

Business Fundamentals for Analytics

Marketing

Michael Buchanan

Lecturer

Scheller College of Business

Place Development, Distribution &
Channel Systems



1

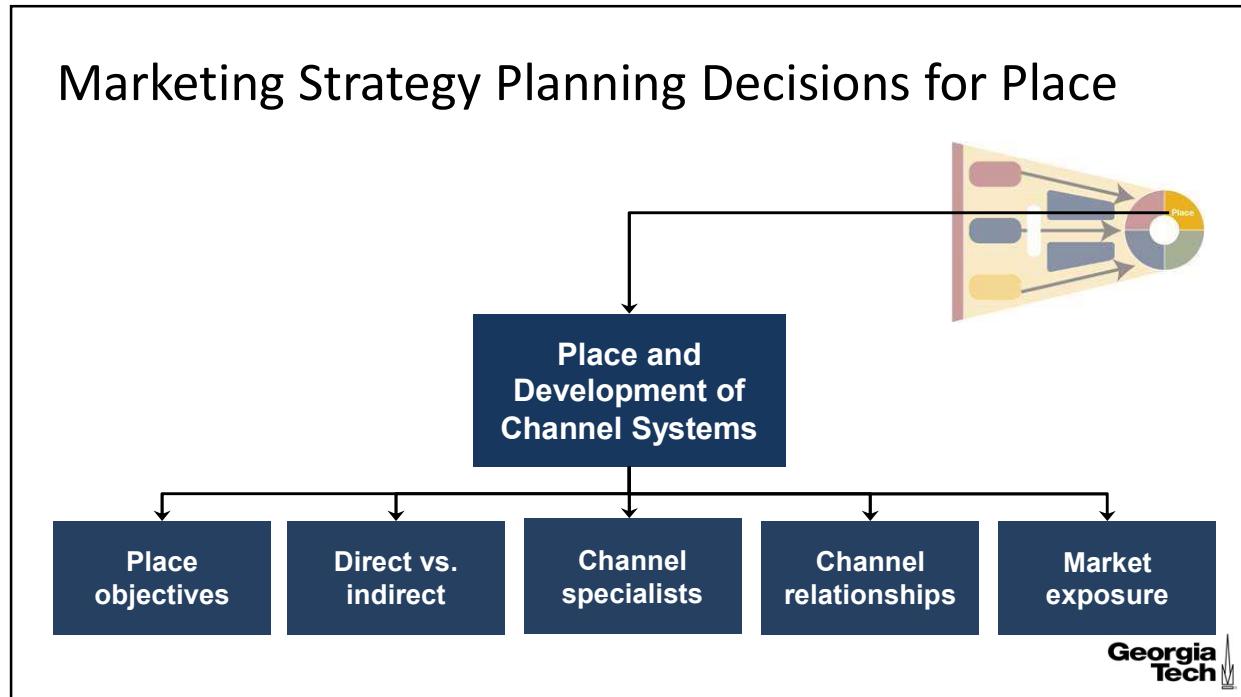
Lesson Objectives

- Discuss place objectives
- Evaluate channel systems
- Discuss physical distribution/logistics
- Evaluate retailer and wholesaler considerations

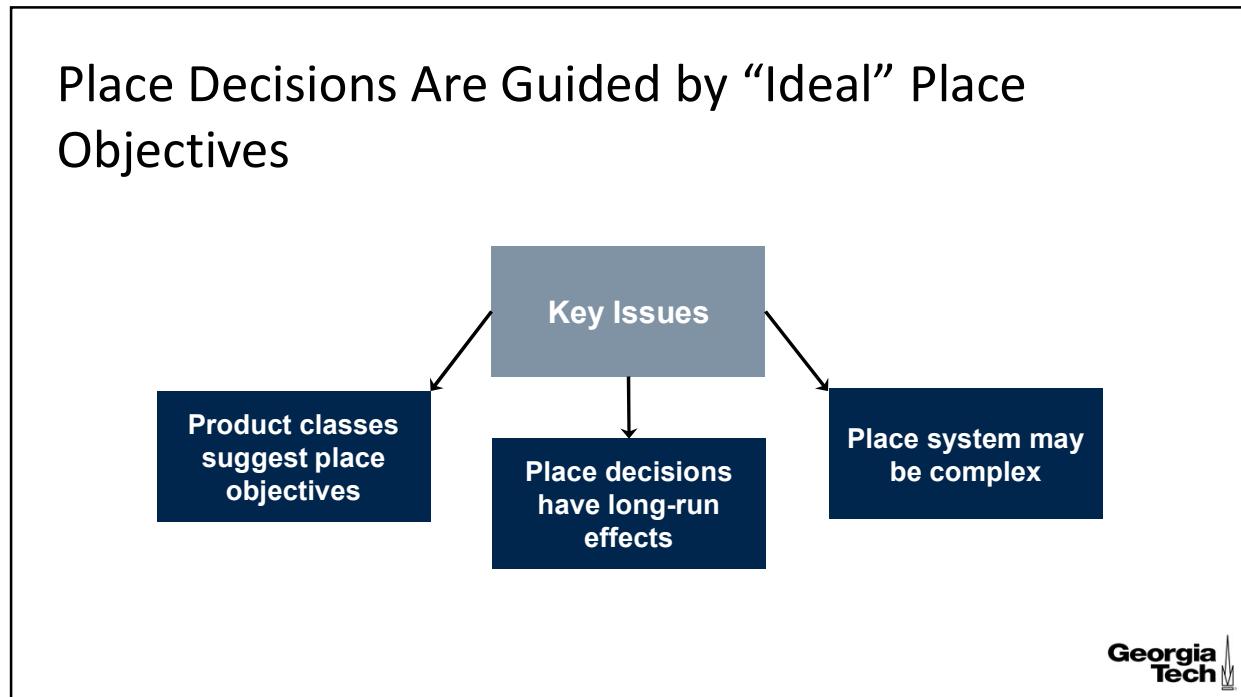


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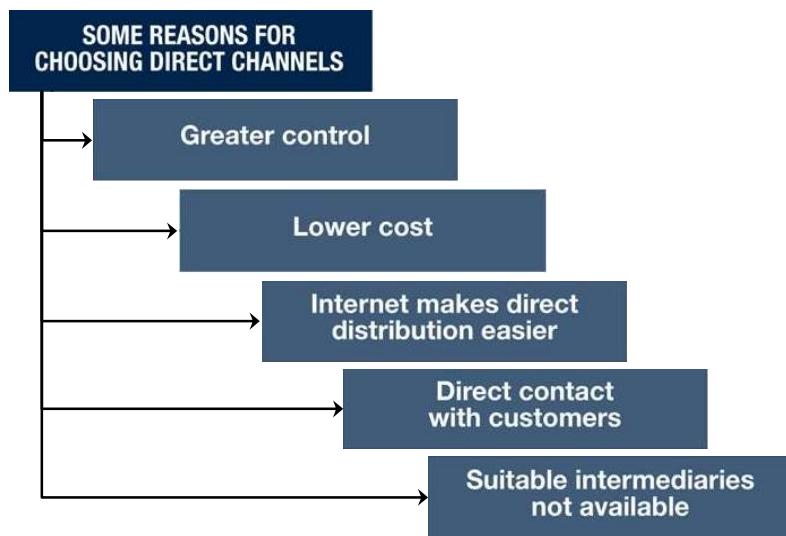


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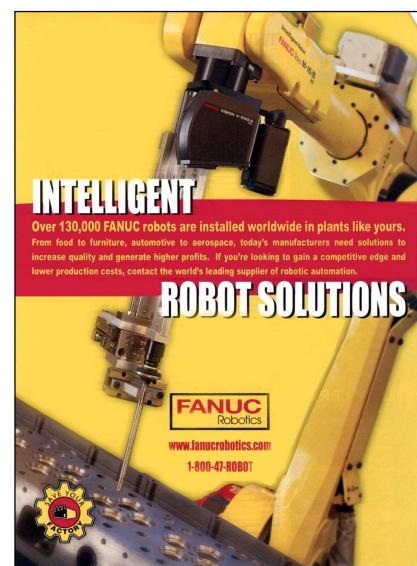
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Channel System May Be Direct or Indirect



5

Direct Channels Are Common with Business Customers and Services



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When Indirect Channels Are Best



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Channel Specialists Adjust Discrepancies in Quantity or Assortment with Regrouping Activities

Accumulating
Collecting products
from many small producers

QUANTITY

Bulk-Breaking
Dividing larger quantities
into smaller quantities

Assorting
Assembling a variety of
products that are likely
to appeal to customer wants

ASSORTMENT

Sorting
Separating products into
grades/ qualities to appeal to
different target segments

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The Best Channel System Should Achieve Ideal Market Exposure

MARKET EXPOSURE STRATEGIES



● = number of outlets

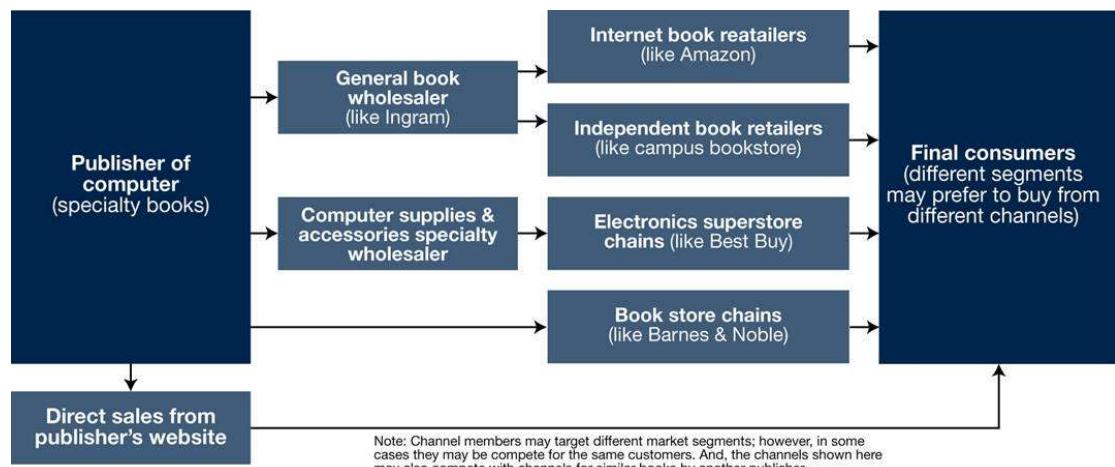


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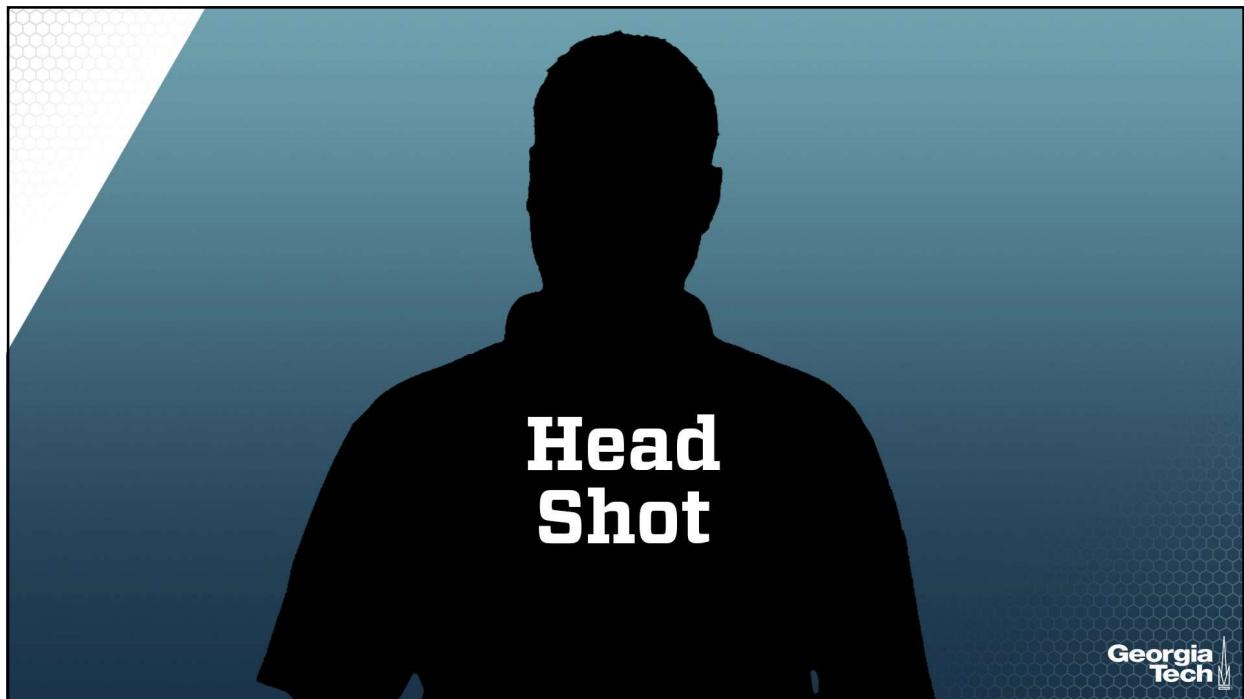


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Channel Systems Can Be Complex



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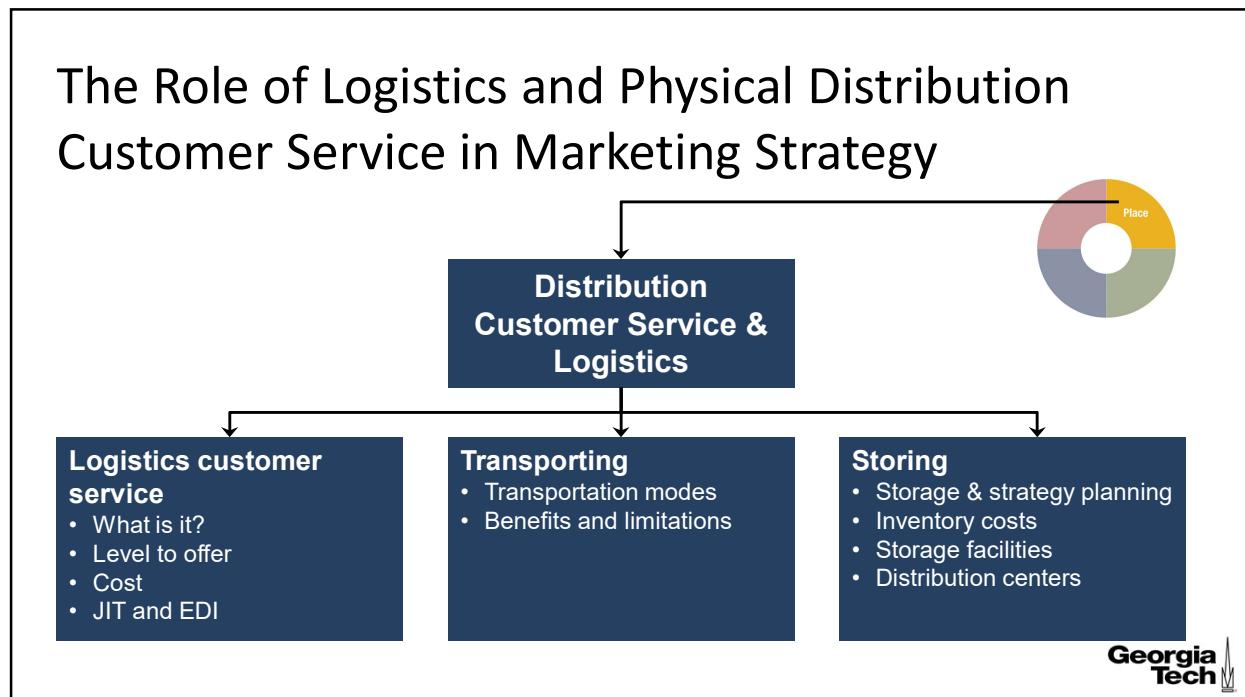
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Physical Distribution and Customer Service

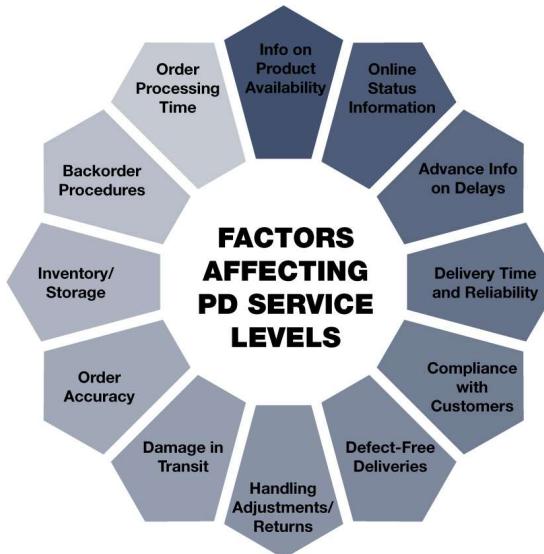


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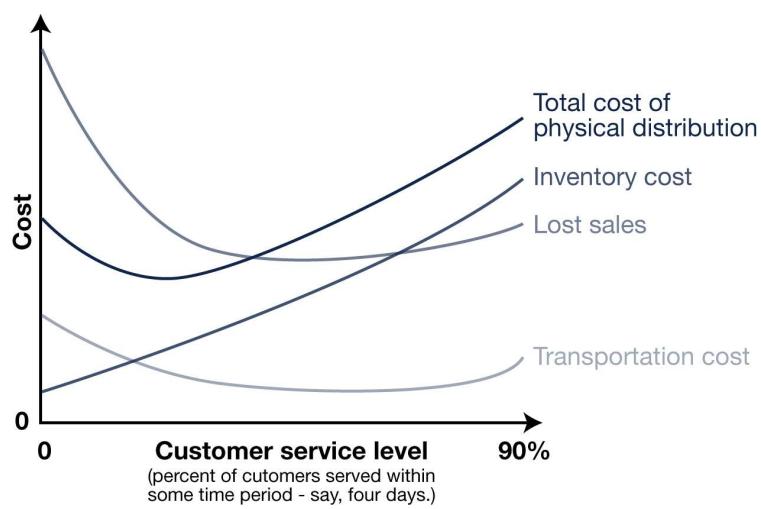
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Physical Distribution Service Levels



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Trade-Offs among Physical Distribution Costs, Customer Service Level, and Sales



16

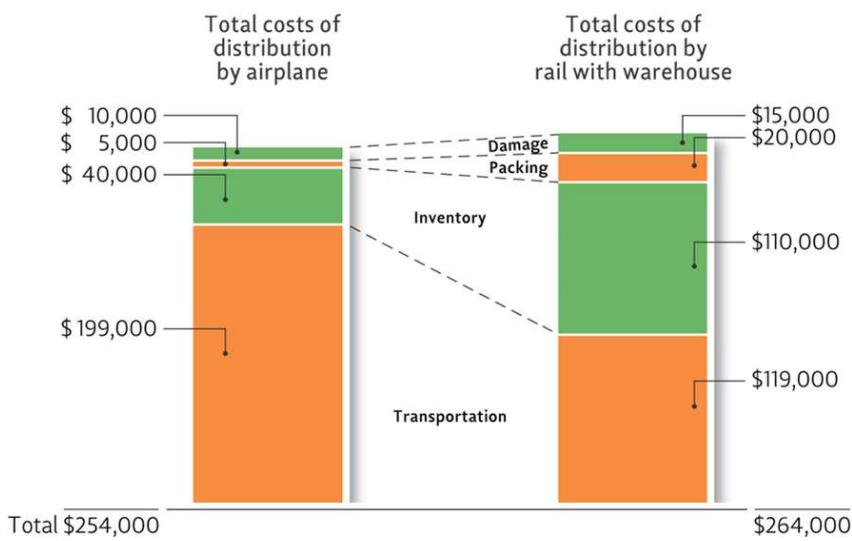
Benefits and Limitations of Different Transport Modes

Transporting Features						
Mode	Cost	Delivery Speed	Number of Locations Served	Ability to Handle a Variety of Goods	Frequency of Scheduled Shipments	Dependability in Meeting Schedules
Truck	High	Fast	Very extensive	High	High	High
Rail	Medium	Average	Extensive	High	Low	Medium
Water	Very low	Very slow	Limited	Very high	Very low	Medium
Air	Very high	Very fast	Extensive	Limited	High	High
Pipeline	Low	Slow	Very limited	Very limited	Medium	High



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A Cost Comparison of Alternative Systems



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The Storing Function and Marketing Strategy



Needed When
Production Doesn't
Match Consumption

Keeps Prices Steady

Achieves Production
Economies of Scale

Builds Channel
Flexibility



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**Head
Shot**



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Retailer and Wholesaler Considerations



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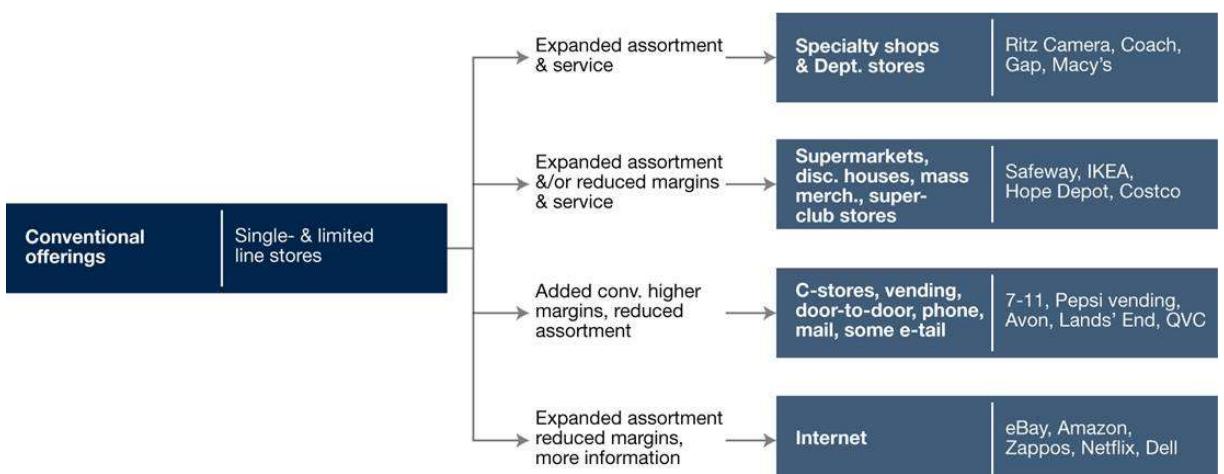
Planning a Retailer's Strategy



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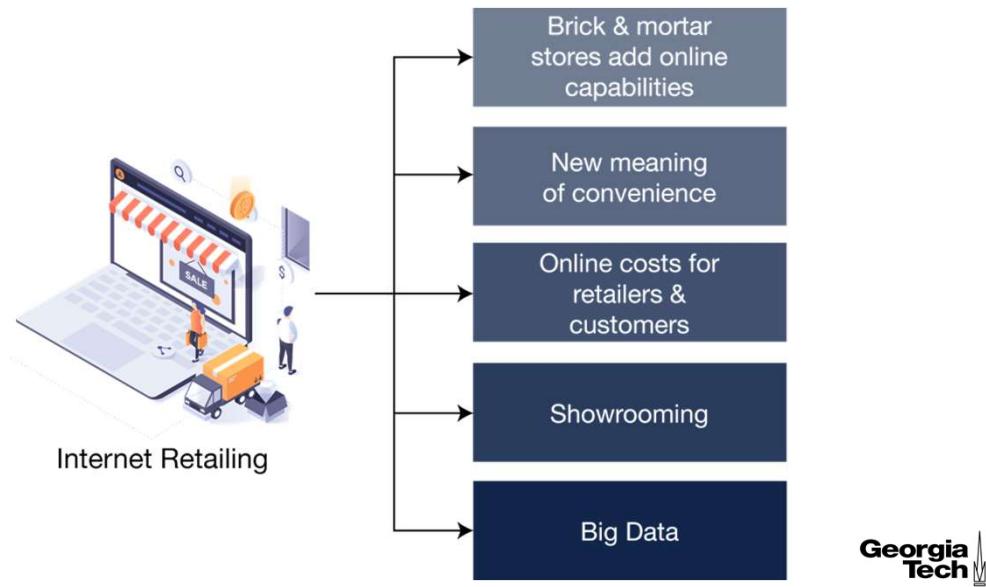
Retailer Offerings



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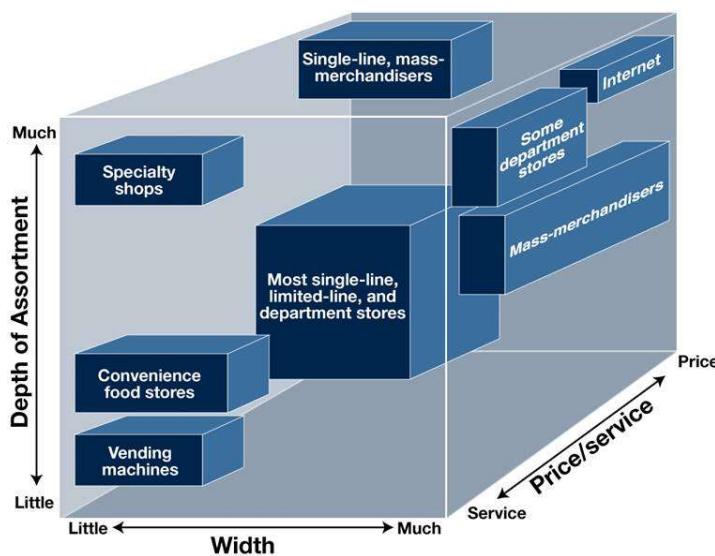
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Retailing on the Internet



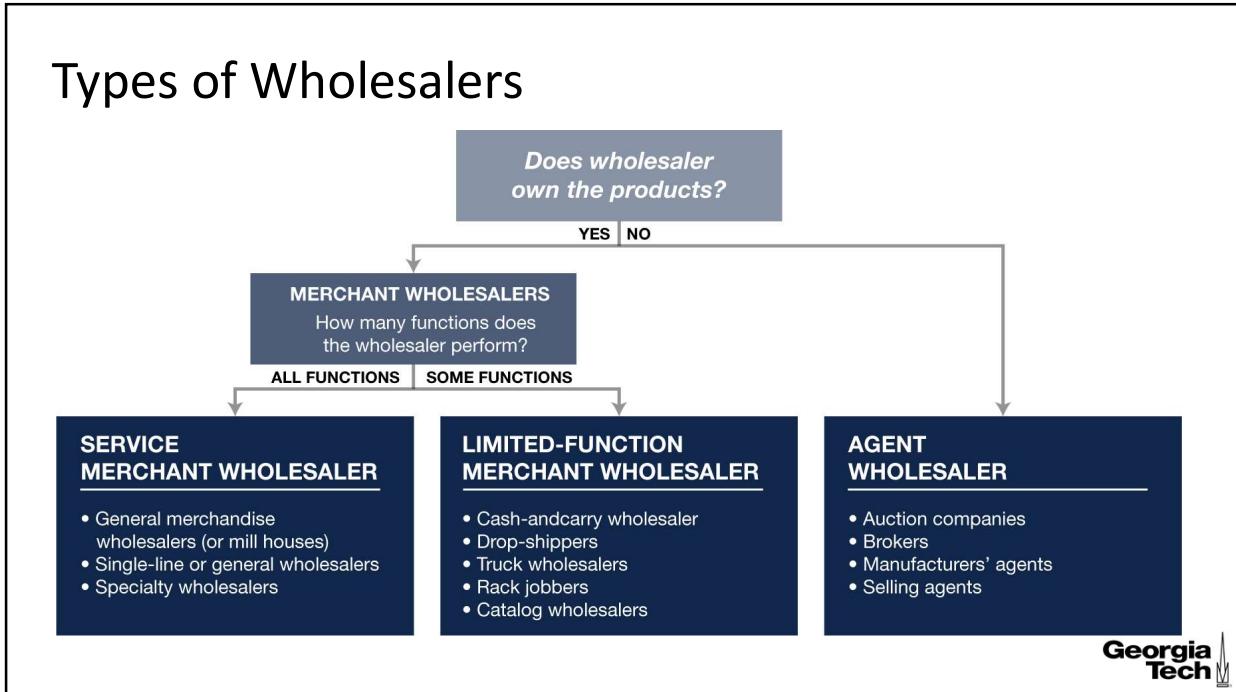
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Retailing Types are Explained by Consumer Needs

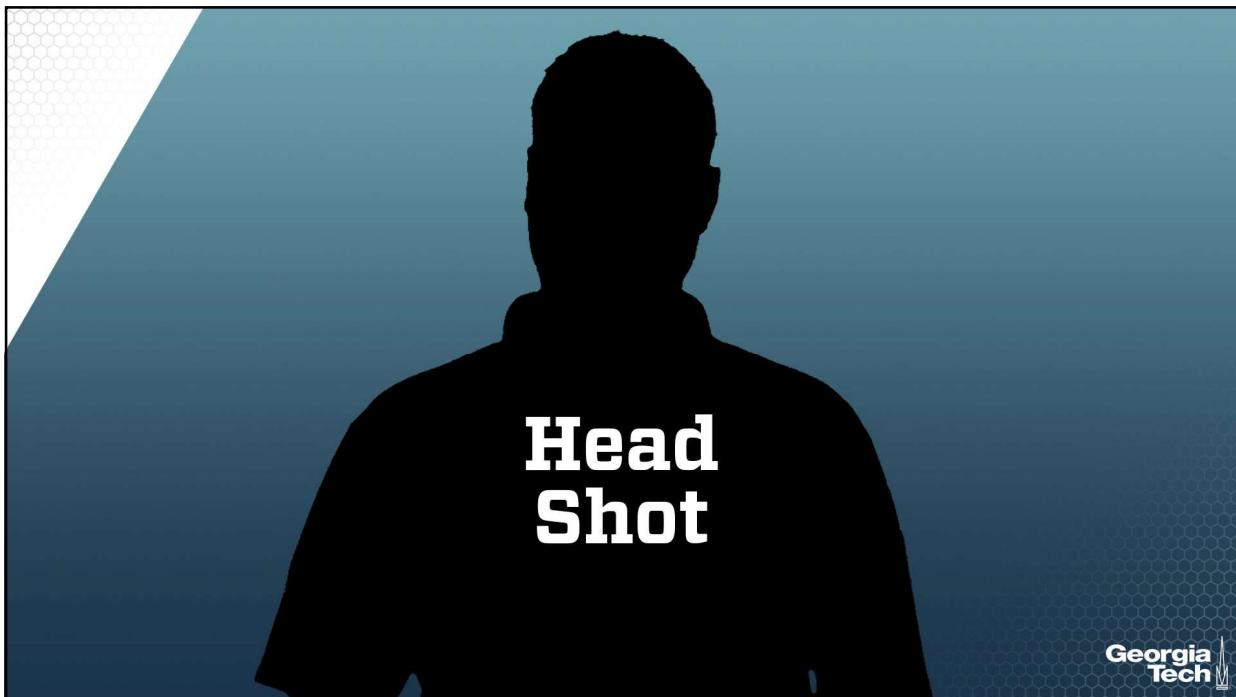


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Types of Wholesalers



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Pricing Objectives and Policies



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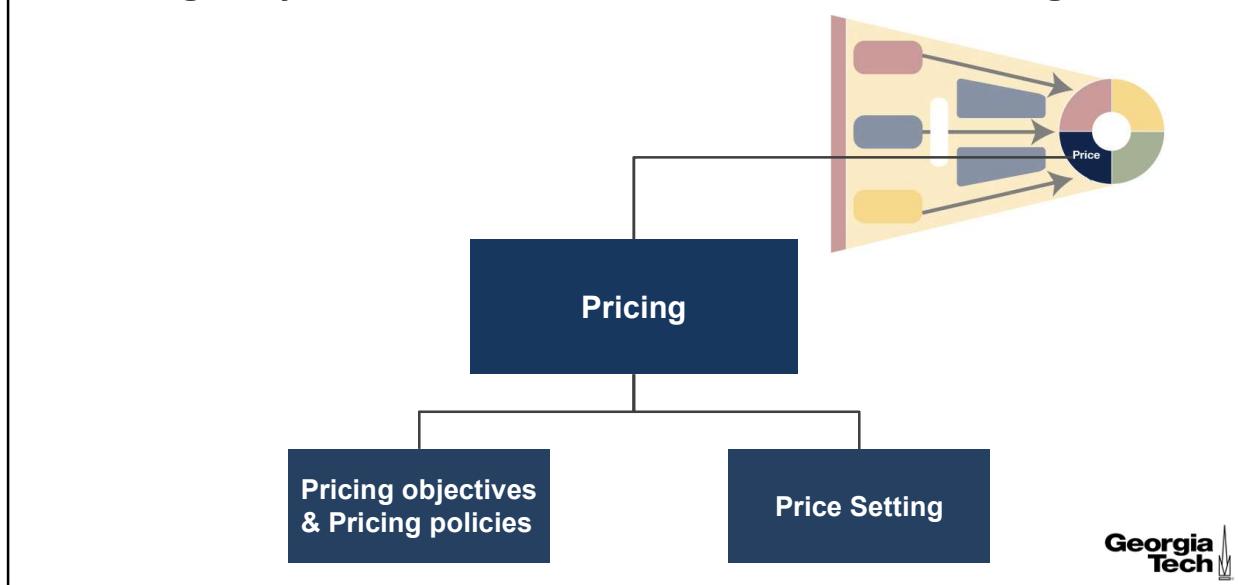
Lesson Objectives

- Discuss price dimensions
- Evaluate pricing objectives and policies
- Evaluate price setting models
- Discuss demand estimation



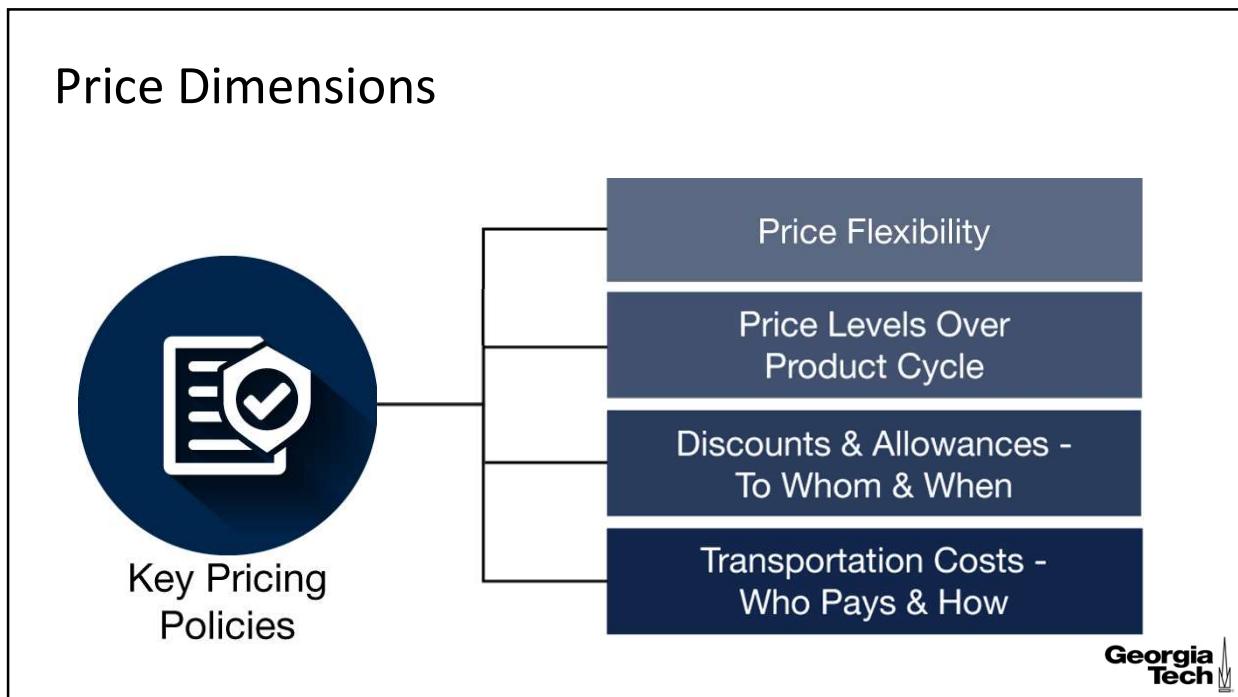
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Pricing Objectives and Policies & Price Setting



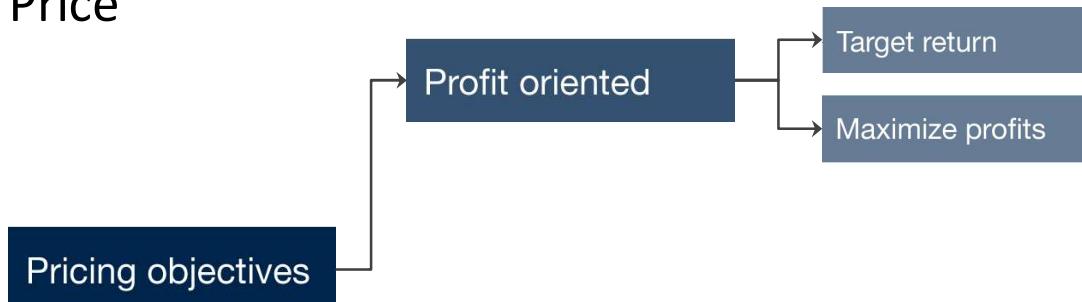
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Price Dimensions



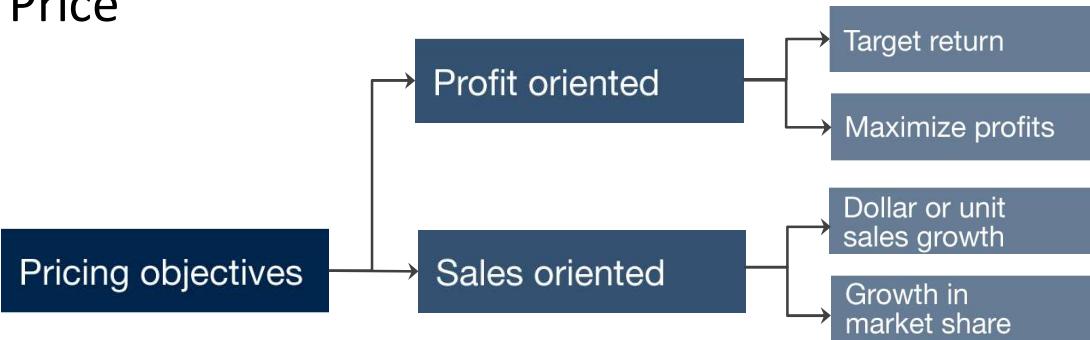
32

Objectives Should Guide Strategy Planning for Price



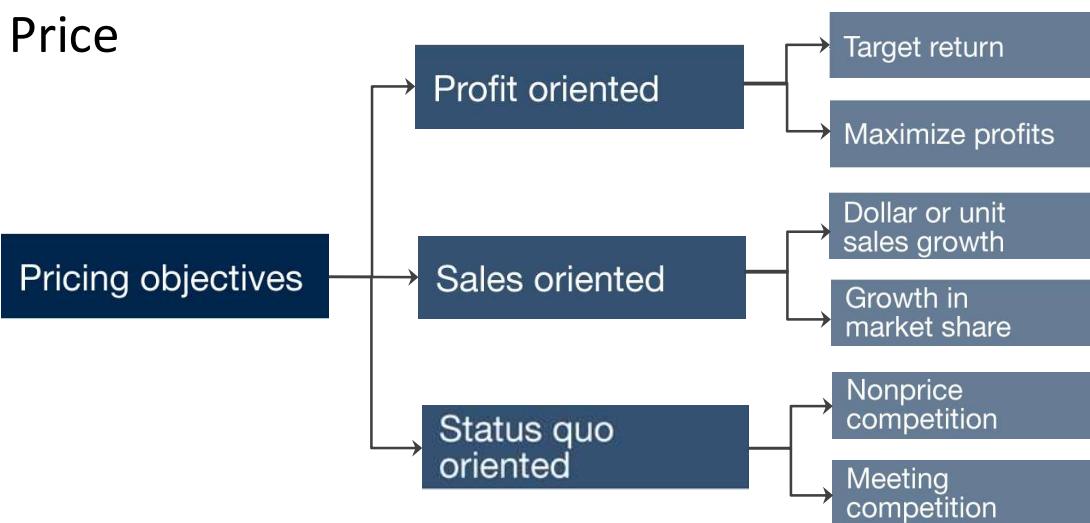
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Objectives Should Guide Strategy Planning for Price



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Objectives Should Guide Strategy Planning for Price



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Establishing Pricing Policies

One-Price Policy

- The same for everyone
- Frequently purchased items
- Convenient
- Low cost
- Maintains goodwill

OR

Flexible Price Policy

- Different customers, different prices
- Databases make it easier
- Sales people can adjust prices
- Too much cutting can hurt profits



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Skimming vs. Penetration Pricing Policies



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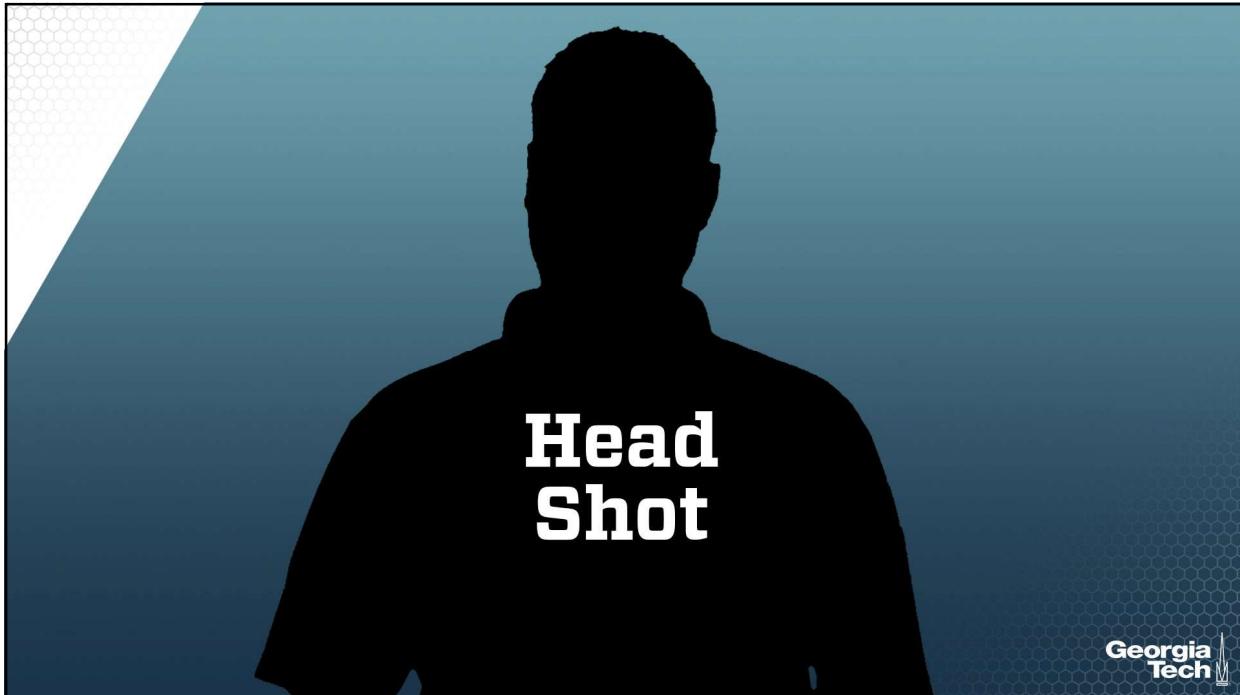


Discount Policies: Reductions from List Prices



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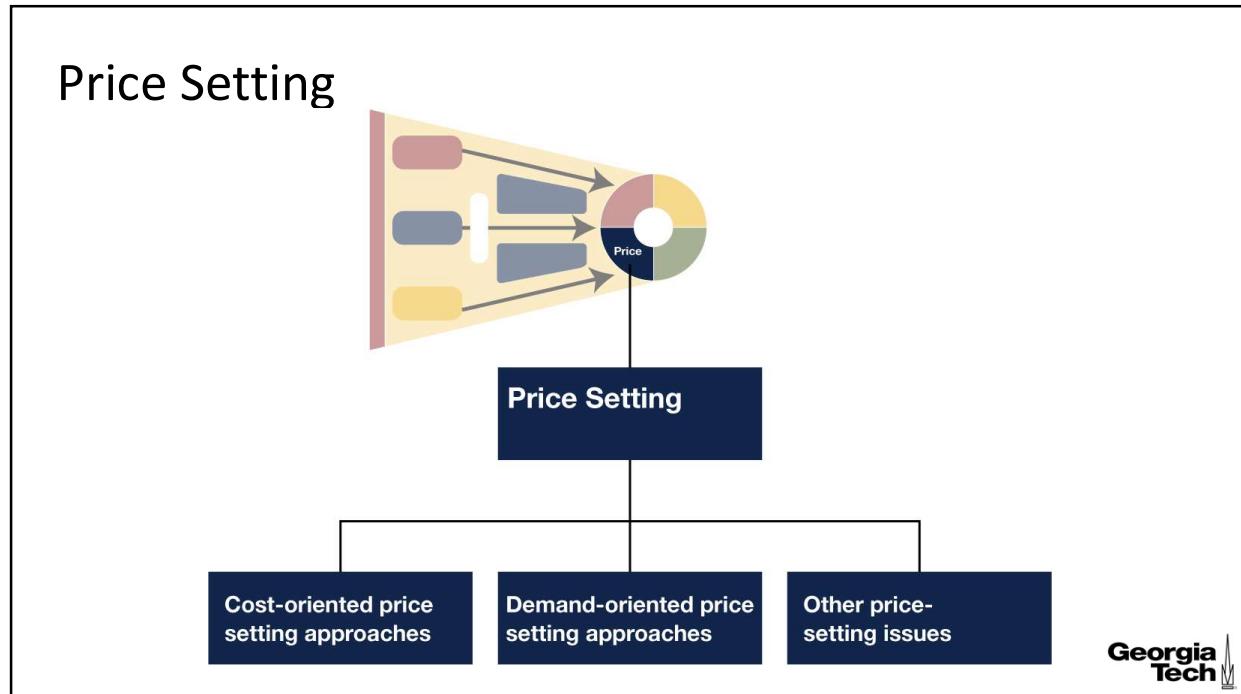
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Price Setting

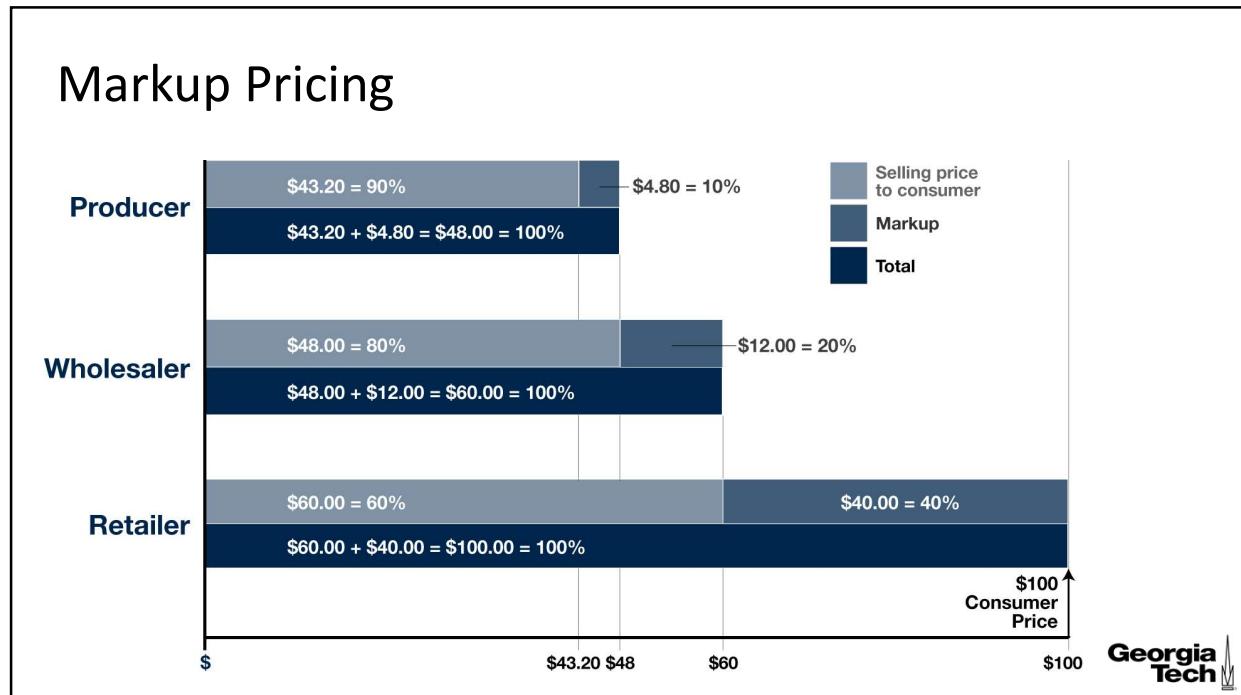


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High Markups Don't Always Mean Big Total Profits



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Average Cost Pricing

A. Calculation of Planned Profit if 40,000 Items Are Sold

Calculation of Costs:

Fixed overhead expenses	\$30,000
Labor and materials (\$0.80/unit)	32,000
Total costs	62,000
"Planned" profit	18,000
Total costs and planned profit	<u>\$80,000</u>

Calculation of Profit (or Loss):

Actual unit sales x price (\$2.00*)	\$80,000
Minus: total costs	62,000
Profit (loss)	<u>\$18,000</u>

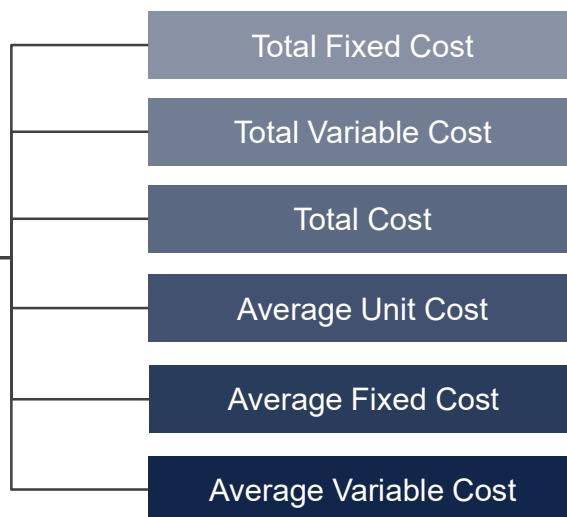
Result:

Planned profit of \$18,000 is earned if 40,000 items are sold at \$2.00 each.

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Marketing Manager Must Consider Various Kinds of Costs



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Cost Relationships

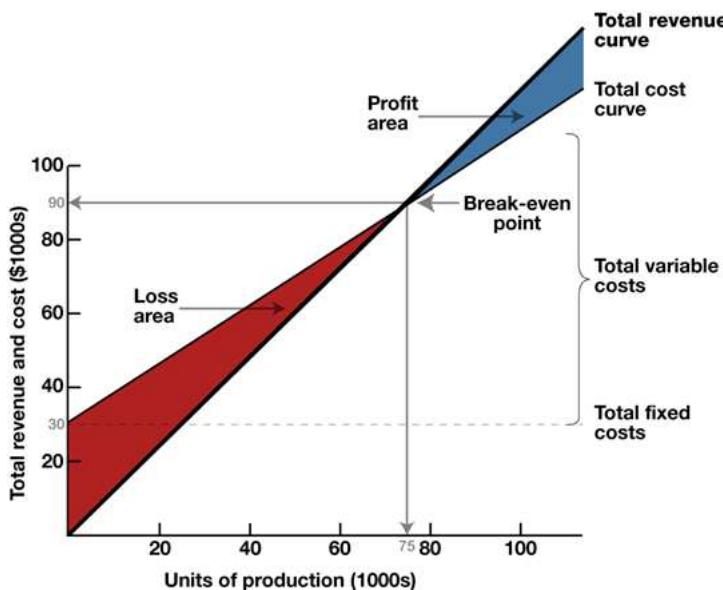
Quantity (Q)	Total Fixed Costs (TFC)	Average Fixed Costs (AFC)	Average Variable Costs (AVC)	Total Variable Costs (TVC)	Total Cost (TC)	Average Cost (AC)
0	\$30,000	-	-	-	\$30,000	-
10,000	30,000	\$3.00	\$0.80	\$8,000	38,000	\$3.80
20,000	30,000	1.50	0.80	16,000	46,000	2.30
30,000	30,000	1.00	0.80	24,000	54,000	1.80
40,000	30,000	0.75	0.80	32,000	62,000	1.55
50,000	30,000	0.60	0.80	40,000	70,000	1.40
60,000	30,000	0.50	0.80	48,000	78,000	1.30
70,000	30,000	0.43	0.80	56,000	86,000	1.23
80,000	30,000	0.38	0.80	64,000	94,000	1.18
90,000	30,000	0.33	0.80	72,000	102,000	1.13
100,000 (Q)	30,000 (TFC)	0.30 (AFC)	0.80 (AVC)	80,000 (TVC)	110,000 (TC)	1.10 (AC)

$$\left[\begin{array}{l} 110,000 \text{ (TC)} \\ - 80,000 \text{ (TVC)} \\ \hline 30,000 \text{ (TFC)} \end{array} \right] \frac{0.30 \text{ (AFC)}}{(Q) 100,000 \left[\begin{array}{l} 30,000 \text{ (TFC)} \end{array} \right]} = \left[\begin{array}{l} 100,000 \text{ (Q)} \\ \times 0.80 \text{ (AVC)} \\ \hline 80,000 \text{ (TVC)} \end{array} \right] \left[\begin{array}{l} 30,000 \text{ (TFC)} \\ + 80,000 \text{ (TVC)} \\ \hline 110,000 \text{ (TC)} \end{array} \right] \frac{1.10 \text{ (AC)}}{(Q) 100,000 \left[\begin{array}{l} 110,000 \text{ (TC)} \end{array} \right]}$$



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Break-Even Analysis Can Evaluate Possible Prices



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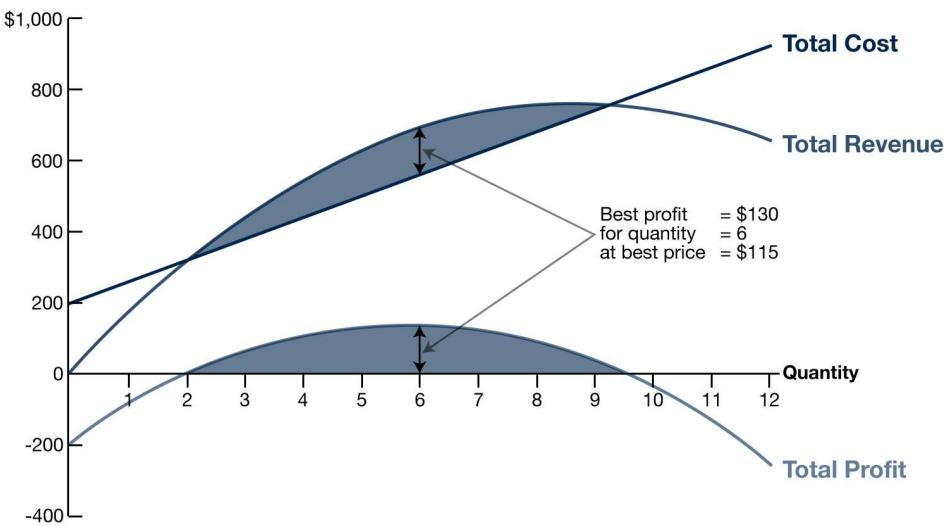
Marginal Analysis

Price (P)	Qty (Q)	Rev (R = PxQ)	Total VC (TVC)	Fixed Cost (FC)	Total Cost (TC=TVC+FC)	Profit (P=R-TC)	Marginal Revenue (MR)	Marginal Cost (MC)	Marginal Profit (MP)
\$200	0	\$0	\$0	\$200	\$200	-\$200			
175	1	175	60	200	260	-85	\$175	\$60	\$115
160	2	320	120	200	320	0	145	60	85
145	3	435	180	200	380	55	115	60	55
135	4	540	240	200	440	100	105	60	45
125	5	625	300	200	500	125	85	60	25
115	6	690	360	200	560	130	65	60	5
105	7	735	420	200	620	115	42	60	-15
95	8	760	480	200	680	80	25	60	-35
85	9	765	540	200	740	25	5	60	-55
75	10	750	600	200	800	-50	-15	60	-75
65	11	715	660	200	860	-145	-35	60	-95

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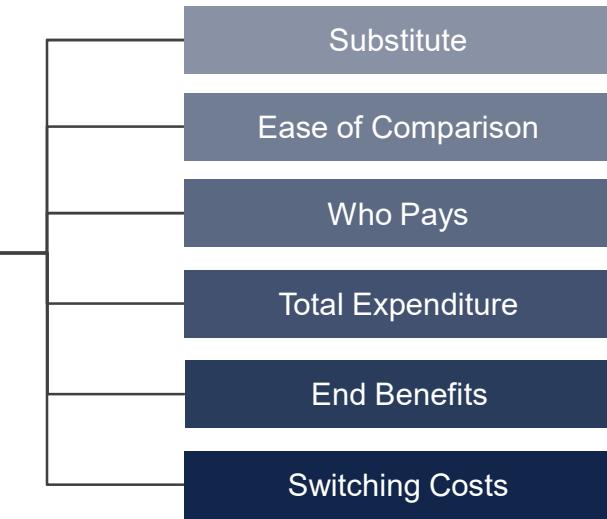
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Profit Maximization with Total Revenue and Total Cost Curves



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Demand Estimation



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Bid Pricing & Negotiated Pricing



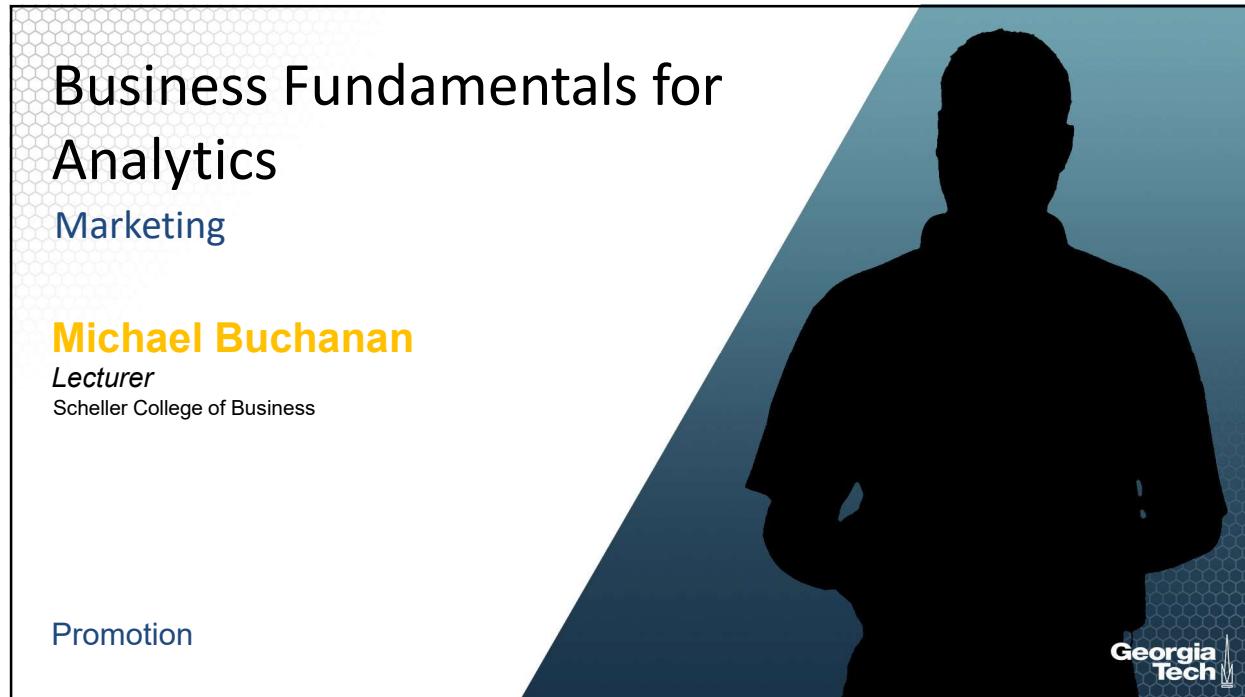
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Shot**



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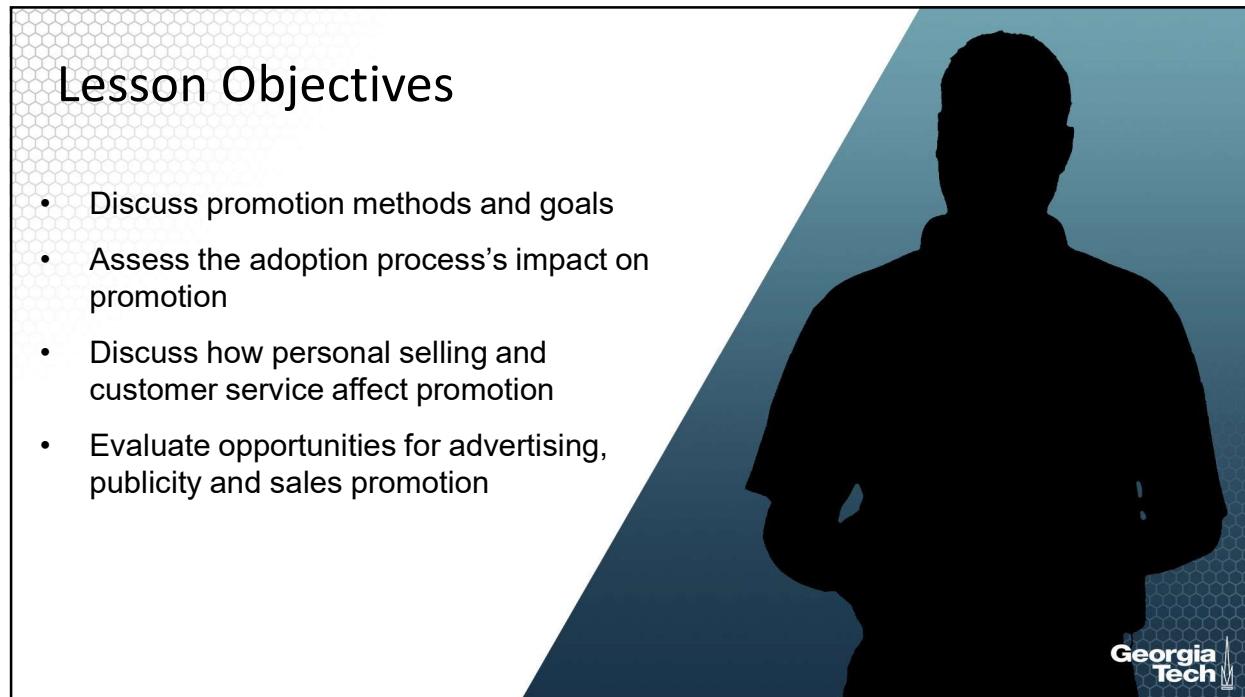
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Promotion

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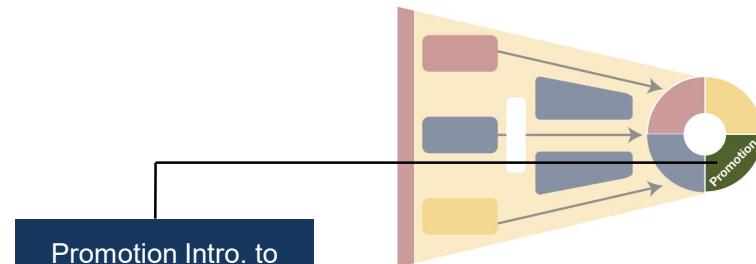
Lesson Objectives

- Discuss promotion methods and goals
- Assess the adoption process's impact on promotion
- Discuss how personal selling and customer service affect promotion
- Evaluate opportunities for advertising, publicity and sales promotion

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Promotion & Marketing Strategy Planning



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Promotion Methods

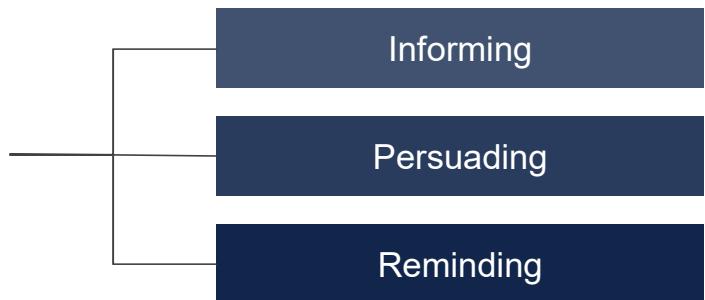
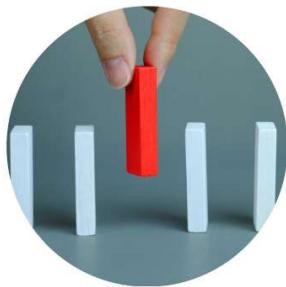


Different Methods of Promotion



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Which Method to Use Depends on Promotion Objectives



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Promotion Objectives Relate to the Adoption Process and AIDA Model

Promotion Objectives	Adoption Process	AIDA Model
Informing	{ Awareness Interest	Attention Interest
Persuading	Evaluation Trial }	Desire
Reminding	Decision Confirmation }	Action



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Sales Promotion Tries to Spark Immediate Interest



Aimed at consumers or users

- Contests
- Coupons
- Aisle displays
- Samples
- Trade shows
- Point-of-purchase materials
- Banner & streamers
- Frequent buyer programs
- Sponsored events



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Sales Promotion Tries to Spark Immediate Interest



Aimed at consumers or users

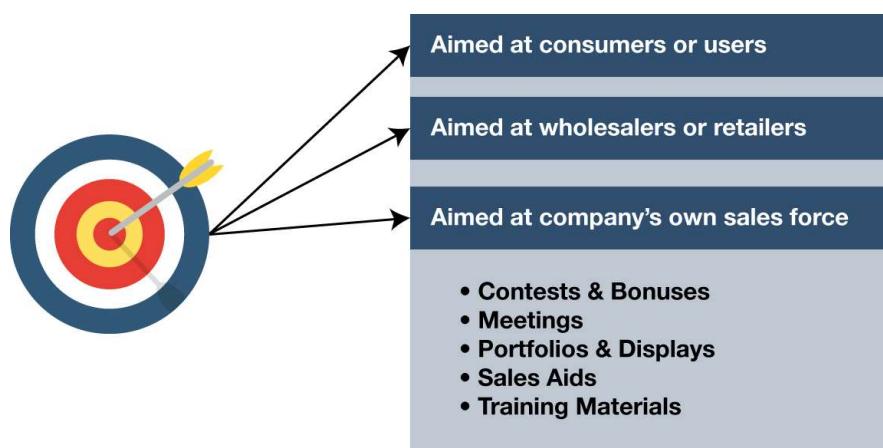
Aimed at wholesalers or retailers

- Price deals
- Promotion allowances
- Sales contests
- Calendars & gifts
- Trade shows
- Meetings
- Catalogs
- Merchandising aids
- Videos



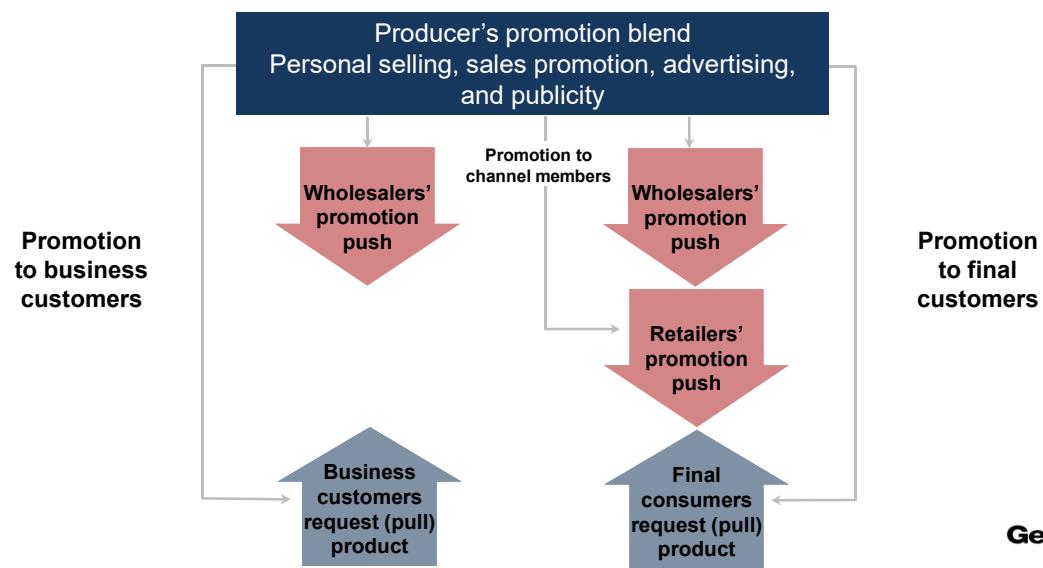
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Sales Promotion Tries to Spark Immediate Interest



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Push Marketing & Pull Marketing



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An Example of Pulling

SMUCKER'S

Let Our Family Bring Your Family Together!

You could win a \$10,000 Family Reunion anywhere in the continental United States! You could also win a Sony video camera or customized disposable camera!

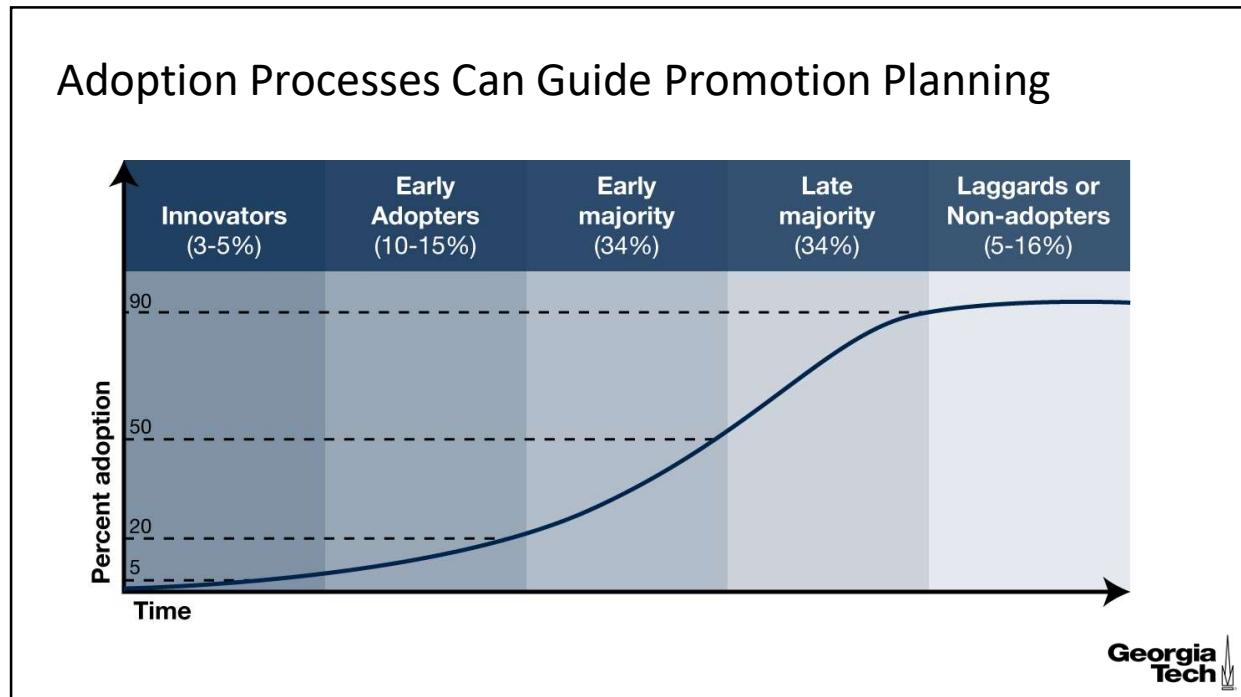
Save 25¢ Smuckers Jam/Jelly/Jelly Preserves

Save 25¢ Smuckers Low Sugar or Sugar Free

Save 25¢ Smuckers Jam, Jelly, or Preserves

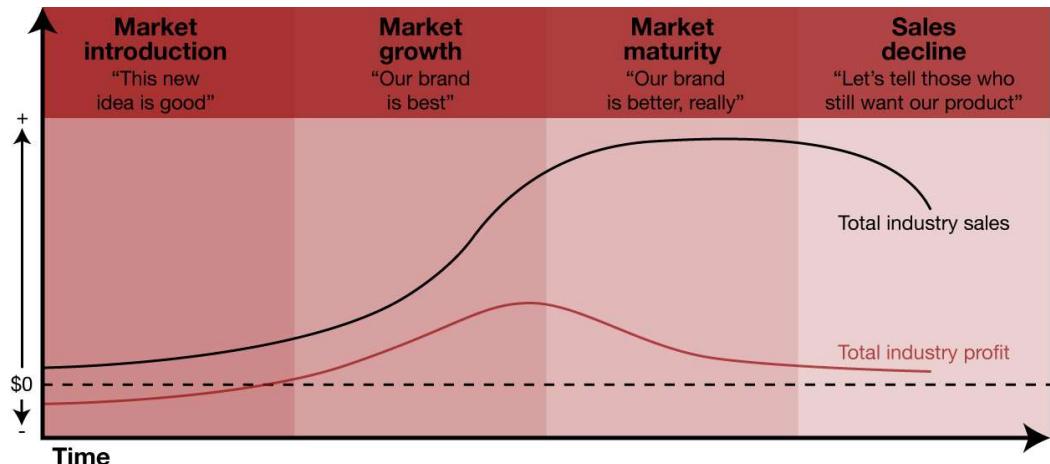
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Promotion Varies Over the Life Cycle



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Setting the Promotion Budget

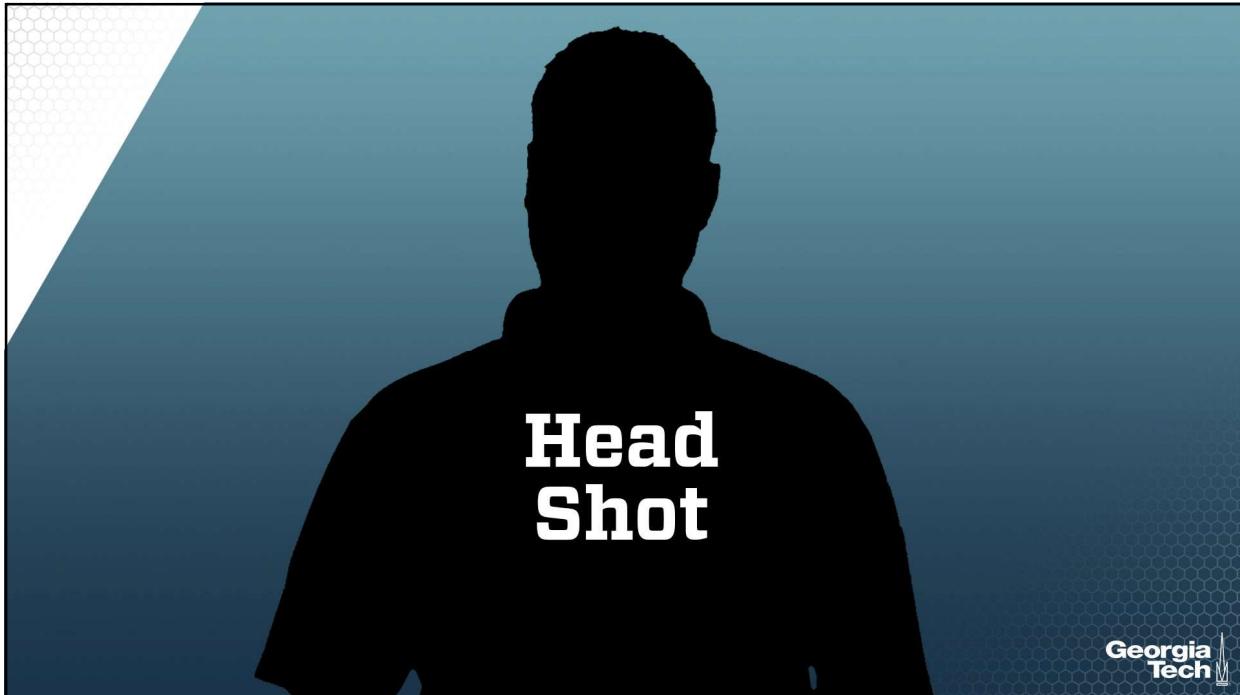


Percentage of Sales

Task Method



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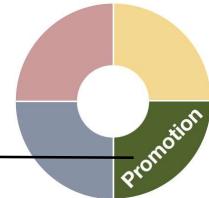
Personal Selling and Customer
Service

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Strategy Planning and Personal Selling



Personal Selling and Customer Service



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The Importance and Role of Personal Selling



**Personal Selling
is Important**

Helping to buy is smart selling

Salespeople represent whole company & customers

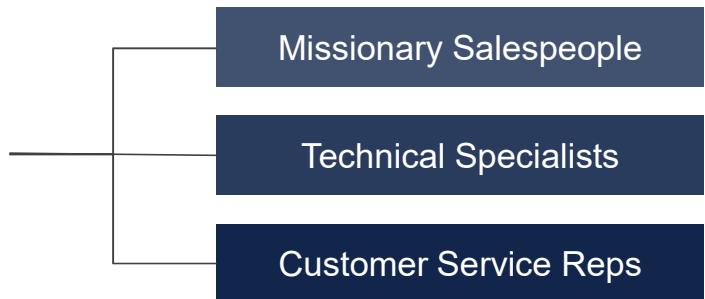
Sales force provides market information

Salespeople can be strategy planners



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Supporting Sales Force Informs and Promotes in the Channel



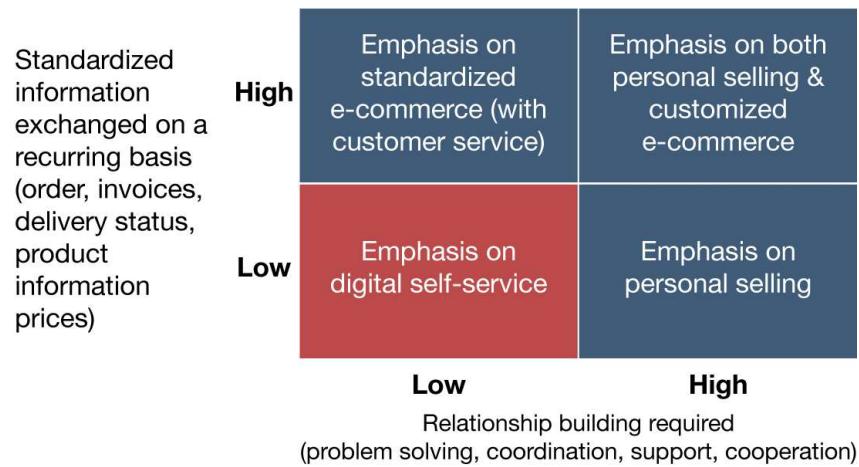
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The Right Structure Helps Assign Responsibility



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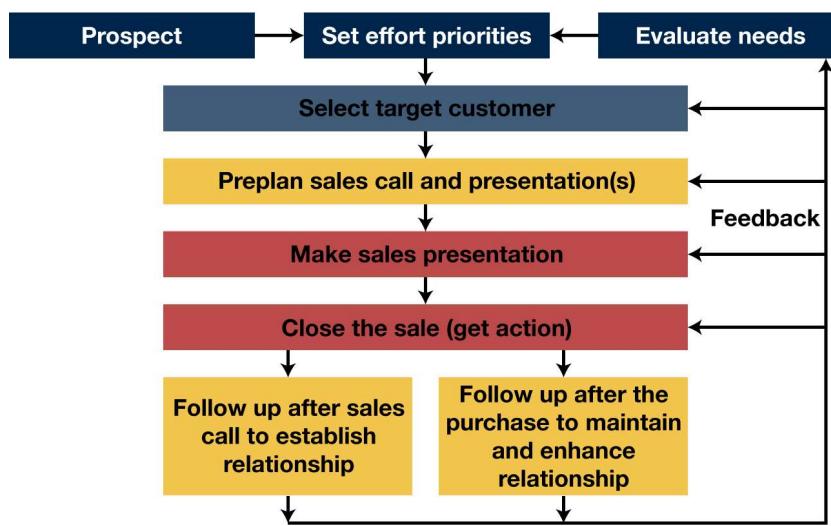
Combining Technology with Personal Selling



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Key Steps in the Personal Selling Process



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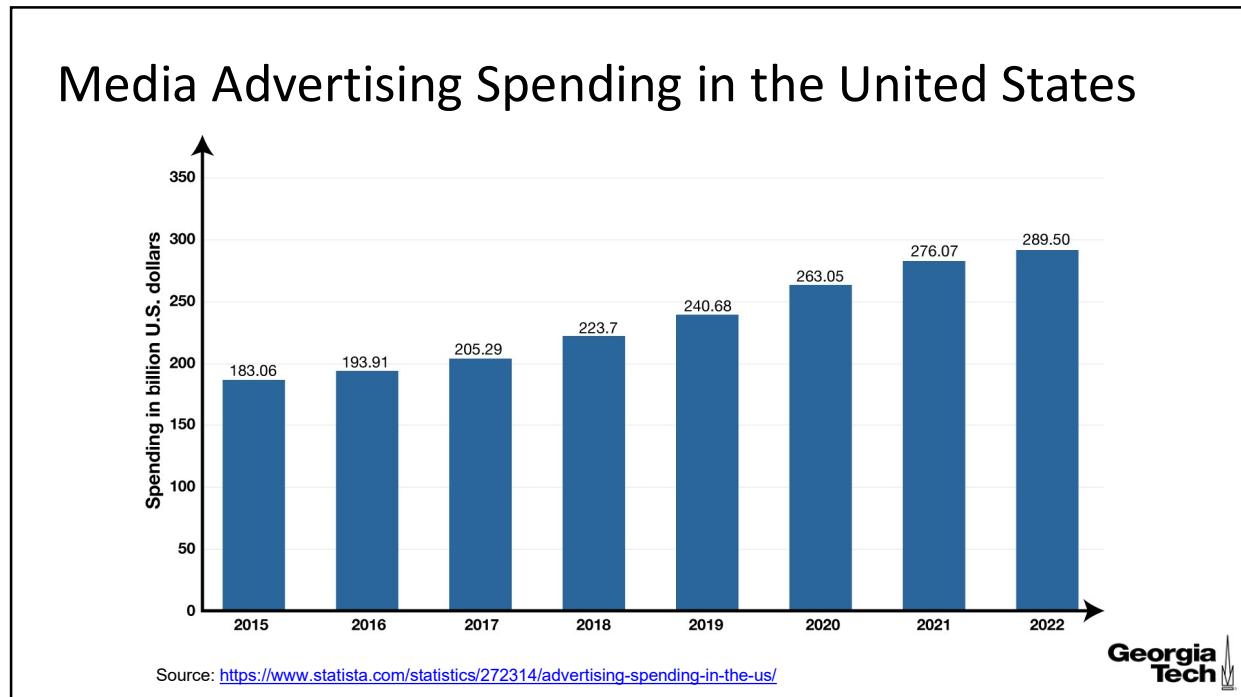
Advertising, Publicity and Sales
Promotion

The slide features a black silhouette of a person's head and shoulders on the right side, set against a blue gradient background. The main title "Business Fundamentals for Analytics Marketing" is positioned at the top left. Below it, the speaker's name "Michael Buchanan" is in bold yellow, followed by "Lecturer" and "Scheller College of Business" in smaller text. At the bottom left, there is additional text about advertising, publicity, and sales promotion. The Georgia Tech logo is located in the bottom right corner.

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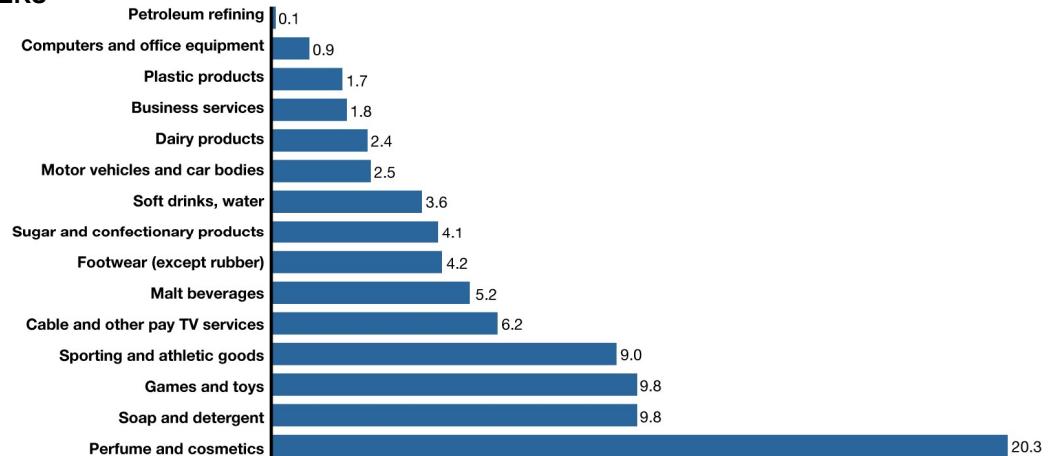
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Advertising Spending as Percent of Sales for Specific Product Categories

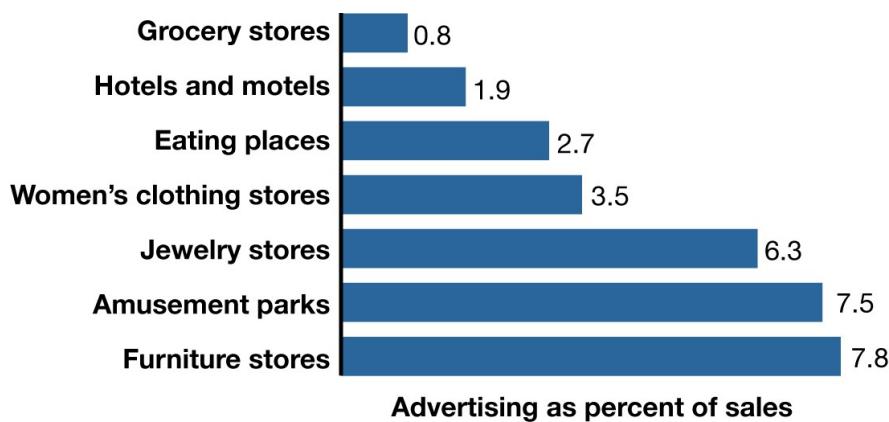
PRODUCERS



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Retail Ad Spending

RETAILERS



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Setting Ad Objectives Is a Strategy Decision



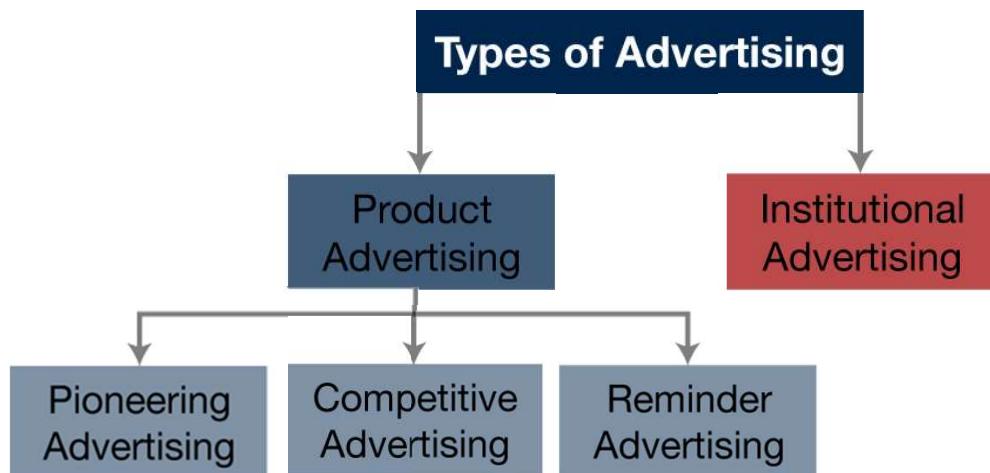
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Objectives Guide Implementation



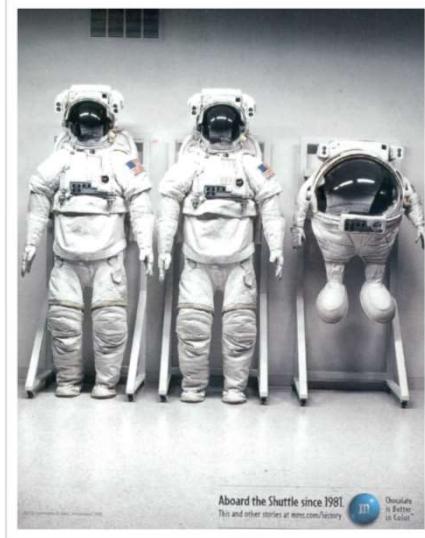
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Objectives Determine the Types of Advertising



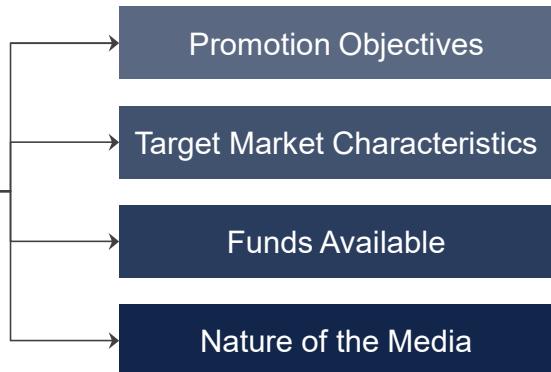
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Reminder Advertising Reinforces a Favorable Relationship



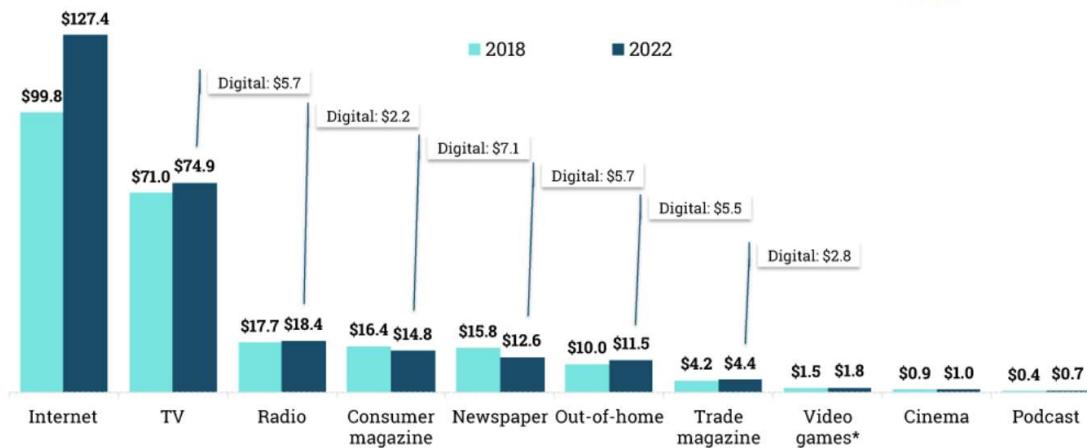
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Choosing the “Best” Medium – How To Deliver the Message



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US Advertising Media Market Sizes (\$B), 2018 v. 2022



Published on MarketingCharts.com in June 2018 | Data Source: PwC

Source: <https://www.marketingcharts.com/featured-104785/attachment/pwc-us-ad-market-sizes-2018-2022-june2018>



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Traditional Advertising Channels

	Advantages	Disadvantages
Television & cable	Demonstrations, good attention, wide reach, cable targets	Expensive in total, “clutter”
Direct Mail	Selected audience, flexible, can personalize	Relatively costly per contact, “junk mail,” hard to retain attention
Newspaper	Flexible, timely, local market	“Clutter” ads compete for attention, poor photo reproduction
Radio	Wide reach, low cost segmented audience	Weak attention, many different rates, short exposure



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Digital Marketing / Advertising



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Analytics



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Measuring Advertising Effectiveness - Attribution



Consider the Total Mix

Research and Testing May Improve Odds

Hindsight May Lead to Foresight



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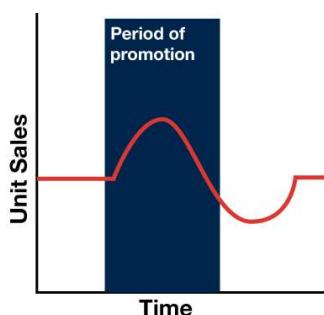
Types of Publicity and Different Communication Tactics

Getting attention & holding interest	Developing a desired positioning	Arousing desire & obtaining action	Managing ongoing customer relationships
<ul style="list-style-type: none"> • Viral videos • Direct-to-consumer press releases • Articles in the press 	<ul style="list-style-type: none"> • Viral videos • Games • Branded services • Commercial white papers 	<ul style="list-style-type: none"> • Customer reviews • Case studies • Webinars 	<ul style="list-style-type: none"> • Social media • Blogs • Online communities/ forums • Podcasts, webcasts, webinars

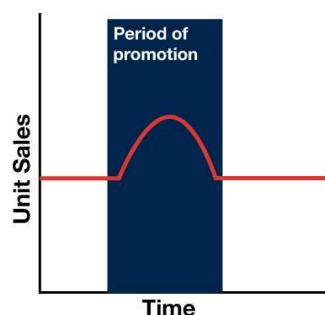


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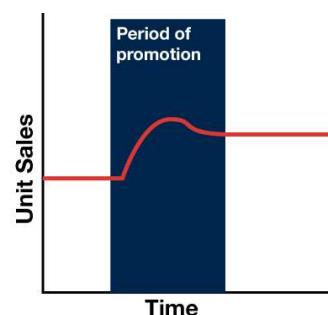
Sales Promotion Stimulates Change



Sales temporarily increase, then decrease, then return to regular level



Sales temporarily increase, and then return to regular level

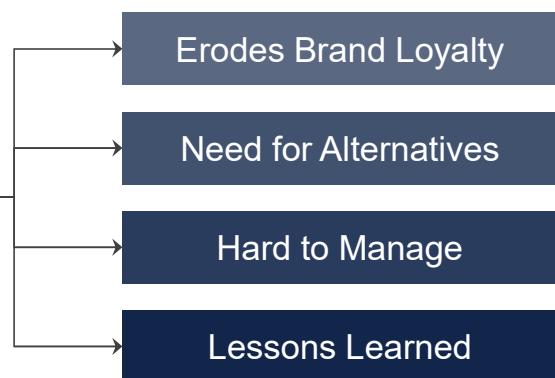


Sales increase and then remain at higher level



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Problems in Managing Sales Promotion



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Head
Shot

A large, dark silhouette of a person's head and shoulders is centered against a blue gradient background. The text "Head Shot" is overlaid in white, bold, sans-serif font on the silhouette.

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