

## Marketing Strategy: Key Concepts 1

Concepts, key terms linked to [dictionary](#)  
Link to [Discussion Board](#)

### What is Marketing?

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services that satisfy individual and organizational goals. --- AMA

Product is the platform for attracting customers.  
All organizations are in the business of attracting customers.  
Can the above two statements be challenged?  
Is marketing selling OR does it reduce the need for selling?

**Discussion Topic: Challenge the above statements, using your own experiences as reference.**

### What are [markets](#)?

Exchange, division of labor, positive sum relationships, barter, money reduces friction.  
Evolution of markets

1. Traditional bazaars
2. Separation of supply and consumption
3. Mass Markets / Media
4. Target Markets / Niche Media
5. Electronic Markets: [Meta Markets](#)

### Evolution of the Marketing Concept

1. **Production Concept**  
Demand for goods and services > Supply ... therefore consumers gladly purchased what was being produced. Producers have a [captive market](#). Investment on increasing the efficiencies of production had the greatest impact on company profitability. Thus smart businesses focused on increasing productivity, rather than understanding the consumer. Henry Ford's quote: "The customer can have any color car as long as it is black" is closely identified with this era! This is appropriate for developing countries, and evolved in the US with the advent of the industrial revolution.

## 2. Sales Concept

Demand = Supply ... therefore producers had to *convince* consumers to purchase their products. Focus of business investment starts shifting towards developing a robust sales mechanism in order to communicate with consumers. The sales concept is also relevant for products consumers do not seek out ordinarily, such as life insurance and dental treatment.

## 3. Marketing Concept

Supply > Demand ... therefore producers need to first understand what consumers wanted, then produce those products, then convince consumers to purchase those products. [Target marketing](#) and [market segmentation](#) became the new tools to increase company profitability.

## 4. One 2 One ([Relationship](#)) Marketing Concept

The Marketing era evolved and saw producers further segment their markets, targeting smaller groups of consumers within those markets. With the potential unleashed by the microprocessor and information technology, we are seeing targeting down to the individual, one to one. A commonly cited example is [Amazon](#). Notice, if you make a purchase from this site (or similar) when you return to the site, you will receive recommendations based on your previous purchases. This presentation is based not only on your purchases (data stored in your [cookie file](#) allows for this), but on purchases of others who have bought the same book and similar books.

## 5. Viral Marketing

An interesting thing is occurring, as we are now in a [networked economy](#). Our consumers are able to "talk" to each other and serve as an extended sales force. This lateral communication and / or transaction between customers and non-customers can serve as an opportunity for companies to leverage. The pioneer of [viral marketing](#) was [Hotmail](#). This Wired article [HotMale](#) discusses this marketing "accident." Another good example is [Bluemountain.com](#). Since the receiver of the e-card has to visit the site to access the card, this visit serves to promote the service to the receiver.

## 6. Societal Marketing Concept

Companies, more aware of society and the environment at large, promote their affiliation with the environment. [Ben & Jerry's](#) and [The Body Shop](#) are examples.

Discussion Topic: Identify other companies who follow the societal marketing concept. Discuss the merits of this type of marketing.

## Relationship with Selling and Marketing

Selling is an aspect of marketing.  
Fire versus Ready, Aim and Fire

## Marketing Mix

[Marketing Mix](#), also known as the Four Ps

- Product
- Price
- Place (Distribution)
- Promotion

## Target Markets

Organizations select [target markets](#) within the entire marketplace using [market segmentation](#). They then develop a [marketing mix](#) to reach the target market.

Discussion Topic: Identify the marketing mix for a product you use.

## Four Cs

Macro-environment  
Customers  
Competitors  
Collaborators  
Company

## Market Planning

4 Cs: Company, Collaborators, Competition, Customers  
4 Ps  
Market Segmentation  
Evaluation and Budgets

Discussion Topic: Identify a recent marketing campaign designed to create negative demand.

Relevant websites  
[American Marketing Association](#)  
[Edmunds.com](#)---Meta Market  
[SBA: The Marketing Plan](#)

Link to [Discussion Board](#)  
Return to [Syllabus](#)  
Old Notes

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## Marketing Strategy: Key Concepts 2

Section [1](#), [2](#)

### Strategic Planning Process

1. Corporate Level
2. Business Level
3. Product Level

Higher levels (corporate) govern lower level planning processes. Strategic planning requires:

1. Planning
2. Implementation
3. Control

### Corporate Strategic Planning

1. Identify the company's Mission
2. Identify SBUs (customer focused)
3. Allocate Resources across SBUs (BCG Model; GE Model; Product Life Cycle; systems)
4. Growth Strategies for SBUs (intensive; integrative; diversification)

Mission Statement: Purpose; Business; Values Reason to be? Invisible hand etc.

Product Terms...outdated

Technology Terms...outdated

Market Terms...keep in touch with consumer's needs

From five years ago, and still relevant:

- AT&T is in the communications business not the telephone business.
- Visa...allows customers to exchange values...not credit cards
- 3M solves problems by putting innovation to work.

Example Mission Statements:

- [Mozilla.org](http://Mozilla.org)
- [unicef](http://unicef)
- [Ben & Jerry's](http://Ben & Jerry's)
- [PepsiCo](http://PepsiCo)
- [New York State Education's Mission](http://New York State Education's Mission)

Discussion Topic: Find your company's mission statement. How well is this statement understood among employees and customers? Evaluate the missions statements above with respect to purpose, business and values.

Identify the limiting factors with the BCG and GE models.

[Insead Wharton Alliance.](#)

Discussion Topic: Cite examples of strategic alliances. Identify alliances your company participates and why.

## **SBU Strategic Planning**

Provides the context for the preparation of the marketing plans for the units products and services.

1. Defining Business Mission
2. Analyzing External Environment (OT) (economic, demographic, technology, political, legal, socio and cultural, markets, competitors, collaborators etc.)
3. Analyzing Internal Environment (SW) (competitive advantages, vulnerabilities, positioning)
4. Choosing Objectives and Goals (specific, measurable, achievable and consistent)
5. Developing Business Strategies (cost leadership; differentiation; focus)
6. Preparing Programs
7. Implementing Programs (McKinsey 7-S Framework)
8. Gathering Feedback and Exercising Control

If goal is to grow a business by 15%, what other data are relevant to judge the merits of the goal?

Discussion Topic: Create a SWOT analysis of your own business (business unit).

## **Marketing Plans**

Focus on product and market; focus on detailed marketing strategies for achieving the product's objectives in a [target market](#).

Consider the difference between strategic marketing and tactical marketing.

Marketing Planning Process includes:

1. Analyzing marketing opportunities
2. Researching and selecting target markets
3. Designing marketing strategies
4. planning marketing programs ([marketing mix](#))
5. implementation and control

Put another way:

1. Situation Analysis
  - Corporate Capabilities and Culture
  - Customer Analysis
  - Competitive Analysis
  - Collaborators
  - Macro Issues
  - SWOT Analysis
  - Objectives
  - Alternative Strategies
2. Action Plans
  - Evaluation and Recommendations
  - Marketing Mix Elements (Product, Price, Promotion, Place)
3. Implementation and Evaluation
  - Forecasting and Budgeting
  - Measures of Effectiveness

Discuss [Can Priceline Remain Profitable](#) with respect to strategic planning issues.  
Identify the four Cs: Customer, collaborator, competition and company  
Consider past and future growth strategies  
Consider the four Ps: Price, Product, Promotion and Place.

## **Business Markets**

More sales by value in B2B than [B2C](#).

Purchase for:

- Production
- Resale
- Redistribution
- MRO (Maintenance, Repair and Operations) 80% business purchases versus ...

In order to:

- Increase Sales
- Cut Costs
- Meet Social and Legal Requirements

Customers are:

- Businesses for Profit
- Non-Profits
- Governments

Characteristics of Business Customers:

- Risk Averse
- Knowledgeable
- Price-oriented
- Fewer and Larger
- Nature of Demand (Derived, Inelastic, Fluctuating)
- Purchase versus Lease

Buying Process consists of:

- Problem Recognition
- General Need Description
- Product Specification
- Supplier Search
- Proposal Solicitation
- Supplier Selection
- Order Routine Specification
- Performance Review

Modified depending on whether: Straight rebuy, Modified rebuy or New task.

Contrast this with the [Consumer buying process](#)?

Who makes the purchasing decision?

What are the contextual elements that affect the decision?

What is included in purchase: re: customer service levels etc.

Evolution of Business Buying

- Develop relationships versus adversarial contest: [Extranets](#); increase [lock-in](#).
- Geographic Concentration: [Ecosystems](#)

[The Evolution of B2B: Lessons From the Auto Industry](#)

[GE Global eXchange Services](#)

[Dell Medium and Large Business Home Page](#)

## **Dealing with Competition**

Porter's five basic forces of competition:

29. Threat of new entrants
30. Rivalry among existing competitors
31. Bargaining power of suppliers
32. Bargaining power of buyer

### 33. Threat of substitutes

Whenever you make choices with respect to your customers (business or final consumers), you need to be aware how your competition changes as a function of your decisions. Understanding the [prisoners dilemma model](#) is useful. Clearly your relation compared to other competitors is important (market leader versus follower for instance) and the nature of the marketplace (monopoly, oligopoly and monopolistic competition).

Consequences of zero percent financing for autos?

Need to consider competitors AND customers for decisions.

Importance of competitive intelligence.

Classification of competitors (brand, industry, form, generic)

Keep competitors?

Industry Concept of Competition:

- Impacts of [Barriers to Entry](#) and Exit
- Number of sellers and degree of competition (monopoly, oligopoly, monopolistic competition, pure competition)
- Cost Structure
- Degree of Vertical Integration
- Degree of Globalization

New Entrants:

Innovators Dilemma

[Disruptive Technology](#)

[Priceline](#), [Expedia](#) and [American Airlines](#) versus Travel Agent market place.

**Discussion Topic: Identify and discuss other industries prone to disruptive technologies.**

[SBA: The Marketing Plan](#)

[The Marketing Audit Comes of Age](#)

[How to Write a Mission Statement](#)

[Link to discussion board](#)

[Return to Syllabus](#)

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### **Marketing Strategy: Key Concepts 3**

Customers are increasingly important.

One of multiple stakeholders that need to be addressed (employees, stockholders, suppliers and distributors) ---

Grotto Pizza Mission

Corporate culture needs to be consumer-centric (begins with the mission)

Acquire customers (set expectations) versus retain customers (do expectations fit with reality)

Perceived value (quality, service and value) versus delivered value

Beat customer expectations. (delight customers)

How do customers perceive quality, how do you offer it better than your competitors do?

- Evolution of Marketing Concept supports this:
- Competition in the Marketplace increasing (and global)
- Technology (DB and communications) allows customers to learn more ---look at the [evolution](#).

### **Relationship Marketing Management**

Need to build satisfaction through customer relationship development activities.

[Relationship Marketing](#), process of attracting and retaining customers. Add financial benefits, social benefits and structural ties.

Life-time Value of a customer versus cost of acquiring a customer

Customer Acquisition Math Example:

Cost of Sales Call \$500

Succes of Sales Call: 1 / 5

Cost of new customer \$2,500 (not including overhead)

Average Life Value of Customer:

Annual Customer Revenue: \$10,000

Average Life Time: 3 years

Profit Margin: 10%

Life Time Value: \$3,000

This looks at averages, not at different consumers.

Do not try to satisfy all customers ... some more profitable than others. Fire customers, or move them to higher profitability (increase price, reduce cost of service). 20-80-30 rule

Customers do not ordinarily complain, they simply do not buy, and they may tell others! Encourage complaints to filter to your company. (See Kellogg discussion)

Cost of lost customers?

Surveying lost customers

**Discussion Topic: How does your company process customer complaints. what is done with them re: interaction with customer and changing business process?  
(Alternatively, as a customer, how have your complaints been handled?)**

Internal marketing needs

[Making Customer Relationship Management Work](#)

## Customer Service

Customer service comments:

[Wharton MBA Site](#)

[E-mail Autoresponder Wharton](#), [HBS Response](#), [Kellogg Response](#)

[Wharton Adcomm. taking questions](#)

[the least applicant-friendly B-school: Listed Reasons for Wharton](#)

[JUDGE THE ADMISSIONS OFFICES](#)

[What is Up w/ Kellogg Guy?](#)

[Shanghai interview](#) ---students helping students, serving better than we could.

Discussion Topic: Provide your own examples of excellent / poor customer service that have material impact on retaining / losing customers (use examples from a business and or customer perspective).

Discussion Topic: How does your company use its web-site for customer service and / or customer relationship building?

<b>Marketing Stimuli</b>	<b>Environmental Stimuli</b>	<b>Buyer's Characteristics</b>	<b>Buyer's Decision Process</b>	<b>Buyer's Decisions</b>
Product	Economic	Cultural	Problem Recognition	Product Choice
Price	Technology	Social	Information Search	Brand Choice
Promotion	Political	Personal	Evaluation	Dealer Choice
Place	Cultural	Psychological	Purchase Decision	Purchase Timing
			Post Purchase Behavior	Purchase Amount

Intro: CBB ... Not just about changing promotions, but entire marketing mixes.

Cultural Characteristics: Values, Perceptions, preferences and behaviors (learned from family), fundamental to persons wants.

Buyer behavior influenced by four factors:

- cultural (culture, sub culture and social class (ethnocentrism and patriotism))
- social (reference groups, family, and roles and statuses)
- personal (age and life cycle state, occupation, economic circumstance, life style, personality and self concept)
- psychological (motivation (freud, [maslow](#), hertzberg), perception, learning, and beliefs and attitudes)

[Do Mixed Emotions and Advertising Mix?](#)

[How Store Location and Pricing Structure Affect Shopping Behavior](#)

Decision influencers (initiator, influencer, decider, buyer and user) ... not as complex as B2B buying decision influencers.

Types of Buying Situations:

- Complex Buying Behavior
- Dissonance Reducing Buying Behavior

- Habitual Buying Behavior
- Variety Seeking Buying Behavior

Consumer decision-making process:

1. Need Recognition
2. Information Search
3. Evaluation of Alternatives
4. Purchase Decision
5. Post Purchase Behavior

[got milk?](#) Change consumer attitudes about milk.

Patriotism

Wharton MBA Purchase Process

[SRI Business Intelligence: VALS, Psychology of Markets](#)

Discussion Topic: Why use iVALS and psychographic segmentation? Which marketers would benefit most from iVals segmentation and why?

Privacy versus Understanding the customer, on the net.

[Yankelovich](#)

Link to old [class notes](#).

Link to [discussion board](#)

Return to [Syllabus](#)

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## Marketing Strategy: Key Concepts 4

### Marketing Mathematics

The basic marketing math that is needed to help make marketing decisions are below. These are critical to understand when performing case analysis.

They include:

- [Break Even Analysis](#)
- [Lifetime Value of the Customer](#)
- [Market Segment Sizing](#)

### Market Segment Sizing

Estimate the number of customers by starting with the most general population, and then reducing according to the characteristics of the actual segment being sought.

Segment value = Number of Customers x Value per Customer

Number of Customers = Population x Segment Size (%) x Segment Penetration (%)

Customer Value = Customer Usage Rate x Unit Price (\$) x Unit Contribution (%)

[Improving Decision Making With Simple Break-Even Analysis](#)

[Attacking Business Decision Problems With Break-even Analysis](#)

[Formula for Incremental Break-Even Analysis](#)

[Lifetime Value in Relationship Marketing](#)

## Determining Customer Lifetime Value for your Internet Marketing Plan

### The Lifetime Value of a Customer

**\*\*Discussion Topic: Any issues with respect to the above marketing mathematics?**

#### **Marketing Information Collection**

#### **Marketing Information System:**

1. Internal records
2. marketing intelligence system
3. marketing research
  1. defining problem and research objectives
  2. developing the research plan
  3. collecting information
  4. analyzing information
  5. presenting findings
4. marketing decision support system

**\*\*Discussion Topic: Assess the impact of the web on the area of data gathering.**

#### **Primary research: Data gathering.**

Example surveys:

[Stanford Web-site Survey](#)

[Wharton Matric Survey](#)

**\*\*Discussion Topic: After reviewing the Wharton and Stanford surveys, discuss the goals of the surveys, in terms of what each school is trying to learn. Comment on the effectiveness of each survey.**

Note: [Zoomerang](#) is a great resource for designing online surveys.

Balance between data gathering and the need for [privacy](#).  
[Junkbusters.com](#): A great site to explore your privacy rights/issues.

### **Some useful secondary resource sites on the web:**

#### Business Information

[Cyberatlas.com](#), [CommerceNet](#), [American Marketing Association](#), [A Business Researchers Interests](#), [Bloomberg](#), [C/Net](#), [EDGAR](#), [Hoover's](#), [National Trade Data Bank](#), [Public Register's Annual Report Service](#)

#### Government

[Census Bureau](#), [FedWorld](#), [Thomas](#)

#### International

[The Electronic Embassy](#), [I-Trade](#), [The United Nations](#)

#### Non Profit

[Idealist.org](#), [Internet Non Profit Center](#), [Nonprofit Resource Center](#)

Importance of demand analysis, market demand, product demand, expansible markets.

#### **Macroenvironment**

- Demographic
- Economic
- natural
- technological
- political/legal
- social/cultural



interrelationships

[Faith Popcorn's Trends](#)

[Sierra Club](#)

[Creative Destruction: The Essence of Capitalism](#)

Relevant K@W Article:

[Role Playing: A Method to Forecast Decisions](#)

[Role Playing as a Forecasting Tool](#)

[Marketing Science Meets Hollywood](#)

[Forecasting in Conflicts: How to predict what your opponenet will do.](#)

[Making CD Sales Ring](#)

[Ethical Inspirations for Marketing Managers](#)

Link to [discussion board](#)

Return to [Syllabus](#)

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### **Marketing Strategy: Key Concepts 5**

Product scope: goods, services, experiences, events, persons, places, properties, organizations, information and ideas.

Product Levels:

1. Core Benefits
2. Basic Product: to satisfy core benefit sought
3. Expected Product: meet buyers expectations for product

## Focus of competition in LDC

4. Augmented Product: exceed expectations  
Focus of competition in developed countries
5. Potential Product: future possibilities

Competitive pressures push competition at the augmented level, features at the augmented level become expected features, as the market adopts new features, further heightening competition. This leaves room to develop stripped down products for price conscious market.

Delight Customers by exceeding expectations.

## Product Hierarchy:

1. Need Family
2. Product Family
3. Product Class
4. Product Line
5. Product Type
6. Brand
7. Item

Product Classifications: Different types of goods require different [marketing mixes](#) to be successful.

1. Durable Goods
2. Non Durable Goods
3. Services

Innovation of batteries?

Consumer Goods Classification:

- *Convenience*: Packaging is important to sell the product. Consumers will accept a substitute. Marketers focus on intense distribution, time utility. Convenience products can be categorized into staple (milk), impulse (not intended prior to shopping trip).
- *Shopping*: Consumers expend considerable effort planning and making purchase decisions (i.e., appliances, stereos, cameras). Consumers are not particularly [brand](#) loyal. Need producer intermediary cooperation, high margins, less outlets than convenience goods. Use of sales personnel, communication of competitive advantage, branding, advertising, customer service etc. Attribute based (Non Price Competition), product with the best set of attributes is bought. If product attributes are judged to be similar, then priced based.
- *Specialty*: Buyer knows what they want and will not accept a substitute, IE Mercedes. Do not compare alternatives. Brand, store and person loyal. Will pay a premium if necessary. Need reminder advertising.
- *Unsought*: Sudden problem to resolve, products to which consumers are unaware, products that people do not necessary think of purchasing. Umbrellas, Funeral Plots, Encyclopedia!!

#### Industrial Goods Classification:

- *Production Goods*
  - Raw Materials:
  - Component parts: becomes part of the physical product: [Intel](#), [Gore](#)

- Process materials: not readily identifiable part of the production of other products
- *Support Goods*
  - Major Equipment:
  - Accessory Equipment: desk tops and tools
  - Consumable Supplies: IE Paper, pencils or ink cartridges
  - Business-to-Business services: Financial, legal marketing research etc.

If an organization is marketing more than one product, it has a product mix.

- *Product item*--a single product
- *Product line*--all items of the same type
- *Product mix*--total group of products that an organization markets

*Depth* measures the # of products that are offered within each product line. Satisfies several consumer segments for the same product, maximizes shelf space, discourages competitors, covers a range of prices and sustains dealer support. High cost in inventory etc.

*Width* measures the # of product lines a company offers. Enables a firm to diversify products, appeals to different consumer needs and encourages one stop shopping.

Product Line Decisions:

Cannibalization and consumer movement issues

Internal (company) versus external (market)

needs/decisions

# Coke Hunts for Talent to Re-Establish Its Marketing Might

## Brand

What is Branding? Why Brand?

Definition:

A name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from another's.

- *Brand name* is that part that can be spoken, including letters, words and #s, IE 7UP.

Brand names simplify shopping, guarantee a certain level of quality and allow for self-expression.

- *Brand mark*-elements of the brand that cannot not be spoken, IE symbol/ logo
- *Trade Character* IE Ronald McDonald, Pillsbury Doughboy
- *Trade mark* - legal designation that the owner has exclusive rights to the brand or part of a brand.
- *Tradename*-The full legal name of the organization. IE Ford, not the name for a specific product.

Provides benefits to buyers and sellers

**TO BUYER:**

- Help buyers identify the product that they like/dislike.
- Identify marketer
- Helps reduce the time needed for purchase.

- Helps buyers evaluate quality of products especially if unable to judge a products characteristics.
- Helps reduce buyer's perceived risk of purchase.
- Buyer may derive a psychological reward from owning the brand, IE Rolex or Mercedes.

#### TO SELLER:

- Differentiate product offering from competitors
- Helps segment market by creating tailored images
- Brand identifies the companies products making repeat purchases easier for customers
- Reduce price comparisons
- Brand helps firm introduce a new product that carries the name of one or more of its existing products...half as much as using a new brand, lower co. designs, advertising and promotional costs
- Easier cooperation with intermediaries with well known brands
- Facilitates promotional efforts
- Helps foster brand loyalty helping to stabilize market share.
- Firms *may* be able to charge a premium for the brand.

#### Branding versus Tactical Promotions?

#### Brand Equity (Customer Equity)

Operating profits - expected profits for generic \$: [10 Most Valuable](#)

Share of Mind, Attitudes = ImagePower. Landor Associates  
Brand awareness = considered set

Brand awareness:

1. within relevant market(s)
2. with influencers
3. with entire market

[The Best Global Brands](#): Handout  
[Interbrand: Best Global Brand](#)

Brand Name Decisions:

- Individual Names: [Procter and Gamble](#), Tide, Cheer, Bold
- Family Names: [GE](#), [AT&T](#), and [Sears](#)
- Trade name with individual product name: [Kraft Products](#)
- MF Brand versus Private Brand?

**Selecting a Brand Name**

Criteria for choosing a name, some issues to consider:

- Easy for customers to say, spell and recall (inc. international ppl)
- Indicate products major benefits
- Should be distinctive
- Compatible with all products in product line
- Used and recognized in all types of media
- Single and multiple words Bic, Dodge Grand Caravan, IBM PC (letters), or a combination Mazda RX7
- Availability, already over 400 car "name plates", this makes it difficult to select a new one.

- Use words of no meaning to avoid negative connotation, Kodak, Exxon
- Can be created internally by the organization, or by a consultancy
- Legal restrictions, i.e. Food products must adhere to the Nutrition Labeling and Education Act, 1990...May 8 1994
- Global translations ?

### The Brand Pyramid:

1. Features: tangible characteristics of product
2. Functional Benefits: benefits to consumer for brand features
3. Emotional Rewards: psychological or emotional benefits received by using brand's product?
4. Values: what are the values of the typical loyal customer for this brand?
5. Personality: what words would you use to describe brand if it were a person?

### NameLab

Domain Names: Hijacking issues? ([Highjacked Domain](#) and [New Domain](#)): [Help! I've Lost My Domain Name!](#)

**Discussion Topic: Investigate the above issues to determine who has rights to the use of a domain name.**

Online brand investment versus offline brand investment  
[Pampers](#)



Discussion Topic: Discuss the challenges of branding on the web, how are Pampers developing a branding strategy?

Arthur Andersen changes name to [Andersen](#)  
[Accenture now a clear winner without Andersen name](#)  
Is there a [window of confusion?](#)  
[Andersen](#), [Accenture](#)

Discussion Topic: Discuss the evolution of the value of the brand: Andersen

Brand Licensing

Discussion Topic: Discuss the role the corporate logo plays in branding. Cite logos and their inherent value. Discuss logos which have changed, and why?

**Packaging**

Consists of a products physical container, label and/or insert.

Approximately 10% of product selling cost.

Development of a container and a graphic design for a product. Can affect purchase decisions IE pump dispenser on a tube of toothpaste.

Packaging Functions include:

- Protect product and maintain functional form, IE milk.
- Foil shop lifting
- Offer convenience, Usage
- Promote product by communicating features "last 5 seconds of mktg", Campbells red labels...
- Develop reusable package for alternative use.

- Segmentation, tailored to a specific group

Packaging decision serve the channel members and the final consumer.

- Cost--how much are customers willing to pay for the packaging?
- Preprinted cost, use UPC codes
- Must comply with the FDA packaging regulations.
- Make product tampering evident to the reseller and customer, cost benefit with liability
- Need to consider consistency among package designs--Family packaging...category consistent...Pringles
- Need to inform potential buyers of new products content, features, uses, advantages and hazards.
- Need to create a desirable image through color etc. Can be designed to appear taller or shorter (thin vertical lines for taller) People associate specific colors with certain feelings, Red with fire. Do not package meet in green!!
- Must meet the needs of resellers--transportation, storage and handling.
- Environmental responsibility.

CD Packing Issues

AOL Packaging

Labeling

**Product Positioning and Product Repositioning**

Definition:

This refers to a place a product offering occupies in consumers' minds on important attributes, relative to competing offerings.

How new and current items in the product mix are perceived, in the minds of the consumer, therefore reemphasizing the importance of perception!!

New Product--need to communicate benefits

Established Products--need to reinforce benefits

### **Ideal Characteristics**

Need to introduce products that possess characteristics that the target market most desires, ideal. Product positioning is crucial.

Consumers desires refer to the attributes consumers would like the products to possess--**IDEAL POINTS**.

Whenever a group of consumers has a distinctive "ideal" for a product category, they represent a potential target market segment.

A firm does well if its attributes (of the product) are perceived by consumers as being close to their ideal. The objective is to be "more ideal" than the competitors.

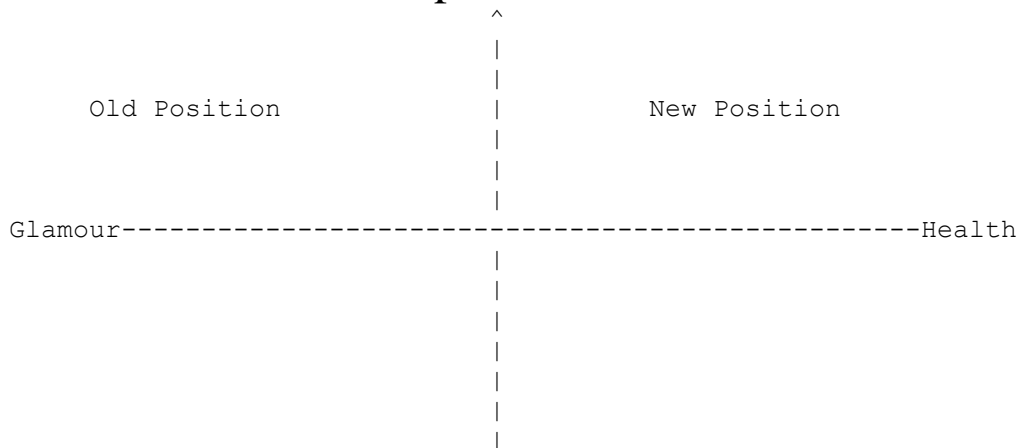
Each product must provide some unique combination of new features desired by the target market.

Instead of allowing the customer to position products independently, marketers try to influence and shape consumers concepts and perceptions.

Marketers can use perception maps.

### Existing Products

### Sun Tan Lotion Example:



Traditional sun tan lotion positioned as aiding in getting a very glamorous deep tan etc.

Dermatologist reports...skin cancer etc.

Lifestyle needs change, move to more health conscious society

Need to reposition sun tan lotion as a healthy way to be exposed to the sun.

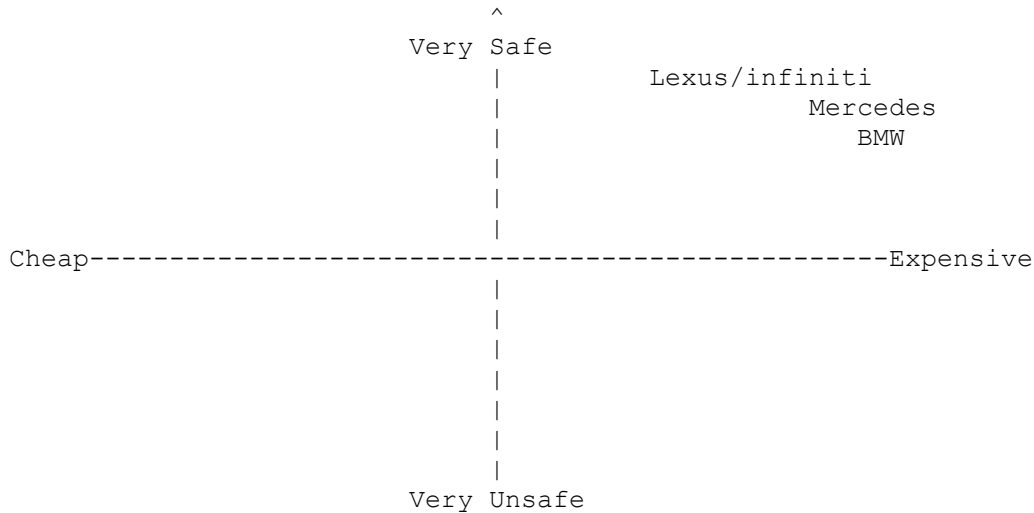
Target market has shifted from the left quartile to the right quartile as far as needs are concerned.

Sun tan marketers need to do same as far as changing consumers perception for the product.

How?

- Change Promotion: "Tan don't Burn" The St. Tropez Tan vs. Ultra Sweat Proof Serious tan for...Be Sun Smart
- Change Product: Sunscreen and sunless tanning agent.

**BMW positions on affordability**



BMW, to reposition up to the left

Due to the exchange rate, Lexus moves to the right

Why did they reposition?

Safety

Affordability

Competitors include Infiniti, Lexus, Mercedes Benz and Aurora

If you already have a brand in the market, must be sure to avoid cannibalization. Attributes and brand image should give a product distinct appeal.

### **New Product Positioning**

When developing a new product, a company should identify all the features that are offered by all its major competitors.

Second, identify important features/benefits used in making purchase decisions.

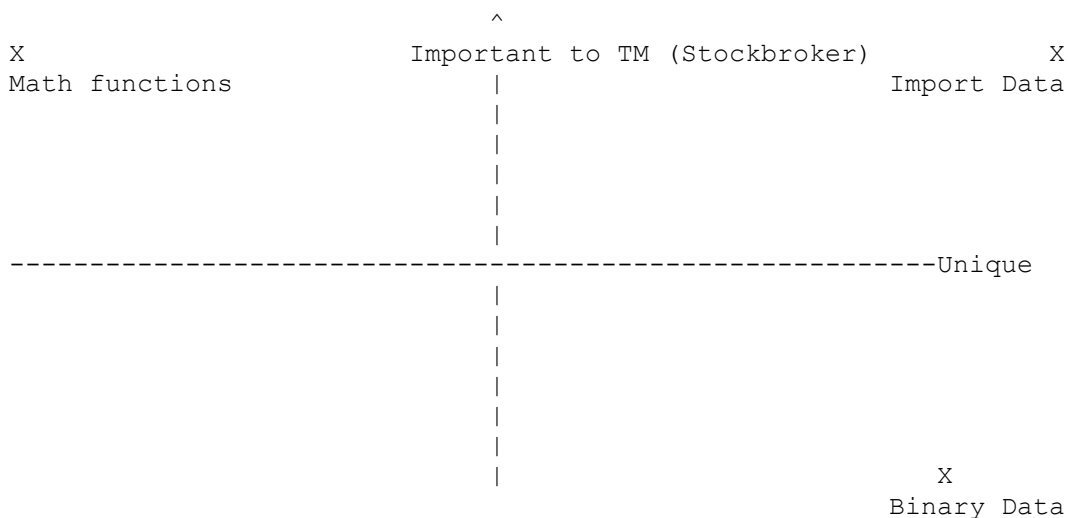
Determine the overall ranking of features by importance and relate the importance of each feature to its "uniqueness": what are the unique selling points (USPs).

For example, you wouldn't buy a spreadsheet program that if it didn't perform basic math, so basic math is very important.

However since every spreadsheet has that it's an "important fundamental feature", instead of an "important differentiating feature".

The other side would be a spreadsheet that displays all numbers in binary (0-1) instead of "normal" numbers (0-9). This is unique but not important.

The evaluation becomes a 2 x 2 matrix with uniqueness on the X-axis and importance on the Y-axis.



If the feature is in the upper right hand corner then you probably have a winning feature (USP).

This is known as feature positioning, as opposed to product positioning. One can then see what type of customer needs the important (and perhaps unique) features.

If your spreadsheet accepts continuous data in real-time (such as stock market data) while Excel doesn't, you'd position your spreadsheet as a "real-time spreadsheet with all calculations needed by Wall Street."

Its a claim that tells something unique about your product, who it's for, and by implication, that Excel can't do it.

### **Product Life Cycle**

Popularized by Theodore Levitt, 1965

PLC can be applied to:

- product category (Watch)
- product style (Digital)
- a product item/brand (Timex)

Four Stages to the Product Life Cycle:

1. [Introduction](#)
2. [Growth](#)
3. [Maturity](#)
4. [Decline](#)

The following material refers to the PLC as far as the product category is concerned unless otherwise stated.

### **Introduction**

Failure rate for new products can range from 60%-90%, depending on the industry. A product does not have to be

an entirely new product, can be a new model (car), a new product for the company, or repositioning a product to a new market.

### **Marketing Mix (MM) considerations**

Need to build channels of distribution/selective distribution  
Dealers offered promotional assistance to support the product...PUSH strategy.

Develop primary demand/pioneering information, communications should stress the benefits of the product to the consumer, as opposed to the brand name of the particular product, since there will be little competition at this stage and you need to educate consumers of the product's benefits.

*Price skimming*...set a high price in order to recover developmental costs as soon as possible.

*Price penetration*...set a low price in order to avoid encouraging competitors to enter the market, also helps increase demand and therefore allows the company to take advantage of economies of scale.

### **Growth**

Need to encourage strong brand loyalty; competitors are entering the market place. Profits begin to decline late in the growth stage.

May need to pursue further segmentation.

### **MM considerations**

May need to perform some type of product modification to correct weak or omitted attributes in the product.



Need to build brand loyalty (selective demand), communications should stress the brand of the product, since consumers are more aware of the products benefits and there is more competition, must differentiate your offering from your competitors.

May begin to move toward intensive distribution-the product is more accepted; therefore intermediaries are more inclined to risk accepting the product.

Price dealing/cutting or meeting competition, especially if previously adopted a price skimming strategy.

### **Maturity**

Sales curve peaks-severe competition, consumers are now experienced specialists.

### **MM Considerations**

A product may be rejuvenated through a change in the packaging, new models or aesthetic changes.

Advertising focuses on differentiating a brand, sales promotion aimed at customer (PULL) and reseller (PUSH).

Move to more intense distribution

Price dealing/cutting or meeting competition

Provides company with a large, loyal group of stable customers. Generally cash cows that can support other products.

Strategies during maturity include:

- Modification of product...use line extensions
- Reposition Product

Weaker competition will have left the market place.

### **Decline**

Sales fall off rapidly. Can be caused by new technology or a social trend.

Can justify continuing with the product as long as it contributes to profits or enhances the effectiveness of the product mix.

Need to decide to eliminate or reposition to extend its life.

### **MM Considerations**

Some competition drop out

Need to time and execute properly the introduction, alteration and termination of a product.

Cannibalization strategies to introduce new products.

Need to manage product mix through their respective life-cycles. When to decide to introduce new (modified) products that compete with the current product offering.

With high-tech products, need to consider introducing new (and competing) products as the existing product is still in the growth stage of its life cycle.

### **Different types of Life Cycle Curves**

- **Fad Curve**

Fleeting fashions vs. lasting shifts in consumer preference. Cannot differentiate between the two using usual marketing tools like focus groups.

"Hand anyone a hula hoop, and they'll have fun with it--at first"

- Seasonal Curve  
Life cycles that vary by season, clothing etc.

### **Developing and Managing Products**

To compete effectively and achieve goals of an organization, the organization must be able to adjust its product mix.

Need to understand competition and customer attitudes and preferences.

### **Timex Turns down the Swatch**

1982, Timex turned down the opportunity to market "Swatches".

Timex was resting on its laurels, simple low cost watches. Digital revolutionized industry technological change, Timex stuck with analog.

*DID NOT KEEP UP WITH WATCHES EVOLUTION FROM A FUNCTIONAL OBJECT TO A FASHION ACCESSORY.*

Now consumer owns 5 watches up from 1.5 30 years ago (emphasizing fashion need). Timex has acquired Guess and Monet Jewellers (distribution outlets) in an effort respond to change.

Product mix:

Dressy watches to Walt Disney Character watches, Indigo. Now have 1,500 styles, 300 in 1970.

### **Developing New Products**

Need to develop new products. A new product can be:

- Continuous Innovation...No new buyer behavior to learn, i.e. -products not previously marketed by the firm, but by others
- Dynamic Continuous Innovation...minor education needed for consumers to adopt product
- Discontinuous Innovation...entirely new consumption patterns

**DVD Standard**

[DVD Association](#)

**Discussion Topic: Discuss the evolution of the DVD standard and its importance in new product development.**

For a new product to succeed it must have:

- desirable attributes
- be unique
- have its features communicated to the consumer (mkt support necessary)

Developing new products is expensive and risky.

Failure not to introduce new products is also risky. IE

Timex above

Firms develop new products in three ways:

- By acquisition, i.e. Timex bought Guess and Monet Jewellers in 1992, bringing in new products to their product mix.

- Acquiring patents, licensing technology
- Internal development, this is what we are going to focus on.

About 20K new products a year launched: about 75% are brand extensions.

### **Why New Products Fail**

- Lack of differentiating advantage
- Poor marketing plan
- Poor timing
- Target market too small
- Poor product quality
- No access to market

### **Seven phases to new product development:**

1. New Product Strategy Development  
Only a few ideas are good enough to reach commercialization. Ideas can be generated by chance, or by systematic approach and by company culture ([3M](#)). Need a purposeful, focused effort to identify new ways to serve a market. New opportunities appear from the changes in the environment.
2. Idea Generation  
Continuous systematic search for new product opportunities.
  - *Marketing oriented sources*--identify opportunities based on consumer needs, lab research is directed to satisfy that research. 1-800#s, research etc.

- *Laboratory oriented sources*--identify opportunities based on pure research or applied research.
- *Intrafirm devises*--brain storming, incentives and rewards for ideas. 3Ms Post it, from choir practice. Hewlett Parkards lab is open 24 hrs. day. Analyzing existing products, reading trade publications.

*Brainstorming for your group project. Ideas should not be criticized, no matter how off-beat they are.*

### 3. Product Screening and Evaluation

New product check list; list new product attributes considered most important and compare each with these attributes. Check list is standardized and allows ideas to be compared.

--General characteristics, Marketing Characteristics and Production Characteristics.

Ideas with the greatest potential are selected for further research.

Do they match the organizations goals (Some companies have many patents that they have not exploited for this very reason.)

Look at companies' ability to produce and market the product.

Need to look at the nature and wants of the buyers and possible environmental changes.

## Concept Testing

Sample of potential buyers is presented with the product idea through a written or oral description to determine the attitudes and initial buying intentions.

Conjoint Analysis to see feature tradeoffs.

This is done before investing considerable sums of money and resources in Research and Development.

Can better understand product attributes and the benefits customers feel are most important.

Would you buy the product?

Would you replace your current brand with the new product?

Would this product meet real needs?

## 4. Business Analysis

Analyze potential contribution to sales, costs and profits.

Does the product fit into the current product mix?

What kind of environmental and competitive changes can be anticipated?

How will these changes effect sales etc.?

Are the internal resources adequate?

Cost and time line of new facilities etc.?

Is financing available?

Synergies with distribution channel etc.

MIS to determine the market potential sales etc.

Patentability should be determined, last 17 years, 14 years for a pharmaceutical product.

Find out if it is technically feasible to produce the new product.

If you can produce the new product at a low enough cost so as to be able to make a profit.

## 5. Product Development

Develop a prototype, working model, lab test etc.

Attributes that consumers have identified that they want must be communicated through the design of the product.

## 6. Test Marketing

Can observe actual consumer behavior.

Limited introduction in geographical areas chosen to represent intended market.

Aim is to determine the reaction of probable buyers.

It is the sample launch of the Marketing Mix.

Determine to go ahead, modify product, modify marketing plan or drop the product.

PROS are:

- Lessens the risk of product failure.
- Reduces the risk of loss of credibility or undercutting a profitable product.
- Can determine the weaknesses in the MM and make adjustments.
- Can also vary parts of the MM during the test market.
- Need to select the appropriate MM and check the validity.



CONS are:

- Test market is expensive.
- Firm's competitors may interfere.
- Competitors may copy the product and rush it out. IE Clorox detergent with bleach P&G. "In a live test you've tipped your hand, and believe me, the competition is going to come after you. Unless you have patented chemistry, they can rip you off and beat you to a national launch" - Director of Marketing at Gillette's Personnel division.

Alternatively can use a simulated test market. Free samples offered in the mall, taken home and interviewed over the telephone later.

## 7. Commercialization

Corresponds to introduction stage of the Product Life Cycle.

Plans for full-scale marketing and manufacturing must be refined and settled.

Need to analyze the results of the test market to determine any changes in the marketing mix.

Need to make decisions regarding warranties etc (reduces consumers risk). Warranties can offer a competitive advantage.

Spend alot of \$\$ on advertising, personnel etc.

Combined with capital expenditure makes commercialization very expensive.

Need to consider:

- the speed of acceptance among consumers and channel members;
- intensity of distribution,
- production capabilities,
- promotional capabilities,
- prices,
- competition,
- time period to profitability and commercialization costs.

#### **Buyers' Product Adoption Process**

1. Awareness  
Buyers become aware of the product
2. Interest  
Buyers seek information and is receptive to learning about product
3. Evaluation  
Buyers consider product benefits and determines whether to try it
4. Trial  
Buyers examine, test or try the product to determine usefulness relative to needs
5. Adoption  
Buyers purchase the product and can be expected to use it when the need for the general type of product arises.

Rate of adoption depends on consumer traits as well as the product and the firm's marketing efforts.

## **Diffusion Process**

The manner in which different members of the target market often accept and purchase a product (go through the adoption process)

1. Innovators  
Techno-savvies first customers to buy a product, 2.5 % of consumers
2. Early Adopters  
Tend to be opinion leaders. Adopt new products but use discretion, 13.5%
3. Early Majority  
34% of consumers, first part of the mass market to buy the product
4. Late Majority  
Less cosmopolitan and responsive to change, 34%
5. Laggards  
Price conscious, suspicious of change, 16%, do not adopt until the product has reached maturity.

Implications to marketers, company must promote product to create widespread awareness of existence and benefits. Product and physical distribution must be linked to patterns of adoption and repeat purchase.

**Discussion topic: Discuss the differences in the new product development process for digital goods versus tangible goods, consider intellectual property issues, standards issues etc?**

**Relevant Knowledge@Wharton Articles**

[Corporate Sponsorships of Stadiums and Other Institutions Don't Always Pay Off](#)

Switching names, effect of brand. Value to stadiums, value to customers?

[How to Keep Others From Ripping Off Your Ideas](#)

[Poachers Are Out to Plunder Your Intellectual Property](#)

[Can you Do Anything?](#)

[Intellectual Property: WIPO](#)

[Intellectual Property and the National Information](#)

[Infrastructure](#)

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Return to [Syllabus](#)

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**Marketing Strategy: Key Concepts 6**

Market Focus: Domestic versus International

Protectionism versus open markets?

Who's Standards to adopt, home country or host country?

Should company play by host rules or try to change them?

Unions, Environmentalists

GWB: Free Trade area [EU to impose tariffs to protect steel market](#)

Some risks include:

- changing borders
- unstable governments
- foreign exchange issues (devaluations etc?)
- technology pirating

- adaption costs for product and communication strategy

Steps to consider:

- determine the international market environment (economic, political, legal and cultural); international trade system
- few versus many countries, percentage of sales
- determine which market to enter, risk versus rate of return
- how to enter the market? exporting, licensing, joint ventures and direct investment
- adaption of 4 Ps?: Text Books!
- organizational structure for international business?

Economist: March 2nd, 2002 :The Short Arm of the Law

**Discussion Topic: Discuss the complications of removing bribery from international transactions. What are the outcomes for economies?**

International marketing is not always about going overseas?

Las Vegas?

General International Links:

[Babel Fish](#)

[US Depts. of Commerce International Trade](#)

[Administration, Export-Import Bank of the United States,](#)

[The Bureau of Export Administration](#)

Links to Trade Alliances:

[WTO / GATT](#), [NAFTA](#), [EU for the US](#), [European Union Online](#)

Links for Bribery Discussion:

[OECD: Organisation for Economic Co-Operation and Development](#), [Foreign Corrupt Practices Act](#), [Transparency International](#), [Shell: Management Primers](#)

### Services

All products include a service component.

- Intangible (associate w/ tangible representation)
- Inseparable (influence providers)
- Perishable (influence demand)
- Variable (standardization issues)

General Marketing Issues:

- External Marketing
- Internal Marketing
- Interactive Marketing

3 additional Ps

- People
- Physical Evidence
- Processes

Focus:

- Search Qualities: Goods (clothing, jewelery)
- Experience Qualities

- Credence Qualities: Services (medical, auto repair, legal services)

**Relevant Knowledge@Wharton Articles**

[Prescription Drug Coverage for Seniors Faces Uncertain Future](#)

[A Live Baby or Your Money Back](#)

[Poachers Are Out to Plunder Your Intellectual Property – Can You Do Anything?](#)

[Ethical Standards for Global Corporations?](#)

[Ethical Inspiration for Marketing Managers](#)

[A Search for Google’s Success Turns Up Two Words: Trust and Technology](#)

Link to [discussion board](#)

Return to [Syllabus](#)

---

**Marketing Strategy: Key Concepts 7**

What is price?

Price is the value exchanged for the product.

- Economic (inc. barter)
- Freedom of Choice ([lock-in](#), opportunity cost)
- Privacy

Evolution of pricing mechanisms: Fixed versus variable:

- [Chapt. 2 Digital Darwinism](#).
- Pioneer of fixed pricing: [Aaron Montgomery Ward](#)

Only element of the MM that is given in return

## Importance of (the economic aspect of) Price to the Marketer

- Often the only element the marketer can change quickly in response to demand shifts.
- Relates directly to total revenue  $TR = \text{Price} * \text{Qty}$   
Profits =  $TR - TC$   
-effects profit directly through price, and indirectly by effecting the qty sold, and effects total costs through its impact on the qty sold, (ie economies of scale)
- Can use price symbolically, emphasize quality or bargain (signal value).
- Deflationary pressures, consumers very price conscious.

## Six step process:

1. Establish marketing objectives
  - survival (short term)
  - profit max.
  - revenue max. (yield management pricing; [dynamic pricing](#))
  - growth max. (penetration pricing ... "free")
  - market skimming
  - product-quality leadership (signaling effect?)
2. Demand schedule: elastic versus inelastic demand issues (priceline)

Percent change in quantity demanded relative to the percent change in price.

% change in Qty demanded

-----

% change in price



We are now looking at the actual impact on demand as price varies. *Elastic demand* is more sensitive to price than *inelastic demand*.

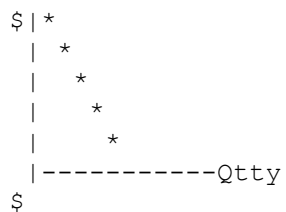
Elastic demand, greater than 1 (-1)

Inelastic demand, less than 1 (-1)

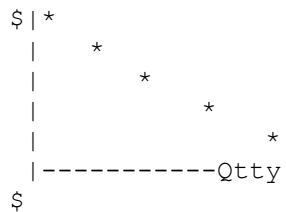
Unitary demand, equal to 1

*Always take the absolute values*

### Inelastic Demand



### Elastic Demand



$$TR = \text{Price} * \text{Qty}$$

If demand is **elastic** then change in price causes an **opposite** change in the **total revenue**.

If demand is **inelastic** then change in price causes the **same** change in the **total revenue**.

The less elastic the demand, the more beneficial it is for the seller to increase price.

3. Cost issues: different levels of product ([learning curve](#) issues), (dis)economies of scale, fixed/variable, [breakeven issues](#), marginal analysis

## Marginal Analysis:

What happens to the costs and revenues as production increases by one unit. This will determine at which point profit will be maximized. Need to distinguish between:

Fixed Costs

Average Fixed Costs, FC/units produced

Variable Costs (materials labor etc.)

Average Variable Cost, VC/Unit produced

Total Cost =  $(AFC+AVC)*QTTY$

*Marginal cost* = the extra cost to the firm for producing one more unit.

*Marginal revenue* = the extra revenue with the sale of one additional unit.

MR - MC tells us if it is profitable to produce one more unit.

Profit maximization at  $MR = MC$

To produce/sell more units than the point  $MR = MC$  the additional cost of producing one more unit is greater than the additional revenue from selling one more unit. At any point prior to  $MR = MC$ , MR will be greater than MC, therefore the additional revenue from selling one more unit will be greater than the additional cost of producing one more unit, therefore forgoing the opportunity to generate additional profits. Therefore  $MR = MC =$  Profit Maximization; *assuming all products are sold.*

Due to the environment, it is difficult to predict costs and revenues etc.

Cost structures can influence pricing objective: high low fixed variable make-up has significant impact on contribution margins.

4. Competitors pricing

5. Pricing method:

- Cost Plus:
  - Guarantees contribution
  - simple to calculate
  - not optimal
- Competition
  - par with market
  - price war implications?
  - not optimal
- Value
  - optimal
  - difficult to determine

6. Final price selection: odd / even etc.

Financing issues.

Life-cycle Pricing issues. Especially w/ services, two tier pricing etc.

Price Segmentation/Discrimination: Varying prices due to market conditions, different consumers:

- "cost to serve" are different
- value of product are different
- service demands differ

Methods of segmentation/discrimination:

- Price negotiation (second hand car examples, online auctions)
- Geography
- Price and quantity discounts: seasonal discounts, trade discounts, trade-ins
- Promotion pricing: loss leader (lock-in etc.), special event, rebates, low interest financing, warranties
- Discriminatory pricing: customer segment pricing, product form pricing, time pricing
- Product mix pricing: line pricing, optional feature, two part pricing, product bundling
- Product bundling: office suite etc.

Price changing issues (reducing or increasing) also relevant for establishing a price, at above or below market:

- Customer reactions
- Competitor reactions
- Collaborator reactions

[Game theory](#) implications of adopting prices in competitive markets.

Signal value of price changes to competitors and customers.

Price transparency issues for establishing and changing prices.

Dealing with competitor price changes.

Discussion Topic: What are the potential long run consequences of a price promotion designed to attract competitors customers?

Discussion Topic: Relate examples of products that are "free" ... and if they are free, what is the objective of the company?

Discussion Topic: Access [E-bay](#) and describe your experiences as a buyer / seller. What type of products would work well under a dynamic pricing model? Does the life cycle stage of a product impact its attractiveness for dynamic pricing?

**Relevant Knowledge @ Wharton Articles**

[Will Consumers Be Willing to Pay for Their Formerly Free Lunch on the Internet?](#)

[Can Priceline Remain Profitable?](#)

[New Internet Pricing Models Bring Pain, and Fortune, to Retailers](#)

[Is the Price Right? Ask Jay Walker](#)

[How Store Location and Pricing Structure Affect Shopping Behavior](#)

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Return to [Syllabus](#)

---

**Marketing Strategy: Key Concepts 8**

**Channel Selection Issues**

Use intermediaries who perform functions more efficiently. Functions include:

- information flow

- promotion
- negotiation
- ordering
- financing
- risk taking
- physical possession
- payment and title

Two key issues to support intermediaries

- Improve exchange efficiency (5 mf. and 5 customers = 25 transactions with no intermediary; 10 transactions with one intermediary)
- specialize in functions listed above

Types of utility provided by intermediaries:

- Time
- Place
- Possession
- Form

Channel decisions include:

- direct selling versus using 1 or 2 or more intermediaries  
 Manufacturer -> Consumer  
 Manufacturer -> Retailer -> Consumer  
 Manufacturer -> Wholesaler -> Retailer -> Consumer  
 Manufacturer -> Distributor -> Wholesaler -> Retailer -> Consumer  
 Examples
- analyze customers' desired service outputs (size, waiting time, spatial convenience, support etc.)
- channel objectives and constraints (based on product characteristics, intermediaries, environment and competitors channels)
- buyer behavior (consumer and channel)
- buyer demographics
- identify channel alternatives (exclusive (BMW) vs. selective (clothes lines) vs. intensive (orange juice))
- competitors' channels
- channel terms and responsibilities
- Channel incentives (trade promotions etc.)
- evaluate channel by economic, adaptive and control criteria

Direct to market =

- Greater fixed cost
- Greater effectiveness / control over contacts

- Greater control over targeting

Indirect to market =

- Greater variable cost
- Less control / responsibility
- Greater coverage
- Knowledge of customer within channel

Issues in selecting channel partners:

- What role do partner play?
- What margin do we give?
- Can / do they carry competing / complementary product, private labels
- How do we incentivize
- Do they pass on price cuts?
- How do we control for cannibalization w/ other channels (direct)?

[Lock-in](#) to channel decisions

Channel decisions impact on other elements of the [mix](#)

Life cycle issues change channel strategy.

Early stage: Specialized channels

Growth stage: Alternative channels

Maturity stage: Mass channels

Early stage: high control, service and delivered price

Later stage: increasing conflict, range of providers, complexity of channel

Channel member relationships

Impact of trade promotions: distortion effects?

Zero sum Relationship w/ channel members?

Need to build [symbiotic relationships](#) with channel members.

Channel modification issues

Trends include vertical, horizontal and multi-[channel conflict](#).

Internet has had significant impact re: building new channels and changing industries through [disintermediation](#) and information flow issues.

Legal and ethical issues:

- Exclusive dealing
- Exclusive territories

- Tying agreements
- Dealers' rights

## **Retailing**

Retailing includes all interactions w/ final customer

- Store retailing (specialty, department stores, supermarkets, convenience, superstores, discount stores, warehouse stores, hypermarkets and catalog showrooms)
- Non-store retailing (direct selling, direct mail billing, catalogs, web, vending machines)
- Retail organizations (corporate chains, voluntary chains / retailer cooperatives, consumer cooperatives, franchises, independents)

Retail life cycle

Wheel of retailing

Retail market planning:

- target audiences
- product: assortment and service
- product: positioning (Kmart vs. Wal Mart and Target)
- product: services and store atmospherics
- product: symbiotic relationships
- pricing
- promotion
- place

Retailing trends:

- new forms
- shortening life cycles
- non store growth
- intertype competition, polarity, category killers
- one-stop shopping
- global expansion
- stores as meeting places

## **Wholesaling**

Wholesaling includes all interactions w/ intermediaries buying for resale or business use.

Functions include:

- selling and promotion
- buying and assortment-building



- bulk-breaking
- warehousing
- transporting
- financing
- risk bearing
- supplying market information

Wholesalers comprise four groups:

- merchant wholesalers (take possession, full service vs. limited service)
- agents and brokers (do not take possession, paid commission)
- manufacturers' and retailers' branches
- miscellaneous wholesalers (e.g. agricultural, bulk chemicals)

Increasing importance of logistics, and providing a system-wide approach at reducing costs.

Logistics decisions:

- order processing (shorten order to remittance cycle)
- warehousing
- inventory
- transportation (rail, air, trucks, waterways, and pipelines)

Interesting sites:

- [Carmax.com](http://Carmax.com) for used cars
- [Amazon.com](http://Amazon.com) for used books
- [Napster](http://Napster) and [Gnutella](http://Gnutella) for music

**Discussion Topic:** Impact of channel members creating a market for used product. Is this good or bad for the market, how does it impact the value of the new product?

### **Relevant Knowledge @ Wharton Articles**

[Kmart's 20-Year Identity Crisis](#)

[Taking Stock of Supermarket Retail Performance](#)

[Pay-for-Performance Trade Promotions Can Ease Friction Between Manufacturers and Retailers](#)

[Christmas E-tailers: Will It Be Ho-Ho or So-So?](#)

[Making the Case for Outside Sales Reps](#)

[How Store Location and Pricing Structure Affect Shopping Behavior](#)

Add relevant websites

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Return to [Syllabus](#)

---

## Marketing Strategy: Key Concepts 9

### Direct and Online Marketing

An interactive system that creates a measurable response (variable cost versus fixed cost of marketing) and / or transaction.

Goal to develop relationships with customers.

Rapid growth rate.

- catalog and direct mail sales growing about 7% annually (retail sales @ 3%)
- internet growth rates ([Cyberatlas](#) is a great resource for the number)

Growth due to innovations in:

- technology: databases (data mining and warehouses) / communication systems
- toll-free telephone services
- payment systems (credit cards and [smart cards](#))

Provides continuity, better timing, testability and privacy. Can benefit both customers and business with highly targeted and efficient exchanges.

Database marketing to support direct marketing. Companies can use their databases to:

- identify prospects
- differentiate offers
- cross sell products
- build loyalty
- reactivate customer purchases

Issues with direct marketing include:

1. annoyance
2. deception and fraud
3. [privacy](#)

Major direct marketing channels:

- Face-to-Face
- Direct Mail (inc. voice-mail and e-mail, bills, fax)
- Catalog Marketing (inc. CDs)
- Telemarketing (use of computers / cell phones ([contextual marketing](#)))
- TV (direct response advertising / infomercials / shopping channels)
- Kiosks (and vending machines)
- Online ([permission based marketing](#))

Online marketing is the most recent evolution of direct marketing. This can create [channel conflict](#).

### **E-Commerce Marketing**

- [Session 1: Introduction](#)
- [Session 2: Aspect of WWW as a Medium](#)
- [Session 3: Markets and Pricing Models and Digital Economics](#)
- [Session 4: Advertising](#)
- [Session 5: E-tailing](#)
- [Session 6: Integrated Marketing and Communications](#)

### [Direct Marketing Association](#)

Add relevant websites

### **Relevant Knowledge @ Wharton Articles**

[Will Consumers Be Willing to Pay for Their Formerly Free Lunch on the Internet?](#)

[The Cell Phone as Marketing Tool: Will Consumers Answer the Call?](#)

[Clicking With Customers: New Challenges in Online Conversion](#)

[Why Job Searching is the Second Most Popular Activity on the Internet](#)

[Are There Lessons to Be Learned from Internet Porn Sites?](#)

[New Internet Pricing Models Bring Pain, and Fortune, to Retailers](#)

[Three Marketing Lessons from the Love Bug](#)

[How Companies Sponsor, Listen in and Learn From Chat Rooms](#)

[Is Your Website Working Well for You? Check its e-Performance](#)

[How to Keep Customers In Line for Your On-line Business](#)

[Hit and Miss: Why High Traffic Streams Need not Lead to More Online Business](#)

[Stephen King's Novel Idea: Will It Change the Publishing Industry?](#)

[Christmas E-tailers: Will It Be Ho-Ho or So-So?](#)

[A Search for Google's Success Turns Up Two Words: Trust and Technology](#)

Link to [discussion board](#)

Return to [Syllabus](#)

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### **Marketing Strategy: Key Concepts 10**

[got milk?](#)

Definition:

To communicate with individuals, groups or organizations to directly or indirectly facilitate exchanges by informing

and persuading one or more audiences to accept an organization's products.

-Companies must communicate with their customers, this communication should not be left to chance.

Design communication to your specific target audience:

- Target Market
- Part of Target Market
- Different stakeholders of your organization.

Promotion: Fourth element of the [marketing mix](#). Need to make sure the goals of promotion are integrated with other Ps.

Need to design a communications strategy, that integrates the promotion mix:

- advertising: paid form of non personal communication about an organization or its products that is transmitted to a target audience through a medium:  
US: 1990, \$138 b, 2000 \$320 b (approx), worldwide, \$780 b. In US, 25% promotional budget
- sales promotion: materials that act as a direct inducement, offering adding value, or incentive for the product, to resellers, sales people or consumers: trade promotions = 47% of promotional budget, consumer promotions = 28%
- public relations / publicity: news story form about an organization or its products or both, through a medium at no charge

- personal selling: personal communication in an exchange situation
- direct marketing

Increasing importance of Integrated Marketing Communications ... Why?

The fourth P the critical P?

Communications process consists of:

1. sender
2. encoding
3. message
4. media
5. decoding
6. receiver
7. response
8. feedback
9. noise

Need to identify and understand the target audience, from the perspective of information processing:

1. selective attention
2. distortion
3. recall
4. contextual issues

Steps of the promotional program:

1. Identify target audience and characteristics, and perception of product, context etc.

2. Define communications objectives (not aware, awareness, interest, evaluation, trial, adoption).  
Seeking cognitive, affective or behavioral response
3. message:
  1. content (rational / emotional / moral)
  2. structure (one or two sided)
  3. format (headline, copy, sound)
  4. source (trusted / likable / expert)
4. select media (communications channels)
5. establish budget (affordable / % sales / competitive / objective and task)

Consider:

- push versus pull
- stage of purchase process
- stage of product life cycle
- product complexity and risk
- market position

### **Advertising**

Need to consider the following issues when considering whether to advertise:

- Does the product possess unique, important features to focus on Unique Selling Point (USP)
- Are the hidden qualities important to the buyers
- Is the general demand trend for the product adequate
- Is the market potential for the product adequate
- Is the competitive environment favorable
- Is the organization able and willing to spend the required money to launch an advertising campaign

## Issues to consider for advertisers:

- Reach: national, regional, local
- audience: industrial, consumer
- product: product, brand, institution
- objectives: awareness, interest, evaluation, trial, adoption (inform, persuade or remind)

## Decision making for advertising:

1. objectives setting
2. budget decision (stage in product life cycle, market share, competition and clutter, needed frequency, product substitutability)
3. message decision
  - message generation
  - message evaluation and selection ... USP ?
  - message execution: structure depending on media (print: headline, illustrations, sub headline, body copy, signature)  
defined objective, defined product positioning, build product differentiation, consistent through campaign, strong integration, appropriate target market, simple product centered message, positioning of brand name within message
  - social responsibility issues ... a wider context of evaluation
4. media decision
  - reach (# of ppl exposed at least once), frequency (total number of times reached) and impact (quality of impact)

- media types (TV (22%), Newspaper (23%), Direct Mail (20%), Outdoor, Magazines (6%), Radio (7%), WWW)
- Media Vehicles (programs, WSJ, Yahoo, Vogue): cpm relevant market etc.
- media timing
- geographic allocation: national versus spot buying

## 5. ad effectiveness evaluation

Useful advertising links: [adforum](#), [Advertising Age](#), [tbwa/chiat/day](#), [Fallon](#), [Organic](#), [Mad Dogs and Englishmen](#)

After reviewing [NetRatings](#), discuss the state of advertising on the web.

### **Sales Promotion**

Shorter-term tools to stimulate demand (consumer, trade and orgs. sales force.)

Potential impact on brand and shift demand?

Sales Promotion spend exceeds advertising spend and is growing faster ... why?

Consumer promotional tools include:

- samples
- Coupons (redemption rates ?)
- rebates
- cash refunds
- product warranties (high risk items)



- premiums (McDonalds)
- prizes
- frequent user programs
- free trials
- point of purchase displays

Discussion Topic: Take a look at [Sweepstakesbuilder](#):  
What roles does a service like this provide for web-sites?  
Why would web-sites participate?

Trade promotional tools include:

- reduced price
- advertising support
- free goods
- push money

### **Public Relations**

Can build awareness and preference in the marketplace, repositioning products, and defending them.

Tools include:

- news
- speeches
- events
- public service activities

Proactive versus reactive approach?

Media relations

Dealing with bad publicity?

## Sales

Need to determine salesforce:

- objectives; prospecting, communicating, selling, servicing, information gathering
- strategies: solo, team
- structure: territory (size / shape), product, customer
- size
- compensation: salary, commission, bonus, expenses

Personal selling includes:

1. prospecting and qualifying
2. preapproach: learn about prospect
3. approach: greeting
4. presentation: tell the story
5. overcoming objections
6. closing
7. follow-up and maintenance

Importance of negotiations

Standards versus flexibility

Relationship management versus single transaction

Technologies impact on selling? (Knowledge of customer / CRM / flexibility)

**Relevant Knowledge @ Wharton Articles**

[Corporate Sponsorships of Stadiums and Other Institutions Don't Always Pay Off](#)

[Do Mixed Emotions and Advertising Mix?](#)

[The Cell Phone as Marketing Tool: Will Consumers Answer the Call?](#)

[How and When Advertising Works](#)

[Technology is Changing the Advertising Business](#)  
[Pay-for-Performance Trade Promotions Can Ease Friction Between Manufacturers and Retailers](#)

Link to [discussion board](#)  
Return to [Syllabus](#)

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## Social Marketing

**Social marketing** is the planning and implementation of programs designed to bring about social change using concepts from commercial marketing.

Among the important marketing concepts are:

- The ultimate objective of marketing is to influence action;
- Action is undertaken whenever target audiences believe that the benefits they receive will be greater than the costs they incur;
- Programs to influence action will be more effective if they are based on an understanding of the target audience's own perceptions of the proposed exchange;
- Target audiences are seldom uniform in their perceptions and/or likely responses to marketing efforts and so should be partitioned into segments;
- Marketing efforts must incorporate all of the "4 Ps," i.e.:
  - Create an enticing "*Product*" (i.e., the package of benefits associated with the desired action);
  - Minimize the "*Price*" the target audience believes it must pay in the exchange;
  - Make the exchange and its opportunities available in "*Places*" that reach the audience and fit its lifestyles;
  - *Promote* the exchange opportunity with creativity and through channels and tactics that maximize desired responses;
- Recommended behaviors always have competition which must be understood and addressed;
- The marketplace is constantly changing and so

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program effects must be regularly monitored and management must be prepared to rapidly alter strategies and tactics.

These key concepts can be abbreviated as follows:

- Action is the objective
- The target audience is the focus
- The exchange is critical
- Segment markets
- Use all four Ps
- Analyze and beware of competition
- Monitor and be flexible

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## **Key concepts**

Key concepts of importance for utilising market information and market research:

### **CASE CONCEPTS**

The article discusses the continued opportunities that exist for no-frills air travel, allowing examination of **market segmentation** opportunities and the processes that may be involved in gathering **qualitative** and **quantitative data** on business and leisure travelers. Further, there is opportunity to discuss the different **research methodologies** that could be employed and the arguments for the creation of an effective **marketing information system**.

### **CHAPTER CONCEPTS**

#### *Marketing Information System*

The system consists of people, technology, and processes to gather, sort, analyse, and disseminate information in a timely and accurate form for marketing decision makers. Interestingly the elements identified for a marketing information system are the same as for any other type of management information system. The uniqueness

of a marketing information system is the focus on marketing orientated information.

#### *Developing Information*

The information required by marketing professionals from a marketing information system, as described in Figure 8.1 on p.317, emphasizes internal company records, marketing intelligence, and market research. The information analysis system, typically driven by specialist computer technology, processes data to produce meaningful and useful information.

#### *Defining the Market*

A market is termed by many as a place where buyers and sellers communicated in the process of buying and selling goods. Traditionally the place of such exchanges would be physical in nature but due to developments in technology the location for many markets is also becoming virtual.

#### *Assessing Current Market Demand*

Marketing professionals need to be able to assess three aspects of current market demand: total market demand; area market demand; and actual sales and market share. The measurement process is currently driven by on-line marketing database systems which are developed through dedicated market assessment organisations or by the actual buyers and sellers within an industry. The gathering and distribution of information is now becoming more timely and responsive due to computer networks and buyer/supplier networks in both consumer and business markets.

#### *Forecasting Future Demand*

Market estimates are needed in order to judge future sales and market potential in countries, regions, cities and towns. This enables many organisations to allocate marketing budgets more cost effectively amongst chosen locations.

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## **Key concepts**

Key concepts relevant to learning:

### **CASE CONCEPTS**

The case looks for an application of **marketing services** to the entertainment industry, in particular multi-screen cinema theatres. The specific **characteristics** of the cinema service are indicated, requiring the suggestions of alternative **marketing strategies** for the use of cinema venues. While the case provides a US perspective on the problems, there is certainly applicability to the UK and lessons that can be learnt. It is important for students to be able to draw upon these

distinctions and perhaps suggest strategies for **differentiation**.

## **CHAPTER CONCEPTS**

### *Nature and Characteristics of a Service*

A service in the context of learning is quite intangible in nature but with measurable outcomes from the process of service offering. The learning market requires high levels of differentiation and responsiveness to changing needs.

### *Marketing Strategies for a Service Firm*

An acceptance and drive towards interactive marketing initiative in the pursuit of both responsiveness and the ability to adapt. Interactive marketing offers a shift towards more real time changes in service marketing.

### *Managing Differentiation and Change*

On-line learning provides an ideal platform for both dynamic and fluid approaches towards service delivery. The complexity of cyberspace also provides an infrastructure enabling both quality and differentiation.

### *International Services Marketing*

The global communications channel of the Internet offers unprecedented opportunities for service marketing initiatives. Technology driven service marketing initiative can be easily adapted virtually real time for market segments and cultural diversity.

### *Computer Mediated Communications*

Marketing services on the Internet needs to accept and harness the new modes of communications. Hypermedia tools are anticipated to radically change current marketing service initiatives through the mode and speed of communications.