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MRKT 1001: Foundations of Marketing

Lecture 1: 1/3/19

Marketing and the Steps in the Marketing Process:

Marketing → An activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, organisations and society at large.

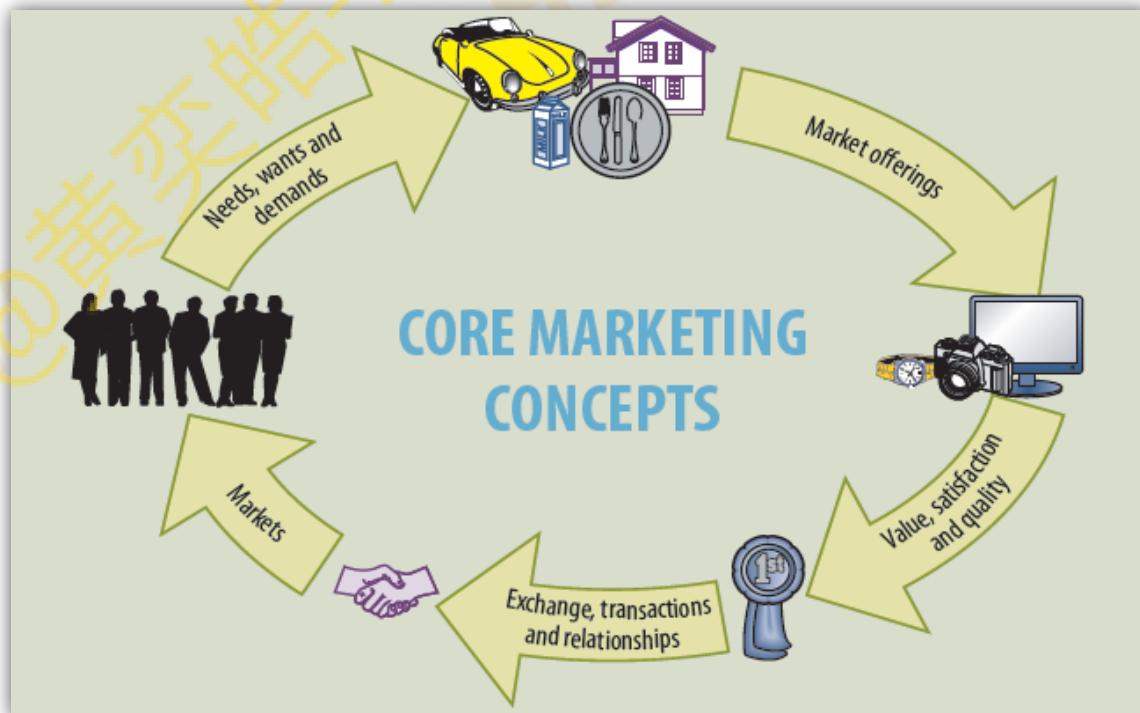
Marketing is built on the Iceberg Principle which revolves around that we as consumers and stakeholders only see the tip of the iceberg compared to what goes down below the surface of marketing. As marketers are involved with everything from the idea of the product to the actual selling and production of that product, all down to the specific details of the product.

Market → A Market is a set of current and potential customers.

Marketplace → is the situation in which a market is located. This may influence the behaviour of the market.

Industry → is a group of sellers.

Five Core Marketing Concepts:

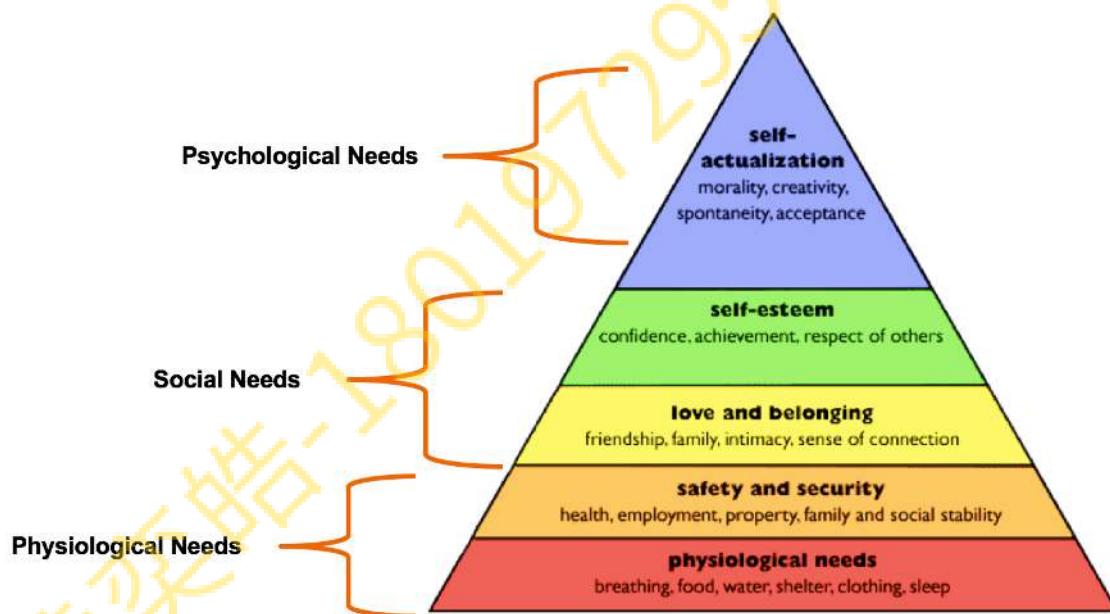


Needs, Wants and Demands:

Needs → are states of felt deprivation.

Human needs are the most basic concept underlying marketing. Humans have many complex needs including *physiological*, *psychological*, & *social needs*. Marketers stimulate rather than create these needs, they are part of human make up. When a need is not satisfied, a person will either try to reduce the need or look for an object that will satisfy it.

People in less economically developed societies might try to reduce their desires and satisfy them with what is available. People in industrial societies might try to develop objects that will satisfy their needs. Human needs are presented through Maslow's hierarchy of needs.



Wants → Wants are the form taken by human needs and are shaped by culture and individual personality.

For example, a hungry person in Australia, Singapore or Hong Kong might want something different for lunch from a hungry person in the South Pacific. As a society evolves, the wants of its members expand. Marketers try to provide more want-satisfying goods and services.

Demands → Demands are the human wants that are backed up by buying power.

Customers view products as bundles of benefits and choose the products that give them the best bundle for their money. Outstanding companies go to great lengths to learn about and understand their customers' needs, wants and demands.

They conduct customer research, analyse and monitor customer behaviour, complaints, inquiry, warranty and service performance data. Understanding customer needs, wants, and demands in detail provides important input for designing marketing strategies.

Market Offerings:

Market Offering → a product that is some combination of goods, services, experiences and ideas that can be offered to a market to satisfy a need or want.

Experiences include places such as theme parks, concerts, sporting events etc.

A product includes physical objects, services, persons, places, ideas and organisations. Anything that satisfies a need can be called a product. Marketers often use the expression goods and services to distinguish between tangible and intangible ones. However, these should be viewed as continuum and not as a basic dichotomy.

Customer needs are fulfilled through their market offerings.

Customer Perceived Value & Satisfaction:

Customer Perceived Value → the difference between the values the customer gains in owning and using a product and the costs associated with obtaining the product.

$$\text{Value} = \text{Benefits} - \text{Costs}$$

Customer Satisfaction → is the extent to which a product's perceived performance matches a buyer's expectations. If what is delivered by the company/received by the customer meets or exceeds their expectations, satisfaction will occur.

$$\text{Satisfaction} = \text{Expectation} - \text{Received}$$

Quality → is the degree of customer satisfaction, the totality of characteristics of an entity that bear on its ability to satisfy stated and implied needs

Exchange, Transactions and Relationships:

Exchange → Exchange is the act of obtaining a desired object from someone by offering something in return.

Exchange means that people do not need to prey on others, depend on donations or possess the skills to produce every necessity for themselves. Exchange is the core concept of marketing. For an exchange to take place, several conditions must be satisfied:

- At least two parties must participate and each must have something of value to the other.
- Each party must want to deal with the other and be free to accept or reject an offer.
- Each party must be able to communicate and deliver.

Transaction → A transaction is marketing's unit of measurement.

A transaction consists of a trade of value between two parties. In transactions it must be possible to state that what each party is giving and gaining.

Relationship Marketing → The process of creating, maintaining and enhancing strong, value-laden relationships with customers and other stakeholders.

Customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.

Building customer relationships involves the process of;

- Customer relationship management
- The changing nature of customer relationships
- Partner relationship management
- Giving customers value and satisfaction

Capturing value from customers involves the process of;

- Creating customer loyalty
- Building customer equity
- Growing customer share
- Building relationships with customers

The Marketing Process:



The process by which marketing organizations engage customers, building strong customer relationships and create customer value in order to capture value from customers in return

Marketing Management:

The analysis, planning, implementation and control of programs designed to create, communicate and deliver value to customers and facilitate managing customer relationships in ways that enable the organization to meet its objectives and those of its stakeholders.

A winning marketing strategy asks 'What customers will we serve?' and 'Who is our target market?'

Selecting Customers to Serve:

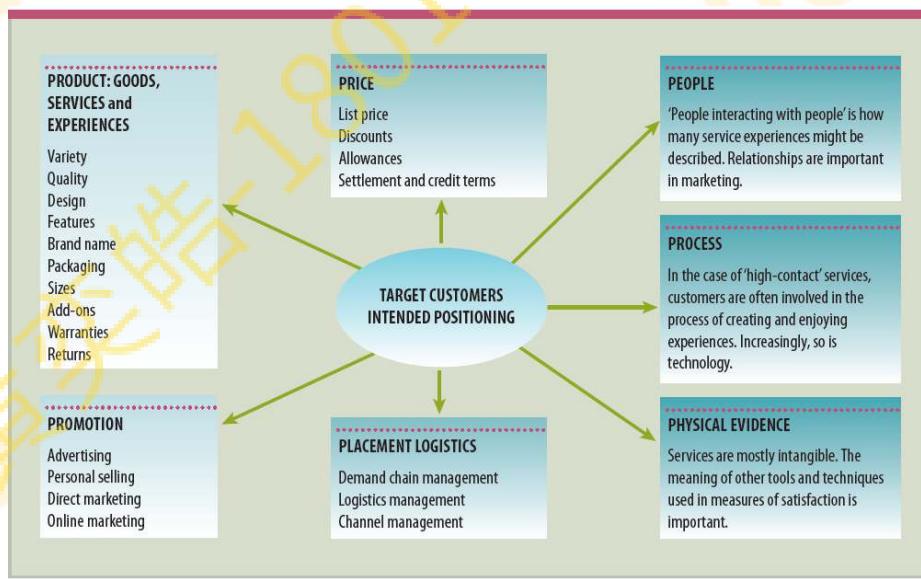
Managing demand means managing customers who come from two groups: new and repeat customers. Keeping existing customers is important as the cost to attract new customers is five times as much.

Marketers retain customers by ensuring that branded goods, services and experiences offer intrinsic value and that there is a sense of excitement or enjoyment associated with the marketing offering and communication used. Context is important - excitement is not always appropriate. The key to offering excitement is involvement and interactivity.

Value Proposition → A value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

Preparing an Integrated Marketing Program:

1. The company's marketing strategy outlines which customers the company will serve and how it will create value.
2. The integrated marketing program is developed to actually deliver the value to target customers.
3. The program builds relationships by transforming the strategy into action, it consists of the marketing mix.



Lecture 2: 8/3/19

Main Factors that Influence Consumer Buyer Behaviour:

The main factors that influence customer buyer behaviour include cultural, social, personal and psychological influences. These are separated into internal (personal and psychological influences) and external (cultural and social) influences.

Cultural Influences (External)

- Cultural factors exert the broadest and deepest influence on consumer behaviour.
- Each culture contains cultural groups. These consist of shared value systems based on common life experiences and situations.
 - Examples of culture include ethnic groups, political affiliation, religious groups, sexual preference and gender identities.
- Social Class is relatively permanent and ordered divisions in society.
 - Social class is not determined by one factor alone in most developed economies.



Social Influences (External)

- Consumer behaviour is also influenced by social factors, such as the consumer's household type and reference groups, as well as social roles and status.
- These social factors can strongly affect consumer responses, companies must take them into account when designing their marketing strategies.
- Changing lifestyles and buying roles affect marketing decisions
- Various Groups can influence the marketing decisions people make including membership groups, reference groups and opinion leaders (Kobe Bryant).

Personal Influences (Internal)

- Personal characteristics can influence the decisions of buyers. These include;
- Age and life-cycle stage
- Occupation
- Education
- Economic situation
- Personality
- Self-Concept and Consumer lifestyle

Psychological Influences (Internal)

- Motivation
 - There may be a driving force of motivation for an individual to purchase a product, where they could be trying to lead them to their own goal.
 - They may be trying to satisfy their own need.
- Perception
 - A motivated person is ready to act.
 - How the person acts is influenced by his or her perception of the situation.
 - The perceptual process includes selective exposure, selective distortion, selective retention.
 - Customers ultimately select, distort and retain what suits them.
 - *They tend to notice what relates to a current need of theirs.*
- Learning
 - Learning describes changes in an individual's behaviour arising from experience.
 - Marketers can build demand for a product by associating it with strong drives, using motivating cues and providing positive reinforcement.
 - Ways of learning processes include;
 - *Cognitive Learning (Thinking)* → done through information processing and problem solving.
 - Behavioural Learning (Conditioning) → done through association and reinforcement of an activity e.g. Jim and Dwight on the Office with the mint tricks.
 - Modelling Processes (Modelling) → based on observation and consequences experienced by others.
- Beliefs
 - People acquire their beliefs and attitudes through acting and learning.
 - A **belief** is a descriptive thought or conviction that a person holds about something, and involves holding an opinion.
 - Incorrect beliefs about product features or brand image can block sales.
 - E.g. Campaigners would sell sunscreen by telling them they would get a healthy tan in order to sell the idea of being sun smart in order to change beliefs and attitudes.
- Attitudes
 - An attitude describes a person's relatively consistent evaluations, (a persistent and long-held belief) feelings and tendencies towards an object or idea.
 - People have attitudes towards political parties, music and food types as well as companies and brands.

Stages in the Buyer Decision Process:



Need Recognition

- The first stage of the buyer decision process in which the consumer recognises a problem or need.
- Problem recognition is the result of a discrepancy between a desired state and an actual state.
- There are various types of buying decisions to be made.

Information Search

- The stage of the buyer decision process in which the consumer is aroused to search for more information.
- Can use internal information search or external search.
 - Internal could be preferences or past experiences
 - External may be opinions of family and friends, marketer generated information, professional information.

Evaluation of Alternatives

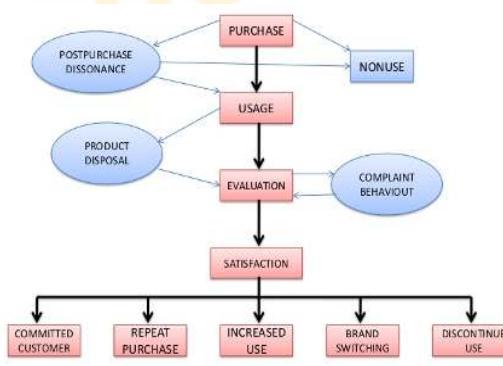
- The stage of the buyer decision process in which the consumer uses information to evaluate alternative brands in the choice set.
- Awareness Set is all the products that come to mind on a consumer.
- Evoked Set is the first 3-5 products that a consumer is willing to purchase.
- Consideration Set is the subset of brands that consumers evaluate when making a purchase decision.

Purchase Decision

- The stage of the buyer decision process in which the consumer actually buys the product.
- Situational Influencers in this stage can include the purchase task, social surroundings, physical surroundings, temporal effects, and antecedent states.

Post-purchase Behaviour

- The stage of the buyer decision process in which the consumers take further action after the purchase based on their satisfaction or dissatisfaction.
- Cognitive dissonance is the discomfort or conflict caused by purchasing.

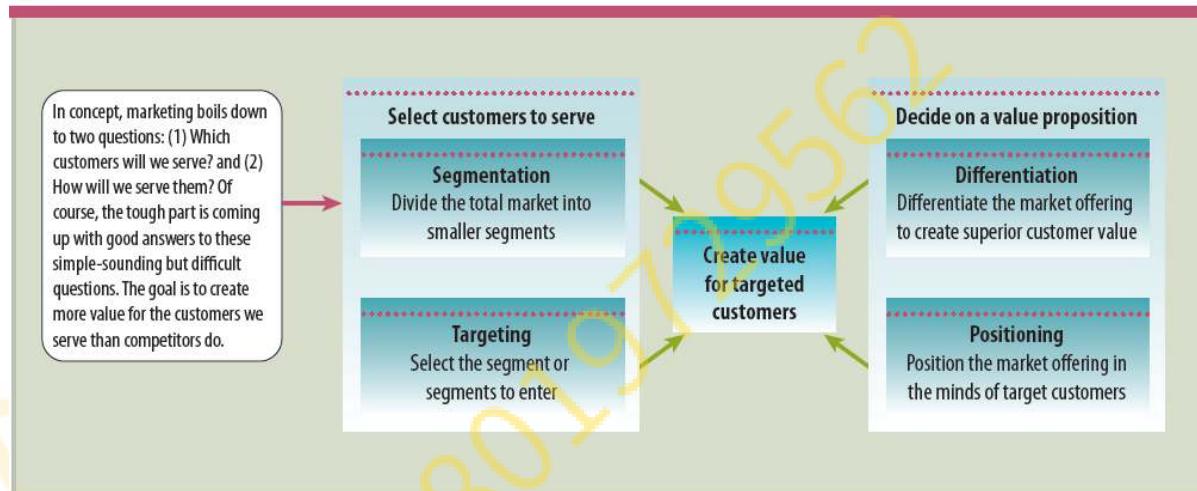


POST PURCHASE CONSUMER BEHAVIOUR

Lecture 3: 15/3/19

Market Segmentation → Addresses the first simple marketing question: *Which customers will we serve?* The answer to this question drives the development of marketing strategy.

Segmentation is dividing the total market for the product into homogeneous groups of buyers on the basis of: needs, characteristics or behaviours. A market segment is a group of homogeneous consumers who will respond in a similar way to a given marketing mix.



Four Bases of Segmenting Consumer Markets:

- Geographic
 - Geographic segmentation calls for dividing the market into different geographical units such as nations, regions, states, counties, cities or neighborhoods.
 - These geographical units can be based around city size, density, or even climate.
- Demographic
 - These factors include age, gender, family size, family life cycle, income, occupation, education, religion, race, generation and nationality.
 - Generations go from Builders, Baby Boomers, Generation X (60's to 80's), Generation Y (80's to 1995), Generation Z (1995-2010) and Generation Alpha (2010+)
- Psychographic
 - Social Class, Lifestyles and Personality all affect the segmentations of markets.
- Behavioural
 - Behavioral segmentation divides buyers into segments based on consumer knowledge, attitudes, uses, or responses to a product.
 - These include factors like occasions (birthdays, Christmas etc.), the benefits sought from the purchase, user status, usage rate and loyalty rate.

						
100 Leading Lifestyles High income families, typically own their own home in the inner suburbs.	200 Metrotechs Well educated, high income, young singles, social, inner city professionals, typically renting apartments and flats.	300 Today's Families Young families in the outer suburbs. Full time workers earning above average income.	400 Aussie Achievers Young, educated, outer suburb households, working full time to pay off their expensive separate house.	500 Getting By Young parents or older families with children still at home, outer suburbs, bargain hunters.	600 Golden Years Older married household/retirees who are family proud. Confident as they have paid off their suburban/rural home.	700 Battlers Families/couples living in cities/towns earning low income from their skilled jobs, secondary school education.
						
						
						
						

Example

Requirements for Effective Segmentation include making it;

- *Measurable* → the degree to which the size and purchasing power of the segments can be measured. Certain segmentation variables are difficult to measure.
- *Accessible* → the degree to which the segments can be reached and served.
- *Substantial* → the degree to which the segments are large or profitable enough. A segment should be the largest possible homogeneous group worth going after with a tailored marketing program.
- *Differentiable* → the degree to which the segments differ to a competitor and in what manner they can be served
- *Actionable* → the degree to which effective programs can be designed for attracting and serving the segments.

You can evaluate the target market segments through;

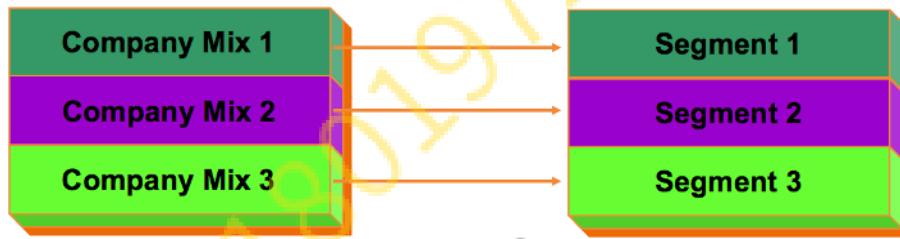
- *Segment size and growth*
 - The company must first collect and analyse data on current dollar sales, projected sales growth rates and expected profit margins for the various segments. It wants to select segments that have the right size and growth characteristics, but 'right size growth' is a relative matter.
- *Segment structural attractiveness*
 - A segment might have desirable size and growth and still not be attractive from a profitability point of view. The company must examine several major structural factors that affect long-run segment attractiveness.
 - For example, competitive situation (are there lots of competitors? Is it possible that new competitors will start up after they see you making a profit?) power of your suppliers in relation to you (will they put up their prices when they see you making a profit?), availability to customers of substitutes.
- *Marketing organisation objectives and resources*
 - Even if a segment has positive size growth and is structurally attractive, the company must consider its own objectives and resources in relation to that segment. Some attractive segments could be quickly dismissed because they do not mesh with the company's long-run objectives.

Types of Marketing Strategies;

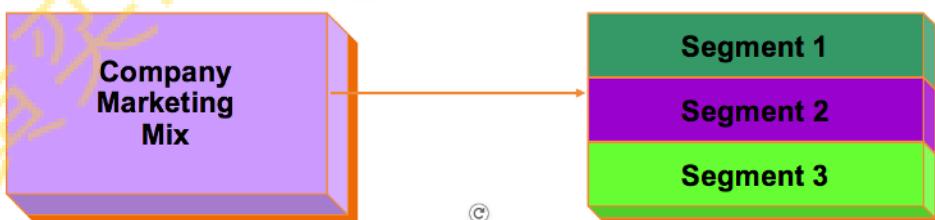
Undifferentiated Marketing → A company might decide to ignore market segment differences and go after the whole market with one market offer. It focuses on what is common in the needs of consumers rather than on what is different.



Differentiated Segmentation → A company decides to target several market segments, and designs separate offers for each. By offering product and marketing variations, it hopes for higher sales and a stronger position within each market segment.



Concentrated Marketing → is especially appealing when company resources are limited. Instead of going after a small share of a large market, the company goes after a large share of one or a few sub-markets.



Social responsible target marketing involves the biggest ethical issues usually involve the targeting of vulnerable or disadvantaged consumers with controversial or potentially harmful products.

Differentiation and Positioning;

A product's position is the way the product is defined by consumers on important attributes – the place the product occupies in the consumer's mind relative to competing products.

Choosing a differentiation and positioning strategy involves;

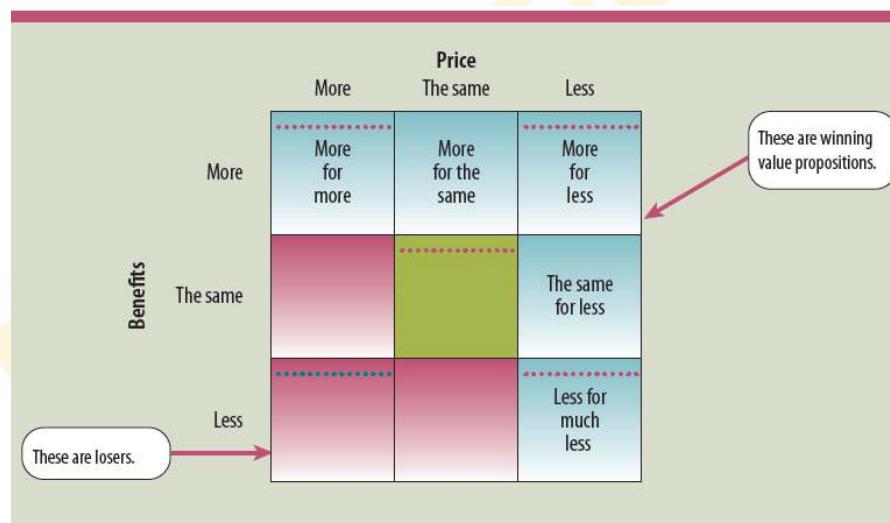
1. Identifying a set of differentiating competitive advantages
2. Choosing the right competitive advantages
3. Selecting an overall positioning strategy
4. Developing a positioning statement

Examples

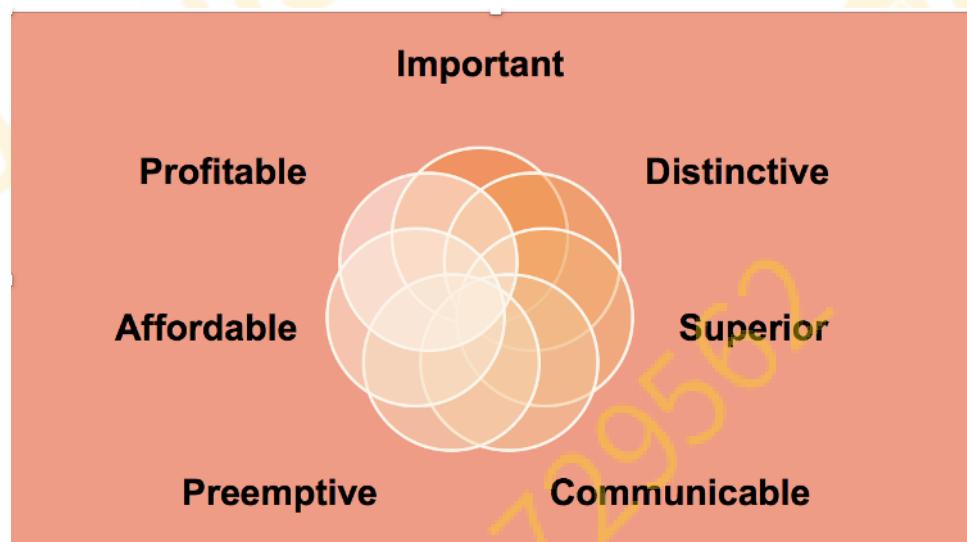
Tagline/Positioning Statement	Brand/Product	Positioning Analysis
"Melts in your mouth, not in your hands"	M&Ms	Slogan attempts to establish the a clear point of differentiation and competitive advantage of this product. By highlighting a single product attribute it directly communicates a single clear benefit to the consumer. Focus is on the <u>product attribute</u>
"When it absolutely, positively, has to be there overnight"	FedEx	Clearly highlights the efficiency and reliability of the courier delivery service. A clear statement that efficiently communicates a distinct benefit for positioning. Focus is on <u>service and channel attributes</u>
"Eat fresh"	Subway	Within the competitive fast food industry, this simple two word slogan stands out by differentiating their product offering on the healthiness and freshness of their menu as the highlighted bundle of benefits. Focus is on <u>product class</u>
"Choice of a new generation"	Pepsi	This slogan highlights tapping into the youth market; this is your drink – we've changed with you; and is clearly targeted against Coca-Cola. Focus is on the <u>user and against competition</u>

Value differences and competitive advantages are influenced by product, services, channels (distribution), people and image.

The value proposition is the full positioning of a brand – the full mix of benefits upon which it is positioned.



Choosing the right competitive advantage involves;



By communicating and delivering the chosen position, *all the company's marketing mix efforts must support the positioning strategy*. Questions that should be asked include;

1. Does the advertising and promotion suit the position relative to competitors?
2. Does 'price' send the appropriate message?
3. Does distribution match the target market needs and is it in keeping with customer expectations of the product as its positioned?
4. Does the type of customer services offered create the experience the positioning alludes to?

Lecture 4: 22/3/19

Product → A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organisations and ideas.

There are products which can be a tangible object that you can own. Examples include phones, computers etc.

There are services which are done for you at a price, including haircuts, dentists etc.

Experiences is an event or occurrence which leaves an impression on someone. These can include things like sporting events, musical festivals, theme parks etc.

Product and Service Classifications:



Table 7.1 Marketing considerations for consumer products

Marketing considerations	Type of consumer product			
	Convenience	Shopping	Specialty	Unsought
Customer buying behaviour	Frequent purchase, little planning, little comparison or shopping effort, low customer involvement	Less frequent purchase, much planning and shopping effort, comparison of brands on price, quality, style	Strong brand preference and loyalty, special purchase effort, little comparison of brands, low price sensitivity	Little product awareness, knowledge (or, if aware, little or even negative interest)
Price	Low price	Higher price	High price	Varies
Distribution	Widespread distribution, convenient locations	Selective distribution in fewer outlets	Exclusive distribution in only one or a few outlets per market area	Varies
Promotion	Mass promotion by the producer	Advertising and personal selling by both producer and resellers	More carefully targeted promotion by both producer and resellers	Aggressive advertising and personal selling by producer and resellers
Examples	Toothpaste, magazines, laundry detergent	Major appliances, televisions, furniture, clothing	Luxury goods, such as Rolex watches or fine crystal	Life insurance, Red Cross blood donations

The Three Levels of Product include

- *Augmented Product* → The non-physical part of the product.
 - These include delivery, credit, warranty, product support and after sale service.
- *Actual Product* → What the customer is purchasing.
 - These include the brand name, quality level, features, packaging, design etc.
- *Core Customer Value* → The value that customers are receiving from the purchase of the product.
 - For Example, with a car, it helps with transportation, carrying cargo, excitement and image enhancement.

Three Types of Decisions for the Marketing Manager:

1. Individual Product and Service Decisions

This includes a following step process of;

- Product Attributes/Features
 - *Quality* → Is the ability of a product to perform its functions. Includes overall durability, reliability, precision, ease of operation and repair, excellence of production.
 - *Features* → Features are a competitive tool for differentiating the company's products from its competitor's. Features can add value to the product. They allow products to be available with options so that customers can 'personalize' their purchase
 - *Design* → Can add distinctiveness to products. Design concept includes good style and performance. Good design can attract attention, improve product performance, cut production costs and give a product competitive advantage in its chosen target market.
- Branding
 - An important part of marketing decision -making.
 - A brand is a symbol, design, name or combination of these that uniquely reflects a seller's product and distinguishes it from the competition.
 - Branding is a means of segmenting the market.
 - Brands can help buyers by creating expectations and offering psychological rewards.
- Packaging and Labelling
 - With poorly designed packaging, this can frustrate customers, causing loss of sales from customers as they want packaging that is easily accessible to the product.
 - The frustration is known as 'wrap-rage'
 - Labelling the products is essential in differentiating your products against others and can cause consumers to choose a product with an attractive label.
- Product Support Services
 - Customer service is another element of Product Strategy.
 - These are the services that *augment ACTUAL* products
 - The offer usually includes support services which can be minor or a major element of the total product offering.
 - Support services are an important part of the overall brand experience.
 - Keeping customers happy AFTER the sale is the key to building lasting relationships.
 - May use sophisticated mix of phone, email, internet, social media, and other data technologies to provide support services.

2. Product Line Decisions

A product line is a group of products that are closely related. A great example of this is wine as there are all different types and tastes.

- Similar functions
- Sold to the same customer groups
- Sold through the same outlets or
- Within similar price ranges

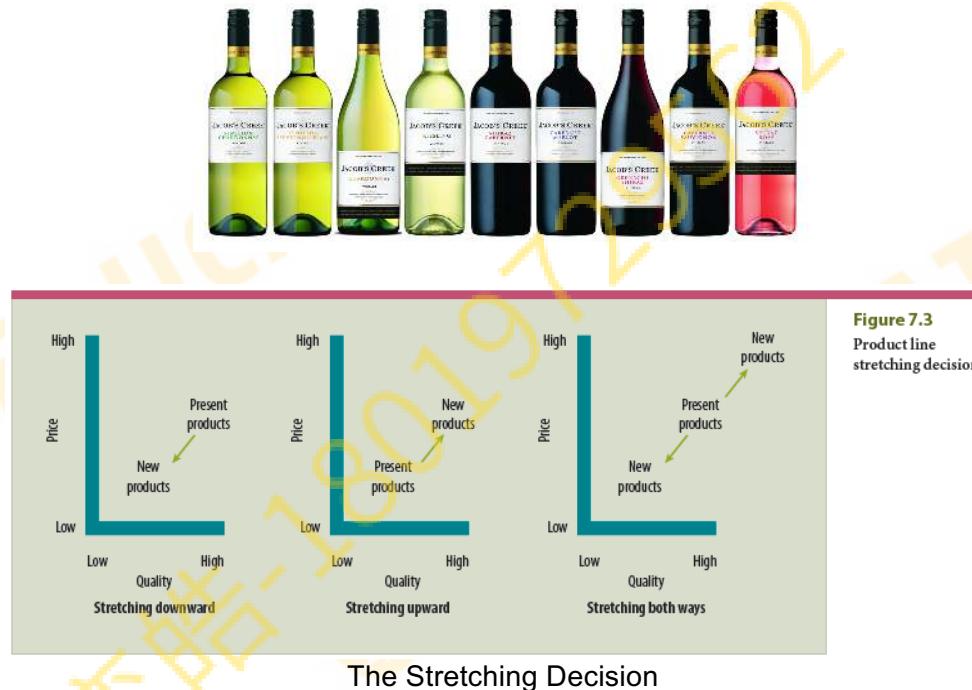
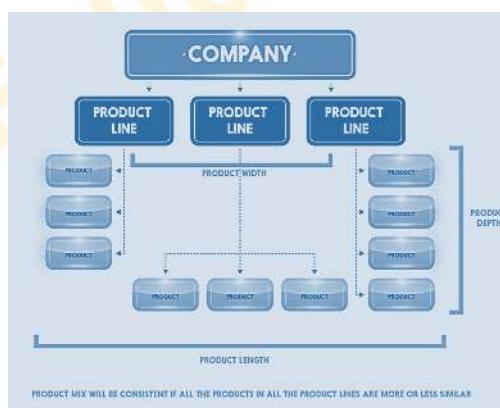


Figure 7.3
Product line stretching decisions

3. Product Mix Decisions

A product mix (or product portfolio) consists of all the product lines and items that a particular seller offers for sale. These can include;

- *Width* → Width means the number of different product lines the company carries.
- *Length* → Length refers to the total number of items the company carries in its lines.
- *Depth* → Depth refers to the number of versions of each product offered in the line.
- *Consistency* → refers to how close the product lines are in end use, production, distribution etc.



Service Marketing:

Although services are products, they have their own specialised characteristics and marketing needs. This comes from the fact that services are essentially intangible and are created through interactions with consumers. E.g. You will have a different experience with an airline versus a retail stores such as Nike.

These characterises include;

1. *Intangibility* → Services cannot be seen, tasted, felt, heard or smelled before purchase.
 - No physical form of product, for example professional advice.
 - Customer may find it hard to make comparisons.
 - Customer may never know if service has delivered as promised.
2. *Inseparability* → Services cannot be separated from their providers.
 - Synchronous delivery and consumption, that is service is produced as it is consumed; Teaching, doctor consultation, any form of instruction.
3. *Variability* → Quality of services depends on who provides them, as well as when, where and how.
 - Due to synchronous delivery and consumption, there can be variation in 'service encounters' between customer and customer service personnel.
 - Consider your own 'service encounter' experiences with the same doctor, hairdresser or restaurant at different times.
4. *Perishability* → Services cannot be stored for later use or sale.
 - Services cannot be stored.
 - E.g. Empty airline seats cannot be saved as inventory and resold.

There are three other P's in relation to services including;

- *Physical evidence* → environment in which the service is delivered and where the firm and customer interact.
- *Process* → actual procedures, mechanisms and flow of activities used to perform the service. Processes are defined through the use of blueprints.
- *People* → produce the service at the time it is delivered.

Brand Strategy:

Brands are one of the most powerful assets that must be carefully developed and managed. Building brands involve making challenging decisions.

This involves a step by step process of

1. Brand Positioning → Attributes, Benefits, Beliefs and Values

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

2. Brand Name Selection → Selection Process of Name
3. Brand Sponsorship
 - *National Brands* versus *Store Brands* → Generic products are unbranded, and plainly packaged, less expensive versions of common manufactured products.
 - *Licensing* → uses well-known names to sell products, e.g. Disney, Gucci, The Wiggles.
 - *Co-Branding* → occurs when two established brands are on the same product. These products combine the appeal of each brand.
4. Brand Development

There are four choices;

Brand Name	Product Category	
	Existing	New
Existing	Line Extension	Brand Extension
New	Multi Brands	New Brands

Lecture 5: 29/3/19

Companies Finding New Product Ideas:

New Product Development includes the development of;

- original products, product improvements and product modifications
- and new brands through the company's own R&D efforts

New Products are important because they can help an organization make more profits.

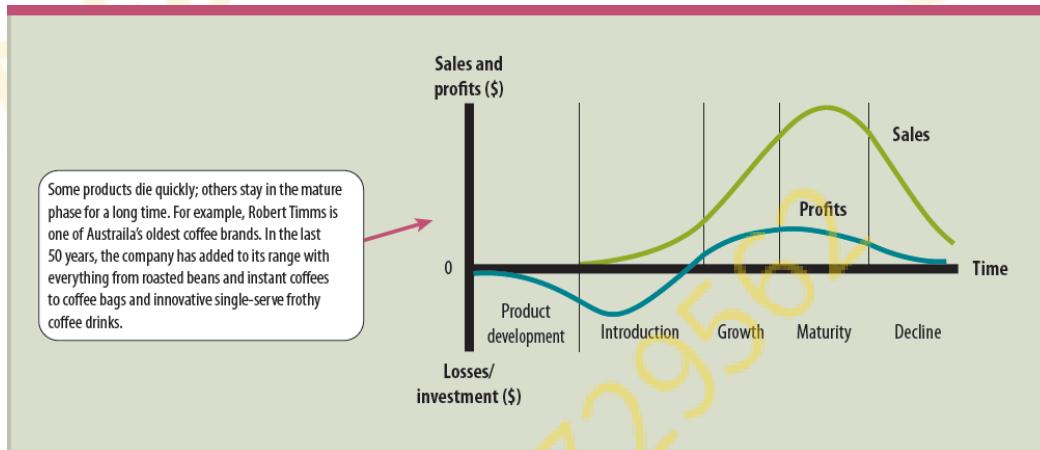
- Low cost competitors may take customers away if there is little differentiation between products.
- New competitors can enter and take away customers because of lower prices or more features.
- An organization must continue to offer something of better overall value to customers.

Development Process for New Products;

1. Stage 1 → Idea Generation
 - Internal Ideas Sources and External Ideas Sources
2. Stage 2 → Idea Screening
 - Screening new-product ideas in order to spot good ideas and drop poor ones as soon as possible.
3. Stage 3 → Concept Development and Testing
4. Stage 4 → Marketing Strategy
 - Once the new product concept is developed, you need to develop marketing strategy to see whether the new product will appeal.
 - Step 1:
 - Who is the target market?
 - What is the planned value proposition?
 - Sales goals?
 - Market share goals?
 - Profit goals?
 - Step 2:
 - What will be the Price?
 - What types of promotion will we use?
 - How will we organize Distribution?
 - What will be the Marketing budget?
 - Step 3:
 - Long-run sales
 - Profit goals long term
 - Marketing mix strategy long term
5. Stage 5 → Business Analysis
 - Business analysis is a review of the sales, costs, and profit projections for a new product to find out whether these factors satisfy the company's objectives.
6. Stage 6 → Product Development
 - Product development is developing the product concept into a physical product in order to ensure that the product idea can be turned into a workable market offering.
7. Stage 7 → Test Marketing
 - Test marketing is the stage of new-product development in which the product and marketing programs are tested in realistic market settings.
8. Stage 8 → Commercialisation
 - involves introducing a new product into the market.

Product Life Cycle and Strategies over Time:

New Product Life Cycle;



Introduction

- Introduction is often slow and sales take time to grow.
- Profits are negative or low.
- Promotion spending is relatively high.
- Price may be either high or low.
- High price will recoup initial expenses and is sensible if product is well known and there is little competition.
- Low price has the effect of selling lots of units for greater market coverage.

Growth Stage

- Early adopters are still buying and later buyers follow their lead.
- New competitors will enter the market.
- New product features introduced and market expands.
- Profits increase.
- Tradeoff between high current profit and high market share.

Maturity Stage

- Sales growth slows.
- Competitors mark down prices.
- Some producers cease production.
- Only well-established producers remain.
- Consider modifying the product and / or the marketing mix.

Decline Stage

- Declining sales.
- Declining profits.
- Price may be reduced.
- Phase out of some products or lines.
- Phase out unprofitable distribution outlets.

Three Main Pricing Strategies and Price Adjustment Strategies:

Price → the amount of money charged for a product or service. The sum of the values that customers exchange for the benefits of having or using the product or service.

Price is the only marketing mix instrument that creates revenues. All other elements entail costs.

A company does not usually set a single price

- a pricing structure covers different items in its product line Nescafe Collections
Nespresso TVC

Companies adjust product prices to:

- reflect changing costs and demand and
- to account for variations in buyers and situations



Value Based Pricing

- Uses buyers' perceptions of value, not the seller's cost, as the key to pricing.
- Non-price variables in the marketing mix are used to build up perceived value in the buyers' minds.
- Price is set to match that perceived value.
- Value added pricing attempts to build pricing power by adding value to the offering

Cost Based Pricing

- It is product driven.
- Adds a standard mark-up to the cost of the product or service inclusive of a profit target
- Popular because
 - o It's simple
 - o Perceived to be fair
 - o Minimises price competition
 - o Provides certainty

Competition Based Pricing

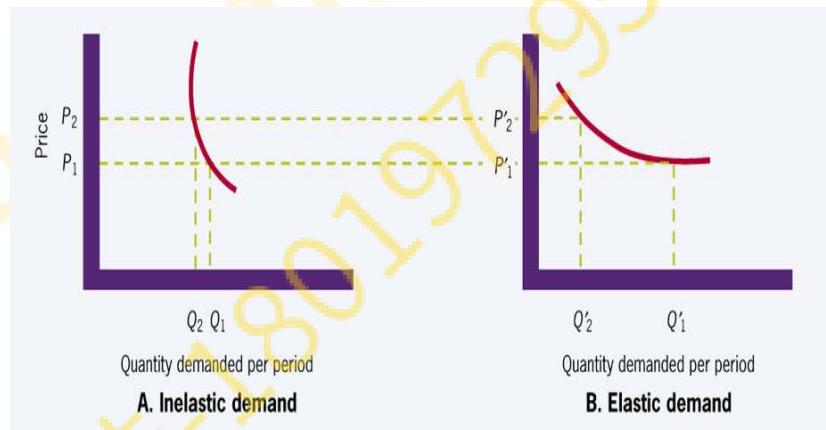
- Ensures that an organisation maintains its sales volumes and market shares.
- Used in highly competitive markets in which consumers base their purchasing decisions on price, such as supermarkets, hardware stores, electronic retailers, and discount department stores.
- The organisation must decide whether it will lag or lead.
- Coles and Woolworths into petrol retailing industry.

Importance of Demand and Supply

- Demand for a product and the price the consumer is willing to pay are fundamental determinants of its price.
- Costs of the offering set the lower limit of Price
- The market and the nature of demand set the upper limit of prices.
- *As price decreases, demand increases.*

Price Elasticity

- Elasticity of demand exists when a small change in price has a dramatic effect on the quantity demanded by the marketplace.
- Price elasticity = % change demand / % change price
- That is, how responsive demand will be to a change in price



Main Strategies of Pricing New Products:

Market Skimming Pricing → marketer sets a relatively high initial price for a product or service at first, then lowers the price over time. This has been used with Apple iPhones as well as console items such as PlayStation and XBOX.

Market Penetration Pricing → presenting a low price for a new product or service during its initial offering.

Product Mix Pricing Strategies:

- *Product-Line Pricing* → Setting the price steps between product line items
- *Optional-Product/Service Pricing* → Pricing optional products sold with the main product.
- *Captive-Product Pricing* → Pricing products that must be used with the main product. Two-part pricing is a strategy for pricing services in which price is broken into a fixed fee plus a variable usage rate.
- *Product Bundle Pricing* → Pricing bundles of products sold together.

Price Adjustment Strategies:

- *Promotional Pricing* → loss leader pricing, special and psychological discounting.
- *Geographic Pricing* → different pricing for distant customers, zone pricing, basing point pricing and freight absorption pricing.
- *International Pricing* → the company adjusts its price to meet different conditions and expectation in different world markets.

Example of Psychological Strategy: Aldi



Pricing Strategy at Each Stage of Product Life Cycle

- Product Development
 - Higher to recover Research & Development costs
 - Lower to penetrate market
- Introduction
 - May need to reduce because of increased competition.
- Growth
 - Price to maintain market share
- Maturity
 - Harvest, maintain, divest

Reasons for Initiating Price Changes

- Price Cuts → Excess Capacity, Attempt to Increase Market Share
- Price Increases → Rising Costs, Increase in Demand
- Buyer Reactions to Price Changes → Price and Image often closely linked.
- Competitor Reactions to Price Changes → What should you do when a competitor changes prices?

Pricing with Channel Levels

Prohibited pricing strategies include;

- Price Fixing → Talking with competitors to set prices
- Predatory Pricing → Selling below cost with intention of punishing competitor or putting them out of business.

Pricing across Channel Levels

Prohibited pricing strategies include;

- *Price Discrimination* → a selling strategy that charges customer's different prices for the same product or service, based on what the seller thinks they can get the customer to agree to.
- *Price Maintenance* → the practice whereby a manufacturer and its distributors agree that the distributors will sell the manufacturer's product at certain prices, at or above a price floor or at or below a price ceiling.
- *Deceptive Pricing* → retailers use deceptive means to trick the customers into thinking that they are paying a lower price for the product, than what they are actually supposed to.

Lecture 6: 5/4/19

The Supply chain is all the activities necessary to convert raw materials into a product and provide it to customers.

Logistics is implementing supply. Logistics attempts to deliver exactly what the customer wants at the right place, the right time, and the right prices.

The Channel of Distribution is the last part of that chain – facilitating movement of the product to customers.

Physical distribution activities are essential to performing this task, and effective physical distribution is at the core of logistics.

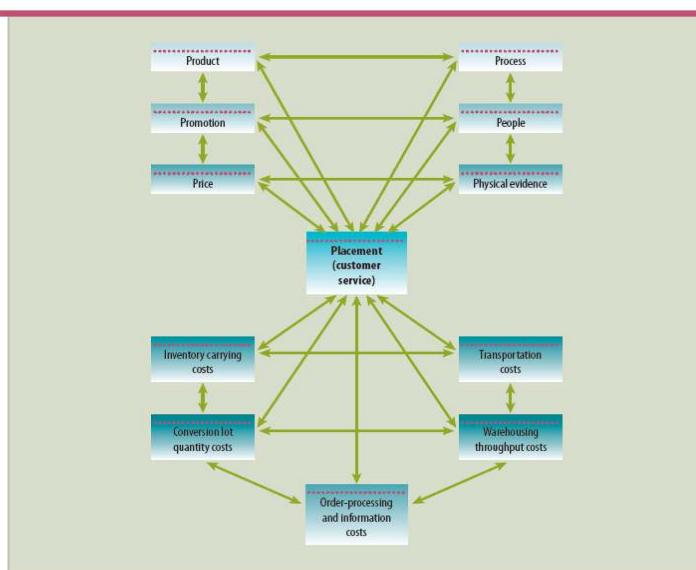
Marketing Supply chain network management involves;

- Consideration of the network as a Value Delivery Network
- Constant consideration of the total cost of logistics,
- Decisions about:
 - sales forecasts,
 - raw materials ordering and acquisition,
 - production plans and scheduling,
 - inbound transport,
 - storage of raw material inventory,
 - order taking,
 - packaging and storage of manufactured goods and outbound transportation.

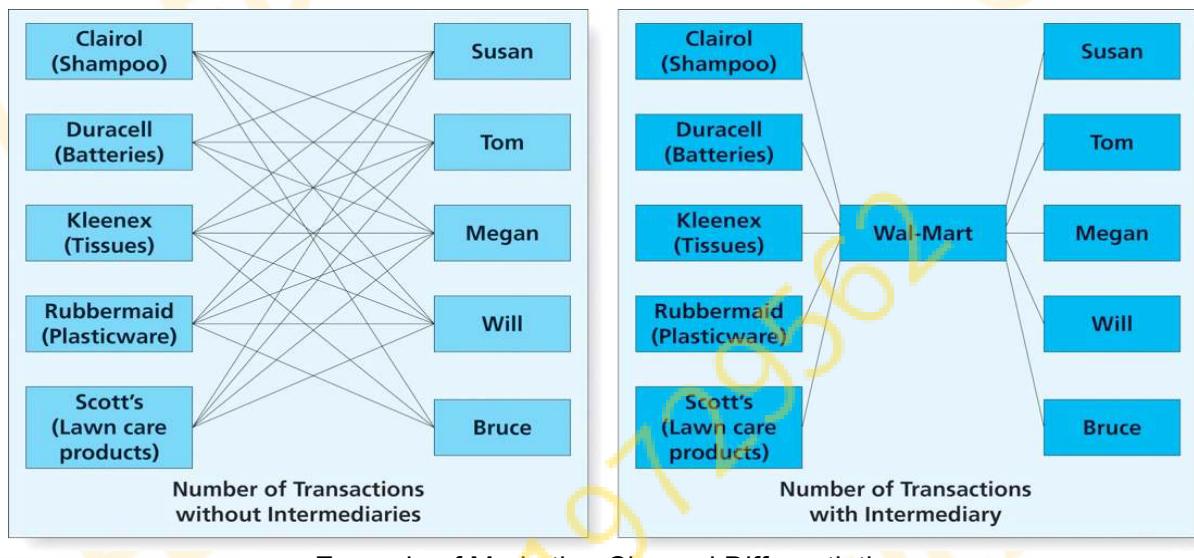
Main Marketing Logistics Functions include;

- Warehousing
- Inventory Management
- Transportation
- Logistics Information Management

Figure 10.4
Marketing logistics network trade-offs and interaction with the extended marketing mix elements in providing customer service
Source: Adapted from DM Lambert, *The Development of Inventory Costing Methodology: A Case Study of Costs Associated with Holding Inventory*, National Council of Physical Distribution Management, 1976, p. 7. Reprinted with permission from the Council of Supply Chain Management Professionals (CSCMP).



Marketing Channels → is a set of interdependent organisations involved in the process of making a product or service available to users.



Example of Marketing Channel Differentiation

Channel Level Options include;

1. Producer → Consumer
2. Producer → Retailer → Consumer
3. Producer → Wholesaler → Retailer → Consumer

The Digital World;

Pure play is used to describe e-commerce companies that only sell through the internet, and not through other channels. Also, known as e-tailers.

Brick & Click is used to describe a business model by which a company integrates both offline (bricks) and online (clicks) presences.

Brick & Mortar is a traditional street-side company that deals with its customers face-to-face in an office or store that the business owns or rents.

Note: *Agent/Broker* → Connects the networks and suppliers.

Channel Behaviour;

Channel Conflict → the disagreement among marketing channel members on goals, roles, and rewards. There are two types including horizontal and vertical conflict.

Horizontal → Conflict between two or more channel members at the same level.

Vertical → Conflict that occurs between two different types of members in a channel—say, a manufacturer, an agent, a wholesaler, or a retailer.

Channel Organisation;

Conventional Marketing System → Each of the stages of distribution is done through completely independent firms.

Vertical Marketing System → VMS is a planned channel system where producers, wholesalers, and retailers act as a unified system to improve distribution efficiency, cost-effectiveness, and maximise profits for the whole channel.

- Corporate VMS → a single owner runs the organizations at each stage of the channel.
- Contractual VMS → coordinates distribution through formal agreements among channel members.
- Administered VMS → there is a dominant channel member that exercises power to achieve channel coordination.

Producers make decisions about how to add value for customers through a variety of *Distribution Intensities* – they each serve different purposes



Intensive Distribution

- Aims to maximize market coverage by selling a product through all wholesalers or retailers that will stock and sell the product.
- Availability is more important than any other consideration in customers' purchase decision.
- Products such as gum, milk, and soft drinks are intensively distributed.

Selective Distribution

- Is appropriate when demand is so large that exclusive distribution is inadequate, but selling costs, service requirements, or other factors make intensive distribution a poor fit.
- Selective distribution is suitable for shopping products such as household appliances and electronic equipment.

Exclusive Distribution

- Limiting distribution to a single outlet in a particular region.
- Cars, pianos, and products with high price tags are often sold this way.

Internet Distribution → reducing the need for intermediaries and changing channels...
(disintermediation & reinter mediation)

- Even small firms can reach consumers internationally,
- Producers can directly market to consumers, eg, DELL, APPLE
Potential for online distribution piracy eg. Books
- Advantages include better access to knowledge about customers

Benefits of E-Commerce (TO A FIRM)

- Access to more customers – sell products across the world
- Attract new customers with search engine visibility
- Decrease cost of inventory management
- Ease of transactions
- Knowledge about customer preferences and behaviours (analytics)
- Create targeted communications

Limitations of E-Commerce (TO A FIRM)

- Site maintenance may be high (technological infrastructure)
- E-commerce is high competitive
- Credit issues
- May cannibalize in store sales

Benefits of E-Commerce (TO A CONSUMER)

- Convenience
- Choice
- Comparisons

Limitations of E-Commerce (TO A CONSUMER)

- Delays
- Fraud, Risk
- Difficulty of returns
- Can't try before you buy
- No guarantee of quality

Lecture 7: 9/4/19

Discuss the changing communications landscape and the need for integrated marketing communications.

Describe and evaluate the five promotion mix tools in terms of the benefits and disadvantages of each for communicating customer value.

Describe and evaluate media options for making the best use of different communications tools.

Integrating Marketing Communications are required because;

- Consumers are changing
 - You can find your own information
 - It's harder to reach you
 - You can share information more easily with others
- Marketing strategies are changing
 - Markets are fragmenting
 - We can know more about smaller segments' needs.
- Communications technology is changing
 - New tools → interactive media makes it both easier and harder to reach desired targets.



The richer mix of communications means consumers may be bombarded with messages from many sources, therefore it's even more important for Integrated Marketing Communication.

Integrated Marketing Communication (IMC) → An organisation's IMC program consists of a specific blend of the communications elements that will most effectively meet objectives including to;

- inform, ZootReview
- persuade, and Real Insurance
- remind consumers as well as to Vegemite commercial
- reinforce their attitudes and perceptions. Everybody knows anti-smoking ad

IMC entails co-ordinating the organisation's promotional efforts using such major communication elements as:

- *Advertising* → any paid form of non-personal presentation & promotion of ideas, goods, services often meeting long term 'brand image' objectives.
 - Paid non-personal promotion by a sponsor
- *Direct and online marketing* → create an immediate sale, open a dialogue, start a relationship to bring about sale or series of transactions. Crocs Facebook
 - Direct connection with carefully targeted individual customers
- *Public Relations* → news stories, features and events. Seen as being news rather than sales-orientated.
 - Building good relations with the company's publics
- *Sales Promotion* → a range of incentives aimed at prompting an immediate sale, may take many forms.
 - Short term incentive to encourage purchase.
- *Personal Selling* → two way personal communications between sales person and customer.
 - Personal presentation by a sales force.

A classification of integrated marketing communication categories including media, tools and technology.

Integrated marketing communication category	Media, tools and technologies
Mass communication	Advertising via FTA-TV; radio; newspapers; magazines; outdoor; cinema; cooperative advertising; motion pictures. With or without sales promotion incentives.
Targeted communication	Pay-TV (satellite, cable and narrowcast microwave TV with no back-channel); home shopping (FTA-TV or pay-TV); public relations; door-to-door selling; catalogues; telephone directories (Yellow Pages); events (Formula One championship); sponsorships; mobile and static trade exhibitions; automatic vending machines. With or without sales promotion incentives.
In-store communication	Retail counter selling; merchandising; location-TV and radio (narrowcast or closed); aisle displays; electronic aisle messaging; point-of-purchase media (e.g. trolley advertising); packaging. With or without sales promotion incentives.
One-to-one communication	<i>Database marketing in all its forms</i> : direct mail; interactive TV; telemarketing (telephone or fax); telesales; electronic dispensing and kiosks; direct selling (home and office); online value transformation. With or without sales promotion incentives.

Mass Communication → Advertising is a major mass communication tool and defined as 'any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor, often meeting long-term 'indirect' objectives related to brand image'.

Targeted Communication → This enables marketing organisations to tailor their messages to suit various market segments. A number of media tools and technologies are suitable for targeted communication, such as pay-tv and home shopping.

In-store Communication → This involves the use of media, tools and technologies at store level such as gondola-end theme banners.

One-to-one Communication → This is defined as 'the use of integrated database marketing to track an individual customer's buying pattern' such as direct mail and online marketing.

Regardless of which communication category marketers use, they may all involve sales promotion at different times which provides short term incentives to encourage purchase of a product or service.

Advertising

- Can reach masses of geographically dispersed customers,
- Enables repeated message,
- Consumers may view product advertised as more legitimate.

Selecting a Message

- Ideally the message should either:
 - Get Attention OR
 - Hold Interest OR
 - Arouse Desires OR
 - Obtain Action
- The AIDA model. However, it may attempt to do all four elements, although this would be hard to accomplish.



The communicator starts to develop an effective message after the desired audience response is defined. The message should get attention, hold interest, arouse desire and obtain action. Message content, message structure and message format are three key factors that should be considered by communicator in putting the message together.

Message Content;

The communicator has to work out an appeal or theme that will produce the desired response. Three types of appeals are introduced in this section.

- Rational appeals
 - It is defined as 'message appeals that relate to the audience's self-interest and show that the product will produce the desired benefits; examples include appeals of product quality, economy, value or performance'.
- Emotional appeals
 - It is defined as 'message appeals that attempt to stir negative or positive emotions that can motivate purchase; examples include fear, guilt, shame, love, humour and joy appeals'.

Message Structure

The communicator must put the messages together in a logical way.

Three message-structure issues need to be considered:

1. Whether to draw a conclusion or leave it to the audience,
2. Whether to present a one-sided or two-sided argument and
3. Whether to present the strongest arguments first or last

Message Format

The communicator needs a strong format for the message, which is based on different communication tools. For example, the communicator must consider words, sounds and voices when the message is to be carried over the radio.

Selecting Advertising Media;

- Deciding on reach, frequency and impact
- Choosing among the main media types
- Selecting specific media vehicles
- Deciding on media timing

Advertising Effectiveness

$$\text{Return on Advertising Investment} = \text{Net Return on Advertising} \div \text{Costs of Advertising}$$

Sales Promotional Tools Include;

- Samples
- Coupons
- Cash refunds
- Price packs
- Premiums
- Advertising specialties
- Point-of-purchase (POP)
- Contests, sweepstakes and games

Personal selling is the personal presentation by the business's salesforce for the purpose of making sales and building customer relationships. The product below is best sold to buyers through personal selling.

The Role of the Salesforce & Designing Salesforce Strategy and Structure

- Most companies provide continuing sales training via seminars, sales meetings and Web e-learning throughout the salesperson's career.
- Linking the company with its customers
- Coordinating marketing and sales
- Salesforce structure
 - Territorial salesforce structure
 - Product salesforce structure
 - Customer salesforce structure
 - Complex salesforce structures
- Salesforce size
 - Workload approach
- Other salesforce strategy and structure issues
 - Outside and inside salesforce
 - Team selling

Direct marketing → consists of connecting directly with carefully targeted individual consumers both to obtain an immediate response and to cultivate lasting customer relationships.

Digital marketing → entails interacting with known customers and others in the marketing channel, on a one-to-one basis, using electronic network tools and technologies ranging from the internet to mobile phone networks

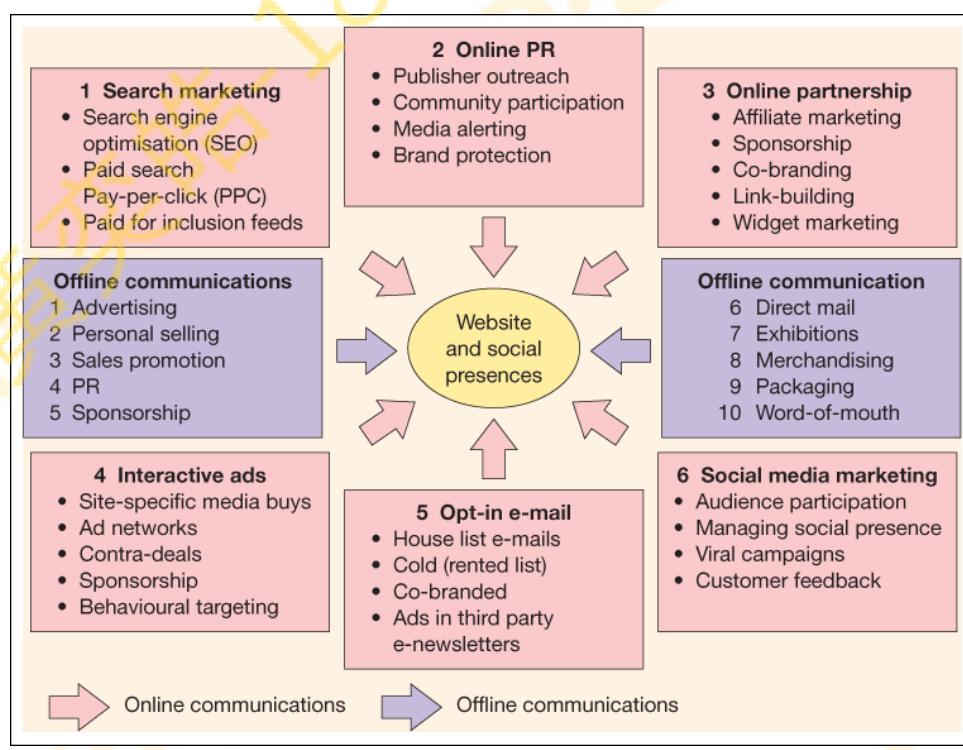
Benefits for Buyers

- Customised market offering
- Two-way interaction
- Individualised message
- Individualized incentives

Benefits for Sellers

- Cost reductions
- Automation of communications
- Extended reach
- Enhanced conversion rates
- Customized targeting based on data
- Increased retention

Digital Communications:



Six Categories of E-communications Tools or Media Channels

Using a database in direct and digital marketing → Some countries, including Australia, have extended privacy legislation that applies to most profit and non-profit organisations. E.g. Coles 'Flybuys' and Woolworths Rewards Systems.

Search Engine Marketing and Placing Online Ads:

SEM – Search Engine Marketing

SEO – Search Engine Optimisation



1. Placing ads and promotions online

2. Forms of online advertising

- Email
 - Spam are unsolicited, unwanted commercial email messages
- Mobile Marketing
 - 50% of mobile searches lead to purchases
 - 46% won't return to a webpage that didn't load the first time
 - Mobile Internet usage exceeds computer internet usage
- Online social communities
 - blogs, social networking websites, or even virtual worlds, where people socialise or exchange information and opinions
- Facebook

3. Other forms of online promotion

How is Direct and Digital Marketing Evaluated?

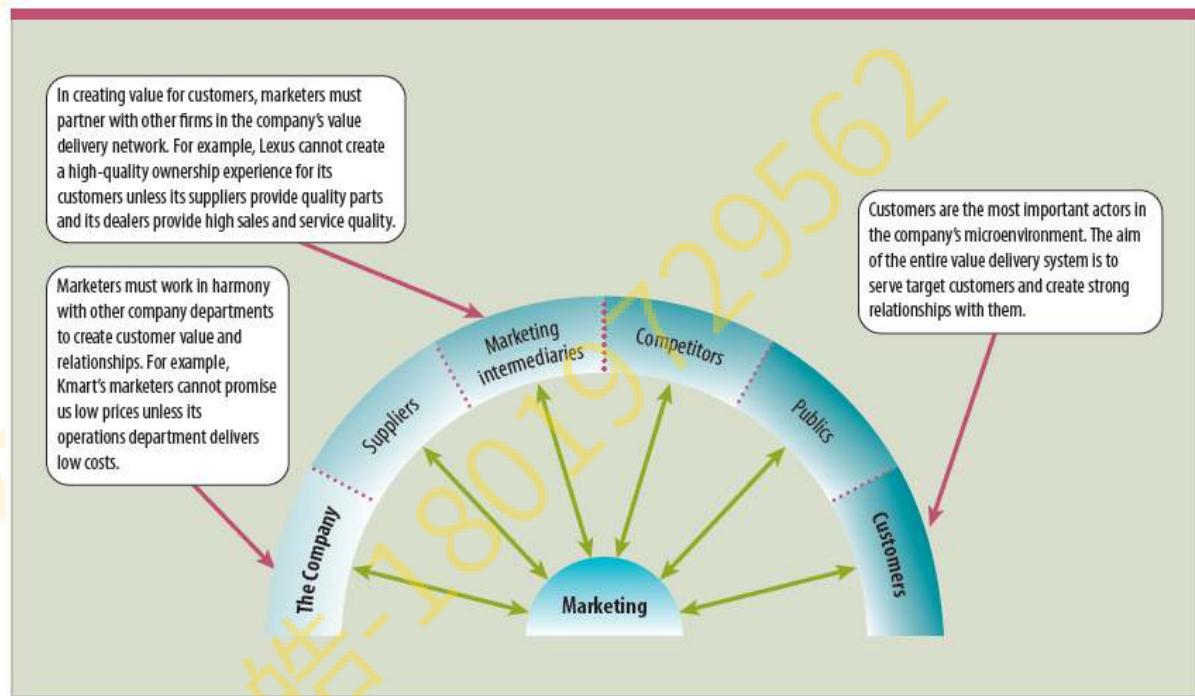
- Sales lead generation
- Database generation
- Fulfilment response
- Product inquiries
- Sales response
- Profitability
- Return on the investment
- Lifetime customer value

Lecture 8: 3/5/19

Microenvironment → The forces close to the organisation that affect its ability to serve its customers.

Macroenvironment → The larger societal forces that affect the whole microenvironment.

Actors in the Microenvironment



The Company:

Information is shared to the internal groups (markets), these include;

- Top Management
- Finance
- R&D
- Operations
- Purchasing
- Accounting

Suppliers:

Suppliers are an important link in the organisation's overall customer 'value delivery system'.

Marketing managers must watch for:

- supply availability
- supply shortages or delays
- price trends of supplies

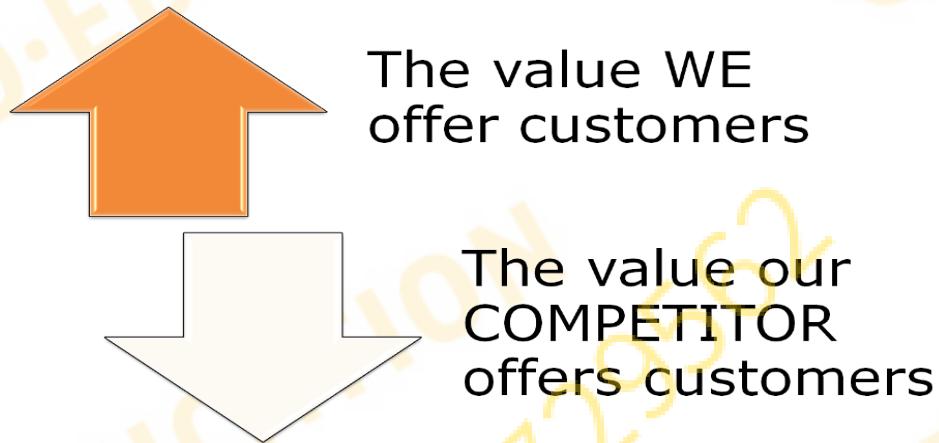
All of the above events can damage value delivery to customers and ultimately influence satisfaction in the long run. Rising supply costs may force price increases that can affect the organisation's sales volume.

Market Intermediates:

Resellers refer to those firms that find and sell to customers. Physical distribution firms move and stock goods. Market service agencies include research, advertising, media, and consulting services. Financial Intermediates

Competitors:

Direct Competitors refer to companies that sell very similar products to another. An indirect competitor sells a product that is similar in nature but not the actual product itself.



Publics:

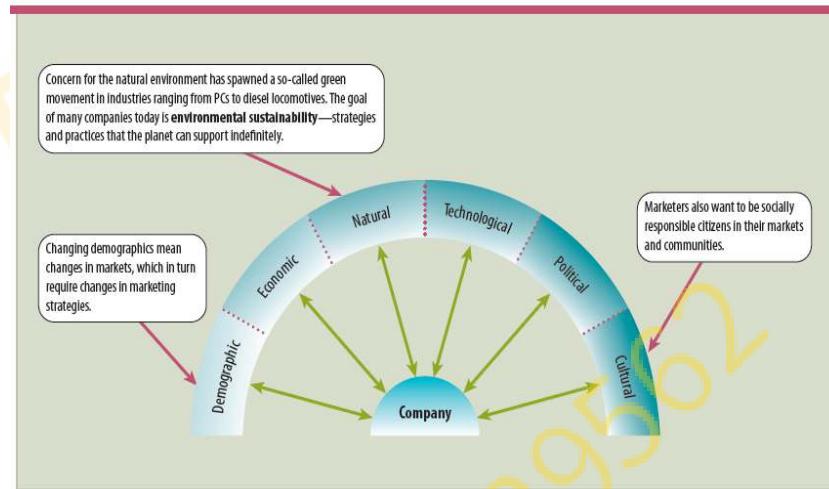
Publics are any group that has an actual or potential interest in or impact on an organisation's ability to achieve its objective:

- Financial publics
- Media publics
- Government publics
- Citizen-action publics
- Local publics
- General public
- Internal publics

Customers:

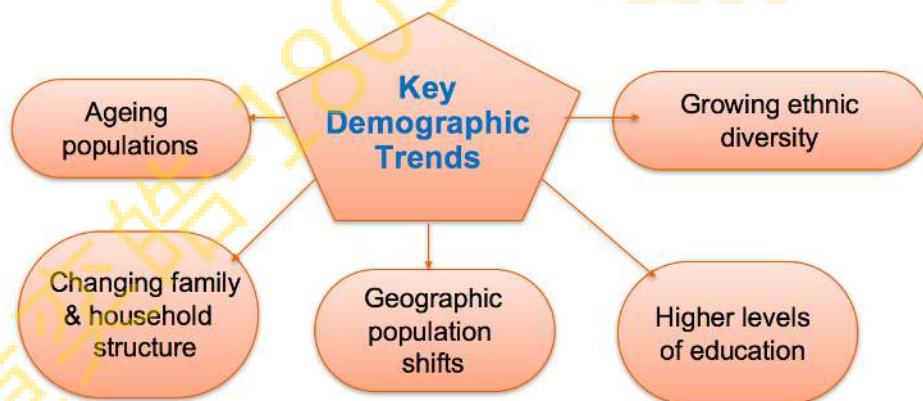
There are three different types of customers, including consumers, businesses and government.

Forces in Macroenvironment:



Demographic Environment:

Demography → the study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics

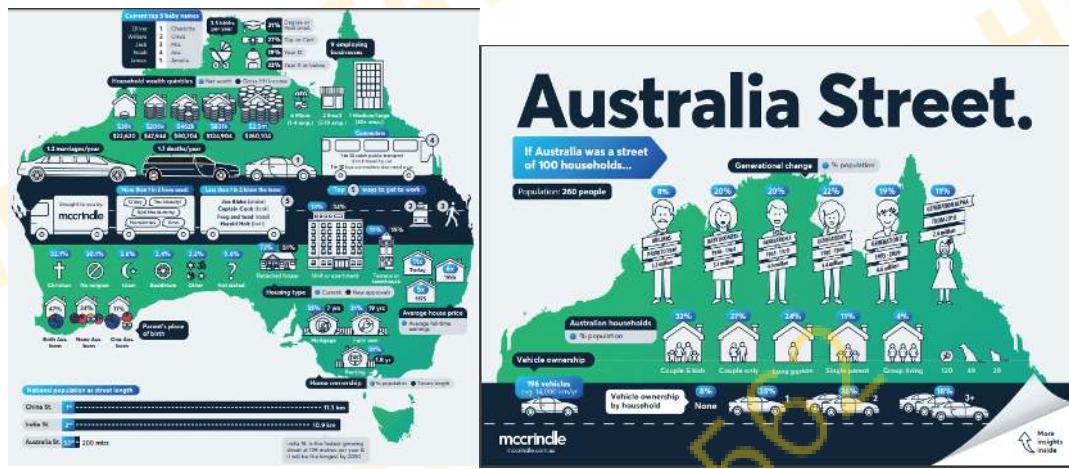


Demographic ABS Statistics

CATEGORY	BUILDERS	BABY BOOMERS	GENERATION X	GENERATION Y	GENERATION Z	GEN ALPHA
Social markers	We prefer spoken English if you please. Born in 1946 Age: 73+	We cool. Born 1946-1964 Age: 54-72	Dude. Ace. Rad. Ac E. Whined. Born 1965-1979 Age: 39-53	Blog. Funky. Dope. Faveza. Whiney. Born 1980-1994 Age: 19-33	Mr. Legit. Speed. Riley. What's. Born 1995-2009 Age: 9-23	Lil'. Purr. Hendo. Yay. PPV. Born from 2010 Age: under 9
Iconic cars	Model T Ford First: 1929	Ford Mustang 1964	Holden Commodore 1978	Toyota Prius 1997	Tesla Model S 2012	Autonomous cars 2020n
Iconic toys	Roller skates	Frisbee	Rubik cube	BMX bike	Folding scooter	Fidget spinner
Music devices	Record player LP: 1948	Audio cassette 1982	Walkman 1979	iPod 2001	Spotify 2008	Smart speakers Now
Leadership style	Controlling	Directing	Coordinating	Guiding	Empowering	Inspiring
Ideal leader	Commander	Thinker	Doer	Supporter	Collaborator	Co-creator
Learning style	Formal	Structured	Participative	Interactive	Multi-modal	Virtual
Influence/advice	Officials	Experts	Practitioners	Peers	Forums	Robo-advice
Marketing	Print (traditional)	Broadcast (mass)	Direct (targeted)	Online (linked)	Digital (social)	In situ (real-time)

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There is a changing family and household structure that is forming;

- Sydney's growing apartment market is comprised of nearly half a million households, representing many diverse cultures, languages and backgrounds.
- McCrindle has identified four emerging urban family household types within Sydney's apartment market: Vertical Families, Cosmo Couples, Solo Metropolises, & One-Parent Households.

Along with an increasing diversity of languages, country of birth and religion.

Culturally and linguistically diverse Australia		
	2016	2011
Language spoken by a person at home (top 5)		
1	English only - 72.7% (17,020,417)	English only - 76.8% (15,599,291)
2	Mandarin - 2.5% (505,711)	Mandarin - 1.6% (336,116)
3	Arabic - 1.4% (321,728)	Italian - 1.4% (299,833)
4	Cantonese - 1.2% (260,413)	Arabic - 1.3% (287,174)
5	Vietnamese - 1.2% (277,400)	Cantonese - 1.2% (263,573)
Country of Birth (top 5)		
1	Australia - 56.7% (16,814,835)	Australia - 69.8% (15,011,848)
2	England - 3.9% (675,710)	England - 4.2% (911,513)
3	New Zealand - 2.7% (418,486)	New Zealand - 2.7% (480,398)
4	China - 2.2% (329,656)	China - 1.5% (318,968)
5	India - 1.9% (465,389)	India - 1.4% (295,367)
Religion (top 5)		
1	No religion - 30.1% (7,040,717)	Catholic - 25.3% (5,439,267)
2	Catholic - 22.0% (5,291,834)	No religion - 22.3% (4,004,627)
3	Anglican - 13.3% (3,101,185)	Anglican - 17.1% (3,679,907)
4	Uniting Church - 3.7% (870,183)	Uniting Church 5.0% (1,065,794)
5	Christian, nfd - 2.6% (612,371)	Presbyterian and Reformed - 2.0% (599,616)

Geographical shifts of migration are driven by the desire for an improved life. Migration is often supported (or prevented) by governments.



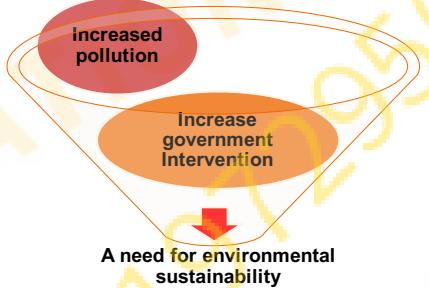
In general Australia is a better-educated, more white-collar, more professional population.

Economic Environment:

The economic environment consists of factors that affect consumer purchasing power and spending patterns. This includes the changes in income, as well as the shifts in consumer spending patterns.

Natural Environment:

Involves the natural resources that are needed as inputs by marketers or that are affected by marketing activities. Every company operates within the natural, or physical, environment. This includes factors and trends such as natural resources/raw materials, environmental sustainability, the weather, and natural disasters.



Technological Environment:

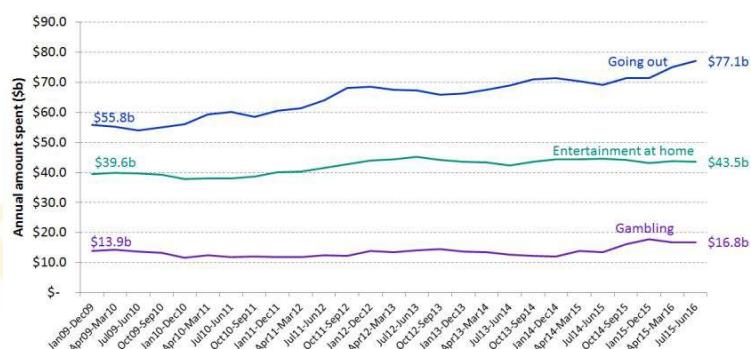
The technological environment includes forces that create new technologies, these create new product and market opportunities. Five emerging technology trends include block chain technology, intelligent things, cloud to edge computing, conversational platforms and digital twins.

Political Environment:

- Legislation regulating business
 - o Increasing legislation
 - o Changing government agency enforcement
- Increased emphasis on ethics and socially responsible actions
 - o Socially responsible behavior
 - o Cause-related marketing

Cultural Environment:

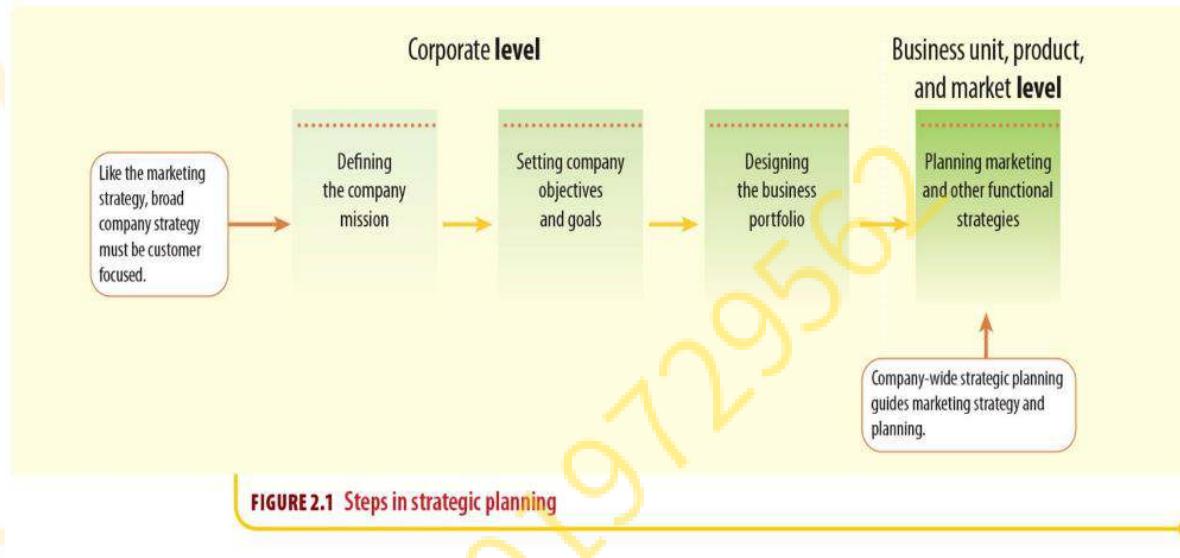
The cultural environment is made up of institutions and other forces that affect a society's basic values, perceptions, preferences and behaviors.



Responding to the marketing environment → Rather than simply reacting, companies should take proactive steps with respect to the marketing environment, seeking opportunities for growth and adapting to changes.

Lecture 9: 10/5/19

Strategic Planning → the process of developing and maintaining a strategic fit between the organisation's goals and capabilities and its changing marketing opportunities.



The Planning Process

Mission Statement → A mission statement is a statement of the organisation's purposes, what it wants to accomplish in the larger environment. A mission statement requires;

- Market oriented and based on satisfying customer needs
- Meaningful and specific, yet motivating
- Emphasise company's strengths in the marketplace
- Should NOT be stated in sales or profits

E.g. "To bring inspiration and innovation to every athlete in the world." – Nike

Table 2.1 Market-oriented business definitions

Organisation	Product-oriented definition	Market-oriented definition
Amazon.com	We sell books, videos, CDs, consumer electronics and other products online	Our vision is to be Earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online. (This is a combination mission/vision statement, as it looks to the future.)
Facebook	We are an online social network.	We give people the power to share and make the world more open and connected.
eBay	We enable online auctions and selling.	We provide a global marketplace where practically anyone can trade practically anything.
Hulu	We are an online video service.	We help people find and enjoy the world's premium video content when, where and how they want it.
Revlon	We make cosmetics.	We sell lifestyle and self-expression; success and status; memories, hopes and dreams.
Village Roadshow	We distribute and show movies, and run theme parks.	We aim to build a world-class portfolio of entertainment and media assets in order to generate sound returns, a sustainable competitive advantage and enduring value for all stakeholders.
Virgin Atlantic	We fly people around the world.	To grow a profitable airline . . . Where people love to fly . . . And where people love to work.
Woolworths	We run retail outlets.	We, as passionate committed retailers, understand and lead our customers through excellence and a deep knowledge of our products and services and the world we live in. We live the Woolworths difference through our values: Quality and style – deliver the best Value – a simple and fair deal Service – think customer Innovation – discover the difference Integrity – do what you say you will do Energy – be passionate and deliver Sustainability – build for a better future.

Sources: See <www.virgin-atlantic.com>, accessed January 2013; and <www.woolworthsholdings.co.za>, accessed January 2013.

By building profitable business relationships, it can translate to the marketing objectives set by a firm. This can be done through a hierarchy of objectives;



The Business Portfolio → the collection of businesses and products that make up the company.

Strategic Business Unit (SBU) Types vary according to the size of the organisation:

Small/Medium (SMEs)

- Usually will have only one SBU, which is the company itself
- Could have multiple SBUs based on product / services offered
- E.g. Goldbergs Cafe

Medium/Large

- Will usually have multiple SBUs based on product / services offered
- E.g. DuluxGroup Limited
 - Dulux Paints, Cabot's Woodcare, Yates Gardening, Selleys Accessories

Large Portfolio

- Will usually have multiple SBUs based on companies owned or groups of companies
- E.g. News Corporation
 - 20th Century Fox, Foxtel, Sky TV, Festival Mushroom Records, Newspapers

Step 1: Analysing the current business portfolio: The BCG growth-share matrix

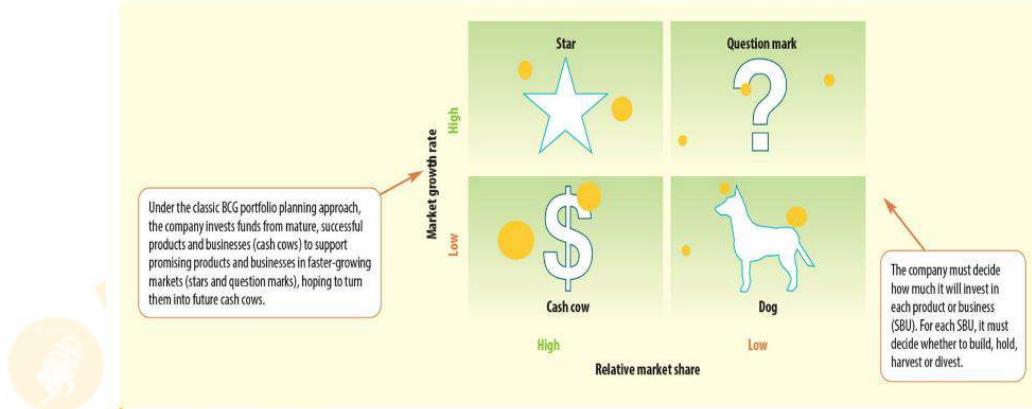


FIGURE 2.2 The BCG growth-share matrix

Step 2: Developing strategies for growth and downsizing: The product/market expansion grid



Developing strategies for growth: Selected marketing strategies and the growth-share matrix

- Market Penetration
 - Increase sales to existing customers
 - e.g. increase purchase frequency, purchase quantity, cross-selling, new uses for existing products, improved product design or increased product range
- Market Development
 - Generate sales in new market segments
 - e.g. find new sociodemographic markets, develop international markets, use e-retail to access new or 'hard-to-reach' market segments
- Product Development
 - Sell new or modified products to existing customers
- Diversification
 - New business outside current markets



Customer-Driven Marketing Strategy:

- **Segmentation** → The process of dividing a market into distinct groups of buyers with different needs, characteristics or behaviours, and who might require separate products or marketing programs.
- **Targeting** → Selecting one or more market segments to enter (i.e. the segments where a company can profitably generate the greatest customer value and sustain it over time).
- **Positioning** → Arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the minds of target consumers.

Positioning:

- Differentiate → Identify possible customer value differences that provide competitive advantages.
- Select Desired Position → Select a profitable and defensible gap in the market.
- Develop Value Offering → Devise the company's market offering so that it provides superior customer value.
- Deliver on the Promise → Develop a marketing program that delivers and communicates the value offer.

Managing the Effort:

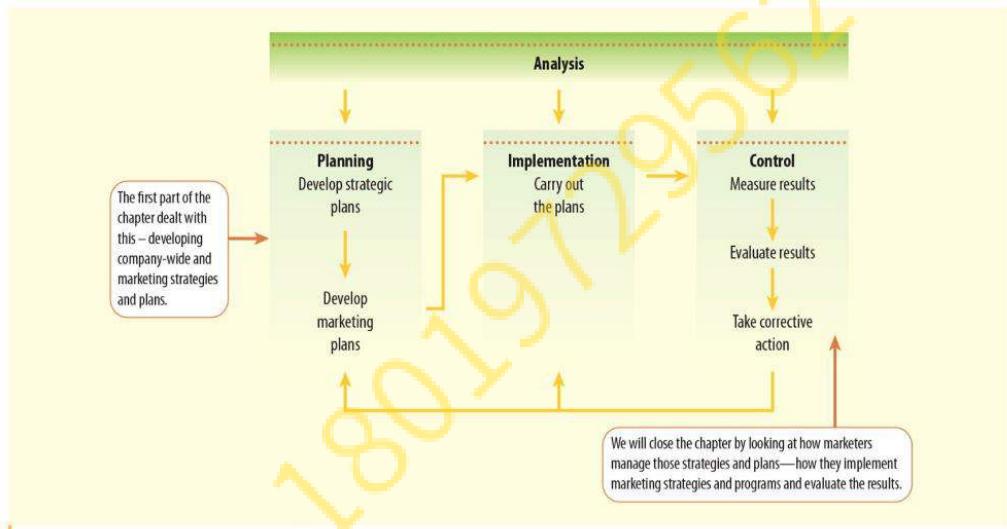


FIGURE 2.5 Managing marketing: Analysis, planning, implementation and control

Elements of a Marketing Plan

- Executive summary
- Current marketing situation
- Threats & opportunity analysis
- Objectives and issues
- Marketing strategy
- Action programs
- Budgets
- Controls

SWOT Analysis

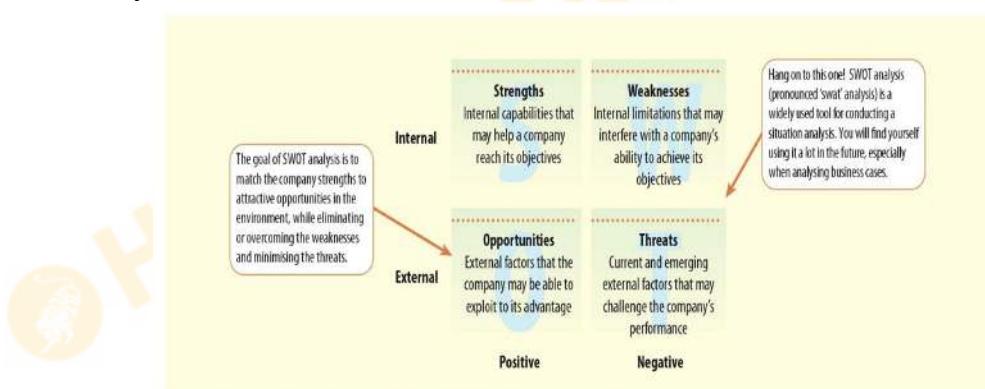


FIGURE 2.6 SWOT analysis: Strengths (S), weaknesses (W), opportunities (O) and threats (T)

Marketing Control:

Set marketing goals → Measure performance → Evaluate causes of differences → Take corrective actions

Operational Control → Checking ongoing performance against the annual plan and taking corrective action when necessary.

Strategic Control → Considering whether the company's basic strategies are well matched to its opportunities and updating as required.

Measures of Marketing Performance:

Customer-Centred Measures

- Customer acquisition
- Customer retention
- Customer life-time value
- Customer equity
- Customer loyalty

Standard Measures

- Brand awareness
- Brand equity
- Sales
- Market share
- Marketing ROI

Marketing ROI

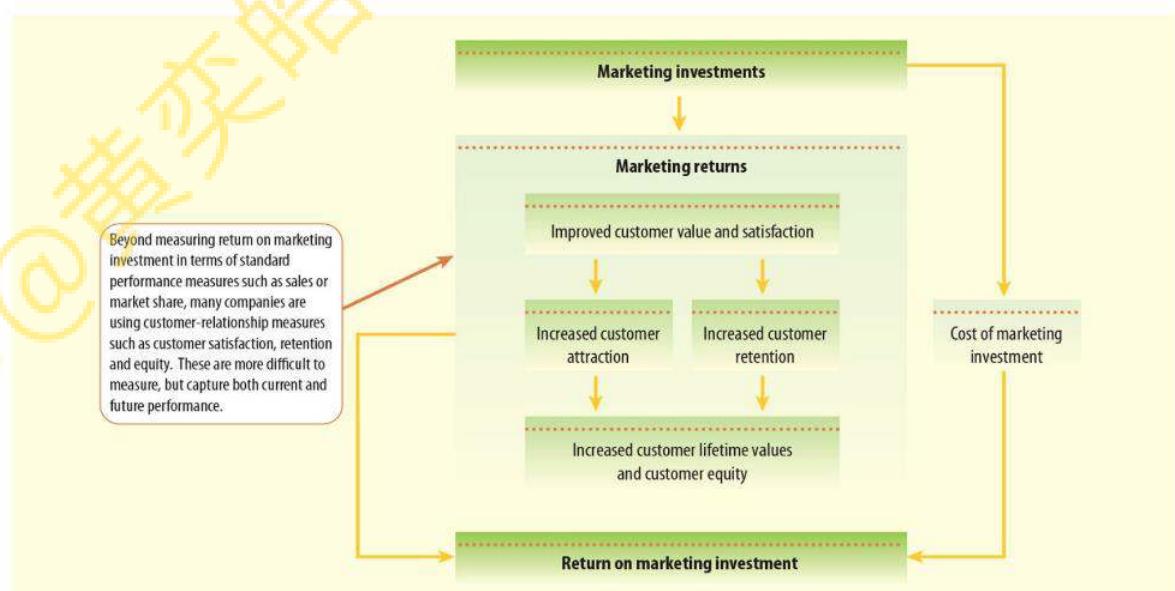


FIGURE 2.8 Return on marketing investment

Source: Adapted from Roland T Rust, Katherine N Lemon & Valerie A Zeithaml, 'Return on marketing: Using consumer equity to focus marketing strategy', *Journal of Marketing*, January 2004, 68:1, Figure 1, p. 112.



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