**4.1 - The role of marketing**

* **Marketing:** address peoples needs & wanted
  + **Needs:** essential necessities
  + **Wants:** human desire

*Objectives:*

1. Right products supply needs & wants
2. Correct price – affordable
3. Distribute conveniently
4. Adequate & effective promotion

*Roles*

* Management process – responsibility for decision making
* Identifying needs & wants of customers
* Anticipating wants of customers
* Price, availability & quality
* Earning profit (or slurps)

*Other business functions*

* **Operations management**
  + Production department
  + Uses sales forecasts for production schedules
  + Research, develop & launch products to meet changing needs
* **Finance**
  + Set appropriate budgets –
  + Conflict: markets wanting to exceed their budget for max. Exposure
    - Marketers might use: extended credit facilities – interest-free repayment plans
    - Can lead to liquidity problems
* **Human Resources**
  + Marketing data – identify staff needs
  + Having right quantity & quality
  + Require new hiring: extra production staff / sales personnel

**Marketing goods & services**

* Similarities: use promotion 🡪 brand recognition, awareness, trust

*Difference*

|  |  |  |
| --- | --- | --- |
|  | **Services** | **Goods** |
| **Intangibility** | Intangible | Tangible (physical) – can inspect before buying |
| **Inseparability** | Consumed at the times of the purchase | Customer services – can’t separate consumption & production |
| **Heterogeneity** | Experience is different for different costumers (hetero) | Mass produce standardized (homo) goods |
| **Perishability** | Can’t be stored – may face loss in revenues | Durable to some extent |
| **Product strategy** | Value-added services – attract customers |  |
| **Price Strategy** | Based on time spend on providing the service/level of skill required | covers cost of production + profit |
| **Promotional Strategy** | Challenging (its intangible) 🡪 use physical environment | The use of branding, slogans, logos & celebrities endorsements |
| **Place Strategy** | Customers convenience | Can be ordered online – effective distribution channels |

**Market & Product Orientation**

Market Orientation

* Making products that they can sell
* Focus: Identifying, designing, developing & supplying products meeting customers needs/wants
* Market Research & Analysis
  + Create desirable product, right price, promotion, places

*Advantages*

* **Greater flexibility:** firms respond quickly to changes in the market
  + Have relevant data
  + Anticipate for such changes
* **Lower Risk:** confidence on selling product

*Disadvantage*

* Expensive Market research

Product Orientation

* Selling the product that they make
* Innovative & creative products are tempting
* Focus: producing HQ products
* High failure rate 🡪 frequent changes in fashion/taste
* Don’t take customers in consideration

Factors choosing Market/Product Orientation

* The market
* Organizational culture – (market: believing customers are key stakeholders)
* Barriers to entry – competition level
  + Less: product-orientated

**Commercial marketing & social marketing**

Commercial Marketing

* The use of marketing strategies to meet the needs/wants in a profitable way
* Value free – low role on ethics
* Providing what they want, when they want it, where they want it

\*Aim: Reap private benefits of marketing such product

Social Marketing:

* The planning & implementation of programs designed to bring social change
* *Informing the public about dangers, aids awareness, anti-smoking/drinking*
* Market Research: discover peoples behavior, perception of issue
* Process: donating money to charity, tax benefits
* Price decisions: net benefits: cost of taking action – benefits

Difference

|  |  |  |
| --- | --- | --- |
|  | Commercial | Social |
| Purpose | Selling physical goods & intangible services for profit | Influence/persuade a desired change in behavior |
| Benefits | Satisfy needs and wants 🡪 profits | Satisfy needs and desired of general public 🡪 community benefit |
| Main users | Private sector business | Gov./non gov. org  (companies believing in corporate social responsibility 🡪 enhance image) |

**The Market**

* Market: place where customers & suppliers trade
  + Where there’s: demands for product & business to supply
  + **Consumer markets:** cater for private individuals (general public)
  + **Industrial/producer markets:** cater for organizations (business/gov.)

*Characteristics*

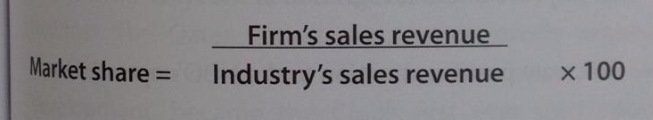
* **Market Size –** measured by sales revenue
* **Customer base –** total potential # of customers
* **Barriers to entry –** obstacles determine # of suppliers

*(high set-up cost, competition, economies of scale)*

* **Competition –** rivalry within particular market
* **Geographic characteristics –** focused on particular area, country, region
* **Demographic characteristics –** difference in gender, age, ethnicity & religion
* **Market growth rate –** the increase in the size of a market per period of time (yr)
  + Measured: increase in the value/volume of sales (%)
  + Leads to more suppliers
* **Seasonal & Cyclical characteristics –**

**Market Share**

* Organization portion of total value of sale revenue within specific industry



*Benefits*

* Dominant market player
* Market Leaders: Ability to gain a range of economies of scale
* Better price setting ability
* Less competition

*Increasing market share by:*

* Promotion of brand
* Product development, improvement, innovation
* Workforce training & motivation
* Establish property rights
* Efficient channel of distribution

**Market Concentration:** the degree of competition that exist within a market

* Dominant firms 🡪 large portion of industry sales revenue
* Calculate market share of largest few firms in industry
* Concentration ratio: sum of market shares

**Marketing Objectives**

* For businesses aiming profit
* Non-profit org. – religion, charities, org.
* Gov – advert. Income tax returns

*Factors for aiming profit:*

* **Increase sales revenue-** increase customers base / to buy more
* **Higher market share –** more competitive
* **Increase market leadership –** business enjoys benefits of largest market share in industry
* **Improve product & brand awareness –** promote product
* **Developing new products –** gives competitive edge
* **Enhance brand perception –** positive product positions (opinion)

*Factors for NPO:*

* Build support for new donors
* Generate awareness
* Improve brand recognition
* Positive attention
* Demonstrate values to local community / society
* Informative

**Marketing strategies & changes in customer preferences**

* Market trends change rapidly
* Having insight in customers buying habits, preferences & how they change

*Reasons why marketing strategies evolve*

* Changing customers tastes
* Shorter product life cycles – maintaining sales growth (need extension strategies)
* Internet & mobile tech.
* Competition rivalry – reduce threat in profitability & survival
* Globalization – adapt to suit varied local preferences / cultural norms

**Marketing & CUEGIS**

* Unethical marketing – moral codes and practice not adhered 🡪 offense
* Understanding market where business operating 🡪 develop appropriate business stragues

*Misleading/unethical marketing techniques*

* High-pressure sales - hooking into a deal and switching it before pay
* Product misrepresentation - using similar brands
* Exploitation of weakness – ‘limited’
* Unsubstantiated claims – unproved market claim (4 out 10….)
* Pester Power – using children to harass parents (to buy the product)
* Confusion marketing – excessive price info. (bank mortgage deals)
* Health/Travel fraud – untested scientific info

**Ethical Code:** business abide to certain guidelines & rules for ethical market

*Functions*

* Identify acceptable business
* Internal manag. & control
* Avoid confusion
* Informing, reminding & persuading

Innovation

* Internet to market, promote
  1. **– Marketing planning**



**Elements of marketing plan**

* Outline of a firm’s marketing objectives & strategies
* SWOT & STEEPLE
* Improve firms chance of success
* Key role: allow marketing managers to have better control of org.

*Market plan process*

* **Marketing audit -** review of current position of a firm’s marketing SWOT (strength, weakness, opportunities, threats 🡪 competition, portfolio)
* **Marketing objectives –** goals & targets
* **Marketing strategies –** marketing mix
* **Monitoring & review –** targets being met
* **Evaluation**

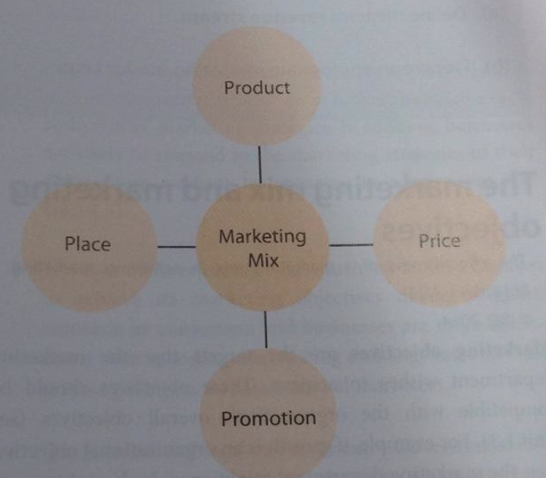
*Market Plan details*

* Marketing objectives SMART: specific, measurable, agreed, realistic, time constrained
  + Expected market share
  + Sales turnover
* Assessment of strength & weaknesses of competitors
* Outline market mix - distribution, product design, price, promotion
* Marketing Budget
* Anticipated difficulties/strategies

*Limitations*

* Small firms have no time, resources, expertise
* React to marketplace (not anticipate)
* Devote time, people, money

**The 4 Ps: Market Mix**

**Market Mix:** The combination of elements needed to successfully market a product

* Review & develop market strategies

-Product

-Price

-Place

-Promotion

Product

* Physical good or intangible service fulfilling needs/wants
* **Produce Products:** industrial products dolt to other business for production process
* **Consumer Products:** sold to the end user
  + Convenience products: food products, consumer durables (long lasting), specialty products (expensive)

Price

* The amount that customers pay for particular good/service
* Depends on
  + **Demand**
  + **Rivalry**
  + **Aims:** maximizing profit or NPOs
  + **Supply:** lower supply 🡪 higher price
  + **Time:** may be replaced by new generation
  + **Image**
  + **Cost of production**

Place

* Distribution Channels
  + Manufacturer 🡪 wholesalers 🡪 retailers 🡪 consumers
* Deliveries, internet
* Fewer intermediaries – lower the price

Promotion

* Strategies used to attract customers to buy firm’s product
* **ATL Promotion:** paid-for mass media (t.v., radio, newspaper)
* **BTL Promotion:** all other (packaging, sponsorship, viral)
* **Promotional Activities**
  + Advertising
  + Sales promotion – price reduction, gift cards, free gifts
  + Sponsorship
  + Publicity – getting good press (media) coverage (famous)

**The Marketing mix / Objectives**

Marketing Objectives

1. The targets that marketing wishes to achieve in a profitable way
2. Compatible with org. objectives
3. SMART: specific, measurable, agreed, realistic, time constrained

*Importance*

* Provide purpose, direction & motivation for marketing department
* Monitored progress & success
* Help planning / development of marketing mix & strategies

*Objectives*

* **Market share –** through market penetration strategies (1.3) 🡪 increase salves revenue & profits
* **Market leadership** – strives for greatest market share in country
* **Product positioning –** improve corporate image & perception by consumers
* **Consumer satisfaction –** by the price, product quality, customer service
* **High market standing –** firms presence in marketplace (based on reputation & image)

*Strategies*

* **Market development –** selling existing products in new markets (internationally)
* **Product development –** selling new products in existing markets
* **Diversification –** marketing new products in new markets (financially stable markets)
* **Product innovation –** original product onto the markets 🡪 gain first-mover advantage

**🡪 Marketing of services**

P’s: Product, Price, Promotion, Place + 3

* **People:** personnel used
* **Physical environment:** aspects of service (hygiene)
* **Process:** how it’s provided/delivered

*Limitations*

-External: beyond firms control

-Internal: control of the business

* **Finance –** budget
* **Cost of production –** firms cost, economies of scale, compete on price/quality
* **Size & Status of firm**
* **Social issues –** social acceptance
* **Time lags –** delay on marketing activities (expenditure) & impact 🡪 cause short term liquidity problems
* **Actions/Reactions of competitors –** might launch new product
* **State of the economy –** global recession, exchange rate limits spending
* **Political & legal env.**

**Target markets & market segments**

**1- Market Segments:** distinct group of customers with similar characteristics wants & needs

* Easy to analyze which segment buys the product

**Consumer’s profiles:** the demography & psychographic characteristics of consumers in different markets

* *-Age, gender, occupation, income level, etc.*

*Reasons for Market Segmentation*

* **Understanding of customers**
* **Higher sales –** wider range of costumers 🡪 sell more products 🡪 + profit
* **Growth opportunities –** identify new opportunities
* **Support for product differentiation –** spread its risk

*Types*

* Demographics
  + Age, gender, race & ethnicity, marital status, religion, language, income and socio-economic class (spending patterns)
* Geographic
  + Location – different culture & social attitudes (religion, race, language)
  + Climate – clothing
* Psychographic
  + Hobbies & Interest
  + Values – beliefs, morals, principles
  + Religion
  + Status
  + Culture

*DAMAS: assessing successful market segmentation*

* **Differential –** unique segments
* **Actionable –** provide suitable products
* **Measurable –** size & purchasing power of each seg.
* **Accessible –** reachable
* **Substantial –** generate profits

**2- Targeting:** each distinctive market segment having its own marketing mix

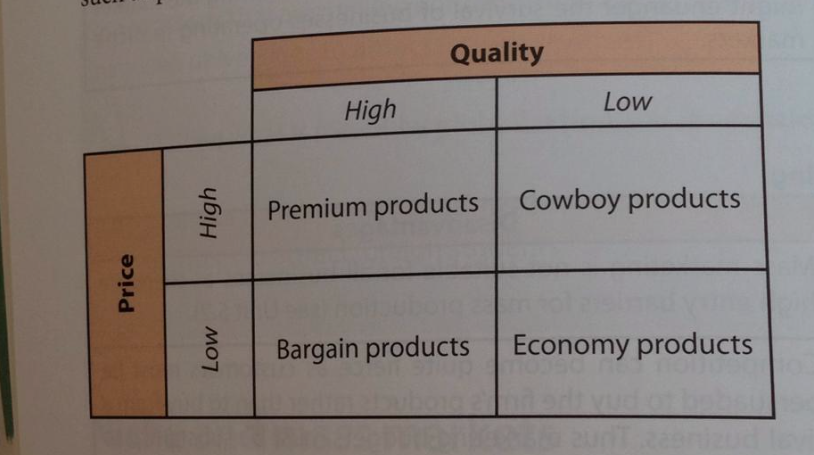
**Niche Marketing:** Targets a specific, well-defined market segments

**Mass Marketing:** undifferentiated marketing, ignores targeting individual market segments

|  |  |  |
| --- | --- | --- |
|  | **Niche** | **Mass** |
| **Advantages** | Better market focus | Huge economies of scale |
| Less competition 🡪 higher prices, profits | Single market campaign (no need to modify marketing strategies) |
| Highly specialized in meeting needs/wants | Bigger customer base 🡪 more profits |
| **Disadvantages** | Limits # of potential customers | Not suitable for all business |
| Fewer opp. To exploit economies of scale | Competition – high marketing budgets |
| Endanger survival of business | Wasteful – specific customers not targeted |

**Position (perception) map**

* Reveals customer perception of a product /brand in relation to others in the market
* Identify gaps in product portfolio
* Help refine market strategies



* **Premium Products** – HQ & high prices
* **Economy products**- LQ & appropriate prices
* **Bargain products**- HQ & low quality
* **Cowboy products**- LQ & high price

Positioning: if undesired perception exists

*Stages*

* Identify competitive advantage of product
* Which strength should be marketed
* Use appropriate marketing mix

*Strategies*

* **Cost Leadership –** low cost products on economy products
* **Differentiation –** distinct products from competition
* **Focus –** close attention to market segmenet

**Unique selling point (USP)**

* Any aspect of a business, product or brand that makes it stand out from the rest of the competitors
* *Reputation for best, lowest, only business with product, in local area, popular logo*

**Differentiation**

* Distinguishing a business/products from rivals in the industry
* Adds value compared with substitute products

*Common methods*

* **Product –** features: design, qualtity, functions
* **Price –** pricing strategies (4.5)
* **Promotion**
* **Place**
* **People –** unique, special skills
* **Processes –** how things are done, convenience
* **Physical environment**
* **Packaging –** colors, materials

|  |  |
| --- | --- |
| **Advantages** | **Disadvantages** |
| Price advantage | Differentiation – expensive |
| Brand recognition & loyalty | Economies of scale <<- WHAT pg. 361 |
| Distribution advantage | Excessive differentiation |

**Marketing Planning & CUEGIS**

* Adapting to change – fashion, technology, economy
* Ethical marketing – social & moral responsibilities of marketing planning
* Technology – market research is cost effective, innovative, fasters
* Strategically – positioning, targeting, segmentation

Tools:

* Perception mapping
* Ansoffs matrix (1.6)
* SWOT analysis (1.3)
* STEEPLE (1.5)
* Foce field analysis (1.7)

**4.4 – Market Research**

**Market Research:** marketing activities to discover the opinions, beliefs & preferences of potential/existing customers

“Will customers like to buy the product?”

* **Ad hoc research:** specific marketing problems tending to be on a one-off basis
* **Continuous research:** regular & ongoing bases

*Purposes*

* Up-to-date info to business
* Allows improvement on their marketing strategies
* Assess customers reactions to new products
* Understand activities & strategies used by rivals
* Allows prediction, trends

**Primary market research**

* Involves gathering new data from customers to identify buying patterns & anticipate changes in market trends

*Types:*

* **Surveys**
  + Self-completed survey
  + Personal survey – face to face
  + Telephone survey
  + Online survey
  + Postal survey

\*Should: avoid biased, jargon (technical language), closed & open-ended questions, be tested, collect relevant data

* **Interviews**
  + Non-quantifiable info.
  + Investigate views
  + Time consuming
* **Focus Groups**
  + Small discussion – share consumer profile
  + Ask questions or give feedback
  + Consumer panels: small groups of consumers within a business target market (remain the same)
* **Observations**
  + Under laboratory or life situations
  + Record people’s actual behavior

**Secondary research**

* Collection of second-hand data & info. That already exists
* Internal: info gathered by organization before (sales records, annual reports)
* External: outside business (academic journals, gov. publications)

*Types*

* **Market Analysis**
  + Characteristics & outlook (trends) of product/industry
  + Compare to rivals to formulate business plans
  + Found in: commercial sources & public info. Sources:
    - Market research firms
    - Competitors
    - Trade publications
  + *Market size, market share, market growth rate*
* **Academic journals**
  + Periodical publications from educational & research institutions
  + Distribute theoretical work & market research findings
* **Government publications**
  + *Population census, social trends, labor market developments, trade statistics, unemployment figures, inflation rate, etc.*
* **Media articles**
  + *Newspaper, documentaries, journals, world wide web*
* **The Internet**
  + Provides range of invaluable data

**Ethical consideration of market research**

* Not to access confidential data for personal gain
* Needs to be systematic, consistent, unbiased
* Laws to ensure relevant guidelines

*Unethical market research (5 Ds)*

* **Damage –** protect the people that gave info.
* **Deceitful –** be trustworthy: not sharing info., plagiarism, not referencing, open on procedure
* **Deceptive –** secretly recording collection of data
* **Disclosure –** invasion of privacy (customers privacy rights)
* **Detachment –** not personal biased, objective in their work

**Qualitative & quantitative research**

**Qualitative:** non-numerical answers & opinions

* Understand behavior, attitudes & perceptions of customers, employees
* Explore driving & restraining forces
* Inexpensive

**Quantitative**: larger # of responses to get factual & measurable info.

**Sampling methods**

* Population: all the potential customers of a particular market
* Sampling: selecting a small group of the population for primary research purposes

Methods:

*Quota sampling:*

* Certain number of people from different market segments is selected
* Relative representative sample is obtained (not always so good)

*Random Sampling*

* Giving everyone in a population a change of being selected for the sample
* Minimize bias samples
* It’s indiscriminate – not the target group

*Stratified sampling*

* Involves strata: subdivision of hetero population into segments with homo characteristics

🡪 Chooses # of respondent from each stratum proportional to population & randomly selects them

* **There’s stratified random sampling:** samples representing particular market segments being random

*Cluster*

* Feedback from respondent involves too much time, travelling, money
* It is quicker, easier, cheaper
* Very bias – only few locations selected

*Snowballing*

* Individuals who then suggest other friends, family members, colleagues to increase sample size
* Its cheap, quick hold

*Convenience sampling*

* Uses subjects that are easy to reach
* Its quick, useful, exclude large portion of population

**Results from data collection**

*Errors:*

* **Non-sampling errors:** human error/behavior
  + Researchers mistake in processing, recording, analyzing data
  + Answers are not honest
* **Sampling errors**
  + Sample size is to small, not representative
  + Inappropriate sample method
  + Biased research

*Representing data in*

* Bar charts
* Pie chart
* Line graphs
* Histograms

*Limitations*

* Unreliable input data generate poor quality output info (GIGO)
* Bias
* Cost of good market research is high

**Market research & CUEGIS**

* Culture: understand cultural differences to conduct their research
  + Cultural sensitivity – acceptance of things
* Ethical issues: not passing info to third parties
* Globalization: research is integral to business strategy (brand recognition)
* Technology innovations: easier market research
  1. **– The four Ps**

**Product:** any good/service serving to satisfy the needs or wants of customers & offering value for money (sales revenue)

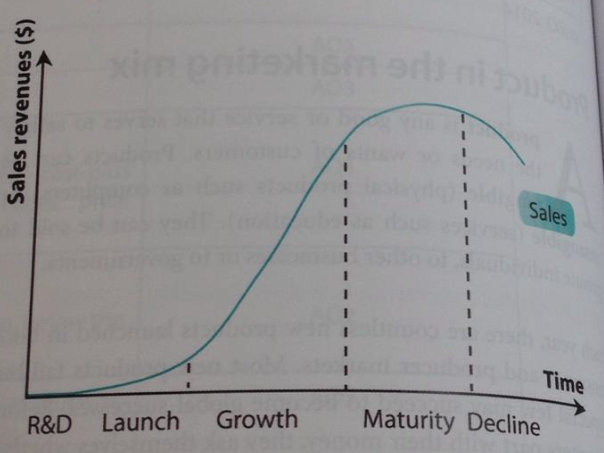
* **Tangible:** physical products
* **Intangible:** services

**Consumer Products:** purchased by individuals

**Producer Products:** goods purchased for commercial use (for production process)

**Fixed assets:**

*Land, machinery, tools, vehicles*



**Product life cycle**

* Different stages that a product goes through
* Life cycle: measured over time (sales revenue)

1. Research & development stage

* Designing & testing the product
* **Prototype:** trial product
* **Test Marketing:** trialing the new product with sample consumers to gather feedback
* Minimize costs if product is unsuccessful

2. Launch (intro) stage

* Marketing planning
* Low sales with high costs (pay for publicity, promotion, distribution) 🡪 unprofitable

3. Growth stage

* Sales revenue increases
  + Greater profit
  + Lower unit costs from economies of scale in production
* Wider distribution channels
* **Early adopters:** customers at this stage boost sales & cash flow

4. Maturity stage

* Sales revenue continue to rise – slower rate
* Favorable cash flow & profits
* Economies of scale – competitive advantage
* **Saturation:** too many competitors in the market & sales peaked/fallen
* Focus on **promotional activities**

5. Decline stage

* Low sales, profit, cash flow, customer demand
* Change in fashion & tasted
* Investment on product is cut 🡪 price plummets

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**Extension strategies & the product life cycle**

*Common extension strategies*

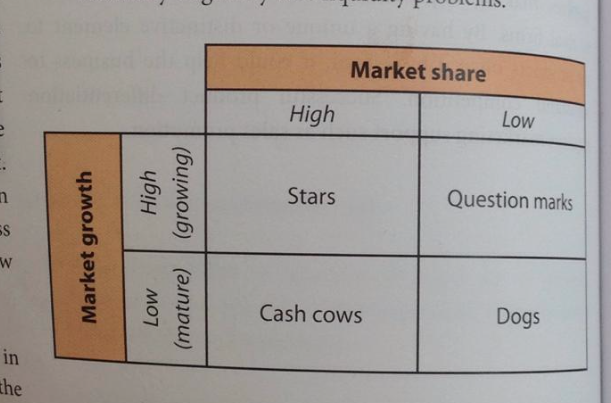
* **Price reduction-** increase demand, get rid of excess stocks
* **Redesigning-** introducing special features 🡪 adds value
* **Repackaging-** revive demand
* **New markets**
* **Brand extension-** using successful brand name to launch new product
* **Product differentiation-** Color, size, quality, design, packaging, after-sales care (guarantees), customer relations management

**Boston Consulting Group (BCG) Matrix**

* Helps plan for balanced **product portfolio:** *variety of products owned by a business*
  + Deciding investment, withdrawal, remarket on product

(growth strategies – 1.6)

* + Has a **strategic business units:** divisions of an organization
* Should be used with Ansoff’s Growth Matrix (1.3)



*KEY*

**Question Marks:** products in high market growth sector + low market share

* + ***Wild cards:*** not knowing if to invest

**Stars:** products in high growth markets + high market share 🡪 successful

**Cash Cow:** high market share in low growth market 🡪 generate high net cash flow (profit)

**Dogs:** low market share in low growth markets 🡪 unsuccessful

**-Rising star:** problem children turning into stars

**-Balanced Portfolio:** *some stars, few ?, lots of cash cows*

* Allows cash flow
* Varied markets = higher revenues

**Branding**

* Differentiating a firms products from competitors
* It’s a legal instruments
* It’s a risk reducer – chance of survival, encourage brand awareness
* Business need to invest money to promote it

*Positive factors*

* Intangibility – brand sells the product
* Uniqueness
* Timeless
* Price Advantages – willing to pay for good brand (revenue earner)
* Recognition & loyalty
* Distribution advantages – vendors stock the best selling brands

*Aspects of Branding*

* **Brand awareness –** recognition 🡪 higher sales revenue
* **Brand development –** marketing process, improving, enlarging the brand name
  + **Generic brands:** product name is mistakes by the brands name
* **Brand loyalty –** customers buying again & again
  + Helps maintain business
  + Charge premium prices for products 🡪 improve profit margins
  + Entry in high competitive markets
  + Future success of a business
  + **Customer loyalty scheme:** sales promotion to entice customers to stick to brand and not *brand switch*
* **Brand value -** customers willing to pay for a brand name over the value of the product
  + **Higher market share**
  + **Premium prices –** feel the added value (reputation)
  + **Higher barriers to entry –** new firms won’t enter the market

**Packaging**

* How product is presented
* Impacts customer perception of a product/brand
* Acts as product differentiation
* Protects product during transportation/distribution
* Provides information – legal obligations, promotions
* Easier distribution
* Encourage impulse buying
* Promote the brand

*Limitations*

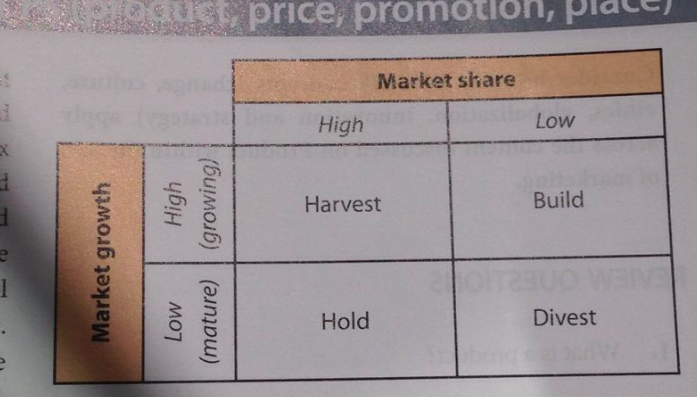
* Environmental effects
* High cost

**Product & CUEGIS**

* **Functional value:** what the product actually does for the customer
* **Emotional value:** psychological & feel-good factor
* **Brand extension strategies:** brand loyalty enables business to launch new products
* **Marketing myopia:** business become complacent about their product strategy 🡪 disaster on market changes
* **Multi-brand strategy:** business developing 2\* brands
* **Product cannibalization:** when brands from the same business directly compete with each other
* Globalization: multinational business have global brands (recognition)
  + Consistency of product
* Cultural & ethical: **glocalized** – local preferences rather than globally
* Innovation: intensified competition, continuous innovation of products
  + SWOT analysis for longer life
  + Increase product mix 🡪 greater revenue + less risks

|  |  |
| --- | --- |
| **Build Market share** | Questions 🡪 stars by investing necessary resource  (Gain market share) |
| **Harvest** | Reaping benefits of a product  Stars 🡪 cash cows  (Advertising) |
| **Divest** | Selling off dogs |

**The Boston Matrix & product strategy**

******

**4. 5 – 4 P’s**

**Price**

**Price:** the amount paid by a customer to purchase a good or service

* Too high: deters customers
* Too low: lac of stock, dissatisfied customers

*Cost-plus (mark-up) pricing*

* Adding **mark up (profit margin):** % of profit to the cost per unit of output 🡪 determines selling price

Penetration pricing

* Sets a low price (special introductory price) to establish new product in industry

🡪 Gain price recognition & market share

* Used for mass products to sustain low profit margins

Price skimming

* Technologically advance & innovative product: high price is set

🡪Recoup cost of research & development – prestigious image of product

* No substitutes = maximize profits

Psychological pricing

* Rounding down numbers to make prices seem lower ($1.99)

🡪 Feel they are getting a **bargain:** better price

Loss Leader

* Selling a product below its cost value

🡪 Attract customers, encourage brand switching, recoup the loss by sales through complementary goods *(Nintendo sells gaming software)*

Price discrimination

* Same product is sold at different prices to different customers

Conditions for successfulness

* + Market power
  + Different degrees of customers
  + Separation of markets: avoid reselling

Price leadership

* Dominant firm set its own prices
* Competitors follow the leader (limitation: not the same economies of scale)

Predatory pricing

* Temporarily reducing prices to force rivals out of the industry
* **Destroy pricing:** rival can’t compete profitable wise
  + Intensive price cuts

**Price & CUEGIES**

* Does not destroy profit margin, consistent with firms objectives

Must be consistent with

* Market planning
* Place
* Product
* Promotion

*Other factors affecting*

* The nature of business – profit maximizing firms use pricing strategies
* The nature of barriers to entry- competition within industry
* Business image
* Business cost- cover its cost of production
* The state of the economy- reduce prices during economic recesiion

**Promotion**

**Promotion:** methods of communicating messages to the market (selling a firms product)

*Key objectives*

* Informative promotions – alert about product
* Persuasive – encourage to purchase
* Reminder – retain customer awareness & interest on product

|  |  |
| --- | --- |
| **Above the line -** Paid-for promotional method (mass media) | **Below the line promotion -** Non-mass media promotional activities   * No commission paid |
| Television advertising   * Combine sound & moving images * Huge cost of production for advert. Slots | Publicity   * Getting media coverage without paying for it * *Famous celebrities using product* |
| Radio advertising   * Radio time slots sold to business (cheaper) * Reach large audience * Only can communicate audio messages (no visual impact) | Point sales promotion   * The promotion of a product at the place or location where customer buys the product   (supermarket check out) |
| Cinema   * Audience is directly targeted * Hard to ignore * Limited audience size | Direct marketing   * Promotional activities aiming to sell a product * **Telemarketing** (telephone calls), emails, mail * Keeps larger share of any profits (no intermediaries to pay)   Cost of producing & distributing promotional material |
| Magazines   * HQ photos: attract attention * **Advertisement clutter:** readers bombarded with advert. 🡪 may be ignored * Long submission process, competition | Sales Promotions   * BOGOF: buy one, get one free (get rid of excess stock) * Money-off coupons * Free samples of products * Competitions to win prizes * ‘Free gifts’ * Customer loyalty schemes (Rewarded for buying)   🡪 Boost sales but add to marketing cost |
| Outdoor advertising   * Commercial billboard, banners, posters * Tech: rotating billboard = larger audience, high exposure * Hard to monitor effectiveness | Word-of-mouth promotion   * Spread of information from person to person |
| Newspaper advertising   * Target different markets better   High cost, difficult to stand out | Sponsorship   * Business providing financial funds & resources to support event/org. in return for publicity |
|  | Packaging |
| Slogans: catchphrases to retain attention   * Effectiveness: MAID – memorable, advantages (of product), image, desire |
| Direct mail   * Mailing promotional material to customers * May see as junk |
| Branding: recognizable |

**Promotional mix**

* Tools to communicate benefits of product

*Deciding a promotional mix by: AIDA*

* ATTENTION – raise awareness of product
* INTEREST – using sales promotion, slogan
* DESIRE – feeling of need for product
* ACTION – customers buy the product

\*Or use FAB: Features, Advantages, Benefits

*Factors to consider:*

* Cost – cost per head: cost of promotion / by the potential audience size
* Product
* Product life cycle
* Legislation

*Key elements to a promotional mix*

Advert. Techniques

-Bargain appeals: good deals

-Celebrity endorsement

-Comparative

-Direct response: contact details

-Feel food factor

-Guarantees: promising

-Numerical/Scientific claims

1. **Advertising**
2. **Personal selling -** Sales representative directly persuading customers to buy
3. **Public relation –** establishing & protecting desired image of an org.
4. **Sales promotion –** stimulate demand for product

**Technology & Promotion**

* **Viral Marketing (P2P):** relies on electronic transfer & spread of promotional messages

Social media marketing – the TOOL

* Gaining internet traffic through social media website
* Comes from trusted third party (friend, family)

Social networking – HUMAN INTERACTION

* Any platform used to build social relationships between people
* Share information on product
* **Web banners:** advert. On web page
* **Search Engines:** sponsor link when typing a word/phrase

**Guerrilla marketing**

* Not only invest on money for promotion but on time, energy & imagination
* Makes target feel unaware that they’re targeted
* *Automobiles, Bagvertising, Bravertising, Fuzz marketing (WOM), Graffiti, Lavatories*

|  |  |
| --- | --- |
| **Advantages** | **Disadvantages** |
| Marketing activities generate 80% firms revenue | Large opportunity cost – time & resources |
| Lead to viral marketing | Controversial & unethical methods used |
| Inexpensive | Not always reach the target |
| Promote creativity & healthy competition | Not always work |

**Promotion & CUEGIS**

* Ethical: laws must be obeyed, social responsible, spending
* Depends on the creativity of marketers

**Place**

**Place:** distribution of products

* Requires management skill: persuading retailers to stock a firms product

*Retailers: cinemas, supermarkets = limited space*

**Channels of distribution**

* The means used get a product to the consumer
* **Intermediation:** process to facilitate this
* **Intermediaries:** agents/business that act as middle person in the channel of distribution (between manufacturer & consumer)

*Levels of distribution*

* Zero-level channel: no intermediaries

*Producer 🡪 consumer (mail)*

* One-level channel: 1 intermediary

Producer 🡪 retailers/agents 🡪 consumer

* Two level channel: two intermediaries

*Producer 🡪 wholesaler’s 🡪 retailers 🡪 consumer*

*Types*

Wholesalers

* Business that purchase large quantities of products from manufacture break the bulk-purchase into smaller units for resale
* Bear cost of storage, sell smaller batchers of product, lower transaction cost, roles distributed

Distributors & agents

* **Distributors:** independent & specialist business that trade in the products of only a few manufacturers
* **Agents:** negotiations who act on behalf of buyers & vendors of a product
  + Charge commission

Retailers:

* The sellers of products to final consumer
  + **Independent retailers –** local vendor (sol propitiator)
  + **Multiple retailers –** numerous outlets
  + **Supermarkets**
  + **Hypermarkets -** huge outlets with broad range of products
  + **Department stores –** retail outlets selling large range of products

**Specialty channels of distribution**

* Indirect way to distribute product not involving retailers (no intermediary)
* Greater business profit, direct control of distribution, internet use

*Types*

* **Telemarketing –** telephone systems
* **E-commerce –** trading via the internet
* **Vending machines –** stock products for sale
* **Mail order & direct mail –** promotional material

**Place & CUEGIS**

* Choosing the best channel, assuring intermediaries stock firms products
* The product, the market, time, legal constraints, cost & benefits
* Globalization: wider distribution
* Exportation external constraints: fluctuating exchange rates, gov. intervention, language barriers, cultural difference
  + Cultural difference: products not suited for all regions

**4.8 E-commerce**

* **E-commerce:** trading of goods & services via the internet, electronic systems & computer networks.
  + Operate 24 hours a day
  + Online trading opportunities

*Examples*

* Financial services
* Gamins
* Retailing

*Features*

* **Global Reach:** sell products to consumer in any part of the world
* **24/7 accessibility:** accessible at all times
* **Access to information:** provide detailed & accurate product info. 🡪 make informed buying decisions
* **Consumer reviews:** post online reviews 🡪 impacts on buying decision
* **Impersonal interaction:** B2C firms reach customers with tech
* **Barriers to entry:** e-tailer are cheaper than physical retailer 🡪 easy entry

**E-commerce & marketing mix**

**Types of E-commerce**

1. Business to Consumer (B2C) 🡪 selling directly to end user
2. Business to Business 🡪 selling directly to business customers
   * TESCO (supplier to business)
   * Professional buyers
3. Consumer to Consumer 🡪 consumers selling to each other
   * EBAY

* **Consumers**

|  |  |
| --- | --- |
| Benefits | **Costs** |
| -Lower Prices  -More convenient (home delivery, downloads)  -Access customer reviews  -More choice | -Not everyone online  -Cannot “see” the product  -Online Fraud  -Cookies! (know who you are)  -Spam |

* **Companies**

|  |  |
| --- | --- |
| * **Benefits** | * **Costs** |
| * -Lower Costs (no stores) * -Worldwide Market (Economies of scale) * -Possible USP | * -Set up costs * -Possible Hacks * -Increased Competition * -Unhappy customers can damage brand easily |

Products

* **Products that are now online 🡪** *Decline Stage (Of product life cycle)*
  + Camera
  + Magazines
  + Music
  + Casino
  + Calculator
  + Flashlight
  + Calculator
  + Board Games
  + Calendar
  + Maps, GPS;
  + Computer Games

Link #1: Decline Stage 🡪 old ones

Link #2: Use your money for cash cows to use for stars (itunes money investing on beats)

* Promotion online
* Reduced storage cost 🡪 no need to stok/display
* Marketing strategy: see demand of products
* Less investment on packaging 🡪 reduce overall cost 🡪 higher profit margins for business/reduced price for customers
* Product specification given

Price

Same product, cheaper prices

* + Economies of scale 🡪 high output, low avg. cost
  + Competition
  + Offer value for money

**Changes in place**

* + lower cost 🡪 rise unemployment

**Technology**

* Increase prince transparency 🡪 consumers can compare
* Enforces pricing strategies to maintain market share
* Set according to demand

**Intermediaries 🡪 cut out**

* Such as wholesalers & retailers
* Sell directly to customers
* Lower cost 🡪 lower price

*(low percentage mark-up per intermediary)*

**International Trading**

* Postage & shipping cost
* E-commerce aware of international trading standard & regulation
* Add to their costs
* Currency flow problems 🡪 paying can cause fall in the vale of its exchange rate

Promotion

**Social Media**

* + Yahoo
  + Gmail
  + Pop-up
  + Tinder
  + Myspace
  + Hi5
  + Flickr
  + Google +
  + Tumblr
  + Facebook
  + Twitter
  + Instagram
  + Snapchat
  + Yahoo
  + Myspace
* 🡪 getting feedback, customers are the users
* 🡪 spreading information
* Online marketing 🡪 greater details of products (BTL)
* **Viral Marketing** – Word-of-mouth with social networs
  + e-mails: cost-effective, undersirable
* Online sales channel 🡪 supports need of international community

**Place (distribution)**

* Reaches global audience
* Fuelled competition 🡪 potential enormous customer base
* Shorten *channel of distribution*
* Customers convenience
* Allows language translation 🡪 increase customers
* Not-For-Proftit org. (univiersities) 🡪 ebooks
* Limitations: un-willingness to purchase product by lack of examination

**Benefits**

* Source of revenue 🡪 advert- spaces on their webpages
* Channel of distribution 🡪 sell any time of the world & time
* Greater flexibility 🡪 respond quickly to competitors
* Reduced packaging’s 🡪
* Higher overheads 🡪
* Reduced operating costs 🡪 online bills, free supplying costs
* More choice & convenience

**The cost of e-commerce**

* High Set-up costs 🡪 specialist to set up & market websites
* Running costs 🡪 packaging, distribution
* Credit Card finance charges 🡪 for using their payments
* Fraudulent trade 🡪 identity thief & online frauds
* Spam & unethical marketing 🡪 pop up marketing
* Some prefer physical retail outlet & human interaction
* Need for advanced tech.
* Hackers
* Job losses