

Marketing is a social process involving the activities necessary to enable individuals and organisations to obtain what they need and want through exchanges with others and to develop ongoing exchange relationships.

Recent Developments

- Globalisation
- Increased importance of service
- Information Technology
 - Collect more data about customers
 - New way of communicating with customers
- Relationships across functions & firms

Marketing activities

Vertical integration:

all marketing activities are performed by a single organisation

Marketing channels:

part of marketing activities are performed b:y

- Merchant wholesalers
- Agent middlemen
- Retailers
- Facilitating agencies

Utility/price relationship enhanced:

- Possession utility
- Place utility
- Time utility

Benefits:

- Transactional efficiency
- Functional efficiency

Exchange

Factors

- identified potential exchange partners
- developed offerings
- communicated info
- delivered products
- collected payments

Customers

- Ultimate
- Organisational

Needs & wants

- **Need:** gap between actual & desired state
- **Want:** Specific way to satisfy need

Create value

- Customers buy benefits, not products
- Benefits, service & price determine value
- L/T relationships make the lifetime customer value increase

Process

1. Need
2. Benefits sought
3. Choice criteria
4. Product/service features
5. Brand/supplier chosen

Products & Services

- Products: Tangible
 - Services: Less Tangible
- People
Institutions
Activities
Places

Markets (consist of)

- Individuals & Organisations (who are)
- Interested & Willing (and have)
- Resources available

People's needs: flow from basic biological and psychological human make-up

Organisations' needs: shaped by the organisation's strategic objectives and relate to resource inputs, capital equipment, supplies, and services necessary to assure their survival and well-being

People's want:s: shaped by social influences, their past history, and consumption Experiences

process of analysing, planning, implementing, co-ordinating and controlling programmes involving the conception, pricing, promotion and distribution of products, services and ideas designed to create and maintain beneficial exchanges with target markets for the purpose of achieving organisational objectives.

1. Integrate marketing objectives and strategy with the company's Corporate and Business-level strategies and resources (FIT):

2. Analyse the 4Cs (Marketing opportunity analysis)

- Company
- Context (environment)
- Customers
- Competitors

Market segmentation, Targeting and Positioning decisions

3. Formulate the 4Ps (Marketing mix) (Strategic Marketing programmes)

- Product offering
- Price
- Promotion
- Place (distribution channels)

MARKETING PLAN

4. Formulate strategic marketing programmes for specific situations

- New markets
- Growth markets
- Mature and declining markets

5. Implementation of the marketing programme

6. Control of the marketing programme

FEEDBACK

Segmentation: divide customers Into market segments—distinct subset of people with similar needs, circumstances and characteristics that lead them to respond in a similar way to a particular product or service offering or to a particular mktg strategic programme

Targeting: decide on which market segments to focus a strategic mktg programme

Positioning: design the product or service offering within the target segment

THE MARKETING MANAGEMENT PROCESS



Business activity or function

Product offering

Product line

Pricing

Research

Packaging

Credit

Promotion

Production orientation

Company sells what it can make; primary focus on functional performance and cost.

Narrow.

Based on production and distribution costs.

Technical research; focus on product improvement and cost cutting in the production process.

Protection for the product; minimise costs.

A necessary evil; minimise bad debt losses.

Emphasis on product features, quality and price.

Marketing orientation

Company makes what it can sell; primary focus on customers' needs and market opportunities.

Broad.

Based on perceived benefits provided.

Market research; focus on identifying new opportunities and applying new technology to satisfy customer needs.

Designed for customer convenience; a promotional tool.

A customer service; a tool to attract customers.

Emphasis on product benefits and ability to satisfy customers' needs or solve problems.

5. Synergy

Corporate

across businesses in the corporate portfolio

- shared resources, technologies
- shared functional competencies

BU

across product-market entries in the BU

- shared resources
- shared functional competencies

Marketing

across product-market entries

- shared marketing resources
- shared competencies or activities

4. Source of Competitive Advantage

Corporate

- superior corporate resources;
- more corporate R&D;
- better organisational processes or synergies

BU

- competitive strategy;
- BU competencies

Marketing

- effective product positioning;
- superiority on one or more of the 4P's

3. Allocation of Resources

Corporate

- among businesses in the corporate portfolio
- across functions shared by multiple businesses

BU

- among product market entries in the BU
- across functions within the BU

Marketing

- across 4Ps for a specific product-market entry

STRATEGY

1. Scope

Corporate

- Domain: business or industry
- Corporate development strategy
 - conglomerate (unrelated) diversification
 - vertical integration
 - forward
 - backward
 - acquisition and divestiture policies
- Domain: product market within business or industry
- Business development strategy:
 - concentric (related) diversification
- Target market definition
- Product-line depth and breadth
- Branding policies
- Product-market development plan
- Line extension or product eliminations plans

BUMarketing

2. Goal and Objectives

Corporate

aggregated across businesses in the corporate portfolio

- revenue growth
- profitability, ROI
- EPS, contribution to stakeholders

BU

aggregated across product-market entries in the BU

- sales growth,
- new product or market growth
- profitability, ROI
- cash flow,
- strengthening bases of competitive advantage

Marketing

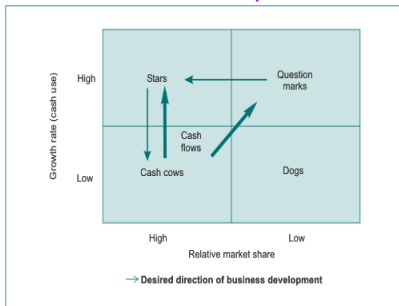
for a specific product-market entry

- sales, market share
- contribution margin
- customer satisfaction

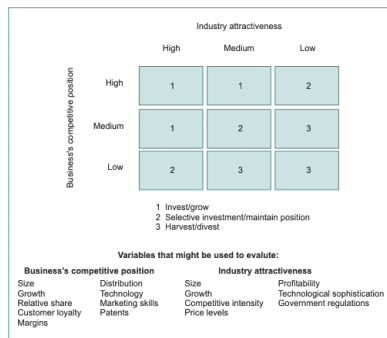
5. Allocate corporate resources

Two tools:

- Portfolio models
- The BCG growth share matrix
- *growth rate*: industry attractiveness
- *market share*: competitive strength



- Multifactor models (GE matrix)



- Value-based planning
- Discounted cash flow

6. Develop synergies

Sources

- knowledge
- corporate identity and corporate brand
- shared resources

1. Define the firm's mission

Fit with:

- firms' internal characteristics
- external environment

Criteria:

- Physical: based on existing products or technology
- Functional: based on customer needs + functions to perform to satisfy them
- Best functional but specifying the customer group and the products or technologies on which the firm will concentrate
- Importance of ethic:**
 - Social policies and ethical standards

CORPORATE STRATEGY

2. Define firm's objectives

- Specific
- Measurable

Four components:

- *Performance dimension* or attribute sought
- *Measure or index* for evaluating progress
- *Target or hurdle* to be achieved
- *Time frame* within which the target is to be accomplished

Trade-off when objectives are multiple

4. Develop Corporate Growth strategies

	Current products	New products
Current markets	Market penetration strategies <ul style="list-style-type: none"> • Increase market share • Increase product usage <ul style="list-style-type: none"> - Increase frequency of use - Increase quantity used - New applications 	Product development strategies <ul style="list-style-type: none"> • Product improvements • Product-line extensions • New products for same market
New markets	Market development strategies <ul style="list-style-type: none"> • Expand markets for existing products <ul style="list-style-type: none"> - Geographic expansion - Target new segments 	Diversification strategies <ul style="list-style-type: none"> • Vertical integration <ul style="list-style-type: none"> - Forward integration - Backward integration • Diversification into related businesses (concentric diversification) • Diversification into unrelated businesses (conglomerate diversification)

3. Gain a competitive advantage

Company resources that:

- other firms do not have
- take a long time to develop
- are hard to acquire

Employ resources effectively

Develop competitive and marketing strategies that provide benefits

Communicate benefits effectively

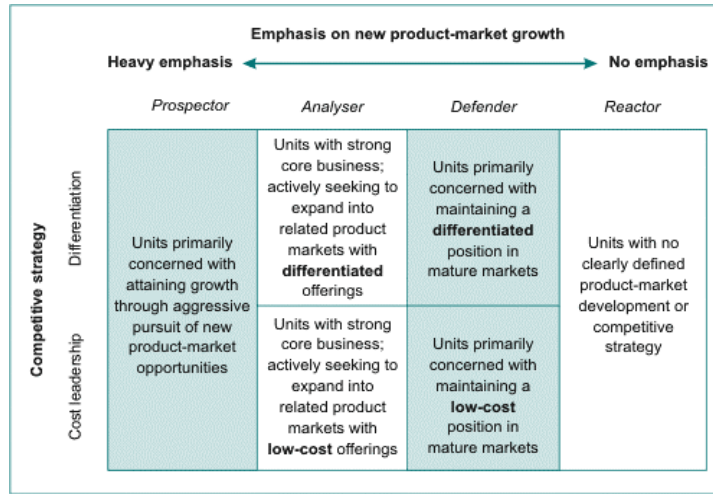
4. Competitive Advantage

Porter

1. Overall cost leadership
2. Differentiation
3. Focus (Narrow/Broad)

Miles & Snow

1. Prospectors
2. Defenders
3. Analysers
4. Reactors



1. Decide how to divide the firm into SBUs

Characteristics:

- Homogeneous set of markets to serve
- Unique set of product-markets
- Control over resources key to success
- Responsibility for profitability

Dimensions (trade-off):

- Technical compatibility
- Similarity in customer needs
- Similarity in personal characteristics

BUSINESS STRATEGY

2. Define SBUs' objectives

Break down corporate objectives into subobjectives for each SBU

Break down overall SBU objectives into subobjectives for each product-market entry

3. Allocate resources within the SBU

Two tools:

- Portfolio models
 - The BCG growth share matrix
 - Multifactor models (GE matrix)
- Value-based planning
 - Discounted cash flow

Dimensions	Low-cost defender	Differentiated defender	Prospector	Analysers
Scope	Mature/stable/well defined domain; mature technology and customer segments	Mature/stable/well defined domain; mature technology and customer segments	Broad/dynamic domains; technology and customer segments not well established	Mixture of defender and prospector strategies
Goals and objectives				
Adaptability (new product success)	Very little	Little	Extensive	Mixture of de fender and prospector strategies
Effectiveness (sales growth and increase in market share)	Little	Little	Large	Mixture of defender and prospector strategies
Efficiency (ROI)	High	High	Low	Mixture of defender and prospector strategies
Resource deployment	Generate excess cash (cash cows)	Generate excess cash (cash cows)	Need cash for product development (question marks or stars)	Need cash for product development but less so than do prospectors
Synergy	Need to seek operating synergies to achieve efficiencies	Need to seek operating synergies to achieve efficiencies	Danger in sharing operating facilities and programmes better to share technology/marketing skills	Danger in sharing operating facilities and programmes better to share technology/marketing skills

Technology

- internet
- genetic engineering
- transistors
- plastic

Physical

- greenhouse effect (global warming)
- depletion of natural resources
- inadequate water supply

Demographic

- increase in population esp. in growing countries
- population aging esp. in developed countries
- ethnic composition
- HIV/AIDS pandemic
- shift from rural to urban in growing countries

Political/Legal

- political/legal risks (confiscation, expropriation, domestication)
- political/legal opportunities
- govt. regulation
- govt. deregulation

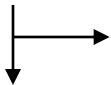
Economic

- Gross Domestic Product (GDP)
- Purchasing Power Parity (PPP)
- free-trade agreements (EU)
- interest rates
- exchange rate

Components of macroenvironment

Environmental analysis

1. Identify macro trends changes
2. Evaluate impact on the firm's l/t profitability and position
3. Respond



Opportunity/threat matrix

		Probability of occurrence	
		High	Low
Level of impact on company	High	4	1
	Low	2	3

1. Wireless communications technology will make networks based on fibre and copper wires redundant.
2. The prices of personal computers will be reduced by 25 per cent each year, in real terms.
3. The uptake of high speed internet access technology will be 25 per cent faster than expected.
4. Cable providers will also offer comparable and competing service offerings.

Sociocultural

- individual values
- family structure
- minority rights
- leisure-time activities, etc

- Events no 4 should be closely monitored.
- Events no 3 should probably be dropped, at least for the moment.
- Events no 1 should be reexamined less frequently to determine
- whether the impact rating remains basically sound

Sources of macro trends

- Trade associations & magazines
- Local, state & federal governments
- Government sources & business press
- Web

Output of macro trends analysis

- Quantitative data (market's size & growth rate)
- Qualitative data

Module 5

INDUSTRY ANALYSIS AND COMPETITIVE ADVANTAGE

Industry:

Definition:
group of firms that offer a product or class of products that are similar and are close substitute for one another

Levels of analysis:

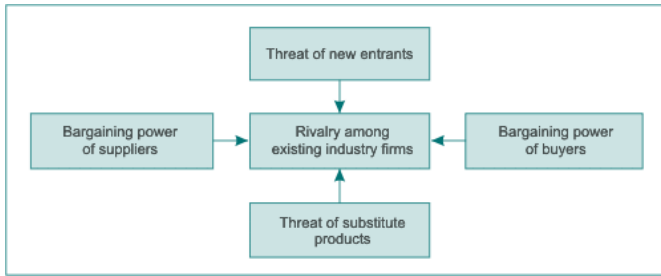
- Generic category
- Product class
- Product type

Driving forces

(macroenvironmental trends)

- Changes in the industry's l/t growth rate
- Changes in key buyer segments
- Diffusion of proprietary knowledge
- Changes in cost & efficiency
- Changes in gvt regulations

Five competitive forces (Porter)



Degree to which management can perform on these factors

Industry attractiveness

Rate of diffusion of innovation

Rate of adoption:

- Risk
- Relative advantage
- Relative simplicity
- Compatibility with current behaviour
- Ease of small-scale trial
- Ease of communication of benefits

Adopters categories:

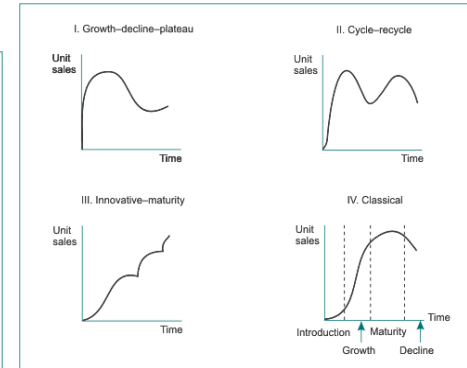
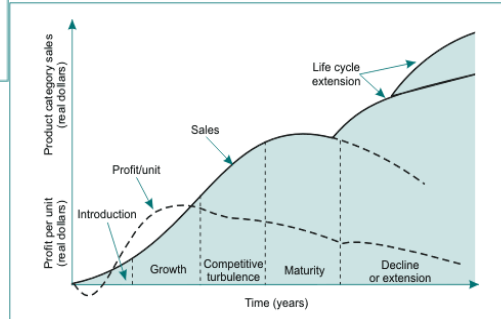
- Innovators
- Early adopters
- Early majority
- Late majority
- Laggards

Market segments

Product-life cycle

- 1.Introduction
- 2.Growth
- 3.Shakeout
- 4.Maturity
- 5.Dean

Competitive advantage



Stages in product life cycle

Stage characteristics	Introduction	Growth	Shake-out	Mature	Decline
Market growth rate (net of inflation)	Moderate	High	Levelling off	Insignificant	Negative
Technical change in product design	High	Moderate	Limited	Limited	Limited
Segments	Few	Few to many	Few to many	Few to many	Few
Competitors	Small	Large	Decreasing	Limited	Few
Profitability	Negative	Large	Low	Large for high-market-share holders	Low
Firm's normative responses					
Strategic marketing objectives	Stimulate primary demand	Build share	Build share	Hold share	Harvest
Product	Quality improvement	Continue quality improvement	Rationalise	Concentrate on features	No change
Product line	Narrow	Broad	Rationalise	Hold length of line	Reduce length of line
Price	Skimming vs penetration	Reduce	Reduce	Hold or reduce selectively	Reduce
Channels	Selective	Intensive	Intensive	Intensive	Selective
Communications	High	High	High	High to declining	Reduce

Module 6

UNDERSTANDING CONSUMER BUYING BEHAVIOUR

Social Influences

Culture

Subculture

Social class

- upper (reference)
- upper middle (quality)
- middle (traditional)
- working (impulse)
- lower (compen. and brand loyalty)

Reference Groups (formal/informal)

Family

- young singles
- married with children
- married without children
- middle without children
- older marrieds and unmarrieds

High-Involvement

1. Problem identification

- change in actual state
- change in desired state

2. Info Search (Memory)

Factors

- product
- situational {
 - Experience
 - Social acceptability
 - Value-related considerations
- personal {
 - Demographic characteristics
 - Personality

Costs of info

- opportunity
- psychological

Sources of info

- personal {
 - Evaluating and legitimising function
- public {
- commercial {
 - Informing function

Low-involvement

- brand familiarity (impulse purchasing)
- brand comparison on the shelf
- brand evaluation *after* purchase (may develop brand loyalty)
- inertia vs brand loyalty

3. Evaluation of alternatives

Product dimensions or attributes

- cost
- performance
- social
- availability
- environmental and usage situation
- 4. Purchase = product purchase process
- 5. Post-purchase evaluation
 - aspirations or expectations
 - performance evaluation
 - *Brand loyalty*
 - *Repeated patronage*

Psychological and Personal Characteristics

• Perception and Memory

High-involvement process

- exposure
- attention
- comprehension
- retention

Influences:

- selectivity
 - perceptual vigilance/defense
 - memory limitations
- perceptual organisation
 - categorisation
 - integration

• Attitudes

- Compensatory models
 - Fishbein model
- Non-compensatory models



Psychographics

• Demographics

• Life Style

- strivers
- achievers
- pressured
- adapters
- traditional

Types of consumer decision making

Extent of decision making	Extent of involvement	
	High	Low
Extended (information search; consideration of brand alternatives)	Complex decision making (cars, homes, vacations)	Limited decision making, including variety seeking and impulse purchasing (adult cereals and snack foods)
Habit/routine (little or no information search; focus on one brand)	Brand loyalty (athletics shoes, adult cereals, cologne, deodorant)	Inertia (frozen vegetables, paper towels)

High-involvement consumer behaviour

- Consumers are information processors.
- Consumers are information seekers.
- Consumers represent an active audience for advertising.
- Consumers evaluate brands before buying.

Consumers seek to maximise expected satisfaction. They compare brands to see which provides the most benefits related to their needs and buy on the basis of a multiattribute comparison of brands.

- Personality and lifestyle characteristics are related to consumer behaviour because the product is closely tied to the person's self identity and belief system.
- Reference groups influence consumer behaviour because of the importance of the product to group norms and values.

Low-involvement consumer behaviour

- Consumers learn information at random.
- Consumers are information gatherers.
- Consumers represent a passive audience for advertising.
- Consumers buy first. If they do evaluate brands, it is done after the purchase.
- Consumers seek an acceptable level of satisfaction. They buy the brand least likely to give them problems and buy on the basis of a few attributes. Familiarity is the key.
- Personality and lifestyle are not related to consumer behaviour because the product is not closely tied to the person's self-identity and beliefs.
- Reference groups exert little influence on consumer behaviour because products are not strongly related to their norms and values.

Marketing decisions for high-involvement versus low-involvement products or services

Marketing mix element	Marketing decisions where the consumer exhibits high involvement	Marketing decisions where the consumer element exhibits low involvement
Product decisions	For long-term success, one or more compelling product benefits are necessary, regardless of the level of consumer involvement.	For long-term success, one or more compelling product benefits are necessary, regardless of the level of consumer involvement.
Pricing decisions	<u>Price, unless substantially lower, is likely to be of secondary importance to performance criteria.</u> High price may suggest high quality or status, to the seller's benefit. Demonstrable consumer benefits are more likely than price to drive consumer choice.	<u>Price offers can be effective in gaining trial.</u> A sustained low price, compared to competitors (such as for private label goods in supermarkets), may provide sufficient inertia for repeat purchase.
Promotional decisions	<u>Consumers are interested in the information that sellers provide.</u> Promotional vehicles that communicate in greater detail (e.g., print advertising, Internet, infomercials, personal selling) are likely to be effective.	<u>Consumers are not interested in the information that sellers provide.</u> Large advertising budgets and a clear focus on a single demonstrable consumer benefit are probably necessary to get the message across.
Distribution decisions	Consumers will be relatively less concerned with convenience in Purchasing. <u>Relatively less extensive distribution is necessary.</u>	Consumers will be relatively more concerned with convenience in purchasing. <u>Relatively more extensive distribution is necessary.</u>

Module 7 UNDERSTANDING ORGANISATIONAL MARKETS AND BUYING BEHAVIOUR

Purchase motives

- derived from consumer demand
- relatively inelastic
- more erratic
- more cyclical

Purchase processes and buyer-seller relationships

- use of professional buying specialists following prescribed procedures
- closer buyer-seller relationship
- presence of multiple buying influences
- more apt to buy on specifications

Market demographics

Organisational buyers:

- fewer in number
- larger
- geographically concentrated

Goods

Raw Materials

Natural

- limited supply; few producers;
- bulky and low unit value: short distribution channels

Farm

- few producers; seasonal: long distribution channels;
- standardised: branding not important,
- little promotion

Component Materials and Parts

- high volume: sold directly;
- steady and reliable supply important with JIT;
- web auctions important

Installations

- few potential customers;
- large average sale;
- tailored: personal selling and system design service important;
- sold directly

Accessories

- disomogeneous category: no unique marketing strategy

Operating Supplies

- small quantity-purchases: long distribution channels;
- price important;
- little brand loyalty

Organizational Markets

Buying Centre

- Users
- Influencers
- Gatekeepers
- Buyers
- Deciders

Services

Business Services

- intangible and evaluated after purchase: long-term relationship, supplier's qualifications, experience and reputation critical
- price not important/indicator of quality
- tailored: personal selling important
- purchased by executives

Straight rebuy

- Modified rebuy
- New-task buying

Recognition of a problem or need

- Derived demand
- Requirement planning
- Determining product specifications

Search for information about products and suppliers

- Value analysis
- Make-or-buy decisions
- Information about potential suppliers

Evaluation and selection of suppliers

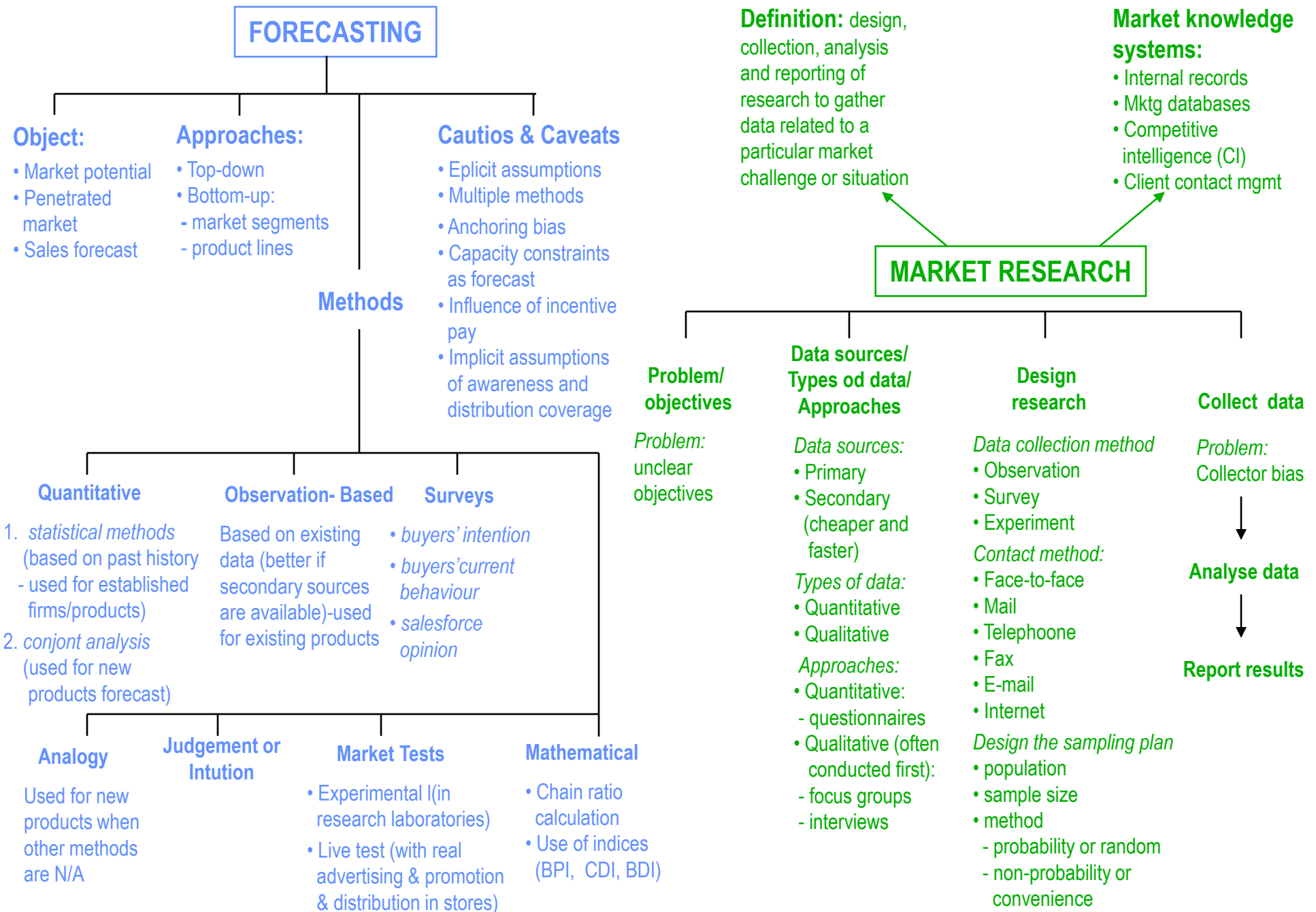
- Vendor analysis
- Unethical practices*
- Reciprocity
- Bribes

Purchase decision

- Purchasing contract:
- Long-term contract
- Spot market contracts or auctions
- Alliances and partnerships
- JIT purchasing arrangements

Performance evaluation and feedback

Module 8 MEASURING MARKET OPPORTUNITIES: FORECASTING AND MARKET RESEARCH



MARKET SEGMENTATION

process by which a market is divided into distinct customer subsets of people with similar needs and characteristics that lead them to respond in similar ways to a particular product offering and strategic marketing programme.

Objectives:

1. Identify a homogeneous segment that differs from others
2. Specify criteria that define segment
3. Determine the size and market potential of each segment

Criteria or descriptors

1. Demographic

Consumer markets

- age; sex; income
- occupation; education
- race/ethnicity

Industrial markets

- macrosegmentation (characteristics of buyers' organisations)
- microsegmentation (characteristics of individuals)

2. Geographic

3. Geodemographic

- demographic + geographic

4. Behavioral Factors

Consumer needs

- benefit sought
- choice criteria

Product-related behaviour

- product usage
- loyalty
- purchase predisposition
- purchase influence

General behaviour

- life styles (VALS2)
- social class

Organisational or firm behaviour

- purchasing structure (centralised/not)
- buying situation (straight, modified, new)

Process

1. Choose criteria to measure attractiveness and competitive position

Attractiveness

- Customer needs and behaviour
- Market or market segment size and growth rate
- Macro trends (demographic, sociocultural, economic, political/legal, technological, physical)

Competitive position

- Opportunities
- Firm and competitor capabilities and resources
- Attractiveness of target industry (Porter's 5 forces, capacity, driving forces)

2. Weight Each Factor

3. Assess the current position of each target market on each factor (market-attractiveness/competitive-position matrix)

4. Project Future Position for Each Segment (changes in market attractiveness and/or competitive position)

5. Choose Segments to Target, Allocate Resources

MARKET TARGETING

which segment to target based on evaluation of relative attractiveness of each segment, the benefits sought and the firm's relative strengths.



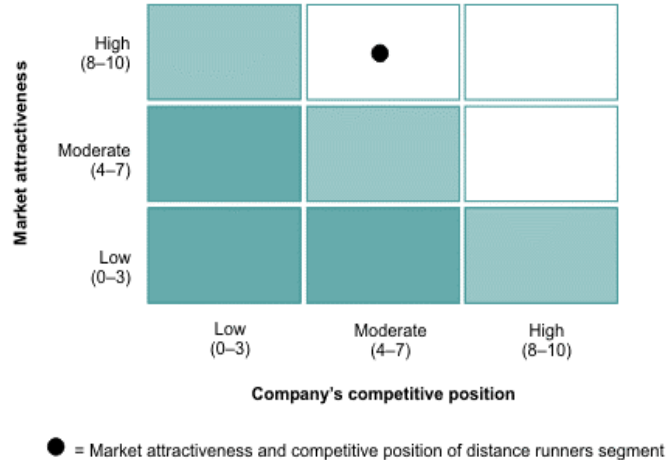
Strategies:

1. Mass
 - Differentiation
 - Undifferentiated
2. Niche
3. Growth

Global markets



Market- attractiveness/ competitive position matrix



Implications of alternative positions within the market- attractiveness/ competitive position matrix for target market selection, strategic objectives and resource allocation

		Competitive position		
		Weak	Medium	Strong
Market attractiveness	High	Build selectively: <ul style="list-style-type: none"> Specialise around limited strengths Seek ways to overcome weaknesses Withdraw if indications of sustainable growth are lacking 	DESIRABLE POTENTIAL TARGET Invest to build: <ul style="list-style-type: none"> Challenge for leadership Build selectively on strengths Reinforce vulnerable areas 	DESIRABLE POTENTIAL TARGET Protect position: <ul style="list-style-type: none"> Invest to grow at maximum digestible rate Concentrate on maintaining strength
	Medium	Limited expansion or harvest: <ul style="list-style-type: none"> Look for ways to expand without high risk; otherwise, minimise investment and focus operations 	Manage for earnings: <ul style="list-style-type: none"> Protect existing strengths Invest to improve position only in areas where risk is low 	DESIRABLE POTENTIAL TARGET Build selectively: <ul style="list-style-type: none"> Emphasise profitability by increasing productivity Build up ability to counter competition
	Low	Divest: <ul style="list-style-type: none"> Sell when possible to minimise cash value Meantime, cut fixed costs and avoid further investment 	Manage for earnings: <ul style="list-style-type: none"> Protect position Minimise investment 	Protect and refocus: <ul style="list-style-type: none"> Defend strengths Seek ways to increase current earnings without speeding market's decline

Module 10

POSITIONING

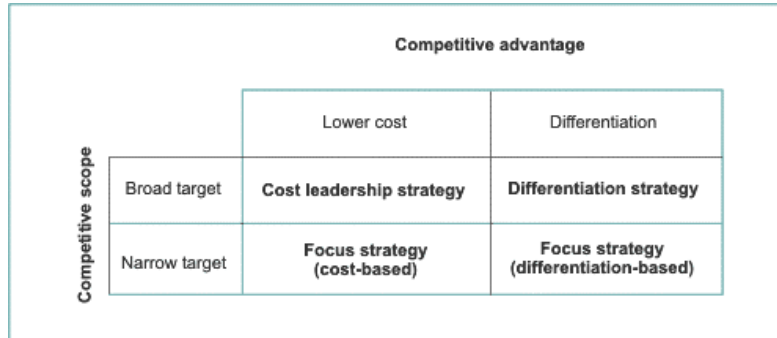
Definition: designing product offerings and developing strategic marketing programmes that collectively create an enduring competitive advantage.

Refers to:

- the place a product or brand occupies in customers' minds relative to their needs and competing products or brands (customer need considerations)
- the marketer's decision making intended to create such a position (competitive considerations)

Porter's strategies:

1. Overall cost leadership
2. Differentiation
3. Focus



Physical

- Technical orientation.
- Physical characteristics.
- Objective measures.
- Data readily available.
- Physical brand properties.
- Large number of dimensions.
- Represents impact of product specifications and price.
- Direct R&D implications.

POSITIONING

Dimensions

- o Simple physically-based

attributes: directly related to a single physical dimension such as price, quality, power, or size.

Complex physically-based

attributes. Ex: speed of a computer system, roominess of a car, and a product's or service's being user friendly.

Essentially abstract attributes:

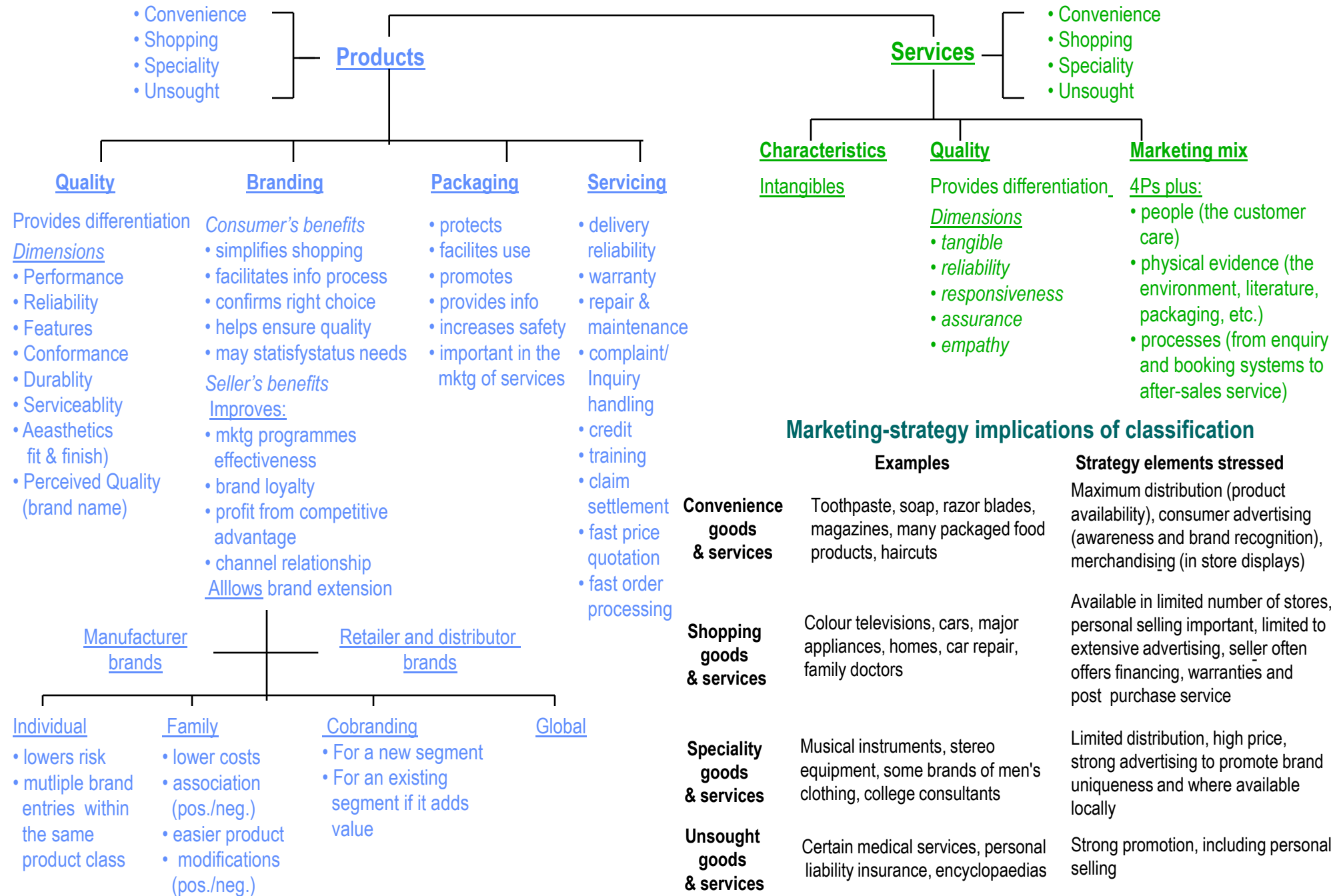
influenced by physical characteristics, but not related to them in any direct way. Ex.: sexiness of a perfume, quality of a French wine, and prestige of a car.

Perceptual

- Consumer orientation.
- Perceptual attributes.
- Perceptual measures.
- Needs marketing research.
- Perceptual brand positions and positioning intensities.
- Limited number of dimensions.
- Represents impact of product specifications and communication.
- R&D implications need to be interpreted.

Module 11

PRODUCT DECISIONS



PRODUCT LINES DECISIONS

Short-line/Long-line

- Extent to which the market can be segmented
- How the company wants to position itself
- What stage of the market evolution is
 - early stage: short
 - in the L/T: long

Line stretching

- lengthen the product line
- add items with different size/price/quality
- serve new market segments

Tyoes:

- upward
- downward
- two-way stretches

Brand extension

- use established brand for another product class
- association (pos./neg.)

Product systems

- sell package (products + service)
- require compatibility between system components
- scale economies
- close buyer-seller relationship

Line filling

- lengthen the product line
- add items
- add/drop features

Objectives:

- satisfy more customers
- increase sales & profits
- full-line supplier to dealers
- ward off competitors

Line extension

- introduce new products,
- higher cost
- extended technological base
- tap new market segments

Dropping products

- eliminate weak products based on their contribution to profits

Module 11

PRODUCT DECISIONS

New products:

- New to the world
- New to the firm
- Product-line extensions
- Product improvements

Reasons:

- changes in technology
- macroenvironment factors
- competition
- customers and suppliers

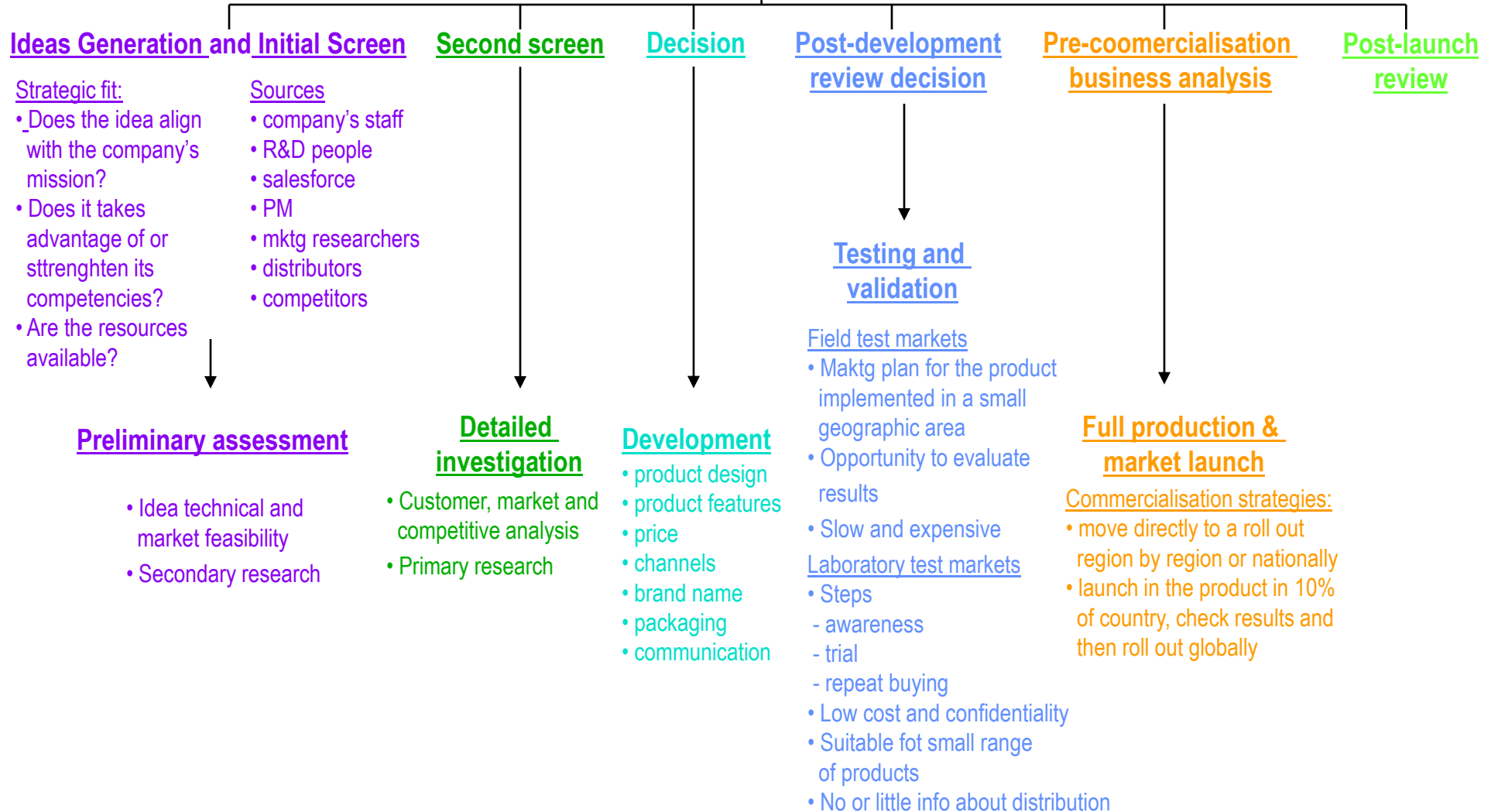
Causes of failure:

Introduction of me-too products

Causes of success:

- Product linked to an attractive market
- Strong market capabilities

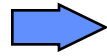
NEW PRODUCT DEVELOPMENT



Module 12

PRICING DECISIONS

- SBU and mktg strategies
- Target market characteristics
- Product characteristics
- Competitor characteristics



PRICE-SETTING DECISION PROCESS



- Company's SW
- Environmental influences:
 - Economic trends
 - Legal restrictions

Strategic Objectives

- Penetration
- Differentiation
- Maximum profit
 - *skimming*
 - *harvesting*
- Survivor
- Social

Estimate Demand & Perceived value

Determine the ceiling of the range of feasible prices

Demand curve:

- negative slope (typical)
- positive slope

Demand sensitivity

- perception/preference + awareness and attitudes towards alternatives + ability to pay =

Perceived value

Price elasticity of demand

- elastic
- inelastic
- unitary

Demand estimation

- mktg research (lab or test market)
- consumer survey
- regression analysis
- in-store experiments
- multiple tests

+

Estimate Costs

+

Determine the floor of the range of feasible prices

Cost categories (FC, VC, TC)

Measuring costs

- full
- direct
- ABC

Cost and volume relationships

- economies of scale
- experience curve

Competitive Analysis

- Reverse engineering to estimate competitors' product costs
- No of employees, no and size of outlets, efficiency ratios to estimate competitors' service costs
- Market share

=

Price setting Methods

Cost oriented

- cost plus or mark-up
- rate of return
- break-even

Competition oriented

- going rate or competitive parity
- discount/premium

Customer orientated

- perceived value
 - industrial engineering
 - overall estimates
 - decomposition
 - compositional
 - importance ratings

esp. for industrial products and consumer durables

esp. for consumer non durables

- value-in-use (reference product + additional benefits & cost savings)
- psychological influences
 - customary pricing
 - price lining
 - psychological pricing
 - odd pricing
 - promotional pricing

Module 13

DISTRIBUTION CHANNEL DECISIONS

Rationale for mktg channels:

- Trade-off between costs and *benefits*:
- Functional efficiency
 - Scale efficiency
 - Transactional efficiency

Business's competitive strategy

3Ps + Product characteristics

Objectives:

- Product availability
- Meeting customer service requirements
- Promotional effort
- Market info
- Cost effectiveness
- Flexibility

CHANNEL DESIGN

Availability of human & financial resources

Environmental factors (ex. technological developments)

Channel design decision:

Which objective is most important?

Promotional effort

Market info & postsale

These activities must be controlled by:

- detailed legal contracts
- incentive
- vertically integrated distribution channels

Availability and customer service requirements

Consumer goods and Services

Strategies of retail

- intensive
- exclusive
- selective

The more important the availability the more likely the use of wholesalers/ agents

Industrial goods and Services

The more important the availability and customer service the more likely the use of wholesalers/ agents

Internet:

- always improves the search aspect of availability
- improves the acquisition aspect of availability only if the product can be delivered in digital form

Cost effectiveness

Make-or-buy decision

Company salesforce are more efficient at high volume levels because of economies of scale and because agents' commissions are larger

Supply chain mgmt:

Improves customer service levels while simultaneously reducing costs

Flexibility

Channels involving middlemen are more flexible than vertically integrated systems

Multichannel distribution

- Dual (two-channel)(to reach different target segments)
- Hybrid (the members perform complementary functions for the customer segment)

Channel design alternatives:

Services:

Usually short: direct from the creator or performer of service to the end user

Global:

Market entry strategies

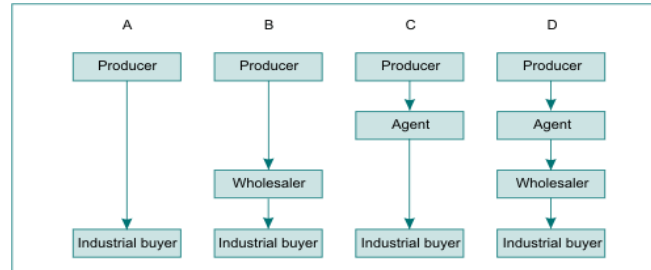
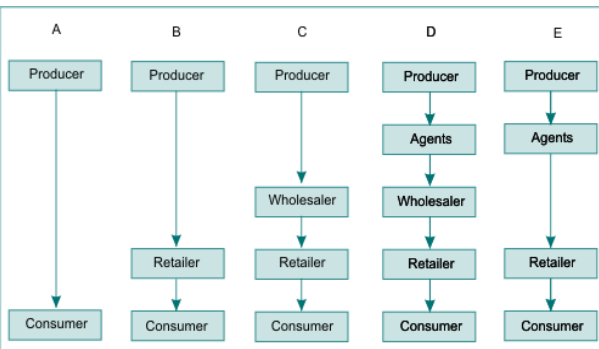
- exporting (direct(indirect)
- contractual (licensing, franchising, contract manufacturing, turnkey construction contract, coproduction, countertrade)
- direct investment (JV, sole ownership)

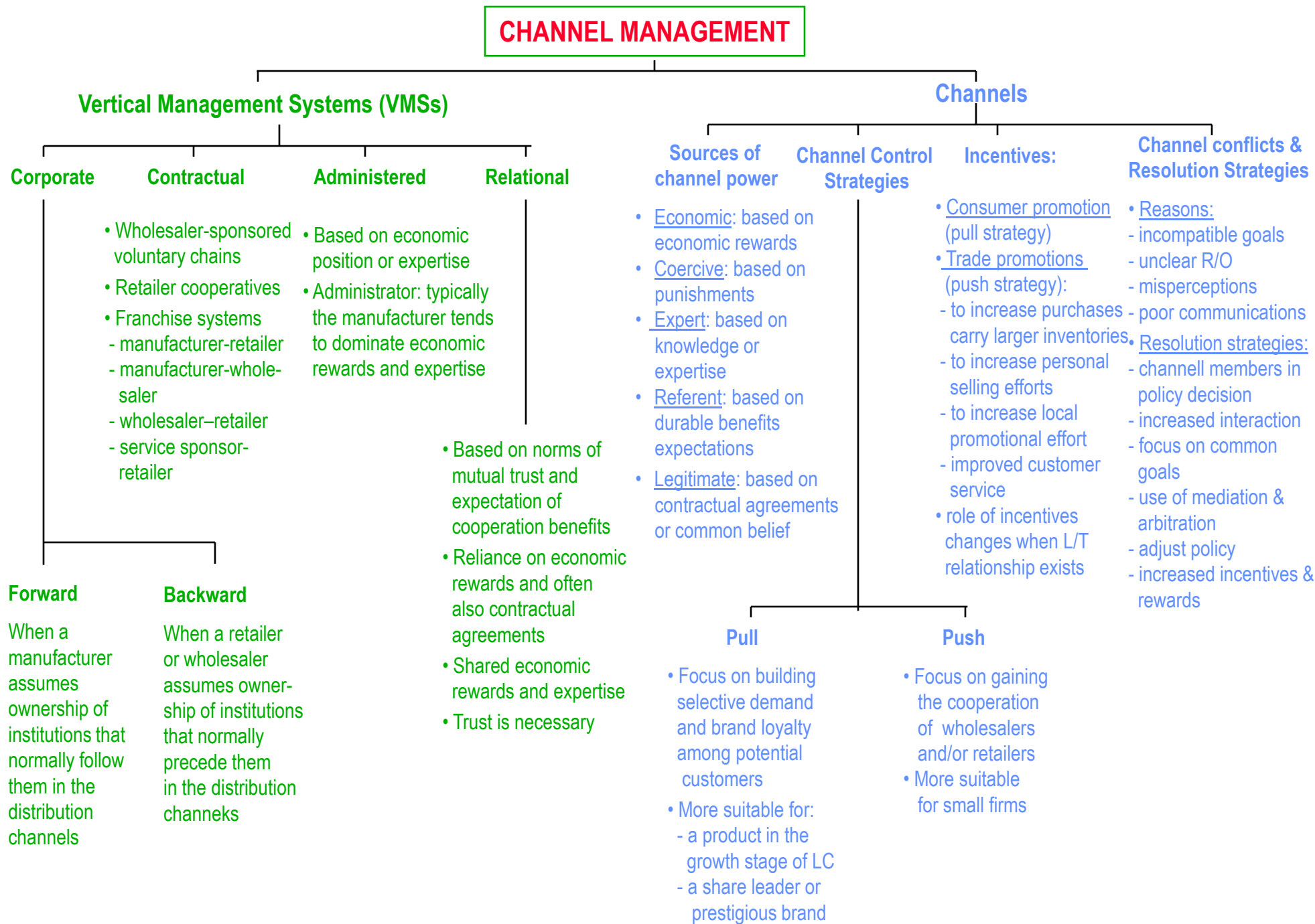
Channel alternatives

- domestic middlemen
- foreign middlemen

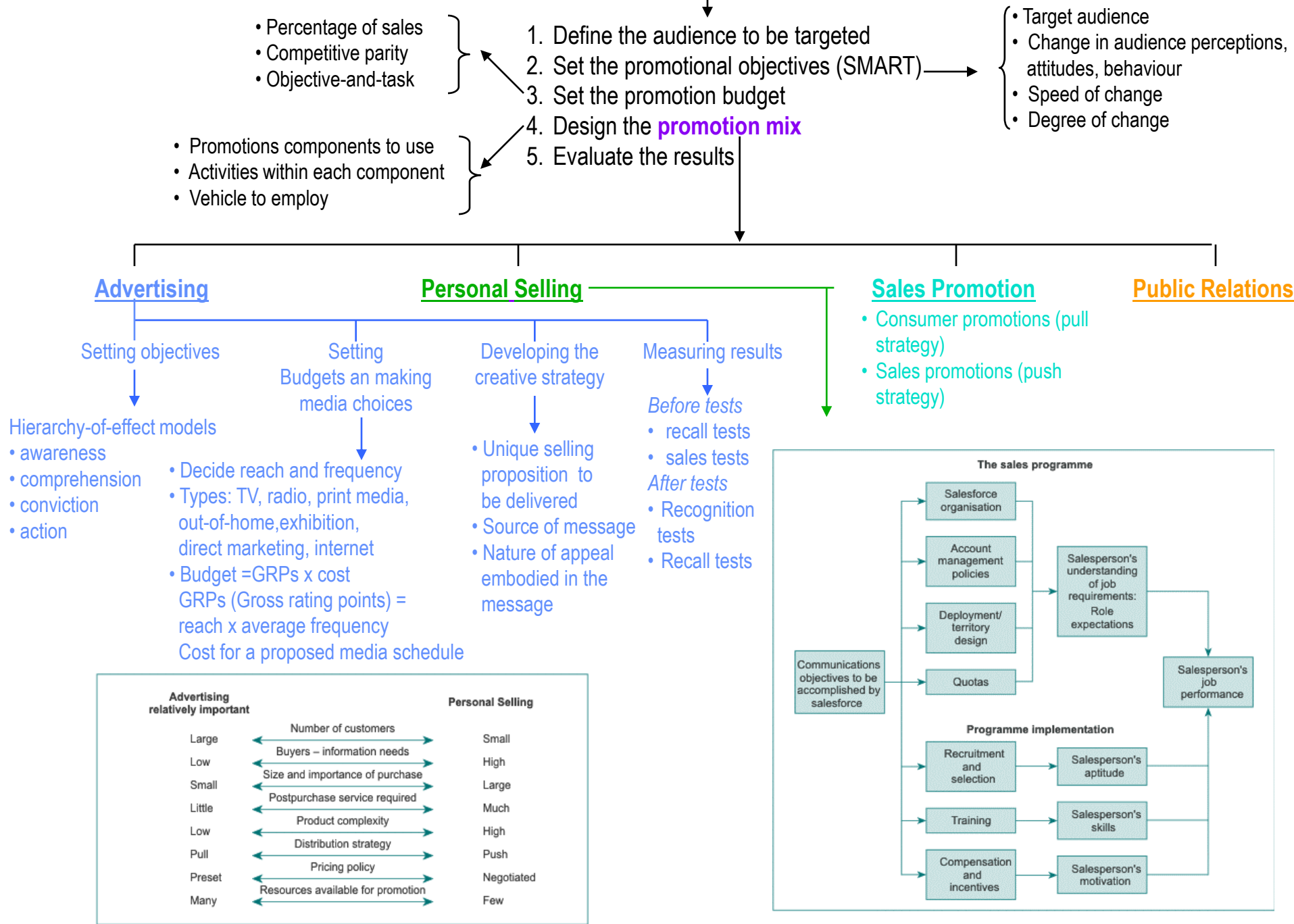
Consumer goods

Industrial goods





THE PROMOTION MIX



THE PROMOTION MIX

Promotion mix element	Amount of information communicated	Credibility	Control over the message	Cost to reach one customer	Strategic suitability
Advertising	Varies: little information in a radio or TV ad, to lots on a website	Low	Good	Low	Well- suited to a pull strategy
Personal Selling	Lots of information	Depends on the credibility of the company and the personality and sales skills of the salesperson	Poor, but training helps	Very high in developed countries, can be low elsewhere	Well-suited to a push strategy
Sales Promotion	Virtually no information	Not applicable	Good	Low and self liquidating: generally pays for itself as the product is purchased	Consumer promotion supports a pull Strategy . Trade promotion supports a push strategy .
Public Relations	Lots of information	High	Poor	Very low or nil	Supports both pull and push strategies.

Examples of promotional activities

- Advertising
 - Print advertisements (newspaper and magazine), radio, television, billboard, direct mail, brochures and catalogues, signs, in- store displays, posters, motion pictures, web pages, banner ads and emails.
- Personal selling
 - Sales presentations, sales meetings, sales training and incentive programmes for intermediary salespeople, samples and telemarketing (either inbound or outbound).
- Sales promotion
 - Coupons, sweepstakes, contests, product samples, rebates, tie- ins, self liquidating premiums, trade shows, trade ins and exhibitions.
- Public relations
 - Newspaper and magazine articles/reports, television and radio presentations, charitable contributions, speeches, issue advertising and seminars.

STRATEGIC MKTG PROGRAMMES FOR:

1. NEW MARKET ENTRIES

Pioneers

Followers

Late entrants

Marketing objectives:

- Increase customers' awareness and willingness to buy
- Make it easy for people to buy

Strategies:

- Mass-Market penetration
- Niche penetration
- Skimming and early withdrawal

2. GROWTH MARKETS

Market leaders (pioneers)

Followers

Marketing objectives:

1. Retain current customers
2. Stimulate selective demand among later adopters

Strategies:

1. Fortress or position defence
2. Flanker
3. Confrontation
4. Market expansion
5. Contraction or strategic withdrawal

Marketing objectives:

1. Capture repeat/replacement purchases from current customers of the leader or other target competitor
2. Stimulate selective demand among later adopters

Strategies:

1. frontal attack,
2. leapfrog strategy,
3. flanking attack,
4. encirclement,
5. guerrilla attack.

3. MATURE MARKETS

Maintain competitive advantage

Analyser

Defender

Strategies:

1. Differentiation
2. Low-cost position

Pursue growth or profit opportunities

Maintain current market share

Strategies:

1. Fortress
2. Flanker
3. Niche

Extend volume growth

Strategies:

1. Increased penetration
2. Extended use
3. Market expansion

4. DECLINING MARKETS

Divestment or Liquidation

Remain

Strategies:

1. Harvesting or milk
2. Maintenance
3. Profitable survivor
3. Niche

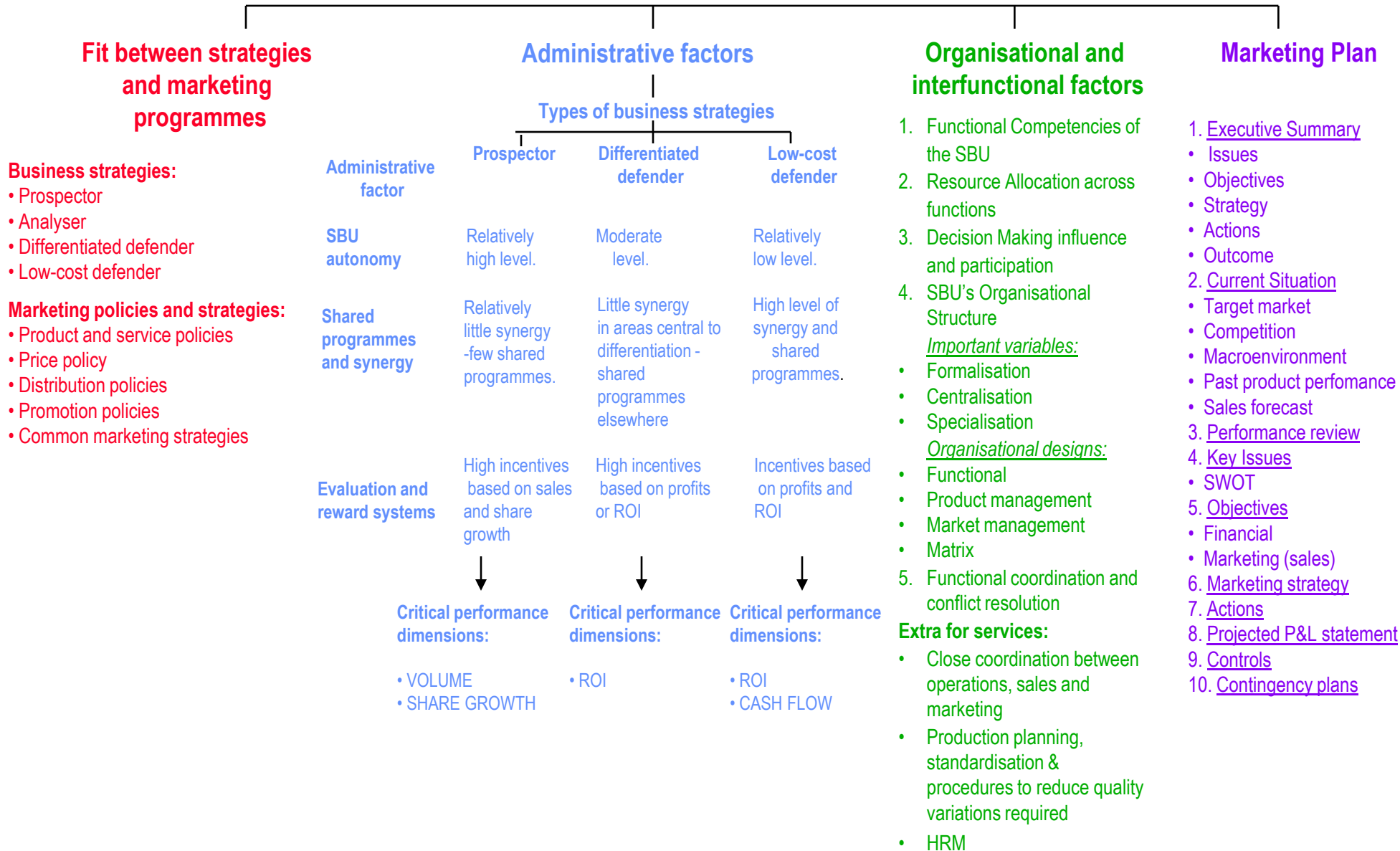
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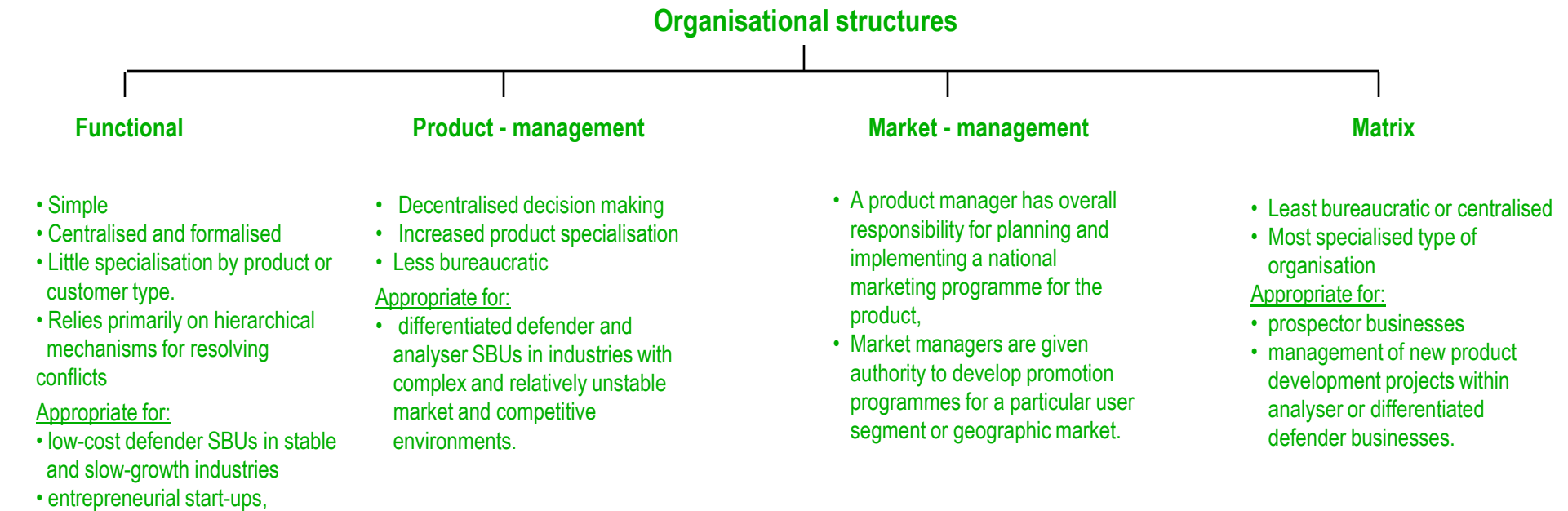
IMPLEMENTATION AND CONTROL

Organisational fit:

fit between a business's competitive and marketing strategies and

- 1) the organisational structures,
- 2) policies,
- 3) processes,
- 4) plans necessary to effectively implement those strategies.





The Control Process

- 1. Set standards of performance (SMART)
- 2. Specify and obtain feedback data
- 3. Evaluate feedback data
- 4. Take corrective action

Profitability {

- direct Costing
- full costing
- ABC

Market Share/Sales

Customer Satisfaction {

- expectations measures
- performance measures

Product Quality/New product development

Benchmarking

Strategic control systems

Monitoring and evaluating a firm's SBU-level strategies

1. Identify key variables to monitor

- driven by external forces
- driven by actions by the firm

2. Track and Monitor

- Measure of variables
- Examine relevancy accuracy and cost of measures

3. Strategy Reassessment

- Takes place at periodic intervals
- Triggers set in the strategic control system

Marketing performance measurement

- 1. Who needs what info?
- 2. When and how often is the info needed?
- 3. In what media and in what level of aggregation should the info be provided?
- 4. What contingencies should be planned for?

Sales Analysis

- geographic (county)
- size of order
- product, package
- customer
- channels
- type of sale

Line items margin and expense analysis

Contingency Planning

- 1. Identify critical assumptions
 - controllable
 - uncontrollable
- 2. Assign probability
- 3. Rank ordering the critical assumptions
- 4. Track and Monitor
- 5. Activate the contingency plan
- 6. Specify response options

Marketing Audit

1. Marketing Environment

- Opportunities/threats from external environment/firm;
- Effect on firm's customers, competitors channel intermediaries, suppliers

2. Objectives and Strategy

- Logic of objectives
- Appropriateness of strategy
- 3. Planning and Control System
- Adequacy of the system
- Effectiveness and efficiency of new product development process

4. Organisation

- Appropriateness of organisation structure

5. Marketing Productivity

- profitability
- efficiency

6. Marketing Functions

- Check handling the product mix

7. Ethical

8. Product manager