MARKETING 1A
2014
MODULE GUIDE
First Edition: (2013)

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No password required

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http://site.ebrary.com/lib/iieza
Passwords: Use your Student Number
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Using this Guide

This guide has been developed to support your use of the textbook prescribed for this module. There may be occasions when the textbook does not provide sufficient detail regarding a particular idea or principle. In such instances, there may be considerable additional detail included in the guide. However, this guide should not be used as a standalone textbook, as the bulk of the information that you will need to engage with will be covered in the prescribed textbook.

You will see the following emoticons in your guide. Each one has the following meaning:

- This denotes a task or activity.
- This indicates a section of importance.
- This indicates revision questions that could help you understand some of the content, or prepare you for tests and examinations.

In addition, each Learning Unit in this guide could contain three (3) different types of engagement, referred to as Interactive Work Spaces, as listed below:

1. Izimvo Exchange – Izimvo is an isiXhosa word for ideas and so this is the exchanging or sharing of ideas. These are in-class debates or discussions linked to the subject matter and/or current affairs.
2. Activities – These are varied interactions in which you can engage with the subject matter.
3. Revision Exercises – These are questions/tasks based on theory.

The purpose of the Interactive Work Space is to provide opportunities for you to engage with the subject matter in the Learning Unit both in and outside the classroom in preparation for assessments. In different modules there would be more or less emphasis on the different types of engagement, depending on the nature and objectives of the particular module.
Introduction

This module on marketing management is designed to provide you with an understanding of the theories, principles, processes and concepts of marketing in the business environment.

“Today's marketing is all about creating customer value and building profitable customer relationships. It starts with understanding consumer needs and wants, deciding which target markets the organisation can serve best, and developing a compelling value proposition by which the organisation can attract, keep, and grow targeted consumers. If the organisation does these things well, it will reap the rewards in terms of market share, profits and customer equity” (Kotler & Armstrong, 2010, p.16).

Marketing has an important role to play in an organisation and in society; it is the key to understanding consumers and how best to satisfy their needs.

The module begins with introducing the topic of marketing, describing the extent of this function in a business and then in Learning Unit 2 we begin to understand that businesses do not exist alone and we need to consider the internal and external environments and how they affect business decisions, especially those regarding the “value proposition” that is being created for the consumer. In order to create this offering, it is necessary to gain a deeper understanding of the consumer and this is the focus of Learning Unit 3. With this understanding of consumers and how diverse they are, it makes sense then that Learning Unit 4 goes on to describe how an organisation may choose to aim its product offering at only selected consumers. Finally, we begin to study the “value proposition” in more detail by looking at the decisions that need to be made when creating the product element of this offering.

Much of what we learn in marketing we can find examples of in our everyday lives as consumers - as you move through the content of this module, continually ask yourself how the theory you are learning could apply in practice.
## Module Resources

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Please note that this module guide is intended to support your learning – the content of this module is in the prescribed textbook. You will not succeed in this module if you focus on this module guide only.</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Digital and Web Resources | Some useful web links:  
  - [www.bizcommunity.co.za](http://www.bizcommunity.co.za)  
  - [www.advantagemagazine.co.za](http://www.advantagemagazine.co.za)  
  - [www.themediaonline.co.za](http://www.themediaonline.co.za) |

## Module Purpose

The purpose of this module is to provide students with an understanding of the theories, principles, processes and concepts of marketing in the business environment.

## Module Outcomes

<table>
<thead>
<tr>
<th>MO1</th>
<th>Demonstrate knowledge and understanding of the concepts, principles and practices of marketing.</th>
</tr>
</thead>
<tbody>
<tr>
<td>MO2</td>
<td>Apply marketing concepts and principles to a given scenario.</td>
</tr>
<tr>
<td>MO3</td>
<td>Demonstrate an understanding of the relationship between the marketing function and other business functions.</td>
</tr>
</tbody>
</table>
## Module Pacer

<table>
<thead>
<tr>
<th>Code</th>
<th>MRKT5111</th>
<th>Hour Sessions</th>
<th>Credits</th>
<th>Theme: The World of Marketing</th>
<th>Notes on this LU</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>38</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Learning Unit 1
**Theme:** The World of Marketing

**Related Outcomes:**
- MO1
- MO2
- MO3

**Sessions:** 1–6

**Learning Content:**
- Marketing definition;
- Marketing as a process of exchange;
- Marketing gaps and the activities to close those gaps;
- The evolution of marketing (orientations);
- Consumer groups;
- The marketing process and the four (4) P’s;
- The marketing function in an organisation;
- Management tasks and leadership styles;
- Strategic marketing.

**25% of ICE tasks to be completed at this point**

### Learning Unit 2
**Theme:** The Marketing Environment

**Related Outcomes:**
- MO1
- MO2
- MO3

**Sessions:** 7–10

**Learning Content:**
- The marketing environment;
- The components of the micro environment;
- The supply and demand sides of the market environment;
- The components of the macro environment;
- Environmental scanning and compiling a SWOT analysis.

**50% of ICE tasks to be completed at this point**
<table>
<thead>
<tr>
<th>Learning Unit 3</th>
<th>Theme: Consumer Behaviour</th>
<th>Notes on this LU</th>
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</thead>
<tbody>
<tr>
<td>Sessions: 11–14</td>
<td>Learning Content:</td>
<td></td>
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<tr>
<td>Related Outcomes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• MO1</td>
<td>• Consumer behaviour;</td>
<td></td>
</tr>
<tr>
<td>• MO2</td>
<td>• Individual factors affecting consumer behaviour;</td>
<td></td>
</tr>
<tr>
<td>• MO3</td>
<td>• Group factors affecting consumer behaviour;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Types of decision making;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• The consumer decision making process;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Adoption of new products.</td>
<td></td>
</tr>
</tbody>
</table>

75% of ICE tasks to be completed at this point

<table>
<thead>
<tr>
<th>Learning Unit 4</th>
<th>Theme: Market Segmentation, Targeting and Positioning</th>
<th>Notes on this LU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sessions: 15–22</td>
<td>Learning Content:</td>
<td></td>
</tr>
<tr>
<td>Related Outcomes:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• MO1</td>
<td>• Segmentation;</td>
<td></td>
</tr>
<tr>
<td>• MO2</td>
<td>• Advantages and disadvantages of segmentation;</td>
<td></td>
</tr>
<tr>
<td>• MO3</td>
<td>• Segmentation criteria, bases and levels;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Developing segment profiles;</td>
<td></td>
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<tr>
<td></td>
<td>• Segmenting industrial markets;</td>
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<tr>
<td></td>
<td>• Segmenting business markets;</td>
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<td></td>
<td>• Targeting;</td>
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<td></td>
<td>• Evaluating a segment;</td>
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<td>• Targeting approaches;</td>
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<tr>
<td></td>
<td>• Creating positioning statements and maps;</td>
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<tr>
<td></td>
<td>• The positioning process;</td>
<td></td>
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<tr>
<td></td>
<td>• Positioning methods;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Positioning errors and repositioning.</td>
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</table>

100% of ICE tasks to be completed at this point
<table>
<thead>
<tr>
<th>Learning Unit 5</th>
<th>Theme: Product Decisions</th>
<th>Notes on this LU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sessions: 23–36</td>
<td>Learning Content:</td>
<td></td>
</tr>
<tr>
<td>Related Outcomes:</td>
<td>• Product layers;</td>
<td></td>
</tr>
<tr>
<td>• MO1</td>
<td>• Product classification:</td>
<td></td>
</tr>
<tr>
<td>• MO2</td>
<td>• Tangibility</td>
<td></td>
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<tr>
<td>• MO3</td>
<td>• Market type (industrial and consumer);</td>
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<td></td>
<td>• Product line and mix decisions;</td>
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<td></td>
<td>• Branding;</td>
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<td></td>
<td>• Packaging;</td>
<td></td>
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<tr>
<td></td>
<td>• Customer service;</td>
<td></td>
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<td></td>
<td>• New product development;</td>
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<td></td>
<td>• Consumer adoption of new products;</td>
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<tr>
<td></td>
<td>• The product life cycle.</td>
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<table>
<thead>
<tr>
<th>Revision for Exams</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sessions: 37–38</td>
<td>Examination revision</td>
</tr>
<tr>
<td>Related Outcomes:</td>
<td></td>
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<tr>
<td>• MO1</td>
<td></td>
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<tr>
<td>• MO2</td>
<td></td>
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<tr>
<td>• MO3</td>
<td></td>
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## Assessments

### Integrated Curriculum Engagement (ICE)

<table>
<thead>
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<th>Integrated Curriculum Engagement (ICE)</th>
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<tbody>
<tr>
<td>Minimum number of ICE activities to complete</td>
<td>4</td>
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<tr>
<td>Weighting towards the final module mark</td>
<td>10%</td>
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</table>

### Assignments/Projects

<table>
<thead>
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<tr>
<td>Weighting</td>
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</tr>
<tr>
<td>Duration</td>
<td>10 hours</td>
</tr>
<tr>
<td>Submit after</td>
<td>LU2</td>
</tr>
<tr>
<td>Learning Units covered</td>
<td>LU1–LU2</td>
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<tr>
<td>Resources required</td>
<td>Web access</td>
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</table>

### Tests/Examination

<table>
<thead>
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<th>Tests/Examination</th>
<th>Test</th>
<th>Examination</th>
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<tbody>
<tr>
<td>Weighting</td>
<td>30%</td>
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<tr>
<td>Duration</td>
<td>1 hour</td>
<td>2 hours</td>
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<tr>
<td>Total marks</td>
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<td>120</td>
</tr>
<tr>
<td>Resources required</td>
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<tr>
<td>Learning Units covered</td>
<td>LU1–LU3</td>
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### Assessment Preparation Guidelines

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Format of the Assessment (The Focus/Objectives)</th>
<th>Preparation (How to Prepare, Resources to Use, etc.)</th>
<th>Hints</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment</td>
<td>This assignment will challenge you to do some independent reading, gaining understanding of a South African business and to apply the theory that has been covered in LU1–LU2, to a practical situation.</td>
<td>You will need to understand one (1) of the large retailers in South Africa so make sure that you start looking at the way these businesses operate and take note of any references to them in the media. In addition you will need to visit their websites and/ or one (1) of their outlets to gain an understanding of their operations.</td>
<td></td>
</tr>
</tbody>
</table>
### Assessment Preparation Guidelines

<table>
<thead>
<tr>
<th>Test</th>
<th>Format of the Assessment (The Focus/ Approach/ Objectives)</th>
<th>Preparation Hints (How to Prepare, Resources to Use, etc.)</th>
</tr>
</thead>
</table>
| Questions will cover LU1 – LU3. Questions will be theory-based, and will consist of a variety of formats, such as match-the-column questions, short questions, and paragraph questions. | To prepare effectively for this test you can include the following in your preparation:  
- Ensure that you work through all the review questions in the LUs to be tested;  
- Check if you are confident that you could answer questions relating to all of the Learning Objectives for the LUs tested;  
- Use the mind maps provided in the Learning Units to identify key areas. |
## Glossary of Key Terms for this Module

As you work through the module, try to find definitions for the following key terms: (Most definitions are indicated in the side bar of your text book pages.)

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
<th>My Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption</td>
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<td>Attitudes</td>
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<td>Brand equity</td>
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<td>Brand extension</td>
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<td>Business market</td>
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<td>Consumer</td>
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<td>Consumer behaviour</td>
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<td>Culture</td>
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<td>Demand</td>
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<td>Environmental scanning</td>
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<td>Exchange</td>
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<td>Industrial market</td>
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<tr>
<td>Term</td>
<td>Definition</td>
<td>My Notes</td>
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<tr>
<td>Learning</td>
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<td>Lifestyle</td>
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<td>Macro environment</td>
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<td>Market environment</td>
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<td>Marketing</td>
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<td>Marketing mix</td>
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<td>Marketing strategy</td>
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<td>Micro environment</td>
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<td>Mission</td>
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<td>Motivation</td>
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<td>New product</td>
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<td>Packaging</td>
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<td>Perception</td>
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<td>Personality</td>
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<td>Positioning</td>
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<tr>
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<td>Definition</td>
<td>My Notes</td>
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<tr>
<td>Product concept</td>
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<td>Product diversification</td>
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<td>Risk</td>
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<td>Segmentation</td>
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<td>Social class</td>
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<td>Strategic marketing</td>
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<td>Supply</td>
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<td>Tangibility</td>
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<tr>
<td>Targeting</td>
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</tbody>
</table>
# Learning Unit 1: The World of Marketing

## Learning Objectives:
- Define marketing (p.16).
- Discuss “exchange” as a key component of the marketing definition (p.4).
- Describe the five (5) gaps that result from an exchange (p.5).
- Describe the three (3) marketing activities necessary when transferring a marketing offering (p.7).
- Describe the evolution of marketing and the marketing orientations (pp.8–13).
- Discuss relationship marketing and the principles of this marketing orientation (p.13).
- Identify the various consumer groups in the market (p.14).
- Outline the marketing process (pp.16–19).
- Identify the four (4) P’s in marketing (p.17).
- Discuss how marketing fits into an organisation (pp.19–20).
- Explain the management tasks of marketing (pp.21–24).
- Discuss the three (3) leadership styles (pp.23-24).
- Describe strategic marketing (p.25).

## Material used for this Learning Unit:
- Prescribed text pp.1–27.

## How to prepare for this Learning Unit:
- Before the first class, be sure that you read pp.1–27 in the textbook.
- As you read these sections, see if you can find the answers to the following questions:
  - What is marketing?
  - What value does marketing provide to a consumer?
  - How does marketing fit into an organisation?
  - How has the function of marketing changed over time?

## 1 Introduction

The role and, more importantly, the value of the marketing function in an organisation is often misunderstood, “marketing is about advertising”, or “marketing is making sales”.
In this Learning Unit the subject of marketing is introduced by comprehensively defining marketing and comprehensively discussing each of the following topics:

- Function of marketing (providing a market offering to exchange with consumers and performing activities to close gaps that occur during this exchange);
- History and evolution of marketing (marketing orientations);
- Managerial role of marketing in the organisation (management tasks and strategy decisions).

### 2 The World of Marketing

#### 2.1 Defining Marketing

Refer to pp.2–3 of the prescribed textbook.

Marketing is defined by the American Marketing Association (AMA) as “… the process of planning and executing the conception, pricing, marketing communication and distribution of ideas, products and services to create exchanges that satisfy individual and organisational goals”. This definition encompasses some of the key areas to cover when studying marketing:

- Marketing involves decisions regarding the conception, pricing, marketing communication and distribution of ideas, products and services. These four (4) areas are also known as the four (4) “P’s” (product, price, promotion and place) and are key components of the marketing function. The four (4) “P’s” are covered in great detail both in Marketing 1A (Learning Unit 5 – product) and in Marketing 1B.
- Marketing is a process – planning and executing the strategy around the market offering (the four (4) “P’s”) (see 2.4 below);
- Marketing involves an exchange (see 2.2 below).

#### 2.2 Marketing, Exchange and Exchange Activities

Refer to pp.4–6 of the prescribed textbook.

The concept of exchange is described in Cant and Van Heerden (2010) as “all the activities associated with people giving up something to receive something they would rather have.”
There are five (5) conditions that must be fulfilled before the exchange can happen and then marketing helps to facilitate an exchange between the consumer and the organisation, ensuring that the organisation is providing what the consumer needs and that the consumer sees a value in the offering. Organisations add value in a variety of ways by bridging gaps between what the consumer needs and what is available to them in order to satisfy those needs (space, time, information, ownership and value gaps).

Refer to pp.7–8 of the prescribed textbook.

These gaps are closed through a variety of activities (primary, auxiliary and exchange) which are performed by the organisation and intermediaries (middlemen, sales intermediaries and auxiliary enterprises).

### 2.3 Marketing Orientations

Refer to pp.8–16 of the prescribed textbook.

The function of marketing has changed dramatically over time, evolving from an internal focus on what the organisation can produce well (p.8), to the “hard sell, no matter the consequences” sales orientation (p.9) and finally a shift to the marketing orientation (pp.9–11). The marketing orientation or “pure marketing concept” involves the entire organisation (integration) focusing on satisfying customers (consumer orientation) whilst still ensuring profits (profit). This philosophy ensures that the company is sustainable and can continue to satisfy customers in the long term.

In more recent years organisations have started incorporating a more socially responsible focus (pp.11–12) and are looking to ensure that it is not just the customers and the organisations needs that are taken care of, but that the needs of society are accounted for too. This is important as the organisation does not operate in isolation, but depends on society for its resources, consumers, etc.

Finally, relationship marketing (pp.13–16) takes organisations another step forward and underlines the importance of building relationships with all organisational stakeholders (the extended market p.14) and supporting the four (4) P’s with the right people and processes to ensure real customer satisfaction.
2.4 The Marketing Process in an Organisation

Refer to pp.16–24 of the prescribed textbook.

Consider the following definition of marketing:

“Marketing is a combination of management tasks and decisions aimed at meeting opportunities and threats in a dynamic environment in such a way that its market offerings lead to the satisfaction of consumers’ needs and wants so that the objectives of the enterprise, the consumer and society are achieved”.

The starting point of this definition highlights marketing as a management activity; therefore we must understand what marketing management is.

Marketing management is:

“The process of setting marketing goals for an organisation (considering internal resources and market opportunities) the planning and execution of activities to meet these goals and measuring progress toward their achievement.” (Cant & Van Heerden, 2010, p.21).

To expand on the above critical areas:

“...considering internal resources...”

Marketing is only one (1) function of an organisation, and in order to achieve its objectives, marketing should understand and work together with other departments in an organisation (pp.19–20). For example, marketing can accurately identify the needs of a customer but it is up to manufacturing to produce the right product able to satisfy those needs.

“...planning (setting goals) and execution of activities to meet these goals and measuring progress...”

Marketing involves the management tasks of planning, implementing and controlling:
- **Planning**: Evaluating the environment to assist in the development of objectives and formulating a plan of how to achieve these goals;
- **Implementing**: Organising the planned activities and providing leadership in the implementation of activities;
- **Controlling**: Regulating activities to ensure actual results are in line with the desired outcomes (achieving the objectives set).

### 2.5 Strategic Marketing Management

Refer to pp.24–26 of the prescribed textbook.

Finally, the importance of strategic marketing management and planning for the long term is an important function of top management. Strategic marketing ensures that the interests of the different departments and individual strategic business units (SBU's) are considered. Strategic marketing also attempts to create synergy between the various departments/units to ensure long term sustainability and success in an organisation.
3 Key Areas of the Learning Unit

What is marketing? (p.3)
- An attitude and philosophy
- A set of activities

"...the process of planning and executing the conception, pricing, marketing communication and distribution of ideas, products and services to create exchanges that satisfy individual and organisational goals." Cant and van Heerden, 2010

"Marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large." AMA, 2007

*Exchange* (p.4)
Five (5) conditions must be satisfied for exchange to occur:

**Gaps** (p.5)
- Space
- Time
- Information
- Ownership
- Value

*Process* (p.16-19)
Marketing involves creating a strategy regarding the offering (4P’s) to direct at consumers based in the environment they are operating in.

Marketing involves creating a strategy regarding the offering (4P’s) to direct at consumers based in the environment they are operating in.

Filling these gaps involves

**Activities** (p.7)
- Primary (transport)
- Auxiliary
- Exchange

Marketing consists of management tasks and decisions aimed at the satisfaction of consumer’s needs and wants so that the objectives of the enterprise, the consumer and society are achieved.” Cant et al., 2010

**Marketing Orientations** (p.8-14)
- Production
- Sales
- Marketing (consumer/profit/organisation)
- Societal (society/consumer/company)
- Relationship (and the extended market)

**Marketing in an organisation** (p.19-20)
- Departments
- Management tasks

**Strategic Marketing** (p.25)
4  Recommended Additional Reading

A comprehensive introduction to marketing:


To understand the concept of value and providing value in a market offering:


Societal Marketing Orientation:


The marketing process is essential to building a successful organisation:


5  Recommended Digital Engagement and Activities

Visit the following website and sign up for their marketing newsletter. This newsletter will keep you up to date with any events/ news in the marketing industry in South Africa.

Biz Community. 2012 [online]. Available at:  
6 Interactive Work Space

6.1 Izimvo Exchange 1

Visit and explore the following websites:


Looking at their sites with your knowledge of the products/services they offer, identify which of the marketing orientations you believe they are following or strive to follow.

6.2 Activity 1

Purpose:
The purpose of this activity is to introduce you to the field of marketing.

Task:
Find at least three (3) definitions of marketing on the web, list any five (5) words from these definitions that you believe are the most important and should be included in a definition of marketing.

Commentary Related to Activity Design:
This task is designed to get an understanding of your current knowledge of the function of marketing and to illustrate the extent of the marketing function.

6.3 Activity 2

Purpose:
The purpose of this activity is to understand the value that the marketing function adds to consumers.
Task
Consider a simple product, such as fruit. This fruit is available for a consumer to purchase from many retailers, such as Pick n Pay.

Describe the gaps that exist and the marketing activities that would need to be performed in order for a consumer to conclude this exchange and satisfy their need for the fruit.

Commentary Related to Activity Design:
This task is designed to illustrate the extent and importance of the marketing function in an organisation.

6.4 Revision Exercise 1

Describe the societal marketing orientation.

6.5 Revision Exercise 2

Marketing management is described by the American Marketing Association as:
“The process of setting marketing goals for an organisation (considering internal resources and market opportunities), the planning and execution of activities to reach these goals, and measuring progress toward their achievement”.

1. “Leading” is one (1) of the key tasks performed in marketing management.
   1.1 Describe the task of leading.
   1.2 Identify the four (4) leadership styles.

2. Identify the other two (2) tasks in marketing management.

6.6 Revision Exercise 3

Marketing activities are those activities used to transfer the market offering to the buyer. They include primary, auxiliary and exchange activities.
1. Describe the auxiliary activities.

2. Identify the exchange activities.
Learning Unit 2: The Marketing Environment

Learning Objectives:

- Recognise the value of understanding the marketing environment (p.30).
- Discuss the micro environment (pp.31–37):
  - Describe and formulate a mission statement (p.33).
  - Differentiate between long and short term objectives (p.33).
  - Discuss the resources, skill and abilities needed in order to achieve objectives (p.35).
  - Describe the “four (4) P’s” – the marketing mix (p.36).
- Discuss the market environment (pp.37–40):
  - Describe the variables in the supply side of the market environment (p.37).
  - Understand the different types of competition (pp.38–40).
  - Describe the four (4) competitive market structures (p.39).
  - Describe the variables in the demand side of the market environment (p.38).
  - Differentiate between the five (5) types of consumer markets (p.38).
- Discuss the macro environment (pp.40–44):
  - Describe the political-legal environment (p.40).
  - Describe the international environment and the concept of the “global village” (p.41).
  - Describe the physical environment and impact of limited natural resources on business (pp.41–42).
  - Describe the technological environment and how changing technology impacts on a business (p.42).
  - Describe the socio-cultural environment and identify trends that have influenced marketing (p.44).
  - Describe the economic environment and explain the key variables in this environment (pp.42–44).
- Compile a SWOT analysis to use when evaluating the marketing environment (pp.44–46).
- Explain environment scanning (p.46).

My Notes on this Learning Unit:
Learning Unit 2: The Marketing Environment (CONTINUED)

Material used for this Learning Unit:
- Prescribed text pp.28–47.

How to prepare for this Learning Unit:
- Before the first class, be sure that you read pp.28–47 in the textbook.
- As you read these sections, see if you can find the answers to the following questions:
  - Why is it important to scan the environment?
  - When should the environment be scanned?
  - What are the aspects of the marketing environment that an organisation can control?
  - Why is the market environment described as an environment that can be influenced rather than controlled?

1 Introduction

In Learning Unit 1 the following definition of marketing was discussed:

“Marketing is a combination of management tasks and decisions aimed at meeting opportunities and threats in a dynamic environment ...”

This Learning Unit focuses on understanding this “dynamic environment” in order to identify factors which can affect or influence the business. These factors may come from the micro environment (internal to the organisation and therefore controllable) and may be either negative (weaknesses) or positive (strengths). The market and macro environments outside of a firm must also be explored and any opportunities (positive) identified and taken advantage of and threats (negative) dealt with.

In order to assess these factors, management will constantly scan the environment and make use of a SWOT analysis to identify and categorise the factors.

2 The Marketing Environment

The marketing environment consists of the following three (3) sub-environments which all impact each other:


2.1 Micro Environment

Refer to pp.31–36 of the prescribed textbook.

The micro environment comprises all of the elements within an organisation that are internal and therefore under the control of the organisation.

Refer to pp.33–36 of the prescribed textbook.

An organisation will develop a mission statement, that states its current product market position and generally gives a clear description of the customers it is trying to reach and satisfy.

Based on this mission statement the organisation will set both long term and short term objectives. Long term objectives establish the aims of the business as a whole (p.34); and short term objectives relate to specific functional areas; in this case marketing (p.35).

In order to achieve these objectives; organisations will require resources (financial and human resources) and the use of the marketing mix – the four (4) P’s of product, price, promotion and place (p.36).

2.2 Market Environment

Refer to pp.37–40 of the prescribed textbook.

The market environment comprises elements that although they are outside of the organisation (external), are closely related to and can be influenced by the activities of the business.

On one (1) side are the organisations that demand the outputs from the organisation – the consumers (p.38). Satisfying consumers is a focal activity of business and understanding similarities and differences between different customer types (p.38) will enable organisations to satisfy them more effectively.

On the supply side are suppliers and competitors. Suppliers (p.37) are an important link in the customer “value delivery system”, influencing, for instance, the quality and price of the product that can be provided to the market.
The most obvious influence of competitors (pp.38–40) is on the pricing of a product and organisations need to understand who their competitors are and what type of competitive market structure they face in their industry.

2.3 **Macro Environment**

Refer to pp.40–44 of the prescribed textbook.

The macro environment comprises elements outside the organisation over which it has little or no control. These elements generally change very rapidly and with these changes come various opportunities and threats that the organisation must consider.

The elements of the macro environment include:

- **Political and legal environment:** The political stability and legislation/laws of a country;
- **International:** Consider export opportunities the threat of competing imports and regulations and culture within international markets;
- **Physical:** The limited natural resources from which organisations access inputs, etc.
- **Technology:** Influences other elements as well as the “P’s,” e.g. new channels available for distribution – online shopping;
- **Economic:** How consumer behaviour is impacted by inflation/interest/unemployment etc.;
- **Socio-cultural:** Trends which impact on marketing decisions, e.g. a move to healthier lifestyles has influenced the type of products offered.

2.4 **SWOT and Environmental Scanning**

Refer to pp.44–47 of the prescribed textbook.

Environmental scanning is “the measurement, projections and evaluation of change in the different environmental variables” (p.47). Organisations will continually scan the environments described above to identify any changes that may have a positive or negative effect on their operations. They identify changes in order to adapt their strategies to avoid or take advantage of any changes and ensure their long term survival and profitability.

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Environmental scanning involves assessing both the internal and external environments. A SWOT analysis (pp.44–46) is a useful tool for helping managers to assess the environment and involves identifying the:

- **Strengths; and**
- **Weaknesses in the internal environment; and**
- **Opportunities; and**
- **Threats in the external environment.**

The internal environment is under the control of the organisation and managers will try to identify strengths to maximise and weaknesses to minimise. The external environment is out of the control of the organisation and managers will try to exploit any opportunities and reduce the effect of any threats identified.

The results of the SWOT analysis will generally influence the strategy formulation of the organisation and can affect anything from the product developed (new technology presents an opportunity to develop something innovative) to the pricing strategy adopted (new entrants to the market pose a competitive threat to market share).
3 Key Areas of the Learning Unit

The *marketing environment*...
"is a dynamic (constantly changing) environment and organisations must monitor the environment for changes and adapt their strategies to survive" p.30

Using **Environmental Scanning** (p.46) to identify
- Strengths
- Weaknesses
- Opportunities
- Threats
(p. 44-46)

**Micro Environment**
(pp.31 - 37)
(internal/controllables)

The organisations **mission statement** (p.33) will lead to the development of **Objectives** (p.33). To accomplish these requires **resources, skills and abilities** (p.35) and the **4P’s** (p.36)

**Market Environment**
(pp.37-40)
(external/influenced)

**Supply:** suppliers/competitors (pp.37-40)
**Demand:** Consumers (p.38)

**Macro Environment**
(pp.40 - 44)
(External)
- Political – Legal (p.40)
- International (p.41)
- Physical (pp.41 – 42)
- Technological (p.42)
- Economic (pp.42 – 44)
- Socio-cultural (p.44)
4 Recommended Additional Reading

The following three (3) articles discuss how changes in the technological environment have affected the printing industry. They discuss both sides – how the changes could be seen as an opportunity (providing opportunities to both understand and talk to audiences), or a threat. (Will we see the death of the printed word?) Also discussed is how technology has revolutionised the printing industry and enabled organisations to deliver relevant, personalised, cross media campaigns:


The Marketing Environment:


5 Recommended Digital Engagement and Activities

The macro environment must be continually assessed by marketing managers for opportunities to take advantage of and threats to avoid.

Conduct an internet search for recent changes in any one (1) of the macro variables in South Africa and assess how these changes might affect the marketing decisions of an organisation.

For example:

- Political-Legal: Changes in legislation;
- International: Rules governing import/ export of products;
- Economic: Interest rates, exchanges rates;
6 Interactive Work Space

6.1 Izimvo Exchange 1

Changes in the technological environment can affect the marketing process in various ways.

Discuss some of the most important opportunities and threats created by these technological changes.

When discussing technology and its impact on marketing communication, the use of social media as a communication tool is often discussed. How important do you think social media is as a communication tool to the South African? How should it be used effectively?

6.2 Izimvo Exchange 2

Discuss key trends in 2013.

6.3 Activity 1

Purpose:
The purpose of this activity is to describe the components of an effective mission statement.

Task:
Review the mission statement for Woolworths provided below.

Discuss whether this is an effective mission statement.
Mission Statement

We, as passionate committed retailers, understand and lead our customers through excellence and a deep knowledge of our products and services and the world we live in.

We live the Woolworths difference through our values:

<table>
<thead>
<tr>
<th>Quality and style</th>
<th>-- deliver the best</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>-- a simple and fair deal</td>
</tr>
<tr>
<td>Service</td>
<td>-- think customer</td>
</tr>
<tr>
<td>Innovation</td>
<td>-- discover the difference</td>
</tr>
<tr>
<td>Integrity</td>
<td>-- do what you say you will do</td>
</tr>
<tr>
<td>Energy</td>
<td>-- be passionate and deliver</td>
</tr>
<tr>
<td>Sustainability</td>
<td>-- build for a better future</td>
</tr>
</tbody>
</table>

(Woolworths Holdings Limited, 2012)

Commentary Related to Activity Design:

This activity is designed to help you see the importance of monitoring the environment and understanding the various elements in the environment. It helps you see how changes in these variables can give rise to identifying new consumer needs and therefore business opportunities.

6.4 Activity 2

Purpose:
The purpose of this activity is to introduce you to environmental scanning and the compilation of a SWOT analysis.

Task:
Compile a SWOT Analysis for a Steers franchise.

Commentary Related to Activity Design:

To assist in differentiating between strengths, weaknesses, opportunities and threats.

6.5 Activity 3

Purpose:
To appreciate how an understanding of the marketing environment is not just necessary in theory but works in practice too.

For Activity 1 consult p.33 of the textbook.

For Activity 2 consult pp.44–46 in the textbook.

For Activity 3 you will need to consider all elements of the marketing environment – micro, market and macro.
**Task:**
Visit and explore the MyChef website to understand their product offering.

My Chef. 2007. [online]. Available at: [www.mychef.co.za](http://www.mychef.co.za) [Accessed 13 December 2012].

Discuss the reasons for the establishment of this business. What opportunities do you believe the owners identified in order to establish the business? Assess any threats you think they may be facing now or in the near future.

**Commentary Related to Activity Design:**
This activity is designed to help you see the importance of monitoring the environment and understanding the various elements in the environment. It helps you see how changes in these variables can give rise to identifying new consumer needs and therefore business opportunities.

### 6.6 Revision Exercise 1

Differentiate between long term and short term objectives.

### 6.7 Revision Exercise 2

Competitors are one (1) of the key variables in the supply side of the market environment.

1. Describe the following competitive market structures, providing a relevant South African example of each structure.
   1.1 Monopoly
   1.2 Monopolistic competition.

2. Differentiate between needs competition and product competition.
# Learning Unit 3: Consumer Behaviour

## Learning Objectives:

- Define consumer behaviour (p.51).
- Describe the individual factors (internal determinants) affecting consumer behaviour (pp.51–56):
  - Discuss the relationship between needs and motivation (p.52).
  - Explain Maslow’s hierarchy of needs (p.53).
  - Outline the steps in the perception process (p.55).
  - Discuss the elements of learning (p.56).
- Explain the group factors (external determinants) affecting consumer behaviour (pp.61–63):
  - Discuss the influence of the family unit on behaviour (p.61).
  - Define culture and its effect on behaviour, including specific reference to culture in South Africa (p.62).
  - Describe social class and how it can affect marketing decisions (p.62).
  - Identify the different reference groups that influence behaviour (p.63).
- Differentiate between types of decision making (p.64).
- Outline the phases in the consumer decision making process (pp.64–65).
- Discuss the adoption of new products (p.65).

## Material used for this Learning Unit:
- Prescribed text pp.49–68.

## How to prepare for this Learning Unit:
- Before the first class, be sure that you read pp.49–68 in the textbook.
- As you read these sections, see if you can find the answers to the following questions:
  - What role does culture play in consumer decision making?
  - Why do organisations need to understand a consumer’s family role, social class, or cultural background?
  - How can the attitude of a consumer be changed?
1 Introduction

In order to meet their goal of satisfying consumers, marketers must understand the consumers’ needs and what shapes the decisions those consumers make in trying to satisfy their needs, i.e. their consumer behaviour.

In this Learning Unit the various group and individual factors which influence buying behaviour are discussed. The consumer decision making process is outlined in order to understand how each of the influencing factors can affect this process.

Consumers exhibit different behaviours when adopting new products. The various aspects that affect this, such as the perceived risk involved and the personal characteristics of the consumer are described.

2 Consumer Behaviour

Refer to p.50 of the prescribed textbook.

Consumers are constantly influenced by their own needs and preferences, as well as those of their family, social class, etc. This is known as consumer behaviour. Marketers must be aware of their customers’ needs and why they have those needs. The study of consumer behaviour involves looking at all of the factors that influence the consumer before, during and after the purchase.

2.1 Individual Factors

Refer to pp.51–60 of the prescribed textbook.

Individual factors are factors which are inherent in human behaviour, otherwise known as internal factors. These factors are specific to the individual and will differ from one (1) individual to the next. There are several individual factors that marketers must consider when analysing consumer behaviour.

Refer to pp.52–54 of the prescribed textbook.

Motivation is concerned with what “moves people to action.” The consumer may have a need, but motivation is what stimulates someone to try to satisfy that need.
Maslow’s hierarchy of motives is a very well-known and well-used model which has been established to help us understand consumer needs. The premise of Maslow’s hierarchy is that the lower level basic or physiological needs must be satisfied first. If a consumer cannot satisfy lower level needs they will not be motivated to satisfy any of the higher level of needs.

Consumers may also be influenced by both head and/or heart when making a purchase. They may consider rational or economic reasons (durability, economy, etc.) for a purchase, or base their decisions on emotional factors. In either case, marketers must understand the level or type of need that consumers have and use an appropriate appeal to relate to the consumer.

Refer to pp.54–56 of the prescribed textbook.

Perception involves how consumers make sense of all the “inputs”/stimuli they receive. The perception process involves the following steps:
- Exposure;
- Attention;
- Interpretation;
- Recall.

Marketers must understand perception in order to develop messages that have an increased chance of being perceived and remembered by the target as consumers can filter information at the different stages of this process, e.g. selective exposure.

Refer to pp.56–57 of the prescribed textbook.

Learning about products is important to marketers. They want consumers to learn about their products and for this learning to result in a positive change in their buying behaviour with respect to that particular brand. Marketers will consider and make use of all of the elements of learning: stimulus, response, reinforcement and repetition.

Refer to pp.57–59 of the prescribed textbook.

Consumer attitudes towards a product or brand involve what they know (cognitive) about it, how they feel (affective) about it and what they actually do (behaviour). Marketers will try to ensure that consumers have a strong, positive attitude towards the brand.
Refer to pp.59–60 of the prescribed textbook.

**Personality** is unique and enduring and will influence the way people respond to their environment. Marketers understand that consumers will purchase products that reflect their personality and this is especially important when developing marketing communication.

Refer to p.60 of the prescribed textbook.

**Lifestyle** reflects the way in which people spend their time and money and is therefore a substantial influence on the needs of consumers.

### 2.2 Group Factors

Consumers seldom act in isolation and much of their behaviour is influenced by the people that they interact with on a daily basis.

Refer to p.61 of the prescribed textbook.

**Family** is one (1) of the major influences on the behaviour of all members of the family (nuclear/extended). In particular there are various roles (initiator, influencer, etc.) that different family members may play in a purchase situation. These roles may change depending on the product (e.g. convenience or shopping goods) or the type of family (e.g. wife/husband-dominant).

Refer to p.62 of the prescribed textbook.

**Cultural** influences on consumer behaviour are of particular importance in South Africa due to the many different cultural groups and subgroups. Culture influences the priorities, values and activities of those who belong to a specific culture and therefore the type of product they seek.

Refer to pp.62–63 of the prescribed textbook.

There are three (3) main factors to consider when looking at the influence of **social class** on consumer behaviour. First, consumers within the same social class generally share behaviour patterns. Secondly, consumers make purchases in an attempt to demonstrate or advance their social standing. Thirdly, specific behaviours are associated with differences in social class, such as choice of media, or store, etc.
Refer to p.63 of the prescribed textbook.

Reference groups are individuals or groups that the consumers use as a “point of reference” when making decisions. This includes groups that the consumers seek to follow or conform to (membership, automatic, associative and opinion leaders) or intentionally try to disassociate from (negative).

All of these factors identified will influence the consumer and the way they make decisions.

### 2.3 Decision Making Process

Refer to p.64 of the prescribed textbook.

The consumer decision-making process involves five (5) phases:

- Consumers recognise they have a need which leads to a;
- Search for information on possible alternatives to satisfy this need;
- Evaluation of these alternatives until they have made a;
- Purchase decision (which could also be to NOT purchase) and;
- Post purchase evaluation of whether they are satisfied with their decision or not which could lead to cognitive dissonance.

The extent of the phases above and the effort put in to each step is influenced by the type of decision making – real, impulse or habitual.

### 2.4 New Products and New Product Adoption

Refer to p.65 of the prescribed textbook.

The decision to try or purchase a new product involves:

- Awareness of the idea;
- Interest in seeking more information;
- Evaluation, drawing conclusions regarding their thought on the product;
- Trial, using the product;
- Adopt or reject the product.
New product adoption is influenced by:

- How much risk (social/physical, etc.) the consumer attaches to the decision to try or use the product;
- The personal characteristics of the consumer (innovator/laggard, etc.).

Can you identify the different types of risk consumer’s face when adopting new products?
3 Key Areas in the Learning Unit

**Consumer Behaviour**

“The study of **individuals, groups** or organisations and the **processes** they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.”


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**Individual factors** (internal)
- Motivation (pp. 52-54)
- Perception (pp. 54-56)
- Learning (pp. 56-57)
- Attitudes (pp. 57-59)
- Personality (pp. 59-60)
- Lifestyle (p. 60)

**Group factors** (external)
- Family (p. 61)
- Cultural group (p. 62)
- Social class (p. 62)
- Reference groups (p. 63)

These factors will influence the consumer and the decisions that they make …

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**Types of decision making** (p. 64)
- Need recognition
- Search for alternatives
- Evaluate alternatives
- Purchase
- Post purchase

---

**Adoption of new products** (p. 65)
- Awareness
- Interest
- Evaluation
- Trial
- Adoption or rejection

---

When it comes to **new products**, there are several aspects that must be considered:
- Risk (p. 65)
- Personality types (p. 66)

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4 Recommended Additional Reading

“Consumer Behaviour” by Cant, Brink and Brijball is a comprehensive study of consumer behaviour and is a valuable source of additional information for this Learning Unit. There are however, specific references in the book to South African consumers and these have been included as specific additional readings below:


To illustrate how group factors influence consumer behaviour, read this article discussing “conspicuous consumption” and the acquisition and display of possessions in order to gain social status.


This article discusses marketing to multi-cultural consumers and although the article is based on international cultures, the principles can be applied to our culturally diverse country.


5 Recommended Digital Engagement and Activities

Conduct research on a culture (other than your own) that you are likely to encounter when doing business in South Africa.

Compile a small poster or presentation on this culture.
6 Interactive Work Space

6.1 Izimvo Exchange 1

A social class is a group of people in a country who are considered basically equal in various respects, normally regarding occupation, income and education.

In South Africa the gap in income between the richest and poorest people, as measured by the GINI coefficient is one (1) of the largest in the world. How does this affect marketers and the decisions they need to make?

To learn more about the GINI coefficient visit:


6.2 Izimvo Exchange 2

Read the article provided by the lecturer, “The Hazards of a One-size-fits-all Strategy” and discuss the importance of understanding your consumer in the South African market.


6.3 Activity 1

Purpose:
The purpose of this activity is to examine family roles in the family decision making process.

Task:
For each of the following products, identify who in your household takes on which of the various consumption related roles of: Initiator/ Influencer/ Decision maker/ Purchaser/ User.

- Washing powder;
- Cereal;
- Television set.

For Activity 1 consult p.61 in the textbook.
Commentary Related to Activity Design:
It is interesting to note that depending on the product category the family members may take on different roles.

6.4 Activity 2

Purpose:
The purpose of this activity is to identify the group and individual factors that influence consumer behaviour.

Task:
Read the example on p.50 of the textbook “The consumer in action”. Identify all of the group and individual factors that have influenced Sipho’s purchases.

Commentary Related to Activity Design:
This exercise illustrates how in everyday life consumers’ purchases are affected by a multitude of factors.

6.5 Revision Exercise 1

Differentiate between selective exposure, selective attention and selective recall, with the use of examples relevant to marketing.

6.6 Revision Exercise 2

Describe, with the use an example, the phases that consumers move through when making decisions.

6.7 Revision Exercise 3

“Learning, in a marketing context, refers to immediate or expected changes in consumer behaviour as a result of experience” (Cant & Van Heerden, 2010, p.56).

Describe the following elements of learning:

- Stimulus;
- Response;
- Reinforcement;
- Repetition.
## Learning Objectives:

- Define segmentation (p.71).
- Define the key terminology used in Segmentation, Targeting and Positioning, (STP) (pp.70–72).
- Explain the advantages and disadvantages of segmenting a market (pp.73–74).
- Outline the criteria for effective segmentation (pp.74–75).
- Describe the segmentation bases (pp.75–85).
- Outline the segmentation levels (p.75).
- Explain how to select the correct segmentation variables or mix of variables (p.75):
  - Describe geographic segmentation (pp.76–78).
  - Describe demographic segmentation (pp.78–79).
  - Describe geodemographic segmentation (p.84).
  - Explain the use of Living Standard Measures (LSM) as a segmentation variable in South Africa (pp.80–83).
  - Describe psychographic segmentation (pp.84–85).
  - Describe the various forms of behavioural segmentation (pp.87–89).
- Explain the importance of developing a segment profile (p.89).
- Describe the segmentation bases used for industrial markets (pp.89-92).
- Outline the steps in segmenting industrial markets (p.92).
- Describe the segmentation bases used for business markets (p.92).
- Explain targeting (p.93).
- Outline the criteria of a segment which will be an effective target (p.93).
- Identify the criteria used in evaluating a segment (p.93).
- Outline the steps involved in evaluating a market segment (pp.95–98).
- Describe the various targeting approaches (pp.99–101).
- Define product positioning (p.101).
- Create a positioning statement and map (pp.102).

My Notes on this Learning Unit:
Learning Unit 4: Market Segmentation, Targeting and Positioning (CONTINUED)

- Identify the types of positioning (p.103).
- Describe the steps in the positioning process (pp.105–108).
- Identify the seven (7) positioning methods (p.108).
- Discuss the common positioning errors (p.109).
- Describe the four (4) strategies for repositioning (p.110).

Material used for this Learning Unit:
- Prescribed text pp.69–112.

How to prepare for this Learning Unit:
- Before the first class, be sure that you read pp.69–112 in the textbook.
- As you read these sections, see if you can find the answers to the following questions:
  o What is positioning?
  o What is the idea behind LSM segmentation?
  o Why is it necessary to evaluate a segment prior to targeting?

1 Introduction

Organisations and brands cannot be all things to all people, and therefore it is sometimes more effective to focus on satisfying specific customer needs in a way that allows the organisation to still remain competitive. Cant and Van Heerden (2010, p.110) state that, “The success of marketing management will depend on its ability to select profitable target markets in an ever-changing marketing environment, as well as its ability to satisfy the needs of the chosen target markets”.

In earlier chapters we discussed the marketing environment (Learning Unit 2) and understanding consumer behaviour in order to understand and satisfy needs (Learning Unit 3). This chapter focuses on how to identify and select those profitable target markets using segmentation, targeting and positioning.

2 Market Segmentation, Targeting and Positioning

2.1 Segmentation

Refer to pp.70–75 in the prescribed textbook.

My Notes on this Learning Unit:

Do you understand the stages of the STP process?
Segmentation involves dividing up a market into similar groups with similar needs and wants who will respond similarly to marketing messages. Segmentation offers many advantages (more accurate focus on customer needs, budget allocation, etc.) as well as disadvantages (limited coverage). Effective segmentation should result in better customer satisfaction and stakeholder profitability, as long as the segments are effective (measurable, accessible, substantial, identifiable and meaningful).

Refer to pp.75–89 in the prescribed textbook.

Market segmentation can range in level from mass marketing to micro marketing and there are several different variables used for segmenting or dividing markets although often a combination of these interrelated variables are used.

The most common segmentation bases utilised are:

- **Geographic**: By geographical area, e.g. South Africa/ Gauteng/ or rural versus urban, etc.;
- **Demographic**: These are definable (definite), measurable factors such as age, gender, income etc. and are commonly used in segmentation. The SAARF LSM categories are specific to South African consumers and are useful in segmenting this market. In addition geodemographic segmentation combines geographic and demographic criteria as these are often very closely related;
- **Psychographic**: Describes the lifestyle or personality, etc. of consumers;
- **Behavioural**: Segments consumers based on the benefits they seek from a product or their behaviour in respect of the product (purchase occasion/ user status and rate, loyalty, etc.).

Once the segment has been developed it must be fully described/ profiled. An effective segment will be identifiable, sufficient, stable and accessible (p.93).

Refer to pp.89–92 in the prescribed textbook.

Industrial and business markets that cater for large customer bases can also be segmented. The variables for these markets include:

- **Industrial**: Demographic/ operating variables/ purchasing approaches/ situational factors/ personal characteristics;
- **Business**: Customer location/ customer type.
2.2 Targeting

Refer to pp. 93–101 in the prescribed textbook.

Once a market has been segmented it is necessary to choose which of these markets the organisation can best satisfy. The potential of the segment will be evaluated by:

- Size and growth potential of market;
- Potential (profitability) and attractiveness;
- Fits with the organisation’s resources and skills;
- Fit with the objectives of the organisation;
- Affordable to reach.

In order to assess the segment potential, marketers may pass through five (5) steps:

- Decide on evaluation criteria to measure attractiveness and competitive position;
- Weight these factors to reflect importance (i.e. the more important factors get a heavier weight);
- Assess the current position of each target;
- Project the future position of the target;
- Evaluate future changes.

Refer to pp. 99–101 of the prescribed textbook.

Marketers must then decide how to approach the market:

- Undifferentiated marketing: Aim one (1) strategy (marketing mix) at the entire market;
- Differentiated marketing: Selecting two (2) or more targets and developing a marketing strategy for each;
- Concentrated marketing: Choosing only one (1) target and developing a strategy specific to that target;
- Niche: Customises the marketing effort for the niche – which is a very specialised segment (or sub segment);
- Mass customisation: Tailor products/ mix to the needs of the specific customer.

2.3 Positioning

Refer to pp. 101–110 in the prescribed textbook.

In order to compete in the market and achieve a competitive advantage a firm must position its products in the minds of the consumers in comparison to the competition.
In order to position a brand there is a *positioning process* that may be followed:

- Identify a set of competitive brands – against which to compare;
- Identify relevant variables – that differentiate the brand against alternatives;
- Determine consumer perceptions – how consumers perceive the brand in respect of the variables mentioned above;
- Analyse the intensity of the brand’s current position;
- Analyse the brand’s current position;
- Determine the customers most preferred combination of attributes;
- Select the positioning strategies – attribute/ benefit/ use/ user/ competitor/ product category/ quality/ price.

To formalise their position marketers will develop a *positioning statement* and create a *positioning or perceptual map* to visually portray their position.

It is important to follow this process in order to ensure that the brand is positioned accurately. Be aware of under or over positioning, confused or doubtful positioning. If this occurs or the marketers must *reposition* due to changing environments, then there are four (4) options with respect to repositioning:

- Gradual;
- Radical;
- Innovative;
- Zero positioning.

Complete Activity 2.
3 Key Areas in the Learning Unit

Segmentation:
Dividing the market up into groups with similar needs and wants

- Prerequisites of segmentation (p.74)
- Segmentation terminology (pp.70-72)
- Profile the segment (p.89)
- Bases (p.75-85)
- Levels (p.75)
- Industrial markets (p.89-92)
- Business markets (p.92)
- Variables (p.75-89)
  - Geographic (p.76-78)
  - Demographic (p.78-79)
  - Psychographic (p.84-79)
  - LSM (p.80-83)
  - Geodemographic (p.84)
  - Behavioural (p.87-89)

Targeting:
Select which market/s it can best satisfy terminology (pp.70-72)

- Steps in evaluating the segment (p.93)
  - Select Criteria
  - Weight
  - Assess current
  - Project future
  - Evaluate implications
- Targeting Approaches (p.99-101)
  - Concentration
  - Differentiation
  - Undifferentiated
  - Niche
  - Mass customisation
- Segments must be: (p.93)
  - Identifiable
  - Sufficient
  - Stable
  - Accessible

Positioning:
The way in which the consumers view the brand in comparison to the competition (p.101)

- Positioning and statement map (pp.102-103)
- Process (pp.105-108)
  - Figure 4.10
- Strategies (p.108)
- Errors (p.109)
- Repositioning (p.108)
4 Recommended Additional Reading

Understand the South African market and its composition:


Identifying key segments and trends in the African market.

Read this and consider also the content from Learning Unit three (3) on consumer behaviour.


5 Recommended Digital Engagement and Activities

The Living Standards Measure (LSM) is a well-known segmentation tool which segments the population according to wealth indicators. Additional segmentation tools made available by the South African Audience Research Foundation (SAARF) include SAARF Lifestages, SAARF Lifestyles and SAARF Attitudes (added in 2007). These segmentation tools assess different dimensions of the population, helping to expand understanding of the South African market.

Visit the SAARF website and understand what they do:


6 Interactive Work Space

6.1 Izimvo Exchange 1

Discuss the youth market in South Africa. What characterises them? How valuable are they as a segment?
The following articles would be useful to gain a deeper understanding of this topic:


As members of this youth market – the “global generation”, do you agree with the content provided in these articles regarding key trends, characteristics, lifestyles, etc.?

### 6.2 Izimvo Exchange 2

Discuss the value of the “Black Diamonds” as a segment.

### 6.3 Activity 1

**Purpose:**
The purpose of this activity is to understand the use of Living Standards Measurement (LSM) as a segmentation base.

**Task:**
Create a poster/ power point presentation, etc. that represents the typical consumer/ products purchased by one (1) of the LSM categories.

**Commentary Related to Activity Design:**
This activity is designed to help you understand the varied South African market.
6.4 Activity 2

Purpose:
The purpose of this activity is to gain an understanding of positioning strategy.

Task:
Select a brand in a product category you are familiar with. Research the product category to gain an understanding of the criteria that is considered most important by consumers in this category. Identify the two (2) most important criteria for consumers.

Compile a positioning statement for your chosen brand and draw up a positioning map to illustrate where your brand and those of the competition lie relative to each other.

Commentary Related to Activity Design:
Sometimes the attributes an organisation thinks are important to consumers are not actually consumers’ priority. It is important to understand that positioning is about where your brand lies in the minds of the consumer relative to the competition, and is not about how the organisation perceives itself.

6.5 Revision Exercise 1

Segmentation is “the division of a market into homogeneous groups, who will respond differently to marketing communications” (Cant & Van Heerden, 2010. p.73).

1. Identify the benefits of segmentation.

2. Describe psychographic segmentation.

3. Identify the bases used in industrial market segmentation.

6.6 Revision Exercise 2

Identify and briefly describe the five (5) targeting approaches.
Learning Unit 5: Product Decisions

Learning Objectives:

- Describe the layers of the product concept (pp.155–158).
- Describe how decision making differs depending on the tangibility of a product - classification of products by tangibility (pp.157–160).
- Describe, in detail, the classification of products for the consumer market (pp.161–165).
- Outline how product classification affects marketing mix decisions for the product (pp.163–165).
- Describe the product decisions that need to be made by management regarding the product line and mix (pp.167–168).
- Define “brand” (p.170).
- Discuss the benefits of branding (p.171).
- Describe the different types of brands (pp.173–175).
- Discuss the use of brand extensions (p.176).
- Explain brand equity (p.176).
- Discuss what makes a good brand name (p.176).
- Discuss the functions/ tasks of packaging (p.177).
- Discuss the importance of labelling (p.179).
- Outline the different types of packaging (p.177–179).
- Explain the importance of customer service in product support (p.180).
- Discuss the types of new product (p.181).
- Identify who is responsible for new product development (p.183).
- Outline the steps in the new product development process (pp.182–191).
- Describe consumer adoption (pp.192–193).
- Identify the factors that influence the adoption of new products (pp.191–193).
- Describe the phases of the product life cycle (pp.194–195).
- Explain market strategy (p.198).
- Outline an integrated marketing strategy for each phase (pp.198–204).

Material used for this Learning Unit:

- Prescribed text pp.153–207.
Learning Unit 5: Product Decisions (CONTINUED)

How to prepare for this Learning Unit:

- Before the first class, be sure that you read pp. 153–207 in the textbook.
- As you read these sections, see if you can find the answers to the following questions:
  - What is a “product offering”?
  - Why is it necessary to consider the classification of the product?
  - Why should marketing strategy change over the life of the product?

My Notes on this Learning Unit:

1 Introduction

The definition of marketing by the American Marketing Association is,

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

In this definition we can make out the elements of the marketing mix or the four (4) P’s:

- Exchanging: Involves value and a price;
- Communicating: Marketing communication/promotion;
- Delivering: Distribution/place;
- Offerings that have value: Product.

These four (4) elements are fundamental to creating the exchange and delivering value to consumers.

In this Learning Unit we discuss the product offering: the various layers, the branding, packaging and the product mix. We also discuss how these decisions may be impacted by the classification of the product and the product life cycle stage. In addition, the importance of new product ideas and how consumers take to these new products are discussed.

2 Product Decisions

Refer to p. 154 of the prescribed textbook.
The product offering is often described as “the heart of a firm’s entire marketing effort”. Until the organisation has an actual product to sell it is not possible to make decisions on any of the other elements in the marketing mix, i.e. price, promotion or determining the distribution channel (place). In addition, these elements would have no value if the product offering is poor. (Lamb et al, 2006, p.222) Product is therefore a good starting point when exploring the marketing mix.

2.1 Product Offering

Refer to pp.155–158 of the prescribed textbook.

It is important to understand that when developing a product strategy, marketing managers must consider so much more than just the product itself, but understand that a product actually includes “everything that a customer receives in an exchange” (Cant & Van Heerden, 2010. p155).

Refer to p.155 of the prescribed textbook.

A product is made up of various “layers”:
- Core: Essential need/ benefit;
- Tangible: Actual physical object or the service itself;
- Augmented: Additional services and benefits;
- Potential: Future product/ ways of differentiating;
- Image: The total product concept including all of the layers.

2.2 Product Classification

Refer to pp.158–166 of the prescribed textbook.

As introduced in the Learning Unit on consumer behaviour, consumers will act differently depending on the type of product that is being considered or purchased. Therefore it is important that marketers understand how the product they are marketing is classified.

Products can be classified by:
- **Tangibility**: From durable products through to non-durable products to services.
- **Market**: And purpose for which the product is purchased.
Consumer products are bought by individual consumers for their personal or family use and are classified according to the amount of time, money and risk involved in the purchase decision:

- Convenience products: Inexpensive, little risk or effort (staples, impulse, emergency);
- Shopping products: More costly and more time and effort is spent on the purchase (further classified as uniform and non-uniform; depending on the differences perceived in competing products and how this affects price);
- Speciality products: Are unique and customers will expend much time and effort on these purchases.

Industrial products are bought either to use in the production of other products (raw materials, etc.) or in order to support the manufacture process (business supplies).

### 2.3 Product Line Decisions

Refer to pp.167–170 of the prescribed textbook.

To ensure long term growth and sustainability a company will generally not rely on only one (1) product but will decide to grow their product line.

A product line is a group of closely related products. Decisions around product line growth will involve whether to trade up, trade down or to trade both ways.

Once the organisation has developed several product lines they will have to make decisions regarding the breadth, depth and consistency of their product mix and how this will impact on future product decisions.

### 2.4 Branding, Packaging and Customer Service

Refer to pp.170–176 of the prescribed textbook.

A brand is defined as “a name, term, design, symbol or any other feature that identifies your product as different from those of the competitors” (Cant & Van Heerden, 2010, p.170).

Refer to pp. 171–172 of the prescribed textbook.
Branding has become an important part of the product and can add great value to the product providing benefits to both the consumer (identification, interest, etc.) and the manufacturer (creates loyalty, allows premium pricing, etc.).

There are different types of brands which are created by retailers and manufacturers and it is important to understand how these are perceived by consumers and the advantages of the different brand options.

The value of the brand that is created is referred to as brand equity – the value of the product beyond the products functional value. In order to take advantage of this equity, organisations will often use brand extension – extending the use of the brand name to new products creating an association and reducing the perceived risk to consumers of trying these new products.

Brand names are a key element of branding and the importance of creating a “good” brand name must not be underestimated.

Refer to pp.177–179 of the prescribed textbook.

Packaging is another key element of the product and performs a variety of functions from protecting the product to communicating product and brand information

Refer to Table 6.1 on p.178, which highlights the functions of packaging.

Organisations will need to select the type of packaging to utilise in line with the overall marketing strategy, i.e. a sales promotion may include the use of reusable packaging.

Related to packaging is the use of labels which can range from being purely functional (instructions) to adding additional value (recipes, additional product uses, etc.).

Refer to p.180 of the prescribed textbook.

Finally, customer service that helps consumers to make a purchase decision or understand how to use the product adds value and may actually be the main point of differentiation for a product.
2.5 New Product Development

Refer to pp.181–191 of the prescribed textbook.

To ensure sustainability, organisations may consider introducing new products. A new product may take different forms, from a product which is entirely new to a product which is merely a “new and improved” version of an existing product.

Refer to p.182 of the prescribed textbook.

Companies must ensure that they are organised in such a way that facilitates the development of new products and to create these new products, involves a seven (7) step process; the new product development process:

- **Idea generation**: Ideas stem from many different sources (customers, staff, etc.);
- **Idea screening**: Filter out ideas that do not “fit”;
- **Concept testing**: Test the idea of the product externally;
- **Business analysis**: Is the product feasible (financially, etc.)?
- **Product Development**: Manufacture the product;
- **Test marketing**: Offer the product for sale to a limited market and measure results;
- **Commercialisation**: Launch the new product.

Once the product has been launched organisations must then focus on encouraging the adoption of the new product by consumers.

2.6 Consumer Adoption Process

Refer to pp.191–193 of the prescribed textbook.

Consumer acceptance of new products is affected by:

- Individual characteristics or categorisation (laggards versus innovators);
- Personal influences (influences of other people);
- The characteristics of the product itself.

2.7 The Product Life Cycle

Refer to pp.194–204 of the prescribed textbook.
The product life cycle describes the general characteristics of a product as it moves from introduction of the product into the market to its withdrawal from the market. The product life cycle also anticipates the sales and profits that can be expected.

Refer to p.195 of the prescribed textbook.

The four (4) phases of the life cycle are:

- Introductory;
- Growth;
- Maturity;
- Decline.

An understanding of the life cycle is useful when trying to anticipate the behaviour of consumers and competitors through the life cycle and for determining the most appropriate marketing mix (four [4] P’s) strategies at each stage.
3 Key Areas in the Learning Unit

What is the product offering

- Product concepts (pp.155-158)
- Image
- Potential
- Augmented
- Tangible
- Core
- Product decisions (pp.167 – 168) – Line (p.167) and Mix (p.168)

How is it classified?

- Tangibility (pp.159-160)
  - Services
  - Non-durable
  - Durable
- Market (pp.161-167)
  - Consumer (shopping, convenient and speciality) and Industrial (supports infrastructure and used in infrastructure)

Other elements of the product offering

- Brand
  - Benefits (p.171) to: consumer, retailer and manufacturer
  - Types (p.173): national, private, generic, individual, family and brand
- Branding (p.176): extension and equity
- Name (p.171): guidelines
- Packaging (pp. 177 0 179): functions, tasks, labelling and types
- Product support (p.180): customer service

New product development

- Types of products (p.181)
- Responsibility for new product development (p.183)
- The process of new product development (pp.182 – 191): Idea generation, screening, concept testing, business analysis, product development, test marketing and commercialisation.
- Consumer adoption (p.191): factors influencing adoption (pp.192-193)

Product life cycle

- Phases (pp. 194 – 195)
- Sales curves (p.197)
- Marketing strategy (p.198)
- Marketing strategy for each phase (pp.198 – 204)
4 Recommended Additional Reading


Importance of Packaging:


5 Recommended Digital Engagement and Activities

Find out which were the top South African brands of 2012 – as awarded at the Sunday Times Top Brands Awards.

6 Interactive Work Space

6.1 *Izimvo Exchange 1*

Read the article distributed by your lecturer and discuss the link between brand image and product.


6.2 *Izimvo Exchange 2*

Read the article distributed by your lecturer and discuss the role of packaging as an integral part of the product and the brand image. Consider how you can refer back to your knowledge on the macro environment, specifically the technological, natural and political-legal environments.

6.3 Activity 1

Purpose:
The purpose of this activity is to illustrate how “a product is so much more than just a product.”

Task:
For any two (2) of the following products, provide a list of everything you buy/expect to receive in exchange for the product:
- Haircut;
- Cell phone;
- Burger;
- Loaf of bread;
- Bed;
- Television.

Commentary Related to Activity Design:
Recognise that organisations provide more than just a product; they provide a “bundle of satisfaction.”

6.4 Activity 2

Purpose:
The purpose of this activity is to understand product classification.

Task:
Classify the following products according to the classification structures in your text book:
- Headache tablets;
- Tag Heuer watch;
- Diesel jeans;
- Spaghetti;
- Washing powder;
- Toothpaste;
- Racing bicycle;
- Lindt chocolate;
- Wine.

Commentary Related to Activity Design:
Understand that sometimes a product may be classified in more than one (1) category depending on the purchasing situation.
6.5 Revision Exercise 1

The product life cycle comprises four (4) phases:
- Introductory;
- Growth;
- Maturity;
- Decline.

Describe the following phases:

1. Growth
2. Decline

6.6 Revision Exercise 2

Differentiate between an immediate national launch and a rolling launch in the commercialisation stage of new product development.
Bibliography


Plagiarism

Plagiarism is any use of the words, ideas or images of another person without acknowledging the source using the required conventions. Below is a description of plagiarism and referencing. Please make sure that you are familiar with this information before attempting your assignment.

Introduction to Referencing and Plagiarism

What is Plagiarism?

Plagiarism is the act of taking someone’s words or ideas and presenting them as your own.

What is Referencing?

Referencing is the act of referring to or consulting. A reference is a publication or passage from a publication that is referred to.

Referencing is the acknowledgment of any work that is not your own, but is used by you in an academic document. It is simply a way of giving credit to and acknowledging the ideas and words of others.

When writing assignments, students are required to acknowledge the work, words or ideas of others, through the technique of referencing. Referencing occurs in the text at the place where the work of others is being cited, and at the end of the document, in the bibliography.

Cumming (2007) describes the bibliography as a list of all the work (published and unpublished) that a writer has read in the course of preparing a piece of writing. This includes items that are not directly cited in the work.

A reference is required when you:

- **Quote directly** - when you use the *exact words* as they appear in the source;
- **Copy directly** - when you copy *data, figures, tables, images, music, videos* or *frameworks*;
- **Summarise** - when you write a *short account* of what is in the source;
- **Paraphrase** - when you state the work, words and ideas of someone else *in your own words*. 
It is standard practice in the academic world to recognise and respect the ownership of ideas through good referencing techniques. However, there are other reasons why referencing is useful.

**Good Reasons for Referencing**

It is good academic practice to reference because:

- It enhances the quality of your writing;
- It demonstrates the scope, depth and breadth of your research;
- It gives structure and strength to the aims of your article or paper;
- It endorses your arguments;
- It allows readers to access source documents relating to your work, quickly and easily.

Adapted from Neville (2007, p.7)

**Sources**

The following would count as sources:

- Books;
- Chapters from books;
- Encyclopaedia;
- Articles;
- Journals;
- Magazines;
- Periodicals;
- Newspaper articles;
- Items from the Internet (images, videos, etc.);
- Pictures;
- Unpublished notes, articles, papers, books, manuscripts, dissertations, theses, etc.;
- Diagrams;
- Videos;
- Films;
- Music;
- Works of fiction (novels, short stories or poetry).

**What You Need to Document from the Hard Copy Source You are Using**

*(Not every detail will be applicable in every case. However, the following lists provide a guide to what information is needed.)*

You need to acknowledge:

- The words or work of the author(s);
- The author(s)’s or editor(s)’s full names;
• If your source is a group/ organisation/ body, you need all the details;
• Name of the journal, periodical, magazine, book, etc.;
• Edition;
• Publisher’s name;
• Place of publication;
• Year of publication;
• Volume number;
• Issue number;
• Page numbers.

What You Need to Document if you are Citing Electronic Sources

• Author’s/ editor’s name;
• Title of the page;
• Title of the site;
• Copyright date, or the date the page was last updated;
• Full internet address of page(s);
• Date you accessed/ viewed the source;
• Any other relevant information pertaining to the page or web site.

Referencing Systems

There are a number of referencing systems in use and each has its own consistent rules. While these may differ from system to system, the referencing system followed needs to be used consistently, throughout the text. Different referencing systems cannot be mixed in the same piece of work.

A detailed guide to referencing entitled Referencing and Plagiarism Guide is available from your library. Please refer to it if you require further assistance.

When is Referencing Not Necessary?

This is a difficult question to answer - usually when something is “common knowledge”. However, it is not always clear what common knowledge is.

Examples of common knowledge are:
• Nelson Mandela was released from prison in 1990;
• The world’s largest diamond was found in South Africa;
• South Africa is divided into nine (9) provinces;
• The lion is also known as “The King of the Jungle”.
• \[ E = mc^2 \]
• Jan Van Riebeeck was the first person to settle in the Southern Cape.
Usually, all of the above examples would not be referenced. The equation $E = mc^2$ is Einstein’s famous equation for calculations of total energy and has become so familiar that it is not referenced to Einstein.

Sometimes what we think is common knowledge, is not. For example, the above statement about Van Riebeeck is only partly true; he was the first European to settle in the Cape. It was, however, not an uninhabited area when he got there. The Khoisan, the original inhabitants of the Cape, had been living in the area for some time. It is not entirely accurate then to claim that Van Riebeeck was the first inhabitant. (Crampton, 2004, p.57)

It is thus generally safer to always check your facts and try to find a reputable source for your claim.

**Important Plagiarism Reminders**

The IIE respects the intellectual property of other people and requires its students to be familiar with the necessary referencing conventions. Please ensure that you seek assistance in this regard before submitting work if you are uncertain.

If you fail to acknowledge the work or ideas of others or do so inadequately this will be handled in terms of the Plagiarism Policy (available in the library) and/ or the Student Code of Conduct dependent on whether or not plagiarism and/ or cheating (passing off the work of other people as your own by copying the work of other students or copying off the internet or from another source) is suspected.

This campus offers individual and group training on referencing conventions – please speak to your librarian or ADC/ Campus Co-Navigator in this regard.

**Reiteration of the Declaration you have signed:**

1. I have been informed about the seriousness of acts of plagiarism.
2. I understand what plagiarism is.
3. I am aware that the Independent Institute of Education (IIE) has a policy regarding plagiarism and that it does not accept acts of plagiarism.
4. I am aware that the Plagiarism Policy and the Student Code of Conduct prescribe the consequences of plagiarism.
5. I am aware that referencing guides are available in my student handbook or equivalent and in the library and that following them is a requirement for successful completion of my programme.
6. I am aware that should I require support or assistance in using referencing guides to avoid plagiarism I may speak to the lecturers, the librarian or the campus ADC/ Campus Co-Navigator.
7. I am aware of the consequences of plagiarism.

Please ask for assistance prior to submitting work if you are at all unsure.