consumer behavior can improve marketing strategies. His research has been published in three of the major marketing journals—the Journal of Marketing, the Journal of Marketing Research, and the Journal of Consumer Research. He also has served on the Editorial Review Boards of those journals. With over sixty published papers, his research has been widely cited and has received numerous awards. Two of his articles, “Consumer Evaluations of Brand Extensions” and “Conceptualizing, Measuring, and Managing Customer-Based Brand Equity” were named by INFORMS Society for Marketing Science in March 2007 to its list of Top 20 marketing science papers written in the past 25 years that have most affected the practice of marketing science.

Professor Keller is acknowledged as one of the international leaders in the study of brands, branding, and strategic brand management. Actively involved with industry, he has worked on a host of different types of marketing projects. He has served as a consultant and advisor to marketers for some of the world’s most successful brands, including Accenture, American Express, Disney, Ford, Intel, Levi Strauss, Procter & Gamble, and SAB Miller. Additional brand consulting activities have been with other top companies such as Allstate, Beiersdorf (Nivea), BlueCross BlueShield, Campbell’s, Eli Lilly, ExxonMobil, General Mills, Goodyear, Kodak, Mayo Clinic, Nordstrom, Shell Oil, Starbucks, Unilever, and Young & Rubicam. He has also served as an academic trustee for the Marketing Science Institute. A popular speaker, he has conducted marketing seminars to top executives in a variety of forums.

Professor Keller is currently conducting a variety of studies that address strategies to build, measure, and manage brand equity. His textbook on those subjects, Strategic Brand Management, has been adopted at top business schools and leading firms around the world and has been heralded as the “bible of branding.”

An avid sports, music, and film enthusiast, in his so-called spare time, he has served as executive producer for one of Australia’s great rock and roll treasures, The Church, as well as American power-pop legends Dwight Twilley and Tommy Keene. He is also on the Board of Directors for The Doug Flutie, Jr. Foundation for Autism. Professor Keller lives in Etna, NH with his wife, Punam (also a Tuck marketing professor), and his two daughters, Carolyn and Allison.
Salah S. Hassan is Professor of Marketing at the School of Business and an affiliate faculty of Institute for Middle East Studies, Elliott School of International Affairs both of The George Washington University and has been a professor at GW School of Business since 1988. Professor Hassan served as Chairman of the Department of Marketing from 2005-2011 where he provided visionary leadership in designing, implementing and reviewing programs and fostered productive interdisciplinary relationships with a variety of entities across the University community and throughout the world. Also, Dr. Hassan was recognized in 2005 with the “Outstanding Marketing Teacher” award by the Academy of Marketing Science.

As an internationally recognized speaker, author, and thought leader in the areas of global consumer marketing and brand management. Dr. Salah S. Hassan is often called upon as an expert for his creative vision in leading clients throughout the process of strategic planning in order to achieve extraordinary results.

Dr. Hassan’s opinion has been cited by leading media and trade publications, such as Reuters, Chicago Tribune, Advertising Age, AdWEEK, Campaign, Business Monthly, Gulf Marketing Review, and Marketing News. Through keynotes, workshops, seminars and retreats across the world, Dr. Hassan combines his wealth of executive coaching experience with extensive consulting in corporate strategy to provide leading-edge solutions.

Dr. Hassan is a member of the Academic Board of the Institute for Cultural Diplomacy (ICD) as well as a Program Director for the ICD Nation Branding Program. Also, Dr. Hassan served on the consulting teams of several major international assignments that focused on such projects as strategic brand management, entrepreneurial marketing, economic development, destination branding, corporate branding, and CSR best-practice analysis. Dr. Hassan completed numerous national and international consulting assignments and executive development programs for organizations such as: UAE National Council of Tourism & Antiquities, Dubai School of Government, Saudi Arabian Airlines, Kellogg School of Management, The World Bank, Smithsonian Institution, The US State Department, Ansell Healthcare Products, Raytheon International, International Institute for Tourism Studies, BlogCatalog, Winrock International, Porter/Novelli, USAID, the Fulbright Commission, International Food Institute in Australia, King Saud University, the American University in Cairo, and the American Chamber of Commerce in Egypt.

Dr. Hassan published well over 70 articles and papers in academic journals and trade periodicals. He published two books; Globalization of Consumer Markets and Global Marketing Perspectives and Cases.

In recognition of his research, he was hosted by the US Embassy in Germany to speak on Nation Branding at an international symposium organized by the Institute for Cultural Diplomacy & recently was hosted by the US Embassy in Copenhagen to give a keynote address at a conference on nation branding and tourism development. Also, he was invited by the University of Birmingham Thought Leaders Conference to speak on Strategic Brand Management; by Kellogg School of Management to speak on Unlocking Brand Potential in Gulf Region; and by Harvard Business School’s Open Innovations Workshop to speak on Harnessing User Innovations.

Also, he served as chairman of the board for several international conferences and distinguished visiting professor and guest speaker for leading international universities such as King Saud University, Saudi Arabia, Dubai School of Government, UAE; State University of Management, Moscow; Kuwait University; Bahrain University; University of Puerto Rico;
La-Universidad de Los Andes, Columbia; La-Universidad San Ignacio De Loyola, Peru; Griffith University, Australia; Victoria University, Australia; The American University in Cairo, Egypt; and Alexandria University, Egypt. Having lectured, consulted, and conducted research around the world, Dr. Hassan achieved the status of an “International Thought Leader”.

In recognition of his achievements, Dr. Hassan received several awards from the Academy of Marketing Science, The American Marketing Association, and Ohio State University. Previously, Dr. Hassan served as Chairman of the Sustainable Development Forum, a think-tank organization of experts from a variety of disciplines representing 12 countries/5 continents to promote a deeper understanding of global development issues. At present, Dr. Salah Hassan is an active member of the International Advertising Association (IAA), American Marketing Association and The Academy of Marketing Science. Also, he serves on the advisory board of several corporate and non-profit organizations as well as government agencies.

Imad Baalbaki is Assistant Vice President for Development at the American University of Beirut (AUB), and a Visiting Assistant Professor of Marketing at AUB’s Suliman S. Olayan School of Business. He holds BBA and MBA degrees from the American University of Beirut, and a PhD in Marketing and Research Methods from the Georgia Institute of Technology in Atlanta, Georgia (USA).

Dr Baalbaki joined the professorial ranks of the (then) Graduate School of Business and Management at AUB in 1993. Founded as the School of Commerce in 1900, the Graduate School of Business and Management is one of largest academic units in the University. Dr Baalbaki became Director of the School in 1997, and led the School until it became the sixth independent faculty of the American University of Beirut in academic year 2000-2001. Thereafter, DrBaalbaki served as Director of Development and External Affairs for the university (2001-2007), and is currently Assistant Vice President for Development at AUB.

Dr Baalbaki has taught courses and delivered marketing seminars in the fields of Marketing and Research Methods in the United States, Lebanon, and the Arabian Gulf. He has researched and published in those fields in international academic journals including leading journals such as the Journal of the Academy of Marketing Science and International Marketing Review. Dr Baalbaki’s article on “Standardization Versus Customization in International Marketing: An Investigation Using Bridging Conjoint Analysis” published in 1995 in the Journal of the Academy of Marketing Science is recognized as the first application of this technique in academia. Dr Baalbaki’s article entitled “Patient Satisfaction with Healthcare Delivery Systems” in the International Journal of Pharmaceutical and Healthcare Marketing was recognized as a Highly Commended Award Winner at the Literati Network Awards for Excellence 2009.

Dr Baalbaki has served as reviewer and member of editorial board for international business and marketing journals. He has participated and presented papers in numerous international and regional academic and professional business conferences in North America, Europe, the Middle East, South East Asia, and Australia. He has also served in some conferences as a reviewer, discussant, and session chair.
Dr Baalbaki has also contributed in the development of academic programs at universities in the Arab world, and has been consulted on higher-education development matters. Dr Baalbaki is serving as a member of the Arab Open University Board of Trustees since July 2010. The Arab Open University is a pan-Arab university, affiliated with the Open University in London and with branches in five Arab counties so far.

In addition to his work on this Arab World Edition of Marketing Management, Dr Baalbaki is also a co-author of the Arab World Edition of another Pearson Publishing leading title: Naresh Malhotra’s Marketing Research.

The Office of Development at AUB is responsible for the fundraising efforts of the University and for its alumni relations. The University has two Development Offices, one in NY and one in Beirut. The NY Office area of responsibility extends over North America, while the Beirut Office covers the remainder of the world. Dr Baalbaki has been heading the Beirut Development Office since 2001. In 2007, the American University of Beirut successfully completed a 5-year Campaign for Excellence which had an ultimate goal of $140 million by the date of the University’s 140th anniversary. Dr Baalbaki participated in the planning, implementation, and conclusion of what eventually evolved to be a record setting Campaign in all aspects (total donations, number of donations, number of donors, individual alumni participation, alumni chapter participation, and trustee participation). The Campaign surpassed its goal and raised more than $171 million, making it the largest university fund-raising campaign ever in the Arab Middle East.

Hamed M. Shamma is an Assistant Professor of Marketing at the School of Business, at The American University in Cairo (AUC), Egypt. He received his Ph.D. in Marketing from the George Washington University in Washington, DC (USA). He also holds a Bachelor’s of Arts (BA) in Business Administration with specialization in Marketing and Masters of Business Administration (MBA) with a double concentration in Marketing and International Business from the AUC.

Dr. Shamma’s research interests are in the areas of corporate marketing, strategic brand management, and customer relationship management (CRM). He is specialized in examining corporate-level issues about organizations such as: corporate reputation, corporate branding, corporate image, corporate reporting and corporate performance. Recently he has been working on other topics including: political marketing, marketing of e-government services, social marketing and entrepreneurial marketing.

Dr. Shamma has over four years of corporate experience at Mobinil, a subsidiary of Orange – a leading telecommunications service provider – and Egypt’s leading mobile service operator. He was involved with corporate performance assessment which included developing the company’s balanced scorecard and corporate Key Performance Indicators (KPI’s). Dr. Shamma received several awards of recognition for his achievements at Mobinil. He was especially recognized for presenting an in-depth prepaid market analysis and suggesting courses of actions and recommendations. His Ph.D. dissertation study - which was built on his prior experience - involved examining the corporate reputation of the major wireless operators in the U.S. as viewed by different stakeholder groups.

Several of Dr. Shamma’s papers have been published in leading journals such as: the Journal of Product and Brand Management, International Journal of Marketing Studies and International Journal of Customer Relationship Marketing and Management among others. He was invited to contribute to a book chapter with the following paper: “A Multiple
Stakeholder Perspective for Measuring Corporate Brand Equity: Linking Corporate Brand Equity with Corporate Performance.” He also presented a variety of papers at leading international conferences such as the American Marketing Association Annual Conference, Academy of Marketing Science Annual Conference, Annual Macromarketing Conference and the Society for Marketing Advances Annual Conference among others.” He received the best paper award for his paper “Customer Relationship Management in Professional Service Organizations: Factors Influencing CRM Adoption and Use in the Building Industry,” presented at the Annual Society for Marketing Advances Conference in 2006.

He has taught a variety of courses including: marketing management, consumer behavior, marketing research, marketing strategy, marketing of services and has been a guest speaker to several others including: strategic brand management, advertising and promotion management and marketing information systems. Dr. Shamma has also conducted training and consulting for several organizations in the areas of marketing strategy, consumer perceptions analysis and brand development and management. He consulted and provided training to various organizations such as: Ministry of Civil Aviation, Eva Pharma, Orange Labs, Goldman Sachs Women Entrepreneurship and Leadership, Management Center, the International Advertising Association (IAA), Chartered Institute of Marketing (CIM), the Future Generation Foundation, Prana for Self and Corporate Development and Artrac among many others.

Dr. Shamma is a reviewer for the Journal of International Marketing, European Journal of Marketing, American Marketing Association Annual Conference and Society for Marketing Advances Annual Conference. He is currently on the editorial board of the International Journal of Customer Relationship Marketing & Management. He is a member of American Marketing Association, Academy of Marketing Science and Society for Marketing Advances. He is a member of Global Trade Matters, a think tank for economic and political reform policy. Dr. Shamma is also a reviewer and contributor to various leading marketing textbooks worldwide. He is also an advisor and external examiner for MBA theses. He has served as a session chair and discussant for leading academic conferences in addition to being a speaker and moderator for various business conferences.
PART 2  Capturing Marketing Insights  000

CHAPTER 3  Gathering Information and Scanning the Environment  000

Components of a Modern Marketing Information System  000

BOX 3.1 Information Needs Probes  000

Internal Records and Marketing Intelligence  000
- The Order-to-Payment Cycle  000
- Sales Information Systems  000
- Databases, Data Warehousing, and Data Mining  000
- The Marketing Intelligence System  000

CASE National Bank of Abu Dhabi  000

MARKETING INSIGHT Digging for Information  000

Analyzing the Macroeenvironment Needs and Trends  000

MARKETING MEMO Trends Shaping the Global Business Landscape  000

CASE Information International  000
- Identifying the Major Forces  000

The Demographic Environment  000
- Population Growth Trends  000
- Population Age and Gender Mix  000
- Ethnic, Religious, and Other Markets  000
- Educational Groups  000
- Household Patterns  000
- Geographical Shifts in Population  000

Other Major Macroeenvironments  000
- Economic Environment  000

MARKETING INSIGHT It’s All in the Family  000
- Sociocultural Environment  000
- Natural Environment  000

CASE Toyota Prius  000

MARKETING INSIGHT Green Marketing  000
- Technological Environment  000
- Political-Legal Environment  000

CASE Agility  000

Summary  000
Applications  000
MARKETING EXCELLENCE Google  000
The Marketing Research Process

Step 1: Define the Problem, the Decision Alternatives, and the Research Objectives

Step 2: Develop the Research Plan

CASE InfoPro Research

CASE TNS Global

MARKETING INSIGHT Conducting Informative Focus Groups

MARKETING MEMO Questionnaire Dos and Don’ts

MARKETING INSIGHT Getting into Consumers’ Heads with Qualitative Research

MARKETING INSIGHT Understanding Brain Science

Step 3: Collect the Information

MARKETING MEMO Pros and Cons of Online Research

CASE Yahoo! Maktoob Research

Step 4: Analyze the Information

Step 5: Present the Findings

Step 6: Make the Decision

Overcoming Barriers to the Use of Marketing Research

Measuring Marketing Productivity

Marketing Metrics

Marketing-Mix Modeling

Marketing Dashboards

BOX 4.1 Sample Customer-Performance Scorecard Measures

MARKETING INSIGHT Marketing Dashboards to Improve Effectiveness and Efficiency

Forecasting and Demand Measurement

The Measures of Market Demand

A Vocabulary for Demand Measurement

Estimating Current Demand

Estimating Future Demand

CASE Bayt.com

Summary

Applications

MARKETING EXCELLENCE Maatouk

1960

PART 3 Connecting With Customers

CHAPTER 5 Creating Customer Value, Satisfaction, and Loyalty

Building Customer Value, Satisfaction, and Loyalty

Customer Perceived Value

BOX 5.1 Top 20 Brands in Customer Loyalty

CASE Abu Dhabi International Airport

Total Customer Satisfaction

CASE Joie de Vivre

Monitoring Satisfaction

MARKETING INSIGHT Wataniya Airways and Customer Satisfaction

Product and Service Quality

Maximizing Customer Lifetime Value

Customer Profitability

Measuring Customer Lifetime Value

MARKETING MEMO Calculating Customer Lifetime Value

Cultivating Customer Relationships

Customer Relationship Management

MARKETING INSIGHT Company Response to Customer Empowerment

CASE Al-Ahram Beverage Company

Attracting and Retaining Customers

CASE Commercial Bank of Qatar

Building Loyalty

BOX 5.2 Forming Strong Customer Bonds

MARKETING MEMO Creating Customer Evangelists

CASE Hershey Co.

CASE Apple

CASE Harley-Davidson

CASE EFG-Hermes

CASE British Broadcasting Corporation

Win-Backs
CHAPTER 6 Analyzing Consumer Markets

What Influences Consumer Behavior?

BOX 6.1 Arab Consumers’ Spending on Durables

MARKETING INSIGHT Shopping Malls in the Arab World

MARKETING INSIGHT The Arab Women’s Market

MARKETING INSIGHT Marketing to Cultural Market Segments

SOCIAL Factors

CASE Chrysler

CASE Virgin Megastore

CASE General Motors

CASE India’s “Gen Next”

CASE Lohas

CASE Indomie Noodles

Key Psychological Processes

Motivation: Freud, Maslow, Herzberg

CASE Toyota

CASE Perception

CASE Learning

CASE Memory

CASE Chipsy

The Buying Decision Process: The Five-Stage Model

BOX 6.2 Understanding Consumer Behavior

CHAPTER 7 Analyzing Business Markets

What Is Organizational Buying?

MARKETING INSIGHT Big Sales to Small Business

CASE Cisco

CASE RIC

MARKETING MEMO Maximizing Customer References

CASE Japan and Indonesia

CASE Saudi Oger

Participants in the Business Buying Process

CASE General Motors

CASE Karl Storz
Summary 000
Applications 000
MARKETING EXCELLENCE Procter & Gamble 000

CHAPTER 10 Crafting the Brand Positioning 000

Developing and Communicating a Positioning Strategy 000
Competitive Frame of Reference 000
CASE Crepaway 000
Points-of-Difference and Points-of-Parity 000
CASE Visa versus American Express 000
Establishing Category Membership 000
CASE Umpqua Bank 000
CASE BMW 000
Choosing POPs and PODs 000
Creating POPs and PODs 000
MARKETING MEMO Writing a Positioning Statement 000

BOX 10.1 Examples of Negatively Correlated Attributes and Benefits 000
CASE Roadster Diner 000
Differentiation Strategies 000
MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000
CASE Aishti 000
Product Life-Cycle Marketing Strategies 000
Product Life Cycles 000
Style, Fashion, and Fad Life Cycles 000
CASE Sabek Wa Lahek 000
Marketing Strategies: Introduction Stage and the Pioneer Advantage 000
CASE Wikipedia.org, Citizendium.org 000
Marketing Strategies: Growth Stage 000
CASE AthenaHealth Inc. 000
CASE Yahoo! 000
Marketing Strategies: Maturity Stage 000
MARKETING INSIGHT Competitive Category Dynamics 000
CASE Electrolux AB 000

CASE Apple Computer 000
Brand Equity as a Bridge 000
CASE Burger King 000
Brand Equity Models 000
Building Brand Equity 000
Choosing Brand Elements 000
CASE The Egyptian Tax Authority 000
Designing Holistic Marketing Activities 000
CASE Eli Lilly 000
CASE Savola Group 000
Leveraging Secondary Associations 000
CASE Fawaz Alhokair and Company (JSC), Global Brands Group, and FIFA 000
Measuring Brand Equity 000
MARKETING INSIGHT The Brand Value Chain 000
Brand Valuation 000
Managing Brand Equity 000
Brand Reinforcement 000
MARKETING INSIGHT What is a Brand Worth? 000
CASE Volvo 000
Brand Revitalization 000
CASE Harley-Davidson 000
CASE Mountain Dew 000
Devising a Branding Strategy 000
Branding Decisions 000
Brand Extensions 000
BOX 9.2 Selecting a Brand Relationship Spectrum Position 000
CASE Groupe Michelin, Goodyear 000
BOX 9.3 Research Insights on Brand Extensions 000
CASE Bic 000
Brand Portfolios 000
CASE Armani 000
Customer Equity 000
MARKETING MEMO Twenty-First-Century Branding 000

MARKETING INSIGHT Competitive Category Dynamics 000

MARKETING MEMO Twenty-First-Century Branding 000

MARKETING MEMO Writing a Positioning Statement 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

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MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000

MARKETING MEMO How to Derive Fresh Consumer Insights to Differentiate 000
BOX 10.2 Alternative Ways to Increase Sales
Volume 000

CASE Coca-Cola 000
Marketing Strategies: Decline Stage 000
Evidence on the Product Life-Cycle Concept 000
Critique of the Product Life-Cycle Concept 000
Market Evolution 000

MARKETING MEMO How to Build a Breakaway Brand 000

CASE Paper Towels 000

Summary 000
Applications 000

MARKETING EXCELLENCE UPS 000

CHAPTER 11 Dealing With Competition 000

Competitive Forces 000
Identifying Competitors 000

CASE Etisalat Egypt 000

CASE Ceramic Cleopatra 000

Analyzing Competitors 000
Strategies 000

MARKETING INSIGHT High Growth Through Value Innovation 000
Objectives 000

BOX 11.1 Key Principles of Blue-Ocean Strategy 000
Strengths and Weaknesses 000

MARKETING MEMO Benchmarking to Improve Competitive Performance 000
Selecting Competitors 000
Selecting Customers 000

Competitive Strategies for Market Leaders 000

CASE Gap 000

MARKETING INSIGHT When your Competitor Delivers More for Less 000
Expanding the Total Market 000
Defending Market Share 000

CASE Air Arabia 000

CASE Tarek Nour Communications 000
Expanding Market Share 000
Other Competitive Strategies 000
Market-Challenger Strategies 000

CASE Search Engines 000
Market-Follower Strategies 000

MARKETING MEMO Making Smaller Better 000

CASE EIPICO 000
Market-Nicher Strategies 000

CASE Al Kharafi Group 000

CASE Arab Pharmaceutical Glass Co. 000

CASE Sana Fashion Store 000

MARKETING MEMO Niche Specialist Roles 000
Balancing Customer and Competitor Orientations 000
Competitor-Centered Companies 000
Customer-Centered Companies 000

Summary 000
Applications 000

MARKETING EXCELLENCE DAMAS 000

PART 5 Shaping the Market Offerings 000

CHAPTER 12 Setting Product Strategy 000

Product Characteristics and Classifications 000
Product Levels: The Customer-Value Hierarchy 000

MARKETING INSIGHT Metamarkets and Metamediaries 000

CASE Saudi Paper Manufacturing Company 000
Product Classifications 000
Differentiation 000
Product Differentiation 000

CASE Lego 000

CASE Mercedes-Benz 000
Design 000
CHAPTER 13 Designing and Managing Services

The Nature of Services
Service Industries Are Everywhere

CASE Luxury Automobiles

Categories of Service Mix

BOX 13.1 High Impact Online Customer-Service Projects
Distinctive Characteristics of Services

CASE Grand Royal

CASE Mashaweer

Marketing Strategies for Service Firms
A Shifting Customer Relationship

MARKETING MEMO Recommendations for Improving Service Quality

CASE JetBlue
Holistic Marketing for Services

BOX 13.2 Factors Leading to Customer Switching Behavior

CASE Singapore Airlines (SIA)

CASE Dubai Smile Dental Center

CASE Charles Schwab
Managing Service Quality
Customer Expectations

CASE Ritz-Carlton Hotels

CASE Kempinski Hotel Mall of the Emirates

BOX 13.3 Servqual Attributes

MARKETING INSIGHT The Role of Expectations in Service-Quality Perceptions

MARKETING MEMO Assessing E-Service Quality
Best Practices of Service-Quality Management

CASE Raya Contact Center

CASE Hotel Front Desks

MARKETING INSIGHT Developing Custom-er Interface Systems

CASE Mobinil

CASE Saudi Aramco
Managing Service Brands
Differentiating Services
Step 2: Determining Demand

**BOX 14.4** Factors Leading to Less Price Sensitivity

- Step 3: Estimating Costs
- Step 4: Analyzing Competitors’ Costs, Prices, and Offers
- Step 5: Selecting a Pricing Method

**CASE** Markup Pricing in Tunisian Manufacturing Industries

**CASE** Carrefour Egypt

Step 6: Selecting the Final Price

**MARKETING INSIGHT** Stealth Price Increases

**Adapting the Price**
- Geographical Pricing (Cash, Countertrade, Barter)

**CASE** Procter & Gamble

Price Discounts and Allowances

**BOX 14.5** Price Discounts and Allowances

**CASE** Bloomberg LP

- Promotional Pricing
- Differentiated Pricing

**CASE** Al-Ahly Club

**MARKETING MEMO** How to Fight Low-Cost Rivals

**Summary**

**Applications**

**MARKETING EXCELLENCE** Emirates Airline

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**CHAPTER 14** Developing Pricing Strategies and Programs

Understanding Pricing
- A Changing Pricing Environment
- How Companies Price

**MARKETING INSIGHT** Giving It All Away
- Consumer Psychology and Pricing

**CASE** Dalydress versus Fabulous

**BOX 14.2** Possible Consumer Reference Prices

**CASE** Consumer Electronics

**CASE** Sarah’s Bag

**BOX 14.3** Consumer Perceptions versus Reality for Cars

**CASE** Azza Fahmy

Setting the Price
- Step 1: Selecting the Pricing Objective

**CASE** IKEA

**CASE** Choice

**CASE** The Museum of Islamic Art (MIA)

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**PART 6** Delivering Value

**CHAPTER 15** Designing and Managing Integrated Marketing Channels

Marketing Channels and Value Networks
- The Importance of Channels
Managing Channel Conflict 000

BOX 15.3 Strategies to Manage Channel Conflict 000
Dilution and Cannibalization 000

CASE Coach 000
Legal and Ethical Issues in Channel Relations 000

E-Commerce Marketing Practices 000
Pure-Click Companies 000

CASE Souq.com 000

CASE Cisco Systems 000

CASE Alibaba 000
Brick-and-Click Companies 000
M-Commerce 000

Summary 000
Applications 000

MARKETING EXCELLENCE Trans-
med 000

CHAPTER 16 Managing Retailing, Wholesaling, and Logistics 000

Retailing 000
Types of Retailers 000

BOX 16.1 Major Retailer Types 000

BOX 16.2 Major Types of Corporate Retail Organizations 000
The New Retail Environment 000

CASE Panda 000

CASE Wendy’s International Inc. 000
Marketing Decisions 000

CASE Mikiyaj 000

MARKETING INSIGHT Making Labels Smarter 000

CASE HDFC Bank 000

Integrating Multichannel Marketing Systems 000

MARKETING MEMO Multichannel Shopping Checklist 000

Conflict, Cooperation, and Competition 000
Types of Conflict and Competition 000
Causes of Channel Conflict 000

CASE Intel Inside 000
Channel Development 000

CASE Dell 000
Hybrid Channels 000
Understanding Customer Needs 000
Value Networks 000

The Role of Marketing Channels 000

BOX 15.1 Channel Member Functions 000
Channel Functions and Flows 000
Channel Levels 000
Service Sector Channels 000

CASE Arab Open University 000

Channel-Design Decisions 000
Analyzing Customers’ Desired Service Output Levels 000
Establishing Objectives and Constraints 000
Identifying and Evaluating Major Channel Alternatives 000

BOX 15.2 Channel Alternatives for a Cellular Car Phone Accessory Manufacturer 000

CASE McDonald’s McDelivery Service in Bahrain 000

CASE Beesline 000
Evaluating the Major Alternatives 000

Channel-Management Decisions 000
Selecting Channel Members 000
Training and Motivating Channel Members 000
Evaluating Channel Members 000
Modifying Channel Design and Arrangements 000

CASE Apple Stores 000

Channel Integration and Systems 000
Vertical Marketing Systems 000

MARKETING INSIGHT The Importance Of Channel Stewards 000
Horizontal Marketing Systems 000

CASE HDFC Bank 000

Integrating Multichannel Marketing Systems 000

MARKETING MEMO Multichannel Shopping Checklist 000

Conflict, Cooperation, and Competition 000
Types of Conflict and Competition 000
Causes of Channel Conflict 000

CASE Almarai 000
The Private-Label Threat 000
Characteristics of the Marketing Communications Mix 000

CASE Scientific Atlanta (SA) 000
Factors in Setting the Marketing Communications Mix 000

CASE General Electric 000
Measuring Communication Results 000
Managing the Integrated Marketing Communications Process 000

CASE GMC & ESPN 000
Coordinating Media 000
Implementing IMC 000

CASE British Gas 000

MARKETING MEMO How Integrated is Your IMC Program? 000

Summary 000
Applications 000

MARKETING EXCELLENCE Carrefour 000

PART 7 Communicating Value 000

CHAPTER 17 Designing and Managing Integrated Marketing Communications 000

The Role of Marketing Communications 000
The Changing Marketing Communication Environment 000
Marketing Communications, Brand Equity, and Sales 000

CASE Pepsi 000

CASE Sugar Daddy’s 000
The Communications Process Models 000

Developing Effective Communications 000
Identify the Target Audience 000
Determine the Communications Objectives 000
Design the Communications 000

MARKETING INSIGHT Celebrity Endorsements As a Strategy 000
Select the Communications Channels 000

CASE Mini 000
Establish the Total Marketing Communications Budget 000
Deciding on the Marketing Communications Mix 000

Developing and Managing an Advertising Program 000
Setting the Objectives 000
Deciding on the Advertising Budget 000
Developing the Advertising Campaign 000

CASE Garnier 000

CASE Unisys 000

MARKETING MEMO Print Ad Evaluation Criteria 000

CASE 57357 000

CASE Splenda versus Equal 000
Deciding on Media and Measuring Effectiveness 000
Deciding on Reach, Frequency, and Impact 000
Choosing among Major Media Types 000
Alternative Advertising Options 000

CASE Kunhadi 000
Summary 000
Applications 000
MARKETING EXCELLENCE Silkor 000

CHAPTER 19 Managing Personal Communications: Direct and Interactive Marketing, Word of Mouth, and Personal Selling 000

Direct Marketing 000
The Benefits of Direct Marketing 000
CASE Aramex: Shop and... Shop 000

CASE Lands' End 000
Direct Mail 000

CASE The Phoenician 000
Catalog Marketing 000

CASE Black Box 000
Telemarketing 000
Other Media for Direct-Response Marketing 000
Public and Ethical Issues in Direct Marketing 000

Interactive Marketing 000
Advantages and Disadvantages of Interactive Marketing 000

CASE Pepsi 000

CASE Online Shopping in the UAE 000

CASE Axe 000

BOX 19.1 Top Daily Internet Activities 000
Placing Ads and Promotions Online 000

BOX 19.2 Seven Key Design Elements of an Effective Website 000

MARKETING MEMO Segmenting Tech Users 000

CASE Burger King's Obedient Chicken 000

CASE BMW Films 000

Word of Mouth 000

CASE CaféMom 000

CASE Doubletree Hotels (Hilton) 000
Social Media 000
Part 8  Creating Successful Long-Term Growth  000

Chapter 20  Introducing New Market Offerings  000

New-Product Options  000
Make or Buy  000
CASE Cadbury  000
Types of New Product  000
CASE Perceptive Pixel  000

Challenges in New-Product Development  000
The Innovation Imperative  000
CASE The Cleopatra Industrial Group  000
New-Product Success  000
CASE Southwest Airlines  000
CASE Catwalk Cow  000
New-Product Failure  000
BOX 20.1 Causes of New-Product Failure  000
Organizational Arrangements  000

Budgeting for New-Product Development  000
Organizing New-Product Development  000
CASE Adobe Systems Inc.  000
Managing the Development Process: Ideas  000
Idea Generation  000
MARKETING MEMO Ten Ways to Find Great New-Product Ideas  000

MARKETING INSIGHT P&G’S New Connect-And-Develop Approach to Innovation  000

BOX 20.2 Three Innovation Models  000
Budgeting for New-Product Development  000
Organizing New-Product Development  000
CASE Adobe Systems Inc.  000

Box 19.3 BzzAgent’s Word-of-Mouth Dos and Don’ts  000
Blogs  000
CASE Ford Bold Moves  000
Measuring the Effects of Word of Mouth  000
Designing the Sales Force  000
CASE American University of Beirut  000
Sales-Force Objectives and Strategy  000
BOX 19.4 A Hypothetical (Dysfunctional) Sales-Marketing Exchange  000
Sales-Force Structure  000
CASE Hewlett-Packard  000
Sales-Force Size  000
MARKETING INSIGHT Major Account Management  000
Sales-Force Compensation  000
Managing the Sales Force  000
Recruiting and Selecting Representatives  000
Training and Supervising Sales Representatives  000
CASE Altera  000
Sales Rep Productivity  000
Motivating Sales Representatives  000
CASE Oracle  000
Evaluating Sales Representatives  000
Principles of Personal Selling  000
The Six Steps  000
Relationship Marketing  000
SUMMARY 000

APPLICATIONS 000

MARKETING EXCELLENCE Yahoo!  000
Deciding on the Marketing Program

**CASE** Red Bull

**CASE** Orascom Telecom Holding

**MARKETING MEMO** The Ten Commandments of Global Branding

**CASE** Bertelsmann

**CASE** McDonalds McArabia

**MARKETING INSIGHT** Unauthorized Sales: Dealing with the Gray Market and Counterfeit Products

**CASE** General Electric Company

**CASE** Unilever

**CASE** Nike

**CASE** Microsoft

**MARKETING INSIGHT** Unauthorized Sales: Dealing with the Gray Market and Counterfeit Products

**CASE** SABIC

**Deciding Whether to Go Abroad**

**Deciding Which Markets to Enter**

**How Many Markets to Enter**

**Developed versus Developing Markets**

**CASE** Danone

**MARKETING INSIGHT** Spotlight on Key Developing Markets

**Evaluating Potential Markets**

**CASE** Bechtel Corporation

**CASE** Cilantro Café

**Deciding How to Enter the Market**

**Indirect and Direct Export**

**CASE** Al Faisaliah Group

**Using a Global Web Strategy**

**Licensing**

**CASE** KFC Corporation

**Joint Ventures**

**Direct Investment**

**Summary**

**Applications**

**MARKETING EXCELLENCE** Samsung

---

**Chapter 21**

Tapping Into Global Markets

**Competing on a Global Basis**

**CASE** SABIC

**Deciding Whether to Go Abroad**

**Deciding Which Markets to Enter**

**How Many Markets to Enter**

**Developed versus Developing Markets**

**CASE** Danone

**MARKETING INSIGHT** Spotlight on Key Developing Markets

**Evaluating Potential Markets**

**CASE** Bechtel Corporation

**CASE** Cilantro Café

**Deciding How to Enter the Market**

**Indirect and Direct Export**

**CASE** Al Faisaliah Group

**Using a Global Web Strategy**

**Licensing**

**CASE** KFC Corporation

**Joint Ventures**

**Direct Investment**

**Summary**

**Applications**

**MARKETING EXCELLENCE** Samsung
CHAPTER 22  Managing a Holistic Marketing Organization for the Long Run  

Trends in Marketing Practices  000  
Internal Marketing  000  

CASE  Selections Antique Store  000  
Organizing the Marketing Department  000  

MARKETING MEMO  Characteristics of Company Departments that are Truly Customer Driven  000  

CASE  Vitrac  000  

CASE  DuPont  000  
Relations with Other Departments  000  

CASE  Arab Bank  000  
Building a Creative Marketing Organization  000  

MARKETING INSIGHT  The Marketing CEO  000  

MARKETING MEMO  Fueling Strategic Innovation  000  

Socially Responsible Marketing  000  

CASE  Firms of Endearment  000  

BOX 22.1  Top Firms of Endearment  000  

CASE  Zain  000  
Corporate Social Responsibility  000  

BOX 22.2  Top-Rated Companies for Social Responsibility  000  

CASE  Innovest  000  
Socially Responsible Business Models  000  

MARKETING INSIGHT  New Views on Corporate Social Responsibility  000  
Cause-Related Marketing  000  

CASE  British Airways  000  

BOX 22.3  Millennial Generation Cause Attitudes  000  

CASE  Cadbury Schweppes PLC  000  

CASE  (RED)  000  
Social Marketing  000  

MARKETING MEMO  Making a Difference  000  

CASE  PepsiCo Jordan  000  

BOX 22.4  Social Marketing Planning Process  000  

CASE  Vodafone Egypt  000  
Marketing Implementation  000  

BOX 22.5  Characteristics of a Great Marketing Company  000  

CASE  BinSina Pharmacy  000  
Evaluation and Control  000  
Annual-Plan Control  000  

BOX 22.6  Marketing Metrics  000  
Profitability Control  000  
Efficiency Control  000  

CASE  Dell  000  
Strategic Control  000  

BOX 22.8  Components of a Marketing Audit  000  

BOX 22.9  The Marketing Excellence Review: Best Practices  000  
The Future of Marketing  000  

MARKETING MEMO  Major Marketing Weaknesses  000  

Summary  000  

MARKETING EXCELLENCE  Oriental Weavers Corporate Social Responsibility  000  

Appendix  000
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Chapter Title</th>
<th>Opening Vignette</th>
<th>In-Chapter Cases</th>
<th>Marketing Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Defining Marketing for the Arab World</td>
<td>Cilantro, Egypt</td>
<td>Al Shabrawy Arabiata • Xerox • Emirates Airline • HSBC Bank • Mashreqbank • Carrefour • MAC Cosmetics Inc. • KFC, •Converse, Wm. Wrigley Jr. • Etisalat • Safra Defensive Driving Academy • Ben &amp; Jerry's • Al-Arabiyya</td>
<td>Nike</td>
</tr>
<tr>
<td>2</td>
<td>Developing Marketing Strategies and Plans</td>
<td>Emirates Airline</td>
<td>Nike • TE Data Inc. • Brownbag • Kodak • Starbucks • Almarai • EgyNet • Nestle Egypt</td>
<td>Intel</td>
</tr>
<tr>
<td>3</td>
<td>Gathering Information and Scanning the Environment</td>
<td>Abdel Rahman El Hallab &amp; Sons, Lebanon</td>
<td>National Bank of Abu Dhabi • Information International • Toyota Prius • Agility</td>
<td>Google</td>
</tr>
<tr>
<td>4</td>
<td>Conducting Marketing Research and Forecasting Demand</td>
<td>Coca-Cola</td>
<td>InfoPro Research • TNS Global • Yahoo! Maktoob Research • Bayt.com •</td>
<td>Maartouk</td>
</tr>
<tr>
<td>5</td>
<td>Creating Customer Value, Satisfaction, and Loyalty</td>
<td>Ritz-Carlton hotel</td>
<td>Hewlett-Packard Co., Dell Inc. • Abu Dhabi International Airport • Joie de Vivre Hospitality Inc. • Al-Ahram Beverage Company • Commercial Bank of Qatar • Hershey Co. • Apple • Harley-Davidson • EFG Hermes • British Broadcasting Corp. •</td>
<td>Vodafone</td>
</tr>
<tr>
<td>6</td>
<td>Analyzing Consumer Markets</td>
<td>Mobile Communications in the Middle East</td>
<td>Chrysler • Virgin Megastore • General Motors • India’s “Gen Next” • Lohas • Indomie Noodles • Toyota • Chipsy • TetraPak</td>
<td>Ikea</td>
</tr>
<tr>
<td>7</td>
<td>Analyzing Business Markets</td>
<td>Aramex</td>
<td>Cisco • Rapid Impact Compaction (RIC) • Japan and Indonesia • Saudi Oger Limited • General Motors • Karl Storz • McDonald’s • Tijari • Zawya.com • Dubai Customs • Desert Diamond</td>
<td>General Electric</td>
</tr>
<tr>
<td>8</td>
<td>Identifying Market Segments and Targets</td>
<td>Live’ly</td>
<td>Stuck on You • TSC – The Sultan Center • Four Seasons Hotel • Dove • First National Bank • TNS • Starwood Hotels &amp; Resorts • PepsiCo</td>
<td>HSBC</td>
</tr>
<tr>
<td>9</td>
<td>Creating Brand Equity</td>
<td>My Diamond</td>
<td>DHL • Allianz Group Egypt • Apple Computer • Burger King • The Egyptian Tax Authority • Eli Lilly • Savola Group • Volvo • Harley-Davidson • Mountain Dew • Groupe Michelin, Goodyear • Bic</td>
<td>Procter &amp; Gamble</td>
</tr>
<tr>
<td>10</td>
<td>Crafting the Brand Positioning</td>
<td>Isis</td>
<td>Crepaway • Visa versus American Express • Umpqua Bank • BMW • Roadster Diner • Alshfi • Sabek Wa Lahek • Wikipedia.org, Citizendum.org • AthenaHealth Inc. • Yahoo! • Electrolux AB • Coca-Cola • Paper Towels</td>
<td>UPS</td>
</tr>
<tr>
<td>11</td>
<td>Dealing With Competition</td>
<td>Aramex</td>
<td>Etisalat Egypt • Ceramica Cleopatra • Gap • Air Arabia • Tarek Nour Communications • Search Engines • EIPICO • Al Kharafi Group • Arab Pharmaceutical Glass Co. • Sana Fashion Store</td>
<td>Nestle</td>
</tr>
<tr>
<td>Chapter</td>
<td>Chapter Title</td>
<td>Opening Vignette</td>
<td>In-Chapter Cases</td>
<td>Marketing Excellence</td>
</tr>
<tr>
<td>---------</td>
<td>---------------------------------------------------------------------------</td>
<td>------------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>12</td>
<td>Setting Product Strategy</td>
<td>Raya</td>
<td>Saudi Paper Manufacturing Company • Lego • Mercedes-Benz • NoDust • Hydra Properties • Acer • Costco Wholesale Corp. • Rotana Hotel • Hamil Al Musk • VW • Vodafone Qatar Q.S.C • Moroccanoil • DuPont • Kazouza • Toshiba El Araby • Toyota</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Designing And Managing Services</td>
<td>Mayo Clinic</td>
<td>Luxury Automobiles • Grand Royal Hotel • Mashaweer • JetBlue • Singapore Airlines (SIA) • Dubai Smile Dental Center • Charles Schwab • Ritz-Carlton Hotels • Kempinski Hotel Mall of the Emirates • Raya Contact Center • Hotel Front Desks • Mobinil • Saudi Aramco • Etihad Airways • Cirque du Soleil • Emirates • Airline</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Developing Pricing Strategies and Programs</td>
<td>Gillette</td>
<td>Dalydress vs. Fabulous • Consumer Electronics • Sarah's Bag • Azza Fahmy • IKEA • Choice • The Museum of Islamic Art (MIA) • Tunisian Manufacturing Industries • Carrefour Egypt • Procter &amp; Gamble • Bloomberg LP • Al-Ahly Football Club • Air Arabia • Ebay</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Designing and Managing Integrated Marketing Channels</td>
<td>PepsiCo</td>
<td>Intel Inside • Dell • Arab Open University • McDonald's McDelivery Service in Bahrain • Beesline • Apple Stores • HDFC Bank • Coach • Souq.com • Cisco Systems • Alibaba • Transmed</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Managing Retailing, Wholesaling, and Logistics</td>
<td>Zara</td>
<td>Panda • Wendy’s International Inc • Mikyajy • Jumbo Electronics • Almarai • Top Tex Co • The New York Times • Wal-Mart • Pepsi Bottling Group • Carrefour</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Designing and Managing Integrated Marketing Communications</td>
<td>Dove</td>
<td>PepsiCo • Sugar Daddy’s • Mini • Scientific Atlanta (SA) • General Electric • GMC &amp; ESPN • British Gas • Diwan Bookstore</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Managing Mass Communications: Advertising, Sales Promotions, Events and Experiences, and Public Relations</td>
<td>Telecommunication companies in the Arab world</td>
<td>Garnier • Unisys • 57357 • Splenda Versus Equal • Kunhadi • Dubai International Airport &amp; Sorouh • Academy – The Universities News Magazine • MediaSource • Information Resources Inc. • American Express • Body by Milk • Ferrari World • Samsung &amp; Asian Cup Qatar 2011 • Silkor</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Managing Personal Communications: Direct and Interactive Marketing, Word of Mouth, and Personal Selling</td>
<td>Coke.com</td>
<td>Aramex: Shop And…Shop • Lands’ End • 5 Index • The Phoenician • Black Box • Pepsi • Online Shopping In The UAE • Ave • Burger King • BMW Films • CaféMom • Doubletree Hotels (Hilton) • BLOM Bank • AlMashreq Bank • Blendtec • Huggies • Campfire • Ford Bold Moves • American University of Beirut • Hewlett-Packard • Altera • Oracle • Yahoo!</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Introducing New Market Offerings</td>
<td>Mobinil</td>
<td>Cadbury • Perceptive Pixel • The Cleopatra Industrial Group • Southwest Airlines • Catwalk Cow • Xerox • Adobe Systems Inc. • iStockphoto • Friends • Boeing • Apple iPod</td>
<td></td>
</tr>
<tr>
<td>Chapter</td>
<td>Chapter Title</td>
<td>Opening Vignette</td>
<td>In-Chapter Cases</td>
<td>Marketing Excellence</td>
</tr>
<tr>
<td>---------</td>
<td>---------------</td>
<td>------------------</td>
<td>------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>21</td>
<td>Tapping Into Global Markets</td>
<td>Nokia</td>
<td>SABIC • Danone • Bechtel Corporation • Cilantro Café • Al Faisaliah Group (AFG) • KFC Corporation • Red Bull • Orascom Telecom Holding (OTH) • Bertelsmann • McDonald’s McArabia • Unilever • Nike • Microsoft • General Electric Company • Jawad Express • Wal-Mart • Toyota •</td>
<td>Samsung</td>
</tr>
<tr>
<td>22</td>
<td>Managing a Holistic Marketing Organization for the Long Run</td>
<td>Emirates Airline</td>
<td>Selections Antique Store • Vitrac • DuPont • Arab Bank • Firms of Endearment • Zain • Innovest • British Airways • Cadbury Schweppes PLC • (RED) • PepsiCo Jordan • Vodafone Egypt • Binsina Pharmacy • Dell</td>
<td>Oriental Weavers</td>
</tr>
</tbody>
</table>
We are extremely pleased to see the Arab World Edition of *Marketing Management*. The text was first published for the North America region, but has been enthusiastically adopted by hundreds of universities worldwide. It has become the world’s leading textbook for training marketing managers. The book has been successfully adapted to meet the needs of many other countries and areas in the world including Germany, France, Italy, Canada, Australia, China, India, and Asia.

This new edition demonstrates that *Marketing Management*, in its scope and depth, effectively meets the demand of educators for a book that offers a holistic approach for developing marketing plans in various cultural and changing settings. Indeed, the text offers the most coherent treatment of marketing concepts and issues without overlooking contemporary applications and evolving business conditions.

The Arab edition is needed now more than ever. While maintaining the essence of the North America Edition, this Arab World version provides students with concepts, approaches, and examples relevant to the Arab culture and its business environment. We draw upon local cases and mention virtually all of the different countries in the area and their differences as well as similarities.

Professors Hassan, Baalbaki, and Shamma have done a superb job in systematically addressing strategic issues pertaining to the Arab world and in bringing the most popular marketing management text in the world to future Arab marketers.

We hope Arab educators and students alike find this edition both interesting and useful.

*Philip Kotler*
*Kevin Lane Keller*
Preface

What’s New in the Arab World Edition?

As marketing techniques and organization in the Arab World have changed, so has this text. This Arab World edition is designed not only to preserve the strengths of the Marketing Management text, but also to introduce new material and organization to further enhance learning about the Arab world. We retained the key theme of holistic marketing, and the recognition that “everything matters” with marketing and that a broad, integrated perspective is often necessary. This theme is not developed so deeply, however, that it would restrict or inhibit an instructor’s flexibility and teaching approach. To provide flexibility in the classroom, we also retained the new modular structure and eight parts corresponding to the eight key marketing management tasks. This edition has been adapted to include the following:

- Many of the introductory vignettes that open each chapter have been replaced with relevant regional examples to set the stage for the chapter material to follow. By covering familiar brands or companies, the vignettes serve as great discussion starters.
- In-chapter cases have been replaced with regional cases, which are complimented by familiar global cases. Students will be able to relate to familiar companies, and will identify with the topics more, creating a more robust learning experience.
- Trends and statistics from across the region, as well as global ones, will give students a better picture of Marketing Management in the Arab world, and how concepts are applied in their environment, as well as globally.
- Each chapter has one Marketing Excellence feature appearing at the end of each chapter to highlight innovative, insightful marketing accomplishments by leading regional and global organizations.
- Where appropriate, Marketing Insight and Marketing Memo boxes have been updated and adapted to give a regional perspective. Marketing Insight boxes delve into important marketing topics, often highlighting current research findings. Marketing Memo boxes offer practical advice and direction in dealing with various decisions at all stages of the marketing management process.
- Many in-text boxes have been adapted or replaced with regional examples, and provide vivid illustrations of chapter concepts using actual companies and situations. The boxes cover a variety of products, services, and markets, and many have accompanying illustrations in the form of ads or product shots.
- Chapters are updated throughout, especially in terms of academic references.
- We have retained the Marketing Applications, Marketing Debate and Marketing Discussion sections at the end of each chapter. The Marketing Applications has two practical exercises to challenge students, and the Marketing Debate suggests opposing points of view on an important marketing topic from the chapter and asks students to take a side. Marketing Discussion identifies provocative marketing issues and allows for a personal point of view.

What is Marketing Management: An Arab World Edition All About?

Marketing Management: An Arab World Edition is a pioneering marketing text that provides content and organization consistently reflecting current developments in marketing with an Arab World perspective. This is the first edition on Marketing Management that offers a focus on timely marketing concepts and case studies from the Arab world. This book offers a unique perspective on the people, the markets, and culture of the Arab world. This edition is faithful to core concepts such as brand equity, customer value analysis, database marketing, e-commerce, value networks, hybrid channels, supply chain management, and integrated marketing communications. Marketing Management: An Arab World Edition continues to reflect the changes in the marketing discipline over the past forty years with a perspective and focus on the Arab culture.

Firms now sell goods and services through a variety of direct and indirect channels in the Arab world. Mass advertising is not nearly as effective as it was, so marketers are exploring
new forms of communication, such as experiential, entertainment, and viral marketing. Customers are telling companies what types of product or services they want and when, where, and how they want to buy them. They are increasingly reporting to other consumers what they think of specific companies and products—using e-mail, blogs, podcasts, and other digital media to do so. Company messages are becoming a smaller fraction of the total “conversation” about products and services.

In response, companies have shifted gears from managing product portfolios to managing customer portfolios, compiling databases on individual customers so they can understand them better and construct individualized offerings and messages. They are doing less product and service standardization and more niching and customization. They are replacing monologues with customer dialogues. They are improving their methods of measuring customer profitability and customer lifetime value. They are intent on measuring the return on their marketing investment and its impact on shareholder value. They are also concerned with the ethical and social implications of their marketing decisions.

As companies change, so does their marketing organization. In the Arab world, the role of Marketing is changing as major multinationals now operate in the region or consider that region as a leading growth market.

To address all these different shifts, good marketers are practicing holistic marketing. Holistic marketing is the development, design, and implementation of marketing programs, processes, and activities that recognize the breadth and interdependencies of today’s marketing environment. Four key dimensions of holistic marketing are:

1. **Internal marketing**—ensuring everyone in the organization embraces appropriate marketing principles, especially senior management.
2. **Integrated marketing**—ensuring that multiple means of creating, delivering, and communicating value are employed and combined in the best way.
3. **Relationship marketing**—having rich, multifaceted relationships with customers, channel members, and other marketing partners.
4. **Performance marketing**—understanding returns to the business from marketing activities and programs, as well as addressing broader concerns and their legal, ethical, social, and environmental effects.

These four dimensions are woven throughout the book and at times spelled out explicitly. The text specifically addresses the following tasks that constitute modern marketing management in the 21st century:

1. Developing marketing strategies and plans
2. Capturing marketing insights and performance
3. Connecting with customers
4. Building strong brands
5. Shaping the market offerings
6. Delivering and communicating value
7. Creating successful long-term growth

**What Makes Marketing Management Important?**

Marketing is of interest to everyone, whether they are marketing goods, services, properties, persons, places, events, information, ideas, or organizations. As it has maintained its respected position among students, educators, and businesspeople, *Marketing Management* has kept up-to-date and contemporary. Students (and instructors) feel that the book is talking directly to them in terms of both content and delivery.
Marketing Management owes its marketplace success to its ability to maximize three dimensions that characterize the best marketing texts—depth, breadth, and relevance—as measured by the following criteria:

- **Depth.** Does the book have solid academic grounding? Does it contain important theoretical concepts, models, and frameworks? Does it provide conceptual guidance to solve practical problems?
- **Breadth.** Does the book cover all the right topics? Does it provide the proper amount of emphasis on those topics?
- **Relevance.** Does the book engage the reader? Is it interesting to read? Does it have lots of compelling examples?

The thirteenth edition builds on the fundamental strengths of past editions that collectively distinguish it from all other marketing management texts:

- **Managerial Orientation.** The book focuses on the major decisions that marketing managers and top management face in their efforts to harmonize the organization’s objectives, capabilities, and resources with marketplace needs and opportunities.
- **Analytical Approach.** Marketing Management presents conceptual tools and frameworks for analyzing recurring problems in marketing management. Cases and examples illustrate effective marketing principles, strategies, and practices.
- **Multidisciplinary Perspective.** The book draws on the rich findings of various scientific disciplines—economics, behavioral science, management theory, and mathematics—for fundamental concepts and tools directly applicable to marketing challenges.
- **Universal Applications.** The book applies strategic thinking to the complete spectrum of marketing: products, services, persons, places, information, ideas and causes; consumer and business markets; profit and nonprofit organizations; domestic and foreign companies; small and large firms; manufacturing and intermediary businesses; and low- and high-tech industries.
- **Comprehensive and Balanced Coverage.** Marketing Management covers all the topics an informed marketing manager needs to understand to execute strategic, tactical, and administrative marketing.

Other features include new concepts, examples, guidelines, and developments as detailed below.

## The Teaching and Learning Package

Marketing Management is an entire package of materials available to students and instructors. This edition includes a number of ancillaries designed to make the marketing management course an exciting, dynamic, interactive experience.

### MyMarketingLab

Mymarketinglab gives you the opportunity to test yourself on key concepts and skills, track your progress through the course and use the personalized study plan activities—all to help you achieve success in the classroom. Features include:

- **Personalized Study Plans**—Pre- and post-tests with remediation activities directed to help you understand and apply the concepts where you need the most help.
- **Interactive Elements**—A wealth of hands-on activities and exercises let you experience and learn actively.
- **Current Events Articles**—Concise, highly relevant articles about the latest marketing-related news with thought provoking short essay questions.
- **Critical Thinking Challenge Question**—These questions measure core critical-thinking skills through the context of marketing applications. To answer these questions, you will need to recognize assumptions, evaluate arguments, identify relevant issues, draw
inferences, spot logical flaws, and recognize similarities between arguments. Knowledge of marketing content picked up through the text and the class will help you zero in on the correct issues, but you will still need to exercise critical judgment in order to get the correct answer.

Instructor’s Resource Manual

The Instructor’s Resource Manual includes chapter/summary overviews, key teaching objectives, answers to end-of-chapter materials, Harvard Business School case suggestions, exercises, projects, and detailed lecture outlines. Also included is the feature, “Professors on the Go!” which was created with the busy professor in mind. It brings key material upfront, where an instructor who is short on time can find key points and assignments that can be incorporated into the lecture, without having to page through all the material provided for each chapter.

Test Item File

The Test Item File contains more than 3,000 multiple-choice, true-false, short-answer, and essay questions, with page reference and difficulty level provided for each question. Please note that an entire section is dedicated to application questions. These real-life situations take students beyond basic chapter concepts and vocabulary and ask them to apply marketing skills.

The Test Item File supports Association to Advance Collegiate Schools of Business (AACSB) International Accreditation. Each chapter of the Test Item File was prepared with the AACSB curricula standards in mind. Where appropriate, the answer line of each question* indicates a category within which the question falls. This AACSB reference helps instructors identify those test questions that support that organization’s learning goals.

*Please note that not all the questions will offer an AACSB reference.

TestGen

Prentice Hall’s TestGen test-generating software is available for this edition as well. This supplement is available from the IRC Online only (www.prenhall.com/kotler). Please note that the TestGen is NOT included on the Instructor’s Resource Center on CD.

- PC/Mac compatible and preloaded with all the Test Item File questions.
- Manually or randomly view test bank questions and drag-and-drop to create a test.
- Add or modify test bank questions using the built-in Question Editor.
- Print up to 25 variations of a single test and deliver the test on a local area network using the built-in QuizMaster feature.
- Free customer support is available at media.support@pearsoned.com

PowerPoints

This presentation includes basic outlines and key points from each chapter and has been designed for instructors who prefer to customize PowerPoints. The slides also contain advertisements and figures from the text, and discussion questions.

Marketing Management Video Gallery 2009

Using today’s popular newsmagazine format, students are taken on location and behind closed doors. Each news story profiles a well-known or up-and-coming company leading the way in its industry. A full library of video segments is available, covering key topics using leading companies. Issue-focused footage includes interviews with top executives, objective reporting by real news anchors, industry research analysts, and marketing and advertising campaign experts.
The Arab World edition bears the imprint of many people.

From Salah S. Hassan: A book of this type is unique. Although we have taken the initiative in bringing to the Arab World a pioneering adaptation of the Marketing Management book, it is important to acknowledge the great inspiration of Philip Kotler and Kevin Keller. They both inspired us over the years to think of how marketing management is becoming a truly global phenomenon. Although we tried to be faithful to how they put the pieces of the marketing management map together, we would like to acknowledge the input of many reviewers who gave us insightful remarks that inspired us to make this work fit within the Arab World perspective. We are very grateful to the reviewers who helped us in the selection and refinement of key marketing concepts and cases to fit within the Arab World culture and marketplace realities. Acknowledgments with appreciation are due to colleagues and business associates like: Dr. Ibrahim Hegazy, The American University in Cairo; Dr. Ahmed A. Soliman, King Saud University; Dr. Ahmed Al-Motawa, King Saud University; Dr. Abdulrahman Al-Ali, King Saud University; Dr. Omar Ramzy, The American University in Cairo; Mr. Brendan Noonan, Emirates Airlines; Mr. Raja Trad, Leo Burnett Group; Ms. Siobhán Adams, Gulf Marketing Review; and Ms. Reina Sayegh, The George Washington University MBA Program. Also, I gratefully acknowledge the support received from my colleagues and students at the Department of Marketing, GW School of Business, The George Washington University. Finally, I dedicate this book to the very special people whose emotional support gave me an endless support and energy to complete this voyage. My very caring parents Salem and Rifaat always inspired me to advance my career and my sisters Thoraya and Iman and my brother Adel. A work of this magnitude would not have been possible without the endless emotional support and inspiration of my lovely wife Nesrin and my fascinating sons Shareef and Ameer.

From Imad B Baalbaki: My very first word of acknowledgment has to be to my mentor Dr Naresh K. Malhotra, my professor and PhD supervisor during my doctoral studies at the Georgia Institute of Technology. Dr Malhotra’s work commitment, professional advice, meticulous attention to detail, and ethical and moral values have not only guided me and my classmates at Georgia Tech through our doctoral years, but have also impacted and continue to impact my academic and professional career. Gina Miller, James Agarwal, Neale Martin, Joe Schwartz

I would also like to acknowledge my colleagues, friends, and students at the Suliman S. Olayan School of Business at the American University of Beirut. I also recognize my colleagues at AUB’s Office of Development for being my second family, and my students of the past, present, and future for enriching my experiences and thinking. I have been blessed to be able to contribute to my community through a very noble profession – education, and at a world-class institution – American University of Beirut.

I am indebted to several members of my immediate and extended family. My late grandparents, Afif and Samiha, and my aunt Aafaf, and uncles Hisham, Samih, and late Addulhafiz have embraced me with unwavering love and care, especially during my doctoral studies in the United States. A word of thanks is due to a special Moukaddem family (Fuadi, Maya, Mashhour, and Hazem).

I owe the person I am to my parents: my late father Burhan and my mother Rabab, and to my sisters: Thurayya, Souheir, and Salwa. And to the one-and-only Annelie and our angels: Sarah, Roya, and Mia, I say: Thanks for being there. You are a blessing and my inspiration.

From Hamed M. Shamma: I am grateful to all my professors and colleagues who have impacted my career. They have influenced my way of thinking and provided me with the timely guidance and advice. First is Dr. Salah Hassan, my primary Ph.D. advisor at the George Washington University (GWU) and co-author of this book. Dr. Hassan provided me with sincere advice since the start of my Ph.D. program. His mentorship is one of a kind that I will never forget. He is a truly charismatic professor who has influenced me until today. Dr. Marilyn Liebrenz-Himes, Associate Professor of Global Marketing at GWU was very generous with her time and effort. Further, Dr. Liebrenz-Himes provided unlimited support and
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I am happy to be part of the family of the AUC School of Business and see it grow to becoming a leading school in the region and worldwide. The Dean of the School of Business, Dr. Sherif Kamel has helped in many ways since I joined AUC as a faculty member. He has always shared with me ideas and encouraged me to initiate ideas and excel in my work. I always find it valuable to talk to him since there is always something new and useful to know from him.

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I owe a lot to my parents Shadia and Mahmoud who have sacrificed a lot to make sure that I get the best in life. I am the product of all your efforts and sacrifices. The more I live the more I feel that you were really behind all of this. You are always my source of pride and respect.

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To Rola my sister who is a very caring person, and Mohamed my brother, we are waiting for your Ph.D. completion soon. Wishing you all the best.

We are indebted to the following colleagues at other universities who reviewed this new edition:

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The talented staff at Pearson Publishing deserves praise for their role in the development of the Arab World edition. We want to thank Rasheed Roussan, Acquisitions Editor, and Sophie Bulbrook, Senior Development Editor for their continued support, and we greatly value the constructive feedback and assistance they have provided throughout this work. We also want to thank Project Editors, Kate Sherington, Nicole Elliott and Bernice Luxford. Thanks also to Fay Gibbons and Claire Lipscomb for their work on the early stages of the project, and
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Errors in marketing research can be very costly.

In this Chapter, We Will Address the Following Questions:

1. What constitutes good marketing research? (pg. 000)
2. What are good metrics for measuring marketing productivity? (pg. 000)
3. How can marketers assess their return on investment of marketing expenditures? (pg. 000)
4. How can companies more accurately measure and forecast demand? (pg. 000)
Good marketers want insights to help them interpret past performance as well as plan future activities. They need timely, accurate, and actionable information about consumers, competition, and their brands. They also need to make the best possible tactical decisions in the short run and strategic decisions in the long run. Discovering a consumer insight and understanding its marketing implications can often lead to a successful product launch or spur the growth of a brand.

Over the years, Coca-Cola enjoyed a dominant position and a hefty market share compared to its rival competitors. But, in time, the company’s comfortable position was successfully challenged by Pepsi, which slowly but surely ate into Coca-Cola’s market share from the mid-1970s onward. Pepsi kept expanding its market share at Coca-Cola’s expense, in spite of Coca-Cola’s dominant presence over retail shelves and control of the fountain soda business. Coca-Cola attempted to counter-attack by outspending Pepsi by four to one in advertising expenditures, but was unable to defend its market share.

The Pepsi attack reached its height in the early 1980s with its Pepsi Challenge advertising and communication campaign, in which it challenged soda drinkers to take a blind test of the two colas. More people who took the challenge preferred the sweeter Pepsi taste. Coca-Cola employed a new chairman with a chemical engineering education and extensive laboratory experience, and in an effort to retaliate with a grass-root offensive the company engaged in a massive research study that covered the entire United States, with costs amounting to millions of dollars. The underlying assumption was that the product itself was the main cause of the market erosion: it was the taste of Coca-Cola that was to blame. Coca-Cola management believed that the ‘magic formula’ that Coca-Cola had so defended since its inception was being challenged.

Research was carried in the labs (altering the chemical composition of the product) and in the market (through thousands of taste tests). The result was a new Coca-Cola product; a sweeter product, the taste of which was preferred to that of the old product and also to that of Pepsi in blind tests. In 1984, the new sweeter Coca-Cola replaced the old Coca-Cola. The decision, which Coca-Cola management thought would re-energize the brand, produced unanticipated results. Consumers did not like the change. Retaliation by loyal Coca-Cola drinkers was massive. They organized themselves, boycotted the new product, bought media space to denounce the decision, and threatened to take legal action against the company. Consumers saw Coca-Cola as ‘their’ brand and that the company had no right to take away a product that was a core part of their experience growing up and ongoing in their adult lives. Realizing the value of the ‘lost’ asset, the company gave in and reintroduced the old product as Coca-Cola Classic, while

In this chapter, we review the steps involved in the marketing research process. We also consider how marketers can develop effective metrics for measuring marketing productivity. Finally, we outline how marketers can develop good sales forecasts.
Marketing managers often commission formal marketing studies of specific problems and opportunities. They may request a market survey, a product-preference test, a sales forecast by region, or an advertising evaluation. It is the job of the marketing researcher to produce insight into the customer’s attitudes and buying behavior. Marketing insights provide diagnostic information about how and why we observe certain effects in the marketplace, and what that means to marketers. We define marketing research as the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.

Most large companies have their own marketing research departments, which often play crucial roles within the organization. Procter & Gamble, one of the world’s largest consumer products companies with well-known brands like Ariel and Tide detergents, Crest toothpaste, and Head & Shoulders and Pert shampoo, has what it calls a Consumer & Market Knowledge (CMK) market research function with dedicated CMK groups working for P&G businesses around the world to improve both their brand strategies and program execution, as well as a relatively smaller, centralized corporate CMK group that focuses on a variety of big-picture concerns that transcend any specific line of business. Yet, marketing research is not limited to large companies with big budgets and marketing research departments. Often at much smaller companies everyone carries out marketing research, including the customers.

Companies normally budget marketing research at 1 to 2 percent of company sales. A large percentage of that is spent on the services of outside firms. Marketing research firms fall into three categories:

1. **Syndicated-service research firms.** These firms gather consumer and trade information, which they sell for a fee.
2. **Custom marketing research firms.** These firms are hired to carry out specific projects. They design the study and report the findings.
3. **Specialty-line marketing research firms.** These firms provide specialized research services. The best example is the field-service firm, which sells field interviewing services to other firms.

Table 4.1 lists a number of marketing research firms operating in different countries of the Arab world.
## Table 4.1
List of Major Marketing Research Companies across the Arab World

<table>
<thead>
<tr>
<th>Company</th>
<th>Website</th>
<th>Type of Agency</th>
<th>Countries of Operation</th>
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<tr>
<td>42 Market Research</td>
<td><a href="http://www.42mr.com">www.42mr.com</a></td>
<td>Full-Service Agency</td>
<td>Egypt, Saudi Arabia, the UAE</td>
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<td>Acumen</td>
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<td>AMRB</td>
<td><a href="http://www.amrb-mena.com">www.amrb-mena.com</a></td>
<td>Full-Service Agency</td>
<td>Algeria, Bahrain, Egypt, Iran, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Saudi Arabia, Sudan, Tunisia, the UAE</td>
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<td>Ara Research &amp; Consultancy</td>
<td><a href="http://www.ararac.com">www.ararac.com</a></td>
<td>Full-Service Agency</td>
<td>Kuwait, Lebanon, Qatar, Saudi Arabia, the UAE</td>
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<td>Arabian Echo</td>
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<td>Qualitative Agency and Consultant</td>
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<td>BJ Consult/BJ Marketing</td>
<td><a href="http://www.bjgroup.ma">www.bjgroup.ma</a></td>
<td>Full-Service Agency</td>
<td>Algeria, Djibouti, Egypt, Libya, Morocco, Qatar, Saudi Arabia, Syria, Tunisia, the UAE</td>
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<td>Center for Statistical Research</td>
<td>www csr.com.sa</td>
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<td>ConField-Middle East</td>
<td><a href="http://www.confield-me.com">www.confield-me.com</a></td>
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<td>Full-Service Agency</td>
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<td><a href="http://www.real-opinions.com">www.real-opinions.com</a></td>
<td>Full-Service Agency</td>
<td>Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, the UAE, Yemen</td>
</tr>
<tr>
<td>Realistic Management Consultancy</td>
<td><a href="http://www.rmc11.com">www.rmc11.com</a></td>
<td>Full-Service Agency</td>
<td>Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, the UAE, Yemen</td>
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<tr>
<td>Research &amp; Consulting House (REACH SAL)</td>
<td><a href="http://www.reachmass.com">www.reachmass.com</a></td>
<td>Full-Service Agency</td>
<td>Bahrain, Egypt, Jordan, Lebanon, Morocco, Oman, Saudi Arabia, Syria, the UAE</td>
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<tr>
<td>Research Now</td>
<td><a href="http://www.researchnow.com">www.researchnow.com</a></td>
<td>Consultant Research</td>
<td>Internationally and in the UAE</td>
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<tr>
<td>SAWT Research Field Force</td>
<td><a href="http://www.swat.ae">www.swat.ae</a></td>
<td>Fieldwork and Tabulation Research</td>
<td>Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the UAE, Yemen</td>
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<td>SEREC</td>
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<td>Fieldwork and Tabulation Research</td>
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<td>Synovate</td>
<td><a href="http://www.synovate.com">www.synovate.com</a></td>
<td>Full-Service Agency</td>
<td>Internationally and in the following Arab countries: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, the UAE, Yemen</td>
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<tr>
<td>TNS</td>
<td><a href="http://www.tnsglobal.com">www.tnsglobal.com</a></td>
<td>Full-Service Agency</td>
<td>Internationally and in the following Arab countries: Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Sudan, Syria, the UAE, Yemen</td>
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<td>Unboxed Consulting, Middle East &amp; Africa</td>
<td><a href="http://www.un-boxed.me">www.un-boxed.me</a></td>
<td>Full-Service Agency</td>
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<tr>
<td>Ventures Middle East</td>
<td><a href="http://www.ventures-me.com">www.ventures-me.com</a></td>
<td>Full-Service Agency</td>
<td>Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Sudan, Syria, the UAE, Yemen</td>
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<tr>
<td>Yahoo! Middle East &amp; Africa</td>
<td><a href="http://www.maktoob-research.com">www.maktoob-research.com</a></td>
<td>Full-Service Agency</td>
<td>Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Sudan, Syria, the UAE, Yemen</td>
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<tr>
<td>YouGovSiraj</td>
<td><a href="http://www.yougovsiraj.com">www.yougovsiraj.com</a></td>
<td>Full-Service Agency</td>
<td>Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Saudi Arabia, Sudan, Syria, the UAE, Yemen</td>
</tr>
</tbody>
</table>

Source: information from the ESOMAR Market Research Directory, http://directory.esomar.org/countries.php. The ESOMAR Directory of Research Organizations is an up-to-date, searchable resource of over 1,600 major research organizations worldwide.
Small companies can hire the services of a marketing research firm or conduct research in creative and affordable ways, such as:

- **Engaging students or professors to design and carry out projects.** Companies sometimes sponsor student competitions where university students compete in teams in developing a business solution of interest to the sponsoring company. The payoff to the students is experience and visibility; the payoff to the companies is fresh sets of eyes to solve problems at a fraction of the costs that consultants would charge.4

- **Using the internet.** A company can collect considerable information at very little cost by examining competitors’ websites, monitoring chat rooms, and accessing published data.

- **Checking out rivals.** Many small companies routinely visit their competitors. This allows them to have a first-hand exposure of their competitor’s product and service, and to carry out a comparison between their offering and that of the competitor without incurring major financial burden.

Most companies use a combination of marketing research resources to study their industries, competitors, audiences, and channel strategies.

### The Marketing Research Process

Effective marketing research follows the six steps shown in Figure 4.1. We illustrate them with the following situation:5

Suppose that Royal Jordanian Airlines (RJ) is considering ways to enhance its in-flight cabin services. Among the ideas the airline is reviewing are ways to better cater to its first-class and business-class passengers on very long flights, mainly businesspeople whose high-priced tickets pay most of the freight. Among these ideas is the provision of internet access, with limited access to web pages and e-mail messaging. Suppose that the marketing research manager was assigned to investigate how first-class passengers would rate these services, specifically the internet connection, and how much extra they would be willing to pay for it. One source estimates revenues of US$70 billion from in-flight internet access over 10 years, if enough first-class passengers paid $25. RJ might thus recover its costs in a reasonable time. Making the connection available would cost the airline $90,000 per plane.6

#### Step 1: Define the Problem, the Decision Alternatives, and the Research Objectives

Marketing managers must be careful not to define the problem too broadly or too narrowly for the marketing researcher. A marketing manager who says, “Find out everything you can about first-class air travelers’ needs,” will receive a lot of unnecessary information. One who says, “Find out whether enough passengers aboard a B747 flying direct between Amman and New York would be willing to pay US$25 for an internet connection for Royal Jordanian Airlines to break even in 1 year on the cost of offering this service,” is taking too narrow a view of the problem.

The marketing researcher might even ask, “Why does the internet connection have to be priced at $25 as opposed to $10, $50, or some other price? Why does RJ have to break even on the cost of the service, especially if it attracts new customers?” Another relevant question is: how important is it to be first in the market, and how long can the company sustain its lead?

The marketing manager and marketing researcher may agree to define the problem as follows: “Will offering an in-flight internet service create enough incremental preference and profit for RJ to justify its cost against other possible investments in service enhancements that RJ might make?” To help in designing the research, management should first spell out the decisions it might face and then work backward. Suppose management outlines these decisions. (1) Should RJ offer an internet connection? (2) If so, should we offer the service to first class only, or include business class, and possibly economy class? (3) What price(s) should we charge? (4) On what types of plane and lengths of trip should we offer the service?

Now management and marketing researchers are ready to set specific research objectives. (1) What types of first-class passenger would respond most to using an in-flight internet service?
(2) How many first-class passengers are likely to use the internet service at different price levels? (3) How many extra first-class passengers might choose RJ because of this new service? (4) How much long-term goodwill will this service add to Royal Jordanian Airlines’ image? (5) How important is internet service to first-class passengers relative to other services, such as a power plug or enhanced entertainment?

Not all research projects can be this specific. Some research is exploratory: its goal is to shed light on the real nature of the problem and to suggest possible solutions or new ideas. Some research is descriptive: it seeks to quantify demand, such as how many first-class passengers would purchase in-flight internet service at $25? Some research is causal: its purpose is to test a cause-and-effect relationship.

Step 2: Develop the Research Plan

The second stage of marketing research is where we develop the most efficient plan for gathering the needed information and what that will cost. Suppose the company made a prior estimate that launching an in-flight internet service would yield a long-term profit of US$50,000. If the manager believes that doing the marketing research will lead to an improved pricing and promotional plan and a long-term profit of $90,000, he should be willing to spend up to $40,000 on this research. If the research will cost more than $40,000, it’s not worth doing.7

To design a research plan, we need to make decisions about the data sources, research approaches, research instruments, sampling plan, and contact methods.

DATA SOURCES The researcher can gather secondary data, primary data, or both. Secondary data are data that were collected for another purpose and already exist somewhere. Primary data are data freshly gathered for a specific purpose or for a specific research project.

Researchers usually start their investigation by examining some of the rich variety of low-cost and readily available secondary data, to see whether they can partly or wholly solve the problem without collecting costly primary data. For instance, if a pan-Arab bank is interested in exploring the potential of the Lebanese banking sector, it might find the BankTrak reports of InfoPro Research valuable.

InfoPro Research InfoPro Research offers an annual quantitative household survey on retail banking in Lebanon. The survey, BankTrak, provides insights into the attitude of consumers toward their bank and its financial products and services and includes information on profiles, behaviors, usage, and attitudes of bank customers. Typical topics covered in the BankTrak reports include market share and banking trends and use of banking products and services. Recently, InfoPro Research added sections on Islamic banking and customer life styles. BankTrak reports would serve retail bankers in; benchmarking performance across products and services; identifying potential prospective clients across various regions of the country; developing products and services according to client preferences and behavior; and enhancing communication and advertising campaigns. InfoPro Research’s BankTrak service is provided in hard copy as well as electronically in soft copy, enabling easy manipulation of the data.8

When the needed data don’t exist or are dated, inaccurate, incomplete, or unreliable, the researcher will need to collect primary data. Most marketing research projects do include some primary-data collection.

RESEARCH APPROACHES Marketers collect primary data in five main ways: through observation, focus groups, surveys, behavioral data, and experiments.

Observational Research Researchers can gather fresh data by observing the relevant actors and settings, unobtrusively observing as they shop or as they consume products.9 Sometimes they equip consumers with pagers and instruct them to write down what they’re doing whenever prompted, or they hold informal interview sessions at a coffee shop. Photographs can also provide a wealth of detailed information.
**Ethnographic Research** This particular observational research approach uses concepts and tools from anthropology and other social science disciplines to provide deep understanding of how people live and work. The goal is to immerse the researcher into consumers’ lives to uncover unarticulated desires that might not surface in any other form of research. Firms such as IBM, Intel, and Bank of America have embraced ethnographic research to design breakthrough products.

Bank of America’s ethnographic research, following women at home and while they shopped, yielded two insights. First, women tended to round up financial transactions because it was more convenient (so an invoice for $8.85 was treated as $9). Second, those women with children found it difficult to save. Subsequent research led to the launch of Keep the Change, a debit card program whereby purchases are rounded up to the nearest dollar amount and the added difference is automatically transferred from a checking account to a savings account. Since the launch, 2.5 million customers have signed up for the program, opening 700,000 new checking accounts and 1 million new savings accounts in the process.

Many other companies have benefited from ethnographic research. For example, after finding that many of their guests turned their bedrooms into work spaces, TownePlace Suites replaced a dining table with a flexible modular wall unit that could serve as either an office or a place to eat. P&G also benefited from online ethnographic research methodology innovated by TNS.

**TNS Global** TNS (www.tnsglobal.com) is one of the world’s major suppliers of marketing qualitative and quantitative research. It is also actively present in several Arab countries. One innovative research solution is TNS Online Safari which gives TNS business clients the opportunity to live with their consumers ‘virtually.’ Through the use of blogs, boards, e-mails, and diaries, consumers photograph or video-record their experience with the product, allowing the TNS business client to see respondents in their ‘in-home’ settings and real-life environments (just like a safari). It is a way to understand consumers’ behavior as it takes place in reality, and gives the client the opportunity to interact with the consumer virtually.

With such innovative research solutions, TNS helps global companies such as P&G explore, understand, and act upon insights into consumer perceptions, values and motivations as these companies attempt to cater better to the needs of their customers in a continuously evolving competitive environment.

Several research companies conduct ethnographic research in the Arab world. Arabian Echo provides such a service in Saudi Arabia, as well as the other countries they cover including the Gulf Cooperation Council (GCC) countries of the UAE, Kuwait, Oman, Qatar, and Bahrain, and the Levant countries of Lebanon, Jordan, and Syria, as well as Egypt and even Iran.

The Royal Jordanian Airlines researchers might move around first-class and business-class lounges in airports to hear how travelers talk about the different airline carriers and their features. They might also fly on competitors’ planes to observe in-flight service.

**Focus-Group Research** A focus group is a gathering of 6 to 10 people carefully selected by researchers based on certain demographic, psychographic, or other considerations and brought together to discuss various topics of interest at length. Participants are normally paid a small sum for attending. A professional research moderator provides questions and probes based on the marketing managers’ discussion guide or agenda.
Moderators try to discern consumers’ real motivations and why they say and do certain things. They typically record the sessions, and marketing managers often remain behind two-way mirrors in the next room. Focus-group research is a useful exploratory step, but researchers must avoid generalizing from focus-group participants to the whole market, because the sample size is too small and the sample is not drawn randomly.

In fact, an increasing number of marketers are relying on other means of collecting information that they believe are less artificial. Some marketers argue that it is better to ‘read the signs’ of consumption than ask consumers to self-consciously comment on their own consumption behavior patterns. For instance, one advertising agency insight noticed that dinner-party guests were bringing their hosts flowers instead of chocolate, in a reflection of current concerns over obesity and health. Such a finding is quite relevant to both chocolate companies and flower shops.16

The Marketing Insight on Conducting Informative Focus Groups has some practical tips to improve the quality of focus groups. In the Royal Jordanian Airlines research, the moderator might start with a broad question, such as, “How do you feel about first-class air travel?” Questions then move to how people view the different airlines, different existing services, different proposed services, and specifically, internet service.

Survey Research Companies undertake surveys to learn about people’s knowledge, beliefs, preferences, and satisfaction and to measure these magnitudes in the general population. A company such as Royal Jordanian Airlines might prepare its own survey instrument to gather the information undertaking a pan-Arab research project, generalizing insights from a focus group conducted in Beirut or in Dubai to the wider Arab population should be dealt with caution. Focus-group findings often vary from one region to another, as the profiles of the focus-group participants vary.

Participants must feel as relaxed as possible and strongly motivated to be truthful. Physical surroundings can be crucial to achieving the right atmosphere. At one agency an executive noted, “We wondered why people always seemed grumpy and negative; people were resistant to any idea we showed them.” Finally, in one session a fight broke out between participants. The problem was the room itself: cramped, stifling, forbidding. “It was a cross between a hospital room and a police interrogation room.” To fix the problem, the agency gave the room a makeover. Other firms are adapting the look of the room to fit the theme of the topic, such as designing the room to look like a playroom when speaking to children.

Many firms are substituting observational research for focus groups, but ethnographic observation can be expensive and tricky: researchers must be highly skilled and participants open and honest. Then there are lots of data to analyze. The beauty of focus groups, as one marketing executive noted, is that “it’s still the most cost-effective, quickest, dirtiest way to get information in rapid time on an idea.” In analyzing the pros and cons, Wharton’s Americus Reed might have said it best: “A focus group is like a chainsaw. If you know what you’re doing, it’s very useful and effective. If you don’t, you could lose a limb.”

it needs, or it might add questions to an omnibus survey that carries the questions of several companies, at a much lower cost. It can also put the questions to an ongoing consumer panel run by itself or another company. It may do a mall intercept study by having researchers approach people in a shopping mall and ask them questions.

As we will discuss in more detail later in this chapter, many marketers are taking their surveys online where they can easily develop, administer, and collect e-mail and web-based questionnaires. However they conduct their surveys—online, by phone, or in person—companies must feel the information they are getting from the large volume of data makes it all worthwhile.

Of course, by putting out so many surveys each month, companies may run the risk of creating ‘survey burnout’ and seeing response rates fall. Keeping a survey short and simple and contacting customers no more than once a month are two keys to drawing people into the data-collection effort. Offering incentives is another way companies get consumers to respond. Companies might offer participants in such surveys coupons for discount merchandise or the chance to win a cash prize.17

**Behavioral Data** Customers leave traces of their purchasing behavior in store scanning data, catalog purchases, and customer databases. Marketers can learn much by analyzing these data. Actual purchases reflect consumers’ preferences and often are more reliable than statements they offer to market researchers. For example, grocery shopping data show that high-income people don’t necessarily buy the more expensive brands, contrary to what they might state in interviews; and many low-income people buy some expensive brands. Clearly, Royal Jordanian Airlines can learn many useful things about its passengers by analyzing ticket purchase records and online behavior.

**Experimental Research** The most scientifically valid research is *experimental research*, designed to capture cause-and-effect relationships by eliminating competing explanations of the observed findings. If the experiment is well designed and executed, research and marketing managers can have confidence in the conclusions.

Experiments call for selecting matched groups of subjects, subjecting them to different treatments, controlling extraneous variables, and checking whether observed response differences are statistically significant. If we can eliminate or control extraneous factors, we can relate the observed effects to the variations in the treatments or stimuli. Royal Jordanian Airlines might introduce an in-flight internet service on one of its regular flights from Amman to New York and charge US$25 one week and $15 the next week. If the plane carried approximately the same number of first-class passengers each week and the particular weeks made no difference, the airline could relate any significant difference in the number of passengers using the service to the different prices charged.

**RESEARCH INSTRUMENTS** Marketing researchers have a choice of three main research instruments in collecting primary data: questionnaires, qualitative measures, and technological devices.

**Questionnaires** A questionnaire consists of a set of questions presented to respondents. Because of its flexibility, it is by far the most common instrument used to collect primary data. Researchers need to carefully develop, test, and debug questionnaires before administering them on a large scale. The form, wording, and sequence of the question can all influence the response. *Closed-end questions* specify all the possible answers and provide answers that are easier to interpret and tabulate. *Open-end questions* allow respondents to answer in their own words and often reveal more about how people think. They are especially useful in exploratory research, where the researcher is looking for insight into how people think rather than measuring how many people think a certain way. Table 4.2 provides examples of both types of question; also see the Marketing Memo on Questionnaire Dos and Don’ts.

**Qualitative Measures** Some marketers prefer more qualitative methods for gauging consumer opinion, because consumer actions don’t always match their answers to survey questions. *Qualitative research techniques* are relatively unstructured measurement approaches that permit a range of possible responses. Their variety is limited only by the creativity of the marketing researcher.

Because of the freedom afforded both researchers in their probes and consumers in their responses, qualitative research can often be a useful first step in exploring consumers’ brand
<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Closed-End Questions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dichotomous</td>
<td>A question with two possible answers</td>
<td>In arranging this trip, did you personally phone Royal Jordanian Airlines? Yes  No</td>
</tr>
<tr>
<td>Multiple choice</td>
<td>A question with three or more answers</td>
<td>With whom are you traveling on this flight? ☐ No one ☐ Children only ☐ Spouse ☐ Business associates/friends/relatives ☐ Spouse and children ☐ An organized tour group</td>
</tr>
<tr>
<td>Likert scale</td>
<td>A statement with which the respondent shows the amount of agreement/disagreement</td>
<td>Small airlines generally give better service than large ones. Strongly disagree  Disagree  Neither agree nor disagree  Agree  Strongly agree 1  2  3  4  5</td>
</tr>
<tr>
<td>Semantic differential</td>
<td>A scale connecting two bipolar words. The respondent selects the point that represents his or her opinion.</td>
<td>Royal Jordanian Airlines Large------------------------------------------------------Small Experienced-----------------------------------------------------------Inexperienced Modern----------------------------------------------------------Old-fashioned</td>
</tr>
<tr>
<td>Importance scale</td>
<td>A scale that rates the importance of some attribute</td>
<td>Airline in-flight service to me is Extremely important  Very important  Somewhat important  Not very important  Not at all important 1  2  3  4  5</td>
</tr>
<tr>
<td>Rating scale</td>
<td>A scale that rates some attribute from 'poor' to 'excellent'</td>
<td>RJ in-flight service is Excellent  Very good  Good  Fair  Poor 1  2  3  4  5</td>
</tr>
<tr>
<td>Intention-to-buy scale</td>
<td>A scale that describes the respondent's intention to buy</td>
<td>If an in-flight telephone were available on a long flight, I would Definitely buy  Probably buy  Not sure  Probably not buy  Definitely not buy 1  2  3  4  5</td>
</tr>
<tr>
<td>B. Open-End Questions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completely unstructured</td>
<td>A question that respondents can answer in an almost unlimited number of ways</td>
<td>What is your opinion of Royal Jordanian Airlines?</td>
</tr>
<tr>
<td>Word association</td>
<td>Words are presented, one at a time, and respondents mention the first word that comes to mind.</td>
<td>What is the first word that comes to your mind when you hear the following? Airline----------------------------------------------------------RJ----------------------------------------------------------Travel----------------------------------------------------------</td>
</tr>
<tr>
<td>Sentence completion</td>
<td>An incomplete sentence is presented and respondents complete the sentence.</td>
<td>When I choose an airline, the most important consideration in my decision is-----------------------------------------------------------</td>
</tr>
<tr>
<td>Story completion</td>
<td>An incomplete story is presented, and respondents are asked to complete it.</td>
<td>&quot;I flew RJ a few days ago. I noticed that the exterior and interior of the plane had very bright colors. This aroused in me the following thoughts and feelings….&quot; Now complete the story.</td>
</tr>
<tr>
<td>Picture</td>
<td>A picture of two characters is presented, with one making a statement. Respondents are asked to identify with the other and fill in the empty balloon.</td>
<td></td>
</tr>
<tr>
<td>Thematic Apperception Test (TAT)</td>
<td>A picture is presented and respondents are asked to make up a story about what they think is happening or may happen in the picture.</td>
<td></td>
</tr>
</tbody>
</table>
1. Ensure that questions are without bias. Don’t lead the respondent into an answer.
2. Make the questions as simple as possible. Questions that include multiple ideas or two questions in one will confuse respondents.
3. Make the questions specific. Sometimes it’s advisable to add memory cues. For example, be specific with time periods.
4. Avoid jargon or shorthand. Avoid trade jargon, acronyms, and initials not in everyday use.
5. Steer clear of sophisticated or uncommon words. Only use words in common speech.
6. Avoid ambiguous words. Words such as ‘usually’ or ‘frequently’ have no specific meaning.
7. Avoid questions with a negative in them. It is better to say, “Do you ever…” than “Do you never…”
8. Avoid hypothetical questions. It’s difficult to answer questions about imaginary situations. Answers aren’t necessarily reliable.
9. Do not use words that could be misheard. This is especially important when administering the interview over the telephone. “What is your opinion of sects?” could yield interesting but not necessarily relevant answers.
10. Desensitize questions by using response bands. To ask people their age or ask companies about employee turnover rates, offer a range of response bands instead of precise numbers.
11. Ensure that fixed responses do not overlap. Categories used in fixed-response questions should be distinct and not overlap.
12. Allow for ‘other’ in fixed-response questions. Precoded answers should always allow for a response other than those listed.


### Getting into Consumers’ Heads with Qualitative Research

Here are some popular qualitative research approaches to getting inside consumers’ minds and finding out what they think or feel about brands and products:

1. **Word associations.** Ask subjects what words come to mind when they hear the brand’s name. “What does the Swatch name mean to you? Tell me what comes to mind when you think of Swatch watches.” The primary purpose of free-association tasks is to identify the range of possible brand associations in consumers’ minds. But they may also provide some rough indication of the relative strength, favorability, and uniqueness of brand associations.

2. **Projective techniques.** Give people an incomplete stimulus and ask them to complete it, or give them an ambiguous stimulus and ask them to make sense of it. One such approach is ‘bubble exercises’ in which empty bubbles, like those found in cartoons, appear in scenes of people buying or using certain products or services. Subjects fill in the bubble, indicating what they believe is happening or being said. Another technique is comparison tasks in which people compare brands to people, countries, animals, activities, fabrics, occupations, cars, magazines, vegetables, nationalities, or even other brands.

3. **Visualization.** Visualization requires people to create a collage from magazine photos or drawings to depict their perceptions. The ZMET technique asks participants in advance to select a minimum of 12 images from their own sources (magazines, catalogs, family photo albums) to represent their thoughts and feelings about the research topic. In a one-on-one interview the study administrator uses advanced interview techniques to explore the images with the participant and reveal hidden meanings. Finally, the participants use a computer program to create a collage with these images that communicates their subconscious thoughts and feelings about the topic. In one ZMET study about women’s stockings, some of the respondents’ pictures showed fence posts encased in plastic wrap or steel bands strangling trees, suggesting that the stockings are tight and inconvenient.

4. **Brand personification.** Ask subjects what kind of person they think of when the brand is mentioned: “If the brand were to come alive as a person, what would it be like, what would it do, where would it live, what would it wear, who would it talk to if it went to a party (and what would it talk about)?” The brand personality delivers a picture of the more human qualities of the brand.
and product perceptions, but it has its drawbacks. Marketers must temper the in-depth insights that emerge with the fact that the samples are often very small and may not necessarily generalize to broader populations. And different researchers examining the same qualitative results may draw very different conclusions. The Marketing Insight on Getting into Consumers’ Heads with Qualitative Research describes some popular approaches.

### Technological Devices
Technological devices are occasionally useful in marketing research. Galvanometers can measure the interest or emotions aroused by exposure to a specific ad or picture. The tachistoscope flashes an ad to a subject with an exposure interval that may range from less than one hundredth of a second to several seconds. After each exposure, the respondent describes everything he recalls. Eye cameras study respondents’ eye movements to see where their eyes land first, how long they linger on a given item, and so on.

Technology has now advanced to such a degree that marketers can use devices such as skin sensors, brain-wave scanners, and full body scanners to get consumer responses. One advertising technology company, is studying the eye movements and brain activity of web surfers to see which ads grab their attention. The Marketing Insight on Understanding Brain Science provides a glimpse into some new marketing research frontiers involved with studying the brain.

Technology has replaced the diaries that participants in media surveys used to keep and in which they used to record their purchasing and consumption behavior. Audiometers attached to television sets in participating homes now record when the set is on and to which channel it is tuned. Electronic devices can record the number of radio programs a person is exposed to during the day, or, using Global Positioning System (GPS) technology, how many billboards a person may walk by or drive by during a day. Technology is also used to capture consumer reactions to programming.

### SAMPLING PLAN
After deciding on the research approach and instruments, the marketing researcher must design a sampling plan. This calls for three decisions:

1. **Sampling unit: who should we survey?** In the Royal Jordanian Airlines survey, should the sampling unit consist only of first-class business travelers, first-class vacation travelers, or both? Should it include travelers under age 18? Both husbands and wives? Once they have determined the sampling unit, marketers must develop a sampling frame so that everyone in the target population has an equal or known chance of being sampled.

2. **Sample size: how many people should we survey?** Large samples give more reliable results, but it’s not necessary to sample the entire target population to achieve reliable results. Samples of less than 1 percent of a population can often provide good reliability, with a credible sampling procedure.

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5. **Laddering.** A series of increasingly more specific ‘why’ questions can reveal consumer motivation and consumers’ deeper, more abstract goals. Ask why someone wants to buy a Nokia mobile phone. “They look well built” (attribute). “Why is it important that the phone be well built?” “It suggests that the Nokia is reliable” (a functional benefit). “Why is reliability important?” “Because my colleagues or family can be sure to reach me” (an emotional benefit). “Why must you be available to them at all times?” “I can help them if they’re in trouble” (brand essence). The brand makes this person feel ready to help others.

Insight from neurological consumer research is that many purchase decisions are characterized less by the logical weighing of variables than was previously assumed and more “as a largely unconscious habitual process, as distinct from the rational, conscious, information-processing model of economists and traditional marketing textbooks.” Even basic decisions, such as the purchase of gasoline, are influenced by brain activity at the subrational level.

Neurological research can be used to measure the type of emotional response that consumers exhibit when presented with marketing stimuli. A group of researchers in England used an electroencephalograph (EEG) to monitor cognitive functions related to memory recall and attentiveness for 12 different regions of the brain as subjects were exposed to advertising. Brain-wave activity in different regions indicated different emotional responses. For example, heightened activity in the left prefrontal cortex is characteristic of an “approach” response to an ad and indicates an attraction to the stimulus. In contrast, a spike in brain activity in the right prefrontal cortex is indicative of a strong revulsion to the stimulus. In yet another part of the brain, the degree of memory formation activity correlates with purchase intent. Other research has shown that people activate different regions of the brain in assessing the personality traits of people versus brands.

The term neuromarketing has been used to describe brain research on the effect of marketing stimuli. By adding neurological techniques to their research arsenal, marketers are trying to move toward a more complete picture of what goes on inside consumers’ heads. Given the complexity of the human brain, however, many researchers caution that neurological research should not form the sole basis for marketing decisions. These research activities have not been universally applauded though. Critics think that such a development will only lead to more marketing manipulation by companies.


### Understanding Brain Science

As an alternative to traditional consumer research, some researchers have begun to develop sophisticated techniques from neuroscience that monitor brain activity to better gauge consumer responses to marketing stimuli.

For example, a group of researchers at University of California Los Angeles in the United States used functional magnetic resonance imaging (fMRI) to measure how consumers’ brains responded to advertisements shown during the 2006 American Football championship game: the Super Bowl. The Super Bowl consistently ranks among the world’s most watched TV broadcasts, and is the most expensive for advertisers. In 2010, around 80 million viewers watched the Super Bowl live. ABC television network, which carried the game, charged around US$2.6 million for a 30-second ad. It is thus important for advertisers to measure the impact of their ads.

The research demonstrated how consumers’ stated preferences often contradict their inner thoughts and emotions. The fMRI showed that the “I’m going to Disney World” ad featuring members of both teams rehearsing the famous line elicited the highest levels of positive brain activity, followed by a Sierra Mist commercial starring an airport security screener and a traveler. Yet in a consumer poll conducted independently, a Bud Light beer ad rated highest, despite not generating significant positive reaction in the fMRI tests.

Although it can be more effective in uncovering inner emotions than conventional techniques, neurological research is costly, running as much as US$100,000 per project. One major finding to emerge from neurological consumer research is that many purchase decisions are characterized less by the logical weighing of variables than was previously assumed and more “as a largely unconscious habitual process, as distinct from the rational, conscious, information-processing model of economists and traditional marketing textbooks.” Even basic decisions, such as the purchase of gasoline, are influenced by brain activity at the subrational level.

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### Table 4.3 part A: Probability sampling allows confidence limits to be calculated for sampling error and makes the sample more representative. Thus, after choosing the sample the conclusion could be that “the interval five to seven trips per year has 95 chances in 100 of containing the true number of trips taken annually by first-class passengers flying between Amman and New York.” Three types of probability sampling are described in Table 4.3 part B describes three types.

3. **Sampling procedure: how should we choose the respondents?** Probability sampling allows confidence limits to be calculated for sampling error and makes the sample more representative. Thus, after choosing the sample the conclusion could be that “the interval five to seven trips per year has 95 chances in 100 of containing the true number of trips taken annually by first-class passengers flying between Amman and New York.” Three types of probability sampling are described in Table 4.3 part A. When the cost or time to use probability sampling is too high, marketing researchers will take nonprobability samples. Table 4.3 part B describes three types.

**CONTACT METHODS** Now the marketing researcher must decide how to contact the subjects: by mail, by telephone, in person, or online.

**Mail Questionnaire** The mail questionnaire is the best way to reach people who would not give personal interviews or whose responses might be biased or distorted by the interviewer. Mail questionnaires require simple and clearly worded questions. Unfortunately, the response rate is usually low or slow.
Telephone Interview  Telephone interviewing is the best method for gathering information quickly; the interviewer is also able to clarify questions if respondents do not understand them. The response rate is typically higher than for mailed questionnaires, but interviews must be brief and not too personal. Telephone interviewing is getting more difficult because of consumers’ growing dislike of telemarketers and their approaches.

Personal Interview  In general, personal interviewing provides the most flexible contact method. The interviewer can ask more questions and record additional observations about the respondent, such as dress and body language. At the same time, however, personal interviewing is the most expensive method, is subject to interviewer bias, and requires more administrative planning and supervision. Personal interviewing takes two forms. In arranged interviews, marketers contact respondents for an appointment and often offer a small payment or incentive. In intercept interviews, researchers stop people at a shopping mall or busy street corner and request an interview on the spot. Intercept interviews must be quick, and they run the risk of including nonprobability samples.

Online Interview  There are so many ways to use the internet to do research. A company can embed a questionnaire on its website in different ways and offer an incentive to answer it, or it can place a banner on a frequently visited site such as Yahoo! or Maktoob, inviting people to answer some questions and possibly win a prize. Marketers can also sponsor a chat room or bulletin board and introduce questions from time to time or host a real-time consumer panel or virtual focus group. The company can learn about individuals who visit its site by tracking how they clickstream through the website and move to other sites. It can post different prices, use different headlines, and offer different product features on different websites or at different times to learn the relative effectiveness of its offerings. Online product testing, in which companies float trial balloons for new products, is also growing and providing information much faster than traditional new-product marketing research techniques.

Online research was estimated to make up 33 percent of all survey-based research in 2006, and internet-based questionnaires also accounted for nearly one-third of U.S. spending on market research surveys in the same year. Yet, as popular as online research methods are, some companies are choosing

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**TABLE 4.3 Probability and Nonprobability Samples**

<table>
<thead>
<tr>
<th>A. Probability Sample</th>
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<tbody>
<tr>
<td>Simple random sample</td>
</tr>
<tr>
<td>Stratified random sample</td>
</tr>
<tr>
<td>Cluster (area) sample</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Nonprobability Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience sample</td>
</tr>
<tr>
<td>Judgment sample</td>
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<tr>
<td>Quota sample</td>
</tr>
</tbody>
</table>

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Insights from Kraft-sponsored online communities helped the company develop its popular line of 100-calorie snacks.
## Pros and Cons of Online Research

### Advantages

- **Online research is inexpensive.** A typical e-mail survey can cost between 20 and 50 percent less than what a conventional survey costs, and return rates can be as high as 50 percent.

- **Online research is fast.** Online surveys are fast because the survey can automatically direct respondents to applicable questions and transmit results immediately. One estimate says that 75 to 80 percent of a survey’s targeted response can be generated in 48 hours using online methods, compared to a telephone survey that can take 70 days to obtain 150 interviews.

- **People tend to be honest online.** Britain’s online polling company YouGov.com (which is also active in the Arab world through its collaboration with Bayt.com) surveyed 250 people via intercom in a booth and the other half online, asking questions such as “Should there be more aid to Africa?” Online answers were deemed much more honest. People may be more open about their opinions when they can respond privately and not to another person whom they feel might be judging them, especially on sensitive topics.

- **Online research is versatile.** Increased broadband penetration offers online research even more flexibility and capabilities. For instance, virtual reality software lets visitors inspect three-dimensional models of products such as cameras, cars, and medical equipment and manipulate product characteristics. Even at the basic level, online surveys can make answering a questionnaire easier and more fun than paper-and-pencil versions.

### Disadvantages

- **Samples can be small and skewed.** Internet penetration varies widely across countries of the world. Some 33 percent of households are without internet access in the United States; the percentage is even higher among lower-income groups, in rural areas, and in most parts of Asia, Latin America, and Central and Eastern Europe, where socioeconomic and education levels also differ. The Arab world is no exception. Internet penetration falls from a high of 69 percent in the UAE and 67 percent in Qatar, to as low as 13 percent in Algeria and 10 percent or less in Yemen, Sudan, and Iraq. Although it’s certain that more and more people will go online, online market researchers must find creative ways to reach population segments on the other side of the ‘digital divide.’ One option is to combine offline sources with online findings. Providing temporary internet access at locations such as malls and recreation centers is another strategy. Some research firms use statistical models to fill in the gaps in market research left by offline consumer segments.

- **Online market research is prone to technological problems and inconsistencies.** Because online research is relatively new, many market researchers have not gotten survey designs right. Others overuse technology, concentrating on the special effects and graphics while ignoring basic survey design guidelines. Problems also arise because browser software varies. The web designer’s final product may look very different on the research subject’s screen.

### Sources:

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**Step 3: Collect the Information**

The data-collection phase of marketing research is generally the most expensive and the most prone to error. Four major problems arise in surveys. Some respondents will not be at home and must be contacted again or replaced. Other respondents will refuse to cooperate. Still others will give biased or dishonest answers. Finally, some interviewers will be biased or dishonest.
Data-collection methods are rapidly improving thanks to computers and telecommunications. Some telephone research firms interview from a central location, using professional interviewers to read a set of questions from a monitor and type the respondent’s answers into a computer. This procedure eliminates editing and coding, reduces errors, saves time, and produces all the required statistics. Other research firms have set up interactive terminals in shopping centers, where respondents sit at a terminal, read questions from the monitor, and type in their answers.

One of the biggest obstacles to collecting information internationally is the need to achieve consistency. Nan Martin, global accounts director for Synovate Inc., a market research firm with offices in 46 countries and which services clients in more than 60 countries, including Arab countries of the Levant, GCC, and North Africa, says: “In global research, we have to adapt culturally to how, where, and with whom we are doing the research…. A simple research study conducted globally becomes much more complicated as a result of the cultural nuances, and it’s necessary for us to be sensitive to those nuances in data collection and interpretation.” Respondents in the Arab world may be more uncomfortable with the impersonal nature of the internet and need interactive elements in a survey, so they feel like they’re talking to a real person. On the other hand, in Asia, respondents may feel more pressure to conform and may therefore not be as forthcoming in focus groups as online.

Variations in country’s economic, demographic, and technological infrastructures also have impact on the extent to which pan-Arab research methodology and data-collection procedures can be standardized. The Marketing Memo on Pros and Cons of Online Research illustrates variations across the Arab countries in terms of internet proliferation. Table 4.4 lists a snapshot of other economic, literacy, education, and telecommunication indices across the Arab world. Wide variation in internet penetration or mobile telephone penetration will affect the use of online and mobile phone research. Illiteracy might necessitate the use of personal contact method rather than mail or online.

**Yahoo! Maktoob Research** In a widely publicized deal that was concluded in November 2009, Yahoo! acquired the popular Arab portal Maktoob.com for a price estimated at US$100 million. Among its services, Yahoo! Maktoob Research offers an online panel covering 2 million Arabs in the Middle East and North Africa. Maktoob Research can target its panel members by demographics, such as age, gender and occupation among others, which makes it possible to target specific areas, a survey targeted at students, for example. Key behavioral patterns are available too. Yahoo! Maktoob Research not only provides full project support to its clients via survey programming, translations, and hosting, but also a complete research package, including consultancy. Research Portal, an online tool for real-time analysis, is also available. During any on-going research, the research data will be available 24/7. Yahoo! Maktoob Research has an Omnibus running every month among 500 adults in the MENA region, which meets the same quality control procedures as for the customized ad-hoc studies, making this shared-cost study an effective means for gathering quick and accurate feedback.

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**Step 4: Analyze the Information**

The next step in the process is to extract findings by tabulating the data and developing frequency distributions. The researchers now compute averages and measures of dispersion for the major variables and apply some advanced statistical techniques and decision models in the hope of discovering additional findings. They may test different hypotheses and theories, applying sensitivity analysis to test assumptions and the strength of the conclusions.

**Step 5: Present the Findings**

The researcher presents findings relevant to the major marketing decisions facing management. Researchers increasingly are being asked to play a more proactive, consulting role in translating data and information into insights and recommendations. They’re also considering ways to present research findings in as understandable and compelling a fashion as possible.
| **Table 4.4** Snapshot of Indicators in the Arab World |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                           | Qatar                     | Bahrain                   | The UAE                    | Saudi Arabia              | Oman                      | Kuwait                     | Tunisia                    | Jordan                    | Lebanon                   | Morocco                   | Egypt                      | Algeria                    | Syria                      | Sudan                      |
| GNP per Capita (US $)     | 121,400                   | 38,400                    | 41,800                     | 20,300                    | 20,300                    | 55,800                    | 8,000                     | 5,300                     | 11,500                    | 4,600                     | 6,000                     | 7,100                     | 4,700                     | 2,300                     |
| Internet Penetration rate (%) | 52.3                     | 55.3                     | 60.9                       | 26.8                      | 13.6                      | 37.1                      | 26.7                      | 23.9                      | 23.5                      | 32.9                      | 15.9                      | 12.0                      | 16.4                      | 10.2                      |
| Rate of Enrollment in Basic Education | 93                        | 98.2                     | 90.9                       | 84.6                      | 72.7                      | 88.2                      | 95                        | 88.6                      | 83                        | 88.8                      | 95.8                      | 95.4                      | 94.5                      | 50                        |
| Average Enrollment in Higher Education | 15.9                     | 32.1                     | 22.9                       | 30.2                      | 25.5                      | 17.6                      | 30.8                      | 39.9                      | 39.9                      | 11.3                      | 34.7                      | 24.0                      | 19.4                      | NA                        |
| Illiteracy Rate           | 6.9                       | 11.2                     | 9.5                        | 15                        | 15.6                      | 5.5                       | 22.3                      | 8.9                       | 10.4                      | 44.4                      | 33.8                      | 24.6                      | 16.9                      | 38.55                     |
| Freedom of the Press World Ranking | 94                        | 120                      | 87                         | 163                       | 107                       | 60                        | 154                       | 112                       | 61                        | 127                       | 143                       | 141                       | 165                       | 148                       |
| Number of Mobile Phones per 100 People | 196.6                    | 182.8                    | 207.8                      | 142.9                     | 121.4                     | 97.3                      | 82.1                      | 86.8                      | 25.9                      | 72.2                      | 53.7                      | 81.4                      | 34.5                      | 27.22                     |

The main survey findings for the Royal Jordanian Airlines case could show that:

The chief reasons for using in-flight internet service are to pass the time surfing and to send and receive messages from colleagues and family. Passengers would charge the cost and their companies would pay.

At US$25, about five of 10 first-class passengers would use the internet service during a flight; about six would use it at $15. Thus, a fee of $15 would produce less revenue (6×$15=$90) than $25 (5×$25=$125). Assuming the same flight takes place 365 days a year, RJ could collect $45,625 (= $125×365) annually. Given an investment of $90,000, it would take 2 years to break even.

Offering in-flight internet service would strengthen the public’s image of Royal Jordanian Airlines as an innovative and progressive airline. RJ would gain some new passengers and customer goodwill.

**Step 6: Make the Decision**

The managers who commissioned the research need to weigh the evidence. If their confidence in the findings is low, they may decide against introducing the in-flight internet service. If they are predisposed to launching the service, the findings support their inclination. They may even decide to study the issues further and do more research. The decision is theirs, but rigorous research provides them with insight into the problem (see Table 4.5).²⁶

A growing number of organizations are using a marketing decision support system to help their marketing managers make better decisions. The Massachusetts Institute of Technology’s John Little defines a marketing decision support system (or MDSS) as a coordinated collection of data, systems, tools, and techniques, with supporting software and hardware, by which an organization gathers and interprets relevant information from business and environment and turns it into a basis for marketing action.²⁷

A classic MDSS example is the CALLPLAN model that helps salespeople determine the number of calls to make per period to each prospective and current client. The model takes into account travel time as well as selling time. When launched, it was tested at United Airlines with

<table>
<thead>
<tr>
<th>TABLE 4.5</th>
<th>The Seven Characteristics of Good Marketing Research</th>
</tr>
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<tbody>
<tr>
<td>1. Scientific method</td>
<td>Effective marketing research uses the principles of the scientific method: careful observation, formulation of hypotheses, prediction, and testing.</td>
</tr>
<tr>
<td>2. Research creativity</td>
<td>At its best, marketing research develops innovative ways to solve a problem: a clothing company catering to teenagers gave several young men video cameras, then used the videos for focus groups held in restaurants and other places teens frequent.</td>
</tr>
<tr>
<td>3. Multiple methods</td>
<td>Marketing researchers shy away from overreliance on any one method. They also recognize the value of using two or three methods to increase confidence in the results.</td>
</tr>
<tr>
<td>4. Interdependence of models and data</td>
<td>Marketing researchers recognize that data are interpreted from underlying models that guide the type of information sought.</td>
</tr>
<tr>
<td>5. Value and cost of information</td>
<td>Marketing researchers show concern for estimating the value of information against its cost. Costs are typically easy to determine, but the value of research is harder to quantify. It depends on the reliability and validity of the findings and management’s willingness to accept and act on those findings.</td>
</tr>
<tr>
<td>6. Healthy skepticism</td>
<td>Marketing researchers show a healthy skepticism toward glib assumptions made by managers about how a market works. They are alert to the problems caused by ‘marketing myths.’</td>
</tr>
<tr>
<td>7. Ethical marketing</td>
<td>Marketing research benefits both the sponsoring company and its customers. The misuse of marketing research can harm or annoy consumers, increasing resentment at what consumers regard as an invasion of their privacy or a disguised sales pitch.</td>
</tr>
</tbody>
</table>
an experimental group that increased its sales by 8 percentage points over a matched control group.28 Once a year, Marketing News (a publication of the American Marketing Association) lists hundreds of current marketing and sales software programs that assist in designing marketing research studies, segmenting markets, setting prices and advertising budgets, analyzing media, and planning sales force activity.

**Overcoming Barriers to the Use of Marketing Research**

In spite of the rapid growth of marketing research, many companies still fail to use it sufficiently or correctly, for several reasons:29

- **A narrow conception of the research.** Many managers see marketing research as a fact-finding operation. They expect the researcher to design a questionnaire, choose a sample, conduct interviews, and report results, often without their providing a careful definition of the problem. When fact-finding fails to be useful, management’s idea of the limited usefulness of marketing research is reinforced.

- **Uneven caliber of researchers.** Some managers view marketing research as little more than a clerical activity and treat it as such. They hire less-competent marketing researchers, whose weak training and low creativity lead to unimpressive results. The disappointing results reinforce management’s prejudice against marketing research, and low salaries perpetuate the basic problem.

- **Poor framing of the problem.** The failure of Coca-Cola’s New Coke launch in the 1980s was largely due to a failure to set up the research problem correctly, from a marketing perspective. The real issue was how consumers felt about Coca-Cola as a brand, not how they felt about its taste in isolation.

- **Late and occasionally erroneous findings.** Managers want results that are accurate and conclusive. They may want the results tomorrow. Yet good marketing research takes time and money. Managers are disappointed when marketing research costs too much or takes too much time.

- **Personality and presentational differences.** Differences between the styles of line managers and marketing researchers often get in the way of productive relationships. To a manager who wants concreteness, simplicity, and certainty, a marketing researcher’s report may seem abstract, complicated, and tentative. Yet in the more progressive companies, marketing researchers are being included as members of the product management team, and their influence on marketing strategy is growing.

Failure to use marketing research properly has led to numerous marketing mistakes. The New Coke case at the beginning of this chapter is a classic example.

**Measuring Marketing Productivity**

An important task of marketing research is to assess the efficiency and effectiveness of marketing activities.30 Marketers increasingly are being held accountable for their investments and must be able to justify marketing expenditures to senior management.31 One survey of top American marketers revealed that around half were not satisfied with their ability to measure the return on their marketing investments.32 Another revealed that 63 percent of senior management were dissatisfied with their marketing performance measurement system and wanted marketing to supply prior and posterior estimates of the impact of marketing programs.33

Marketing research can help address this increased need for accountability. Two complementary approaches to measuring marketing productivity are: (1) **marketing metrics** to assess marketing effects and (2) **marketing-mix modeling** to estimate causal relationships and measure how marketing activity affects outcomes. **Marketing dashboards** are a structured way to disseminate the insights gleaned from these two approaches within the organization.

*marketing metrics* the set of measures that helps firms to quantify, compare, and interpret their marketing performance.
Marketing Metrics

Marketers employ a wide variety of measures to assess marketing effects. Marketing metrics is the set of measures that helps them quantify, compare, and interpret their marketing performance. Marketing metrics can be used by brand managers to justify and design marketing programs and by senior management to decide on financial allocations.

London Business School’s Tim Ambler suggests that if firms think they are already measuring marketing performance adequately, they should ask themselves five questions.

1. Do you routinely research consumer behavior (retention, acquisition, usage) and why consumers behave that way (awareness, satisfaction, perceived quality)?
2. Do you routinely report the results of this research to the board in a format integrated with financial marketing metrics?
3. In those reports, do you compare the results with the levels previously forecasted in the business plans?
4. Do you also compare them with the levels achieved by your key competitor using the same indicators?
5. Do you adjust short-term performance according to the change in your marketing-based asset(s)?

Ambler believes firms must give priority to measuring and reporting marketing performance through marketing metrics. He believes evaluation can be split into two parts: (1) short-term results and (2) changes in brand equity. Short-term results often reflect profit-and-loss concerns as shown by sales turnover, shareholder value, or some combination of the two. Brand-equity measures could include customer awareness, attitudes, and behaviors; market share; relative price premium; number of complaints; distribution and availability; total number of customers; perceived quality, and loyalty and retention.

Companies can also monitor an extensive set of metrics internal to the company, such as innovation. For example, 3M tracks the proportion of sales resulting from its recent innovations. Ambler also recommends developing employee measures and metrics, arguing that “end users are the ultimate customers, but your own staff are your first; you need to measure the health of the internal market.” Table 4.6 summarizes a list of popular internal and external marketing metrics.

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
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</thead>
<tbody>
<tr>
<td>Awareness</td>
<td>Awareness of goals</td>
</tr>
<tr>
<td>Market share (volume or value)</td>
<td>Commitment to goals</td>
</tr>
<tr>
<td>Relative price (market share value/volume)</td>
<td>Active innovation support</td>
</tr>
<tr>
<td>Number of complaints (level of dissatisfaction)</td>
<td>Resource adequacy</td>
</tr>
<tr>
<td>Consumer satisfaction</td>
<td>Staffing/skill levels</td>
</tr>
<tr>
<td>Distribution/availability</td>
<td>Desire to learn</td>
</tr>
<tr>
<td>Total number of customers</td>
<td>Willingness to change</td>
</tr>
<tr>
<td>Perceived quality/esteem</td>
<td>Freedom to fail</td>
</tr>
<tr>
<td>Loyalty/retention</td>
<td>Autonomy</td>
</tr>
<tr>
<td>Relative perceived quality</td>
<td>Relative employee satisfaction</td>
</tr>
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</table>

Marketing-Mix Modeling

Marketing accountability also means that marketers must more precisely estimate the effects of different marketing investments. Marketing-mix models analyze data from a variety of sources, such as retailer scanner data, company shipment data, pricing, media, and promotion spending data, to understand more precisely the effects of specific marketing activities. To deepen understanding, marketers can conduct statistical analyses, such as regression analysis, to sort through how each marketing element influences marketing outcomes such as brand sales or market share.

Especially popular with packaged-goods marketers such as Procter & Gamble, Clorox, and Colgate, the findings from marketing-mix modeling help allocate or reallocate expenditures. Analyses explore which part of ad budgets are wasted, what optimal spending levels are, and what minimum investment levels should be. Service providers such as hotels (Rotana or The Four Seasons) and mobile telecom operators (Zain or Vodafone) also benefit from such analysis.

Although marketing-mix modeling helps to isolate effects, it is less effective at assessing how different marketing elements work in combination. Wharton’s Dave Reibstein also notes three other shortcomings:

1. Marketing-mix modeling focuses on incremental growth instead of baseline sales or long-term effects.
2. Despite their importance, the integration of metrics such as customer satisfaction, awareness, and brand equity into marketing-mix modeling is limited.
3. Marketing-mix modeling generally fails to incorporate metrics related to competitors, the trade, or the sales force (the average business spends far more on the sales force and trade promotion than on advertising or consumer promotion).

Marketing Dashboards

Firms are also employing organizational processes and systems to make sure they maximize the value of all these different metrics. Management can assemble a summary set of relevant internal and external measures in a marketing dashboard for synthesis and interpretation. Marketing dashboards are like the instrument panel in a car or plane, visually displaying real-time indicators to ensure proper functioning. They are only as good as the information on which they’re based, but sophisticated visualization tools are helping bring data alive to improve understanding and analysis.

Some companies are also appointing marketing controllers to review budget items and expenses. Increasingly, these controllers are using business intelligence software to create digital versions of marketing dashboards that aggregate data from disparate internal and external sources.

As input to the marketing dashboard, companies should include two key market-based scorecards that reflect performance and provide possible early warning signals.

- A **customer-performance scorecard** records how well the company is doing year after year on such customer-based measures as those shown in Box 4.1. Management should set norms for each measure and take action when results get out of bounds.
- A **stakeholder-performance scorecard** tracks the satisfaction of various constituencies who have a critical interest in and impact on the company’s performance: employees, suppliers, banks, distributors, retailers, and stockholders. Again, management should take action when one or more groups register increased or above-norm levels of dissatisfaction.

Some executives worry that they’ll miss the big picture if they focus too much on a set of numbers on a dashboard. Some critics are concerned about privacy and the pressure the technique places on employees. But most experts feel the rewards offset the risks. The Marketing Insight on Marketing Dashboards to Improve Effectiveness and Efficiency provides practical advice about the development of these marketing tools.

LaPointe feels a marketing dashboard can present insights from all the pathways in a graphically related view that helps management see subtle links between them. A well-constructed dashboard
Conducting Marketing research and Forecasting Demand | Chapter 4

Sample Customer-Performance Scorecard Measures

- Percentage of new customers to average number of customers
- Percentage of lost customers to average number of customers
- Percentage of win-back customers to average number of customers
- Percentage of customers falling into very dissatisfied, dissatisfied, neutral, satisfied, and very satisfied categories
- Percentage of customers who say they would repurchase the product
- Percentage of customers who say they would recommend the product to others
- Percentage of target market customers who have brand awareness or recall
- Percentage of customers who say that the company’s product is the most preferred in its category
- Percentage of customers who correctly identify the brand’s intended positioning and differentiation
- Average perception of company’s product quality relative to chief competitor
- Average perception of company’s service quality relative to chief competitor

Marketing Insight

Marketing Dashboards to Improve Effectiveness and Efficiency

Marketing consultant Pat LaPointe sees marketing dashboards as providing all the up-to-the-minute information necessary to run the business operations for a company, such as sales versus forecast, distribution-channel effectiveness, brand equity evolution, and human capital development. According to LaPointe, an effective dashboard will focus thinking, improve internal communications, and reveal where marketing investments are paying off and where they aren’t.

LaPointe observes four common measurement ‘pathways’ marketers are pursuing today (see Figure 4.2).

1. The customer metrics pathway looks at how prospects become customers, from awareness to preference to trial to repeat purchase. Many companies track progression through a ‘hierarchy of effects’ model to follow the evolution of broad market potential to specific revenue opportunities.

2. The unit metrics pathway reflects what marketers know about sales of product/service units: how much is sold by product line and/or by geography; the marketing cost per unit sold as an efficiency yardstick; and where and how margin is optimized in terms of characteristics of the product line or distribution channel.

3. The cash-flow metrics pathway focuses on how well marketing expenditures are achieving short-term returns. Program and campaign return-on-investment models measure the immediate impact or net present value of profits expected from a given investment.

4. The brand metrics pathway tracks the development of the longer-term impact of marketing through brand equity measures that assess both the perceptual health of the brand from customer and prospective customer perspectives as well as the overall financial health of the brand.

Marketing dashboards can have a series of ‘tabs’ that allow the user to toggle easily between different ‘families’ of metrics organized by customer, product, experience, brand, channels, efficiency, organizational development, or macroenvironmental factors. Each tab presents the three or four most insightful metrics, with data filtered by business unit, geography, or customer segment based upon the users’ needs (see Figure 4.3 for an example).

Ideally, the number of metrics presented in the marketing dashboard would be reduced to a handful of key drivers over time. Important, the process of developing and refining the marketing dashboard will undoubtedly raise and resolve many key questions about the business.
Forecasting and Demand Measurement

One major reason for undertaking marketing research is to identify market opportunities. Once the research is complete, the company must measure and forecast the size, growth, and profit potential of each market opportunity. Sales forecasts are used by finance to raise the needed cash for investment and operations; by the manufacturing department to establish capacity and output levels; by purchasing to acquire the right amount of supplies; and by human resources to hire the needed number of workers. Marketing is responsible for preparing the sales forecasts. If its forecast is far off the mark, the company will face excess or inadequate inventory.
Sales forecasts are based on estimates of demand. Managers need to define what they mean by market demand. While the household brands Coke and Pepsi compete vigorously over market share of the cola-flavored carbonated soft drinks, their parent companies (Coca-Cola Amatil and PepsiCo) nonetheless evaluate their flagship brands much more broadly in terms of the brands’ share of the refreshments market (which also includes all carbonated soft drinks, bottled juices, flavored water, and other refreshments).

The Measures of Market Demand

Companies can prepare as many as 90 different types of demand estimate for six different product levels, five space levels, and three time periods (see Figure 4.4). Each demand measure serves a specific purpose. A company might forecast short-run demand for a particular product for the purpose of ordering raw materials, planning production, and borrowing cash. It might forecast regional demand for its major product line to decide whether to set up regional distribution.

The size of a market hinges on the number of buyers who might exist for a particular market offer. But there are many productive ways to break down the market.

- The **potential market** is the set of consumers who profess a sufficient level of interest in a market offer. However, consumer interest is not enough to define a market for marketers unless they also have sufficient income and access to the product.
- The **available market** is the set of consumers who have interest, income, and access to a particular offer. For some market offers, the company or government may restrict sales to certain groups. For example, a particular country might ban motorcycle sales to anyone under 21 years of age. Eligible adults constitute the **qualified available market**: the set of consumers who have interest, income, access, and qualifications for the particular market offer.
- The **target market** is the part of the qualified available market the company decides to pursue. The company might decide to concentrate its marketing and distribution effort on one geographically defined area such as a territory within a country (e.g., Saudi Arabia Eastern

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PepsiCo evaluates its competitive position versus close rival Coca-Cola Amatil in terms of its brands’ share of the refreshments market.

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| Fig. 4.4 | △
| Ninety Types of Demand Measurement (6 x 5 x 3) |
**penetrated market** the set of consumers who are buying a company’s product.

Province or the Emirate of Sharjah), or a country (Saudi Arabia or the UAE), or a confined region (the GCC or the Levant), or an extended region (e.g. the Arab world/Middle East and North Africa region), or even the whole world.

- The **penetrated market** is the set of consumers who are buying the company’s product.

These definitions are a useful tool for market planning. If the company isn’t satisfied with its current sales, it can take a number of actions. It can try to attract a larger percentage of buyers from its target market. It can lower the qualifications for potential buyers. It can expand its available market by opening distribution elsewhere or lowering its price, or it can reposition itself in the minds of its customers.

**A Vocabulary for Demand Measurement**

The major concepts in demand measurement are market demand and company demand. Within each, we distinguish among a demand function, a sales forecast, and a potential.

**MARKET DEMAND** The marketer’s first step in evaluating marketing opportunities is to estimate total market demand. **Market demand** for a product is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program.

Market demand is not a fixed number, but rather a function of the stated conditions. For this reason, we can call it the **market demand function**. The dependence of total market demand on underlying conditions is illustrated in Figure 4.5(a). The horizontal axis shows different possible levels of industry marketing expenditure in a given time period. The vertical axis shows the resulting demand level. The curve represents the estimated market demand associated with varying levels of industry marketing expenditure.

Some base sales—called the **market minimum** and labeled $Q_1$ in the figure—would take place without any demand-stimulating expenditures. Higher levels of industry marketing expenditures would yield higher levels of demand, first at an increasing rate, then at a decreasing rate. Take fruit juice marketers such as Saudi Arabia’s Al-Rabie, Kuwait’s KDD, or Lebanon’s Maccaw. Given all the indirect competition they face from other types of beverage, increased marketing expenditures would be expected to make fruit juice products stand out and increase demand and sales. Marketing expenditures beyond a certain level would not stimulate much further demand, thus suggesting an upper limit to market demand, called the **market potential** and labeled $Q_2$ in the figure.

The distance between the market minimum and the market potential shows the overall market sensitivity of demand. We can think of two extreme types of market, the expansible and the nonexpansible. An **expansible market**, such as the market for racquetball playing, is very much affected in size by the level of industry marketing expenditures. In terms of Figure 4.5(a), the distance between $Q_1$ and $Q_2$ is relatively large. A **nonexpansible market**—for example, the market for

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**Market Demands Functions**

![Fig. 4.5](image-url)
weekly trash or garbage removal—is not much affected by the level of marketing expenditures; the
distance between Q₁ and Q₂ is relatively small. Organizations selling in a nonexpansible market
must accept the market’s size—the level of primary demand for the product class—and direct their
efforts toward winning a larger market share for their product, that is, a higher level of selective
demand for their product.

It pays to compare the current and potential levels of market demand. The result is called the
market-penetration index. A low market-penetration index indicates substantial growth potential
for all the firms. A high market-penetration index suggests it will be expensive to attract the few
remaining prospects. Generally, price competition increases and margins fall when the market-
penetration index is already high.

A company should also compare its current and potential market shares. The result is called
the company’s share-penetration index. A low share-penetration index indicates the company
can greatly expand its share. The factors holding it back could be many: low brand awareness,
low availability, benefit deficiencies, and high price. A firm should calculate the share-penetration
increases that would occur if it removed each factor, to see which investments produce the greatest
improvement.46

Remember that the market demand function is not a picture of market demand over time.
Rather, the curve shows alternative current forecasts of market demand associated with possible
levels of industry marketing effort.

**MARKET FORECAST** Only one level of industry marketing expenditure will actually occur.
The market demand corresponding to this level is called the **market forecast**.

**MARKET POTENTIAL** The market forecast shows expected market demand, not maximum
market demand. For the latter, we need to visualize the level of market demand resulting from a
‘very high’ level of industry marketing expenditure, where further increases in marketing effort
would have little effect in stimulating further demand. **Market potential** is the limit approached
by market demand as industry marketing expenditures approach infinity for a given marketing
environment.

The phrase ‘for a given market environment’ is crucial. Consider the market potential for automo-
bles. It is higher during prosperity than during a recession. The dependence of market poten-
tial on the environment is illustrated in Figure 4.5(b). Market analysts distinguish between the
position of the market demand function and movement along it. Companies cannot do anything
about the position of the market demand function, which is determined by the marketing environ-
ment. However, they influence their particular location on the function when they decide how
much to spend on marketing.

Companies interested in market potential have a special interest in the **product-penetration
percentage**, which is the percentage of ownership or use of a product or service in a population.
Companies assume that the lower the product-penetration percentage, the higher the market
potential, although this assumes that everyone will eventually be in the market for every product.

**COMPANY DEMAND** **Company demand** is the company’s estimated share of market
demand at alternative levels of company marketing effort in a given time period. It depends on
how the company’s products, services, prices, and communications are perceived relative to the
competitors. If other things are equal, the company’s market share will depend on the relative
scale and effectiveness of its market expenditures. Marketing model builders have developed sales
response functions to measure how a company’s sales are affected by its marketing expenditure
level, marketing mix, and marketing effectiveness.47

**Company Sales Forecast** Once marketers have estimated company demand, their next task is
to choose a level of marketing effort. The **company sales forecast** is the expected level of company
sales based on a chosen marketing plan and an assumed marketing environment.

We represent the company sales forecast graphically with sales on the vertical axis and marketing
effort on the horizontal axis, as in Figure 4.5. We often hear that the company should develop its mar-
keting plan on the basis of its sales forecast. This forecast-to-plan sequence is valid if ‘forecast’ means
an estimate of national economic activity, or if company demand is nonexpansible. The sequence
is not valid, however, where market demand is expansible or where forecast means an estimate of
company sales. The company sales forecast does not establish a basis for deciding what to spend on
marketing. On the contrary, the sales forecast is the result of an assumed marketing expenditure plan.
Two other concepts are important here. A sales quota is the sales goal set for a product line, company division, or sales representative. It is primarily a managerial device for defining and stimulating sales effort. Generally, sales quotas are set slightly higher than estimated sales to stretch the sales force’s effort.

A sales budget is a conservative estimate of the expected volume of sales, primarily for making current purchasing, production, and cash flow decisions. It’s based on the sales forecast and the need to avoid excessive risk and is generally set slightly lower than the sales forecast.

COMPANY SALES POTENTIAL Company sales potential is the sales limit approached by company demand as company marketing effort increases relative to that of competitors. The absolute limit of company demand is, of course, the market potential. The two would be equal if the company got 100 percent of the market. In most cases, company sales potential is less than the market potential, even when company marketing expenditures increase considerably. Each competitor has a hard core of loyal buyers who are not very responsive to other companies’ efforts to woo them.

Estimating Current Demand

We are now ready to examine practical methods for estimating current market demand. Marketing executives want to estimate total market potential, area market potential, and total industry sales and market shares.

TOTAL MARKET POTENTIAL Total market potential is the maximum amount of sales that might be available to all the firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions. A common way to estimate total market potential is to multiply the potential number of buyers by the average quantity each purchases, times the price.

If, in Syria, 2 million people buy books each year, and the average book buyer buys two books a year, and the average price of a book in Syrian Pounds (SP) is 200 (around US$4), then the total market potential for books is SP800 million (2 million × 2 × SP200). The most difficult component to estimate is the number of buyers for the specific product or market. We can always start with the total population; to continue our example in Syria, say the population is 20 million people. Next we eliminate groups that obviously would not buy the product. Assume that illiterate people and children under 12 don’t buy books and constitute 40 percent of the population. This means 60 percent of the population, or 12 million people, are in the potentials pool. We might do further research and find that people of low income and low education don’t read books, and they constitute over 30 percent of the potentials pool. Eliminating them, we arrive at a prospect pool of approximately 8.4 million book buyers. We use this number of prospective buyers to calculate total market potential.

A variation on this method is the chain-ratio method, which multiplies a base number by several adjusting percentages. Suppose Al-Rabie is interested in estimating the market potential for a new light fruit juice mix designed to accompany food. It can make an estimate with the following calculation:

\[
\text{Demand} = \text{Population} \times \text{Average percentage of personal discretionary income per capita spent on food} \times \text{Average percentage of amount spent on food that is spent on beverages} \times \text{Average percentage of amount spent on beverages that is spent on fruit juices} \times \text{Expected percentage of amount spent on light fruit juice}
\]

AREA MARKET POTENTIAL Because companies must allocate their marketing budget optimally among their best territories, they need to estimate the market potential of different cities, areas, countries, and regions. Two major methods of assessing area market potential are the
The market-buildup method, used primarily by business marketers, and the multiple-factor index method, used primarily by consumer marketers.

**Market-Buildup Method** The market-buildup method calls for identifying all the potential buyers in each market and estimating their potential purchases. This method produces accurate results if we have a list of all potential buyers and a good estimate of what each will buy. Unfortunately, this information is not always easy to gather.

**Multiple-Factor Index Method** Like business marketers, consumer companies also need to estimate area market potentials, but the customers of consumer companies are too numerous to list. The method most commonly used in consumer markets is a straightforward index method. A drug manufacturer, for example, might assume that the market potential for drugs is directly related to population size. As an example, let’s consider the GCC states (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). If Oman had 7 percent of all of the GCC countries’ population, the company might assume that Oman would be a market for 7 percent of total drugs sold in the GCC.

A single factor, however, is rarely a complete indicator of sales opportunity. Regional drug sales are also influenced by per-capita income and the number of physicians per 10,000 people. Thus it makes sense to develop a multiple-factor index, with each factor assigned a specific weight. The numbers are the weights attached to each variable. For example, suppose Oman had 5 percent of the GCC disposable personal income, 4 percent of GCC retail sales, and 7 percent of the GCC population, and the respective weights were 0.5, 0.3, and 0.2. The buying-power index for Oman would then be 5.10 [0.5(5)+0.3(4)+0.2(7)]. Thus 5.1 percent of drug sales (not 7 percent) might be expected to take place in Oman.

The weights in the buying-power index are somewhat arbitrary, and companies can assign others if appropriate. A manufacturer might also want to adjust the market potential for additional factors, such as competitors’ presence in that market, local promotional costs, seasonal factors, and local market idiosyncrasies.

Many companies compute other area indexes as a guide to allocating marketing resources. Suppose the drug company is reviewing its presence in the GCC area as listed in Table 4.7. The first two columns show its percentage of total brand and category sales in the GCC. Column 3 shows the brand development index (BDI), which is the index of brand sales to category sales. Bahrain, for example, has a BDI of 125 because the brand is relatively more developed than the category in Bahrain. Kuwait has a BDI of 75, which means that the brand in Kuwait is relatively underdeveloped. Normally, the lower the BDI, the higher the market opportunity, in that there is room to grow the brand. However, other marketers would argue the opposite: that marketing funds should go into the brand’s strongest markets, where it might be important to reinforce loyalty or more easily capture additional brand share.

**INDUSTRY SALES AND MARKET SHARES** Besides estimating total potential and area potential, a company needs to know the actual industry sales taking place in its market. This means identifying competitors and estimating their sales.

### Table 4.7 Calculating the Brand Development Index (BDI)

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales: (a) Percent of GCC Brand</th>
<th>Sales: (b) Percent of GCC Category</th>
<th>BDI [(a/b)×100]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>10</td>
<td>8</td>
<td>125</td>
</tr>
<tr>
<td>Kuwait</td>
<td>15</td>
<td>20</td>
<td>75</td>
</tr>
<tr>
<td>Oman</td>
<td>8</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.12</td>
<td>0.10</td>
<td>120</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>35</td>
<td>0.30</td>
<td>117</td>
</tr>
<tr>
<td>The UAE</td>
<td>20</td>
<td>22</td>
<td>91</td>
</tr>
</tbody>
</table>
The industry trade association will often collect and publish total industry sales, although it usually does not list individual company sales separately. With this information, however, each company can evaluate its own performance against the whole industry. If a company’s sales are increasing by 5 percent a year, and industry sales are increasing by 10 percent, the company is losing its relative standing in the industry.

Another way to estimate sales is to buy reports from a marketing research firm that audits total sales and brand sales. Nielsen Media Research audits retail sales in various product categories in supermarkets and drugstores and sells this information to interested companies. These audits let a company compare its performance to the total industry or to any particular competitor to see whether it is gaining or losing share either overall or on a brand-by-brand basis.

Because distributors typically will not supply information about how much of competitors’ products they are selling, business-goods marketers operate with less knowledge of their market share results.

**Estimating Future Demand**

The few products or services that lend themselves to easy forecasting generally enjoy an absolute level or a fairly constant trend and competition that is either nonexistent (public utilities) or stable (pure oligopolies). In most markets, in contrast, good forecasting is a key factor in success.

Companies commonly prepare a macroeconomic forecast first, followed by an industry forecast, followed by a company sales forecast. The macroeconomic forecast calls for projecting inflation, unemployment, interest rates, consumer spending, business investment, government expenditures, net exports, and other variables. The end result is a forecast of gross national product, which the firm uses, along with other environmental indicators, to forecast industry sales. The company derives its sales forecast by assuming that it will win a certain market share.

How do firms develop their forecasts? They may create their own or buy forecasts from outside sources such as marketing research firms, which interview customers, distributors, and other knowledgeable parties.

All forecasts are built on one of three information bases: what people say, what people do, or what people have done. Using what people say requires surveying the opinions of buyers or those close to them, such as salespeople or outside experts, with surveys of buyer’s intentions, composites of sales force opinions, and expert opinion. Building a forecast on what people do means putting the product into a test market to measure buyer response. To use the final basis—what people have done—firms analyze records of past buying behavior or use time-series analysis or statistical demand analysis.

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**forecasting**  the art of anticipating what buyers are likely to do under a given set of conditions.

**purchase probability scale**  a scale to measure the probability of a buyer making a particular purchase.

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**Survey of Buyers’ Intentions**  Forecasting is the art of anticipating what buyers are likely to do under a given set of conditions. For major consumer durables such as appliances, several research organizations conduct periodic surveys of consumer buying intentions and ask questions like this—for example, do you intend to buy an automobile within the next 6 months?—and put the answers on a purchase probability scale:

<table>
<thead>
<tr>
<th>0.00</th>
<th>0.20</th>
<th>0.40</th>
<th>0.60</th>
<th>0.80</th>
<th>1.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>No chance</td>
<td>Slight possibility</td>
<td>Fair possibility</td>
<td>Good possibility</td>
<td>High possibility</td>
<td>Certain</td>
</tr>
</tbody>
</table>

Surveys also inquire into consumers’ present and future personal finances and their expectations about the economy. They combine various bits of information into a consumer confidence measure. Bayt.com publishes a periodic Middle East Consumer Confidence Index.

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**Bayt.com**  Bayt.com and research firm YouGov publish the Middle East Consumer Confidence Index report. The report describes consumer confidence and its importance as “a measure of the economic well-being of a country. It is a reflection of consumer satisfaction levels and expectations based on various factors in the economy— inflation, stock...
market performance, job opportunities/salary structures, unemployment, investment avenues/returns, business growth, state economic policies, infrastructure, cost of living, interest rates, exchange rates.” It goes on to describe the effect of consumer confidence levels on the economy: “For example, if consumers are positive about the economy and have disposable income levels that are perceived as sufficient, they will tend to spend more on consumer goods. This in turn will drive business dependent on consumer spending, thereby creating further economic growth.”

In addition to the Consumer Confidence Index, Bayt.com also produces other market-based indices: Consumer Expectations Index, Propensity to Consumer/Spend Index, and Employee Confidence Index.

For business buying, research firms can carry out buyer-intention surveys regarding plant, equipment, and materials. Their estimates tend to fall within a 10 percent error band around the actual outcomes. Buyer-intention surveys are particularly useful in estimating demand for industrial products, consumer durables, product purchases where advanced planning is required, and new products. The value of a buyer-intention survey increases to the extent that buyers are few, the cost of reaching them is low, and they have clear intentions that they willingly disclose and implement.

**COMPOSITE OF SALES FORCE OPINIONS** When buyer interviewing is impractical, the company may ask its sales representatives to estimate their future sales.

Few companies use sales force estimates without making some adjustments. Sales representatives might be pessimistic or optimistic, they might not know how their company’s marketing plans will influence future sales in their territory, and they might deliberately underestimate demand so the company will set a low sales quota. To encourage better estimating, the company could offer incentives or assistance, such as information about marketing plans or past forecasts compared to actual sales.

Sales force forecasts bring a number of benefits. Sales representatives might have better insight into developing trends than any other group, and forecasting might give them greater confidence in their sales quotas and more incentive to achieve them. Also, a "grass-roots" forecasting procedure provides detailed estimates broken down by product, territory, customer, and sales representative.

**EXPERT OPINION** Companies can also obtain forecasts from experts, including dealers, distributors, suppliers, marketing consultants, and trade associations. Dealer estimates are subject to the same strengths and weaknesses as sales force estimates. Many companies buy economic and industry forecasts from well-known economic-forecasting firms that have more data available and more forecasting expertise.

Occasionally, companies will invite a group of experts to prepare a forecast. The experts exchange views and produce an estimate as a group (group-discussion method) or individually, in which case another analyst might combine them into a single estimate (pooling of individual estimates). Further rounds of estimating and refining follow (this is the Delphi method).

**PAST-SALES ANALYSIS** Firms can develop sales forecasts on the basis of past sales. Time-series analysis breaks past time series into four components (trend, cycle, seasonal, and erratic) and projects them into the future. Exponential smoothing projects the next period’s sales by combining an average of past sales and the most recent sales, giving more weight to the latter. Statistical demand analysis measures the impact of a set of causal factors (such as income, marketing expenditures, and price) on the sales level. Finally, econometric analysis builds sets of equations that describe a system and statistically derives the different parameters that make up the equations statistically.

**MARKET-TEST METHOD** When buyers don’t plan their purchases carefully, or experts are unavailable or unreliable, a direct-market test can help forecast new-product sales or established product sales in a new distribution channel or territory. (We discuss market testing in detail in Chapter 20.)
Summary

1. Companies can conduct their own marketing research or hire other companies to do it for them. Good marketing research is characterized by the scientific method, creativity, multiple research methods, accurate model building, cost-benefit analysis, healthy skepticism, and an ethical focus.

2. The marketing research process consists of defining the problem, decision alternatives, and research objectives, developing the research plan, collecting the information, analyzing the information, presenting the findings to management, and making the decision.

3. In conducting research, firms must decide whether to collect their own data or use data that already exist. They must also decide which research approach (observational, focus group, survey, behavioral data, or experimental) and which research instruments (questionnaire, qualitative measures, or technological devices) to use. In addition, they must decide on a sampling plan and contact methods (by mail, by phone, in person, or online).

4. Two complementary approaches to measuring marketing productivity are: (1) marketing metrics to assess marketing effects and (2) marketing-mix modeling to estimate causal relationships and measure how marketing activity affects outcomes. Marketing dashboards are a structured way to disseminate the insights gleaned from these two approaches within the organization.

5. There are two types of demand: market demand and company demand. To estimate current demand, companies attempt to determine total market potential, area market potential, industry sales, and market share. To estimate future demand, companies survey buyers’ intentions, solicit their sales force’s input, gather expert opinions, analyze past sales, or engage in market testing. Mathematical models, advanced statistical techniques, and computerized data collection procedures are essential to all types of demand and sales forecasting.

Applications

Marketing Debate
What Is the Best Type of Marketing Research?
Many market researchers have their favorite research approaches or techniques, although different researchers often have different preferences. Some researchers maintain that the only way to really learn about consumers or brands is through in-depth, qualitative research. Others contend that the only legitimate and defensible form of marketing research involves quantitative measures.

Take a position: The best marketing research is quantitative in nature versus the best marketing research is qualitative in nature.

Marketing Discussion
When was the last time you participated in a survey? How helpful do you think was the information you provided? How could the research have been done differently to make it more effective?
Established in 1960 in downtown Beirut by Mahmoud Maatouk, a young 18-year-old entrepreneur, Maatouk 1960 started as a local coffee roaster and grew to become a national coffee manufacturer whose name is synonymous with premium-quality coffee, be it Lebanese coffee, filter coffee, or espresso. Passionately attracted by the innovation and product development side of the business, the Maatouk family overlooked the importance of monitoring the competitive surroundings, market dynamics, and the purchasing behavior and consumption habits of customers. With competition intensifying and competitors investing heavily in venues and product mix, Maatouk found itself struggling to maintain its sales and share despite the growth of the Lebanese coffee market locally or overseas.

To remedy this situation, management realized the need for reliable market information as a basis upon which to base their new competitive strategy. According to Marketing Manager Yusra Kanj, “a valuable decision-making process was subscribing regularly to the coffee category of the A.C. Nielsen Retail Audit. The report revealed huge weaknesses in Maatouk’s distribution and market coverage. It also shed light on the presence and share of each major player in the category across different geographical regions and trade channels with in-house analysis of their strengths and weaknesses.”

To ensure proper coverage, Maatouk found that a huge investment in human capital, vans, and technology was required, which would not be reasonable for such a limited product portfolio. In 2010 a strategic decision was made to outsource the distribution operation to a specialized national distributor that can ensure a proper pan-Lebanon market presence for Maatouk products.

Change was not limited to the distribution strategy. Management also decided to revise all its marketing mix elements including product packaging, pricing, and communication. Kanj Maatouk noted that “the exercise was led by a team of professionals from leading regional research houses who initiated tailor-made studies of the existing market conditions, trends and techniques in packaging, pricing, and communication, and to suggest recommendations for the launch of the re-engineered Maatouk product line.” This undertaking resulted in the architecture of the Maatouk brand being changed, with color coding to emphasize the heritage, and in repositioning the brand through innovative packaging and a creative but focused communication, pricing, and distribution strategies. “The right positioning is the key to the success of every brand,” said Abdel Halim Jarakji, General manager.

Management also focused on export markets. Market research reports by Euromonitor provided valuable insights about macro-country indicators as well as specific market information related to coffee, such as volume, value, trends, consumer habits, and competition. In addition to field visits by marketing and top management, the management used that information to identify promising regional and world markets and to decide how to penetrate these potential markets.

Maatouk’s current manufacturing facility handles all the export markets, focusing on serving the Levant (Lebanon, Syria, Jordan, and Iraq), as well as the GCC, North Africa, Europe, and the Americas.

“Market intelligence and research can never be 100% accurate; yet it is highly insightful and enlightening,” concludes Jawad Maatouk, owner and major shareholder of Maatouk 1960.

Questions

1.) From the concepts presented in the chapter, attempt to define the problem, decision alternatives, and research objectives faced by Maatouk’s management.

2.) Identify the sources of secondary data that Maatouk utilized. How were these sources helpful?

3.) If Maatouk was to gather primary data, which research approach would you recommend?

4.) Comment on and discuss Jawad Maatouk’s remark that “Market intelligence and research can never be 100% accurate; yet it is highly insightful and enlightening.”

Sources: www.maatouk.com; personal interviews with Maatouk management: Yusra Kanj, Marketing Manager; Jawad Maatouk, Owner; Abdel Halim Jarakji, General Manager.
Appendix

OASIS MARKETING PLAN
AND EXERCISES

The Marketing Plan: An Introduction

As a marketer, you’ll need a good marketing plan to provide direction and focus for your brand, product, or company. With a detailed plan, any business will be better prepared to launch an innovative new product or increase sales to current customers. Nonprofit organizations also use marketing plans to guide their fundraising and outreach efforts. Even government agencies put together marketing plans for initiatives such as building public awareness of proper nutrition and stimulating area tourism.

The Purpose and Content of a Marketing Plan

A marketing plan has a more limited scope than a business plan, which offers a broad overview of the entire organization’s mission, objectives, strategy, and resource allocation. The marketing plan documents how the organization’s strategic objectives will be achieved through specific marketing strategies and tactics, with the customer as the starting point. It is also linked to the plans of other organizational departments. Suppose a marketing plan calls for selling 200,000 units annually. The production department must gear up to make that many units, finance must arrange funding to cover the expenses, human resources must be ready to hire and train staff, and so on. Without the appropriate level of organizational support and resources, no marketing plan can succeed.

Although the exact length and layout varies from company to company, a marketing plan usually contains the sections described in Chapter 2. Smaller businesses may create shorter or less formal marketing plans, whereas corporations generally require highly structured marketing plans. To guide implementation effectively, every part of the plan must be described in considerable detail. Sometimes a company will post its marketing plan on an internal website so managers and employees in different locations can consult specific sections and collaborate on additions or changes.

The Role of Research

To develop innovative products, successful strategies, and action programs, marketers need up-to-date information about the environment, the competition, and the selected market segments. Often, analysis of internal data is the starting point for assessing the current marketing situation, supplemented by marketing intelligence and research investigating the overall market, the competition, key issues, threats, and opportunities. As the plan is put into effect, marketers use research to measure progress toward objectives and to identify areas for improvement if results fall short of projections.

Finally, marketing research helps marketers learn more about their customers’ requirements, expectations, perceptions, satisfaction, and loyalty. This deeper understanding provides a foundation for building competitive advantage through well-informed segmenting, targeting, and positioning decisions. Thus, the marketing plan should outline what marketing research will be conducted and when, as well as how the findings will be applied.

The Role of Relationships

Although the marketing plan shows how the company will establish and maintain profitable customer relationships, it also affects both internal and external relationships. First, it influences
how marketing personnel work with each other and with other departments to deliver value and satisfy customers. Second, it affects how the company works with suppliers, distributors, and partners to achieve the plan’s objectives. Third, it influences the company’s dealings with other stakeholders, including government regulators, the media, and the community at large. All these relationships are important to the organization’s success and must be considered when developing a marketing plan.

From Marketing Plan to Marketing Action

Most companies create yearly marketing plans, although some plans cover a longer period. Marketers start planning well in advance of the implementation date to allow time for marketing research, analysis, management review, and coordination between departments. Then, after each action program begins, marketers monitor ongoing results, investigate any deviation from the projected outcome, and take corrective steps as needed. Some marketers also prepare contingency plans for implementation if certain conditions emerge. Because of inevitable and sometimes unpredictable environmental changes, marketers must be ready to update and adapt marketing plans at any time.

For effective implementation and control, the marketing plan should define how progress toward objectives will be measured. Managers typically use budgets, schedules, and marketing metrics for monitoring and evaluating results. With budgets, they can compare planned expenditures with actual expenditures for a given period. Schedules allow management to see when tasks were supposed to be completed and when they were actually completed. Marketing metrics track the actual outcomes of marketing programs to see whether the company is moving toward its objectives.

Sample Marketing Plan for Oasis

This section takes you inside the sample marketing plan for Oasis, a hypothetical start-up company formed by a group of Arab entrepreneurs with diverse educational backgrounds (telecommunication, computer engineering, computer science, finance, and marketing) who have accumulated professional and technical experience and expertise in leading multinational companies. Although they come from different Arab countries, the core members of this group came to know each other several years ago through the friendship they developed in university. The company’s first product is the Oasis 1000, a multimedia, mobile/Wi-Fi-enabled personal digital assistant (PDA), also known as a handheld computer. Oasis will be competing with Palm, Hewlett-Packard, Motorola, Apple, and other well-established rivals in a crowded, fast-changing marketplace where smart phones and many other electronics devices have PDA functionality as well as entertainment capabilities. The annotations explain more about what each section of the plan should contain.

1.0 Executive Summary

Oasis is preparing to launch a new multimedia, dual-mode PDA product, the Oasis 1000, in a mature market. We can compete with both PDAs and smart phones because our product offers a unique combination of advanced features and functionality at a value-added price. Oasis 1000 will be offering full English as well as Arabic language functionality to suit the spectrum of language use and proficiency across the Arab world (Arab as well as non-Arab users). We are targeting specific segments in the consumer and business markets, taking advantage of the growing interest in a single device with communication, organization, and entertainment benefits.

The primary marketing objective is to achieve a first-year market share of 3 percent with unit sales of 240,000 in the Egypt, Levant, and Arabian Gulf regions. The primary financial objectives are to achieve first-year sales revenues of US$60 million, keep first-year losses to less than $10 million, and break even early in the second year. Oasis plans to expand in the Arab Maghreb states toward the end of the second year.
2.0 Situation Analysis

Oasis is about to enter the now mature PDA market. Multifunction mobile phones, e-mail devices, and wireless communication devices are increasingly popular for both personal and professional use, with more than 5 million PDAs and 22 million smart phones sold worldwide each year. Competition is increasingly intense even as technology evolves, industry consolidation continues, and pricing pressures squeeze profitability. Palm, a PDA pioneer, is one of several key players having difficulty adapting to the smart-phone challenge. To gain market share in this dynamic environment, Oasis must carefully target specific segments with valued features and plan for a next-generation product to keep brand momentum going.

2.1 MARKET SUMMARY Oasis’s market consists of consumers and business users who prefer to use a single device for communication, information storage and exchange, organization, and entertainment on the go. Specific segments being targeted during the first year include professionals, corporations, students, entrepreneurs, and medical users. Exhibit A-1 shows how the Oasis 1000 addresses the needs of targeted consumer and business segments.

PDA purchasers can choose between models based on several different operating systems, including systems from Palm, Microsoft, and Symbian, plus Linux variations. Oasis licenses a Linux-based system because it is somewhat less vulnerable to attack by hackers and viruses. Storage capacity (hard drive or flash drive) is an expected feature for PDAs, so Oasis is equipping its first product with an ultra-fast 20-gigabyte drive that can be supplemented by extra storage. Technology costs are decreasing even as capabilities are increasing, which makes value-priced

<table>
<thead>
<tr>
<th>Targeted Segment</th>
<th>Customer Need</th>
<th>Corresponding Feature/Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professionals (consumer market)</td>
<td>• Stay in touch while on the go</td>
<td>• Wireless e-mail to conveniently send and receive messages from anywhere; mobile phone capability for voice communication from anywhere</td>
</tr>
<tr>
<td>Students (consumer market)</td>
<td>• Record information while on the go</td>
<td>• Voice recognition for no-hands recording</td>
</tr>
<tr>
<td></td>
<td>• Operate, use and communicate in Arabic</td>
<td>• Full Arabic language functionality</td>
</tr>
<tr>
<td></td>
<td>• Perform many functions without carrying multiple gadgets</td>
<td>• Compatible with numerous applications and peripherals for convenient, cost-effective functionality</td>
</tr>
<tr>
<td></td>
<td>• Express style and individuality</td>
<td>• Case wardrobe of different colors and patterns allows users to make a fashion statement</td>
</tr>
<tr>
<td>Corporate Users (business market)</td>
<td>• Operate, use, and communicate in Arabic</td>
<td>• Full Arabic language functionality</td>
</tr>
<tr>
<td></td>
<td>• Input and access critical data on the go</td>
<td>• Compatible with widely available software</td>
</tr>
<tr>
<td></td>
<td>• Use for proprietary tasks</td>
<td>• Customizable to fit diverse corporate tasks and networks</td>
</tr>
<tr>
<td></td>
<td>• Operate, use, and communicate in Arabic</td>
<td>• Full Arabic language functionality</td>
</tr>
<tr>
<td></td>
<td>• Organize and access contacts, schedule details</td>
<td>• No-hands, wireless access to calendar and address book to easily check appointments and connect with contacts</td>
</tr>
<tr>
<td></td>
<td>• Operate, use, and communicate in Arabic</td>
<td>• Full Arabic language functionality</td>
</tr>
<tr>
<td>Entrepreneurs (business market)</td>
<td>• Update, access, and exchange medical records</td>
<td>• No-hands, wireless recording and exchange of information to reduce paperwork and increase productivity</td>
</tr>
<tr>
<td>Medical Users (business market)</td>
<td>• Operate, use, and communicate in Arabic</td>
<td>• Full Arabic language functionality</td>
</tr>
<tr>
<td></td>
<td>• Input and access critical data on the go</td>
<td>• Compatible with widely available software</td>
</tr>
<tr>
<td></td>
<td>• Operate, use, and communicate in Arabic (the official language)</td>
<td>• Full Arabic language functionality</td>
</tr>
</tbody>
</table>

Exhibit A-1

Needs and Corresponding Features/Benefits of the Oasis PDA
models more appealing to consumers and to business users with older PDAs who want to trade up to new, high-end multifunction units.

2.2 STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREAT ANALYSIS Oasis has several powerful strengths on which to build, but our major weakness is lack of brand awareness and image. The major opportunity is demand for multifunction communication, organization, and entertainment devices that deliver a number of valued benefits. We also face the threat of ever-higher competition and downward pricing pressure.

Strengths Oasis can build on three important strengths:

1. Innovative product. The Oasis 1000 offers a combination of features that would otherwise require customers to carry multiple devices, such as speedy, hands-free dual-mode mobile/Wi-Fi telecommunications capabilities, and digital video/music/TV program storage/playback. In addition, the Arabic language full functionality is a unique feature of Oasis 1000, and our preliminary research show a potentially very good reception by the Arab users.

2. Security. Our PDA uses a Linux-based operating system that is less vulnerable to hackers and other security threats that can result in stolen or corrupted data.

3. Pricing. Our product is priced lower than competing multifunction PDAs—none of which offer the same bundle of features—which gives us an edge with price-conscious customers.

Weaknesses By waiting to enter the PDA market until considerable consolidation of competitors has occurred, Oasis has learned from the successes and mistakes of others. Nonetheless, we have two main weaknesses:

1. Lack of brand awareness. Oasis has no established brand or image, whereas Palm, Apple, and others have strong brand recognition. We will address this issue with aggressive promotion.

2. Heavier and thicker unit. The Oasis 1000 is slightly heavier and thicker than most competing models because it incorporates many multimedia features and offers far more storage capacity than the average PDA. To counteract this weakness, we will emphasize our product’s benefits and value-added pricing, two compelling competitive strengths.

3. Possible negative country-of-origin effect. Being a technology product put forward by an Arab company might carry certain negative perceptions associated with the country of origin. The Arab world is little known for its technological innovations.

Opportunities Oasis can take advantage of three major market opportunities:

1. Increasing demand for multimedia devices with communication functions. The market for multimedia, multifunction devices is growing much faster than the market for single-use devices. Growth is accelerating as dual-mode capabilities become mainstream, giving customers the flexibility to make phone calls over mobile or internet connections. PDAs and smart phones are already commonplace in public, work, and educational settings; in fact, users who bought entry-level models are now trading up.

2. Lower technology costs. Better technology is now available at a lower cost than ever before. Thus, Oasis can incorporate advanced features at a value-added price that allows for reasonable profits.

3. Demographic and economic growth in Arab world. The Arab world leads the world regions in terms of population growth. It has a substantial youth segment, a segment that is a prime prospect to embrace technological telecommunication innovations. It is also a region which was least affected by the world economic downturn, fueled primarily by the population growth and high oil prices.

Threats We face three main threats at the introduction of the Oasis 1000:

1. Increased competition. More companies are offering devices with some but not all of the features and benefits provided by the Oasis PDA. Therefore, Oasis’s marketing communications must stress our clear differentiation and value-added pricing.
2. **Downward pressure on pricing.** Increased competition and market share strategies are pushing PDA prices down. Still, our objective of seeking a 10% profit on second-year sales of the original model is realistic, given the lower margins in the PDA market.

3. **Compressed product life cycle.** PDAs have reached the maturity stage of their life cycle more quickly than earlier technology products. Because of this compressed life cycle, we plan to introduce a media-oriented second product during the year following the Oasis 1000’s launch. We also plan to expand into the Arab Maghreb countries.

2.3 COMPETITION The emergence of new multifunction smart phones, including the Apple iPhone, has increased competitive pressure. Dell has already left the PDA market; the remaining competitors are continually adding features and sharpening price points. Competition from specialized devices for text and e-mail messaging, such as Blackberry devices, is another major factor. Key competitors:

- **Palm.** As the PDA market leader, with a 34 percent share, Palm has excellent distribution in multiple channels and alliances with a number of U.S. and European telecommunications carriers. However, Palm’s smart-phone share is well below that of Nokia and other handset marketers. Palm products use either the proprietary Palm operating system or Windows.
- **Hewlett-Packard.** HP holds 22 percent of the PDA market and targets business segments with its numerous iPAQ Pocket PC devices. Some of its PDAs can send documents to Bluetooth-equipped printers and prevent data loss if batteries run down. For extra security, one model allows access by fingerprint match as well as by password. HP enjoys widespread distribution and offers a full line of PDAs at various price points.
- **Motorola.** Motorola sold 100 million of its RAZR clamshell phones worldwide in 3 years and now offers the RAZR2, smaller and lighter than earlier models and with two operating system options. The Motorola Q targets professionals and business users with PDA and e-mail functions, a tiny keyboard, Bluetooth connections, multimedia capabilities, and more.
- **Apple.** The iPhone, a smart phone with a 3.5-inch color screen, has been designed with entertainment enthusiasts in mind. It’s well equipped for music, video, and web access, plus calendar and contact management functions. Apple initially partnered only with the AT&T network and cut the product’s price to US$399 just 2 months after introduction to speed market penetration. Its iPod Touch media player has iPhone styling without phone functionality.
- **RIM.** Research in Motion makes the lightweight BlackBerry wireless phone/PDA products that are popular among corporate users. RIM’s continuous innovation and solid customer service support strengthen its competitive standing as it introduces more smart phones and PDAs.
- **Samsung.** Value, style, function: Samsung is a powerful competitor, offering a variety of smart phones and ultra mobile PCs for consumer and business segments. Some of its smart phones are available for specific telecommunications carriers and some are ‘unlocked,’ ready for any compatible telecommunications network.

Despite strong competition, Oasis can carve out a definite image and gain recognition among targeted segments. Our voice-recognition system for hands-off operation is a critical point of differentiation for competitive advantage. Our second product will have PDA functions but will be more media-oriented to appeal to segments where we will have strong brand recognition. 

Exhibit A-2 shows a sample of competitive products and prices.

2.4 PRODUCT OFFERINGS The Oasis PDA 1000 offers the following standard features:

- Full English and Arabic language functionality.
- Voice recognition for hands-free operation.
- Organization functions, including calendar (world and Hijri calendars), address book, synchronization.
- Built-in dual mobile phone/internet phone and push-to-talk instant calling.
- Digital music/video/television recording, wireless downloading, and instant playback.
- Wireless web and e-mail, text messaging, instant messaging.
A6

Appendix

• 7.7-centimeter color screen for easy viewing.
• Ultra-fast 20-gigabyte drive and expansion slots.
• Five megapixel camera with flash and photo editing/sharing tools.

First-year sales revenues are projected to be US$60 million, based on sales of 240,000 of the Oasis 1000 model at a wholesale price of $250 each. Our second-year product will be the Oasis All Media 2000, stressing multimedia communication, networking, and entertainment functions with PDA capabilities as secondary features. The Oasis All Media 2000 will include Oasis 1000 features plus:

• Built-in media beaming to share music, video, and television files with other devices.
• Webcam for instant video capture and uploading to popular video websites.
• Voice-command access to popular social networking websites.
• Integrated eight megapixel camera, flash, and photo editing/sharing tools.

2.5 DISTRIBUTION Oasis-branded products will be distributed through a network of well-established across the Arab world. Among the most important channel partners being contacted are:

• Office supply superstores.
• Computer stores.
• Electronics specialty stores.
• Online retailers.

These channels will help conveniently place Oasis products in stores, in catalogs, and online.

As mentioned before, distribution will initially be restricted to Arab countries in the Egypt, Levant, and Gulf, with appropriate sales promotion support. Later, we plan to expand into the Arab Maghreb countries and beyond (such as Euro-Mediterranean countries).

3.0 Marketing Strategy

3.1 OBJECTIVES We have set aggressive but achievable objectives for the first and second years of market entry.

• First-year objectives. We are aiming for a 3 percent share of the Egypt, Levant, and Arab Gulf PDA market through unit sales volume of 240,000.
• **Second-year objectives.** Our second-year objective is to achieve break even on the Oasis 1000 and launch our second model, and expand into the remaining Arab countries (and possibly Euro-Med countries).

### 3.2 TARGET MARKETS
Oasis's strategy is based on a positioning of product differentiation. Our primary consumer target for the Oasis 1000 is middle- to upper-income professionals who need one device to coordinate their busy schedules, stay in touch with family and colleagues, and be entertained on the go. Our secondary consumer target is high school, college, and graduate students who want a multimedia, dual-mode device. This segment can be described demographically by age (16–30) and education status. Our Oasis All Media 2000 will be aimed at teens and twentysomethings who want a device with features to support social networking and heavier entertainment media consumption.

The primary business target for the Oasis 1000 is mid- to large-sized corporations that want to help their managers and employees stay in touch and input or access critical data when out of the office. This segment consists of companies with more than US$25 million in annual sales and more than 50 employees. A secondary target is entrepreneurs and small-business owners. Also we will target medical users who want to update or access patients' medical records.

In addition to the consumer and business markets, we anticipate that government agencies would also be interested in Oasis products, particularly for its full Arabic language functionality. This functionality would allow government officials of various agencies and units (particularly those whose jobs are in the field, such as police and security officials, custom officials, health inspectors) to communicate and exchange data in real-time basis in the official government language: Arabic.

Each of the marketing-mix strategies conveys Oasis's differentiation to these target market segments.

### 3.3 POSITIONING
Using product differentiation, we are positioning the Oasis PDA as the most versatile, convenient, value-added model for personal and professional use. Our marketing will focus on the hands-free operation of multiple communication, entertainment, and information capabilities all in dual English-Arabic full functionality differentiating the Oasis 1000.

### 3.4 STRATEGIES
**Product** The Oasis 1000, including all the features described in the earlier product review section, will be sold with a 1-year warranty. We will introduce the Oasis All Media 2000 during the following year, after we have established our Oasis brand. The brand and logo (Oasis’s distinctive green palm tree) will be displayed on our products and packaging as well as in all marketing campaigns.

**Pricing** The Oasis 1000 will be introduced at US$250 wholesale/$350 estimated retail price per unit. We expect to lower the price of this model when we expand the product line by launching the Oasis All Media 2000, to be priced at $350 wholesale per unit. These prices reflect a strategy of (1) attracting desirable channel partners and (2) taking share from established competitors.

**Distribution** Our channel strategy is to use selective distribution, marketing Oasis PDAs through well-known stores and online retailers. During the first year, we will add channel partners until we have coverage in all major Arab markets and the product is included in the major electronics catalogs and websites. We will also investigate distribution through mobile-phone outlets maintained by major Arab carriers. In support of channel partners, we will provide demonstration products, detailed specification handouts, and full-color photos and displays featuring the product. Finally, we plan to arrange special payment terms for retailers that place volume orders.

**Marketing Communications** By integrating all messages in all media, we will reinforce the brand name and the main points of product differentiation. Research about media consumption patterns will help our advertising agency choose appropriate media and timing to reach prospects before and during product introduction. Thereafter, advertising will appear on a pulsing basis to maintain brand awareness and communicate various differentiation messages. The agency will also coordinate public relations efforts to build the Oasis brand and support the differentiation message.
To generate buzz, we will host a user-generated video contest on our website. To attract, retain, and motivate channel partners for a push strategy, we will use trade sales promotions and personal selling. Until the Oasis brand has been established, our communications will encourage purchases through channel partners rather than from our website.

3.5 MARKETING MIX  The Oasis 1000 will be introduced in February. Here are summaries of action programs we will use during the first 6 months to achieve our stated objectives.

- **January** We will launch a US$200,000 trade sales promotion campaign and participate in major industry trade shows to educate dealers and generate channel support for the product launch in February. Also, we will create buzz by providing samples to selected product reviewers, opinion leaders, influential bloggers, and celebrities. Our training staff will work with retail sales personnel at major chains to explain the Oasis 1000’s features, benefits, and advantages.

- **February** We will start an integrated print/radio/internet campaign targeting professionals and consumers. The campaign will show how many functions the Oasis PDA can perform and emphasize the convenience of a single, powerful handheld device. This multimedia campaign will be supported by point-of-sale signage as well as online-only ads and video tours.

- **March** As the multimedia advertising campaign continues, we will add consumer sales promotions such as a contest in which consumers post videos to our website, showing how they use the Oasis in creative and unusual ways. We will also distribute new point-of-purchase displays to support our retailers.

- **April** We will hold a trade sales contest offering prizes for the salesperson and retail organization that sells the most Oasis PDAs during the 4-week period.

- **May** We plan to roll out a new advertising campaign this month across the Arab countries in which we operate. The radio ads will feature celebrity voices telling their Oasis PDAs to perform functions such as initiating a phone call, sending an email, playing a song or video, and so on. The stylized print and online ads will feature avatars of these celebrities holding their Oasis PDAs. We plan to reprise this theme for next year’s product launch.

- **June** Our radio campaign will add a new voice-over tag line promoting the Oasis 1000 as a graduation gift. We will Exhibit at the electronics trade show and provide retailers with new competitive comparison handouts as a sales aid. In addition, we will analyze the results of customer satisfaction research for use in future campaigns and product development efforts.

3.6 MARKETING RESEARCH  Using research, we will identify specific features and benefits our target market segments value. Feedback from market tests, surveys, and focus groups will help us develop and fine-tune the Oasis All Media 2000. We are also measuring and analyzing customers’ attitudes toward competing brands and products. Brand awareness research will help us determine the effectiveness and efficiency of our messages and media. Finally, we will use customer satisfaction studies to gauge market reaction.

4.0 Financials  

Total first-year sales revenue for the Oasis 1000 is projected at US$60 million, with an average wholesale price of $250 per unit and variable cost per unit of $150 for unit sales volume of 240,000. We anticipate a first-year loss of up to $10 million. Break-even calculations indicate that the Oasis 1000 will become profitable after the sales volume exceeds 267,500 during the product’s second year. Our break-even analysis assumes per-unit wholesale revenue of $250 per unit, variable cost of $150 per unit, and estimated first-year fixed costs of $26,750,000. With these assumptions, the break-even calculation is:

\[
\frac{26,750,000}{250-150} = 267,500 \text{ units}
\]
5.0 Controls

Controls are being established to cover implementation and the organization of our marketing activities.

5.1 Implementation

We are planning tight control measures to closely monitor quality and customer service satisfaction. This will enable us to react very quickly in correcting any problems that may occur. Other early warning signals that will be monitored for signs of deviation from the plan include monthly sales (by segment and channel) and monthly expenses.

5.2 Marketing Organization

Oasis’s chief marketing officer, Abdallah Saif, holds overall responsibility for all of the company’s marketing activities. Exhibit A-3 shows the structure of the eight-person marketing organization. Oasis has hired Arab marketing experts to handle its sales campaigns, trade and consumer sales promotions, and public relations efforts.

Oasis Marketing Plan Chapter Assignments

Chapter 2

As an assistant to Abdallah Saif, Oasis’s chief marketing officer, you’ve been assigned to draft a mission statement for top management’s review. This should cover the competitive spheres within which the firm will operate and your recommendation of an appropriate generic competitive strategy.
strategy. Using your knowledge of marketing, the information you have about Oasis, and library or internet resources, answer the following questions.

- What should Oasis’s mission be?
- In what competitive spheres (industry, products and applications, competence, market-segment, vertical, and geographic) should Oasis operate?
- Which of Porter’s generic competitive strategies would you recommend Oasis follow in formulating overall strategy?

As your instructor directs, enter your answers and supporting information in a written marketing plan or use Marketing Plan Pro software to document your ideas.

Chapter 3

Abdallah Saif asks you to scan Oasis’s external environment for early warning signals of new opportunities and emerging threats that could affect the success of the Oasis 1000 PDA. Using internet or library sources (or both), locate information to answer three questions about key areas of the macroenvironment.

- What demographic changes are likely to affect Oasis’s targeted segments?
- What economic trends might influence buyer behavior in Oasis’s targeted segments?
- How might the rapid pace of technological change/alter Oasis’s competitive situation?

Enter your answers about Oasis’s environment in the appropriate sections of a written marketing plan or use the Marketing Plan Pro software to record your comments.

Chapter 4

Your next task is to consider how marketing research can help Oasis support its marketing strategy. Abdallah Saif also asks you how Oasis can measure results after the marketing plan is implemented. He wants you to answer the following three questions.

- What surveys, focus groups, observation, behavioral data, or experiments will Oasis need to support its marketing strategy? Be specific about the questions or issues that Oasis needs to resolve using marketing research.
- Where can you find suitable secondary data about total demand for PDAs over the next 2 years? Identify at least two sources (online or offline), describe what you plan to draw from each source, and indicate how the data would be useful for Oasis’s marketing planning.
- Recommend three specific marketing metrics for Oasis to apply in determining marketing effectiveness and efficiency.

Enter this information in the marketing plan you’ve been writing or use the Marketing Plan Pro software to document your responses.

Chapter 5

Oasis has decided to focus on total customer satisfaction as a way of encouraging brand loyalty in a highly competitive marketplace. With this in mind, you’ve been assigned to analyze three specific issues as you continue working on Oasis’s marketing plan.

- How (and how often) should Oasis monitor customer satisfaction?
- Would you recommend that Oasis use the Net Promoter method? Explain your reasoning.
- Which customer touch points should Oasis pay particularly close attention to, and why?

Consider your answers in the context of Oasis’s current situation and the objectives it has set. Then enter your latest decisions in the written marketing plan or using Marketing Plan Pro software.
Chapter 6
You’re responsible for researching and analyzing the consumer market for Oasis’s PDA product. Look again at the data you’ve already entered about the company’s current situation and macroenvironment, especially the market being targeted. Now answer these questions about the market and buyer behavior.

• What cultural, social, and personal factors are likely to most influence consumer purchasing of PDAs? What research tools would help you better understand the effect on buyer attitudes and behavior?
• Which aspects of consumer behavior should Oasis’s marketing plan emphasize and why?
• What marketing activities should Oasis plan to coincide with each stage of the consumer buying process?

After you’ve analyzed these aspects of consumer behavior, consider the implications for Oasis’s marketing efforts to support the launch of its PDA. Finally, document your findings and conclusions in a written marketing plan or with Marketing Plan Pro.

Chapter 7
You’ve been learning more about the business market for Oasis’s PDA. Abdallah Saif has defined this market as mid- to large-sized corporations that want their employees to stay in touch and be able to input or access data from any location. Respond to the following three questions based on your knowledge of Oasis’s current situation and business-to-business marketing.

• What types of businesses appear to fit Saif’s market definition? How can you research the number of employees and find other data about these types of businesses?
• What type of purchase would a Oasis PDA represent for these businesses? Who would participate in and influence this type of purchase?
• Would demand for PDAs among corporate buyers tend to be inelastic? What are the implications for Oasis’s marketing plan?

Your answers to these questions will affect how Oasis plans marketing activities for the business segments to be targeted. Take a few minutes to note your ideas in a written marketing plan or using Marketing Plan Pro.

Chapter 8
Identifying suitable market segments and selecting targets are critical to the success of any marketing plan. As Abdallah Saif’s assistant, you’re responsible for market segmentation and targeting. Look back at the market information, buyer behavior data, and competitive details you previously gathered as you answer the following questions.

• Which variables should Oasis use to segment its consumer and business markets?
• How can Oasis evaluate the attractiveness of each identified segment? Should Oasis market to one consumer segment and one business segment or target more than one in each market? Why?
• Should Oasis pursue full market coverage, market specialization, product specialization, selective specialization, or single-segment concentration? Why?

Next, consider how your decisions about segmentation and targeting will affect Oasis’s marketing efforts. Depending on your instructor’s directions, summarize your conclusions in a written marketing plan or use Marketing Plan Pro.

Chapter 9
Oasis is a new brand with no prior brand associations, which presents a number of marketing opportunities and challenges. Abdallah Saif has given you responsibility for making recommendations about three brand equity issues that are important to Oasis’s marketing plan.
• What brand elements would be most useful for differentiating the Oasis brand from competing brands?
• How can Oasis sum up its brand promise for the new PDA?
• Should Oasis add a brand for its second product or retain the Oasis name?

Be sure your brand ideas are appropriate in light of what you’ve learned about your targeted segments and the competition. Then add this information to your written marketing plan or the plan you’ve been developing with Marketing Plan Pro software.

Chapter 10
As before, you’re working with Abdallah Saif and his team on Oasis’s marketing plan for launching a new PDA. Now you’re focusing on Oasis’s positioning and product life-cycle strategies by answering three specific questions.

• In a sentence or two, what is an appropriate positioning statement for the Oasis 1000 PDA?
• Knowing the stage of Oasis’s PDA in the product life cycle, what are the implications for pricing, promotion, and distribution?
• In which stage of its evolution does the PDA market appear to be? What does this mean for Oasis’s marketing plans?

Document your ideas in a written marketing plan or in Marketing Plan Pro. Note any additional research you may need to determine how to proceed after the Oasis 1000 has been launched.

Chapter 11
Oasis is a new entrant in an established industry characterized by competitors with relatively high brand identity and strong market positions. Use research and your knowledge of how to deal with competitors to consider three issues that will affect the company’s ability to successfully introduce its first product:

• What factors will you use to determine Oasis’s strategic group?
• Should Oasis select a class of competitor to attack on the basis of strength versus weakness, closeness versus distance, or good versus bad? Why is this appropriate in the PDA market?
• As a start-up company, what competitive strategy would be most effective as Oasis introduces its first product?

Take time to analyze how Oasis’s competitive strategy will affect its marketing strategy and tactics. Now summarize your ideas in a written marketing plan or using Marketing Plan Pro software.

Chapter 12
Introducing a new product entails a variety of decisions about product strategy, including differentiation, ingredient branding, packaging, labeling, warranty, and guarantee. Your next task is to answer the following questions about Oasis’s product strategy.

• Which aspect of product differentiation would be most valuable in setting Oasis apart from its competitors, and why?
• Should Oasis use ingredient branding to tout the Linux-based operating system that it says makes its PDA more secure than PDAs based on some other operating systems?
• How can Oasis use packaging and labeling to support its brand image and help its channel partners sell the PDA product more effectively?

Once you’ve answered these questions, incorporate your ideas into the marketing plan you’ve been writing or document them using the Marketing Plan Pro software.

Chapter 13
Abdallah Saif has asked you to work with Rami Khoder, Oasis Sales Manager, and his team on planning customer support services for Oasis’s new PDA product. Review what you know about
your target market and its needs; also think about what Oasis’s competitors are offering. Then respond to these three questions about designing and managing services.

- What support services are buyers of PDA products likely to want and need?
- How can Oasis manage gaps between perceived service and expected service to satisfy customers?
- What postsale service arrangements must Oasis make and how would you expect these to affect customer satisfaction?

Consider how your service strategy will support Oasis’s overall marketing efforts. Summarize your recommendations in a written marketing plan or use Marketing Plan Pro to document your ideas.

**Chapter 14**

You’re in charge of pricing Oasis’s product for its launch early next year. Review the strengths, weaknesses, opportunities, and threats (SWOT) analysis you previously prepared as well as Oasis’s competitive environment, targeting strategy, and product positioning. Now continue working on your marketing plan by responding to the following questions.

- What should Oasis’s primary pricing objective be? Explain your reasoning.
- Are PDA customers likely to be price sensitive? What are the implications for your pricing decisions?
- What price adaptations (such as discounts, allowances, and promotional pricing) should Oasis include in its marketing plan?

Make notes about your answers to these questions and then document the information in a written marketing plan or use Marketing Plan Pro software, depending on your instructor’s directions.

**Chapter 15**

At Oasis, you have been asked to develop a marketing channel system for the new Oasis 1000 PDA. Based on what you know about designing and managing integrated marketing channels, answer the three questions that follow.

- Do you agree with Abdallah Saif’s decision to use a push strategy for the new product? Explain your reasoning.
- How many channel levels are appropriate for Oasis’s targeted consumer and business segments?
- In determining the number of channel members, should you use exclusive, selective, or intensive distribution? Why?

Be sure your marketing channel ideas support the product positioning and are consistent with the goals that have been set. Record your recommendations in a written marketing plan or use Marketing Plan Pro.

**Chapter 16**

At this point, you need to make more specific decisions about managing the marketing intermediaries for Oasis’s first product. Formulate your ideas by answering the following questions.

- What types of retailers would be most appropriate for distributing Oasis’s PDA? What are the advantages and disadvantages of selling through these types of retailers?
- What role should wholesalers play in Oasis’s distribution strategy? Why?
- What market-logistics issues must Oasis consider for the launch of its first PDA?

Summarize your decisions about retailing, wholesaling, and logistics in the marketing plan you’ve been writing or in the Marketing Plan Pro software.
Chapter 17
Abdallah Saif has assigned you to work with Lina Manna’ and Mohamad Chehab to plan integrated marketing communications for Oasis’s new product introduction. Review the data, decisions, and strategies you previously documented in your marketing plan before you answer the next three questions.

• What communications objectives are appropriate for Oasis’s initial campaign?
• How can Oasis use personal communications channels to influence its target audience?
• Which communication tools would you recommend using after Oasis’s initial product has been in the market for 6 months? Why?

Confirm that your marketing communications plans make sense in light of Oasis’s overall marketing efforts. Now, as your instructor directs, summarize your thoughts in a written marketing plan or in the Marketing Plan Pro software.

Chapter 18
Mass communications will play a key role in Oasis’s product introduction. After reviewing your earlier decisions and thinking about the current situation (especially your competitive circumstances), respond to the following questions to continue planning Oasis’s marketing communications strategy.

• Once Oasis begins to use consumer advertising, what goals would be appropriate?
• Should Oasis continue consumer and trade sales promotion after the new product has been in the market for 6 months? Explain your reasoning.
• Abdallah Saif wants you to recommend an event sponsorship possibility that would be appropriate for the new product campaign. What type of event would you suggest and what objectives would you set for the sponsorship?

Record your ideas about mass communications in the marketing plan you’ve been writing or use Marketing Plan Pro.

Chapter 19
Oasis needs a strategy for managing personal communications during its new product launch. This is the time to look at interactive marketing, word-of-mouth, and personal selling. Answer these three questions as you consider Oasis’s personal communications strategy.

• Which forms of interactive marketing are appropriate for Oasis, given its objectives, mass communications arrangements, and channel decisions?
• How should Oasis use word-of-mouth to generate brand awareness and encourage potential buyers to visit retailers to see the new PDA in person?
• Does Oasis need a direct sales force or can it sell through agents and other outside representatives?

Look back at earlier decisions and ideas before you document your comments about personal communications in your written marketing plan or using Marketing Plan Pro software.

Chapter 20
Knowing that the PDA market isn’t growing as quickly as the market for multimedia, multifunction communication devices, Abdallah Saif wants you to look ahead at Oasis how can develop new products outside the PDA market. Review the competitive situation and the market situation before you continue working on the Oasis marketing plan.

• List three new-product ideas that build on Oasis’s strengths and the needs of its various target segments. What criteria should Oasis use to screen these ideas?
• Develop the most promising idea into a product concept and explain how Oasis can test this concept. What particular dimensions must be tested?
• Assume that the most promising idea tests well. Now develop a marketing strategy for introducing it, including: a description of the target market; the product positioning; the estimated sales, profit, and market share goals for the first year; your channel strategy; and the marketing budget you will recommend for this new product introduction. If possible, estimate Oasis’s costs and conduct a break-even analysis.

Document all the details of your new-product development ideas in the written marketing plan or use Marketing Plan Pro software.

Chapter 21
As Abdallah Saif’s assistant, you’re researching how to market the Oasis 1000 PDA product in the Arab Maghreb countries, and possibly European countries of the Mediterranean basin, within a year. You’ve been asked to answer the following questions about Oasis’s use of global marketing.

• As a start-up company, should Oasis use indirect or direct exporting, licensing, joint ventures, or direct investment to enter the Arab Maghreb market next year? To enter other markets in the Mediterranean basin? Explain your answers.
• If Oasis starts marketing its PDA in other countries, which of the international product strategies is most appropriate? Why?
• Oasis is an Arab technology and telecommunication company. Its PDAs have components from Europe (Germany, Sweden, and Finland) and the Far East (China, Korea, Indonesia, Malaysia, and Taiwan). Oasis’s PDAs will be assembled in Turkey through a contractual arrangement with a local Turkish factory (Technik). How are country-of-origin perceptions likely to affect your marketing recommendations?

Think about how these global marketing issues fit into Oasis’s overall marketing strategy. Now document your ideas in the marketing plan you’ve been writing or using Marketing Plan Pro.

Chapter 22
With the rest of the marketing plan in place, you’re ready to make recommendations about how to manage Oasis’s marketing activities. Here are some specific questions Abdallah Saif wants you to consider.

• How can Oasis drive customer-focused marketing and strategic innovation throughout the organization?
• What role should social responsibility play in Oasis’s marketing?
• How can Oasis evaluate its marketing? Suggest several specific steps the company should take.

To complete your marketing plan, enter your answers to these questions in the written marketing plan or in Marketing Plan Pro software. Finally, draft the executive summary of the plan’s highlights.
activity-based cost (ABC) | التكلفة على أساس النشاط
Accounting procedures that can quantify the true profitability of different activities by identifying their actual costs.

advertising | الإعلان
Any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.

advertisorials | إعلانات مطبوعة
Print ads that offer editorial content that reflects favorably on the brand and resemble newspaper or magazine content.

anchoring and adjustment heuristic | السعر الاسترشادي والمعدل
When consumers arrive at an initial judgment and then make adjustments of their first impressions based on additional information.

arm’s-length price | سعر غير تفضيلي
The price charged by other competitors for the same or a similar product.

associational groups | مجموعات مبطحة
Groups a person hopes or would like to join.

associative network memory model | نموذج ذاكرة الشبكة المرتبطة
A conceptual representation that views memory as consisting of a set of nodes and interconnecting links where nodes represent stored information or concepts and links represent the strength of association between this information or concepts.

attitude | الاتجاه
A person’s enduring favorable or unfavorable evaluation, emotional feeling, and action tendencies toward some object or idea.

augmented product | المنتج المضاف
A product that includes features that go beyond consumer expectations and differentiate the product from competitors.

available market | السوق المناقش
The set of consumers who have interest, income, and access to a particular offer.

availability heuristic | النموذج التقريمي
When consumers base their predictions on the quickness and ease with which a particular example of an outcome comes to mind.

average cost | متوسط التكلفة
The cost per unit at a given level of production; it is equal to total costs divided by production.

backward invention | منتج موائل لاحتياجات السوق
Reintroducing earlier product forms that can be well adapted to a foreign country’s needs.

banner ads (Internet) | شعارات إعلانية (إنترنت)
Small, rectangular boxes containing text and perhaps a picture to support a brand.

basic product | المنتج الأساسي
What specifically the actual product is.

belief | الاعتقاد
A descriptive thought that a person holds about something.

brand | علامة تجارية
A name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

brand associations | التفاعلات المرتبطة بالعلامة التجارية
All brand-related thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and so on that become linked to the brand node.

brand audit | تدقيق العلامة التجارية
A consumer-focused exercise that involves a series of procedures to assess the health of the brand, uncover its sources of brand equity, and suggest ways to improve and leverage its equity.

brand awareness | الوعي بالعلامة التجارية
Consumers’ ability to identify the brand under different conditions, as reflected by their brand recognition or recall performance.

brand contact | معلومات العلامة التجارية
Any information-bearing experience a customer or prospect has with the brand, the product category, or the market that relates to the marketer’s product or service.

brand development index (BDI) | مؤشر قوة العلامة التجارية
The index of brand sales to category sales.

brand dilution | تعيين العلامة التجارية
When consumers no longer associate a brand with a specific product or highly similar products or start thinking less favorably about the brand.

brand elements | عناصر العلامة التجارية
Those trademarkable devices that serve to identify and differentiate the brand such as a brand name, logo, or character.

brand equity | قيمة العلامة التجارية
The added value endowed to products and services.

brand extension | توسيع نطاق العلامة التجارية
A company’s use of an established brand to introduce a new product.

brand image | الصورة العامة للعلامة التجارية
The perceptions and beliefs held by consumers, as reflected in the associations held in consumer memory.

brand knowledge | المعرفة المرتبطة بالعلامة التجارية
All the thoughts, feelings, images, experiences, beliefs, and so on that become associated with the brand.

brand line | خطة إنتاج العلامة التجارية
All products, original as well as line and category extensions, sold under a particular brand name.

brand mix | خطوط إنتاج علامات تجارية مختلطة
The set of all brand lines that a particular seller makes available to buyers.

brand personality | الهوية الذاتية للعلامة التجارية
The specific mix of human traits that may be attributed to a particular brand.

brand portfolio | مجموعة العلامات التجارية وخطط الإنتاج
The set of all brands and brand lines that a particular firm offers for sale to buyers in a particular category.

brand promise | وعد العلامة التجارية
The marketer’s vision of what the brand must be and do for consumers.
brand valuation | تقييم العلامة التجارية
An estimate of the total financial value of the brand.

brand value chain | سلسلة القيمة للعلامة التجارية
A structured approach to assessing the sources and outcomes of brand equity and the manner in which marketing activities create brand value.

branded entertainment | أنشطة الترفيه لتسويق صورة العلامة التجارية
Using sports, music, arts, or other entertainment activities to build brand equity.

branded variants | متغيرات خطوط إنتاج العلامة التجارية
Specific brand lines uniquely supplied to different retailers or distribution channels.

branding | التمييز التجاري
Endowing products and services with the power of a brand.

branding strategy | استراتيجية التمييز التجاري
The number and nature of common and distinctive brand elements applied to the different products sold by the firm.

breakeven analysis | تحليل نقطة التعادل
A means by which management estimates how many units of the product the company would have to sell to break even with the given price and cost structure.

brick-and-click | التجارة متعددة القنوات
Existing companies that have added an online site for information and/or e-commerce.

business database | قاعدة بيانات الأعمال
Complete information about business customers’ past purchases; past volumes, prices, and profits.

business market | سوق الأعمال
All the organizations that acquire goods and services used in the production of other products or services that are sold, rented, or supplied to others.

capital items | السلع الرأسمالية
Long-lasting goods that facilitate developing or managing the finished product.

captive products | البضائع المقالية
Products that are necessary to the use of other products, such as razor blades or film.

category extension | توسيع رتبة المنتجات
Using the parent brand to brand a new product outside the product category currently served by the parent brand.

category membership | رتبة المنتجات
The products or sets of products with which a brand competes and which function as close substitutes.

cause-related marketing | التسويق المرتبط التعاوني
Marketing that links a firm’s contributions to a designated cause to customers’ engaging directly or indirectly in revenue-producing transactions with the firm.

channel advantage | ميزة قناة التوزيع
When a company successfully switches its customers to lower-cost channels, while assuming no loss of sales or deterioration in service quality.

channel conflict | الصراع بين القنوات التسويقية
When one channel member’s actions prevent the channel from achieving its goal.

channel coordination | تنسيق قنوات التوزيع
When channel members are brought together to advance the goals of the channel, as opposed to their own potentially incompatible goals.

channel power | قوة قناة التوزيع
The ability to alter channel members’ behavior so that they take actions they would not have taken otherwise.

communication adaptation | تكييف الإعلانات التسويقية
Changing marketing communications programs for each local market.

communication-effect research | بحث تأثير الإعلانات التسويقية
Determining whether an ad is communicating effectively.

company demand | طلب الشركة
The company’s estimated share of market demand at alternative levels of company marketing effort in a given time period.

company sales forecast | التنبؤ بمبيعات الشركة
The expected level of company sales based on a chosen marketing plan and an assumed marketing environment.

competitive advantage | القدرة التنافسية
A company’s ability to perform in one or more ways that competitors cannot or will not match.

conformance quality | نوعية التوافق
The degree to which all the produced units are identical and meet the promised specifications.

conjoint analysis | تحليل الاقتران
A method for deriving the utility values that consumers attach to varying levels of a product’s attributes.

conjunctive heuristic | المستوى الحاسم
The consumer sets a minimum acceptable cutoff level for each attribute and chooses the first alternative that meets the minimum standard for all attributes.

consumer involvement | مشاركة العملاء
The level of engagement and active processing undertaken by the consumer in responding to a marketing stimulus.

consumerist movement | حركة حماية المستهلك
An organized movement of citizens and government to strengthen the rights and powers of buyers in relation to sellers.

consumption system | نظام الاستهلاك
The way the user performs the tasks of getting and using products and related services.

containerization | شحن البضائع في حاويات
Putting the goods in boxes or trailers that are easy to transfer between two transportation modes.

content-target advertising | الإعلان المستهدف للمحتوى
Links ads not to keywords but to the contents of Web pages.

contractual sales force | الموظفون المتعاقدون للبيعات
Manufacturers’ reps, sales agents, and brokers, who are paid a commission based on sales.

convenience goods | بضائع الملاءة
Goods the consumer purchases frequently, immediately, and with a minimum of effort.
This textbook is accompanied by MyMarketingLab, a powerful online tool that combines assessment, reporting, and personalized study to help both students and instructors succeed. With its abundant collection of resources, MyMarketingLab offers students many ways to study, and instructors many ways to save time—all in one convenient place.

Inside all new copies of this textbook is a pre-paid access code that students can use to access MyMarketingLab. http://middleeast.pearson.com/kotlerkeller

With a focus on the Arab world, this edition of the widely acclaimed Marketing Management is essential reading for any marketing student in the Arab region. This book combines international marketing theory with local Arab perspectives and examples, allowing readers to better apply their learning to familiar environments. Featuring a host of practical tools and tips, readers will learn to design and monitor marketing programs, undertake successful market research, enhance product competitiveness, respect cultural sensitivities, plus much, much more.