



POLITECNICO
DI MILANO



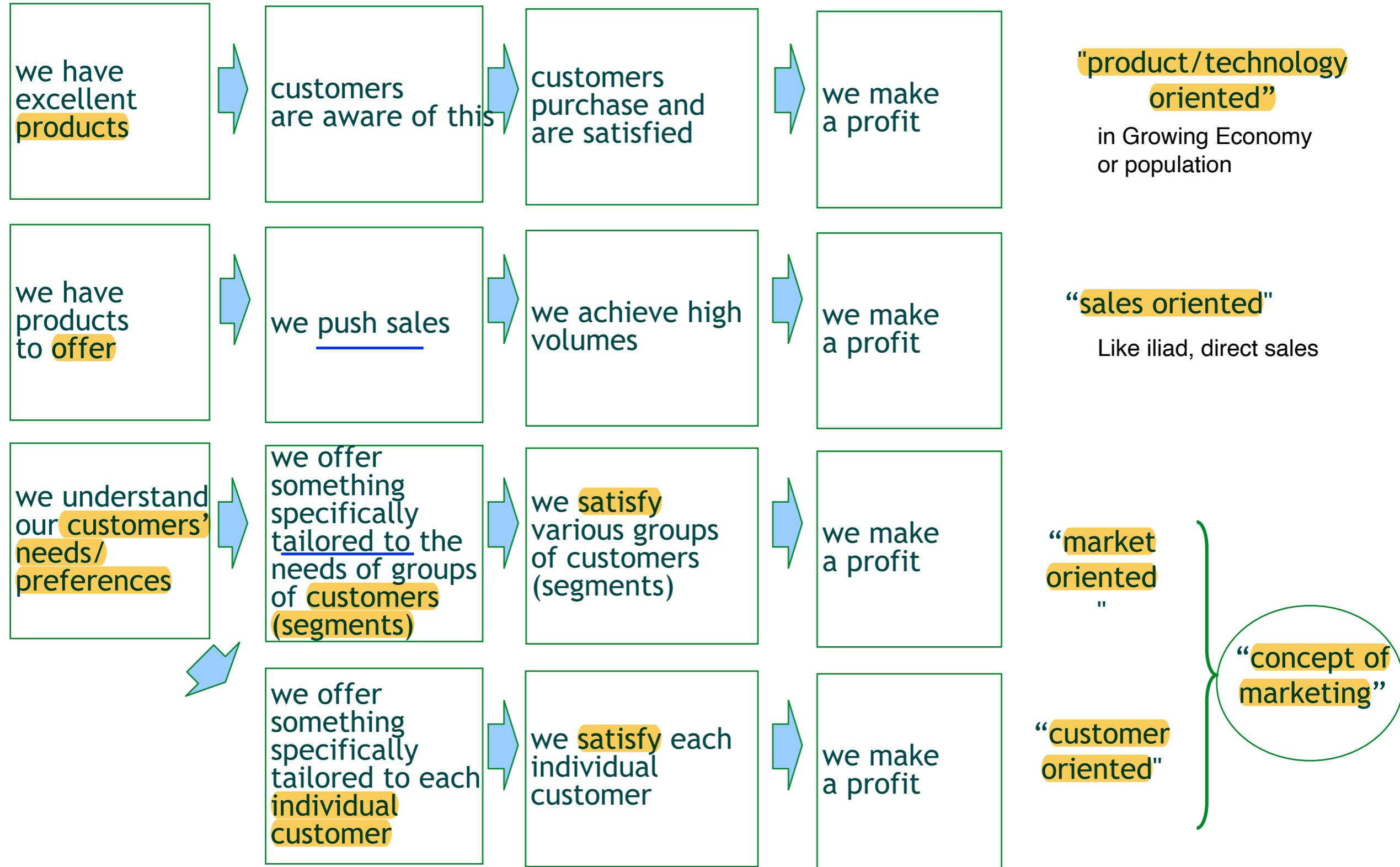
The marketing process, market definition & analysis; the environment, BtoC Marketing, BtoB Marketing, SWOT Analysis

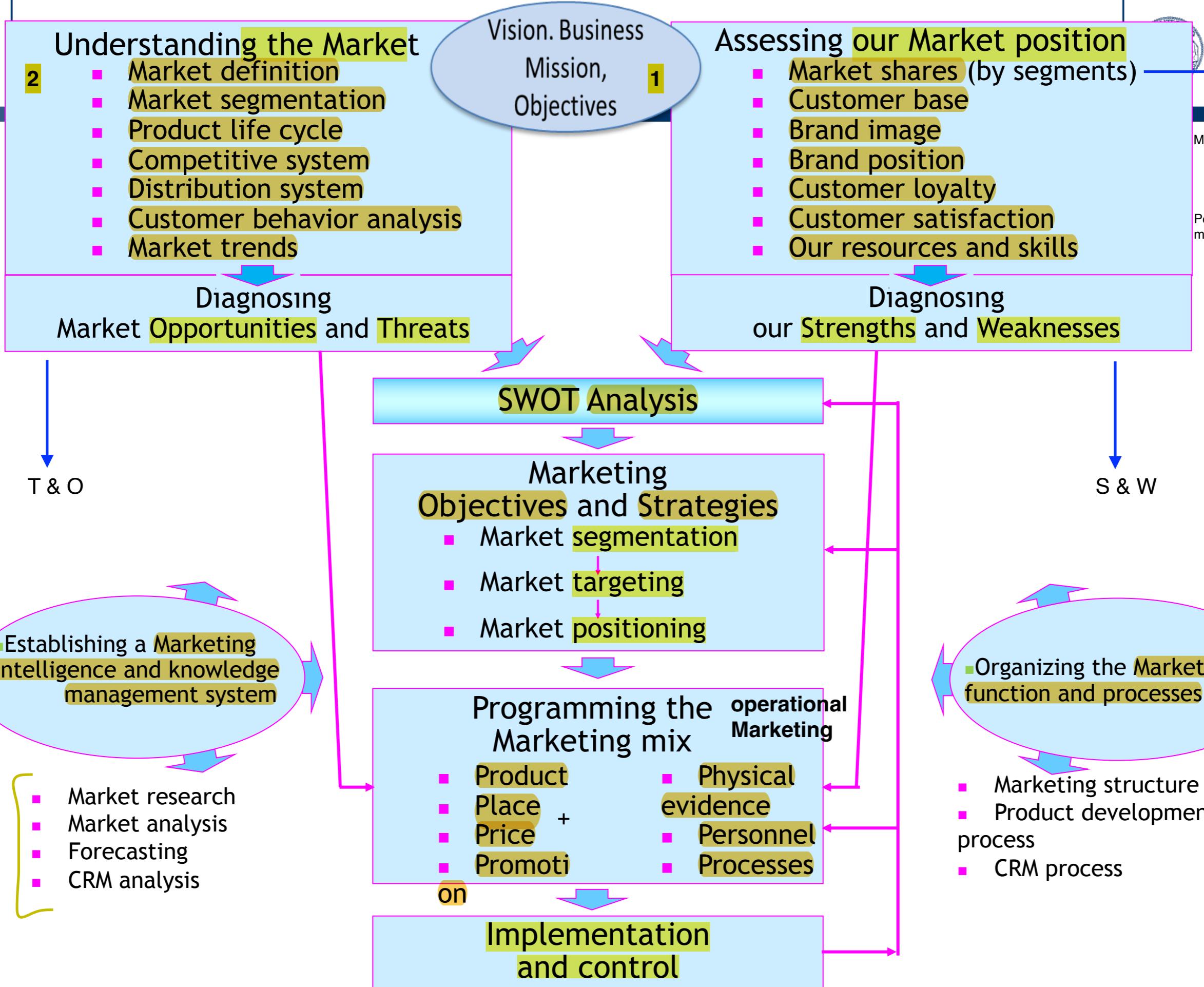
27th & 29th September 2022

Prof. Alberto Cellini

1. Introduction to Marketing
2. Understanding the market
3. Assessing the market position
4. The logic of the "Swot" analysis process

1. Introduction to Marketing





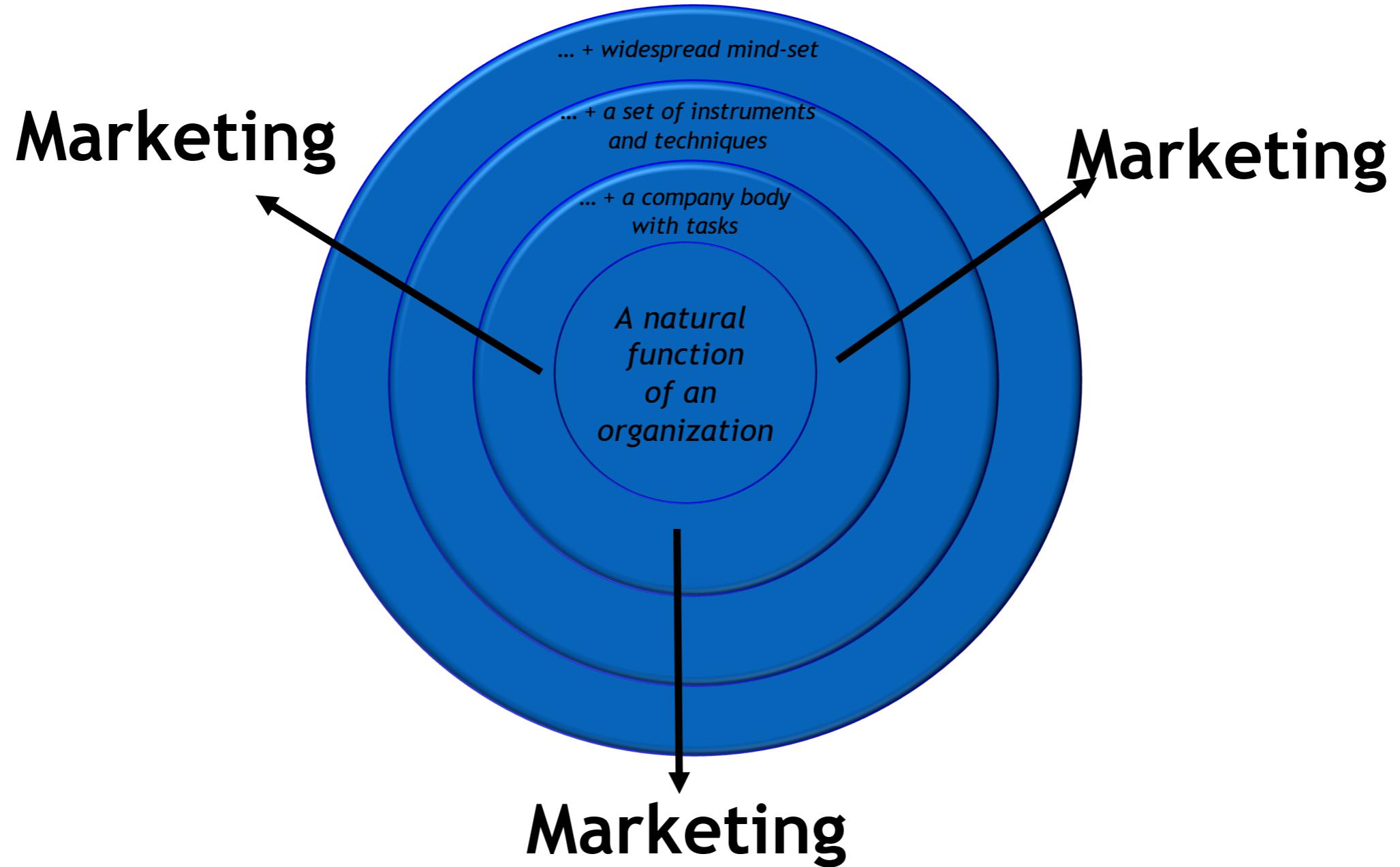
The 7 Ps of the marketing mix



V.A. Zeithaml e M.J. Bitner

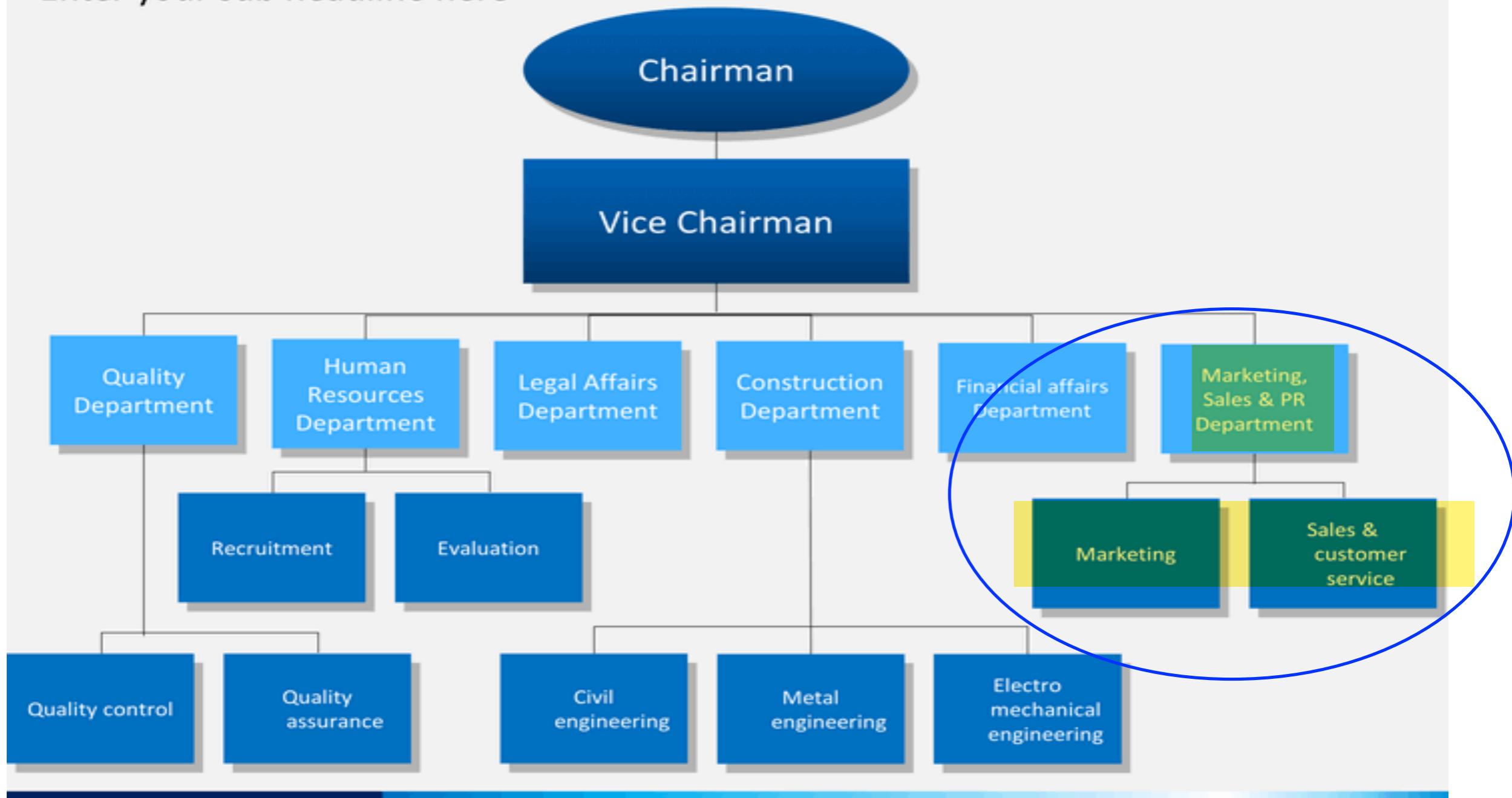
Marketing is all this...

Marketing Definition => Activities trying to put together supply and demand



ORGANIZATIONAL STRUCTURE

Enter your sub headline here



Marketing strategy

Corporate

Demand generation strategy

Product marketing

Customer marketing

Field marketing

Brand awareness

Content strategy

Lead generation

Field marketing

Programs

Sales enablement

Invisible
Puppy
CREATING CUSTOMER LOVE



Jobs in marketing

Marketing manager
Communication manager
Data analyst
Product manager
Digital marketing
Account Manager
Copywriter
....
Sales manager

Jobs in marketing (examples)

Account Coordinator
Account Executive
Advertising Director
Art Director
Assistant Account Executive
Assistant Brand Manager
Assistant Marketing Director
Assistant Product Manager
Brand Assistant
Brand Manager
Brand Strategist
Business Development Representative
Communications Assistant
Content Marketing Manager
Copywriter
Creative Assistant
Creative Director

Market Research Analyst
Market Research Assistant
Marketing Analyst
Marketing and Promotions Manager
Marketing Assistant
Marketing Associate
Marketing Communications Coordinator
Marketing Communications Director
Marketing Communications Manager
Marketing Communications Specialist
Marketing Consultant
Marketing Coordinator
Marketing Data Analyst
Marketing Director
Marketing Manager
Marketing Promotions Specialist
Marketing Specialist

Jobs in marketing (Examples)

Digital Brand Manager
Digital Marketing Manager
Director of Digital Marketing
eCommerce Marketing
Director
eCommerce Marketing
Manager
eCommerce Marketing
Specialist
Email Marketer
Inside Sales Representative
Internet Marketing
Coordinator
Internet Marketing Director
Internet Marketing Specialist
Media Assistant
Media Buyer
Media Director
Media Planner
Media Relations Coordinator

Media Relations Director
Media Researcher
Online Product Manager
Product Marketing Manager
Promotions Assistant
Promotions Coordinator
Promotions Director
Public Relations Manager
Public Relations Representative
Public Relations Specialist
Publicity Assistant
Publicity Director
Publicity Manager
Regional Account Manager
Relationship Manager
Product Manager
SEO Manager
Social Media Marketing Analyst
Social Media Marketing Coordinator
Social Media Marketing Manager

SWOT analysis

S W

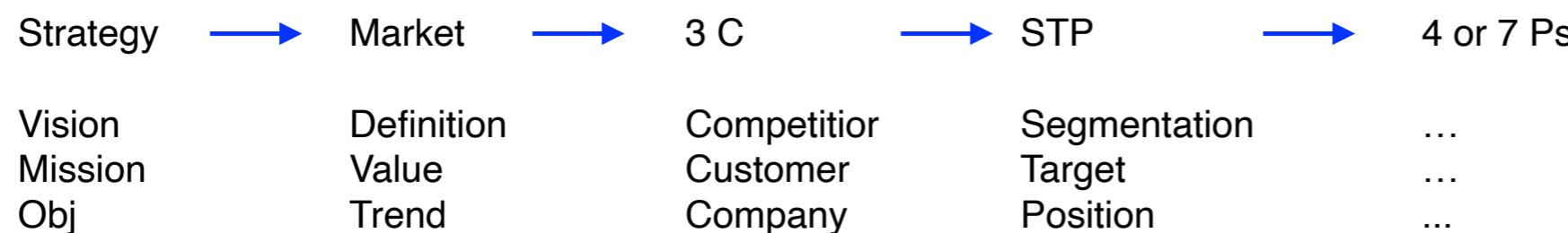
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INTERNAL VS COMPETITORS

The environment

Marketing Process:



2. Understanding the market

- A. Market definition
- B. Demand analysis
- C. Trends
- D. Competitor Analysis
- E. “Micro” level analysis of demand -
Customer behavior analysis and decisions
(BTC)
- F. “Micro” level analysis of demand -
Customer behavior analysis and decisions
(BTB)

A. Market definition

rebok --> tennis, boat, ...
Nike —> Shoes, cloths (track & field, basketball)

- Selection of the area of business (extent and depth) in which the company intends to operate, to be known and appreciated, to employ its resources

Why is it useful?

- It helps to understand what we must concentrate our attention on
- It stimulates a feeling of identity
- It facilitates communication with the outside

With what consequences?

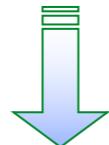
- Competitors that must be taken into account
- Customer requirements on which attention must be concentrated
- The product/process technologies to be used

With what criteria?

- Internal - Production/technology
- External - Groups of customers/customer requirements

The reference market

The first question any company must ask itself is:



What is our reference market?

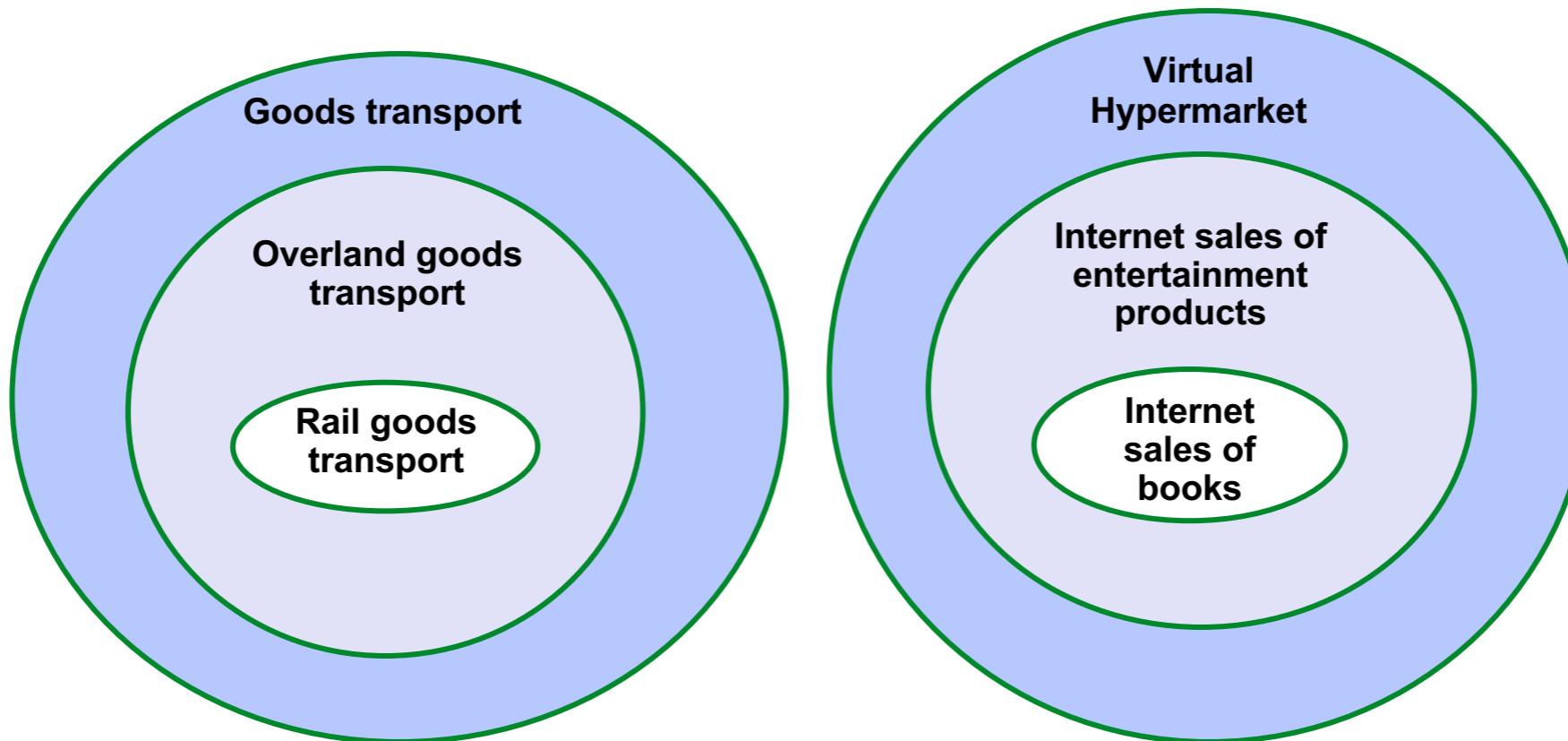
i.e., the market where we know everything about:

- “consumer” needs
- development trends
- competitors, their strong and weak points, their future plans
- segmentation
-



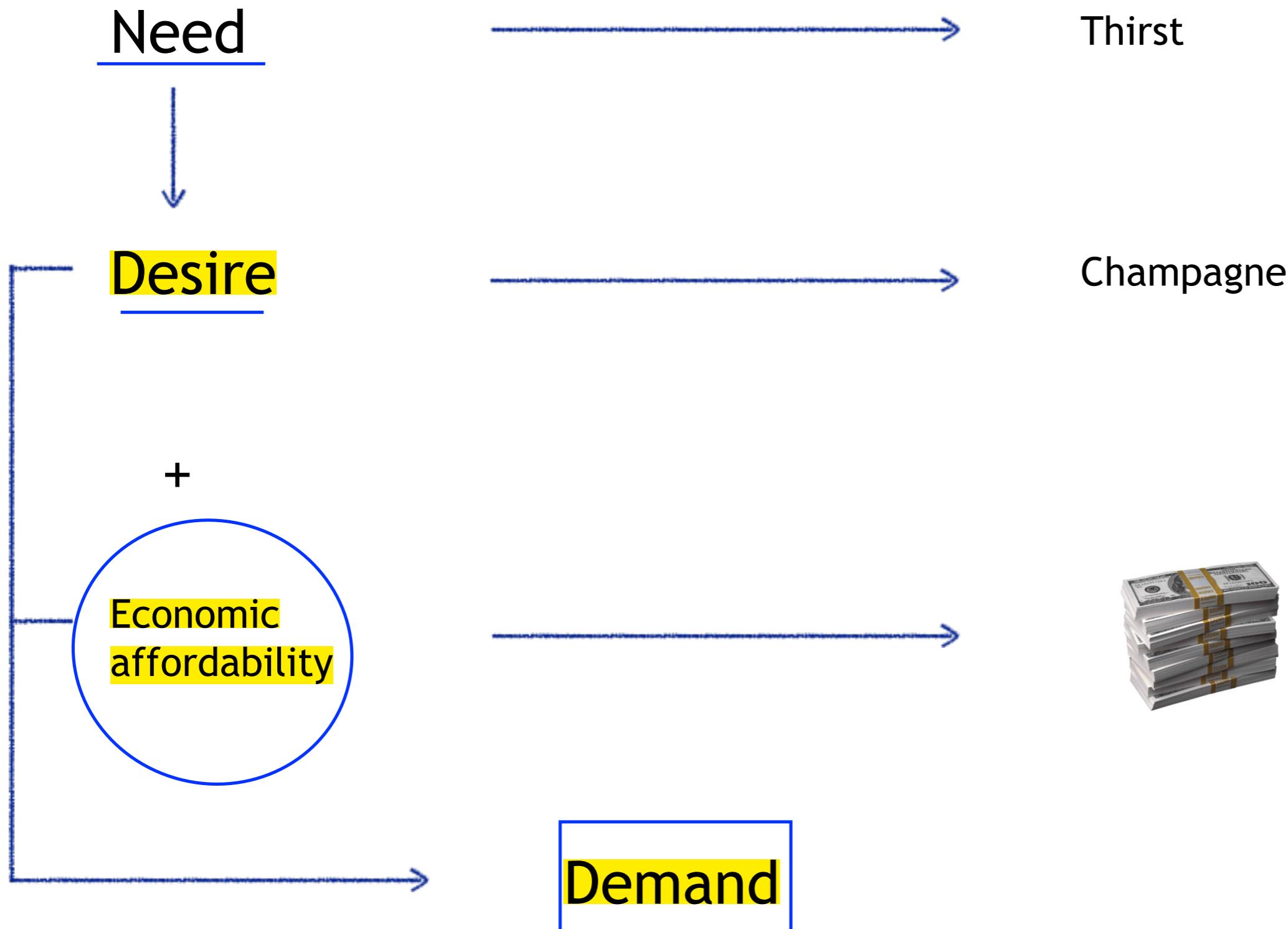
For an effective marketing action

Extension of the business field: an “intuitive” and synthetic approach

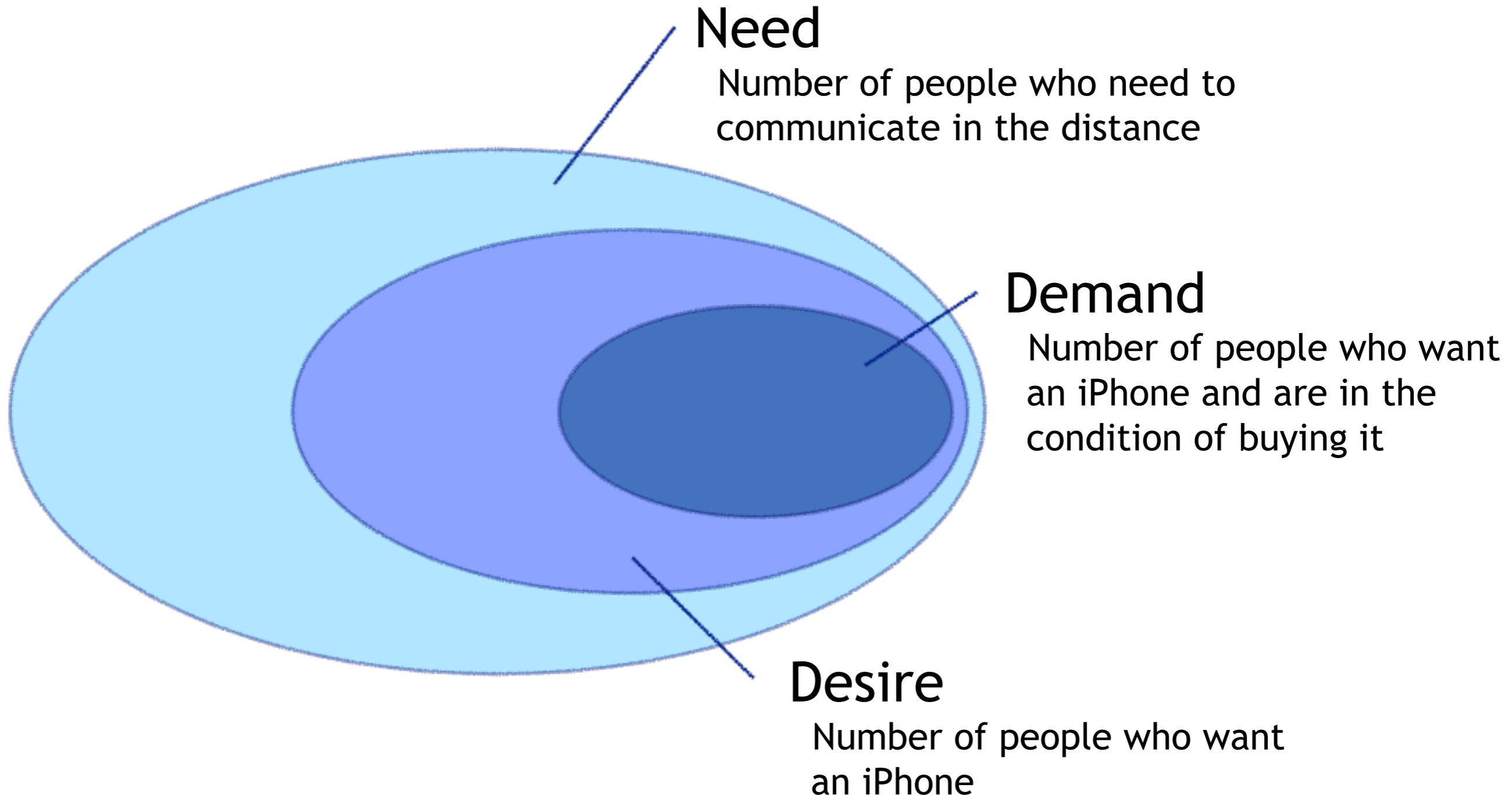


- ➡ • A “narrow” or “broad” definition has opposite advantages and disadvantages.
 - Decisions are based on: resources, time scale, situation of the company, objectives pursued, confidence, etc.

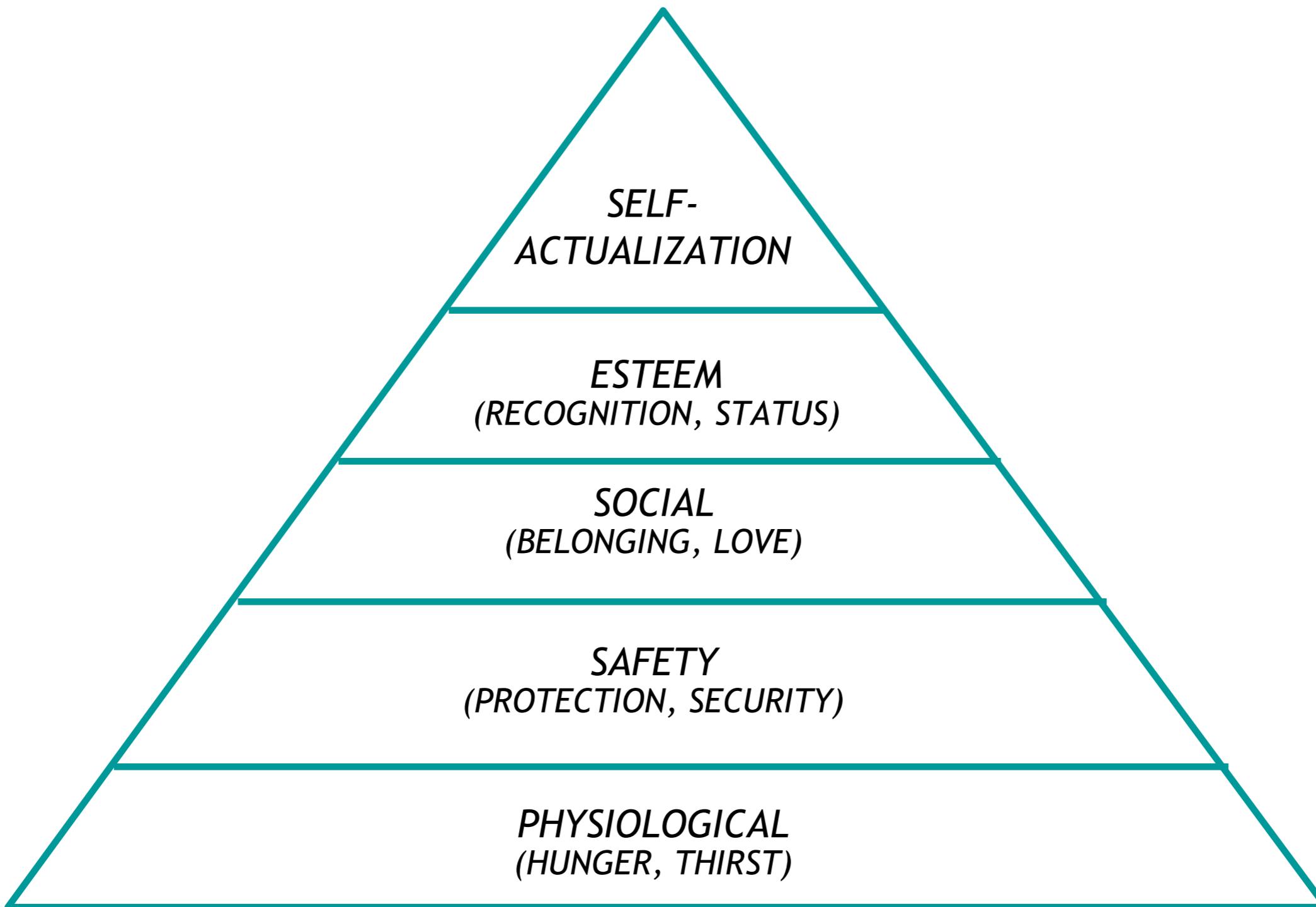
Market and needs

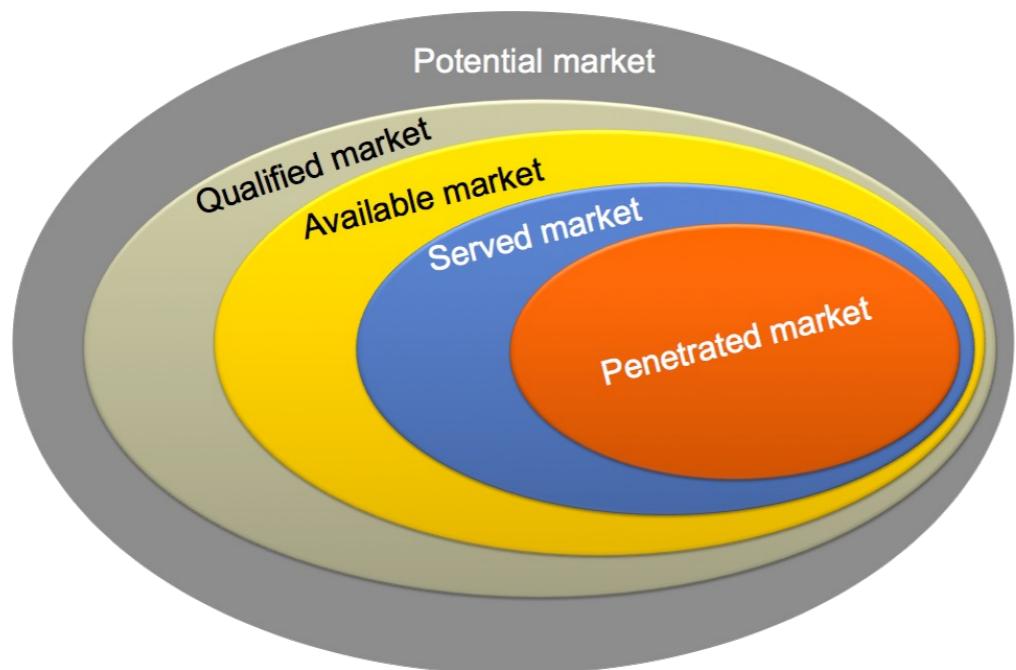


Qualification of the market - An example



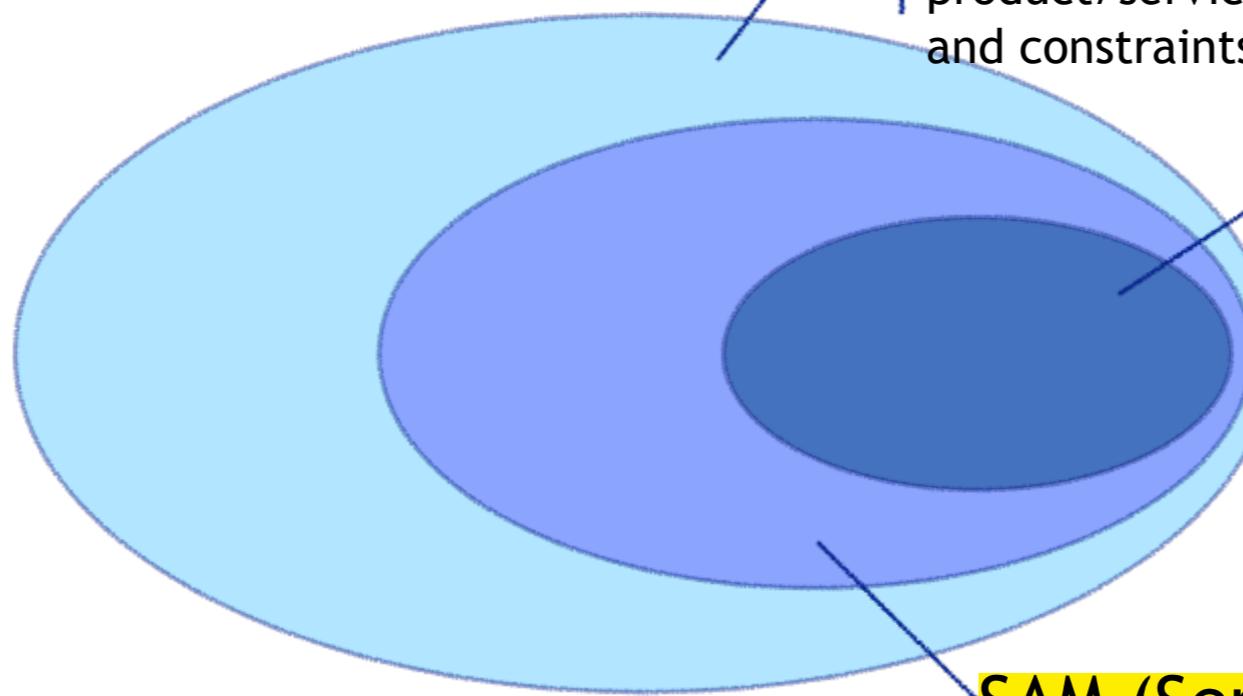
Maslow's Hierarchy of Needs





- ◆ **Potential market:** market that is achieved when the marketing effort is infinite
- ◆ **Qualified market :** market with the requisites to be available for the purchase (e.g. 18+ y.o. - or 21 y.o. in some countries - for some products; driving license, etc.)
- ◆ **Available market:** qualified + able to spend enough to buy the product or interested enough in the category
- ◆ **Served:** available market that is reached by the marketing effort of the companies
- ◆ **Penetrated:** market that has already purchased products/services in the category

Qualification of the market (different definition)



TAM (Total Available Market)

How big is the universe for that kind of product/service without competitors and constraints

SOM (Serviceable Obtainable Market)

is the percentage of SAM which is **realistically reached** by your company

SAM (Served Available Market)

the percentage of the market that can actually be **served with our products and channels**

B. Demand Analysis

Purchases volume (q)

$$q_{p,c,g,t} = f(e,m)$$

of a product (p)

by a specific group of customers (c)

in a specific geographic area (g)

in a specific lapse of time (t)

in a specific context (e)

given a specific marketing program (m)

Characterisations of demand

things that affect the demand

- Product/service
- Definition of “purchase”
- Unit of measure
- Customers
- Geography
- Time
- Level of aggregation
- Players and competitors

→ **External variables (context conditions) that influence demand**

Macro-environment

رایبیت : antifrost
رو بررسی میکنے که
یہ نفر همشو نگیره

Economic situation

Customers expenditure availability

Competitive system → monopoly - oligopoly - ...

Position in the industry

Subsidiary products tablet vs excel

Equivalent products ,

Decisional variables (marketing effort) that influence demand

internal

Product / service

Price

Stores / distribution

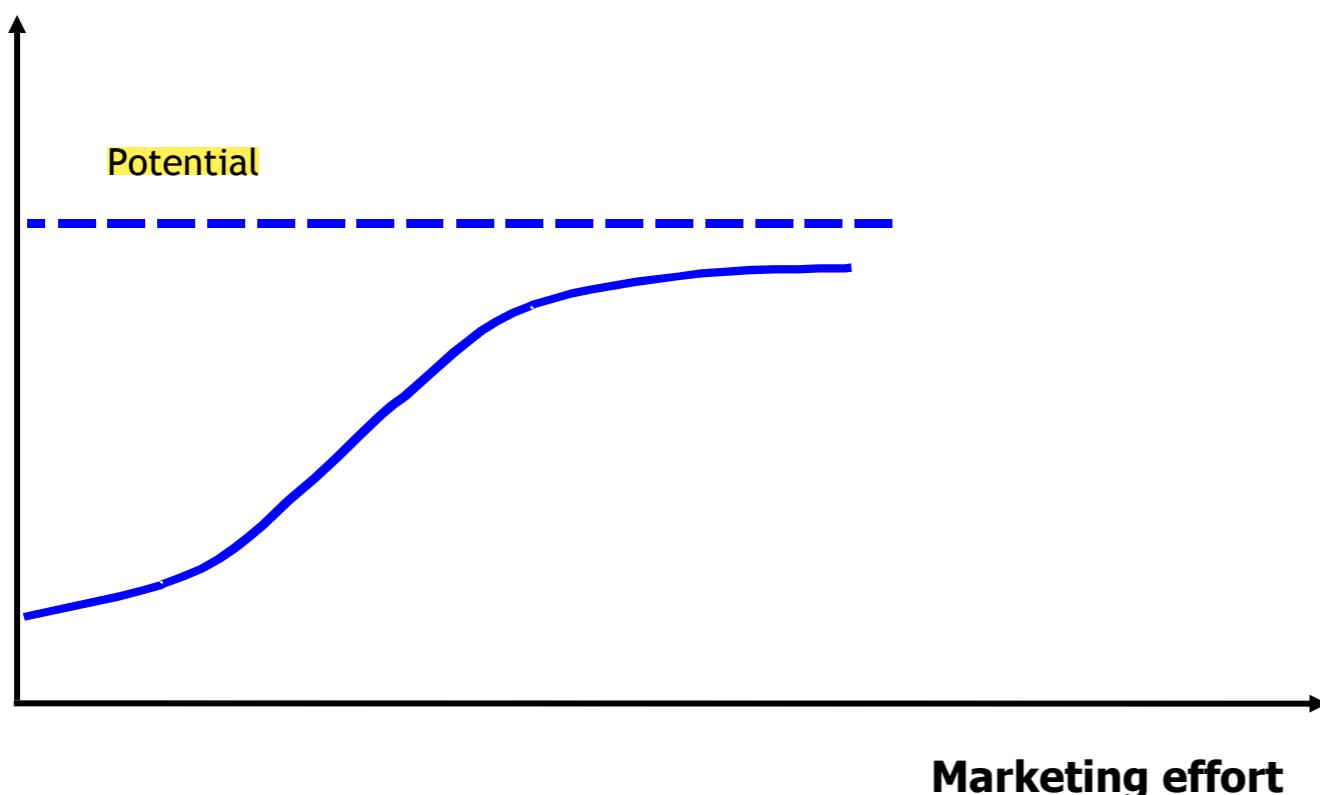
Promotion / communication

Salesforce

Relationship between demand and influencing variables

External variables effect

Demand

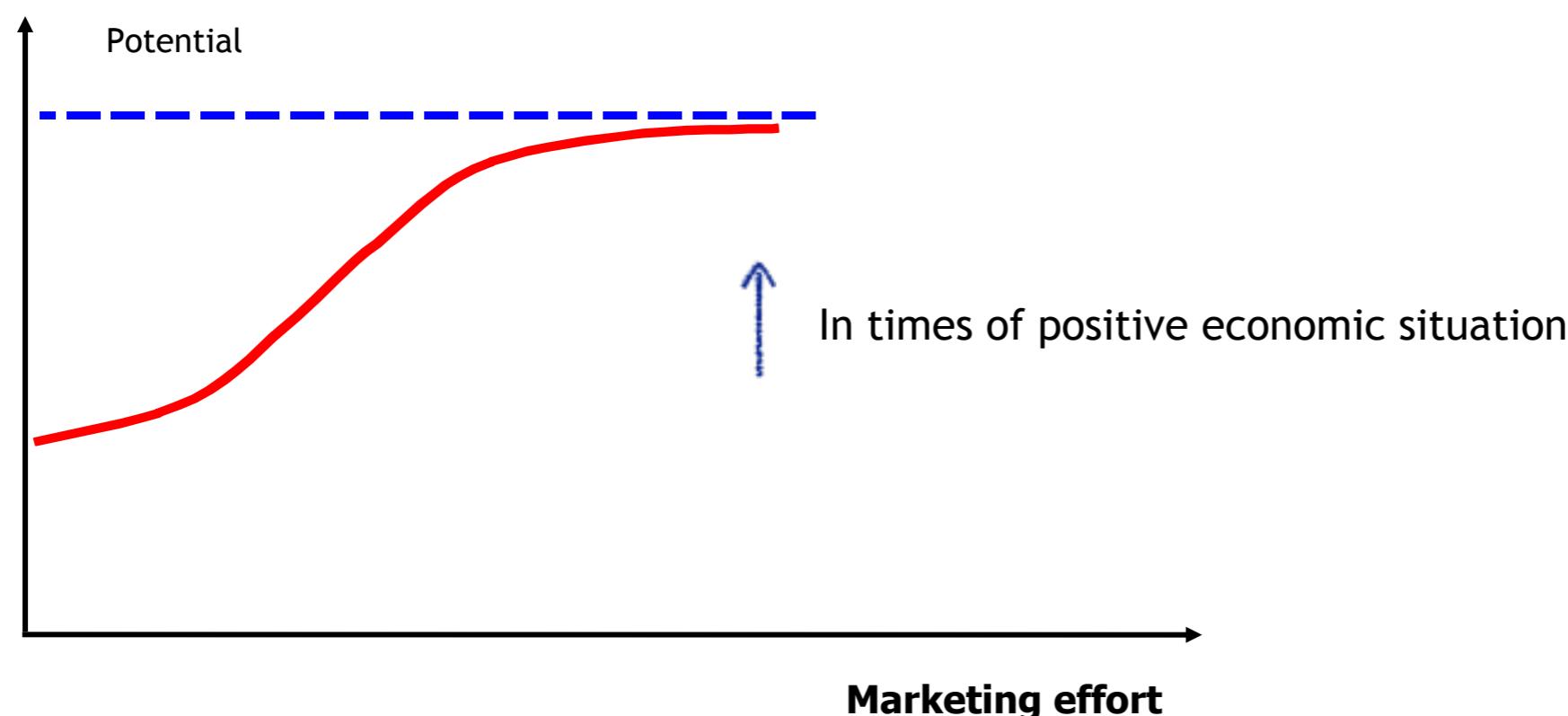


Market demand

Relationship between demand and influencing variables

External variables effect

Demand

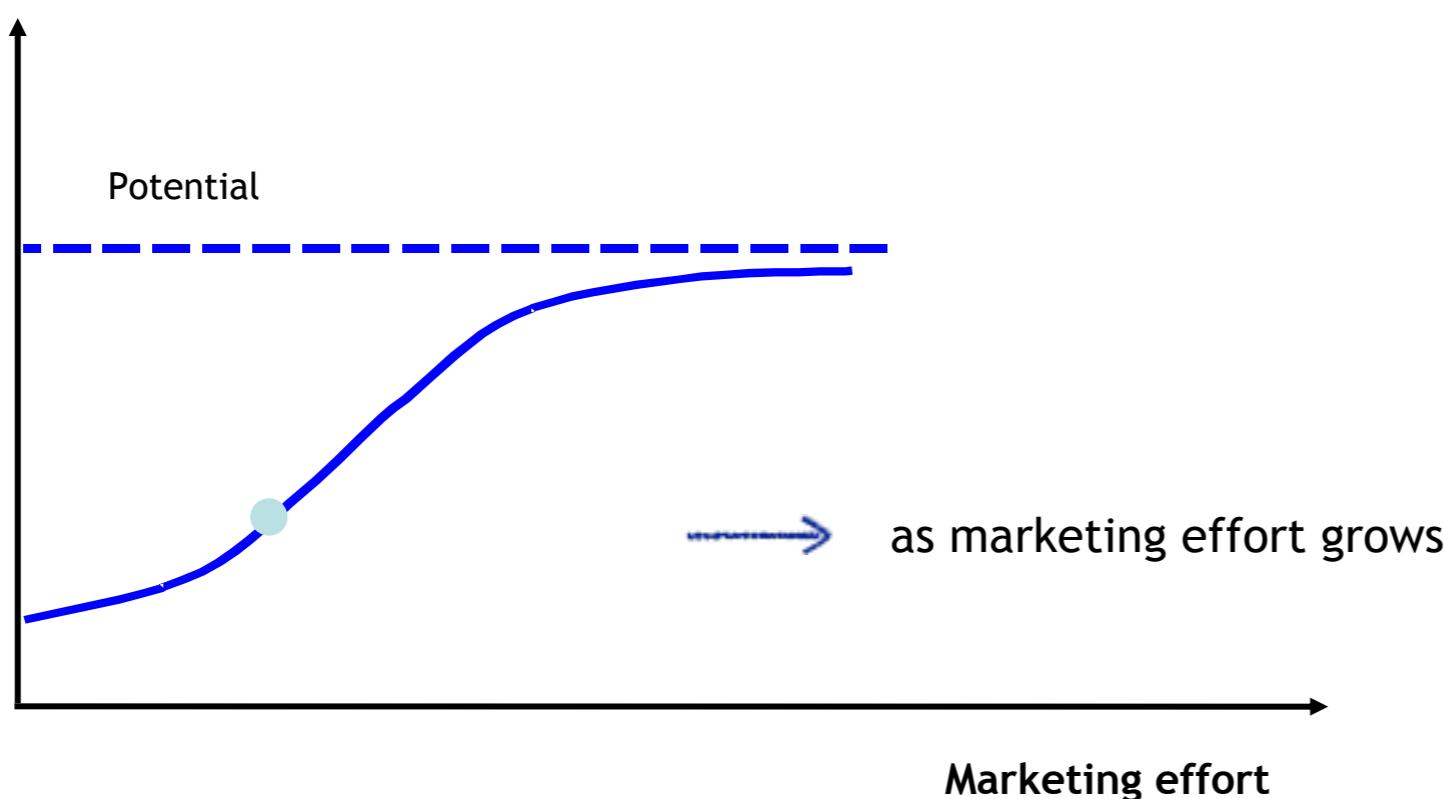


Market demand

Relationship between demand and influencing variables

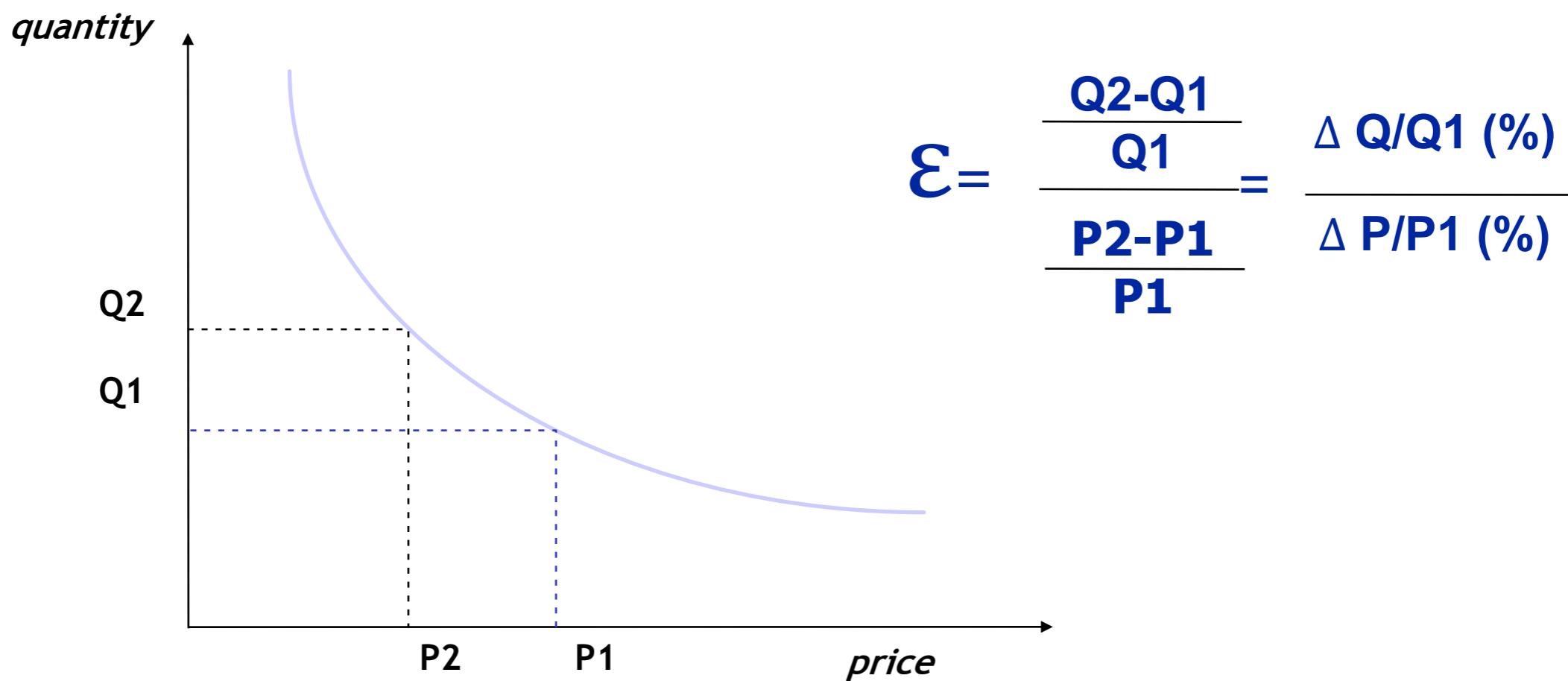
Decisional variables effect (marketing effort)

Demand



Market demand: an example

Decisional variable “price” effect upon demand





Demand estimate and forecast

Processes and methods for obtaining a qualitative and quantitative valuation of demand

The choice of the right model depends on the specific objectives and on the availability of quantitative data to base the esteem



Choice of the market forecasting method

1. Based on **available data**
 - A. Quantitative data available? → **Quantitative methods**
 - B. Quantitative data not available? → **Qualitative methods**
2. Based on the **objective**. Three main objectives:
 - A. Estimating **market size** of an existing product?
 - B. Estimating the **market demand after a new product launch?**
 - C. Estimating the **market demand precisely in a time-lapse?**

Forecasting methods

Objective	Estimate market size	Estimate demand for new products	Estimate demand for established products
Quantitative	<ul style="list-style-type: none"> Coefficient method 	<ul style="list-style-type: none"> Diffusion models Analytical / epidemiological 	<ul style="list-style-type: none"> Time series Linear Regression
Qualitative	<ul style="list-style-type: none"> “Desk” methods 	<ul style="list-style-type: none"> Gaussian Adoption models 	<ul style="list-style-type: none"> Market tests Market research

Estimate market size

Coefficient method

یک ضریب میذاره انگار

What are coefficients?

Parameters representing a past experience or a future expectation on the evolution of a phenomenon

Coefficient models vary according to:

- Product type

- Consuming good
- Industrial good
- Investment good

- Repurchase rate

Estimate market size

Fast moving consumer goods and services, not tied to the use of equipment (e.g. preserves, personal or home care products, etc.)

$$Q = N \times \frac{n}{N} \% \times Cu$$

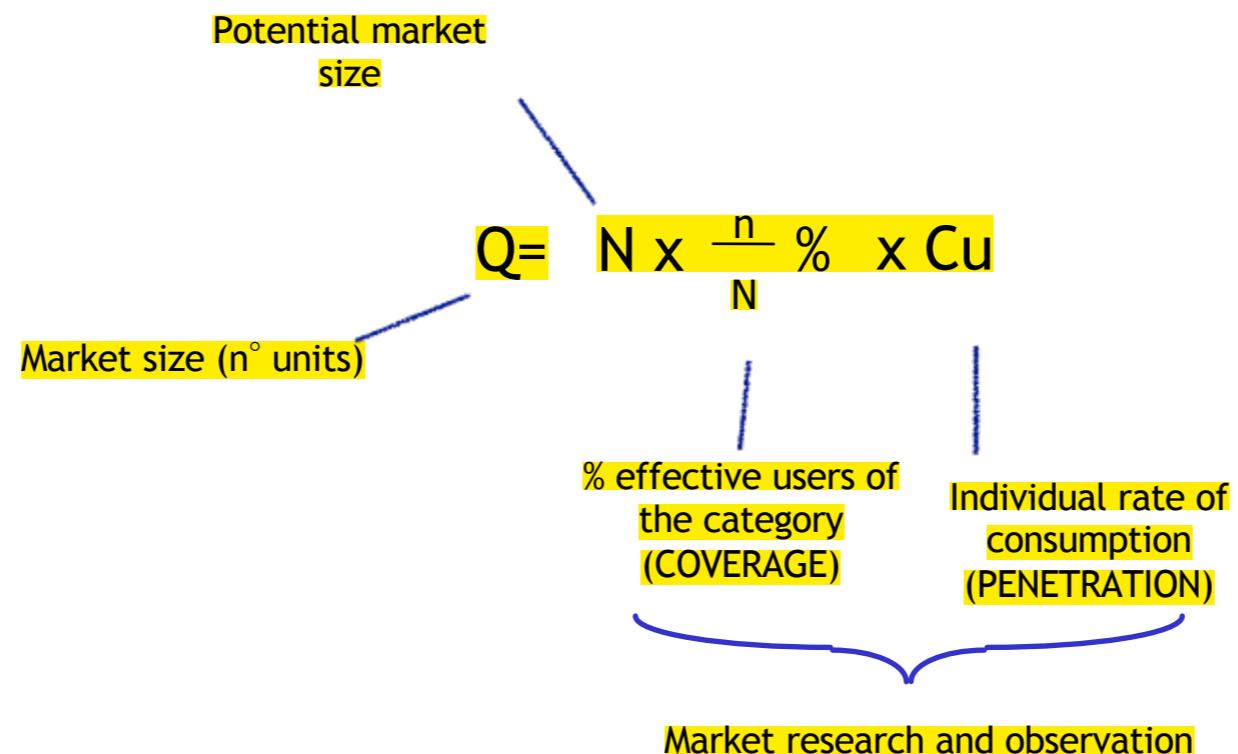
Potential market size

Market size (n° units)

% effective users of the category (COVERAGE)

Individual rate of consumption (PENETRATION)

Market research and observation



Estimate market size: an example

Quarterly demand of throw-away **razor blades** in the Italian market

$$Q = 25.107.509 \times 15\% \times 4 = 15.064.505$$

Number of Italian males
 over 14 y.o.
 Market size (n°
 units)
 % of throw-away razor
 blades users
 Number of blades
 used quarterly on
 average

Estimate market size

Consuming goods tied to the use of **specific equipment**

$$Q = N \times \frac{\frac{na}{N} \%}{\text{Use rate of the equipment}} \times Ta \times ct$$

Potential market size (n° units)

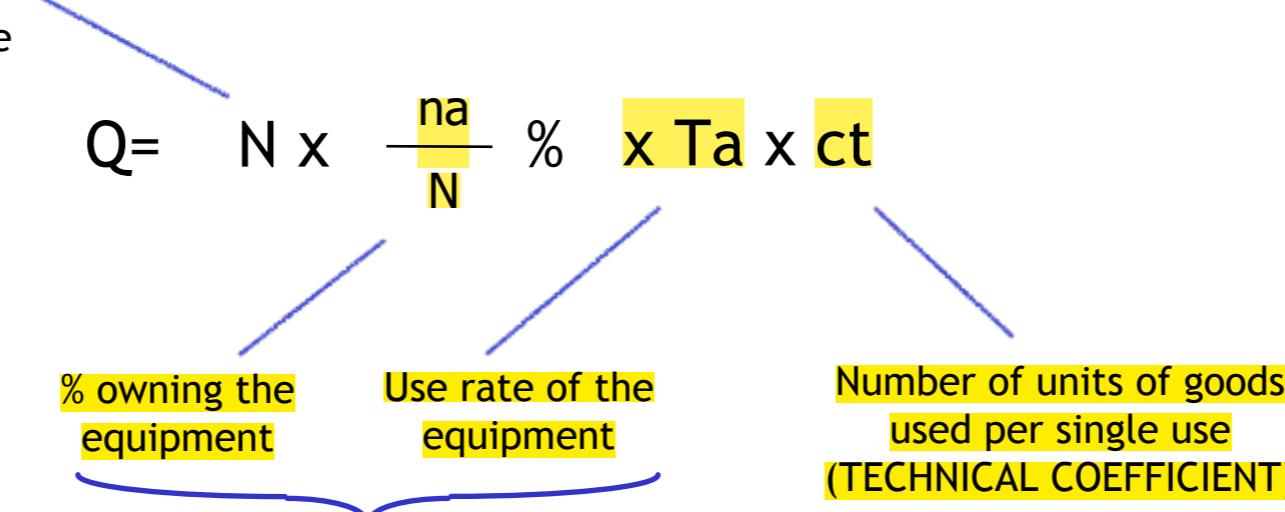
$Q = N \times \frac{\frac{na}{N} \%}{\text{Use rate of the equipment}} \times Ta \times ct$

% owning the equipment Use rate of the equipment

Market research and observation

Number of units of goods used per single use (TECHNICAL COEFFICIENT)

Product characteristic



Estimate market size: an example

Monthly demand for **dishwashing tabs**

Number of Italian
households

$$Q = 20\text{mln} \times 35,4 \% \times 25 \times 1 = 177.000.000$$

Penetration of
dishwashing
machines

Monthly # of
washing

Number of **tabs** per washing
cycle

Desk Research

Desk Research is the research technique which is mainly acquired by sitting at a desk. Desk research is basically involved in **collecting data from existing resources** hence it is often considered a low cost technique as compared to **field research**, as the main cost is involved in executive's time, telephone charges and directories.

- Internal Desk Research
- External Desk Research
- Online Desk Research
- Government/Institution published data
- Customer desk research
- Analyst published data (free or paid)

Market tests

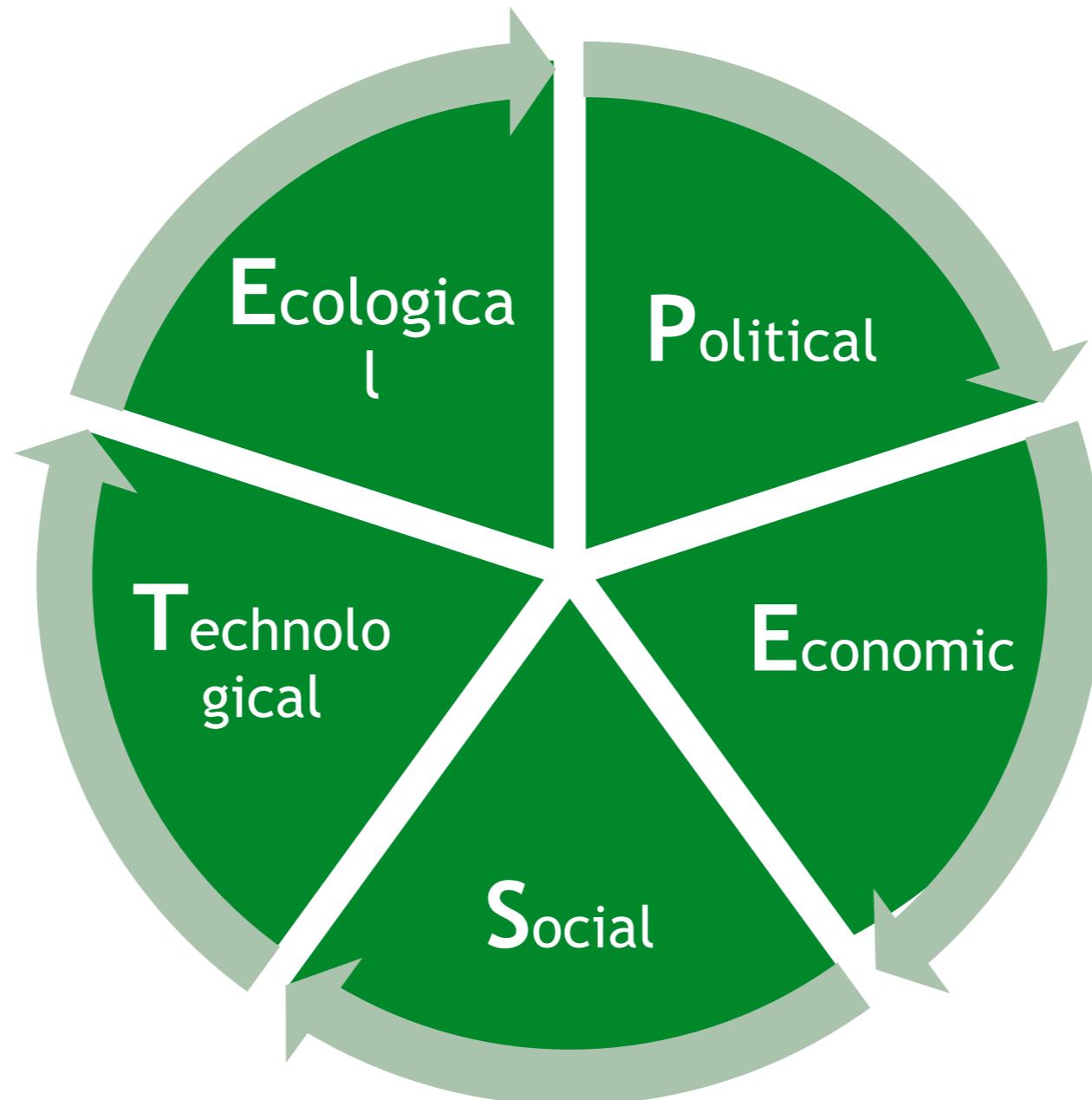
- Experimental design
- Testing with customers
- Observation and registration
- In case, what-if analysis

C. Trends

Which scenario's factors can influence company's success?

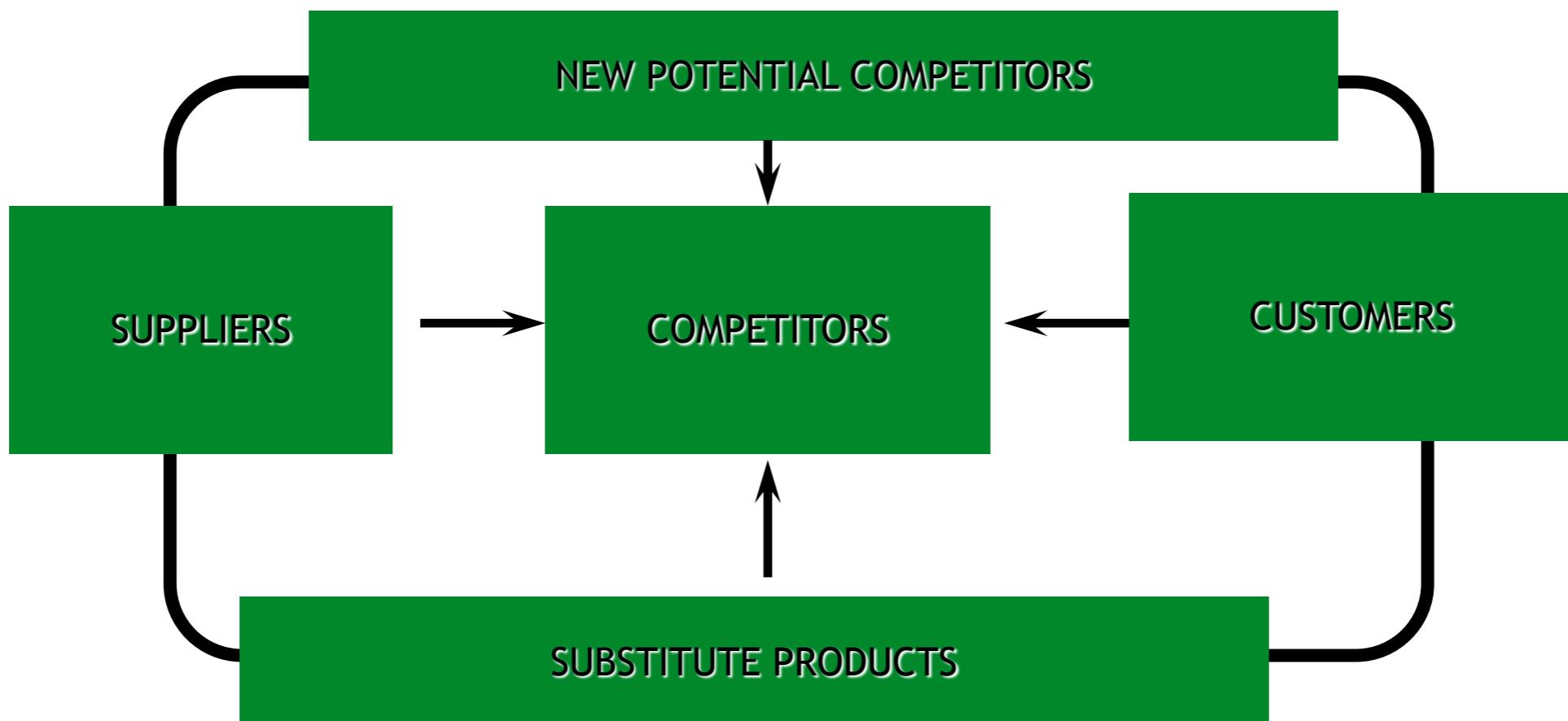
- ❖ **Variables** are affecting:
 - Supply levels (capital, labor)
 - Demand levels (consumption, investment, climate, export, imports)
 - Cost structures (price based in the equilibrium of supply and demand)

A reference framework: PESTE analysis

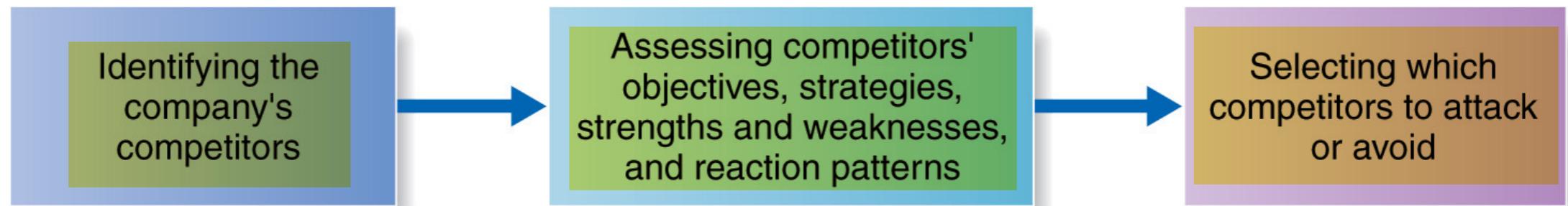


D. Competitor analysis

Porter's model of 5 forces



Steps in analyzing competitors



- Firms face a wide range of competition
- Be careful to avoid “competitor myopia”
- Methods of identifying competitors:
 - Industry point-of-view
 - Market point-of-view
 - Competitor maps can help
- Determining competitors’ objectives
- Identifying competitors’ strategies
- Strategic groups
- Assessing competitors’ strengths and weaknesses
- Benchmarking
- Estimating competitors’ reactions
- Strong or weak competitors
- Customer value analysis
- Close or distant competitors
- Most companies compete against close competitors
- “Good” or “Bad” competitors
- The existence of competitors offers several strategic benefits

- Competitor Analysis in marketing terms means analysing the competitors in all the items regarding the **strategic and operational marketing**.
- So it is important to analyse (and define related KPI) a lot of items in what competitors are doing, how much they are investing in marketing activities, what are the results and the quality of the marketing activities
- You'll see all this aspects during the year, but here we stress some examples...

Competitor Analysis in marketing terms (just some examples)

Product (quality, feature, range, new product and innovation rate, weight of new products, bcg, ...)

Service (condition, delivery, flexibility, reliability, call center,..)

Price (per product and channel, list price and discounts, structure, pricing policies,...)

Place (strategy of distribution, Number of channels, relationship with channels, salesman, points of sales,..)

Promotion (what media- tv, internet,...- public relation, publicity, fairs,...)

People

Processes

.....

Competitor Analysis in marketing terms (just some examples)

Market share (in value, quantity, channel, ...) and penetration rate in Key account...

Sales per products, Area, Markets,

Brand Value, Brand Awareness, Image, Customer Satisfaction, Loyalty...

Positioning in mind of the people

Competitor's target

Internal and external Organization

.....



Competitor Analysis in marketing terms

- Who is spending more or in the best way?
- Who are their **partners?**
- Are all this initiatives coherent with the market position and their image?
- Are those expenses linked to the market share?
-

define the market >> market size forecast >> Trend >> Competition >> Customer behaviour

E.“Micro” level analysis of demand -Customer behavior analysis and decisions (BTC)

- ◆ “Macro” analysis: customer as a number to qualify and estimate the market of reference (previous slides)
- ◆ “Micro” analysis: customer as an individual/organization, with his/her own objectives, wants, behavior
- ◆ Distinction between:
 - ◆ consumer clients
 - ◆ business clients

- ◆ Providing a deep **customer analysis!**

- ◆ “Consumer” customers

- Characteristics
 - “Stimulus-response” Model
 - Buying decision process
 - Roles involved in the buying process

B2C

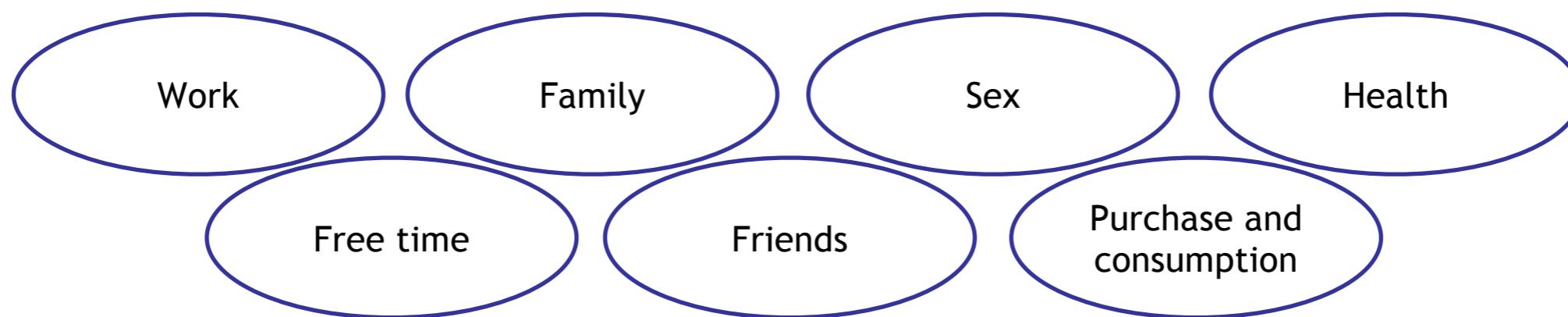
- ◆ “Business” customers

- Characteristics
 - “Stimulus-response” Model
 - Buying decision process
 - Roles involved in the buying process

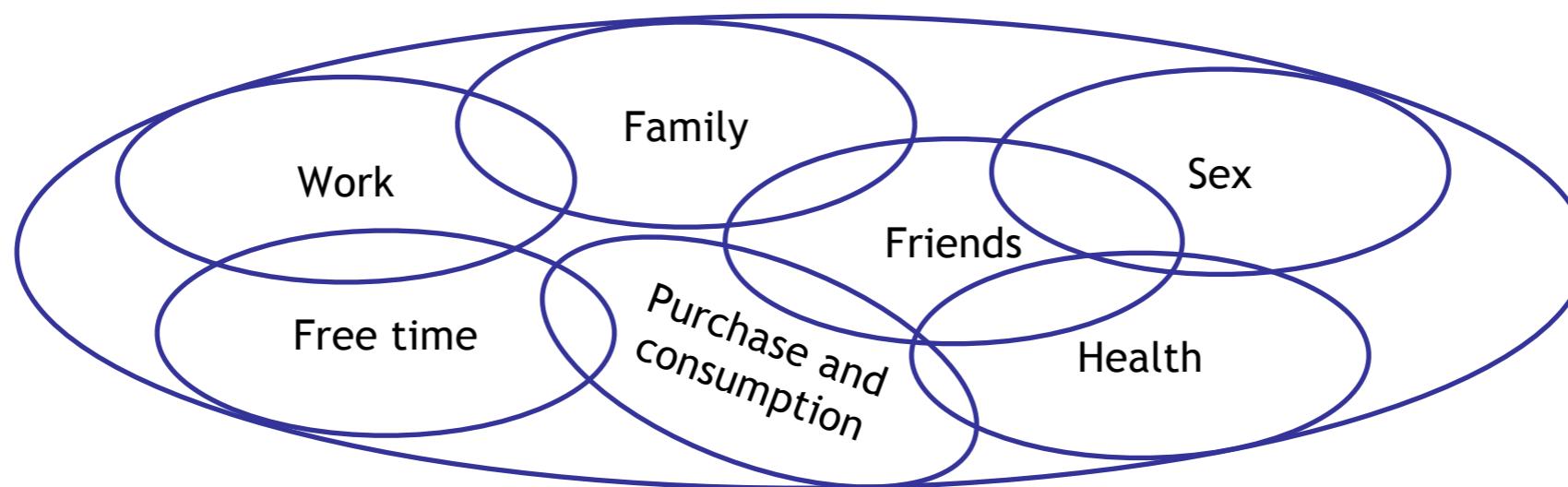
B2B

The consumer customer

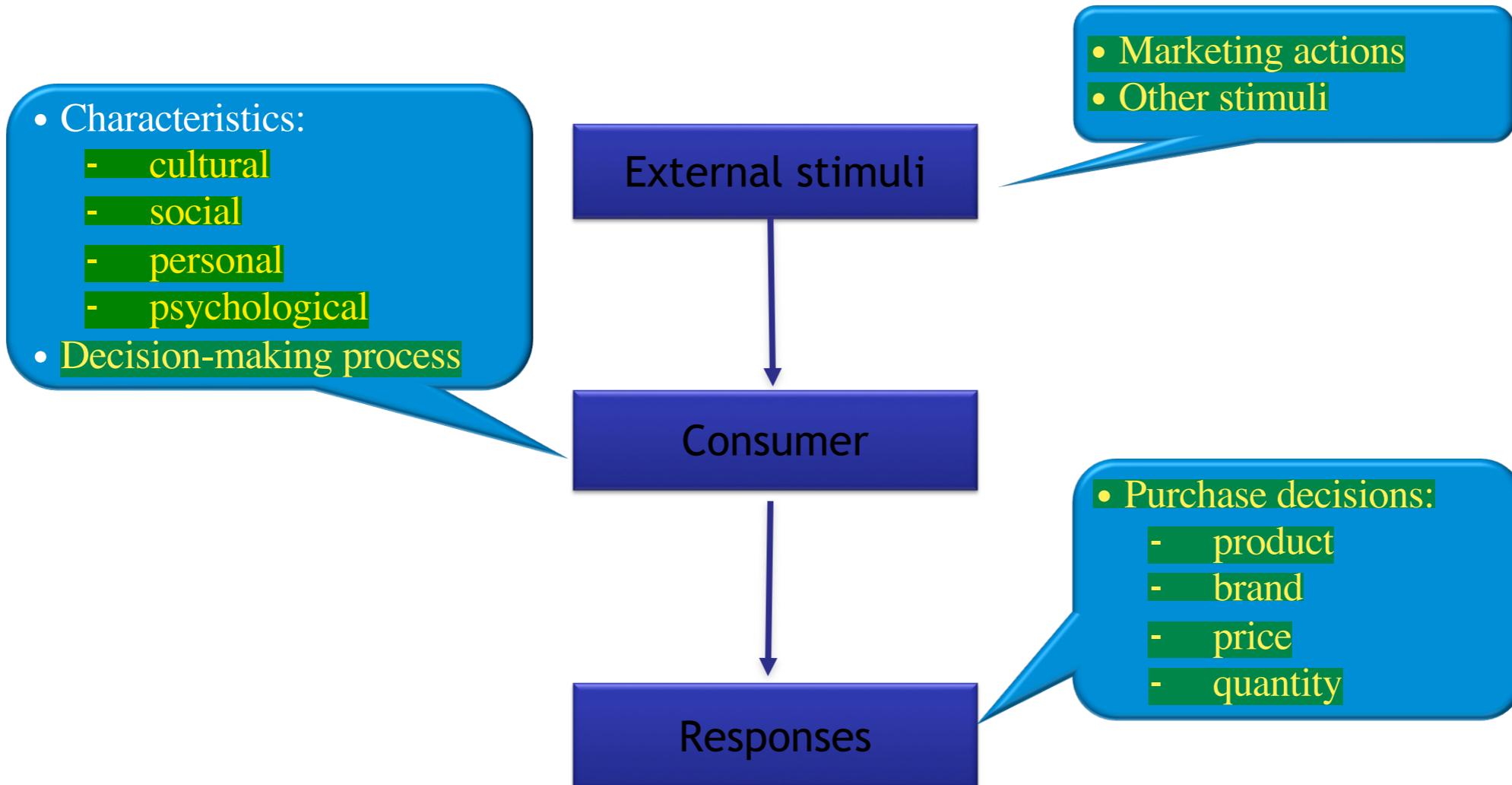
Customer is a person with multiple interests



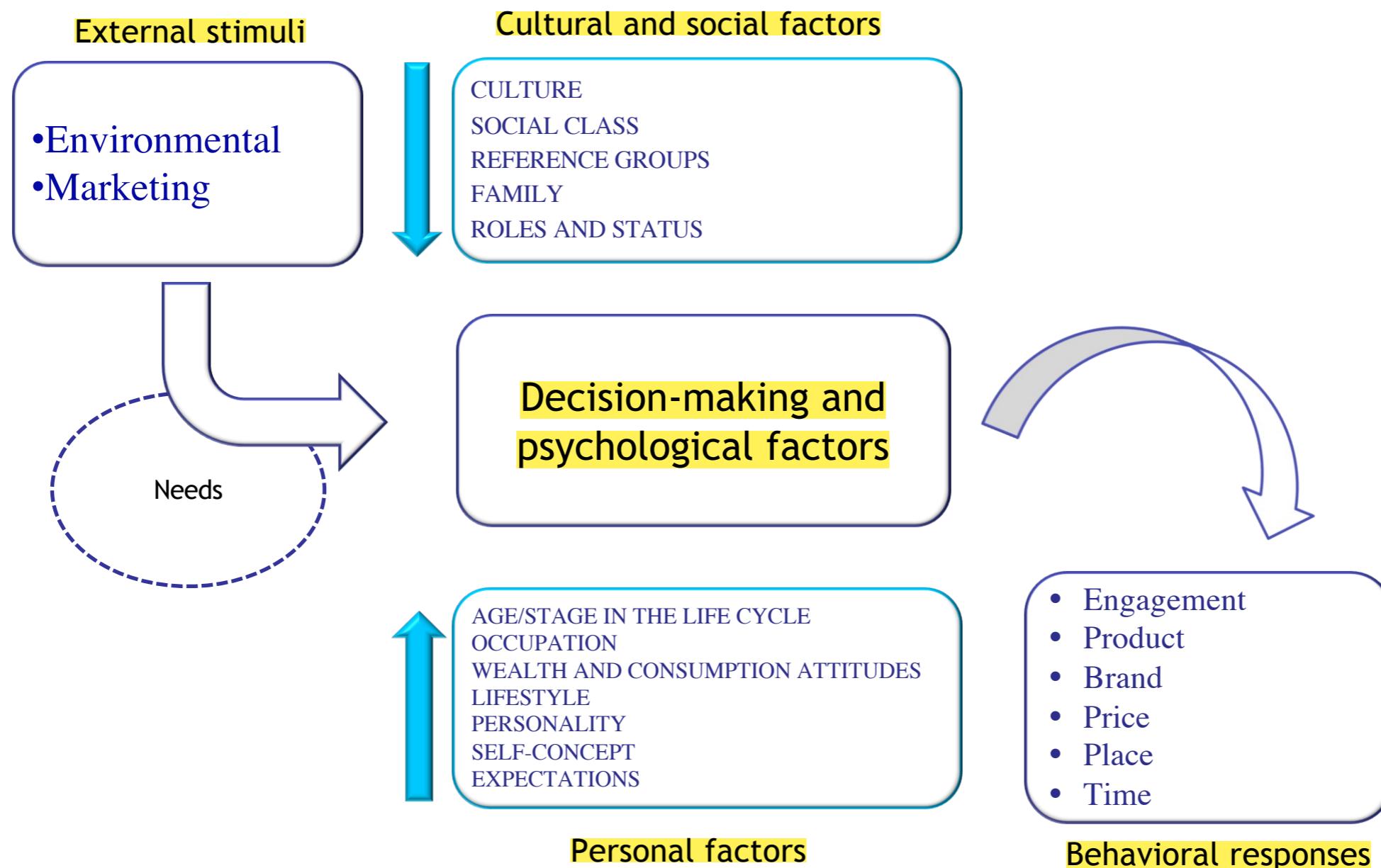
These interests have some areas in which there are overlaps and influences



The stimuli-response model

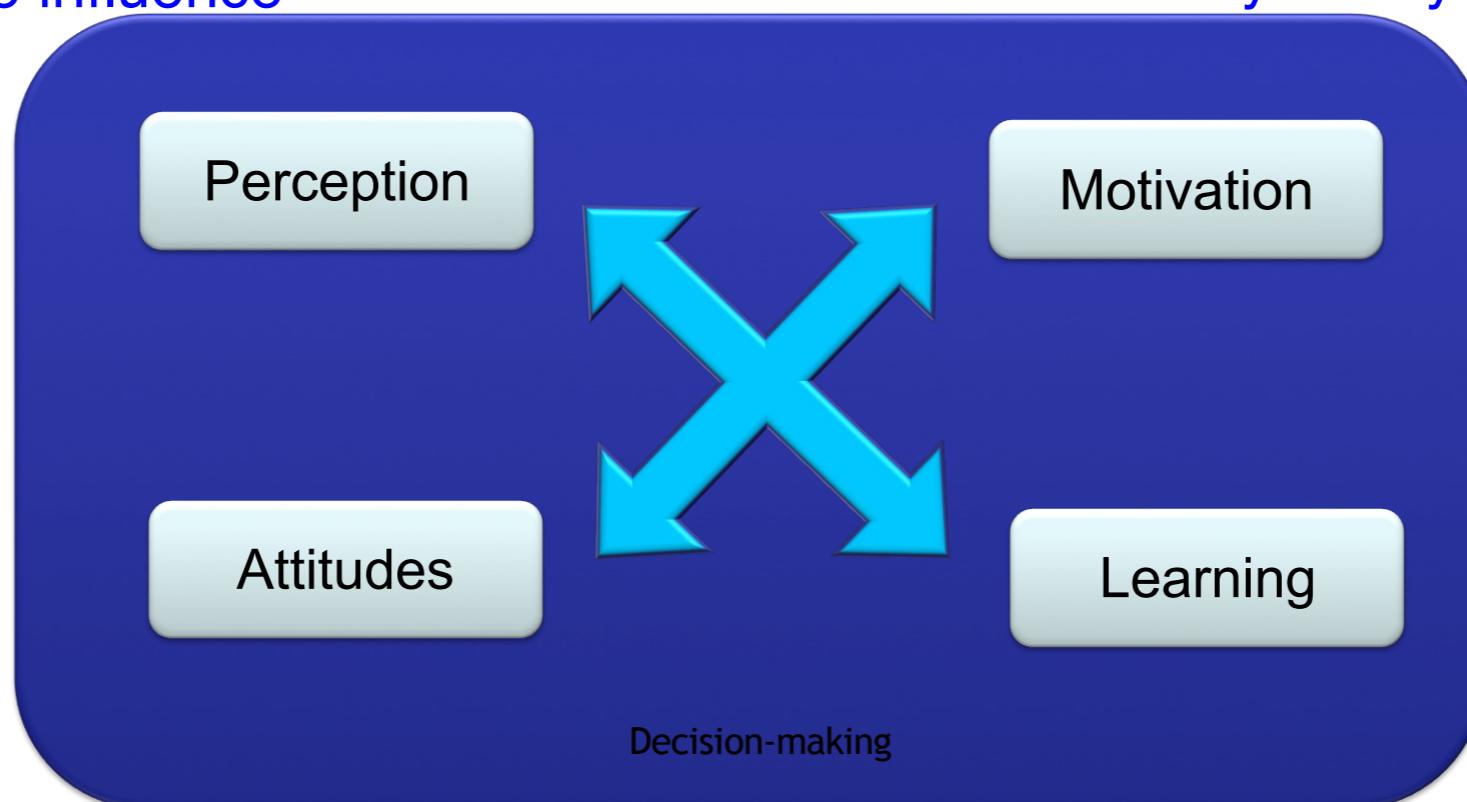


“Exploding” the model



how can we influence

why to buy

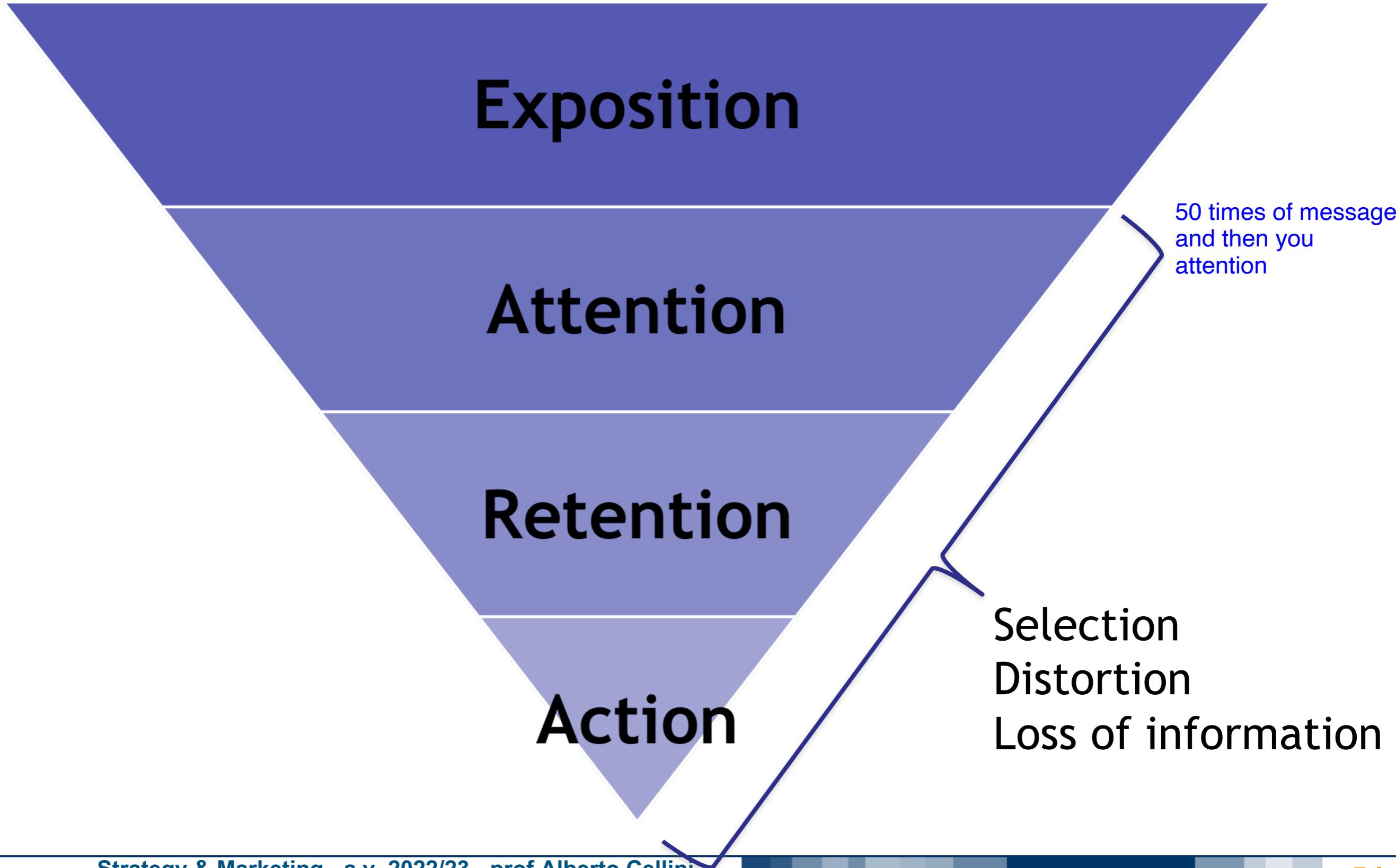


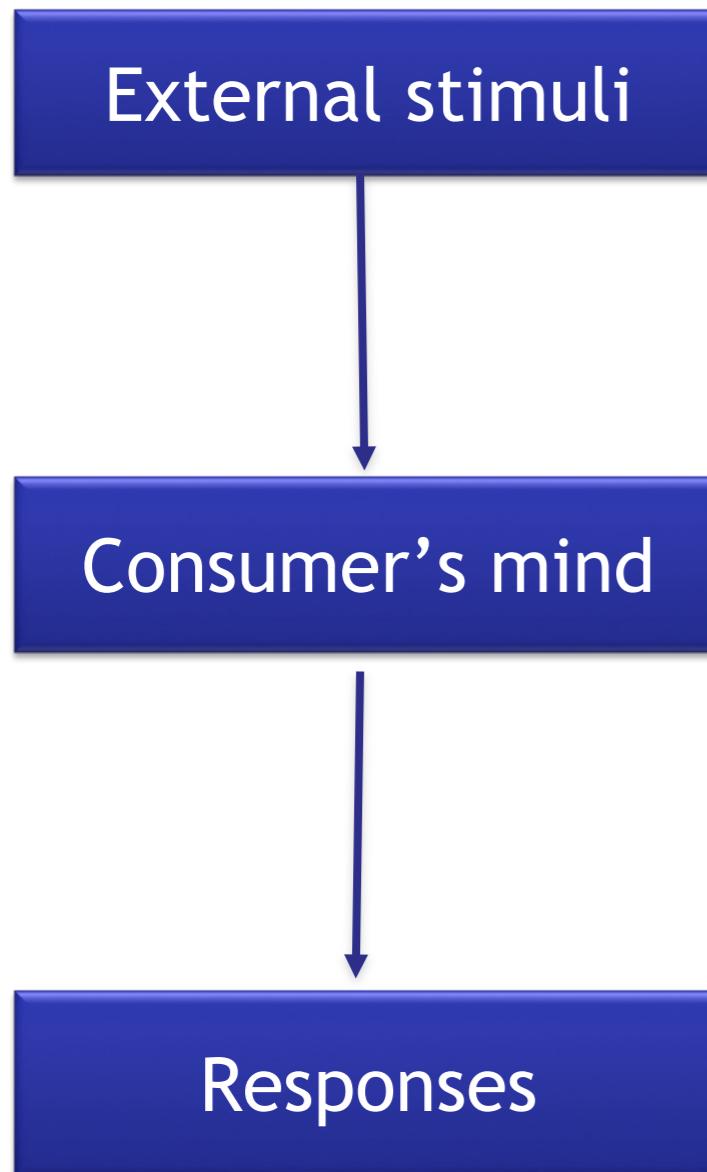
learning process of
using product

comfort zone
hard to change the thinking way

300 ads per day

Perception as a selective process



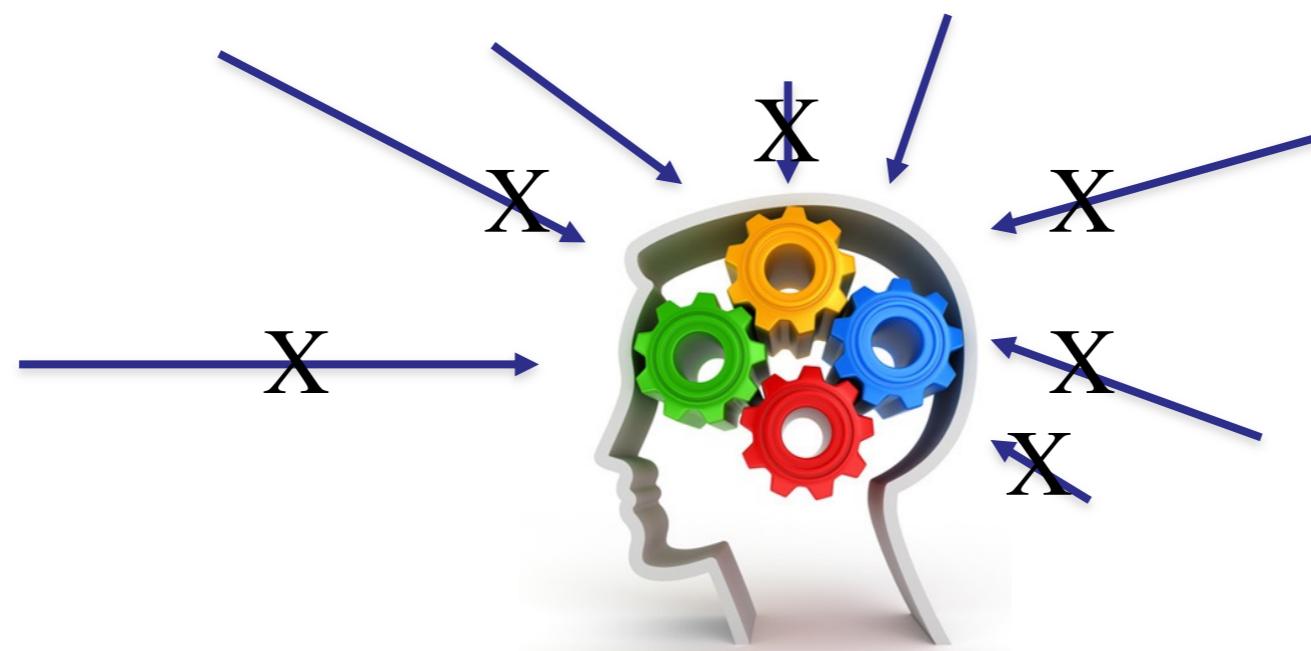


The strategic advantage that marketing (**external stimuli**) is ultimately trying to capture is a piece of **customer's mind** in order to obtain from her good **responses** (e.g. product purchase)



Selectivity & the principle of cognitive economy

No customer's mind can absorb, interpret, store, recall and use all the external stimuli coming from the market



This imbalance between available information and available mental processing and store capacity gives rise to a necessary **principle of scarcity**

mind can't absorb everything

marketing people try to find best media, best message , ...

Phases of the buying process

Same phases as consumer “clients”

1. Recognition or anticipation of the problem/need:

- obsolescence of plants
- productive capacity
- development of new products
- dissatisfaction
- cost
- etc.

2. Definition of the functional and/or technical specifications:

compilation of a purchase specification

3. Search for information:

Through institutional or personal sources, qualification lists, vendor lists, etc.

4. Requests for an offer

Offers are marketing document thus they must also inspire confidence and position the company

5. Evaluation of alternatives

6. Decision

7. Post-purchase

Very important in a product lifecycle cost approach (assistance, maintenance, spare parts, etc.)

BUYING DECISION PROCESS

MARKETING

BEFORE

PROBLEM RECOGNITION

Publicity, advertising;

INFORMATION GATHERING

Direct marketing
Provide information

EVALUATION OF ALTERNATIVES

Publicity, personal customer contact
Provide instructions and evaluation criteria

DURING

PURCHASE

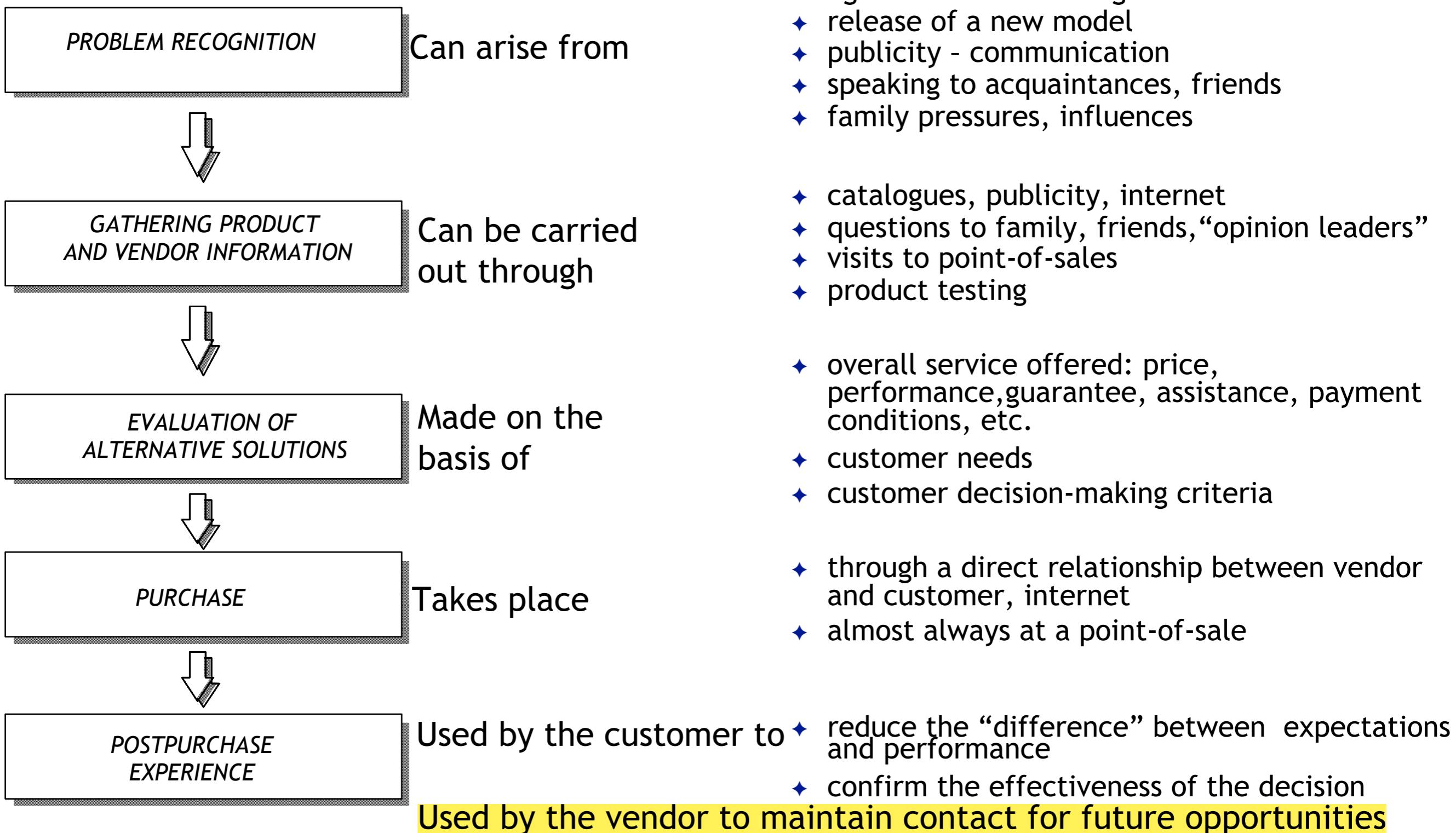
Publicity, personal customer contact
Establish a relationship:

AFTER

POSTPURCHASE EXPERIENCE

Exploit the place and personal selling
Provide assurances:
Assistance, service, look after and ensure customer loyalty

Example: purchase of a new washing-machine



Roles



INITIATOR



WHO IDENTIFIES THE NEED

INFLUENCER



WHO INFLUENCES THE DECISION

DECIDER



WHO MAKES THE BUYING DECISION

BUYER



WHO MAKES THE PURCHASE

USER



WHO USES THE PRODUCT/SERVICE

F.“Micro” level analysis of demand -Customer behavior analysis and decisions (BTB)

explanation
1:47:00 => 3

- ◆ Demand
 - Often “derived” (cyclicality, multiple effects)
 - Particular dynamics
- ◆ Structure
 - Concentrated (reduced number of clients)
 - Stable/interdependent
- ◆ Relationships with customers
 - “Balanced” negotiating power
 - Reciprocally active
 - "Complex" – between groups
 - Professional/proceduralized buying process
- ◆ Characterizations of industrial markets
 - ◆ Industrial market (companies producing goods and services)
 - ◆ Re-sellers market
 - ◆ Public administration market (central and local entities and institutions)
 - ◆ No-profit companies market

Importance of “business” purchases

The purchase of raw materials and semi-finished products is a key item in the profit and loss account

MANUFACTURING COMPANY	
TURNOVER	100
RAW MATERIALS/COMPONENTS	50
LABOUR	10
TRANSPORT	4
ELECTRICITY	1
GENERAL PRODUCTION EXPENSES	2
DEPRECIATION	3
GROSS INCOME	30
GENERAL EXPENSES AND ADMIN.	20
EBIT	10
TAXES	4,2
NET INCOME	5,8

→ Emergence of “Purchase marketing”

Factors influencing the business buying process

what and why buying?



Looking for the factors influencing organizational buying behaviour



Task models:

Economic-managerial variables
(costs, performance, etc.) tied to
buying

Non-Task models:

Soft variables (organisational, social
and psychological) tied to buying



Complex models:
Task and non-Task aspects

Task and Non Task models

Factors	Models	Task	Non-task
Individual		Desire to obtain the lowest price	Needs and set of client's personal values
Interpersonal		Periodic meetings to define specifics	Informal contacts, even outside of work interaction
Organizational		Company policy regarding preference for local suppliers	Methods and instruments for personnel evaluation
Environmental		Anticipated changes in prices	Political climate in an electoral period

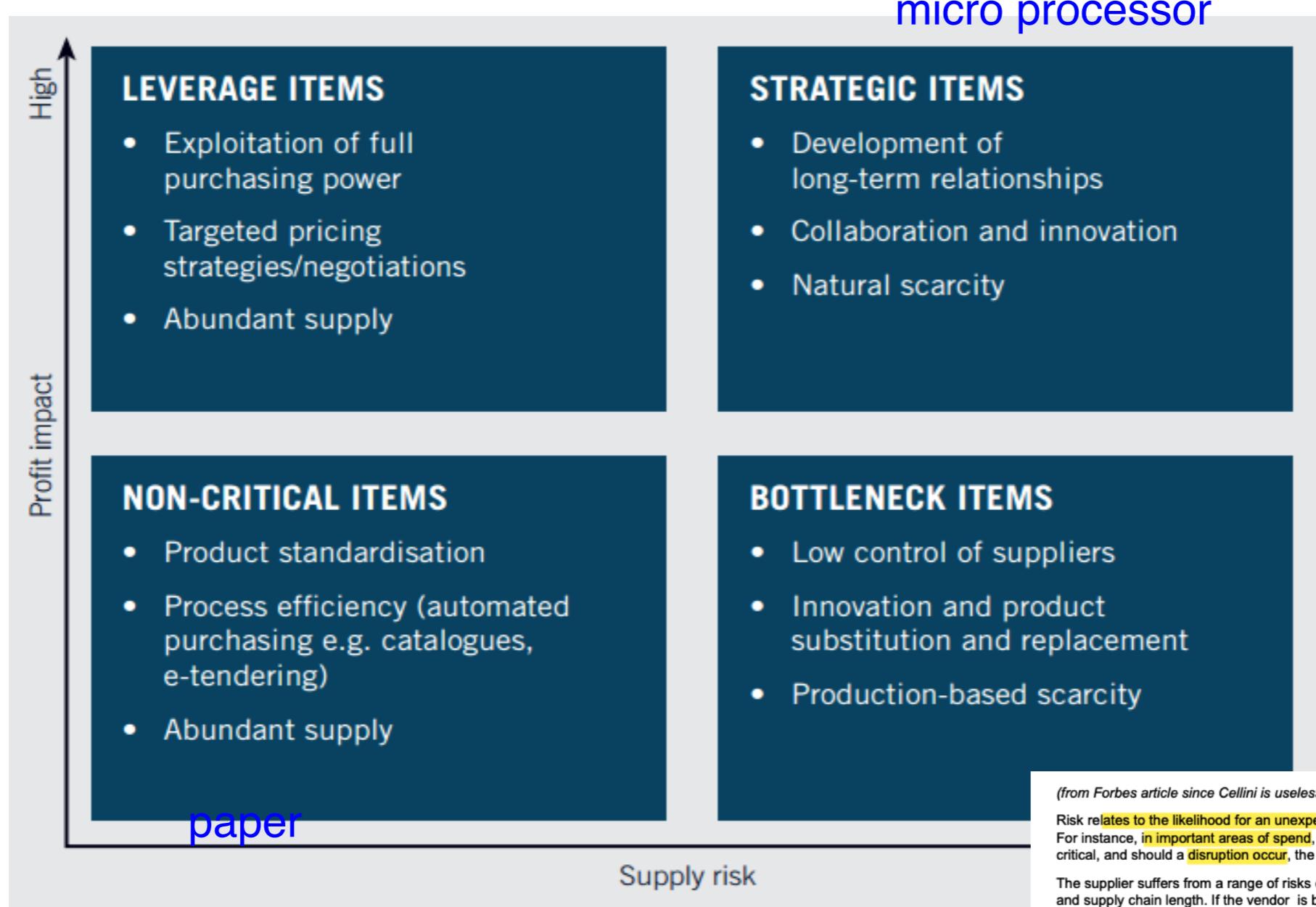


Purchase types and impact on customer behaviour

- ❖ Purchase types are characterized in terms of :
 - ❖ Novelty
 - ❖ Complexity
 - ❖ Uncertainty
 - ❖ Importance
 - ❖ Specificity and personalization

Kraljic matrix

not ask in exam



Risk relates to the likelihood for an unexpected event in the supply chains to disrupt operations. For instance, in important areas of spend, such as tire suppliers for an automotive are business critical, and should a disruption occur, the auto company is likely itself to face substantial problems.

The supplier suffers from a range of risks depending on its geographic location, business model and supply chain length. If the vendor is based in Switzerland, it is unlikely that political uncertainty or logistical delay will impact upon operations. On the other hand, facilities based in the developing world may be subject to legislative risk, political upheaval and unreliable transportation routes. All such risk factors have a bearing upon the buying company.

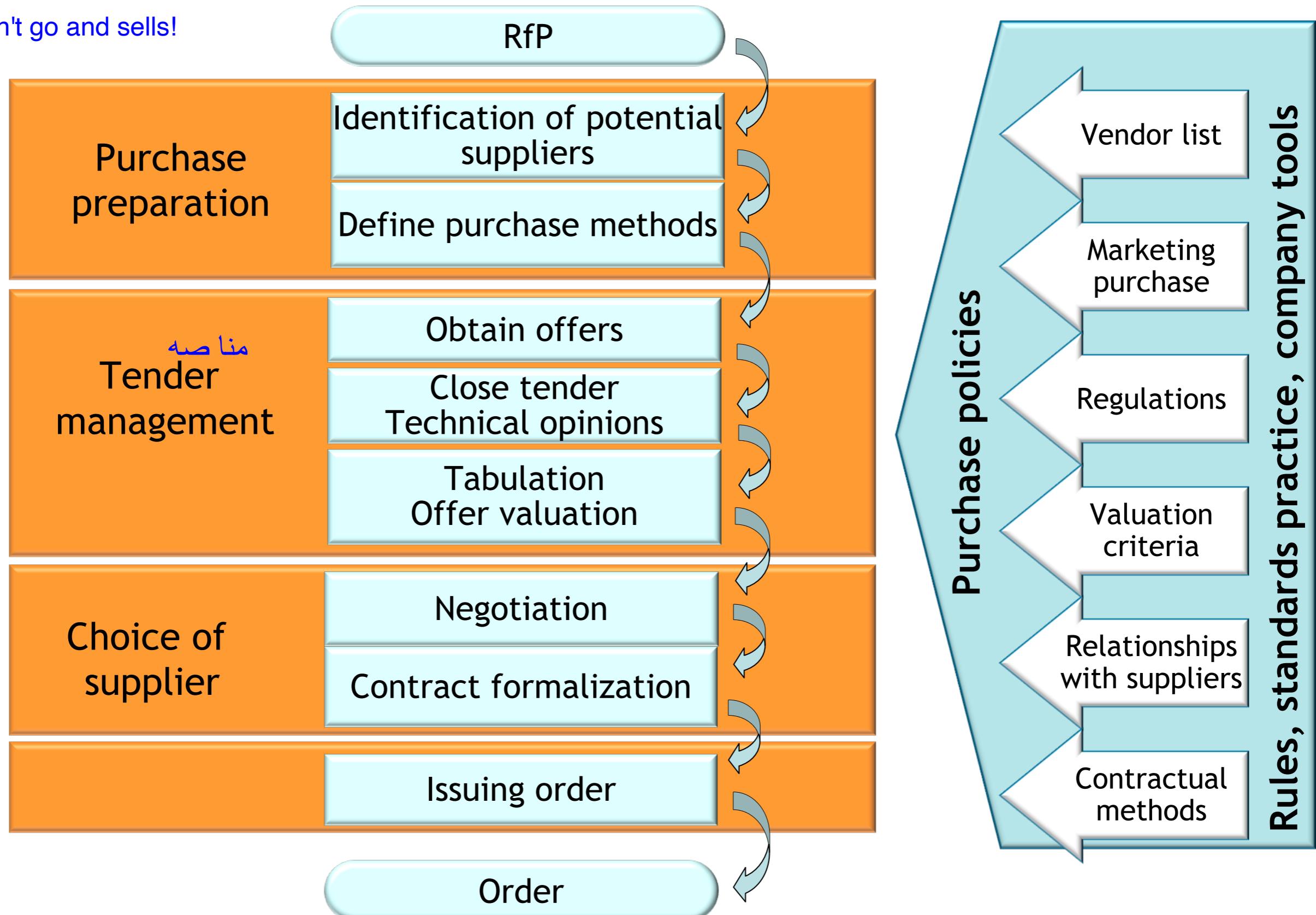
Profitability describes the impact of a supply item upon the bottom line. For certain areas of spend, such as stationery, supplies have only a negligible effect on profits. In other categories, a single source of supply can make or break a business. For Apple, a large proportion of its profits are determined by Foxconn's ability to manufacture the scale of products required to a precise specification.

Putting these two dimensions together yields a classic two-by-two matrix. Each of these boxes represent a different buyer-supplier relationship type and suggests a set of distinct sourcing strategies.

The buying process: from order request to order issuing

not exam, oral!

you can't go and sells!



Roles in the buying process

Not a single buyer, but a “Purchase centre” with various people and functions involved in the buying process

Actors in the buying process :

- **Initiator:** identifies a need and believes it can be satisfied by buying a good or service; activates the process.
- **User:** uses the product or service purchased; may be the activator of the buying process and plays an important role in defining specifications.
- **Buyer:** has the formal authority and the power to negotiate with the supplier.
- **Influencer:** directly or indirectly influences the decision process, providing information and evaluation criteria for the alternatives.
- **Decider:** has the authority to choose between the existing alternatives/proposals and formally approves the decision.

- ◆ Each actor has his own role and therefore his own objectives and constraints
- ◆ **The marketing manager's task is to:**
 - ◆ Identify the roles in relation to the buying situation.
 - ◆ Keep separate the distinct roles.
 - ◆ Identify the decision variables and the services of the purchase that each role “sees” or has the authority to “see”.
 - ◆ Approach each role on the basis of the objectives it maximises.

- ◆ **Technical needs**

- adjusting the product to the required **function, quality and duration**

- ◆ **Economic-financial needs**

- purchase **cost**, payment terms and conditions

- ◆ **Assistance needs**

- post-purchase service, help in setting up and use

- ◆ **Information needs**

- priority access to innovation, security and stability of purchases, market information
 - dependence relationships, coherence of organizational methods with company orientation

Objectives and constraints of purchase center actors

Function	Principal concerns in the buying decision process
Production	<ul style="list-style-type: none">Reliability of the product and punctuality of deliveryCollaboration of the supplier in emergency situationsEfficiency/Effect on production costs
Marketing and Sales	<ul style="list-style-type: none">Effects on the marketability of company products
Planning/Engineering	<ul style="list-style-type: none">Supplier reputation/referencesAbility to meet specificationsReliability
Administration	<ul style="list-style-type: none">Effect of the purchase on cash flow, profit and loss account and balance sheet; on cost structureAlternatives to the purchase, such as make v buy and leasing
Purchases	<ul style="list-style-type: none">Most economical price together with acceptable qualityMaintenance of good relations

Actor behaviour in buying process phases

buy grid
relationship map (who contact who)

	Composition of the purchase centre				
Buying process phase	Initiator	User	Influencer	Buyer	Decider
Recognition of a problem	X	X			
Determination of characteristics		X	X		
Search for potential suppliers				X	
Evaluation of proposals		X	X	X	X
Choice of suppliers		X		X	X
Evaluation of service					

Controller: the person who controls the buying process

3. Assessing the market position

Business Intelligence Analysis

Innovative tools for market intelligence
(examples)

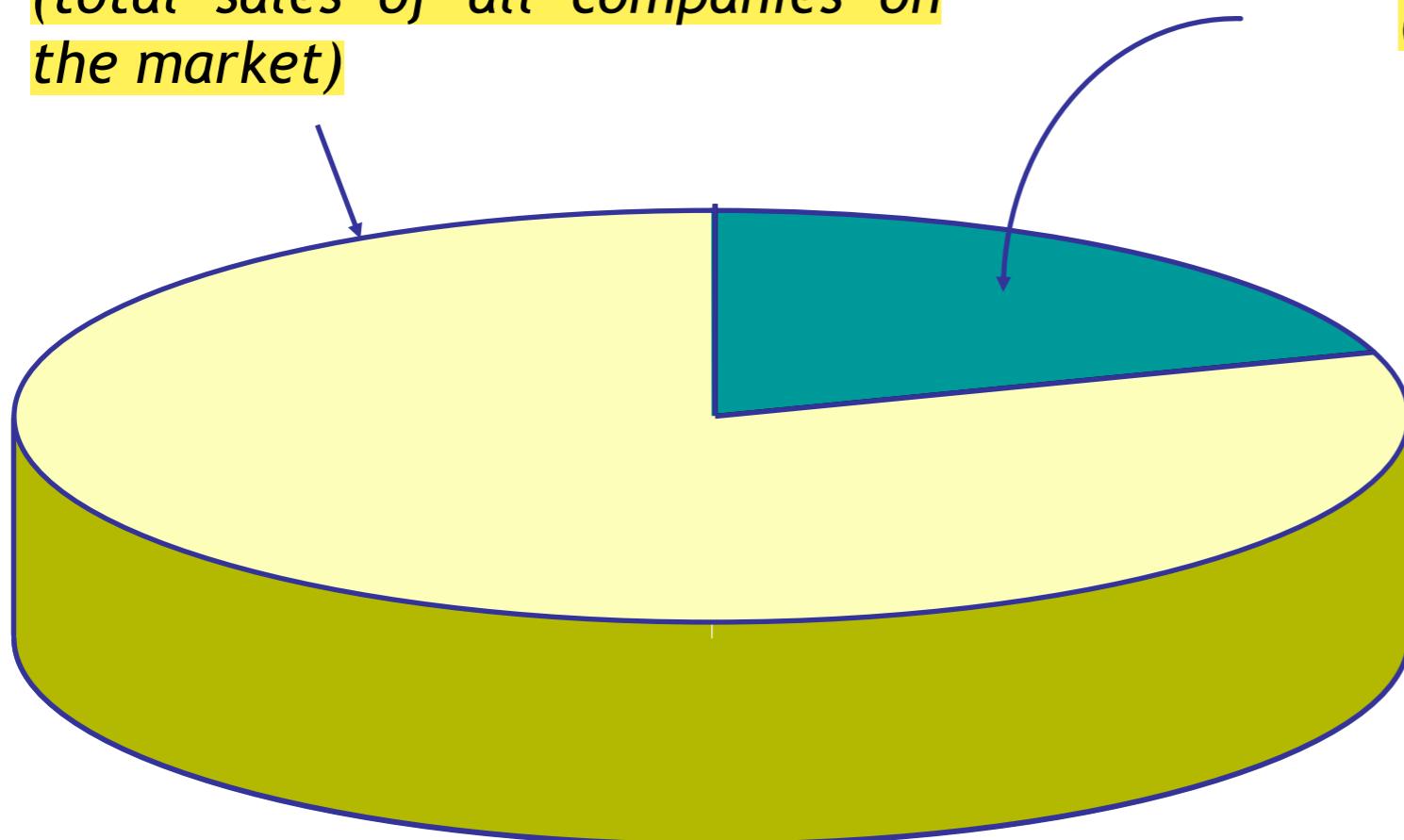


- Product Portfolio
- Customer Portfolio
- Sales Segment analysis
- Sales Distribution (and policy)
- Pricing analysis and policy
- New product development situation
- Services
-

Market share

Indicator of the competitive capacity of a company, product or brand.

MARKET DEMAND (DM)
(total sales of all companies on the market)



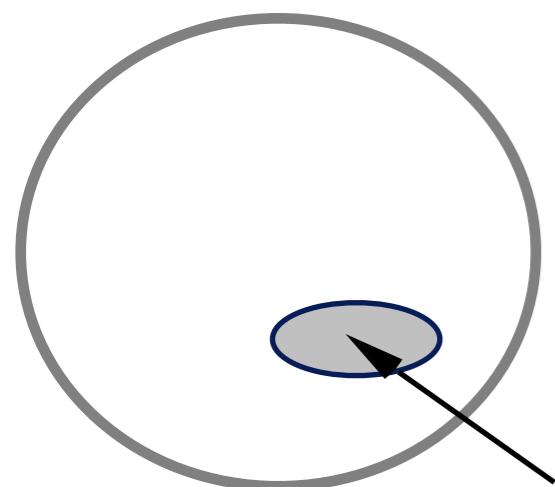
DEMAND FROM COMPANY A (SA)
(SALES of company A)

in terms of unit
 in terms of value

**MARKET
SHARE**

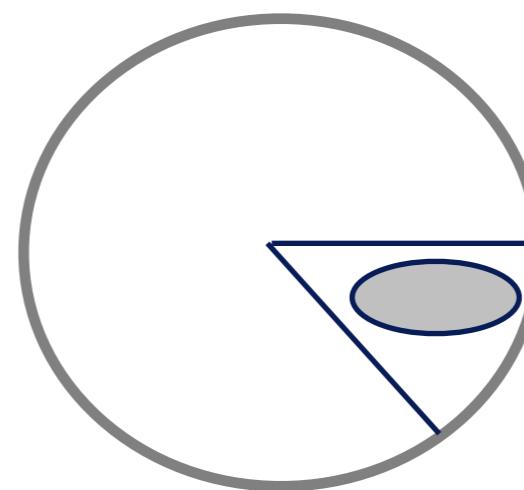
$$= \frac{SA}{DM}$$

Market share: choice of a system of reference



General market 100
Us 5

***Our MS = 5%
(we are one of many)***

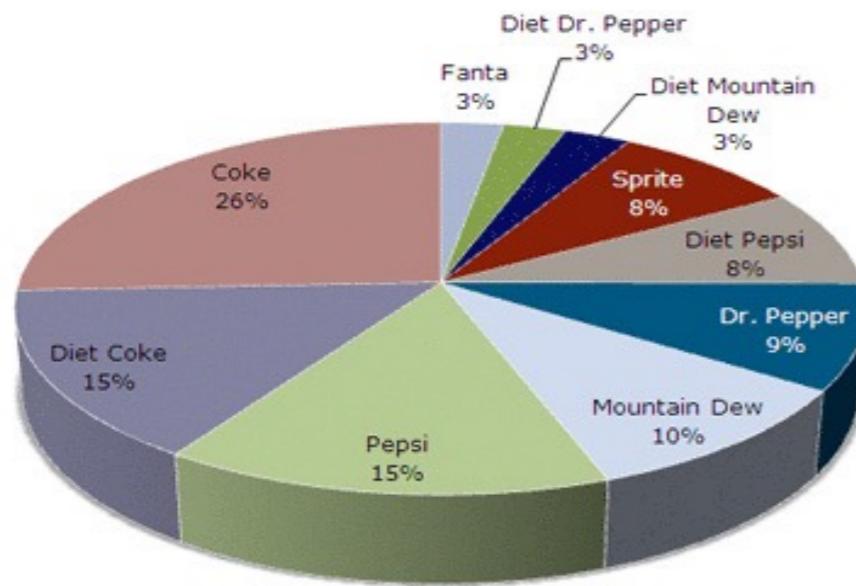


General Market 100
Market of reference 10
Us 5

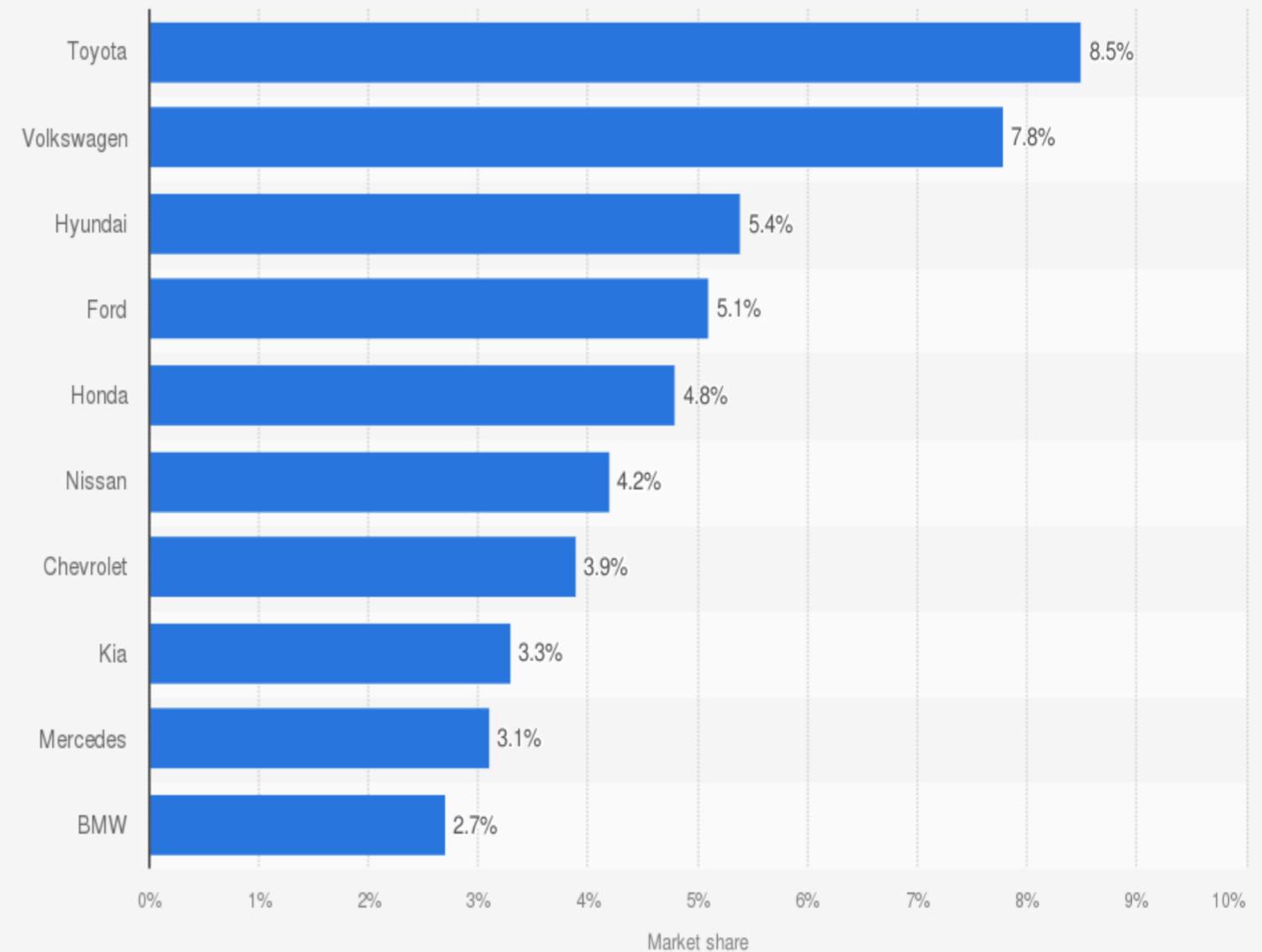
***Our MS = 50%
(we are the niche leader)***

Market share (Examples)

Soft Drink Brands Market Share



Global automotive market share in 2020, by brand



Source
Focus2move
© Statista 2021

Additional Information:
Worldwide; 2020

Relative market share

Relative market share (compared with the market leader) =
$$\frac{\text{Market share of the company}}{\text{Market share of leading company}}$$

Brand	Unit Sales	Unit Market Share	Relative Unit Market Share	Relative Unit Market Share
A	4,000	40%	1.33	
B	3,000	30%	0.75	
C	2,000	20%	0.50	
D	600	6%	0.15	1.50
E	400	4%	0.10	0.67
TOTAL	10,000	100%	Against the Market Leader	Brands D and E

Some Brand KPI

1. **share of awareness**-brand awareness measures how familiar people are with your brand or product.

- *Top of mind* -The first brand that comes to mind when a customer is asked an unprompted question about a category. The percentage of customers for whom a given brand is top of mind can be measured → x sports car Ferrari n Lamborghini !
- *Unaided awareness* -A measure of the number of people who express knowledge of a brand or product without prompting (**brand recall**).
- *Aided awareness* -A measure of the number of people who express knowledge of a brand or product when prompted (**brand recognition**).

2. share of marketing pressure

Share of marketing pressure

- Share of voice

$$SV_{iK} = \frac{mktginv_{iK}}{\sum_{j \in K} mktginv_j}$$

Meaning: marketing investment by brand i in the category K as a percentage of the total marketing investment in the category

- it's common in the food market.

Customer's index

Customer retention (attrition or churn)
Customer satisfaction
Customer quality

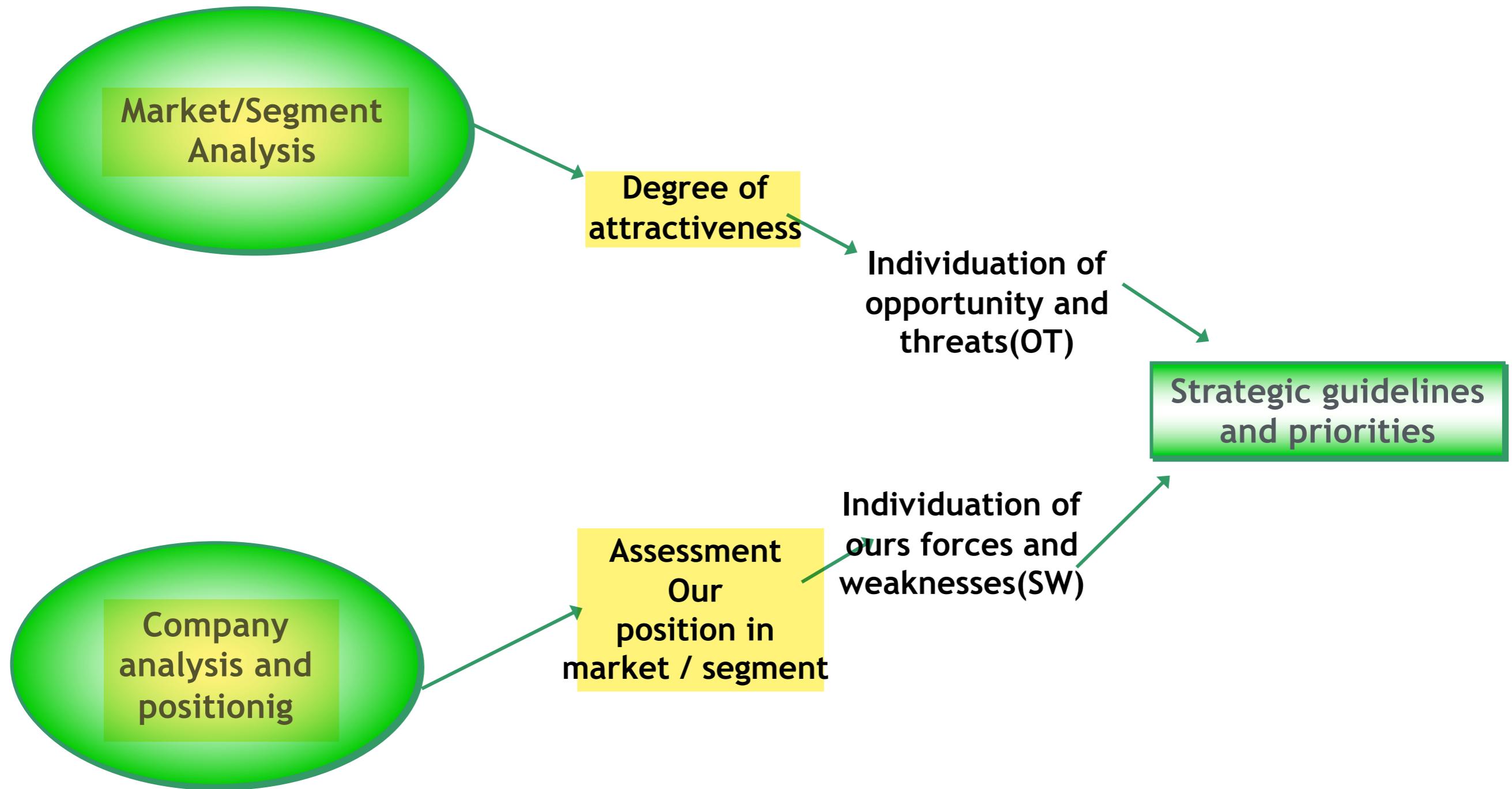
....



Possible **main objectives** in marketing

- Increase market share?
- Increase revenues?
- Increase sales?
- Increase the profitability of sales?
- Improve corporate image?
- Enhance customer retention?
- Upgrade market performance?
- Identify actions addressing customers/segments?
- ...more...

4.The logic of the "Swot" analysis process





Swot analysis slide (example)



Some companies want "weighed" swots, others may ask for TOWS

evaluation/probability/ ...

Tows matrix (example)

	strengths	weaknesses
opportunities	S3 – use social media to promote new products (stronger advertising campaigns) S1 – international coverage to exploit many markets -> o1/o3 – wider target audience on product range as well as potential customers, more markets to offer golf products to.	W3 – open shops specifically for <u>Animo</u> , help to promote new products (o2) W1/2 – cheaper offers/ sales. Offer products to those taking up <u>sj</u> -> o4 – amateur riders
threats	S2 – T1 -> constantly upgrading stock and products on offer. Makes them more desirable than other competitive brands, gives them a 'competitive edge'. S1-T1 -> global coverage, reach more than competitors S3- T1 -> good reviews (through strong advertising campaigns), strong advertising makes them most desirable brand.	W1 – T2 – bring out new, cheaper collection aimed at lower end competitors (leisure riders) – T1, Kingsland as a competitive brand do not offer this so would create competitive advantage. W2 – Create wider target market to also address w2 and combat t1.



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Marketing Segmentation

20th October 2022

Prof. Alberto Cellini

1. Segmentation
2. Targeting
3. Buyer's Persona and Buyer's Journey

In this section, there is the introduction to:

- A. The objectives of segmentation
- B. The approaches and the process of segmentation
- C. The methods of segmentation

A. Objectives of segmentation

- - Segments and their characteristics
 - Advantages and disadvantages of segmenting

Why segmenting a market?

Marketers **segment** markets to make them more **manageable** as:

- **Markets are too broad** different money, geography, preferences,
 - What is the food that you eat most often?
 - What is your favorite activity for leisure?
 - What is the product that you are most willing to spend more money for?
- **Too much diversity in the market**
 - desires/preferences
 - available resources
 - geographic locations
 - attitudes and buying habits

Why segmenting?

Segmentation is a trade-off between two extremes:

“All customers are similar”

**ONE PRODUCT
FOR EVERYONE, ONE PLAN FOR
ALL CUSTOMERS**



**“UNDIFFERENTIATED
MARKETING” APPROACH (OR
MASS MARKETING)**



“Each customer is a market”

**UNIQUE PRODUCTS, ONE PLAN
FOR EACH CUSTOMER**



“Customers are diverse, but I can detect homogeneous groups with similar needs, ways of using the product and expectations”

**AD HOC PRODUCT AND APPROACH
FOR “SEGMENTS” OF CUSTOMERS
(GROUPS OF “HOMOGENOUS”
CUSTOMERS)**

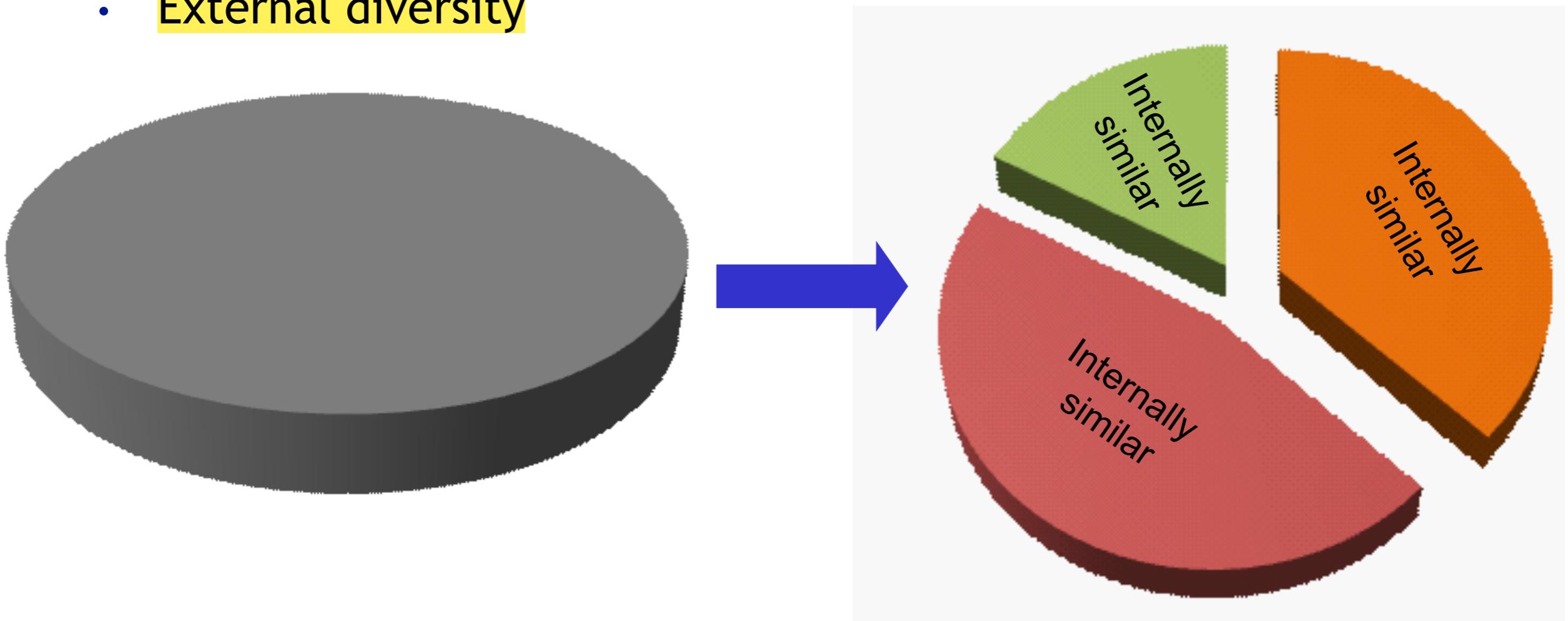
“Segment marketing” approach



Segmentation

*Marketing process through which the company divides the market into various sub-groups - with different demand profiles but internally **homogenous** - on the basis of which **management develops specific marketing plans** to best satisfy their requirements.*

- Two main characteristics:
 - Internal similarity
 - External diversity



Segmentation's aim is to give insights to markets in order to define the best possible marketing program for every specific group of customers.

- **Measurability:** it must be possible to measure the size and buying power of the segments
- **Accessibility:** real possibility of obtaining the segment using marketing actions
- **Homogeneity:** within the segment as regards one or more characteristics (describers); heterogeneity compared with other segments
- **Importance:** a segment large enough to justify a targeted marketing action
- **Duration:** possibility of exploiting the segment for a particular period of time

Advantages of segmentation

- Reduction in diversity
- More focus of resources & professionals
- Possible creation of entry barriers
- Improvement in customer satisfaction
- Market share defense during maturity
- Higher control on marketing actions
- Risk hedging

Disadvantages of segmentation

- Different products for different segments (R&D, engineering)
- Increased production costs
- Increased stocks
- Fragmentation of advertising/promotion costs
- Increased market research costs
- Higher distribution costs
- Inefficient resource exploitation (e.g. duplication)

That's why companies try to:

Standardize
Modularize

More external variety (breadth of range) v less internal variety

- **The segmentation process**
 - Segmentation types and variables:
 - by product
 - by customer (B2B v B2C)

Choice of the segmentation approach

- By product?
- By customer?

Choice of the segmentation method

- Mathematical?
- Heuristics?

Analyzing the segments obtained

- Segment validation
- Segment description
- Product/market matrix

- By **PRODUCT** characteristics



- By **CUSTOMER** characteristics



ADVANTAGES

- Simplicity
- Immediacy
- Clarity and comprehensibility

CONSTRAINTS

- Does not consider the variables related to the **customer's characteristics**
- Little visibility of the competition amongst products
- Simplistic

*Segmentation by product was meaningful in the past, when the main problem of companies was product or production or in market with a low level of competition. As the goal of segmentation is to give insights for marketing campaigns, in mature and competitive markets, companies adopt the **customer segmentation**.*

The following example clarifies the differences between approaches.

Remembering that one of the first duties for marketers is knowing customers, getting insights about their needs and desires, and purchasing behavior, in order to reach them with valuable offers (valuable for clients).

Considering this, there are 3 main dimensions to consider:

- segmentation by customer **CHARACTERISTIC**
- segmentation by customer **BEHAVIOUR**
- segmentation by customer **NEED**

These approaches are slightly different in the case we are dealing with:

- **Consumer customer**
- **Industrial customer**

Segmentation by customer - B2C markets

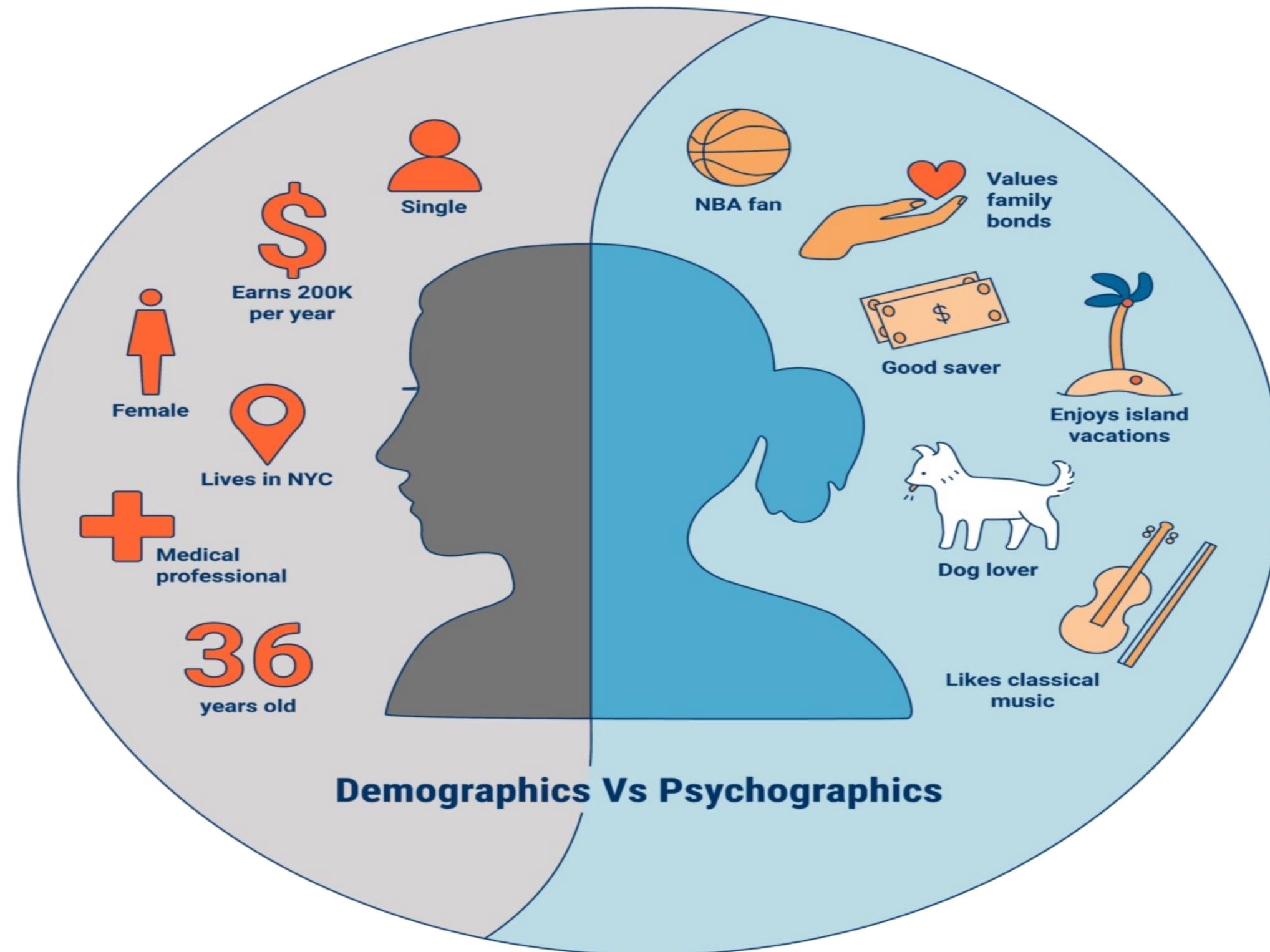
Approach	Type of Characteristics	Example of Variables
Customer Characteristics	Socio-demographic	<i>Age, gender, family size, family role, income, occupation, social class, religion, etc.</i>
	Geographic	Continent, country, region, type of residence and/or work area (city, suburb, or rural), population concentration, etc.
	Psychographic	<i>Personality, lifestyle (VALS™ Test)</i>
Customer Behavior	Product usage	User/non-user, brand-user/non-brand-user, intensity of usage, type of usage, time of usage, etc.
	Buying process	<i>Frequency of purchase, point of sales used, duration of purchase process, participants in the purchase process, loyalty to brand or distributor, etc.</i>
Customer Needs	Benefits sought	Price, quality, safety, variety, functionality, convenience, entertainment, indulgence, status, etc.

Knowing customer characteristics, behaviors, and needs is fundamental to design the marketing plan. Marketers collect information and then use them with specific objectives.

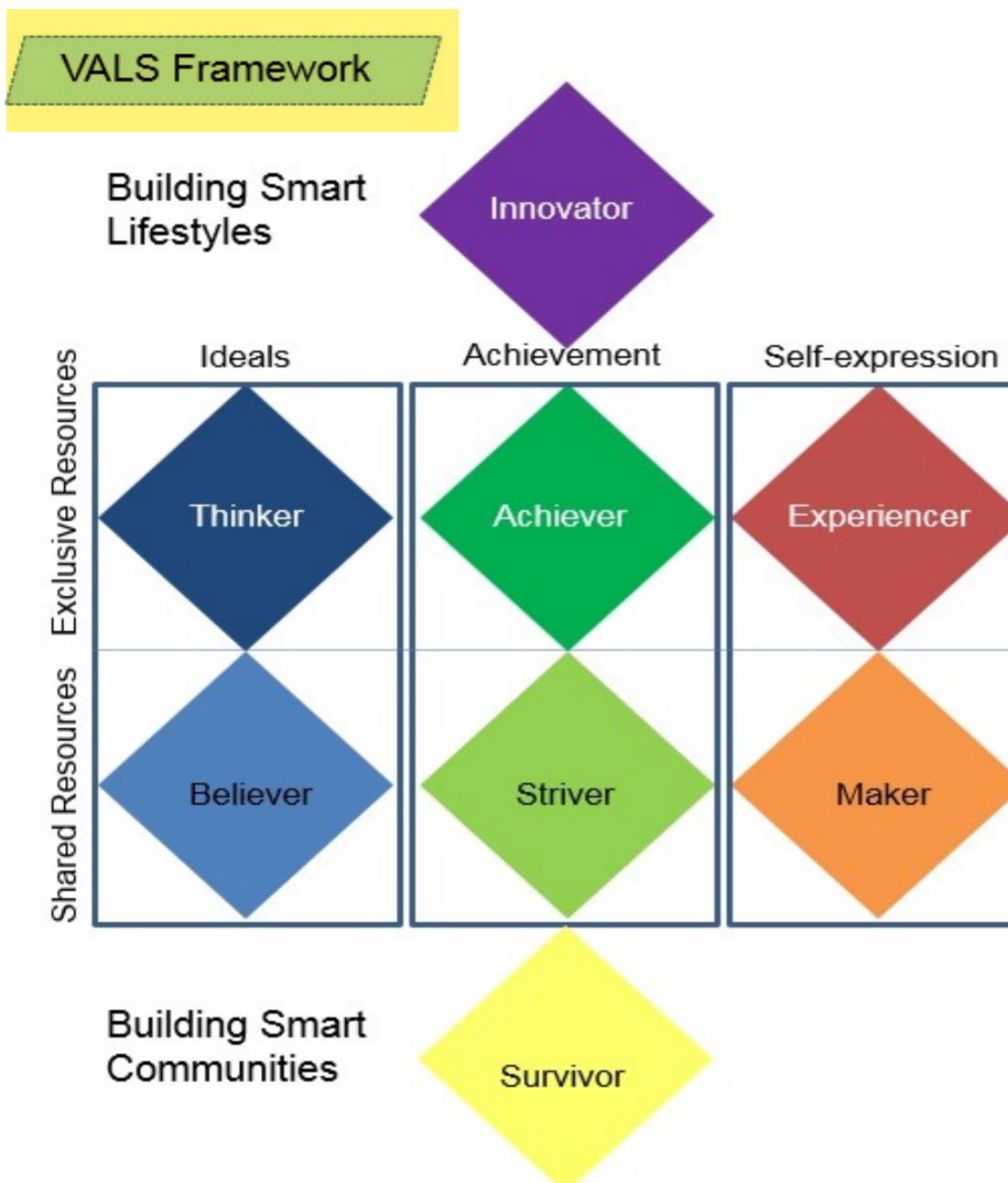
How to use customer characteristics

- Estimate the size of a segment
- Assist in product design and pricing decisions
- Provide implication for the content and channel of marketing communication
- Aware of ethically, politically, or religiously sensitive issues
- ...

Segmentation by customer - B2C markets



Segmentation by customer - B2C markets



Smart Homes mean different to different people based on their **Values. Attitudes and Lifestyles (VALS)**

Primary Motivation	Description
Innovators	Value independence, taste and character
Thinkers	Value knowledge and creativity
Achievers	Value achievements and functionality
Experiencers	Value moods, emotions and inner expressions in life
Believers	Value communities, social bonds and sharing
Strivers	Value motivation, inspiration and abilities
Makers	Value family bonds and personal values
Survivors	Value simplicity and 'fit-for-purpose'

Segmentation by customer - B2C markets

Chart 1: An overview of the working generations

Characteristics	Maturists (pre-1945)	Baby Boomers (1945-1960)	Generation X (1961-1980)	Generation Y (1981-1995)	Generation Z (Born after 1995)
Formative experiences	Second World War Rationing Fixed-gender roles Rock 'n' Roll Nuclear families Defined gender roles — particularly for women	Cold War Post-War boom "Swinging Sixties" Apollo Moon landings Youth culture Woodstock Family-orientated Rise of the teenager	End of Cold War Fall of Berlin Wall Reagan / Gorbachev Thatcherism Live Aid Introduction of first PC Early mobile technology Latch-key kids; rising levels of divorce	9/11 terrorist attacks PlayStation Social media Invasion of Iraq Reality TV Google Earth Glastonbury	Economic downturn Global warming Global focus Mobile devices Energy crisis Arab Spring Produce own media Cloud computing Wiki-leaks
Percentage in U.K. workforce*	3%	33%	35%	29%	Currently employed in either part-time jobs or new apprenticeships
Aspiration	Home ownership	Job security	Work-life balance	Freedom and flexibility	Security and stability
Attitude toward technology	Largely disengaged	Early information technology (IT) adaptors	Digital Immigrants	Digital Natives	"Technoholics" – entirely dependent on IT; limited grasp of alternatives
Attitude toward career	Jobs are for life	Organisational — careers are defined by employers	Early "portfolio" careers — loyal to profession, not necessarily to employer	Digital entrepreneurs — work "with" organisations not "for"	Career multitaskers — will move seamlessly between organisations and "pop-up" businesses
Signature product	 Automobile	 Television	 Personal Computer	 Tablet/Smart Phone	Google glass, graphene, nano-computing, 3-D printing, driverless cars
Communication media	 Formal letter	 Telephone	 E-mail and text message	 Text or social media	 Hand-held (or integrated into clothing) communication devices
Communication preference	 Face-to-face	 Face-to-face ideally, but telephone or e-mail if required	 SMS Text messaging or e-mail	 Online and mobile (text messaging)	 Facetime
Preference when making financial decisions	 Face-to-face meetings	 Face-to-face ideally, but increasingly will go online	 Online — would prefer face-to-face if time permitting	 Face-to-face	 Solutions will be digitally crowd-sourced

*Percentages are approximate at the time of publication.

Knowing customer characteristics, behaviors, and needs is fundamental to design the marketing plan. Marketers collect information and then use them with specific objectives.

How to use customer behaviors

- Sustain and even expand the usage of current users;
- Convince non-users with the product/brand benefits over the competing product/brand
- High usage intensity indicate customers loyal to the brand, who purchase in multiple occasions and multiple POS
- If customers are loyal to POS instead, being present in the right channel has higher priority
- Purchase process: regular or impulsive, etc.
- Roles in purchase process
- ...

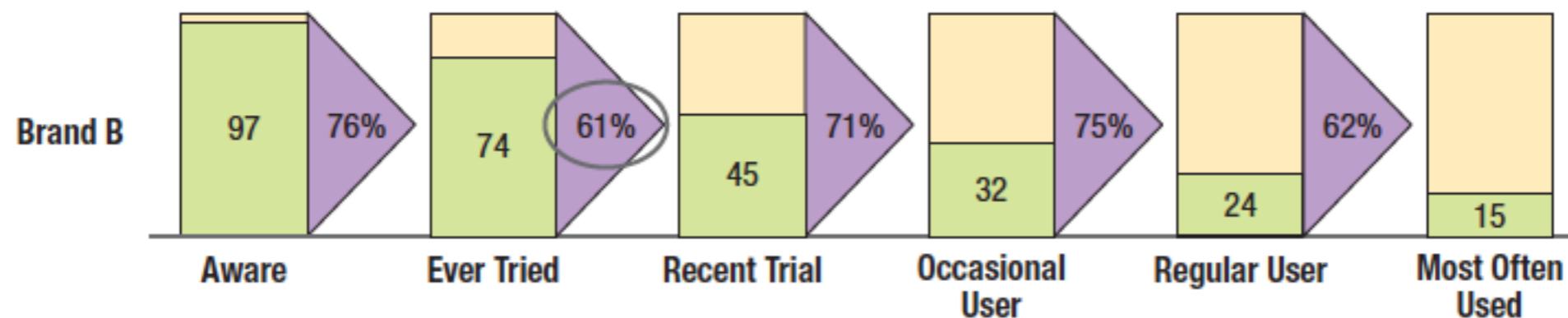
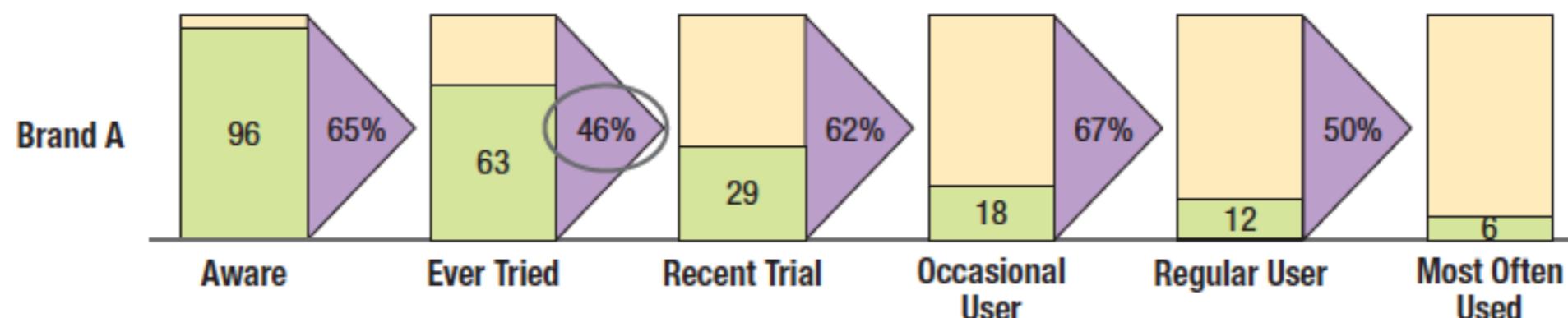
Segmentation by customer - B2C markets

Customer Behavior and Marketing Funnel

Customer Behavior: Usage of product / service

Marketers have to move customers along the Marketing Funnel

Follow clients along the marketing channels and check the abandonment rate at any stage, in order to redesign the process.



Customer Needs

Knowing customer characteristics, behaviors, and needs is fundamental to design the marketing plan. Marketers collect information and then use them with specific objectives.

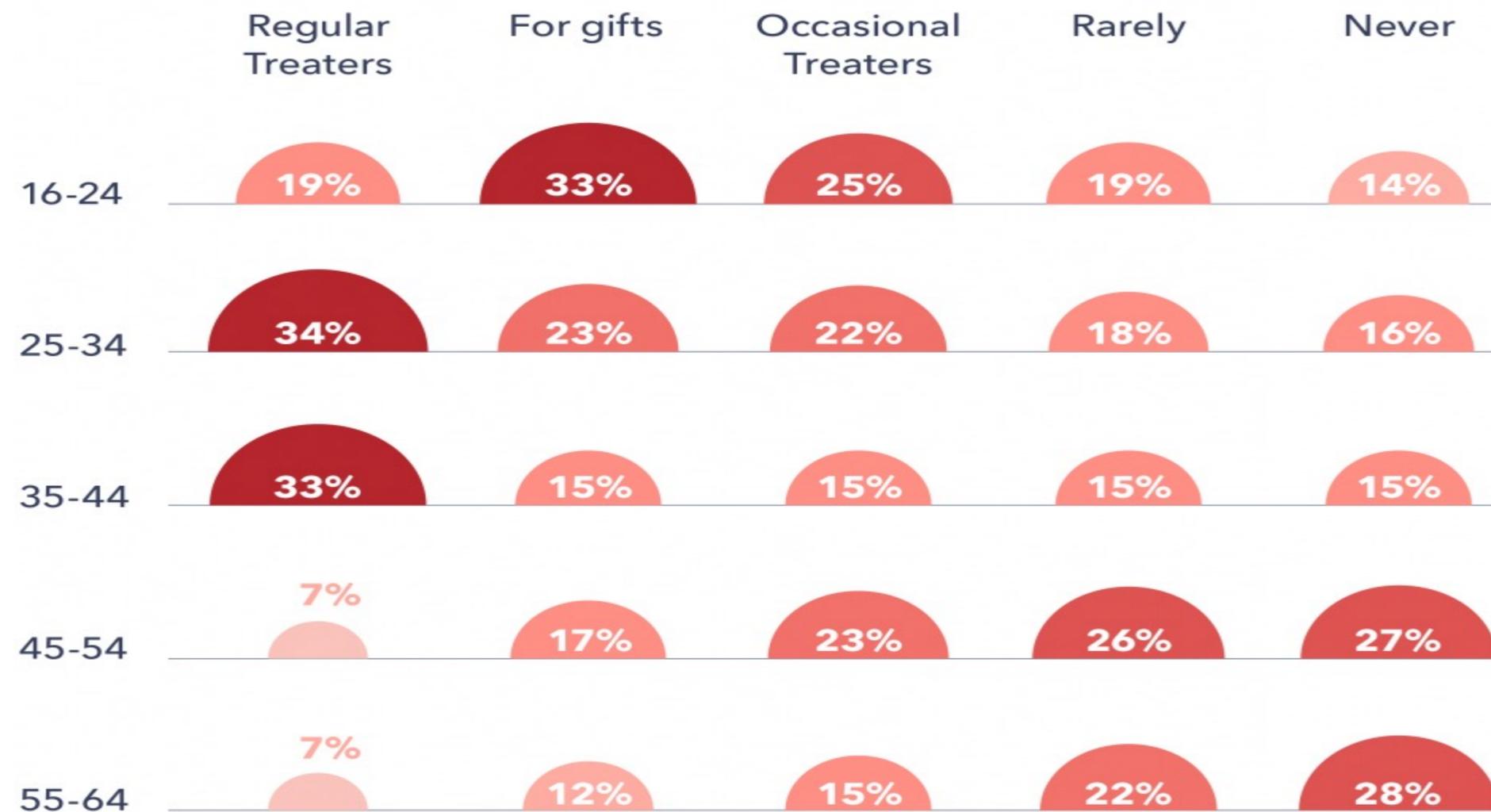
How to use customer need (benefit sought)

- Design the product addressing the needs
- Design the marketing communication addressing the motivation which customers are more likely to respond to

Segmentation by customer -Example

Age Breakdown of Luxury Buyer

% who say they mainly purchase luxury items/services

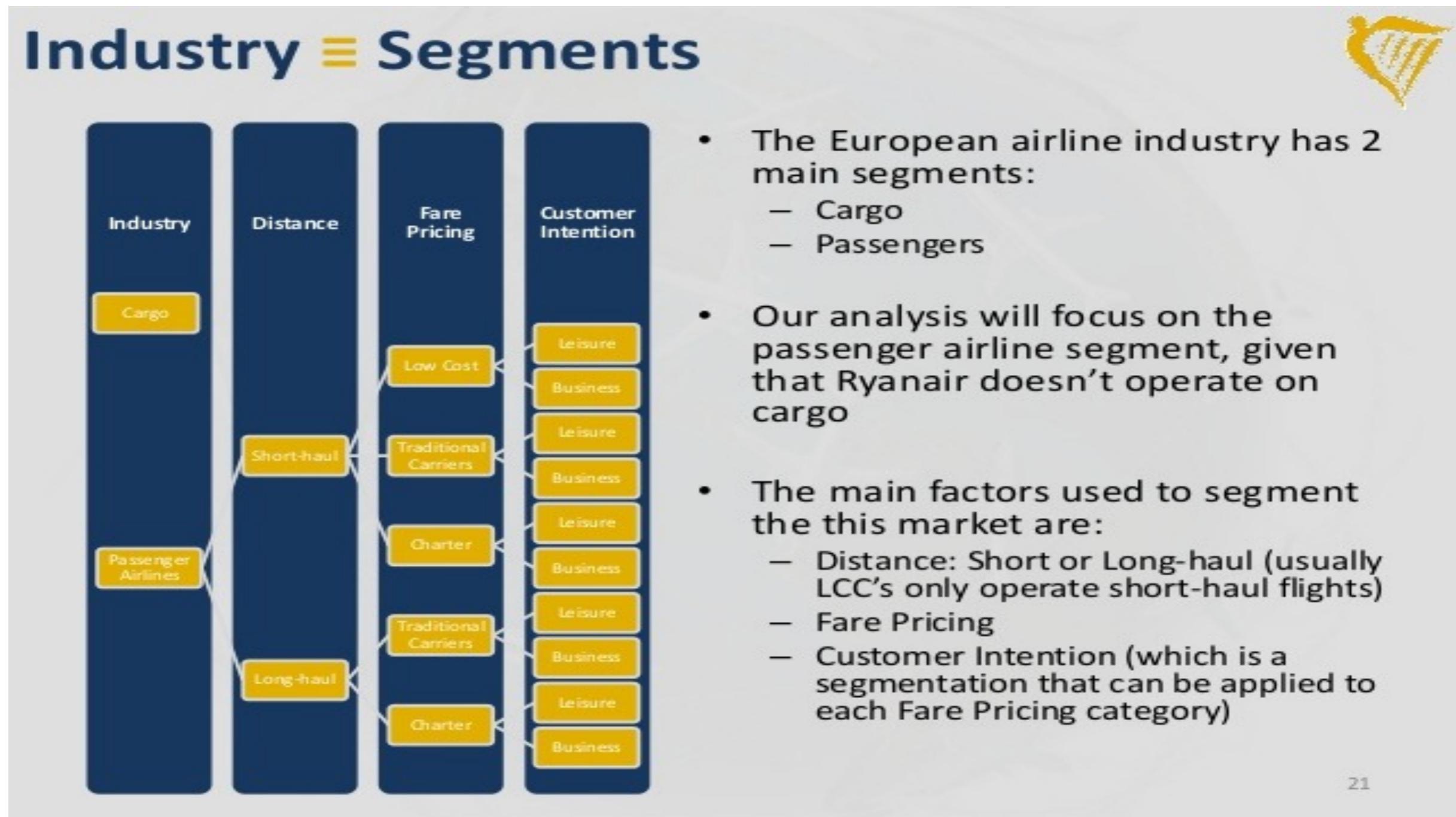


Question: Do you ever purchase high-end or luxury products / services? Source: GlobalWebIndex March 2019 Base: 928 (U.S.) & 1,049 (UK) luxury buyers and 353 (U.S.) & 426 (UK) non-luxury buyers aged 16-64



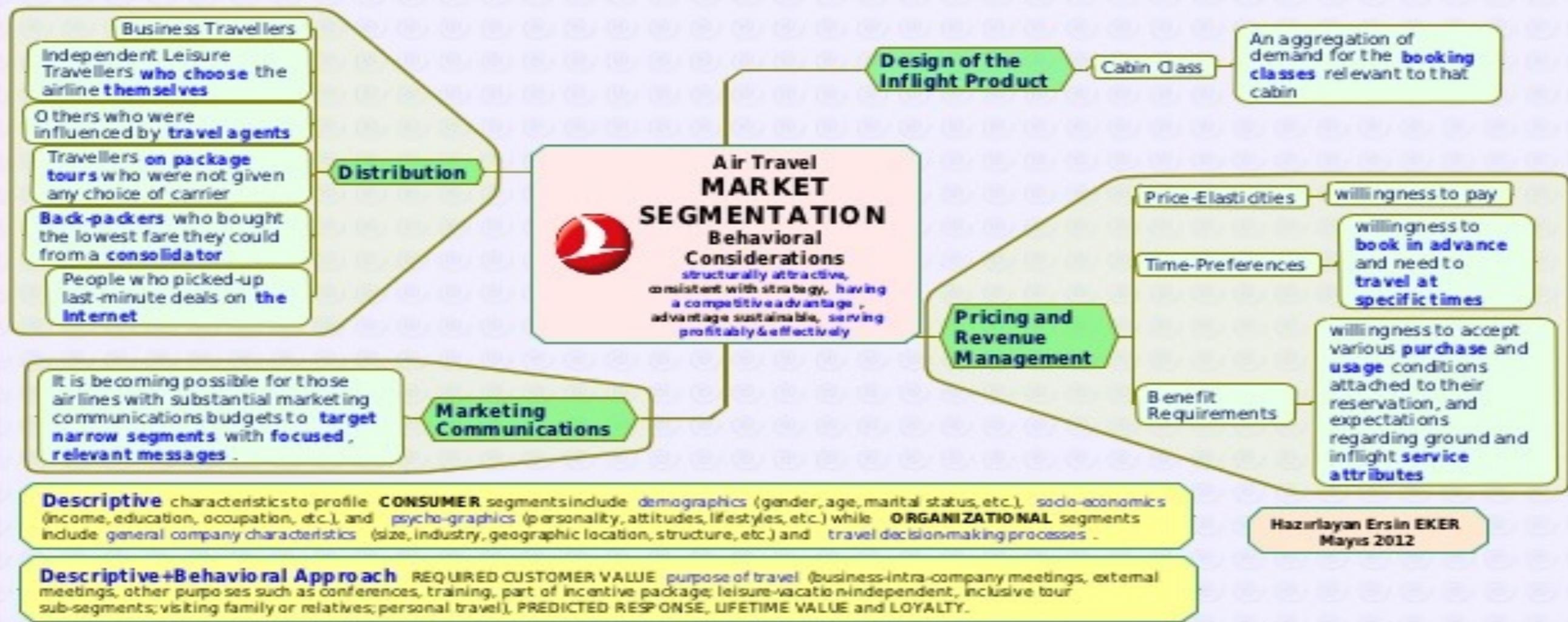
Market Segments: Airlines

ryan air => 70% in italy



Esemples

Market Segments: Airlines



Segmentation by customer - B2B markets

Approach	Type of Characteristics	Example of Variables
Customer Characteristics	Socio-demographic	Company size, sector, type of activity, type of management, etc.
	Geographic	Continent, country, region, location (industrial/non-industrial area), etc.
Customer Behavior	Product usage	User/non-user, consumption volume, product application type, etc.
	Buying process	Purchase lot size, complexity of buying process, roles in buying process, distributor to purchase from, loyalty to distributors , etc.
Customer Needs	Benefits sought	Punctuality of delivery, speed of delivery, supply continuity, technical support, certification, price, level of customization, etc.

- An insightful and actionable approach to segmentation does not necessarily mean to choose one best from the different approaches, but rather combining them in sensible way.
- We need to understand from our segmentation, who are in the segment (demographic/geographic characteristics), what are they doing (behavior), and why are they doing that (needs)
- Different dimensions provide rich understanding of a segment. Their relevance, however, may vary according to the decision in need to be supported

- - Methods of segmentation

- **Mathematical**
 - Using statistical-mathematical techniques and algorithms.
 - Require data (a representative sample) on which to make an analysis.
- **Heuristic**
 - Empirical (generally **qualitative**) methods based on the experience of the marketer

Survey research

- Information gathering about possible segmentation variables
 - Focus groups or other qualitative research
 - Questionnaires
 - Etc.

Data analysis

- Elimination of correlated variables
- Definition of clusters

Segment profiling

- Description of the segments obtained
- Listing of the key characteristics

Heuristic methods to segment a market

- Successive elimination approach (Porter, 1987)
- Two-phase approach (Wind and Cardozo, 1974)
- Multi-phase approach, “Nested approach” (Bonomo and Shapiro, 1982)

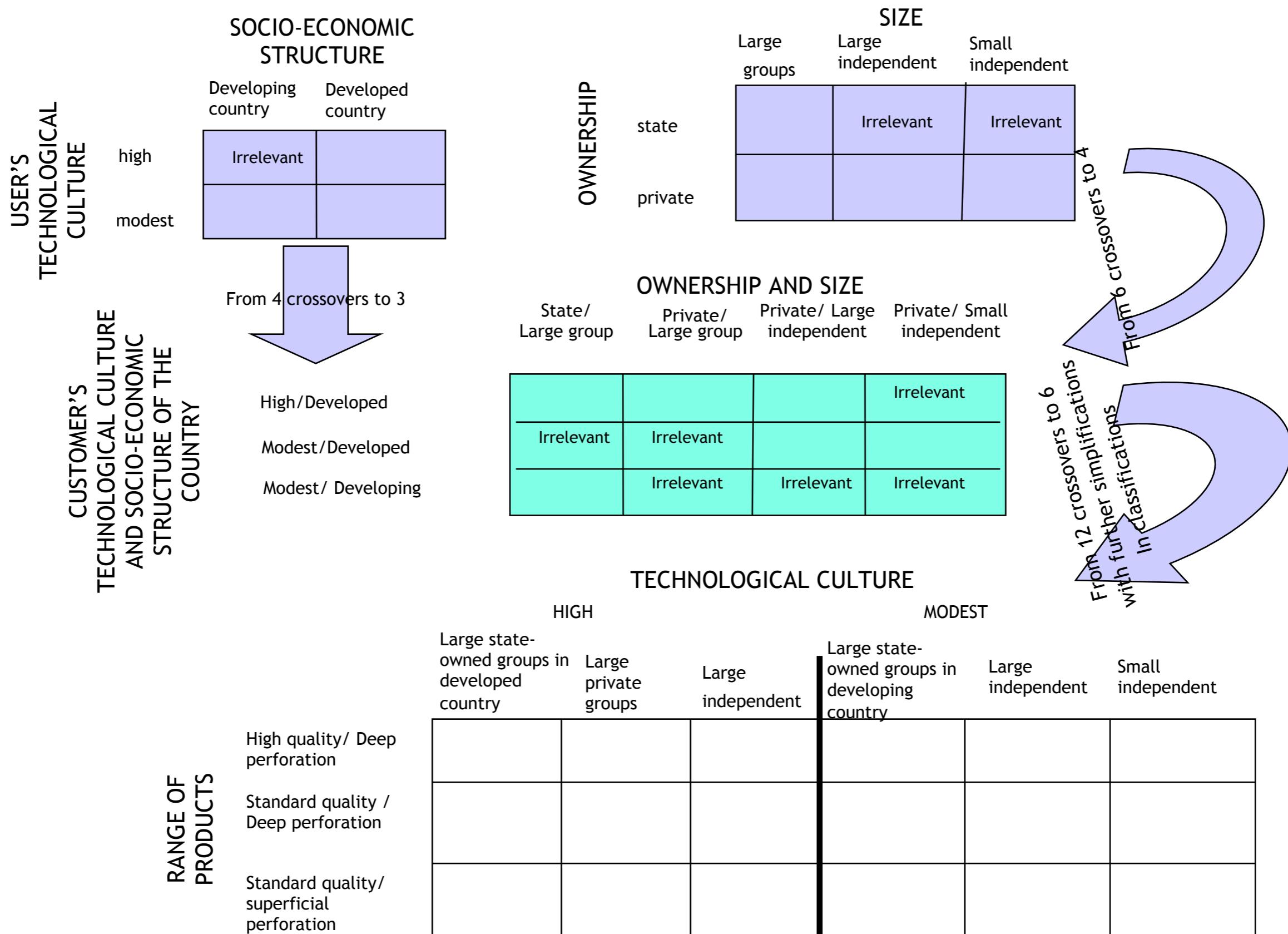
Insight: Mathematical methods are strongly based on data collection and analysis through focus groups, survey research, market tests. Digitalization of business have strongly improved (and reduced the cost) of these activities.

#1 Successive elimination approach description

STEPS TO FOLLOW IN THE ELIMINATION APPROACH

1. Check-list of possible segmentation variables.
2. Variables identified as relevant are compared in pairs using a matrix.
3. Unimportant “crossovers” and contradictions are eliminated.
4. Variables are gradually combined to reduce the number of combinations.
5. Products are entered according also to the different use functions.
6. The final product-market (segments) matrix is built

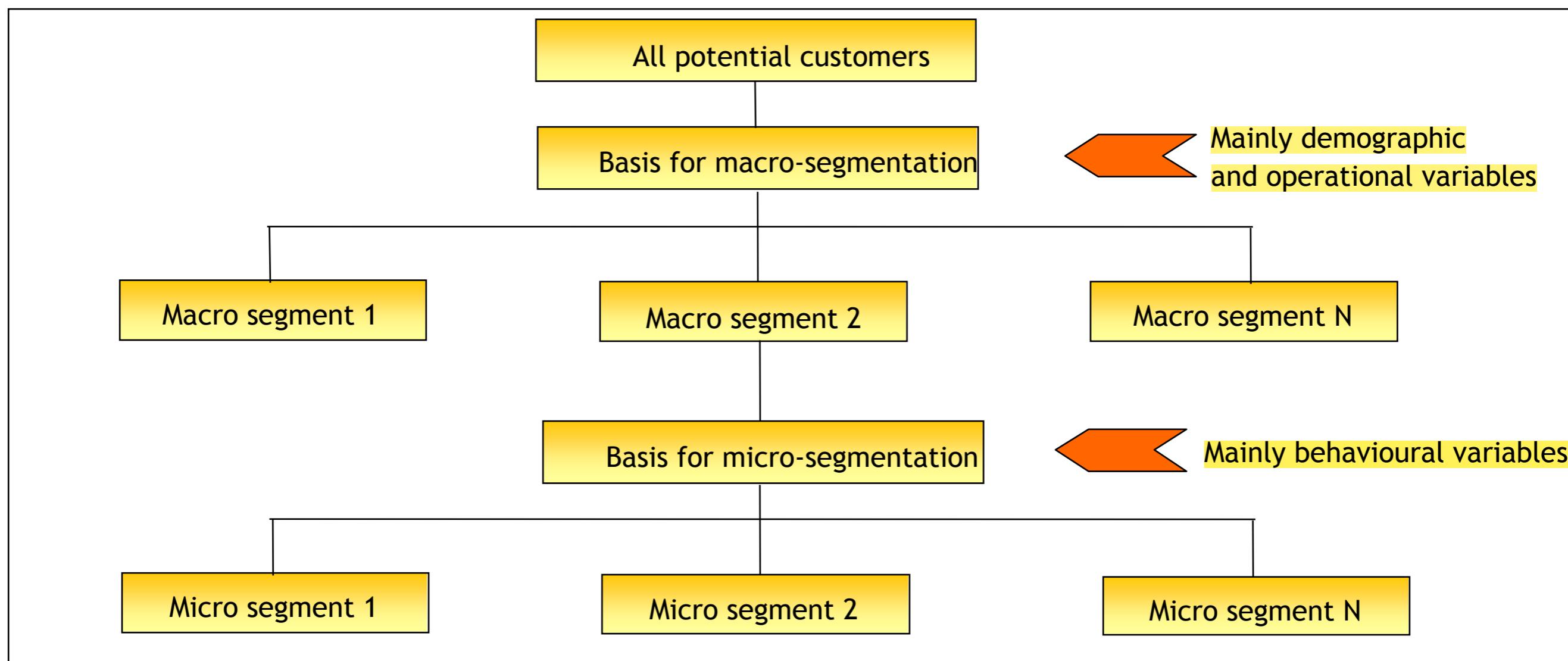
Successive elimination approach



Heuristic segmentation methods

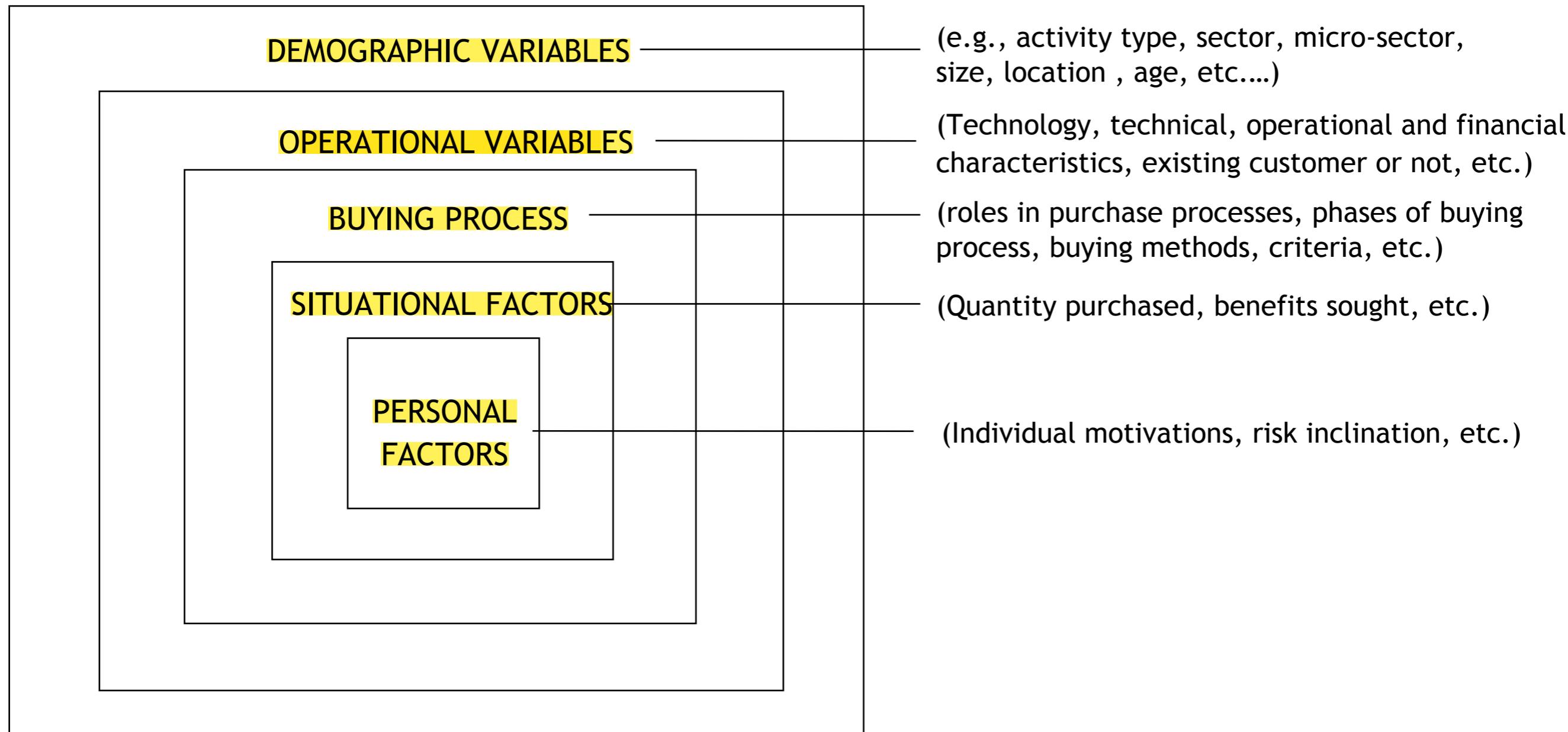
#2 Two phase approach description

- ❖ Hierarchical selection of segmentation bases:
 1. **Macro segmentation** based on the **external characteristics and purchase situations**
 2. **Micro segmentation** based on the **characteristics of the individuals**



#3 Multi-phase (nested) approach

5 step hierarchical approach
The more we move towards the center, the harder is to find information



Definition and qualification of a segment

after above 3 approach, we need these information:

You should now be able to define and qualify every segment in the market

PRODUCT: _____

SEGMENT: _____

SEGMENT SIZE

CUSTOMER CHARACTERISTICS

TYPE OF USE OF PRODUCT

LEVEL OF PURCHASES/YEAR

BUYING PROCESS METHODS

ROLES IN THE BUYING PROCESS

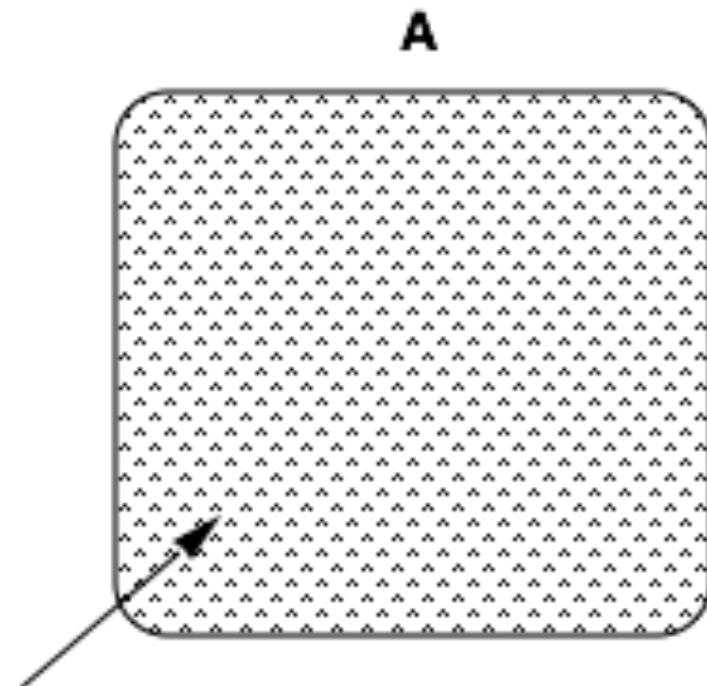
CUSTOMER'S PRINCIPAL NEEDS

CURRENT/EXPECTED TRENDS AND DEVELOPMENTS



mass marketing

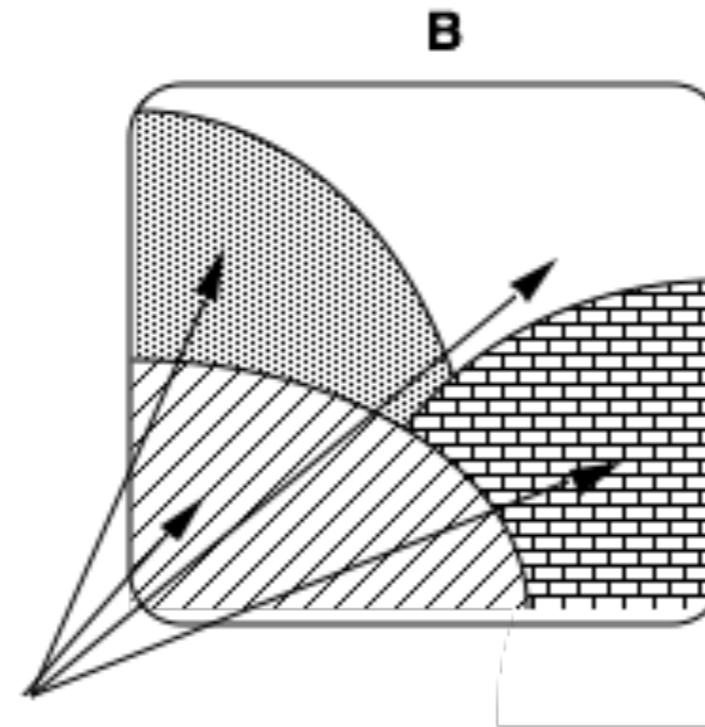
UNDIFFERENTIATED



A SINGLE MARKETING
PLAN FOR THE WHOLE
MARKET

segment marketing

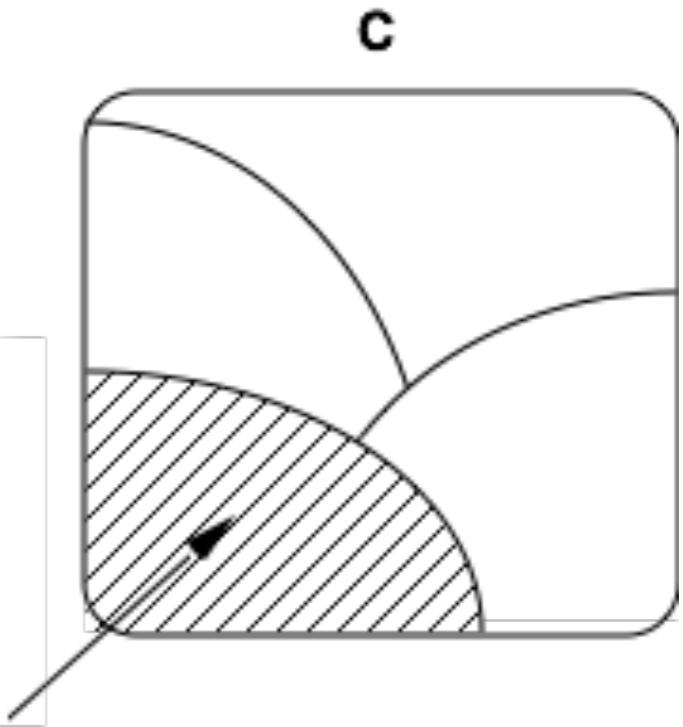
DIFFERENTIATED



VARIOUS MARKETING
PLANS FOR THE
DIFFERENT SEGMENTS

niche

CONCENTRATED



A SINGLE MARKETING
PLAN CONCENTRATED
ON ONLY ONE SEGMENT

2. Target

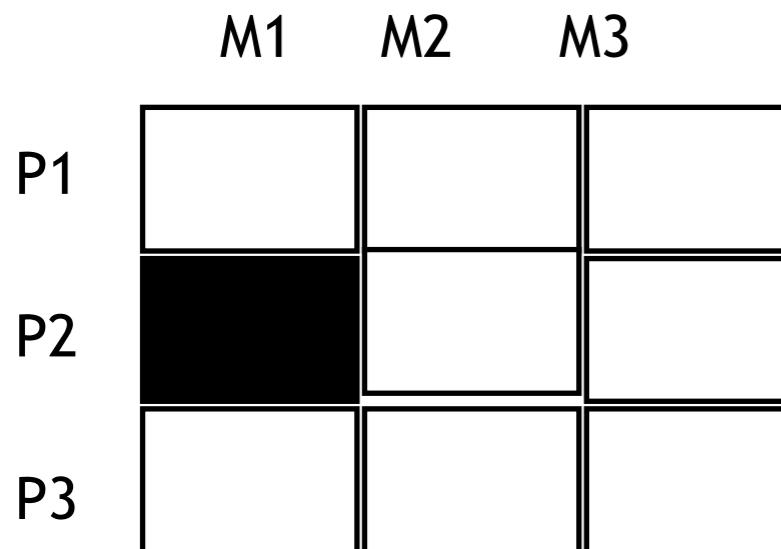
after segmenting, we choose the segmanet



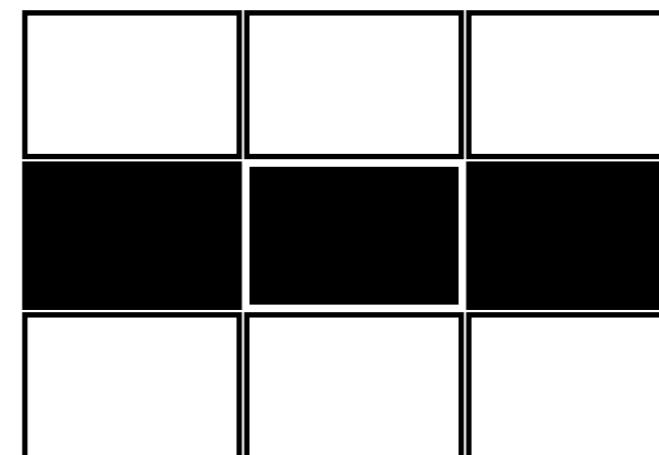
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- A target market is a group of customers within a business's **serviceable available market** at which a business aims its marketing efforts and resources.
- A target market is a subset of the total market for a product or service.
- In the process of segmentation, the target is/are the segment(s) that **the company decide to “focus”**

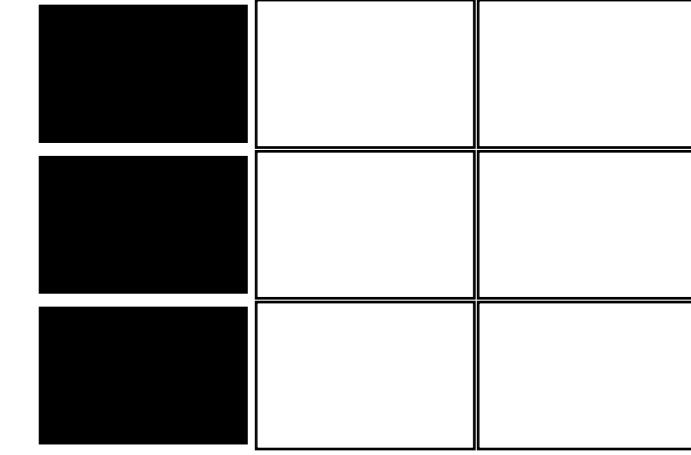
It is possible to look at targeting strategies in more detail by identifying 5 possible approaches.



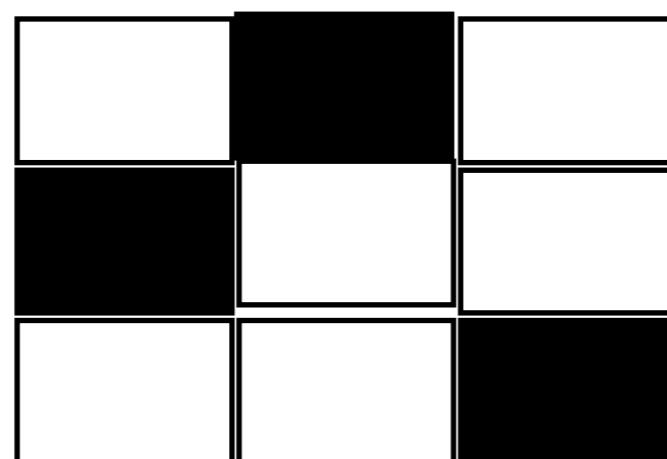
A SINGLE SEGMENT



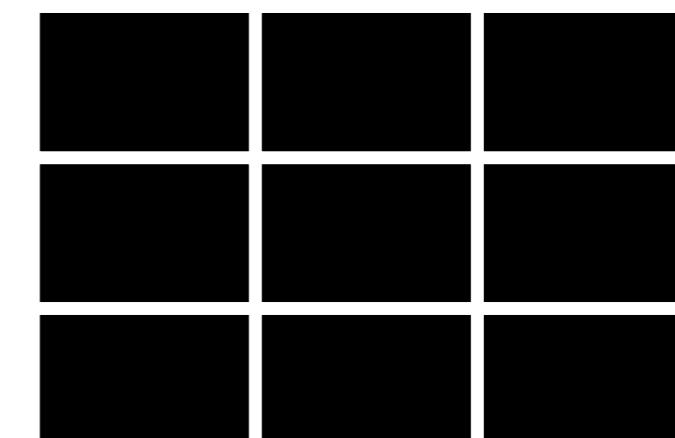
PRODUCT SPECIALIZATION



MARKET SPECIALIZATION

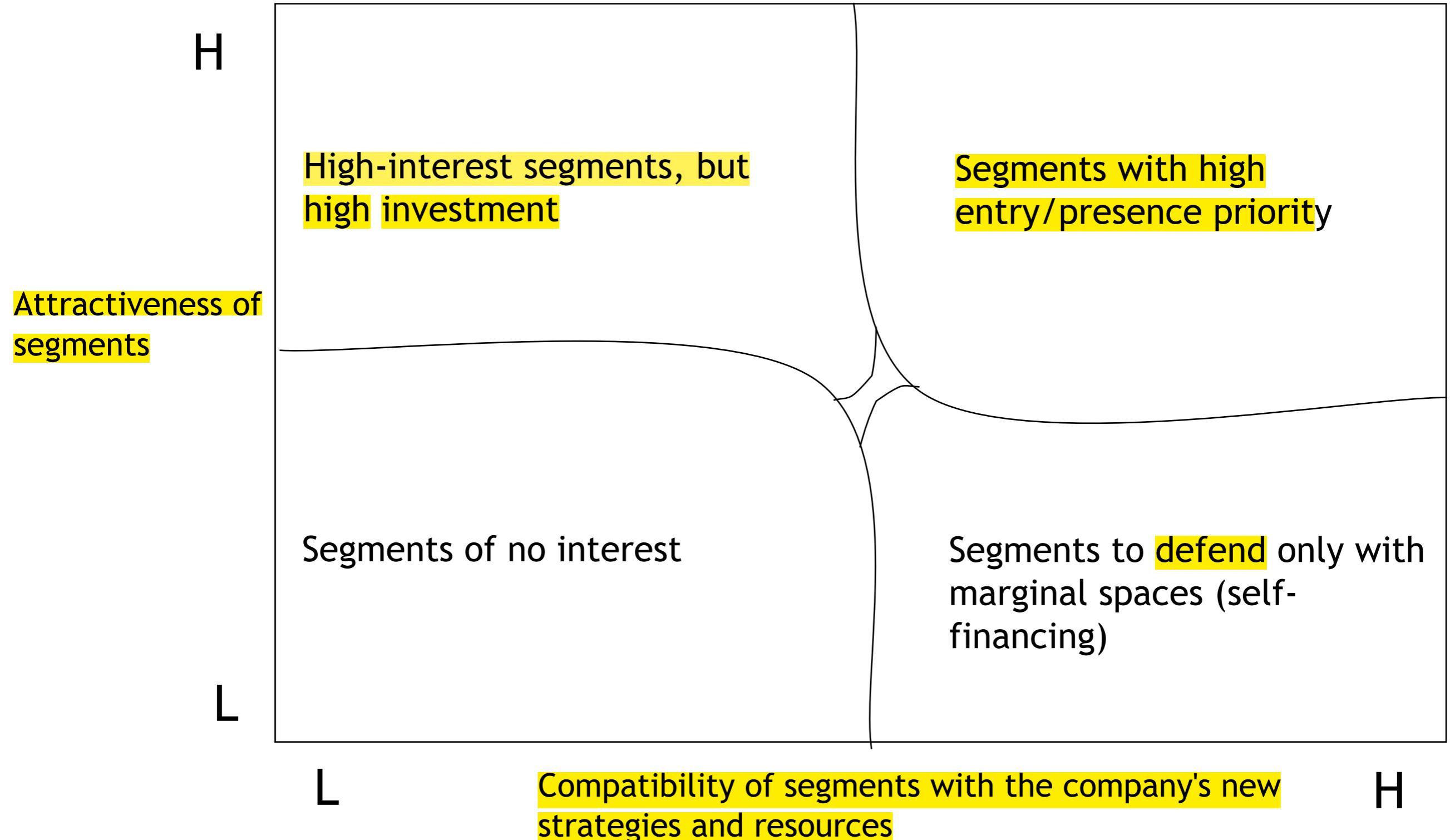


SELECTIVE SPECIALIZATION



TOTAL COVERAGE

Targeting strategies: choice of target segments



3. Buyer persona definition

average people of the segment

A buyer persona is a representation of your target customer. It's a picture you paint based on research and interviews with actual customers. It goes beyond basic demographics to include the intangible elements that make a person tick. Persona development is paramount for the success of an inbound marketing program, no matter the size or scope of your business.

Buyer's Persona Template

Marketing Mary

COMPANY SIZE



SMALL LARGE

AVAILABILITY



OPEN NO TIME

BUYING POWER



INFLUENCER DECIDER

KEY IDENTIFIERS

Item 1 Item 4

Item 2 Item 5

Item 3 Item 6

COMPANY ADVOCATE

YES NO

Background

Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu cilitaspic tetur aut eatetusapid est as aute ni rendanto beatet qui volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis asimaximet estestincte doloreium nat minvendis voloria

Arerchic ipiendi cus esequibus molene lab in corruptasped quiatur, offictet quuntio.

Nequas endae nusam quas re, solupci dolor modis il ipis elitatetur, cones est, estior aliqua conetur, que simi, ad quid molor aut in pa parchit aut rempera tibust, sumquierem ese.

Goals

- Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu
- Cilitaspic tetur aut eatetusapid est
- Volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis

JOB TITLE V.P. of Lorem
 INDUSTRY TENURE XX Years
 MARITAL STATUS Married
 FAMILY Two Teens



- Asimaximet estestincte doloreium nat minvendis voloria

Challenges

- Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu
- Cilitaspic tetur aut eatetusapid est
- Volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis

How We Help

Value 1 Xerum sumquo vit velignis numenih itatem era nos ad quam quis eatendu

Value 2 Cilitaspic tetur aut eatetusapid est

Value 3 Volumenimos non postis nulla quis et quibus doluptaqui velicae cuptis

Value 4 Asimaximet estestincte doloreium nat minvendis voloria

Buyer's Persona (Example in a Consumer)

PERSONA- Professionista affermata



NOME

Alessandra

ETÀ

55

ARCHETIPO

Buyer impeccabile con poco tempo libero. Attenta al servizio che le viene offerto

OCCUPAZIONE

Manager multinazionale

TITOLO DI STUDIO

Ingegneria gestionale, Master in Credit management

GEOGRAFIA

Brianza

FAMIGLIA

Madre single

REDDITO

50.000 €

WISHLIST

Arredo per la casa, abbigliamento, viaggi intercontinentali

BRAND DI RIFERIMENTO

Furla, Adidas, in generale qualità e affidabilità

CANALI DI COMUNICAZIONE



Whatsapp, SMS, email

RELAZIONE CON LA TECNOLOGIA



Usa poco i social, si sta avvicinando al mondo Ecommerce

PERCEZIONE DEL SERVIZIO

Sistema burocratico complesso, non è ai tempi con le esigenze dei cittadini. Tempi di attesa elevati tra una fase e l'altra del processo. Mancanza di flessibilità del sistema in casi particolari. Scarsa reperibilità di informazione online.

DRIVER VALUTAZIONE DEL SERVIZIO

1	2	3
1	2	3
1	2	3
1	2	3

Performance (Gamma)

Convenienza (Prezzo)

Aspetto, Design

Comunicazione

1	2	3
1	2	3
1	2	3
1	2	3

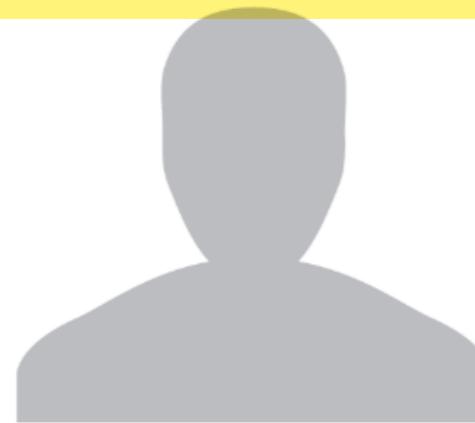
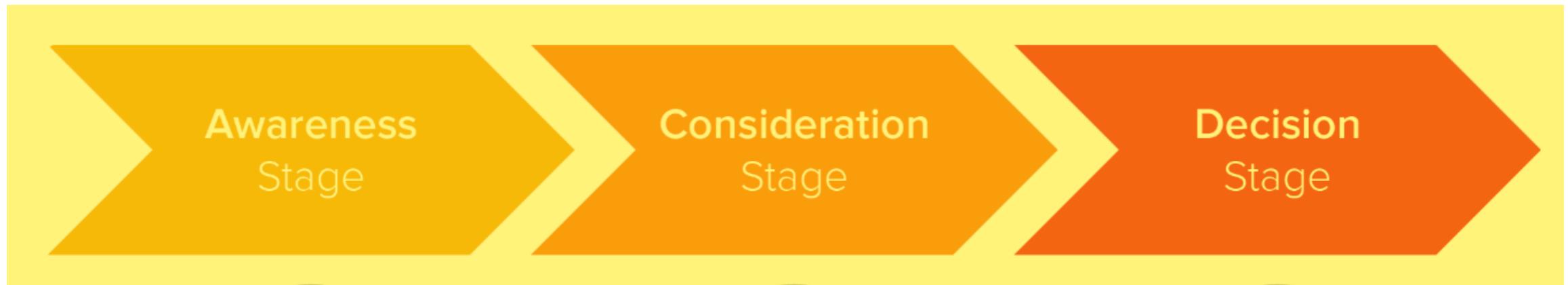
Facilità / Velocità

Affidabilità / Trasparenza

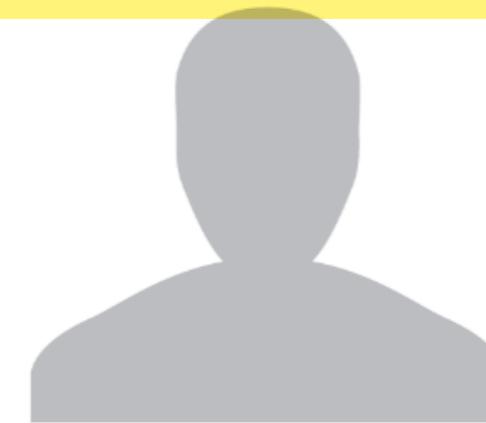
Supporto / Assistenza

Flessibilità

Generic Customer Journey (before conversion) can be divided into 3 stages: awareness, consideration, decision



Prospect is experiencing and expressing symptoms of a problem or opportunity. Is doing educational research to more clearly understand, frame, and give a name to their problem.



Prospect has now clearly defined and given a name to their problem or opportunity. Is committed to researching and understanding all of the available approaches and/or methods to solving the defined problem or opportunity.



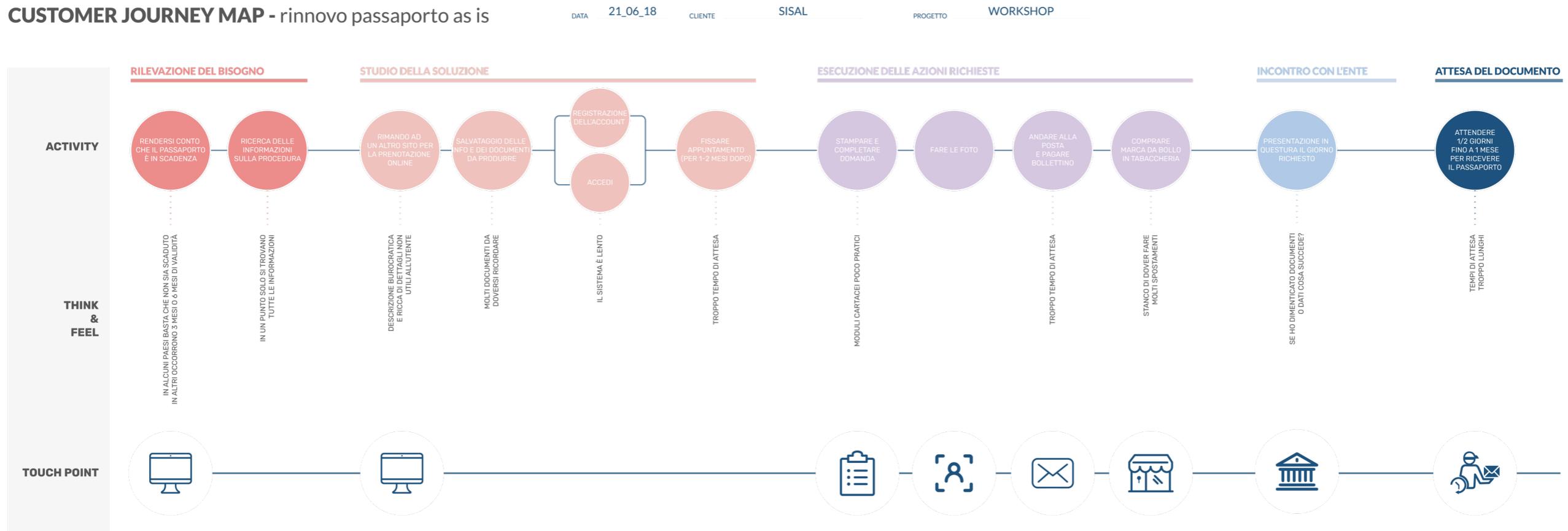
Prospect has now decided on their solution strategy, method, or approach. Is compiling a long list of all available vendors and products in their given solution strategy. Is researching to whittle the long list down to a short list and ultimately make a final purchase decision.

Example of a Customer Journey

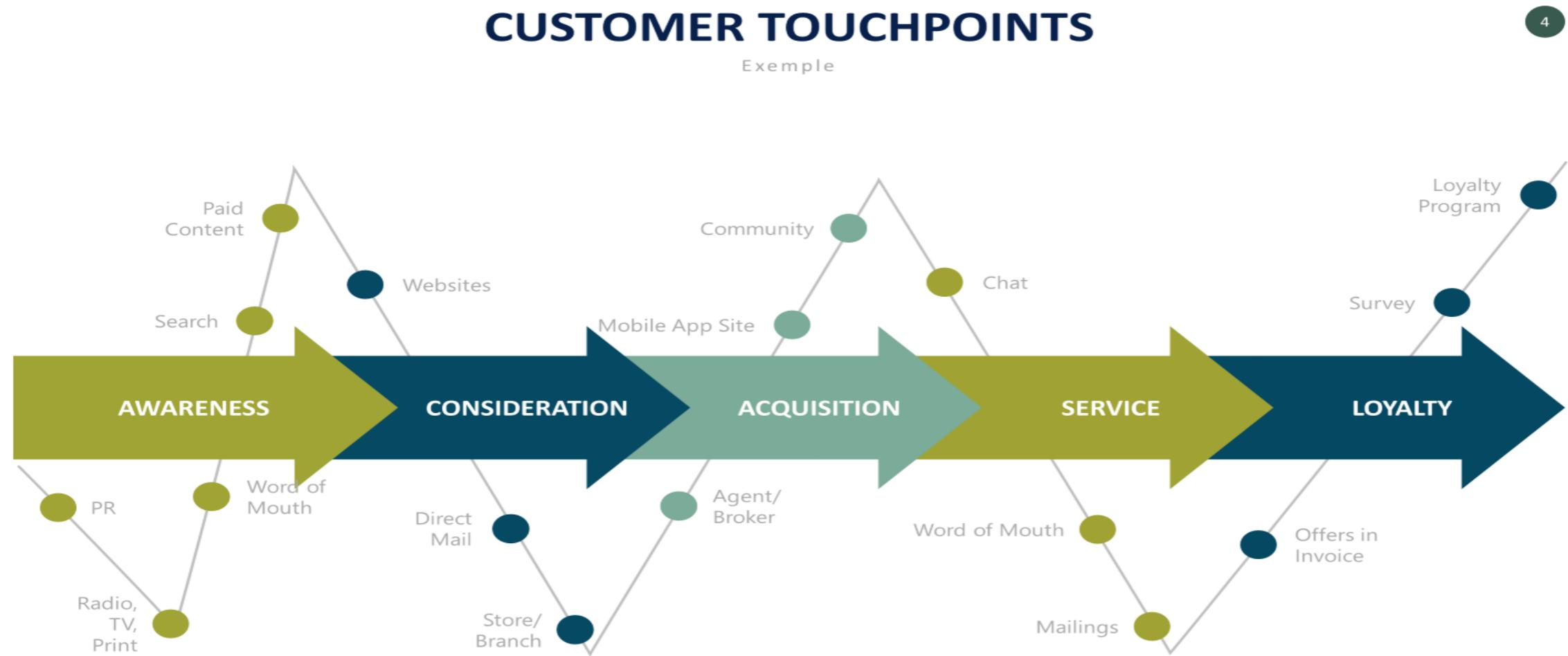
In this example, the CJ maps different levels of the experience:

- The activities that the user has to accomplish at every stage
- What does she think and how she feels at every stage
- What are the touchpoints involved in each phase

CUSTOMER JOURNEY MAP - rinnovo passaporto as is



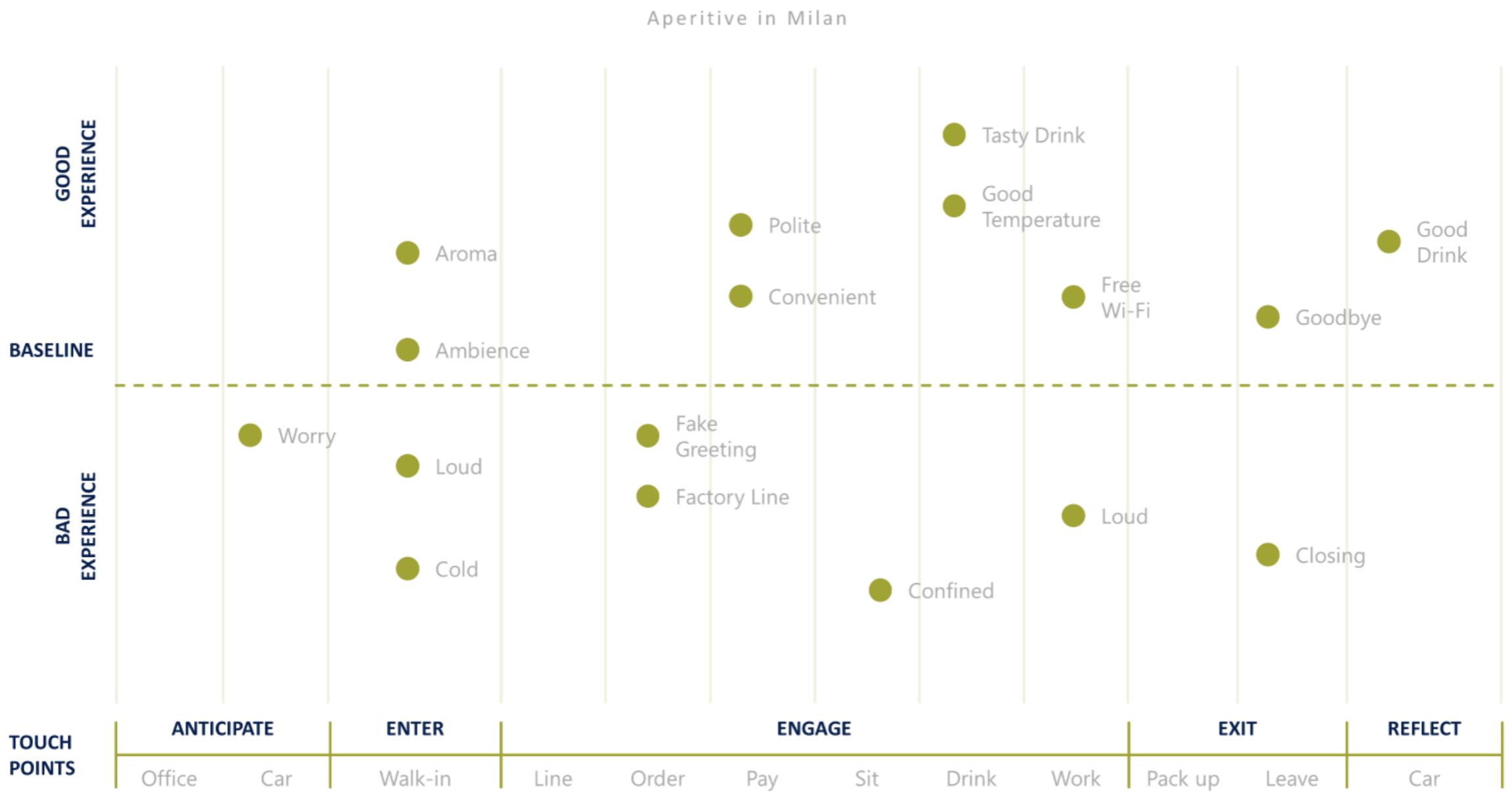
Sequence of interactions between an individual and a brand occurring throughout a series of touchpoints, encountered along the Customer Journey. These interactions generate cognitive, emotional, behavioral, and sensorial impacts and reactions.



Example of a Customer Journey

2

CUSTOMER JOURNEY MAP (Exemple)



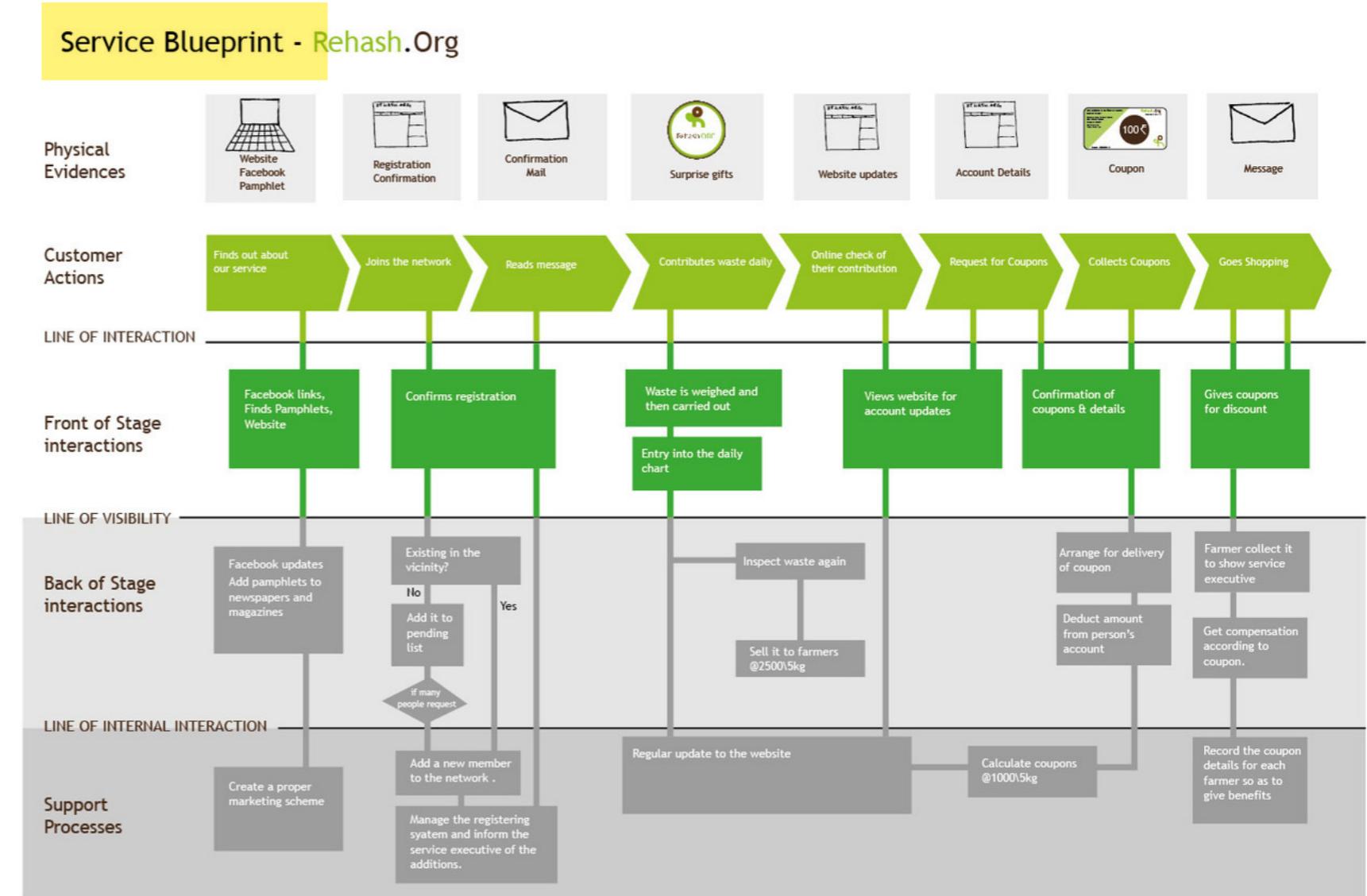
Connecting experiences and process

Service Blueprint

Service blueprint connects customers' journey and companies' processes.

It represent visually the set activities to be accomplished to meet the customer expectations at every single touchpoint.

Service blueprint map identifies also which are the processes with a direct impact on customer experience, and which are the supporting ones.



Example of a blueprint from Rehash.org



**POLITECNICO
DI MILANO**



Marketing

Positioning

Analyze the market >> segmentation, Targeting, Position

there is a market, different needs, we can offer
Choose which segment we want to offer, and take
doing the offer, what is my position

25th October 2022

Prof. Alberto Cellini

1. Positioning
2. Positioning tools
3. Re-positioning

- ❖ **Segmentation:** splitting the market into segments
- ❖ **Targeting:** selection of the segments to be approached

Let's start to built the offer!



Positioning

- ◆ Positioning deals with a **space dimension (position)**
- ◆ Positioning is the phase through which a firm decides how it wants to be perceived by the market
- ◆ The space dimension is the **consumer's mind**

The act of “drawing” the firm’s offer and image in a way to be set in a precise position in the target consumers’ mind

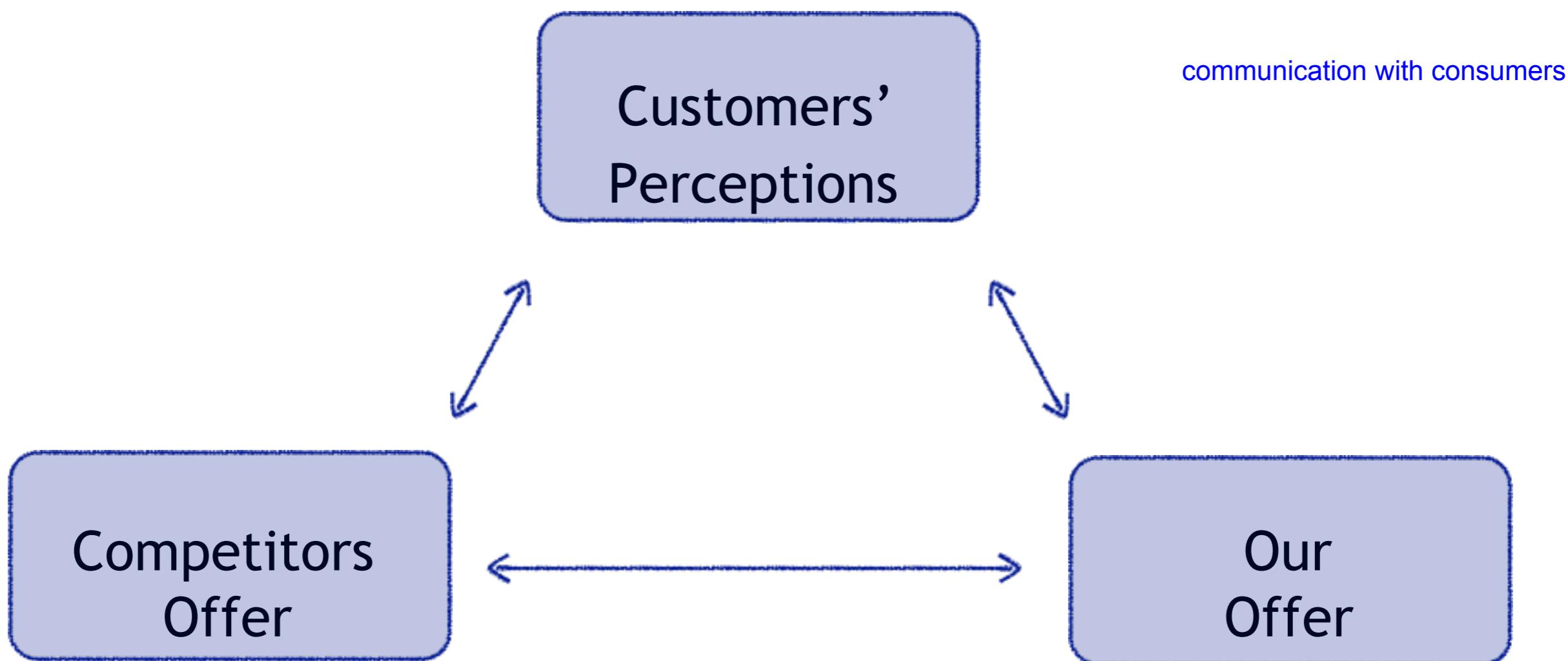
Kotler 2000

Positioning



work on perception

Consumers automatically compare our offer with the competitors' one



Levels of positioning

♦ **Strategic product positioning**

Fiat >> good price quality approach city car Italian design

Analyzing the strength of the product positioning into the customers' mind and its differential elements towards competitors

♦ **Strategic portfolio positioning**

different position with different brand

Analyzing the products/brands mix in a portfolio strategy perspective

◆ Objectives

- To understand which factors consumer mostly consider to choose
- To understand the relative importance of each factor in the consumer's path to purchase
- To value how consumers behave towards competitors' offers
- To find “free spaces” for a distinctive positioning

market position matrix

◆ Positioning benefits

- It helps to create the right marketing plan (above all for pricing)
- It helps to find new marketing niches, or generally speaking new opportunities
- It helps to find a better product positioning through the right marketing leverages



Some wrong business myths about positioning

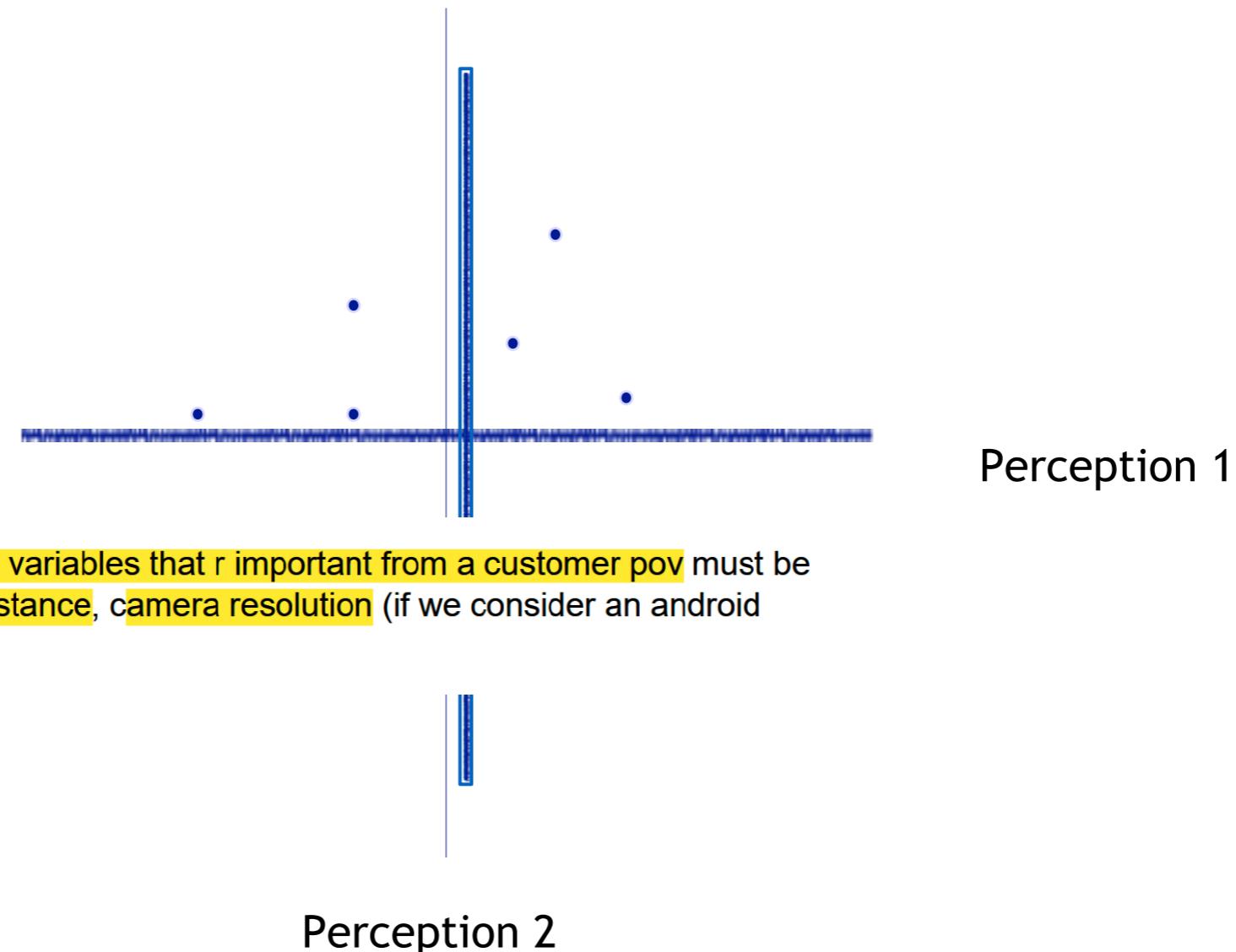
- ◆ To win against competitors, you must have the better product Not true it's not enough, communication is important
- ◆ You can't choose your competitors your market, who to compete with
- ◆ Innovation means better products and technology
 better services,



Positioning tools

Tools for positioning analysis

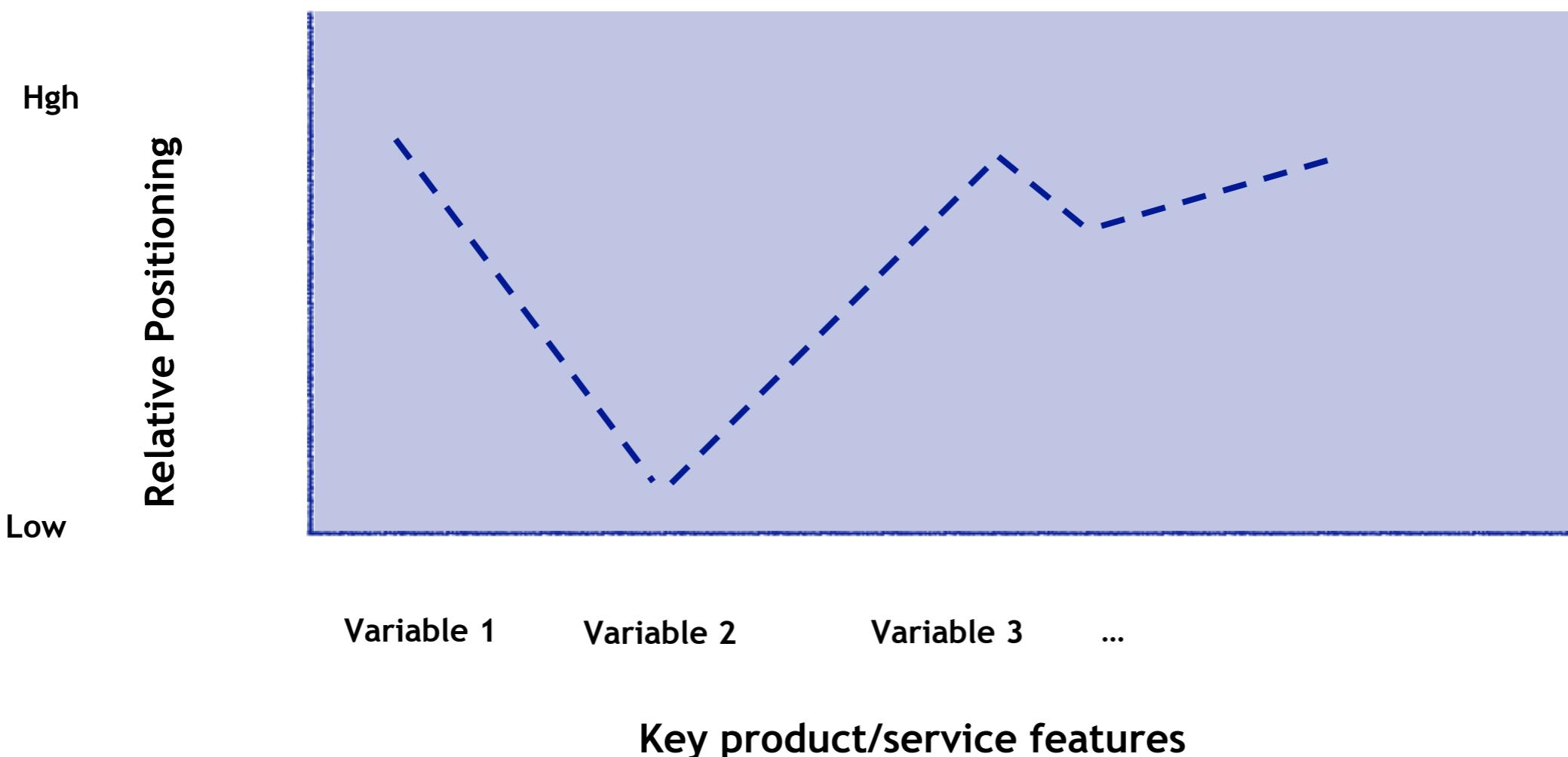
Perception map



Perception Map/Positioning Map → the variables that are important from a customer pov must be considered: battery resistance, water resistance, camera resolution (if we consider an android smartphone buyer).

Tools for positioning analysis

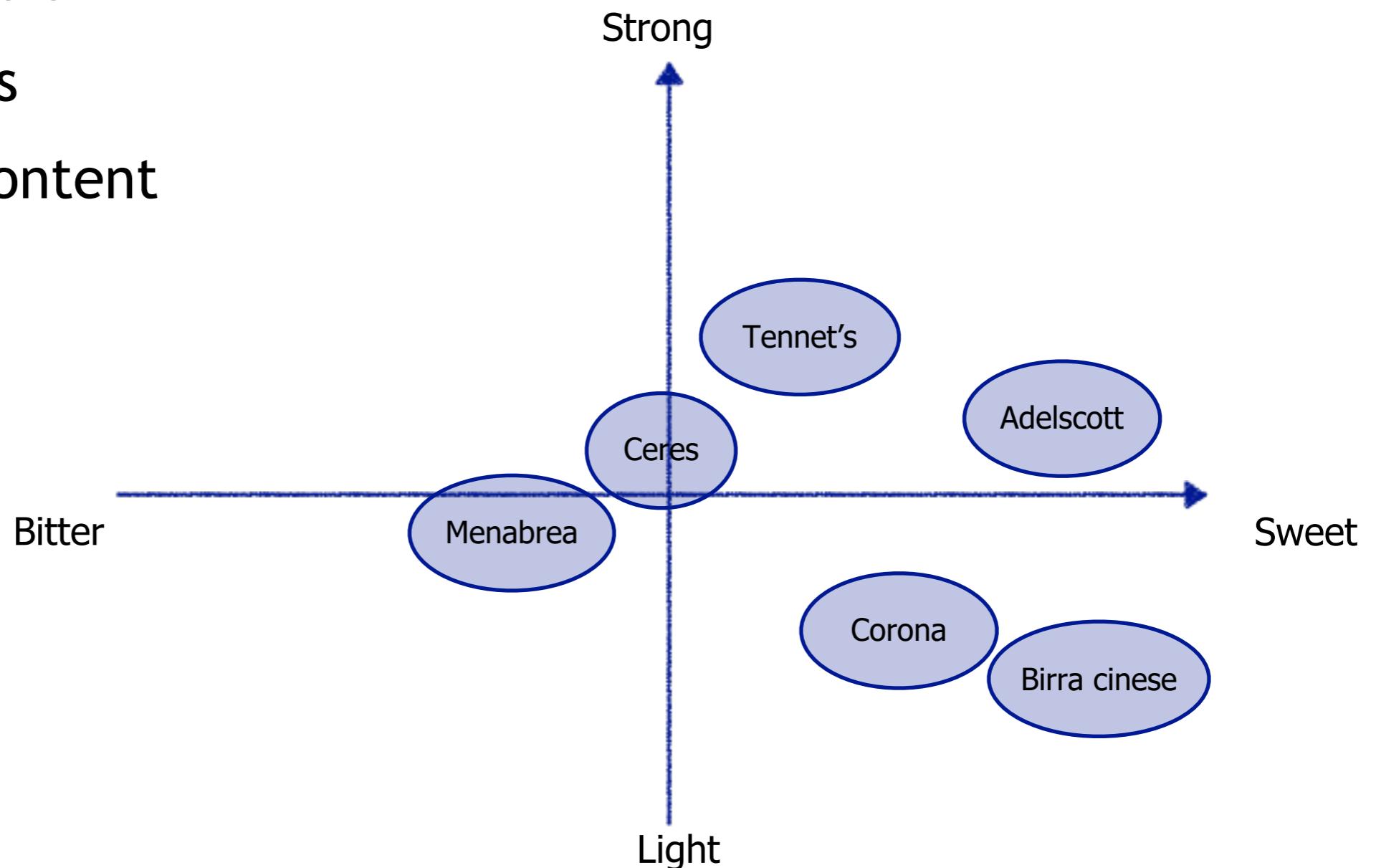
Value curve like Blue Ocean



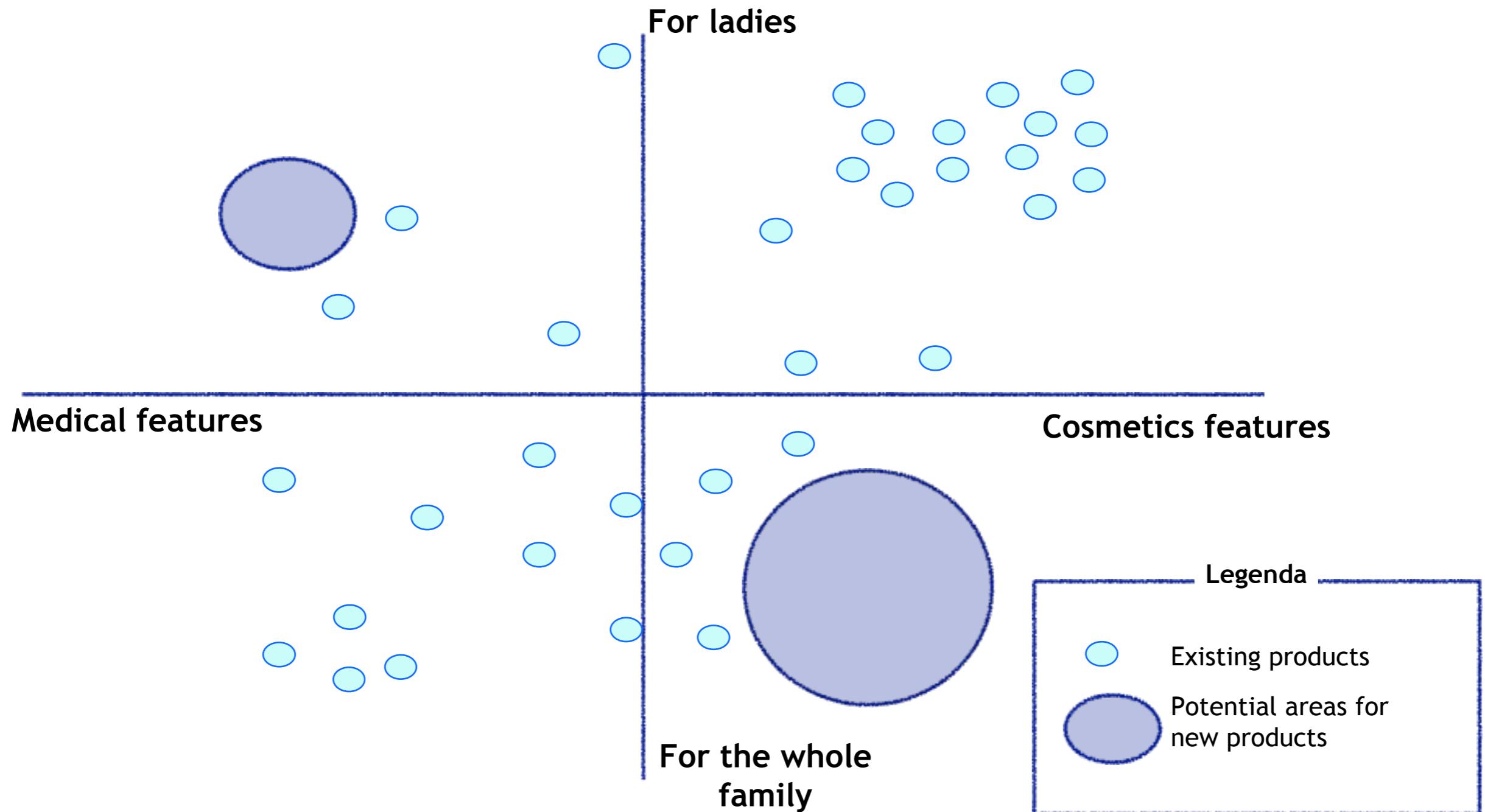
Example: beer

Key perception

- ◆ Sweetness
- ◆ Alcohol content



Example: perception map of the soap market



The attributes choice

- ◆ Specific for each product and sector
- ◆ There can be technical, functional, economic, emotional features

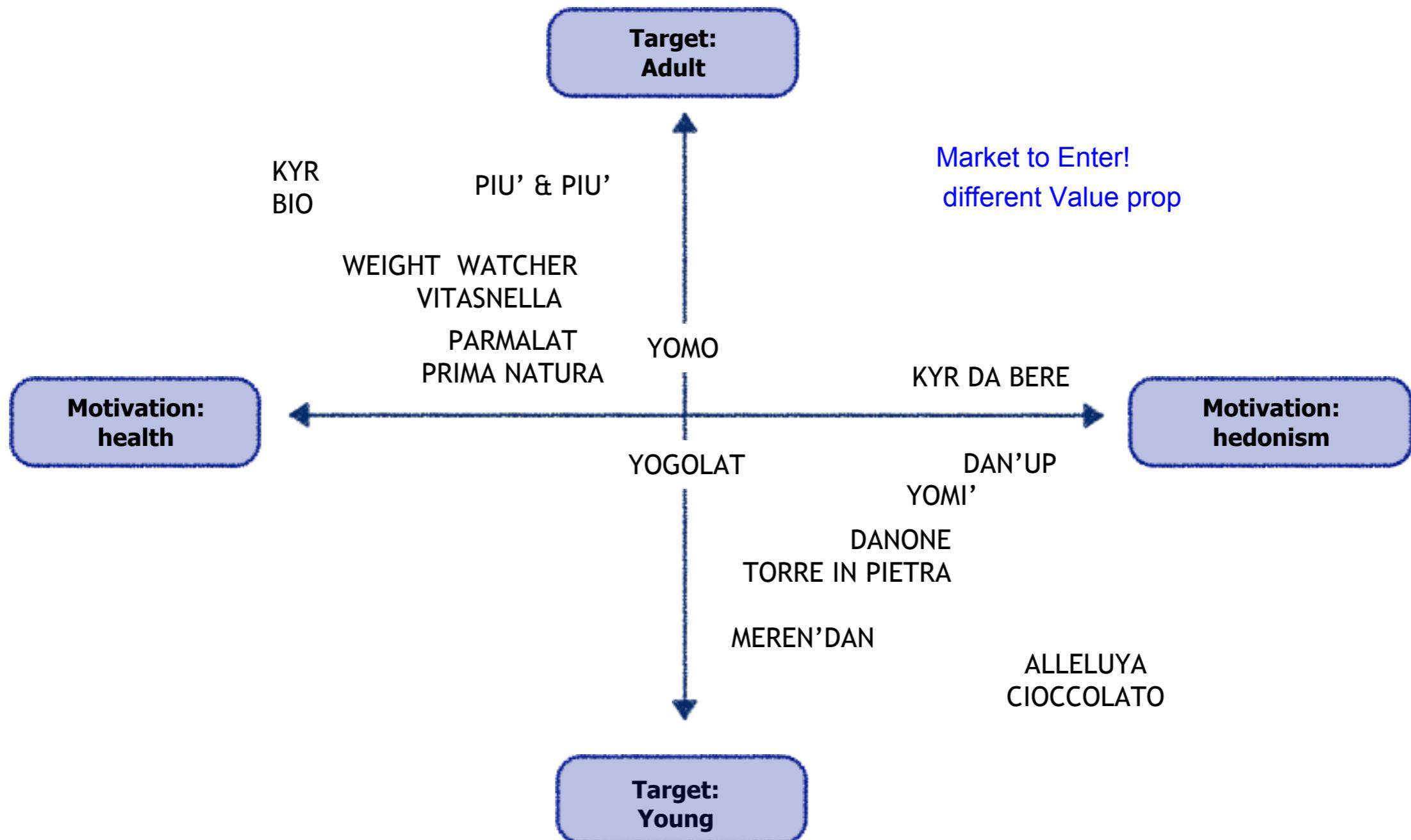
Cars

- ◆ Prestige
- ◆ Innovation
- ◆ Sportsmanship
- ◆ Comfort
- ◆ Safety
- ◆ Durability
- ◆ ...

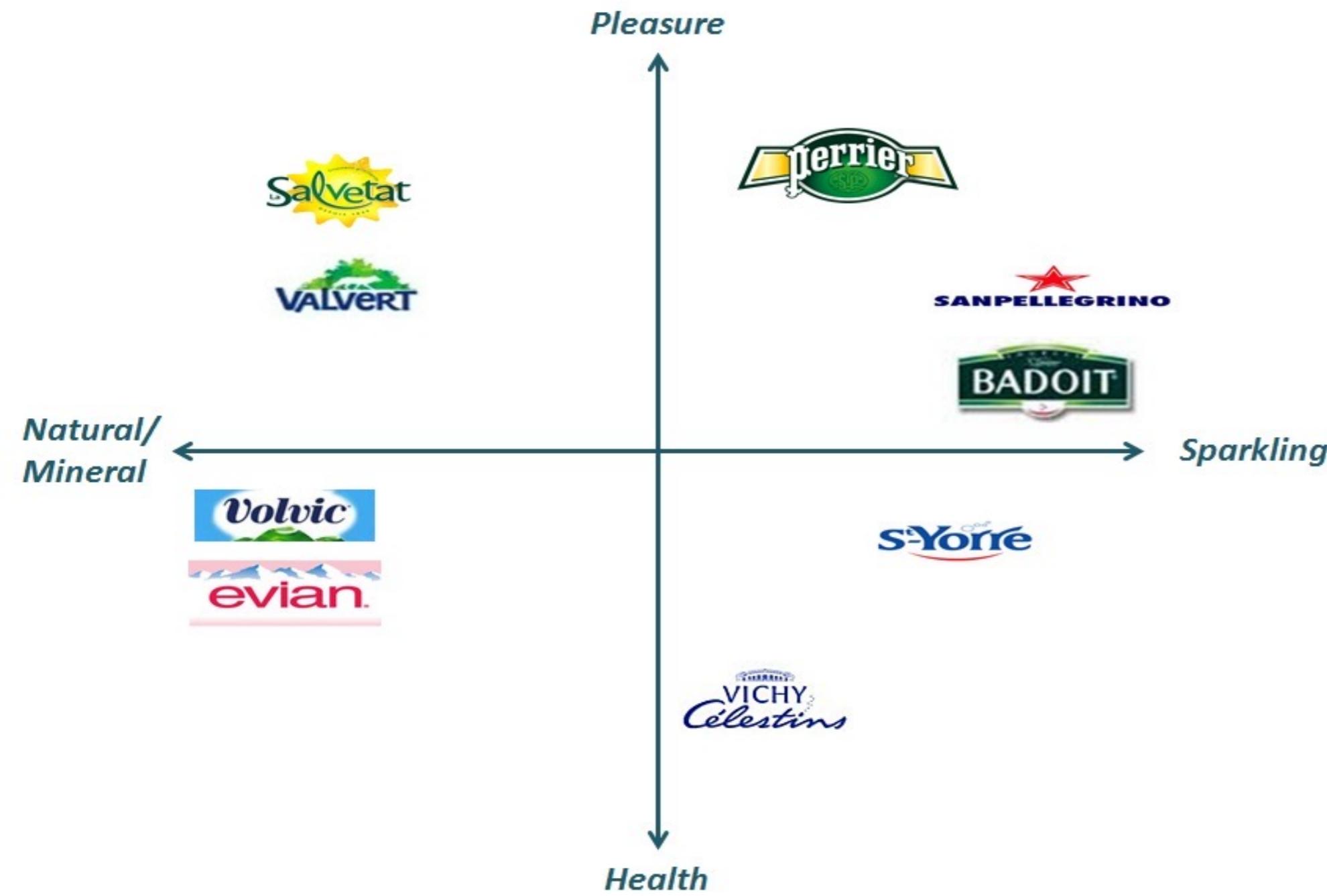
Toothpastes

- ◆ Freshness
- ◆ Whiteness effect
- ◆ Hygiene
- ◆ Flavour
- ◆ Format
- ◆ ...

Example: the yogurt market in Italy

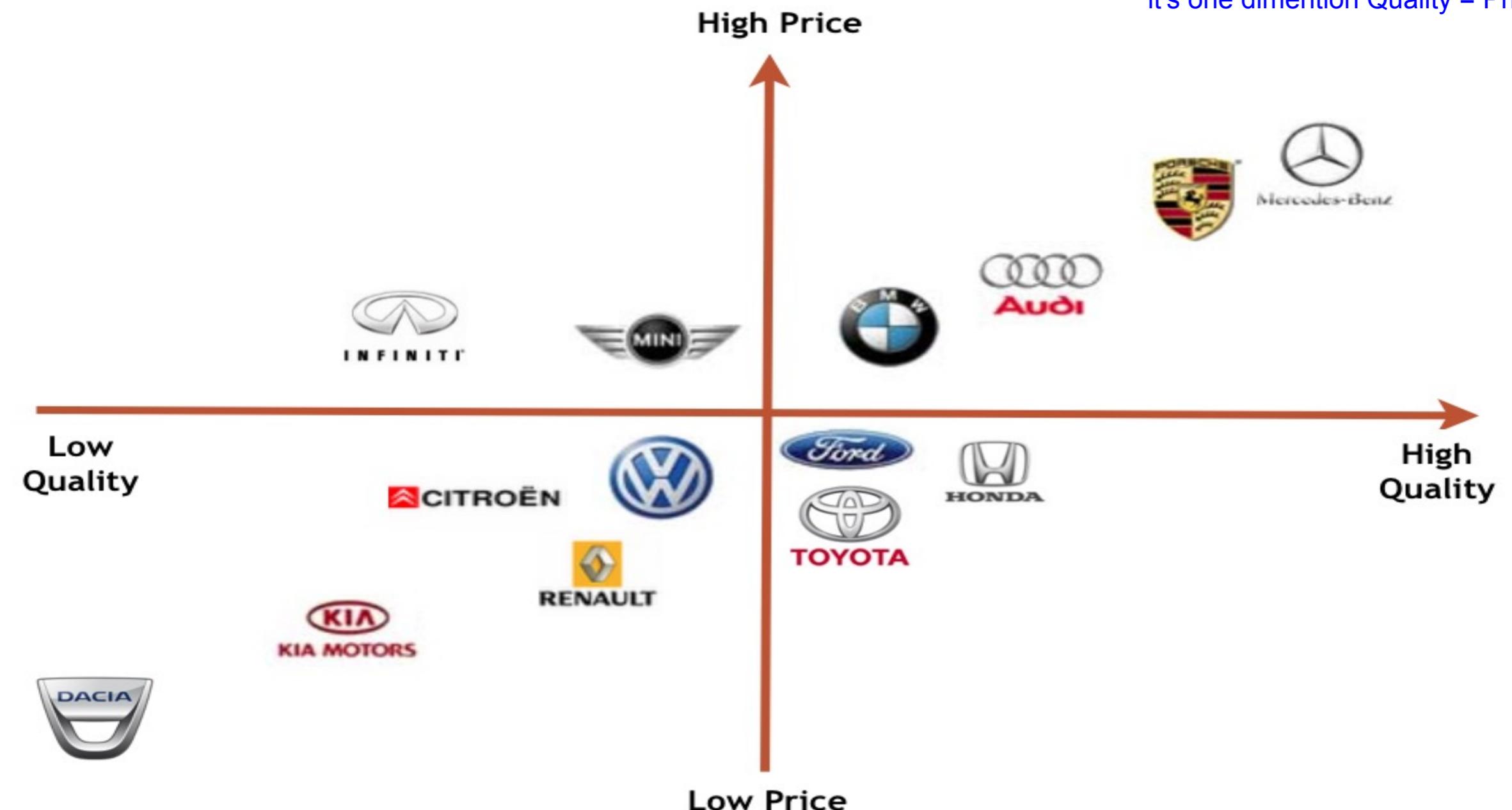


Examples



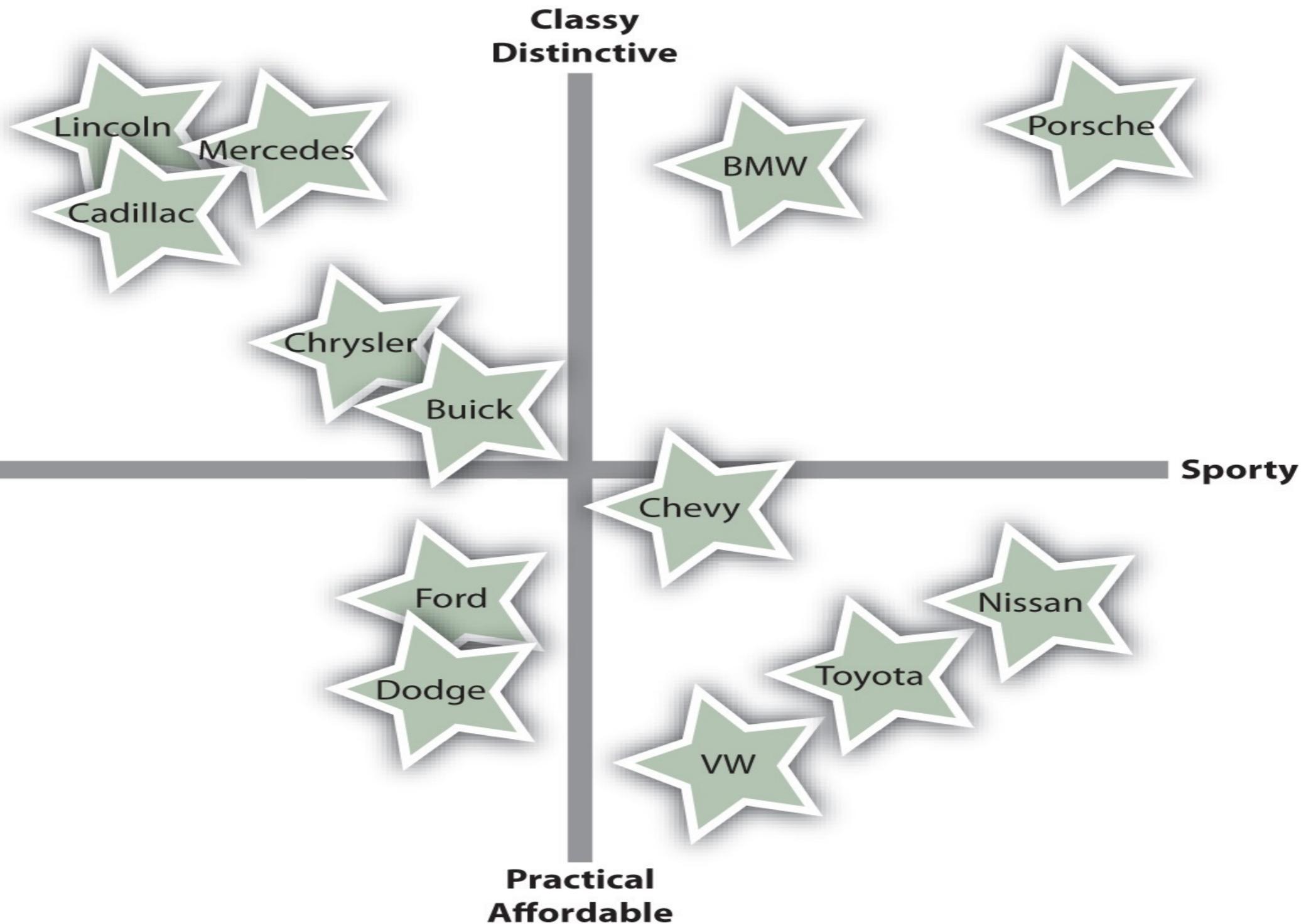
Example (map not really usefull)

Germany



Example

USA



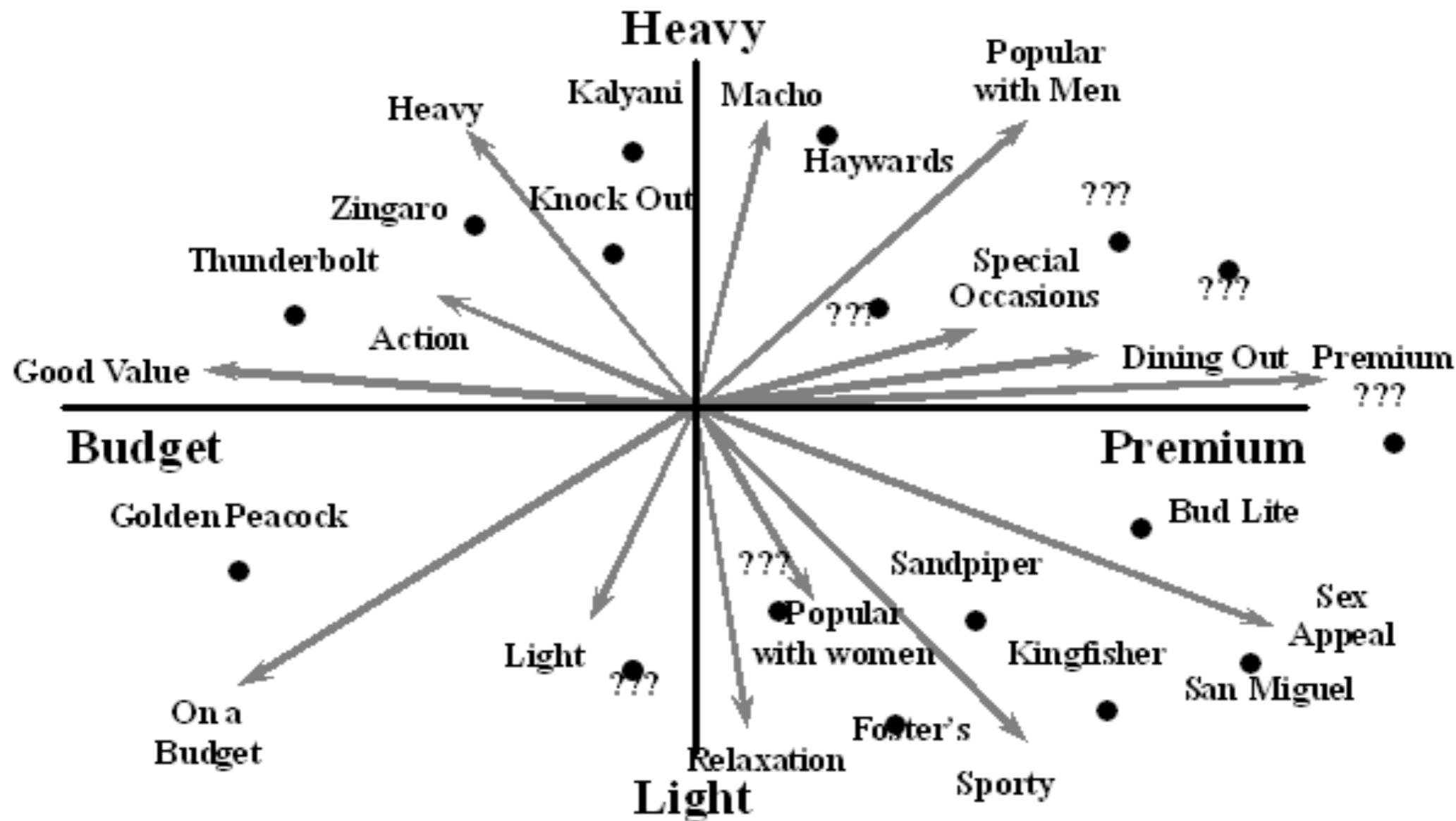
Examples Microwave oven Indian Market

Positioning Map



Other map : Perceptual Map (Indian Beer market)

Perceptual Map of Beer Market
(products & attributes)



Positioning critical success factors

Exam

1. Adressed to a **precise customers' segment**
2. **Linked to a “mental category”** that already exists in the mind of the target
3. **Delimited and defined**

Positioning critical success factors

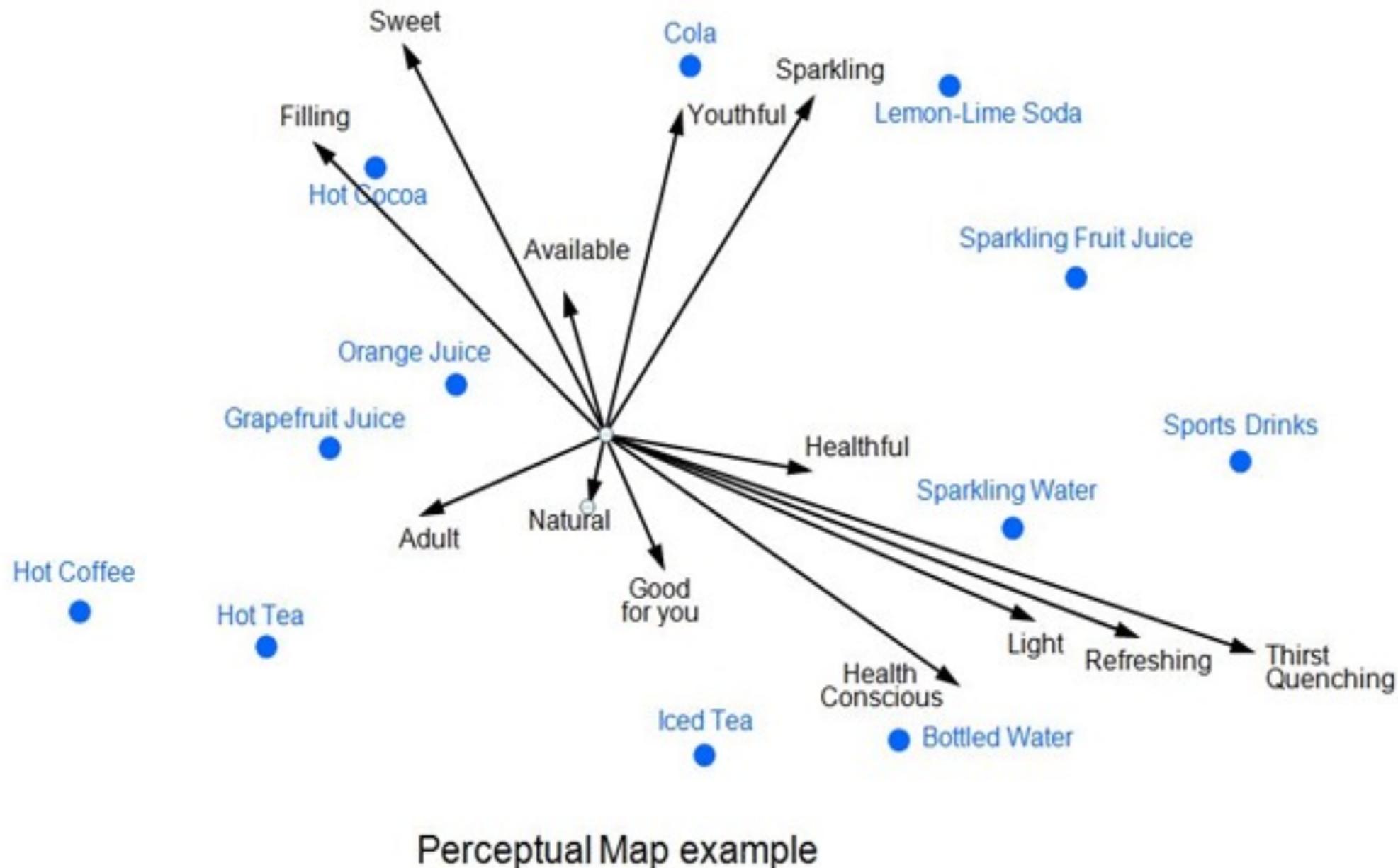
4. Simple and clear

5. With a clear competitive advantage

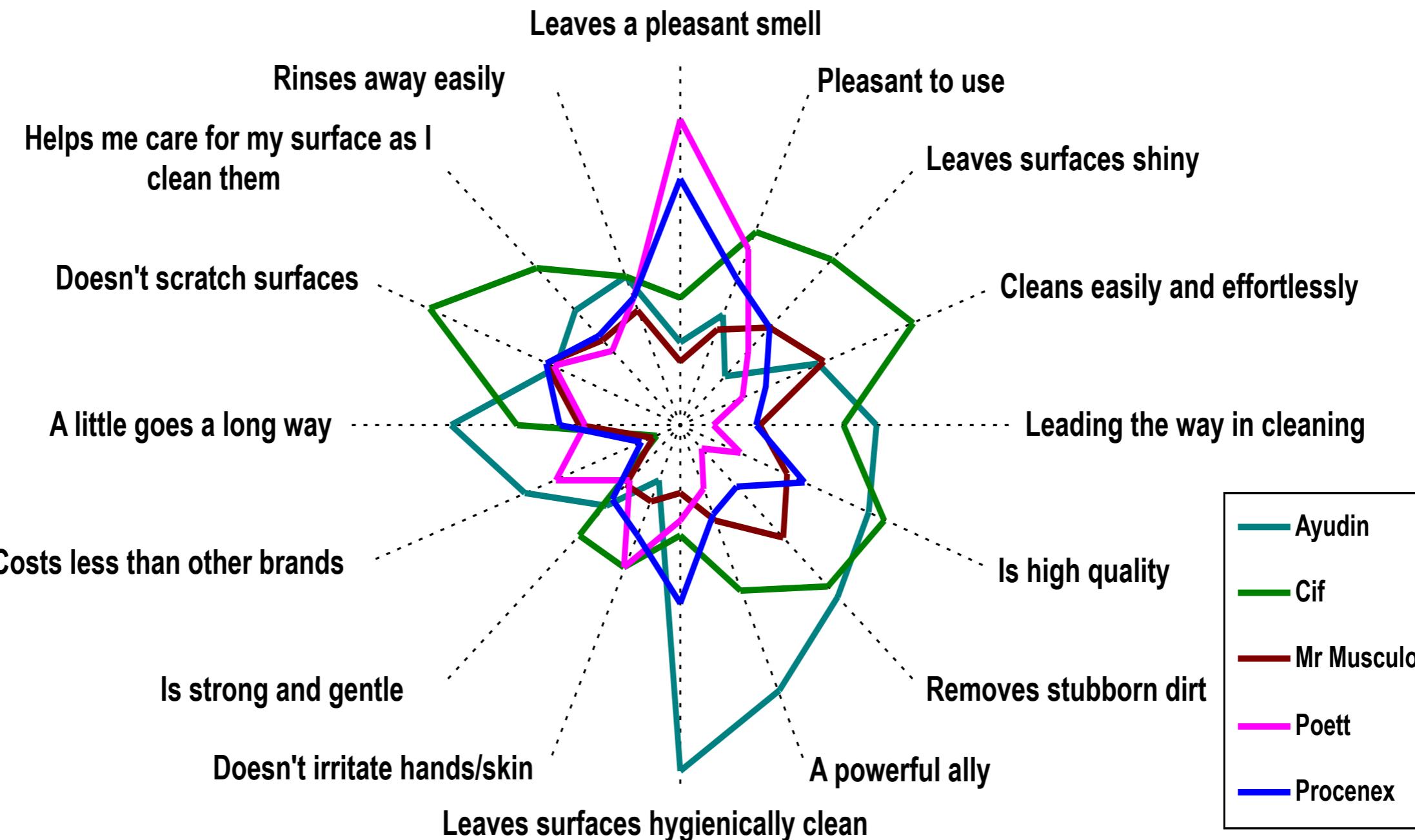
6. Long-lasting (in the limits of consumers' behavior changes)

7. Coherent

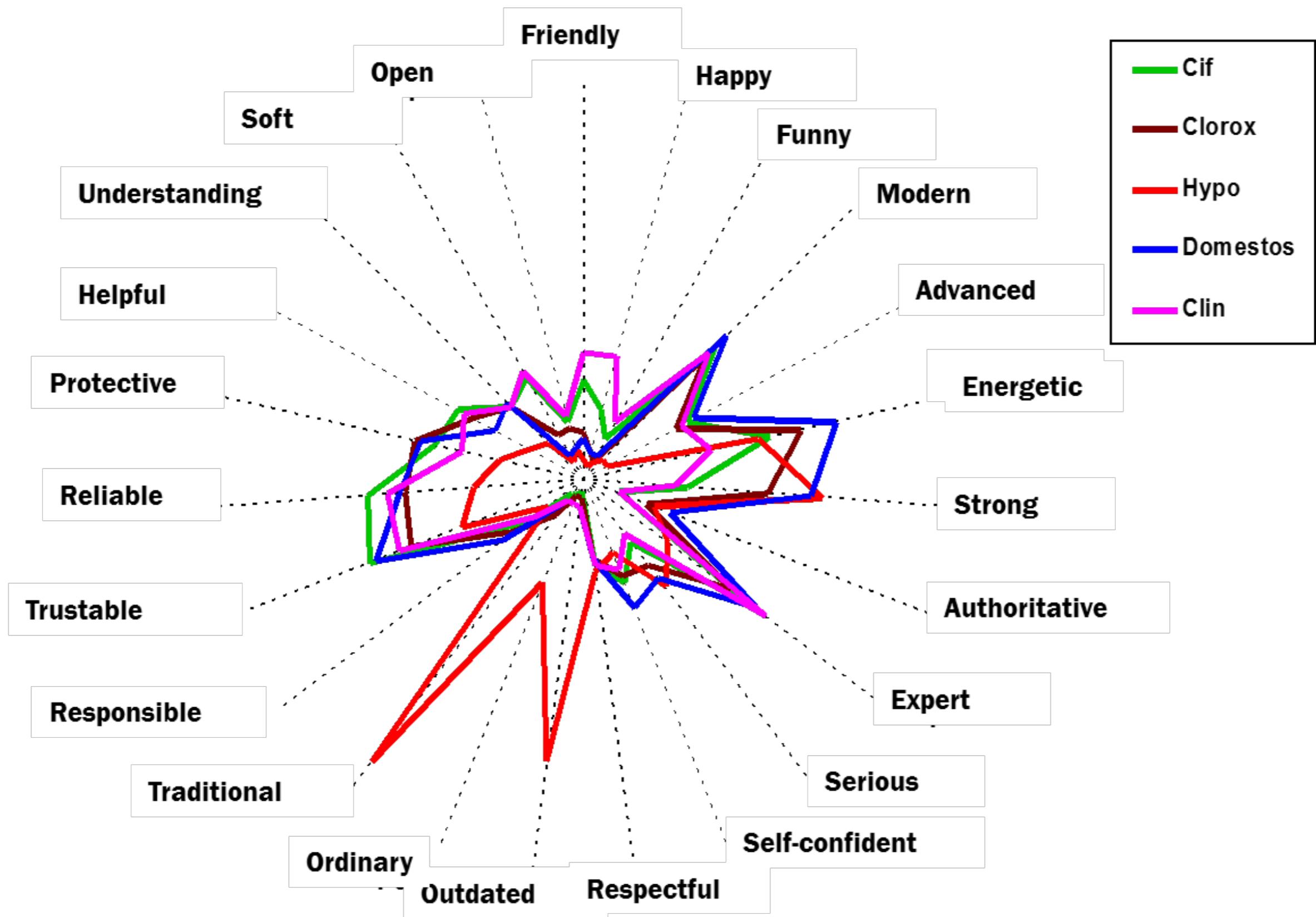
Other map : Perceptual Map



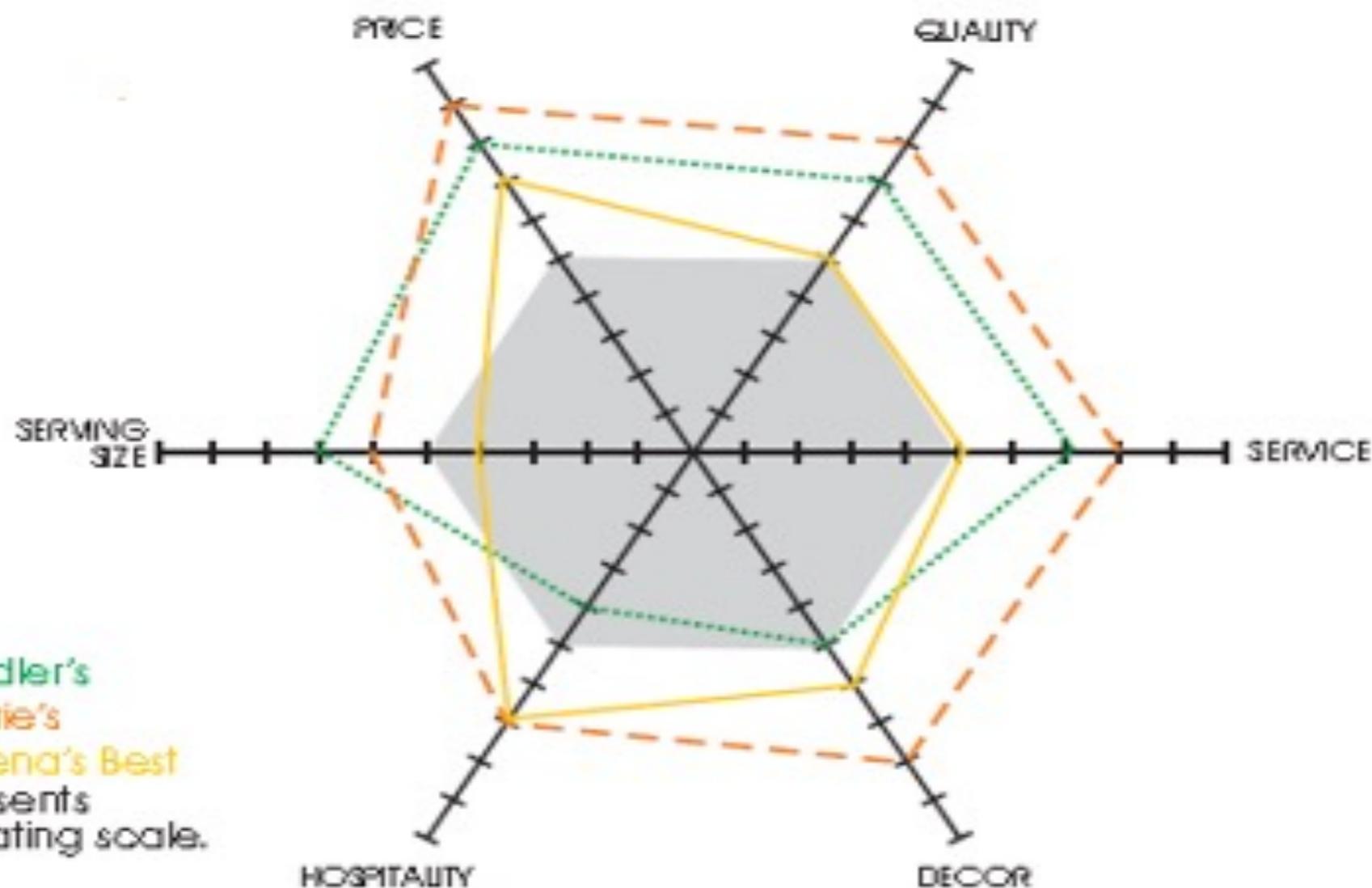
Functional positioning



Emotional positioning



Other map : Radar Chart (exemple)

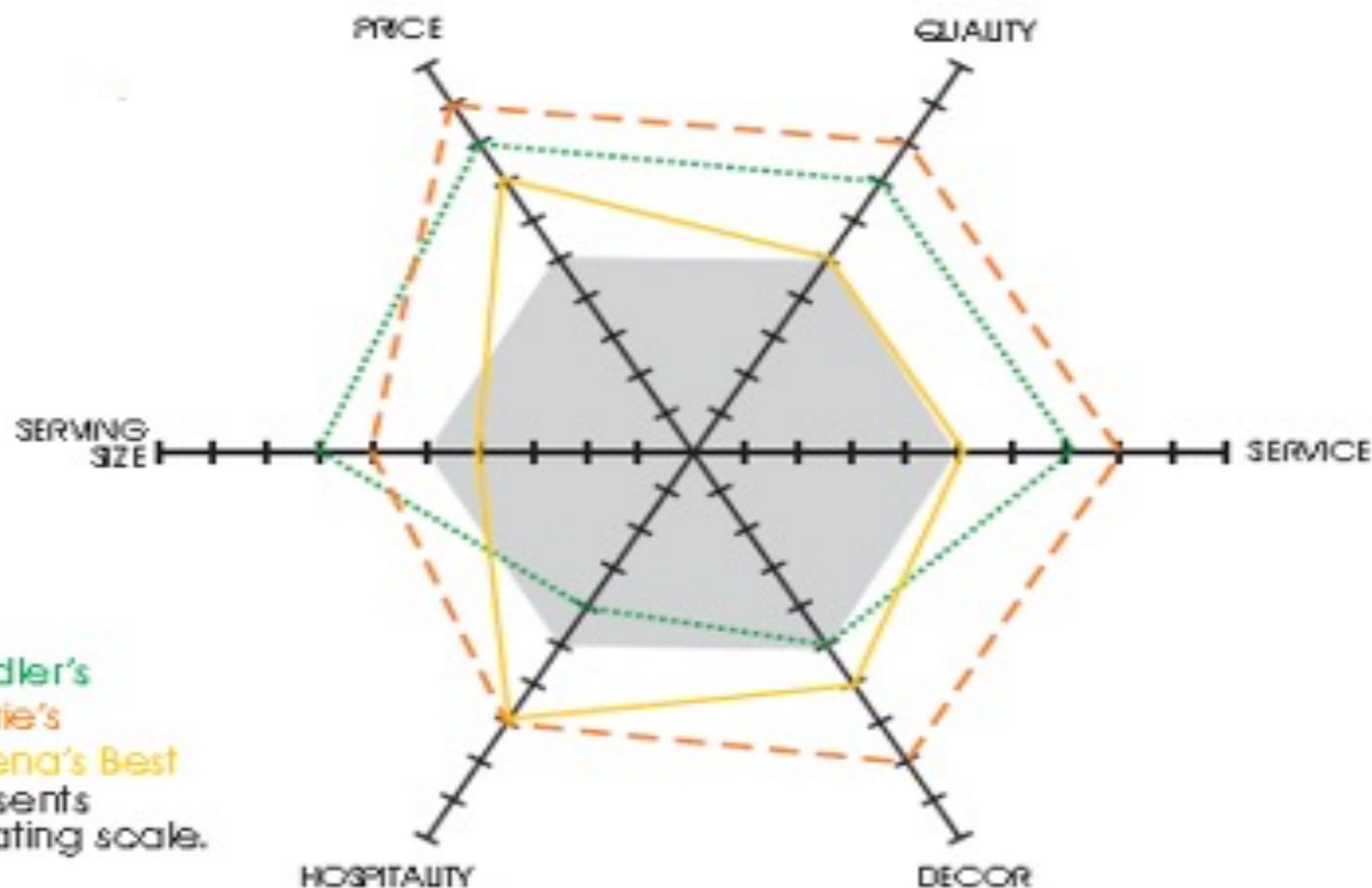


Legend

- Chandler's
 - Geaffrie's
 - La Buena's Best
- Grey area represents bottom half of rating scale.

Positioning plot for three upscale American restaurants

Other map : Radar Chart (exemple)



Positioning plot for three upscale American restaurants

Re-positioning

Positioning changes can be influenced by:

- ◆ The environment
- ◆ The demand
- ◆ The competition

Re-positioning

When?

- Radical change of the consumer
- Competitors' strategic movement

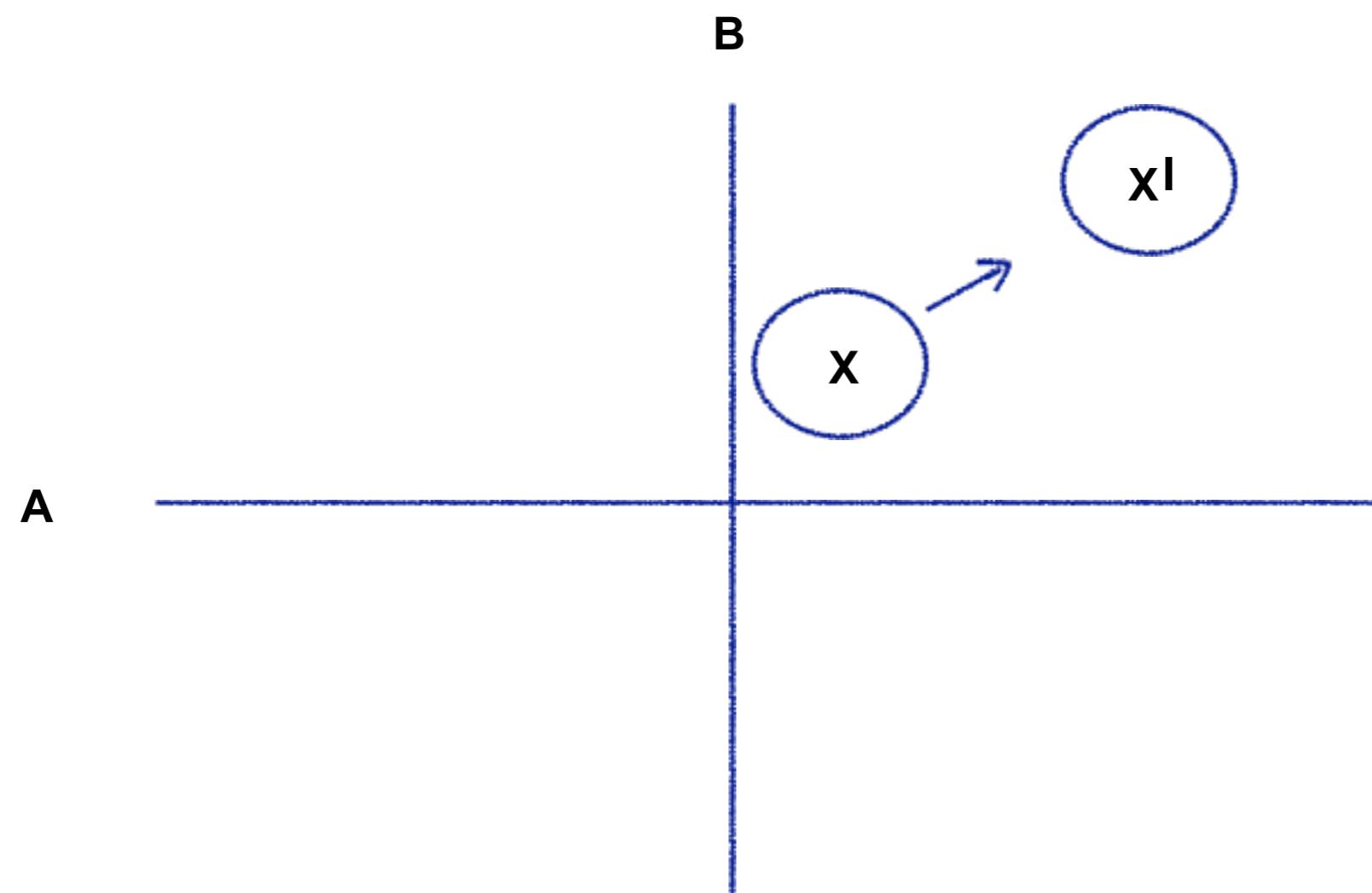
How?

The brand image in the customers' mind is usually deep-seated

- keep a “fil rouge” with the past to facilitate the process of product identification

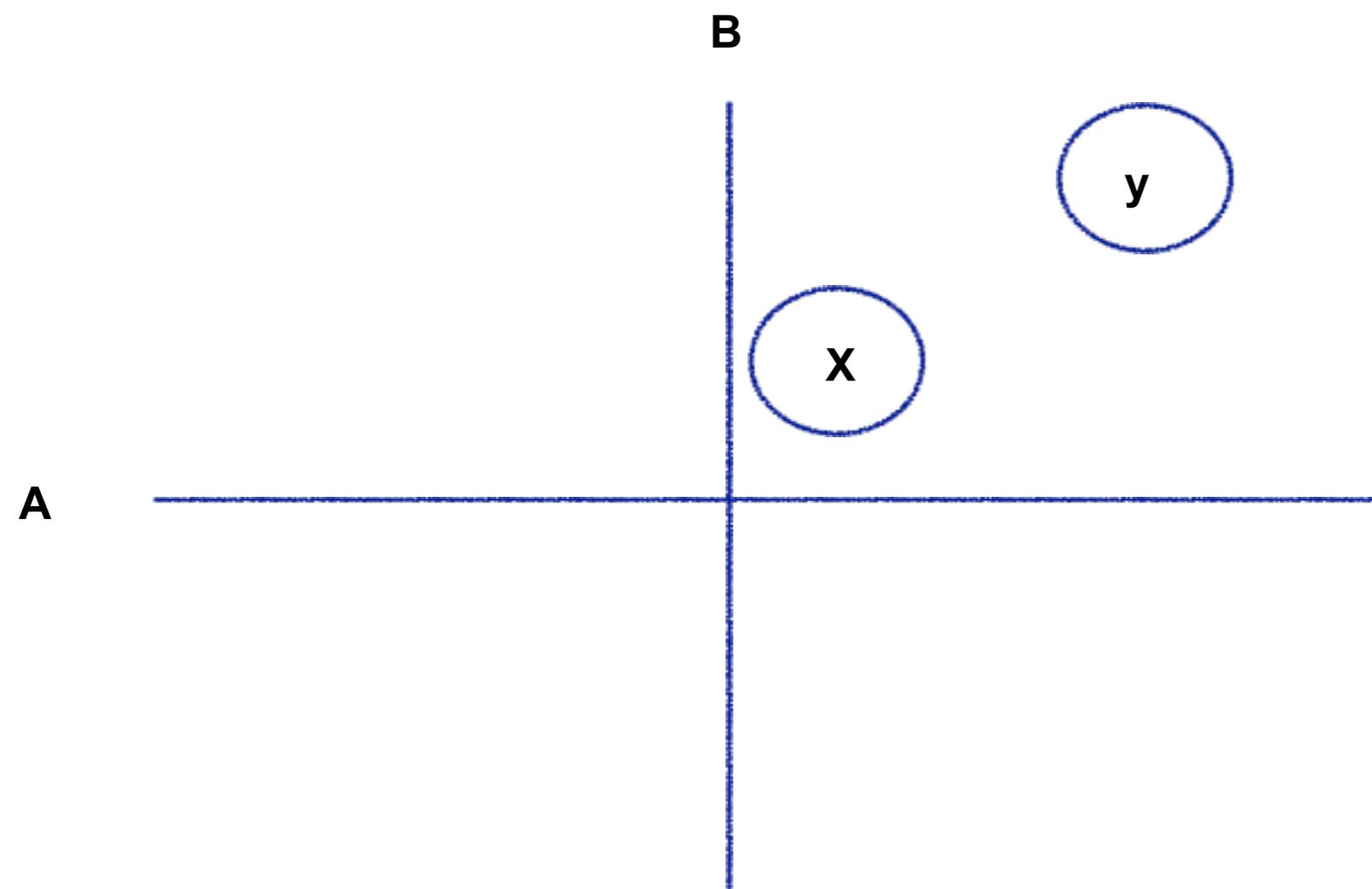
Re-positioning strategies

- ◆ Change the perception on one or more feature through one or more marketing leverage



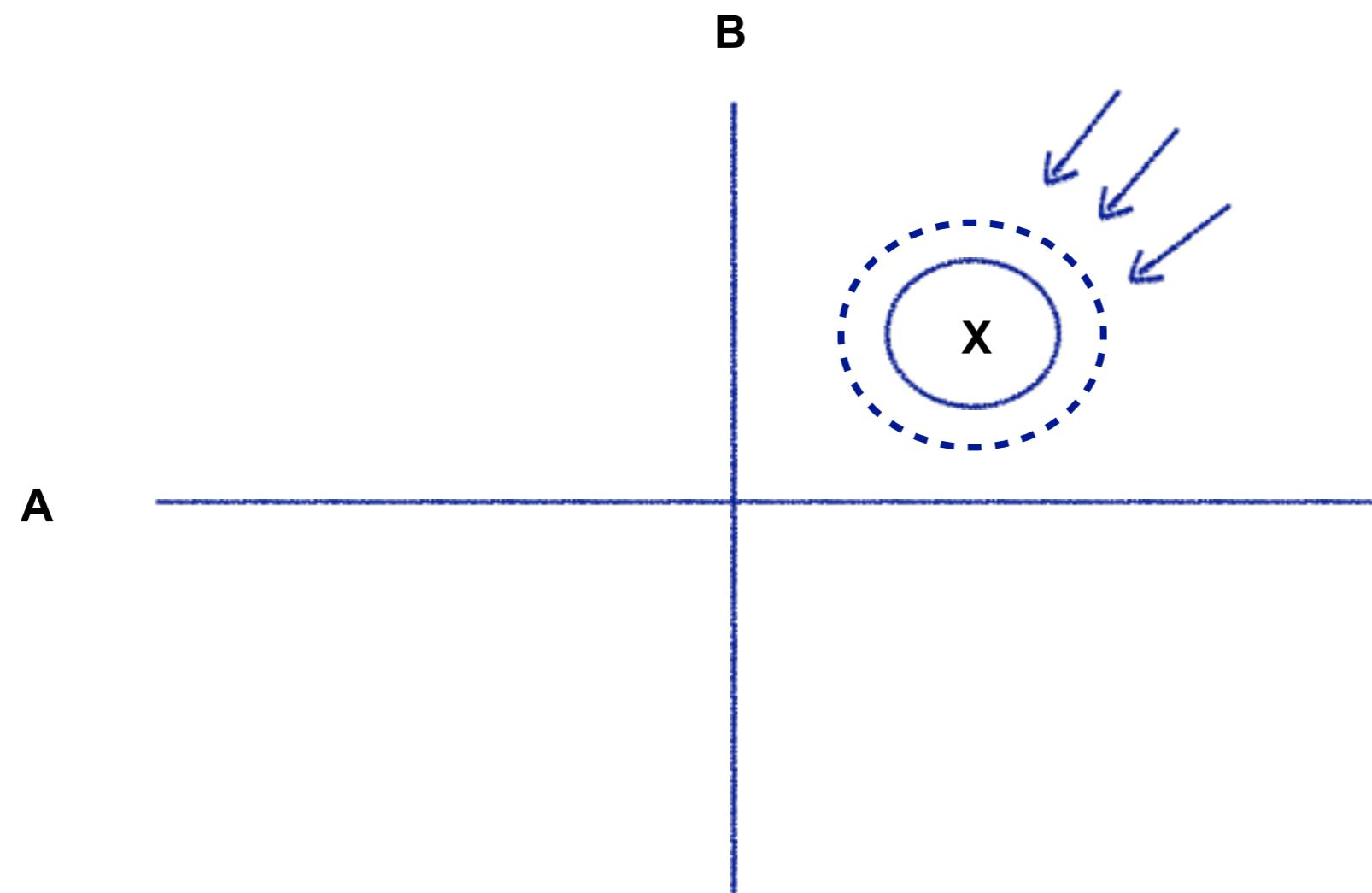
Re-positioning strategies

- ◆ New product launch on different segments (with different perceptions among customers)



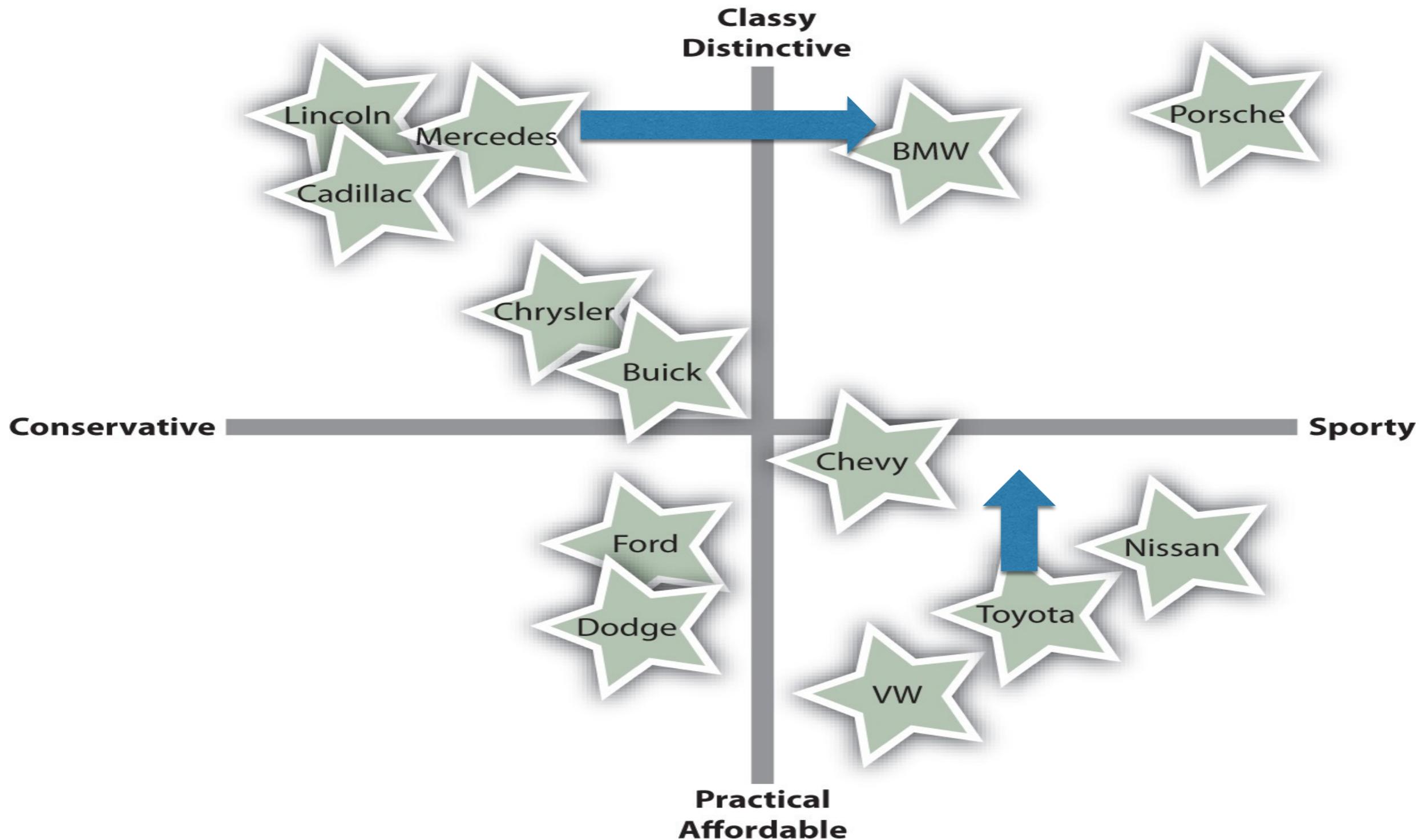
Re-positioning

- ◆ Focus on the same product, extending the perceptions on the product



Example

USA





POLITECNICO
DI MILANO



Marketing mix: **Introduction Product - Service – Experience**

27th October 2022

Prof. Alberto Cellini

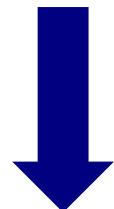
Analyze the Market done
STP done
analyze of company
...

place, distribution is
problem most of the
times

1. Introduction to marketing mix
2. Product
3. Service
4. Experience

Strategic marketing

(Vision, Business mission, Objectives, Industry/Demand/Market Analysis, Pestel, Competitor Analysis, Purchasing Behavior, STP, BI, Portfolio Analysis,...,SWOT)



Consistent to corporate strategy

Aimed at satisfying customer needs

Resulted in the definition of a suited value proposition

Operational marketing

Translation of the marketing strategy into decisions

Decisions about:

Product/service/experience

Price

Promotion (Communication)

Place(distribution)

Endogenous variables (marketing effort) affecting demand

Product/service

Pricing

Distribution

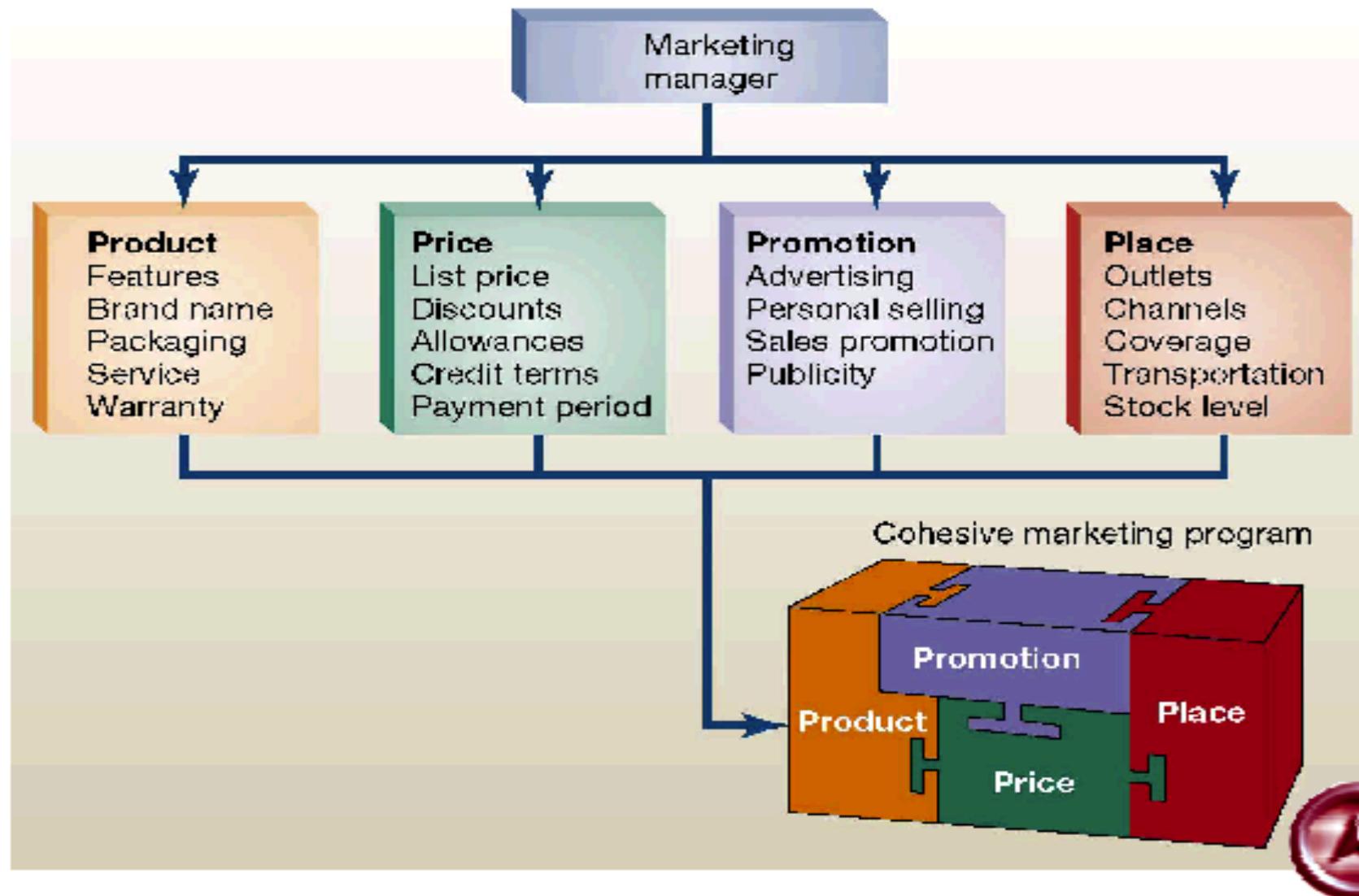
Promotion / Communication

Personal selling

Marketing mix is a set of marketing levers

The most famous model of marketing mix is the so-called **4P** model
(McCarty, 1960)

- Product
- Price
- Place
- Promotion





V.A. Zeithaml e M.J. Bitner

People. The company's employees are important in marketing specially when they are the ones who deliver the service. Having the right people to support the company's service is a must. Excellent front end personnel can provide support with clearly known expectations. Knowledgeable staff adds much value to the service offering.

Process. The systems and processes of the organization affect the execution of the service. The service companies need solid procedures and policies, customer oriented.

Physical Evidence.

Physical evidence refers to everything your customers see when interacting with your business. This includes:

- the physical environment where you provide the product or service
- the layout or interior design
- your packaging
- your branding.

Physical evidence can also refer to your staff and how they dress and act.

purple cow => innovation

To be effective, a company's marketing mix must be designed and implemented according to some fundamental rules

The marketing mix must be:

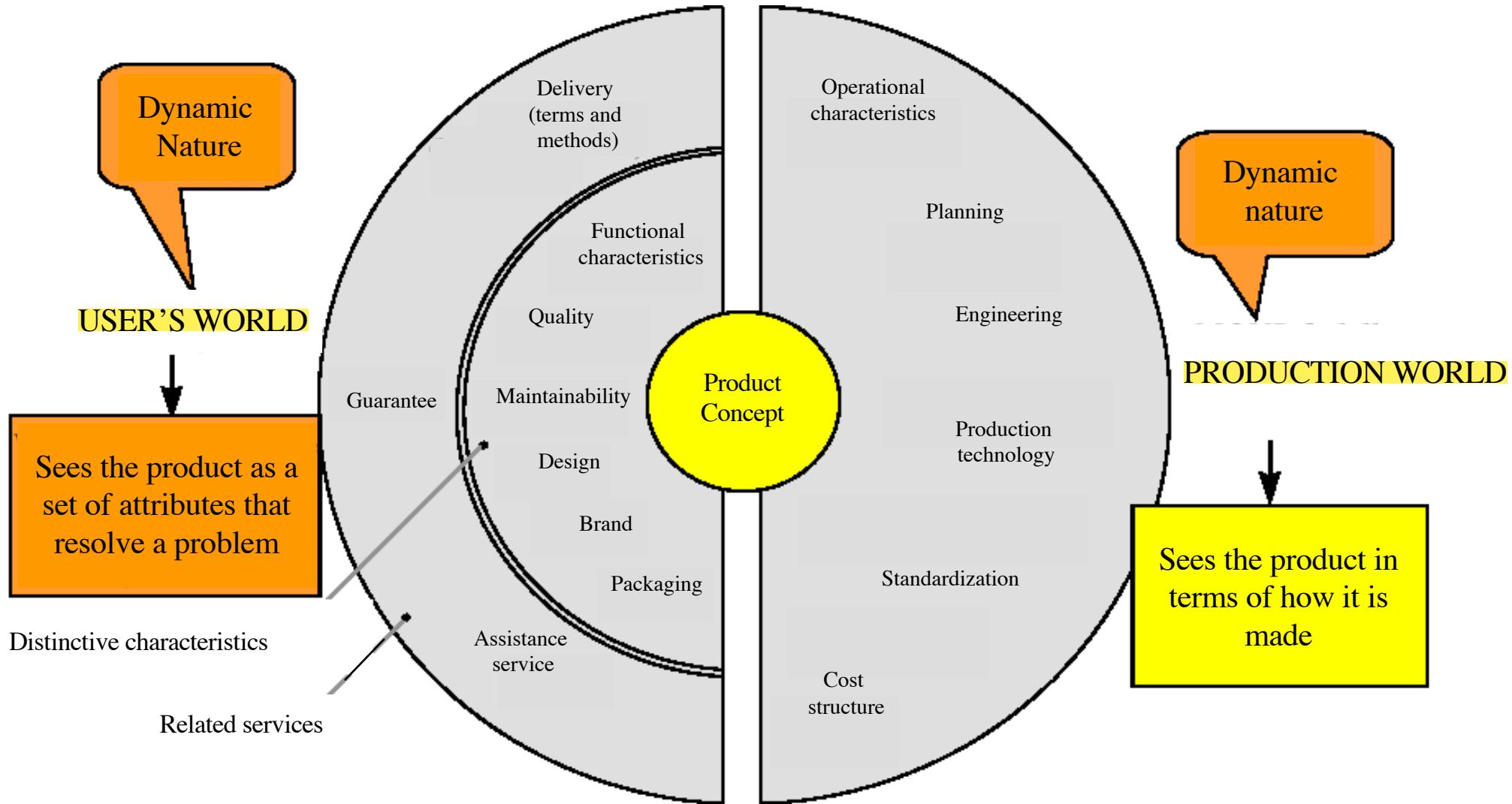
- 1 ^ Rule: Consistent with customer needs
- 2 ^ Rule: Consistent with the objectives of competitive advantage
- 3 ^ Rule: Consistent with the positioning objectives
- 4 ^ Rule: Capable of an effort (marketing investment) appropriate to the objectives of market share
- 5 ^ Rule: Equipped with a solid "internal" consistency among its various components
- 6 ^ Rule: Consistent with general corporate policies

2. Product

- ◆ A product is the result of the transformation of materials into goods that have some value to people (economic, aesthetic, symbolic).
- ◆ A product is the object resulting from transforming activities using materials, into a good that can be offered on the market to satisfy wants or needs.
- ◆ A product is something that can be offered to a market to satisfy a want or a need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas" (Philip Kotler).
- ◆ This is a broader view that includes services and incorporates the concept of a commercial offering.

- ❖ **DURABILITY AND TANGIBILITY**
 - ❖ Durable goods (clothing, refrigerators, cars, etc.,)
 - ❖ Nondurable goods (food, soap, etc.,)
 - ❖ Services (repairs)
- ❖ **CONSUMER GOODS**
 - ❖ Convenience goods (purchased frequently and with minimum effort. e.g.: cigarettes, newspapers, etc.,)
 - staples (purchased on a regular basis) -> toothpaste
 - impulse goods (purchased without any planning) -> candy bar
 - emergency goods (purchased when a need is urgent) -> umbrella during a rainstorm
 - ❖ Shopping goods (goods the customer compares on such bases as quality, price and style) -> furniture, clothing, major appliances.
 - ❖ Specialty goods (have unique characteristics for which buyers are willing to make a special purchasing effort) -> Mercedes
 - ❖ Unsought goods (goods a customer does not normally think of buying) -> smoke detector, gravestones.

- ❖ **INDUSTRIAL GOODS**
 - ❖ Materials and parts (enter the product **completely**)
 - Raw materials
 - Manufactured materials and parts
 - ❖ Capital items (enter the product **partially**)
 - ❖ Long-lasting goods that facilitate developing or managing the finished product
 - Installations
 - Equipment
 - ❖ Supplies and business services (**do not enter the product**).
 - ❖ Short-lasting goods and services that facilitate developing or managing the finished product.



The product concept : the basic dimensions

The product concept expresses:

- What it is
- What it does
- Who it is intended for
- What it signifies for customers

E.g. Compact sports car : small, light, good acceleration, aggressive design, range of prices...

E.g. Pallet packaging machine, extendable polythene, without pallet rotation, medium capacity and high reliability, price no more than 20% higher than that of competitors ...

Product from a user perspective: distinctive characteristics

- **Functional** characteristics: what the product gives and can do, what problems it resolves. Communicated in user language
- **Quality**: measured using parameters relating to the particular class of product considered
- **Maintainability**: product's ability to undergo maintenance
- **Design**: not only aesthetics
- **Brand**: associates the product with the producer, evoking general characteristics of quality, reliability, etc ...
- **Packaging**: protection during transport and storage, easy to dispose of recycle, appropriate for use of the good it contains and informative/evocative

Quality as a Product Objective

Product quality is the overall ability of a product to satisfy customer expectations

Dimensions of product quality

- durability
- reliability
- precision
- ease of use
- product safety
- aesthetic pleasure

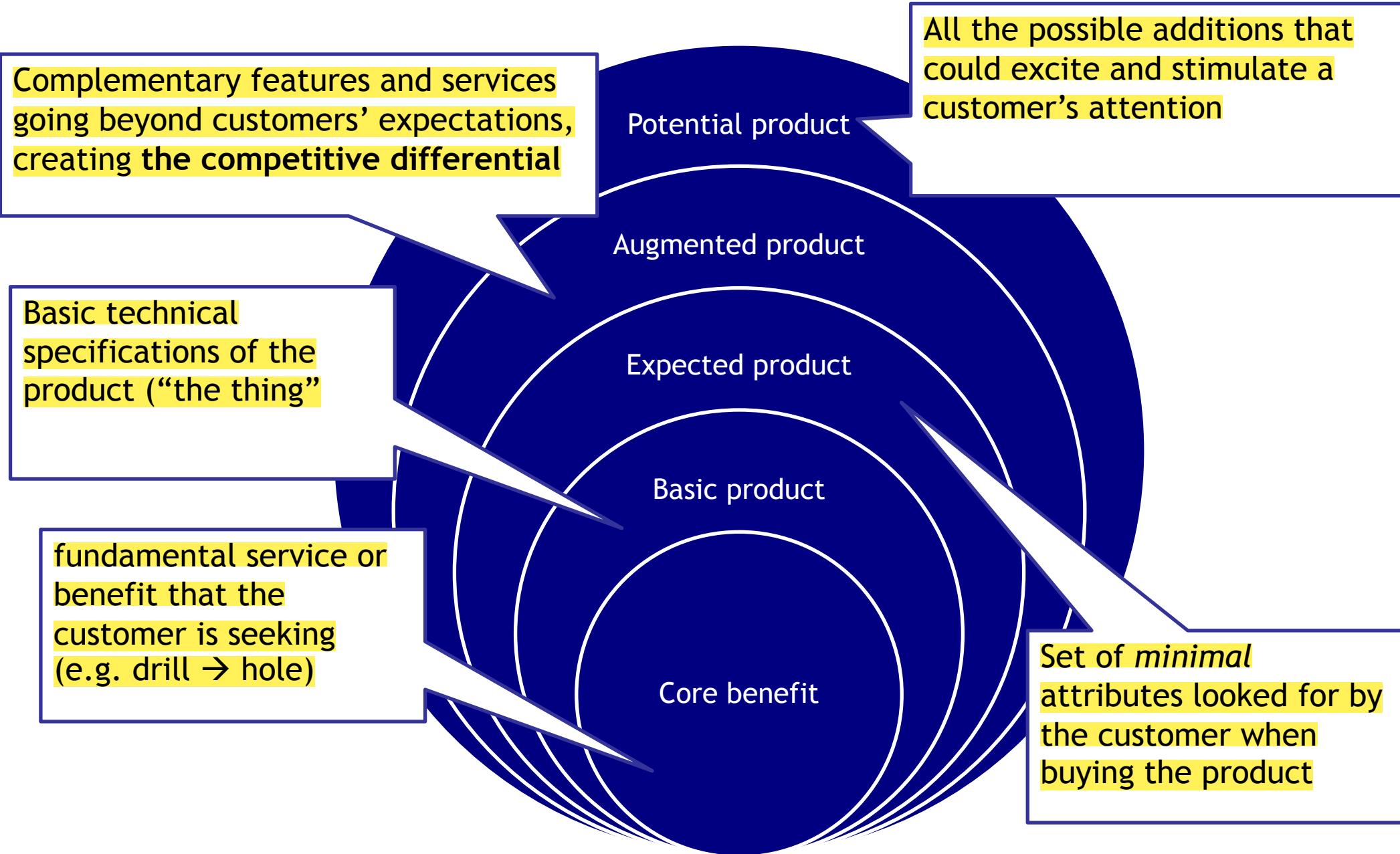
Product from a producer perspective

- **Operational characteristics:** technological-project translation of the functional characteristics
- **Engineering:** aims to render the project more suitable to being manufactured using the chosen productive technology.
- **Standardization:**
 - Internal: reduces the variety of the components
 - External: fine-tuning of the technical characteristics with the market standard, to broaden possible users
- **Cost structure:** production-market system relationship. Variety drives costs, thus it is necessary to face the increase in costs due to augmented complexity
 - Flexible specialization
 - Standardization
 - Modularization

Key element for a product in marketing

- A. The product «level»
- B. The voice of the customer
- C. Product life cycle
- D. Product line assortment
- E. Product strategy formulation
- F. New product development

A. The 5 product levels

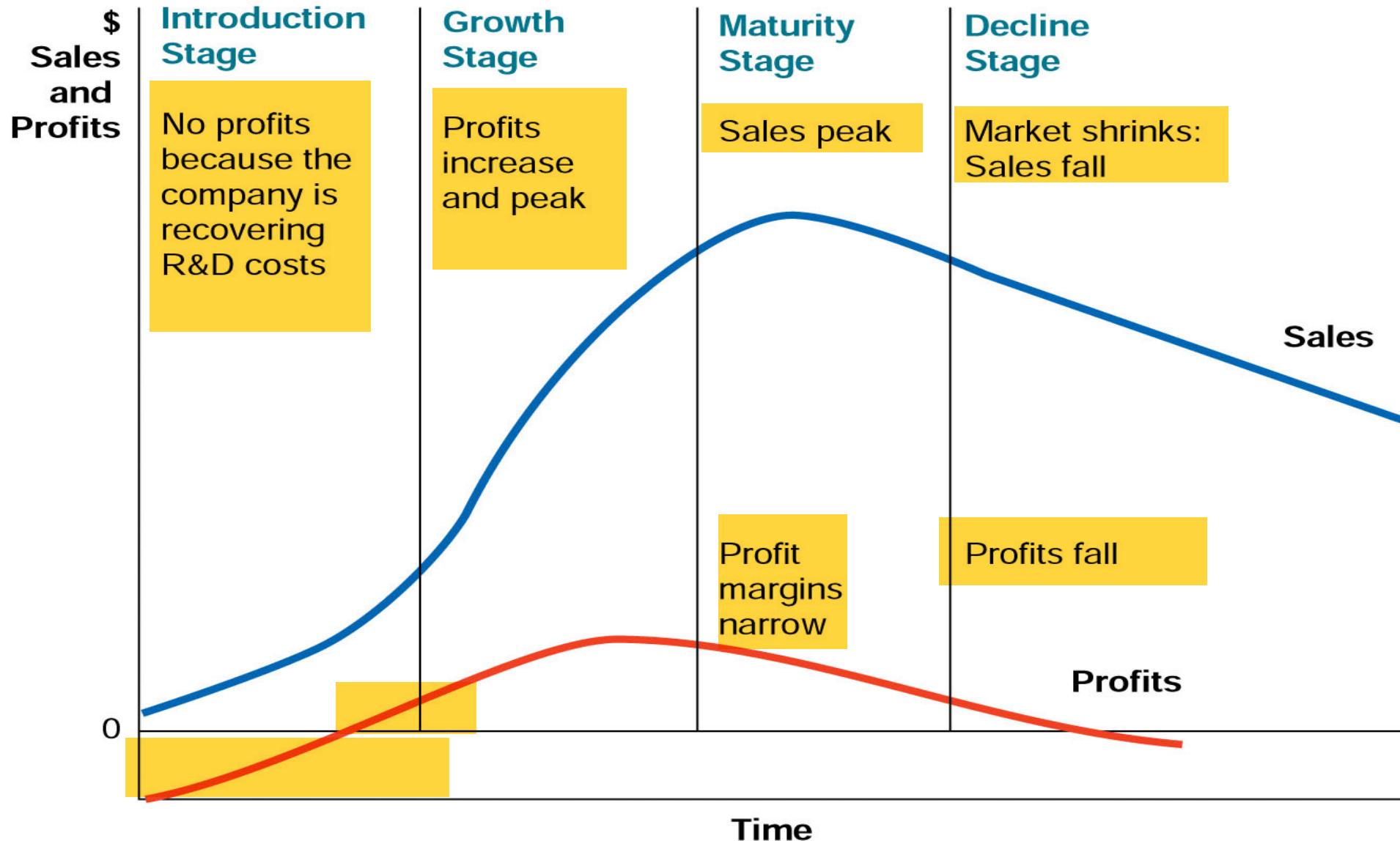


B. The voice of the customer

- ◆ Identify the Voice of the Customer
- ◆ Translate Voice of the Customer into Critical to Quality Characteristics (CTQs)
- ◆ Rank the CTQs into three categories:
 - Dissatisfier - Must be's - Cost of Entry
 - Satisfier - More is better - Competitive
 - Delighter - Latent Need - Differentiator
- ◆ Evaluate Current Performance

kanno model

C. Product Life Cycle



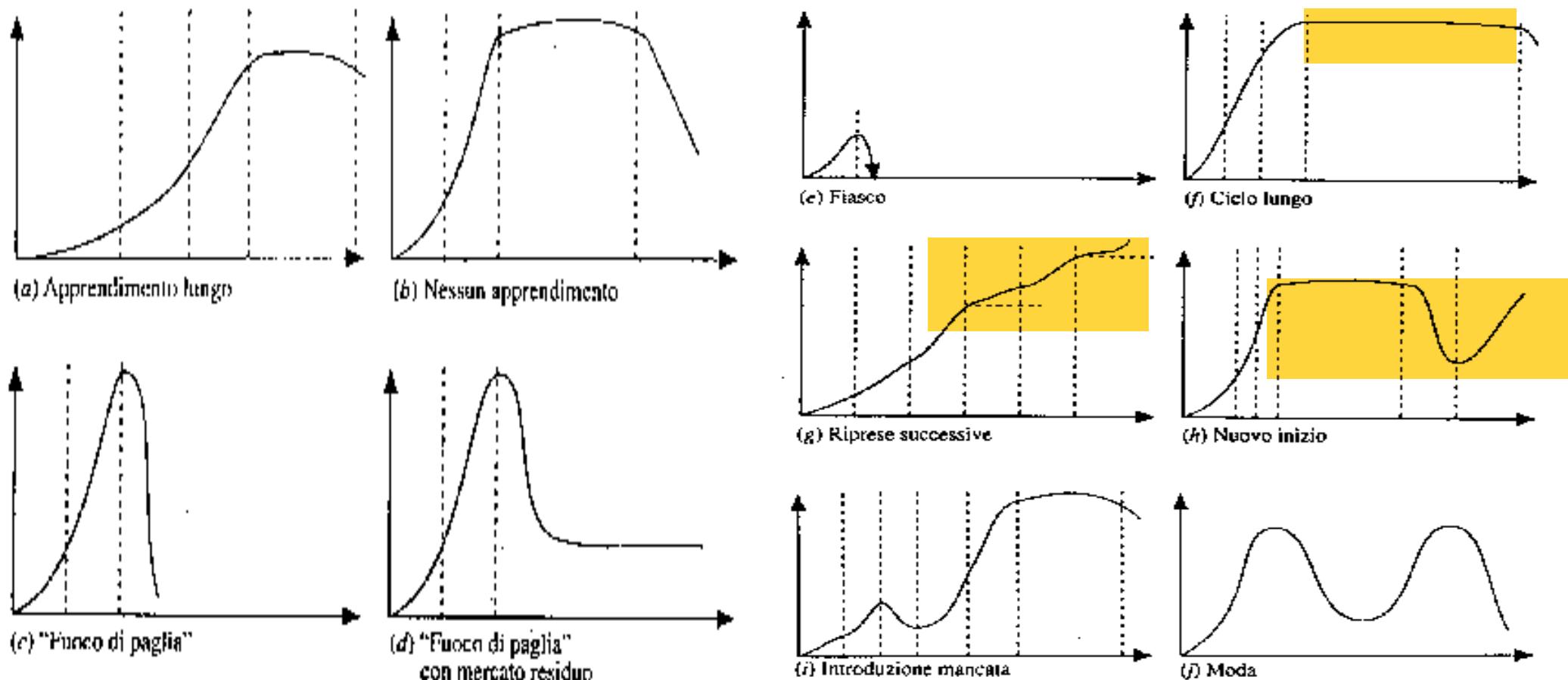
Lifecycle Stage Characteristics

	Intro	Growth	Shakeout	Maturity	Decline
Market growth rate (constant dollars \$\$)	Moderate	High	Leveling Off	Insignificant	Negative
Technical change in product design	High	Moderate	Limited	Limited	Limited
Segments	Few	Few - Many	Few- Many	Few-Many	Few
Competitors	Small	Large	Decreasing	Limited	Few
Profitability	Negative	Large	Low	Large for high market-share holders	Low

Company's response

	Intro	Growth	Shakeout	Maturity	Decline	
Strategic Marketing Objectives	Stimulate Primary Demand	Build Share	Build Share	Hold Share	Harvest	
Product	Quality Improvement	Continue Quality Improvements	Rationalize	Concentrate on Features	No Change	
Product Line	Narrow	Broad	Rationalize	Hold Length of Line	Reduce Length of Line	
Price	Skimming vs. Penetration	Reduce	Reduce	Hold or Slightly Reduce	Reduce	
Channels	Selective	Intensive	Intensive	Intensive	Selective	
Communications	High	High	High to Declining	High to Declining	Reduce	

Examples of product life cycle



pre-sales !
Crowd funding

D. Product Line Assortment

A product line is a firm's total product offering designed to satisfy a single need for target customers

Product lines are groups of products characterized by:

the same function

the same target

the same channels

the same price range

Product line decisions

A product mix is a firm's entire range of products (chainsaws, grass trimmer, garden tractor,...)

Product lines (ie chainsaws) are groups of products characterized by:

- the same function
- the same target
- the same channels
- the same price range

Product line decisions

A) Line analysis

Sales and profit analysis
Market analysis

B) Line length

For high market shares → extension
For high margins → cherry picking

C) Line stretching

Downward
Upward
Two-way

Line filling

An iPhone for (Almost) Every Wallet

Pricing of Apple's current iPhone line-up in the United States (as of October 2020)

■ 64GB ■ 128GB ■ 256GB ■ 512GB



Source: Apple



E. Product Strategy Formulation

Why have this product?

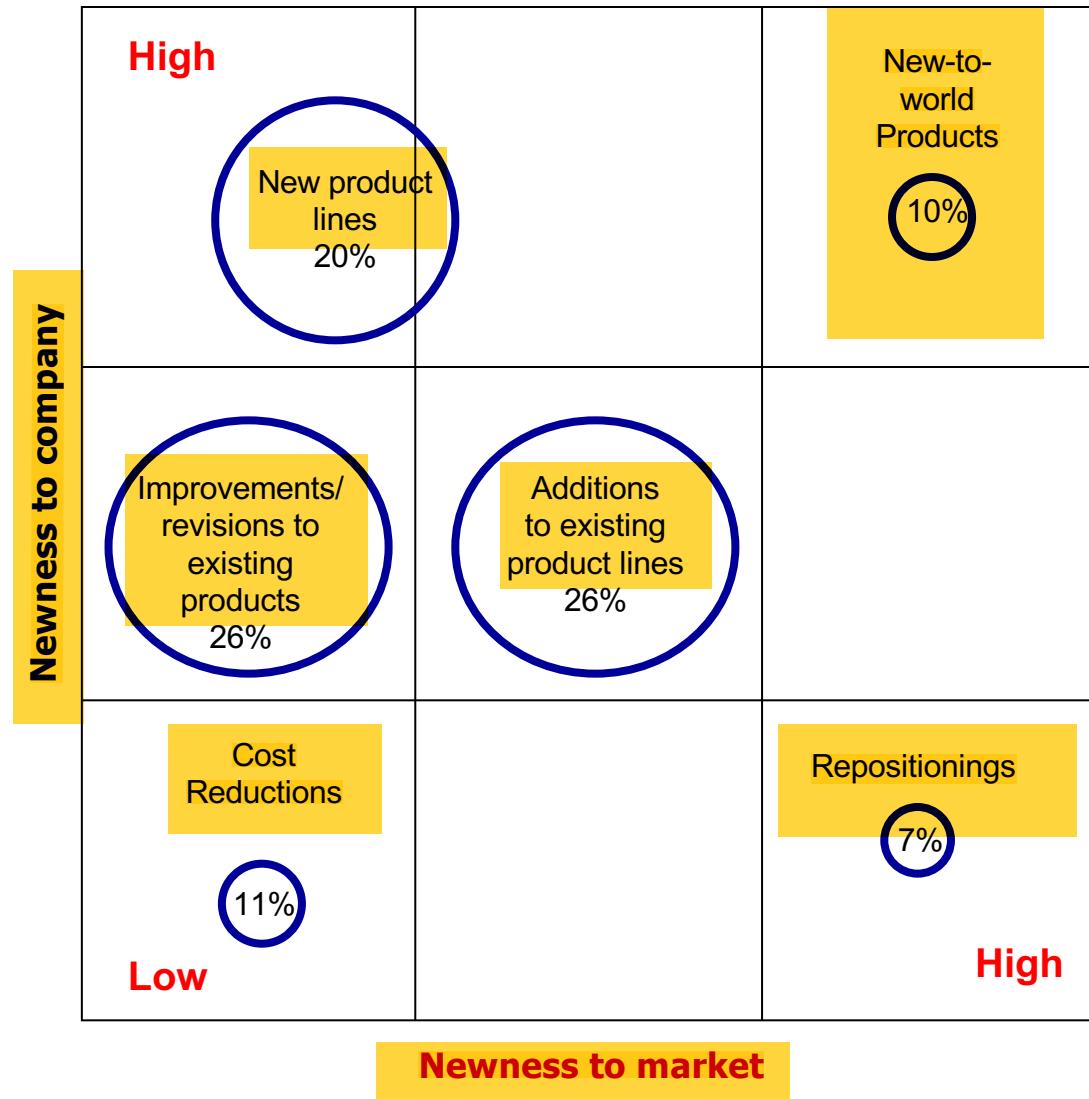
- growth
- using excess capacity
- market share
- target new segments

Product Strategy Formulation

Key Management Decisions

- product features
- related services
- product mix
- branding
- packaging
- product line decisions
- product deletion

F. New product development



Size of circle denotes number of introductions relative to total.

Reasons for new product success

- Adaptation of the product to market needs (85%)
- Adjustment of the product to the strengths of the company (62%)
- Superiority of the technological product (52%)
- Supporting the general management towards the new products (45%)
- Accuracy of the evaluation process (33%) " favorable competitive environment (31%)
- Adaptive organizational structure (15%)

Source: Booz Booz, , Allen Allen & &
Hamilton

Reasons for new product failure

- Overestimation of market size
- Poor design
- Incorrect positioning
- Wrong timing
- Wrong channel
- Priced too high
- Bad communication
- Ineffective promotion
- Management influence
- High development costs
- Competition
- ...

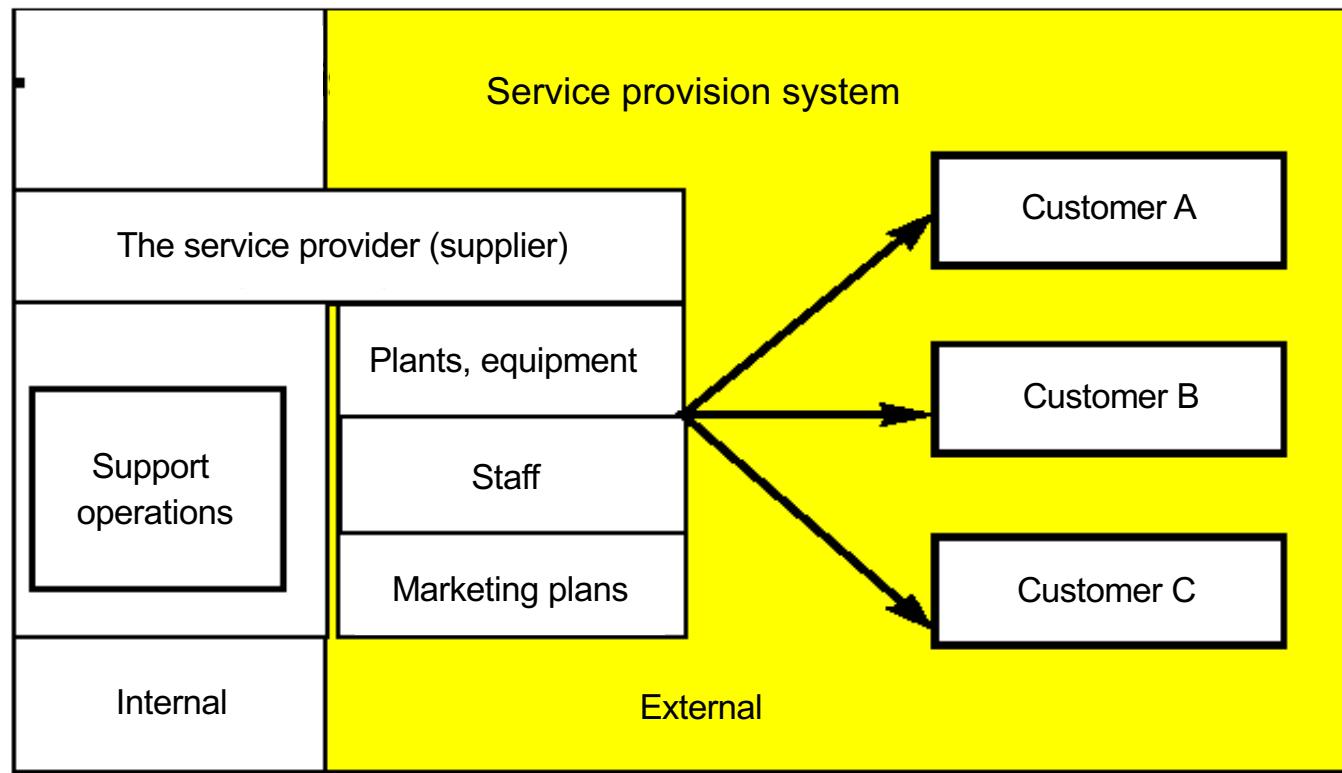
- ◆ A service is an activity or series of more or less **intangible activities** which usually, but not always, involve an interaction between the customer and the providing personnel and/or individuals or goods and/or systems of the providing entity, for the purpose of providing solutions to a customer's problem. (Giacomazzi, 2002).



A service consists of *facts*, produced by a combination of means or people.

It has no form or stable structure.

It cannot be possessed or stored but only provided.



Services are (very often) characterized by :

- ◆ Intangibility
- ◆ Non-storeability
- ◆ Heterogeneity (variability of quality)
- ◆ Variability

- ❖ A service normally involves goods and people in a set of organizational and composition rules that establish the proportions, functions, methods and timing of use.
- ❖ Goods and services are two completely different entities; the former are individual objects, defined and mastered, with an established form and which can therefore be measured at any given moment. The latter are actions or retroactions of goods on the subject, of the subject on goods or from goods to other goods.

1. **Basic services:** supply of products
2. **Intermediate Services:** Product Repair, Condition Monitoring, Field Service, and Customer Support
3. **Advanced services:** pay per use, fleet management, availability agreement and integrated solution

- Production and consumption inseparable in services
- Benefits without Ownership
- Labor, skills and expertise rentals
- Rented goods services
- Defined space and facility rentals
- Access to shared facilities
- Access and use of networks and systems

Source: Prof. Keith Perks

Services in the Global Economy

- Increasing size of the service sector across the globe
- The relative share of employment between agriculture, industry and services is changing dramatically
- Service output is growing rapidly and represents more than 50% of Gross Domestic Product (GDP) in the industrialized countries
- Government policies, social changes, business trends, globalization, and advances in information technology and communications are among the powerful forces transforming today's service markets
- Development of IT and communications
- Innovations in big data, cloud computing, user generated content, mobile communications, networking technologies, artificial intelligence, and app-based self-service technologies bring service revolution

Organizations providing service:

- ◆ **Public institutions:** police and fire department, post office, public administrations, hospitals, etc.
- ◆ **Private not-for-profit organizations:** schools and universities, charity, museums, etc.
- ◆ **Industrial organizations:** banks, airlines, hotels, law firms, consultancy, telecommunication, etc.

Services have also become an important value-adding and differentiating strategy for products manufacturers, distributors and retailers

The reasons that induce a manufacturing company to undertake the product-service strategy are different and to a large extent attributable to the needs that companies feel today to compete:

1. the reduction of product profitability
2. the (presumed) best margins obtainable with the services
3. the greater stability of revenues and cash flows that the services can ensure

Core Product

- ‘What’ the customer is fundamentally buying
- The core product is the main component that supplies the desired experience

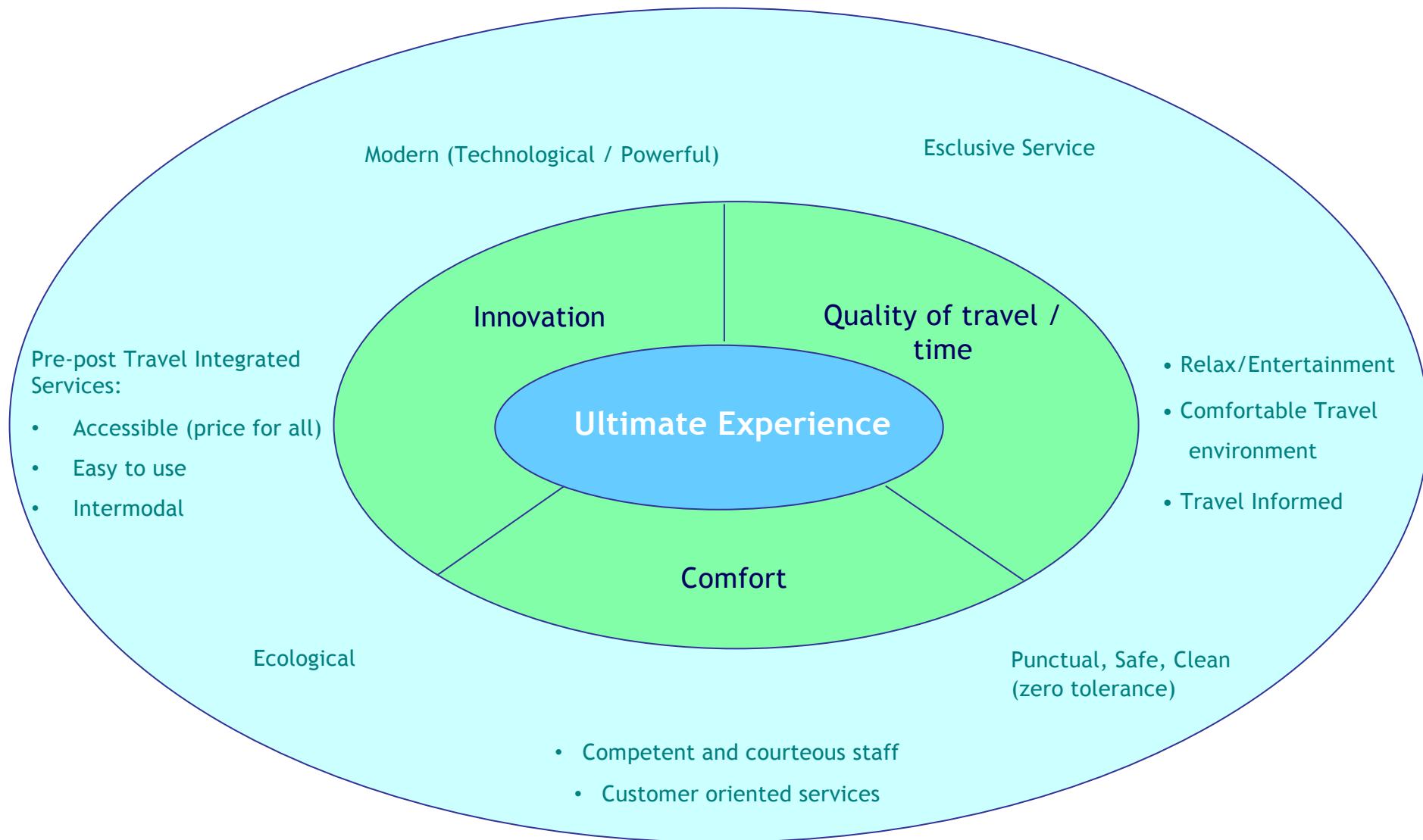
Supplementary Services

- The core product is usually accompanied by a variety of other service related activities referred as supplementary services
- Supplementary services augment the core product, both facilitating its use and enhancing its value

Delivery Processes

The processes used to deliver both the core product and each of the supplementary services

Example: Brand promise Italian High-Speed trains



The promise of service

An "offer" able to interest, be credible and convince a customer (problem solving) better or in a distinctive way compared to those of competitors. Through the promise, the company seeks to ensure distinctiveness in the relationship with the customer.

Answer the 3 key questions:

What the performance

To whom the customer

How in order to meet customer expectations

A total organizational approach that makes the quality of the service, as perceived by the customer, the underlying inspirational force in the management of the company

The general orientation of company management changes:

- From the benefit based on the product to the total benefit in the relationship with the customer
- From short-term transactions to long-term relationships
- From the technical quality of the product to the total quality perceived by the customer

The customer judges the **quality of the service** he receives based on the quality of the result obtained (good lunch at the restaurant) but also based on the quality of the process through which it passed (waiting times, staff behavior, ordering methods, etc.)

The processes are particularly important when the customer interacts significantly with the **service provider** (i.e. for a significant portion of the service production process) and/or when the result of the service is not clearly perceptible/measurable (legal services, doctors, car repairs, teaching)

1. know the customer's expectations
2. identify the expected result
3. engineer the process
4. make the process economical
5. measure customer satisfaction and results
6. improve the process
7. guarantee consistency and quality of service

Key task of a service company

The key task of the service company is to manage the various features, with particular emphasis on the processes and care of front-line personnel

- manage the evidence
- take care of front-line staff
- standardize performance
- planning the activities

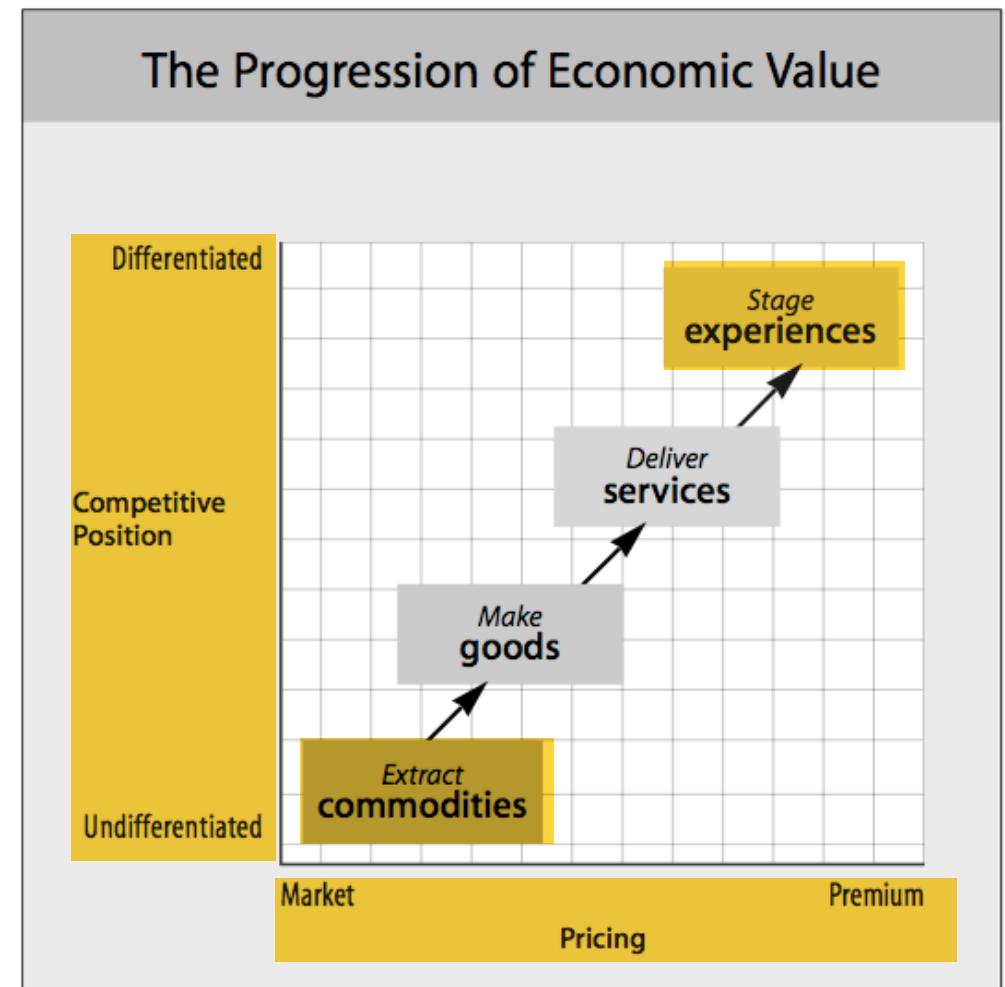
What does customer experience mean?

*Customer experience originates from a set of **interactions** between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly **personal** and implies the customer's **involvement at different levels** (rational, emotional, sensorial, physical, and spiritual) (Gentile et al., 2007)*

*Customer experience is defined by the direct contact of the customer with the different **touchpoints** in order to generate, through the **five senses**, changes that may be **functional, cognitive** and **emotional** in nature. Interaction after interaction, the value perceived by the customer in terms of quality of the experiences tends to enhance (Boaretto et al., 2007)*

Why customer experience is so important?

Economists have typically lumped experiences in with services, but experiences are a distinct economic offering, as different from services as services are from goods. (Pine and Gilmore, 1998)



Why customer experience is so important?

The ability to offer a relevant customer experience is a source of competitive advantage!

There are different levels of brand involvement

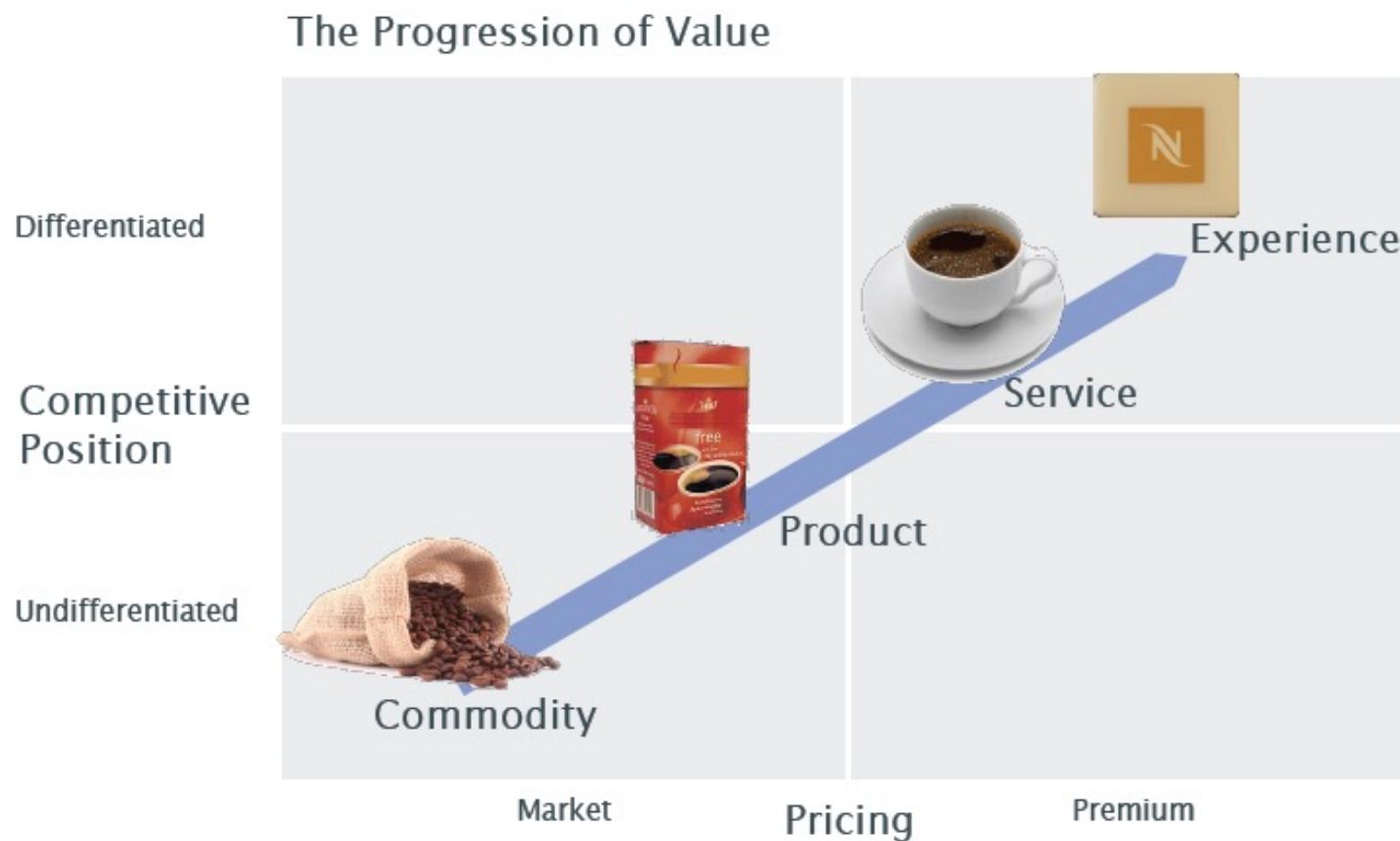
Rational/Cognitive

Emotional

Sensorial

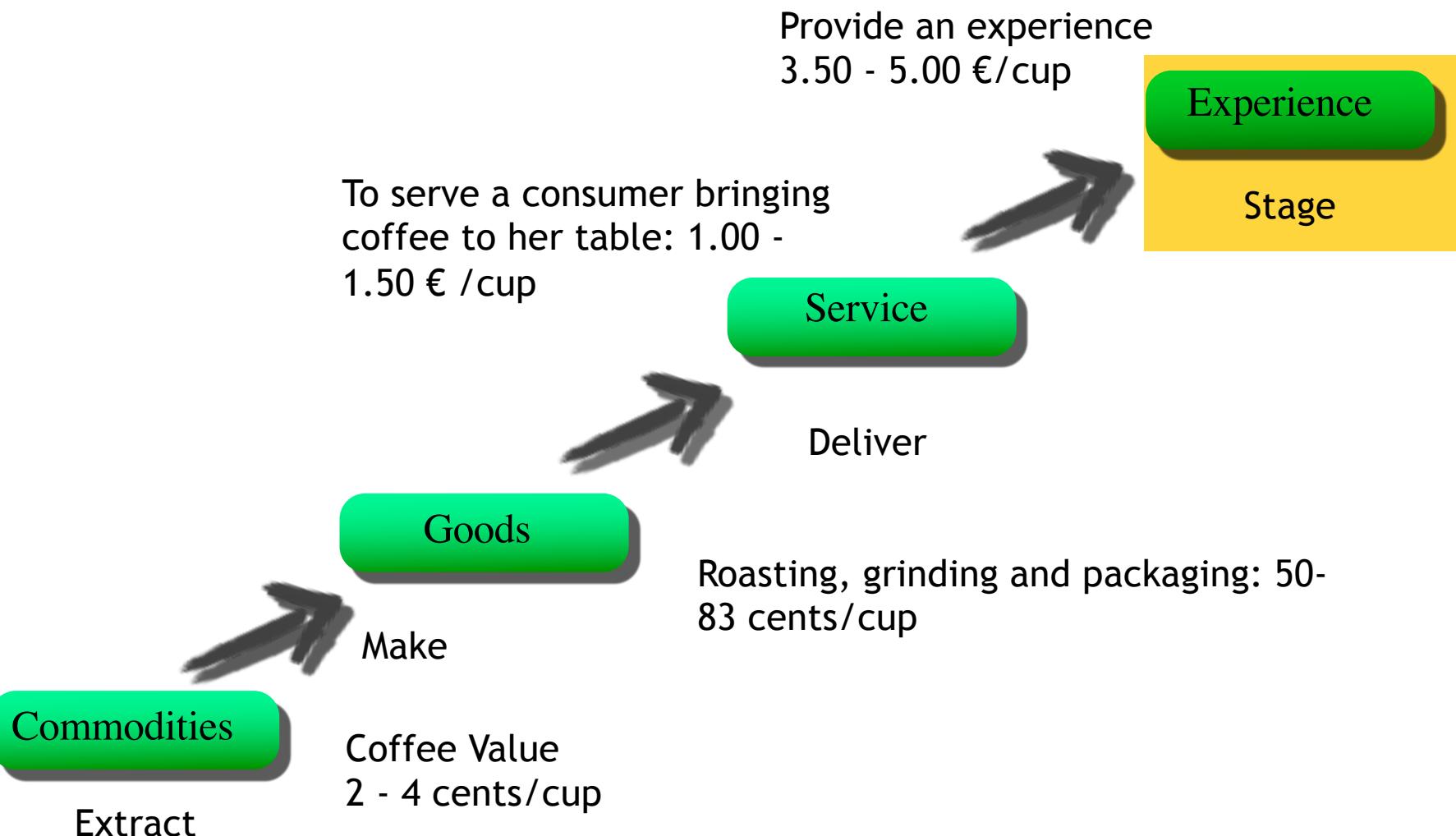
ecc.

Customer **experience** as a source of competitive advantage



From product-centric, to service-centric, to experience-centric offer

...to reach a premium-price

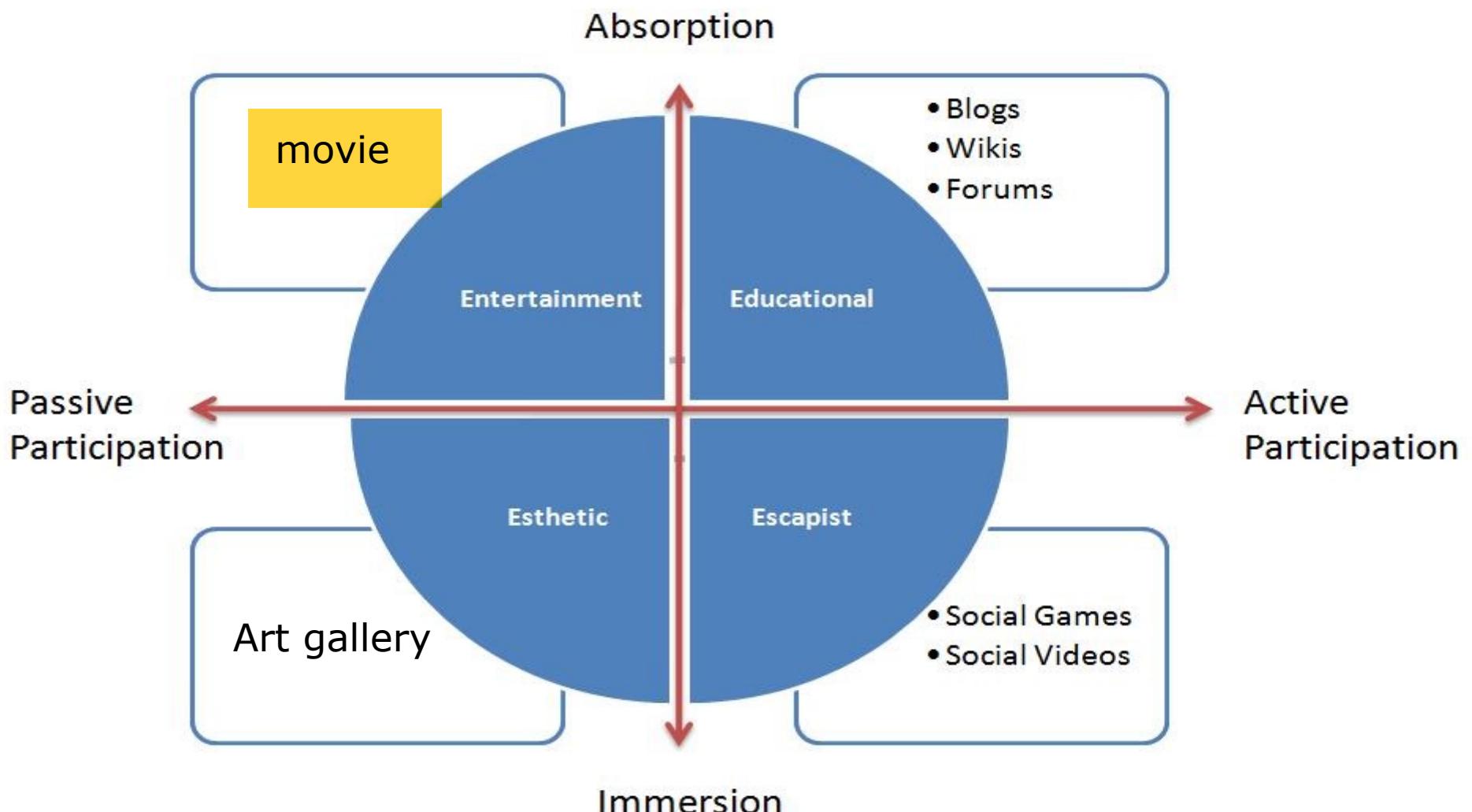


We live in a world in which **attention and retention** are the real scarce resources

Customer remember and value great experiences:

- ❖ **Word of mouth**
- ❖ **Loyalty**
- ❖ **Customer involvement with the brand (co-creation, advocacy, etc)**

The Four Realms of an Experience



Intimate, holistic

Experience

Intangible, depending on
human resources

Service

Tangible, stable,
storeable

Product



**POLITECNICO
DI MILANO**



Marketing Mix

Branding

3rd November 2022

Prof. Alberto Cellini

1. Brand
2. Brand positioning
3. Brand Portfolio and Architecture

1. Brand

What is a Brand

- It's a mark
- Different forms: name, logo, symbol, design, or combination of those
- Set of associations or known descriptions
- Stored in people's mind
- Purpose: to differentiate

Holt (2003): “Brand is perceptual entity, rooted in reality”

AMA definition

Brand

*“A brand is a brand **name**, a **term**, a **symbol**, a **design** or a combination of these, that aims at **identifying** the products or services of a company, or of a group of companies and at **differentiating** them from those of competitors”*

Which connection with the positioning process?

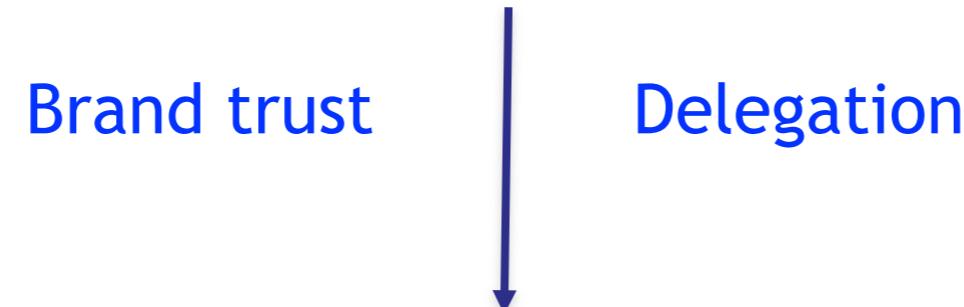
What is the Brand role?

1. Identify the product/service
2. Quality Image of the product/service
3. Quick reference for the customer
4. To bring more revenue to the company
5. To leverage different products or services
6. To reflect personality
7. As guarantee for the customers

The principle of cognitive economy: the brand's power

PRINCIPLE OF SCARCITY -----> PRINCIPLE OF COGNITIVE ECONOMY

Cognitive economy states that because customers' information processing capacity is finite, they will often trade off accuracy of results and optimal outcomes for efficiency of information storage and processing



BRAND PROMISE

In a world of practically infinite choices, consumers gravitate toward a brand or product they trust to deliver on its promises

The importance of the brand

The importance of the brand is defined by differ phenomena

Hyper-competitive markets

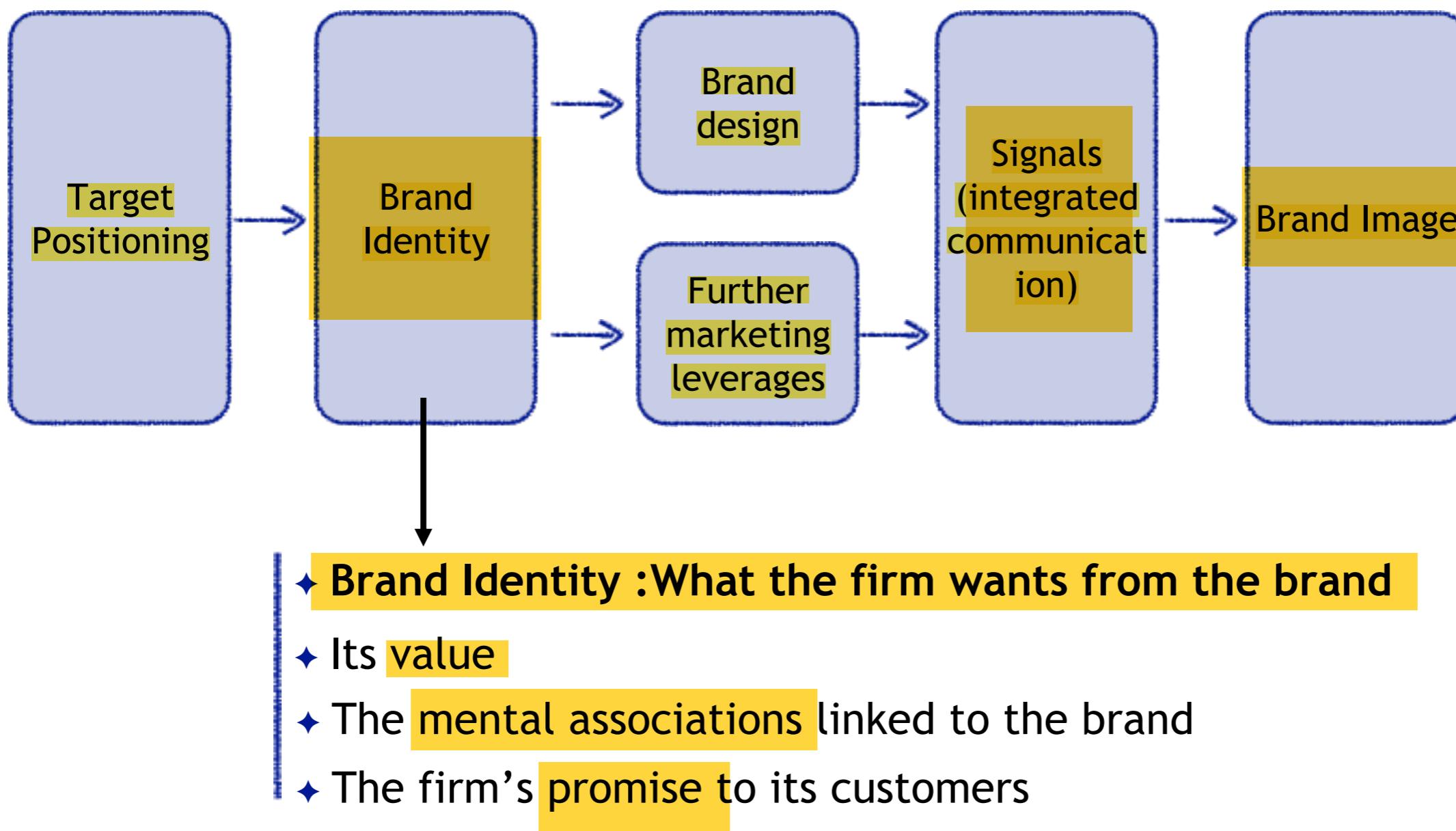
- ◆ Focus on consumers' loyalty
- ◆ Create a clear and coherent value proposition to be transferred to the market

The effects on the competitiveness

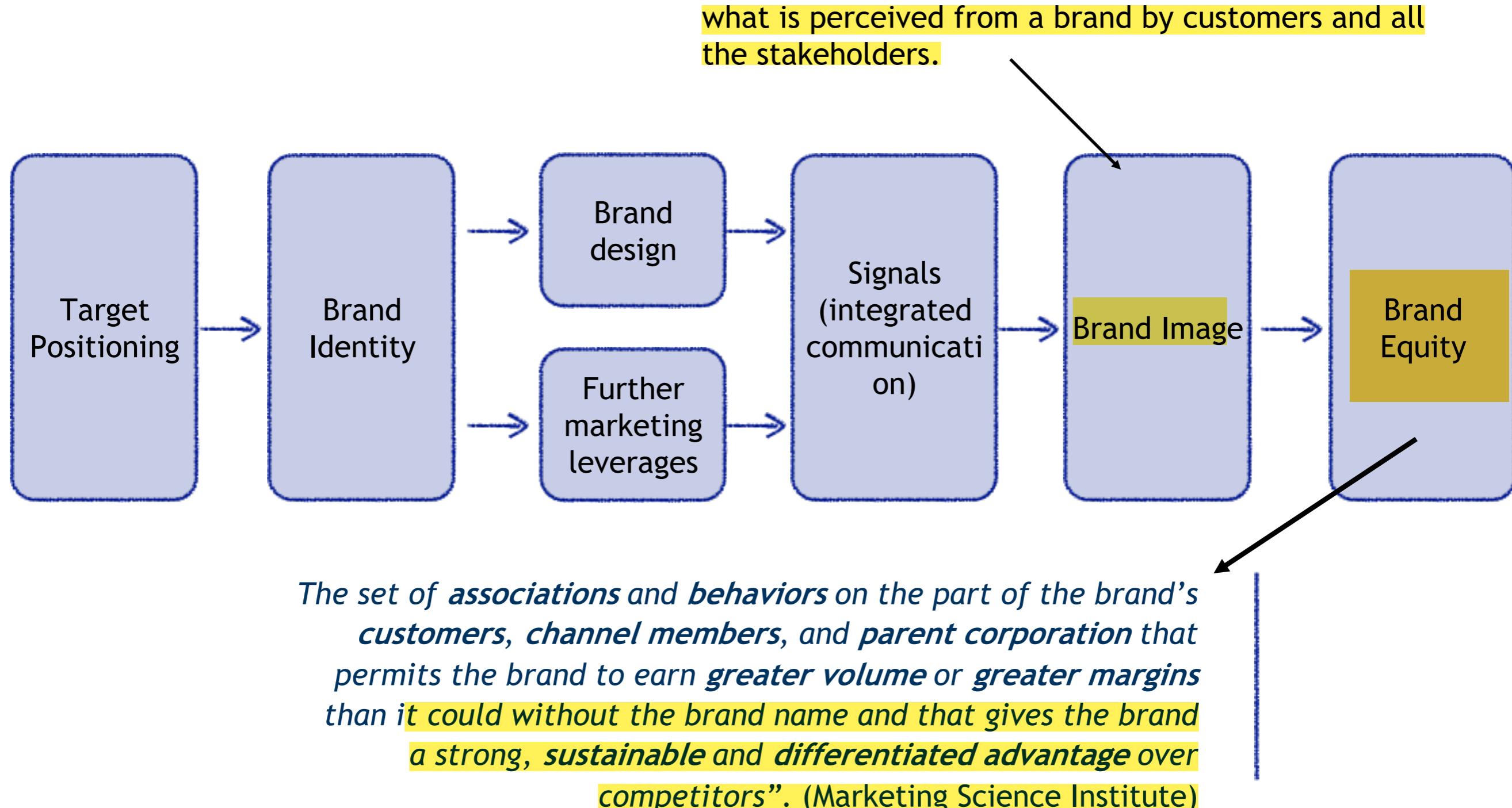
“Brand-guided companies outperform their rivals, thus achieving above-industry average results” (*Booz Allen Hamilton, 2005*)

“If you are not a brand, you are a commodity. Then prices is everything and the low-cost producers is the only winner” (*Philip Kotler, 2004*)

How to build a brand?

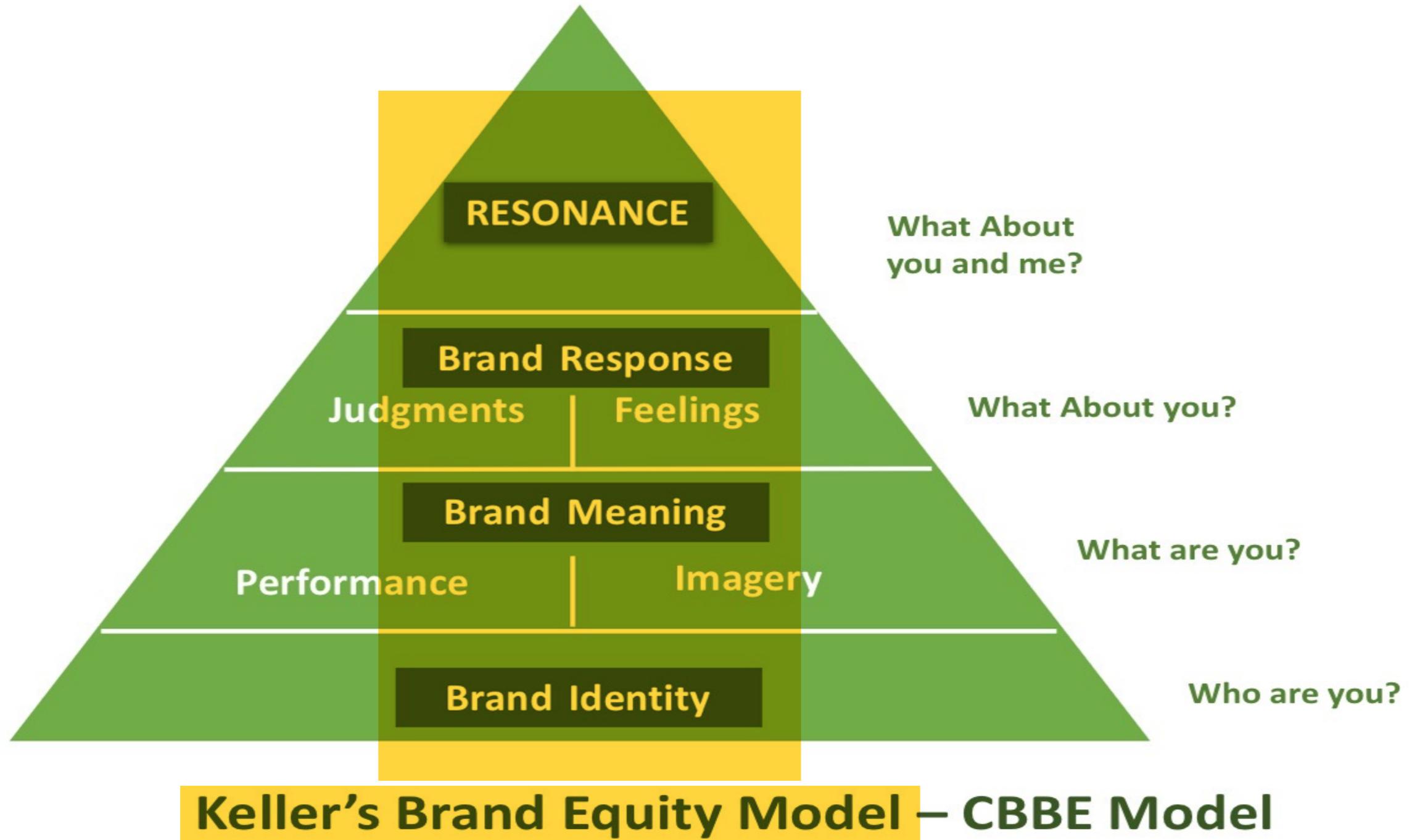


How to built a brand?





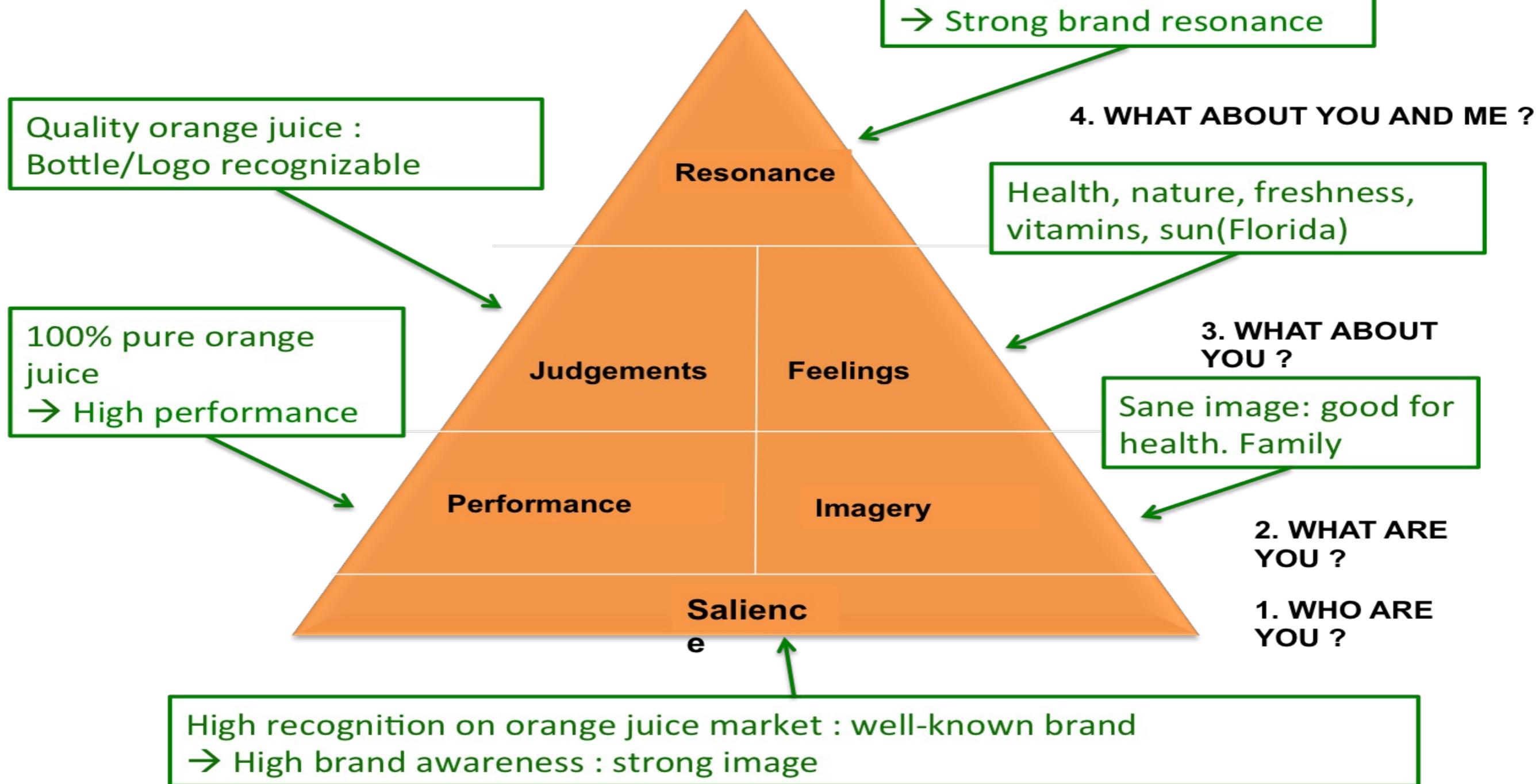
Brand Equity



Brand Equity



Brand Resonance Pyramid



Benefits of Brand Equity

- Higher prices, margins
- Channel power
- Additional retail shelf space
- Reduces customer switching
- Prevents erosion of market share

Brand metrics measure return on branding investments.

- **Attitudinal measures**

- **Awareness**-the extent to which consumers are familiar with the qualities or image of a particular brand
- **Recall** -tested by asking questions such as "name as many smartphone models as possible"
- **Recognition** -the extent to which a consumer can correctly identify a particular product or service just by **viewing the product or service's logo, tag line, packaging or advertising campaign**
- **Brand Image** - the perception of your **brand** by consumers.

Brand value Interbrand 2014. And today?- Live

2014 Rank	Brand	Region/Country	Sector	Brand Value	Change in Brand Value
01		United States	Technology	118,863 \$m	+21%
02		United States	Technology	107,439 \$m	+15%
03		United States	Beverages	81,563 \$m	+3%
04		United States	Business Services	72,244 \$m	-8%
05		United States	Technology	61,154 \$m	+3%
06		United States	Diversified	45,480 \$m	-3%
07		South Korea	Technology	45,462 \$m	+15%
08		Japan	Automotive	42,392 \$m	+20%
09		United States	Restaurants	42,254 \$m	+1%
10		Germany	Automotive	34,338 \$m	+8%

Developing Strong Brands

Begins with understanding why consumers buy a brand.

- Where does your brand stand now?
- What are your objectives?
- What are your brand's Strengths? Weaknesses?
- Which opportunities should be pursued first?
- Where are the pitfalls?

Mc Donald brand equity..?

Food tasting experiment



VS



2. Brand positioning

Brand positioning

- ◆ Phase 1 - Defining a competitive frame
 - Targeting
 - Identify the main competitors
- ◆ Phase 2 - Defining points of parity (POP) and points of difference (POD)
 - How the company is different to competitors (POD)
 - How the company is similar to competitors (POP)



Defining the competitive frame: the playing field and the competition

Who are your competitors?

Are they the companies that most often pitch for business alongside yours?

Are they the brands that sit beside yours on the shelf?

Are they the offerings that appear near your brand on search-page rank?



- ◆ Instead of asking which brands you consider your competitors, ask **which brands the customer considers before making a choice**
- ◆ The list inside the customer's mind is more relevant and indicative of your true competition than the one prepared by your own analysis

Defining points of parity and points of difference: POP

Which types of POP exist?

Catergory POP

Associations and features perceived as **necessary** for a brand to be an alternative within a category

E.g.: if a bank does not offer accounts, credit cards, ATM, cheques, etc. it is not considered as a real bank

Competitive POP

Associations and features introduced to **neutralize** competitors' POD

E.g.: merchandising in snacks



Defining points of parity and **points of difference: POD**

UPSTREAM POINT OF DIFFERENCE

Companies seeking a wrinkle to exploit in the upstream tend to home in on advantages such as **new products, technologies, features, low-cost sources of supply, and efficient production processes**

DOWNSTREAM POINT OF DIFFERENCE

Downstream sources of competitive advantages reside in the **firm's knowledge of**, and her links with, her customer base and their knowledge of her.

Brand positioning

Objective

- ◆ “Even out” the associations in which competitors create a competitive advantage (POP)
- ◆ “Win” through POD

Let's define POP and POD for a female perfume

Possible **POP**

- ◆ *Pleasant flavour*
- ◆ *Long lasting flavour*
- ◆ *Expression of self personality*



Possible POD

- ◆ *Design*
- ◆ *Legacy, tradition, myth*
- ◆ *Testimonials*

Building a myth - Chanel n. 5

- ◆ Coco Chanel asked Ernest Beaux 6 fragrances
- ◆ These perfumes were labeled No. 1, No. 2, etc. until No. 6
- ◆ Coco Chanel picked the 5th
- ◆ *“I want to provide women with a synthetic perfume”
“I mean synthetic, as a dress, something created. I do not want a rose perfume, I want a composition, a blend” (Gabrielle Chanel)*
- ◆ N°5 was the first perfume to use flower aldehyde top notes

POP and POD: 1921

POP

- ◆ Pleasant flavour

POD

- ◆ Revolutionary composition
- ◆ Long lasting (fixing principles)
- ◆ Synthetic aldehydes as top note



Which POP & POD in 2010?

Most 1921 POD have become POP

- ◆ Revolutionary composition
- ◆ Long lasting (fixing principles)
- ◆ Synthetic aldehydes as top note

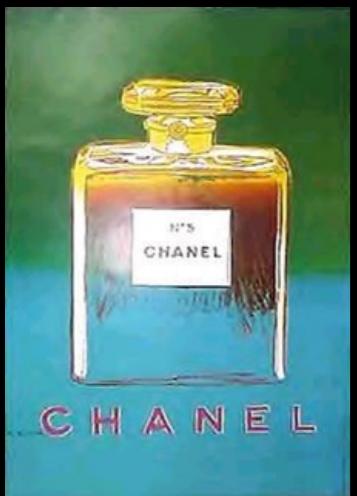




Brand positioning

I Chanel N°5 POD in 2012

- ◆ Myth
- ◆ Outstanding artist
- ◆ Testimonials
- ◆ Marketing campaigns





And then...





Managing brand portfolio

Brand portfolio and architecture

-“Brand portfolio” is both owned brands and brands linked through alliances, which are considered as a team of brands working together, each with assigned roles to enable and support business strategies- Acker

What does “Brand Architecture” mean?

- ♦ *Brand architecture is a structure of all brands that a company has. The structure shows relationship between brands and reflects the brand strategy of the company.*

A brand architecture defines:

- ♦ *The different “brand groups” within the organization*
- ♦ *The way the corporate brand is related to other brands and how synergies are created among them*

Brand portfolio and architecture

Managing a brand portfolio means:

- ◆ to decide the **number of brands**
- ◆ to define each **brand role** into the **portfolio**
- ◆ to define **relations among brands**

Armani transforms its brand in a “Lifestyle brand”:

- Reinforce image of a lifestyle provider
- Represents designer philosophy in each piece

- Women's fashion
- Men's fashion
- Children's fashion
- Jewelery
- Watches
- Eyewear
- Beauty
- Home
- Services
- Others



Brand portfolio and architecture

Managing a brand portfolio impacts on:

- ◆ **Resources:** R&D's & marketing's
Identifying the brands to be focused on
- ◆ **Efficiency:** economies of scale & scope
- ◆ **Growth:** defining priorities (markets to be focused on)
- ◆ **Leverage:** exploiting the brand extension leverage

Types of brand relationships

- ◆ Branded house
- ◆ Sub brands
- ◆ Endorsed brands
- ◆ House of brands

Branded house

- ❖ A single identity that encompasses all products (example: Apple, Samsung, Siemens)
- ❖ Brand strategy implications:
 - Advantages: requires fewer resources, minimize misunderstanding, easier alignment
 - Disadvantages: inability to appeal diverse consumer segments, generic brand campaign which might not be memorable, creativity is hindered, consequence of failure is larger

Sub brands

- ◆ A strong brand at a level under the master brand (i.e. a sub brand). Example: Nike Air Jordan, Lenovo Thinkpad , Fiat 500

Brand strategy implications:

- Advantages: both brands (master and sub brands) give each other recognition and create new associations that can help the market's understanding of both brands, helps growing market share and shareholder benefits, greater loyalty from distribution partners
- Disadvantages: complexity and expenses are added to marketing communication, may dilute or confuse master brand, complex distribution strategy, create a single point of attack for competitors.

♦ Endorsed brands

- ♦ Independent brand, which is overtly endorsed by a master brand (example: Polo by Ralph Lauren, Novotel by Accor Group, Taillefine by Danon etc)

Brand strategy implications:

- Advantages: provide credibility for the endorsed brands, endorsed brand benefits from the master brand's reputation, can break into competitor's territory
- Disadvantages: can be expensive, too many endorsement may signal weak sub-brands, greater consequences of failure

❖ House of brands

- ❖ • Multiple strong brands housed in a deemphasized, weak or unknown corporate entity (example: Procter & Gamble, Kao etc)

Brand strategy implications:

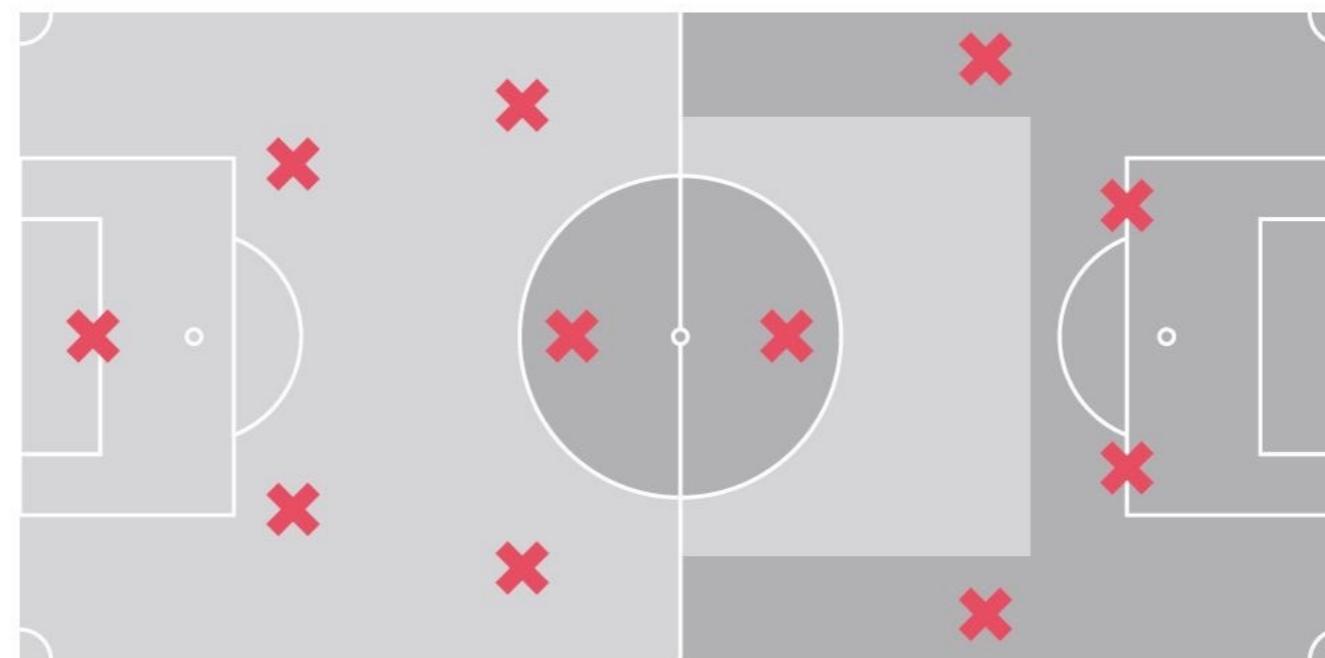
- Advantages: each brand can maximize impact on market or niches, individual brand can be specified to fit a target market, increase variations of new revenue streams, more creativity and talents
- Disadvantages: little or no leverage can be used with the parent association, more expensive, creating internal rivalries, hard to unify customer loyalty, confusing image (may not be aligned perfectly), greater consequences of failure

Brand portfolio and architecture

The ideal portfolio?

The football team metaphor...Not often true!!!!

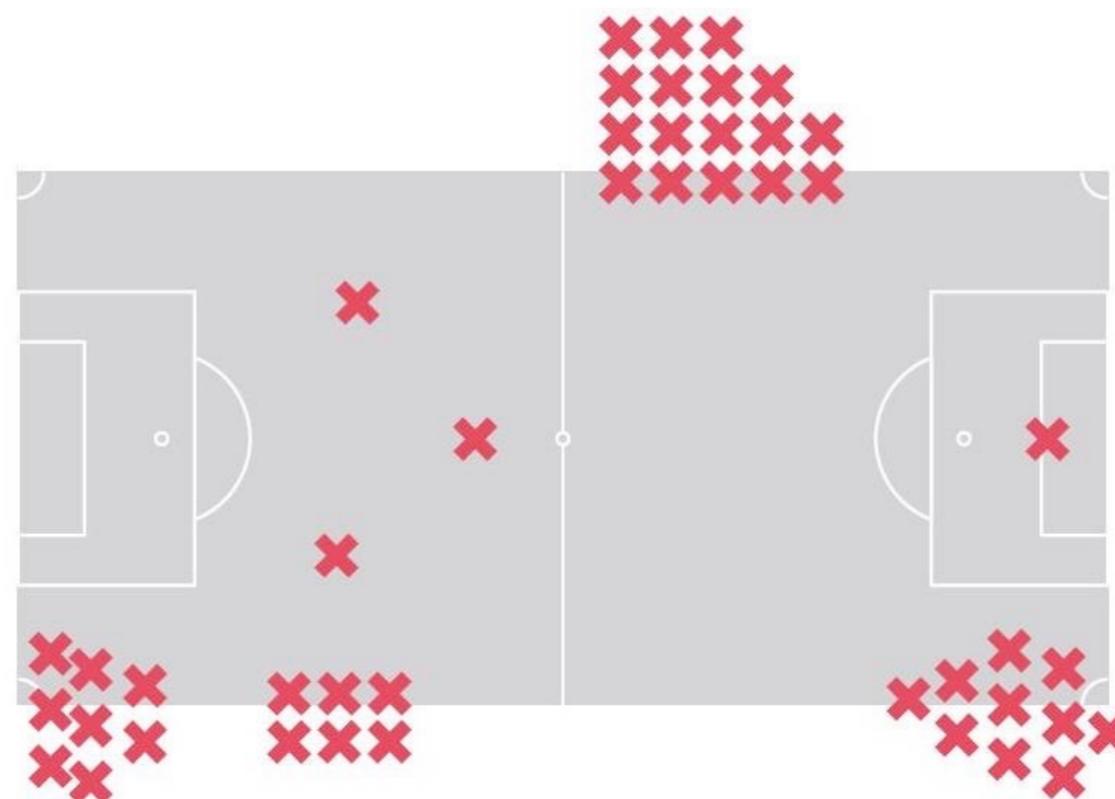
- ◆ Each brand covers its own area, without too much overlapping
- ◆ Each player, with its specific role, contributes to the whole team result



Brand portfolio and architecture

A typical portfolio

- ◆ Lots of overlapping situations: cannibalization, entropy
- ◆ Important areas not covered



Building of a luxury empire

LVMH Group was born from a merger in 1987 between Moet Hennessy and Louis Vuitton. At that time the conglomerate grouped together the champagne and cognac houses, fragrance company Parfums Christian Dior, and Loewe, owned by Moet Hennessy and Parfums Givenchy and Louis Vuitton fashions of the Louis Vuitton group.

From 1988 to 1997 the group laid the foundation of its empire by acquiring new brands to its portfolio. It was the time of the fashion house Givenchy, champagne maker Pommery, fashion designer Berluti and then Kenzo, perfume maker Guerlain, jeweler Fred, and so forth.

From 1997 to 2001 the group expanded to new sectors (retailing) and consolidated its position in the traditional areas by acquiring new brands

Years from 2001 to 2003 were tough years for the whole industry, and for LVMH group as well. The group pruned out some non-strategic assets and concentrated its efforts in the most promising areas.

Example: the LVMH galaxy

The houses of LVMH

Wines and Spirits	Perfumes and Cosmetics	Watches and Jewelry	Fashion and Leather Goods	Selective Retailing	Other Activities
Moet Chandon	Parfums Christian Dior	Tag Heuer	Louis Vuitton	Sephora	e-Luxury
Dom Perignon	Parfums Givenchy	Montres Christian Dior	Loewe	Duty Free Shopper	L Capital
Mercier	Guerlain	Zenith	Celine	Miami Cruiseline	DI Group
Ruinart	Parfums Kenzo	Ebel	Berluti	Le Bon Marchè	
Veuve Clicquot	Acqua di Parma	Chaumet	StefanoBi	La Samaritaine	
Canard-Duchene	Make Up Forever	Fred Paris	Kenzo		
Krug	Fresh	Omas	Givenchy		
Chandon Estates	Benefit	DeBeers LV	Christian Lacroix		
Cloudy Bay	Bliss		Marc Jacobs		
Cap Mantelle			Thomas Pink		
Newton			Emilio Pucci		
Mount Adam			Donna Karan		
Chateau d'Yquem			Fendi		
Hennessy					
Hine					

International Implications

- Adaptation vs. standardization
- Standardization reduces costs
- Shrinking world → standardization
- High-profile, high-involvement - global brand
- Low-involvement products - local brand
- Packaging and labeling
- Image and positioning issues



November 16th, 2023

Strategy and Marketing within a Global B2B Industrial Company 'The ITT Case'

Lorenzo Bonadeo
Director, Strategy and Business Development
ITT Connect and Control Technologies

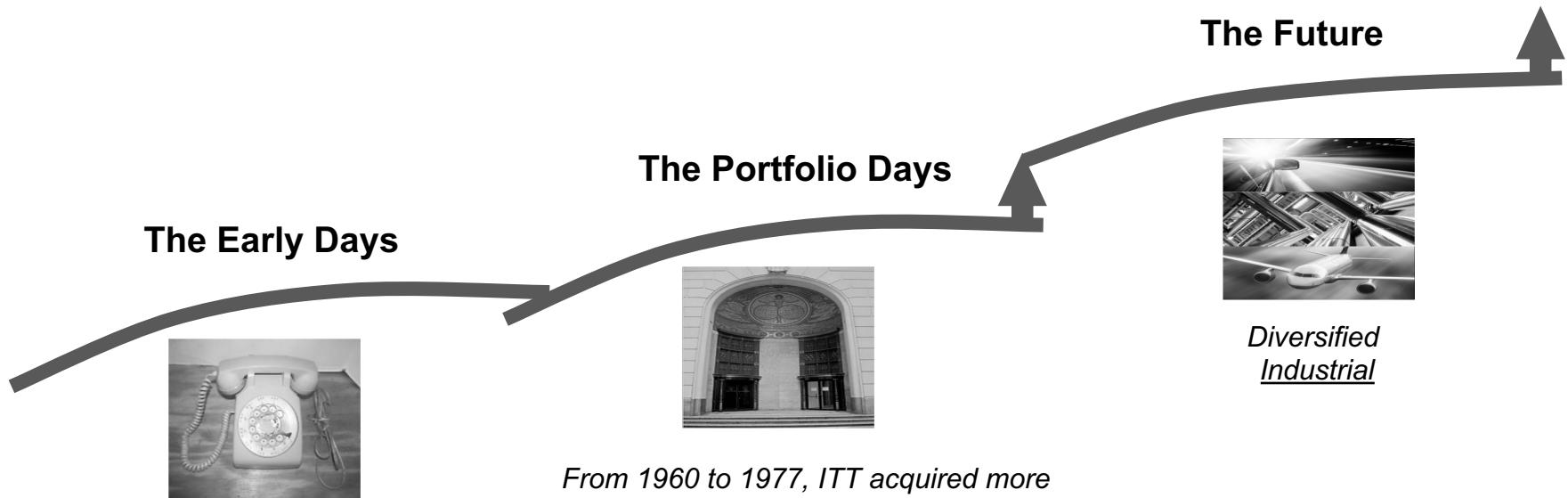


ENGINEERED FOR LIFE

103 Years of History

Founded in 1920, ITT begins life as International Telephone & Telegraph before transforming into today's global diversified industrial technology player

[ITT History](#)



The original ITT was created by two brothers who set out to build the first worldwide system of interconnected telephone lines

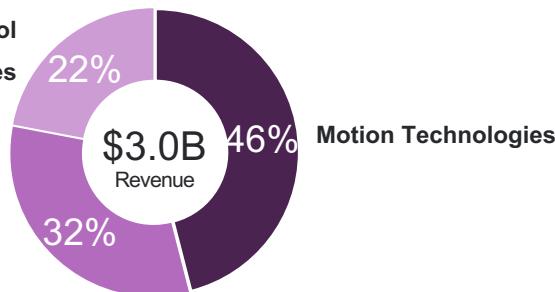
From 1960 to 1977, ITT acquired more than 350 companies including Sheraton hotels, Avis Rent-a-Car, Hartford Insurance and Continental Baking, the maker of Wonder Bread

ITT at a Glance

ITT is a diversified leading manufacturer of highly engineered critical components and customized technology solutions for the transportation, industrial, and energy markets

Key Facts

Connect & Control Technologies



Industrial Process

~ 10,000
Employees

1,250+
Engineers

30+
Global Brands

1,500+
Active Patents

49
Manufacturing Locations

~ \$200M
Annual R&D and Capital Investments

Global Presence / Main Locations

NYSE: ITT

North America

Stamford, CT
(Corporate HQ)
Valencia, CA
Irvine, CA
Seneca Falls, NY

Europe

Barge, Italy
Weinstadt,
Germany

Asia Pacific

Shanghai, China
Shenzhen, China



Operations in 35 Countries

ITT's Leading Brands

MOTION
TECHNOLOGIES

GALT.

KONI

AXTONE



INDUSTRIAL
PROCESS

GOULDS PUMPS

Bornemann

HABONIM
Industrial Valves & Actuators



CONNECT & CONTROL
TECHNOLOGIES

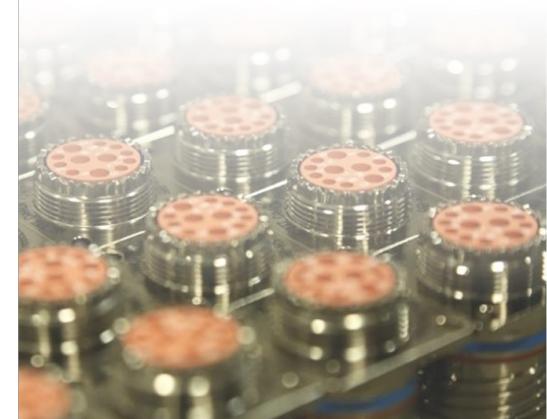
cannon

ENIDINE

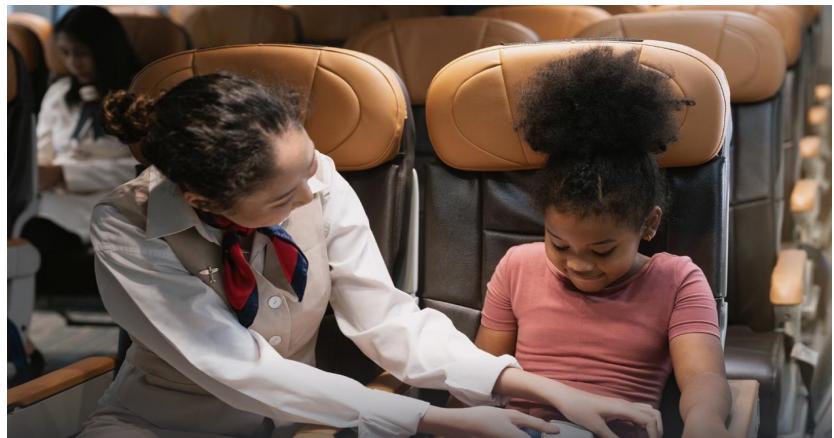
veam



Micro-Mode



Products that Touch Everyday Life



Discovering ITT Connectors (VIDEO)



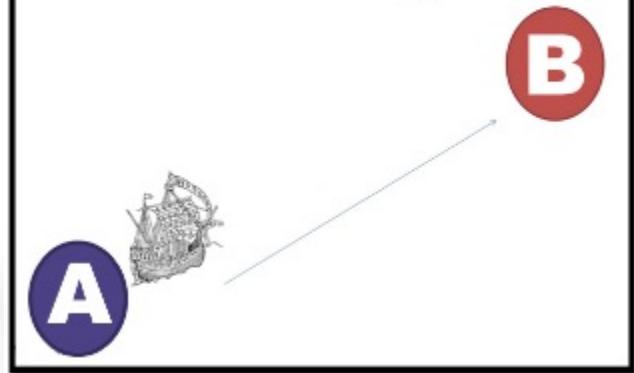
Strategy @ ITT

“Nobody really knows
what strategy is.”

The Economist



What is Strategy



PLAYING TO “WIN”

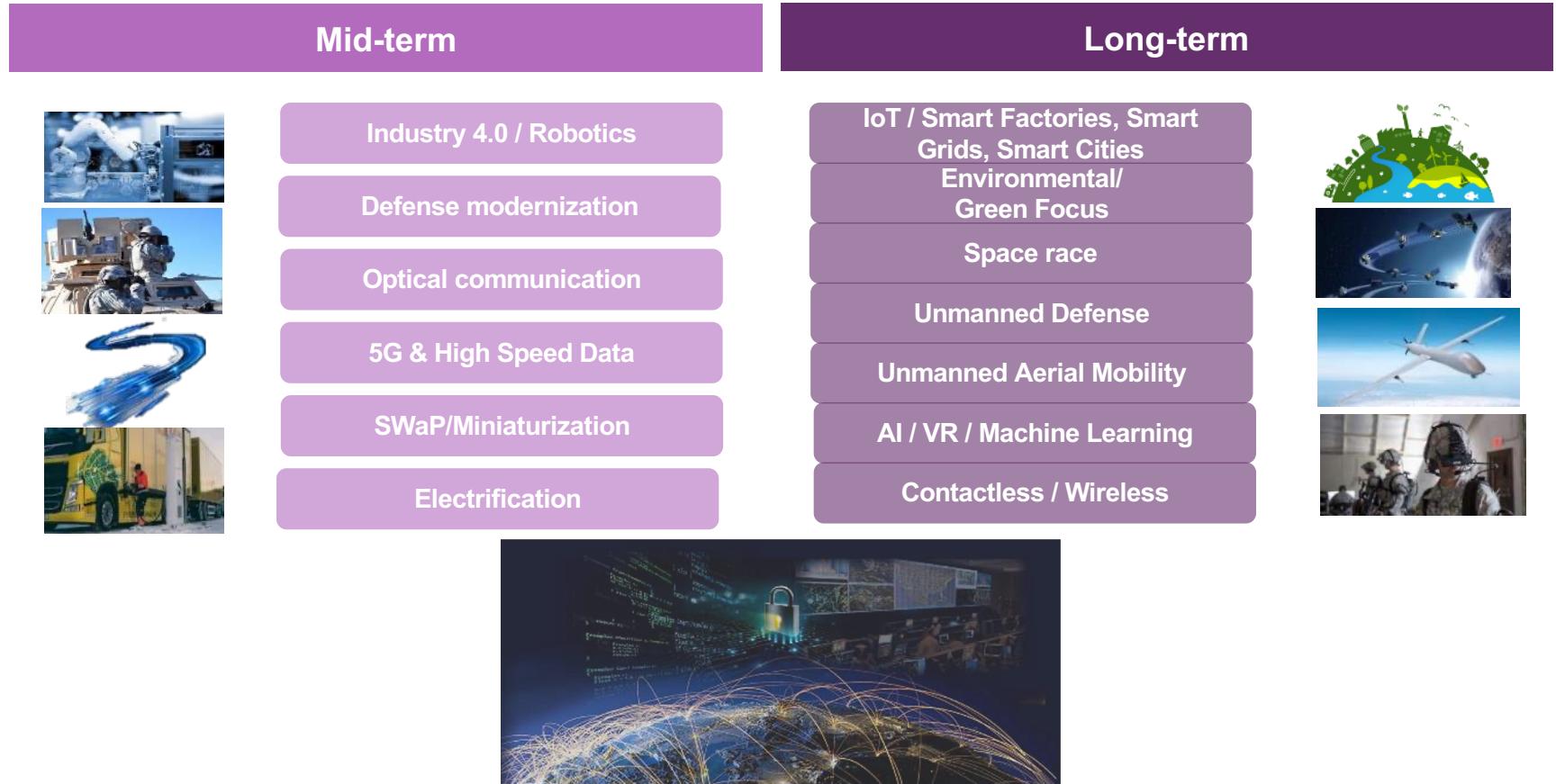
“WIN” = outperform market and competition



Key Elements of a Strategic Plan at ITT

- 1. Winning Aspiration & Mission**
- 2. Strategic Pillars/Priorities**
- 3. Trends and Dynamics (Macro, Micro, Technology, etc.)**
- 4. Market Overview (Market Size, Growth, Market Share)**
- 5. Competitive Position**
- 6. Growth Initiatives**
 - **Go-to-Market**
 - **Core Markets**
 - **Regional Expansion**
 - **Adjacent/New Markets**
- 7. Operational Excellence Initiatives**
- 8. Innovation Projects**
- 9. People Priorities**
- 10. Inorganic Strategy (Mergers & Acquisitions)**
- 11. Financial Projections**

3.1 Industry and Technology Trends



3.2 Trends and Implications (Transportation)

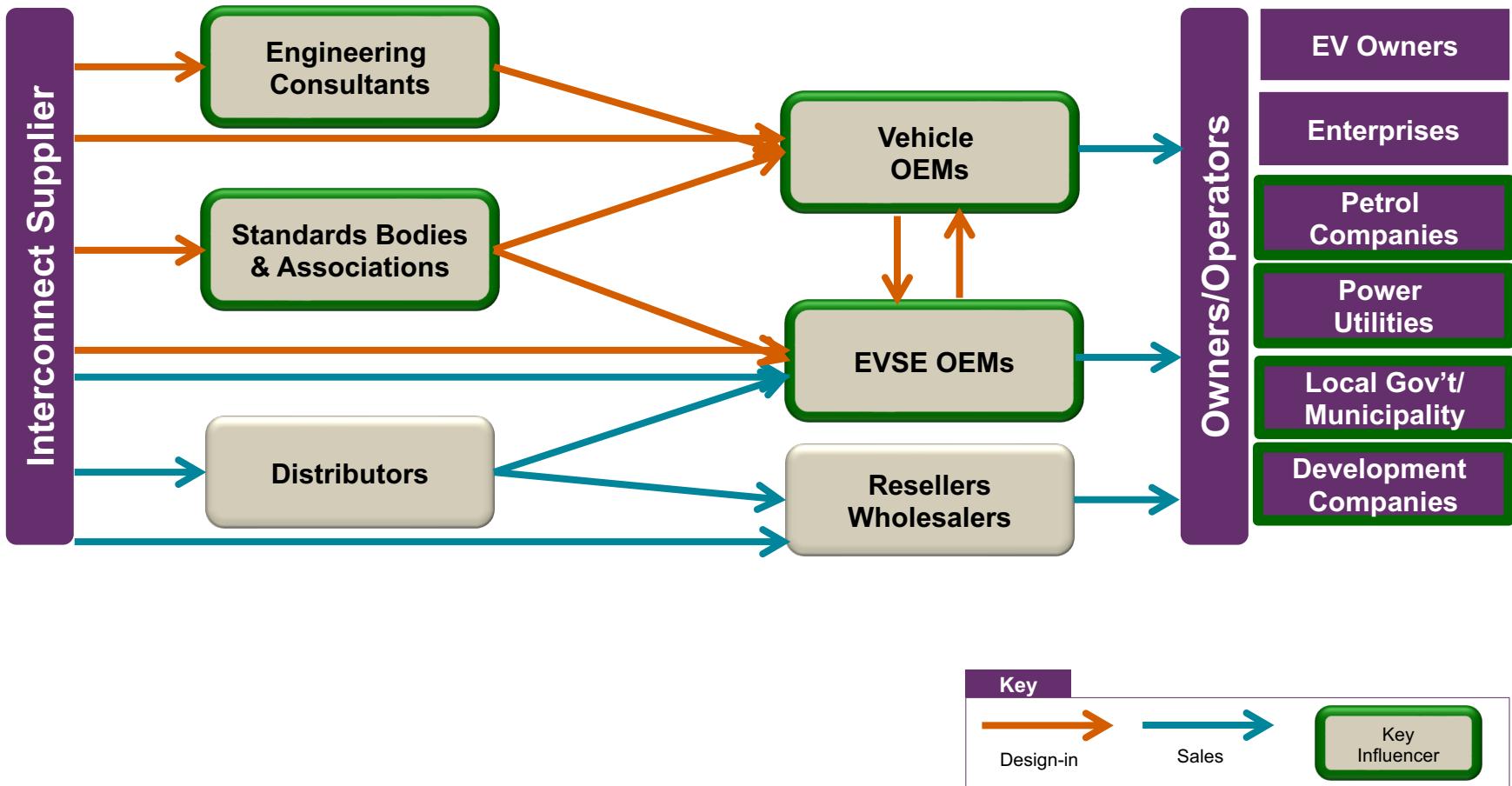
	Is Important for ITT?	ITT Readiness			Comments	
		NA	EMEA	APAC		
Construction and Freight	✓	○	○	○	<ul style="list-style-type: none"> Infrastructure modernization and global construction Freight driving heavy vehicles 	
EV Charging Infrastructure build-up	✓				<ul style="list-style-type: none"> Sustained growth supported by subsidies Multiple use cases (home/workplace, destination/public, fleet) driving AC and DC 	
Heavy Vehicle Electrification	✓				<ul style="list-style-type: none"> 30%/y new commercial vehicles electric by 2030 	
Higher-Power EV Charging	✓				<ul style="list-style-type: none"> Speed of charging in public places critical for EV adoption 	
Connected Vehicles	✓?				<ul style="list-style-type: none"> Increase in intelligent and communication systems on-board, more wiring needed 	
Megawatt Charging Systems	✓				<ul style="list-style-type: none"> New industry standard for Commercial Vehicles Will likely extend to Aerospace and Marine 	
Autonomous Vehicles	✓?				<ul style="list-style-type: none"> Networks of sensors will require high-speed interconnect (e.g. Single Pair Ethernet) 	
 Short-Term Trend  Mid-Term Trend  Long-Term Trend		 Important Trend  Need to collect more information		No Product/ No Customer Intimacy	    	Product Ready/ Customer Intimacy

5. Competitive Position (at Market Level)

Competitor	Cost Position	Customer Experience	Portfolio Coverage	Footprint Coverage	Technology/Innovation	Quality	Comments
	●	○	●	●	●	○	
	●	○	●	●	●	●	
	●	○	●	○	●	●	
	○	●	●	○	●	○	
	○	●	●	●	●	●	
	●	●	●	●	●	●	
	●	○	●	●	●	●	
	●	●	●	●	●	●	
ITT							<ul style="list-style-type: none"> ● ITT Advantaged ○ ITT Parity ● ITT Disadvantaged

6. Channels To Market

Example: Electric Vehicle Charging Infrastructure



Why We Like Distribution?

1. Regional Coverage

- Markets and applications
- Countries and territories

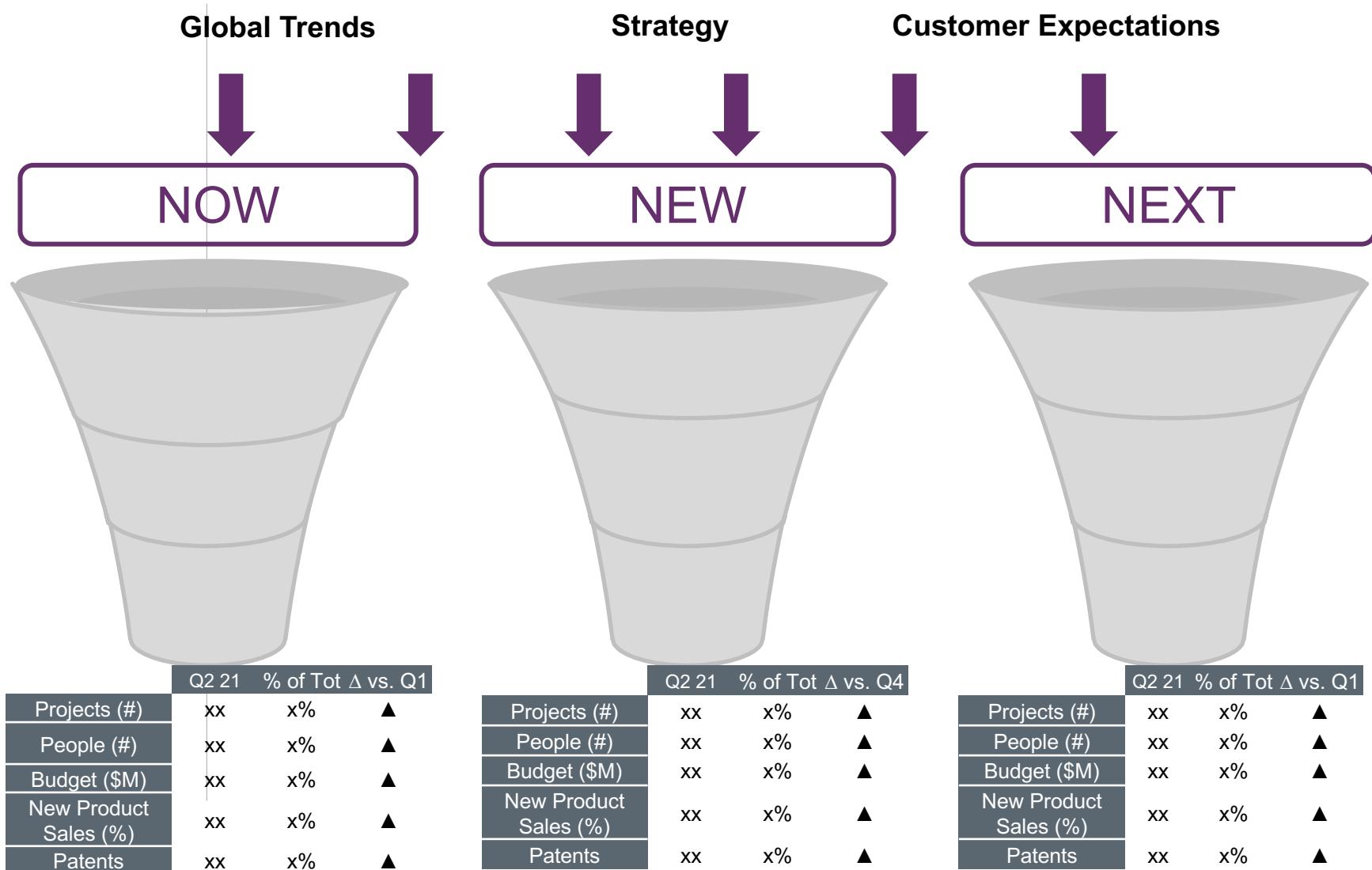
2. Customer Reach

- Path to smaller customers
- Large customers procurement shift

3. Resource Leverage

- Local sales and technical support
- Business terms and inventory
- Value-add services
- Marketing promotions

8. Innovation Funnel



Innovation Framework @ ITT



Now

Current product and process modifications

(Major and Minor Modifications)



New

New product and process innovations

(New to the Company)



Next

New technologies and business models

(New to the World)

Secure our business

Sustain and grow our business

Transform our business

8. New Product and Technology Roadmap

Strategic Actions	2021	2022	2023	2024	
Product Family					
▪ A	AAAA				
▪ B		BBBB			
▪ C	CCCC				
▪ D	DDDD				
▪ E		EEEE			
Product Family					
▪ Z	ZZZZ				
▪ z		zzzzz			
Technologies and Capabilities					
▪ 1	111111				
▪ 2		222222			
▪ 3		333333			
5-Year Objective	Investments (\$M)	2021	2022	2023	2024
2021 Revenue: \$xxM	Revenue				
Increase Sales to \$xxM (2024) With xx% CAGR	CAPEX				
	OPEX				

Accelerate NEXT - ITT Ventures

Investing in External Startups

- | Launched in 2021 – three investments to date
- | Invest in early-stage, high-growth emerging or disruptive technologies
- | Invest in companies that could scale faster with access to our customers, channels, manufacturing capabilities and global presence
- | Invest in a wide variety of sectors, including those closely aligned with our businesses

RECENT ITT VENTURES INVESTMENTS



| Rugged optical components and subsystems for Aerospace and Defense

| Innovative hard coating technology for brake rotors

| Additive manufacturing for Aerospace and high-performance racing

Investing in Internal Startups



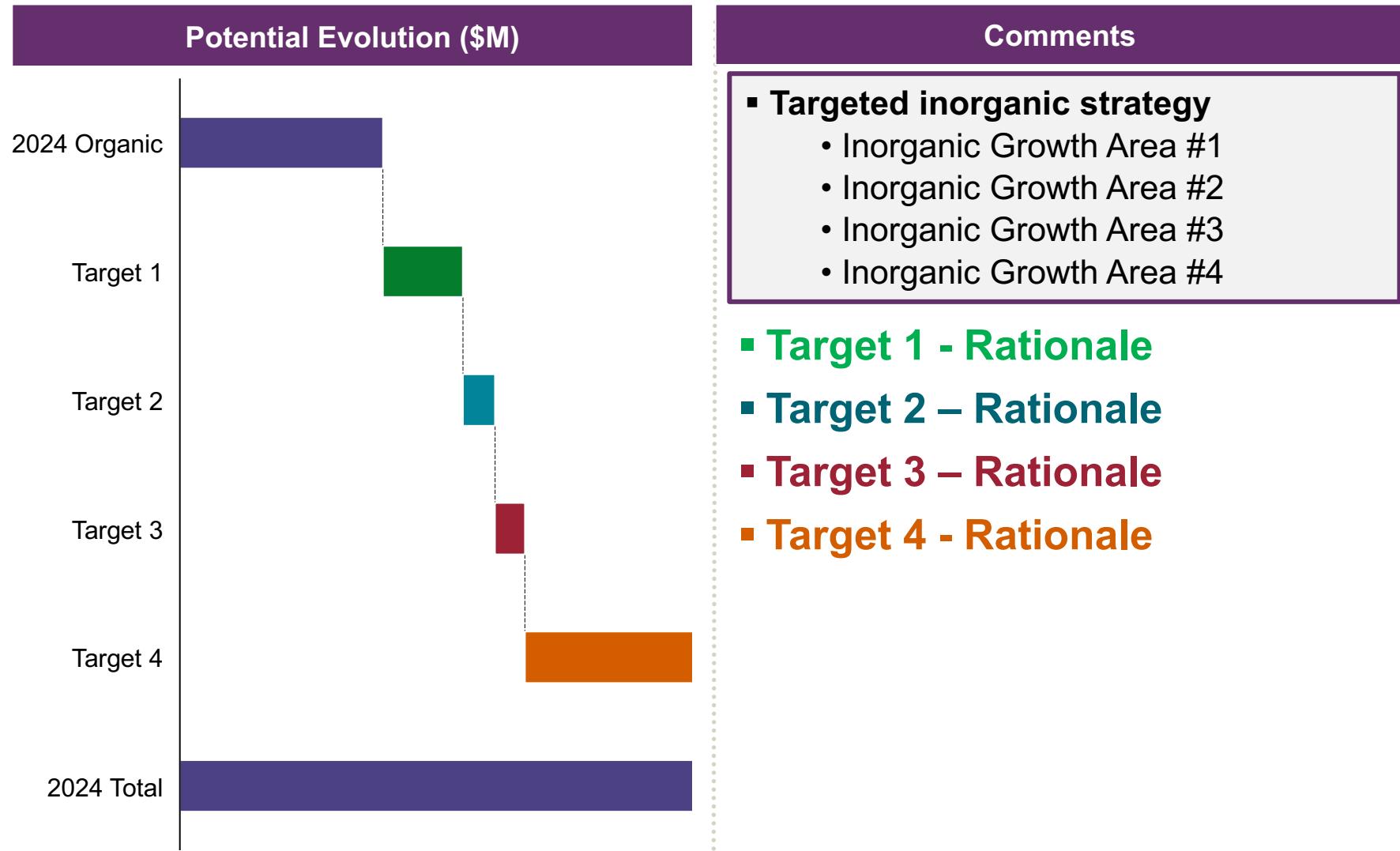
Digitalize brake pads to provide drivers with a new level of safety, performance, and awareness.



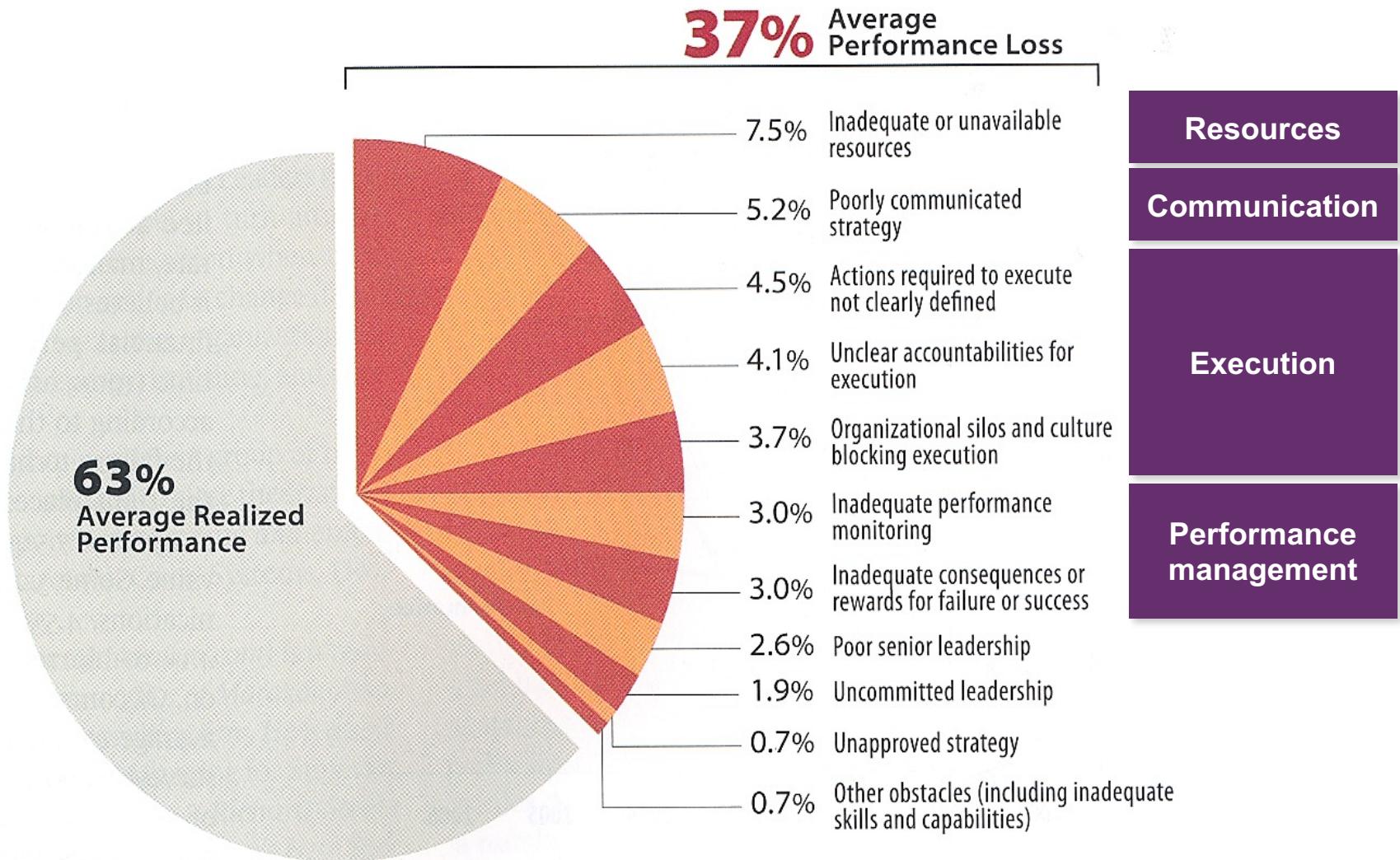
All-in-One wireless condition monitoring technology for industrial pumps.



10. M&A Roadmap



Strategy Performance Gap



Strategy Execution Tracking - Summary

Region	Category	Initiative/Project	Strategic Objective(s) - with timeline	Key Achievements - with date	Overall level of project completion	Status vs Plan	Critical Issue(s) If STATUS = yellow or red	Resource/Support Needs If STATUS = yellow or red	Action Plan - Next Steps - with timeline
NA	Innovation	Fiber Optic solution offering			●	Green			
EMEA	Growth/Customer Centricity	Defense program growth			●	Yellow			
APAC	Operational Excellence	Manufacturing and process automation			●	Red			



Strategy Execution Tracking – Example Key Customer Growth Plan

Opportunity

- Fiber optic assemblies
 - XXXX
- Require fiber optic assemblies D38999 termination M29504/04-4210
 - Work in parallel with L3/Harris in US to identify the other CM's in competition with Kitron.



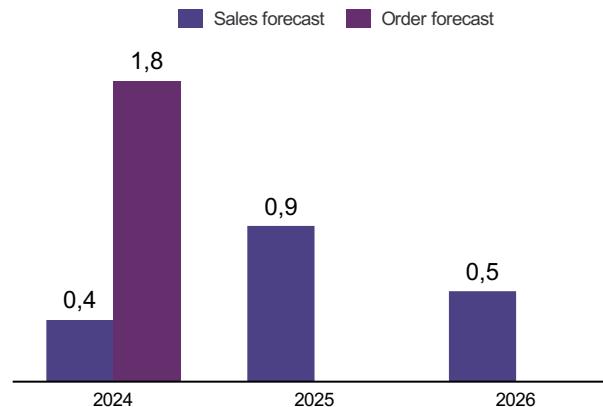
How We Win / Key Initiatives and Actions

	Initiative	Timing
Products/ Technical		Sept 2023
Commercial		Oct 2023
Operations		Mar 2024

Competitive Landscape and Key Success Factors

- Existing qualified suppliers
 - XXXX
- Critical activities to win share
 - XXXX

3-Year Growth Plan



Strategy Execution Tracking – Example New Product Development

As Of	Aug 2023	On Track	Slipping
Complete		Past Due	

Owner		Achim Raad	Team		Achim Raad, Stefan Mayer, Richard Pijpers												
Milestone	Plan Date		1	Kick-off	2	Project scoping / business case				3	Decision & final project definition Gate 1						
Act / Fcst Date		2021	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024		
Opportunity and Business Objectives										Risks and Constraints							
<ul style="list-style-type: none"> Assessment of business case and technical spec for MGV expanded beam fibre optic solutions 										<ul style="list-style-type: none"> xxxx 							
Expected Business Results				Achieve & Actions	Status and Progress					Actions and Targets							
<ul style="list-style-type: none"> xxx 																	
Outcomes, Resources and Budget																	
			2023		2024			2025			2026						
Sales (\$K)																	
Capex (\$K)																	
Expenses (\$K)																	

Strategy Communication

Dear CCT team,

We continue to live in unprecedented and challenging times. We are facing a global pandemic and experiencing the current pandemic's impact on our businesses and in the markets where we play.

As you know, across ITT we are building and securing our future through an unrelenting focus on our priorities:

- **Health of Our People**
- **Health of Our Business**
- **Health of Our Financials**

Messages

CCT Strategy > Strategy > All Documents -

Home	Value Centers	Corp. Functional Areas	Brands	Global Quick Links	ITT's Culture
CCT Home	Value Centers	Corp. Functional Areas	Brands	Global Quick Links	ITT's Culture
Connectors Home					
Strategy Central					
Libraries					
Site Pages					
Shared Documents					
Strategy					
Market & Competitive Intelligence					
Tasks					
Calendar					
Tools					

Type: Items Modified: 2/11/2019 4:09 PM

Name: 2019 CCT Value Center R&D Modified: 2/11/2019 4:09 PM

Name: Aerospace Strategy Modified: 2/11/2019 12:22 PM

Name: AIT Strategy Modified: 2/11/2019 12:10 PM

Name: CCT Leadership Modified: 2/11/2019 12:10 PM

Name: CCT Strategic Plan Modified: 2/11/2019 7:15 AM

Name: Connectors Strategic Modified: 2/11/2019 12:10 PM

Name: Industrial Strategy Modified: 2/11/2019 12:22 PM

Intranet and Share Point

Presentations

CCT Strategic Priorities

Customer Centricity	Operational Excellence	Innovation	People	Capital Deployment
<ul style="list-style-type: none">• Be a recognized performer• Become a future design partner	<ul style="list-style-type: none">• Solid SQDC fundamentals• Exceed customer expectations	<ul style="list-style-type: none">• Invest in Engineering• Re-ignite innovation	<ul style="list-style-type: none">• Culture of performance and learning• Staffing excellence and succession planning	<ul style="list-style-type: none">• Activate Connectors M&A• Invest in insourcing

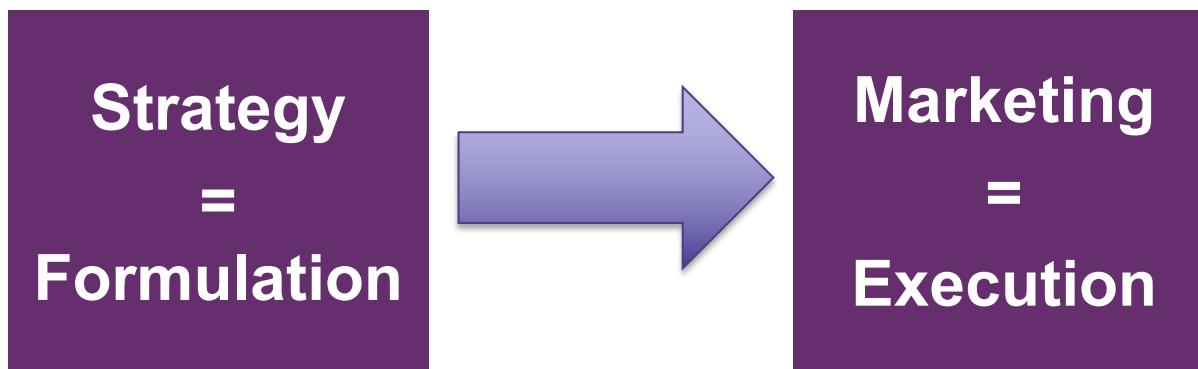
M&A=Mergers and Acquisitions; SQDC=Safety, Quality, Delivery, Cost

Focus on Fundamentals Across All Strategic Pillars

'Town Halls'

Workshops

From Strategy to Marketing



- Market Attractiveness
- Competitive Position
- Objectives
- Growth Plans
- Marketing Mix Choices

- Market Analysis
- Customer Needs
- Product Roadmap
- Product Development
- Pricing
- Marketing Communication
- Lifecycle Management



Voice of Customer (VoC) – Key Principles



- It is **not** the Product Manager speaking on behalf of the customer
 - It is **not** listening to the voice of the sales person
 - It is **not** about going to the customer to solve a quality problem
 - It is **research**. It must be conducted as a rigorous study
1. Understand what the customer sees as **value**, not what engineers think
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 - ‘Why’ is as important as ‘what’
 3. Face-to-face
 4. Involve the entire project **team**
 5. At multiple customers
 6. Constant customer involvement

Three Key... Yet Simple... Questions

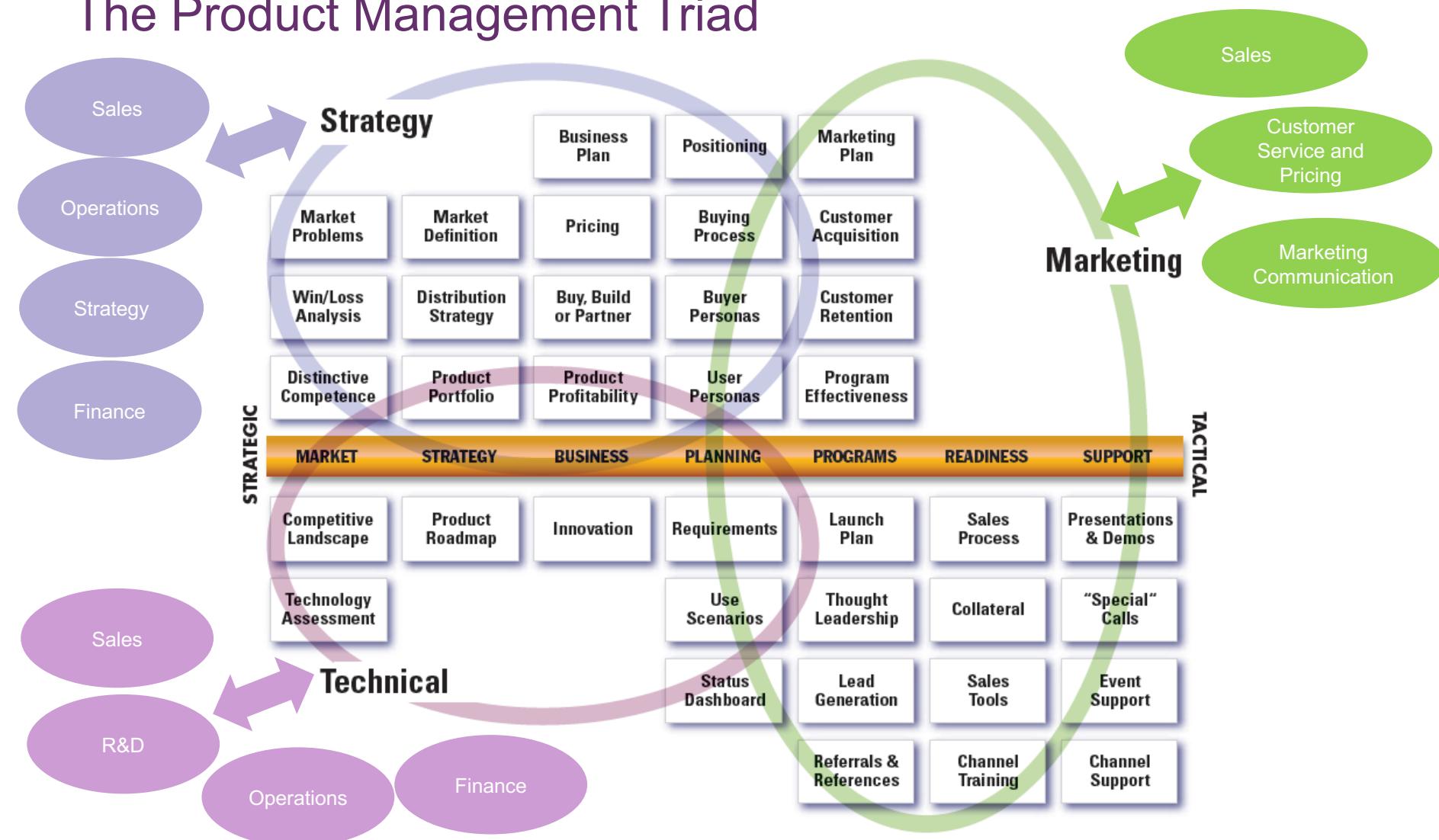
“Real, Win, Worth”

- ✓ Is it Real?
- ✓ Can we Win?
- ✓ Is it Worth it?

Product Marketing/Management @ ITT

A Key Function for Innovation and Growth

The Product Management Triad



Product Management Activities at ITT

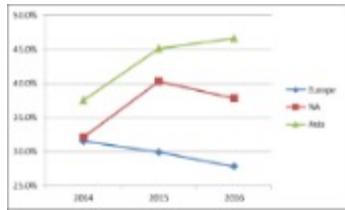
- 1. Product Portfolio Analysis and Management**
- 2. Competitive Position Assessment**
- 3. Pricing**
- 4. Marketing Plan**
- 5. New Product Roadmap**

Examples in following slides

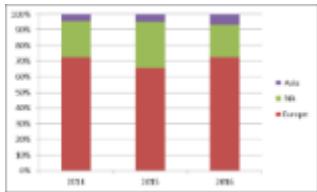
1. Product Portfolio Management

Analysis

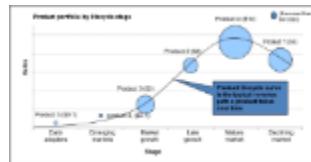
1. By Product Group



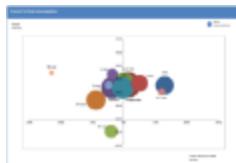
2. Revenues and Margins by Region



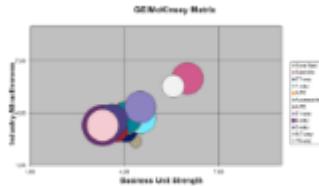
3. Lifecycle Curve



4. Portfolio Decomposition (Sales, Margin, CAGR)



5. GE/McKinsey Matrix



Growth Initiatives

- Pricing
- Cost
- Delivery
- Regionalization of Production
- Promotions



Optimizations

- Harvest
- End of Life
- Consolidate production
- Pricing

2. Competitive Position (at Product Level)

Product Line/Series/Type	Market Assessment	ITT Position Assessment						Critical Gaps		
		Available Portfolio/Range	Technology Differentiation	Delivery Performance (OTD, LT)	Perceived Quality	Product Qualifications/ Certifications	Price Position	Critical Gap #1	Critical Gap #2	Critical Gap #3
MKJ	▲▲	○	Red	Red	Yellow	Yellow	Green	ITT lead times are 20+ weeks	Speed of customization design (<2 weeks)	Product line offering
Micro/Nano rectangular	▲	●	Yellow	Red	Green	Yellow	Green	Speed of customization and value-add design (<2 weeks)	Portfolio gaps (surface mount, crimp, integrated backshell, panel sealed)	
Nemesis	▲	●	Green	Red	Yellow	Yellow	Green	Missing variants (right angle)	Lead times are 20+ weeks	
HDX	▲	○	Yellow	Red	Yellow	Yellow	Yellow	Product line offering		
D38999	▲	○	Red	Red	Red	Red	Red	Lack of DLA qual (need to have a full circular product offering to play in key programs)	Cost position	Material and plating offering (composite, black ZnNi)
VG95234-type (CA and Veam)	=	●	Yellow	Red	Green	Yellow	Yellow	OTD <90%	Speed in sampling	
VG95328-type (KPx)	▼	●	Yellow	Red	Green	Yellow	Red	Cost position	Lead Time (Amphenol can do < 4 weeks)	OTD <90%
VG96929-type (CGE)	=	●	Yellow	Red	Green	Yellow	Yellow	OTD <90%		

5. New Product Roadmap

Strategic Actions	2020	2021	2022	2023	2024	
Product Category #1						
▪ A	AAAA					
▪ B		BBBB				
▪ C	CCCC					
▪ D		DDDD				
▪ E		EEEE				
Product Category #2						
▪ Z	ZZZZ					
▪ z		zzzzz				
Technologies and Capabilities						
▪ 1	111111					
▪ 2		222222				
▪ 3			33333			
5-Year Objective	Investments (\$M)	2020	2021	2022	2023	2024
2019 Revenue: \$xxM	Revenue					
Increase Sales to \$xxM (2024) With xx% CAGR	CAPEX					
	OPEX					

Product Innovation

What the Best Companies Do

Critical aspects

Characteristics of Innovation Exemplars

1

Innovation is driven by **customer insights** and linked to strategy

- Corporate strategy and growth priorities guide the focus of innovation
- Insight on emerging customer requirements drives innovation priorities
- Explicit innovation strategy developed (e.g., lead developer vs. fast follower)

2

Culture of innovation is fostered across the enterprise

- Recruit and invest in top engineering talent
- Empower employees to drive innovation and pursue passion projects
- Reward success but tolerate failure as part of the process

3

Innovation agenda **balances short and long-term goals**

- Pursue balance of short and long-term innovation goals
- Invest for medium- to long term growth (not quarterly results)
- Consistently out-invest in R&D through the cycle

4

Emphasis is placed on innovation performance **metrics and incentives**

- Monitor and measure innovation results (e.g., revenue from new products)
- Significant portion of GM/Executive incentive comp linked to innovation
- Non-monetary recognition of top innovators

StanleyBlack&Decker

1

Excelling in Focusing on Customer Pain Points



2

Encouraging and Rewarding Innovation



3

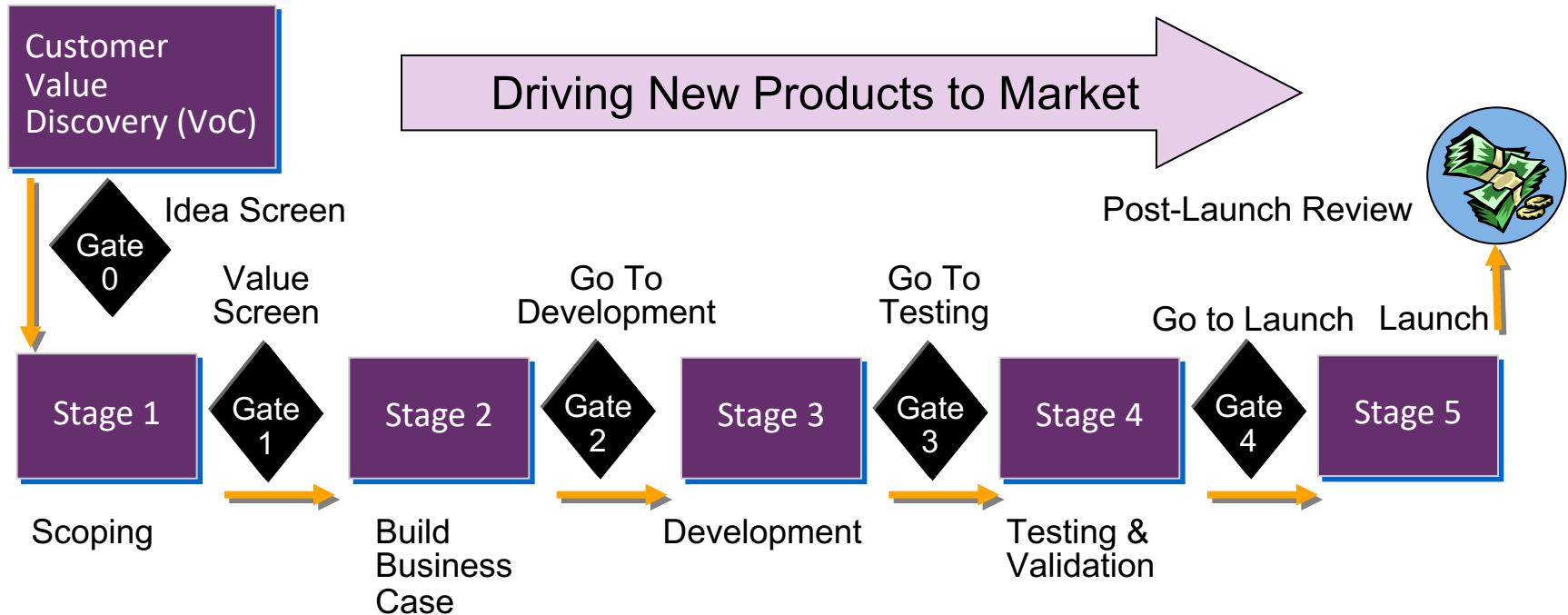
Investing proportion of R&D on 'Big Bets' (7y+ development)



4

Monitoring New Product Vitality Index*

New Product Development: Standard Process Idea-to-Launch



Stages:

- Each stage consists of a number of critical, prescribed activities
- The goal at each stage is to provide defined deliverables for the next decision point (Gate)
- Activities are achieved by cross functional Teams

Gates:

- Are checkpoints
- Criteria against which the project is judged
- The gates are where poor projects are weeded out, and where scarce resources are allocated to the best projects
- Output: **Go/Kill/Hold/Recycle**

Three Key... Yet Simple... Questions

“Real, Win, Worth”

- ✓ Is it Real?
- ✓ Can we Win?
- ✓ Is it Worth it?

Voice of Customer (VoC) – Key Principles



- It is **not** the Product Manager speaking on behalf of the customer
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1. Understand what the customer sees as **value**, not what engineers think
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 - Go beyond what customers say they want
 - ‘Why’ is as important as ‘what’
 3. Face-to-face
 4. Involve the entire project **team**
 5. At multiple customers
 6. Constant customer involvement

New Product Development: Fast-Track Process for Customized Solutions

Customer Needs Defined



Customer Engagement: product design considerations

1 Day

Active Design Phase: product concept development

1-3 Weeks

Pricing and proposal: budgetary price, tooling costs, prototype costs

1-2 Weeks

Functional prototype: customer order, build and test



4-12 Weeks

Customer Validation: customer testing and qualification

Depend on
customer timelines

Thank
You!



POLITECNICO
DI MILANO



Marketing mix



Pricing

15° November 2022

Prof. Alberto Cellini

Agenda

1. Basic elements of pricing
2. Steps to set the price
3. Dynamic pricing and Yield management



1. Basic elements of pricing

Price: The amount of money charged for a product, or the sum of the values that consumers exchange for the benefits of having/using the product or service.

Why is pricing so important?

- Determines business profitability
- Determines demand
- Determines positioning and distinctiveness
-



Price and the Marketing Mix:

- Only element to produce revenues
- Most flexible element
- Can be changed quickly
- First strong communication

A. Price as a tool of Competition

B. Pricing is a process!

Common Pricing Mistakes

- Determine costs and take traditional industry margins
- Failure to revise price to capitalize on market changes
- Setting price independently of the rest of the marketing mix
- **Failure to vary price by product item, market segment, distribution channels, and purchase occasion**
- Determine price without considering the customer
- Nobody sets the price, all are determining the price
- **“Dart Doard” pricing**

What drivers affect pricing?

- General economic situation
- Elasticity of demand
- Product lifecycle
- Laws and norms

And the four key elements

- Objectives of the company
- Cost structure
- Competitive system
- Customer value



- Currency Fluctuation
- Inflationary environment
- Government Controls, Subsidies, Regulations
- Competitive Behaviour
- Sourcing
- Distribution costs
- Marketing costs
- Taxes(Vat) and Duty
- ...

Why is pricing so important?

- ❖ Determines business profitability
- ❖ Determines demand
- ❖ Determines positioning and distinctiveness
- ❖ ...

2. Steps to set the price

How to set the price?

Generally, 6 steps are required

1. Defining pricing objectives

2. Forecasting demand

3. Cost estimation and marginality

4. Analysis of competitors' behavior

5. Selection of the pricing method

6. Pricing decision

How to set the price?

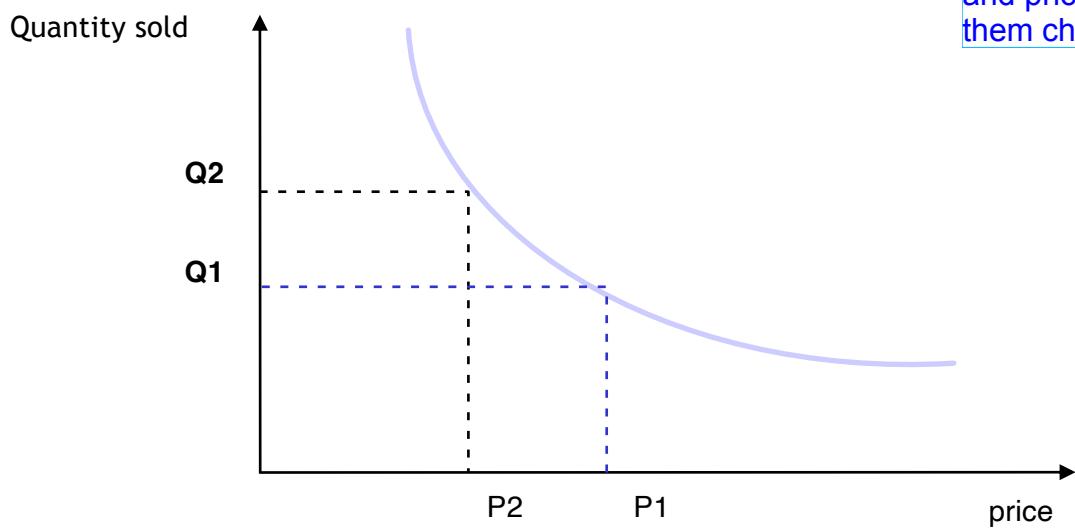
1. Defining pricing objectives

<i>ORIENTATION</i>	<i>PRICING OBJECTIVE</i>
<i>Market</i>	<ul style="list-style-type: none"> • <i>Volume</i> • <i>Market share</i> • <i>Growth rate</i>
<i>Profit</i>	<ul style="list-style-type: none"> • <i>Contribution margin</i> • <i>Short-term profit</i> • <i>long-term profit</i> • <i>ROI</i> • <i>Rapid recovery of R&D investment</i>
<i>External environment</i>	<ul style="list-style-type: none"> • <i>Creating brand image</i> • <i>Increasing intermediaries' loyalty</i>
<i>Survival</i>	<ul style="list-style-type: none"> • <i>Cash flow</i> • <i>Use of the plants</i>



How to set the price?

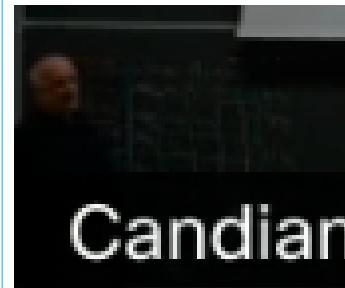
2. Demand forecasting



conjoint analysis
for demand
forecast:

5 brands
5 characteristics

and price and let
them choose



Pricing policy

How to set the price?

3. Cost analysis

At first it is necessary to cover COGS → cost estimation

Methods

- ◆ Job Order Costing
- ◆ Process Costing
- ◆ Operation Costing
- ◆ Activity Based Costing
- ◆ etc.

Then, also other costs must be covered
(administration, marketing, sales, etc.)

Marginality Estimate

Price decrease in %	Contribution Margin			
	70%	50%	30%	10%
1	1.45	2.04	3.45	11.1
5	7.70	11.1	20.0	100.0
10	16.67	25.0	50.0	--
20	40.0	66.67	200.0	--



How to set the price?

4. Analysis of competitors' behavior

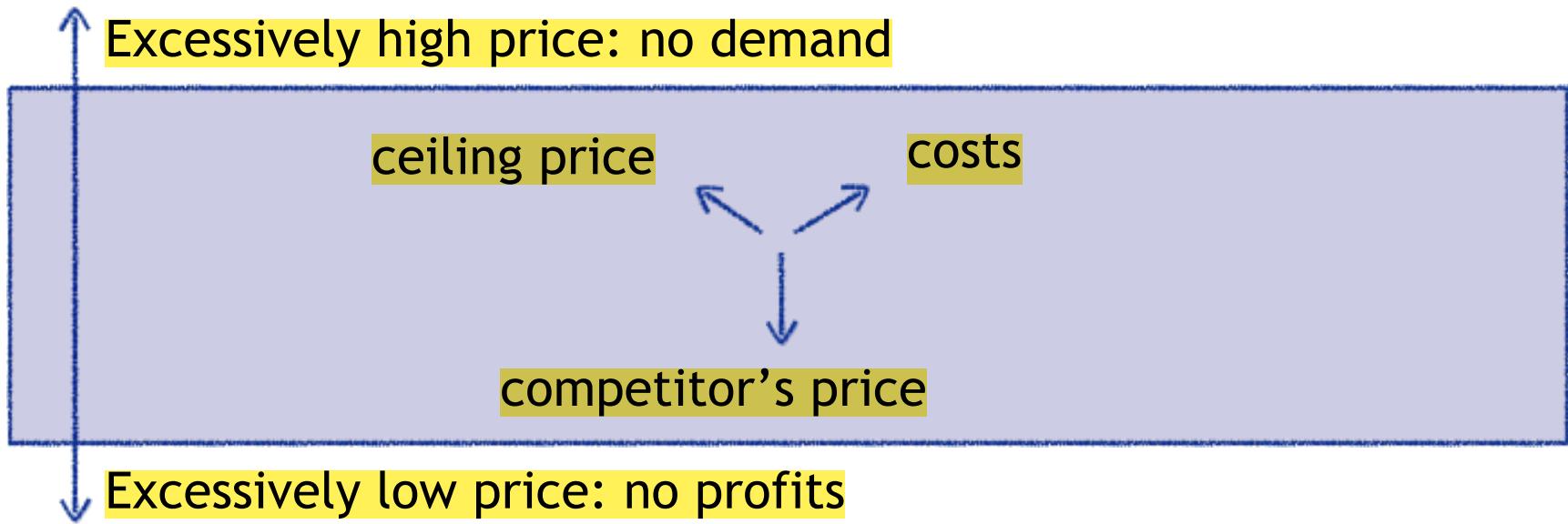
- ◆ Generally every product has a limited market price range set by competition
- ◆ If our product is distinctive, we can obtain a **premium price**



How to set the price?

5. Selecting the pricing method

A framework of reference (3 C model)



Pricing policy

How to set the price?

5. Selecting the pricing method

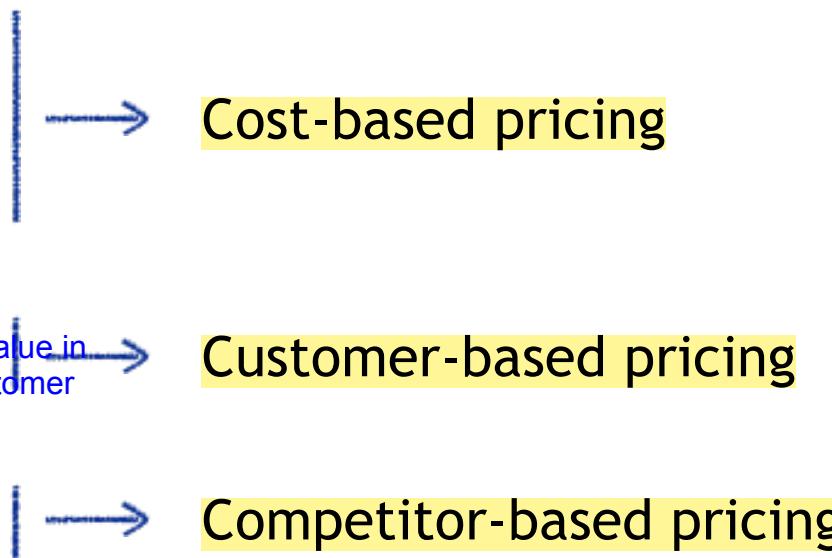
Which methods

- ◆ traditional
 - ◆ markup pricing
 - ◆ break even pricing
 - ◆ target return pricing
 - ◆ perceived value pricing
 - ◆ going-rate pricing
- ◆ innovative
 - ◆ real-time pricing

Pricing policy

Traditional methods

- ◆ markup pricing with multiplier
- ◆ break even pricing OLD
- ◆ target return pricing



- ◆ perceived value pricing perceived value in mind of customer
- ◆ going-rate pricing

Cost-plus/markup

Price = product cost + mark-up (fixed)

$$\text{Price} = (\text{variable costs} + \frac{\text{Fixed costs}}{\text{Quantity}}) \times (1 + \frac{\text{Mark-up \%}}{100})$$

- | - Easy to understand
- | - Need to estimate product costs (not so easy, in reality)
- | - No impact of demand elasticity
- | - No impact of the product lifecycle

Limit of cost approach

- Several methods to detect the costs that lead to different costs and relative prices (accounting technique affects the price)
- There is no comparison with the market (competitors and consumers)
- Pricing responsibilities for corporate/operation functions " distant " from the market reality
- Particularly negative in the definition of the price of a product line , not justified by the market possible differences
- Particularly negative if different factories with different cost base

Advantage of cost approach

- Relatively easy to do
- Responding " quickly " to the needs of financial / strategic objectives
- It does not require a structure and / or people " dedicated full time " on these issues

Going rate pricing

Pricing is fixed analyzing competitors (often market leaders)

- Easy and widely adopted
- In industrial market competitors' price is hard to know (negotiation, unreal catalogues, etc.)
- Needs a deep analysis not to lose important opportunities

Limits

- It requires a market analysis capabilities
- It requires a function and / or people dedicated to this theme
- It requires a budget
- Difficult to have all the data
- A price based than the competitors can not cover costs
- If the competitor wrong price policy we risk it wrong we

Advantages

- Market understanding
- The activities carried out for the pricing were held together with those of the analysis of competition on the whole mix mktg
- Can increase contribution margins
- The positioning is " wanted " by the company, also with long-term impact

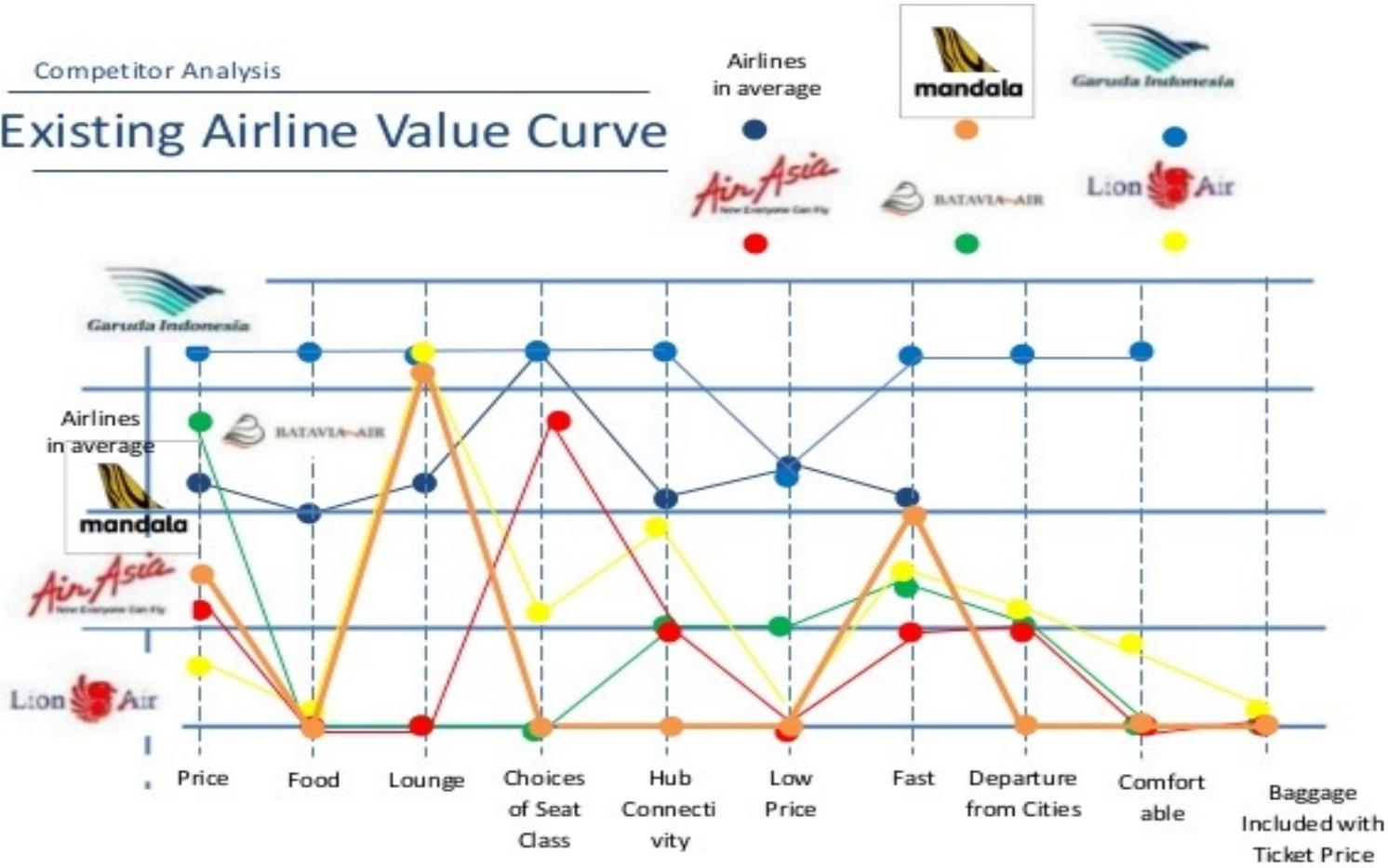
Value based pricing

- Effective, customer-oriented pricing involves understanding how much value consumers place on the benefits they receive from the product and setting a price that captures that value.
- Use buyer's perception of value rather than the seller's cost to set price
- Measuring perceived value can be difficult
- Customer attitude toward price and quality have shifted during the last year
- Consider the lifetime value of the client
- Without understanding the real VALUE of the project for the customer, you will likely only scope the “traditional” way.

Value curve (example)

Competitor Analysis

Existing Airline Value Curve



Value based pricing - Limits

- It requires a market analysis skills (knowledge of techniques and listening skills)
- It requires a function and / or people dedicated to this theme
- It requires a " budget " of more ' or less significant spending on " market research "
- Difficult to have all the data needed
- A customer-oriented price can not cover costs
- Follow the customer in the various demands can lead to too much tactical attitude and can make you lose significant margins

Pricing policy

Innovative methods

- ◆ dynamic pricing
- ◆ auctions [Ebay - English Auction / Dutch](#)
- ◆ group pricing
- ◆ yield management (in the next chapter)
[revenue management](#)

Dynamic pricing

Dynamic pricing

Every transaction has ideally a different price

- ◆ eCost.com fixes price at the lowest competitors' price in that moment
- ◆ Example: Amazon Price's Policies

Note: it can generate the perception of being discriminated

Auctions

Auctions

The price is not decided a priori but is discovered through the process of competitive and open bidding. Internet has transformed auctions: now products may be offered for bidding by anyone from anywhere and at any time, e.g. eBay.com

Group pricing

Group pricing

Exploits quantity discount by grouping buyers
e.g. student discounts



Pricing
Price along the product lifecycle

Introduction is crucial

Two strategies

Skimming pricing

Penetration pricing

Pricing

Skimming pricing

1. High entry price

Objective: acquiring segments low in elasticity (thus higher in value)

2. Successive reduction

Objective: enlarging customer base in time

- Bad when customer segments are unclear
- Good when there are entry barriers (e.g. patents)

Pricing

Penetration pricing

Low entry price

Objective: acquiring the highest market share asap to accomplish economies of scale and scope

Suited for

- Products without defects at the launch
- Rapid adoption by customers
- Enough capability to meet demand
- Efficient distribution channels
- High potential demand

How to set the price?

6. Price decision

Several factors involved, such as:

- Psychological factors (price-quality schema)
- Product life cycle
- List price e discounts
- Line product price
- Price and channels
- Pocket price
- Pay per use
- Component included in the price
- Inflation
- ..and
- Company's pricing policies
- Possible customer reactions

Psychological factors influence price perceptions!

Decoy effect

You visit a car lot to consider two cars, one listed for \$30,000 and the other for \$40,000.

At first, the \$40,000 car seems expensive, so the salesman shows you a \$65,000 car.

Suddenly, the \$40,000 car seems reasonable by comparison.

The decoy effect is the \$65,000 car that the salesman knows you won't buy.

The bias occurs when someone believes they have two options, but you present a third option to make the second one feel more palatable.



Anchoring effect

Anchoring effect is the tendency we have to fixate on a value or number that in turn gets compared to everything else.

Individuals tend to see (and value) the difference in price, but not the overall price itself. This is why some restaurant menus feature very expensive entrees, while also including more (apparently) reasonably priced ones.



Healthy Cuisine Cat Food Trays



3. Yield Management or Revenue management

Yield Management

It is a particular pricing strategy, commonly applied in tourism services such as airline and hotel, but also other service industries such as gym, energy, telecommunication, TV advertising, and so on.

Based on understanding, anticipating and influencing consumer behavior, Yield Management use variable pricing strategy to maximize revenue or profits from a **fixed, time-limited resource**.

Why Yield Management

- High fixed cost structure
- Relatively fixed capacity
- Perishable inventory
- Variable and uncertain demand
- Varying customer price sensitivity



Example of application

An airline has to own at least one aircraft. An A320 costs around \$100 million.

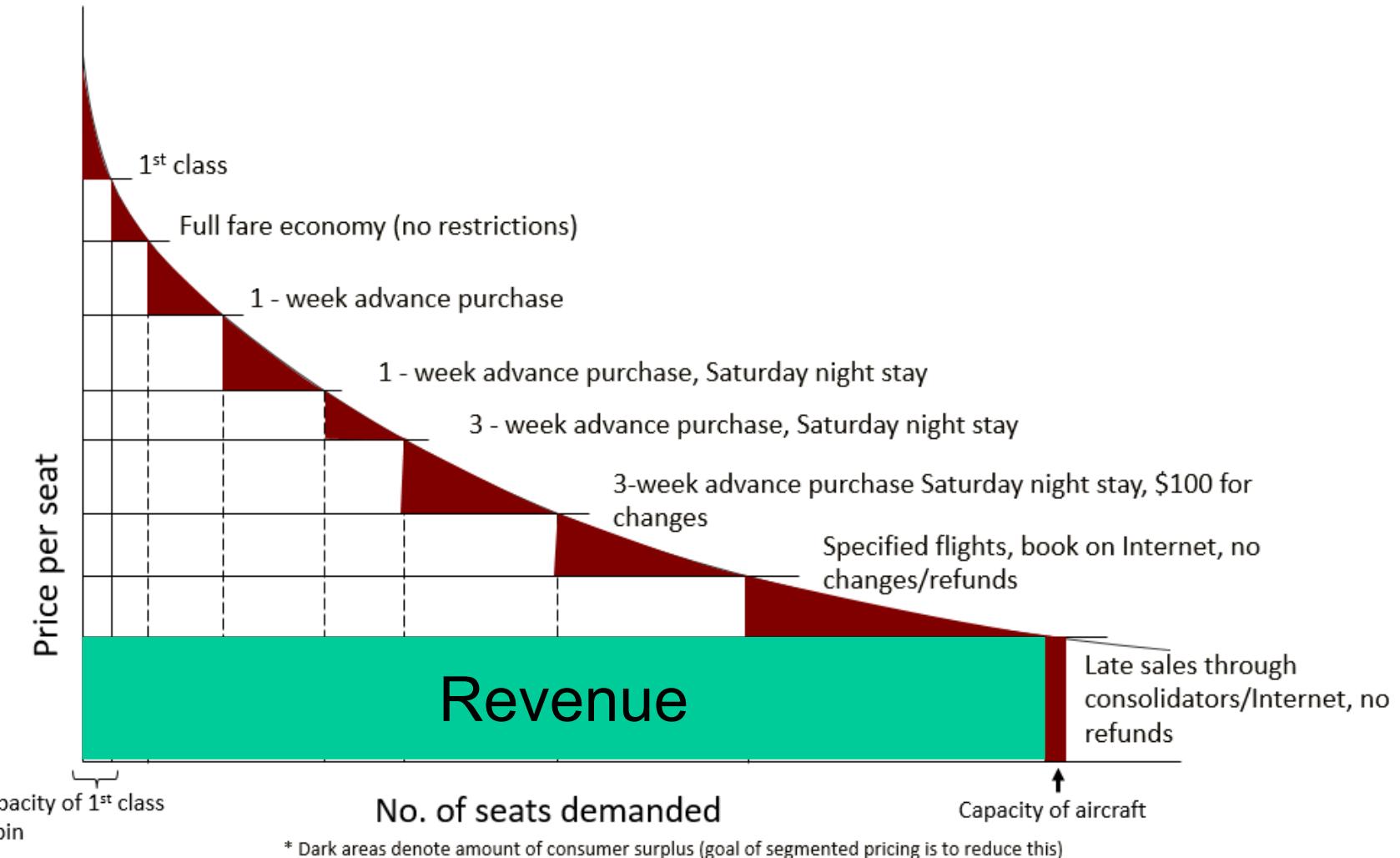
No additional seats could be installed upon demand, nor passengers could be standing in the cabin.

However, the empty seats during a flight could not be sold for the next flight.

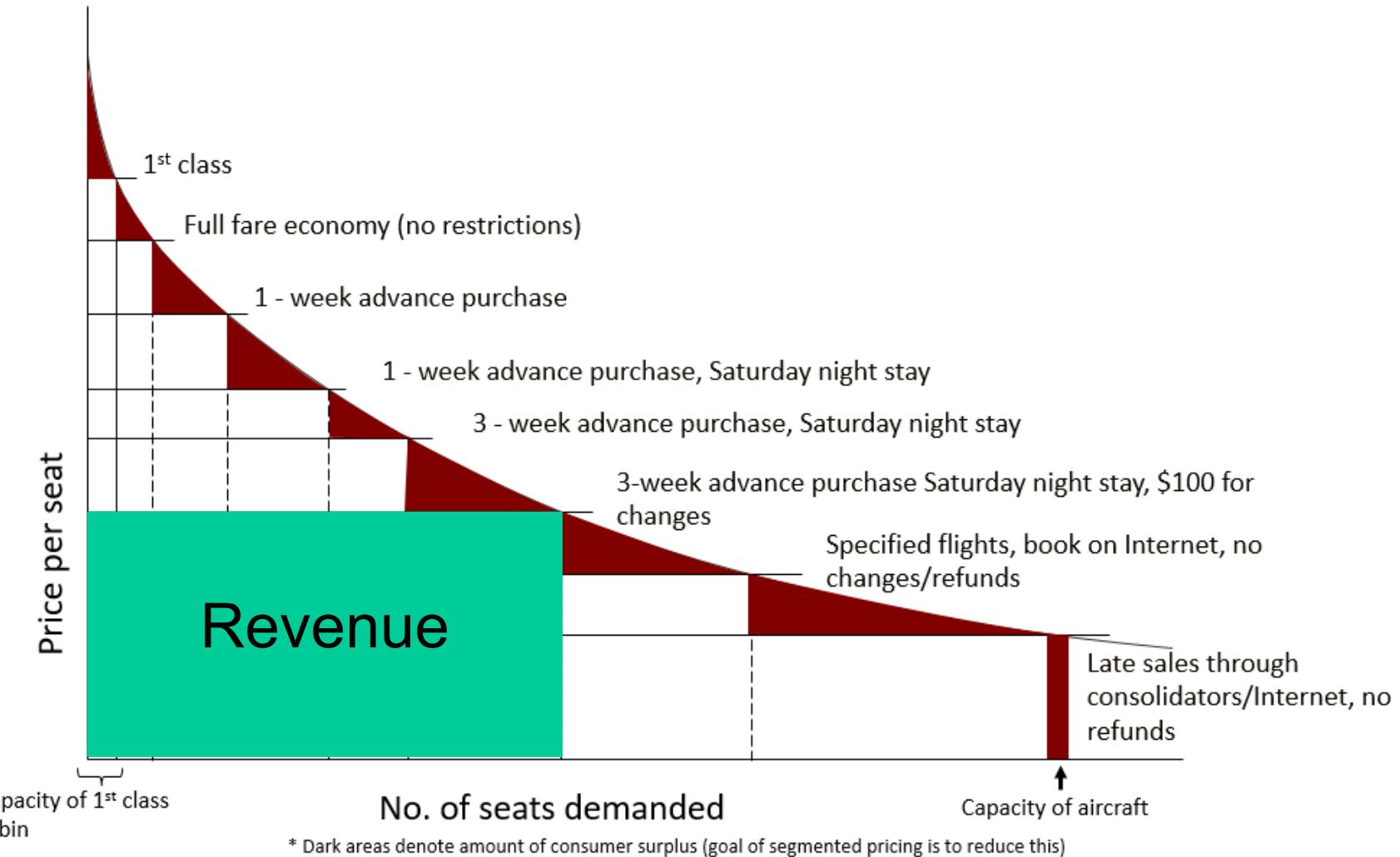
The airline could never be sure they will have exactly the number of passengers to fill all seats.

Finally, one who travels for business need to go regardless of the price; one who travels for leisure may opt for another destination or time if the price is out of their range.

The Concept of Yield Management



The Concept of Yield Management



The Concepts of Yield Management

The concept of YM, is not about “how to improve productivity”, or “how to sell more”, but “**how to create more revenue and profit based on the current resource and market condition**”

The result of YM is not only the price, but:
which product, for which market segment, during which period of time, at what price

The Concept of Yield Management

Will customers accept the same product at different price?

In fact, the market always does (as demonstrated by the demand curve). YM extends the application of this basic market principle.

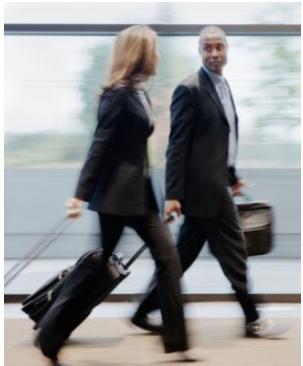
However, the difference in price should always be justified by certain relevant factors, for example, time, place, condition of service, etc.



The Concept of Yield Management

Customers in Yield Management

Yield Management applies in the industries where the customers need the same service, but have different expectations from this service and different motivations in using this service.



Inter-continental flights

Business travelers:

- Minimize waste of time: priority boarding, more hand luggage
- Comfort in cabin so that it's possible to get rest during the flight
- Possibility to work and stay connected during the travel
- Flexibility to change in case of their schedule change
- ...

The Concepts of Yield Management

The key factors which determine price difference include:

Physical factors (product-related factors), for example:

Basic product

- Travel class on a flight
- Size, furnishing, and location of a hotel room
- Seat location in a theater

Amenities

- Free breakfast at hotel
- Spa access

sub group of dynamic
when
limited capacity
high fix cost

Service level

- Increase luggage allowance
- Priority waiting list

The Concepts of Yield Management

The key factors which determine price difference include:

Transaction factors, for example:

Time of purchase/booking

- Advance booking vs. last minute

Location of purchase/booking

- Booking the same flight from different countries may differ in price

Terms and conditions

- Free reservation vs. paid in advance
- Free cancellation vs. nonrefundable

The Concepts of Yield Management

The key factors which determine price difference include:

Consumption factors, for example:

Time of consumption

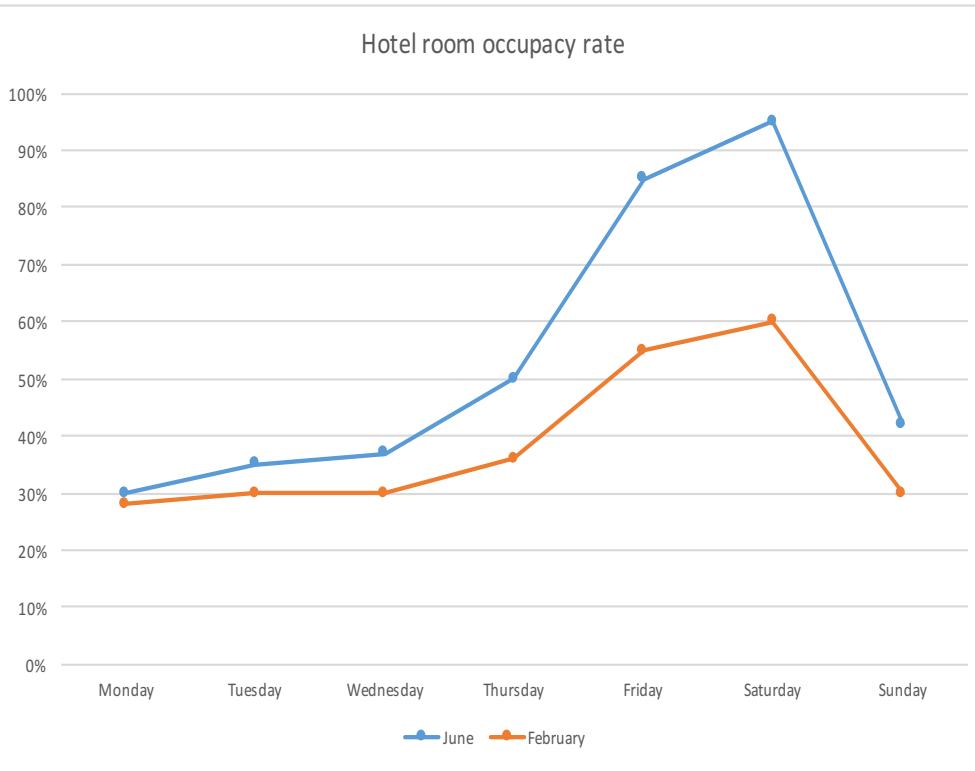
- Happy hours/ "Aperitivo"
- Nights of working days vs. weekends in hotel
- Minimum duration of stay

Location of consumption

- Pick-up and drop-off locations of rented car
- One-way vs. return vs. multi-destination flights

Basic Elements of Yield Management

Historical data - statistics, demand and trends



Although you can never be 100% certain, patterns from historical data can be useful in forecasting the future. For example:

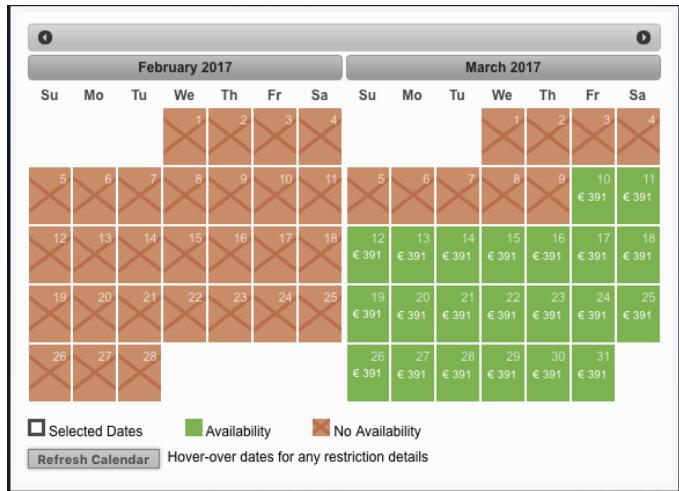
- Rises and falls of booking by day of week
- Rises and falls by season of year
- Probability of no-shows
- Unexpected events
- ...

Many data could be broken down to more detailed levels:

- Type of room
- Length of stay
- How far in advance does the customer book
- ...

Basic Elements of Yield Management

Overall strategy



Some strategic decisions have to be made in order to provide input to the mathematical optimization. For example:

- What is the minimum price that is consistent with the image of the service?
- During low season, it is more convenient to offer the service at low rate or to temporarily close?
- How the market and our offerings could be segmented?
- ...
- Which approach (cost, competition, strategy, customer perception)?
- What is the cost of providing service (floor price)? What is the highest price that customers are willing to pay (ceiling price)?
- ...

Challenges of Yield Management

- Loss of competitive focus - when pricing becomes a mathematical exercise
- Customer alienation - customers may perceive price difference unfair
- Unethical practices - for example, purposely withholding capacity to last minute
- Overbooking - when estimation of demand is not accurate or information system fails
- Requirement of centralized information system - centralized information system needs to be synchronized in real time to ensure proper management



Price discrimination

Innovative pricing methods allow price discrimination.

This make it possible to capture the market's consumer surplus, by setting the maximum price a specific consumer or consumer segment will pay. This allow to generate the most revenue possible for a product or service.

Price discrimination- industry examples

Example 1: Airlines alters fares based on factors such as time of day (unsocial hours), day of the week, peak seasons, period of purchase, time of buying a ticket.

Example 2: The pharmaceutical industry experiences international price discrimination. Drug manufacturers charge more for drugs in wealthier countries than in poor ones. e.g. United States has the highest drug prices in the world.

Price discrimination- companies examples

Example1: Visitors to **Home Depot**'s website: the retailer charges higher or lower prices based on each individual visitor's zip code. Home Depot bases its virtual prices on the shopper's nearest brick-and-mortar store.

Example 2: **Dell.com** discriminated price based on the customers profile according if they were home users, small businesses, or other categories. The prices for the same products varied according to the category you declared.

Example 3: **Orbitz** has been showing higher hotel prices to Mac users since at least 2012. Same-day booking app **HotelTonight** show discounted rates to users based on their location.

Source: *Forbes*, November 17th, 2017



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Marketing mix

Distribution

29th November 2022

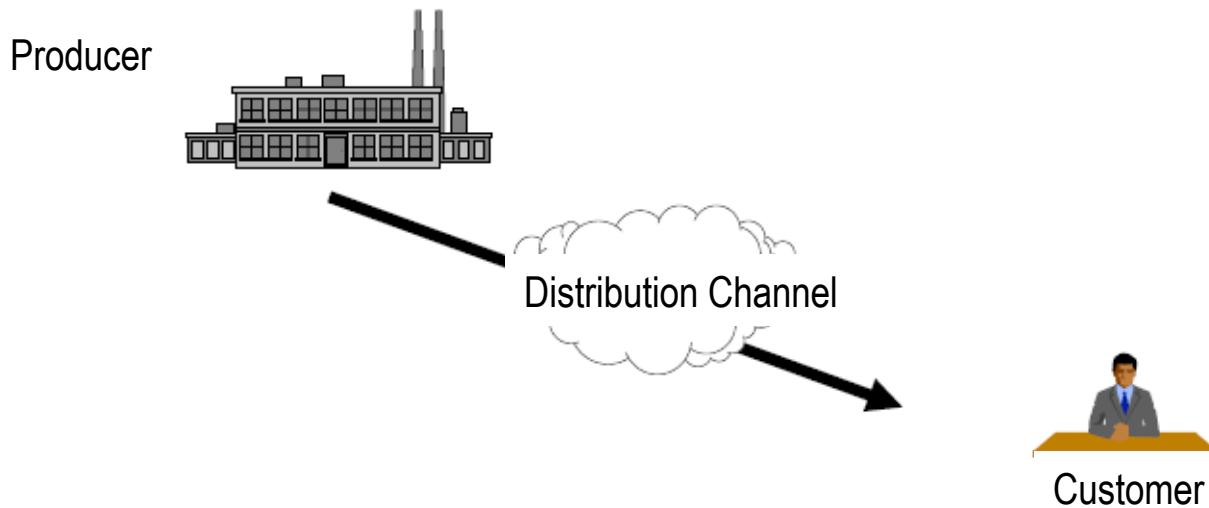
Prof. Alberto Cellini

1. The concept of distribution
2. Typology of channel
3. Typology of intermediates
4. Designing the distribution channel
5. Marketing systems
6. Digital and multichannel environment
7. Trade marketing

1. The concept of distribution

A traditional view

The distribution is the structure that makes the product (or service) physically available for the customer.



What is the difference?



Apple Store, New York



Apple stand in FNAC



Apple.com

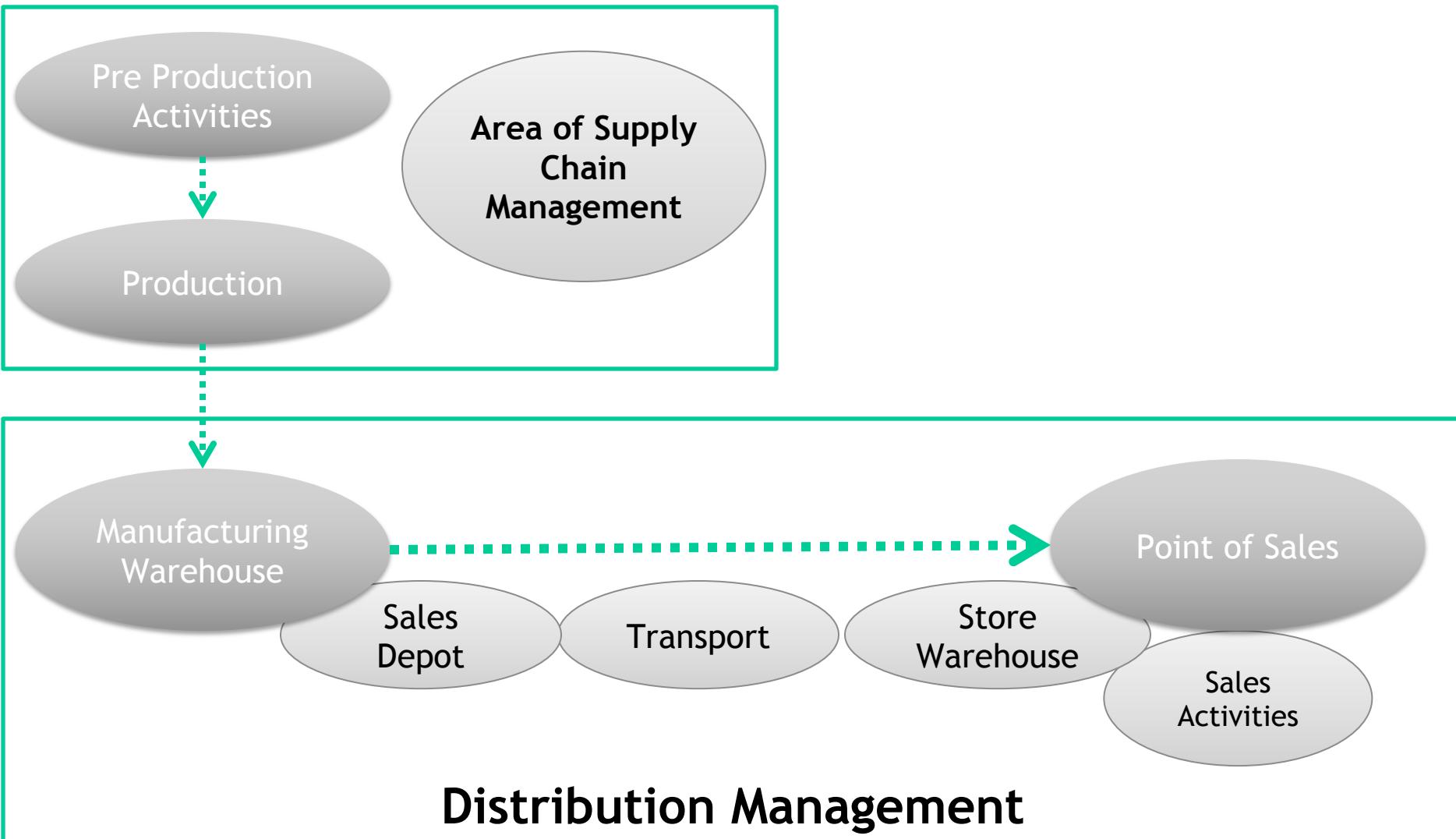


Media world.com



Venditore Apple Business

Concept of Distribution





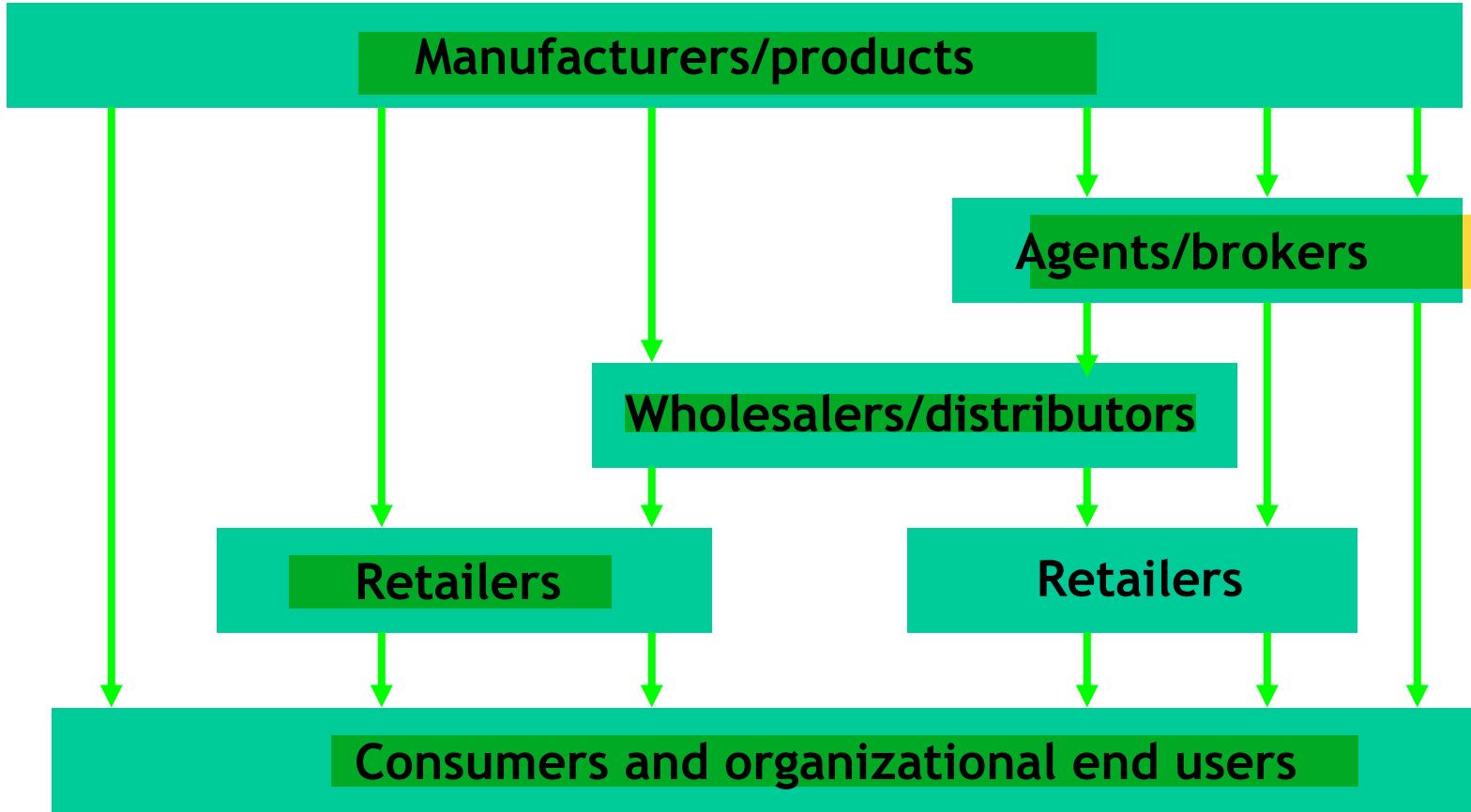
Distribution: a general definition

Distribution becomes the set of systems which transfer information and products from a producer to a customer and vice-versa in order to conclude a commercial transaction.

Which functions?

1. Transportation
2. Gather information on current and potential customers
3. Gather information on competitors and on the environment
4. Management of the direct touchpoint with customers
5. Receive orders and negotiate
6. Manage the inventories
7. Manage payments involving also banks

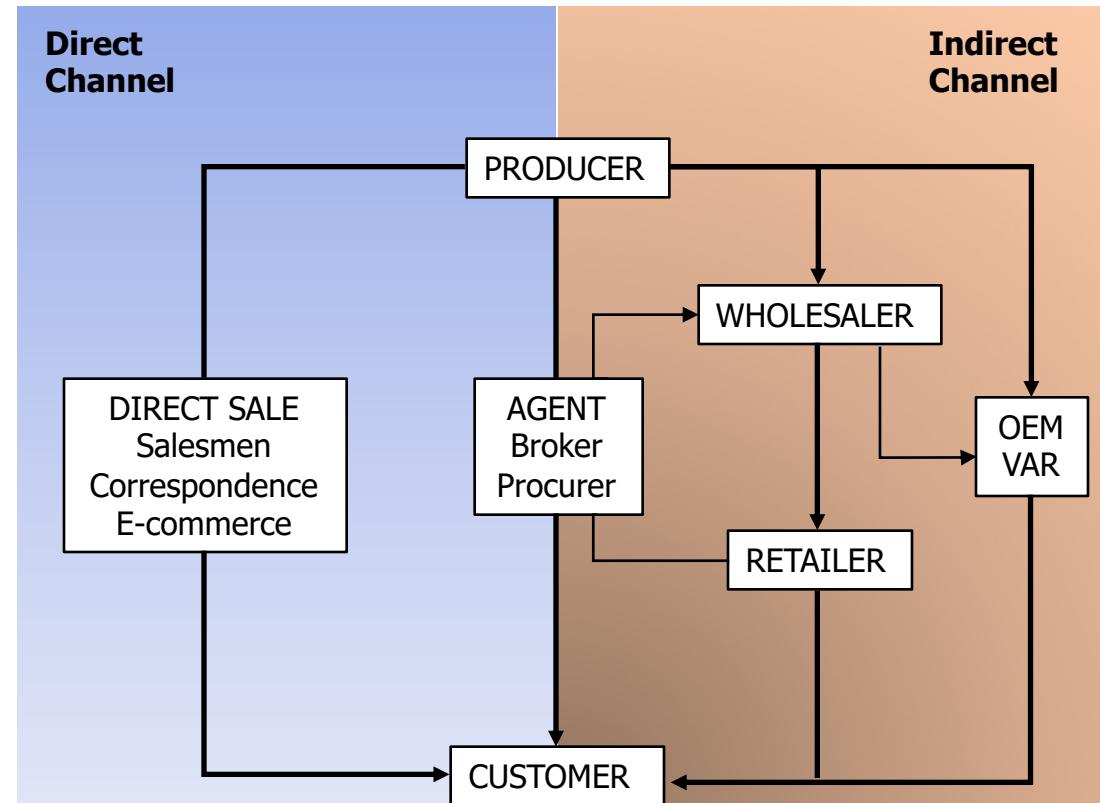
- **Geographic and demographic development of markets**
- **Specialization**
- **Economies of scale**
- **Diminished number of contacts necessary to put into contact demand and supply**
- **Lack of financial resources to preside the market directly**



2. Typology of channel

direct channel

- The direct channel is a channel in which a direct contact between producer and customer emerges. Small companies, especially in their early phases, almost always use direct sellers; sometimes, the owner himself follows the sales.

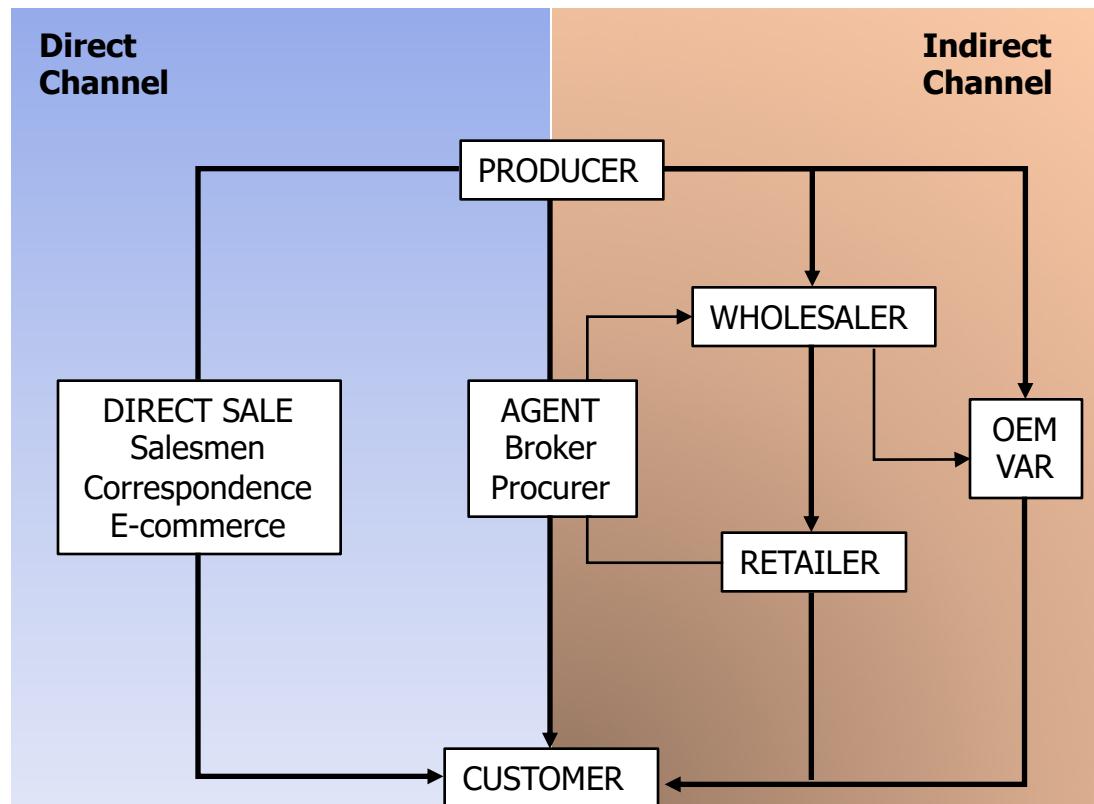




Typology of channel

indirect channel

- In the indirect channels, a series of independent figures is located between the producer and the customer.



Typology of channel

indirect channel

- The independent organizations that work on the interface between producer and customer (wholesaler or retailer) are born and are well developed for different reasons:
 1. geographical and demographic development in the markets
 2. critical mass of the activity of distribution
 3. specialization the activity

3. Typology of intermediates

Distributors (wholesalers and retailers)

- Buy and sell products
- Assume risks about commercial credits and obsolescence
- Mono-brand or multi-brand

Agents

- Work for the producer
- Receive a fee
- Deliver and make the invoice directly from the producer to the customer
- May keep stock only “on consignment”

Typology of intermediates

Brokers

- Lead the agreement between producer and customer
- May receive a fee from both the actors, according to the rules of the market or the effective client
- Ex.: raw materials, insurances, etc.

OEM (Original Equipment Manufacturer) – VAR (Value Added Resellers)

- Incorporate in the own product, in a recognizable way, components of other products
- Es.: installers, software-houses, producers of machines

Choice of the typology of traditional channel

	Direct Channels	Indirect Channels
Number of Customers	few	a lot
Purchasing mode	large lots	small lots
Unitary value of the good	high	low
Products' standardization	low	high
Production range	wide	narrow
Financial resources available	large	small



Internet caused the shift on this channel!

Dimension of the channel

After the choice of the channel to be used, it is necessary to define the sample size of the «points of contact» (stores, independent sellers, agents, OEM, VAR, that will manage the product).

Intensive distribution

- A lot of points of contact, with wide geographical coverage and wide selection (more brands)
- For current purchases or «on the place»

Exclusive distribution

- Few points of contact, specialized, mono-brand
- Image, technical contents and higher margins

Selective distribution

- Average number of specialized distributors

Allocation of the responsibilities along the channel

It is necessary to allocate a series of tasks along the distribution channel:

- Research of information on the market
- Promotion of the sales
- Technical consultancy
- Contact with the customers (actual or potential)
- Commercial adjustment of the product
 - Quantitative (wholesale or retail)
 - Qualitative (customization, etc.)

...



Allocation of the responsibilities along the channel

...

- Negotiation of the commercial conditions
- Physical distribution
 - Transport and stock
 - Installation
- Financing / collection of money
- Assumption of the commercial risk

Evaluating alternatives

Criteria

- Financial: estimated incomes and costs
- Channel control
- Flexibility and adaptation in time
- Ability to provide the service designed
- Consistence to corporate strategy
- Compliance to constraint

E.g. desire to get more control → vertical integration



Selecting the actors

- Experience
- Reputation and potential
- Product portfolio
- Localization and competences



Selecting the actors

Example: a high-couture brand looking for selective/exclusive distribution

- Strong experience
- Localization close to city centers
- Adequate, distinctive positioning of the other products offered
- Retailer's experience, setting and personnel supporting the shopping experience

Possible alternatives: La Rinascente (Italy), Neiman Markus or Saks Fifth Avenue (USA), Harrods (UK), etc.



Push and pull strategies along the distribution channels

In order to complete the own distribution strategy, the producer must decide on which ring of the supply chain concentrating its marketing effort.

Push strategy: the distributor “pushes” the whole chain

- The producer concentrates its effort on the distributor that in turn will work on the final customer
- More active role for the distributor (and better margins)
- The producer supports the sales (technical, logistic, etc.)
- Easier in a selective channel
- Typical for products to be installed (OEM)



Push and pull strategies along the distribution channels

Pull strategy: the customer «pulls» the whole chain

- The producer concentrates its effort on the customer that in turn will ask for the goods to the distributor
- Reactive distributor
- The producer invests especially on the promotion
- Easier in an intensive channel
- Typical for “finite” products



4. Designing the distribution channel

Steps

1. Determining the customer service
2. Setting objectives and fixing constraints
3. Identifying alternatives
4. Evaluating alternatives

Key variables

- Lot size
- Delivery time
- Spatial distribution (distribution intensity)
- Product variety
- Complementary services

- Strengths and weaknesses of intermediaries
- Distribution channels adopted by competitors
- Norms and laws



Most businesses use third parties or **intermediaries** to bring their products to market.

They try to forge a "distribution channel" which can be defined as "*All the organizations through which a product must pass between its point of production and consumption*"

Why does a business give the job of selling its products to intermediaries?

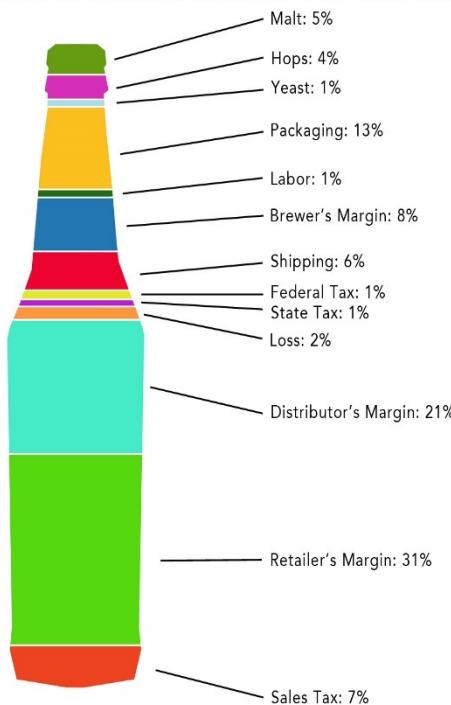
The answer lies in **efficiency of distribution costs**. Intermediaries are specialists in selling. They have the contacts, experience and scale of operation which means that greater sales can be achieved than if the producing business tried to run a sales operation itself.



Evaluating alternatives - Margin

Why Craft Beer Costs So Much

Good craft beer regularly costs as much as \$12 a six-pack – twice as much as beers from brands like Bud or Coors. But a HuffPost Taste investigation of the economics of craft beer revealed that a lot of work and materials go into each bottle. On the chart below, you can see just how much of the final cost of a six-pack goes to each stage of the process.



Cost Analysis of an Energy Drink

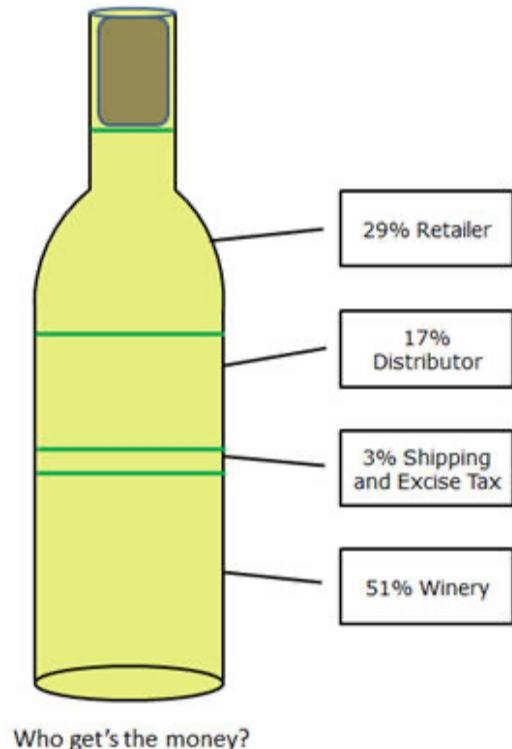


Retail price

Distributor price

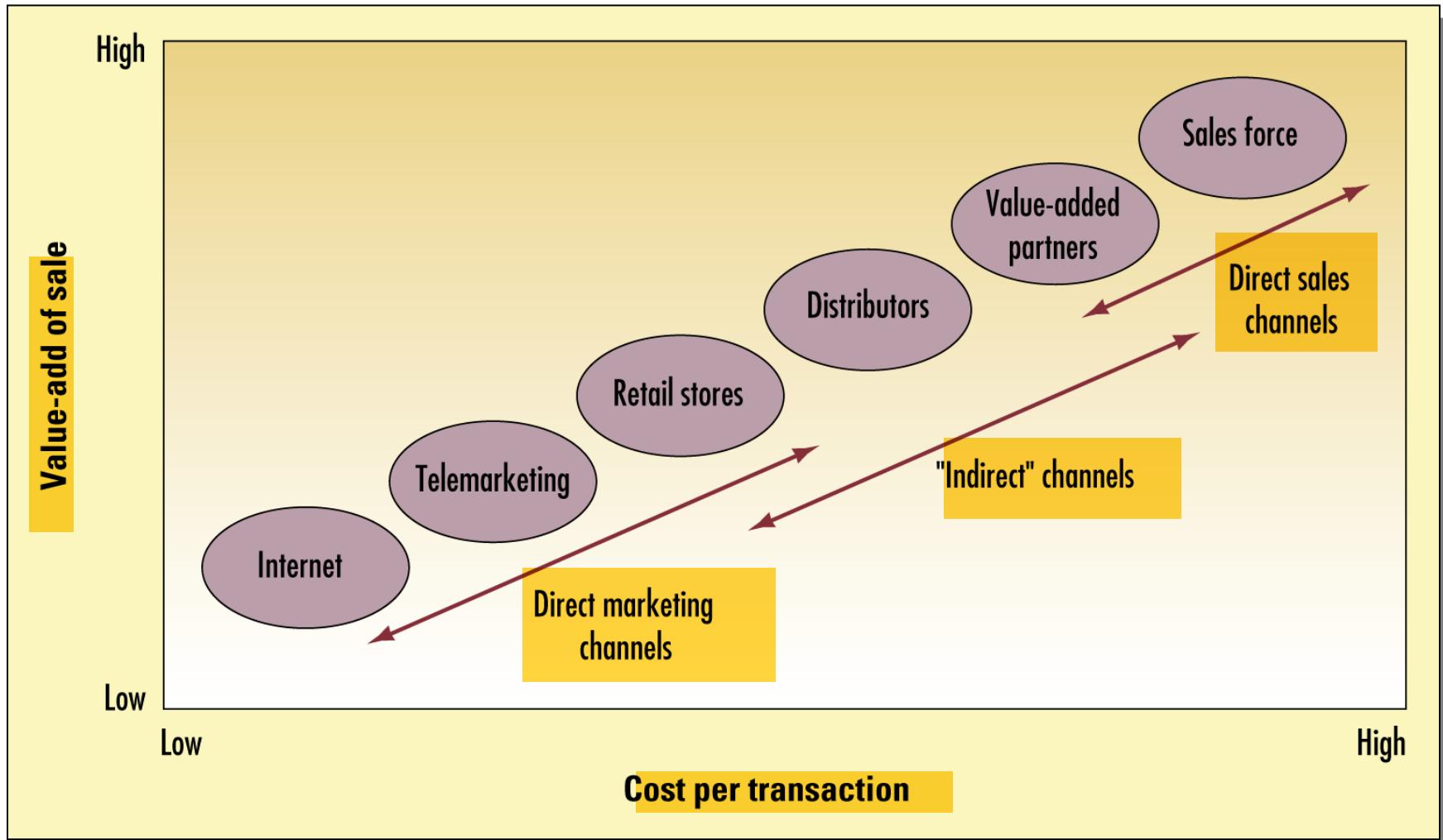
Manufacturer price

Cost of materials





The Value-Adds versus Costs of Different Channels



5. Marketing Systems

Approaches to distribution

↓ From **conflictual** relationships

↓ ...to **cooperative** relationships: **partnership**

e.g. Toyota

Focus on total cost reduction **all along the distribution chain**

↓ ...to **cooperative and competitive** relationships: **coopetition**

e.g. **private labels**

Customer value is created also by the distribution network

- Physical distribution
- Communication distribution
- Information and financial distribution

Value network as a competitive advantage

E.g. Apple's value network is composed by the developer of apps for iPhone, iPod and iPad provided also through App Store.

Vertical marketing systems

- Focal firms extend their **control** along the distribution channel
- They aim at eliminating dysfunctional behaviors
- The solution gets closed to **vertical integration**
- Channel works as a unique, consistent system



- A franchising system (a particular form of vertical system) is a system of individual franchisees, a tightly knit group of enterprises whose systematic operations are planned, directed, and controlled by the operation's franchisor.
- The franchisor owns a trade or service mark and licenses it to franchisees in return for royalty payments
- The franchisee pays for the right to be part of the system
- The franchisor provides its franchisees with a system for doing business

Examples: Starbucks in Europe, Benetton, some McDonalds.

Orizzontal marketing systems

- Partnership among companies at the same tier of the supply-chain
- Synergies in marketing efforts and increased effectiveness
- Companies extend/complete their product set
- Examples: SystemU, Conad, Eldo,...

Channel Conflicts, Horizontal and Vertical

Horizontal conflicts occurs among firms at the same level of the channel.

- ✓ For example, some Ford dealers complained about other dealers in the city who stole sales from them by being too aggressive in their pricing and advertising or by selling outside their assigned territories.

Vertical conflicts refers to conflicts between different levels of the same channel.

- ✓ For example, General Motors came into conflict with its dealer some years ago by trying to enforce service, pricing, and advertising policies.

6. Digital and multichannel environment

Channel proliferation (physical channel, sales agents, mobile, internet, catalogue, telephone, e-mail, television, etc.)

Multichannel marketing aimed at reaching different customers/segments through different channels

e.g. computer:

-pre-purchase: internet, tv, press, etc.

-purchase: retail, telephone, catalogue, internet, etc.

-post-purchase: retail, telephone, internet, etc.



E-commerce

Direct channel, rapid growth

Not only e-commerce: m-commerce, t-commerce

E-commerce challenges:

- Traditional fulfillment should be restructured → Distribution center becomes critical to deliver a good customer experience
- Increasing selection of merchandise
- Consumers purchase process is different
- Consumers switch between online and traditional channels along the purchase process



E-commerce pros

- Savings by reducing the intermediaries role
- Savings thanks to online promotion/advertising
- New customers
- Direct control of the final market
- Not limited geographically
- Possibility to provide abundant information on products
- Create market for niche products



E-commerce cons

Greater competition:

- International Companies
- Consumers have more information and can directly compare products

Not everybody use online channels: there is still the need to keep traditional channels

Inability to experience the product: e.g. luxury product need to be experienced

Digital and multichannel environment

New opportunities come from digitalizing the physical world, enabled by the rapid development and penetration of AI and the Internet of Things.

«**Hybrid competition**» is happening at the physical-digital intersection:

➤ Digital giants are moving into the physical sector:

e.g. Amazon has opened new retail stores in addition to its acquisition of Whole Foods; Google has entered automotive and transportation through its Waymo subsidiary;

➤ Incumbents are pursuing digitalization, opening online channels and digitalizing their offer:

e.g. John Deere has invested heavily in IoT technology by adding connected sensors to its tractors and other equipment. The company collects and analyzes data from each machine, using the insights to update its equipment or provide complementary services to users

Source: The new logic of Competition. By Ryoji Kimura, Martin Reeves, and Kevin Whitaker. Boston consulting group 2019

Digital and multichannel environment

New digital tools and platforms enable brands to directly engage with customers, improving the shopping experience, and collecting valuable data at every point along the path to purchase (**direct-to-consumer strategy**)

Both established and emerging brands may benefit:

- avoid traditional channel costs (e.g. listing fees, establishing vendor agreements with local retailers etc)
- avoid the costs associated with the consolidation of major retail industry players (decreasing negotiating power)
- leverage data analytics
- develop deeper relationships with end customers
- expand reach globally
- sell goods more profitably
- deliver more differentiated product offerings (digital stores can offer many more products than they can physically stock)
- avoid major investments in infrastructure

Source: Going digital, going direct. Deloitte



«Home» as a new point of contact between the brand and the consumer

Brands understood that the most important point of contact with a consumer is when his needs emerge, not when purchase takes place.

Companies are trying to get closer to customers and to be part of their life, in the most intimate environment -the house-

e.g. Google Home or Alexa by Amazon: consumers use them at home, by interacting with a human voice and looking for support in their daily activities

7. Trade marketing

↓ *Marketing effort towards intermediaries*

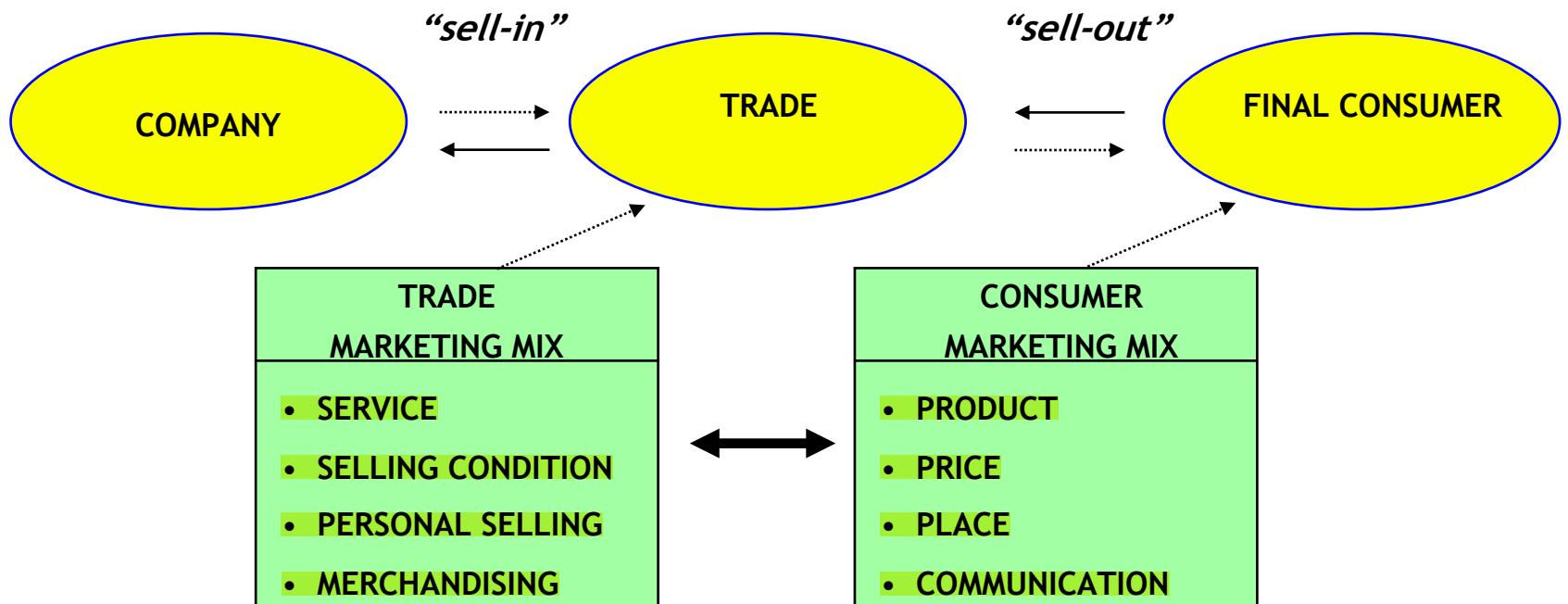
| Design of a marketing strategy for the retailer or the intermediary

Focus:

| **Creating (indirectly or directly) customer value through an improvement of trade satisfaction and margins**

Marketing action at two levels:

- intermediate customer (trade)
- final customer



Trade marketing: actions and impacts

- Information sharing
- For every tier of the distribution-chain, analysis of the customer's demand
- Development of conjoint initiatives with customers and distributors
- Enhanced emphasis on distribution channel control
- Improvement in the logistics (e.g. VMI)
- Improvement of the commercial offers
- Partnerships and stronger collaboration



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Market mix Communication

1st December 2022

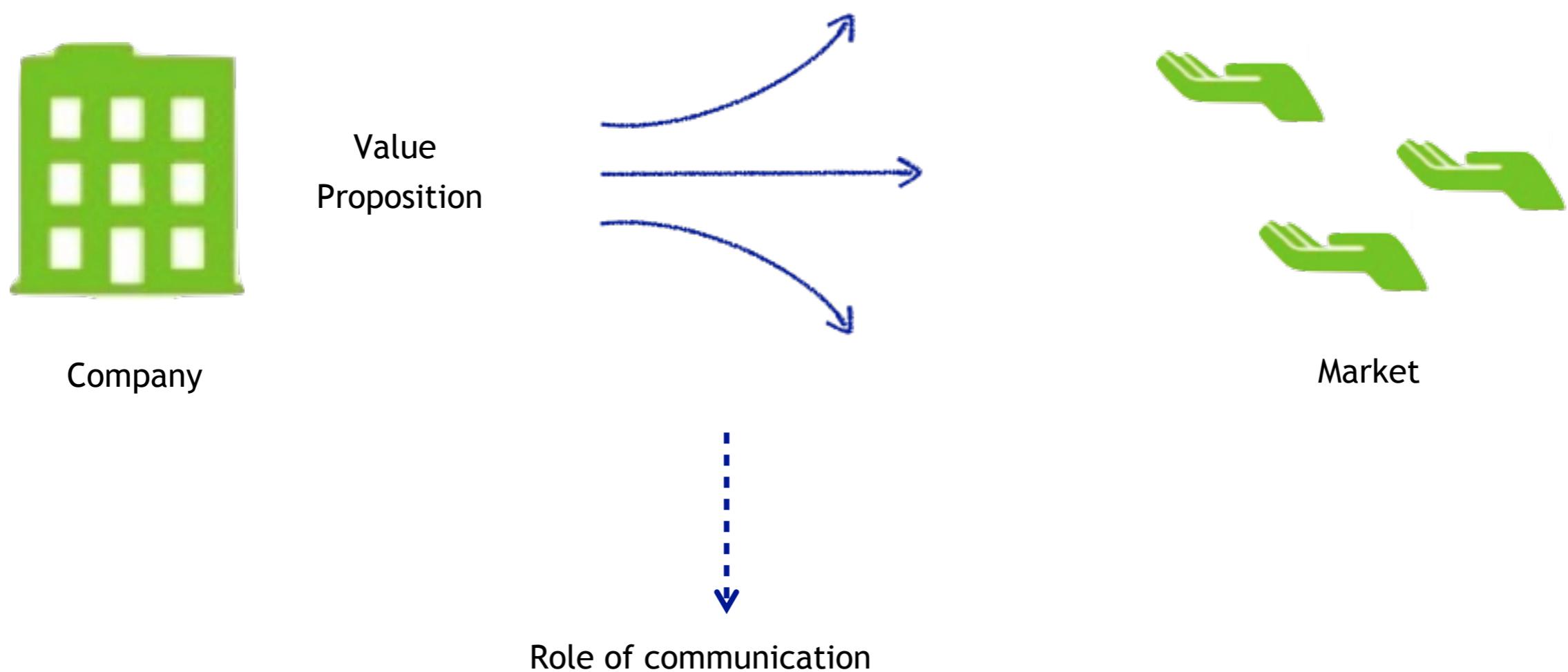
Prof. Alberto Cellini

- 1. Integrated Multichannel Communication**
- 2. Communication process**
- 3. Communication Mix**
- 4. The New Media Mix**



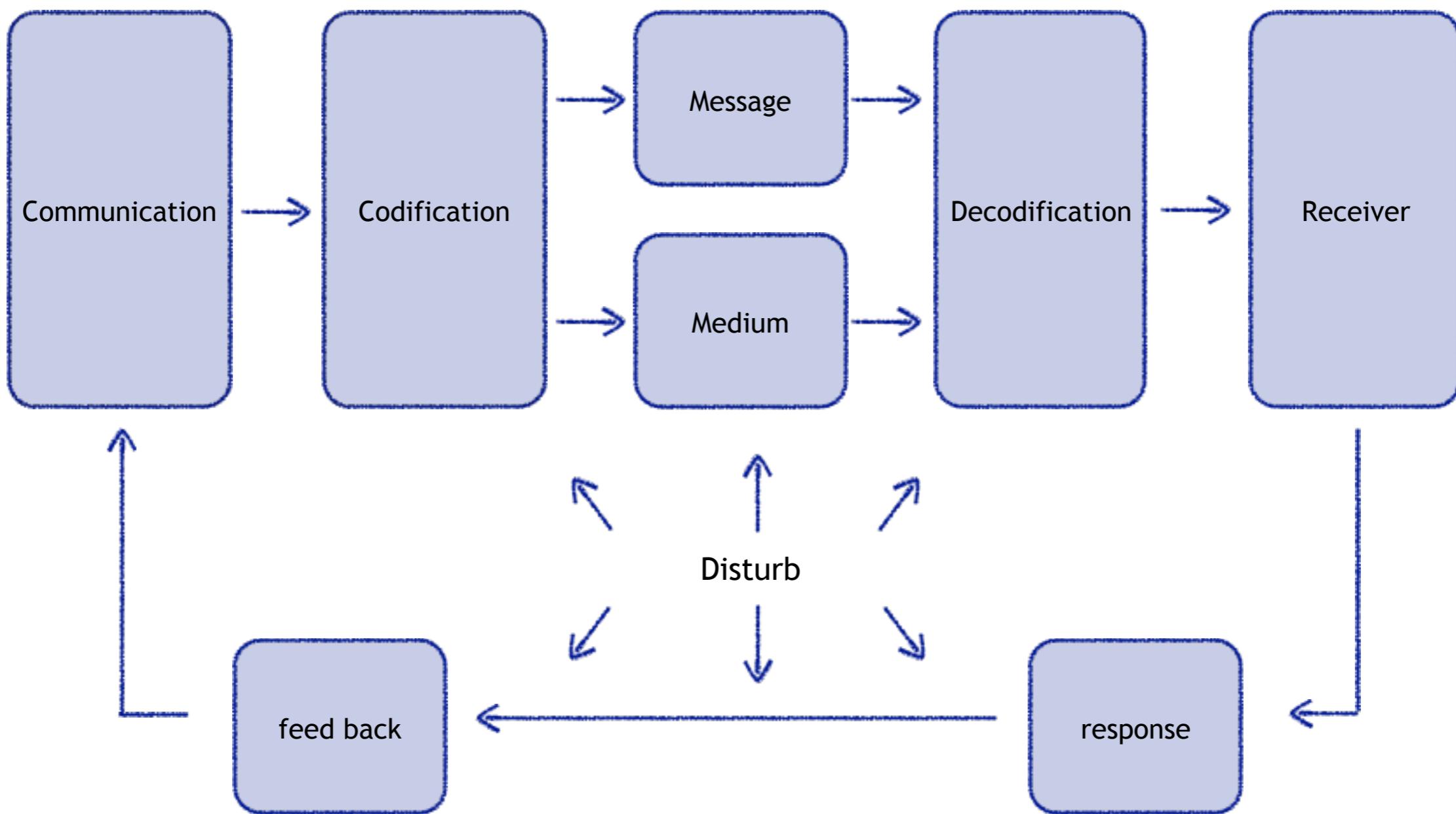
1. Integrated Multichannel Communication

Communication in marketing



*Mean through which the company **informs, persuades, and reminds consumers** - directly or indirectly - of its product and brands*

Phases of the communication process



Different targets and objectives → different communication

Institutional (corporate) communication

Building and managing company image towards:

- ◆ Public
- ◆ Market
- ◆ Stakeholders
- ◆ Policy makers
- ◆ Suppliers
- ◆ Governmental agencies
- ◆ ecc.

Different targets and objectives → different communication

1. Institutional (corporate) communication

2. Commercial communication

3. Internal communication

1. Institutional (corporate) communication

Building and managing company image towards:

- Public
- Market
- Stakeholders
- Policy makers
- Suppliers
- Governmental agencies
- etc.

2. Commercial communication

Oriented to markets in order to sell

3. Internal communication

Internally-oriented (directed to employees, labour unions, etc)

Integrated Communication

Integrated communication is a unified approach to communication offering to customers or users a unified experience across all the channels. Means through which the company **informs, persuades, and reminds consumers** - directly or indirectly - of its product and brands in a coordinated way across all the channels and along the phases.

1. Communication and its phases

Integrated communication along different touchpoints

AIDA Model: designing touchpoints and goals along the different phases of the relationship with customers along the communication funnel.

AIDA model was prevailing in the era of broadcast media (television advertising above all), where companies get the attention and then the interest of customers and sustain the creation of desires and turn the desire into action.

Attention: a product can't be sold if the market is not aware of its **existence**, the first step is to **attract** the **attention** of **potential** customers

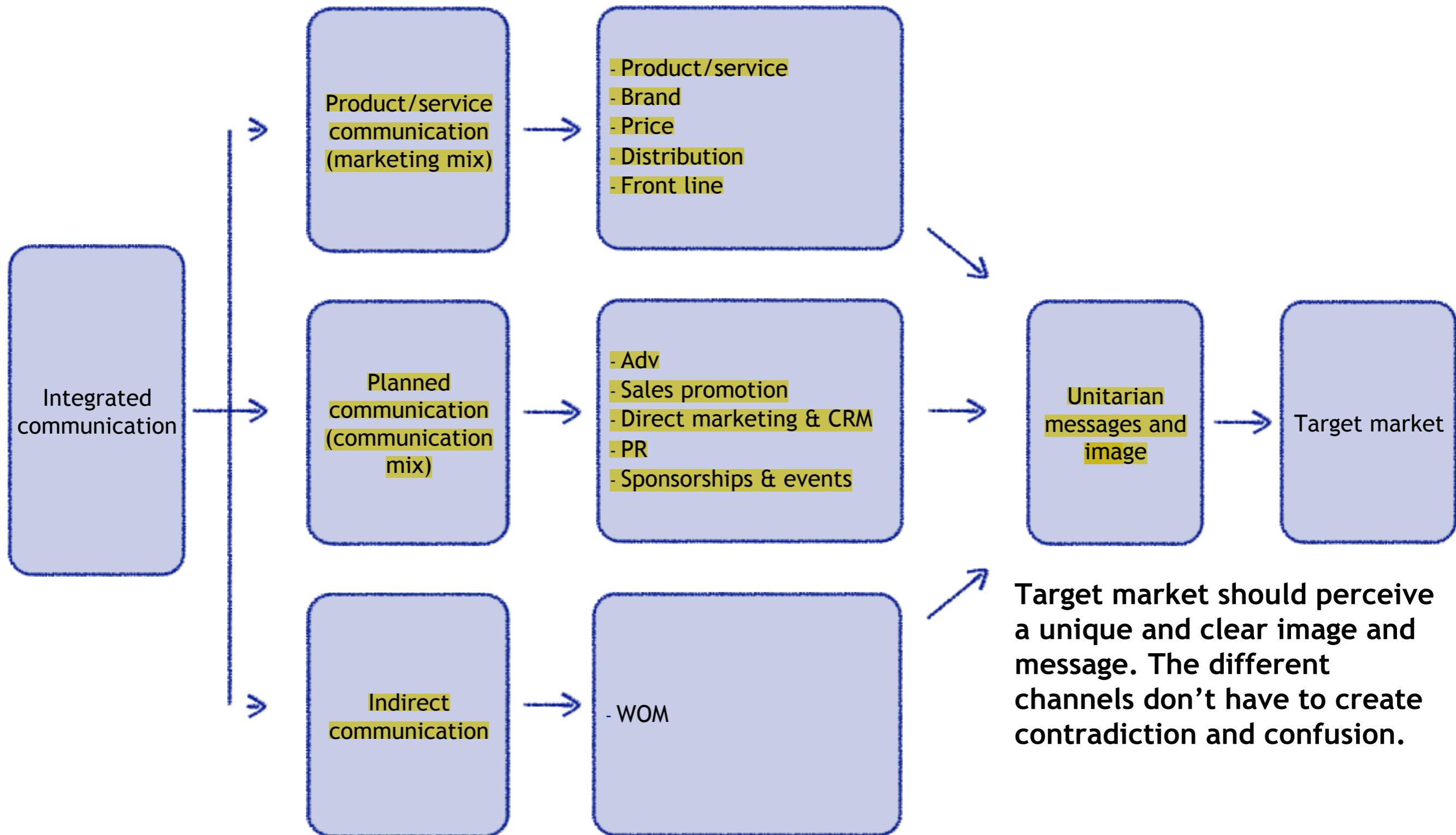
Interest: attention is not sufficient, companies need to **spark customers' interest** in the product by demonstrating its **features, uses, and benefits**

Desire: companies need to further **stimulate customers' desire** by convincing them with products' superiority and ability to satisfy specific needs

Action: after convincing the potential customers to buy the product, promotion then needs to **push them toward actual purchase**

1. Communication and its phases

Integrated communication schema





2. Communication process

- 1. Defining the target**
- 2. Defining objectives of the communication plan**
- 3. Developing the message to convey**
- 4. Selecting the channels**
- 5. Defining the communication budget**
- 6. Defining the communication mix**
- 7. Performance assessment**

Defining the target

- ◆ Prospects
- ◆ Current customers
- ◆ Deciders or influencers
- ◆ ecc.

The target influences...

- ◆ what to communicate
- ◆ how to communicate
- ◆ where to communicate
- ◆ when to communicate

Setting the objectives

The *learn-feel-do* model

Stages of customer response

Hierarchical models of response

Communication levels

Do: Behavioral stage

Extended
Hierarchy of
Effects
Model

Traditional AIDA
Hierarchy of
Effects
Model

Feel: Emotional stage

Re-purchase
Purchase
Conviction
Preference
Liking
Knowledge
Awareness



Learn: Cognitive stage

Sales promotions

PR and advertising

Sponsorship, advertising

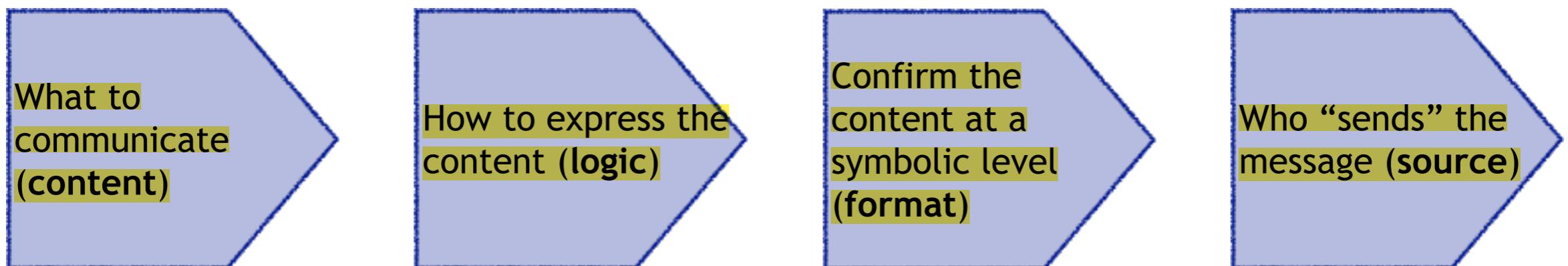
Defining objectives of the communication plan

Potential objectives could be:

- ◆ Sales
- ◆ Equity
- ◆ Influence on purchase process
- ◆ ecc.

Developing the message to convey

- ◆ Definition of the basic promise
- ◆ Definition of the content (creativity)



Selecting the channels

- ◆ Store
- ◆ Phone
- ◆ Web
- ◆ Mobile
- ◆ Catalogue
- ◆ Press
- ◆ ecc.

Defining the communication budget

Influential factors

- Product life cycle stage
- Desired market share
- General market dimension (to spread the message)
- Competition
- Product substitutability
- Investment in adv
- Relation between desired market share and advertising share

Example: According to Nielsen's researches, in 2002 you needed to reach 17% of the advertising share to obtain 10% as market share (thus the balance was $1,7 \div 1$)

Defining the communication mix

Communication levers:

- advertising
- Sales promotion
- PR
- direct marketing
- personal selling
- On-line (Seo/Sem, socials, ..)

Performance assessment

KPI definition on the basis of the initial objectives

- Sales
- Image
- Awareness
- Click per view
- ecc.

Performance assessment

Ex-ante

- ◆ Qualitative research methodologies

- ◆ Aim

- To choose the best solution for the target among different alternatives
 - To assess the potential impact of the communication strategy before being shown-off

Ex-post

- ◆ Qualitative and quantitative research methodologies

- ◆ Aim

- To detect potential qualitative problem regarding the product
 - To measure the initiative's key performance indicators
 - To track the initiative's impact



3. Communication Mix

2. Communication Mix

Communication levers

A. Advertising:

- ◆ spot
- ◆ press
- ◆ billboards
- ◆ Internet

Presentation of the commercial offering

B. Sales promotion:

- ◆ Contests
- ◆ Special offers
- ◆ Free samples
- ◆ Coupons
- ◆ Show-offs

Incentives for customers and intermediaries

2. Communication Mix Communication levers

C. Sponsorships and PR

- ◆ press releases, exhibitions
- ◆ conferences, seminars, congresses
- ◆ public relations

Inexpensive (?) press insertions

D. Direct marketing:

- ◆ telemarketing
- ◆ call center
- ◆ internet

Direct communication

E. Personal selling:

- ◆ sales force

Visits

Factors influencing the communication mix

- ◆ Type of customer
- ◆ Product lifecycle
- ◆ Customer awareness and ability to perceive
- ◆ Market positioning
- ◆ Competitors
- ◆ etc.

E.g.:

- ◆ Market leaders are more effective in adv
- ◆ New entrants → sales promotion

Factors influencing the communication mix

B2C customers

Producers are generally focused on:

- ◆ Sales promotions
- ◆ Advertising
- ◆ Public Relations
- ◆ Direct Marketing

Factors influencing the communication mix

B2B customers

Producers are generally focused on:

- ◆ Personal selling
- ◆ Sales promotions
- ◆ Public relations
- ◆ Direct marketing

Advertising weights less in B2B markets

This is due to the fact that in B2B markets a more direct and tailored relationship with the customer is required

Characteristics of the levers of the communication mix

Adv

- High number of contacts, partly far from the target
- Long-term effect
- High investment, but low cpc
- High control on communication

Personal Selling

- Low number of contacts
- Long term effects (but also long term...)
- High cpc
- Risk of disturbing the brand image

Sales promotion

- High number of contacts
- Short term effects (but also long term...)
- High cpc
- Risk of disturbing the brand image

Direct marketing

- High selectivity, efficiency
- Short term effect
- High cpc (but internet decreases costs)
- Risk of disturbing customers

PR

- Low number of contacts
- Long-term oriented
- Low investment, but low control

Sponsorships

- Potentially high number of contacts
- Risk for the brand image (low control)
- High investment to avoid that the brand is “hidden by the event”



4. The new Media Mix

Media Mix Evolution

Before: interruption media

Owned media

Paid media

+ display advertising

Now: interaction media

Owned media

Paid media

+

Earned media

+

Sold media

+

Hijacked media

+

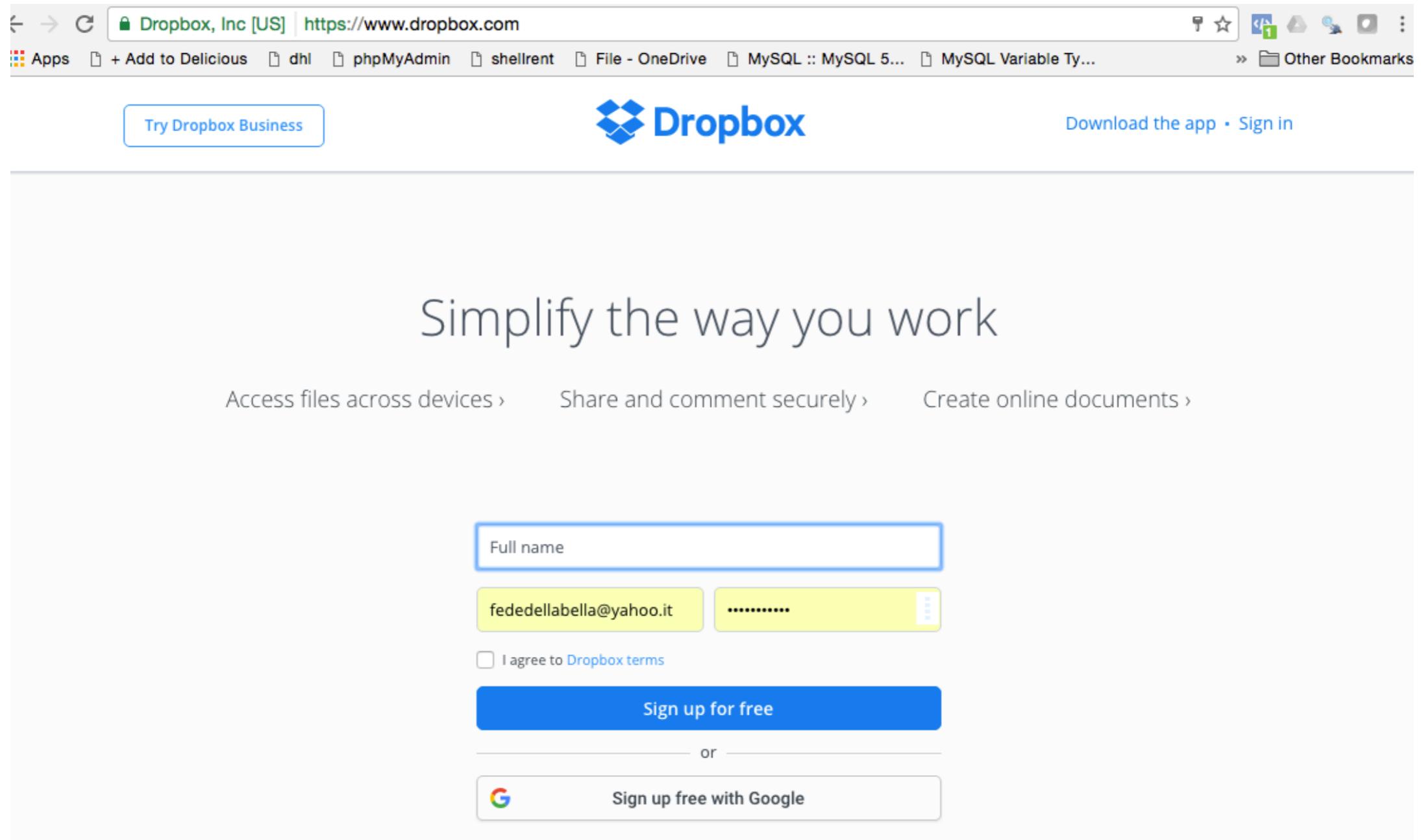
Native adv, content,
interaction,
and co-creation

Media Mix Types

Media type	Definition	Examples
Paid	The company pays a third party to get some space	Tvcommercials, magazine and newspaper ads, billboards, product placement, web banners, search engine mktgs
Owned	Company creates and uses its own media to advertise	Catalogs, web sites, social media fanpage, email databases, company owned stores
Earned	Consumers create or share content related with the company	Organic search placement, sharing and forwarding commercials to friends, ratings, reviews, comments, communities
Sold	The company sell space or invites third party to share content on its own media	E-commerce retailer sells space on its own site, a consumer marketer creating a community and selling adv space
Hijacked	The company campaign is taken hostage by those who oppose it	Consumers opposing to a company creating social media / mailing list campaigns, consumers creating negative versions of ads, etc.

1. Viral Marketing

Get Your Users Market for You



The screenshot shows the Dropbox sign-up page. At the top, the URL is https://www.dropbox.com. Below the URL, there are links for "Apps", "+ Add to Delicious", "dhl", "phpMyAdmin", "shellrent", "File - OneDrive", "MySQL :: MySQL 5...", "MySQL Variable Ty...", and "Other Bookmarks". On the left, a button says "Try Dropbox Business". In the center, the Dropbox logo is displayed with the text "Dropbox". To the right, there are links for "Download the app" and "Sign in". The main headline reads "Simplify the way you work". Below it, three bullet points are listed: "Access files across devices", "Share and comment securely", and "Create online documents". The sign-up form starts with a "Full name" input field containing "fededellabella@yahoo.it". Next to it is a password field with "....." and a "Show" button. Below the input fields is a checkbox labeled "I agree to Dropbox terms". A large blue "Sign up for free" button is centered. Below the button is a horizontal line with the word "or" in the middle. At the bottom, there is a "Sign up free with Google" button featuring the Google "G" logo.

2. Digital Public Relations (Digital PR)

Get your brand out through traditional media, foster your relationships



SOCIAL MEDIA MARKETING MOBILE BUSINESS DIGITAL DESIGN MEDIA NINJA LIFE LAVORO NINJA ACADEMY

ninja CORSI IN HOUSE dai fuoco ai cervelli del tuo team! WORKSHOP DI AGGIORNAMENTO NELLA TUA AZIENDA! VOGLIO SAPERNE DI PIU' !

ADVERTISING

08 luglio 2015 | Valentina Missaglia aka Emiko
Guarda il suo profilo!

Wardroba, il laboratorio online dello stile made in Italy [INTERVISTA]

"Pensiamo che la chiave di successo sia collaborare con i talenti di oggi che saranno i grandi brand di domani" - Federico Della Bella, fondatore di Wardroba



CORSO ONLINE IN:
SEO & SEM STRATEGY
Come progettare campagne di Inbound Marketing

DOCENTI
Gianpaolo Lorusso
Fabio di Gaetano
Luca De Berardinis

BEST SELLER NUOVA EDIZIONE!
SETTEMBRE 2015
#SEOninjas

SCOPRI IL PROGRAMMA >

Il tuo brand qui? »

ALTRE STORIE



Master in Web Marketing e Social Media Communication + Digital Factory: aperte le iscrizioni alla 3° edizione

3. Unconventional PR

Make something extraordinary. People will talk about it



<https://www.youtube.com/watch?v=e01a4-ClcTs>

4. SEARCH & SEO

Search engine

Being found on search engines (Google) is fundamental to be reached by your customers. Optimization of content and structure of websites (set of rules and guidelines).

SEO / SEM optimization

Monitoring performances

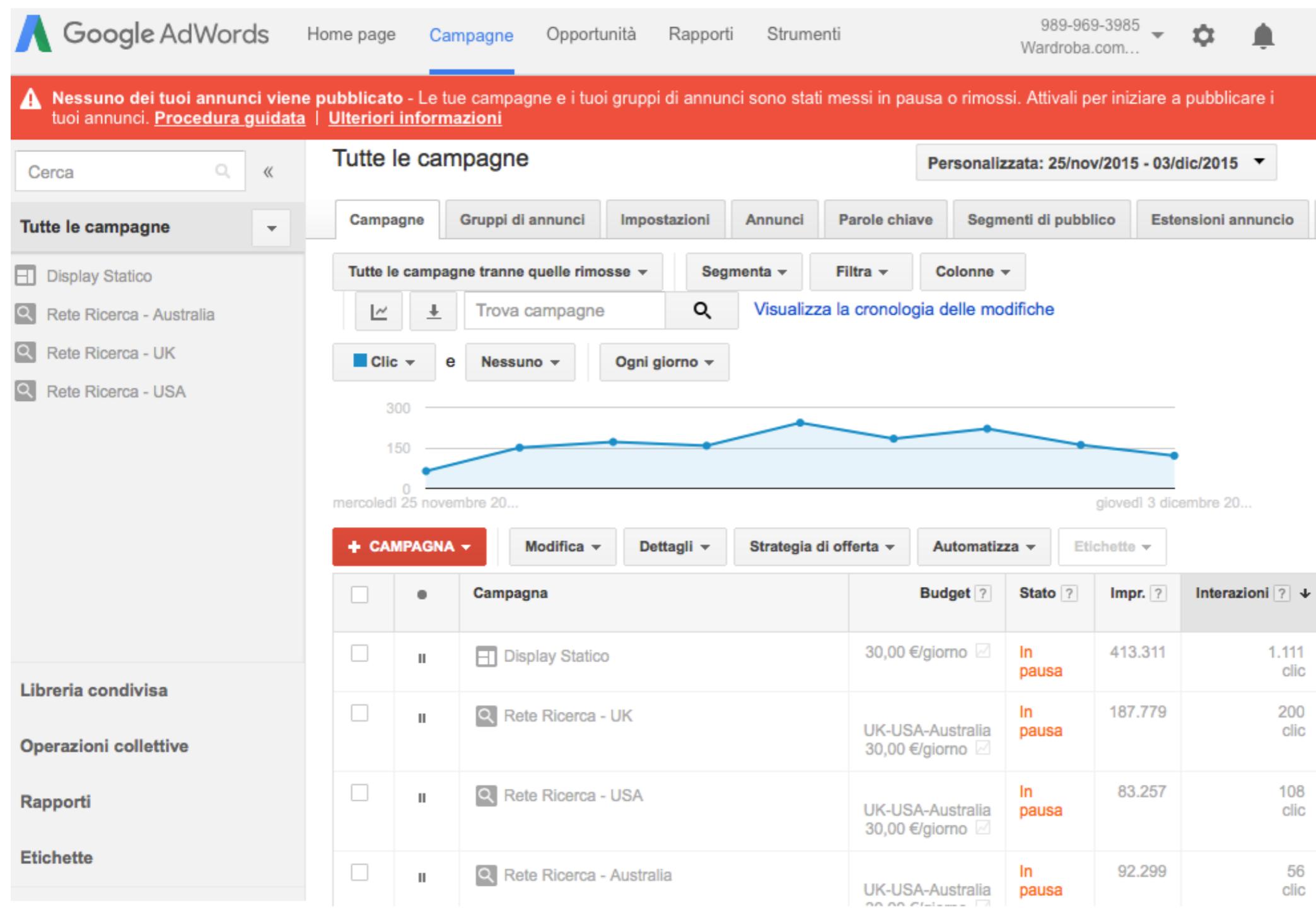
5. SEARCH Ads

Google Adwords

Advertising on Google means:

- Defining a target (geographical, behavioral)
- Defining category in which being inserted
- Defining a set of keywords
- Deciding the budget and thus the **REACH**
- Monitoring results, and thus: **nr of Impressions, CTR, CPM**

5. Search Ads: Google Adwords



The screenshot shows the Google AdWords interface. At the top, there's a navigation bar with 'Google AdWords' logo, 'Home page', 'Campagne' (which is underlined), 'Opportunità', 'Rapporti', 'Strumenti', and a dropdown for 'Wardroba.com...'. To the right are icons for phone number (989-969-3985), gear, and bell.

A red banner at the top states: 'A Nessuno dei tuoi annunci viene pubblicato - Le tue campagne e i tuoi gruppi di annunci sono stati messi in pausa o rimossi. Attivali per iniziare a pubblicare i tuoi annunci. [Procedura guidata](#) | [Ulteriori informazioni](#)'.

The main area is titled 'Tutte le campagne' (All campaigns) and shows a line chart from Wednesday, November 25, 2015, to Thursday, December 3, 2015. The chart tracks 'Clic' (Clicks) over time, starting around 120 and ending near 140.

Below the chart is a table of campaigns:

	Campagna	Budget	Stato	Impr.	Interazioni
<input type="checkbox"/>	Display Statico	30,00 €/giorno	In pausa	413.311	1.111 clic
<input type="checkbox"/>	Rete Ricerca - UK	UK-USA-Australia 30,00 €/giorno	In pausa	187.779	200 clic
<input type="checkbox"/>	Rete Ricerca - USA	UK-USA-Australia 30,00 €/giorno	In pausa	83.257	108 clic
<input type="checkbox"/>	Rete Ricerca - Australia	UK-USA-Australia 30,00 €/giorno	In pausa	92.299	56 clic

On the left sidebar, there are links for 'Tutte le campagne', 'Display Statico', 'Rete Ricerca - Australia', 'Rete Ricerca - UK', and 'Rete Ricerca - USA'. Other sidebar categories include 'Libreria condivisa', 'Operazioni collettive', 'Rapporti', and 'Etichette'.

6. Display ads formats 1

Banner

The first adv tool used online, in 1994 by Hotwired.

Static banner: brand awareness

Animated banner: with dynamic content

Interactive banner: call to action

Strip

Strip (h:30 pix) below upper navigation bar

Masthead

Horizontal banner (h: 250 pix) below upper navigation bar

Display adv format source: <http://www.iab.com>

Microsite

A mini website developed on specific occasion by a company.
E.g.: for the launch of a new product, or a product line

6. Display ads formats 2

Overlay (or floating ad)

Animation 15 sec. long appearing over the page.

The user can close it earlier ending the video.

High attention and high CTR.

Pop-up

A variable size window appearing while the user performs specific actions, like entering a site, opening a new page, etc.

Very effective in getting attention, it is considered intrusive

Interstitial

A dynamic page with music and animation, opening while navigating through pages of a website.

Brand awareness

Considered as intrusive

6. Display ads Examples: Banner, Masthead

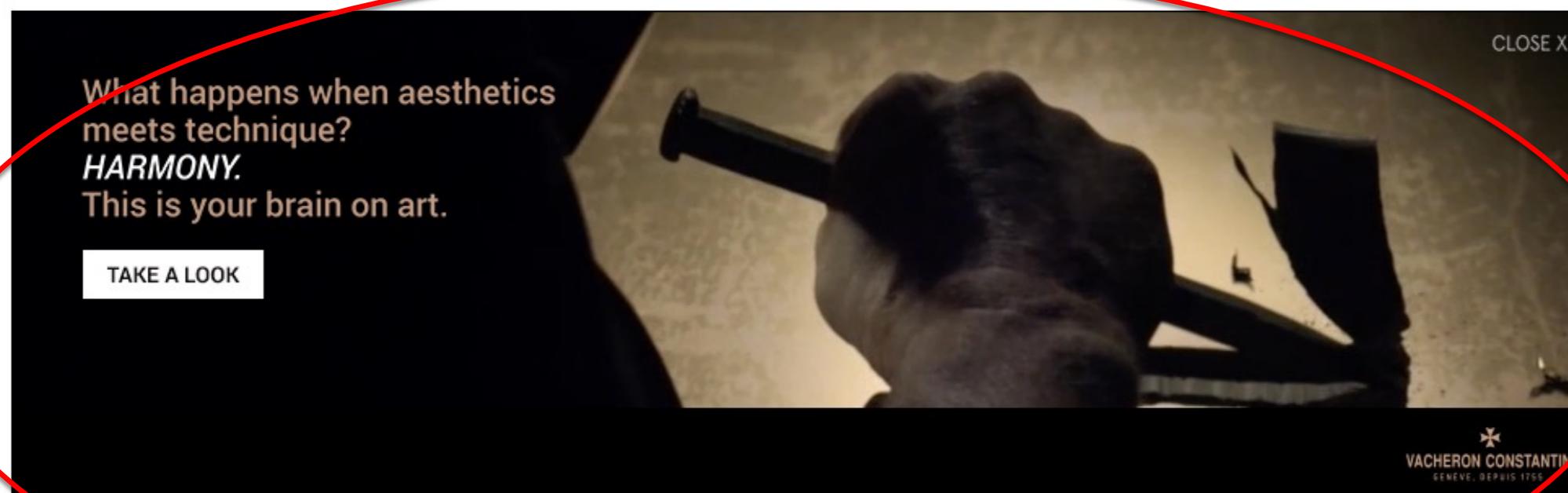


The New York Times homepage featuring two banner ads:

- Left Banner:** "THE SHAPE OF HARMONY" (circled in red)
- Right Banner:** Vacheron Constantin logo (circled in red)

Below the banners, the masthead "The New York Times" is displayed.

Banner



A large video advertisement overlaying the page content:

- Text:** "What happens when aesthetics meets technique? HARMONY. This is your brain on art."
- Call-to-action:** "TAKE A LOOK"
- Branding:** Vacheron Constantin logo at the bottom right



The New York Times homepage featuring news articles and a masthead:

- Left Column:** Headline "Defending Call to Bar Muslims, Trump Invokes World War II" by MAGGIE HABERMAN (2:53 PM ET)
- Middle Column:** Image of Justin Trudeau
- Right Column:** Headline "CAMPAIN STOPS What if Going Viral Matters More Than Iowa?" by EMMA ROLLER
- Masthead:** "The Opinion Pages" with an image of a person wearing a green cap and glasses

Masthead

6. Display ads examples: Skin, Strip

Skin



Strip

6. Display ads examples: microsite

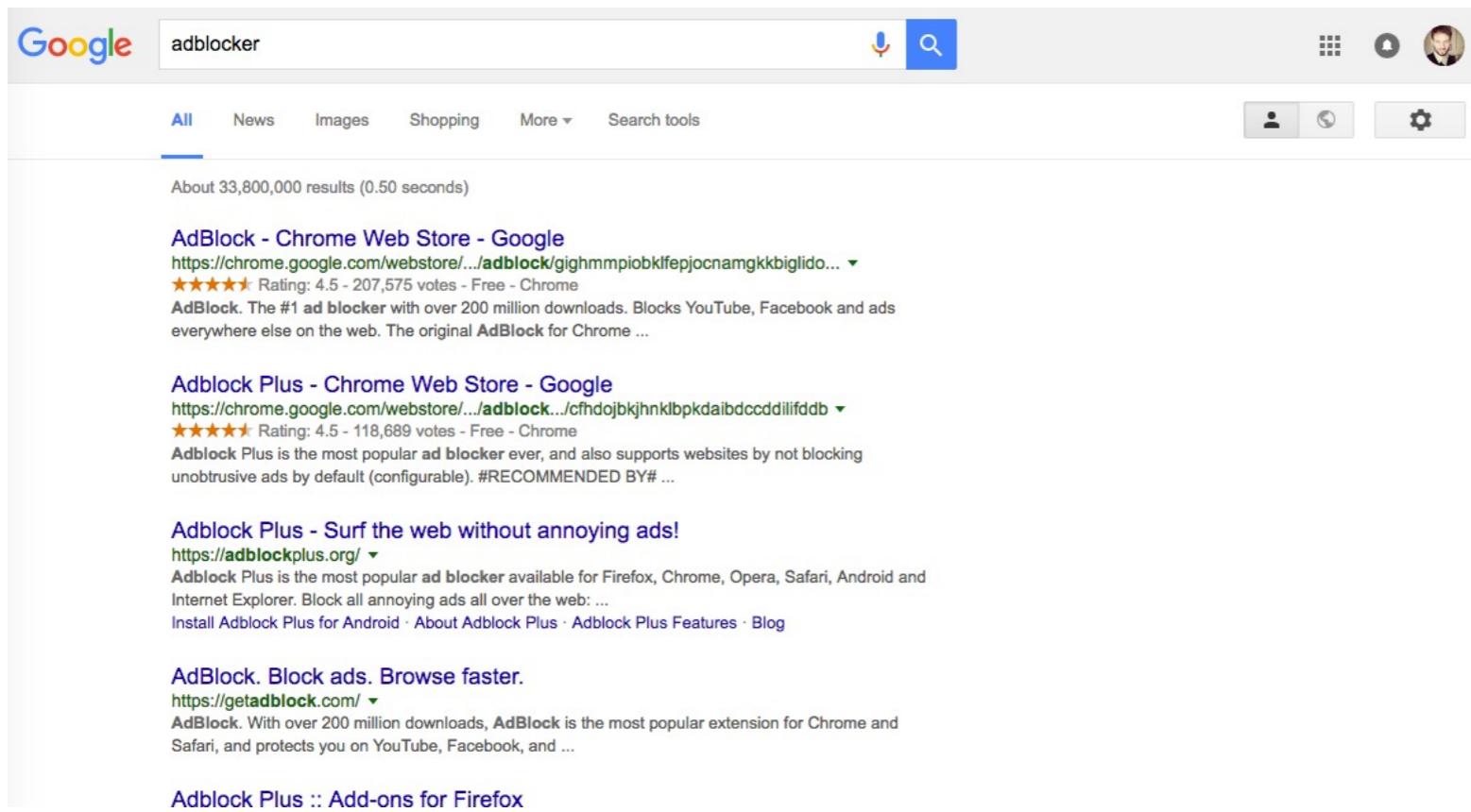
A mini website developed on specific occasion by a company.
E.g.: for the launch of a new product, or a product line



The screenshot shows the homepage of BEINGGIRL.COM. At the top, there's a banner with logos for brands like always, TAMPAX, Pantene, Olay Fresh Effects, Gillette Venus, and COVERGIRL. Below the banner is a navigation bar with links: MY PERIOD, MY BODY & WELLNESS, MY RELATIONSHIPS, MY LIFE, MY BEAUTY & STYLE, ASK THE EXPERTS, ENTERTAINMENT, PRODUCTS, and FREE STUFF. A search bar is also present. A message in French encourages users to visit the site in French: "Cliquez ici pour visiter notre site en français". The main content area features a large call-to-action button: "Connect with us on BeingGirl's YouTube channel!". It includes a note that the website will no longer be available at the end of the month but offers a YouTube channel instead. A "Watch our videos" button is provided. To the right, there's a thumbnail of a YouTube channel page. Below this, there are four main sections: "my period" (featuring a woman thinking), "MY beauty & style" (featuring a woman smiling), "COVERGIRL" (featuring a tube of nail polish), and "period diaries Q & A" (featuring a woman smiling). Each section has a "LEARN MORE" or "WATCH VIDEOS" button.

6. Display Ads: NEW ADVERTISERS’ PROBLEMS

- AD BLOCKERS (search Adblocker: 33 + M results)
- BANNER BLINDNESS



A screenshot of a Google search results page. The search query "adblocker" is entered in the search bar. The results show several links related to ad blockers:

- AdBlock - Chrome Web Store - Google**
[https://chrome.google.com/webstore/.../adblock/gighmmpioblkfepjocnamgkkbigld... ▾](https://chrome.google.com/webstore/.../adblock/gighmmpioblkfepjocnamgkkbigld...)
★★★★★ Rating: 4.5 - 207,575 votes - Free - Chrome
AdBlock. The #1 ad blocker with over 200 million downloads. Blocks YouTube, Facebook and ads everywhere else on the web. The original AdBlock for Chrome ...
- Adblock Plus - Chrome Web Store - Google**
[https://chrome.google.com/webstore/.../adblock.../cfhdojbkjhnkbpkdaibdccddilfddb... ▾](https://chrome.google.com/webstore/.../adblock.../cfhdojbkjhnkbpkdaibdccddilfddb...)
★★★★★ Rating: 4.5 - 118,689 votes - Free - Chrome
Adblock Plus is the most popular ad blocker ever, and also supports websites by not blocking unobtrusive ads by default (configurable). #RECOMMENDED BY# ...
- Adblock Plus - Surf the web without annoying ads!**
[https://adblockplus.org/ ▾](https://adblockplus.org/)
Adblock Plus is the most popular ad blocker available for Firefox, Chrome, Opera, Safari, Android and Internet Explorer. Block all annoying ads all over the web: ...
Install Adblock Plus for Android · About Adblock Plus · Adblock Plus Features · Blog
- AdBlock. Block ads. Browse faster.**
[https://getadblock.com/ ▾](https://getadblock.com/)
AdBlock. With over 200 million downloads, AdBlock is the most popular extension for Chrome and Safari, and protects you on YouTube, Facebook, and ...
- Adblock Plus :: Add-ons for Firefox**
[Adblock Plus :: Add-ons for Firefox](#)

7. Mobile Push Notifications Marketing

With the majority of internet access occurring from mobile, push notifications acquired importance and centrality.

2 reasons why send notifications, each with different types

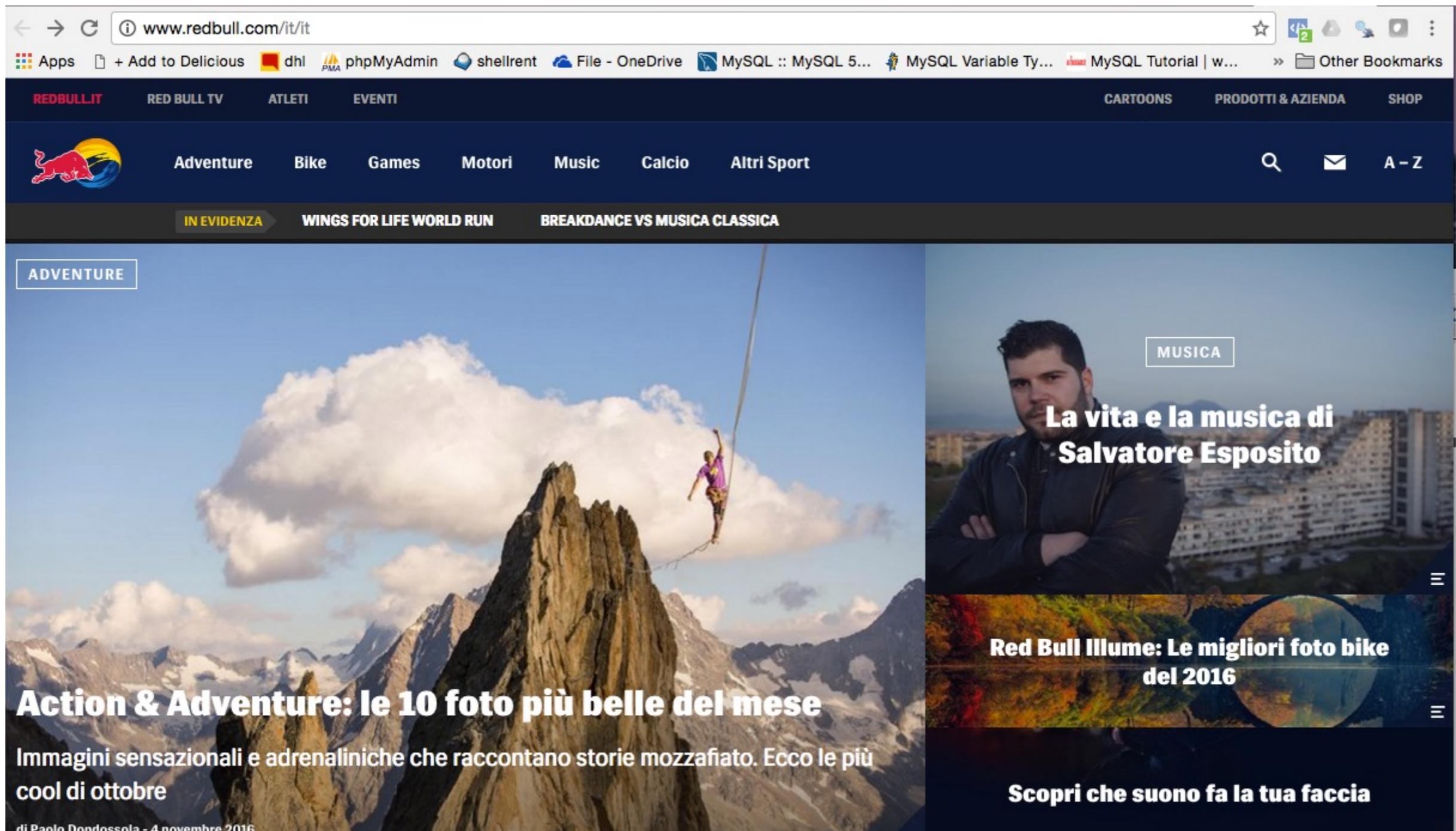
SEND SERVICE NOTIFICATIONS

- Warnings about the status of a process
- Customer care
- Reminders or alerts

MARKETING COMMUNICATIONS

- Call to action

8. Content Marketing (Every company is a media company)



The screenshot shows the Red Bull website homepage. At the top, there's a navigation bar with links like 'REDBULL.IT', 'RED BULL TV', 'ATLETI', 'EVENTI', 'CARTOONS', 'PRODOTTI & AZIENDA', and 'SHOP'. Below the navigation is a main menu with categories: 'Adventure', 'Bike', 'Games', 'Motori', 'Music', 'Calcio', and 'Altri Sport'. A search icon and an 'A - Z' link are also present. A banner at the top features the text 'IN EVIDENZA' and 'WINGS FOR LIFE WORLD RUN' and 'BREAKDANCE VS MUSICA CLASSICA'. The main content area has two large sections. On the left, under 'ADVENTURE', there's a large image of a person slacklining between two rocky peaks, with the text 'Action & Adventure: le 10 foto più belle del mese' and a subtitle 'Immagini sensazionali e adrenaliniche che raccontano storie mozzafiato. Ecco le più cool di ottobre'. On the right, under 'MUSICA', there's an image of a man with his arms crossed, with the text 'La vita e la musica di Salvatore Esposito'. Below these are smaller sections: 'Red Bull Illume: Le migliori foto bike del 2016' and 'Scopri che suono fa la tua faccia'.

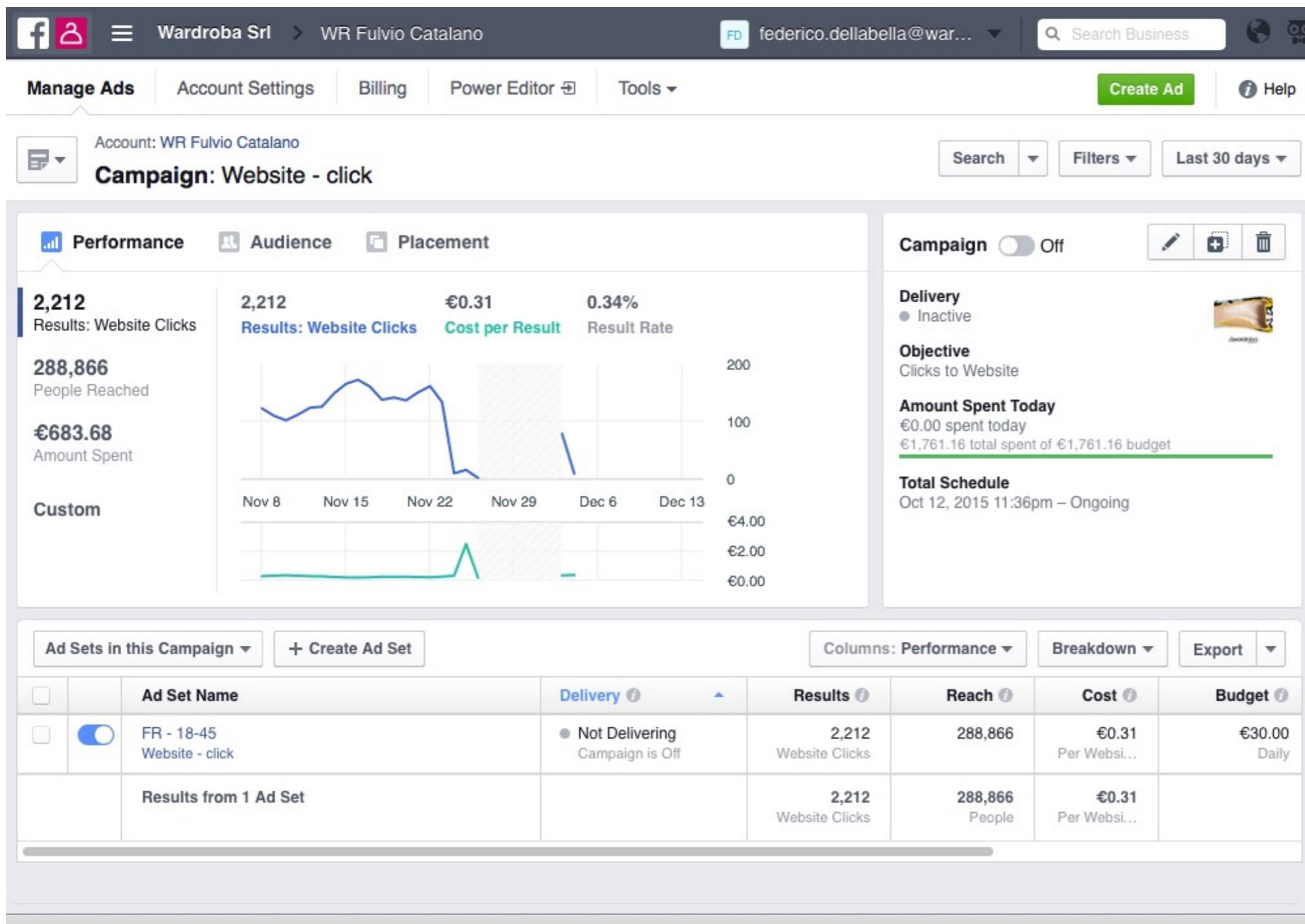
9. Social Media

Social Media Fanpages and Campaigns

Corporate pages on main social media to create and engage communities. Companies can:

- Nr of fan / like / follower
- Level of engagement (sharing, comments)
- Audience (**REACH**) of single posts or campaigns
- **CTR** and **CPM** of adv campaigns
- Behavioral Analysis / Sentiment Analysis
- Segmenting audience
- ...

9. Social Media: Facebook



The screenshot shows the Facebook Ads Manager interface for a campaign named "Website - click".

Performance Metrics:

- Results: Website Clicks: 2,212
- People Reached: 288,866
- Amount Spent: €683.68
- Custom

Cost per Result: €0.31

Result Rate: 0.34%

Timeline Graph: A line graph showing website clicks over time from Nov 8 to Dec 13. The y-axis represents the number of website clicks (0 to 200), and the x-axis represents dates. The graph shows a significant dip starting around Nov 22.

Campaign Settings:

- Campaign:** Off (button)
- Delivery:** Inactive
- Objective:** Clicks to Website
- Amount Spent Today:** €0.00 spent today
- Total Schedule:** Oct 12, 2015 11:36pm – Ongoing

Ad Sets:

- Ad Sets in this Campaign:** FR - 18-45 Website - click
- Results from 1 Ad Set:** 2,212 Website Clicks, 288,866 People, Cost: €0.31

10. Email Marketing - DEM Mailing Campaigns

Mailing Campaigns

Company creates large databases of users, clients, leads and send them periodical newsletters, monitoring

- Audience (nr of people in the list)
- Bounce rate (hard and soft)
- Unsubscribe rate
- Open rate
- Click rate
- ...

10. Email Marketing - DEM TOOL Mailchimp


Help
Search

209 Recipients

List: BRANDS Delivered: Tue, 07 Jul 2015 09:48 am
 Subject: Wardroba: Parlano di noi - Rassegna stampa [View email](#) · [Download](#) · [Print](#) · [Share](#)

Open rate	52.5%	Click rate	10.5%
List average	35.5%	List average	3.6%
Industry average (eCommerce)	12.4%	Industry average (eCommerce)	1.8%

105 Opened	21 Clicked	9 Bounced	0 Unsubscribed
---------------	---------------	--------------	-------------------

Successful deliveries	200	95.7%	Clicks per unique opens	20.0%
Total opens	226		Total clicks	43
Last opened	9/10/15 7:53PM		Last clicked	1/8/15 11:44AM
Forwarded	0		Abuse reports	0

[Explain these metrics](#)

11. Affiliate Marketing

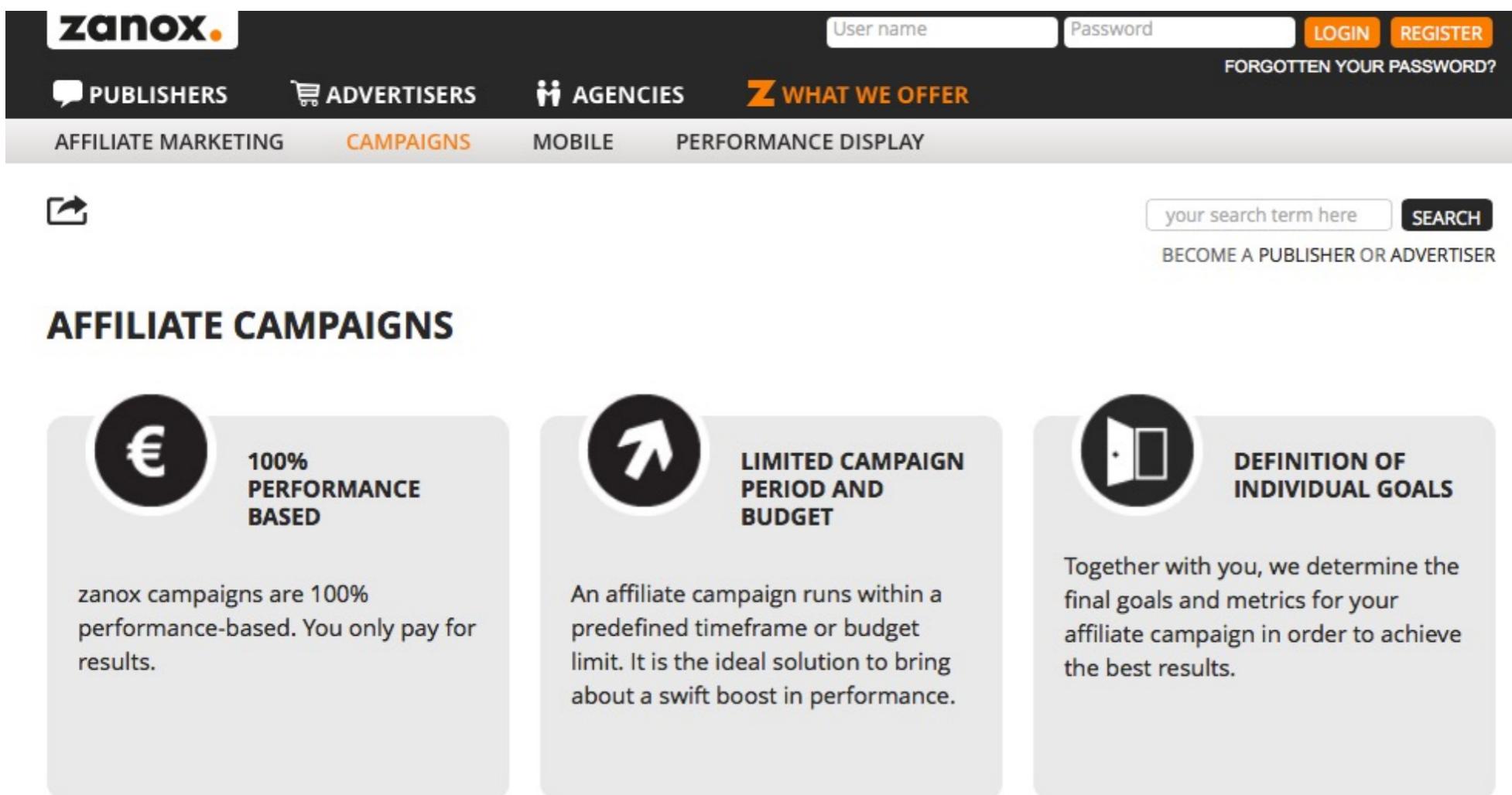
Affiliate Campaigns / Seeding Campaigns

A company that want to add / sell content to its own marketplace can create affiliation programs on both directions:

- to increase the offer of a marketplace
- to seed with content other platforms and receive traffic

In both cases, there is a revenue share mechanism

11. Affiliate Marketing - Tool



The screenshot shows the zanox homepage with a navigation bar at the top featuring links for PUBLISHERS, ADVERTISERS, AGENCIES, WHAT WE OFFER, AFFILIATE MARKETING (selected), CAMPAIGNS (highlighted in orange), MOBILE, and PERFORMANCE DISPLAY. There are also links for LOGIN, REGISTER, and FORGOTTEN YOUR PASSWORD? Below the navigation is a search bar with a placeholder 'your search term here' and a SEARCH button. A link to 'BECOME A PUBLISHER OR ADVERTISER' is also present. The main content area is titled 'AFFILIATE CAMPAIGNS' and contains three cards:

- 100% PERFORMANCE BASED**: Shows a euro symbol icon. Text: "zanox campaigns are 100% performance-based. You only pay for results."
- LIMITED CAMPAIGN PERIOD AND BUDGET**: Shows an upward arrow icon. Text: "An affiliate campaign runs within a predefined timeframe or budget limit. It is the ideal solution to bring about a swift boost in performance."
- DEFINITION OF INDIVIDUAL GOALS**: Shows a door icon. Text: "Together with you, we determine the final goals and metrics for your affiliate campaign in order to achieve the best results."

When to make use of campaigns

Our website makes use of cookies to ensure we give you the best experience on our website. Read more about our privacy policy or learn how to manage ... 

your cookie settings. By continuing browsing on our website you give your consent to our use of cookies.

Here is where lead campaigns make a difference:

 Competition

 [FIND OUT MORE](#)  [CONTINUE](#)

12. Community Building



WIKIPEDIA
The Free Encyclopedia

Main page
Contents
Featured content
Current events
Random article
Donate to Wikipedia
Wikipedia store

Interaction
Help
About Wikipedia
Community portal
Recent changes
Contact page

Tools
What links here
Related changes
Upload file
Special pages
Permanent link
Page information
Wikidata item

Print/export

Main Page Talk

Read View source View history

Search Wikipedia



Not logged in Talk Contributions Create account Log in

Welcome to Wikipedia,

the free encyclopedia that anyone can edit.
5,292,110 articles in English

- Arts
- History
- Society
- Biography
- Mathematics
- Technology
- Geography
- Science
- All portals

From today's featured article



Alben W. Barkley (November 24, 1877 – April 30, 1956) was the 35th Vice President of the United States, from 1949 to 1953. He was elected U.S. Representative from Kentucky's First District in 1912 as a liberal Democrat, supporting President Woodrow Wilson's New Freedom domestic agenda and foreign policy. In 1926 he entered the U.S. Senate, where he supported the New Deal, and was elected to succeed Senate Majority Leader Joseph T. Robinson upon Robinson's death in 1937. He resigned as majority leader after President Franklin D. Roosevelt ignored his advice and vetoed the Revenue Act of 1943, but the veto was overridden and he was unanimously re-elected to the position. Barkley had a better working relationship with Harry S. Truman, who ascended to the presidency after Roosevelt's death in 1945. At the 1948 Democratic National Convention, Barkley gave a keynote address that energized the delegates. Truman selected him as a running mate for the upcoming election and the Democratic ticket scored an upset victory.

In the news

- Jimmie Johnson (*pictured*) wins the **NASCAR Sprint Cup Series** championship, equaling the record of seven titles held by Richard Petty and Dale Earnhardt.
- A train derailment near **Kanpur**, India, kills more than 140 people.
- An **earthquake** with a magnitude of 7.8 strikes near **Kaikoura**, north of **Christchurch**, New Zealand, triggering tsunami warnings, causing widespread damage, and killing at least two people.
- Canadian singer, songwriter, and poet **Leonard Cohen** dies at the age of 82.
- A tram **derails** on the **Tramlink** in Croydon, London, killing seven people and injuring more than fifty others.



Jimmie Johnson

13. Native Advertising

- In - feed
- Paid Search
- Recommendation Widget
- Promoted Listing
- Customized

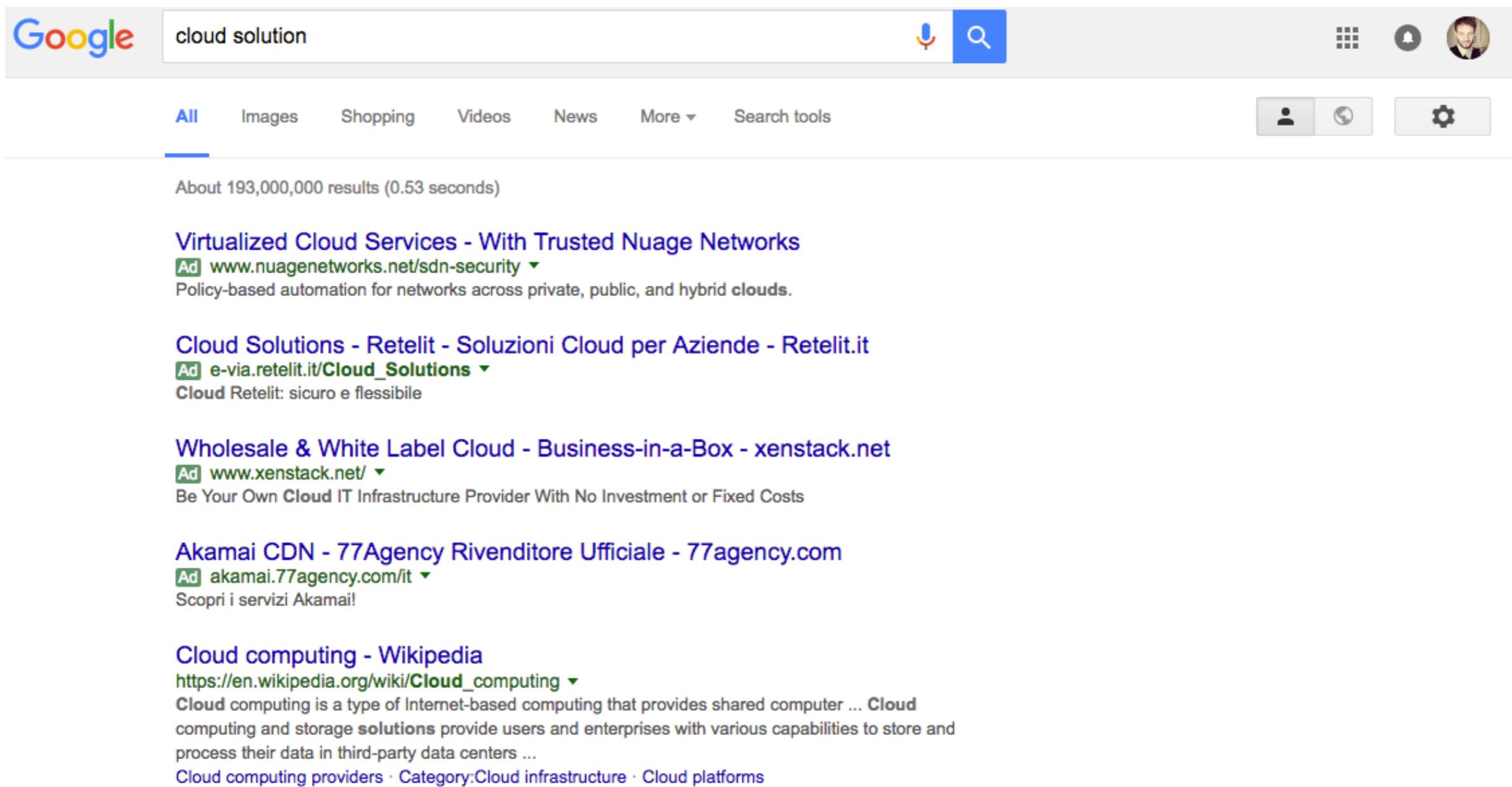
13. Native Advertising In-Feed

Content (video, audio, text) created specifically for a site, adopting the same editorial style. There must be a disclaimer stating it is a sponsored ads.



13. Native Advertising Paid Search

Results of a search on a search engine. They appear in the first places and have the disclaimer "Ad"

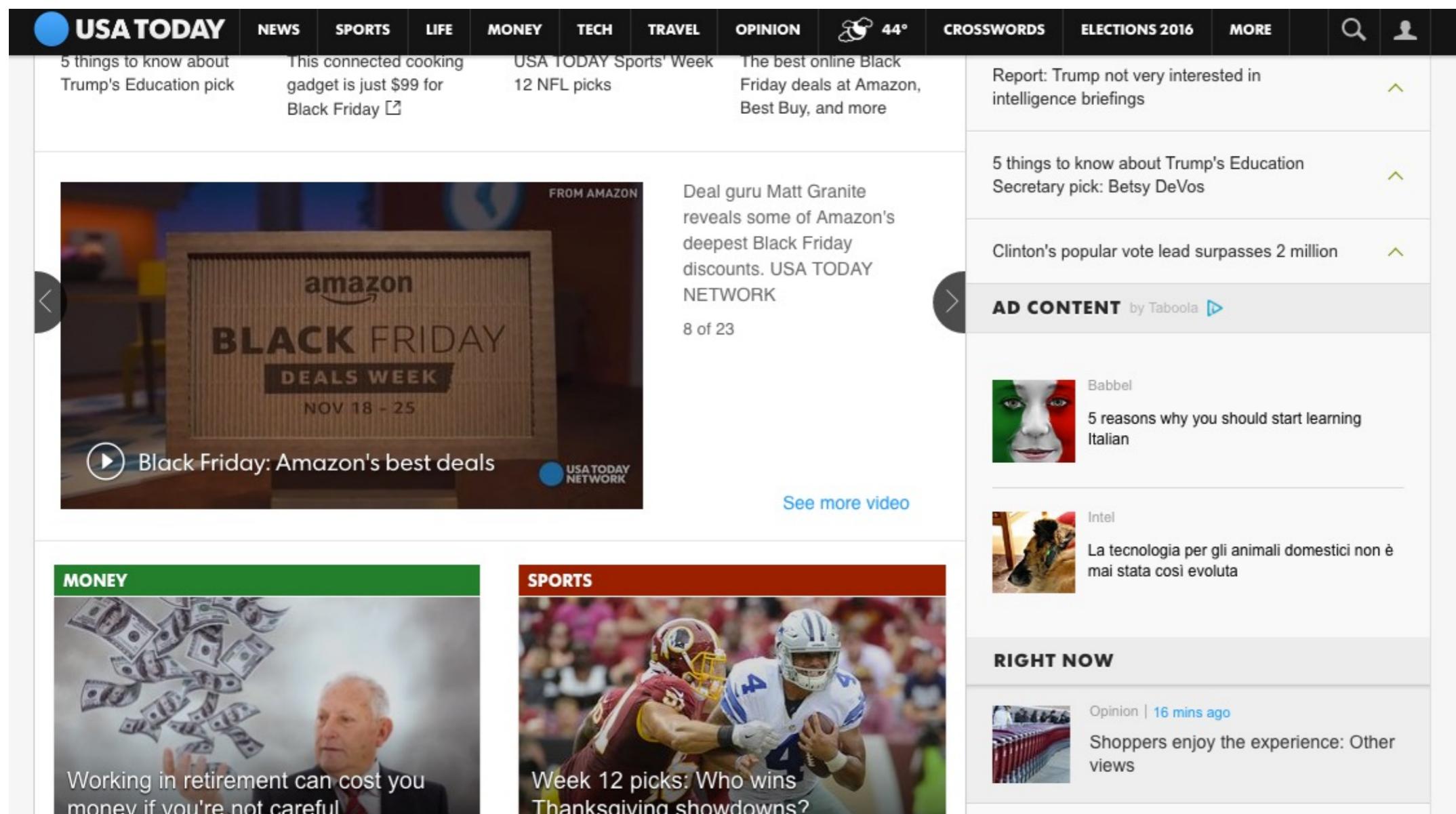


Google search results for "cloud solution". The search bar shows "cloud solution". The results page includes a header with Google logo, search bar, microphone icon, magnifying glass icon, and user profile. Below the header are filters for All, Images, Shopping, Videos, News, More, and Search tools. A message indicates "About 193,000,000 results (0.53 seconds)". The results list includes:

- Virtualized Cloud Services - With Trusted Nuage Networks**
Ad www.nuagenetworks.net/sdn-security ▾
Policy-based automation for networks across private, public, and hybrid clouds.
- Cloud Solutions - Retelit - Soluzioni Cloud per Aziende - Retelit.it**
Ad e-via.retelit.it/Cloud_Solutions ▾
Cloud Retelit: sicuro e flessibile
- Wholesale & White Label Cloud - Business-in-a-Box - xenstack.net**
Ad www.xenstack.net/ ▾
Be Your Own Cloud IT Infrastructure Provider With No Investment or Fixed Costs
- Akamai CDN - 77Agency Rivenditore Ufficiale - 77agency.com**
Ad akamai.77agency.com/it ▾
Scopri i servizi Akamai!
- Cloud computing - Wikipedia**
https://en.wikipedia.org/wiki/Cloud_computing ▾
Cloud computing is a type of Internet-based computing that provides shared computer ... Cloud computing and storage solutions provide users and enterprises with various capabilities to store and process their data in third-party data centers ...
Cloud computing providers · Category:Cloud infrastructure · Cloud platforms

13. Native Advertising: Recommendation Widget

Recommendation widgets are a form of native advertising where an ad or paid content link is delivered via a "widget."



The screenshot shows the USA Today homepage. At the top, there's a navigation bar with links for NEWS, SPORTS, LIFE, MONEY, TECH, TRAVEL, OPINION, a weather icon (44°), CROSSWORDS, ELECTIONS 2016, MORE, a search icon, and a user profile icon.

Below the navigation bar, there are several news articles and a video player. To the right of the video player is a recommendation widget titled "AD CONTENT by Taboola". This widget displays two ads:

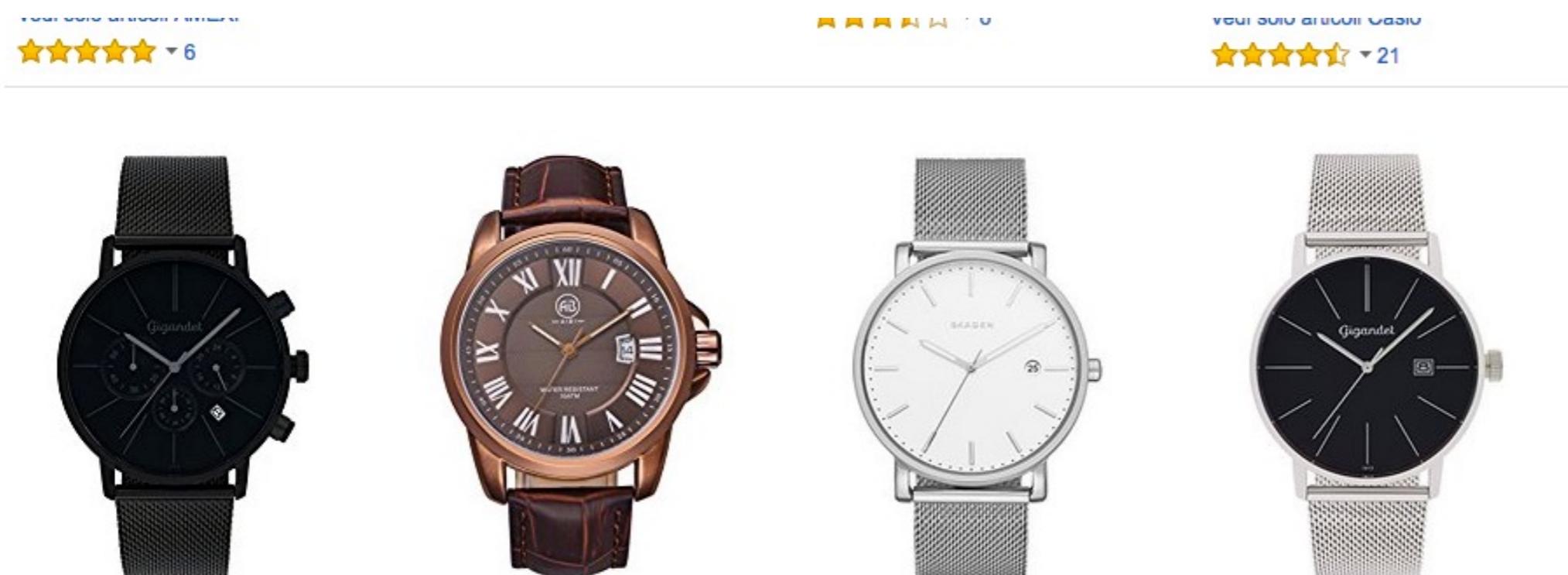
- Babbel**: "5 reasons why you should start learning Italian" (image of a person's face)
- Intel**: "La tecnologia per gli animali domestici non è mai stata così evoluta" (image of a dog wearing a collar)

At the bottom of the page, there are two more news cards:

- MONEY**: "Working in retirement can cost you money if you're not careful" (image of a man with floating dollar bills)
- SPORTS**: "Week 12 picks: Who wins Thanksgiving showdowns?" (image of two football players in action)

13. Native Advertising: Promoted Listing

Native content in website that don't have an editorial format. Like ecommerce, classified ads websites, etc.



The image shows four watches listed as sponsored items on a website. Each listing includes a small image of the watch, its brand name, a brief description, the original price, the discounted price, and the delivery information.

Watch Model	Brand	Description	Original Price	Discounted Price	Delivery Info
Gigandet Minimalism Orologio Uomo Cronografo Analogico Quartz Nero G32-008	Gigandet	Minimalism Orologio Uomo Cronografo Analogico Quartz Nero G32-008	EUR 209,00	EUR 86,31	Ricevilo entro giovedì 1 dicembre
AIBI da uomo impermeabile da rotondo da orologio analogico al quarzo Autowith confezione regalo	AIBI	da uomo impermeabile da rotondo da orologio analogico al quarzo Autowith confezione regalo	EUR 129,00	EUR 72,60	✓Prime
SKAGEN - Hagen Orologio di SKAGEN	SKAGEN	Hagen Orologio di SKAGEN	EUR 129,00	EUR 109,00	✓Prime Ricevilo entro giovedì 1 dicembre
Gigandet Orologio Uomo Quarzo Minimalism Analogico Bracciale Acciaio Milanese Argento Nero G42-006	Gigandet	Orologio Uomo Quarzo Minimalism Analogico Bracciale Acciaio Milanese Argento Nero G42-006	EUR 129,00	EUR 69,23	✓Prime Ricevilo entro giovedì 1 dicembre

◀ Pagina precedente

1 2 3 ... 400

Pagina successiva ▶

13. Native Advertising: Customized

All the others, like advertorials



STAY THIRSTY, my friends

*how to
be the MOST
INTERESTING
MAN in the
WORLD*

IN THE MODERN WORLD, THERE ARE TWO KINDS OF MEN: INTERESTING ONES, AND THE OTHERS. HERE'S HOW TO BE THE FORMER, DOS EQUIS STYLE...

BROUGHT TO YOU WITH **FHM HEROES** 2011

From the man

Who is the Dos Equis man? What makes him the most interesting man in the world? He is the life of parties he's never attended. His mother has a tattoo that reads "son". People hang on his every word – even the prepositions. He can speak French – in Russian. His organ donation card also lists his beard. He's a lover, not a fighter (but he's also a fighter, so don't get any ideas). He lives vicariously, through himself. And he doesn't always drink beer, but when he does, he drinks Dos Equis.

Worldly facts

An interesting man knows more than anyone. He knows, for example, how to insult people in their native tongue (see right). He also knows that the capital of Greenland is Nuuk, and that the governor of Upper Canada was bitten by his rabid pet fox and died in 1819, delaying the creation of the nation of Canada by half a century. To the untrained eye, he has no reason to know any of this information – but you can bet that one day he'll make love to a Greenlander model studying to be a vet in Vancouver.

CANNES, FRANCE
TRANSLATION: YOU'RE AS USEFUL AS A HANDBRAKE ON A CANOE

T'es aussi utile qu'un frein à main sur un canoë.

WARSAW, POLAND
TRANSLATION: YOU PIECE OF CEMETARY CLOTHES!

Ty gatgamie cmentarry!

Skills

Some men can build kitchen cabinets; others know how to clear a blocked drain. We call them "employees". An interesting man knows how to:

ARM WRESTLE: There's no more conclusive way to assert your superiority over an inferior member of the species. Step one: Build up one freakishly muscular arm, Rafael Nadal style. Step 2: Watch Stallone's *Over The Top* for tips on technique. Step 3: Bathe in adulation.

FISH: Any man can drop a line into the water; an interesting man hears the word "fish" and imagines fighting great whites in aquatic cage fighting tournaments. And winning. Comfortably.

BLOW DARTS: An interesting man possesses skills no other man has even considered mastering, just because he can.

Grooming

"Those who spend too much time shaving below the Adam's apple have too much time," an interesting man once said. And he was right. In fact, if you use the word "grooming", you're doing it wrong. Shave, don't shave – whatever. The point is, if you think about it for longer than half a second, you've already lost and you may as well pack yourself off to the salon for a mani/pedi.

The Charmer

Downunder

Beer facts

An interesting man knows beer. He knows that beer is 10,000 years older than Jesus Christ – and far more delicious. He knows that two billion hectolitres of beer are produced globally every year (and he can spell "hectolitres"). He knows that a person who collects beer bottles is called a "labeorphile" – and that person is also someone you should not be friends with. And he knows that Dos Equis was founded in 1884 and is the finest, most flavoursome, most interesting beer to ever emerge from Mexico.

STAY THIRSTY, my friends.

EXCLUSIVELY AVAILABLE AT SELECTED OUTLETS

BWS ...too easy **Dan Murphy's**  

WWW.DOSEQUISEBEER.COM.AU 

PROGRAMMATIC ADVERTISING

“Programmatic” ad buying typically refers to the use of software to purchase digital advertising, as opposed to the traditional process that involves RFPs (Requests for Proposals), human negotiations and manual insertion orders. It’s using machines to buy ads, basically.

Before programmatic ad buying, digital ads were bought and sold by human ad buyers and salespeople, who can be expensive and unreliable. Programmatic advertising technology promises to make the ad buying system more efficient, and therefore cheaper, by removing humans from the process wherever possible. Humans get sick, need to sleep and come to work hungover. Machines do not.

REAL TIME BIDDING PLATFORM

RTB allows display inventory to be purchased by the individual impression through a bidding system that unfolds in the milliseconds before a webpage is loaded by a consumer. The targeting and cost efficiency opportunities presented by RTB are making it a revolutionary force in the online advertising landscape



POLITECNICO
DI MILANO



Digital attribution models

13th December 2022

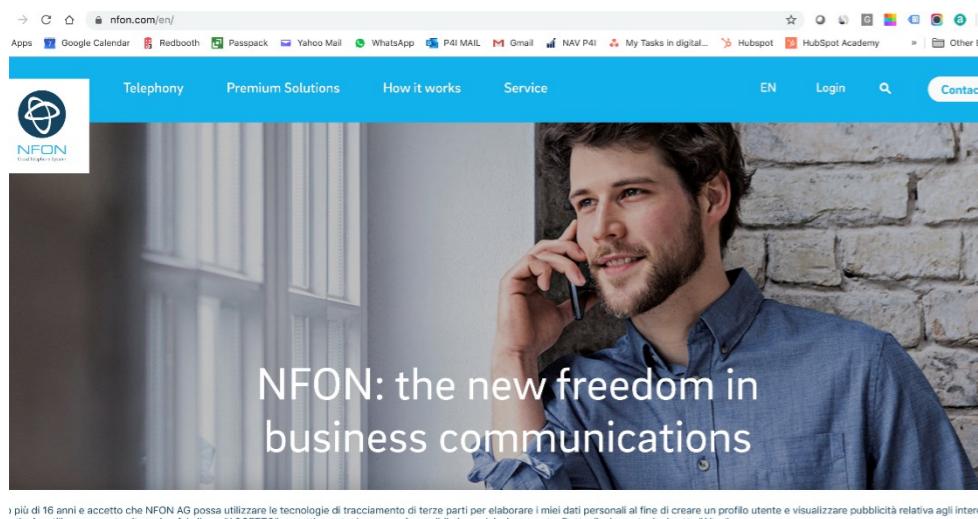
Prof. Alberto Cellini

An attribution model

An attribution model is the rule, or set of rules, that determines how credit for sales and conversions is assigned to touchpoints in conversion paths. ... In the tool, the calculated Conversion Value (and the number of conversions) for each of your marketing channels will vary according to the attribution model used.

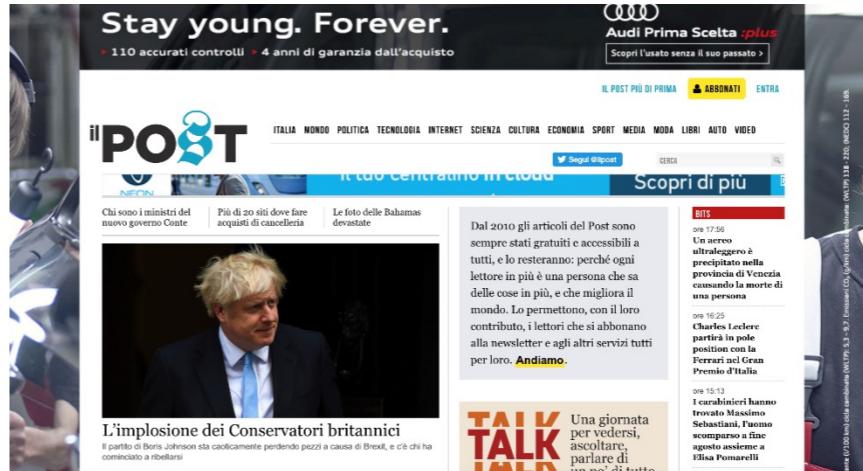
The Context 1: Remarketing

1. Visit www.nfon.com (a tech company)

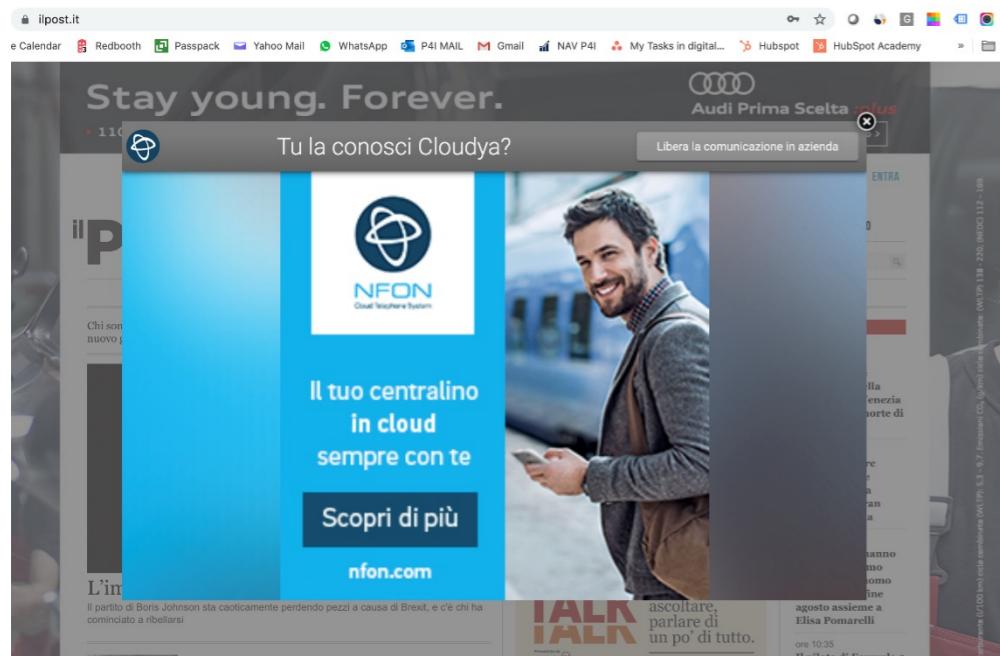


più di 16 anni e accetto che NFON AG possa utilizzare le tecnologie di tracciamento di terze parti per elaborare i miei dati personali al fine di creare un profilo utente e visualizzare pubblicità relativa agli interessi più utilizzati su questo sito web o fai clic su "ACCETTO". Accetti questo? È possibile in qualsiasi momento. Dettagli è immettendo sotto "Altro".

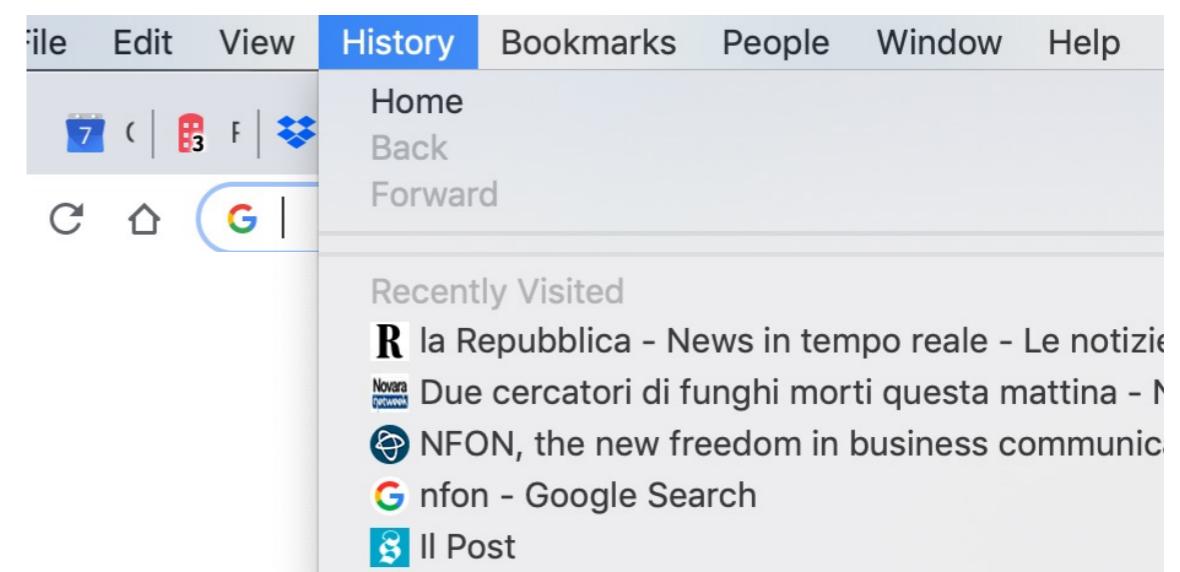
2. Jump to www.ilpost.it (an Italian blog)



3. NFON pop-up appears on Il Post page



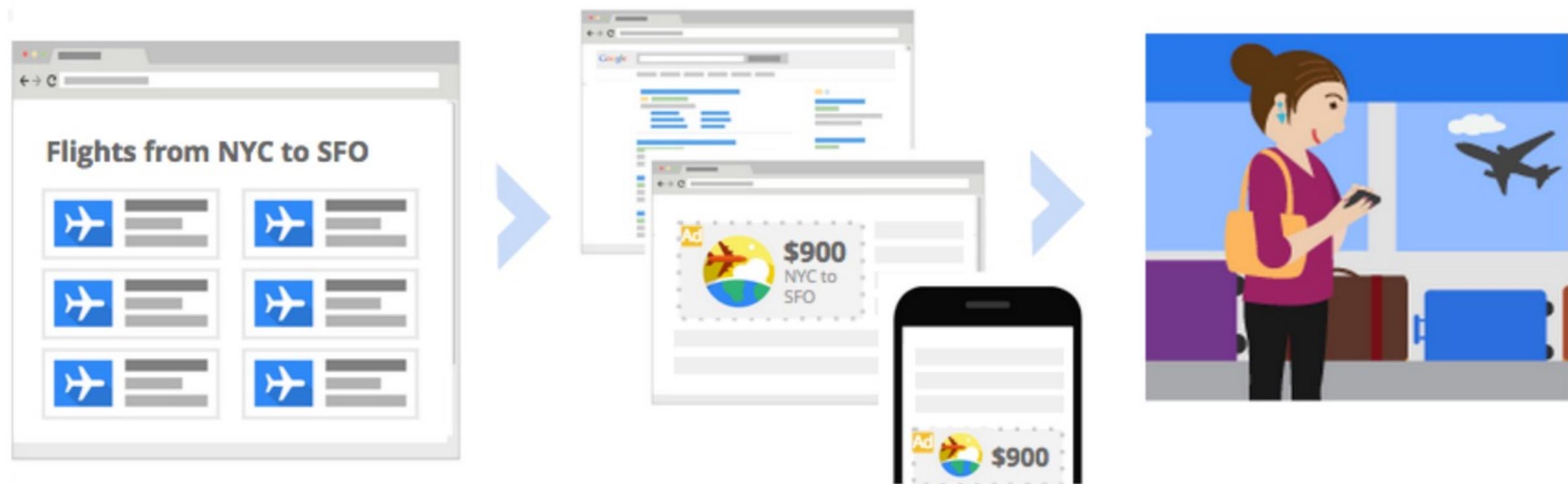
Check browser's History!



The Context 1: Remarketing Definition

Remarketing is a way to connect with people who previously interacted with your website or mobile app. It allows you to strategically position your ads in front of these audiences as they browse Google or its partner websites, thus helping you increase your brand awareness or remind those audiences to make a purchase.

(Google)



The Context 1: Remarketing Benefits

- **Prompt reach/Well-timed targeting:** You can show your ads to people who've previously interacted with your business right when they're searching elsewhere and are more likely to make a purchase. You can also help customers find you by showing them your ads when they are actively looking for your business on Google Search.
- **Focused advertising:** You can create remarketing lists to advertise for specific cases. For example, you may create a remarketing list targeted for people who added something to their shopping cart but didn't complete a transaction.
- **Large-scale reach:** You can reach people on your remarketing lists across their devices as they browse over 2 million websites and mobile apps.
- **Efficient pricing:** You can create high-performance remarketing campaigns with automated bidding. Real-time bidding calculates the optimal bid for the person viewing your ad, helping you win the ad auction with the best possible price. There's no extra cost to use Google's auction.
- **Easy ad creation:** Produce text, image, and video ads for free with Ad gallery. Combine a dynamic remarketing campaign with Ad gallery layouts to scale beautiful ads across all of your products or services.
- **Campaign statistics:** You'll have reports of how your campaigns are performing, where your ads are showing, and what price you're paying.

(Google)

Standard remarketing: Show ads to your past visitors as they browse sites and apps on the Display Network.

Dynamic remarketing: Boost your results with dynamic remarketing, which takes remarketing to the next level with ads that include products or services that people viewed on your website or app.

Remarketing lists for search ads: Show ads to your past visitors as they do follow-up searches for what they need on Google, after leaving your website.

Video remarketing: Show ads to people who have interacted with your videos or YouTube channel as they use YouTube and browse Display Network videos, websites, and apps.

Customer list remarketing: With Customer match, you can upload lists of contact information that your customers have given you. When those people are signed into Google, you can show them ads across different Google products.

(Google)

Organic

Sponsored

Google tennis racquet

Tutti Immagini Shopping Maps Notizie Altro Impostazioni Strumenti

Circa 25.700.000 risultati (0,67 secondi)

Tennis Racquets - Tennis Warehouse
www.tennis-warehouse.com/TennisRacquets.html ▾ Traduci questa pagina
SHOP: All Around · Traditional · Spin · Power · Best Sellers · Clearance Tennis Racquets · Modern · New. Tennis Racquet Brands. Babolat Racquets · Dunlop Racquets · Gamma Tennis Racquets · Head Racquets · Pacific Racquets · Prince Racquets · ProKennex Tennis Racquets · Tecnifibre Tennis Racquets · Volkl Tennis ...
Best Sellers · All Around · Spin · Power

Immagini relative a tennis racquet



→ Altre immagini per tennis racquet

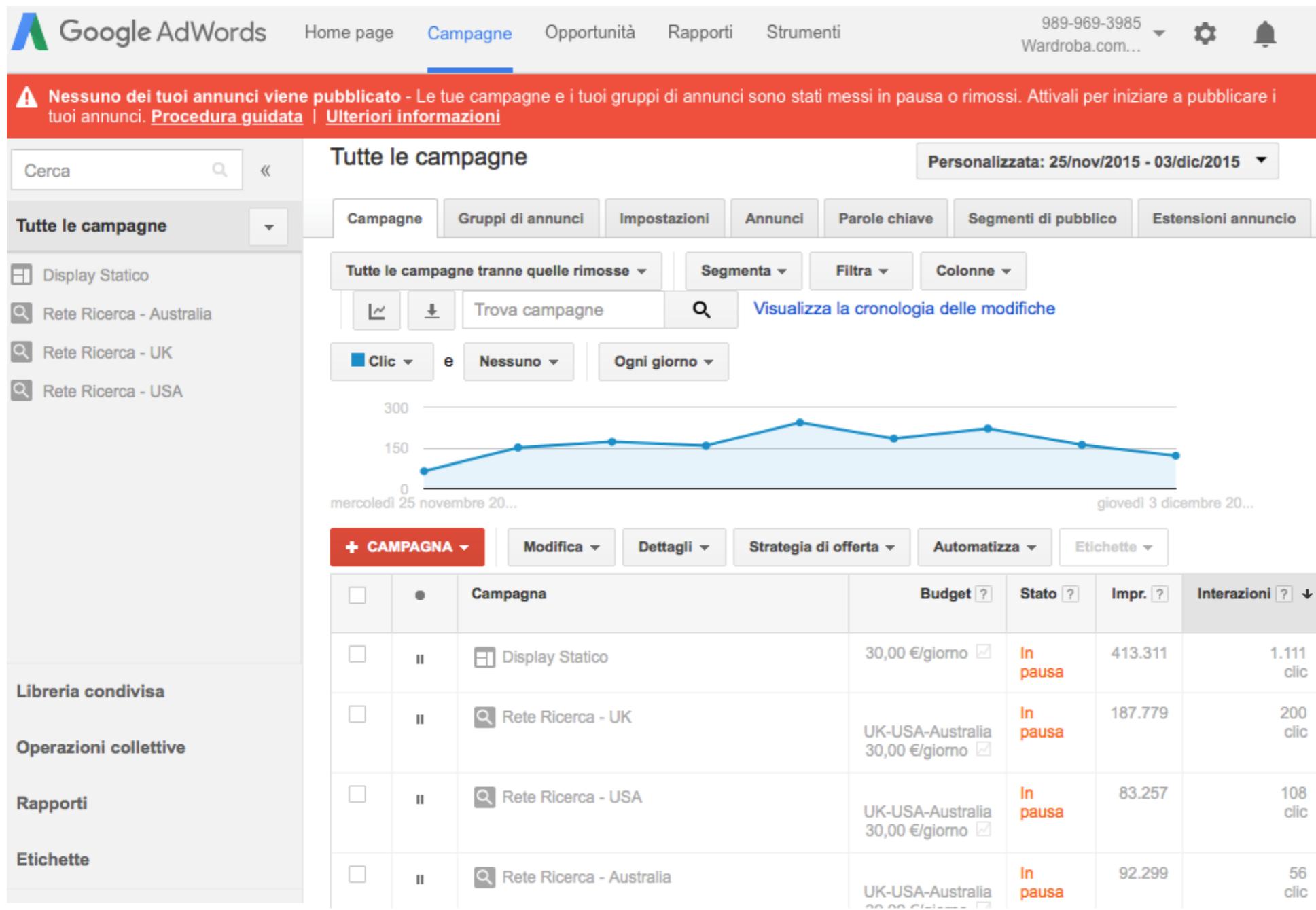
Segnala immagini non appropriate

Acquista tennis racquet Sponsorizzato ⓘ

 RACCHETTA BABOLAT PURE DRIVE WIMBLEDON (300 GR)
98,90 €
Tennispro.it
Spediz. gratuita
Da Google

 HEAD Ti. S6 Original Racchetta da Tennis, G1 = 4 1/8
84,99 €
Amazon.it
Spediz. gratuita
Da Google

Search & Display Ads: Auctions



The screenshot shows the Google AdWords interface. At the top, there's a red banner with a warning message: "Nessuno dei tuoi annunci viene pubblicato - Le tue campagne e i tuoi gruppi di annunci sono stati messi in pausa o rimossi. Attivali per iniziare a pubblicare i tuoi annunci. [Procedura guidata](#) | [Ulteriori informazioni](#)". Below the banner, the main navigation bar includes "Home page", "Campagne" (which is highlighted), "Opportunità", "Rapporti", and "Strumenti". The phone number "989-969-3985" and website "Wardroba.com..." are also at the top right.

The central area is titled "Tutte le campagne" (All campaigns) and shows a timeline from "mercoledì 25 novembre 2015" to "giovedì 3 dicembre 2015". A line graph tracks a metric over time, starting around 100 and ending near 140. Below the graph, there are filters for "Clic", "e", "Nessuno", and "Ogni giorno".

The main content area displays a table of campaigns:

	Campagna	Budget	Stato	Impr.	Interazioni
<input type="checkbox"/>	Display Statico	30,00 €/giorno	In pausa	413.311	1.111 clic
<input type="checkbox"/>	Rete Ricerca - UK	UK-USA-Australia 30,00 €/giorno	In pausa	187.779	200 clic
<input type="checkbox"/>	Rete Ricerca - USA	UK-USA-Australia 30,00 €/giorno	In pausa	83.257	108 clic
<input type="checkbox"/>	Rete Ricerca - Australia	UK-USA-Australia 30,00 €/giorno	In pausa	92.299	56 clic

On the left sidebar, there are links for "Libreria condivisa", "Operazioni collettive", "Rapporti", and "Etichette".

Programmatic Ads

Programmatic gives advertisers the ability to target users with relevant content based on user data and to buy one impression at a time to increase efficiency and effectiveness of the buy, all without the cost incurred by manual human tasks.

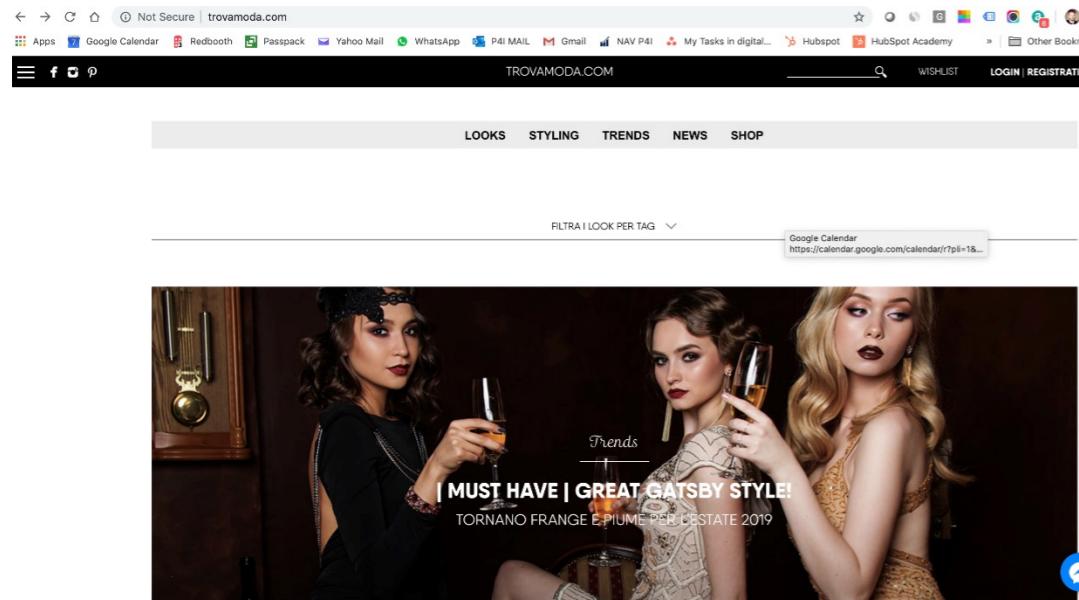
The point is that humans cannot possibly work as fast as computers can at analyzing data, optimizing ads, matching user information, and making decisions based on all the information collected in a few milliseconds, which is how quickly real-time bidding and buying takes place.

Real Time Bidding

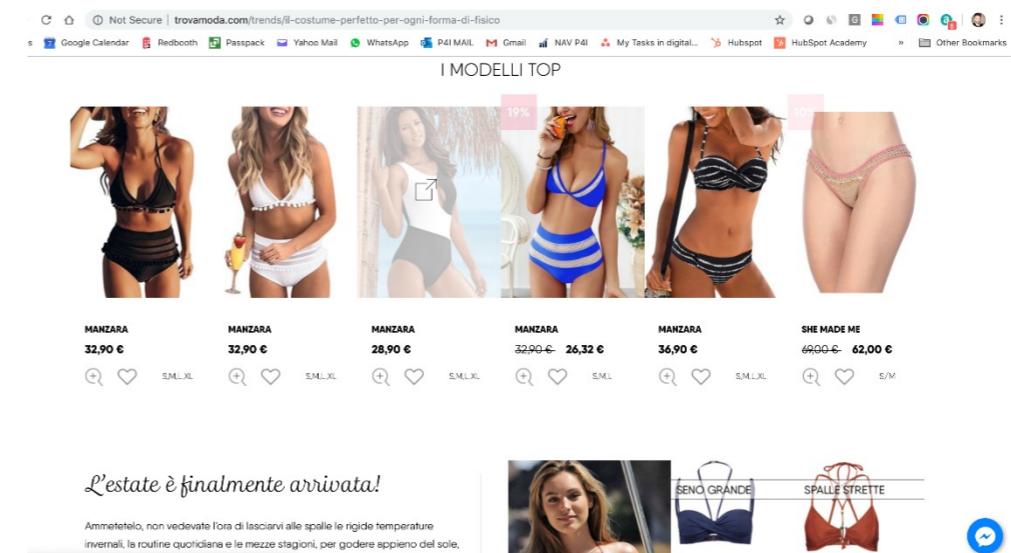
- The buying and selling of ad impressions through ad exchanges and platforms.
- Price is determined by immediate demand.
- Real-time bidding works within milliseconds: a person visits a website and their information is given to an ad exchange where an auction for that impression occurs.

The Context 3: Affiliate Marketing

1. Visit trovamoda.com (an online fashion store)



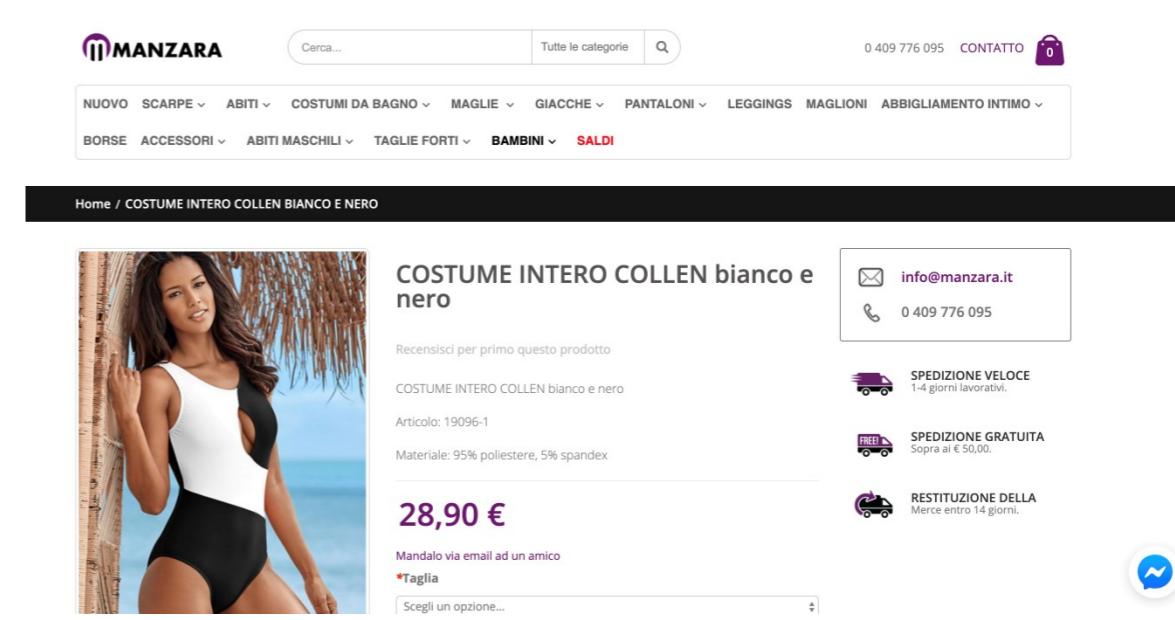
2. Click on a desidered product



3. You are redirected to the original store



4. Checkout on original store



The Context 3: Affiliate Marketing

... and I am immediately showed Manzanara banner on www.repubblica.it



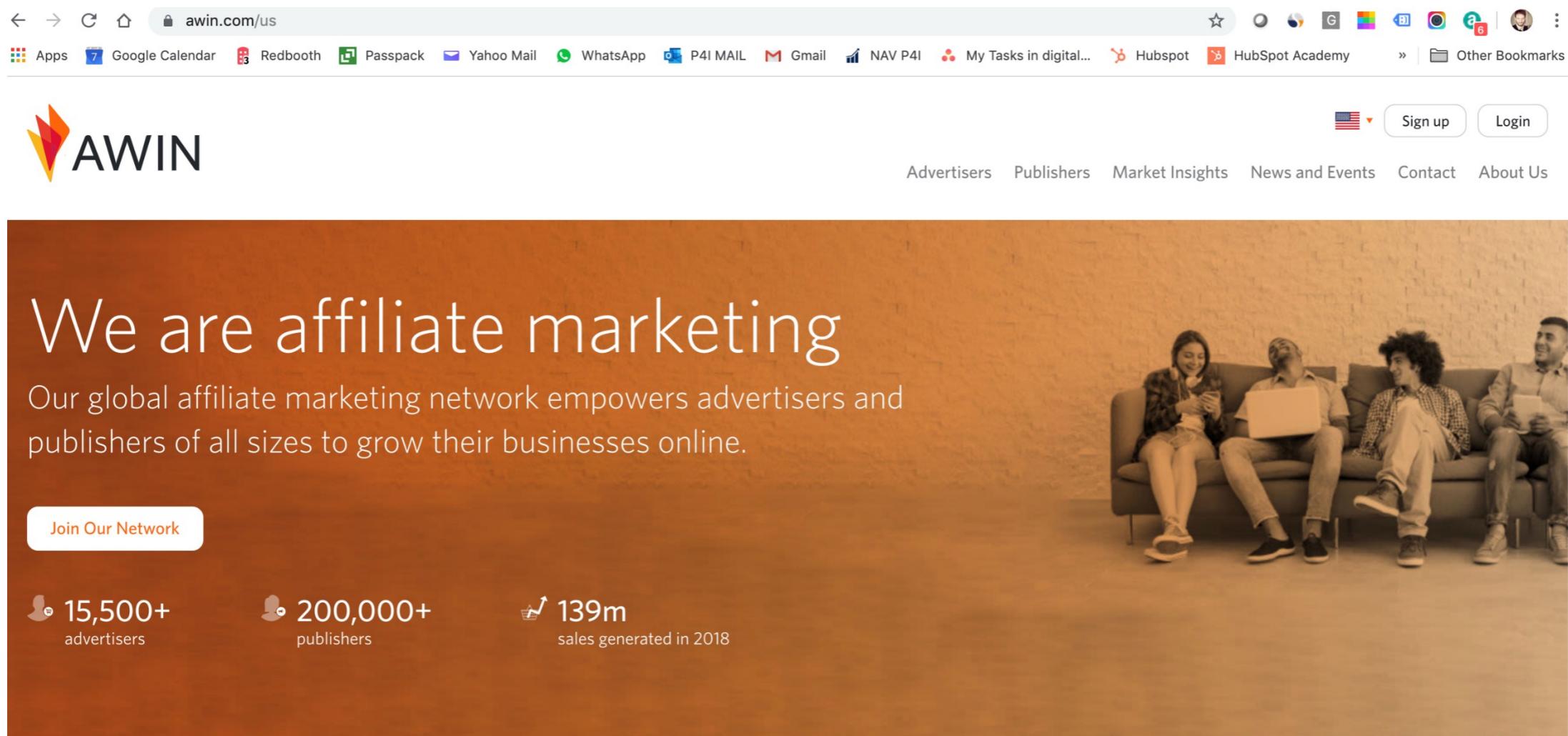
The screenshot shows the homepage of www.repubblica.it. At the top, there's a navigation bar with links to various services like Google Calendar, Redbooth, Passpack, Yahoo Mail, WhatsApp, P4I MAIL, Gmail, NAV P4I, My Tasks in digital..., Hubspot, and HubSpot Academy. Below the navigation is the main header "la Repubblica" with a menu icon and a search bar.

The main article title is "Parigi tende una mano sull'immigrazione". It includes a photo of two men shaking hands (one in a suit, one in a white jacket) and a short summary. Below the article, there's a section with a photo of a man speaking and some text from other sources.

On the right side, there's a sidebar with a headline about the Ferrari team at the Italian Grand Prix. Below it, there's a box for "informazione pubblicitaria" featuring an ad for "MANZARA" swimwear. The ad shows two women in bikinis and includes a discount of -18%.

The Context 3: Affiliate Marketing

Zanox (now Awin: <https://www.awin.com/us>) is an Affiliate Marketing Platform. A platform where offers and demand can meet, where publishers interact with advertisers



The screenshot shows the Awin website homepage. At the top, there is a navigation bar with links to various services like Apps, Google Calendar, Redbooth, Passpack, Yahoo Mail, WhatsApp, P4I MAIL, Gmail, NAV P4I, My Tasks in digital..., Hubspot, HubSpot Academy, and Other Bookmarks. Below the navigation bar is the Awin logo (a stylized orange flame icon followed by the word "AWIN"). To the right of the logo are links for Advertisers, Publishers, Market Insights, News and Events, Contact, and About Us. There is also a dropdown menu for the United States and buttons for Sign up and Login. The main content area features a large orange background image of four people sitting on a couch, looking at devices. The text "We are affiliate marketing" is prominently displayed in white. Below it, a subtext reads: "Our global affiliate marketing network empowers advertisers and publishers of all sizes to grow their businesses online." A "Join Our Network" button is visible. At the bottom, there are three statistics: "15,500+ advertisers", "200,000+ publishers", and "139m sales generated in 2018".

Solutions for advertisers

Solutions for publishers

The online advertising model could be based on:

- ppv (pay-per-view)
- ppc (pay-per-click)
- ppa (pay-per-activity).

PPV: the publisher is compensated on the basis of the number of views of the pages where the banner is published

PPC: the publisher is compensated on the basis of the number of clicks on the banner (and thus original website visit in theory)

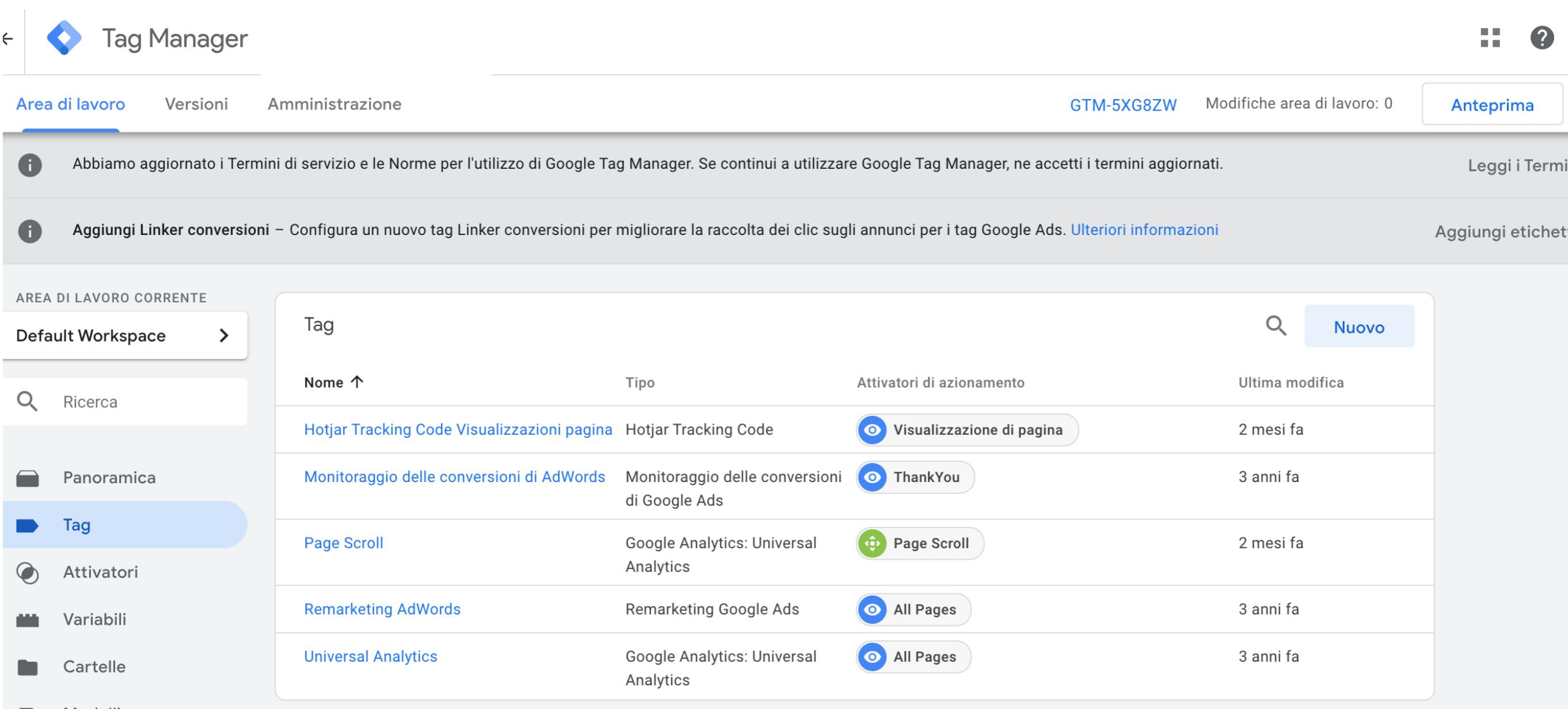
PPA: the publisher is compensated with a percentage of sales generated by customers who clicked on the banner.

With PPC and PPV (originally the first method to compensate publishers, more recently very rare and uncommon) some problems arise:

- How can you track(as Advertiser) from which publisher your visit come from?
- How can you track (as Publisher) which of the clicks on published banner have generated a sale?
- What happens if the user, before buying on original website have clicked on banners published on more than a website?

Pixel or Cookies: Google Tag Manager

Through Tag Manager, digital website can manage all the types of cookies, those used to tracking performances (Google Analytics), behaviors (Hotjar), profiling users (retargeting), affiliation programs, etc.



The screenshot shows the Google Tag Manager interface. The top navigation bar includes 'Tag Manager' (with a blue diamond icon), a back arrow, a grid icon, and a help icon. Below the bar, tabs for 'Area di lavoro' (selected), 'Versioni', and 'Amministrazione' are visible, along with a workspace ID 'GTM-5XG8ZW', modification count 'Modifiche area di lavoro: 0', and an 'Anteprima' button. A sidebar on the left lists navigation items: 'Default Workspace' (selected), 'Ricerca', 'Panoramica', 'Tag' (highlighted with a blue background), 'Attivatori', 'Variabili', 'Cartelle', and 'Modelli'. The main content area is titled 'AREA DI LAVORO CORRENTE' and shows a table of tags:

Nome ↑	Tipo	Attivatori di azionamento	Ultima modifica
Hotjar Tracking Code Visualizzazioni pagina	Hotjar Tracking Code	Visualizzazione di pagina	2 mesi fa
Monitoraggio delle conversioni di AdWords	Monitoraggio delle conversioni di Google Ads	ThankYou	3 anni fa
Page Scroll	Google Analytics: Universal Analytics	Page Scroll	2 mesi fa
Remarketing AdWords	Remarketing Google Ads	All Pages	3 anni fa
Universal Analytics	Google Analytics: Universal Analytics	All Pages	3 anni fa

Example of Tracking Pixel

Cookie: a piece of code to track users' activities

ADMIN USER

Property [+ Create Property](#)

Federico Della Bella Engineering

[Property Settings](#)

[User Management](#)

[.js Tracking Info](#)

[Tracking Code](#)

Data Collection

User-ID

Session Settings

Organic Search Sources

Referral Exclusion List

Search Term Exclusion List

[PRODUCT LINKING](#)

[Adwords Linking](#)

[AdSense Linking](#)

[Ad Exchange Linking](#)

[All Products](#)

Tracking ID UA-76426414-1 **Status** Receiving traffic in past 48 hours. 0 active users right now. See details in [real-time traffic reports](#). [Send test traffic](#) [?](#)

Website Tracking

Global Site Tag (gtag.js)

This is the Global Site Tag (gtag.js) tracking code for this property. Copy and paste this code as the first item into the <HEAD> of every webpage you want to track. If you already have a Global Site Tag on your page, simply add the **config** line from the snippet below to your existing Global Site Tag.

```
<!-- Global site tag (gtag.js) - Google Analytics -->
<script async src="https://www.googletagmanager.com/gtag/js?id=UA-76426414-1"></script>
<script>
  window.dataLayer = window.dataLayer || [];
  function gtag(){dataLayer.push(arguments);}
  gtag('js', new Date());

  gtag('config', 'UA-76426414-1');
</script>
```

The Global Site Tag provides streamlined tagging across Google's site measurement, conversion tracking, and remarketing products – giving you better control while making implementation easier. By using gtag.js, you will be able to benefit from the latest dynamic features and integrations as they become available. [Learn more](#)

Cookie: a piece of code to track users' activities

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Privacy

Cookie policy

Thu 24 May 2018 13.40 BST



841

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- [1. What is a cookie?](#)
- [2. How do we use cookies?](#)
- [3. What types of cookies do we use ?](#)
- [4. How do we use cookies for advertising?](#)
- [5. How to manage advertising cookies](#)
- [6. Useful links](#)
- [7. More people in Italy...](#)

For more information about the use of cookies while visiting our sites, please email dataprotection@theguardian.com.

What is a cookie?

A cookie is a small file that can be placed on your device that allows us to recognise and remember you. It is sent to your browser and stored on your computer's hard drive or tablet or mobile device. When you visit our sites, we may collect information from you automatically through cookies or similar technology.

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[Amber Rudd quits cabinet and attacks PM for 'political vandalism'](#)

<https://www.theguardian.com/info/cookies>

An **attribution model** tells your analytics program how you want to weigh the importance of different touchpoints.

For example, if you want every single page to be given equal weight (or credit) for the conversion, you will choose a **Linear Model**. If you want only the first page a visitor ever saw before they ultimately converted, you would choose a **First Interaction** (or First Touch) model.

The attribution models define a **set of deterministic rules or a statistical algorithm** on the basis of which the results deriving from a certain action performed by the consumer are attributed (eg purchase, appointment request, test drive reservation, etc.) to the **different touchpoints**, digital and / or physical, which contributed to the implementation of the action itself, identified as the objective of a campaign.

Attribution models can be classified according to two variables.

1. The type of model used to attribute the conversion:

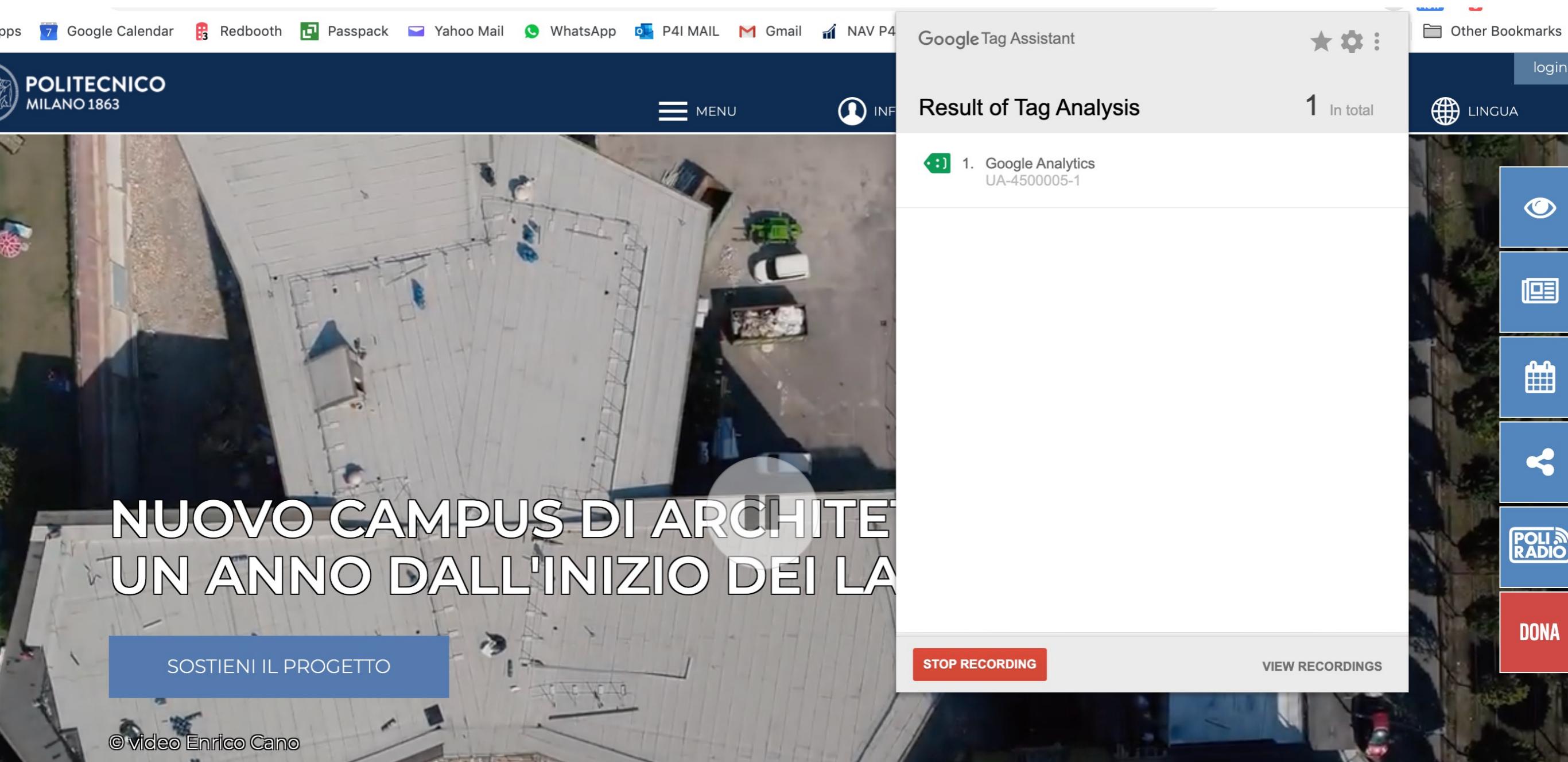
- Rule Based Model, for which the attribution of each touchpoint to the conversion is based on rules defined a priori
- Algorithmic-Probabilistic Model, for which the attribution of what each touchpoint has contributed to the conversion is based on an algorithmic-probabilistic model of analysis of the consumer's past behavior.

2. The number of touchpoints considered in the attribution: there are in fact models that attribute the merit to a single touchpoint within the conversion path and others that instead attribute the merit to several touchpoints

Some ruled-based attribution models

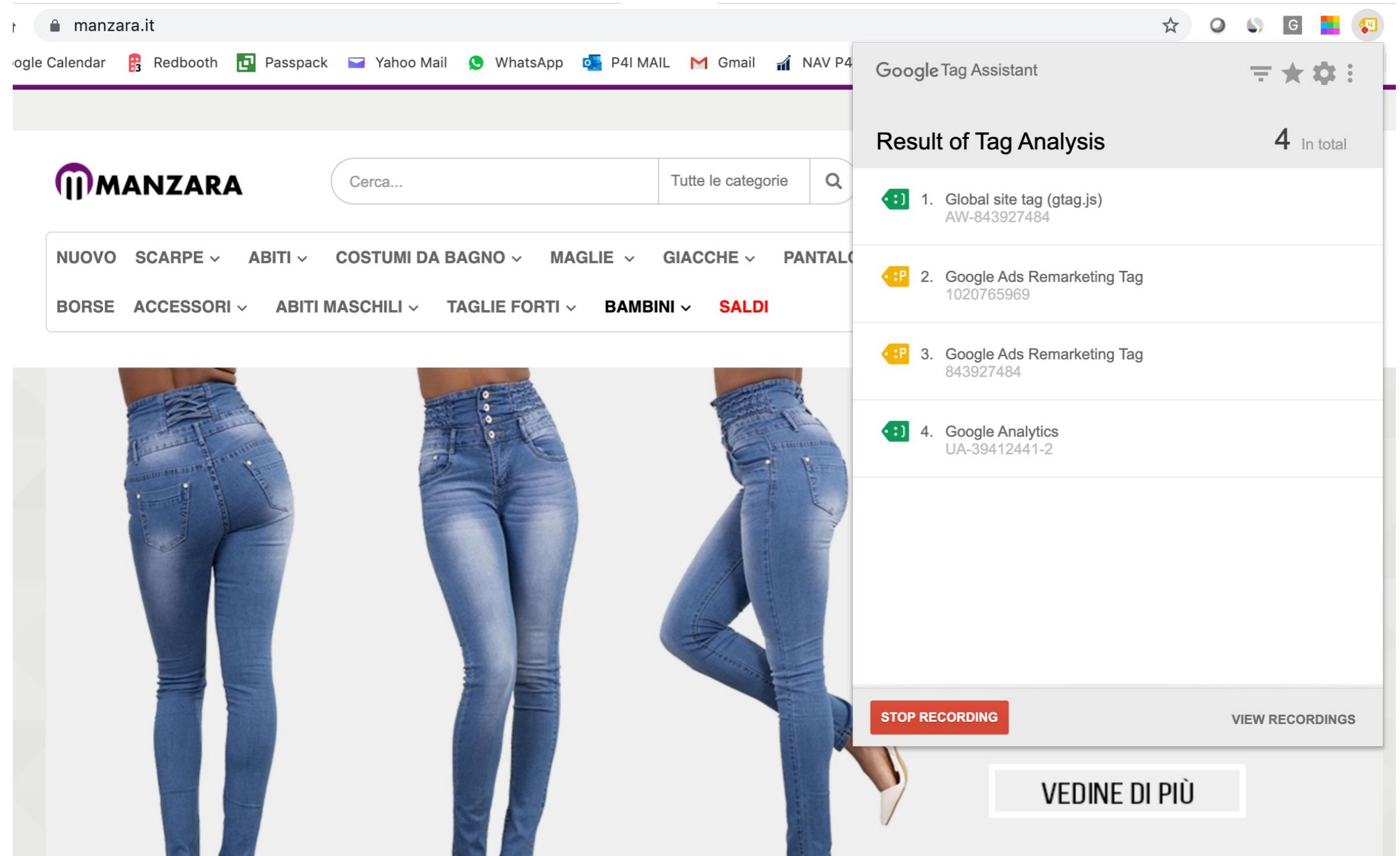
- **Last-click attribution:** 100% to the last visited website
- **First-click attribution:** 100% to the first visited website
- **First-and-last-click attribution:** 50% to both first and last visited websites in the funnel
- **Simple decay attribution:** weighted percentage of the credit to the most recent touchpoint
- **Linear attribution:** every touchpoint receive an equal credit

How to detect the presence of cookies with Google Tag Assistant



The screenshot shows a video player interface for a Politecnico di Milano video. The video content features a construction site with the text "NUOVO CAMPUS DI ARCHITETTURA UN ANNO DALL'INIZIO DEI LAVORI". Overlaid on the video is a "Google Tag Assistant" analysis window. The analysis results show one tag: "1. Google Analytics UA-4500005-1". The interface includes a menu bar with links like "Google Calendar", "Redbooth", "Passpack", "Yahoo Mail", "WhatsApp", "P4I MAIL", "Gmail", "NAV P4", "Other Bookmarks", "login", "LINGUA", and buttons for "STOP RECORDING" and "VIEW RECORDINGS". A sidebar on the right contains icons for "EYE", "CALENDAR", "SHARE", "POLIRADIO", and "DONA".

How to detect the presence of cookies with Google Tag Assistant



The screenshot illustrates how to use Google Tag Assistant to detect cookies on a website. The browser window shows the manzara.it homepage. The Google Tag Assistant extension is active, displaying a sidebar titled "Result of Tag Analysis" which lists four tags found on the page:

1. Global site tag (gtag.js)
AW-843927484
2. Google Ads Remarketing Tag
1020765969
3. Google Ads Remarketing Tag
843927484
4. Google Analytics
UA-39412441-2

The main content of the page features three pairs of blue jeans displayed from different angles.