

Marketing Management

Institut für Innovation und Technologie Management

Introduction Marketing Management
«Script and content created or composed by Markus Raschke»

How we work:



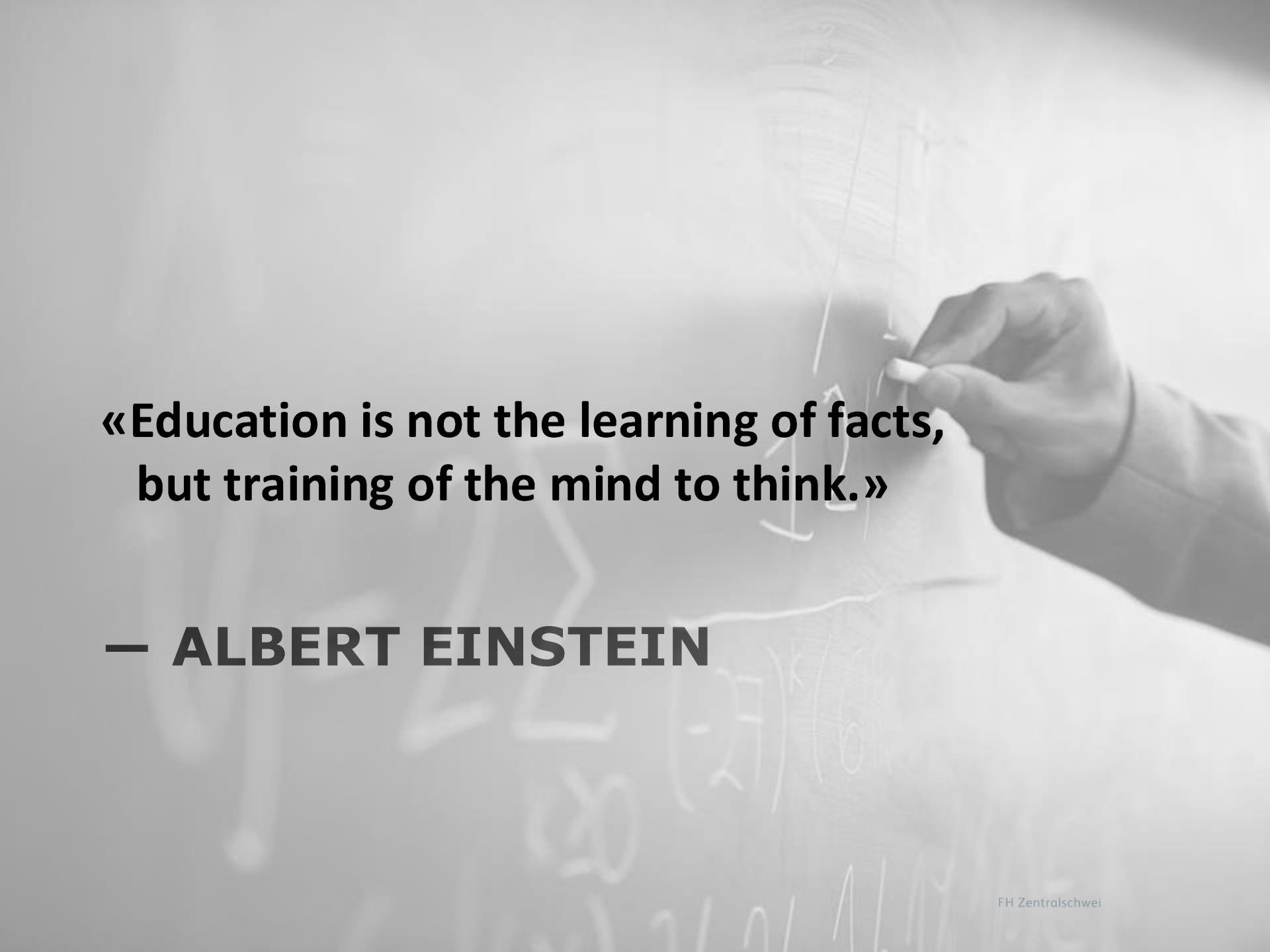
The semester plan will be our guideline for the module.
The actual script for each week will be on ILIAS before lecture.



You will get recommended literature to deepen your knowledge.



Lectures are held in presence on campus. Lectures are neither streamed nor recorded, nor is it permitted to record the lectures yourself.

A black and white photograph showing a person's arm and hand holding a piece of chalk. The person is writing mathematical equations on a chalkboard. The equations include "1/2 = 1/2", "1/2 + 1/2 = 1", and "1 + 1 = 2". The background is slightly blurred.

**«Education is not the learning of facts,
but training of the mind to think.»**

— ALBERT EINSTEIN

How do you get the most out of it?

1. Discuss, ask and above all: **challenge**.

2. Self-study is critical.

- This allows us to use the lectures as a platform for questions, discussions and practical examples.
- The script will serve as guideline for our lectures and covers the necessary knowledge.
- You will get recommended literature to deepen your knowledge.

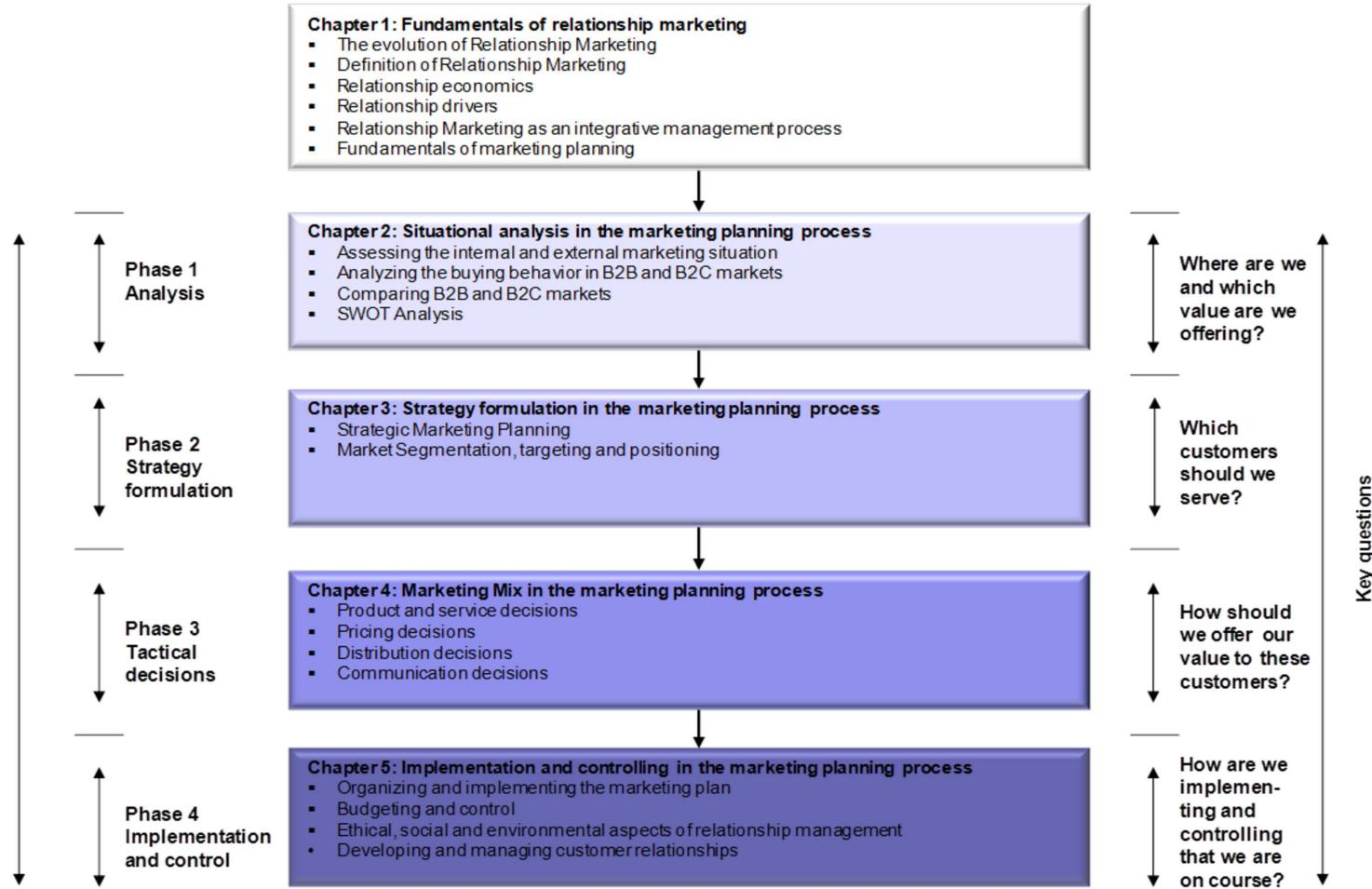
3. How to prepare and get the most out of each lecture:

- Take part in the lectures, the group works and the discussions.
- Work through the contents of the lecture that has been held and ask open questions.
- At the beginning of each lecture, the content of the previous week is briefly reviewed and space is given to you for questions.

4. Let me know if you have additional topics, which should be part of this course.

Do not hesitate to bring in current, relevant topics which fascinate you.

Course content and learning objectives



Program schedule

SW	Date	Topic
1	19.02.25	Administration / Introduction Marketing Management
2	26.02.25	Situational Analysis Part 1
3	05.03.25	Situational Analysis Part 2
4	12.03.25	Marketing Strategy Part 1
5	19.03.25	Marketing Strategy Part 2
6	26.03.25	Marketing Mix – Product 1
7	02.04.25	Marketing Mix – Product 2
8	09.04.25	Marketing Mix – Pricing 1
9	16.04.25	Marketing Mix – Pricing 2 + Test (Semester performance)
10	23.04.25	No lecture
11	30.04.25	Marketing Mix – Distribution
12	07.05.25	Marketing Mix – Comm. 1
13	14.05.25	Marketing Mix – Comm. 2
14	21.05.25	Mock-Exam
15	28.05.25	Repetition & Q&A

Your assignments:

Semester performance – Test on ILIAS.



Final exam.



Semester performance – Test on ILIAS.



- The semester performance consists of a test that must be completed via ILIAS.
- Date: SW 09 – 16.04.25
- The semester performance counts towards your overall grade. For details on the weighting, please see the module description.

Final exam

1. Written final exam with

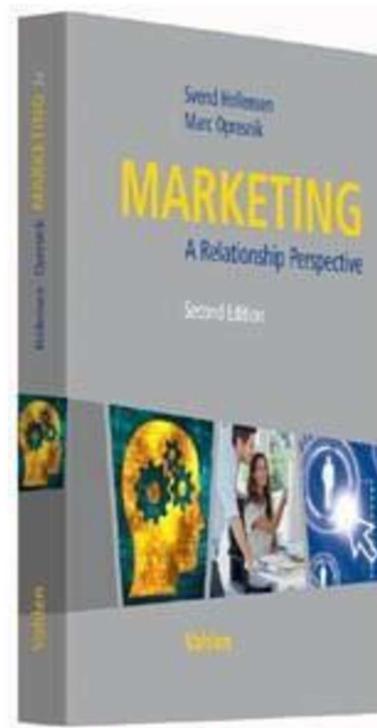
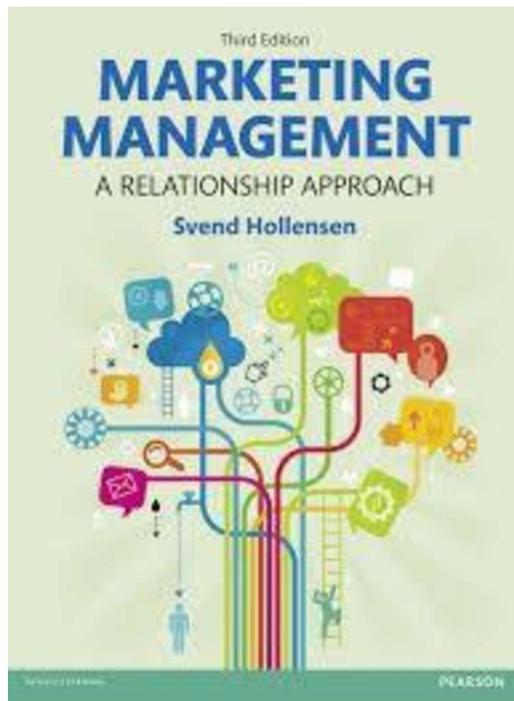
- subjected related questions
- questions based on a case study

2. Duration: 120 minutes (Marketing only)

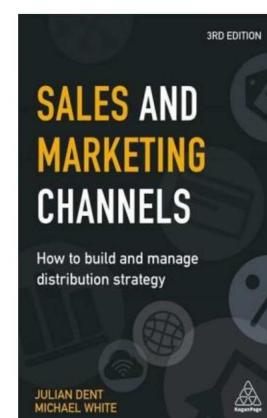
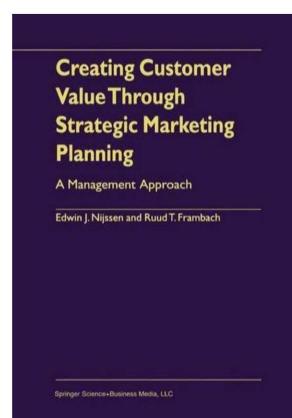
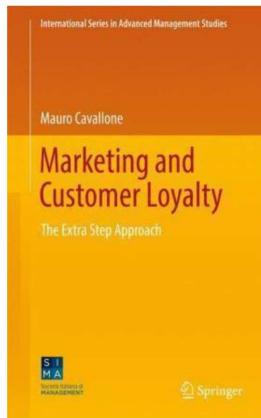
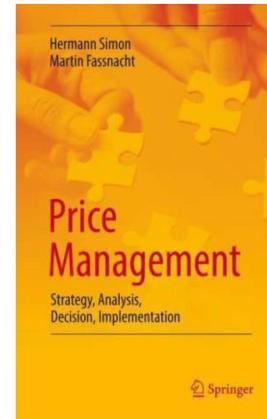
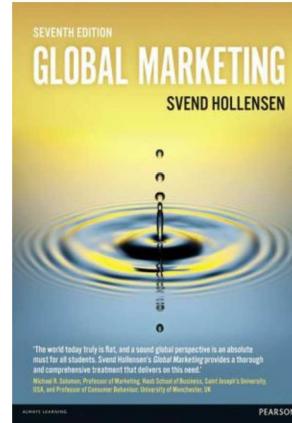
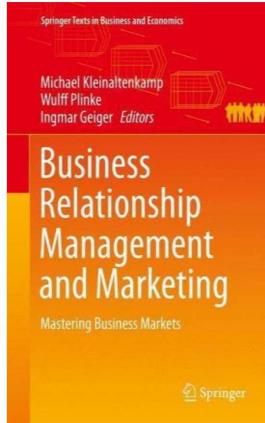
3. Mock-Exam in SW14: 21.05.2025

4. Date: tbd by university administration

Primary literature

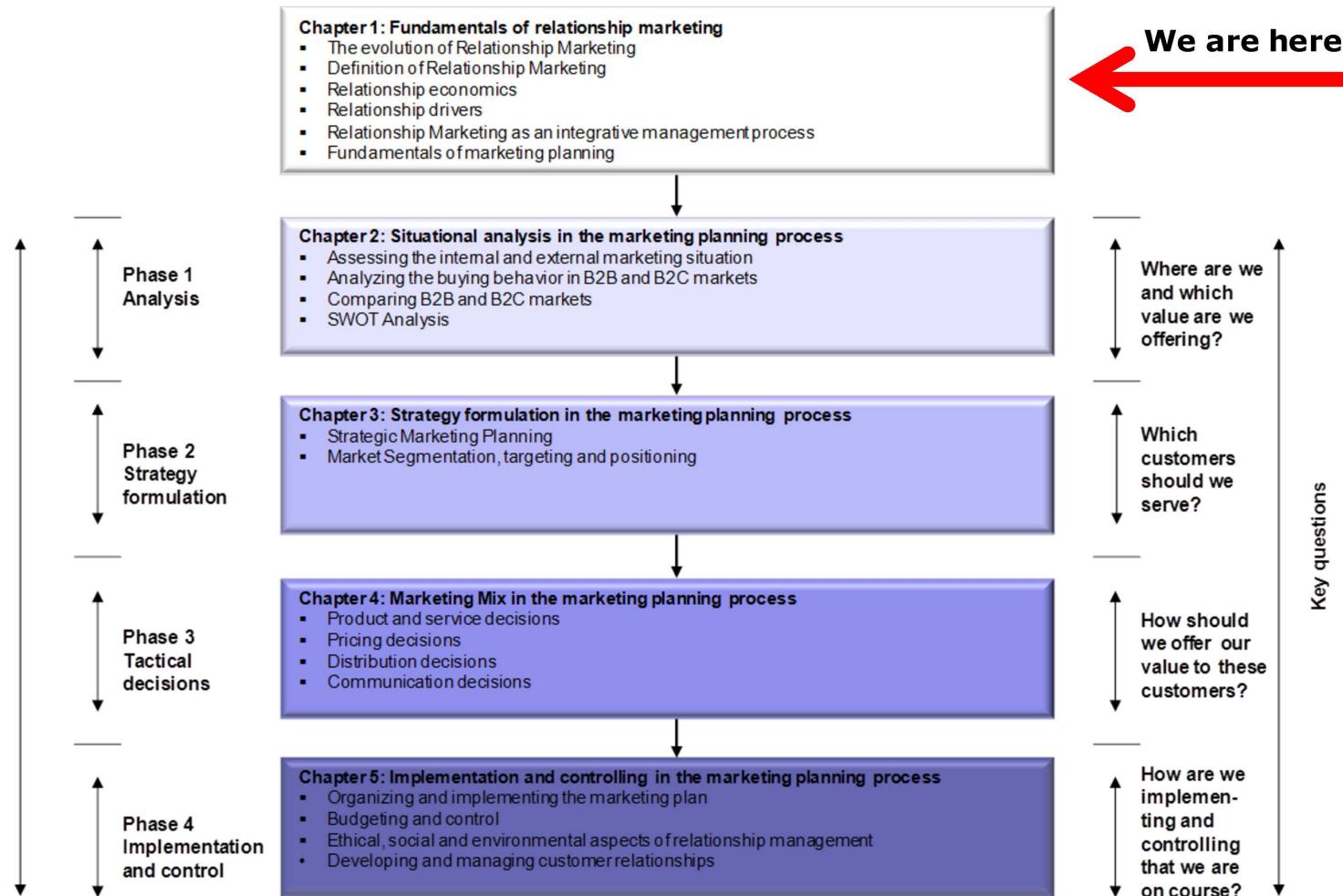


Further reading



Programme overview

Where we are ...



Agenda

- 1. Fundamentals of Relationship Marketing**
 - 1. The Evolution of Relationship Marketing**
 - 2. Relationship Economics**
 - 3. Basic Marketing Terms**
 - 4. Marketing planning: an overview of marketing**

What is marketing ?

“Business has only two functions – marketing and innovation.”

Peter F. Drucker, 1909 – 2005

„Marketing? – I never practiced any Marketing!
I only always did satisfy
the needs of my customers!“

Zino Davidoff

- Marketing has evolved from a supporting function to a key factor determining business success and implies to direct all activities of the enterprise towards the market and the customer

What is marketing ?



Agenda

1. Fundamentals of Relationship Marketing

1. The Evolution of Relationship Marketing

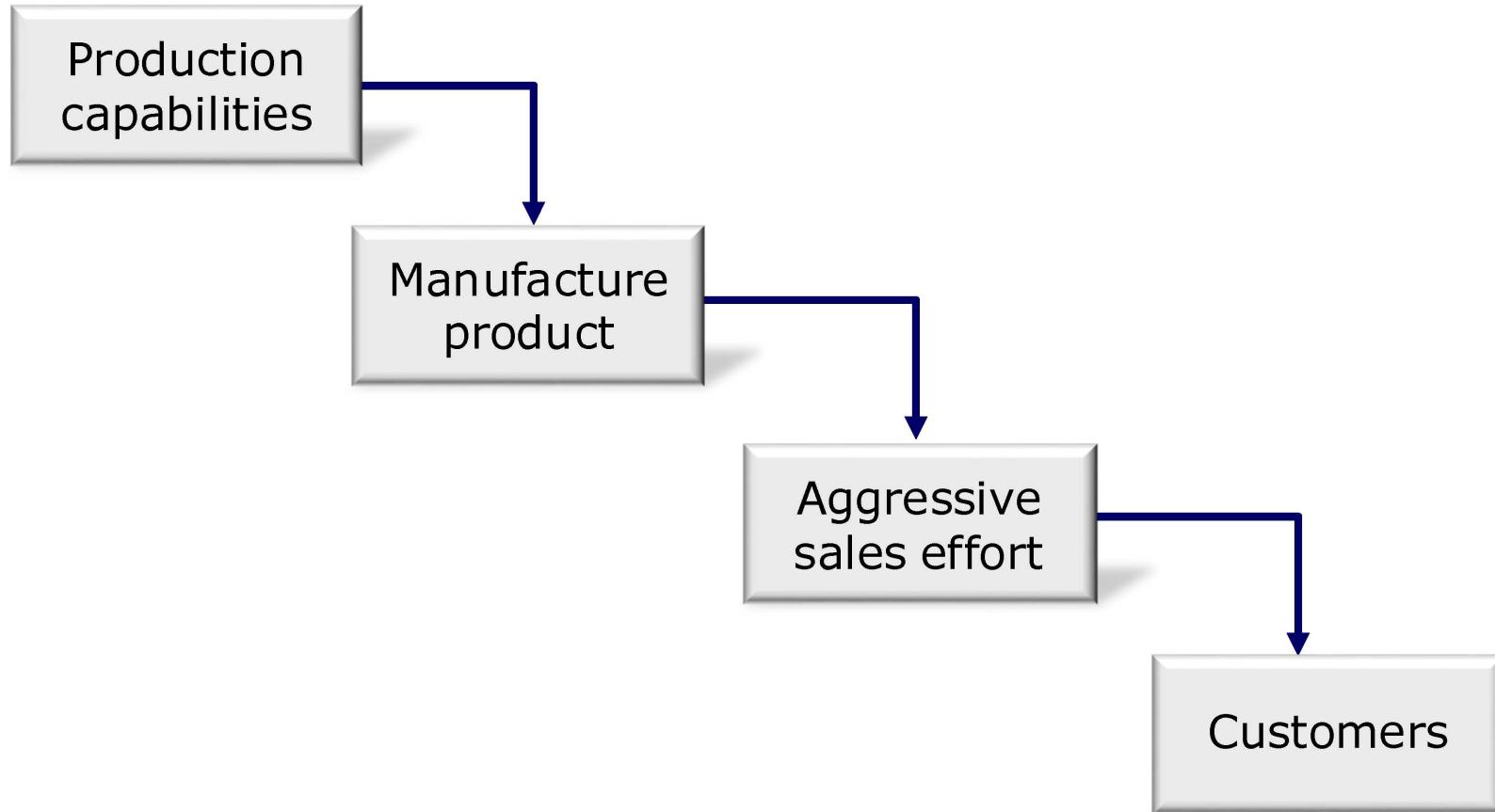
2. Relationship Economics

3. Basic Marketing Terms

4. Marketing planning: an overview of marketing

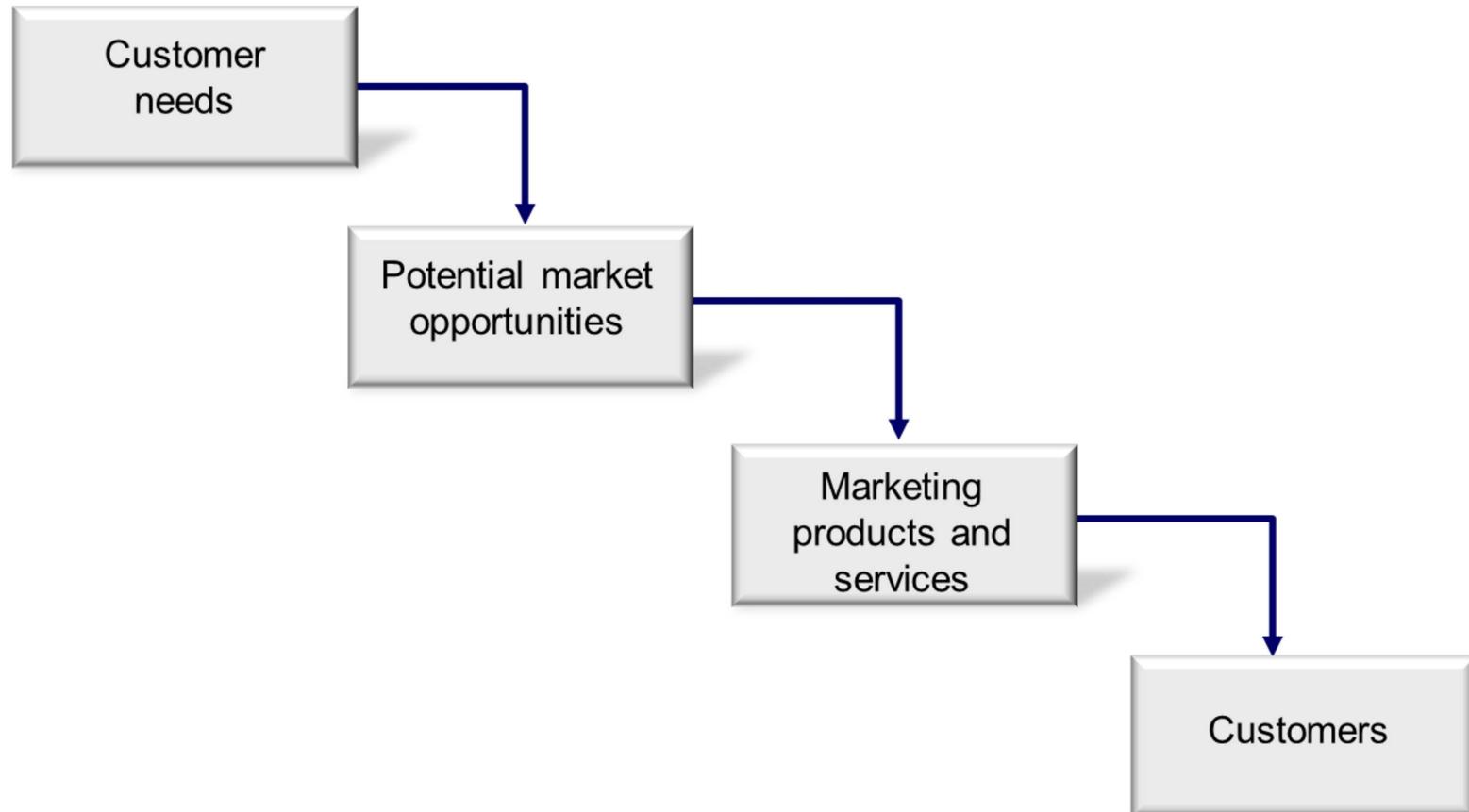
Production orientation

Production capabilities are the basis for all company activity

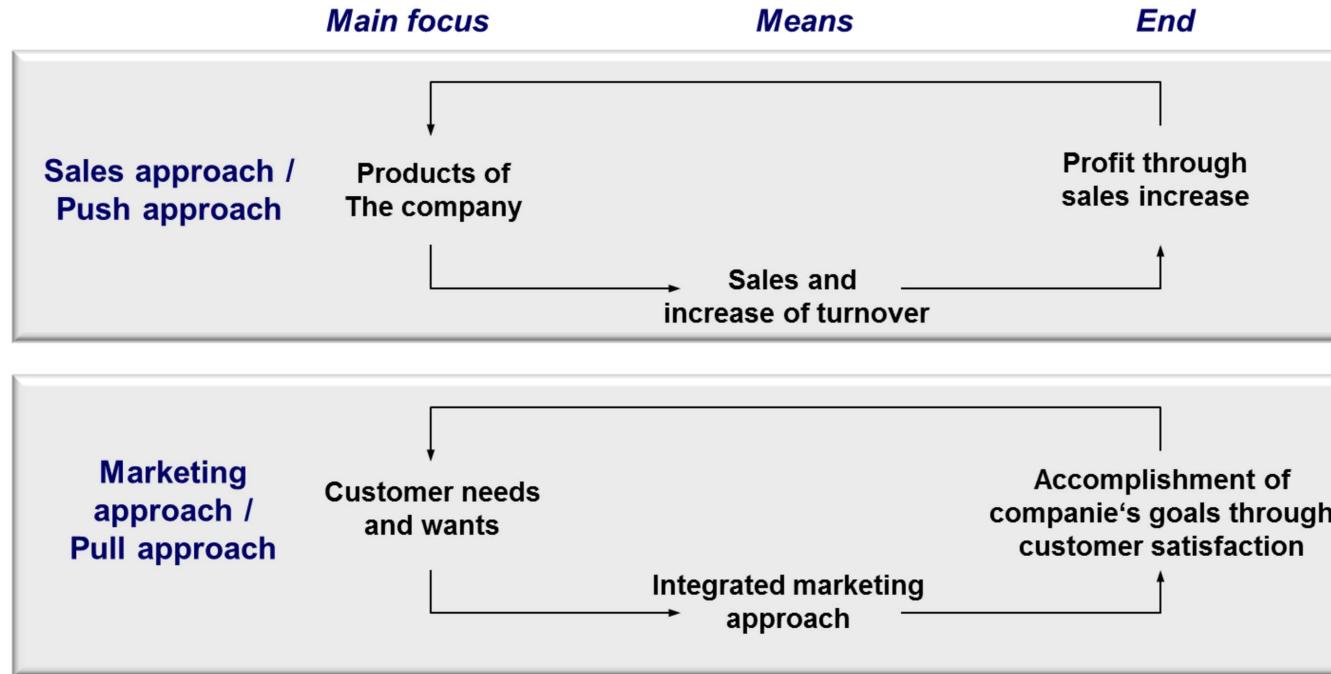


Marketing orientation

Customer needs are the basis for all company activity



Sales (Push) vs Marketing (Pull) Approach



- Often “sales” is prevailing and marketing is mainly regarded as a means to increase turnover
- In opposite to relationship marketing this is called transactional marketing

Transactional- vs Relationship Marketing

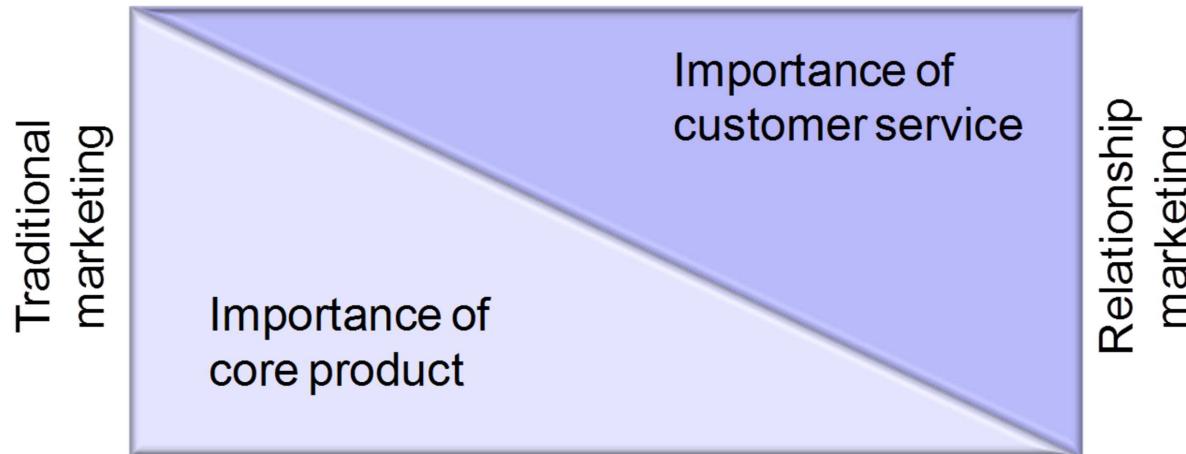
Transactional marketing	Relationship marketing
Orientation to single sales	Orientation to customer retention
Discontinuous customer contact	Continuous customer contact
Focus on product features	Focus on customer value
Short time scale	Long time scale
Little emphasis on customer service	High emphasis on customer service
Limited commitment to meeting customer expectations	High commitment to meeting customer expectations
Quality as the concern of production staff	Quality as the concern of all staff
Marketing as the concern of marketing staff	Marketing as the concern of all staff

Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 20

In reality, marketing often entails a rather transactional approach to marketing

Whereas relationship marketing is more integrating customers, suppliers and stakeholders

Transactional- vs Relationship Marketing



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 21

- In sum, relationship marketing involves a much more holistic approach
- It aims to create “lifetime” value and to build strong relationships to ensure sustainability

Definition of relationship marketing

Relationship Marketing (RM) can be defined as attracting, maintaining and enhancing consumer relationships.

In this context RM can be seen as an ongoing process of identifying and creating new value with individual consumers and then sharing the value benefits with them over the lifetime of the association

Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, pp. 7

Marketing – A Relationship Perspective Contents

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1. The Evolution of Relationship Marketing

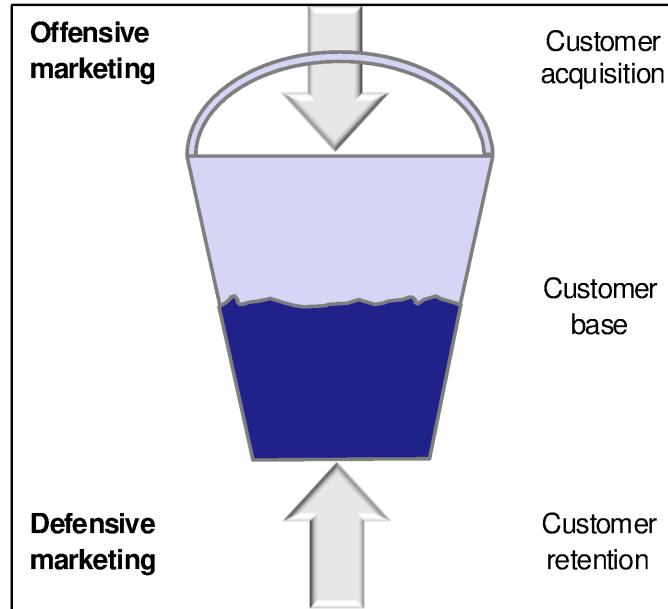
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Relationship Economics

Offensive and defensive marketing is necessary



- Sustainable profitability needs both strategies of acquisition and strategies of retention
- Those strategies must be pursued in the framework of an integrative management process

The relationship ladder

different relationship according to (Dwyer et al., 1987)

1. Awareness

is where one party realizes that the other party is a feasible exchange partner. Interaction has not yet taken place although there may be positioning by the parties

2. Exploration

is a trial stage where partners consider obligations, benefits and burdens of the exchange

3. Expansion

is the period where benefits and interdependency for the partners progressively increase

4. Commitment

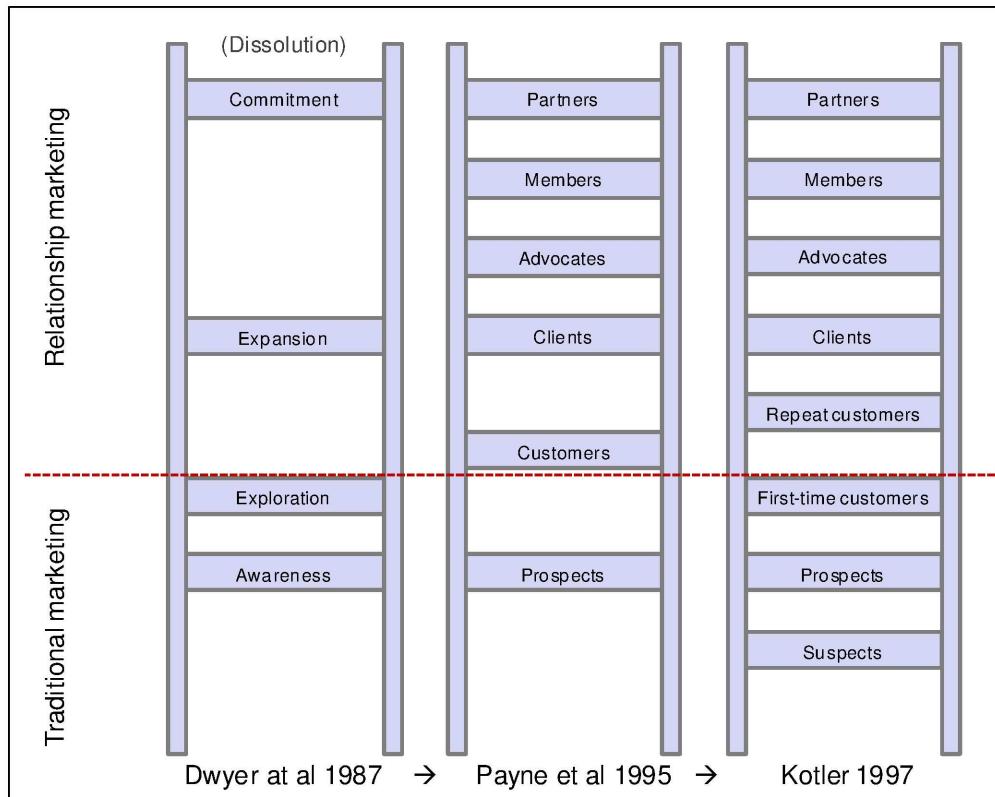
is the implicit or explicit promise of relational continuity between partners

5. Dissolution

implies that disengagement always remains a possibility

Relationship Economics

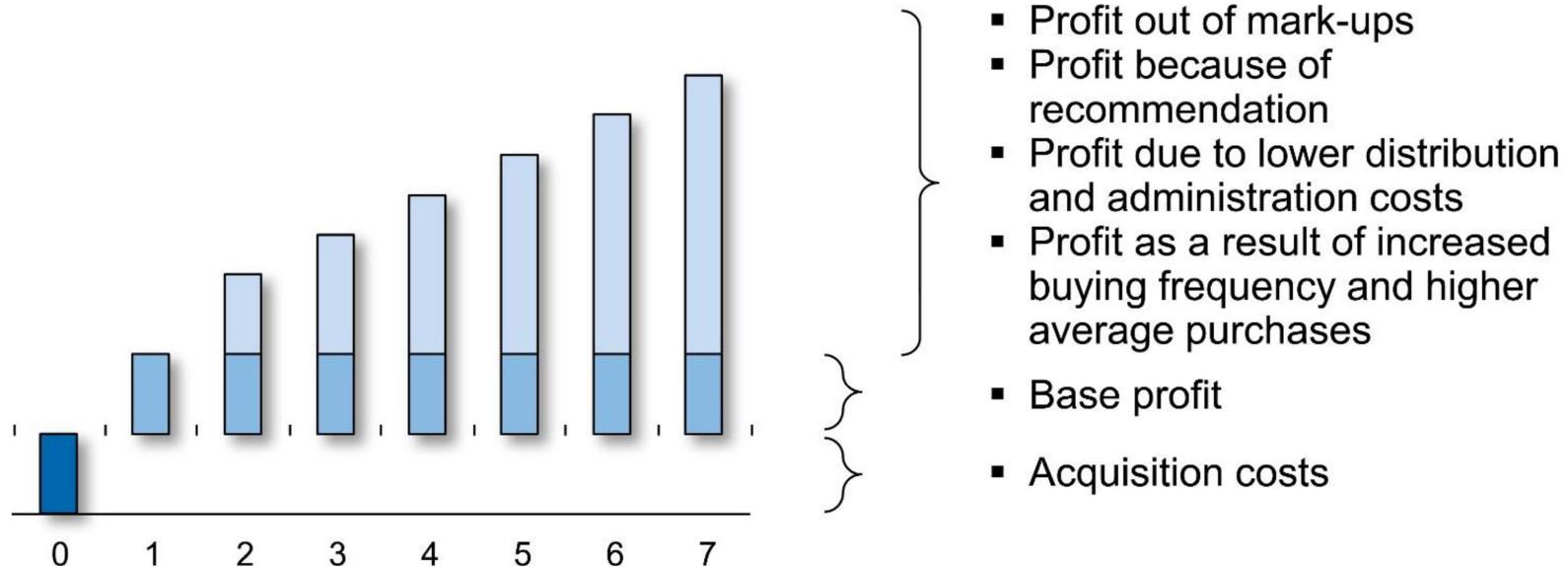
Relationship ladder: Development steps & relationship drive



- Companies must recognize that different customers are at different stages
- There are 4 relationship drivers:
 1. Risk and emotion
 2. Trust and commitment
 3. Customer satisfaction
 4. Customer gratitude

Relationship Economics

Customer loyalty leads to sustainable profits



- relationship marketing and an integrative marketing will generate profits more sustainably
 - The stronger the relationship → the higher the value

Marketing – A Relationship Perspective Contents

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Marketing and Marketing Process

Marketing

- is the process by which companies create value for customers and build strong customer relationships to capture value from customers in return
- is so basic that it cannot be considered to be a separate function. It is the whole business seen from the point of view of its final result, that is the customer's point of view."

(Peter Drucker)

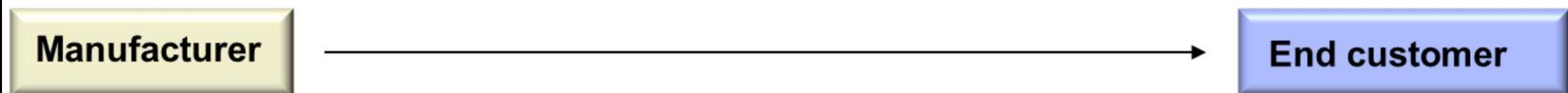
Marketing Process

- Understand the marketplace and customer wants and needs
- Design a customer-driven marketing strategy
- Construct a marketing plan that delivers superior value
- Build profitable relationships and create customer satisfaction
- Capture value from customers to create profit and customer equity

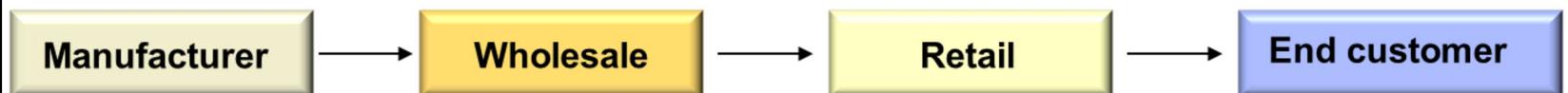
Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 13

Sales channel types

Direct sales / Direct Marketing



Indirect sales



- Sales channel = A way of bringing products to market so that they can be purchased by consumers.
- A sales channel can be direct if it involves a business selling directly to its customers, or it can be indirect if an intermediary such as a retailer or dealer is involved in selling the product to customers.

Market Types

Number of market participants

Suppliers Buyers	many	few	one
many	Free competition	Supply oligopoly	Supply monopoly
few	Demand oligopoly	bilateral oligopoly	limited supply monopoly
one	Demand monopoly	limited Demand monopoly	bilateral monopoly

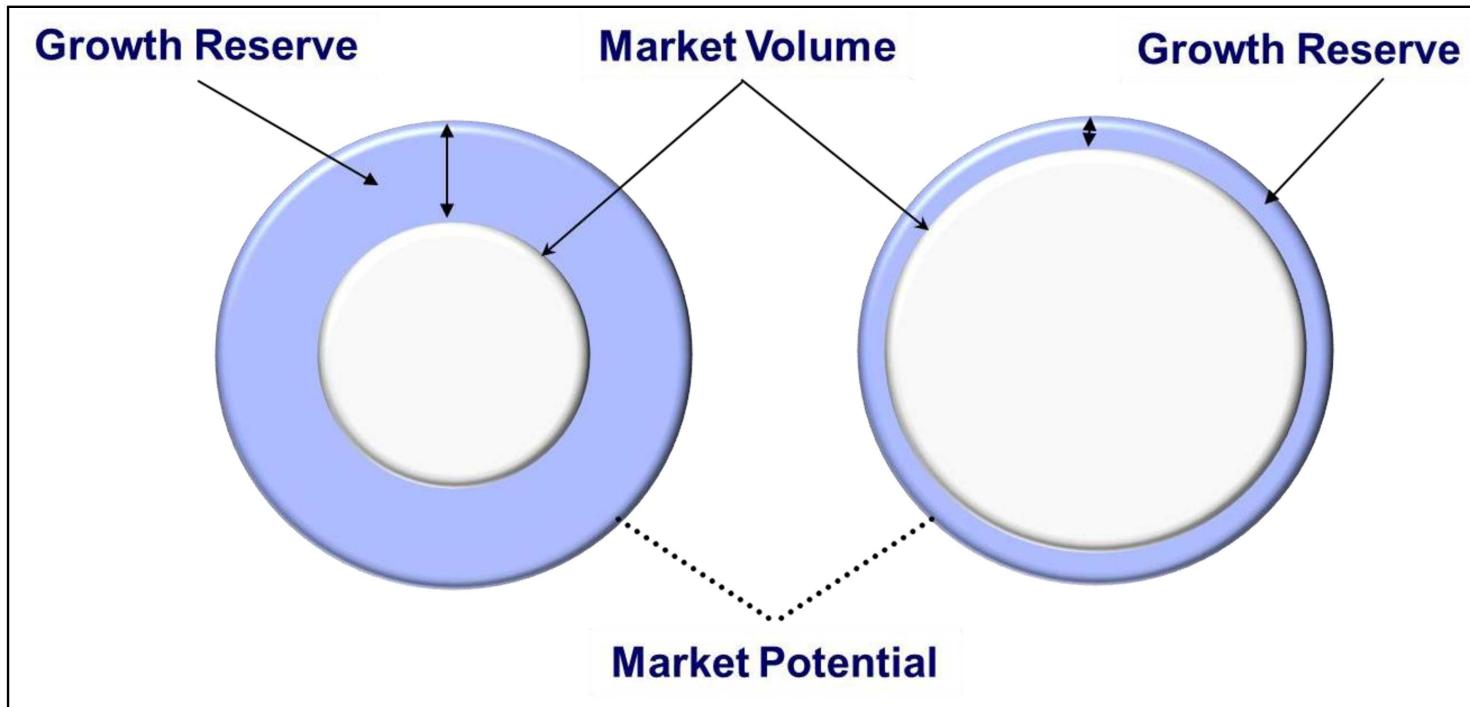
Market sizing

Market volume & potential



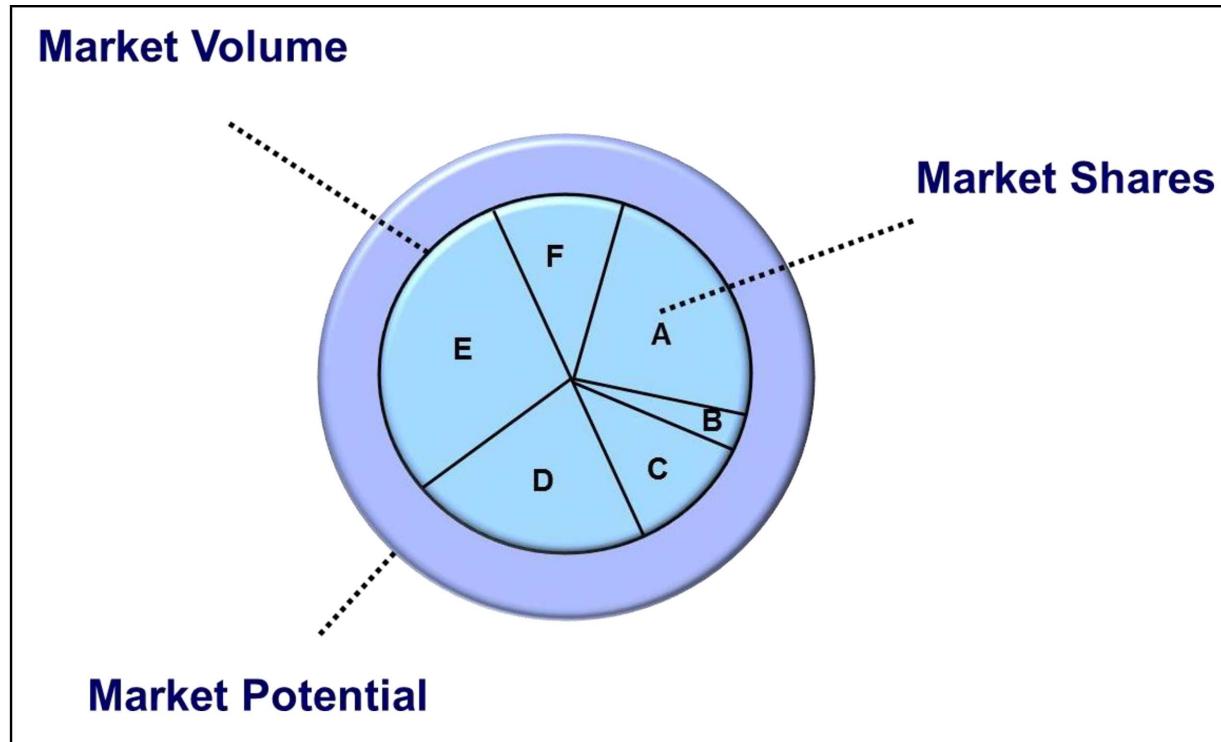
Market sizing

Market volume & potential



Market sizing

Market volume & potential & shares



Market saturation

- Market saturation

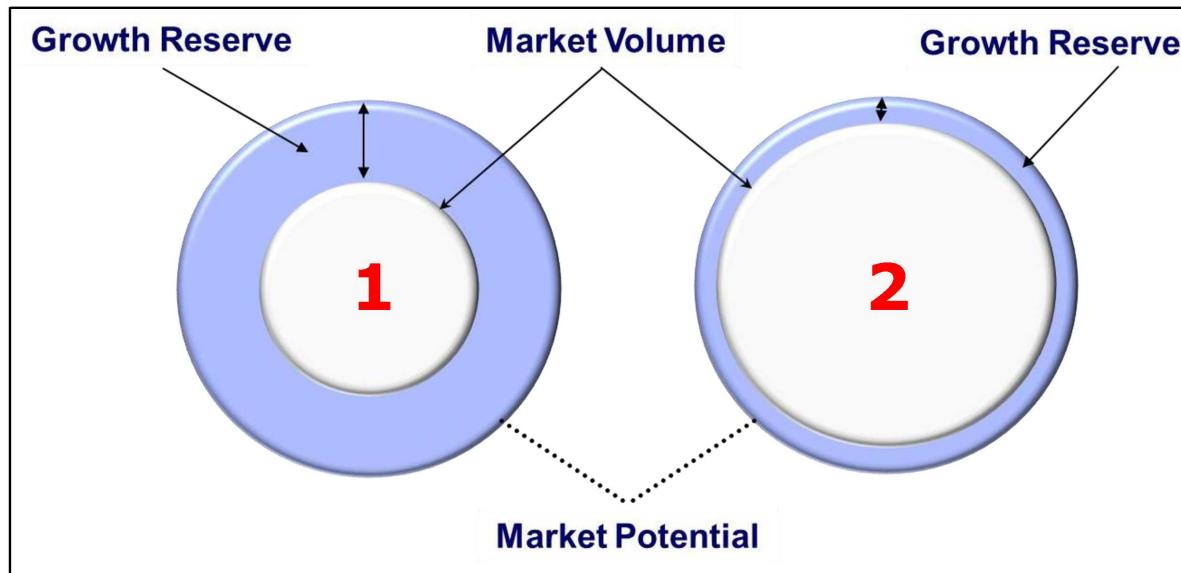
describes a strategic market situation, in which the **market's potential is exhausted**, i.e. market volume almost equals market potential. In such a situation significant market growth is not possible any more.

$$\text{Degree of market saturation} = \frac{\text{Market volume}}{\text{Market potential}} * 100 \% = x \%$$

Market sizing

Market volume & potential & saturation

Which of those markets are more saturated ?



Problems types

when assessing market volumes and market shares

1. Defining the products

Is market share calculation based on all product lines (e.g. cars) simultaneously
... or is the market share of the various brands assessed (e.g. VW, Audi, Seat, Skoda)
... or is the market share calculated based on specific products (e.g. Audi TT) ?

2. Defining the market

Is market share calculation done for the whole (world) market
... or is it carried out for pre-defined parts of this market (e.g. sports cars, European market)?

3. Time frame

When assessing short time periods seasonal effects and sampling error may significantly impact results – when assessing longer time periods, systematic changes (and underlying trends) might be identified too late

Defining the relevant market

Two different approaches to determine the relevant markets:

1. Product market concept

→ Equal or similar products make up the relevant market

Example:

The “SBB“ (train service) competes with other *train enterprises*
(e.g. BLS Lötschbergbahn, Emmentalbahn, Sursee-Triengen-Bahn, ect.)

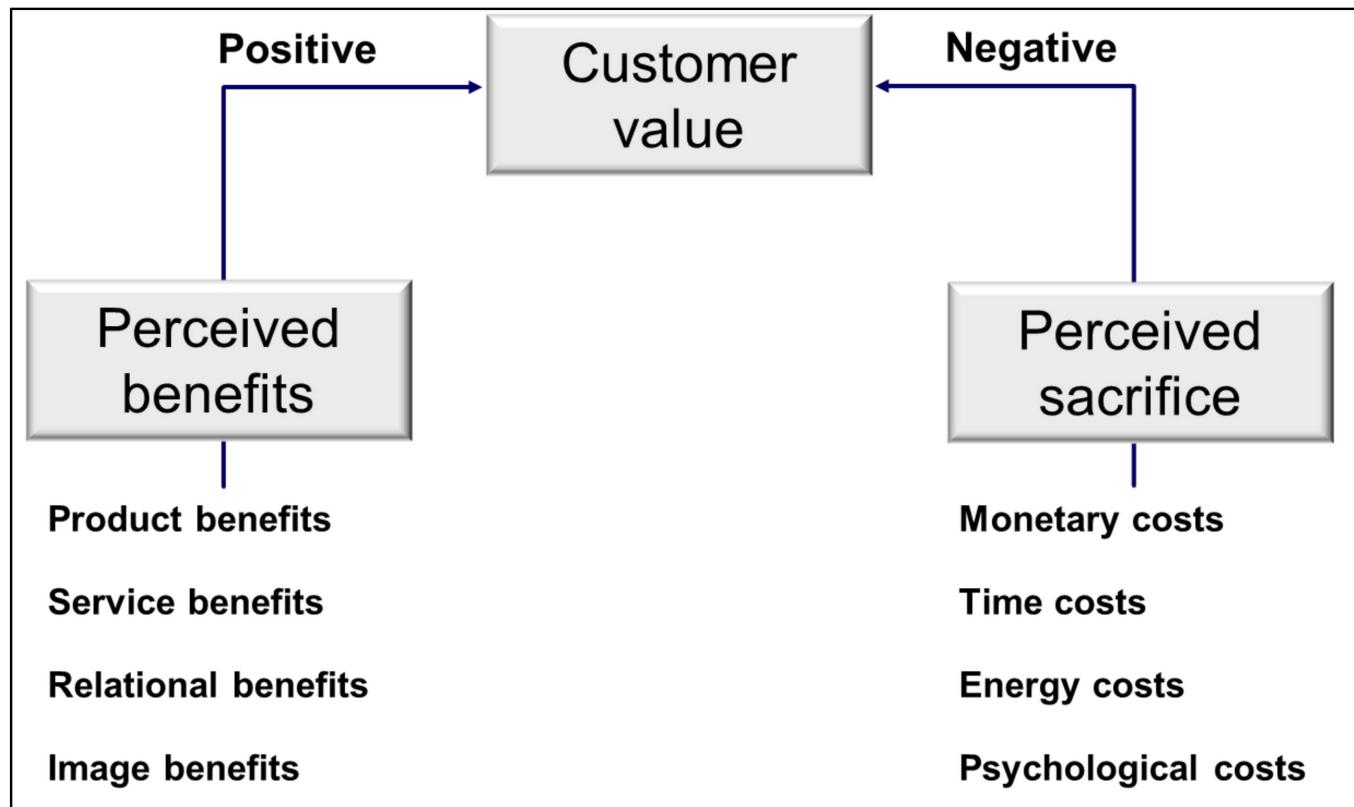
2. Demand market concept

→ The problem (need) which has to be satisfied make up the relevant market

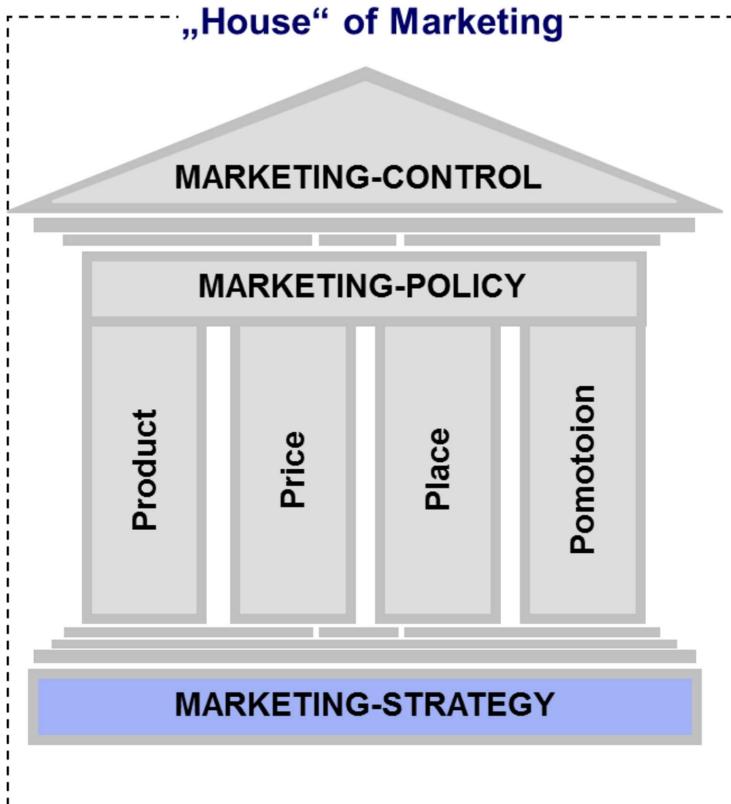
Example:

The “SBB“ (train service) competes with other *mobility enterprises*
(e.g. , FlixBus, car rental services, public transportation, airlines etc.)

Customer Value



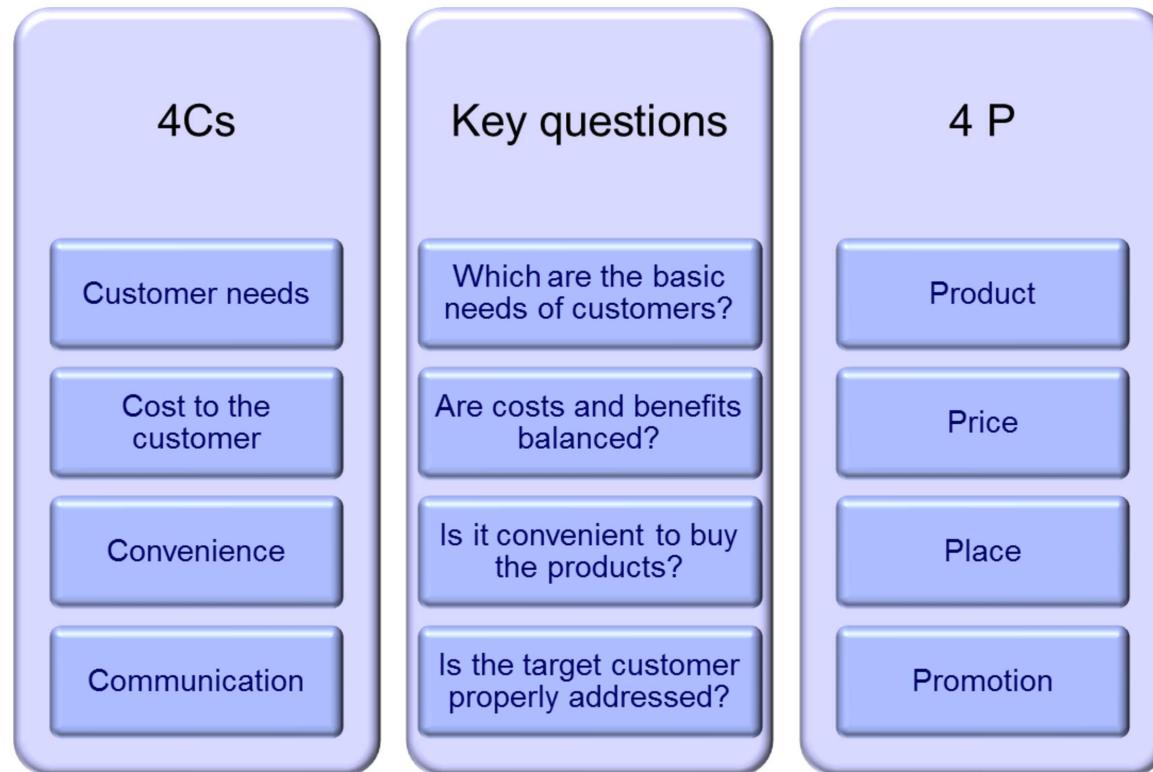
Marketing decisions



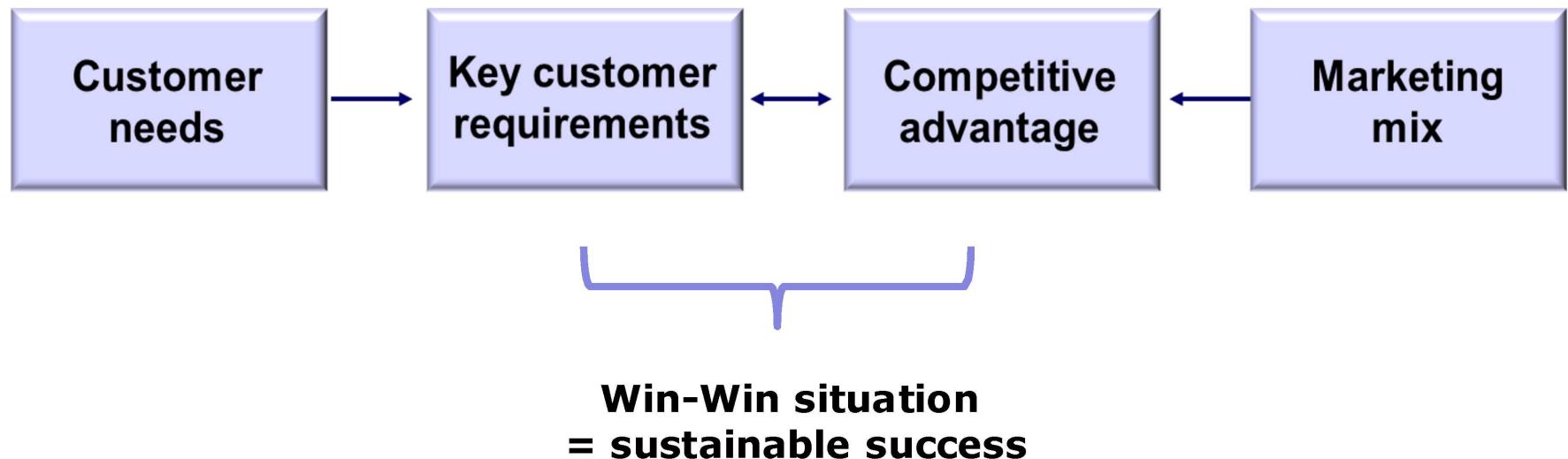
Marketing-Strategy, -Policy and Control

- The **Marketing-Strategy** has a coordinative function. It determines how the marketing goals should be achieved.
- Within the **Marketing-Policy** the operative implementation of the strategy is key with the help of the marketing mix.
- **Marketing-Control** should ensure that the Marketing-Strategy and Marketing-Policy are executed effectively and in an efficient way.

The 4 P's & 4C's of the Marketing Mix



Marketing Mix and Customer Needs



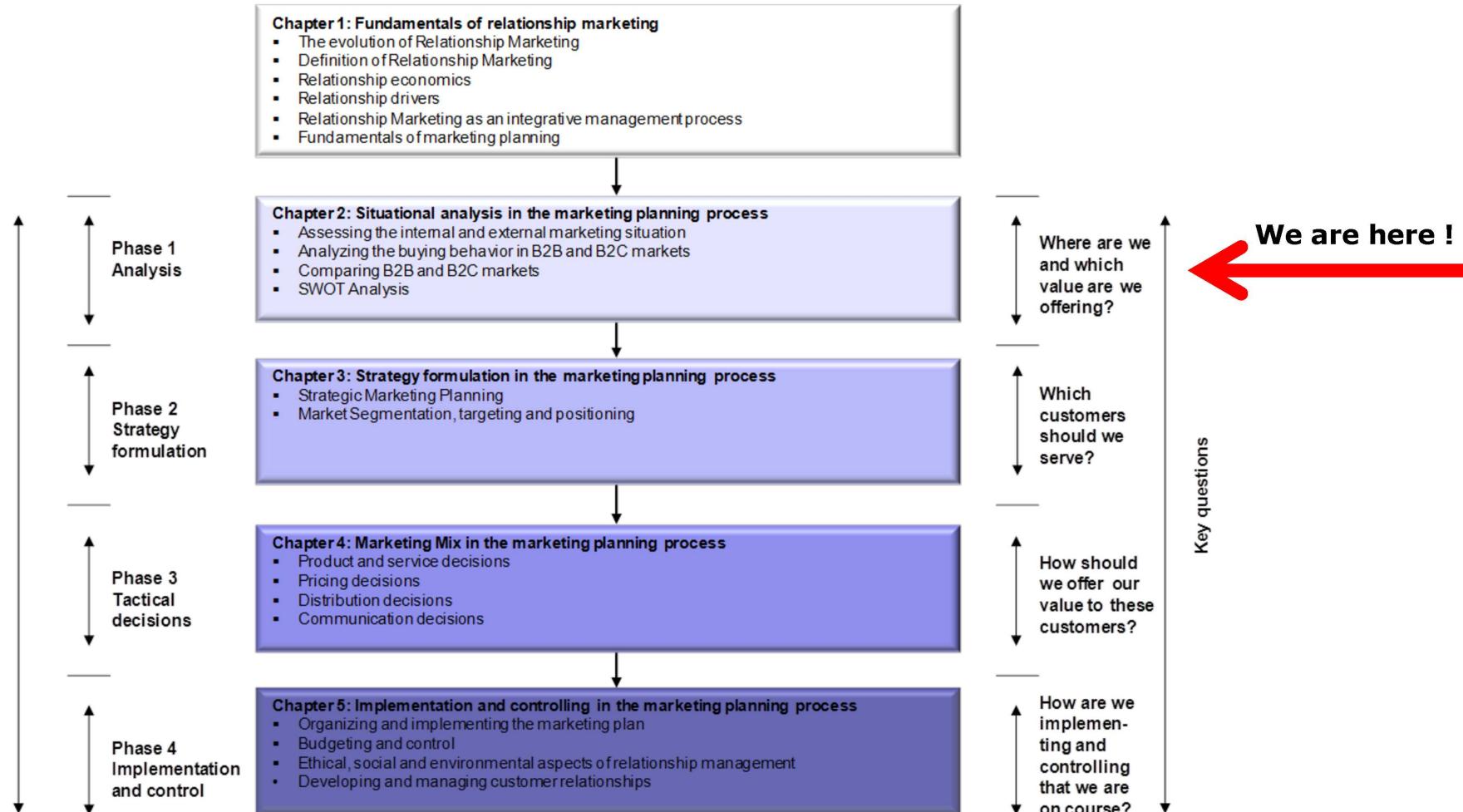
Marketing Management

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Situational analysis in the marketing planning process Part 1
«Script and content created or composed by Markus Raschke»

Programme overview

Where we are ...



Situational analysis

Agenda

Situational analysis in the marketing planning process

1. The marketing planning process
2. Market driven vs. resource driven
3. Assessing the internal marketing situation
4. Assessing the external marketing situation
5. Analysing buying behaviour on B2C and B2B Markets
6. SWOT Analysis

Marketing Planning

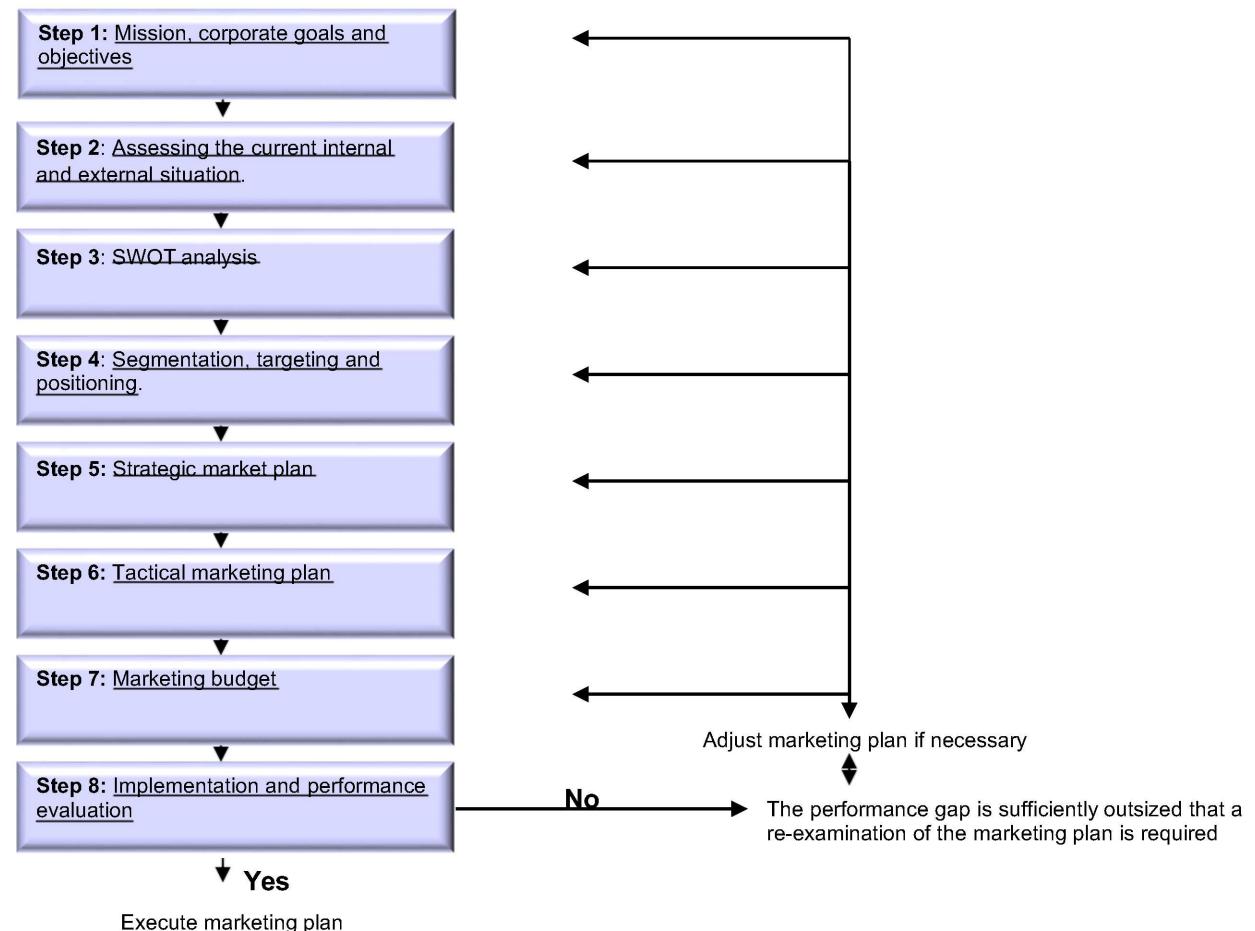
Marketing planning is the structured process of determining how to provide value to customers, the organization, and key stakeholders by:

1. Researching and analyzing the current situation
2. Developing and documenting the firm's objectives, strategies, and programs
3. Implementing, evaluating, and controlling marketing activities.



Marketing Planning

The stages of building a marketing plan



Mission, Vision, Goals and Objectives

- **Vision Statement**

focuses on the future; it is a source of inspiration and motivation. Often it describes not just the future of the organization but the future of the industry or society in which the organization hopes to effect change.

- **Mission Statement**

concentrates on the present; it defines the customer(s), critical processes and it informs you about the desired level of performance.

- **Goals**

are an expected or desired outcome of a planning process. Goals are usually broad, general expressions of the guiding principles and aspirations of a community.

Example: “*Create a more inclusive workplace culture*”

- **Objectives**

are precise targets that are necessary to achieve goals. Objectives are detailed statements of quantitatively or qualitatively measurable results the plan hopes to accomplish.

- Example: 10% increase in women in leadership positions

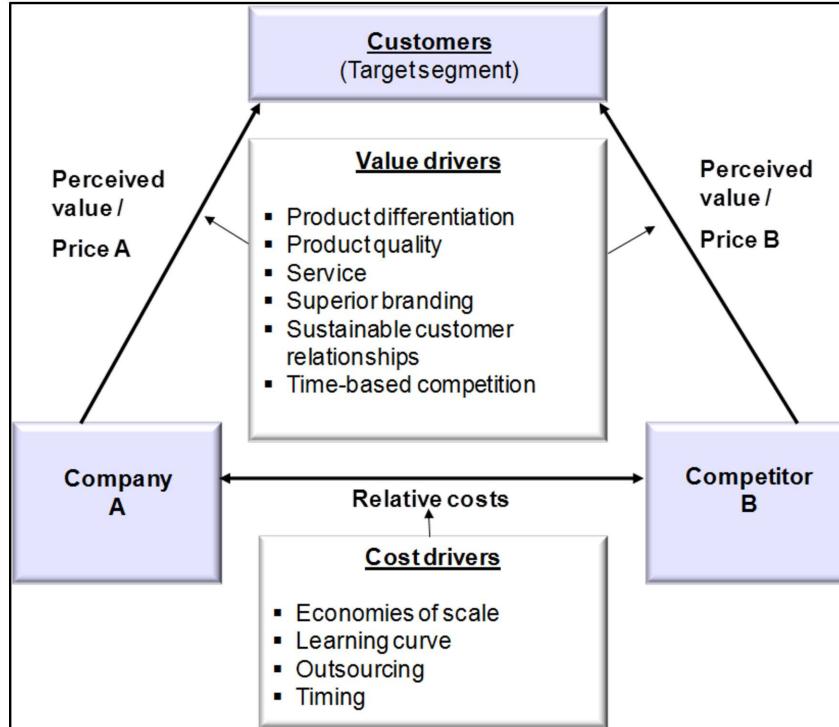
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Market driven vs. resource driven

The competitive triangle



The competitive triangle determines the major sources of competitive advantage and leads to 2 key questions:

→ How can we achieve a competitive advantage and which of our resources make a difference ?

Market driven vs. resource driven

Two perspectives ...

1. Resource Based View (RBV) or the inside-out perspective

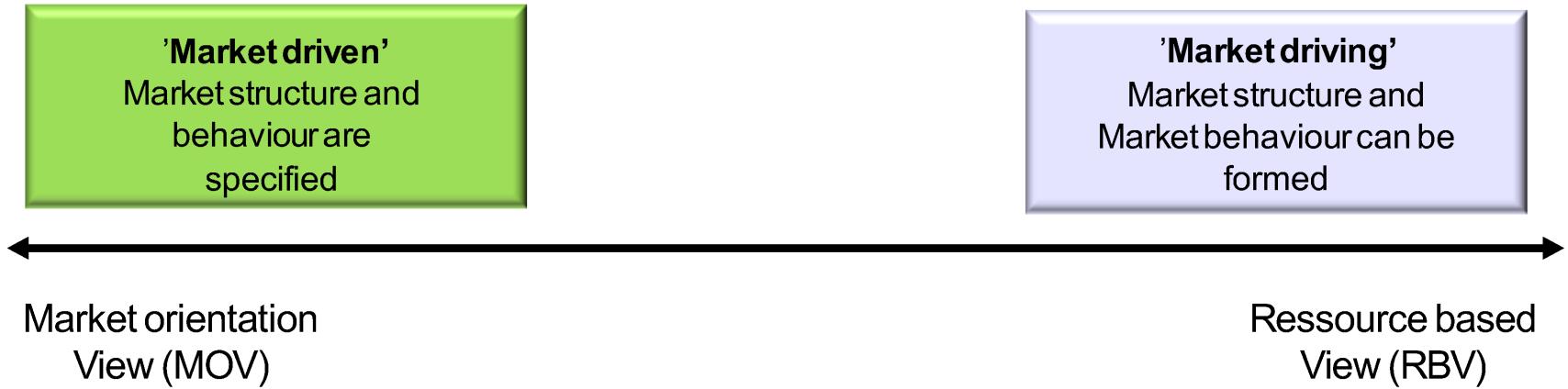
- Here is the focus on the firms core competencies
- The RBV suggests that performance is essentially driven by the resources of the organization
- The source of superior performance lies in owning and deploying distinctive, hard to imitate or protected resources

2. Market Orientation View (MOV) or the outside-in perspective

- Here is the focus on the customers needs, wants and demands
- the MOV also suggests a clear a profound understanding of the competition in the market from the customer's perspective.
- In essence, market orientation refers to the way a firm implements the marketing concept.

Market driven vs. resource driven

Two strategic options ...



Market driven vs. resource driven

Two strategic options ...

	Market driven	Market driving
General	Company responds to acts within the framework and constraints of market structure and characteristics	Enterprise will act to induce changes in the market structure and alterations in the behaviours of customers and competitors
Customer orientation	Adaptation	Be at the cutting edge of latest customer needs
Identifying, analyzing and answering to consumer	<ul style="list-style-type: none">▪ Predict which technologies are expected to be successful given customer preferences▪ Respond to market structure	<ul style="list-style-type: none">▪ Shape customers' behaviour proactively▪ Pioneer▪ Forecast how customer needs and market boundaries evolve
Competitor orientation	<ul style="list-style-type: none">▪ Permanent benchmarking▪ Duplication	<ul style="list-style-type: none">▪ Shape the market structure proactively▪ Identify and develop sustainable internal and external competences▪ Discontinuous disruption

Market driven vs. resource driven

Two strategic options ...



customers don't know what they want until you show them

Which of the two strategic option does this represent ?

Let's do some research.

We split into 2 groups.

Group A will look for a company which fits the “Market driven” strategy and will support their argumentation with examples.

Group B will look for a company which fits the “Market driving” strategy and will support their argumentation with examples.

'Market driven'
Market structure and behaviour are specified

'Market driving'
Market structure and Market behaviour can be formed



Market orientation
View (MOV)

Ressource based
View (RBV)

Time for research: 25 min.

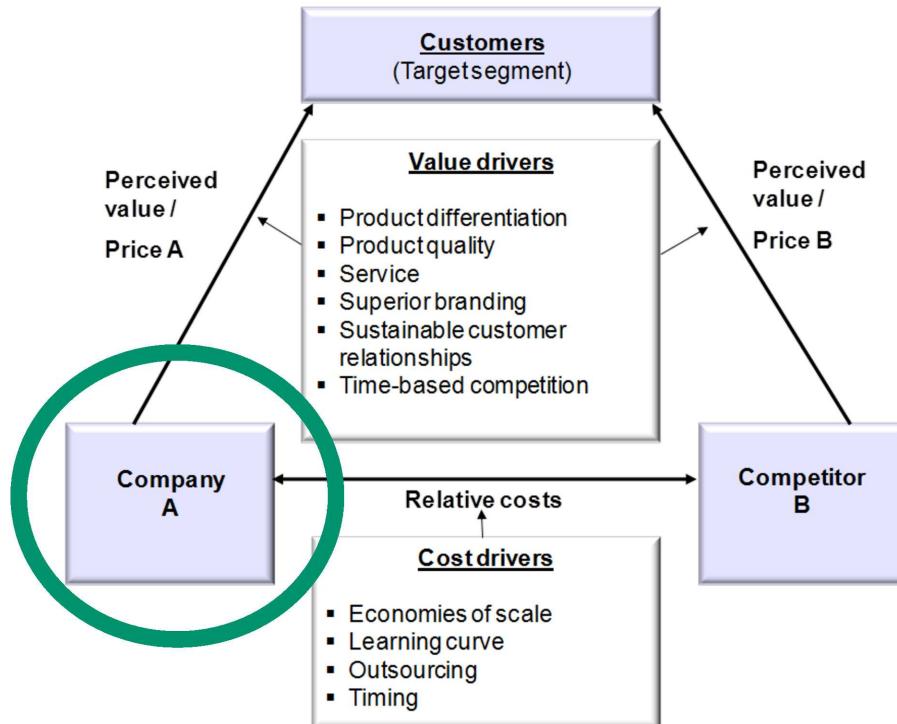
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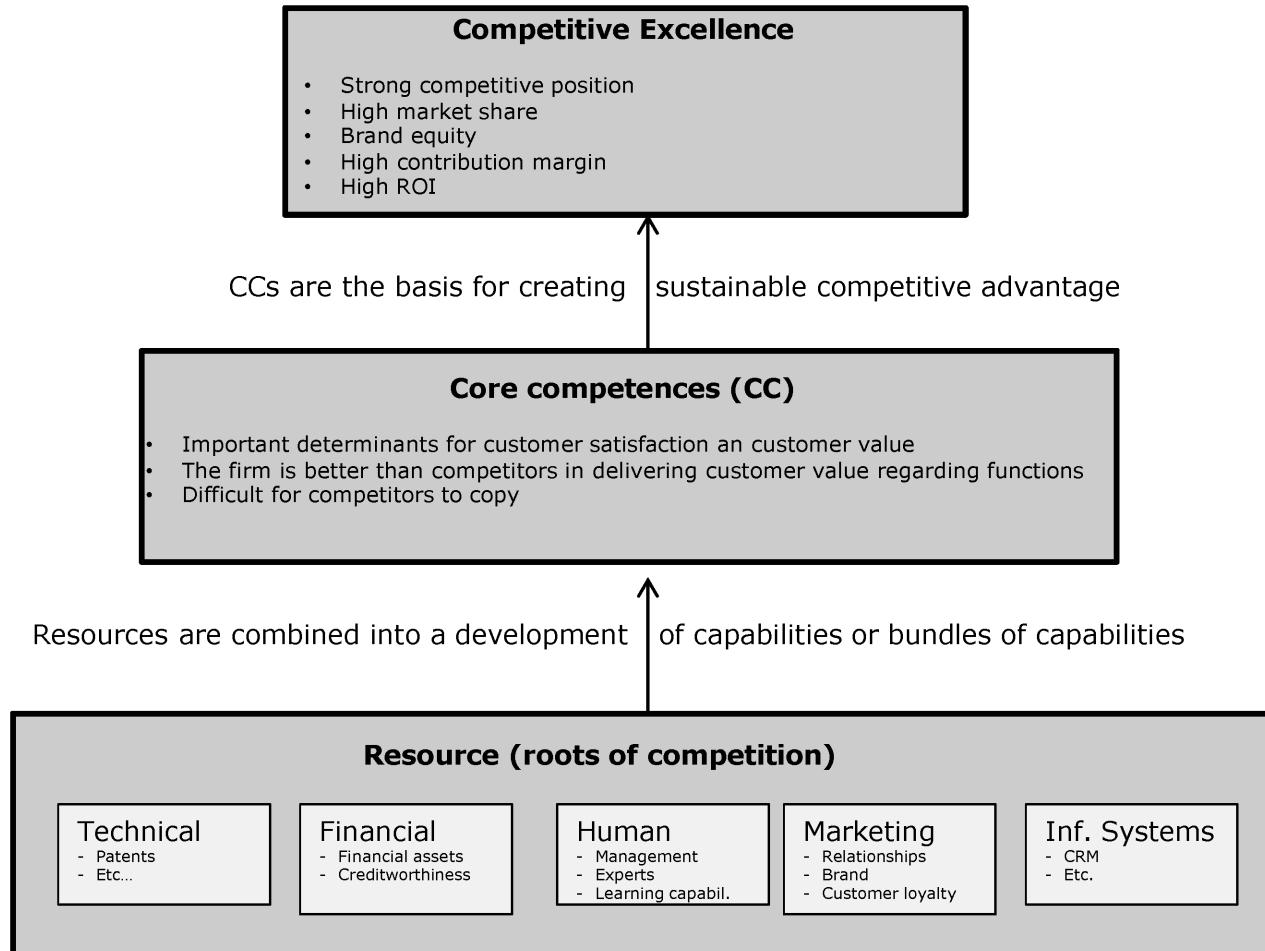
Assessing the internal marketing situation

In the context of the competitive triangle



Assessing the internal marketing situation

Resources as roots of competition



Assessing the internal marketing situation

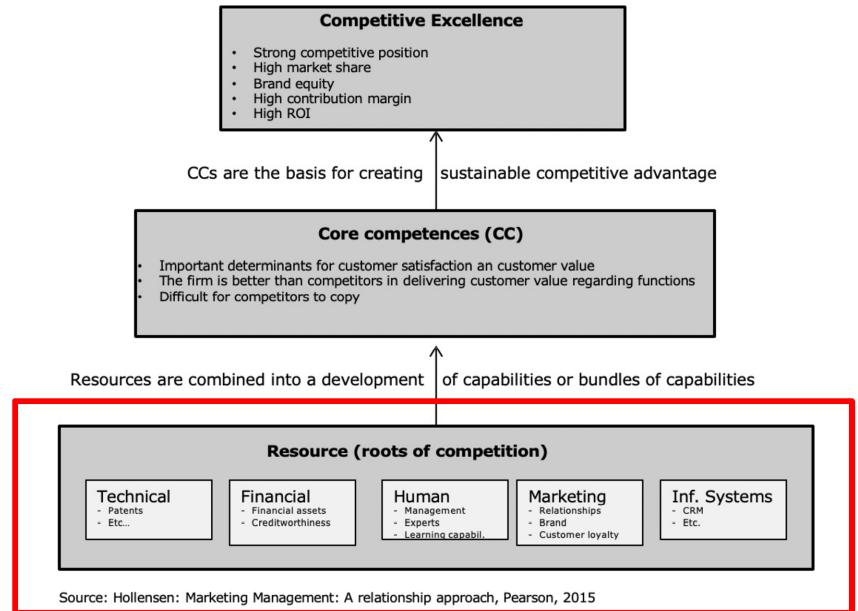
Resources can be tangible or intangible

➤ Tangible, e.g.

- Physical assets
- Financial assets
- Technological resources
- Organizational resources

➤ Intangible, e.g.

- *Human resources*
- *Innovation resources*
- *Reputation resources*



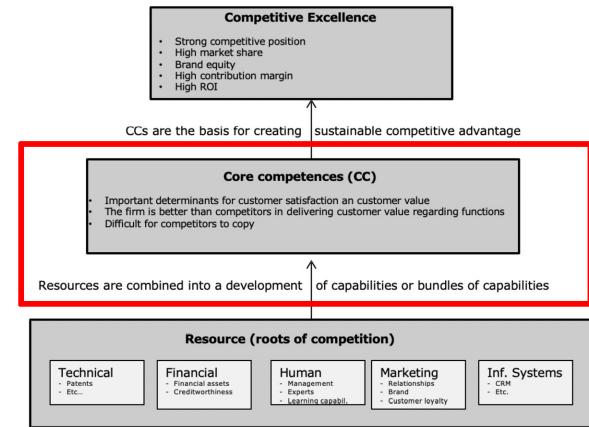
Source: Hollensen: Marketing Management: A relationship approach, Pearson, 2015

Assessing the internal marketing situation

Core competencies according to Prahalad and Hamel

Core competences ...

1. should be difficult to duplicate
2. should provide potential access to a wide range of markets
3. make a considerable contribution to the customer value

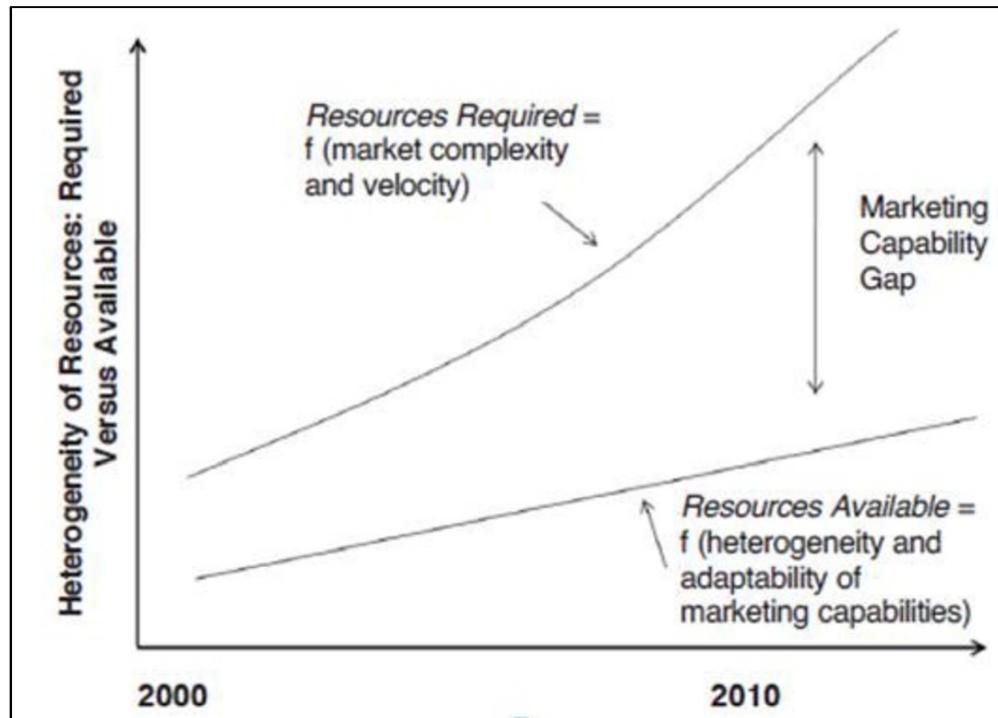


Source: Hollensen: Marketing Management: A relationship approach, Pearson, 2015

Assessing the internal marketing situation

The marketing capability gab

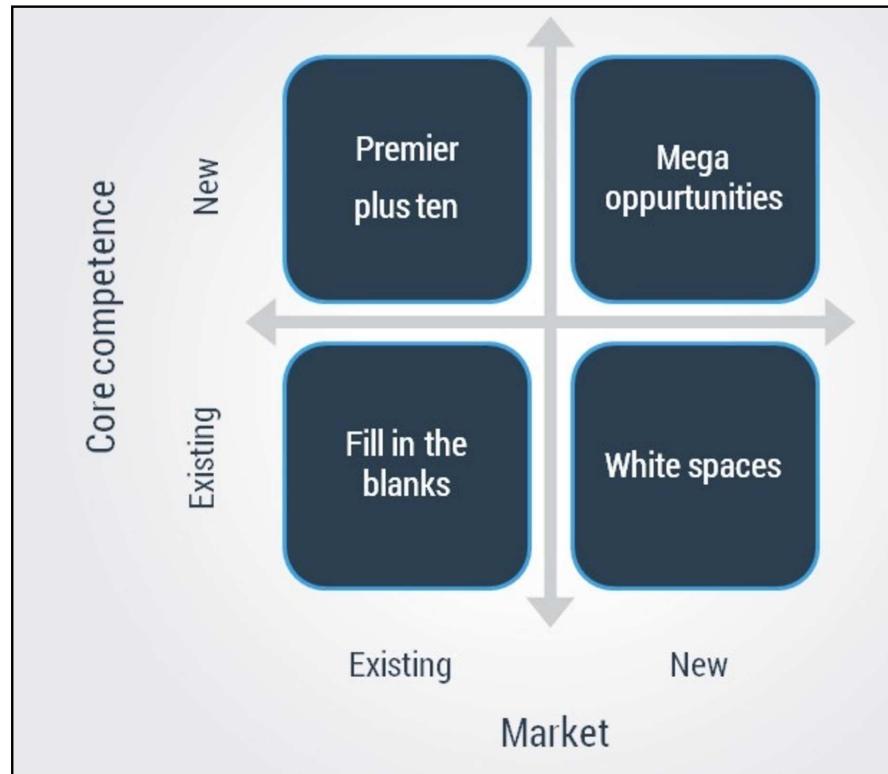
Core competence analysis may lead to a marketing capability gap !



Source: Hollensen, S. , Marketing Management, A relationship approach, P.37, 2015

Assessing the internal marketing situation

Core competencies related to markets



Source: C. K. Prahalad, Gary Hamel: *The Core Competence of the Corporation*. In: *Harvard Business Review*, May-June 1990

Assessing the internal marketing situation

Core competence / market relation leads to strategic options

Fill in the blanks

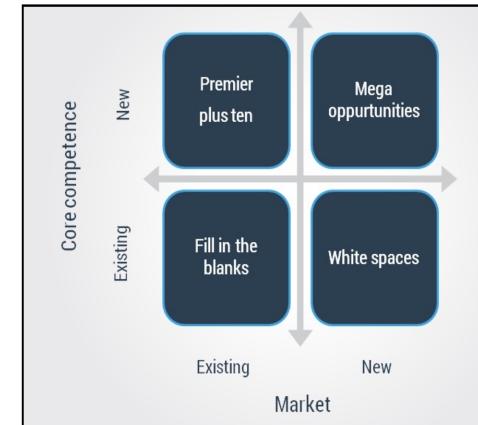
An organization identifies what core competences can be used in existing markets in two manners:

- in certain markets for specific services
- or to strengthen the organization's position.

White spaces

An organization identifies what core competences can be used in new markets

- There is a risk that an organization may have too large a diversification of products/services and therefore leaving its "core business".
- By formulating clear targets, it will become clear what core competences will be needed in the future and how these can be developed in new markets.



Premier plus ten

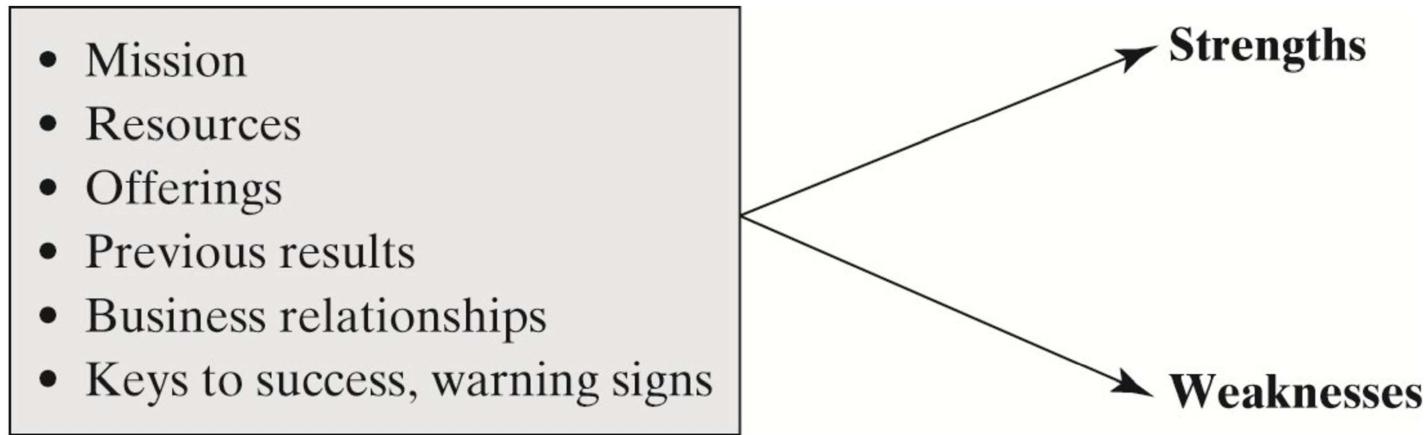
The strategic starting principle is to deploy a new core competence for an existing market in ten years time.

Mega Opportunities

This strategy has a high yield potential. However, because the organization is moving into unfamiliar territory, there are also significant potential risks involved in this.

Assessing the internal marketing situation

Leads to strength and weaknesses



The RBV of the company implies that the first stage in assessing strengths and weaknesses should be to conduct an audit of the resources available to the company to identify strength and weaknesses

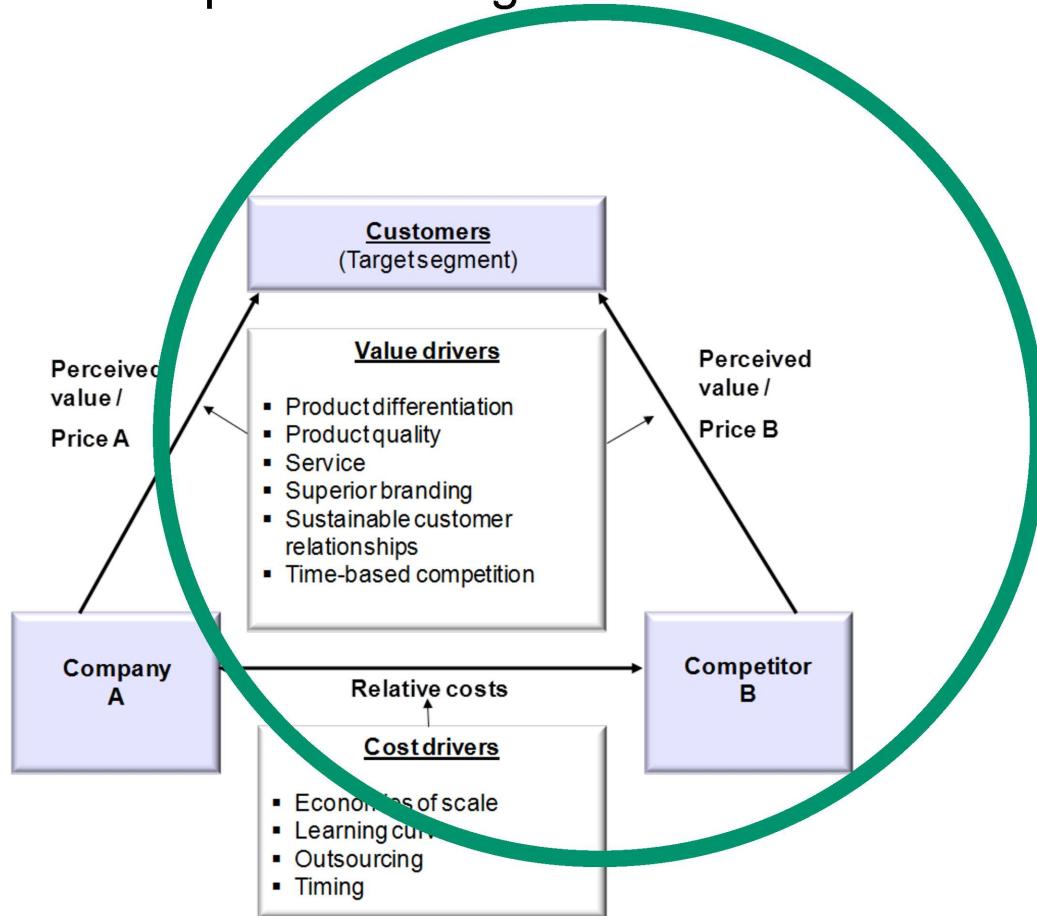
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Assessing the external marketing situation

In the context of the competitive triangle



Assessing the external marketing situation

Macro- and Microenvironments

To formulate a practical marketing plan, one needs to properly differentiate between macroenvironmental and microenvironmental factors:

➤ **Macro-environmental factors**

are broad forces that impact overall marketing strategy and performance such as:
Political-legal, economic, social-cultural, technological and ecological forces.

➤ **Micro-environmental factors**

are more direct forces that influence marketing strategies and activities such as:
Customers, competitors, channel members, partners, suppliers, and employees.

Assessing the external marketing situation

Macro- and Microenvironments → 3 Levels

1. Macro level

(PESTEL)

A black arrow points from the text '(PESTEL)' to the 'Political' box in the diagram.

2. Industry level

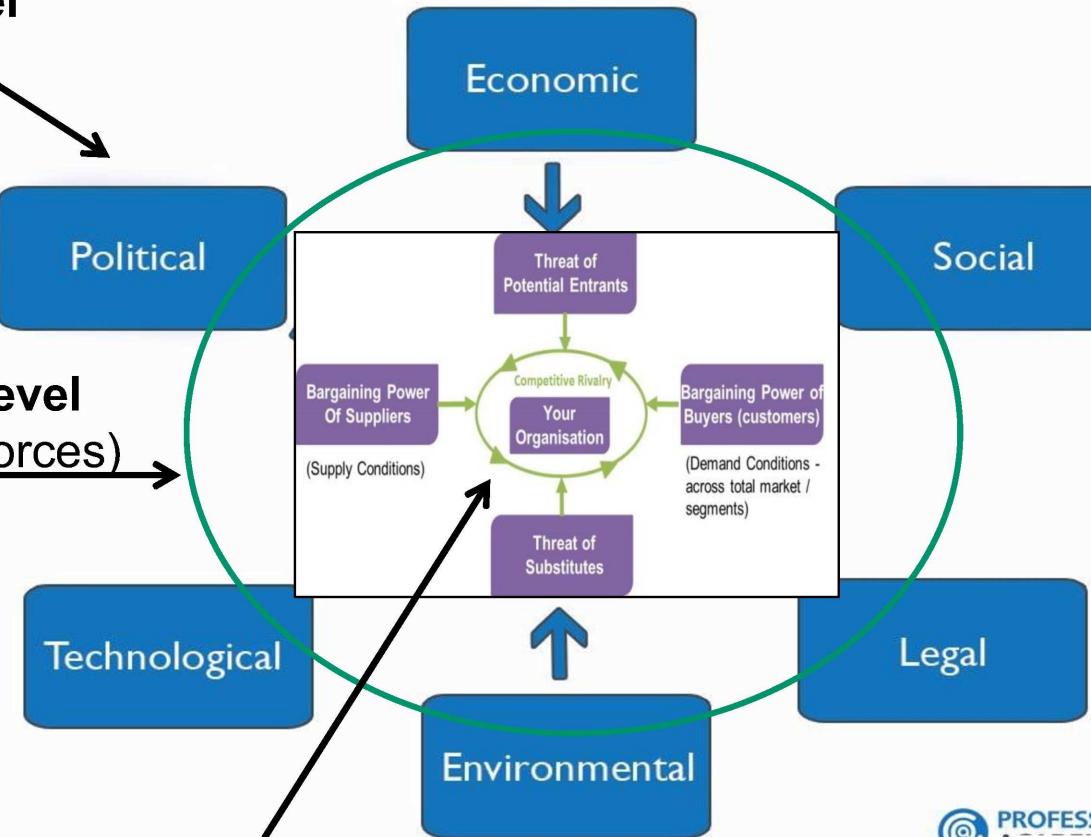
(Porter 5 Forces)

A black arrow points from the text '(Porter 5 Forces)' to the central circle in the diagram.

3. Your Firm's level

(RBV)

A black arrow points from the text '(RBV)' to the 'Your Organisation' circle in the diagram.



Assessing the external marketing situation

PESTEL analysis

PEST stands for the analysis of the external factors which are:

<i>Political</i>	<i>Economic</i>	<i>Social</i>	<i>Technology</i>	<i>Environment</i>	<i>Legal</i>
P	E	S	T	E	L
<ul style="list-style-type: none">- Government policy- Political stability- Corruption- Foreign trade policy- Tax policy- Labour law- Trade restrictions	<ul style="list-style-type: none">- Economic growth- Exchange rates- Interest rates- Inflation rates- Disposable income- Unemployment rates	<ul style="list-style-type: none">- Population growth rate- Age distribution- Career attitudes- Safety emphasis- Health consciousness- Lifestyle attitudes- Cultural barriers	<ul style="list-style-type: none">- Technology incentives- Level of innovation- Automation- R&D activity- Technological change- Technological awareness	<ul style="list-style-type: none">- Weather- Climate- Environmental policies- Climate change- Pressures from NGO's	<ul style="list-style-type: none">- Discrimination laws- Antitrust laws- Employment laws- Consumer protection laws- Copyright and patent laws- Health and safety laws

Assessing the external marketing situation

PESTEL example for the Pharmaceutical Industry

Issue	Impact on Business
Political	<ul style="list-style-type: none">• Growing political focus and pressure on Healthcare• Global governments looking for healthcare savings.• Harmonization of healthcare across Europe. <ul style="list-style-type: none">• Cut backs (loss of business) more pressure on pricing.• Increase pressure on pricing.• Reference pricing, exposing prices across borders.
Economic	<ul style="list-style-type: none">• Global economic crisis.• Reduction in individual disposable income.• Increasing number of buying groups putting pressure on pricing.• Reduction in Pharma Growth. <ul style="list-style-type: none">• Reluctance of consumers to spend on healthcare.• Again, an increased pressure on pricing, however market is likely to grow due to aging population.• Need to introduce value adding processes.• Increased pressure from shareholders.
Social / Culture	<ul style="list-style-type: none">• Patient awareness, changing expectations.• Patient /public activism is also increasing (e.g. harnessing new social networking technologies).• Increasing age of population & growth in obesity. <ul style="list-style-type: none">• More pressure on customer service, increased need for education and more price transparency.• Better intelligence gathering requires.• Market likely to grow with increasing health concerns.
Technological	<ul style="list-style-type: none">• New info and Comms technologies (Social Media).• Customized Treatments.• Direct to Patient Advertising. <ul style="list-style-type: none">• New digital opportunities: creating new "e-models".• Direct to patient communications.• More responsive service facilities required.
Legislation	<ul style="list-style-type: none">• Changes to advertising laws.• Increased litigation.• Global inconsistencies. <ul style="list-style-type: none">• Need to focus on Education.• Quality becomes key.• Unable to rationalize (US and European markets require different formulas).
Environmental	<ul style="list-style-type: none">• Growing environmental agenda and community awareness. <ul style="list-style-type: none">• Identify eco opportunities to market.

Assessing the external marketing situation

Porter's five forces analysis



- It focuses on the competition level within an industry to evaluate a company's strategic position.
- Along with the PEST analysis, it digs deeper into the **Opportunities** and **Threats** of the SWOT.

Assessing the external marketing situation

Porter's five forces analysis



Assessing the external marketing situation

Porter's five forces analysis

1. Threat of New Entrants

When a company has no competitors, they can charge almost any price for their product. As more and more competition enters the market, profits drop until joining the industry is no longer appealing to new ventures. Barriers to entry also deter this new competition and can result in monopolies if they become sufficiently high

2. Threat of Substitution

Substitution products are not simply a different brand (Pepsi vs. Coke), but an alternative product or service altogether (cola vs. root beer vs. mineral water). These alternatives aren't competitors, they are a different industry, but they do threaten to substitute and reduce demand. The demand elasticity of a product can be a good proxy for how vulnerable it is to substitution.

3. Power of Buyers

In an industry that has only one consumer or a handful of very powerful consumers, these buyers have a significant impact. When Walmart or McDonald's changes its food safety standards, this can have a ripple effect through all of their suppliers. The greater the asymmetry between the buyer and the supplier (the closer the relationship is to a monopsony) the more buyers can push for lower prices.

4. Power of Suppliers

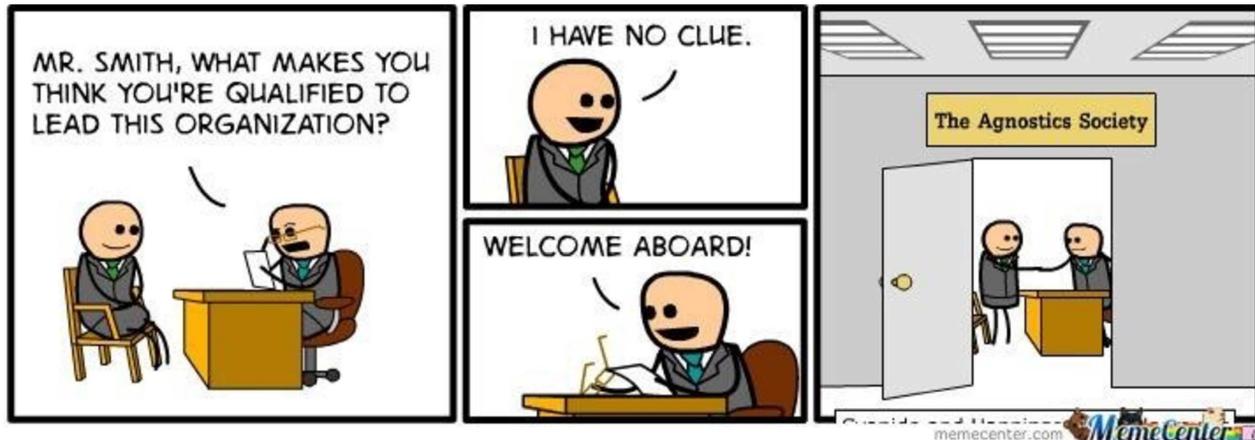
Suppliers in one market will be buyers in another, so the similar factors are at play (number of suppliers, cost of switching) but from a different angle. An additional factor to consider is the specialization of the supplier's product, that is, whether *they* face threats of substitution.

5. Competitive Rivalry

Where new entrants pose an external threat to companies, they also face competition from other established firms within their industry. Generally, the number and capability of competitors is the primary factor in determining the level of rivalry within a sector, but even excluding outright collusion, companies may adhere to informal codes of conduct that inhibit competition.

Assessing the external marketing situation

No Clue ?



If you have no clue where to get all the necessary information from ...

... try some marketing research !

Assessing the external marketing situation

Marketing research

Marketing research is the systematic ...

- Design
- Collection
- Analysis
- Reporting

... of data relevant to a specific marketing situation facing the organization

Assessing the external marketing situation

Marketing research, primary & secondary date

Secondary Data

consists of information that already exists somewhere, having been collected for another purpose

- Data already collected
- Quick
- Cheap
- Relevant ?
- Available ?
- Obsolete ?

Primary Data

consists of information gathered for a special research plan

- Data you collect yourself
- Takes time
- Expensive
- Specific
- Controllable
- Up to date

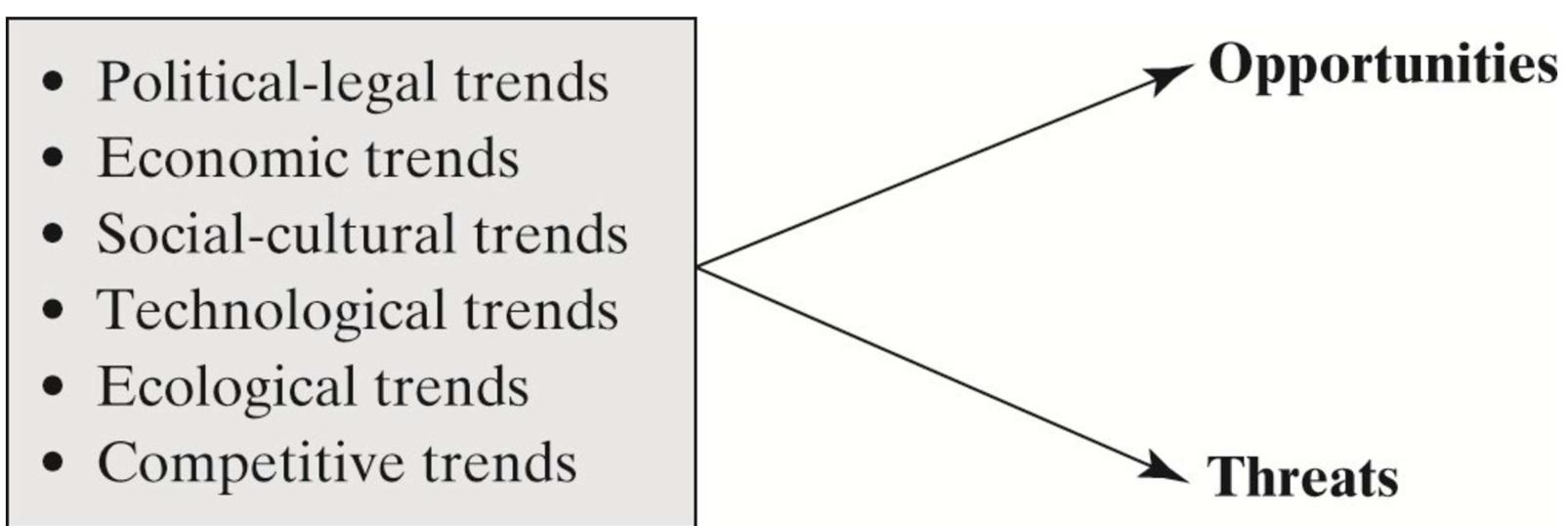
Assessing the external marketing situation

Marketing research; Basis for Market Intelligence



Assessing the external marketing situation

Leads to opportunities and threats



Leads us to next week...

Situational analysis in the marketing planning process

1. The marketing planning process
2. Market driven vs. resource driven
3. Assessing the internal marketing situation
4. Assessing the external marketing situation
5. **Analysing buying behaviour on B2C and B2B Markets**
6. **SWOT Analysis**

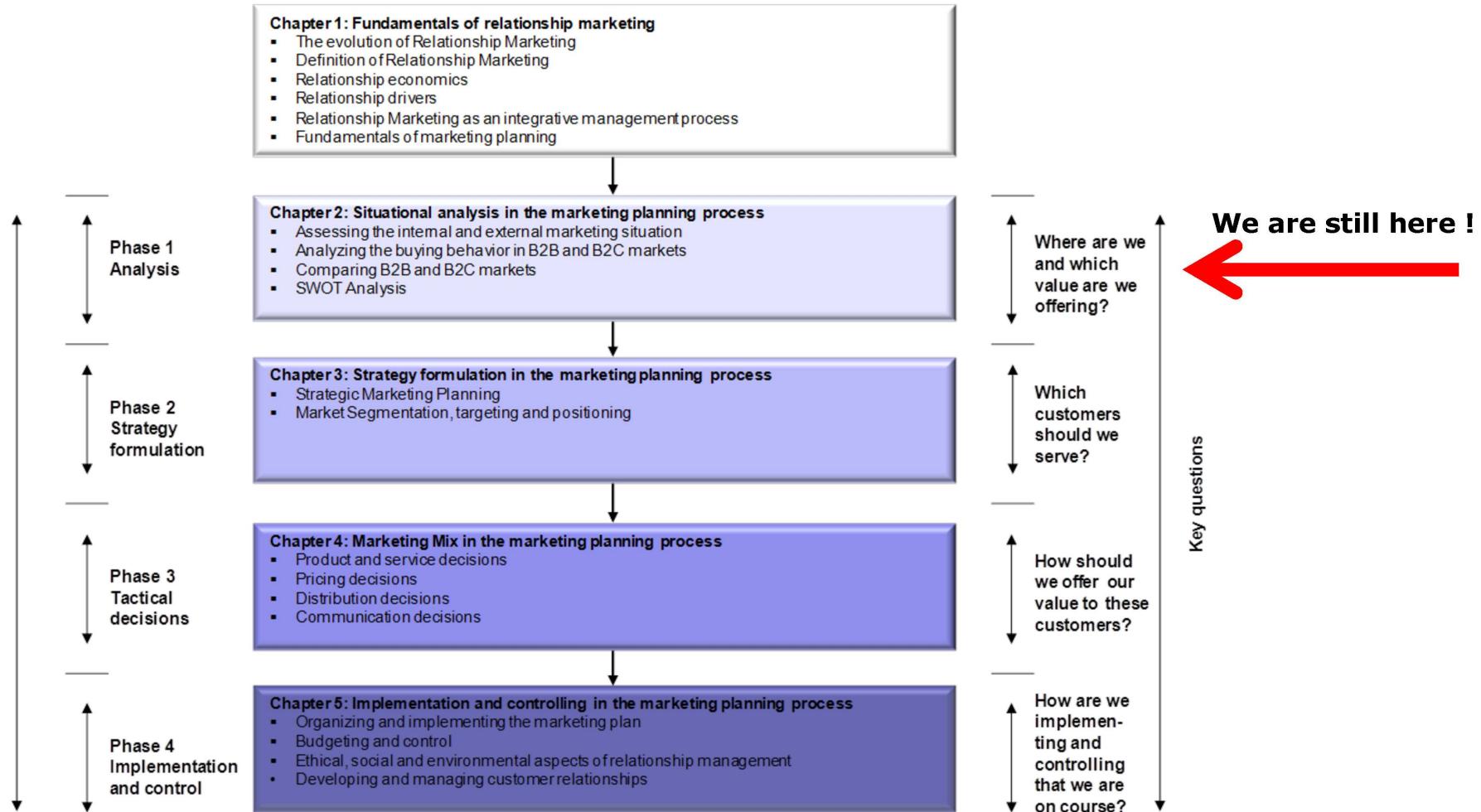
Marketing Management

Institut für Innovation und Technologie Management

Situational analysis in the marketing planning process Part 2
«Script and content created or composed by Markus Raschke»

Programme overview

Where we are ...



Agenda: Situational analysis

1. Situational analysis in the marketing planning process

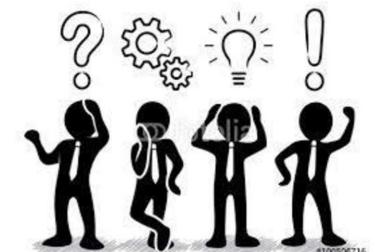
1. Market driven vs. resource driven
2. Assessing the internal marketing situation
3. Assessing the external marketing situation



1.4 Analysing buying behaviour on B2C and B2B Markets

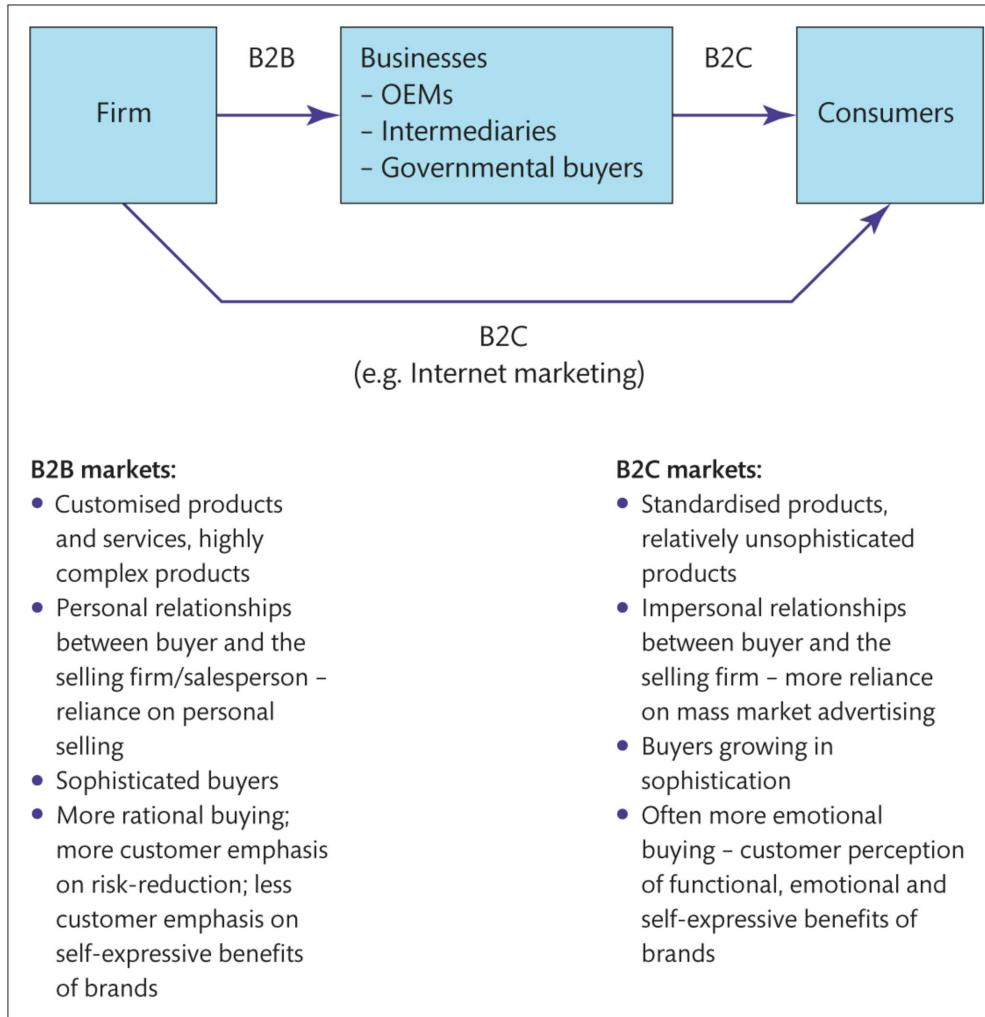
Still to do

1.5 SWOT Analysis



Understanding customer behaviour

Identifying markets; B2C and B2B

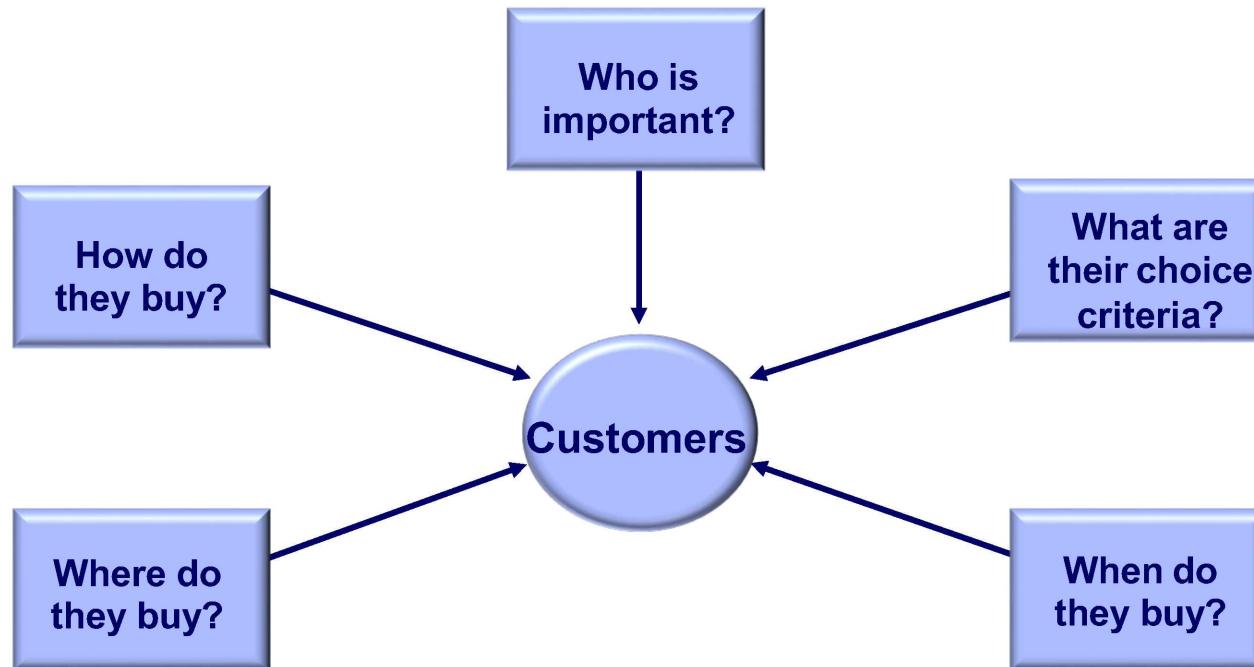


Source: Hollensen, S: Marketing Management: A Relationship approach, Pearson Education Limited 2015

Understanding B2C customer behaviour

The key questions ...

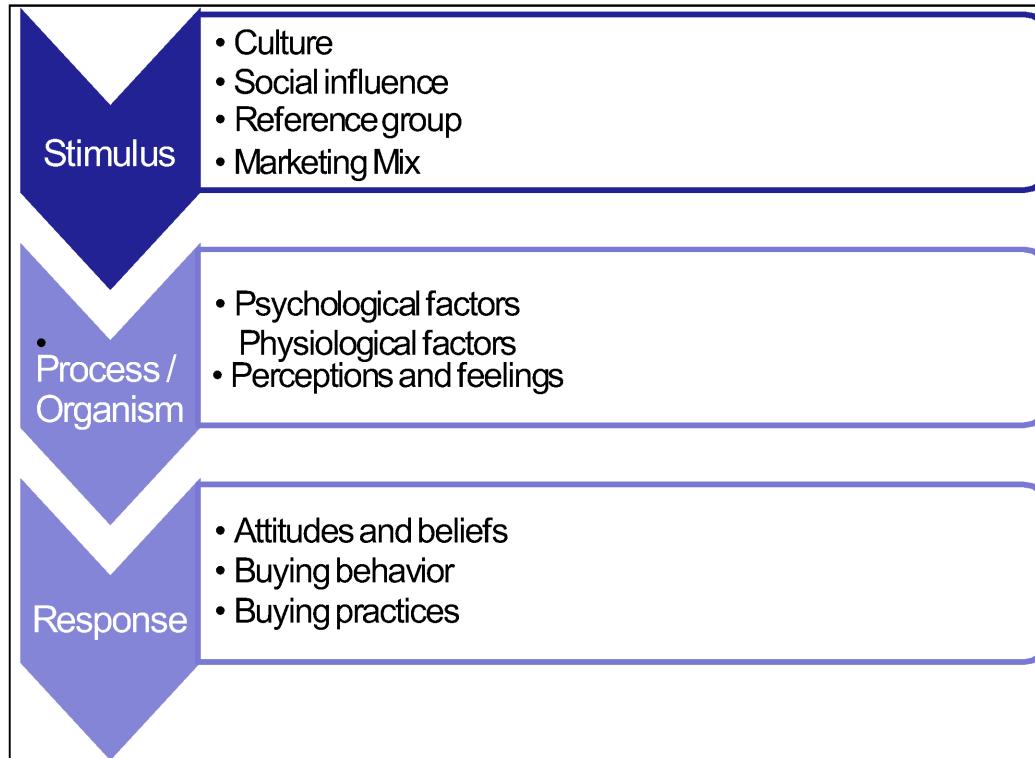
Understanding B2C consumers means answering the following key questions



Understanding B2C customer behaviour

The S-O-R model

Consumer behavior may be described with the
stimulus-organisms-response model (S-O-R model)



Source: Hollensen, S. and Opresnik, M.: Marketing: A Relations hip perspektive, München 2010, p. 76

Understanding B2C customer behaviour

Determinants of consumer involvement

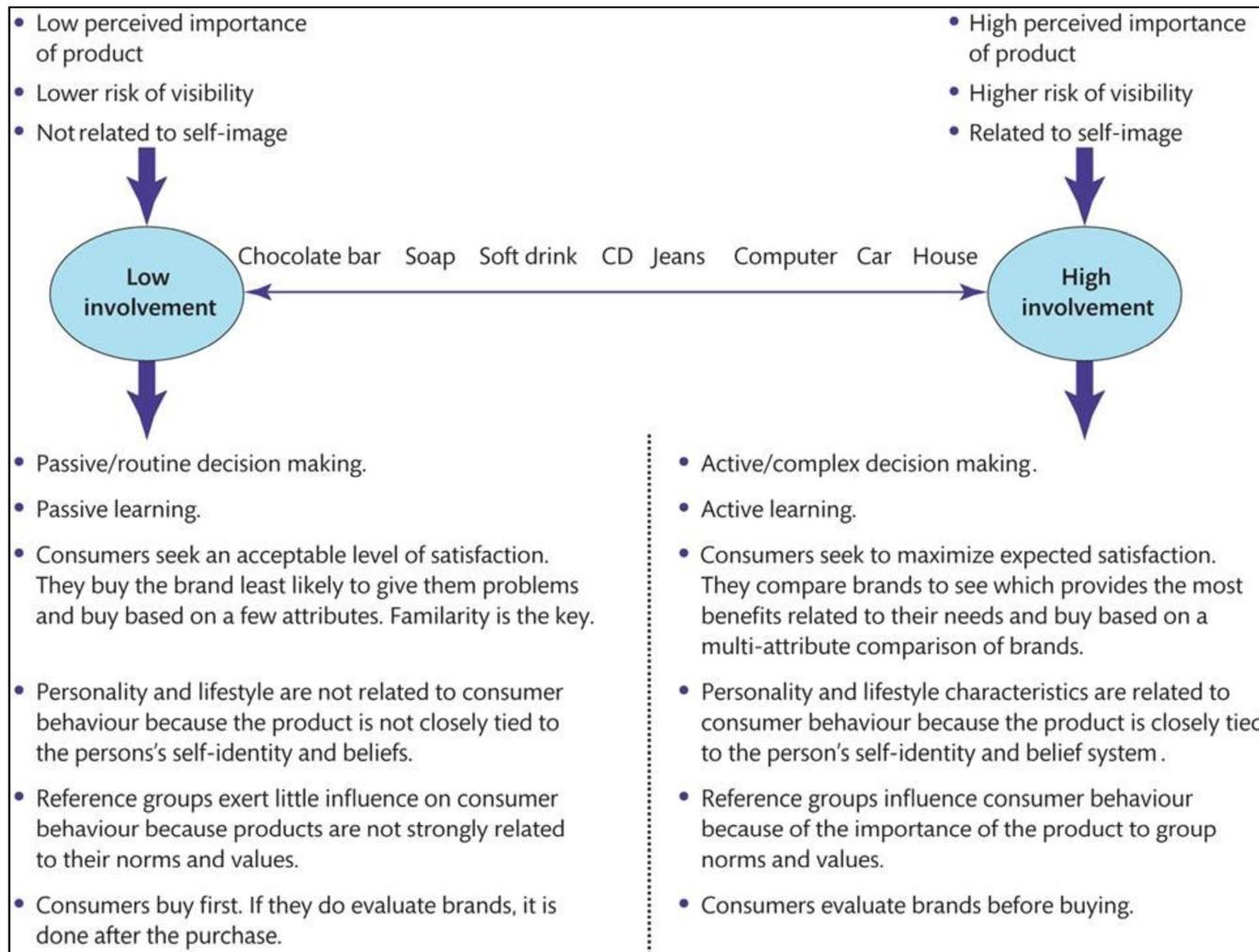
Consumer involvement is measured by the degree of importance the product has to the buyer.

The two most relevant factors are:

1. Perceived importance of the product
2. Perceived risk associated with its use

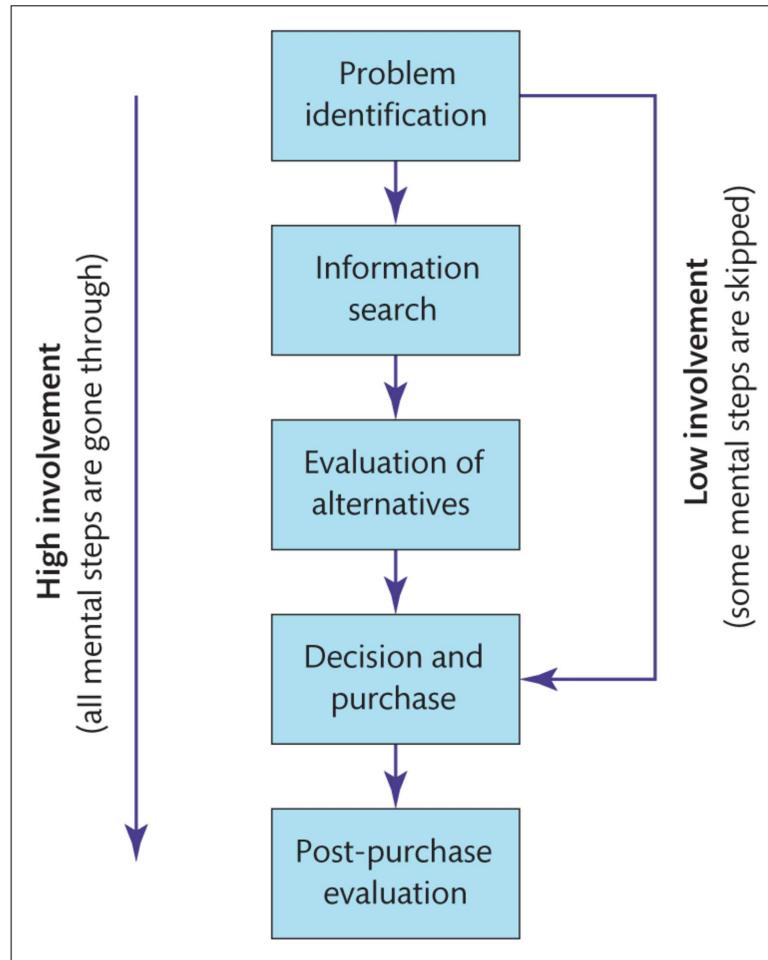
Understanding B2C customer behaviour

Determinants of consumer involvement



Understanding B2C customer behaviour

The consumer decision-making process



Source: Hollensen, S: Marketing Management: A Relationship approach, Pearson Education Limited 2015

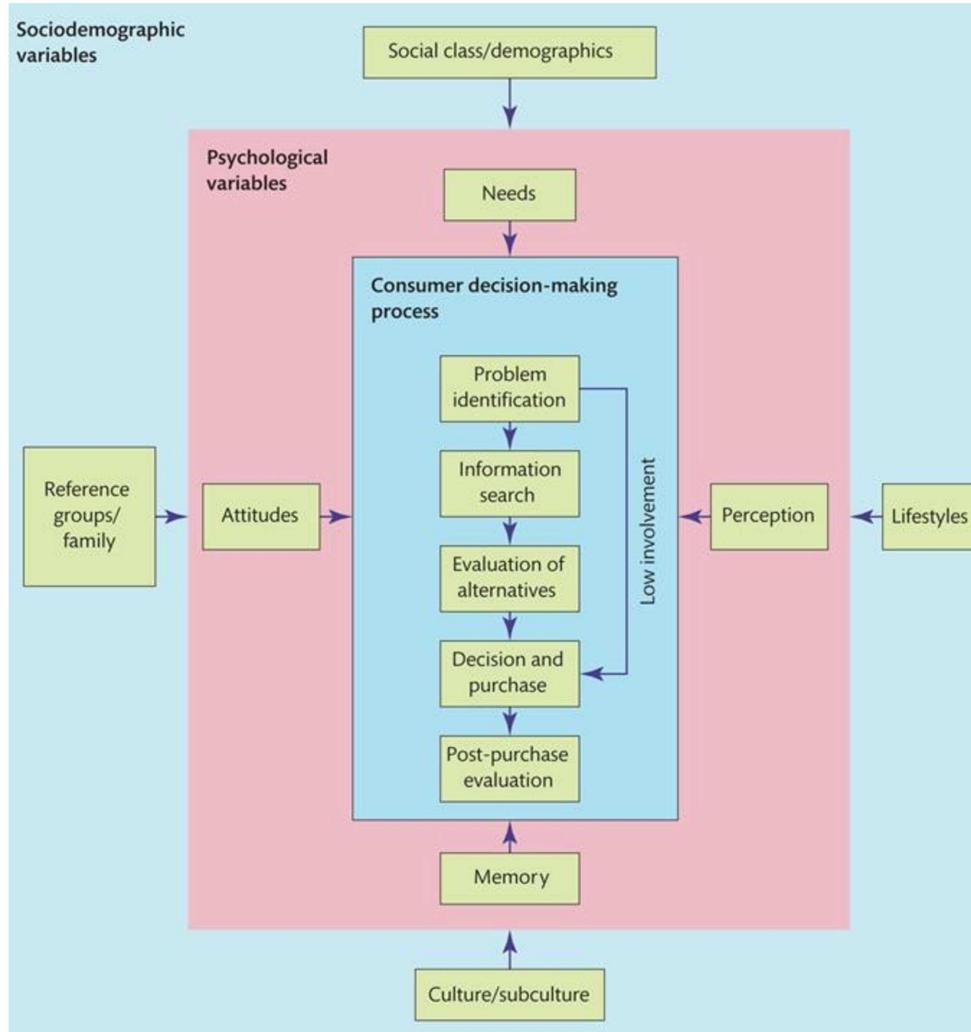
Understanding B2C customer behaviour

Influences on consumers' decision making

- Buyers may have similar involvement, but buy different brands for different reasons.
- The following influencing factors may lead to a complex decision making process
 1. Psychological variables
e.g. needs, attitudes, memory or perception
 2. Sociodemographic variables,
e.g. social class, culture or life style

Understanding B2C customer behaviour

Influences on consumers' decision making

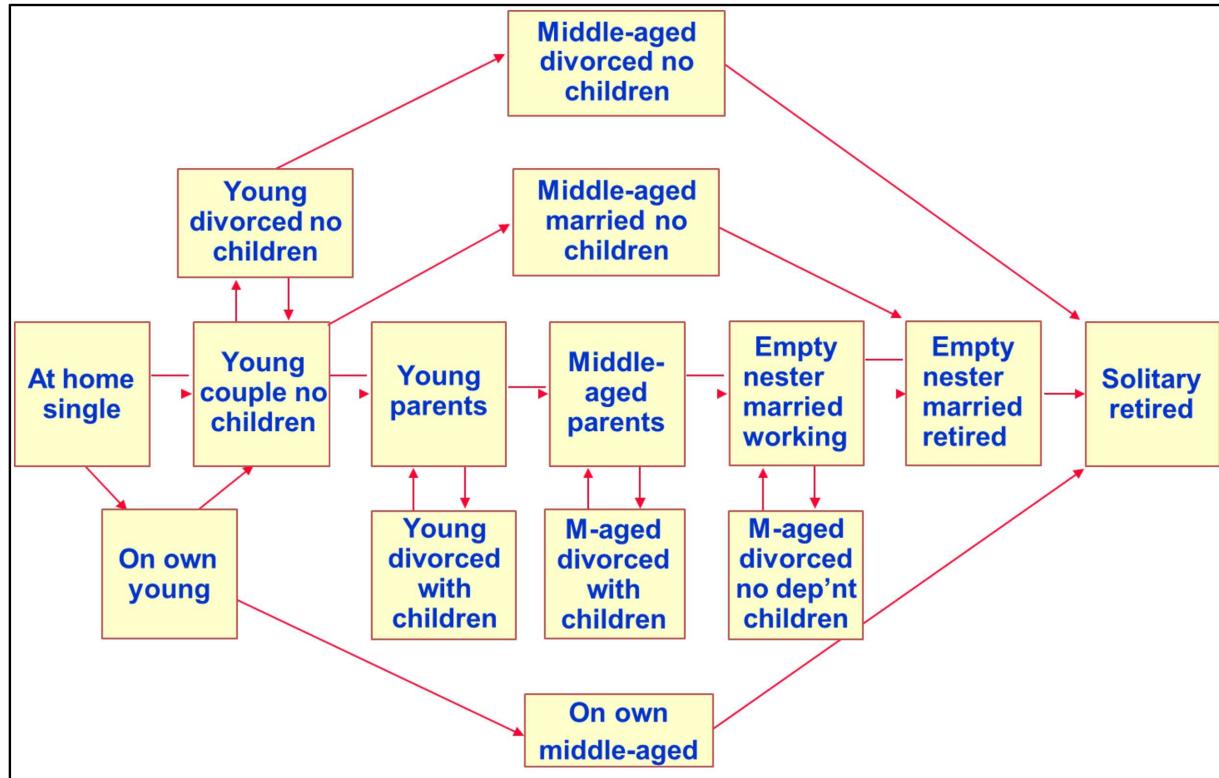


Source: Hollensen, S: Marketing Management: A Relationship approach, Pearson Education Limited 2015

Understanding B2C customer behaviour

Influences on consumers' decision making

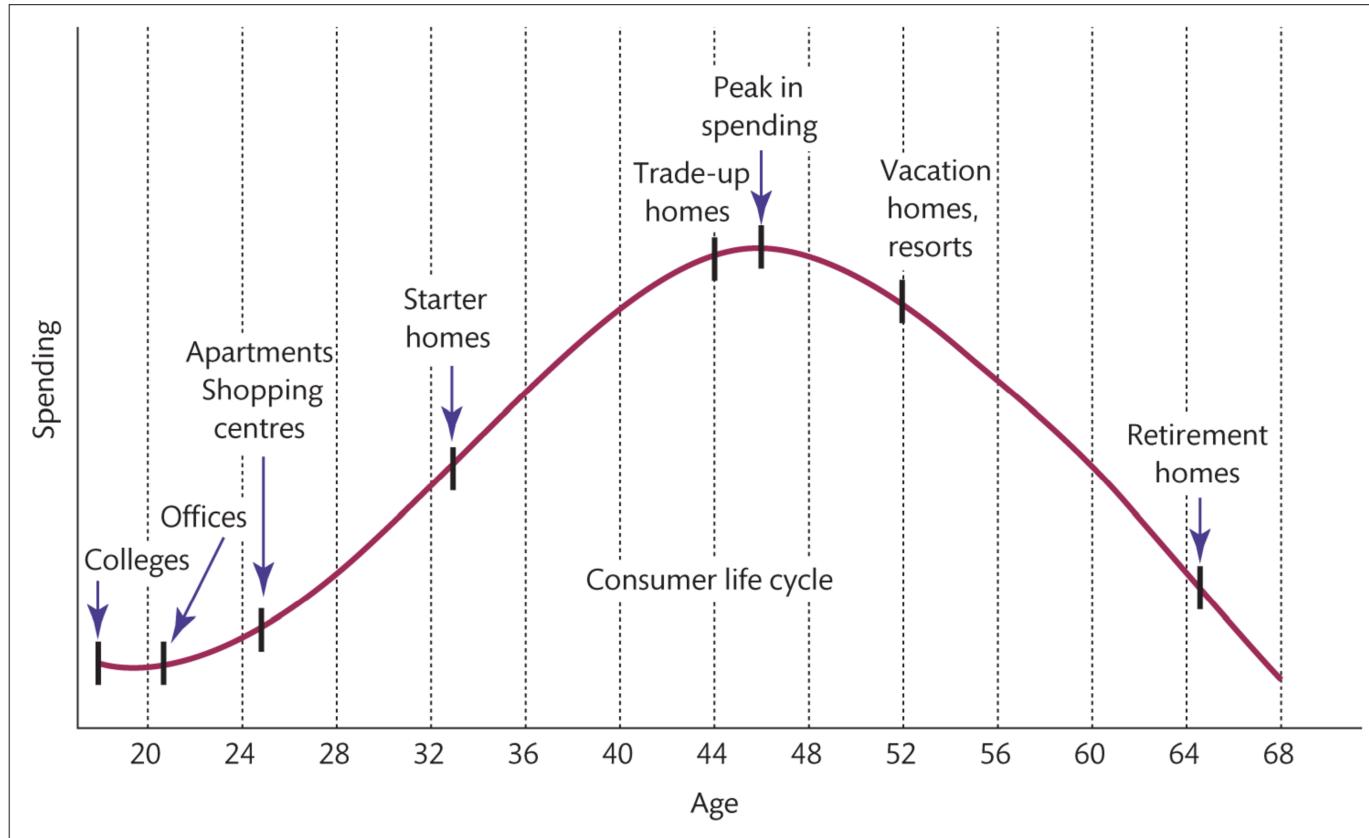
Examples of the consumer life cycle stages



Understanding B2C customer behaviour

Influences on consumers' decision making

Key consumer expenditure according to the family life cycle:



Source: Hollensen, S: Marketing Management: A Relationship approach, Pearson Education Limited 2015

Identifying the market ...

... B2C or B2B

Lucerne University of
Applied Sciences and Arts

**HOCHSCHULE
LUZERN**
Technik & Architektur



Identifying the market ...

... based on a definition

B2B Business

- The buyer is an organisation
- The buying purpose is
 - use in the operation of a business
 - manufacture other products
 - resale to other business



B2C Business

- The buyer is a private person
- The buying purpose is
 - personal use
 - consumption



Understanding B2B customer behaviour

Some more examples for B2B

Lucerne University of
Applied Sciences and Arts

**HOCHSCHULE
LUZERN**
Technik & Architektur

- Paper cups for McDonald's
- Computer chips for Toshiba
- Transformer oil for a Power Plant
- Fertiliser for Farmers
- Accountancy services for Companies



FH Zentralschweiz

Understanding B2B customer behaviour

Differences between business and consumer markets

	B-t-B market	B-t-C market
Market structure	<ul style="list-style-type: none">▪ Geographically concentrated▪ Relatively few buyers▪ Oligopolistic competition	<ul style="list-style-type: none">▪ Geographically dispersed Mass markets (often millions)▪ Pure competition
Size of purchase	<ul style="list-style-type: none">▪ Often extremely large	<ul style="list-style-type: none">▪ Usually small
Buyer behaviour	<ul style="list-style-type: none">▪ Functional involvement▪ Rational/task motives prevail▪ Stable relationships▪ Professionalism, expertise	<ul style="list-style-type: none">▪ Family involvement▪ Social/emotional motives prevail▪ Less buyer-seller loyalty▪ Less trained, often inexperienced
Buying influences	<ul style="list-style-type: none">▪ Committees, technical experts, and management are all involved in decision making (buying center)	<ul style="list-style-type: none">▪ The individual, household members, or friends and relatives
Decision-making	<ul style="list-style-type: none">▪ Distinct, observable stages▪ Often group decisions	<ul style="list-style-type: none">▪ Vague, mental stages▪ Usually individual decisions
Supplier relationship	<ul style="list-style-type: none">▪ Long-term contracts and supplier involvement	<ul style="list-style-type: none">▪ Many single purchases

Understanding B2B customer behaviour

Identifying buyers in organizational markets

- The organisational markets can be segmented in

 1. Manufacturers as customers
 2. Intermediate customers (resellers)
 3. Public sector customers
 4. Non profit organisations

- Moreover, the organisation size is also influencing the buying behaviour

Understanding B2B customer behaviour

Identifying buyers in organizational markets

Which picture represents which segment ?



Intermediate customers



Manufacturers as customers



Public sector customers

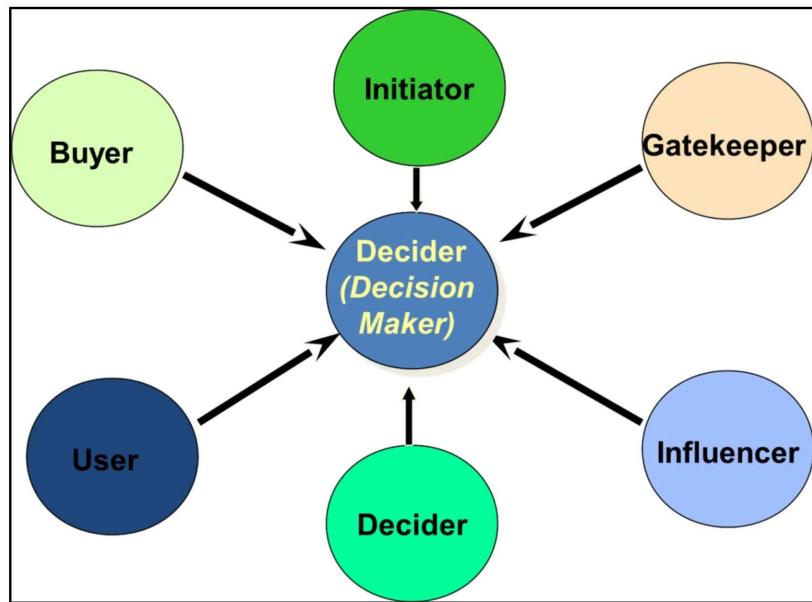


Non profit organisations

Understanding B2B customer behaviour

The buying centre (decision making unit)

- One of the main differences from consumer buying is that organizational buying usually involves group decision making (known as the “decision-making unit” or as the buying center).



- The buying center can formal or informal AND one role can be assigned to many persons and one person may have more than one role

Understanding B2B customer behaviour

The buying centre (decision making unit)

Initiators:

Those who begin the purchase process

Influencers/evaluators:

People who influence the buying decision. Technical personnel are especially important as influencers.

Gatekeepers:

Group members who regulate the flow of information. Frequently, the purchasing agent views the gate keeping role as a source of his or her power.

Decider:

The person who has the formal or informal power to choose or approve the selection of the supplier or brand.

Purchaser:

The person who actually negotiates the purchase.

Users:

Members of the organization who will actually use the product. Users often initiate the buying process and help define product specifications.

Understanding B2B customer behaviour

The buying process

- Depending on the process stage different customer needs must be addressed



Understanding B2B customer behaviour

The buying process; examples for information needs

What do B2B Customers want to know ?

If your customer is asking:	What's my problem?	How do I fix my problem?	Are you right for me?
They want:	Education & Thought Leadership	Solutions & Product Suitability	Credentials & Decision Support
What to share with them:	<ul style="list-style-type: none">• Trends• Benchmarks• Analyst coverage• 101 Education• How to guides• How other people are solving this?	<ul style="list-style-type: none">• What is the solution & how does it work?• Solution comparisons• Pitfall analysis• Readiness & suitability assessments• How do I choose a vendor?	<ul style="list-style-type: none">• Pricing• Bench strength demonstration• Case studies• ROI/TCO• How to buy• Working with us

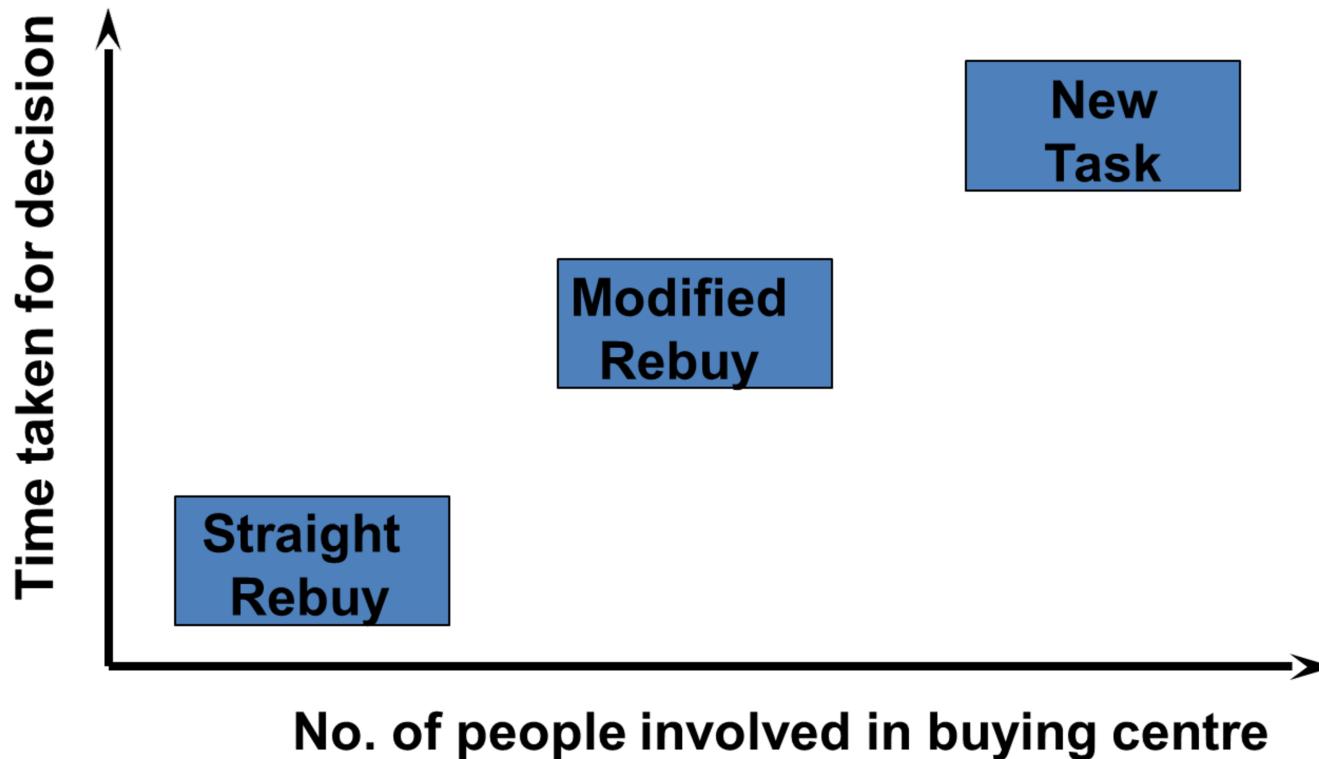
Understanding B2B customer behaviour

Different buying situations

- B2B buying behaviour is mainly influenced by buying situations rather than products
- There are three main buying types:
 1. New task buying
 2. A modified rebuy
 3. A straight rebuy
- Moreover, those buying types can be enhanced with the following criteria
 1. Buying volume / buying cost
 2. Organisational impact

Understanding B2B customer behaviour

Different buying situations



Understanding B2B customer behaviour

The extended buy grid model; buying stages and situations

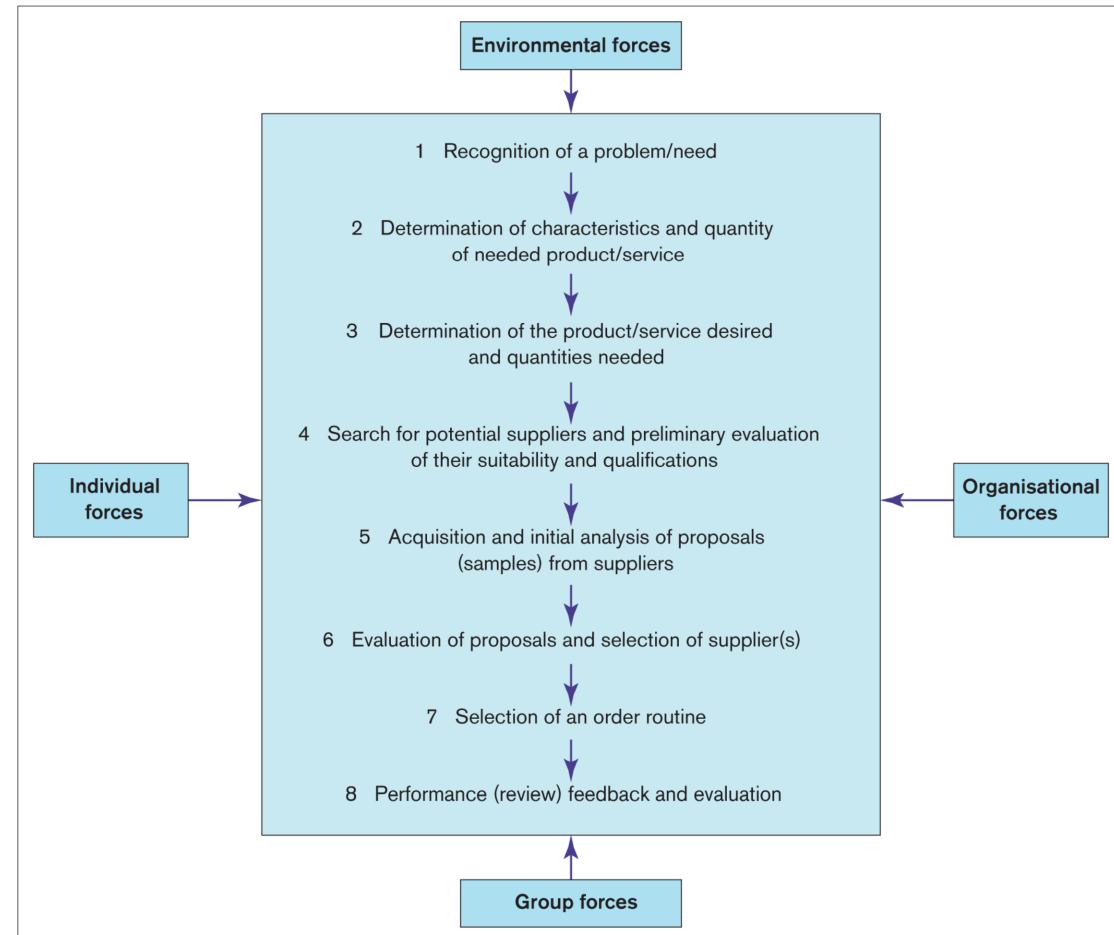
Characteristics	Buying situation		
	New task	Modified rebuy	Straight rebuy
Buying stages			
1 Recognition of a problem/need	Always	Always	Always
2 Determination of characteristics and quantity of needed products/services	Always	Sometimes	Never
3 Determination of the product/service desired and quantities needed	Always	Always	Always
4 Search for potential suppliers and preliminary evaluation of their suitability	Always	Sometimes	Never
5 Acquisition and initial analysis of proposals (samples) from suppliers	Always	Sometimes	Never
6 Evaluation of proposals and selection of supplier(s)	Always	Sometimes	Never
7 Selection of an order routine	Always	Sometimes	Never
8 Performance, review, feedback and evaluation	Always	Always	Always
Importance of buying decision	High	← →	Low
Degree of interaction between buyer and seller	High	← →	Low
Number of criteria used in supplier selection	Many	← →	Few

Understanding B2B customer behaviour

Summary: Influences on the buying process

The organisational buying behaviour is influenced by 4 major forces:

1. Environmental forces,
e.g. growth rate of the economy
2. Organisational forces,
e.g. the size and the type of buying
3. Group forces,
e.g. the influence of the buying centre
4. Individual forces,
e.g. personal preferences



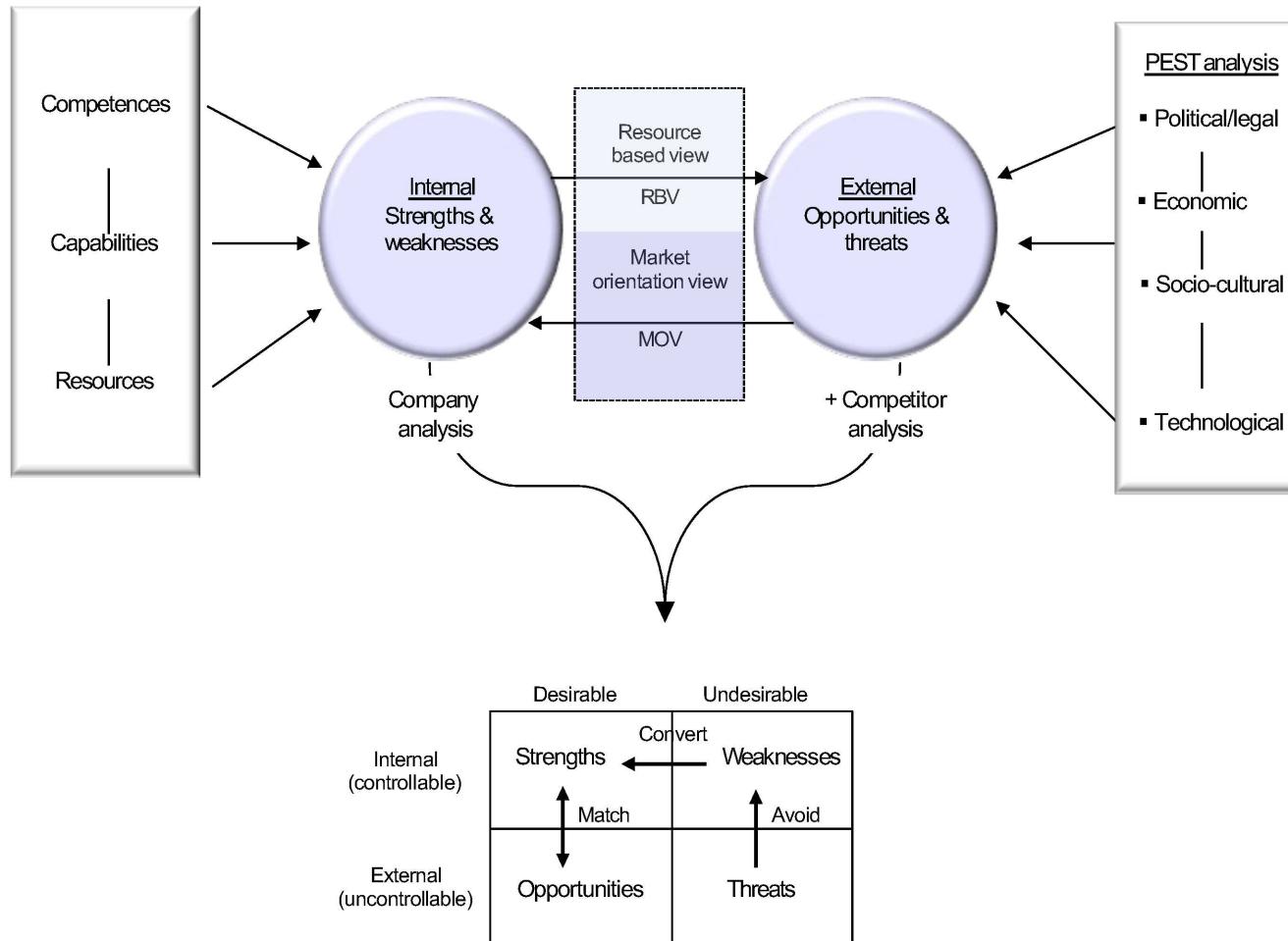
Agenda

1. Situational analysis in the marketing planning process

1. Market driven vs. resource driven
2. Assessing the internal marketing situation
3. Assessing the external marketing situation
4. Analysing buying behaviour on B2C and B2B Markets
5. SWOT Analysis

The SWOT analysis

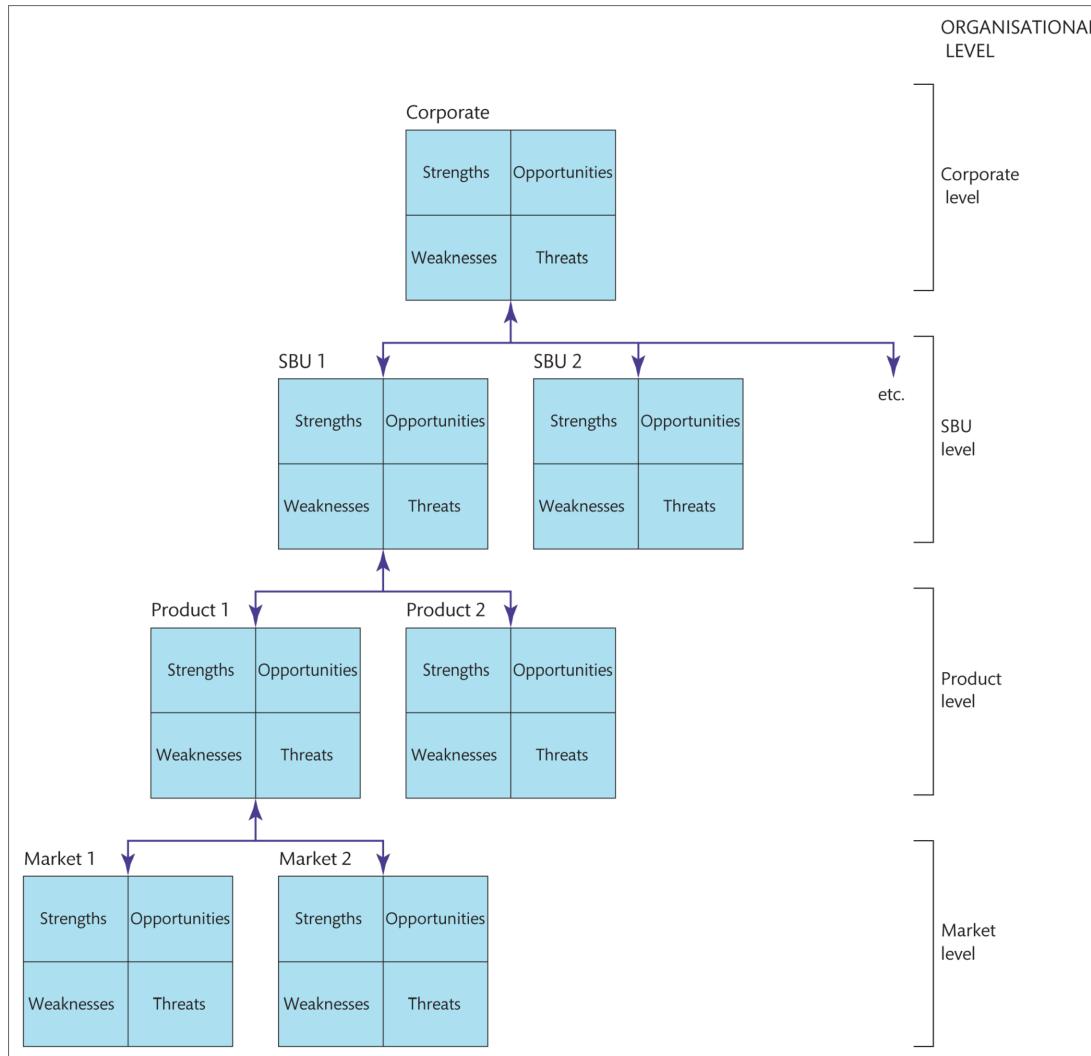
Summarises all internal and external key issues



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 84

The SWOT analysis

SWOT analyses on different organisational levels



The SWOT analysis

Matching strategies in the SWOT-Analysis framework

	Strengths (S)	Weaknesses (W)
Opportunities (O)	S / O Strategies	W / O Strategies
Threats (T)	S / T Strategies	W / T Strategies

Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010

The SWOT analysis

Example: Lufthansa SWOT-Matrix

	Opportunities (O) <ol style="list-style-type: none">1. Demographic Change2. Diffusion and Development of Mobile & Internet Technologies3. Need of customized high quality products	Threats (T) <ol style="list-style-type: none">1. Increase in Cost of Fuel2. Stronger Price Competition
Strengths (S) <ol style="list-style-type: none">1. Strong Brand2. Strong Frequent Flyer Programme3. Wide Flight Network4. High Customer satisfaction5. Good technical infrastructure (modern aircrafts, automated processes,...)	SO-Strategies <ul style="list-style-type: none">• S5/O2: Developing Mobile and Web-based intelligence throughout flight partners• S5/O3: Using technical know-how to customize products (e.g. pre-flight meal order)	ST-Strategies <ul style="list-style-type: none">▪ S2/T2: Expanding Frequent Flyer Programme to overcome price competition (benefits)▪ S3/T1: Outsourcing unprofitable routes to other carriers in the network
Weaknesses (W) <ol style="list-style-type: none">1. High Cost per unit & low margin business2. Medium Product quality level3. Inadequate financial situation (due to unprofitable airlines e.g. Austrian)	WO-Strategies <ul style="list-style-type: none">▪ W2/O1: Obtaining knowledge and competences to provide new products for 60+▪ W1/O3: get more revenue by offering customized services	WT-Strategies <ul style="list-style-type: none">• W3/T2: Downsizing by selling unprofitable airlines• W1/T1: Cooperation with ground transportation services to reduce costs per passenger by reducing costs on the ground

Group work.

Do a SWOT analysis.

- Time for group work: 30 min.
- Use the template on the next chart or create your own.
- Present your findings after the group work

The SWOT analysis

Example: Lufthansa SWOT-Matrix

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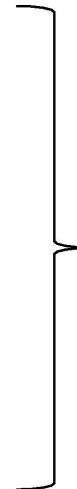
	Opportunities	Threats
Strengths		
Weaknesses		

Next week: Strategy formulation

3. Strategy formulation in the marketing planning process

1. **Strategy**

- Definitions
- Relation to tactics
- Different levels



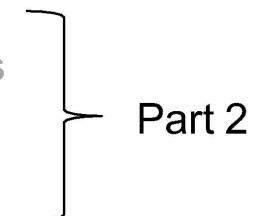
Part 1

2. **Strategic marketing planning process**

- Mission
- SWOT Analysis
- Objectives and growth strategy
- Portfolio analysis and portfolio models

3. Segmentation, targeting, positioning and competitive strategies

4. Corporate Social Responsibility (CSR) Strategy



Part 2

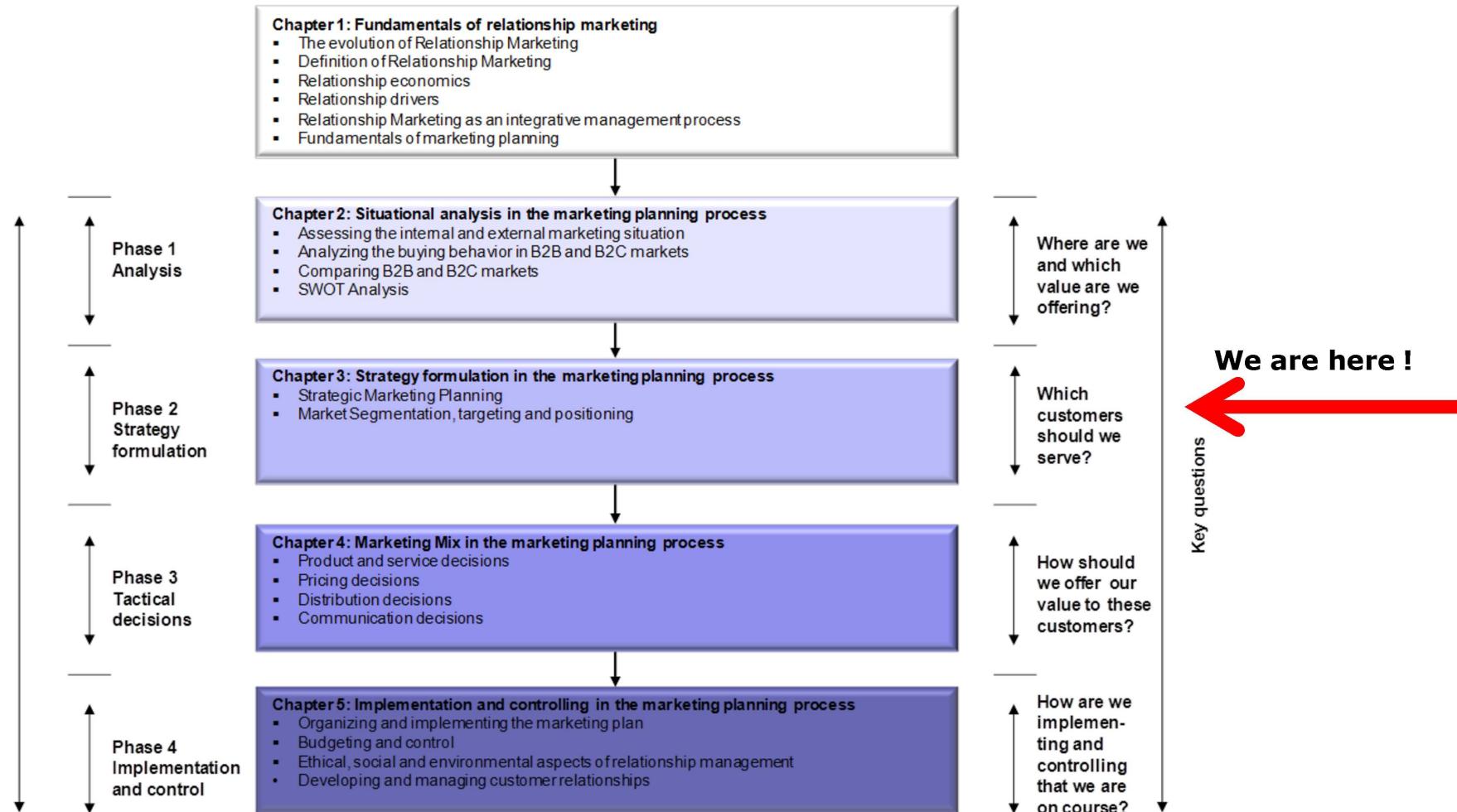
Marketing Management

Institut für Innovation und Technologie Management

Strategy formulation in the marketing planning process / Part 1
«Script and content created or composed by Markus Raschke»

Programme overview

Where we are ...

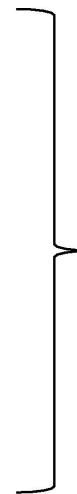


Agenda: Strategy formulation

3. Strategy formulation in the marketing planning process

1. **Strategy**

- Definitions
- Relation to tactics
- Different levels



Part 1

2. **Strategic marketing planning process**

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Part 2

Agenda: Strategy formulation

3. Strategy formulation in the marketing planning process

1. Strategy

- Definitions
- Relation of strategy & tactics
- Different strategy levels

2. Strategic marketing planning process

- Mission
- SWOT Analysis
- Objectives and growth strategy
- Portfolio analysis and portfolio models

Strategy

Definitions

- The word strategy is derived from the Greek term «*strategos*»;
- Business strategy emerged as a field of study and practice in the 1960s

... strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Alfred Chandler, 1962)

- Strategy in short: Doing the right things ...
..... however, Strategy is an extremely complicated and dynamic thing

Strategy

Mintzberg's 5 P's of Strategy

1. Strategy as Plan:

The strategy is made in advance of its implementation and is followed up by actual implementation and development.

2. Strategy as Ploy:

This is a specific maneuver intended to outperform a competitor.

3. Strategy as Pattern:

Strategy can sometimes be explained in terms of a pattern that emerged rather than something that was preplanned.

4. Strategy as Position:

This is represented by finding a niche, providing distinctive product, or by exploiting existing competences to deter competitors.

5. Strategy as Perspective:

This refers organizational culture as strategy can be a result of the way a company views itself
(e.g. quality production and/or innovation)

Strategy

Strategy & Tactics



Strategy

Strategy & Tactics

- Simply put, a strategy is a plan to enable you to achieve a desired result.
 - For an CEO Porter* postulates that ...
.... a “real” competitive strategy can only be about being different with deliberately choosing a different way to deliver a mix of values and activities to the customer
- Conversely, tactics are the specific actions that will be executed to achieve the plan

*Source: Porter, Competitive Advantage: Creating and Sustaining Superior Performance, 1985

Strategy

Examples: Strategy & Tactics

Strategy: Be the market share leader in terms of sales in the mid-market in our industry.

Tactics: Offer lower cost solutions than enterprise competitors without sacrificing white-glove service for first 3 years of customer contracts.

Strategy: Maneuver our brand into top two consideration set of household decision makers.

Tactics: Deploy a marketing campaign that leverages existing customer reviews and spurs them to conduct word of mouth with their peers in online and real world events.

Strategy: Improve retention of top 10% of company performers.

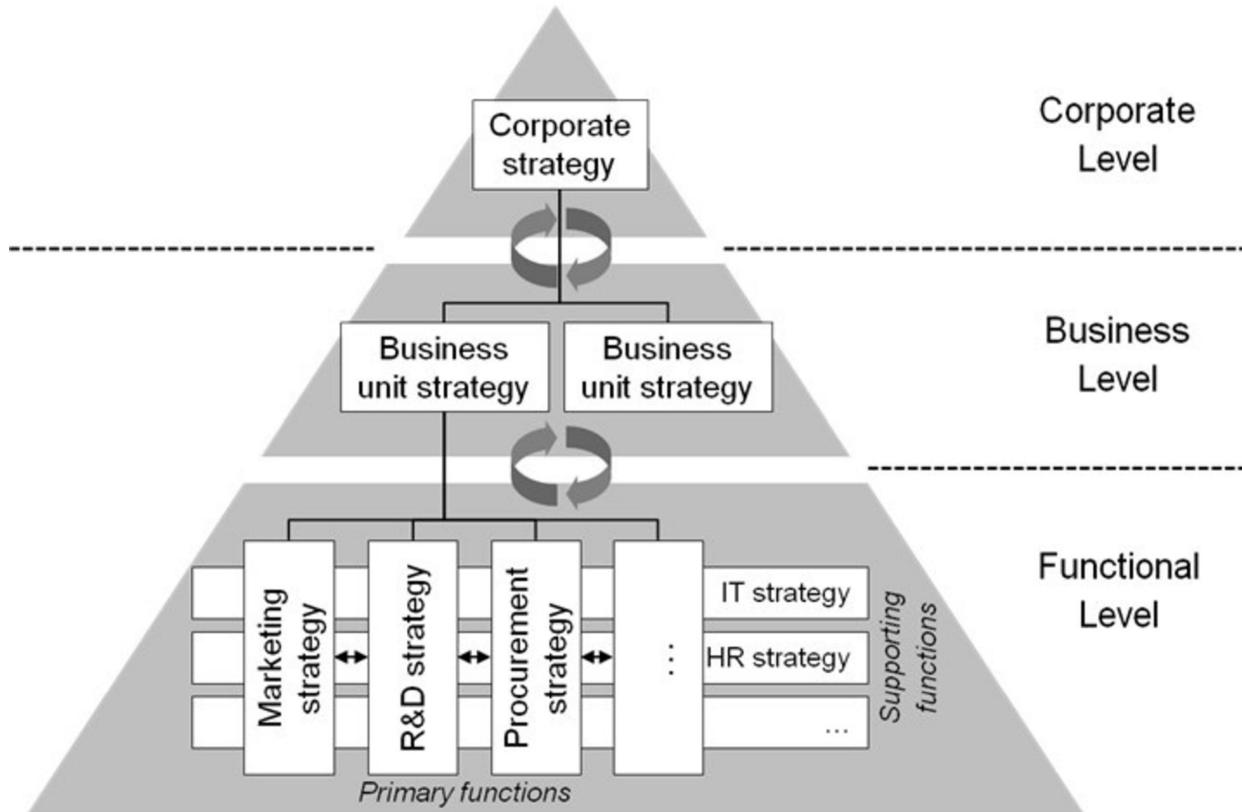
Tactics: Offer best in market compensation plan with benefits as well as sabbaticals to tenured top performers, source ideas from top talent.

Strategy: Connect with customers while in our store and increase sales.

Tactics: Offer location based mobile apps on top three platforms, and provide top 5 needed use cases based on customer desire and usage patterns.

Strategy

Different strategy levels



Strategy

Different strategy levels

➤ **Corporate Strategy:**

- This level answers the foundational question of what you want to achieve.
- Is it growth, stability, or retrenchment ?

➤ **Business Unit Strategy:**

- This level focuses on how you're going to compete.
- Will it be through customer intimacy, product or service leadership, or lowest total cost ?
- What's the differentiation based on

➤ **Functional Strategy:**

- This strategy level focuses on how you're going to grow.
- Will it be through market penetration, market development, product development, or diversification?

➤ **Operational Strategy:**

- This one focuses on overcoming the flaws of production processes, resource optimization, people, quality and inventory control processes etc.

Agenda: Strategy formulation

3. Strategy formulation in the marketing planning process

1. Strategy

- Definitions
- Relation of strategy & tactics
- Different strategy levels

2. Strategic marketing planning process

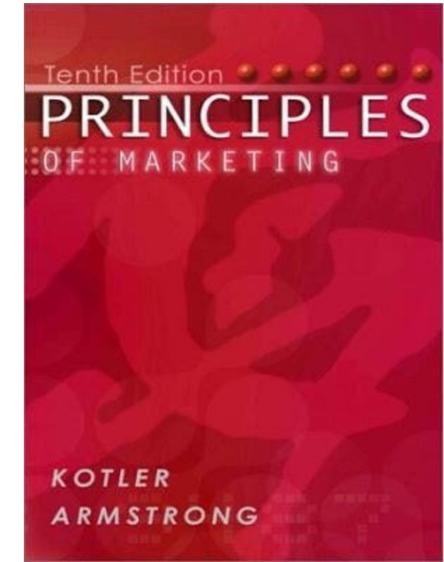
- Mission
- SWOT Analysis
- Objectives and growth strategy
- Portfolio analysis and portfolio models

Strategic marketing planning process

A Definition

Strategic marketing planning is the process of ...

*... developing and maintaining a strategic fit between the company's
goals and capabilities and its changing marketing opportunities*



Source: Kotler/Armstrong, 2009

Strategic marketing planning process

4 questions needs to be answered

1. What business are we in ? → Mission statement
2. Where are we today ? → Situational analysis
3. Where do we want to go ? → Strategic goals and objectives
4. How do we get there ? → Strategy

Strategic marketing planning process

Mission

- The Mission statement is a short statement of an organization's purpose and is identifying the scope of its operations such as:
 - what kind of product or service it provides
 - its primary customers or market
 - its geographical region of operation
- Moreover, a good Mission statement also defines three (or sometimes five) things:
 1. what the company does for its customers
 2. what the company does for its employees
 3. what the company does for its owners
 4. what the company does for its community
 5. what does the company for the world.

Strategic marketing planning process

Examples for a mission

Burger King's Mission Statement

We offer reasonably priced quality food, served quickly, in attractive, clean surroundings."

This mission statement indicates the kind of outputs expectable from the organization.

With regard to Burger King's business, this mission statement has the following main points:

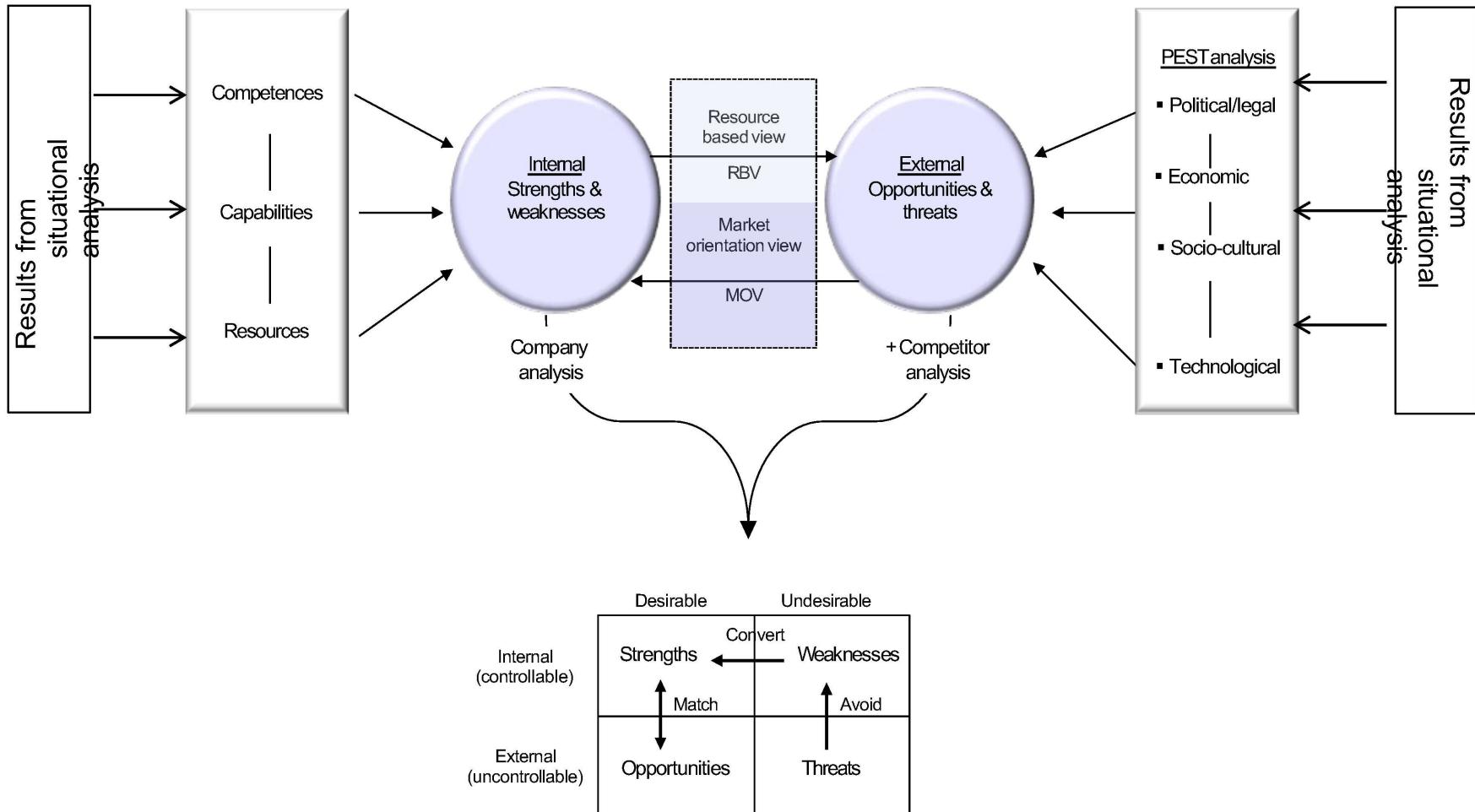
1. Reasonable prices
2. Quality food
3. Quick service
4. Attractive, clean surroundings



Source: <http://panmore.com/burger-king-vision-statement-mission-statement>

Strategic marketing planning process

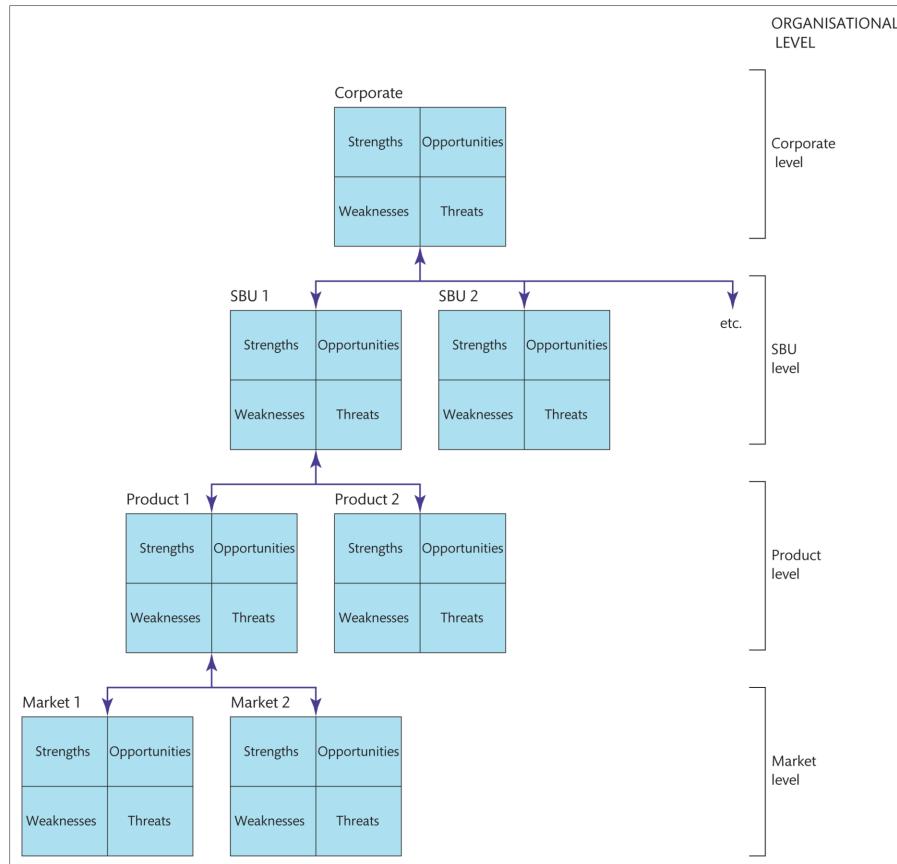
Situational analysis: SWOT



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 84

Strategic marketing planning process

SWOT analysis on different levels



Strategic marketing planning process

SWOT analysis must result in strategies

	Strengths (S)	Weaknesses (W)
Opportunities (O)	S / O Strategies	W / O Strategies
Threats (T)	S / T Strategies	W / T Strategies

Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010

Case work.

**Use your SWOT analyses from last weeks' lecture
and define different strategies based on it.**

- SO-Strategies
- ST-Strategies
- WO-Strategies
- WT-Strategies

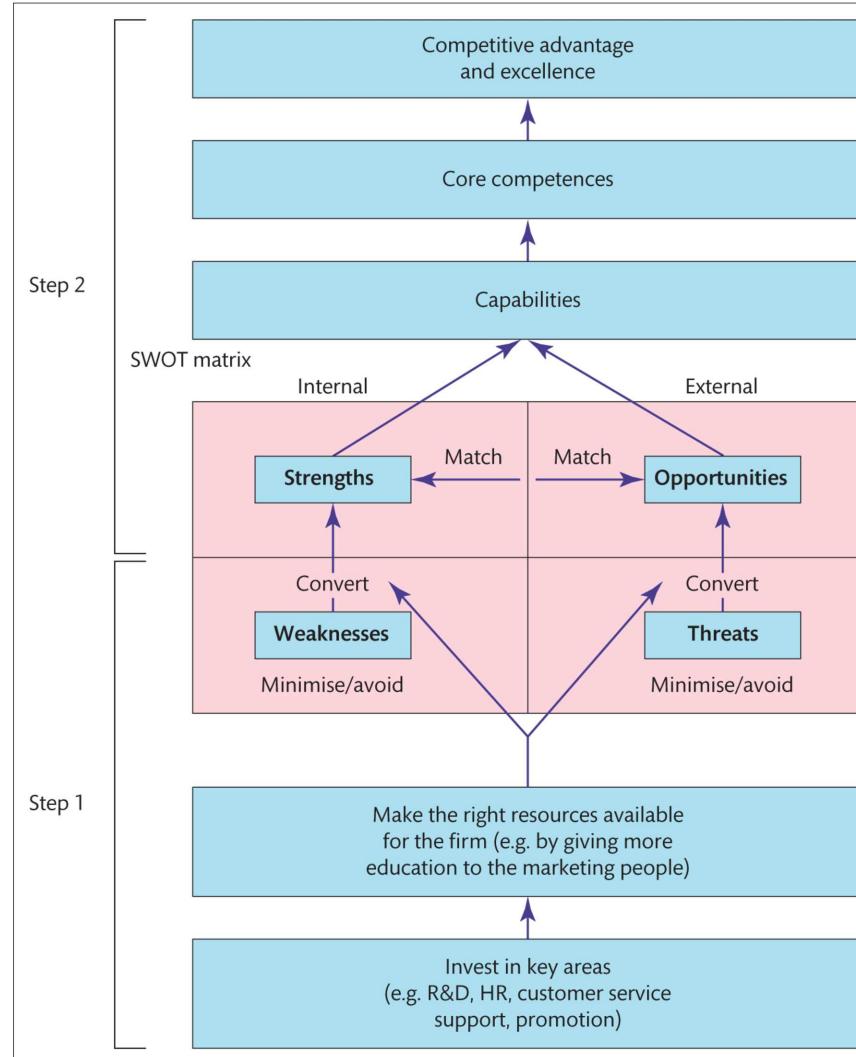
The SWOT analysis

Example: Lufthansa SWOT-Matrix

	Opportunities (O) <ol style="list-style-type: none">1. Demographic Change2. Diffusion and Development of Mobile & Internet Technologies3. Need of customized high quality products	Threats (T) <ol style="list-style-type: none">1. Increase in Cost of Fuel2. Stronger Price Competition
Strengths (S) <ol style="list-style-type: none">1. Strong Brand2. Strong Frequent Flyer Programme3. Wide Flight Network4. High Customer satisfaction5. Good technical infrastructure (modern aircrafts, automated processes,...)	SO-Strategies <ul style="list-style-type: none">• S5/O2: Developing Mobile and Web-based intelligence throughout flight partners• S5/O3: Using technical know-how to customize products (e.g. pre-flight meal order)	ST-Strategies <ul style="list-style-type: none">▪ S2/T2: Expanding Frequent Flyer Programme to overcome price competition (benefits)▪ S3/T1: Outsourcing unprofitable routes to other carriers in the network
Weaknesses (W) <ol style="list-style-type: none">1. High Cost per unit & low margin business2. Medium Product quality level3. Inadequate financial situation (due to unprofitable airlines e.g. Austrian)	WO-Strategies <ul style="list-style-type: none">▪ W2/O1: Obtaining knowledge and competences to provide new products for 60+▪ W1/O3: get more revenue by offering customized services	WT-Strategies <ul style="list-style-type: none">• W3/T2: Downsizing by selling unprofitable airlines• W1/T1: Cooperation with ground transportation services to reduce costs per passenger by reducing costs on the ground

Strategic marketing planning process

SWOT as strategic tool for gaining competitive advantage



Strategic marketing planning process

Strategic objectives

Strategic objectives can be stated in terms of different criteria

- such as sales, market share or return on investment
- and they can be stated in absolute or relative terms

To be effective, objectives must be specific in terms of:

- the performance dimension being measured
- the measures are appropriate for the performance dimension
- the target value for each measure
- the time by which the target should be achieved

Strategic marketing planning process

Examples for strategic objectives

Financial

- Financial Growth: To exceed \$10 million in the next 10 years.
- Financial Growth: To increase revenue by 10% annually.
- Financial Efficiency: To decrease expenses by 5%.
- Financial Efficiency: To increase net profit by 10% annually.

Customer

- Current Customers: Expand sales to existing customers.
- Current Customers: Increase customer retention.
- Current Customers: Achieve and maintain outstanding customer service.
- Current Customers: Develop and use a customer database.

- New Customers: Introduce existing products into a new market.
- New Customers: Introduce new products to new and existing markets.
- New Customers: To expand sales to the global marketplace.

- Customer Services: Improve our service approach for new and existing customers.

Strategic marketing planning process

Examples for strategic objectives

Internal/Operational

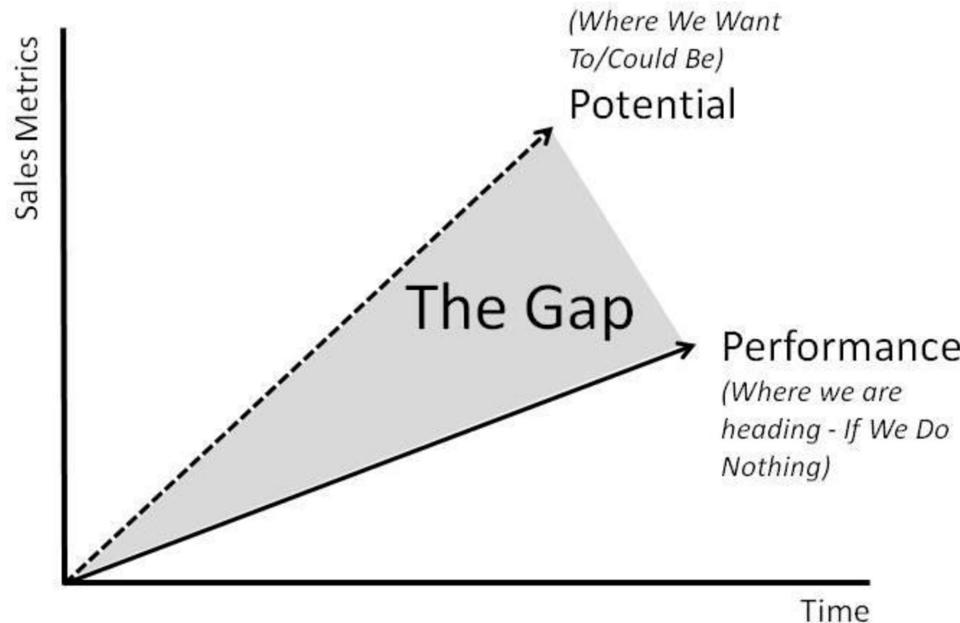
- Operations Management: Capitalize on physical facilities (location, capacity, etc.).
- Operations Management: Increase community outreach.
- Technology Management: Increase efficiencies through use of wireless technology.
- Communication Management: Improve internal communications.
- Customer Management: Execute and maintain a CRM process that is producing results.
- Marketing Management: Develop and implement a promotional plan to increase business
- Alliance Management: Establish one new strategic alliance annually.
- Channel Management: Improve distributor and/or supplier relationships.

People/Learning

- People: Employ professionals who create success for customers.
- Training: To develop the leadership abilities and potential of our team.
- Culture: To align incentives and staff rewards with performance.
- Knowledge: To continually learn and adopt current best practices.

Strategic marketing planning process

Estimation of the planning gap



The resulting goal is
to find strategic alternatives for closing the planning gap

Strategic marketing planning process

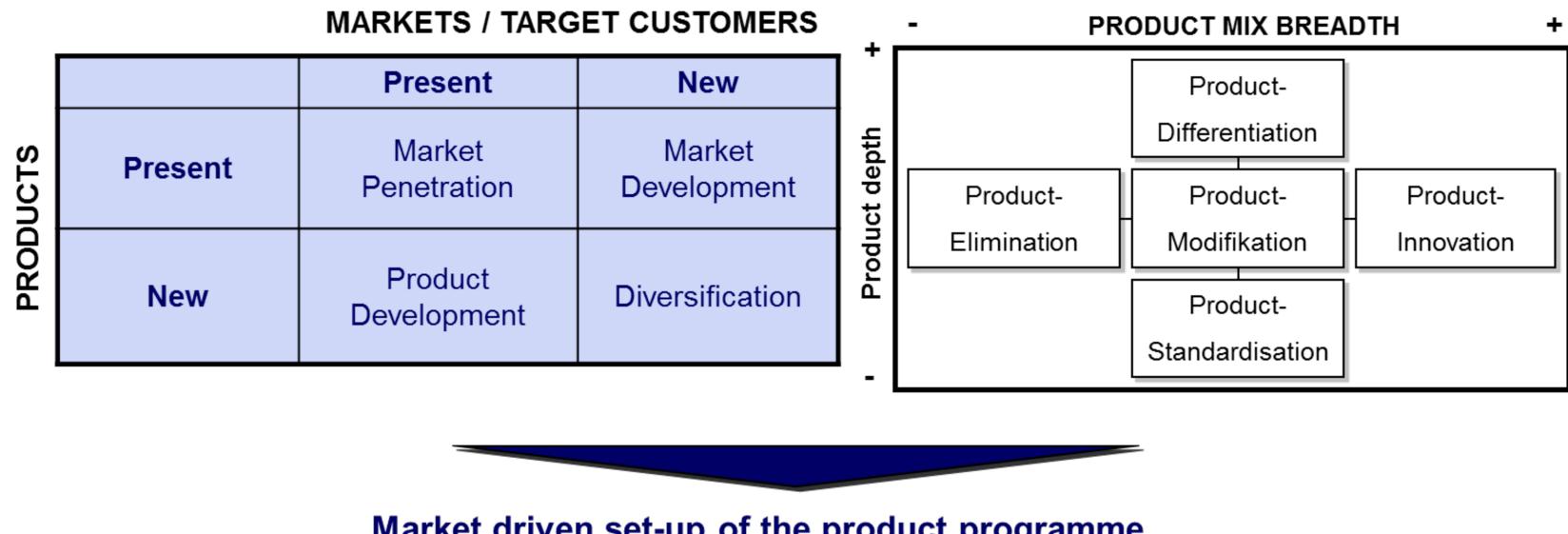
Ansoff's Generic Strategies for Growth...

	Current products	New products
Current markets	Market penetration strategies <ul style="list-style-type: none">▪ Increase marketshare▪ Increase product share▪ 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▪ Geographic expansion▪ Target new segments/customer groups	Diversification strategies <ul style="list-style-type: none">▪ Diversification into related businesses (concentric diversification)▪ Diversification into unrelated businesses (conglomerate diversification)

Strategic marketing planning process

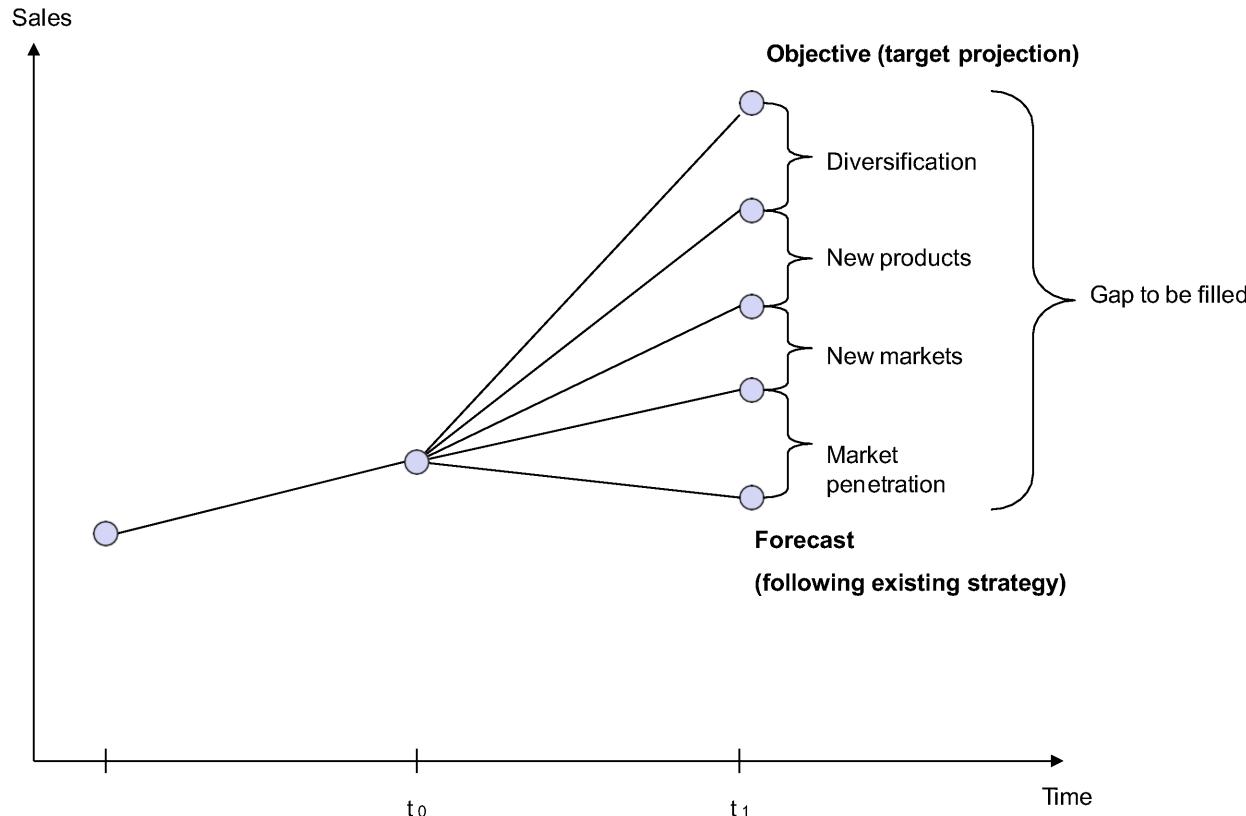
Programme policy

Ansoff-Selection-Matrix of programme policy related decisions



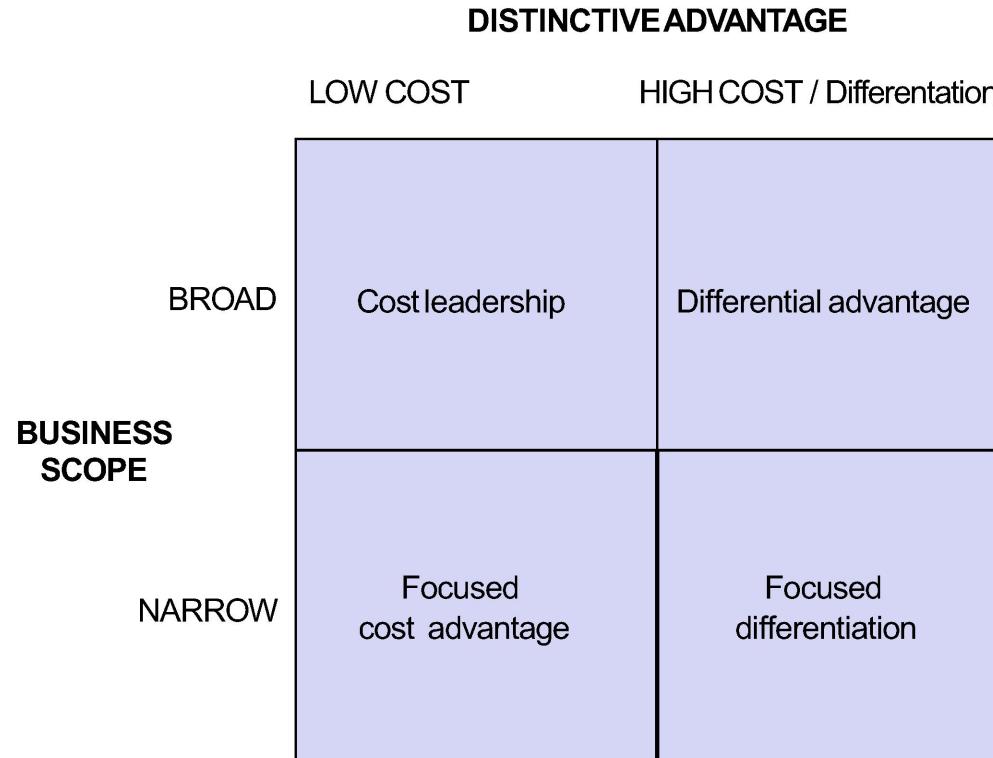
Strategic marketing planning process

Filling the planning gap with Ansoff's strategies



Strategic marketing planning process

Porter's three (four) generic strategies



Strategic marketing planning process

Porter's three (four) generic strategies

- **Overall cost leadership** strategy is when a company achieves the lowest production and distribution costs and allows it to lower its prices and gain market share
 - Based on a firm's position as the industry's low-cost producer
 - Must construct the most efficient facilities
 - Must obtain the largest market share so that its per unit cost is the lowest in the industry
 - Only works if barriers exist that prevent competitors from achieving the same low costs

Strategic marketing planning process

Porter's three (four) generic strategies

- ▶ **Differentiation strategy** is when a company concentrates on creating a highly differentiated product line and marketing program so it comes across as an industry class leader
- Product that has an actual or perceived uniqueness in a broad market has a differentiation advantage
- Extremely effective for defending market position
- Extremely effective for obtaining above-average financial returns; unique products command a premium price

Strategic marketing planning process

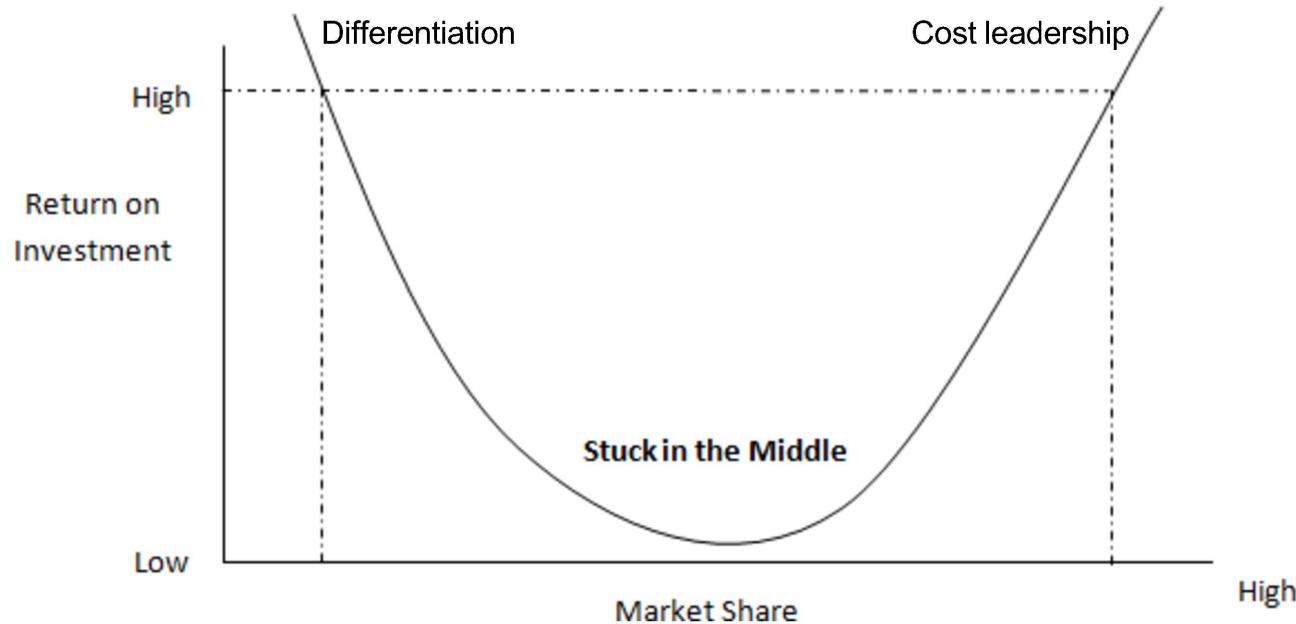
Porter's three (four) generic strategies

- ▶ **Cost Focus** occurs if a firm's lower cost position enables it to offer a narrow target market and lower prices than the competition
 - Sustainability is the central issue for this strategy
 - Works if competitors define their target market more broadly
 - Works if competitors cannot define the segment even more narrowly
- ▶ **Differentiation focus** implies that the product not only has actual uniqueness but it also has a very narrow target market
 - Results from a better understanding of customer's wants and desires
 - Ex.: High-end audio equipment

Strategic marketing planning process

Porter's three (four) generic strategies

Don't stuck in the middle



Strategic marketing planning process

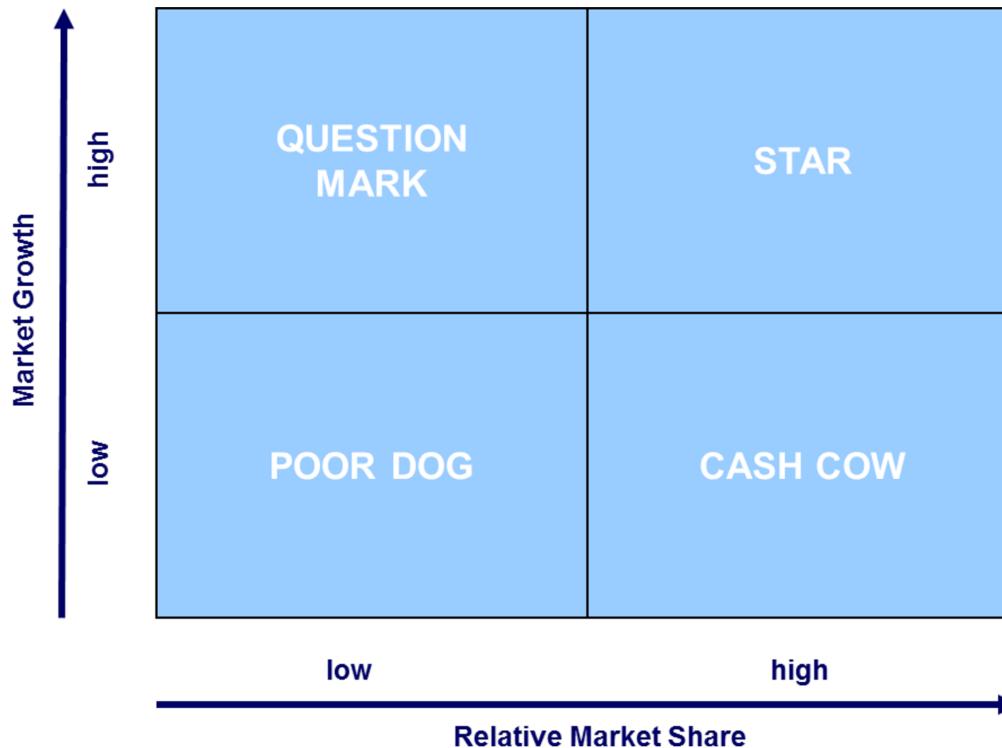
Portfolio management

Portfolio Management (PM) techniques are systematic ways of looking at a set

- of projects or activities or products or even business units
- in order to reach an optimum balance between risks and returns, stability and growth, attractions and drawbacks in general
- by making the best use of usually limited resources.

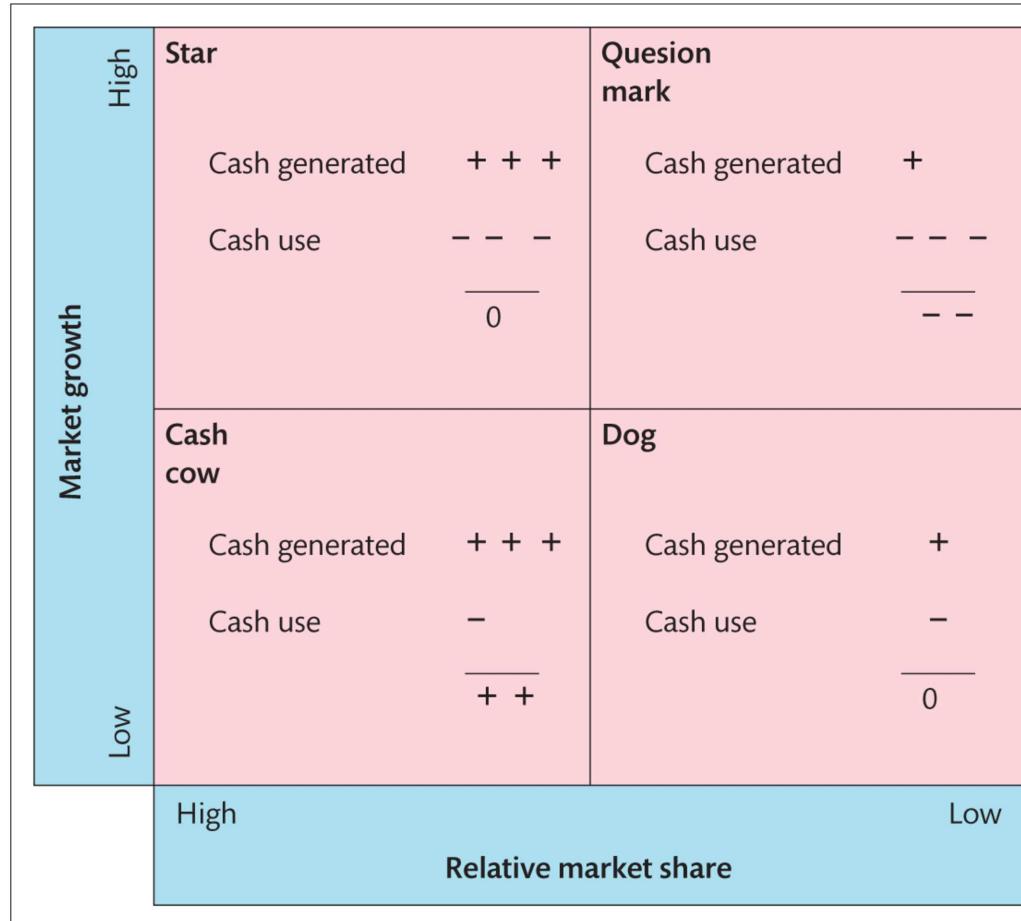
Strategic marketing planning process

The Boston Consulting Group Growth-Share Matrix



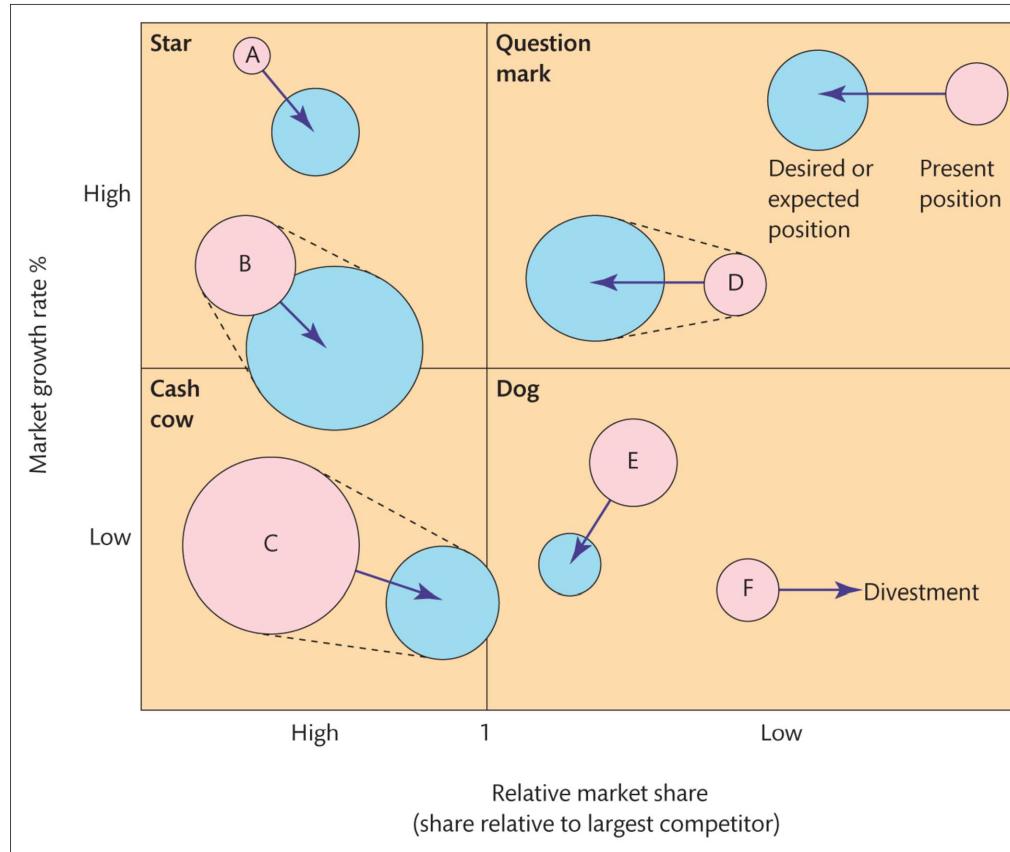
Strategic marketing planning process

Cash generation in the BCG Matrix



Strategic marketing planning process

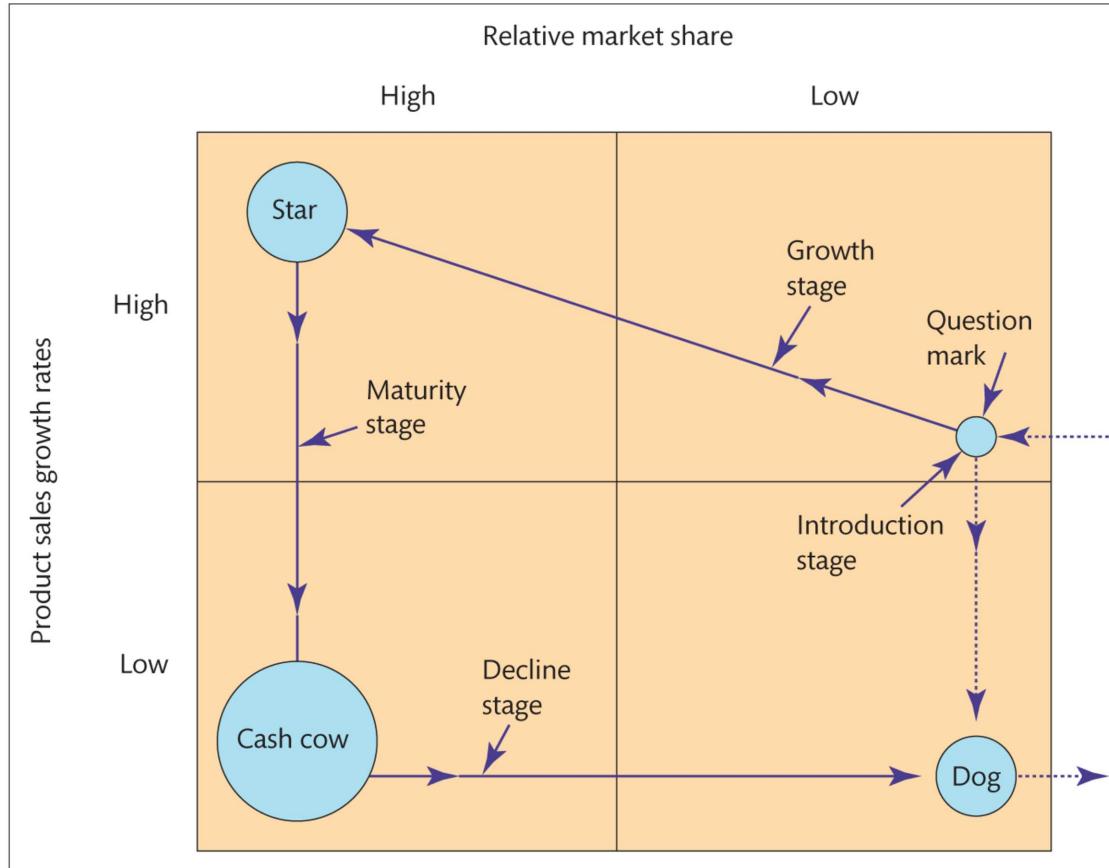
The Boston Consulting Group Growth-Share Matrix



= contribution to the
companies sales volume

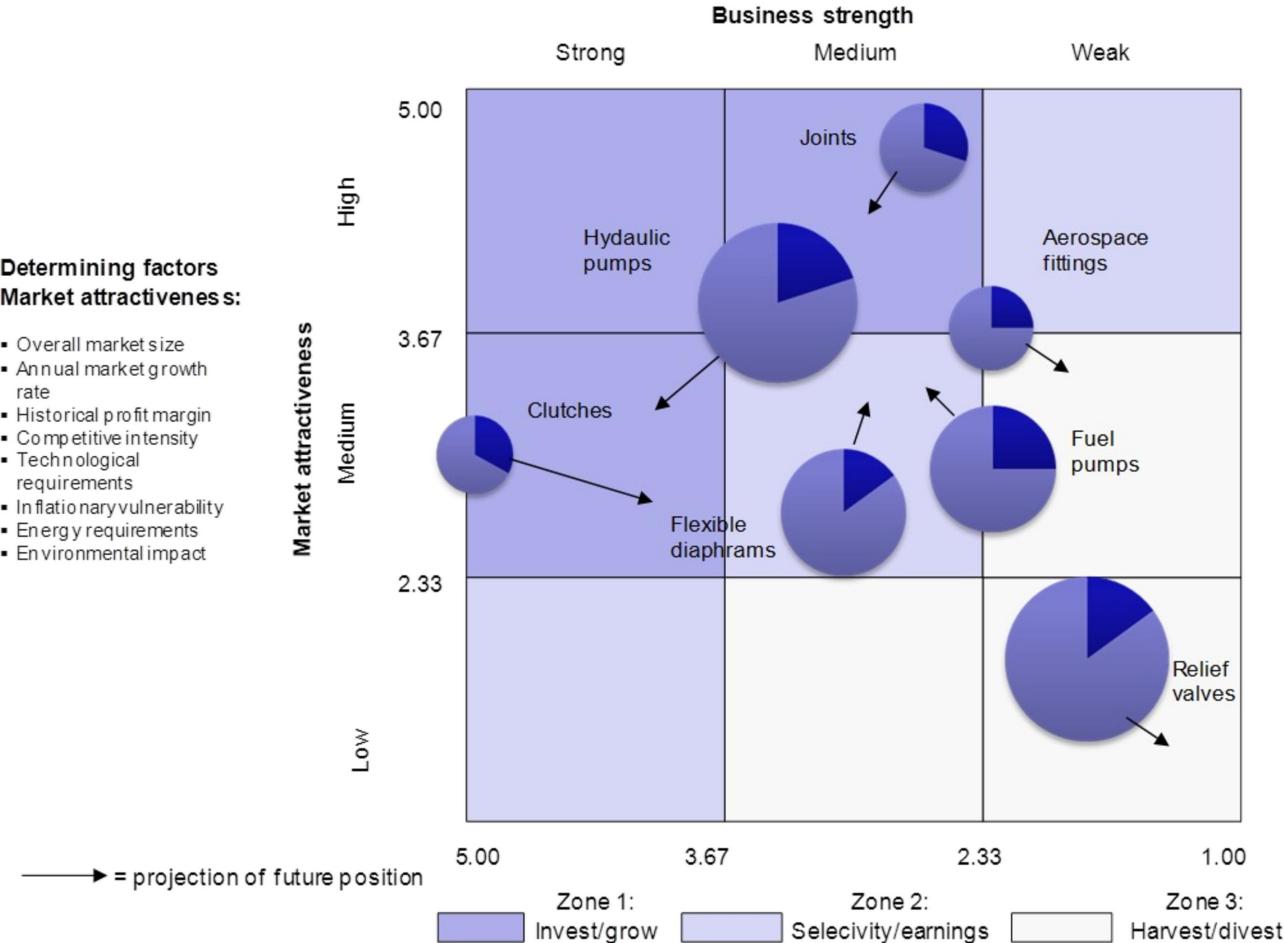
Strategic marketing planning process

The BCG model and the product life cycle



Strategic marketing planning process

McKinsey Market Attractiveness-Competitive Position Model



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010

Strategic marketing planning process

McKinsey, Generic Strategies

Market attractive-ness	Business strength	Strong	Medium	Weak
		High	Medium	Low
		Protect position <ul style="list-style-type: none"> ▪ Invest to grow at maximum digestible rate ▪ Concentrate effort on maintaining strength 	Invest to build <ul style="list-style-type: none"> ▪ Challenge for leadership ▪ Build selectively on strengths ▪ Reinforce vulnerable areas 	Build selectively <ul style="list-style-type: none"> ▪ Specialize around limited strengths ▪ Seek ways to overcome weaknesses ▪ Withdraw if indications of sustainable growth are lacking
	Medium	Build selectively <ul style="list-style-type: none"> ▪ Invest heavily in most attractive segments ▪ Build up ability to counter competition ▪ Emphasize profitability by raising productivity 	Selectivity/manage for earnings <ul style="list-style-type: none"> ▪ Protect existing program ▪ Concentrate investments in segments where profitability is good and risk is relatively low 	Limited expansion or harvest <ul style="list-style-type: none"> ▪ Look for ways to expand without high risk; otherwise, minimize investment and rationalize investment
	Low	Protect and refocus <ul style="list-style-type: none"> ▪ Manage for current earnings ▪ Concentrate on attractive strengths ▪ Defend strengths 	Manage for earnings <ul style="list-style-type: none"> ▪ Protect position in most profitable segments ▪ Upgrade product line ▪ Minimize Investment 	Divest <ul style="list-style-type: none"> ▪ Sell at time that will maximize cash value ▪ Cut fixed costs and avoid investment meanwhile

What we have covered today.

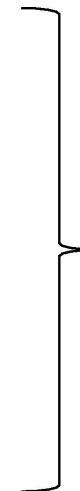
3. Strategy formulation in the marketing planning process

1. Strategy

- Definitions
- Relation to tactics
- Different levels

2. Strategic marketing planning process

- Mission
- SWOT Analysis
- Objectives and growth strategy
- Portfolio analysis and portfolio models



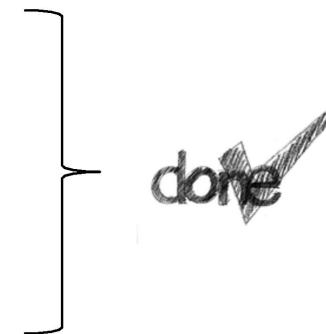
Part 1

Next week:

Strategy formulation Part 2

3. Strategy formulation in the marketing planning process

1. Strategy
2. Strategic marketing planning process



3. Segmentation, targeting, positioning and competitive strategies

1. Market Segmentation
 2. The Segmentation, Targeting and Positioning Approach
4. Corporate Social Responsibility (CSR) Strategy



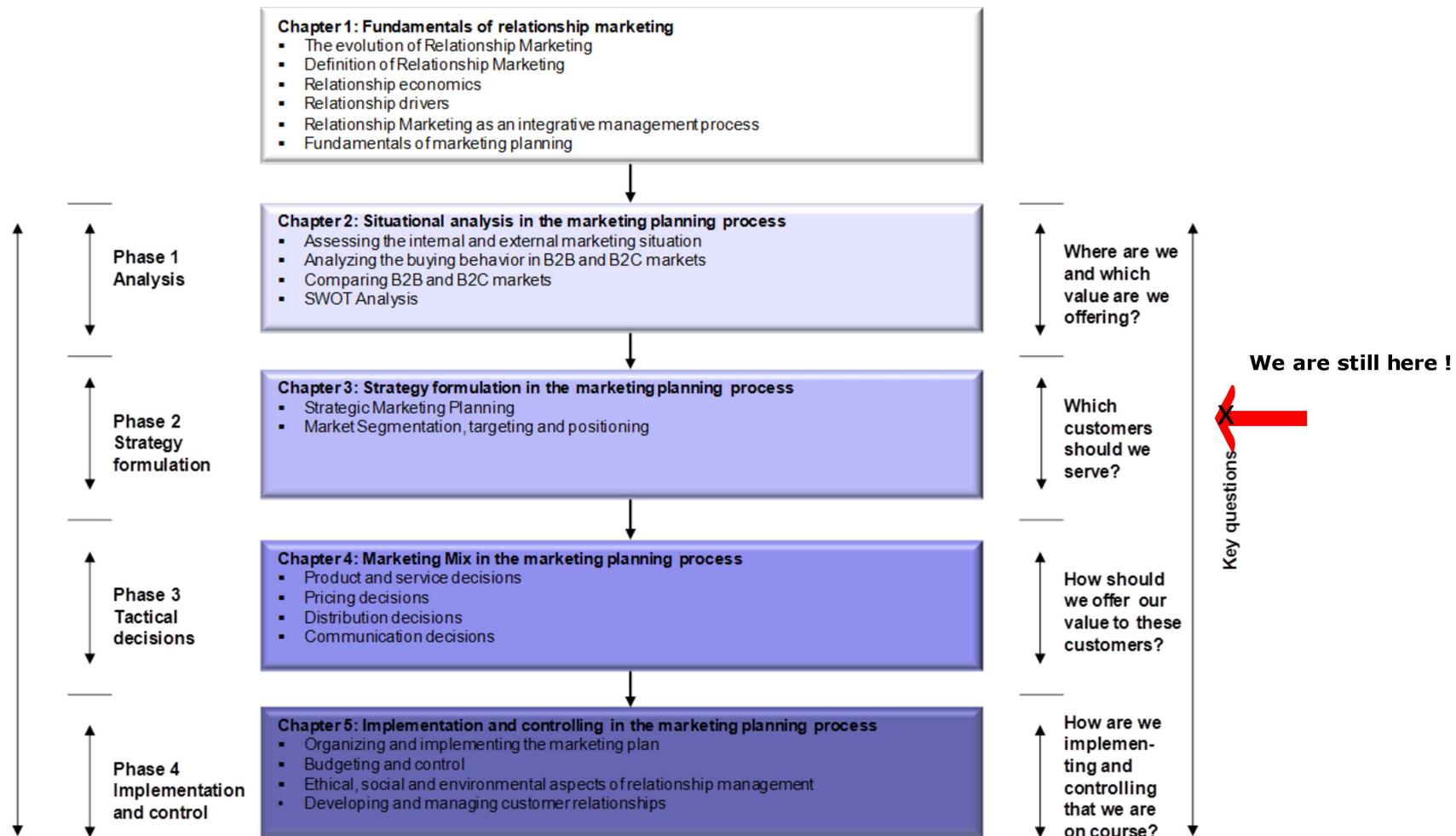
Marketing Management

Institut für Innovation und Technologie Management

Strategy formulation in the marketing planning process / Part 2
«Script and content created or composed by Markus Raschke»

Programme overview

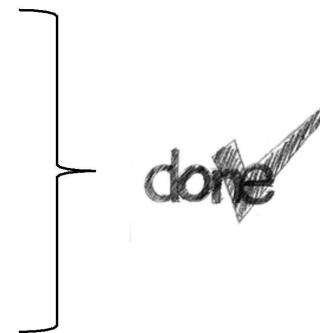
Where we are ...



Agenda: Strategy formulation Part 2

3. Strategy formulation in the marketing planning process

1. Strategy
2. Strategic marketing planning process



3. Segmentation, targeting, positioning and competitive strategies

1. Market Segmentation
 2. The Segmentation, Targeting and Positioning Approach
4. Corporate Social Responsibility (CSR) Strategy



Strategy

Market segmentation explanation

Market segmentation

... is the activity of dividing a broad consumer or business market,

which normally consists of existing and potential customers,

into sub-groups of consumers (known as *segments*)

based on some type of shared characteristics.



Strategy

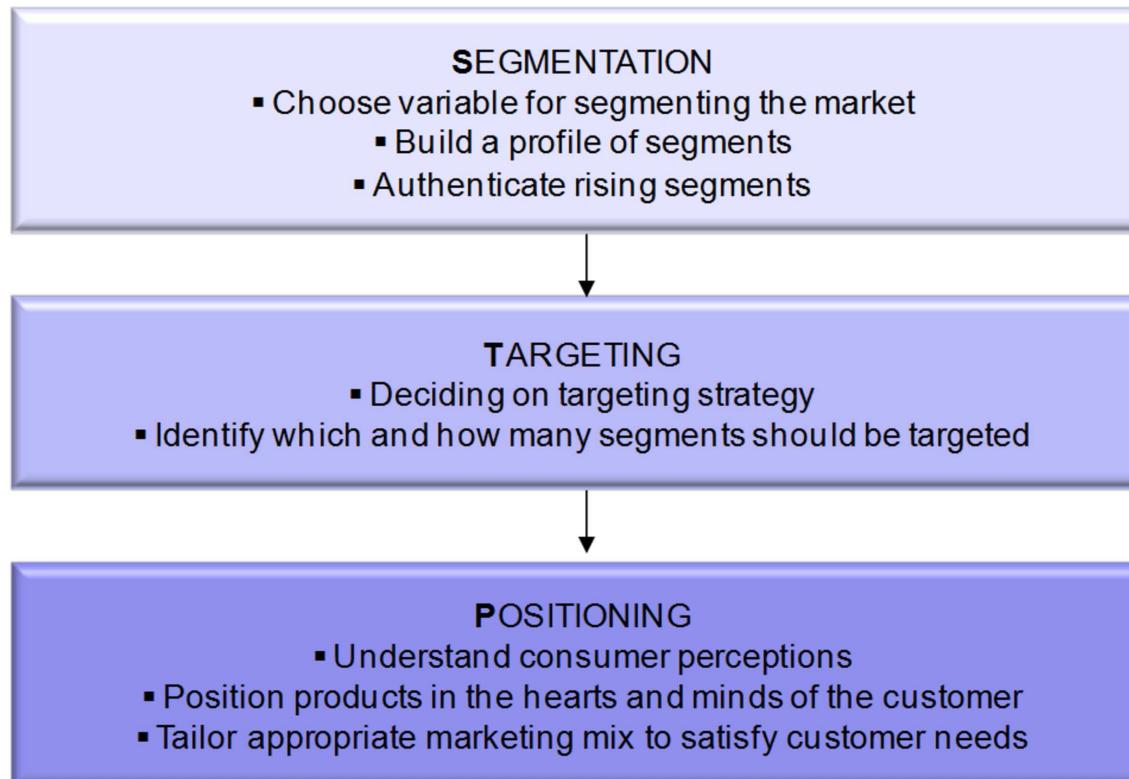
Market segmentation purpose

- Market segmentation assumes that different market segments require different marketing programs – that is, different offers, prices, promotion, distribution or combination of them
- The overall aim of segmentation is to identify, those segments that are likely to be the **most profitable** or that have **growth potential**, so that these can be selected as target markets
- Often the S-T-P approach (**Segmentation**→ **Targeting** → **Positioning**) is used to provide the framework for the marketing planning



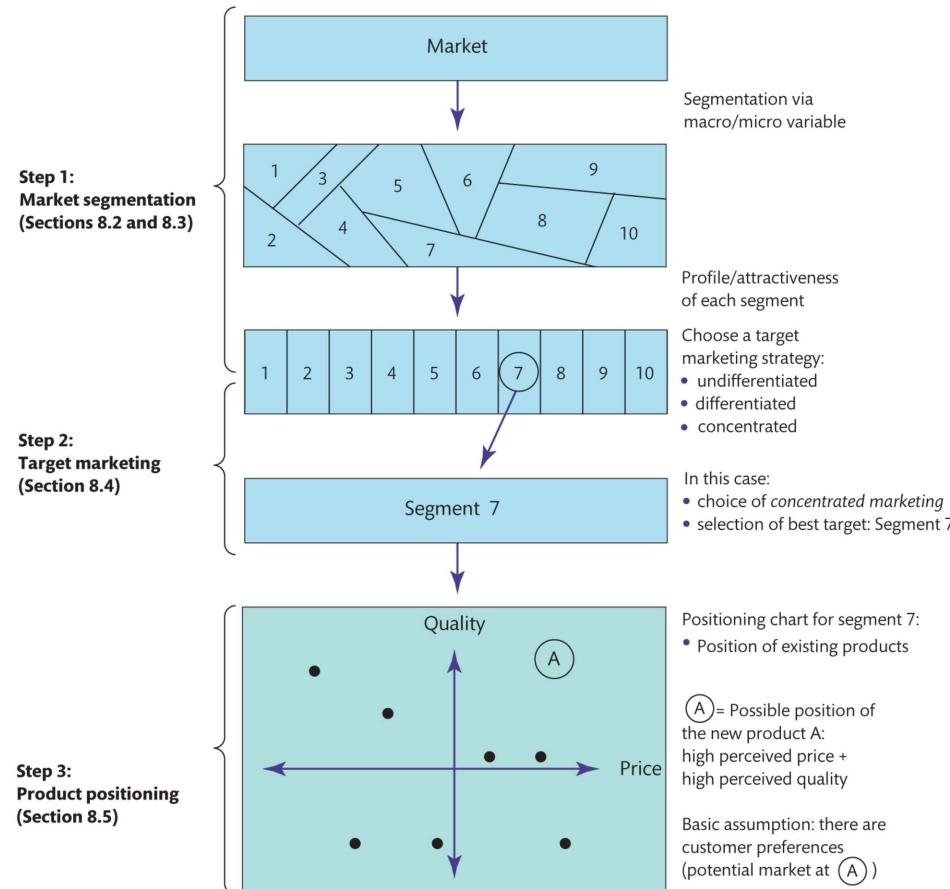
Strategy

Segmentation → Targeting → Positioning



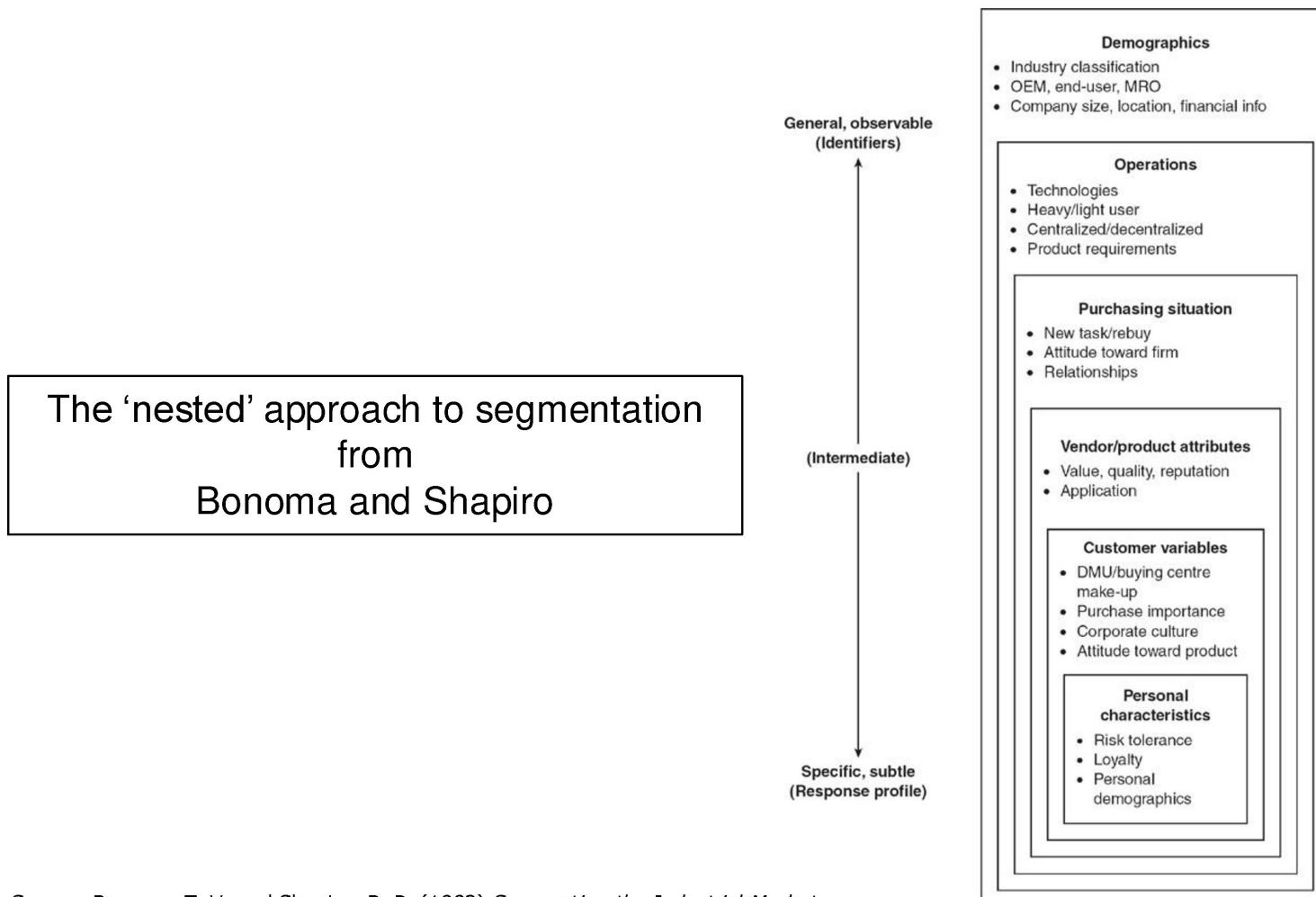
Strategy

Segmentation → Targeting → Positioning



Strategy formulation

Segmentation criteria for the B2B market



Source: Bonoma, T. V. and Shapiro, B. P. (1983) *Segmenting the Industrial Market*,
Lexington: D. C. Heath and Co.

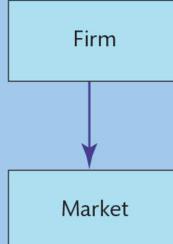
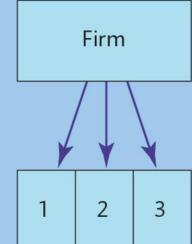
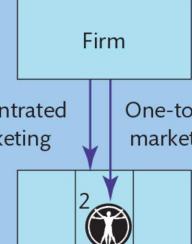
Strategy

Targeting, strategies in customer targeting



Strategy

Targeting, strategies in customer targeting

Characteristics	Undifferentiated marketing	Differentiated marketing	Concentrated/one-to-one marketing
			
Definition	All customers are treated the same, regardless of actual differences	Customers grouped into high-level market segments	Customers are treated and act differently based on their unique profiles
Goal	Acquire mass of people viewing, drive traffic	Acquire and begin to develop customer relationships, drive revenue	Development and retention of customers, customer profitability
Needed capabilities	Mass marketing, branding	Value proposition design, customer relationship management	Experience management, profitability management
Research methods	Anticipate customer priorities through information acceleration, lead-user analysis	Segmentation on needs, behaviour, targeting models	Customer profitability in market tests. Customer lifetime value

Strategy

The targeting strategy depends on many factors

1. The company's resources.

If resources are limited, a concentrated market targeting strategy might make more sense.

2. The degree of product variability.

For uniform products, such as apples or steel, undifferentiated marketing may be suited. For products that can vary in design (cars, cameras etc.), more narrow differentiation and concentration is suitable.

3. The product life cycle.

For new products, it may be helpful to launch only one version. Undifferentiated or concentrated marketing might make most sense. In the mature stage, a segmented market targeting may be appropriate.

4. Market variability.

For products where all buyers have the same tastes, buy the same amounts etc., undifferentiated marketing makes sense.

5. Competitors' marketing strategies.

If competitors apply differentiated or concentrated market targeting strategies, using undifferentiated marketing may prove to be fatal. However, using a different market targeting strategy may help, especially if it can serve individual customers better by meeting their needs. Then, a concentrated market targeting strategy or micromarketing will work best.

Strategy

Market positioning

What does your target market think of you ?

- Market Positioning refers to the ability to influence consumer perception regarding a brand or product relative to competitors.
- The objective of market positioning is to establish the image or identity of a brand or product so that consumers perceive it in a certain way.

For example:

- A handbag maker may position itself as a luxury status symbol
- A TV maker may position its TV as the most innovative and cutting-edge
- A fast-food restaurant chain may position itself as the provider of cheap meals

Strategy

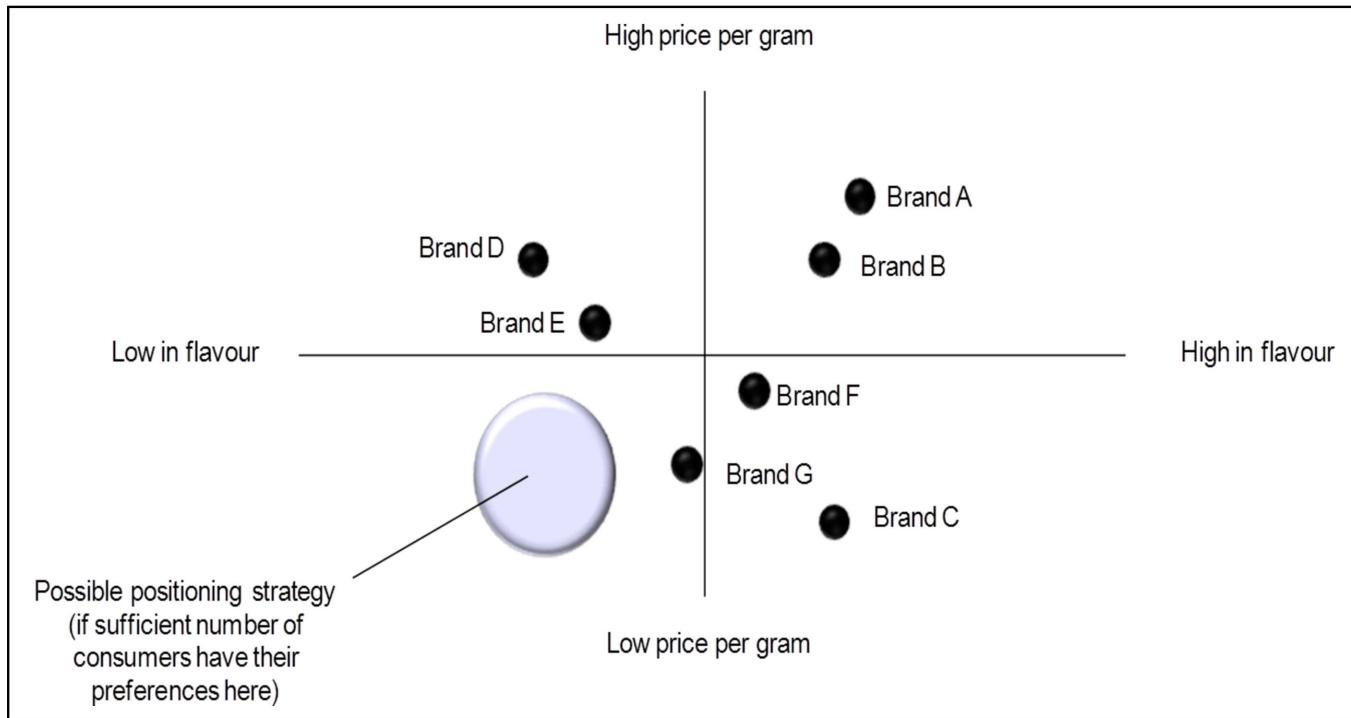
Market positioning

➤ Potential Positioning Strategies

- **Product attributes and benefits:**
Associating your brand/product with certain characteristics or with certain beneficial value
- **Product price:**
Associating your brand/product with competitive pricing
- **Product quality:**
Associating your brand/product with high quality
- **Product use and application:**
Associating your brand/product with a specific use
- **Competitors:**
Making consumers think that your brand/product is better than your competitors

Strategy

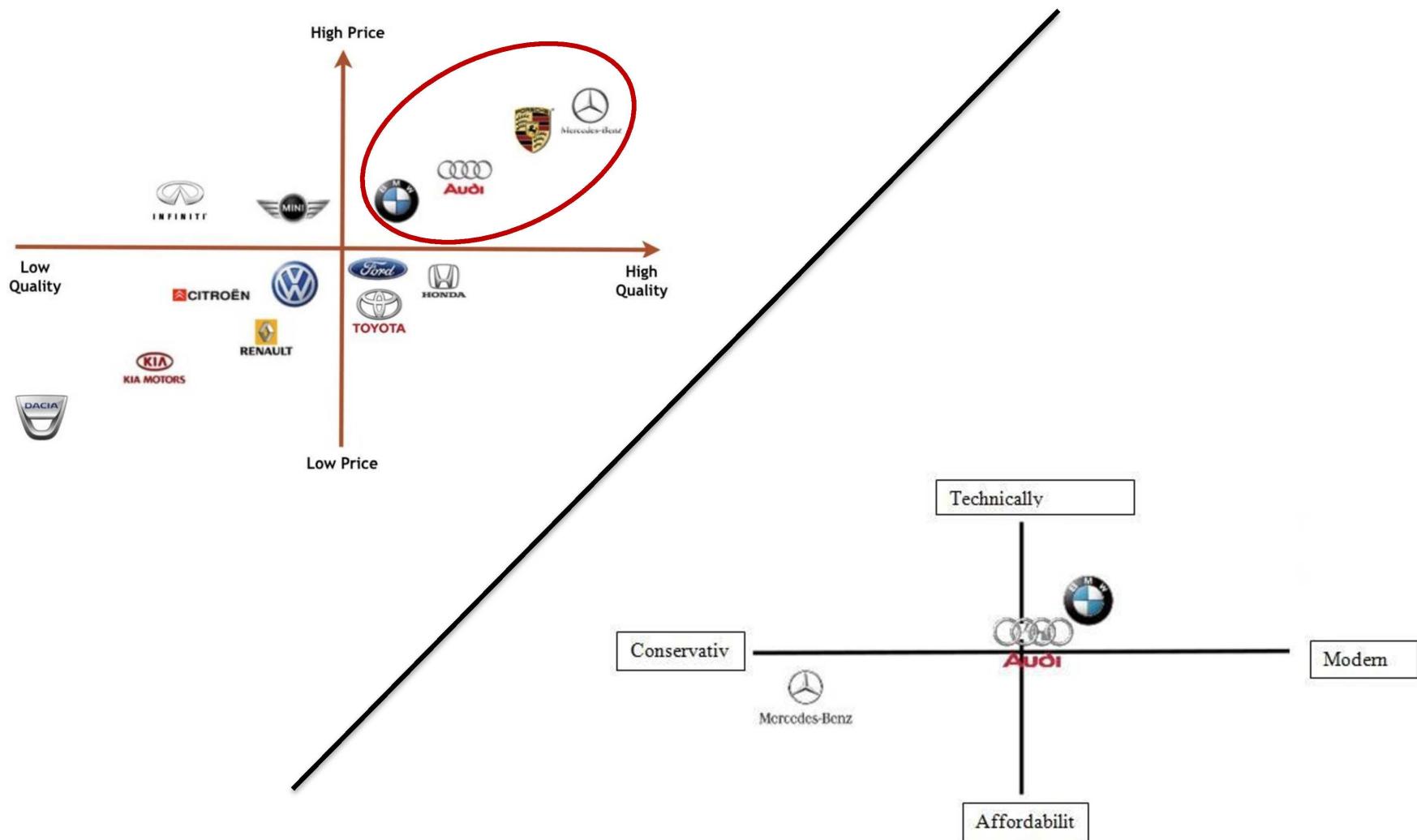
A perceptual map in market positioning



A perceptual map is used to show consumer perception of certain brands. The map allows you to identify how competitors are positioned relative to you and identify opportunities in the marketplace

Strategy

Examples for a perceptual map



Strategy

How to Create an Effective Market Positioning ?

Create a positioning statement that will serve to identify your business and how you want the brand to be perceived by consumers.



For example, the positioning statement of Volvo:

"For upscale American families, Volvo is the family automobile that offers maximum safety."

Strategy

How to Create an Effective Market Positioning ?

In sum, you can then take your analysis results and plug them into the following formula to create a positioning statement:

1. For (target customer)
2. Who (statement of need or opportunity)
3. (Product name) is the only (product category)
4. That (differentiation and/or benefit)

Strategy – Practice.

How to Create an Effective Market Positioning ?

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Technik & Architektur

If we use this formula for Harley Davidson, how could their positioning statement might look like?

1. For (...)
2. Who (...)
3. (...) is the only (...)
4. That (...)



Strategy

An effective Market Positioning is key to success

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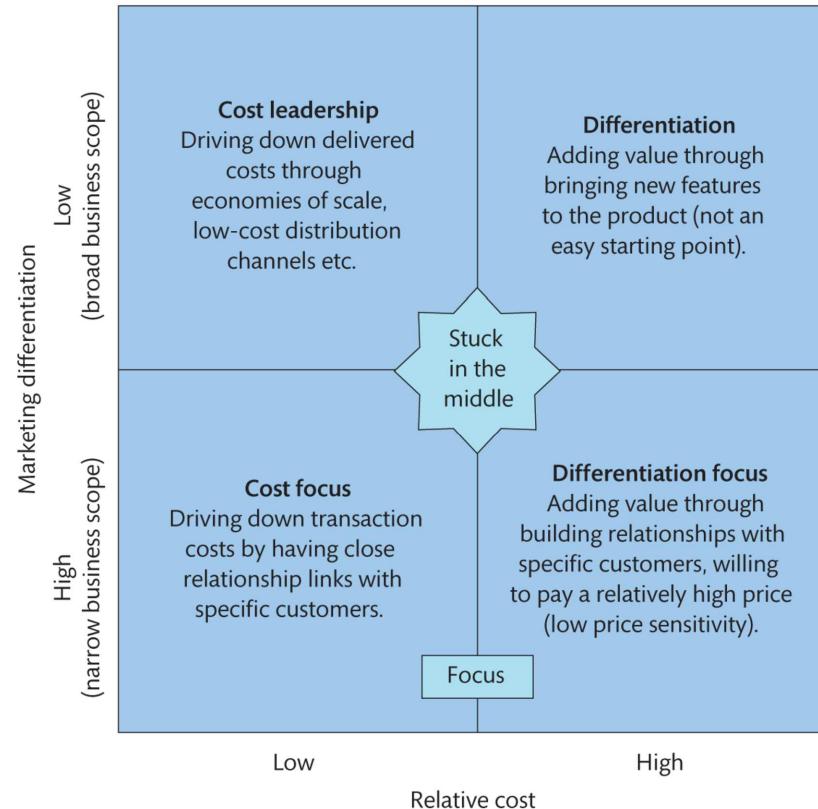
Technik & Architektur

Harley Davidson's positioning has helped them
become one of the top selling motorcycle brands in
the world !



Strategy

Generic strategies to outperforming other firms



Source: Porter, M.E. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance*, New York: The Free Press.

Group work.

Create a perceptual map.

Group 1: Motorcycles (BMW, Ducati, etc.)

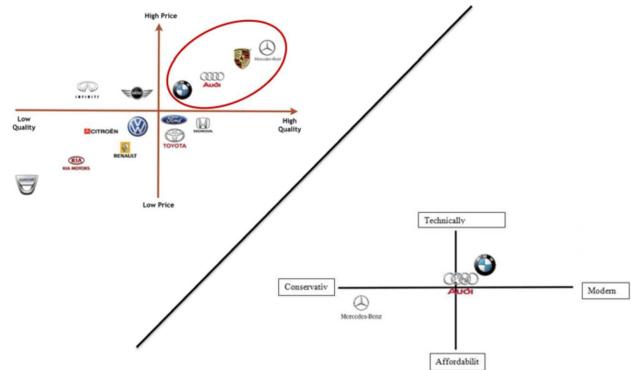
Group 2: Fashion (Zara, Levi`s, etc.)

Group 3: Laptops (Lenovo, Apple, etc.)

To Do:

- 1: Define suitable criteria for the classification in the graphic
- 2: Place the most relevant brands in the graphic
- 3: Define which area, if any, can still be covered

Time: 20 min.



Strategy

Offensive and defensive competitive strategies

Competition forces companies to engage in **offensive** and **defensive** marketing **strategies**.



Strategy formulation

Offensive and defensive competitive strategies

Offensive strategies:

Firms engage in offensive marketing strategies to improve their own competitive position by taking market share away from rivals.

Offensive strategies include direct and indirect attacks or moving into new markets to avoid incumbent competitors

If a firm possesses superior resources a direct attack may be called for. However, if a firm faces superior rivals, indirect attacks are more appropriate than direct, frontal attacks.

Direct attacks invite retaliatory responses especially if they pose a serious threat to the defending firm. Indirect attacks are less likely to elicit a competitive response because they are difficult to detect, especially if they are targeted towards non-core segments or products.

Example: Aldi Suisse

Strategy formulation

Offensive and defensive competitive strategies

Defensive strategies:

The purpose of DS is to make a possible attack unattractive and discourage potential challengers from attacking another firm.

Incumbents try to shape the challenger's expectations about the industry's profitability and convince them that the return on their investment will be so low

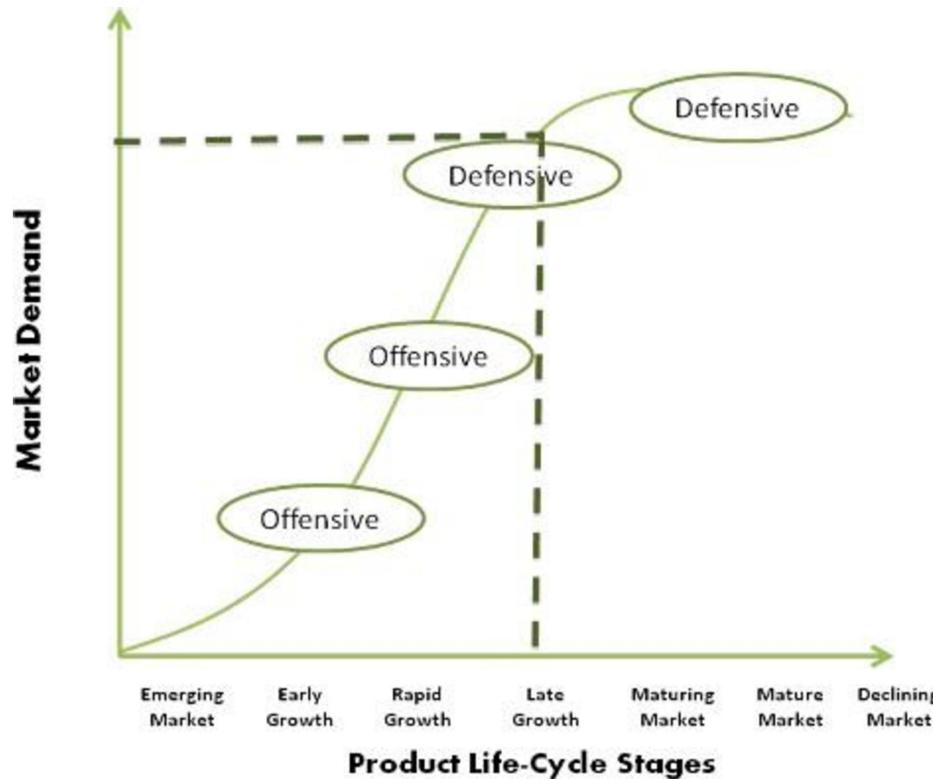
Incumbent needs to take timely action to discourage a challenger from making any substantial commitment.

Marketing managers and business strategists have developed a number of defensive marketing strategies.

Example: Swisscom Schweiz (Telko)

Strategy

Offensive and defensive competitive strategies



Offensive and defensive approaches may be related to the product life cycle.

Strategy

Corporate social responsibility (CSR) strategies

CSR definition:

There is no agreed definition of CSR however according to the EU Commission [(2002) ...

... CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis

Thus, corporate social responsibility (CSR) can be seen a business approach ...

... that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders.

Strategy

Corporate social responsibility (CSR) strategies

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Why CSR:

1. Consumers & investors:
 - growing expectation for organizations to behave responsibly
2. Consumer awareness:
 - 'Green' and 'Ethical' consumerism
3. Legislation:
 - Health & Safety, Sustainability, Codes of Practice
4. Globalization:
 - Adoption of 'Best Practice', Consumer & Legal Acceptance.

Strategy

Business advantages of CSR strategies

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1. Human Resources

- Recruitment, retention and morale of Staff

2. Risk Management

- Investment in 'ethical brand equity'
- 'Greenwash' effect

3. Brand Differentiation

- As USP
- Build brand loyalty
- Reputation and brand attractiveness

4. Business Development

- New markets, products and services

5. Resources Management

- Better management and conservation of strategic assets

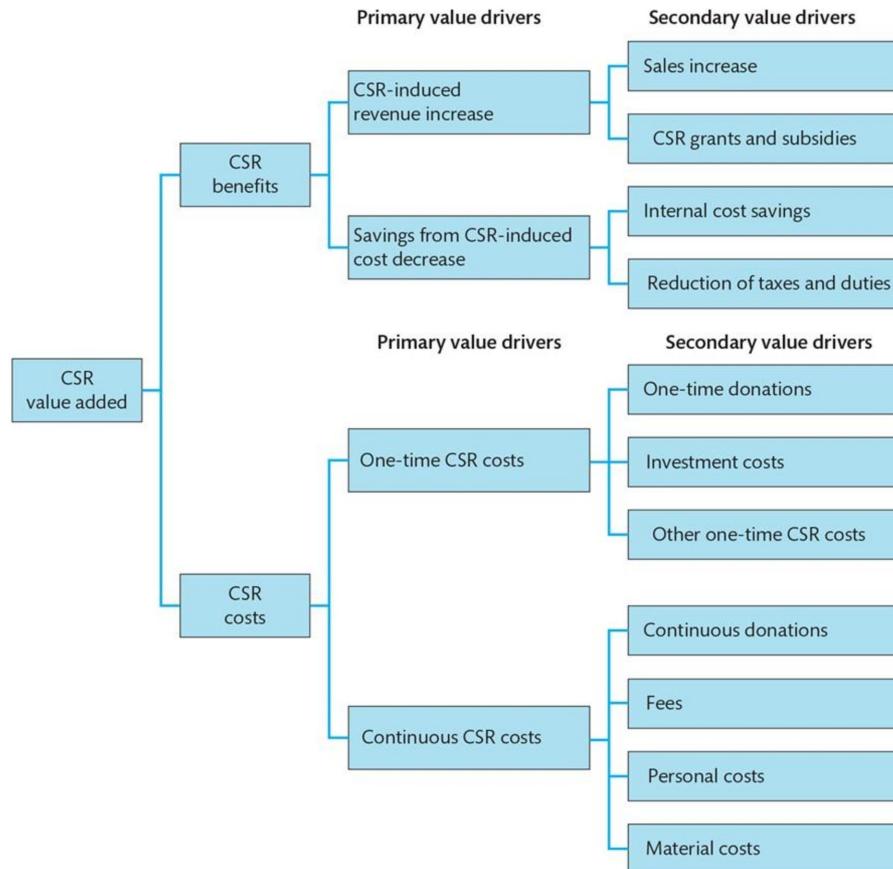
6. Stakeholder Management

- Better internal and external relationships
- Freedom of operation: reduce government, public, NGO intervention in organization

Strategy formulation

Corporate social responsibility (CSR) strategies

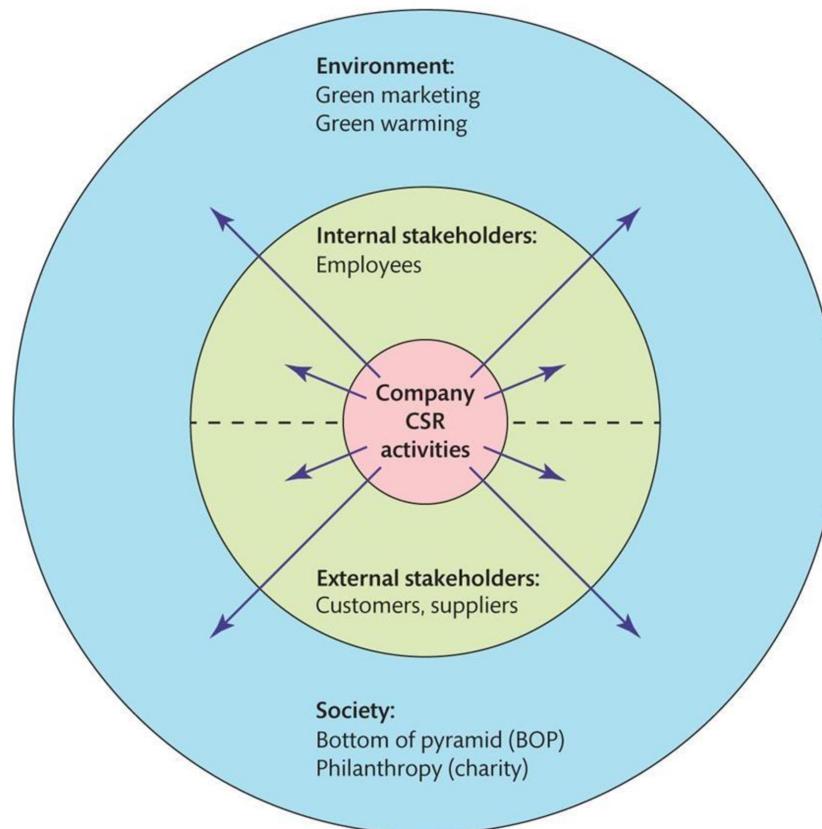
CSR value-added drivers



Strategy

Corporate social responsibility (CSR) strategies

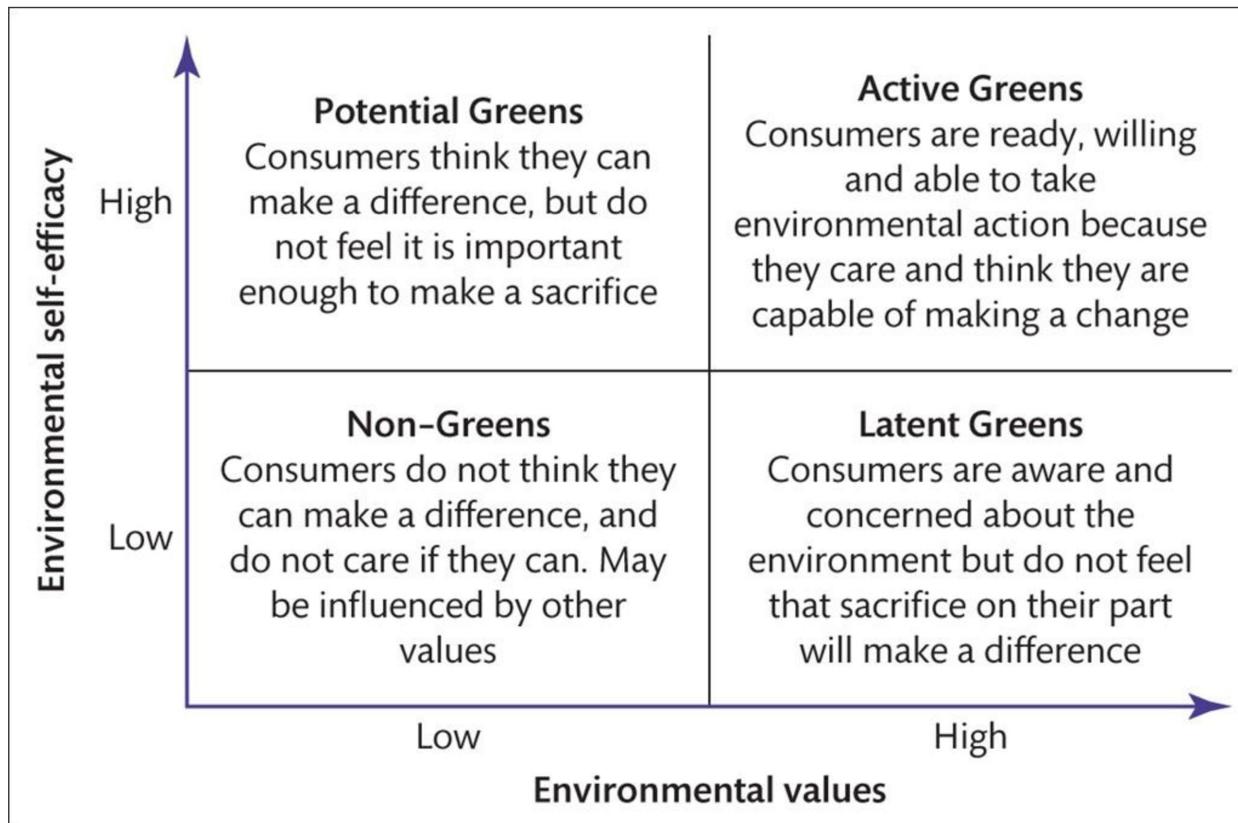
The company's two-levels perspective of CSR



Strategy

Corporate social responsibility (CSR) strategies

There is even a green segmentation possible ...



Group work - CSR.

Research and investigate one of the following brands and their activities.

To Do for group presentation:

- 1: Introduce the company shortly
- 2: Define their business and products
- 3: Show the companies activities regarding CSR

Group 1: Nikin

Group 2: Coca Cola

Strategy formulation

Corporate social responsibility (CSR) examples

Lucerne University of
Applied Sciences and Arts

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A tradition of commitment
Sustainability is an integral part of the way we do business - now and in the future.

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How we work

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What we do

We create value for all our stakeholders and have embedded Sustainability in our culture.
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Our reporting

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Strategy and Goals



Sustainability

Corporate Responsibility: Strategy and Goals

Swisscom aims to be one of Switzerland's most sustainable companies. Our environmental and social commitments are therefore an integral part of our corporate strategy. We have defined binding goals for 2020 in six corporate responsibility focus themes. Find out here what we have achieved and what we still aim to accomplish.



Sustainability goals for 2020
Welcome to the country of possibilities

We envisage a Switzerland where future generations will be able to enjoy the same chances and opportunities as we do today. And many more besides. Our CR strategy is based on six focus themes. We have defined binding goals in each area that we aim to achieve by 2020. You can learn more about our sustainability goals in the video and PDF.

› [Go to key topics and targets](#)
› [Swisscom's CR targets 2017](#)

Strategy formulation

Corporate social responsibility (CSR) examples

Volkswagen And The failure of Corporate Social Responsibility



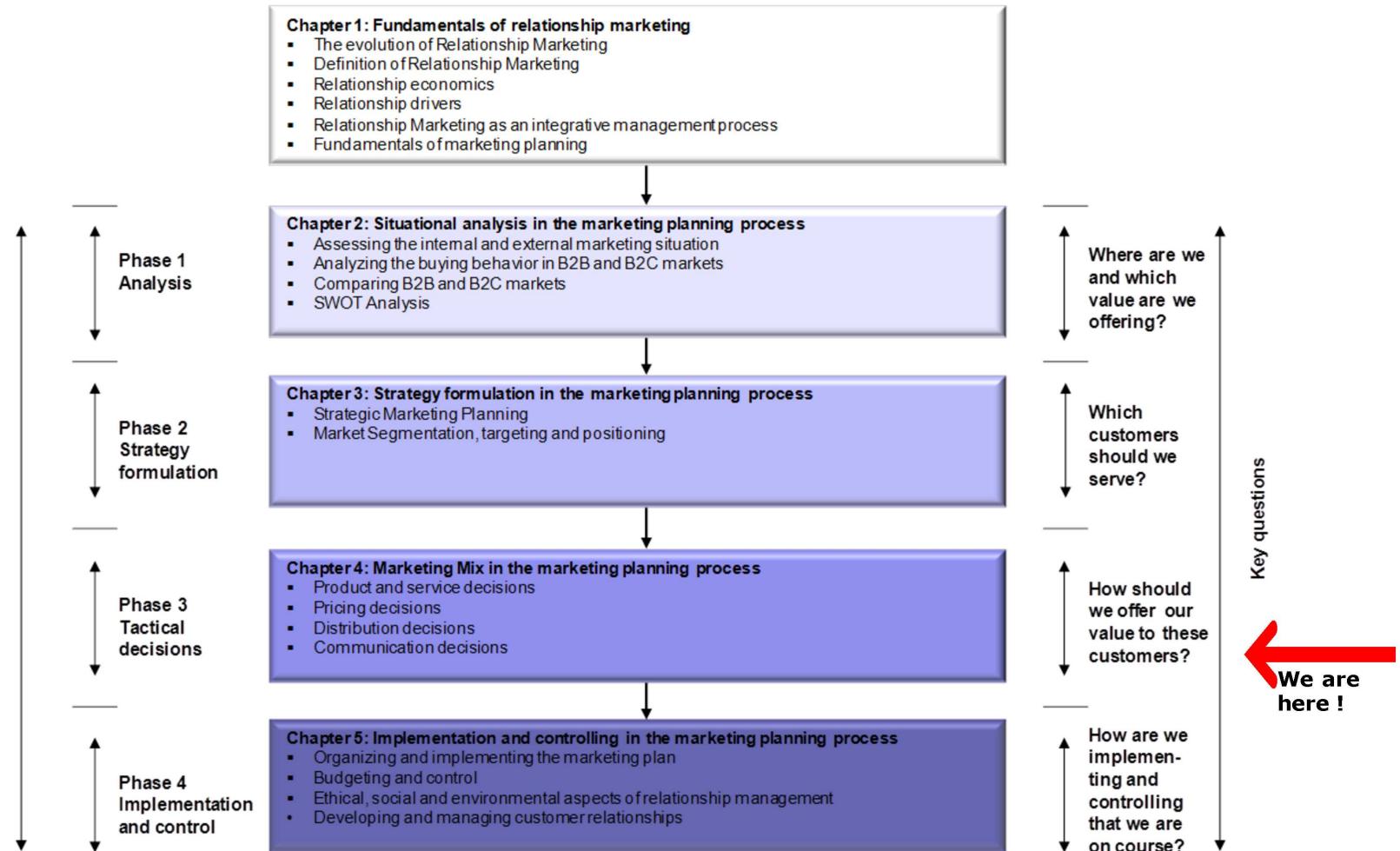
(JOHN MACDOUGALL/AFP/Getty Images) [-]

The Volkswagen case represents above all an absolute failure in terms of Corporate Social Responsibility (CSR). The company deliberately set out to design a means to circumvent emissions control—a stratagem known at the highest levels—with the aim of giving the company an unfair advantage over its competitors that made it the world's number one car maker, in large part on the basis of its supposedly environmentally friendly cars; meanwhile it was poisoning the planet.

This rejection of any ethical standards in engineering, which has led to the resignation not just of the CEO, but also Audi's head of R+D and Porsche's engine chief, makes one thing absolutely clear: the company's CSR department must have known what was going on. The command chain that led to the development of certain lines of software that could put an engine into test mode and then return it to "dirty mode" are on record, all the testing that was done is documented: those responsible can be identified, and are to be found at all levels throughout Volkswagen. With software taking over all the complexities of a product, the only way to avoid problems is to go fully transparent, document every step of the process and embrace open source.

Programme overview

Where we will be next week ...



Agenda for next week:

Marketing Mix in the marketing planning process

- Product and Service Decisions 
- Pricing Decisions
- Distribution Decisions
- Communication Decisions

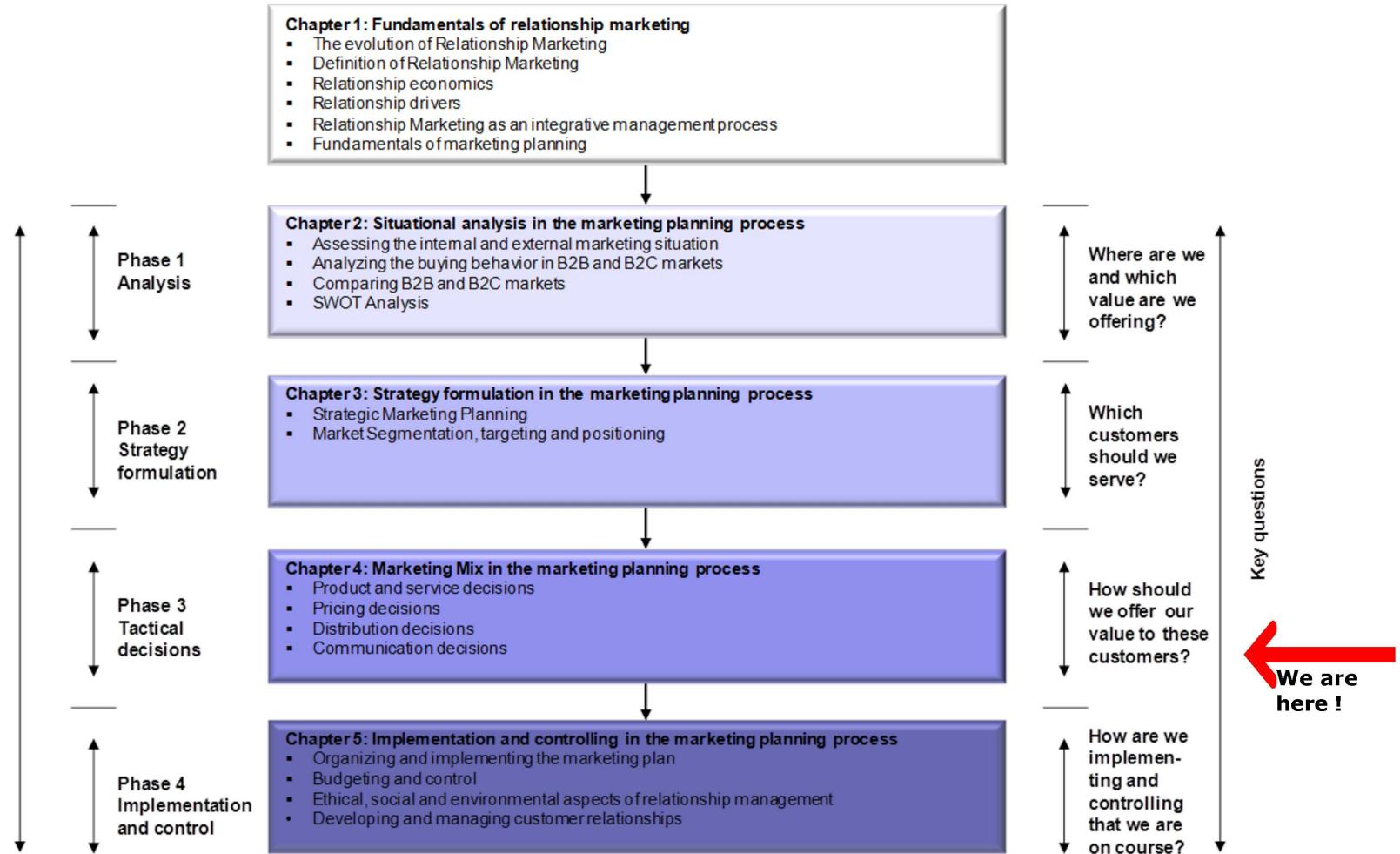
Marketing Management

Institut für Innovation und Technologie Management

Marketing Mix in the marketing planning process / Product Part 1
«Script and content created or composed by Markus Raschke»

Programme overview

Where we are ...



Agenda

Marketing Mix in the marketing planning process

- Product and Service Decisions 
- Pricing Decisions
- Distribution Decisions
- Communication Decisions

Marketing Mix

The marketing goals are realized by 4 instruments

Four instruments comprise the Marketing Mix – the tools are designed and combined to optimal fit segments' needs

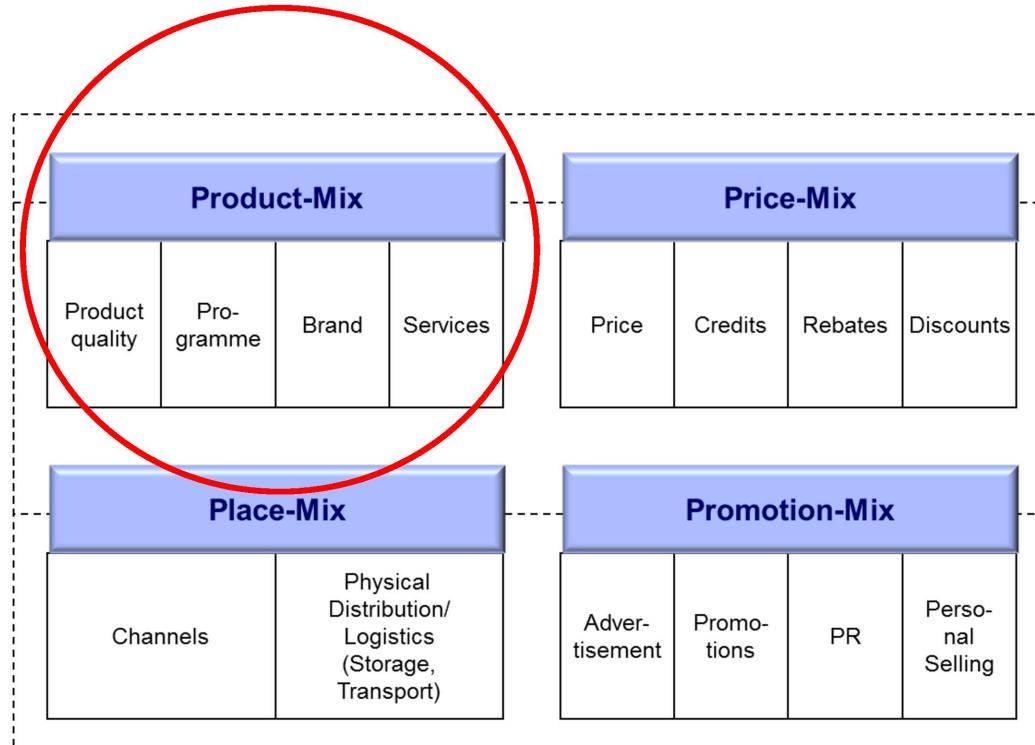


- Problem of optimizing structure and combination of marketing tools

Marketing Mix

The 4 instruments more detailed

Each of those 4 instruments consist of further detailed aspects



Agenda

Marketing Mix in the marketing planning process

Product and Service Decisions

- **Product and different product levels**
- **New product development**
- **The product life cycle**
- **Service marketing**

Marketing Mix - Product

Typical Tasks

Options for actions in Product- and Servicemanagement

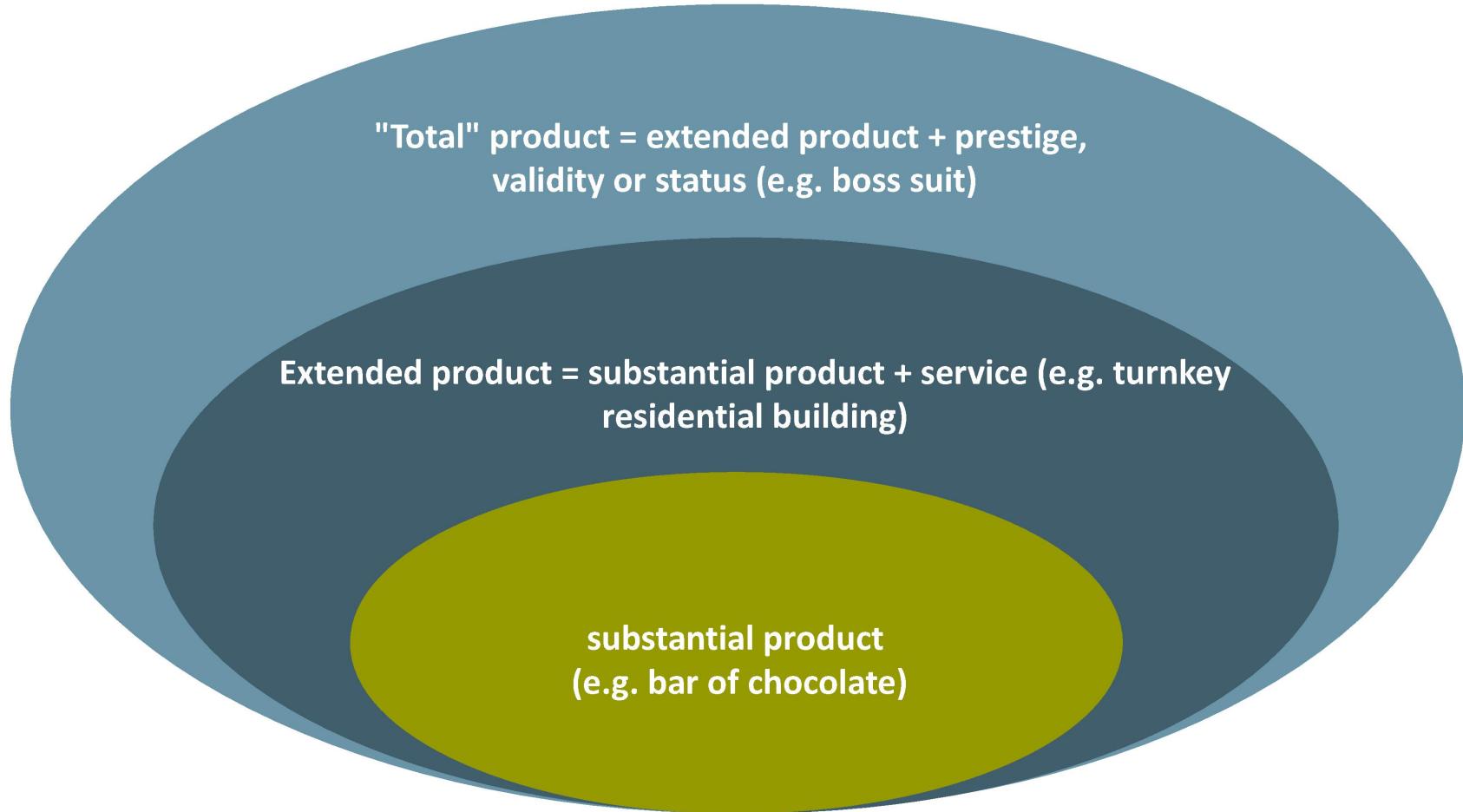
Product Policy Scope of action	Program Policy Decision making
<ul style="list-style-type: none">• Customer segmentation• Strategic positioning of product and services• Define core of performance• Product apperance	<ul style="list-style-type: none">• define performance package• New product development• Variance of the products• Define the product

Marketing Mix - Product

- A product is anything that can be offered in a market for attention, acquisition, use, or consumption that might satisfy a need or want
- The product offer can be evaluated as the "**core piece of marketing**" because without this basic performance no other activities can be effective.
- Therefore, the main question within developing the marketing mix is
..... which kind of product or services is the company going to offer to its customers ?

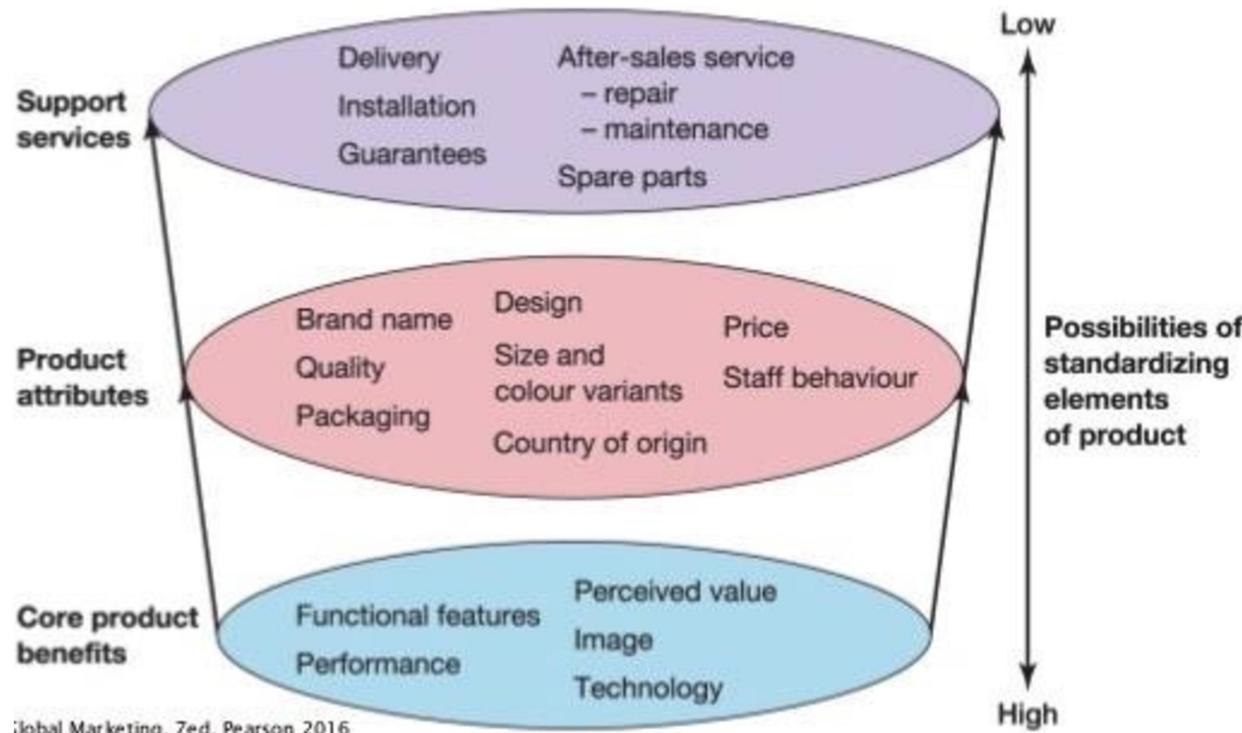
Marketing Mix - Product

Overview product definition



Marketing Mix - Product

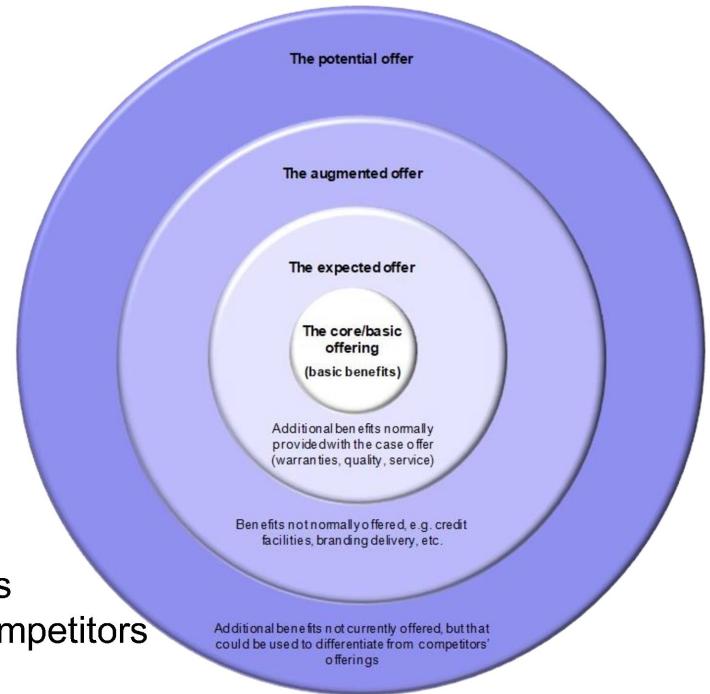
Product has 3 levels at least



Marketing Mix - Product

4 product levels according to Levitt, 1986

1. Core benefit:
 - What is the buyer rely buying ?
2. Expected product:
 - What do customers expect beyond the core benefit ?
3. Augmented product
 - What additional features / services exceed customers expectation and help to differentiate the offer from competitors
4. Potential product
 - Whicht additional features and services could be offered in the future?

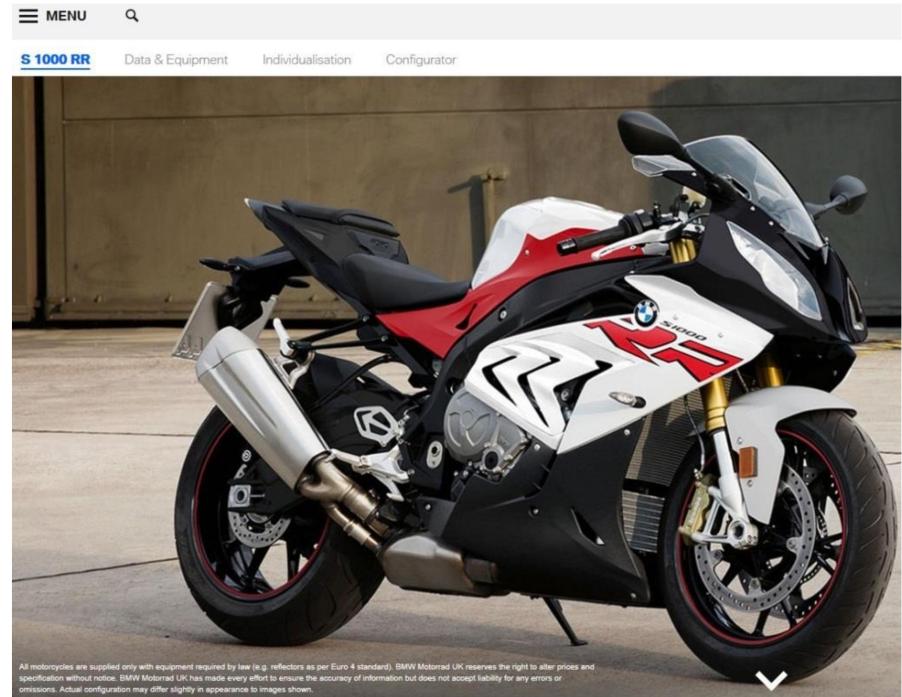


Marketing Mix - Product

Exercise: Example BMW motorbikes ...

What is with respect to this product ...

- ... the core / basic offering ?
- ... the expected offering ?
- ... the augmented offering ?
- ... the potential offering ?



[BMW Home Page](#)

<https://www.bmw-motorrad.co.uk/en/models/sport/s1000rr.html>

Marketing Mix - Product

Feature-based vs. benefit-based product definition



Product features

Tires

Engine

PS-Performance

Chassis construction

Air resistance coefficient

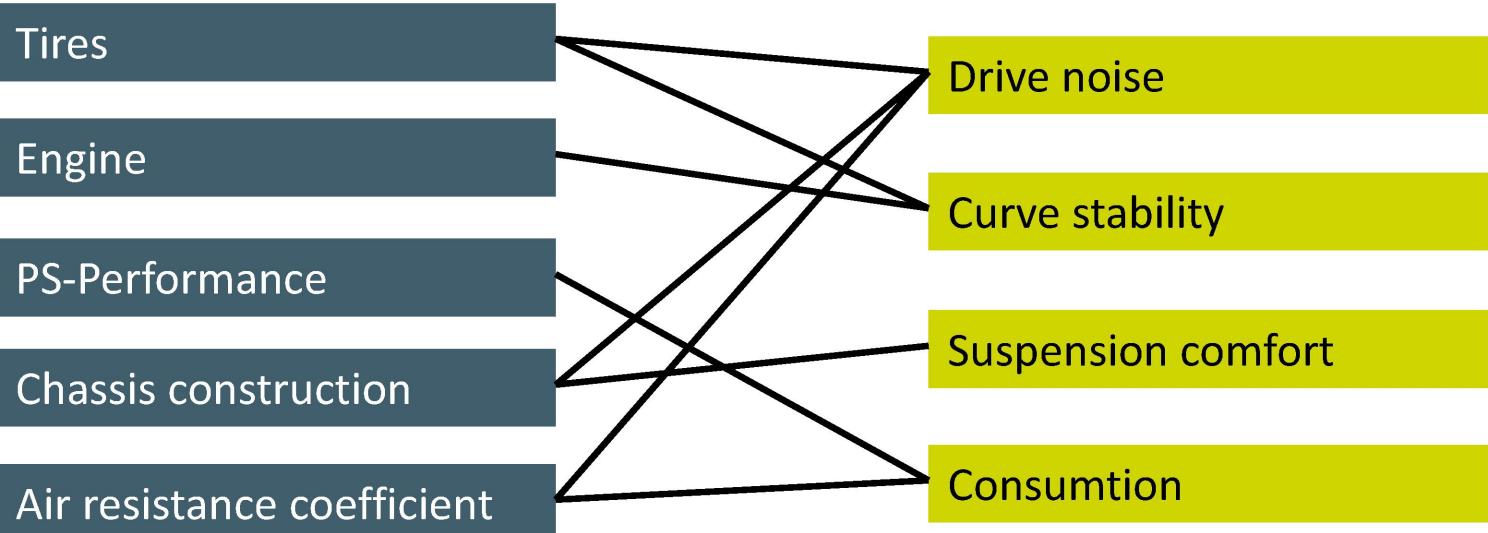
Product benefits

Drive noise

Curve stability

Suspension comfort

Consumption



Marketing Mix - Product

Exercise: Feature-based vs. benefit-based product definition

Which product?

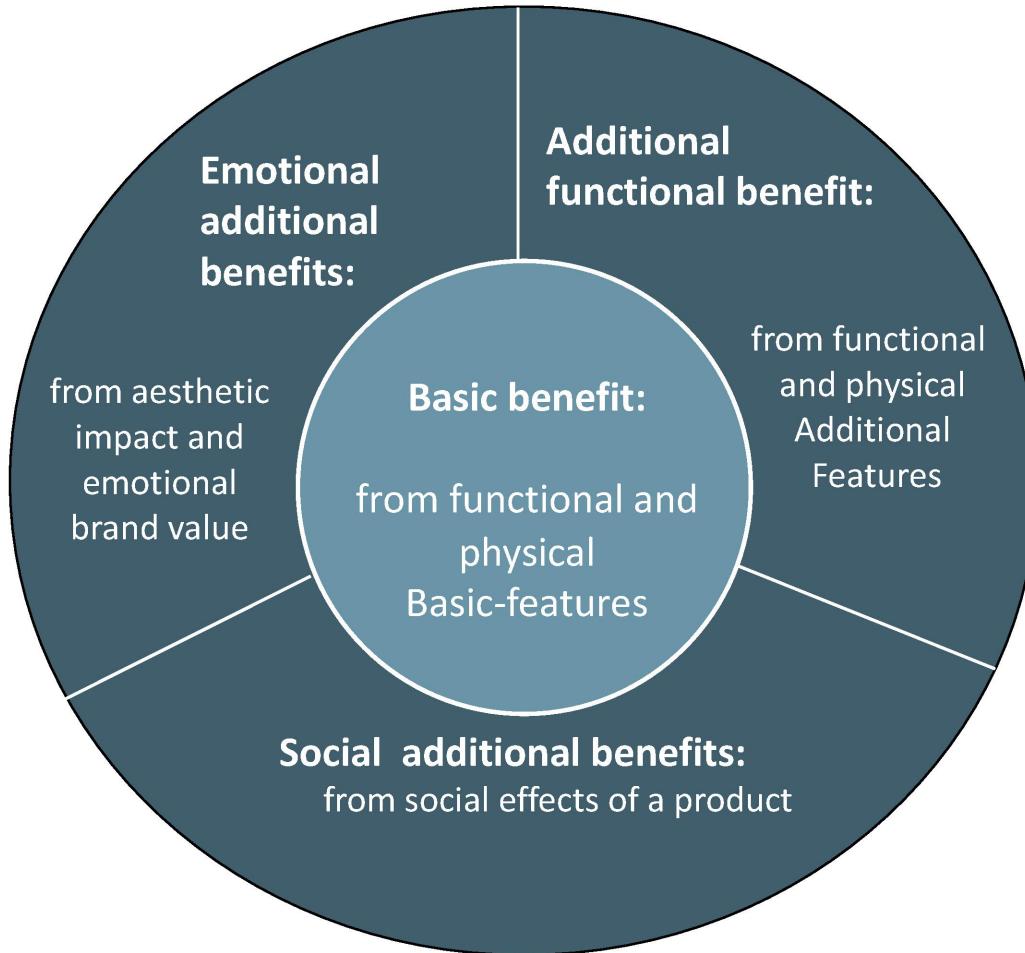
Who is the customer?

Product features

Product benefit

Marketing Mix - Product

Product components according to Meffert



Marketing Mix - Product

Exercise: "Product benefit components"

What basic benefits, additional functional benefits, additional emotional benefits and additional social benefits do the following products provide?



a) WWF toy panda



b) Frosch-wash liquid



c) iPhone



d) Adidas running shoe

What to present:

Time for group work:

Presentation:

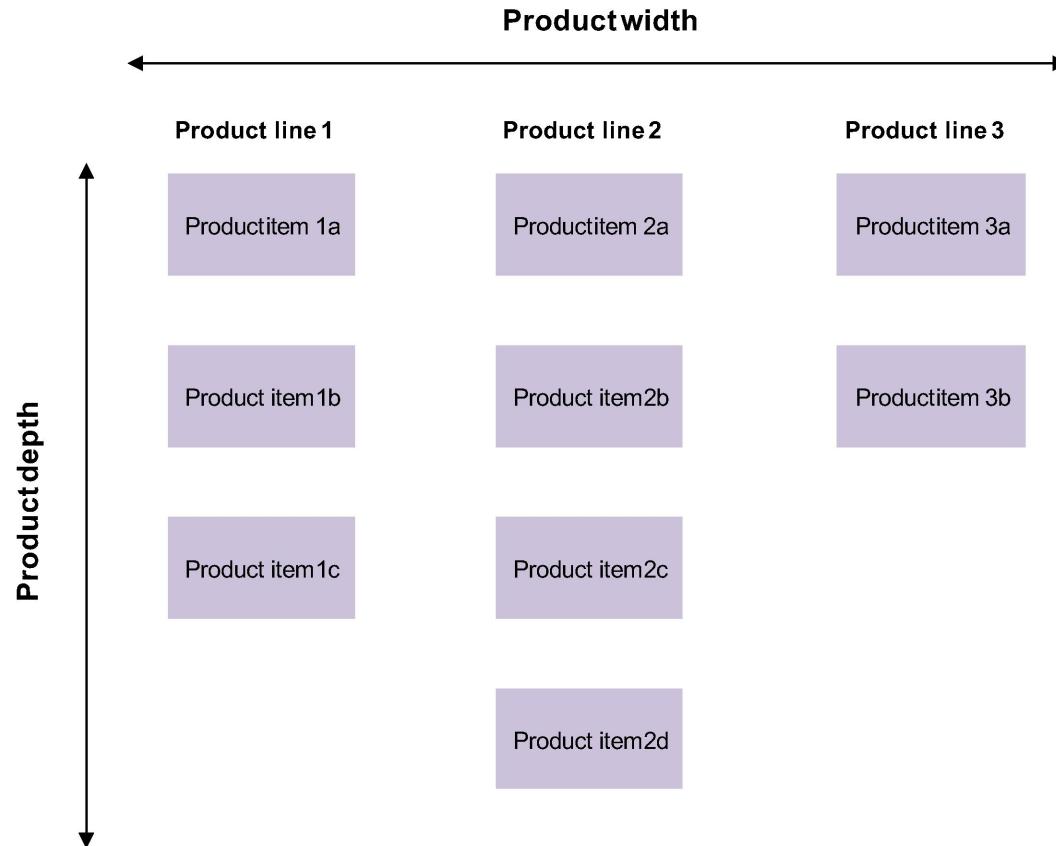
Charts with your findings and classifications

15 min.

5 min. (each group)

Marketing Mix - Product

The product mix decision



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 178

Marketing Mix - Product

The product mix decision

Product lining is offering several related products for sale individually,
→ unlike product bundling, where several products are combined into one group

A line can comprise related products of various sizes, types, colors, qualities, or prices.

- Line width

refers to the total amount of product lines that company offers. A diversified product mix can target the maximum amount of customers, however, such amount of product lines require many attentions and focus as each product line targets different groups of consumers and involve individual strategy and management.

- Line depth

refers to the number of subcategories a category has.

- Line consistency

refers to how closely related the products that make up the line are.

- Line vulnerability

refers to the percentage of sales or profits that are derived from only a few products in the line.

Marketing Mix - Product

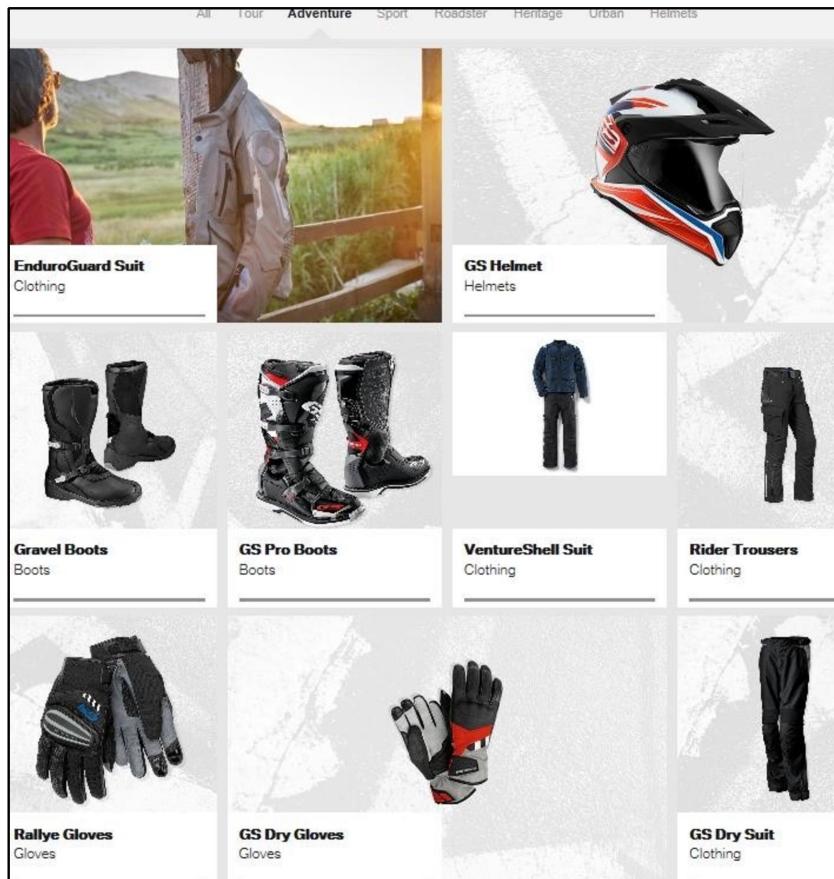
Product program and product lines for BMW motorbikes



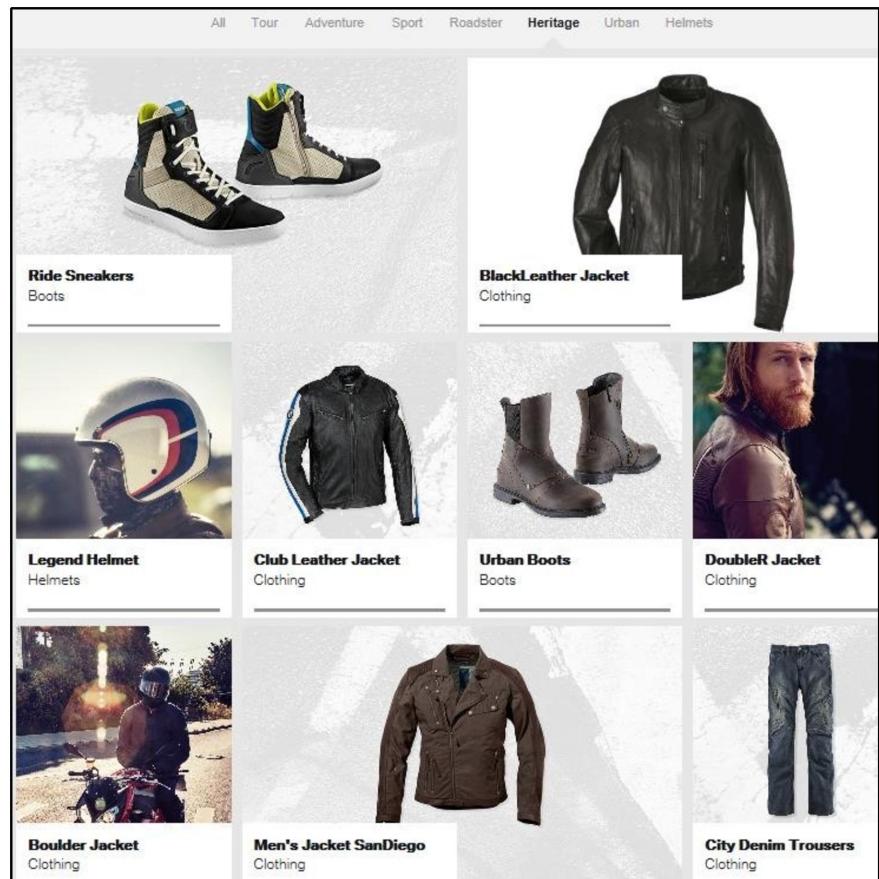
Marketing Mix - Product

The product lines for BMW motorbikes

Line “Adventure”



Line “Heritage”



Marketing Mix - Product

The product lines for BMW motorbikes

Line “Adventure”

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Marketing Mix - Product

The BMW product lines allow also individualisation



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Marketing Mix - Product

Decisions in the framework of the product mix

Product innovation

Development of completely new products

Product variation

Improvement and Modification of existing products
(The Mercedes C-Class is replaced by the new model)

Product differentiation

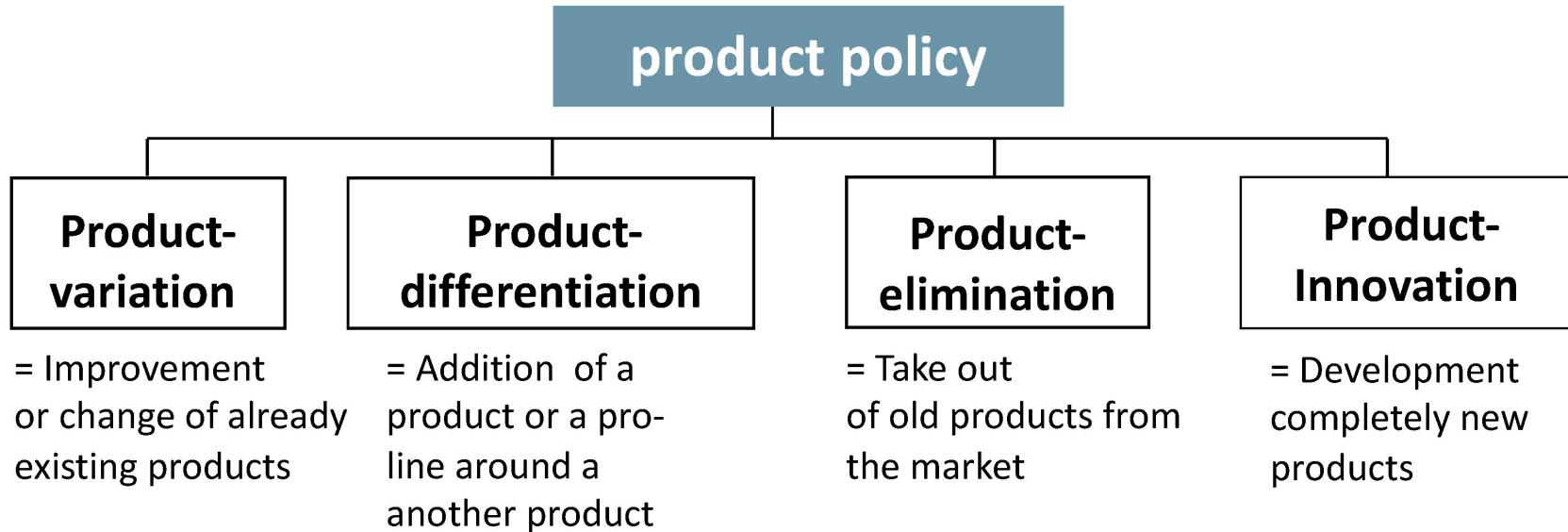
Completion of a product with another product
(In addition to the existing C-Class Mercedes introduces a convertible model)

Product elimination

Elimination of existing products

Marketing Mix - Product

Decision-making processes in the field of product policy



Nestlé
yes



Marketing Mix - Product

Important criteria for product elimination

- Economic significance of the product for the company
(share of sales, contribution margin etc. and their development)
- Market situation of the product
(market share, market potential, acceptance by customers, position in comparison to competing products)
- Position of the product in the assortment of the company (product range combination, influence of the product on company image, competition to other products of the company)
- Use of capacity by the product
(production and storage capacities, management capacities)
- Future prospects of the product
(position in life cycle, expected technological change)

Marketing Mix - Product

30.000 new Products annual in DACH – approx. 70% dismiss – examples



Marketing Mix - Product

Goals of product variations

- Securing the market position through an improved
Satisfying consumer needs
- Ensuring that a product is up-to-date
- Sales and profit growth
- Specialization on specific target groups to achieve higher prices
- Rationalization of production

Marketing Mix - Product

Product differentiation

Purpose of Product differentiation:

- Take into account the special features of individual segments
address differentiated needs
- Occupation of shelf space in retail
- Improvement / defense of market position
- Demonstration of competence

Risk of product differentiation :

- „Cannibalization“
- Complexity costs
- Consumer Confusion

Marketing Mix - Product

Consumer confusion through product differentiation

Lucerne University of
Applied Sciences and Arts

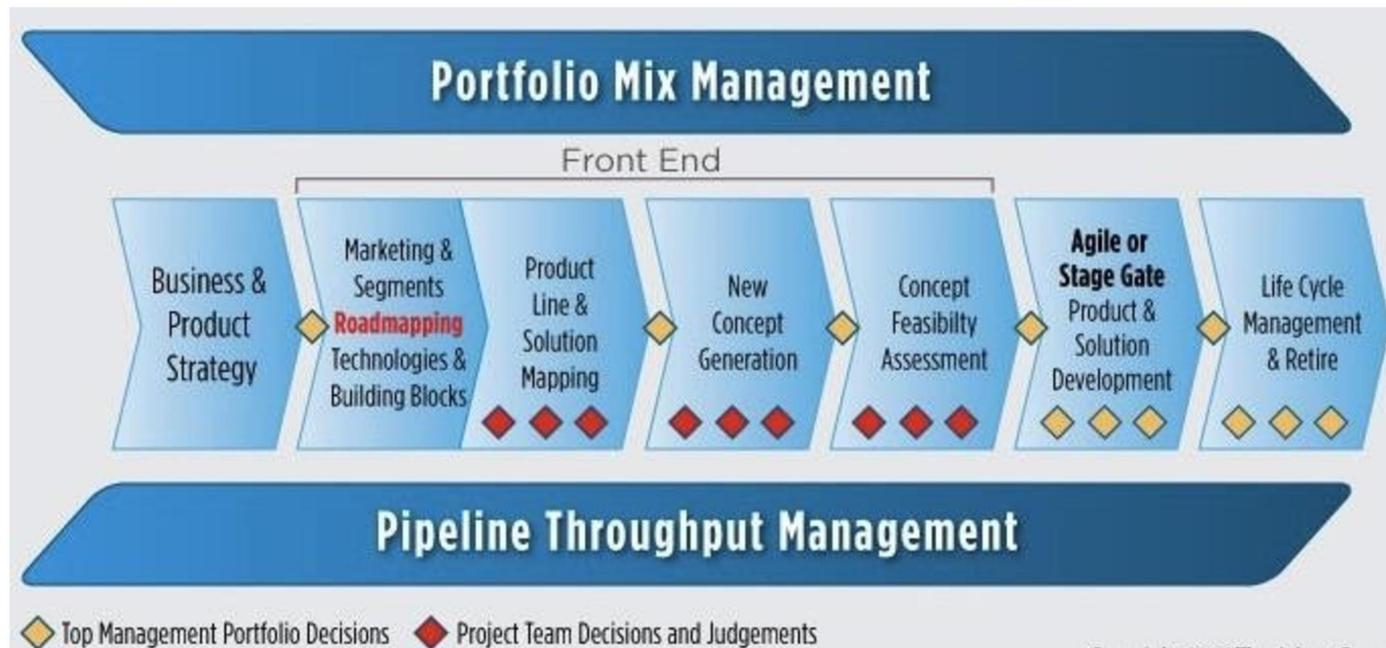
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Marketing Mix - Product

New product development

New product development has a strategic and operational perspective

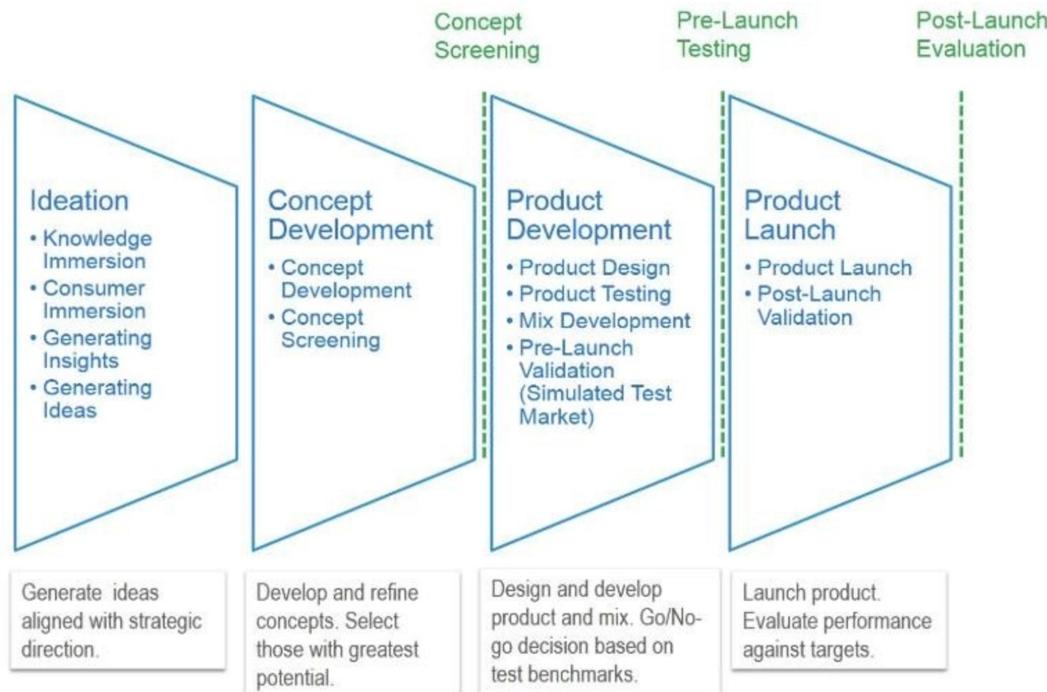


- What → mainly strategic e.g. Product (Project-)Portfolio Management
- How → mainly operational e.g. Product (Project-) Development Process

Marketing Mix - Product

New product development

Typical steps and contents of a new product development



Marketing Mix - Product

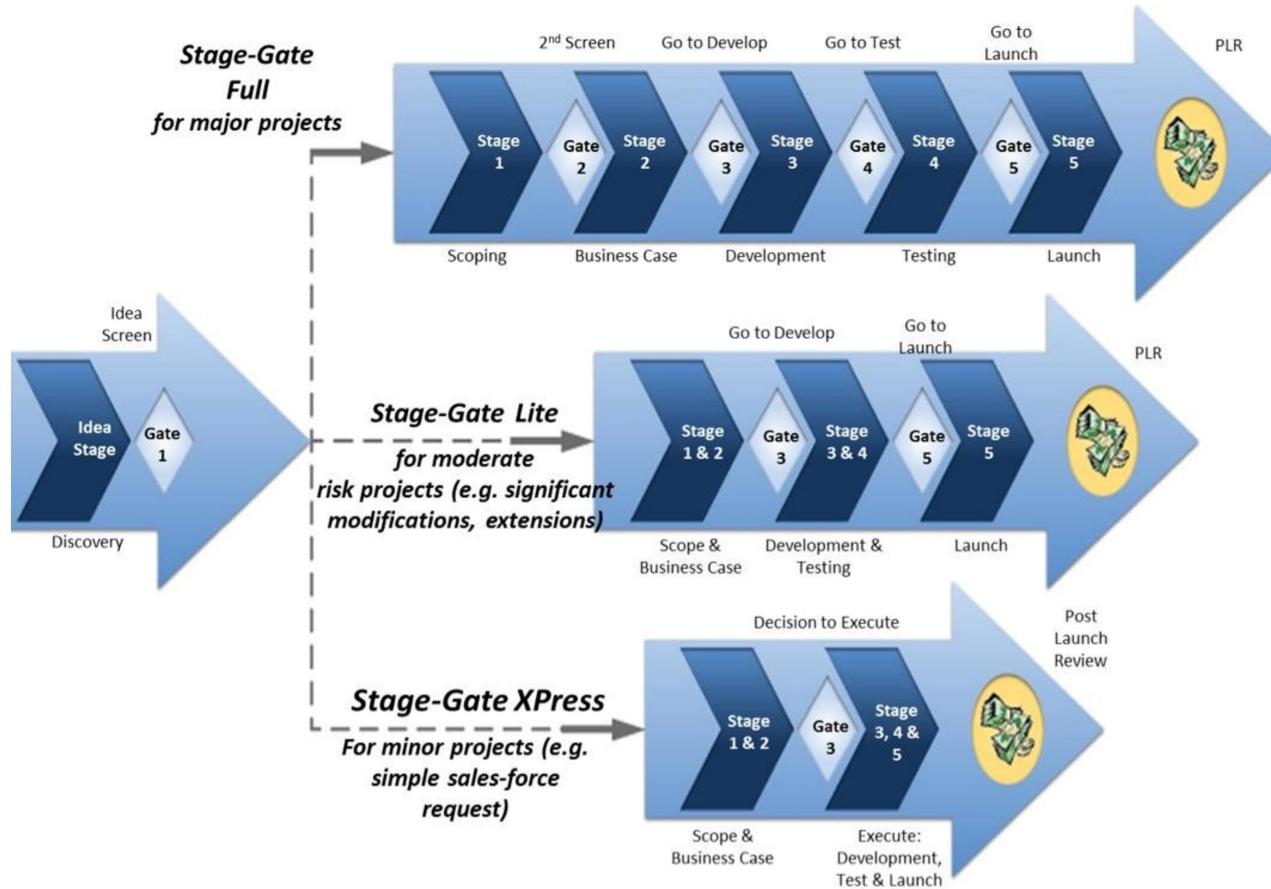
Phases of product development

Phase	Techniques / Activities / Source
1. Ideation	<ul style="list-style-type: none">▪ Analysis of consumer needs and competitive activities, Experiences of the field service and results of goods test institutes, creative techniques
2. Screening	<ul style="list-style-type: none">▪ Idea checking with the help of a rating matrix, the profile-, Value scale or point value method
3. Analysis	<ul style="list-style-type: none">▪ Profitability analysis using the method of internal interest rate or the present value method, cost and profit analysis with the help of contribution margin accounting
4. Product-development	<ul style="list-style-type: none">▪ Development of product concepts, product descriptions or prototypes
5. Tests	<ul style="list-style-type: none">▪ Evaluation of the results from phase 4 with the help of Conception tests, store tests, product test panels etc.
6. Introduction	<ul style="list-style-type: none">▪ Introduction of the product on the market

Marketing Mix - Product

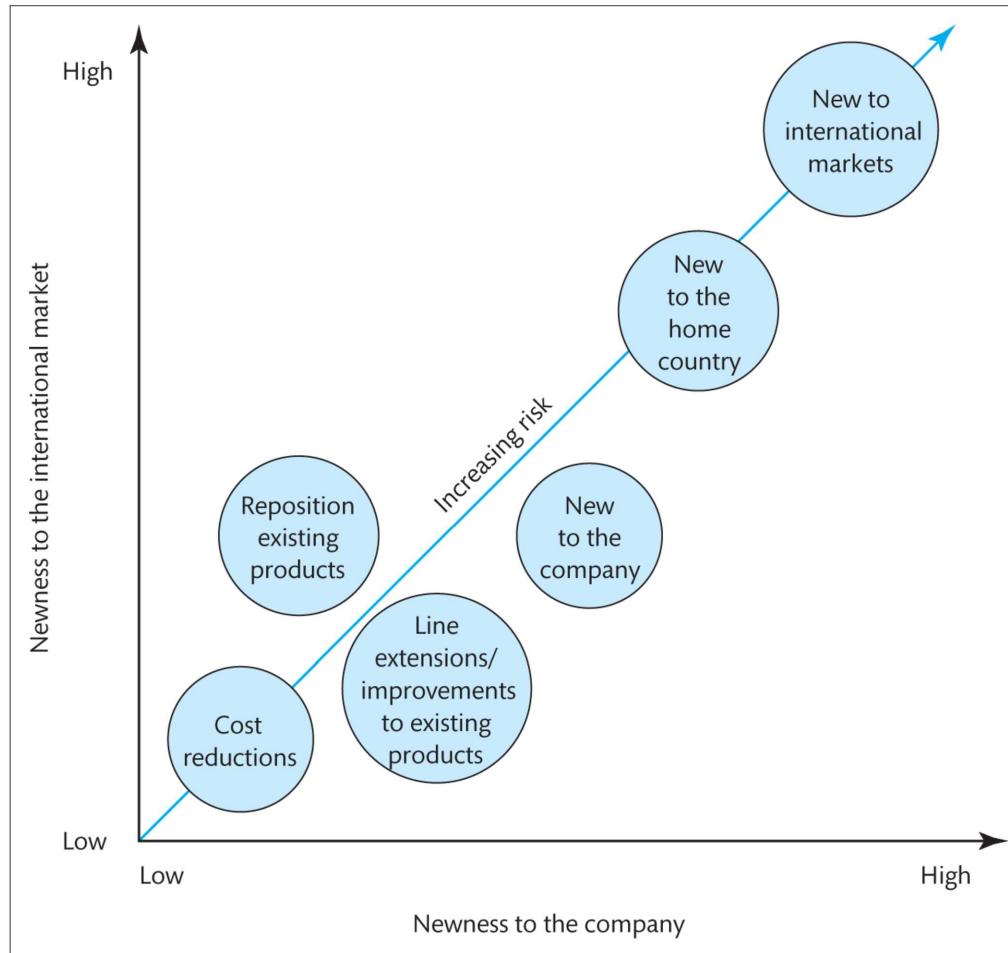
Different degrees of product newness

Different degrees of product newness require different processes



Marketing Mix - Product

Different degrees of product newness

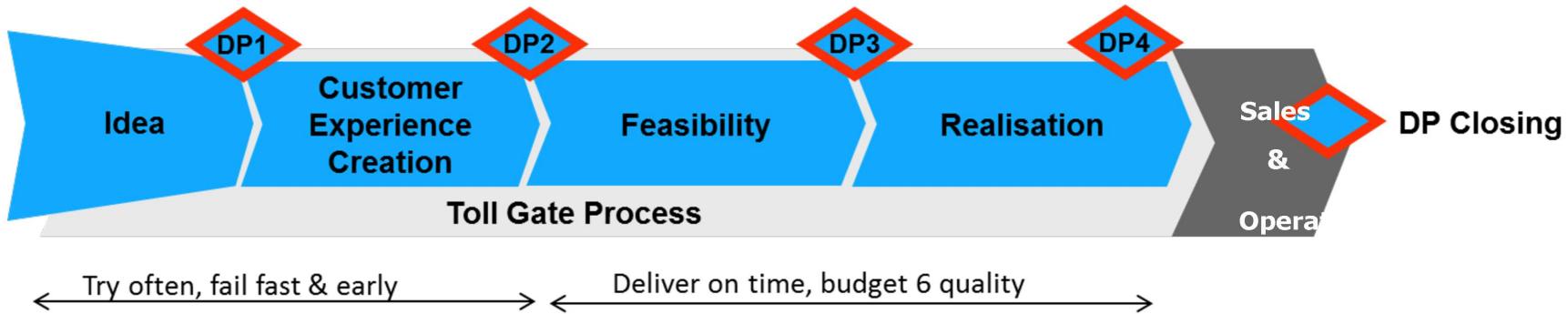


Source: From *Global Marketing: A Market Responsive Approach*, 2nd edn, Financial Times Prentice Hall (Hollensen, S., 2001) p. 409, © Pearson Education Limited 2001.

Marketing Mix - Product

New product development; Toll Gate (Stage Gate) Process

A Toll Gate Management Process is often used for new product developments



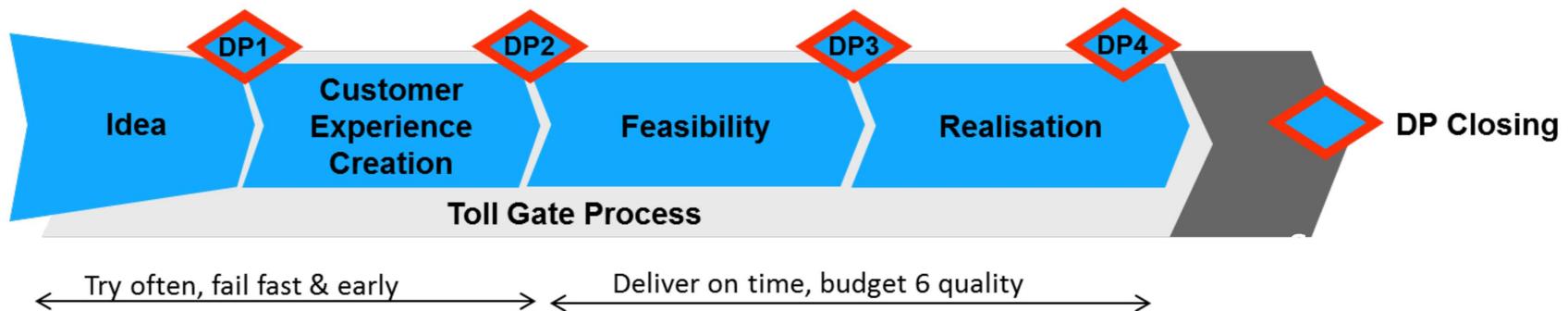
Key questions to be answered at the toll gate:

- DP1: Which customer need do we address ?
- DP2: Wants' the customer the solution ?
- DP3: Can we implement the solution ?
- DP4: Are we ready to sell / operate the solution ?

Note: The expressions *Toll Gate* and *Stage Gate* are used synonym here !

Marketing Mix - Product

Exercise: What are the benefits of the toll (stage) gate process?



Note: The expressions *Toll Gate* and *Stage Gate* are used synonym here!

Marketing Mix - Product

Benefits of the toll (stage) gate process (1/2)

1. ***Risk-mitigating***

- breaking the investment decision-process into a series of stages with clear Go/Kill decision points

2. ***Simple decision model***

- gates are based on defined criteria and pre-specified deliverables.
- At gates, designated gatekeepers (management) make go-forward decisions, investment decisions, and prioritize and commit resources across ideas and across development projects

3. ***A transparent process from idea to launch***

- everyone can see what the requirements are for good ideas and for projects to proceed, as well as who decides (the gatekeepers).

4. ***A comprehensive set of methods***

- tools and templates developed for each stage and gate, such as templates for idea description, concept description, business case, evaluation scorecards, launch plan, how to run a gate-meeting, how to score ideas, how to build in voice-of-customer, etc.

Marketing Mix - Product

Benefits of the toll (stage) gate process (2/2)

5. A **stage gate management process helps**

- to manage the entire pipeline of ideas and projects.
- It is based on economic methods such as NPV (Net Present Value), IRR (Internal rate of Return) and the Productivity Index (PI), as well as qualitative methods such as scorecards.
- It provides evaluation methods for ideas and projects and helps to decide stop, go, hold or go back

6. A system with **proven results** and built-in best practices

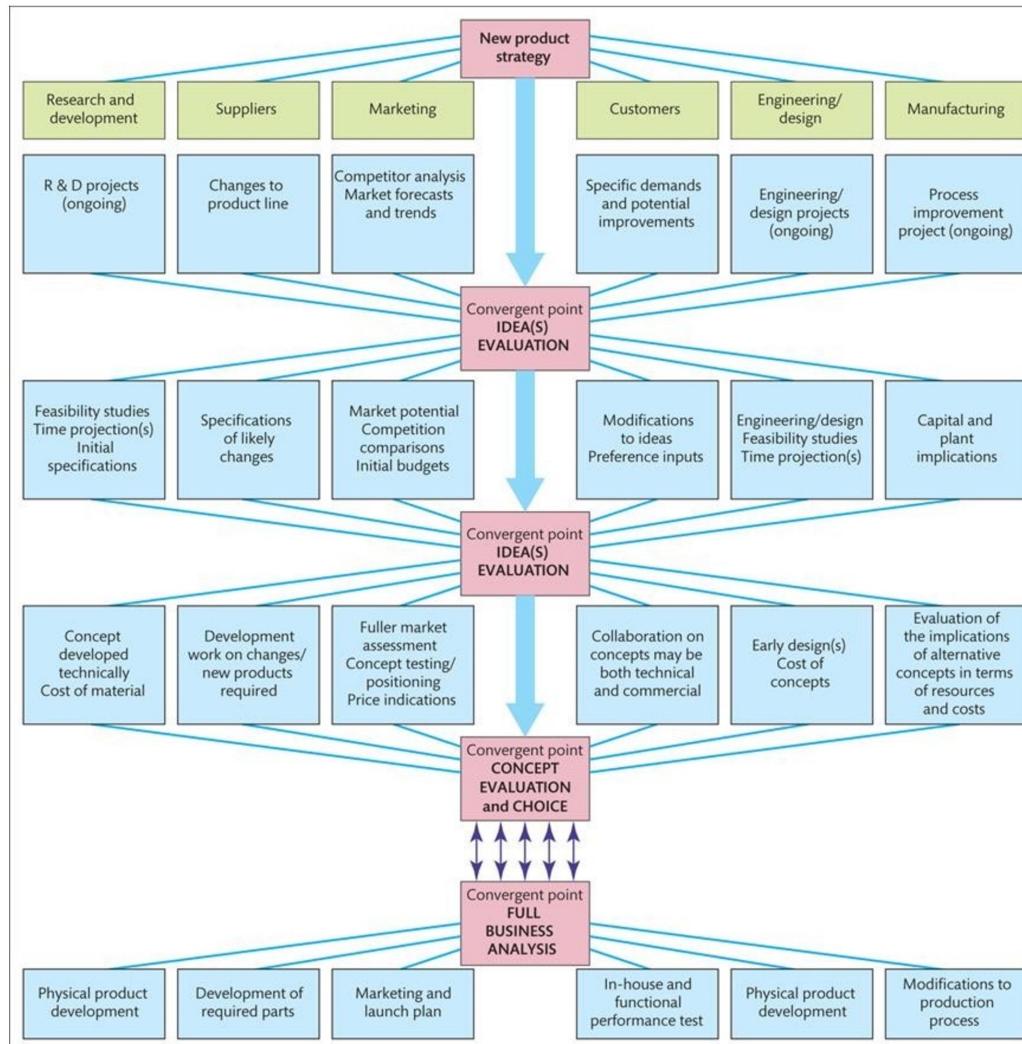
- Companies using Stage Gate management have more success in developing and launching new products than companies that do not use Stage-Gate management

7. An adaptive and scalable method

- Stage-Gate Processes can be scaled and applied to different types and sizes of projects and organizations There are specific Stage-Gate Versions for *process development* and *technology development* projects.

Marketing Mix - Product

The multiple convergent process model



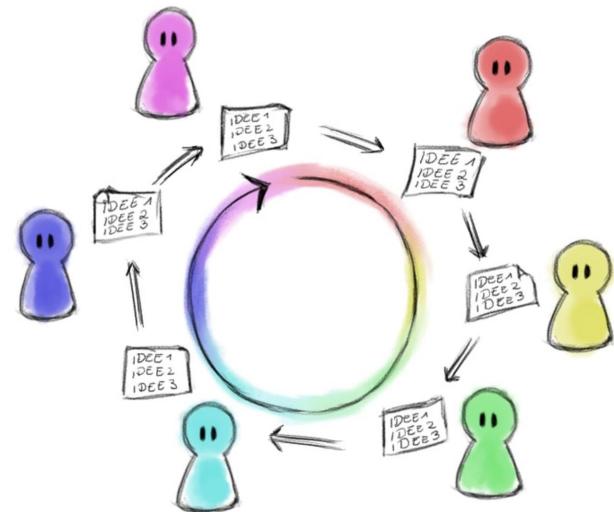
Source: After *Product Strategy and Management*, Prentice Hall (Baker, M. and Hart, S., 1999) p. 175

Marketing Mix - Product

Brainstorming as a method for generating product ideas

6-3-5 Methode

- ◆ Based on brainwriting method
- ◆ 6 participants each develop 3 own ideas/
solution proposals in 5 minutes
- ◆ The proposed solutions are passed on to the
next participant, who develops 3 new ideas each
time
- ◆ The new ideas can be completely new ideas or
advanced ideas
- ◆ You don't disturb each other in the creative
process, you get food for thought from the
others at the same time
- ◆ Within approx. 30 minutes max. 108 ideas are
created



Marketing Mix - Product

Exercise: „Product policy for Frozen Pizza“



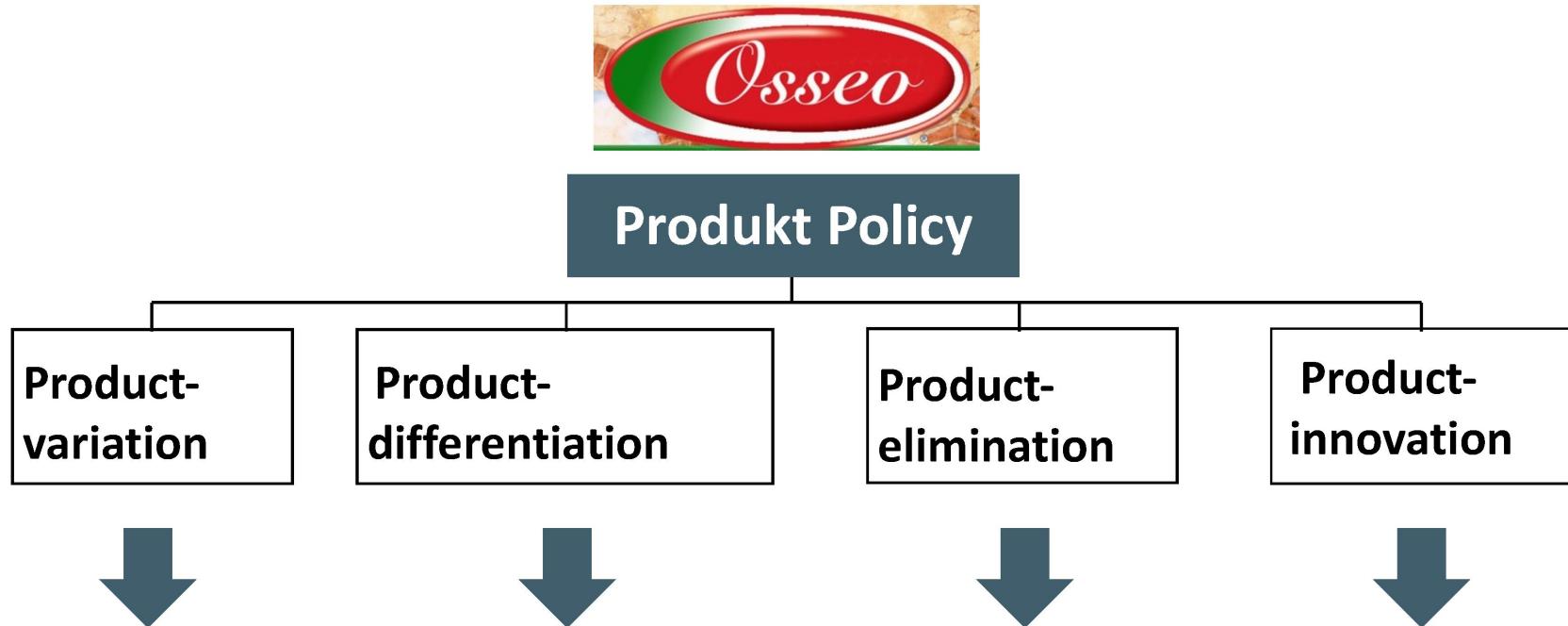
You are marketing manager for the frozen pizza brand OSSEO. The OSSEO product line currently consists of three variants. The variants show the following sales development:

Options	Revenue	Revenue	Revenue
	2017 in €	2018 in €	2019 in €
Margaritha	1.100.100	1.000.300	990.500
Salami	954.700	923.400	915.400
Mozzarella-Rucola-Parma	450.200	210.400	94.300

Develop concrete product policy approaches to strengthen the frozen pizza brand OSSEO.
Which variety do you keep, which do you change, which do you eliminate?

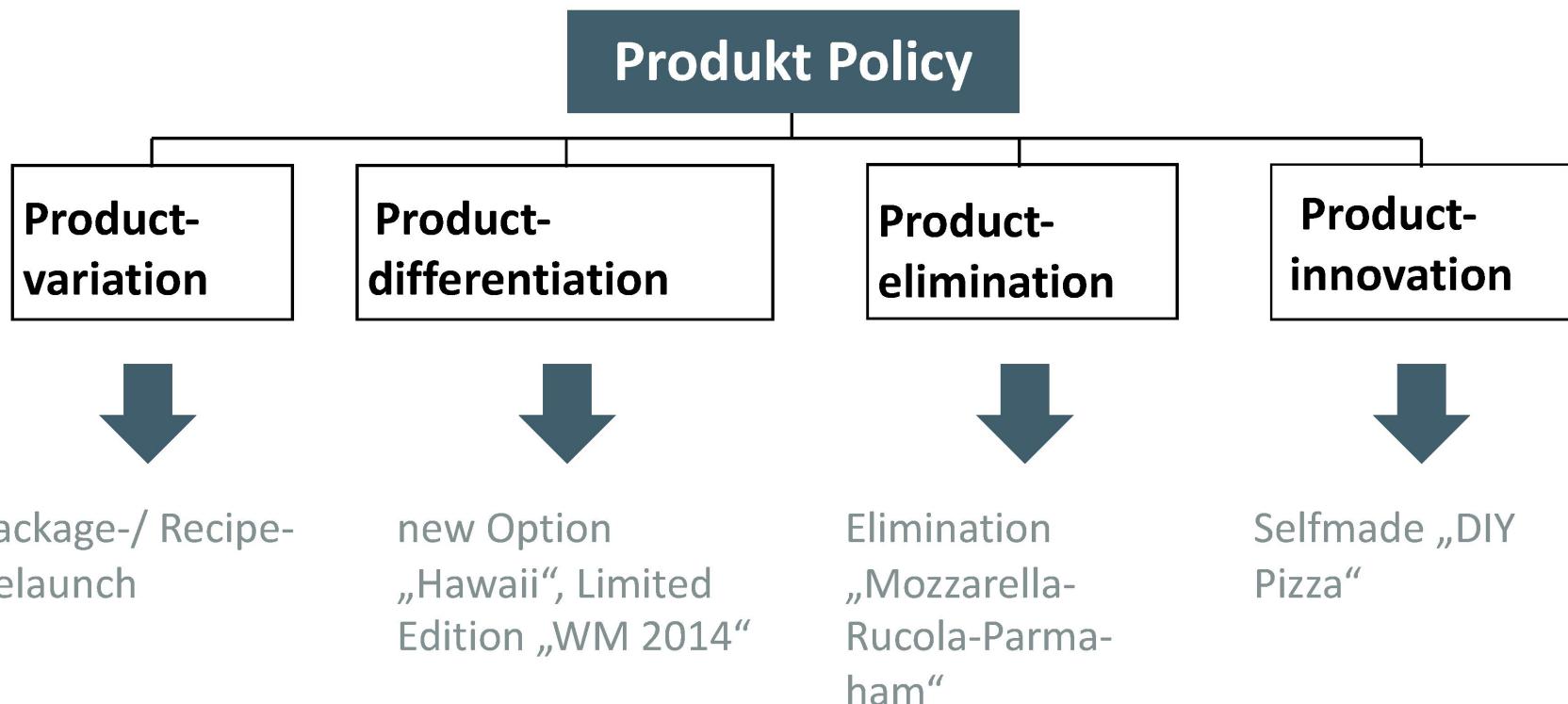
Marketing Mix - Product

Exercise: „Product policy for Frozen Pizza“



Marketing Mix - Product

Exercise: „Product policy for Frozen Pizza“



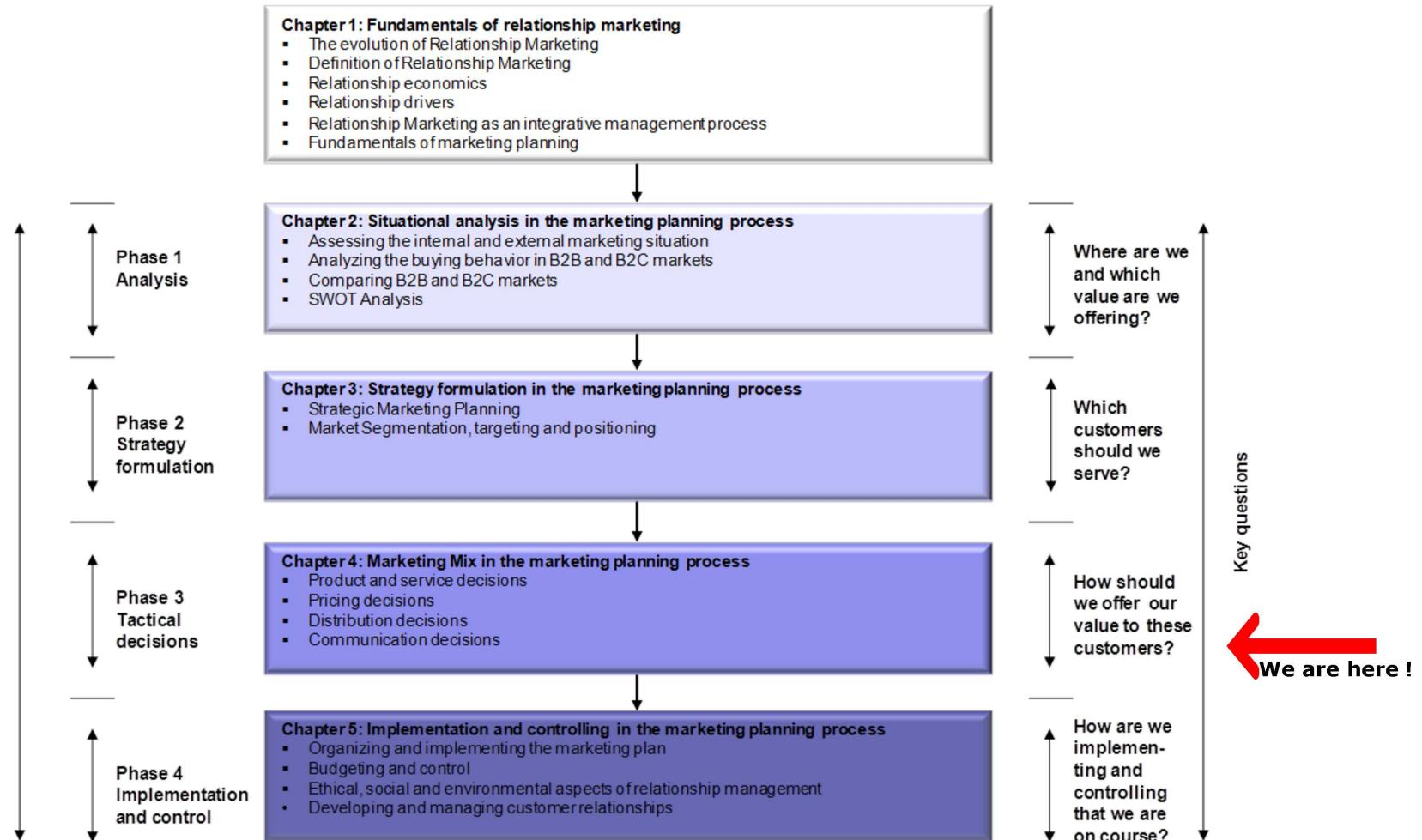
Marketing Management

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Marketing Mix in the marketing planning process / Product Part 2
«Script and content created or composed by Markus Raschke»

Programme overview

Where we are ...

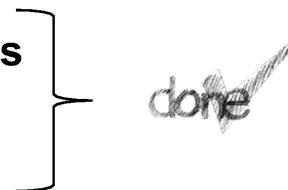


Agenda

Marketing Mix in the marketing planning process

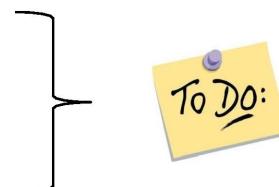
Product and Service Decisions

- Product and different product levels
- New product development
- The product mix



done ✓

- The product life cycle
- The product architecture
- Service marketing

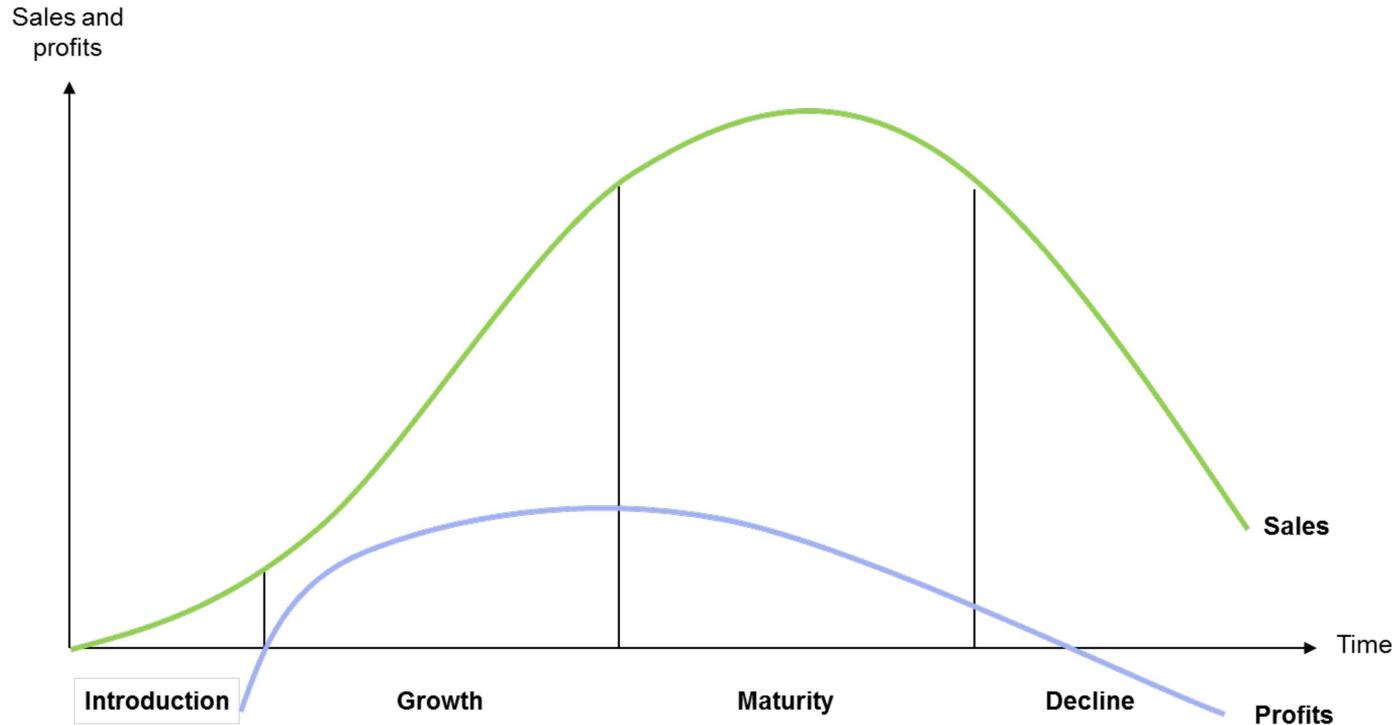


To Do:

Marketing Mix - Product

New product development / The product life cycle

- The Product Life Cycle indicates a limited durability of products, sales and profits



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 191

Marketing Mix - Product

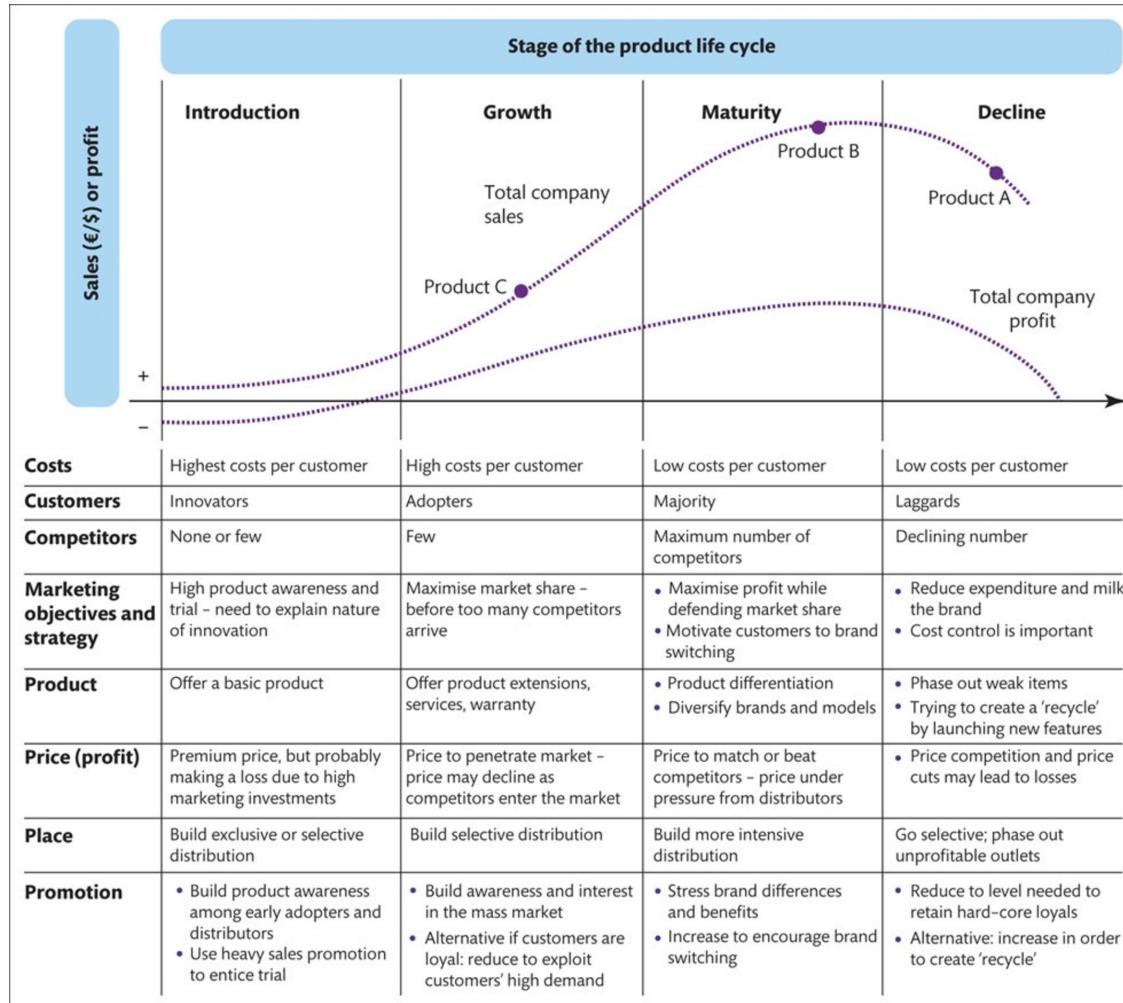
New product development / The product life cycle

Stages of the Product Life Cycle

1. Product development
 - Sales are zero and investment costs mount
2. Introduction
 - Slow sales growth and profits are nonexistent
3. Growth
 - Rapid market acceptance and increasing profits.
4. Maturity
 - Slowdown in sales growth and profits level off or decline
5. Decline
 - Sales fall off and profits drop

Marketing Mix - Product

New product development / The product life cycle

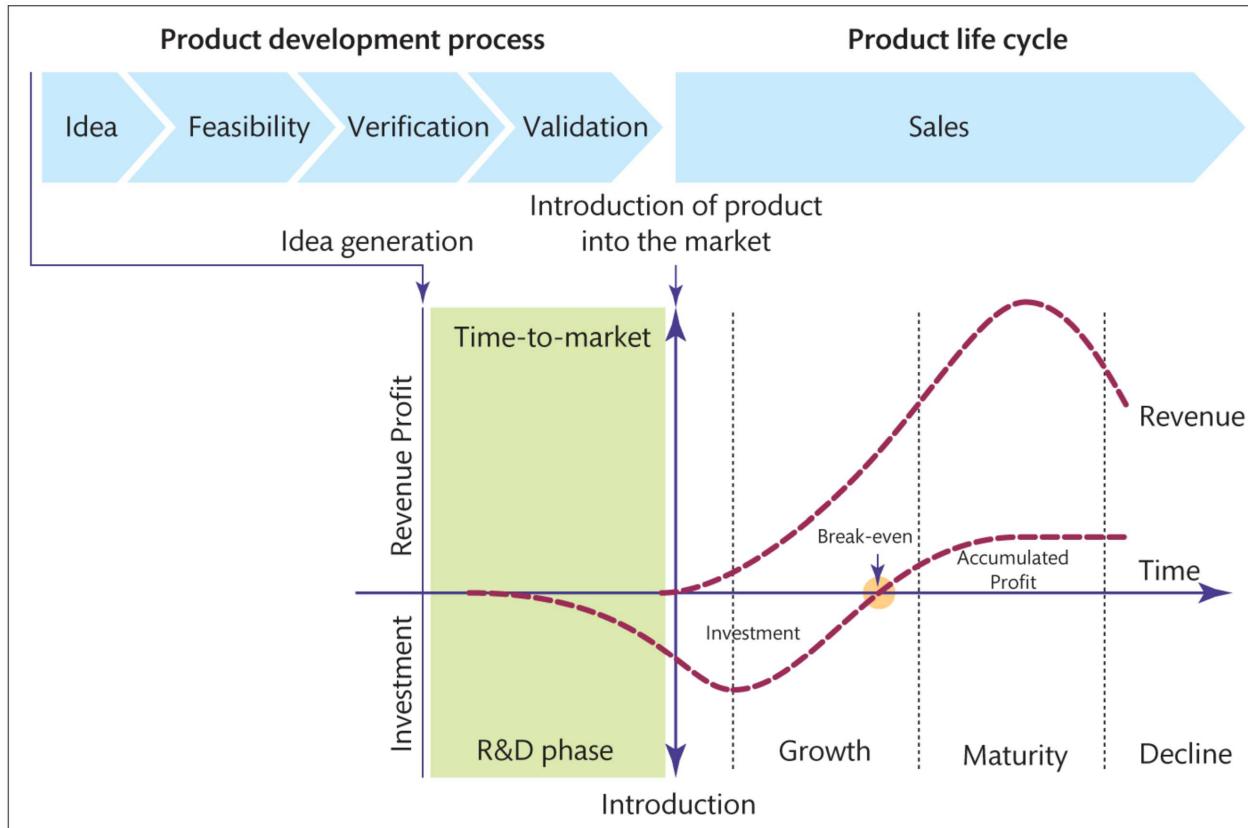


Source: From *Marketing Management: A Relationship Approach*, 2nd edn, Financial Times Prentice Hall (Hollensen, S., 2010).

Marketing Mix - Product

NPD / Time2Market within the product life cycle

Time To Market within the Product Life Cycle

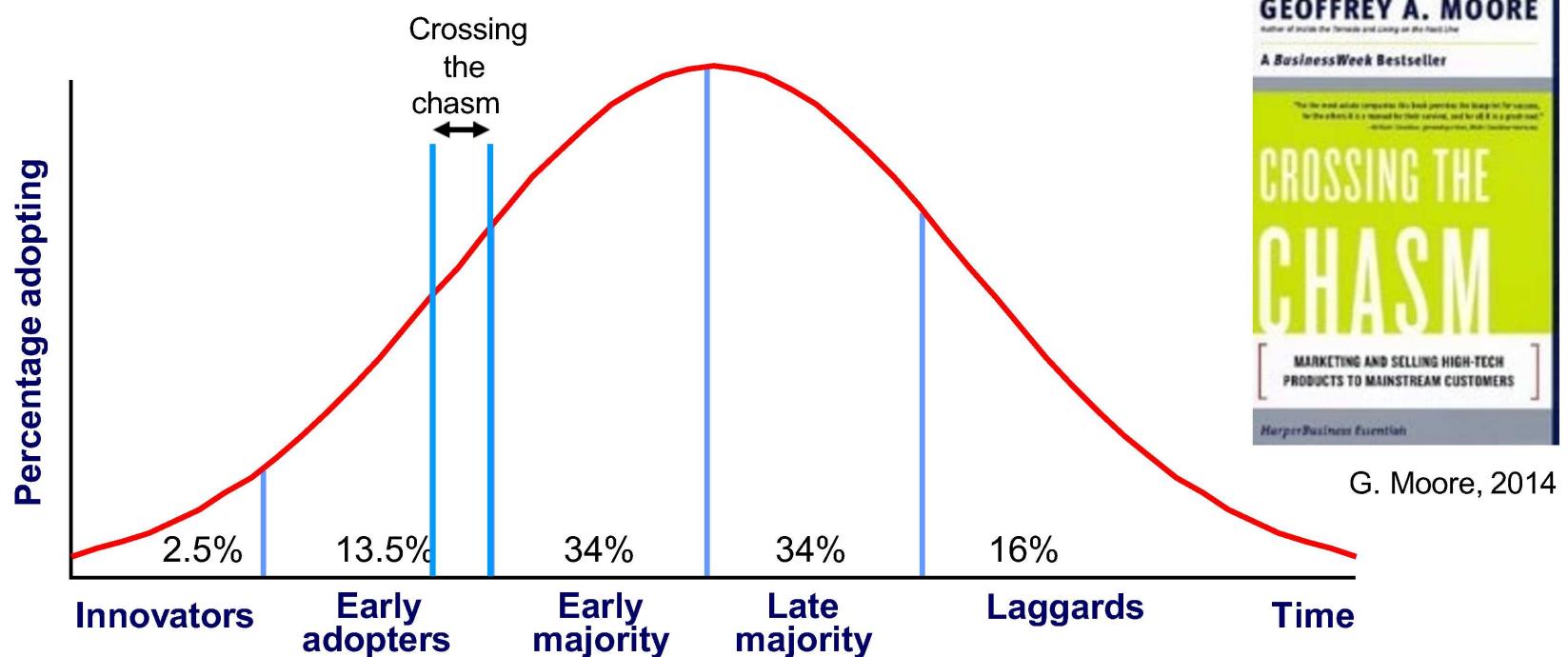


Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 191

Marketing Mix - Product

New product development / Diffusion of innovation

The diffusion process of innovation shows significant differences over time



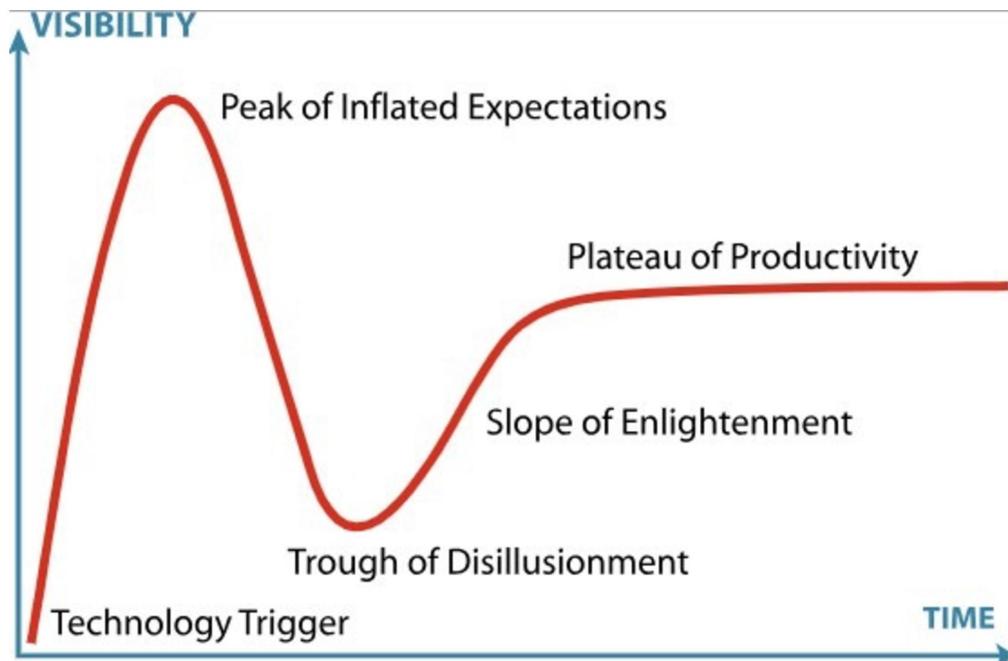
Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 189

Marketing Mix - Product

New Product Development / Technology Hype Cycle

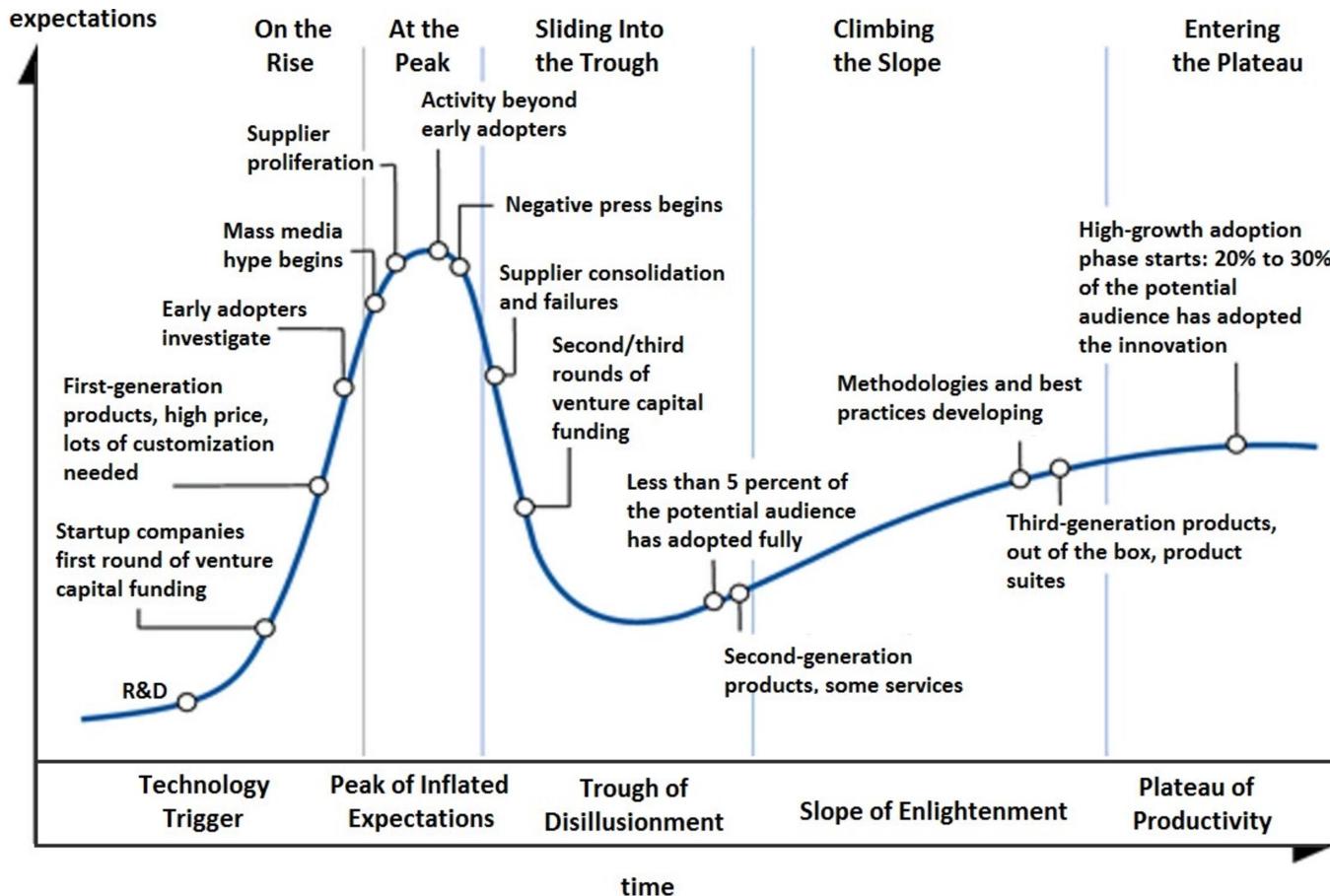
According to *Amara's law* (Roy Amara, 2003) we tend to ...

- ... overestimate the effect of a technology in the short run and
- ... underestimate the effect in the long run !



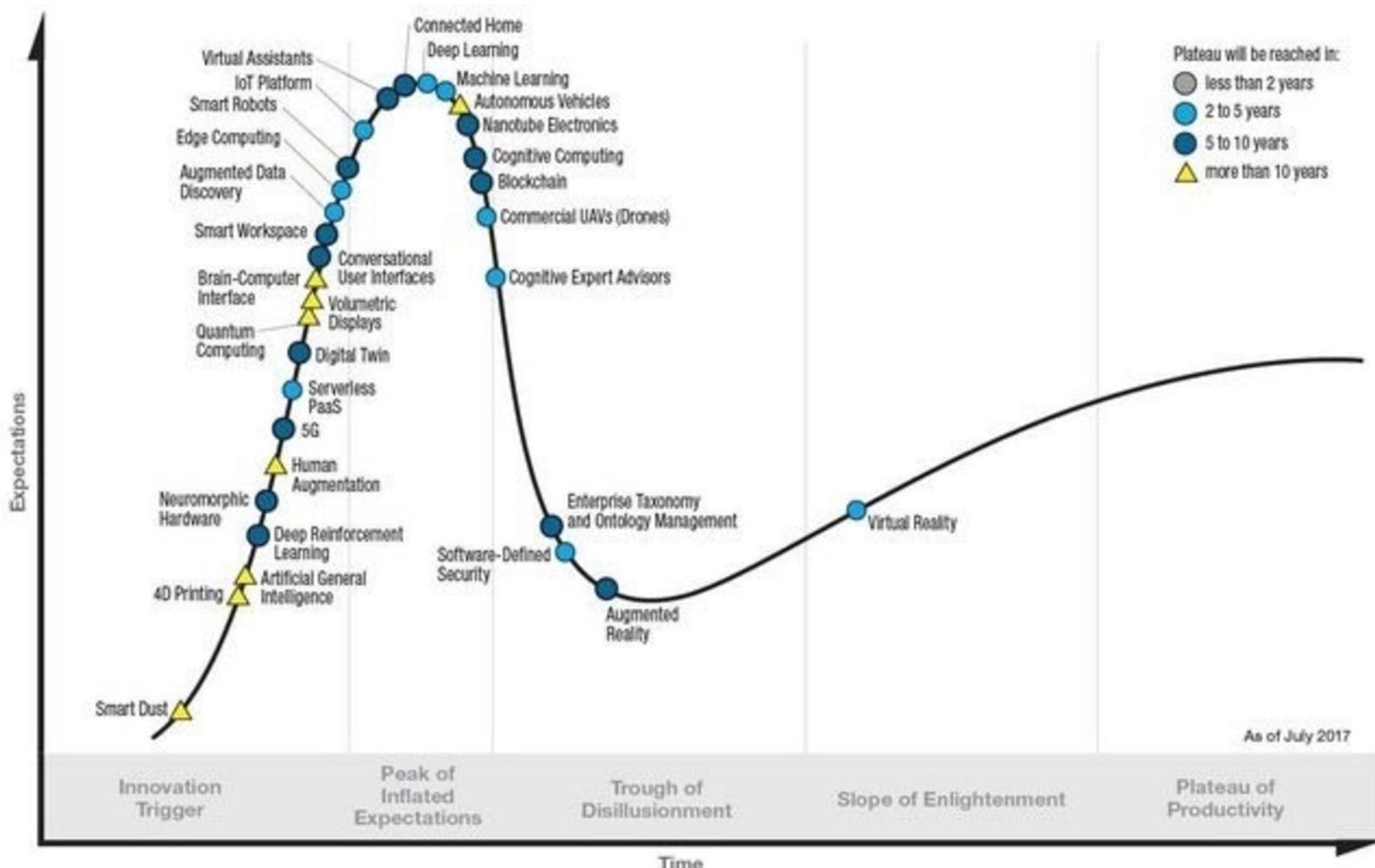
Marketing Mix - Product

New Product Development / Technology Hype Cycle



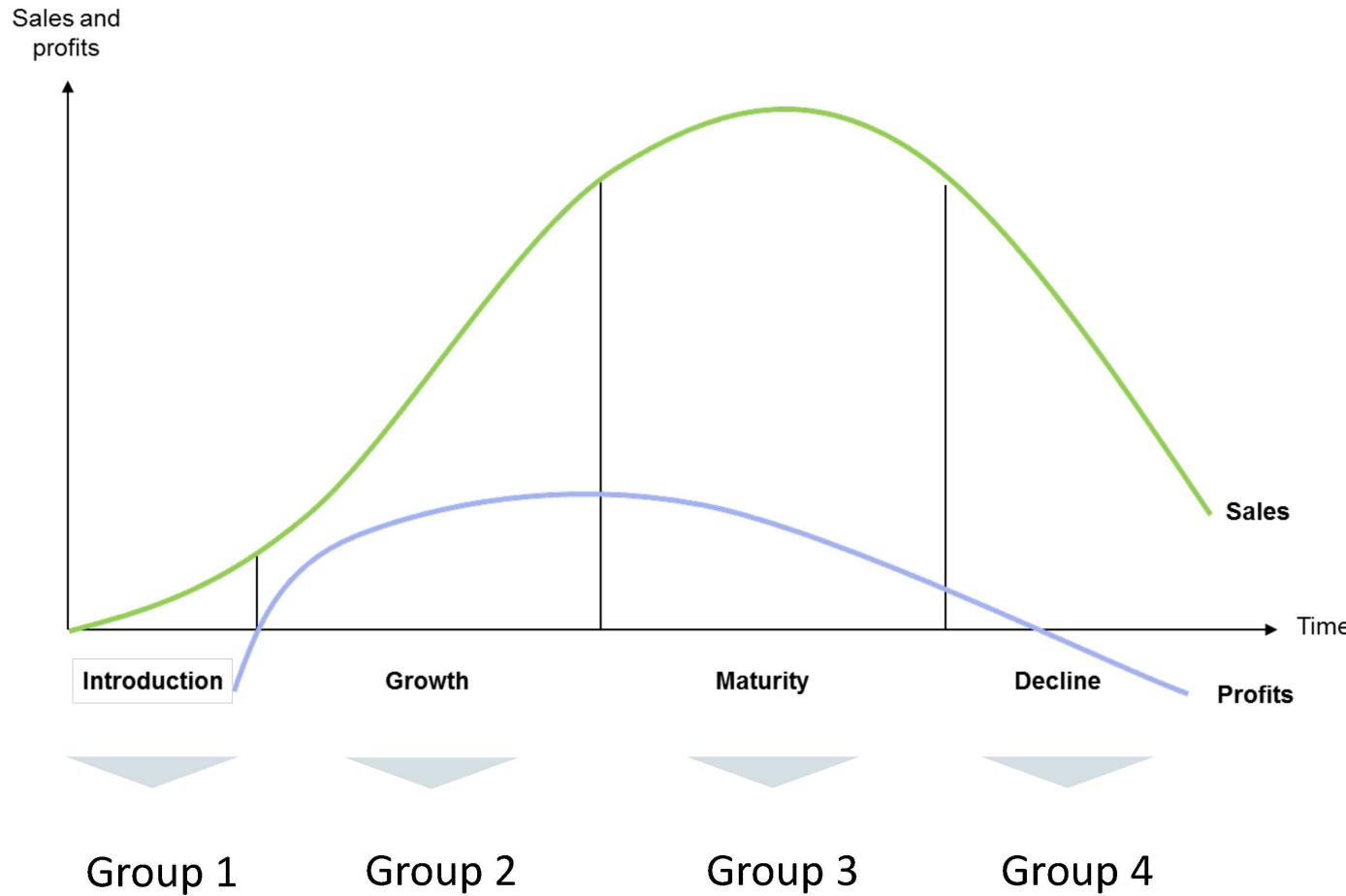
Marketing Mix - Product

New Product Development / Technology Hype Cycle



Source: <https://www.gartner.com/smarterwithgartner/top-trends-in-the-gartner-hype-cycle-for-emerging-technologies-2017/>

Marketing Mix – Product: Exercise



1. Chose 3 products for the mentioned stage in the product life cycle
2. Time for group work: 10-15 min.

Marketing Mix - Product

New product development / Product functionality



- A product needs to fulfil predefined requirements ...

.... and therefore it provides specific functionalities

.... which is based on the product-architecture.

Marketing Mix - Product

New product development / Product functionality

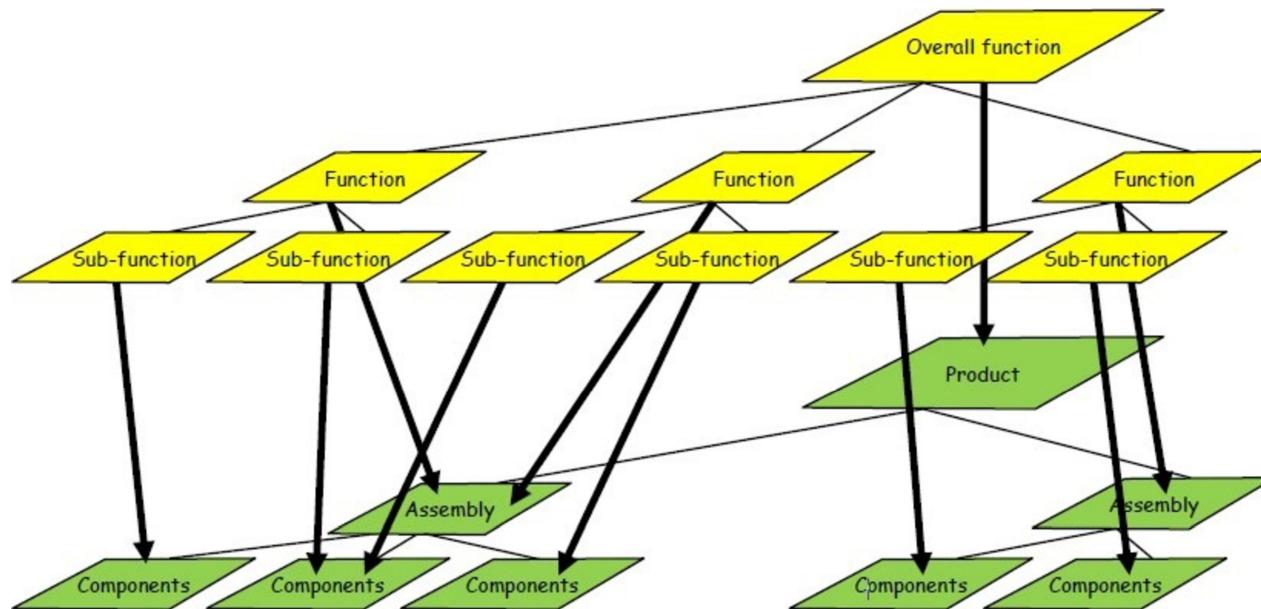


Products consist of many different parts whereas ...

- ... each part fulfils a specific functionality and
- ... the sum of all part functionalities lead to the overall functionality

Marketing Mix - Product

New product development / Product architecture

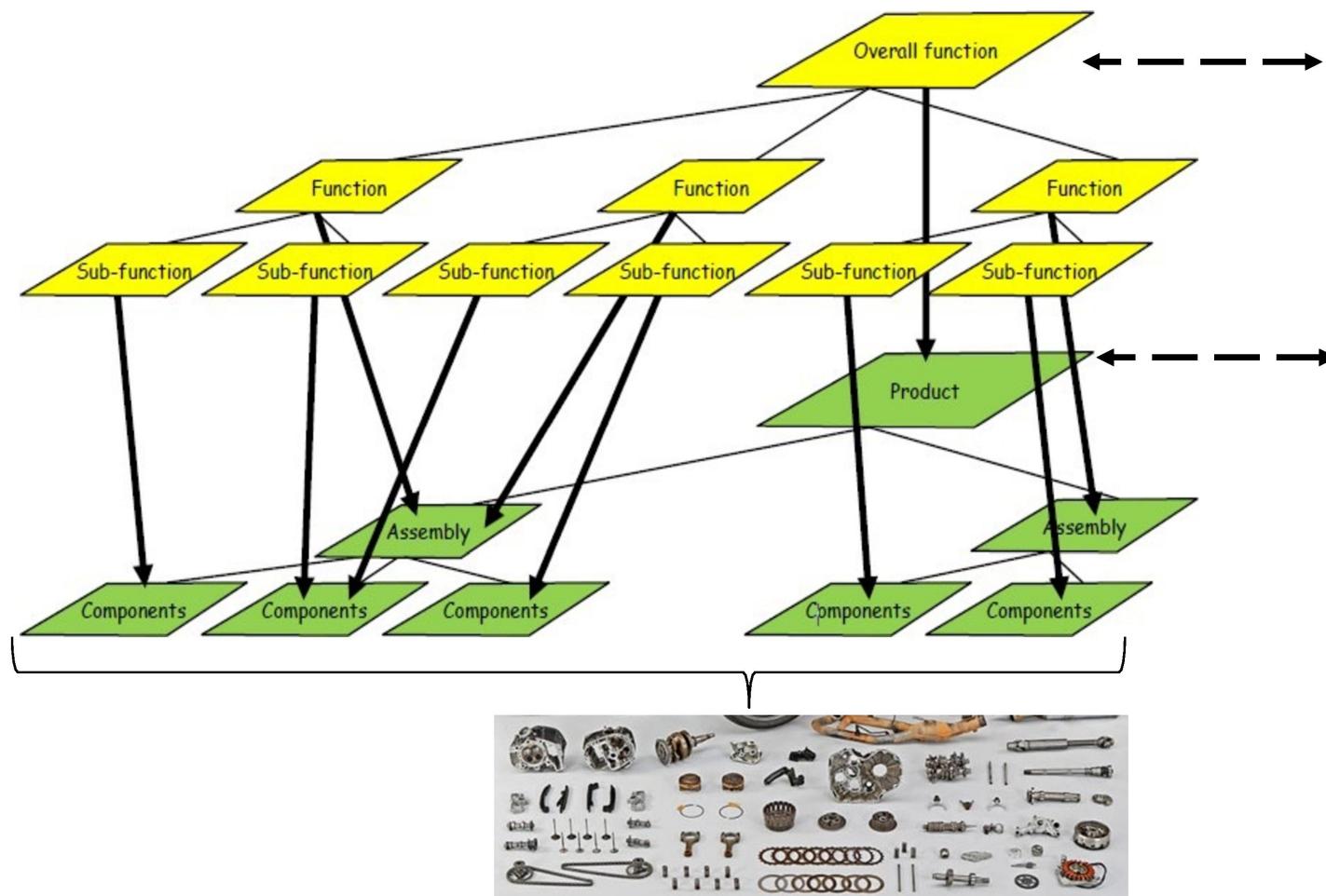


Marketing Mix - Product

New product development / Product architecture

Lucerne University of
Applied Sciences and Arts

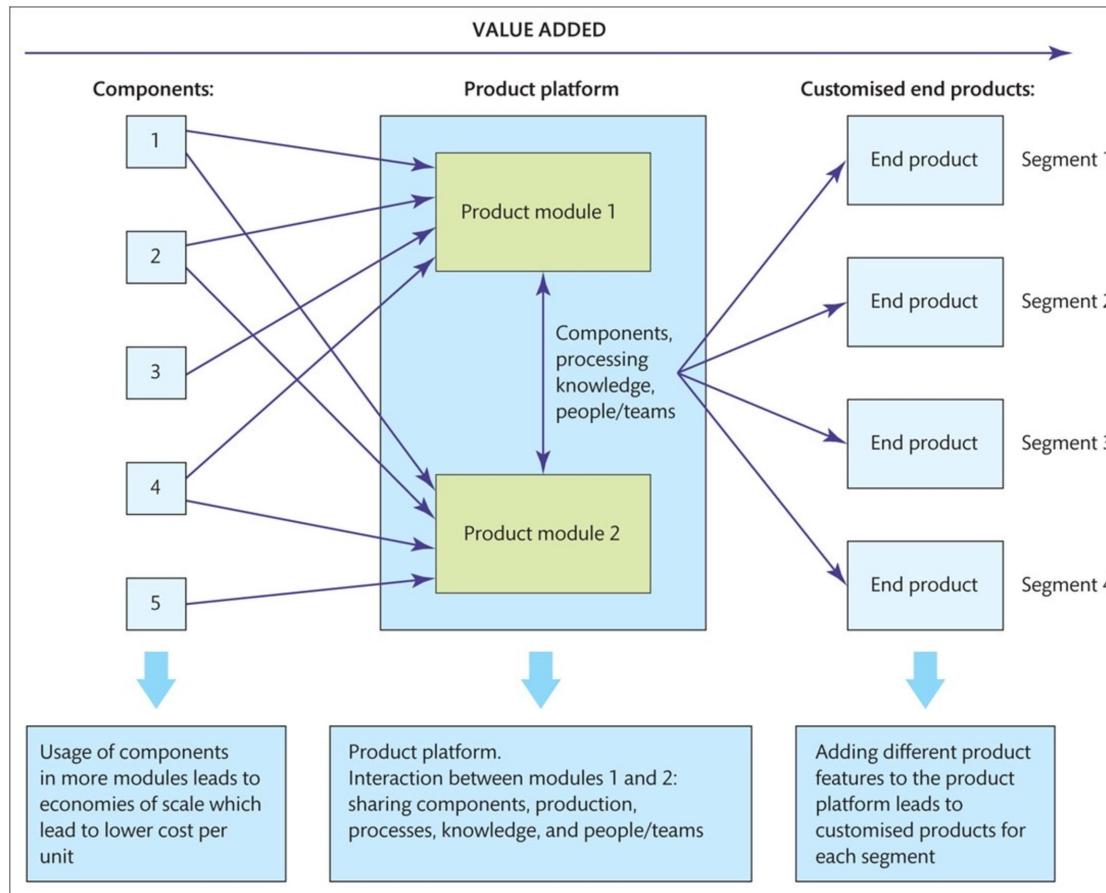
**HOCHSCHULE
LUZERN**
Technik & Architektur



Marketing Mix - Product

New Product Development / platforms & modularity

Principle of using modularity in creating product platforms<



Marketing Mix - Product

NPD, Example of BMW platforms

One Product Platform

+

Design & Features

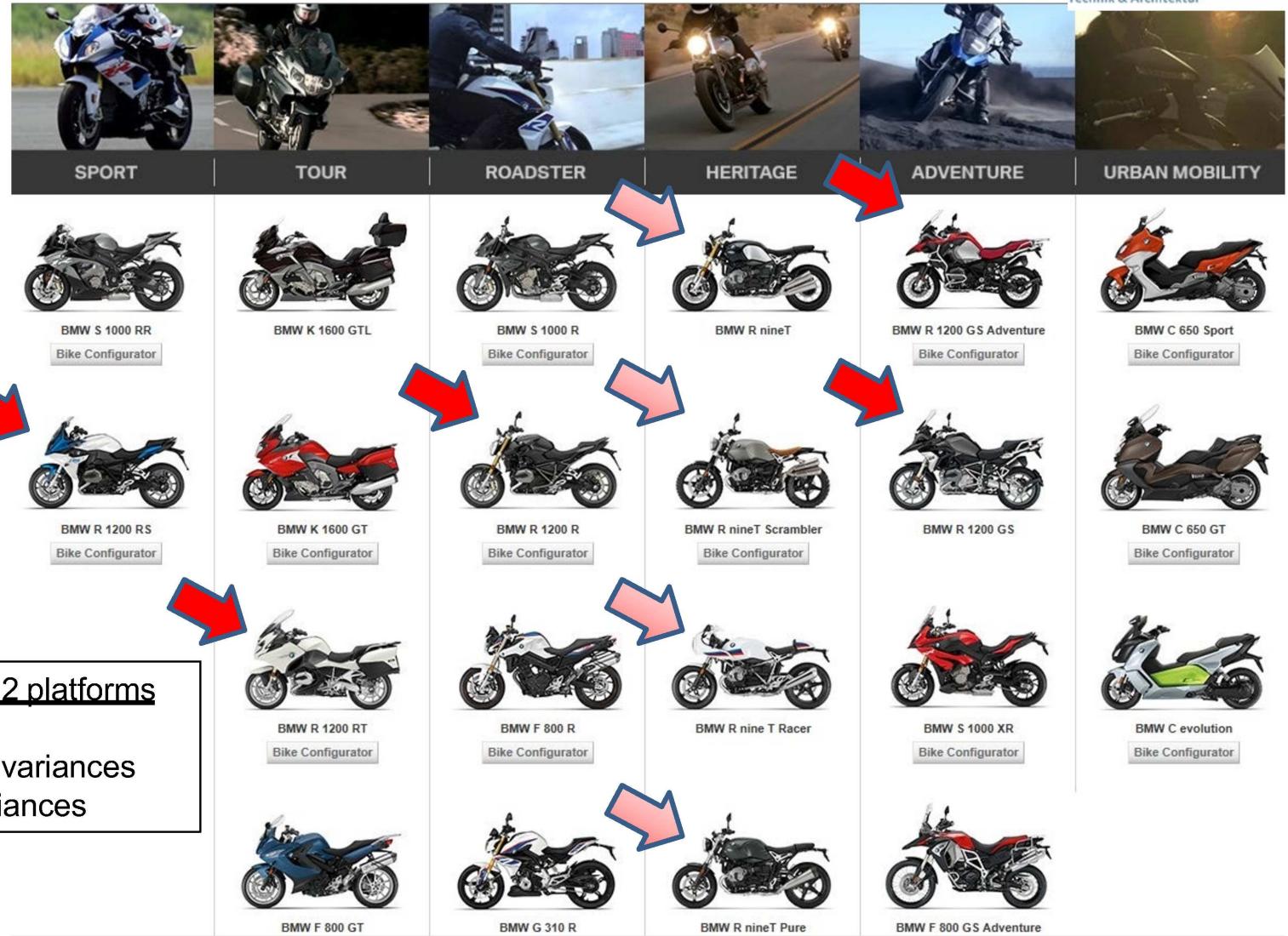
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Powerful Product Portfolio



Marketing Mix - Product

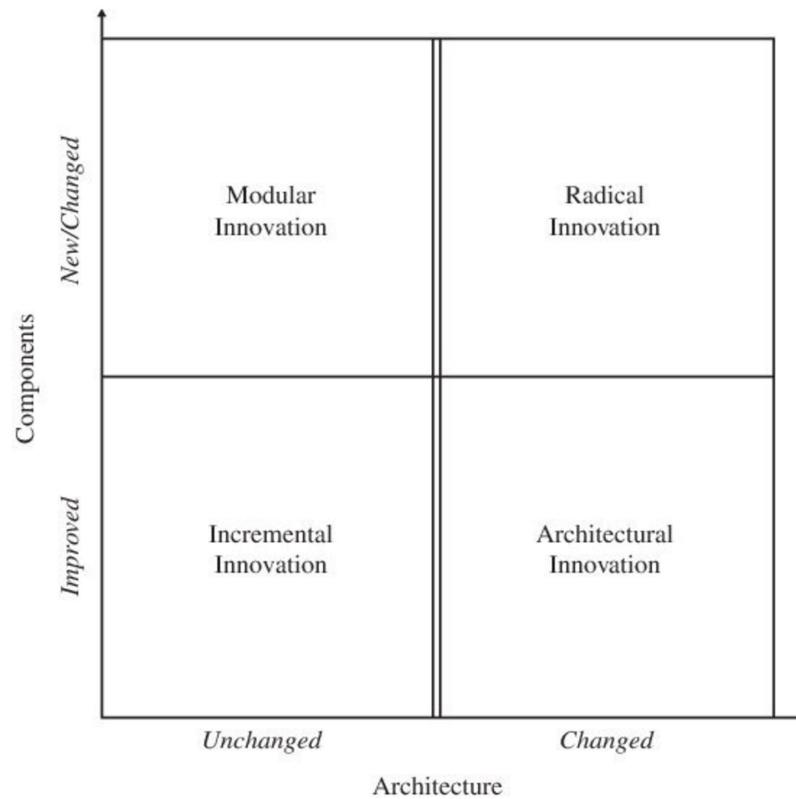
NPD, Example of BMW platforms



Marketing Mix - Product

NPD / Types of product developments (innovations)

There are typically 4 different innovation types (product developments):



Source: Henderson and Clark model (1990)

Marketing Mix - Product

NPD / Types of product developments (innovations)

1. Radical Innovation

*It represents a drastic change in the way that the product or the service is consumed.
It generally, brings a new paradigm to the market segment that modifies the existing business model*

Example: the evolution of the music CD to digital files in MP3 extension

2. Architectural Innovation

"The essence of an architectural innovation is the reconfiguration of an established system to link together existing components in a new way. The important point is that the core design concept behind each component-and the associated scientific and engineering knowledge-remain the same.

Example: Sony Walkman (all main components existed before already but were used in other products)

3. Modular Innovation

Uses the architecture and configuration associated with the existing system of an established product but employs new components with different design concepts • Use of new or different component is key factor of modular innovation • Less dramatic impact than radical innovation

Example: Clockwork radio (radios were already there but different power supply, not autonomously as in clockwork radio)

4. Incremental Innovation

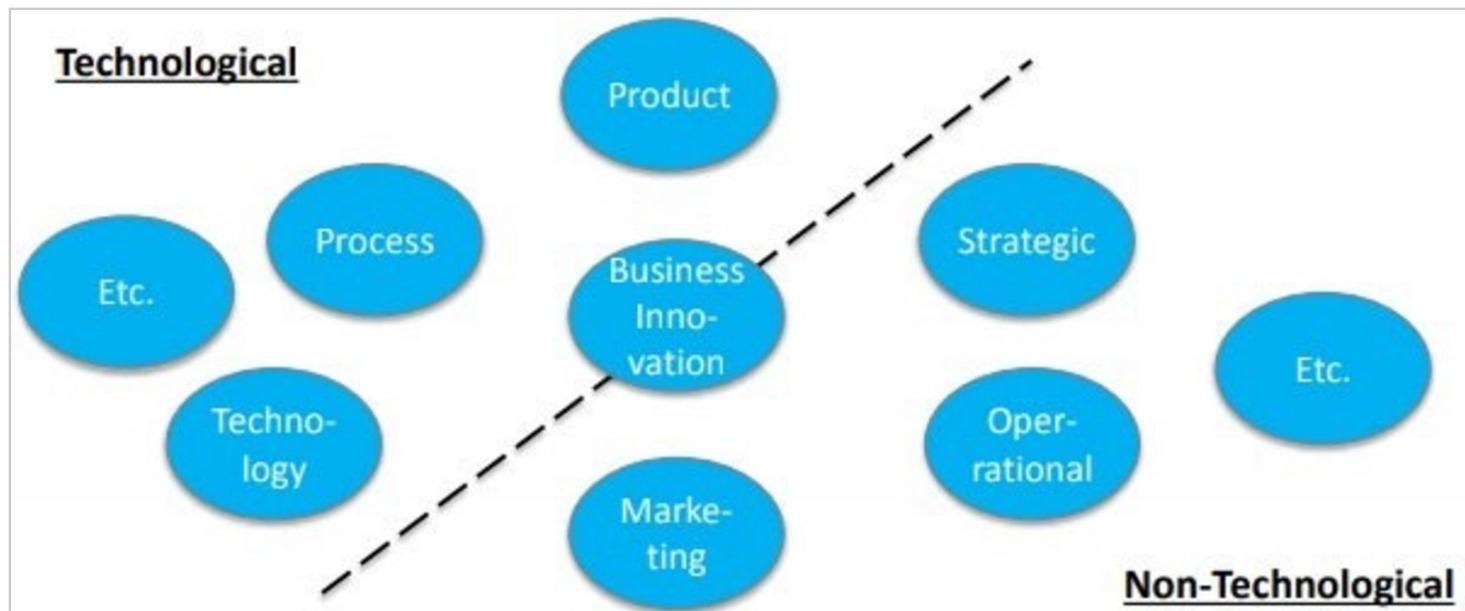
It reflects small continuous improvements in products or product lines. It generally represents small improvements in benefits noticed by the consumer and it does not change significantly the business model or the way the product is consumed.

Example: iPhone, smartphones existed before apple entered the market (e.g. Danger Hiptop in 2002 or BlackBerry in 2007) but apple introduced larger touchscreen, app store, and an overall improvement

Marketing Mix - Product

NPD / Types of product developments (innovations)

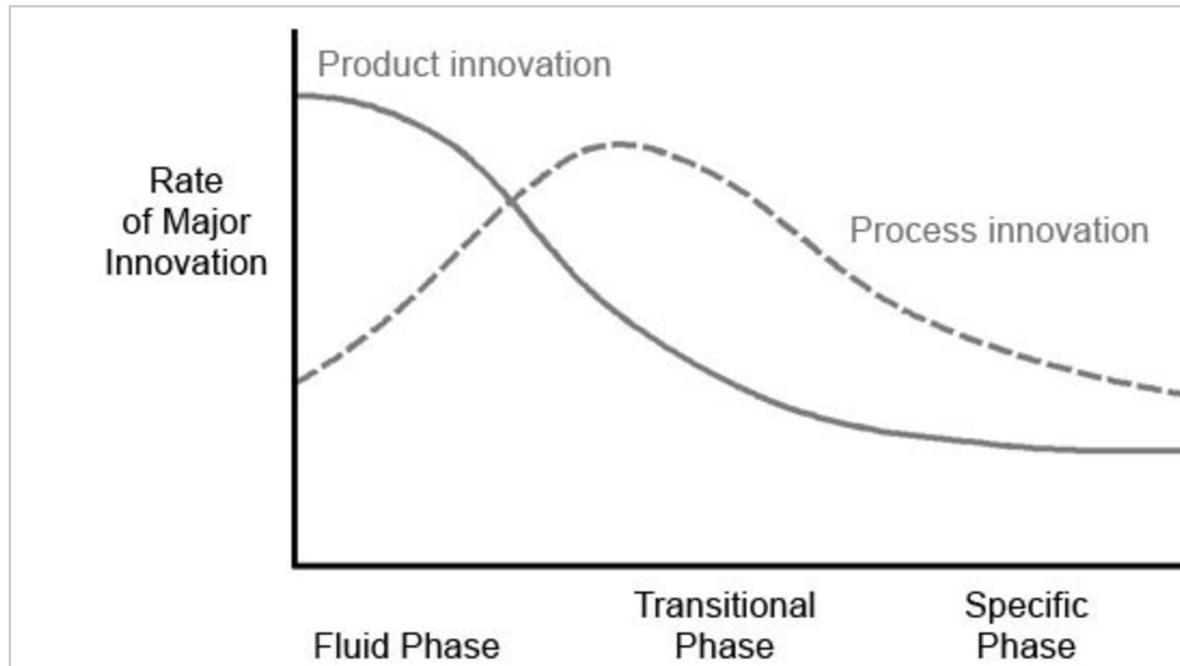
Innovations can be of technological and of non-technological nature



Marketing Mix - Product

NPD / Relation of product and process innovations

A systematic relation of product and process innovation :

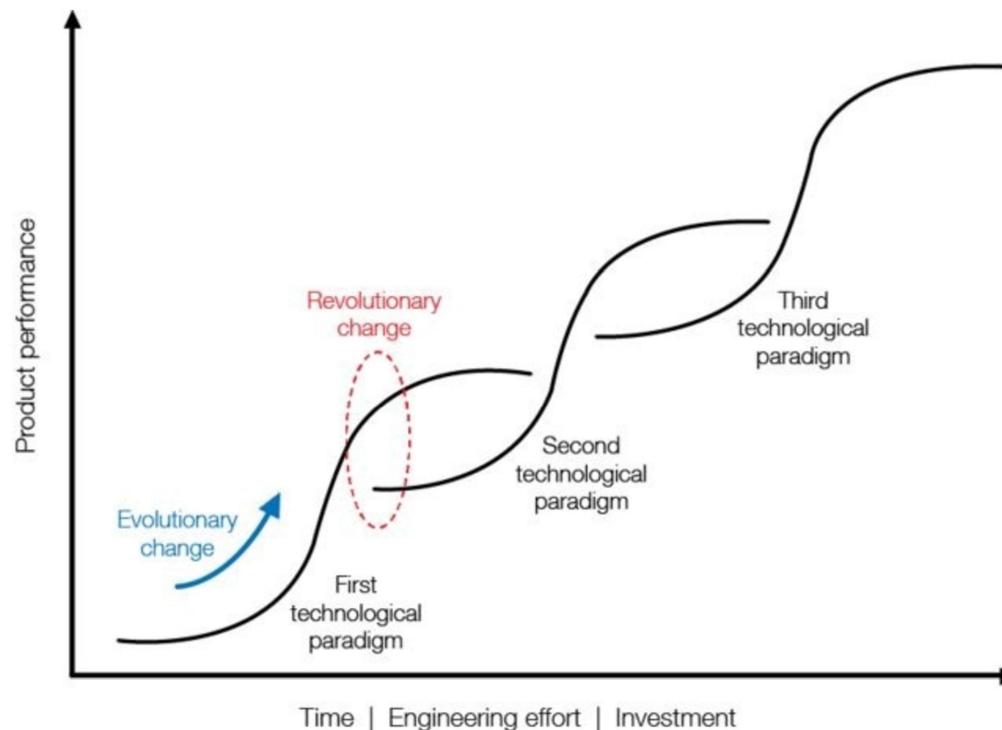


Source: A Dynamic Model of Process and Product Innovation“, Utterback and Abernathy, 1975

Marketing Mix - Product

NPD / Relation of product performance & technology

S-curves representation of the evolution of product performance.



Marketing Mix - Product

Example BMW: Product performance & technology



BMW R 80 GS
1984 - 1995



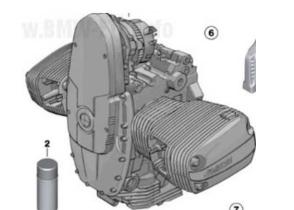
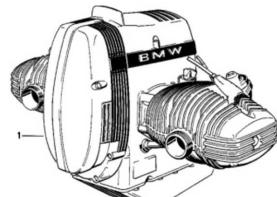
BMW R 1100 GS
1994 – 1999



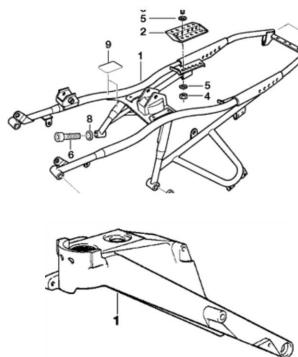
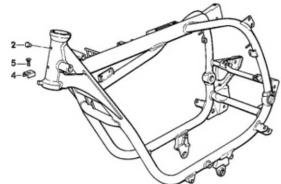
BMW R1200 GS (K25)
2004 – 2012

BMW R1200 GS (K50)
2013 - 2019

Engine

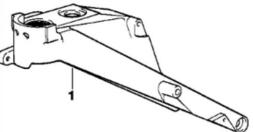


Rear frame



Front frame

?



New technologies at BMW
apr. all 10 years →

New technologies at BMW
apr. all 10 years →

Marketing Mix - Product

Example BMW: Product performance & technology



BMW R 1100 GS
1994 - 1999



BMW R 1150 GS
1999 – 2003

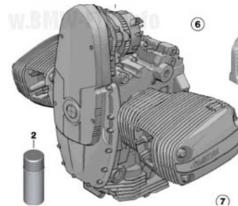


BMW R1200 GS (K50)
2013 - 2018

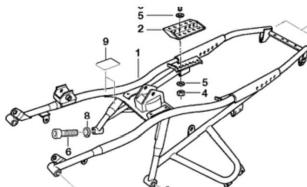


BMW R1250 GS (K50)
2018 -

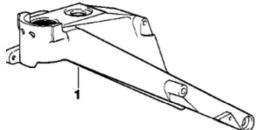
Engine



Rear frame



Front frame



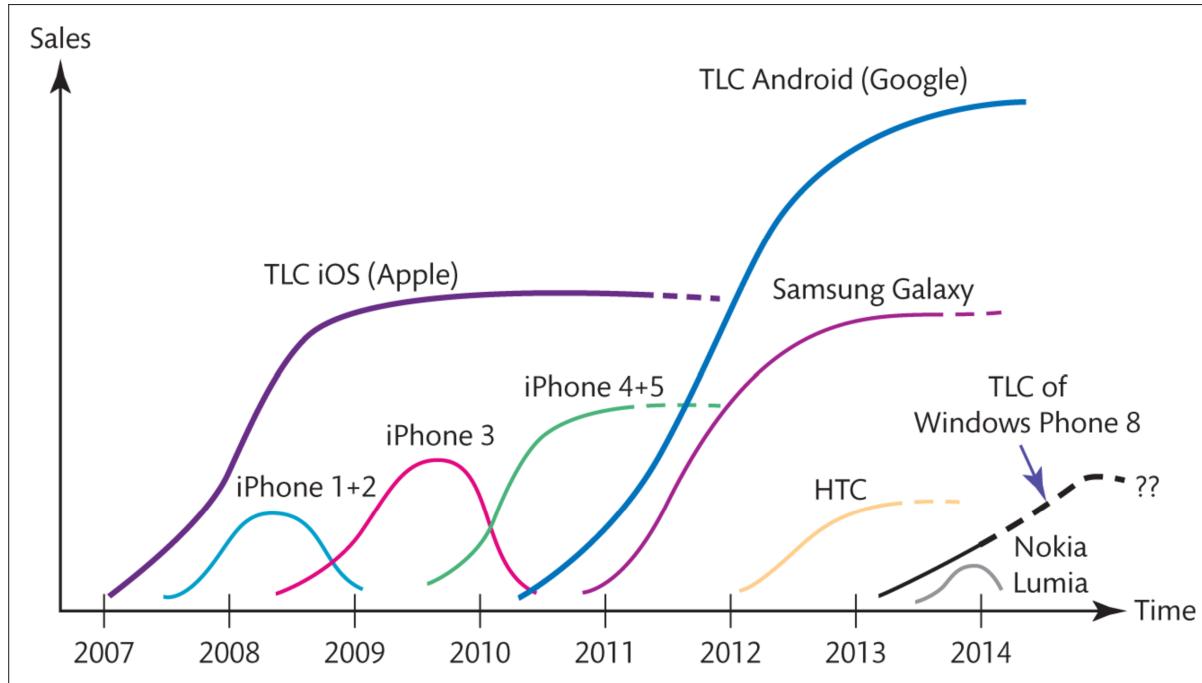
Incremental / Modular development
same architecture / platform →

Incremental / Modular development
same architecture / platform →

Marketing Mix - Product

Example Smartphone: Product performance & technology

Relation of product life cycles (PLCs) to technology life cycles (TLCs):

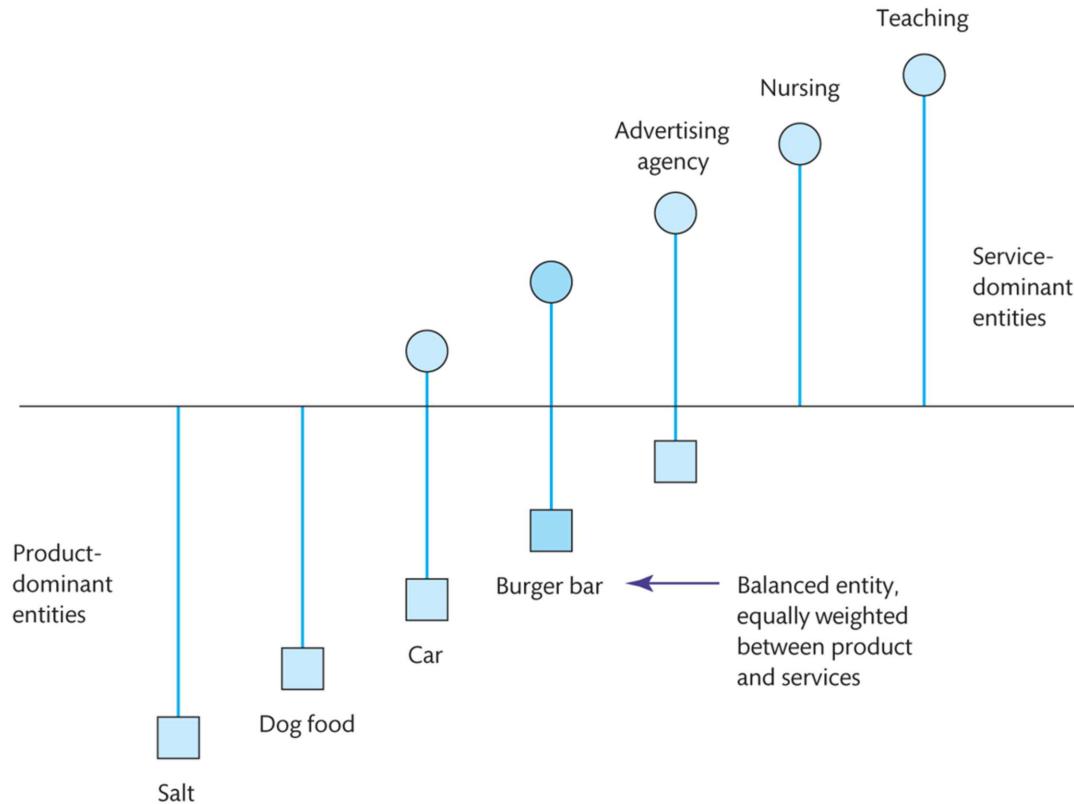


Example: Operating systems for smartphones and single product models,
such as iPhone, Samsung Galaxy and HTC

Marketing Mix - Product

Product / Service Mix

Combination of service and product for different products



Source: From Shostack, G. L. (1981) 'How to design a service', in J. Donnelly and W. George *Marketing of Services*, Chicago, IL: American Marketing Association, p. 22.

Marketing Mix - Product

Services Marketing / 2 types of services

1. Core Services:

A service that is the primary purpose of the transaction.
→ A haircut or the services of lawyer or teacher.

2. Supplementary Services:

Services that are rendered as a corollary to the sale of a tangible product.
→ Home delivery options offered by restaurants above a minimum bill value.

Marketing Mix - Product

Services Marketing / 4 characteristics of a service

1. Intangibility:

Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product.

2. Heterogeneity/Variability:

Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services.

3. Perishability:

Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer.

4. Inseparability

Service inseparability basically states that the services are produced and consumed at the same time period but cannot be separated from their providers or manufacturers. The services is provided at the point of sale.

→ This means that economies of scale + experience curve benefits are very difficult to achieve

Marketing Mix - Product

Special features of services

Services are intangible



- Not Storable
- Not able to transport
- Uno-actu-Princip
- Inclusion of the „extern Factors“
- Materialization as performance indicator

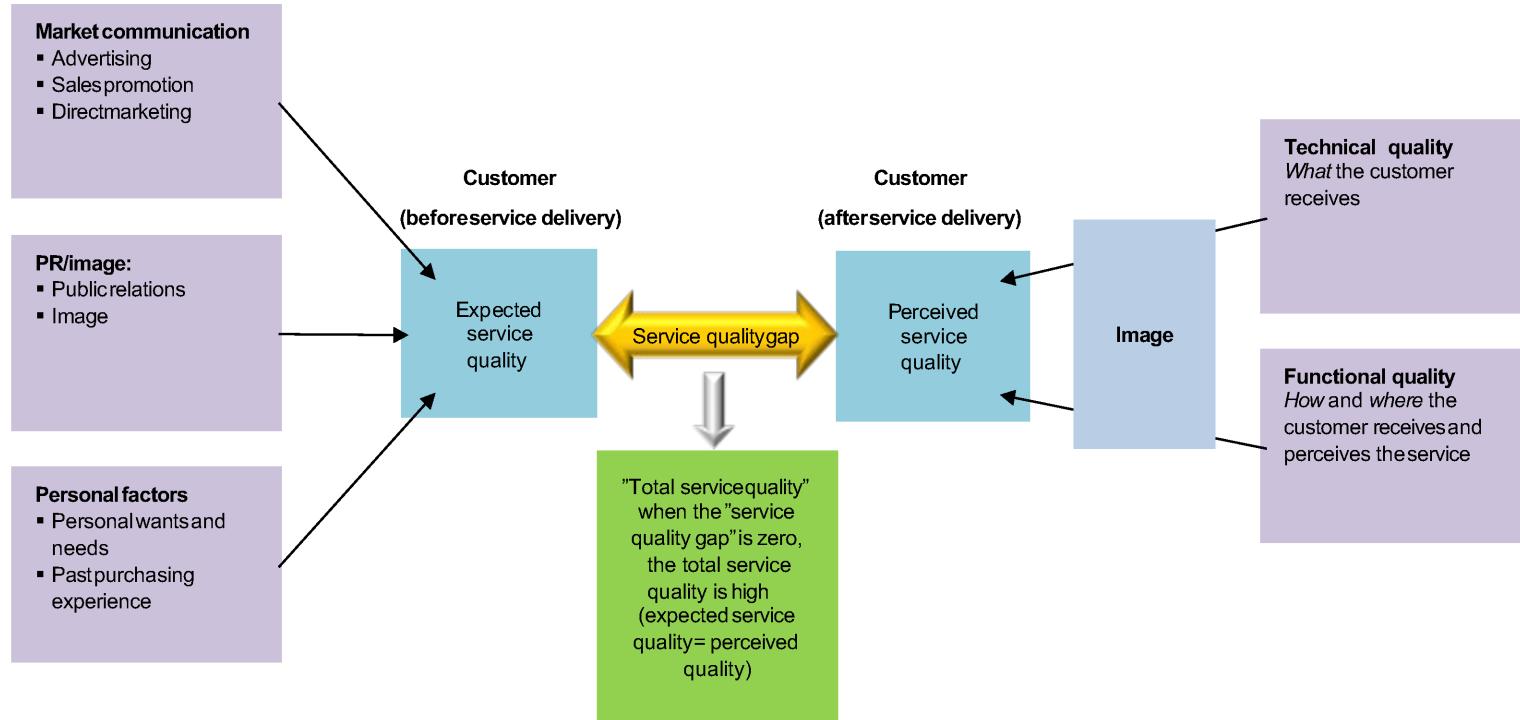
Marketing Mix - Product

Services Marketing / The Service Dominant Logic

- **Service-dominant (S-D) logic** is a framework ...
 - for explaining value creation, through exchange, among configurations of actors.
- The underlying idea is ...
 - that humans apply their competences to benefit others and reciprocally
 - benefit from others' applied competences through service-for-service exchange
- In this process the customer becomes a ...
 - Co-Producer of the service that is also be consumed
 - based on the combination of producer and consumer, consequently the consumer is also turned into a "***Prosumer***"

Marketing Mix - Product

Services Marketing / The service quality gap

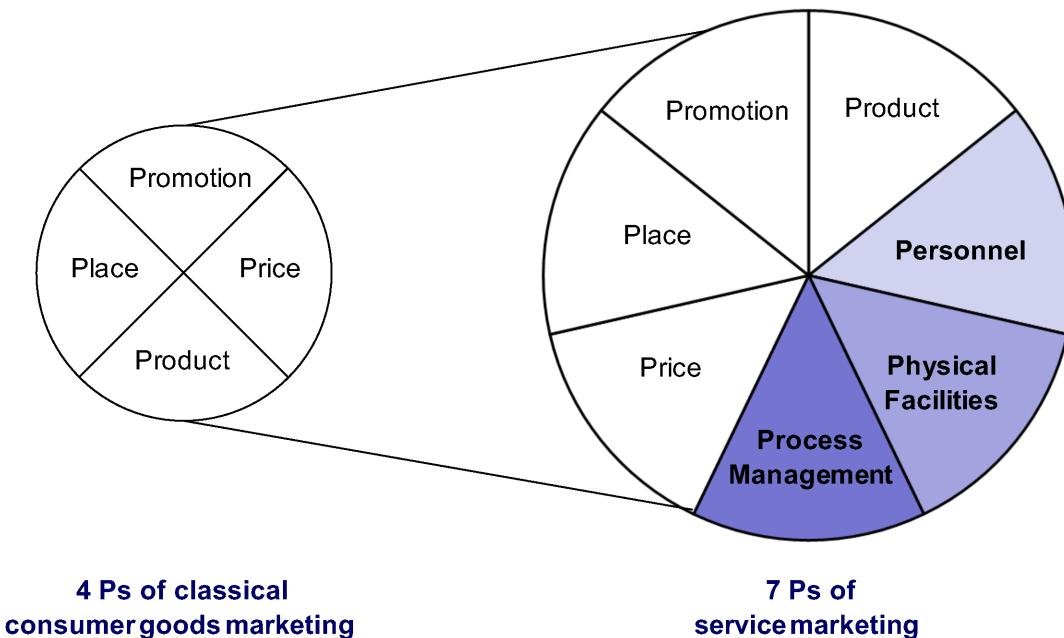


The service quality gap as a difference between expected and perceived service quality

Marketing Mix - Product

Services Marketing / The 7 P's of service marketing

The particularities of services necessitate an enlargement of the marketing mix to the 7 P-Model



Source: Hollensen, S. and Opresnik, M.: Marketing: A relationship perspective, München 2010, p. 181

Marketing Mix – Product

Exercise

Please find a brand of your choice and create services and measures which would add value to, and differentiate, the brands' service by enhancing customer's experience.

Time for group work: 25 min.

Present your ideas with charts by...

- ...shortly introducing your chosen brand
- ...presenting your measures
- ...define which impact they would have

Programme overview

Next week ...

