

# Chap 14 (Chap 15 in Intl. ed.)

- Marketing Channels and Value Networks
- The Role of Marketing Channels

## Part 5: DELIVERING VALUE

# Marketing Channels and Value Networks

## The Importance of Channels

### Marketing Channels

- Sets of independent organizations involved in the process of making a product or service available for use or consumption

### Among these ‘intermediaries’ are:

- **Merchants** – who buy, take title to, and resell the merchandise
  - Wholesalers, Retailers
- **Agents** – who search for consumers but do NOT take title
  - Brokers, Manufacturers’ representatives, sales agents
- **Facilitators** – assist in distribution but neither take title NOR negotiate sale/purchase
  - Transporters, independent warehouses, ad agencies, banks

# Marketing Channels and Value Networks

## The Importance of Channels

- **MARKETING CHANNEL SYSTEM** – particular set of marketing channels employed by a firm | Channels chosen affect all other marketing decisions

***Push strategy*** involves manufacturers using its own sales force and trade promotion money to include intermediaries

- Appropriate when:  
*Low brand loyalty | choice is made at purchasing time  
impulse item | benefits are understood*

***Pull strategy*** involves manufacturer using advertising and promotion to persuade consumers to ask intermediaries for the product

- Appropriate when:  
*High brand loyalty | high involvement  
people perceive differences in brands | decision before  
going to store*

***Top marketing companies use both strategies***

# Marketing Channels and Value Networks

## Channel Development

- A new firm typically is a local/limited operation selling in a limited market
- As it grows, it moves in new markets and that is where it needs new partners to sell for it
- Channel system evolves in response to local opportunities

## Hybrid channels

- Consider IBM, Dell, Microsoft
- Selling online (self), through retailers (intermediaries) – CONSUMERS
- Selling using sales force (own) – INSTITUTIONAL SELLING
- All operate parallel and in one market

***Key is to ensure Channel Integration –  
consumers would want channels to be working together***

# Marketing Channels and Value Networks

## Value Networks

### **Demand Chain Planning**

- Company first thinks of the target market and then plans it all backwards
- 4Ps replaced by SIVA (Solution | Information | Value | Access)

### **Value Networks**

- An even broader view. Company at the center
- A system of partnerships and alliances that a firm creates to source, augment and deliver its offerings
- A value network includes: firm's suppliers, suppliers' suppliers, immediate customers and their end customers

# Marketing Channels and Value Networks

## Value Networks

### **Demand Chain Planning yields several insights**

- Company can estimate whether more money is made upstream or downstream
- Company is more aware of disturbances anywhere in the supply chain that might cause costs to change
- Companies can use internet to go online to improve these processes

### **Concept of ERP**

- To manage entire value networks efficiently, different IT solutions and software is extensively deployed
- They form Enterprise Resource Planning (ERP)

# The Role of Marketing Channels Concept

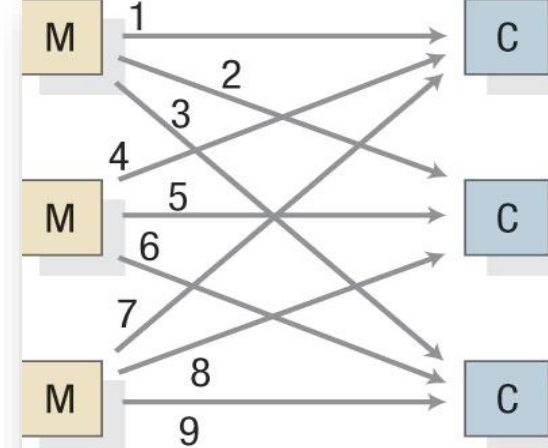
**Why delegate the ‘selling job’? Why have all these intermediaries?**

- Many producers lack the financial resources to carry out direct marketing
- Producers who do establish their own channels can often earn a greater return by increasing investment in their own business (EXAMPLE)
- In some cases direct marketing simply is not feasible

**Reducing number of contacts**

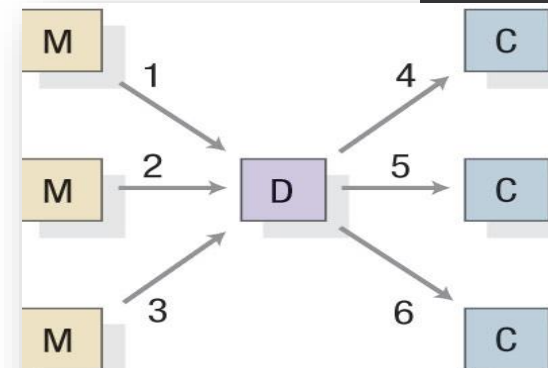
- Ref: figure
- With and without “D” – Distributor

**(Figure and discussion NOT in 13<sup>th</sup> & 14<sup>th</sup> edition)**



**(a) Number of Contacts**

$$M \times C = 3 \times 3 = 9$$



**(b) Number of Contacts**

$$M + C = 3 + 3 = 6$$

M = Manufacturer

C = Customer

D = Distributor

# The Role of Marketing Channels

## Channel Functions and Flows

**Direction of activities:** Some functions have *forward flow* of activities | Some have *backward flow* | Others have *two-way flow*

### 1. Physical Flow



### 2. Title Flow



### 3. Payment Flow



### 4. Information Flow



### 5. Promotion Flow

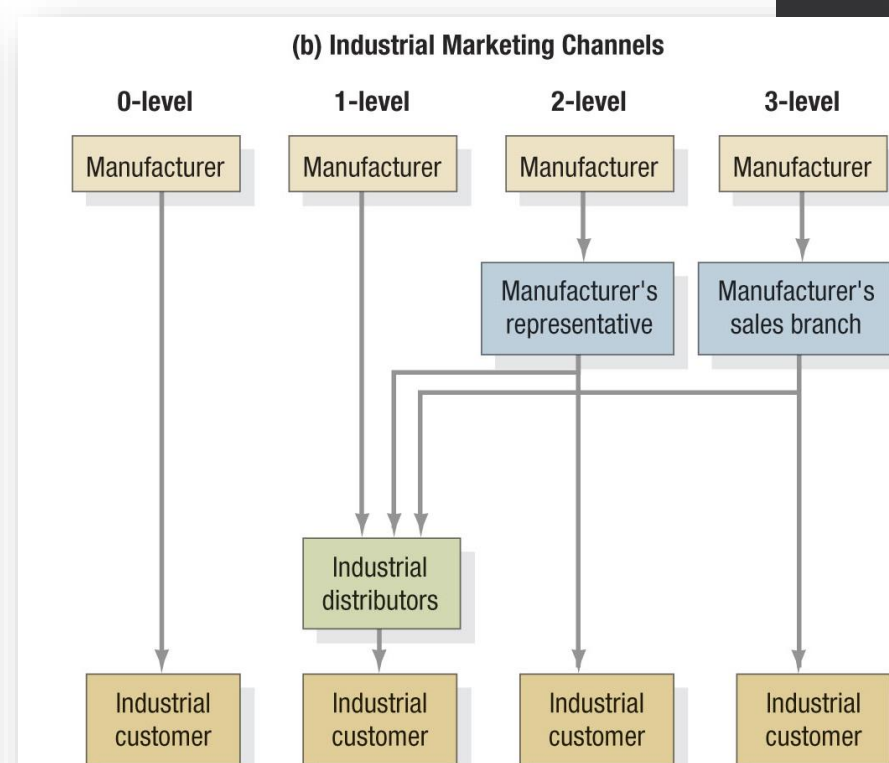
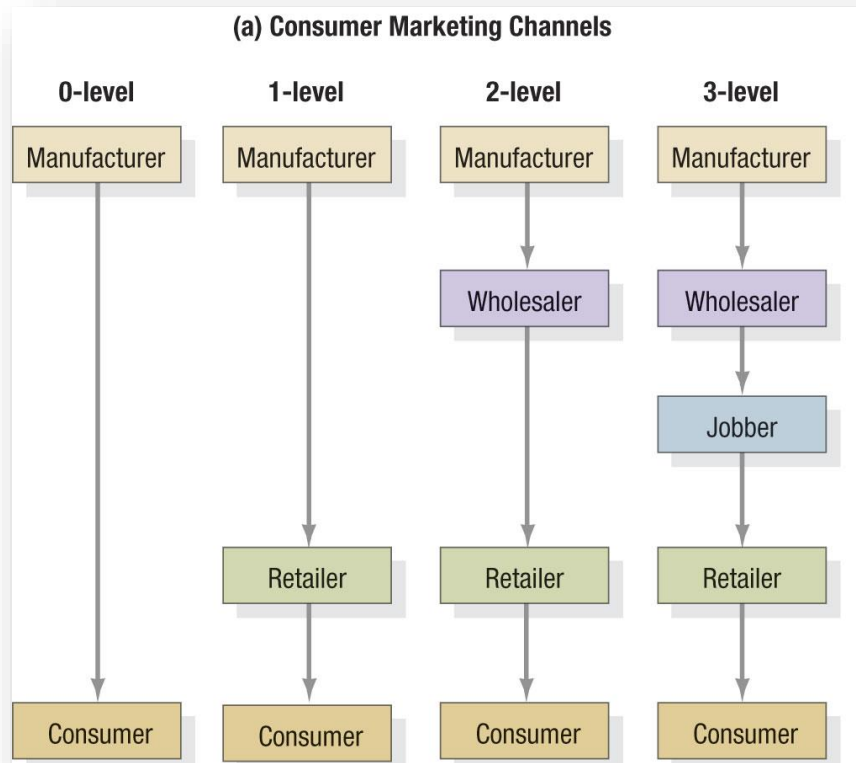




# The Role of Marketing Channels

## Channel Levels

- Different schemes for *consumer marketing* and *industrial marketing*
- Producer and End Customer are there in every case

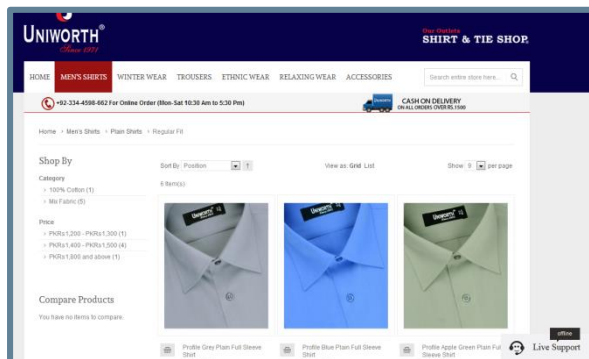


# Marketing in Practice

## Part-6 Delivering Value

Providing Services through different comprehensive marketing channels

**NADRA >>>**



Selling Products (garments) through multiple channels

**<<<Uniworth**

# Part 6: Communicating Value

## Chap 16

- The Role of Marketing Communications

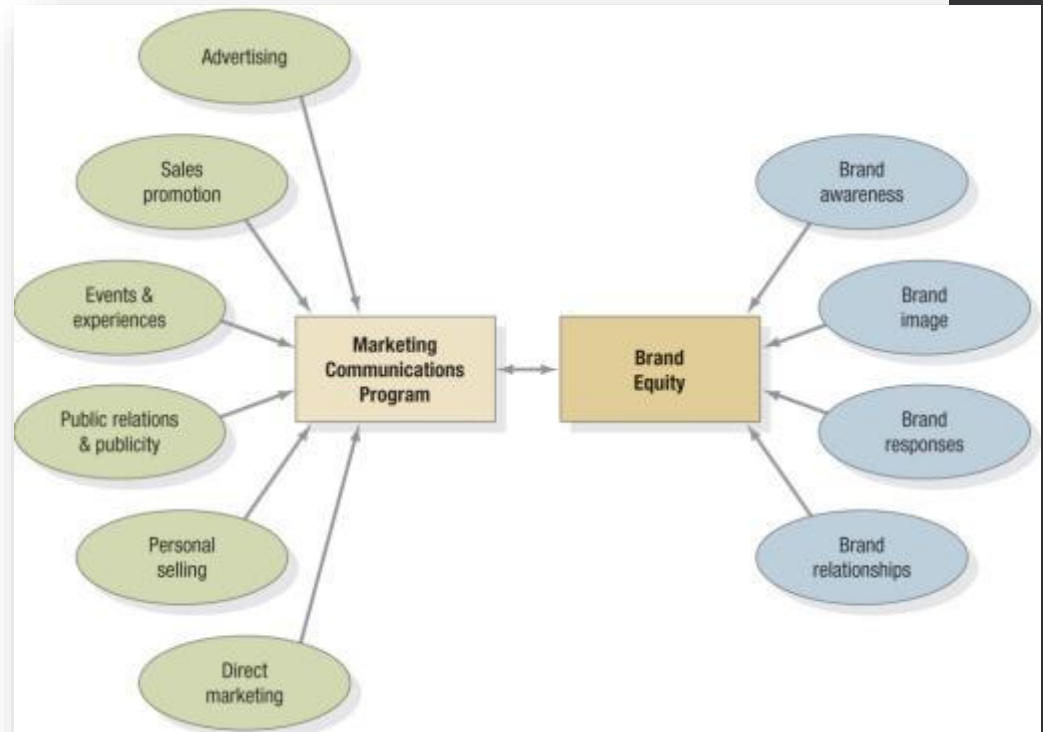
# The Role of Marketing Communications

## CONCEPT

## Marketing Communication and Brand Equity

- The means by which firms attempt to **inform, persuade**, and **remind** consumers, directly or indirectly, about the products and brands they sell

**Marketing  
Communications  
Mix >>>**



# The Role of Marketing Communications

## MARKETING COMMUNICATIONS MIX

|                              |   |
|------------------------------|---|
| Advertising                  | • Any <u>paid form</u> of <u>non-personal</u> presentation and <u>promotion</u> of ideas, goods or services by an <u>identified sponsor</u>                               |
| Sales Promotion              | • A variety of <u>short-term incentives</u> to <u>encourage trial or purchase</u> of a product or service   |
| Events & Experiences         | • <u>Company-sponsored activities and programs</u> designed to create daily or special <u>brand-related interactions</u>  |
| Public Relations & Publicity | • A variety of programs designed to <u>promote or protect a company's image</u> or its individual products  |
| Direct Marketing             | • Use of mail, telephone, fax, e-mail or internet to <u>communicate directly</u> with or <u>solicit response or dialogue</u> from <u>specific</u> customers and prospects |
| Personal Selling             | • <u>Face to face</u> interaction with one or more prospective purchasers for making presentations, answering questions and procuring orders                              |
| Interactive Marketing & WOM  | • Powered by Online and social media; marketers need to focus more on people who can influence  |

# The Role of Marketing Communications

## Examples of MARKETING COMMUNICATIONS MIX

|                              |   |
|------------------------------|---|
| Advertising                  | • Print and broadcast ads, Brochures, Posters, Billboards, POP displays                             |
| Sales Promotion              | • Contests, sweepstakes, Premiums, Sampling, Coupons, Rebates                                       |
| Events & Experiences         | • Festivals, Arts, Causes, Factory tours, Company museums, Street activities                        |
| Public Relations & Publicity | • Press releases, Seminars, Annual reports, Community relations, Lobbying                           |
| Direct Marketing             | • Catalogs, Mailings, Telemarketing, Electronic shopping, TV shopping, Fax mail, E-mail, Voice mail |
| Personal Selling             | • Sales presentations, Sales meetings, Incentive programs, Samples, Fairs and trade shows           |
| Interactive Marketing & WOM  | • Internet marketing, SMS marketing, social media marketing, viral marketing                        |

# The Role of Marketing Communications

## THE COMMUNICATION PROCESS MODELS

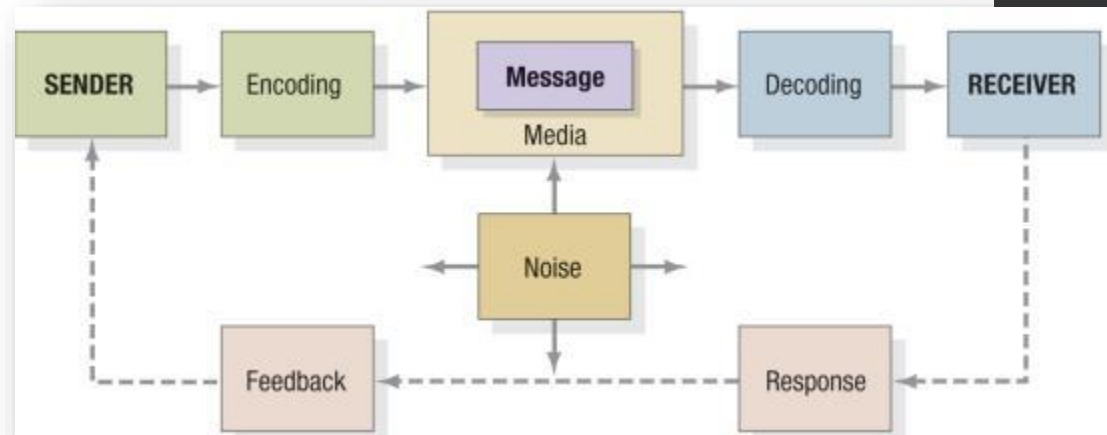
### Macro-model of Marketing Communications

- Major parties in Communication
  - Sender | Receiver
- Major Communication Tools
  - Message | Media
- Major Communication Functions
  - Encoding | Decoding | Response | Feedback

These processes operate during communication

- Selective Attention
- Selective Distortion
- Selective Retention

MG220 Marketing management

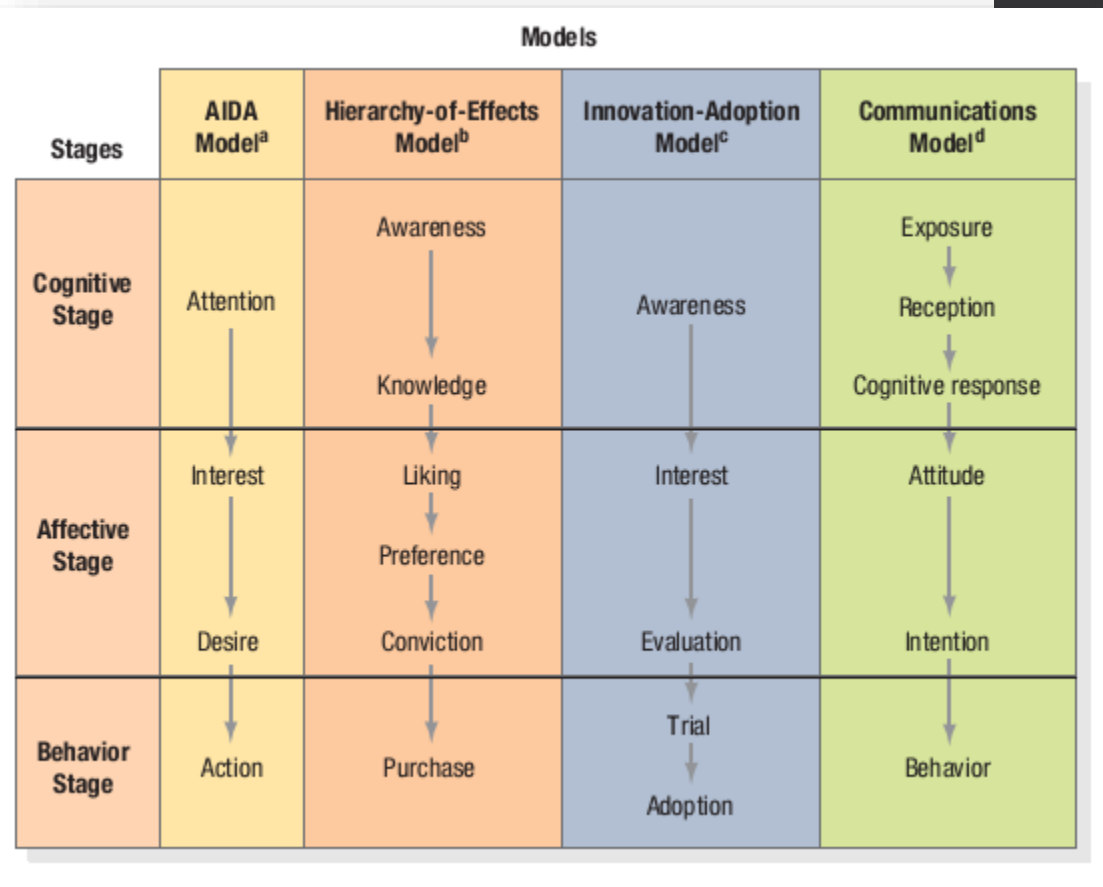


# The Role of Marketing Communications

## THE COMMUNICATION PROCESS MODELS

### Micro-model of Marketing Communications

- AIDA model
- Underlying concept





# Marketing in Practice

## PART-7 COMMUNICATING VALUE

### EXAMPLES OF COMMUNICATIONS MIX IN USE WITH DIFFERENT BRANDS

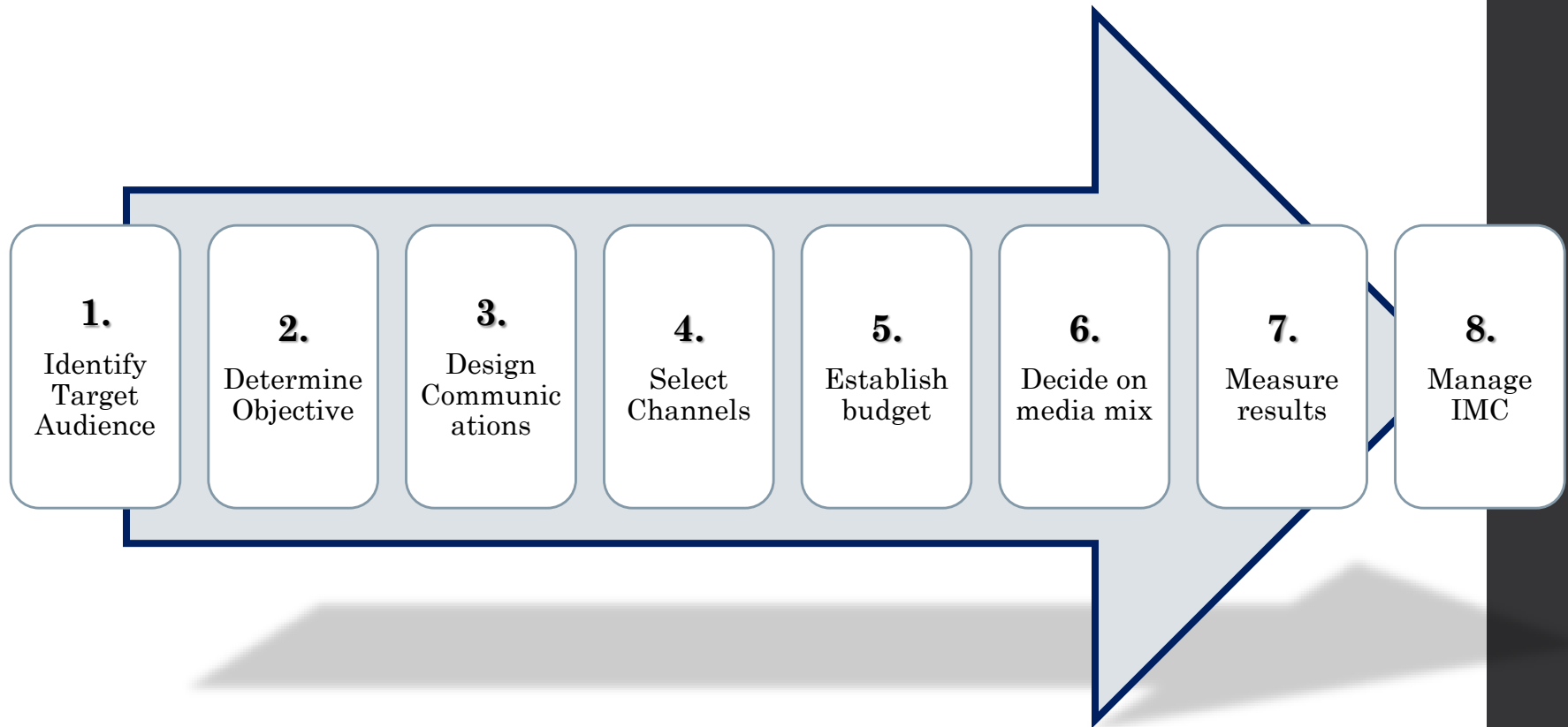
#### 7UP conducts:

- **Experiential** marketing &
- **Sales promotion**

in addition to its TV/Print/Outdoor **Advertising**



# Developing Effective Communications Process Overview



# Developing Effective Communications

## **#1: Identify Target Audience**

- Use Segmentation strategies
- Analyze target audience:
  - Image Analysis
  - Favorability Analysis
  - Familiarity Analysis

# Developing Effective Communications

## **#2: Determine Objective**

- **Category Need**
  - Developing need for a certain category
- **Brand Awareness**
  - Identifying a brand within a certain category
- **Brand Attitude**
  - Evaluation of brand to meet a relevant need
- **Brand Purchase intention**
  - Taking purchase-related action

# Developing Effective Communications

## **#3:** Design Communications

- **Message Strategy** (what to say)
  - Looking for appeals related to brand positioning
  - To help establish POPs and POSs
- **Creative Strategy** (how to say it)
  - Informational Appeals – giving information
  - Transformational Appeals –emotional attributes
- **Message Source** (who to say it)
  - Source should have credibility through:
    - Expertise, Trustworthiness, Likability

# Developing Effective Communications

## **#4:** Select Channels

- **Personal Channels**
  - Advocate Channels (e.g. salesforce)
  - Expert Channels (e.g. independent experts)
  - Social Channels (e.g. neighbors, family, friends)
- **Non-Personal Channels**
  - Media
  - Sales Promotions
  - Events and Experiences
  - Public Relations
- **Integration of Communication Channels**

# Developing Effective Communications

## **#5:** Establish Total Mktg. Comm. Budget

Different options available:

- Affordable Method
  - Percentage-of-Sales method
  - Competitive-Parity method
  - Objective-and-task method
- 
- A general understanding of methods –  
*details not included in course*

# Developing Effective Communications

## **#6:** Deciding on Mktg. Comm. Mix

### **Advertising**

- Pervasiveness, several repetitions & Amplified expressiveness

### **Sales Promotion**

- Attention gaining, Incentive & Invitation

### **Public Relation & Publicity**

- Coordinated with other elements of mix
- High credibility, Ability to catch buyers “off-guard”, Dramatization



# Developing Effective Communications

## **#6:** Deciding on Mktg. Comm. Mix (contd.)

### **Events & Experiences**

- Costly yet having many advantages
- Relevant, Involving & Implicit

### **Direct Marketing**

- Forms: Direct Mail, telemarketing, internet marketing
- Customized, Up-to-date & Interactive

### **Personal Selling**

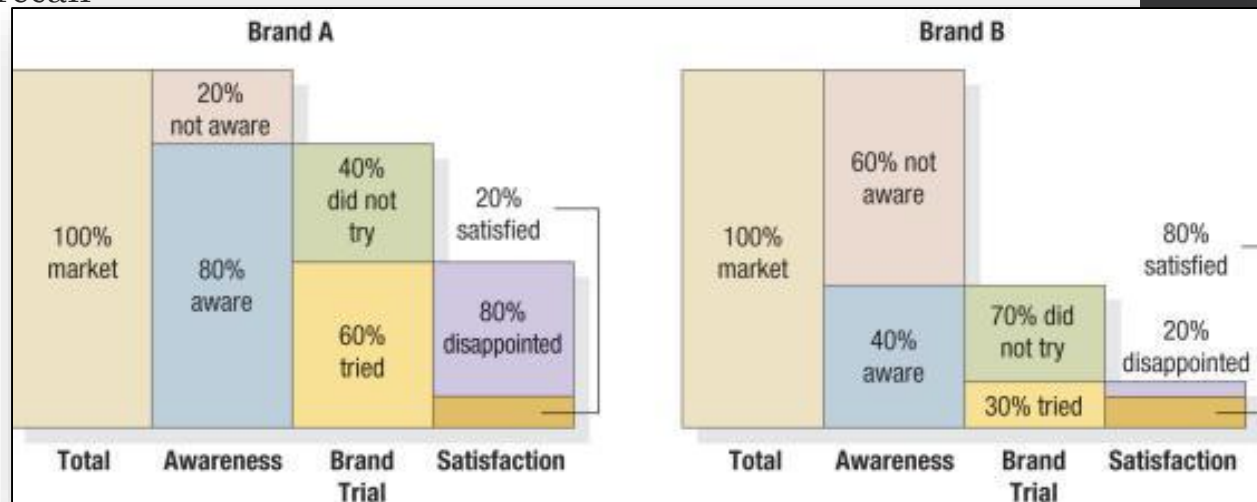
- Most effective in later stages, good for building preferences
- Personal interaction, Cultivation & Response

# Developing Effective Communications

## #7: Feedback Measurement

- After implementing the plan:
- Impact on target audience is to be measured
- Surveyed to ask:
  - Whether they have recall
  - How many times they saw it
  - What points they recall

- A good example of measured results>>



# Developing Effective Communications

## **#8:** Managing IMC

- **Coordinating Media**
  - Personal and Non-personal channels to be coordinated
- **Implementing IMC - issues**
  - IMC concept has been relatively slow to take hold:
    - Large companies have several specialist organizations
    - They don't know much about other channels/tools
    - Global companies use different agencies in different countries
  - Still a few agencies have improved by integrating with different specialist companies – by acquiring them
  - Offering one-window solutions