**Marketing**

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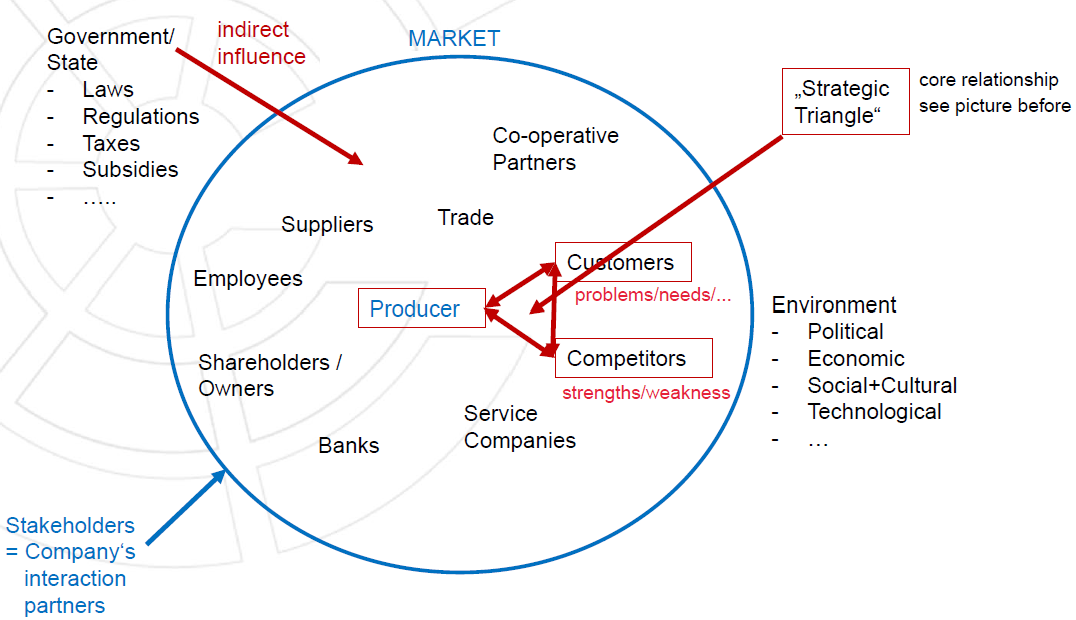
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# Basics

## Market interactions / decision making areas

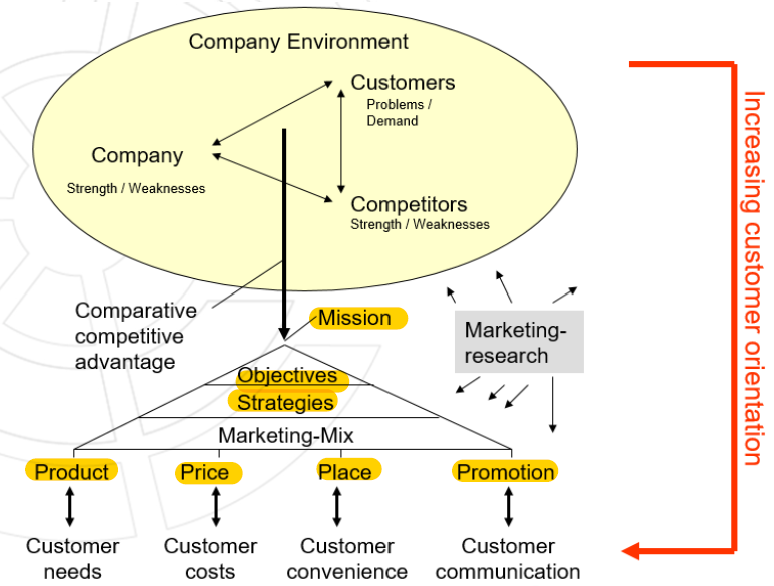


* + Strategic triangle (3C) = company + customers + competitors
  + indirect: no hierarchy of government (not on top but on same level as company); government gives incentives (e. g. subsidies) not forces; decision stays with company
  + direct: direct influence by state

## CCA and USP

* comparative competitive advantage (CCA) = do sth better than the others
* unique selling proposition (USP) = offer sth no one else has (monopolist)

## MIDNIGHT PICTURE / decision making areas



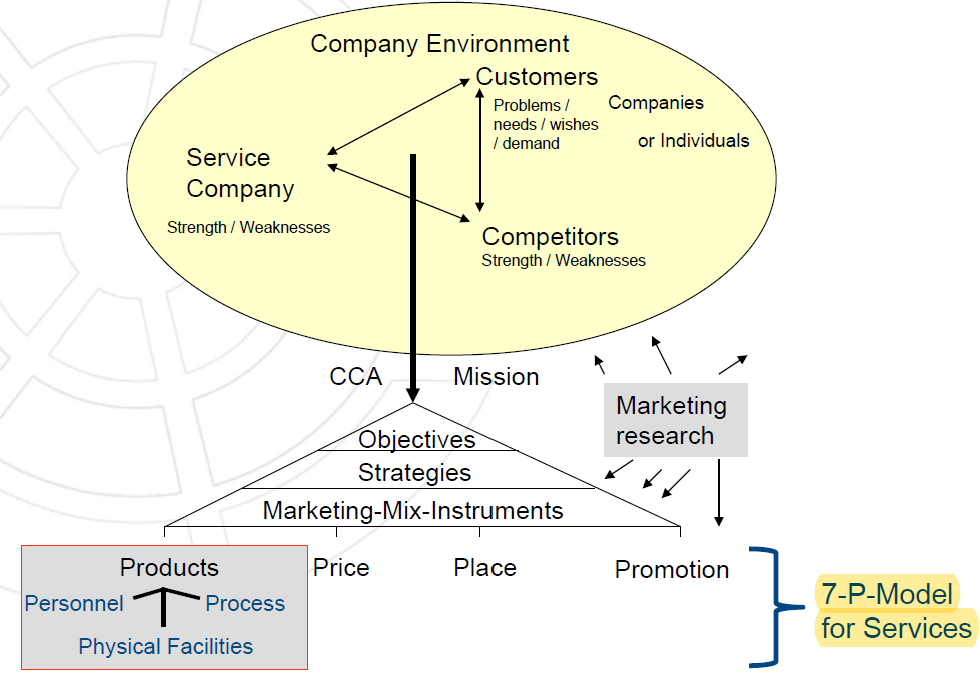
## Marketing for services

### Service characteristics

* + Immaterial \*perishable
  + Individual \*simultaneous production and consumption
  + integration of customer in process
  + transfer of property often only side effect
  + 3 service quality dimensions: Resources🡪Process🡪Result
  + Difficulty for customer to evaluate the service quality before buying
* Main challenge: reduce the subjective consumer´s buying risk
* Customers use substitute criteria for buying decision 🡪 3 additional marketing mix instruments

### 7-P-Model

* + Product, Price, Promotion, Place (4P) + Personnel, Process, Physical Facilities (instead of only Product)



## B-to-B-Marketing

### Comparison B2B to B2C

|  |  |  |
| --- | --- | --- |
|  | **B-to-B** | **B-to-C** |
| Key question | How can we help our customers to deliver excellent products to their customers? | How can we deliver excellent products to our customers (= consumers)? |
| Market structure | Concentrated, few buyers, oligopolistic | Dispersed, pure competition |
| Size of purchase | Extremely large | Small |
| Buyer behaviour | Functional involvement, rational, stable relationships, professionalism/expertise | Family involvement, social/emotional motives, less loyal, less trained/experienced |
| Buying influences | Committees, technical experts, management | Individual, family and friends |
| Decision-making | Distinct, observable, group decision | Vague mental stages, individual decisions |
| Supplier relation | Long-term | Single purchases |

### Steps of business buying-process

1. Problem recognition
2. General need description
3. Product specification
4. Supplier search & pre-selection
5. Proposal solicitation
6. Supplier selection
7. Order-routine specification
8. Performance review

### Buying center

* + Definition: temporary group of experts in a buying company involved in one or several stages of a specific buying process
  + Typical roles: Initiators, Users, Influencers, Deciders, Approvers, Buyers, Gatekeepers, Issue Promotor (initiator), Process Promotor (control), Power Promoter (Approval), Relationship Promotor
  + Selling center = temporary team of experts from the selling company that tried to match the experts of the buying center in expertise or rank at each interaction

# Organisational Frames & Marketing

## Organisational Perspectives / 4 frames of marketing

* + Sense: identify problems 🡪 What needs to be changed?
  + 4 perspectives to analyse organisations
  + Analyse organisations – 4 perspectives
    - Structure (rational) 🡪 Organisation
    - Behaviour (emotional) 🡪 Motivation, Satisfaction, Leadership style
    - Power (political) 🡪 Interests, Control, Conflicts, Power, Influence, Coalitions, Intrigues, Agenda setting
    - Culture (symbolical) 🡪 Roles, Jargon, Symbols, Rituals, Ceremonies, Events, Heroes, Values, Myths, Stories, Jokes
* Application

1. Analysing company’s problems (if something goes wrong)

2. Assessing job offers (personal marketing)

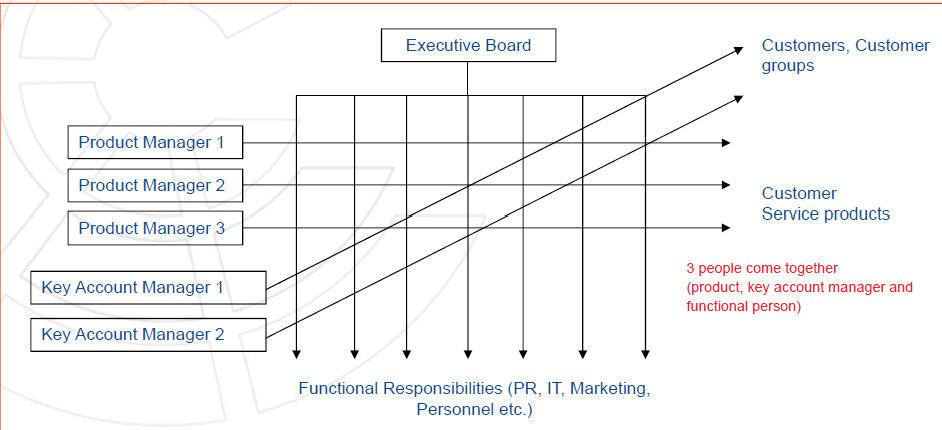
3. Marketing/Sales: Understanding companies buying behaviour

## Marketing Organisation (hierarchical structures)

* + Functional (= according to activities)
  + Object oriented (= according to products)
  + Customer oriented (= according to customer groups)
  + Regional

## Matrix organisation

* + Mixture of three criteria (function + product + customer group)



* + If there are too many products: group products or weight products
  + Role of product manager
  + Role of key account manager: customer (groups)

# Customer & Consumer Behaviour

## Conditions (psychological)

* Activation / Flow \*Values \*Involvement
* Attitudes \*Knowledge \*Image
* Emotions \*Personality \*Motives
* Lifestyle

## AIDA Principle

* Attention: Information Reception
* Interest: Information Reflection
* Desire: Evaluation + Decision
* Action: Behaviour (more information seeking, testing, buying)

## Activation

* + Loud \*Fast moving \*Colourful
  + Cute \*Erotic \*Cognitive dissonance (unusual insights)

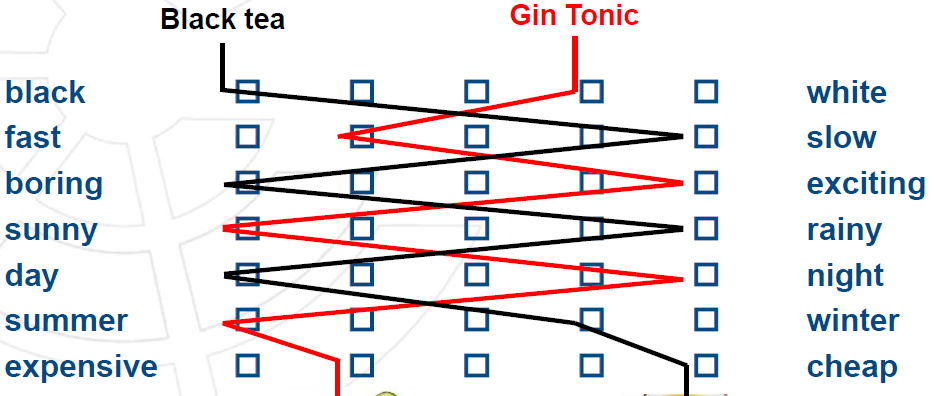
## Involvement

* + Low (Pen, dishwasher tabs)
  + High (House, Mobile phone)

## Knowledge

* + Prominence of brand or product around the world

## Emotions

* + Choose characteristics & their opposite
  + Measure emotional image profiles using semantic differentials
  + 

## Motives

* + What lays behind the choice
  + “directed” emotions

## Image

* + Based on two dimensions for certain industries
  + Combine as many dimensions as possible 🡪 find a gap
  + E. g. car industry Prestige, Sportive, Safety, Quality, Price, …

## Target of Customer Behaviour

1. Marketing Research
2. Segmentation – Targeting – Positioning
3. Marketing Promotion Design

# Marketing research

## Information needs (What?)

* + Product, Price, Promotion, Place (+ Physical Facilities, Personnel, Process for Services)

1. Strengths/Weaknesses = Company data internal + competitive data
2. Market research = Competitive data + customer information
3. Opportunities/Threats = Customer information + environmental data
   * Customer data
     + Market Potential, Volume, Growth (total or per segment)
     + Relevant Customer Segments
     + Customer and consumer behaviour
     + Market Segmentation
     + (Psychological) Conditions
     + AIDA

## Information sources (Where?)

* + Customers \*ministry \*Statistics
  + Competitors \*fairs, exhibitions \*suppliers
  + associations \*cookies

## Information collection (How?)

* Primary vs. secondary
  + Primary: surveys, panels, focus groups, observations (first hand)
  + Secondary: statistics, studies, publications (second hand)
    - + quicker, easier, cheaper
    - - quality, reliability, outdated, not answering all questions
  + Research approaches
    - Survey \*Panel \*focus group
    - Expert interviews \*experiment \*test store
    - Online tracking \*garbage analysis
* Contacting methods
  + Mail \*Email \*Telephone
  + Personal \*Social Media \*Big Data/Cookies
* Samling plan
  + Unit / Size / Procedure
  + Probability vs. non-probability vs. convenience
* Research instruments
  + Questionnaire \*Guidelines
  + Online tools \*mechanical instruments

🡪 with open or closed questions

* Confirmatory or exploratory study
  + confirmatory: try to check a theory/hypothesis, more quantitative (closed questions)
  + exploratory: uncover possible relationships, open questions, no assumption/hypothesis, more qualitative (interviews)
* Qualitative or quantitative analysis
* Internal vs. external sources

# Strategic & Operative Marketing

## Segmentation 🡪 Targeting 🡪 Positioning

* + Segmentation: based on customer groups
  + Targeting: Full vs. Niche vs. Differentiated
  + Positioning: on positioning map with two characteristics

## Key questions of customer selection

* + Who are potential future customers?
  + Which segments do we want to approach?
  + What are the core values for these segments?
  + How can we communicate our values to potential customers?

## Segmentation

* + Definition
    - Splitting market into separate segments = potential target markets / potential consumers
    - Every segment is internally homogenous and externally heterogenous (cluster principle)
    - Two steps: segments identification + evaluation
  + Objectives
    - Reach high degree of identity between product and buyer
    - Mark off the relevant market
    - Determine the relevant segments
    - Search in untouched segments
  + Criteria
    - Demographical (age, marital status, gender, children, place)
    - Socio-economical (profession, education, income, society level)
    - Psychological (lifestyle, attitudes, involvement, motives, benefits)
    - Behavioural (shopping locations, price behaviour, brand loyalty, heavy vs light user, wealth)

## Targeting

* + Deciding which segments to address
  + Possibilities
    - No meaningful segments 🡪 cover whole market with basic product = FULL MARKET COVERGE
    - Number of meaningful segments 🡪 serving a part or all segments with a differentiated product and/or marketing mix = DIFFERENTIATED MARKETING OR serving only one segment = CONCENTRATED MARKETING
* Types
  + Niche marketing = concentrated marketing
    - One Product for one segment
    - Reasons: size of company, specific competitive advantages for group, competitors neglect of niche, extraordinary attractiveness
    - E. g. Ferrari
  + Product specialization
    - Focus on one product for all customer groups
    - Reason: competitive advantage based on functional specialisation
    - E. g. IT solutions
  + Total market coverage
    - Many different products for all customer groups = full supplier
    - Reasons: lower risk, cover almost all need
    - E. g. Galeria, Amazon
  + Segment specialization
    - concentration on one segment with variety of products
    - Reasons: exact knowledge of one customer group, ability to develop and offer different products for this target group
    - E. g. Golfino
  + Selective specialization
    - selective customer group + selective products
    - Reasons: company chooses a profitable segment (niche), less or no competitors
    - E. g. Baiersdorf, Henkel

## Positioning

* + Development and communication of product positioning strategy
  + Product Positioning / Image Positioning
    - = designing the company´s product and marketing mix to fit a given place in the consumer´s mind and pursuing marketing research in order to establish position of competitors´ products in any given market segment
    - Two components: design + communication
  + Decision
    - To compete = offer a similar product to competitors
    - To attempt = fill in a gap in the market
  + Positioning map
    - Identify 2 or 3 relevant dimensions from customer point of view
    - Put them on two axes
    - Put all competitors in the map
    - Find a gap
    - Repeat with different dimensions
    - Question: How does the company want to be seen by the customers in respect to their relevant image dimensions?
  + Positioning strategy
    - Objective: represent the positioning object in the mind of the target customer in such a way, that it will be preferred by as many target customers as possible
    - What to position
      * + Brands
        + Products / services
        + Company units or whole companies
        + People, celebrities, ideas
* How to position
  + - * + Market niches close to ideal positioning points
        + Towards unique position away from competitive positioning
* How to achieve
  + - * + Product design = objective quality
        + Communication = ads, PR, sales, promotion etc.
  + Use of positioning
    - Description: as indication of structure and definition of product market regarding amount and position of competitors‘ products
    - Explanation: if individual significance of relevant characteristics and specific distances concerning their character - between the observed product and the ideal product - are considered
    - Decision-making: as basis for a segment-specific marketing mix that is considered to come into operation

## Basic dynamic strategy concepts

### Learning curve effect & economies of scale

* Reasons for Learning curve effect
  + Quantity degression cost
  + Product reengineering
  + Technical process
  + Rationalization
  + Process reengineering
* Reasons for economies of scale
  + Savings per unit on fixed & overhead costs
  + Savings on reduced supply prices

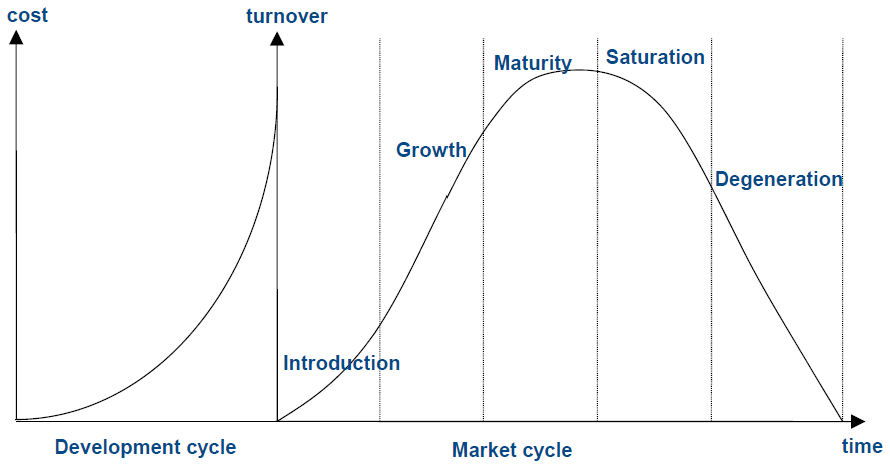
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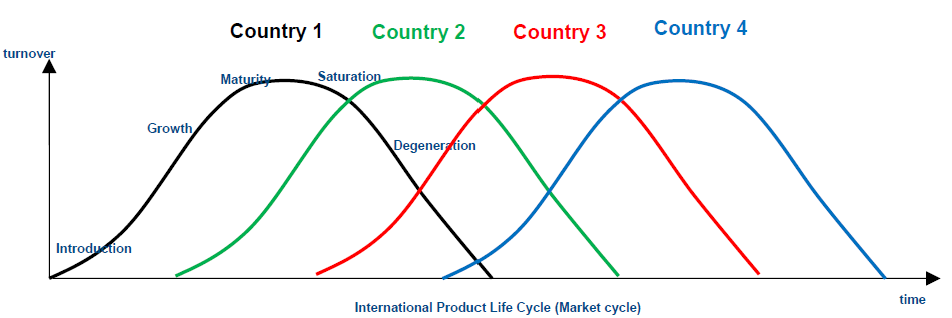
* + - Requirements: management 🡪 change, adaptation, improvement
    - Platform strategy: looks the same from the inside, different from the outside (e. g. cars)

### The product life cycle model (PLC)

* Definition
  + - * product experiences different phases
      * start: product idea; end: removal from market
      * differentiated into development cycle (internal: innovation process) and market cycle (external: sales in markets)
* According to the market phases
  + - * different marketing measurements must be taken
      * measurements of competitors either need to be recognised or expected



* attractive to prolong the life cycle in the saturation phase
  + target: keep turnover high / make it not fall down
  + How to
    - Price: lower, low-rate financing, individual discounts
    - Product: look for reasons for decline, innovation / adaption, wishes / needs of customers
    - Promotion: new campaign, new message
    - Place: different channels / countries 🡪 Internationalisation



* Attractive to prolong the life cycle
  + development & research very costly 🡪 more profit within longer time
  + economies of scale = lower cost per piece over time / the more pieces are produced
  + learning curve

#### Introduction phase

* + Product unknown = high market resistance
  + Low turnover
  + No or few customers
  + Offers only in basic version
  + High costs for: production, distribution network, advertising, sales promotion
  + Marketing activities: introduction of product, building up sales and distribution channels 🡪 no profit

#### Growth phase

* + Increasing growth of turnover, due to
    - delayed impact of early advertising activities
    - growing product acceptance by larger segments
  + still high advertising costs
  + growing profit
  + more competitors 🡪 product imitations
  + Marketing-activities: improvement of quality, creation of consumers´ preferences

#### Maturity phase

* + still growing turnover
  + sustainment advertising
  + profits decrease
  + many competitors
  + Marketing-activities: small variations of product (e. g. face lift), increase loyalty of customer groups for product or/and brand

#### Saturation phase

* + stagnating or slowly decreasing turnover
  + search for new markets
  + growing frequency of use
  + slowly decreasing profit
  + end of this phase = decreasing profitability
  + number of competitors stagnating or reducing
  + Marketing-activities: reduce the drop of turnover and sales quantity, extension of the PLC if possible
    - Increasing frequency of use (promotion, extension of sales units, increase of distribution channels)
    - Development of new product applications (enlarge-ment of suitability, new application for existing product)
    - Winning new customers (approach competitors´ consumers = aggressive, address new customer groups or countries)

#### Degeneration phase

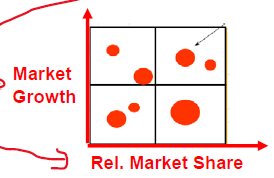
* + increasing danger of loss (neg. profit)
  + further decline of turnover
  + less contractors
  + numbers of customers decrease
  + Marketing activity: product elimination (Tools: Portfolio / ABC)
* Typical challenges and difficulties of applying the PLC Model
  + unknown duration of product cycle
  + course is not known beforehand (flat, steep, long, short)
  + duration of phase depends on product and is always different and therefore cannot be foreseen

## Analysing the strategic situation

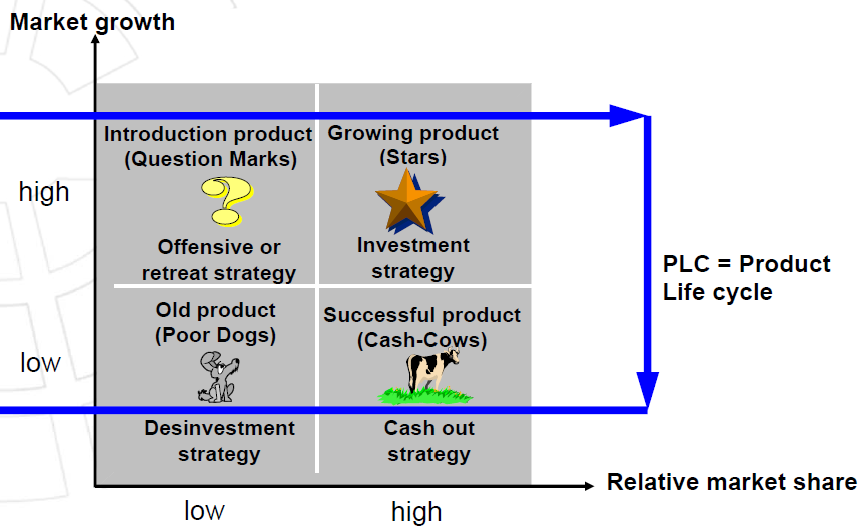
### SWOT

* + - Strengths, Weaknesses, Opportunities, Threats
    - Potential analysis (Resources, activities, offers) +

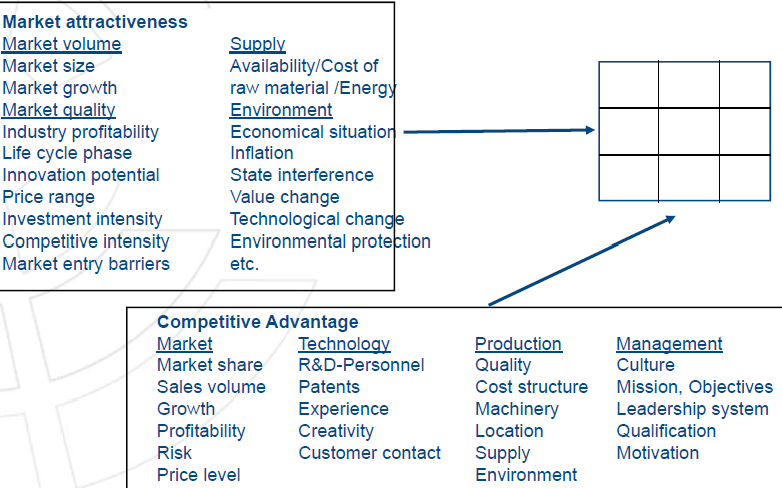
Competitive analysis = SW

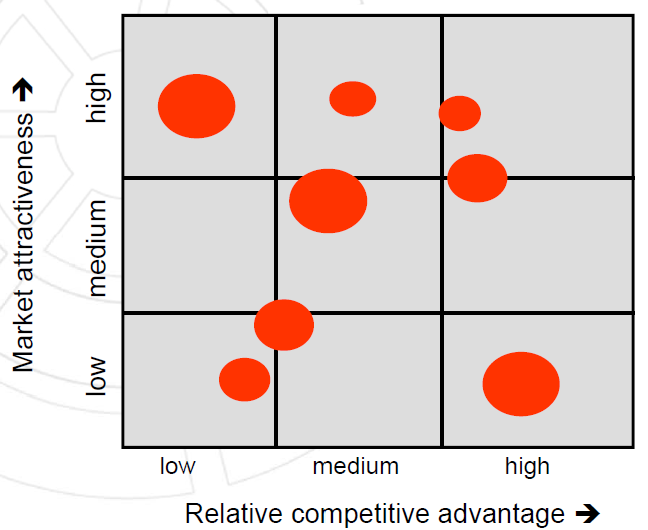
* Base: Comparison with competitors (better or worse); e. g. price, customer care, design, function, security, image
* Relative Market Share = Competitive Advantage = Where on EoS-Curve / Learning Curve?
  + - Market analysis (industry development, technology, customer segments) + environmental analysis (PEST) = OT
      * Market growth = Where on PLC?
    - Result: competitive position
    - Visualize the results: create a map of products
      * Two variables: Market Share + Market Growth
      * 

### BCG-Portfolio

* + - Market share + Market growth
    - Question marks, stars, poor dogs, cash cows
    - Shows strategies for products
    - Good: Stars, (Cash Cows) / Bad: Poor Dogs
    - Good portfolio: products in every category / bad portfolio: only poor dogs and stars
    - Relationship BCG to PLC
    - 

## McKinsey Portfolio Strategy





* Based on market attractiveness and competitive advantage
* Main advantage to BCG: all variables from SWOT can be weighted and included into portfolio matrix 🡪 visualized for strategic decision making

## Strategic Business Units (SBU)

* + relatively autonomous division of large company operating as indepen-dent enterprise with responsibility for particular range of products/activities
  + 4 principles
    - Market principle = external customers and competitors
    - Cluster principle = internal homogenous, external heterogenous
    - Leadership principle = entrepreneurial, independent
    - Synergy principle = positive relationship

## Ansoff´s Product-Market Strategies / Ansoff matrix

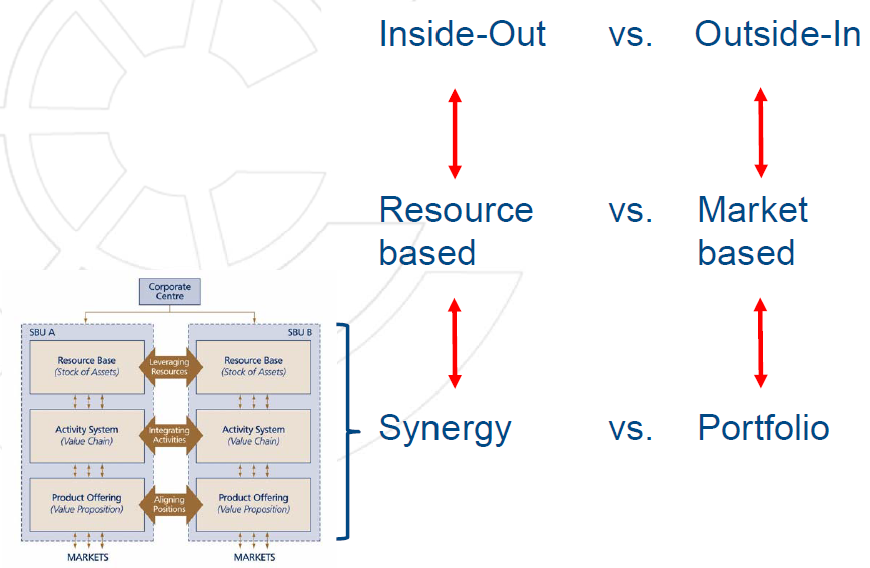
* + Two variables: Are markets/products existing or new?

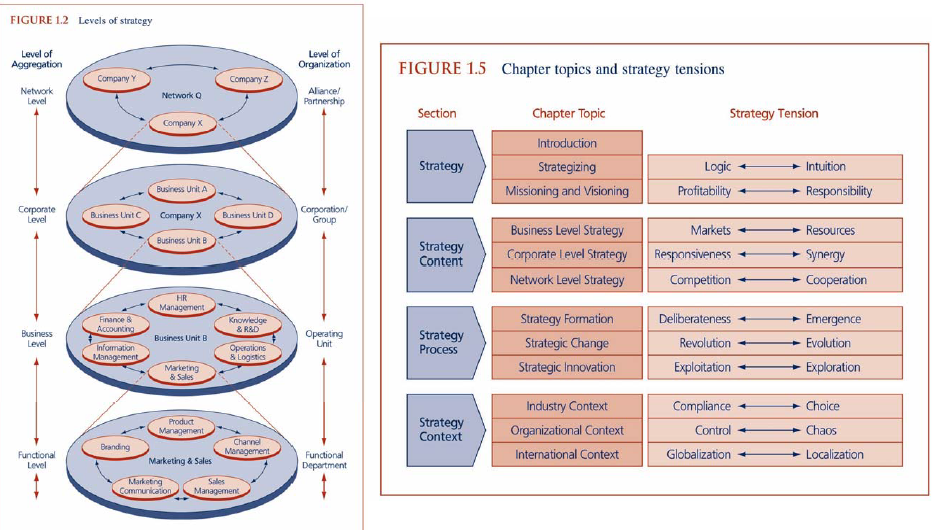
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## DeWIT & Meyer‘s Inside-Out / Outside-In Strategies

* Inside-out
  + Resource-based
  + inner strengths & capabilities of organisation will make organisation prevail
  + effective use of company resources and core competencies as main driver of shareholder value
  + belief: company achieves greater efficiencies and adapts more quickly to changing circumstances with this approach
* Outside-in
  + Market-based
  + customer value creation, customer orientation and customer experiences are keys to success
  + listening and providing value to customers and helping them get their jobs done better than competitors
  + providing a seamless customer experience
  + organisational culture is market-oriented and customer-oriented
  + targeted customer segments as source of inspiration and development
  + belief: if the customers aren’t satisfied with the solutions offered, the business will suffer and the shareholder value will diminish





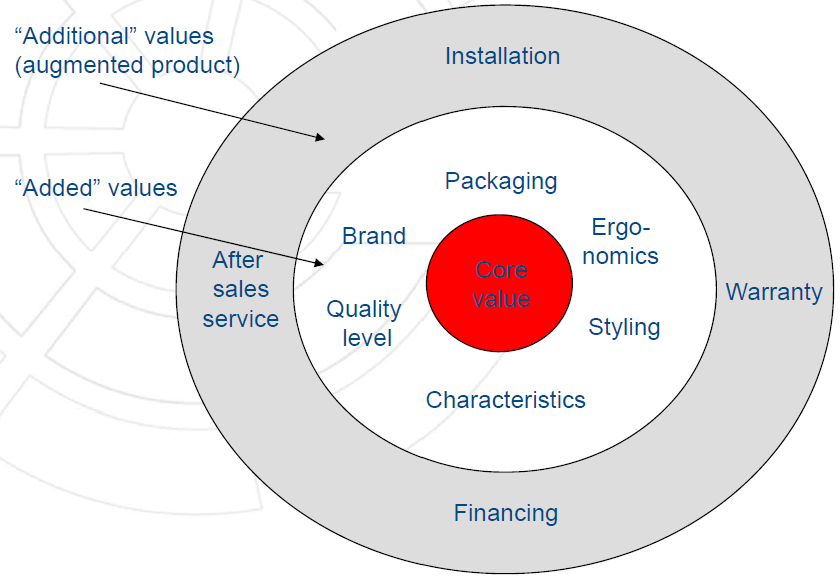
## Blue Ocean / Red Ocean Strategy

* + Red Ocean
    - markets with strong rivalry
    - focus on differences to others: CCA, USP, target groups, customer experience, branding, price
    - much assertiveness needed
    - last mover
  + Blue Ocean
    - Entering new markets / no competitors
    - Newly created by companies
    - Pioneers
    - First mover

# Product

## The product value concept

* + Values have different levels
  + Core value = purpose or functionality
  + Additional values (integrated in product, cannot be put away) = brand, packaging, quality, characteristics, styling, ergonomics
  + Additional values (on top; often offered by other companies together with product) = Installation, after sales service, financing, warranty



## 6 steps of product innovation process

1. Problem recognition
2. Search for ideas
3. Selection / Evaluation
4. Strategy development
5. Operational management
6. Market entry



# Branding

## Why pay customers more for brands?

* + Customers know product already 🡪 easier choice / sweet memories from childhood
  + Customers know what they get
  + Brands stand for quality / specific value
  + High recognition in society / connection to society level / status symbol

## Value of brands from customer point of view

* + Branded goods
    - Stable good quality profile
    - Ubiquity (overall availability, can get it everywhere)
    - Image (identification)
  + Values of branding
    - Security, risk reduction
    - Less cognitive effort, easier decision making
    - Demonstration consumption
    - Brands signal membership of certain social group
    - Brands become substitutes for cultural values

## Brand value calculation

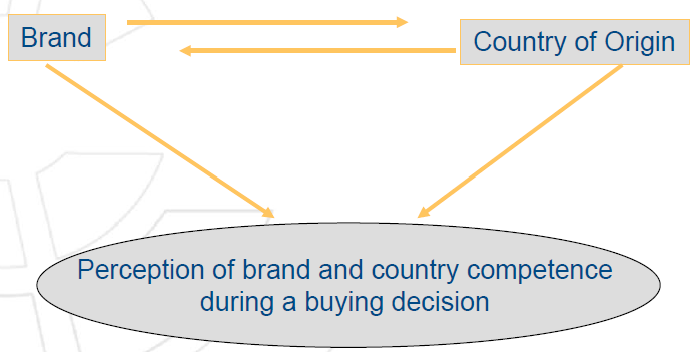
* + No unique formula 🡪 different calculations / mostly secret
  + 3 ingredients
  + Brand equity
    - Financial evaluation based on mixed approaches
    - Ex.: Cash value of all assumed future profits of the brand
    - Ex.: Accumulated investment costs of the brand building (e. g. costs for ads)
  + Goodwill / Image value (customer view)
    - Immaterial value of the brand through its added value (mostly evaluated by piece, but quantifiable as „brand equity“)

## Sender Brands

* + Use of common company-related image dimensions (= added values) (e. g. Henkel) 🡪 also put Henkel Logo in ads
    - Company behind brand present its own identity on top of the product brand
    - + customers trust competence 🡪 transfer/relate to other product brands in same industry
    - - competence not stretched to other branches (e. g. Henkel = household chemicals vs. Schwarzkopf = hair products)
  + Region can stand for certain characteristics (e. g. Rioja in Spain)
  + No sender brand = no joint company value communicated to customers (e. g. Beiersdorf)

## The Country-of-Origin Effect

* + History
    - Mid/End of 19th century:
      * Germany = industrial development country; floods the more developed British market with cheap, low quality copies of British brand products (electrical-and household appliances, chemical products)
      * Reasons: Agriculture based, low wages, little R&D, little investment & innovation
    - World exhibition in Philadelphia 1876:
      * German juror criticised low quality German products „cheap and bad“ [Few exceptions 🡪 Beck’s]
    - Great-Britain August 23th 1887:
      * Revision of „Merchandise Marks Act“ forces German producers to label export products as “Made-in-Germany”
    - Great Britain February 3rd 1916:
      * In the course of the world war I the law was extended to import products from Austria/Hungary
    - After the introduction in England
      * British households discover German products among their daily used articles
      * After quality improvements: “cheaper, more attractive and artfully made” or “easier and quicker in delivery”
    - In Germany:
      * criticism of the juror in Philadelphia shows effects at home: Investments in academic and practical education, Investment in R&D, Innovation and modern production machinery 🡪 Much improved product quality
    - “Made in Germany” used as quality seal:
      * Germans attach „Made-in-Germany“ on all export
      * products as well as on homeland products to use the meanwhile positive brand effect
    - Today
      * German Quality Association: Reliable, durable, affordable, craftmanship, manufacturing quality
      * taking customer and employee perspective into account
  + **„CoO-Label“ serves as added value similar to a sender brand**
  + Specific stable quality characteristics, that can be added to the product, service or “offer” -value
  + image dimensions relevant for customer often are oriented towards **country specific stereotypes** and are influenced by up-to-date **news**
  + Which factors contribute to a country image?
    - economic power
    - technological progress
    - perceived wealth index (Income level, rich individuals etc.)
    - legal stability (intellectual property laws etc.)
    - modern government form and structure (working democracy)
    - industrial history
  + When does the CoO effect work?
    - only if target group holds significant competence perception about CoO
    - Research: How do certain customers react on country of origin?
      * Age, gender, social status, education level, ethno-centrism etc.
    - How important is the country for certain product categories?
      * Influence of tradition and quality / competence attribution
    - Level of development and degree of globalisation
      * important influence of news broadcasting

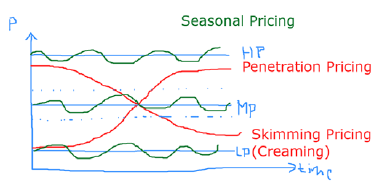
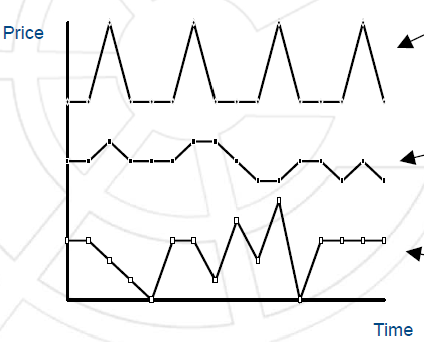


# Price

## What is a price?

* + Agreement between buyer and seller = contract
  + As marketing mix instrument: only price OFFER

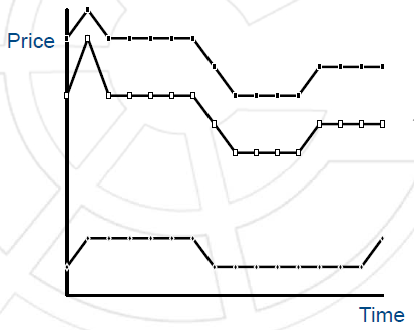
## Pricing strategies

Seasonal

Pulsating

Flexible



Leadership

Follower

Fighter

* + Fixed (middle to long-term basis)
    - High
    - Medium
    - Low

🡪 Specific price level over time

* + Flexible / Dynamic
    - Penetration (foot-in-the-door = low introduction price that increases; typical for followers / late to market)
      * For monopolists on mass markets or late to market
      * Low introduction price = sales increase
      * Low fix costs per unit because of economies of scale
      * Low profit range keeps competition from market
      * Price increase when target market is reached

🡪 Used to quickly build market share

* + - Skimming (high introduction price that decreases; typical for market leaders / first to market
      * High short term profit
      * Slow building of production capacities
      * Fast return on development costs
      * Margin for price reduction
      * Price differentiation over time
      * High quality image because of high introduction price
      * Positive image effects because of price reductions
      * Profit margins invite competition

🡪 used to maximize short term ROI

🡪Price follower strategies describe typical competitive price developments over time

* + - Seasonal (e. g. fruits, tourism)
    - Pulsating (used to establish long-term price changes, e. g. electronics market)
    - Flexible (quick reaction to market developments)

🡪 React flexible on market or environmental changes

* + Price differentiation
    - Customer groups; e. g. students, insurances
    - Time = of sale or consumption; e. g. movie tickets, airline tickets
    - Regional (international) = region or sales location; e. g. import products, cars, airport shops

🡪 draws on differing price acceptance by customers

🡪 same product is offered at different prices

* + - Marketing mix instruments (PPP)
  + Price competition strategies
    - Leadership = achieves highest price (preference strategy)
    - Follower = defines price just below price leader
    - Fighter = offers lowest price (mass market strategy)

🡪 rely on supplier dominance (superior power position)

* + Price following strategies

## Price building

* + Cost based = direct costing
    - Procedure
      * Separation of fixed and variable costs
      * Estimation of the price response function (PRF)
      * Calculation of optional sales revenues
      * Contribution margin = sales revenues - variable total cost
      * profits = contribution margin - fixed costs
      * Defining a minimum profit
      * If profit > minimum profit: final adjustment of offering price
    - Advantages
      * Easy to handle
      * Few information needs
      * Based on price ethics
      * Base for price argumentations to customers
      * Based on company situation
    - Disadvantages
      * Sales volume depends on price
      * Imprecise distribution of overhead costs
      * inflexible
    - Calculation

Production material + materials overhead = material costs

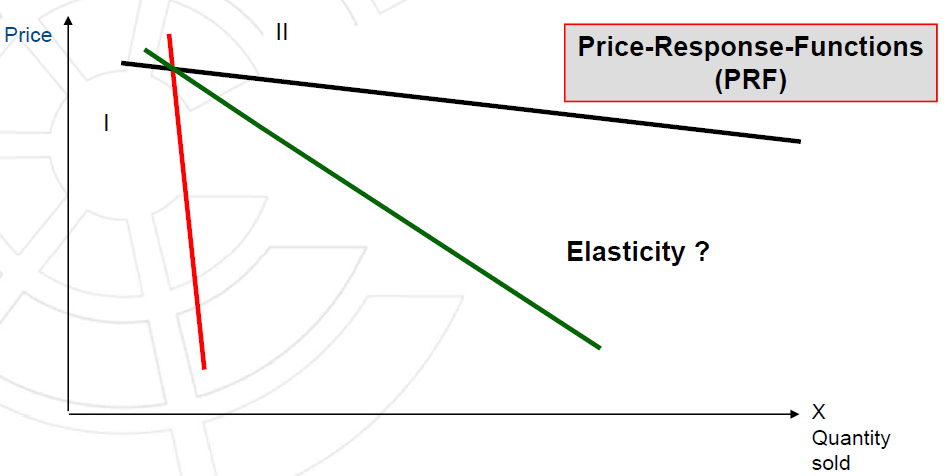
+ manufacturing wages + manufacturing overhead + special direct manufacturing costs = manufacturing costs

+ administration overhead costs + sales overhead costs + special direct costs sales = cost of sale

+ imputed profit = cost base price

🡪 necessary but not sufficient for market-oriented pricing

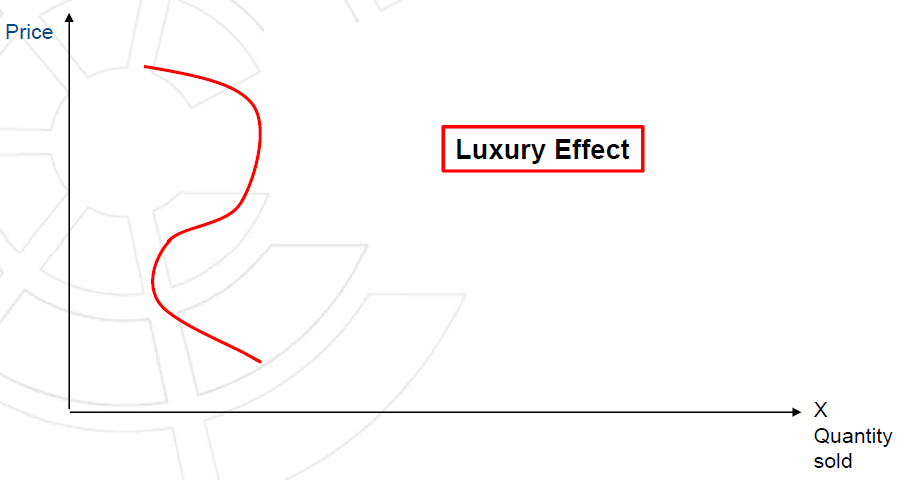
* + Competitive
    - Information base: competitive prices + quality and image differences
    - Price building: adjusting to industry price 🡪 price leader, follower or fighter
  + Customer based
    - Information base: value perceptions and price acceptance, structure of customers, psychological information and specialties
    - Price-Response-Functions / Elasticity
      * Shows sales in response to sales prices (market reaction)
      * Elasticity
        + Defines how sales quantities react to relative price changes
        + 0 = totally inelastic = no changes in quantity
        + -1 = green = same reaction
        + – forever = totally elastic

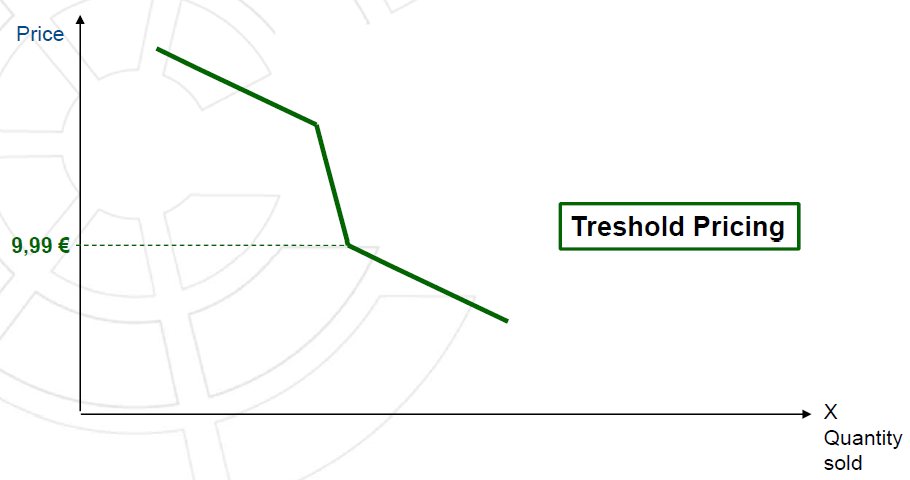


Red = changes in price hardly effect the quantity sold 🡪 necessary products (e. g. medicine) = not elastic

Black = changes in price significantly effect the quantity sold 🡪 luxury products (e. g. vacation, jewellery) = elastic

Green = mixture of both





Threshold pricing: psychological fixing of prices to entice a buyer up to a certain threshold at which the buyer will be lost anyway

e. g. $9,99 / $10,99

choose the lowest price before losing customers

* + Mix = target costing / design-to-cost

## Price-oriented or price-related quality perception

* + Customers tend to evaluate quality according to price
  + Effect of price-oriented quality perception increases
    - more difficult the quality judgement before purchase
    - Bigger the quality differences
    - Less information available on quality
    - Insecure the customer
    - Bigger the buying risk
    - Bigger the time pressure

# Place

## Distribution Channel Management / forms of direct and indirect distribution

* + Direct
    - Internal
      * CEO / Management
      * Sales Force
      * Outlet
      * Internet
    - External (also Internet)
      * Sales Representative (works for only one firm)
      * Commissioner
      * Agent (works for different firms)
  + Indirect = Trade (also Internet)
    - Wholesale
    - Retail
    - Export/import trade

## Franchising

* + Combines advantages of direct and indirect distribution
  + vertical contract-based form of distribution
  + franchisor grants franchisees right to distribute his products or services
  + strictly defined rules and regulations 🡪 franchise handbook
  + Franchisor = producer
    - Responsibilities
      * Brand and business building
      * Workable business concept handbook
      * Investing in international branding
    - Advantages
      * Direct customer contact
      * Full control over marketing mix
      * Receives up-front fee and monthly % payments
      * No investment in distribution system
  + Franchisee = distributor
    - Responsibilities
      * Invest in local facility
      * Set up and run local operation
      * Pay the up-front fee and monthly fees
    - Advantages
      * Participation in successful brand
      * No own creative skills needed, only op management
      * Easier access to bank loans
      * Business processes already defined
  + Examples: TUI, 7Eleven, Dunkin Donuts, McDonald´s, Schülerhilfe, Kamps, Subway

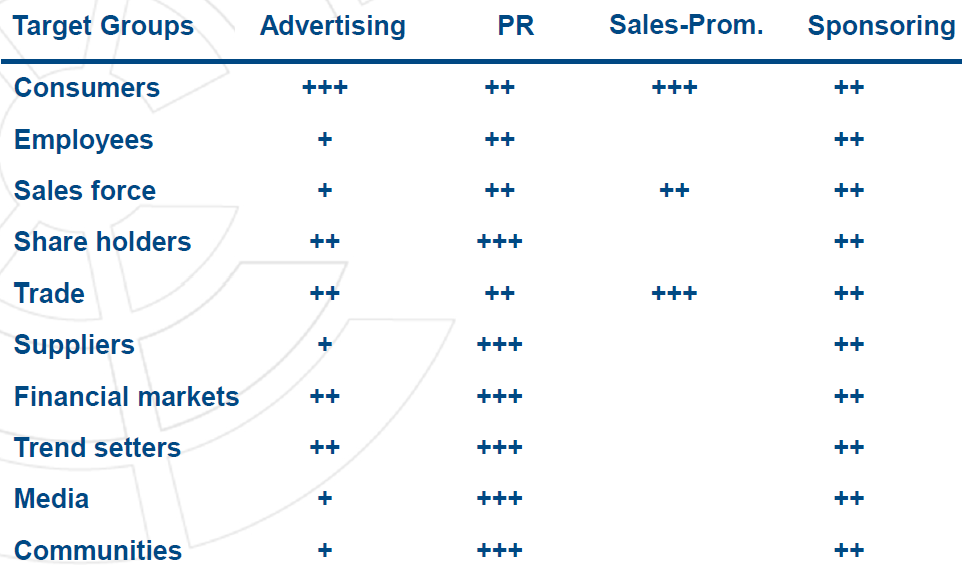
# Promotion

## Promotional Tools

* Multi-Channel-Options
  + Advertising (online / offline)
  + Sales promotion and events
  + Dialog / Direct marketing / Mailings
  + Fairs & Exhibitions
  + Conferences & Training seminars
  + Product Placement (not acceptable / illegal in Germany)
* For products/services
* Internet
  + Media, sales and delivery channel at the same time
  + Company website, online advertisement etc.
* Promotion of products/services or company as a whole
* Promoting the company as a whole
  + Corporate Identity
  + Public Relation / Newsletters (positive topics of public interest)
  + Sponsoring (with detailed return)
  + Lobbying
* Sponsoring
  + Typical areas: Sports, Culture (Arts, Music, Festivals), Science (foundations)
  + Main aspect is “reciprocity”: The sponsored person/institution has to engage in clearly defined activities in return
  + Name or show the logo of the sponsor …
    - on printed devices (brochures, flyers, programmes roll-ups)
    - on shirts
    - on caps
    - in interviews (e. g. TV-Interviews after soccer games)

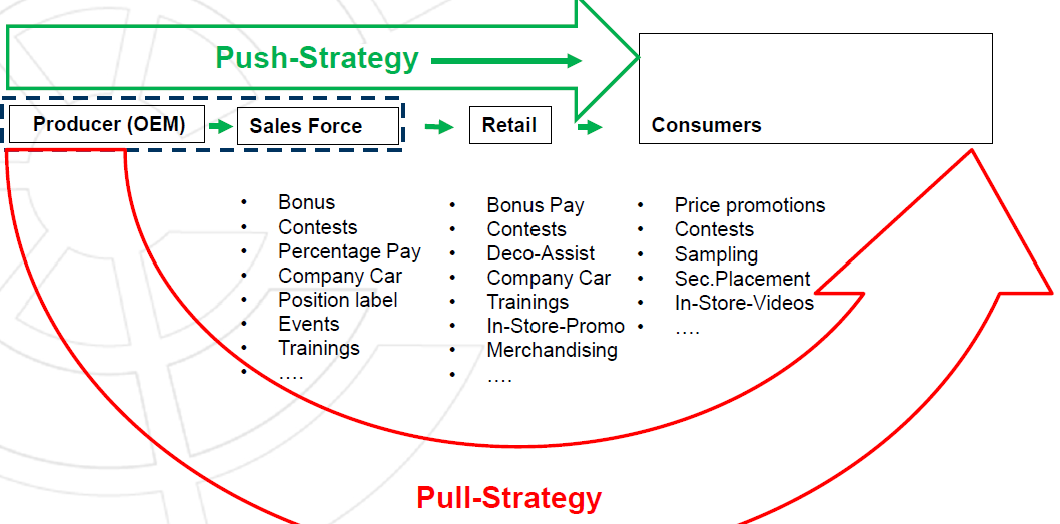
## Matching target groups and tools

* Target groups: consumers, employees, sales force, shareholder, trade, suppliers, financial markets, trend setters, media, communities
* Tools: Advertising, PR, Sales promotion, Sponsoring



## Push and Pull

* Push
  + Sales promotion
  + Activities directed to sales force, Trade partners, Customers
  + “below-the-line”
* Pull
  + Advertising
  + Mass-media communication (influencers)
  + Address customers only
  + “above-the-line”
  + Motivate different players (incentives, events, trainings, contests etc.)



* Best: combination of push and pull strategy = products are available when the customers require them in the shops

## Advertising

### Planning process

* + Identify and analyse targets
  + Define objectives
  + Create platform
  + Determine budget
  + Develop media plan
  + Create messages
  + Execute campaign
  + Evaluate advertising effectiveness

### Objectives / Targets

* + Relate Information (Information strategy / Reason-why-campaign)
  + Build and maintain trust and confidence (Trust strategy)
  + Create a positive attitude (Image strategy)

### Budget – methods

* + Affordable method 🡪 management defines amount they can afford 🡪 - difficult planning, only reactive
  + Percentage of sales method 🡪 promotional expenditure are certain % of sales 🡪 + simple 🡪 - interdependence sales / promotion are changed
  + Competitive-Parity method 🡪 budget defines by generating a “share of voice” parity with competitors 🡪 + simple 🡪 -/+ collective wisdom
  + Objective and task method (goal-oriented, typical for market entry) 🡪 budget defined by specific objectives and cost estimates for measures planned 🡪 + management has to commit on target budgets, - estimations difficult (unclear advertising response function = shows effect of budget of ads spent on the % of market share)

### Advertising agency – briefing

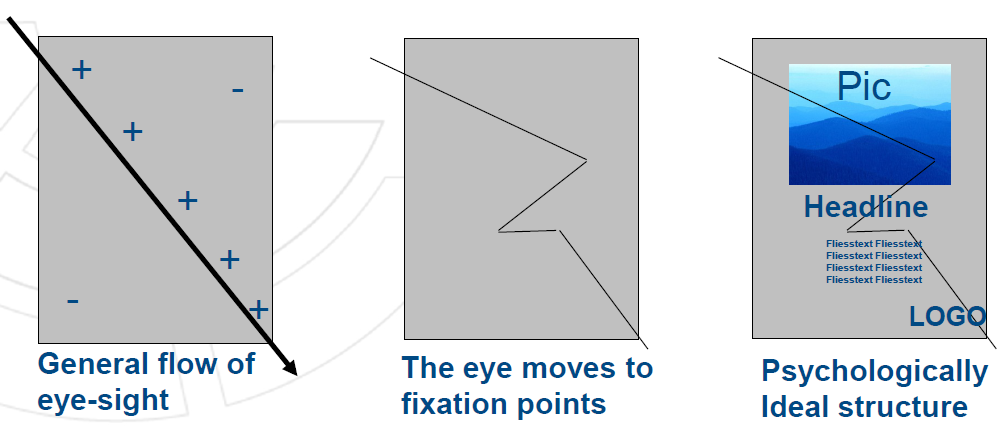
* + Situation
    - Current situation: Market volume / Market segments, Competitors (products, advertising), company products, current relative positioning, current communication concept
    - Future requirements: Product positioning, Communication strategy (Target groups, goals concerning consumer behaviour, budget for media and design, timing strategy)
* Give them all the information from the midnight picture
  + Questions
    - Why do we advertise?
    - For which product?
    - Which result do we want to achieve?
    - Who should be addressed?
    - Where should be advertised?
    - How is the budget?
    - Which media should be used?
    - What should be communicated?
    - When should be advertised?

### Media plan

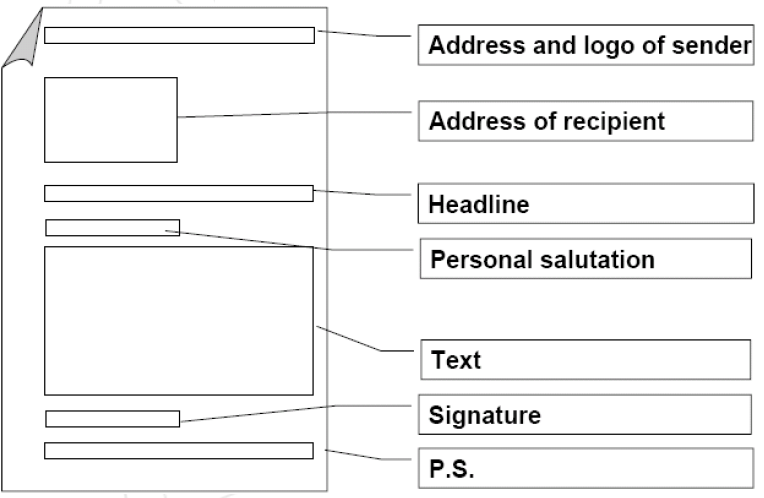
* + Based on different media (Facebook, LinkedIn, Instagram, newspaper, radio, magazine) and Time (week 1, 2 etc.) 🡪 plan for activities + total costs
  + Key figures: OTH = opportunity to hear = how many and which people are listening, OTS = opportunity to see = how many and which people could see, Reach, circulation (how many print copies), frequency (how often, e. g. weekly), number of contacts, contact costs

### Message design / Eye tracking

* + Eye-tracking
    - Put equipment on people´s head & let them walk through shops
    - Result: areas looked at (red = most / yellow =some / green = few)
  + Step 1: Scanning for visual keys (right brain) 🡪 images, headlines, keywords, direction of reading
  + Step 2: Reading (left brain) 🡪 transform syllables, words, sentences into information
  + Step 3: Reacting 🡪 e. g. eye movement tracker
    - Eye-tracking results: psychologically ideal structure of flyers, ads etc.



* + - * + Direction of vision (upper left to under right)
        + Fixation points: eyes stay there for a few seconds
        + Ideal: Picture first (attention), Headline (interest), Text (desire), Logo (action)
* Global advertising campaign
  + Differences based on culture (e. g. beauty ideals, language, direction of reading / eye-movement)
* Mailing / Letters
  + Design: address and logo of sender – address of recipient – headline – personal situation – text – signature – P.S.



* + Design based on AIDA principle
    - Headline: Attention 🡪 most important benefit 🡪 reader is interested and continues reading
    - First Paragraph: Interest 🡪 enlarge most important benefit 🡪 reader thinks about product
    - Main Part: Desire 🡪 tell readers specifically what they get, back uo statements with proof (testimonials, scientific proof, experts), tell readers what they lose if they do not act 🡪reader develops set of expectations, credibility is increased, human tendency to defer action
    - Closing: Action 🡪 rephrase prominent benefit and call for action 🡪 reader is ordering/buying the product
    - P.S.: Action 🡪final key message (restate the offer for immediate action) 🡪 reader of only reads headline and P.S.
* KISS-principle
  + Keep It Short and Simple
  + Short: short words (1-3 syllables), short sentences (average 12 words), short paragraphs (1-2 sentences).
  + Simple: no jargon, no complicated technical terms, no technical details
  + Always keep in mind target group!
* Bill boards and city lights

### Control

* What was addressed in advertising?
  + Cognitive, emotional or behavioural level?
  + Attention, Interest, Desire or action?
* Options
  + Recall
    - Unaided recall: open questions
    - Aided recall: list of options
  + Recognition
    - Showing the ad
  + Panel Research