

# Marketing Management CH.1

## Role of management

### A. Marketing

- i. **Def:** Individuals and groups obtain what they need and want by creating and exchanging value
- ii. **Customer-oriented:** Not just concern price and quality, also the real needs and wants
- iii. **Target market:** Group of customers with similar needs and wants that the firms decides to serve

### I. **Steps of marketing**

1. Identify customer's (target market) needs and wants
2. Consumption of goods and services
3. Customer satisfaction (meet expectations better than competitors)
4. Receive value in return



### II. **Importance of marketing**

- i. **Find out and satisfy customer's needs:** preference and requirements (=step1 and 3 in marketing)
- ii. **Strategies to compete with competitors:** be alert to competitors' moves (to retain customers)
- iii. **Long-term relationship with shareholder:** work closely (to retain them)
- iv. **Monitor and respond to market changes**

### B. Marketing Process Stage 1: Planning (objectives and ways to achieve them)

#### Steps of Planning

1. **Review performance** (current competitors)
  - i. Marketing performance e.g. sales revenue \$\$, market share
  - ii. Financial performance e.g. return on investment, cash flow, profit margin

### SWOT Analysis for McDonald's Restaurant

#### 2. **SWOT analysis** (grab opportunities)

- i. **Internal:** strengths (capabilities) and weaknesses (limitations)
- ii. **External:** opportunities (increase competitiveness) and threats (reduce performance)

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Consistent quality and hygiene standards</li> <li>• Internationally known brand name.</li> <li>• Restaurants in most countries</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Limited menu range.</li> <li>• No variety of décor or food choices in different countries.</li> <li>• Staff turnover high, especially among part time staff.</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Potential growth in developing countries such as China.</li> <li>• Develop brand name into new ranges or products such as children's clothing or hotels.</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Environmental concerns regarding waste, e.g., take away food containers.</li> <li>• Strength of competitors such as Burger King.</li> <li>• Changing consumer taste; e.g. declining popularity of meat products.</li> </ul>

	Opportunities (external, positive)	Threats (external, negative)
<b>Strengths</b> (internal, positive)	<b>Strength-Opportunity strategies</b> Which of the company's strengths can be used to maximize the opportunities you identified?	<b>Strength-Threats strategies</b> How can you use the company's strengths to minimize the threats you identified?
<b>Weaknesses</b> (internal, negative)	<b>Weakness-Opportunity strategies</b> What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	<b>Weakness-Threats strategies</b> How can you minimize the company's weaknesses to avoid the threats you identified?

### 3. Setting marketing Objectives

#### i. Performance standards

SMART OBJECTIVES, a system developed and championed by Peter Drucker in his 1954 work "The Practice of Management"

- S Specific** *A precise outcome*
- M Measurable** *A defined figure to demonstrate objective has been achieved*
- A Achievable** *Realistic, given the resources*
- R Relevant** *Directly linked to the goal*
- T Time Specific** *Expectations of when the objectives will be achieved*

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#### Examples of SMART Marketing Objectives

- To increase overall sales by 15% by 2017
- To increase market share of product X by 10% by end of 2017
- To increase customer retention by 25% by 2017
- To increase the number of new products per year from 2 to 5 by 2017
- To increase market share from the 10% to 15% by 2017



### 4. Research & Target markets

#### i. Suitable market segment (sub-group with similar consuming behavior)

### 5. Strategies (maintain & enhance competitiveness)

#### 5.i. Market Leader (highest market share)

- **Expand whole market:**
- **Increase the number of customer:**  
(market penetration: greater marketing effort)
- **Find new users:**  
enter new market, like geographical expansion
- **Invent new usage of its products:**  
discover or promote new use, increase amount /frequency of consumption
- **Introduce new items:** (line stretching)
- **Increase market share**
- (within the existing market):  
Steal customers from competitors
- Offer better services, more discounts, more products' versions (line fillings), special gifts
- **Protect current market share:**
- Better package deals, better pricing, offer discounts
- Continuous innovation
- Keep existing customers



MARKET STRUCTURE



### 5.ii. Market Challenger

- **attack competitors' weaknesses**
  - create a strong brand name
  - adopt a new look and image
  - better service, more trendy and comfortable layout of shops
  - more choices of products offered
  - have movie stars as spokesperson
- **Enhance the quality of its existing products**
  - Use social media (facebook, IG) to build relationship with customers
  - Use 'cross-media' effort including trades and a series of FB ads
  - Better control center to ensure consistence of product/service quality
  - Maintain close quality control
  - Lower the prices of its products



## Market Follower

**A company that follows the strategies of the market leader. It never tries to challenge the leader. It just wants to maintain its market share.**



### Competitive Marketing Strategies – For Market Followers

- **Cloner strategy** imitates/copies the leader's product, brand name, and packaging, *with slight variations.*



### 5.iii. Market Follower

- satisfied with existing market shares
- insufficient resources for aggressive expansion
- imitate/ copy leaders' products
- save development & promotional cost reduced

### 5.iv. Market Nicher

- specialize in small market segments
- serve ONE or a FEW SMALL market segments
- segment is too small to attract large competitors
- risky if customers' preferences changes
- If profitable: attract the entry of large firm

#### Market Nicher Strategies

• A firm can be a leader in a small or niche market instead of being a follower in a large market.

Nichers can play the following specialist roles:

Product or product-line specialist – A firm carries or produces only one product-line or product.

#### Example:

Ray-Ban is a brand of sunglasses and eyeglasses that focuses on a single product line.

Old Monk manufactures only Old Monk rum.

IKEA is involved only in the furniture business.

Crossword stores deal only in books.

Smirnoff only sells vodka.



## Niche Market

- Very short growth period but lasting maturity stage
- Dominate a small section of the market with very little competition
  - Cater to very specific consumers



- customize 4Ps: can better serve customers' needs

## 6. Market Plan

(market information+ ways to implement strategies & reach objectives)



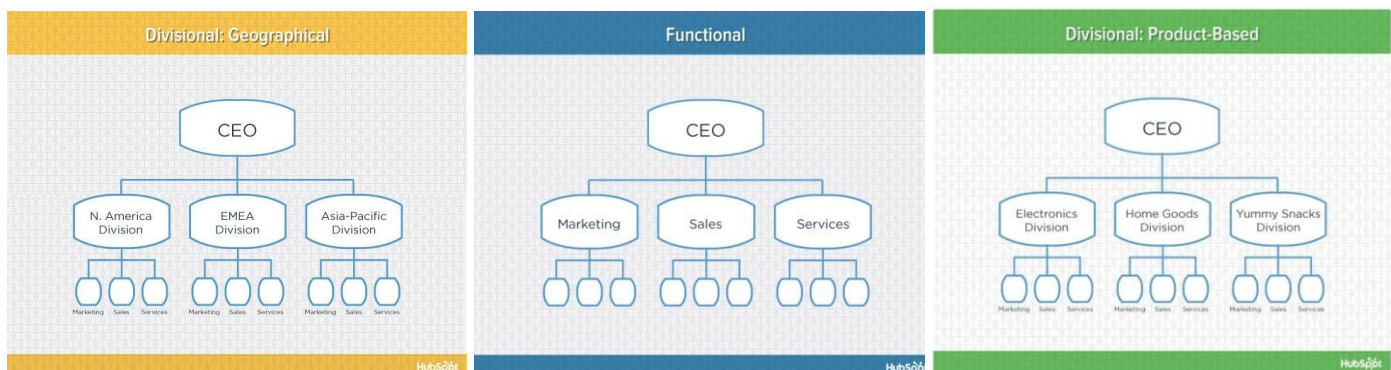
- i. **Consideration:** expenditures & allocation of budget among 4P tools
- ii. **Marketing mix (set of tools to delivery satisfaction to target market)**
  - **Product:** combination of goods & services offered
  - **Price:** amount of money customers is willing to pay for products
  - **Place:** activities to ensure availability of products
  - **Promotion:** activities to communicate merits of product & purchase

## C. Market Process Stage 2: Managing

### 1. Organizing

Organizational Structure=divide groups & coordinate activities

- i. **Functional (for small firm)**
- ii. **Geographical**
- iii. **Product (used by firms with different sorts of product lines)**
- iv. **Market management**  
(used by large international firms with sorts of Customers = can build closer relationship)



## 2. Implementing

### Factors affecting implementation

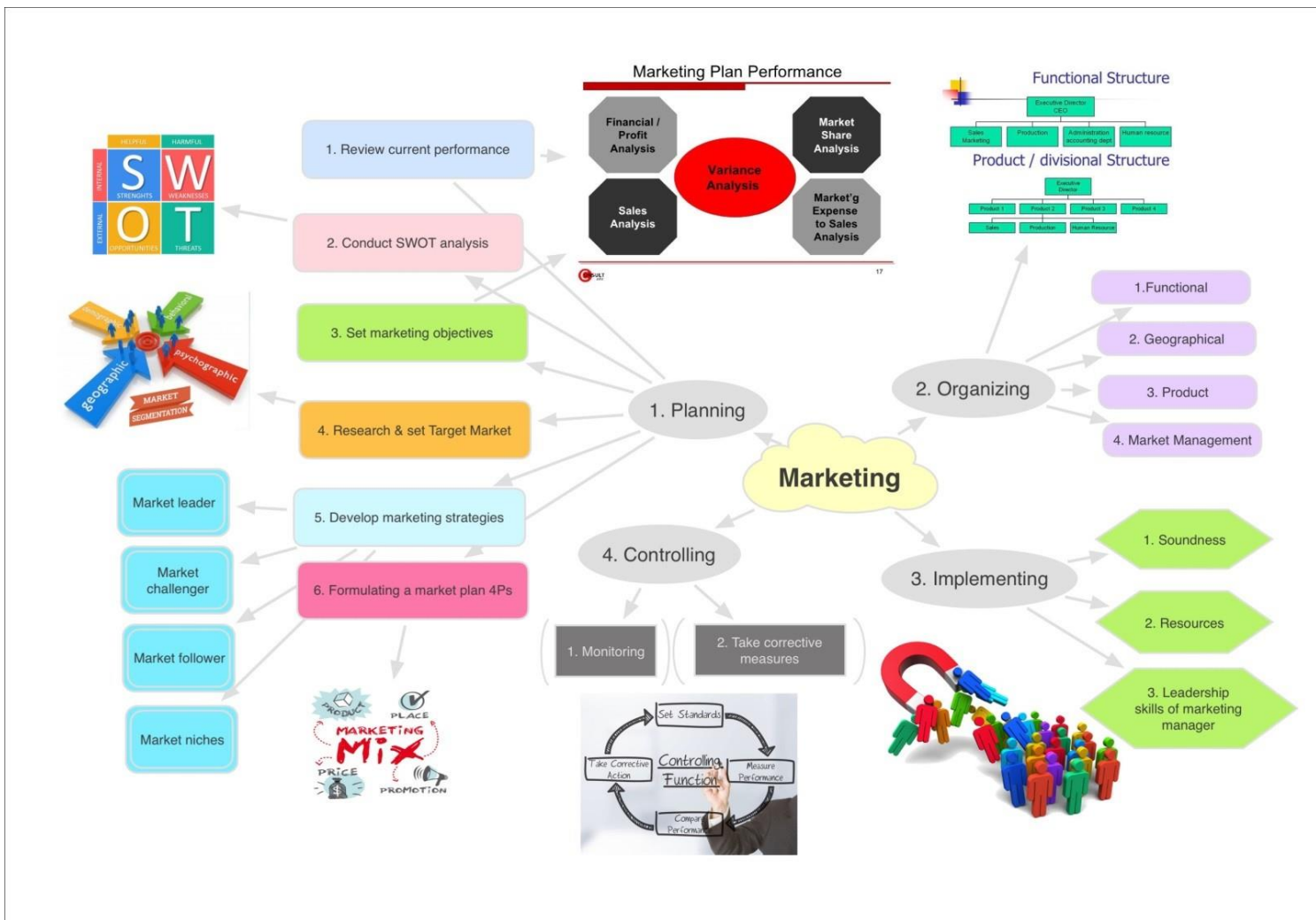
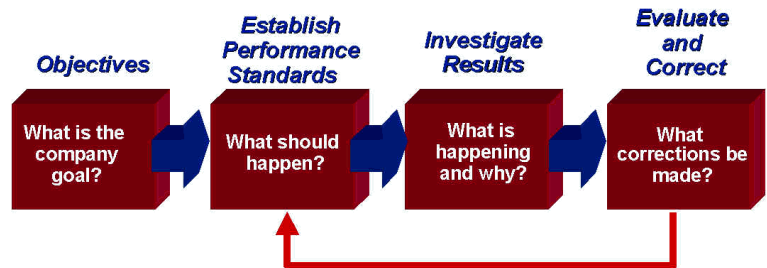
- i. Correctness & feasibility of plan
- ii. Availability of resources
- iii. Leadership skills of managers  
(= direction & motivation)



## 3. Controlling

### Steps of controlling

- i. Performance standard
- ii. Measure actual performance
- iii. Analyze deviation between standards & results
- iv. Corrections






## B. Data collection methods

Collection	Primary		Secondary	
<b>Purpose</b>	Specifically for current problem		Exist (previous researches)	
<b>Process</b>	More effort	Disadv.	Rapid & easy	Adv.
<b>Cost</b>	Higher	Disadv.	Lower	Adv.
<b>Time</b>	Longer	Disadv.	Shorter	Adv.
<b>Data Relevance</b>	Higher	Adv.	Lower	Disadv.

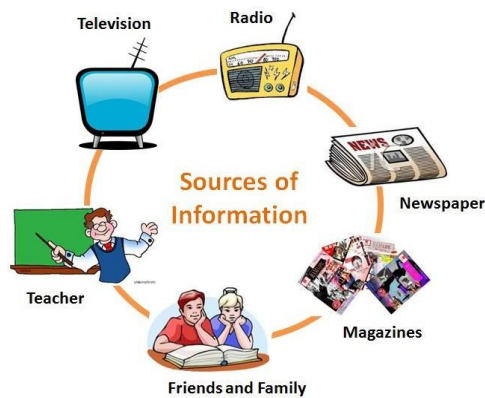
  

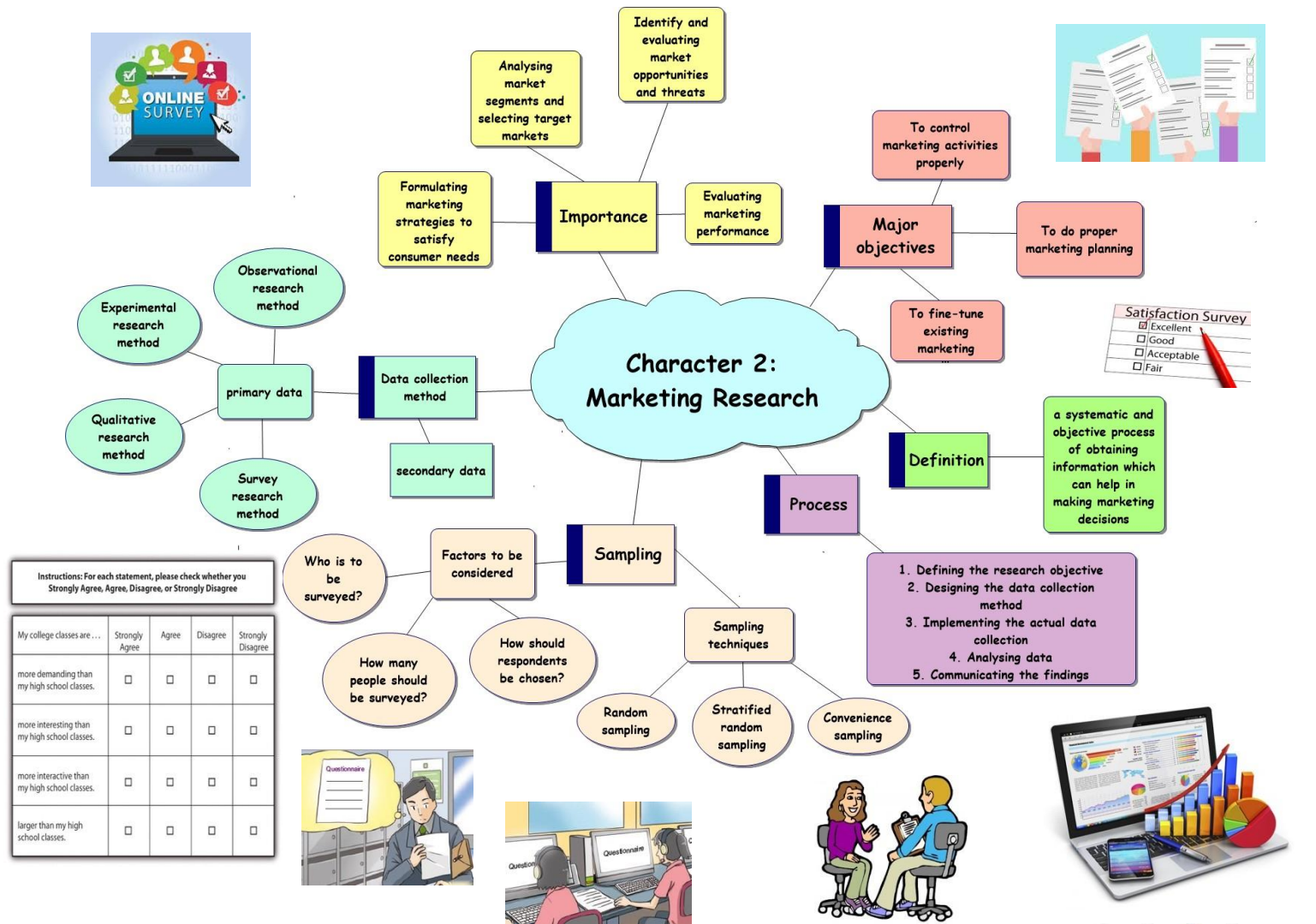
Data sources	Data-collection methods
<p><b>People/informants</b></p> <ul style="list-style-type: none"> <li>Investigative journalists</li> <li>Drug users and young people</li> <li>Cultural companions (club staff, DJs, fashion workers, etc.)</li> <li>Professionals: <ul style="list-style-type: none"> <li>Drug workers</li> <li>Youth workers</li> <li>Health workers</li> <li>Criminal justice workers</li> <li>Qualitative researchers</li> </ul> </li> </ul> <p><b>Media sources</b></p> <ul style="list-style-type: none"> <li>Newspapers</li> <li>Youth, music and gay/lesbian press</li> <li>Internet</li> </ul> <p><b>Research sources</b></p> <ul style="list-style-type: none"> <li>Rapid-assessment studies</li> <li>Market-research studies</li> </ul>	<ul style="list-style-type: none"> <li>Cultural mapping</li> <li>Panel study</li> <li>Interviews</li> <li>Questionnaire</li> <li>Focus groups</li> <li>Media monitoring</li> </ul> <ul style="list-style-type: none"> <li>Internet and database searches</li> <li>Media monitoring</li> <li>Cultural mapping</li> </ul> <ul style="list-style-type: none"> <li>Research networks</li> <li>Media monitoring</li> </ul>

## C. Research methods for primary data

	Advantage	Disadvantage
<b>Survey</b>	<ul style="list-style-type: none"> <li>- statistical analysis (quantified data)</li> <li>- large no. of respondents</li> <li>- examine unobservable factors (e.g. feelings)</li> </ul>	<ul style="list-style-type: none"> <li>- may not be true views (pre-set answers)</li> <li>- high cost (many respondents)</li> <li>- hard to design reliable &amp; accurate questionnaire</li> <li>- time-consuming</li> </ul>
<b>Experimental</b>	Scientific & reliable evidence	Hard to design suitable experiment
<b>Observational</b>	<ul style="list-style-type: none"> <li>- actual behavior</li> <li>- specifically designed environment</li> </ul>	<ul style="list-style-type: none"> <li>- no statistic</li> <li>- can't generalize findings</li> <li>- can't observe feelings &amp; preferences</li> <li>- bias of researchers</li> </ul>
<b>Qualitative</b>	<ul style="list-style-type: none"> <li>- deep understanding of issue</li> <li>- clarify answers</li> <li>- small no. of respondents</li> </ul>	<ul style="list-style-type: none"> <li>- hard to conduct statistical analysis</li> <li>- hard to generalize findings</li> <li>- highly skilled researchers needed</li> </ul>





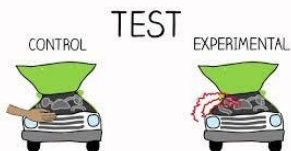
Instructions: For each statement, please check whether you Strongly Agree, Agree, Disagree, or Strongly Disagree

My college classes are...	Strongly Agree	Agree	Disagree	Strongly Disagree
more demanding than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
more interesting than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
more interactive than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
larger than my high school classes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### i. Survey

systematically collect information through questionnaires (attitudes & awareness)

- **questionnaire**: set of specially designed questions



- **survey contact methods** (choices: nature/ urgency/ accuracy/ costs & benefits)
- **personal interviews** (face-to-face) / **telephone interviews** / **electronic means** (internet/ email) / **mail**

### ii. Experimental

- quantitative explain cause-and-effect relationship between variables

### iii. Observational

- directly observe & record factors or behaviour in natural or planned setting



### iv. Quantitative-in-depth

- understanding of issue from relatively small no. of people
- **In-depth interview**: personal interview with an interview who knows issue well (asking for open-ended-questions so that to obtain free expression of views)
- **Focus-group discussion**: carefully selected respondents discussing particular topic (paid & lengthy) led by professional researcher (moderator/ facilitator) for asking questions + encouragement





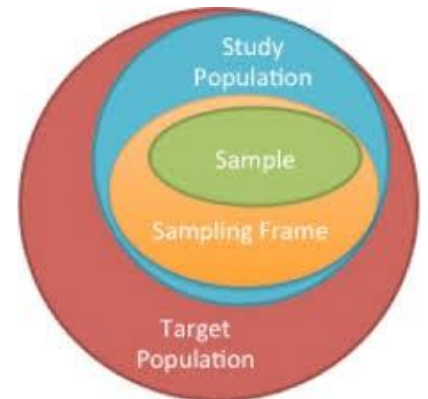
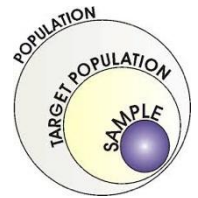
## D. Sampling

**Target Population:** is the population which a researcher is interested in studying

**Sample:** subset of target population (**representatives**)

**Sampling frame:** is a list that identifies all elements of the target population

**Sample Elements:** respondents included in the sample for studying



### 1. Factor to consider in sampling

- i. **target population:** Who is to be surveyed
- ii. **size of sample:** How many people should be surveyed?  
(reliability vs cost)
- iii. **sampling techniques:** How should respondents be chosen?

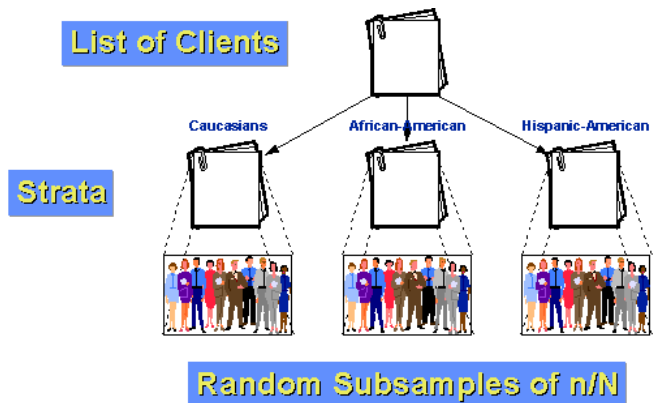
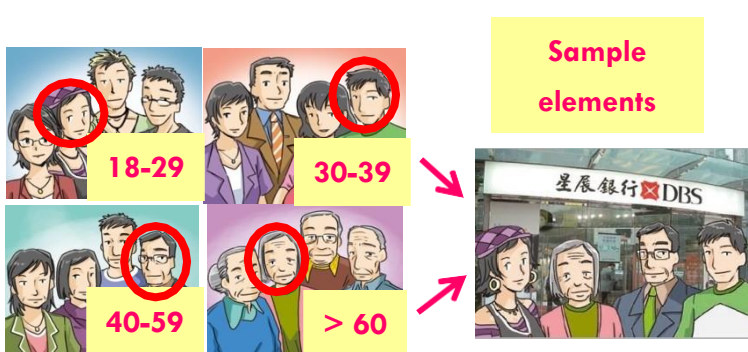
### 2. Sampling Techniques



- i. **Random sampling:** each element has known & equal probability of being selected from sampling frames (**list identifying all elements of target population**)



- ii. **Stratified Random sampling:** population divided into several mutually exclusive groups (**strata**) which randomly selected from each group (**diversity of population**)



- iii. **Convenience sampling:**  
most conveniently available sample elements  
(no sampling frame and may not represent target population)

### Convenience Sample

select any members of the population who are conveniently and readily available



# Data Collection Methods: Secondary Data

**Secondary data** (second-hand data) are data that already exist and were collected for purposes other than the research problem at hand.

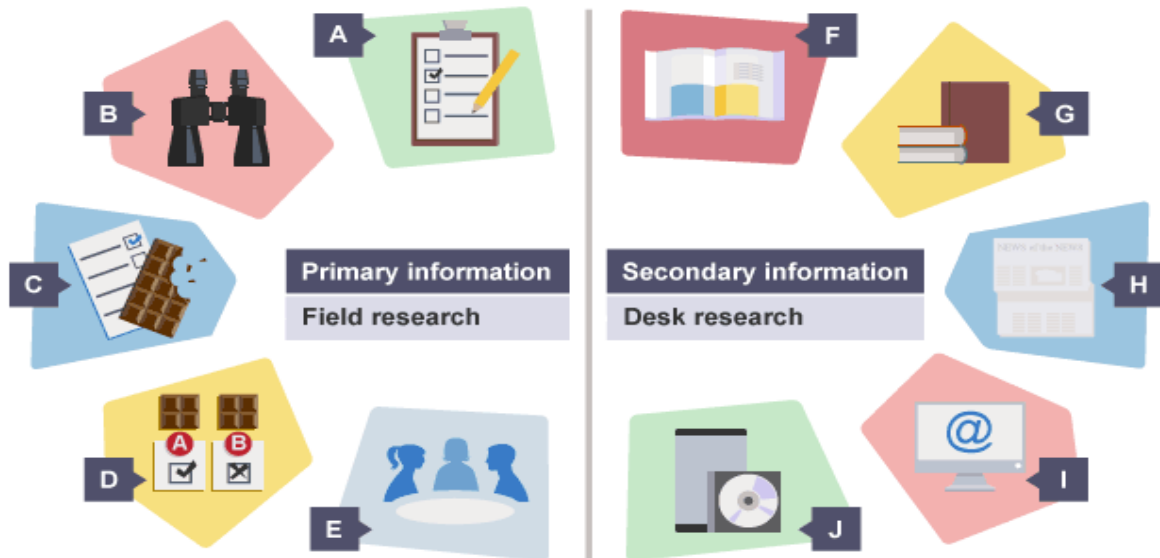
## Secondary Research Sources

- Books
- Periodicals / Magazines
- Indexes
- Databases
- Internet
- Market Consultants
- Marketing Professionals

## SECONDARY DATA EXAMPLES

- ✓ Census Reports--every ten years
- ✓ Census-Based Demographic Reports
- ✓ State Agencies--Department of Recreation
- ✓ Public Libraries
- ✓ Chambers of Commerce
- ✓ Trade Associations--player unions
- ✓ Professional Research Services--Nielsen Company
- ✓ Trade Publications--print and online

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<b>A</b>	Questionnaires and surveys	<b>F</b>	Articles
<b>B</b>	Observations	<b>G</b>	Books
<b>C</b>	Consumer trials	<b>H</b>	Newspapers
<b>D</b>	Hall tests	<b>I</b>	Internet
<b>E</b>	Focus groups	<b>J</b>	CD/DVD

<h3>Secondary</h3> <p>Information That Already Exists Somewhere.</p> <p>+ Obtained More Quickly, Lower Cost.</p> <p>- Might Not be Usable Data.</p>	<p>Both Must Be:</p> <ul style="list-style-type: none"> <li>Relevant</li> <li>Accurate</li> <li>Current</li> <li>Impartial</li> </ul>	<h3>Primary</h3> <p>Information Collected for the Specific Purpose at Hand.</p>
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Marketing Management CH. 3  
Consumer Behaviour

➤ **Consumer behaviour**

Behavior of individual or business buyers in searching for buying, using and evaluating products.

	Business Market	Consumer Market
No. of buyers	Fewer	More
Size of purchase	Larger (huge amount)	Smaller
location of buyers	More concentrated	Less concentrated
Nature of demand	Mostly derived Affected by other products' DD	Not derived Personal needs
Price sensitive of buyers	Lower	Higher
No. of participants decision	More	Consumer alone
Complexity of purchase decision	Higher (lengthy decision) (professional/experienced buyers)	Lower (buy well-packaged products on impulse)

**A. Consumer market:** individual consumers: own uses (final consumers).

Process of consumer market when purchasing

1. Need recognition: unmet needs (satisfied by purchase)
2. Information search: personal/ commercial/ public (experience/ price/importance/ urgency)
3. Evaluation of attributes: (styles, brand name, prices, functions, designs)
4. Purchase decision: situational factors (changes)/ interpersonal influences (opinions)
5. Past-purchase behaviour: loyal (repurchase, recommend) vs switch (criticise/ complain/ legal)

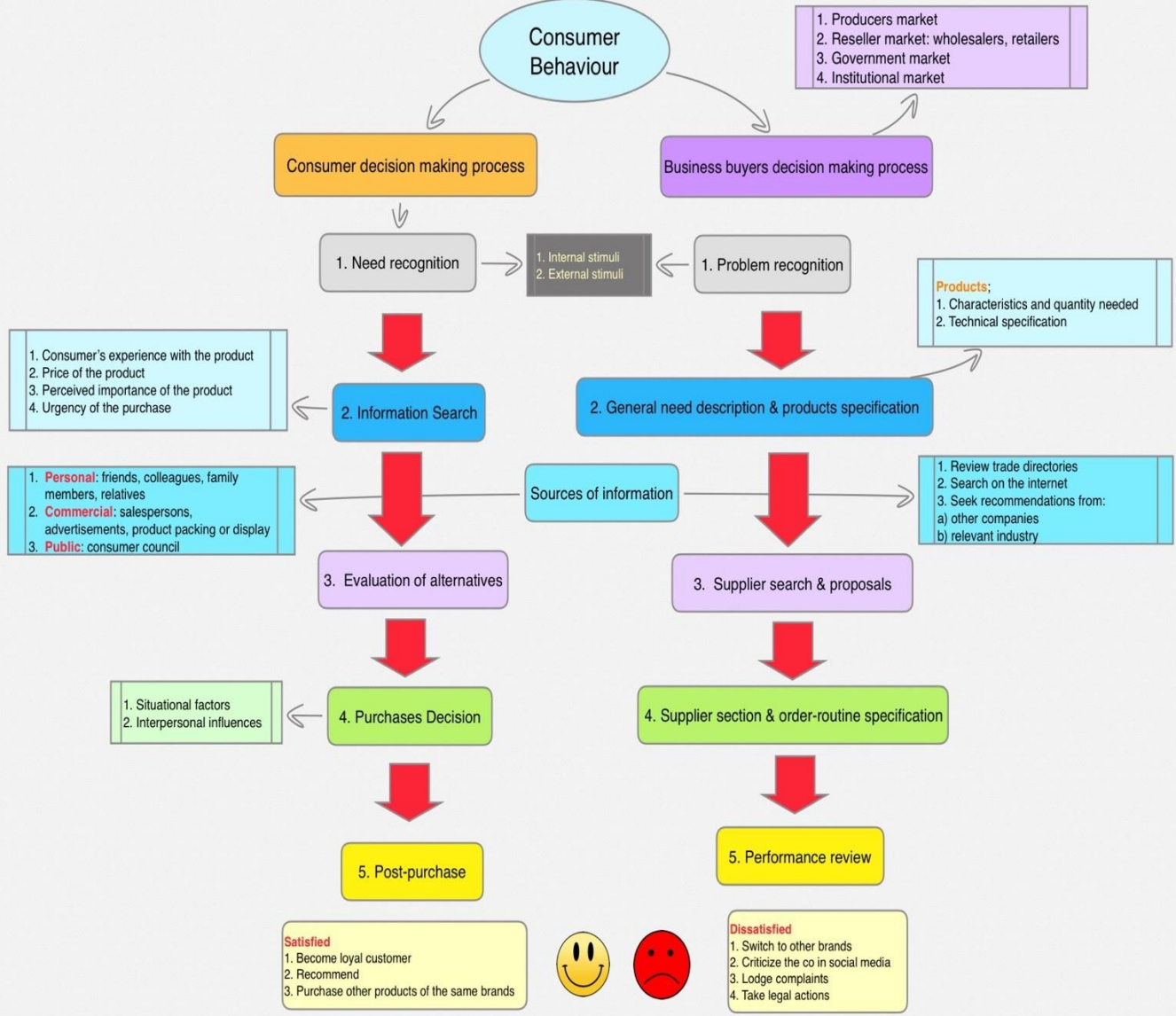
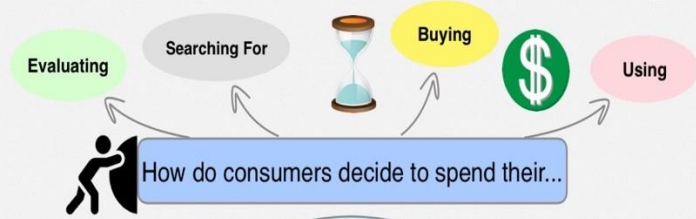
**B. Business market:** business buyers: operating organisation (/ organisational consumers )

i. Types of business market

1. **Producers market:** support production
2. **Reseller market:** resell for profit
  - Wholesalers 批發: purchase from producers then resell to retailers
  - Retailers 零售: purchase form wholesalers then resell to consumers
3. **Government market:** department's operations (tenders: formal offer to supply at stated price)
4. **Institutional market:** operations of non-profit making public/ private institutions

ii. Process of business market

1. Problem recognition
2. General need description & products specification
3. Supplier search & proposals
4. Supplier section & order-routine specification
5. Performance review (continue/ discontinue/ modify)



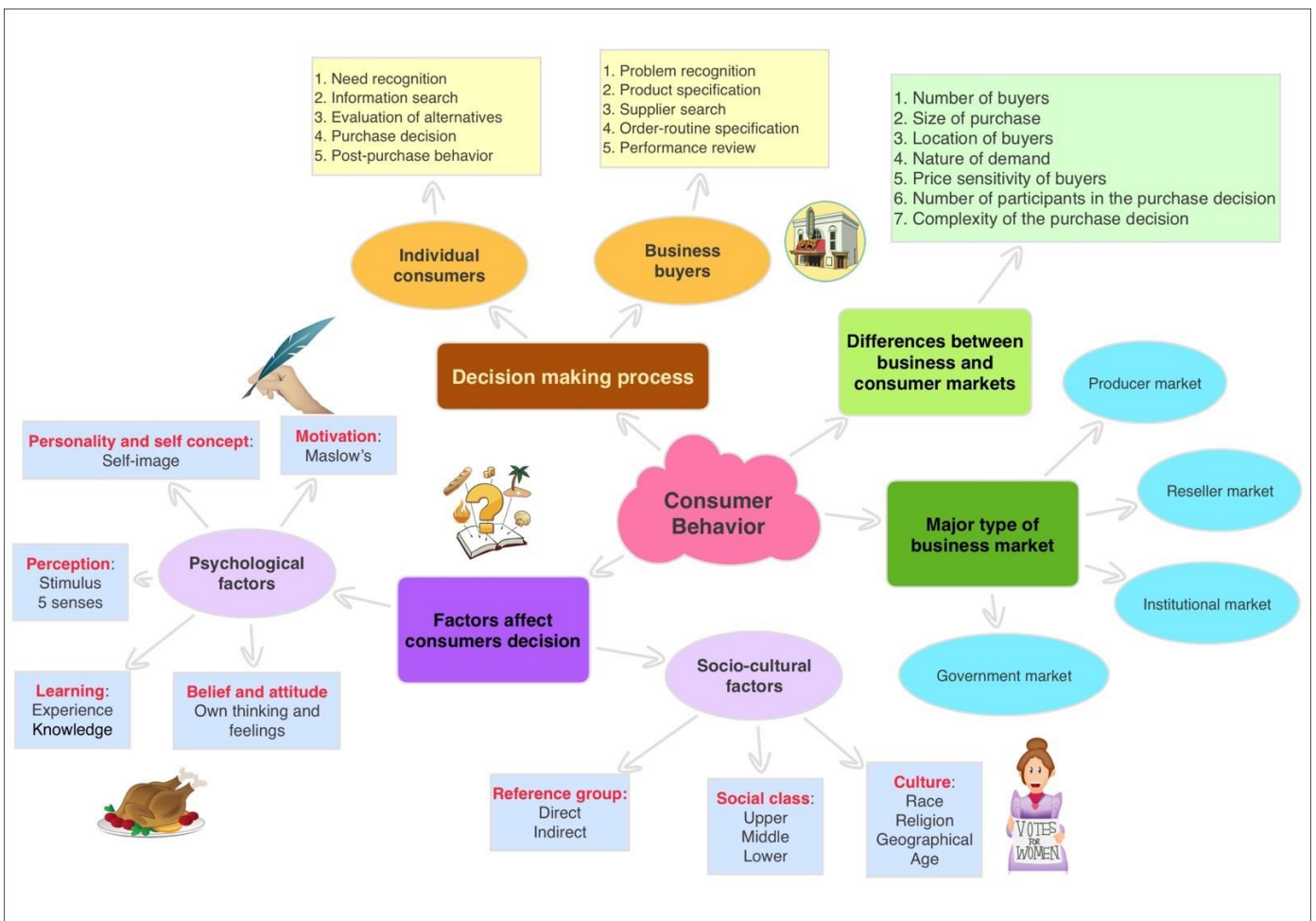
### C. Factors affecting consumer decision

#### 1. Socio-cultural (interpersonal influences)

- i. Social class: upper-middle, middle, lower-middle, working class
- ii. Reference group: direct (e.g. friends & families), indirect (e.g. spokesperson 代言人)
- iii. Culture: race, religion, location, age

#### 2. Psychological (mental characteristics)

- i. Personality & Self-concept
- ii. Perception: stimuli (5 senses)
- iii. Learning: knowledge & experience
- iv. Belief & Attitude: evaluations & feelings
- v. Motivation: Maslow's Hierarchy of Needs Theory



# Marketing Management Chapter 4—Segmentation, Targeting and Positioning

## STP

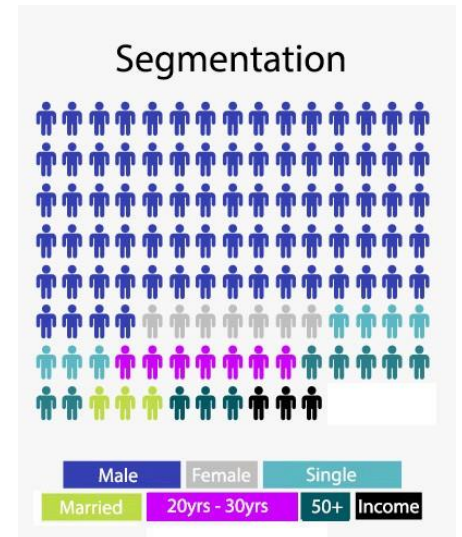
- **Market segmentation:** dividing market into distinct groups which will require separate marketing mixes
- **Target marketing:** choosing which group(s) to appeal to
- **Market positioning:** creating a clear, distinctive position in the consumer's mind relative to competition



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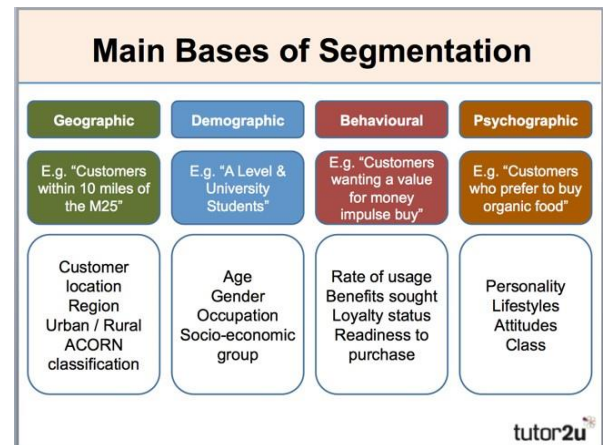
Jahanzaib Yousaf

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### A. Segmentation – grouping consumers by distinct needs, characteristics and consumption patterns

- (a) **Geographic:** world region [Asia] / country [China] / region or city within country [HK]
- (b) **Demographic:** age/gender/income/occupation/region/nationality/family size
- (c) **Psychographic:** Social Class/lifestyle [e.g organic food. Health conscious]/personality: outgoing



**MARKET SEGMENTATION CONT....**

- ▶ **GEOGRAPHIC SEGMENTATION.**
- **INTERNATIONALLY:** Coke segments its products country wise and region wise.
- The most important things is the taste and quality.
- It varies according to the taste and income level of the people in that country. I.e.: third world countries are given low quality and taste.

- (d) **Behavioural:** usual rate [users: light, medium, heavy], occasion: special festivals, benefit sought [e.g. toothpaste: different protections]
- customer loyalty [commitment to repurchase continuously]

Geographic	Demographic	Psychographic	Behaviouristic
<ul style="list-style-type: none"> <li>• Worldwide</li> <li>• Density - Urban</li> </ul>	<ul style="list-style-type: none"> <li>• Income - Wealthy £182,100 +</li> <li>• Occupation - Top Executives and professional Racers</li> </ul>	<ul style="list-style-type: none"> <li>• Social Class - Upper middles and Upper uppers</li> <li>• Personality - Ambitious</li> </ul>	<ul style="list-style-type: none"> <li>• Occasions - Special occasions and Holidays</li> <li>• Loyalty status Strong or absolute</li> <li>• Low or No price sensitivity</li> </ul>

**B. Target Marketing-evaluating attractiveness of each segment and enter one or a few of them**

**I. Evaluation of Segments**

- (a) **Operating characteristics:** competitors, substitutes, suppliers and buyers [bargaining power]
- (b) **size and growth rates:** current sales, expected profitability
- (c) **objectives and resources:** financial strengths, required capital investment [e.g. payback period]

**II. Selection strategies**

**(a) undifferentiated marketing – ignore segment differences and target whole market with one product**

[mass marketing: Global, ubiquitous brands ] \* efficient: focus resources \* can't satisfy employee

Ch # 7-Segmentation, Targeting & Positioning

**Segmentation strategies**

- Undifferentiated: Ignore segments
- Concentrated or focused: Concentrate on a single segment (Small firms)
- Differentiated: Different marketing mix for each segment (Large firms)



**Undifferentiated Marketing (Mass Marketing)**

- Appeals to a broad spectrum of people
- Efficient due to economies of scale
- Effective when most consumers have similar needs



**(b) differentiated marketing – select several segments and tailor products for each segment**

\* better serve customers \* sales revenue increases \* operating costs increase: separated efforts

**Differentiated (Segmented) Marketing**

- Targets several segments and designs separate offers for each.
- firms that produce numerous products w/ dif marketing mixes designed to satisfy smaller segments
- Coca-Cola (Coke, Sprite, Diet Coke, etc.)
- Procter & Gamble (Tide, Cheer, Gain, Dreft, etc.)
- Toyota (Camry, Corolla, Prius, Scion, etc.)



**Differentiated(segmented) Marketing**

Five major segments:

1. **Jeanswear**
2. **Imagewear (workwear)**
3. **Outdoor**
4. **Sportswear**
5. **Contemporary Brands**



Each Colgate Total® Formula Fights Plaque Germs for 12 hours and Helps Prevent

- ✓ Plaque
- ✓ Gingivitis
- ✓ Tartar Build-up
- ✓ Cavities
- ✓ Bad Breath



**Advanced Whitening**  
Removes 80% of surface stains\*\*\*



**Advanced Clean**  
Helps maintain a dentist-clean feeling



**Advanced Fresh**  
Helps reduce over 80% more bad breath germs\*



**Gum Defense**  
Reduces plaque germs that cause gum problems



**Enamel Strength**  
Strengthens tooth enamel





## C. Positioning – creating image for products and projecting it to consumers’ minds

- \* differentiation
- \*help formulate strategies
- \* easier for consumers to remember product

#Steps:

### 1) Identify Competitive Advantages [differentiation]

- \*product[physical]
- \*service[quality]
- \*people[Training]
- \*channel[delivery]
- \*image[promotion]

#### Segmentation Types

##### 1. Product Differentiation:

Adopting and launching different versions of the offering so they may attract various segments of the mass market. (Pantene, Mobile packages)

- ✓ Research focused on product development
- ✓ Mature markets with perfect competition



Ordering  
Ease



Delivery

#### Services Differentiation

- When the physical product cannot easily be differentiated, the key to competitive success may lie in adding valued services and improving their quality.

#### Bases of Service Differentiation

#### People Differentiation

- Companies can **hire and train better people than their competitors** do. People differentiation requires company select its *customer-contact people* carefully and train them well.

- **Singapore Airlines** has an excellent reputation, largely because of the grace of its flight attendants.



## Market Segmentation

1. Identification of customers' needs and market segments
2. Develop profiles of resulting market segments



## Identification of Target Markets

3. Evaluation of attractivity of each segment
4. Selection of target segments



## Positioning

5. Identification of differential advantages in each segment
6. Development and selection of positioning concepts



## Marketing Planning

7. Development of a marketing mix for each segment according to the chosen position

### 2) Select Right advantages

- \*distinctive[unique: others don't have]
- \*important[valuable to customers]
- \*communicable[let c know]
- \* superior[hard to get same benefits]
- \*preemptive [hard to copy]
- \*affordable
- \*profitable

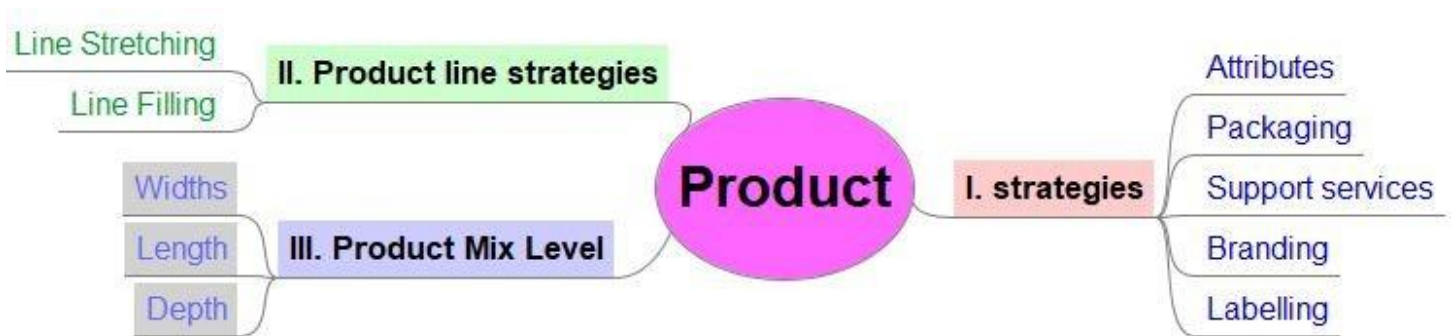
### 3) Design Positioning Statement & Communicate to Consumers

- \* target consumers
- \*brand/product
- \* unique benefits

## A. Product [combination of goods & services offered]

### I. Individual product Level (items)

- (a) **Product Attributes** [benefits to deliver]: *superior* quality, *unique* features, style, design: *well/trendy*
- (b) **Branding**: name, symbol, image: *Prestige, well-known*
- (c) **Packaging**: design, product container/wrapper → protect/contain + recognize brand name
- (d) **Labelling**: material attached → describe products' features/functions, promotion, legal requirements
- (e) **Product support services**: software installation, repair, refund, training



### II. Product Line Level (groups of items)

↳ **same line**: similar production requirements & satisfy similar needs of same target market

- (a) **Line stretching** [new consumers]: *add new items*: downward (lower-end) & upward (higher-end) cover more market segment!
- (b) **Line filling** [existing consumers]: *expand current product line*: more choices & keep competitors away

### III. Product Mix Level:

**widths** (total product lines), **length** (total product items), **depth** (variations of items)

## B. Price [setting amount to pay for product] (profitable vs reasonable)

### I. Internal Factors

#### (a) Marketing Objectives

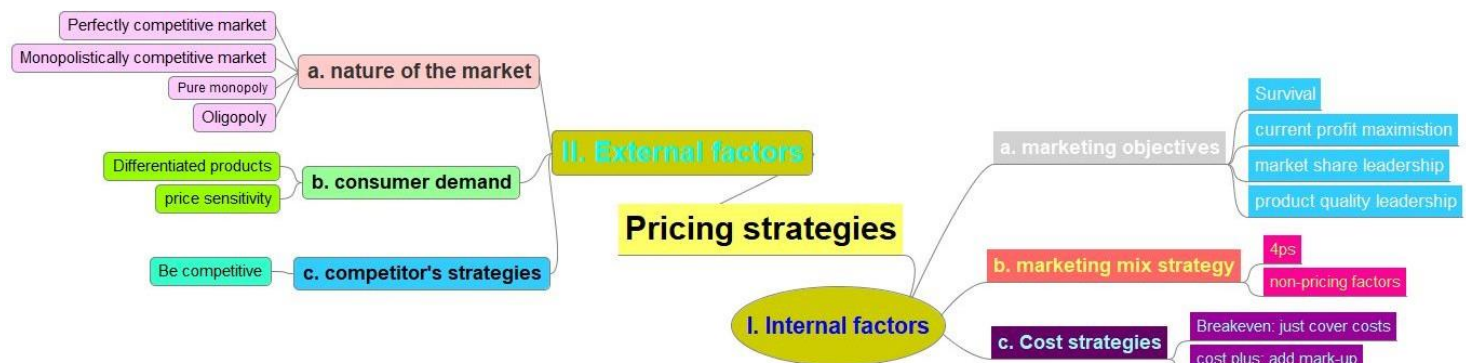
(set **low price** to retain customers and maintain cash flow → promote customers' trials)

- **Survival:** lack resources → low price → keep customers & cash flow
- **Market share leadership:** long-run profits → low price to *maximize market share*  
(Set **high price** to maximize current profits in the short run, e.g high tech, highly differentiated product or to cover research and development cost)
- **Product quality leadership:** project HQ image → high price
- **Current profit maximization:** high price

(b) **Costs:** covered all costs (**breakeven pricing**  $TR = TC$ ) → then generate profits

**Cost-plus pricing:** add a mark-up to the costs

(c) **Marketing mix strategy:** focus on NON-price Factors: 4ps



### II. External factors

#### (a) Market nature

- **Perfectly competitive:** many sellers & buyers → **undifferentiated** → all follow each other's pricing
- **Monopolistically competitive:** many seller & buyers → **highly differentiated** → freedom
- **Pure monopoly:** only 1 seller → lack competition → freedom [✓ substitutes & government monitoring]
- **Oligopoly:** a few sellers → aware of each other

#### (b) Consumer demand:

willingness to pay for benefits: highly differentiated products → less price sensitivity

(c) **Competitors strategies:** interdependence

III. **Price range** (competition): Price ceiling [max. demand] ↔ Price floor [min. costs]

### IV. New products

(a) **Market skimming pricing:** high initial price (*max profit first*) → ✓ attract those who are willing to pay willingness (consumers) → gradually reduce the price ↓

(b) **Market penetration pricing:** low initial price → ✓ attract a larger no. size → (consumers) → build large market share



## C. Place [activities to ensure availability of products] (distribution, intermediaries)

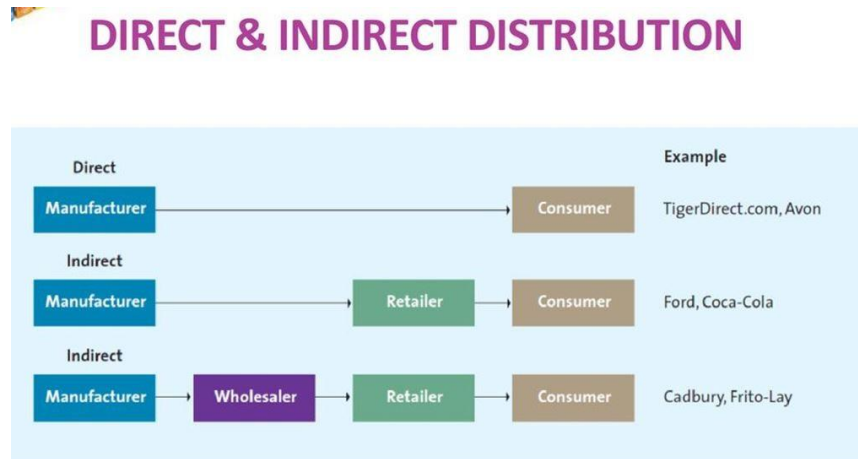
↳ Marketing channel – set of interdependent organisations for making product available to use or consume

### I. Functions performed by channel members

- (a) transport the product      (b) stock holding and storage      (c) provide market information  
 (d) promote the product      (e) display products for sale

### II. Common channel members

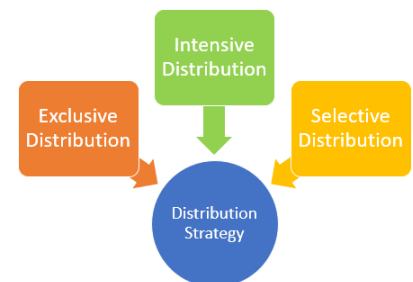
- (a) **Retailer:** outlets → purchase from wholesalers  
 (b) **Wholesalers:** stock → purchase from manufacturers → resell to retailers  
 (c) **Distributors/dealers:** limited range of stock [risk: poor sales] → similar with wholesalers  
 (d) **Agents:** don't purchase products → sell on behalf of manufacturer → commission



### III. Steps to design a marketing /distribution channel:

#### 1. Consumer need analysis: (find out what customers want)

- \* transaction/ delivery time (the faster the better)
- \* product variety (the more the better)
- \* locations (conveniently located outlets: shopping mall)
- \* purchase mode (by phone, in person via the internet)
- \* add-on services (credit, delivery, installation, repairs)



#### 2. Channel objectives: desired service levels provided by the firm

- \* nature of the company: financial resources available → own salesforces, retail outlets
- \* product characteristics: fresh fruit, dairy product (direct channel), appliances (indirect channel)
- \* competitor's strategies: do the same as your competitors

#### 3. Types of intermediaries

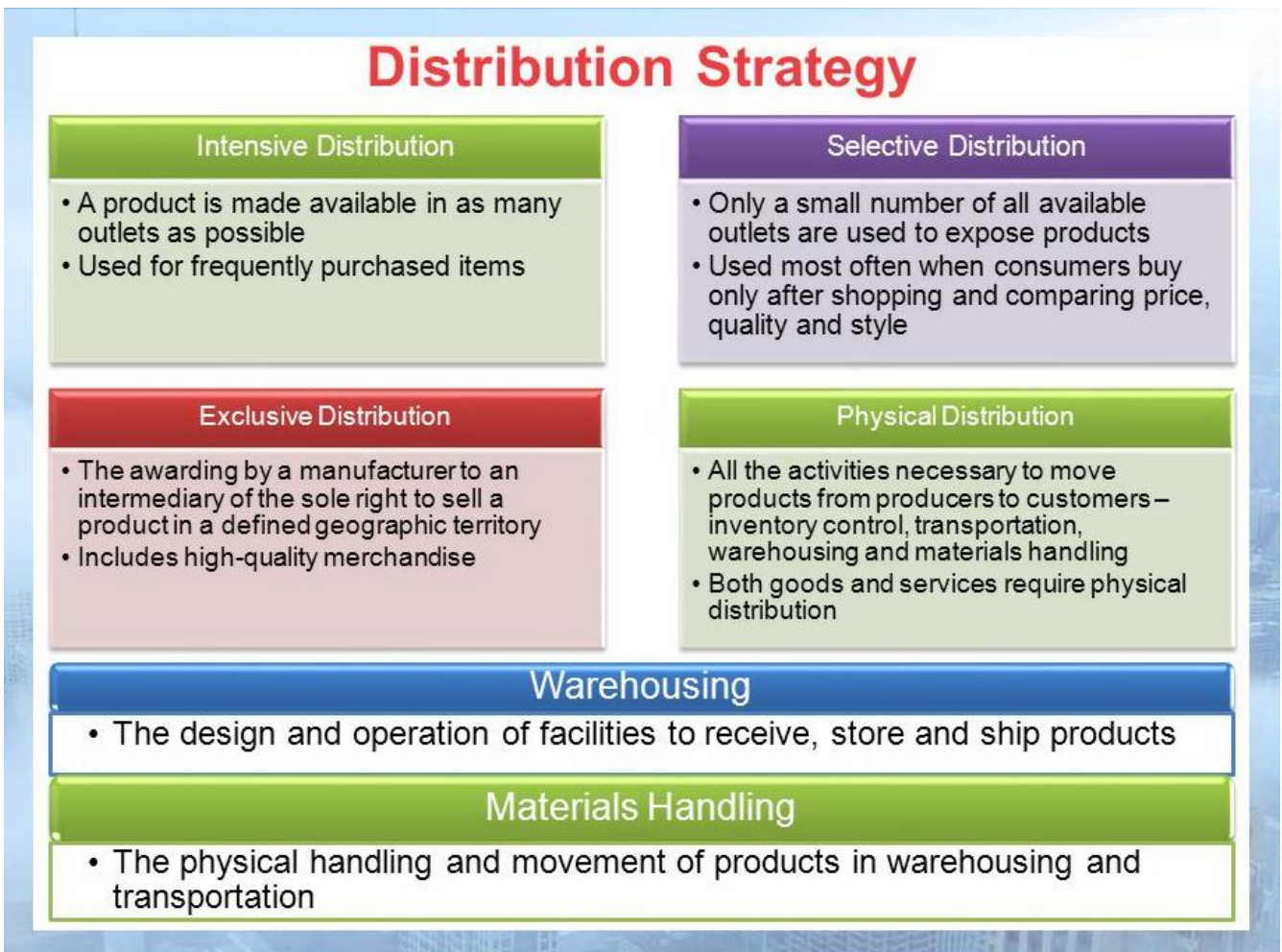
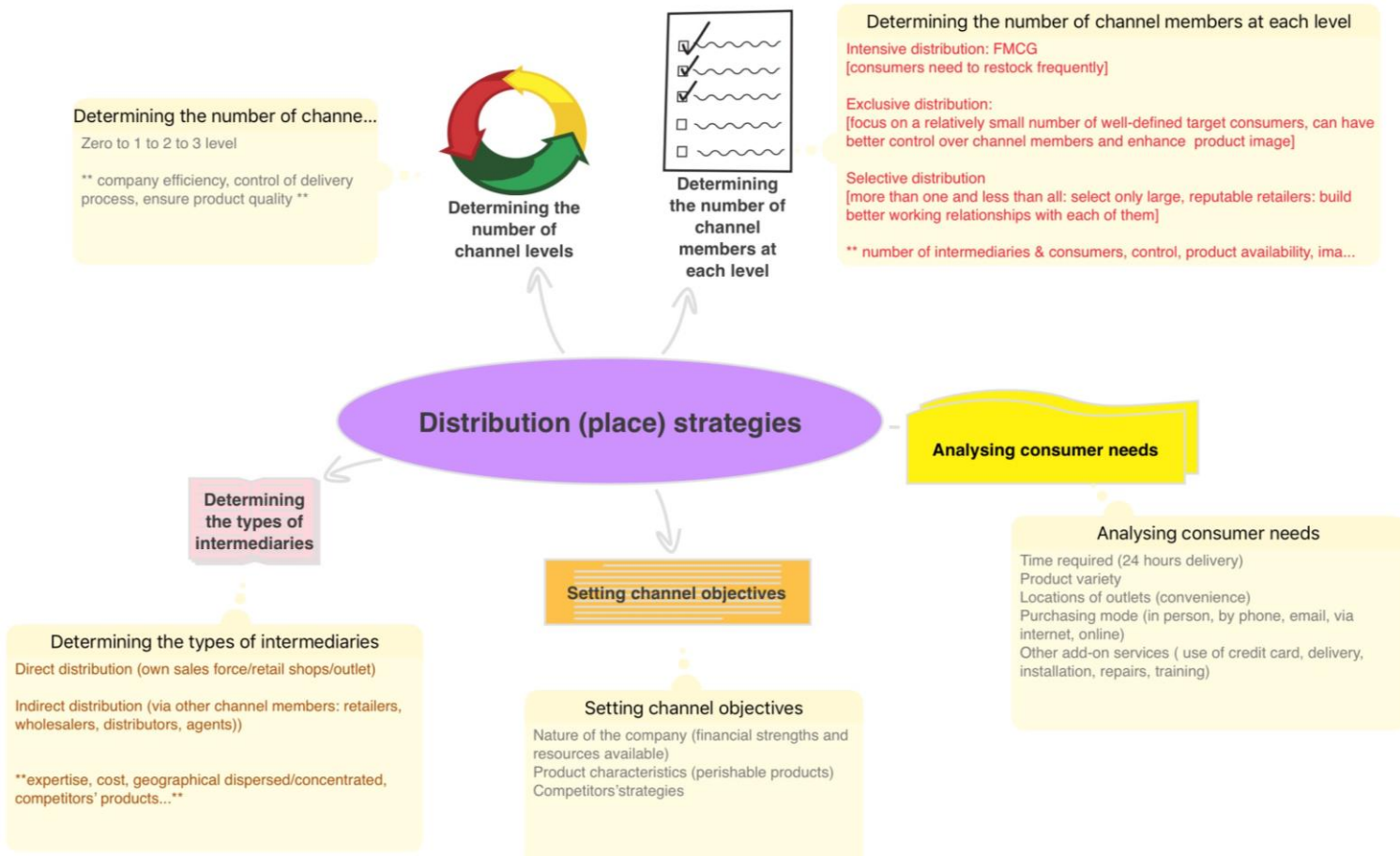
##### (a) **Direct distribution: own sales force**

↳ unique expertise, lack of channel members to handle your products, consumers are geographically concentrated, don't want to use those intermediaries who also handles 'competitors' products'

##### (b) **Indirect distribution: needs others to help**

↳ high costs, lack expertise and resources, consumers are geographically dispersed [cost-effective↓]

#### 4. No. of channel levels: no need approach one by one → efficient → can't too many



	Intensive Distribution	Selective Distribution	Exclusive Distribution
<b>Objective</b>	Achieve mass market selling	Work with selected intermediaries.	Work with single intermediary.
<b>Intermediaries</b>	As many as possible As Many outlets as possible	Some/ Several <i>Using more than one but less than all possible distributors</i>	Limited number Maybe one Award the sole right to sell a product in a defined geographic territory
<b>Control</b>	low	medium	high
<b>No. of consumers</b>	large	medium	small
<b>Types of products</b>	Convenience goods / fast moving consumer goods (FMCG) e.g. Coke, Duracell batteries, shampoos, conditioners, sweets, toothpaste	Shopping and specialty goods e.g. iPads, TV, DVD players, shoes	Specialty goods and industrial equipment or high quality merchandise e.g. luxury cars / branded clothing e.t. BMWs, Fendi handbags
<b>Strategic consideration</b>	Wide availability	Working relationships	Image [high-end]



## D. Promotion [activities to communicate merits of products & persuade for purchase]

1. **Target audience**
2. **Communication objectives** [desired responses]: awareness, purchase(interest/desire/actual)
3. **Communication message**
  - (a) **Content** [attention/feelings]: needs → practical/ functional/ social/ psychological
  - (b) **Structure** [expression]: conclusion [definite vs own], perspectives [strengths vs weaknesses]
  - (c) **Format** [media]
  - (d) **Source** [presentation unit]
4. **Budget**
5. **Promotion mix tools** [consider: business/ consumer markets]
  - (a) **Advertising**: non-personal [mass media e.g. consumer (TV/radio), newspaper, magazine]
  - (b) **Sales Promotion**: short-term incentives to encourage purchase/ trial [e.g. coupons, gifts, samples]
  - (c) **Public relations**: image/ unfavourable events [e.g. donations, sponsorship, press conference]
  - (d) **Personal selling**: salespeople’s personal presentation to clients [e.g. insurance]
  - (e) **Direct marketing**: direct connections [phone/ mail/ email/ Internet] (customer database)

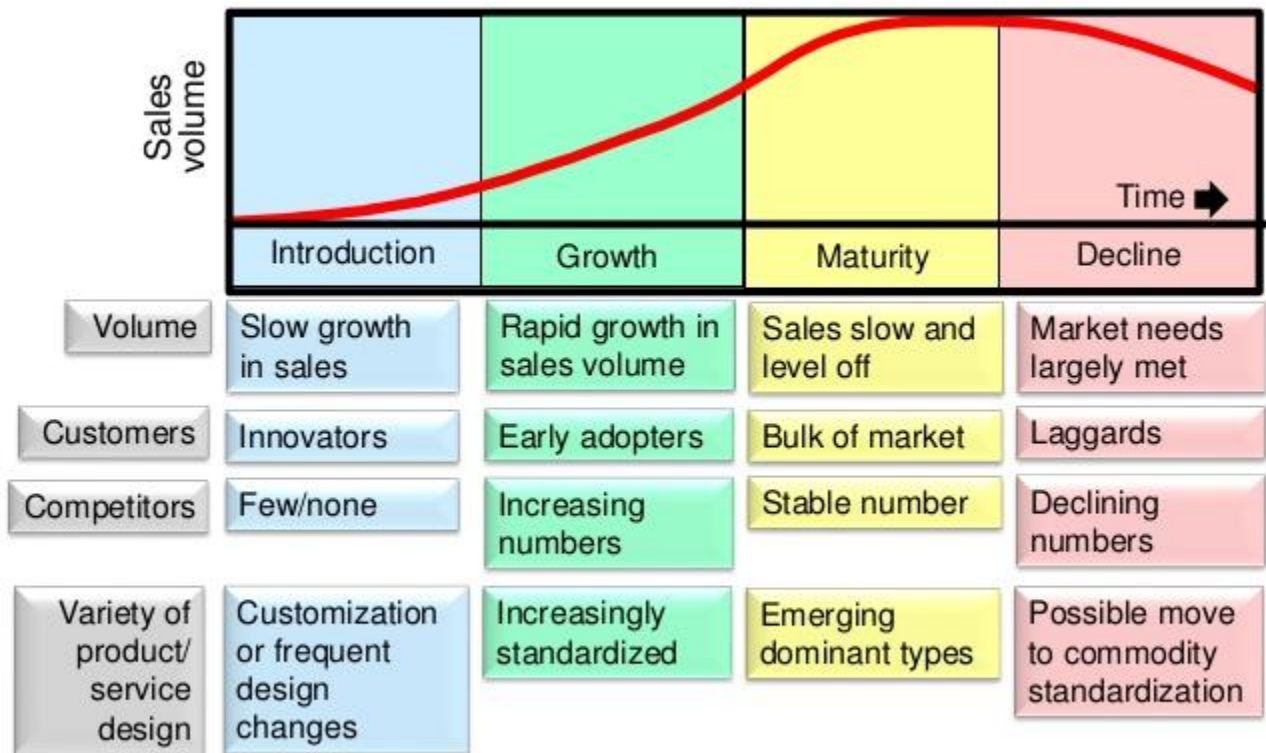
	Advantages	Disadvantages
<b>Advertising</b>	<ul style="list-style-type: none"> <li>• Many geographically dispersed consumer</li> <li>• Repeat</li> </ul>	<ul style="list-style-type: none"> <li>• One-way communication</li> <li>• Expensive</li> </ul>
<b>Sales promotion</b>	<ul style="list-style-type: none"> <li>• Attention</li> <li>• Strong purchase intention</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term effects</li> <li>↳ ✗ long-term preference/ customer relationships</li> </ul>
<b>Public relations</b>	<ul style="list-style-type: none"> <li>• Long-term image</li> </ul>	<ul style="list-style-type: none"> <li>• Unguaranteed immediate/ direct positive effects on short-term revenues</li> </ul>
<b>Personal selling</b>	<ul style="list-style-type: none"> <li>• Preference &amp; motivation to purchase</li> <li>• Long-term customer relationship [interactions]</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive [maintain customer relationships]</li> </ul>
<b>Direct marketing</b>	<ul style="list-style-type: none"> <li>• Immediate responses</li> <li>• One-to-one customer relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Can’t observe non-verbal cues</li> </ul>

6. **Communication result measurement**: recognition, feelings, attitude, behavioural changes



## E. Product Life Cycle (PLC) – five distinct stages in product’s life span

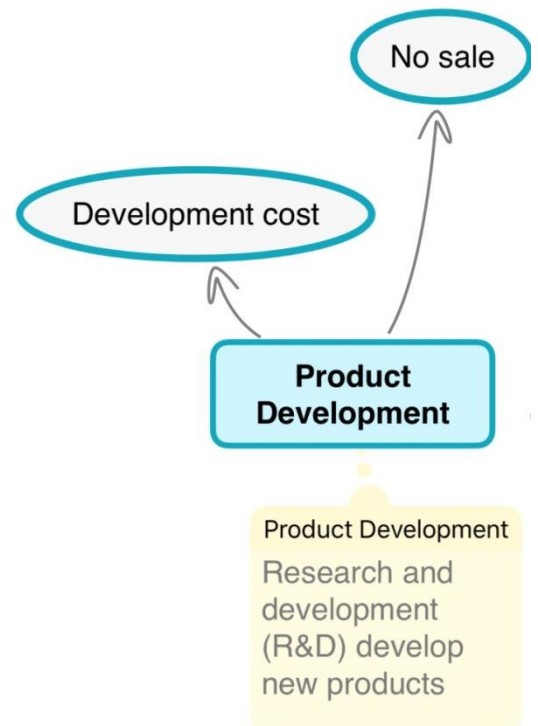
### 1. Product development: new idea → product [no sales, costs > profits, no 4Ps]



### Examples of the Different Stages in the Product Life Cycle: Consumer Electronics



**Apple’s launch of iWatch expected to fuel growth of global wearable technology market**





## 2. Introduction: newly introduced

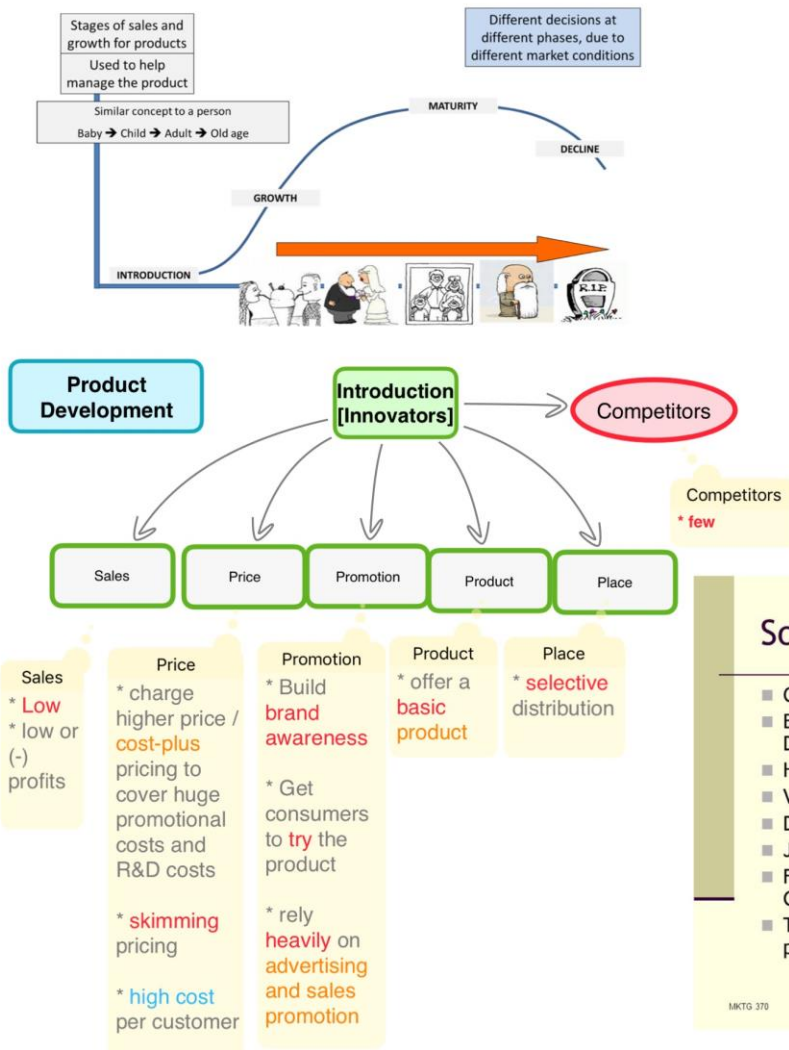
- Slow sales growth [takes time to accept] → limited profits [heavy expenses]
- Only innovators (willing to try new) → high average cost
- 4Ps [brand awareness + consumer trial]

**Product:** basic version [low acceptance]

**Price:** cover promotional costs

**Place:** selective distribution → lower Costs

**Promotion:** heavy [advertising & sales promotion]



## Introduction Stage of the PLC

### Summary of Characteristics, Objectives, & Strategies

Sales	Low sales
Costs	High cost per customer
Profits	Negative or low
Marketing Objectives	Create product awareness and trial
Product	Offer a basic product
Price	Usually is high; use cost-plus formula
Distribution	High distribution expenses
Advertising	Build product awareness among early adopters and dealers

## Some PLC Stage Examples

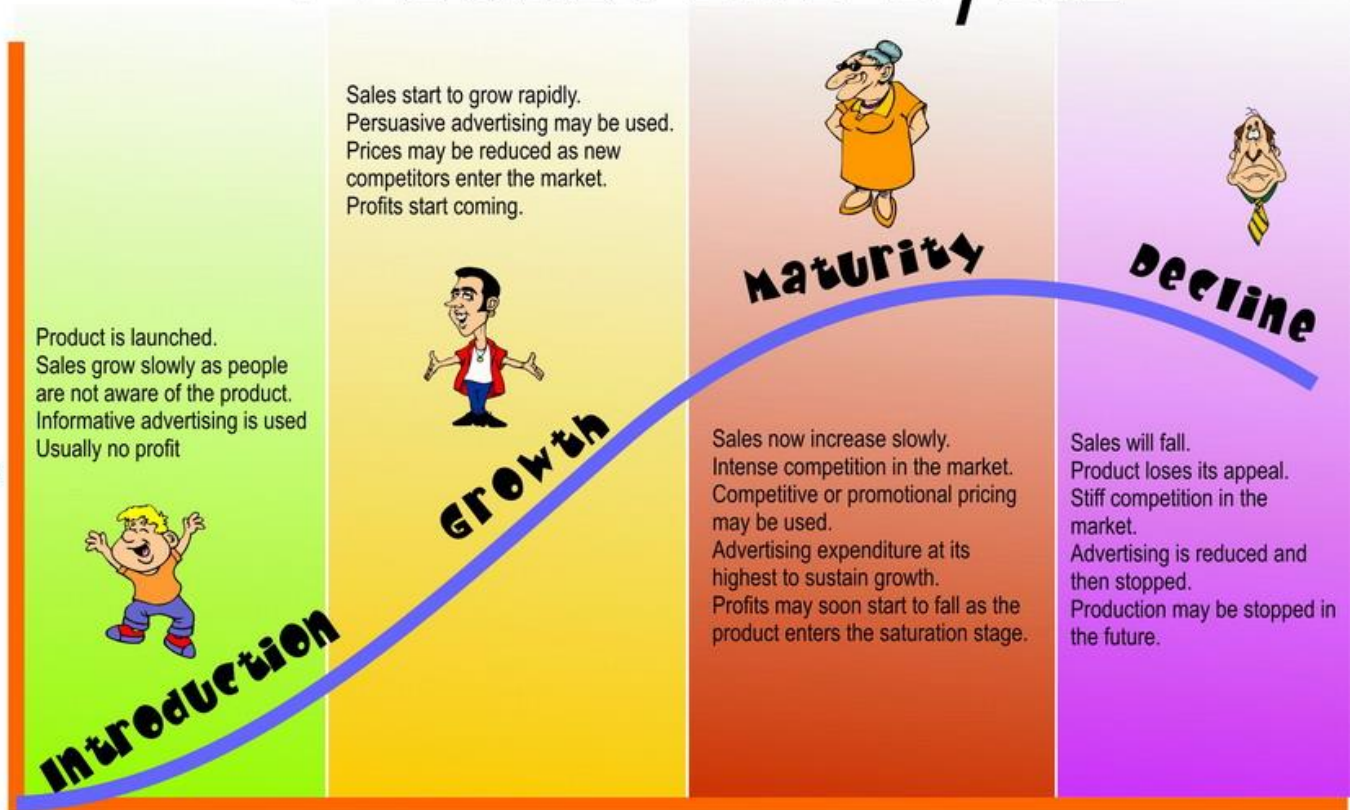
- Color TVs: Maturity
- Black and white TVs: Decline
- HDTV: Growth
- VCRs: Decline
- DVD players: Growth
- Jeans: Maturity
- Fast food: Growth/maturity
- Traditional photography: Maturity
- Digital photography: Growth
- Fax machines: Maturity
- Internet access (U.S.)
  - Dial-up: Mature
  - DSL, Cable: Growth
- Travel agencies: Decline
- Autism education: Introduction
- Cranberry juice: Revitalization

MKTG 370

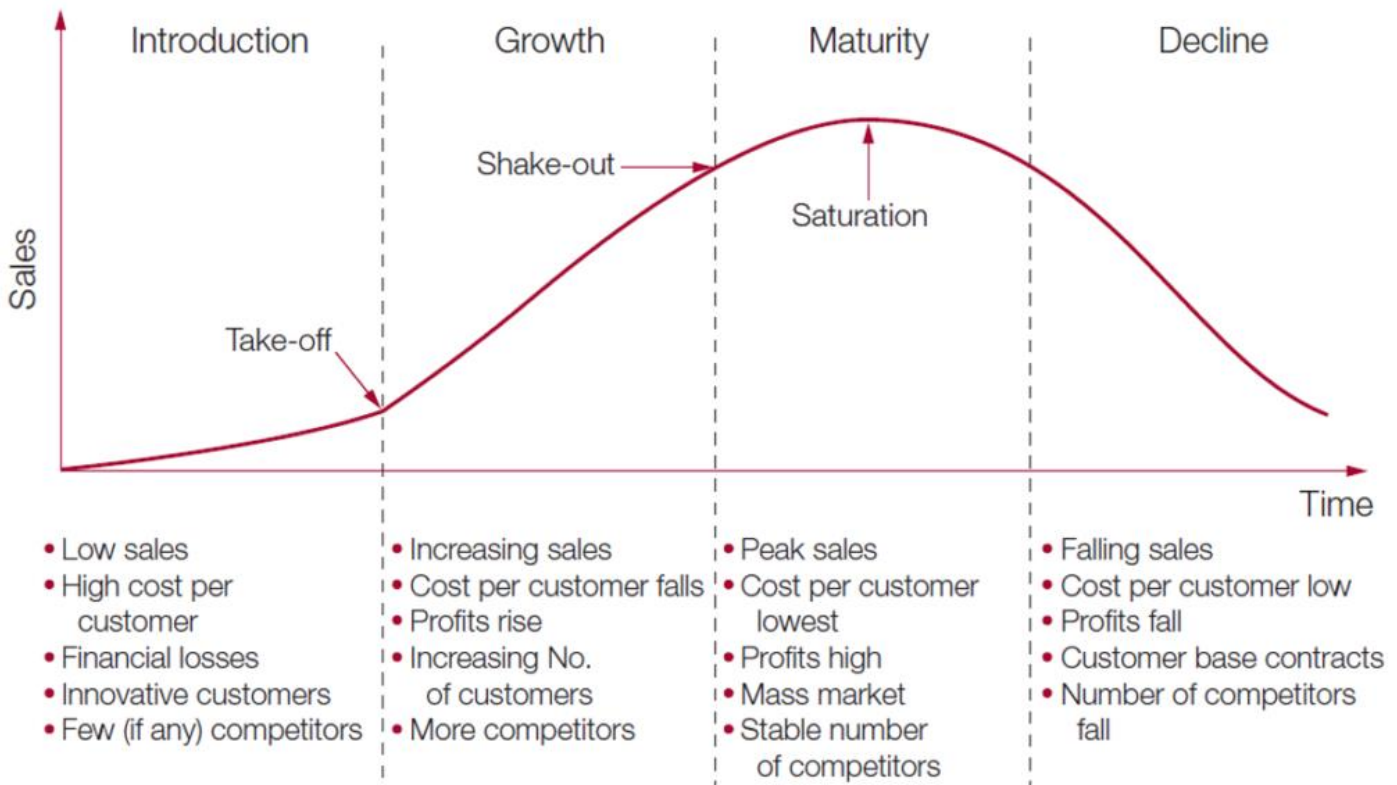
PRODUCT

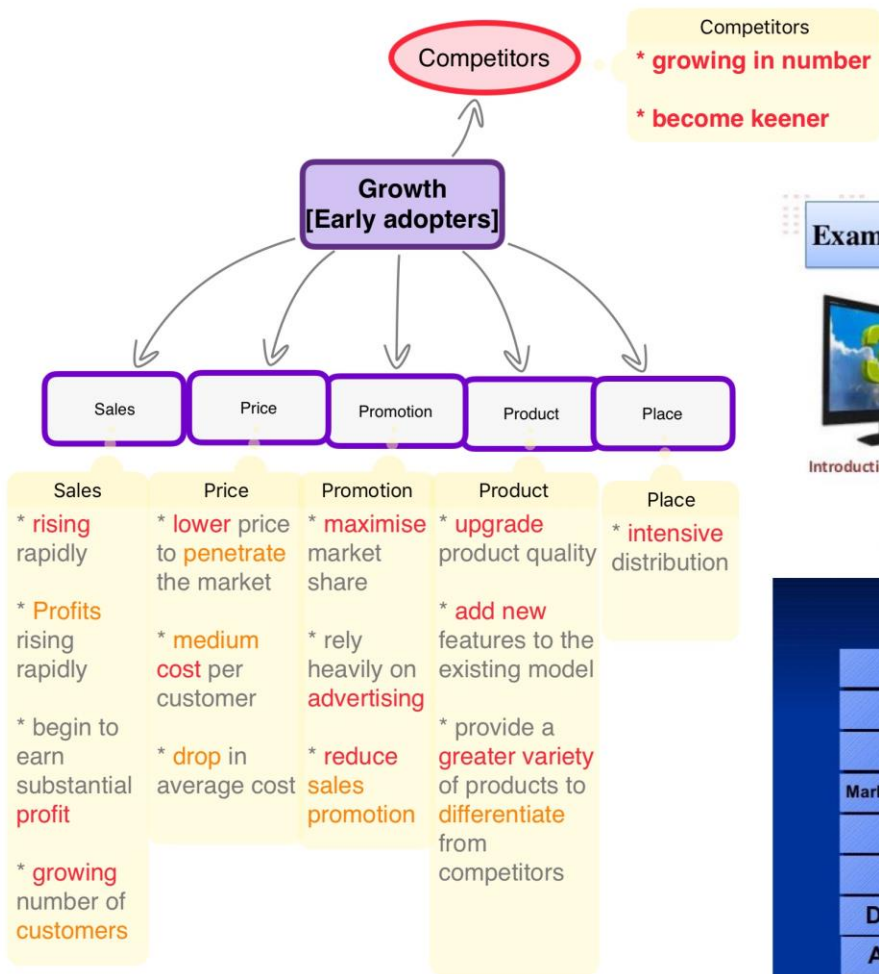
Lars Perner, Instructor 10

# Product Life Cycle



## The 4 Life Cycle Stages and their Marketing Implications





<b>Sales</b>	Rapidly rising sales
<b>Costs</b>	Average cost per customer
<b>Profits</b>	Rising profits
<b>Marketing Objectives</b>	Maximize market share
<b>Product</b>	Offer product extensions, service, warranty
<b>Price</b>	Price to penetrate market
<b>Distribution</b>	Build intensive distribution
<b>Advertising</b>	Build awareness and interest in the mass market

### 3. Growth: widely accepted

- Awareness ✓ → consumers ↑ (early adopters) → sales & profits ↑ rapidly → competitors ↑
- Production volume ↑ → meet demand → average cost ↓
- 4Ps [maximize market share before competitors ↑]

**Product:** quality/ features → satisfy [existing] + attract [new]

**Price:** more aggressive [lower]

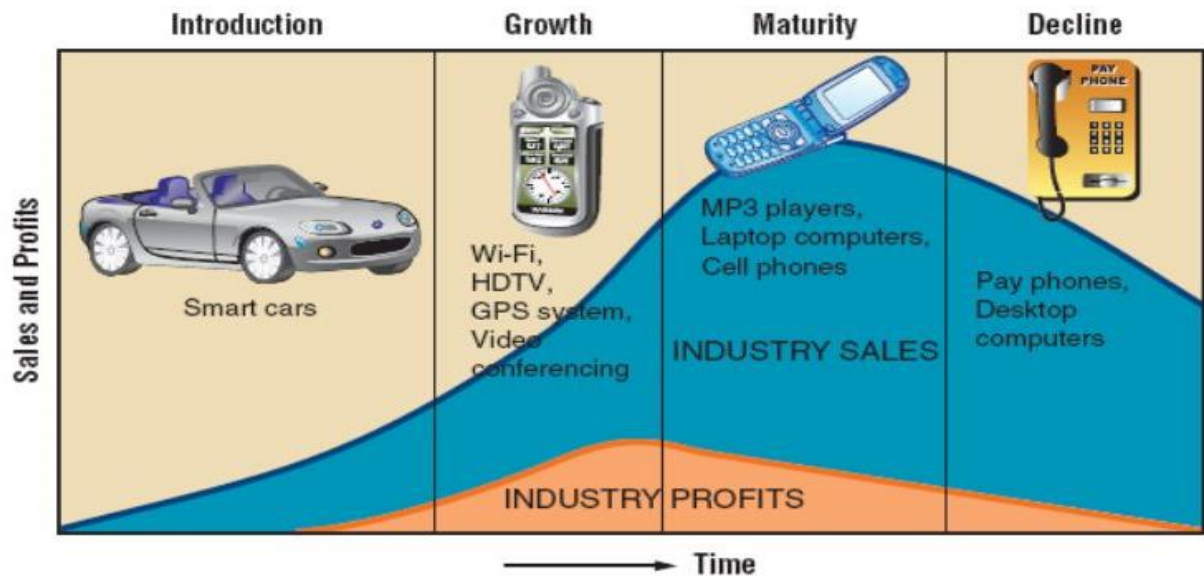
**Place:** channel members ↑

**Promotion:** ✓ advertising, ✗ sales promotion [budget]

# THE PRODUCT LIFE CYCLE

- **Product life cycle** Progression of a product through introduction, growth, maturity, and decline stages.

## Stages in the Product Lifecycle



## Product Life Cycle Examples

**3D Televisions:** 3D may have been around for a few decades, but only after **considerable investment** are 3D TVs available for the home, providing a good example of a product that is in the **Introduction Stage**.



**Blue Ray Players:** With advanced technology delivering the very best viewing experience, Blue Ray equipment is currently enjoying the steady increase in sales that's typical of the **Growth Stage**.



**DVD Players:** Introduced a number of years ago, manufacturers that make DVDs, and the equipment needed to play them, have established a strong market share. However, they still have to deal with the challenges from other technologies that are characteristic of the **Maturity Stage**.



**Video Recorders:** While it is still possible to purchase VCRs this is a product that is definitely in the **Decline Stage**, as it's become easier and cheaper for consumers to switch to the other, more modern formats.



**4. Maturity: sales growth↓ [potential consumers already purchased]**

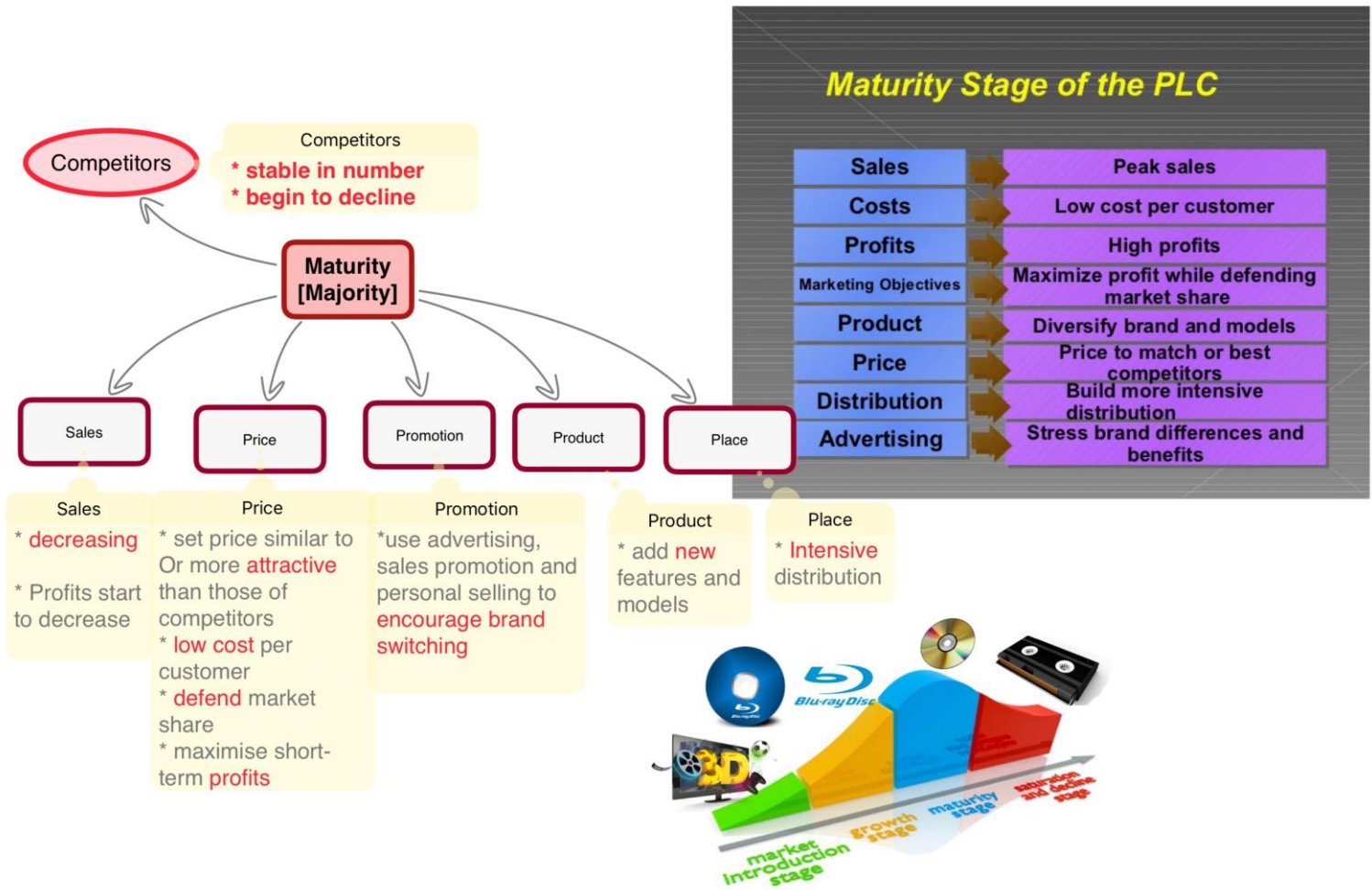
- Competitors/ substitutes↑ → prices↓ & promotion costs↑ → profits↓
- High sales volume → low average cost
- 4Ps [protect market share + maximize short-term profits]

**Product:** differentiation

**Price:** similar with/ lower the competitors → retain consumers

**Place:** intensive distribution

**Promotion:** unique features



## 5. Decline: sales & profits↓ [competitors↓]

- Obsolescence/ consumer tastes/ competition → out of market
- Must keep low average cost
- 4Ps [↓unnecessary expenditure → maximize possible profits]

**Product:** popular models

**Price:** lower → purchases↑

**Place:** selective distribution

**Promotion:** ↓budget + loyal customers

## Decline Stage

- Typewriters



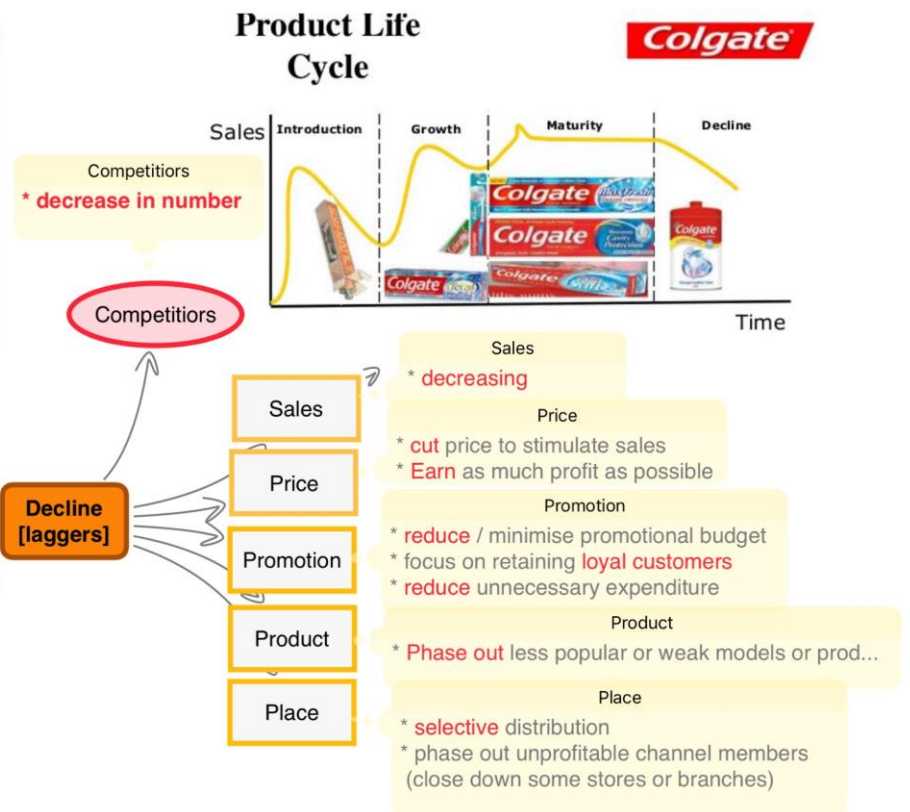
### Decline

- After maturity stage, new products will be available in market to satisfy additional needs. So the decline stage will be entered. The important skill in this stage is to know when to leave the market. The firm reforms their product line.

**New Arrival**

**Decline of Sales of Nokia 1100**

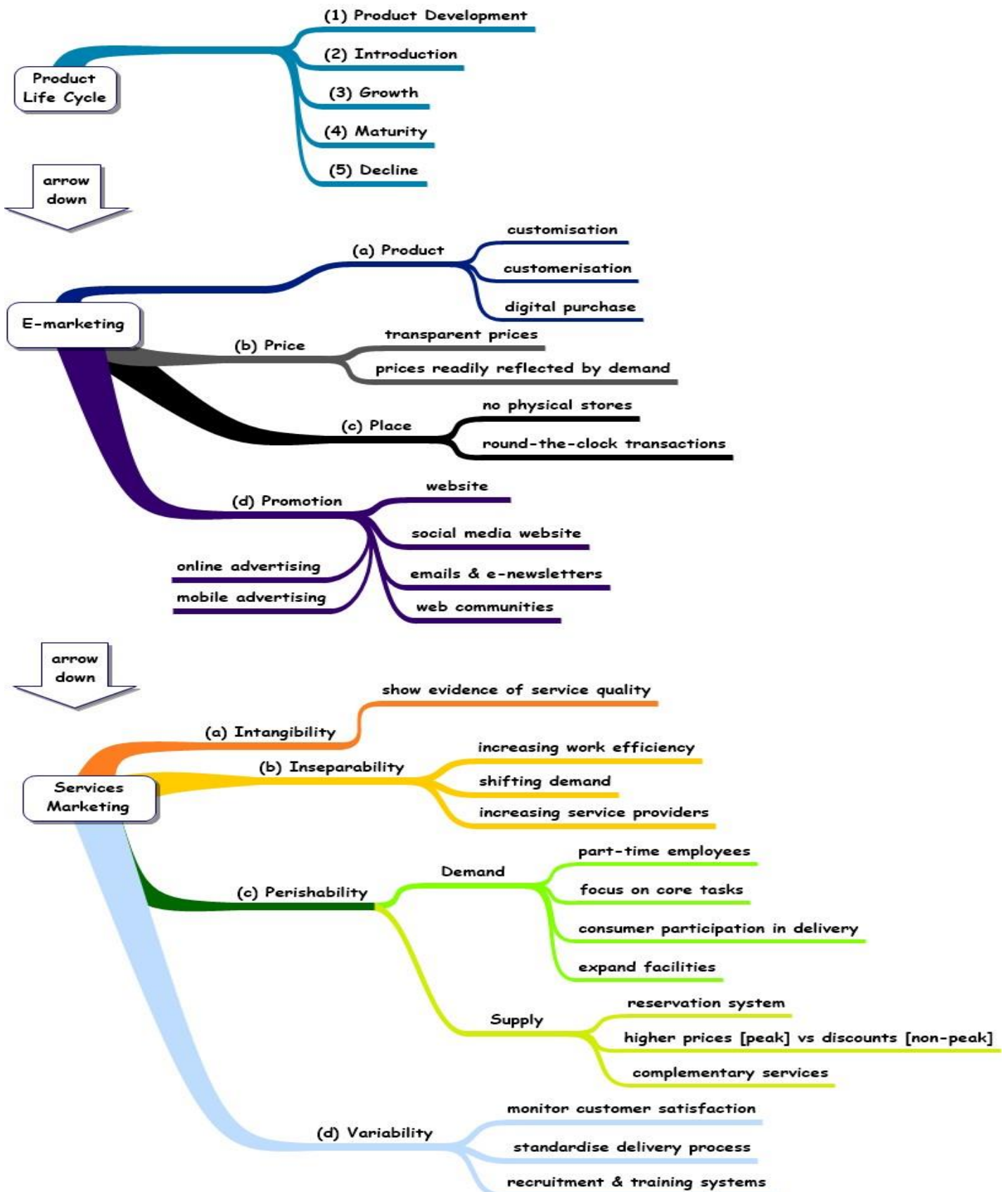
### Decline Stage of the PLC



Sales	→	Declining sales
Costs	→	Low cost per customer
Profits	→	Declining profits
Marketing Objectives	→	Reduce expenditure and milk the brand
Product	→	Phase out weak items
Price	→	Cut price
Distribution	→	Go selective: phase out unprofitable outlets
Advertising	→	Reduce to level needed to retain hard-core loyal customers

10-57

Marketing Chap. 6  
Marketing Strategies for Goods and Services (II)



## F. E-marketing – promote or sell products on Internet (no marketing research/ lower costs)

### I. Product

- **Customisation** – tailor products for consumers based on previous purchase preferences
- **Customerisation** – allow individual consumers to design own products
- Digital purchase – choose items on Internet without physically going to retail outlets  
↳ shopping website: user-friendly, ✗ technical problems, ✓ payment security

### II. Price

- **Transparent**: easily search for information → compare → can't be too high
- **Readily reflected by demand**: interactive → flexible

### III. Place

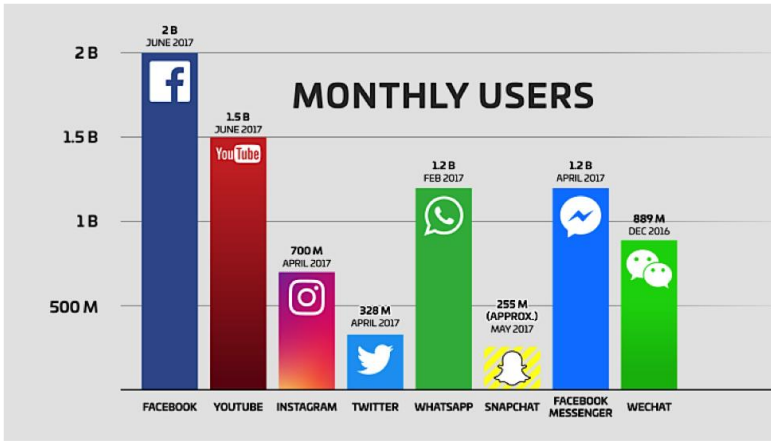
- **No physical stores**: online → capital investment & operating costs ↓
- **Round-the-clock transactions**: no fixed opening hours → anytime → convenient → sales ↑

### IV. Promotion

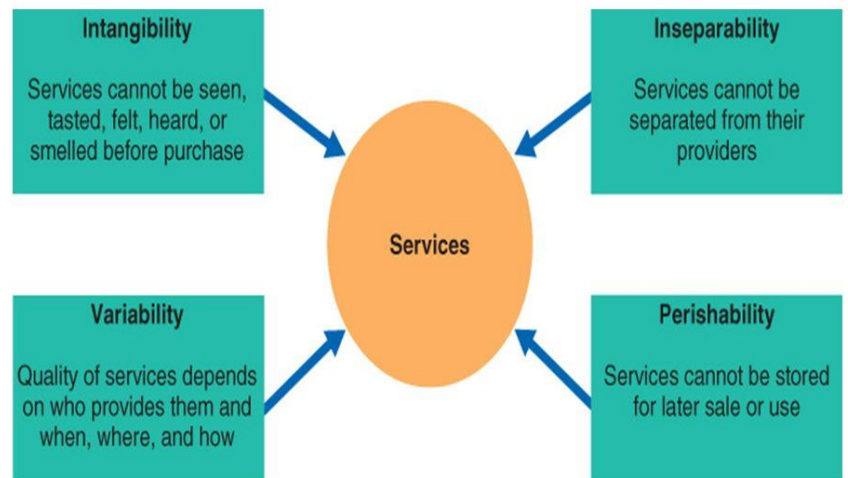
- **Website**: attract + awareness → corporate [goodwill & information] vs marketing [direct promotion]
- **Online advertising** – advertising messages that appear when consumers browse Internet
  - Banner ads & skyscrapers**: top/ side of webpage [tall, skinny]
  - Interstitial**: pop up when changing websites
  - Search-related ads**: searching engines → text-based/ links
  - Social media website**: frequent updates + special offers (e.g. Twitter, FB, IG, and Sina Weibo)
  - Mobile advertising**: SMS/ MMS/ mobile webpages/ applications/ games/ location-specific (GPS)
  - Web communities**: groups of people exchanging news on common interest online [targeting]
  - Emails & e-newsletters**: low costs







## G. Services marketing [4 characteristics] Characteristics of Service Marketing



6

**Table 13.1 Service Characteristics and Marketing Challenges**

Service Characteristics	Resulting Marketing Challenges
Intangibility	<ul style="list-style-type: none"> <li>Difficult for customer to evaluate</li> <li>Customer does not take physical possession</li> <li>Difficult to advertise and display</li> <li>Difficult to set and justify prices</li> <li>Service process is usually not protectable by patents</li> </ul>
Inseparability of production and consumption	<ul style="list-style-type: none"> <li>Service provider cannot mass-produce services</li> <li>Customer must participate in production</li> <li>Other consumers affect service outcomes</li> <li>Services are difficult to distribute</li> </ul>
Perishability	<ul style="list-style-type: none"> <li>Services cannot be stored</li> <li>Very difficult to balance supply and demand</li> <li>Unused capacity is lost forever</li> <li>Demand may be very time sensitive</li> </ul>
Heterogeneity	<ul style="list-style-type: none"> <li>Service quality is difficult to control</li> <li>Difficult to standardize service delivery</li> </ul>

## I. Intangibility – services can't be seen, tasted, felt, heard or smelled before purchase

- Solution: tangible evidence of quality (e.g. certificates, qualifications, display, layout)
- 

### Intangibility...

<ul style="list-style-type: none"><li>• <b><u>Challenges :</u></b></li><li>- Cannot be communicated easily</li><li>- Consumer suspects due to absence of concrete evidences</li><li>- Design of total service package not possible</li><li>- Comparative presentation is not possible</li></ul>	<ul style="list-style-type: none"><li>• <b><u>Strategic Options :</u></b></li><li>- Making the service process tangible to the maximum possible extent</li><li>- Managing and promoting word-of-mouth communication</li><li>- Strengthening internal and external marketing</li><li>- Use of Relationship Marketing</li></ul>
---	---

### Solutions to intangibility problems.

- Use of tangible clues. – assist customer in making service evaluation.  
( insurance advt. in media...)  
( ICICI bank --- strong ATM network...)
- Use of personal source of information.  
( due to lack of objective means of evaluation customer looks to wards friends , family )  
offering incentive to existing customers for roping in new customers)
- Creation of strong organizational brand.  
( results in loyalty i.e. Maruti , Sony)
- In separability–
  - 1.Service provider physical connection to service being provided.
  - 2.Customer’s involvement in the service process.
  - 3.Involvement of other customer in the service process.

**II. Inseparability – production and consumption of service occur at the same time and are inseparable**

- Service provider unavailable at consumers’ most preferred time: can’t obtain services
- Solutions (a) ↑work efficiency: fine-tune/ simplify work procedures
  - (b) ↑service providers [long run]
  - (c) shifting demand: ↑price when prefer particular provider → switch within outlet

## Inseparability...

• **Challenges :**

- Problems of market expansion
- Maintenance of service quality
- Compulsory presence of consumer
- Limited production capacity
- Operation at limited capacity

• **Strategic Options :**

- Minimization of customer interactions
- Innovating techniques of indirect interaction
- Standardization to the maximum possible extent
- Developing distribution network with quality control mechanisms

**INSEPARABILITY EXAMPLE**

- ✓ Taxi operator drives taxi, and the passenger uses it.
- ✓ The presence of taxi driver is essential to provide the service.



<i>Characteristic</i>	<i>Major effect/issues</i>	<i>Marketing implications</i>
<i>Intangibility</i>	Difficult for consumers to evaluate service offerings, e.g. quality. Positioning is difficult to achieve or signal.	'Tangible' the service offering by managing the 'physical evidence' that accompanies the service, e.g. staff appearance, buildings/facilities, promotional material.
<i>Inseparability</i>	Direct contact with service provider. Both provider and client affect quality of relationship. Market may be limited by time constraints on provider.	Selection and training of service provider's personnel is essential. Franchise/train other service providers. Develop systems and procedures for increasing customer throughput.
<i>Variability</i>	Difficult to ensure that service quality levels are maintained. Customer may have 'bad' experiences.	Ensure strict quality control. Staff training essential. Develop customer care programmes and systems.
<i>Perishability</i>	Periods of excess demand: periods of excess supply.	Manage demand and supply, e.g. differential pricing; develop complementary services; effective pre-booking systems; use part-time personnel.

**III. Variability – service quality depends on provider, and when, where, how it is provided**

- Same provider: quality still varies
- Solutions:
  - (a) **Recruitment & training systems:** appropriate & skilled → consistently high quality
  - (b) **Monitor customer satisfaction:** ✓ suggest & complain → detect problems → adjust (correct)
  - (c) **Standardise delivery process** [strict]

Characteristics	Features in Airlines	Examples
Variability	<ul style="list-style-type: none"> <li>•Invest in good hiring &amp; training procedures</li> <li>•On-flight services</li> <li>•Standardize the service-performance process through out the organization</li> <li>•Monitor Customer satisfaction by filling forms while on flight</li> </ul>	<p><b>Indigo</b> has a single fleet (Airbus 320) to <i>reduce, standardize training cost of crew.</i></p> <p><b>Air India</b> offers on-flight meal : <i>need not book that separately</i></p> <p><b>IndiGo, SpiceJet</b> have started <i>red-eye flights</i> (late night flights) within the domestic network</p>
Perishability	<ul style="list-style-type: none"> <li>•Differential Pricing</li> <li>•Non peak Demand can be generated</li> <li>•Part-time Employees can be hired to serve peak demand</li> </ul>	<p><b>Indigo</b> employees work in multiple roles <i>can easily serve efficiently during peak demand.</i></p> <p><b>Air India</b> and <b>Jet Airways</b> pay 1% regular commission for domestic ticketing to travel agents: <i>differential pricing.</i></p> <p><b>Air India</b> offering tickets with fares starting Rs.1,557 for domestic flights for the lean season: <i>off-peak demand.</i></p>

**IV. Perishability – service can’t be stored for later sale or use [hard to match demand & supply]**

- **Solution (demand)**
  - (a) **Reservation system:** booking [phone/Internet] → control demand → waiting time↓
  - (b) **Complementary services:** ↓impatience (e.g. waiting zones: leisure)
  - (c) **Shifting demand:** higher prices [peak] vs discounts [non-peak]
- **Solutions (supply)**
  - (a) **Part-time employees:** meet high demand [peak]
  - (b) **Expand facilities:** ↑equipment → meet high demand [peak]
  - (c) **Focus on core tasks:** efficient use of limited manpower [peak]
  - (d) **Consumer participation in delivery:** workload↓ → efficiency↑ → waiting time↓

**Figure 3.4: Perishability-Marketing Challenges and Possible Solutions**

Marketing Problems	Possible Solutions Demand	Possible Solutions Supply
Demand exceeds supply	Creative pricing	Part time employees
Demand exceeds optimal levels of supply	Reservation system	Share capacity with other providers
Lower demand than optimal supply level	Shift to complementary services	Prepare for expansion in advance
	Nonpeak demand	Utilize third parties
		Customer participation

**Perishability**

- Services cannot be stored for future sale.
- Unused capacity cannot be shifted from one time to another.
- The service operation must have the capacity and capability to produce when demand occurs.
- The cost of keeping a customer is far less than that of creating a new one.

<i>Characteristics of service</i>	<i>Some implications</i>	<i>Some means of overcoming characteristics</i>
<b>Intangibility</b>	Sampling difficult. Places strain on promotional element of marketing mix. No patents possible. Difficult to judge price and quality in advance.	Focus on benefits. Increase tangibility of service (e.g. physical representations of it). Use brand names. Use personalities to personalize service. Develop reputation.
<b>Inseparability</b>	Requires presence of producer. Direct sale. Limited scale of operations.	Learn to work in larger groups. Work faster. Train more competent service providers.
<b>Heterogeneity</b>	Standard depends upon who and when provided. Difficult to assure quality.	Careful personnel selection and training. Ensure standards are monitored. Pre-package service. Mechanize and industrialize for quality control.
<b>Perishability</b>	Cannot be stored. Problems with demand fluctuation.	Emphasize bespoke features. Better match between supply and demand (e.g. price reductions off peak).

• Customer Relationship Management – build and maintain profitable relationships with customers by delivering superior value and satisfaction

↳ Characteristics: aim high customer lifetime value, customer-oriented [preferences], IT



**A. Objectives**

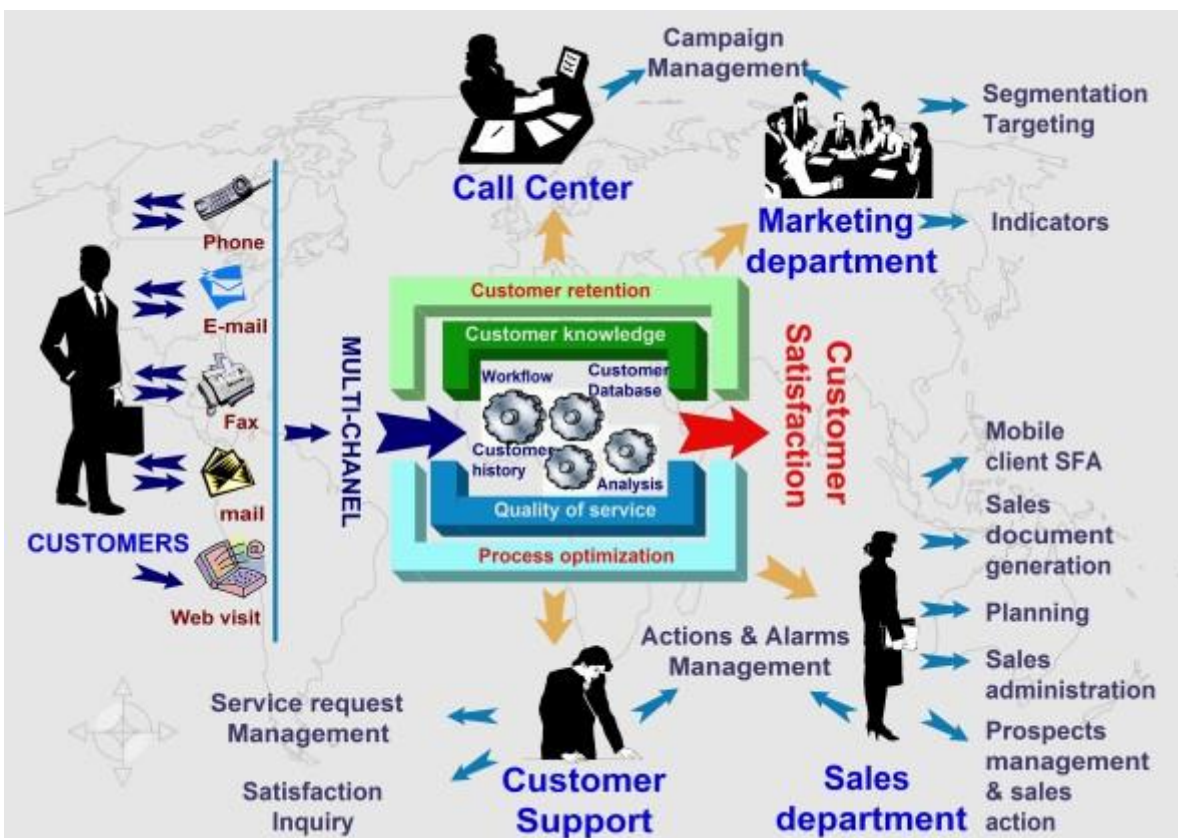
- (a) **Attract new customers:** understand targets’ needs & wants → specific product
- (b) **Retain existing customers:** improve → less likely to switch [less time & resources than (a)]
- (c) **Enhance customer loyalty:** satisfaction + relationship being valued by firm

↳ cross-sell: additionally sells similar/ related products/ services to existing customer

↳ loyal customers↑ → sales↑ → customer equity↑ [combined lifetime values of all customers]

**B. Importance**

- (a) **Effective market segmentation & targeting:** buying habits [frequency, type amount] → division → focus
- (b) **Tailor-made products/ services:** individual/ one-to-one marketing [needs & preferences]
- (c) **Assess cost of serving individual customers accurately:** potential financial benefits vs resourced used
- (d) **Continuous communication & feedback:** problem & comments/ complaints [computer system]



## C. Factors Affecting Customer Loyalty

### I. Customer Satisfaction (products' performance: above/= /below expectation → repurchase vs switch)

↳ strategies

#### (a) Match customers' expectations

- **Measure customer retention rate** [% of customers purchasing continuously since 1<sup>st</sup> purchase]
- **Analyse causes of customer defection** [shift to other firms' products] (market research)
- **Add-on services**: free/ reasonably priced: delivery, software maintenance, repairs, free programs, extended warranty

#### (b) Strong customer bonds

- **Financial** [e.g. frequency programme: purchase discounts, gift redemption, service upgrade]
- **Social** [e.g. club membership programme: all/ limited by frequency/ fee]

#### (c) Partnership relationship management – marketer works closely with internal and external parties to jointly bring greater values to customers

↳ colleagues from other departments/ external stakeholders [e.g. channel members, agencies]

### II. Effective Communication with Customers (updated & accurate product information → purchase decisions)

↳ strategy: social media websites [e.g. Facebook: likes]

### III. Handling Customer Complaints (restore confidence) [more dissatisfied=more compensation expected]

↳ strategies (a) Provide authority to employees → handle on the spot

(b) Treat customers fairly

