

BUS 401 Marketing

Marketing Strategies, Distribution and Promotion



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Marketing Strategy Overview

Two Key Objectives:

1. Understand and effectively use the fundamental frameworks, processes, and analysis tools of marketing strategy
2. Use the “first principles” of marketing strategy to solve business problems and improve business performance

First Principles of Marketing Strategy

- MP#1: All Customers Differ → Managing Customer Heterogeneity
- MP#2: All Customers Change → Managing Customer Dynamics
- MP#3: All Competitors React → Managing Sustainable Competitive Advantage
- MP#4: All Resources Are Limited → Managing Resource Trade-Offs

Customer-oriented Effective Marketing Strategy

- Customer ultimately determines strategy's success or failure
- The shift in focus from firm to customer by incorporating the customer's perspective represents a natural, long-term progression in strategy
- Five key elements are critical to marketing strategy:
 1. Leads to a differential advantages over competitors
 2. Sustainability
 3. Ability to enhance firm performance
 4. Customer perspective
 5. Guides decisions and actions



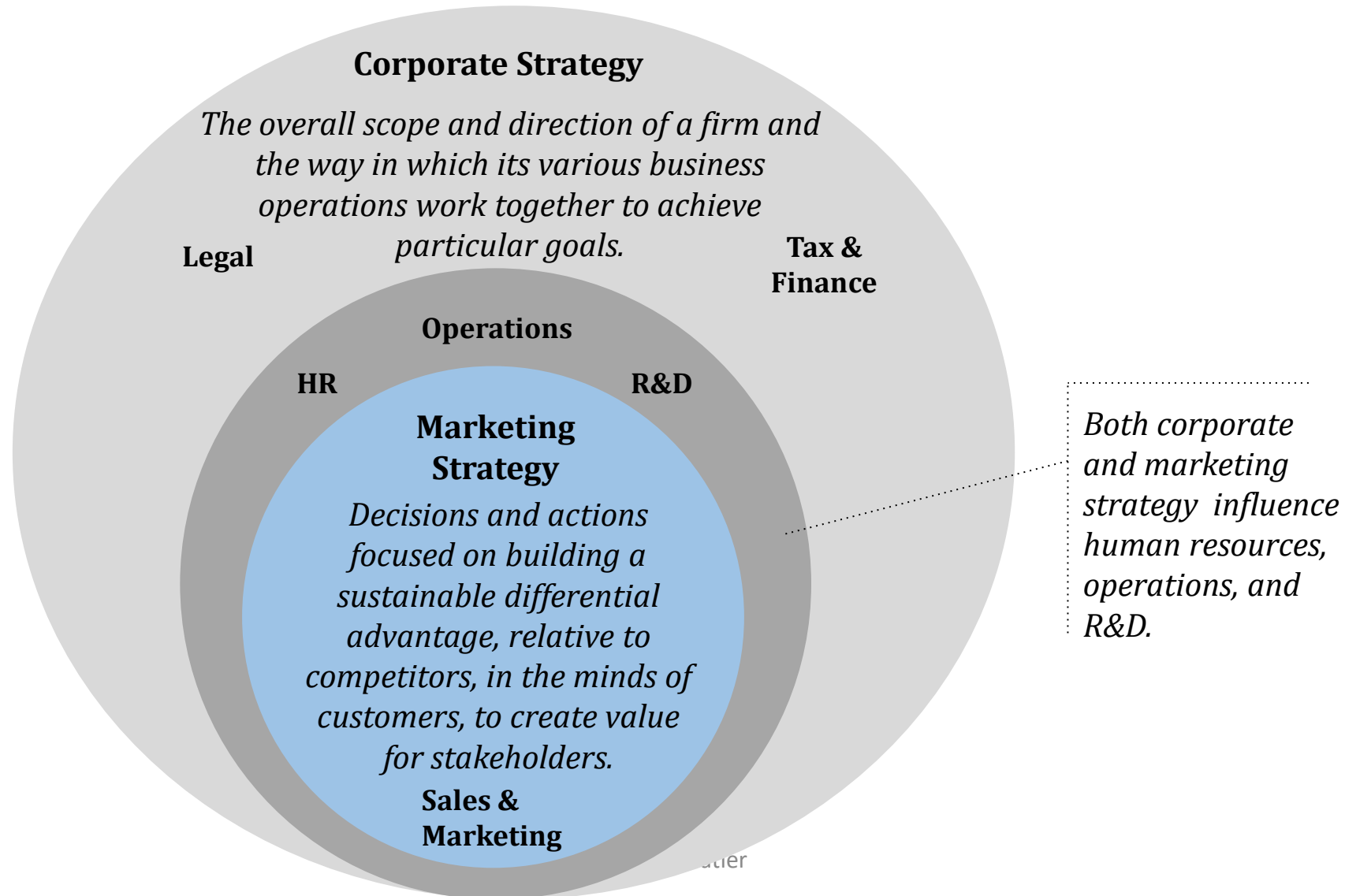
Marketing strategy consists of decisions and actions focused on building a sustainable differential advantage, relative to competitors, in the minds of customers, to create value for stakeholders.

Example: Philips (Netherlands)

- Netherlands-based technology company
- Over past 125 years, Philips innovated its marketing strategy many times to remain competitive
- Company builds a strong presence in each market to understand the local market and customer desires
- Innovates continually; created “technology incubator” to develop new technologies
- Customer-centric view → success

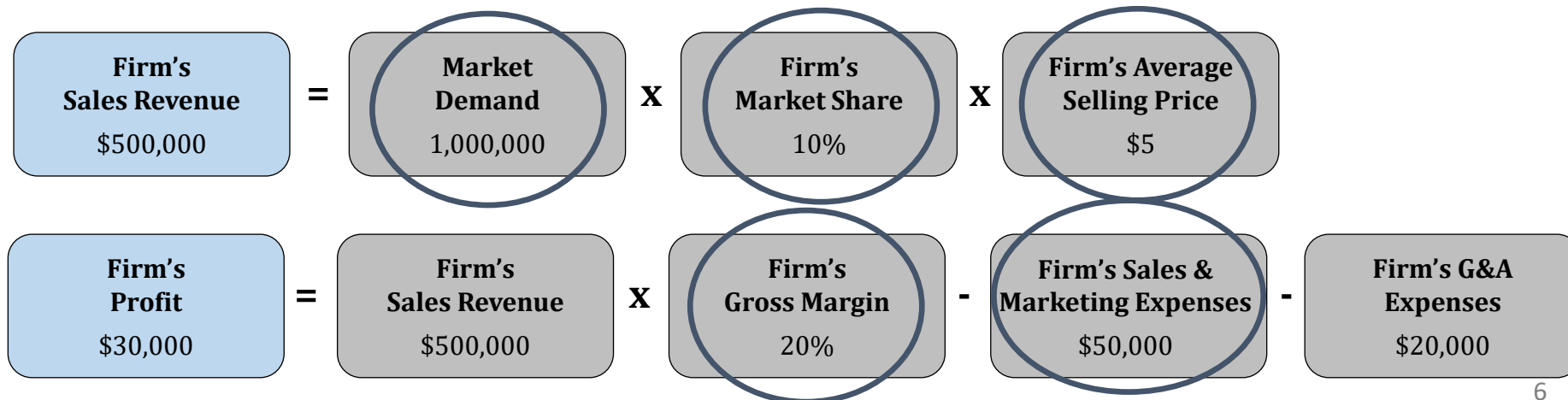


Corporate Strategy Vs Marketing Strategy



Marketing Strategy has impact on Financial Performance

- Large amount of research documents its impact on financial performance, but many people don't realize the scope of influences on sales and profits
 - Grow market size (new products and services, lower prices)
 - Grow share (better products and services than competition, higher loyalty to retain, and/or steal customers with acquisition strategies)
 - Better prices and margins (improve loyalty, brand image, relationships, products, targeting of high margin customers)
 - Reduce costs (WOM, brand, relationships, retain with loyalty)



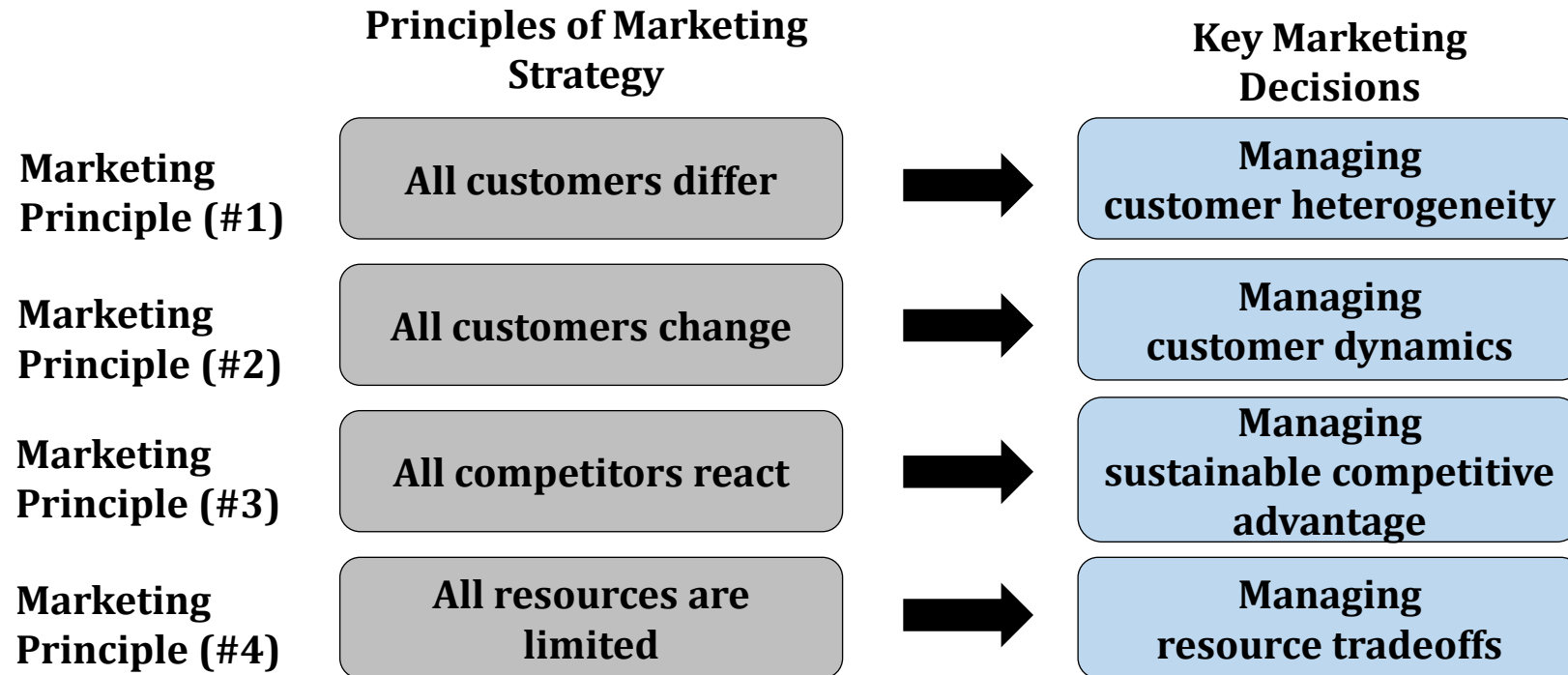
Example of Chain Percentages: Apple (US)

Year	iPhone Sales Revenue (millions)		Cell Phone Market Size in Units (millions)		iPhone Market Share (%)		iPhone Unit Price (\$)
2007	\$1,841.40	=	109.21	x	3%	x	\$558.00
2008	\$6,749.22	=	126.51	x	9%	x	\$591.00
2009	\$14,934.00	=	163.14	x	15%	x	\$600.00
2010	\$28,426.00	=	285.23	x	16%	x	\$610.00
2011	\$55,341.20	=	486.34	x	18%	x	\$620.00

- Launch of Apple's iPhone catalyzed explosive growth of smartphone market
- Market grew from 109 million units than 486 million in 5 years
- iPhone's market share increased from 3.3% to 18.4%.
- Apple maintains premium price



Key Marketing Decisions with the Principles of Marketing Strategy



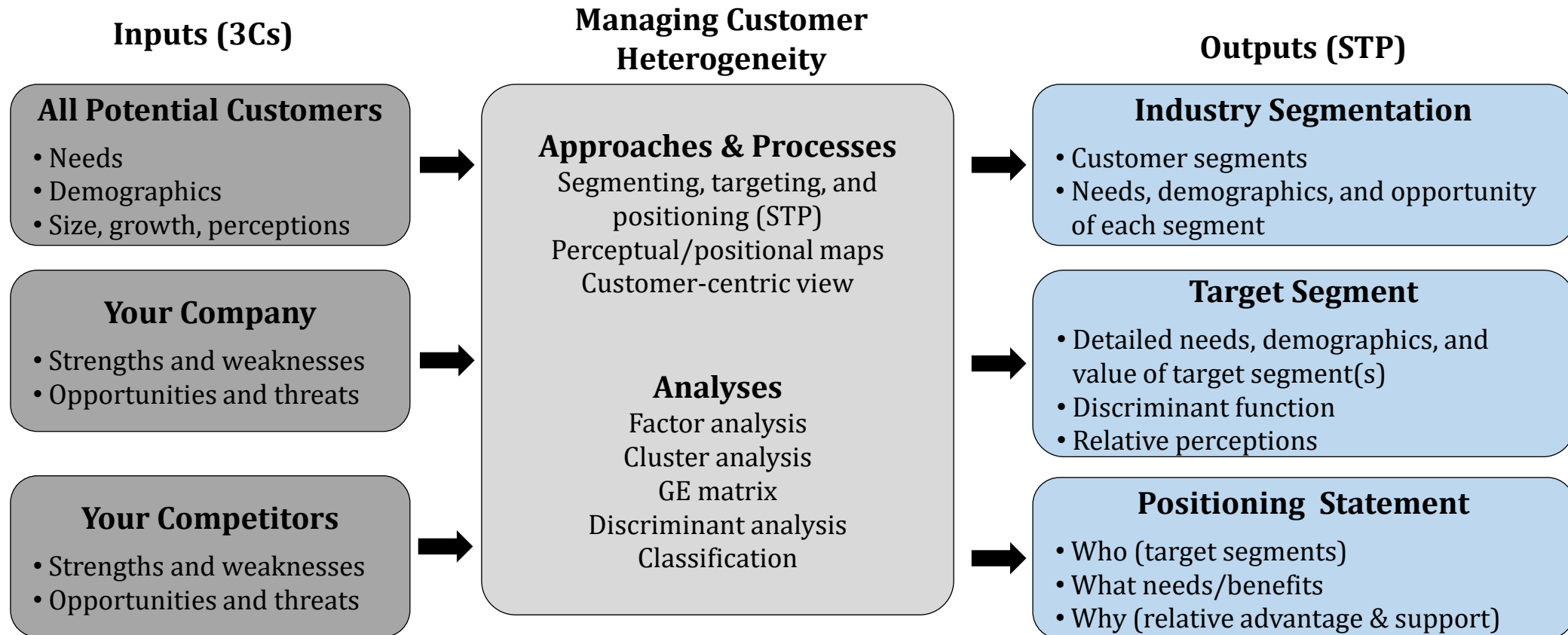
Example: Lovello (Bangladesh)

- Addressed MP #1 by developing different products for different consumers
- 3 reasons people buy chocolate
 1. To gift to others
 2. To share with a group
 3. To eat by themselves
- Expanded product line to meet all these needs (individually wrapped candies for candy dishes, fondue baskets for sharing with a group, packaged candy bars for people to eat themselves)
- Sales have increased by more than 10% per year from last few years



Marketing Principle #1: All Customers Differ

➔ Managing Customer Heterogeneity



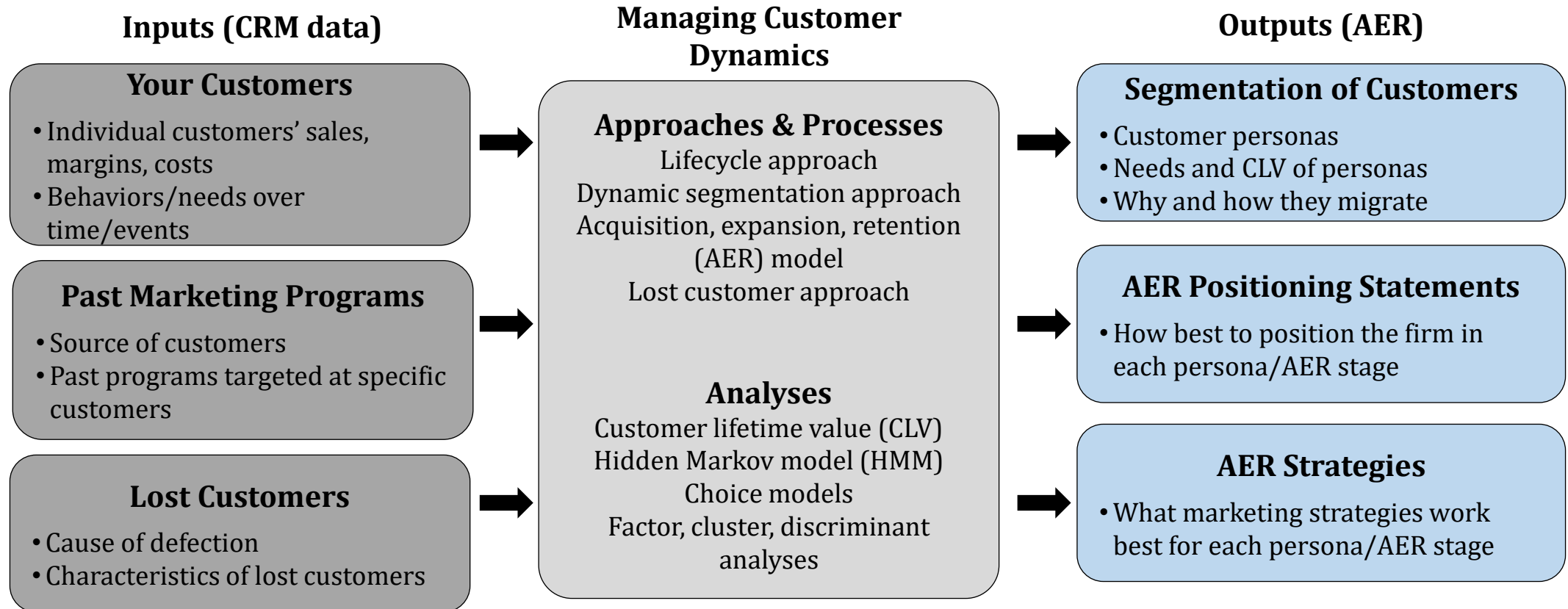
First Principle # 2: All Customers Change

- Customer's desires/needs for most products and services change overtime or due to specific events
 - **Consumer needs change:** cars (Buick), clothes, food, financial services, and healthcare as consumers age
 - **Trigger events:** marriage, kids, job change, finances, move, graduation, acquisition, new managers, legal changes
 - **Industries/markets change:** experience curve, diffusion, competitive responses, overproduction
- **Customer's needs vary not only due to inherent differences in people (heterogeneity) but also as people and markets change (dynamics)**
- Thus, segmentation and targeting needs to account for lifecycle changes/customer dynamics

Input-Output for Managing Customer Dynamics

- Whereas MP#1 focuses on the market as a whole, MP#2 narrows the scope to the firm's existing customers, challenging the firm to understand how its customers change over time
- There are three categories of inputs for managing customer dynamics:
 - Your customers
 - Past marketing programs
 - Lost customers
- These inputs in turn produce three categories of outputs:
 - Segmentation of Customers
 - AER Positioning Statements
 - AER Strategies

Marketing Principle #2: All Customers Change ➔ Managing Customer Dynamics



First Principle #3: All Competitors React

- Competitors are always copying successful strategies and innovating new ones
 - Only one firm remains from the original Dow 30 firms (GE)
 - Given enough money and time most strategies can be copied
- Thus, companies need to build a “barrier” to being copied, giving them time to adapt to innovation by others
- These barriers are termed sustainable competitive advantage (SCA) and are critical to *long-term superior* financial performance

Example: General Electric (US)

- History shows few firms can maintain a leadership position forever
- Of the original Dow 30 companies, only one remains: General Electric (GE)
- GE has repositioned itself during multiple drastic, company-wide initiatives to stay competitive
- From 1929-2013, the Dow Jones top firms were replaced 56 times due to their failure to respond to market changes and competitive threats

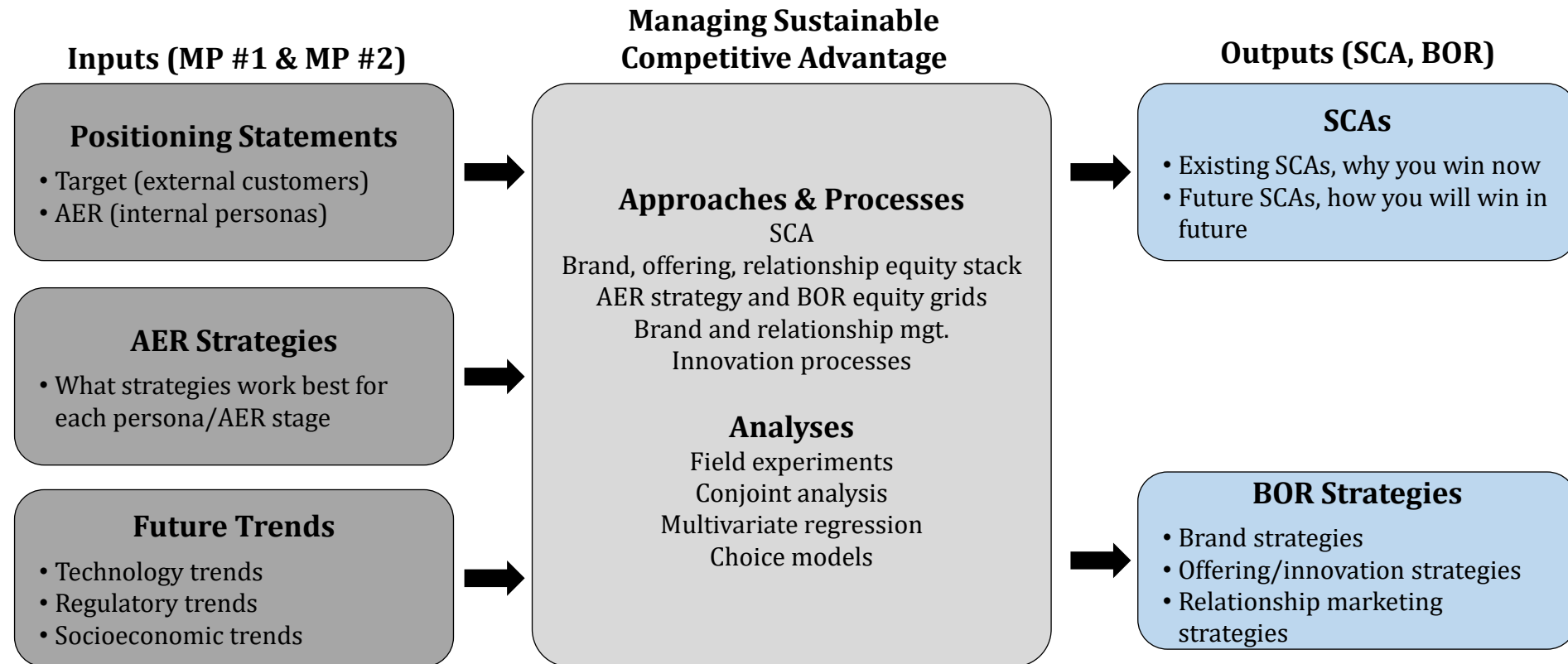


Input-Output Framework for Managing Sustainable Competitive Advantage

- MP#3 builds and maintains strong barriers to withstand competitive attacks
- Three main inputs for SCA framework:
 - Positioning Statements
 - AER Strategies
 - Future Trends
- This leads to two outputs for SCA:
 - SCAs
 - BOR Strategies



Marketing Principle #3: All Competitors React → Managing Sustainable Competitive Advantage

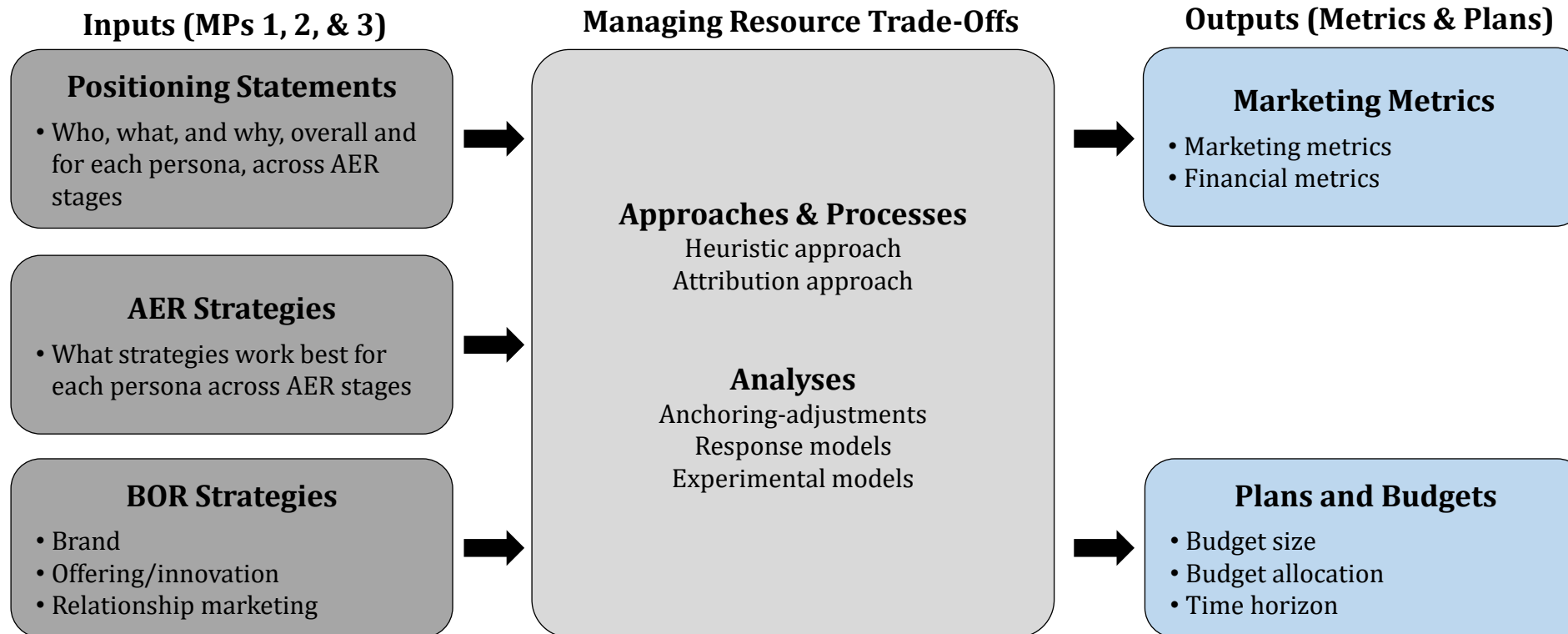


First Principle #4: All Resources are Limited

- Most marketing decisions require tradeoffs across multiple objectives where resources are constrained and often interdependent
 - Advertising vs. salespeople vs. discounts vs. channel co-ops vs. R&D vs. online
 - Many “messages” are mutually exclusive (high status and low price) or (high performance and economical)
 - Short-term vs. long-term tradeoffs
- **Thus, need to balance marketing resources across:**
 - Customers (STP)
 - Acquisition, Expansion, and Retention stages (AER)
 - Brand, Offering, Relationships (BOR)
 - Marketing mix elements (4 to 7 Ps)



Marketing Principle #4: All Resources Are Limited → Managing Resource Trade-Offs



Promotion and Pricing Strategies

- **Promotion:** The function of informing, persuading, and influencing a purchase decision.
- **Integrated marketing communications (IMC):** The coordination of all promotional activities—media advertising, direct mail, personal selling, sales promotion, and public relations—to produce a unified, customer-focused promotional strategy



Integrated Marketing Communications

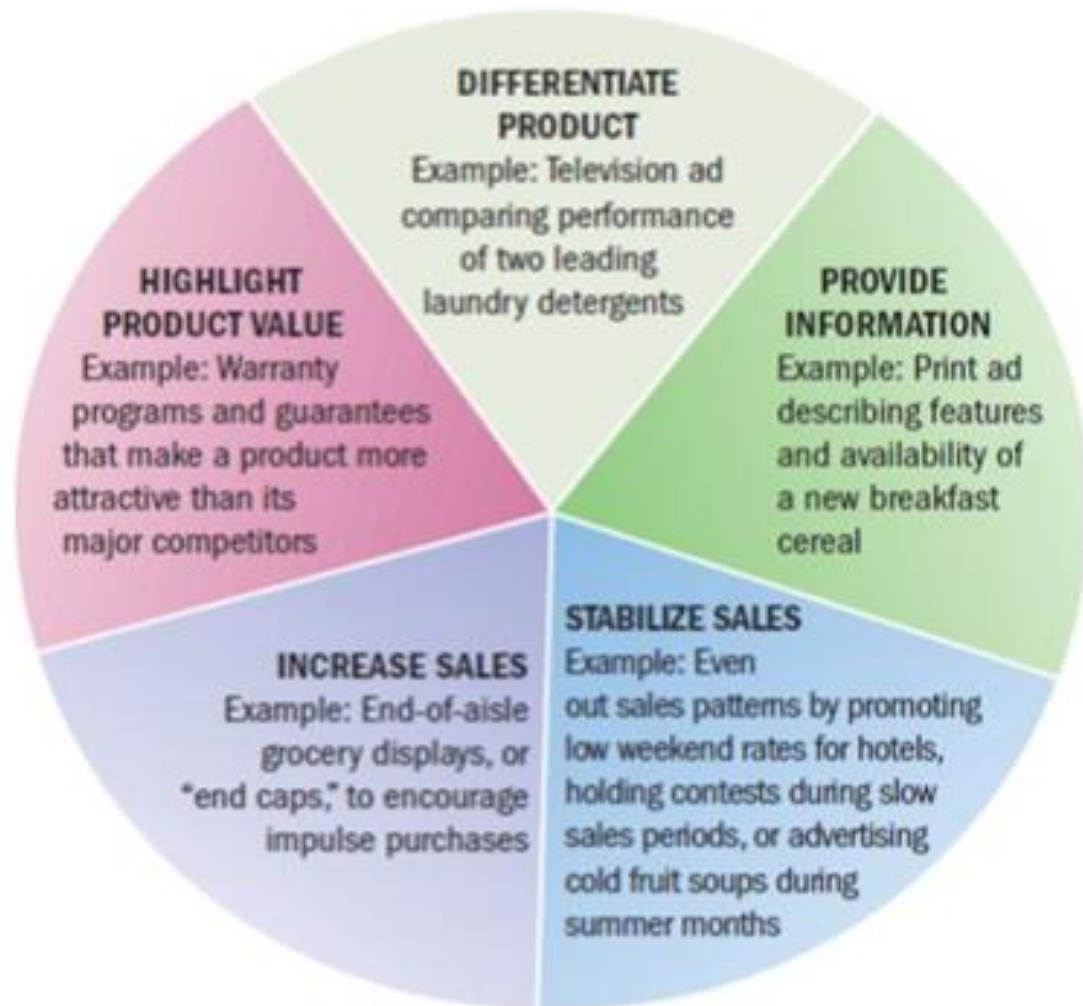
- Must take a broad view and plan for all form of customer contact.
- Create unified personality and message for the good, brand, or service.
- Elements include personal selling, advertising, sales promotion, publicity, and public relations.



The Promotional Mix

- **Promotional mix:** The combination of personal and nonpersonal selling that marketers use to meet the needs of a firm's target customers and to effectively and efficiently communicate its message to them
- **Personal selling:** The most basic form of promotion: a direct person-to-person promotional presentation to a potential buyer
- **Nonpersonal selling:** Forms of selling such as advertising, sales promotion, direct marketing, and public relations

Objectives of Promotional Strategies



Promotional Planning

- **Product placement:** A form of promotion where marketers pay placement fees to have their products featured in various media, from newspapers and magazines to television and movies
- [Guerilla marketing](#): Innovative, low-cost marketing efforts designed to get consumers' attention in unusual ways.

Advertising

- **Advertising:** Paid nonpersonal communication usually targeted at large numbers of potential buyers
 - Advertising expenditures are great; automotive, retail, and telecommunications firms spend the most on advertising in North America
 - Carmakers spend \$20 billion on advertising yearly.
 - Consumers are bombarded with many messages.
 - Firms need to be more and more creative and efficient at attracting customers' attention.



Types of Advertising

- **Product advertising:** Messages designed to sell a particular good or service
- **Institutional advertising:** Messages that promote concepts, ideas, or philosophies. It can also promote goodwill toward industries, companies, organizations, or government entities
- **Cause advertising:** A form of institutional advertising that promotes a specific viewpoint on a public issue as a way to influence public opinion and the political process

Advertising and the Product Life Cycle

- **Informative advertising** is used to build initial demand for a product in its *introductory phase*.
- **Persuasive advertising** attempts to improve the competitive status of a product, institution, or concept, usually in its *growth and maturity stages*.
- **Comparative advertising** compares products directly with their competitors, either by name or by inference.
- **Reminder-oriented advertising** maintains awareness of the importance and usefulness of a product in its *late maturity or decline stages*.

Types of Advertising

■ Television

- Easiest way to reach a large number of consumers
- Leading, but most expensive, advertising medium

■ Newspapers

- Dominate local advertising
- Relatively short life span

■ Radio

- Commuters in cars are a captive audience
- Internet radio offers new opportunities

■ Magazines

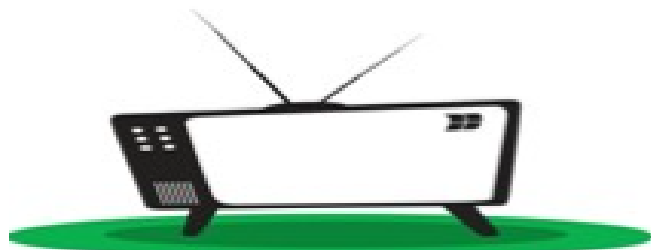
- Consumer publications and trade journals
- Can customize message for different areas of the country (local ads, wraparounds)

■ Direct Mail

- Average North American receives 550 pieces annually
- High per person cost, but can be carefully targeted and highly effective

■ Outdoor Advertising

- Billions spent annually in North America
- Requires brief messages



Consumer-Oriented Promotions

- **Premiums, coupons, rebates, samples**

- Marketers generally choose free/reduced price premiums likely to get consumers thinking and caring about a brand and product.
- Coupons attract new customers, but focus on price rather than brand loyalty.
- Rebates increase purchase rates, promote multiple purchases, and reward product users.
- Three of every four consumers who receive a sample will try it.

- **Games, contests, sweepstakes**

- Introduction of new products.
- Offer cash, merchandise, or travel as prizes to participating winners.
- Subject to legal restrictions.

- **Specialty advertising**

- Promotional items that prominently display a firm's name, logo, or business slogan.

Pricing Objectives in the Marketing Mix

- **Price:** The exchange value of a good or service
- **Profitability objectives:** Common goals that are included in the strategic plans of most firms
 - Maximize profits by reducing costs.
 - Maintain price while reducing package size.
- **Volume objectives:** Pricing decisions that are based on market share, the percentage of a market controlled by a certain company or product
 - **Pricing to meet competition**
 - Meet competitors' price.
 - Competitors cannot legally work together to set prices.
 - Competition can result in a *price war*.



Price Determination in Practice

- **Cost-based pricing:** Calculating total costs per unit and then adding markups to cover overhead costs and generate profits
 - Totals all costs associated with offering a product in the market, including research and development, production, transportation, and marketing expenses
 - Markup is added to cover any unexpected or overlooked expenses and provides a profit.
 - Total is the selling price.
 - Actual markup used varies by such factors as brand image and type of store.



[Pricing Your Product](#)