

Marketing Strategy

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SESSION – The Marketing Process

Segmentation

Every brand must decide to choose only some customers to serve. This is called segmentation.

Segmentation is the process of dividing a heterogeneous group of customers into small homogenous groups that behave in a similar fashion.

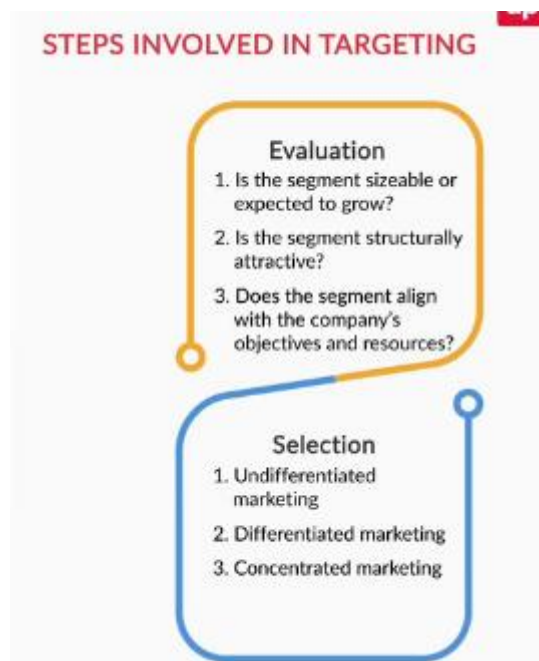
Businesses broadly use **four methods to segment customers**. These are:

- **Geographic segmentation**, based on the geography to which the customer belongs
- **Demographic segmentation**, based on age, gender, income, and education
- **Psychographic segmentation**, based on the personality and lifestyle of customers
- **Behavioural segmentation**, based on the actual behaviour of the customer, which includes product usage, attitude towards the product and loyalty status

Targeting

After you have segmented your market/potential market, you can choose to service one or many of these segments. This is called targeting i.e. you target the appropriate market segment with your marketing strategy.

Steps involved in Targeting



There are essentially 3 strategies that businesses may choose as their targeting strategy:

- **Mass-marketing strategy**: This targeting strategy treats the entire population as one single market and therefore targets one segment with the same product/service throughout. But, you must be wondering why any marketer would opt for mass marketing when different segments might exist in a market. Well, the aim of a mass-marketing strategy, as the name suggests, is to reach out to the 'masses' or large sections of people. This helps lower marketing costs, as compared to reaching out to every single segment separately. And because of this, this strategy often relies on mass media such as TV commercials and newspaper advertisements. Google, with Android, Mail and Maps, has a mass marketing strategy for a select group of products.

- Differentiated strategy: This targeting strategy targets different segments with different products/services. For example, Dell targets the working professionals with its Latitude and Vostro series, the casual users with its Inspiron series and the gamers with its range of Alienware laptops.
- Concentrated marketing strategy: This targeting strategy targets only one of many segments that exist in the market. Blackberry, for instance, only caters to the segment of working professionals.

Market Segment Pyramid



Positioning

Often consumers would fall back on their perception of each brand and as a marketer, you can define consumers' perception of your brand. This is called positioning of the brand in the minds of the target consumer.

Product Position

The complex set of perceptions, impressions, and feelings that consumers have for the product compared with competing products

Steps involved in a Positioning Strategy



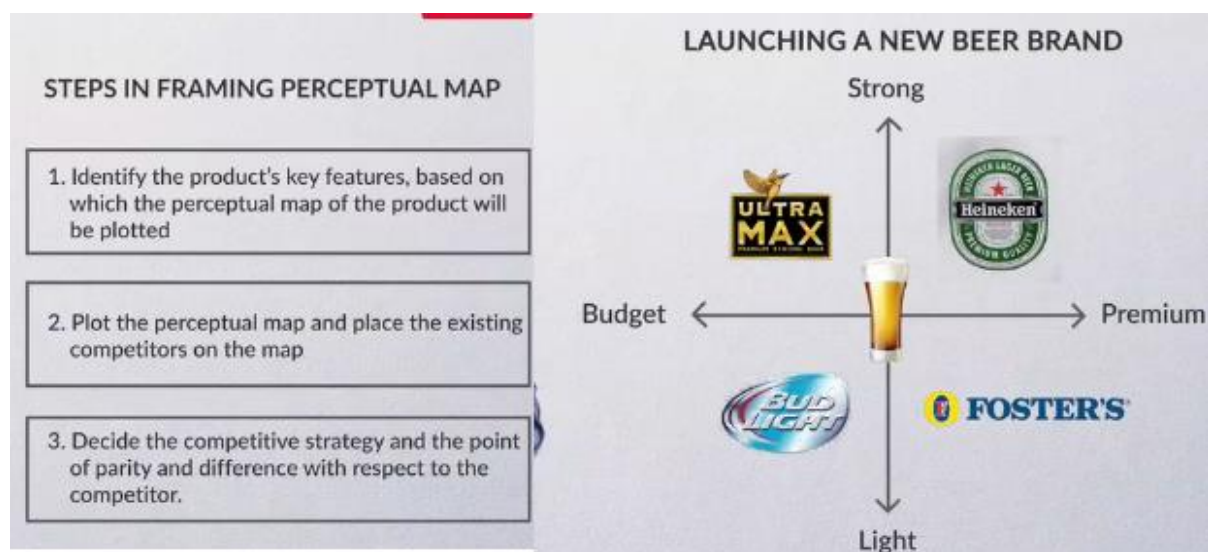
Creating a Differentiated Positioning

Creating a perceptual map is the first step towards identifying a differentiated positioning strategy.

1. Perceptual Mapping

How do you read the mind of the consumer to determine brand positions? There's a very effective tool called **perceptual mapping** that marketers deploy to do so.

Steps in Framing Perceptual Maps



2. Factors that are from below categories

Important
Distinctive
Communicable
Inimitable
Profitable

How to get the positioning strategy from the marketing head's head to target consumer's head

4 Ps of Marketing



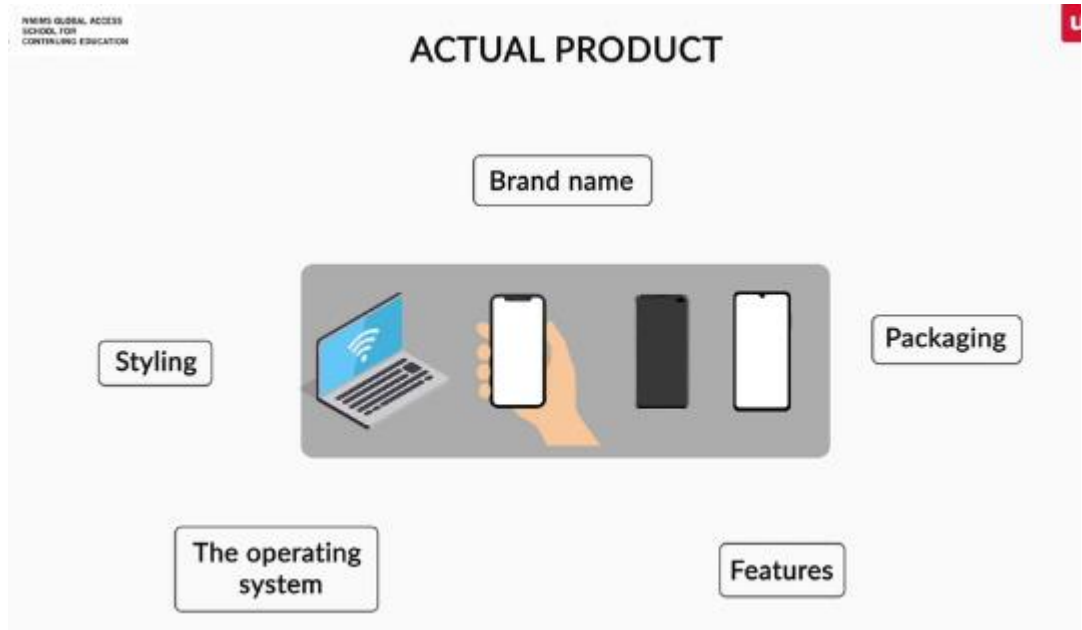
SESSION – Product Strategy

What is a Product?



3 layers of a product offering:

- Core product: What is the buyer actually buying?
- Actual product: What the customer will get once she purchases



- Augmented product: These are the additional benefits or services that the customer will get over and above the actual product

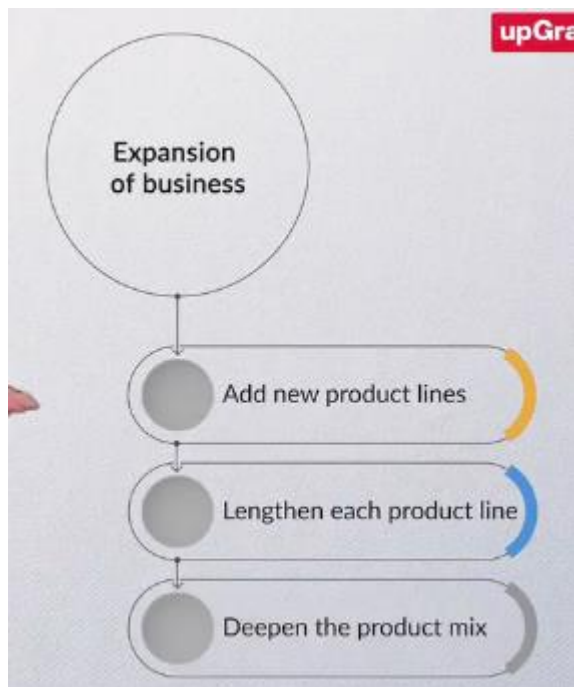
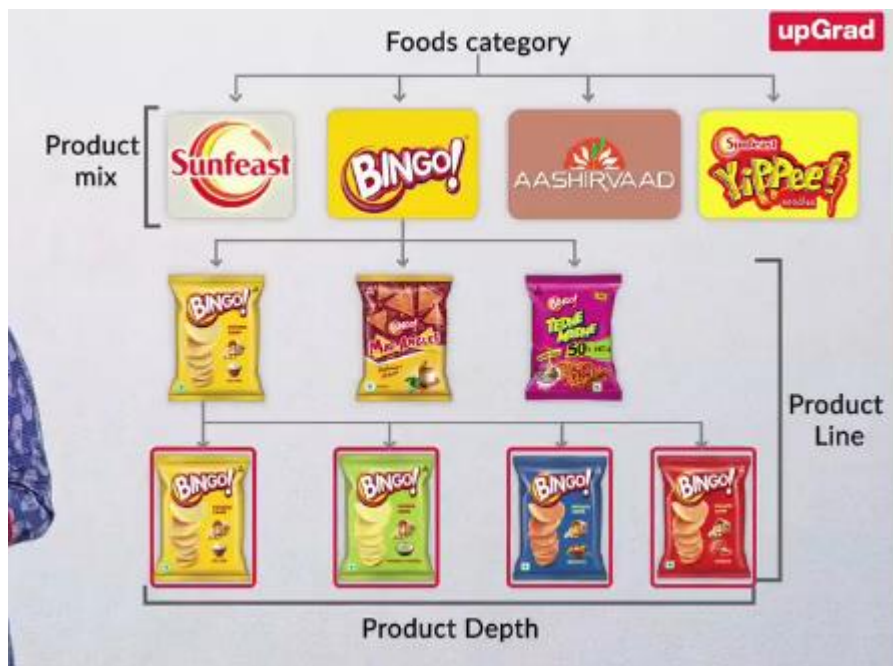
Product Strategy

4 elements of a product strategy:

- Product Attributes - The quality and features of the product. Kurkure will always taste same.
- Packaging - Must follow the 4Cs (Convenient, Clear, Conveys the brand's value proposition and Clearly stands out on the shelf)
- Labelling and Logos - Must be significant and memorable.
- Product Support Services - Must be reliable

Product Mix & Line Strategy

Most companies, especially consumer goods and durables, have multiple brands in their portfolio. Product strategies cannot be executed in isolation and hence a business would look at their strategy at a product mix level.

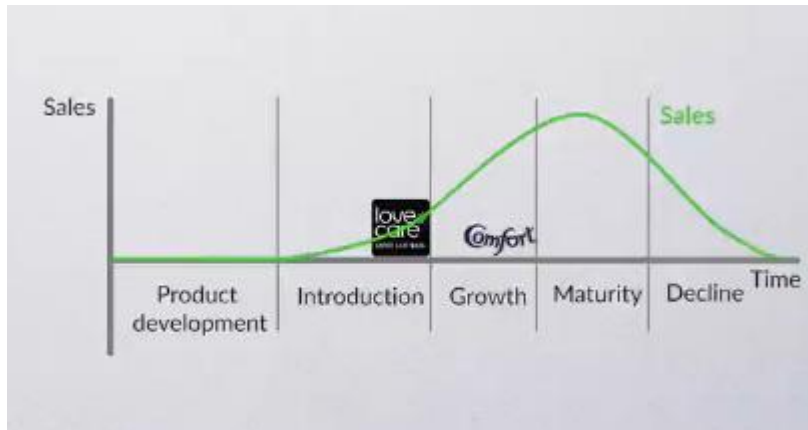


Product Life Cycle Strategies

There are essentially 5 stages in a product's life cycle:

- Product development: In this stage, the company finds and develops the product idea.
- Introduction stage: Product introduction takes time, and sales growth is generally slow in this phase. The communication in this stage is going to focus on building awareness and generating trials for the brand.
- Growth stage: If the product satisfies the market, it will enter a growth stage in which the sales will start climbing quickly. The brand here would spend a lot in ensuring distribution and top-of-mind recall.

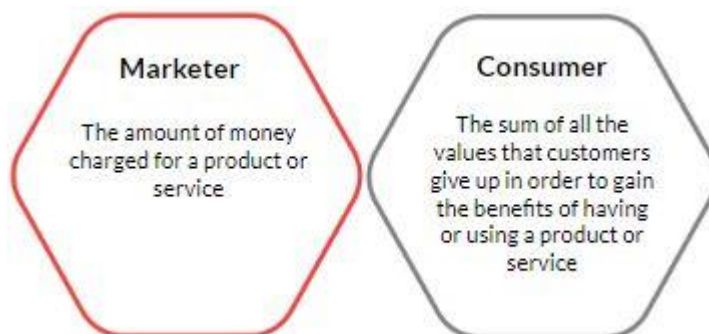
- Maturity stage: In this stage, the sales flatten. Brands typically spend a long time in this phase. In this stage, brands will need to take a decision - to rebrand or reposition to stay relevant.
- Decline phase: Different products will decline at different rates and again, brands have to tweak their marketing strategies to ensure relevance.



SESSION – Pricing Strategy

What is Price?

Definition of price is different as



Importance of Pricing

- 1 It is the only element in the marketing mix that produces revenue; all other elements represent costs
- 2 Unlike product features and channel commitments, prices can be changed quickly. It is flexible that way
- 3 A small percentage improvement in price can generate a large percentage increase in profitability.
- 4 It plays a key role in positioning a brand effectively in the minds of the consumer

Pricing Strategies

Pricing needs to be between a Floor price and a Ceiling price.

There are various factors that determine how closer the pricing would be to either extreme. The factors are:



Mapped to above are 3 major pricing strategies:



Customer value – brand value

Cost – cost of production

Competition – Considering cost of competition

Pricing Strategy	What it Entails	Examples
Customer Value - Based Pricing	<ul style="list-style-type: none">• Pricing on the basis of the value a customer places in the product• The price is based on customer perception and how much the customer is willing to pay	<ul style="list-style-type: none">• iPhones• Audi• Harley Davidson• All other luxury brands
Cost - Based Pricing	<ul style="list-style-type: none">• Brands set prices based on costs of production, selling and distribution and on the desired profit margin on top	<ul style="list-style-type: none">• FMCG Players
Competition - Based Pricing	<ul style="list-style-type: none">• Involves setting prices based on competitors' strategies, costs, prices, and market offerings• Consumers will base their judgments of a product's value on the prices that competitors charge for similar products• Market leaders define the category price points and the others would align accordingly.	<ul style="list-style-type: none">• Maggi and Yippee• IndiGo and SpiceJet• Lays and Bingo

Product Mix Pricing

There are five types of product mix based pricing strategies:

1. **Product line pricing:** In this strategy, the brand basically needs to determine the price steps between various products in its product mix based on:

- Cost differences between the products
- Competitors' prices
- Customer perceptions of the value of different features

2. **Optional product pricing:** Here the manager needs to decide:

- Which products or accessories to be kept optional. E.g., AC in a car can't be optional.
- The price points for those products

3. **Captive product pricing:** Where a marketer sells you something to bring you into the ecosystem (sometimes at a loss) and then sells accessories at a higher margin. eg: Sony Playstation and game titles, Amazon Kindle and e-books

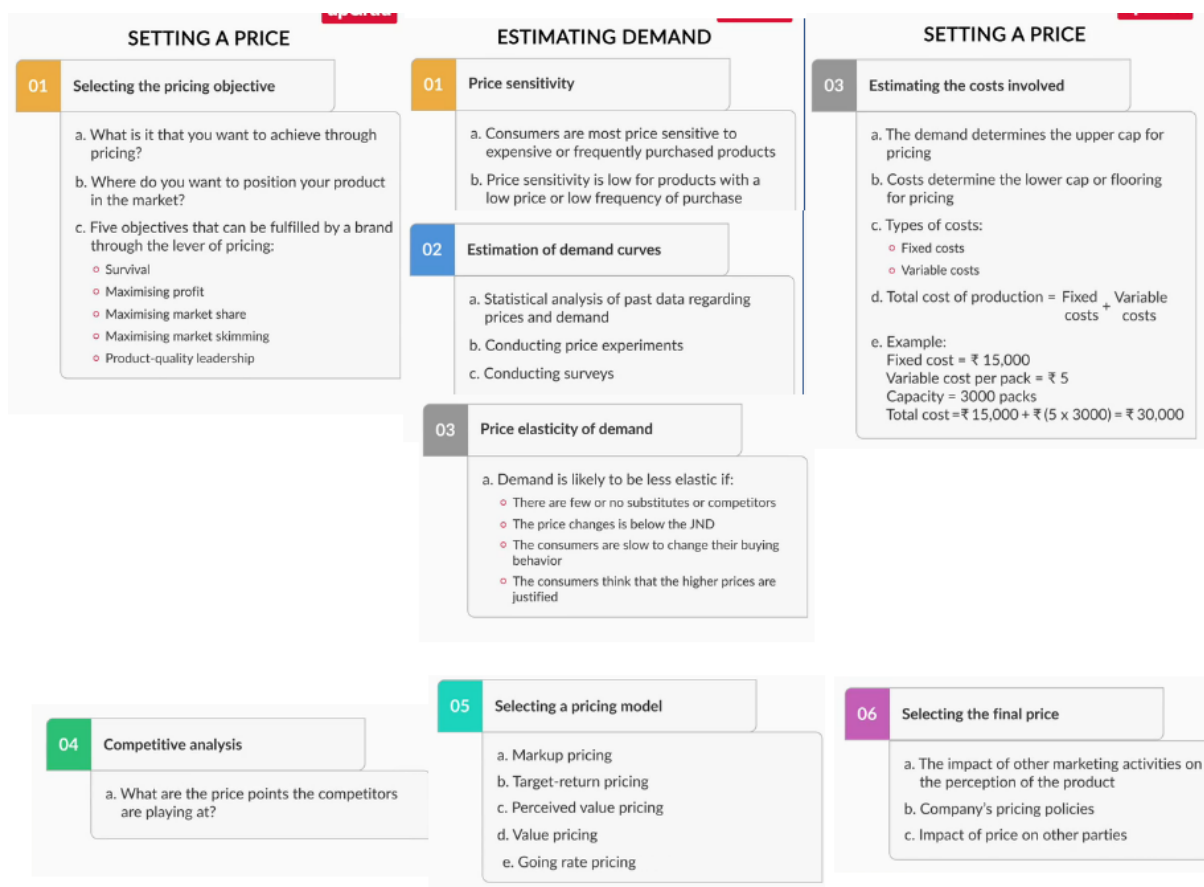
4. **By-Product pricing:** Here the marketer decides to sell the by-product and the inflow from selling the by-product can help in reducing the price of the product.

5. Product bundle pricing: Here, in order to prompt consumers to purchase more, brands combine or bundle multiple products and sell them at a price point lower than the sum of their individual prices.

Setting the Price

Setting the Price is a 6-step process

- Selecting the pricing objective
- Determining the demand
- Estimating the costs involved
- Performing a competitive analysis
- Selecting a pricing model
- Selecting the final price



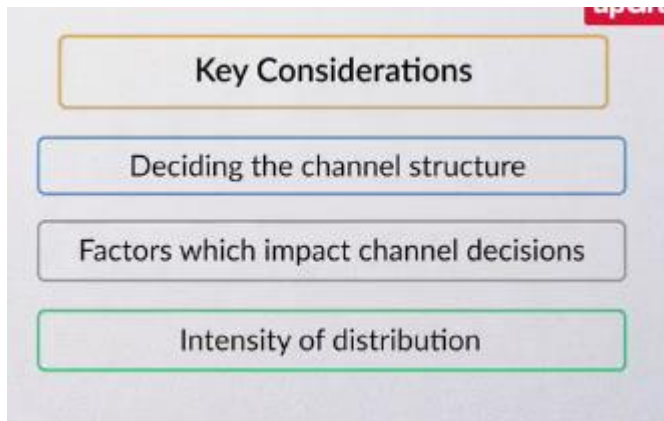
SESSION – Place Strategy

Why Distribution Strategy is Important

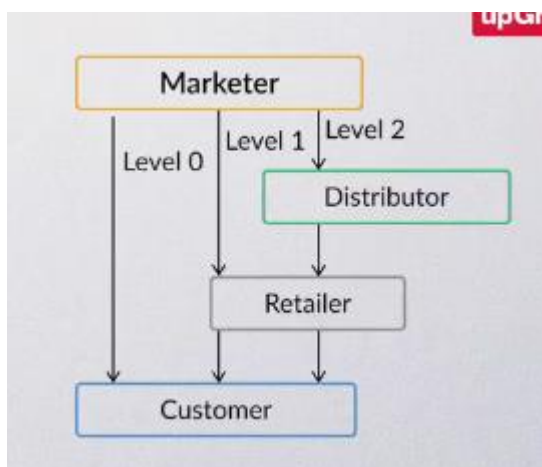
Brand is available where the consumer can recognise the need and see the brand.

Channel Strategy

For managing channels, as a brand manager you need to keep these in mind:

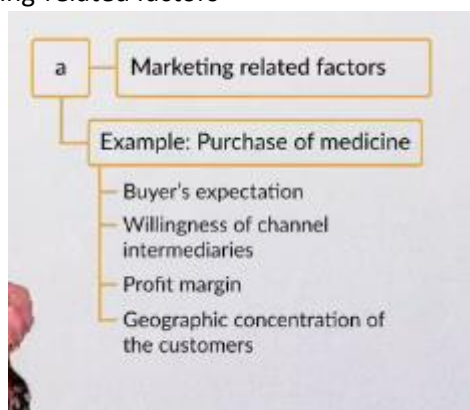


Levels between marketer and consumer

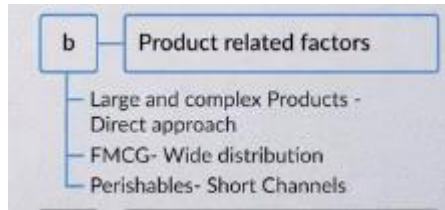


Various factors that affect a marketer's distribution channel strategy:

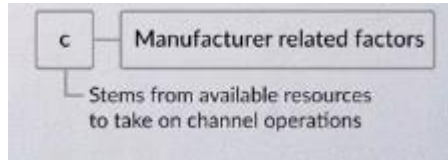
- Marketing-related factors



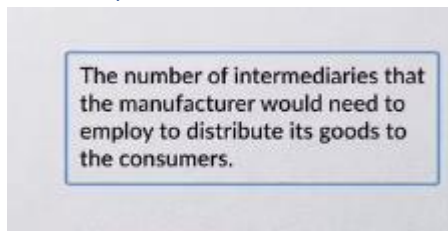
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- Product-related factors



-
- Manufacturer-related factors

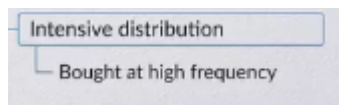


Intensity of distribution

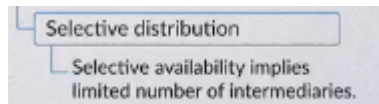


3 types of distribution intensity strategies commonly adopted by brands:

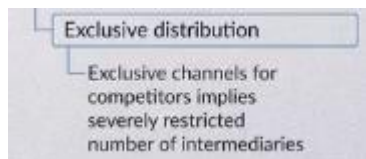
- Intensive



-
- Selective



-
- Exclusive



Channel Partner Strategy

In India, there are 3 primary channels through which consumer goods are retailed:

- General Trade (GT): General trade comprises of your mom and pop stores or kirana stores. They are typically serviced by the company through various intermediaries such as C&F agents, distributors, stockists and wholesalers. This channel is essential for mass reach and distribution.
- Modern trade (MT): Big box, large format retailers such as Big Bazaar, Spencers, Godrej Nature's Basket essentially comprise the Modern Trade channel. Typically, MT retailers source directly from manufacturers skipping any intermediaries and at a cluster level

(leveraging economies of scale). Hence, they are able to squeeze bigger margins from manufacturers.

- Online: Nowadays, e-tailers such as Grofers, BigBasket, Amazon and Flipkart are contributing a significant percentage of sales for various brands. Some brands such as The Man Company sell exclusively online and through dedicated websites. Like MT, Online sellers cut out the intermediaries in the retail supply chain.

SESSION – Promotional Strategy

Check the Transcript from upgrad